George Cross
Reliable K

NO.229(1989)
NOVEMBER 29, 1989

WESTERN CANADIA

<u>CONTINENTAL GOLD CORP.</u> (CNT-V; CNTVF-Nasdaq)
340 DRILL HOLES,
250,000 FEET OF NQ CORE
ON 160-FOOT CENTRES PERMIT CALCULATION OF
200,000,000 TONS GRADING 0.3% COPPER, 0.02 OZ.GOLD/T
AVAILABLE TO A 1:1 WASTE-TO-ORE STRIPPING RATIO
WITH A NET REVENUE VALUE OF $15.00 PER TON
INCLUDING
45,000,000 TONS GRADING 0.35% COPPER, 0.022 OZ.GOLD/T
AVAILABLE TO A LOWER STRIPPING RATIO
$11,000,000 Can. EXPLORATION EXPENDITURES TO DATE
IN ADDITION
A SECOND ZONE CALLED THE SOUTHERN STAR
WITH 60 HOLES TOTALLING 50,000 FEET
ON APPROX. 330-FOOT CENTRES INDICATE AN ADDITIONAL
100,000,000 TONS OF A GRADE TO BE DETERMINED

THIS DISCOVERY IS OF SUFFICENT SIZE AND IMPORTANCE
TO RAPIDLY EXPAND AND CHANGE THE BASIC NATURE
OF THE MINERAL EXPLORATION INDUSTRY IN B.C.
FOR THE NEXT 20 YEARS.

THE MT.MILLIGAN DISCOVERY IS FORECAST TO CREATE THE
EXPANSIVE TYPE OF EXPLORATION CLIMATE IN B.C.
SIMILAR TO THAT WHICH FOLLOWED THE HIGHLAND VALLEY
DISCOVERIES OF BETHLEHEM COPPER, CRAIGMONT,
LORNEX, VALLEY COPPER IN THE 1950's AND 1960's

B.C. exploration has largely ignored the gold content of the copper mineralized alkaline intrusive porphyry deposits. Many of them were discovered and explored in the 1960's and 1970's for the copper content and molybdenum by-product. With the mine making potential suggested by the 1988-1989 work at the Mt.Milligan property of Continental Gold/BP, the "look-a-likes" are being staked/optioned and exploration resumed.

Robert G.Hunter, chairman, and Robert A Dickinson, president, in a recent interview discussed the project results to date and future plans.

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LOCATION AND ACCESS - LOGISTICS - TWO PROPERTY GROUPS

The 42 sq.mile property is located on gentle topography, at elevations from 2,500 ft. to 4,000 feet, on and near Mt.Milligan, 50 miles northeast of Fort St.James, accessible by a good logging road 30 miles west of MacKenzie, 150 miles north of Prince George, B.C. The property has good logistics with major power, rail services and established infrastructure.

Under an option agreement dated April 21,1986, the Continental Gold predecessor company United Lincoln, acquired the right to earn a 51% interest in the Mt. Milligan property by spending $215,000 over three years. United Lincoln completed the earning expenditures in 1987 and subsequently spent further funds to earn up to 69.84% while B.P. did not participate in the programs. BP resumed participation on May 27,1988 at 30.16% after United Lincoln had spent $852,000 on exploration and generated some significant encouragement. While United Lincoln was funding the program after having earned the 69.84% property interest, Continental provided funds to United Lincoln by buying treasury shares of United Lincoln until Continental Gold owned 69% of the issued shares. At times United Lincoln offered BP the opportunity to participate in the share purchases of United Lincoln which were declined by BP. -(CONTINUED ON PAGE TWO)-

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CONTINENTAL GOLD CORP. (CNT-V; CNTVF-Nasdaq)

CONTINUED FROM PAGE ONE - Since May 27,1988, BP has maintained its 30.16% interest expenditures. The last budget approved by the joint venture and contributed by BP was the $2,100,000 budget of Oct. 10,1989. The supplementary budget for $1,000,000 has been submitted but has not yet been agreed to by BP. These funds will carry the program to Dec,15,1989. Project expenditures are currently about $1,000,000 per month for drilling and engineering, etc.

The property, now controlled by Continental Gold, covers a total of 42 square miles of which approximately the southern 50% is part of the BP joint venture. The northern 50% of the land is 100% Continental Gold with BP having declined the opportunity to particpate when Continental Gold undertook the staking program. In the southern half of the property all of the work has been confined to the eastern one/third of a block, 3 miles east-west by 2 miles north-south, about 6 square miles. Airborne geophysical survey work and geological mapping have indicated a minimum of nine other anomalous intrusive centre targets adjacent to a large batholith size pluton. (SEE PROPERTY LOCATION MAP OVERLEAF P.1)

GEOLOGY

Mineralization is in altered volcanic rocks adjacent to an alkaline stock in a discreet zone around an intrusive plug. The target was located by an induced polarization and magnetometer survey in November 1988. In July 1989 the company completed a 900 line-miles airborne geophysical survey. Much of the property has been covered by soil sample geochemical surveys. The geologic model is a batholith scale pluton surrounded by smaller alkaline intrusive plugs some of which contain copper/gold mineralization.

Regionally the property lies within the northwest trending central volcanic core of the Upper Triassic-Lower Jurassic Takla Group of the Quesnel Belt. Takla volcanics are dominated by subaqueous alkalic pyroxene porphyritic andesite and basalt flows and pyroclastics with subordinate intercalated tuffs and argillites. Intruding the volcanic stratigraphy are comagmatic alkaline syenite-monzonite-diorite stocks.

The MBX porphyry gold deposit is situated on the eastern side of a 3,000-foot diameter porphyritic monzonite stock. Mineralization is hosted by easterly dipping pyroxene porphyritic andesite to latite flows and pyroclastics, and lesser interbedded trachytic tuffs and a 30-foot to 150-foot thick porphyritic monzonite dyke. Mineralization persists into the margin of the monzonite stock but with decreasing grades. The mineralized porphyritic monzonite dyke is considered to be a fine-grained equivalent of the stock.

The distribution of sulphides is zoned, but not uniformly. At the north end of the deposit pyrite and chalcopyrite occur in equal concentrations. Bornite, though present, is a minor constituent. Within the west central portion of the deposit the pyrite:chalcopyrite ratio is approximately 3:1. Along the east and southeastern margin of the deposit the pyrite content increases to 5% - 10%, and the pyrite:chalcopyrite ratio is approximately 20:1.

Metal zoning closely parallels that of the sulphides with gold concentrations increasing with the pyrite:chalcopyrite ratio. This relative gold enrichment coincides with the transition from potassium silicate to the propylitic alteration assemblage.

Both chalcopyrite and pyrite are auriferous and occur as separate grains. Intergrown sulphides are rare. Gold associated with pyrite occurs as small particles on grain margins.(SEE GEOLOGICAL MODEL SKETCH OVERLEAF P.4)

MINERAL RESERVES:

The Mt. Milligan deposit, as defined by the drilling, which has been continuous since the start of a reconnaissance program in August 1988, is a circular disseminated sulphide blanket-like system, 4,500 feet long, 3,500 feet wide and 880 feet thick, containing, as indicated by 340 diamond NQ drill holes, on 160-foot centres, and open to extension:

200,000,000 tons grading 0.3% copper, 0.02 oz.gold/t

The grade is equavalent to a 0.9% copper content.

Preliminary indications are that the new reserve calculations, now underway, will provide a slightly higher tonnage and grade. The new calculations are expected to be available in a few months. The mineralization is continuous within the zone with little internal waste and is available to an open pit with a stripping ratio of one ton waste to one ton ore. The zone is blind to surface covered by overburden from 5 to 150 feet thick, averaging 50 feet. It was a geological concept discovery found by drilling an airbone magnetometer anomaly after confirmation on the ground by geophysical and geochemical surveys and geological mapping. These reserves contain 5,000,000 oz. gold and 2,000,000,000 pounds (two billion) of copper, which could generate revenues in excess of $4,000,000,000 over a 15-year mine life. When mining of this reserve is complete the resulting open pit will be one mile long, one mile wide and 1,000 feet deep.

The Southern Star deposit is adjoining to the southwest the Mt.Milligan deposit and measures 2,700 feet by 2,000 feet. Recent results in the Southern Star deposit include:

	LENGTH FT.	COPPER %	OZ.GOLD/T
89-212	301.7	.35	.008
89-214	131.2	.42	.013
89-217	469.1	.24	.016
89-230	446.2	.32	.009
89-256	452.8	.43	.010
89-278	150.9	.57	.033
89-298	601.4	.31	.026
89-299	170.6	.44	.017

Recent drilling has also been underway 1,300 feet west of Mt. Milligan in the Gold Mark zone where hole No.89-261 cut 288.7 feet assaying 0.16% copper, 0.026 oz.gold/t.

METALLURGY: EXTENSIVE BENCH SCALE TESTS COMPLETED

A current program of metallurgical research is underway at Lakefield Research using a large scale composite 2,000 pound sample made up of 2,000 lengths of drill core each 6 feet long from various parts of the deposit. The work to date shows that a relatively coarse grind provides a rougher flotation concentrate with a recovery of 96% of the copper and 88.4% of the gold. Cleaner stage flotation tests are expected to produce a concentrate grading 26% copper and 1.5 to 2 oz.gold/t. No dilatorious materials have been found in the ore or concentrate to date.

Work to date indicates that the ore, waste, wallrock and tailings will be acid consuming. In the alternative there are large deposits of limestone in the immediate deposit area should any be needed for neutralizing.

CAPITAL STRUCTURE AND FINANCINGS

During November, 1989, Continental Gold has negotiated three private placements of 100,000 flow through shares each, all at $10.00 each for proceeds of $3,000,000 and all completed after the BP dispute writ filing. These share sales will bring the issued, fully diluted, shares to 8,500,000, including 750,000 shares in escrow of which 40% or 3,500,000 shares are held by directors and management. These fundings increased working capital and exploration funds to just over $4,000,000 with no debt. A number of other investors have offered to participate in additional funding.

(CONTINUED ON PAGE TWO, OVERLEAF)

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CONTINENTAL GOLD CORP. (CNT-V; CNTVF-Nasdaq)

CONTINUED FROM PAGE TWO - Earlier financings include: July 1988 a private placement to European banks for $2,250,000 at $2.25 per share; July 13,1988, NIM bought 259,000 shares at $5.00 each to provide $1,295,000; July 20,1988, a private placement of 500,000 units at $3.00 to Homestake Mining Company; Nov.16,1988 sold 120,000 flow-through units at $2.50 with warrants at $2.75; August 1989 Nim provided $2,000,000 through the purchase of 210,263 shares at $9.50 each.

In April 1989, Richardson Greenshields of Canada Limited was appointed financial advisors to Continental Gold. Continental Gold and BP have spent in excess of $11,000,000 exploring the property since Aug.1988.

A major shareholder is Rio Algom Limited which in July 1989 bought 573,353 shares of Continental Gold at $8.00 each for $4,586,824 from Homestake Mining Company and 54,700 Continental Gold shares from the open market for a total of 628,053 shares or 8.6% of the then issued shares or 7.4% of the 8,500,000 presently issued shares. Rio Algom has a representative on the board of directors of Continental Gold. He is Ray W. Ballmer, vice-chairman and chief executive officer of Rio Algom. Rio Algom also has a right to maintain its current percentage through participation in any future share sales. RTZ Plc is the parent of Rio Algom owning 51% of the issued shares. Rio Algom, in turn, is a partner in Canada's largest mine, Valley Copper.

DRILL PROGRAM

The current diamond drilling program has 5 rigs working two 12-hour shifts per day producing 35,000 feet of NQ core per month with a high of 45,000 feet of core in October. The 70-man crew is under the direction of Site Manager, C.Mark Rebagliati, P.Eng., who was the instigator of the project for BP in 1984. He negotiated the option agreement April 21,1986, between BP and the Continentl Gold predecessor company United Lincoln. The drilling will continue to Christmas break about December 15, 1989 and is scheduled to resume about Jan.15, 1989 with the extent, crew size, and drilling locations for the 1990 winter program to be established during the Christmas break and as the assay results from recent and present holes are received and evaluated.

GOLD VEINS YET TO BE EXPLORED

Wide-spaced drill holes have identified at least seven radiating, high grade gold veins peripheral to the disseminated deposit. The average gold vein intercept is 15.6 feet with an average grade of 0.3 oz.gold/t. Further drilling of gold veins is required to assess their extent. Hole No.89-192 cut in the Vein zone 90.5 ft. of 0.191 oz.gold/t, 0.44% copper, including 45.9 feet grading 0.325 oz.gold/t, 0.34% copper. In the 66 zone, hole No.89-184 cut 297.1 ft. assaying 0.107 oz.gold/t, 0.02% copper.

SOME ECONOMIC MODEL SUGGESTIONS

By taking copper at 80¢ per pound U.S. and gold at $400 U.S. per troy ounce, assuming the smelter pays 98% for the gold, and using recovery factors of 90% copper, 80% gold, the ore has a net revenue of $10.59/t prior to freight and smelting. By taking copper at $1.00 per pound U.S. and gold at $400 U.S. per troy ounce and assuming the same smelter payment for gold, but using a gold grade of 0.025 oz./t with the same recovery factors, the ore has a net revenue of $13.24/t, prior to freight and smelting. Copper smelting should range between $60 and $100 per ton of concentrate, 12¢ and 20¢ per pound of copper or 62¢ to $1.08 per ton of ore. The cash costs of production at Gibraltar, Bell, Smilkameen and Brenda average $4.50 per ton. By assuming the cash costs at Mt.Milligan could be $5.00 per ton then there is between $4.97 to $7.16 per ton or $248,500 to $358,00 per day to contributed to capital costs/profits.

All of which suggests that a 50,000 ton-per-day concentrator and mining plant, processing 18,000,000 tons per year, at a capital cost of $300,000,000, could recover 400,000 oz.gold per year and 100,000,000 pounds of copper per year and could generate a 2.3 to 3.3 year payout.

The present timetable is for completion of a bankable feasibility study in mid-1990 with production in late 1992 or 1993. The mine is being engineered by Cominco Engineering Services Limited for a 50,000 ton-per-day plant. Results to date suggest it is probably not necessary to take an underground bulk sample for metallurgical purposes. The underground decision is yet to be made. Environmental and socioeconomic studies are underway.

When production is achieved on this basis the mine would be the second largest in Canada, would double B.C.'s current gold production, and would fill the copper production gap which is forecast to occur over the next few years as Brenda, Granisle/Bell, Afton and Equity Silver complete processing of the presently economic mineral reserves and shut down.

Many of these questions will be answered when the production feasibility study is completed.

MINING COMPANY COMPARISONS

Hemlo Gold at $18.55 per share has a market capitalization of $1,600,000,000 and produces 400,000 ounces gold per year.

Brenda Mines at 31,000 tons per day operates at a payable metal rate of $6.90 per ton milled.

Gibraltar at 40,000 tons per day operates at $6.70 per ton milled on the same copper grade as Mt. Milligan but with no recoverable gold. Gibraltar does have a molybdenum by-product and is forecast to have earnings of about $24,000,000 in 1989.

Continental at $10.00 per share sells at $25.00 per oz. of the 3,450,000 oz. now owned not including copper which currently stands at about 1,400,000,000 pounds to Continental's account. Companies with comparable operating costs and levels of production have market capitalizations in the order of $1,000,000,000. Continental Gold's current market capitalization is 8,500,000 shares at $10.00 or $85,000,000.

THE WRIT

Continental Gold understands that BP's allegation is that a simple corporate procedural step, which was part of the March 1989 amalgamation between Continental Gold and the 69% subsidiary United Lincoln, somehow gave rise to a first right of refusal in favour of BP to acquire all of the interest in the Mt.Milligan property held by United Lincoln, namely 69.84%. The BP position relies on taking a word out of context and unreasonably applying it to the procedural step. Continental Gold is calling for an examination of discovery during December 1989.

Continental Gold states in the counterclaim it lost a line of credit commitment for financing in the amount of $15,000,000 as a result of the writ. Continental Gold also reported the suit caused a major Canadian mining company to suspend discussions relating to a proposed offer for all of the oustanding shares of the company to be priced at a substantial premium to the then current market price of $11.00 per share.

CONSULTANTS:

Continental Gold has employed a number of consultants on the project lead by Cominco Engineering Ltd., and including: Lakefield Research; Melis Engineering; Montgomery Consultants Ltd.; Don Barker, P.Eng., Ross Banner, P.Eng., Robert H. Hallam Environmental Management Ltd.; Hatfield & Associates Ltd. and Wright Engineers Ltd.

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BP RESOURCES CANADA LTD.

CONTINENTAL GOLD CORP.

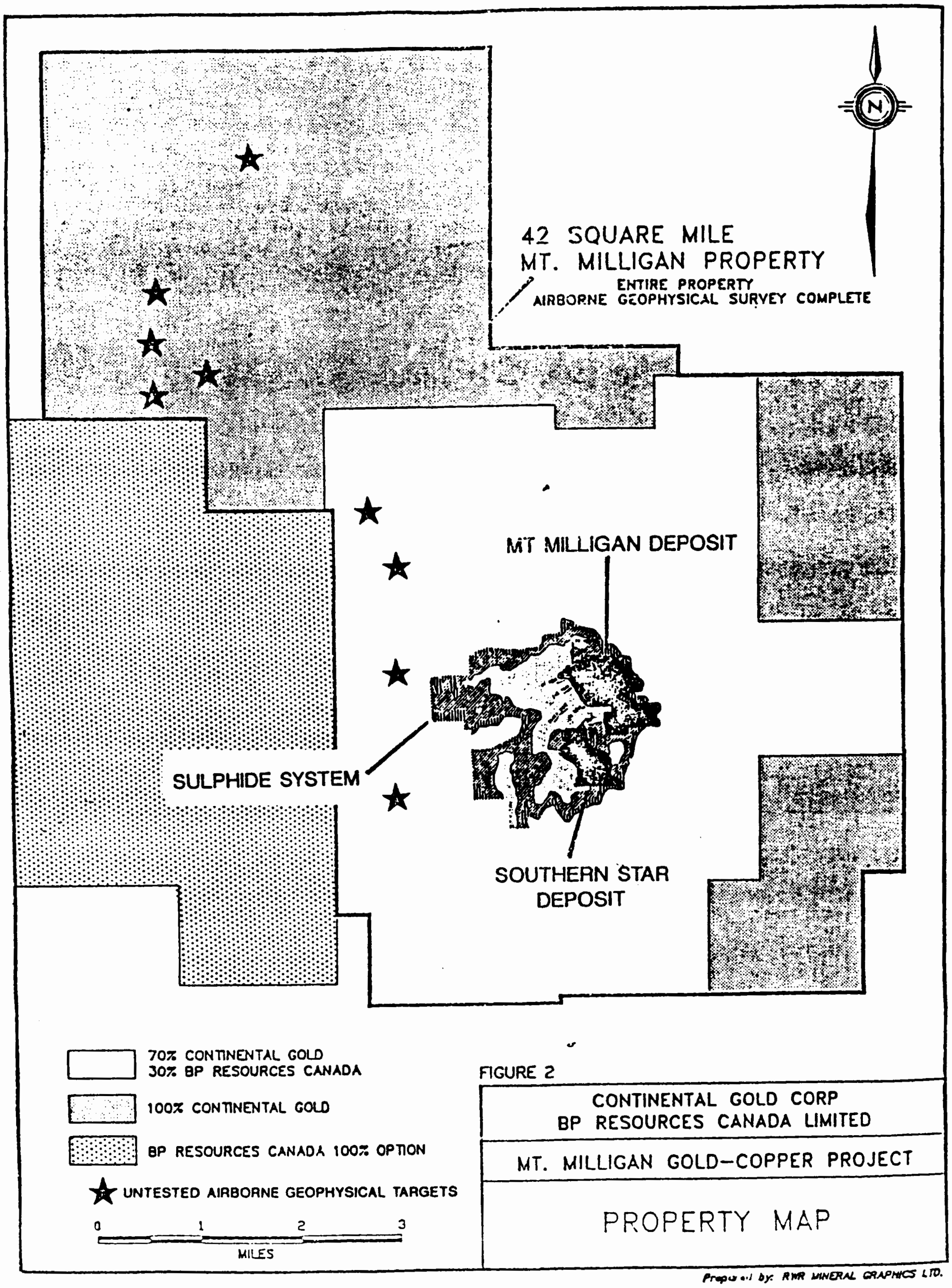

FIGURE 2

CONTINENTAL GOLD CORP
BP RESOURCES CANADA LIMITED

MT. MILLIGAN GOLD–COPPER PROJECT

PROPERTY MAP

Prepared by: RWR MINERAL GRAPHICS LTD.

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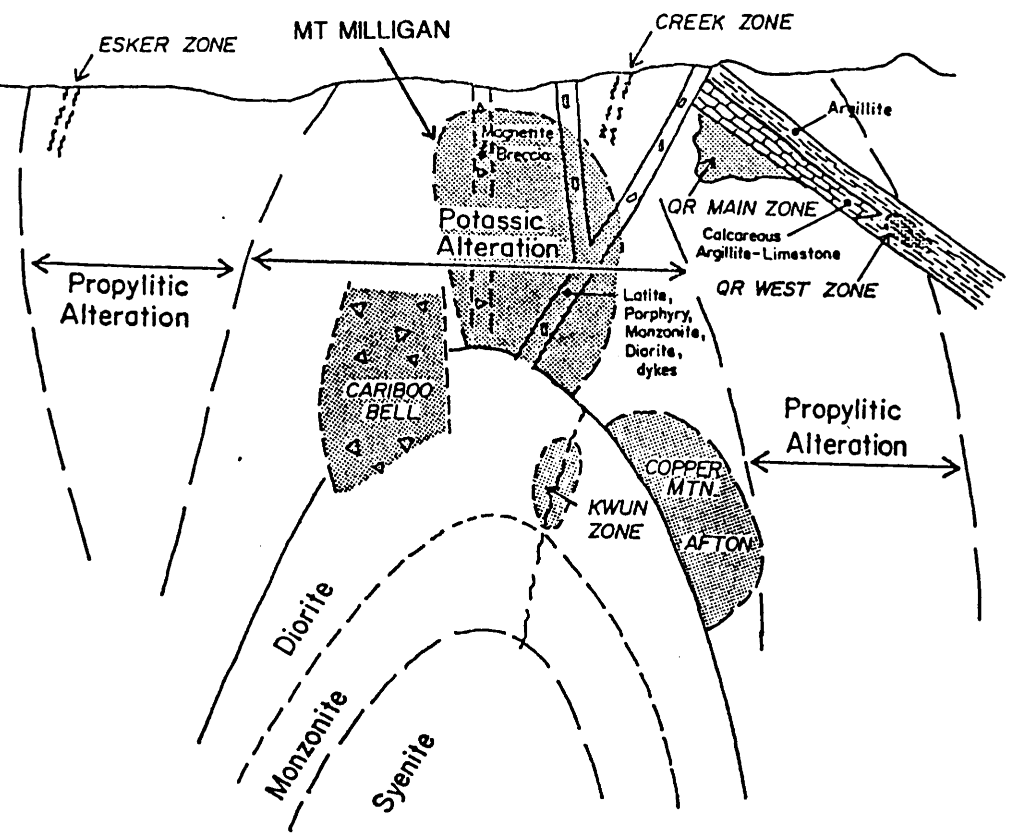

BP RESOURCES CANADA LTD.

CONTINENTAL GOLD CORP.

FIGURE 1

REBAGLIATI GEOLOGICAL CONSULTING LTD.
Continental Gold Corp
GENERALIZED MODEL FOR ALKALINE INTRUSIVE RELATED GOLD DEPOSITS MT MILLIGAN DEPOSIT

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