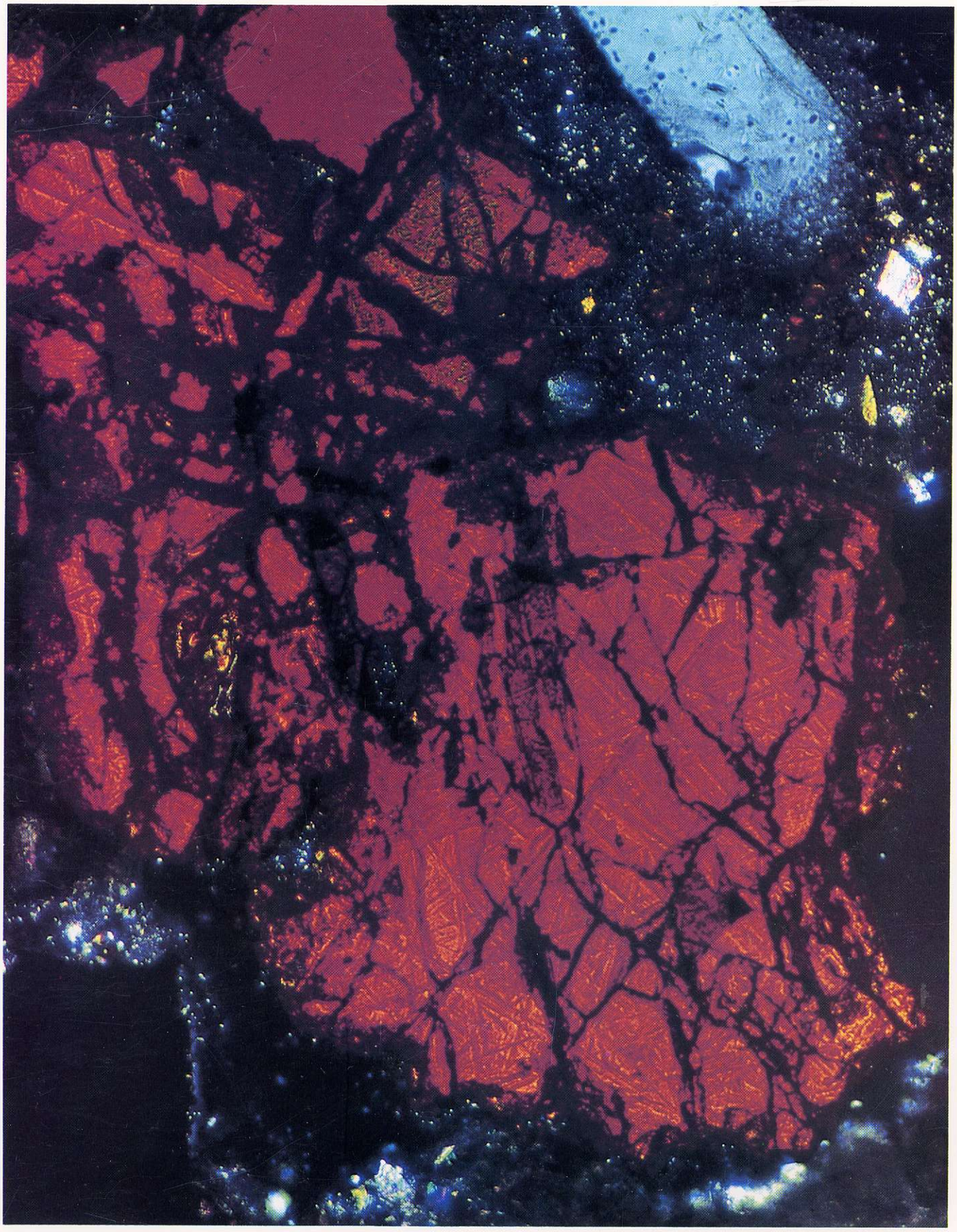


Houston Metals Corporation

Houston Metals Corporation

Corporate Directory

Corporate Offices

#910 - 800 West Pender Street
Vancouver, B.C.
V6C 2V6
Phone (604) 683-4245
Fax (604) 683-8366

Transfer Agent

Guaranty Trust Company of Canada
800 West Pender Street
Vancouver, B.C. V6C 2V7

Guaranty Trust Company of Canada
88 University Avenue
Toronto, Ontario M5J 1T8

Shares Listed

Vancouver Stock Exchange
Trading Symbol "HML.V"
O.T.C. - U.S.A.

Cover Photograph: Thin section of mineral sample from the Camp Vein, Silver Queen Mine, B.C. This mineral is pyrargyrite, also known as ruby silver, [Ag_3 Sb S_3]

Observations: Silver is concentrated in the rhodochrosite-rich and carbonaceous zones of the Camp Vein. There it occurs in acanthite, pyrargyrite, Ag-rich tetrahedrite (as much as 20% Ag), and tennantite (0.1% Ag). These silver-rich zones appear to be fairly late in the paragenetic sequence. Acanthite and particularly pyrargyrite (ruby silver) generally indicate moderate to low temperature conditions (175 - 225°C) in epithermal deposits.

HOUSTON METALS CORPORATION

Suite 910 - 800 West Pender Street
Vancouver, B.C., Canada V6C 2V6
Telephone: (604) 683-4245
Facsimile: (604) 683-8366

FOR IMMEDIATE RELEASE

February 3, 1988

Continued Progress

Camp Vein System

An extensive drill program is being carried on to delineate the Camp Vein System which consists of perhaps 5 veins striking north-west south-east under heavy overburden in the area immediately west of the camp buildings. This system was discovered last fall and most of the tonnage derived from this system is not included in any previous calculation.

To date probable (drill indicated) tonnage may be 155,000 tons grading (weighted average):

Au(oz/ton)	Ag(oz/ton)	Cu(%)	Pb(%)	Zn(%)
0.04	13.91	0.07	1.23	5.16

Attached is a plan view and a section (101) indicating the extent and position of the Camp Vein system. Drilling is continuing.

Cole Lake Crosscut

The Cole Lake Crosscut intersected the "Jack Vein", the first of an anticipated series of veins at 3,500 ft. from the portal, grades over 3 ft. are as follows:

Au(oz/ton)	Ag(oz/ton)	Cu(%)	Pb(%)	Zn(%)	Ge(ppm)
0.042	3.91	1.55	0.66	0.32	25

The intersect is about 600 ft. below the surface.

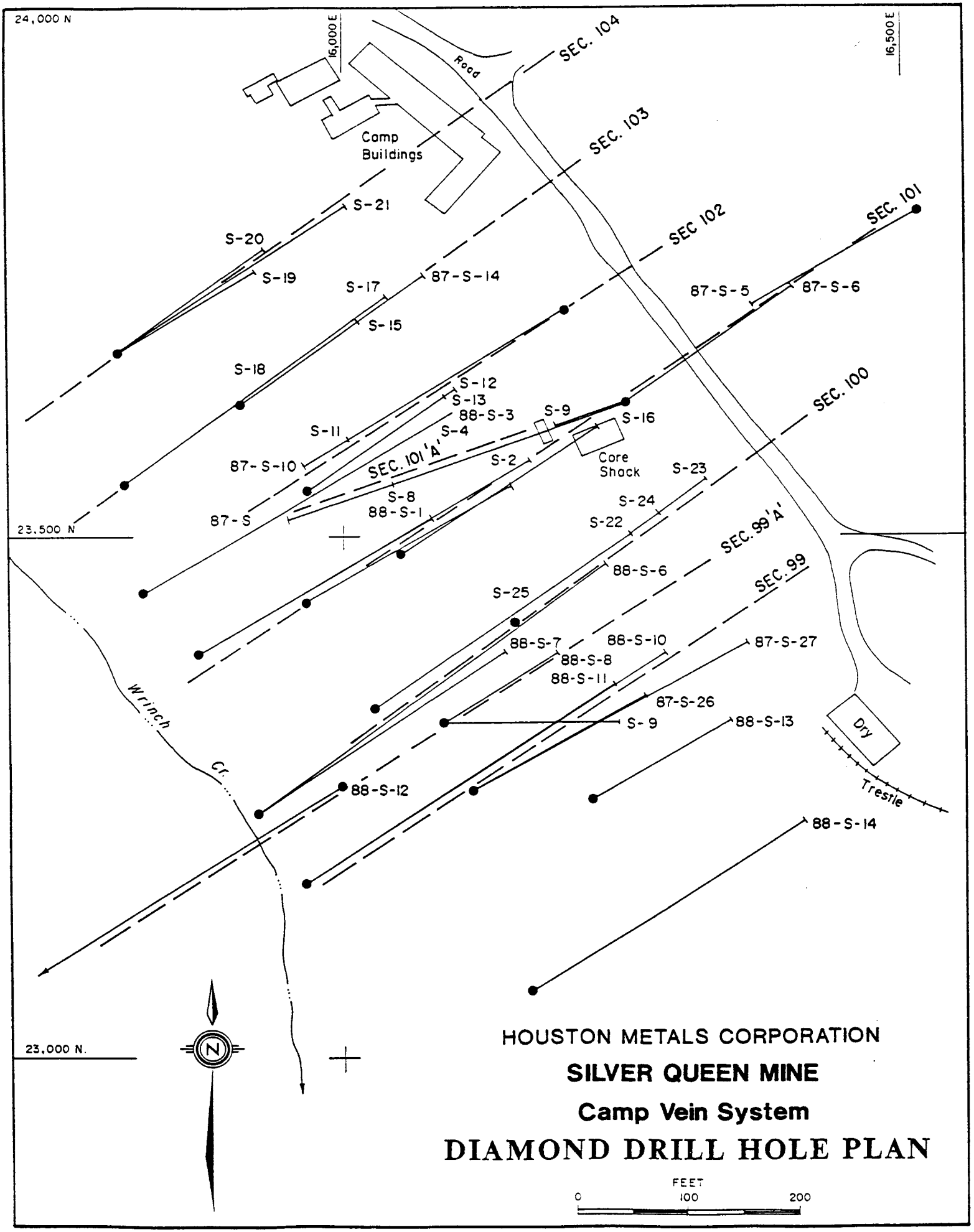
Drifting on three headings, the 15% decline, the Cole Lake crosscut, drift toward the No. 1, and diamond drilling is continuing.

HOUSTON METALS CORPORATION
Per:

Adolf A. Petancic
President

This news release has been prepared and approved by the board of directors of Houston Metals Corporation, who accept full responsibilities of its contents.

The Vancouver Stock Exchange has neither approved nor disapproved of the information contained herein.



HOUSTON METALS CORPORATION

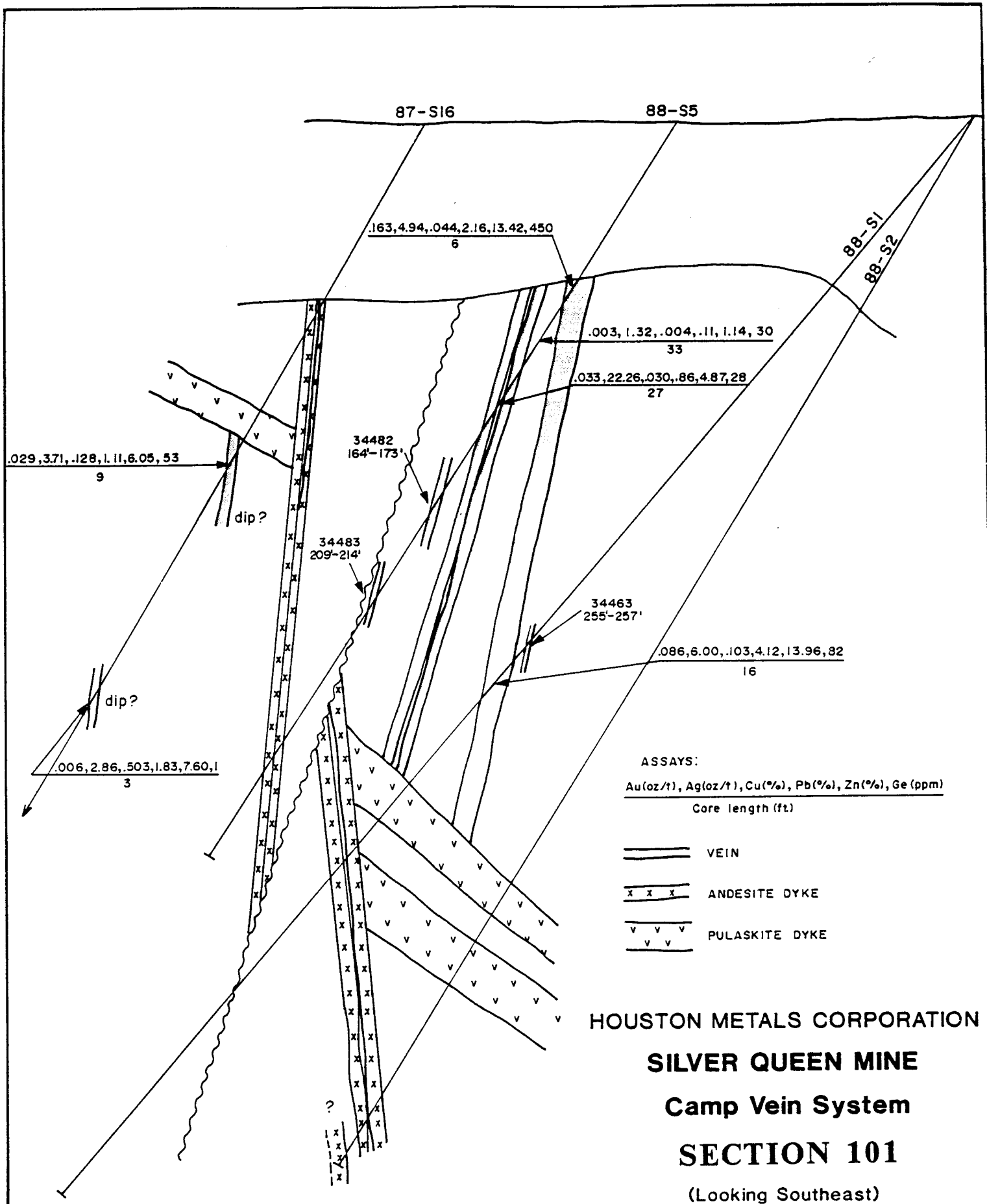
SILVER QUEEN MINE

Camp Vein System

DIAMOND DRILL HOLE PLAN

FEET

0 100 200



HOUSTON METALS CORPORATION

SILVER QUEEN MINE

Camp Vein System

SECTION 101

(Looking Southeast)

FEET 0 10 20 30 40 FEET

JANUARY, 28, 1988 J.M.H.

HOUSTON METALS CORPORATION

Suite 910 - 800 West Pender Street
Vancouver, B.C., Canada V6C 2V6
Telephone: (604) 683-4245
Facsimile: (604) 683-8366

FOR IMMEDIATE RELEASES

February 3, 1988

Further Flow-Through Financing Arranged

Houston Metals Corporation (Houston) announces the signing of a letter of intent with Excan Mining Management Ltd. on behalf of IMEX (1988) Mineral Exploration and Company, Limited Partnership (IMEX) to subscribe for a maximum of 1,844,828 flow-through shares to be issued by Houston at $1.16 per share for a maximum aggregate consideration of $2,140,000, subject to the availability of funds.

The approval of the Vancouver Stock Exchange and the acceptance of Houston as a reporting security issuer in the Province of Quebec by the Quebec Securities Commission and the listing of Houston's shares on the Montreal Stock Exchange is required for this transaction to be completed.

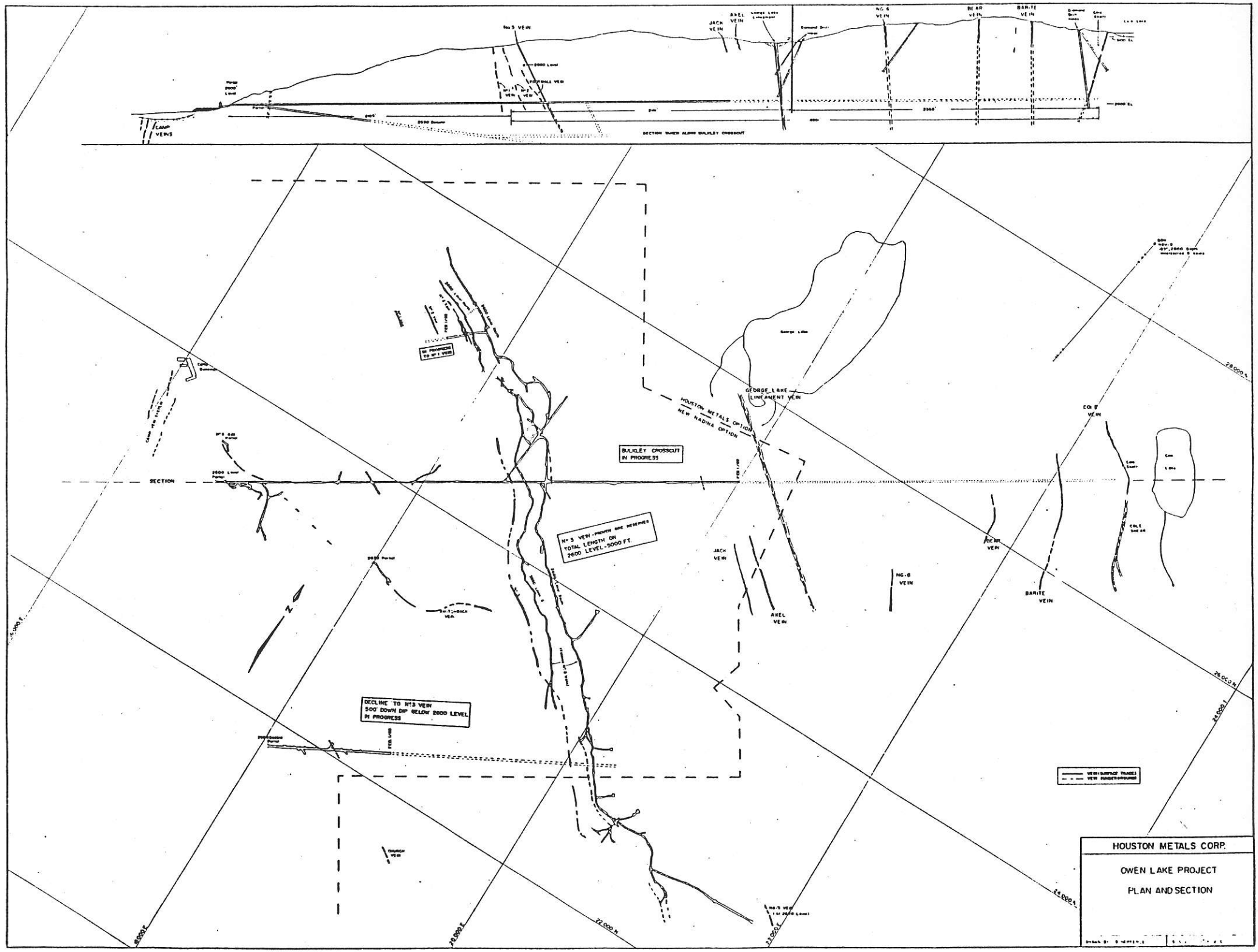
Upon completion of the transaction a finder's fee pursuant to rule 6/83 of the Vancouver Stock Exchange is payable to First Century Capital Inc.

HOUSTON METALS CORPORATION
Per:

Adolf A. Petanelc
President

This news release has been prepared and approved by the board of directors of Houston Metals Corporation, who accept full responsibilities of its contents.

The Vancouver Stock Exchange has neither approved nor disapproved of the information contained herein.


No.3 VEIN
JACK VEIN
AXEL VEIN
NO. 6 VEIN
BEAR VEIN
BARITE VEIN
CAMP VEINS
SECTION TAKEN ALONG BULKLEY CROSSCUT
GEORGE LAKE LINEAMENT VEIN
HOUSTON METALS OPTION
NEW NADINA OPTION
BULKLEY CROSSCUT IN PROGRESS
SECTION
No 3 VEIN - PROVEN ORE RESERVES TOTAL LENGTH ON 2600 LEVEL - 5000 FT.
DECLINE TO No 3 VEIN 300' DOWN DIP BELOW 2600 LEVEL IN PROGRESS
CO B VEIN
BEAR VEIN
BARITE VEIN
JACK VEIN
AXEL VEIN
NO. 6 VEIN
28,000 E
26,000 E
24,000 E
22,000 E
20,000 E
18,000 E
HOUSTON METALS CORP.
OWEN LAKE PROJECT
PLAN AND SECTION

HOUSTON METALS CORPORATION

Suite 910 - 800 West Pender Street
Vancouver, B.C., Canada V6C 2V6
Telephone: (604) 683-4245
Facsimile: (604) 683-8366

February 2, 1988

Dear Sir/Madam:

Re: Silver Queen Mine, B.C.

The enclosed material provides a brief summary of the progress made by Houston Metals Corporation (Houston) at the Silver Queen Mine over the last 18 months.

Currently an active exploration program is being carried out which should expand the proven and probable reserves and improve the gold and silver grades over the figures shown in the attached material.

The attached material consists of:

A) Corporate fact sheet and property map;

B) Synopsis of base production case - as developed by James Wade Engineering Ltd. and Houston's staff;

C) Complete analyses of Cu-Pb-Zn concentrates as developed by Lakefield Research and letter from Dowa indicating saleability of copper concentrate.

D) Abstract - Lakefield Research Progress Report No.1;

E) Mill flow-sheet - base production case;

F) Circuit and comparative analysis of pyrite scavenging (being tested);

G) A breakdown of proven and probable ore by vein structures;

H) Graph depicting difference in recovery at current prices;

I) Recent news releases.

Yours truly,

HOUSTON METALS CORPORATION
Per:

Adolf A. Petancic
President

AAP/dc
encls.

HOUSTON METALS CORPORATION
CORPORATE FACT SHEET

Shares Listed

Vancouver Stock Exchange
Trading Symbol "HML.V"
OTC - USA

Capitalization

Authorized capitalization - 50,000,000 common shares

Issued and outstanding - 8,987,339 common shares
315,565 shares of the company are escrowed subject to release pursuant to the regulations of the Vancouver Stock Exchange.

Approximately 3,000,000 shares have been issued to First Exploration Fund 1986/87, National Exploration Fund 1987 and Vanguard Mining Exploration Limited Partnership, for flow-through funds provided. An additional 1,486,710 flow-through shares will be issued for monies committed by the Funds and to be expended by Houston before month end February 1988.

Directors

Adolf A. Petancic - President/Director
J. Michael Mackey - Secretary/Director
Hugh G. Farris - Director
John Petancic - Director
George O. M. Stewart - Director

Financial Information

Approximately $7,200,000 (Cdn.) has been raised by Houston for exploration and development of the Silver Queen Mine since Houston's shares were listed on the Vancouver Stock Exchange in late October 1986. The majority of the funds have been provided by flow-through financings from First Exploration Fund (sponsored by Merrill Lynch/Dominion Securities Inc.), National Exploration Fund and Vanguard Mining Exploration Fund; the balance of the funds were raised by a public financing on the Vancouver Stock Exchange and private placements, $1,300,000 is currently on hand.

Silver Queen Mine

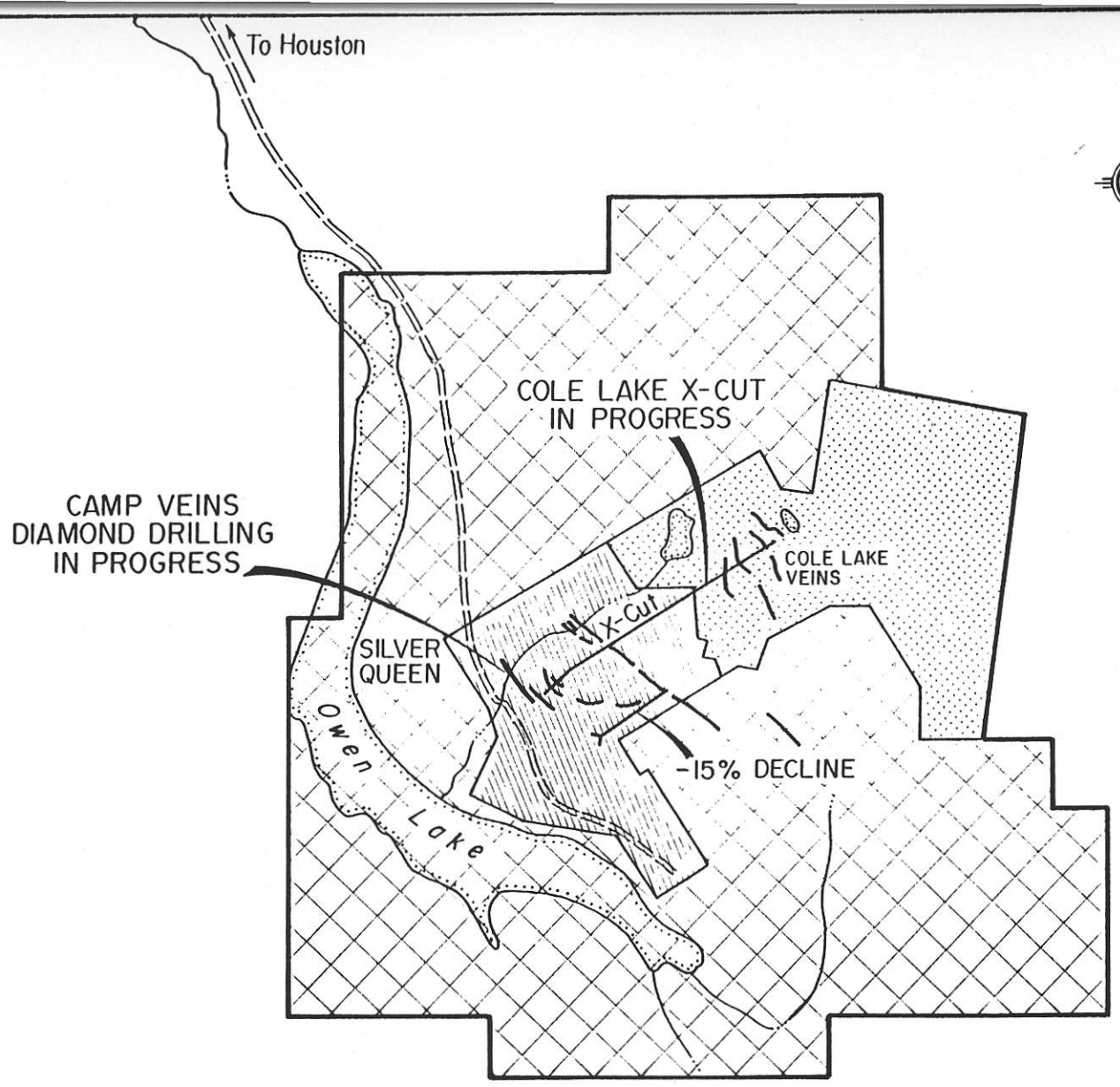
Houston is the operator of the Silver Queen Mine and has a 60% interest. Upon completion of the feasibility study (expected by June, 1988) New Nadina will have to contribute 40% of the development costs to retain its 40% interest. If New Nadina participate, Houston will receive 80% of all production until 2.5 times of Houston's exploration expenditures are repaid.

If New Nadina does not participate in the development, its interest will be reduced to a 10% or 20% net profit interest depending on the location of production.

Registrar and Transfer Agent

Guaranty Trust Company of Canada
800 West Pender Street
Vancouver, B.C. V6C 2V7

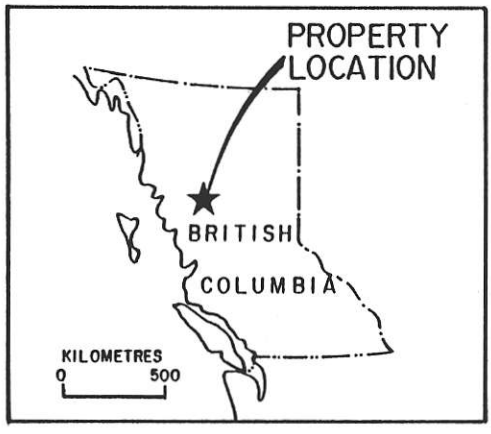
Guaranty Trust Company of Canada
88 University Avenue
Toronto, Ontario M5J 1T8



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

PETROMAC ENERGY INC. - 23 CLAIMS
-OPTIONED TO HOUSTON METALS

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

HOUSTON METALS CORPORATION

Suite 910 - 800 West Pender Street
Vancouver, B.C., Canada V6C 2V6
Telephone: (604) 683-4245
Facsimile: (604) 683-8366

SILVER QUEEN MINE B.C.

SYNOPSIS OF BASE PRODUCTION CASE

All monetary amounts are stated in Canadian Dollars unless otherwise indicated.

Reserves

Diluted proven & probable	765,165 tons
Possible	833,075 tons
Total:	1,598,240 tons

Grade

Au (oz/ton)	Ag	In	Cu %	Pb %	Zn %	Ge ppm
0.093	9.920	0.5	.625	1.410	6.490	50

Mining

Rate: 700 tons/day, 5 days/week, 250 days/yr.
Method: cut and fill, recycle tailings plus crushed rock and gravel into mine.
Production: 175,000 tons/year.

Milling

Rate: 500 tons/day, 7 days/week, 350 days/year

Production:

Concentrate	Copper	Lead	Zinc
Weight tons/yr	4,100	3,800	18,000

Metals

	Cu lb/yr	Pb, lb/yr	Zn lb/yr	Au oz/yr	Ag oz/yr	Ge kg/yr	In oz/yr
Base Case	2,132,000	3,952,000	21,600,000	9,800	1,093,000	1,800	78,000
*Pyrite scavenging pre-aeration with lime + $Pb(No_3)_2$				9,800	137,000		
followed by cyanidation				19,600	1,230,000		

*Addition of pyrite scavenging circuit will require further capital costs and entails more operating costs than shown in the base case but will recover more gold and silver in addition to the base case. This process is working at the Equity Silver Mine and will be tested at the Silver Queen Mine.

Metals by value are distributed in the ore as follows, assuming enhanced recovery but no values given for Ge and In:

	Copper	Lead	Zinc	Gold	Silver
% of Total	9.13	4.68	30.83	29.46	25.89

Direct Mining & Milling Cost Estimates

a)	Mining	
	Exploration cost/ton	$ 5.87
	Deferred development cost/ton	$ 4.80
	Stope preparation cost/ton	$10.32
	Stope production cost/ton	$36.40
	Total direct mining cost/ton	$57.39
b)	Milling cost/ton	$21.35
	Total direct Mining and Milling cost per ton	$78.74

	Base Case	Pyrite Scavenging
Gross metal value at the end of milling cycle per ton of ore, before smelter charges, penalties and transportation costs	$194.61	$236.20
Total/yr 175,000 x	$34,053,715	$41,334,508

Capital Cost Estimate

Mill & Buildings	$15,514,000
Mining Equipment	4,000,000
B.C. Hydro Power Line	1,000,000
Upgrading of Tailings Pond	2,000,000
Contingency	2,486,000
Total Capital Cost	25,000,000

CAPITAL CONTRIBUTION

Case A - New Nadina contributes to capital cost.

Houston receives cash flow from 80% of all production until approximately $15,000,000 is repaid and then its interest is reduced to 60%

Case B - New Nadina does not contribute to capital cost.

Houston receives between 70% - 91.5% of all production during the life of the mine.

file:1223BE

HOUSTON METALS CORPORATION
Schedule of Copper, Zinc and Lead Concentrate Analyses,
(dry basis)
January 20, 1988

		Copper Concentrate (unroasted)	Zinc Concentrate	Lead Concentrate
ANNUAL QUANTITY - approx.		4,100 dst	18,000 dst	3,800 dst
ELEMENT				
Copper	Cu %	26.0000	0.5000	0.9000
Lead	Pb %	1.9000	0.5000	52.0000
Zinc	Zn %	6.0000	60.0000	7.3000
Iron	Fe %	17.8000	2.4000	6.0500
Nickel	Ni%	<0.0020	<0.0020	<0.0020
Bismuth	Bi %	0.2000	0.0080	1.0600
Cadmium	Cd %	0.0600	0.3400	0.0430
Indium	In ppm	40.0000	140.0000	<20.0000
Manganese	Mn %	0.5400	0.7000	0.8800
Mercury	Hg %	0.0017	0.0050	0.0015
Arsenic	As %	5.6500	0.1300	0.3300
Antimony	Sb %	3.0200	0.0650	0.2800
Tin	Sn %	<0.0020	0.0000	<0.0020
Selenium	Se %	0.0020	<0.0030	0.0030
Tellurium	Te %	0.0008	<0.0003	0.0030
Fluorine	F %	0.0630	0.0400	0.0190
Chlorine	Cl %	0.0040	0.0090	0.0100
Sulphur	S %	32.3000	31.7000	19.2000
Carbon	C %	0.0460	0.0240	0.0050
Phosphorus	P2 05 %	0.4000	0.4800	0.5400
Silica	Si 02 %	2.4300	3.1900	2.3100
Alumina	Al2 03 %	0.1200	0.0680	0.1600
Lime	Ca O %	0.0830	0.0680	0.1600
Magnesia	Mg O %	0.0600	0.0800	0.0600
Sodium	Na2 O %	<0.0020	<0.0020	<0.0020
Platinum	Pt %	<0.1000	<0.1000	<0.1000
Palladium	Pl %	<0.0500	<0.0500	<0.0500
Gold	Au oz/ton	0.6800	0.0800	1.4800
Silver	Ag oz/ton	166.7000	6.0000	79.5000
Germanium	Ge ppm	80.0000	92.0000	
Gallium	Ga ppm	2.0000	19.0000	

DOWA MINING COMPANY LTD.
VANCOUVER OFFICE
SUITE 1470, 1176 WEST GEORGIA STREET
VANCOUVER, B.C., CANADA V6E 4A2
TELEPHONE: (604) 688-8228
FACSIMILE: (604) 688-8368
TELEX: 04-507886

January 8, 1988

Mr. A. W. Easton
Suite 308
251 Queen's Quay West
Toronto, Ontario
M5J 2N6

Dear Mr. Easton,

Thank you for your letter dated December 23, 1987. The new data were forwarded to our head office for their review. Followings are our comments.

1. Penalty caused by fluorine in copper concentrate

We found in your schedule of concentrates analysis that fluorine content in the copper concentrate exceeded a certain level and submit herewith an additional term concerning penalties for the concentrate, as below:

Fluorine	Up to 0.01 PCT/DMT no penalty. If over 0.01 PCT/DMT, the excess shall be penalized US¢20 per each 0.01 PCT/DMT.

2. Acceptable arsenic level in copper concentrate

It would be difficult to specify the upper limit of acceptable arsenic percentage on respective concentrates, since the limit depends on the total arsenic content in whole copper concentrates supplied to our smelter. We, however, advise you that our smelter could treat your whole product, i.e., 5000T/year of copper concentrates containing approximately 10 PCT of arsenic.

...../2

3. Crude ore purchase

   Although we are generally interested in purchasing crude ore, so far as Owen Lake ores are concerned the grade does not seem high enough to discuss crude ore purchase. We, therefore, would like to proceed further discussion only on concentrates purchasing.

4. Correction of our letter dated December 11, 1987.

   Please delete words "Accumulative basis" in the article, "Price Participation", on page 2.

At the beginning of the year, we hope to keep friendly relations with you through 1988 and thereafter.

Very truly yours,

H. Inoue
Chief Representative
in Canada and N.A.

HI/sh

A Laboratory Investigation of

THE RECOVERY OF COPPER, LEAD, ZINC, GOLD AND SILVER

from Silver Queen Mine Ore Samples

submitted by

HOUSTON METALS CORPORATION

Progress Report No. 1

Project No. L.R. 3373

NOTE:

This report refers to the samples as received.

LAKEFIELD RESEARCH
A DIVISION OF FALCONBRIDGE LIMITED
January 18, 1988

ABSTRACT

In this report, the results of the laboratory testwork on Silver Queen Mine ore samples are presented. The major development work was carried out on two composite samples (i.e. Composite 1 and Composite 3), assaying 1.2% - 1.56% Cu, 7.75% - 10.6% Zn, 0.96% - 1.28% Pb, 576 g/t to 428 g/t Ag and 2.16 g/t to 1.89 g/t Au, respectively. Composite samples were prepared from individual vein samples submitted by Houston Metals Corporation. The developed laboratory procedure was incorporated into locked cycle tests yielding the following results:

Table No. 1 - Comparison of Locked Cycle Test Results

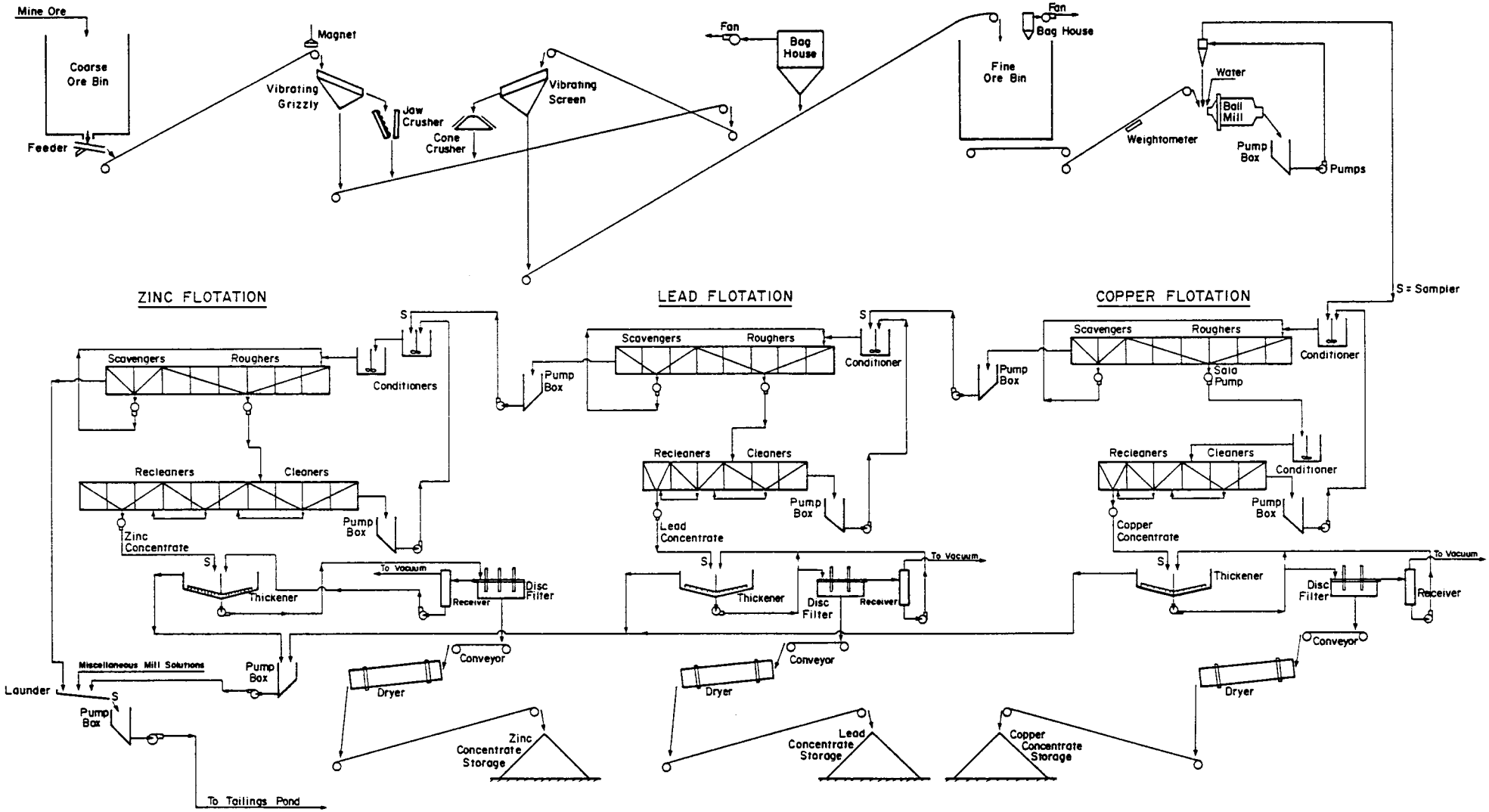
Test No.	Comp	Product	Wgt %	Assays,%,g/t					% Distribution				
				Cu	Pb	Zn	Au	Ag	Cu	Pb	Zn	Au	Ag
47	1	Cu Cl Conc	6.3	21.8	3.30	6.97	9.60	6277	83.4	21.9	5.3	25.8	70.0
		Pb Cl Conc	1.0	1.58	46.1	8.31	14.4	2000	1.0	48.8	1.0	6.2	3.6
		Zn Cl Conc	12.0	0.56	0.49	61.6	1.65	333	4.1	6.2	90.3	8.5	7.1
		Au Ag Cl Conc	3.2	3.03	1.61	4.23	8.50	1369	5.9	5.5	1.7	11.7	7.8
		Pyrite Conc	38.8	0.20	0.25	0.18	2.71	157	4.7	10.3	0.9	45.1	10.8
		Pyrite Tail	38.7	0.037	0.18	0.18	0.16	10.6	0.9	7.4	0.8	2.7	0.7
		Head(calc)	100.0	1.64	0.95	8.21	2.33	563	100.0	100.0	100.0	100.0	100.0
51	3	Cu Cl Conc	3.5	27.7	1.91	5.93	7.58	6271	82.8	5.7	2.0	15.5	52.1
		Pb Cl Conc	1.7	0.94	51.7	7.31	33.1	5675	1.4	73.6	1.2	32.5	22.7
		Zn Cl Conc	16.1	0.46	0.44	60.2	0.89	232	6.3	5.9	93.1	8.3	8.8
		Au Ag Cl Conc	1.8	2.67	2.32	5.12	8.32	1186	4.2	3.6	0.9	8.9	5.2
		Pyrite Conc	21.9	0.22	0.36	0.67	2.37	169	4.1	6.6	1.4	30.1	8.8
		Pyrite Tail	55.0	0.028	0.10	0.26	0.15	18.7	1.3	4.6	1.4	4.8	2.4
		Head(calc)	100.0	1.18	1.19	10.4	1.72	423	100.0	100.0	100.0	100.0	100.0

The results obtained on Composite No. 3, "the average orebody composite", were excellent and high grade concentrates with satisfactory recovery were obtained. The lower copper and lead concentrate grades obtained from Composite No. 1 were a result of heavy oxidation of the pyrite in several veins (i.e. V-5, FW 2750L) which were part of Composite 1.

For treatment of the ore, a sequential Cu-Pb and zinc flowsheet was developed with an effective reagent scheme. This flowsheet incorporated a gold recovery stage from the pyrite concentrate. Note that a portion of the precious metals are disseminated in the pyrite and therefore a regrind of pyrite is required to liberate that portion of the gold and silver.

In this report, the development work and problems associated with processing of the ore are described.

E.



HOUSTON METALS CORPORATION

MILL FLOWSHEET (BASE CASE)

500 TONS/DAY POLYMETALLIC ORE CONCENTRATOR (AU, AG, ZN, PB AND CU)
SEQUENTIAL SEPARATION INTO COPPER, LEAD AND ZINC CONCENTRATES

DESIGNED BY LAKEFIELD RESEARCH AND JAMES WADE ENGINEERING LTD.

Equity Silver		Houston Metals		
Source of Feed Concentrate tailings from Main Zone		Source of Feed Concentrate tailings from sequential Cu-Pb-Zn separation. Au 60%, Ag 20% of head grade		
Process Tailings pre-aerated with lime + $Pb(No_3)_2$ followed by carbon-in-leach cyanidation		Processes - Alternative a) Tailings pre-aerated with lime +$Pb(No_3)_2$ followed by carbon-in-leach cyanidation b) Bioleach (both systems to be tested) Assume (a)		
Rate +9000 tpd		Rate 425 tpd; 80.8% at mill rate of 500 tpd		
Head Grade Ore ?		Head Grade Ore 2.33 g Au/t 563 g Ag/t		
Tailings Grade 0.5 g Au/t (0.0161 oz Au/t	? Ag/t ? Ag/t)	Tailings Grade 1.39 g Au/t (0.045 oz Au/t	109 g Ag/t 3.50 oz Ag/t)	
Value $ (Cdn.)/t		Value $ (Cdn.)/t		
$9.95 +	$? =$9.95	27.81 +	30.45 =	$58.26
		Recovery x 75% +	x 84% =	$46.44
Capital Cost $12,500,000 operating cost/ton	$ .69	Capital Cost $1,200,000 10% of Equity cost		$ 1.00
Operating Cost operating cost/ton	?	Operating Cost $/t Assume		$10.00
		Net: $/ton		$35.44
Profit/Loss	?	Total Additional Revenue: 425 x 350 x 35.44		$5,507,376

NB

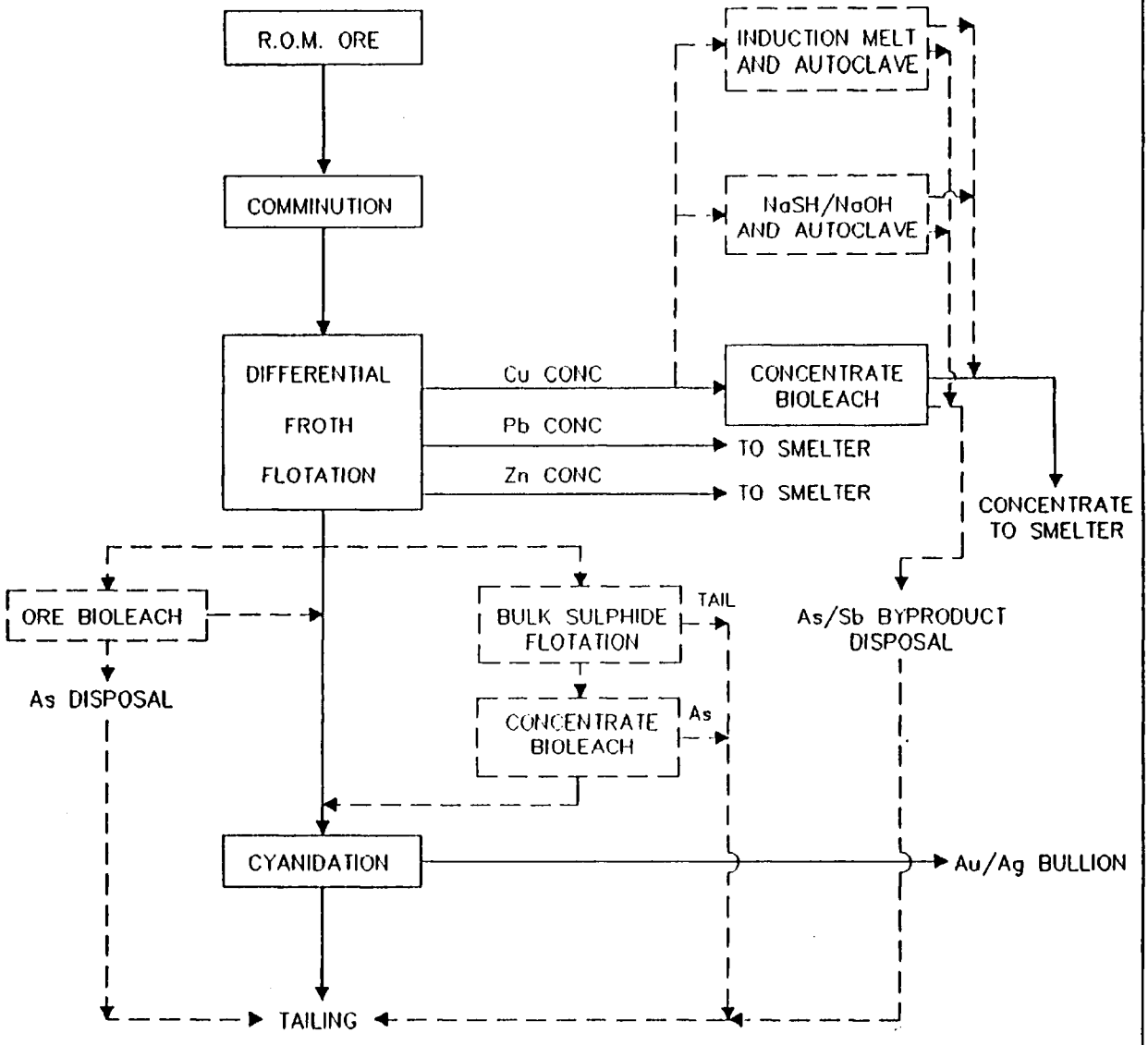
Equity Silver breaks even at 0.10 g/tonne; Silver Queen tailings have 10 times higher Au grade.

Compare minerals from Southern Tail, Main Zone, and Silver Queen (see attached sheets).

The most important mineral absence from Main Zone and Silver Queen compared to the Southern Tail is arsenopyrite (Fe As S).

It is therefore possible that the Equity scavenger system could work on the Silver Queen ore.

HOUSTON METALS CORPORATION – SILVER QUEEN MINES
PROCESS ALTERNATIVES



COASTECH RESEARCH INC.	
06 JANUARY 1988	1 of 1

No: Arsenopyrite Fo #5 F

Table 1. Summary of minerals observed in samples from the Silver Queen Mine.

Vein:	M3		#3 Extension						#3		Foot-wall	#2	#5	
Sample No.:	1	11	2	3	4	5	6	12	8	9	7	10	13	
Chalcocite Cu_2S						X			X					
Chalcopyrite $CuFeS_2$									X			X		
Galena PbS		X	X		X	X	X	X	X		X	X	X	
Pyrite FeS_2	X	X	X	X	X	X	X	X	X	X	X	X	X	
Sphalerite ZnS	X	X	X	X	X	X	X	X	X	X	X	X	X	
Wurtzite ZnS	X													
Aikinite $PbCuBiS_3$													X	
Seligmannite $PbCuAsS_3$					X				X					
Tennantite $(Cu,Zn,Fe,Ag)_{12}(As,Sb)_4S_{13}$	X	X		X	X		X	X	X			X	X	As
Tetrahedrite $(Cu,Zn,Fe,Ag)_{12}(Sb,As)_4S_{13}$									X			X	X	Sb
Hematite Fe_2O_3										X				
Calcite $CaCO_3$	X	X	X	X	X			X	X					
Rhodochrosite $MnCO_3$	X								X		X		X	
Siderite $FeCO_3$										X			X	
Barite $BaSO_4$		X	X	X	X	X	X		X	X		X	X	
Minamiite $(Pb,Sr)Al_3(PO_4)(SO_4)(OH)_6$		X						X						
Svanbergite $(Sr,Ca)Al_3(PO_4)(SO_4)(OH)_6$	X	X		X		X	X	X				X	X	
Illite $K(Al,Mg,Fe)_2(Si,Al)_4O_{10}[(OH)_2,H_2O]$	X		X	X	X	X	X	X						
Kaolinite $Al_2Si_2O_5(OH)_4$			X	X	X	X	X	X						
Quartz SiO_2	X	X	X	X	X	X	X	X	X	X	X	X	X	
Carbonaceous matter	X												X	

F.3

TABLE 1

Relative mineral abundance at Equity Silver Mines Limited

MINERAL	MAIN ZONE	SOUTHERN TAIL
√ Pyrite	xxxxx	xxxxx
Rutile	x	x
Ilmenite	x	x
Magnetite	xxxx	xxx
Pyrrhotite	xxxx	
Molybdenite		x
√ Hematite	xxxx	xx
Arsenopyrite	xx	xxxxx
√ Sphalerite	xxx	xxx
√ Chalcopyrite	xxxxx	xxxx
√ Tetrahedrite	xxxx	xxxxx
√ Gold	xx	xx
√ Galena	xx	xx
√ Sulphosalts	xx	xx
Marcasite	xxx	
√ Chalcocite	x	x
Covellite	x	x
Wolframite		x
Stibnite	x	
Tourmaline	xxxx	x

xxxxx = very abundant
xxxx = abundant
xxx = moderate
xx = minor
x = trace

Direct cyanidation of flotation tailing revealed:

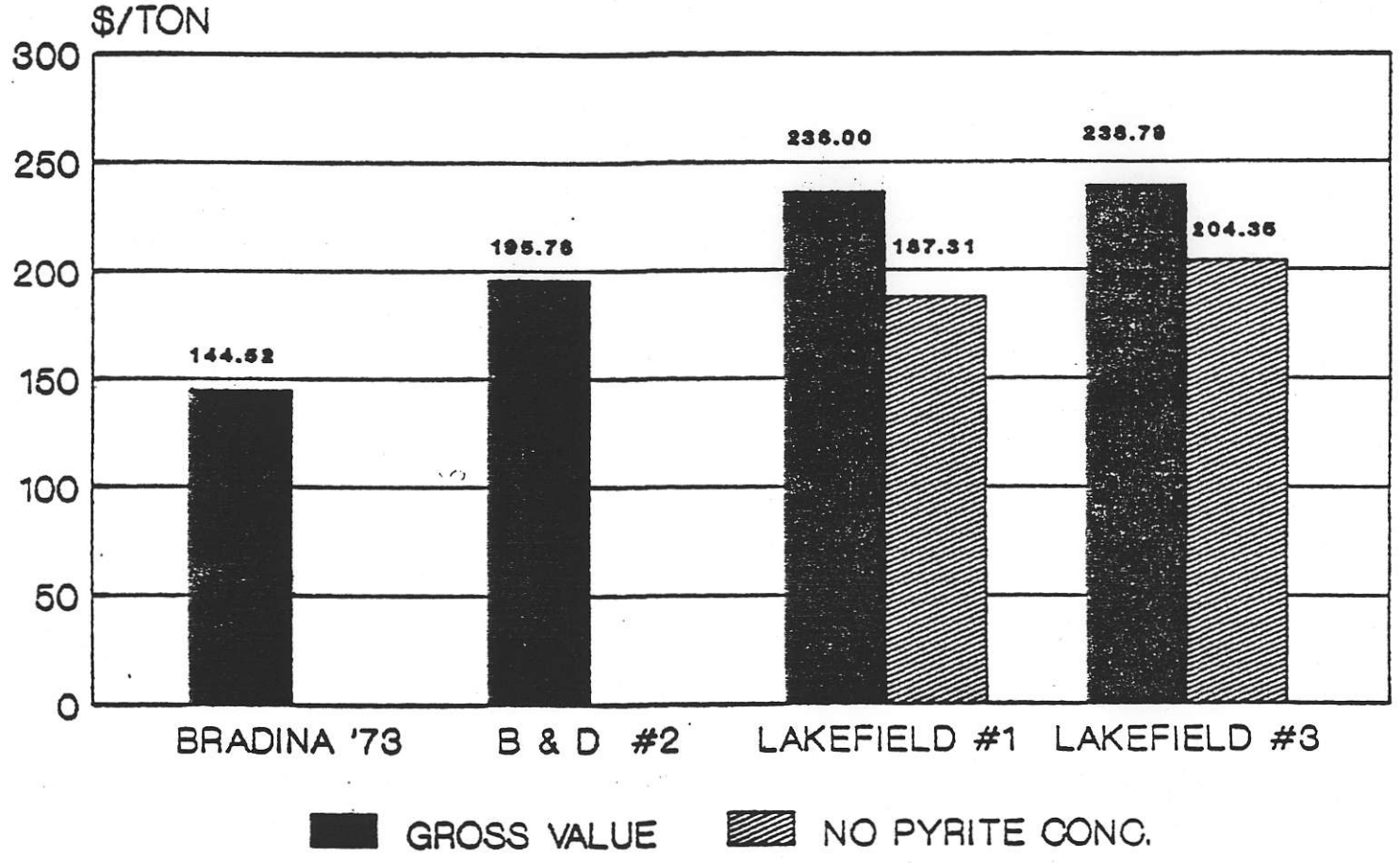
Ore Type	Flotation Tailing g Au/t	g Ag/t	Cyanidation Extraction % Au	% Ag
Main Zone	0.50	30-40	50-70	10-30
Southern Tail	0.90	20	10-20	10-20

Favourable cyanidation response of Main Zone flotation tailing precipitated a detailed feasibility study (ref 4,5) and consequently a 5,300 tpd carbon-in-leach scavenger cyanidation circuit was constructed and commissioned in 1984 to treat Main Zone flotation tailing. Details of the CIL circuit have been discussed (ref 3).

Southern Tail flotation tailing, presently impounded in the tailing pond, did not respond economically to direct cyanidation due to gold associations with refractory pyritic gangue, notably arsenopyrite. Bulk sulphide flotation from Southern Tail tailing returned 80-85% gold and 50-60% silver recovery in a concentrate grading 5.5-6.0 g Au/t and 75-100 g Ag/t. The concentrate is not readily marketable as produced and various attempts to produce an arsenopyrite rich concentrate were unsuccessful (ref 3).

Direct cyanidation of the bulk sulphide concentrate indicated 10-20% Au and Ag recovery. A number of hydro/pyrometallurgical alternatives to enhance cyanidation response were tested and some, such as roasting and pressure oxidation, were

METALLURGICAL RECOVERY COMPARISONS
$/TON = VALUE OF CONCENTRATES AT MILL



Cu @ 1.77 $/lb Au @ 618.00 $/oz
Pb @ 0.49 $/lb Ag @ 8.70 $/oz
Zn @ 0.59 $/lb AS OF JAN 14, 1988.

SILVER QUEEN MINE

ORE RESERVES --- PROVEN AND PROBABLE
****

VEIN	PROVEN /or/ PROBABLE	BLOCK (SECTION)	TONS	GRADES				
				AU oz/ton	AG oz/ton	Cu %	Pb %	Zn %
No. 3	PROVEN	24500-24300 ABOVE 2600'	132570	0.084	5.580	0.840	2.400	6.360
No. 3	PROVEN	26400-27600 ABOVE 2600'	114280	0.109	6.410	0.290	1.720	6.440
No. 3	PROVEN	27800-28700 ABOVE 2600'	74280	0.096	10.850	0.560	1.290	4.880
No. 3	PROVEN	BELOW 2600	256460	0.122	8.040	0.390	0.970	7.380
No. 3 EXTENSION	PROVEN DILUTED TO 4'	28950-29150	8200	0.080	17.870	0.770	0.750	1.920
No. 3 EXTENSION	PROBABLE	28900-29200	12000	0.080	7.870	0.770	0.750	1.920
FOOTWALL VEIN	PROBABLE	27200-27400	47500	---	6.530	---	---	6.670
FOOTWALL VEIN	PROBABLE	27850-28000	13500	0.086	6.190	1.470	0.490	9.790
FOOTWALL VEIN	PROBABLE	28400-28600	25875	0.037	15.620	1.680	0.570	3.320
FOOTWALL VEIN	PROBABLE	#3 EXTENSION AREA	7000	0.050	7.480	2.060	0.720	5.390
No. 2	PROVEN	24550-24700 SUBDRIFT RAISE	23500	0.068	2.210	0.130	4.130	10.890
No. 5	PROBABLE	80' ADIT	25000	0.030	8.750	1.020	0.360	10.000
CAMP VEIN	PROBABLE	9 DDH CAMP #1 DILUTED	25000	0.030	71.050	0.230	1.010	2.980
TONNAGE TOTAL			765165	0.093	9.920	0.625	1.410	6.490

NOTE: TONNAGES BASED ON ORIGINAL CALCULATIONS BY W.W. CUMMINGS.

Northern Miner
Founded 1915
CANADA'S MINERAL RESOURCES NEWSPAPER

Houston expects production decision by late spring

VANCOUVER – A production decision is expected by late spring on the Silver Queen polymetallic property near Houston, B.C., owned 60% by **Houston Metals Corp.** and 40% by **New Nadina Exploration.**

A feasibility report based on a 500-ton-per-day operation is in the preliminary stages and will be finished early May. Work has also started on the Stage 1 permitting process.

Houston spent $2.25 million in 1987 on 4,418 ft of drifting, 5,700 ft of underground drilling, 9,400 ft of surface drilling, metallurgical testing and rehabilitation of old mine workings. An additional $3 million has been raised in two flow through financing agreements.

A 2,800-ft decline at the south end of the mine is in progress and a 4,300-ft crosscut from west to east will intersect a number of vein structures at the 2,600-ft level. Underground drilling and drifting is also continuing.

The exploration work is expected to increase reserves from the 1.5 million proven, probable and inferred tons. In the proven and probable category are 577,590 tons averaging 0.108 oz gold, 7.51 oz silver, 0.49% copper, 1.49% lead and 6.53% zinc, as well as germanium, indium, cadmium and gallium values.

The mine was put into production with a 500-ton concentrator in 1972 but closed in 1973 because of problems in the mining method, mill design and low metal prices. Extensive metallurgical tests are under way and Houston is negotiating with smelters to take the ore. The complex orebody is similar to Equity Silver Mines and contains some arsenic.

Houston is entitled to a 2.5-times return of its exploration money from 80% of cash flow, before New Nadina gets its full 40% interest.

Houston Metals Corporation

Consolidated Statement of Changes in Financial Position

	Six Months Ended October 31, 1987
Operating Activities	
Net loss for the period	$ (2,834)
Less: amortization of goodwill	2,834
	0
Change in non-cash working capital items:	
Accounts receivable	0
Deposit	(4,000)
Subscriptions receivable	(49,074)
Due (from) to related parties	(5,000)
Funds available for exploration	(697,925)
Accounts payable and accrued liabilities	115,820
Subscription payable	180,000
Cash Used in Operating Activities	(460,179)
Investment Activities	
Investment	(482,500)
Expenditures on mineral property - net	(1,074,183)
Purchase of fixed assets - net	(1,220)
Deferred administrative expenses	(331,899)
Cash Used in Investment Activities	(1,889,802)
Financing Activities	
Capital stock issued:	
Canadian exploration expenditures incurred	1,050,000
Private placement - share puchase warrants exercised	461,340
Capital stock subscribed:	700,000
Cash Provided by Financing Activities	2,211,340
Net Decrease in Cash During the Period	(138,641)
Cash Position, Beginning of Period	157,371
Cash Position, End of Period	$ 18,730

(Unaudited) (Canadian Dollars) Prepared by Management.

Consolidated Statement of Loss and Deficit

	Six Months Ended October 31, 1987
Amortization of Goodwill	$ 2,834
Net Loss for the Period	2,834
Deficit, Beginning of Period	66,893
Deficit, End of Period	$ 69,727

(unaudited) (Canadian Dollars) Prepared by Management.

Houston Metals Corporation

Corporate Directory

Corporate Offices

#910 - 800 West Pender Street
Vancouver, B.C.
V6C 2V6
Phone (604) 683-4245
Fax (604) 683-8366

Transfer Agent

Guaranty Trust Company of Canada
800 West Pender Street
Vancouver, B.C. V6C 2V7

Guaranty Trust Company of Canada
88 University Avenue
Toronto, Ontario M5J 1T8

Shares Listed

Vancouver Stock Exchange
Trading Symbol "HML.V"
O.T.C. - U.S.A.

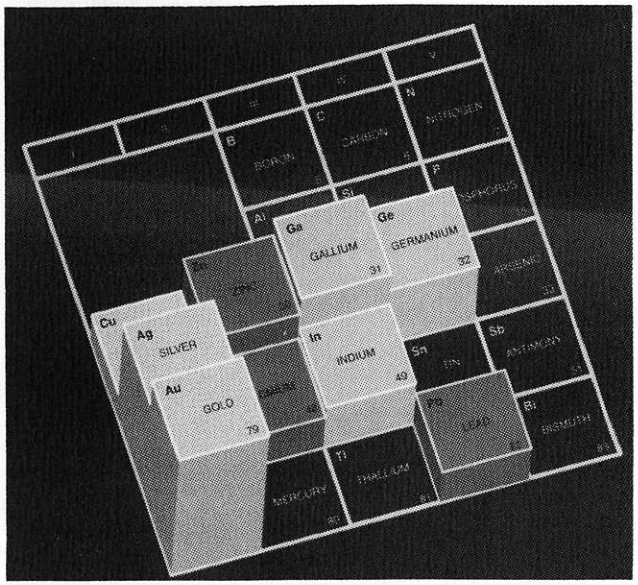
Capitalization

Authorized	50,000,000
Issued	7,600,000

Shareholders and others wanting information about Houston Metals Corporation or wishing to receive copies of the Annual Report, Semi-Annual Report and News Releases should call or write.

Printed in Canada

HOUSTON METALS CORPORATION



INTERIM REPORT
For the six months ended October 31, 1987

Houston Metals Corporation

Dear Shareholders

Good progress is being made at the Silver Queen Mine.

Houston is proceeding with two major headings: a minus 15% 13′ x 9′ declined which has advanced 700′ towards its objective of 3100′, 465′ down-dip a high grade gold-silver-zinc ore shoot, and a 9′ x 9′ cross cut which has advanced 800′ towards its objective of 4300′, the Cole Lake high grade silver vein.

Surface drilling has traced the high grade Camp vein (30 oz per ton of silver or better) for over 400′ and is progressing.

Lakefield Research is completing the metallurgical research on the ore and will present a mill flow-sheet within the next two weeks.

A flow-through financing of $1,500,000 with First Exploration Fund 1988 (sponsored by Merrill Lynch Canada Inc./Dominion Securities Pitfield Ltd.) and a private placement of $420,000 have been concluded.

James Wade & Associates, mining engineers, Toronto, Ontario, and Norecol Environmental Consultants Ltd., Vancouver, B.C. are retained and will produce a feasibility study and an environmental impact report by early 1988. Mr. Bert Easton, formerly general sales manager of a major non-ferrous metal producer, has been retained to assist in marketing Houston's concentrates.

At the conclusion of the current exploration program, the Silver Queen's proven, probable, and possible reserves placed at 1,500,000 tons will be increased substantially and major portion of ore will be reclassified from possible to probable and from probable to proven.

The medium grade of this ore is currently given as: gold .1 oz/ton, silver 10 oz/ton, zinc 7%, lead 3%, copper .75% and germanium .1 kg/ton.

The last half of 1987 was a period of abnormal market activity and no clear trend has yet emerged. Houston, with its mix of precious, base, and high tech metals is ideally placed to cope with this situation, providing both an inflationary and deflationary hedge, and should be considered as a buy and a long term hold at this time.

Thanking you for your continued support.

ON BEHALF OF THE BOARD OF DIRECTORS

"Adolf A. Petancic"
President

December 4, 1987

Houston Metals Corporation

Consolidated Balance Sheet

As at October 31, 1987

	October 31, 1987	April 30, 1987	October 27, 1986 *(Date of amalgamation. See note)*
ASSETS			
Current			
Cash	$ 18,730	$ 157,371	$ 667
Accounts receivable			
Deposits	8,267	4,267	
Subscriptions receivable	99,074	50,000	
Due from related parties	14,068	9,068	1,354
	140,139	220,706	2,021
Funds Available For Exploration Expenses	697,925		
Investment	827,500	345,000	
Mineral Properties	2,597,777	1,518,058	497,717
Deferred Administration Expenses	748,505	416,605	208,919
Mining Equipment	31,366	36,902	36,902
Fixed Assets	10,284	9,064	
Goodwill	50,975	53,810	56,683
	$5,104,471	$2,600,145	$ 802,242
LIABILITIES			
Current:			
Accounts payable and accrued liabilities	$ 189,827	$ 74,007	$ 51,738
Due to Putco	180,000		
Due to related parties			93,204
	369,827	74,007	144,942
SHAREHOLDERS' EQUITY			
Share Capital	4,054,371	2,543,031	719,966
Subscribed Stock	750,000	50,000	
Deficit	(69,727)	(66,893)	(62,666)
	4,734,644	2,526,138	657,300
	$5,104,471	$2,600,145	$ 802,242

On Behalf of the Board:

"Adolf A. Petancic"
Director

"J. Michael Mackey"
Director

Note: The balance sheet has been prepared on a comparative basis with those of October 27, 1986 (date of amalgamation) and April 30, 1987. The statements have not been prepared on a comparative basis as at October 31, 1987, as the fiscal year ends of the two predecessor companies did not coincide with each other, nor with Houston's.

(unaudited) (Canadian Dollars) Prepared by Management