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MINING, METALS AND PETROLEUM RESOURCES

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WESTERN CANADIAN INVESTMENTS

**CHEM GOLD MINES INC. (C2E-V,T,M)**

**SUMMARY AND UPDATE - Paul Girard, president of Chem of Lawyer's Project** Gold mines Inc. reported that on 1Mar89, commercial production was reached at its gold-silver mine on the Lanora property in north central B.C., some 600 miles north of Vancouver. During the month of March, the 500 ton per day mill has been running at an average of more than 86% of its nominal capacity. Since the beginning of mill operations, 25,140 tons of ore averaging 0.30 oz. gold per ton and 5.28 oz. silver/t have been treated producing more than 7,000 oz. gold and 91,000 oz. silver. Mill recoveries are currently estimated at 86% for gold and 71% for silver and there is room for improvement.

The consolidated financial statements for the year ended 31Dec88 were approved by the directors on 29Mar89. The consolidated balance sheet shows assets of \$8,700,000 and liabilities of \$19,600,000. Total expenditures, including administrative costs and provision of the funds needed for working capital, have amounted to \$57,400,000 to the end of 1988. These expenditures include the net cost to the company of constructing the access road as well as all mill and surface facilities and mine development costs.

A year ago the total outlay was estimated at \$43,800,000. The principal items making up the overrun were \$7,800,000 from the two month delay in the scheduled start-up and acceleration of the pre-production development program in the ABB Zone and \$2,400,000 from increased costs in constructing the tailings dam and the access road. The balance of \$4,000,000 resulted from unexpected severe ground conditions in preparing building foundations, unforeseen Government requirements in connection with environmental considerations, shortages of skilled labour, lack of good used equipment and delays in delivery of some material.

The additional funds required to complete the project have been provided through a gold loan of \$6,000,000 U.S. from a major financial institution and a private loan of \$5,300,000 from the company's principal shareholder. The liquidity problem that existed at the beginning of 1989 has now been remedied by deferring of the repayment installments of the gold-silver loan. Having achieved commercial production, the company's cash flow should be more than sufficient to meet its ongoing operating requirements.

The mine workforce includes 131 employees. The company is confident that a first agreement could be signed with the two unions representing the hourly paid employees within a reasonably short period of time.

**EUROCAN VENTURES LTD. (EUR-V)**

**CHILEAN OIL CONCESSION- Lukas Lundin, president reported JOINT VENTURE SIGNED** that on March 28, 1989 Eurocan Ventures Ltd. in a joint venture with Empresa Nacional del Petroleo, signed the 3000 sq. km. Chichufo and 5000 sq. km. Salar de Perdarnales oil exploration and production contracts with the Ministry of Mines in Santiago, Chile. Both concessions are located in northern Chile (SEE MAP OVERLEAF) in areas where Shell and Hunt Oil Co. are already exploring. During the initial 2 year exploration period Eurocan will

conduct extensive geological and seismic studies prior to drilling. Eurocan is presently establishing a technical office in Santiago. This center will act as a regional office for the southern part of South America and will facilitate Eurocan's activity in Argentina and Bolivia.

**QUARTZ MOUNTAIN GOLD CORP. (Q2E-V,T,GMF-MQMA) AND GALACTIC RESOURCES LTD. (GLC-V,T,AMEN)**

**FEASIBILITY STUDY PROGRESSING -** Continuing reports from the feasibility study on the Quartz Mountain gold project in Lake county, Oregon by Davy McKee Corporation indicate heap leach and flotation gold recoveries of 78% and improved project economics through selective mining. Galactic Resources Ltd. has an option to earn a 50% interest by issuing 250,000 shares to Quartz Mountain, paying for a feasibility study and funding the project to production.

Final column leach tests on the Crane Mill and Quartz Butte oxide mineralization showed a weighted average recovery of 78%. Gold recoveries in the Crane Mill sulphide concentrates have been shown in preliminary flotation tests to exceed 78%. Work is underway to assess further concentrate treatment and to optimize flotation techniques.

The latest models define open pit mineralization of two types, disseminated oxide heap leach and higher grade oxide and sulphide quartz vein related mineralization. A combination of selective open pit mining and milling of this higher grade material with parallel heap leaching operation may significantly improve overall project economics. Various scales of milling plus leaching alternatives are under evaluation.

MINERALIZATION TYPE	TONS OF ORE	OR. GOLD/T CONTAINED
Vein related sulphide	2,572,000	0.657
Heap Leach oxide only	7,268,000	0.629
Total	9,840,000	0.61275

These figures are generated by computerized methods for specific economic parameters and are subject to change.

Davy McKee expects to complete three tasks during the second quarter of 1989. The first will be the completion of the disseminated oxide portion of the feasibility study. The second will be to assess the effect of vein related mineralization on this study and thirdly, a preliminary assessment of bulk mining and milling of the total oxide and sulphide resource.

**PIONEER METALS CORPORATION (PSM-V,T)**

**WRITEDOWN CREATES YEAR END LOSS - Art McQuade, vice president finance for Pioneer Metals** has reported a loss of \$25,090,000 or \$1.41 per share on the weighted average shares issued at Dec. 31, 1988 of 17,830,000. In the year ended Dec. 31, 1987 the net income was \$4,060,000 or 31¢ per share. The net loss for 1988 was after an undisclosed writedown of the carrying value of the Puffy Lake mine, located 50 miles east of Flin Flon, Manitoba. The Puffy Lake 1,000 ton per day mine and concentrator was shut down March 20, 1988 pending development of a mining plan to overcome mine dilution and recent operating losses. (SEE CENL NO. 56, March 21, 1989 for some detail)

None of the other financial information for the year was announced by Pioneer Metals.