

George Cross News Letter

NO.1(1989)
JANUARY 3, 1989

NORTH AMERICAN METALS CORP. (NAM-V)

HIGHER COSTS EXPECTED - Jack E. Thompson, president of **TO DEVELOP GOLDEN BEAR** North American Metals Corp., announced that the company is preparing an internal report on the anticipated costs of development and construction of the Golden Bear gold project located near Dease Lake, B.C. North American Metals has a 50% joint venture interest in this project with Chevron Minerals Ltd. Preliminary results of the report indicate that significantly higher costs will have to be incurred in order to complete the project and bring the proposed gold mine into production.

North American Metals is reviewing these preliminary results to determine what reductions in costs can be achieved. Expenditures to date include the access road to the mine site which has been completed at a cost of \$17,000,000. The original estimate included about \$9,000,000 for the road. Further details of the anticipated costs will be reported when a more definitive analysis of the project is completed.

GOLDFEVER RESOURCES LTD. (GFV-V)

NEW DIRECTORS - Goldfever Resources Ltd. reported on **TO BE ANNOUNCED** Dec.21, 1988 that H.P. Bauer and Fritz Reichinger resigned as directors and on Oct.13, 1987 that Justin Liebig resigned as a director. The directors now are Aljosa Ivancic, Hedley P. Caird, Arthur Lundy, Fred Fulber. New directors will be appointed in the New Year.

The company plans to start production at the Towser, Mata and Silver Cup properties, 50 miles south of Revelstoke, B.C. from stockpiled ore in early 1989. The estimated reserve of stockpiled ore is 251,000 tons grading 0.1 oz.gold/ton; 20 oz.silver/t; 2.5% lead and 7.5% zinc. A 500-ton per day mill is to be constructed.

A private company may provide the funds for the financing of the construction of the mill and Goldfever Resources may purchase the mill from the private company namely 734006 Holding Co. Ltd. from the proceeds received from production.

CUMO RESOURCES LTD.(CUMOF-Nasdaq)

WASHINGTON PROPERTY ACQUISITION NEGOTIATED - L.P Price, president reported that Cumo Resources Ltd. has agreed to issue 11,000,000 treasury shares at 10¢ each, over a period of time, in full payment of the \$1,100,000 purchase price of the Melrose property, Stevens county, Washington state, U.S.A., near the B.C. border. He notes that the estimated \$2,000,000 spent to date on claim exploration has established preliminary reserves of 44,000 tons containing a silver value of \$6,688,000. The mineralization also contains copper, lead, antimony and zinc. The zone is open to extension and there is a chance that a large lower grade, low cost milling type operation may be established. Previous soil sampling has found several silver-antimony anomalies that will require follow-up work. Diamond drilling and bulk sampling is planned. Recent sampling has returned assays: silver from 24.7 to 219.1 oz/ton, average 72.31; copper 1.48%, lead 4.87%. A major company has expressed interest in perhaps participating in a joint venture on the property.

WEST-MAR RESOURCES LTD.(WSM-V)

RANCHERIA, YUKON PROPERTY OPTIONED - Ferdinand Marehard, president reported that West-Mar Resources has acquired an option from B.A.RESOURCES LTD.(BAP-V) to earn a 50% interest in the 1-26 Ringo claims at Meister River, Rancheria River area, Yukon, by the issue of 100,000 shares in four installments and by spending \$250,000 on exploration by Dec.31,1990. The Ringo claims adjoin the Silver Hart Resources property that is scheduled to go into production in 1989.

West-Mar retains an interest in the Nimpkish Lake property, Vancouver Island, B.C., which is under exploration by HERCULES VENTURES LTD.(HCV-V) and where results are expected to be reported soon.

West-Mar has agreed to issue 82,500 shares at 20¢ each in settlement of \$16,500 in debts, subject to regulatory approval.

CONTINENTAL GOLD CORP. CUG-V)

UNITED LINCOLN RESOURCES INC. (ULN-V, ULNMF-Nasdaq)

NEW MT. MILLIGAN ASSAYS TO BE ANNOUNCED JAN. 9, 1989

Robert G. Hunter, chairman of Continental Gold has reported that on Jan. 9, 1989 new assays from 10 recent

diamond drill holes are expected to be announced from the Mt. Milligan copper-gold project, located 45 km west of Mackenzie, B.C. The Mt. Milligan project is a joint venture between United Lincoln Resources 70% and BP Resources Canada Limited 30%. Continental Gold owns 69% of the issued shares of United Lincoln. The drill program is expected to resume about Jan. 7, 1989 with three drill rigs.

A reconnaissance drill program in September 1988 discovered the MBX bulk tonnage deposit in altered volcanic rocks adjacent to an alkaline stock. On the basis of 31 holes a geological inventory of 20,000,000 tons grading between 0.3 and 0.5% copper, and between 0.02 and 0.04 oz. gold/t was calculated. An induced polarization and magnetometer survey in November 1988 indicated the deposit is open in all directions and to depth. The drill program is designed to delineate this MBX discovery. The geology, geochemistry and geophysics suggest multiple deposits in the immediate area.

Continental Gold and United Lincoln plan to amalgamate on a share for share basis such that after the amalgamation there will be 6,521,000 shares issued, or 7,890,000 fully diluted shares. Intercompany shareholdings will be cancelled.

WALL FINANCIAL CORPORATION (WFC-V)

<u>NINE MONTHS ENDED OCT. 31</u>	<u>1988</u>	<u>1987</u>
Gross Revenue	\$19,643,563	\$17,494,987
Net Income	2,046,237	763,426
Per Share	12¢	5¢
Total Assets	\$ 106,724,193	\$ 89,463,096

GEDDES RESOURCES LTD. (GDD-V,T)

PRIVATE PLACEMENT REPORTED - J. Douglas Little, president reported that Geddes

Resources Ltd. has arranged as further private placement of 1,000,000 flow-through shares at \$1.50 each to Northgate Exploration Limited, subject to regulatory approval. This is in addition to private placement reported in October, and increases Northgate's ownership from 21% to to 27% of the issued shares of Geddes. The proceeds of \$1,500,000 will be used in the ongoing exploration program at the Windy Craggy copper-gold-cobalt property in northwestern B.C. (SEE GCNL No. 241, p.1, 15Dec88 for much detail).

**REA GOLD CORPORATION(REQ-T,V; REOGF-Nasdaq)
HIGH GRADE SILVER MINE READIES FOR PRODUCTION
CONSTRUCTION OF \$32,200,000 PLANT UNDERWAY TOWARDS
PRODUCTION AT 450 TONNES PER DAY IN JUNE 1989**

Larry W.Reaugh, president of Rea Gold Corp., in a recently published progress report reviewed the Samatosum silver mine construction progress and cash flow projections. On Oct.26, 1988 Rea Gold received formal notice of Minnova's intention to place the mine into production at 450 tonnes per day by June 1989, at an estimated capital cost of \$32,200,000.

The property is located between 4,500 feet and 5,350 feet elevation on Adams Plateau, 28 miles NE of Kamloops, 250 air miles north of Vancouver, B.C. Rea Gold holds a 30% working interest in the mine and a 5% net smelter return royalty. Reserves have been calculated at:

661,000 tons with an average grade of:

32.08 oz. silver/t, 0.052 oz. gold/t, 3.5% zinc, 1.7% lead and 1.2% copper.

The diluted reserves are estimated at:

773,600 tonnes with an average grade of:

831 grams/tonne silver, 1.5 grams/tonne gold, 1.0% copper 1.4% lead and 2.9% zinc.

Approximately 50% of these reserves will be mined by open pit in the first three years. The capital cost of the plant is estimated at \$24,700,000 plus \$7,500,000 for development operating costs and tune up for a total of \$32,200,000, of which Rea's shares is \$9,600,000. During 1987, Rea raised in excess of \$10,000,000 to provide its share of capital costs. At June 30, 1988 Rea Gold had current assets in excess of \$10,000,000 including \$9,000,402 in cash and short term deposits. DCC Equities Ltd., a unit of Dynamic Capital Corp. has recently reported purchases of 15.2% or 1,668,982 of the 10,954,800 shares of Rea Gold issued at Oct.31, 1988.

On Nov.1,1988, the mill, office building, dry and ancillary facilities sites have been logged and cleared. Blasting and leveling was underway for the mill building foundations and other buildings. The mill building was scheduled to be erected and closed-in by Dec.31, 1988. The tailing pond area has been stripped and was ready to start filling for dam construction. Logging at the mine open pit was nearing completion with stripping of overburden expected to start by year end. A new 8 km mine access road and the power line right of way and towers were under construction.(SEE TABLES OVERLEAF SHOWING CASH FLOW PROJECTIONS TO REA FROM THE SAMATOSUM SILVER MINE AT VARIOUS SILVER PRICES.)

The Discovery zone, 100% owned by Rea Gold, is 3,000 feet to the southeast of the Samatosum deposit and has mineable open pit and underground reserves of 160,000 tons grading 0.247 oz.gold/t, 3.49 oz.silver/t, 4.99% zinc, 3.72% lead and 1.06% copper. Underground exploration has shown higher gold values than indicated by diamond drilling. Metallurgical and mineralogical research work on the ores from the Discovery zone, including test batch bio-oxidation methods has provided encouragement.

Rea Gold recently bought 475,000 shares of Fury Exploration Ltd.

at 27¢ each and acquired an option to earn a 50% interest in the Fury property by bringing it into production by Dec.31, 1990. Fury holds a heap leach silver mine at Grantsville, near Gabbs, Nevada. Reserves are estimated at 268,000 open pit tons grading 4.68 oz.silver per ton, of which 2.8 oz.silver/t are recoverable by heap leaching. This reserve is stripped of overburden and is ready for mining. The ore is available to a heap leach with a waste to ore stripping ratio. There are 120,000 tons with an estimated silver content of 2.7 oz./ton, on 30 foot high heaps now on the property. A recent report by Marston & Marston Inc., consultants to Rea Gold, estimated over 800,000 oz. of recoverable silver in the reserves and heap. As well the property has a geological environment with substantial additional tonnage potential. There has been 95,000 oz.silver recovered from this heap. The operation has been shut down since May 1988. It is estimated that a further 60,000 to 100,000 oz. silver can be extracted from the heap to provide a 60% recovery of the contained silver. The capital cost to resume production is estimated at \$900,000 which would provide a rapid pay out. Rea will consider resumption of production when warranted by the price of silver.

Rea and Verdstone Gold Corporation each hold a 50% interest in the 28,000 acre CK property located 43 km northeast of Clearwater, and 140 km. north of Kamloops, B.C. The property includes showings of zinc rich massive sulphides traced over a 35 km strike length. Drill inferred geologic reserves are 1,643,000 tons grading 8.60% zinc, 1.4% lead, 0.25 oz.silver/t, with a value of \$132.00 per ton. Glenville Management Ltd. has evaluated the properties of Verdstone Gold Corporation, which are the 50% interest in the CK project and a 40% interest in the Goldy property near Carmacks, Yukon, at \$1,200,000. Based on this evaluation, Rea Gold has agreed to buy these interests for 270,000 treasury shares and \$125,000.

The Goldy property near Carmacks, Yukon, is held under an option to Rea to earn a 51% interest, of which Rea, the operator, can earn 60% or 30.60% net, and Verdstone 40% or 20.40% net property interest. A 13 hole drill program in 1988 identified a number of zones of commercial and near commercial gold values, the best being 6.6 feet of 0.22 oz.gold/t; 19.7 feet of 0.133 oz. gold/t and 9 feet of 0.13 oz.gold/t. This property covers the same geological structure and holds a similar open pit potential as the adjoining property held by Antonuk Perma Resources where open pit reserves of 4,100,000 tons grading 0.033 oz.gold/t have been reported. Recent exploration on other adjoining properties has located new high gold values which suggests similar targets could be found on the Goldy claims.

Rea holds a series of options to acquire a 100% interest, subject to property exploration expenditures and a 2% net smelter return royalty, to acquire the Flap gold skarn project of some 30,000 acres in the Nicola and Vernon mining divisions about 40 miles southwest of Vernon, B.C. The project lands have been explored by soil sampling, to locate 15 anomalous areas. Geologic mapping has traced a silicified volcanic unit about 10 feet wide across the claims that carries copper, zinc and pyrite. The unit has a potential for a syngenetic exhalative gold or polymetallic sulphide deposit. The induced polarization survey confirmed the structure as a drill target. A suite of quartz vein material, 5 cm or so wide on average, were collected over a 100 meter radius and assayed: 0.77; 0.67; 0.35; 0.096; 0.051 and 0.046 oz.gold/t. A program of bulldozer trenching and drilling is planned. Ultramafic dikes have been located on the property which has prompted new emphasis on the platinum potential.