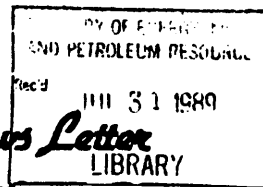


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WESTERN CANADIAN INVESTMENTS

**BETHLEHEM RESOURCES CORPORATION**

(BTH-V, T-BTHMF-Nasdaq)

**NEGOTIATIONS TOWARD PRODUCTION FULL SPEED AHEAD  
FOLLOWING COMPLETION OF MINE PURCHASE**

Following formal closing of the purchase of a 100% working interest in the Goldstream mine by a 50-50 joint venture of Bethlehem Resources and Goldnev Resources Inc. on July 21, 1989, crews have started clean up of the yard, buildings, mining equipment and milling machinery towards resumption of production.

The Goldstream copper-zinc mine and 1,500 ton per day capacity concentrating plant is at 665 meters elevation, along Goldstream Creek, accessible by all weather main haulage logging road, 14 km east of the highway to Mica Dam, 90 miles north of Revelstoke, B.C.

After Bethlehem signed a letter of intent to purchase the Goldstream in April 1989, part of the due diligence carried out included research of the regional geological potential. This due diligence resulted in the staking of an additional 13,900 acres of favourable geology to the south and west of the purchased Goldstream property of 81 claims, 11,590 acres. While Moranda had held much of the surrounding area at various times only limited regional exploration was carried out since the emphasis had been on achieving production. Bethlehem's preliminary indications include the location of several mineralized beds geologically similar to the Goldstream. The new areas may well be related to the ore reserve area. Mapping and sampling continues on the new claims.

Moranda operated the plant for 11 months from May 1983 to April 14, 1984, to process 429,659 tons grading 3.41% copper, 2.23% zinc. The Moranda mine closure resulted largely from lower prices for copper, which were about 60¢ U.S. per pound at the time. Copper recoveries, after mill tune-up were 88% and zinc recovery was in the 10% range, using an 83% minus 200 mesh grind. The low zinc recovery was complicated by being very fine grained and intergrown with iron pyrrhotite, plus being mixed with oxide copper minerals in the open pit. More recent metallurgical research indicates a recovery of 30% of the zinc can be confidently forecast. The test work also suggests a 50% zinc recovery is possible under optimum conditions.

Moranda invested some \$72,000,000 in mine preparation including an open pit at 920 meter elevation, plus four stopping levels to the current lowest level at 655 meters. The underground crushing plant includes a 175 ton per hour capacity, 36 inch by 48 inch jaw crusher and a 5.5 foot cone crusher located at the 632 meter level and conveyors to surface feeding a 1500 ton per day flotation concentrator. The installation includes a 120 person single room camp and a recreation facility, 5 km west of the mine, built at a capital cost of about \$3,400,000. After 3 months of mine and mill evaluation it is estimated a crash program could achieve production in 9 weeks. The mine sampling and production evaluation was executed by Tonto Mining Services Ltd. Bethlehem has estimated a three or four month program could realistically achieve sustained production of 1,100 tonnes per day to mine and process 385,000 tonnes of 4.46% copper ore in the first 12 months.

The financing requirements to place the deposit

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into production including working capital are estimated at \$10,000,000, excluding the \$6,000,000 acquisition costs paid to Moranda. A small but significant portion of the costs to renewed production is forecast to be raised by sale of surplus operating equipment. The balance of the funds will be raised by equity funding by the partners, inventory bank loans, and perhaps smelter advances now under discussion. The partners are considering offers from third parties interested in participating in the operation. Meetings have been held with governmental agencies toward possible grants or loans as the mine is in a depressed area with 15% unemployment. About 120 jobs will be created when the mine resumes production.

The Goldstream ore zone is classified as a "Besshi" type with copper, zinc, iron mineralization. The current mineral inventory calculated by Bethlehem is 2,000,000 tons, sufficient for 5.4 years of production at projected rates, grading 4.8% copper, 2.7% zinc, 0.6 oz. silver/t. This is using a 3% copper cutoff and 2.5 meter minimum mining width. When the production decision was made in 1981, Moranda had calculated a mineral inventory of 4,343,700 tons grading 3.69% copper, 2.63% zinc, 0.51 oz. silver/t. Portions of the mineral inventory will be reclassified as ore with: changes in the price of copper; increased copper content upon detail drilling; lower production costs as operating experience is gained etc.

The deposit, shaped like a flattened rod, is within a sequence of deformed sedimentary and volcanic rocks at a particular stratigraphic horizon, concordant with, but dipping across the other rock units. The sequence of rocks from hanging wall to foot wall are: dark banded phyllite, garnet zone, grey green phyllite, massive sulphides, grey green phyllite, and metamorphic limestone.

The mineralization consists of a single continuous bed of massive and disseminated sulphides varying in thickness from 1 to 8 meters. The average thickness is 3 meters. The eastwest strike length varies from 340 meters at the outcrop to 180 metres at depth. The average dip is 33° to the north and the rake is 45° off of true dip. Total drilled dip length is 1050 meters for a vertical depth of 550 meters from the outcrop to the deepest drill hole intersection. The deposit is open at depth.

Under the purchase agreement the Bethlehem/Goldnev joint venture receives 100% of the cash flow until all capital and purchase costs are repaid with interest. Bethlehem is operator. Then Moranda is entitled to a 15% net profits interest until all of Moranda's capital costs and accrued interest are repaid. When Moranda has been paid out the original prospectors are entitled to a 35% net profits interest.

Bethlehem Resources paid for its share of the mine purchase from working capital which reduced the uncommitted funds on hand to about \$3,000,000 with 14,527,736 shares issued. To fund the purchase Goldnev Resources made an offering of 2,600,000 units at \$1.05 each underwritten by Canarim Investment Corp. The Goldnev private placement of June 22, 1989 of 200,000 shares at \$1.75 did not proceed. On July 6, 1989, Goldnev reported the private placement sale of 325,000 units at \$1.25 each for proceeds of \$406,250, with one year warrants at \$1.35 each. These financing increased the post consolidated shares to 5,211,604, or about 7,485,000 fully diluted.

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