

PACIFIC HOUSTON RESOURCES INC. (PHR-V)

DRILL HOLES HAVE EXPANDED - Pacific Houston Resources has **HIGHER GRADE RESERVES** reported drill hole assay results from the first phase of the 1989 exploration program at the Silver Queen Mine, 35 miles south of Houston B.C. Five underground holes intersected the No.3 vein, extending the high gold and silver values to 1,100 ft. along strike and over 494 ft. down dip with a true width ranging from 1 to 7 ft. Gold and silver grades are remarkably consistent and substantially above mine average. (SEE TABLE OVERLEAF).

A hanging wall vein was also intersected in 5 holes with true width of a maximum of 2 feet but with significant precious metal values up to 0.678 oz.gold/t and 126.58 oz.silver/t. This vein appears to be sub-parallel to the No.3 vein and 40-60 ft. unto the hangingwall.

Hangingwall alteration in the No.3 vein carries significant metal values up to 0.05 gold and 5 oz. silver/t. This factor will ameliorate dilution while mining the No.3 vein.

The next phase of exploration will test a 400 foot No.3 vein strike extension and will follow up a 5.7 ft. drill hole intercept grading 0.2 oz.gold/t, 27% zinc.

The two phases of the next exploration program estimated to cost \$1,000,000, is designed to prove sufficient high grade ore to proceed to production.

A new interpretation by the B.C. Department of Mines of magnetometer survey data show vein continuation targets along the sub-parallel George Lake Lineament and along the Wrinch Creek lineament. The 2600 foot level crosscut opened the George Lake vein over 7.5 feet grading 0.13 oz.gold/t, 12 oz.silver/t and 5.6% zinc.

Recent and continuing metallurgical work has indicated changes in the proposed mill flow sheet should increase recoveries and reduce costs. It is proposed that after crushing and grinding the ore be processed through a double bulk flotation circuit to produce a clean zinc concentrate and a single sulphide concentrate. The zinc concentrate will contain 23% of the gold and 34% of the silver in the ore. The gold, silver and copper will be recovered from the sulphide concentrate by acid pressure leaching. Products from the sulphide concentrates will be copper cement and gold/silver in dore. The sulphide concentrate will carry 72% of the gold and 64% of the silver in the ore. Overall recovery in the concentrates are estimated to be 95% of the gold and 98% of the silver in the ores. Arsenic will be rendered harmless as ferric arsenate, a stable compound, to be disposed of as tailings.

The revised flowsheet is to produce a more enhanced product to save transportation and smelting costs, achieve higher recovery using current technology.

Pacific Houston has recently acquired the nearby Ford property, 20 km south west of the Silver Queen Mine, comprised of 6 claim units where previous work partially outlined a large geochemical zinc anomaly with silver and molybdenum values associated with altered pyritized rhyolite host rock and local intrusives. A soil sampling program is underway.

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<u>Hole Location and Elevation of Interest</u>	<u>Interval (ft.)</u>	<u>Width (ft.)</u>	<u>Gold (opt)</u>	<u>Silver (opt)</u>	<u>Zinc %</u>	<u>Copper %</u>
DDH-U-1 Section 28,800 Elevation 2440	233-237.6	4.6	.350	18.63	18.00	.84
DDH-U-3 Section 28,800 Elevation 2345	287-291.6	4.6	.300	20.56	11.30	1.83
DDH-U-5 Section 28,700 Elevation 2345	314-320	6.0	.274	13.85	10.40	1.13
DDH-U-7 Section 28,930 Elevation 2185	440-443.0	3.0	.500	10.03	1.00	.43
DDH-U-8 Section 28,900 Elevation 2345	297-298.3	1.3	.213	28.83	9.15	2.80

The following are current reserve calculations of the No. 3 Vein only, using a \$130/ton out off grade:

	<u>Reserves (tons)</u>	<u>Gold (opt)</u>	<u>Silver (opt)</u>	<u>Zinc %</u>	<u>Copper %</u>
L. J. Manning & Associates, excluding current exploration program	180,000	0.281	11.64	9.24	0.47
W. W. Cummings, Current Program only	<u>50,000</u>	<u>0.30</u>	<u>14.77</u>	<u>9.33</u>	<u>0.50</u>
Total/Average	<u>230,000</u>	<u>0.22</u>	<u>12.32</u>	<u>9.28</u>	<u>0.60</u>

L. J. Manning and W. W. Cummings expanded the vein to a minimum width of 4 ft. and used a 17% and 15% dilution factor in their respective calculations.

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