

NORTHWEST INVESTMENT REVIEW

Monitoring the Publicly Traded Securities
of the Great Northwest/Intermountain/Pacific Basin Area

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Island Mining & Explorations

021617

Recent Price¹ \$4.90 Shares Outs 2,012,223
VSE Symbol IMX Est. Float 1,230,000
52-Wk. Range \$5.25-0.25 No. Shareholders 300

¹ All figures in Canadian dollars.

Control of Vancouver-based Island Mining & Explorations Co., Ltd., was acquired by current management in September 1979 as a corporate vehicle for exploring and developing high-grade gold and silver properties. In just a single year, the company has assembled a portfolio of excellent prospects, with one property having the potential to be put into production in 1981. Island has also placed a limited amount of funds into a small oil and gas program which will provide the company a steady monthly cash flow. This will assist in financing the acquisition, exploration and development of gold and silver deposits.

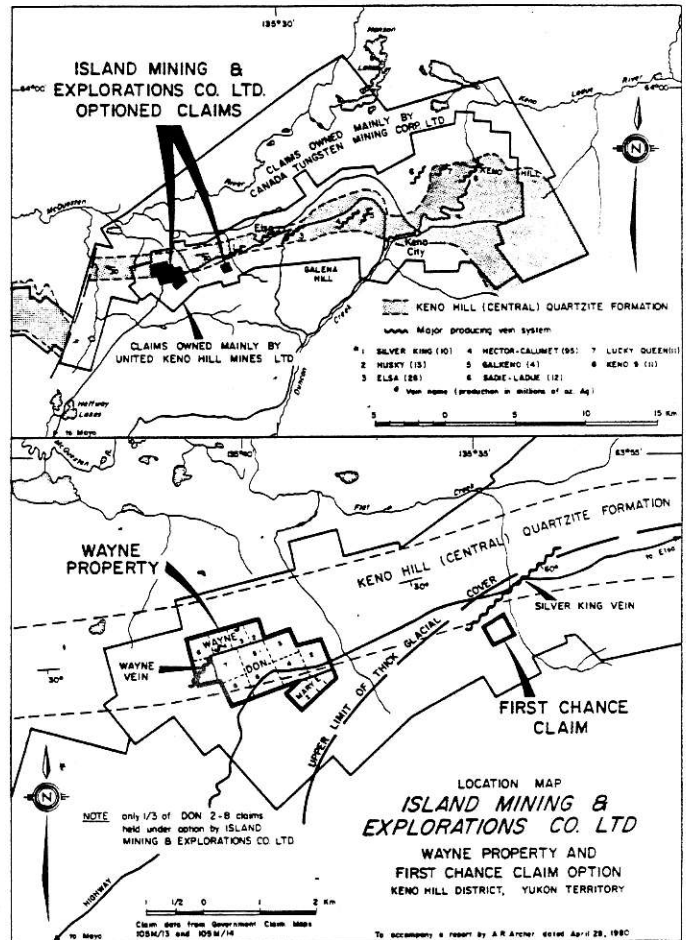
Keno Hill Property

Keno Hill in the Yukon Territories is Island's property with the most immediate potential. In November 1979, the company acquired the Wayne Group of claims, approximately 700 acres situated within the holdings of United Keno Hill Mines, Ltd. (UKH), Canada's largest primary silver producer. At the same time, IMX also acquired the "First Chance" claim totaling roughly 50 acres. The company was able to acquire these claims because the original property owners could not come to an agreement with United Keno.

The "Wayne" vein which outcrops on the Wayne No. 5 claim, lies within the favorable Keno Hill Quartzite Formation. The vein has mineralogical and structural characteristics similar to economic vein mineralization elsewhere in the Keno Hill camp and has an unexplored strike length of at least 3,000 feet. Previous work on the property in 1967 by Fort George Mining and Exploration, Ltd., explored a mineralized vein for a length of 100 feet, from which a 6.48-ton shipment of handcobbled ore assayed 133.5 oz./ton silver, 55.9% lead, 4.4% zinc and 0.059 oz. gold.

Production from the Keno Hill Quartzite Formation has been primarily from the surface to a depth of 400 feet in veins which strike northeast, as does the Wayne vein. These veins number eight in all, the smallest of which produced four million ounces, and the largest 95 million ounces. Their production has totaled 184 out of the 196 million ounces produced in the area as of the end of 1979.

Island's exploration geologist recently mapped the property, performed a geochemical soil sample survey and took rock samples which assayed 191 oz./ton silver across 1.5 feet, thereby verifying earlier results. In March 1981, Island will be carrying out a \$280,000 exploration program recommended by Archer Cathro and Associates, Ltd., the company's consultant



in the area. The company plans to conduct at least 3,000 feet of diamond drilling to prove up reserves. Once reserves are proven, Island is likely to try to negotiate an agreement with United Keno whereby UKH would mine Island's property and mill it at UKH's nearby mill, which is only operating at 60% of capacity. Island would probably receive 30-35% of the profits. Island Vice President Robert Hoyer indicated the company would prefer this type of arrangement in order to gain immediate cash flow. With ore grades and costs similar to UKH (25 oz./ton silver and costs of \$120/ton), a silver price of \$20 (Cdn.), and a 70/30 revenue split, a minimum 100-ton-per-day operation could produce daily pre-tax profits of \$11,400 to Island. Based on a 300-day-per-year operation, that would

amount to \$3,420,000 pre-tax or roughly \$1.40 per share.

Taku River Area

Island also has two promising prospects in the Taku River area of northwest British Columbia, approximately 40 miles east of Juneau, Alaska, near the old town of Tulsequah, B.C. Tulsequah was the center for three base and precious metal mines, two of which were operated by Cominco, Ltd., until 1957 when low metal prices forced their closure.

The Zohini Claims, totaling approximately 1,000 acres, are located ten miles northeast of Tulsequah on the Taku River. The Zohini vein has been worked intermittently for the past 30 years. Although the property has been sampled extensively on the surface, Island does not believe it has been drilled or tested for depth and continuity with geophysics.

Work conducted by the company to date has located a vein structure several thousand feet in length. Samples over the upper 600 feet of the prospect have confirmed the work done by previous operators. Sections of the vein have widths as high as 15 feet, with gold values ranging from 0.036 oz./ton to 0.374 oz./ton and silver values from 2.48 oz./ton to as high as 72.84 oz./ton.

Hoye indicated that the work done to date has been encouraging and that the property has excellent potential for a relatively small but good grade gold-silver deposit. The company intends to conduct geophysics and diamond drilling to evaluate down-dip continuity and continuity under covered areas.

The second Taku River property is known as the Spring Claims and totals approximately 2,850 acres covering a large gossan area four miles south of Tulsequah. Preliminary sampling by Island personnel has indicated the property contains a massive volcanogenic sulphide deposit similar in rock type and mineralization to other deposits in the Tulsequah camp which produced significant base and precious metals in the 1950's. Island plans a more detailed sampling and geologic evaluation of the claims before the season's end.

U.S. Oil and Gas Ventures

Within the past year, Island's management decided to make a limited investment in oil and gas exploration and development to provide the company with a monthly cash flow. In January the company acquired from Berglynn Resources, Inc. (an associated company with the same management as Island), one-third of Berglynn's interest in the Pittsburgh County prospect in the Arkhoma Basin of southeastern Oklahoma. A new field discovery has been mapped and is currently being developed under the name of American Land and Trading (American Crude, Inc.). The company has a 9.375% working interest and a 7.03% revenue interest in each well located on the 3,840-acre lease.

The initial test well was spudded in February and encountered Hartshorne Sand pay from 3,580 to 3,630 feet. The well reached a total depth of 3,872 feet and was completed from the Hartshorne Sand zone in March 1980. A four-point test followed, showing calculated well head open-flow potential of 1,285.4 mcf per day.

The second well was spudded in mid-April to test the Mississippi Cromwell sands at a greater depth. This well encountered two potential pay zones, the Hartshorne Sand from 2,478 to 2,578 feet, and the Cromwell Sand from 8,010 to 8,080 feet. The well head open potential has been calculated at 780 mcf per day from the Hartshorne Sand.

The property has the potential for three additional wells, the next of which is scheduled to begin in mid-October. Island has prepaid approximately \$140,000 (U.S.) on these wells, and will incur no further costs. Vice President Hoye indicated that American Crude, the project operator, estimates the three additional wells should produce approximately one million feet on an open flow test from the Cromwell Sand. This would translate to approximately 400 mcf per well per day in production. Coupled with the approximately 800 mcf per day from the first two wells scheduled to go into production in

January or February 1981, total production from the Southeast Pine Hollow Field would be roughly two million cubic feet per day.

Gerald L. Bell, Island's consulting geologist on the project, estimated that a five-well program should recover 15 billion cubic feet of gas. Based on the company's interest in the project, Bell estimated Island's net reserves at 1.054 billion cubic feet. With a price of \$2.40 per thousand cubic feet, Island's interest should generate monthly revenues of approximately \$10,000 (U.S.), or \$121,200 per year, and net cash flow of approximately \$109,000 per year.

Island's second oil and gas property, also acquired from Berglynn, is a 4.375% working interest and a 3.28125% net revenue interest in the 160 gross acre Yates Lease Prospect in Dawson County, Tex. This well was completed to 9,200 feet and is producing at the rate of approximately 40 barrels per day. Island's net share of reserves, as calculated by T. Scott Hickman and Associates Petroleum Consultants, is 2,625 barrels of oil and 3,937,500 cubic feet of gas. Island's yearly net cash flow from the well, based on current oil production, should approximate \$15,600 (U.S.).

The company has indicated it will place no further funds into oil and gas, but rather concentrate solely on the exploration and development of its precious metal properties.

Finances

Island is in a comfortable financial position as the current exploration season draws to a close. In May 1980, the company completed an issue of 300,000 shares with 600,000 attached warrants through Brink Hudson and LeFever Ltd. and Mead and Company Ltd. of Vancouver, which netted the company \$374,625 (Cdn). Two warrants plus \$1.41 (Cdn.) are required to subscribe for treasury shares. Approximately 200,000 shares have been subscribed already. With the stock currently trading near \$5.00, it is expected that the remaining warrants will be exercised before they expire on Oct. 23, 1980. Altogether, this will provide another \$410,000 of equity capital for the company.

Additionally, officers and directors will be exercising their options on 85,600 shares at \$1.12 (Cdn.) before Jan. 16, 1981, which will bring the company another \$95,872. Two key employees who have options on 12,500 shares at \$1.05 (Cdn.) until Feb. 21, 1981, are expected to exercise their options, netting Island another \$13,125.

With the completion of the stock offering and the exercise of all the warrants and stock options, Island will have increased the number of shares outstanding by 698,000 (41%) from 1,712,223 to 2,410,323 and will have also placed \$893,622 into the company's treasury. With these funds, plus the cash flow from oil and gas, Island should have ample funds to carry out its 1981 programs on the Keno Hill and Taku River area properties which are scheduled to begin again in March.

Summary and Conclusion

Island is managed by people with extensive experience in the mining field who thus far have assembled properties with excellent potential and which are very accessible to exploration and mining. In addition, the company has also been able to attract both an experienced exploration geologist and camp manager to insure the company's future exploration and development programs will be expertly conducted.

The company's immediate potential lies with the development of its Keno Hill property. An agreement with United Keno Hill Mines, Ltd., to develop the property would provide the company with cash flow and free company funds for the development of other properties.

With the recent run-up in silver prices, Island is currently trading near its high for the past year. Investors purchasing the stock now, given the fact the company has not established production, should realize that the share price is tied to the price of silver, plus the increase in asset value as ore reserves are developed.

John H. Curti