

March 8, 1985

MEMO TO FILE

RE: WAGNER PROPERTY 82K/11E

This silver lead zinc property has been optioned to Turner Energy which has, in turn, optioned 70% to Mikado Resources. A report was prepared by TG Wilkins for Mikado. Wilkins had previously worked on the property for Sawyer Consultants, James Simpson is a director of Turner Energy and had been with Silvex on this property.

Don Bragg had an option agreement on this property and had tried to raise \$250,000 to put it in production. His figures postulated about \$900,000 profit from proposed mining of 4900 tons. We felt these figures were optimistic but that a profit was possible.

Wilkins report includes analysis reports addressed to Dave Pearce who is probably the same person who shipped the concentrate from the Waterloo mill Lightning Peak in 1967.

Data available to me at the moment is inadequate to calculate grades, widths or tonnage but Don Bragg thinks it is a good structure and the attention paid to it by past operators including Sheep Creek suggests it has merit.

The data available: -

"Assessment and Review of the Wagner Project" by Hawkins January 1985
and

"Report on the Wagner Group of Claims" by Santos May 1984 but without some of the maps, suggests

Santos Page 8

1. Santos assignation of assay values to 7020 tons of milling ore from a single channel sample is not justified.
2. His assignation of assay values to 3009 tons of high grade ore from assay results on 10 tons apparently sent to Trail would be better justified but the wording of the last paragraph on page 8 suggests this was not a smelter receipt but rather a calculation based on hypothetical (?) assay value. This high grade assay is attributed to 4900 tons on page 8 of the report.

If these assays were justified profit from the tonnage indicated might pay for further development.

Hawkins:

Summary: "...widths of up to 4 feet."

Page 12: "average grades of the Wagner-Abbott zone of approximately 7.8 oz Ag, 7.2% Pb, 4.3% Zn over 5.6 feet" Notes spot higher grade assays or high grade shoots.

Page 15

1. Average width of the "structure" is given as 4 metres but this is much more than the widths given in Table 2 page 17 where mineralization is assayed over widths of 0.8 to 1.5 metres. Drawing No. 7 gives widths of 1.7 to 3.8 metres. Assay values on page 17 do not coincide with assay values on Drawing No. 7.

A diagram was prepared from figures given in Table 2 (page 17) which accompanies this memo. Drill holes 81-1 to 81-4 are on one section trending N40°E. Strike of the main zone is given as "northeasterly" on page 10 of Wilkins report; as 296° in Santos page 5, "N20°W plane" on Wilkins drawing No. 7.

Drill holes 81-5 and 81-6 are on a section trending N15°E. Projection of the intersections onto a horizontal plane indicates a zone trending 300° or very close to the figure given by Santos.

If the plane of the adits and mineralization given by Wilkins as N20°W is correct, then the mineralization encountered in the drilling is a different zone. If Santos trend (296°) is correct the drill holes probably do cut the main zone.

If these holes do cut the main zone then the assays returned indicate relatively low grade and it is very doubtful the existing high grade lenses will provide sufficient tonnage to bring the overall grade up to an economic level.

Promotion

Gossip has it that Turner Energy stock will be promoted and "Blown off". It will then not be able to carry its part of the joint venture with Mikado. Mikado might then take over 100% ownership. Mikado will probably be promoted heavily.

My gut feeling is the property is:

1. too low grade
2. too difficult of access

and is there for not economically viable.

Boil down to another V.S.E. promotion. The Turner Energy news release of March 4 1985 misquotes the TG Hawkins engineers report. Technically this misquote might be construed as misrepresentation. Note the wording deleted: -

TURNER ENERGY

MARCH 4, 1985

A recent report prepared by T.G. Hawkins of MPH Consulting Ltd. states the following: "Past efforts on the Wagner property have reported average grades of 7 to 30 oz. silver/ton and 10 - 50% combined lead zinc across widths of up to 4 feet. Workings in 1898 have exposed some of this mineralization. Work carried out in 1981 demonstrated that these grades are consistent at depth. Drilling in 1981 in six holes has indicated average width of 1.3 metres. Higher grade values include up to 40 oz/ton silver and 50% lead/zinc across 1.8 metres. Later undocumented work indicates that the values on the drift are consistent with these average and high grade results."



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SUMMARY

Past efforts on the Wagner property have reported average grades of 7 to 30 oz per ton silver and 10 to 50% combined lead and zinc across widths of up to 4 feet. 1898 workings have exposed some of this mineralization. Work carried out in 1981 demonstrated that these grades are consistent at depth, the reported variability being related to sample selection. Drilling in 1981 in 6 holes has indicated average values of approximately 6 oz per ton silver and 10% combined lead/zinc across an average width of 1.3 metres. Higher grade values include up to 40 oz/ton silver and 50% lead and zinc across 1.8 metres. Later undocumented work indicates that the values on the 1981 drift are consistent with these average and high grade results.