

Mining Financial News

Research Report

Mikado solid company with interests in mineral-rich Mt. Templeman

by Robert H. NyDokus
Yorkton Securities Inc.
Vancouver, British Columbia

Mikado Resources Ltd.

James H. Simpson	president
Richard J. Watson	secretary
Webb Cummings	mine manager
P.J. (Pec) Santos, P.Eng.	consulting engineer
J.F. (Jack) McIntyre, P.Eng.	consulting engineer
604-266-9910	
Listed VSE:	MKO
Authorized:	20,000,000
Issued:	3,250,000
Escrow:	750,000
Recent Price:	C\$3.35

Property History

The Mt. Templeman area has been highly regarded by the mining industry since its initial discovery, referred to as one of the finest exploration prospects for its potential deposits of gold, silver, zinc, lead, and other minerals. Situated in the Lardeau region of British Columbia, the property is 80 miles northeast of Cominco's Giant Sullivan mine and 60 miles Southeast of Revelstoke. Recent exploration and development success is once again bringing the mining industry's attention to this mineral-rich area as a special situation in having the potential for hosting a world-class mine.

Based on strong geological fundamentals, good metal grades, multiple targets, and potential size of known mineral bearing structures, limited work was carried out with encouraging and positive results in the past. Restricted at the time by difficult but feasible access and further complicated by problems in dealing with numerous mineral claim owners, each of the past explorers gave up and the area lay virtually forgotten and left unexplored for many years.

It has taken 15 years of persistence to accumulate data and background informa-

Encouraged by the verification of previous data, the discovery of new showings the best of the known area is now open and will be subjected to extensive major exploration and development using modern mining technology. The 1986 program is ambitious and designed to further test the magnitude of the mineral potential. Major and international companies are expressing interest.

Exploration Area

The Lardeau Mining District, which includes the Mt. Templeman area property, is known for its high-grade silver and gold deposits. The Mt. Templeman area is highly regarded and has been the subject of numerous favorable reports, some of them being bullish on tonnage and grade.

In reviewing Mt. Templeman area one is impressed by the favorable geological dimensions and mineral potential for large polymetallic deposits. From the top of Mt. Wagner at an altitude of 8,500 feet a.s.l. lies the domain of Mikado Resources Ltd. (70%) and Turner Energy and Resources Ltd. (30%). Their property strategically covers a mineral belt for some 26 miles and 2.5 miles wide along the contact of the Badshot Limestone of Cambrian age, host to numerous lead/zinc/silver deposits.

Attention is focused on two different exploration targets of mineralization—fissure veins/lode and replacement structures hosting gold, silver, zinc, lead, tin, copper, and cadmium mineralization in favorable geological environments.

Exploration Development

The fissure vein/lode systems in the district are sulphide-bearing quartz veins containing high-grade silver (recorded

along the belt. Presently defined are the Eastern, Central, and Western vein systems with associated stringers within the favorable geological belt of rocks. From the Wagner Knob the vein systems are easily recognized, with outcrops appearing for 3.5 miles. The veins are believed to be continuous for five miles along the strike of the mountain side. There is excellent reason to believe that much of this interval contains well-developed vein structures and significant mineralization.

the best potential at this point for proving up high-grade deposits in mineable quantities. Underground diamond drilling from the 8,100-foot drill station is designed to expand and further test the grade and continuity above and below this level. Drifting is to continue along the vein until it breaks out on the other side for a total vein length at this level of 600 feet. Raising from this level will access the vein on the 8,200-foot level. Bulldozer trenching will test the continuity of surface veins and surface diamond drilling will test the extension of these veins.

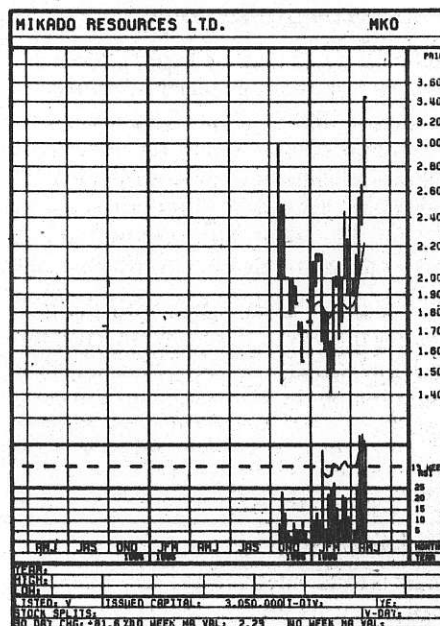
Following the rehabilitation of the Sheep Creek workings, diamond drilling from the drift will test for the presence and grade of parallel vein and stringer systems. The 1986 program is designed to establish the continuity of the mineralized structure of the Eastern, Central and Western veins on this part of the property.

Jewell Veins

The Eastern vein system located on strike to the south of the Central vein has a similar structure and mineralogy. Mineralized quartz assayed 63 ounces of silver per ton and 68% lead, with a strong copper oxide stain permeating the exposed vein. A new eight-foot-wide surface structure of galena was also discovered. Trenching along strike is to be continued and surface diamond drilling will delineate the grade and tonnage of silver, zinc, and lead.

Abbott Replacement Deposit

The features of this largely unexplored area suggest the possibility that large tonnages of stratabound high-grade mineralization (0.025 ounces of gold per ton, 21.94 ounces silver per ton, 28.47% lead, and 16.6% zinc) can be easily and cheaply



The Central zone (Wagner Group) is presently the center of attention and development. The dip of the vein is about 60 to 70 degrees and should the mineralization extend to depth, a series of crosscut adits would be used to develop commercial

structures, limited work was carried out with encouraging and positive results in the past. Restricted at the time by difficult but feasible access and further complicated by problems in dealing with numerous mineral claim owners, each of the past explorers gave up and the area lay virtually forgotten and left unexplored for many years.

It has taken 15 years of persistence to accumulate data and background information to re-discover this polymetallic-rich area. For the first time these mineral properties have been consolidated and cover 26 miles of strike length and important access has been improved by construction of bridges and roads into the exploration area.

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Exploration Development

The fissure vein/lode systems in the district are sulphide-bearing quartz veins containing high-grade silver (recorded assays as high as 110 to 300 ounces per ton), zinc, lead, and occasional gold values. These veins occur in argillites, slates, and schists of the Index Formation, which extends southward a distance of some 14 miles and is 300 to 500 feet wide with numerous mineral prospects occurring

FORM NO. 10	ISSUED	CAPITAL	3,050,000.00	DIV.	
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NO. OF SHARES	10,000,000	NO. OF SHARES	2,250,000	NO. OF SHARES	2,250,000

The Central zone (Wagner Group) is presently the center of attention and development. The dip of the vein is about 60 to 70 degrees and should the mineralization extend to depth, a series of crosscut adits would be used to develop commercial orebodies. From the 8,200 level this high-grade structure could extend to the 5,200-foot level at the base of Healy Creek (some 1.75 miles) and even extend to the King William vein. From the face of the Wagner portal at the 8,200-foot level, the distance to the other side of the mountain is 600 feet, where 11 feet of mineralization is exposed carrying favorable silver, lead, and zinc values.

Mining widths (three to 16 feet) and grades (30.9 ounces silver per ton, 24.90% lead, 6.39% zinc, and minor gold over a width of 8.25 feet) are evident and indicate the mineralized structure may increase in width with depth. The findings suggest a vertical range of 2,000 to 3,000 feet and is amenable to mining on a major scale.

In reviewing the geological data, recent engineering reports and exploration to date, the Badshot Limestone formation is considered of major importance for its potential to host replacement deposits. Historically the replacement orebodies in the Kootenay Arc have ore reserves in the order of several million tons of massive sulphides.

Historical indications confirm the presence of silver and gold. One of the vein systems trends into marbleized limestones of the Badshot Formation, giving rise to a stratabound replacement deposit of galena, sphalerite, and pyrite containing high-grade silver and gold.

Mineral occurrences within this structure on the Superior group assay 0.25 ounces gold per ton in limestone. Other assays include 0.39 ounces of gold per ton, 3.25 ounces of silver per ton, 5.35% lead, and 1.98% zinc suggest replacement with gold-bearing sulphides. Within this same structure, on the Bannockburn group strong surface showings of 0.30 ounces of gold per ton, 27.5 ounces of silver per ton, and 3% zinc are further indicative that ore-grade material occurs within the geological

STRIKE IS TO BE CONTINUED AND SURFACE diamond drilling will delineate the grade and tonnage of silver, zinc, and lead.

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The features of this largely unexplored area suggest the possibility that large tonnages of stratabound high-grade mineralization (0.025 ounces of gold per ton, 21.94 ounces silver per ton, 28.47% lead, and 16.6% zinc) can be easily and cheaply mined. The deposit has been sampled over a true width of 36 feet. Gross values are estimated at C\$305.26+ per ton and a gross value of C\$1,098.93+ per vertical foot. Bulldozer trenching will test the extension along strike. Surface diamond drilling will test the deposit along strike and depth. Re-opening the lower adit and drifting is to confirm the results of surface drilling. Geophysical testing of the deposit is planned, and will be used as a model to locate further replacement deposits in the area under investigation.

Bannockburn and Superior Deposits

The Bannockburn group of mineral claims have high-grade showings of silver/lead and gold/silver/lead similar to those of the Superior group. Geological examinations and sampling will be extensive. Bulldozer trenching will test continuity and selective diamond drilling will test the structure to depth.

The Superior group showings have reported assays of 0.39 ounces of gold per ton, 3.25 ounces of silver per ton, 5.35% lead, and 1.98% zinc. Diamond drilling is designed to delineate tonnage and grades of gold, silver, zinc, and lead.

I.X.L. Replacement

This discovery was initially reported to be about three feet wide and traceable on surface toward the peak for nearly 500 feet. Samples from outcrops assayed 36.2 ounces of silver per ton and 77.5% lead. Detailed prospecting and sampling are to be carried out to confirm a total width of 40 feet which contains the three-foot high-grade section and to extend the strike length of this zone.

Red Elephant Area

A new and untested area yielded chip samples which assayed 0.340, 0.992, 0.091, 0.151, and 0.277 ounces of gold per ton across widths from three to five feet, as well as a grab sample of 5.58 ounces gold per ton. Geological specialists are to re-test and

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The Abbott area, which has been sparsely explored to date, has potential for discovery of large tonnages of high-grade ore than can be easily and cheaply mined. History enhances the probability of success in developing a major commercial mine of large tonnage in this area of the property.

Wagner-Sheep Creek Veins

The Wagner-Sheep Creek veins represent

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Summary

To date over C\$1 million has been expended on mineral property consolidation. This foresight and extended effort demonstrates corporate depth, the ability of management to evaluate viable properties, and to initiate the necessary action to

Continued on page 18

recommend buys, but seldom advise you when to sell. Your broker wants you to make the best possible profits, but he will find himself in a no-win situation unless you have a good understanding of the game as well. If a broker advises to sell and the stock goes up, he's a bum. If he advises clients to hold and the stock goes down, he's still a bum. So it's up to you as a client to let your broker know that he can be open with you, regardless of how the chips may fall.

If a broker tells you that a stock will double or triple at a given time, that a market index is headed for a specified high/low, that gold will rise/fall to a ridiculous level, it's time for you to back off and find another broker. He knows that he doesn't know, and there has to be a reason why he does not tell you so. What this reason may be is up to you to discern. Millions of dollars were borrowed by small investors in order to get into the market, just as the blue chips topped out. Brokers

with the economy all set to kick into gear during the second half of this year and into 1987, it will mean an increased inflation rate that will boost stock prices of natural resource companies. Small, speculative exploration companies will be the main beneficiaries, with gold stocks way out front. A complete reversal in market psychology is already in progress, and it won't be long before a portfolio of secondary stocks and gold issues will outperform the blue chips by far. The VSE and NASDAQ are in a congestion area of close daily price ranges. The longer this condition prevails, the more pronounced the final up trend will be. Even though sentiment for gold issues is still at a low ebb, continuously accumulative demand assures a strong interest in these issues. That is bullish!

George Simone is editor of the Westcoast Speculator, a market letter specializing in speculative markets, action timing, and gold stock selections. For a complimentary sample circle Reader Service Card number 115 on page three. ✕

ing share financing to protect the investor from potential liability problems. In his speech to the Canadian Institute of Mining and Metallurgy, Savoie said the changes will be made by this fall.

The plans to revise the Quebec regulations will follow amendments to the federal regulations.

Flow-through share financings are structured so the investor's cash is converted to common shares of the resource company

ing rules in Quebec, investors do not have the limited liability protection that the law provides for common shareholders if a lawsuit results from an accident at the exploration site. The new federal regulations place any liability on the resource company.

Quebec is the only province with tax write-offs that supplement the federal regulations that give resident investors in Quebec twice the tax benefits available in other provinces. ✕

Mikado Resources

Continued from page 16

move ahead. Positive results indicate that we may be witnessing the evolution of a new mining camp. Unique in the mining industry is that major control of this area was initiated and is dominated by one group.

Over C\$1 million has been expended in rebuilding and extending underground workings (exploration drifting on ore), surface exploration, and bulldozer trenching. Most of the known showings were examined and eight new showings were discovered.

Results of the 1985 program demonstrated the potential for one or more Kootenay Arc replacement deposits that have new potential to reach several million tons necessary to develop a new mine in the area. Indicated results infer that fissure vein systems are open to large mineral tonnages. An added feature of these multi-metal deposits is the flexibility gained in mining and processing the most profitable blend based on market conditions and metal prices.

At this stage of development it is too early to develop definitive cash-flow analysis. When consideration is given to open pit and underground mining what is known is favorable. Replacement ore is indicated as having estimated gross values of C\$305.26+ to C\$340.08+ per ton, and estimated gross revenue of C\$117.77 to C\$309.53+ per ton. Vein ore is estimated at a gross metal value of C\$324.34+ per ton.

It must be pointed out that only a fraction of this 80-square-mile property has been examined and tested to date. Now,

with good access, exploration logistics are greatly improved. Studies of air photographs indicate surface expressions of new target areas, which will be followed up during 1986.

Last year was the start of limited development mining and the first bulk test of the Wagner vein was shipped to the Cominco smelter to determine grade and recoveries. Further bulk shipments of vein and replacement ore are to be made this year.

The Mt. Templeman area is now receiving increased interest and market support as brokers and investors become aware of this successful play. More attention is being focused on the whole area as other resource companies become aware and formulate their own programs elsewhere in the region. Gunsteel Resources Ltd. is mobilizing to test its showings, which will be the subject of a future research paper.

Recommendation

Mikado Resources Ltd. is a solid junior resource company that provides the aggressive, but speculative investor with the opportunity to participate in the mineral-rich Mt. Templeman area, which has the potential to host a world-class mine. The shares represent an exceptional opportunity to participate in a low priced exploration/development company for both short-term and long-term capital appreciation. Continued success will mean investors can expect price appreciation of their shares.

May 1986

Robert H. NyDokus is an analyst with Yorkton Securities Inc., 800-609 Granville Street, Vancouver, British Columbia, Canada V6C 1X9, 604-669-7752. ✕

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