

ANNUAL REPORT 1985-1986**Presidents Report to the Shareholders:**

The Board of Directors is pleased to present the Annual Report of Seven Mile High Resources Inc. for the year ended April 30, 1986.

The past year has seen a continuation in the existing growth and development of your Company.

During the past year the Company chose not to exercise an option with Axis International Holdings Inc., controlled by the President of Seven Mile, after it was found out that Axis Oil Corp. could not get its affairs in order financially or mechanically.

Drilling commenced in mid-August on the Company's Vault claims in Okanagan Falls, B.C. and concluded several weeks later. A total of seven holes were drilled totalling 491 meters. To summarize the drilling results on the property, the Company's consultant, Mr. Harold Jones, P. Eng., prepared a report to management; the report stated that the drilling program did not extend deep enough to penetrate the most important zone and that more drilling was required at deeper depths. This report encouraged the Company to seek out a joint venture with a major mining company. On April 24, the Company reached an agreement with Inco. Under the agreement, Inco's wholly owned subsidiary, Canadian Nickel Company Ltd. (Conico) has the option to purchase a 60 percent interest in the claims by paying Seven Mile High Resources \$100,000 and spending an

additional \$400,000 on the property; cash payments and expenditures are spread over five years. Conico may exercise at any time as the option is spread over five years.

On July 17, 1986 Seven Mile High Resources Inc. acquired an option to purchase a certain mineral claim in the Geralton-Beardmore area in Ontario, in the Thunder Bay Mining Division. The total price is \$250,000 of which \$5,000 has been paid. The balance is payable in increasing amounts commencing June 1, 1987 and terminating on June 1, 1995.

The Beardmore property adjoins the Solomons Pillars Prospect to the east on which 91,000 tons of 0.25 oz. gold per ton have been drill-indicated by Pronto Inco, with very encouraging results. A major fault which is believed to have played a role in the development of the Solomons Pillars Zone crosses the entire Seven Mile High Resources property. This fault will be the prime focus for this years exploration program. Line cutting, geological mapping, and sampling has commenced ~~with drilling to follow as soon as possible.~~

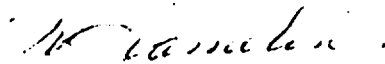
Metalore announced an important gold discovery in March, after completing several deep holes on its ground with very impressive gold assays of 0.47 oz. gold per ton over 53.4 feet and later 0.74 gold per ton over 39.2 feet at depths in excess of 1250 feet, over a strike length of 500 feet. Metalore trades on the Toronto Stock Exchange and trades as high as 29 3/4 this year.

Your Company has a very exciting future coming up with two existing properties in progress. Of course, the Company is pursuing other acquisitions.

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In conclusion, we would like to thank our employees and shareholders for their continued support. We look forward with them to the upcoming months ahead, to instigate a thorough program of exploration and to fully evaluate the holdings of the Company.

Respectfully submitted on behalf of the Board of Directors.



Maurice G. Hamelin  
President



## Seven Mile High Resources

### COMPANY PROFILE

Seven Mile High Resources Inc. was approved for trading on the Vancouver Stock Exchange July 17, 1985. The property consists of 49 claims (called the Vault Claims) located in the Osoyoos Mining Division of Southern British Columbia, 10 kms. south of Penticton and 4 km. west of Okanagan Falls. Early exploration indicated sufficient mineralization that Harold M. Jones, P. Eng. (Consulting Geologist) recommended that Seven Mile High Resources Inc. invite a major exploration company to participate in a joint venture on the drilling program.

On April 24, 1986, Seven Mile High Resources Inc. announced a joint venture agreement with Canadian Nickel Company Ltd. (Canico) which is a wholly-owned subsidiary of Inco Ltd. Under this agreement Canico has the option to purchase a 60% interest in the claims by paying Seven Mile High Resources Inc. \$100,000 and spending \$400,000 on the property. When this phase of the agreement is completed, Canico can earn up to an additional 30% by incurring expenditures of a further \$1,500,000. However, Seven Mile High Resources Inc. may, at this time, participate proportionately in these expenditures to retain its 40% interest.

Canico spent May 1 - July 31 doing a Geological & Topographical Survey of the claims and on August 4, 1986, commenced a 700 metre diamond drilling program.

Meanwhile, the management of Seven Mile High Resources Inc., always on the lookout for attractive propositions, acquired the exploration rights to a 19 claim gold prospect situated midway along the historically productive Geraldton-Beardmore Greenstone Gold Belt. These claims adjoin Metalore (A T.S.E. listed company that traded as high as \$29 7/8 and currently around \$20.00) to the south and Solomon's Pillars to the east. Metalore's stock rose dramatically when they announced gold assays of 0.47 oz/ton over 53.4 feet and 0.74 oz/ton over 39.2 feet at depths in excess of 1250 feet over a strike length of 500 feet. On Solomon's Pillars 91,000 tons of reserve grading 0.25 oz/ton have been drill indicated. Initial exploration work has been completed on these claims by Seven Mile High Resources Inc. and a diamond drilling program is to commence shortly. To fund this drilling, \$200,000 will be raised via a flow-through offering.



## Seven Mile High Resources

On October 1, 1986 Canico announced drill results on the vault claims in OK Falls with the best gold value being 0.29 oz/ton. These encouraging results have prompted Canico to vigorously explore this property and expand the drilling program to establish tonnage.

Seven Mile High Resources Inc.'s management team is aggressively pursuing other meritorious acquisitions, and is about to begin negotiations with a multi-million dollar industrial company with the objective of vending the industrial into Seven Mile High's portfolio.

The Company has approved 220,000 Employee and Directors Options at 45¢ that would put \$100,000 approximately, into the Company's treasury.

The Company has so far received from Inco \$8,000 towards its joint venture. Inco projections for early 1987 is to expend another \$200,000 - they already have expended \$85,000 in 1986. There is a balance of \$92,000 forthcoming to the Company. By what is projected for early 1987 it would be fair to expect \$60,000 to \$70,000 in 1987 for our treasury.

Maurice G. Hamelin  
President

H. O. Harju  
Director,  
Exploration Services  
(416) 381-7880

July 30, 1987

Mr. Maurice Hamelin  
Seven Mile High Resources  
c/o Mr. Michael Sikula  
FAX # 604-689-4626  
Vancouver, B.C.

Dear Mr. Hamelin:

Inco Limited intends to issue a press release in which some of its major exploration projects will be highlighted. Attached is an advance copy of the release, and of media background information which makes reference to Seven Mile High Resources.

Please review and approve this text by signing and returning the facsimile to me, with any changes or corrections you consider necessary, by August 4 if at all possible.

Sincerely,



HOH/hmj

July 30, 1987 1:30 p.m. -- DRAFT --(Preliminary, still containing inaccuracies, as items marked with an asterisk have not as yet been signed, approved or agreed to; approval of disclosures would have to be obtained from partners)

(This draft for partner pre-clearance).

### Inco Gold Company Announced

Toronto, August 5, 1987 -- Inco Limited today announced the formation of Inco Gold Company as a separate unincorporated business unit. Inco Gold Company is charged with exploring for gold and other precious metals worldwide, and with the responsibility of developing new precious metals mines and operating them to yield maximum returns and values to Inco. Precious metals by-product production from existing nickel mines will continue within the purview of Inco Limited.

Inco Gold Company's principal strategy is to explore for and evaluate mineral deposits and develop promising projects into operating precious metals mines. Inco Gold will operate its own mines and participate in others in which it has or can acquire an equity interest. It will establish an acquisition program to acquire from other parties, properties and mines which meet its criteria of profitability and asset value growth potential.

Inco Gold's principal operations, at present, are in Canada, the U.S., Brazil and Indonesia. Based on the three projects, Golden Pond in Quebec, Crixas in Brazil and Jardine in the U.S., Inco Gold Company's share of production should be 115,000 ounces per year by 1991; and based on the areas now being explored and numerous targets already identified, Inco Gold's production could be in excess of 400,000 ounces per year by the late 1990s.

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In Canada, Inco's most advanced gold project is Golden Pond in Casa Berardi Township in Quebec. Here, the Company is actively involved in managing the exploration and development of a gold mine and mill in a joint venture in which it holds a 80 per cent interest with Golden Knight Resources Inc.

In the United States, Inco Gold Company is manager of a 50:50 joint venture with Homestake Mining Company at Jardine in Montana. An underground exploration program is complete and an engineering study and feasibility report are currently being studied by the partners.

In Brazil Inco Gold has concluded an agreement with a Brazilian associate of Anglo American to develop a 1,100 ton per day mining and milling operation at Crixas in the state of Goias. Inco Gold's partner in the project has the right to earn a 50 per cent interest in the project.

In total, Inco Gold Company has interest in more than 50 projects worldwide.

Dr. Walter Curlook will serve as President of Inco Gold Company; Terrence Podolsky as Vice-President, Exploration; Dr. Claudio B. Barsotti as Vice-President, Development and Operations; and Walter O. Hardacre as Comptroller. Dr. Curlook will continue with his responsibilities as Executive Vice-President, Inco Limited, and Mr. Podolsky will continue as Vice-President, Inco Limited, responsible for managing all of Inco's non-precious metals exploration programs as well as overseeing the exploration programs of the Company's operating divisions.

Inco Gold Company is based in Toronto, Ontario.

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August 5, 1987



**DRAFT**  
**Media Backgrounder**  
**Inco Gold Company**  
**August 5, 1987**

In British Columbia, Inco Gold is earning a 60 per cent interest in a joint venture with Seven Mile High Resources on the Vault property 10 kilometres south of Penticton. Early drilling results have intersected mineralization of ore grade\*.