

Trader's Yellow Giant the site of year-round development

BANKS ISLAND, BC—Unlike most Canadian precious metal mining companies, **Trader Resource Corp.** (TRR:VSE) is looking forward to this winter. Located on the northwest coast of British Columbia, 70 miles south of the port of Prince Rupert, its Banks Island gold property is less than two miles from the warming influence of the North Pacific Ocean, enabling the company to continue exploration and development in relative comfort all year round.

But the mild west coast climate is not the only attraction on Trader's Yellow Giant property.

An independent economic analysis of Yellow Giant's Tel deposit prepared by engineering consultants H.A. Simons, of Vancouver, British Columbia, has vindicated Trader's faith in the property's

long-term economic viability.

H.A. Simons has projected C\$50 million in gross revenue at current gold prices for the first three years of production at the Tel deposit. The assessment was based on proven reserves (to date) of 206,400 tons of near-surface mineable ore grading 0.64 ounces of gold per ton (diluted) and 1.28 ounces of silver per ton.

Trader President Tadeusz van Wollen notes that while those reserves, lying within 500 feet of surface, are sufficient for three years of production at 200 tons per day, the potential for developing additional reserves is extremely high.

"We believe continued development drilling may prove as much as one million tons of ore, with the same grade," says van Wollen.

The Tel's potential was underscored in July when Trader announced that recently completed E-Scan geophysical testing showed extensions of the deposit to the northwest and southeast of the main orebody. As the development continues, the value of these extensions will be defined.

"The Tel is only one of four major deposits at the Yellow Giant," says van Wollen. "There are three additional deposits on the property, known as the Bob, Discovery, and the Kim, whose total mineable reserves are 183,500 ounces of gold."

Van Wollen is hardly smug about

the assessment in the Simons report, but he does point out that as early as 1960, Ventures Ltd. and later Falconbridge Ltd. discovered significant mineralization at the Yellow Giant. The property, however, remained largely ignored until 1983 when Trader acquired an option on the ground and began exploration work in earnest. Today, Trader holds a 90% interest in the property.

"The property was known, but left undeveloped," says van Wollen. "In the beginning we met with some skepticism regarding the potential of the Yellow Giant, but

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Trader Resources

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now that we are in the development stage, I think we have overcome that attitude."

Development plans for the Tel deposit, forecast to reach full production by late spring of 1987, call for Trader to complete a 3,575-foot decline at a grade of -15% to a depth of 500 feet, plus 700 feet of drifting and crosscutting.

By the end of this year, Trader expects to have completed the decline, built a 1.25-mile road from the shore to the deposit and have all pre-mining licenses and permits in place.

Trader plans to mill the Tel deposit ore on barges using selective flotation. The mill will be constructed on the barges in Vancouver and then towed up the inside passage to Banks Island where it will be floated ashore using the tide.

Development and production costs are expected to be kept in check in part because of the property's mild coastal marine climate, which, although damp, allows for a 12-month working season. In addition, the relatively flat terrain boasts a red cedar, hemlock, and spruce forest that will provide ample wood for mine development.

Total capital costs for bringing the Tel deposit into production are estimated at C\$9.55 million and production costs are forecast at C\$90 per short ton. Van Wollen says Trader will finance the mine in stages, with the first C\$4 million soon to be in place.

"We are currently finalizing a joint venture with a European merchant bank for the development of the Tel deposit," says van Wollen.

The joint venture financing will not involve a new share issue. The company will remain capitalized at 5.9 million shares issued and outstanding, with an average share price of C\$2.10 through the first seven months of 1986.

As the Yellow Giant property proceeds toward production, Trader will be able to call on the expertise of David R. Bell, who joined the company as a director in early 1986. Bell was heavily involved in the Hemlo gold camp discovery.

In addition to Bell, Trader has assembled a talented management team that also includes its regional manager, John Michell, P.Eng., a 1951 graduate of the Camborn School of Mines, Cornwall, England. Michell has worked in virtually every capacity in the mining industry and has been involved in projects from West Africa to the Philippines, across Canada and the U.S.

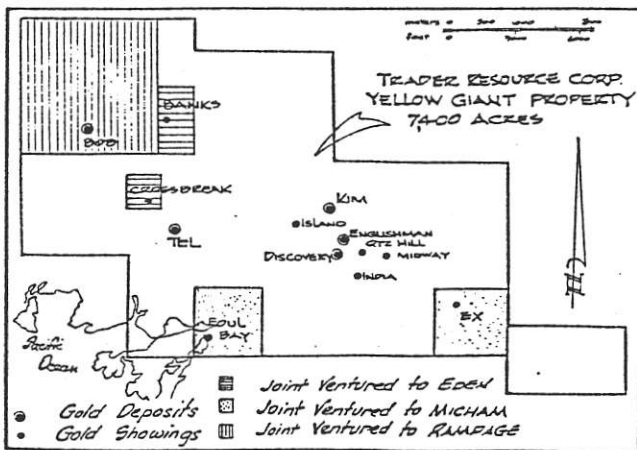
Trader's exploration manager, Johan Shearer, has worked on the Yellow Giant project from the outset. Shearer, a 1973 honors graduate in geology from the University of British Columbia, earned his Master of Science degree from the University of London, Imperial College, in 1977. Before joining Trader, Shearer worked as an exploration geologist with McIntyre Mines, Carolin Mines, and J.C. Stephen Exploration Ltd.

Murray McClaren, vice president and Yellow Giant project co-ordinator, is involved in the overall administration of the project. McClaren has been a director of Trader since 1983.

Serving as legal counsel and secretary/treasurer is Peter Matthews, a graduate of Dalhousie University, Halifax, Nova Scotia.

Van Wollen, himself a founder and director of Trader, is a professional engineer with many years of experience in the design, construction, development, and financing of mining projects across the U.S. and Canada.

Says van Wollen, "We have made a careful study of the Banks Island deposits and we are not making any wild claims about the Yellow Giant. But I have to say that I believe we are just scratching the surface here." ✕



Exploration on Banks Island has located a number of gold zones

Exploration of the northwest coastal region of British Columbia began prior to the turn of the century. Prospecting and staking was actively pursued in the early 1900s and by 1920 producing gold mines were established on Princess Royal Island and Porcher Island. Yet little exploration activity had taken place on Banks Island prior to the discovery of gold by Ventures Ltd. in 1960.

Banks Island, located on the northwest coast of British Columbia, is approximately 40 miles long and 12 miles wide, and is 70 miles south of Prince Rupert. It is bounded on the east by Principe Channel and on the west by the Pacific Ocean. Some 50 miles further west is the archipelago of the Queen Charlotte Islands.

Ventures, the predecessor of Falconbridge Ltd., identified Banks Island as a favorable exploration target due to the presence of distinct structural features or lineaments that transect the country rocks. By utilizing fixed-wing aircraft and helicopter support, the company was the first to explore inland on the island.

Prospecting and follow-up ground surveys, directed by J. McDougall, resulted in the discovery of a number of gold-bearing zones. By 1964, the presence of three deposits, the Discovery, Kim, and Bob, were indicated from drilling.

McIntyre-Porcupine Mines Ltd. staked ground on Banks Island in 1961. The Tel zone was discovered by McIntyre prospector A.F. Angus late in the 1963 season.

Sproatt Silver Mines Ltd. purchased all interest in the McIntyre ground in 1975. Spruatt amalgamated and became known as Hecate Gold Corp. in 1977. In the same year, Hecate optioned the Falconbridge holdings on Banks Island and gained control of the property now known as the Yellow Giant.

During 1977 and 1978, a decline on the Bob zone was partially completed and a short underground drilling program was done. Hecate was unable to finance further exploration and the property remained inactive until 1983 when it was acquired by Trader Resource Corp.

Trader commissioned preliminary metallurgical, environmental, and site engineering studies and prepared a comprehensive report of all technical data.

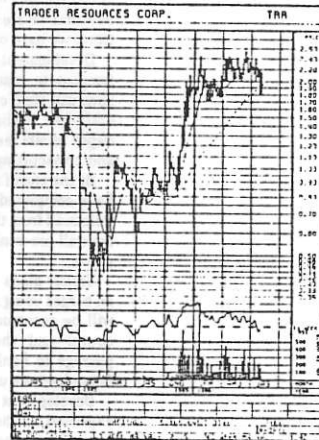
A systematic exploration program, including regional geophysics, detailed mapping, sampling, and diamond drilling began in 1984. Exploration of the Tel zone has advanced to the development stage.

Skyhigh Resources Ltd. holds a 50% interest in 61 claim units. Preliminary geological and geochemical surveys conducted in 1984 indicated seven favorable areas with potential for gold mineralization. Skyhigh is continuing to explore its prospects on Banks Island.

Other active resource companies such as Caliente Resources Ltd., Acheron Resources Ltd., Indian River Resources Inc.,

Pirates Gold Corp., Windarra Minerals Ltd., Golden Eye Minerals Ltd., and Trident Resources Inc. all have claim groups trending northwest and southeast of the Yellow Giant property.

The success of the Yellow Giant project has prompted other resource groups, such as Eden Resources Ltd., Micham Explorations Inc., and Rampage Resources Inc., to carry out joint venture exploration programs with Trader on the gold zones of the Yellow Giant in 1986.



HUGH G PC

TRADER RESOURCES
VSE-TRR

Developing the 7,400 Acre Yellow Giant Gold property on Banks Island
Potential of over 1,000,000 oz. of gold reserves.

Trader is currently finalizing a joint venture with a European Merchant Bank that would not involve a new issue of shares.

4 major deposits with proven reserves on the Tel deposit of 206,400 tons of near surface mineable ore grading .64 oz gold/ton (diluted) and 1.28 oz silver/ton. Mineable reserves on the Bob, Discovery and Kim deposits are 183,500 oz of gold.

Forecast production scheduled for late spring 1987.

Easily accessible area with mild west coast climate allowing year round operations.

Capitalization 5.9 million shares issued and outstanding average share price for 1986 -C\$2.10

TRM Engineering Ltd. is the operator of Trader's Yellow Giant Project. TRM is a multi-disciplined firm offering specialized services to resource industries. TRM is structured on a five division basis: mineral, geothermal, biotechnical, financial and legal. Trader's managing directors are associates of TRM Engineering Ltd.

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