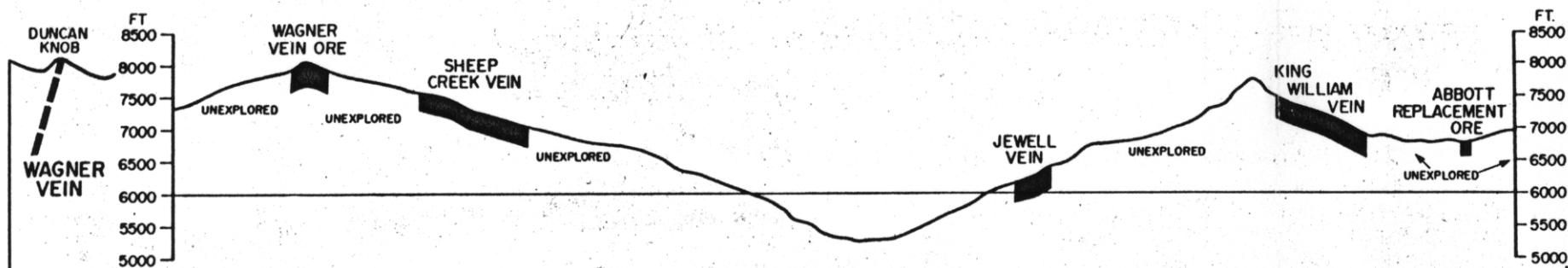


WAGNER

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## DEVELOPING A "WORLD CLASS" OREBODY

The Wagner Project of Mikado Resources Ltd. is the result of some 5 years of effort in accumulating over 70 square miles of mineral claims in the Lardeau Mining District of southeastern British Columbia. This project has the potential to become a major metal producer of world class dimensions. Part of the famous Kootenay Arc, the 26-mile long property hosts at least 14 known massive sulphide occurrences in the northern five miles of strike length. A successful exploration program in 1986 has already measured and indicated approximately 300,000 tons of sulphide ore (silver/lead/zinc/gold) with an in-ground value of C\$50 million resulting in a net pre-tax value of C\$17 million which is equivalent to over C\$4 per share. These calculations were based on metal prices as of November 1986 with silver at US\$5.605 per troy ounce. The recent dramatic rise in the price of silver will significantly increase these figures. Inferred reserves are over 500,000 tons.

Funded by flow-through share offerings, Mikado plans a three-year program of exploration, development and production to cost an estimated C\$7.5 million. As the numerous known metal deposits are placed in the "proven" category, the company anticipates at least two million tons of ore reserves. Large numbers indeed. However, the 200-mile long Kootenay Arc has hosted numerous rich deposits, a number of which have approached 10 million tons of ore-grade material.

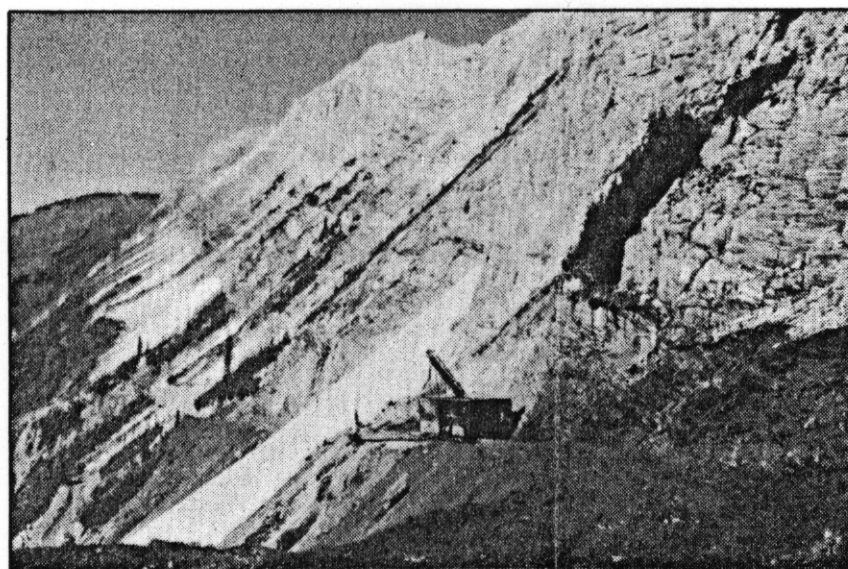
Located 60 miles southeast of Revelstoke, the claim group ranges in elevation from 4,000 to 8,400 feet. In the past, difficult access hampered the development of the area even though it was known to contain high-grade silver/lead/zinc deposits. This problem has been solved with the construction of a road last year suitable for transportation of personnel and heavy duty ore trucks.

This year's plans include limited production for metallurgical testing of ore from the Abbott Zone with the

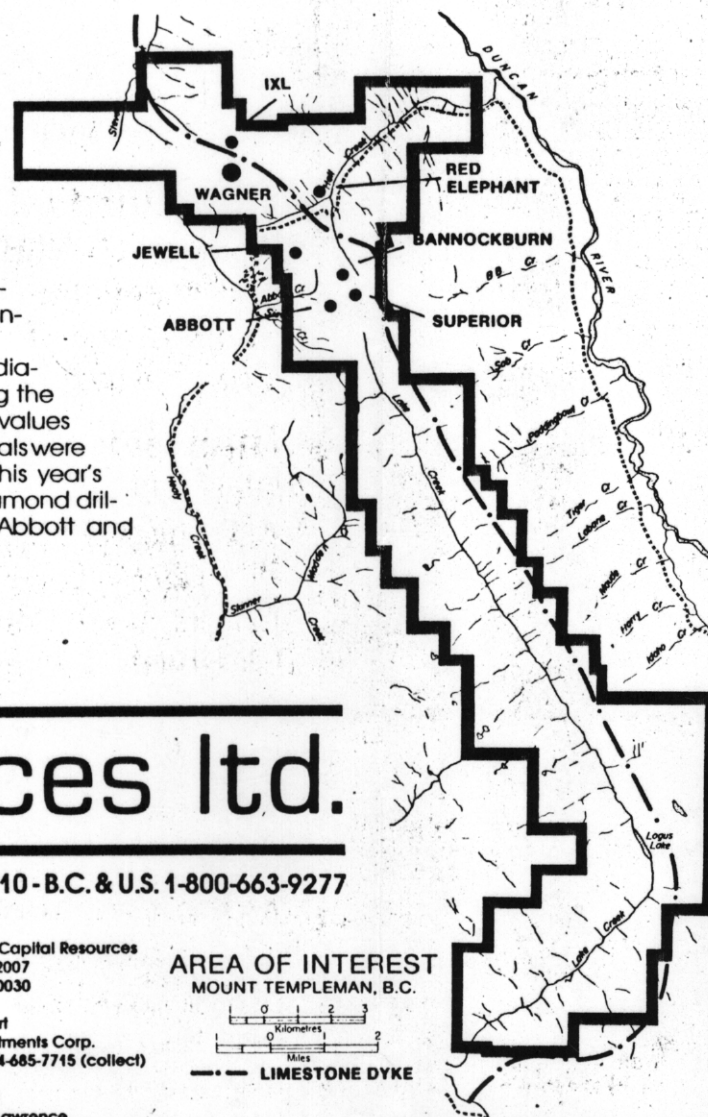
material being trucked 60 miles to the newly-acquired mill in which Mikado holds a 50% interest. At a production rate of 100 tons per day, the high-grade Abbott ore would net the company over C\$13,700 per day (November 1986 metal prices). The Abbott deposit contains mineralization grading 21.94 ounces of silver per ton, 569 pounds of lead per ton and 332 pounds of zinc per ton.

With the huge scope of the Wagner Project, the Ainsworth mill would be far too small to handle the ore being mined and management expects to build a mill in the 500-1,000 ton per day range in a few years. Even with a larger mill, the project is still too vast for Mikado to carry on by itself and the company is considering farm-out arrangements and joint venture agreements. Several major mining companies have expressed interest.

Last year at a cost of C\$1.35 million, 14,149 feet of diamond drilling was completed. In addition to outlining the high-grade silver/lead/zinc mineralization, significant values of gold, cadmium, gallium, germanium and other metals were encountered. These will be further investigated in this year's exploration programs which will see 15,000 feet of diamond drilling as well as underground development of the Abbott and Wagner deposits.



Ore outline diamond drilling on the Abbott orebody looking north to the King William. Note the contact between the limestone dyke and the slates at the horizon at left of photograph, the stratabound nature of the deposit can be seen.



# mikado resources ltd.

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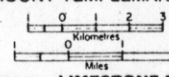
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