

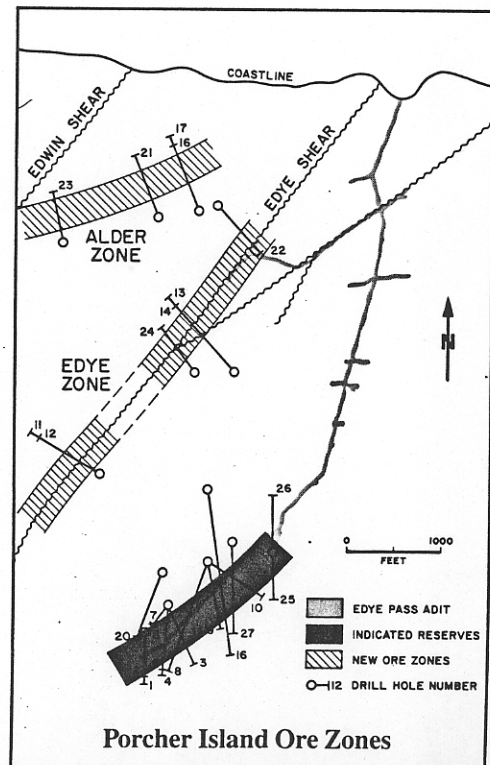
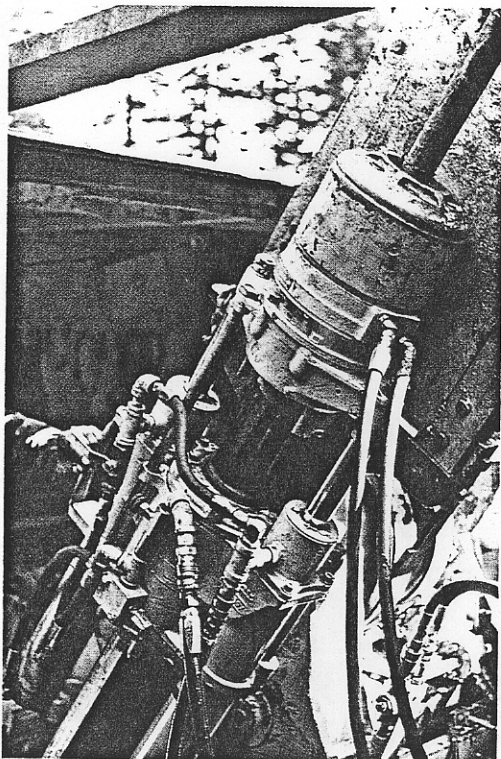
*Edge Pass.*



This 100% owned property is located approximately 35 miles southwest of Prince Rupert, British Columbia. It covers approximately 1,900 acres and extends to tidewater. Weather conditions permit year round operations. It is a former gold producer having mined 73,000 tons of ore just prior to World War II before closure as the result of fire. Mill recoveries from this ore were 95%. The recovered ore grade averaged 0.29 opt gold.



Prior to commencement of Cathedral's 1987 exploration program at Porcher, reserves stood at 250,000 tons grading 0.26 opt gold. Results from the 27 hole 18,000 foot program drilled by Cathedral in 1987 confirmed and extended the known gold bearing system on the property which remains open at depth below 500 feet and on strike.



Edy ✓

May 15, 1988

Cathedral's share of reserves is 1,200,000 tons with a grade of 0.28 ounce gold per ton. These in situ reserves are equivalent to 0.082 ounce gold per issued Cathedral share. At full share dilution of 5,033,000 this is 0.068 ounce gold per share. Three of these properties warrant further comments at this time because of their immediate potential for improving cash flow and increasing reserves. Possible reserves of 515,000 ounces of gold is projected by the writer within 12 months.

### **Sterling Mine, Nevada**

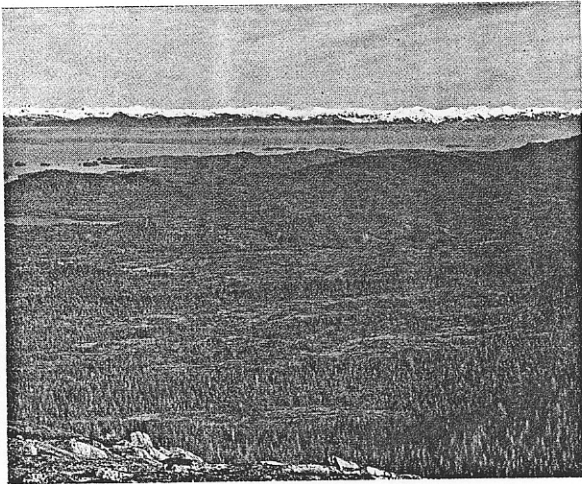
The Sterling Mine, located near Beatty, Nevada has been in production since 1980. Production is currently at 200 tpd and plans are to increase this rate of mining by developing additional reserves. The Sterling reserves are steadily being added to by an aggressive program of 6,000 to 8,000 feet of drilling each month. Sufficient reserves are being added to replace that which is being mined. Mineable reserves have gone from 80,000 tons in 1980 to 265,000 tons of 0.26 oz. per ton gold in 1987. Approximately 50,000 tons are mined annually and at 85% recovery, 11,000 ounces of gold are produced. Current reserves are estimated by the writer to be 293,000 tons with a grade of 0.25 oz. per ton gold. Reserves are expected to be increased to 350,000 tons in the next 12 months.

The company estimates earnings of 18 cents per share and cash flow of 21 cents per share for the period July 1 - December 31, 1987. Cash cost of production of \$215.00 U.S. per ounce of gold recovered is below the average production cost of North American gold producers. The Sterling property is fortunate in that the ore is all oxide material which is recovered by low cost heap leaching techniques. The grade is high for heap leach operations, which usually run 0.03 to 0.15 oz. per ton gold. Recovery is about 85% gold in comparison with industry average of about 65%. Most of the ore is mined from two open pits, but 20% is mined by underground methods, slightly increasing overall mining costs. Operating profit and cash flow for 1988 are expected to surpass those attained in 1987.

### **Porcher Island**

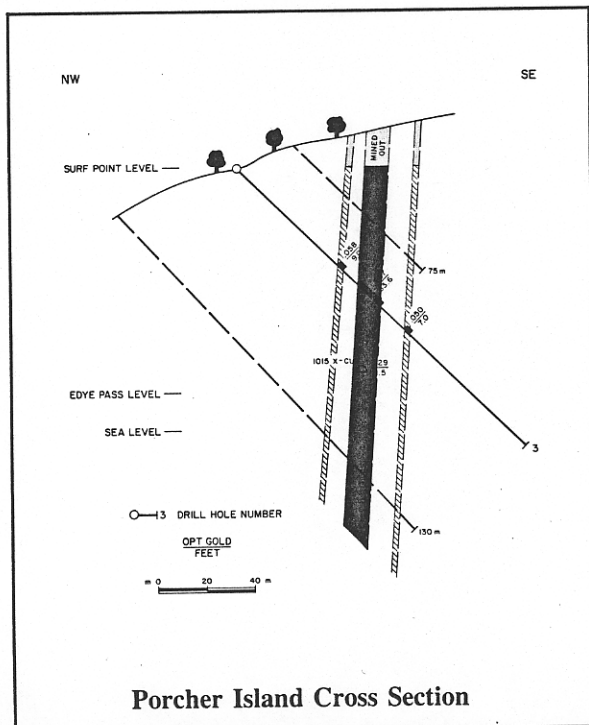
The Porcher Island gold property is located at tidewater, 30 miles southwest of Prince Rupert, B.C. Previous mining of gold quartz veins produced 73,000 tons of ore with a grade of 0.29 oz. gold per ton. Reserves of 250,000 tons grading 0.26 oz. Au per ton was reported prior to Cathedral's involvement. Drilling in late 1987 confirmed these reserves and grade in the AT zone over a strike distance of 1,000 ft. and a depth of 500 ft. From the 17 holes drilled in this zone the writer concludes that the zone contains 500,000 tons of drill indicated ore which is open for expansion along strike and at depth. Six drill holes in the Edye zone and four in the Alder zone indicate some ore grade gold intersections.

A budget of \$800,000 has been allocated for 1988 to drill 25,000 to 30,000 ft at 75 - 100 ft. centres to firm up reserves and grade. This drilling should provide the data to make a decision by year end to begin underground exploration and development on the AT zone.



Most encouraging, long intersections in many of these holes support the concept of a large tonnage ore body grading in the order of 0.15 opt gold. If this feature continues to be supported by the drill results in 1988, the pace of exploration activity at Porcher Island will increase significantly.

Geophysical and geochemical surveys carried out on the property led to the discovery of the Alder Zone. All holes drilled in the previously untested Edye Zone and in the new Alder Zone encountered gold mineralization.



### Significant Intersections Better than 0.1 opt over 4 feet

Hole	Zone	Feet		Feet Length	Opt Gold
		From	To		
1	AT	49.0	53.0	4.0	0.103
	AT	176.0	182.0	6.0	0.415
2	AT	173.0	177.0	4.0	0.163
3	AT	228.0	261.6	33.6	0.332
4	AT	172.8	179.4	6.6	0.157
	AT	219.0	296.0	77.0	0.204
5	AT	68.3	75.0	6.7	0.231
6	AT	200.2	201.4	1.2	0.334
7	AT	125.0	131.0	6.0	0.182
	AT	150.0	157.0	7.0	0.258
	AT	319.0	328.4	9.4	0.107
	AT	373.0	381.0	8.0	0.353
8	AT	81.0	82.0	1.0	0.485
	AT	235.0	268.3	33.3	0.115
	AT	528.8	534.0	5.2	0.187
	AT	725.5	751.0	25.5	0.158
	AT	763.0	766.0	3.0	0.299
9	AT	351.0	357.3	6.3	0.186
10	AT	38.0	53.0	15.0	0.101
	AT	100.0	132.0	32.0	0.206
11	EDYE	168.7	169.5	0.8	1.360
12	EDYE	NO SIGNIFICANT INTERSECTIONS			
13	EDYE	203.7	204.2	0.5	0.915
	EDYE	294.0	308.0	14.0	0.260
	EDYE	363.0	367.0	4.0	0.100
	EDYE	398.5	400.0	1.5	0.665
14	EDYE	249.0	252.0	3.0	0.144
15	AT	742.0	748.5	6.5	0.120
	AT	977.0	978.0	1.0	0.468
16	AT	321.0	327.0	6.0	0.282
	AT	582.0	587.0	5.0	0.218
	AT	623.0	628.0	5.0	0.306
	AT	704.0	705.0	1.0	0.540
	AT	795.0	799.0	4.0	0.160
	AT	905.0	930.0	25.0	0.152
17	ALDER	224.0	225.0	1.0	0.478
	ALDER	557.0	561.0	4.0	0.555
18	ALDER	448.0	449.5	1.5	0.338
19	AT	413.0	419.5	6.5	0.141
	AT	560.0	564.5	4.5	0.126
20	AT	NO SIGNIFICANT INTERSECTIONS			
21	ALDER	64.0	65.5	1.5	0.602
	ALDER	482.0	483.5	1.5	1.874
22	EDYE	167.0	172.5	5.5	0.106
23	EDYE	NO SIGNIFICANT INTERSECTIONS			
24	EDYE	243.0	247.0	4.0	0.140
	EDYE	277.0	278.0	1.0	0.810
25	AT	90.0	104.0	14.0	0.232
	AT	139.0	140.0	1.0	0.560
	AT	157.8	159.0	1.2	1.030
	AT	499.0	503.0	4.0	0.365
26	AT	129.0	133.0	4.0	0.861
27	AT	48.0	63.0	15.0	0.182
	AT	145.0	152.0	7.0	1.020
	AT	179.0	188.0	9.0	0.243