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Skyline Explorations Ltd.

1986 Development
REG Property
Stonehouse Gold Deposit



1986 MINING PROGRAM DEVELOPS GOLD DEPOSIT

Underground mining and metallurgical testwork in preparation for feasibility has been completed on the Stonehouse gold deposit. Gold is free-milling with recoveries in excess of 90 percent. Pre-production development and construction of milling facilities will be undertaken during 1987.

Currently mineral reserves stand at 938,000 tons grading 0.73 ounces gold per ton. Skyline Explorations is well-funded with \$3.3 million in place for the initial work program. A target of 300,000 tons of ore above adit level grading greater than 0.85 ounces gold per ton is expected to be fully defined and developed by July 1987. Production is planned for year end.

PROPERTY

The Reg claim group, 26,000 acres in size, is 100% owned by Skyline and located in northwestern British Columbia. It features the Stonehouse gold zone and includes attractive additional exploration targets such as the McFadden, Bonanza, C1, C2 and C3 areas.

STONEHOUSE GOLD DEPOSIT

Skyline Explorations completed a 1,020 foot crosscut and 380 feet of drifting on the Discovery and '16' veins of the Stonehouse Deposit. The continuity of the vein systems at depth and along strike was confirmed, and gold grades were markedly higher than indicated by core drilling.

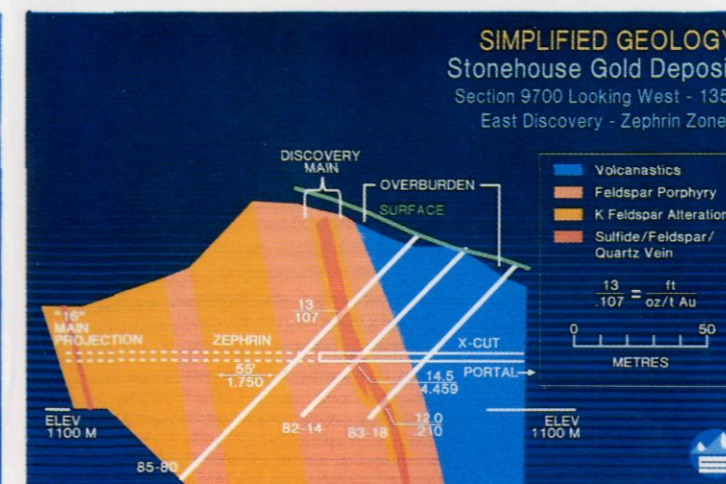
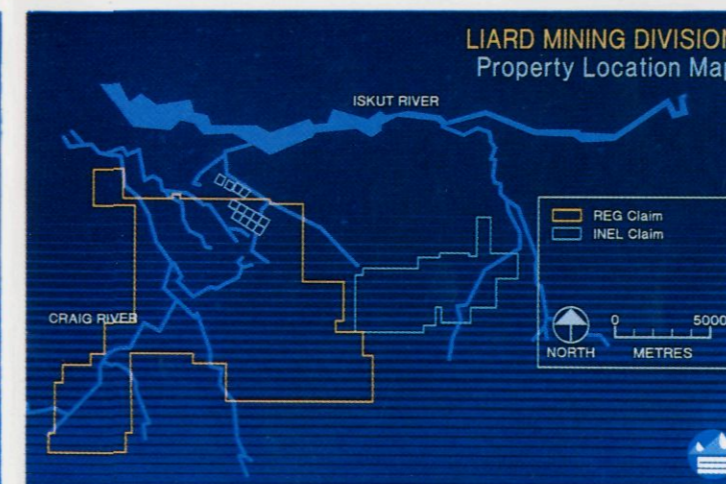
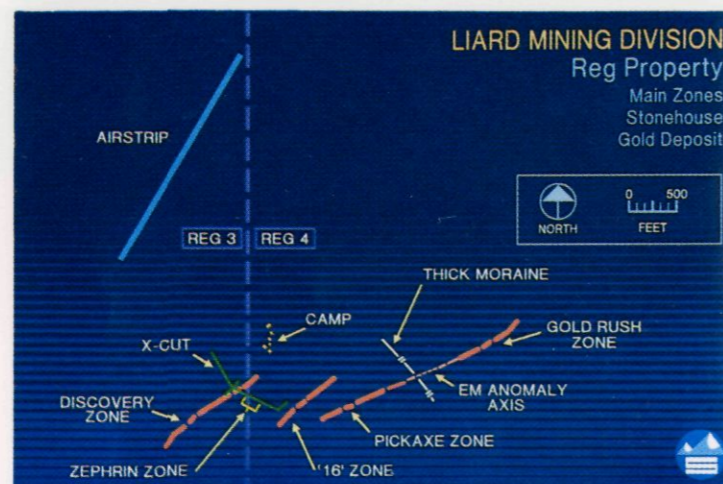
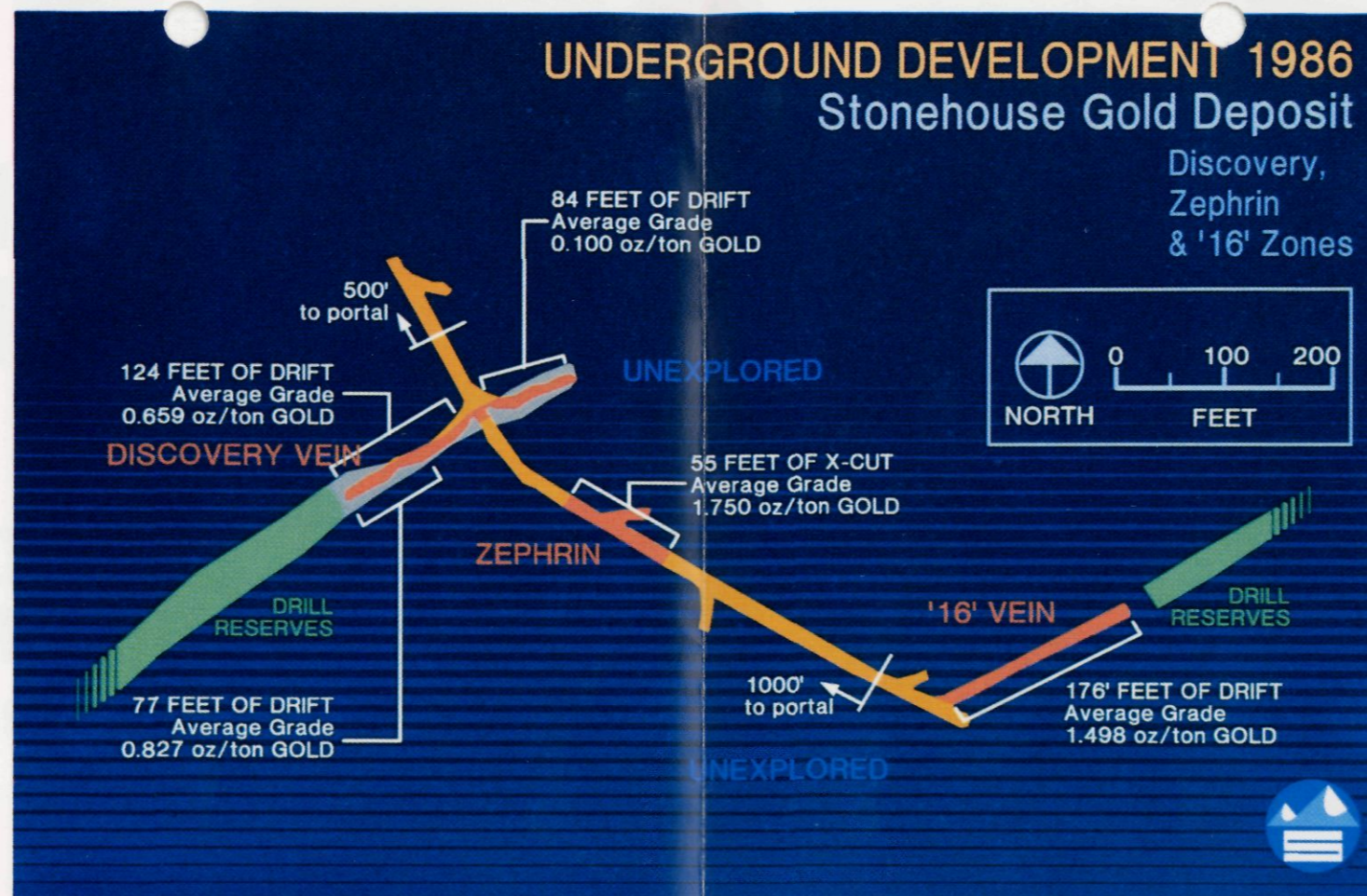
Work in 1986 proved the presence of a large, high grade breccia zone termed the Zephrin and showed westward continuation of the Discovery vein. Exciting drill intersections 100 feet below mine workings on the '16' vein gave the following:

DDH	FOOTAGE	OZ/T GOLD
U5	124-146 (22')	1.401
U6	157-162 (5')	0.962

and 190 feet below the same workings results were:

S53	477-587 (10')	1.229
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The excellent results of the 1986 program have allowed a major increase in all categories of mineral reserves as well as a dramatic increase in the geological potential. This places the Skyline mine among the top gold developments in Canada.



MINERAL RESERVE SUMMARY

Reserves were increased significantly by drilling and mining advance through the Discovery, '16' and Zephrin zones. The '16' vein in particular, showed frequent gold occurrences in a broad, regular exposure for 180 feet of current drift extent. It averaged 1.452 ounces gold per ton across a 6 foot width for this length.

There was a major increase in previous mineral reserve determinations. Notably the measured plus drill indicated reserve now stands at 233,000 tons grading 0.865 ounces gold per ton.

Mineral reserve status is currently as follows:

	Oz/Ton	Oz/Ton	% Cu	Tons
Measured	1.328	1.91	1.50	79,848
Drill Ind.	0.61	0.97	0.78	153,598
Drill Inf.	0.67	0.70	0.67	705,000
Total:	0.730	0.85	0.76	938,446

Geological potential is estimated to be 4,000,000 tons at 0.50 ounces gold per ton.

METALLURGY

Native gold is the main economic mineral of the Stonehouse deposit. Associated with this are iron, copper, and zinc sulfides in a gangue of quartz and feldspar. The mineralization occurs in massive veins and in a large intensely altered breccia zone.

Metallurgical testing has shown gold enriched material from the Discovery and '16' veins, and the Zephrin breccia body to be completely compatible with standard gold recovery processes. A minimum gold recovery of 93 to 95 percent is indicated from tests, and this can be increased a further 2 to 3 percent by recovering gold from flotation copper concentrates.

CORPORATE HIGHLIGHTS

The emergence of Skyline Explorations as a mine developer is reflected in changes in the Board of Directors and Officers of the Company.

Mr. M.N. Anderson, formerly C.E.O., Cominco Ltd., and Mr. R.C. Shon, both of Vancouver, are newly elected directors. Mr. Anderson has become Chairman, Mr. R.E. Davis continues as President, and the three form the newly organized Finance Committee. Mrs. Joyce Davis, Secretary, and Mr. R.G. Gifford, property founder, continue as directors of the company.

SKYLINE EXPLORATIONS LTD. — incorporated 1968

GENERAL INFORMATION

Board of Directors: M. N. Anderson, Chairman
R. E. Davis, President
J. A. Davis, Secretary
R. G. Gifford, P.Eng., Director
R. C. Shon, Director

Treasury: 10,000,000 shares authorized
*5,757,928 shares issued
(* of which 469,770 held in escrow)

Transfer Agent: Guaranty Trust Company of Canada
800 West Pender Street
Vancouver, B.C.

Property Holdings: All properties are in the Iskut River area of
northwest British Columbia. All are 100%
owned by Skyline.

REG Claim Group 417 units (25,670 acres)
INEL Claim Group 185 units (11,400 acres)
Other Claim Groups 161 units (9390 acres)

Listed on the Vancouver Stock Exchange: Trading Symbol — SKX

CONSULTANTS

E. W. Grove Consultants Ltd. — Geology
Pamicon Developments Ltd. — Engineering

January, 1987 — REG Property, Stonehouse Gold Deposit



Skyline Explorations Ltd.

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Skyline Explorations Ltd.

Reg Project

1984 PROGRAM EXPANDS MINERAL POTENTIAL

Skyline Explorations Ltd. has successfully completed the 1984 field season on the REG property in northwestern British Columbia reporting major depth on the Stonehouse Gold Zone and the discovery of major sedimentary hosted silver-lead-zinc deposits.

A total of 369,000 ounces of gold for a value of \$147,000,000 Cdn (based on \$300 per oz. U.S.) has been determined for the REG property. This is an exceptional resource and will be evaluated in 1985 for economic feasibility.

UNDERGROUND DEVELOPMENT OF MAJOR GOLD DEPOSIT

The main lode of the Stonehouse Zone has an inventory of 285,000 ounces of gold derived from a reserve of 557,000 tons grading 0.512 ounces gold/ton. This large deposit is paramount to the development of the REG claims and includes a significant 102,100 tons which average a high 0.718 ounces gold/ton that are drill-indicated.

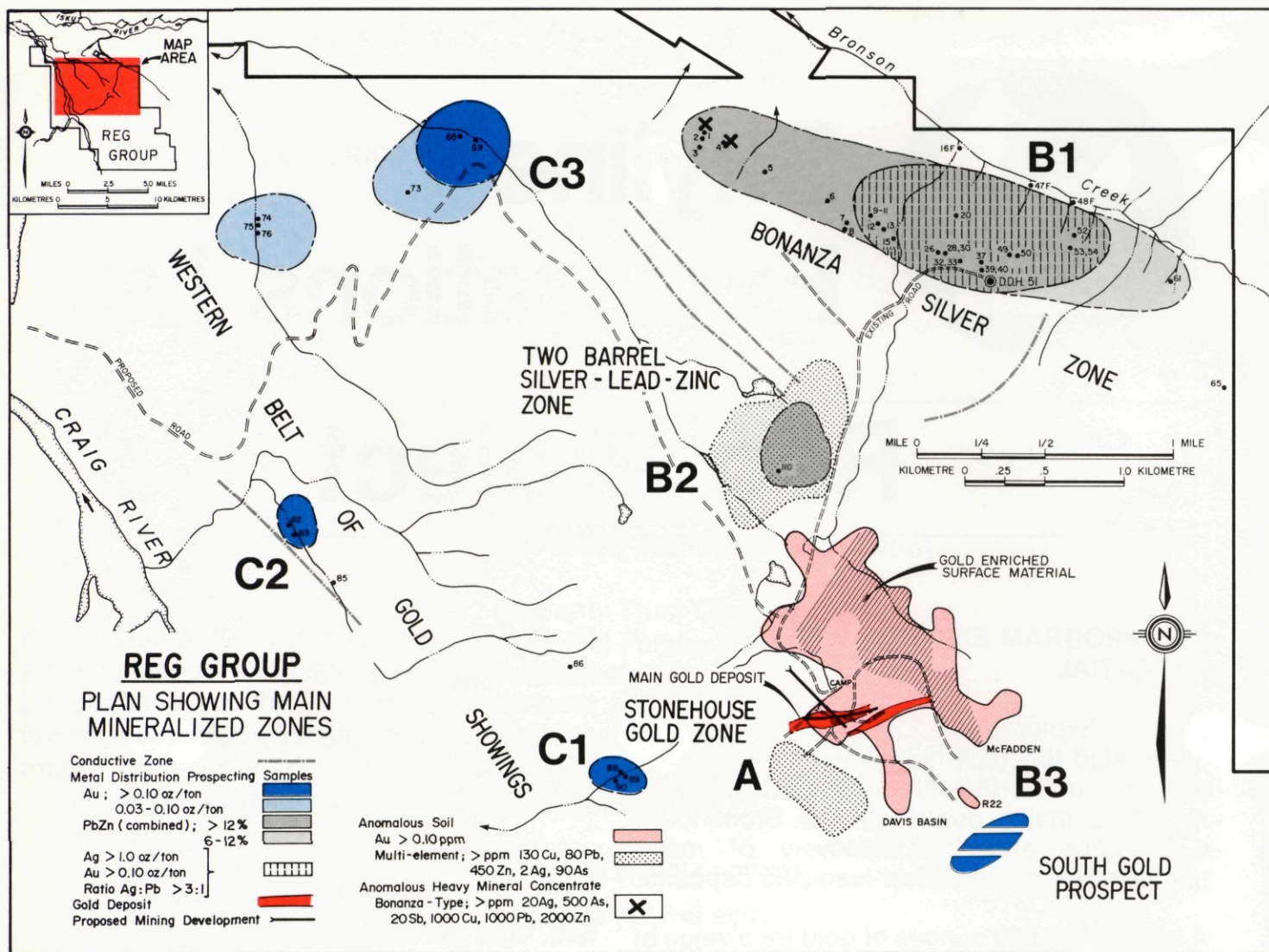
The McFadden Section provides an additional and exceptional resource having 2.8 ounces gold/ton in an estimated 30,000 tons of broken surface material. This gives 84,000 ounces of gold to be developed by low cost surface methods.

Dr. E. W. Grove, Consulting Engineer, in his report of February, 1985 has recommended a program consisting of primary underground development supported by both underground and surface drilling that is directed toward bringing the property nearer to production.

A portal is planned from which 1500 feet of adit will be driven to crosscut the main structure. This will intersect the deposit at a point 350 feet below surface which will give optimum extraction benefits. An additional 1500 feet of drifting will develop the tested strike of the gold zone.

The results of drill programs since 1981 have shown the Stonehouse Gold Zone to comprise at least 5 overlapping mineral lenses in a length of 1150 feet and width of 460 feet. These are explored to a drilled depth of 525 feet and show the average widths of the main mineralized lenses to range from 11 feet to 16 feet. The mineral lenses have not been completely outlined, thus suggesting that the reserves can be increased by drilling to depth and at the open ends.

The reserves of the REG property to date, along with the underground development as planned can prove to be a highly profitable major gold mining operation.



Results of outcrop sampling of the main areas of the REG Group include the following assays:

Location	Lead %	Zinc %	Silver oz/ton	Gold oz/ton	Location	Lead %	Zinc %	Silver oz/ton	Gold oz/ton
MAP AREA B1					MAP AREA B2				
2	20.6	10.1	10.77	.024	110	5.0	9.7	5.36	.009
5	.6	6.1	1.11	.014	MAP AREA C1				
8	1.8	7.0	2.94	.005	88	1.8	.7	2.29	.729
10	24.8	23.7	20.38	.007	89	.3	1.0	1.17	.344
12	1.0	9.1	12.71	.236	90	2.8	1.6	1.46	.979
20	.1	7.2	.50	.038	MAP AREA C2				
30	1.4	9.7	4.58	.057	83	.7	.3	1.46	.140
39	—	.8	405.40	2.884	MAP AREA C3				
49	.1	.1	3.85	.098	68	—	—	.26	.093
53	.5	.7	35.02	.108	69	—	—	.52	.167
61	1.8	4.9	1.99	.034	75	2.5	1.9	1.46	.036

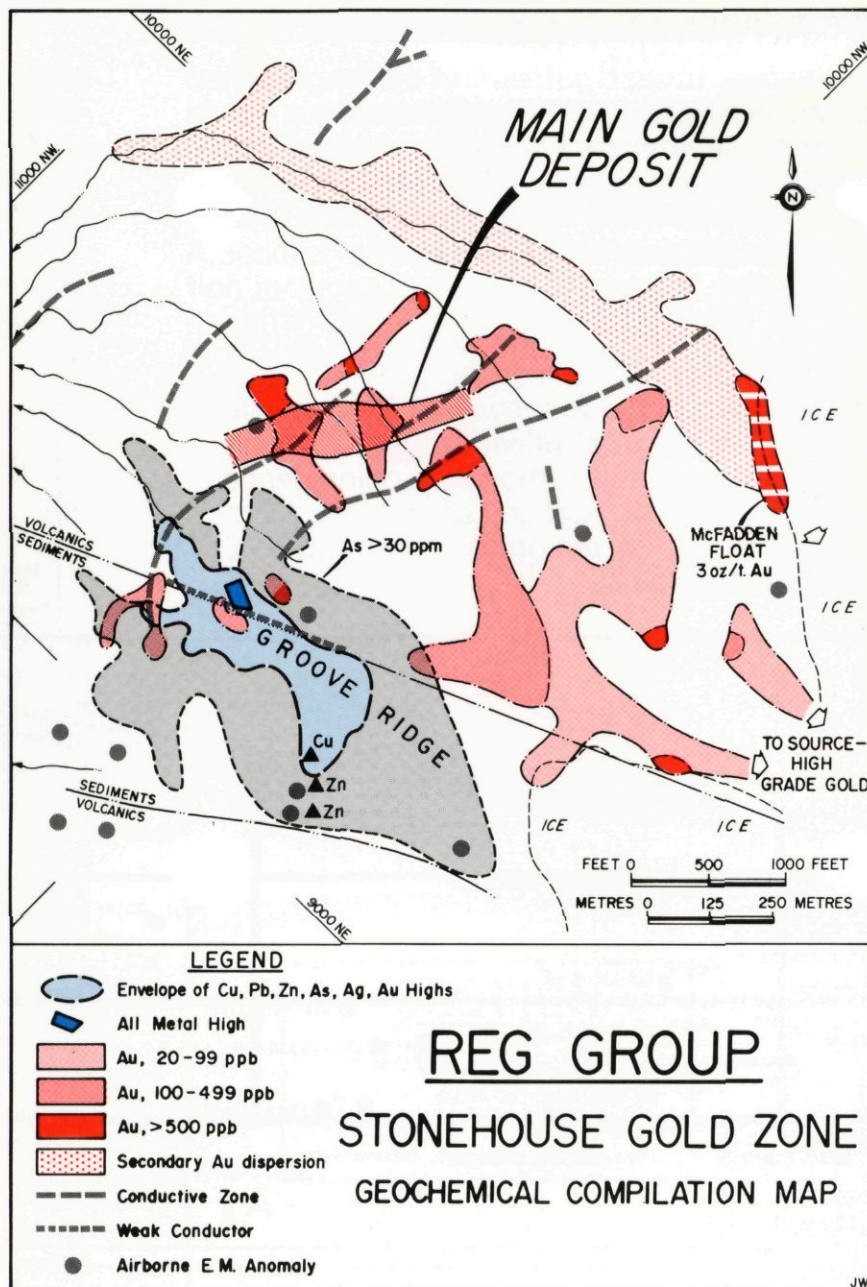
DEEP TARGET (MAP AREA A)

The Groove Ridge multi-element soil anomaly is interpreted to reflect a primary metal halo that surrounds a possibly significant base metal deposit.

This zone is thought to have a potential for at least several million tons. Float material at the north end of this structure assayed 40% combined lead and zinc, 5.9 oz/ton silver and .07 oz/ton gold in massive sulfide ore. Other float assayed 4.42% zinc and .350 oz/ton gold.

Mineralization is coincident with the major contact between volcanic and sedimentary rocks. This contact is believed to be an important control to mineral deposition.

Evidence suggests that the targeted area is also associated with the extension of the main deposit of the Stonehouse Zone.



MAJOR POTENTIAL EXPLORED

The main gold concentration on the REG claim group is controlled by an extensive fracture system cutting volcanic rocks. The major base metal accumulation is centred on sedimentary hosted deposits situated in rocks underlying the volcanics.

The degree of mineral concentration on the property is exceptional and is comparable to

that found associated with proven major mining districts.

Exploration on the main gold deposit has given an excellent drilled reserve for the Stonehouse Zone, and this together with the possibility of recoverable high-grade surface material on the McFadden Section and the prospect of several major exploration targets gives the REG property significant economic potential.

STONEHOUSE ZONE (MAP AREA A)

The 1984 drilling program adds substantial depth to the No. 16 mineral lens of the Stonehouse Zone and exploration results include the following intersections. The gold zone remains open both to depth and to strike extensions.

Hole No.	Interval feet	Length feet	Copper %	Silver oz/ton	Gold oz/ton
84 - 52	382-395	8	.10	.54	.781
	448-463	15	.58	1.33	.595
84 - 53	477-487	10	.04	.32	1.229
	482-487	5	.04	.49	2.360
84-54	411.5-419.5	8	.38	.30	.352

BONANZA ZONE (MAP AREA B1)

In 1984 an access road was built into the Bonanza area of showings. Prospecting and sampling of these occurrences has shown a region of silver enrichment that extends nearly 2 miles and that is contained within a stratigraphic thickness of about 500 feet.

Showings in this region give assays which are extremely high in silver relative to base metal concentrations and can produce exceedingly rich ore pockets. For example:

Location	Lead %	Zinc %	Silver oz/ton	Gold oz/ton
12	1.0	9.1	12.71	.236
39	—	.8	405.40	2.884
53	.5	.7	35.02	.108

The Bonanza together with the Two Barrel zone is inferred to be part of a larger folded structure that exhibits varying values of zinc, lead, silver, gold and copper over an area of about 3 miles by 2 miles.

Estimates suggest this area could contain tens of millions of tons of silver rich lead-zinc ore, or possibly in excess of a hundred million tons of lower grade material that is mineable in part by open pit.

WESTERN BELT (MAP AREAS C1, C2, C3)

Stream silt and heavy mineral sampling and follow-up prospecting have located new gold mineralization in AREA C1 that gives assays to 1.0 ounces gold/ton from quartz veins in sediments and in AREA C2 that gives assays of 0.1 ounces gold/ton associated with a prominently sheared contact zone. AREA C3 carries assays of about 0.1 ounces gold/ton in a region of pronounced iron enrichment.

SOUTH GOLD PROSPECT (MAP AREA B3)

Sampling of the McFadden area of sulfide float shows a measurable reserve estimated to contain 30,000 tons of broken sulfide material. Assays of this material average 2.80 ounces gold/ton to give an inventory of 84,000 ounces of gold.

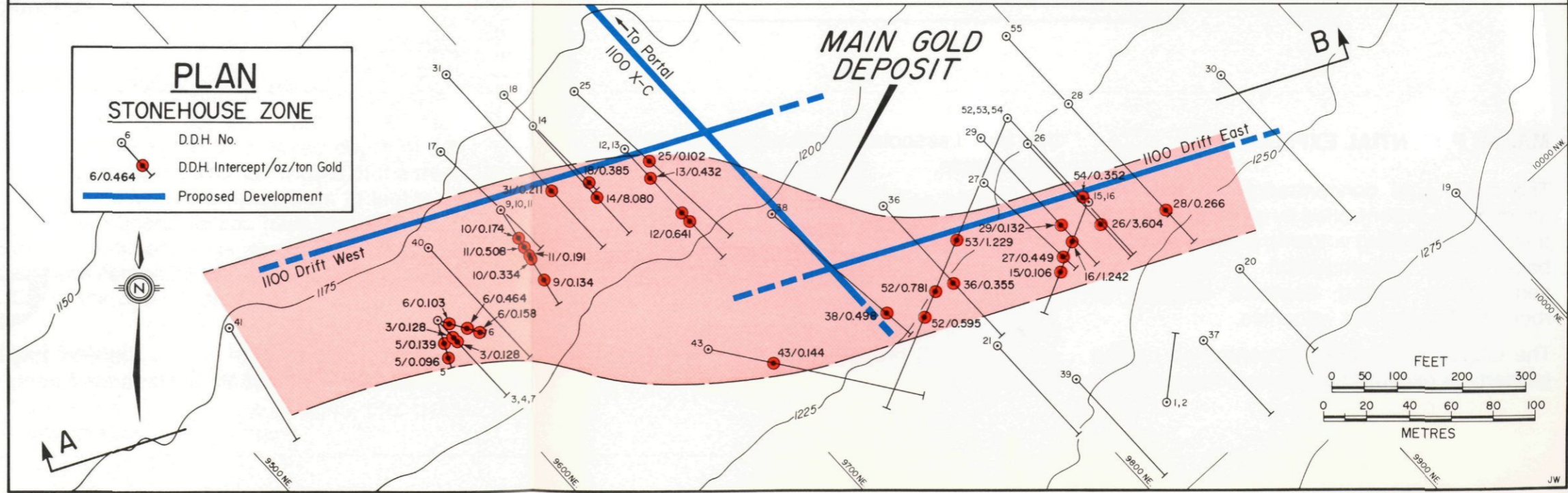
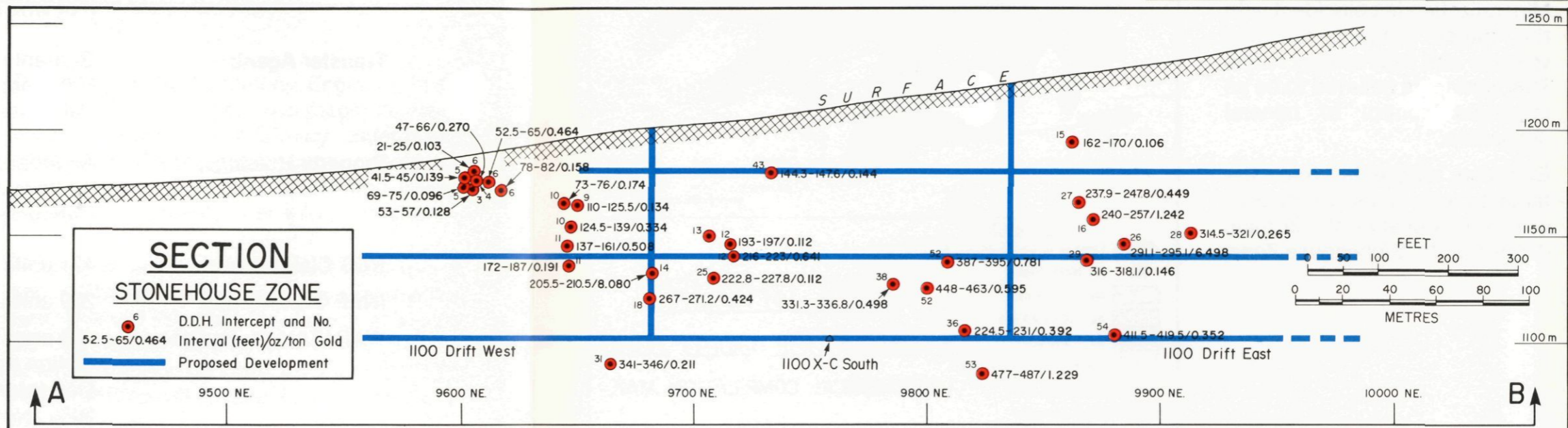
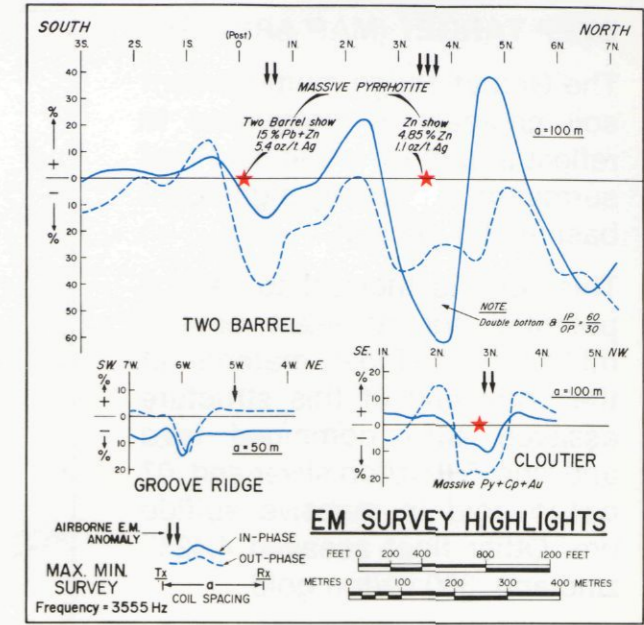
A second resource outlined by surface exploration includes an eluvial blanket of gold bearing material that extends downslope from the main structure. Preliminary work shows an area of 64 acres of this material having a minimum depth of 3 to 6 feet and averaging 1.5 parts per million gold in the tested - 80 fraction.

The source of all this material is now believed to occur some 1000 feet to 1500 feet upslope near the major contact between volcanic and sedimentary rocks.

TWO BARREL ZONE (MAP AREA B2)

Bulldozer investigation of coincident geochemical/geophysical anomalies has uncovered a sedimentary hosted silver-lead-zinc deposit of major potential. This new zone has been traced for more than 500 feet in one area and up to 170 feet in another.

Of particular interest are eight strongly conductive zones located by airborne EM survey whose lengths are a mile and more. Initial testing of two of these showed direct association with base metal mineralization. Ground surveys on two others showed a coincidence with high multi-element soil anomalies. All of which points to the region having exceptional exploration promise.



SKYLINE EXPLORATIONS LTD. — incorporated 1968

GENERAL INFORMATION

Board of Directors: R. E. Davis, President
J. A. Davis, Secretary
P. H. Sevensma, Ph.D., Director
R. G. Gifford, P.Eng., Director

Treasury: 10,000,000 shares authorized
*3,488,643 shares issued
(*of which 469,770 held in escrow)

Transfer Agent: Guaranty Trust Company of Canada
800 West Pender Street
Vancouver, B.C.

Property Holdings: All properties are in the Iskut River area of northwest British Columbia. All are 100% owned by Skyline.

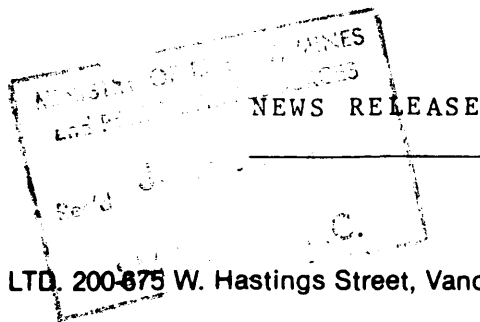
REG Claim Group 421 units (26,291 acres)
INEL Claim Group 209 units (12,749 acres)
WARATAH Claim Group 192 units (11,712 acres)
Option agreement on the Waratah Group with Gulf International Minerals. Gulf can earn a 50% interest by spending \$500,000 on exploration by 1987.

Listed on the Vancouver Stock Exchange: Trading Symbol — SKX



Skyline Explorations Ltd.

2nd Floor, 675 West Hastings Street, Vancouver, B.C. V6B 4Z1 (604) 683-6865



May 16, 1985

SKYLINE EXPLORATIONS LTD. 200-875 W. Hastings Street, Vancouver, B.C. V6B 4Z1 (604) 683-6865 Telex-04-51313

MINE EVALUATION PLUS EXPLORATION ON SKYLINE'S REG GROUP

1985 promises to be the most significant in Skyline's history with evaluation of the surface mining potential for the Stonehouse Gold Zone and detailed exploration on other mineralized zones of the REG property.

The REG property which is 100% Skyline owned, covers some 26,000 acres and lies at the northern end of the mineral rich Stewart district in northwest British Columbia. Skyline has been active on the claims since 1980.

Mobilization for the 1985 field season on the Reg Group has already commenced by flying fuel and supplies to the airstrip on the property. The crew will move in on June 1st.

Geophysical work will pinpoint drill targets on the large base metal-gold-silver soil anomaly on the Groove Ridge and short-hole drilling will start at an early date to outline zones that have indicated open-pit potential over a portion of the 557,000 tons of 0.52 oz/ton gold in the nearby Stonehouse area. Work on the 30,000 tons of float of about 3 oz/ton of gold on the McFadden zone is planned for later in the season.

Geophysical surveys are also planned on the Two Barrel zone where 15-20% lead-zinc plus 5-10 oz/ton of silver and minor gold has been uncovered in place over a significant area in 1984, also to be followed by initial drilling.

Detailed surveys and drilling are planned on the Bonanza zone, where a high-grade showing of 405.4 oz/ton of silver, 2.88 oz/ton of gold and 14% copper was found in 1984. It is part of the strata-bound zone located some 130 meters down dip by hole 51/84 late in the 1984 season and traced imperfectly on surface by shallow pits for about 350 meters to the West. High gold-zinc-silver has also been found on strike about 2 kilometers to the West of this showing.

Financing for Phase I of the program has been arranged through an underwriting. Negotiations for financing of Phase II are now in progress with several Major companies and financial groups.

ON BEHALF OF THE BOARD


R.E. Davis, President

The Vancouver Stock Exchange has neither approved nor disapproved the information contained herein.

MINISTRY OF ENERGY, MINES
and PETROLEUM RESOURCES
Rec'd MAY 28 1984
VICTORIA, B.C.
NO 6



GLOBAL MARKETS

MAY 11, 1984

SKYLINE EXPLORATIONS LTD.

Stock Listing:
Vancouver - SKX

Yesterday's Close:
C\$1.50

Common Stock: n.p.v.
Authorized shares: 10 million
Issued shares: 3.48 million

Amid extensive landholdings in northwestern British Columbia, Vancouver-based SKYLINE EXPLORATIONS LTD. is in the enviable position of developing two highly promising mineral prospects, including one in conjunction with a major mining firm that appears to contain commercial deposits of copper, silver and gold. The company has come off a successful 1983 field season and it is hoped that further exploration will ultimately prove up reserves in the multimillion ton range.

HISTORY

The company was incorporated in British Columbia, Canada, in 1968 under the name Skyline Explorations Ltd. Its shares were posted for trading on the Vancouver Stock Exchange on August 27, 1981.

Interest in Skyline Explorations is focused on its two Iskut River properties in British Columbia's Liard Mining Division, situated about 70 miles northwest of the mining town of Stewart. The Reg Group, covering some 15,000 acres, is being developed by Anaconda Canada Exploration Ltd. through a joint-venture arrangement and the Inel Group, about 7,000 acres, that the company is exploring itself.

REG GROUP

Back in 1980 Skyline Explorations staked 325 units that now comprise the Reg Group on the northwest slope of Johnny Mountain, at elevations ranging from 3,700 to 4,800 feet,



over a system of old copper showings where mineralization was first discovered in the early 1900's as high-grade float.

The first drilling commenced in late 1981 in the Cloutier Zone where a potentially large, high-grade deposit of gold, silver and copper was indicated. Drilling in 1982 was very successful and encountered long intersections of high-grade gold greatly enhancing both the

tonnage potential and grade of the Cloutier Zone.

DDH	Interval Feet	Length Feet	Silver oz./ton	Gold oz./ton
81- 4	47- 66	19	0.68	0.270
81- 6	21- 82	61	0.15	0.128
	52- 65	13	0.48	0.464
82- 9	110-125	15	1.06	0.134
82-10	124-144	20	1.25	0.271
82-11	133-143	10	0.28	0.104
	143-161	18	0.31	0.621
	161-187	26	0.37	0.113
82-12	216-223	7	0.28	0.641
82-13	135-143	8	0.17	0.432
82-14	206-220	14	1.95	4.459

Another target of the 1982 program was the drilling of the Sixteen Zone, which is believed to be an easterly faulted off extension of the Cloutier Zone, where high-grade gold mineralization was encountered over a length of 17 feet.

DDH	Interval Feet	Length Feet	Silver oz./ton	Gold oz./ton
82-15	162-170	8	0.57	0.106
82-16	240-257	17	0.52	1.242

At this point it became clear that major financing would be necessary to ensure that the property could be quickly developed to its maximum potential. After receiving proposals from several major mining companies, Skyline Explorations entered into a joint-venture agreement with Placer Development Ltd. on September 17, 1982, whereby Placer could earn a 60% interest in the Reg Group by completing a feasibility study by December 31, 1986.

Placer reduced its joint-venture interest to 30% on June 16, 1983 by reaching a separate agreement with Anaconda Canada Exploration Ltd., a wholly owned subsidiary of Atlantic Richfield Corp., to obtain a 30% interest in the project in exchange for contributing 80% of the 1983 project costs.

1983 drilling, at a cost of C\$1.25 million, on the Sixteen Zone over a strike length of 500 feet returned numerous intersections with the zone apparently open in both directions.

DDH	Interval Feet	Length Feet	Silver oz./ton	Gold oz./ton
83-26	291-295	4	1.73	6.500
83-27	238-248	10	3.49	0.870
83-28	315-321	6	0.12	0.180
83-29	316-318	2	1.50	0.150
83-36	225-240	15	2.64	0.210
83-38	331-337	6	2.29	0.430

This "new core drilling has shown that the Cloutier-Sixteen Zone comprises a number of mineral lenses extending over a known length of at least [1800 feet] within a zone up to [600 feet] wide with a drilled depth of over [300 feet]. In addition to the native gold previously seen in the Cloutier Zone in holes 82-14 and 82-16, visible gold was also cut by holes 83-26 and 83-27 in the easterly Sixteen Zone extension", to which Dr. E.W. Grove, Skyline Explorations consulting engineer, has estimated drill-indicated and inferred reserves of 268,000 tons grading 0.4 oz. gold per ton.

Anaconda Canada acquired the remainder of Placer's position in the Reg Group joint-venture on January 18, 1984.

Extensive soil sampling, airborne geochemical surveys and trenching have suggested numerous 1984 targets including:

1. Work on the original Pick-Axe Zone has demonstrated an extensive mineralized zone which extends over a length of 2,300 feet.
2. The McFadden Float Zone consists of mineralized float with a moraine at the edge of the Johnny Mountain glacier. Thirteen samples of the float, which extends over 800 feet downslope, averaged 2.8 oz. gold per ton.
3. A number of other structures and conductors have been crudely outlined. Of particular interest is a large, strong airborne conductor where subsequent prospecting has located showings assaying as high as 33 oz. silver and 0.38 oz. gold per ton.

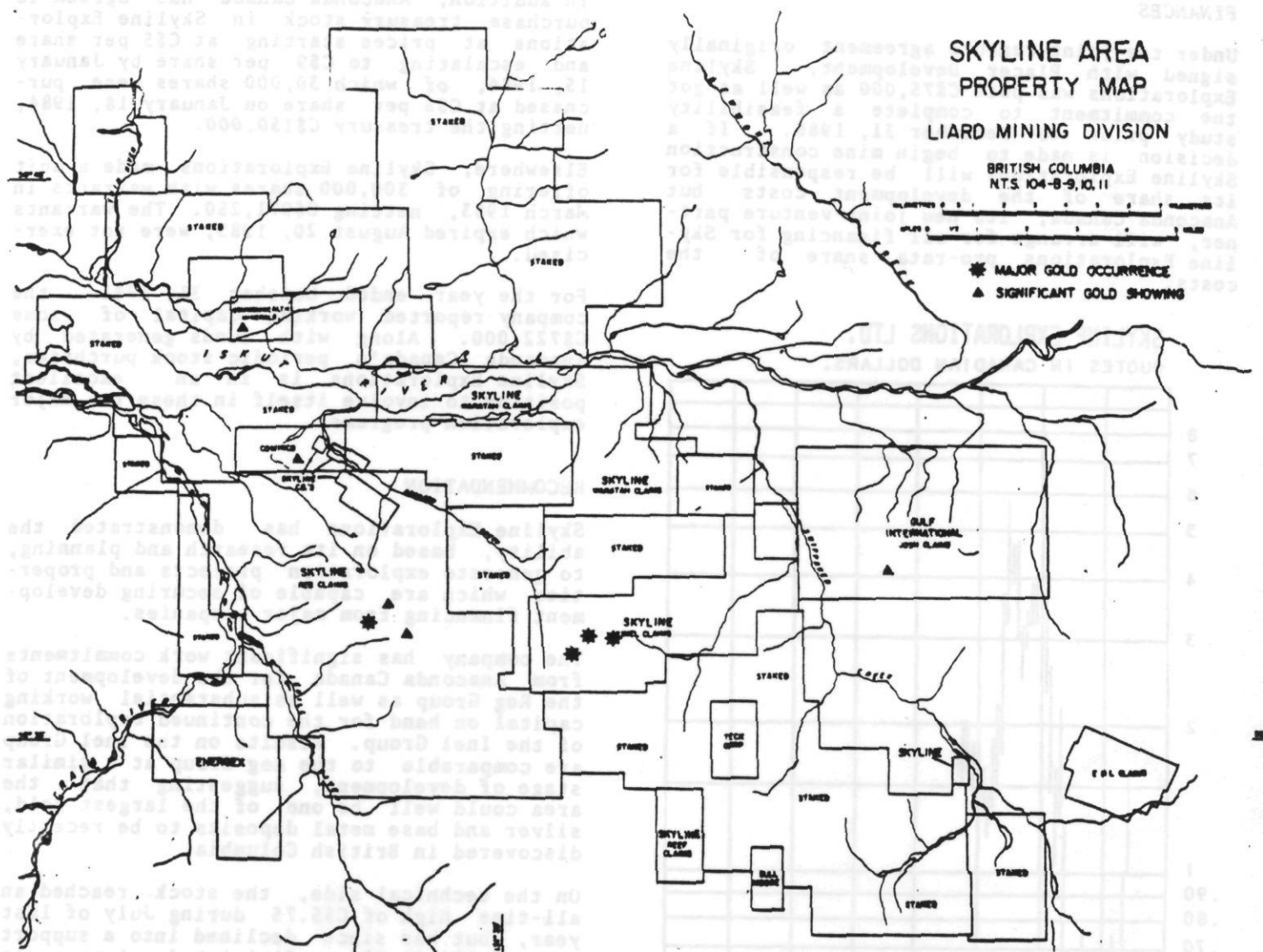
INEL GROUP

The Reg Group joint-venture agreement with Anaconda Canada has allowed Skyline Explorations to increase its efforts on its 100% owned, 112-unit Inel Group.

Extensive surface sampling during the 1983 field season outlined an area covering several square miles carrying significant

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gold and silver values. In a central area of about 1,500 feet by 1,500 feet, commercial values exceeding 0.10 oz. gold per ton are most abundant, and one band carries 8.9 oz. gold per ton across 16 feet.

Sample No.	Width Feet	Silver oz./ton	Gold oz./ton
2779	2	1.18	0.38
2927	2	4.40	0.14
2928	3	0.69	0.12
2929	30	3.10	0.10
2933	4	0.75	0.10
2934	3	2.70	0.10
2935	2	3.40	0.41
2946	3	1.40	0.53
2949	1	0.52	0.69

Preliminary estimates of this area indicate

that reserves could approach some 250,000 tons per vertical foot of mineralization.

In a November 12, 1983 report, Dr. E.W. Grove stated that the Inel Group has "shown the presence of extensive gold, silver . . . mineralization on both sides of Snippaker Ridge near the head of Bronson Glacier. Most of the detailed work has concentrated on the Main Showings [Inel Zone] and Discovery Zone which together extend over a sulfide bearing zone at least [2000 feet] long by [1000 feet] wide. Reconnaissance geology and prospecting has also suggested that these showings are part of a metal and mineral zoned complex with an overall width of up to [9800 feet] and an east-west length of up to [13000 feet]."

At this time, Dr. Grove has recommended a C\$1.6 million program for the 1984 season consisting of underground development and both underground and surface drilling, with the Discovery and Inel Zones as targets.

FINANCES

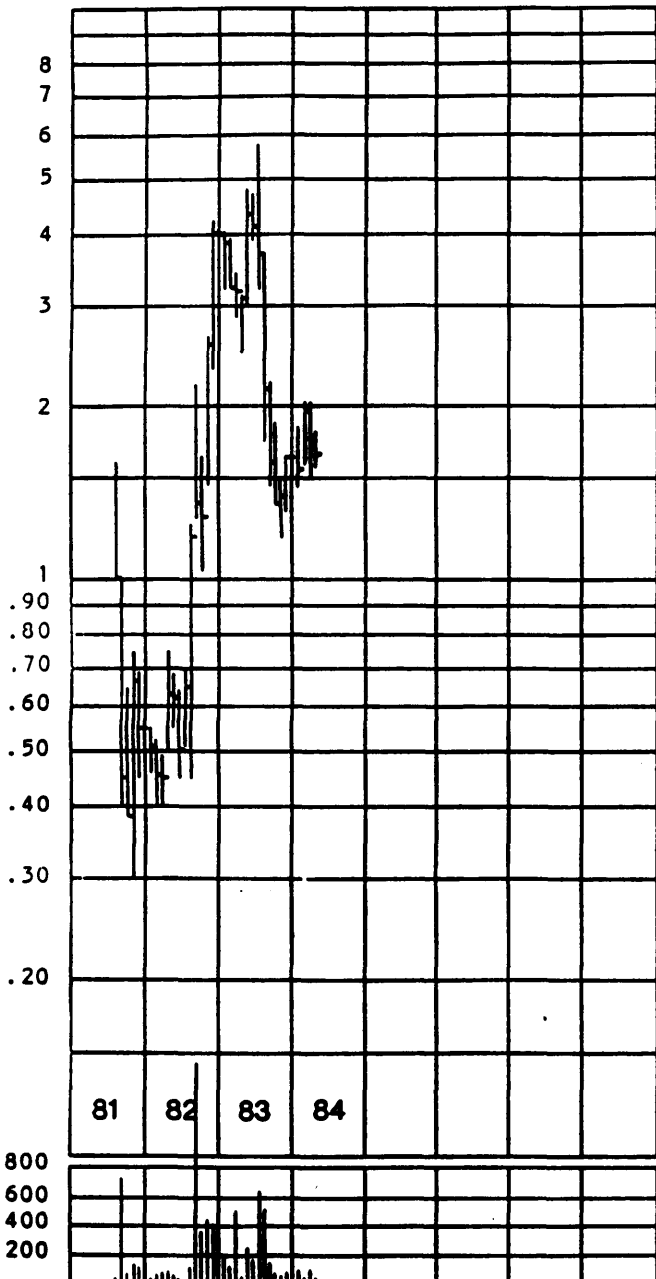
Under the joint-venture agreement originally signed with Placer Development, Skyline Explorations was paid C\$75,000 as well as got the commitment to complete a feasibility study prior to December 31, 1986. If a decision is made to begin mine construction Skyline Explorations will be responsible for its share of the development costs but Anaconda Canada, its new joint-venture partner, will arrange for all financing for Skyline Explorations pro-rata share of the costs.

In addition, Anaconda Canada has agreed to purchase treasury stock in Skyline Explorations at prices starting at C\$5 per share and escalating to C\$9 per share by January 15, 1986, of which 30,000 shares were purchased at C\$5 per share on January 18, 1984, netting the treasury C\$150,000.

Elsewhere, Skyline Explorations made a unit offering of 300,000 shares with warrants in March 1983, netting C\$971,250. The warrants which expired August 20, 1983, were not exercised.

For the year ended October 31, 1983 the company reported working capital of some C\$722,000. Along with funds generated by Anaconda Canada's periodic stock purchases, Skyline Explorations is in an excellent position to involve itself in these two major exploration programs.

**SKYLINE EXPLORATIONS LTD.
QUOTES IN CANADIAN DOLLARS.**



RECOMMENDATION

Skyline Explorations has demonstrated the ability, based on its research and planning, to generate exploration projects and properties which are capable of securing development financing from major companies.

The company has significant work commitments from Anaconda Canada for the development of the Reg Group as well as substantial working capital on hand for the continued exploration of the Inel Group. Results on the Inel Group are comparable to the Reg Group at a similar stage of development, suggesting that the area could well be one of the largest gold, silver and base metal deposits to be recently discovered in British Columbia.

On the technical side, the stock reached an all-time high of C\$5.75 during July of last year, but has since declined into a support area of C\$1.25-C\$2 on diminished volume. At this point there does not appear to be much downside risk, and accordingly, the accumulation of its shares is recommended.

Skyline Explorations Ltd. is located at 200-675 W. Hastings St., Vancouver, B.C., Canada, V6B 4Z1.

Their telephone number is 604/683-6865.



File → REG

SKYLINE EXPLORATIONS LTD. 301-675 W. Hastings St., Vancouver, B.C. V6B1N2 (604) 683-6865 Faxline (604) 683-7449

N E W S R E L E A S E

SKX - VSE TSE

The Company is pleased to report that the mill construction on its 100% owned Johnny Mountain gold deposit is expected to be completed at the end of May 1988. Test runs of the mill will be underway by the end of May 1988 with production commencing by the middle of June 1988.

The lower level adit has progressed to 1900 feet from the portal and has intersected the 16 vein, 150 feet below the upper level drift where excellent grades were obtained over a strike length of 465 feet.

Initial sampling of the lower adit 16 vein has assayed .75 oz gold/ton across 5 feet. Gold contained in a footwall stockwork zone further increased the mineralized width to 7 feet containing .60 oz gold/ton.

The intersection of the 16 Vein by the lower level adit confirms the continuity of the vein to the lower level and that the vein is open at depth. This will enable the company to increase reserves from the 16 vein.

May 5, 1988

On Behalf of the Board

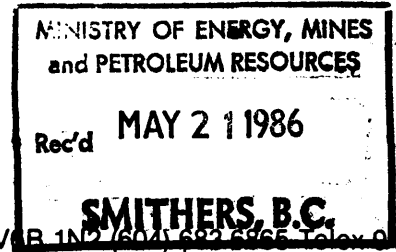
R.E. Adie,
Vice President Finance

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SKYLINE EXPLORATIONS LTD. 2nd Floor - 675 W. Hastings St., Vancouver, B.C. V6B 1N2 (604) 682-5365 Telex 951313



REPORT TO THE SHAREHOLDERS

Your company had a very successful exploration season in 1985.

Our consultant Dr. E.W. Grove estimates a reserve of 745,000 tons of .612 oz gold/ton in the Stonehouse Gold deposit. Towards the end of the season a new surface vein was discovered with surface samples assaying as high as 2,000 ounces of gold per ton. The vein was aptly named the Gold Rush Zone. Due to the discovery being made so late in the season, little work could be done other than two shallow drill holes and surface sampling. This zone will be thoroughly explored in the 1986 season.

The company also plans to build a 6 Km road down to the lower portion of the claim group and to construct an airstrip to alleviate the use of helicopter back-up. Plans are in place to drive an exploration adit through the Stonehouse Gold Zone in preparation for production in 1987. The adit plus the airstrip will extend our season to about 10 months a year.

The company has successfully negotiated a rental purchase of all the equipment required for this construction work. We have also negotiated a private placement of stock to cover costs for the road-airstrip construction which will begin in mid May and be completed by July 1st when the adit construction will begin.

Negotiations are presently underway for further financing of the project. Your Board of Directors is extremely optimistic that we will have this property producing gold by mid 1987.

On behalf of the Board,

R.E. Davis,
President

April 1, 1986