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Over 2,500 Resource Stock Quotes

Mikado comes up with first-ever flow-through rights offering

by Ellsworth Dickson
Staff Writer

VANCOUVER, BC—In what can only be termed the most innovative move in Canadian resource financing ever performed by a junior resource company, **Mikado Resources Ltd.** (MKO:VSE) has come up

with an "everybody wins" financing for the company's programs on its Mount Templeman-area claims in British Columbia.

Called a flow-through rights offering, Mikado's method is the first of its kind to win approval in Canada. Under this plan, all of

Mikado's British Columbia shareholders may participate on a tax-sheltered basis to the extent that the Canadian government actually subsidizes the purchase of the shares to a negative amount, in effect paying the investor to buy shares in Mikado.

Under Mikado's plan, investors are purchasing shares of the company at a premium using their rights, earning tax savings that virtually eliminate the downside risk.

Richard Watson, Mikado director, says "The downside to the investor is virtually nil, as there are substantial tax savings, part of which are Registered Retirement Savings Plan (RRSP) contributions. On the upside, it depends on how

valuable the Wagner's mineral deposits prove to be."

This type of pioneering approach toward raising exploration funding is what is keeping Canada ahead of any other country in terms of supporting growth within the mining industry.

Watson says that the advance tax ruling was arranged through auditors Price Waterhouse. "The reason we went for this plan was

Continued on page eight

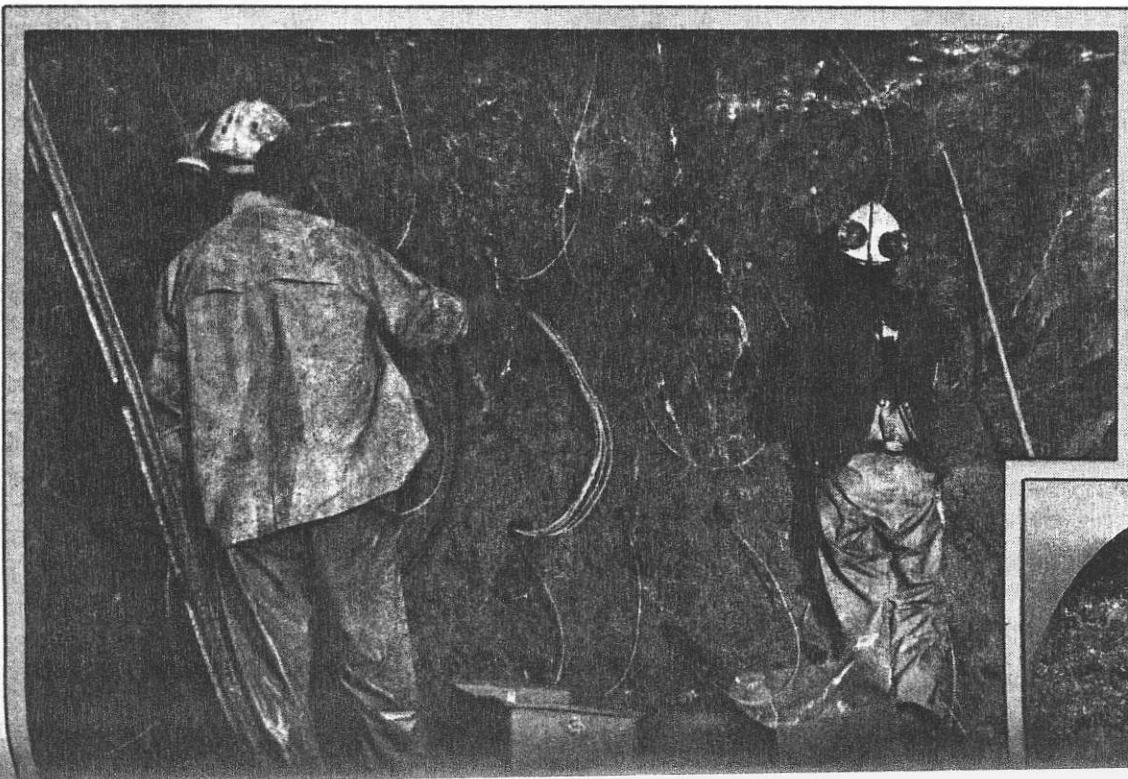
Tonnage extended at Viceroy's Castle Mountain

SAN BERNARDINO COUNTY, CA—Eight drill holes in a new zone have established higher-than-average gold values over a north-

south length of 1,000 feet and across a 200-foot east-west width on the Castle Mountain property of **Viceroy Resource Corp.** (VOY:VSE), says D. Ross Fitzpatrick, president.

The new zone, still open in all four directions, is called the Jumbo South, located 1,500 feet south of the Jumbo zone where drilling has indicated several million tons grading 0.05 ounces of gold per ton.

The property is located in San Bernardino County, California, approximately 90 miles south of Los



Turner/Mikado

Continued from previous page

and most other methods of financing presently being carried out.

Also, with a rights offering the company avoids the higher costs of a public underwriting. Should all the rights be exercised, Mikado will raise C\$1.7 million. If Mikado were to attempt a secondary public offering to raise a similar amount, its various underwriting expenses would be in the area of C\$255,000.

With this method, Mikado is allowing its existing shareholders to decide upon the role of their investment in the company. Most shareholders will be interested in protecting their interest in Mikado by exercising their rights and taking advantage of the tax sheltered aspects of the financing. Other shareholders may be interested in recovering some of their investment by disposing of their rights in the VSE market, to be called on or about May 5.

An example of this flow-through rights offering follows:

Assuming a C\$12,000 investment, the investor is entitled to 3,000 flow-through shares. Also assume a British Columbia, Canada, investor is entitled to contribute C\$7,500 to a RRSP and giving the stock a minimum value of C\$2.50 per share at the time of transfer of shares to the self-directed RRSP.

As well, it is given that the investor is a British Columbia resident at the top marginal tax bracket of 55.7% and the investor is entitled to a capital gain exemption on the transfer of the flow-through shares to his RRSP.

| | |
|--|-----------|
| Deductions available to the investor | |
| Canadian Exploration Expense | C\$12,000 |
| Mining exploration depletion allowance | 4,000 |
| RRSP contribution (3,000 x C\$2.50) | 7,500 |
| Total deductions | C\$23,500 |
| Related income tax savings at 55.7% marginal tax bracket | C\$13,090 |
| After-tax cost of 3,000 shares (per share) | (C\$0.36) |
| Note that the cost per share is a negative number. | |

Investors not in the 55.7% bracket would have a smaller tax savings, according to their particular tax bracket.

To illustrate using another example, an investor who earns C\$40,000 per year and is paid semi-monthly would normally have approximately C\$455 in income tax withheld on each payroll check. If this investor were to purchase C\$5,000 of Mikado flow-through shares, he may apply to Revenue Canada for a reduction in source deductions of C\$103 for each pay period.

Shares of Mikado are currently trading at approximately C\$3.00 per share.

Non-British Columbia shareholders of Mikado will benefit by this unique financing plan as well. "Shareholders not a resident of British Columbia get the opportunity to participate by selling their rights to others interested in participating in the tax deduction aspects of the offering," says Watson.

John Robinson, tax supervisor for Price Waterhouse says, "As far as I am aware, this has never been done before in Canada on

any public issue. Revenue Canada has requested that they publish the advance tax ruling, which is not normally the case unless it is something new.

"Price Waterhouse got involved when Mikado wanted to take advantage of new tax rulings regarding the new Canadian Exploration Expense deductions. We were requested by the company's original underwriter, Yorkton Securities, to get involved.

"This led to the first time that a flow-through primary share offering was done on the Vancouver Stock Exchange. It then seemed to be a natural extension to do a rights offering, following the same format with its built-in tax advantages."

Doug Ramsay, auditor with Price Waterhouse says, "I don't think you can compare Mikado's plan with say, a NIM or CMP financing as those appeal to investors looking for a tax shelter, but would like to diversify their risk across a number of companies. The Mikado plan is like a miniature NIM, but there is only one company involved.

"With the Mikado plan, there is more upside than downside potential plus a better liquidity factor," says Ramsay. "In other words, a Mikado investor would be looking for more than just a tax shelter; he would have faith in the future of the property."

After a quarter of the exploration expenses have been incurred, says Robinson, Mikado will release a quarter of the shares that are earned pursuant to the rights offering and so on until the end of the program. At the program's conclusion, which should be sometime in September, all the shares should be issued.

Robinson adds that the market will dictate what the acquisition cost of the rights will be.

Funds raised from the rights offering will be lodged with Mikado's transfer agents, says Robinson, in trust for the company. They will release the funds only from after receiving a letter from Price Waterhouse directing them to do so. The accounting firm will be reviewing the exploration program.

Funds raised from this unique financing method will go toward exploration and development of Mikado's 70%-owned Wagner project, a joint venture with Turner Energy & Resources Ltd. (30%). The companies are exploring several high-grade deposits of silver, plus important values of lead, zinc, and gold, over 80 square miles of land 60 miles southeast of Revelstoke.

Ramsay says that for sophisticated investors, the kind of plan Mikado is offering will be relied upon in the future. To take this one step further, the Canadian government, by agreeing to the plan, is showing its commitment in supporting the resource industry. Mikado and the province now have put the ball in the investor's court, making for a very exciting game in which it appears all participants will come out winners. *

Noranda holds a 50% interest in the mine, with Golden Sceptre and Goliath each having a 25% interest.

Alfred Powis, Noranda's chairman and chief executive officer, said the company sold the contract because it wanted to recover the mine's development expenditures now, rather than wait the four to six

Torex Minerals

Continued from front page

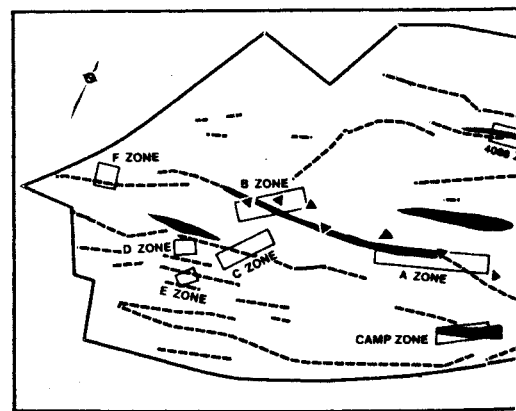
The A, B, and CPY zones lie along the same formational EM conductor that occurs along a major volcanic-sediment contact and which has been traced over 14,763 feet across the property. The A and B zones are approximately 1,640 feet apart. Two other zones, the F and Galena zones, also lie along the same formational EM conductor.

Elsewhere on the property, the C, D, and E zones are also closely associated with formational conductors.

Gold has been known to be on the property since the 1930s. In the mid-1940s, shallow drilling outlined approximately 175,000 tons grading 0.22 ounces of gold per ton in the A and nearby Z zones. In the 1960s, limited drilling was done in the C zone where an additional 18,000 tons grading 0.42 ounces of gold per ton were outlined.

William Coombe, P.Eng., Torex's independent consulting geologist, reports the recent work is encouraging and has added tonnage to both the A and B zones. The higher-grade intersections in the C zone suggest an expanded tonnage potential there as well.

The property "offers excellent potential"



Trustees to close ACU'S

ABILENE, TX (AP)—Abilene Christian University's board of trustees will be asked this month to close the school's geology department in a move to battle an operating deficit, department head Dr. Charles Felix says.

Dr. C.G. Gray, vice president for academic affairs, will recommend the measure to the trustees effective this fall, Felix said.

A university source told the *Abilene Reporter-News* that the move is an attempt at austerity in light of an operating deficit of about \$1 million this school year.

Washington, announcing that it
ink a shaft to tap new ore discoveries
last year.

e have definitely proven about 300,000
f ore," Hecla spokesman Elmer Bierly
"We definitely feel we have additional
tial reserves that we have not
ped."

h current annual production of 60,000
f ore, proven reserves could provide a
ar ore supply, said the spokesman for
oeur d'Alene, Idaho-based mining
ny.

Knob Hill mine, now called the
lic Unit, has been a major element of
mmunity since it opened around the
f the century.

new orebodies are rich, yielding 0.8
s of gold per ton, while it costs Hecla
o produce an ounce of gold at the
Bierly said.

e Republic mine, at its present rate of
ry, is probably the cheapest gold
er in the United States," the spokes-
id.

steel-lined shaft, which will have an inside
diameter of six feet and reach to the 1,300-
foot level. The \$2.1 million shaft will be
used to transport miners and materials to
orebodies and to improve ventilation, start-
ing in December.

The mine has almost closed several
times. In the 1930s, it was converted to an
open pit operation, then restored to an
underground mine when miners found a
vein in bedrock beneath the open pit.

In 1983, Hecla said the mine was running
out of ore and would close by mid-1984. New
deposits were found, and Hecla said it could
operate until mid-1986.

Exploratory work last year found the
Golden Promise vein, which wasn't rich
enough to justify continued mining (assay-
ing 0.3 ounces of gold per ton over 5.7 feet),
and the Golden Promise No. 2, which proved
viable (assaying 2.4 ounces of gold and 12
ounces of silver per ton across 12.7 feet).

The mine produced 39,000 ounces of gold
and 102,000 ounces of silver last year
primarily from the Bailey vein, discovered in
1983. *

Belmoral has also committed to C\$4
million in flow-through funds from the CMP
national fund.

Elsewhere in Ontario, Belmoral is partici-
pating in major projects with the following

contributing C\$2.3 mil-
lion. Interest in a new public
entity would be forme
properties and conduct t
Belmoral would be the n

Yorbeau confirms zone extension 688 feet at Astoria project

ROUYN-NORANDA, PQ—The most recent
group of underground drill holes carried out
in the western section of **Yorbeau Resources Inc.**'s Astoria gold-bearing deposit have
confirmed the vertical extension of Zone Bw
to a depth of 688 feet. The Astoria property
is located near the town of Rouyn-Noranda
in northwest Quebec.

Of the drill holes for which assays have
been received, seven have intersected

values ranging from 0.31
gold per ton over widths
to nine feet.

Previous diamond drill
from surface have inte-
zone at a vertical depth
900 feet. President Karl (K)
order to continue to ex-
extension, it will be ne-
drift to establish an a-
ground drilling station.
few months to complete.

Yorbeau has been exp-
deposit since 1984. To
bearing zones have been
Ae, B, and Bw. Accord-
evaluation by Groupe Cor-
does not include the mc-
results, the diluted reser-
deposit have been establ-
tons grading 0.179 ounces
the probable and possibl-
800,000 tons grading 0.21
ton in the potential cate-

At the April 16 annual m-
(YRB:MSE) shareholders,
the company's directors
Glackmeyer imparted his
to put its first gold mine i-
1987.

"This year," Glackmeyer
holders, "the underground
for the Astoria deposit is
million. With the conclusi-
and of the feasibility study
in October, we will be
decide whether to go ahead
of this very promising dep-

Exploration activity of
Ellison property in Bousqu-
in the advanced stages of
be delayed in 1986 so th-
Astoria site can be accele-

Turner/Mikado

Continued from front page


that it provided the maximum amount of
dollars for the company with the minimum
amount of dilution to the current share-
holders."

Under the new financing method, each
Mikado shareholder will receive one right
for each common share of the company
held. The rights holders will be entitled to
incur exploration expenses for the benefit
of the company, and thereby earn common
shares of the company. For every eight
rights, the holder may incur C\$4.00 of CEE
as sole consideration for one common share
in Mikado capital stock.

Rights will be issued on or about May 5,
1986, to shareholders of record, says Watson,
adding they will have until July 31 to decide
whether to exercise their right to invest in
the project.

Because of the tax advantages to the
British Columbia investor with this form of
financing, Mikado is able to do the rights
offering at a premium to the market value of
its shares. By dealing directly with current
shareholders, all shareholders are able to
maintain their interest in the company
without facing dilution, a problem inherent
with private placements, flow-through shares,

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