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Research

SPECIAL SITUATION REPORT

MT. TEMPLEMAN AREA

MINERAL RICH

AWAKENING GIANT

MIKADO RESOURCES LTD. (MKO-VSE)

JUNE, 1987

UPDATE '87

WAGNER/SHEEP CREEK VEINS

The Wagner/Sheep Creek Veins represent the best potential at this point for proving-up high grade deposits in mineable quantities. Underground Diamond drilling from the 8,100 foot drill station has expanded and confirmed the grade and continuity above and below this level. Drifting is to continue along the vein until it breaks out on the other side for a total vein length at this level of 600 feet. Raising from this level will access the vein on the 8,200 foot level. Bulldozer trenching will test the continuity of surface veins and surface Diamond drilling will test to depth. The rehabilitation of the Sheep Creek workings is well underway. Diamond drilling from that drift will test for the presence and grade of parallel vein and stringer systems. The 1986 program was designed to establish the continuity of the mineralized structure of the Eastern, Central and Western Veins on this part of the property. This work resulted in the important Silver King discovery.

JEWELL VEINS

The Eastern Vein system located on strike, to the South of the Central Vein has a similar structure and mineralogy. Mineralized Quartz assayed 63 ounces Silver/Ton, 68.2% Lead, with a strong Copper Oxide stain permeating the exposed vein. The new 8 foot wide surface structure of Galena was also discovered. Trenching along strike is to be continued and surface Diamond drilling has delineated the grade and tonnage of Silver, Zinc and Lead.

ABBOTT REPLACEMENT DEPOSIT

The features of this area suggest the possibility that large tonnages of stratabound high grade mineralization (0.025 ounces Gold/Ton, 21.94 ounces Silver/Ton, 28.45% Lead and 16.6% Zinc) can be easily and cheaply mined. The deposit has been sampled over a true width of 36 feet. Gross values in Canadian dollars are estimated at \$305.26 ± /Ton with a gross value of \$1,098.93 ± per vertical foot. Bulldozer trenching has tested the extension of this zone along strike. Surface Diamond drilling has tested the deposit along strike and depth. A new lower adit is planned to confirm the results of surface drilling. Geophysical testing of the deposit is planned, and will be used as a model to locate further replacement deposits in the area under investigation.

SUPERIOR AND BANNOCKBURN REPLACEMENT DEPOSITS

The Superior Group showings have reported assays of 0.39 ounces Gold/Ton, 3.25 ounces Silver/Ton, 5.35% Lead, 1.98% Zinc. Diamond drilling is designed to delineate tonnage and grades of Gold, Silver, Zinc and Lead.

The Bannockburn Group of mineral claims have high grade showings of Silver-Lead and Gold-Silver-Lead similar to those of the Superior Group. Geological examinations and sampling will be extensive. Bulldozer trenching will test continuity and selective Diamond drilling will test the structure to depth.

I.X.L. REPLACEMENT

This discovery was initially reported to be about 3 feet wide and traceable on surface towards the peak for nearly 500 feet. Samples from outcrops assayed 36.2 ounces Silver/Ton and 77.5% Lead. Detailed prospecting and sampling are to be carried out to confirm another report for a total width of 40 feet which contains the 3 foot high grade section and to extend the strike length of this Zone.

RED ELEPHANT AREA

A new and untested area yielded chip samples which assayed .340, .992, .091, .151, and .277 ounces Gold/Ton across widths from 3 to 5 feet, as well as a grab sample of 5.58 ounce Gold/Ton. Geological specialists are to re-test and further prospect this area. Bulldozer trenching will be followed by Diamond drilling during this season.

SUMMARY

To date over \$1,000,000 has been expended on Mineral Property consolidation. This action and extended effort demonstrates corporate depth, the ability of management to evaluate viable properties and to initiate the programs necessary to move ahead. Positive results indicate that we may be witnessing the evolution of a new mining camp. Unique in the Mining Industry is that major control of the area was initiated and is dominated by one group.

Over \$2,000,000 has been expended in building access and extending underground workings (exploration drifting on ORE), surface exploration and bulldozer trenching. Most of the known showings were examined and a number of new showings were discovered.

Results of the 1986 program demonstrated the potential for one or more Kootenay Arc Replacement deposits which have the potential to reach several million tons necessary to develop a new mine in the area. Indicated results infer that Fissure Vein systems are open to large mineral tonnages. An added feature of these multi-metal deposits is the flexibility gained in mining and processing the most profitable ore blend based on market conditions and metal prices.

HIGHLIGHTS - HISTORY

Mt. Templeman area has been highly regarded by the mining industry since its initial discovery, referred to as one of the finest exploration prospects for its potential deposits of Gold, Silver, Zinc, Lead and other minerals. Situated in the Lardeau Region of British Columbia, the property is 80 miles Northeast of Cominco's Giant Sullivan Mine and 60 miles Southeast of Revelstoke. Recent Exploration and Development success is once again bringing the Mining Industry's attention to this mineral rich area as a special situation in having the potential for hosting a world class mine.

Based on strong geological fundamentals, good metal grades, multiple targets, and potential size of known mineral bearing structures, limited work was carried out with encouraging and positive results in the past. Restricted at the time by difficult but feasible access and further complicated by problems in dealing with numerous mineral claim owners, each of the past explorers gave up and the area lay virtually forgotten and left unexplored for many years.

It has taken 15 years of persistence to accumulate data and background information to re-discover this polymetallic rich area. For the first time these mineral properties have been consolidated covering 26 miles of strike length. Important access has been improved by construction of bridges and roads into the exploration area.

One is encouraged by the verification of previous data and the discovery of new showings. The best known area is now open and will be subjected to extensive, major exploration and development using modern mining technology. The 1986 program is ambitious and designed to further test the magnitude of the mineral potential. Major and International Companies are expressing interest.

EXPLORATION AREA

The Lardeau Mining District, which includes Mt. Templeman area property, is known for its high grade Silver and Gold deposits. The Mt. Templeman area is highly regarded and has been the subject of numerous favorable reports, some of them being bullish on tonnage and grade.

In reviewing Mt. Templeman area one is impressed by the favourable geological dimensions and mineral potential for large Polymetallic deposits. From the top of Mt. Wagner at an altitude of 8,500 feet a.s.l. lies the domain of MIKADO RESOURCES LTD. (70%) and TURNER ENERGY AND RESOURCES LTD. (30%). Their property strategically covers a mineral belt for some 26 miles for 2.5 miles of width along the contact of the Badshot Limestone of Cambrian age, host to numerous Silver-Lead-Zinc deposits.

Attention is focused on two different exploration targets of mineralization: Fissure Veins, Lode and Replacement Structures hosting Gold, Silver, Zinc, Lead, Tin, Copper and Cadmium mineralization in favorable geological environments.

EXPLORATION DEVELOPMENT

The Fissure Vein/Lode systems in the district are Sulphide-bearing Quartz veins containing high grade Silver (recorded assays as high as 110 - 300 ounces/ton), Zinc, Lead and Occasional Gold values. These veins occur in Argillites, Slates and Schists of the Index Formation, which extend Southward a distance of some 14 miles - 300 - 500 feet wide with numerous mineral prospects occurring along the belt. Presently defined are the Eastern, Central and Western vein systems with associated stringers within the favorable geological belt of rocks. From the Wagner Knob, the vein systems are easily recognized, with outcrops appearing for 3.5 miles. The veins are believed to be continuous for 5 miles along the strike of the mountain side. There is excellent reason to believe that much of this interval contains well developed vein structures with significant mineralization. The Central Zone (Wagner Group) is presently the center of attention and development. The dip of the vein is about 60 - 70 degrees and should the mineralization extend to depth, a series of crosscut adits would be used to develop commercial orebodies. From the 8,200' level this high grade structure could extend to the 5,200' level at the base of Healy Creek (some 1.75 miles) and even extend to the King William Vein. From the face of the Wagner portal at the 8,100' level, the distance to daylight at the other side of the mountain is 600 feet, where 11 feet of mineralization is exposed carrying favourable Silver, Lead, Zinc values. Mining widths (3 - 16 feet) and grades (30.9 ounces Silver/Ton, 24.90% Lead, 6.39% Zinc and Minor Gold -8.25' width) are evident and indicate the mineralized structure may increase in width with depth. The findings suggest a vertical range of 2,000 - 3,000 feet that is amenable to mining on a major scale.

In reviewing the geological data, recent engineering reports and exploration to date, the Badshot Limestone formation is considered of major importance for its potential to host replacement deposits. Historically, the replacement orebodies in the Kootenay Arc have had reserves in the order of several million tons of Massive Sulphides.

Historical indications confirm the presence of Silver and Gold. One of the vein systems trends into the marbleized Limestones of the Badshot Formation, giving rise to a stratabound replacement deposit of Galena, Sphalerite and Pyrite containing high grade Silver and Gold.

Mineral occurrences within this structure on the Superior Group assay 0.25 ounces Gold/Ton in Limestone. Other assays include 0.39 ounce Gold/Ton, 3.25 ounces Silver/Ton, 5.35% Lead and 1.98% Zinc. This suggests replacement with Gold-bearing Sulphides. Within this same structure, on the Bannockburn Group strong surface showings of 0.30 ounces Gold/Ton, 27.5 ounces Silver/Ton and 3% Zinc is a further indicative that ore grade material occurs within the geological contact. The Abbott area which has been sparsely explored to date has potential for discovery of large tonnages of high grade ore that can be easily and cheaply mined. History enhances the probability of success in developing a major commercial mine of large tonnage in the area of the property.

At this stage of development, it is too early to develop definitive cash flow analysis. When consideration is given to open pit and underground mining what is known is favorable. Replacement Ore is indicated as having estimated gross values (all dollar figures Canadian) of \$305.26 ± to 340.08 ±/Ton, estimated gross revenue of \$117.77 ± to 309.53 ±/Ton. Vein Ore is estimated at a gross metal value of \$324.24 ±/Ton.

It must be pointed out that only a fraction of this 67 square mile property has been examined and tested to date. Now, with good access, exploration logistics are greatly improved. Studies of airphotos indicate surface expressions of new target areas which will be followed up during 1987.

The 1986 season saw the start of development mining. The first bulk test of the Wagner Vein was shipped to Cominco Smelter to determine grade and recoveries. Further bulk shipments of vein and replacement Ore are to be made this year, with limited production to begin Summer-Autumn, 1987.

Santos states, "the Abbott-Wagner property has measured and indicated ore reserves of 298,000 tons with a gross value of \$50,613,000 and a net value of \$17,160,000. Additional inferred ore reserves of 206,000 tons increased total reserves to 504,000 tons from the six high-grade, massive sulfide ore bodies that are still open along strike and down dip, a significant increase from the 1985 exploration program, which showed no measured reserves, 40,000 tons indicated ore and 20,200 tons inferred ore.

A total of 14,149 feet of diamond drilling and 86 feet of development work were completed in 1986.

The upgraded access roads to the ore bodies will allow vigorous exploration, development and mining to continue. A five year multi-phase exploration, development and mining program is being proposed at a cost of \$1,500,000 annually.

Mikado Resources Ltd. has acquired a 50% working interest in a 100-125 Ton per day flotation mill which is suitable for treating the ore from the property. Based on the Measured Ore reserves, there is six years supply of ore from this mill."

Mt. Templeman area is now receiving increased interest and market support as Brokers and Investors become aware of this successful play. Attention is being focused on the area surrounding this play as other Resource Companies become aware and formulate their own programs in the region. Granges (C\$14 - TSE) and Windflower (C\$3 - VSE) are Joint Venturing the Goldfinch Project a few miles N.W. upstrike from Mikado.

RECOMMENDATION

Mikado Resources Ltd. is a solid Junior Resource Company that provides the aggressive but speculative investor with the opportunity to participate in the Mineral rich Mt. Templeman Area, which has the potential to host a world class mine. The shares represent an exceptional opportunity to participate in a low priced exploration/development company for both short term and long term capital appreciation. Continued success will mean investors can expect price appreciation of their shares.

James H. Simpson, President
Richard J. Watson, Managing Director
J.F. (Jack) McIntyre, P. Eng.,
Director - Consulting Engineer
Wm. L. Marr, Director

Authorized 20,000,000
Escrow 375,000

Issued 4,300,000
Recent Price Range \$C2. - 2.50

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Investor Relations

MIKADO RESOURCES LTD.

(SYMBOL — MKO-VSE)

8930 OAK STREET, VANCOUVER, B.C. V6P 4B7

For Further Information, Call Toll Free, Canada & U.S.A.

1-800-663-9277