

BLACKDOME

BLACKDOME MINING CORPORATION

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104G/1-2

April 7, 1989

TO: THE DIRECTORS
BLACKDOME MINING CORPORATION

RE: LAC MINERALS LIMITED - HANK PROJECT

Attached is a summary of information regarding LAC Mineral's "Hank Project" in northern British Columbia. The bulk of the \$2.0 million (includes 82 drill holes 33,722 (ft)) spent by LAC to date has been directed at the low grade "upper" alteration zone. Only nine holes have been completed in the parallel "lower" alteration zone where we feel the greatest potential exists. Giles Peatfield has completed a "preliminary" review and assessment of the data which is included.

A longitudinal section prepared by Giles shows exceptional intercepts in four of the drill holes over a strike length that would permit the existence of a relatively large orebody (or several small ones). The apparent pervasiveness of the values and the width of the intercepts make this property an extremely attractive advanced stage exploration project.

We met with LAC on Friday, April 7, 1989 to discuss possible agreement terms. LAC currently has three offers for the property, only one of which we consider to be truly competitive. Our discussions with LAC indicates that while the expenditures levels are important, a significant factor in arriving at a decision will be the competence of the potential joint venture partner. I believe Blackdome has the edge in this respect.

The suggested terms for agreement with which LAC appeared to be comfortable with are as follows:

- o Blackdome to earn a 50% working interest by spending \$3.5 million as follows:

1989	\$750,000
1990	\$750,000
1991	\$2,000,000

- o Blackdome to be operator through feasibility.
- o Comfort words to be built into the agreement that would give LAC the opportunity to be operator depending on the magnitude of the project.

- o Project review ^{mt} committee to be formed upon execution of joint venture agreement.
- o Blackdome to have deciding vote during earn-in period.
- o Deemed expenditures for dilution purposes to be 50/50 split of total expenditures i.e. $\frac{\$3,500,000 + \$2,000,000}{2} = \$2,750,000$.
- o Party suffering dilution below 15% working interest will convert to a Net Smelter Return.
- o Standard joint venture provisions to be included in final agreement.
- o Will likely have to agree to some area of common interest.
- o Blackdome to prepare initial draft of the Joint Venture Agreement.

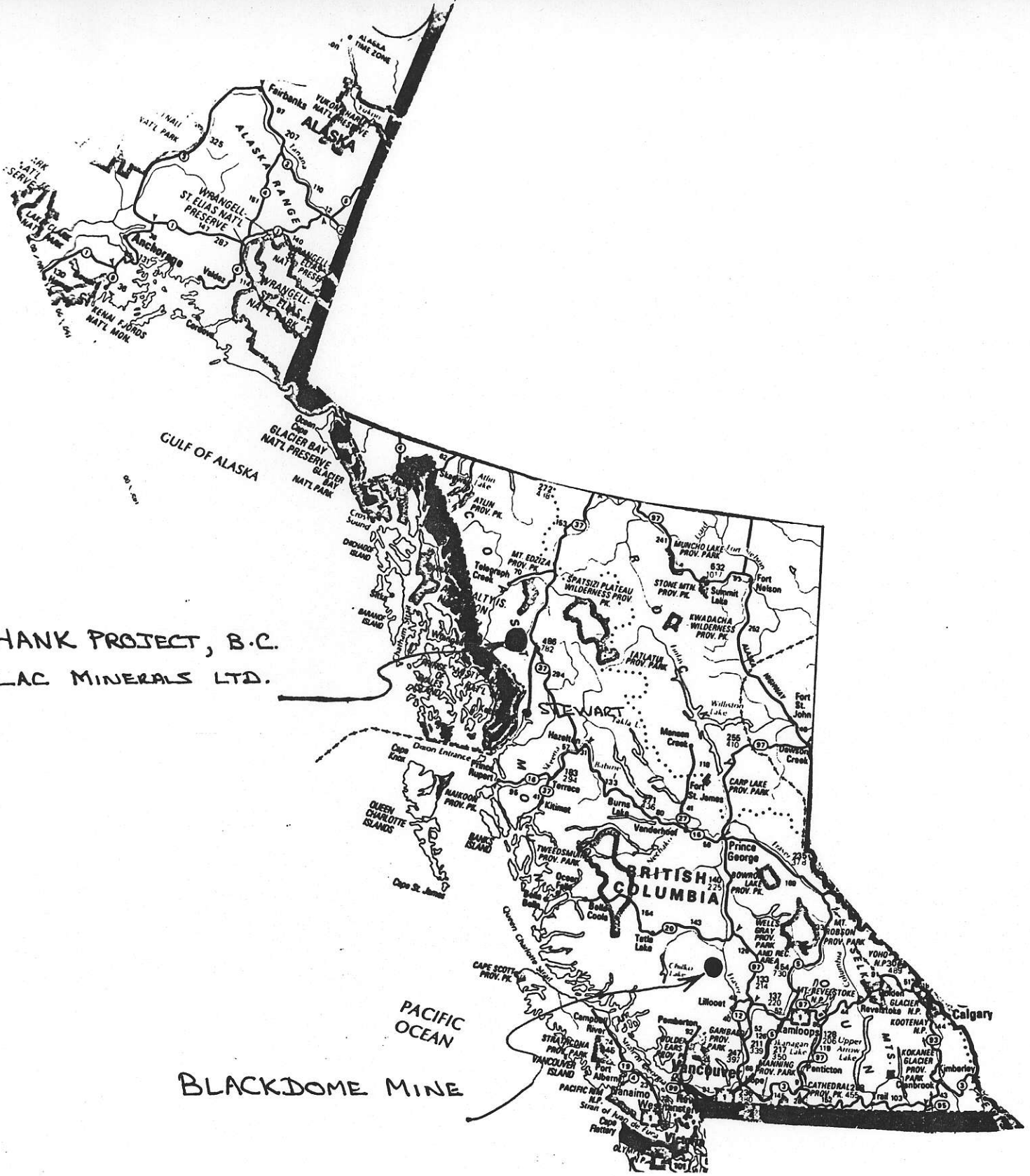
I believe this project provides an excellent opportunity for Blackdome to advance its growth strategy.

With the concurrence of the Directors, I would like to make a formal proposal of the above terms to LAC by Tuesday, April 11, 1989, with the view to developing a letter of intent as soon as LAC makes their decision.

I will call each of you Monday, April 10th, to discuss any questions you may have.



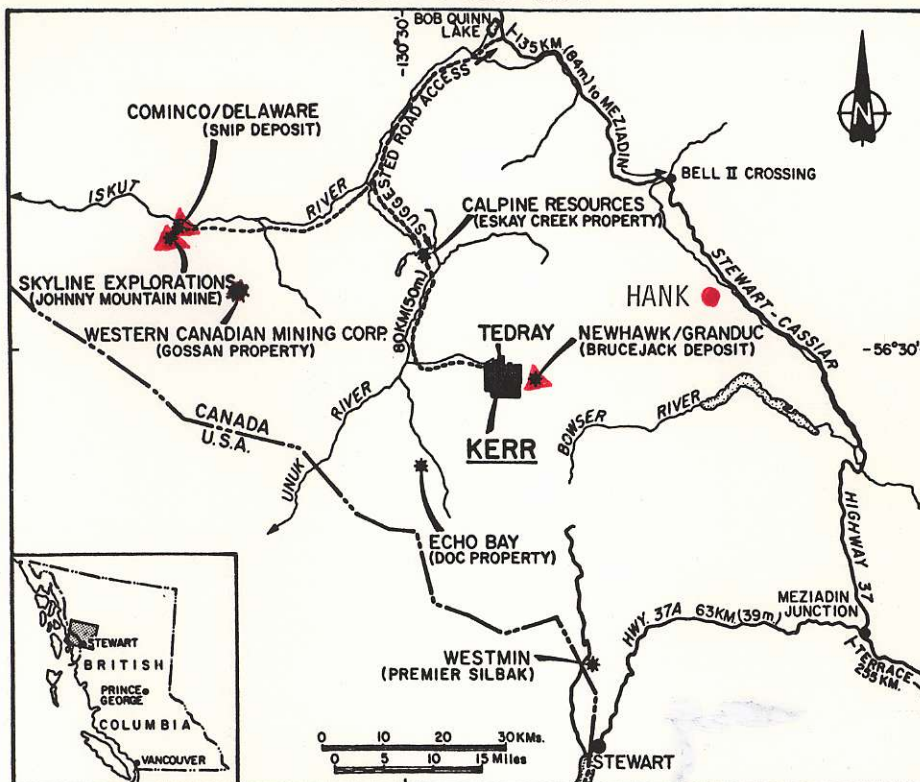
J. Scott Drever
President



HANK PROJECT, B.C.
 LAC MINERALS LTD.

BLACKDOME MINE

LOCATION MAP



1) Johnny Mountain - Skyline Gold Corp.(100%)

Geological Reserves (D. S. Robertson) - 686,000 tons @ 0.57 opt
(0.30 cutoff)

2) SNIP J/V - Cominco (60%) Delaware (40%)

Mineable Reserves (indicated/inferred) - 1,570,000 tons @ 0.64 opt
(includes 25% dilution and cut to 5 oz.)

3) Sulphurets J/V - Newhawk (60%) Granduc (40%)

Mineable Reserves (measured/indicated/inferred) - 854,072 tons @
0.354 opt Au and 22.94 opt Ag (0.20 Au cutoff)

LAC MINERALS LIMITED

HANK PROJECT

GEOLOGICAL RESERVES

Lower Alteration Zone

Hanging Wall Zone

<u>Hole No.</u>	<u>Grade</u> (ounces/ton)	<u>Core Length</u> (feet)	<u>True Width (75%)</u> (feet)
87-3	0.64	10.0	7.5
88-4	0.53	9.2	6.9
88-6	1.92	6.5	4.9
88-22	<u>0.15</u>	<u>8.2</u>	<u>6.2</u>
Weighted Average	0.75	8.5	6.4

Total strike length	6,200'
Productivity (25%)	1,500'
Depth	850'
Width (75% of core length)	6.5'
Tonnage (12 cu.ft/ton)	690,000
Grade (ounces/ton)	0.74
Gold content	510,000

Footwall Zone

<u>Hole No.</u>	<u>Grade</u> (ounces/ton)	<u>Core Length</u> (feet)	<u>True Width (60%)</u> (feet)
88-4	0.61	17.1	10.0

Length (50% of Hanging wall)	750'
Depth	700'
Width (60% of core length)	10'
Tonnage (12 cu.ft/ton)	437,500
Grade (ounces/ton)	0.61
Gold content	269,000
Total Tons	1,127,500
Average grade	0.69
Gold content	779,000 oz.

MODEL ASSUMPTIONS

Base Case:

Production rate	250 T.P.D.
Mineable Reserves (60% of geological tons)	676,500
Grade (94% of weighted average)	0.65
Recovery (93% first year)	95%

Capital Cost

Exploration (To Feasibility)	\$3.5 million
Feasibility and preproduction	\$5.0 million
Plant Facilities	\$20.0 million
Operating cost per ton	\$160 million
Ongoing capital	\$1.1 million
Ongoing exploration	\$3.0 million
Gold price (US\$400)	\$480
Mine life	7.5 years

Case I

Operating cost per ton	\$200
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Case II

Production rte	500 T.P.D.
Plant capital	\$24.0 million
Reserves (72% of geological tons)	810,000 tons
Mine life	4.5 years

ECONOMIC SUMMARY

	N.P.V. (1) (15% Discount)	PRE TAX R.O.R	PAY OUT(2) (Years)	CUMULATIVE Cash Flow
Base Case	\$10.8M	23.4%	2.8	\$55.9M
Case I	\$-3.8M	11.7%	4.2	\$28.4M
Case II	\$23.5M	35.3%	2.4	\$65.1M

(1) Preproduction expenditures were escalated at 15% to 1991. Cash flow subsequent to 1991 was discounted at 15%. "Present Value" is therefore at end of 1991.

(2) Payout calculated from commencement of production.

Alternate Case -Using 500 tpd mill

HANK PROJECT, B.C.

Production Stats	YEAR											Total
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	
Tons milled @ 500 tpd	0	0	0	90,000	180,000	180,000	180,000	180,000	0	0	0	810,000
Grade (oz/ton Au)				0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	
Recovery (%)				93%	95%	95%	95%	95%	95%	95%	95%	
Gold production (oz)				54,405	111,150	111,150	111,150	111,150	0	0	0	499,005
Gold price - US	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	
CDW	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	
Exchange rate	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	

Revenues (000's)	0	0	0	26,114	53,352	53,352	53,352	53,352	0	0	0	
Operating costs (\$100/ton)	0	0	0	14,400	28,800	28,800	28,800	28,800	0	0	0	
Exploration	750	2,000	750	500	500	500	500	0	0	0	0	
Capital	0	2,000	22,000	5,000	200	200	0	0	0	0	0	
Total Cost	750	4,000	22,750	19,900	29,500	29,500	29,300	28,800	0	0	0	
Operating cash flow	(750)	(4,000)	(22,750)	6,214	23,852	23,852	24,052	24,552	0	0	0	
Taxes	0	0	0	1,813	6,672	6,647	6,647	6,837	0	0	0	
Net Cash Flow	(750)	(4,000)	(22,750)	4,401	17,180	17,205	17,405	17,715	0	0	0	
Discount Factor @ 15%	1.0000	0.8696	0.7561	0.6575	0.5718	0.4952	0.4323	0.3759	0.3269	0.2843	0.2472	
DCF	(750)	(3,478)	(17,201)	2,894	9,824	8,554	7,524	6,659	0	0	0	14,025
NPV	14,025											

IRR

