

04 April, 1989

Mr. J. Scott Drever
Blackdome Mining Corporation
P.O. Box 2010
120 Adelaide Street West
Suite 2010
Toronto, Ontario
M5H 1T1

Dear Mr Drever:

RE: LAC Minerals - Hank Property, Northwestern B.C.

As I suggested in our telephone conversations earlier today, I strongly recommend that Blackdome Mining Corporation attempt to strike a deal to earn an interest in, and gain management of, this property, with a view to undertaking a diamond drilling programme costing between \$750,000 and \$1,000,000 this field season.

My somewhat hurried review of the data suggests that Hank represents an outstanding target for a good sized bonanza lode precious metals deposit, with mineralization of very good grades over reasonable mining widths in (probably) two parallel, steeply dipping zones with strike lengths of many hundred metres and depth extensions of at least 250 metres. There appears to be potential for at least 500,000 tonnes of material grading between 15 and 25 grams/tonne, assuming one zone and considering only the central portion of the deposit. If there are in fact two or more parallel lodes, and if there is ore along the entire strike length of the mineralized zone as presently known, the potential is for well over a million tonnes of reasonable grade. This certainly represents an attractive target, and warrants an aggressive approach.

My feeling is that LAC do not really appreciate what they have here. I think, however, that the other people bidding on the deposit have a good idea, and the competition may be stiff. Also, the property is a promoter's dream, and some of the interest may be coming from the junior stock side. I think that the expenditure contemplated would be sufficient to do enough drilling to advance the property to the underground testing stage by the end of the 1989 season.

As I mentioned, my review has not been exhaustive, and this is by no means a detailed report. What I am trying to give you is an overview of the salient points which will bear on the decision making process. I plan to look at the core of the intersections, which is stored in North Vancouver, as soon as possible next week, and to put together a much more detailed summary for your perusal. In the meantime, here are a few of the more important points.

The property is reasonably well located, about 15 kilometres off the Stewart-Cassiar Highway about 150 kilometres north of Stewart. There are some rudimentary facilities at Iskut, a few kilometres to the north, but the nearest supply centres are at Stewart and Terrace. The Highway is an all season road, and there is a good airstrip at Iskut. The region has short, generally damp summers and long wet winters, but the climatic conditions are not nearly as bad as in the Iskut and Sulphurets camps to the south.

The deposit underlies a steep, tree-covered slope on the southeast side of the valley of "Hank Creek", a northeast flowing tributary of Ball Creek. It is some 15 kilometres west of the highway, and would require a bridge across the Iskut River. This would not be a great problem, but the last few kilometres of road up the creek valley from the river flats would not be easy to build. The logical site for a mill would probably be on the flats on the west side of the Iskut River. Heavy snowfall would mean some problems with road maintenance. The operation would have to be rotational, as at Blackdome, probably on a fly-in basis.

As far as I can see, there has been no metallurgical testwork done to date. There are substantial amounts of galena, sphalerite, some chalcopyrite, and tetrahedrite reported, and it seems likely that one or more sulphide concentrates would have to be made to recover the gold and silver. This could lead to marketing problems. Shipping would not likely be a problem as the haul to the deepsea port at Stewart is not a long one, and the road is good. Give the grades, I suspect there must be considerable free gold, and it seems likely that a gravity circuit would be useful. Fine gold has been planned in "Hand Creek". The Iskut is a salmon river, cyanide should be avoided if possible, on purely political grounds.

The drilling on the lower alteration zone, which is the only area of interest to date, has been minimal; there are only a very few of the holes which actually cut one or more zones of mineralization. Of these intersections, about equal number are good hits on one hand or weak gold mineralization on the other. The "success ratio" is better than one would expect from a similar amount of drilling at Blackdome.

I have very little feeling for how the ground would stand up during mining, but given the fact that an important feature of the alteration package is ankeritic carbonate, I suspect that ground control would not be a major problem. There have been reports of drilling problems, but I suspect that much of this was due to using small drills and not taking the necessary precautions to stabilize the upper portions of the holes.

The topographic setting is such that there are at least 250 metres of "backs" on the lode(s) as presently known. A cross-cut adit from the main creek would cut the lower extension of the zone some 400 to 600 metres in, higher level cross-cuts, aimed at presently known good intersections, would be substantially shorter. Crosscutting would have the added

advantage of exploring a wide block of ground, and possibly intersecting parallel zones. A decline would be necessary to reach depth extensions or the zone(s).

There is some suggestion of steep northwest dipping gravity faults which may have offset the zone(s) by 50 metres or more. Much more drilling and interpretation of data would be necessary to prove or disprove this hypothesis. In this regard, my review suggests that before a drilling programme gets underway, a total analysis of the drill data coupled with a re-logging of the core, would be a necessary step. I did not find the Lac work to be as detailed as I would have liked in order to make detailed interpretations.

I attach an up-dated copy of my longitudinal section of the deposit. I am not satisfied that this is the last word, but I think it gives a reasonable picture of the situation. Other figures give you a feeling for access and terrain, and for the possible faulting of the zone. These are not polished drawings, as I suspect that time is of the essence in your deliberations.

I shall be unavailable for all day April 5, and from about noon April 6 to next Monday. Please call Thursday morning if you have any further questions or comments.

Yours very truly,

G.R. Peatfield

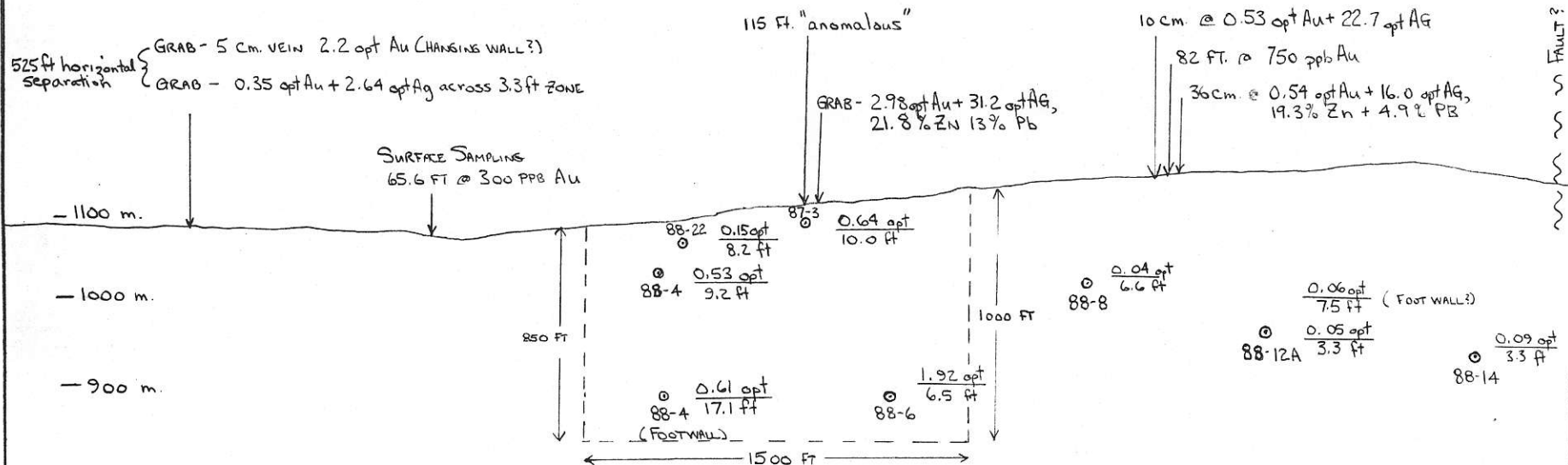
GRP/

Attachments

Retyped f or faxing purposes.

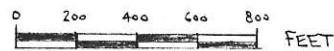
SW

NE



SECTION DIPS $\approx 70^\circ$ TO SE
 GROUND SLOPES STEEPLY TO NW
 HOLES DRILLED STEEPLY TO NW

NOTE: SECTION IS APPROXIMATE
 AND PRELIMINARY



BLACKDOME MINING CORPORATION
HANK PROJECT, B.C.
LONGITUDINAL SECTION IN PLANE OF STRUCTURE
APRIL 7/89 NTS104G/1W,2E 1:5000
AFTER: GR PEATFIELD REVISION #1