

W.G. HAINSWORTH & ASSOCIATES LTD.

Mining Consultants

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August 15, 1989

Mr. John Godfrey, President
Golden North Resources Corporation
1530 - 800 West Pender St.
Vancouver, B.C.

Dear Mr. Godfrey:

In a recent discussion you expressed an interest in my views concerning the re-appointment of Corona Corporation as the contractor for your upcoming program. Herewith are my thoughts.

Corona has been the designer, manager and contractor of the programs concerning Golden North's Hedley properties since 1987. Prior to that date an agreement concerning exploration of certain of the Hedley properties of Golden North was in place with Placer Developments Ltd. of Vancouver. It is understood that no management agreement is in place with Corona at the time of writing. This leaves Golden North in the position of appointing a contractor to do the recommended work should they wish.

The case against appointing Corona to carry out field operations is that being the only game in the Hedley area the design of programs is gauged to meet Nickel Plate requirements, thus management and direction of the field programs all point inward.

The case for Corona is that programs are designed to eventually feed the mill at Nickel Plate thus keeping Golden North's present overhead down and eventually eliminating the cost of capital expenditures revolving around a pit-mill complex. In the overhead department, Golden North does not require the formation of a geological department and attendant field situations. Golden North can draw on the expertise of Corona's geology department to carry out the field recommendations and submit their professional opinions in program documentation.

It is recognized that Corona has access to information, possibly in advance of Golden North, by the simple fact of being the "cheque signer". But then the programs are designed to prove up mineralization and put it into the economical category, always with the Nickel Plate mill in the background. The programs have a purpose.

It should be noted that Golden North has funded all the programs themselves designed by Corona (and its predecessors). This amounts to in excess of \$4 million to this point in time. Golden North stands to regain a portion of these exploration costs in its eventual negotiations with Nickel Plate concerning those orebodies within the Golden North claims.

In the writers opinion, Corona, although without a contract, have designed and managed programs over the last 2 years which have examined and evaluated the Golden North claims in a professional manner. They have employed highly qualified people to carry out the field programs and have been prudent in their charges thereof. The designed programs are of benefit to both Nickel Plate (Corona) and Golden North.

The writer recommends that Golden North consider maintaining Corona as the operator of the field programs at this point in time.

Yours truly,

W.G. HAINSWORTH & ASSOCIATES

W.G. Hainsworth, P.Eng.

WGH:s1



CORONA CORPORATION

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September 13, 1989

Mr. John S. Godfrey
President
Golden North Resources Corporation
Suite 1540
800 West Pender Street
Vancouver, B.C.
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Dear John:

In order to facilitate immediate implementation of a two year mining plan for Nickel Plate, we would like to come to terms on parameters for the development of mineral inventory on Golden North properties surrounding the mine.

From the outset, it is important to recognize that:

1. existing milling capacity is critical to realizing value for Golden North's mineral inventory;
2. mining expertise and infrastructure provided by Corona are essential for carrying out the program;
3. it is to the advantage of both parties to reach a timely and mutually satisfactory resolution of this issue.

At this point we view Canty to be most amenable to short term development. Hence, the numbers presented below are based on mining and processing of the mineral inventory we believe to be available at Canty. The same approach could be extended to any other applicable deposit held by Golden North.

Proposed Deal Structure:

Based on the above premise, on behalf of Corona, I would like to offer you one of three possible alternatives:

1. straight joint venture;
2. custom mining and milling;
3. royalty.

Straight Joint Venture:

Under this alternative, both parties will contribute to and share in the proceeds from the development of the deposit. We expect Corona to have a 70% interest in such joint venture.

Custom Mining and Milling:

Under this alternative, Corona will be responsible for all mining, and milling at Canty. Corona will pass through to Golden North all of its mining, milling, administration and depreciation charges plus it will charge a 5% management fee on all of the above. Corona's depreciation charges at Nickel Plate are about \$58.00/oz.

The NPV distribution under this alternative would be 86% to Corona and 14% to Golden North.

Royalty:

Under this alternative, Corona keeps 100% of production subject to a 50% net profits royalty payable to Golden North. Net profits are calculated after all expenses including depreciation. We expect the net present value to be distributed 75% to Corona and 25% to Golden North.

Assumptions:

- US \$400 gold
- No inflation
- 84 cent Canadian dollar
- 419,000 tons grading 0.099 opt. ^{33,200} 851,400 @ 0.092 70,500
- 8.1:1 stripping ratio over the reserve life (1:2.82)
- 80% recovery 90%

The balance of the operating assumptions is presented on the attached simulation which was prepared by our evaluations group in conjunction with Corona operators and geologists.

John, I hope that you will give our proposal serious consideration so that we can reach an agreement on one of the above alternatives without much delay.

Yours truly,

A handwritten signature in cursive script that reads "Peter Steen". The signature is written in dark ink and is positioned above the typed name.

Peter Steen
President & Chief Executive Officer

CANTY DEPOSIT (100%)

	Q3 1989	Q4 1989	Q1 1990	Q2 1990	Q3 1990	Q4 1990	Q1 1991	Q2 1991	Q3 1991	Q4 1991	TOTAL
Minable Reserve (tons)	419,000	419,000	419,000	419,000	419,000	419,000	419,000	400,000	297,000	119,000	
Opening Reserve Grade (oz/ton)	0.099	0.099	0.099	0.099	0.099	0.099	0.099	0.100	0.101	0.100	
Waste Moved (tons)	0	0	0	0	0	0	721,000	1,074,000	1,191,000	408,000	3,394,000
Tons Milled	0	0	0	0	0	0	19,000	103,000	178,000	119,000	419,000
Grade (oz/ton)	0.00	0.00	0.00	0.00	0.00	0.00	0.0791	0.0982	0.1007	0.1002	0.0990
Recovery (%)	0.00	0.00	0.00	0.00	0.00	0.00	80.00	80.00	80.00	80.00	80.00
Gold Production (oz)	0	0	0	0	0	0	1,202	8,092	14,340	9,539	33,173
Mining Costs/ton material	n/a	n/a	n/a	n/a	n/a	n/a	1.31	1.32	1.34	1.37	
Mining Costs/ton ore	n/a	n/a	n/a	n/a	n/a	n/a	49.58	13.81	8.95	4.71	
Milling Costs/ton ore	n/a	n/a	n/a	n/a	n/a	n/a	17.05	17.05	17.05	17.05	
Admin Costs/ton ore	n/a	n/a	n/a	n/a	n/a	n/a	1.56	1.56	1.56	1.56	
Total Operating Costs/ton ore	n/a	n/a	n/a	n/a	n/a	n/a	68.19	32.42	27.56	23.32	
Operating Costs/oz (Cdn)	n/a	n/a	n/a	n/a	n/a	n/a	1,077.62	412.62	342.08	290.88	
Operating Costs/oz (US)	n/a	n/a	n/a	n/a	n/a	n/a	905.20	346.60	287.35	244.34	
Capital Costs	0	0	0	0	200,000	200,000	0	0	0	0	400,000

CASH FLOW (\$000) - 100%

Revenue	0	0	0	0	0	0	573	3,853	6,828	4,542	15,797
Operating Expenses	0	0	0	0	0	0	1,296	3,339	4,905	2,775	12,315
Operating Cash Flow	0	0	0	0	0	0	(723)	514	1,923	1,768	3,482
Capital Expenditures	0	0	0	0	(200)	(200)	0	0	0	0	(400)
Pre Tax Cash Flow	0	0	0	0	(200)	(200)	(723)	514	1,923	1,768	3,082
Discounted Cash Flow (5%)	0	0	0	0	(190)	(188)	(672)	472	1,744	1,583	2,749
Discounted Cash Flow (8%)	0	0	0	0	(185)	(182)	(644)	450	1,649	1,487	2,574
Discounted Cash Flow (10%)	0	0	0	0	(182)	(178)	(627)	435	1,589	1,427	2,465
NPV (5%)	2,749										
NPV (8%)	2,574										
NPV (10%)	2,465										

682
19
682
12455
108

68 / 10000 = 0.0068
340
5704
44
260

240,000 + 1,131 = 19,000
96,940 = 19,000
= 51.02

1202 = 1063
19000 = 15587
= 105

721,000 x 1.31 = 944,510
19,000 x 68.19 = 1,295,610
= 2,240,120

447,680 + 333,920

Division F Spills