

REPORT ON MINERAL RESERVES OF BLACKDOME EXPLORATIONS NO. 1 VEIN

Several studies of Blackdome's mineral reserves were made, based on diamond drill hole gold and silver assays provided in P. Richardson's "Report on Ore Reserves" and based on gold plus silver equivalent grades shown on Blackdome's drift assay plans.

Results of these studies are as follows:

- I Mineral Reserves Indicated By Diamond Drilling - Total to Date
- A. Uncut Assays, Cut-off Grade of 5 gm/tonne (0.16 <sup>Oz</sup> /T) Au +  $\frac{Ag}{45}$  Equiv.
- (1) Above 1960 Drift Level, 118,578 tonnes @ 12.77 <sup>gm</sup> Au and 99.53 <sup>gm</sup> Ag/tonne
- (2) Below 1960 Drift Level, 109,358 tonnes @ 14.57 <sup>gm</sup> Au and 83.8 <sup>gm</sup> Ag/tonne
- Total 227,936 tonnes @ 13.63 <sup>gm</sup> Au and 91.98 <sup>gm</sup> Ag/tonne
- B. Cut Assays; Gold cut to 31.1 <sup>gm</sup>/tonne and Silver cut to 214 <sup>gm</sup>/tonne (90% of values fall within these grades)
- Cut-off grade as above.
- (1) Above 1960 Drift Level, 118,578 tonnes @ 11.22 <sup>gm</sup> Au and 68.77 <sup>gm</sup> Ag/tonne.
- (2) Below 1960 Drift Level, 109,358 tonnes @ 11.69 <sup>gm</sup> Au and 54.09 <sup>gm</sup> Ag/tonne.
- Total 227,936 tonnes @ 11.39 <sup>gm</sup> Au and 61.73 <sup>gm</sup> Ag/tonne.
- C. No estimates were calculated for diluted grades.

II Mineral Reserves Partially Explored & Partially Developed By Underground Workings

- A-1 Central Zone: Continuous Length 407.2' (124.15<sup>m</sup>), Wt. Av. Width 6.0' (1.83<sup>m</sup>), T. Factor 12.3<sup>#</sup>/T.
- (a-1) Uncut & Undiluted: (1) Above 1960 Dr. Level; 21,485 Tons @ 1.30 <sup>Oz</sup>/T Au + Ag Equiv.  
 (2) Below 1960 Dr. Level; 11,459 Tons @ 1.30 <sup>Oz</sup>/T Au + Ag Equiv.  
 Total 32,944 Tons @ 1.30 <sup>Oz</sup>/T Au + Ag Equiv.
- (a-2) Uncut & Diluted: (1) Above 1960 Dr. Level; 27,931 Tons @ 1.02 <sup>Oz</sup>/T Au + Ag Equiv.  
 30% dilution of 0.0875 <sup>Oz</sup>/T  
 (2) Below 1960 Dr. Level; 14,896 Tons @ 1.02 <sup>Oz</sup>/T Au + Ag Equiv.  
 Total 42,827 Tons @ 1.02 <sup>Oz</sup>/T Au + Ag Equiv.

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A-2 Central Zone: Excluding Low Grade Sections more than 3<sup>m</sup> long L = 340.1' (103.7<sup>m</sup>),  
W = 6.2' (1.89<sup>m</sup>)

(a-3) Uncut & Undiluted: (1) Above 1960 Dr. Level; 18,587<sup>T</sup> @ 1.48<sup>Oz</sup> Au + Ag Equiv.  
(2) Below 1960 Dr. Level; 9,902<sup>T</sup> @ 1.48<sup>Oz</sup> Au + Ag Equiv.  
Total 28,489<sup>T</sup> @ 1.48<sup>Oz</sup> Au + Ag Equiv.

(a-4) Uncut & Diluted: (1) Above 1960 Dr. Level; 24,163<sup>T</sup> @ 1.16<sup>Oz</sup> Au + Ag Equiv.  
(2) Below 1960 Dr. Level; 12,873<sup>T</sup> @ 1.16<sup>Oz</sup> Au + Ag Equiv.  
Total 37,036<sup>T</sup> @ 1.16<sup>Oz</sup> Au + Ag Equiv.

A-3 Central Zone: Bert Reeves' figures - Continuous Length 380.5' (115.98<sup>m</sup>),  
Wt. Av. Width 7.82' (2.38<sup>m</sup>), and Calc. Grades.

(a-5) Uncut & Undiluted: (1) Above 1960 Dr. Level; 26,183<sup>T</sup> @ 1.056<sup>Oz</sup> Au + Ag Equiv.  
(2) Below 1960 Dr. Level; 13,965<sup>T</sup> @ 1.056<sup>Oz</sup> Au + Ag Equiv.  
Total 40,148<sup>T</sup> @ 1.056<sup>Oz</sup> Au + Ag Equiv.

(a-6) Uncut & Diluted: (1) Above 1960 Dr. Level; 34,038<sup>T</sup> @ 0.83<sup>Oz</sup> Au + Ag Equiv.  
(2) Below 1960 Dr. Level; 18,154<sup>T</sup> @ 0.83<sup>Oz</sup> Au + Ag Equiv.  
Total 52,193<sup>T</sup> @ 0.83<sup>Oz</sup> Au + Ag Equiv.

A-4 Central Zone: Based on D.D. Hole Assays L = 407' (124<sup>m</sup>)  
W = 7.63' (2.33<sup>m</sup>)

(a-7) Uncut & Undiluted: (1) Above 1960 Dr. Level; 27,293<sup>T</sup> @ 0.462<sup>Oz</sup> Au + Ag Equiv./T  
(2) Below 1960 Dr. Level; 14,556<sup>T</sup> @ 0.462<sup>Oz</sup> Au + Ag Equiv./T  
Total 41,850<sup>T</sup> @ 0.462<sup>Oz</sup> Au + Ag Equiv./T

(a-8) Uncut & Diluted: (1) Above 1960 Dr. Level; 35,482<sup>T</sup> @ 0.376<sup>Oz</sup> Au + Ag Equiv./T  
(2) Below 1960 Dr. Level; 18,923<sup>T</sup> @ 0.376<sup>Oz</sup> Au + Ag Equiv./T  
Total 54,405<sup>T</sup> @ 0.376<sup>Oz</sup> Au + Ag Equiv./T

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II B-1 Northern End of Drift (93.7<sup>m</sup> long)

Two sections showed average grades exceeding 5 gm. Au + Ag equiv. as follows:

(A-1) Uncut & Undiluted: (1) Tonnes = 6636, L = 23.6<sup>m</sup>, W = 2.36<sup>m</sup> Grade = 6.45<sup>gm</sup>/tonne,  
and (2) Tonnes = 1603, L = 9.8<sup>m</sup>, W = 1.54<sup>m</sup> Grade = 8.22<sup>gm</sup>/tonne  
T = 8239<sup>t</sup> Av. = 6.79<sup>gm</sup> t

(A-2) D.D. Holes indicated probable reserves of:

(1) 4570 tonnes, L = 35<sup>m</sup>, W = 1.5<sup>m</sup>, Grade = 11.53<sup>gm</sup> /tonne  
and (2) 8900 tonnes, L = 35<sup>m</sup>, W = 1.94<sup>m</sup> Grade = 16.88<sup>gm</sup> /tonne  
T=13,470 Au = 15.06

The above figures show that drifting proved up only 61% of the tonnages and only 45% of the values.

II C-1 Southern End of Drift (112<sup>m</sup> long)

All the face assays range between 1.5 to 2.5 gm Au + Ag equivalent/tonne, except two which assayed 6.2 and 8.4 gm/tonne.

D.D. Hole(s) indicated possible reserves of:

(1) 5498 tonnes, L = 31<sup>m</sup>, W = 1.5<sup>m</sup>, Grade = 5.16<sup>gm</sup>/tonne  
and (2) 3650 tonnes, L = 17<sup>m</sup>, W = 2.76<sup>m</sup> Grade = 47.8<sup>gm</sup>/tonne  
T = 9148<sup>t</sup> Au = 22.17

II D Total Mineral Reserves Above The 1960 Drift Backs

Total mineral reserves with dilution, above the present drift backs is 27,897 tonnes of 39.17 gm/tonne.

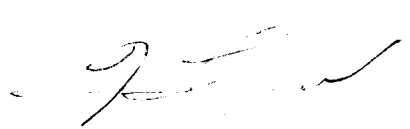
Remarks:

Underground exploration work within the heart of the mineralized zone, as indicated by diamond drilling, did not improve substantially the mineral reserves. The central section of the workings indicated an upgrading of 2 - 2.5 times the indicated values of the drilling results, but then both ends of the drift showed a downgrading of values. On the north end, drill indicated medium grade "ore" became low grade with reduced tonnages (61% of the tonnages and 45% of the values). On the south end, drill indicated "ore" became "non-ore".

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The estimates indicate nearly one-half of the reserves occur below the present 1960 Level Drift. These reserves are somewhat scattered in their locations and the average grade is heavily influenced by a few isolated high values. It is doubtful at this time to place an economic value on these reserves because of the probably high development costs.

Kerr's participation in the future exploration and development of this property will depend greatly on whether Kerr can recover its investment from the reserves in sight, mainly that above the present working level. Present underground exploration has indicated 27,897 tonnes of 39.17 gm/tonne grade, with dilution. Additional tonnage above the 1960 Drift Level may be found by extending the drift southward for about 190 metres and explore the vein for the 28,580 tonnes of 14.7 gm Au + Ag/tonne of drill indicated reserves.



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