CORPORATE COMMENT (continued)

Blackdome Exploration (continued)

The following simulated income statement is provided to show only the general economics and relative levels of profitability of Blackdome using a fully taxed average grade model. In reality, **initial grades will be appreciably higher** as suggested by a growing high grade ore stockpile averaging 1.1 ounces gold and 4.5 ounces silver. Additionally, mining investment tax credits would provide early cash flow at a level which would afford rapid payback.

Undiluted Reserve base:	195,000 tons grading 0.78 oz./ton gold and 3.20 oz./ton silver.
Diluted Reserves:	(25% dilution factor) 244,000 tons grading 0.59 oz./ton gold and 2.40 oz./ton silver.
Mill Rate:	200 tons per day. Initial Mine Life - 3.5 years.
Metallurgical Recovery Factors:	Gold 92% Silver 85%
Metal Production:	Gold - 0.54 ounces per ton or 38,000 ounces per year. Silver - 2.0 ounces per ton or 140,000 ounces per year.

Metal Prices ($Cdn/oz.) - Gold	$400	$500	$600
- Silver	$8.89	$11.11	$13.33
		($Millions)	
Revenues - Gold	15.2	19.0	22.8
- Silver	1.2	1.6	1.9
	16.8	20.6	24.7
Operating Costs @ $125/ton	8.8	8.8	8.8
Operating Profit	8.0	11.8	15.9
Depreciation & Depletion	4.0	4.0	4.0
Exploration	1.0	1.0	1.0
Earnings before taxes	3.0	6.8	10.9
Approximate income & mining taxes	1.4	3.1	4.9
Net Earnings	1.6	3.7	6.0
EPS (5.3mm o/s)	$0.30	$0.70	$1.15

From this model we conclude that the operation would be **among the lowest cost Canadian gold producers** and capable of providing a superior rate of return on equity. Accordingly, **we continue to recommend Blackdome as one of the more attractive gold vehicles** based on the expected profitability of present indicated reserves and the encouraging level of exploration and development potential on what is proving to be an exceptional gold property.

CORPORATE COMMENT

BLACKDOME EXPLORATION — D.H. Nicholson

Exploration and development of the Blackdome property in southern British Columbia (see our June 1983 *Blackdome Exploration* report and Bunting *Bi-Weekly* June 8, 1984) have for some months been yielding results which **now leave little doubt as to its economic viability.** In fact, the project is shaping up to be the **classic bonanza type of gold and silver deposit we had expected.** Funded by two private placements over the past five months, the company has been conducting a comprehensive underground programme of drifting and raising in two of the numerous gold bearing structures on this large property in which it has a 100% undivided interest. This work, in conjunction with surface studies which include diamond drilling and trenching on both the number one and two veins, indicates **good continuity of mineralization as well as a pronounced increase in grade with depth.**

Of particular importance has been this improvement in the size and grade of reserves with advances in underground development over the past five months. For example, three recently penetrated ore shoots, which through surface drilling showed a grade of 0.27 ounces per ton gold, **averaged 1.5 ounces per ton** when closely sampled from horizontal and vertical workings. As discussed in our June 1983 report, this discrepancy is largely attributable to incomplete drill core recovery and the loss of free gold in core handling. More important, however, is the fact that an underground assessment programme, by virtue of its highly detailed sampling practices, identifies variations in grade in any given mineralized area and provides a much more statistically reliable appraisal of mineable grades.

The results of the 1984 programme have therefore been highly significant in providing an initial reserve base capable of generating an acceptable rate of return on invested capital. They have also provided a much **greater confidence level that a number of other major mineralized structures will prove to be ore-bearing** when subjected to consistent examination. In short, the concept of this large property as being an entire "forty niner" or high grade gold camp has become increasingly credible as each of the nine ore shoots discovered to date has been thoroughly tested for grade and continuity. This being the case, Blackdome's mine life would be appreciably longer than present reserves would suggest.

To date reserves have been calculated only to the first working level established at an elevation of 1960 meters. (Pronounced topographic relief allows access to underground by horizontal adit rather than a much more costly approach by vertical shaft.) The tonnages described below were calculated at the end of October using a 0.25 cut-off (i.e. all material below this grade is excluded from reserves). These reserves are an integral part of a final feasibility study scheduled for completion well before year-end.

	Blackdome Ore Reserves	Grade (oz/ton)	
	Tonnage	Gold	Silver
Proven and Probable	100,000 tons	0.72	3.30
Possible	95,000 tons	0.85	3.07
Weighted Average	195,000 tons	0.78	3.20

In early November an additional adit 40 meters below the 1960 meter level was completed and examination of depth extensions of shoots encountered on the number one vein was started. The discovery of high grade material in the number one vein at this lower level would be an auspicious start for this new development phase.

Present plans call for the construction of a 200 ton per day processing plant to make two products; a high grade gravity concentrate to go directly to gold refineries and which would contain about 50% of the contained gold, and a flotation concentrate to be shipped to a standard smelter. Exhaustive metallurgical studies have indicated treatment losses to be well within acceptable limits.

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