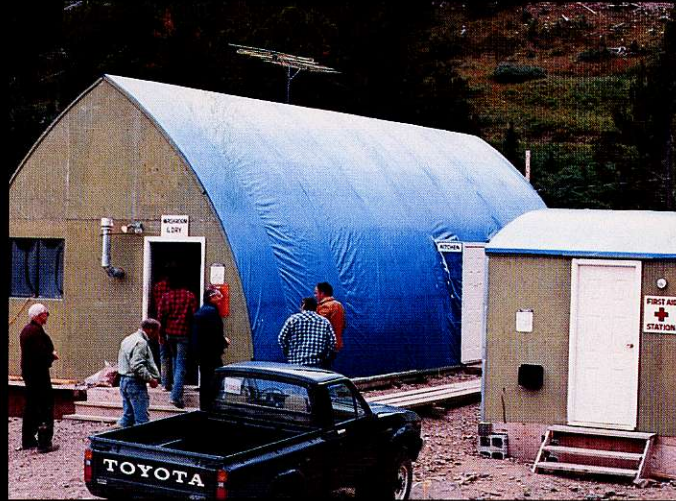


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# Blackdome Exploration Ltd.



## Annual Report 1981

## Cover Photographs

Front Page: Scooptram exiting 6400 level portal; Blackdome camp site at 6430 elevation.

Back Page: Stockpiled ore at south side of Blackdome Mountain peak; sample preparation at on-site assay laboratory.

## **Report to Shareholders**

### **Dear Shareholder:**

During 1981 the Company carried out a substantial underground exploration program on its Black Dome Mountain gold-silver property situated 40 miles west of Clinton, British Columbia.

A total of 3,000 feet of underground development was completed on the 6,400 foot level of the No. 1 vein. This includes 1,175 feet of drifting, 360 feet of raising and 500 feet of crosscutting. Of the reserves indicated by diamond drilling in 1979 and 1980, 50,000 tons of mill feed grading 0.62 troy oz. gold per ton and 5.6 troy oz. silver per ton have been confirmed by the development of 1,200 feet of strike length within the No. 1 vein which has a known length of more than 5,000 feet. 3,800 tons of this material, grading 0.8 troy oz. gold and 4.4 troy oz. silver, have been stockpiled near the portal.

At a gold price of \$350.00 (U.S.) per oz. the 50,000 tons of mill feed represent about one half of the minimum requirement for a 200 ton per day mining operation.

As no diamond drilling was done in 1981, the reported drill indicated reserves in the No. 1 vein remain unchanged at 313,000 tons averaging 0.35 oz. gold and 3.21 oz. silver per ton.

Metallurgical testing of a 500 lb. composite sample from the 6,400 level drifting indicates the probability of recovering 93% of the gold and 85% of the silver in a very saleable, high grade, flotation concentrate.

The total cost of the 1981 underground program was \$1,860,000. Since the fall of 1981, efforts were made to raise necessary equity financing to continue the underground work throughout the winter while a feasibility study was being completed.

The Company was fortunate to reach an agreement in principle for a financing arrangement with Heath Steele Mines Limited ("Heath Steele"), a subsidiary of Noranda Mines Limited, whereby Heath Steele will have the right to earn a 55% share equity in the Company by subscribing for shares of the Company and by making expenditures on the property over a 35 month period, in the total amount of \$11,250,000.

**Blackdome Exploration Ltd.**

Particulars of the arrangement are:

Heath Steele will subscribe for 150,000 Common shares of Blackdome at \$3.00 per share and expend not less than \$600,000 on exploration of the property within 12 months from the effective date of the agreement.

Heath Steele will also have the right and option to subscribe for a further 100,000 shares of Blackdome at \$3.00 per share and to expend a further \$2,400,000 within 24 months of the effective date of the agreement. All expenditures made by Heath Steele are convertible to Common shares of Blackdome at the rate of one share for every \$3.00 of expenditures.

If, within 60 days after the expenditure of \$3,000,000 on the property, a production decision is made by Heath Steele, Heath Steele will subscribe for a further 1,000,000 Common shares at \$3.50 per share and will have an option for 9 months thereafter to subscribe for a further 1,000,000 Common shares at \$4.00 per share.

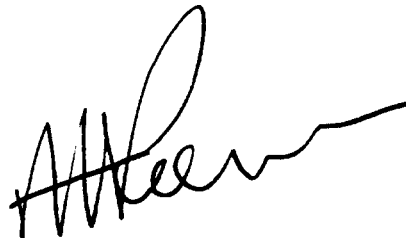
If all rights and options are exercised by Heath Steele, it will have acquired 3,250,000 Common shares of Blackdome or 55% of the then issued capital at a total cost of \$11,250,000. At that time Heath Steele will be entitled to appoint a majority of the directors of Blackdome.

To accommodate the transaction, the Company will increase its authorized capital to 6,000,000 Common shares of one class.

The initial work to be carried out by Heath Steele on the property will consist of an extensive diamond drilling program designed to expand the reserve potential of the property prior to the resumption of underground development.

Your directors are very pleased to have Heath Steele as a shareholder of the Company and they believe that the association with Heath Steele will provide the Company with the strong financial support necessary to achieve early production on the property.

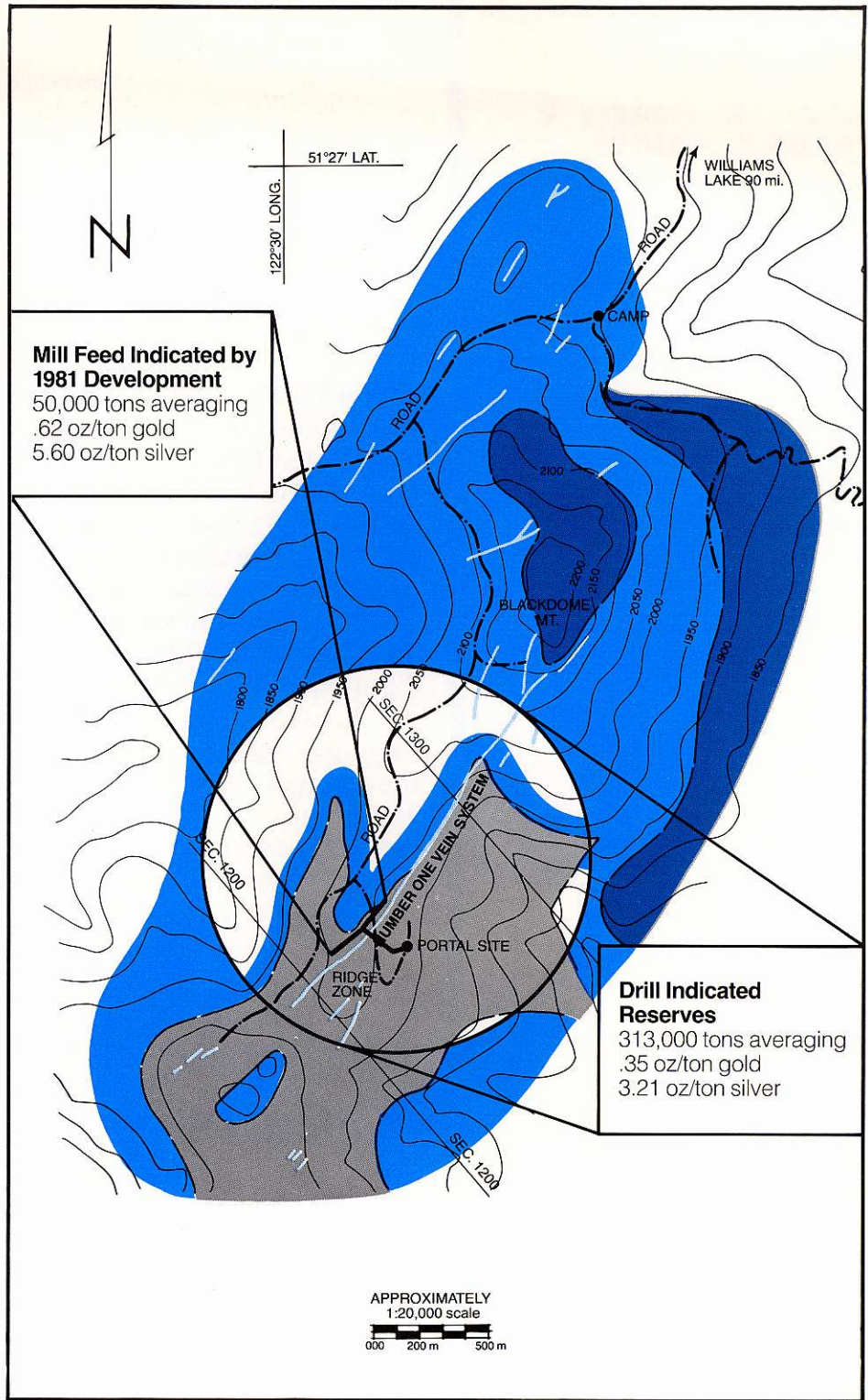
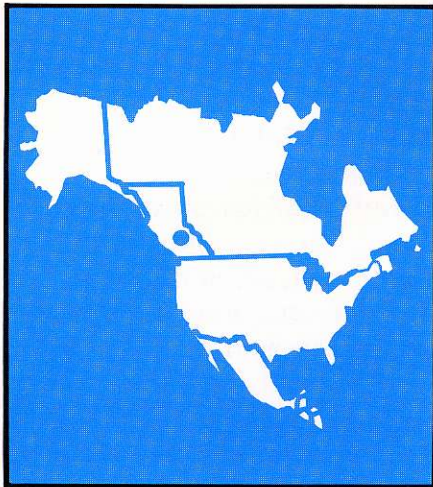
On Behalf of the Board

A handwritten signature in black ink, appearing to read 'A. Reeve', with a long horizontal flourish extending to the right.

Albert F. Reeve,  
President



# Blackdome Exploration Ltd.



**Mill Feed Indicated by 1981 Development**  
50,000 tons averaging  
.62 oz/ton gold  
5.60 oz/ton silver

**Drill Indicated Reserves**  
313,000 tons averaging  
.35 oz/ton gold  
3.21 oz/ton silver

## LEGEND

- Gold & silver bearing veins, tertiary volcanic formations
- Plateau basalt
- Andesite lava flows
- Volcaniclastics & rhyolite flows
- 1981 development

Blackdome Exploration Ltd.

# Financial Statements

31 December 1981

## Auditors' Report

To the Shareholders of  
Blackdome Exploration Ltd.

We have examined the balance sheet of Blackdome Exploration Ltd. as at 31 December 1981 and the statements of changes in financial position and deferred administration costs and exploration and development costs for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at 31 December 1981 and the changes in its financial position and the cost of its exploration activities for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

2 March 1982

SMITH, FLYNN, STALEY  
Chartered Accountants

# Balance Sheet

as at 31 December 1981

(With comparative figures  
as at 31 December 1980)

| <b>ASSETS</b>                                   | <b>1981</b>               | <b>1980</b>               |
|---|---------------------------|---------------------------|
| <b>Current</b>                                  |                           |                           |
| Cash  | \$ 138,921                | \$ 3,796                  |
| Bank term deposits                              | 31,948                    | 1,446,959                 |
| Accounts and accrued interest<br>receivable     |                           | 16,897                    |
| Prepaid expense                                 | <u>300</u>                | <u>6,373</u>              |
|   | <u>171,169</u>            | <u>1,474,025</u>          |
| <b>Mineral Properties (Note 2)</b>              | <u>188,330</u>            | <u>188,330</u>            |
| <b>Plant and Equipment, at cost</b>             |                           |                           |
| Machinery and equipment                         | 555,511                   | 84,309                    |
| Buildings                                       | 60,993                    |                           |
| Mobile equipment                                | 40,953                    |                           |
| Furniture and fixtures                          | <u>9,910</u>              | <u>1,565</u>              |
|   | 667,367                   | 85,874                    |
| Less — Accumulated<br>depreciation              | <u>147,633</u>            | <u>17,700</u>             |
|   | <u>519,734</u>            | <u>68,174</u>             |
| <b>Deferred Costs</b>                           |                           |                           |
| Exploration and development<br>— Schedule 1     | 3,022,476                 | 1,279,427                 |
| Administration — Schedule 2                     | 37,532                    | 62,644                    |
| Reclamation deposit                             | <u>5,000</u>              |                           |
|   | <u>3,065,008</u>          | <u>1,342,071</u>          |
|   | <u><b>\$3,944,241</b></u> | <u><b>\$3,072,600</b></u> |
| <b>LIABILITIES</b>                              |                           |                           |
| <b>Current</b>                                  |                           |                           |
| Accounts payable                                | \$ 107,268                | \$ 47,136                 |
| Current portion of<br>agreements payable        | <u>168,027</u>            |                           |
|   | <u>275,295</u>            | <u>47,136</u>             |
| <b>Conditional Sales Agreements<br/>Payable</b> | 300,637                   |                           |
| Deduct — Deferred finance<br>charges            | (52,878)                  |                           |
| — Current portion,<br>shown above               | <u>(168,027)</u>          |                           |
|   | <u>79,732</u>             |                           |
| <b>SHAREHOLDERS' EQUITY</b>                     |                           |                           |
| Share Capital (Note 3)                          | 3,589,214                 | 3,025,464                 |
|   | <u><b>\$3,944,241</b></u> | <u><b>\$3,072,600</b></u> |

On Behalf of the Board:

*J. T. Lau* *W. J. Burns*

Director

Director

## Statement of Changes in Financial Position

*for the year ended  
31 December 1981*

(With comparative figures for 1980)

|  | 1981                       | 1980                      |
|--|----------------------------|---------------------------|
| <b>Source of Funds</b>   |                            |                           |
| Share capital  | \$ 223,750                 | \$2,342,669               |
| Interest income — net  | 133,099                    | 50,699                    |
| Road grant   | <u>9,000</u>               |                           |
|  | <u>365,849</u>             | <u>2,393,368</u>          |
| <b>Application of Funds</b>  |                            |                           |
| Plant and equipment  | 581,493                    | 82,590                    |
| Deduct — Conditional sales contracts, net of deferred finance charges and current portion      | <u>(79,732)</u>            |                           |
|  | <u>501,761</u>             | <u>82,590</u>             |
| Deferred costs   |                            |                           |
| Exploration and development — Schedule 1   | 1,752,049                  | 922,918                   |
| Administration — Schedule 2  | <u>107,987</u>             | <u>65,795</u>             |
|  | 1,860,036                  | 988,713                   |
| Deduct — Exploration costs incurred on the property in consideration for shares of the company | <u>(340,000)</u>           |                           |
| — Depreciation   | <u>(129,933)</u>           | <u>(17,044)</u>           |
|  | <u>1,390,103</u>           | <u>971,669</u>            |
| Reclamation deposit reclassified   | <u>5,000</u>               |                           |
| Mineral properties   |                            | <u>205</u>                |
|  | <u>1,896,864</u>           | <u>1,054,464</u>          |
| <b>Increase (Decrease) in Working Capital</b>  | <b>(1,531,015)</b>         | <b>1,338,904</b>          |
| Working capital — 1 January  | <u>1,426,889</u>           | <u>87,985</u>             |
| <b>Working Capital (Deficit) — 31 December</b>   | <b><u>\$ (104,126)</u></b> | <b><u>\$1,426,889</u></b> |



**Schedule  
of Deferred  
Exploration and  
Development  
Costs**

*for the year ended  
31 December 1981*

(With comparative figures for 1980)

|  | 1981                      | 1980                      |
|--|---------------------------|---------------------------|
| Salaries and wages                                 | \$ 406,599                | \$ 89,127                 |
| Employee benefits                                  | 35,844                    | 6,335                     |
| Supplies, expense and<br>equipment rentals         |                           |                           |
| Surface  | 281,917                   | 49,620                    |
| Underground  | 161,622                   |                           |
| Professional technical services                    | 176,398                   | 87,949                    |
| Operator's fee                                     | 136,812                   | 65,187                    |
| Depreciation                                       | 128,020                   | 16,739                    |
| Petroleum products                                 | 100,495                   | 14,059                    |
| Explosives   | 63,055                    |                           |
| Freight and expediting                             | 49,479                    | 9,882                     |
| Cookhouse operating                                | 43,326                    | 19,336                    |
| Environmental studies                              | 33,376                    |                           |
| Truck and car expenses                             | 27,466                    | 30,450                    |
| Travel   | 26,524                    | 13,837                    |
| Office, printing and maps                          | 18,645                    | 8,135                     |
| Geochemical  | 13,967                    | 20,064                    |
| Licences, permits, insurance<br>and recording fees | 13,522                    | 5,574                     |
| Telephone and postage                              | 13,240                    | 6,052                     |
| Helicopter and aircraft                            | 11,802                    | 5,633                     |
| Metallurgical testing                              | 9,940                     |                           |
| Drilling   |                           | 416,998                   |
| Bulldozing   |                           | 57,941                    |
|  | <u>1,752,049</u>          | <u>922,918</u>            |
| Government road grant                              | <u>(9,000)</u>            |                           |
| <b>Net Costs for the Year</b>                      | <b>1,743,049</b>          | 922,918                   |
| Balance — 1 January                                | <u>1,279,427</u>          | <u>356,509</u>            |
| <b>Balance — 31 December</b>                       | <b><u>\$3,022,476</u></b> | <b><u>\$1,279,427</u></b> |

**Schedule  
of Deferred  
Administration  
Costs**

*for the year ended  
31 December 1981*

(With comparative figures for 1980)

|  | 1981                    | 1980                    |
|--|-------------------------|-------------------------|
| Legal fees and expenses                        | \$ 49,313               | \$26,875                |
| Shareholders' information and meetings         | 20,807                  |                         |
| Management fee                                 | 18,600                  | 8,750                   |
| Accounting and audit                           | 6,900                   | 3,450                   |
| Transfer agent fees and expenses               | 3,867                   | 7,156                   |
| Travel and promotion                           | 3,019                   | 1,609                   |
| Office supplies and expense                    | 1,998                   | 11,320                  |
| Depreciation                                   | 1,913                   | 305                     |
| Licences and taxes                             | 1,570                   | 6,086                   |
| Sundry   |                         | 244                     |
|  | <u>107,987</u>          | <u>65,795</u>           |
| Interest income — net                          | <u>(133,099)</u>        | <u>(50,699)</u>         |
| <b>Net Costs (Recoveries)<br/>for the Year</b> | <b>(25,112)</b>         | 15,096                  |
| Balance — 1 January                            | <u>62,644</u>           | <u>47,548</u>           |
| <b>Balance — 31 December</b>                   | <b><u>\$ 37,532</u></b> | <b><u>\$ 62,644</u></b> |

# Notes to Financial Statements

31 December 1981

## 1. Accounting Policies

### (a) Deferred Costs

The company is in the exploration stage and has established a policy of deferring all costs relating to exploration projects, including related administration costs, until such time as the projects are put into commercial production, sold or abandoned.

### (b) Values

The amounts shown for mineral properties and deferred costs represent costs to date and are not intended to reflect present or future values.

### (c) Fixed Assets and Depreciation

Fixed assets are carried at cost. Depreciation on these assets is taken on the declining balance method at the rate of 20% per annum.

## 2. Mineral Properties

The company owns certain mineral claims and placer leases in the Black Dome Mountain area of the Clinton Mining Division of British Columbia acquired for the following consideration:

|  |                  |
|--|------------------|
| Cash   | \$ 42,705        |
| 792,500 shares of the company's capital stock at assigned values | <u>145,625</u>   |
|  | <u>\$188,330</u> |

## 3. Share Capital

|  | 1981              | 1980               |
|--|-------------------|--------------------|
| (a) Authorized   |                   |                    |
| Class A voting shares  | 4,000,000         | 2,500,000          |
| Class B non-voting shares  | <u>1,000,000</u>  | <u>2,500,000</u>   |
| (b) Issued during the year   |                   |                    |
| Class A — Shares   | 90,000            | 797,750            |
| — Cash consideration   | <u>\$ 223,750</u> | <u>\$2,342,669</u> |
| (c) Recorded in 1981 in consideration for funds expended on exploration of the company's property in 1981. The shares have been issued in 1982 |                   |                    |
| — Shares   | 92,500            |                    |
| — Deemed consideration   | <u>\$ 340,000</u> |                    |

**Notes to  
Financial  
Statements**

31 December 1981

(d) Issued and fully paid — 31 December

| Consideration | 1981             |                    | 1980             |                    |
|---------------|------------------|--------------------|------------------|--------------------|
|               | Shares           | Amount             | Shares           | Amount             |
| Cash          | 1,737,750        | \$3,103,589        | 1,647,750        | \$2,879,839        |
| Properties    | 792,500          | 145,625            | 792,500          | 145,625            |
| Exploration   | 92,500           | 340,000            |                  |                    |
|               | <u>2,622,750</u> | <u>\$3,589,214</u> | <u>2,440,250</u> | <u>\$3,025,464</u> |

(e) Escrowed Shares

As at 31 December 1981 there were 450,000 shares held in escrow subject to the direction of the governing regulatory bodies. 112,500 of these shares were released on 6 January 1982.

(f) Stock Options

(i) The company has granted the following stock options to its exploration manager at an option price of \$2.25 per share:

5,000 Class A shares exercisable after 1 January 1982

5,000 Class A shares exercisable after 1 January 1983.

These options expire on 6 December 1984.

(ii) The company has granted L.J. Manning and Associates Ltd. an option to purchase 10,000 Class A shares as follows:

During the year to 30 June 1982 at \$3.00 per share

During the year to 30 June 1983 at \$3.25 per share.

L.J. Manning and Associates Ltd. has contracted the services of Luard J. Manning as General Manager of the company's Black Dome Mountain property. The share purchase option shall be terminated forthwith upon Luard J. Manning ceasing to be General Manager.

**4. Remuneration of Directors and Senior Officers**

During the year ended 31 December 1981, \$150,685 was paid or payable to five senior officers of the company as defined in the Company Act, British Columbia. The five so defined are mine personnel.

A company controlled by a director of the company was paid or credited with \$29,700 for services performed during the year.

**5. Related Party Transaction**

Barrier Reef Resources Ltd., a company having common management with Blackdome Exploration Ltd., earned \$136,812 as operator for the company's exploration program during 1981. Of this amount \$61,561 is included in accounts payable as at 31 December 1981.

Barrier Reef Resources Ltd. has been granted a right of first refusal of any equity or debt financing (excluding a public offering) that the company may propose for purposes of further exploration and development or placing its mineral properties into production. This right of first refusal expires 11 April 1982.

## Notes to Financial Statements

31 December 1981

### 6. Comparative Figures

Certain 1980 figures provided for purposes of comparison have been restated to conform to the presentation used in 1981. These changes have no effect on 1980 deferred costs.

### 7. Subsequent Event — Long-term Financing

The company and Heath Steele Mines Limited (Heath Steele) have reached an agreement in principle whereby:

Heath Steele will subscribe for 150,000 Common shares of the company at \$3.00 per share and expend not less than \$600,000 on exploration of the property within twelve months from the effective date of the agreement.

Heath Steele will also have the right and option to subscribe for a further 100,000 Common shares of the company at \$3.00 per share and expend a further \$2,400,000 within twenty-four months from the effective date of the agreement. All expenditures made by Heath Steele are convertible to Common shares of the company at the rate of one share for every \$3.00 of expenditures.

If, after the expenditure of \$3,000,000 on the property, a production decision is made by Heath Steele, within sixty days, Heath Steele will subscribe for a further 1,000,000 Common shares at \$3.50 per share and will have an option for nine months thereafter to subscribe for a further 1,000,000 Common shares at \$4.00 per share.

If all rights and options are exercised by Heath Steele, it will have acquired 3,250,000 Common shares of the company or 55% of the then issued capital at a total cost of \$11,250,000. At that time Heath Steele will be entitled to appoint a majority of the directors of the company.

The agreement is subject to the approval of the governing regulatory bodies.



## Notes to Financial Statements

31 December 1981

### 6. Comparative Figures

Certain 1980 figures provided for purposes of comparison have been restated to conform to the presentation used in 1981. These changes have no effect on 1980 deferred costs.

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The agreement is subject to the approval of the governing regulatory bodies.

## Corporate Data

### **Head Office**

Blackdome Exploration Ltd.  
904 - 675 West Hastings Street  
Vancouver, B.C.

### **Directors & Officers**

Albert F. Reeve, President & Director  
Jurgen T. Lau, Secretary & Director  
Irvine Corbett, Director  
William St. C. Dunn, Director  
J. Haig deB. Farris, Director

### **Solicitors**

Bull, Housser & Tupper  
Vancouver, B.C.

### **Auditors**

Smith, Flynn, Staley  
Burnaby, B.C.

### **Transfer Agent & Registrar**

Canada Permanent Trust Company  
701 West Georgia Street  
Vancouver, B.C. V7Y 1E5

### **Listed**

Vancouver Stock Exchange  
Symbol — BEE

### **Authorized Capital**

4,000,000 Class A  
1,000,000 Class B

### **Issued Capital**

2,627,750 Class A

### **Principal Shareholder**

Barrier Reef Resources Ltd.  
Vancouver, B.C.

**Annual  
General Meeting**

Salon A  
Engineers Club  
640 West Pender Street  
Vancouver, B.C.  
10:30 a.m.  
Thursday, April 8, 1982

**Blackdome Exploration Ltd.**

904 - 675 W. Hastings St.  
Vancouver, B.C. V6B 1N2  
Telephone 688-3584

