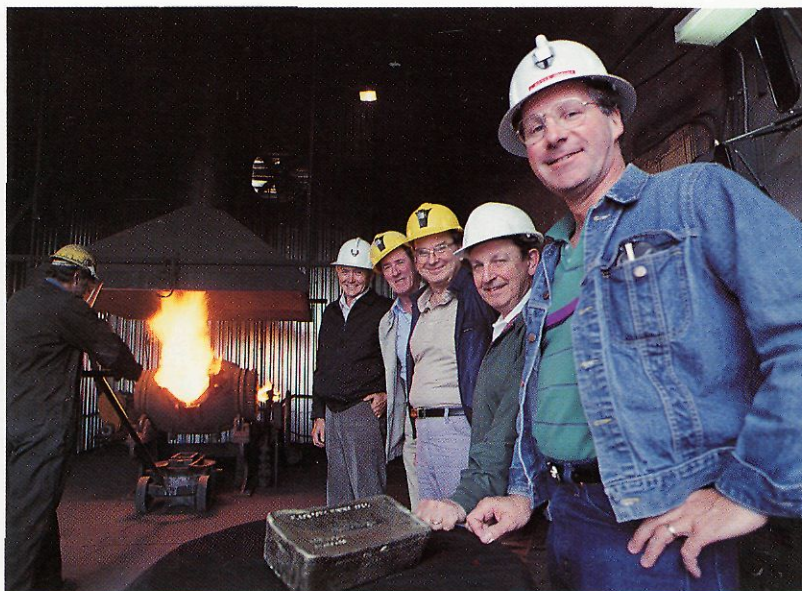


Improvements in overall operations enabled the mill to operate at an average of 240 tons per day or 120% of design capacity, resulting in mill through-put of 87,519 tons of ore. The average grade of the mill feed was 0.63 ounces of gold per ton and 2.96 ounces of silver per ton. Improved recoveries of 93.4% for gold and 71.7% for silver, resulted in total production of 51,629 ounces of gold and 182,106 ounces of silver. This represents an increase in production over 1987 of 10.6% for gold and 43.9% for silver. Mining activities were carried out in 15 stopes on 4 underground levels. A total of 17,448 feet of new development and exploration drifting was completed.

Cash operating costs excluding exploration and the net change in inventory amounted to \$15.5 million or \$300 (US\$244) per ounce of gold. Operating cost increases are attributable primarily to increased exploration and development activity, longer haulage distances from working areas and higher than usual expenditures for increased ground control. The installation of a hydraulic back-fill system is expected to reduce dilution and increase mining efficiency throughout the mine.

Operations were interrupted briefly in February and March of 1989 due to extremely cold weather and a fire which seriously damaged the minesite generating facilities. The interruptions are not expected to significantly effect production for 1989. The company is adequately insured for the damages caused by the fire.



Blackdome Board of Directors:
Front to Back: J. S. Drever, President; P. A. Bailly, Director; J. A. Anderson, Chairman; D. S. Robertson, Director; A.F. Reeve, Director.

STATISTICAL SUMMARY

	1989	1988	1987	1986 ⁽³⁾
Production				
Tons milled	81,326	87,519	81,571	38,267
GOLD (ounces)	53,384	51,629	46,698	29,807
Grade (ounces/ton)	0.63	0.63	0.62	0.86
Recovery		93.4%	91.8%	91.0%
SILVER (ounces)	116,236	182,106	126,520	78,860
Grade (ounces/ton)		2.96	2.18	3.17
Recovery		71.7%	71.3%	65%
Operating Costs (per ounce)				
Cash Cost ⁽¹⁾				
Cdn. \$		\$300	\$260	\$196
US \$		\$244	\$196	\$163
Exploration Cost				
Cdn. \$		\$106	\$ 30	\$ 20
US \$		\$ 85	\$ 22	\$ 17
Total Cost ⁽²⁾				
Cdn. \$		\$496	\$353	\$272
US \$		\$403	\$266	\$227

(1) Includes treatment charges.
(2) Includes depreciation.

(3) 1986 production for 7.5 months. Expenses and development costs were capitalized for the first 4.5 months.

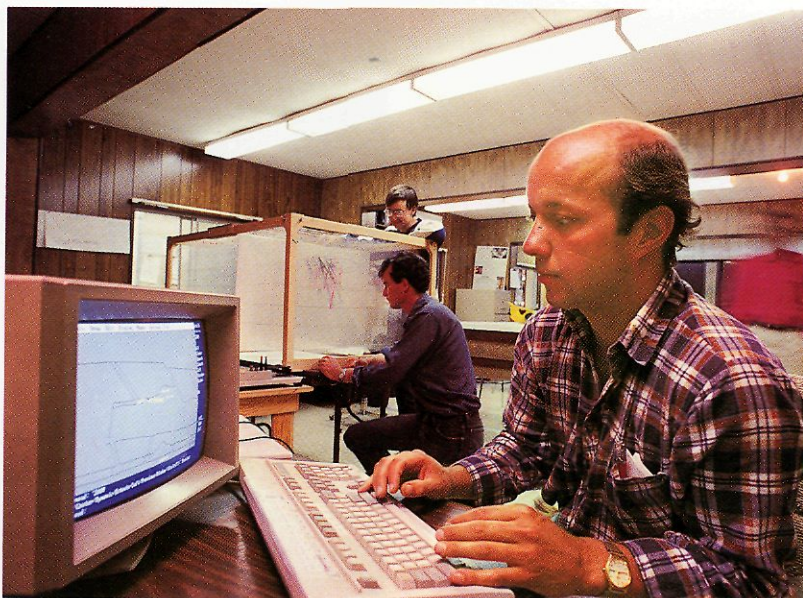
EXPLORATION

The excellent potential afforded by the geology in the immediate vicinity of the current mining operation prompted Blackdome to undertake an extensive surface and underground exploration program with the objectives of replacing mined reserves, discovering new reserves and providing an expanded data base to support ongoing exploration and development work. The program initially focused on the continued development of the No. 1 and No. 2 Veins which are currently being mined, and later concentrated on the Watson, Redbird, Giant and No. 17 Veins (see figure 1). The program encompassed surface and underground geological mapping, 93,645 feet of diamond drilling, 4,218 feet of exploration drifting and raising and a multi-parameter airborne survey over the properties owned and controlled by Blackdome. The program entailed expenditures of \$5.4 million or \$106 (US\$85) per ounce of gold produced in 1988 and was successful to varying degrees in accomplishing the desired objectives. The following tables and commentary summarize the more significant aspects of the program's results.

Diamond Drill Results

WATSON VEIN

Drilling on this vein was encouraging enough to explore underground. Excessively poor ground conditions and lack of ore results terminated the drifting and raising. Deeper drilling has shown that the system persists at depth but without improvement in values.



Effective use of computer technology greatly enhances interpretation of geological data and provides for efficient day-to-day operations.

Exploration drilling, both surface and underground on the Blackdome property was successful in extending the known ore zones of the No. 1 and No. 2 Veins in the immediate mine area and identified several mineralized zones along previously unexplored portions of the Giant, Redbird and No. 17 Veins.

NO. 17 VEIN

DDH No.	Core		Grade	
	Length	Gold	Silver	
	(feet)	(ounces/ton)		
616	3.4	0.17	0.31	
617	12.4	0.46	0.99	
626	5.2	0.26	0.49	

This is a new vein system discovered by trenching operations and has been tested by 11 drill holes. The system appears to weaken to the north along strike but is open to the south and at depth.

GIANT VEIN

DDH No.	Core		Grade	
	Length	Gold	Silver	
	(feet)	(ounces/ton)		
336	2.95	0.78	4.19	
507	4.00	0.24	0.14	
515	7.32	0.21	0.37	
537	10.37	3.66	5.10	
538	9.88	0.14	0.20	
551	1.8	0.75	0.74	
553	4.9	0.35	3.00	
557	12.6	0.27	0.85	
590	8.0	0.37	0.69	
598	9.9	0.19	0.39	
599	14.9	0.18	0.35	
601	9.5	0.80	1.04	
601	3.7	0.56	0.71	
602	2.9	1.05	1.36	

Several separate ore shoots have been identified over a strike length of 1,600 feet in surface trenches and confirmed with drill holes to a depth of 500 feet. The vein is open along strike and at depth.

BLACKDOME PROPERTY

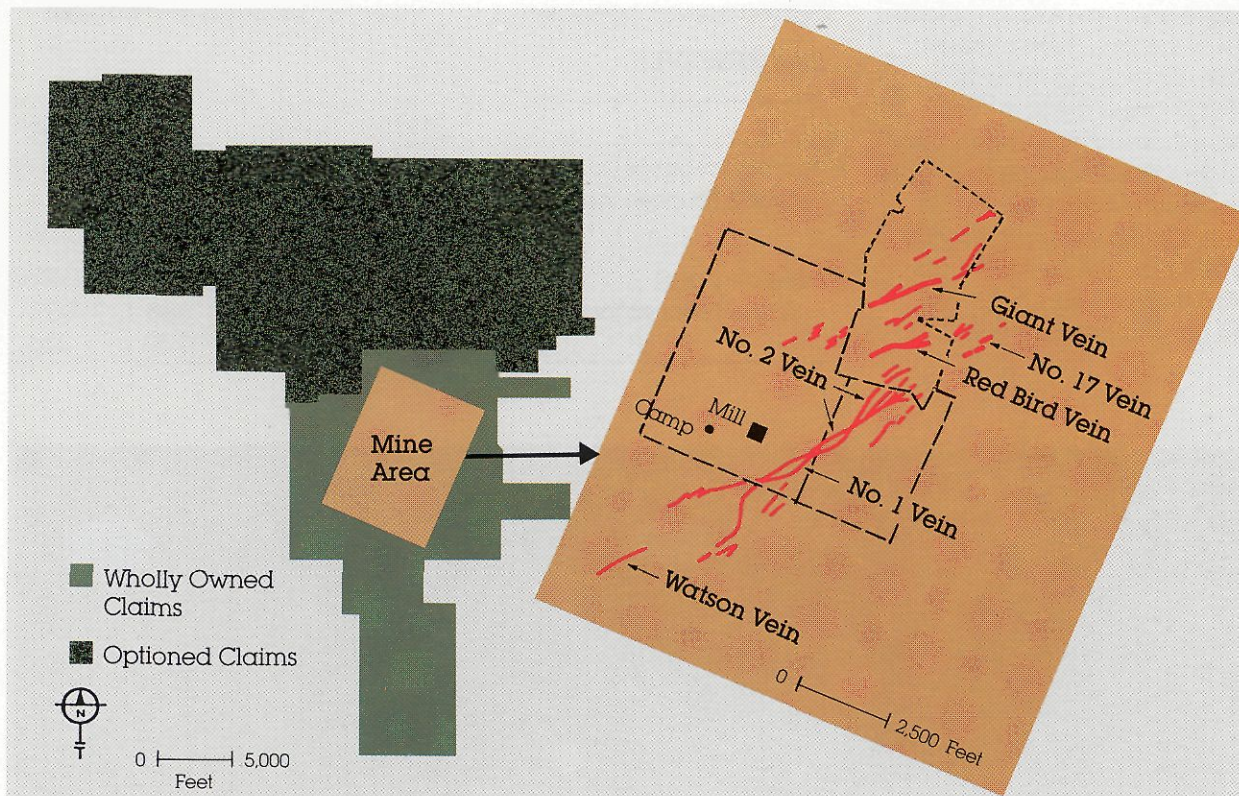


FIGURE 1

NO. 2 VEIN

DDH No.	Core Length (feet)	Grade (ounces/ton)	
		Gold	Silver
486	3.28	0.25	0.37
490	4.10	0.37	2.80
491	3.12	0.78	2.25
544	4.50	0.16	1.28
545	5.67	0.07	2.12
547	3.94	0.18	0.91
548	4.17	0.14	0.13
UG20	4.3	0.14	8.43
UG24	3.3	0.48	0.34
UG25	6.9	0.33	6.26
UG26	2.6	0.21	0.68

This vein and the parallel No. 1 Vein have provided most of the ore produced from the property.

REDBIRD VEIN

DDH No.	Core Length (feet)	Grade (ounces/ton)	
		Gold	Silver
520	5.50	1.25	1.59
521	3.48	0.38	0.43
522	4.53	0.75	0.85
527	7.94	0.26	0.57
605	5.6	0.61	0.36
606	3.3	0.25	0.21
622	4.3	0.70	2.55

This vein displays mineralogy and metal values similar to the Giant Vein. Some drifting and raising has been completed with ore grade mineralization being confirmed on the upper part in the raise. The zone remains open along strike and at depth.

Most of these drill hole values are typical of those encountered in many areas of the mine. Much additional work will be required to determine whether these zones will be economically viable.

The information obtained through all phases of mining, development and surface and underground exploration will provide a greater understanding of the geological parameters that control ore deposition at the Blackdome mine and will provide direction of future exploration to facilitate further discoveries.

Reserves

Blackdome was able to replace 67% of the tons of ore mined in 1988. After mining more than 207,000 tons of ore since commercial production began, there still remains 88% of the tons of ore that were available when the production decision was made in 1985. The reserves at December 31 for the years indicated are cut and diluted. Mined

production for any year is derived from all categories of

the prior year's reserves including proven, probable and possible.

ORE RESERVES

		1988	1987	1986	1985
Proven/Probable (tons)		124,021	159,733	214,334	131,515
Grade (ounces/ton)	Gold	0.59	0.61	0.74	0.61
	Silver	1.87	1.98	2.66	3.64
Possible (tons)		91,862	85,882	61,735	112,085
Grade (ounces/ton)	Gold	0.51	0.99	0.65	0.71
	Silver	1.16	2.50	2.30	2.56

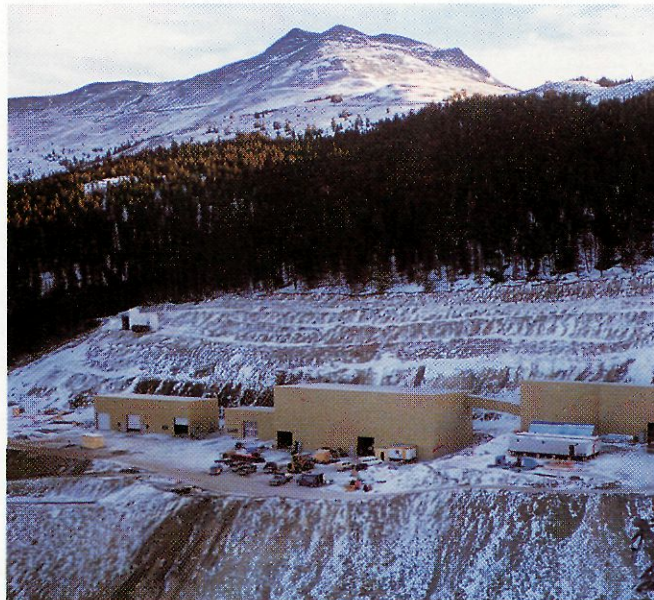


Replacement of mined ore and discovery of new ore reserves through underground development and exploration is a high priority for Blackdome Mining Corporation.

COMPANY PROFILE

MAY 5 1989

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SURVEY BRANCH



Blackdome has produced more than 128,000 ounces of gold and 387,400 ounces of silver since construction was completed and production began in 1986.

Blackdome Mining Corporation is a profitable, dividend paying, growth oriented Canadian gold producer. Formed in 1978 as Blackdome Exploration Ltd., the Company owns 100% of the high grade, underground Blackdome mine located 140 miles north of Vancouver, British Columbia. Gold and silver production from the Blackdome mine, which began production in May, 1986

provides earnings and cash flow that have enabled the Company to remain debt free and to sustain

substantial cash balances. The Company's shares are publicly traded and are listed on the Toronto and Vancouver Stock Exchanges (symbol BDM). MinVen Gold Corporation of Denver, Colorado owns 50.7% of Blackdome's 8.4 million outstanding Common shares.



REPORT TO SHAREHOLDERS

1988 was the second full year of production at the Company's Blackdome mine in British Columbia and was notable for the achievement of several important milestones in the development of the Company.

Blackdome was again profitable as it has been each year since 1986 when it made the transition from an exploration company to a producing mining company. Record production of more than 51,000 ounces of gold and 182,000 ounces of silver was achieved. Ore grade mineralization was discovered in three new zones and control of 20,000 acres of adjacent mineral lands was acquired. The Company substantially improved its working capital position while undertaking a major exploration and underground development program, and at the same time paying dividends to shareholders.

In a period of declining gold prices, Blackdome remains financially strong and will be able to take advantage of investment opportunities in the mining business as they develop.

The challenge to Blackdome since a production decision was initiated in 1985 on the basis of an expected mine life of slightly more than 3 years, has always been to expand existing reserves and to discover new orebodies. Blackdome has been in production nearly 3 years and the extension of the mine life beyond the current projection of 2.5 years still remains a major priority for Blackdome. The nature of the orebodies being mined at Blackdome makes them difficult and sometimes costly to find. However, as our history has demonstrated, they are very profitable once developed. The excellent potential presented by the Blackdome property and recently acquired option lands, warrants further re-investment of exploration funds to expand the reserve base and to identify the reserves necessary to sustain production in future years.

The Company will continue the efforts begun in 1988 to expand its activities beyond the immediate area of the Blackdome mine and to participate in mining related opportunities that are appropriate to Blackdome's growth strategy.

The profitable performance of the Blackdome mine during 1988 resulted in net earnings of \$1.9 million or \$0.22 per share and cash flow from operations of

\$5.5 million from revenues of \$29.0 million. The Company remains debt free and working capital at December 31, 1988 increased to \$11.9 million of which \$9.4 million was in cash and short term investments.

Net earnings and cash flows decreased substantially from 1987 levels due primarily to increases in the cost of production, depreciation charges and exploration expenditures. Total operating costs of \$24.7 million include exploration expenditures amounting to \$5.4 million.

Dividends totalling \$1.7 million or \$0.20 per share were paid during the year. This represents a dividend payout of 89% of net earnings for 1988 and brings the total dividends paid since the commencement of production to \$9.6 million or 83% of the Company's cumulative net earnings. The Company will continue to balance dividend payout with possible investment opportunities that will maximize shareholders' return on investment over the long-term.

The Company has implemented a gold sales strategy on a portion of its 1989 production that utilizes forward sales and a combination of put and call options that will protect revenues during the current period of declining gold prices.

The Board of Directors wishes to express its appreciation to all employees whose dedication to Blackdome have contributed significantly to the overall success of the Company. The Board would also like to extend their thanks to former directors, Mr. P. Bojtos and Mr. T. Kennedy who resigned early in the year, for their advice and guidance to Blackdome during the formative stages of its development.



J. Scott Drever
President and
Chief Executive Officer
March 22, 1989