

January 9, 1989

To Pass Lake shareholders and business associates;

This special letter is written to inform you of significant progress made by Pass Lake in recent weeks. Subsequent to the second quarter report to October 31, 1988, Pass Lake has increased its land position in the Galore Creek gold camp substantially and has just concluded two major option agreements with Vancouver-based companies.

In December, 1988, the company staked an additional 322 units at Galore Creek. As a result, Pass Lake's total claim holdings in this new gold camp now amount to 728 units (128 sq. km./ 70 sq. miles) as shown on the accompanying map.

On December 30, 1988, Pass Lake entered into an option agreement with Volcano Resources Corp. with respect to the PL 7-11 claims (see map) comprising 100 units (25 sq. km.). Subject to VSE approval, the terms of this agreement provide for Volcano to earn a 51% interest in the claims by paying \$10,000 in cash and issuing 85,000 Volcano shares in stages to Pass Lake and by expending \$640,000 on the property by December 31, 1991. After that date, Volcano and Pass Lake will form a joint venture with funding on a 51 - 49% basis, respectively, subject to dilution of either party's interest in the event of non-participation in ongoing development programs.

On January 4, 1989, Pass Lake signed a letter agreement with Consolidated Goldwest Resources Ltd., a company in the Prime Capital Group, with respect to your company's remaining 517 available claim units (129 sq. km.) at Galore Creek (see map). Under the terms of the agreement and subject to VSE approval, Consolidated Goldwest can earn a 51% interest in the properties by paying \$50,000 in cash and issuing 200,000 of its shares in stages to Pass Lake and by making expenditures of \$2,500,000 in exploration of the properties over a three-year period. As in the Volcano agreement, a 51 - 49% Consolidated Goldwest - Pass Lake joint venture will be formed once Consolidated Goldwest exercises the option.

These property acquisitions and exploration financing agreements are key to Pass Lake's growth plans. These two agreements, taken together with the Lorica option on the TREK property, provide \$3,640,000 in third party funding for exploration of Pass Lake's properties in the Galore Creek camp over the next three years. Of this amount, some \$700,000 is expected to be spent during 1989 alone. Furthermore, at current market prices, the present value of cash and share consideration payable to Pass Lake amounts to an additional \$340,000. The payments will ensure that the company's financial position will remain strong while active exploration programs proceed on properties in which we retain major participation. The company is now evaluating other exploration targets in northwest B.C.


J.E. Christoffersen
President


D.D. Sharp
Secretary-Treasurer

Pass Lake Resources trades on the Vancouver Stock Exchange, symbol- PLJ