

**Northair Mines Ltd.**  
Operating Statistics

	NINE MONTHS ENDED November 30, 1979	NINE MONTHS ENDED November 30, 1978
<b>TONS OF ORE MILLED</b>	78,122	79,131
<b>ORE GRADES:</b>		
Gold oz. per ton	0.315	0.337
Silver oz. per ton	0.530	2.090
Lead %	0.923	1.330
Zinc %	1.433	2.040
<b>PRODUCTS PRODUCED:</b>		
Gold ozs.	23,128	24,824
Silver ozs.	36,146	141,990
Lead lbs.	1,268,029	1,947,304
Zinc lbs.	1,828,466	2,748,760
<b>RECOVERIES %:</b>		
Gold	93.98	93.08
Silver	87.30	85.98
Lead	87.93	92.22
Zinc	81.67	85.28

**Northair Mines Ltd.**

**Earnings Statement for the Nine Months Ended 30 November 1979**

(With comparative figures for the nine months ended 30 November 1978)

	1979	1978
<b>PRODUCTION</b>	<u>\$8,746,216</u>	<u>\$6,927,146</u>
<b>OPERATING COSTS</b>		
Direct		
Exploration — Northair property	951,799	—
— Outside properties	265,480	—
Mining and short term development	2,376,263	1,920,778
Milling	741,928	755,830
Indirect		
Mine general and surface	328,600	467,734
Administration	323,437	310,416
Interest	(151,083)	151,950
	<u>4,836,424</u>	<u>3,606,708</u>
<b>INCOME, before depletion and depreciation</b>	<u>3,909,792</u>	<u>3,320,438</u>
<b>DEPLETION</b>	975,745	872,810
<b>DEPRECIATION</b>	749,190	1,085,675
	<u>1,724,935</u>	<u>1,958,485</u>
<b>NET INCOME, before taxes thereon</b>	<u>2,184,857</u>	<u>1,361,953</u>
<b>INCOME TAXES</b>		
Current	782,200	—
Deferred	(82,400)	500,000
	<u>699,800</u>	<u>500,000</u>
<b>NET INCOME</b>	<u>\$1,485,057</u>	<u>\$ 861,953</u>
<b>NET INCOME PER SHARE</b>	27¢	16¢

Prepared Without Audit.

**Northair Mines Ltd.**

**Statement of Changes in Financial**

**Position for the Nine Months Ended**

**30 November 1979**

(With comparative figures for the nine months ended 30 November 1978)

	1979	1978
<b>SOURCE OF FUNDS</b>		
From operations		
Net income for the period	\$1,485,057	\$ 861,953
Adjustment for items not affecting working capital —		
Depletion	975,745	872,810
Depreciation	749,190	1,085,675
Deferred income taxes	(82,400)	500,000
Interest	—	48,594
	<u>3,127,592</u>	<u>3,369,032</u>
Share capital	301,030	308,750
Plant	24,000	—
Other	1,183	16,195
	<u>3,453,805</u>	<u>3,693,977</u>
<b>APPLICATION OF FUNDS</b>		
Dividend	959,245	—
Investments	416,675	—
Plant	115,014	184,863
Deferred development costs	—	1,655,527
Reclassification of long term debt	—	769,893
	<u>1,490,934</u>	<u>2,610,283</u>
<b>IMPROVEMENT IN WORKING CAPITAL</b>		
Working capital (deficit) - 28 February	1,962,871	1,083,694
	<u>1,645,813</u>	<u>(1,178,950)</u>
<b>WORKING CAPITAL (DEFICIT) — 30 NOVEMBER</b>	<u>\$3,608,684</u>	<u>\$ (95,256)</u>
<b>APPROVED ON BEHALF OF THE BOARD:</b>		
D. A. McLEOD, Director		JOHN E. MILLETTE, Director
Prepared Without Audit		

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PROPERTY FILE

NINE MONTHS  
REPORT TO  
SHAREHOLDERS

PERIOD ENDED  
NOVEMBER 30, 1979

**Northair Mines Ltd.**  
333 - 885 Dunsmuir Street,  
Vancouver, B.C.  
V6C 1N5

Telephone: (604)687-7545

## Northair Mines Ltd. President's Message to the Shareholders

Revenue for the nine month period ended November 30, 1979 increased to \$8,746,216 compared to \$6,927,146 for the corresponding period in 1978. Cash flow before depletion, depreciation and taxes was \$3,909,792 compared to \$3,320,438 in 1978. Net income was \$1,485,057 or 27¢ per share against \$861,953 or 16¢ per share for 1978.

Gold production for the period was slightly lower than in 1978. Silver, lead and zinc production was also lower. Direct operating costs, before exploration was \$48.26 per ton compared to \$45.58 per ton in 1978. Exploration costs at the Northair property, consisting mainly of diamond drilling, was \$951,799 or \$12.18 per ton, for a total cost per ton of \$60.44. Outside exploration costs, mainly on the Newhawk Joint Venture was \$265,480.

Since production commenced in 1976 the mill has operated on a 7-day per week basis, producing approximately 103,000 tons per annum. This was accomplished by using underground employees working weekends on a voluntary basis. Early in December 1979 the employees who had been providing this necessary work to operate the plant on a continuous basis, decided to discontinue this practice. Therefore, the company had no other choice than to put the mill on a 5-day per week basis, which annually will produce 80,000 tons. Operating costs will increase on a unit basis. It is forecast that the grades in the fourth quarter of 1980 and the first quarter of 1981, will be lower than earlier anticipated.

During the period an extensive exploration program was conducted both underground and on surface in the vicinity of the known ore bodies. 123 diamond drill holes were completed. Sixty-one on surface and 62 underground, for a total footage drilled of 52,950 feet. Although some intersections returned values, the program did not significantly increase ore reserves. However, two drills are presently drilling from underground and a surface machine will be added within the next month. The surface drilling program will be long, relatively flat holes to test the footwall for parallel structures and several short holes to test the "J" zone. The 2,800 foot level heading has been advancing slower than expected. This advance will improve when additional equipment ordered arrives on the property this month. Approximately 1,000 feet of adit is required to reach the lower horizon of the Discovery zone. This is estimated to take between 3-and-4 months. Some encouragement has been obtained from the "C" zone on the 2,800 foot level but sufficient data is not presently available to fully assess this zone.

### 1. BULLY HILL, Redding, California

As reported in the 1979 Annual Report the Bully Hill mine located near Redding, California has drill indicated and probable ore reserves of 485,000 tons, grading 0.20 oz. gold/ton, 4.5 oz. silver/per ton and 16½% combined lead, zinc and copper per ton, with potential for developing additional tonnage. During the past year the value of this ore has dramatically increased to a point that it can almost be called high grade. Using conservative prices and allowing for dilution and recovery losses, the value of the ore in the ground is in excess of \$200 U.S. per ton. This valuable ore body is located in an environmentally sensitive area where it would be difficult to construct a mill and tailing facilities. Due to the significant

increase in value of the ore, a study is now underway to move the ore by barge and truck to an area environmentally acceptable for milling and tailings disposal. It is expected that this study will indicate that the plan mentioned above will be feasible. If this is the case, further engineering and environmental studies will commence.

Northair Mines has a 97% interest in a 20 year lease on this property.

### 2. SCOTTIE GOLD MINES LTD., 45 km north of Stewart, B.C.

During 1979 your company exercised its option to purchase 400,000 shares of Scottie Gold Mines Ltd. at \$1.80 per share. This gives the company a 16% interest in Scottie Gold Mines Ltd. On December 17, 1979 Brink, Hudson & Lefever Ltd. underwrote 300,000 shares of Scottie Gold Mines Ltd. at \$3.50 each to provide \$1,050,000.00. The underwriters exercised an option on 100,000 shares at \$4.00 each for a total financing of \$1,450,000.00. Northair Mines Ltd. entered into an agreement whereas Northair will provide management and engineering at cost to assist Scottie Gold Mines Ltd. in bringing the mine into production. Northair Mines Ltd. has also agreed to guarantee a One Million Dollar bank loan; for this guarantee Northair is to receive 50,000 treasury shares of Scottie Gold proportionate to the amount of the guarantee used. A first mortgage on the property and assets of Scottie will be held by Northair pending senior financing. Upon completion of the feasibility a term bank loan will be sought for preproduction, capital expenditure and working capital.

Ore reserves at the Scottie Gold Mines Ltd. 14 Crown granted claims property on the shore of Summit Lake, 32 miles north of Stewart, B.C. were increased to 205,774 tons of 0.767 oz. gold/ton by the exploration and development program completed in the 1979 field season. One of the prime features of the program was to establish facilities to permit a 12-month operation at the property. This was successfully completed with roads, a 32-man camp, office facilities, fuel and parts inventories established. Unfortunately, on December 26, 1979, an unexpected snow slide damaged the 3,000 foot level portal facilities and due to possible future slides, work was terminated until April 1980.

Northair's engineering staff is presently preparing a feasibility study which will be required to secure debt financing sufficient to bring the property into production by the end of 1980. Included in the feasibility is a new access tunnel some 1,200 feet long, to be driven from a location that is safe from future slides.

Mine development, mill excavation and construction will commence in May or June with production scheduled for late 1980.

### 3. BRANDY RESOURCES INC. (adjoining Northair Mines Ltd. to the south)

Your company was approached to participate in the exploration and development of 195 claims and one mining lease by the participation in Brandy Resources Inc. For the consideration of supplying management, engineering and mining expertise, Northair Mines received 350,000 common escrow shares in Brandy Resources Inc. The company also purchased 100,000 shares at 10-cents per share. This property was formerly owned by Van Silver Mines Ltd which was consolidated and its name changed to Silver Tusk Mines Ltd. Brandy Resources can earn an undivided 80% interest in and to the property for the following consideration:

- a). by purchasing 33,334 shares at 66½-cents, for a cost of \$50,000 (completed),
- b). by expending \$250,000 in exploration and development by December 31, 1981.

The prospectus underwritten by Canarim Investment Corporation Ltd. is being filed with the regulatory authorities to raise \$500,000 for the exploration and development program recommended by J. W. MacLeod, P.Eng.

This program consists of 600 feet of drifting, 300 feet of raising, 5,000 feet of drilling and geochemical and geological surveys. The property is equipped with a mill with a capacity of approximately 100 tons per day.

There are four known types of mineralization on this property; disseminated, vein, skarn and volcanogenic. Quartz veins carrying gold values are found at the Tedi area and in the Quartz Tunnel on the south side of Brandywine Creek. Zinc, Astra, Tungsten and Limestone showings are all the contact metamorphic type. The mineralization at the Tedi, Main and Creek zones are probably volcanogenic in origin.

The Silver Tunnel is reported to explore a 360 foot length of felsite and is fractured and sheared and mineralized principally with silver values and associated with galena and sphalerite. Two drill holes, Noranda's NB11 and Van Silver's ST2 cut gold values indicating a possible parallel gold zone 90 feet in the hanging wall of the silver zone.

### 4. NEWHAWK GOLD MINES LTD. (N.P.L.)/NORTHAIR JOINT VENTURE near Nuttlude Lake, 200 km. north of Stewart, B.C.

As reported to shareholders on September 14, 1979, Northair entered into a Joint Venture Agreement that by expending \$250,000 it would earn a 50% interest in the "Hawk" claims. This expenditure was completed late in 1979 and the property now is 50% owned by Northair Mines Ltd. and 50% by Newhawk Gold Mines Ltd. (N.P.L.).

The 1979 exploration program consisted mainly of building a road up a steep mountainside in order to collar an adit to explore veins 4 and 5, which on surface averaged 0.85 oz. gold/ton and 2.4 oz. silver/ton, across an average width of 33 cm. for an aggregate length of 200 meters. The road, approximately 3-miles long, was completed late in 1979 and the adit collared. The X-cut was driven 136 feet where it intersected the vein. The drift was then driven 104 feet on the vein, which at that point was about 100 feet short of intersecting the high grade material exposed on surface.

The 1980 exploration program will consist of driving an additional 600 feet, or more of drift on veins 4 and 5, underground diamond drilling to explore for additional known veins in the area, surface prospecting and trenching upon additional veins. As all roads, camps and necessary equipment are already on site, an early start of exploration is anticipated.

All future expenditures will be shared equally by Newhawk and Northair.

### 5. CONSOLIDATED SILVER RIDGE MINES LTD. (N.P.L.) near Nuttlude Lake, 200 km. north of Stewart, B.C.

On January 12, 1979, Northair Mines Ltd. and Consolidated Silver Ridge entered into a First Refusal Management Agreement in consideration of Northair purchasing 70,000 shares of Consolidated Silver Ridge at 72¢ per share and each share has a warrant attached to purchase a further 70,000 shares at 97¢, to be exercised by January 12, 1980.

These warrants have expired and were not exercised.

Northair Mines Ltd. continues under the agreement to have the right-of-first refusal for future financing along with management of the property.

During the summer and fall of 1979 an attempt was made to drill this property using NQBQ equipment. Results from 2,724 feet of drilling in badly broken and faulted ground were inconclusive, but did little to detract from the potential of the property. However, some significant results were obtained in a few of the holes that were completed. The most interesting intersection was on Hole 79-5 of which the last 7½ feet of this hole assayed 2.36 oz. gold/ton. It is the opinion of independent consultants and company engineers, that future exploration of this property is definitely warranted.

As the roads on the property have been constructed, and an excellent camp is established, along with fuel storage and related facilities, an early start of additional exploration can be anticipated. Preliminary discussions by our engineering staff suggest that the program for 1980 will consist of both further surface diamond drilling and underground development.

The labor agreement between Northair and the United Steel Workers of America expired on December 31, 1979. Negotiations commenced in October and as the two parties could not reach an agreement, a mediator was appointed by the Labor Relations Board. After several lengthy meetings, a new two year agreement was ratified and approved in January 1980 with wage and benefit increases comparable to other operating mines similar to Northair.

As the Company has become involved in several new ventures, Management wished to increase the strength of the Board of Directors. An invitation was extended and accepted by Mr. James B. Magee, P.Eng., on January 1, 1980 to join the Board of Directors of Northair Mines Ltd. and Scottie Gold Mines Ltd. and to also act as a Senior Consultant to both companies. Mr. Magee is one of the most experienced underground mining engineers and mine operators in western Canada. The invaluable experience of Mr. Magee in exploration, developing and production of ore will be of great assistance in the future development in the Northair Group of Companies.

The dramatic and volatile increase in gold and silver have certainly been a great contributing factor to the future of the Company and its affiliates. With a healthy working capital position and an excellent staff of engineers and operating personnel and several exciting prospects planned for 1980, Management is confident of a successful and rewarding future for the company.

Included in this report are Operating Statistics for the period, along with an Earnings Statement and Statement of Changes in Financial Position for the period ended November 30, 1979.

Submitted on behalf of the Board of Directors.

Donald A. McLeod  
President

February 6, 1980