NORTHAIR MINES LTD.
ANNUAL REPORT 1986

NORTHAIR

NEWS RELEASE 86 — 6

June 4, 1986

Northair Mines Ltd.

V.S.E. Symbol NRM
T.S.E. Symbol NRM

SIGNIFICANT N.W.T. GOLD PROPERTY ACQUIRED

Northair Mines Ltd. announces a joint venture agreement has been reached with Homestake Mineral Development Company (the Canadian branch of Homestake Mining Company of San Francisco, California) for the exploration of the SY property, 150 miles south of Baker Lake, N.W.T. As reported earlier, Abermin Corporation has granted Homestake an option to earn a minimum 65% working interest in the property and up to 80% working interest on Homestake's election. Northair will participate in this exciting project with Homestake by expending up to $1.45 million by December 31, 1988 to earn a minimum 20% interest. This interest can be increased to a maximum of 40% under certain circumstances.

The SY project covers approximately 224,000 acres of an Archean greenstone belt, comparable in size to other significant Archean gold producing camps of North America. In a comparison of 10 mining camps having in excess of 1 million ounces of gold, the SY property compared favourably in many important geological characteristics.

Much of the gold mineralization at SY is associated with an iron formation and potential ore grade material is distributed over a very significant strike length (20 miles). Numerous samples have been taken from surface sampling on 20 mineralized zones. Assays have run as high as 0.76 oz gold/ton with check assays by Northair running as high as 0.96 oz gold/ton in grab samples. Two samples were sent to Lakefield Research Labs for preliminary metallurgical testing and initial results were excellent with good recoveries by simple milling methods. No drilling has ever been done on this property. Geophysical surveys are now underway to prepare for a drilling program to be conducted this Summer.

The joint venture partners will be the first to make a drill test of this geological attractive property and will control a vast block of the most favourable lands. Northair considers this as a unique opportunity to be involved in the initiation of a large and potentially significant gold discovery.

Funding for the project is currently in place with NIM and Company on a "Flow Through" private placement basis.

On Behalf of the Board of Directors,

D A McLeod.

Donald A. McLeod, President

860 - 625 Howe Street, Vancouver, British Columbia Telephone (604) 687-7545

PRESIDENT'S MESSAGE TO SHAREHOLDERS

I am pleased to present the report to shareholders for the fiscal year ended February 28, 1986. Your company has made significant strides in our programs of exploration, development and property acquisition and has successfully preserved financial stability with all exploration funding provided on a "Flow-Through" basis.

Our main project in the last year has been the continued exploration and development of the Willa property under joint venture with Northair 50%/BP Canada 36%/Rio Algom Exploration Ltd. 14%. The program progressed extremely well and on schedule. Results, as detailed in the accompanying Exploration Review, were very favourable and Willa could well become Northair's next producer. Over $3 million has been spent by Northair on Willa to date, and with that expenditure we have now earned our 50% interest in this property. In 1985 Northair completed 3,000 feet of drifting and over 17,000 feet of underground diamond drilling. Funding was provided by a $1.1 million "Flow-Through" financing by F.H. Deacon Hodgson Inc. of Toronto and $1.95 million in "Flow-Through" Private Placements.

The joint venture partners have budgeted a three stage $2.6 million program for 1986 and we have now commenced work on Stage I of this program. Northair crews have started 270 feet of crosscutting and will be completing 7,700 feet of underground diamond drilling in the coming months. The company has negotiated with NIM and Company to provide up to $1,500,000 "Flow-Through" Private Placement funding for Northair's 50% share of the 1986 exploration budget with up to a further $1,000,000 to be provided on the same basis by Mintax Placements.

Following the acquisition of the Holly Claims on Texada Island, B.C., a continuing program of prospecting, sampling and geophysical and geochemical surveys has been successful in locating a new zone of gold mineralization. Work is now underway to explore this significant discovery.

In line with our active acquisition program, the company is in the final stages of negotiating a joint venture agreement with Homestake Mining Company for the exploration of a very large and exciting new precious metals property in northern Canada. We look forward to providing you with details when the agreement is finalized.

Northair continues to enjoy an enviable financial position, as reflected in the financial statements. Current working capital stands in excess of $1.5 million and the company has up to $2.5 million available for 1986 exploration funding. Our history of production and our strong financial position, together with a desire to provide an additional market source, particularly for our U.S. shareholders, was instrumental in our decision to list Northair on the Toronto Stock Exchange. The company is now trading on the Vancouver and Toronto Stock Exchanges and when production financing for the Willa project is complete, the company will review the possibility of resuming trading on the NASDAQ system.

We are confident that the year ahead will bring us closer to resuming our status as Mine Makers. With our properties now in hand, financing in place, our success to date in exploration and development and the prospects for additional participation we believe strongly that our efforts will be well rewarded.

In closing, I would like to express gratitude for the support of shareholders and employees during the past year. Such dedication further strengthens our confidence in our ongoing programs and in the success of our future endeavours.

Respectfully submitted on behalf of the Board,

DONALD A. McLEOD, President and Chief Executive Officer

EXPLORATION REVIEW

Willa

By far the major portion of the 1985 exploration budget was aimed at the continuing exploration and development of the Willa property (Northair 50%/BP Canada 36%/Rio Algom Exploration Ltd. 14%). The property is located 7.5 miles south of New Denver, southeastern British Columbia, adjacent to Highway 6 with all necessary rail transportation, power and water immediately available.

During the year, Northair, as designated operator, completed 3,000 feet of drifting to the centre of the mineralized ring-like breccia formation. This adit provided drill stations for a planned 15,000 foot underground diamond drilling program. In fact, some 17,164 feet of drilling in 42 holes was completed. The program was successful with many intersections of impressive widths and encouraging grades in the West Zone. True widths up to 128 feet were encountered with grades running as high as .475 oz gold/ton and 1.55% copper.

An important and interesting intersection occured in Drill Hole U-86-78. This hole intersected the anticipated East Zone with a true width of 15.7 feet grading 0.485 oz gold/ton, 2.4% copper, and provided the impetus for further exploration of this zone. As previously mentioned, geological opinions are that the mineralization at Willa occurs in a somewhat elliptical configuration, the West Zone representing the western arc of the ring. The East Zone presents an excellent target for substantial increases in overall tonnage.

Preliminary metallurgical testing was conducted by Lakefield Research Labs. Initial recoveries were excellent — 84% of the gold and 94% of the copper using simple flotation — with 35% of the gold reporting to a gravity jig. It is anticipated that metallurgical refinement will increase gold recovery. There are no deliterious materials present in the mineralization and a very simple and economic milling process is indicated.

The results of the program greatly enhanced overall confidence, not only in the existing block of 620,000 tons grading 0.18 oz gold/ton, 0.39 oz silver/ton and 0.94% copper, but also in the excellent chance of expanding the tonnage and increasing grade through further exploration.

Program for 1986

A major program in 1986, consisting of three stages and totaling $2.6 million, has been budgeted for exploration and development at Willa. Work has now commenced on Stage I. Crews are completing 270 feet of crosscutting from the adit through the orebody to confirm the grade and provide a bulk sample for further metallurgical testing. A 7,700 foot underground diamond drilling program will be underway shortly to expand reserves on the West Zone and to continue exploration of the East Zone.

Holly Claims 92F/10E

Exploration in 1985 on the Holly Claims consisted of prospecting, trenching, drilling, and geochemical and geophysical surveys. In the discovery area, 1,525 feet of NQ drilling in 9 holes explored the structure and although the geology appears strong, only anomalous gold values were encountered.

The prospecting program was responsible for the discovery of a new zone of gold mineralization some distance from the original discovery. Five grab samples from a trench assayed 0.031, 0.391, 0.753, 0.392 and 0.301 oz gold/ton. Following check assays, ground and airborne geophysics were initiated and revealed a large anomaly in the area of the trench. Further surface exploration, consisting of trenching to be followed by drilling is now underway to explore this significant discovery.

F.G. Hewett, P.Eng.
Exploration Manager

REVIEW OF AFFILIATED COMPANIES

Calnor Resources Ltd.

Following the consolidation of shares and acquisition of Frances Resources Ltd., a public underwriting and a Private Placement of "Flow-Through" shares provided the treasury with $460,000. The company then conducted a $250,000 exploration program on the High Lake property, 25 miles west of Kenora, Ontario. A total of 7,594 feet of drilling was completed in 22 holes. A spectacular intersection early in the program of 26 feet averaging 1.364 oz gold per ton has given rise to the recommendation of further work by consulting geologist J. Dawson, P.Eng. Calnor has negotiated a one year extension on the cash payment due in July 1986. This extension will allow sufficient time for the company to thoroughly plan the next phase of exploration which will be implemented in the next several weeks.

The company recently acquired a block of 21 contiguous mineral claims adjacent to the Metalore discovery in the Beardmore area of Ontario. A consulting geologist has been retained by Calnor to examine all current data and recommend an exploration program. It is expected that work will commence on the claims by mid summer.

Newhawk Gold Mines Ltd.

After the success of the 1985 program on Newhawk's Sulphurets property in northwestern British Columbia, a major exploration program has been agreed to by joint venture partners, Newhawk and Lacana Mining Corp. Following the 1985 program, the mineral inventory at Sulphurets stands at 1,011,543 tonnes with an average grade of 0.826 oz gold equivalent/tonne over an average width of 12 feet. A two phase program totalling $1.5 million will be underway in late June. The program will utilize two diamond drills for the drilling portion of the program and a 1,200 foot decline to be driven in the Brucejack area in the second phase.

Vital Pacific Resources Ltd.

Negotiations initiated with a major Canadian mining company in early 1985 are continuing and will be finalized upon the closing of a "Flow-Through" Partnership. Under the terms of the agreement, Vital Pacific can earn a 49% interest in 146 mineral claims near the south shore of Lake Abitibi, 55 miles northeast of Timmins, Ontario. The Partnership will provide up to $1,000,000 of exploration funding in return for a portion of Vital's 49% interest.

Scottie Gold Mines Ltd.

Since the closure of operations in early 1985, Scottie has pursued alternative means of restructuring its corporate debt, now in excess of $15 million. A financial restructuring formula has been presented to the Royal Bank of Canada, secured creditors and Northair Mines Ltd. If accepted by these parties, the plan will be presented to unsecured creditors and upon their approval, will be presented for shareholder and regulatory approval.

Upon completion of the above, new sources of financing will be sought to further explore and develop the Scottie mine and to endeavour to acquire new precious metal properties.

NORTHAIR MINES LTD.
[Under the Company Act, British Columbia]

CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 1986

[With comparative figures as at 28 February 1985]
— Canadian Dollars —

	1986	1985
ASSETS		
CURRENT		
Cash and short-term deposits	$ 1,109,214	$ 747,782
Accounts receivable	186,932	64,705
Concentrate inventories	409,800	327,400
Income taxes recoverable	—	187,500
Loans and agreements receivable	—	33,874
	1,705,946	1,361,261
INVESTMENTS [Note 2]	1,146,982	2,000,868
PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment, at cost	5,285,434	6,284,799
Less: Accumulated depreciation	5,190,022	5,972,977
	95,412	311,822
Resource property costs [Note 3]	3,501,688	362,819
	3,597,100	674,641
OTHER, at cost	47,250	42,250
	$ 6,497,278	$ 4,079,020
LIABILITIES		
CURRENT		
Accounts payable	$ 113,077	$ 129,103
Deferred income taxes	43,700	15,412
	156,777	144,515
DEFERRED INCOME TAXES	80,800	518,300
SHAREHOLDERS' EQUITY		
SHARE CAPITAL [Note 4]	7,614,586	4,630,302
CONTRIBUTED SURPLUS	116,448	116,448
DEFICIT	[1,471,333]	[1,330,545]
	6,259,701	3,416,205
	$ 6,497,278	$ 4,079,020

ON BEHALF OF THE BOARD:

D. A. McLeod

Director

V. B. Humphreys

Director

— See Attached Notes —

NORTHAIR MINES LTD.

CONSOLIDATED STATEMENT OF INCOME (LOSS) YEAR ENDED 28 FEBRUARY 1986

(With comparative figures for 1985 and 1984)

— Canadian Dollars —

	1986	1985	1984
INCOME			
Equipment rentals (Note 7)	$ 665,466	$ —	$ —
Program management charges (Note 7)	255,141	—	—
Interest and sundry	105,897	185,577	544,753
Increase (decrease) in value of concentrate inventory	82,400	(107,794)	(9,900)
Gain (loss) on sale of securities	(644)	10,950	70,898
	1,108,260	88,733	605,751
EXPENSES			
Administration, net of recoveries	424,552	91,202	188,816
Exploration on outside properties and properties abandoned	244,662	103,855	51,058
Brandywine property expense	62,406	98,461	184,822
Depreciation	39,289	21,877	27,477
Loss on disposal of fixed assets	21,840	—	—
	792,749	315,395	452,173
INCOME (LOSS) FROM OPERATIONS, before income taxes	315,511	(226,662)	153,578
INCOME TAXES (RECOVERED)			
Current	52,125	(197,412)	8,110
Non-current	(1,289)	47,286	55,445
	50,836	(150,126)	63,555
INCOME (LOSS) FROM OPERATIONS	264,675	(76,536)	90,023
AFFILIATED COMPANIES			
Equity in losses — Net of related taxes	405,463	1,592,435	628,445
Loans written off — Net of related taxes	—	2,247,032	—
	405,463	3,839,467	628,445
LOSS BEFORE EXTRAORDINARY ITEM	140,788	3,916,003	538,422
EXTRAORDINARY ITEM			
Deferred income taxes (Note 8)	—	—	116,401
LOSS FOR THE YEAR	$ 140,788	$ 3,916,003	$ 654,823
LOSS PER SHARE			
Basic	$ 0.022	$ 0.675	$ 0.116
Fully diluted	$ 0.015	$ 0.589	$ 0.107

— See Attached Notes —

NORTHAIR MINES LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED 28 FEBRUARY 1986

[With comparative figures for 1985 and 1984]

— Canadian Dollars —

	1986	1985	1984
CASH WAS OBTAINED FROM			
Operations			
Loss for the year	$ [140,788]	$ [3,916,003]	$ [654,823]
Adjustment for items not affecting cash:			
Equity in losses of affiliates	405,463	1,592,435	628,445
Loans written off	—	2,273,735	—
Non-current income taxes	[489]	103,339	164,331
Other	277,352	10,127	[48,821]
	541,538	63,633	89,132
Share capital	2,844,309	90,000	—
Investments	168,855	94,629	198,357
Plant and equipment	267,414	—	—
Loans and agreements receivable	—	149,644	1,560,166
Changes in non-cash working capital	29,009	[101,623]	278,060
	3,851,125	296,283	2,125,715
CASH WAS USED FOR			
Resource property costs	3,214,473	175,731	—
Investments	158,087	2,866	2,079,275
Plant and equipment	112,133	11,847	37,315
Other	5,000	1,250	[4,000]
Loans and agreements receivable	—	1,000,000	700,000
	3,489,693	1,191,694	2,812,590
INCREASE [DECREASE] IN CASH	361,432	[895,411]	[686,875]
Cash — Beginning of year	747,782	1,643,193	2,330,068
CASH — 28 February	$ 1,109,214	$ 747,782	$ 1,643,193
CHANGES IN NON-CASH WORKING CAPITAL			
Accounts receivable	$ [122,227]	$ 35,752	$ 396,096
Concentrate inventories	[82,400]	107,794	9,900
Income taxes recoverable	187,500	[187,500]	—
Current portion of loans and agreements	33,874	2,100	73,550
Accounts payable	[16,026]	8,374	[131,219]
Income taxes payable	—	[12,091]	[77,781]
Deferred income taxes	28,288	[56,052]	7,514
	$ 29,009	$ [101,623]	$ 278,060

— See Attached Notes —

NORTHAIR MINES LTD.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS [DEFICIT] YEAR ENDED 28 FEBRUARY 1986

[With comparative figures for 1985 and 1984]

— Canadian Dollars —

	1986	1985	1984
BALANCE —			
Beginning of year	$ [1,330,545]	$ 2,585,458	$ 3,240,281
Loss for the year	140,788	3,916,003	654,823
BALANCE —			
28 February	$ [1,471,333]	$ [1,330,545]	$ 2,585,458

— See Attached Notes —

NORTHAIR MINES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 28 FEBRUARY 1986

— Canadian Dollars —

1. Significant Accounting Policies

a] Concentrate Inventories

Concentrate inventories are recorded at estimated net realizable value which is based on the most current information available with regards to weight, assays, metal prices and foreign exchange.

b] Investments

The company accounts for its investment in Scottie Gold Mines Ltd. and Calnor Resources Ltd. by the equity method. Under this method the company takes into earnings and reflects in the investment account its share of the income or loss. Dividends received are credited to the investment account.

All other investments are carried at cost.

c] Resource Property Costs

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

The recovery of capitalized costs is dependent upon the future commercial success of the properties or proceeds from the disposition thereof.

d] Depreciation

The company provides for depreciation as follows:

Office equipment	— 20% reducing balance basis
Mobile and exploration equipment and computer hardware	— 30% reducing balance basis

e] Income Taxes

The company records income taxes on the tax allocation basis. Differences in amounts reported for tax purposes and accounting purposes result in deferred income taxes which are shown seperately in the statement of income and balance sheet.

f] Consolidation

These financial statements include the accounts of the company and its wholly-owned subsidiary 639757 Ontario Inc.

2. Investments

a] Details are as follows:

	% Ownership	Values — Book 1986	Values — Market 1986	Values — Book 1985
Calnor Resources Ltd. 512,460 [459,270] shares	16.2	$ 695,674	$ 1,050,000	$ 753,556
Scottie Gold Mines Ltd. 923,970 [1,013,970] shares	20.4	NIL	415,000	840,405
Vital Pacific Resources Ltd. 220,161 [178,750] shares	5.2	320,224	66,000	309,871
Other securities		131,084	231,000	97,036
		$ 1,146,982	$ 1,762,000	$ 2,000,868

The quoted market values are not necessarily indicative of realizable values.

b] The company's proportionate share of assets, liabilities, revenues, expenses and losses of the investments carried on the equity basis as at their respective year-ends are as follows:

	Scottie Gold Mines Ltd. September 1985	Calnor Resources Ltd. December 1985
Assets	$ 78,806	$ 166,305
Liabilities	3,027,660	21,600
Revenue	837,167	—
Expenses	3,065,815	—
Loss	2,228,648	77,452

c] Certain of the investments were acquired pursuant to agreements whereby the company incurred exploration costs totalling $394,280 in return for the shares. These costs have been claimed for the purpose of income and mining taxes with the result that their cost for tax purposes is less than book value by $394,280.

3. Resource Property Costs

Details are as follows:	1986	1985
Willa, British Columbia	$ 3,045,701	$ —
Holly, British Columbia	329,191	98,921
Bully Hill, California	117,808	93,038
J.A. claims, British Columbia	8,984	—
Sundry	4	170,860
	$ 3.501,688	$ 362,819

4. Share Capital

a] Details are as follows:

Authorized:

15,000,000 shares without par value

Issued and outstanding:

				1986	1985
For cash	5,443,152	[4,527,150]	shares	$ 5,836,749	$ 4,068,899
For rights	1,352,000	[1,277,500]	shares	701,378	561,403
For subsidiary	600,000	—	shares	1,076,459	—
	7,395,152	[5,804,650]	shares	$ 7,614,586	$ 4,630,302

b] During the year the company issued the following shares from treasury:

	Shares	$
I. Private placements [The proceeds from which were used for exploration under terms whereby the tax benefits of such costs flowed through to the investors]	825,594	1,621,000
II. Wholly-owned subsidiary [The net effect of which was identical to I above]	600,000	1,076,459
III. Property option payments	74,500	139,975
IV. Exercise of director/employee options	66,000	105,600
V. Payment of finder's fee	24,408	41,250
	1,590,502	2,984,284

c] As at 28 February 1986, the company is committed to issue, under varying circumstances, the following shares:

	Shares
I. Share purchase warrants outstanding which entitle the holders to purchase shares at a price of $2.00 per share on or before 31 October 1986	600,000
II. Options to directors and employees which are exerciseable at varying dates:	
Expiring on 31 May 1987 — $1.60 per share	321,000
Expiring on 31 July 1989 — $1.50 per share	20,000
Expiring on 1 July 1991 — $1.60 per share	25,000
	366,000
III. Option payments on properties	202,000
IV. Flow-through shares. To be issued in exchange for exploration expenditures to be incurred on the company's properties at the rate of $1.88 per share	797,342
Total share commitment	1,965,342

5. Income Taxes

The company has an accumulated allowable capital loss carried forward of approximately $1,000,000 which can be applied against any future taxable capital gains. The potential tax savings arising out of the application of such loss have not been recognized in the accounts.

6. Property Agreements

a) Willa
By expending a minimum of $2,600,000 the company has earned a 50% interest in certain claims located near New Denver, British Columbia. The property will now be explored and developed under the terms of a joint venture agreement with BP Minerals Limited and Rio Algom Exploration Inc.

b) Holly
By agreement dated 8 February 1985 and amended 5 August 1985, the company acquired an option to purchase certain mineral claims on Texada Island, British Columbia. The company, which has paid $10,000 and issued 110,000 treasury shares to date, will be required to issue a further 140,000 shares in order to complete the option to purchase as follows:

11 August 1986	50,000
11 February 1987	50,000
11 August 1987	40,000
	140,000 shares

c) Gem
By agreement dated 12 February 1985 the company acquired an option to purchase the Gem mineral claim on Texada Island, British Columbia. The company, which has paid $5,000 and issued 12,000 treasury shares to date, will be required to issue a further 12,000 shares in order to complete the option to purchase.

The optionors have retained a 15% net profit interest in the claim. They have the right to exchange this interest for 50,000 treasury shares of the company.

7. Equipment Rentals and Program Management Charges

Under the terms of a property agreement the company can charge for the use of its equipment and a portion of its administration for the calculation of costs incurred for the purpose of earning an interest in the property. These charges have been included in revenue and as a charge to deferred exploration and development.

8. Extraordinary Item — Deferred Income Taxes

In fiscal year 1983 the company suspended production at its Brandywine Creek operation. There being no reasonable assurance that the company will have resource income under the existing circumstances, the deferred taxes have been recalculated by excluding resource allowance, depletion earned prior to 19 April 1983, and mineral resource tax.

9. Comparative Figures

Certain figures for 1985 and 1984 have been reclassified to conform with the 1986 financial statements presentation.

10. Difference Between Canadian and United States of America (American) Generally Accepted Accounting Principles

a) Under Canadian accounting principles concentrate inventories may be reported at estimated net realizable value. Under American accounting principles inventories are reported at the lower of cost or market.

b) Under Canadian accounting principles long-term investments may be reported at a cost that is in excess of market value where it is reasonable to assume that the decline in market value may be of a temporary nature. Under American accounting principles the investments would be written down to market value on an individual basis and charged to a contra equity account for unrealized losses on investments which account would be reported in the shareholders' equity section of the balance sheet.

c) The effect of the difference in accounting principles on retained earnings is as follows:

	Year Ended		
	1986	**1985**	**1984**
Retained earnings (deficit) as determined in accordance with Canadian accounting principles	$ (1,471,333)	$ (1,330,545)	$ 2,585,458
a) Inventories valued at lower of cost or market	(112,036)	(29,636)	(137,430)
Income taxes thereon	43,694	15,412	72,494
b) Write down of investments on an individual basis to lower of cost or market	(281,352)	(681,864)	(493,205)
Retained earnings (deficit) determined in accordance with American accounting principles	$ (1,821,027)	$ (2,026,633)	$ 2,027,317

AUDITORS' REPORT

To the Shareholders of
Northair Mines Ltd.

We have examined the following consolidated statements of Northair Mines Ltd.:

a] Balance sheets as at 28 February 1986 and 1985;

b] Income [loss] for the years ended 28 February 1986, 1985 and 1984;

c] Changes in financial position for the years ended 28 February 1986, 1985 and 1984;

d] Retained earnings [deficit] for the years ended 28 February 1986, 1985 and 1984.

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 consolidated financial statements present fairly the financial position of the company as at 28 February 1986 and 1985 and the results of its operations and changes in its financial position for the years ended 28 February 1986, 1985 and 1984 in accordance with generally accepted accounting principles in Canada, which are different from those in the United States of America as explained in Note 10, applied on a consistent basis.

7 May 1986

CHARTERED ACCOUNTANTS

NORTHAIR MINES LTD.

CORPORATE DATA

Officers & Directors
Donald A. McLeod, President & Director
Vernon B. Humphrey, Director
Albert H. Manifold, P.Eng. Director
James B. Magee, P.Eng. Director
Gail Sharp, Secretary

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Exploration Manager

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Transfer Agent
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Vancouver, B.C.

110 Yonge Street
Toronto, Ontario

Share Listings
The Vancouver Stock Exchange
Symbol NRM
The Toronto Stock Exchange
Symbol NRM