

PROPERTY FILE  
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# **NORTHAIR MINES LTD.**

ANNUAL REPORT 1985

Reprint

Since the closure of Northair's Brandywine operation near Squamish, B.C., management has been striving to return your company to production status. In the interim, we have preserved the mill and mining equipment in excellent condition and maintained a strong financial position. The loss in equity and write off of loans to Scottie Gold Mines Ltd. contributed \$3.8 million of the \$3.9 million loss experienced and an actual operating loss of only \$76,000 occurred for the year.

Having reviewed numerous situations, it was with much pleasure that we announced April 18, 1985, the joint venture agreement with B.P. Minerals and Rio Algom Exploration Ltd. for the continued exploration and development of the Willa Project. Northair will be the operator on the project, both during the exploration and development stage and during the anticipated production.

The property, located in southern British Columbia has been under exploration by B.P. Minerals and Rio Algom for the past four years. A \$2,600,000 program has been completed including 46,900 feet of surface diamond drilling to outline the two known zones — The Main Zone and The West Zone. Our planned exploration and development program calls for Northair to drift and crosscut over 3,500 feet into the high grade block in the West Zone (see figures 1 & 2) and to complete a minimum of 10,000 feet of underground diamond drilling. The tunnel has now been collared and drifting to the ore is underway.

Northair can earn a 50% interest in the property by spending \$2.6 million over a three year period. The first commitment of \$1.3 million will be made in 1985 and will be funded by N.I.M. of Vancouver. N.I.M. has agreed to a private placement of 600,000 shares of Northair at a price of \$2.50 per share on a flow through basis. Northair's treasury will net \$1,500,000 from the issue.

An exploration program has also commenced on our recently acquired Texada property, the Holly Claims. Northair acquired a 100% interest in 16 key claims in February 1985 for a cash payment of \$10,000 and 250,000 treasury shares issuable over a two year period. The vendors retain the right to mine a highgrade pod to about 30 feet from below surface. A program of soil sampling, geophysical surveys, geological mapping, trenching and diamond drilling is now underway. Selected high grade samples assayed as high as 79.00 oz/ton gold and 92.00 oz/ton gold and chip sampling across 3 feet assayed 3.12 oz/ton gold. Initial results from this program will likely be available in July, 1985.

#### **Affiliated Companies**

##### **Northcal**

At a meeting of Shareholders held May 7th, 1985, approval was received for the consolidation of Northcal on a one new for three old basis, the acquisition of all the issued and

outstanding shares of Frances Resources Ltd. and the change of name from Northcal Resources Ltd. to Calnor Resources Ltd. Included in the acquisition of Frances are two gold properties located in Ontario. On one of these properties, the High Lake Property, Kenora Mining Division, a comprehensive drilling program has been previously completed. In that program, 36 diamond drill holes averaged 0.34 oz/ton gold over an average drill width of 9 feet. An extensive and detailed exploration program will commence as soon as financing is completed.

##### **Scottie Gold Mines Ltd.**

Unfortunately, on January 4, 1985, Scottie Gold Mines announced the temporary suspension of operations at the Summit Lake Mine. The Royal Bank of Canada withdrew financial support after the company experienced several months of operating at a cash deficit. A substantial reduction in precious metals markets combined with operational difficulties forced that decision. A review by the Bank will be made in August or September of this year. Negotiations are ongoing to place the Company in an economically viable situation.

##### **Newhawk Gold Mines Ltd.**

Newhawk has recently acquired blocks of claims on Texada Island, near the Northair claim block and in the Wheaton River Area, Yukon Territory. Work will commence shortly on Texada to complete a preliminary geochemical and geophysical program. A program of prospecting, mapping, geochemical and geophysical surveys is planned for the Wheaton River claims as soon as conditions permit. The Wheaton River blocks, totaling 28 claims are located in the area of the Agip-Erikson Gold Mines Ltd. property where diamond drill indicated reserves of 165,000 tons grading 0.73 oz/ton gold have been under exploration by an underground program.

Northair Mines Ltd. has recently applied to the Toronto Stock Exchange for a listing. This, in addition to our continued listing on NASDAQ, will give improved visibility in both Canadian and American markets.

We thank our shareholders for their continued support. We are particularly enthusiastic about the program underway on the Willa Project, with the magnitude of the project, the quality of previous work and with the possibility of Northair resuming its status of "Mine Maker"

On Behalf of the Board of Directors,



Donald A. McLeod, President

Northair has remained active in the exploration and appraisal of numerous properties in the western United States and throughout Canada. Programs were carried out on Northair Group properties and various other properties and proposals were examined. Without a doubt, the Willa project holds the most promise as the next Northair producer.

The property, comprising approximately 7,200 acres, is located 7.5 miles south of New Denver in the Slokan Mining District, southeastern B.C. Housing, rail and paved highway transportation, power and water are immediately available for the exploration program underway and for any eventual producing operation. Nearby towns can provide a ready pool of experienced underground miners for such a project and the now idle Northair mill is available to be moved to the site.

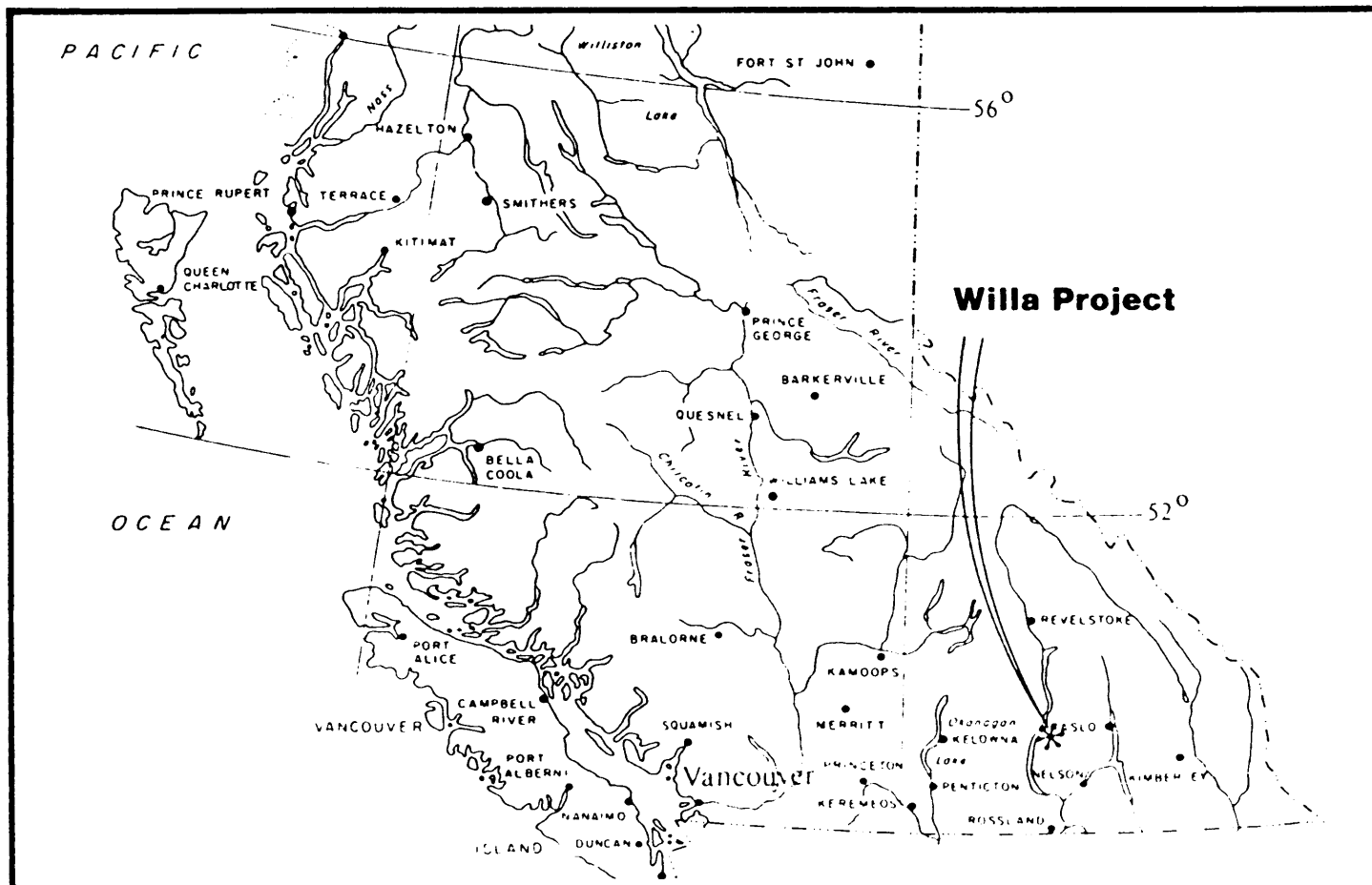
Work to date by BP/Rio Algom has outlined two zones of mineralization, the Main Zone and the West Zone. Within the 2 million tons in the West Zone, is a partially developed higher grade block of 620,000 tons grading 0.18 oz/ton gold, 0.94% copper and 0.39 oz/ton silver over an average width of 30 feet. Geological data strongly suggests that exploration will show the West Zone to comprise a continuous pipe of mineralization (see figure 2) with the potential to substantially increase tonnage.

The potential also exists for further reserves at grades equal to or better than the West Zone in additional fracture zones and feeder zones at depth. As an example of this potential, two surface drill holes in the West Zone returned values of over 2.0 oz/ton gold, 3.0% copper and 2.0 oz/ton silver over 6 foot drill widths. Total reserves delineated to date in the West Zone are 2 million tons averaging 0.06 oz/ton gold, 0.66% copper and 0.27 oz/ton silver over an average width of 44 feet.

The 3,500 foot program of drifting and crosscutting is designed to reach the centre of the high grade block in the West Zone. From that point, a 10,000 foot underground diamond drilling program will explore the system at depth and test the open segment of the pipe. The crosscutting program will be undertaken to sample the known mineralization for metallurgy and recovery. Studies will also be conducted on mining methods and costs, mill and tailings location and more detailed metallurgy.



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



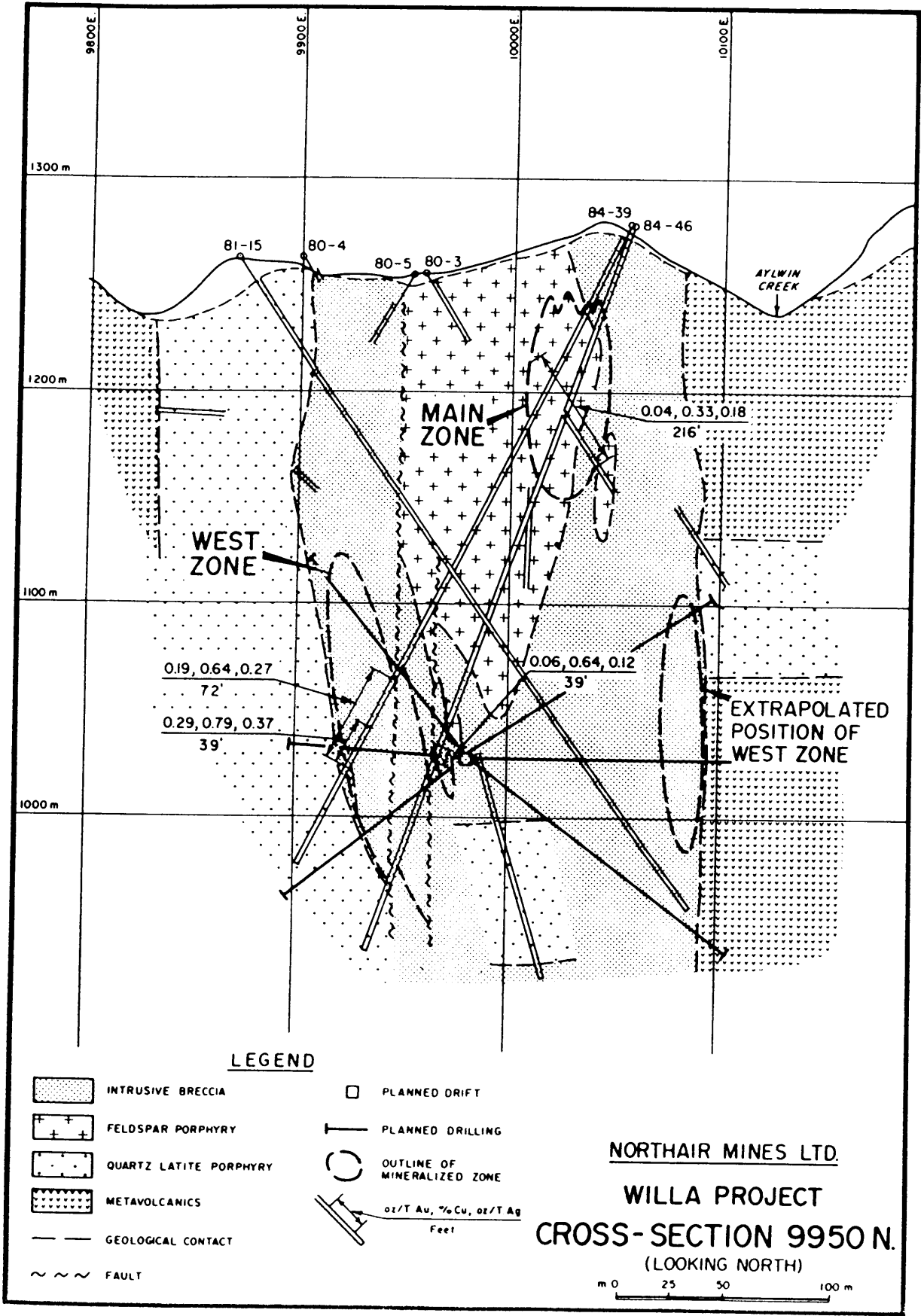


Figure (2)

