

675140  
Midway  
1040/16

## OTHER PROPERTIES

In addition to its five key gold projects, Canamax has interests in two substantial silver-base metal deposits in northern British Columbia/Yukon — Mt. Hundere and Midway. Although these deposits are not economic at today's prices, they occupy potentially important positions in the Company's portfolio of projects.

The Mount Hundere deposit in the Yukon, 80 kilometres north of Watson Lake, is the most promising of the two. This 100% owned property was acquired by Canamax in 1984 and extensive drilling during 1985 and 1986 outlined drill-indicated reserves totalling 2,739,000 tons grading 12.9% zinc, 8.4% lead and 1.9 ounces of silver per ton. Exploration during 1987 will test a new zone, located two miles north of the existing reserves, where surface showings of massive sulphides suggest the potential for new discoveries.

On the Midway project, situated about 80 kilometres to the southwest on the BC/Yukon border, reconnaissance drilling last summer failed to turn up any new mineralized zones. In September, Regional Resources, the operator and 51% owner, reported a revised reserve estimate based on extensive surface and underground work over the period 1978 to 1985. Mineable reserves are now calculated at 1,302,870 tons grading 11.9 ounces of silver per ton, 7% lead and 9.6% zinc which is significantly less than Regional Resources had previously indicated.

1,181,944 tonnes

Canamax and Procan who share equally the remaining 49% interest, participated in last year's program. At present there are no plans for a 1987 program.

Canamax holds interests in 21 active projects in various parts of Canada, of which 19 are slated for exploration, mainly diamond drilling, during 1987. Most of these are gold projects situated in the Abitibi greenstone belts of northwestern Quebec — northeastern Ontario and in the southern Yukon.

Canamax also owns 40.5 per cent of Bruneau Mining Corporation (NPL), a Quebec incorporated public company. Bruneau is active in nine projects, seven of which, including Clavos, are in joint venture with Canamax. Bruneau also holds a small working interest in a producing oil field in Saskatchewan.



Surveying at Mount Hundere.

## FINANCIAL DISCUSSION

In meeting our objectives of increasing the reserve and property base and positioning the Bell Creek Mine for production start-up by year-end, the Company incurred expenditures of \$17.4 million in 1986, the highest level since incorporation. Joint venture partners contributions of \$11.3 million gave overall project expenditures of nearly \$29 million, compared to \$19 million last year.

Of the \$17.4 million, underground exploration expenditures amounted to \$6.4 million (37%), while \$2.1 million (12%) was spent to expand the Company's reserve base on its five key gold projects. Feasibility study expenses on the Manitoba Potash property as per our agreement with the Manitoba Government amounted to \$3.3 million (19%). A total of \$2.8 million (16%) was expended exploring, mainly diamond drilling, and evaluating numerous less advanced properties. Plant and equipment acquisitions amounted to \$1.1 million (6%) with corporate and other capital expenditures of \$1.1 million (6%). The remaining \$0.6 million (4%) was expended on pre-production development at Bell Creek in preparation for bringing our first mine to the production stage.

Direct exploration project expenditures totalled \$13.7 million, all of which were funded by flow-through share subscriptions, details of which are contained in the notes to the financial statements.

Working capital increased from \$9.6 million at the beginning of the year to \$14.6 million in the second quarter as a result of the sale of a 49% interest in the Manitoba Potash property for \$5.0 million. By year-end this was reduced to \$12.6 million resulting from purchases of capital items for plant and equipment and preproduction activities at Bell Creek and payment of general corporate expenditures.

The deficit for the year amounted to \$13.9 million of which \$13.0 million was attributed to the write-off of 16 resource properties. This significant charge to the deficit account is a result of the Company's continued effort to maintain an inventory of resource properties on the consolidated balance sheet representing assets that are expected to contribute to the Company's future earnings. In this regard, properties are written off when they are considered to have no current value or when there is no reasonable certainty of recovering the capitalized value by way of sale or development of economic mineable ore reserves. The major portion of the write-offs in 1986 relate to Midway, a silver/lead/zinc property, of \$8.6 million and Logtung, a tungsten/molybdenum property of \$1.5 million. The latter property was disposed of in order to extinguish a \$100,000 per year preproduction royalty that would have drained \$0.8 million cash from the Company over the remaining 8 year commitment.

Accumulated tax pools were effected by the sale of the 49% interest in the Manitoba Potash project and acquisition of assets and development of Bell Creek and by year-end stood at \$2.4 million.

### 1986 EXPENDITURES

A— Underground Exploration	37%
B— Ore Reserve Definition	
Drilling	12%
C— Manitoba Potash	
Feasibility	19%
D— Surface Exploration	
and Drilling	16%
E— Plant and Equipment	6%
F— Corporate and Other	6%
G— Bell Creek Preproduction	4%

