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KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

attach to previous of July 1973 - update

To G. M. Hogg **From** W. M. Sirola

Subject NORTHAIR MINES LIMITED
BRANDY WINE PROPERTY, SQUAMISH, B. C. (92J) **Date** December 19, 1973

You may have noticed in the December 18 issue of the GCNL that the Northair people have come up with a new vein which looks very promising. Their consultant, L. J. Manning gives it an indicated "probable" tonnage of 964 tons per vertical foot averaging 1.05 oz. of gold across 12.4 feet over a length of 1300 feet.

I telephoned Northair this morning and they gave me essentially the same story as they had before: i.e., they feel that they are adequately financed to carry on under their own steam through the next phase of the work which will be crosscutting to and drifting along the so-called Warman vein. They further feel that by purchasing used equipment they can finance a 250 to 300 TPD mill on their own. They don't consider availability of miners to be a great problem in the light of the relatively small size of the operation and the relatively good location.

Several months ago Teck Corporation purchased 100,000 shares of Northair but apparently there are no outstanding options to Teck Corporation.

In the light of this additional tonnage and good mining widths in the Warman vein, it now seems reasonably certain that at least a small mining operation will transpire.

Bill

W. M. Sirola

WMS/rb

Enclosure

W.J.
D.M.H.
G.M.H.
M.D.R.
I.D.B.
R.D.S.
G.R.
T.W.B.

E.C.J.

DEC 27 1973

Property Submission - Northair Mines

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KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

Attach to previous update.

FILE

To D.A. Lowrie From W.M. Sirola

Subject NORTHAIR MINES LIMITED, SQUAMISH AREA, B.C. Date November 30, 1977

Len White and I had lunch together yesterday and, while he was not as voluble on the subject of Northair as I thought he would be, he nonetheless had some information to convey:

The Royal Bank loaned Northair $4.7 ml. and, because of Northair's lack of collateral, the bank had the right to have their loan repaid out of 100% of cash flow. However, since the operation has been proceeding satisfactorily, the bank has relented on its rights and, thus far, approximately $2 ml. of the loan has been repaid.

Apart from the bank loan, Northair has outstanding a 9% debenture in the amount of $600,000. This debenture will be paid after the bank has been repaid in full. Since the interest is compounded, the full cost of this debenture for a three year period would exceed $750,000.

With the current mill head grade of approximately .4 ozs of Au and 3 ozs of Ag, the current operating income will be in the order of $2,500,000 annually at $150 per oz. for gold. This cash flow is adequate for the repayment of all loans in less than three years, however, there would not be adequate working capital for any extensive development programme. This picture could, of course, be materially improved should there be a further increase in the price of gold.

Recent drilling from the surface has indicated an extension of the Warman vein structure to a depth of 370 ft. below the lowest level at 3,200 ft. Development of this deeper ore will require a lower level adit at 2,800 ft. This would involve 4,000 ft. of cross-cutting plus a possible 1,000 ft. of drifting and/or raising. At today's costs, something in excess of $1 ml. will be required to complete the work. Since this work would have to commence prior to the end of the payback period, additional financing in some form would be required.

Any new development should commence at least one year prior to the exhaustion of the present reserve and preferably sooner. The ore reserve today is in the order of 200,000 tons, which would be exhausted in two year's time.

Northair is a fairly typical case of a small mine operating at 300 tons per day and struggling to get ahead, despite relatively high grades and seemingly effective management. I cannot think of this operation as something that would interest Kerr Addison, but I concede that some of these small mines operate for many years once the hurdles of the payback period have been overcome.

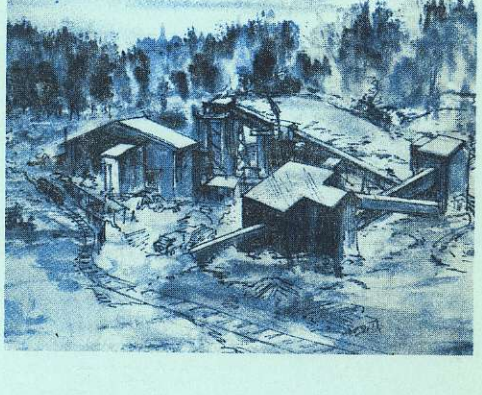
W.M. Sirola

W.M. Sirola

Encl. Northair Mines Ltd. 1977 Annual Report

WMS:meb

Northair Mines Ltd. (N.P.L.) Annual Report 1977



Northair

NORTHAIR MINES LTD. (N.P.L.)

333 - 885 Dunsmuir Street

Vancouver, B.C.

Name:	NORTHAIR MINES LTD. (N.P.L.)
Head Office:	333 - 885 Dunsmuir Street, Vancouver, B.C.
Mine Office:	P.O. Box 2029, Squamish, B.C.
Registered Office:	600 - 890 West Pender Street, Vancouver, B.C.
Authorized Capitalization:	6,000,000
Shares Issued:	4,894,000
Officers and Directors:	D.A. McLeod, President and Director
	J.E. Millette, Vice President and Director
	V.B. Humphrey, Director
	A.H. Manifold, Director
	M. Syniuk, Secretary
General Manager:	M.P. Dickson
Transfer Agent:	The Canada Trust Co. Limited 901 West Pender Street Vancouver, B.C.
Exchange Listings:	Vancouver Stock Exchange 536 Howe Street Vancouver, B.C.

President's Message

May 20, 1977

TO THE SHAREHOLDERS:

In the ten months from start of production to the end of the fiscal year February 28, 1977, recovered metals from 67,100 tons processed was 26,565 oz. gold, 186,055 oz. silver, 926,294 lbs. lead, 1,260,305 lbs. zinc and 1,228 lbs. cadmium for a net smelter return of $4,340,742. The source of funds from operations after all cash costs was $940,699. Because the accounting period covers 12 months, of which the latter ten were ore producing months, with the first four months of the break-in period showing expected losses; the results for the full year show a net loss of $371,698 after allowances for depletion, depreciation, and royalties. This figure can be somewhat misleading since operations in the last 6 months, Sept. 1 to Feb. 28 showed a net profit of approximately $75,000 before accounting for provincial royalties which were rescinded effective January 1, 1977. At the annual meeting to be held on June 23, 1977 an unaudited estimate of the first quarter period will be available.

The diluted ore reserves as calculated by mine engineering staff at Feb. 28, 1977 from all categories were as follows:

Manifold and Warman combined:
211,122 Tons

.567 oz. Au,	5.51 oz. Ag,	1.44% Pb,	2.41% Zn

Discovery Zone:
119,515 Tons

.093 oz. Au,	1.77 oz. Ag,	4.99% Pb,	6.99% Zn

TOTAL:
330,637 Tons

.396 oz. Au,	4.56 oz. Ag,	2.72% Pb,	4.06% Zn

Later in this report you will note that an extensive exploration program will be implemented to expand these reserves.

Due to start up problems, operating costs for the period are considered high, for example in March of 1977 costs including administration were 43.04 per ton before interest charge of 4.94 per ton for a total of 47.98 per ton.

Mine production has been drawn from: the shrinkage stopes on the 3750 level of the Manifold Zone; the cut & fill stopes on the 3500 level of the Warman Zone and from the cut & fill stopes on the 3250 level of the Warman Zone. In addition some development ore has been processed from the advances on the 3250 level. Production above the 3700 level in the Manifold has encountered increased dilution but this has been partially offset by some higher grades in the Warman Zone.

Concentrator operation for a complex ore such as that at the Brandywine mine is an involved process, balancing recoveries from the different ores in the Manifold & Warman Zones for the production of four metals, gold, silver, lead and zinc. Recoveries of 88% to 90% of gold, 75% to 80% silver, 85% to 90% lead, and 80% to 85% of zinc are considered satisfactory and have been achieved with the continuous diligent efforts of the plant staff and independent consultants. Metallurgical studies are on a continuous, on going, basis towards improving recoveries, concentrate grades and minimizing operating costs.

The Discovery Zone which is scheduled to start shipping ore to the concentrator in four to six weeks has two important characteristics not found in ores from other areas of the mine. It carries the only known visible gold on the property, and contains higher grades of lead, zinc, and copper than the Warman & Manifold zones. These features have prompted the undertaking of a study of revisions in the concentrator to process these metals.

The plant modifications are to provide for increased daily throughput to allow for the economics of increased base metal production, initially a 26 ft. thickener will be added to the lead circuit. This is now under construction.

MINE EXPLORATION

Underground exploration, to consist largely of diamond drilling, is designed to test four primary areas: the Warman Zone below the 3250 level; the Warman Zone between 3250 and 3500 levels; the possible northern extension and parallel structures to the Manifold Zone; and the indicated parallel zone in the area between the Warman and Manifold zones. Since the majority of this drilling is in favourable geology and in areas suggested by earlier exploration work the chances of encountering some substantial success are considered very good.

As this program of underground exploration is underway a surface program of soil sampling, electromagnetic surveys and 10,000 feet of percussion drilling will be carried out on the large number of targets located but yet untested on the property. As these targets are defined, diamond drilling will be carried out on those where results warrant. Only a small portion of the favourable geology covered by the Company's claims have been tested in detail leaving a large area with good potential still to be examined.

One of the aspects governing the long and short term future of your Company is the prices for gold and silver on the world market. As we pointed out in the previous annual report the outlook for the price of silver is still considered by some commodity market experts as the one metal most likely to show substantial price increases in the next year. This opinion is shared by your management and if the price levels are achieved they will be directly reflected in the mines profitability. Opinions on the outlook for the price of gold are less clearly polarized for the short term but appear stable. In the long term, substantially higher prices may be anticipated.

The past year has been a period of long hard work to bring the mine and concentrator from the stage of initial production through the difficult tuneup period to the current sustained profitable production. The miners, staff, management and consultants are all to be commended for their effort which produced the success for the Company. The variety of variables which temper the results in an operation such as your Company's makes any forecast extremely hazardous. All of the basic ingredients are on hand for the Company to have a successful and highly profitable year and management team will exert every possible effort to have the results report on the bottom line of the profit statement twelve months from now.

Respectfully submitted on behalf of the Board of Directors,

D A McLeod

Donald A. Mcleod
President

EARNINGS STATEMENT
FOR THE TEN MONTHS ENDED 28 FEBRUARY 1977

	Four Months to 31 August 1976	Six Months to 28 February 1977	Ten Months to 28 February 1977
PRODUCTION	$ 801,891	$3,538,851	$4,340,742
OPERATING COSTS			
Development and stope preparation	72,663	133,091	205,754
Mining	202,319	576,073	778,392
Milling	208,643	353,128	561,771
Mine general and surface	304,948	623,550	928,498
Indirect and administration	334,306	520,601	854,907
	1,122,879	2,206,443	3,329,322
INCOME (LOSS), before depletion, depreciation and provincial royalties	(320,988)	1,332,408	1,011,420
DEPLETION	–	565,668	565,668
DEPRECIATION	–	692,729	692,729
	–	1,258,397	1,258,397
INCOME (LOSS), before provincial royalties	(320,988)	74,011	(246,977)
PROVINCIAL ROYALTIES (Note 6)	35,840	88,881	124,721
LOSS FOR THE PERIOD	$ 356,828	$ 14,870	$ 371,698

DEFICIT STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 1977

Balance as at 29 February 1976	$ 108,223
Loss for the ten months ended 28 February 1977, per above	371,698
BALANCE AS AT 28 FEBRUARY 1977	$ 479,921

Northair MINES LTD. (N.P.L.)

ASSETS	1977	1976
CURRENT		
Cash and short term bank deposits	$ 200,000	$ 5,137
Concentrate settlements receivable	880,462	
Concentrate inventory	219,704	
Supplies and sundry accounts receivable	55,045	2,216
	1,355,211	7,353
PROPERTY PLANT AND EQUIPMENT		
Plant and equipment, at cost	4,975,676	3,707,329
Less — Accumulated depreciation	1,022,913	334,570
	3,952,763	3,372,759
Mineral rights and deferred costs (Note 2)	3,438,490	3,654,198
	7,391,253	7,026,957
OTHER	89,794	27,954
	$8,836,258	$7,062,264

AUDITORS' REPORT

To the Shareholders of
Northair Mines Ltd. (N.P.L.)

We have examined the balance sheet of Northair Mines Ltd. (N.P.L.) as at 28 February 1977 and the statements of earnings, deficit and changes in financial position for the period then ended. 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 financial statements present fairly the financial position of the company as at 28 February 1977 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

11 May 1977

SMITH, FLYNN, STALEY & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET AS AT 28 FEBRUARY 1977
(with comparative figures as at 29 February 1976)

LIABILITIES	1977	1976
CURRENT		
Bank — Overdraft	$ 96,141	$ 3,251
— Demand loan (Note 3)	4,565,359	2,900,000
Accounts payable & accrued liabilities	696,757	465,868
Current portion of agreements payable	130,653	49,200
	5,488,910	3,418,319
AGREEMENTS PAYABLE, less portion included above	74,800	53,699
DEBENTURE PAYABLE (Note 4)	661,082	607,082
	6,224,792	4,079,100
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	2,974,939	2,974,939
CONTRIBUTED SURPLUS	116,448	116,448
DEFICIT	(479,921)	(108,223)
	2,611,466	2,983,164
	$8,836,258	$7,062,264

ON BEHALF OF THE BOARD
D.A. McLEOD, Director
JOHN E. MILLETTE, Director

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 28 FEBRUARY 1977

(with comparative figures for the year ended 29 February 1976)

	1977	1976
SOURCE OF FUNDS		
Operations:		
Loss for the period	$ (371,698)	
Adjustment for items not affecting working capital:		
Depreciation	692,729	
Depletion	565,668	
Interest	54,000	
	940,699	
Long term debt	21,101	$ 13,699
Debenture		600,000
Share capital		507,625
Contributed surplus		30,448
	961,800	1,151,772
APPLICATION OF FUNDS		
Additions to plant and equipment	1,272,732	2,770,661
Exploration and development	349,961	1,114,144
Other assets – net	61,840	12,927
	1,684,533	3,897,732
INCREASE IN WORKING CAPITAL DEFICIT	722,733	2,745,960
Working capital deficit, beginning of year	3,410,966	665,006
WORKING CAPITAL DEFICIT – 28 FEBRUARY	$4,133,699	$3,410,966

SCHEDULE OF INDIRECT AND ADMINISTRATIVE COSTS
FOR THE YEAR ENDED 28 FEBRUARY 1977

Interest		$ 647,076
Management and office salaries		132,048
Employee fringe benefits		94,137
Office and telephone		35,191
Legal, accounting and audit fees		16,949
Travel and promotion		15,977
Taxes and licences		14,528
Transfer agent fees		7,020
Sundry		10,199
		973,125
Deduct — Amount capitalized as a cost of:		
Plant and equipment	$ 65,193	
Mineral rights and deferred costs	53,025	118,218
		$ 854,907

1. SIGNIFICANT ACCOUNTING POLICIES

GENERAL

During the year the operations of the company progressed as follows:

(a) 1 March to 30 April – Development
During this period all costs have been capitalized and no allowance has been made for depletion or depreciation.

(b) 1 May to 31 August – Tuning up
During this period all costs have been expensed and no allowance has been made for depletion or depreciation.

(c) 1 September to 28 February – Production
During this period all costs have been expensed and allowances for depletion and depreciation have been made.

CONCENTRATE SETTLEMENTS RECEIVABLE AND CONCENTRATE INVENTORIES

Concentrate settlements receivable and 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. In accordance with the terms of the sales contracts, final settlements are made at prices prevailing at a future date and the amounts eventually received by the company may vary from the amounts shown.

MINERAL RIGHTS AND DEFERRED COSTS

The amounts shown for mineral rights and deferred costs represent the expenditures made to 30 April 1976 less depletion recorded to 28 February 1977. They are not intended to reflect present or future values.
Depletion of these costs is being provided on a unit of production method based on estimated recoverable reserves.

DEPRECIATION

With the exception of mobile equipment, depreciation of all plant and equipment is being provided on a unit of production method based on estimated recoverable reserves. Mobile equipment is being depreciated at the rate of 30% per annum on a reducing balance basis.

2. MINERAL RIGHTS AND DEFERRED COSTS

	1977	1976
Balance, beginning of year	$3,654,198	$2,375,623
Expenditures capitalized during year	349,960	1,278,575
	4,004,158	3,654,198
Depletion charged to operating costs	565,668	–
Balance 28 February	$3,438,490	$3,654,198

3. DEMAND LOAN

The details of the loan, which has been arranged with The Royal Bank of Canada, are as follows:

(a) Rate of interest – Prime lending rate plus 2½%

(b) Security – The company has issued a demand debenture which is secured by a fixed and/or floating charge on all of the assets and undertakings of the company.

(c) Repayment – The loan is to be repaid out of production receipts after allowing for reasonable monthly operating costs with monthly payments of approximately $200,000 but not less than quarterly aggregate of $500,000 principal reductions commencing with the period of 1 March to 31 May 1977.

(d) Option – In consideration for the loan the bank has been granted an option on 250,000 shares at a price of $1.75 per share exercisable in any amount and at any time prior to 20 June 1979 or six months after full repayment of the loan whichever shall last occur. The 250,000 shares are based on issued share capital of 4,884,000 shares and shall be increased by such number of additional shares as are required to maintain the ratio of shares to the issued capital of the company at 250,000 to 4,884,000 without any additional consideration being paid.

4. DEBENTURE PAYABLE

The details of the debenture payable are as follows:

(a) Principal amount – $600,000

(b) Rate of interest – 9% compounded annually from 12 January 1976

(c) Security – A fixed and/or floating charge on all of the assets and undertakings of the company subject to the prior charge noted in 3(b) above.

(d) Repayment – The principal and interest shall be repaid in monthly instalments commencing one month after the loan from The Royal Bank of Canada (see Note 3) has been repaid and in any event shall be repaid not later than 22 December 1980. The monthly instalments shall be the monthly income after allowing for reasonable operating costs, royalties and taxes.

(e) Share purchase warrants are attached to the debenture entitling the holder thereof to purchase 1,000 common shares of the company for each $2,000 principal amount of the debenture held. The share purchase warrants totalling 300,000 shares may be exercised at a price of $2.00 per share on or before:
i) 22 December 1980, or
ii) The third anniversary of the date that The Royal Bank of Canada debenture has been repaid (Note 3 above)
whichever shall last occur.

5. SHARE CAPITAL

(a) The authorized capital is 6,000,000 shares of no par value

(b) Details of shares issued are as follows:

	Number of Shares	Consideration
Issued for cash	3,719,000	$2,565,074
Issued for rights	1,175,000	409,865
	4,894,000	$2,974,939

(c) The following share options and warrants are outstanding as at 28 February 1977:

i) Cumulative options granted to an officer and employee of the company – During the year ended:	
1 June 1977 @ $1.65 each	80,000 shares
1 June 1978 @ $1.90 each	20,000 shares
	100,000 shares
ii) Non-cumulative options granted to certain officers and employees at prices ranging from $1.40 to $1.90 per share over the period ending 31 May 1979	40,000 shares
iii) Option granted to The Royal Bank of Canada at $1.75 per share – Note 3(d)	250,000 shares
iv) Share purchase warrants granted to the debenture holders at $2.00 per share – Note 4(e)	300,000 shares
	690,000 shares

6. PROVINCIAL ROYALTIES

During the fiscal year the Mineral Resources Tax Act of British Columbia was enacted which had the effect of removing the provincial royalties effective 1 January 1976. However during the 1976 calendar year it was necessary to make mineral royalty payments totalling $124,721 which may be recovered as tax credits in future years to the extent of one-third of the mineral resource taxes otherwise payable in each year.

The mineral royalties of $124,721 have been expensed in the current year.

7. STATUTORY INFORMATION

The five directors and senior officers of the company as defined by the British Columbia Securities Act were paid or credited with a total of $132,864 remuneration during the year. Four of the five so defined are mine personnel.

Northair mines ltd. (n.p.l.)
333-885 dunsmuir st., vancouver, b.c. V6C 1N5
telephone: 687-7545

REPORT FOR THE FIRST HALF
ENDING AUGUST 31, 1977

During the six month period ending August 31, 1977, the concentrator treated 51,552 tons of ore, which produced 20,475 oz. of gold, 190,500 oz. of silver, 1,155,000 lbs. of lead and 1,195,000 lbs. of zinc. The average price in Canadian funds received for the above metals after smelting deductions was; gold $144.43 per oz., silver $4.00 per oz., lead .212¢ per lb., and zinc .193¢ per lb. From the above, it may be noted that the recent surge in the price of gold and silver did not significantly reflect the earnings in the first half. As all the metal payments are in U.S. funds the impact of the lower Canadian dollar, along with the higher gold and silver prices, will be reflected in earnings for the third quarter and hopefully the fourth.

An extensive exploration program consisting of geochemistry, cat trenching, and diamond drilling is still in progress. Deep drilling on the Warman zone returned a strong, well defined structure at a depth of 370 feet below the 32 level. The best hole returned 8' of .97 oz. of gold plus minor values of silver and base metals. This good hole confirmed the depth potential indicated by ore grade holes in earlier drilling. Several more holes are planned this fall. Although the C zone is a strong, well defined structure it failed to return economic values close to the surface. However, one deep drill hole on this zone has indicated it may make ore at depth. This will be followed up later. Engineering and planning is now underway to develop this deep ore for production. The approach that appears most likely is a lower level adit. The Discovery zone was opened up by a drift of some 500 feet which exposed a wide, strong faulted structure containing high values in lead, zinc, copper with some gold. It is planned to mine this ore body at a rate of approximately 1,000 tons per month blending with ores from the Warman and Manifold zones.

The concentrator plant is now operating efficiently. During October throughput was 9,500 tons of ore. The largest monthly tonnage since milling started. Recoveries are satisfactory, with some further improvements still to be achieved in the zinc circuit. Expansion of the flotation circuit in the plant is nearing completion. The 26 foot thickener tank is on stream and the cleaning capacity for lead and zinc, and filtering capacity for both will be completed by December 1st. This will improve the ability of the plant to handle higher grades of lead and zinc.

The mine is in good shape to supply the concentrator. Much higher grades of lead zinc are still being encountered. For example, in a new stope now being developed on the Warman zone, called 32-1800 stope, a chip sample across 6 feet returned .90 oz. gold/T, 2.52 oz. silver/T, 27.1% lead, and 17% zinc. Another sample in the same stope returned 1.35 oz. gold/T, 3.11 oz. silver/T, .75% copper, 32.1% lead and 14.1% zinc across 3.5 feet. Those grades are not indicative of the overall grades but indicate some of the higher grade material which had not been expected.

contd..........

Northair mines ltd. (n.p.l.)

Although the enclosed Earnings Statements show a loss for the period, of $142,164, it may be noted that $370,000 was expended in interest and exploration, and $1,366,129 was charged to Depletion and Depreciation. Mine operating profit was $1,223,965 or $204,000 per month after loan interest payments. Also overall costs have been reduced in September and October. Costs in September before exploration, but including loan interest were $42.87 per ton, a significant drop from the six month average of $47.49. Similar or lower costs to the September costs are anticipated to prevail in the future.

The capital loan with the Royal Bank of Canada now stands at 3 million, a reduction of $700,000 since my last report.

With the present conditions prevailing in the future, I am sure we can look forward to increased revenue, lower costs, resulting in higher earnings.

Enclosed is an unaudited Statement of Earnings for the six month period along with a Statement of Source & Application of Funds.

RESPECTFULLY SUBMITTED

D.A. McLeod
President.

NORTHAIR MINES LTD. (N.P.L.)
EARNINGS STATEMENT
FOR THE SIX MONTHS ENDED 31 AUGUST 1977
(Prepared Without Audit)

PRODUCTION		$ 3,782,833
OPERATING COSTS		
Exploration	$ 111,676	
Development and stope preparation	210,315	
Mining	745,725	
Milling	377,153	
Mine general and surface	669,345	
Interest	257,844	
Indirect and administration	186,810	2,558,868
INCOME, before depletion and depreciation		1,223,965
DEPLETION	632,546	
DEPRECIATION	733,583	1,366,129
LOSS FOR THE PERIOD		$ 142,164

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 31 AUGUST 1977
(Prepared without Audit)

SOURCE OF FUNDS			
Operations -			
Loss for the period		$(142,164)	
Adjustment for items not affecting working capital:			
Depreciation	$ 733,583		
Depletion	632,546		
Interest	29,430	1,395,559	$ 1,253,395
Share capital			30,500
Other assets			4,832
			1,288,727
APPLICATION OF FUNDS			
Additions to plant and equipment		64,468	
Long term debt		65,456	129,924
IMPROVEMENT IN WORKING CAPITAL			1,158,803
Working capital deficit as at 28 Feb. 1977			4,133,699
WORKING CAPITAL DEFICIT - 31 AUGUST 1977			$ 2,974,896

The financial statements have not been prepared in comparative form because the company was not in commercial production during the six months ended 31 August 1976. Comparative statements would therefore not be meaningful.