

Reed/Haskins

DEMAND GOLD LIMITED 887037

1997 DRILLING PROGRAM

- TO CONFIRM AND EXPAND KNOWN RESERVES IN NORTHERN BRITISH COLUMBIA
- FURTHER EXPLORE PROMISING CLAIMS PROXIMAL TO KNOWN RESERVES IN YUKON



Demand Gold Ltd. DOT.V

N
e
w
s
l
e
t
t
e
r

Demand Gold Ltd. is currently gearing up for an active summer of exploration in northern British Columbia and the Yukon. Two separate drill programs are scheduled to begin in late June.

The RBI claims are located directly south of Cominco's Kudze Kayah deposits. This massive sulphide deposit contains in excess of 11,000,000 tons of copper, lead, zinc and silver ore and is scheduled for production. The Kudze Kayah deposit was the initial and to present, largest deposit discovered in the Finlayson Lake area of the Yukon. In 1997, Cominco will continue drilling to confirm and expand resources. Expatriate Resources holds claims bordering the RBI claims to the south, and has also scheduled additional drilling to confirm and expand reserves in the coming months.

Ice (Expatriate) - Slide Mt. Terrace

Clearly, the RBI claims are strategically located in elephant country. RBI property is scheduled to be drilled in mid to late June. Three drill holes are planned to further test anomalies identified over the previous two years of surface exploration.

A work program will also begin mid June on the well regarded Haskin-Reed porphyry, skarn and sulphide deposits. Extensive diamond drilling and underground exploration indicate the following known deposits and prospects on the Haskins-Reed Property:

STRUCTURE	TONS	METAL VALUES
Molybdenum Porphyry	13,500,000	0.16% MoS ₂
Snow Zone	426,000	1.94%Pb, 5.54%Zn, 1.36oz/T, Ag, .2%Cu
"A" Zone	300,000	3.0%Pb, 5.0%Zn, 1oz/t Ag
"B" Zone	407,000	3.0%Zn, 1.82oz/tAg, 0.53%Cu, 0.24%Bi

The original claim blocks were expanded during the winter of 1996, to include new showings of silver, lead, zinc mineralization, little known by earlier explorers.

Demand Gold's geological staff have been developing an exciting new geological model for the district which suggest the possibility of sedimentary hosted gold deposits - similar to the Carlin belt in Nevada. Although the model is theoretical at this moment, the Company plans to actively pursue its feasibility during the coming season. The first drilling is planned to expand the "zinc zone" discovered by Brettland Mines in 1969. At that time, grades of 8-10% zinc were obtained over significant widths. Several other copper, lead zinc and silver skarns and massive sulphide zones will be investigated with further drilling.

Demand Gold believes that an excellent potential to delineate an ore body exists on both properties. *Dolomite/1st (replacement) contact => Ag-Pb-Zn - start drilling - July 1997 - Guilford Brett*
- Intrusions on Mt. Reed/Haskins (2)

DEMAND GOLD LTD., 980 - 700 WEST PENDER STREET, VANCOUVER, BC , V6C 1G8 CANADA
PHONE: (604) 682-2421; FAX: (604) 682-7576; TOLL FREE: (800) 670-6570

Vol. 1 Issue 1 May 27, 1997

INVESTOR RELATIONS: LANCE ABBOTT

The above information is prepared by Demand Gold Ltd. Care is taken in the presentation of this information, which is believed by management to be accurate. However, management of Demand Gold does not guarantee the accuracy of the foregoing and assumes no responsibility for the use or misuse of same. The foregoing does not constitute a solicitation to buy or sell securities.

Andy Harmon - Cons. (+ South America)
Ned Reid - July (1 mo.)
Duff Semwell - Barrington (Financial) GP - John Greig



Silver Cup
YGS -> Reed
Haskins

DEMAND GOLD LIMITED

"SILVER PRICE INCREASE GOOD NEWS FOR DEMAND"



Demand Gold Ltd.
DOT.VSE

N
e
w
s
l
e
t
t
e
r

Just a reminder: Demand Gold Ltd. acquired the Silver Cup property 2 years ago in anticipation of an increase in the price of silver. Well, it's happened! The Company now plans to aggressively pursue this property next summer. We also plan to acquire further claims and properties in this well-known Silver Camp which is near Hazelton, B.C. Grab samples of mineralized material from surface test pits yielded values as high as:

Lead (Pb)	12.29%
Zinc (Zn)	17.62%
Silver (Ag)	98.80 opt (3,384 gpt)
Gold (Au)	0.025 opt (0.86 gpt)

Demand's Haskins-Reed Property, although primarily a zinc property, also has significant silver credits which will help the overall viability of this project. One drill hole in the Della "B" Zone - drilled in 1970, returned 4.5 ounces of silver per ton over a 40 foot drill intercept.

The directors of Demand Gold believe, as many other metal analysts do, that the current rise in the price of silver relates to sound supply and demand principals.

Warren Buffet and his Berkshire Hathaway Inc. had bought 129.7M ounces of silver, equivalent to almost a quarter of annual global production. The statement said that widely published reports had shown that bullion inventories had fallen because of an excess of user demand over mine production and reclamation. Therefore, last summer, Mr. Buffet and Mr. Munger, vice-chairman of Berkshire, concluded that the equilibrium between supply and demand was only likely to be established by a somewhat higher price. Berkshire is a long-range investment company which will likely hold the silver for long-term investment.

The increase in Silver prices encourages Demand Gold to look forward to a very positive 1998.

DEMAND GOLD LTD., 980 - 700 WEST PENDER STREET, VANCOUVER, BC , V6C 1G8 CANADA
PHONE: (604) 682-2421; FAX: (604) 682-7576; TOLL FREE: (800) 670-6570
INVESTOR RELATIONS: DOUG WINSLOW

The above information is prepared by Demand Gold Ltd. Care is taken in the presentation of this information, which is believed by management to be accurate. However, management of Demand Gold does not guarantee the accuracy of the foregoing and assumes no responsibility for the use or misuse of same. The foregoing does not constitute a solicitation to buy or sell securities.



Demand Gold Ltd

Demand Gold Ltd: Mineral Exploration in Canada & South America

The Company

Demand Gold Ltd. is a diversified mineral exploration company which has compiled a very attractive land package of properties in several different geographical areas. The company is led by Guilford Brett, President, who has over 30 years experience in the mining and exploration business. Demand has two massive sulphide properties in the Yukon Territories, one of which is at drilling stage. Demand has recently acquired options to purchase a major base metal property near Cassiar in north-central British Columbia. The company also staked six separate claim blocks in a

syndicate with two associated companies in the Cry Lake area of B.C. These claims will be explored for both precious and base metals. In addition, the company has acquired an option to purchase the Silver Cup claims, which consist of three properties near Hazelton, BC. These properties historically produced silver, gold, lead and zinc and will be explored primarily for silver. Outside of Canada, Demand Gold has two copper gold properties near La Serena in Northern Chile.

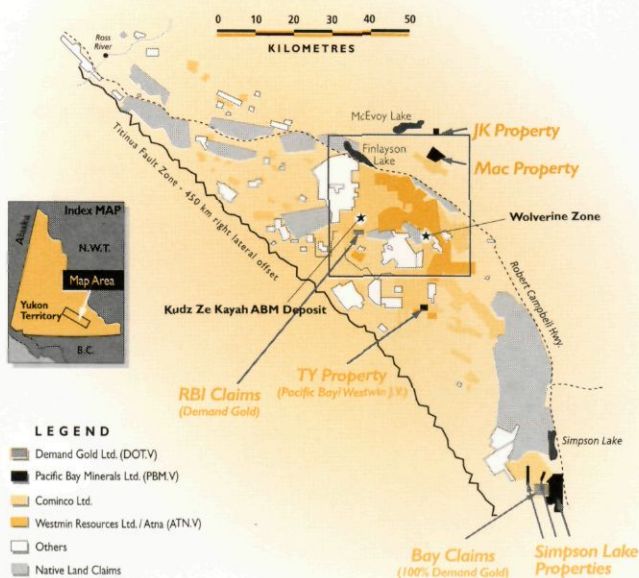
YUKON

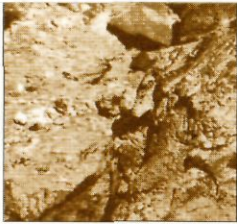
Yukon

YUKON TERRITORY "FINLAYSON/WOLVERINE"
(Cominco/Westmin/ATNA Massive Sulphide Exploration Camp)

The company owns 100% interest in the RBI claims which border ground covering Cominco's ABM (Kudz Ze Kayah) massive sulphide deposit. Cominco has outlined a resource of 13 million tons, averaging 5.5% zinc, 1% copper, 1.3% lead, 4 ounces of silver and 1.2 grams per ton of gold. Cominco is currently conducting a mine feasibility study on the deposit. Atna Resources, under the direction of Westmin (60% earn-in option), have announced excellent results from their drilling program at the Wolverine Zone. This property lies approximately 15 miles due east of the RBI claim block. The gross metal value per ton on the Wolverine Zone is calculated at \$273.00 U.S., putting a value of \$1 billion U.S. on the geologic inventory. Demand completed preliminary surface work, including geochemical and geophysical surveys, on the claims in the 1996 exploration season. This work outlined an anomaly on a north-south fault line 3 km. south of the Cominco ABM deposit.

Demand Gold plans to diamond drill this target in the 1997 season.





HASKINS-REED PROPERTIES, NEAR CASSIAR, B.C. CANADA

(Base metal project)

CASSIAR

Demand Gold has acquired options to purchase mineral claims covering significant porphyry, skarn and sulphide deposits on Haskins and Reed Mountains near Cassiar in north-central British Columbia. The Haskins-Reed properties have been explored and developed by various major and junior resource companies since 1968. A number of targets on the property remain under - explored and, historically, the claims have not been thoroughly examined for gold values. Also, Demand Gold Ltd. management feels that good potential exists to expand existing reserves. Extensive diamond drilling and underground exploration indicate the following known deposits and prospects on the Haskins-Reed property: 13,500,000 tons 0.16% molybdenum; Snow Zone - 426,000 tons 1.94% lead, 5.54% zinc, 1.36 oz/t silver and 0.2% copper; "A" Zone - 300,000 tons 3.0% lead, 5.0% zinc, 1 oz/t silver; "B" Zone - 407,000 tons 3.0% zinc, 1.82 oz/t silver, 0.53% copper and 0.24% bismuth.

The Haskins Reed property has historically been explored primarily for its tungsten and molybdenum potential. Base metal deposits were known to exist, but have never been fully explored. Also, gold values were rarely assayed for:

A number of other significant mineral showings exist on the Haskins-Reed property, such as the following:

The BRETT sulphide showing occurs near the REED granitic stock and was discovered in 1969 by Brettland Mines Ltd. The initial discovery hole assayed 8% zinc over 22 feet. In 1980, Canadian Superior drilled in the same general area and intersected 50 feet of 10% zinc. This zone is open in all directions and has significant size and grade potential.

The DAKO massive sulphide showing was sampled in 1996 across a 20 foot wide section that assayed 11.5% zinc, 4.0 oz/t silver, 0.077% copper, 0.08% cadmium and 0.014 oz/t gold. This showing has never been drilled and represents an attractive exploration target.

In addition to existing mineralization potential also exists for the discovery of "manto" type deposits similar to the midway deposit 48 km north of the Haskins-Reed property. Recent review of the Geology of the Cassiar area by the B.C. Mineral Resource Division (Bulletin 83 - Geology of the Midway Cassiar Area in Northern British Columbia, Joanne Nelson, 1993) suggests that the Haskins-Reed Mountain system is a "...worthy target for manto exploration".

Demand Gold plans an aggressive exploration program for the Haskins-Reed property during 1997.

CRY LAKE SYNDICATE - BRITISH COLUMBIA

(Syndicate with Cusac Gold Mines and Pacific Bay Minerals)

The Cry Lake Syndicate is composed of three companies; Demand Gold Ltd. (1/3), Cusac Gold Mines Ltd. (1/3), and Pacific Bay Minerals Ltd. (1/3). On July 4, 1996, the Government of British Columbia released the results of a regional geochemical survey on the CRY LAKE map sheet. The syndicate was successful in staking the highest gold, zinc and barium geochemical values outlined in the survey area. A total of 180 units were staked in 6 separate claim blocks described below. The 1996 program consisted mainly of prospecting. The 1997 program on these properties contemplates much more extensive work to locate specific targets. Detailed geochemistry and mapping will be done on the key properties.

1) Sun Claims (15 units) - high zinc, lead and barium values hosted in possible sed-ex style (stratabound) deposit. Geochemical program planned for 1997.

2) Steep/Steeper claims (26 units) - high zinc, lead and barium values hosted in possible sed-ex style (stratabound) deposit. Prospecting and geochemical sampling program planned for 1997.

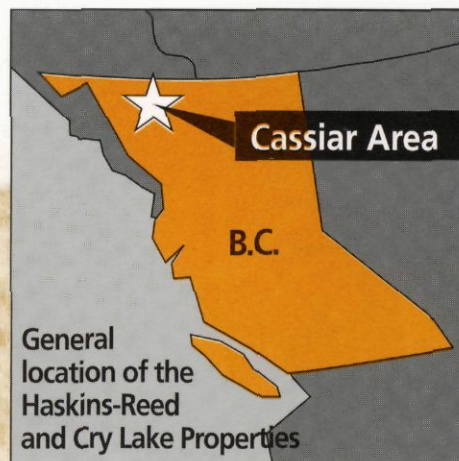
3) Rain claims (45 units) - moderate to high gold values in stream silts, however, outcrop-hosted gold mineralization was not located. The deposit may be buried beneath thick glacial debris.

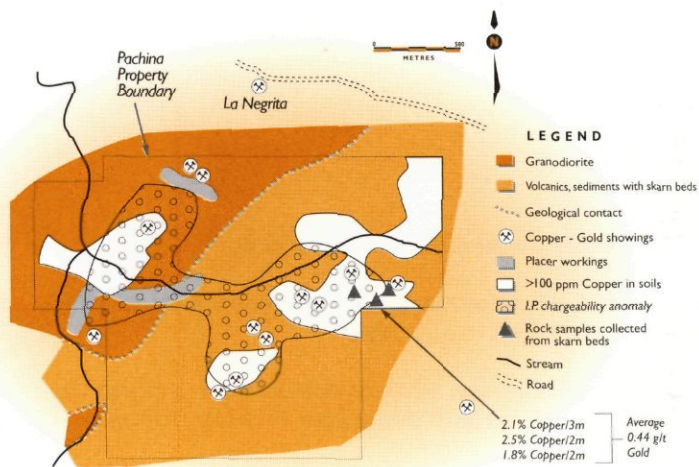
4) Snow claims (30 units) - high gold values in the stream silts, however, outcrop-hosted gold mineralization has not been located as yet

due to overburden and a limited prospecting program in 1996. A detailed program of mapping and geochemical survey work is planned for this property in 1997. This property is of high priority.

5) Shear claim (18 units) - these were staked in view of the operating Placer Gold Mines on Alice Shea and Wheaton Creeks. The location is on the east side of Alice Shea Creek where the famous Alice Shea Nugget (56oz) was found.

6) Storm claims (35 units) - these were staked in proximity to the operating Placer Gold Mine east of the claim block. The moderately anomalous B.C. Government stream sediment survey value of 123 ppb gold within the claims warranted staking the ground. Follow-up prospecting and soil sampling program is planned for 1997.

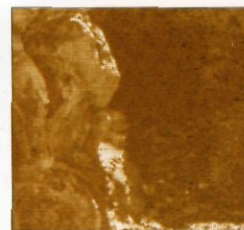




PACHINA - NORTHERN CHILE

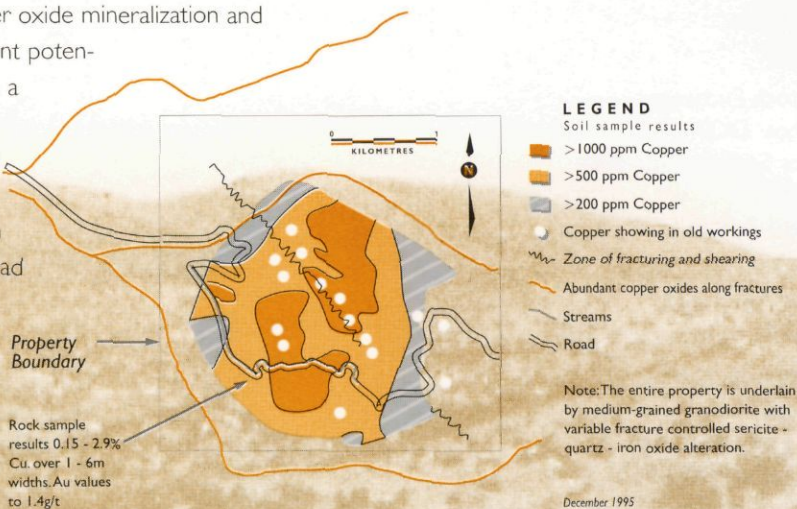
The Pachina Property encompasses 1,300 hectares in northern Chile covering widespread copper-gold showings with a 100 metre thick section of skarn-altered volcanic and sedimentary rocks. Rock samples collected from this zone have returned values up to 2.5% copper and 2.21 grams per ton of gold. A large copper soil anomaly covers the area of thickest skarn beds and most numerous copper-gold showings. This anomaly is approximately 1,000 metres long by up to 600 metres wide and includes copper values up to 3,830 ppm. Several large IP anomalies are coincident with soil anomalies.

Initial drilling in 1996 did not confirm a chalcopyrite halo as indicated by the extensive I.P. surveys from surface. However, mineral systems of this type often have pyritic halos associated with chalcopyrite. The company feels that further work is warranted to determine if copper minerals are associated with this large pyritic halo zone. Company geologists have indicated that several major companies have moved into the area (Cominco, RTZ, Anglo American and others). These majors obviously feel the area has a high potential for porphyry-style mineralization. Demand Gold continues to share their enthusiasm. The property is in good standing and further work is contemplated for Pachina.



CERRO COBRE - NORTHERN CHILE

Cerro Cobre is a porphyry copper prospect located 560 km north of Santiago, Chile. The property is underlain by a granodiorite intrusive which contains extensive fracture-controlled quartz-sericite-iron oxide alteration. The presence of a large and consistent copper-gold soil anomaly coinciding with an extensive zone of copper oxide mineralization and hydrothermal alteration suggests an excellent potential for a porphyry copper deposit of up to a billion tons. In the first phase of drilling done in the summer of 1996, the copper grade was found to be low and uneconomic. However, further exploration of this important porphyry system could lead to a large lower zone (ie: supergene enriched zones). Further work is planned by the company on this mineral deposit.



December 1995



The Gene Huck - Silver Cup Claims - British Columbia

Silver is a remarkable metal which has long had medicinal uses and major industrial uses. For more than a century, major countries considered silver a necessary monetary reserve. In the USA, gold and silver went together at a ratio of 15 to 1, with 15 ounces of silver being considered the equivalent of 1 ounce of gold. Because gold is mainly a monetary metal and silver is mainly industrial, the ratio underwent radical changes and in November 1996, the ratio was at 77 to 1.

The Metals Consultancy believes that silver demand is directly tied to population growth - population that hungers for items available in the western world. As affluence grows along the Pacific Rim and mainland China, it is predicted that silver usage will explode, and by the end of the century silver demand may be more than double the annual new silver output. Gold Fields Mineral Services estimates that there will be in 1999, newly mined silver of 541.4 million ounces but 1,986 million ounces of silver will be required for the year 2000 AD. The shortfall appears to be 1,444,600,000 silver ounces. Where will all the silver come from?

Demand Gold has acquired an option on a group of claims which consist of three properties with primarily silver mineralization. The two main properties are the Silver Cup and Silver Dollar claims, however the mineral titles are grouped under the name Silver Cup. A strong continuous vein structure exists on the property. This historically high grade surface vein deposit is located on Nine

Mile Mountain, 6 miles north of Hazelton, BC.

Demand Gold can acquire a 100% interest under the Option Agreement subject to a 2% NSR.

The properties contain significant silver, lead, zinc, and gold. The property produced 5870 tonnes from 19124 to 1979 which yielded:

3,547,176 gms (125,123 ozs) of silver
230,419 kgs (507,981 lbs) of lead
126,961 kgs (279,898 lbs) of zinc

Recent chip samples obtained by the company geologist on the vein over 4' width returned:

Lead 12.25%
Zinc 1.73%
Silver 50 oz/ton
Gold 0.16 oz/ton

Management of Demand Gold believes that silver prices will increase significantly in the next few years as industrialization and affluence in the tiger nations will create a strong demand and above ground silver stocks are fast depleted.



Demand Gold Ltd

Corporate Data

February 1997

Vancouver Stock Exchange
Trading Symbol: DOT
Exempt under Section 12g3-2(B)
Reg. #82-2033
Listed Standard & Poor's
908-700 West Pender Street
Vancouver, BC V6C 1G8
ph: 604 682.8485 fax: 604 682.7576

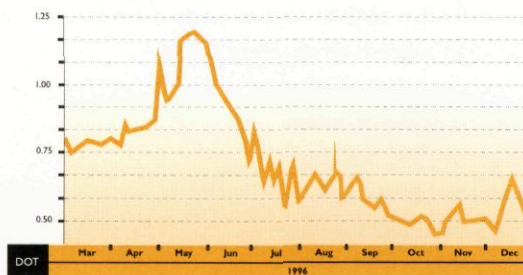
For more details, call our toll free lines

US 1.800.665.5101
Canada 1.800.670.6570

Lance Abbott, Investor Relations

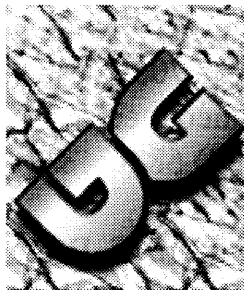


52 week chart



Listed:	VSE	Market Capitalization:	\$3.7 Million
Symbol:	DOT	Shares Outstanding:	7,405,368
Recent Price:	(February 24, 1997) \$0.50 CAD	Fully Diluted:	9,905,368
52 Week High/Low:	\$1.23/\$0.32 CAD		

1996 Annual Report



**Demand
Gold Ltd.**

908-700 West Pender St.,
Vancouver, B.C., Canada,
V6C 1G8

DEMAND GOLD LTD.

CORPORATE INFORMATION

LISTING	Vancouver Stock Exchange
TRADING SYMBOL	DOT
U.S. STATUS	Exempt under section 12g3-2(B) Reg. # 82-2033 Listed Standard & Poor's
SHARE CAPITALIZATION	Authorized: 50,000,000 Outstanding: 7,405,368 Escrow: 750,000
OFFICES	908 - 700 West Pender Street Vancouver, B.C. V6C 1G8 (604) 682-8485 / Fax: (604) 682-7576
DIRECTORS	Guilford H. Brett Luard J. Manning David H. Brett W. Earl Essery
OFFICERS	Guilford H. Brett, President David H. Brett, Chief Financial Officer W. Earl Essery, Secretary/Treasurer
TRANSFER AGENT	Montreal Trust 510 Burrard Street Vancouver, B.C. V6C 3B9
AUDITORS	BDO Dunwoody 300 - 505 Burrard Street, 1 Bentall Centre Vancouver, B.C. V7X 1T1

Demand Gold

PRESIDENT'S REPORT TO THE SHAREHOLDERS

Dear Fellow Shareholder,

The past year has been a busy one for your company, with many highs and lows. I was happy that we were fortunate enough to acquire (for very little money) projects in Chile with very high potential. Our Yukon property is equally exciting. Initial results from Chile, however, were not as encouraging as we hoped. However, these Copper/Gold prospects represent systems that are very large by industry standards and require further work.

Cerro Cobre

The Cerro Cobre intrusive porphyry system contains nearly a billion tons of low grade copper mineralization grading in the 0.1 to 0.15 Cu range. While this grade is well below economic levels, Demand Gold believes that within this system a higher grade core could exist. Further work is planned.

Pachina

The property remains a worthwhile target. The I.P. anomaly on the Pachina property proved to be "pyrite", which could represent a "halo" around a richer Cu/Au deposit. The level of mineral exploration has increased in the Vallenar region, where major mining companies (including Cominco, Anglo America, R.T.Z., Noranda, General Minerals and others) are now active. The Company plans further work on this property as these major companies expand in the area and

results of their work becomes known.

Finlayson Lake (RBI)

A drill program is planned for this well located property adjoining to the south of Cominco's Kudz Ze Kayah massive sulphide deposit. A second ground electromagnetic survey and geological mapping program was completed during 1996. A good east-west anomaly was outlined within the favorable felsic volcanic unit. The Wolverine deposit (Westmin/Atna) 15 miles east of Demand's claim block continues to be very impressive. A minimum of 3,000,000 tons of good grade massive sulphide ore is indicated. Westmin plans to announce an increase of reserves shortly, as drilling in the Lynx Zone has significantly extended the ore body. This area of the Yukon is a new massive sulphide "camp" and we expect dramatic and expanded exploration next season by Westmin/Cominco and the juniors. This work should lead to the discovery of significant new massive sulphide deposits.

Cry Lake Syndicate

The Cry Lake Syndicate (1/3rd Cusac Gold Mines Ltd.; 1/3rd Demand Gold Ltd.; 1/3rd Pacific Bay Minerals Ltd.) has acquired by staking 6 mineral properties comprising 180 claim units covering several top priority targets outlined by the B.C. Geological Survey's recently published stream sampling results in the Cry Lake area of North Central B.C., which is approximately 50 kilometres North-East of Dease Lake.

The Cry Lake area represents a highly favourable geologic environment for a variety of base and precious metal mineral deposit types, including massive sulphide, Sed-Ex type lead/zinc, and hydrothermal gold lodes. The two highest gold anomalies were staked (1,570ppb Au and 610ppb Au), as well as the top zinc and barium values. One property in a Sed-Ex environment displayed extremely high lead and zinc values in follow-up silt sampling.

An aggressive exploration program is planned for the spring of 1997.

Your directors are actively seeking new projects and are particularly interested in Brazil. We expect to make an acquisition soon which will be announced in due course.

We look forward to your continued support.

Sincerely,



Guilford H. Brett
President

November 7, 1996
Vancouver, B.C.

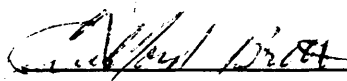
Demand Gold

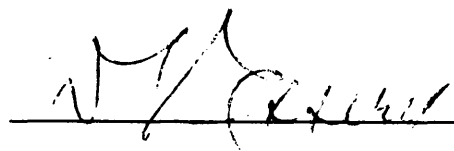
Demand Gold Ltd.
Balance Sheets

As at 30 June	1996	1995
Assets		
Current		
Cash	\$ 67,789	\$ 9,823
Accounts receivable	983	11,482
	68,772	21,305
Deferred financing costs, note 1	79,969	-
Investment, note 2	33,751	33,751
Resource properties, note 3	561,165	125,686
	\$743,657	\$180,742
Liabilities		
Current		
Accounts payable, note 4	\$190,320	\$ 21,871
Due to director, note 4	43,000	18,000
Due to affiliated company, note 4	-	7,932
	233,320	47,803
Shareholders equity		
Capital stock, note 5		
Authorized		
50,000,000 common shares without par value		
Issued		
6,355,368 shares (1995 - 5,189,868)	2,424,145	1,739,210
Deficit	(1,913,808)	(1,606,271)
	510,337	132,939
	\$743,657	\$180,742

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

Approved on behalf of the Board:

 Director

 Director

Demand Gold Ltd.
Statements of Loss and Deficit

For the Year Ended 30 June	1996	1995
Expenses		
Management fees paid to directors	\$ 48,315	\$ 45,000
Promotion and travel	44,538	22,405
Office and general	12,659	14,696
Transfer and listing fees	17,808	9,903
Legal and audit	12,881	6,131
Reporting to shareholders	18,728	1,845
	<hr/> 154,929	99,980
Write-off of resource properties, note 3	171,363	-
Write-off of investment, note 2	-	299,949
Recovery of bad debt	(18,755)	-
	<hr/>	<hr/>
Net loss for the year	(307,537)	(399,929)
Deficit, beginning of year	(1,606,271)	(1,206,342)
Deficit, end of year	<hr/>\$(1,913,808)	<hr/>\$(1,606,271)
<hr/>		
Loss per share	\$(.06)	\$(0.09)

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

Demand Gold Ltd.
Statements of Changes in Financial Position

For the Year Ended 30 June. **1996** **1995**

Cash provided (used) by:

Operating activities

Operating

Net loss for the year **\$(307,537)** **\$(399,929)**

Items not involving cash

Write-off of resource properties **171,363** -

Write-off of investment **-** **299,949**

Changes in non-cash working capital balances **196,016** **13,324**

59,842 **(86,656)**

Financing activities

Issuance of shares **684,935** **150,000**

Deferred financing costs **(79,969)** -

604,966 **150,000**

Investing activity

Exploration expenditures **(606,842)** **(88,606)**

Increase (decrease) in cash during the year **57,966** **(25,262)**

Cash, beginning of year **9,823** **35,085**

Cash, end of year **\$ 67,789** **\$ 9,823**

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

Demand Gold Ltd.
Summary of Significant Accounting Policies

30 June 1996

Investments

Long-term investments in which the Company does not exercise significant influence are accounted for using the cost method. Investments are written down to net realizable value when in management's opinion, a decline in value is other than temporary.

Resource Properties

The Company is involved in exploration and development of its resource properties. The Company defers all acquisition costs and exploration costs that relate to specific properties when the properties are initially examined and/or the property has indicated mineral reserves until such time as the properties are brought into production, are sold or abandoned. Costs pertaining to properties developed to production will be amortized over the estimated productive life of the property. Costs pertaining to properties sold or abandoned will be written-off.

The costs of resource properties and deferred exploration costs are not intended to represent present or future values. The ultimate realization of the carrying costs of resource properties is dependent upon the discovery of commercially exploitable ore bodies or the proceeds from disposition. Provision is made, where considered necessary, for permanent declines in the value of the properties.

30 June 1996

1. Continuing Operations and Subsequent Financing Efforts

The Company, directly and through joint ventures, is in the process of exploring resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company's ability to meet its obligations and maintain its operations is contingent upon successful completion of additional financial arrangements.

Subsequent to year end, the Company completed a public offering of its shares and raised net proceeds of approximately \$360,000.

2. Investment

In prior years the Company acquired a 15% interest in Image Systems Corporation ("Image") and advanced funds to Image, a Company incorporated to develop among other concepts, home video on demand. During 1995, Image was restructured and the Company entered into an agreement whereby it would recover \$33,751 of its original investment plus maintain a reduced interest in the restructured Company. During 1996, the Company's investment was further restructured and, subsequent to year end, the Company received net proceeds of \$44,760 on the disposition of all its investment in Image.

30 June 1996

3. Resource Properties

	30 June 1996	30 June 1995
<i>British Columbia, Canada</i>		
Hunter Gold Property (a)		
Deferred exploration and development	\$ 43,949	\$ 43,949
Holberg Property		
Deferred exploration and development	2,208	2,208
	46,157	46,157
 <i>Yukon Territory, Canada</i>		
<i>Finlayson Lake Property (b)</i>		
Cost of claims	85,083	-
Deferred exploration and development	188,039	4,656
	273,122	4,656
 <i>Manto Negro, Chile (c)</i>		
Cost of claims	13,632	13,632
Deferred exploration and development	157,731	61,241
Write-off costs	(171,363)	-
	-	74,873
 <i>Pachina, Chile (d)</i>		
Cost of claims	27,500	-
Deferred exploration and development	112,588	-
	140,088	-
 <i>Cerro Cobre (e)</i>		
Cost of claims	27,500	-
Deferred exploration and development	74,298	-
	101,798	-
	\$561,165	\$125,686

30 June 1996

3. Resource Properties - Continued

(a) Hunter Gold Property

The Company obtained an option from Cusac Gold Mines Ltd. ("Cusac"), a company related by directors in common, to acquire a 50% undivided interest in the Hunter Gold property covering approximately 75 square kilometres of mineral claims located in the Liard Mining Division of British Columbia near Cassiar. The option is subject to the net smelter interest already existing on the claims. In order to exercise the option, the Company must pay Cusac \$35,000, issue to Cusac 200,000 shares and fund not less than \$1,000,000 for further exploration on the property, all of which must occur on or before 31 December 1997.

(b) Finlayson Lake Property

(i) The Company has an option to acquire all interest, subject to a 2.5% net smelter royalty in 46 mineral claims in the Finlayson Lake area of the Yukon Territory by paying a further \$30,000 cash before 2 August 1998. During each of 1996 and 1995, 50,000 shares were issued in connection with the acquisition of these interests.

(ii) The Company has acquired by staking an additional 122 mineral claims in this area at a cost of \$25,083 plus 25,000 shares as a finder's fee.

(c) Manto Negro Copper-Gold Prospect

The Company entered into a joint venture agreement to acquire a 50% interest, subject to a 2 1/2% net smelter royalty, in an option to purchase the Cuchita 1 - 9 mining concessions registered in La Serena, Chile. As a finder's fee, the Company issued 25,000 shares in connection with this property.

Based on the results of its drilling program, subsequent to year end, the Company abandoned this property and wrote-off all costs incurred on the property.

(d) Pachina Copper-Gold Prospect

The Pachina property, located near La Serena in north-central Chile, is an exploration pedimentos owned on a 50:50 basis by the Company and its joint venture partner. The Company issued 25,000 shares as a finder's fee in connection with this property.

30 June 1996

3. Resource Properties - Continued

(d) Pachina Copper-Gold Prospect - Continued

The Company and its joint venture partner have entered into an agreement to spend US\$1,500,000 on certain claims which may underlay the Pachina Copper-Gold Prospect to earn a 75% interest therein. At the time the interest is earned, the other party to the transaction will have a one-time right to increase its 25% interest in the claims to 51% (and to become the operator) by paying US\$5 million to the Company and its partner. The other party will also retain a 2% Net Smelter Royalty on the claims which the Company and its partner may reduce to 1% by paying US\$2,000,000.

(e) Cerro Cobre Copper-Gold Prospect

The Cerro Cobre property, located north of La Serena, Chile, consists of three exploration pedimentos totalling 900 hectares and is owned on a 50:50 basis by the Company and its joint venture partner. As a finder's fee, the Company issued 25,000 shares for the staking of the property.

4. Related Party Transactions

Amounts owing to a director and an affiliated company (a company with common directors) are unsecured, non-interest bearing and had no specific repayment terms.

Included in accounts payable is \$31,789 in amounts owing to a company controlled by a relative of the president. During the year \$124,094 (1995 - \$Nil) was paid to this company for exploration and development work carried out on the Finlayson Lake property.

30 June 1996

5. Capital Stock

- (a) Authorized
50,000,000 common shares without par value.
- (b) Changes in issued capital stock for the years ended 30 June 1996 and 1995 were as follows:

	30 June 1996		30 June 1995	
	Number of Shares	Amount	Number of Shares	Amount
Issued, beginning of year	5,189,868	\$1,739,210	4,989,868	\$1,589,210
For cash:				
Exercise of stock options	415,500	199,185	-	-
Exercise of warrants	200,000	160,000	-	-
Private placement	400,000	212,000	200,000	150,000
For mineral claims	150,000	113,750	-	-
Issued, end of year	6,355,368	\$2,424,145	5,189,868	\$1,739,210

- (c) As at 30 June 1996 stock options outstanding were as follows:

Number of Shares	Exercise Price	Expiry Date
500,000 *	\$0.72	1 March 1998

* 375,000 are subject to shareholder approval.

30 June 1996

5. Capital Stock - Continued

(d) As at 30 June 1996, warrants outstanding were as follows:

Number of Warrants	Exercise Price	Expiry Date
200,000	*	21 September 1997
<u>200,000</u>	**	1 March 1998
<u>400,000</u>		

* exercise price is \$0.60 to 21 September 1997.

** exercise price is \$0.56 to 1 March 1997 and \$0.65 to 1 March 1998.

In addition, in connection with the public offering described in Note 1, the Company issued 2,000,000 Series "A" Share Purchase Warrants, two of which will entitle the holder thereof to purchase one common share for \$.50 to 26 September 1997 and 250,000 agents warrants which will entitle the holder thereof to purchase one common share for \$.50 to 26 September 1997.

(e) Included in outstanding shares at 30 June 1996 were 750,000 escrow shares (1995 - 750,000).



BDO Dunwoody
Chartered Accountants and Consultants

One Bentall Centre
300 - 505 Burrard Street
Vancouver, BC, Canada V7X 1T1
Telephone: (604) 688-5421
Telefax: (604) 681-3147
E-mail: finance@van.bdo.ca

Auditors' Report

To The Shareholders
Demand Gold Ltd.

We have audited the Balance Sheets of Demand Gold Ltd. as at 30 June 1996 and 1995 and the Statements of Loss and Deficit and Changes in Financial Position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 1996 and 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Vancouver, British Columbia
26 September 1996

BDO Dunwoody
CHARTERED ACCOUNTANTS