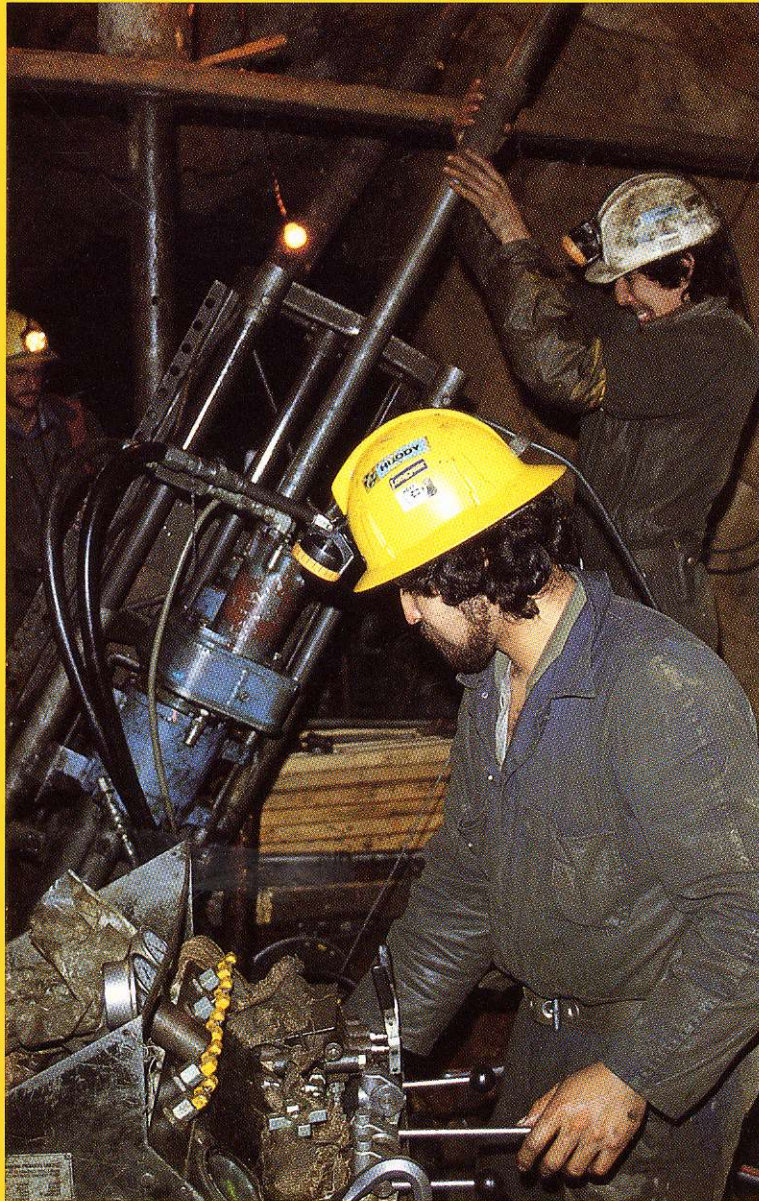




675227
Golden Bear
104K/1W

NORTH AMERICAN METALS CORP.

Golden Bear 1,798,500 tons of .32oz/ton



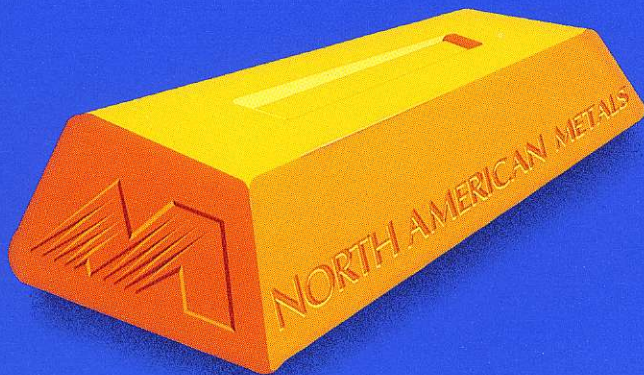
CORPORATE PROFILE

North American Metals Corp. is a well financed and managed, growth oriented, company with objectives to acquire and develop advanced precious metals projects in North America.

After one year of active operations the Company will place the Golden Bear, its first major gold project, into commercial production with 50:50 joint venture partner Chevron Minerals Ltd. Startup is scheduled in 1988 with initial production of 64,000 ounces of gold per year. Forecasted operating costs are US \$136 per ounce. Golden Bear is one of the largest and highest grade gold projects in North America.

The Company also holds a 35 percent share interest in Steelhead Resources Ltd. which is developing the bulk tonnage Excelsior gold-silver project. This open pit project could be in operation during 1989 with gold equivalent production forecast at 60,000 ounces per year.

North American Metals Corp.'s shares are listed on the Vancouver Stock Exchange (NAM:V) and on the OTC NASDAQ Market (NAMVF) with a Toronto Stock Exchange listing pending. Fully diluted, there is a total of 7,601,536 shares issued.

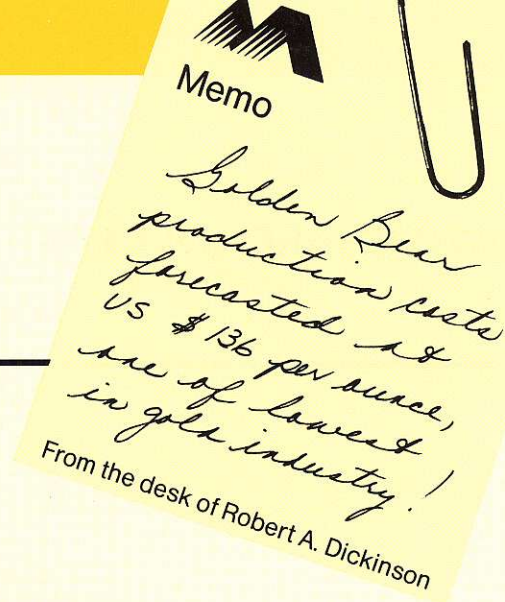


ACHIEVEMENTS – FISCAL 1987

- Earned a 50% interest in Golden Bear by investing \$9 million.
- Completed 6,700 foot underground and 18,000 foot drill program.
- Completed bulk sampling, metallurgical and pilot plant test work.
- Increased gold reserves to 1,798,500 tons averaging 0.32 ounces per ton.
- Approved Golden Bear feasibility study.
- Announced, with 50% partner Chevron Minerals, 1988 Golden Bear production.
- Acquired a 35% share interest in Steelhead Resources Ltd.
- Initiated a major drill program on Steelhead's Excelsior gold-silver project.

OBJECTIVES – FISCAL 1988

- Obtain Golden Bear production permits.
- Complete \$18 million Golden Bear capital financing.
- Construct Golden Bear mine-mill complex.
- Commence gold production at Golden Bear.
- Complete delineation drilling at Excelsior Project.
- Complete feasibility study of the Excelsior Project.
- Acquire new advanced precious metals projects.



North American and Chevron team approve mine production

REPORT TO SHAREHOLDERS

The first full fiscal year of active operations for North American Metals Corp. was a year of tremendous growth and challenge. During the year two major precious metals assets were acquired and \$7.13 million in financing was completed.

The Company has successfully developed the Golden Bear Project, near Dease Lake, British Columbia, through the final feasibility stage. Plans have been announced, in conjunction with equal partner Chevron Minerals Ltd., for 1988 gold production. This project is one of the largest and highest grade gold projects in North America.

Current project gold reserves in all categories are 1,798,500 tons at an average grade of 0.32 ounces gold per ton; or 576,000 ounces of contained gold. Underground development and drill testing indicate excellent potential to develop additional reserves.

The Company and Chevron Minerals Ltd. retained Wright Engineers Limited to co-ordinate a final project Feasibility Study. This study forecasts a capital cost of \$36 million for all project components. Mill feed grade for the first 5.5 years of mine life from open pit and underground mines is expected to average 0.54 ounces gold per ton. At the initial milling rate of 400 tons per day gold production is expected to average 64,000 ounces per year. The forecasted operating cost of US \$136 per ounce is one of the lowest in the industry. Payback of all project capital, at an average gold price of US \$400 per ounce, is 1.7 years.

Currently, final plant and mine design work is well underway. Applications have been filed with the Provincial Government for production permits. If, as is anticipated, approvals are granted in November 1987, construction of the access road will start immediately. Construction of the mine/mill complex will commence in March 1988 with commercial production expected in late 1988.

During the year North American Metals acquired an interest in a second important precious metals asset through the purchase of a major shareholding in Steelhead Resources Ltd. Steelhead holds an option to purchase a 100% interest in the Excelsior gold-silver project near Bellingham, Washington. A Feasibility Study could commence as early as December 1987. Gold-silver production will be optimized by feasibility work, but at this early stage, it is anticipated to be in the order of 50,000 to 70,000 ounces gold equivalent per year.


The company acquired 1,939,000 shares of Steelhead and holds a warrant to purchase an additional 750,000 shares. On exercise of the warrant, the Company will hold a 35% fully diluted interest in Steelhead. Two directors of the Company sit on Steelhead's Board of Directors.

The Excelsior is a bulk tonnage gold-silver project in the advanced stages of development. Initial drill results are exceptional with grades ranging from 0.06 to 0.20 ounces gold equivalent per ton in a blanket-like zone some 100 feet thick. This zone appears to be mineable by low cost open pit methods.

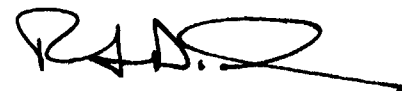
A total of CDN \$7.13 million in financing was raised during the year. Flow through funding totalled \$5.6 million while private share placements and exercise of stock options provided an additional \$1.53 million. After year end, the Company raised an additional \$4 million by a private placement with European institutions of 600,000 common shares at a price of \$6.75. The placement was completed by Montagu Mining Finance Ltd., of London, England. Several proposals for the balance of production financing are presently being evaluated. The necessary financing will be completed with minimum dilution to equity.

The Company's spectacular growth during the last year was the result of a concentrated team effort from all our dedicated employees. Outstanding ability was shown in bringing the Golden Bear Project to the production stage within one short year. This ability combined with the substantial cash flow to be generated by the Golden Bear will allow for continued rapid growth.

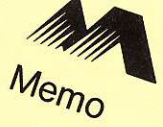
Our sincere gratitude is extended to our loyal shareholders. Without this support these initial goals would not have been achieved. We look forward to all shareholders participating in the rewards of the growth of North American Metals Corp.



Robert G. Hunter
President & Director



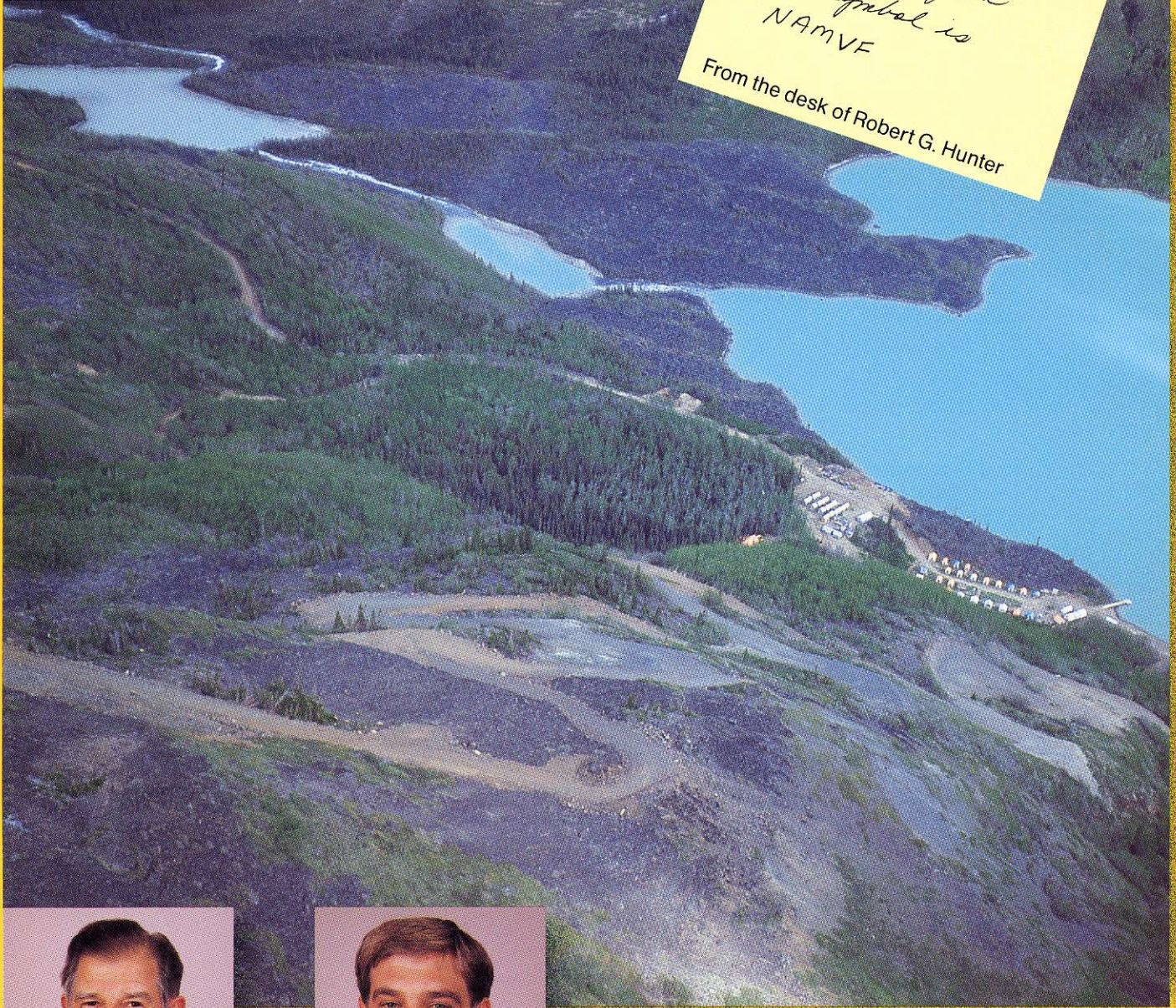
Robert A. Dickinson
Secretary & Director



Memo

NASDAQ listing
rec'd today Sept 23/87
from New York
Our symbol is
NAMVF

From the desk of Robert G. Hunter



Golden Bear Camp surged with development activity during year

Robert G. Hunter

Robert A. Dickinson

OPERATIONS

Golden Bear Project

North American Metals Corp. has earned a 50 percent interest in the Golden Bear Project by funding and operating a \$9 million development program. The Company and equal partner Chevron Minerals Ltd. plan to bring the property into production in 1988.

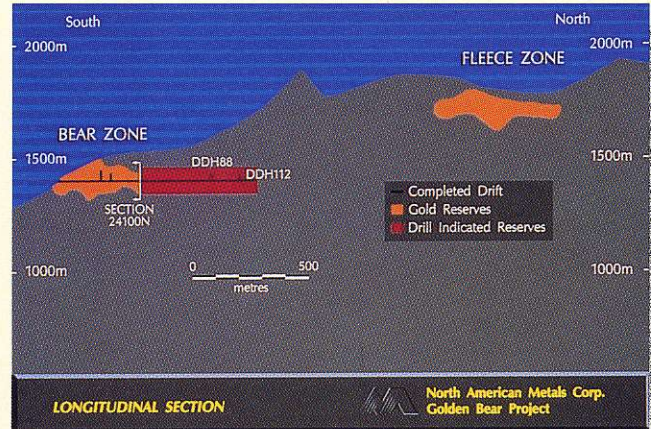
Background

The 33,000 acre Golden Bear mineral holding is 90 miles west of the town of Dease Lake in northwest British Columbia. Chevron staked the property in 1981 and over the next four years completed 65,000 feet of surface drilling. The work program outlined three gold zones, named Bear, Fleece and Totem, within a 5 mile long by 1500 foot wide fault system. Most of the system is unexplored. North American optioned the property in June 1986 and completed 18,000 feet of surface and underground drilling and 6,700 feet of underground development. These programs focused on the Bear Zone and placed the first portion of it into a proven mineable ore category.

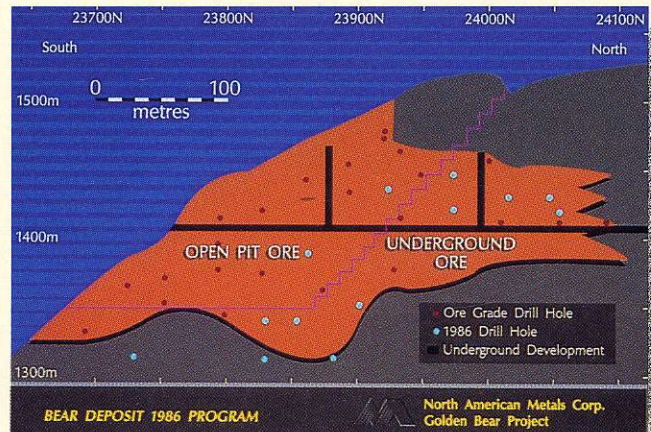
Wright Engineers Limited completed a pre-feasibility study in April 1987 and then lead a team of specialist consultants on a final bankable Feasibility Study. This study, based on the first portion of the Bear Zone, recommended commercial production at a capital cost of C \$36 million.

Only a small portion of the Golden Bear Property has been explored. Known zones are open to extension; and many parallel structures have not been explored. The potential for reserves expansion far exceeds the current reserve base. The Golden Bear is expected to have an unusually long mine life.

(continued)



Substantial reserves are indicated north of initial Bear Zone



Low cost open pit and underground mining methods will be used at the Golden Bear.

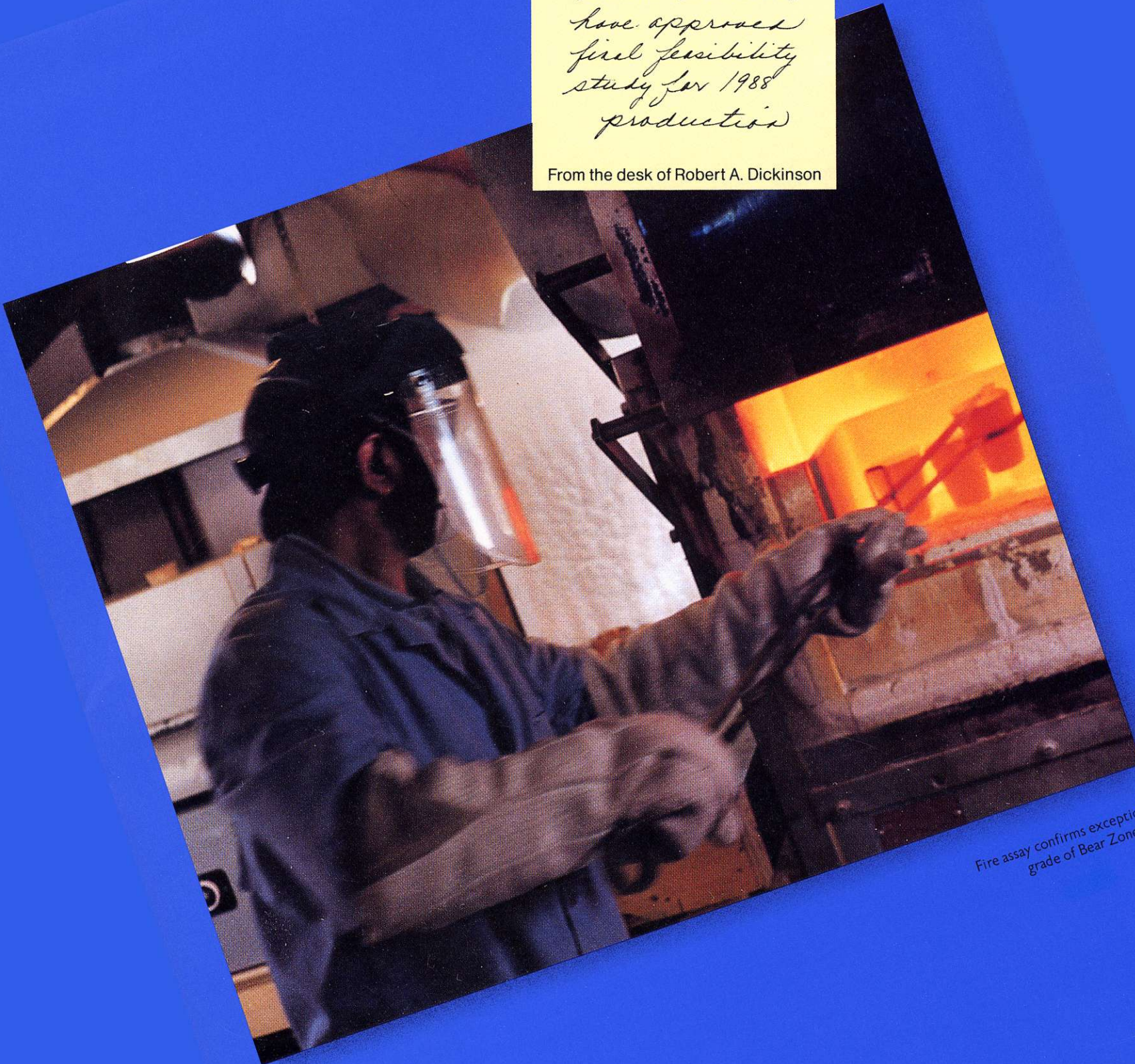


Memo



*Chevron and
North American
have approved
final feasibility
study for 1988
production*

From the desk of Robert A. Dickinson



Fire assay confirms exceptional
grade of Bear Zone ore

OPERATIONS (continued)

Bear Zone

The Company completed a first stage underground development program on the Bear Zone. The 1400 M level development drift is continuously mineralized over the entire 2500 feet of advance. Mineralization in the first 1200 feet of advance has been placed into a mineable category and has an average width of 30 feet. Further delineation drilling is required to accurately calculate reserves for the remainder which may be similar in size to the currently defined Bear Zone.

Wright Engineers Limited have calculated the mineral inventory for the defined portion of the Bear Zone as follows:

Category	Tons	Gold oz/ton
Proven	933,900	0.40
Probable	407,000	0.22
Total	1,340,900	0.35

Within this mineral inventory mineable, diluted open pit and underground proven ore reserves are as follows:

Mine	Tons	Gold oz/ton
Open pit	330,900	0.48
Underground	325,900	0.61
Total	656,800	0.54

Fleece Zone

The Fleece zone, which is 1 mile north of the Bear zone, has been outlined by a wide-spaced, 20,000 foot Chevron surface diamond drill program. Fill-in drilling and underground work are required to confirm grade and continuity. There is considerable potential to increase reserves. Current mineral inventory at the Fleece Zone is:

Category	Tons	Gold oz/ton
Drill indicated	457,600	0.24

Totem Zone

The Totem Zone is 1 mile north of the Fleece Zone. This zone requires further work to properly assess the significance of several mineralized diamond drill intercepts.

Mining

Open pit and underground mining of the Bear Zone will be undertaken simultaneously. The open pit will operate 4 months per year and produce 770 tons per day. The waste to ore ratio is an average 6.35:1 over the open pit reserve life of 5 years. Underground reserves will be extracted by panel cut-and-fill. The underground mine will operate year round; initially producing 175 tons of ore per day. A mining test program has been successfully completed. Current mineable reserves are sufficient for 5.5 years. Additional underground reserves will be developed as mining progresses.

Milling

The optimum milling process for Bear Zone ore includes dry grinding, roasting, cyanidation and carbon-in pulp gold recovery. Doré bullion will be produced on site. Extensive metallurgical work has shown that gold recoveries of 93% can be anticipated. At an initial production rate of 400 tons per day average annual production is forecast at 64,000 ounces of gold and 33,000 ounces of silver.

Access

A significant component of the project is a 90 mile all weather mine access road connecting with B.C. Highway 114. Final road location has been surveyed and construction tenders are in hand. Aircraft landing facilities are in place at the mine site.

Project Organization

The joint venture partners have established the Golden Bear Operating Company Limited to operate the Golden Bear Mine. North American and Chevron will equally fund this company with both to receive gold product in kind.

A permanent, single status camp will be established at the project site and personnel will work on a regular rotation schedule. Total employees are expected to be 101. Key operating personnel are presently being hired.

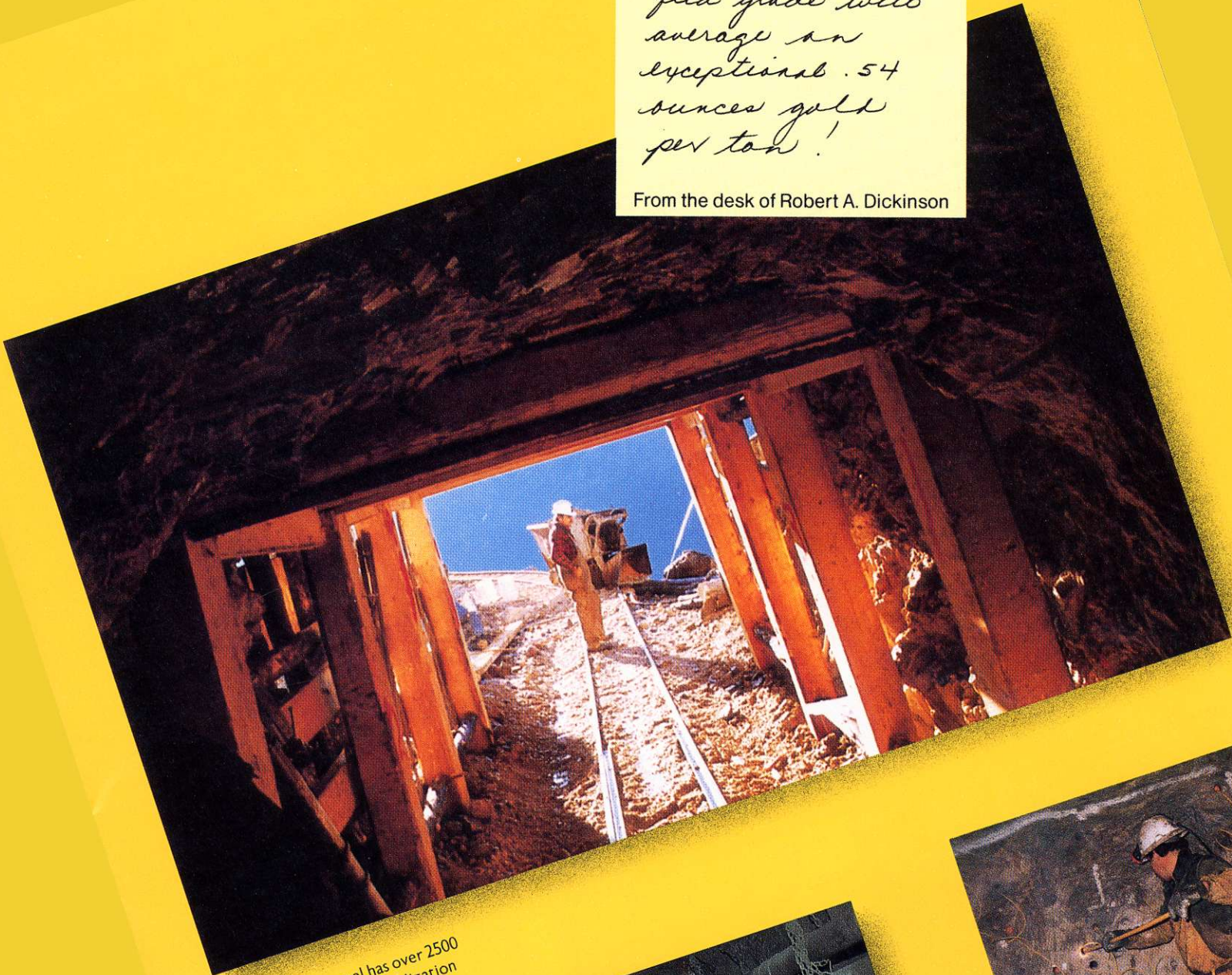


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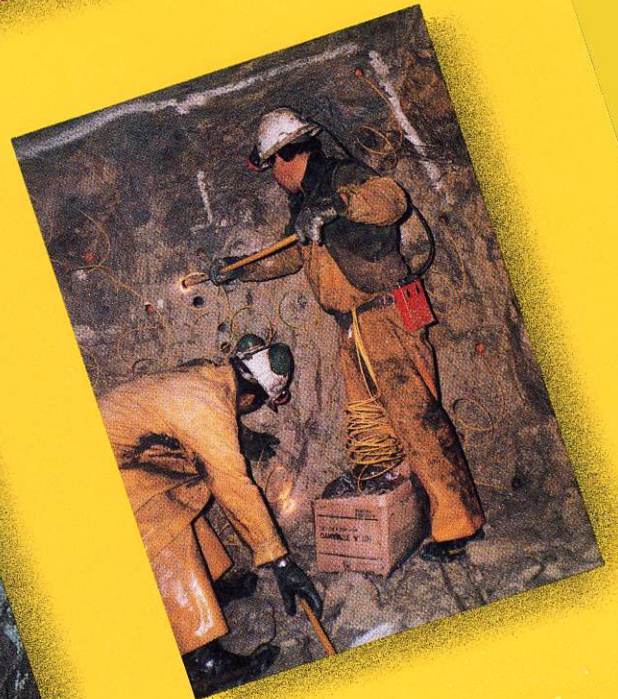
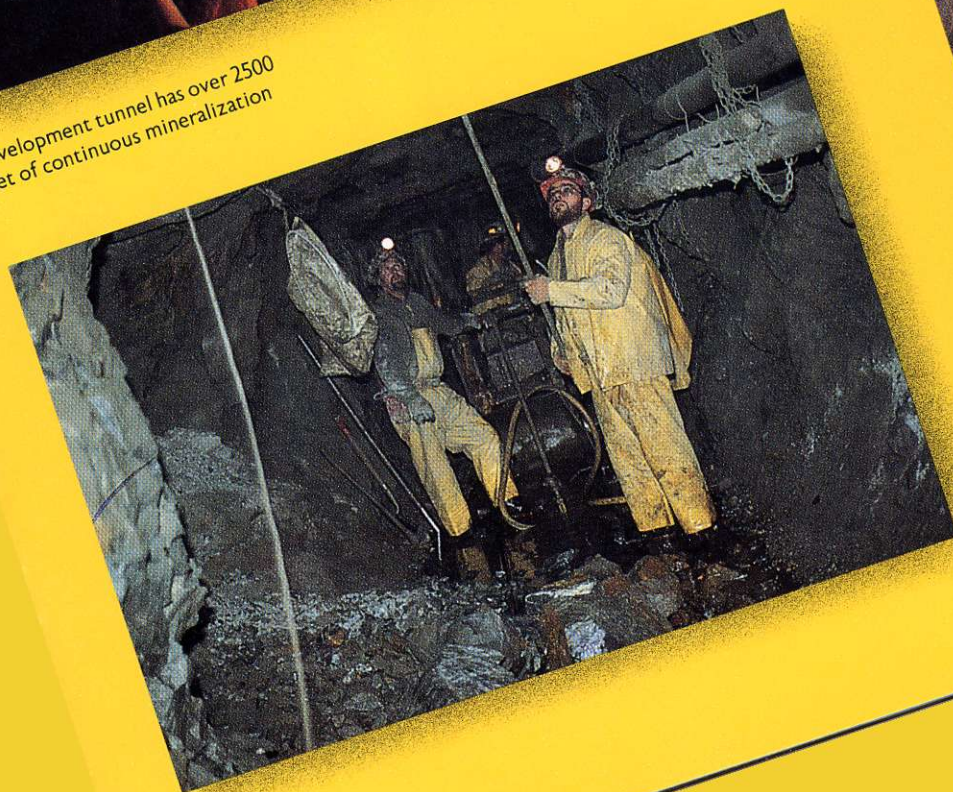


*Golden Bear mill
feed grade will
average an
exceptional .54
ounces gold
per ton!*

From the desk of Robert A. Dickinson



Development tunnel has over 2500 feet of continuous mineralization



OPERATIONS (continued)

Steelhead – Excelsior Project

North American Metals Corp. has purchased a major share position in Steelhead Resources Ltd. Steelhead holds the rights to purchase 100 percent of the Excelsior gold-silver property and in addition, operates several industrial mineral mines in the United States.

The advanced stage Excelsior project is 36 miles east of Bellingham, Washington and adjacent to Highway 542. From 1977 to 1981 U.S. Borax completed 45 widely spaced diamond drill holes. This drilling indicated a widespread stratabound zone of gold-silver mineralization averaging 100 feet thick, mineable by open pit methods at a preliminary stripping ratio value of 4:1. First stage metallurgical work indicates good recoveries can be expected for gold and silver.

Steelhead is currently undertaking a 20,000 foot drill program to prove up and delineate mineable reserves. Results from the first four vertical drill holes have been reported as follows:

Hole No.	Intercept (Feet)	Ounces Per Ton		
		Gold	Silver	60:1
N-1	80	0.03	1.69	0.06
N-2	100	0.08	3.99	0.15
N-3	95	0.15	3.15	0.20
N-4	75	0.07	1.41	0.09

With continued comparable drill results a feasibility study should commence in December.

Seal River Project

North American completed a first phase drilling program during the year on its optioned 122,000 acre Seal River gold project near Churchill, Manitoba. The Company can earn 50% interest in the project by making staged expenditures totalling \$1,000,000 over five years, of which \$658,000 has been spent to date. The exploration permit encompasses a 22 mile by 6 mile lake sediment geochemical anomaly. Drilling has tested a 1.5 mile portion of two strong 16 mile long geophysical anomalies which coincide with newly discovered gold mineralization. Drill holes intersected a 500 foot wide section of iron formation with strongly anomalous gold values occurring in three separate horizons. The best result was 2.3 feet grading 0.29 ounces gold per ton.

Further drilling is required to access this extensive holding. The exploration target is a large scale Homestake type gold deposit.



Memo



*Steelhead Excelsior
project probable
60,000 ounces
per year producer*

From the desk of Robert A. Dickinson



Drilling intersects three gold zones at Seal River



★ Project Locations

AUDITORS' REPORT TO THE SHAREHOLDERS

NORTH AMERICAN METALS CORP.

We have examined the consolidated balance sheet of North American Metals Corp. (a development stage company) as at August 31, 1987 and the consolidated statements of loss and deficit, resource properties and deferred exploration and administration costs and changes in financial position for the year then ended and for the period from inception (June 22, 1983) to August 31, 1987. 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 August 31, 1987 and the results of its operations and the changes in its financial position for the year then ended and for the period from inception (June 22, 1983) to August 31, 1987 in accordance with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Vancouver, B.C.
September 18, 1987

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the expression of a qualified opinion when the consolidated financial statements are affected by significant uncertainties and contingencies such as those referred to in note 1 to these financial statements. The above opinion in our report to the shareholders dated September 18, 1987 for the year ended August 31, 1987 and for the period from inception (June 22, 1983) to August 31, 1987 is not qualified with respect to, and provides no reference to, these uncertainties since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the consolidated financial statements.

Coopers & Lybrand

Vancouver, B.C.
September 18, 1987

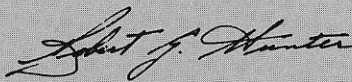
CONSOLIDATED BALANCE SHEET AS AT AUGUST 31, 1987

NORTH AMERICAN METALS CORP.

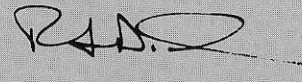
(Expressed in Canadian dollars)

	ASSETS	
	1987 \$	1986 \$
Current assets		
Cash and term deposits	416,172	3,731,388
Accounts receivable	405,822	7,191
Contractors' advances		219,357
Prepaid expenses	1,554	16,131
Supplies inventory, at cost		225,503
Flow-through financing proceeds receivable	560,681	418,545
	1,384,229	4,618,115
Investment (note 5)	947,550	
Fixed assets (note 6)	119,193	14,947
Resource properties and deferred exploration and administration costs (note 3)	6,064,882	103,422
	8,515,854	4,736,484
	LIABILITIES	
Current liabilities		
Accounts payable	551,513	577,852
Due to a related party		50,000
	551,513	627,852
	SHAREHOLDERS' EQUITY	
Share capital (note 7)	8,162,809	4,307,100
Deficit	(198,468)	(198,468)
	7,964,341	4,108,632
	8,515,854	4,736,484

Approved by the Directors



Director



Director

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

NORTH AMERICAN METALS CORP.

(Expressed in Canadian dollars)

	Years ended August 31,		Total from inception (June 22, 1983) to August 31, 1987 \$
	1987 \$	1986 \$	
Mineral property costs written off		198,468	198,468
Loss for the period		198,468	198,468
Deficit — beginning of period	198,468		
Deficit — end of period	198,468	198,468	198,468

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

NORTH AMERICAN METALS CORP.

(Expressed in Canadian dollars)

	Years ended August 31,			Total from inception (June 22, 1983) to August 31, 1987
	1987	1986	1985	
	\$	\$	\$	\$
Cash provided from (used for)				
Operating activities				
Net change in non-cash working capital items (see below)	(157,669)	(286,293)	7,937	(416,544)
Investing activities				
Resource properties and deferred exploration and administration costs (net of depreciation of \$34,933; 1986 – Nil)	(9,027,158)	(595,904)	(24,561)	(9,747,593)
Purchase of fixed assets	(139,179)	(14,947)		(154,126)
Investment in shares	(947,550)			(947,550)
	(10,113,887)	(610,851)	(24,561)	(10,849,269)
Financing activities				
Issue of share capital – for cash	3,855,709	4,209,600		8,155,309
– for shares				7,500
Premium on issue of securities under flow-through financing agreements (note 4)	3,100,631	418,545		3,519,176
	6,956,340	4,628,145		11,681,985
Net (decrease) increase in cash during the period	(3,315,216)	3,731,001	(16,624)	416,172
Cash and term deposits – beginning of period	3,731,388	387	17,011	
Cash and term deposits – end of period	416,172	3,731,388	387	416,172
Analysis of net change in non-cash working capital items				
Accounts receivable	(398,631)	(7,191)		(405,822)
Contractors' advances	219,357	(219,357)		
Prepaid expenses	14,577	(16,131)		(1,554)
Supplies inventory	225,503	(225,503)		
Flow-through financing proceeds receivable	(142,136)	(418,545)		(560,681)
Due from shareholders			106	
Accounts payable	(26,339)	564,988	5,277	551,513
Due to a related party	(50,000)	45,446	2,554	
Promissory note		(10,000)		
	(157,669)	(286,293)	7,937	(416,544)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RESOURCE PROPERTIES AND DEFERRED EXPLORATION AND ADMINISTRATION COSTS

NORTH AMERICAN METALS CORP.

(Expressed in Canadian dollars)

	Years ended August 31,			Total from inception (June 22, 1983) to August 31, 1987
	1987	1986	1985	
	\$	\$	\$	\$
Resource properties		21,027		38,527
Exploration costs				
Assays	180,865	10,028		190,893
Depreciation	16,905			16,905
Drafting	49,752	1,034		50,786
Drilling	546,402	123,783		721,563
Engineering	1,587,479	51,018		1,638,995
Environmental	319,239	4,911		324,150
Equipment services	265,515	54,223		319,738
Field supplies	295,186	30,930		326,116
Fuel	430,699			430,699
Operator's fees	58,284			58,284
Property fees		2,180		2,180
Room and board	240,127	40,260		280,387
Transportation	963,034	29,293		992,408
Tunneling	3,032,901	111,966		3,144,867
Wages and benefits	861,965	109,696		971,661
	8,848,353	569,322		9,469,632
Less: Flow-through financing (note 4)	3,100,631	418,545		3,519,176
Grants and other recoveries	458,681			458,681
	5,289,041	150,777		5,491,775
Administration costs				
Advertising and promotion	299,153	20,933	800	321,065
Bank charges	7,138	215	14	7,411
Depreciation	18,028			18,028
Legal, audit and professional fees	177,187	17,433	10,577	217,246
Licences and fees	25,413	747	1,410	27,570
Office	87,359	7,101	154	96,802
Rent	32,430	1,719	600	35,949
Salaries	52,425	8,666	9,000	80,778
Stock exchange and transfer fees	21,362	3,217	1,738	31,276
Telephone	66,382	2,442	337	70,228
	786,877	62,473	24,630	906,353
Less: Interest income and other recoveries	114,458	56,918	69	173,305
	672,419	5,555	24,561	733,048
Total costs for the period	5,961,460	177,359	24,561	6,263,350
Total costs — beginning of period	103,422	124,531	99,970	
	6,064,882	301,890	124,531	6,263,350
Less: Amounts written off to deficit		198,468		198,468
Total costs — end of period	6,064,882	103,422	124,531	6,064,882

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Expressed in Canadian dollars)

NORTH AMERICAN METALS CORP.

1. Operations

The company is in the exploration and development stage. The underlying value of the mineral properties and related deferred costs is entirely dependent upon the existence of economic mineral reserves.

2. Significant accounting policies

Generally Accepted Accounting Principles

These financial statements have been prepared in accordance with accounting principles and practices that are generally accepted in Canada, which are different from those in the United States as explained in note 11.

Principles of Consolidation

The accounts of the company include the accounts of its wholly owned subsidiary, North American Metals B.C. Inc.

Resource Properties

The costs of resource properties and related exploration and administration costs are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the estimated useful life of the properties following the commencement of production or written off if the properties are sold or abandoned.

Administration costs not directly related to mineral properties are written off to deficit.

Investments

Investments in companies over which the company exerts a significant influence are accounted for by the equity method.

Fixed Assets

Furniture and fixtures are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets once they have been put into use.

Loss per Share

Loss per share data as disclosed under United States accounting principles is provided in note 11.

Supply Inventories

Supply inventories are recorded at the lower of cost or replacement cost on a monthly average cost basis.

3. Resource properties and related deferred exploration and administration costs

	1987		1986	
	Expenditures to date \$	Portion funded through flow-through financing and other grants and reductions \$	Balance \$	Balance \$
Golden Bear	9,377,604	3,862,500	5,515,104	103,422
Seal River	819,602	269,824	549,778	
	10,197,206	4,132,324	6,064,882	103,422

(a) Golden Bear Property

Under an agreement with Chevron Minerals Ltd., the company has earned a 50% participating interest in the Golden Bear Property in the Atlin Mining District, British Columbia by spending an aggregate of \$9,000,000 in qualifying expenditures on the property.

(b) Seal River Property

The company has an agreement with Continental Gold Corp., a company controlled by a director, by which it can earn in stages a 50% working interest in a 122,000-acre mineral property in the La Pas Mining District of Manitoba by making exploration and development expenditures totalling \$1,085,000 by December 31, 1990.

4. Flow-through financing

Through a number of flow-through share agreements, now all complete, the company has granted various investors the right to earn shares or warrants in the company, its subsidiary or an interest in its mineral properties by undertaking specified levels of exploration on its properties. Under the terms of the Canadian Income Tax Act, tax deductions relating to these expenditures are earned at a rate of \$1.33 for each \$1 of expenditures and are transferred directly to the investors. A number of the agreements provided for the cash redemption of the earned interests. This has now been accomplished.

The net result of these transactions has been the issue of 388,636 common shares of the company for consideration (net of redemption costs) totalling

\$5,614,265. The company has given up tax deductions of \$10,331,972 representing those deductions earned on expenditures of \$7,748,979. Warrants for the purchase of 25,000 common shares at a price of \$12 per common share on or before September 30, 1993 remain outstanding as a result of one of these transactions. Should the trading price of these warrants exceed 120% of the exercise price for 30 consecutive trading days, the company may, with notice, require the exercise of the warrants.

As at April 30, 1987, a total of \$560,681 remained receivable from one of the investor groups; this amount was received subsequent to year end.

The premium above-market prices on issue of these securities and interest (which totals \$3,100,631) is deducted from the cost of the deferred exploration and development expenditures funded by these arrangements.

5. Investment

	Common shares \$	Cost \$	Market value \$
Steelhead Resources Ltd.	1,939,000	947,550	3,141,180

The company owns a 41% interest in Steelhead Resources Ltd. (Steelhead) and has an option to purchase an additional 750,000 common shares at a price of \$0.65 per share.

6. Fixed assets

	1987			1986	
	Depre- ciation rate %	Cost \$	Accumu- lated depre- ciation \$	Net book value \$	Net book value \$
Furniture and fixtures	20	97,252	19,426	77,826	14,947
Vehicles	30	14,527	4,358	10,169	
Equipment	25	42,347	11,149	31,198	
		154,126	34,933	119,193	14,947

7. Share capital

Authorized –
30,000,000 common shares without par value

During the period from the date of incorporation (June 22, 1983) to December 31, 1986, the company issued shares as follows:

	Number of shares	\$
For petroleum and natural gas prospect	750,000	7,500
For cash at a price of \$0.15 per share	200,000	30,000
Issued and fully paid – August 31, 1983	950,000	37,500
For cash at a price of \$0.15 per share	400,000	60,000
Issued and fully paid – August 31, 1984	1,350,000	97,500

During the year ended August 31, 1985, the share capital of the company was split on a three-for-one basis including the authorized capital from 10,000,000 to 30,000,000 shares without par value and the outstanding common shares to 4,050,000.

	Number of shares	\$
Issued and fully paid – August 31, 1985	4,050,000	97,500
For cash at a price of – \$0.75 per share	588,000	441,000
\$3.30 per share	1,200,000	3,960,000
Commissions		(191,400)
Issued and fully paid – August 31, 1986	5,838,000	4,307,100
Issued during the year for cash of – \$0.75 per share (exercise of options)	12,000	9,000
\$2.05 per share	102,500	210,125
\$4.85 per share	132,000	640,200
\$6.53 per share (private placement)	100,000	653,000
	346,500	1,512,325
Issued or allotted under flow-through share financing arrangements (note 4)	388,636	2,513,634
Commissions		(170,250)
	735,136	3,855,709
Balance – August 31, 1987	6,573,136	8,162,809

NOTES (continued)

A total of 1,125,000 common shares are subject to escrow restrictions, a similar number having been released from escrow during the year. Stock options granted to employees and directors to purchase a total of 351,000 common shares at a price of \$4.85 per share on or before February 18, 1989 remain outstanding. In addition, as part of the private placement of 100,000 shares at a price of \$6.53 per share, the company issued an equal number of warrants, two of which entitle the holder to purchase shares at \$7 per share on or before October 10, 1987.

8. Income taxes

The company has earned certain resource-related deductions totalling approximately \$3,800,000, net of reductions related to flow-through share issues, which may be carried forward and used to reduce taxable income in future years.

9. Subsequent event

Subsequent to August 31, 1987, the company issued a total of 600,000 shares at \$6.75 per share to Montagu Mining Finance Limited by way of private placement.

10. Comparative figures

Consolidated financial statements for the year ended August 31, 1985 and for the period from inception (June 22, 1983) to August 31, 1985 were reported on by other auditors whose report expressed an unqualified opinion on those statements.

11. Differences between Canadian and United States generally accepted accounting principles

Under Canadian accounting principles, administrative expenditures for development stage companies are deferred and allocated to particular properties and are amortized on the basis of reserves if production is achieved or written off in the event the property to which they relate is sold or abandoned. Under United States accounting principles, administrative expenditures are written off as period costs.

Material effects of the different generally accepted accounting principles on the company's income statement and balance sheet are as follows:

	Years ended August 31,			Inception (June 22, 1983) to August 31, 1987 \$
	1987 \$	1986 \$	1985 \$	
Loss as determined under Canadian accounting principles		198,468		198,468
Add back: Costs written off under Canadian accounting principles during the year but already written off under United States accounting principles		(54,887)		
Write-off of administration costs not written off under Canadian accounting principles	672,419	1,855	24,561	674,274
Loss as determined under United States accounting principles	672,419	145,436	24,561	872,742
Deficit accumulated during the development stage as determined under United States accounting principles				
Beginning of period	200,323	54,887	30,326	
End of period	872,742	200,323	54,887	
Material effects of the different generally accepted accounting principles on the company's balance sheet are as follows:				
Resource properties and deferred exploration and administration costs				
As determined under Canadian accounting principles	6,064,882	103,422	124,531	
Cumulative administration costs deferral not allowed under United States accounting principles	(674,274)	(1,855)	(54,887)	
As determined under United States accounting principles	5,390,608	101,567	69,644	
Total assets				
As determined under Canadian accounting principles	8,515,854	4,736,484	124,918	
Administration costs deferral not allowed under United States accounting principles	(674,274)	(1,855)	(54,857)	
As determined under United States accounting principles	7,841,580	4,734,629	70,061	
Loss per share	\$0.11	\$0.03	\$0.01	

CORPORATE INFORMATION

Officers

Robert G. Hunter, President
Robert A. Dickinson, B.Sc., M.B.A.,
Secretary

Directors

Robert A. Dickinson
Jeffrey P. Franzen, M.Sc., P.Eng.
Robert G. Hunter
Alistair M.R. MacLennan

Corporate Address

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1600—609 Granville Street
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V7Y 1C3

Auditors

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110 Yonge Street
Toronto, Ont.
M5C 1T4

Bank

Canadian Imperial Bank of Commerce
400 Burrard Street
Vancouver, B.C.
V6C 3A6

Trades

Vancouver Stock Exchange (NAM:V)
NASDAQ (NAMVF)

Capitalization

Common authorized	30,000,000
Issued	7,204,136
Fully diluted	7,601,536

Annual Meeting

The Annual General Meeting of the Shareholders of North American Metals Corp. will be held in the Connaught Room, Mandarin Hotel, Vancouver, B.C. at 2:00 p.m. on Tuesday, December 15, 1987.



NORTH AMERICAN METALS CORP.

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