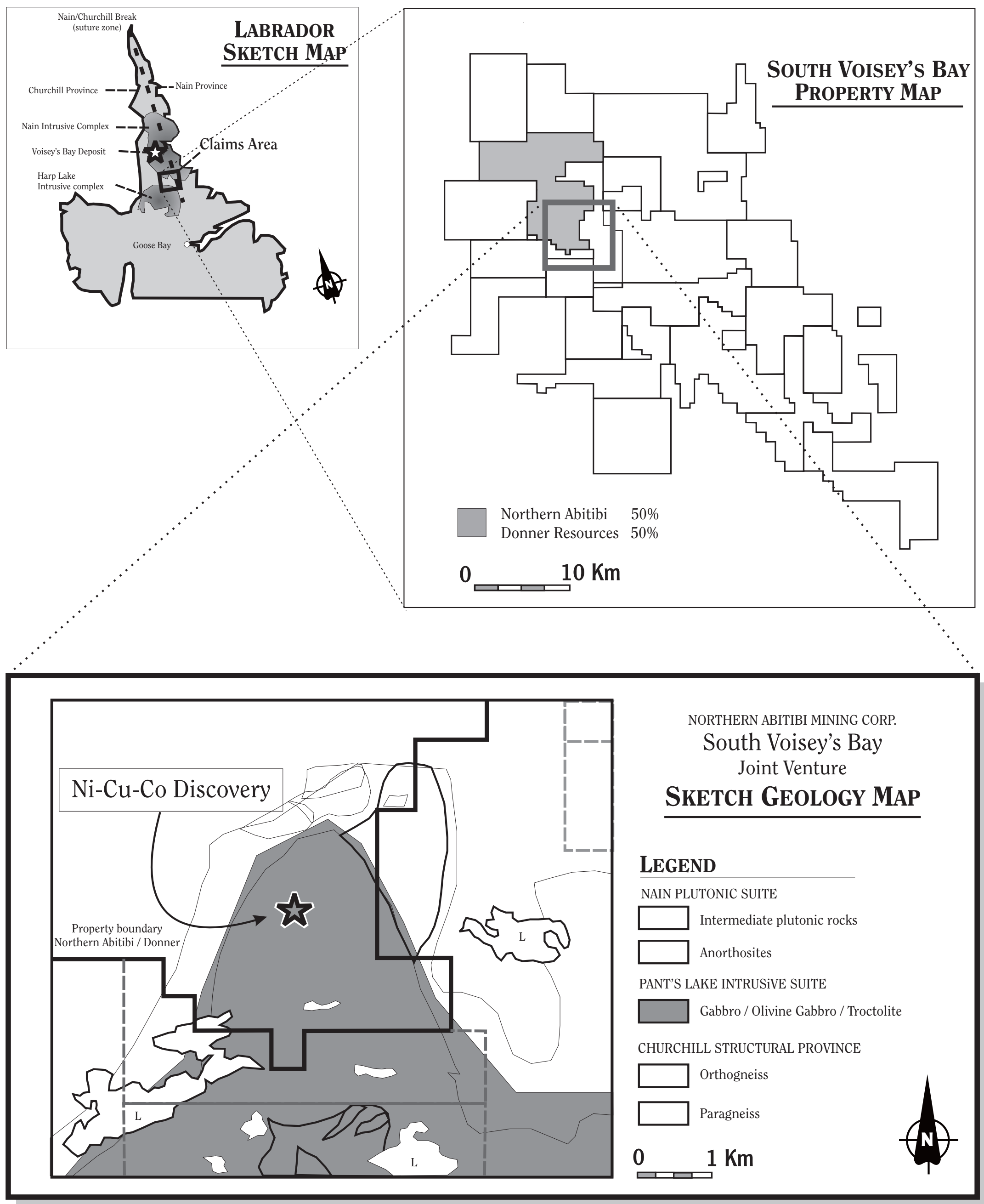
1997 Annual Report

South Voisey's Bay Joint Venture Location Maps



Annual Meeting

The Annual and Special Meeting of common shareholders of Northern Abitibi Mining Corp. will be held in the Queen Elizabeth Hotel, 900 Blvd Rene Levesque West, Montreal, Quebec on Friday the 13th of March, 1998 at 11:00 am.

President's Message

During 1997 Northern Abitibi concentrated its exploration activities on its base metals prospects in Labrador and its effort to acquire and explore diamond and gold properties in the Republic of Guinea, West Africa. Only property maintenance work was conducted on the Company's portfolio of gold and base metals projects located in the Province of Quebec.

The highlight of the Company's exploration activity in the past year is the progress that has been made on what has been termed the "South Voisey's Bay Project" in Labrador. This project area has been created by Donner Minerals Ltd. ("Donner") which has consolidated the ownership of a large number of claims in Labrador, located about 90 kilometres south of the Voisey's Bay nickel-copper-cobalt deposit now owned by Inco Limited. This deposit has a total estimated reserves/resources of 98,700,000 tonnes and is being prepared for development/production scheduled for the year 2000. Donner has entered into a number of option and joint venture agreements with several junior exploration companies, including Northern Abitibi. Donner has earned its fifty percent interest in the 358 claims optioned from Northern Abitibi and has completed a successful 1997 exploration program including diamond drilling. This exploration program was operated by Teck Exploration Ltd. and has resulted in three initial discovery holes which indicate significant grades of nickel, copper and cobalt over varying thicknesses. It now appears that the geological model has been established and verified by the 1997 exploration program. These drill holes are the most significant ones drilled in Labrador since the discovery of the Voisey's Bay deposits by Diamond Fields Resources Inc. in 1994. An aggressive diamond drilling program will be designed to begin the evaluation of these discoveries in the spring of 1998.

Northern Abitibi expended significant resources in 1997 to establish a presence in the Republic of Guinea, West Africa and to acquire diamond and gold properties of merit. In late 1996 Northern Abitibi entered into a business relationship with International Mining Company S.A. ("IMC"), a Guinean company that was test mining an alluvial diamond mining concession near Kerouane. An option and joint venture agreement was negotiated wherein Northern Abitibi would fund up to $1,650,000 U.S. to earn up to a fifty percent interest in the project. In April IMC attempted to unilaterally cancel this option and joint venture deal with Northern Abitibi and then announced a much more lucrative business relationship with Hymex Diamond Corporation, a Vancouver Stock Exchange listed mining company. As a result Northern Abitibi commenced legal action against IMC to enforce its contract and for damages from IMC and Hymex. Late in the fiscal year a business solution to the dispute was negotiated. Subject to the approval of the regulatory authorities Northern Abitibi will be reimbursed for its expenditures under the option agreement with IMC and will receive 500,000 common shares of Hymex Diamond Corporation. Northern Abitibi will continue to investigate Guinea for diamond and gold properties of merit.

On October 22, 1997, Northern Abitibi announced that, subject to regulatory and shareholders approvals, the parent Company Golden Rule Resources Ltd. would subscribe for a private placement consisting of 2,800,000 units at a price of $0.72 per unit. Each unit consists of a common share and a share purchase warrant. Each warrant is exercisable at $0.84 per share for the first year and $1.00 per share for the second year. The proceeds will be used to fund the Company's 1998 exploration program and budget at South Voisey's Bay.

The Directors and Management of Northern Abitibi look forward with optimism to the 1998 exploration season which will be focussed on the diamond drilling of its fifty percent owned South Voisey's Bay property which is scehduled to be underway by April.

(Signed)

Glen H. Harper, President

Labrador Exploration Report
South Voisey's Bay

Northern Abitibi Mining Corp.	50%
Donner Minerals Ltd.	50% *

* Teck Corporation can earn one-half of this interest.

Donner Minerals Ltd. ("Donner") has earned a fifty percent (50%) participating interest in the 358 claims (5,728 hectares) owned by Northern Abitibi and located in the North Harp Lake area of Labrador. Donner has named this exploration area the South Voisey's Bay Project. The Voisey's Bay deposits that were discovered by Diamond Fields Resources Inc. in late 1994 are located about 90 kilometres to the north of this project area. The Voisey's Bay deposits have reserves and indicated resources of 98.7 million tonnes grading 1.85% Nickel, 0.99% Copper and 0.10% Cobalt and Inco Limited estimates that the property contains an inferred mineral resource of 150 million tonnes. Inco Limited is currently preparing this multi-billion dollar project for production in about three years.

After the initial discoveries by Diamond Fields Resources Inc., a staking rush occurred in 1994 and a host of junior exploration companies acquired properties and initiated exploration programs. To date none of these exploration programs have resulted in the discovery of base metals mineralization similar to that at Voisey's Bay. Many of these programs were terminated in the last year as their results were not encouraging.

During 1996 Donner entered into a number of option and joint venture agreements with junior exploration companies that had acquired claims to cover several gabbroic intrusions located adjacent to the Nain-Churchill structural break north of the Harp Lake pluton. This area has regional structures and rock types similar to the Voisey's Bay region. After consolidating a large land package to cover the geological areas of interest, Donner entered into a contractual relationship with Teck Corporation ("Teck") to fund exploration and to conduct exploration of the land package. Teck has the right to participate in the property interests owned by Donner pursuant to the terms and conditions of the option and joint venture agreements entered into by Donner with the property owners in the area. In addition Donner, as Operator of the various exploration programs, contracted the exploration arm of Teck Corporation, Teck Exploration Ltd., to design and conduct the 1997 exploration programs.

The option and joint venture agreement negotiated between Northern Abitibi and Donner allowed Donner to earn a fifty percent (50%) interest in the Northern Abitibi property by:

1) making $50,000 in property payments;

2) issuing 120,000 common shares of Donner to Northern Abitibi; and

3) funding $360,000 in exploration.

The initial exploration program on the property was conducted by Northern Abitibi in 1995 and consisted of airborne geophysical surveys and follow-up geochemical surveying, geological mapping, prospecting and sampling. The 1995 program identified a geological environment similar to that at Voisey's Bay. Donner entered into the option and joint venture agreement with Northern Abitibi in the spring of 1996 and conducted a follow-up exploration program in the summer of 1996. This program consisted of ground geophysical surveys and geological work and mapped the suite of intrusive gabboric rocks that could host significant base metals deposits.

Labrador Exploration Report
South Voisey's Bay
continued

In 1997 Teck Exploration Ltd. designed and implemented the overall South Voisey's Bay exploration program for Donner. This integrated geological and geophysical program was designed to identify the location of the olivine bearing gabbroic (troctolite) rocks that could host a nickel, copper and cobalt deposit. During the summer of 1997 the geophysical program conducted on the southern part of the Northern Abitibi claims identified several diamond drill targets in the area underlain by the gabbroic and troctolitic rocks and in September of 1997 the initial diamond drill program commenced to test these targets.

The initial drilling was positive in that troctolite rocks containing disseminated sulphide mineralization were encountered. In September, drill hole #97-67 encountered the first massive sulphide mineralization on the property, which contained significant base metals values over several short core intervals.

	Interval (m)	Intersection (m)	Nickel (%)	Copper(%)	Cobalt (%)
SVB97-67	176.2-176.5	0.3	1.73	1.64	0.23
	178.9-179.5	0.6	1.93	1.07	0.26
	180.3-180.4	0.1	1.35	0.84	0.17

The massive sulphide intersections were located at the base of the magma chamber at the contact of the sulphide bearing troctolite rock with the surrounding gneissic country rock. The gneiss represented metamorphosed sediments which probably supplied sulphur to the molten gabbroic intrusives that contained the base metals. The metals combined with the sulphur and formed the sulphides which differentially settled to the bottom of the magma chamber due to the effect of gravity. Subsequent to the initial formation of these massive magmatic sulphides, structural deformation, faulting and metamorphism can change the location and distribution of the mineralization. During the period of the initial drill program a detailed gravity geophysical survey was conducted over the area of the South Voisey's Bay Project that is underlain by the gabbroic intrusives. This gravity survey was designed to identify those areas of the property underlain by thicker troctolite units containing massive sulphide mineralization. The survey is also useful in identifying structurally controlled feeder zones that allowed the molten rock to flow from the mantle to the magma chamber.

In October a second important diamond drill hole intersection was made in drill hole #97-75 located about 300 metres northwest of the initial discovery hole. A narrow intersection of massive sulphide assayed spectacular high grade base metals values which further proved the geological model that is being used to guide the exploration program.

	Interval (m)	Intersection (m)	Nickel (%)	Copper(%)	Cobalt (%)
SVB97-75	176.8-177.9	0.9	11.75	9.70	0.43

As well as encountering disseminated and massive sulphides in the troctolite intrusive rocks this high grade massive sulphide intersection was encountered in a structure located in the gneissic rocks located about thirteen metres below the gabbro-gneiss contact which probably represents the bottom of the magma chamber. This type of structurally controlled high grade mineralization in the country rocks has led to economic deposits in the Sudbury camp in Canada and Norilsk in Russia.

LABRADOR EXPLORATION REPORT
SOUTH VOISEY'S BAY
continued

In late November further drilling was initiated to test the area of the higher gravity and magnetic anomalies in the area of the known massive sulphide mineralization. The last drill hole of the 1997 drill program, #97-96 encountered a thick intersection of significant base metals mineralization. This hole is located about 200 metres to the southwest of drill hole #97-75 and 470 metres to the west of drill hole #97-76.

	Interval (m)	Intersection (m)	Nickel (%)	Copper(%)	Cobalt (%)
SVB97-76	184.3 - 185.8	1.5	1.06	0.82	0.18
	185.8 - 187.3	1.5	1.19	0.65	0.21
	187.3 - 188.8	1.5	1.02	0.78	0.18
	188.8 - 190.3	1.5	0.99	0.74	0.17
	190.3 - 191.9	1.6	1.09	0.96	0.20
	191.9 - 193.4	1.5	1.15	0.78	0.20
	193.4 - 194.9	1.5	1.13	0.70	0.20
	194.9 - 196.4	1.5	1.11	0.80	0.20
	196.4 - 197.9	1.5	1.27	0.84	0.22
	197.9 - 199.0	1.1	1.34	0.75	0.23
	199.0 - 200.0	1.0	1.22	0.66	0.22

The mineralization in this drill hole has given more evidence to support the geological model. The grade of mineralization appears to be economic as it contains a total metal value of over $150/tonne using current metal prices. The grades are remarkably consistent over each sample interval. The high cobalt grade is particularly of interest at this time. The thickness is of most importance as it indicates that a large volume of massive sulphide mineralization can be found on the property.

Early in 1998 an integrated geological and geophysical exploration program and budget will be designed by the joint venture to further evaluate the base metals mineralization located on the Northern Abitibi claims. This program will include an aggressive diamond drill program scheduled to begin in the spring. To date Northern Abitibi has funded about $800,000 on this project including about $518,000 for the program conducted subsequent to the fiscal year end. Northern Abitibi's fifty percent interest in this highly prospective and exciting exploration program will be the priority property interest for the Company's 1998 exploration budget.

EASTERN CANADA EXPLORATION REPORT
DOUAY NORTHWEST

Northern Abitibi Mining Corp.	50%
Societe D'Exploration Miniere Vior Inc.	25%
SOQUEM	25%

Northern Abitibi's Douay property consists of 76 claims of 16 hectares each. In June of 1997, SOQUEM and Societe d'Exploration Miniere Vior notified Northern Abitibi that they had fulfilled the work and funding commitments necessary for their earning of a fifty (50%) interest in the property, as set forth in the 1992 option and joint venture agreement. A joint venture Management Committee now will be formed to continue the exploration of the property. SOQUEM has already proposed an exploration program and budget including a seven hole, 2050 metre diamond drill program for the 1998 winter exploration season.

Previous work by SOQUEM identified numerous mineralized horizons which were anomalous in gold over lengths of 300 to 800 meters. Drill results over the first five years of exploration work included gold intersections such as 26g/T over 1.4 meters, 10.7g/T over 5 meters, 2.76g/T over 0.8 meter and 2.29g/T over 1.0 meter.

The January 1997 ten hole, 2892 metre drill program was not successful in extending the known gold zones but did result in the discovery of two new mineralized sectors. Intersections above 1 g/T gold in the 1997 drilling included:

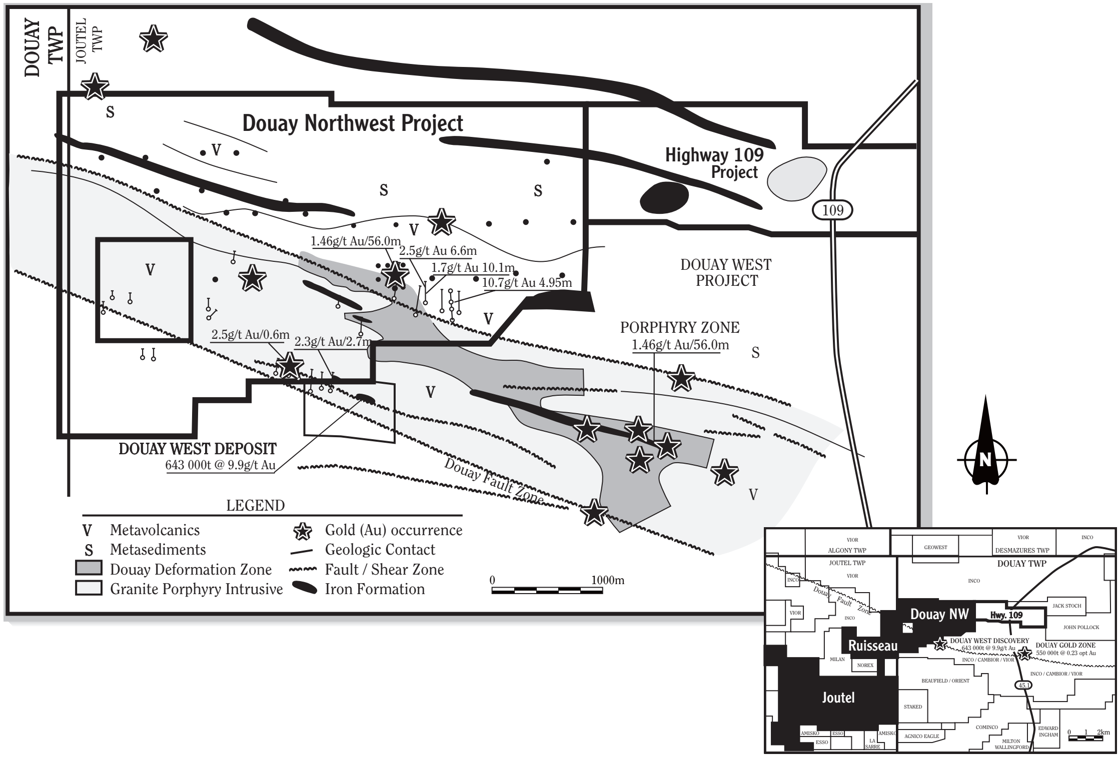
DDH Number	Interval (m)	intersection (m)	Au Grade (g/T)
97 - 12	99.0 - 99.8	0.9	1.40
	187.5 - 191.9	4.4	1.99
	including	0.9	6.47
97 - 13	332.3 - 333.4	1.1	1.73
	356.6 - 360.4	3.8	1.74
97 - 14	130.1 - 131.6	1.5	4.07
	160.7 - 161.7	1.0	2.27
	168.4 - 169.4	1.0	2.83
97 - 16	141.0 - 142.5	1.5	1.80
97 - 17	304.3 - 305.2	0.9	1.40
97 - 19	33.5 - 42.5	1.0	1.28

Although these intersections remain sub-economic in this type of environment, the mineralization is widespread and the drilling widely spaced. The proximity of the Douay West Deposit which is to be developed by Aurizon Mines Ltd., the similarity between the geological environments and the presence of multiple anomalous areas that remain virtually untested continue to make the property an excellent candidate to host one or more gold deposits.

As of May 1997, construction of all surface facilities necessary to support an underground exploration program was essentially complete on the Aurizon/Vior Douay Project which is located immediately south of the Northern Abitibi property boundary. Aurizon intends to bulk test the deposit which has published resources of 642,905 tonnes grading 9.9 g/T gold. The structure hosting the deposit and the deposit itself extend in a northwesterly direction onto the Northern Abitibi Douay property at depth.

The upcoming exploration programs will focus on the known mineralization, the extension of the Douay West Deposit on to the Joint Venture property. Drill testing is also planned on the banded iron formations located on the northern part of the permit area which may have been sheared/faulted by north-east trending structures. Many of the known deposits of the Douay-Cameron deformation corridor are associated with this type of environment.

EASTERN CANADA
EXPLORATION REPORT
continued



RUISSEAU PROJECT

Northern Abitibi Mining Corp. 100%

This project consists of 35 claims in Joutel township and is adjacent to the Douay Northwest project. It is primarily underlain by the same lithologies as the ones on the Douay Northwest property but adequate testing remains to be done to properly assess the potential of the claims. Work to date has consisted of geophysical surveys as well as limited drilling.

SOQUEM has given notice to Northern Abitibi Mining Corp. that it would no longer pursue exploration on this project pursuant to the 1992 Option Agreement. Consequently, all claims have been returned 100% to Northern Abitibi. No work was carried out during the year on these claims. The property will be re-evaluated in view of the exploration data added by the SOQUEM work performed during the option period.

HIGHWAY 109 PROJECT

Northern Abitibi Mining Corp. 100%

This project consists of 31 claims in the Douay township and is located immediately to the east of the Douay Northwest project. The property is underlain by sediments and metasediments including highly prospective iron formations, as well as minor felsic volcanic rocks.

EASTERN CANADA
EXPLORATION REPORT
continued

HIGHWAY 109 PROJECT cont'd

SOQUEM has given notice to Northern Abitibi Mining Corp. that it would no longer pursue exploration on this project, which it had optioned in 1992. Consequently, all claims have been returned 100% to Northern Abitibi.

No work was carried out during the year on these claims. The property will be re-evaluated in view of the data added by the SOQUEM work performed during the option period.

ROY PROPERTY

Northern Abitibi Mining Corp. 100%

The Roy property consists of 22 claims located in the Dubuisson township. They are located on Lac Montigny and cover the interpreted extension of the 'K Shear' which was the principal gold bearing structure exploited at the Sullivan mine between 1934 and 1968 and which produced 1,134,350 ounces of gold and 293,852 ounces of silver. The Siscoe mine, another important past producer (882,303 ounces of gold and 306,070 ounces of silver between 1929 and 1949) lies directly west of the property.

As the property is situated over a lake, geophysical surveying and diamond drilling are the only effective ways to properly evaluate the claim block. Induced Polarization and Magnetic surveys have been completed and various offers have been made during the year to option or joint venture the property for exploration drilling. The location of the property and the available data suggests that the probability of outlining gold mineralization on this property is very high.

RETTY LAKE PROPERTY

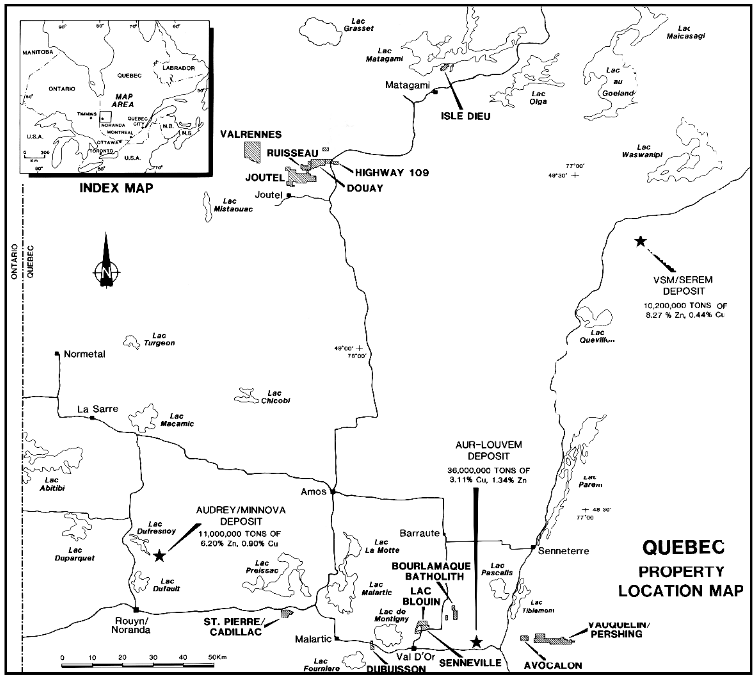
Northern Abitibi Mining Corp. 100%

The interpretation of the 1996 exploration data resulted in the reduction of the Retty Lake property to a quarter of its original size. In May 1997, the two Mineral Exploration Licences which originally covered 800 sq. km (80 000 hectares) were reduced to three blocks covering the anomalous sectors over a total area of about 20,000 hectares. Retty Lake lies about 250 km southwest of Voisey's Bay and approximately 50 km northeast of Shefferville in the Labrador Trough.

The Licence area covers a belt of gabbro, ultramafics and metasediments of Upper Proterozoic age in a setting broadly similar to the Voisey's Bay deposit. It also appears to lie on the trend of mineralization that includes Falconbridge's Raglan nickel-copper deposit (18 million tons 3.1% nickel and 0.9% copper) and the Hawk Ridge project of Troymin Resources Ltd. There are 16 significant nickel-copper showings known on the permits, along with many smaller occurrences.

Further to the south in the Lac Willbob - Doublet Lake area, a band of massive pyrrhotite, 1-2 metres thick, with minor chalcopyrite has been traced semi-continuously for over twenty kilometres. Locally, minor values for copper were obtained. No significant exploration was conducted on the property in 1997.

EASTERN CANADA
EXPLORATION REPORT
continued



EASTERN CANADA PROJECTS

Project	Ownership	Exploration Status
1. Isle Dieu, PQ	Northern Abitibi 50%	Diamond drilling - Cu intersection
	Hixon Gold 50%	
2. Avocalon, PQ	Northern Abitibi 100%	Drilling, Au in shear zone
3. Dubuisson, PQ	Northern Abitibi 50%	Drilling, Au zone outlined
	Tessex Energy 50%	
4. Senneville, PQ	Northern Abitibi 100%	Drilling, Au in vein
5. Lac Blouin, PQ	Northern Abitibi 100%	Geophysics
6. Vauquelin/ Pershing, PQ	Northern Abitibi 100%	Geophysics, geochemistry, drilling
7. Bourlamaque Batholith, PQ	Northern Abitibi 100%	Geophysics, RC drilling
8. Douay, PQ	Northern Abitibi 50%	Geophysics, RC drilling, diamond drilling
	SOQUEM/Vior 50% *	
9. Joutel, PQ	Northern Abitibi 75%	Geophysics, drilling, base metal anomaly,
	Manson Creek 25%	kimberlite targets
10. Valrennes, PQ	Northern Abitibi 100%	Geophysics, diamond drilling
11. Highway 109, PQ	Northern Abitibi 100%	Geophysics, RC drilling, diamond drilling
12. Ruisseau, PQ	Northern Abitibi 100%	Geophysics, diamond drilling
13. St. Pierre/Cadillac, PQ	Northern Abitibi 100%	Geology, geophysics
14. Roy, PQ	Northern Abitibi 100%	Geophysics, geology
15. Retty Lake, PQ	Northern Abitibi 100%	Land Acquisition, geophysics '96, drilling '97
16. Harp North, Lab.	Northern Abitibi 50%	Geophysics, geology, drilling 1997,
	Donner Resources 50%	new discovery

* Option to earn.

West Africa Exploration Report
Guinea

In November 1996, Northern Abitibi entered into a Letter of Intent with International Mining Company S.A. ("IMC") of Conakry, Republic of Guinea, West Africa to earn up to a fifty percent (50%) interest in a Prospecting Permit and five Exploitation Permits in the Kerouane diamond mining district. Under that agreement, Northern Abitibi could earn up to a 50% Interest in the 422 square kilometre (105,000 acre) property by providing up to $1,650,000 U.S. before July 31, 1998. In addition Northern Abitibi agreed to issue 1,000,000 of its common shares to IMC.

Several small scale diamond mining operations are currently producing large, high quality diamonds in the Kerouane District. The recently decreed new Guinea Mining Code and reformed fiscal and tax regime has resulted in several foreign companies initiating exploration for both gold and diamonds.

The IMC property was explored and sampled for diamonds and gold in the past by the Russians and this database indicates resources of several million carats of diamonds, based on several hundred samples. In addition to alluvial deposits, there is evidence that several kimberlite pipes may be located on the property. IMC was conducting a small scale alluvial diamond test mining operation in one sector of the property. The initial funding by Northern Abitibi was to be used to expand this operation by acquiring a much larger diamond processing plant and related equipment.

Northern Abitibi advanced $250,000 U.S. to IMC to expedite the purchase of a processing plant and mining equipment in early 1997. A geological team was also sent to Guinea to begin the evaluation of the IMC property for alluvial diamonds and gold, diamondiferous kimberlite dykes and pipes and gold in hardrock deposits. Exploration and evaluation continued until April, when IMC gave notice that its agreement with Northern Abitibi was no longer in effect, as the terms of the formal Joint Venture Agreement had not been settled.

In response Northern Abitibi commenced legal action in the Ontario Courts against IMC and its principal, Mr. Jobran Shakkour to enforce the November 1, 1996 agreement or alternatively, to require IMC and Shakkour to pay damages for breach of contract. IMC subsequently attempted to grant Hymex Diamond Corporation ("Hymex") the right to acquire a 60% interest in the Kerouane Property. Accordingly, Northern Abitibi was required to include Hymex as a defendant in its action.

In September, Northern Abitibi reached an agreement with Hymex for the settlement of the legal action commenced against IMC, Jobran Shakkour and Hymex. Hymex has agreed repay Northern Abitibi the principle amount of the loan (U.S.$250,000) plus the accrued interest thereon, and in addition will issue a total of 500,000 common shares to Northern Abitibi. The settlement was subject to two primary conditions in favour of Hymex. The first has been satisfied by Hymex signing an agreement for the acquisition of an interest in the Kerouane Permits. The second condition is that regulatory approval by the Vancouver Stock Exchange be received for the revised Hymex-IMC business deal by December 31, 1997. An extension to this deadline was required to allow the regulatory authorities to complete the approval process.

Northern Abitibi is pleased with the resolution of this situation. The geological staff of Northern Abitibi is currently evaluating other diamond-gold concessions in the Republic of Guinea with the intention of acquiring properties of merit.

Management's Discussion & Analysis of Financial Conditions & Results of Operations

September 30, 1997

The following analysis of Northern Abitibi's results of operations and financial position should be read in conjunction with the financial statements and related notes.

Overview

Northern Abitibi is a mineral exploration and development company with mineral properties in Canada and West Africa. To date revenues have been derived almost exclusively from interest income, which is dependent on available cash balances and prevailing interest rates, and exploration overhead fees, the magnitude of which is dependent on the level of exploration expenditures managed by the Company. Corporate expenses relate to administration and related overhead costs.

Other items, which tend to have a more significant effect on earnings, relate to write-downs of mineral prospects based on geological, political and economic conditions.

Results of Operations

Earnings/Loss for the Year: The Company's loss for the year ended September 30, 1997 was $276,000 or $0.01 per share compared to a loss of $1,303,000 or $0.07 per share for the year ended September 30, 1996. The loss in 1997 is primarily attributable to the abandonment and write-down of mineral properties of $219,000. During the year ended September 30, 1996, abandonment and write-down of mineral properties was significantly more, at $1,274,000.

Revenues: Interest and other income increased approximately $25,000 from the 1996 fiscal year. Of the total increase, $5,000 pertained to the increase in exploration overhead fees, with the remaining increase of $20,000 being attributable to interest income. A significant private placement of common shares during fiscal 1997 resulted in increased interest-earning cash balances. Notes receivable of $339,000, which represented advances made to a Company in November and December of 1996, bear interest at prime plus 3%. Interest income of $23,000 was accrued on the advances to September 30, 1997.

Corporate Expenses: Corporate expenses increased by $53,000 from the previous year. One-time consulting fees of $18,000 were incurred in fiscal 1997 and, due to management reorganization, accounting and investor relations consulting increased $12,000 in aggregate over the previous year. Office lease costs and moving expenses contributed to an $11,000 increase over the prior year due to the head office relocation which took place at the end of fiscal 1996. The remaining $12,000 increase was due to administrative costs associated with exploration activities in a foreign jurisdiction, (The Republic of Guinea), and an increased focus on communications with shareholders.

Liquidity and Capital Resources

The Company is debt free and had $189,000 in cash and short-term investments as at September 30, 1997, (1996 - $106,000). The Company has a positive working capital position of $271,000 at September 30, 1997, an improvement over the negative working capital position at September 30, 1996 of $124,000.

Management's Discussion & Analysis of Financial Conditions & Results of Operations
continued

There will be two principal sources of funding for planned exploration in the 1998 fiscal year. The Company plans to raise $2,016,000 in capital pursuant to a private placement with its parent company, Golden Rule Resources Ltd. The private placement, which has conditionally been approved by the Alberta Stock Exchange and is subject to shareholder approval, consists of 2,800,000 units at a price of $0.72 per unit. Each unit will be comprised of one common share and one share purchase warrant which may be exercised at $0.84 per share in the first year and $1.00 per share in the second year. The second anticipated source of funding is proceeds from a pending settlement agreement. Upon the closing of the settlement agreement the Company would receive $250,000 US ($340,000 CDN) plus accrued interest to the settlement date, as well as common shares in a publicly traded company which will be subject to a six month hold period.

Operating Cash Flow: Operating activities have not been a significant source of or requirement for liquidity.

Financing Activities: During the 1997 fiscal year the Company issued 4,000,000 common shares pursuant to a private placement for net proceeds of $897,000 after deducting costs of issue of $3,000. In addition, stock options were exercised resulting in the issue of 290,000 shares for net proceeds of $71,000 after deducting share issue costs of $1,000.

Investing Activities: The advances made pursuant to notes receivable in fiscal 1997 represented a use of funds of $339,000. Investments acquired in fiscal 1997 totaled $75,000, (1996 - $54,000). Option payments received pursuant to a joint venture agreement with Donner Minerals Ltd. of $113,200, (1996 - $64,000) were comprised of cash payments of $40,000, (1996 - $10,000) and the value of Donner shares received of $73,200, (1996 - $54,000).

Mineral property additions in fiscal 1997 totaled $214,000. Expenditures in the Republic of Guinea aggregating $176,000 represented the bulk of the total additions. The remaining expenditures were incurred predominantly on the Roy and Retty Lake properties. The fiscal 1996 additions of $388,000 to the Retty Lake properties comprised the majority of the $665,000 mineral property additions in the year ended September 30, 1996. Of the remaining expenditures, $ 237,000 was expended on various Labrador properties and $40,000 on various properties in Quebec.

Risks and Uncertainties

Northern Abitibi operates in the mining industry in an international environment, and accordingly its success in achieving its objectives is affected by numerous circumstances over which it has no control. In addition to the risks inherent in the exploration of natural resources, the Company faces risks associated with political instability, commodity prices and their effect on the valuation of mineral properties and equity issues, as well as risks associated with changes in general economic conditions.

Outlook

Northern Abitibi's 50% interest in the South Voisey's Bay, Labrador exploration program that is being pursued jointly with Donner Minerals Ltd., will be the priority property interest for the Company's 1998 exploration budget. Early in 1998 the budget for the exploration program, which will further evaluate the base metals mineralization located on the Northern Abitibi claims, will be established by the joint venture.

Management's Statement of Responsibility for Financial Reporting

To the Shareholders of Northern Abitibi Mining Corp.:

The accompanying consolidated financial statements and other financial information included in this annual report are the responsibility of the management of Northern Abitibi Mining Corp. and have been approved by the Board of Directors. The financial statements have been approved by management, and are prepared in conformity with Canadian Generally Accepted Accounting Principles. The financial statements include estimates based on the experience and judgement of management in order to ensure that the financial statements are presented fairly in all material respects. Financial information presented elsewhere in the annual report is consistent with that in the financial statements.

The management of the company developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate. In addition, programs of proper business conduct and risk management are implemented to protect the Company's assets and operations and to give reasonable assurance that transactions are properly authorized, assets are guarded from loss or misuse and financial records are maintained to provide reliable financial information for preparation of financial statements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control, with the assistance of the Audit Committee. The Board appoints the Audit Committee, comprised of Directors, the majority of which are non-management. This committee meets periodically with management and the Company's external auditors to discuss audit examinations, internal control, accounting policy and financial reporting matters.

The Audit Committee also reviews with management the annual and quarterly consolidated financial statements of the Company prior to submission to the Board of Directors for final approval. The external auditors have full and unrestricted access to the Audit Committee. The Audit Committee recommends a firm of external auditors, to be appointed by the shareholders. Doane Raymond has been appointed the external auditors of the Company to provide an independent professional opinion on the annual consolidated financial statements. The auditors' report to the shareholders is presented on the following page.

(Signed) Glen Harper

President

(Signed) Shari Difley

Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Northern Abitibi Mining Corp.:

We have audited the consolidated balance sheets of Northern Abitibi Mining Corp. as at September 30, 1997 and 1996 and the consolidated statements of operations 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 September 30, 1997 and 1996 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.

(Signed) Doane Raymond

Calgary, Alberta
November 28, 1997

Chartered Accountants

Balance Sheets

September 30	1997	1996
ASSETS		
CURRENT		
Cash	**$ 189,082**	$ 105,815
Accounts receivable	**118,863**	45,983
	307,945	151,798
NOTES RECEIVABLE Note 3	**338,506**	-
INVESTMENTS, (market value - $128,000: 1996 - $94,000)	**129,420**	54,000
MINERAL PROPERTIES Note 4	**2,701,417**	2,818,931
	$ 3,477,288	$ 3,024,729
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 36,550**	$ 275,538
SHAREHOLDERS' EQUITY		
CAPITAL STOCK Note 5	**6,346,111**	5,378,697
DEFICIT	**(2,905,373)**	(2,629,506)
	3,440,738	2,749,191
	$ 3,477,288	$ 3,024,729

Approved on behalf of the Board

(Signed) Glen Harper Director (Signed) Lesley Hayes Director

See accompanying notes to the financial statements.

Statements of Operations and Deficit

Years Ended September 30	**1997**	1996
REVENUE		
Interest and other	**$ 35,505**	$ 10,690
EXPENSES		
General and administrative	**69,205**	21,822
Professional fees	**11,050**	7,344
Reporting to shareholders	**8,142**	6,418
Stock exchange and transfer agent fees	**4,388**	4,579
	92,785	40,163
Loss before the undernoted	**(57,280)**	(29,473)
Abandonments and write-down of mineral properties	**(218,587)**	(1,273,924)
NET LOSS	**(275,867)**	(1,303,397)
DEFICIT, beginning of year	**(2,629,506)**	(1,326,109)
DEFICIT, end of year	**$(2,905,373)**	$ (2,629,506)
LOSS PER SHARE	**(1.3)¢**	(7.4)¢

See accompanying notes to the financial statements.

Statements of Changes in Financial Position

Years Ended September 30	**1997**	1996
FINANCIAL RESOURCES WERE PROVIDED BY:		
OPERATING ACTIVITIES		
Cash used in operations		
Net loss	**$ (275,867)**	$ (1,303,397)
Items not involving cash		
Abandonments and write-down of mineral properties	**218,587**	1,273,924
	(57,280)	(29,473)
Net change in non-cash operating working capital	**(311,868)**	64,712
	(369,148)	35,239
FINANCING ACTIVITIES		
Issue of shares for cash	**967,414**	247,326
FINANCIAL RESOURCES GENERATED FROM OPERATING AND FINANCING ACTIVITIES	**598,266**	282,565
FINANCIAL RESOURCES WERE USED IN:		
INVESTING ACTIVITIES		
Notes receivable	**338,506**	-
Investments	**75,420**	54,000
Option payments	**(113,200)**	(64,000)
Mineral property additions	**214,273**	665,077
FINANCIAL RESOURCES USED IN INVESTING ACTIVITIES	**514,999**	655,077
INCREASE (DECREASE) IN CASH	**83,267**	(372,512)
CASH, beginning of year	**105,815**	478,327
CASH, end of year	**$ 189,082**	$ 105,815

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 1997 and 1996

1. NATURE OF OPERATIONS

Northern Abitibi Mining Corp. is engaged exclusively in the business of mineral exploration and development and, as the Company has no mining operations, is considered to be in the development stage. The majority of the Company's activities to date have been conducted in Canada and, as a result, segmented information is not presented.

Mineral properties are recognized in these financial statements in accordance with the accounting policies outlined in Note 2. Accordingly, their carrying values represent costs incurred to date, net of recoveries, abandonments and write-downs, and do not necessarily reflect present or future values. The recoverability of these amounts is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development and upon future profitable operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets, such as resource properties (see note 1), and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

b) Mineral Properties

Costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest basis. These expenditures will be charged against income, through unit-of-production depletion, when properties are developed to the stage of commercial production. Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. If an area of interest is abandoned or management determines there is a permanent and significant decline in value, the related costs are charged to operations.

c) Flow-through Common Shares

The Company credits the full amount of the proceeds of flow-through shares, which transfer the deductibility of exploration expenses to the investor, including the premium paid for such tax deductions, to capital stock.

d) Joint Interest Operations

Certain of the Company's exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

e) Investments

Portfolio investments are carried at cost, less provision for declines in value that are considered to be other than temporary.

f) Foreign Currency

Foreign currency denominated monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Foreign currency denominated non-monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect on the transaction date. Revenue and expense items are translated at average exchange rates for the period. Foreign exchange gains or losses are included in the determination of net earnings for the period.

g) Financial Instruments

The fair market value of the notes receivable, cash, accounts receivable, exploration advances, accounts payable and accrued liabilities approximate their carrying values.

NOTES TO THE FINANCIAL STATEMENTS

continued

September 30, 1997 and 1996

3. NOTES RECEIVABLE AND CONTINGENT GAIN

The notes receivable represent advances to a corporation, aggregating $250,000 U.S., ($338,506 Cdn), which were issued in conjunction with the proposed joint acquisition of a mineral interest in the Republic of Guinea, West Africa. Security provided for the notes, which bear interest at prime plus 3%, is comprised of equipment and a personal guarantee of a director of the corporation. The loan was due and payable on December 31, 1996.

During the year the Company commenced legal action to recover the advances and costs incurred on the mineral property. In September 1997 a settlement agreement was reached the closing of which is contingent upon the Vancouver Stock Exchange accepting the transactions included in the agreement by December 31, 1997. Pursuant to the Settlement Agreement, a third party has agreed to purchase the loan from the Company for $250,000 U.S. plus interest at prime plus 3% accruing to the date of settlement. Further, the party has agreed to issue 500,000 of its common shares to the Company and the Company has agreed to hold these shares for a period of six months from the closing date of the Settlement Agreement.

The value of the common shares received pursuant to the Settlement Agreement will be reflected as mineral property cost recoveries. Any excess of recoveries over the related Guinea property costs will be recognized as income in the year of settlement. Since the value of the shares cannot be assessed until the closing date, no estimate of the contingent gain can be made at this time.

4. MINERAL PROPERTIES

	Mineral Claims and Permits	Exploration and Development Expenditures	Total
Balance, September 30, 1995	$ 1,911,344	$ 1,580,434	$ 3,491,778
Costs incurred	85,073	580,004	665,077
Abandonments and write- downs	(652,611)	(621,313)	(1,273,924)
Option Payments	-	(64,000)	(64,000)
Balance, September 30, 1996	1,343,806	1,475,125	2,818,931
Costs incurred (recoveries)	(29,384)	243,657	214,273
Abandonments and write- downs	(7,745)	(210,842)	(218,587)
Option payments	-	(113,200)	(113,200)
Balance, September 30, 1997	**$ 1,306,677**	**$ 1,394,740**	**$ 2,701,417**

Approximately $778,000 (1996 - $778,000) of the foregoing mineral claim costs resulting from acquisition agreements and $1,024,000 (1996 - $1,024,000) of the foregoing exploration expenditures, funded from the proceeds of flow-through share issues, have no cost basis for income tax purposes.

During 1997, the Company entered into a Funding Agreement with Manson Creek Resources Ltd. (Manson Creek), a company related by virtue of common officers and directors, wherein Manson Creek agreed to fund up to $230,000 of exploration expenditures on properties of the Company. After Manson Creek has funded the expenditures, the Company is committed to fund an equal amount of exploration expenditures on Manson Creek properties by September 30, 1998. As at September 30, 1997, there remains up to $230,000 of exploration expenditures to be funded by the Company.

NOTES TO THE FINANCIAL STATEMENTS

continued

September 30, 1997 and 1996

5. CAPITAL STOCK

		1997		1996
Common Shares	**$**	**6,241,905**	$	5,378,697
Contributed surplus		**104,206**		-
	$	**6,346,111**	$	5,378,697

a) Common Shares

i) Authorized:
Unlimited number of common shares without par value.

ii) Issued:

	September 30, 1997		September 30, 1996	
	Number of Shares	**Stated Value**	Number of Shares	Stated Value
Balance, beginning of year	18,509,405	$ 5,378,697	17,259,405	$ 5,131,371
Issued for cash:				
Private placement of flow-through shares, net of expenses of issue of $2,674	-	-	1,250,000	247,326
Private placement net of expenses of issue of $3,413	4,000,000	896,587	-	-
Exercise of stock options, net of expenses of issue of $1,673	290,000	70,827	-	-
Cancellation of escrow shares	(374,377)	(104,206)	-	-
Balance, end of year	22,425,028	$ 6,241,905	18,509,405	$ 5,378,697

b) Contributed surplus

	1997		1996
$	104,206	$	-

During the year ended September 30, 1997 the Company received regulatory approval to cancel 374,377 escrow shares for no consideration.

Contributed surplus represents the average stated value of the escrow shares cancelled.

c) Outstanding options

Under stock option plans, up to 10% of the outstanding common shares of the Company are, from time to time, reserved for issuance to eligible participants. At September 30, 1997, options for 2,262,000 shares (1996 - 1,055,000 shares) were outstanding with exercise prices ranging from $0.25 per share to $0.84 per share (weighted average price being $0.44 per share) and expiration dates at various times to September 23, 2002. The exercise price of options granted under the plans is equal to the fair value of the shares at the date of issuance.

Subsequent to September 30, 1997, options to purchase 56,500 shares at $0.25 per share and 25,000 shares at $0.40 per share were exercised.

d) Outstanding warrants

	1997		1996	
Expiry Date	**Number of Shares**	**Price**	Number of Shares	Price
May 2, 1997	-	$ -	2,500,000	$ 0.50
May 21, 1998	1,250,000	0.25	1,250,000	0.25
	1,250,000		3,750,000	

Subsequent to September 30, 1997, warrants to purchase 525,000 shares at $0.25 per share were exercised.

NOTES TO THE FINANCIAL STATEMENTS

continued

September 30, 1997 and 1996

6. RELATED PARTY TRANSACTIONS

The Company's parent, Golden Rule Resources Ltd. (Golden Rule), its affiliates, officers of the Company, and corporations in which certain of the Company's officers and directors are shareholders incurred exploration expenditures on the Company's behalf and provided services, at usual professional rates, as presented below.

	1997	1996
Geological and exploration	**$ 44,221**	$ 56,000
Rent and direct administrative	**41,161**	27,000
	$ 85,382	$ 83,000

Included in accounts payable is $5,779 (1996 - $56,991) due to Golden Rule with respect to the foregoing and exploration programs.

The following amounts, due to or from corporations related through common management and directors, are included in accounts receivable and accounts payable respectively at year end as presented below. The amounts relate to reciprocal funding agreements.

	1997	1996
Accounts receivable-Manson Creek Resources Ltd.	**$ 21,000**	$ -
Accounts payable-Hixon Gold Resources Inc.	**$ -**	$ 100,000

7. INCOME TAXES

a) The Company has incurred losses for income tax purposes of approximately $311,000, the related benefit of which has not been recognized in the financial statements. Unless sufficient taxable income is earned in future years these losses will expire as follows:

1998	$ 52,000
1999	48,000
2000	46,000
2001	48,000
2002	22,000
2003	33,000
2004	62,000
	$ 311,000

b) The Company has available the following approximate amounts which may be deducted, at the annual rates indicated in determining taxable income of future years.

	1997	1996	Rate
Canadian exploration expenses	$ 1,117,000	$ 1,050,000	100%
Canadian development expenses	1,236,000	1,379,000	30%
Foreign exploration and development expenses	277,000	100,000	30%
	$ 2,630,000	$ 2,529,000	

8. SUBSEQUENT EVENT

Subsequent to year end, the Alberta Stock Exchange conditionally approved a private placement with Golden Rule Resources Ltd., the Company's parent, of 2,800,000 units at a price of $0.72 per unit. Each unit will consist of one common share and one share purchase warrant. Each warrant will be exercisable at $0.84 per share in the first year and $1.00 per share in the second year.

CORPORATE INFORMATION

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