FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

NORTH LILY MINING CO

CIK:**72655**| IRS No.: **870159350** | State of Incorp.:**UT** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-16740** | Film No.: **96666142**
SIC: **1000** Metal mining

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U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

[_] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE

EXCHANGE ACT

0-16740

(Commission File Number)

NORTH LILY MINING COMPANY

(Exact name of registrant as specified in its charter)

UTAH	87-0159350
(State of Incorporation)	(IRS Employer Identification No.)

SUITE 210, 1800 GLENARM PLACE, DENVER, COLORADO	80202
(Address of principal executive offices)	(ZIP Code)

(303) 294-0427

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date: November 13, 1996

Common shares	30,052,233

NORTH LILY MINING COMPANY

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 1996

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NORTH LILY MINING COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

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<S>	September 30, 1996 $ <C>	December 31, 1995 $ <C>
ASSETS		
Current Assets:		
Cash and cash equivalents	149,089	122,515
Marketable securities	45,141	448,800
Accounts receivable	168,492	44,687
Inventory	43,207	42,207
Total Current Assets	405,929	659,209
Advances to Tamarine Ventures Ltd.	164,278	35,000
Plant and equipment, net	270,152	278,111
Mineral properties, net	3,158,505	3,121,943
Other assets	107,457	107,457
Total Assets	4,106,321	4,201,720
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	433,226	381,326
Accrued and other liabilities	6,420	38,000
Reclamation liabilities	131,926	220,001
Notes payable	-	308,788
Total Current Liabilities	571,572	948,115
Due to officers	565,000	385,000
Total Liabilities	1,136,572	1,333,115
Shareholers' Equity:		
Common stock, $0.10 par value; authorized 30,000,000 shares; issued 30,052,233 and 23,946,677 shares as of September 30, 1996 and December 31, 1995, respectively	3,005,222	2,594,667
Additional paid-in capital	48,978,994	48,929,549
Accumulated deficit	(49,010,829)	(48,835,939)
Treasury stock, at cost, 144,830 shares as of September 30, 1996 and December 31, 1995	(17,395)	(17,395)
Marketable securities valuation adjustment	13,757	197,723
Total shareholders' equity	2,969,749	2,868,605
Total liabilities and shareholders' equity	4,106,321	4,201,720

</TABLE>

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

NORTH LILY MINING COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

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	For the nine months ended:	
	September 30, 1996	September 30, 1995
	$	$
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Cash flows from operating activities:		
Net loss	(174,890)	(99,358)
Adjustments to reconcile net loss to net cash provided from (used in) operating activities:		
Amortization and depreciation	2,959	44,230
Gain on disposition of mineral properties	(206,897)	(309,970)
Net realized gain on sale of marketable securities and investments	(118,883)	(77,861)
Increase in accounts receivable	(123,805)	(10,683)
Decrease in inventory	-	55,065
Decrease in other assets	-	1,575
Increase in accounts payable and accrued liabilities	200,320	102,321
Decrease in reclamation liabilities	(88,075)	(94,682)
Decrease in due to former officers and directors	-	(156,250)
Increase (decrease) in note payable	(308,788)	10,201
Other items	60,000	8,750
Net cash used in operating activities	(758,059)	(526,662)
Cash flows from investing activities:		
Acquisition and exploration of mineral properties, net of option payments received	(44,957)	139,775
Advances to Tamarine Ventures Ltd.	(129,278)	-
Proceeds from sale of marketable securities and investments	338,576	133,540
Proceeds from sale of mineral properties	215,292	-
Proceeds from sale of mining and milling equipment	5,000	66,250
Net cash provided by investing activities	384,633	339,565
Cash flows from financing activities:		
Proceeds from issuance of common stock	400,000	-
Advances from International Mahogany Corp.	-	148,508
Loan by related company	-	74,532
Net cash provided by financing activities	400,000	223,040
Net increase in cash and cash equivalents	26,574	35,943
Cash and cash equivalents at beginning of period	122,515	38,954
Cash and cash equivalents at end of period	149,089	74,897

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

NORTH LILY MINING COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
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For the three months ended:		For the nine months ended:	
September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995

	$	$	$	$
Operating expenses:				
General and administrative expenses	141,458	170,763	495,924	573,615
Exploration and property carrying costs	5,426	16,704	8,675	57,017
Operating loss	(146,884)	(187,467)	(504,599)	(630,632)
Other income:				
Interest income (expense)	2,100	686	3,929	2,775
Net realized gain on sale of marketable securities	-	12,448	118,883	77,861
Other, net	-	26,584	-	140,668
Gain on disposition of mineral properties	206,897	-	206,897	309,970
Net income (loss)	62,113	(147,749)	(174,890)	(99,358)
Net income (loss) per common share	0.00	(0.01)	(0.01)	(0.01)
Weighted average common shares outstanding	25,435,714	23,276,012	25,435,714	23,276,012

The accompanying notes are an integral part of the consolidated financial statements

</TABLE>

NORTH LILY MINING COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the periods ended December 31, 1995 and September 30, 1996
(unaudited)

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	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Marketable Securities Valuation Adjustment	Total
	Shares	Amount					
		$	$	$	$	$	$
Balance, December 31, 1994	23,420,842	2,342,084	48,545,382	(47,913,907)	(17,395)	-	2,956,164
Net loss, year ended December 31, 1995	-	-	-	(922,032)	-	-	(922,032)
Common stock issued for services rendered	70,000	7,000	7,000	-	-	-	14,000
Common stock issued on settlement of debt	1,455,835	145,583	291,167	-	-	-	436,750
Company stock issued by private placement	1,000,000	100,000	100,000	-	-	-	200,000
Share issue costs	-	-	(14,000)	-	-	-	(14,000)
Marketable securities valuation adjustment	-	-	-	-	-	197,723	197,723
Balance, December 31, 1995	25,946,677	2,594,667	48,929,549	(48,835,939)	(17,395)	197,723	2,868,605
Net loss, period ended September 30, 1996	-	-	-	(174,890)	-	-	(174,890)
Common stock issued for services rendered	300,000	30,000	30,000	-	-	-	60,000
Common stock issued for finders fees	250,000	25,000	-	-	-	-	25,000
Share issue costs	-	-	(25,000)	-	-	-	(25,000)
Common stock issued by private placement	3,555,556	355,555	44,445	-	-	-	400,000
Marketable securities valuation adjustment	-	-	-	-	-	(183,966)	(183,966)
Balance, September 30, 1996	30,052,233	3,005,222	48,978,994	(49,010,829)	(17,395)	13,737	2,969,749

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

</TABLE>

NORTH LILY MINING COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GOING CONCERN

During 1995, 1994 and 1993 the Company incurred net losses of $922,032, $2,071,147 and $6,271,619, respectively and at December 31, 1995 had a working capital deficiency of $288,906. At September 30, 1996, the Company had a working capital deficiency of $165,643.

During 1993 the Company ceased operations at its Silver City mine and suspended mining operations at its Tuina mine. As a result the Company has no operating cash flow to meet ongoing obligations. The Company has continually been selling non-essential Company assets to fund ongoing operations and property commitments over the past three years. The Company requires financing to fund its future operations and will attempt to meet its ongoing liabilities as they fall due through the sale of marketable securities or mineral properties. There can be no assurance that the Company will be able to raise the necessary financing to continue in operations or meet its liabilities as they fall due or be successful in resolving its contingent liabilities. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the Company may not be able to continue in operations and the net realizable value of its assets may be materially less than the amounts recorded on the consolidated balance sheets.

DISCLOSURES

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of results for interim periods presented. All adjustments made in the preparation of interim period results, for the nine month period ended September 30, 1996, are of a normal recurring nature. The operating results for the nine month period ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ended December 31, 1996. For further information, refer to the consolidated financial statements for the year ended December 31, 1995.

SETTLEMENT OF LEGAL PROCEEDING

In August 1994, George Holcomb filed a complaint against the Company in the Superior Court for the County of Maricopa, Arizona. Mr. Holcomb sought vacation pay which was not paid to him when his employment with the Company terminated, together with interest thereon, treble damages, costs, and attorney fees. During November, 1994, the Company paid $20,834 to Mr. Holcomb, representing the Company's calculation of vacation pay owed. However, the Company disputed Mr. Holcomb's computation, which is based on a higher rate of pay. The Company also disputes any award for treble damages. Mr. Holcomb's motion for summary judgment regarding the applicability of the statute which would award treble damages was denied on April 3, 1995.

In July, 1996, the Company and Mr. Holcomb agreed to a settlement whereby Mr. Holcomb received $15,000 and will receive either a further cash payment of $80,000 or a parcel of undeveloped property. The Company is responsible for 50% of the amount.

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PROPOSED SHARE EXCHANGE WITH TAMARINE VENTURES LTD.

The Company is in the final stages of its negotiation of an Agreement and Plan of Share Exchange (the "Agreement") with Tamarine Ventures Ltd., a company incorporated under the laws of British Columbia, Canada ("Tamarine"). Under the terms of the Agreement the Company will be required to effect a one new for ten old reverse stock split, whereby every ten shares of the Company's issued and outstanding shares of Common Stock will be exchanged for one share of Common Stock ("Post-Consolidated Share"). On closing, the Company will issue 300,000 Post-Consolidated Shares of the Company in exchange for all of the issued and outstanding common shares of Tamarine, thereby making Tamarine a wholly-owned subsidiary of the Company (the "Share Exchange"). The Company has also agreed to issue up to 2,700,000 additional Post-Consolidated Shares (the "Performance Shares") of its common stock to the shareholders of Tamarine, if during any four consecutive calendar quarters, Tamarine achieves any of the following:

i) 700,000 Post-Consolidated Shares upon generating gross revenues of $8,000,000, not later than December 31, 1997;

ii) 1,000,000 Post-Consolidated Shares upon generating gross revenues of $20,000,000, not later than December 31, 1999; and

iii) 1,000,000 Post-Consolidated Shares upon achieving $2,750,000 in net profits, after tax, not later than December 31, 1999.

Closing of the Share Exchange is subject to a number of conditions including regulatory acceptance, approval by the shareholders of the Company and satisfactory results of due diligence investigations conducted by the Company and Tamarine. There can be no assurance that the necessary approvals will be obtained, in which case the Agreement may be amended. The Agreement contemplates that Tamarine will acquire other businesses and/or companies using shares of the Company's Common Stock.

The Annual Meeting of Shareholders held on October 25, 1996 was adjourned to November 22, 1996 as a quorum was not present as to the proposed Tamarine acquisition as well as other items on the agenda. The Company expects to receive a quorum on these items on November 22, 1996.

In January 1996, the Company issued 1,250,000 shares, at an ascribed price of $0.20 per share, as partial consideration of a proposed acquisition of Atlay Cat Sales and Services Pty Ltd. Subsequent to the issuance of the shares, the proposed acquisition was not completed and the shares were returned to the Company and held in treasury.

During 1995, the Company loaned Tamarine $35,000 pursuant to the issuance of a promissory note by Tamarine. The promissory note bears interest at a rate of 10% compounded semi-annually, payable at maturity. The principal and interest is payable in full on December 31, 1997. 100,000 common shares of Tamarine have been pledged as collateral. In addition, the Company has advanced Tamarine an additional $129,278 through September 30, 1996.

RESTRUCTURING OF TUINA OWNERSHIP

Effective April 12, 1995, the Company and Mahogany agreed to a restructuring of the ownership interest of the Tuina Project. In settlement of the Company's outstanding debt to Mahogany of $797,481, as at March 28, 1995, the Company reduced its ownership interest in Compania Minera Phoenix S.A. ("Phoenix") from 50% to 41%. The Company also agreed to terms by which the Company's remaining interest in the Tuina Project will be impacted. Subsequently, Mahogany

agreed to sell its 59% interest in Phoenix to Yuma Gold Mines Limited ("Yuma"). The sale to Yuma was extended on several occasions and the terms subsequently revised (the "Mahogany-Yuma Agreement").

By previous agreements entered into in 1995, on May 3, 1996 Yuma entered into a revised agreement with the Company. In summary, the Company's remaining interest in Phoenix will, subject to receipt of regulatory approvals and completion of the Mahogany-Yuma Agreement, be impacted as follows:

i) Yuma will receive an additional 5% interest in Phoenix in exchange for funded costs and the delivery of an independent bankable feasibility study in respect of the Tuina Project;

ii) the Company would be required to sell a further 10% interest in Phoenix to Yuma for an initial payment of $145,000, less deductions for operating costs and the costs of securing the water rights for the Tuina Project. In addition, Yuma is required to make two further payments to the Company, due upon commencement of Tuina commercial production and one year thereafter. These payments are to be calculated in relation to the initial capital costs of the Tuina Project, from a high of $609,000 where the initial capital costs are less than $14,000,000 with graduating payments decreasing as capital costs increase, and may be made, at Yuma's election, in cash or shares of Yuma; and

iii) all participants will be responsible for contributing their share of funding following completion and delivery of the Feasibility Study. The failure of any participant to contribute its share of funding will result in a dilution of that participant's interest in accordance with a dilution formula. Once a participant's interest has been diluted to 10%, then the ownership interest will convert to a 10% net profits interest.

Since April 13, 1995, Yuma has assumed all indebtedness of Phoenix, provided funding for the preparation of the feasibility study, the costs of securing the water rights for the Tuina Project and the ongoing costs of Phoenix. These costs are partially recoverable by Yuma (the "Yuma Payments") from the Company from the proceeds to be received from the sale of the 10% interest in Phoenix, as noted in item (ii) above. Closing of the Mahogany-Yuma Agreement is subject to regulatory approval and securing the water rights for the Tuina Project.

The Company and Mahogany have an agreement in principle to conduct the activities of the Tuina Project on a joint venture basis. The Company expects to enter into a definitive joint venture and operating agreement with Yuma after closing of the Mahogany-Yuma Agreement.

The restructuring completed with Mahogany allows the Company to retain a substantial interest in the Tuina Project while eliminating the most significant debt of the Company.

This restructuring allows the Company to retain a substantial interest in the Tuina project while eliminating the most significant debt of the Company as well as providing an infusion of cash. The bankable feasibility study delivered to the Company by Yuma was prepared by Union Minere (the "Union Minere Study"), with additional information having been prepared by Krebs, Kilborn Engineering and the operating company for the Tuina project. The Union Minere Study outlined an increased mineable reserve of 4.53 million metric tonnes averaging 0.91% copper oxide and 1.16% total copper in the San Jose and the San Martin pits with an additional 600,000 metric tonnes of similar grade on the Santa Rosa pit. The Union Minere Study concludes that the Tuina project has the ability to produce 83.6 million pounds of copper over a seven year period which would generate an estimated life of mine operating profit of $26 million based on copper prices at $1.20. Subject to the closing of the purchase and the associated financing, Yuma projects that the mine and SX-EW plant construction will commence within four weeks with copper cathode production expected 12 to 15 months later. Barring any unforseen complications this will allow the Company to seek project and equity financing.

The completion of project and equity financing and the start of production on the Tuina project will result in operating cash flow and enhance the Company's assets. Yuma has announced that the water rights for the Tuina Mine have been received from the Chilean government. While the Company expects that its agreement with Yuma will close, there is no guarantee that it will. If the agreement with Yuma does not close the Company will retain a 41% interest in the Tuina project and the Company will be required to obtain alternate financing to fund its carrying costs of the Tuina property and its general overhead costs.

BOLIVIA - SAN SIMON GOLD PROJECT

The Company and Akiko Gold Resources Ltd. ("Akiko") finalized the acquisition of properties in the San Simon gold project in northeastern Bolivia totalling 5,300 hectares on a 50/50 basis. The Company has a letter of understanding with Minera American Barrick Bolivia S.A. ("Barrick") whereby Barrick commenced work on a program starting in May which included geologic mapping and geochemical sampling. Upon completion of the program Barrick will furnish the Company with all the results. The letter of understanding does not obligate any of the parties to enter into negotiations concerning the properties and the Company will not be responsible for any costs. In addition, the Company conducted its own work program on the properties with Akiko starting in June and included surveying of the property boundaries and geochem sampling in those areas not covered by the Barrick program.

The Company has completed this summer's field work which included geochem sampling, enzyme leaching and the necessary required claim surveying complying with the conditions of the contract with the land owner. Geochemical and enzyme leaching data taken by the Company and Barrick are in the process of being assayed and analyzed. Final results and reports will be received by the end of November.

RESULTS OF OPERATIONS

The Company incurred losses of $62,113 and $174,890 for the three and nine month periods ended September 30, 1996, compared to losses of $147,749 and $99,358 for the same periods in 1995. There was no revenue, no depreciation and amortization charges and no costs of sales for the three and nine month periods ending September 30, 1996. The Company does not anticipate any revenue over the next year from current properties.

During the three and nine month periods ended September 30, 1996, the Company incurred $141,458 and $495,924 in general and administration expenses, compared to $178,673 and $573,615 for the comparable periods in 1995. For the three and nine month periods ended September 30, 1996, the Company incurred exploration and property carrying costs of $5,426 and $8,675, respectively, and for the same periods in 1995, incurred costs of $16,704 and $57,017. The reduced costs in 1996 are due primarily to reduced activities and the funding of the maintenance costs in the Tuina project by Yuma.

Effective April 12, 1995 the Company and Mahogany restructured the ownership interest of the Tuina project. The Company exchanged a 9% interest in Phoenix for the outstanding debt to Mahogany. The transaction resulted in the Company recognizing a gain of $309,970. See Restructuring of Tuina Ownership.

At September 30, 1996 the Company had a working capital deficiency of $165,643, a decrease of $123,263 from its working capital deficiency of $288,906 at December 31, 1995.

The Company reports a use of funds of $758,059 from operating activities for the nine month period ended September 30, 1996. This compares to a use of funds of $526,662 for the comparable period in 1995.

During the nine month period ended September 30, 1996, the Company was provided cash of $384,633 from investment activities. The Company received net proceeds of $338,576 from the sale of its marketable securities and $5,000 from the sale of mining equipment. In addition, the Company recorded a gain of $206,897 from the sale of its 75% interest in the Gray Eagle mineral property, in which the Company received cash proceeds of $107,291 and recorded an amount receivable of $108,000, with interest at 8.5% interest per annum, due in August, 1997. $44,957 was incurred on exploration activities.

The Company raised $400,000 from the issuance of 3,555,556 common shares during the nine month period ended September 30, 1996. A further 550,000 common shares were issued, at an ascribed value of $85,000, for finder's fee and services rendered.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See discussion contained in notes to condensed consolidated financial statements under "Legal Proceedings" (Part I. Item 1).

ITEM 5. OTHER INFORMATION

The registrant incorporates by reference the information contained in the news release, a copy of which is filed as an exhibit to this report.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are filed with this report.

Regulation S-K Number	Exhibit
20.1	News Release
20.2	News Release
27.1	Financial Data Schedule

(b) Reports on Form 8-K: none

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTH LILY MINING COMPANY

By: /s/ Nick DeMare

Nick DeMare November 13, 1996
Chief Financial Officer and Chief Accounting Officer

TRADING SYMBOL: NLMC SEPTEMBER 19, 1996

WATER RIGHTS AND GOLD ZONE DRILLING
PROGRESS CHILE AND BOLIVIA PROJECTS

CHILE COPPER: North Lily Mining Company was informed by Yuma Gold Mines, Inc., that the water rights needed for the development of the Tuina Project were approved by the Chilean government. International Mahogany Corp., and the Company have contracted to sell a 74% aggregate interest in Tuina, leaving the Company with a 26% participating interest. Yuma's news release of September 4, 1996 stated that a new feasibility study by Bateman E. and C. Division is nearing completion for the annual production of 40,000 metric tonnes of copper cathode at a central SX-EW plant site. Six of these 40,000 metric tonnes of copper are "to be derived from the conversion into cathodes of copper sulphate crystals produced at the Tuina solvent extraction - copper sulphate facility", according to the news release. Yuma also stated that Bateman confirmed that profitable financial parameters developed by Yuma for the 40,000 metric tonne project during pre-feasibility were valid and should be confirmed in final feasibility at current copper prices. The Company awaits documentation and accounting from Yuma in order to pursue final definitive agreements and proportionate project financing.

BOLIVIA GOLD: The Company and its partner recently completed successful claim perfection work, along with geologic mapping, and rock-chip and soil geochemical sampling on its San Simon property in the Bolivian Shield. The San Simon Project consists of four claim blocks located in the heart of the district in close proximity and on trend with known gold mineralization being drilled by Eaglecrest Explorations, Ltd. For example, the most encouraging Eaglecrest drill hole to date recently intersected very strong mineralization (110 feet averaging 0.1 ounces gold per ton) in the Trinidad vein system. Based on previous mapping by members of the British Geological Survey, it is currently believed that part of the Trinidad vein system passes through the northern end of the Company's adjacent Machetero I claim and may repeat on the Company's Machetero II claim. The Company awaits assay and analysis from its geologists of their recent geologic reconnaissance. Meanwhile, major mining companies continue to visit and evaluate the district in which Eaglecrest indicates potential of a multi-million ounce gold camp. San Simon has become part of the Bolivian gold "exploration stampede" reported by the "Financial Times" on April 22, 1996. The Company is encouraged with its position, nearby exploration progress, and interest expressed by other companies.

The Company is finalizing its proxy statement for its Annual Meeting. Shareholders will be asked to approve a one for ten reverse stock split and the possible acquisition of Tamarine Ventures Ltd., as well as other business matters. The capital structure consolidation is an important step in order to favorably position the Company and its shares in the investment community for the purpose of seeking necessary financing for existing projects and acquisitions of value.

For further information, please contact Steve Flechner or Gene Webb at (303)294-0427

TRADING SYMBOL: NASDAQ/NLMC   NOVEMBER 7, 1996

NORTH LILY MINING COMPANY
HOLDING ANNUAL MEETING

On October 25, 1996, North Lily Mining Company commenced its annual shareholders' meeting. Due to the absence of a quorum with regard to certain matters on the meeting agenda, it was decided to adjourn completion of the meeting to 10.00 a.m., Denver time, on November 22, 1996, at the Colorado National Bank, 5th Floor, 918 17th Street, Denver, Colorado.

The Company did receive a quorum of proxies and requisite approval on certain major items on the agenda. Some of the other important matters on the agenda still require additional proxies for the quorum necessary to most favorably position the reorganized Company for financing of existing projects and potential acquisitions.

Therefore, shareholders, particularly those who hold stock in "street name", are urged to turn in their proxies on all agenda items now. Meanwhile, Company management is diligently pursuing joint venture opportunities and projects of merit in order to seek to maximize shareholder value.

For further information, please contact Steve Flechner or Gene Webb at (303) 294-0427.

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