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# Sullivan Mines Inc.

ANNUAL  
REPORT  
1984

# SULLIVAN MINES INC.

## BOARD OF DIRECTORS

J. Jacques Beauchemin, Q.C.

Lucien C. Béliveau, Eng.

Pierre J. Boudreault, Eng.

William G. Brissenden, Eng.

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## OFFICERS

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President and Chief Executive Officer

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Vice-President Mines

Réal J. Lafleur, Vice-President Finance  
and Secretary Treasurer

Jean Depatie, B.A., M.Sc., Geologist  
Vice-President Exploration

Linda Caty, Lawyer  
Assistant Secretary

### **Eldrich Mine**

Évain, Quebec

### **Exploration Office**

775 - 3rd Avenue  
Val d'or, Quebec J9P 1S8

### **Head Office**

Suite 800, 625 Dorchester Blvd. West  
Montreal, Quebec H3B 1R2

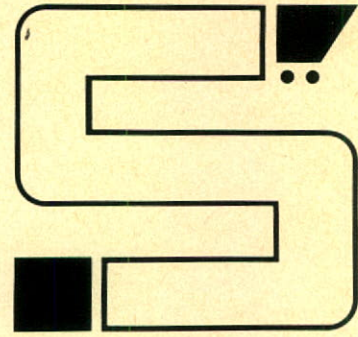
### **Registrar and Transfer Agent**

Guaranty Trust Company of Canada  
Montreal — Toronto

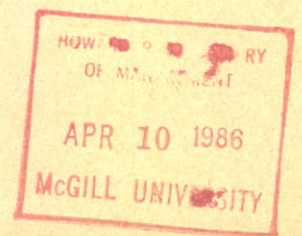
### **Shares Listed**

Montreal Exchange / Toronto Stock Exchange

SULLIVAN MINES INC.



ELDRICH MINE



# SULLIVAN MINES INC.

## TO THE SHAREHOLDERS OF SULLIVAN MINES INC.

Your directors are pleased to submit the consolidated financial statements of your company together with a technical report on the properties at the exploration and/or development stages for the year under review, January to December 1984.

The net earnings, before extraordinary item, are \$1,191,485 representing \$0.15 per share.

The extraordinary item of \$9,712,000 is the write-off of the investment of Brunswick Tin Mines Limited, advanced by your company, and representing exploration, development and research expenses on the Mount Pleasant Mining property, made prior to the transaction with Billiton Canada Ltd. in 1977. After an allowance for this \$9,712,000 write-off, a loss of \$8,087,438 resulted i.e. \$1.01 per share.

## DICKENSON-SULLIVAN JOINT VENTURE

A report covering the operations of the "Arthur W. White Mine" for the year is given in Table I, (page 8). The 34% undivided interest in this gold producing property is held by "Sullivan Resources Ltd.", 99.9% owned by your company.

The "Arthur W. White Mine" has proven to be an exceptional operation. Since the beginning of production, the mine has treated a total of 5,340,000 tons of ore grading 0.44 ounce of gold per ton. Table I, (page 8) gives the production statistics for the last eight years and the ore reserves calculated at the end of 1984, in comparison to those known in 1983.

Since the acquisition of the 34% interest in the White Mine, your company has recovered \$8,800,000 of its original investment of \$10,250,000, even though gold prices weakened during the year. From July 1982 to December 1983, gold was sold at an average price of \$531.83 Canadian, while in 1984, the average price obtained was \$476.60 Canadian.

In 1984, the total production of the "White Mine" was 60,800 ounces of gold. 1985 production could increase to 70,000 ounces of gold as development was increased in the number 2 shaft area and consequently, new stopes should come on stream in a short while. The 700 tons per day feed to the mill was not reached in 1984, even though the concentrator could treat this tonnage. The delay in certain developments held back production to 600 tons per day. It is, however, indicated that by mid-1985, the 700 tons per day feed will be reached and that it will take until 1986 before the full capacity of the mill (800 tons) will be used. A daily 800 ton feed would then produce 80,000 ounces per annum by 1987.

The operating staff believes that there is a potential of 3,000 tons of ore per vertical foot from surface to the 5,800 foot horizon (the bottom level of number 2 shaft). Such potential would permit to believe in a half-century operation.

## MOUNT PLEASANT JOINT VENTURE

The "Mount Pleasant Tungsten Mine" started its commercial production on April 1st, 1984. The Joint Venture is owned on a 50-50 basis by Billiton Canada Ltd. and by Brunswick Tin Mines Limited, which is 89% controlled by your company.

The mill operated at a rate of 650,000 tonnes per year until October 19, 1984, when it was decided to reduce the production rate to 325,000 tonnes. The operations would be increased back to the previous level if and when the tungsten market improves.

The average annual price of tungsten reached its lowest level since 1973 and was too low to generate positive cash flow for the payment of the royalty of \$2.00 per ton to Brunswick.

At the end of 1984, the loan from Billiton to Brunswick is more than \$105,000,000. This loan is solely reimbursable from Brunswick's share of the net cash flow from operations. The Board does not expect that your company will earn any income from the investment in the Joint Venture for several years to come and for this reason it was decided to write off \$9,712,000, which is the amount spent by Brunswick.

At year end, in situ measured and indicated geological ore reserves have been estimated at 9,260,000 tonnes grading 0.41% of tungsten trioxide and 0.20% of molybdenite.

## VALDEZ CREEK JOINT VENTURE

Your wholly-owned U.S. subsidiary, SUM Resources Inc. has an undivided 13.875% interest in a gold placer operation in Alaska. A report of the 1984 operations is given at page 9, (Table II).

Total production has been lower than expected and budgeted but, nevertheless, the results are satisfactory for a first year of a new type of operation. If the price of gold could average \$300.00 US, 1985 should show better results and a small cashflow could be generated. The forecasted production for 1985 is about 25,000 ounces of gold compared to 16,784 ounces, produced in 1984.

The results of the exploration program, made in 1984, indicate proven and probable reserves totalling 70,603 ounces of raw gold. Coupled with possible reserves of 35,636 ounces of raw gold, the property is estimated to contain, in the drilled areas, a total of 106,239 ounces of raw gold or approximately 90,300 ounces of fine gold.

In 1985, another extensive exploration program will be carried out. The work contemplated includes geophysics (seismic refraction, horizontal electric profiling and ground magnetic technics) and reverse circulation drill program. The estimated exploration budget is in the order of \$1,000,000. US. The property is considered to have good potential. Additional drilling will be carried out on the known area and also to test other new promising targets.

#### **ELDRICH & FLAVEL JOINT VENTURES**

The Eldrich property is owned by Soquem and Sullivan on a 50-50 basis. The Flavel property is held 37.5% by Soquem, 37.5% by Sullivan and 25% by Ressources Aiguebelle Inc. The respective Joint Venturers manage each property, Sullivan being the operator.

As mentioned in last year's report, a grant was obtained from "Le Ministère de l'énergie et des ressources du Québec". This exploration and development project met the criterias outlined by the financial assistance program of the Quebec Government to accelerate the development of new mines.

The budget for the development of these properties is approximately \$10.0 million for which a \$2.0 million grant has been awarded. If the development program exposes enough ore to justify the construction of a mill, an additional \$2.5 million would be available. Your Board deems it proper to be grateful to the Quebec government for these above-mentioned financial helps.

The rehabilitation of the Eldrich property began in July. To date, the headframe is erected and the hoist is operational; the hoist and compressor building, the dry house, the warehouse and small shops are completed. Accounting, geology and engineering staff occupy temporary headquarters.

The first four levels are dewatered and partly rehabilitated; some diamond drilling has been carried out underground and on surface. The exposed drifts have been re-sampled; with all this technical data, the ore reserves have been estimated at:

Eldrich: 684,000 tons, grading 0.194 ounce/ton  
Flavel: 694,000 tons, grading 0.153 ounce/ton  
for a total of 1,378,000 tons at an average grade of 0.173 ounce/ton.

In both cases, a 20% dilution of 0.03 ounce/ton is included in these reserves.

Most of these reserves are comprised on a 1,000 foot length from surface to the 750 foot horizon. The zones are open at depth and to the North and South.

If the price of gold improves, production could start in the last quarter of 1985: ore would be shipped to a custom mill. This would bring some cash flow to the joint venturers, permitting to increase the underground development work and, consequently increase the daily tonnage milled or to consider the erection of a concentrator.

#### **GENERAL**

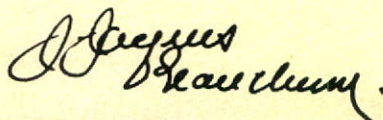
Gold prices plummeted to \$285.00 US per ounce. The strength of U.S. dollar and higher interest rates appear to have reduced the interest of certain investors in gold.

The gold mining industry has thus greatly suffered. The good grade of the White Mine's ore permits, notwithstanding the actual price, a reasonable level of profit-earning capacity. There is a consensus that the price will show some improvement as 1985 year progresses. With this confidence, your company maintains active exploration programs, as described in the following report.

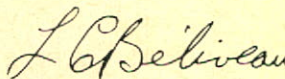
Assuming the strengthening of the gold prices, your company would be on the threshold of a profitable future with its production of the White Mine, Eldrich-Flavel property and other potential acquisitions.

The Board wishes to express its appreciation for the loyal and dedicated work of the officers and all employees.

On behalf of the Board of Directors,



J-Jacques Beauchemin, Q.C.  
Chairman of the Board



Lucien C. Béliveau, Eng.  
President and Chief Executive Officer

March 15, 1985



ARTHUR W. WHITE MINE

# SULLIVAN MINES INC.

## TECHNICAL REPORT ON ACTIVITIES

Once again, Sullivan Mines Inc. has been very active in the field of mining exploration during the year of 1984. Many projects have been reviewed, studied and appraised by Sullivan Mines' technical staff.

Even with the depressed prices of some metals, 1985 is anticipated with a certain degree of optimism. However, an extremely severe selection of projects will be mandatory.

The report on exploration activities is as follows:

### QUEBEC

#### Rouyn Noranda District

For Sullivan Mines Inc. this is the most important district. It comprises the huge Flavrian property, 103 claims in all, which surrounds the Eldrich-Flavel gold deposit as well as the Sunburst property. The C.D.R. gold deposit is also found within the district.

Eldrich-Flavel Project, Duprat Twp.:

- Eldrich Property: Sullivan 50%, Soquem 50%
- Flavel Option: Sullivan 37.5%, Soquem 37.5%, Aiguebelle 25%

Without any doubt, this is the most favourable and the most advanced project to date. Located some 20 km northwest of Noranda, this property is made up from the amalgamation of the two half lots of mining concession 438-Eldrich with a surrounding entity of three lots and seven half lots detached from the englobing Flavrian project and known as Flavel.

The area constitutes an entity which contains, to date, all of the ore reserves of the project as shown in the table below. The exploration activities are under Sullivan Mines Inc.'s supervision.

Gold mineralization has been followed by drilling over a length of 1.8 km. The best part of the reserves are in the vicinity of the 325 meter (1,065 foot) shaft sunk on the Eldrich property during the fifties. Access to the deposit is made easy through the facilities of seven levels distributed as follows:

1st level:	76.2 m (250')
2nd level:	114.3 m (375')
3rd level:	152.4 m (500')
4th level:	190.5 m (625')
5th level:	228.6 m (750')
6th level:	266.8 m (875')
7th level:	309.4 m (1,015')

The shaft has now been dewatered below the fourth level. Construction of surface facilities including shaft, hoist and service buildings is well advanced. A surface diamond drilling program initiated by the end of fall on the Eldrich property has given excellent results.

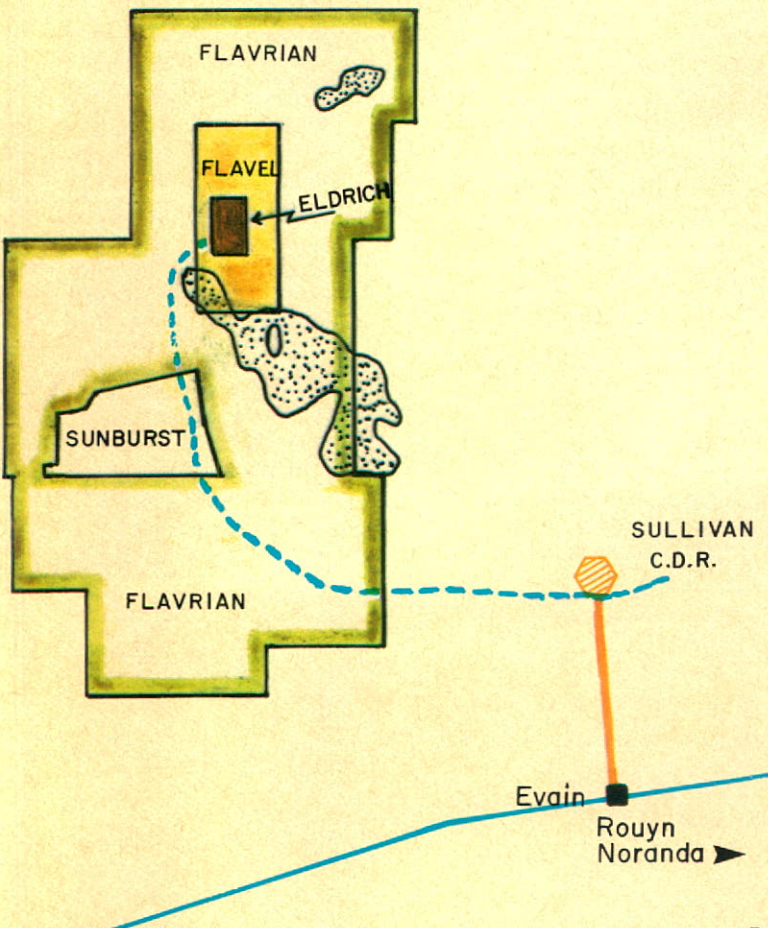
The up-to-date ore reserves, including a 20% dilution to 1 gram, have been established at:

<b>Eldrich:</b>	621,129 tonnes at 6.69 gr gold/tonne
<b>Flavel:</b>	<u>629,510 tonnes at 5.28 gr gold/tonne</u>
	1,250,639 tonnes at 5.98 gr gold/tonne

OR

<b>Eldrich:</b>	684,670 tons at 0.195 ounces gold/ton
<b>Flavel:</b>	<u>693,909 tons at 0.154 ounces gold/ton</u>
	1,378,579 tons at 0.174 ounces gold/ton

The overall mining potential of these properties is not well known. The surface and underground exploration works initiated in July 1984 will continue in 1985. The results will allow to confirm, increase and classify the reserves.



**Flavrian Option, Duprat Township: Soquem 37.5%, Sullivan 37.5%, Aiguebelle Resources 25%**

This project is operated by Soquem. Exploration by diamond drilling initiated by the end of the year has led to the discovery of the southern extension of the Eldrich-Flavel gold mineralization south of Lake Flavrian. Nine (9) mineralized zones have been cut in one drill hole. One of them has given 4.18 gr gold/tonne over a length of 1.0 meter (0.14 ounces gold/ton over 3.28 feet). The length of the Eldrich-Flavel zone is thus extended by an extra 800 meters to the south: this gives more emphasis to the potential of the deposit. The continuation of the exploration work in 1985 should be very important for the future of this property.

**Sunburst Option, Duprat Township: Sullivan 25%, Soquem 25%, Sunburst Exploration Ltd 50%**

About \$150,000 have been spent in exploration and drilling on the property during the year. Several gold bearing values have been intersected. However, the continuity of the values from one hole to another is not easy to establish. It could be that we are dealing with erratic gold distribution or with a complex structural condition. Nevertheless, the efforts are still there. The current exploration program on the surrounding Flavrian property should be of great help in a better understanding of this property.

**C.D.R. Option, Beauchastel Township: Sullivan 50%, C.D.R. Resources 50%**

The project is still inactive pending better gold prices and also the results of the developments on the major Eldrich-Flavel gold deposit located a few kilometers to the north.

The established reserves are:

60,000 tonnes containing between 4.11 and 5.12 gr gold/tonne (66,000 tons of 0.12 to 0.15 ounces gold/ton) of which:

30,000 tonnes at 6.86 gr gold/tonne (33,000 tons at 0.20 ounces gold/ton)

All this tonnage is very close to the surface and easily accessible.

### **Val d'Or District**

**Villebon Option, Pascalis Township:  
Sullivan 60%, Soquem 40%**

An option was taken during the course of 1984 by Sullivan and Soquem on a gold property, held by Villebon Resources Ltd. The latter is located immediately

to the northeast of Soquem's New Pascalis discovery in Louvicourt Township. To date, the exploration efforts have not led to the discovery of gold bearing dioritic dyke. Sub-horizontal quartz veins containing auriferous pyrite have been exposed and studied in great detail, but without significant success. Another exploration program is forecasted for 1985 on the property. Exploration expenses including drilling were in the order of \$75,000 in 1984.

**Courvan Mining Company Limited, The Louvicourt and Pascalis Townships Property:  
Louvem 55%, Courvan 45%**

With a participation of 26.66% in exploration and development expenditures, a 45% interest is maintained in this project. The 1984 contributions were in the order of \$185,000. Work done consisted of underground drilling in the old Beaufor mine zone and in surface drilling in the southwestern part of the property (zone near a peridotite intrusive). Results were encouraging and the operator, Société Minière Louvem Inc., will keep on exploring in 1985.

**Croinor Project, Pershing Township: Sullivan 50%, Durham Resources-Dominion Explorers 50%**

The surface and underground study of the Croinor gold deposit was completed last spring. By meeting its obligations and spending more than \$2.0 million in various kinds of exploration work on the property, Sullivan has acquired a 50% undivided interest in the project. The known reserves on this deposit, of which geological structures are difficult to interpret, have been established at 386,000 tonnes grading 5.48 gr. gold/tonne (including 20% dilution) across a width of 7.1 meters (425,470 tons at 0.16 ounces gold/ton) across 23.2 feet. The present low price for gold does not justify an acceleration of expenditures on this property.

**Goldstack Option, Dubuisson Township:**

This gold property was optioned from Goldstack Resources during the course of the year. It is well located on the ground of the former Malartic Goldfields Ltd. and has three known mineralized zones. To date, the efforts have been concentrated in trying to follow the southeast extension of one of those zones, the South Briar. This zone shows a tonnage evaluated at 185,000 tonnes of 5.66 gr gold/tonne before dilution (200,000 tons of 0.165 ounces gold/ton). The mineralized zone which lies at a shallow depth does not appear to continue to the south. The other two zones are being studied. Close to \$100,000 has been spent on the project so far.



## **Amos District**

### **Launay Property: Sullivan-Vior Agreement**

In early December 1984, an agreement was reached by which Société d'Exploration Minière Vior Inc. has accepted to participate to a maximum of \$100,000 in the initial exploration costs on the Launay Township mining property. This agreement will allow Vior to earn a 50% interest in the property.

## **Quevillon District**

### **Flordin Project, Desjardins Township: Sullivan 38.75%, Soquem 38.75% and Flordin Mines Ltd. 22.5%**

No work was conducted this year on this gold property and none is planned for 1985. Reserves are estimated at:

471,700 tonnes at 6.65 gr gold/tonne across 1.95 meters (520,000 tons at 0.194 ounce gold/ton across 6.4 feet) or

373,500 tonnes at 7.20 gr gold/tonne across 2.0 meters (411,700 tons at 0.21 ounce gold/ton across 6.6 feet).

### **Achates Option, Desjardins Township: Sullivan 60%, Soquem 40%**

Exploration work, including drilling, has not led to the discovery of a gold deposit in the vicinity of a drill hole which had returned 3.43 gr gold/tonne across 3.23 meters (0.1 ounce gold/ton over 10.0 feet) in early 1984. Investigations done in other parts of the property have not revealed significant presence of gold or base metals mineralization. No further activity is forecasted for 1985.

## **Chibougamau District**

### **Currie-Mills Project, La Dauversière Township: Sullivan 45%, S.D.B.J. 40%, M. Currie-Mills 15%**

This property is being kept inactive pending better gold prices. Reserves stand at:

North Zone: 62,632 tonnes at 4.25 gr gold/tonne (69,000 tons at 0.124 ounce gold/ton).

South Zone: 105,287 tonnes at 2.06 gr gold/tonne (116,000 tons at 0.06 ounce gold/ton).

### **Philibert Project, Fancamp and Gamache Townships: Soquem 60%, Sullivan 40%**

Sullivan has the possibility to acquire a 40% interest by participating to the extent of 60% of the initial exploration costs in this gold project covering 247 mining

claims southwest of Chibougamau. The discovery of boulders well mineralized with gold has led to the initiation of the project. Ground follow-up resulted in the outlining of a favourable area where several gold bearing zones have been cut in four consecutive and in echelon type drill holes. The best intersection was 3.12 gr gold/tonne over 1.0 meter (0.09 ounce gold/ton over 3.28 feet). Several others have returned lower values over width ranging from 4.5 to 5.0 meters (14.7 to 16.4 feet). Native gold was also detected. One trench has shown good gold values. Much expectancy is placed in the success of this project.

## **Eastern Township District**

### **Norex Agreement**

Pursuant to the closing of its Quebec City regional office, Noranda Explorations Ltd. (Norex) has suspended its exploration activities in the Eastern Townships. The unfavourable outlook for a revival in the base metals market has resulted in the temporary cessation of the activities. Sullivan Mines Inc. is maintaining a 20% participating interest in the mining properties directly held by Norex. An additional non-participating 25% interest is being kept on properties held by Sullivan and optioned to Norex in 1983. At the time of suspension of the project, several drill targets had been identified by Norex.

## **ONTARIO**

### **Goldquest Exploration Inc., Red Lake Area**

Conventional exploration activities, prospection, geology, geophysical surveys, drilling and bulk sampling done by Goldquest in 1984 have not led to new gold discoveries on the 12 properties studied. Detailed exploration work on some of these properties is forecasted for 1985. Sullivan Resources Ltd., the Ontario wholly owned subsidiary of Sullivan Mines Inc., is maintaining a 7% participation interest in Goldquest.

## **GENERAL**

In addition to the exploration activities, no less than forty serious mining projects have been studied and evaluated by the technical staff of Sullivan Mines Inc. These projects, mostly auriferous, dealt with mining properties having reached an advanced stage of exploration or development. Two of them were related to producing gold mines. Negotiations are currently underway to try and finalize participations in at least three high ranking projects.

# SULLIVAN MINES INC.

**TABLE I**  
**OPERATIONS - ARTHUR W. WHITE MINE**  
 (January 1 - December 31, 1984)

	<b>Mine 100%</b>	<b>Sullivan's share 34%</b>
Tons of ore milled .....	207,000	70,380
Average daily tonnage milled .....	567	—
Grade of ore (ounce of gold per ton) .....	0.34	0.34
Production (ounces of gold):		
• Bullion .....	58,936	20,038
• Concentrate .....	1,834	624
Total: .....	60,770	20,662
Recovery (%)		
• Bullion .....	83.6	83.6
Total (bullion & gold contained in concentrate) .....	86.2	86.2

## SULLIVAN RESOURCES LTD

	<b>(,000) \$</b>	<b>Per Ton \$</b>	<b>Per ounce \$</b>
Value of production .....	9,545	136	476
Operating costs .....	6,410	91	319
Cash Flow .....	3,135	45	157

### Ore Reserves:

as at December 31

	<b>1984</b>		<b>1983</b>	
<b>(as reported in 1984 Annual Report of Dickenson Mines Limited)</b>	<b>tons</b>	<b>Grade ounces gold/ton</b>	<b>tons</b>	<b>Grade ounces gold/ton</b>
Proven ore	1,240,000	0.332	1,151,000	0.343
Probable ore	1,233,000	0.317	874,000	0.293
Possible ore	810,000	0.279	1,006,000	0.275
Total	3,283,000	0.314	3,031,000	0.306
Contained ounces of gold	1,030,000		927,000	

### Definitions:

1. Proven ore: Ore which has been partially developed by one or more mine openings along zones with demonstrable geological continuity and in which grade has been established by chip sampling or by two or more diamond drill holes. Limits of 25 feet on either side of the openings are assumed.
2. Probable ore: Ore which has been indicated and sampled by a diamond drill hole within a zone of demonstrable geological continuity or ore which falls within 50 feet of a mine opening as used in defining "Proven Ore".
3. Possible ore: One that is contiguous to proven and probable ore within interpreted geological zones but which has not been sampled.

### PRODUCTION STATISTICS OF THE ARTHUR W. WHITE MINE

	<b>1977</b>	<b>1978</b>	<b>1979</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>
Tons milled	129,000	110,000	118,000	128,000	189,000	165,000	206,000	206,800
Grade millheads (ounce of gold/ton)	0.499	0.576	0.405	0.270	0.158	0.250	0.306	0.340
Production (ounces of gold)	60,019	59,957	44,367	29,281	24,760	37,000	51,900	58,793

Since the beginning of the operations: Tons milled 5,340,000 tons at an average grade of 0.44 ounce/ton.

**TABLE II**  
**1984 OPERATIONS OF VALDEZ CREEK JOINT VENTURE**  
 (January 1 - December 31, 1984)

	<b>100%</b>	<b>SUM Resources 13.875%</b>
Cubic yards treated .....	179,104	24,850
Average grade (oz/c.y.) .....	0.110	0.110
Ounces recovered (raw gold) .....	19,754	2,740
Ounces recovered (fine gold) .....	16,784	2,330

Raw gold contains 85% of fine gold.

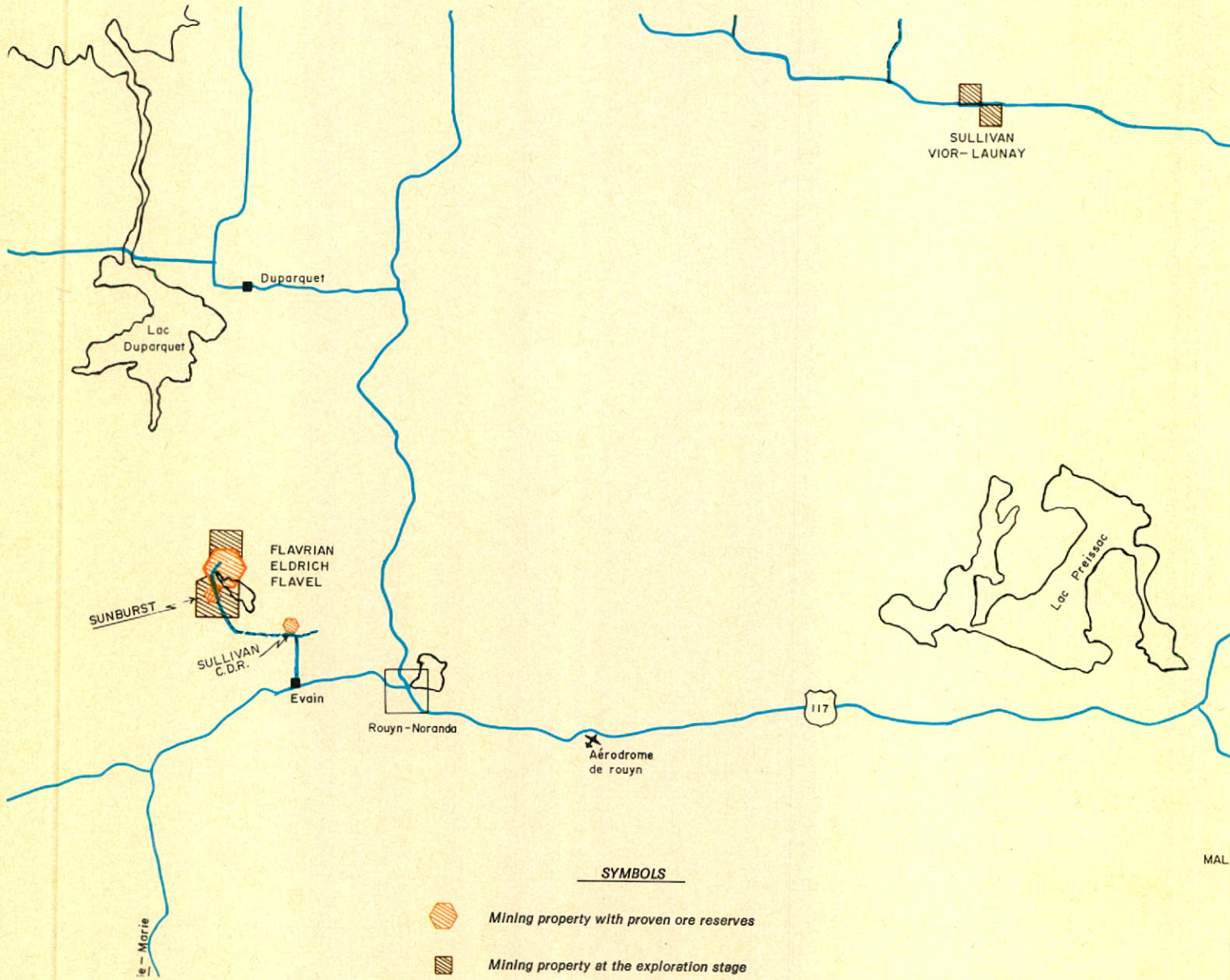
	<b>(,000)</b>	<b>Per ounce of fine gold</b>
	<b>\$</b>	<b>\$</b>
<b>SUM Resources Inc.</b>		
Production .....	988	424
Operating costs .....	533	229
Cash flow .....	455	195

**Ore reserves** (as reported by WGM, Consulting Engineers)

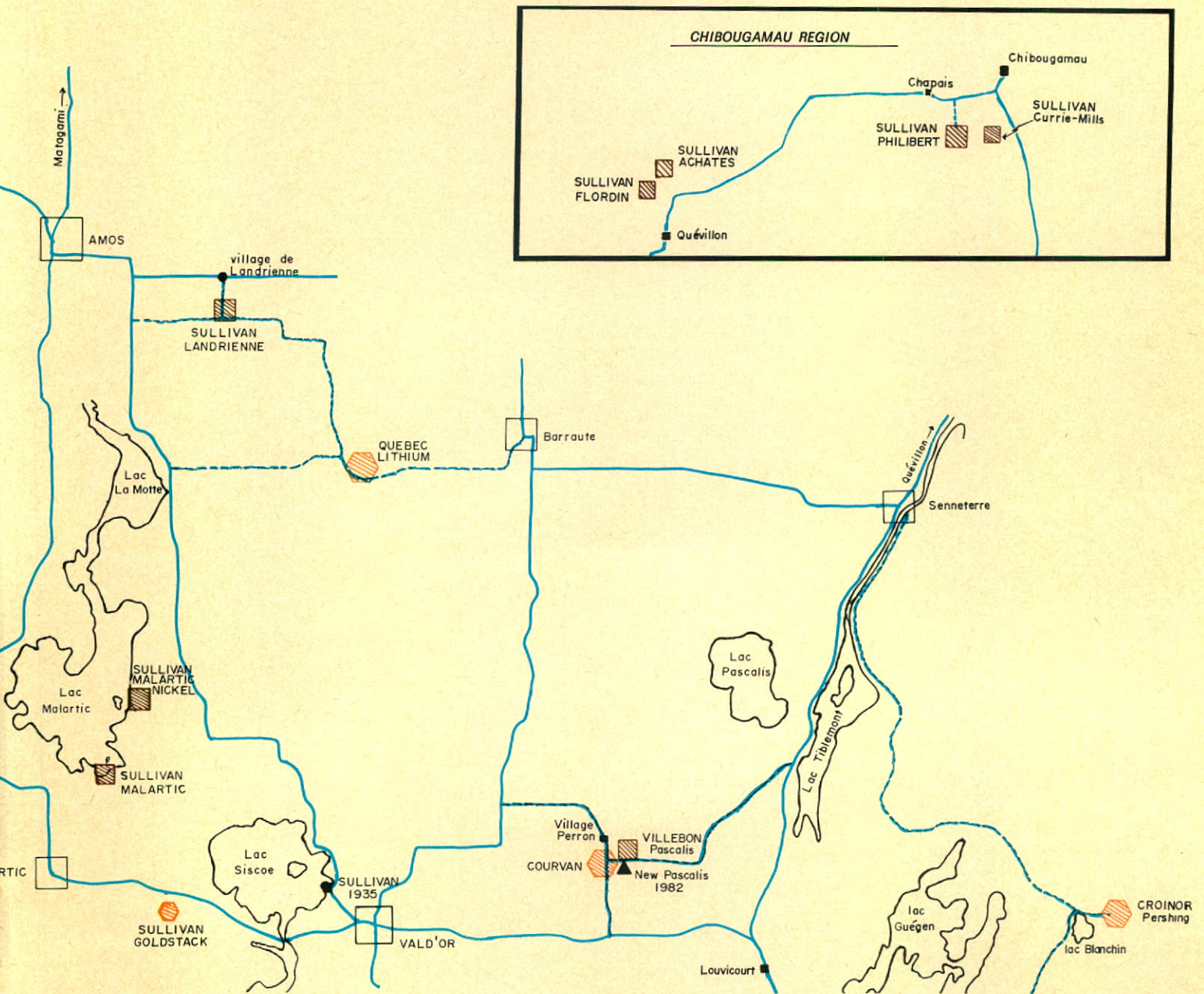
	<b>Volume (c.y.)</b>	<b>Raw Gold (ounces)</b>
Proven and probable ore .....	797,974	70,603
Possible ore .....	594,096	35,636
Total: .....	1,392,070	106,239



# SULLIVAN MINES INC.



# PROPERTIES — NORTHWESTERN QUEBEC



# SULLIVAN MINES INC.

(Incorporated under Part 1A of the Companies Act of Québec)

## CONSOLIDATED BALANCE SHEET DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and term deposits	\$ 1,587,888	\$ 3,772,904
Marketable securities (note 3)	8,110,035	7,040,667
Accounts receivable	367,590	119,373
Accrued interest	91,344	203,831
Bullion at estimated net realizable value	1,550,069	1,764,532
Supplies at the lower of average cost and replacement value	610,621	603,254
Prepaid expenses	29,981	26,491
	<u>12,347,528</u>	<u>13,531,052</u>
INVESTMENTS (note 4)	1,380,745	1,290,137
PROPERTY, PLANT AND EQUIPMENT (note 5)	15,285,465	20,542,570
DEFERRED CHARGES (note 6)	1,337,364	2,917,561
	<u>\$30,351,102</u>	<u>\$38,281,320</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 1,459,134	\$ 1,138,766
Mining taxes payable	363,314	53,429
Dividends payable	799,903	795,503
Current portion of long-term debt	213,095	
	<u>2,835,446</u>	<u>1,987,698</u>
LONG-TERM DEBT (note 7)	101,909	
MINORITY INTEREST	88,560	140,094
<b>SHAREHOLDERS' EQUITY</b>		
CAPITAL STOCK (note 8)	13,302,898	13,246,898
CONTRIBUTED SURPLUS	1,458,861	1,458,861
RETAINED EARNINGS	12,742,083	21,626,424
	<u>27,503,842</u>	<u>36,332,183</u>
SHARES HELD BY A SUBSIDIRAY	(178,655)	(178,655)
	<u>27,325,187</u>	<u>36,153,528</u>
	<u>\$30,351,102</u>	<u>\$38,281,320</u>
COMMITMENTS (note 14)		
CONTINGENCY (note 15)		

ON BEHALF OF THE BOARD OF DIRECTORS

*J. Jacques  
D. Beauchamp*

*L. Béliveau*

Directors

**CONSOLIDATED EARNINGS**  
**YEAR ENDED DECEMBER 31, 1984**

	<u>12 months</u> <u>1984</u>	<u>6 months</u> <u>1983</u>
<b>REVENUE</b>		
Bullion	<u>\$10,533,315</u>	<u>\$4,954,339</u>
<b>EXPENSES</b>		
Mining operations	6,942,668	2,953,291
Administration and general expenses	774,973	497,194
Outside exploration expenses	399,362	117,120
Net expenses of closed and non-operating mines	88,568	43,509
Depreciation of property, plant and equipment	<u>1,437,680</u>	<u>497,552</u>
	<u>9,643,251</u>	<u>4,108,666</u>
	<u>890,064</u>	<u>845,673</u>
<b>OTHER INCOME</b>		
Interest and dividends	1,016,481	567,350
Other	<u>29,719</u>	
	<u>1,046,200</u>	<u>567,350</u>
EARNINGS BEFORE UNDERNOTED ITEMS INCOME AND MINING TAXES	<u>1,936,264</u>	1,413,023
	<u>796,314</u>	<u>590,729</u>
	<u>1,139,950</u>	822,294
MINORITY INTEREST	<u>51,536</u>	<u>4,170</u>
EARNINGS BEFORE EXTRAORDINARY ITEMS	<u>1,191,486</u>	826,464
EXTRAORDINARY ITEMS (note 9)	<u>(9,278,924)</u>	<u>554,300</u>
NET EARNINGS (LOSS)	<u>\$ (8,087,438)</u>	<u>\$1,380,764</u>
<b>EARNINGS PER SHARE</b>		
Earnings before extraordinary items	<u>\$ 0.15</u>	<u>\$ 0.10</u>
Net earnings (loss)	<u>\$ (1.01)</u>	<u>\$ 0.17</u>

The operations for the year 1983 cover a period of six months from July 1, 1983, when the amalgamation of Sullivan Mining Group Ltd. and East Sullivan Mines Limited (No Personal Liability) took place.

**CONSOLIDATED RETAINED EARNINGS  
YEAR ENDED DECEMBER 31, 1984**

	<b>12 months 1984</b>	6 months 1983
BALANCE AT BEGINNING OF YEAR	<b>\$21,626,424</b>	\$21,047,775
NET EARNINGS (LOSS)	<b>(8,087,438)</b>	1,380,764
	<b>13,538,986</b>	22,428,539
DIVIDENDS	<b>796,903</b>	795,503
AMALGAMATION EXPENSES		6,612
	<b>796,903</b>	802,115
BALANCE AT END OF YEAR	<b>\$12,742,083</b>	\$21,626,424

The operations for the year 1983 cover a period of six months from July 1, 1983, when the amalgamation of Sullivan Mining Group Ltd. and East Sullivan Mines Limited (No Personal Liability) took place.

**CONSOLIDATED CHANGES IN FINANCIAL POSITION  
YEAR ENDED DECEMBER 31, 1984**

	<b>12 months 1984</b>	6 months 1983
<b>SOURCE OF FUNDS</b>		
Earnings before extraordinary items	<b>\$ 1,191,486</b>	\$ 826,464
Items requiring no outlay of funds:		
Reduction of income taxes due to a carry-over of expenses	<b>433,000</b>	554,300
Depreciation of property, plant and equipment	<b>1,437,680</b>	497,552
Minority interest	<b>(51,536)</b>	(4,170)
Funds from operations	<b>3,010,630</b>	1,874,146
Issue of common shares	<b>56,000</b>	147,000
Long-term debt	<b>101,909</b>	
	<b>3,168,539</b>	2,021,146
<b>APPLICATION OF FUNDS</b>		
Deferred expenses - net	<b>650,439</b>	1,900,787
Additions to mining assets - net	<b>3,111,681</b>	208,399
Dividends	<b>796,903</b>	795,503
Amalgamation expenses		6,612
Purchases of fixed assets	<b>198,788</b>	48,912
Purchases of investments	<b>442,000</b>	1,165,141
	<b>5,199,811</b>	4,125,354
DECREASE IN WORKING CAPITAL	<b>2,031,272</b>	2,104,208
WORKING CAPITAL AT BEGINNING OF YEAR	<b>11,543,354</b>	13,647,562
WORKING CAPITAL AT END OF YEAR	<b>\$ 9,512,082</b>	\$11,543,354

The operations for the year 1983 cover a period of six months from July 1, 1983, when the amalgamation of Sullivan Mining Group Ltd. and East Sullivan Mines Limited (No Personal Liability) took place.



# SULLIVAN MINES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1984

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada and are in accordance with International Accounting Standards.

#### BASIS OF CONSOLIDATION

The accompanying financial statements include, on a consolidated basis, the accounts of Sullivan Mines Inc. (the Company) and all of its subsidiaries.

These financial statements reflect the proportionate interest that the company holds in the assets, liabilities, revenue and expenses of several mining and exploration joint ventures.

The 50% interest held by the subsidiary Brunswick Tin Mines Limited in the assets, liabilities, revenue and expenses of the Mount Pleasant Tungsten Mine Joint Venture is not included in these financial statements since Brunswick does not participate in the joint control.

#### PROPERTY, PLANT AND EQUIPMENT

##### Producing assets

- (i) Property, plant, buildings and equipment and deferred expenditures are recorded at cost.
- (ii) Depreciation on plant, buildings and equipment is provided on the unit-of-production method based on estimated mineral reserves. In the case of the Valdez Creek Joint Venture they are depreciated on a straight-line basis at 30% per annum.
- (iii) Repairs and maintenance are charged to operations, major betterments and replacements are capitalized.

##### Non-producing assets

Property, plant and equipment are accounted for as follows:

- (i) The company's share of the assets and liabilities of the Eldrich Joint Venture and the Croinor Joint Venture are recorded at cost. Their recovery will only be known once their properties are brought into commercial production at which time the amortization policy will be enunciated by Management.
- (ii) Property, plant and equipment used for the office and for exploration are carried at cost. Depreciation is provided using the straight-line method at 15%, 20% per year.
- (iii) Property, plant and equipment of the Québec Lithium division are carried at a value that Management considers to be realizable and no depreciation is recorded.
- (iv) Mining properties, claims and concessions are valued at cost and at nominal value.

#### MINERAL EXPLORATION

Exploration expenditures are charged against current earnings unless they relate to properties from which a productive result is reasonably certain or on which work is in progress, in which case they are deferred.

Exploration expenditures of Valdez Creek and Dickenson — Sullivan Joint Ventures have been charged to income.

#### FOREIGN CURRENCY TRANSLATION

Monetary items of assets and liabilities are translated using the rate of exchange at the end of the year and non-monetary items are translated at historical cost. Deferred charges and revenue and expenses other than depreciation are translated by using the average rate for the year. Depreciation is translated at the same rate as the related asset. Profit and loss resulting from these translations are charged or credited to deferred charges.

### 2. CHANGE IN ACCOUNTING POLICY

In 1984, the company changed the method of accounting for its interest in the Valdez Creek Joint Venture from the equity method to the proportionate consolidation method. This change was not applied retroactively.

**3. MARKETABLE SECURITIES, at cost**

	<u>1984</u>	<u>1983</u>
Deposit notes	<b>\$ 4,663,045</b>	\$ 4,350,000
Bonds (market value, 1984, \$3,003,750; 1983, \$2,038,456)	<b>3,000,000</b>	2,023,652
Shares (market value, 1984, \$478,060; 1983, \$639,998)	<b>446,990</b>	667,015
	<b><u>\$ 8,110,035</u></b>	<b><u>\$ 7,040,667</u></b>

**4. INVESTMENTS, at cost**

	<u>1984</u>	<u>1983</u>
Shares of mining and exploration companies (market value, 1984, \$1,110,000; 1983, \$1,086,292)	<b>\$ 1,380,745</b>	\$ 663,745
Other shares (no market value)		275,000
	<b>1,380,745</b>	938,745
Valdez Creek Joint Venture (notes 2 and 16)		351,392
	<b><u>\$ 1,380,745</u></b>	<b><u>\$ 1,290,137</u></b>

**5. PROPERTY, PLANT AND EQUIPMENT**

	<u>1984</u>	<u>1983</u>
Producing assets		
Dickenson-Sullivan Joint Venture at cost:		
Buildings, equipment, deferred development and mining claims	<b>\$11,380,590</b>	\$11,053,725
Less: Accumulated depreciation	<b>2,194,496</b>	1,280,117
	<b>9,186,094</b>	9,773,608
Valdez Creek Joint Venture at cost;		
Buildings, equipment, deferred development and mining claims	<b>1,526,345</b>	
Less: Accumulated depreciation	<b>460,774</b>	
	<b>1,065,571</b>	
Mount Pleasant Tungsten Mine Joint Venture at cost (notes 9 and 16)		9,711,924
	<b>10,251,665</b>	19,485,532
Non-producing assets		
Eldrich Joint Venture at cost	<b>1,495,024</b>	
Croinor Joint Venture at cost	<b>2,345,476</b>	
Mining properties, claims and concessions at cost and at nominal value	<b>155,008</b>	155,008
Buildings, machinery and equipment		
— at cost less accumulated depreciation of \$121,263 (1983, \$69,923)	<b>275,542</b>	124,280
— at estimated realizable value	<b>762,750</b>	777,750
	<b>5,033,800</b>	1,057,038
Total	<b><u>\$15,285,465</u></b>	<b><u>\$20,542,570</u></b>

**6. DEFERRED CHARGES**

	<u>1984</u>	<u>1983</u>
These charges represent the cost of projects at the mineral exploration stage		
Accumulated balance at beginning of year	<b>\$ 2,917,561</b>	\$ 1,016,774
Additions during the period	<b>1,228,826</b>	2,017,614
	<b>4,146,387</b>	3,034,388
Less:		
Transfer to costs of Joint Ventures:		
Croinor	<b>2,336,106</b>	
Eldrich	<b>246,028</b>	
Expenses of terminated projects	<b>226,889</b>	116,827
Accumulated at end of year	<b><u>\$ 1,337,364</u></b>	<b><u>\$ 2,917,561</u></b>

## 7. LONG-TERM DEBT

	<u>1984</u>
Notes payable, maturing May 3, 1987, bearing interest at 1.50% above a chartered bank's prime rate, with the principal repayable in equal monthly instalments of \$3,288	\$ 125,974
Mining claim payments (note 16)	39,263
Obligations under capital leases, interest imputed at 1.125% on a monthly basis	<u>149,767</u>
	<u>315,004</u>
Less portion included in current liabilities	<u>213,095</u>
	<u>\$ 101,909</u>

Instalments on obligations under capital leases required to be paid over the next two years including interest of \$11,332 are as follows: 1985, \$158,476 and 1986, \$26,238.

## 8. CAPITAL STOCK

	<u>1984</u>	<u>1983</u>
AUTHORIZED		
An unlimited number of common shares without par value		
ISSUED AND PAID		
7,999,029 shares (7,985,029 in 1983)	<u>\$13,302,898</u>	<u>\$13,246,898</u>

### SHARES UNDER OPTION TO EMPLOYEES

The company has granted options to its permanent employees including six (6) senior executives, on 106,300 shares of its capital stock at a price of \$4.00 and \$5.00 per share for a period of three (3) years ending on January 14, 1986. As at December 31, 1984, 69,500 shares were acquired by the employees, (of which 14,000 during the year for an amount of \$56,000) leaving a balance of 36,800 shares under option.

## 9. EXTRAORDINARY ITEMS

	<u>1984</u>	<u>1983</u>
Reduction of income taxes due to a carry-over of expenses	\$ 433,000	\$ 554,300
Write-off of contribution by the subsidiary, Brunswick Mines Limited (No Personal Liability) to Mount Pleasant Tungsten Mine Joint Venture	<u>(9,711,924)</u>	
	<u>\$ (9,278,924)</u>	<u>\$ 554,300</u>

The write-off represents the cost of all mining assets acquired by the subsidiary, Brunswick Tin Mines Limited (No Personal Liability) prior to November 1977 which were turned over to the Mount Pleasant Tungsten Mine Joint Venture including preproduction expenditures.

Management has decided to write-off the cost of this contribution since it does not expect to realize any profits from the Joint Venture for the next several years until there is a significant increase in the world price of concentrates produced.

## 10. SOCIÉTÉ QUÉBÉCOISE D'EXPLORATION MINIÈRE (SOQUEM)

Under the terms of an agreement dated February 27, 1981 whereby SOQUEM acquired 1,500,000 shares of the company, it was provided that during a seven (7) year exploration period, Sullivan would not declare and pay any dividends, unless sufficient operating profits from all sources, including investment income, excepting the income derived from the proceeds of the SOQUEM subscription, would cover the total dividends declared and paid. The dividends declared and paid in 1983 and 1984 meet with this condition.

## 11. JOINT VENTURES

The following amounts represent the Company's interest in the following Joint Ventures which are accounted for by the proportionate consolidation method, Dickenson Sullivan, Valdez Creek, Eldrich-Flavel and Croinor. The first two are operating mines while the last two are not.

	<u>1984</u>	<u>1983</u>
Assets	\$13,148,055	\$10,105,197
Liabilities	1,692,660	719,784
Revenue	10,533,316	4,954,339
Expenses	7,146,955	2,953,291

## 12. TIMING DIFFERENCES

The financial statements do not reflect debit deferred income taxes on timing differences. These timing differences of \$32,527,000 are available for an indefinite period.

## 13. GOVERNMENT ASSISTANCE

Sullivan Mines Inc. was granted financial assistance by the Government of Québec in order to accelerate the Eldrich-Flavel Project and to bring the gold deposit to the production stage. The maximum amount of the assistance is \$4.5 million for the joint benefit of the venturers in the projects. This assistance covers the two initial phases for which the costs are estimated at \$28 million. During the year, the Company received \$145,687 which was applied against expenses.

The first phase of the project is to bring the deposit to the production stage before September 30, 1985 and to gradually attain production at a rate of 500 tonnes per day on or before September 30, 1986. Should the project be abandoned, the Company will have to reimburse to the Government, without interest, all amounts received.

The Company is committed to start construction of a mine-mill complex in December 1985 at the latest and to complete this phase by May 31, 1987.

## 14. COMMITMENTS

- (i) The minimum payments in regard to two operating leases expiring from April 30, 1985 to April 30, 1992 total \$574,762. The payments required over the next five years are as follows: 1985, \$70,802; 1986, \$65,642; 1987, \$65,642; 1988, \$61,856 and 1989, \$70,238.
- (ii) By virtue of the terms of an agreement and in consideration of services rendered, the Company has agreed to pay to a retiring officer, an amount of \$30,000 per year, for a period of four years ending on December 31, 1986.
- (iii) The Dickenson-Sullivan Joint Venture, through its joint venturers, Dickenson Mines Limited and Sullivan Resources Ltd. has guaranteed apartment leases for use by employees at the Arthur W. White Mine for \$547,000 per year from 1985 to 1989 and \$561,000 plus financing adjustments, if any, from 1990 to 1995.
- (iv) The Eldrich Joint Venture is committed to construction work for an amount of \$132,000 of which \$66,000 is the Company's share.

## 15. CONTINGENCY

### LEGAL PROCEEDINGS

Legal proceedings have been instituted against the Company and its Agents by the Owners of a vessel for an accident which occurred during the shipment of concentrates. This claim is being contested by the Company.

The amount of the possible liability cannot be determined at this time because the Company and its Agent have exercised a recourse seeking indemnity from a third party.

However, the Company has issued a guarantee in the amount of \$200,000 U.S. as security for the payment of any judgement that might be rendered in favour of the Owners of the vessel.

A sum of \$98,000 has been provided for in the books. Should any judgement be rendered against the Company and if the amount exceeds the sum provided for in the books, the excess will be accounted for as an adjustment of prior years.

## 16. ADDITIONAL INFORMATION OF SUBSIDIARIES' ACTIVITIES

### a) Mount Pleasant Tungsten Mine (Joint Venture)

- (i) By arranging the financing needed to bring the property into production Billiton Canada Ltd. acquired an undivided 50% interest in the property, Brunswick retained 50%. Under the terms of the Joint Venture agreement, Brunswick Tin Mines Limited (No Personal Liability) has transferred all its rights, title and interest in and to the property, to Billiton Canada Ltd. (Billiton), to be held for the joint account of Brunswick and Billiton in accordance with their respective interests therein.
- (ii) 50% of the expenses incurred for the Joint Venture up to the date of commercial production are considered to be advanced as loans by Billiton to Brunswick and these loans will bear interest at a rate equal to one (1) percentage point above the prime rate of a designated bank, from time to time.

Additional financing (operating advances) from April 1, 1984, the date mutually agreed upon for the commencement of commercial production, is also provided by Billiton, these advances bear interest at a rate as mentioned above.

- (iii) The loan, operating advances and accrued interest thereon are secured by a first lien on Brunswick's right, title and interest in and to the property and on Brunswick's assets.
- (iv) Billiton has indicated that it will continue to provide financing for operations during 1985.

Repayment of these loans and any future operating advances by Brunswick to Billiton, together with interest thereon shall be made solely out of the net cash flow to Brunswick from the property.

The amount of these loans at December 31, 1984 is as follows:

	<u>Advances</u>	<u>Interest</u>	<u>Total</u>
Capital cost plus interest (The Loan) up to March 31, 1984	\$95,150,554		\$95,150,554
Interest on loan from April 1, 1984		\$ 9,878,771	9,878,771
Operating advances	3,424,367	167,939	3,592,306
	<u>\$98,574,921</u>	<u>\$10,046,710</u>	<u>\$108,621,631</u>

- (v) Billiton is the sole operator of the project and provides exclusively all administrative and technical services.
- (vi) No profitable mine operations are foreseen until there is a significant increase in the world price of concentrates produced.

**b) Courvan Mining Company Limited (no personal liability)**

- (i) LOUVEM advised the company on January 26, 1984 that it had spent \$425,000 as required by the option agreement thereby acquiring an undivided interest of 75% in the claims. Courvan retains a non-contributory interest of 25%.
- (ii) A joint venture agreement signed on January 11, 1982 has taken force since LOUVEM has acquired an undivided interest of 75% in the claims and COURVAN, by giving notice to LOUVEM that it will participate up to 26 2/3% of all cost of the programmes of Phase II which by agreement must not exceed \$900,000, has acquired a contributory interest of 20/75 of the 75% interest acquired by LOUVEM.
- (iii) LOUVEM proceeded with Part II of the option agreement notwithstanding that the price of gold did not reach \$800 U.S. as mentioned in the agreement. The total amount spent up to December 31, 1984 totals \$695,986 of which \$185,619 or 26 2/3% is COURVAN'S share.
- (iv) LOUVEM will be the manager of the joint venture as long as it retains an undivided interest of 50% in the property.

**c) SUM Resources Inc. (SUM)**

- (i) In 1983, SUM formed an unincorporated joint venture, Valdez Creek Joint Venture, with three other companies for the purpose of exploration, development and production of mining properties in Alaska.
- (ii) On February 29, 1984, two other companies exercised their rights to acquire an interest in the Joint Venture of 5% and 2.5% respectively. As a result, SUM'S interest in the Joint Venture was reduced from 15% to 13.875% and SUM recorded a gain on the disposition of \$23,356.
- (iii) Mining properties

Pursant to an agreement, in 1984, the Joint Venture exercised its option to purchase certain unpatented gold placer and lode mining claims from Denali Mining Ltd. for \$4,290,000 of which SUM'S portion amounted to \$595,238.

Under the terms of the agreement, the Joint Venture and the participants paid \$973,850 in cash with the balance of \$3,316,150 payable in kind from the gold recovered from these mining claims. SUM'S portion of these amounts is \$135,122 and \$460,116 respectively. The balance of the obligation will be payable on a monthly basis and calculated using a percentage of the gross gold production from these mining claims. This amount, which is contingent upon the production of gold from these mining claims, has been reflected as a reduction of the cost of the mining properties. If and when this amount is settled, the Joint Venture is required to pay Denali Mining Ltd. a 4% royalty interest on all gold subsequently mined from the mining claims until 95% of the total recoverable gold reserves have been mined.

In addition, under the terms of the agreement, the Joint Venture was required to make certain mining claim payments amounting to \$710,457 of which the company's portion amounted to \$98,576. During 1983 and 1984, an amount of \$59,313 was paid by SUM leaving a balance of \$39,263 payable over three years as follows: 1985, \$13,741; 1986, \$13,210 and 1987, \$12,312.

- (iv) Pursant to an agreement with the former owners of certain mining properties purchased by the Joint Venture, the participants must pay a royalty charge of 4% on the production revenue less appropriate transportation and refining charges.
- (v) Commercial production commenced on July 15, 1984 and ceased temporarily for the winter season towards the end of October.

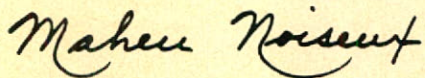
# SULLIVAN MINES INC.

## AUDITORS' REPORT

To the Shareholders of  
Sullivan Mines Inc.

We have examined the consolidated balance sheet of Sullivan Mines Inc. as at December 31, 1984 and the statements of earnings, retained earnings and changes in financial position for the year then ended and we have obtained all the information and explanations we have required. 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, according to the best of our information and explanations given to us and as shown by the books of the company, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for the change in application of accounting policies mentioned in note 2, have been applied on a basis consistent with that of the preceding year.



Chartered Accountants

Montréal, February 20, 1985



