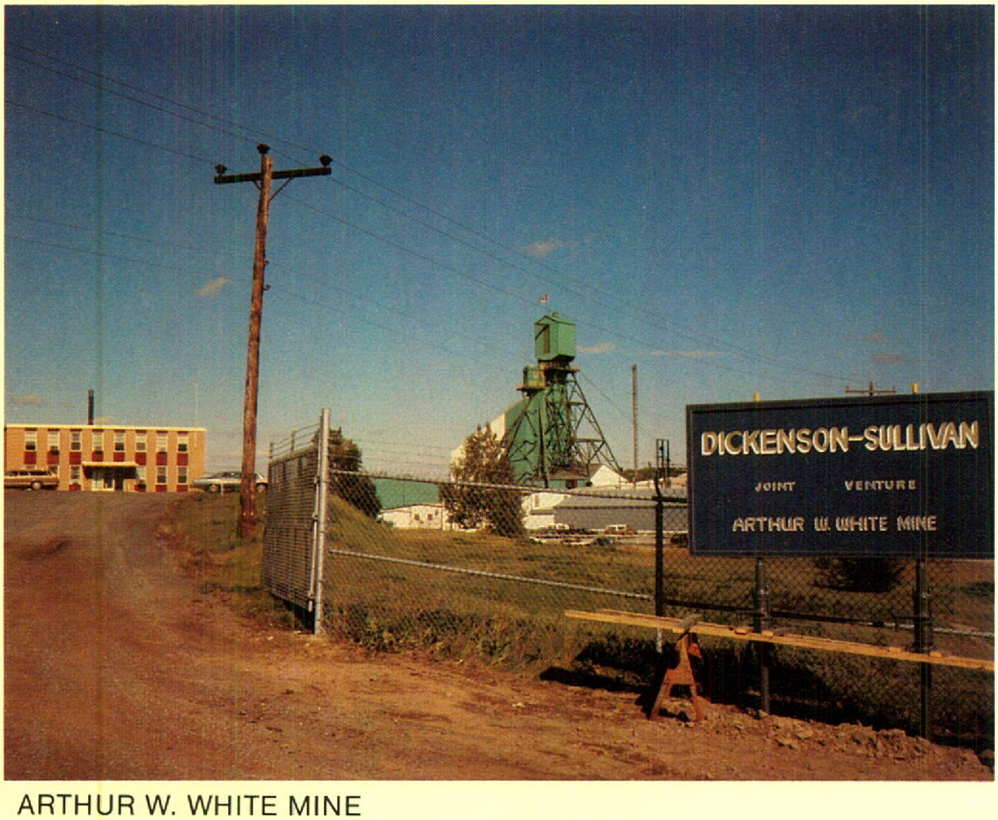
SULLIVAN MINING GROUP LTD.

Annual Report 1982



ARTHUR W. WHITE MINE
Dickenson-Sullivan Joint Venture

SULLIVAN MINING GROUP LTD.

INDEX

To the shareholders of SULLIVAN MINING GROUP LTD.

The Directors present herewith the Annual Report of your Company together with the report on exploration and the audited financial statements for the year ended August 31, 1982.

In the year under review, the net profits of your Company and subsidiaries amount to $928,501 compared to $1,188,472 the previous year, i.e. $0.13 per share versus $0.18 reported last year. However, $1,140,622 were spent in exploration versus $219,242 the previous year.

The decrease in the working capital of your Company from $15,421,507 to $8,653,905 is due to an important investment made in a gold producing property.

In February 1982, SOQUEM (Société québécoise d'exploration minière) paid for the second subscription of 500,000 common shares of your Company at $5.50 per share; the third and last subscription of 500,000 shares is to be taken by SOQUEM at $6.00 per share in February 1983.

Dickenson-Sullivan Joint Venture

On July 1st, 1982, Sullivan Resources Ltd., controlled 99.9% by your Company, acquired from Dickenson Mines Limited a 35% undivided interest in Dickenson's Red Lake Gold Mine (now named Arthur W. White Mine) and 10% of the shareholding of Dickenson in Goldquest Exploration Inc., for $10,250,000. As per a former agreement, Sullivan sold to William G. Brissenden Inc., of Toronto, for $292,857, a 1% undivided interest in the gold mine Arthur W. White and 1/35th of the shares that it received from Dickenson in Goldquest.

The Arthur W. White Mine is administered by a Joint Management Committee constituted of four members, two representing Dickenson and two representing Sullivan. By virtue of the agreements signed, it is provided that the mine is operated by Dickenson Mines Limited.

Sullivan's share of production for the months of July and August 1982 was 2,338 ounces of gold which were sold at an average price of C $470 per ounce. The two months' operations generated a cash flow of C $417,000. Approximately 50% of Sullivan's share of production for the first four months of the current year was sold forward at an average price of C $538.50 per ounce.

It was recently decided by the Dickenson-Sullivan Joint Management Committee to increase the daily capacity of the concentrator from 500 to 700 tons. Sullivan's share of the required capital expenditures is estimated at $650,000. The mill extension should be completed by the end of August 1983. This will not interfere with regular milling operations.

The summary of operations shows the unit costs in 1982. These costs will be reduced by 12 to 15%, once the mill feed reaches 700 tons per day.

Goldquest Exploration Inc., resulted from the amalgamation of 10 exploration corporations, holds patented mining claims and leases on approximately 19,000 acres in various townships in the Red Lake area of Northwestern Ontario. A review of the exploration work done on these properties over the years will be made by Dickenson. In the light of these studies, exploration programmes will be undertaken. Your Company has accepted, so far, to participate financially in the project (up to $75,000) and will receive 2 shares of Goldquest for each $1.00 contributed.

Brunswick Tin Mines Limited

Billiton Canada Ltd., in joint venture with Brunswick, has assumed the responsibility to put into production the Mount Pleasant Tungsten Mine, located in South-Western New Brunswick. Underground development and stoping preparation have been progressing well: even production drilling commenced in September. However, due to a strike by the millwrights, the concentrator will not be completed before the end of December 1982 and the hydrometallurgical section in mid-February 1983 only. The total costs will amount to approximately $115,000,000 before taking into account the interest charges, the working capital and the tuning-up costs. Half of the total costs will be considered as a loan from Billiton to Brunswick which will be reimbursable solely from Brunswick's share of net profits from operations, it being understood that Brunswick would not have to contribute to any operating losses, if any, until such time as the loan is fully repaid.

The 2000 tonne-per-day concentrator is expected to yield approximately 1,800 tonnes of tungsten oxide (WO_3) and 600 tonnes of molybdenum (Mo) per year, both in form of concentrates.

Quebec Lithium Division

The lithium consumption in the Free World is decreasing: the two large American suppliers of raw material had to curtail their production. It is hoped for that, in a not too distant future, research on secondary lithium batteries will lead to positive results. Such a breakthrough would open up an extensive market: thus there would be room for other lithium producers in this now limited and captive market.

Outlook

The decision to buy a participation in the Arthur W. White Mine reflects your Company's optimism towards the outlook of the price of gold.

The acquisition, made this year, of an interest in the Arthur W. White Mine marks the return of your Company to gold mining. Sullivan began as a gold producer in 1932 and operated the Sullivan mine, near Val d'Or, until it was exhausted in 1967. The mining expertise acquired during these 50 years, the debt-free financial position and the cash flow, which will be generated in the coming years, will promote the growth of your Company through possible acquisitions of interests in on-going mining operations. With the present price of gold, the investment in Arthur W. White Mine shows a return in the order of 20%: with the increase of the daily mill capacity from 500 to 700 tons, the return could easily surpass 30%. Your technical personnel and your officers are studying and evaluating other mining projects.

The Mount Pleasant Tungsten Mine project does not look as financially attractive as it did at the beginning of the construction. The costs to put the mine into production have been much higher than anticipated; the price of tungsten, having plummetted to its lowest level since 1976, and the depressed state of the molybdenum market are all factors which cannot help the profitability of the project on the short term. However, the deposits are huge and, as it is not a short-life mine, it can be expected that the project may be profitable on the medium and on the long terms.

Your Company has also been very active in mineral exploration. The attached report on exploration gives details on the programmes carried out on different projects during the year. It is the intention of the Board of Directors to actively pursue the search for new mineral deposits in Canada.

Mr. Jean Depatie, B.A., M.Sc., Geologist, recently joined the Sullivan group of companies as Exploration Manager.

On behalf of the Board of Directors

J. Jacques Beauchemin

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

L. C. Béliveau

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

Operations – Arthur W. White Mine

July - August 1982	Mine	Sullivan - 34%
Tons of ore milled	30,391	10,233
Grade of ore milled (oz/ton)	0.2630	0.2630
Recovery (%)	86.83	86.83
Ounces recovered	6,874	2,338

SULLIVAN RESOURCES LTD.

	(,000) $	Per ton $	Per ounce $
Production	1,099	107	470
Operating costs	682	67	292
Cash flow	417	40	178

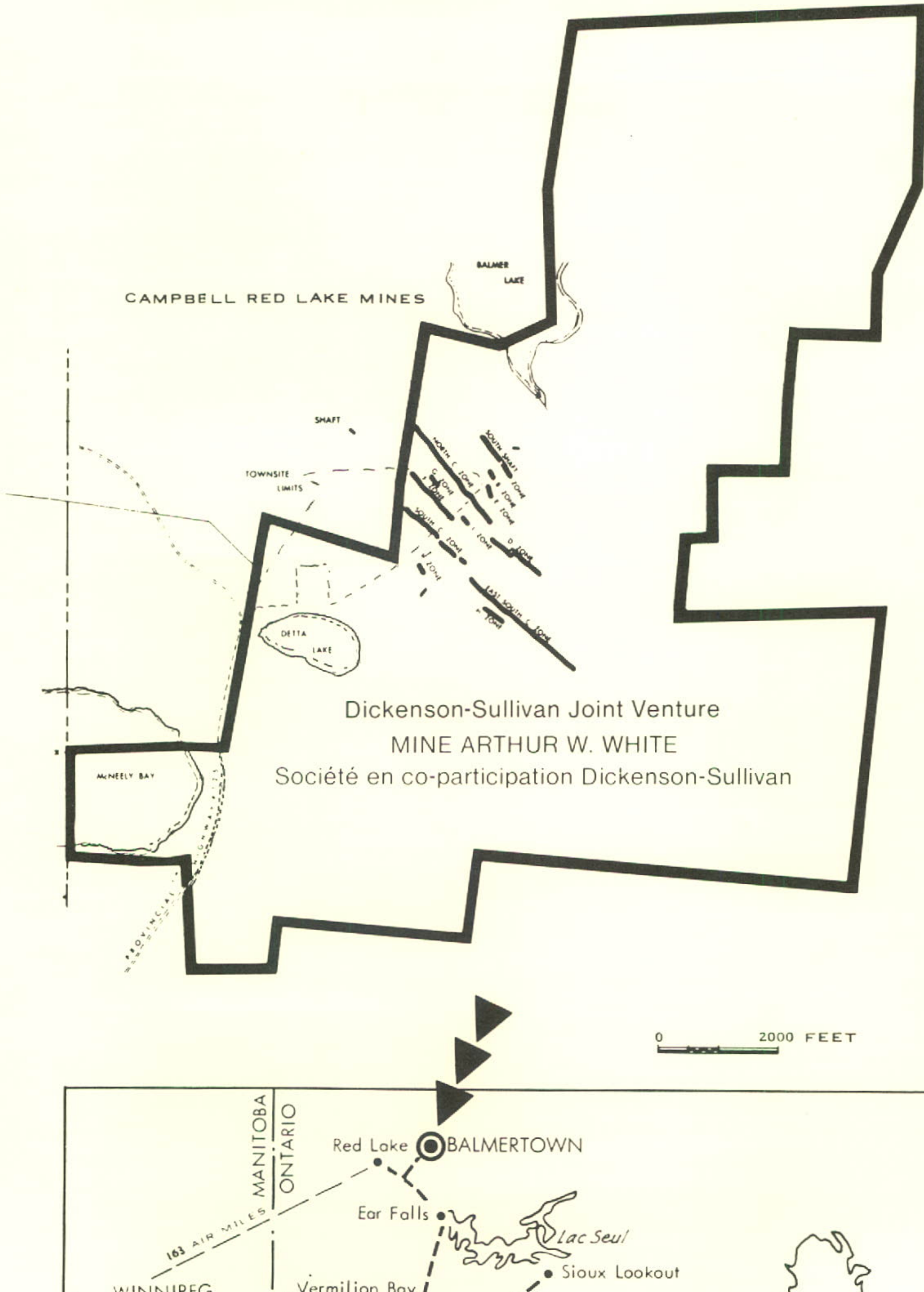
ORE RESERVES – ARTHUR W. WHITE MINE

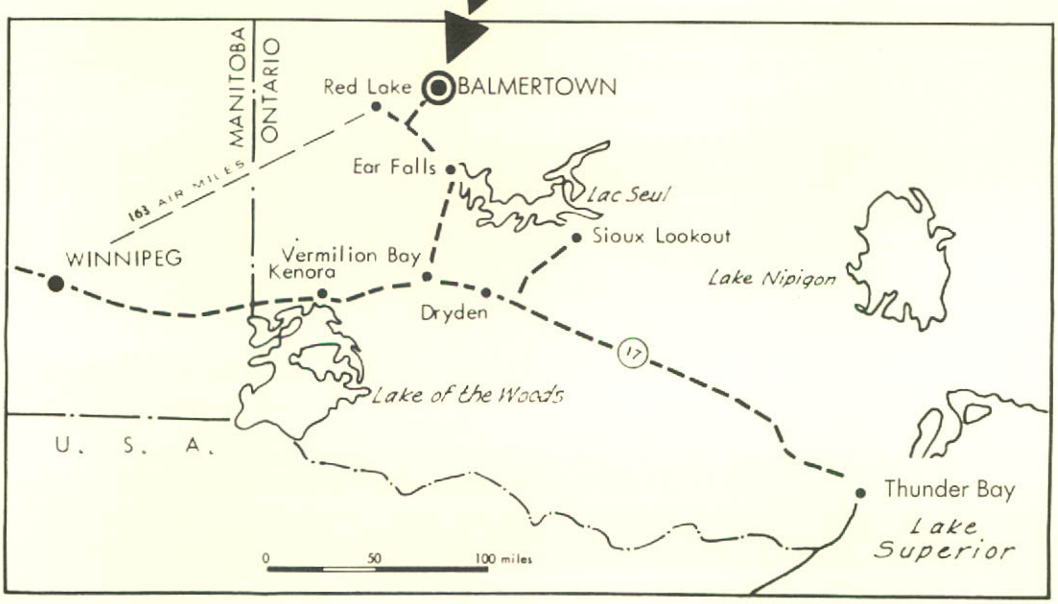
(reported in 1981 by Dickenson Mines Limited)

	tons	diluted grade	contained ounces of gold
Proven	653,700	0.289	189,300
Probable	370,200	0.257	95,100
Possible	982,000	0.182	178,500
Sub-total	2,005,900	0.231	462,900
Total Mineral Inventory*	4,373,400	0.230	1,005,700

*Mineral Inventory: "This figure quantifies the total amount of gold indicated by all chip sampling and drill hole intersections meeting minimum grade thickness parameters established by mine management (i.e. a cut-off grade of 0.05 oz of gold per ton over a minimum width of 6 feet)"

– 1981 Annual Report of Dickenson Mines Limited.


CAMPBELL RED LAKE MINES
BALMER LAKE
SHAFT
TOWNSITE LIMITS
DETTA LAKE
McNEELY BAY
Dickenson-Sullivan Joint Venture
MINE ARTHUR W. WHITE
Société en co-participation Dickenson-Sullivan
0 2000 FEET


MANITOBA
ONTARIO
Red Lake
BALMERTOWN
Ear Falls
163 AIR MILES
Lac Seul
Sioux Lookout
WINNIPEG
Vermilion Bay
Kenora
Dryden
Lake Nipigon
17
Lake of the Woods
U. S. A.
Thunder Bay
Lake Superior
0 50 100 miles

Exploration

During 1981-82, the Company has pursued its exploration efforts in Quebec with emphasis on gold. To minimize exploration costs, some projects were done in joint venture with other mining companies.

Several projects were submitted to our attention but few were accepted so that we could center our objectives on the completion of work undertaken on mining properties acquired last year.

The following report describes the exploration projects and the results obtained.

Quévillon Area – Desjardins Township

55 holes totalling 8,829 m. were drilled on the gold zone of the Flordin Mines Ltd. property which was optioned last year. Moreover, geological and geophysical surveys were conducted on the property as to try and delineate other areas favourable to emplacement of gold mineralization. Although no new targets were located by the surveys, drilling results are encouraging. They have confirmed the existance of a small deposit where the preliminary geological reserves have been established at: 451,700 tonnes of 6.04 g. Au/tonne on a true width of 1.95 m. (500,300 short tons at 0.176 oz Au/s.t. over a true width of 6.4 feet) or 373,500 tonnes of 6.57 g Au/tonne over a true width of 2.0 m. (414,200 s.t. at 0.192 oz Au/s.t. across 6.6 feet). The mineralized zone is still open down-dip. Laterally there are still possibilities for more ore bearing material along a strike length of 2 km. Price of gold will have an influence on the selection of the next phase of exploration on this property.

Chibougamau Area – La Dauversière Township – Mills Property

The exploration programme carried out in 1982 on the small gold deposit of the Mills property was limited to four (4) drill holes which did not contribute much in adding new reserves to the already known tonnage established at:

North Zone: 65, 632 tonnes at 3.87 g Au/tonne
South Zone: 105,287 tonnes at 1.95 g Au/tonne

Work on this property has been suspended until:

a) The price of gold rises

b) The resuming of operations at the site of the neighboring Joe Mann gold deposit (3.2 km. away) where the existing mill could eventually process the auriferous material from the Mills property.

Rouyn-Noranda Area

The C.D.R. Resources Ltd. Option – Beauchastel Twp.

Should price of gold exceed 450.00 U.S. per ounce, the 60,000 tonnes gold deposit grading 4.11 to 5.14 g Au/tonne outlined on the C.D.R. Resources Ltd. property could be mined at a profit. However, such was not the case by the end of 1981 and for most of 1982, and your Company, with the consent of the owners, has postponed till 1983 its detailed work programme intended to establish the true value of the deposit prior to development.

Bazooka Project – Beauchastel Twp.

Your Company has accepted to cover the initial exploration costs as to eventually acquire a 50% interest on the Bazooka gold property held by Soquem in the southern part of Beauchastel Twp. Previous work has already established presence of gold mineralization on this property. The initial exploration programme scheduled for autumn 1982 will consist of diamond drilling.

Duprat Township – Win-Eldrich Mine

The gold property of the former Win-Eldrich mine was acquired during the year. An initial campaign of six (6) drill holes is forecasted by the end of 1982 to probe the extension of gold values in the magnitude of 6.2 g Au/tonne cut across a width of about 4 m. at the N-E extremity of underground workings.

Malartic Area – Gold Projects

Last year, in Malartic township, six properties were taken under option and another one staked.

These seven properties, all contiguous to each other, presented a good gold potential and had never been systematically explored previously. The results of our exploration efforts, diamond drilling included, have not led to the discovery of significant gold mineralization and we have taken the decision to stop all exploration work on the properties.

Malartic Area – Nickel Project

A 191 hectare mining property was staked along the extension of the stratigraphic horizon within which the former nickel producer (1962-69), Marbridge Mines Ltd. was found.

Geophysical work followed by two drill holes for testing failed to give positive results and the exploration programme has been abandoned.

Joutel-Mattagami Area, Carheil Township

Exploration work including geology, geochemistry and geophysical surveys are being currently implemented on the Carheil township property. The latter is located about 24 km. west of the Selbaie Cu - Ag - Zn deposit. A new interpretation of the regional geology suggests that the same stratigraphic horizon, within which the Selbaie deposit was found, also crosses the property. Furthermore, the presence of copper occurrences is a good sign of favourable environment for the emplacement of massive sulphides of volcanogenic origin.

The field work will be completed by fall 1982 and should the results prove to be encouraging, an appropriate diamond drilling programme will be elaborated.

Senneterre Area

In the Senneterre area, three holes were drilled in the gold bearing zone of the former Transterre Mines Ltd. property. The results were far from encouraging and have not repeated the high gold values encountered in previous drill holes. No follow up is to be given on the project.

FedPen Ltée

Norex (Noranda Explorations Ltd.) is in its third year of a five year option on this subsidiary's property. FedPen's property is located in the Gaspé area and contains the deposit of the old Federal Mines Ltd. (reserves estimated at 600,000 tons of 3.95% zinc and 1.31% lead).

On account of budget restrictions, Norex was not able to meet its work commitment for the year (including 2,400 m. of diamond drilling). Nevertheless, it has pushed further its exploration work by completing a mineralogical study which will help to establish the degree of alteration of the sedimentary formation liable to act as host rock to sulphide mineralizations. Moreover, Norex has done some detailed interpretation on the results of the induced polarization survey conducted on the property in 1981. Following this work, two anomaleous areas of prime interest have been retained and will certainly be investigated by drilling in 1983.

Courvan Mining Company Limited

This subsidiary's property, located in Louvicourt and Pascalis townships, was optioned, in 1982, to Soquem. Soquem's objective is to do the reinterpretation of results of all previous work and to initiate more advanced phases of research work to better appraise and explore the gold mining potential of the property.

General

No less than thirty (30) mining projects, some of which at the stage of development or production, have been submitted to our attention during the course of the year. On few occasions, on account of the complexity of the projects, integrated studies were needed to appraise them to their exact value.

Three of the submitted properties have been highly rated and your Company is currently negociating with their respective owner to obtain them. A favourable outcome is expected out of these negociations. In all three instances, the metal seeked is gold.

Exploration Expenses

For 1981-82 exploration expenses for Sullivan Mining Group Ltd. were $1,777,000. spread over 16 projects. However, thanks to the financial participation of its partners, the Company's net costs, amounted to $1,140,000.

Staff

During the year, the management of the projects, controlled by Sullivan Mining Group Ltd., was done from our regional office in Val d'Or. The exploration staff in Val d'Or consists of:

- 2 geologists - full time
- 1 mining engineer - part time
- 2 technicians - full time

Around this core of experts, part time work was being provided, during the good season, to two junior geologists and one more technician.

By mid-August the Val d'Or office was placed under the responsibility of a full time exploration manager employed at the main office in Montreal.

Table of Conversion

1 gram of gold (g)	= 0.03215 ounce
1 metric ton (tonne)	= 2,204 pounds
1 short ton (s.t.)	= 2,000 pounds
1 meter (m)	= 3.28 feet
1 kilometer (km)	= 0.621 mile
1 hectare	= 2.471 acres

Legend

Au = gold
Ag = silver
Zn = zinc
Pb = lead
Cu = copper

Officers

J. Jacques Beauchemin, *Q.C., Chairman of the Board*
Lucien C. Béliveau, Eng., *President and Chief Executive Officer*
Léo Scharry, Eng., *Vice-President*
Réal J. Lafleur, *Secretary-Treasurer*
Jean Depatie, *B.A., M.Sc., geologist, Exploration Manager*

Directors

François J. Bastien, C.A.
Claude Beauchemin, Attorney*
J. Jacques Beauchemin, Q.C.
Lucien C. Béliveau, Eng.*
Georges Gauvreau, Notary
Claude Genest, LSc*
Josaphat E. Gilbert, Eng. PhD.
Réal J. Lafleur
André Latreille, Eng.*
Alexandre J. Montminy
Léo Scharry, Eng.*

**Executive Committee*

Registrar and Transfer Agent

Guaranty Trust Company of Canada, Montreal - Toronto

Shares Listed

Montreal Exchange / Toronto Stock Exchange

Banks

National Bank of Canada
Bank of Nova Scotia

Auditors

Maheu Noiseux, Montreal

Exploration Office

Suite 205, 1130 8th Street
Val d'Or, Quebec, J9P 3N6

Head Office

Suite 2500, 500 Place d'Armes, Montreal,
Quebec, H2Y 2W6

SULLIVAN MINING GROUP LTD.

(Incorporated under the Quebec companies' Act)

CONSOLIDATED BALANCE SHEET

August 31, 1982

ASSETS

	1982	1981
CURRENT ASSETS		
Cash and term deposits	$ 3 809 776	$ 7 679 522
Marketable securities (note 2)	3 924 046	7 534 204
Accounts receivable	125 732	73 940
Accrued interest	134 196	193 213
Bullion at estimated net realizable value	583 750	
Inventories of supplies at average cost	688 615	57 363
Prepaid expenses	54 095	12 262
	9 320 210	15 550 504
INVESTMENTS (note 3)	1	5 500
FIXED ASSETS (notes 4 and 14)	947 742	922 517
MINING ASSETS (notes 5 and 14)	20 048 053	9 792 540
	$30 316 006	$26 271 061

LIABILITIES

	1982	1981
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 666 306	$ 128 997
MINORITY INTEREST	152 532	165 560

SHAREHOLDERS' EQUITY

	1982	1981
Capital stock (note 6)	16 492 600	13 742 600
Contributed surplus	4 677 177	4 677 177
Retained earnings	8 327 391	7 556 727
	29 497 168	25 976 504
	$30 316 006	$26 271 061

ON BEHALF OF THE BOARD OF DIRECTORS

Jacques Beauchemin

L. G. Bélliveau

Directors

CONSOLIDATED EARNINGS

Year ended August 31, 1982

	1982	1981
REVENUES		
Interest and dividends	$ 2 399 049	$ 1 934 538
Bullion	1 098 684	
Gain on sales of fixed assets		137 039
Gain on sales of investments		13 655
Other revenues	829	3 094
	3 498 562	2 088 326
EXPENSES		
Mining operations	682 284	
Administrative and general expenses	527 993	432 860
Outside exploration expenses	1 140 622	219 242
Net expenses of closed and non-operating mines	90 941	133 677
Depreciation of fixed assets	10 603	7 854
Amortization of mining assets	102 330	
Loss on sales of fixed assets	3 684	
Loss on sales of investments	22 500	
Write-off of an advance to a company		17 982
	2 580 957	811 615
EARNINGS BEFORE INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEMS	917 605	1 276 711
CURRENT INCOME TAXES	422 000	587 600
EARNINGS BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS	495 605	689 111
MINORITY INTEREST	10 896	6 761
EARNINGS BEFORE EXTRAORDINARY ITEMS	506 501	695 872
EXTRAORDINARY ITEMS (note 8)	422 000	492 600
NET EARNINGS	$ 928 501	$ 1 188 472
EARNINGS PER SHARE (note 9)		
Earnings before extraordinary items	$ 0,07	$ 0,10
Net earnings	$ 0,13	$ 0,18

CONSOLIDATED RETAINED EARNINGS

Year ended August 31, 1982

	1982	1981
BALANCE AT BEGINNING	$ 7 556 727	$ 6 368 255
NET EARNINGS	928 501	1 188 472
	8 485 228	7 556 727
Acquisition of shares in East Sullivan Mines Limited	157 837	
BALANCE AT END	$ 8 327 391	$ 7 556 727

CONSOLIDATED CHANGES IN FINANCIAL POSITION

Year ended August 31, 1982

	1982	1981
SOURCE OF FUNDS		
Earnings before extraordinary items	**$ 506 501**	$ 695 872
Items requiring no outlay of funds		
Reduction of income taxes on application of prior years' loss	**422 000**	587 600
Minority interest	**(10 896)**	(6 761)
Depreciation of fixed assets	**112 933**	7 854
Loss (gain) on sales of fixed assets	**3 676**	(137 039)
Gain on sales of investments		(17 880)
Write-off of an advance to a company		17 982
Funds from operations	**1 034 214**	1 147 628
Sales of fixed assets	**7 331**	137 039
Reimbursements of advances, other company		2 017
Instalments on mortgages	**5 500**	11 000
Sales of investments		40 880
Issue of common shares	**2 750 000**	2 500 000
	3 797 045	3 838 564
APPLICATION OF FUNDS		
Pre-milling and deferred mine development expenditures	**51 531**	85 459
Acquisition of shares in a subsidiary	**2 132**	27
Acquisition of shares in affiliated company	**157 837**	
Additions to fixed assets	**46 836**	15 674
Acquisition of mining assets	**10 306 312**	
Settlement of litigation		95 000
	10 564 648	196 160
INCREASE (DECREASE) IN WORKING CAPITAL	**(6 767 603)**	3 642 404
Working capital at beginning	**15 421 507**	11 779 103
Working capital at end	**$ 8 653 904**	$15 421 507

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 1982

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 with the exception that they do not reflect the impact of specific price changes, and of changes in the general level of prices.

Basis of consolidation

The accompanying financial statements include, on a consolidated basis, the accounts of Sullivan Mining Group Ltd. (the Company) and all of its subsidiaries: Sullivan Resources Ltd., held 99,9% (formerly Sullico Resources Ltd.), Brunswick Tin Mines Limited, held 89%, FedPen Ltée, held 73% and Courvan Mining Company Limited, held 50%

These financial statements reflect the proportionate interest of 34% that Sullivan Resources Ltd. holds in the assets and liabilities of the Dickenson-Sullivan Joint Venture.

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

The interest of 42,8% (1981, 41,5%) held by the company in East Sullivan Mines Limited is accounted for on the equity method since Sullivan Mining Group Ltd. exercices a significant influence on that company.

Bullion

Bullion is valued at estimated net realizable value.

Supplies

Stores and operating supplies are valued at average cost.

Valuation of fixed assets

(i) Land is valued at cost.

(ii) Fixed assets of Québec Lithium, a non operating division of the Company, are carried at a value that management considers to be realizable.

Mining assets, deferred expenditures

(i) The Company regrouped under mining assets, which were turned over to the Mount Pleasant Tungsten Mine Joint Venture by Brunswick Tin Mines Limited, a subsidiary, the cost of buildings and equipment and its own expenditures of the pre-production period including capitalized cost of mining leases and surface rights. The Joint Venture will develop the mine with a view to operate it.

(ii) The 34% interest acquired by Sullivan Resources Ltd. in the Arthur W. White Mine of Dickenson Mines Limited, consisting of mining concessions, surface properties, buildings, equipment and underground development expenditures are grouped under mining assets.

(iii) The mining properties, claims and concessions are valued at cost for the Québec Lithium division and at nominal value for the others. The Company and its subsidiaries do not have any mine in operation except for the 34% interest in the Arthur W. White Mine operated by the Dickenson-Sullivan Joint Venture.

Depreciation

(i) Depreciation of fixed assets used for the office and for exploration is calculated on the basis of the straight-line method. The rates are 10% for exploration equipment and office equipment and 15% for rolling stock.

(ii) Depreciation is not calculated on the fixed assets of the non operating mine of Québec Lithium.

(iii) Amortization of the cost of the mining assets of Dickenson-Sullivan is provided on the unit of production method based on the Company's portion of estimated mineral inventories of the Arthur W. White Mine operated by the Dickenson-Sullivan Joint Venture.

(iv) The possibility of recovering the cost of the mining assets transferred to the Mount Pleasant Tungsten Mine Joint Venture will only be known once the ore body is brought into commercial production, at which time the amortization policy will be enunciated by Management.

Mining exploration

Mining exploration costs reduced by the share of copartners to certain programmes are charged against earnings.

2 — Marketable securities, at cost	1982	1981
Deposit notes	**$ 1 350 000**	$ 5 460 301
Bonds (market value 1982 – $2 041 169; 1981 – $1 422 166)	**2 023 652**	1 523 502
Shares (market value 1982 – $301 310; 1981 – $374 155)	**550 394**	550 401
	$ 3 924 046	$ 7 534 204

3 — **Investments,** at cost

(i) The cost of the investment of the Company in the shares of East Sullivan Mines Limited amounts to $1 677 575 and is accounted for on the equity method (note 1). Accounting for this investment on the equity method has resulted in the cost of the investment being charged to retained earnings.

(ii) The 122 560 shares of Goldquest Exploration Inc. received by Sullivan Resources Ltd., as per agreement with Dickenson Mines Limited are shown at a nominal value of $1.

4 — Fixed assets

	1982	1981
Land at cost	$ 111 175	$ 111 175
Buildings, machinery and equipment at cost	109 218	86 066
	220 393	197 241
Accumulated depreciation	50 401	54 929
	169 992	142 312
Buildings and equipment at estimated realizable value	777 750	780 205
	$ 947 742	$ 922 517

5 — Mining assets, deferred expenditures

	1982	1981
Dickenson-Sullivan, Joint Venture, at cost:		
Buildings, equipment, deferred development expenditures and mining claims	$10 306 312	
Amortization	102 330	
	10 203 982	
Mount Pleasant Tungsten Mine at cost	9 689 064	$ 9 637 533
Mining properties, claims and concessions at cost and at nominal value	155 007	155 007
	$20 048 053	$ 9 792 540

6 — Capital stock

The authorized capital stock of the Company is 10 000 000 common shares without par value:

	Number of shares	Amount
Issued and paid as at August 31, 1981	8 900 000	$13 742 600
Issued for cash during the year	500 000	2 750 000
Issued and paid as at August 31, 1982	9 400 000	$16 492 600

7 — Société québécoise d'exploration minière (SOQUEM)

On February 27, 1981, the Board of Directors of Sullivan Mining Group Ltd. (Sullivan) accepted the offer received from Société québécoise d'exploration minière (SOQUEM) to subscribe to one million five hundred thousand (1 500 000) common shares without par value of the unissued authorized capital stock of Sullivan, subject to certain terms and conditions.

500 000 shares were paid for and issued at $5,00 per share on February 27, 1981, the next 500 000 shares were paid for and issued at $5,50 per share on February 27, 1982. The remaining 500 000 shares are to be paid at $6,00 per share on February 28, 1983.

The agreement is subject to the following conditions:

(i) The proceeds from the subscription to 1 500 000 shares amounting to $8 250 000 shall be used by Sullivan to intensify its mining exploration and/or development activities on present or new mining properties to be acquired, in executing work programmes starting on February 27, 1981 and involving minimum expenditures totalling $10 200 000 over the next seven (7) years.

(ii) For a period of two (2) years from February 27, 1981, Sullivan will not issue any share of its capital stock, other than the issues contained in the offer made by Soquem. Thereafter Soquem will have a right to subscribe, pro rata to the interests it will hold, to any new issues of shares that could be made by the Company.

(iii) During the seven (7) years of exploration, Sullivan agrees not to declare and not to pay any dividend, unless it realizes sufficient operating profits from all sources, including investment income, excepting the income derived from the proceeds of the Soquem subscription, that would cover the total dividends declared and to be paid.

8 — Extraordinary items

	1982	1981
Reduction of income taxes on application of prior years' loss	**$ 422 000**	$ 587 600
Settlement of litigation regarding certain shares held in Sullipek Mines Inc.		(95 000)
	$ 422 000	$ 492 600

9 — Earnings per share

The company's investment in East Sullivan Mines Limited 42,8% (1981, 41,5%) and East Sullivan Mines Limited investment in the Company 49,7% (1981, 52,5%) means that the company has a 21,3% (1981, 21,8%) pro rata interest in its outstanding shares held by East Sullivan Mines Limited. Consequently these reciprocal shareholdings have been taken into account in determining the number of Sullivan Mining Group Ltd. shares outstanding for the purpose of computing earnings per share.

As there was an issue of shares during the year, the weighted average number of shares used in the calculation for 1982 is then 7 161 496 (1981: 6 709 529 shares).

10 — Joint venture

The following amounts represent the Company's interest in the Dickenson-Sullivan Joint Venture accounted for by the proportionate consolidation method:

Assets	$10 635 540
Liabilities	338 478
Revenue	1 098 684
Expenses	682 284

Commitments to the Joint Venture are as follows:

(i) The Company is committed to contribute its share of all expenses related to operations and all capital expenditures, authorized by the Joint Management Committee.

(ii) The Company has accepted to participate with Dickenson Mines Limited in the exploration programmes of Goldquest Exploration Inc. The Company will receive 2 shares of Goldquest for each $1,00 contributed to expenses amounting to $75 000.

(iii) The Company has entered into forward gold sales contracts to December 31, 1982 for 2 000 ounces at approximately $538,50 per ounce.

11 — Expenses carried forward for income tax purposes

The potential tax benefit resulting from the carry over of expenses is not accounted for in the financial statements. These expenses, which may be applied in future years to reduce taxable income and accordingly to decrease income taxes, amount to $32 820 000 and are applicable as follows:

Amount of timing differences to be deferred over an undetermined period:

Undepreciated capital cost	$11 510 000
Exploration expenses	21 310 000
	$32 820 000

12 — Commitments

(i) By virtue of the terms of an operating lease expiring April 30, 1987, with a right of termination on April 30, 1985, the Company is committed to make minimum payments totalling $208 972 through minimal annual instalments of $38 809 in each of the years 1982 to 1986 and $14 927 in 1987. Furthermore, the company has agreed to pay an aggregate amount of $17 000 over the next five years.

(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 three years commencing on January 1st, 1983.

(iii) Sullivan Resources Ltd., a subsidiary, is committed to contribute an estimated amount of $650 000 as its share of capital expenditures to be incurred by Dickenson-Sullivan Joint Venture for the purpose of increasing the daily capacity of the concentrator.

13 — Contingency

(i) 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 in previous years. 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.

(ii) A judgement was rendered on June 21, 1982, in favour of the plaintiffs, for a global amount of $218 000 for damages resulting from an accident which occurred on October 19, 1975. The insurers of Sullivan Mining Group Ltd. who cover the company in regard to third party liability have defended the action, and have lodged an appeal to this judgement through their legal counsels.

14 — Additional information regarding the activities of subsidiaries

a) *Sullivan Resources Ltd., a subsidiary*

Dickenson-Sullivan, Joint Venture

On July 1st, 1982, the Company acquired a 35% interest in the Arthur W. White Mine of Dickenson Mines Limited and 10% of Dickenson's interest in Goldquest Exploration Inc. for the sum of $10 250 000. After the completion of the transaction, Sullivan sold a 1% undivided interest in the mine and 1/35th of the shares that it received from Dickenson in Goldquest to William G. Brissenden Inc. of Toronto for $292 857.

By virtue of the agreements signed, it is provided that the Arthur W. White Mine now owned by the Dickenson-Sullivan Joint Venture is operated by Dickenson Mines Limited for the account of the Joint Venturers. These agreements were signed on July 1st, 1982, the date on which they became effective.

The Company also contributed $690 813 to the working capital of the Joint Venture as at July 1st, 1982.

The Company receives its share of bullion production and negotiates the sale for their own account. The Company then accounts to William G. Brissenden Inc. for its 1% share of production.

b) *Brunswick Tin Mines Limited, a subsidiary*

The Company holds 89% of Brunswick Tin Mines Limited.

The subsidiary entered in a Joint Venture to develop and to bring the Mount Pleasant Tungsten Mine to the operating stage.

By virtue of the terms of the Joint Venture Agreement, Brunswick Tin Mines Limited has transferred all its rights, titles and interest in and to the property to be held by Billiton Canada Ltd. for the joint account of Brunswick and Billiton Canada Ltd. in accordance with their respective interests therein.

By arranging the financing needed to bring the property into production, Billiton acquired an undivided 50% interest in the property, Brunswick retained 50%.

Other agreements were signed providing essentially the following:

(i) 50% of the expenses incurred for the Joint Venture up to the date of commercial production will be 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.

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

(ii) Billiton Canada Ltd. became the sole Operator of the project and will provide exclusively all administrative and technical services.

(iii) Agreements concerning sale of concentrates, assignment of sales proceeds and payments of royalties and financing fee will take effect from the date of commencement of commercial production.

As at balance sheet date the information supplied by Billiton indicates the following:

Expenses incurred for the account of the Joint Venture and considered as being advanced as loans to Brunswick amount to $48 789 000 and the amount of accrued interest is $9 448 000.

The capital cost of the project will approximate $118 600 000.

Production is currently scheduled to commence in the second half of 1982.

c) *Courvan Mining Company Limited, a subsidiary*

The subsidiary granted to Soquem an exclusive option for a period of 8 years commencing on January 11, 1982 on its mining claims and concessions, located in Louvicourt and Pascalis Townships, Abitibi, Province of Québec. Soquem might spend an amount of $1 325 000 during this period and thereby acquire an undivided interest of 75% in the claims and concessions.

d) *FedPen Ltée, a subsidiary*

The subsidiary granted to Noranda Exploration Company, Limited (No Personal Liability), (Norex), an exclusive option for a term of five (5) years commencing on November 1, 1979 on all its Mining Concessions and Claims located in Lemieux Township, County of Gaspé, Province of Québec. Norex might spend an amount of $750 000 during this period.

AUDITORS' REPORT

To the shareholders of
Sullivan Mining Group Ltd.

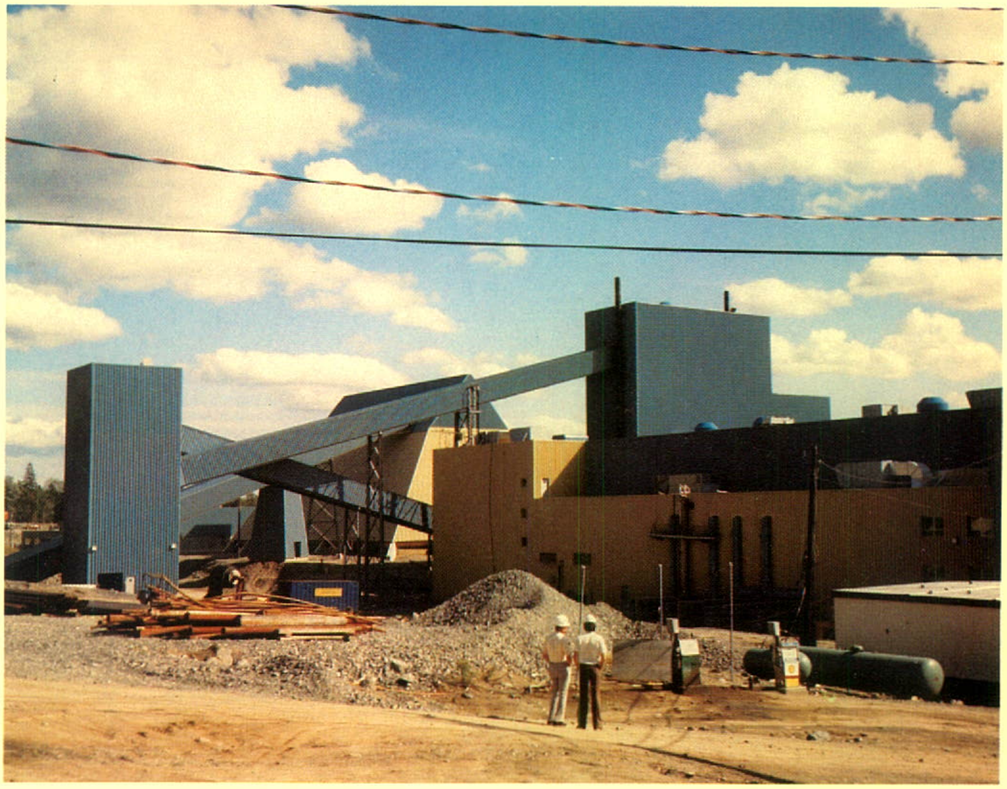
We have examined the consolidated statements of earnings, retained earnings and changes in financial position of Sullivan Mining Group Ltd. for the year ended August 31, 1982 and the consolidated balance sheet as at that date and we have obtained all the information and explanations we have required. 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 results of operations and the changes in financial position of the company for the year ended August 31, 1982 and its financial position as at that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Maheu Noiseux

Chartered Accountants

Montréal, October 12, 1982



MOUNT PLEASANT TUNGSTEN MINE