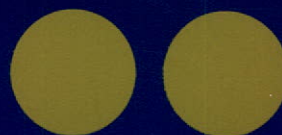




EAST
SULLIVAN
MINES
LIMITED

**Annual
Report
1982**





ARTHUR W. WHITE MINE
Dickenson-Sullivan Joint Venture

EAST SULLIVAN MINES LIMITED

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To the shareholders of EAST SULLIVAN MINES LIMITED

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 affiliates amount to \$606,939 compared to \$771,747, \$0.23 per share versus \$0.28 reported last year.

As a result of the issue, on February 28, 1982, of 500,000 shares of Sullivan Mining Group Ltd. to Société québécoise d'exploration minière (SOQUEM) the interest that the Company held in Sullivan Mining Group Ltd. was reduced to 49.7%, whereas this interest was 52.5% before the issue of the additional shares. On March 1st 1982, Sullivan Mining Group Ltd. therefore became an affiliated company instead of a subsidiary.

The reduction requires a change in accounting for the value of the investment in Sullivan Mining Group Ltd., this investment is now accounted for on the equity method. This change is more fully explained in Note 1 of the financial statements.

Dickenson-Sullivan Joint Venture

On July 1st, 1982, Sullivan Resources Ltd., controlled 99.9% by Sullivan Mining Group Ltd., 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. Sullivan 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 management'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 Sullivan Mining Group Ltd. to gold mining. This company began as a gold producer in 1932 and operated the Sullivan gold 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 Sullivan Mining Group Ltd. through

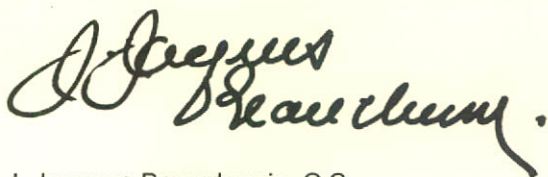
possible acquisitions of interests in on-going mining operations. With the present price of gold, the investment in Arthur W. White Mine shows a return in the order of 20%: with the increase of the daily mill capacity from 500 to 700 tons, the return could easily surpass 30%. Your technical personnel 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 plummeted 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.

Sullivan Mining Group Ltd. 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, Q.C.
Chairman of the Board



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.

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 existence 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, geo-chemistry 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 anomalous 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 re-interpretation 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 negotiating with their respective owner to obtain them. A favourable outcome is expected out of these negotiations. In all three instances, the metal sought 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

Claude Beauchemin, Attorney*
Gendron Beauchemin, Eng.
J. Jacques Beauchemin, Q.C.
Lucien C. Béliveau, Eng.*
Georges Gauvreau, Notary
Claude Genest, LSc*
Josaphat E. Gilbert, Eng. PhD.
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

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

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

(Incorporated under the Québec Companies' Act)

CONSOLIDATED BALANCE SHEET (note 1)

August 31, 1982

ASSETS

	1982	1981
CURRENT ASSETS		
Cash and term deposits	\$ 372 747	\$ 8 046 789
Marketable securities		7 650 825
Accounts receivable		73 940
Accrued interest		193 213
Inventories of supplies valued at net realizable value		57 363
Prepaid expenses		12 262
	<u>372 747</u>	<u>16 034 392</u>
INVESTMENTS		
Sullivan Mining Group Ltd., affiliated company (notes 2 and 3)	8 980 777	
Other shares (note 4)	116 621	5 500
	<u>9 097 398</u>	<u>5 500</u>
FIXED ASSETS		922 517
MINING ASSETS	1	9 792 541
	<u>\$ 9 470 146</u>	<u>\$26 754 950</u>

LIABILITIES

CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 129 573
MINORITY INTEREST	<u>17 604 333</u>

SHAREHOLDERS' EQUITY

Capital stock (note 5)	\$ 4 250 000	4 250 000
Contributed surplus	700 503	700 503
Retained earnings	6 197 218	5 590 279
	<u>11 147 721</u>	<u>10 540 782</u>
Shares of East Sullivan Mines Limited held by affiliated companies	(1 677 575)	(1 519 738)
	<u>9 470 146</u>	<u>9 021 044</u>
	<u>\$ 9 470 146</u>	<u>\$26 754 950</u>

ON BEHALF OF THE BOARD OF DIRECTORS

L. G. Beliveau
Directors *J. S. Selinger*

CONSOLIDATED EARNINGS

Year ended August 31, 1982

	1982 (note 1)	1981
REVENUES		
Interest and dividends	\$ 1 397 075	\$ 1 999 427
Gain on sales of fixed assets	103	137 039
Gain on sales of investments		14 719
Other revenues		3 094
	<u>1 397 178</u>	<u>2 154 279</u>
EXPENSES		
Administrative and general expenses	322 969	490 338
Outside exploration expenses	509 054	219 242
Net expenses of closed and non-operating mines	46 168	133 677
Depreciation of fixed assets	5 700	7 854
Write-off of an advance to a company		17 982
	<u>883 891</u>	<u>869 093</u>
EARNINGS BEFORE INCOME TAXES AND UNDERNOTED ITEMS	513 287	1 285 186
Current income taxes	<u>252 000</u>	<u>587 600</u>
EARNINGS BEFORE UNDERNOTED ITEMS	261 287	697 586
Minority interest	<u>(160 943)</u>	<u>(417 761)</u>
Equity in earnings of an affiliated company	<u>148 596</u>	
EARNINGS BEFORE EXTRAORDINARY ITEMS	248 940	279 825
Extraordinary items (note 6)	<u>357 999</u>	<u>491 922</u>
NET EARNINGS	\$ 606 939	\$ 771 747
EARNINGS PER SHARE		
Earnings before extraordinary items	<u>\$ 0,09</u>	<u>\$ 0,10</u>
Net earnings	<u>\$ 0,23</u>	<u>\$ 0,28</u>

CONSOLIDATED RETAINED EARNINGS

Year ended August 31, 1982

	1982 (note 1)	1981
BALANCE AT BEGINNING	\$ 5 590 279	\$ 4 818 532
NET EARNINGS	<u>606 939</u>	<u>771 747</u>
BALANCE AT END	<u>\$ 6 197 218</u>	<u>\$ 5 590 279</u>

CONSOLIDATED CHANGES IN FINANCIAL POSITION

Year ended August 31, 1982

	1982 (note 1)	1981
SOURCE OF FUNDS		
Earnings before extraordinary items	\$ 248 940	\$ 279 825
Items requiring no outlay of funds		
Reduction of income taxes on application of prior years' loss	252 000	587 600
Minority interest	160 943	417 761
Depreciation of fixed assets	5 700	7 854
Gain on sales of fixed assets	(103)	(137 039)
Gain on sales of investments		(17 880)
Write-off of an advance to a company		17 982
Equity in earnings of an affiliated company	(148 596)	
Funds from operations	518 884	1 156 103
Sales of fixed assets	200	137 039
Reimbursements of advances		2 017
Reimbursements of mortgages	500	11 000
Sales of investments		40 880
Issue of common shares	2 750 000	2 500 000
	<u>3 269 584</u>	<u>3 847 039</u>
APPLICATION OF FUNDS		
Elimination of working capital of Sullivan Mining Group Ltd.	18 468 104	
Settlement of litigation		95 000
Pre-milling and deferred mine development expenditures	25 557	85 459
Acquisition of shares	159 664	27
Additions to fixed assets	31 710	15 674
Regrouping of marketable securities with long term investments	116 621	
	<u>18 801 656</u>	<u>196 160</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(15 532 072)	3 650 879
Working capital at beginning	15 904 819	12 253 940
Working capital at end	<u>\$ 372 747</u>	<u>\$15 904 819</u>

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 presentation of investment in a subsidiary which became an affiliated company during the year

As a result of the issue on February 28, 1982, of the second 500,000 shares by Sullivan Mining Group Ltd. to Société québécoise d'exploration minière (SOQUEM), the interest that East Sullivan Mines Limited (the Company) held in Sullivan Mining Group Ltd. was reduced to 49,7% whereas this interest was 52,5% before the issue of the additional shares. On March 1st, 1982 Sullivan Mining Group Ltd. became an affiliated company instead of a subsidiary.

The reduction requires a change in accounting for the value of the investment in Sullivan Mining Group Ltd.

The earnings, the changes in financial position and the balance sheet are prepared by taking into account the following:

- (i) From September 1st, 1981 to February 28, 1982 the earnings and the changes in financial position are consolidated taking into account that Sullivan Mining Group Ltd. was a subsidiary of the Company.
- (ii) From March 1st to August 31, 1982, the investment is accounted for on the equity method which is determined on the same basis as a consolidation, and the share of the Company in the earnings of the affiliate is shown in the statement of earnings. The statements of earnings, changes in the financial position and balance sheet are prepared by taking into account the equity method.

Investment

The Company holds 4 675 000 shares of Sullivan Mining Group Ltd. representing 49,7% (1981, 52,5%) of the issued capital stock.

Sullivan Mining Group Ltd. acquired 60 000 shares of the Company, and now holds together with one of its subsidiaries 2 000 471 shares representing 42,8% (1981, 1 940 471 shares, 41,5%) of the Company.

2 — Issue of shares of Sullivan Mining Group Ltd.

On February 28, 1981 Soquem subscribed to 1 500 000 common shares of Sullivan Mining Group Ltd., subject to certain terms and conditions. As at February 28, 1982 1 000 000 shares had been paid for and issued while the last 500 000 shares are to be paid at \$6,00 per share on February 28, 1983.

As principal shareholder, East Sullivan Mines Limited intervened and accepted not to modify any of the by-laws of Sullivan and also accepted to assist Sullivan to intensify its mining exploration and/or development activities on present or new mining properties to be acquired.

Furthermore, the Company has agreed not to dispose of any of its shares of Sullivan without giving a right of first refusal to Soquem.

3 — Investment in affiliated company (note 1)

- (i) Sullivan Mining Group Ltd., which was the subsidiary of the Company since 1969, became an affiliated company on February 28, 1982. For information purposes, the equity value as at August 31, 1981 is presented, as if Sullivan Mining Group Ltd. had been an affiliated company instead of a subsidiary.

	1982	1981
4 675 000 shares of Sullivan Mining Group Ltd., at cost	\$13 143 279	\$13 143 279
Share of losses less earnings	(2 484 927)	(3 085 809)
	10 658 352	10 057 470
Less cost of the Company's shares owned by Sullivan Mining Group Ltd. and a subsidiary	1 677 575	1 519 738
Equity value	\$ 8 980 777	\$ 8 537 732

The quoted market value of the Company's holdings at August 31, 1982 was \$9 350 000 (\$15 193 750 in 1981). Because of the large shareholding such value is not necessarily indicative of the amount which might be realized if the shares were to be sold.

(ii) The following condensed financial position and earnings of the Company are presented as if Sullivan Mining Group Ltd. had been an affiliated company and not a subsidiary in 1981:

EAST SULLIVAN MINES LIMITED

BALANCE SHEET

August 31

ASSETS

	1982	1981
Current assets	\$ 372 747	\$ 483 888
Investment, affiliated company (note 3)	8 980 777	8 537 732
Investment, other	116 621	
Mining claims	1	1
	<u>9 470 146</u>	<u>9 021 621</u>

LIABILITIES

Current liabilities		\$ 577
Shareholders' equity	9 470 146	9 021 044
	<u>\$ 9 470 146</u>	<u>\$ 9 021 621</u>

STATEMENT OF EARNINGS

Year ended August 31

	1982	1981
Revenues	\$ 69 936	\$ 65 953
Expenses	63 880	57 478
	<u>6 056</u>	<u>8 475</u>
Equity in earnings of an affiliated company	333 948	464 836
Extraordinary items, (note 6)	266 935	298 436
Net earnings	<u>\$ 606 939</u>	<u>\$ 771 747</u>
Earnings per share		
Earnings before extraordinary items	<u>\$ 0,13</u>	<u>\$ 0,18</u>
Net earnings	<u>\$ 0,23</u>	<u>\$ 0,28</u>

(iii) Information with respect to the consolidated financial statements of Sullivan Mining Group Ltd. and its subsidiaries are summarized as follows:

SULLIVAN MINING GROUP LTD.
CONSOLIDATED BALANCE SHEET
August 31

	1982	1981
ASSETS		
Current assets	\$ 9 320 210	\$15 550 504
Investments	1	5 500
Fixed assets	947 742	922 517
Mining assets	20 048 053	9 792 540
	<u>\$30 316 006</u>	<u>\$26 271 061</u>
LIABILITIES		
Current liabilities	\$ 666 306	\$ 128 997
Minority interest	152 532	165 560
Shareholders' equity	29 497 168	25 976 504
	<u>\$30 316 006</u>	<u>\$26 271 061</u>

CONSOLIDATED STATEMENT OF EARNINGS
Year ended August 31

	1982	1981
Revenues		
Bullion	\$ 1 098 684	
Investments	2 399 878	\$ 2 088 326
	<u>3 498 562</u>	<u>2 088 326</u>
Expenses, mining operations	682 284	
Expenses, other	1 785 740	803 761
Expenses, depreciation	112 933	7 854
	<u>2 580 957</u>	<u>811 615</u>
Earnings	917 605	1 276 711
Current income taxes	(422 000)	(587 600)
Minority interest	10 896	6 761
Earnings before extraordinary items	506 501	695 872
Extraordinary items	422 000	492 600
Net earnings	<u>\$ 928 501</u>	<u>\$ 1 188 472</u>
Earnings per share		
Before extraordinary items	<u>\$ 0,07</u>	<u>\$ 0,10</u>
Net earnings	<u>\$ 0,13</u>	<u>\$ 0,18</u>
Company's share of such net earnings	<u>\$ 333 948</u>	<u>\$ 464 836</u>

4 — Other investment

Shares (Market value \$40 250)	\$ 116 621	\$
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These shares were shown in current assets in marketable securities in 1981 (market value \$78,750). This reclassification is due to the long term nature of this investment.

5 — Capital stock — number of shares

The issued capital stock of the Company is summarized below:

	1982 (number of shares)	1981 (number of shares)
Authorized, issued and paid		
Common shares without par value	4 675 000	4 675 000
Less: Company's shares held by affiliated companies	2 000 471	1 940 471
	<u>2 674 529</u>	<u>2 734 529</u>

6 — Extraordinary items

	1982	1981
Reduction of income taxes on application of prior years' loss	\$ 252 000	\$ 587 600
Minority interest	(160 936)	(299 114)
Settlement of litigation regarding certain shares held in Sullipek Mines Inc.		(95 000)
	<u>91 064</u>	<u>193 486</u>
Net effect of the issue of shares by Sullivan Mining Group Ltd. to outside interest	266 935	298 436
	<u>\$ 357 999</u>	<u>\$ 491 922</u>

7 — Additional information regarding the activities of subsidiaries of Sullivan Mining Group Ltd.

a) Sullivan Resources Ltd.

Dickenson-Sullivan, Joint Venture

On July 1st, 1982, Sullivan Resources Ltd. 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 at which they became effective.

Sullivan also contributed \$690 813 to the working capital of the Joint Venture at July 1st, 1982.

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

Sullivan Resources has entered into forward gold sales contracts to December 31, 1982 for 2 000 ounces at approximately \$538,50 per ounce.

b) Brunswick Tin Mines Limited

This 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 latter half of 1982.

c) *Courvan Mining Company Limited*

This subsidiary granted to Soquem, an exclusive option for a term of eight (8) years commencing 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*

This 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
East Sullivan Mines Limited
(No Personal Liability)

We have examined the consolidated statements of earnings, retained earnings and changes in financial position of East Sullivan Mines Limited (No Personal Liability) 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.



Chartered Accountants

Montréal, October 12, 1982



MOUNT PLEASANT TUNGSTEN MINE

