

**Annual
Report
1975**

**O'Brien Gold Mines
Limited**

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For the year ended September 30, 1975

O'BRIEN GOLD MINES LIMITED

Head Office: 3400 Stock Exchange Tower
Place Victoria
Montreal, Quebec

Executive Office: Suite 916
111 Richmond Street West
Toronto, Ontario

Directors: A. B. BLOCK
F. D. CORMAN
R. N. GRANGER
V. N. HARBINSON
A. G. MATTHEW
PETER WHITE, Q.C.

Officers: V. N. HARBINSON
President
F. D. CORMAN
Vice-President
D. C. VICKERS
Secretary
A. G. MATTHEW
Treasurer
R. A. SHAW
Assistant Secretary

Transfer Agent and Registrar: MONTREAL TRUST COMPANY
Montreal, Quebec
and Toronto, Ontario

Legal Counsel: AIRD, ZIMMERMAN & BERLIS
Toronto, Ontario

Share Listings: The Toronto Stock Exchange
Montreal Stock Exchange

O'BRIEN GOLD MINES LIMITED

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Directors take pleasure in submitting this Annual Report of the Company which includes the audited financial statements for the fiscal year ended September 30, 1975.

Gold Project - Cullaton Lake, N.W.T., Canada:

In 1973 your Company entered into an agreement whereby it could earn an approximate 90% interest in 84 claims in the Keewatin District of the Northwest Territories. The property is located approximately 88 miles north of the Manitoba border and can be serviced from the towns of Lynn Lake, Thompson or Churchill. To date, sufficient funds have been expended to earn an 80% interest in the property and an additional 9%-10% interest has been earned, but is contingent upon a financial decision to pay for such interest by the vendors. The final 10% interest is in the form of a net carried interest to the vending parties.

Surface diamond drilling to date on one zone ("B") has indicated a target of 300,000 tons of gold ore to the 400 foot vertical horizon. This drilling indicated an uncut grade of 1.13 ounces gold per ton and a cut and dilute grade of 0.74 ounces gold per ton over 15.8 feet in the west section and over 12.6 feet in the east section. In arriving at the cut grade, all assays were reduced to the average and then all results were re-averaged using the reduced grade. In addition a 16% dilution factor, at zero grade, was applied which resulted in the final grade of 0.74 ounces gold per ton.

At Special General Meetings of Shareholders of O'Brien Gold Mines Limited and Consolidated Durham Mines & Resources Limited held in May of 1975, shareholders of both companies approved a joint venture agreement whereby Consolidated Durham could earn an assessable 30% interest in O'Brien's working interest. On meeting the \$1,000,000 work commitment Durham earned the right, but not the obligation, to expend another \$1,000,000 to earn an additional 20% assessable interest providing 1,000 feet of decline was completed. The agreement also provided for the return of all of Durham's advances out of profits prior to any participation by O'Brien. In addition to the "B Zone" O'Brien, at this date, holds four groups comprising 89 mineral claims in the general region which are subject to the O'Brien-Durham joint venture agreement. To date, Durham has earned its 30% interest.

The programme initially planned for the summer of 1975 was to set up and expand surface facilities

for an underground operation and to drive a decline for a minimum 1,000 feet to explore the "B Zone".

The programme was scheduled to start May 15th; however an unseasonably rainy period held up the airlift and the programme for approximately two months.

Due to the short period of time available between collaring of the decline and freeze-up, the total development of the decline amounted to 350 feet.

The decline was commenced in an area where no ore reserves had been accredited and was designed to follow the foot wall of the projected upward extension of the gold-bearing structure. The gold-bearing structure was intersected at three reference points, almost exactly where it had been projected by information from the surface diamond drilling at a lower horizon. The assays confirmed the values representative in the shallowest tier of holes from which the upward projection was made.

Mr. William Hill, P.Eng., Independent Consultant, summarizes that while the underground development fell short of what had been programmed, the results obtained were far in excess of what was hoped for at this stage of development. Mr. Hill in part states, "It has been conclusively proven that the "B Zone" gold-bearing structure is continuous within the iron formation". The three intersections where encountered contained 0.526 ounces gold across 15 feet; 0.42 ounces across 10 feet and the last face contained 0.57 ounces over 15 feet. As no slashing of the walls was done in driving the decline, the full width of the zone is unknown.

Mr. Hill further states that ore reserves at the western section of the "B Zone" will be increased by 10%-20%; however, check samplings in order to ascertain the exact grade of the new blocks will be required. Mr. Hill concludes that even though the decline was not driven to the depth originally planned, three major contributions were made to the progress of the project, namely:

1. The vein was cut at both extremities of the decline, proving conclusively that the gold-bearing structure is continuous within the iron formation and that the vein was located exactly where it had been projected by the interpretation of diamond drill hole results.
2. At the bottom of the decline, where values of almost one ounce per ton were found, there was

O'BRIEN GOLD MINES LIMITED

DIRECTORS' REPORT (continued)

only a very minor amount of sulfide observed. This fact has suggested that the quantity of sulfide or even its presence is not necessarily a criteria for finding gold.

As soon as possible, all the core which is in storage should be rechecked to ascertain that all potential ore intersections have been sampled and assayed.

3. Having gone underground on the vein, it is now evident that the features exhibited by the western section may possibly be repeated to the north and south, and that there is a good probability of extensions of the present veins on parallel structures and, as previously reported, down-dip on the "B-Zone".

In addition to the decline, a 5,000 foot airstrip and four and one-half mile access road was completed. Surface construction included a fully winterized camp for 30 men together with a power plant and other auxiliary buildings.

Geothermal Project - Western United States:

In early 1973, O'Brien commenced a leasing programme in the Roosevelt Hot Springs-Cove Fort area of southwest Utah. An undivided 50% interest in approximately 53,233 acres was acquired, of which 34,015 acres are freehold (private leases), 6,896 acres are State owned and 12,322 acres are Federal leases. The average acquisition cost per acre was approximately \$2.25. At recent auction sales of Federal leases, Union Oil of California has paid as high as \$361.83 an acre in the same area of interest as your Company's holdings. Geological, geophysical and thermal gradient work by O'Brien, and commercial well tests by Phillips Petroleum have indicated a high heat flow content indicative of a large thermally anomalous area underlying a portion of the O'Brien acreage.

Mr. Eugene V. Ciancanelli, Independent Geologist and O'Brien's Geothermal Consultant, has rated 640 acres (2/3 O'Brien owned) as substantially proven, as it has been offset by adjacent wells of Phillips Petroleum on two sides which are regarded of commercial significance. In addition, the producing structure flows through the centre of this section and shallow thermal gradient holes drilled on the Company's acreage have indicated that substantial quantities of steam underly the section. Mr. Ciancanelli rates 16,000 acres in which O'Brien has an undivided 50% interest as highly potential, as

these leases are within the immediate area of discovery. The remaining 36,593 acres are in the same region, and have evidenced geothermal activity.

In recent months, Phillips Petroleum Company has drilled and completed seven wells for geothermal development in the Roosevelt Hot Springs area, and has applied to the Geothermal Environmental Assessment Panel and the Environmental Impact Agency for permission to do additional drilling on sixteen specific well locations. Certain of the wells already drilled by Phillips, under a preliminary agreement with the Bureau of Land Management, are considered to be of production quality. The application to drill the sixteen wells is designed to test reservoir size by means of limited step outs, in sequence from wells already drilled and regarded as capable of commercial production. The proposed depth of the wells is 6,000 feet. A unitization agreement for commercial development of the area has been submitted by Phillips Petroleum to your Company and is under review. In addition, O'Brien is also evaluating submissions by several major oil and mining companies for the specific development of its own properties.

Business Week magazine states that the Phillips Petroleum geothermal success is considered by industry as the first significant discovery since the Geothermal Act was passed. The grant of \$1,500,000 received for sophisticated geothermal work from the National Science Foundation by the University of Utah was utilized to the extent of \$600,000 during the past season. The remaining funds will be used in subsequent periods in a continuing programme to find new geothermal sources of energy together with geological data in the general area of your Company's holdings. O'Brien contributes its data to the Foundation. Your Directors feel that the early stake taken in 1973 in this new energy field is rapidly becoming a substantial asset.

On behalf of the Board,

V. N. HARBINSON
President

Toronto, Canada
March 4, 1976

O'BRIEN GOLD MINES LIMITED

(Incorporated under the laws of Quebec)

and its subsidiary company

Consolidated Balance Sheet as at September 30, 1975

| ASSETS | | |
|---|-------------------|--------------------|
| | 1975 | 1974 |
| CURRENT ASSETS | | |
| Cash..... | \$ 5,516 | \$ 7,521 |
| Accounts receivable and advances..... | 8,935 | 4,926 |
| | <u>14,451</u> | <u>12,447</u> |
| FIXED ASSETS, at cost – N.W.T. (notes 7 and 9)..... | <u>143,502</u> | <u>317,256</u> |
| OTHER ASSETS | | |
| Exploration expenditures deferred (note 2)..... | 187,620 | 206,030 |
| Mining claims – at cost (notes 2, 3 and 4)..... | 229,495 | 221,886 |
| Utah Geothermal Property U.S.A. – at cost (notes 2 and 5)..... | 195,434 | 178,306 |
| Options to purchase mining claims..... | | 3,000 |
| Sundry shares – at nominal value..... | 6 | 6 |
| Deferred finance charges (note 9)..... | | 65,099 |
| | <u>612,555</u> | <u>674,327</u> |
| | <u>\$ 770,508</u> | <u>\$1,004,030</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Bank loan..... | \$ 13,000 | |
| Accounts payable and accrued liabilities..... | 22,926 | \$ 171,248 |
| Demand loans..... | | 165,000 |
| | <u>35,926</u> | <u>336,248</u> |
| LONG TERM DEBT | | |
| Equipment purchase contract (note 9)..... | | 160,110 |
| Promissory notes due to three directors to cover their cash advances made during 1974, due October 1, 1976..... | 165,000 | |
| | <u>165,000</u> | <u>160,110</u> |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK (note 6) | | |
| Authorized | | |
| 7,500,000 Shares without par value | | |
| Issued | | |
| 4,543,389 Shares (1974, 4,361,569 shares)..... | 3,906,570 | 3,806,569 |
| DEFICIT..... | <u>758,359</u> | <u>720,268</u> |
| | 3,148,211 | 3,086,301 |
| CAPITAL DISTRIBUTIONS TO SHAREHOLDERS (in 1971 and 1972)..... | <u>2,578,629</u> | <u>2,578,629</u> |
| | 569,582 | 507,672 |
| | <u>\$ 770,508</u> | <u>\$1,004,030</u> |
| Contingent liability (note 9) | | |

Approved by the Board

V. N. HARBINSON, Director

A. G. MATTHEW, Director

O'BRIEN GOLD MINES LIMITED
and its subsidiary company

Consolidated Statement of Exploration and Administrative Expenditures Deferred
year ended September 30, 1975

| | 1975 | 1974 |
|--|------------------|------------------|
| Exploration | | |
| B-Zone, N.W.T. | | |
| Drilling..... | | \$ 6,047 |
| Labour..... | | 7,835 |
| Assaying..... | | 1,242 |
| Consulting..... | \$ 1,000 | 27,981 |
| Field and camp expenses..... | 454 | 11,064 |
| Travel..... | 987 | 12,792 |
| Road construction..... | | 8,765 |
| General..... | 401 | 2,131 |
| | 2,842 | 77,857 |
| Government exploration assistance (note 7)..... | 16,306 | 50,000 |
| | (13,464) | 27,857 |
| Shear Lake, N.W.T..... | | 74 |
| Clermont Township, Quebec..... | | 3,446 |
| General exploration..... | | 578 |
| | (13,464) | 31,955 |
| Administrative and general expenses less management fees earned of \$69,286 in 1975..... | 25,476 | 94,595 |
| EXPENDITURES (NET)..... | 12,012 | 126,550 |
| EXPENDITURES DEFERRED AT BEGINNING OF YEAR..... | 206,030 | 180,848 |
| | 218,042 | 307,398 |
| Deduct amounts written off (net)..... | 30,422 | 101,368 |
| EXPENDITURES DEFERRED AT END OF YEAR..... | <u>\$187,620</u> | <u>\$206,030</u> |

Summary of Expenditures Deferred

| | Balance September 30, 1974 | Expenditures (net) during year | Written off (net) during year | Balance September 30, 1975 |
|-------------------------------------|----------------------------------|--------------------------------------|-------------------------------------|----------------------------------|
| B-Zone, N.W.T. (notes 3 and 4)..... | \$201,084 | \$ (13,464) | | \$187,620 |
| Clermont Township, Quebec..... | 4,946 | | \$ 4,946 | |
| Administrative and general..... | | 25,476 | 25,476 | |
| | <u>\$206,030</u> | <u>\$ 12,012</u> | <u>\$ 30,422</u> | <u>\$187,620</u> |

Consolidated Statement of Deficit – year ended September 30, 1975

| | 1975 | 1974 |
|--|------------------|------------------|
| DEFICIT AT BEGINNING OF YEAR..... | \$720,268 | \$608,763 |
| Add | | |
| Exploration and administrative expenditures written off (net)..... | 30,422 | 101,368 |
| Options to purchase mining claims, Clermont Township, Quebec, written off. . . | 3,000 | |
| Payments on options on claims in Shear Lake area, N.W.T., written off..... | | 5,000 |
| Loss on disposal of fixed assets..... | 4,669 | 5,137 |
| DEFICIT AT END OF YEAR..... | <u>\$758,359</u> | <u>\$720,268</u> |

O'BRIEN GOLD MINES LIMITED
and its subsidiary company

Consolidated Statement of Changes in Financial Position –
year ended September 30, 1975

| | 1975 | 1974 |
|---|-------------------------|-------------------------|
| WORKING CAPITAL DERIVED FROM | | |
| Issuance of capital stock for cash | \$100,001 | |
| Promissory notes | 165,000 | |
| Proceeds on disposal of fixed assets | 155,276 | \$ 26,526 |
| Government grant reducing cost of fixed assets | 20,000 | |
| Reduction in deferred finance charges related to equipment purchase contract assigned | 65,099 | |
| Long term debt assumed | | 213,480 |
| | <u>505,376</u> | <u>240,006</u> |
| WORKING CAPITAL APPLIED TO | | |
| Exploration and administrative expenditures (net) | 12,012 | 126,550 |
| Utah Geothermal Property U.S.A. | 17,128 | 111,390 |
| Option payments to purchase mining claims | | 500 |
| Participation in grubstaking venture, N.W.T. | | 3,676 |
| Staking of mining claims | 7,609 | |
| Purchase of fixed assets | 6,191 | 348,919 |
| Reduction in equipment purchase contract | 160,110 | 53,370 |
| Deferred finance charges | | 65,099 |
| | <u>203,050</u> | <u>709,504</u> |
| INCREASE (DECREASE) IN WORKING CAPITAL POSITION | 302,326 | (469,498) |
| WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR | (323,801) | 145,697 |
| WORKING CAPITAL DEFICIENCY AT END OF YEAR | <u>\$ 21,475</u> | <u>\$323,801</u> |

Auditors' Report

To the Shareholders of
O'BRIEN GOLD MINES LIMITED

We have examined the consolidated balance sheet of O'Brien Gold Mines Limited and its subsidiary company as at September 30, 1975 and the consolidated statements of exploration and administrative expenditures deferred, deficit and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at September 30, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
November 4, 1975

THORNE, RIDDELL & Co.
Chartered Accountants

O'BRIEN GOLD MINES LIMITED

and its subsidiary company

Notes to Consolidated Financial Statements – September 30, 1975

1. Accounting Policies

(a) Basis of consolidation

These financial statements include the accounts of the company and its wholly-owned subsidiary, O'Brien Resources Corporation.

(b) Fixed Assets

Because production has not commenced, no depreciation of fixed assets has been recorded in the accounts.

2. Recovery of Costs

Exploration expenditures amounting to \$187,620 at September 30, 1975 have been deferred with the intention that they should be amortized, along with the cost of mining claims and leases, by charges against income from future mining operations. The recovery of these costs is dependent, therefore, upon the obtaining of adequate financing and the development of an economic mining operation.

3. Mining Claims

(a) During the year the company staked 89 claims in the District of Keewatin, Northwest Territories and reserved for the prospectors a 10% interest in these claims.

(b) In conjunction with an agreement dated June 4, 1973, as amended August 14, 1973, the company undertook to fulfill the obligations and commitments of Hewbet Mines Limited (Hewbet) under an agreement dated May 7, 1973 with Royex Mining Limited and Sturgex Mines Limited.

By September 30, 1974, pursuant to said agreement, 62 mining claims, known as the "B-Zone Claims", had been staked in the District of Keewatin, Northwest Territories. During the year ended September 30, 1975, 39 additional claims were staked and 17 claims were allowed to lapse, leaving a balance of 84 claims as at September 30, 1975.

By incurring, or having caused to have been incurred, expenditures totalling \$1,367,825 on the "B-Zone Claims", the company earned as at September 30, 1975 an 80% working interest in the property. Selco Mining Corporation Limited (Selco) had a 10% carried interest in the property until \$500,000 was expended at which time Selco's interest became fully assessable. Since Selco failed to contribute its proportion of expenditures in excess of \$500,000, its interest has abated to 3.7% (of which the company's portion is 1.7%) and accordingly the company has a 78.3% net working interest in the property, subject to the terms of the joint venture agreement described in note 4.

4. Joint Venture Agreement – Cullaton Lake, N.W.T.

(a) Under a joint venture agreement dated May 1, 1975 with Consolidated Durham Mines & Resources Limited (Durham), the company granted Durham the right to earn a 30% assessable interest in its working interest in the Cullaton Lake area, District of Keewatin, Northwest Territories, by the expenditure of \$1,000,000 on exploration and/or development work during the 1975 field season. As at September 30, 1975 Durham had expended approximately \$1,000,000 subject to anticipated recoveries.

(b) On having met the \$1,000,000 work commitment, Durham earned the right to expend an additional \$1,000,000 in conducting exploration and/or development work in the Cullaton Lake area by August 31, 1977 and thereby earn an additional 20% assessable interest in the company's working interest in those claims.

Notes to Consolidated Financial Statements – September 30, 1975 (continued)

- (c) The right granted to Durham pursuant to (b) above is open and outstanding until at least May 1, 1976. In the event that at least 1,000 feet of decline is not completed by May 1, 1976, for whatever reason, then the right shall be extended until the earlier of September 1, 1976 or until at least 1,000 feet of decline has been completed and for a period of 120 days thereafter in order to enable Durham to assess the underground character of the mineralized zone.
- (d) In the event that Durham, for any uncontrollable reason, should have to curtail the work programme described in (b) above, then Durham shall have earned such assessable interest in the company's working interest as the amount actually expended bears to the amount it was required to expend.
- (e) After the \$2,000,000 expenditure contemplated by paragraphs (a) and (b) above has been completed, Durham's interest and the company's interest in the Cullaton Lake area are to be equal and to be fully assessable in any proposed additional financing required to put the property into production.
- (f) All funds expended on exploration and/or development by Durham in accordance with paragraphs (a) and (b) above, shall be recoverable with interest at prevailing prime bank rates from the available net profits of production from the property prior to the company participating in such profits.

5. Utah Geothermal Property, U.S.A.

The company has a 50% interest in 34 geothermal leases, a 66⅔% interest in one geothermal lease and a 100% interest in two other geothermal leases, all of which are located in the State of Utah, U.S.A.

6. Capital Stock

During the year ended September 30, 1975, the company issued 181,820 shares of its capital stock for cash amounting to \$100,001.

No shares were issued during the year ended September 30, 1974.

7. Government Assistance

- (a) Under the Airstrip Assistance Programme the company was awarded a grant of \$20,000 during the fiscal year in respect of the airstrip construction programme it conducted on its "B-Zone Property". The grant has been applied to reduce the cost of this fixed asset.
- (b) Under the Northern Mineral Exploration Assistance Programme the company was awarded a grant of \$16,306 during the fiscal year in respect of the exploration programme it conducted on its "B-Zone Property" and has reflected this grant as a reduction of exploration expenditures for 1975. The regulations require repayment of this grant only in the event a commercial ore body is discovered and then only after commercial production has commenced.

8. Income Taxes

The company has approximately \$1,503,000 of unclaimed exploration expenditures at September 30, 1975 which under certain circumstances may be utilized to reduce Canadian income taxes in future years.

9. Contingent Liability

Under a lease purchase contract dated June 1, 1974, the company acquired an Atco camp with accessories. During 1975, Durham assumed the balance of the long term indebtedness related thereto. In the event of Durham not paying the balance, O'Brien becomes immediately liable for any unpaid portion of the liability. This liability amounted to \$117,414 at September 30, 1975.

MAP SHOWING PORTION OF HOLDINGS IN ROOSEVELT COVE FORT AREA, UTAH, U.S.A.





