

EAST
SULLIVAN
MINES
LIMITED
1981

HOWARD ROSS LIBRARY
OF MANAGEMENT
FEB 11 1982
MCGILL UNIVERSITY

EAST SULLIVAN MINES LIMITED

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To the shareholders of EAST SULLIVAN MINES LIMITED

Consolidated net earnings for the year ended August 31, 1981, amount to \$771 747, \$0,28 per share effectively in circulation, compared to \$570 011, \$0,21 per share for the previous year.

These earnings include an extraordinary item of \$298 436 (\$0,11 per share), resulting from the issue of shares by the subsidiary Sullivan Mining Group Ltd. to outside interests, at a price higher than the equity value of its shares before such issue. If this issue of shares had not been made, the net earnings would have been \$0,17 per share. Other issue of shares will be made in each of the next two years and therefore a similar extraordinary item will be shown again in the financial statements.

Working capital of your company increased from \$12 253 940 to \$15 904 819.

Issue of shares to SOQUEM

On February 27, 1981, the Board of Directors of Sullivan Mining Group Ltd. accepted an offer 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 Mining Group Ltd., subject to certain terms and conditions (as described in the notes to the financial statements).

During the year, 500 000 shares were paid for and issued at \$5,00 per share; the next 500 000 shares are to be paid at \$5,50 per share on or before February 27, 1982 and the last 500 000 shares are to be paid at \$6,00 per share on or before February 27, 1983.

The proceeds from the total subscription must be used by Sullivan Mining Group Ltd. to increase its mining exploration and development activities in the Province of Quebec on present properties or new ones to be acquired.

Exploration

As mentioned in the 1980 report, Sullivan Mining Group Ltd. had resumed its exploration activities. Since then it has aggressively

pursued the acquisition of mining properties with particular emphasis on prospects that have indicated tonnages or are located along favourable geological formations.

More than 20 prospects, located in the North-western region of Quebec, were examined during the year. Work was carried out on a number of optioned properties or claims staked by the company, for a total of 214 claims. This work included geophysical surveys, geological mapping and 18 610 feet of exploration diamond drilling.

Though no significant mineral discoveries were made, small tonnages have been outlined on two properties and mineralization has been encountered on others. However, work on all of the above projects is being continued by the company. In most cases, exploration costs are being shared with at least one partner.

Brunswick Tin Mines Limited (subsidiary)

As previously mentioned, a joint venture called "Mount Pleasant Tungsten Joint Venture" was formed to put into production the important tungsten-molybdenum deposit, discovered and developed by your subsidiary Brunswick Tin Mines. Brunswick is held 89% by Sullivan and 11% by Mount Pleasant Mines.

Billiton Canada Ltd. and Brunswick Tin Mines have each a half interest in this Joint Venture.

As a result of the agreements, Billiton Canada Ltd. has assumed the responsibility to plan, build, finance and to bring the property into production. According to Billiton, which also assumes full management of the project, the office and other service buildings are now practically completed. The concentrator building will be closed in, before winter. Much of the heavy equipment is already at the site. Underground development is proceeding on schedule and will be ready to feed the concentrator, in September 1982.

However, total costs of the project are much higher than originally estimated. According to Billiton, estimated final costs should be approximately \$120 Million, excluding working

capital and tune-up costs. It is agreed that 50% of the sum of these costs will be considered as advances to Brunswick Tin Mines Limited. These advances carry interest at prime rate plus 1% and will be entirely reimbursable from Brunswick Tin's share of the net proceeds from production.

It is obvious that the reimbursement of these total amounts, will take longer than originally estimated. Consequently, Brunswick Tin cannot foresee the profitability of the project at this stage.

Others

Your subsidiary, Sullico Resources Ltd, completed an exploration programme on its southern New Brunswick property.

Noranda Exploration Company Limited carried out exploration programmes on the property of your other subsidiary, FedPen Ltée.

The attached exploration report gives more details on the programmes made during the year on the above properties.

Although markets for lithium products have somewhat improved lately, it does not justify the reopening of the Quebec Lithium division at the present time.

Administration

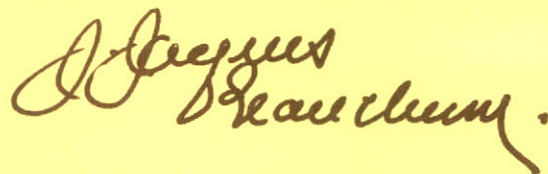
During the year, Messrs. Albert Doyon and J. Guy Gauvreau retired as directors. We wish to express our sincere appreciation for their services.

We welcome Messrs. Georges Gauvreau, Claude Genest and Josaphat E. Gilbert, representatives of SOQUEM, who were named directors this year.

Conclusion

With its strong financial base, your company will continue to expand and increase its outside exploration efforts. It will consider investment opportunities in the mineral resource industry.

On behalf of the Board of Directors,



J. Jacques Beauchemin, Q.C.
President.

Montreal, October 23, 1981.

Exploration

The company has increased substantially its exploration activities. A Val d'Or office was opened during the year with two geologists and support personnel.

During 1980-1981, efforts were directed to locate potential gold properties in Northwestern Quebec. Several properties were optioned and numerous additional claims were staked adjacent to some of these properties.

Exploration programmes are being carried out on the 5 specific company managed projects as detailed below. All these programmes are shared with partners in different degrees of participation.

District of Chibougamau

Two drilling programmes, totalling 3 998 metres, were carried out on a property of 36 hectares, located in LaDauversiere township.

Two gold bearing zones have been outlined: the North zone with 65 632 tonnes grading 3,87 grams of gold per tonne and the South zone with 105 287 tonnes grading 1,95 grams of gold per tonne. These two zones are above the 90 meter horizon.

A third drilling programme is now under way to test the extension of these zones for additional tonnage.

District of Quevillon

The company has under option the Flordin Mines property in Desjardins township. Previous drilling programmes (99 holes), made in 1935 and 1936, had defined 51 intersections along 305 meters, with an average assay of 5,38 grams of gold over 1,8 meters. This work has been put on plans and sections to permit a thorough study and decide upon a diamond drilling programme in the near future. A geophysical surveying programme is also under way to locate new zones.

District of Malartic

Three adjacent properties located in Malartic township were optioned and other adjoining claims were staked. This covers a total area of 1 390 hectares.

A total of 1 131 meters were drilled on one property and the results were not as good as hoped for. However, an induced polarization survey has revealed other anomalies, which will be drill tested shortly.

Other works, such as line cutting, geological mapping and geophysical surveying are underway. These properties are located in a favourable geological structure and are in the vicinity of major gold producers of the Malartic district.

District of Rouyn-Noranda

The property of C.D.R. Resources Ltd., in Beauchastel township, was recently optioned. Previous diamond drilling had outlined a small deposit of approximately 60 000 tonnes with an estimated grade of 4,11 to 5,14 grams of gold per tonne.

Another diamond drilling programme is underway to define grade and tonnage of this deposit. Also, several other anomalies of the property are to be tested.

A preliminary study has indicated that this small gold bearing deposit can be mined profitably with gold at \$450,00 U.S. per ounce and if the ore can be treated at the Noranda smelter, which ore meets their specifications required for flux.

District of Joutel-Matagami

At about 24 kilometers west of Les Mines Selbaie (a new copper producer), a 25 claim-property, located in the township of Carheil, near Faubert Lake, has recently been optioned.

One hundred additional new claims were also staked to completely surround this property giving a total area of 2 000 hectares.

These new claims were added, not only on account of the copper mineralization encountered on the property optioned, but also because of a new geological interpretation that the favourable volcanic belt, in which the Selbaie deposit was found, extends throughout the whole area.

A geophysical survey will be undertaken shortly, and, if warranted, geological mapping and diamond drilling programmes will be undertaken next spring.

Sullico Resources Ltd.

During the year, an exploration programme was carried out on the 2 mining licences located on the south-eastern side of Brunswick Tin Mines. These licences are owned by the company's subsidiary, Sullico Resources Ltd. One licence was surveyed only, while two diamond drill holes (399 meters) were made on the other licence to test the zinc, lead, molybdenum and tungsten mineralization previously encountered. Assay results were lower than previous ones and consequently no other work is planned for the present.

FedPen Ltée

This subsidiary's property was optioned in 1979 to Noranda Exploration Company Limited

(Norex) for a five year period. A report received from Norex, covering work done in 1980-81, states that:

"A vertical 1 738 feet long hole has been drilled in the South-Center of the property and another one, 2 004 feet long, in the North-East. The best traces of mineralization (in the first hole) are encountered in the fractures in the top part of Lemieux dome.

The second hole intersected bands of metasilstone and a major fault-zone at the 1 370 foot depth, before passing through a 100 feet thick band of skarn, interbedded by occasional thin beds of chert."

The second hole also went through a favorable geological structure, but the core sample did not give any economical copper assay.

Norex will undertake next year an IP survey, a soil geochemical programme and 8 000 feet of diamond drilling.

General

Fifteen other prospects were examined during the year and four of them are still seriously being considered, based on location and potential. Negotiations presently underway may lead to the signing of new option agreements.

1 gram gold = 0,03215 troy ounce
1 hectare = 2,471 acres
1 meter = 3,28 feet

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

(Incorporated under the Quebec Companies Act)

CONSOLIDATED BALANCE SHEET

August 31, 1981

ASSETS

	<u>1981</u>	<u>1980</u>
CURRENT ASSETS		
Cash and term deposits	\$ 8 046 789	\$11 335 232
Marketable securities (note 2)	7 650 825	925 359
Accounts receivable	73 940	40 806
Accrued interest	193 213	4 679
Inventories of supplies valued at net realizable value	57 363	84 939
Prepaid expenses	12 262	12 833
	<u>16 034 392</u>	<u>12 403 848</u>
INVESTMENTS (note 3)	5 500	59 499
FIXED ASSETS (notes 4 and 13)	922 517	914 677
MINING ASSETS (notes 5 and 13)	9 792 541	9 707 082
	<u>\$26 754 950</u>	<u>\$23 085 126</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 129 573	\$ 149 908
MINORITY INTEREST	<u>17 604 333</u>	<u>14 685 921</u>

SHAREHOLDERS' EQUITY

Capital stock (note 6)	4 250 000	4 250 000
Contributed surplus	700 503	700 503
Retained earnings	5 590 279	4 818 532
	<u>10 540 782</u>	<u>9 769 035</u>
Shares of East Sullivan Mines Limited held by subsidiaries	(1 519 738)	(1 519 738)
	<u>9 021 044</u>	<u>8 249 297</u>
	<u>\$26 754 950</u>	<u>\$23 085 126</u>

ON BEHALF OF THE BOARD OF DIRECTORS

J. Beaudry

J. C. Beliveau

Directors

CONSOLIDATED EARNINGS

Year ended August 31, 1981

	<u>1981</u>	<u>1980</u>
REVENUES		
Interest and dividends	\$ 1 999 427	\$ 1 455 909
Gain on sales of fixed assets	137 039	506 215
Gain on sales of investments	14 719	—
Gain on sales of supplies	—	27 644
Other revenues	<u>3 094</u>	<u>3 300</u>
	<u>2 154 279</u>	<u>1 993 068</u>
EXPENSES		
Administrative and general expenses	490 338	457 653
Depreciation of fixed assets	7 854	6 031
Outside exploration expenses	219 242	232 419
Net expenses of closed and non-operating mines	133 677	185 055
Write-off of an advance to a company	<u>17 982</u>	<u>—</u>
	<u>869 093</u>	<u>881 158</u>
EARNINGS BEFORE INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEMS		
	1 285 186	1 111 910
CURRENT INCOME TAXES	<u>587 600</u>	<u>545 000</u>
EARNINGS BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS		
	697 586	566 910
MINORITY INTEREST	<u>417 761</u>	<u>303 737</u>
EARNINGS BEFORE EXTRAORDINARY ITEMS		
	279 825	263 173
EXTRAORDINARY ITEMS (note 8)	<u>491 922</u>	<u>306 838</u>
NET EARNINGS	<u>\$ 771 747</u>	<u>\$ 570 011</u>
EARNINGS PER SHARE		
Earnings before extraordinary items	<u>\$.10</u>	<u>\$.09</u>
Net earnings	<u>\$.28</u>	<u>\$.21</u>

CONSOLIDATED RETAINED EARNINGS

Year ended August 31, 1981

	<u>1981</u>	<u>1980</u>
BALANCE AT BEGINNING	\$ 4 818 532	\$ 4 212 716
NET EARNINGS	771 747	570 011
Sales of shares of subsidiary	<u>—</u>	<u>35 805</u>
BALANCE AT END	<u>\$ 5 590 279</u>	<u>\$ 4 818 532</u>

CONSOLIDATED CHANGES IN FINANCIAL POSITION

Year ended August 31, 1981

	<u>1981</u>	<u>1980</u>
SOURCE OF FUNDS		
Earnings before extraordinary items	\$ 279 825	\$ 263 173
Items requiring no outlay of funds		
Reduction of income taxes on application of prior years' loss	587 600	545 000
Minority interest	417 761	303 737
Depreciation of fixed assets	7 854	6 031
Gain on sales of fixed assets	(137 039)	(506 215)
Gain on sales of investments	(17 880)	—
Write-off of an advance to a company	17 982	—
	<u>1 156 103</u>	<u>611 726</u>
Funds from operations		
Sales of fixed assets	137 039	745 750
Reimbursements of advances	2 017	—
Reimbursements of mortgages	11 000	13 405
Sales of investments	40 880	337 936
Issue of common shares (note 7)	2 500 000	—
	<u>3 847 039</u>	<u>1 708 817</u>
APPLICATION OF FUNDS		
Settlement of litigation	95 000	—
Pre-milling and deferred mine development expenditures	85 459	67 442
Acquisition of shares in a subsidiary	27	—
Additions to fixed assets	15 674	19 087
	<u>196 160</u>	<u>86 529</u>
INCREASE IN WORKING CAPITAL	3 650 879	1 622 288
Working capital at beginning	12 253 940	10 631 652
Working capital at end	<u>\$15 904 819</u>	<u>\$12 253 940</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 1981

1 – Significant Accounting Policies

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 East Sullivan Mines Limited (No Personal Liability) and all of its subsidiaries including those that are at the exploration stage. These financial statements are presented with the exclusion of Brunswick Tin Mines Limited share of the assets and liabilities of the Joint Venture (Mount Pleasant Project) since it does not participate in the joint control.

Certain subsidiary companies own shares in the Company. The carrying value of such shares has been deducted from the Company's shareholders equity. Similarly the Company's earnings per share has been calculated based on the number of its shares outstanding after reduction for such intercompany holdings.

Valuation of fixed assets

- (i) Land is valued at cost.
- (ii) Fixed assets of Quebec Lithium, a non operating division of the Company, are carried at a value that management considers will be realizable.
- (iii) Proceeds arising from sales of fixed assets of closed mines amounting to \$137 039 were credited to income.

Mining assets, deferred expenditures

- (i) The company regrouped under mining assets, which were turned over to the Joint Venture (Mount Pleasant Project) by Brunswick Tin Mines Limited, 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 mining properties, claims and concessions are valued at cost for the Quebec Lithium division and at nominal value for the others. The Company does not have any mine in operation.

Depreciation

- (i) Fixed assets used for the office and for exploration are depreciated on the basis of straight-line method. The following rates have been used for the current year:
 Exploration equipment 10%
 Office equipment 10%
 Automotive equipment 15%
- (ii) Depreciation is not calculated on the fixed assets of the non operating mine.
- (iii) The possibility of recovering the cost of the mining assets transferred to the 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	<u>1981</u>	<u>1980</u>
Deposit notes	\$ 5 460 301	\$ —
Bonds (market value 1981 – \$1 422 166; 1980 – \$107 288)	1 523 502	132 952
Shares (market value 1981 – \$452 905; 1980 – \$690 933)	<u>667 022</u>	<u>792 407</u>
	<u>\$ 7 650 825</u>	<u>\$ 925 359</u>

3 – Investments, at cost	<u>1981</u>	<u>1980</u>
Shares (market value 1980, \$36 033)	\$ —	\$ 23 000
Advances to a company	—	20 000
Mortgage receivable from an employee	<u>5 500</u>	<u>16 499</u>
	<u>\$ 5 500</u>	<u>\$ 59 499</u>

4 – Fixed Assets	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Undepreciated cost</u>	
			<u>1981</u>	<u>1980</u>
Land	\$ 111 175	\$ —	\$ 111 175	\$ 111 175
Buildings, machinery and equipment ...	<u>86 066</u>	<u>54 929</u>	<u>31 137</u>	<u>23 317</u>
	<u>\$ 197 241</u>	<u>\$ 54 929</u>	<u>142 312</u>	<u>134 492</u>
Buildings and equipment at estimated realizable value			<u>780 205</u>	<u>780 205</u>
			<u>\$ 922 517</u>	<u>\$ 914 697</u>

5 – Mining Assets, Deferred Expenditures

	<u>1981</u>	<u>1980</u>
Mount Pleasant Project, at cost	\$ 9 637 533	\$ 9 552 074
Mining properties, claims and concessions at cost and at nominal value	<u>155 008</u>	<u>155 008</u>
	<u>\$ 9 792 541</u>	<u>\$ 9 707 082</u>

6– Capital Stock

The issued capital stock of the Company is summarized below:

	<u>1981</u> (number of shares)	<u>1980</u> (number of shares)
Authorized, issued and paid		
Common shares without par value	4 675 000	4 675 000
Less: The Company's interest in its shares held by subsidiaries	<u>1 940 471</u>	<u>1 940 471</u>
	<u>2 734 529</u>	<u>2 734 529</u>

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.

Upon receipt of the approval from the appropriate regulatory bodies, 500 000 shares were paid for and issued at \$5,00 per share. The next 500 000 shares are to be paid at \$5,50 per share in twelve months and the last 500 000 shares are to be paid at \$6,00 per share in twenty-four months from the date of acceptance of the offer to subscribe.

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 Sullivan.
- (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.

As the principal shareholder of Sullivan Mining Group Ltd. (Sullivan), the Company intervened and guaranteed to abide by and to vote in favour of the terms contained in the offer made by SOQUEM to Sullivan and not to dispose of the shares held in Sullivan without giving a right of first refusal to SOQUEM.

8 – Extraordinary Items

	<u>1981</u>	<u>1980</u>
Reduction of income taxes on application of prior years' loss	\$ 587 600	\$ 592 000
Gain on sales of shares less income taxes of \$47 000	—	133 013
Settlement of litigation regarding certain shares held in Sullipek Mines Inc. ...	<u>(95 000)</u>	<u>—</u>
	492 600	725 013
Minority interest	<u>299 114</u>	<u>418 175</u>
	193,486	306,838
Net effect of the issue of shares by Sullivan Mining Group Ltd. to outside interest	<u>298 436</u>	<u>—</u>
	<u>\$ 491 922</u>	<u>\$ 306 838</u>

9 – Losses Carried Forward for Income Taxes Purposes

The potential tax benefit resulting from the carry over of losses is not accounted for in the financial statements. These losses, which may be applied in future years to reduce taxable income and accordingly to decrease income taxes, amount to \$31 074 000 and are applicable as follows:

Amount of losses, 1983		\$ 249 000
Amount of timing differences to be deferred over an undetermined period:		
Undepreciated capital cost	\$ 4 025 000	
Exploration expenses	<u>26 800 000</u>	<u>30 825 000</u>
		<u>\$31 074 000</u>

10 – Commitments

By virtue of operating leases, the company has agreed to pay an aggregate amount of \$24 852 over the next three (3) years.

11 – Contingency

- (i) Legal proceedings have been instituted against Sullivan Mining Group Ltd. (Subsidiary) 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 Subsidiary.

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

However, the Subsidiary 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 Subsidiary 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) On October 15, 1976, an action for \$162 585 in damages and interests was instituted against Sullivan Mining Group Ltd., the Subsidiary. These damages appear to be the result of 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 instructed their counselors to defend the action in the name of Sullivan Mining Group Ltd. and Quebec Lithium; on the date of the balance sheet the case is pending.

12 – Remuneration of Directors and Officers

The aggregate remuneration received by directors and officers of the Company amounts to \$239 250 for the year (\$223 595 for 1980).

13 – Additional Information

a) Brunswick Tin Mines Limited

The subsidiary entered in a Joint Venture to develop and to bring the Mount Pleasant Project 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 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.
- b) *As at balance sheet date the information supplied by Billiton indicates the following:*
- (i) Expenses incurred for the account of the Joint Venture and considered as being advanced as loans to Brunswick amount to \$19 975 000 and the amount of accrued interest is \$1 890 000.
 - (ii) The capital cost of the project will approximate \$120 000 000.
 - (iii) Production is currently scheduled to commence in the latter half of 1982.

c) *FedPen Ltée*

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 Quebec. 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, 1981 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, 1981 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, ROY & ASSOCIÉS
Chartered Accountants

Montreal, September 29, 1981

Officers

Marc H. Dhavernas, *Honorary Chairman of the Board*
J. Jacques Beauchemin, *Q.C., President and Chairman of the Board*
Lucien C. Béliveau, *Eng., Executive Vice-President*
Réal J. Lafleur, *Secretary-Treasurer*
Thérèse Ouellette, *Assistant Secretary*

Directors

Claude Beauchemin, *Attorney**
J. Jacques Beauchemin, *Q.C.**
Lucien C. Béliveau, *Eng.**
Major Jacques Gauvreau
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 Stock Exchange / Toronto Stock Exchange

Bank

National Bank of Canada

Auditors

Maheu, Noiseux, Roy & Associés, 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

