

Property File

0920 072

Frenier

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1984 ANNUAL REPORT

EXPLORATION AND DEVELOPMENT

Although some interim financing was secured in July 1983, the underwriting funds were not received until September 1983. Since a good part of the field season was then gone, priorities were placed on which properties to do work prior to the arrival of winter. Work continued on the chosen properties until the snow arrived. These properties are listed below.

Frenier Mine, Clinton, B.C.

This is where the largest single expenditure took place. Results were excellent and included diamond drilling which resulted in 450,000 tonnes of proven good grade perlite reserves, sufficient for several decades of production. Prior to drilling, a five man crew under the direction of Dr. John Schindler conducted a thorough program of geological mapping, test pitting, trenching and geophysics on the prime claim. Two claims were added to the original two.

Groundhog Basin Project, Revelstoke, B.C.

A five man crew spent four weeks working on geological mapping, geochemistry, geophysical and sampling programs. Results were encouraging on two counts. First, gold values obtained from quartz veins in several locations ranged from 0.104 to 1.3 ounces per ton and have confirmed expectations that this ground is a source of placer gold for the area. Secondly, a geological unit which is the host for the Noranda Goldstream massive sulphide deposit south of the Groundhog Basin Project area was found within the claims. This also confirms the belief in the potential of the area which led to staking these claims. More work, including trenching, is planned for the significant anomalies found to date.

Jewel Lake Project, Greenwood, B.C.

A preliminary program was carried out on the claim and fraction making up this project. Results confirmed their proximity to the Dentonia Mines workings and warrant further work in the area.

Huntington Project, Nevada, U.S.A.

Late in the field season, in October, your Company staked 127 claims in a promising looking area contiguous to a gold producing, pilot plant heap leaching operation. This property was chosen from dozens investigated by Roy Lammle, your senior geologist responsible for the Company's U.S. activities, as meeting all criteria for a geological heap leaching surface mineable model. This and its proximity to a gold producer means that a field program is warranted and planned for the current field season.

Other properties

All the other properties in the Company's portfolio were held by payment in lieu of work or had sufficient work done on them during prior years to hold them in good standing without further expenditures.

SUMMARY

Your Company was able to bring a mine, and a test plant on stream, thus generating cash flow in the remarkably short time of five months from having its shares listed on the Alberta Stock Exchange. This is consistent with the aggressive production oriented team of people who are working in your best interests.

The Company is entering the next fiscal year with a strong group of people, a healthy financial position, a cash flow generator which will increase, and mineral properties with good potential. As the Company becomes better known, more good properties are being brought to its attention which will result in more acquisitions.

The future, based on an impressive performance to date, looks good for your Company.



May 16, 1984

J.E. Dagenais
President and
Chairman of the Board

Annual Report 1987

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Aurun Mines Ltd.

TO OUR SHAREHOLDERS

During 1986 several major events occurred which will have a significant impact on the future of your Company.

In April 1986 the new perlite processing plant in Surrey, B.C. was completed and commenced operations. It is a modern plant capable of processing 30,000,000 litres of expanded AUROLITE perlite per year. In June 1986 a subsidiary of Delta Projects Inc. of Calgary purchased a 25 percent interest in the Pacific Perlite Operations Joint Venture while Red Rock Resources Ltd. of Calgary, through an option agreement, increased their participation in the joint venture to 35 percent. AUROLITE perlite sales continued to grow at the rate of 48 percent per annum. This growth and the current development of new perlite products should have a positive impact on sales in 1987.

The AUROBOND RX100 adhesive extender manufacturing operation has experienced a very difficult first year of operations. Shortages of raw material, a prolonged strike in the plywood industry, and severe price competition from other extender operations have combined to cause a loss of \$171,000. Significant effort is being made to reduce extender operating costs and to seek other more profitable commodities for pulverizing in order to prevent a potential plant closure.

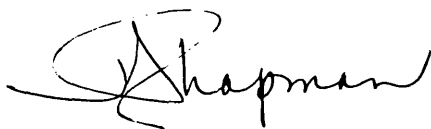
From an exploration perspective, 1986 was an exciting year for the Company. In April 1986 the Company acquired control of the large Hail-Harper Creek copper/molybdenum deposit in British Columbia, from Quebec Cartier Mining Company, a subsidiary of U.S. Steel Corporation. In July 1986 Placer U.S. Inc. optioned the Company's Huntington mineral property in Nevada and conducted exploration drilling. Dr. John Schindler, Geological Consultant, conducted successful exploration on the Company's Tern mineral property in the Northwest Territories, defining several excellent targets for diamond drilling in 1987.

In January 1987 the Company's Class "A" common shares were listed for trading on the Vancouver Stock Exchange, with the symbol AUZ.A.

At year-end management was preparing to arrange a major financing to improve working capital and to fund product development and market studies.

In 1987 effort must be devoted to expansion of the perlite operations, and to improvement in performance of the pulverizing plant operations, to ensure a return to the shareholders.

Yours respectfully,



John A. Chapman
Chairman of the Board & President
May 19, 1987

FRENIER MINE

The mining operations were again contracted to Reliable Investments Ltd. of 100 Mile House, B.C. The principals of Reliable, Messrs. Bryan Krohn and Bob Fraser have done a very good job of mining and transporting perlite ore, under often difficult weather and road conditions, since the mine opened in 1983. During the fiscal year a total of 2300 tonnes of perlite ore were mined and transported to the Fraser plant in Surrey, B.C.

RESEARCH AND DEVELOPMENT

In November 1986 Dr. George Poling and his research associate Mr. Rod Giles completed the study on the use of AUROLITE perlite as a filter aid. The results, which were very successful, are to be published in technical journals in 1987.

In November 1986 Mr. Randall Sam, B.Sc. joined the Company as Product Development Engineer. His first assignment is development of perlite microspheres for application as a high value added filler. A substantial local market has been identified for this premium product, which is currently supplied by perlite processors from the Chicago area, in the United States.

PACIFIC PERLITE OPERATIONS JOINT VENTURE

AUROLITE perlite sales have continued to increase with the opening of the new Fraser plant in April 1986. Sales in fiscal 1986 were 10,840,000 litres compared to 7,500,000 litres in 1985 and 5,530,000 litres in 1984. The customer base is also growing, as is the geographic market boundary. Some AUROLITE products are now reaching Oregon and Hawaii.

In March 1986 the Aldergrove test plant was dismantled and machinery was moved to the Fraser plant. The test plant has served the Company well in establishing process technology for Frenier mine perlite during 1984 and 1985.

PACIFIC EXTENDER OPERATIONS JOINT VENTURE

The AUROBOND RX100 adhesive extender manufacturing plant has experienced a difficult first year of operations. Extraordinary shortages of high quality raw material (hemlock bark) early in the year, then a six month long strike in the forest products industry at mid-year, and most recently a price war with other extender producers has combined to cause significant operations loss of \$171,000 for the fiscal year.

Efforts are being made to reduce operating costs and improve operating efficiency. If no significant improvement in the performance is realized by mid-1987 the plant could be closed and converted to pulverizing other products such as wheat to make wheat flour for the plywood and laminated veneer lumber (L.V.L.) industry or possibly minerals such as talc or mica for the mineral filler markets.

At year-end, management had commenced discussions with a major U.S. based forest products corporation on their financing the conversion of the pulverizer plant to wheat processing. The U.S. corporation would also market the specialty wheat flour to the U.S. plywood and L.V.L. markets. These discussions are at a very preliminary stage and considerable engineering and marketing needs to be done to properly define this possible new venture.