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Annual Report 1981

THE DICKENSON GROUP OF COMPANIES

Directors' Report to Shareholders of Dickenson and Kam-Kotia

1981 was a difficult year for the Dickenson Group of Companies as operating losses from its mining operations and a decline in the value of its assets and investments were experienced.

1981 FINANCIAL RESULTS

Dickenson Mines Limited

Consolidated net loss before extraordinary items for 1981 amounted to $4,747,000 or $0.51 per share compared with a consolidated net income of $4,445,000 or $0.48 per share for 1980. Revenues amounted to $19,650,000 compared with $27,251,000 in 1980. Including net extraordinary items of $3,300,000, primarily arising from the sale of the company's interest in Conventures Limited, the 1981 consolidated net loss was $1,447,000 or $0.15 per share. Comparable consolidated net income in 1980 after extraordinary items of $596,000 was $5,041,000 or $0.55 per share.

The operations of the Red Lake Division in 1981 were adversely affected by lower than forecasted ore production, ore grades, and recoveries which resulted in reduced bullion production. Lower gold prices, higher operating costs, and high interest charges combined to compound these problems.

At this Division, management has successfully implemented stringent ore grading and cost controls. These moves have resulted in a substantial improvement in the operation. The full effect of these improvements will not be felt until the second quarter of 1982 but sufficient changes were in place by March to produce a consolidated net profit for the month.

The Silvana Division in 1981 also had disappointing results due to increased costs and substantially lower metals prices.

This Division operated at a cash loss during the first quarter of 1982 as production shortfalls and costs exceeded expectations. Economic viability of this operation is being reviewed on a month-to-month basis.

Kam-Kotia Mines Limited

Consolidated net loss before extraordinary items for 1981 amounted to $1,371,000 or $0.23 per share, compared with consolidated net income of $1,658,000 or $0.29 per share for 1980. Including net extraordinary items of $1,282,000, primarily arising from the write down of the company's investment in New Cinch Uranium Ltd., the consolidated net loss was $2,649,000 or $0.45 per share. Comparable consolidated net income for 1980 after extraordinary gains on sale of investments of $2,051,000 were $3,709,000 or $0.65 per share. The decrease in income resulted from the company's equity interest in Dickenson Mines Limited where lower bullion production, metals prices, and higher interest costs significantly impacted on 1981 profitability.

Red Lake Division Expansion

The first stage of production expansion at the Red Lake Division was completed during 1981 with mill capacity being increased from about 450 tons per day to approximately 700 tons per day.

As a result of design problems, cost overruns, and deteriorating gold prices the completion of the expansion of the concentrator from 700 to 1,000 tons per day has been postponed from early 1982 until 1983. The building to house the expansion equipment has been completed and some of the required additional equipment installed. It has been estimated by Kilborn Limited that the second stage of the expansion of the concentrator can be completed by mid-1983 for an estimated $3,500,000.

By December 31, 1981, Dickenson's investment in the expansion and modernization program at the Dickenson mine including construction of new facilities and deepening of the No. 2 shaft had reached approximately $22 million. Improved production rates were beginning to be reflected in the latter part of 1981 and the first quarter of 1982.

MANAGEMENT

The human resources and management of the Group have been greatly strengthened during the latter part of 1981 with the addition of P. L. Munro as Executive Vice President and J.O. Kachmar as Vice President, Finance. Both have had extensive experience in the development, operation, and financial control of mining operations.

D. N. Zeraldo has also joined the Group as Vice President, Marketing and Business Development with responsibilities to include concentrate marketing and business development.

Arthur W. White, the founder of the company, has decided that at the age of 71 he wishes to take a less active roll in the company's affairs. Accordingly, he will retire as Chairman of the Board after the annual meeting of shareholders in June 1982 but will continue as a member of the Board.

When the new officers of the company are appointed following the annual meeting it is anticipated that H. Vance White will become Chairman of the Board and Peter L. Munro will become President and Chief Executive Officer of both companies.

POLICY AND STRATEGY

During the past several years the Group has concentrated on the precious metals and energy sectors. While this strategy remains in effect a de-emphasis on the energy sector was initiated during 1981 with the divestment of Dickenson's holdings in Conventures Limited.

Now that the Group has in place first class management with expertise in the minerals exploration, development, production, and marketing areas with financial controls applicable thereto, it is in the best interests of Dickenson to pursue those areas. In this regard efforts will be directed at improving the efficiency of the operating divisions and to returning the company to a sound financial position.

The expertise outlined above has also led the company to the pursuit of marketing opportunities in specialty minerals. It is the intention of current management to pursue vigorously these and other opportunities in the minerals industry.

Because of low returns on investment it is likely that a further de-emphasis on energy will continue during the foreseeable future with a greater emphasis placed on the exploration, development, and production of the Group's mineral assets.

FINANCING

Dickenson Mines Limited

In September of 1981 the company's bank indebtedness was reduced by $13 million upon receipt of the cash consideration realized in the sale of the Dickenson investment in Conventures Limited to Oakwood Petroleums Limited. The balance of this sale price amounted to $13.5 million and was satisfied by a promissory note bearing interest at a floating rate equal to the prime lending rate subject to a floor of 17.5 percent and a ceiling of 23.5 percent.

In April of 1982 Dickenson issued by way of private placement 750,000 Dickenson B shares with warrants to purchase 750,000 Dickenson A shares to net the treasury approximately $1.1 million.

The Company in late May entered into an agreement with the Sullivan Mining Group whereby it would dispose of a 35 percent interest in its Red Lake Mining operation and 10% of the shares to be received by Dickenson in Goldquest Explorations Corp. for approximately $11.0 million. This sale will materially improve the Company's financial condition. With the addition of a strong technical and financial partner, consideration can now be given to continued expansion of the Red Lake facilities. Details of this transaction which is subject to shareholder approval are contained in the company's Information Circular.

The company is currently negotiating a further restructuring of its bank loans. It is contemplated that this will be done in the near term.

Kam-Kotia Mines Limited

In early 1982 Kam-Kotia issued 500,000 treasury shares at $1.00 per share as a result of a private placement agreement with Energy & Precious Metals Inc.

In February of 1982 Kam-Kotia sold to a U.S. mutual fund 725,000 Dickenson A shares and acquired from that fund 225,000 Dickenson B shares.

The net effect of both transactions was to raise approximately $1,425,000. The proceeds were used to repay the $1,000,000 loan owed to Energy & Precious Metals Inc. with the balance being applied against the company's bank loan.

Further financing for Kam-Kotia will be required during 1982.

OUTLOOK

While the past year has been difficult, certain positive factors have come out of it which will work to the benefit of the Goup in the years to come.

The strengthened management team, financial and budgetary controls, and significantly reduced costs, both operating and non-recurring, will allow Dickenson to not only maintain profitable operations at current capacities and metals prices but to be in a position to capitalize on any future metals price improvements.

The inventory of precious metal prospects to be controlled by the Dickenson affiliate, Goldquest Explorations Corp., should allow for continued exploration and development of potentially viable reserves in the Red Lake area.

While recession, high interest rates, and U.S. restrictive monetary policy have been the principal depressants to bullion prices during the past year it is expected that an easing of those policies will likely take place during the 1982 U.S. election year. This would normally be accompanied by a re-emergence of inflationary expectations which would put upward pressure on precious metal prices.

Current oversupply, high interest rates, and continued political haggling make it difficult to assess the immediate future of the Canadian energy industry. However, if it is still the objective to obtain energy self-sufficiency in Canada the long term outlook for the industry remains positive.

Appreciation

Sincere appreciation is expressed to all staff and employees for their efforts and diligence during this past year. The Red Lake Division mine manager, Mr. R. P. Tapper, who resigned his position in May of 1982, is recognized for his efforts and leadership during this expansion period.

Recognition is also extended to two long-time directors: Mr. F. A. (Ted) Fell, and Mr. C. R. Diebold. Mr. Diebold's service as a director from the very early days of the company, and Mr. Fell's service initially as the company's first Red Lake mine manager and subsequently a director have been greatly appreciated.

Their positions on the Board of Dickenson have been filled by Mr. J. O. Kachmar and Mr. G. Farquharson.

Submitted on behalf of the Boards of

Dickenson Mines Limited
Kam-Kotia Mines Limited

A. W. White
Chairman of the Board

H. Vance White
President

May 27, 1982

Review of Operations and Interests

DICKENSON MINES LIMITED

(KKL Class A 4.0%, Class B 28.5%)
Listed TSE, VSE

Red Lake Division

Operating Results	1981	1980
Ore Mined (tons)	189,494	128,180
Average Grade (ounces of gold per ton)	0.158	0.270
Production of gold (ounces)	24,760	29,281
Recovery (%)	83.3	93.7 (84.7)*

Gold production in 1981 was 24,760 ounces of gold from 189,494 tons of ore, down from 29,281 ounces from 128,180 tons in 1980. By quarter, 1981 production was as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Tons Ore	36,549	46,467	49,360	57,118
Average Grade (ounces of gold per ton)	0.15	0.13	0.17	0.18
Ounces of Gold	4,282	5,047	7,142	8,289

Although production was a record 189,494 tons, this increased level was below the forecast of 210,000 tons. The shortfall, when combined with lower than anticipated grades and lower recoveries served to significantly reduce bullion output.

The lower than forecast ore production was due to the partial shutdown of ore hoisting operations during the modifications to the No. 1 shaft in the first half of 1981; to revisions to the crushing plant; and to delays in completing the expansion of the concentrator.

The average grade of ore milled declined from 0.27 ounces of gold per ton in 1980 to 0.158 ounces of gold per ton in 1981. Although some drop in grade had been anticipated the actual grades obtained were lower than forecast primarily because the grade of development muck which contributed over 60 percent of the mill feed was considerably lower than the forecast grade of 0.10 ounces of gold per ton.

*The 1980 annual report reported gold recovery at 93.7%. This figure included gold contained in sulphide concentrates that were previously used as roaster feed. For environmental reasons the company suspended roaster operations in 1980 but continued to produce concentrates through 1980 and continued to include this metal when calculating recovery. This practice ceased in 1981 and for comparison purposes the 1980 recovery is re-stated eliminating the gold contained in unprocessed concentrates. The company is currently investigating the marketability of these concentrates and has made one trial shipment to a U.S. smelter. The decline in recovery from 84.7% in 1980 (re-stated) to 83.3% in 1981 is primarily due to the sharp decline in head grade.

During 1982, the Red Lake Division is forecasting an increase in production to 36,000 ounces from an increase in tonnage to the mill and close control of grade. Similarly, strict cost controls have been implemented through layoffs and the elimination or postponement of non-essential spending. With gold prices in the $325-$350 U.S. range, the Division will record a positive cash flow contribution in 1982.

Ore Reserves

In 1980, the Red Lake Division reported 425,000 tons of proven ore grading 0.45 ounces of gold per ton. In addition, the Division reported Proven, Probable and Possible reserves derived from a re-assessment of old and new information by the consulting firm of Derry, Michener & Booth (D.M.B.). The total of these two figures was reported at 2,406,500 tons grading 0.26 ounces of gold per ton. The 1980 report also stated that in the opinion of D.M.B. the average diluted grade would be approximately 0.21 ounces of gold per ton.

As neither the high grade proven ore calculation nor the D.M.B. re-assessment reflect current mining methods, this method of reporting has been dropped in the 1981 and future reports in favour of a "Mining Reserve" category. The valuable work done by D.M.B. has been re-classified as a "Mineral Inventory." The "Mineral Inventory" includes all "Mining Reserves." All "Mining Reserves" include a 10 percent dilution factor at zero grade.

Definitions:

1. *Proven:* Ore which has been partially developed by one or more mine openings along zones with demonstrable geological continuity and in which grade has been established by chip sampling or by two or more diamond drill holes.

2. *Probable:* Ore which has been indicated and sampled by a diamond drill hole within a zone of demonstrable geological continuity.

3. *Possible:* (a) Ore which has been indicated and sampled by diamond drilling but because there is insufficient data to allow for adequate geological correlation, the blocks cannot be designated as probable ore.
(b) Ore that is contiguous to proven and probable ore within interpreted geological zones but has not been sampled.

4. *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 ounces of gold per ton over a minimum width of 6 feet).

Summary of Mining Reserves

	Tons (short)	Diluted Grade (ounces of gold/ton)	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
TOTAL	2,005,900	0.231	462,900
MINERAL INVENTORY	4,373,400	0.230	1,005,700

Although the average mining reserve grade has been calculated at 0.231 ounces of gold per ton it is unlikely this average can be mined in 1982 as a considerable tonnage of high grade material is accessible only from No. 2 shaft which is currently on a care and maintenance basis. Average mining grade for 1982 is estimated at 0.20 ounces of gold per ton. Management intends to re-mobilize the No. 2 shaft in late 1982.

Red Lake Division Expansion

It was announced in the 1980 annual report that work on the expansion had commenced at the Red Lake property. This work was to include:

(a) Completion of the No. 2 internal shaft.

(b) Modifications to the No. 1 shaft to permit hoisting capacity to be increased from 120,000 tons per annum to a minimum 300,000 tons per annum.

(c) Introduction of long-hole mining methods and increased mechanization of the mine.

(d) Modifications to the crushing and milling circuits to permit throughput to be increased in stages from 450 tons per day to 1,000 tons per day.

This work continued until November 1981 when all work pertaining to the expansion was suspended. At termination, the status of the various expansion projects was as follows:

(a) The No. 2 internal shaft had been completed at a total cost of $3,683,000 of which $531,000 was spent in 1981.

(b) The modifications to the No. 1 shaft had been completed at a total cost of $8,089,000 of which $5,498,000 was spent in 1981. The No. 1 shaft is now capable of hoisting 1,200 tons per day.

(c) In 1981, $813,000 was spent on mine equipment as part of the program to mechanize the mine.

(d) By year end a total of $4,240,000 had been spent on the concentrator and crushing plant expansion of which $3,651,000 was spent in 1981. This capital has taken the crushing plant and concentrator from a capacity of 450 tons per day to 700 tons per day as well as providing the building and some of the equipment required for the next step of the expansion to 1,000 tons per day.

The temporary suspension of the expansion program was necessary for several reasons. Firstly, the precipitous drop in the gold price dramatically altered Dickenson's financial position with the result that additional financing will be required to complete the project. Also contributing to the decision to suspend the project was the necessity to schedule additional metallurgical test work and the realization that the proposed mining plan would not supply 1,000 tons per day of ore grade material. The original concept called for over 60 percent of the ore in 1981 to come from mine development at a grade of 0.10 ounces of gold per ton. Unfortunately this grade did not materialize with the result that major changes are required to produce 1,000 tons of ore per day from underground.

Revision to the mining plan now in place will permit the production of 36,000 ounces of gold in 1982. This will be achieved by increasing the amount of stope ore and decreasing development ore put through the mill.

With the proposed partial sale of the Red Lake Mining operation, consideration can now be given to completion of the mine expansion. The cost to complete the required additions to the concentrator has been estimated at $3,500,000 in 1982 dollars.

This includes installation of a new clarification section and additional agitation capacity in the mill as well as a new fine ore bin.

Silvana Division

Operating Results	1981	1980
Tons Ore Milled	30,502	31,110
Average Grade		
Silver (ounces per ton)	12.52	8.63
Lead %	4.17	3.21
Zinc %	3.47	3.03
Lead Concentrate (tons)	2,137	1,556
Metal Content		
Silver (ounces)	262,939	183,684
Lead (pounds)	2,378,775	1,805,561
Zinc (pounds)	552,366	258,200
Zinc Concentrate (tons)	1,262	1,359
Metal Content		
Silver (ounces)	91,872	71,698
Zinc (pounds)	1,269,140	1,372,240
Cadmium (pounds)	9,183	9,542
Silver Recovery	93%	95%

While production of silver, lead and zinc in 1981 greatly exceeded 1980 production figures, lower prices for all metals and higher depreciation and amortization write offs caused an operating loss of $1,233,834 as compared to an operating profit of $289,638 in 1980.

Outlook

The price of silver has continued to decline in the first quarter of 1982. Management has responded by increasing production and by reducing staff; however, the operation continued to sustain losses in the first quarter. As the full impact of the changes made will not be felt until the second quarter of 1982 management feels the operation can approach break-even in the second quarter provided there is no substantial deterioration of the silver price below $7.00 U.S. The viability of Silvana is being reviewed on a monthly basis.

All the concentrates produced at Silvana are shipped to the Cominco smelter at Trail, British Columbia. Cominco has announced that due to high inventory levels their smelter will close during July 1982. Silvana will also shut down for this period.

KAM-KOTIA MINES LIMITED

(DML 35.7%, EPM 26.7%)
Listed TSE

Kam-Kotia continued to direct its efforts toward maintaining direct and indirect participations in energy and precious metal related projects in both Canada and the U.S.

Investments

The principal investments of Kam-Kotia are a 28.2 percent direct voting interest in Dickenson as well as a 70 percent interest in Carnegie Mining Corporation Limited (which owns a 5.2 percent voting interest in Dickenson).

Oil and Gas Interests

Kam-Kotia and Dickenson have been active in oil and gas exploration and development in Canada and the United States of America for several years. The acreage in which each of them had working interests at the year end is as follows:

	Gross acreage	Net acreage
Kam-Kotia		
Canada	4,000,527	83,985
U.S.	245,528	44,309
Dickenson		
Canada	59,908	6,253
U.S.	228,694	41,491

(See page 8 for drilling record and evaluation)

Neither Kam-Kotia nor Dickenson is operator for any of the joint or individual participations and any commitments for 1982 and beyond are determined by the operator of the particular participation. Where the companies have a working interest it is necessary for them to fund a proportionate share of acreage, drilling, or completion costs in order to maintain their respective working interests.

Consideration may be given by one or both companies to a restructuring or sale of some or all of these interests.

ASSOCIATED COMPANIES

Goldquest Explorations Corp.

Dickenson and Kam-Kotia, recognizing the potential of the Red Lake area for discovery of new mineral deposits, have completed a preliminary re-evaluation of all the properties in the area owned within the Dickenson Group. It is now proposed that ten corporations with combined holdings in the area of 19,000 acres amalgamate into one continuing corporation to be called Goldquest Explorations Corp.

The amalgamating corporations are Abino Gold Mines Limited, Clicker Red Lake Mines Limited, Commander Red Lake Mines Limited, Dorion Red Lake Mines Limited, Duchesne Red Lake Mines Limited, Forsyth Mines Limited, Goldquest Explorations Corp., Inore Gold Mines Limited, Laddie Gold Mines Limited and Rowan Gold Mines Limited.

Nine of these are old mining companies with a history of exploration, and in some cases development, dating back almost 40 years. Although old records and maps provide some indication of the results of the work, information with respect to the properties is neither comprehensive nor complete.

On all of the properties there are occurrences of gold ranging from traces to significant assay values or visible gold and in two cases to potential ore grade material. More recent geological and geophysical work has identified a substantial number of new prospects.

In order to conduct comprehensive and extensive exploration programs, it is essential that the properties held by all of these companies be combined in a single entity. It was also desirable to acquire additional acreage both because of the exploration potential and to tie together other holdings.

In 1979, 1980, and 1981 Dickenson and Kam-Kotia on a two-thirds, one-third joint venture basis carried out a staking program in the area as well as a program of preliminary exploration which included line cutting, geological and geophysical surveys and exploratory diamond drilling. Dickenson and Kam-Kotia have transferred the properties which they acquired and all of their technical data to Goldquest Explorations Corp. one of the amalgamating companies.

Following the amalgamation, it is intended that Goldquest be the focal point of a major exploration program. Exploration may be financed by way of public participation in Goldquest or through a joint venture with another mining company or by other means. The timing of the exploration program will depend on the availability of financing, which will in turn depend on the price of gold and the state of financial markets.

New Cinch Uranium Ltd.
(DML 12.0%, KKL 17.6%)
Listed VSE

As reported last year, New Cinch retained Davy McKee Corporation, an international mining and metallurgical consulting firm, to conduct a complete review of the drilling, sampling, sample preparation and assaying of drill cores from the Orogrande property. After an extensive investigation Davy McKee completed its report in November, 1981. Davy McKee stated, among other things, that the re-assaying of selected original core intervals from several drill holes produced uniformly low gold values and did not confirm the original high values. In its report Davy McKee referred to the presence of contaminants in the Chem-Tec laboratory when Holes 29 and 31 were originally assayed and to erroneous reporting to New Cinch as possible causes for the discrepancies.

In December, 1981, New Cinch released information obtained as a result of investigations made on its behalf. It has stated that it is satisfied that a quantity of gold was added to one of the flux ingredients used in Chem-Tec fire assay procedures during November 1980 and that it is probable that the assay results for Holes 29 and 31 were affected but it is not known how, or by whom, the gold was added to the flux ingredient. New Cinch also stated that it intends to institute proceedings against those responsible for assaying at Chem-Tec.

Very little exploration activity was carried out during 1981; however, the company has maintained its interest in its other properties all of which are under review.

Tundra Gold Mines Limited
(DML 41.2%)
Listed VSE

Due to insufficient funds and unsettled financial markets the company carried out minimal exploration work on its U.S. properties during 1981. It has, however, maintained its interest in the Josue gold prospect which is currently being reviewed.

The company entered into an agreement in 1981 with Giant Yellowknife Mines Limited whereby it extended to Giant an option to lease its mill and facilities at Matthews Lake in the Northwest Territories. If the option is exercised the agreement also calls for a complete rehabilitation of the mill and facilities as well as an undertaking to carry out a surface exploration program on the company's property.

Redcon Gold Mines Limited
(DML 22.4%)

Exploration of the Redcon property during 1981 comprised diamond drilling (22 holes totalling 8,265 feet), stripping of overburden by bulldozer, channel sampling of the Carbonate zone where exposed, and continued geological mapping. Results of the program to date have been mixed; however, a program of exploration, including further drilling, is being contemplated for later in 1982.

The drilling record for each of Kam-Kotia and Dickenson up to year end is provided below:

KAM-KOTIA

	Total wells		Oil wells		Gas wells		Oil and gas wells as % of total wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Canada								
Alberta	19	2.525	7	.875	8	1.298	79	86
Ontario	7	.619	1	.019	—	—	14	3
P.E.I.	2	.040	—	—	—	—	—	—
TOTAL	28	3.184	8	.894	8	1.298	57	69
U.S.A.								
Texas	41	5.255	—	—	10	.810	24	15
Oklahoma	1	.083	—	—	—	—	—	—
South Dakota	2	.444	—	—	1	.222	50	50
New Mexico	3	1.000	—	—	—	—	—	—
TOTAL	47	6.782	—	—	11	1.032	23	15
TOTAL	75	9.966	8	.894	19	2.330	36	32

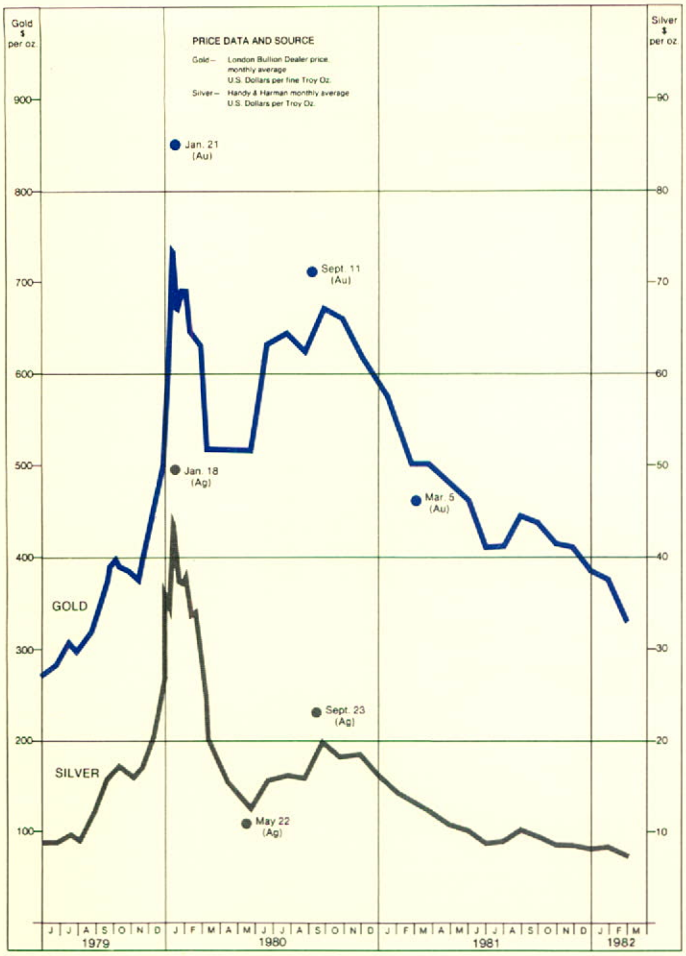
DICKENSON

	Total wells		Oil wells		Gas wells		Oil and gas wells as % of total wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Canada								
Alberta	14	1.708	7	.875	5	.625	86	88
Ontario	7	.619	1	.019	—	—	14	3
TOTAL	21	2.327	8	.894	5	.625	62	65
U.S.A.								
Texas	23	2.312	2	.094	10	1.017	52	48
Oklahoma	1	.083	—	—	—	—	—	—
South Dakota	2	.444	—	—	—	—	—	—
TOTAL	26	2.839	2	.094	10	1.017	46	39
TOTAL	47	5.166	10	.988	15	1.642	53	51

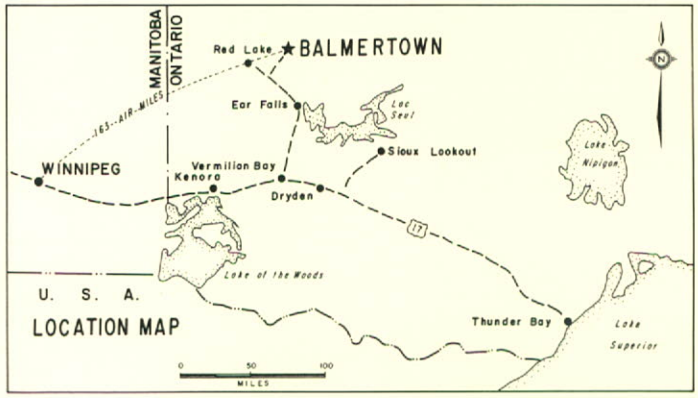
Evaluations of both Kam-Kotia and Dickenson up to year end is provided below:

	Proven Reserves		Proven Plus Probable Reserves	
	Gross	Company	Gross	Company
KAM-KOTIA				
Canada				
Alberta				
Crude Oil & Condensate (MSTB)	410.4	51.4	861.0	107.6
Total Gas	6.933	0.869	14.722	1.872
Ontario				
Crude Oil & Condensate (MSTB)	7.7	.8	7.7	.8
Total Gas (BCF)	0.676	0.068	0.809	0.081
United States				
Texas				
Crude Oil & Condensate (MSTB)	48.8	2.7	—	—
Gas (BCF)	2.054	0.065	—	—
DICKENSON				
Canada				
Alberta				
Crude Oil & Condensate (MSTB)	410.4	51.4	861.0	107.6
Total Gas (BCF)	6.192	0.774	13.208	1.651
Ontario				
Crude Oil & Condensate (MSTB)	7.7	.8	7.7	.8
Total Gas (BCF)	0.676	0.068	0.809	0.081

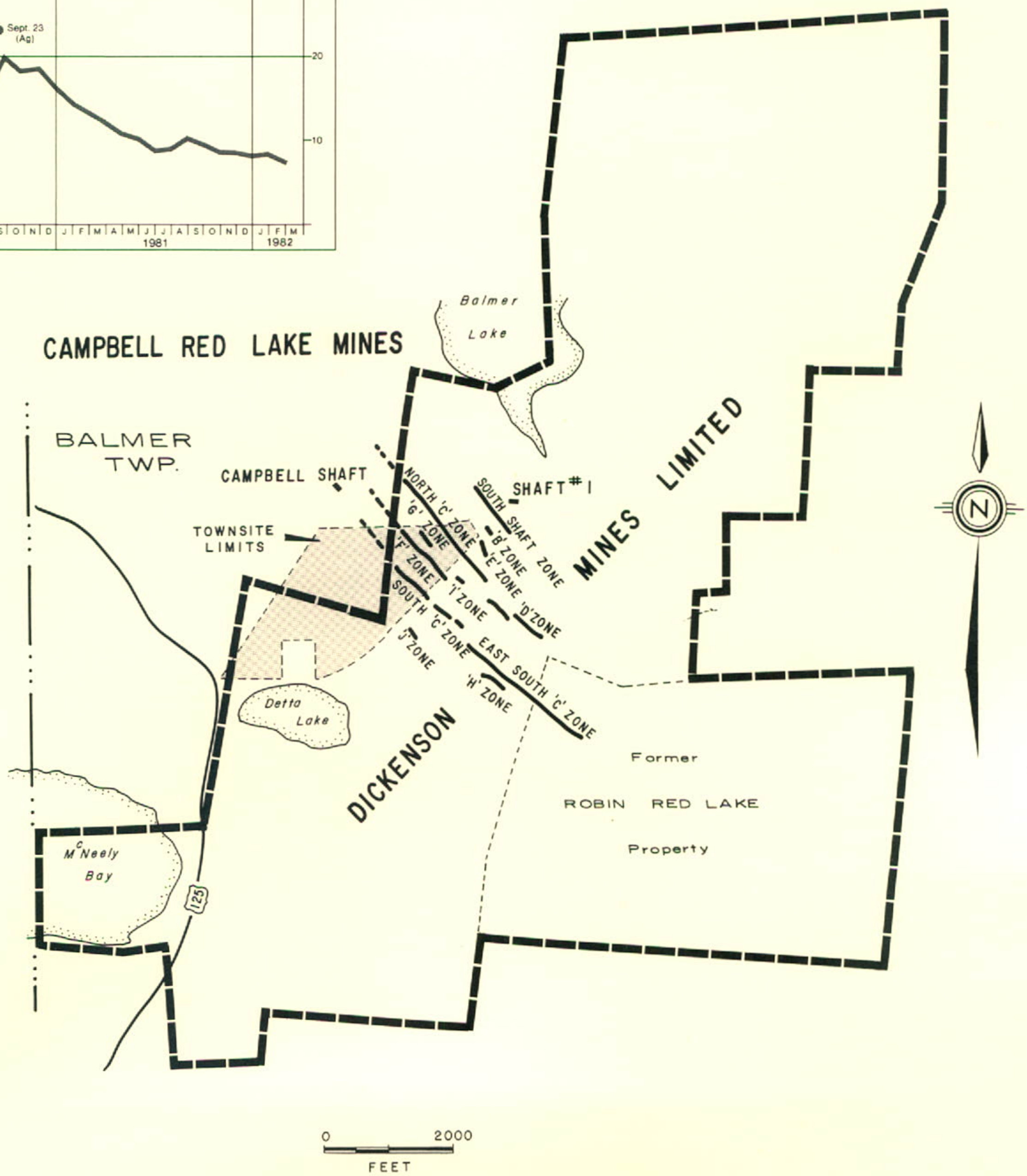
MSTB – thousand stock tank barrels
BCF – billion cubic feet



Gold $ per oz.
Silver $ per oz.
PRICE DATA AND SOURCE
Gold – London Bullion Dealer price, monthly average U.S. Dollars per fine Troy Oz.
Silver – Handy & Harman monthly average U.S. Dollars per Troy Oz.
Jan. 21 (Au)
Sept. 11 (Au)
Jan. 18 (Ag)
Mar. 5 (Au)
Sept. 23 (Ag)
May 22 (Ag)
GOLD
SILVER
900
800
700
600
500
400
300
200
100
90
80
70
60
50
40
30
20
10
J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M
1979
1980
1981
1982



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



Balmer Lake
CAMPBELL RED LAKE MINES
BALMER TWP.
CAMPBELL SHAFT
TOWNSITE LIMITS
NORTH 'C' ZONE
'G' ZONE
'F' ZONE
SOUTH 'C' ZONE
'J' ZONE
'I' ZONE
'B' ZONE
'E' ZONE
'D' ZONE
SOUTH SHAFT ZONE
SHAFT #1
EAST SOUTH 'C' ZONE
'H' ZONE
MINES LIMITED
DICKENSON
Detta Lake
McNeely Bay
125
Former
ROBIN RED LAKE
Property
N
0
2000
FEET

Consolidated Balance Sheet

December 31, 1981
($000's omitted)

Assets	1981	1980
Current		
Cash and short-term securities, at lower of cost and market value	$ 201	$ 347
Note receivable, Oakwood Petroleums Limited, at estimated net realizable value (note 3)	12,935	—
Metal settlements receivable and concentrates in transit	1,379	1,561
Supplies	2,454	2,317
Accounts receivable, accrued interest and prepaid expenses	679	690
Income taxes recoverable	90	314
	17,738	5,229
Long-Term Investments (note 3)	4,547	23,229
Property, Plant and Equipment		
Producing assets		
Plant, buildings and equipment, at cost	26,077	16,665
Less accumulated depreciation	9,943	9,293
	16,134	7,372
Mining properties and claims, at cost less amounts amortized	871	1,089
Shaft deepening and renovation expenditures at cost less amounts amortized (note 4)	11,959	6,722
	28,964	15,183
Non-producing assets		
Interest in and expenditures on outside mining properties (note 2)	586	1,110
Interest in and expenditures on oil and gas properties (note 2)	3,766	3,086
	33,316	19,379
	$55,601	$47,837

Approved by the Board

H. V. WHITE, Director

F. A. FELL, Director

See notes to consolidated financial statements.

Liabilities and Shareholders' Equity	1981	1980
Current		
Bank indebtedness (note 6)	$ 8,600	$ 4,043
Accounts payable and accrued charges	5,287	4,604
Mining taxes payable	142	142
Current portion of long-term debt (notes 5 and 16)	12,966	1,043
Deferred revenue	89	—
	27,084	9,832
Long-Term Debt (notes 5, 6 and 16)	66	7,746
Income Taxes relating to Future Years	4,497	4,916
	31,647	22,494
Shareholders' Equity		
Capital stock (note 7)		
Authorized		
30,000,000 Class A common shares without par value		
6,000,000 Class B special shares without par value		
Issued		
5,088,220 Class A shares (5,084,820 in 1980)	4,901	4,879
5,087,320 Class B shares (5,084,820 in 1980)	4,898	4,879
	9,799	9,758
Contributed surplus	1,466	1,466
Retained earnings	15,148	16,688
	26,413	27,912
Deduct: Company's share of Kam-Kotia Mines Limited holding of shares in Dickenson Mines Limited at a cost to Kam-Kotia of $6,887,000 ($7,197,000 in 1980)	2,459	2,569
	23,954	25,343
	$55,601	$47,837

See notes to consolidated financial statements.

Dickenson Mines Limited

Consolidated Statement of Income

For the year ended December 31, 1981
($000's omitted)

	1981	1980
Revenue from Metal Shipments:		
Bullion	$13,591	$19,843
Concentrate sales	6,059	7,408
	19,650	27,251
Deduct treatment and refining charges	1,815	1,739
Net revenue from metal shipments	17,835	25,512
Operating and administrative costs:		
Mining	11,934	9,299
Milling	3,438	3,073
Mine management, office and general	3,854	3,511
Head office administration and general	1,314	1,015
	20,540	16,898
Operating Income (loss) before the Undernoted Items	(2,705)	8,614
Amortization of shaft deepening and renovations	1,305	1,388
Depreciation and depletion	923	1,206
Exploration and development expenditures	1,078	757
	3,306	3,351
Operating Income (loss)	(6,011)	5,263
Investment and Other Income and Expenses		
Share of income (loss) of companies accounted for by the equity method	(237)	742
Dividends, interest and net results of security transactions	1,494	1,093
Oil and gas revenue	69	70
Amortization of oil and gas properties	(454)	(343)
Interest expense	(3,765)	(762)
Amalgamation expense	—	(332)
Fire loss recovery	32	464
Reduction in carrying value of marketable securities	(131)	—
	(2,992)	932
Income (loss) before Income Taxes and Extraordinary Items	(9,003)	6,195
Income Taxes (Recovery)		
Current	224	—
Relating to future years	(4,480)	1,750
	(4,256)	1,750
Income (loss) before Extraordinary Items	(4,747)	4,445
Gain on sale of Conventures Limited (net of deferred taxes of $4,333,000)	5,376	—
Share of extraordinary gains (losses) of companies accounted for by the equity method	(1,268)	93
Reduction in carrying value of note receivable Oakwood Petroleums Limited, (net of deferred taxes recovery of $150,000)	(450)	—
Reduction in carrying value of New Cinch Uranium Ltd. (net of deferred taxes recovery of $119,000)	(358)	—
Increase in carrying value of the company's interest in Kam-Kotia Mines Limited arising from share issues by Kam-Kotia	—	503
Net income (loss) for the Year	$(1,447)	$ 5,041
Earnings (loss) per share:		
Before extaordinary items		
Class A	(.51)	.48
Class B	(.51)	.48
After extraordinary items		
Class A	(.15)	.55
Class B	(.15)	.55

See notes to consolidated financial statements.

Dickenson Mines Limited

Consolidated Statement of Retained Earnings

For the year ended December 31, 1981
($000's omitted)

	1981	1980
Balance at Beginning of the Year		
As previously reported	$16,688	$11,203
Prior period adjustments	—	905
As restated	16,688	12,108
Net income (loss) for the year	(1,447)	5,041
	15,241	17,149
Dividends paid	93	461
Balance at End of the Year	$15,148	$16,688

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1981
($000's omitted)

	1981	1980
Source of Working Capital		
Working capital provided from operations (note 8)	$ —	$ 9,089
Sale of investment in Conventures Limited	26,650	—
Issue of capital stock	41	986
Decrease in deferred charges	214	—
Long-term debt, non-current portion	—	4,246
	26,905	14,321
Application of Working Capital		
Working capital required for operations (note 8)	5,948	—
Purchase of fixed assets	9,637	4,482
Shaft deepening and renovation expenditures	6,535	5,100
Investment and advances to other companies	67	7,663
Exploration expenditure on outside mining, oil and gas properties	1,688	2,262
Dividends paid	93	461
Long-term debt, non-current portion	7,680	—
	31,648	19,968
Decrease in Working Capital During the Year	(4,743)	(5,647)
Working Capital (Deficiency) at Beginning of the Year	(4,603)	1,044
Working Capital Deficiency at End of the Year	$ (9,346)	$ (4,603)
Represented by working capital deficiency		
Current assets	$17,738	$ 5,229
Less: Current liabilities	27,084	9,832
	$ (9,346)	$ (4,603)

See notes to consolidated financial statements.

Dickenson Mines Limited

Notes to Consolidated Financial Statements

December 31, 1981

1. Accounting Policies

The financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied. The principal accounting policies followed by the Company are summarized hereunder to facilitate review of the consolidated financial statements.

a. *Basis of Consolidation*
The consolidated financial statements include the accounts of Rowan Gold Mines Limited and Kenwest Mines Limited of which the Company holds 54 percent and 60 percent respectively of the outstanding common shares.

b. *Revenue Recognition*
Bullion is valued at estimated net realizable value and revenue is recorded in the accounts on completion of production. Metal contained in concentrates is sold under contracts principally with one customer. Estimated revenues are recorded in the accounts during the month when the concentrates are produced. The estimated revenues may be subject to adjustment on final settlement or may be adjusted prior to final settlement, usually two months after date of production, to reflect changes in metal prices and weights and assays.

c. *Valuation of Metal Settlements Receivable and Concentrates in Transit*
Metal settlements receivable and concentrates in transit are valued at estimated realizable value in U.S. funds translated into Canadian dollars at the year end rate of exchange.

d. *Valuation of Supplies*
Stores and operating supplies are valued at average cost.

e. *Property, Plant and Equipment*
(i) Property, plant, buildings, equipment, shaft deepening and renovation expenditures are recorded at cost. Investment tax credits related to plant and equipment expenditures are recorded as a reduction of the cost of the related asset.
(ii) Depreciation on plant and equipment at the Red Lake property was recorded in the accounts on the straight-line method at the rate of 15 percent per annum up to December 31, 1980. As a result of the company's change in its approach to mining and milling methods, which became effective in 1981, it was appropriate to modify the accounting policy to provide for depreciation on plant and equipment on the unit-of-production method based on estimated mineral inventory. This change cannot be applied to periods prior to 1981, and accordingly there has been no restatement of prior periods.
Depreciation on plant and equipment at the Silvana property is provided on the unit-of-production method based on estimated mineral inventory.
(iii) Amortization of the cost of producing mining properties and claims is provided on the unit-of-production method based on estimated mineral inventories.
(iv) Shaft deepening and renovation costs are written off on the unit-of-production method based on estimated mineral inventories.
(v) Repairs and maintenance expenditures are charged against earnings; major betterments and replacements are capitalized.
(vi) Upon sale or abandonment, the cost of the fixed assets and related accumulated depreciation or depletion are removed from the accounts and any gains or losses thereon are taken into earnings.

f. *Exploration*
(i) Mining Properties
Exploration and development expenditures on unknown or unproven ore bodies are expensed as incurred. Development expenditures on other properties that have economically recoverable reserves are capitalized and will be amortized on the unit-of-production basis.
(ii) Petroleum and Natural Gas Interests
For all oil and gas activities, the Company follows the full cost method of accounting, whereby all costs relative to the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical costs, carrying charges on non-producing properties and costs of drilling both productive and non-productive wells less any proceeds from the disposal of properties. Separate full cost centres are maintained for each operating area. Net costs incurred in each of these areas are amortized on a straight-line basis over ten years. Should exploration activity in an area prove successful, the unamortized balance of the cost centre is depleted by the unit-of-production method. Should exploration activity in an area prove unsuccessful and management decides that

there is little prospect for further work in the area, the unamortized balance of the cost centre is written off entirely.

g. *Income Taxes*
The Company follows the deferral method of applying the tax allocation basis of accounting for income taxes. Under this method, timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts result in provisions for taxes relating to future years. These are recognized in the accounts as "income taxes relating to future years."

h. *Long-term Investments*
The investment in shares of companies over which Dickenson exercises significant influence is accounted for by the equity method whereby cost of the shares of such companies owned by Dickenson is adjusted by Dickenson's proportion of their earnings or losses since significant influence was acquired.

Other long-term investments are carried at cost with an allowance for estimated decline in value of investments below the stated cost.

2. Interest in and Expenditure on Mining, Oil and Gas Properties

($000's omitted)	1981	1980
Mining properties		
Goldquest group, Ontario	$ 586	$ 407
Other interests	—	703
	$ 586	$1,110
Oil and gas properties		
Grande Prairie, Alberta	$2,321	$2,279
Estavan Mora, Texas	365	116
Atlantis Resources, Alberta	225	—
Other interests	855	691
	$3,766	$3,086

Dickenson's unamortized interest in and expenditure on its own oil and gas properties can be realized only from the future commercial success of those properties or the proceeds from disposition thereof.

Dickenson's proportion of the unamortized interest in and expenditure on mining, oil and gas properties in companies accounted for on the equity basis can be realized only from the future commercial success of those companies or the proceeds from disposition of the applicable properties and investments.

3. Long-Term Investments

($000's omitted)	Shares	Quoted Market Value	1981	1980
Investments in companies accounted for by the equity method:				
Shares and convertible notes				
Kam-Kotia Mines Limited				
at December 31, 1981	2,119,108	$ 2,903,000	$ 926	
at December 31, 1980	2,119,108	$19,602,000		$ 2,346
Conventures Limited				
1,453,686 shares and $4,700,000 – 5% convertible notes			—	16,826
Other (quoted market value				
at December 31, 1981 $ 2,323,000			2,867	
at December 31, 1980 $10,365,000)				2,701
Loans and advances, at cost			134	72
			3,927	21,945
Portfolio investments, at cost				
Listed shares				
Shares and warrants of New Cinch Uranium Ltd.				
(quoted market value				
at December 31, 1981 $197,000			275	
at December 31, 1980 $12,216,000)				345
Other listed shares				
(quoted market value				
at December 31, 1981 $63,000			65	
at December 31, 1980 $385,000)				262
Other shares, bonds, advances and participations			2,009	2,536
			2,349	3,143
			6,276	25,088
Less: Allowance for decline in value			1,729	1,859
			$ 4,547	$23,229

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The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than that indicated by market quotations.

The investment in Conventures Limited comprising 1,453,686 shares and $4,700,000 convertible notes was sold to Oakwood Petroleums Limited on September 4, 1981 for the following consideration:

Cash	$13,000,000
Note receivable, due September 5, 1983 bearing interest at prime rate, not to exceed 23.5% but not less than 17.5%	13,535,000
	$26,535,000

The cash portion of the proceeds were applied to reduce the Company's bank indebtedness.

4. Shaft Deepening and Renovation Expenditures

The shaft deepening and renovation expenditures at the Red Lake Mine in 1981 included outlays for bore hole escape manway, #1 shaft services borehole, #2 shaft deepening and other mine renovations.

5. Long-Term Debt

	($000's omitted)	
	1981	1980
Term bank loan – $10,000,000 U.S., interest at prime plus 1¼%	$11,919	$ —
Term bank loan – interest at prime rate plus 1%	—	6,600
Notes payable – Carl O. Nickle – 7% repayable $1,000,000 in September 1981 and $1,000,000 in September 1982	1,000	2,000
Finance contract payable – Fixed assets have been pledged as security	113	189
	13,032	8,789
Less: Amounts due within one year	12,966	1,043
	$ 66	$7,746

6. Bank Loan Security

The Company has pledged as security for the bank indebtedness and the term bank loan the following:

a. A $25,000,000 demand debenture creating a fixed charge over the Red Lake Mine, a fixed charge over the major machinery and equipment of the Company and a floating charge over all other assets of the Company.

b. Security under Section 177 of the Bank Act (Canada) on mineral reserves, inventory and equipment located at the Red Lake Mine site.

c. Security under Section 178 of the Bank Act (Canada) with respect to the Red Lake and Silvana Mines.

d. An hypothecation of the Company's portfolio of junior stocks, including oil and gas stocks and Kam-Kotia stock.

e. An assignment of the promissory note from Oakwood Petroleums Limited.

7. Capital Stock

a. Continuity of capital stock is as follows:

	Number of Shares		Consideration	
	Class A	Class B	Class A	Class B
Balance, December 31, 1980	5,084,320	5,084,320	$4,879,000	$4,879,000
Issued during the period January 1, 1981 to December 31, 1981	3,900	3,000	22,000	19,000
Balance, December 31, 1981	5,088,220	5,087,320	$4,901,000	$4,898,000

b. Stock options

As at December 31, 1981, the following stock options were outstanding:
On 35,000 Class A shares at $3.25 per share exercisable prior to December 31, 1982
On 35,700 Class B shares at $3.25 per share exercisable prior to December 31, 1982
On 10,600 Class B shares at $6.00 per share exercisable prior to December 31, 1983
On 10,800 Class B shares at $6.00 per share exercisable prior to December 31, 1983
On 75,000 Class A shares at $3.25 per share exercisable prior to December 31, 1985

8. Working Capital Provided from Operations

	1981	1980
Income (loss) before extraordinary items	$(4,747)	$4,445
Charges (credits) not affecting funds		
Amortization of shaft deepening and renovations	1,305	1,388
Depreciation and depletion	923	1,206
Exploration and development expenditure	1,078	757
Amortization of oil and gas properties	454	343
Share of loss (income) of companies accounted for by the equity method	237	(742)
Deferred income taxes (recovery)	(4,480)	1,692
Gain on sale of long-term investment	(118)	—
Reduction in carrying value of note receivable Oakwood Petroleums Limited	(600)	—
	$(5,948)	$9,089

9. Earnings Per Share

Basic earnings per share have been calculated on the weighted average number of shares outstanding during the year.

	1981		1980	
	Class A	Class B	Class A	Class B
Weighted average number of shares outstanding during the year	5,085,928	5,085,570	5,050,139	5,050,139
Less: Weighted average of reciprocal shareholdings	335,022	480,967	438,470	439,065
	4,750,906	4,604,603	4,611,669	4,611,074

10. Related Party Transactions

Mid-North Engineering Services Limited, a company controlled by certain of the directors of Dickenson, until December 31, 1981, provided administrative and technical services to Dickenson and other companies over which Dickenson exercises significant influence.

Fees paid to Mid-North Engineering Services Limited for the twelve month period ended December 31, 1981 amounted to $325,000 (year ended December 31, 1980 $289,000).

11. Statutory Information

Remuneration of directors and senior officers (including the five highest paid employees) during the twelve month period ended December 31, 1981 amounted to $325,000 (year ended December 31, 1980 $1,100,000). This remuneration includes the benefit realized from exercising stock options referred to in note 7 and payment of directors' fees.

12. Contingencies and Commitments

a. The Company has guaranteed payment of liabilities of another company in the amount of $100,000.

b. The Company's mineral claims in the Kootenay District of British Columbia are subject to a royalty payable to Kam-Kotia Mines Limited and to a third party. The royalty is secured by a mortgage on those mineral claims and is payable out of production at .25 times the net smelter return per ton of ore, expressed in dollars up to but not exceeding $3 per ton. As of December 31, 1981, the balance remaining under the royalty agreement was $57,000 (December 31, 1980 $149,000).

c. The Company has the following lease commitments:
   (i) Head office premises at an annual rental of $193,000 for five years to February 15, 1986,
   (ii) Equipment rentals at Silvana division at an annual rental of $41,000,
   (iii) Leased realty at Silvana division at an annual rental of $33,000.

13. Comparative Figures
Certain 1980 balances have been reclassified to conform with the 1981 presentation.

14. Segmented Information
The Company operates within one dominant industry segment, the mining of gold and silver-bearing ores together with ongoing exploration on new natural resource properties, and all of its operations are based in Canada. Product sales are principally made within Canada.

15. Legal Proceedings
The Company, Kam-Kotia Mines Limited and New Cinch Uranium Ltd. are among sixteen defendants in an action in the Supreme Court of Ontario by Willroy Mines Limited, as plaintiff, claiming damages of $21,396,000 based on allegations of negligence, negligent misrepresentation and conspiracy in connection with the purchase by the plaintiff of shares and warrants of New Cinch Uranium Ltd. Legal counsel representing the Company and Kam-Kotia Mines Limited have reported that it is premature to express any opinion on Dickenson's liability, if any, in this action, although counsel are of the view that the defences raised are substantial.

16. Subsequent Events
a. The Company has not maintained its commitment to make monthly payments on the term bank loan, and the bank advised the Company on January 22, 1982, that the loan was therefore in default of required payments, which default the bank has not waived.
The Company is negotiating to realize on the note receivable from Oakwood Petroleums Limited to retire the term bank loan.

b. On January 29, 1982, New Cinch Uranium Ltd. advanced the Company $1,000,000 for working capital purposes to be repaid as to $450,000 on April 29, 1982 and the balance on May 29, 1982. The loan bears interest at the prime lending rate of the Bank of Nova Scotia plus 2% and is secured by a second charge over the Red Lake Mine.

Auditors' Report

The Shareholders,
Dickenson Mines Limited.

We have examined the consolidated balance sheet of Dickenson Mines Limited as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. 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, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its 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, Ontario,
February 26, 1982.

Touche Ross & Co.
Chartered Accountants

Operating Summary – 1981 – Dickenson Mines Limited

Red Lake Operation

	1981	1980
Ore Milled	189,494 tons	128,180 tons
Recovery – Gold	24,760.232 ounces	29,281.007 ounces
– Silver	2,273.402 ounces	3,240.438 ounces
Grade of Ore Milled – Gold	0.158 oz./ton	0.270 oz./ton
Average Value Received – Gold	$ 547.50 per ounce	$ 675.49 per ounce
Total Value Received – Gold	$13,556,256	$19,778,989
– Silver	$ 34,432	$ 64,023

Mining

Development (drawn tons)	67,308	51,725
Stopes and Stope Development (drawn tons)	126,031	80,780
Total Break in Tons	192,956	131,099
Total Tons Hoisted	192,909	131,154

Milling

	1981	1980
Tons Treated	189,494	128,180
Percent Operating Time	93.80	84.51
Tons Treated Per Day	519.2	350.218
Average Value of Millheads in Ounces of Gold per Ton	0.1582	0.243
Average Value of Milltails in Ounces of Gold per Ton	0.0264	0.015
Recovery in Ounces of Gold per Ton	0.1318	0.228
Percent Recovery	83.30	93.72

Development

Crosscutting (includes slashing)	1,384.9′	1,136.0′
Drifting (includes slashing)	5,670.2′	5,064.3′
Raising (includes slashing)	2,923.1′	1,502.7′
Shaft Sinking (#2 Shaft Total Depth from Collar: 2,332.9′)	0′	558.0′
– Station cutting (shaft equiv.)	0′	134.2′
– Drifting (shaft equiv.)	95.9′	342.0′
– Raising (Lip Pocket and Raise)	53.5′	—
Underground Diamond Drilling	75,718′	60,692′
Surface Diamond Drilling	1,204′	—
Borehole Manways	787′	1,148′

Dickenson Mines Limited

Summary
5 Year Record

	1981	1980	1979	Before re-structure 1978	1977
Bullion and Concentrate Production*	$ 19,650	$ 27,251	$ 21,180	$ 13,560	$ 9,650
Depreciation and depletion*	923	1,206	826	627	552
Net Profit (Loss) before extraordinary item*	(4,747)	4,445	2,716	2,341	1,041
Net Profit (Loss) after extraordinary item*	(1,447)	5,041	4,285	2,327	966
Net Profit (Loss) per share (class A)	(51c)	48¢	31¢	66¢	29¢
Net Profit (Loss) per share (class B)	(51c)	48¢	31¢		
Net Profit (Loss) after extraordinary item per share (class A)	(15c)	55¢	48¢	66¢	27¢
Net Profit (Loss) after extraordinary item per share (class B)	(15c)	55¢	48¢		
Dividends paid per share (class A)	1c	5¢	5¢	10¢	5¢
Dividends paid per share (class B)	1c	5¢	5¢		
Shares issued (class A)	5,088,220	5,084,320	4,947,834	3,826,964	
Shares issued (class B)	5,087,320	5,084,320	4,947,834		
Tons of ore milled – Red Lake Mine*	189	128	118	110	129
Silvana Division*	31	31	22	18	17
Grade of Millheads					
Red Lake – gold ozs./ton	0.158	0.270	0.405	0.576	0.499
Silvana Div. – silver ozs./ton	12.52	8.63	13.96	14.84	19.34
– lead %	4.17	3.21	4.87	5.81	7.41
– zinc %	3.47	3.03	4.51	4.34	6.13
Production					
Red Lake – ozs. of gold	24,760	29,281	44,367	59,957	60,019
Silvana Div. – ozs. of silver	354,811	255,382	290,045	243,675	325,826
– lbs. of lead	2,378,775	1,805,561	2,011,863	1,948,464	2,449,345
– lbs. of zinc	1,821,506	1,630,440	1,793,185	1,408,498	2,006,250
Employees	350	330	239	250	242
Share Price Range –					
Preamalgamation High**			11.00	7.63	5.88
Low**			6.25	4.60	3.55
Class A High	14.25	16.75			
Class A Low	2.10	11.25			
Class B High	13.50	17.00			
Class B Low	2.00	9.75			

*In thousands
**Before capital re-structure
(a) In 1980 the capital structure of Dickenson Mines was changed. The financial figures for 1977, 1978 refer to previous structure which does not include Silvana operations.
(b) The figures above for 1979 have been restated to show figures comparative with 1980 in which year Silvana Mines was amalgamated with Dickenson Mines.

Kam-Kotia Mines Limited

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

as at December 31 1981
($000's omitted)

Assets	1981	1980
Current Assets		
Accounts receivable		
Dickenson Mines Limited	$ 219	
Other	155	$ 92
Marketable securities, at lower of cost and market (quoted market value 1981 $31,000; 1980, $666,000.)	31	433
	405	525
Investments in Mining Companies (note 3)	12,554	15,908
Fixed Assets		
Land and buildings at cost	169	157
Less accumulated depreciation	73	63
	96	94
Mining claims and properties, at cost less depletion	41	41
	137	135
Other Assets		
Interest in and accumulated expenditure on oil and gas properties (note 4)	4,998	4,472
Deferred exploration	150	139
Mortgage receivable	7	9
	5,155	4,620
	$18,251	$21,188
Liabilities		
Current Liabilities		
Bank loan and overdraft (note 3)	$ 1,495	$ 1,687
Loan payable (notes 9 and 10)	1,000	
Accounts payable and accrued liabilities	353	809
Income taxes payable	126	214
Deferred income taxes		136
	2,974	2,846
Deferred Income Taxes	115	527
Minority Interest	309	313
Shareholders' Equity		
Capital Stock		
Authorized – 10,000,000 shares without par value		
Issued – 5,936,344 shares	10,128	10,128
Retained Earnings	4,725	7,374
	14,853	17,502
	$18,251	$21,188

Contingency (note 8)
Subsequent events (note 10)

Approved by the Board

H. V. WHITE, Director

J. GEDDES, Director

Kam-Kotia Mines Limited

Consolidated Statement of Income

Year ended December 31, 1981
($000's omitted)

	1981	1980
Income		
Interest, dividends and royalties	$ 130	$ 482
Profit on sale of securities	96	957
Oil and gas revenue	65	18
	291	1,457
Share of net income (loss) of companies accounted for by the equity method (note 2)	(606)	1,432
	(315)	2,889
Expenses		
Head office, administration and general	374	321
Amortization of interest in oil and gas properties, and outside exploration expenditures written off	1,109	1,080
Depreciation	10	10
Interest	345	
	1,838	1,411
Income (loss) before income taxes and extraordinary items	(2,153)	1,478
Deferred income taxes reduction	782	180
Income (loss) before extraordinary items	(1,371)	1,658
Minority interest	4	
	(1,367)	1,658
Extraordinary items (note 5)	(1,282)	2,051
Net Income (Loss)	$(2,649)	$3,709
Earnings (Loss) Per Share (note 6)		
Income (loss) before extraordinary items	$(.23)	$.29
Net income (loss)	$(.45)	$.65

Consolidated Statement of Retained Earnings

Year ended December 31, 1981
($000's omitted)

	1981	1980
Balance at Beginning of Year	$ 7,374	$3,962
Net income (loss)	(2,649)	3,709
	4,725	7,671
Dividends paid – nil (1980, 5¢)		297
Balance at End of Year	$ 4,725	$7,374

Kam-Kotia Mines Limited

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1981
($000's omitted)

	1981	1980
Working Capital Derived From		
Operations (note 7)		$ 1,136
Proceeds from sale of Dickenson Mines Limited shares	$ 2,550	2,746
Proceeds from issue of shares		2,060
Proceeds from sale of assets of Consolidated Churchill Copper Mines Limited		395
Mortgage receivable	2	12
	2,552	6,349
Working Capital Applied to		
Operations (note 7)	415	
Increase in investments in mining companies	727	8,868
Exploration expenditures on oil and gas, and mining properties	1,646	2,953
Fixed assets	12	
Dividends paid		297
	2,800	12,118
Decrease in Working Capital Position	248	5,769
Working Capital (Deficiency) at Beginning of Year	(2,321)	3,448
Working Capital Deficiency at End of Year	$ 2,569	$ 2,321
Represented by		
Current assets	$ 405	$ 525
Current liabilities	2,974	2,846
	$ 2,569	$ 2,321

Auditors' Report

To the Shareholders of
Kam-Kotia Mines Limited

We have examined the consolidated balance sheet of Kam-Kotia Mines Limited as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. 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, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its 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
February 19, 1982

Thorne Riddell
Chartered Accountants

Kam-Kotia Mines Limited

Notes to Consolidated Financial Statements

December 31, 1981

1. Accounting Policies

(a) *Consolidation policy*

These consolidated financial statements include the accounts of Carnegie Mining Corporation Limited and certain inactive subsidiaries.

(b) *Investments in mining companies*

The investment in Dickenson Mines Limited and Davis-Keays Mining Co. Ltd. is accounted for by the equity method. The investment in other mining companies is at cost less allowance for decline in value.

(c) *Oil and gas properties*

For all oil and gas activities, the company follows the full cost method of accounting, whereby all costs relative to the exploration for and development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical costs, carrying charges on non-producing properties and costs of drilling both productive and non-productive wells less any proceeds from the disposal of properties.

Separate full cost centres are maintained for each operating area. Net costs incurred in each of these areas are amortized on a straight line basis over ten years. Should exploration activity in an area prove successful, the unamortized balance of the cost centre will be depleted by the unit of production method. Should exploration activity in an area prove unsuccessful and management decides that there is little prospect for further work in the area, the unamortized balance of the cost centre will be written off entirely.

(d) *Exploration*

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings. The present investment in deferred exploration will be realized in shares of a junior mining company.

2. Equity Accounting

The company follows the policy of equity accounting for those investments in which it has significant influence. This accounting policy has been applied to the investment in Dickenson Mines Limited (Dickenson). The carrying value of Dickenson represents the original cost of the investment net of the company's share of accumulated earnings, losses and dividends received. The company's share of Dickenson's earnings including extraordinary items and before amortization referred to below amounts to $24,000 in 1981 and $1,065,000 in 1980.

Certain assets sold in 1977 to a former subsidiary company Silvana Mines Inc. resulted in the deferral of a gain on consolidation. Subsequently this subsidiary amalgamated with Dickenson. This gain has been consistently amortized to income based on the estimated useful life of the original assets sold or on the disposition of shares of Dickenson by Kam-Kotia. This amortization has been included in the company's results as follows:

Gain deferred in 1977	$ 1,293,000
Amortized to 1980	(561,000)
Amortization in 1981	(622,000)
Unamortized balance of gain deferred	$ 110,000

3. Investments in Mining Companies

	1981	1980
Listed shares		
Dickenson Mines Limited (Dickenson), accounted for by the equity method 988,453 class A and 1,651,953 class B shares (quoted market value $6,783,000; 1980, $38,093,000)	$11,065,000	$11,043,000
Davis-Keays Mining Co. Ltd., accounted for by the equity method 1,392,050 shares (quoted market value, $418,000; 1980, $835,000)	—	—
New Cinch Uranium Ltd. 1,033,050 shares (1980, 941,900) at cost less allowance for decline of $3,746,000 (quoted market value 1981, $289,000; 1980, $17,225,000)	392,000	3,795,000
Other traded shares, at cost (quoted market value 1981, $345,000; 1980, $802,000)	112,000	105,000
Other shares and advances, at cost less amounts written off	1,328,000	1,398,000
	12,897,000	16,341,000
Less allowance for decline in value	343,000	433,000
	$12,554,000	$15,908,000

Certain shares have been pledged as collateral for the bank loan.

After the disposition of Dickenson shares referred to in note 10, the company holds 263,453 class A shares and 1,876,953 class B shares with a quoted market value on February 19, 1982 of approximately $4,080,000.

The quoted market values referred to above do not necessarily represent the realizable value of these investments which may be more or less than that indicated by market quotations.

4. Interest in and Accumulated Expenditure on Oil and Gas Properties

	1981	1980
Grande Prairie, Alberta	$ 2,062,000	$ 1,726,000
Musreau Kakwa, Alberta	881,000	870,000
Enchant Area, Alberta	127,000	124,000
Antler Hill, Alberta	110,000	102,000
East Turner Valley, Alberta	374,000	251,000
Mikkwan, Alberta		34,000
Beaufort Sea	39,000	39,000
Talcorp Joint Venture, Ontario	301,000	200,000
Prince Edward Island	445,000	355,000
Bell County, Texas	79,000	
C. F. Larson, Texas	57,000	47,000
North Longview, Texas	233,000	83,000
Estavan Mora, Texas	463,000	129,000
Fort Worth Basin, Texas	248,000	303,000
Jack County, Texas	123,000	108,000
Palo Duro, Texas	55,000	37,000
Upshur County, Texas	98,000	
Wilhelm Lane, Texas	85,000	63,000
South Dakota	190,000	157,000
East Richards, Oklahoma		78,000
Other interests	7,000	3,000
	5,977,000	4,709,000
Windsor Resources Inc. Joint Venture, 2 units		210,000
National Resource Exploration Fund	24,000	
Westgrowth 80-81 Energy Program, 2 units	50,000	50,000
	6,051,000	4,969,000
Less accumulated amortization	1,053,000	497,000
	$ 4,998,000	$ 4,472,000

5. Extraordinary Items

	1981	1980
Gain on sale of shares of Dickenson Mines Limited less deferred income taxes of $555,000 (1980, $691,000)	$ 1,074,000	$ 2,103,000
Provision for decline in value of New Cinch Uranium Ltd. including $93,000 related to companies accounted for by the equity method	(3,828,000)	
Share of extraordinary gain on disposal of Conventures Limited by Dickenson	1,278,000	
Reduction of income taxes due to recognition of items previously not expensed for income tax purposes	194,000	
Gain on sale of assets of Consolidated Churchill Copper Mines Limited less deferred income taxes thereon of $134,000		261,000
	(1,282,000)	2,364,000
Less minority interest therein		313,000
	$(1,282,000)	$ 2,051,000

6. Earnings Per Share

1981 Earnings per share has been calculated based on actual shares outstanding and in 1980 on the weighted average number of shares outstanding of 5,686,000.

7. Working Capital Derived from Operations

	1981	1980
Income (loss) before extraordinary items	$(1,367,000)	$ 1,658,000
Items not requiring use of working capital		
Depreciation	10,000	10,000
Amortization of interest in oil and gas properties	605,000	497,000
Deferred income taxes, non-current portion	(773,000)	(180,000)
Share of loss (net income) of companies accounted for by the equity method	606,000	(1,432,000)
Outside exploration expenditures written off	504,000	583,000
Working capital derived from (applied to) operations	$ (415,000)	$ 1,136,000

8. Contingency

The company along with Dickenson Mines Limited and New Cinch Uranium Ltd. are among the sixteen defendants in an action in the Supreme Court of Ontario by Willroy Mines Limited as plaintiff, claiming damages of $21,396,000 based on allegations of negligence, negligent misrepresentation and conspiracy in connection with the purchase by the plaintiff of shares and warrants of New Cinch Uranium Ltd. Legal counsel representing the company and Dickenson Mines Limited have reported that it is premature to express any opinion on Kam-Kotia's liability, if any, in this action, although counsel are of the view that the defences raised are substantial.

9. Related Party Transactions

During the year the company had transactions with related companies. Particulars of these transactions and balances owing from these companies for the year ended December 31, 1981 are as follows:

	1981	1980
Balances at end of year		
Accounts receivable from Dickenson Mines Limited, an associated company	$ 219,000	
Loan payable at prime plus 1%, maturing April 1982 to Energy and Precious Metals Inc. (E.P.M.), a shareholder	1,000,000	
Interest payable to E.P.M.	11,900	
Transactions during the year		
Amounts paid		
Mid North Engineering Services Limited, a company controlled by certain of the directors and officers of Kam-Kotia and Dickenson, for administration, accounting and office services	129,000	$ 98,500
E.P.M. for interest	123,000	
E.P.M. for financial services	6,000	9,000
Amounts received		
Dickenson for royalty	64,000	78,000
Dickenson for management services	35,000	25,000
Dickenson for property rental	17,000	12,000

10. Subsequent Events

Subsequent to the year end the following transactions have taken place:

(a) The disposal of 725,000 Dickenson class A shares of which 225,000 shares were exchanged for 225,000 class B shares all of which produced net proceeds of $925,000. This disposition could result in a before tax loss of approximately $882,000 which would be treated as an extraordinary item.

(b) The above proceeds have been applied as follows;
$500,000 to the E.P.M. loan payable
37,000 to the related accrued loan interest
370,000 to the bank loan

(c) E.P.M. has subscribed for 500,000 shares of the company at a price of $1 per share in settlement of the $500,000 balance after the repayment referred to in (b) above. This issue of shares is pending approval by The Toronto Stock Exchange.

(d) Effective January 1, 1982, administration, accounting and office services are provided by Dickenson Mines Limited.

11. Segmented Information (in thousands of dollars)

	Oil and gas interests	Mining companies and properties	Companies accounted for by the equity method	Total
Identifiable assets, after allowance for decline in value	$4,998	$ 1,776	$11,065	$17,839
Corporate assets				412
Total assets				$18,251
Capital expenditure (use of funds)	$1,585	$ 411	$ 389	$ 2,385
Gross revenue	$ (65)			$ (65)
Net adjustments to equity including extraordinary item			$(1,746)	(1,746)
Allowance for decline		$ 3,828		3,828
Depreciation, amortization and write-offs	1,059	60		1,119
Loss (gain) before the undernoted	$ 994	$ 3,888	$(1,746)	3,136
General corporate expenses, net of revenues of $226				144
Interest				345
				3,625
Income tax reductions				(976)
Loss for the year				$ 2,649

The company has invested primarily in oil and gas, mining companies and in companies accounted for by the equity method. Details of the investment in oil and gas properties including foreign investments are shown in note 4.

Investment Schedule

at December 31, 1981

THESE COMPANIES → held shares in THESE COMPANIES ↓	KAM-KOTIA	Percentage of Outstanding Shares	DICKENSON	Percentage of Outstanding Shares	Issued Capital
Abino Gold Mines Limited	645,591	12.3	1,772,999	33.9	5,223,504
Cardiff Uranium Mines Limited			500,286	19.3	2,597,864
Carnegie Mining Corp. Ltd.**	1,648,018*	69.5			2,370,000
Davis-Keays Mining Ltd.	1,392,050	38.0			3,665,002
Dickenson Mines, Class "A"	927,325(1)	18.2			5,088,220
Dickenson Mines, Class "B"	1,370,225(2)	26.9			5,087,320
Gateford Mines Limited			223,855	10.1	2,227,410
Gateway Uranium Mines Limited	330,500	22.4			1,475,515
Kam-Kotia Mines Limited			2,119,108	35.7	5,936,344
Kenwest Mines Limited			1,800,008*	60.0	3,000,000
Laddie Gold Mines Limited	75,000	3.6	885,000	42.3	2,092,005
Langis Silver & Cobalt	1,381,500	16.3	419,250	5.0	8,454,103
New Cinch Uranium Ltd.	1,033,050	17.6	704,500	12.0	5,863,551
New Kelore Mines Limited	427,717	6.0	200,000	2.8	7,106,622
Nickel Rim Mines Limited	194,000	3.2	314,000	5.1	6,150,000
Parvus Mines Limited			856,125	46.1	1,856,005
Pidgeon Molybdenum			721,445	27.35	
Rare Earth Resources Ltd.	115,885	7.8	50,000	3.3	1,493,150
Redcon Gold Mines Limited			1,151,062	22.4	5,131,168
Rowan Gold Mines Limited			531,637*	54.1	983,279
Starratt Nickel Mines Limited			175,683	2.1	8,452,007
Tundra Gold Mines Limited	15,000	0.2	2,778,988	41.2	6,737,415

*Subsidiary company.

**Carnegie Mining Corporation Limited holds 61,128 Class "A" (1.2%) and 281,728 Class "B" (5.5%) shares of Dickenson Mines Limited.

(1) At April 30, 1982, Kam-Kotia held 202,325 shares (4.0%)

(2) At April 30, 1982, Kam-Kotia held, 1,665,225 shares (28.5%)

Dickenson Mines Limited

Directors

G. Farquharson
Toronto, Ont.

J. Geddes
Mississauga, Ont.

F. R. Graham
Toronto, Ont.

J. O. Kachmar
Georgetown, Ont.

J. C. McCartney
Toronto, Ont.

P. L. Munro
Oakville, Ont.

G. H. Scott
Willowdale, Ont.

A. W. White
Orangeville, Ont.

H. V. White
Toronto, Ont.

Officers

A. W. White
Chairman of the Board

H. V. White
President

P. L. Munro
Executive Vice-President

J. O. Kachmar
Vice-President – Finance and Treasurer

J. Geddes
Vice-President – Administration and Secretary

D. N. Zeraldo
Vice-President – Marketing and Business Development

R. H. Gibson
Assistant Treasurer

Head Office

65 Queen Street West, Suite 600,
Toronto, Ontario
Telephone 361-0402

Acting Mine Manager, Red Lake

G. S. Dundas

Mine Manager, New Denver

W. W. Cummings

Mine Offices

Balmertown, Ontario
New Denver, British Columbia

Auditors

Touche Ross & Co.,
Toronto, Ont.

Bankers

The Bank of Nova Scotia,
Toronto and Balmertown, Ont.
Canadian Imperial Bank of Commerce, Toronto, Ont.

Transfer Agents and Registrar

National Trust Company Limited
Toronto, Ont.
Bank of New York,
New York City, N.Y.
The First Jersey National Bank,
Jersey City, N.J.

Stock Listed

Toronto Stock Exchange – symbol DML
Vancouver Stock Exchange

Annual Meeting

Tuesday, June 29, 1982
at 10:30 a.m.
City Hall Room,
The Sheraton Centre
Toronto, Ontario

Kam-Kotia Mines Limited

Directors

J. Geddes
Mississauga, Ont.

R. A. Halet
Campbellville, Ont.

H. R. Heard
Willowdale, Ont.

J. O. Kachmar
Georgetown, Ont.

P. L. Munro
Oakville, Ont.

F. M. Ryan
Toronto, Ont.

A. W. White
Orangeville, Ont.

H. V. White
Toronto, Ont.

W. F. White
West Hill, Ont.

Officers

A. W. White
Chairman of the Board

H. V. White
President

P. L. Munro
Vice-President

J. O. Kachmar
Vice-President – Finance

J. Geddes
Secretary-Treasurer

R. H. Gibson
Assistant Treasurer

Head Office

65 Queen Street West, Suite 600,
Toronto, Ontario
Telephone 361-0402

Auditors

Thorne Riddell,
Toronto, Ontario

Bankers

Canadian Imperial Bank of Commerce, Toronto, Ontario

Transfer Agents and Registrar

National Trust Company Limited
Toronto, Ontario
Canadian Bank of Commerce Trust Company,
New York, N.Y.

Stock Listed

Toronto Stock Exchange – Symbol KKL

Annual General Meeting

Tuesday June 29, 1982 at 2:00 p.m.
City Hall Room,
The Sheraton Centre
Toronto, Ontario