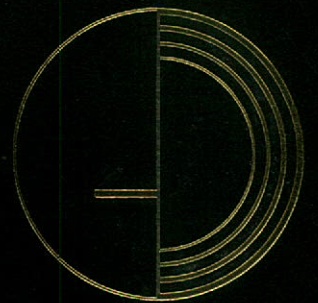
A large industrial ladle is shown pouring a thick stream of bright orange molten metal into a mold. The metal is glowing and dripping down the sides of the mold. The background is dark and industrial.

THE
DICKENSON
GROUP OF COMPANIES



ANNUAL REPORTS 1980

DICKENSON MINES KAM-KOTIA MINES

AS A GROUP —

from inception to December 31, 1980
have produced mineral wealth as follows:

2,194,742 ounces of GOLD
7,378,807 ounces of SILVER
163,076,704 pounds of COPPER
182,440,246 pounds of ZINC
70,325,289 pounds of LEAD

DIVIDENDS TOTAL

DICKENSON MINES	\$ 12,457,478
KAM-KOTIA MINES	\$ 3,408,287

THE DICKENSON GROUP OF COMPANIES

The 1980 Annual Report contains the reports of
DICKENSON MINES LIMITED
KAM-KOTIA MINES LIMITED
Producers of Gold, Silver, Zinc and Lead.
Reports their involvement in the Energy field of
Oil, Gas and Uranium. Dickenson and Kam-Kotia
are listed on the Toronto Stock Exchange.
Dickenson is also listed on the Vancouver Stock
Exchange.

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Directors of



D. F. BURT, Q.C.
Burt, Burt, Wolfe & Bowman
Toronto



C. R. DIEBOLD
Partner in law firm
Diebold & Millonzi Buffalo, N.Y.



J. GEDDES
Chartered Accountant

OFFICERS

A. W. WHITE	Chairman of the Board
H. V. WHITE	President
C. R. DIEBOLD	Vice-President
J. GEDDES	Secretary-Treasurer
H. S. DOLSON	Assistant Secretary
Z. BEREZOWSKI	Assistant Treasurer

MINE MANAGER

Robert P. Tapper, P.Eng.

MINE OFFICE

Balmertown, Ontario

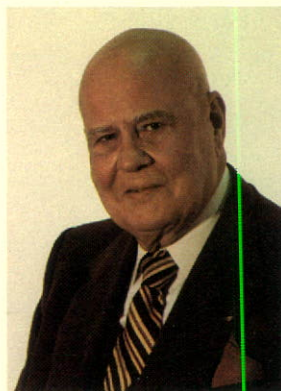
DICKENSON MINES LIMITED



F. R. GRAHAM
President of
Graymont Limited



J. C. McCARTNEY
Partner in law firm of
McCarthy & McCarthy



A. W. WHITE
Mining Executive



F. A. FELL
Mining Engineer



G. H. SCOTT
Retired



H. V. WHITE
Mining Executive

HEAD OFFICE

65 Queen Street West, Suite 600, Toronto, Ontario *m5H 2M5*
Telephone 361-0402

REGISTRAR AND TRANSFER AGENTS

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

AUDITORS

Touche Ross & Co.

STOCK LISTED

Toronto Stock Exchange — Symbol DML
Vancouver Stock Exchange — Symbol DML

BANKERS

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

ANNUAL MEETING

Monday, 25 May, 1981

at

10:30 a.m. (Toronto Time)
Confederation Room
Royal York Hotel
Toronto, Ontario

THE DICKENSON GROUP OF COMPANIES

DIRECTORS' REPORT TO SHAREHOLDERS OF DICKENSON AND KAM-KOTIA

The Dickenson Group of Companies during 1980 continued to grow and develop as earnings from operations, assets, and investments all improved at a record rate.

POLICY AND CORPORATE STRATEGY

The policy of the Dickenson Group of Companies is to remain engaged in the search for and development of precious metals deposits, notably gold and silver, as well as oil and gas reserves. These commodities are emphasized because we believe the 1980's will continue to be dominated by the forces of inflation and energy.

The Dickenson Group of Companies has now grown to a size and complexity that can no longer be effectively managed by a few individuals. A greater rationalization of the corporate and management organizational structures is under way which maintains a formal yet flexible management style with a greater emphasis on financial planning and control. Our goals and objectives will be achieved only by expanding the Group's existing human resources and capabilities, improving our production and financing capabilities, and carefully planning our exploration (mineral and energy) programs. The move into oil and gas has been an important part of the Dickenson Group's strategy over the past two years, and there is a continuing need to further develop the interest in oil and gas and thereby diversify the Group's source of cash flow. The Dickenson Group of Companies has the potential for significant managed growth in the 1980's.

OUTLOOK FOR PRECIOUS METALS

Certain supply and demand factors suggest that the outlook for precious metals is excellent. On the supply side, some of the aspects that should be kept in mind are anticipated supply from the gold producing nations, Russian sales to finance grain purchases and a continuing absence of any official sales. At the same time demand seems likely to continue expanding in light of the widespread political confrontations like those in Iran/Iraq, Poland,

Afghanistan, South Africa etc. There are economic developments too that have an impact on demand: massive deficit financing in the West; currency vulnerability; and the long term ramifications of double digit inflation.

It is unlikely that the wide price fluctuations of bullion seen in 1979 and 1980 will be repeated during 1981. We expect precious metal prices to consolidate in the current market price range and then trend moderately upward with world inflation rates. Price moves, both up and down, would probably be tied to political "happenings".

This more stable market should mean increased industrial and investment demand in addition to demand by smaller central banks. Certain types of markets should show strong growth as well, e.g. coinage, medallion and wafer markets.

The increases in bullion prices already in place added to those anticipated in the future should improve the producers' income substantially and significantly enhance the value of the reserves in the ground. This will mean internal financing capabilities for the producers. Foreign investors will likely be attracted and drilling funds, limited partnerships and exploration syndicates should also develop. Thus ample funds are expected to be available to encourage exploration for new reserves and expansion of existing facilities.

THE ENERGY OUTLOOK

All of the above factors augur well for the share prices of the precious metal companies in the eighties. However, where energy company shares are concerned the investor is going to have to be selective.

The National Energy Program, as announced in October of last year, will have the effect of restricting the Canadian producers' cash flow, reducing exploration budgets, encouraging "shut-in" natural gas and generally redirecting exploration capital to markets where a better return can be expected. It appears that this program will prove to be restrictive to the industry in Canada and will run counter to the expressed objective of energy self-sufficiency. Management believes that further review of this program by all parties is necessary and should be undertaken immediately.

The United States is therefore the favoured theatre of oil and gas activity and the prudent investor will choose shares of companies with good exposure in the U.S. plays.

THE DICKENSON GROUP OF COMPANIES

The Dickenson Group of Companies is admirably positioned within the milieu described briefly above. During 1980 Dickenson Mines Limited amalgamated with Silvana Mines Inc. to form a continuing company with greater financial strength and potential, operating a gold mine in Ontario and a silver/lead/zinc mine in British Columbia. Management believes that the potential of both properties will provide the amalgamated company with strong precious metals production over the years to come.

During the year the average price received for gold was \$675 Cdn. compared with \$356 Cdn. received in 1979. Gold prices during the first quarter of 1981 have averaged in the \$500 U.S. or \$600 Cdn. range.

Silver prices during the year averaged \$22 Cdn. as compared to \$15 Cdn. during 1979.

As will be remembered, 1980 was a year of wide fluctuations in precious metals prices due to many factors of which U.S. interest rates, geopolitical conflicts, and anticipated inflation rates were but a few.

1980 FINANCIAL RESULTS

- DICKENSON MINES LIMITED consolidated net income for 1980 after amalgamation with Silvana Mines Inc. again improved to \$5,041,000 or \$0.55 per each of the Class A and Class B shares. This represents a 17.7 percent increase from the restated \$4,283,000 or \$0.48 per share in 1979.
- KAM-KOTIA MINES LIMITED reported a 67 percent rise in consolidated net income for 1980 to \$3,709,000 or \$0.65 per share compared to net income of \$2,221,000 or \$0.48 per share in 1979 largely reflecting its equity accounting of its ownership in the earnings of Dickenson.

DICKENSON EXPANSION

There has been planned expansion at Dickenson in a timely response to the favourable outlook for precious metals. Since late 1979 Derry, Michener & Booth, Consulting Engineers, have continued to review and re-evaluate the Dickenson company's gold reserves. As a result of that re-evaluation the company has entered into a staged increase in production capacity from the 375 ton/day level in 1979 to an eventual 900 ton/day level in early 1982. The projected average production grade of 0.20 oz. of gold per ton will be lower than the historical levels of .40-.50 ozs. of gold per ton; however greater economies of scale should more than compensate for the reduction in grade. Production tonnages recently have been approaching the 600 ton/day level.



Fire in Balmertown

The capital required to complete this expansion together with other capital improvements to the Dickenson plant and underground facilities is anticipated to be in the \$9-\$10 million range. These requirements are larger than originally anticipated in view of certain cost overruns, due to installation delays and interruptions; increased renovation and rehabilitation costs; and expanded design capabilities.

It is anticipated, that when completed, expansion costs should be paid back in a 2 to 2½ year period.

To finance this capital expansion the company has arranged a \$10 million term project loan and \$5 million revolving line of credit with the Bank of Nova Scotia which together with the cash flows generated by its producing facilities will handle the capital and exploration commitments to which the company is obligated.

Further financings are likely to take place during 1981 if market conditions allow.

ENERGY EXPANSION

There have been further expansions by the Group in the energy field as well. Over the past year the Group's energy interests have been increased by way of direct and indirect participations principally in the U.S. where energy prices are far higher than those in Canada so that the profitability of successful ventures is notably better.

On the energy scene, given the further delays in production from Kakwa and exploration of Musreau due to the National Energy Program, the Dickenson

Group of Companies has recently emphasized U.S. exploration. Successes in the U.S. late in the year and early in 1981 should result in cash flows toward mid-1981.

Dickenson increased its holding in Conventures which demonstrates our confidence in that company and its management.

CIVIL ACTION

In February, 1981, Dickenson, Kam-Kotia, and New Cinch were named among 15 defendants in a civil action brought by Willroy Mines Limited as plaintiff claiming damages of \$21 million plus costs. This action was initiated as a result of assay discrepancies that were received by Willroy from New Cinch's Orogrande property in New Mexico.

The Davy McKee Corporation, an internationally respected mining consulting group, has been retained to provide an independent review of the assaying methods used and the potential of the Orogrande property in general.

The companies believe they have a good defence on the merits of the case.

APPRECIATION

Sincere appreciation is expressed to all staff and employees who worked together so efficiently in carrying forward continuing operations, at the same time undertaking expansions and seeking new projects.

Submitted on behalf of the Boards of

DICKENSON MINES LIMITED

A. W. WHITE
Chairman of the Board and Director

H. VANCE WHITE
President and Director

KAM-KOTIA MINES LIMITED

A. W. WHITE
Chairman of the Board and Director

H. VANCE WHITE
President and Director

April 27, 1981

REVIEW OF OPERATIONS AND INTERESTS

DICKENSON MINES LIMITED (KKL Class A 18.2%, Class B 26.2%) Listed TSE, VSE

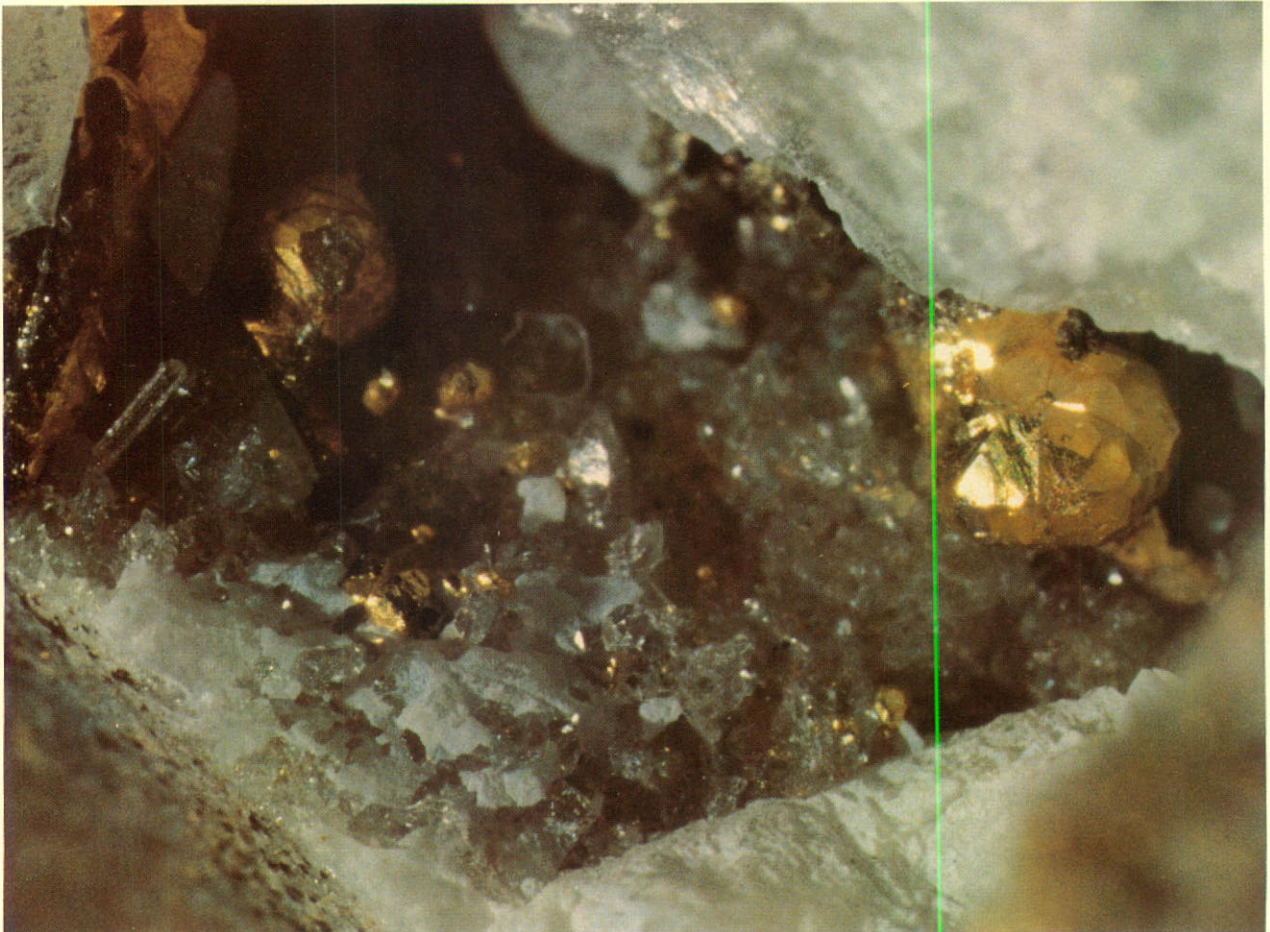
During the year Dickenson and Silvana amalgamated creating new classes of Dickenson shares effectively resulting in a splitting of the Dickenson shares into Class A and B. The companies' financial statements and notes reflect the consolidation of Silvana and Dickenson.

Consolidated earnings before extraordinary items for 1980 were \$0.48 per each of the Class A and B shares compared to a restated \$0.31 per each of the Class A and B shares in 1979. After extraordinary items consolidated earnings per share were \$0.55 versus \$0.48 for the same period.

The net asset value of the company as shown on the balance sheet improved substantially from \$21,247,000 in 1979 to \$25,343,000 in 1980. If the company's investments at year end were taken at their market values the net asset value would be \$66,130,000 or about \$6.50 per share compared to \$51,140,000 or \$5.17 per share a year ago (exclusive of its holding in New Cinch Uranium Ltd.).

DICKENSON DIVISION Operating Results

Dickenson's Red Lake, Ontario, mining operations resulted in 1980 production of 29,281 ounces of gold and 3,280 ounces of silver. While these production levels are a decline from those of 1979,



High grade nuggets

reflecting a lower grade of ore mined, they generated a higher bullion revenue. Gross revenue was \$19,856,000, up 24 percent from \$15,973,000 in 1979. The average price of gold per ounce received during 1980 was \$675 Cdn. compared to \$356 Cdn. in 1979.

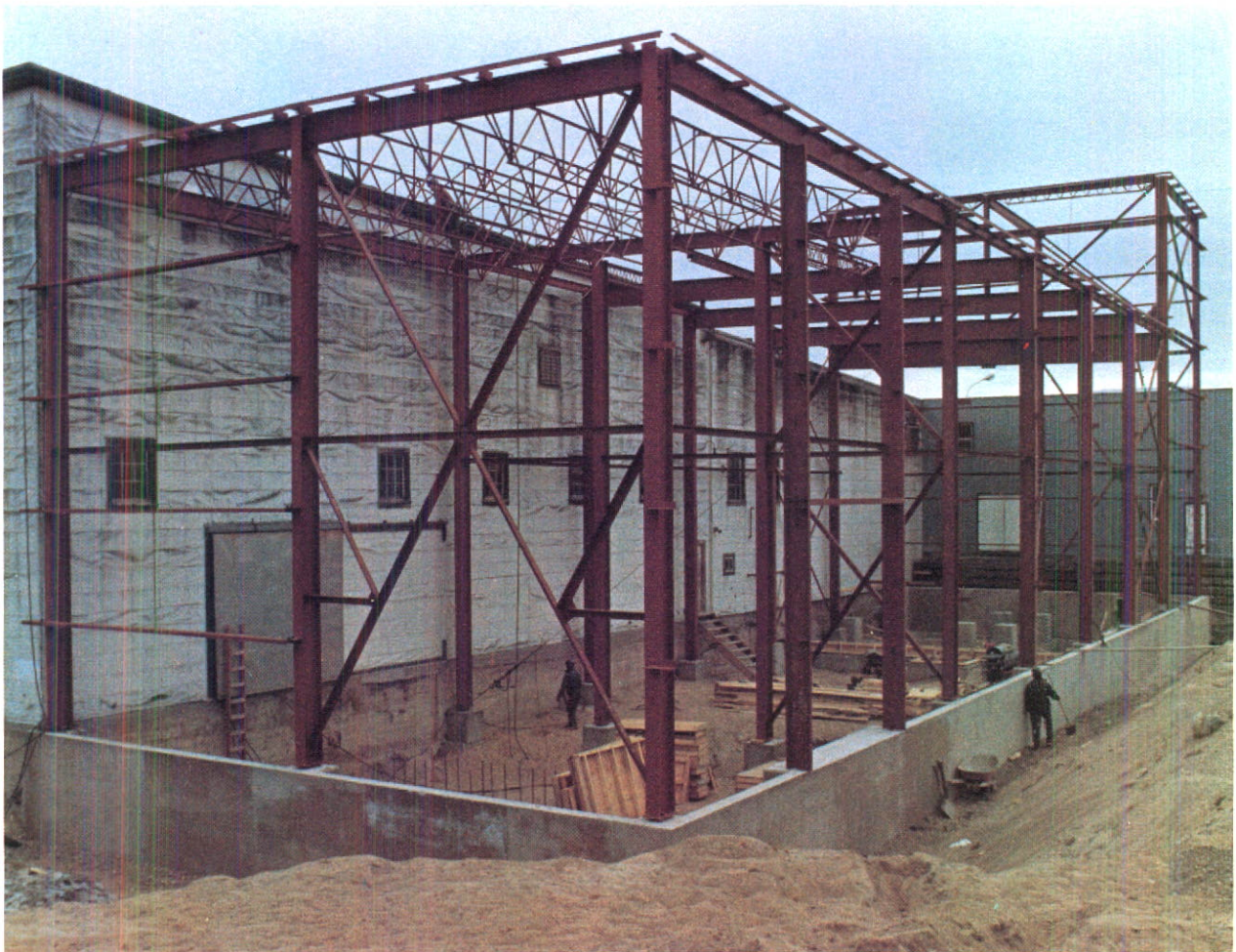
Part of this decline was a result of 17 days down time due to one of the worst forest fires in the history of the Province of Ontario forcing the evacuation of the entire Red Lake area. The balance was due to the move to mining lower grade material, principally development muck.

In 1980, a total of 128,180 tons were milled averaging 0.27 ounces gold per ton. In 1979, 117,716 tons were milled of 0.405 ounce grade resulting in production of 44,367 ounces gold and 4,334 ounces silver. Recovery was slightly better in 1980 at 93.72 percent, compared with 93.13 percent, in spite of the mine's roaster operation being shut down in February of 1980.

Ore Reserves

Proven ore reserves calculations as prepared by the mine staff increased to 425,000 tons grading 0.45 ounces gold per ton, compared with 389,740 grading 0.529 ounces at last year end. Some 95 percent of these reserves occur between the sixth and thirtieth levels.

In addition and as reported earlier, Derry, Michener & Booth (DMB) have assisted in a reassessment of the mine's ore reserves in order to justify increased production rates at lower grades which would extend the mine life. To date the reserves determined by DMB on two of several zones in the mine have confirmed the existence of wider, lower grade ore zones which could be mined on a larger scale at a lower unit cost by long-hole, sub-level stoping and more mechanized mining. The proven, probable and possible ore reserves calculated by DMB for the F and SC zones, between the 13th and 19th levels, together with the original estimates of proven reserves as calculated by



Mill expansion

Dickenson Mines Limited (DML) for the rest of the mine and reviewed by DMB, are summarized below:

Summary of Reserves

	Tons (short)	Cut Grade (oz Gold/ ton)	Contained Ounces of Gold
Proven	781,000	0.43	333,500
Probable	707,000	0.20	141,900
TOTAL & AVERAGE	1,488,000	0.32	475,400
Possible	918,500	0.17	158,600
TOTAL & AVERAGE	2,406,500	0.26	634,000

The DMB reserves are based on a cut-off grade of 0.05 oz. Gold/ton over a minimum horizontal width of 6 ft. The DML reserves are based on a cut-off grade of 0.30 oz. Gold/ton over a minimum mining width of as low as 4 ft.

The total reserves of 634,000 oz. are more than sufficient for the DMB forecast production requirements of 528,000 oz. for the 10-year period. Over the past 10 years the company on average has added sufficient new reserves each year to replace annual production. It is the DMB opinion that sufficient ore can be developed and mined by the new mining methods to allow a minimum of 10 years of operations, starting in 1981, at the currently planned average rate of approximately 300,000 tons per annum at a diluted grade of 0.21 oz. Gold/ton.

Development, Modernization, Expansion, and Forecast

The previously announced expansion and change in mining techniques were initiated during the past year.

The major capital expenditures related to this expansion in 1980 were: the deepening of the number 2 shaft (\$3,152,000); renovation of the number 1 shaft to handle increased haulage (\$1,515,000); and the cost of an escape manway (\$309,000). It is anticipated that a further \$9-\$10 million in capital expenditures will be required to complete the expansion to the 900 tons per day level.

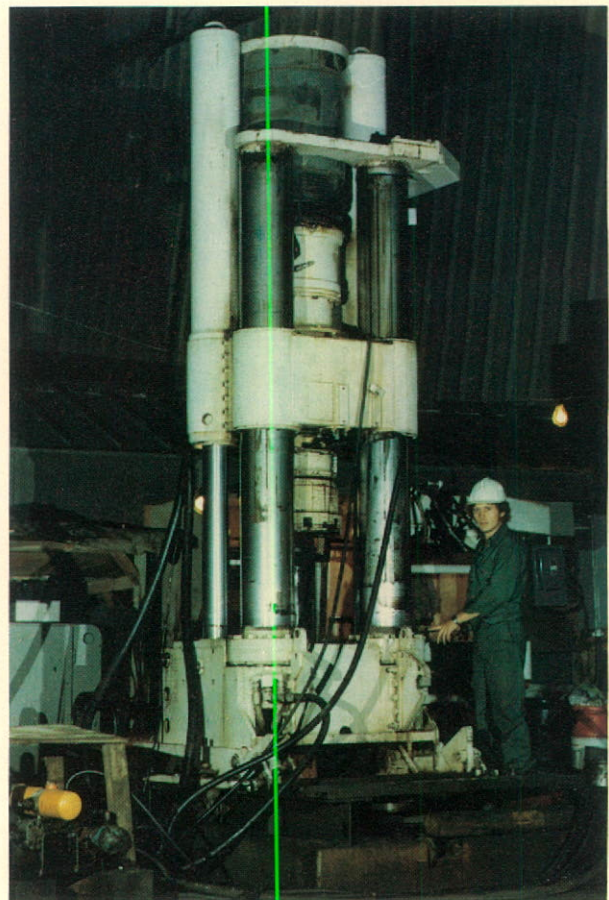
This program and production forecast has been summarized by Derry, Michener & Booth as follows:

“Present plans call for completion of the #2 internal shaft installation and modifications to the #1 shaft to allow ore hoisting capacity to be increased from the 120,000 tons per annum average of the past 5 years to a minimum of 300,000 tons per annum. The introduction of long-hole stoping and increased mechanization, even after allowance for the necessary large increase in development work, will increase overall

productivity from the current rate of 500 tons per man-year to about 1,150 tons per man-year by 1983.

The milling capacity is being increased in stages by appropriate modifications to the crushing, grinding, jigging and cyanidation sections, while changes recommended by Dickenson Mines' consulting metallurgist to the milling process are expected to result in a modest increase in recovery at the lower millhead grade.

In this forecast we estimate production will rise from 210,000 tons averaging 0.19 oz. Gold/ton in 1981 to 300,000 tons averaging 0.20 oz. Gold/ton by 1983. From 1984 onwards the mill rate will remain at 300,000 tons per year but the grade is forecast to average 0.21 oz. Gold/ton as a result of improving grade control. The next result will be to achieve estimated gold production of 34,700 oz. in 1981, 51,840 oz. in 1982, 53,400 in 1983, and averaging about 55,500 oz. by 1984 and thereafter. The unit cost of production, in terms of 1980 dollars, will decrease from our forecast of \$63.10/ton, equivalent to \$381.90/oz., in 1981 to \$50.83/ton and \$274.80/oz. by 1984. . . .”



Raise borer

"Our forecast of pre-tax cash flows based on the above assumptions for production and costs, gold prices of \$450, \$500, and \$550 (U.S.) per annum, and an exchange rate of \$1.00 (U.S.) to \$1.20 (Cdn.) are summarized below:

Case (\$ Cdn.)	1981	1982	1983	1984	1985	1986-1990	Total
I \$540 in '000s							
Operating Profit	6,130	13,094	13,672	14,810	14,810	74,049	136,565
Less: Capital Expenditures	11,887	2,482	1,000	1,000	1,000	5,000	22,369
Pre-Tax Cash Flow (deficit)	(5,757)	10,612	12,672	13,810	13,810	69,049	114,196
II \$600							
Operating Profit	8,068	16,204	16,876	18,140	18,140	90,699	168,127
Less: Capital Expenditures	11,887	2,482	1,000	1,000	1,000	5,000	22,369
Pre-Tax Cash Flow (deficit)	(3,819)	13,722	15,876	17,140	17,140	85,699	145,758
III \$660							
Operating Profit	10,006	19,314	20,080	21,470	21,470	107,349	199,689
Less: Capital Expenditures	11,887	2,482	1,000	1,000	1,000	5,000	22,369
Pre-Tax Cash Flow (deficit)	(1,881)	16,832	19,080	20,470	20,470	102,349	177,320

"A \$50.00/oz. (U.S.) change in the price of gold, i.e. a 10% change over the 10-year forecast period, changes the total pre-tax cash flow by \$31,562,000 (Can.); an equivalent change would result from a variation of \$10.89 in operating costs per ton milled or a change of 0.02 oz. Gold/ton in the recovered grade."

Labour

The mine enjoys a good relationship with its union and has recently reached a three year settlement commencing April 1, 1981.

SILVANA DIVISION

Operating Results

In 1980, the Silvana operation, based in New Denver, British Columbia, produced 268,560 ounces of silver, 1,996,000 pounds of lead, and 1,882,000 pounds of zinc, to experience reductions of 11.1%, 5.7%, and 3.5%, in the levels of the respective metals, from those of the previous year. With the comparatively higher price of silver, however, gross revenue reached \$5,690,000, showing an improvement of 59% over the previous year's \$3,580,000. Silver averaged \$22.25 (Cdn.) per ounce, lead \$0.48 and zinc \$0.42 per pound compared to \$14.83, \$0.63 and \$0.41, respectively, in 1979.

The mill treated 31,110 tons (or 2,592 tons monthly) of ore, averaging 8.63 ounces silver, 3.21% lead and 3.03% zinc per ton, compared to 21,632 tons (or 1,803 tons per month) grading 13.96 oz. silver, 4.87% lead, and 4.51% zinc in 1979. The lower millhead grades were attributable to excessive dilution and erratic ore conditions in eastern portions of the mine, to which the bulk of mining activities were being transferred during the past year. After reaching its lowest level of roughly six ounces about mid-year, the

grade of silver recovered to the 10 ounce range by year-end, with the opening of several better grade stopes.

While overall mill tonnage improved during the year, the projected level of 3,000 tons monthly was not maintained due to unexpected difficulties encountered in grinding ore from the eastern sector of the mine. The situation has since been alleviated progressively with modifications to milling practices.

Approximately 1,800 tons was also purchased or treated on a custom milling basis during the period.

Development

On the 4000 level, some 2,037 feet of lateral development was completed, to provide (a) by-pass connections between the main haulage drift and the ore and waste passes, thereby circumnavigating an area of problematic ground requiring continual maintenance, (b) extension to the main west lateral for ongoing exploration of the principal lode structure, and (c) an adit close to the portal and below the level, which is to be part of an internal ore storage facility to reduce difficulties with frozen ore in winter, as well as a shortening of the haulage distance to the mill.

In the east decline area, another 6,119 feet of lateral work and raising was completed mainly at the 4400 level, opening up new sources of production as well as access for the exploration of some up-dip prospects with interesting grade possibilities.

Exploration and Reserves

Exploratory diamond drilling on the 4000 level amounted to 9,455 feet and in the decline area 7,139 feet, totalling 16,594 feet. Work during the year east of the encouraging silver mineralization found in 1978 on the 4000 level, within the sphere of the ore pass area, uncovered a zone of marginal grading silver mineralization at prevailing prices of the metal. No further work is planned here at this time.

Drilling from the decline and the 4400 lateral east has indicated interesting ore expansion prospects close to and above the 4400 level. This will continue to be priority area over the foreseeable future.

Because the nature of the silver mineralization, though associated with a rather persistent lode structure, tends to be erratic and requires a relatively higher degree of definition work than practical under the circumstances to meet conventionally acceptable criteria as to proven or probable ore reserves, the company continues to refrain from this type of classification. It might be stated, however, that exploration and development work over the past year has essentially added to the mineral inventory as much, and of a grade comparable, to that mined in the interval.

Outlook

The price of silver continues to be erratic giving little sign of the trend improving materially within the near term. Compounding the implications of this rather unfavourable situation there has also been the relentless progression in the costs of services and supplies. Management, not unlike employees, are therefore faced with compelling reasons for reassessment of operating policies and capital expenditures with the view to sustaining operations through the uncertain period ahead.

In the meantime, negotiations are underway on the union labour contract, which expires at the end of April, 1981.

CONVENTURES LIMITED

1980 represents the first year that Dickenson has been able to report on an equity accounted basis a portion of the earnings of Conventures. The Conventures contribution to the Dickenson earnings was \$552,000 in 1980 as Conventures enjoyed a record year with earnings for the full year 1980 of \$7,410,000.

During the year Dickenson increased its stake in Conventures by acquiring from Mr. Carl O. Nickle the founder of the company 300,000 shares making its holding in that company on a fully converted basis a total of 2,041,186 shares representing 22.2% of Conventures shares fully diluted.

Dickenson's total investment in Conventures now represents a market value to the company (at the current market prices of \$13.50 share) a value of \$27,556,000.

Conventures holds an investment portfolio which had a market value of about \$83 million as at March 31, 1981, and extensive oil and gas properties in both Canada and the United States.

During 1980 it participated in drilling 279 wells with a success ratio of 62% as follows:

Canada:	United States:	North America:
Oil: 27	Oil: 114	Oil or Gas: 174
Gas: 31	Gas: 2	Dry: 105
Dry: 97	Dry: 8	
TOTALS 155	TOTALS 124	TOTALS 279

Due to the National Energy Program exploration budgets for 1981 for Canadian exploration will likely be reduced as may future oil and gas revenues.

Exploration programs in the U.S. in which the company has a stake show great promise. The company has recently completed two farm-outs of 60% of a 4,000 acre block in Ohio-West Virginia to thus give it greater drilling exposure for 1981 and supplementing the development to take place on the 20,000 acres retained by Conventures and its partner L&M Resources.

KAM-KOTIA MINES LIMITED

(DML 35.7%)
(EPM 20.6%) Listed TSE

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

INVESTMENTS

At the year end Kam-Kotia had investments and working capital of \$16,433,000. The market value of its investment was \$57,713,000 compared to \$28,593,000 a year earlier. During the year Kam-

Kotia added to its position in Dickenson by open market purchases of 130,850 shares at a cost of \$2,886,000. It also added to its position in New Cinch by acquiring 234,300 shares at a cost of \$3,481,000 and in 1981 exercised warrants to acquire a further 91,150 shares.

FINANCINGS

During 1980 Energy and Precious Metals Inc. exercised its option to acquire 350,000 treasury shares of Kam-Kotia at \$4.25 per share providing the treasury with \$1,487,500. Conventures also exercised its option to acquire 100,000 treasury shares at \$5.00 per share to provide the company with \$500,000.

In early 1981 the company entered into an agreement with Energy and Precious Metals Inc. to provide it with a loan of \$1,000,000 at EPM's cost. As a bonus for this lending arrangement EPM received a non-transferable option to acquire 100,000 treasury shares exercisable at a price of \$7.00 per share. The term of the option is for a period of six months from the date of the advance of funds.

ENERGY INTERESTS

CANADA ALBERTA

Cutbank-Kakwa (8,960 acres)

	<u>Working Interest</u>
Dickenson	12.5%
Kam-Kotia	12.5%
Conventures	12.5%

During 1980 Dome Petroleum as operator drilled two wells of which one was an oil well and the other a gas well. This was in addition to the eleven wells drilled in 1979 of which four were completed as oil wells, and six as gas wells. Also during 1980 an oil battery was commenced for storage of oil produced prior to transport. A pooling agreement on lands in the southwest corner of the southern block is being considered with other operators.

Due to the high gas/oil ratio most of these wells are "shut-in" waiting on transportation facilities and markets.

Musreau-Kakwa (15,340 acres)

	<u>Working Interest</u>
Kam-Kotia	6.25%

This acreage is well located with indicated gas

and/or oil discoveries offsetting it on four sides and on a surrounded property. Drilling by Canadian Hunter Explorations Limited, as operator, is planned for 1981.

Enchant (3,200 acres)	<u>Working Interest</u>
Kam-Kotia	22-45%
Conventures	22-45%

The property was originally 4,480 acres, however, two gas wells were completed on a farm-out of 1,280 acres to M.R.I. Petroleum Ltd. and Tiber Resources Ltd. in which the Companies retain a 4.219% GORR each.

Hartell (14,461 acres)	<u>Working Interest</u>
Kam-Kotia	5-10%
Conventures	10-20%

This acreage in the East Turner Valley was acquired on a farm-out from Joffre Oils Ltd. as operator. The initial well was drilled and abandoned.

Mikkwan (160 acres)	<u>Working Interest</u>
Kam-Kotia	9 $\frac{3}{8}$ %

Innisfail (640 acres)	<u>Working Interest</u>
Dickenson on (640 acres)	16 $\frac{2}{3}$ %
Kam-Kotia on (640 acres)	16 $\frac{2}{3}$ %

A well on each of these farm-outs, taken from Peak Petroleum Ltd., was dry. The Mikkwan property has been dropped. The Innisfail leases are being retained.

ONTARIO

Lambton County (51,000 acres)	<u>Working Interest</u>
Dickenson	10%
Kam-Kotia	10%

During 1980 this joint venture operated by Talcorp Services Limited sold a 20% interest to Camel Oil & Gas Limited. Camel now provides the joint venture with its geological and engineering expertise.

During the year four geological targets were drilled and found to be dry. A farm-in from Dow Chemical in which the joint venture has a 15.17% interest was drilled successfully as an oil well.

Revenues from production are currently being used to pay down the acquisition costs. Gross proved reserves were approximately 668 million cubic feet of gas and 343,000 standard barrels of oil at year end.

Further geological and seismic assessment is planned for 1981 with further exploration drilling likely later in the year.

PRINCE EDWARD ISLAND (3,700,000 acres)

	<u>Working Interest</u>
Kam-Kotia	2%
Conventures	8%

Hudson's Bay Oil and Gas as operator drilled two dry offshore wells on this acreage during 1980.

A seismic program is planned for 1981 along with geologic and engineering appraisal.

BEAUFORT SEA (213,000)

	<u>Royalty Interest</u>
Kam-Kotia	0.5%
Conventures	2.0%

The company continues to view with extreme interest the frontier exploration in the Beaufort Sea being carried out by Dome Petroleum.

UNITED STATES

TEXAS

East Texas (10,000 acres)

	<u>Working Interest</u>
Dickenson	6.5%-12.5%
Kam-Kotia	3.05%-12.5%
Conventures	6.25%-12.5%

Three successful gas condensate wells have been completed in Upshur County; a fourth well is currently drilling in Gregg County.

The individual interests of the participants in these Upshur Co. wells are:

"Williams" well — 11.37% W.I. Dickenson & Kam-Kotia each — Conventures 22.72%

"James" well — 8.84% W.I. Dickenson & Kam Kotia each — Conventures 17.60%

"Larsson" well — 3.05% Kam-Kotia

Official flow testing of these wells should be completed shortly, however initial daily production for the "Williams" well is estimated at 1.5 mmcf and 50 barrels of condensate for which the companies will receive \$5+ per mcf and \$30+ U.S. respectively.

"Thomas" well, Gregg County, is currently drilling below 9,000'. Dickenson and Kam-Kotia each 12.5% — Conventures 25%.

Palo Duro Basin (207,495 acres)

	<u>Working Interest</u>
Dickenson	10%
Kam-Kotia	5%

During 1980 a seismic review and reassessment of this acreage in Deaf Smith and Parmer Counties has indicated sufficient merits for further wells to be drilled to test various targets. This wildcat program is being operated by Voyageur Petroleum Limited and currently has one well drilling.

West Central Texas (4,700 acres)

	<u>Working Interest</u>
Kam-Kotia	16.67%

During 1980 and early 1981 a total of 13 wells were drilled on this acreage in Coleman and Runnels Counties, Texas, of which 7 were completed as oil wells, 3 as gas wells, of which 2 are shut-in waiting on pipelines and 3 were dry and abandoned. As certain field and engineering difficulties are corrected and the wells put on production by the operator, Glenclair Resources Inc., cash flows from this program will build. At the present it is planned to drill further wells over the balance of 1981 depending on rig availability.

Bell County (7,690 acres)

	<u>Working Interest</u>
Dickenson	16.67%
Kam-Kotia	16.67%

This farm-in taken in 1980 from the operator, Putman Oil/Dorcheek, is waiting on the proper lease assignment and division orders. In the meantime, 2 wells straddle a portion of the leases: one by Reading and Bates, which is drilling and one by Placid Oil Co. as a location. The area is felt to have good geological possibilities in the Arkansas Novaculite and deeper horizons.

SOUTH DAKOTA

Grindstone Butte (45,579 acres)

Haakon (59,086 acres)

	<u>Working Interest</u>
Dickenson	22.23%
Kam-Kotia	22.22%
Conventures	33.33%

Landsat Dome (89,155 acres)

	<u>Working Interest</u>
Dickenson	16.67%
Kam-Kotia	16.67%
Conventures	50.00%

This wildcat acreage had two obligation wells drilled, plugged and abandoned during 1980 in order to complete the Group's lease commitments.

The leases are being maintained as other operators are drilling in the area which should provide more well control information.

OKLAHOMA

Comanche County (1,581 acres)

	<u>Working Interest</u>
Dickenson	8.33%
Kam-Kotia	8.33%

One well was drilled to 5,600 feet to test the Arbuckle formation and since all tests established the presence of water, the well was plugged and abandoned. All leases are being maintained.

NEW MEXICO

South Media Dome (3,740 acres)

	<u>Working Interest</u>
Kam-Kotia	33.33%

2 wells were drilled as dry holes on this play during 1980 resulting in the abandonment of this project.

ASSOCIATED COMPANIES

GOLDQUEST EXPLORATIONS CORP.

Dickenson 66.7%

Kam-Kotia 33.3%

Although the corporate work required to bring all the properties together in the Red Lake area of Ontario has not yet been completed but is expected to be defined by June 30, 1981, work on the properties has been proceeding over the past two years.

In addition to company claims approximately 216 new mining claims have been staked, some of them to fill in gaps between the various properties and others to acquire favourable ground adjoining the various claim groups.

In addition to research of known data from past work, approximately 340 kilometers of linecutting has been carried out and an equivalent amount of Max-Min Electromagnetic and Magnetic surveying has been completed. A minor amount of diamond drilling was completed comprising 19 holes for a total of 8,612 feet and which provided encouraging results.

The area under review covers approximately 17,000 acres in the Red Lake camp.

REDCON GOLD MINES LIMITED

Dickenson 21.4%

Four separate drill programs carried out over the past two years on the Redcon property in Red Lake have provided encouraging results. An engineers report prepared in February, 1981, has recommended a further 21,000 feet of diamond drilling at an estimated cost of \$600,000. This work is planned to start in April, 1981.

A rights offering is being made to shareholders of Redcon on the basis of 1 new share for 7 shares held at 90 cents per share.

NEW CINCH URANIUM LTD.

Dickenson 12.2% Listed VSE

Kam-Kotia 17.9%

Earlier in this report it has been stated that a review of assay and assaying methods is going forward on the New Cinch, Orogrande property.

New Cinch also owns three properties in Idaho in the Miller Mountains close to Lowman. In November and December, 1980, exploration by diamond drilling

was initiated and then suspended due to snow conditions. The results from that drilling have been encouraging and it is expected that exploration will start again in May, 1981.

On the **Specimen mine**, Idaho, two of the seven drill holes which intersected the target zone encountered mineralization. Diamond drill hole S3 intersected two zones of gold mineralization: 5.3' of 0.52 ounces of gold per ton from 20.2' to 25.5' and 9.6' of 0.195 ounces per ton from 44.6' to 54.4'. Approximately 70 feet down dip from these intersections, random chip sampling from a 7' high by 10' wide face in the adit returned 0.40 ounces of gold per ton and 0.18 ounces of silver per ton.

Approximately 100 ft. northwest of D.D. hole No. S3, DDH S6 cut two zones of gold mineralization: 3.5' of 0.04 ounces gold per ton from 37.6' to 41.1' and 21.9' of 0.696 ounces gold per ton from 53.5' to 75.4'. All assays have been checked in two separate Canadian laboratories.

A total of 334.9 feet was drilled in three holes on the **Hillside project**, Idaho, core recovery was poor and sludge samples from the drill were used for sampling whenever possible. Sludge samples from Hole No. 1 showed 0.70 ounces of gold per ton over 6 feet from 68 to 74 feet and 0.14 ounces over 4.7 feet from 88 to 92.7 feet.

Only two drill holes on the **Alder Creek project**, Idaho, were possible before snow conditions suspended operations: core recovery was poor and again sludge samples were used for assay purposes. Two laboratories assayed the samples; one of them returning trace to 0.03 ounces per ton over 7 samples; the second laboratory returned from the same samples, trace to 0.1 ounces. Further check assaying is continuing. The continuing program expected to start in May, 1981, is designed to explore for a possible leachable, low grade, bulk tonnage gold deposit.

The uranium property at Mesa Portales, New Mexico, originally attracted New Cinch to New Mexico. Following extensive drilling and sampling in 1978 a large very low grade deposit estimated to contain some eight million pounds of uranium oxide has been outlined. The property may lend itself to in-situ leaching; however, due to current low world prices for uranium no work other than assessment work was carried out on this property in 1980.

TUNDRA GOLD MINES LIMITED

Dickenson 41.7% Listed VSE

During 1980 Tundra was active on three exploration projects.

The two earning wells on the Sierra Lucero oil and gas play in New Mexico, while completed, proved to be non-commercial and the program was abandoned.

The Swett gold property in Nevada provided disappointing results from exploration, drilling and the lease was dropped.

Sampling of adits on the Josue gold property in Idaho returned good results but only minor values were returned by drilling. The property was held under lease with an option to purchase which was exercised thus providing outright ownership to Tundra.

Tundra proposes to carry out further work on its Josue property in Idaho. Treasury funds, however, are low and a financing is contemplated.

The company still holds its property with mill installation and living accommodation in excellent condition on its property in the Northwest Territories. Its potential is being seriously considered at this time.

RARE EARTH RESOURCES LIMITED

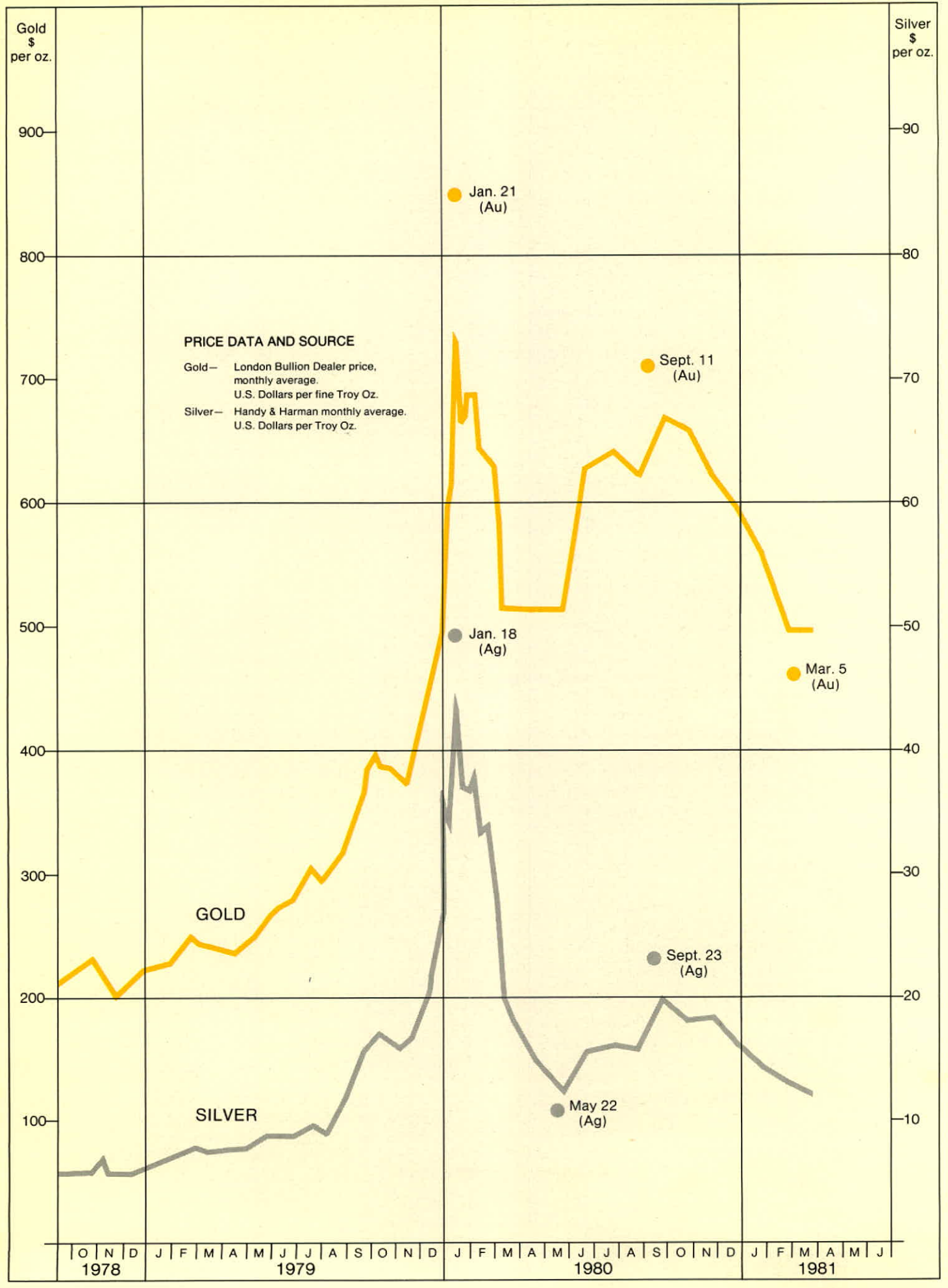
Kam-Kotia 10.1%

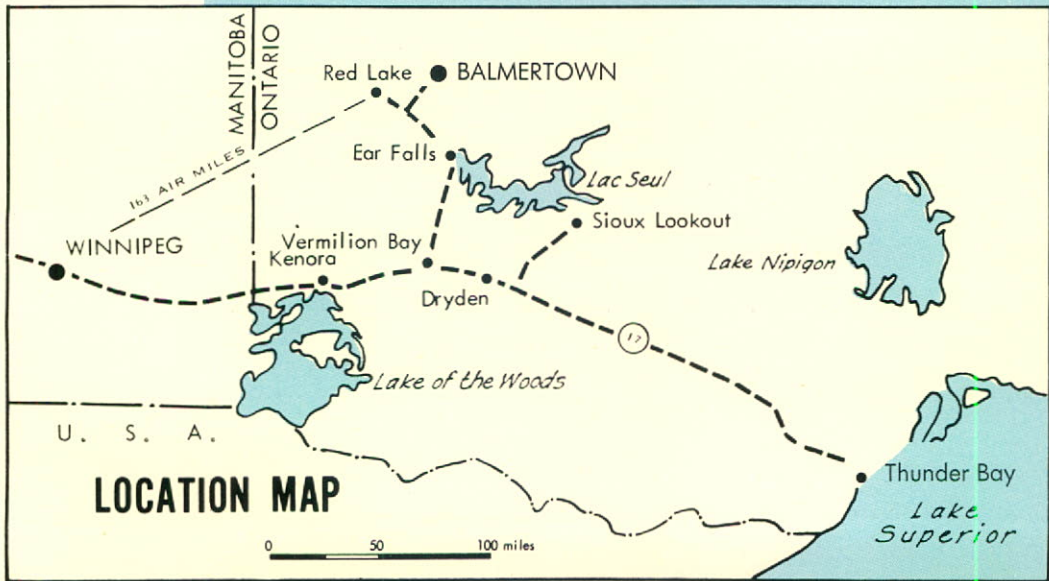
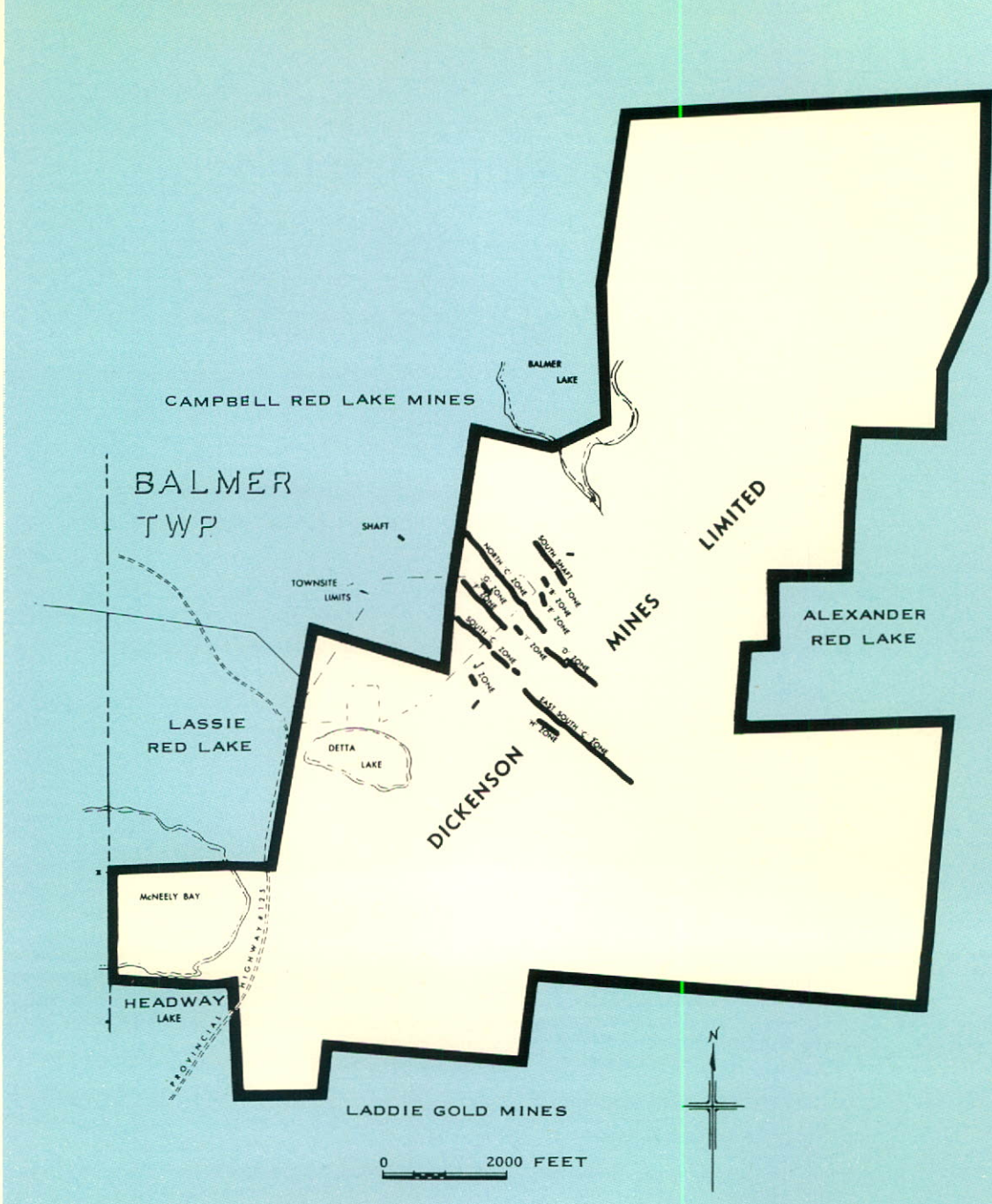
During 1980, financed by Esso Resources and Dickenson Mines, a reassessment was completed of the existing underground workings, surface drill holes and other surface work on the Halo property in Cardiff Township and Rare Earth property in Monmouth Township. Both properties are within 5 miles of each other and 7 miles from the Village of Wilberforce, Ontario.

During the year a bulk sampling of the underground workings of Halo No. 1 property was also completed. The results of the work carried out indicate:

1. With a favourable uranium market and the indicated ore reserves an economical mining operation could be undertaken.
2. That the nature of the ore mineralization is amenable to radiometric ore sorting.
3. That the ore metallurgy is typical of the Bancroft ores and is amenable to acid leaching technique.

The company is currently searching for an acceptable sales contract for uranium concentrates in the order of 200,000 pounds per year. Upon receipt of such a contract, the company will re-activate work on the ore bodies.





DICKENSON MINES LIMITED

ASSETS

	<u>1980</u>	<u>1979</u> (note 14)
Current		
Bullion and concentrates on hand and in transit, at net realizable value	\$ 1,561,000	\$ 2,943,000
Accounts receivable	580,000	343,000
Income taxes recoverable	314,000	—
Marketable securities, at cost (quoted market value \$383,000; 1979 — \$965,000)	347,000	731,000
Prepaid expenses	110,000	53,000
	<u>2,912,000</u>	<u>4,070,000</u>
Long-Term Investments (note 5)	<u>22,881,000</u>	<u>15,826,000</u>
Fixed, at cost		
Buildings, machinery and equipment	16,383,000	12,041,000
Less: Accumulated depreciation	9,293,000	8,404,000
	<u>7,090,000</u>	<u>3,637,000</u>
Mining claims	1,089,000	1,179,000
Townsite lots	282,000	142,000
	<u>8,461,000</u>	<u>4,958,000</u>
Other, at cost		
Shaft deepening and renovation expenditure unamortized	6,722,000	2,922,000
Interest in and expenditure on outside mining properties (note 4)	1,110,000	1,129,000
Interest in and expenditure on oil and gas properties (note 4)	3,086,000	1,905,000
Stores and supplies	2,317,000	1,709,000
Deferred charges	348,000	186,000
	<u>13,583,000</u>	<u>7,852,000</u>
	<u>\$ 47,837,000</u>	<u>\$ 32,705,000</u>

Consolidated Balance Sheet

December 31, 1980

LIABILITIES

	1980	1979 (note 14)
Current		
Bank indebtedness (note 6)	\$ 4,043,000	\$ 315,000
Accounts payable	4,604,000	2,239,000
Income and mining taxes payable	142,000	981,000
Current portion of long-term debt (note 7)	1,043,000	1,200,000
	<u>9,832,000</u>	<u>4,735,000</u>
Long-Term Debt (note 7)	7,746,000	3,500,000
Deferred Income Taxes	4,916,000	3,223,000
	<u>22,494,000</u>	<u>11,458,000</u>

SHAREHOLDERS' EQUITY

Capital Stock (notes 3 and 9)		
Authorized		
30,000,000 Class A common shares without par value		
6,000,000 Class B special shares without par value		
Issued		
5,084,320 Class A shares (4,947,834 in 1979)	4,879,000	4,489,000
5,084,320 Class B shares (4,947,834 in 1979)	4,879,000	4,489,000
Contributed Surplus	1,466,000	1,466,000
Retained Earnings	16,688,000	12,108,000
	<u>27,912,000</u>	<u>22,552,000</u>
Deduct: Company's share of Kam-Kotia Mines Limited holdings of 1,177,325 Class A shares and 1,314,825 Class B shares (1,162,861 Class A and 1,162,861 Class B shares in 1979) of Dickenson Mines Limited at a cost to Kam-Kotia of \$7,197,000 (\$3,382,000 in 1979) . . .	<u>2,569,000</u>	<u>1,305,000</u>
	<u>25,343,000</u>	<u>21,247,000</u>
	<u>\$ 47,837,000</u>	<u>\$ 32,705,000</u>
Contingencies and Commitments (note 13)		
Subsequent Events (note 15)		

Approved by the Board of Directors:

H. VANCE WHITE, Director

F. A. FELL, Director

See notes to financial statements.

DICKENSON MINES LIMITED

Consolidated Statement of Income

For the year ended December 31, 1980

	1980	1979
		(note 14)
Revenue		
Bullion production	\$ 27,251,000	\$ 21,180,000
Expense		
Mining	9,299,000	6,979,000
Milling	3,073,000	2,257,000
Mine management, office and general	3,511,000	2,485,000
Transportation and treatment costs	1,666,000	1,627,000
Head office administration and general	1,015,000	796,000
Marketing	73,000	66,000
	<u>18,637,000</u>	<u>14,210,000</u>
Operating Income Before Undernoted Items	8,614,000	6,970,000
Amortization of shaft deepening and renovations	1,388,000	393,000
Depreciation and depletion	1,206,000	826,000
Outside exploration written off	757,000	436,000
Amortization of oil and gas properties	343,000	—
	<u>3,694,000</u>	<u>1,655,000</u>
Income from Mining Operations	4,920,000	5,315,000
Investment and Other Income and Expense		
Share of net income (loss) of companies accounted for by the equity method	742,000	(94,000)
Dividends, interest and net results of security transactions	1,093,000	844,000
Oil and gas revenue	70,000	16,000
Interest expense, long-term	(762,000)	(674,000)
Fire loss recovery (net)	464,000	—
Amalgamation expense	(332,000)	—
	<u>1,275,000</u>	<u>92,000</u>
Income Before Income Taxes and Extraordinary Items	6,195,000	5,407,000
Income and Mining Taxes	1,750,000	2,691,000
Income Before Extraordinary Items	4,445,000	2,716,000
Increase in the carrying value of the company's interest in Kam-Kotia Mines Limited arising from share issues by Kam-Kotia	503,000	1,200,000
Share of extraordinary gains of companies accounted for by the equity method	93,000	367,000
Net Income for the Year	<u>\$ 5,041,000</u>	<u>\$ 4,283,000</u>
Earnings per share: (note 10)		
Before extraordinary items		
Class A	\$0.48	\$0.31
Class B	0.48	0.31
After extraordinary items		
Class A	0.55	0.48
Class B	0.55	0.48

See notes to financial statements.

DICKENSON MINES LIMITED

Consolidated Statement of Retained Earnings

For the year ended December 31, 1980

	1980	1979 (note 14)
Balance at Beginning of the Year		
As previously reported	\$ 11,203,000	\$ 7,713,000
Prior period adjustments (note 2)	905,000	302,000
As restated	12,108,000	8,015,000
Net income for the year	5,041,000	4,283,000
	<u>17,149,000</u>	<u>12,298,000</u>
Dividends paid (note 9)	461,000	190,000
Balance at End of the Year	<u>\$ 16,688,000</u>	<u>\$ 12,108,000</u>

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1980

	1980	1979 (note 14)
Source of Funds		
Funds provided from operations (note 8)	\$ 9,089,000	\$ 6,170,000
Long-term debt, non-current portion	4,246,000	3,500,000
Issue of capital stock (note 9)	986,000	2,535,000
Decrease in deferred charges	—	14,000
	<u>14,321,000</u>	<u>12,219,000</u>
Application of Funds		
Purchase of fixed assets	4,482,000	874,000
Shaft deepening and renovation expenditure	5,100,000	2,185,000
Increase in stores and supplies	608,000	275,000
Investment in and advances to other companies	7,501,000	8,076,000
Exploration expenditure on outside mining, oil and gas properties	2,262,000	2,238,000
Increase in deferred charges	162,000	—
Dividends paid	461,000	190,000
	<u>20,576,000</u>	<u>13,838,000</u>
Decrease in Funds During the Year	(6,255,000)	(1,619,000)
Funds (Deficiency) at Beginning of the Year	(665,000)	954,000
Funds (Deficiency) at End of the Year	<u>\$ (6,920,000)</u>	<u>\$ (665,000)</u>
Represented by working capital (deficiency):		
Current assets	\$ 2,912,000	\$ 4,070,000
Less: Current liabilities	9,832,000	4,735,000
	<u>\$ (6,920,000)</u>	<u>\$ (665,000)</u>

See notes to financial statements.

DICKENSON MINES LIMITED

Notes to Consolidated Financial Statements

For the year ended December 31, 1980

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the company are in accordance with generally accepted accounting principles.

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the company and its subsidiaries, Rowan Gold Mines Limited and Kenwest Mines Limited.

(b) 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. For 1980, investment in Conventures Limited has been accounted for by the equity method from the date significant influence was deemed to have been effective, September 13, 1980.

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

(c) Bullion and Concentrates on Hand and in Transit

Shipments for which final settlement has not been received are included as bullion and concentrates on hand and in transit and are valued at net realizable value. Payments received in advance of final settlement are deducted from bullion and concentrates on hand and in transit.

(d) Exploration and Development Expenditure

(i) Mining Properties

Interest in and expenditure on outside mining properties is deferred in the accounts to be amortized when production from them is attained or the balance thereof written off when disposition occurs.

(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.

(e) Depreciation and Depletion

(i) Red Lake Property, Ontario

Land, buildings, machinery and equipment are carried at cost. When such assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts. Any gain or loss on retirements or disposals is reflected in the statement of income for the year. Depreciation is recorded in the accounts on the straight-line method at the rate of 15% per annum on buildings, machinery and equipment.

In view of the value at which the Red Lake mining claims are carried in the accounts, the company has not followed the practice of providing for depletion of these claims.

(ii) Silvana Property, British Columbia

Depreciation of buildings, machinery and equipment, depletion of mining claims and properties and amortization of deferred development expenditures are provided on the unit of production method based on estimated ore reserves at the following rates:

Buildings and equipment	\$3.00 per dry ton milled
Mining properties	\$2.90 per dry ton milled
Exploration and development cost	\$7.10 per dry ton milled

(f) Income Taxes

The Company follows the tax allocation method of accounting whereby the provision for income taxes is based upon income reported in the accounts after providing for allowances permissible under Federal and Provincial taxation statutes. Any difference between these taxes and taxes currently payable for the year which arises from allowances claimed for depreciation and exploration expenditures for income tax purposes in excess of those recorded in the accounts is reflected as deferred income taxes.

2. CHANGE IN ACCOUNTING PRACTICE

In prior years the Company charged all underground expenditures to income in the year incurred. Because of the substantial programme for expansion of underground facilities which is expected to benefit future periods' operations, the Company adopted the policy, in 1980, of amortizing the expenditures relating to shaft deepening and renovation of underground facilities at the Red Lake, Ontario, property, on a straight line basis over five years. This change in accounting practice had the effect of increasing after-tax earnings in 1980 by \$2,242,000 and was applied retroactively increasing retained earnings (after-tax) at December 31, 1979, by \$905,000 and at December 31, 1978, by \$302,000.

3. AMALGAMATION

The consolidated financial statements give effect to the statutory amalgamation (under The Business Corporations Act of Ontario) of Dickenson Mines Limited (Dickenson) and Silvana Mines Inc. (Silvana), both under common control, into the continuing corporation, Dickenson Mines Limited, pursuant to an Amalgamation Agreement dated October 7, 1980, and the granting of a Certificate of Amalgamation on October 31, 1980.

The amalgamation was accounted for on the basis of combining the assets and liabilities of the amalgamating corporations at their carrying value in each corporation's records. The income of the combined corporation includes income of the combining corporations for the year ended December 31, 1980. Comparative figures for 1979 have been restated on the same basis.

The Amalgamation Agreement provided that the authorized capital of the amalgamated corporation shall consist of 30,000,000 Class A common shares without par value and 6,000,000 Class B special shares without par value; each Class A share is entitled to one vote and each Class B share is entitled to ten votes at meetings of shareholders. The Class B shares rank equally with the Class A shares in all other respects.

The issued and outstanding shares of Dickenson and Silvana were converted into shares of the amalgamated corporation on the following basis:

- (a) the 165,000 issued and outstanding shares without par value of Silvana held by Dickenson were cancelled without any repayment of capital, and no shares of the amalgamated corporation were issued in respect thereof.
- (b) the remaining 2,842,150 issued and outstanding shares in the capital of Silvana at October 31, 1980 were converted into 812,043 Class A shares and 812,043 Class B shares of the amalgamated corporation on the basis of one Class A share and one Class B share of the amalgamated corporation for each three and one-half shares of Silvana.
- (c) the 4,272,277 issued and outstanding shares without par value at October 31, 1980 in the capital of Dickenson were converted into 4,272,277 Class A shares and 4,272,277 Class B shares of the amalgamated corporation.

(d) stock options outstanding at October 31, 1980, on shares of Dickenson are exercisable as follows:

- 1979 Options
 - On 35,700 Class A shares at \$3.25 per share
 - On 35,700 Class B shares at \$3.25 per share on or before December 31, 1982
- 1980 Options
 - On 13,800 Class A shares at \$6.00 per share
 - On 13,800 Class B shares at \$6.00 per share on or before December 31, 1983

In accordance with the requirements of The Business Corporations Act of Ontario, the issued capital of the amalgamated corporation (after adjustment for the shareholdings of Dickenson in Silvana) is equal to the aggregate of the issued capital of each of the amalgamating corporations immediately before the amalgamation.

4. INTEREST IN AND EXPENDITURE ON MINING, OIL AND GAS PROPERTIES

Dickenson's unamortized interest in and expenditure on its own outside mining, oil and gas properties in the amount of \$4,196,000 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 amounted to \$20,617,000. These interests and expenditures can be realized only from the future commercial success of those companies or the proceeds from disposition of the applicable properties and investments.

5. LONG-TERM INVESTMENTS

	1980	1979 (note 14)
Investments in companies accounted for by the equity method:		
Shares and convertible notes		
Kam-Kotia Mines Limited		
2,119,108 shares (2,112,108 in 1979) (quoted market value \$19,602,000; 1979 — \$13,465,000)	\$ 2,346,000	\$ 2,992,000
Conventures Limited (note 1(b))		
1,453,686 shares and \$4,700,000 — 5% convertible notes (quoted market value \$31,128,000)	16,826,000	—
Other (quoted market value \$10,365,000; 1979 — \$7,228,000)	2,701,000	2,826,000
	21,873,000	5,818,000
Loans and advances, at cost	72,000	315,000
Sub-total	21,945,000	6,133,000
Investments in Conventures Limited (note 1(b))		
In 1979, 1,084,396 shares and \$4,700,000 — 5% convertible notes (quoted market value in 1979, \$23,406,000)	—	9,938,000
Portfolio investments, at cost		
Listed shares		
Shares and warrants of New Cinch Uranium Ltd. (quoted market value — \$12,216,000, note 15; 1979 — \$1,388,000)	345,000	198,000
Other listed shares (quoted market value \$385,000; 1979 — \$364,000)	262,000	320,000
	607,000	518,000
Other shares, bonds, advances and participations	2,188,000	1,256,000
Sub-total	2,795,000	1,774,000
Total	24,740,000	17,845,000
Less: Allowance for decline in value	1,859,000	2,019,000
	\$22,881,000	\$15,826,000

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 \$4,700,000 Conventures Limited interest bearing notes, due January 1, 1982, are convertible into 587,500 shares of Conventures at \$8.00 per share on or before December 31, 1981. The purchase was financed by a term bank loan. All of the notes and 890,106 shares of Conventures owned by the Company have been hypothecated to the bank as collateral.

6. BANK INDEBTEDNESS

Included in bank indebtedness is an operating bank loan at the mine office in Balmertown, Ontario in the amount of \$3,993,000. The Company has pledged 359,800 shares of its investment in Kam-Kotia Mines Limited as security for the loan.

7. LONG-TERM DEBT

	1980	1979 (note 14)
Term bank loan (note 5) — interest at prime rate plus 1%	\$6,600,000	\$4,700,000
Notes payable — Carl O. Nickle — 7% repayable \$1,000,000 in September, 1981 and \$1,000,000 in September 1982	2,000,000	—
Finance contract payable — 14% repayable \$3,036 U.S. monthly up to and including May 1, 1985. Fixed assets have been pledged as security	189,000	—
	<u>8,789,000</u>	<u>4,700,000</u>
Less: Amounts due within one year	1,043,000	1,200,000
	<u>\$7,746,000</u>	<u>\$3,500,000</u>

8. FUNDS PROVIDED FROM OPERATIONS

	1980	1979 (note 14)
Income before extraordinary items	\$4,445,000	\$2,716,000
Charges (credit) not affecting funds		
Amortization of shaft deepening and renovations	1,388,000	393,000
Depreciation and depletion	1,206,000	826,000
Outside exploration written off	757,000	436,000
Amortization of oil and gas properties	343,000	—
Share of loss (net income) of companies accounted for by the equity method	(742,000)	94,000
Deferred income taxes	1,692,000	1,705,000
	<u>\$9,089,000</u>	<u>\$6,170,000</u>

9. CAPITAL STOCK

(a) Continuity of Capital Stock of Dickenson Mines Limited and Silvana Mines Inc. is as follows:

	Dickenson		Silvana	
	No. Shares	Consideration	No. Shares	Consideration
Balance, December 31, 1979	4,130,077	\$5,644,000	3,007,150	\$3,643,000
Issued to date of amalgamation, October 31, 1980	142,200	986,000	—	—
	<u>4,272,277</u>	<u>6,630,000</u>	3,007,150	3,643,000
Cancellation of Silvana's shares held by Dickenson at date of amalgamation (note 3)	—	—	(165,000)	(515,000)
Balance, October 31, 1980, prior to conversion of shares (note 3)	<u>4,272,277</u>	<u>\$6,630,000</u>	<u>2,842,150</u>	<u>\$3,128,000</u>

	Number of Shares		
	Class A	Class B	
Conversion of shares (note 3)			
To Dickenson shareholders	4,272,277	4,272,277	
To Silvana shareholders	812,043	812,043	
Totals	<u>5,084,320</u>	<u>5,084,320</u>	
	Consideration		
	Dickenson	Silvana	Total
At date of amalgamation, October 31, 1980	<u>\$6,630,000</u>	<u>\$3,128,000</u>	<u>\$9,758,000</u>
Allocated as follows:			
Class A shares			\$4,879,000
Class B shares			\$4,879,000
			<u>\$9,758,000</u>

No shares of the company were issued between October 31 and December 31, 1980.

Comparative figures for 1979 have been restated to reflect the conversion of shares on the same basis as in 1980.

- (b) Prior to the amalgamation of Dickenson Mines Limited and Silvana Mines Inc., Dickenson had granted options to certain employees and directors of the Company and of Mid-North Engineering Services Limited which provides administrative and technical services to the Company. A summary of the options outstanding at the date of amalgamation, October 31, 1980, converted to the new classes of shares, is shown in note 3(d), and there were no options exercised during the period from the date of amalgamation to December 31, 1980.

The following shares were issued during the period January 1, 1980, to October 31, 1980, on exercise of certain of these options:

1979 Options		
131,000 shares at \$6.50 per share		\$851,500
1980 Options		
11,200 shares at \$12.00 per share		134,400
Total	<u>142,200 shares</u>	<u>\$985,900</u>

- (c) Dividends paid

In 1980, the Company paid dividends of 5¢ per share on both Class A and Class B shares.

In 1979, the Company paid dividends of 5¢ on the old common shares, comparable to 2½¢ per share on Class A and Class B shares.

10. EARNINGS PER SHARE

Basic earnings per share have been calculated on the weighted average number of shares outstanding during the year. The number of shares for both 1980 and 1979 has been converted to reflect the reorganized capital structure of the corporation as described in note 3.

	1980		1979	
	Class A	Class B	Class A	Class B
Weighted average number of shares outstanding during the year	5,050,139	5,050,139	4,858,299	4,858,299
Less: Weighted average of reciprocal shareholdings	438,470	439,065	408,120	408,120
	<u>4,611,669</u>	<u>4,611,074</u>	<u>4,450,179</u>	<u>4,450,179</u>

11. RELATED PARTY TRANSACTIONS

Mid-North Engineering Services Limited, a company controlled by certain of the directors of Dickenson Mines Limited, provides administrative and technical services to Dickenson Mines Limited and other companies over which Dickenson exercises significant influence. Fees paid to Mid-North Engineering Services Limited during the year ended December 31, 1980 amounted to \$289,000 (\$221,000 in 1979).

The Company obtains services from firms in which non-executive directors of the Company are partners. Payments for such services, principally legal fees, did not exceed one-half of one percent of expenses.

12. STATUTORY INFORMATION

Remuneration of directors and senior officers (including the five highest paid employees) during the year ended December 31, 1980 amounted to \$1,100,000 (\$248,000 in 1979). This remuneration includes the benefit realized from exercising stock options referred to in note 9 and payment of directors' fees.

13. CONTINGENCIES AND COMMITMENTS

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

(b) The cost of completing mill expansion, #2 shaft deepening, renovation of #1 shaft and underground facilities in progress at the Company's minesite at Balmertown, Ontario, is estimated to be \$9,100,000.

(c) 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, 1980, the balance remaining under the royalty agreement was \$149,000 (1979 - \$238,000).

(d) The Company, Kam-Kotia Mines Limited and New Cinch Uranium Ltd. are among fifteen 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. The Company is defending the action and believes it has a good defence on the merits.

14. COMPARATIVE FIGURES

Certain of the 1979 comparative figures have been restated to give effect to the matters referred to in notes 2, 3 and 9.

15. SUBSEQUENT EVENTS

The quoted market value of the Company's investment in shares and warrants of New Cinch Uranium Ltd. has declined between December 31, 1980 and March 23, 1981, from an aggregate quoted market value of \$12,216,000 at December 31, 1980, to an aggregate quoted market value of \$1,854,000 at March 23, 1981. This event would not affect the financial statements as at December 31, 1980, since the aggregate quoted market value at March 23, 1981, is greater than the Company's carrying value of investment.

AUDITORS' REPORT

To the Shareholders
Dickenson Mines Limited

We have examined the consolidated balance sheet of Dickenson Mines Limited as at December 31, 1980, 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, 1980, 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, after giving retroactive effect to the change in accounting practice referred to in note 2, on a basis consistent with that of the preceding year.

Toronto, Ontario
February 17, 1981
(except for note 15 which
is dated March 23, 1981)

TOUCHE ROSS & CO.
Chartered Accountants

OPERATING SUMMARY

	1980		1979
Ore Milled	128,180	tons	117,716 tons
Recovery — Gold	29,281.007	ounces	44,366.830 ounces
— Silver	3,240.438	ounces	4,334.434 ounces
Grade of Ore Milled — Gold	0.270	oz./ton	0.405 oz./ton
Average Value Received — Gold	\$ 675.49	per ounce	\$ 356.29 per ounce
Total Value Received — Gold	\$19,778,989.02		\$15,807,345.07
— Silver	\$ 64,022.53		\$ 71,175.68

MINING

Development (drawn tons)	51,725	22,493
Stopes and Stope Development (drawn tons)	80,780	95,198
Total Break in Tons	131,099	120,747
Total Tons Hoisted	131,154	117,691

BROKEN ORE RESERVES

TONS	GRADE	TONS	GRADE
26,227	0.400	26,190	0.446

MILLING

(Summary of Mill Operations with the previous year given for comparison)

	1980	1979
Tons Treated	128,180	117,716
Percent Operating Time	84.51	82.28
Tons Treated Per Day	350,218	322,510
Average Value of Millheads in Ounces of Gold per Ton	0.243	0.405
Average Value of Milltails in Ounces of Gold per Ton	0.015	0.023
Recovery in Ounces of Gold per Ton	0.228	0.382
Percent Recovery	93.72	93.13

DEVELOPMENT

Crosscutting (includes slashing)	1,136.0'	492.1'
Drifting (includes slashing)	5,064.3'	4,561.4'
Raising (includes slashing)	1,502.7'	1,994.8'
Shaft Sinking (#2 Shaft Total Depth from Collar: 2,336.5')	558.0'	498.9'
— Station cutting (shaft equiv.)	134.2'	191.2'
— Drifting (shaft equiv.)	342.0'	247.5'
— Raising (Lip Pocket and Raise)	—	121.1'
Underground Diamond Drilling	60,692.0'	62,102.0'
Surface Diamond Drilling	—	—

PROVEN ORE RESERVES

At December 31, 1979	389,740	tons grading 0.529 ozs. gold per ton.
At December 31, 1980	425,000	tons grading 0.450 ozs. gold per ton.
Increase	35,260	tons
Location of the Ore Reserves — 95% between the 6th Level and the 30th Level.		

Robert P. Tapper,
Mine Manager

DICKENSON MINES LIMITED

SUMMARY 5 Year Record

	1980	1979	Before re-structure		
			1978	1977	1976
Bullion Production	*\$ 27,251	\$ 21,180	\$ 13,560	\$ 9,650	\$ 6,863
Depreciation	* 1,206	826	627	552	326
Net Profit before extraordinary item	* 4,445	2,716	2,341	1,041	124
Net Profit after extraordinary item	* 5,041	4,285	2,327	966	84
Net Profit per share (A class)	48¢	31¢			
Net Profit per share (B class)	48¢	31¢	66¢	29¢	4¢
Net Profit after extraordinary item per share (A class)	55¢	48¢			
Net Profit after extraordinary item per share (B class)	55¢	48¢	66¢	27¢	3¢
Dividends paid per share (A class)	5¢	5¢			
Dividends paid per share (B class)	5¢	5¢	10¢	5¢	5¢
Shares issued (A class)	5,084,320	4,947,834	3,826,964		3,556,000
Shares issued (B class)	5,084,320	4,947,834			
Tons of ore milled — Dickenson Mine	* 128	118	110	129	117
Silvana Division	* 31	22	18	17	18
Grade of Millheads					
Dickenson — gold ozs./ton	0.270	0.405	0.576	0.499	0.509
Silvana Div. — silver ozs./ton	8.63	13.96	14.84	19.34	13.35
— lead %	3.21	4.87	5.81	7.41	5.30
— zinc %	3.03	4.51	4.34	6.13	4.86
Production					
Dickenson — ozs. of gold	29,281	44,367	59,957	60,019	55,488
Silvana Div. — ozs. of silver	255,382	290,045	243,675	325,826	238,416
— lbs. of lead	1,805,561	2,011,863	1,948,464	2,449,345	1,844,559
— lbs. of zinc	1,630,440	1,793,185	1,408,498	2,006,250	1,638,395
Ore Reserves (tons) Dickenson Mine	* 425	390	351	336	357
Ore Reserves (grade ozs./ton)					
Dickenson Mine	0.450	0.529	0.571	0.540	0.536
Employees	330	239	250	242	230
Share Price Range —					
Class A High	16.75				
Class A Low	11.25	11.00**	7.63	5.88	6.50
Class B High	17.00	6.25	4.60	3.55	2.40
Class B Low	9.75				

* In thousands.

** Before re-structure

(a) In 1980 the capital structure of Dickenson Mines was changed. The figures for 1976, 1977, 1978 refer to previous structure.

(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.

(c) Ore reserves for Silvana division not published, though exploration and development has replaced annual production in recent years.

Directors of KAM-KOTIA MINES LIMITED



D. F. BURT, Q.C.
Burt, Burt, Wolfe & Bowman
Solicitors



J. GEDDES
Chartered Accountant



R. A. HALET P.ENG
Consulting Engineer.
Halet, Broadhurst & Ogden

G. W. WALKEY
Mining Engineer



H. V. WHITE
Mining Executive

OFFICERS

A. W. WHITE Chairman of the Board
H. V. WHITE President
J. GEDDES Secretary-Treasurer
H. S. DOLSON Assistant Secretary
Z. BEREZOWSKI Assistant Treasurer

HEAD OFFICE

65 Queen Street West, Suite 600
Toronto, Ontario
Tel: 416-361-0402

BANKERS

Canadian Imperial Bank of Commerce
Royal Bank of Canada

REGISTRAR AND TRANSFER AGENTS

National Trust Company Limited Toronto, Ont.
Canadian Bank of Commerce Trust Co., New York City, N.Y.



H. R. HEARD
Chartered Accountant
Retired



F. M. RYAN
Vice-President & Director
R. A. Daly & Company Limited



W. F. WHITE
Director of Burns Fry Limited
Corporate Services



A. W. WHITE
Mining Executive

AUDITORS

Thorne Riddell, Toronto, Ontario

STOCK LISTED

Toronto Stock Exchange — Symbol KKL

SOLICITORS

Burt, Burt, Wolfe & Bowman, Toronto, Ontario

ANNUAL MEETING

Monday, 25 May, 1981
at

2:00 p.m. (Toronto Time)
Confederation Room
Royal York Hotel
Toronto

KAM-KOTIA MINES LIMITED

(Incorporated under the laws of Ontario)

ASSETS

	1980	1979 (restated)
Current Assets		
Cash and short term deposits		\$ 3,262,000
Accounts receivable	\$ 92,000	239,000
Marketable securities, at cost (quoted market value 1980, \$666,000; 1979 \$792,000)	433,000	388,000
	<u>525,000</u>	<u>3,889,000</u>
Investments in Mining Companies (note 3)	15,908,000	5,865,000
Fixed Assets		
Land and buildings, at cost	157,000	150,000
Less accumulated depreciation	63,000	52,000
	94,000	98,000
Mining claims and properties, at cost less depletion	41,000	41,000
	<u>135,000</u>	<u>139,000</u>
Other Assets		
Interest in and accumulated expenditure on oil and gas properties (note 4)	4,472,000	2,443,000
Deferred exploration	139,000	345,000
Notes and mortgages receivable	9,000	21,000
	<u>4,620,000</u>	<u>2,809,000</u>
	<u>\$ 21,188,000</u>	<u>\$ 12,702,000</u>

Consolidated Balance Sheet

as at December 31, 1980

LIABILITIES

	1980	1979
Current Liabilities		
Bank loan and overdraft (note 3)	\$ 1,687,000	
Accounts payable and accrued liabilities	809,000	\$ 441,000
Income taxes payable	214,000	
Deferred income taxes	136,000	
	<u>2,846,000</u>	<u>441,000</u>
Deferred Income Taxes	527,000	231,000
Minority Interest	313,000	

SHAREHOLDERS' EQUITY

Capital Stock (note 5)		
Authorized — 10,000,000 shares without par value		
Issued — 5,936,344 shares (1979, 5,475,000)	10,128,000	8,068,000
Retained Earnings	7,374,000	3,962,000
	<u>17,502,000</u>	<u>12,030,000</u>
	<u>\$ 21,188,000</u>	<u>\$ 12,702,000</u>
Contingency (note 10)		

Approved by the Board

H. VANCE WHITE, Director

JAMES GEDDES, Director

KAM-KOTIA MINES LIMITED

Consolidated Statement of Income Year Ended December 31, 1980

	1980	1979 (restated)
Income		
Share of net income of companies accounted for by the equity method (note 2)	\$ 1,432,000	\$ 802,000
Interest, dividends and royalties	482,000	90,000
Profit on sale of fixed assets		48,000
Profit on sale of securities	957,000	241,000
Oil and gas revenue	18,000	
	<u>2,889,000</u>	<u>1,181,000</u>
Expenses		
Head office, administration and general	321,000	184,000
Amortization of interest in oil and gas properties, and outside exploration expenditures written off	1,080,000	197,000
Depreciation	10,000	9,000
Financing expenditures		162,000
	<u>1,411,000</u>	<u>552,000</u>
Income before income taxes and extraordinary items	1,478,000	629,000
Deferred income taxes reduction	180,000	105,000
Income before extraordinary items	<u>1,658,000</u>	<u>734,000</u>
Extraordinary items (note 7)	2,051,000	1,487,000
Net Income	<u>\$ 3,709,000</u>	<u>\$ 2,221,000</u>
Earnings per Share (note 8)		
Income before extraordinary items	\$.29	\$.16
Net income	\$.65	\$.48

Consolidated Statement of Retained Earnings Year Ended December 31, 1980

	1980	1979
Balance at Beginning of Year		
As previously reported	\$ 3,835,000	\$ 1,877,000
Prior period adjustment (note 6)	127,000	48,000
As restated	3,962,000	1,925,000
Net income	3,709,000	2,221,000
	<u>7,671,000</u>	<u>4,146,000</u>
Dividends paid — 5¢ per share (1979, 4¢)	297,000	184,000
Balance at End of Year	<u>\$ 7,374,000</u>	<u>\$ 3,962,000</u>

KAM-KOTIA MINES LIMITED

Consolidated Statement of Changes in Financial Position Year Ended December 31, 1980

	1980	1979 (restated)
Working Capital Derived From		
Operations (note 9)	\$ 1,136,000	\$ 33,000
Proceeds from sale of Dickenson Mines Limited shares, net of current income taxes of \$349,000	2,746,000	360,000
Proceeds from issue of shares to Energy and Precious Metals Inc.	1,488,000	3,500,000
Proceeds from issue of shares to Conventures Limited	500,000	500,000
Proceeds from sale of assets of Consolidated Churchill Copper Mines Limited	395,000	
Issue of shares for services (note 5(c))	72,000	
Notes and mortgages receivable	12,000	
Proceeds on sale of oil and gas properties		1,594,000
Issue of shares under the stock option plan		11,000
Other items		12,000
	<u>6,349,000</u>	<u>6,010,000</u>
Working Capital Applied To		
Increase in investments in mining companies	8,868,000	1,570,000
Exploration expenditures on oil and gas, and mining properties	2,953,000	2,141,000
Dividends paid	297,000	184,000
	<u>12,118,000</u>	<u>3,895,000</u>
Increase (Decrease) in Working Capital	(5,769,000)	2,115,000
Working Capital at Beginning of Year	3,448,000	1,333,000
Working Capital (Deficiency) at End of Year (note 2(c))	\$ (2,321,000)	\$ 3,448,000
Represented by		
Current assets	\$ 525,000	\$ 3,889,000
Current liabilities	2,846,000	441,000
	<u>\$ (2,321,000)</u>	<u>\$ 3,448,000</u>

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, 1980 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, 1980 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
March 20, 1981

THORNE RIDDELL
Chartered Accountants

KAM-KOTIA MINES LIMITED

Notes to Consolidated Financial Statements

December 31, 1980

1. ACCOUNTING POLICIES

(a) Consolidation policy

These consolidated financial statements include the accounts of Carnegie Mining Corporation Limited and certain inactive subsidiaries. The subsidiary formerly consolidated, Silvana Mines Inc., has been accounted for on the equity basis as disclosed in note 2(b).

(b) Investments in mining companies

The investment in Dickenson Mines Limited, Davis-Keays Mining Co. Ltd. and Silvana Mines Inc. is accounted for by the equity method. The investment in other mining companies is at cost.

(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 and development expenditures

Interest in and expenditure on mining properties is deferred in the accounts to be amortized when production commences or written off when the company relinquishes its interest in such properties.

2. EQUITY ACCOUNTING

(a) Commencing in 1979 the company adopted 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 included in equity amounts to \$1,065,000 in 1980 and \$286,000 in 1979.

(b) The investment in Silvana Mines Inc. (Silvana) was accounted for by the consolidation method for the year ended December 31, 1979. On October 31, 1980, Silvana amalgamated with Dickenson. As a result, Kam-Kotia's investment in the amalgamated company is accounted for on the equity basis. The 1980 statement of income includes Silvana results to October 31, 1980 on the equity basis and the results for November and December are included as part of the equity income in Dickenson. The 1979 results have been restated on the equity basis. The following Silvana results included in equity are for the period during which Silvana was a subsidiary:

	Ten months ended October 31, 1980	Year ended December 31, 1979
Metal recovery, gross value	\$6,502,000	\$5,207,000
Transportation and treatment costs	1,421,000	1,627,000
	5,081,000	3,580,000
Expenses	4,074,000	2,325,000
Operating income before undernoted items	1,007,000	1,255,000
Depreciation and depletion and deferred expenditures written off	344,000	173,000
Income from mining operations	663,000	1,082,000
Oil and gas interests written off		58,000
Head office, administration and general expenses	82,000	78,000
	82,000	136,000
	581,000	946,000
Interest income	26,000	60,000
	607,000	1,006,000
Deferred income taxes	212,000	357,000
Net income	\$ 395,000	\$ 649,000
Kam-Kotia equity in the above	\$ 209,000	\$ 342,000

(c) The consolidated statement of changes in financial position has been restated to give effect to the accounting for Silvana referred to in notes 1(a) and 2(b).

Working capital as previously reported December 31, 1979	\$4,401,000
Less working capital of Silvana	953,000
Working capital as restated December 31, 1979	\$3,448,000

3. INVESTMENTS IN MINING COMPANIES

	1980	1979
Listed shares		
Dickenson Mines Limited, accounted for by the equity method. 1,238,453 class A and 1,596,553 class B shares. The quoted market value of shares amounts to \$38,093,000 (1979, \$20,995,000 including \$12,406,000 related to the shares of Silvana giving effect to the amalgamation referred to in note 2(b))	\$11,043,000	\$5,244,000
Davis-Keays Mining Co. Ltd. 1,392,050 shares, accounted for by the equity method (quoted market value 1980, \$835,000; 1979, \$863,000)	—	—
New Cinch Uranium Mines limited (New Cinch) 941,900 shares (1979, 707,600) and 102,300 warrants, at cost (quoted market value 1980, \$17,225,000; 1979, \$1,592,000)	3,795,000	239,000
Other traded shares, at cost (quoted market value 1980, \$802,000; 1979, \$850,000)	105,000	264,000
Other shares and advances, at cost less amounts written off	1,398,000	555,000
	16,341,000	6,302,000
Less allowance for decline in value	433,000	437,000
	\$15,908,000	\$5,865,000

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

Subsequent to the year end the company sold 250,000 Dickenson class A shares for proceeds of \$2,550,000.

Subsequent to the year end the company purchased additional New Cinch warrants and exercised all of its New Cinch warrants. The company's total holdings in New Cinch at March 20, 1981 amounts to \$4,138,000 (quoted market value March 20, 1981 \$2,376,000).

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

	1980	1979
Grande Prairie, Alberta	\$1,726,000	\$ 652,000
Museau Kakwa, Alberta	870,000	861,000
Enchant Area, Alberta	124,000	118,000
Antler Hill, Alberta	102,000	10,000
East Turner Valley, Alberta	251,000	
Mikkwan, Alberta	34,000	
Beaufort Sea	39,000	140,000
Talcorp Joint Venture, Ontario	200,000	200,000
Trent Project, Ontario		12,000
Milver Project, Ontario		15,000
Prince Edward Island	355,000	
C. F. Larson, Texas	47,000	
North Longview, Texas	83,000	
Estavan Mora, Texas	129,000	
Fort Worth Basin, Texas	303,000	
Jack County, Texas	108,000	118,000
Palo Duro, Texas	37,000	38,000
Wilhelm Lane, Texas	63,000	
Coleman County, Texas		11,000
South Dakota	157,000	121,000
East Richards, Oklahoma	78,000	
South Media, New Mexico		144,000
Other interests	3,000	3,000
	<u>4,709,000</u>	<u>2,443,000</u>
Windsor Resources Inc. Joint Venture, 2 units	210,000	
Westgrowth 80-81 Energy Program, 2 units	50,000	
	<u>4,969,000</u>	<u>2,443,000</u>
Less accumulated amortization	497,000	
	<u>\$4,472,000</u>	<u>\$2,443,000</u>

5. CAPITAL STOCK

The following shares were issued:

	1980		1979	
	Shares	Amount	Shares	Amount
(a) To Conventures Limited to purchase property			100,000	\$ 500,000
(b) To Conventures Limited on exercise of warrant	100,000	\$ 500,000		
(c) To Energy and Precious Metals Inc.			875,000	3,500,000
(d) To Energy and Precious Metals Inc., on exercise of warrant	350,000	1,488,000		
(e) Issue of shares as a finder's fee to a third party	11,344	72,000		
(f) Issue of shares under stock option plan			18,000	11,000
	<u>461,344</u>	<u>\$2,060,000</u>	<u>993,000</u>	<u>\$4,011,000</u>

6. PRIOR PERIOD ADJUSTMENT

Expenditures by Dickenson Mines Limited on shaft deepening were written off in the year incurred. Commencing in 1980 Dickenson adopted the policy of amortizing these expenditures on a straight line basis over five years. This change in accounting practice was applied retroactively.

7. EXTRAORDINARY ITEMS

	<u>1980</u>	<u>1979</u>
Gain on sale of shares of Dickenson Mines Limited less deferred income taxes of \$342,000 and current taxes of \$349,000 (1979, \$4,000)	\$2,103,000	\$ 108,000
Gain on sale of assets of Consolidated Churchill Copper Mines Limited less deferred income taxes thereon of \$134,000	261,000	145,000
Gain from sale of Silvana Mines Inc. shares		783,000
Gain on sale of oil and gas properties		451,000
Reduction of income taxes due to recognition of items previously not expensed for income tax purposes		1,487,000
	<u>2,364,000</u>	<u>1,487,000</u>
Less minority interest therein	<u>313,000</u>	<u>\$1,487,000</u>
	<u>\$2,051,000</u>	<u>\$1,487,000</u>

8. EARNINGS PER SHARE

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

	<u>1980</u>	<u>1979</u>
Weighted average number of shares outstanding during the year	<u>5,686,000</u>	<u>4,589,000</u>

9. WORKING CAPITAL DERIVED FROM OPERATIONS

	<u>1980</u>	<u>1979</u>
Income before extraordinary items	\$1,658,000	(restated) \$ 734,000
Items not requiring use of working capital		
Depreciation	10,000	9,000
Amortization of interest in oil and gas properties	497,000	
Deferred income taxes	(180,000)	(105,000)
Share of net income of companies accounted for by the equity method	(1,432,000)	(802,000)
Outside exploration expenditures written off	583,000	197,000
Working capital derived from operations	<u>\$1,136,000</u>	<u>\$ 33,000</u>

10. CONTINGENCY

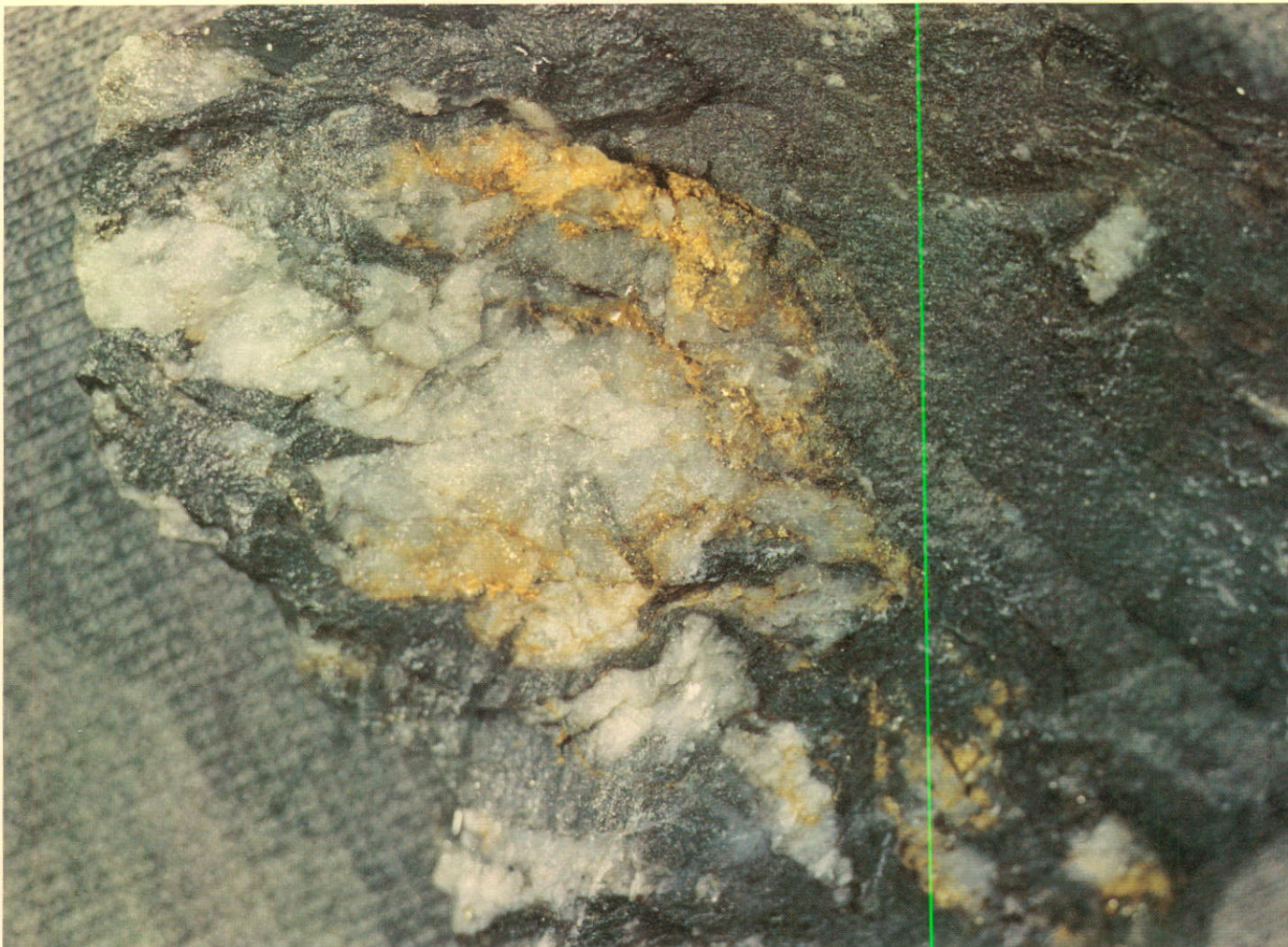
The company along with Dickenson Mines Limited and New Cinch Uranium Ltd. are among the fifteen defendants in an action in the Supreme Court of Ontario by Willroy Mines Limited as plaintiff, claiming damages of \$21,396,000 based on allegations of negligence, negligent misrepresentation and conspiracy in connection with the purchase by the plaintiff of shares and warrants of New Cinch Uranium Ltd. The company is defending the action and believes it has a good defence on the merits.

11. RELATED PARTY TRANSACTIONS

- (a) During the year the company paid \$98,500 to Mid-North Engineering Services Limited, a company owned by certain officers, for management, accounting and office services and \$9,000 to Energy and Precious Metals Inc. (E.P.M.), a shareholder, for financial services.
- (b) By an agreement dated January 21, 1981, Kam-Kotia can borrow from E.P.M. \$1,000,000 for one year under the following conditions:
 - (i) the rate of interest shall be a Canadian Chartered Bank prime lending rate plus 1%, payable quarterly;
 - (ii) a 2% fee is payable on the date of the advance;
 - (iii) the loan is secured by Dickenson class A shares;
 - (iv) Kam-Kotia will grant an option to E.P.M. to purchase the number of shares equal to 10,000 for each \$100,000 borrowed at a price of \$7 per share. This option is for six months and is subject to approval by a majority of the shareholders.

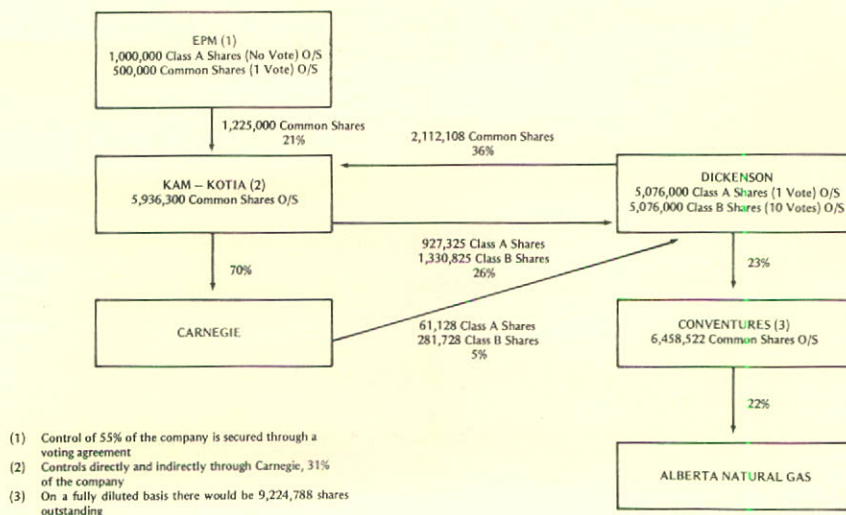


Newly modified headframe – Dickenson Mines



High grade

DICKENSON GROUP OF COMPANIES
OWNERSHIP STRUCTURE
AND PRINCIPAL INVESTMENTS



BEAUFORT SEA

Property



Hartell

Musreau-Kakwa

Cutbank-Kakwa

Enchant

Musreau-Cutbank

Hartell

Enchant

ALBERTA

BEAUFORT SEA

ALBERTA

IDAHO

IDAHO

Butte County Property

Butte Co.

TEXAS

Deaf Smith-Parmer
Coleman
Bell
Upshur
Gregg

B
A
C

UPSHUR Co.
Gregg Co.

A

C

OIL & GAS INTERESTS
IN
NORTH AMERICA
OF
THE
DICKENSON
GROUP OF COMPANIES



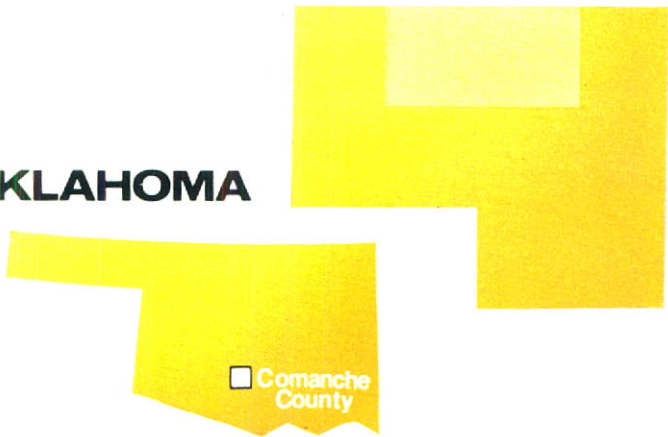
Drilling Derrick

INSON GROUP GAS ACTIVITIES



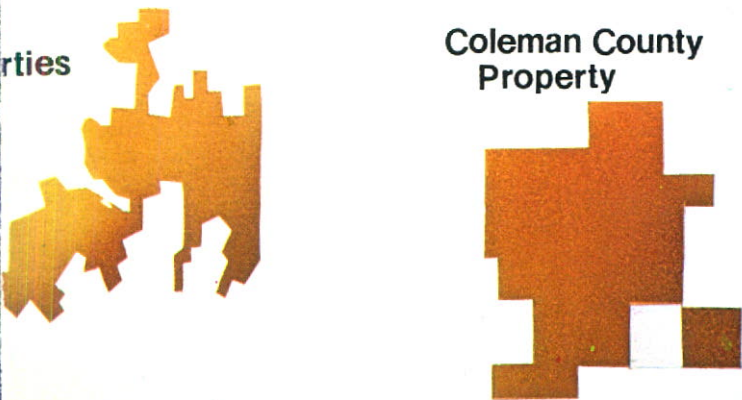
Comanche County Property

OKLAHOMA



rties

Coleman County Property



The **DICKEN** OIL AND



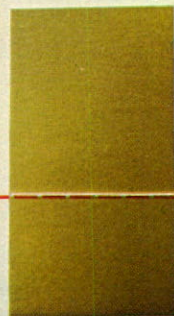
PRINCE EDWARD ISLAND



SOUTH DAKOTA



Palo Duro Property

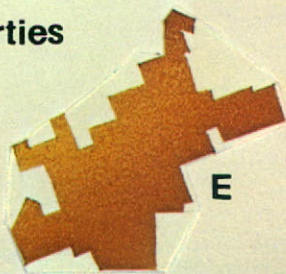


DEAF SMITH Co.
PARMER Co.

Bell County Property



Upshur - Gregg Properties



INVESTMENT SCHEDULE

THESE COMPANIES held shares in THESE COMPANIES ↓ at December 31, 1980	→ KAM-KOTIA	Percentage of Outstanding shares	DICKENSON	Percentage of Outstanding shares
Abino Gold Mines Limited	645,591	13.0	1,772,999	35.4
Cardiff Uranium			500,286	19.3
Carnegie Mining**	1,648,018*	69.5		
Conventures Limited	8,600	0.2	1,453,686	22.51
Craibbe-Fletcher			983,300	26.1
Davis-Keays Mining	1,392,050	38.0		
Dickenson Mines, class A	1,177,325 ⁽¹⁾	23.2		
Dickenson Mines, class B	1,314,825 ⁽²⁾	25.9		
Gateford Mines			223,855	10.2
Gateway Uranium	330,500	22.4		
Jameland Mines	1,514,995	30.3	2,025,000	40.5
Kam-Kotia Mines			2,119,108	35.7
Kenwest Mines			1,800,008*	60.0
Laddie Gold Mines	75,000	3.6	885,000	42.3
Langis Silver & Cobalt	67,500	0.8	369,450	4.5
New Cinch Uranium	941,900 ⁽³⁾	18.4	667,000 ⁽⁴⁾	13.0
New Kelore Mines	427,717	6.5	200,000	3.1
Nickel Rim Mines	194,000	3.2	314,000	5.2
Parvus Mines			856,125	46.1
Pidgeon Molybdenum			580,024	22.0
Rare Earth Resources Ltd.	115,885	10.1		
Redcon Gold Mines			1,007,180	20.4
Rowan Gold Mines			531,637	54.1
Tundra Gold Mines	15,000	0.3	2,778,988	48.8

* Subsidiary company.

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

⁽¹⁾ At April 10, 1981 Kam-Kotia held 927,325 shares (18.2%).

⁽²⁾ At April 10, 1981, Kam-Kotia held 1,330,825 shares (26.2%).

⁽³⁾ At April 10, 1981, Kam-Kotia held 1,033,050 shares (17.9%).

⁽⁴⁾ At April 10, 1981, Dickenson held 704,500 shares (12.2%).

