Campbell Resources Inc.

Annual Report
1983

"Corporate strategy emphasizes maximizing profits and growth from the large and valuable asset base which has been assembled and developed over the past three and a half years."

Campbell Resources Inc.

Company Profile

Campbell Resources Inc. is an expanding Canadian-based international resource and energy company producing and developing new sources of precious and base metals, industrial minerals, oil, natural gas and coal. Exploration and development programs carried out on a wide range of properties and projects in Canada, the United States and Mexico provide a base for future growth.

Annual Meeting

The Annual Meeting is to be held on Tuesday, November 8, 1983 at 10:00 a.m. at the Westin Hotel, Toronto, Ontario.

Contents

Les actionnaires sont priés d'indiquer s'ils désirent reçevoir la documentation en français concernant la Compagnie.

On peut se procurer la version française de ce rapport s'adressant au secrétaire de la Compagnie.

Metals and Minerals

Cuvier	△
Black Lake	□
Chibougamau	□△
Cullaton Lake	□△
Martison	△
Cortin	△
Golden Terrace	△
Renabie	□
Midlothian	□△
Cameron Lake	△
Misty	△
Mascot Gold	□△
Giant Copper	△
Blizzard	△
Rich Gulch	△
Washington	□
Cerro de Oro	△

Oil and Gas

BC / Alberta	○
Alberta / Saskatchewan	⊖
Saskatchewan / Manitoba	○
Appalachian Basin	⊖
Illinois	○
Central Texas	○
North California	⊖
South California	○
Hugoton	⊖
West Texas	○

Coal

Carbonex	□
Chelsea Tipple	▽
American Processed Coal	▽
Shaker	□
Peaker Run	□

Campbell Resources

Campbell Resources Inc. is organized into three major groups: Metals and Minerals, Oil and Gas, and Coal.

The Metals and Minerals Group includes three mines in the Chibougamau area of Quebec producing gold and copper, two industrial minerals properties including a large producer in Quebec, participation and management of two gold mines on behalf of associated interests.

The Metals and Minerals Exploration Division has ongoing programs seeking and evaluating the potential for production of undeveloped mineral deposits, including gold, phosphates, barite, uranium, tin and base metals. Major areas of current activity are in the Chibougamau district where Company-owned processing facilities are available to treat ores from new mines, in the Cullaton Lake area of the Northwest Territories, in British Columbia in Canada, in California in the United States and the State of Sonora in Mexico.

Through a 40.9% investment in Royex Sturgex Mining Limited, a Canadian public company, Campbell Re-

sources participates in and manages Cullaton Lake Gold Mines Limited, and Renabie Mines (1981) Limited. Royex Sturgex also participates in Cobra Emerald Mines Limited, the world's largest producer of emeralds with a mine in South Africa.

The Oil and Gas Group is managed by Inverness Petroleum Ltd., a public Canadian company in which Campbell Resources holds a 71.8% interest. This Group includes wholly-owned oil and gas properties as well as the Inverness Petroleum assets.

Production of oil and gas is obtained from wells in Canada and the United States. Exploration programs are carried out internationally with a view to increasing production and the reserve base.

The Coal Group has been expanding rapidly from its base of seven mines in Kentucky and Oklahoma in the United States. Recent acquisitions and expansions include a coal mining division in West Virginia and coal handling and processing facilities in Kentucky and Oklahoma.

□ Mine Site
△ Exploration Site
▽ Handling Facility
○ Oil Field
⊖ Gas Field

To the Shareholders

This annual report describes in detail the newly evolved Campbell Resources Inc. created by bringing together the companies, — Campbell Resources Inc., Les Ressources Camchib Inc., GM Resources Limited, and Mines D'Amiante United Inc.

Completion of this business combination resulted in Campbell Resources becoming a major Canadian-based international natural resource company with three operating groups producing and developing new sources of metals, minerals, coal, oil and gas.

This corporate evolution culminated three and a half years of expansion and diversification by acquisitions, mergers and internal growth. Since 1979, assets have grown from $36,000,000, located almost exclusively in Quebec, to $333,000,000 today located across Canada and the United States.

Corporate strategy emphasizes maximizing profits and growth from the large and valuable asset base which has been assembled and developed over the past three and a half years.

The major thrust continues to be in mining and mineral operations; those interests have grown from the three mines in the Chibougamau camp in Quebec to encompass mineral operations represented by a joint venture with Asarco Inc. in Lac D'Amiante, participation through Royex Sturgex Mining Limited in Cullaton Lake Gold Mines Ltd., Cobra Emerald Mines Limited, and Cullaton's holdings in Renabie Mines (1981) Limited.

Campbell now has over 16,000 shareholders; in recognition of the size and quality of the Company, the common shares were listed and now trade on the New York Stock Exchange. The listings on the Toronto, Montreal and Vancouver exchanges continue.

Over the past three years, the Campbell Resources Group has continued to grow; resource expenditures have been $80,000,000 in that period. In the most recent fiscal year, Campbell has spent $31,000,000 on these growth projects and it is anticipated that $39,000,000 will be spent in fiscal 1984.

In Campbell, as in all other resource companies, the key to growth is a large reserve bank including an inventory of properties in advanced stages where development activity can be accelerated given appropriate market conditions. Balance sheet figures reflect only the tip of the Company's broad base for the future in its extensive inventory of exploration-development projects.

With revenues approaching $100,000,000 and assets of $333,000,000 Campbell has achieved recognition as one of Canada's larger resource companies. Consolidated net income of $1,008,000 was not satisfactory considering the assets involved, however, 1983 was a difficult year from the point of view of resource prices in general. Added to this was the absorption of certain non-recurring costs in excess of those capitalized, associated with the business combination.

Elimination of debt by the sale of assets not consistent with our long range plans is in progress. Since year end we have commitments on the sale of the debenture of Coho Resources Limited and our minority shareholding in Giant Piper Exploration Inc. which could eliminate close to $10,000,000 in debt.

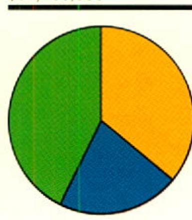
The Metals and Minerals Group, the core group in the Company, is in a most favorable position to grow through improved asset utilization. In the Chibougamau area, the long range plan of the Company has been to develop a significantly larger reserve base to take full advantage of the capacity of the processing facility. During the year, the internal winze at the Henderson II mine was completed providing a new ore source and the development of new reserves. In the immediate Chibougamau area, the Devlin has been brought to the advanced stage where an improved copper price is the only missing ingredient for a production decision. Underlying Lake Chibougamau at a drill indicated ore body, the S-3, a long drive has now entered the ore zone. This key underground development is the culmination of two years of effort by the Chibougamau mining staff. These programs illustrate the long lead time typical of the mining industry. The $40,000,000 of development and exploration expenditures incurred in the Chibougamau area over the past three years promise to be amply rewarding and are starting to bear fruit.

Other exploration targets such as the Rich Gulch property of Inca Resources Inc. in California, Mascot Gold Mines Ltd. in British Columbia, the Cerro de Oro gold prospect in

Assets:
$333,468,000

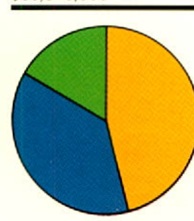
Metals and Minerals 62%
Oil and Gas 28%
Coal 10%

Revenue:
$97,460,000



Metals and Minerals 37%
Oil and Gas 21%
Coal 42%

Operating Income:
$39,540,000



Metals and Minerals 46%
Oil and Gas 37%
Coal 17%

Mexico, and the Ontario phosphate deposit are approaching the stage of detailed economic feasibility. Elsewhere in Canada, the United States and Mexico, Campbell holds or participates in a number of metals and minerals projects in advanced stages. Several, such as the Washington Mine in Mexico and the Giant Copper Mine in British Columbia need only suitable prices to initiate production.

Through a series of transactions that took place in the last quarter of fiscal 1983, Campbell became the major shareholder of Royex Sturgex Mining Limited. Royex Sturgex is the major shareholder of Cullaton Lake in the Northwest Territories and of Cobra, the world's largest producer of emeralds.

The Renabie mine in Ontario — where a doubling of production capacity is planned — is the most recent to become a Campbell interest. Campbell will also participate in Renabie through Cullaton's ownership position and through its management contract which entitles Campbell to an option on 10% of the equity of Renabie.

Both the Cullaton Lake mine in the Northwest Territories and the Renabie mine in Ontario represent important assets with excellent potential and plans for expansion. At the Cullaton Lake mine major surface and mine site exploration programs were carried out during the summer of 1983 with significant initial success. One which has created early excitement is an outline of what appears to be a large gold bearing structure on the Shear Lake zone three miles from the current mine and processing plant. A 1,400 foot decline is underway to intersect the gold zones for further exploration and development at depth.

Campbell's oil and gas interests are carried out through a subsidiary, Inverness Petroleum Ltd., and through the wholly owned properties of the former GM Resources. Considerable growth has occurred over the past year; proven and probable reserves of 7,250,000 barrels of oil and 62,000,000,000 cubic feet of gas make Campbell's petroleum interests significant by any standards. Production in 1984 is expected to be 1,275 barrels of oil and 8,000,000 cubic feet of gas per day, a substantial increase over the past year. The oil and gas cash flow continues to be divided almost equally between Canada and the United States.

Campbell's coal interests are through Coal Corporation of America, Inc. which operates seven mine sites at two locations — in Oklahoma and in Kentucky.

A base for expansion has been established in the coal operations in the United States. This includes, in 1983, the acquisition of a rail shipping tipple in Oklahoma and construction of a coal processing facility in Kentucky for the marketing of stoker coal.

In early September, Campbell reached agreement in principle to purchase the Peaker Run Coal property in West Virginia. This addition will increase clean recoverable reserves to 20,000,000 tons in three major mining areas, and will increase Coal Corporation's production ability to close to 2,000,000 tons per annum.

Signs of an improving economic environment are encouraging. Improvement, especially in copper and gold, prices can provide the impetus to place into production projects put in place over the past several years. Such internal growth will represent a change in direction from the periods of growth achieved through acquisitions and mergers.

Corporate long-term plans have been designed for protection in poor economic conditions and rapid expansion and growth as the economy and, in particular, metal prices, improve. New opportunities for growth in profits and assets lie ahead. Clearly, the programs carried forward to date have met the objective of positioning Campbell to obtain the maximum benefit from improved conditions. This was made possible through the continuing outstanding efforts of our employees, the support of the investment community, and the assistance of many other individuals.

On behalf of the Board of Directors,

Ned Goodman
Chairman of the Board

Richard L. Lister
President and Chief Executive Officer

September 20, 1983

Financial Summary	*1983*	*1982 (restated)*	*1981*
Earnings (loss) per share before extraordinary items	*$0.24*	*$(0.05)*	*$0.74*
Earnings (loss) per share	*$0.12*	*$(0.01)*	*$3.14*
Net income (loss)	*$ 1,008,000*	*$ (49,000)*	*$ 13,609,000*
Revenue	*$ 97,460,000*	*$ 79,193,000*	*$ 67,688,000*
Operating income before administration, interest, provisions and taxes	*$ 39,540,000*	*$ 20,349,000*	*$ 21,622,000*
Working capital	*$ 10,420,000*	*$ 3,287,000*	*$ 8,537,000*
Investments	*$ 30,016,000*	*$ 28,131,000*	*$ 12,747,000*
Expenditures on natural resource properties	*$ 30,951,000*	*$ 30,280,000*	*$ 18,266,000*
Total assets	*$333,468,000*	*$171,157,000*	*$138,836,000*
Shareholders' equity	*$150,406,000*	*$ 77,261,000*	*$ 66,001,000*

Metals and Minerals

The Metals and Minerals Group includes:
*☐ **Camchib Mines** — three operating mines, a mill and exploration sites in the Chibougamau area of northwestern Quebec.*
*☐ **Industrial Minerals** — a joint venture in a producing Quebec industrial mineral mine, Lac D'Amiante du Québec Ltée., 100% of a non-operating industrial mineral property and plant in northern Ontario and a 50% interest in a major phosphate deposit in northern Ontario.*
*☐ **Exploration** — an extensive portfolio in Canada, the United States and Mexico including several properties expected to evolve into operating mines over the next few years.*
*☐ **Royex Sturgex Mining** — participation in the Cullaton Lake and Renabie gold mines in Canada and in the world's largest emerald producer located in South Africa.*

Giving effect to the business combination, the Metals and Minerals Group in 1983 accounted for 62% of the assets, 37% of revenue and 46% of operating income.

Summary of Operations *year to June 30*	*1983*	*1982*	*1981*
Revenue (000)	*$34,137*	*$24,026*	*$28,997*
*Mining income (000)**	*$18,380*	*$3,158*	*$8,966*
Gold sales (oz.)	*22,599*	*30,405*	*30,478*
Copper sales (000 lbs.)	*4,376*	*5,982*	*6,844*
Asbestos fibre produced, in tons	*141,000*	*–*	*–*

**Before administration, interest, provisions, taxes and including pre-acquisition earnings in 1983.*

Rene Giroux, Group Leader on the S-3 gold-copper development, directs an electric hydraulic jumbo drill as the long drive under Lake Chibougamau reaches the large deposit indicated by drilling.

The strategy of the Metals and Minerals Group is to develop large scale mineral reserves in preparation for improved metal markets while operating current mines at the highest level of cost effectiveness.

Chibougamau Operations: Gold, Copper, Silver

Producing operations consist of three mines feeding a centrally located milling and processing plant located eight miles from the Town of Chibougamau in northwestern Quebec. The concentrator has a flotation section capacity of 3,500 tons per day and a cyanidation capacity of 250 tons per day. Presently, operations are at less than 50% of the mill capacity.

An essential element in the long-term strategy at Chibougamau is to develop ore reserves in the operating mines and to find and develop other sources of ore in the general area to take full advantage of the capacity of the processing plant.

Reserves Inventory* *Chibougamau Area*	*Tons*	*Gold oz./ton*	*Copper %*
In operation			
Proven	*4,295,927*	*0.045*	*1.65*
Probable	*2,241,684*	*0.067*	*1.71*
*Total**	*6,537,611*	*0.053*	*1.67*
Under development			
Devlin – Proven and Probable	*1,400,000*	*–*	*2.25*
S-3 – Drill Indicated	*2,000,000*	*0.21*	*0.56*

**no allowance made for dilution*

Although the severe depression in the world metals industry restricted operations and profitability, cost control programs maintained the highest possible level of efficiency at the producing mines while the Group continued its endeavors to build ore reserves and complete programs for future production.

Profits at the three operating mines in Chibougamau – Henderson II, Cedar Bay and Gwillim – were under constant pressure due to poor market prices for the major commodities produced, copper and gold. Nonetheless and notwithstanding the suspension of operations from August 26 to November 15, 1982 during which extended discussions with the union resulted in deferral of some cost of living allowances, the mines operated at slightly better than breakeven on a cash flow basis while maintaining all development programs for the long range plan to build reserves.

A recent development of significance is the achievement of a notable improvement in the metallurgical process. In the last fiscal quarter of 1983, 256 ounces of gold were recovered from flotation tailings which previously would have been lost. This process addition is expected to result in an overall improvement in gold recovery of 2-3% over historical flotation gold recovery in the copper/gold circuit.

Campbell was among the pioneers in developing the Chibougamau area as a major mineral center. The Company has been in production for almost 30 years during which time 20,393,000 tons of 0.048 oz. gold per ton and 1.70% copper has been produced.

Henderson II

Henderson production averaged 1,142 tons per operating day, essentially the same as the past several years. Development of new ore for immediate processing is now closely related to the recent completion of an internal winze designed to provide access to known ore at depth.

The Henderson mine is serviced by a vertical shaft to the 1975 level with the winze providing mining access to the 2720 level. The main shaft has a capacity of 2,500 tons daily and has been operating at less than half capacity pending completion of the winze and development of new ore.

Development of the new ore in the winze continued during the year. At year end the 2545 level was open for 690 feet along strike with widths varying from 7 feet to 23 feet. Grade of the ore zone at this horizon is averaging 0.06 oz. per ton gold and 2.36% copper over an average width of 13.9 feet.

Development is in progress on the 2370 level. The ore zone is similar at this horizon to the 2545 level.

A new loading pocket has been installed to permit production from a fourth new level at 2720 feet.

Cedar Bay

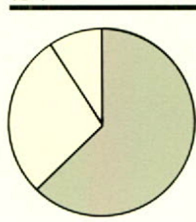
Production from the Cedar Bay gold-copper mine averaged 271 tons per operating day, the same rate as the past two years, about 50% of capacity. More ore than mined during the year was discovered and added to ore reserves. Cedar Bay has been in regular production for 26 years. Because of current increases in ore finding it is anticipated that an increase in production of about 20% will be available late in the current fiscal year.

Gwillim

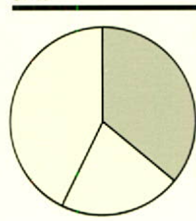
The Gwillim gold mine is developed by a decline and trackless equipment to below the 500 foot horizon. The ore is gold-silver with negligible copper and is treated in the cyanide section of the processing plant. Production averaged 276 tons per operating day during the year.

Metals and Minerals

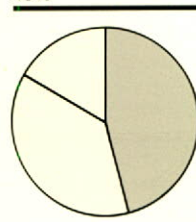
Assets:
62%

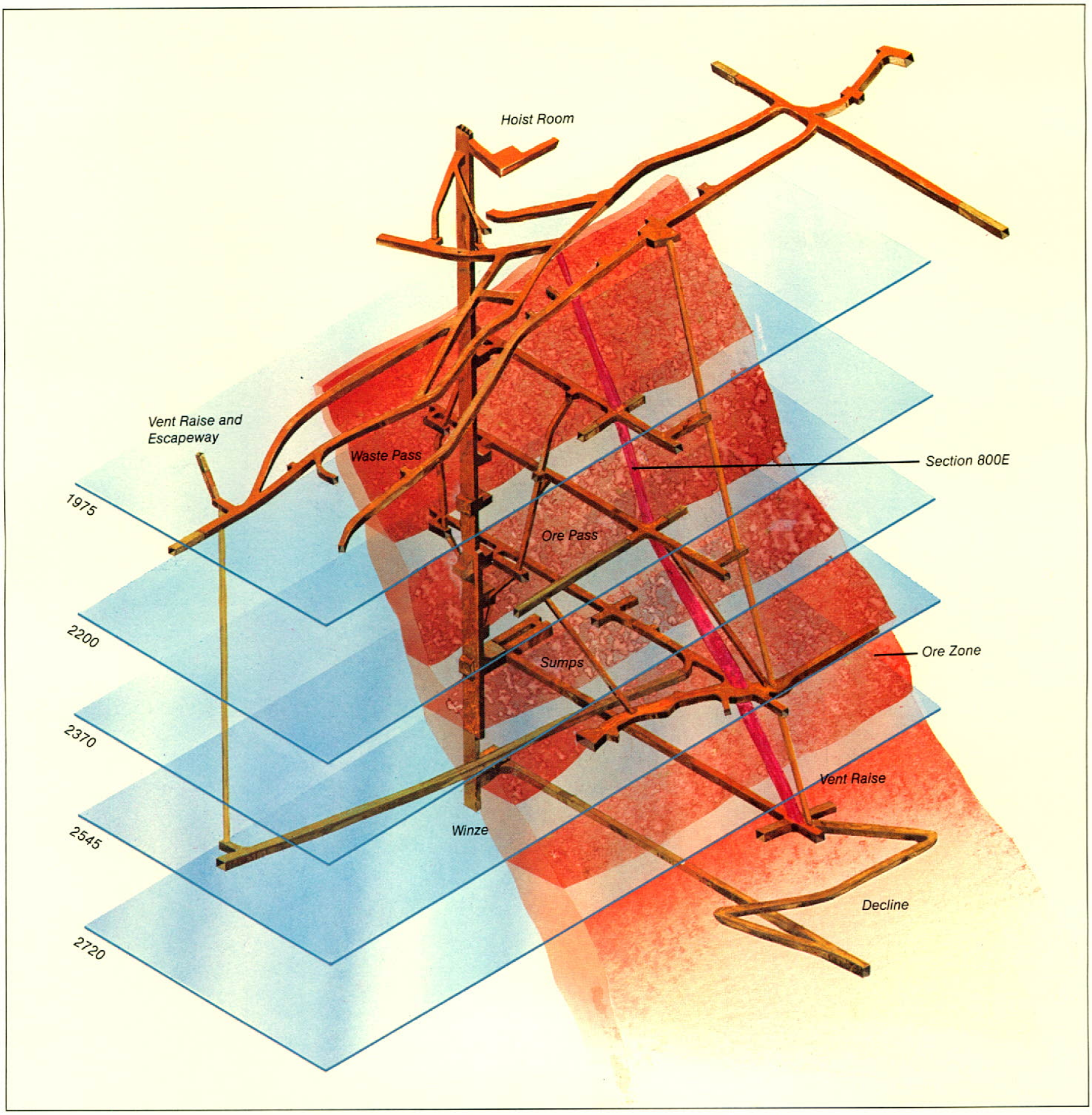


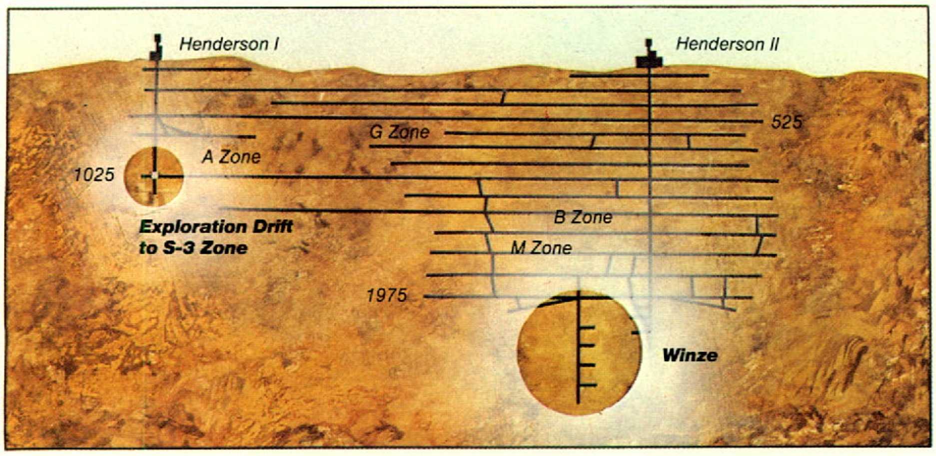
Revenue:
37%



Operating Income:
46%







Expansion of ore reserves in the Chibougamau area includes two key projects – the Henderson mine winze to reach deeper ore at the Henderson II mine (above) and the drift to open up the S-3 deposit.

Chibougamau Area: Exploration-Development

The Chibougamau ore reserve position was hampered by insufficient development in the late 1960s and early 1970s. To rectify this situation, management developed a long range exploration and development program for implementation over a five to six year period.

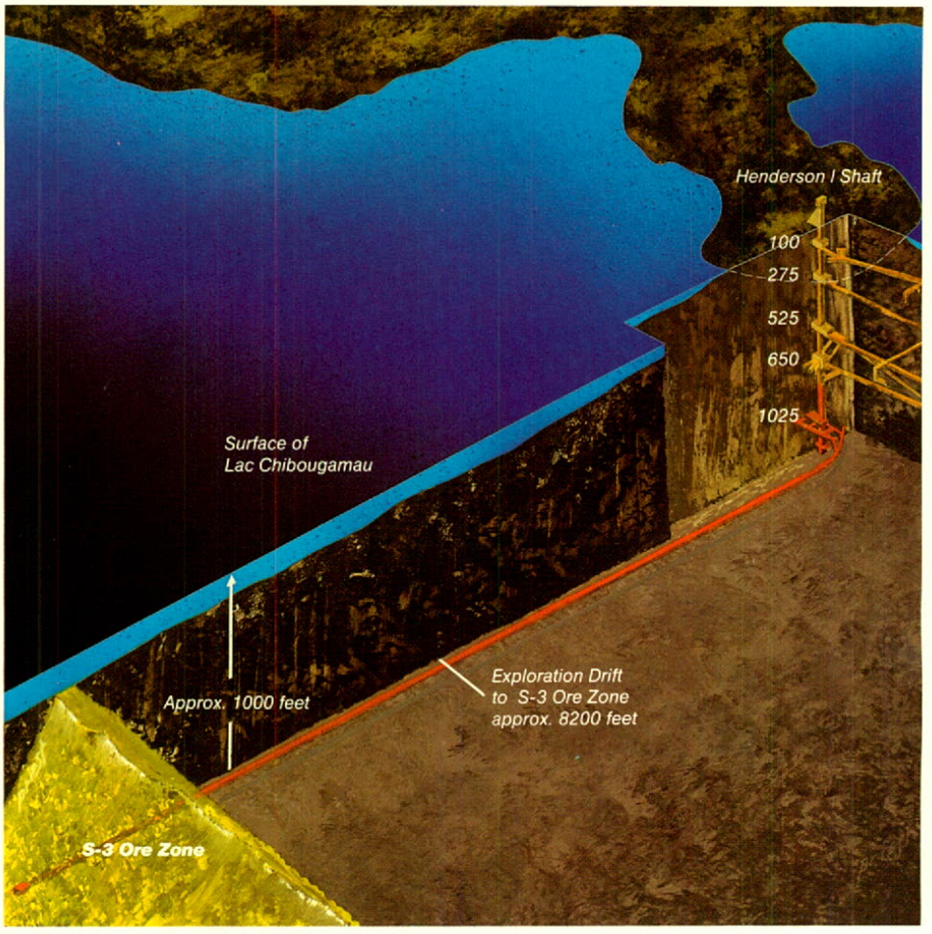
The Company is approaching the conclusion of the third year of this program which so far has seen almost $25,000,000 spent on exploration. The objective is to increase and improve reserves to allow the mill to operate at close to its full capacity of 3,500 tons per day.

Successful conclusion of this plan in 1985-1986 should permit the Chibougamau operations to produce in excess of 70,000 ounces of gold and close to 20,000,000 pounds of copper per year.

The exploration and development program encompasses two major phases:

- *☐ exploration at the existing mines which has been financed from internal sources; and*
- *☐ exploration on other properties in the area which has been financed primarily through joint ventures and the sale of "flow-through" shares to private investors who utilize the tax writeoff incentives available. For the 1983 calendar year, $10,500,000 has been obtained through use of the tax incentive exploration programs.*

Results so far have been most rewarding and place the Chibougamau operations in an excellent position to expand, given suitable metal prices.



S-3/Gold, Copper

The S-3 project in which Campbell has a 76% interest is a joint venture with Tricentrol Oils Ltd. and Norcen Energy Resources Limited.

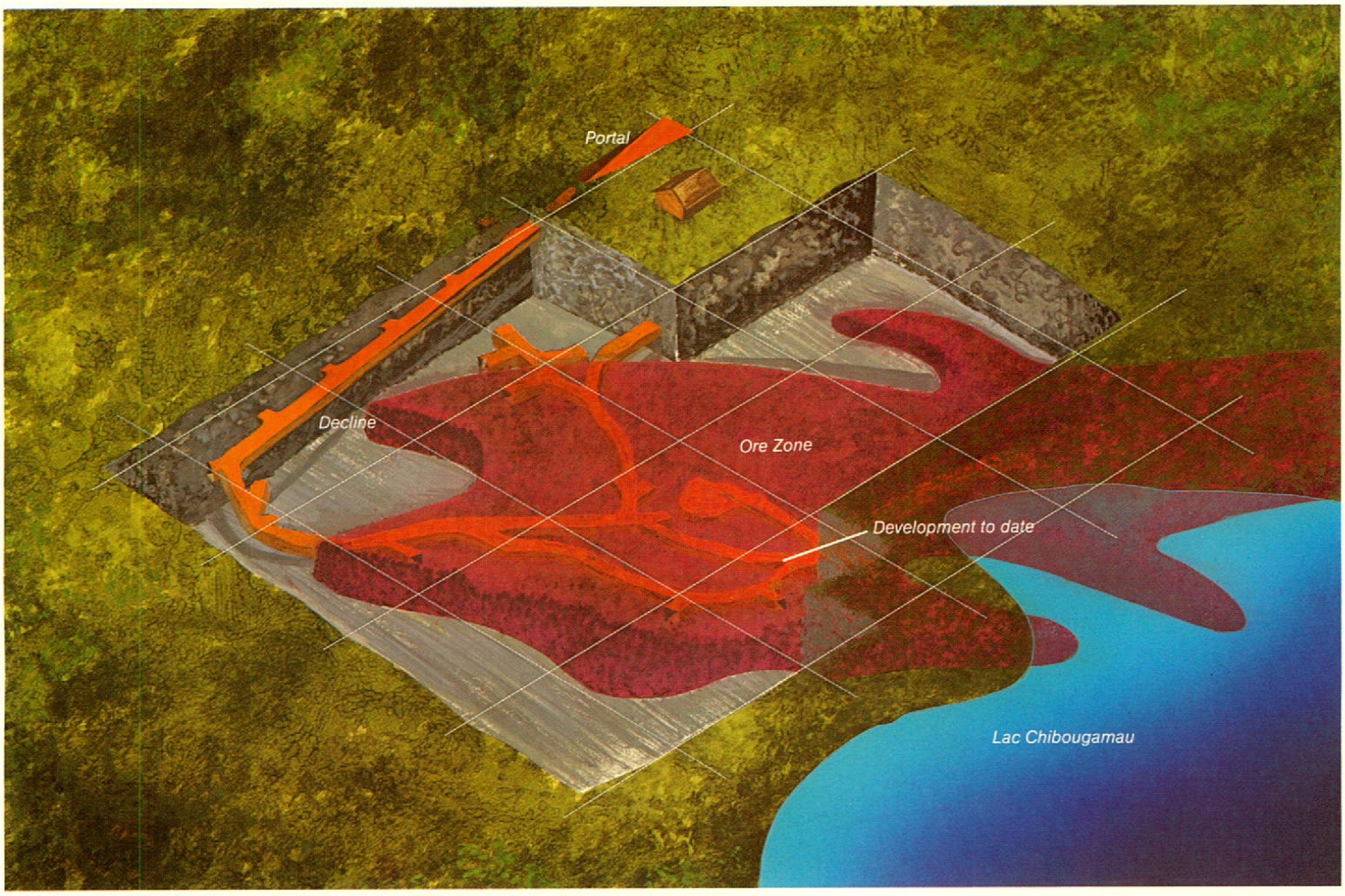
Surface drilling outlined the S-3 gold-copper deposit with a tonnage potential of 2,000,000 tons of 0.21 oz. gold per ton and 0.56% copper. This deposit lies under Lake Chibougamau, about 8,000 feet from the shaft of the Henderson I mine, one of the Company's former producers. An additional 385 feet of shaft sinking was completed early in 1982 and an access drift started at that time has now just entered the ore zone.

Preliminary assay results are confirming the surface drilling at this horizon.

An extensive underground exploration and development program from the 1025 level is currently being carried out to assess reserves and grades, to determine mining methods and metallurgical characteristics with a view to a production decision in 1984. An artificial island is under construction to provide access for a ventilation raise and manway at this stage of development of the deposit.

Metals and Minerals

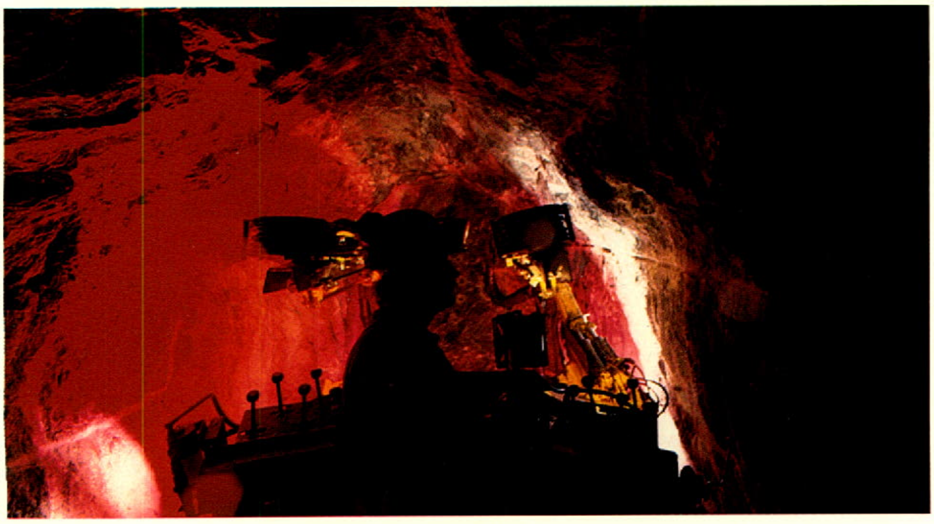
The S-3 deposit has been reached by a long drive and underground exploration is starting on the drill-indicated 2,000,000 tons averaging 0.21 oz. gold and 0.56% copper per ton.



Devlin/*Copper*
The Devlin project in which Campbell has a 45% interest covers a partially developed copper deposit situated on the south shore of Lake Chibougamau, 18 miles from the concentrator. Work completed includes underground exploration of the deposit, mine planning and metallurgical testing.

Management has chosen to place the property on stand-by to await improved copper pricing. Production of up to 1,000 tons per day can be achieved rapidly when market conditions for copper improve. The orebody contains 1,400,000 tons of 2.25% copper.

Lac Chib Project/*Gold, Copper*
The mining industry requires extensive lead times to find, develop and prepare reserves for future mining. The Devlin, S-3 and Henderson II Winze are major examples of this. The third generation of the Chibougamau camp will be assured by the Lac Chib project, a program of major magnitude to the growth of the Company. Lac Chib represents an exploration project that is designed to determine the ore bearing potential of the Lake Chibougamau



The Devlin copper deposit (above) is partially developed and is awaiting improved copper prices to be brought into production.

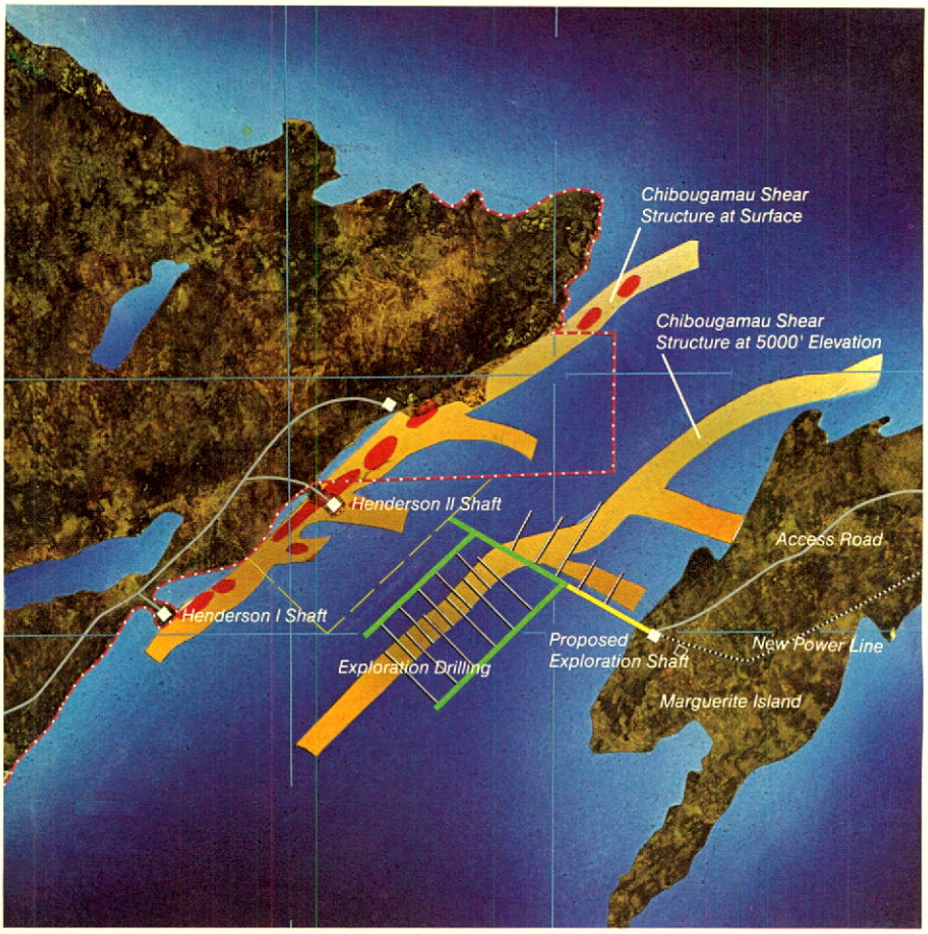
Shear Zone at depth. The objective is to establish reserves sufficient for future commercial operations for 20 years or more. The sinking of the 4500 foot exploration shaft is scheduled to start in early 1984 following the completion of an access road and power line. This zone forms part of an important geological structure which is the source of ore for several operating mines two of which belong to the Company.

The Lac Chib project has an overall estimated cost of $25,000,000 over a period of four years and will involve an exploration shaft initially to a depth of 4,500 feet on the eastern shore of Lake Chibougamau at which depth the Shear Zone will be explored by pattern diamond drilling.

Obalski/Gold, Copper
This former gold-copper producer is four miles from the Company's concentrator. In 1983, four known gold veins were explored. A decline designed to evaluate this zone to the 125 foot level has been initiated.

Gand/Gold
A 14-hole drill program has been completed on this gold prospect which is adjacent to the developing Shortt Lake gold mine. Results to date indicate several gold veins in a complex geological structure. The main vein is estimated to contain 115,000 tons grading 0.133 oz. per ton to a vertical depth of 350 feet. Although the vein is irregular, presence of wider and richer pods may permit selective mining. Mineralization is open at depth. Metallurgical test work is in progress, and site work is continuing.

Several other programs are in early stages of evaluation, some of which will lead to exciting prospects for the future.



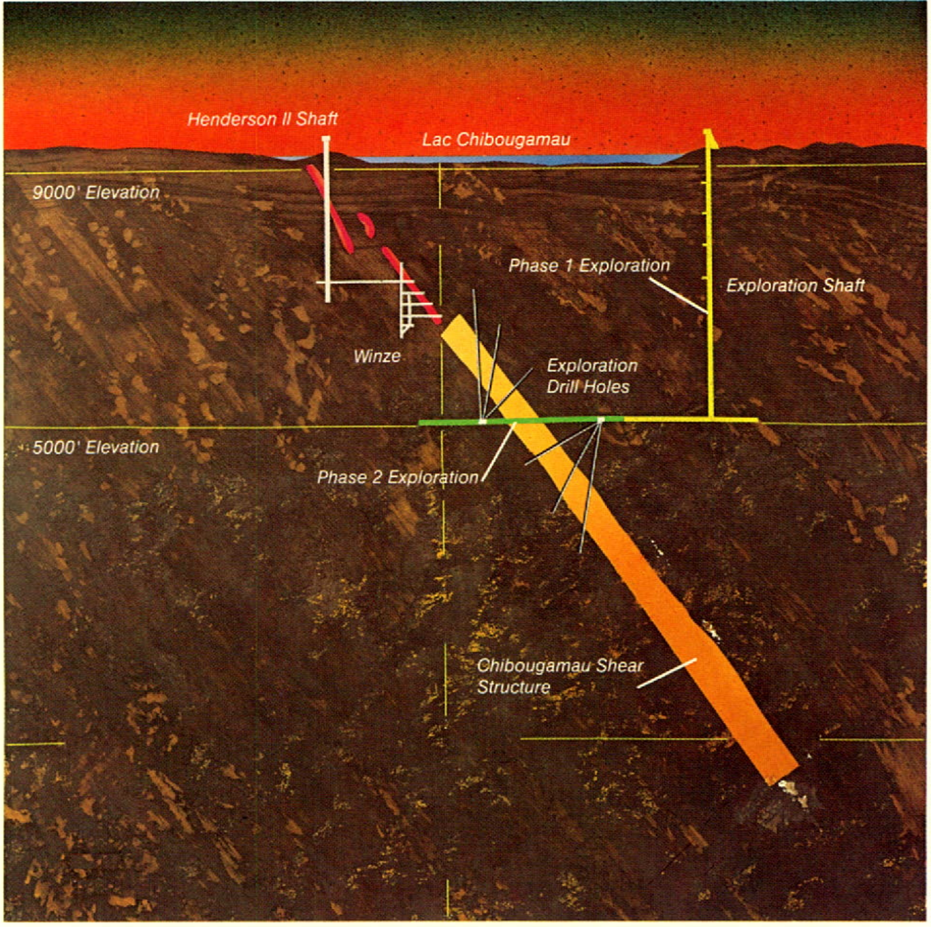
Industrial Minerals
Black Lake
Through the business combination with Mines D'Amiante United, Campbell is a participant in a joint venture on a large asbestos-producing operation at Black Lake in Quebec.

Under the joint venture arrangement which extends to the year 2051, the participation in and proceeds from can vary from year to year within a range of 50%-60% based on a formula related to proceeds from sales.

The very large Black Lake deposit has not yet been fully delineated but as of June 30, 1983, reserves were estimated at 86,391,000 tons with an average yield of 3.3% fibre mineable by open pit. The facility has a production capacity to process approximately 17,000 tons per day of asbestos-bearing ore into asbestos fibre.

Surface plan of the Chibougamau facilities (above left) showing the $25,000,000 four-year Lac Chib exploration project. The new exploration shaft to 4,500 feet will examine the ore-bearing potential at depth of the Lake Chibougamau Shear Zone, source of current production of several mines in the area.

Geology of the zones (above right) containing gold and copper in the Chibougamau district showing planned exploration at depth from the Lac Chib project.



Management of this operation is carried out by a subsidiary of Asarco Inc.

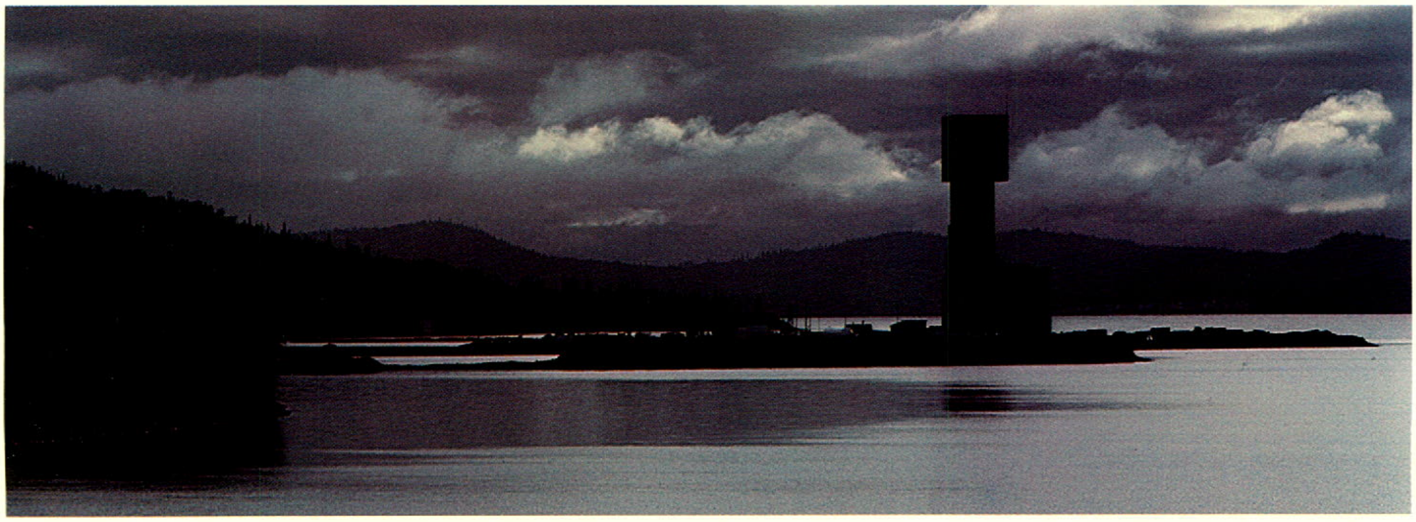
Midlothian

The Midlothian property, 100% owned, is a non-operating fully equipped asbestos site located near the town of Matachewan in northern Ontario. Currently defined reserves are estimated at 25,000,000 tons of 4.7% fibre. An additional 75,000,000 tons is inferred. The plant is being maintained pending improved industrial demand and clarification and resolution of Ontario government environmental requirements. Considerable capital will be required to retrofit, start up and operate at full capacity.

Martison

The Martison project is a joint venture with New Venture Equities Limited to explore and develop a major phosphate deposit located near Hearst in northern Ontario; this program has the potential to represent the beginning of a significant Canadian phosphate industry.

Phosphate rock is the base product in the manufacture of phosphate fertilizer. At the present time there is



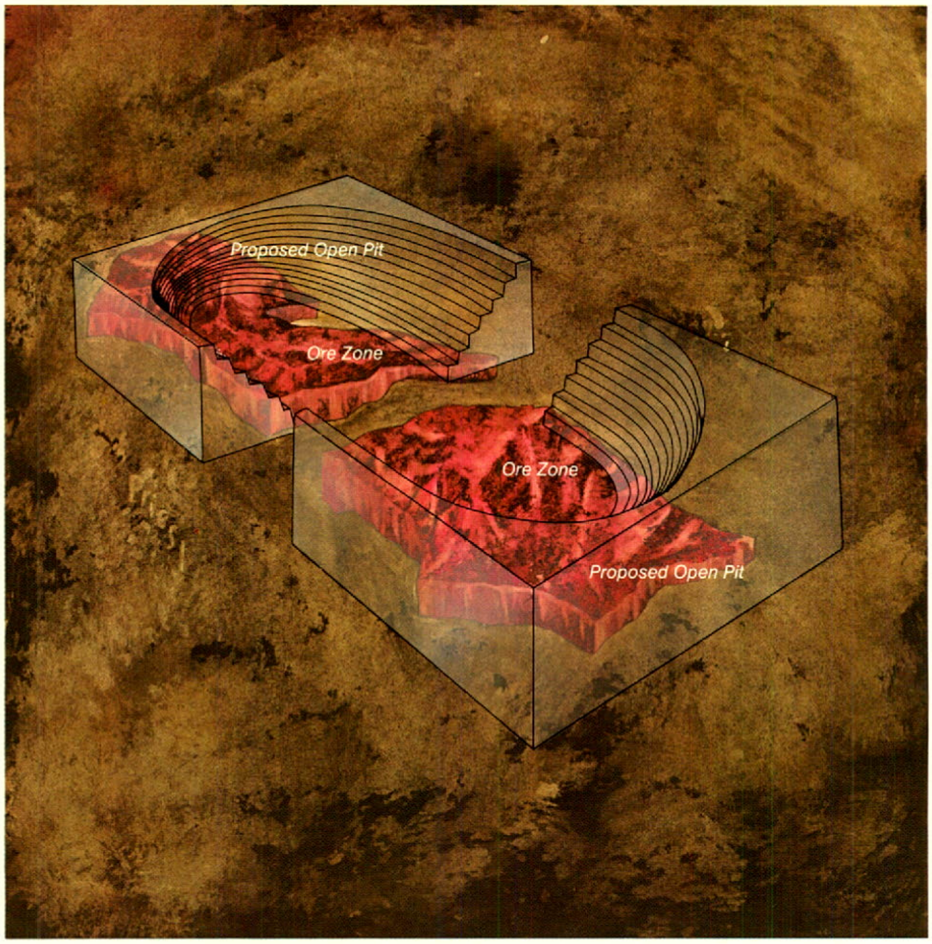
no Canadian source and 100% of this raw material is imported by some 11 fertilizer and chemical plants in Canada.

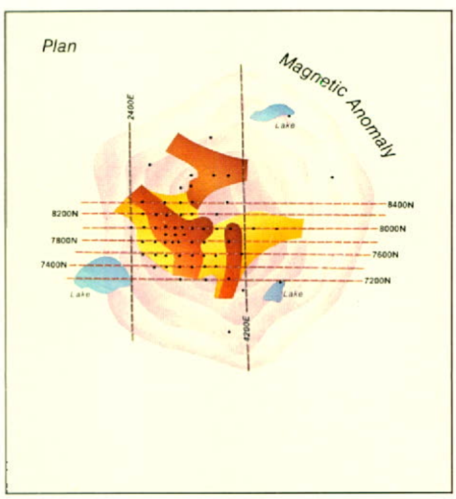
This unusual deposit is the result of chemical weathering where the inert minerals in the weathering process enriched the deposit while the soluble products washed away resulting in an above average grade raw material that can be further concentrated in a milling process to produce a prime product for sale to fertilizer producers.

Drilling during the past winter has firmed up previous drill-indicated reserves on a part of the deposit. These reserves currently total 57,000,000 tonnes grading better than 23% phosphate pentoxide, 0.4% niobium pentoxide and 0.4% rare earth oxides. This reserve base is sufficient for 20 years production at the initially proposed mining rate. The potential for the total deposit is in excess of 150,000,000 tonnes.

Work currently in progress is largely concentrating on metallurgy and mineralogy with additional drilling planned for next winter to permit open pit design.

The program planned for calendar 1984, is designed to permit an evaluation of economic feasibility of this property.





This potential large open pit is for the Martison phosphate deposit in northern Ontario. A joint venture is undertaking followup work to permit evaluation of the feasibility of initiating the first phosphate industry in Canada.

North American Exploration and Development

Consolidation of numerous holdings of the individual companies has produced a broad exploration base supporting future growth.

Several properties in Canada (outside the Chibougamau area), the United States and Mexico are well advanced and hold the potential for achieving production relatively quickly.

Exploration policy continues to emphasize acquisition and development of properties that have established targets.

A brief review of some of the more significant projects and participations follows.

Rich Gulch/Gold
A final feasibility study on this California gold property is expected to be completed by the end of calendar 1983. Drilling and feasibility evaluation are being carried out by the owner-manager, Inca Resources Inc.

Campbell has the right to earn a 51% interest in the Rich Gulch property by being responsible for bringing the property into production after the preparation and submission to Campbell of a positive feasibility study.

Some 100,000 feet of drilling is being carried out this year to develop reserves sufficient for an open pit operation.

Inca Resources recently reported calculations of proven and probable reserves of 3,300,000 tons grading 0.118 oz. gold and 0.86 oz. silver per ton, applying a cutoff grade of 0.04 oz. gold. With a cutoff grade of 0.02 oz. gold per ton, the Inca report calculates 6,882,000 tons proven and probable ore averaging 0.075 oz. gold and 0.074 oz. silver per ton.

Mascot Gold Mines Ltd./Gold
Campbell Resources holds a 76.5% interest in Mascot Gold Mines which is listed on the Toronto and Vancouver Stock Exchanges.

This public company owns the Nickel Plate gold mine in the Hedley area of British Columbia. A former producer over a 47-year period, operations ceased in 1955 when gold was US$35 an ounce. Work over the past three years has produced ore reserves totalling 500,000 tons grading 0.288 oz. gold per ton to the 450 foot horizon. Two new ore zones of higher grade have been located and current plans include definition of these and other targets to achieve a 1,000,000 ton reserve which can support a 300 tons per day milling operation.

Cerro de Oro/Gold
Cerro de Oro represents a large low-grade open pittable gold potential in the State of Sonora, Mexico.

Initial work conducted by Campbell indicated substantial free gold mineralization, and a potential in excess of 15,000,000 tons grading .05 to .06 oz. of gold per ton. Metallurgical heap leach tests indicated recoveries of the order of 75% with a relatively short leach time of 14 days, both auguring well for inexpensive, highly efficient gold recovery on this property.

An agreement has been concluded with our Mexican partners Compañía Fresnilo S.A. (as operators) and Minas Peñoles S.A. de C.V. to explore and develop the property.

Additional work over the next two years will lead to a feasibility study for an annual production of 100,000 to 125,000 ounces of gold.

Cuvier Mines Inc./Barite
Campbell entered into an operating agreement with Cuvier for the exploration and development of barite. Barite is used in drilling muds, an important requirement of the oil and gas industry. Cuvier has extensive barite prospects in Canada's Maritime Provinces, which are of interest for an increasingly active oil and gas industry off Canada's east coast.

Campbell has the right to earn a 51% interest in any of these properties by being responsible for bringing them into production after the preparation and submission to Campbell of a positive feasibility study.

Blizzard/Uranium
This deposit in British Columbia in which Campbell owns a 13.5% interest is ready to be mined when the seven-year moratorium on uranium mining is lifted by the provincial government in 1987. The deposit contains in excess of 10,000,000 pounds of uranium oxide, suitable for open pit mining.

Washington Mine/Silver, Copper, Tungsten, Molybdenum
Through a Mexican company, Cia Minera Trans-Rio S.A. de C.V., Campbell retains a 29% interest in this minesite in the State of Sonora.

This advanced project is on standby, awaiting an improvement in world metal prices. The Washington mine contains proven and probable reserves of 2,000,000 tons grading 0.38 oz. per ton silver, 1.33% copper, 0.15% tungsten trioxide and 0.08% molybdenum down to 1,400 feet below surface.

Campbell is involved in several other exploration programs, many of which will mature in the next few years.

Royex Sturgex Mining Limited
Campbell holds a 40.9% interest in Royex Sturgex the shares of which trade on the Toronto and London stock exchanges.

Through Royex Sturgex, Campbell participates in two gold mines (Cullaton Lake and Renabie) which are planning production increases to a combined annual level of 120,000 ounces from a current rate of about 80,000 ounces, and Cobra Mines, the world's largest producer of emeralds.

Sonic drill tests the Martison phosphate deposit

Cullaton Lake Gold Mines Ltd.
Royex Sturgex holds a 43% interest in Cullaton Lake the shares of which trade on the Toronto and London stock exchanges.

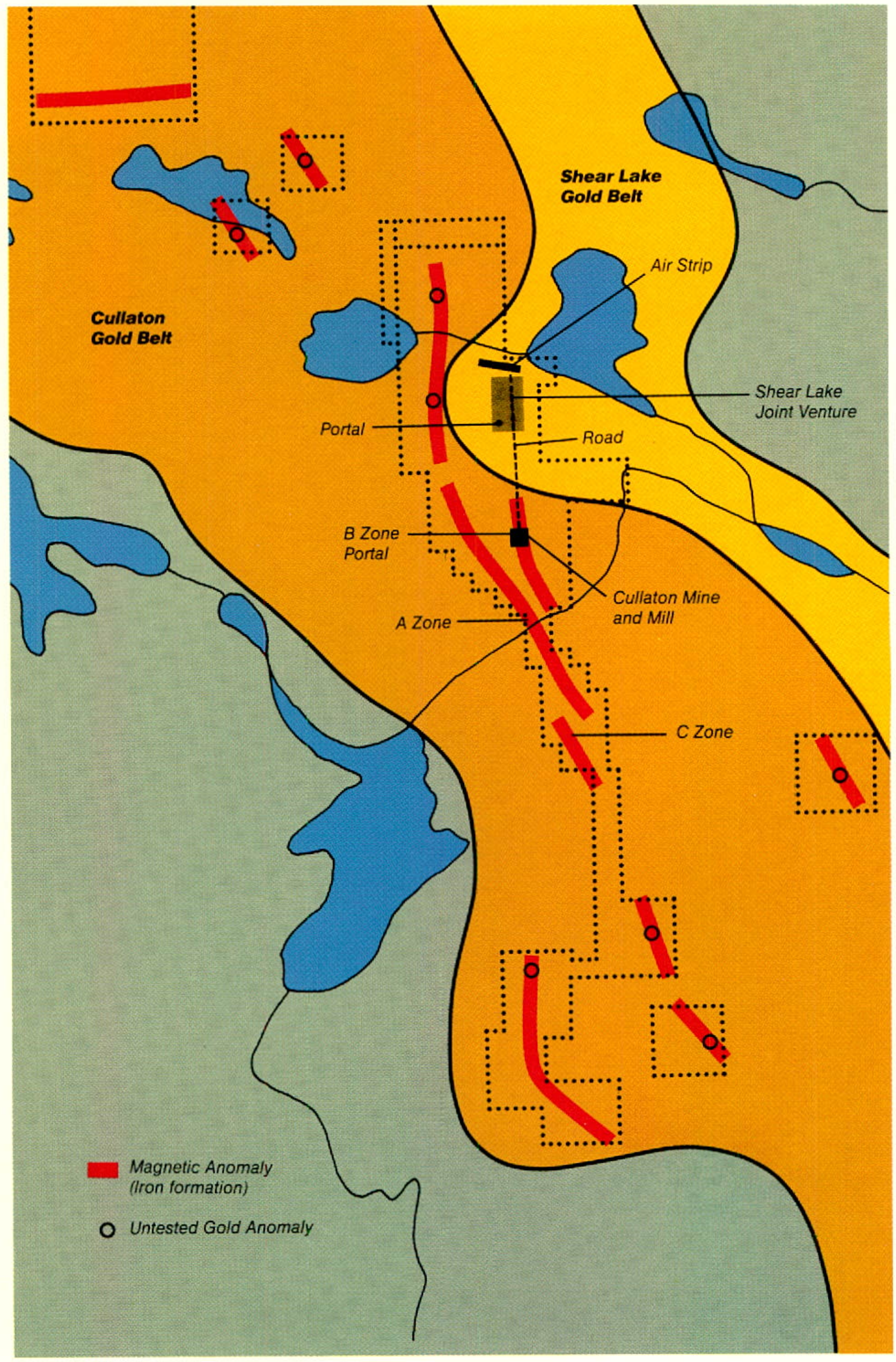
Campbell became manager of Cullaton Lake in mid-1982 when its new Northwest Territories gold mine was faced with considerable financial and technical difficulties. At that time Cullaton Lake was producing between 1,200 and 1,600 ounces of gold per month with recoveries between 60% and 80%.

By June 30, 1983, under Campbell's management, Cullaton Lake reached a production level between 3,200 and 3,800 ounces of gold per month and is achieving a significant operating cash flow; recoveries are 93 to 95% and monthly costs are considerably reduced from those a year earlier.

Originally, it was intended to improve mining operations and, over a period of years, investigate promising nearby prospects. As a result of the rapid technical improvements in the mine a decision was made earlier this year to expedite programs to build ore reserves at the mine and, at the same time, to accelerate and expand exploration and development in the surrounding areas.

The objective is to establish a reserve base in the Cullaton Lake area which would permit a decision by the end of 1984 to expand the mill to a capacity in excess of 500 tons from the present 300 tons per day.

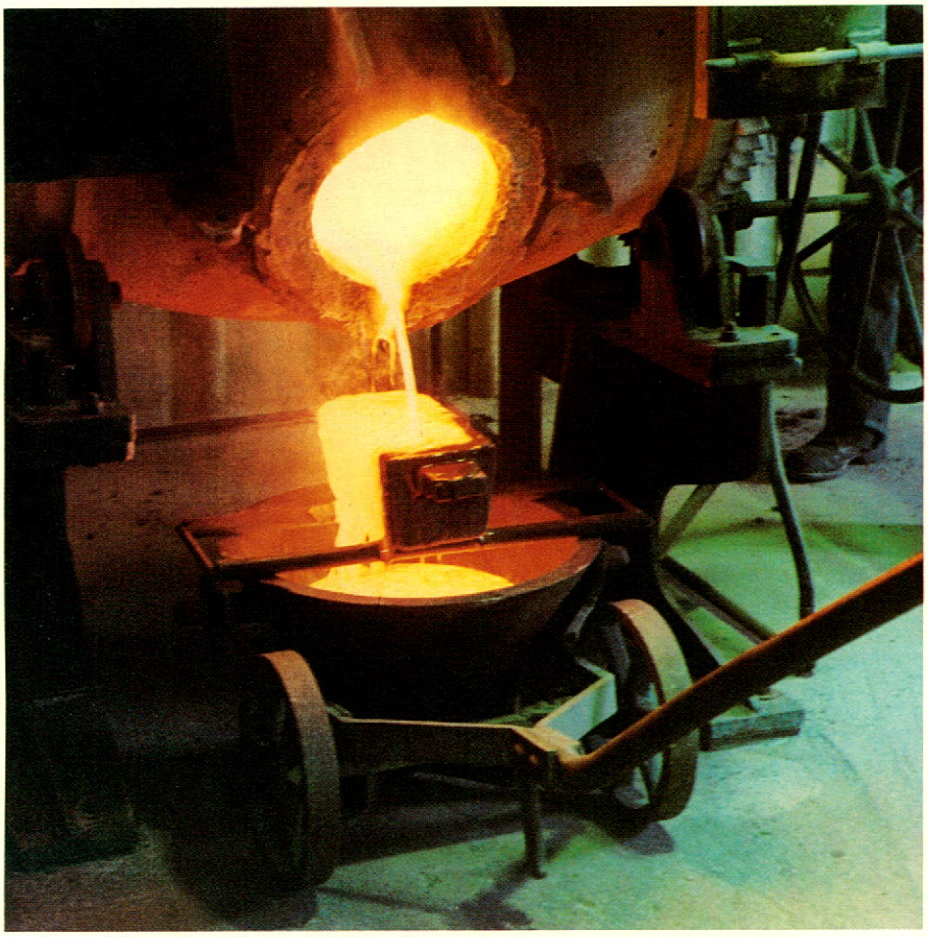
Cullaton Lake in March obtained $7,441,000 through a private placement of shares to finance this stepped-up reserve development program. The company has extensive



Metals and Minerals

Overall view of surface facilities established to bring into production the Cullaton Lake gold mine in the Northwest Territories. These facilities provide a base for further exploration and development of the extensive Cullaton Lake gold belt.

The Shear Lake property is located about three miles from the Cullaton mine and ore processing facilities. Shear Lake has the potential to become an early source of additional ore for Cullaton.



holdings and attractive targets along a 24 mile belt of favorable rock structures adjacent to and surrounding the current mine site.

A major target, the Shear Lake Property located about three miles from the Cullaton ore processing facilities, is producing very encouraging results. Drilling to date has outlined three major gold bearing zones partially tested to a vertical depth to 350 feet. The zones vary in strike length from 300 to 900 feet and are open along strike and at depth. The potential for discovering additional tonnage is excellent.

A decline has already advanced over 800 feet of a planned 1,400 feet to this orebody and it is scheduled to reach the target zone at about the 200 foot level by late fall. Detailed underground exploration will then proceed. This property holds the promise of becoming an early source of additional ore.

Renabie Mines (1981) Limited

The Renabie mine is located 70 miles north of Wawa, Ontario. It currently has the mining capacity of 550 tons of ore per day which grades 0.19 oz. of gold per ton. Renabie is being purchased jointly by Cullaton Lake and Barrick Resources Corporation. Cullaton Lake will purchase 50% for 3,141,886 common shares of Cullaton Lake. Upon conclusion of the transaction Campbell will undertake the management of Renabie with full cost recovery and an option to purchase a 10% interest in Renabie for $2.3 million.

A 30-month expansion program will result in a doubling of the productive capacity of this property such that 60,000 ounces of gold are expected to be produced. Renabie has reported proven, probable and drill-indicated reserves currently exceeding 1,750,000 tons of an average grade of 0.19 oz. of gold per ton.

Cobra Emerald Mines Limited

Royex Sturgex holds a 51% interest in Cobra Emerald which owns and operates an emerald mine at Gravelotte in the Northern Transvaal, South Africa. Monthly production of about 200,000 carats represents approximately 25% of world emerald production. Output is being increased to an initial target level of 250,000 carats per month.

Ample reserves are available to support current production. At present, four open pits are being mined.

The Gravelotte mine is reported to contain an indicated 360,000 tonnes with a recoverable grade of 5.6 grammes per ton. An additional 416,000 tonnes is classed as inferred ore and is made up of two blocks – 239,000 tonnes of 3.5 grammes average in a dormant underground mine, and 177,000 tonnes of 4.9 grammes in open pits.

Oil and Gas

The Oil and Gas Group consists of two principal segments:

☐ the current 71.8% interest in Inverness Petroleum Ltd. and

☐ the 100%-owned oil and gas assets of the former GM Resources.

The Oil and Gas Group enjoyed a record year in the 12 months to June 30, 1983 with increases in oil and gas revenues, cash flow from operations and net earnings in spite of the general slowdown in the industry.

The present organization of Campbell's oil and gas interests reflects the December 31, 1982 sale of previously wholly-owned Petroleum Reserve Corporation (PRC) to Inverness for 1,400,000 shares and $6,000,000 cash followed by the June absorption with effect from April 1, 1983, of GM Resources' oil and gas interests.

The Oil and Gas Group accounted for 28% of the assets, 21% of fiscal 1983 revenue and 37% of operating income.

Summary of Operations *year to June 30*	*1983*	*1982*	*1981*
Revenue (000)	*$19,325*	*$12,193*	*$11,004*
Oil and Gas income (000)*	*$14,580*	*$ 8,231*	*$ 7,622*
Production — before royalties			
Oil, barrels	*415,716*	*307,130*	*251,285*
Natural Gas MCF	*3,152,179*	*2,271,393*	*2,147,879*

**Before administration, interest, provisions, taxes and including pre-acquisition earnings in 1983 and 1981.*

This pump is a typical sight at western Canada's producing oil wells. Gary West, an Operations Engineer with Inverness Petroleum, inspects the equipment on an Inverness well at a discovery in the Rainbow area of northwestern Alberta.

Inverness Petroleum Ltd.

During the fiscal year, Inverness had a substantial increase in oil and gas production, reserves, and land holdings as a result of its on-going exploration and development programs as well as the acquisition of Petroleum Reserve Corporation. With the increases in United States production and reserves, cash flow is now divided approximately equally between Canada and the United States.

Daily average oil production increased 115% to 819 barrels of oil per day (BOPD). Canadian production was up 44%, due to successful exploration and development. The majority of this Canadian increased oil production qualifies for New Oil Reference Pricing.

Average production in the United States increased from 51 to 344 BOPD primarily as a result of the PRC purchase. Subsequent to year end, current daily production from both Canada and the United States is over 1000 BOPD.

Daily average gas production increased 53% to 5,083 MCFD versus 3,333 MCFD last fiscal year mainly the result of the start-up of new gas plants in Canada and the acquisition of PRC.

As a result of a financing, completed June 30, 1983 Inverness achieved a higher Canadian Ownership Rating (COR) and is now entitled to Canadian government grants under the Petroleum Incentive Program (PIP).

Inverness' corporate strategy in 1984 will see re-emphasis on oil exploration activities in Canada, in order to take advantage of the more attractive netbacks to Canadian producers. In the United States, activities are centered around ongoing development programs that have early cash flow potential.

Several oil exploration projects are underway in Alberta, Saskatchewan and Manitoba. In northwestern Alberta, a discovery well in the Rainbow area is currently producing 100 barrels of oil daily and a second exploratory well has recently been drilled and completion operations are currently underway. Inverness has a 20% interest and additional drilling planned for the 1983-84 winter season. Other exploratory oil prospects are underway in central and southern Alberta.

In southeast Saskatchewan, Inverness owns an 18.5% working interest in the Success Unit which is producing at a rate of 200 BOPD from five wells. Two extension wells to the oil pool are scheduled this fall with the potential for several other development locations. During the past year Inverness participated in the drilling of 21 wells in southern Saskatchewan 14 of which have been completed as producing oil wells.

The Company is continuing to develop drilling prospects in this area and plans to participate in the drilling of at least six additional wells this fall. New projects undertaken in Saskatchewan qualify for either royalty or tax relief for a period of a year.

In southwestern Manitoba, Inverness is assembling acreage on ten exploratory prospects.

In the United States, Inverness has participated in five producing oil wells on the Crescent prospect in Oklahoma. Additional drilling is planned on the Mills prospect in which the Company has two producing gas wells which are contracted.

Internationally, Inverness is participating with a 20% working interest in a 23,505 acre permit offshore Sicily. A 55 mile marine seismic program has recently been completed and the data is being integrated with previous data, the analysis of which will be used to evaluate potential drilling locations. This area may be on trend with major oil pools off the south coast of Italy. Inverness also has a 15% interest in an application pending for a permit in the Adriatic Sea off the east coast of Italy. Both of these international ventures are with Canada Northwest Energy Limited as operator, and are in areas of major recent oil discoveries.

G.M. Division

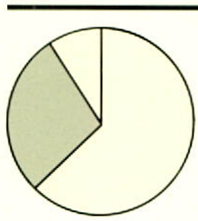
The other wholly-owned oil and gas interests to be managed by Inverness on behalf of Campbell represent the oil and gas exploration, development and production activities of the former GM Resources. These activities are carried out principally in Canada and through GM Explorations Limited in the United States. Major interests are in producing properties located in Alberta and British Columbia. Revenues from GM gas properties declined slightly during the last half of 1983 due to reduced gas export sales, but late in the year improvements became apparent.

The oil and gas group's future outlook is bright due to its experienced operating personnel and diversified reserve base and sources of production in Canada and the United States.

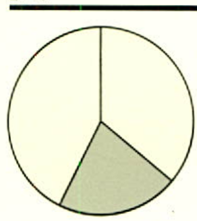
Petroleum and Natural Gas Acreage	Gross	Net
Developed	272,314	54,215
Undeveloped	1,635,624	232,867
Total	1,907,938	287,082

Oil and Gas

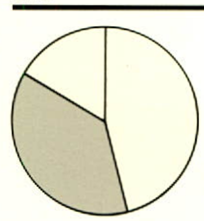
Assets: 28%

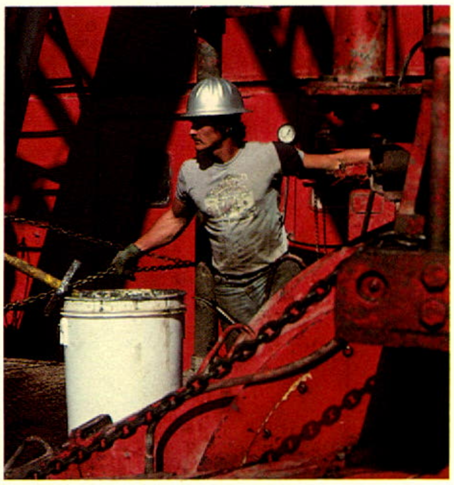


Revenue: 21%



Operating Income: 37%





A rig drilling for Inverness at Rainbow (above), offshore oil and gas projects for Inverness (left) and a roughneck on a drilling rig (right).

Coal

The consolidation of coal mining interests in the United States has been completed; fiscal 1983 was the first full year of operation under 100% ownership by Campbell.

The expanding Coal Group is now represented by:

☐ Four operating mines in Oklahoma.
☐ Three operating mines in Kentucky.
☐ A coal handling and processing tipple in Oklahoma.
☐ A coal-handling and processing facility in Kentucky.
☐ Reserves of more than 20,000,000 tons with the acquisition of Peaker Run.

Subsequent to year end Coal Corporation of America announced that agreement in principle had been reached to acquire the Peaker Run Coal Company in West Virginia. The addition of Peaker Run adds the third production division in the United States and 10,000,000 tons of reserves of clean, recoverable, high quality coal. These reserves are primarily of the strip mining category.

The Coal Group accounted for 10% of the assets, 42% of the fiscal 1983 revenue and 17% of operating income.

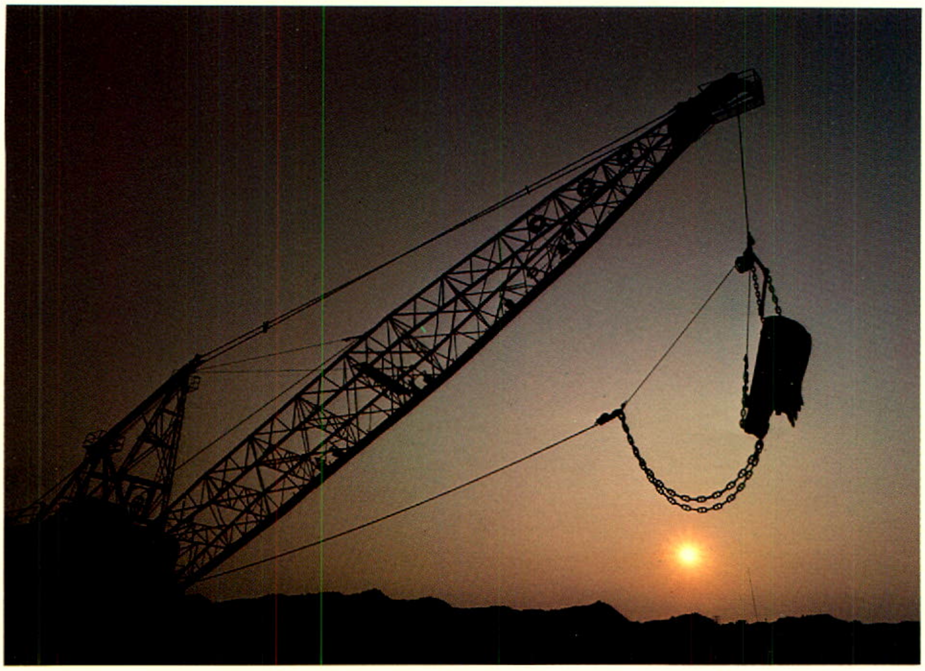
Summary of Operations *year to June 30*	*1983*	*1982*	*1981*
Revenue (000)	*$39,496*	*40,133*	*25,265*
*Coal income (000)**	*6,580*	*8,960*	*5,034*
Tons sold	*929,000*	*1,001,000*	*716,000*

** Before administration, interest, provisions, taxes and including pre-acquisition earnings in 1981.*

Planning production of coal from a hilltop site in eastern Kentucky, Ernie Bush, Supervisor of Technical Services, and Jeff Stanley, Foreman, examine a topographical map.

The Coal Group's strategy is to establish long-term supply contracts to be fullfilled from decentralized 500,000 to 1,000,000 ton per annum production companies geographically located in separate strategic areas.

At the same time, emphasis on quality and service has resulted in the Coal Group's expansion into sized or stoker coal production and sales.



Operations

Carbonex Coal Division

Carbonex operates four mines on three sites in Oklahoma. Carbonex supplies high and low sulphur coal under long and medium-term commitments as well as serving the spot market.

Sales of 468,810 tons were down 11.7% from 531,000 tons the previous year primarily due to weakness in industrial demand. Of the amount produced, low sulphur coal accounted for 250,577 tons, compared with 303,000 tons in 1982. The remaining 218,233 tons was high sulphur product. Capital expenditures were concentrated on upgrading production equipment and increasing and defining available reserves.

Shaker Coal Division

Shaker operates three mines at three different locations in Eastern Kentucky. Coal produced is medium to low sulphur and is directed primarily to the electric power generation industry. Coal sales and production from Shaker for 1983 were almost the same as in 1982 in spite of the overall market weakness for coal.

Exploration and development of additional low sulphur coal reserves is continuing at Shaker in order to be in a position to obtain additional sales as the United States economy improves. Capital expenditure programs include establishment of a fourth minesite to supply additional coal when required.

New Projects

Two new operating areas for improved marketability and movement of coal have been undertaken.

In Oklahoma, a coal handling and processing facility, the **Chelsea Tipple Company**, located on the Burlington Northern Railroad will allow for processing of coal being mined in the area. This coal can be shipped over the Burlington Northern system and other connecting rail lines.

In Kentucky, the newly-formed **American Processed Coals Division** will operate a facility to produce and sell stoker products and crushed run-of-mine coal. This project is expected to process 130,000 tons in the current fiscal year with additional tonnage anticipated as market conditions improve.

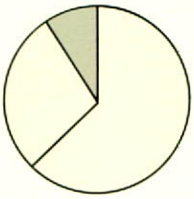
The addition of Peaker Run Coal Company with its excellent reserve base of 10,000,000 tons of recoverable coal in thick seams will further prepare the Coal Group for the anticipated improvement in the economy.

Outlook

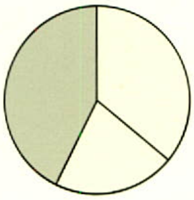
The outlook is for a substantial increase in sales and production, possibly exceeding 30% with slight firming of prices in the second half of the forthcoming fiscal year. Combined production and sales are expected to rise above 1,300,000 tons. With improvement back to prior years' levels in the export market due to the much heralded weakening of the United States dollar, the group could operate at full capacity of 2,000,000 tons per annum allowing for the most profitable operations.

Coal

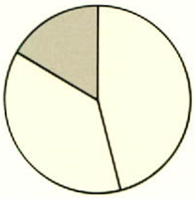
Assets:
10%



Revenue:
42%



Operating Income:
17%



Giant drag line for strip coal mine (top left), coal stored for shipment (above) and a reclaimed coal site of award-winning Shaker Coal (left)

(All references to years in the following discussion are to fiscal years and amounts are stated in accordance with accounting principles generally accepted in Canada. Differences between Canadian and United States generally accepted accounting principles are discussed in note 21 to the financial statements. Operating profits are stated before administration, interest, taxes and pre-acquisition earnings where applicable.)

Results of Operations

The operating results are, in part, reflective of the major reorganization in the past year whereby Campbell Resources Inc., Les Ressources Camchib Inc., GM Resources Limited and Mines D'Amiante United Inc. combined to create a new Campbell Resources Inc. effective April 1, 1983.

To facilitate comparison of 1983 to subsequent years, the operating results of the acquired entities, GM Resources and United, have been fully consolidated in the statement of income with appropriate deductions for pre-acquisition earnings. Operating results of Camchib had been fully consolidated prior to 1983.

Income before extraordinary items of $2,057,000 showed improvement from a loss of $281,000 in 1982 as restated for the change in accounting for repairs and maintenance for a coal subsidiary. Given depressed metal and coal prices these results are not unsatisfactory, particularly as 1983 contained certain non-recurring costs in excess of those that were capitalized due to the reorganization. Income before extraordinary items was $3,187,000 in 1981.

Operating revenue was negatively impacted by reduced selling prices and production due to depressed economic conditions, particularly in the world metals industry. Operating expenses were monitored closely throughout the year. After adjusting for Campbell's share of net proceeds from the Black Lake operation, which were included for the first time in 1983, operating expenses as a percentage of revenue were 79% for 1983, compared to 78% in 1982 and 70% in 1981. The significant increases in general administration and interest costs over the years and particularly in 1983 reflect the growth of assets under administration following significant acquisitions and exploration and development activities over the past three and a half years. Notwithstanding the difficult conditions facing the Company, funds from operations before interest and taxes were $23,097,000 in 1983 as compared to $17,705,000 in 1982 and $14,065,000 in 1981. The Oil and Gas Group results were very encouraging with revenues, funds from operations and operating profits at record levels despite a general slowdown in the industry. Interest and other income in 1983 increased significantly over the two prior years resulting from a dividend received of $1,000,000 and increased management fees. Interest earned and income from rentals of equipment in 1983 approximated 1982 and 1981 levels.

Significant gains on the sale of investments of $7,211,000 less related taxes of $2,166,000 (1982 and 1981 nil) arose as a result of the sale of the Cullaton Lake common and preferred shares as described in notes 9 and 20 to the financial statements.

Significant tax benefits are available in the form of tax losses carried forward. As these have not been recognized for accounting purposes, they will have a positive impact on future years' net income when realized.

If the reorganization had occurred at the beginning of 1983, net income would have been increased by $1,764,000. After providing for preferred dividends for the full year, a reduction of 16¢ in earnings per share would have resulted.

The contribution of each of the three operating groups is discussed below.

Metals and Minerals
Revenue from the Metals and Minerals Group increased 42% in 1983 as compared to 1982 which decreased 17% from the 1981 level. The increase in 1983 was due to the direct inclusion of United revenues in 1983 for the first time. Copper, gold and silver quantities sold in 1983 decreased compared to 1982 and 1981. This decrease resulted from a combination of the depressed world prices for metals as well as the interruption of the Chibougamau operations during the period August 26 through November 15, 1982. Operating expenses have been monitored closely and, despite the adverse conditions, the overall metals operations achieved breakeven on a cash flow basis. Operating profits of $7,284,000 in 1983 show a turnaround from the loss of $667,000 in 1982 due to the contribution from the Black Lake operation.

Coal
Sales tonnage of coal was 7% below 1982 levels. In 1983, the depressed prices for spot coal and new contract tonnage resulted in the decision to reduce production to orders offering a reasonable margin. In 1982, sales tonnage of coal increased 40% compared to 1981 and in addition the average selling price increased by 14%. Operating profits fell to 6% of sales in 1983 compared to 9% in 1982 and 1981.

Oil and Gas
The Oil and Gas Group had a record year in 1983. Revenue increased 59% in 1983 compared to 1982 which was 11% greater than 1981. The 1983 increase was due in part to internal growth and to the addition of GM Resources. Operating profits almost doubled over 1982 and 1981 levels. The addition of GM Resources contributed $4,704,000 to revenues and $2,310,000 to operating profits in 1983.

Liquidity and Sources of Capital
As at June 30, 1983 working capital amounted to $10,420,000, an increase of $7,133,000 from a year earlier. The increase can be attributed in part to the working capital acquired on the reorganization, to a reclassification of investments pending disposal and to a portion of the proceeds realized by subsidiaries on the issue of shares.

Acquisitions of $50,989,000 were largely funded by the issues of capital stock. Expenditures on natural resource properties were funded by a combination of positive funds flow from operations, by issues of capital stock and borrowings and by funds from other sources. Acquisitions of $50,989,000 are stated net of working capital acquired of $12,870,000 and debt assumed of $33,020,000.

The purchase of shares in Cullaton Lake of $11,973,000 and in Royex Sturgex of $22,400,000 were largely financed by the proceeds on sale of investments of $27,403,000 and by the proceeds on the sale of Inverness shares of $5,151,000.

The balance of the proceeds on the issue of shares by subsidiaries not applied to working capital was used to retire debt.

The 1982 expenditures on natural resource properties and purchases of shares were financed in part through funds generated from operations with the balance provided from working capital, raised through net borrowings and issues of capital stock. In 1981 expenditures on natural resource properties were financed in part through funds generated from operations and the balance by the sale of treasury shares.

The liquidity of the company is considered adequate. The uncertainty as to the duration of the economic recession and the impact it has had on prices for metals and coal are a continuing concern. As at June 30, 1983, the Company had unused lines of credit of $14,000,000 and is currently putting in place additional lines. The Company has no material capital commitments. The operating groups are well positioned to increase production to take advantage of improvements in the economy. Further improvement will be dependent on the outcome of the exploration program and on prices received for metals, oil and gas and coal.

Impact of Inflation
Campbell's financial statements reflect many aspects of inflation such as higher labour, material and energy costs. Although in the resource industry reserves can provide a significant hedge against inflation, selling prices are influenced by international events, government decisions and changing market conditions and consequently may be more or less than general inflation.

Other
Under accounting principles generally accepted in Canada, the Company is required to adopt the Recommendations of Section 1650, of the CICA Handbook, Foreign Currency Translation, in fiscal 1984. The Recommendations of Section 1650 are similar to those of FASB Statement No. 52 in the United States and adoption in 1984 is not expected to have a material impact on the results of operations or the financial position of the Company. No decision has been made on whether adoption of Section 1650 will be made retroactively or prospectively.

Charts have been provided in the discussion of activities of each operating group to assist the reader in reviewing the Company's results of operations and financial position.

Consolidated Balance Sheet

(in thousands of Canadian dollars)
as at June 30

Assets	1983	1982
	(note 4)	(restated) (note 3)
Current assets		
Cash and short-term investments	$ 10,067	$ 1,938
Receivables	19,880	14,152
Inventories (note 7)	6,541	8,335
Share of unsold production	4,417	—
Supplies, deposits and prepaid expenses	4,491	4,632
Income taxes recoverable	—	1,196
Total current assets	45,396	30,253
Investments (note 9)	30,016	28,131
Natural resource properties		
Metals and minerals	153,688	30,000
Coal	22,769	22,351
Petroleum and natural gas	76,841	59,323
	253,298	111,674
Deferred financing and other charges	4,758	1,099
	$333,468	$171,157

Approved by the Directors:

Ned Goodman, Director

Richard L. Lister, Director

Liabilities and shareholders' equity	1983	1982
	(note 4)	(restated) (note 3)
Current liabilities		
Bank indebtedness (note 11)	$ 4,895	$ 3,978
Accounts payable and accrued liabilities (note 12)	19,783	18,840
Current portion of long-term bank loans and other debt	9,711	3,596
Income taxes and mining duties payable	587	552
Total current liabilities	34,976	26,966
Long-term bank loans and other debt (note 13)	50,511	22,632
Convertible debentures (note 14)	25,000	25,000
Deferred income taxes and mining duties (note 17)	39,033	5,206
Minority interests (note 15)	33,542	14,092
Shareholders' equity (note 15)		
Capital stock	118,059	51,656
Retained earnings	32,347	38,256
	150,406	89,912
Less the Company's pro rata interest in its own shares held by Camchib Resources Inc. (note 5)	–	12,651
	150,406	77,261
Commitments and contingencies (notes 8, 10, 19, and 20)		
	$333,468	$171,157

See notes to consolidated financial statements

Auditors' Report

To the Shareholders of Campbell Resources Inc.

We have examined the consolidated balance sheet of Campbell Resources Inc. as at June 30, 1983 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. The consolidated financial statements of Campbell Resources Inc. ("Campbell" – Note 4) as at June 30, 1982 and for each of the two years then ended before the restatement for the adjustments described in Note 3 to these financial statements, were examined by other auditors whose report dated August 18, 1982, expressed an unqualified opinion on those financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at June 30, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in Canada applied on a consistent basis after restatement of the financial statements for 1982 to give retroactive effect to the change, with which we concur, as a result of adopting a uniform basis of accounting for the costs of repairs and maintenance by the Company's wholly-owned coal subsidiaries as described in Note 3 to these financial statements.

We have also reviewed the adjustments described in Note 3 that were applied to restate the 1982 consolidated financial statements. In our opinion, such adjustments were appropriate and have been properly applied to the 1982 statements.

Ernst & Whinney

Chartered Accountants

Toronto, Canada
August 31, 1983

Consolidated Statement of Income

(in thousands of Canadian dollars except for per share information)
Year ended June 30

	1983	1982	1981
	(note 4)	(restated) (note 3)	
Revenue:			
Metals and minerals (note 8)	$ 34,137	$ 24,026	$ 28,997
Coal	39,496	40,133	25,265
Petroleum and natural gas	19,325	12,193	11,004
Interest and other income	4,502	2,841	2,422
	97,460	79,193	67,688
Operating expenses:			
Metals and minerals	15,757	20,868	20,031
Coal	32,916	31,173	20,231
Petroleum and natural gas	4,745	3,962	3,382
General administration	9,415	5,558	3,873
	62,833	61,561	47,517
Operating income before undernoted items	34,627	17,632	20,171
Interest:			
Long-term borrowings	11,679	4,917	2,816
Other	593	2,003	1,495
	12,272	6,920	4,311
Depreciation, depletion and amortization:			
Metals and minerals	11,096	3,825	4,012
Coal (note 3)	4,327	5,256	2,736
Petroleum and natural gas	6,418	3,916	3,130
	21,841	12,997	9,878
	34,113	19,917	14,189
Income (loss) before undernoted items	514	(2,285)	5,982
Share of earnings of Mines D'Amiante United Inc.	—	1,713	424
Gain on sale of investments (notes 9(a) and 20(e))	7,211	—	—
	7,725	(572)	6,406
Provision for (recovery of) income taxes and mining duties (note 17)	3,593	(732)	1,234
	4,132	160	5,172
Minority interests and, in 1983 and 1981, pre-acquisition earnings of majority-owned companies	(2,075)	(441)	(1,985)
Income (loss) before extraordinary items	2,057	(281)	3,187
Extraordinary items (note 18)	(1,049)	232	10,422
Net income (loss) for year	$ 1,008	$ (49)	$ 13,609
Earnings (loss) per share (note 16):			
Before extraordinary items	$ 0.24	$ (0.05)	$ 0.74
Net income (loss)	$ 0.12	$ (0.01)	$ 3.14

See notes to consolidated financial statements

Consolidated Statements of Contributed Surplus and Retained Earnings

(in thousands of Canadian dollars)
Year ended June 30

	1983	1982	1981
	(note 4)	(restated) (note 3)	
Contributed surplus			
Balance at beginning of year		$ 33,477	$ 8,622
Excess of amounts received for, or ascribed to, issues of common shares over par value thereof		10,449	24,855
		43,926	33,477
Reclassification to capital stock resulting from capital reorganization		43,926	–
Balance at end of year		$ –	$ 33,477
Retained earnings			
Balance at beginning of year (note 3)	$ 38,256	$ 38,533	$ 24,924
Net income (loss)	1,008	(49)	13,609
	39,264	38,484	38,533
Cost associated with issue of preference shares (note 10)	(365)	–	–
Company's share of loss incurred by Camchib Resources Inc. on disposition of Company shares (note 5)	(596)	(228)	–
Allocation on cancellation of the Company's pro rata interest in its own shares held by Camchib Resources Inc. (note 4)	(5,956)	–	–
Balance at end of year	$ 32,347	$ 38,256	$ 38,533

See notes to consolidated financial statements

Consolidated Statement of Changes in Financial Position

(in thousands of Canadian dollars)
Year ended June 30

	1983	1982	1981
	(note 4)	(restated) (note 3)	
Source of funds			
Operations:			
Operating income before interest and depreciation, depletion and amortization	$ 34,627	$ 17,632	$ 20,171
Add (deduct):			
Interest	(12,272)	(6,920)	(4,311)
Recovery of (provision for) current income taxes and mining duties	(218)	552	(76)
Pre-acquisition operating income of majority-owned companies before non-cash charges	(11,796)	—	(6,106)
Other	266	73	—
Funds from operations	10,607	11,337	9,678
Issues of capital stock (note 15)	71,792	11,881	—
Net proceeds from issue of long-term bank loans and other debt	11,862	22,630	—
Net proceeds from issue of convertible debentures	—	18,215	—
Issues of shares by majority-owned companies	14,403	947	20,062
Net proceeds on sale of Inverness shares	5,151	—	—
Sale of treasury shares to Camchib Resources Inc.	—	—	14,000
Proceeds on sale of investments	27,403	—	—
Proceeds on sale of capital stock held by Camchib Resources Inc.	2,662	—	—
Other	173	946	(142)
	144,053	65,956	43,598
Application of funds			
Expenditures on natural resource properties (note 6 (b))	30,951	30,280	18,266
Purchase of shares in and advances to:			
Cullaton Lake Gold Mines Ltd.	11,973	—	—
Mines D'Amiante United Inc.	—	12,169	9,405
Royex Sturgex Mining Limited	22,400	—	—
Other (net)	184	1,502	370
	34,557	13,671	9,775
Deferred reorganization and financing costs	2,128	—	—
Purchase of shares of majority-owned companies	63,859	14,224	5,929
Less working capital acquired	(12,870)	—	(500)
Redemption of shares by majority-owned company	842	166	378
Reduction in long-term bank loans and other debt	17,453	12,865	10,967
	136,920	71,206	44,815
Increase (decrease) in working capital	$ 7,133	$ (5,250)	$ (1,217)

	1983	1982	1981
	(note 4)	(restated) (note 3)	
Changes in components of working capital			
Increase (decrease) in current assets:			
Cash and short-term investments	$ 8,129	$ (6,065)	$ 6,618
Receivables	5,728	2,445	8,168
Inventories	(1,794)	967	2,135
Share of unsold production	4,417	—	—
Supplies, deposits and prepaid expenses	(141)	(626)	(244)
Income taxes recoverable	(1,196)	1,196	—
	15,143	(2,083)	16,677
Increase in current liabilities:			
Bank indebtedness	917	937	2,575
Accounts payable and accrued liabilities	943	2,050	11,431
Current portion of long-term bank loans and other debt	6,115	180	3,336
Income taxes and mining duties payable	35	—	552
	8,010	3,167	17,894
Increase (decrease) in working capital	7,133	(5,250)	(1,217)
Working capital at beginning of year	3,287	8,537	9,754
Working capital at end of year	$ 10,420	$ 3,287	$ 8,537

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

Year ended June 30, 1983
(amounts stated in Canadian dollars)

1. General

The Company is incorporated under the Canada Business Corporations Act (see Note 4) and is engaged in exploration for and mining of metals and minerals, coal mining, and exploration for and production of petroleum and natural gas.

2. Summary of Significant Accounting Policies

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada which, except as described in Note 21, conform in all material respects with accounting principles generally accepted in the United States. A summary of significant accounting policies is set out below.

Basis of Consolidation and Accounting for Investments:

The consolidated financial statements include the accounts of the Company and the following companies in which majority share ownership is held:

	Effective Ownership at June 30, 1983	
Camchib Mines Inc. ("Camchib Mines")	100.0%	
Skye Resources Ltd. ("Skye")	100.0	(i)
Inverness Petroleum Ltd. ("Inverness")	67.6	(ii)
Coal Corporation of America, Inc. ("Coal Corporation")	100.0	(ii)
CCH Minerals Ltd.	100.0	(i)
Giant Mascot Explorations Limited	100.0	
Mascot Gold Mines Limited	76.5	
GM Explorations Limited	100.0	

(i) held through Camchib Mines
(ii) held through Skye

Changes in the Company's investments in majority-owned companies are set out in Notes 4 and 5.

Prior to fiscal 1983, the Company accounted for its investments in Mines D'Amiante United Inc., in which it had significant influence, on the equity basis. Short-term investments are carried at the lower of cost or market. Other investments are carried at cost.

Inventories:

Inventories are valued at the lower of cost (first-in, first-out basis) and net realizable value. The cost of metals in process includes direct labour, supplies consumed and the proportion of administrative expenses (approximately $349,000 at June 30, 1983 and $376,000 at June 30, 1982) that relates to mining operations, but does not include depreciation, depletion and amortization of related mining assets. The cost of coal inventories includes direct labour and supplies consumed.

Share of Unsold Production:

Included in metals and minerals revenue are the net proceeds from the Black Lake property which, under agreement, is operated by Lac d'Amiante du Quebec, Ltée. ("LAQ"). The share of unsold production is the amount withheld by LAQ from the Company's share of net proceeds pending sale of inventory.

Depreciation, Depletion and Amortization:

(i) Metals and Minerals Group

Depletion is provided on metal mining properties at a rate per ton milled based on economically recoverable proven and probable ore reserves related to the property. Depreciation of mine buildings and equipment is provided largely on the straight-line basis at a 6% annual rate. Development costs are deferred and charged against income at a rate per ton milled based on economically recoverable proven and probable ore reserve tonnages on a mine-by-mine basis.

Black Lake mining assets are recorded at cost and represent the unamortized balances of the Company's interest in the cost of certain fixed assets which by agreement are deductible in the determination of net proceeds from operations; amounts contributed by the Company out of its share of net proceeds for the fixed assets and preproduction expenditures originally paid for by LAQ; the Company's interest in deferred development, which has been charged by LAQ against current operations of the respective years in which they were incurred, the benefits of which will, in the opinion of the directors of the Company, accrue over the life of the mine; and the Company's own expenditures of the preproduction period.

Amortization of these deferred charges has been provided in the statement of income based on the estimated life of mining operations. Preproduction expenditures and deferred development costs are being amortized at average rates on the basis of tons of fibre shipped. Capital expenditures charged against the Company's share of net proceeds are amortized on a straight-line basis over the estimated useful lives of the assets.

Assets of the Midlothian mine, which has been closed since 1977, are recorded at cost. Cost comprises the amount allocated to the mine on the acquisition of United in fiscal 1983 plus subsequent capital expenditures including applicable interest. The amortization of capitalized costs will commence at such time as the mine comes into commercial production. Buildings, machinery and equipment located on the mine site are recorded at cost and when commercial production is achieved will be depreciated on a straight-line basis over their useful lives. Certain items of automotive and office equipment, currently being utilized, are being depreciated on a straight-line basis over their expected useful lives.

Metals and minerals group mining exploration expenditures are deferred by specific project or project area and are written off in the year the project or project area is abandoned.

(ii) Coal Group

Expenditures for coal leases and related development costs are capitalized and amortized using the unit-of-production method based upon estimated recoverable tonnage. Depreciation of coal mining property, plant and equipment is provided largely on the straight-line basis at annual rates from 5% to 33⅓%. The value ascribed to Coal Corporation's coal sales contract, which expires in 1989 (see Note 5(d)) is being amortized on the basis of contracted sales tonnage.

(iii) Petroleum and Natural Gas Group

The Company follows the full cost method of accounting for petroleum and natural gas activities. Under this method, all costs related to the acquisition of, exploration for and development of petroleum and natural gas are capitalized. Such costs include land and lease acquisition costs, geological and geophysical expenditures, carrying costs on undeveloped properties and the costs of drilling, completing and equipping successful and unsuccessful wells net of claims receivable under government assistance programs. Costs are accumulated on a country-by-country basis and depleted by the unit-of-production method based on estimated proved reserves of oil and gas in each country or are charged to earnings if activities in a country are determined to be unsuccessful.

Costs of acquiring and evaluating significant unproved properties are excluded from depletable costs until a determination of proved reserves attributable to the properties is made.

Gains or losses on disposition or surrender of petroleum and natural gas interests are not recognized except under circumstances where there is a significant disposal of reserves.

Recognition of Metals Revenue:

The sales of metals processed through the flotation circuit at Chibougamau are recorded in income three months after arrival of the concentrate at the custom smelter which is the normal time required to smelt, refine and sell the metals contained in the concentrate. The sales of metals produced through the cyanide circuit, all of which are precious metals, are recorded in income when the metals are poured at the main mine site.

Income Taxes and Mining Duties:

The tax allocation method of accounting for income taxes and mining duties is followed. On this basis, deferred income taxes and mining duties arise as a result of timing differences between accounting income and income for tax and mining duty purposes. Such differences are principally attributable to depreciation, depletion and exploration and development allowances.

Investment tax credits are included in income in the period realized.

Foreign Currency Translation:

Current assets and current liabilities denominated in United States dollars are translated into Canadian dollars at the rate of exchange prevailing at the year end. All other assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated into Canadian dollars at the average exchange rate in effect during the year, except for depreciation, depletion and amortization which are translated at the historical rates applicable to the related assets. The net gain or loss arising from translation is included in the results of operations for the year in which the gain or loss arises.

Deferred Financing and Other Charges:

Discounts and expenses relating to the issue of convertible debentues, term bank loans and other debt are deferred and amortized over the term to maturity of the related obligation. Other deferred charges, primarily re-organization charges, are amortized on a straight-line basis over 10 years.

3. Restatement of Amounts

In connection with a corporate reorganization at June 30, 1983, involving the Company's wholly-owned coal subsidiaries, a uniform basis of accounting for the costs of repairs and maintenance was adopted in fiscal 1983. This basis of accounting, which management believes is the predominant industry practice, has been retroactively applied in these financial statements with the result that net income for the year ended June 30, 1983 is increased by $485,000 (6¢ per share), coal mining properties and retained earnings at that date are increased by $24,000; and net income for the year ended June 30, 1982 and coal mining properties and retained earnings at that date, have been reduced by $461,000 (8¢ per share) from amounts previously reported. The retroactive application of this change also results in a $1,388,000 increase in the amount allocated to coal mining operations on the purchase of coal assets in June 1981 ($704,000) and December 1981 ($684,000).

Certain other amounts have been reclassified to conform with the presentation adopted in fiscal 1983.

4. Reorganization

As of April 7, 1983, with effect from April 1, 1983, Campbell Resources Inc. ("Campbell"), Camchib Resources Inc. ("Camchib"), GM Resources Limited ("GM Resources") and Mines D'Amiante United Inc. ("United") entered into an acquisition/amalgamation agreement. The agreement provided that GM Resources would acquire Campbell, Camchib and United whereby each holder of common shares and where applicable, preference shares, of Campbell, Camchib and United (excluding intercorporate shareholdings which were cancelled) received in exchange, on the basis of specified exchange ratios, GM Resources common shares and where applicable, preference shares. With effect from April 1, 1983, Campbell, Camchib and United then amalgamated adopting the name Camchib Mines Inc.

Legally, GM Resources is the parent of the amalgamated company, Camchib Mines Inc. However, as a result of the share exchange described above, control of the combined companies including GM Resources, passed to the former shareholders of Campbell as a group, with the result that Campbell is deemed the acquirer for accounting purposes. These financial statements, therefore, have been prepared as a business combination treated, for accounting purposes, as an acquisition by Campbell of control of the assets and business of GM Resources and of additional interests in Camchib and United. Since Campbell is deemed to be the acquirer for accounting purposes, its assets and liabilities are recorded at their carrying values at the effective date of the acquisition, with the net assets of GM Resources, and the additional interests in the net assets of Camchib and United, recorded at their fair values. Consistent with this method of accounting for the acquisition, the comparative financial information disclosed in these consolidated financial statements represents the previously reported information (as restated for 1982 — Note 3) of Campbell.

Under the provisions of the Canada Business Corporations Act, the articles of incorporation of GM Resources were amended to change the name of the corporation to Campbell Resources Inc. ("New Campbell") to reflect the substance of the acquisition transaction described above. Prior to this business combination, Campbell was incorporated under the Companies Act (Quebec).

The details of the acquisition are set out below.

(i) GM Resources

100% of the net assets and business of GM Resources was deemed to be acquired for a consideration of $16,985,000 being the value of 1,235,288 New Campbell common shares at an ascribed value of $10 per share, together with 1,029,407 New Campbell Series I preference shares which were issued in exchange for GM Resources preference shares issued as a stock dividend at an ascribed value of $4.50 per share.

(ii) Camchib
The consideration for the additional interest acquired in Camchib (an additional 19% of the combined issued and outstanding Camchib shares and Camchib special shares) was deemed to be $8,746,000. This represents the value of 874,624 New Campbell common shares which were issued to the shareholders of Camchib (other than Campbell) at an ascribed value of $10 per share. In addition, each holder of Camchib Series A and Series B preferred shares received New Campbell Series 2 and Series 3 preference shares, respectively, on the basis of the exchange ratios.

(iii) United
The consideration for the additional interest acquired in United (an additional 70.3% of the issued and outstanding United shares) is deemed to be $37,312,000. This represents the value of 1,492,474 New Campbell common shares at an ascribed value of $10 per share, together with 4,974,913 New Campbell Series I preference shares at an ascribed value of $4.50 per share.

The acquisition is summarized as follows:

(i) GM Resources:	
Net tangible assets of GM Resources at book value	$28,743,000
Excess of book value of net assets acquired over cost, allocated to investments and natural resource properties	(11,758,000)
	16,985,000
(ii) Camchib:	
Proportionate interest acquired in book value of Camchib's net assets (excluding Camchib's investment in Campbell)	2,526,000
Excess of cost of investment over underlying book value of net assets acquired, allocated to current assets, investments and natural resource properties	4,665,000
	7,191,000
Portion of purchase price allocated to Campbell's pro rata interest in its own shares held by Camchib	1,555,000
	8,746,000
(iii) United:	
Proportionate interest acquired in book value of United's net assets	52,882,000
Excess of book value of proportionate interest in net assets acquired over cost, allocated to natural resource properties	(15,570,000)
	37,312,000
Total ascribed value of consideration given	$63,043,000

To facilitate comparison of fiscal 1983 to subsequent years, the operating results of GM Resources and United have been fully consolidated in the statement of income for that year with appropriate deductions for pre-acquisition earnings and minority interests. Operating results of Camchib had been fully consolidated, net of minority interests prior to fiscal 1983.

Net income for fiscal 1983 would have been increased by $1,764,000 (reduction of 16¢ per share after deducting preference share dividends) from that reported in these financial statements had the reorganization described above occurred at the beginning of fiscal 1983.

5. Acquisition of Majority-owned Companies

Information relating to the acquisition of interests in majority-owned companies is as follows:

(a) Camchib Resources Inc.
Effective January 1, 1981, the Company increased its equity interest in Camchib from 46.7% to 91.6% as a consequence of the transfer to Camchib of its Quebec mining assets and business. This transaction was accounted for as a reorganization with Camchib's assets and liabilities brought into the Company's consolidated financial statements at the amounts at which they were previously carried by the Company and Camchib. Further, Camchib's operating results for fiscal 1981 were fully consolidated in the statement of income for that year with an appropriate deduction for pre-acquisition earnings. Net income for fiscal 1981 would not have been materially different from that reported in these financial statements had the reorganization taken place at the beginning of that year. Subsequently, in fiscal 1981, the Company purchased additional Camchib shares for $562,000 and Camchib issued shares and warrants to the public for cash of $6,726,000 and shares for mining interests valued at $1,139,800. As a result of these transactions, the Company's equity interest in Camchib was reduced to 78.7% at June 30, 1981. During fiscal 1982, the Company purchased additional common shares of Camchib in the open market for $1,757,000 and Camchib issued additional common shares from treasury to outsiders for a total consideration of $801,000. As a result of these transactions, the Company's equity interest in Camchib was increased to 81.5% at June 30, 1982. This interest was reduced to 81% during fiscal 1983 prior to the reorganization.

The assets of Camchib included 1,032,010 common shares of the Company representing 13.4% of the issued and outstanding shares at June 30, 1982 acquired at a cost of $14,036,000 (1,072,000 shares or 17.0% for $14,575,000 at June 30, 1981). During fiscal 1983, prior to the reorganization, Camchib sold 226,376 (1982 — 40,000) common shares of the Company; the Company's share of the loss of $596,000 incurred on the disposition (1982 — $228,000) has been charged to retained earnings.

The Company's pro rata interest in Camchib's investment in the Company, together with $966,000 assigned to that investment on the purchase of Camchib shares by Campbell, is shown in the accompanying balance sheet at June 30, 1982 as a reduction in shareholders' equity.

(b) Skye Resources Ltd.
Through a share purchase for $817,000 cash and a share exchange offer involving the issue by Campbell of 1,012,246 of its common shares at $12.50 per share effective June 30, 1981, Campbell increased its share interest in Skye at that date to 53.7% from 17.4% at June 30, 1980. Accordingly, the assets and liabilities of Skye are included in the consolidated balance sheet at June 30, 1981 on the purchase method of accounting as follows:

Proportionate interest in book value of Skye's net assets	$10,200,000
Excess of cost of investment over underlying book value of net assets acquired, allocated largely to natural resource properties	8,221,000
Total consideration, including expenses of $268,000 relating to share exchange	$18,421,000

To facilitate comparison with subsequent years, Skye's operating results for fiscal 1981 are fully consolidated in the statement of income for that year with appropriate deductions for minority interests and pre-acquisition earnings.

As at December 30, 1981, Skye was amalgamated with a wholly-owned subsidiary of Campbell with the balance of the Skye shares held by outsiders acquired in exchange for the issue from Campbell's treasury of 1,337,250 common shares valued at $10,698,000 (see Notes 15 and 19(c)). The acquisition of the remaining Skye shares was accounted for by the purchase method as follows:

Proportionate interest in book value of Skye's net assets	$10,408,000
Excess of cost of investment over underlying book value of net assets acquired, allocated to natural resource properties	774,000
Total consideration, including expenses of $484,000 relating to share exchange	$11,182,000

Net income for fiscal 1982 would have been increased by $745,000 (10¢ per share) from that reported in these financial statements had the increase in equity owned occurred at the beginning of fiscal 1982.

(c) Inverness Petroleum Ltd.

On July 2, 1980, the Company's then 98% owned subsidiary, Inverness, acquired all the outstanding shares of a subsidiary of Skye for $24,428,000. The consideration paid to Skye consisted of shares of Inverness valued at $20,160,000 and cash of $4,268,000. The acquisition of the Skye subsidiary was accounted for by the purchase method as follows:

Property and equipment at net book value	$ 6,233,000
Increase to fair value	22,465,000
	28,698,000
Working capital deficiency	(712,000)
Liabilities assumed	(3,558,000)
Total consideration	$24,428,000

Prior to the acquisition, the Company increased its shareholdings in Inverness by the conversion of intercompany debt amounting to $8,798,000 and by the purchase of additional shares for cash of $4,000,000.

As a result of all of the above transactions, the share interest of the Company in Inverness was reduced to 53.0% and the interest of Skye became 46.7%. Subsequently, in December 1980, the share interest of the Company in Inverness was further reduced to 39.7% (Skye — 35.0%) when Inverness issued to the public common shares and warrants (since expired) from its treasury for cash of $13,400,000

During fiscal 1982, the Company reacquired control of Inverness by increasing its direct and indirect interest to 74.9%, primarily as a result of acquiring 100% ownership of Skye (see (b) above). As a result of this reacquisition of control, the accounts of Inverness have been fully consolidated throughout the period of these financial statements.

During fiscal 1983, the direct and indirect interest of the Company in the common shares of Inverness was decreased from 74.9% to 67.6% primarily through the following transactions:

(i) Inverness repurchased 186,200 common shares in the open market at a total cash cost of $842,500.

(ii) On January 21, 1983, with effect from December 31, 1982, Inverness purchased Petroleum Reserve Corporation from Skye for $6,000,000 in cash and 1,400,000 common shares of Inverness issued from treasury.

(iii) Through a June 1983 secondary offering, 1,000,000 Inverness common shares held by Skye were sold. Net cash proceeds amounted to $5,151,250.

The Company's interest in Inverness would be further reduced to 51.5% assuming the full conversion of Inverness convertible preferred shares and if all employee share options were exercised.

Subsequent to June 30, 1983, the Company acquired a further 165,200 common shares of Inverness on the open market for $1,000,000 and Inverness repurchased 175,400 common shares at a cost of $987,000. The Company's interest in Inverness was thus increased to 71.8% before conversion of convertible preferred shares and exercising of employee share options.

(d) Coal Corporation of America, Inc.

In April and October 1980, Campbell acquired a 52.8% equity interest in Coal Corporation for $598,000. This acquisition was accounted for by the purchase method with the excess ($249,000) of cost over underlying book value of net assets acquired allocated to a coal sales contract.

During fiscal 1982, the Company increased its common share interest in Coal Corporation to 80% through the issue from treasury of 94,650 of its own common shares valued at $1,183,000 in exchange for additional Coal Corporation shares.

During fiscal 1983, Campbell's interest in Coal Corporation was increased to 100% upon the redemption by that subsidiary of common shares held by outsiders. The total consideration of $914,000 for the redeemed shares consisted of $571,000 in cash and notes for $343,000 (discounted to $261,000) due in 1984.

These acquisitions have been accounted for by the purchase method with consideration paid allocated entirely to the coal sales contract because of the deficiency in book equity that existed at the time.

Subsequent to June 30, 1983, the Company reached agreement in principle with Beasley Industries, Inc. of Columbus, Ohio, whereby the Company will acquire the business interests of Beasley Energy, Inc., a subsidiary of Beasley Industries, Inc. Beasley Energy, Inc. operates under the name of Peaker Run Coal Company in West Virginia. Final agreement on the nature and amount of consideration has not been reached. This acquisition will be accounted for by the purchase method.

6. Segmented Information

The Company and its majority-owned companies are engaged in three lines of business activity as follows:

Metals and Minerals Group:
Mining and milling of base and precious metals and industrial minerals in Canada. Managing of and participating in mining and exploration ventures in Canada, the United States and Mexico.

Coal Group:
Exploration, development and mining in the United States.

Petroleum and Natural Gas Group:
Production of and exploration for petroleum and natural gas in Canada and the United States.

During fiscal 1983, the Company reorganized its activities into the three business segments described above. Exploration activities which were previously considered to be a separate business segment are now included in the metals and minerals group. Amounts previously reported for fiscal years 1982 and 1981 have been restated to conform with the reorganization of business segments.

(a) The carrying values of total assets summarized by business segment are as follows:

(in thousands)	June 30 1983	1982	1981
Metals and Minerals Group:			
Mining and exploration properties, buildings, equipment and deferred development costs – at cost	$155,037	$ 75,334	$ 65,535
Inactive industrial mineral properties – at cost	49,765	–	–
	204,802	75,334	65,535
Accumulated depreciation, depletion and amortization	51,114	45,334	41,225
	153,688	30,000	24,310
Investments	2,217	2,072	1,803
Current assets	23,804	11,729	12,782
Total metals and minerals group assets	179,709	43,801	38,895
Coal Group:			
Land, buildings, equipment, property leases and coal sales contract – at cost	30,811	26,990	17,995
Accumulated depreciation, depletion and amortization	8,042	4,639	845
	22,769	22,351	17,150
Current assets	7,611	8,763	7,016
Total coal group assets	30,380	31,114	24,166
Petroleum and Natural Gas Group:			
Equipment and lease rights including related exploration and development costs – at cost	89,303	66,815	55,021
Accumulated depreciation and depletion	12,462	7,492	3,500
	76,841	59,323	51,521
Current assets	13,810	5,700	9,249
Total petroleum and natural gas group assets	90,651	65,023	60,770
Assets not Allocated to Business Segments:			
Investments	27,799	26,059	10,944
Other assets	4,929	5,160	4,061
	32,728	31,219	15,005
Total assets	$333,468	$171,157	$138,836

(b) Capital expenditures by business segment are as follows:

(in thousands)	June 30 1983	1982	1981
Metals and minerals	$ 16,990	$ 8,959	$ 9,538
Coal	4,087	9,131	2,984
Petroleum and natural gas	9,874	12,190	5,744
Total capital expenditures	$ 30,951	$ 30,280	$ 18,266

(c) Revenue and operating profit (loss) by segment for the three years ended June 30, 1983 are as follows:

(in thousands)	Total Revenue 1983	1982	1981	Operating Profit (Loss) 1983	1982	1981
Metals and minerals	$34,137	$24,026	$28,997	$ 7,284	$ (667)	$ 4,954
Coal	39,496	40,133	25,265	2,253	3,704	2,298
Petroleum and natural gas	19,325	12,193	11,004	8,162	4,315	4,492
	$92,958	$76,352	$65,266	17,699	7,352	11,744
General administrative and interest (net)				(17,185)	(9,637)	(5,762)
Gain on sale of investments				7,211	–	–
Income taxes and mining duties				(3,593)	732	(1,234)
Equity in earnings of United				–	1,713	424
Minority interest in and pre-acquisition earnings of majority-owned companies				(2,075)	(441)	(1,985)
Extraordinary items				(1,049)	232	10,422
Net income (loss)				$ 1,008	$ (49)	$13,609

(d) The geographic distribution of segment revenue, operating results and assets is shown below:

(in thousands)	Revenue Year Ended June 30 1983	1982	1981	Operating profit (loss) Year Ended June 30 1983	1982	1981	Assets June 30 1983	1982	1981
Canada	$44,222	$27,706	$31,849	$12,492	$1,129	$ 6,233	$228,550	$ 78,354	$ 73,088
United States	48,736	48,646	33,417	5,207	6,223	5,511	74,902	64,672	53,001
	$92,958	$76,352	$65,266	$17,699	$7,352	$11,744	303,452	143,026	126,089
Investments							30,016	28,131	12,747
Total Assets							$333,468	$171,157	$138,836

7. Inventories

Inventories consist of:

(in thousands)	June 30 1983	1982
Metals in process	$5,099	$ 5,217
Coal	1,442	3,118
	$6,541	$8,335
Estimated net realizable value of metals in process inventory	$5,099	$ 5,668

8. Deposits on Gold Futures Contracts

The Metals and Minerals group follows the policy of selling a portion of its gold production forward as protection against a possible decline in gold prices. For the years ended June 30, 1983, 1982 and 1981 contracts entered into to protect a portion of the subsequent year's gold production were bought back by the Metals and Minerals group resulting in gains of $669,000, $478,000 and $1,606,000 respectively, which amounts are included in metals and minerals revenue in the accompanying consolidated statement of income.

9. Investments

Investments consist of the following:

(in thousands)	Interest %	Carrying Value June 30 1983	1982
Royex Sturgex Mining Limited: 3,200,000 shares at June 30, 1983 (quoted market value $26,400,000)	40.9	$19,780	$ –
Coho Resources Limited: $7,500,000 loan receivable bearing interest at 10.275% per annum, less current portion of $375,000		7,125	–
Cia Minera Trans-Rio, S.A. de C.V.: 29,000 shares (no quoted market value)	29.0	77	77
Advances		1,723	1,626
Mines D'Amiante United Inc.: 2,100,000 shares at June 30, 1982 (quoted market value $8,715,000)	–	–	23,711
Others		1,311	2,717
		$30,016	$28,131

The quoted market values set out above do not necessarily represent the realizable value of the particular blocks of investment holdings which may be more or less than that indicated by market quotations.

(a) In June 1983, the Company acquired 1,400,000 common shares of Cullaton Lake Gold Mines Ltd. ("Cullaton"). Consideration for the shares consisted of cash in the amount of $2,175,000 plus the issue of 100,000 New Campbell common shares at an ascribed value of $15 per share.

In June 1983, the Company acquired an additional 4,000,000 Cullaton common shares through the exercise of an option as outlined in Note 20(e) to these financial statements.

Further, in June 1983, the Company sold, subject to regulatory approval which was obtained, 5,650,000 Cullaton common shares for 3,200,000 common shares of Royex Sturgex Mining Limited ("Royex"). The Royex shares have been recorded at their estimated fair value ($19,800,000) as determined by the Board of Directors, net of an unrealized gain on the share exchange of $2,600,000. The share exchange resulted in a realized gain of $3,800,000 net of deferred income taxes.

The investment in Royex will be accounted for using the equity method. However, as the acquisition of the Royex shares effectively occurred in late June 1983, the investment is carried at cost at June 30, 1983.

(b) Subsequent to year end, the Company has undertaken to dispose of its 11.95% interest in the common shares of Giant Piper Exploration Inc., ("Giant Piper") which was acquired during 1983 through the acquisition of GM Resources (Note 4) and to dispose of, to a group headed by a related party, the loan receivable from Coho Resources Limited ("Coho").

At June 30, 1983, the investment in Giant Piper is included in short-term investments at cost of $1,070,000 (approximate market – $1,143,000). In addition, the Company has made advances, also included in short-term investments, totalling $655,000 which are effectively to be repaid.

The Coho loan receivable is carried at cost of $7,500,000 with $375,000 of the loan classified as short-term investments and $7,125,000 classified as investments at June 30, 1983.

Negotiations on these two dispositions are not yet finalized, but it is felt that their impact in fiscal 1984 will not be significant.

(c) In fiscal 1981, Campbell and Camchib acquired a total of 1,042,100 United common shares (14.7%) for cash of $9,829,000.

In fiscal 1982, Campbell and Camchib acquired a total of 1,057,900 additional common shares of United for total consideration of $12,107,000. These purchases increased the combined interest of Campbell and Camchib to 29.7% of United's outstanding common shares.

The aggregate cost of the investment in United exceeded the proportionate interest in the book value of underlying net assets at dates of acquisition by $2,175,000. This excess is attributable to the value of United's operating mining properties.

Based on unaudited information, shareholders' equity of United totalled $72,435,000 at June 30, 1982 comprised largely of working capital ($13,574,000) and mining assets ($113,756,000 including inactive assets of $64,068,000) less long-term debt ($27,500,000) and deferred income taxes ($28,649,000). Also based on unaudited information, United's net revenue from mining operations and its net income was $23.1 and $7.1 million respectively for the year ended June 30, 1982.

Pursuant to the acquisition agreement described in Note 4, the Company acquired the additional interest in United effective April 1, 1983 with the result that United is fully consolidated in the accounts for the year ended June 30, 1983, net of pre-acquisition earnings.

10. Mining Exploration

(a) Under a joint venture agreement with Camchib, a partnership (La Première Société en Commandite Camchib) spent $5,445,000 in fiscal 1982 and $1,206,000 in fiscal 1981 in mineral exploration programs on properties in which Camchib has interests. In return, the partnership earned varying interests in the potential net profits from particular properties or projects after recovery of exploration expenditures made, or deemed made, by the joint venturers. Camchib manages the partnership as general partner and also manages the joint venture.

(b) In fiscal 1982, pursuant to the terms of a private placement memorandum, Camchib issued 57 units in an exploration venture to be carried out in the province of Quebec. In fiscal 1983, Camchib issued an additional 11 units. Each unit entitled the holder to receive 6,000 Series A preferred shares and 4,000 Series B preferred shares of Camchib, both with an ascribed value of $10 per share, to be issued in consideration of each unitholder incurring $100,000 of resource exploration expenditures for the benefit of Camchib. The above mentioned shares were issued on March 31, 1983. Subsequently, under the terms of the acquisition agreement, the Camchib Series A and Series B preferred shares were converted into New Campbell Series 2 and Series 3 preference shares respectively, on a one-for-one basis.

(c) In fiscal 1983, pursuant to the terms of a private placement memorandum, Camchib issued 104 units in an exploration venture, to be carried out in Canada. As to 100 units, each unit entitles the holder to receive 3,500 New Campbell Series 4 preference shares and 3,500 New Campbell Series 5 preference shares, both with an ascribed value of $15 per share, to be issued in consideration of each unitholder incurring $105,000 of resource exploration expenditures for the benefit of Camchib Mines. As to 4 units, each unit entitles the holder to receive 4,375 New Campbell Series 4 preference shares and 4,375 New Campbell Series 5 preference shares, both with an ascribed value of $14.29 a share, to be issued in consideration of each unitholder incurring $125,000 of resource exploration expenditures for the benefit of Camchib Mines.

Under agreements relating to the private placements, Camchib Mines acts as the agent of the unitholders in carrying out the exploration work.

At June 30, 1983, $3,129,000 (1982 – $2,178,000) of exploration expenditures had been incurred on behalf of unitholders. Included in accounts payable and accrued liabilities at June 30, 1983 is $2,117,000 due to unitholders. Included in receivables at June 30, 1982, is $766,000 due from unitholders.

11. Bank Indebtedness

(a) Bank indebtedness consists of the following:

(in thousands)	*June 30 1983*	*1982*
Bank overdraft	*$ –*	*$1,398*
Operating loans	*4,895*	*2,580*
	$4,895	*$3,978*

The operating loans at June 30, 1983 and 1982, are owed by Coal Corporation and are secured by accounts receivable and inventory.

12. Accounts Payable and Accrued Liabilities

(in thousands)	*June 30 1983*	*1982*
Trade accounts payable	*$ 9,524*	*$10,647*
Non-interest bearing notes payable	*–*	*1,400*
Accrued salaries and benefits	*3,033*	*2,010*
Other accrued liabilities	*7,226*	*4,783*
	$19,783	*$18,840*

13. Long-term Bank Loans and Other Debt

Long-term bank loans and other debt consist of the following:

(in thousands)	June 30 1983	1982
Long-term bank loans	$45,400	$ 8,000
Other debt	14,822	18,228
	60,222	26,228
Less current portion	9,711	3,596
	$50,511	$22,632

(a) Long-term bank loans, which facility is being finalized at June 30, 1983, consist of:

(in thousands)	June 30 1983	1982
Long-term bank loan (i)	$ 7,500	$ –
Long-term bank loan (ii)	2,275	–
Long-term bank loan (iii)	33,750	–
Long-term bank loan	1,875	8,000
	$45,400	$ 8,000

(i) The $7,500,000 term loan bears interest at the bank's prime lending rate plus ¼% and is secured by a letter of credit of a Canadian chartered bank, certain oil and gas assets and the pledge of a substantial portion of the shares of Mascot Gold Mines Limited and all of the shares of Giant Piper Exploration Inc. held by the Company. A principal repayment of $375,000 is due in October 1983 and additional principal repayments escalating by $375,000 are due in October of each succeeding year until the final two repayments of $1,875,000 in each of October 1987 and October 1988.
(ii) The $2,275,000 term loan bears interest at the bank's prime lending rate plus ¾% and is secured by specific oil and gas properties. The loan is repayable from the net production revenue earned by the Company from its interest in an oil prospect in Alberta, with the balance due in any event, on December 31, 1989. The estimated annual repayment is $500,000.
(iii) The $33,750,000 revolving term loan bears interest at the bank's prime lending rate plus 1¼%. The amount of the term loan facility reduces by $1,250,000 in each quarter.

In addition, the long-term bank loans are secured by oil and gas producing properties, guarantee and postponement of claim signed by Camchib Mines, assignment of debts and metals and minerals inventories, the pledge of 1,000,000 shares of Inverness, debenture by Camchib Mines creating a first charge on all properties, assets and undertakings in the Province of Quebec, a first fixed and floating charge debenture constituting a fixed charge on Camchib Mines' Midlothian property and a first floating charge on all other assets of the Company.

Under the terms of the long-term bank loan agreement the Company or its subsidiary Camchib Mines are required to meet certain financial tests and to maintain certain financial ratios.

(b) Other debt consists of:

(in thousands)	June 30 1983	1982
U.S. dollar bank loan (U.S. $2,286,000 at June 30, 1983 and 1982) (i)	$ 2,799	$ 2,799
Equipment bank loan (U.S. $1,536,000 and U.S. $1,786,000 at June 30, 1983 and 1982 respectively) (ii)	1,896	2,187
Instalment equipment loans at interest rates ranging from 13% to 26% (U.S. $2,392,000 and U.S. $1,695,000 at June 30, 1983 and 1982 respectively) (iii)	2,970	2,076
5% loan from the Province of Quebec (iv)	733	714
13.5% promissory notes to former shareholders (U.S. $213,000)	261	–
Term bank loan owing by an Inverness subsidiary (U.S. $4,990,000 and U.S. $6,644,000 at June 30, 1983 and June 30, 1982 respectively) (v)	6,134	7,843
Other	29	2,609
	$14,822	$18,228

(i) The $2,799,000 loan bears interest at U.S. prime plus ¼% and is repayable in ten equal semi-annual instalments commencing in fiscal 1984. No amounts were repaid during fiscal 1983 during renegotiations of the bank arrangement. This loan and the equipment bank loan referred to in (ii) below are secured by a charge on the assets of Coal Corporation and by an assignment of its receivables and inventories.
(ii) The $1,896,000 equipment bank loan bears interest at U.S. prime plus ¼% and is repayable over a maximum term of three years.
(iii) The $2,970,000 instalment equipment loans mature in 36 months or less and are secured by the related equipment.
(iv) The $733,000 loan from the Province of Quebec is repayable based on a formula of profitability (as defined in the loan agreement) earned from Camchib Mines' Cedar Bay mine. At June 30, 1983 and 1982, no amount was repayable under this provision.
(v) The Inverness bank loan, advanced under a revolving credit agreement, bears interest at the lower of a U.S. bank's prime lending rate plus 1¼% or the bank's cost of funds plus 1¾%. The loan is secured by Petroleum Reserve Corporation's interests in petroleum and natural gas properties. The bank agreement provides for, among other things, the maintenance by Inverness and Petroleum Reserve Corporation of certain financial tests and ratios. While there are specific monthly repayment requirements beginning in September 1983, the loan is not expected to require the use of existing working capital at June 30, 1983 as the bank arrangement is currently being renegotiated.
(c) The estimated principal repayments of long-term bank loans and other debt in the next five fiscal years are as follows:

(in thousands)	
1984	$9,711
1985	9,879
1986	8,558
1987	8,504
1988	7,536

(d) At June 30, 1983, the Company had unused lines of credit totalling $14,169,000 (1982 – $22,396,000).

14. Convertible Debentures

Convertible debentures consist of the following:

(in thousands)	June 30 1983	1982
13% Series 1 convertible secured debentures due January 31, 1989 (i)	$ 9,000	$ 9,000
13-20% Series 2 convertible secured debentures due March 31, 1992 (ii)	10,000	10,000
10% Series 3 convertible secured debentures due November 15, 1990 (iii)	6,000	6,000
	$25,000	$25,000

(i) 13% Series 1 convertible secured debentures are secured rateably with the 13-20% and the 10% debentures described below, by a floating charge on all Camchib Mines' assets and undertakings. The debentures are convertible into 720,000 common shares of New Campbell at

$12.50 per share at any time to January 31, 1989. The debentures may be redeemed under certain conditions at the option of Camchib Mines at any time after January 31, 1986, subject to a minimum redemption of the lesser of $3,000,000 or the total of all such debentures then outstanding.

(ii) 13-20% Series 2 convertible secured debentures are secured as described in (i) above. The debentures bear interest from 13% to 20% per annum determined on a formula basis with references to the prices of copper and gold (effective rate at June 30, 1983 — 13%). The debentures are convertible into 800,000 common shares of New Campbell at $12.50 per share at any time to March 31, 1989 and thereafter until maturity into a maximum of 600,000 New Campbell common shares at $16.67 per share. The debentures may be redeemed in whole or in part under certain conditions after March 31, 1984.

Under the terms of the related trust indenture, Camchib Mines is required to establish a sinking fund for the retirement of the debentures by depositing with a trustee in each of the years 1987 through 1991 an amount equal to 10% of the aggregate principal amount of the debentures outstanding as at September 30, 1986, less 10% of the principal amount of the debentures redeemed or converted thereafter.

(iii) 10% Series 3 convertible secured debentures are secured as described in (i) above. The debentures are convertible into 720,000 common shares of New Campbell at $8.33 per share at any time to November 15, 1990, but are not redeemable prior to November 15, 1984. The debentures are redeemable under certain conditions at the option of Camchib Mines.

Under the terms of the related trust indenture, Camchib Mines is required to establish a sinking fund for the retirement of the debentures by depositing with a trustee in each of the years 1985 through 1989, an amount equal to $600,000 less 10% of the principal amount of debentures previously redeemed or converted.

The obligations of Camchib Mines under the Series 1, Series 2 and Series 3 convertible debentures are assumed by the Company so that the Company is responsible therefor together with Camchib Mines.

15. Capital Stock

(a) Authorized and issued share capital:
Changes in the issued and outstanding common shares of the Company during the three years ended June 30, 1983 were as follows:

	Number of Shares	Par or Ascribed Value
Issued and outstanding at June 30, 1980	4,483,017	$ 4,483,017
Issued to Camchib for cash of $14,000,000	800,000	800,000
Issued to an employee under share option plan for cash of $16,875	2,500	2,500
Issued to shareholders of Skye in share exchange	1,012,246	1,012,246
Issued and outstanding at June 30, 1981	6,297,763	6,297,763
Issued to shareholders of Coal Corporation in share exchange (Note 5 (d))	94,650	94,650
Issued to shareholders of Skye in share exchange (Note 5 (b))	1,337,250	1,337,250
Reclassification of contributed surplus		43,926,658
Issued and outstanding at June 30, 1982	7,729,663	51,656,321
Issued to employees as bonuses	300	1,950
Issued to employees under share option plan	20,233	181,250
	7,750,196	51,839,521
Campbell shares tendered in exchange for New Campbell shares	(6,944,562)	(46,450,795)
Cancellation of reciprocal shareholding	(805,634)	(5,388,726)
	—	—
New Campbell shares issued in exchange for:		
Campbell shares	6,944,562	46,450,795
GM Resources shares	1,235,288	12,352,880
Camchib shares	874,624	8,746,240
United shares	1,492,474	14,924,740
Issued to employees as bonuses	19,485	265,483
Issued as partial consideration to acquire Cullaton common shares (Note 9 (a))	100,000	1,500,000
Issued and outstanding at June 30, 1983	10,666,433	$84,240,138

The consideration for shares issued in 1981 and 1982 exceeded by $24,855,204 and $10,499,310 respectively the par value of the shares issued, which amounts were credited to contributed surplus to increase the balance to $43,926,658. During fiscal 1982, the Company's shares were changed to no par value with the result that this balance was reclassified as part of the ascribed value of capital stock for purposes of financial statement presentation.

As a result of the acquisition in fiscal 1983 (described in Note 4) whereby Campbell is deemed to be the acquirer for accounting purposes, the values ascribed to common shares and contributed surplus in these financial statements are different from the stated capital and contributed surplus of the legal parent which are $99,175,083 and $19,403,000 at June 30, 1983, respectively.

Changes in the issued and outstanding preference shares during the year ended June 30, 1983 were as follows (there were no changes in the issued and outstanding preference shares during fiscal 1982 or 1981):

	Number of Shares	Ascribed Value
Issued and outstanding at June 30, 1982	—	$ —
New Campbell Series 1 preference shares issued in exchange for GM Resources preference shares issued as a stock dividend	1,029,407	4,632,120
New Campbell Series 1 preference shares issued in exchange for United shares (Note 4)	4,974,913	22,387,260
	6,004,320	27,019,380
New Campbell Series 2 preference shares issued in exchange for Camchib Series A preferred shares	408,000	4,080,000
New Campbell Series 3 preference shares issued in exchange for Camchib Series B preferred shares	272,000	2,720,000
Issued and outstanding at June 30, 1983	6,684,320	$33,819,380

At a special general meeting held on May 12, 1983, the shareholders approved the acquisition agreement described in Note 4, whereby Campbell acquired 100% of the net assets and business of GM Resources Limited (New Campbell), and the remaining interests in Camchib and United.

As a result of the transactions surrounding the acquisition, 6,944,562 New Campbell (formerly GM Resources) common shares with an ascribed value of $46,450,795 were issued in exchange for 6,944,562 Campbell common shares with a value of $46,450,795.

As a consequence of the changes and share issues set out above, the authorized and issued share capital of the Company was as follows:

	Number of shares, June 30 1983	1982	1981
	(New Campbell)	(Campbell)	(Campbell)
Authorized:			
Preference shares issuable in series, without par value (i)	Unlimited	–	–
First preferred shares without par value	–	10,000,000	–
First preferred shares of $15 par value each, issuable in series	–	–	5,500,000
Common shares of $1 par value each	–	–	10,000,000
Common shares without par value	Unlimited	Unlimited	–
Issued and outstanding:			
Series 1 preference shares	6,004,320	–	–
Series 2 preference shares	408,000	–	–
Series 3 preference shares	272,000	–	–
	6,684,320	–	–
Total common shares outstanding	10,666,433	7,729,663	6,297,763
Less the Company's pro rata interest in its own shares held by Camchib	–	841,253	843,318
	10,666,433	6,888,410	5,454,445

(i) Information concerning the issued and outstanding preference shares is as follows:

(a) Series 1 — redeemable, cumulative preference shares with no par value, cumulative dividend of $0.25 per share payable semi-annually. The Company is obliged to make reasonable efforts to purchase the shares for cancellation in the period from July 1, 1983 to March 31, 1993 at the rate of 0.5% of the number of shares outstanding at the end of any quarter year at a price not exceeding $4.00 per share; and at a rate of 10% annually on the number outstanding on June 30, 1993 at a price not exceeding $7.50.

(b) Series 2 — redeemable, convertible, retractable, cumulative preference shares with no par value, redeemable after March 31, 1984 up to and including March 31, 1988 at $10.00 per share and after March 31, 1988 at one preference share for 0.6 fully paid and non-assessable common shares; convertible after March 31, 1984 up to and including March 31, 1988, at one preference share for 0.6 fully paid and non-assessable common shares; retractable on March 31, 1988, if requested before January 31, 1988, at $10.00 per share; cumulative dividend of $0.30 per share payable annually.

(c) Series 3 — redeemable, convertible, cumulative preference shares with no par value, redeemable after March 31, 1984 up to and including March 31, 1988 at $10.00 per share and after March 31, 1988 at one preference share for 0.6 fully paid and non-assessable common shares; convertible after March 31, 1984 up to and including March 31, 1988 at one preference share for 0.6 fully paid and non-assessable common shares; cumulative dividend at $0.30 per share payable annually.

(b) Other information:

A share option plan has been established for certain employees and officers under which 217,000 of the Company's authorized but unissued common shares are subject to option at June 30, 1983. Such options are exercisable over the period to June 1987 as to 152,000 shares at $6.75 per share; as to 15,000 shares at $12.25 per share and as to 50,000 shares at $14.75 per share.

The Camchib share option plan has been incorporated in the Company's plan and options to purchase 55,500 New Campbell common shares exercisable over the period to December 1986 at $7.88 per share are outstanding at June 30, 1983.

At June 30, 1982, warrants to purchase 500,000 common shares of Camchib at $7.50 until December 31, 1983 were outstanding. On the amalgamation the warrants became exercisable to purchase special shares of Camchib Mines on the basis of 1 special share for each 1.6667 warrants exercised, immediately exchangeable upon issuance for New Campbell common shares on a one-for-one basis. At June 30, 1983, warrants to purchase 299,190 common shares of the Company at a price equivalent to $12.50 per share are outstanding until December 31, 1983.

Inverness 8.75% cumulative, redeemable, convertible, Class B preferred shares, Series 1, issued and outstanding at June 30, 1983 in the amount of $14,477,000 are included in these financial statements in minority interests at that date. There were no Inverness preferred shares issued and outstanding at June 30, 1982.

16. Earnings per Share

The computations of basic earnings per share are based on the weighted average number of shares outstanding during the respective years (net of the Company's weighted average pro rata interest in its own shares held by Camchib prior to the business combination), as follows:

Year ended June 30	Net weighted average number of shares outstanding
1983	8,444,217
1982	6,194,496
1981	4,336,580

No dilution of earnings per share would result from potential convertible debenture or preference share conversions, the exercise of the share options described in Note 15(b) or from any potential issue of equity shares by majority-owned companies.

17. Income Taxes and Mining Duties

Provisions for (recoveries of) income taxes and mining duties are as follows:

(in thousands)	Year Ended June 30 1983	1982	1981
Current:			
Canada	$218	$ (558)	$ 9
United States	–	6	(329)
	218	(552)	(320)
Deferred:			
Canada	3,375	(180)	815
United States	–	–	739
	$3,593	$ (732)	$1,234

The components of pre-tax income (loss) before the inclusion of the equity in the earnings of United and before deductions for minority interests and pre-acquisition earnings are as follows:

(in thousands)	Year Ended June 30 1983	1982	1981
Canada	$8,896	$(3,295)	$4,059
United States	(1,171)	1,010	1,923
	$ 7,725	$(2,285)	$5,982

The difference between the expected income tax provision (recovery) using combined Canadian and U.S. federal, provincial and state basic statutory rates and the actual income tax and mining duties provisions (recoveries) is as follows:

(in thousands)	Year Ended June 30 1983	1982	1981
Income taxes			
Expected provision (recovery) based on combined basic statutory rates	$3,902	$ (927)	$3,039
Add (deduct):			
Resource allowances and depletion claimed in respect of prior years	–	–	(1,263)
Current resource allowance and depletion	(3,716)	(875)	(1,995)
Production royalties	1,525	323	775
Exempt income	(1,256)	–	–
Tax benefit of losses not recorded for accounting purposes	2,635	570	405
Effect of drawdown of deferred credits at average rate of accumulation	–	797	–
Depletion of assets with no tax base	490	–	–
Sundry	(451)	(568)	(92)
Effective provision (recovery)	3,129	(680)	869
Mining duties			
Expected provision (recovery) based on an average rate of mining income	1,131	(519)	313
Investment and treatment allowances	(490)	–	(307)
Effect of drawdown of deferred credits at average rate of accumulation	–	42	–
Reduction for income not subject to mining duties	(177)	425	359
Effective provision (recovery)	464	(52)	365
Combined income tax and mining duty provision (recovery)	$3,593	$ (732)	$1,234

The applicable combined basic statutory income tax and average mining duties rates were 48.0% in fiscal 1983, 50.8% in fiscal 1982 and 1981.

Deferred taxes and mining duties arising from (reduced by) the deduction for tax purposes of amounts in excess of (less than) amounts charged in the accounts are as follows:

(in thousands)	Year Ended June 30 1983	1982	1981
Depreciation	$(1,856)	$(2,155)	$ 125
Exploration, development and preproduction costs	2,581	1,236	(207)
Gain on sale of investments	1,228	–	–
Other	1,422	739	1,636
	$ 3,375	$ (180)	$1,554

At June 30, 1983, the Company and its subsidiaries had losses for tax purposes approximating $8,000,000 and investment tax credits and new job credits approximating $1,000,000, all of which are available to reduce taxes in future years. These losses and credits expire over the period to 1998. Realization of related tax benefits is dependent upon future profitability and, accordingly, no portion of such potential benefits has been recorded in the accounts.

18. Extraordinary Items

Extraordinary items consist of the following:

(in thousands)	Year Ended June 30 1983	1982	1981
Net gain arising from issues of share capital by majority-owned companies	$ 172	$232	$10,422
Loss on transfer of shares of Petroleum Reserve Corporation	(282)	–	–
Loss on sale of Inverness Petroleum Ltd. shares	(939)	–	–
	$(1,049)	$232	$10,422

During fiscal 1983, Skye sold its wholly-owned subsidiary, Petroleum Reserve Corporation to Inverness for $6,000,000 in cash and 1,400,000 common shares of Inverness with an ascribed value of $6 per share. Skye incurred a loss of $1,516,000 on the disposition and $282,000 of this loss has been recognized on consolidation. This amount reflects the extent to which Petroleum Reserve Corporation shares were effectively sold to the minority interests in Inverness at the time of the disposal.

During fiscal 1983, 1,000,000 common shares of Inverness were sold by Skye to outsiders at amounts per share which differed from the per share carrying value of the Company's investment in Inverness. The resulting net decrease ($939,000) in the Company's equity in Inverness is recorded as an extraordinary item in the consolidated statement of income.

During fiscal 1983, Camchib (1982 and 1981 – Camchib and Inverness) issued common shares to outsiders at amounts per share which differed from the per share carrying value of Campbell's investment. The resulting net increase of $172,000 (1982 – $232,000; 1981 – $10,422,000) in Campbell's equity in Camchib (1982 and 1981 – Camchib and Inverness) is recorded as an extraordinary item in the consolidated statement of income.

19. Commitments and Contingencies

(a) The Company was made a defendant together with other parties, in a class action suit in the United States District Court for the Southern District of New York. The suit alleged, among other things, that the Company violated certain provisions of the Securities Exchange Act of 1934 and the rules promulgated thereunder in connection with the purchase of common shares of Mines D'Amiante United Inc. and a possible business combination between Campbell or Camchib and United. The suit sought equitable relief, including rescission of the sale of certain United shares to Camchib and damages of an unspecified amount. In April 1983, the court dismissed certain of the counts, granting leave to re-plead certain of the dismissed counts. In July 1983, the above plaintiffs sought leave to file an amended complaint against the Company and other parties. The amended complaint alleges, among other things, that the Prospectus and Joint Proxy Statement dated April 12, 1983 issued in connection with the acquisition/amalgamation agreement (described in Note 4) was materially false and misleading and that the amalgamation was effected at an unfair exchange ratio to the public shareholders of United. The results of this litigation are indeterminable at this time.

(b) The Company is a defendant, together with other companies, in an action in the Superior Court of the Province of Quebec, claiming an injunction to restrain defendants from any further mining activities in certain of the areas in which the Company operates in the Province of Quebec and various amounts of damages, ($1,540,000 in the case of the Company) based on alleged environmental contamination and interference with alleged rights of the Cree Indians. The action is being contested and management and counsel for the Company are of the opinion that the Company has a valid substantive defence to this action. In light of this opinion, no provision has been made in the accompanying financial statements for any liability which may result therefrom.

(c) Pursuant to a statutory procedure, a shareholder of Skye has established that it is entitled to be paid the fair value in cash for its 100,000 Skye shares instead of receiving the 112,500 Campbell shares allocated in exchange therefor. No specific amount has been claimed nor is an amount for such claim reasonably determinable. When an amount has been determined, an adjustment will be recorded retroactively as additional consideration given at the date of the acquisition and will be allocated to the underlying assets, net of amortization, on consolidation.

(d) No action is pending against the Company for injury to the health of any person due to exposure to asbestos fibre or to products manufactured therefrom. However, the Company has been informed by LAQ that asbestos-related claims have been made against LAQ. Amounts paid by LAQ in respect of such claims have been treated by LAQ as an operating expense in determining Black Lake net proceeds.

Present management of the Company understands that LAQ has product liability insurance which is applicable to asbestos-

related claims, but it does not have sufficient information to determine the adequacy of such insurance coverage. The Company does not have insurance applicable to its allocated share of payments made, or fees and expenses incurred, by LAQ in respect of asbestos-related claims against LAQ. The Company has no information as to whether any judgement has been rendered against LAQ in any asbestos-related lawsuit. It is not possible to estimate the amount, if any, of the Company's allocated share of claims, and settlements if any, if significant, will be treated as prior periods' adjustments. The total of settlements made during the year ended June 30, 1983 was immaterial.

(e) During fiscal 1983, $16,311,000 of coal revenue ($15,278,000 and $9,704,000 in 1982 and 1981 respectively) consisted of sales to Big Rivers Electric Corporation, a major electric utility. These sales are under a long-term sales contract which expires in 1989 and calls for the sale of approximately 360,000 tons of coal annually at prices which are subject to escalation based upon changes in certain price indices.

20. Related Party Transactions

(a) Certain investment transactions, as well as certain of the gold future transactions described in Note 8, were effected through an investment dealer of which a director and officer of the Company is an officer and shareholder. Commissions of $9,000 were paid on these transactions in the year ended June 30, 1983 (1982 – $71,800; 1981 – $92,000). In addition, interest of $219,000 in fiscal 1982 (1981 – $411,000) was earned by the Company from this investment dealer on cash deposits required to support the previously mentioned gold future transactions. Included in cash and short-term investments at June 30, 1982 were securities with a value of $439,000 which were held by the investment dealer. Further, the aforementioned investment dealer was a member of the banking group in public share offerings made by Inverness in fiscal 1981 and in fiscal 1983.

(b) Prior to April 1983, the effective date of the corporate reorganization described in Note 4, a director of Camchib was the President of a trucking company which provided transportation services to the Company. Further, the Chairman of Camchib was counsel to a law firm which provided legal services to Camchib, and a partner in another law firm which provides legal services became a director of Campbell in fiscal 1982.

The following amounts charged for such services are included in the consolidated statement of income:

(in thousands)	*Year Ended June 30 1983*	*1982*	*1981*
Transportation services	*$905*	*$1,251*	*$1,062*
Legal services	*151*	*249*	*120*

The amount for legal services in the year ended June 30, 1981 does not include $100,000 paid by the partnership referred to in Note 10. The amount for legal services in the year ended June 30, 1983 does not include $162,000 paid in connection with the corporate reorganization described in Note 4 and this amount has been included in deferred financing and other charges at that date.

(c) At June 30, 1983, directors and officers of the Company and Camchib Mines owned beneficially, directly or indirectly, $540,000 principal amount of the Series 1 convertible debentures of Camchib Mines and $1,765,000 (1982 – $1,705,000) principal amount of the Series 3 convertible debentures of Camchib Mines (1982 – 10% convertible debentures of Camchib), described in Note 14.

(d) During fiscal 1983, Camchib earned $853,000 (1982 – $1,000,000 1981 – $143,000) in equipment leasing and administrative services revenue from the partnership described in Note 10. This amount is included in other revenue in the consolidated statement of income.

(e) In fiscal 1982, the Company, through Camchib, entered into an agreement to provide management services to Cullaton and to direct the operations on its mining properties located at Cullaton Lake, Northwest Territories, until December 31, 1988. Under the terms of the agreement, the Company will recover all related costs and will be entitled to receive 10% of the operating profit, as defined, of the Cullaton mine. In fiscal 1983, the Company charged Cullaton $242,000 (1982 – $135,000) pursuant to this agreement, of which $262,000 is outstanding at June 30, 1983 (1982 – $135,000) and is included in receivables. The Cullaton mine reached commercial production in fiscal 1983 and $70,000 was due to the Company in respect of operating profits.

In fiscal 1982, Cullaton granted to Camchib the option, exercisable to December 31, 1984, to subscribe for up to 2,000,000 units of Cullaton, each unit consisting of one Series A preferred share of $5 par value and two common shares, at a price of $5 per unit if the option is exercised prior to July 1, 1984 and, except to the extent previously exercised, 0.6 of a Series A preferred share and two common shares at a price of $3 per unit if the option is exercised on or after that date. In June 1983, the Company, through Camchib Mines, exercised its option for the full 2,000,000 units at the option price of $5 per unit and received a dividend of $1,000,000 on the Cullaton Series A preferred shares obtained pursuant to the option agreement. Subsequently, in June 1983, the Company sold 1,000,000 of the Cullaton preferred shares, so obtained, resulting in a gain of $1,245,000, net of deferred income taxes. The remaining preferred shares are included in short-term investments at cost of $2,040,000 (approximate market – $3,750,000).

In fiscal 1983, Camchib guaranteed $2,500,000 of Cullaton's bank borrowings. As consideration for the guarantee, Camchib received 250,000 common shares of Cullaton with an ascribed value of $387,500. This amount was credited to other income in the consolidated statement of income for the year ended June 30, 1983. Further, the Company has guaranteed delivery by Cullaton of 11,000 ounces of gold to August 31, 1983 at an average price of U.S. $348 per ounce.

(f) During fiscal 1982, a director and officer of the Company was granted a $100,000 non-interest bearing loan, repayable in 1987, for the purchase of shares of the Company. In addition, a subsidiary loaned a director, interest free, U.S. $55,122 which was repaid in the fourth quarter of fiscal 1983.

(g) In August 1982, the directors of a subsidiary approved a program whereby full time senior management were given the right to participate in drilling projects with the subsidiary. To date under this program, one employee of the subsidiary has participated in five well drilling projects.

In addition, two directors of the subsidiary have participated with the subsidiary in certain oil properties.

(h) In connection with a loan of marketable securities in fiscal 1983, the Company paid a fee of $30,000 to a company of which a director of the Company is a director and officer.

(i) In February 1983, Camchib acquired from New Venture Equities Limited (New Venture) a 50% interest in the Martison property located in Northern Ontario by payment of one half of New Venture's acquisition cost of the property. Three directors of Campbell are directors and shareholders of New Venture.

Camchib paid its share of the purchase price by transferring to New Venture 25,000 common shares of Campbell, which were trading at that time for $9 per share, for a total ascribed consideration of $250,000. The loss arising on the transfer of these shares amounted to $110,000 and has been charged to consolidated retained earnings.

Camchib and New Venture entered into a joint venture for the exploration of the property. Expenditures relating to the exploration of the property during fiscal 1983 amounted to $664,000 of which New Venture paid $332,000 to Camchib who acts as manager of the joint venture.

(j) During fiscal 1983, certain directors of the Company and Camchib Mines invested in a total of 4.1 units (1982 — 1.75 units) in certain of the exploration ventures described in Note 10.

21. Canadian and United States Generally Accepted Accounting Principles

Accounting principles generally accepted in Canada during the period do not specifically require one method of foreign currency translation and the Company has chosen to translate its foreign assets, liabilities, revenues and expenses using the method described in Note 2. Under generally accepted accounting principles in the United States effective during the period, as described in Statement 8 of the Financial Accounting Standards Board, certain assets and liabilities translated at historical rates would be translated at year-end rates.

The accounting principles generally accepted in Canada for petroleum and natural gas operations, as described in Note 2, differ from those generally accepted in the United States. Under generally accepted accounting principles in the United States the capitalized cost of property and equipment is limited to the present value of future net revenues from estimated production plus the lower of cost or estimated fair value of non-producing property, all computed pursuant to Securities and Exchange Commission ("SEC") accounting rules ("cost ceiling"). Any excess is to be charged to operations.

During the year, the Company changed the basis of accounting for repairs and maintenance in the coal subsidiaries. Under accounting principles generally accepted in Canada this change in accounting has been retroactively applied and amounts previously reported have been restated. Under accounting principles generally accepted in the United States the cumulative effect of the change on previously reported amounts would be included in net income in fiscal 1983.

Under accounting principles generally accepted in the United States the net losses of $1,049,000 on share transactions which have been disclosed in these financial statements as extraordinary items would be disclosed in income before extraordinary items as non-operating losses. As a result of this difference, income per common share before extraordinary items for fiscal 1983 would be lower by $0.12 under United States accounting principles.

Prior to fiscal 1983, SEC accounting rules required gains on transactions by a subsidiary or an investee in its own shares to be excluded from consolidated income and shown as additions to paid-in capital. Under accounting principles generally accepted in Canada, such gains are required to be included in income.

Pursuant to SEC accounting rules, the New Campbell Series 1 and 2 preference shares of $27,019,380 and $4,080,000 respectively are considered to be redeemable preferred stock and would be set out separately in the balance sheet outside shareholders' equity.

The following table reconciles net income reported under Canadian generally accepted accounting principles to net income which would have been reported if accounting principles generally accepted in the United States and, in the case of the transactions in fiscal years 1982 and 1981 by subsidiaries in their own shares, requirements of the SEC, had been followed:

(in thousands except for per share information)	Year Ended June 30 1983	1982	1981
Net income (loss) for year, as reported	$ 1,008	$ (49)	$13,609
Deduct:			
Extraordinary item:			
Gain arising from issuance of share capital by majority-owned companies	—	(288)	(10,422)
Loss which would have arisen from use of year-end translation rates	(213)	(890)	—
Application of U.S. accounting principles for petroleum and natural gas operations	—	(850)	—
Restatement of previously reported income for change in accounting principle	—	461	—
Net income (loss) before cumulative effect of change in accounting principle	795	(1,616)	3,187
Cumulative effect on prior years of change in accounting for repairs and maintenance	(1,849)	—	—
Net income (loss) for the year under U.S. generally accepted accounting principles and SEC requirements	$(1,054)	$(1,616)	$ 3,187
Income (loss) per common share:			
Before cumulative effect of change in accounting principle	$ 0.09	$ (0.26)	$ 0.74
Cumulative effect of change in accounting principle	(0.22)	—	—
Net income (loss) for year	$ (0.13)	$ (0.26)	$ 0.74

Consolidated balance sheet amounts under U.S. generally accepted accounting principles and SEC requirements would have been reported as follows:

(in thousands)	June 30 1983	1982	1981
Natural resource properties	$251,910	$111,285	$92,981
Long-term bank loans and other debt	$ 50,724	$ 23,522	$18,646
Redeemable preferred stock	$ 31,099	$ —	$ —
Capital stock	$ 86,960	$ 51,656	$ 6,298
Retained earnings	$ 30,285	$ 36,977	$38,533

In accordance with the Company's policy, mining exploration costs have been deferred in the accounts, which practice is acceptable under accounting principles generally accepted in the United States. Under alternative accounting principles commonly followed in the United States, such mining costs may be expensed as incurred. Further, if such costs are so expensed, they may subsequently be capitalized if the related properties are judged to be exploitable.

Total mining exploration costs deferred were as follows:

(in thousands)	June 30 1983	1982	1981
	$18,411	$11,473	$9,076

1. Capitalized costs and costs incurred in petroleum and natural gas property acquisition, exploration and development activities

The Company's net investment in petroleum and natural gas producing properties as of June 30, 1983 and 1982 is as follows:

(in thousands)	June 30 1983	1982
Capitalized costs	$89,303	$66,815
Accumulated depletion, depreciation, amortization and valuation allowances	12,462	7,492
Net capitalized costs	$76,841	$59,323

The following sets forth costs incurred in petroleum and natural gas property acquisition, exploration and development activities, including capital expenditures, by geographic areas for each of the years ended June 30, 1983, 1982 and 1981. The amounts for fiscal 1982 and 1981 include the costs incurred by Skye for the full year.

(in thousands)	Year Ended June 30 1983	1982	1981
Canada			
Property acquisition	$ 805	$ 488	$ 422
Exploration	226	2,446	1,272
Development	3,205	1,862	1,450
	4,236	4,796	3,144
United States			
Property acquisition	831	1,088	1,720
Exploration	1,915	3,543	1,814
Development	2,892	2,763	4,015
	5,638	7,394	7,549
	$ 9,874	$12,190	$10,693

2. Results of operations for petroleum and natural gas producing activities

The following information summarizes the operating results of petroleum and natural gas producing activities for each of the years ended June 30, 1983, 1982 and 1981.

	Canada			United States			Total		
(in thousands)	1983	1982	1981	1983	1982	1981	1983	1982	1981
Revenue	$10,057	$3,698	$2,852	$9,268	$8,495	$8,152	$19,325	$12,193	$11,004
Deduct:									
Production (lifting) costs	2,334	1,007	803	2,411	2,955	2,579	4,745	3,962	3,382
Depreciation, depletion and amortization and unproved property valuation allowance	2,236	894	1,177	4,182	3,022	1,953	6,418	3,916	3,130
	4,570	1,901	1,980	6,593	5,977	4,532	11,163	7,878	6,512
	5,487	1,797	872	2,675	2,518	3,620	8,162	4,315	4,492
Income taxes	1,537	880	745	951	789	1,034	2,488	1,669	1,779
Results of operations from oil and gas producing activities before corporate overhead and interest costs	$ 3,950	$ 917	$ 127	$1,724	$1,729	$2,586	$ 5,674	$ 2,646	$ 2,713

Income taxes are computed using statutory tax rates after adjusting for permanent tax differences arising from petroleum and natural gas producing activities and reduced for foreign tax credits and investment tax credits arising from petroleum and natural gas producing activities.

Depletion, depreciation and amortization expense per equivalent barrel is as follows:

	1983	1982	1981
Canada	$ 5.16	$ 3.79	$ 4.69
United States	12.91	9.63	7.13

3. Petroleum and natural gas reserve quantities

The quantities of proved and proved developed petroleum and natural gas reserves are estimated by the Company's engineering staff. The determination of these reserves is a complex and highly interpretive process which is subject to continual revision as additional information becomes available.

Petroleum is measured in barrels and natural gas is measured in millions of cubic feet.

The estimates of proved and proved developed reserves include the reserves of Inverness Petroleum Ltd., a subsidiary with a 32.4% minority ownership interest.

	Canada		United States		Total	
	Petroleum	Natural Gas	Petroleum	Natural Gas	Petroleum	Natural Gas
Proved reserves:						
Balance July 1, 1980	176,315	9,440	1,334,388	5,134	1,510,703	14,574
Revisions of previous estimates	(33,578)	–	(203,753)	(1,430)	(237,331)	(1,430)
Purchase of reserves in-place	2,088,780	13,967	–	–	2,088,780	13,967
Extensions, discoveries and other additions	2,976	2,462	673,705	2,411	676,681	4,873
Production	(76,370)	(1,048)	(148,211)	(751)	(224,581)	(1,799)
Balance June 30, 1981	2,158,123	24,821	1,656,129	5,364	3,814,252	30,185
Revisions of previous estimates	53,504	2,798	(480,085)	(288)	(426,581)	2,510
Extensions, discoveries and other additions	140,650	3,189	311,010	846	451,660	4,035
Production	(89,657)	(878)	(157,480)	(937)	(247,137)	(1,815)
Balance June 30, 1982	2,262,620	29,930	1,329,574	4,985	3,592,194	34,915
Revisions of previous estimates	(40,785)	(108)	(181,819)	(1,104)	(222,604)	(1,212)
Purchase of reserves in-place	441,600	11,310	6,840	970	448,440	12,280
Extensions, discoveries and other additions	62,650	153	181,789	1,210	244,439	1,363
Production	(148,528)	(1,708)	(177,775)	(877)	(326,303)	(2,585)
Sale of reserves in place	–	–	(5,102)	(117)	(5,102)	(117)
Balance June 30, 1983	2,577,557	39,577	1,153,507	5,067	3,731,064	44,644
Proved developed reserves:						
June 30, 1980	172,459	9,440	1,189,908	5,086	1,362,367	14,526
June 30, 1981	1,654,378	24,063	1,188,891	4,561	2,843,269	28,624
June 30, 1982	1,974,070	29,543	1,096,507	4,509	3,070,577	34,052
June 30, 1983	2,377,987	39,190	981,836	4,849	3,359,823	44,039

4. Standardized measure of future net cash flows relating to proved reserves

Certain assumptions used in computing the standardized measure and their inherent limitations are discussed in the following. The Company believes this discussion to be essential for a proper understanding and assessment of the data presented.

Proved Reserves:
Only "proved" reserves as defined by the SEC are included in the valuation. Excluded from the definition are estimates of potential or possible reserves associated with existing proved or unproved properties, which are often a significant factor in the Company's investment decision-making process.

Current Prices:
Expected revenues are based on petroleum and natural gas prices existing at the year end for which those estimates were made. Expected increases due to inflation or anticipated price changes are not considered.

Current Costs:
Production and development costs related to future production of proved reserves are based on cost levels existing at the end of the year for which those estimates were made and assume continuation of existing economic conditions. Therefore, no adjustments have been made for inflation or other anticipated cost changes.

Income Taxes:
Estimated future income taxes are computed using appropriate current statutory income tax rates including permanent differences and future income tax credits.

Discount Rate:
Future net cash flows from petroleum and natural gas production have been discounted at 10%. Therefore, all properties are discounted at the same rate regardless of the attendant risk.

The assumptions used to compute the standardized measure are those required by FASB 69 and do not necessarily reflect the Company's expectations of actual revenues to be derived from those reserves nor their present worth.

The limitations inherent in the reserve quantitiy estimation process, described previously, are equally applicable herein because these estimates are the basis for the valuation process. Assigning monetary values to such quantity estimates does not reduce the subjective and ever-changing nature of such reserve estimates.

Additional subjectivity occurs when determining present values because the rate of producing the reserves must be estimated. In addition to errors inherent in predicting the future, variations from the expected production rate also could result directly or indirectly from factors outside of the Company's control, such as unintentional delays in development, environmental concerns, changes in prices, and regulatory controls.

The standardized measure does not necessarily reflect the amounts that would be incurred to obtain an equivalent amount of oil and gas reserves, nor would the Company necessarily be willing to sell the existing reserves for those amounts. Numerous other factors, in addition to those used in the valuation, must be considered by the Company when allocating funds to the exploration and development of known and prospective oil and gas reserves.

Standardized measure of future net cash flows relating to proved reserves is as follows:

	Canada			United States			Total		
(in thousands)	*1983*	*1982*	*1981*	*1983*	*1982*	*1981*	*1983*	*1982*	*1981*
Future cash inflows	$200,670	$140,378	$89,619	$57,920	$61,251	$77,554	$258,590	$201,629	$167,173
Future production and development costs	64,637	48,850	29,915	14,454	24,886	27,895	79,091	73,736	57,810
	136,033	91,528	59,704	43,466	36,365	49,659	179,499	127,893	109,363
Future income tax expenses	50,280	38,758	26,484	13,454	10,677	13,069	63,734	49,435	39,553
Future net cash flows	85,753	52,770	33,220	30,012	25,688	36,590	115,765	78,458	69,810
Discount	50,818	33,475	24,138	10,276	8,752	14,749	61,094	42,227	38,887
Standardized measure of discounted future net cash flows relating to proved reserves	$ 34,935	$ 19,295	$ 9,082	$19,736	$16,936	$21,841	$ 54,671	$ 36,231	$ 30,923
Minority interests' share of standardized measure of discounted net cash flows relating to proved reserves	$ 7,148	$ 4,843	$ 2,298	$ 5,562	$ 669	$ 9,360	$ 12,710	$ 5,512	$ 11,658

5. Summary of changes in standardized measure of discounted future net cash flows relating to proved reserves

	Year Ended June 30		
(in thousands)	*1983*	*1982*	*1981*
Sales and transfers of oil and gas produced, net of production costs	$(14,318)	$(8,231)	$(7,622)
Net changes in prices and production costs relating to future production	5,703	(102)	429
Extensions, discoveries, and improved recovery	5,072	9,373	14,839
Development costs incurred during the period	2,406	2,485	297
Revisions in previous quantity estimates	(1,458)	(579)	(8,820)
Net change due to purchases and sales of minerals in-place	18,856	–	11,211
Accretion of discount	4,625	4,888	3,350
Net change in income taxes	(2,446)	(2,526)	(2,221)
Net increase	18,440	5,308	11,463
Beginning of year	36,231	30,923	19,460
End of year	$ 54,671	$36,231	$30,923

The information in Supplemental Information items 2, 3 and 5 includes the petroleum and natural gas activities of GM Resources in fiscal 1983 and of Skye in fiscal 1981 for the full year.

*Five Year Summary**

(Amounts in thousands of Canadian dollars unless otherwise shown)
Year ended June 30

	1983	1982**	1981	1980	1979
Financial Information					
Summary of operations					
Revenue					
Metals and minerals	$ 34,137	$ 24,026	$ 28,997	$ 25,073	$ 11,884
Coal	39,496	40,133	25,265	–	–
Petroleum and natural gas	19,325	12,193	11,004	1,361	1,043
Operating income before administration, interest, provisions and taxes					
Metals and minerals	18,380	3,158	8,966	10,993	3,116
Coal	6,580	8,960	5,034	–	–
Petroleum and natural gas	14,580	8,231	7,622	1,089	834
	39,540	20,349	21,622	12,082	3,950
General administration	9,415	5,558	3,873	1,662	633
Interest and other income	(4,502)	(2,841)	(2,422)	(589)	(468)
	4,913	2,717	1,451	1,073	165
Operating income before the undernoted	34,627	17,632	20,171	11,009	3,785
Interest expense	12,272	6,920	4,311	356	180
Depreciation, depletion and amortization**	21,841	12,997	9,878	3,153	1,814
Gain on sale of investments	(7,211)	–	–	(5,931)	–
Income taxes (recoveries)	3,593	(732)	1,234	4,153	505
Share of earnings of equity accounted company	–	(1,713)	(424)	–	–
Minority interests and pre-acquisition earnings	2,075	441	1,985	–	–
Extraordinary items	1,049	(232)	(10,422)	–	–
Net income (loss)	$ 1,008	$ (49)	$ 13,609	$ 9,278	$ 1,286
Earnings (loss) per share					
Before extraordinary items	$ 0.24	$ (0.05)	$ 0.74	$ 2.12	$ 0.29
Net income (loss)	$ 0.12	$ (0.01)	$ 3.14	$ 2.12	$ 0.29

* The comparability of financial information presented for years prior to 1983 is affected by the acquisition described in Note 4 to the financial statements

** 1982 restated – see Note 3 to the financial statements

	1983	1982	1981	1980	1979
Other financial information					
Expenditures on natural resource properties	$ 30,951	$ 30,280	$ 18,266	$ 7,736	$ 4,345
Working capital	10,420	3,287	8,537	9,754	3,995
Total assets	333,468	171,157	138,836	48,737	36,049
Long-term borrowings	75,511	47,632	18,646	760	3,373
Shareholders' equity	150,406	77,261	66,001	38,029	28,751
Per share	14.10	11.27	12.10	8.48	6.41
Share prices (Canadian $) — high	15.00	13.50	20.38	18.50	12.50
— low	5.12	4.65	7.00	7.25	5.00
Number of common shareholders	16,025	5,511	5,419	5,746	5,866
Number of common shares (in thousands)	10,666	6,888	5,454	4,483	4,483
Operating information					
Metal Sales					
Pounds copper — in thousands	4,376	5,982	6,844	9,694	6,934
Ounces gold — in thousands	23	30	30	26	21
Ounces silver — in thousands	23	27	35	46	29
Asbestos Mining					
Ore treated — in thousands of tons	4,249	—	—	—	—
Fibre produced — in thousands of tons	141	—	—	—	—
Coal Group					
Tons sold — in thousands	929	1,001	716	—	—
Petroleum and Natural Gas Production, *before royalties*					
Crude oil & natural gas liquids — bbls					
Canada	223,767	120,507	102,648	7,692	2,818
United States	191,949	186,623	148,637	6,963	5,759
Natural gas — mcf — Canada	2,119,800	1,163,393	1,396,527	657,000	795,000
— United States	1,032,379	1,108,000	751,352	35,000	14,000
Number of employees	780	716	720	311	261

Campbell Resources Inc.
Head Office
55 Yonge Street
Suite 309
Toronto, Ontario M5E 1J4

Montreal
Suite 1434
800 Dorchester Blvd. West
Montréal, Québec H3B 1X9

Calgary
Suite 1410, Suncor Tower
500-4th Avenue S.W.
Calgary, Alberta T2P 2V6

Vancouver
900, 837 West Hastings Street
Vancouver, B.C. V6C 1B6

Mexico
Huepac, Sonora
Mexico

Metals and Minerals Group

Camchib Mines Inc.
Head Office
Suite 1434
800 Dorchester Blvd. West
Montréal, Québec H3B 1X9

Executive Office
Suite 705, Thomson Building
65 Queen Street West
Toronto, Ontario M5H 2M5

Mine Office
P.O. Box 3400
Chibougamau, Québec G8P 2K9

Oil and Gas Group

Inverness Petroleum Ltd.
Executive and
Corporate Offices
Suite 1410, Suncor Tower
500-4th Avenue S.W.
Calgary, Alberta T2P 2V6

Coal Group

Coal Corporation of America, Inc.
Corporate Office
811 Corporate Drive
Suite 204, Lexington
Kentucky 40503

Shaker Coal Division
U.S. 60 East, Box 735
Grayson, Kentucky 41143

American Processed Coals Division
Route 2, Box 6
Grayson, Kentucky 41143

Carbonex Coal Division
4815 South Harvard – Suite 403
Tulsa, Oklahoma 74135

Chelsea Tipple Division
247 West 6th Street
Chelsea, Oklahoma 74016

Auditors
Ernst & Whinney
Toronto, Ontario

Counsel
Smith, Lyons, Torrance,
Stevenson & Mayer
Toronto, Ontario

Registrar and Transfer Agents
Montreal Trust Company
Toronto, Montreal, Calgary and Vancouver
The Manufacturers Hanover Trust Company
New York, N.Y.

Stock Exchange Listings
New York Stock Exchange
Toronto Stock Exchange
Montreal Exchange
Vancouver Stock Exchange
Symbol: CCH

10-K Report Available
A copy of the 1983 Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission, is available on request to the Secretary of the Company.

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