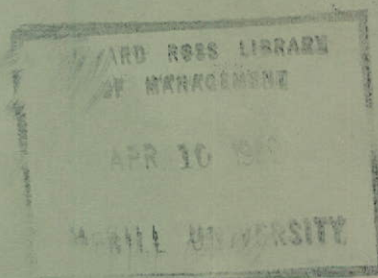


# CAMPBELL RED LAKE MINES LIMITED

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## Annual Report 1979



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### Annual Meeting

The Annual and General Meeting of Shareholders will be held at the Royal York Hotel, Library, Toronto, Ontario on Monday, May 5, 1980, at 9:30 a.m. (Toronto time).

It is recorded here that it is the intention of the present management to solicit proxies. The form of proxy and the information circular will accompany the Notice of Annual and General Meeting which is being mailed to all shareholders.

### Form 10-K

Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available to shareholders without charge by writing to Fraser M. Fell, Secretary, P.O. Box 30, Toronto-Dominion Centre, Toronto, Ontario, Canada M5K 1C1.

### Annual Report

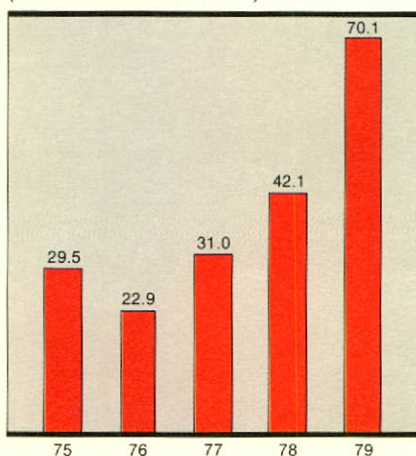
Copies of the Annual Report of the Company are available without charge by writing to Suite 600, 365 Bay Street, Toronto, Ontario, Canada M5H 2V9.

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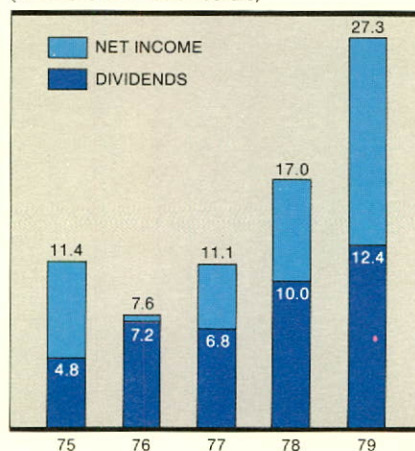
# Comparative Highlights

		1979	1978
<b>Operating Summary</b>	Fine ounces of gold	<b>185,005</b>	183,546
	Tons milled	<b>300,000</b>	301,000
	Bullion revenue	<b>\$70,055,000</b>	\$42,138,000
	Operating costs	<b>\$13,211,000</b>	\$11,644,000
	Income and mining taxes	<b>\$34,809,000</b>	\$17,910,000
	Net income	<b>\$27,319,000</b>	\$17,009,000
<b>Financial Position</b>	Working capital	<b>\$36,062,000</b>	\$24,793,000
	Shareholders' equity	<b>\$60,910,000</b>	\$45,989,000
<b>Per Share</b>	Net income	<b>\$1.71</b>	\$1.06
	Dividends	<b>\$0.77<sup>1</sup>/<sub>2</sub></b>	\$0.62 <sup>1</sup> / <sub>2</sub>
<b>Statistical Data</b>	Number of employees	<b>342</b>	338
	Number of shareholders	<b>7,547</b>	6,725
	Shares outstanding	<b>15,998,000</b>	15,998,000

**BULLION REVENUE**  
(in millions of Canadian dollars)



**NET INCOME AND DIVIDENDS**  
(in millions of Canadian dollars)





# Report of the Directors to the Shareholders

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## Earnings

For the Company, in its thirty-first year of production, 1979 was for the second year in a row one of record sales and earnings. Net income, at \$27,319,000 was up 61 percent over the previous year.

## Expansion Plans

At current price levels, and for that matter at levels significantly lower, the mining of lower average grades of ore is indicated. This may be reflected in a reduced production level with a view to extending mine life or, if justified, in expanded tonnage production at a lower average grade but with a resultant increase in total gold output.

A 30 percent tonnage increase is in progress at Campbell with construction scheduled for completion by December, 1980. It is expected that the increase will come on stream gradually over the year 1981 and 1982 should represent the first full year at a scheduled production rate of 212,000 ounces of gold per year. This increase, based on additional tonnage grading 0.3 ounces per ton has been in planning stages for some years and is not dependent on current gold prices, though of course the rate of return is greatly increased. Currently a detailed reassessment of the mining property, including the site of the former producer, H.G. Young Mines, is underway and further expansion may be indicated.

Though much work remains to be completed, results to date on the Detour Lake deposit in northern Ontario are encouraging and studies are proceeding with a view of reaching a production decision late this year or early in 1981. The deposit appears to have the potential of developing into a major gold producer. Campbell is the operator of this joint venture which will be owned by Campbell and Dome as to 25 percent each and Amoco Canada Petroleum Ltd. as to 50 percent.

## Outlook

During a period of approximately two and one-half years, commencing in mid-summer of 1976, the price of gold on world markets increased at a steady pace of about four dollars per ounce per month and closed out the year 1978 at \$220 U.S. This increase exceeding 30 percent per year, reflected the continuing imbalance between supply and demand throughout the world and occurred in spite of regular



Malcolm A. Taschereau  
*Chairman and President*

I.M.F. auctions and restitutions and also U.S. Treasury sales during the period. In 1979 a number of factors combined to increase demand with the result that the price of gold commenced to rise at an logarithmic rate and ended the year at \$512 U.S. per ounce.

These factors were, on the international scene, the increasingly serious situation in Iran and, at the end of the year, the events in Afghanistan. In the U.S. there was a growing belief that imposition of rigid economic controls was unlikely, particularly in a pre-election period, and therefore that attempts to control inflation would not meet expectations. U.S. Treasury sales of gold were suspended late in the year and there was a recognition that I.M.F. auctions were scheduled to stop in early 1980. These two sources alone provided more than 30 percent of the estimated total 1979 world consumption of 56 million ounces. Overshadowing all else was the prospect of ever increasing costs of energy and the effects of this on the economic future of the industrialized world.



All of these factors have continued to exert their influence and, since the beginning of 1980, the price of gold increased to a maximum of \$850 U.S. per ounce on January 21st before settling back to a low of \$474 U.S. on March 18. For planning purposes, it is difficult to determine a reasonable price level as it is a composite of some soundly based factors such as expected costs of production, built-in inflation, etc., but to which are added the effects of anxiety and also of speculation.

### **Dividends**

With rapidly rising profit levels, dividend rates were increased on three successive occasions during the year. Dividends declared for the year 1979 totalled \$0.775 per share compared to \$0.625 per share the previous year after taking into account the two for one share split effected May 18, 1979.

### **Employee Benefits**

In 1979, the Company implemented a plan wherein shares were purchased and distributed to employees at no cost in an amount based on the length of service of each employee. This plan has already increased interest in the efficient operation and growth of the company.

On October 1, 1979 the pension plan for hourly rated employees was adjusted to improve significantly the benefits to both active and retired employees.

### **Acknowledgements**

The Directors gratefully acknowledge the cooperation and efficiency of all employees.



M. A. TASCHEREAU,  
Chairman and President

March 20, 1980



Map showing the location of the Dome Group's three mines and the Detour Lake property.

# Management Discussion and Analysis of Operations

Earnings for the 1979 year rose significantly during the year on the strength of record prices for gold bullion. Net income for 1979 was \$27,319,000 or \$1.71 per share, an increase of 61 percent from the \$17,009,000 or \$1.06 per share earned in 1978. The 1978 per share figures have been restated to reflect the two for one share split which took place during 1979.

## Bullion Revenue

Revenue per ounce of gold produced averaged \$378.66 for 1979, an increase of 65 percent from the prior year. In 1978 revenue per ounce had averaged \$229.58, an increase of 41 percent from 1977. Bullion revenue totalled \$70,055,000 in the current year in comparison to \$42,138,000 in 1978.

The number of ounces produced increased from 183,546 in 1978 to 185,005 in the current year as a result of improved recovery and the milling of a higher grade of ore.

## Operating Costs

The number of tons milled during the year remained at approximately the same level as in 1978. Operating costs rose to \$13,211,000 from \$11,644,000 last year, an increase of 13 percent. In addition to inflationary increases, the level of mine development was increased. In 1978, operating costs had increased 9

percent from the prior year. Cost per ton milled averaged \$44.00 in 1979 compared to \$38.75 per ton in 1978 and \$35.86 in 1977.

## Exploration

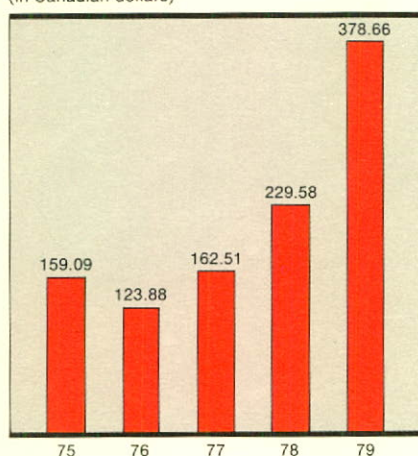
The Company's share of the cost of the joint exploration program carried out by affiliated exploration companies rose significantly this year. The level of activity was stepped up with particular emphasis on exploration in the Province of Ontario. Campbell's share of expenditures were \$1,108,000 in 1979 and \$756,000 in 1978, increases of 47 percent and 2 percent respectively over the prior year.

## Other Income

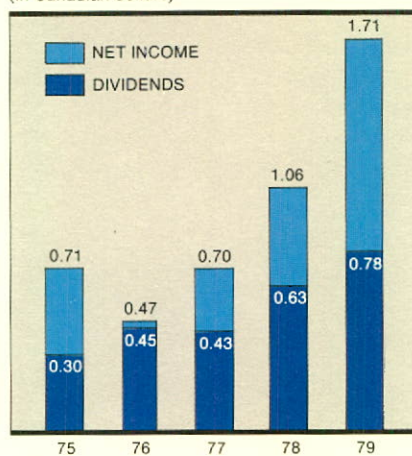
Interest income earned during the year rose significantly as a result of increased available funds and high interest rates. Interest income totalled \$4,681,000 this year, an increase of \$2,501,000 or 115 percent from the previous year. In 1978 interest earned had totalled \$2,180,000, down 10 percent from the prior year as a result of cash outlays to acquire the shares of Denison Mines Limited.

The Company had substantial amounts of funds invested in U.S. fixed deposits in late 1978 and early 1979. A decline in the value of the Canadian dollar in 1978 resulted in exchange gains of \$880,000 being

**REVENUE PER OUNCE**  
(in Canadian dollars)



**NET INCOME AND DIVIDENDS PER SHARE**  
(in Canadian dollars)





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realized on these investments. This situation reversed in 1979 when the Canadian dollar staged a modest recovery which resulted in exchange losses of \$385,000.

Dividends received from the Company's investment in shares of Denison Mines decreased from \$1,256,000 in 1978 to \$886,000 in 1979, a decline of 29 percent. Denison had declared a special one-time dividend in late 1978.

### **Taxes**

In 1979, income taxes increased 82 percent to \$21,776,000 from \$11,955,000 in 1978, which in turn was a 53 percent increase from 1977. Mining taxes were \$13,033,000 in 1979 and \$5,955,000 in 1978 which represents 23 percent and 20 percent respectively of operating income less outside exploration. The mining taxes are applied on a graduated scale so that the higher earnings in 1979 resulted in a higher overall rate being applied.

### **Dome Petroleum Limited**

The Company's share of the earnings of Dome Petroleum Limited accounted for by the equity method rose to \$1,210,000 from \$865,000 in 1978 and \$767,000 in 1977 representing annual increases of 40 percent and 13 percent respectively. Campbell acquired an additional 8,800 common shares late in the year, bringing its total holdings to 408,800 common shares or 0.8 percent of the outstanding common shares of that company.



F. M. Fell  
*Secretary*



R. B. Hutchison  
*Treasurer*



H. D. Scharf  
*Controller*



## Review of Operations

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During 1979, the mill produced 185,005 ounces of gold as compared to 183,546 ounces in 1978. A slight drop in tonnage was more than offset by modest increases in ore grade and mill recovery. Gold production in 1980 is expected to show little change from 1979. The expansion program will provide additional tonnage in 1981 and will be at full capacity at 390,000 tons of ore and 212,000 ounces of gold in 1982.

Total operating costs were \$44.00 per ton milled in 1979, an increase of 13.5 percent over 1978. No major changes were made in the type of mining and the increase in costs is largely the result of higher wage rates and a higher level of development and stope preparation. Unit costs per ton by principal activity are as follows:

Development	<b>\$ 7.56</b>
Mining	<b>15.13</b>
Milling	<b>8.72</b>
Plant, administration and other	<b>12.59</b>
	<b><u>\$44.00</u></b>

### Mine Property Exploration

A program of mapping, geophysics and diamond drilling was initiated on surface in 1979. The diamond drilling program, totalling 7,917 feet, was designed to probe previously untested areas, test geophysical targets and follow up information obtained from earlier drilling programs. To date, two intersections have been encountered that will require underground investigation in 1980. A number of geophysical targets also remain to be tested by surface drilling.

Underground drilling decreased from 50,010 feet in 1978 to 45,145 feet in 1979. Exploration drilling, away from known zones, on the 7th, 14th and 21st levels has encountered some gold values but due to the wide spacing of this program, more drilling and development will be required to determine the significance of these values.

An exploration drive to the north on the 7th level is planned, starting by mid-1980, to investigate the up dip potential of gold bearing structures indicated on the 14th level and to provide for diamond drill stations from which the potential of the old H.G. Young area can be examined.



*Townsite at Balmertown, Ontario with the Campbell mine in the background.*



A review of the property's potential in the light of increased gold prices has been initiated although, until the expansion program has been completed, the necessary underground exploration and ore reserve definition cannot be increased to any significant extent.

### Development

Lateral development was increased from 6,777 feet to 7,406 feet. This was made possible by the addition of one drift crew and included the examination of lower grade, diamond-drill indicated ore on the upper levels. A number of small tonnage, low grade ore zones have been exposed.

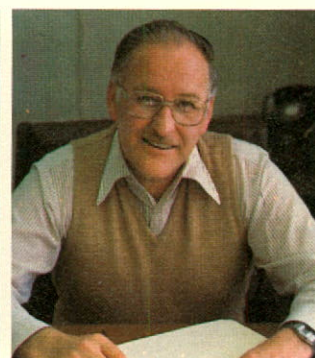
Development programs for 1980 include two crews for development on the upper levels, three crews extending known ore zones at depth, one crew on stope preparation and one crew exploring new areas. The preparation of 14 shrinkage and 9 cut-and-fill stopes is scheduled for 1980 to support the expansion program.

Details of development and diamond drilling completed during the year are presented in Table I.

Level	Development Footage			Total	Diamond Drilling Footage
	Drifts and Crosscuts	Raises	Slashes		
Surface	—	—	—	—	7,917
2nd	—	225	38	263	859
3rd	109	—	—	109	—
4th	380	158	34	572	1,305
5th	—	—	—	—	212
6th	746	236	160	1,142	310
7th	146	278	64	488	201
8th	—	—	15	15	402
9th	—	—	—	—	450
10th	132	—	43	175	2,678
11th	339	—	46	385	2,212
12th	958	—	274	1,232	2,418
13th	524	—	33	557	2,112
14th	493	—	110	603	6,348
15th	627	363	288	1,278	4,518
16th	41	197	62	300	8,061
17th	117	204	17	338	2,316
18th	333	—	108	441	3,026
19th	772	—	155	927	3,245
20th	22	310	41	373	960
21st	1,667	—	238	1,905	3,512
Total 1979	7,406	1,971	1,726	11,103	53,062
Total 1978	6,777	1,531	1,691	9,999	50,010



C. H. Brehaut  
Vice-President, Operations



S. M. Reid  
Mine Manager

### Ore Reserves

Proven ore reserves as of December 31, 1979 were estimated to be 1,976,500 tons at an average grade of 0.657 ounces per ton. This represents an increase of 77,300 tons during the year. A summary of ore in place, broken ore and total extraction by level is shown in Table II.

Level	Ore Reserves			Cumulative Tons Extracted
	Tons in Place	Average Grade (oz./ton)	Tons Broken Ore	
1st	1,600	0.534	—	260,004
2nd	4,500	0.534	100	348,230
3rd	8,400	0.583	1,200	419,287
4th	17,700	0.597	1,000	563,336
5th	35,200	0.525	11,500	657,055
6th	67,000	0.726	1,600	582,377
7th	41,600	0.600	14,300	790,236
8th	35,500	0.600	400	746,086
9th	31,400	0.728	1,500	563,663
10th	64,800	0.684	19,800	513,724
11th	79,900	0.874	5,800	277,081
12th	94,000	0.737	46,900	215,218
13th	189,900	0.737	7,000	172,029
14th	190,600	0.691	4,000	220,671
15th	195,600	0.650	32,800	197,710
16th	179,400	0.669	7,000	54,372
17th	237,500	0.622	100	14,870
18th	157,000	0.571	1,800	34,030
19th	100,700	0.519	1,500	15,314
20th	42,800	0.572	2,600	16,282
21st	38,600	0.534	1,900	2,954
Total				
Dec., 1979	1,813,700	0.657	162,800	6,664,529
Total				
Dec., 1978	1,761,400	0.664	137,800	6,399,220



## Mining

The mine hoisted 300,178 tons of ore in 1979 of which 265,309 tons were from primary stope production and 34,869 tons were from development. The stoping and development grades were 0.699 and 0.326 ounces per ton respectively and the average grade hoisted was 0.656 ounces per ton. Waste rock hoisted during the year totalled 20,950 tons which was used for tailings dam construction and road maintenance. Production was obtained from stopes located between the 2nd and 21st levels.

The distribution of ore by mining method for the past two years is as follows:

	<u>1979</u>	<u>1978</u>
Cut-and-fill	<b>34%</b>	28%
Shrinkage	<b>53</b>	64
Development	<b>13</b>	8
	<u><b>100%</b></u>	<u>100%</u>

During the year 49,055 tons of classified mill tailings were placed underground as stope fill.

## Mill

In general the mill operated satisfactorily during the year. Continued improvement in gold recovery was achieved as a result of efforts directed towards improving the efficiency of the flotation tails circuit over the past three years. Comparable results for the last two years are presented below:

	<u>1979</u>	<u>1978</u>
Tons per day	<b>822</b>	823
Tons treated	<b>300,178</b>	300,502
Grade treated – oz./ton	<b>0.656</b>	0.653
Recovered grade – oz./ton	<b>0.616</b>	0.611
Recovery – %	<b>94.0</b>	93.5

A maintenance check of the main thickener is scheduled for July requiring approximately a one week shutdown. The lost production is expected to be made up later in the year once the new grinding units being installed as part of the expansion program are operational.



*Miner operating an air-leg drill underground.*



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## Expansion

Services for 50 building lots were installed and 20 houses were constructed in 1979. The remaining 30 houses will be built in 1980.

Installation of milling machinery and equipment is progressing satisfactorily.

In 1979 the erection of the service hoist building was started in preparation for the delivery of the new hoist scheduled for August 1980. Modifications and repairs to the shaft will also be completed in 1980. The increased housing and hoisting facilities will permit an accelerated program of stoping in 1981 and the projected production rate of 390,000 tons should be reached by the end of that year.

## Capital Expenditures

Capital expenditures for the year totalled \$3,549,000, including \$3,003,000 for the planned expansion program. Expenditures by area of activity are listed below:

	<u>1979</u>	<u>1978</u>
Regular:		
Mine	<b>\$244,000</b>	\$ 99,000
Mill	<b>170,000</b>	225,000
Surface	<b>132,000</b>	195,000
	<b><u>\$546,000</u></b>	<u>\$519,000</u>
Expansion:		
Mine	<b>\$ 118,000</b>	
Hoist and shaft	<b>602,000</b>	
Mill	<b>978,000</b>	
Housing	<b>876,000</b>	
Townsite services	<b>429,000</b>	
	<b><u>\$3,003,000</u></b>	

In addition to regular capital items and the expansion program, several special projects, currently being studied, may require significant expenditures over the next few years. Projects relating to both the working and external environment include the upgrading of the quality of arsenic trioxide, sulphur dioxide control and a new refinery. Improvements to the quality of life in Balmertown are also required and the paving of the streets and the construction of an indoor swimming pool are under study. Finally, renovations and an addition to the main office building are required.

## Staff Changes

During the year three of our senior employees who have been with Campbell since the start of production have retired. Mr. M. Alexander, Underground Superintendent, Mr. M. Adams, Chief Assayer and Mr. B. Dupont, Chief Electrician. To these men we extend our sincere appreciation for their valuable contribution to the Company's success and wish them well in their retirement. Mr. K. Newman was appointed General Superintendent as of October 1, 1979.

## Manpower

The lack of skilled miners has required a re-evaluation of Campbell's training practice and methods. A modular training program has been instituted which will enable the training of recruits in the skills required for underground mining.

Total manpower increased from 338 to 342 employees in 1979. Wages and salaries and other major items of interest are listed below:

Wages and salaries	\$ 6,250,000
Supplies and services	\$ 6,501,000
Income and mining taxes	\$34,809,000

Six employees qualified for induction to the Quarter Century Club bringing total membership to thirty-three.



## Detour Lake

Campbell Red Lake Mines Limited and its parent company, Dome Mines Limited, have entered into a joint venture agreement with Amoco Canada Petroleum Company Ltd. whereby Campbell and Dome each have the right to earn a 25 percent interest in a claim group in the Detour Lake area of northeastern Ontario on which significant gold-bearing structures have been discovered. The original 26 claims were staked by Amoco in May, 1974 and are located approximately 125 miles northeast of Timmins, Ontario and 8 miles west of the Quebec border.

### Agreement

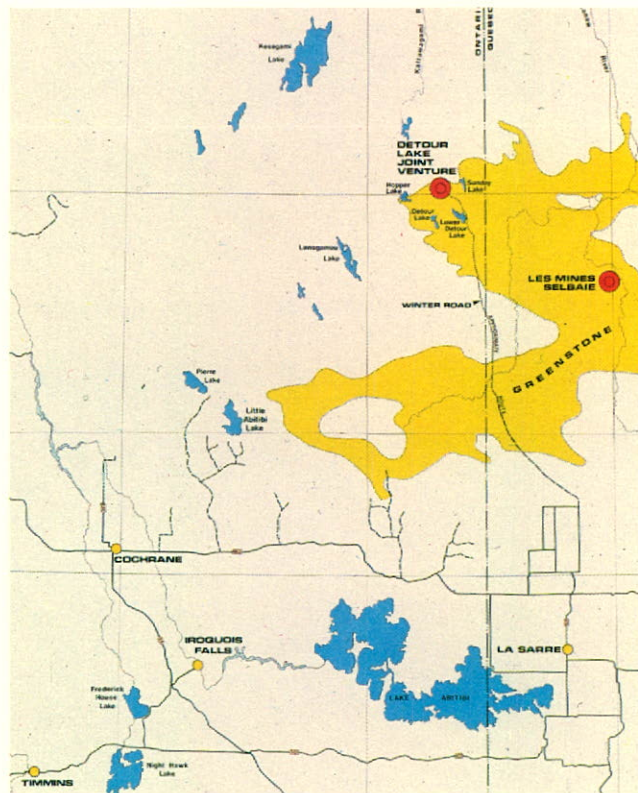
To earn their 25 percent interests, Campbell and Dome must each spend \$5,000,000 on exploration and development work on the claims, of which \$1,000,000 must be spent by April 30, 1980 and \$2,500,000 by October 31, 1980. Campbell is operator of the work program and must submit a development proposal describing the project in terms of production rate, estimated date of commercial production and other details by October 31, 1980.

### Early Program

Diamond drilling was started by Amoco in October, 1974 and, after encouraging values were obtained in the first three holes, an additional 362 claims were staked surrounding the original block. Surface drilling continued through to August, 1976 by which time 157,000 feet had been drilled on various geophysical targets. Drilling on the original anomaly accounted for 87 percent of the footage and a major zone was identified which at 1,800 feet below surface was still open to depth.

In October, 1976 a comprehensive study was commissioned which included underground examination of the ore zone, detailed drilling of a segment of the main gold zone, metallurgical test work and engineering studies. The underground work involved 3,000 feet of development and 35,200 feet of diamond drilling. A decline was driven to a level 400 feet below surface at which point three crosscuts were driven across the ore structure for examination and bulk sampling purposes. Diamond drilling was carried out from a drift driven parallel to the zone in the hanging wall.

As a result of this program, reserves were estimated at 6.2 million tons averaging approximately 0.19 ounces



Map showing the location of the Detour Lake property.

of gold per ton. It was obvious that a significant discovery had been made but at the price of gold that existed early in 1979 the economics of the project were in doubt. At this point in time, Campbell and Dome were invited to acquire an interest in the property.

### Geology

The gold occurrences are found principally in a quartz fracture zone within basaltic flows on the hanging wall side of a chert horizon. Significant gold values have also been found in the chert horizon and in a talc carbonate zone on the footwall side of the chert horizon.

The outline of the main quartz fracture zone has an indicated strike length of 700 to 900 feet and plunges at 35° from the horizontal. In general, the dip is fairly steep but individual sections, as inferred from diamond drilling, vary from vertical to 45°. The zone has been traced to a vertical depth of 1,800 feet below surface and the results of deep drilling indicate that the main quartz zone is open to depth.



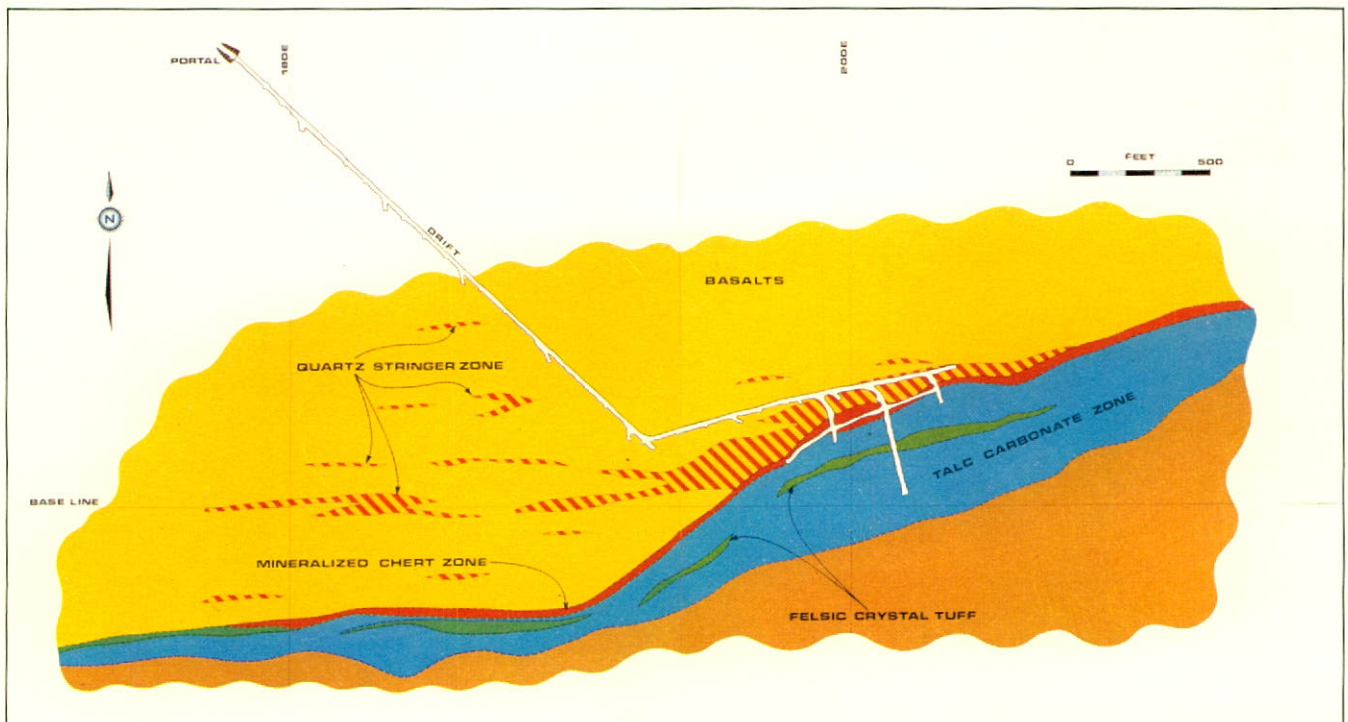
## Current Program

The purpose of the current work at the property is to develop an understanding of the nature of the gold occurrences in the quartz fracture zone, the chert horizon and the talc carbonate zone and their relationship to each other. Most of the required development and diamond drilling will be carried out on the 400 foot level along the full length and width of the zones. In addition to the 400 foot level program, development is also underway on the 335 foot level to check the geological hypotheses and ore delineation techniques currently being developed on the lower level. In 1980, 10,000 feet of development work and 40,000 feet of diamond drilling is planned. It is expected that the work as described above will take most of the year to complete. Including engineering studies and support services, project costs for 1980 are estimated to be in the order of \$8,000,000.

Approval was given for work to commence in October, 1979 at which time geological and development programs were initiated. Mapping and sampling of the existing development headings indicated increased

tonnage at a slightly lower grade over the 400 foot strike length originally examined. This has been followed by the driving of a central drift in ore and crosscuts at 50 foot centers between the original openings to confirm earlier mapping and sampling results. During 1979, 1,036 feet of drifting and 4,529 feet of drilling was completed at a total cost to Campbell and Dome of \$802,000. The program to date has been encouraging and limits have yet to be established on three sides.

Up to February, 1980 operations were dependent largely on supplies previously shipped in by Amoco over a winter road from Lasarre, Quebec. The winter road was re-established in early January, 1980 and sufficient supplies and equipment have been delivered to the property to support twelve months of continued operation. The site is not currently accessible by road year round and discussions have been initiated with the Government of Ontario regarding extension of the road system north from the Cochrane/Iroquois Falls area to the property.



*Idealized geological plan of the Detour Lake site at the 400 foot elevation.*



## Exploration

The Company, with varying degrees of participation by parent company, Dome Mines Limited and affiliated Sigma Mines (Quebec) Limited and Dome Petroleum Limited, carried out its most extensive exploration program to date. Total expenditures excluding the Detour Lake joint venture amounted to \$3 million, an increase of 37 percent over 1978. Participation in the various projects is shared among the companies as follows:

	Projects originating			
	Prior to Jan. 1, 1977	After Jan. 1, 1977		
		Ontario	Quebec	Elsewhere
Dome Mines Limited	40%	50%	NIL	50%
Dome Petroleum Limited	33%	NIL	NIL	NIL
Campbell Red Lake Mines Limited	21%	50%	NIL	40%
Sigma Mines (Quebec) Limited	6%	NIL	100%	10%

The 1979 program included work on 76 company-managed projects and participation in 12 joint ventures with others. These, which included 26 new projects, were located from coast to coast in Canada and also in the Western U.S.A. and Alaska. However, 52 percent of expenditures were on projects in relative proximity to producing operations of the Dome group in Ontario and Quebec. A total of 1,040 claims were staked, 2,300 miles of airborne and 370 miles of ground geophysical surveys were completed and 150 holes totalling 62,000 feet were core drilled.

Though all base and precious metal deposits were included in the search, emphasis was placed on gold, the Dome group's particular sphere of expertise. Detailed drilling was carried out on two optioned gold prospects in northwestern Quebec and results obtained warrant further work. Two other gold prospects, located in Ontario and in B.C. have also



*L. B. Halladay, Chief Geologist (left) and G. S. W. Bruce, Vice-President, Exploration.*

responded well to preliminary work. Late in the year, a program involving the staking of a large block of more than 400 claims was undertaken in a former major gold producing area in northern Ontario. Airborne geophysics were completed to be followed by ground surveys and drilling is expected to commence in mid-1980. In the Yukon encouraging results have been obtained on a joint venture tin prospect and work will be continued.

Six full-time geologists and eight support staff are directly employed and field offices are located in Timmins, Ontario and Reno, Nevada. The services of geological consultants are frequently contracted for on the west coast and in Alaska.



# Accounting Policies

December 31, 1979 and 1978

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The following is a summary of the principal accounting policies of Campbell Red Lake Mines Limited ("Campbell"). These policies are in conformity with generally accepted accounting principles in Canada and are also, in all material respects, in accordance with those generally accepted in the United States.

## **A. Basis of accounting for Dome Petroleum Limited**

Campbell's parent company, Dome Mines Limited, ("Dome Mines") owns 24.4% of the common shares of Dome Petroleum Limited ("Dome Petroleum") and accounts for the investment by the equity method. Therefore, Campbell's investment of 0.8% of the common shares of Dome Petroleum is also accounted for by the equity method whereby the company's investment is carried at cost plus its share of undistributed earnings since acquisition. The excess of the cost of this investment over the underlying book value at the various dates of acquisition is attributable to Dome Petroleum's oil and gas reserves, and is being amortized to income by reference to annual production in relation to the estimated recoverable reserves.

## **B. Valuation of inventories**

Bullion on hand and in transit is valued at estimated net realizable value.

Mining and milling supplies are valued at cost determined on an average cost basis.

## **C. Valuation of investments**

Except for the investment in Dome Petroleum (A above), short-term commercial paper and marketable securities are valued at the lower of cost and market and other investments with a quoted market value are valued at cost. The investment in oil and gas properties is carried at cost (gross expenditure less the frontier exploration allowance incentive) pending the results of exploration on such properties. All other investments are carried at cost except for Panarctic Oils Ltd. (acquired for development work) which has, since January 1, 1973, been carried at the amount expended since that date (with the tax reduction arising as a result of writing these expenditures off for income tax purposes being included with deferred income taxes).

## **D. Capital assets, depreciation and amortization**

Buildings, machinery and equipment are carried at cost. Depreciation on such assets is provided at the rate of 15% per annum on the straight-line method.

Mining claims and properties and townsite land are carried at cost less amounts written off and are being amortized at the rate of 15% per annum on the straight-line method.

Upon sale or retirement, the cost of capital assets and the related depreciation or amortization are removed from the accounts and any gain or loss is taken into income.

Repairs and maintenance are charged to operations; major betterments and replacements are capitalized.

## **E. Exploration and mine development**

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings. Further exploration costs and mine development expenditures are deferred until the commencement of commercial production and then written off over the estimated life of the property. Development expenditures on producing properties are expensed as incurred.

## **F. Income and mining taxes**

The company follows the tax allocation method of accounting. Under this method, timing differences between accounting income and the amount of income reported for tax purposes (which arise principally as a result of claiming depreciation and exploration at rates differing from those recorded in the accounts) result in provisions for deferred taxes.

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## Statements of Income and Retained Earnings

Years Ended December 31, 1979 and 1978

### Statements of Income

Years Ended December 31, 1979 and 1978

	1979	1978
<b>Bullion revenue</b>	<b><u>\$70,055,000</u></b>	<u>\$42,138,000</u>
<b>Operating costs:</b>		
Mine, mill and plant	10,184,000	8,907,000
General and administrative	2,028,000	1,857,000
Depreciation and amortization	999,000	880,000
	<u>13,211,000</u>	<u>11,644,000</u>
<b>Operating income</b>	<b>56,844,000</b>	30,494,000
<b>Outside exploration</b>	<b>1,108,000</b>	756,000
	<u>55,736,000</u>	<u>29,738,000</u>
<b>Other income (expense):</b>		
Dividends	886,000	1,256,000
Interest	4,681,000	2,180,000
Foreign exchange	(385,000)	880,000
	<u>5,182,000</u>	<u>4,316,000</u>
Income before taxes and equity in earnings of Dome Petroleum Limited	<b>60,918,000</b>	34,054,000
<b>Income and mining taxes (note 7)</b>	<b>34,809,000</b>	17,910,000
Income after taxes, before equity in earnings of Dome Petroleum Limited	<b>26,109,000</b>	16,144,000
Equity in earnings of Dome Petroleum Limited (note 3)	<b>1,210,000</b>	865,000
<b>Net income for the year</b>	<b><u>\$27,319,000</u></b>	<u>\$17,009,000</u>
<b>Net income per share (note 6)</b>	<b><u>\$1.71</u></b>	<u>\$1.06</u>

(See accompanying notes to financial statements)

### Statements of Retained Earnings

Years Ended December 31, 1979 and 1978

	1979	1978
<b>Retained earnings, beginning of year</b>	<b>\$44,368,000</b>	\$37,358,000
Net income for the year	<u>27,319,000</u>	<u>17,009,000</u>
	<b>71,687,000</b>	54,367,000
Dividends (1979 – \$0.775 per share; 1978 – \$0.625 per share – note 6)	<u>12,398,000</u>	<u>9,999,000</u>
<b>Retained earnings, end of year</b>	<b><u>\$59,289,000</u></b>	<u>\$44,368,000</u>

(See accompanying notes to financial statements)



# Statements of Changes in Financial Position

Years Ended December 31, 1979 and 1978

<b>Source of working capital:</b>	<b>1979</b>	<b>1978</b>
<b>Operations –</b>		
<b>Net income for the year</b>	<b>\$27,319,000</b>	\$17,009,000
<b>Items not affecting working capital:</b>		
Depreciation and amortization	<b>999,000</b>	880,000
Deferred income and mining taxes	<b>991,000</b>	144,000
Equity in undistributed earnings of Dome Petroleum Limited	<u><b>(1,210,000)</b></u>	<u>(865,000)</u>
<b>Total</b>	<u><b>28,099,000</b></u>	<u>17,168,000</u>
 <b>Disposition of working capital:</b>		
Dividends	<b>12,398,000</b>	9,999,000
Expenditures on capital assets	<b>3,949,000</b>	519,000
Investments	<b>483,000</b>	12,666,000
<b>Total</b>	<u><b>16,830,000</b></u>	<u>23,184,000</u>
<b>Net increase (decrease) in working capital for the year</b>	<u><b>\$11,269,000</b></u>	<u>\$(6,016,000)</u>
 <b>Changes in components of working capital:</b>		
<b>Increase (decrease) in current assets –</b>		
Cash and bank term deposits	<b>\$22,275,000</b>	\$16,059,000
Bullion	<b>1,332,000</b>	1,947,000
Short-term commercial paper	<b>(2,800,000)</b>	(10,605,000)
Marketable securities	<b>(98,000)</b>	(200,000)
Sundry receivables	<b>340,000</b>	14,000
Mining and milling supplies	<b>519,000</b>	1,000
	<u><b>21,568,000</b></u>	<u>7,216,000</u>
<b>Increase (decrease) in current liabilities –</b>		
Accounts payable and accrued liabilities	<b>972,000</b>	(45,000)
Income and other taxes payable	<b>9,327,000</b>	10,078,000
Dividends payable		3,199,000
	<u><b>10,299,000</b></u>	<u>13,232,000</u>
<b>Net increase (decrease) in working capital for the year</b>	<b>11,269,000</b>	(6,016,000)
<b>Working capital, beginning of year</b>	<b>24,793,000</b>	30,809,000
<b>Working capital, end of year</b>	<u><b>\$36,062,000</b></u>	<u>\$24,793,000</u>

(See accompanying notes to financial statements)



Campbell Red Lake Mines Limited  
(Incorporated under the laws of Ontario)

## Balance Sheets

December 31, 1979 and 1978

<b>Assets</b>	<b>1979</b>	<b>1978</b>
<b>Current assets:</b>		
Cash, including bank term deposits	<b>\$54,018,000</b>	\$31,743,000
Bullion (note 2)	<b>7,630,000</b>	6,298,000
Short-term commercial paper	<b>500,000</b>	3,300,000
Marketable securities	<b>1,494,000</b>	1,592,000
Sundry receivables	<b>931,000</b>	591,000
Mining and milling supplies	<b>2,446,000</b>	1,927,000
	<b><u>67,019,000</u></b>	<u>45,451,000</u>
<b>Investments:</b>		
Dome Petroleum Limited (note 3)	<b>6,932,000</b>	5,273,000
Other (note 4)	<b>15,224,000</b>	15,190,000
	<b><u>22,156,000</u></b>	<u>20,463,000</u>
<b>Capital assets:</b>		
Buildings, machinery and equipment	<b>15,982,000</b>	12,782,000
Less accumulated depreciation	<b>11,054,000</b>	10,138,000
	<b><u>4,928,000</u></b>	<u>2,644,000</u>
Mining claims and properties	<b>18,000</b>	50,000
Townsite land	<b>328,000</b>	31,000
Deferred exploration and development costs (note 5)	<b>401,000</b>	
	<b><u>5,675,000</u></b>	<u>2,725,000</u>
	<b><u>\$94,850,000</u></b>	<u>\$68,639,000</u>

(See accompanying notes)

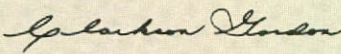
## Auditors' Report

To the Shareholders of  
Campbell Red Lake Mines Limited:

We have examined the balance sheets of Campbell Red Lake Mines Limited as at December 31, 1979 and 1978 and the statements of income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1979 and 1978 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles consistently applied.

Toronto, Canada,  
March 10, 1980.

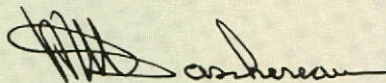
  
Chartered Accountants



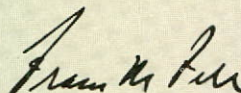
<b>Liabilities</b>	<b>1979</b>	<b>1978</b>
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	<b>\$ 1,963,000</b>	\$ 991,000
Income and other taxes payable	<b>22,595,000</b>	13,268,000
Dividends payable	<b>6,399,000</b>	6,399,000
	<u><b>30,957,000</b></u>	<u>20,658,000</u>
 <b>Deferred income and mining taxes</b>	 <b>2,983,000</b>	 1,992,000
	<u><b>2,983,000</b></u>	<u>1,992,000</u>
 <b>Shareholders' Equity</b>		
<b>Capital (note 6) –</b>		
Authorized:		
16,000,000 shares without par value		
Issued:		
15,998,000 shares	<b>4,000,000</b>	4,000,000
Discount (net) on shares issued	<b>2,379,000</b>	2,379,000
	<u><b>1,621,000</b></u>	<u>1,621,000</u>
<b>Retained earnings</b>	<b>59,289,000</b>	44,368,000
	<u><b>60,910,000</b></u>	<u>45,989,000</u>
	<u><b>\$94,850,000</b></u>	<u>\$68,639,000</u>

to financial statements)

On behalf of the Board:



Director



Director



# Notes to Financial Statements

December 31, 1979 and 1978

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## 1. Accounting policies

The principal accounting policies followed by the company are summarized under the caption "Accounting Policies" (page 13).

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## 2. Bullion

Bullion on hand and in transit is valued at \$612 (Cdn.) per ounce (1978 – \$233 per ounce).

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## 3. Dome Petroleum Limited

Details of the investment in Dome Petroleum are as follows:

	1979	1978
Number of common shares	<u>408,800</u>	<u>400,000*</u>
Carrying value:		
Cost of acquisition	\$3,217,000	\$2,768,000
Equity in undistributed earnings	<u>3,715,000</u>	<u>2,505,000</u>
	<u>\$6,932,000</u>	<u>\$5,273,000</u>
Market value (which is not necessarily indicative of realizable value)	<u>\$22,126,000</u>	<u>\$9,525,000</u>

\*Restated as a result of a four for one subdivision during the year.

The unamortized excess of cost of investment over the underlying book value at the various dates of acquisition is \$1,480,000 (1978 – \$1,274,000).

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## 4. Other investments

Details of other investments are as follows:

	1979		1978	
	<u>Book value</u>	<u>Market value</u>	<u>Book value</u>	<u>Market value</u>
With a quoted market value –				
Denison Mines Limited, common shares (1979 – 738,720; 1978 – 738,720)	<u>\$12,590,000</u>	<u>\$27,702,000</u>	\$12,590,000	<u>\$13,666,000</u>
With no quoted market value –				
Panarctic Oils Ltd., common shares (1979 – 186,903; 1978 – 181,662)	594,000		594,000	
Oil and gas properties	1,840,000		1,840,000	
Sundry	<u>200,000</u>		<u>166,000</u>	
Total	<u>\$15,224,000</u>		<u>\$15,190,000</u>	



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## 5. Deferred exploration and development costs

During the year the Company agreed to explore certain mining claims held by Amoco Canada Petroleum Company Ltd. in the Detour Lake region of northeastern Ontario. Expenditures to December 31, 1979 are shown as deferred exploration and development costs in these financial statements.

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## 6. Capital

Effective May 18, 1979 the share capital of the Company was changed and subdivided on a two for one basis from 7,999,000 issued and 1,000 unissued shares with a par value of \$0.50 each into 15,998,000 issued and 2,000 unissued shares without par value. In these financial statements the previously reported authorized and issued shares, net income per share and dividends per share have been restated to give effect to this subdivision.

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## 7. Income and mining taxes

(a) The provision for income and mining taxes consists of:

	1979		1978	
	Current	Deferred	Current	Deferred
Federal income tax	\$15,630,000	\$688,000	\$ 8,929,000	\$ 98,000
Provincial income tax	5,174,000	284,000	2,882,000	46,000
Provincial mining tax	13,014,000	19,000	5,955,000	
	<u>\$33,818,000</u>	<u>\$991,000</u>	<u>\$17,766,000</u>	<u>\$144,000</u>

(b) Income and mining taxes for 1979 on all sources of income are provided at a combined federal and provincial effective rate of 57.1%, an increase of 4.5% from 1978.

The difference between the combined federal and provincial basic statutory rates and that used in calculating the provision for income and mining taxes is as follows:

	1979		1978	
	On operating income less outside exploration	On other income	On operating income less outside exploration	On other income
Income taxes -				
Basic statutory rate (combined)	49.0%	49.8%	48.8%	48.8%
Less:				
Resource allowance	6.7		7.0	
Depletion	4.5		4.5	
Exempt income*		8.5		9.0
Sundry	2.6		2.9	
	<u>13.8</u>	<u>8.5</u>	<u>14.4</u>	<u>9.0</u>
Effective rate	35.2	41.3	34.4	39.8
Mining taxes - average rate	23.4		20.0	
Combined income and mining tax rate	<u>58.6%</u>	<u>41.3%</u>	<u>54.4%</u>	<u>39.8%</u>

\*Principally dividends from Canadian corporations.

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## 8. Quarterly financial data

Summarized quarterly financial data for 1979 and 1978 are as follows (unaudited):

	Quarter ended			
	March 31	June 30	Sept. 30	Dec. 31
	<i>(in thousands except per share)</i>			
<b>1979</b>				
Bullion revenue	<u>\$14,350</u>	<u>\$12,660</u>	<u>\$16,709</u>	<u>\$26,336</u>
Operating income	<u>\$11,162</u>	<u>\$9,272</u>	<u>\$13,539</u>	<u>\$22,871</u>
Net income	<u>\$4,961</u>	<u>\$5,006</u>	<u>\$6,716</u>	<u>\$10,636</u>
Net income per share (note 6)	<u>\$0.31</u>	<u>\$0.31</u>	<u>\$0.42</u>	<u>\$0.67</u>
<b>1978</b>				
Bullion revenue	<u>\$9,239</u>	<u>\$7,936</u>	<u>\$13,377</u>	<u>\$11,586</u>
Operating income	<u>\$6,531</u>	<u>\$5,183</u>	<u>\$10,329</u>	<u>\$8,451</u>
Net income	<u>\$3,600</u>	<u>\$2,797</u>	<u>\$5,256</u>	<u>\$5,356</u>
Net income per share (note 6)	<u>\$0.23</u>	<u>\$0.17</u>	<u>\$0.33</u>	<u>\$0.33</u>

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## 9. Pensions

At the date of the most recent actuarial valuation at December 31, 1977, the market value of all pension fund assets exceeded the actuarially computed value of all obligations to plan members. Pension cost for 1979 was \$289,000 (1978 – \$113,000). Included in the 1979 pension cost are improvements in benefits made during the year.

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## 10. Remuneration of directors and officers

The total remuneration paid in respect of 1979 by the company to its directors and senior officers (defined by The Business Corporations Act, Ontario, 1970 to include the five highest paid employees) amounted to \$278,000 (1978 – \$261,000).



## Five Year Review

	1979	1978	1977	1976	1975
<b>Financial</b>					
(in thousands except per share)					
Bullion revenue	<b>\$70,055</b>	\$42,138	\$31,045	\$22,870	\$29,467
Operating costs	<b>13,211</b>	11,644	10,659	9,475	8,083
Operating income	<b>56,844</b>	30,494	20,386	13,395	21,384
Outside exploration	<b>1,108</b>	756	738	654	530
	<b>55,736</b>	29,738	19,648	12,741	20,854
Other income	<b>5,182</b>	4,316	2,385	2,474	1,847
Income before the following	<b>60,918</b>	34,054	22,033	15,215	22,701
Income and mining taxes	<b>34,809</b>	17,910	11,671	8,012	11,640
Income before equity of affiliate	<b>26,109</b>	16,144	10,362	7,203	11,061
Equity in earnings of affiliate	<b>1,210</b>	865	767	370	305
Net income for the year	<b>\$27,319</b>	\$17,009	\$11,129	\$7,573	\$11,366
Net income per share*	<b>\$1.71</b>	\$1.06	\$0.70	\$0.47	\$0.71
Dividends declared	<b>\$12,398</b>	\$9,999	\$6,799	\$7,199	\$4,799
Dividends per share*	<b>\$0.77<sup>1/2</sup></b>	\$0.62 <sup>1/2</sup>	\$0.42 <sup>1/2</sup>	\$0.45	\$0.30
Working capital	<b>\$36,062</b>	\$24,793	\$30,809	\$27,368	\$27,548
Shareholders' equity	<b>\$60,910</b>	\$45,989	\$38,979	\$34,649	\$34,275
Shares outstanding*	<b>15,998,000</b>	15,998,000	15,998,000	15,998,000	15,998,000
Number of shareholders	<b>7,547</b>	6,725	6,697	7,396	6,850

\*Restated to reflect the two for one share split May 18, 1979.

### Operations

Tons milled	<b>300,000</b>	301,000	297,000	301,000	300,000
Fine ounces	<b>185,005</b>	183,546	191,031	184,610	185,228
Revenue per ounce	<b>\$378.66</b>	\$229.58	\$162.51	\$123.88	\$159.09
Operating cost per ounce	<b>\$71.41</b>	\$63.44	\$55.80	\$51.33	\$43.64
Operating cost per ton	<b>\$44.00</b>	\$38.75	\$35.86	\$31.53	\$26.98
Number of employees	<b>342</b>	338	334	342	315







## Share Information

### Dividends

The dividends declared in Canadian dollars on the Company's shares for each quarterly period during 1979 and 1978 are shown below. The figures reflect the two for one share split in May, 1979.

	1979			1978		
	Regular	Extra	Total	Regular	Extra	Total
First Quarter	\$0.10		\$0.10	\$0.07 <sup>1</sup> / <sub>2</sub>		\$0.07 <sup>1</sup> / <sub>2</sub>
Second Quarter	0.12 <sup>1</sup> / <sub>2</sub>		0.12 <sup>1</sup> / <sub>2</sub>	0.07 <sup>1</sup> / <sub>2</sub>		0.07 <sup>1</sup> / <sub>2</sub>
Third Quarter	0.15*		0.15	0.07 <sup>1</sup> / <sub>2</sub>		0.07 <sup>1</sup> / <sub>2</sub>
Fourth Quarter	0.15	\$0.25	0.40	0.10	\$0.30	0.40
Total	\$0.52 <sup>1</sup> / <sub>2</sub>	\$0.25	\$0.77 <sup>1</sup> / <sub>2</sub>	\$0.32 <sup>1</sup> / <sub>2</sub>	\$0.30	\$0.62 <sup>1</sup> / <sub>2</sub>

\*The 1979 third quarter dividend was declared October 23, 1979.

### Principal Markets for Company's Shares

The New York Stock Exchange and The Toronto Stock Exchange are the principal markets in which the Company's shares are traded (Stock symbol: CRK). Shown below are the high and low sale prices for the Company's shares on these exchanges for the periods indicated. The quotes reflect the two for one share split in May, 1979.

New York Stock Exchange (United States Dollars)	1979		1978	
	High	Low	High	Low
First Quarter	\$17 <sup>3</sup> / <sub>4</sub>	\$14 <sup>1</sup> / <sub>2</sub>	\$19 <sup>1</sup> / <sub>4</sub>	\$14 <sup>7</sup> / <sub>8</sub>
Second Quarter	20 <sup>1</sup> / <sub>8</sub>	15 <sup>1</sup> / <sub>4</sub>	17 <sup>1</sup> / <sub>8</sub>	13 <sup>1</sup> / <sub>2</sub>
Third Quarter	25 <sup>1</sup> / <sub>2</sub>	17	20 <sup>1</sup> / <sub>4</sub>	16 <sup>1</sup> / <sub>4</sub>
Fourth Quarter	29 <sup>1</sup> / <sub>4</sub>	19	20 <sup>1</sup> / <sub>8</sub>	12 <sup>7</sup> / <sub>8</sub>

Toronto Stock Exchange (Canadian Dollars)	1979		1978	
	High	Low	High	Low
First Quarter	\$21 <sup>1</sup> / <sub>8</sub>	\$17 <sup>3</sup> / <sub>8</sub>	\$21	\$16 <sup>3</sup> / <sub>4</sub>
Second Quarter	24	17 <sup>3</sup> / <sub>4</sub>	19	15 <sup>3</sup> / <sub>4</sub>
Third Quarter	29 <sup>3</sup> / <sub>8</sub>	20 <sup>1</sup> / <sub>2</sub>	23 <sup>1</sup> / <sub>2</sub>	18 <sup>3</sup> / <sub>8</sub>
Fourth Quarter	33 <sup>7</sup> / <sub>8</sub>	22 <sup>1</sup> / <sub>4</sub>	23 <sup>7</sup> / <sub>8</sub>	15 <sup>1</sup> / <sub>2</sub>



