

CAMPBELL
RED LAKE

CAMPBELL RED LAKE
MINES LIMITED
ANNUAL REPORT 1985

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COMPARATIVE HIGHLIGHTS

(thousands of Canadian dollars, except per share)

	1985	1984	1983
Financial Results			
Revenue			
Mining	\$120,697	\$117,686	\$116,729
Oil and gas	\$14,018	\$12,534	\$10,367
Net income	\$25,782	\$25,339	\$37,521
Cash provided by operating activities	\$38,904	\$40,077	\$41,494
Financial Position			
Cash	\$15,949	\$50,779	\$49,529
Shareholders' equity	\$172,258	\$165,674	\$161,452
Per Share			
Net income	\$0.54	\$0.53	\$0.78
Dividends	\$0.40	\$0.44	\$0.48
Production			
Ounces of gold	272,625	254,144	225,137
Oil and natural gas liquids (bbls)	409,000	374,000	344,000
Natural gas (mmcf)	1,376	1,298	1,064

Amounts in this report are expressed in Canadian dollars, unless otherwise stated.

THE COMPANY

Campbell Red Lake Mines Limited is a Canadian gold mining company. The Campbell Mine, located in the Red Lake area of northwestern Ontario, has been in production since 1949 and is one of the lowest cost producers of gold in the world. In addition, the Company has a 50% interest in the Detour Lake Mine in northeastern Ontario and an 11.7% indirect interest in the Dee Gold Mine in Nevada. In 1985, the Company's share of production from these mines totalled 272,625 ounces of gold.

On January 24, 1986, Campbell acquired 56.7% of the outstanding common shares of Kiena Gold Mines Limited, a fully integrated gold producer located near Val d'Or, Quebec. The Kiena Mine produced 70,034 ounces of gold during 1985.

Campbell also has direct participating interests in oil and gas production and exploration in western Canada.

There are 47,994,000 Common Shares of the Company issued and outstanding, of which 27,290,160, or 56.9%, are owned by Dome Mines Limited. The Common Shares are listed for trading on The Toronto Stock Exchange and the New York Stock Exchange.

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REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

1985 was a year of continued progress for Campbell Red Lake. Production of gold increased to 272,625 ounces from 254,144 ounces in 1984. Because of lower average gold prices, net income for 1985 at \$25.8 million (\$0.54 per share) was virtually unchanged from \$25.3 million (\$0.53 per share) in 1984. Dividends of \$0.40 per share were declared during the year compared to \$0.44 per share in 1984.

Over the past several years, Campbell's strategy has been to make our gold mining operations as cost efficient and productive as possible; to increase gold production at the Campbell Mine to its optimum rate; to operate and further develop the Detour Lake Mine as an economically viable operation; and to explore and develop or acquire new gold deposits in Canada and the United States.

To make our gold mining operations as productive as possible we have invested in excess of \$6.5 million over the past two years and will spend an additional \$4.4 million this year to modernize and improve the Campbell Mine. Notwithstanding increased adoption of the more costly cut-and-fill mining method, we have been successful in our efforts to reduce costs in many areas with a combination of modern technology, computer applications and the experience of our operating management.

Campbell has used forward sales contracts and options to protect and maintain cash flow. This has allowed Campbell to minimize the downside risk of lower gold prices while leaving open to a significant degree the upside price potential. Most of Campbell's share of 1985 production from the Detour Lake Mine was sold forward to protect that operation from declines in prices. In 1985, Campbell averaged \$443 (US \$324) per ounce on its gold sales, compared to the average London second fixing of \$433 (US \$317).

Following the sharp drop in gold prices during the first quarter of 1985, the market strengthened considerably, with continued improvement in market fundamentals. This has led to average prices during the first quarter of 1986 exceeding levels established in 1985. Campbell's shareholders are well-positioned to benefit from possible price increases in the future.

In 1985, Campbell expended \$6 million on gold exploration and preliminary underground development. As reported last year, we are continuing our underground exploration activities at the Dona Lake property near Pickle Lake, Ontario which is 50% co-owned by Campbell. A feasibility study will be prepared based on the results of the program and a decision whether to proceed to production will be made in the fall of 1986. If a decision is made to proceed, it is contemplated that a mill with a rated capacity of 550 tons per day would be constructed, with start-up scheduled for early 1988. A surface diamond drilling program to investigate other targets on the Dona Lake property and other claim groups in the area is continuing.



Fraser M. Fell

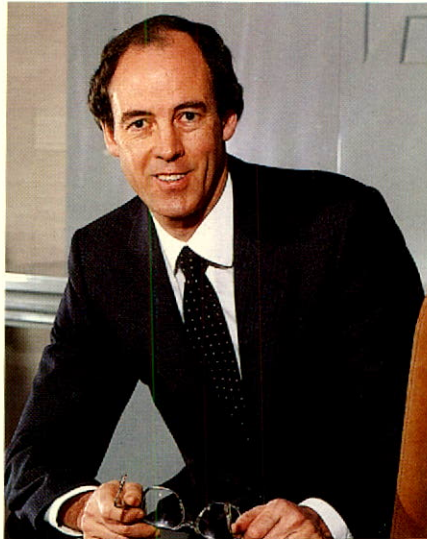
We have also made substantial progress in the first phase of the underground development program at the Detour Lake Mine where we have completed the sinking of an underground production shaft to a depth of 2,000 feet and are conducting an exploration program on two levels to confirm the ore reserve estimates. This program, which is being funded from operating cash flow, is scheduled for completion in September 1986, at which time a decision will be made whether to bring the underground mine into production at a rate of 2,750 tons per day by the first quarter of 1988.

In January of this year, Campbell acquired a 57% interest in Kiena Gold Mines Limited, an efficient low cost gold producer with a modern plant situated in close proximity to the Sigma Mine at Val d'Or, Quebec in which Dome Mines has a 65% interest. The Kiena Mine produced 70,034 ounces of gold in 1985.

During 1985, Campbell continued its direct participation in oil and gas exploration, development and production in western Canada. Operating cash flow from Campbell's oil and gas properties, before income taxes, was \$9.7 million in 1985 compared to \$8.8 million in 1984. Income, before income taxes, from this segment of the business amounted to \$3.0 million in 1985. The sudden deterioration of world oil prices in 1986 will have an adverse impact on Campbell's oil and gas operations.

We are pleased with our success to date in implementing Campbell's strategy which has resulted in a high quality gold mining company with important oil and gas interests and a long and profitable experience to help weather cycles in commodity prices. Campbell is fortunate in having an experienced operating and corporate management team whose primary objective is to enhance the value of shareholders' investment by increased productivity and a strategic acquisition and investment program. Campbell is also dedicated to meeting its social responsibility by maintaining the profitability of its operations over the long term, by providing safe working conditions and by protecting the environment.

We appreciate greatly the contribution of our employees in achieving our success and the continued support of our shareholders.



C. Henry Brehaut

A handwritten signature in black ink, appearing to read "Fraser M. Fell".

Fraser M. Fell
Chairman and
Chief Executive Officer

A handwritten signature in black ink, appearing to read "C. Henry Brehaut".

C. Henry Brehaut
President and
Chief Operating Officer

April 4, 1986

The Company's major activity is the mining and milling of gold, which provided operating income of \$59.3 million in 1985. The Company also participates in a program of direct investment in oil and gas in western Canada which, in 1985, contributed \$3.0 million of operating income.

Gold mining activities are carried out at the wholly-owned Campbell Mine in the Red Lake area of northwestern Ontario, at the 50% owned Detour Lake Mine in northeastern Ontario and at the Dee Gold Mine in Nevada, in which the Company has an 11.7% indirect interest. Campbell's share of production from these mines totalled 272,625 ounces of gold in 1985 and in 1986 is anticipated to be 266,000 ounces.

Subsequent to year end, the Company acquired a 56.7% interest in Kiena Gold Mines Limited which operates a gold mine in the Val d'Or area of Quebec. In 1985, Kiena produced 70,034 ounces of gold. As a result of the acquisition of Kiena, Campbell's gold production in 1986 is expected to be in the order of 336,000 ounces.

In 1985, Campbell spent \$6.0 million on its mineral exploration program. Emphasis continues to be placed on gold properties in the province of Ontario in Canada and in the state of Nevada in the United States. Preliminary studies at the Dona Lake project in northwestern Ontario indicate a mineral inventory to date of 1,474,000 tons at an estimated mining grade of 0.23 ounces of gold per ton to a depth of approximately 1,150 feet. An underground exploration program is currently under way and the decision whether or not to proceed to production will be made in the fall of 1986.

MINING

Campbell Mine

The Campbell Mine, located at Balmertown in northwestern Ontario, was brought into production in 1949 and, in its 37 years of operation, has produced approximately 6.0 million ounces of gold. The Campbell Mine is one of the world's lowest cost gold mines, with 1985 cash operating costs of \$138 (US\$101) per ounce.

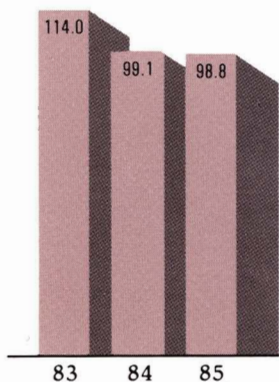
Gold at the Campbell Mine occurs in association with sulphide minerals in quartz-carbonate veins and sulphide replacement zones within a basic lava complex. Quartz-carbonate veins are usually steeply dipping, average 5 to 6 feet in width and extend over strike lengths ranging from 100 to 1,000 feet. Sulphide replacement zones are also steeply dipping, vary from 10 to 40 feet in width and extend over a strike length of 400 to 600 feet.

The Campbell Mine is serviced by a single four-compartment shaft extending to a depth of 4,317 feet below surface. Ore zones, though relatively extensive horizontally and continuous at depth, are narrow and the mine is therefore relatively labour-intensive. As mining proceeds to depth, the use of the cut-and-fill stoping method will continue to increase over the less expensive shrinkage stoping method.

Operating income from the Campbell Mine in 1985 was \$65.3 million compared to \$69.2 million in 1984. Increased gold production in 1985 only partially offset the effects of lower gold prices and higher operating costs. The 1983 operating income of \$86.4 million reflected higher gold prices and lower operating costs.

Ore from the Campbell Mine is processed through a mill with a demonstrated annual capacity of 392,000 tons, using gravity separation, flotation, roasting and cyanidation to recover the gold. The gold is refined into bullion at the Campbell Mine.

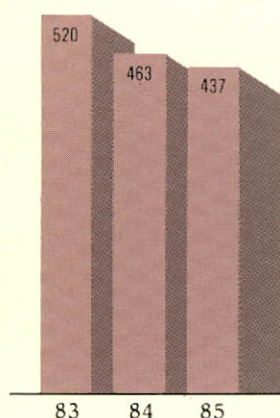
Campbell Mine Bullion Revenue (\$ millions)



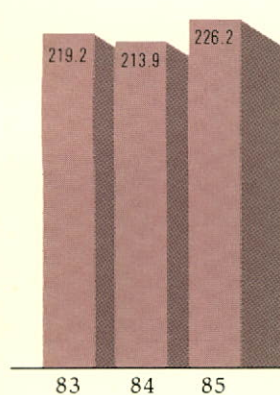


Cut-and-fill stope

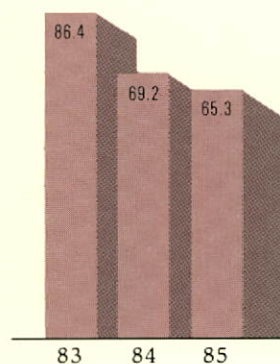
Campbell Mine
Revenue Per Ounce
(\$ Cdn)



Campbell Mine
Production
(000's of ounces)



Campbell Mine
Operating Income
(\$ millions)



	1985	1984	1983
Ounces of gold	226,152	213,946	219,200
Revenue per ounce	\$437	\$463	\$520
Operating cost per ounce	\$148	\$140	\$126
Cash operating cost per ounce	\$138	\$131	\$117
Operating income (000's)	\$65,319	\$69,198	\$86,421

During 1985, 392,000 tons of ore were processed through the Campbell mill and 226,152 ounces of gold were recovered. Gold production increased from 1984 as a result of mining an increased percentage of higher grade ore by the cut-and-fill mining method and improved grade control measures. Anticipated production in 1986 is 227,000 ounces. As a result of on-going testing and research, mill recovery continued to improve and averaged 94.9% in 1985.

	1985	1984	1983
Tons milled	392,000	395,000	390,000
Grade treated (ounces per ton)	0.608	0.573	0.598
Mill recovery (%)	94.9	94.5	94.2
Operating cost per ton	\$85.44	\$75.78	\$70.62

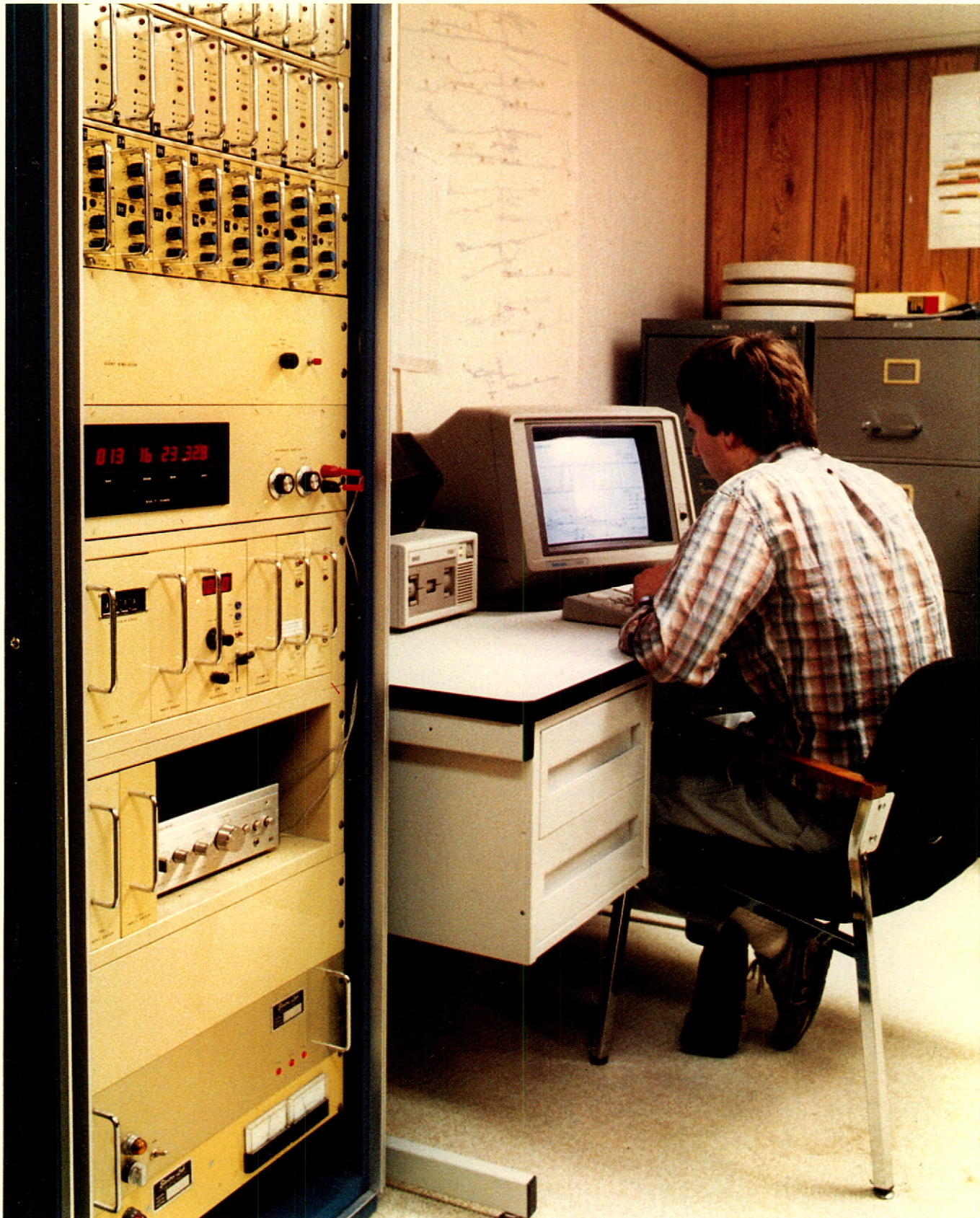
Mine operating costs per ton increased in 1985 and in 1984 primarily as a result of an increased proportion of ore being mined by the more expensive cut-and-fill method. Ore from cut-and-fill mining increased to 70% of all ore milled in 1985 compared to 62% and 50%, respectively, in 1984 and 1983.

Other factors contributing to increased operating costs were hourly wage increases of 6.9% and 6.8%, respectively, in 1985 and 1984, higher government charges for workers' compensation and more extensive ground control measures. Wage increases at the Campbell Mine, which is not unionized, are related to pay rates at other mines in northwestern Ontario and are designed to maintain Campbell's ability to attract and retain employees. Over the past year, mill operating costs increased by only 1%, with operational efficiencies in a number of areas generally offsetting the increased cost of labour and supplies. Purchasing practices have also been improved by such actions as joint requests for bids with Dome Mines and Sigma Mines (Quebec) Limited (No personal liability). These efforts have resulted in lower unit costs for major consumable items. Kiena will be integrated into the group purchasing program.

Current ore reserves are located between surface and the 21st level (3,100 feet below surface) which is the lowest active mining level. Additional levels have been established to the 27th level (4,000 foot elevation) for future mining. Currently known zones have the potential of adding to reserves above the 21st level. In addition, the structures are open to depth which means that, based on all information to date, the Company has no reason to believe that the structures do not continue below the levels currently established.

At December 31, proven extractable ore reserves, after allowing for dilution, were as follows:

	1985	1984	1983
Reserves in place (000's of tons)	2,022	2,026	2,052
Grade of reserves in place (ounces per ton)	0.616	0.622	0.622
Broken ore reserves (000's of tons)	233	265	277



Microseismic monitoring equipment

As a result of rock bursting in 1982 and 1983, stoping in one zone and sill removal activities in another zone were halted. Production from other areas was increased with the mining of a higher proportion of ore using the cut-and-fill method. Notwithstanding the rock bursts, planned production tonnage was maintained throughout 1984 and 1985. Plans have been developed to resume mining on a limited basis at a future date in the ore zone principally affected by rock bursting.

During 1985, underground diamond drilling amounted to 51,864 feet, all in support of mine planning, stope development and mine exploration activities. The Company's underground exploration program was successful in maintaining sufficient proven reserves for long-term planning purposes. In 1985, development footage for stope preparation and the extension of known ore zones totalled 13,790 feet, substantially the same as in 1984.

Capital expenditures of \$1,894,000 during 1985 included the purchase of more efficient mining equipment and emergency power equipment. Capital expenditures are expected to increase in 1986 to \$4.4 million in order to implement a number of cost reduction programs and to improve working conditions. Major projects underground include the purchase of larger and more productive mining equipment and improvements to the mine ventilation system. In the mill, changes to the ore storage and grinding sections are planned in order to improve labour utilization.

The accident frequency at the Campbell Mine in 1985 was 0.9 lost time injuries per 200,000 manhours worked compared to a frequency of 3.4 in 1984 and an industry average of 4.2 in 1985.

In 1985, the Campbell First Aid Team won the McCrea Trophy which is awarded to the best first aid team in the mining industry in Ontario.

Detour Lake Mine

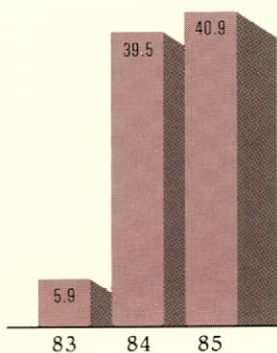
The Detour Lake Mine, located approximately 125 miles northeast of Timmins, Ontario, was brought into production in November 1983. Campbell has, under a joint venture arrangement, a 50% working interest in, and is the operator of, the Detour Lake Mine. The remaining 50% interest is held by Amoco Canada Petroleum Company Ltd.

Gold at the Detour Lake Mine is associated with quartz and sulphide mineralization. The main zone, where most of the reserves occur, is hosted in a cherty sulphide iron formation at the interface between basaltic and ultramafic rocks. Gold is also found associated with sulphide mineralization in the ultramafic rocks and with quartz veining in the basaltic rocks.

The main zone is a strong geological structure which strikes east-west and dips 45 degrees to 75 degrees to the north. In the open pit area above the 400 foot elevation, the zone has a length of 1,450 feet and an average width of 52 feet. Open pit mining utilizes 50-ton haul trucks and loading equipment up to 10 cubic yards in size. The ratio of waste to ore mined in 1985 was 6:1. Below the 400 foot elevation, the main zone averages 1,000 feet long and 45 feet wide, which would permit blasthole and mechanized cut-and-fill mining methods to be employed.

Campbell's share of operating income, before depreciation, in 1985 was \$3,940,000. After depreciation charges of \$4,618,000, Campbell's share of the Detour Lake Mine operating loss in 1985 was \$678,000. This compares to an operating loss of \$4,496,000 in 1984 after depreciation charges of \$5,096,000. Reduced operating costs, higher gold production and better gold prices, largely achieved through forward sales contracts, all contributed positively to operating results in 1985. Cash operating costs were reduced to \$379 (US\$277) per ounce in 1985 from \$447 (US\$345) in 1984.

Campbell's Share of Detour Lake Mine Production (000's of ounces)

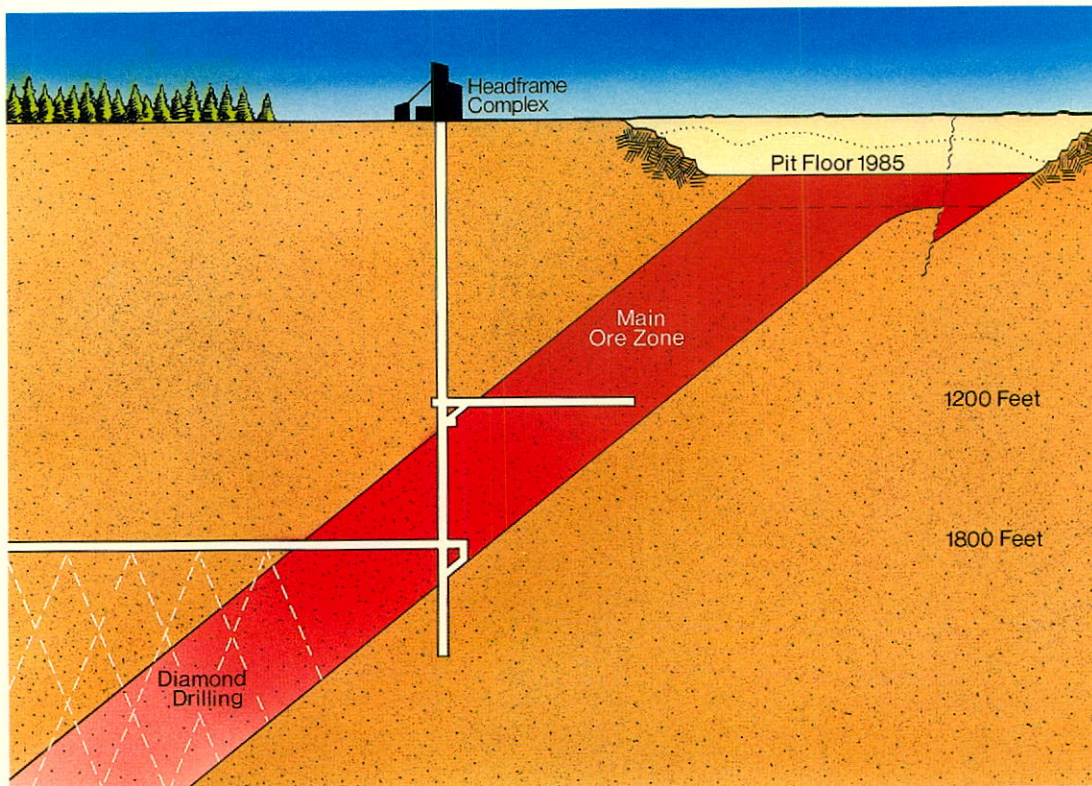
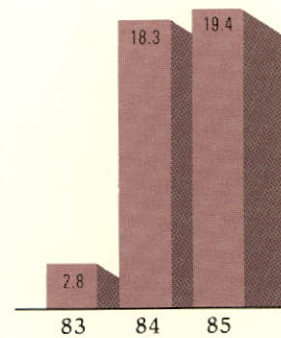


Campbell's 50% Share	1985	1984
Ounces of gold	40,884	39,479
Revenue per ounce	\$475	\$462
Operating cost per ounce	\$492	\$576
Cash operating cost per ounce	\$379	\$447
Operating cost per ton	\$44.90	\$51.93
Operating loss (000's)	\$678	\$4,496

The Detour Lake mill processes ore using cyanidation and the carbon-in-pulp process to recover the gold. The gold is refined into bullion at the mine site. Mill recovery averaged 93.6% in 1985. The mill currently has a demonstrated annual capacity of 896,000 tons although its capacity will be increased to 1,000,000 tons if underground mining proceeds. During 1985, 895,000 tons of ore were processed for an average throughput of 2,450 tons per day and 81,768 ounces of gold were recovered. Gold production increased by 4% over 1984 production due to improvements in tonnage, grade and mill recoveries. Changes in operating methods and control procedures in the mill resulted in an 0.8% increase in 1985 in mill recovery to 93.6%. Operating time for the grinding unit was also increased as improvements were made to maintenance procedures.

100% of production	1985	1984
Tons milled (000's)	895	876
Grade (ounces per ton)	0.098	0.097
Mill recovery (%)	93.6	92.8

Campbell's Bullion Revenue from Detour Lake Mine (\$ millions)



Detour Lake Mine longitudinal section

Mine operating costs decreased in 1985 mainly due to a wide range of cost improvement measures implemented during the year. Significant savings were made in the utilization of manpower and supplies and over the year the workforce was reduced from 303 to 241 employees.

Open pit and milling operations are now expected to continue to the end of 1986. During 1986, Campbell's share of production is expected to be in the order of 34,000 ounces. Operating costs should be lower due to a significantly lower ratio of waste to ore mined.

An underground development program has been underway at the Detour Lake Mine since late 1983. In April 1985, a decision was made to divide the development of the underground mine into two phases and to shorten the life of the current open pit operation. The first phase of the underground development program consists of sinking of the underground production shaft to a depth of 2,000 feet, drifting and crosscutting on two levels (1,800 and 1,200 feet, respectively, below surface), diamond drilling and bulk sampling. The objectives of this program are to confirm the present underground ore reserve estimates, to examine areas with the potential of adding to reserves above the 1,800 foot level and to test for extensions to the ore body down to the 2,800 foot horizon. The first phase is expected to be completed by June, 1986, at an estimated cost of \$12,547,000, of which Campbell's share is \$6,274,000. An analysis of the results of the first phase is expected to be completed in September, 1986 and the decision whether to proceed with the second phase of the underground development program will be made at that time. Shaft sinking was completed by the end of 1985 and level development commenced on the 1,800 and 1,200 foot levels in early 1986.

The total cost to Campbell and Amoco of the second phase of the underground development program is estimated to be \$58 million, of which Campbell's share would be \$29 million, for a planned production rate of 2,750 tons per day. If the second phase is approved, underground production is scheduled to commence during the first quarter of 1988 and consideration will be given to operating the mill during 1987 using low grade stockpiles and underground ore accessible from the pit.

At December 31, proven and probable ore reserves in place, after allowing for dilution, were estimated by Campbell as follows:

	1985	1984
Open pit (000's of proven tons)	726	1,823
Grade (ounces per ton)	0.099	0.108
Underground (000's of probable tons)	8,546	9,046
Grade (ounces per ton)	0.134	0.132
Total in place	9,272	10,869
Weighted average grade	0.131	0.128

In light of 1984 production experience and lower gold prices, a study of ore reserve estimates was undertaken with the assistance of an independent consultant who was retained by Campbell to review the methodology employed by Campbell to estimate reserves. As a result of this study, and in light of then current gold prices, a downward revision was made in total proven and probable ore reserves in place as of December 31, 1984. Total proven and probable ore reserves in place, as of December 31, 1985, after allowing for dilution, are estimated by Campbell to be 9.3 million tons at an average grade of 0.131 ounces of gold per ton. In addition, possible ore reserves in place, after allowing for dilution, is estimated by Campbell to be 8.9 million tons at a grade of 0.082 ounces per ton. During 1985, 0.9 million tons of ore were milled and

0.3 million tons were added to the surface stockpiles. Surface stockpiles of broken, mainly low grade ore amounted to 0.6 million tons at an average grade of 0.044 ounces per ton at December 31, 1985.

The main zone, which constitutes a high proportion of the proven and probable reserves, has not been explored by diamond drilling below the 1,800 foot level and is open to depth. In addition, several dozen ore grade intersections outside the presently defined ore zones may be indicative of mineralized structures requiring further exploration underground.

Campbell's share of capital expenditures in 1985 amounted to \$3,424,000 of which \$3,303,000 was spent on the underground development program. Campbell's share of capital expenditures for 1986 is expected to be \$3,250,000, mainly for underground development.

The accident frequency at the Detour Lake Mine in 1985 was 11.7 lost-time injuries per 200,000 manhours worked compared to a frequency of 7.9 in 1984 and an industry average of 4.2 in 1985. There is no townsite at the Detour Lake Mine. As a result, while first aid facilities and qualified nurses are available at the mine site, a number of minor injuries have been recorded as lost-time accidents because of the time taken to travel to a local community for medical examination. Having regard to the foregoing, the Company believes that accident experience at the Detour Lake Mine is better than the industry average.

In September 1985, the United Steelworkers Union was successful in replacing the International Union of Operating Engineers as the certified bargaining agent for the production and maintenance employees. The previous contract expired on October 6, 1985. Negotiations for a new contract are continuing.

Kiena Mine

On January 24, 1986, the Company purchased a 56.7% interest in Kiena Gold Mines Limited which operates a gold mine in the Val d'Or mining area of Quebec. The Kiena Mine commenced production in the fourth quarter of 1981 using custom milling facilities in the area. The construction of a mill at the mine site was completed in 1984 and Kiena is now treating all ore through its own facilities.

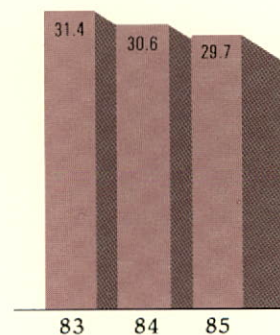
In 1985, the Kiena Mine produced 70,034 ounces of gold at a cash operating cost of \$285 (US\$208) per ounce. Operating income was \$6.8 million and net earnings were \$3.8 million. At the end of 1985, Kiena was debt free and had cash and short-term deposits totalling \$3.2 million.

The following table sets forth certain operating results as reported by Kiena:

	1985	1984	1983
Ounces of gold	70,034	66,657	61,193
Revenue per ounce	\$424	\$458	\$513
Operating cost per ounce	\$327	\$333	\$324
Cash operating cost per ounce	\$285	\$300	\$298
Operating income (000's)	\$6,789	\$8,338	\$11,585
Net income (000's)	\$3,778	\$4,328	\$5,748

In 1985, 420,000 tons were milled at a grade of 0.172 ounces per ton. Mine production is expected to increase to the mill capacity of 440,000 tons in 1986 but gold production is anticipated to remain at approximately 70,000 ounces due to lower ore grades.

Kiena Mine
Bullion Revenue
(\$ millions)





Aerial view of Kiena Mine

	1985	1984	1983
Tons milled	420,000	416,000	339,000
Grade treated (ounces per ton)	0.172	0.172	0.196
Mill recovery (%)	95.3	94.2	92.2
Operating cost per ton	\$54.45	\$53.42	\$58.50

The nature of the ore body lends itself to the use of highly mechanized mining systems resulting in an efficient underground operation. Mechanized cut-and-fill stoping is the primary mining method but longhole stoping and longhole pillar recovery methods are also being employed.

At December 31, proven and probable ore reserves, as estimated by Kiena are as follows:

	1985	1984	1983
Tons (000's)			
Proven	3,707	1,768	1,706
Probable	2,464	4,146	3,876
Total	6,171	5,914	5,582
Grade (ounces per ton)	0.152	0.158	0.163

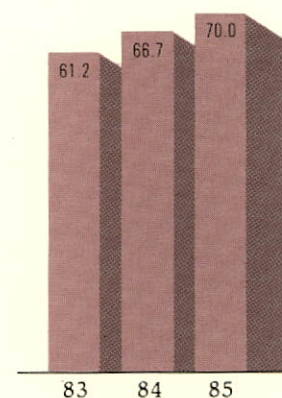
The upper limit of the main ore zone is about 300 feet below surface and has been traced to 1,800 feet below surface. The average strike length is 800 feet and its average width is about 60 feet. The ore body is open to depth. In addition, a number of exploration targets on the property have been identified which consist of known mineralized zones, extensions to favourable geological structures, geophysical anomalies and isolated diamond drill intersections showing gold mineralization. Kiena's planned 1986 exploration program includes a major exploration drifting program in order to provide a drilling base for the southeast corner of the property.

During 1985, capital expenditures totalled \$4,122,000, of which long-term development costs amounted to \$2,233,000. In addition, \$1,127,000 was spent on surface and underground exploration.

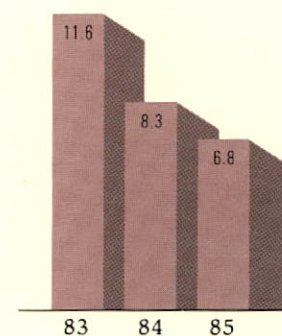
The long-term development program, which was completed during 1985, included the deepening of the shaft and changes to other major facilities required to enable mining to proceed to depth. In 1986, capital and exploration expenditures are projected by Kiena to be \$1.8 million and \$2.3 million, respectively.

At December 31, 1985, the Kiena Mine had 192 employees. An outstanding safety record has been maintained by the employees since the start-up of operations more than four years ago. A single injury involving loss of time was suffered in 1985. For the year 1984 and for the third consecutive year the employees were awarded the F. J. O'Connell Trophy for the Province of Quebec for the safest mine in its class in that province.

Kiena Mine
Production
(000's of ounces)



Kiena Mine
Operating Income
(\$ millions)



Dee Gold Mine

Campbell has an 11.7% indirect interest in Dee Gold Mining Co., a Nevada partnership which owns and operates an open pit gold mine and 850 ton per day mill complex near Boulder, Nevada. Construction was completed in 1984 at a total capital cost of US\$21,016,000. Production officially commenced October 15, 1984.

Total gold production in 1985, the first full operating year, was 47,647 ounces, net of a 4% royalty, with Campbell's share being 5,589 ounces. Mill production accounted for 42,613 ounces of gold from a treated tonnage of 325,000 tons grading 0.143 ounces per ton. An additional 7,019 ounces of gold were produced from the heap leaching of low grade ores. Campbell's share of 1986 production is anticipated to be 5,200 ounces of gold.

The cash operating cost per ounce in 1985 was US\$169 in 1985. Operating cost per ounce, including depreciation, was US\$238. During 1985, Campbell's share of capital expenditures was \$122,000.

Reserves as of December 31, 1985 are estimated by the operator to be 2,138,000 tons, all of which are proven, at an average grade of 0.113 ounces per ton. Additional ore reserves amenable to treatment by heap leaching methods are estimated to be 1,479,000 tons at an average grade of 0.027 ounces per ton.

Mineral Exploration

Campbell participates with Dome Mines and Sigma Mines as the Exploration Group in a joint program of mineral exploration in Canada and the United States. Campbell and Dome Mines participate equally in mineral exploration programs commenced in Ontario since 1977, except programs undertaken within specified distances of the Campbell and Dome mines. Sigma undertakes all new exploration projects in Quebec but does not participate in new mineral exploration projects in Ontario. In the rest of Canada, and in the United States, participation is generally Dome Mines as to 50%, Campbell as to 40% and Sigma as to 10%. Sigma has elected not to participate in new Canadian exploration programs outside Quebec in 1985 and 1986.

During 1985, exploration expenditures by Campbell were \$6,011,000 compared to \$6,430,000 in 1984 and \$2,589,000 in 1983. Emphasis continues to be placed on gold properties in Ontario where \$4,549,000 was spent in 1985. Other expenditures included \$738,000 in British Columbia and \$511,000 in Nevada.

In 1985, Campbell participated in the exploration of 54 projects as part of the Exploration Group and, on its own behalf, carried out eight programs within the specified area around the Campbell Mine. Diamond drilling was undertaken by the Exploration Group on 32 programs in which Campbell participated.

In 1984, a gold occurrence was discovered on the Dona Lake property near Pickle Lake, Ontario. This property is owned as to 50% by each of Campbell and Dome Mines. Gold mineralization occurs in a folded sulphide-bearing iron formation. Preliminary studies indicate a mineral inventory, to date, of 1,474,000 tons at a mining grade estimated by the Company to be 0.23 ounces of gold per ton to a depth of approximately 1,150 feet. Economic studies determined that an underground exploration program was warranted and the sinking of a small exploration shaft was started in August 1985. The shaft has been completed to its planned depth of 580 feet.

The underground exploration program will consist of development on two levels, bulk sampling and diamond drilling of the current mineral inventory and its possible extension to depth. A feasibility study will be prepared based on the results of the program and the decision whether to proceed to production will be made in the fall of 1986.

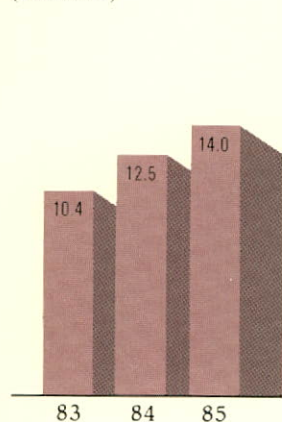
If a decision is made to proceed to production at Dona Lake, it is contemplated that a mill with a rated capacity of 550 tons per day would be constructed, with start-up scheduled for early 1988. The estimated costs, based on preliminary studies, are expected to be \$27 million for the development stage. Sufficient reserves have been outlined to date to support seven years of operation.

The iron formation which hosts the gold-bearing zone has an apparent strike-length on the property of about seven miles. A surface diamond drilling program to investigate other targets along the iron formation and other claim groups in the area is continuing. In diamond drilling carried out on the Dona Lake property in 1985, gold values were encountered 2,000 feet north of the exploration shaft. However, additional work is required in this geologically complex area to assess the significance of these intersections.

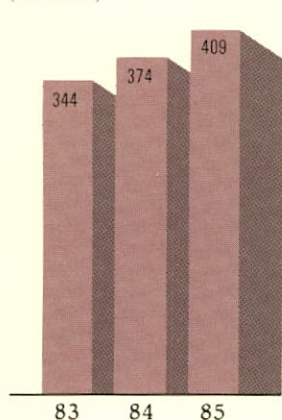
Under a joint venture agreement, the Exploration Group has a 35% participating interest in, and is the operator of, an exploration program, which has been continuing since 1974, on the Musselwhite property, a large property near Opapimiskan Lake, approximately 184 miles northeast of Red Lake. Campbell's share is 17.5%. In 1984, an underground exploration program was carried out for the purpose of determining grade and continuity of mineralization discovered previously in the West Anticline area. The grade of gold mineralization proved to be disappointing and no further underground work is currently planned in this area. A surface drill program started in 1985 discovered a gold-bearing zone in the Snoppy Lake area of the property. Follow-up diamond drilling in 1986 has further defined this discovery; however, current information is still insufficient to determine a mineral inventory at this time. To date, 20 diamond drill holes have intersected the zone and the intersections average 0.26 ounces of gold per ton over 15 feet of core length.

Kiena maintains an active exploration program in the search for new ore reserves on its property.

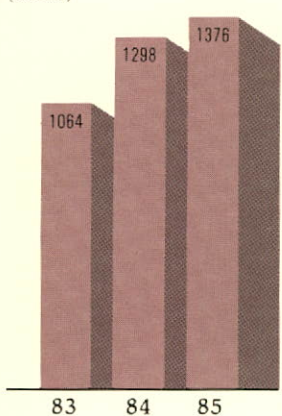
Oil and Gas Revenue
(\\$ millions)



Oil Production
(000 bbls)



Gas Production
(mmcf)



Oil and Gas

Campbell participates in a program of direct investment in oil and gas exploration, development and production in western Canada. Generally, oil and gas activities are managed by Dome Petroleum as operator under an agreement which provides for payment to Dome Petroleum of an overriding royalty and management fee.

Oil and gas revenues increased 12% to \$14,018,000 in 1985, principally as a result of increased production. Sales of oil represented 77% of total oil and gas revenues during 1985.

Operating income, although marginally higher than in 1984, was down 19% from 1983, principally as a result of increased depletion charges and higher costs arising from increased operating activity. Operating cash flow from oil and gas operations was \$9,669,000 in 1985, \$8,782,000 in 1984 and \$7,060,000 in 1983.

Prices have declined sharply in the international oil market since the beginning of 1986. If lower oil prices persist, revenues, operating income and cash flow from oil and gas operations will be significantly reduced in 1986.

At December 31, 1985, Campbell had a net working interest of 87 producing wells of which 65 were oil and 22 were gas. Oil and gas fields in Alberta accounted for approximately 81% of Campbell's crude oil production and approximately 94% of natural gas production in 1985.

Of the gross revenues received by Campbell in 1985 from oil, gas and natural gas liquids, approximately 68% was derived from producing wells in the Grand Forks (35%), Pembina (20%), Jenner (5%), Kakwa (4%) and Chauvin (4%) areas of Alberta.

Oil production has increased 19% since 1983 principally as a result of increased demand and additional production from new wells. Natural gas sales volumes have increased 29% since 1983 as a result of increased demand and export of natural gas to the United States.

During the first five months of 1985, approximately 41% of Campbell's crude oil production received the New Oil Reference Price ("NORP"), approximately \$40.90 per barrel, which was above the world price for reference quality crude during that period. The remaining 59% of crude oil production received the Conventional Old Oil Price ("COOP"), which was set at \$29.75 per barrel. For the remainder of 1985, Campbell's production of crude oil was sold into the Canadian and United States markets at prevailing world price levels. The average price received during this latter period for Campbell's total mix of crude oil qualities was \$33.60 per barrel.

The average 1985 natural gas price was lower than 1984 levels due to continued sales of industrial gas at discounted prices and more competitive pricing on exports to the United States which reduced export flowback. Average selling prices for the past three years were as follows:

	1985	1984	1983
Oil and natural gas liquids (per bbl)	\$33.53	\$32.14	\$29.59
Natural gas (per mcf)	\$2.43	\$2.57	\$2.28

Oil and gas capital expenditures by Campbell were \$5,253,000 in 1985 compared to \$5,699,000 in 1984 and \$2,310,000 in 1983. During 1985 and 1984, exploration and development activities were concentrated in oil prone and oil producing areas, respectively. The level of expenditures in 1983 was affected by reduced direct activity and an increased number of farmouts by Dome Petroleum.

At December 31, 1985, Campbell had the following proved oil and gas reserves, net of override and freehold royalties but before provincial royalties:

	Proved developed	Proved undeveloped	Total
Oil and natural gas liquids (000 bbls)	4,256	871	5,127
Natural gas (bcf)	30.6	26.3	56.9

The following table summarizes Campbell's land holdings and interests by area at December 31, 1985:

	Gross working interest	Net working interest	Gross royalty interest
	(thousands of acres)		
Alberta	8,407	185	888
British Columbia	1,091	23	39
Manitoba	1,093	37	1
Ontario	38	1	—
Saskatchewan	2,483	74	141
Mackenzie Valley	3,786	66	2,234
Total	16,898	386	3,303
Developed	2,270	44	606
Undeveloped	14,628	342	2,697

Of total net working interest acreage in the traditional producing areas of western Canada, approximately 43% is mineral title land for which Campbell holds mineral rights in perpetuity and pays no Crown royalty.

Further disclosure of oil and gas producing activities is included under the heading "Unaudited Supplementary Information — Oil and Gas"

MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Condition and Results of Operations

Net income increased marginally to \$25,782,000 or \$0.54 per share in 1985 from \$25,339,000 or \$0.53 per share in 1984. Lower gold prices were more than offset by increased production of gold at each of the Campbell Mine and the Detour Lake Mine and a full year of production from the Dee Gold Mine in 1985. In 1984, net income declined from \$37,521,000 or \$0.78 per share in 1983. This decline was principally attributable to lower gold prices, reduced production at the Campbell Mine, increased costs (including the first full year of operation of the Detour Lake Mine) and an expanded mineral exploration program. In 1983, Campbell realized a gain of \$6,810,000 after taxes on the sale of an investment, while losses reported by Dome Petroleum reduced income by \$10,347,000.

Mining

The number of ounces of gold produced, the price of gold and operating costs are the principal determinants of mine operating income and cash flow. Campbell's share of production over the past three years is summarized as follows:

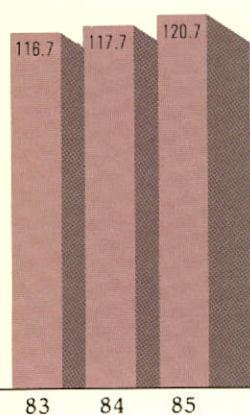
	1985	1984	1983
Ounces of gold produced —			
Campbell Mine	226,152	213,946	219,200
Detour Lake Mine	40,884	39,479	5,937
Dee Gold Mine	5,589	719	—
	272,625	254,144	225,137

The Company's total production of gold increased 7.3% to 272,625 ounces in 1985, primarily reflecting increased production at the Campbell Mine and a full year of production from the Dee Gold Mine. The production increase at the Campbell Mine resulted from improved mill recovery, better grade control and a higher proportion of higher grade ore mined by the cut-and-fill method. Gold production increased 12.9% to 254,144 ounces in 1984 primarily due to higher production from the Detour Lake Mine, reflecting an increase in the number of tons of ore milled and improved mill recovery.

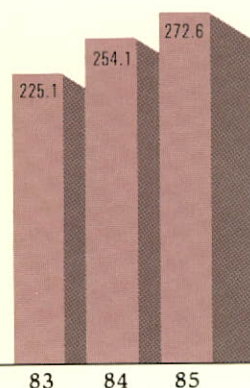
Bullion revenue increased in each of the last three years as a result of the increases in gold production which offset declines in revenue per ounce. Bullion revenue was \$120,697,000 in 1985, an increase of 3% over the prior year. Bullion revenue of \$117,686,000 in 1984 was 1% higher than in 1983. In 1985, revenue per ounce averaged \$443 (US\$324). During 1984 and 1983, revenue per ounce averaged \$463 (US\$357) and \$518 (US\$400), respectively. Most of the Company's share of production at the Detour Lake Mine was sold forward at a price of US\$341 per ounce in 1985, as part of the Company's gold hedging program.

Operating costs were \$61,412,000 in 1985, \$59,418,000 in 1984, and \$34,270,000 in 1983. Costs in 1984 include Campbell's share of a full year's operations at the Detour Lake Mine compared to two months of operations in 1983. Costs at the Campbell Mine increased in both 1985 and 1984 primarily due to an increased proportion of ore being mined by the more expensive cut-and-fill method. Costs at the Detour Lake Mine decreased in 1985 due to a number of cost improvement measures implemented during the year.

Bullion Revenue
(\$ millions)



Gold Production
(000's of ounces)



Contribution to operating income by mine is summarized as follows:

(thousands of Canadian dollars)	1985	1984	1983
Campbell Mine	\$65,319	\$69,198	\$86,421
Detour Lake Mine	(678)	(4,496)	(1,373)
Dee Gold Mine	655	(4)	—
	<u>65,296</u>	<u>64,698</u>	<u>85,048</u>
Outside exploration	6,011	6,430	2,589
Operating income	<u>\$59,285</u>	<u>\$58,268</u>	<u>\$82,459</u>

Operating cash flow from mining, before taxes, amounted to \$66,678,000 in 1985, \$65,314,000 in 1984, and \$85,187,000 in 1983.

Oil and gas

Oil and gas revenues for 1985 increased to \$14,018,000 from \$12,534,000 in 1984 and \$10,367,000 in 1983. Increased production of oil and natural gas liquids and higher oil prices in Canadian dollar terms accounted for most of the increases. Depletion and depreciation, which represent the major portion of operating costs, increased to \$6,643,000 from \$5,784,000 in 1984 and \$3,340,000 in 1983. Operating income amounted to \$3,026,000 compared to \$2,998,000 in 1984 and \$3,720,000 in 1983. Cash flow from oil and gas operations, before income taxes, amounted to \$9,669,000 in 1985, \$8,782,000 in 1984 and \$7,060,000 in 1983.

Other income

Other income amounted to \$1,790,000 in 1985, and \$1,000,000 in 1984 net of interest expense of \$1,942,000. In 1983, other income amounted to \$10,478,000 including a gain on the sale of an investment of \$9,134,000 before income taxes and the write-off of the \$1,840,000 cost of an investment in an oil and gas drilling fund.

Financial condition

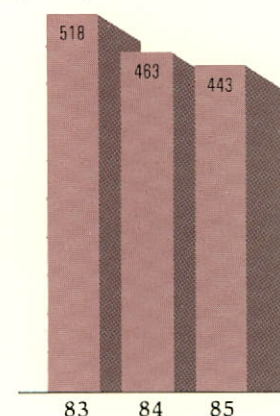
Cash provided by operating activities was \$38,904,000 in 1985, compared to \$40,077,000 in 1984 and \$41,494,000 in 1983. In each of the past three years, Campbell has financed its operations, including capital expenditures, from internally generated funds.

In 1983, net proceeds of sale of \$21,724,000 were received by Campbell from the sale of an investment.

In 1982, Campbell acquired Dome Mines' 25% working interest in the Detour Lake Mine and assumed Dome Mines' obligations for further expenditures. As consideration, Campbell agreed to pay to Dome Mines \$18,275,000 evidenced by two promissory notes secured by a charge on Campbell's working interest in the Detour Lake Mine. In addition, Campbell granted to Dome Mines a royalty of 27.5% of net operating cash flow received by Campbell from the Detour Lake Mine. The royalty does not accrue until the notes have been repaid in full.

On June 27, 1983, Campbell repaid in full, to Dome Mines, the first promissory note in the amount of \$7,063,000. The second note in the principal amount of \$11,212,000 bears interest at 15% per annum. Campbell is required to commence payments of principal and interest only after recovery of its expenditures, with interest, related to the additional obligations assumed from Dome Mines. Principal and interest are payable annually only to the extent of 40% of net operating cash flow of Campbell from the Detour Lake Mine.

Revenue Per Ounce
(\$ Cdn)



In 1985, Campbell determined that, in view of current gold prices and defined ore reserves at the Detour Lake Mine, payment of principal and interest in accordance with the terms of the outstanding note is unlikely to be required in the foreseeable future. The amount of the note and interest accrued thereon, aggregating \$14,845,000, have been deducted from the carrying value of Campbell's working interest in the Detour Lake Mine.

During 1985, Campbell purchased 1,274,000 common shares of LAC Minerals Limited at a cost of \$44,684,000. On March 7, 1986, a trial court rendered judgment which, if upheld on appeal, could result in the loss of LAC's Page-Williams gold mine in the Hemlo area of Ontario. At March 25, 1986, the quoted market value of the investment had declined to \$26,754,000. In the first quarter of 1986, a charge to earnings will be required to reflect the decline in value.

Prices have declined sharply in the international oil market since the beginning of 1986. If lower oil prices persist, revenues, operating income and cash flow from oil and gas operations will be significantly reduced in 1986.

On January 24, 1986, Campbell acquired from Falconbridge Limited 3,331,203 common shares (56.7%) of Kiena for an aggregate cash purchase price of \$86.6 million or \$26.00 per share. Campbell arranged a revolving term loan with its Canadian bankers to finance the acquisition of Kiena. Subject to the state of financial and gold bullion markets, Campbell intends to arrange equity financing from which the debt incurred in this acquisition would be repaid.

A description of differences between Canadian and United States generally accepted accounting principles is contained in note 6 to the financial statements. For a discussion of the effects of changing prices see the heading "Unaudited Supplementary Information — The Effects of Changing Prices".



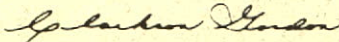
*Seated left to right: F. M. Fell, C. H. Brehaut, H. D. Scharf
Standing left to right: J. S. Drever, V. A. Wells, J. W. W. Hick, K. J. Hill, G. S. W. Bruce*

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, 1985 and 1984 and the statements of income, retained earnings and cash flows for each of the years in the three year period ended December 31, 1985. Our examinations were 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, 1985 and 1984 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1985 in accordance with accounting principles generally accepted in Canada which, except for the change in accounting in 1983, with which we concur, by an equity accounted investee, as described in note 1(a) to the financial statements, have been applied on a consistent basis during the period.

Toronto, Canada,
March 27, 1986.


Chartered Accountants

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada which, in the Company's case, conform in all material respects with those generally accepted in the United States except as described in note 6. The significant accounting policies are as follows:

Basis of presentation

The financial statements include Campbell's 50% undivided interest in the assets, liabilities and expenses of the Detour Lake Mine, an unincorporated joint venture.

Inventories

Bullion is valued at net realizable value. Mining and milling supplies are valued at average cost.

Investments

Campbell's parent company, Dome Mines Limited ("Dome Mines"), accounts for its investment in common shares of Dome Petroleum Limited ("Dome Petroleum") by the equity method. Therefore, Campbell's investment in common shares of Dome Petroleum is also accounted for by the equity method whereby the investment is carried at cost less Campbell's share of the losses since the dates of acquisition. Campbell's share of such losses includes the amortization of the excess of the cost of the investment over the underlying book value of Dome Petroleum at the dates of acquisition. The portion of Campbell's share of such losses which exceeds the cost of investment has not been recorded in Campbell's accounts. Campbell's share of any subsequent earnings of Dome Petroleum will not be recorded until such previously unrecorded losses are recovered. The excess of the cost of the investment over the underlying book value of Dome Petroleum at the dates of acquisition has been attributed to Dome Petroleum's Canadian oil and gas reserves and is amortized to income in the same ratio that Dome Petroleum's current production is to current plus estimated future production from proved reserves. During the two years ended December 31, 1984, the excess of cost of the investment over the underlying book value of Dome Petroleum was amortized to income in the same proportion that Dome Petroleum's current production revenues were to current plus estimated future revenues from proved reserves.

Marketable securities are carried at the lower of cost and market. Other investments are carried at cost.

Property, plant and equipment

Mining

Property, plant and equipment are carried at cost. Depreciation and depletion are provided using the straight-line method based on estimated economic life using the following annual rates:

Mine, mill and plant	5%
Equipment	10% to 20%
Deferred exploration and development	5% to 20%

Exploration costs, overhead costs, interest (see "Capitalized interest") and other carrying charges related to the development of mineral properties with the potential for economically recoverable reserves are deferred until the start of commercial production and are then amortized over the estimated economic lives of the properties or producing mines.

Upon the sale or retirement of capital assets, their cost and 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.

Oil and gas

Oil and gas operations are accounted for by the full cost method whereby all costs of exploring for and developing reserves are capitalized. Such costs include land acquisitions, geological and geophysical expenditures, costs of drilling both productive and non-productive wells, interest and other carrying charges of non-producing property and overhead costs related to exploration activities. However, the carrying value of oil and gas properties cannot exceed the sum of estimated future net revenues from proved reserves plus the lower of cost and net realizable value of unproved properties. Any excess is charged to expense.

On March 28, 1985, the federal government and participating provincial governments reached an agreement which effectively deregulated crude oil pricing. In addition, the governments have agreed to phase in deregulation of gas prices effective November 1, 1985. Because of the changed circumstances, effective November 1, 1985, depreciation and depletion of oil and gas properties have been provided on the unit-of-production method based on estimated proved reserves of oil and gas rather than on production revenues. The costs of acquiring certain undeveloped properties are excluded from the depletion base until the properties are evaluated through further exploration or over a term not exceeding five years.

Gains or losses on the disposition of oil and gas properties are not recognized unless such disposition would significantly alter the relationship between capitalized costs and proved reserves. Upon the sale or retirement of other assets, their cost and related depreciation and depletion 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.

Mineral exploration and development

Exploration costs incurred prior to establishing that a mineral property has the potential for economically recoverable reserves are charged to income. On-going development expenditures on producing properties are expensed as incurred.

Capitalized interest

Interest costs related to properties undergoing exploration or development activities that are not subject to depletion and depreciation are capitalized. When mining commences or oil and gas expenditures become subject to depletion, interest costs are charged to income.

Income and mining taxes

The provisions for income and mining taxes are based on accounting income. Deferred taxes arise as a result of recognizing costs in different periods for accounting and tax purposes. Such timing differences arise principally from claiming depreciation, exploration and development costs for tax purposes at amounts differing from those charged to income.

Investment tax credits are accounted for by the deferral method whereby the cost of assets is reduced at such time that reasonable assurance exists that the credits will be realized.

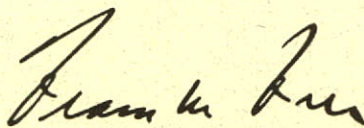
BALANCE SHEETS
(thousands of Canadian dollars)

Assets	December 31	
	1985	1984
Current assets:		
Cash and short-term investments	\$ 11,748	\$ 40,678
Bullion and bullion settlements receivable	4,201	10,101
Marketable securities (note 7(b))	44,684	—
Income and mining taxes recoverable (note 4 (d))	9,955	—
Accounts receivable —		
Dome Petroleum	1,222	—
Other	1,300	2,183
Mining and milling supplies	4,452	4,391
Total current assets	77,562	57,353
Investments (note 1)	866	969
Property, plant and equipment (notes 2(d) and 3)	199,270	203,725
	\$277,698	\$262,047

(See accompanying accounting policies and notes)

Liabilities and Shareholders' Equity	December 31	
	1985	1984
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,449	\$ 6,371
Income and other taxes payable	22,196	19,715
Dividends payable —		
Dome Mines	2,729	2,729
Other shareholders	2,070	2,070
Total current liabilities	34,444	30,885
Deferred income and mining taxes	70,996	65,488
Commitments and contingencies (notes 3(b), 4(d) and 7(c))		
Shareholders' equity:		
Capital —		
Authorized:		
100,000,000 Preference Shares		
105,000,000 Common Shares		
Issued:		
47,994,000 Common Shares	1,621	1,621
Retained earnings	170,637	164,053
Total shareholders' equity	172,258	165,674
	\$277,698	\$262,047

On behalf of the Board:



Director



Director

STATEMENTS OF INCOME

(thousands of Canadian dollars, except per share)

	Years ended December 31		
	1985	1984	1983
Revenue	\$134,715	\$130,220	\$127,096
Operating costs	74,507	71,006	42,876
Operating income	60,208	59,214	84,220
Other income (note 2(c))	1,790	1,000	10,478
Income before taxes and share of loss of Dome Petroleum	61,998	60,214	94,698
Income and mining taxes (note 4(a))	36,216	34,875	46,830
Income after taxes, before share of loss of Dome Petroleum	25,782	25,339	47,868
Share of loss of Dome Petroleum (note 1(a))	—	—	(10,347)
Net income	\$ 25,782	\$ 25,339	\$ 37,521
Per share:			
Net income	\$0.54	\$0.53	\$0.78
Dividends	\$0.40	\$0.44	\$0.48

(See accompanying accounting policies and notes)

STATEMENTS OF RETAINED EARNINGS

(thousands of Canadian dollars)

	Years ended December 31		
	1985	1984	1983
Retained earnings, beginning of year	\$164,053	\$159,831	\$145,347
Net income	25,782	25,339	37,521
Dividends	189,835	185,170	182,868
	19,198	21,117	23,037
Retained earnings, end of year	\$170,637	\$164,053	\$159,831

(See accompanying accounting policies and notes)

STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars)

	Years ended December 31		
	1985	1984	1983
Cash provided by (used in) operating activities:			
Net income	\$ 25,782	\$ 25,339	\$ 37,521
Items not affecting cash —			
Depreciation, depletion and amortization	14,036	12,830	6,068
Interest on long-term debt	—	1,942	281
Deferred income and mining taxes	5,508	5,266	6,324
Share of losses of Dome Petroleum	—	—	10,347
Gain on investments	—	—	(7,294)
	45,326	45,377	53,247
Net change in non-cash items related to operations —			
Income and mining taxes recoverable	(9,955)	—	—
Accounts receivable	(339)	78	70
Mining and milling supplies	(61)	(427)	(483)
Accounts payable and accrued liabilities	1,452	981	1,028
Income and other taxes payable	2,481	(5,932)	(12,368)
Cash provided by operating activities	38,904	40,077	41,494
Cash provided by (used in) investment activities:			
Marketable securities	(44,684)	—	21,724
Additions to property, plant and equipment —			
Mining	(4,437)	(11,915)	(27,075)
Oil and gas	(5,145)	(5,463)	(2,290)
Investments	103	106	(288)
Net change in accounts payable related to investment activities	(373)	522	(1,811)
Cash used in investment activities	(54,536)	(16,750)	(9,740)
Cash used in financing activities:			
Bank loan	—	—	(5,000)
Dividends	(19,198)	(22,077)	(22,077)
Repayment of long-term debt	—	—	(7,049)
Cash used in financing activities	(19,198)	(22,077)	(34,126)
Net increase (decrease) in cash	(34,830)	1,250	(2,372)
Cash, beginning of year	50,779	49,529	51,901
Cash, end of year	\$ 15,949	\$ 50,779	\$ 49,529
Changes in components of cash:			
Cash and short-term investments	\$(28,930)	\$(3,832)	\$(3,947)
Bullion and bullion settlements receivable	(5,900)	5,082	1,575
	\$(34,830)	\$1,250	\$(2,372)

(See accompanying accounting policies and notes)

1. Investments

(a) Dome Petroleum Limited

(i) Investment

Campbell owns 2,315,000 or 0.7% (1984 — 2,315,000 or 0.8%) and its parent and affiliated companies own an additional 21.3% (1984 — 23.2%) of the common shares of Dome Petroleum. Campbell's investment in Dome Petroleum, which has a cost of \$6,922,000, is accounted for by the equity method. At December 31, 1985 its quoted market value, which is not necessarily indicative of realizable value, was \$6,876,000 (1984 — \$5,000,000). At March 25, 1986, the quoted market value was \$4,699,000.

Since the dates of acquisition of the investment in Dome Petroleum, Campbell's share of the losses reported by Dome Petroleum has exceeded Campbell's cost and as a result the investment has no carrying value. The excess of such losses over the cost of the investment, in the amount of \$375,000, has not been recorded in Campbell's accounts. Campbell's share of any future earnings of Dome Petroleum will not be recorded until such previously unrecorded losses are recovered.

(ii) Change in accounting policy by Dome Petroleum

On December 31, 1983, Dome Petroleum segregated its investment in Frontier areas from its western Canada oil and gas lands and established separate cost centres and, as a consequence, certain Frontier costs were charged directly to income. Under the accounting policy followed prior to December 31, 1983, Frontier costs would have been included with other oil and gas property costs subject to depletion and amortized to income in accordance with Dome Petroleum's depletion policy for western Canada lands. This change in accounting policy by Dome Petroleum decreased Campbell's net income in 1983 by \$2,736,000 or \$0.06 per share.

(b) Other investments

Details of other investments are as follows:

(thousands of Canadian dollars)	1985	1984
With no quoted market value —		
Panarctic Oils Ltd., 246,260		
(1984 — 246,260) common shares	\$704	\$693
Sundry	162	276
	\$866	\$969

2. Business segments

The Board of Directors has determined that mining and oil and gas exploration and production are the business segments of the Company. These activities are carried out principally in Canada. Selected financial information by business segment is summarized below:

(a) Total assets at December 31 are summarized as follows:

(thousands of Canadian dollars)	1985	1984
Mining —		
Property, plant and equipment (note 2(d))	\$ 77,832	\$ 80,789
Current assets	19,643	15,652
	97,475	96,441
Oil and gas —		
Property, plant and equipment	121,438	122,936
Current assets	1,466	735
	122,904	123,671
Assets not allocated to segments —		
Current assets	56,453	40,966
Investments	866	969
	57,319	41,935
	\$277,698	\$262,047

- (b) Expenditures during the past three years on property, plant and equipment are summarized as follows:

(thousands of Canadian dollars)	1985	1984	1983
Mining	\$4,437	\$11,915	\$28,471
Oil and gas	5,145	5,463	2,290
	\$9,582	\$17,378	\$30,761

- (c) Revenue, operating costs and operating income by segment are as follows:

(thousands of Canadian dollars)	1985	1984	1983
Mining —			
Bullion revenue	\$120,697	\$117,686	\$116,729
Operating costs:			
Mine, mill and plant	43,187	41,111	25,776
General and administrative	4,821	4,831	3,177
Depreciation and amortization	7,393	7,046	2,728
Outside mineral exploration	6,011	6,430	2,589
	61,412	59,418	34,270
Operating income	59,285	58,268	82,459
Oil and gas —			
Revenue	14,018	12,534	10,367
Operating costs:			
Operations	2,318	2,043	1,655
General and administrative	634	590	576
Depreciation and depletion	6,643	5,784	3,340
Revenue taxes	1,397	1,119	1,076
	10,992	9,536	6,647
Operating income	3,026	2,998	3,720
General corporate costs	(2,103)	(2,052)	(1,959)
Operating income	60,208	59,214	84,220
Other income (expense) —			
Interest	2,024	2,320	3,465
Gain on investments (note 2(f))	—	—	7,294
Other	(506)	622	—
Dividends	272	—	—
Interest on long-term debt	—	(1,942)	(2,153)
Less interest capitalized	—	—	1,872
	1,790	1,000	10,478
Income and mining taxes	(36,216)	(34,875)	(46,830)
Income after taxes, before other item	25,782	25,339	47,868
Share of loss of Dome Petroleum	—	—	(10,347)
Net income	\$ 25,782	\$ 25,339	\$ 37,521

(d) Property, plant and equipment comprises:

(thousands of Canadian dollars)	1985	1984
Mining —		
Property, plant and equipment	\$102,101	\$100,774
Less related note payable, including accrued interest thereon (note 3(b))	14,845	14,845
	87,256	85,929
Less accumulated depreciation	30,300	24,484
	56,956	61,445
Deferred exploration and development	20,876	19,344
	77,832	80,789
Oil and gas —		
Property, plant and equipment	141,213	136,068
Less accumulated depreciation and depletion	19,775	13,132
	121,438	122,936
	\$199,270	\$203,725

(e) At December 31, 1985, all costs of acquiring non-producing oil and gas properties are included in the calculation of depletion. In prior years, acquisition costs of certain non-producing oil and gas properties were excluded from assets for purposes of calculating depletion. The amounts excluded were \$13,539,000 in 1984 and \$31,591,000 in 1983.

Effective November 1, 1985, depreciation and depletion of oil and gas costs are based on the unit-of-production method. Until October 31, 1985, depreciation and depletion of capitalized oil and gas costs were calculated based on a percentage of oil and gas revenue. These rates were 48% in the first ten months of 1985, 46% in 1984 and 32% in 1983. The rate for November and December of 1985 averaged \$9.22 per equivalent barrel.

(f) During 1983, the Company sold an investment for \$21,799,000, realizing a gain of \$9,134,000 before provision for income taxes, and wrote off the \$1,840,000 cost of an investment in an oil and gas drilling fund.

3. Detour Lake Mine

(a) A summary of Campbell's 50% undivided interest in the assets and liabilities of the Detour Lake Mine (which commenced commercial production November 1, 1983) and Campbell's revenues and share of operating expenses as at and for the years ended December 31 are as follows:

Balance Sheets (thousands of Canadian dollars)	1985	1984
Assets	\$61,873	\$62,964
Liabilities	2,415	1,842
	\$59,458	\$61,122

Income Statements

(thousands of Canadian dollars)	1985	1984	1983
Revenue	\$19,438	\$18,246	\$2,767
Operating costs, excluding depreciation	15,498	17,646	3,339
Depreciation	4,618	5,096	801
	20,116	22,742	4,140
Operating losses	\$ 678	\$ 4,496	\$1,373

- (b) In 1982, Campbell acquired Dome Mines' 25% working interest in the Detour Lake Mine and assumed Dome Mines' obligations for further expenditures. As consideration, Campbell agreed to pay to Dome Mines \$18,275,000 evidenced by two promissory notes secured by a charge on Campbell's working interest in the Detour Lake Mine. In addition, Campbell granted to Dome Mines a royalty of 27.5% of net operating cash flow received by Campbell from the Detour Lake Mine. The royalty does not accrue until the notes have been repaid in full.

On June 27, 1983, Campbell repaid in full the first promissory note in the amount of \$7,063,000.

The second note in the principal amount of \$11,212,000 bears interest at 15% per annum and to December 31, 1984, interest of \$3,633,000 had been accrued thereon. Since that time Campbell has not accrued interest on the note, aggregating \$2,227,000.

Campbell is required to commence payments of principal and interest only after recovery of its expenditures, with interest, related to the additional obligations assumed from Dome Mines. Principal and interest are payable annually only to the extent of 40% of net operating cash flow of Campbell from the Detour Lake Mine.

In 1985, Campbell determined that, in view of current gold prices and defined ore reserves, payment of principal and interest in accordance with the terms of the outstanding note is unlikely to be required in the foreseeable future. The amount of the note and accrued interest thereon aggregating \$14,845,000, have been deducted from the carrying value of the related asset (see note 2(d)).

4. Income and mining taxes

- (a) Details of income and mining tax expense (recovery) are as follows:

(thousands of Canadian dollars)	Current	Deferred	Total
1985			
Federal income tax	\$11,461	\$6,002	\$17,463
Provincial income tax	6,562	(300)	6,262
Provincial mining tax	12,685	(194)	12,491
	\$30,708	\$5,508	\$36,216
1984			
Federal income tax	\$10,361	\$ 5,569	\$15,930
Provincial income tax	5,253	905	6,158
Provincial mining tax	13,995	(1,208)	12,787
	\$29,609	\$ 5,266	\$34,875
1983			
Federal income tax	\$15,726	\$ 4,065	\$19,791
Provincial income tax	6,800	1,930	8,730
Provincial mining tax	17,980	329	18,309
	\$40,506	\$ 6,324	\$46,830

- (b) Deferred taxes arising from claiming costs for tax purposes at amounts differing from those charged to income are as follows:

(thousands of Canadian dollars)	1985	1984	1983
Depreciation, depletion and amortization	\$3,835	\$3,181	\$4,639
Exploration and development costs	2,145	2,096	2,488
Other	(472)	(11)	(803)
	\$5,508	\$5,266	\$6,324

- (c) The reconciliation of the statutory tax rates to the effective tax rate is as follows:

	1985	1984	1983
Income taxes —			
Basic statutory rate	50.1%	49.8%	49.8%
Less:			
Resource allowance	11.8	12.0	9.3
Depletion allowance	4.9	6.0	9.7
Exempt income (1)	0.3	—	2.4
Federal surtax	(0.9)	—	(0.5)
Crown royalties	(2.0)	(1.6)	(0.8)
Revenue taxes	(1.2)	(1.0)	(0.6)
Sundry	(1.1)	(2.3)	0.2
	11.8	13.1	19.7
Effective rate	38.3	36.7	30.1
Mining taxes —			
Average rate on mining income	21.0	22.5	22.2
Income not subject to mining taxes	0.9	1.3	2.8
Effective rate	20.1	21.2	19.4
Effective tax rate	58.4%	57.9%	49.5%

(1) Exempt income consists principally of dividends from Canadian corporations and the non-taxable portion of capital gains on the sale of investments.

- (d) In March, 1985, the Company received notices of reassessment under the Ontario Mining Tax Act imposing additional taxes and interest for the years 1979 to 1982, inclusive. The Company believes the reassessments are not warranted and has filed notices of appeal.

Pending resolution of the appeals, payments made in respect of the reassessments have been recorded as taxes recoverable. Should the appeals be unsuccessful, any additional tax provision required with respect to the years reassessed would be charged to retained earnings as a prior period adjustment. Under accounting principles generally accepted in the United States, such an adjustment would be charged to income in the period the reassessment is resolved. The maximum amount of the adjustment, if any, is not expected to exceed \$3,185,000.

5. Pension and savings plans

The majority of employees are eligible for and are members of pension plans requiring contributions by the Company. Pension costs are calculated and funded based on actuarial estimates. At December 31, 1985, there were no unfunded past service obligations. Pension expense was \$319,000 in 1985, \$255,000 in 1984 and \$331,000 in 1983.

Vested and non-vested benefits under defined benefit pension plans and net assets available for plan benefits are as follows:

	December 31	
(thousands of Canadian dollars)	1985	1984
Actuarial present value of accumulated plan benefits, using an assumed discount rate of 5.5 percent:		
Vested benefits	\$2,472	\$2,363
Non-vested benefits	65	100
	\$2,537	\$2,463
Net assets available for plan benefits	\$3,043	\$2,824

6. Differences between Canadian and United States generally accepted accounting principles

The financial statements of Campbell are prepared in accordance with accounting principles generally accepted in Canada (the "Canadian basis"). Certain of the accounting principles followed by Dome Petroleum, primarily Dome Petroleum's method of accounting for Canadian exploration and development costs and foreign currency translation are not in accordance with accounting principles generally accepted in the United States (the "U.S. basis"). Had the U.S. basis been followed, certain items in the accompanying balance sheets and statements of income would have been reported as follows:

(thousands of Canadian dollars)	1985	1984	1983
Investment in Dome Petroleum	\$555	\$500	\$1,980
Retained earnings	\$171,192	\$164,553	\$161,811
Net income	\$25,837	\$23,859	\$39,795
Net income per share	\$0.54	\$0.50	\$0.83

The Company's method of determining the limitation on the amount (the "ceiling amount") of the carrying value of its oil and gas assets differs from the method generally accepted in the United States. Under U.S. rules the ceiling amount is limited, at the end of each reporting period, to the present value of estimated future net revenues, discounted at 10% and based on period end prices and costs, plus the cost of properties not being depleted and unproved properties at the lower of cost or net realizable value, all adjusted for related income tax effects. In addition, U.S. rules require that if a price decline occurs subsequent to the reporting period, which would have resulted in the carrying value of oil and gas properties exceeding the ceiling amount at the reporting period end if such prices had been used, disclosure of the amount of the excess is required.

Calculation of the ceiling amount in conformity with the U.S. rules as at December 31, 1985 indicated no adjustment to the carrying value of oil and gas properties was required. Had the ceiling amount been calculated at December 31, 1985 in conformity with the U.S. basis, by reference to crude oil prices of U.S. \$16 or U.S. \$12 per barrel, the carrying value of oil and gas assets would have exceeded the calculated ceiling amounts and approximately \$18 million or \$36 million, respectively, would have been charged to income, net of related income taxes.

7. Subsequent events

(a) Kiena Gold Mines Limited

On January 24, 1986, Campbell acquired from Falconbridge Limited 3,331,203 or 56.7% of the outstanding common shares of Kiena Gold Mines Limited for an aggregate cash purchase price of \$86,611,000 or \$26.00 per share. The acquisition, which was financed by bank borrowing, is accounted for on the purchase basis of accounting as follows (in thousands of Canadian dollars):

Net assets acquired —	
Total assets	\$110,424
Liabilities	6,085
	<hr/>
	104,339
Minority interest	17,728
	<hr/>
	\$ 86,611

The excess of the cost of the acquisition over Kiena's book value amounted to \$58,314,000. This excess has been ascribed to Kiena's mining property and will be amortized over the estimated economic life of the property.

(b) LAC Minerals Limited

During 1985, Campbell purchased 1,274,000 common shares of LAC Minerals Limited at a cost of \$44,684,000. On March 7, 1986, a trial court rendered judgment which, if upheld on appeal, could result in the loss of LAC's Page-Williams gold mine in the Hemlo area of Ontario. LAC has appealed the judgment and the transfer of the mine has been temporarily stayed. At March 25, 1986, the quoted market value of the investment had declined to \$26,754,000. In the first quarter of 1986 a charge to earnings will be required to reflect the decline in value.

(c) Oil and gas

The carrying value of the Company's oil and gas properties cannot exceed the sum of estimated future net revenues from proved reserves plus the cost of properties not being depleted and the lower of cost and net realizable value of unproved properties. Early in 1986, there was a significant decline in crude oil prices. If these reduced prices continue, a write-down of oil and gas properties may be required in 1986.

8. Reclassifications

Certain figures for the years ended December 31, 1984 and 1983 have been reclassified to conform to the current year's presentation.

Quarterly Financial Information

Summarized quarterly financial data for 1985 and 1984 are as follows:

(thousands of Canadian dollars, except per share)	Quarters ended				Full Year
	March 31	June 30	Sept. 30	Dec. 31	
1985					
Revenue	\$29,998	\$36,578	\$35,195	\$32,944	\$134,715
Operating income	\$11,619	\$18,201	\$16,053	\$14,335	\$60,208
Net income	\$5,248	\$8,809	\$7,021	\$4,704	\$25,782
Net income per share	\$0.11	\$0.18	\$0.15	\$0.10	\$0.54
1984					
Revenue	\$32,627	\$34,936	\$31,034	\$31,623	\$130,220
Operating income (1)	\$16,785	\$17,461	\$14,368	\$10,600	\$59,214
Net income	\$7,471	\$7,389	\$7,155	\$3,324	\$25,339
Net income per share	\$0.16	\$0.15	\$0.15	\$0.07	\$0.53

(1) Interest on long-term debt has been reclassified as a component of other income and accordingly the amounts previously reported as operating income for 1984 have been restated.

Effects of Changing Prices

Supplementary information on the effects of changing prices has been prepared in accordance with the recommendations of The Canadian Institute of Chartered Accountants ("CICA"). Although there are differences in format and detail of disclosure, the objectives of the CICA recommendations are similar to those of FASB Statement No. 33.

The information presented herein is based on assumptions and estimates that are subjective. The Company's existing mining and oil and gas properties are non-renewable resources and each is individually unique. Discovery and development of such properties are dependent upon factors which are impossible to anticipate fully. CICA has recognized this problem and permits current costs to be calculated by indexing capitalized historical costs. However, under the Company's accounting policies, significant costs to discover certain properties were expensed as incurred.

With respect to mining assets, specific price indices have been applied to the capitalized historical costs of mine property, plant and equipment to calculate current costs. Capitalized interest has been adjusted to reflect current interest rates. Historical costs of developing certain mine properties have been either fully depreciated or have been incurred recently. As a result, the calculation of current cost by reference to capitalized historical costs has not resulted in significant current cost adjustments. No consideration has been given to the effects of technological change on the cost of replacing assets.

With respect to oil and gas properties, it has been estimated by management that their historical costs approximate current costs and, accordingly, no adjustments have been made.

This information should not be construed as an indication that the current costs presented represent costs that would actually be incurred if the properties or assets were, or were able to be, replaced.

The comparative figures on both an historical cost and current cost basis have been restated to 1985 dollars to reflect the change in price levels as measured by the Canadian Consumer Price Index.

Balance sheet items (thousands of Canadian dollars)	Current cost basis		Historical cost basis	
	1985	1984	1985	1984
Property, plant and equipment (net)	\$216,309	\$229,702	\$199,270	\$212,689
Net assets (shareholders' equity)	\$189,297	\$191,979	\$172,258	\$172,963

Statement of Operations on a current cost basis

(thousands of Canadian dollars)	Year ended December 31	
	1985	1984
Income before income taxes on an historical cost basis	\$ 61,998	\$ 62,623
Income taxes	(36,216)	(36,270)
Current cost adjustment for depreciation, depletion and amortization	(1,611)	(1,047)
Income on a current cost basis	\$ 24,171	\$ 25,306

The current costs of property, plant and equipment increased by \$2,789,000 (1984 — \$6,628,000) based upon specific price changes. This current cost increase is less than the average general rate of inflation during the year; if current costs had increased by the average general rate of inflation as measured by the Canadian Consumer Price Index, the increase would have been \$9,829,000 (1984 — \$8,111,000).

During the year, the Company's monetary assets exceeded its monetary liabilities resulting in a loss in general purchasing power of \$1,248,000 (1984 — \$58,000) from the effect of general inflation on this net monetary asset position.

For information on mineral reserves, refer to the discussion of mineral exploration and each mine's operations under "Review of Operations". For information on oil and gas reserves, refer to "Oil and Gas — Reserve quantity information".

Oil and Gas

The following unaudited supplementary information of Campbell and its equity accounted investee, Dome Petroleum, is disclosed in accordance with FASB Statement No. 69 "Disclosures about Oil and Gas Producing Activities".

Capitalized costs relating to oil and gas producing activities

(thousands of Canadian dollars)	December 31	
	1985	1984
Oil and gas properties		
Proved properties	\$ 84,712	\$ 78,516
Unproved properties	56,501	57,552
	141,213	136,068
Accumulated depletion and depreciation	19,775	13,132
Net capitalized costs	\$121,438	\$122,936
Proportionate interest in capitalized costs of Dome Petroleum	\$32,703	\$40,495

Reserve quantity information

In the following table, oil, which includes natural gas liquids, is stated in thousands of barrels and gas is measured in billions of cubic feet. Campbell's proved reserves, all of which are in Canada, are summarized as follows:

	1985		1984		1983	
	Oil	Gas	Oil	Gas	Oil	Gas
Proved reserves, beginning of year	5,006	53.4	4,787	49.4	5,140	53.2
Revisions to previous estimates	335	2.4	274	3.1	(247)	(4.9)
Extensions and discoveries	177	2.4	325	2.2	238	2.2
Production	(391)	(1.3)	(374)	(1.3)	(344)	(1.1)
Sales of minerals in place	—	—	(6)	—	—	—
Proved reserves, end of year	5,127	56.9	5,006	53.4	4,787	49.4
Proved developed reserves —						
Beginning of year	4,108	26.5	3,951	23.2	4,428	22.7
End of year	4,256	30.6	4,108	26.5	3,951	23.2

The Company's proportionate interest in the proved reserves of Dome Petroleum is as follows:

	1985		1984		1983	
	Oil	Gas	Oil	Gas	Oil	Gas
Canada	2,041	31	2,812	39	2,749	41

All reserve figures are stated after overriding and freehold royalties but before deduction of Crown royalties.

Cost incurred for property acquisition, exploration and development activities

(thousands of Canadian dollars)	1985	1984	1983
Property acquisitions —			
Proved	\$ —	\$ —	\$ —
Unproved	1,056	311	(13)
Exploration	2,328	4,125	1,751
Development	1,767	1,222	552
	\$5,151	\$5,658	\$2,290
Proportionate share of costs incurred by			
Dome Petroleum —			
Canada	\$1,034	\$1,432	\$2,848
Foreign	—	—	214
	\$1,034	\$1,432	\$3,062

Results of operations for oil and gas producing activities

The following information summarizes the Company's results of operations for oil and gas producing activities, all of which are in Canada, and the Company's proportionate share of its equity accounted investment in Dome Petroleum:

(thousands of Canadian dollars)	1985	1984	1983
Revenue	\$14,018	\$12,534	\$10,367
Production costs	4,349	3,752	3,307
Depreciation and depletion	6,643	5,784	3,340
	10,992	9,536	6,647
Income before income taxes	3,026	2,998	3,720
Income taxes	1,312	1,094	1,532
Results of operations from producing activities	\$ 1,714	\$ 1,904	\$ 2,188
Proportionate share of Dome Petroleum			
Canadian	\$1,104	\$1,695	\$(1,432)
Foreign	—	—	(1,642)
	\$1,104	\$1,695	\$(3,074)

Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves

Future net cash flows are based on year end prices, as determined in accordance with existing regulations, applied to the Company's proved oil and gas reserves after deducting future expenditures to be incurred in developing and producing these reserves. Future income tax expense is computed by applying the statutory tax rates in effect at year end to the future pre-tax net cash flows less the tax basis of the properties involved. A 10% discount factor has been applied in determining the standardized measure of discounted future net cash flow.

The standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves disclosed in the following tables may be useful for certain comparison purposes, but should not be construed as representing the fair market value nor the future cash flow of the Company's oil and gas properties. Management does not rely upon this information in making investment and operating decisions; rather those decisions are based upon a wide range of factors, including estimates of probable reserves as well as proved reserves, and price and cost assumptions different from those reflected herein.

(thousands of Canadian dollars)	December 31		
	1985	1984	1983
Cash inflows	\$290,200	\$254,500	\$237,200
Production and development costs	(82,400)	(58,600)	(83,120)
Income taxes	(62,900)	(79,700)	(58,984)
Net cash flows	144,900	116,200	95,096
10% annual discount for estimated timing of cash flows	(76,100)	(56,800)	(45,381)
Standardized measure of discounted future net cash flows	\$ 68,800	\$ 59,400	\$ 49,715
Company's proportionate interest in standardized measure of discounted future net cash flows of Dome Petroleum	\$21,800	\$27,016	\$28,413

Principal sources of change in the standardized measure of discounted future net cash flows:

(thousands of Canadian dollars)	Years ended December 31		
	1985	1984	1983
Sales, net of production costs	\$ (10,200)	\$ (8,900)	\$(7,638)
Net changes in prices and production costs	(13,300)	(1,715)	126
Extensions, discoveries and improved recovery, less related costs	3,700	4,700	2,800
Development costs incurred during the year	1,800	1,200	574
Revisions of previous quantity estimates ⁽¹⁾	4,800	5,000	(5,120)
Accretion of discount	9,300	7,200	6,144
Net change in income taxes	7,600	(11,700)	2,240
Reduction in future crown royalties	—	1,000	
Petroleum and gas revenue tax allowance	8,800	5,600	
Change in production schedule	(3,600)	7,300	
Other adjustments and changes	500	—	2,314
Net increase	9,400	9,685	1,440
Standardized measure —			
Beginning of year, as previously reported			23,120
Reduction in future crown royalties			10,309 ⁽²⁾
Net changes in income taxes			14,846 ⁽³⁾
Beginning of year, as restated	59,400	49,715	48,275
End of year	\$ 68,800	\$ 59,400	\$49,715

(1) Revisions of previous quantity estimates represent the dollar value of changes to proven reserves over and above those due to production, extensions, discoveries and improved recovery results.

(2) Represents estimated future crown royalty rebates not previously included in net sales price.

(3) Includes an adjustment for tax pools not included in the prior years' computation of income taxes.

FIVE YEAR FINANCIAL REVIEW

(thousands of Canadian dollars, except per share)

	1985	1984	1983	1982	1981
Revenue					
Mining	\$120,697	\$117,686	\$116,729	\$100,550	\$109,237
Oil and gas	14,018	12,534	10,367	9,126	6,271
	<u>\$134,715</u>	<u>\$130,220</u>	<u>\$127,096</u>	<u>\$109,676</u>	<u>\$115,508</u>
Operating income					
Mining	\$ 59,285	\$ 58,268	\$ 82,459	\$ 71,992	\$ 83,490
Oil and gas	3,026	2,998	3,720	4,310	3,049
	<u>62,311</u>	<u>61,266</u>	<u>86,179</u>	<u>76,302</u>	<u>86,539</u>
General corporate costs	(2,103)	(2,052)	(1,959)	(1,364)	(1,409)
Other income	1,790	1,000	10,478	5,349	7,567
Income and mining taxes	(36,216)	(34,875)	(46,830)	(40,625)	(48,220)
Share of earnings (losses) of Dome Petroleum ⁽¹⁾	—	—	(10,347)	(3,900)	1,570
Net income ⁽¹⁾	<u>\$ 25,782</u>	<u>\$ 25,339</u>	<u>\$ 37,521</u>	<u>\$ 35,762</u>	<u>\$ 46,047</u>
Per share:					
Net income ⁽¹⁾	\$0.54	\$0.53	\$0.78	\$0.75	\$0.96
Cash dividends — Cdn \$ equivalent	\$0.40	\$0.44	\$0.48	\$0.34	\$0.353
— U.S. \$ equivalent	\$0.29	\$0.34	\$0.388	\$0.272	\$0.292
Cash provided by operating activities	\$38,904	\$40,077	\$41,494	\$66,396	\$50,942
Working capital ⁽³⁾	\$43,118	\$26,468	\$19,480	\$16,838	\$ 3,793
Additions to property, plant and equipment (net):					
Mining	\$4,437	\$11,915	\$27,075	\$21,372	\$14,077
Oil and gas	\$5,145	\$5,463	\$2,290	\$3,662	\$72,447
Total assets ⁽²⁾⁽³⁾	\$277,698	\$262,047	\$257,948	\$261,394	\$216,665
Long-term debt ⁽²⁾⁽³⁾⁽⁴⁾	—	—	—	\$7,063	\$10,000
Shareholders' equity ⁽³⁾	\$172,258	\$165,674	\$161,452	\$146,968	\$127,524
Return on equity (%)	15.3	15.5	24.3	26.1	40.8
Number of shareholders	10,588	10,784	10,779	11,482	11,353
Shares outstanding (000's)	47,994	47,994	47,994	47,994	47,994
Price of common shares — TSE					
High	\$35 $\frac{1}{8}$	\$38 $\frac{3}{8}$	\$41 $\frac{1}{4}$	\$34 $\frac{1}{2}$	\$24 $\frac{1}{2}$
Low	\$21	\$21 $\frac{3}{4}$	\$26	\$10 $\frac{1}{8}$	\$16 $\frac{1}{8}$
Exchange rates ⁽⁵⁾ —					
As at December 31	1.3985	1.3217	1.2445	1.2297	1.1863
Yearly average	1.3683	1.2971	1.2334	1.2364	1.1993
High for year	1.3202	1.2416	1.2194	1.1863	1.1766
Low for year	1.4025	1.3348	1.2511	1.3002	1.2426

(1) Campbell's share of earnings (losses) of Dome Petroleum reflects a change in accounting policy by Dome Petroleum in 1983. See note 1(a)(ii) to the financial statements.

(2) Refer to note 2(a) to the financial statements

(3) Amounts are at December 31 of the years indicated.

(4) Refer to note 2(d) to the financial statements.

(5) Exchange rates are expressed as the ratio of the amount of Canadian funds equivalent to one United States dollar.

(6) See notes 3(b), 4(d), 7(b) and 7(c) to the financial statements for information regarding certain contingencies at and events subsequent to December 31, 1985

Selected financial data in accordance with United States accounting principles

Had the financial statements been prepared in accordance with accounting principles generally accepted in the United States, certain selected financial data would be disclosed as follows:

(thousands of Canadian dollars, except per share)	Years ended December 31				
	1985	1984	1983	1982	1981
Share of earnings (losses) of Dome Petroleum	\$55	\$(1,480)	\$(10,347)	\$(3,900)	\$1,570
Net income	\$25,837	\$23,859	\$39,795	\$35,459	\$46,223
Net income per share	\$0.54	\$0.50	\$0.83	\$0.74	\$0.96
Total assets	\$278,253	\$262,547	\$259,928	\$261,100	\$216,674
Shareholders' equity	\$172,813	\$166,174	\$163,432	\$146,674	\$127,533

A discussion of differences between Canadian and United States generally accepted accounting principles is contained in note 6 to the financial statements.

FIVE YEAR OPERATIONS REVIEW

	1985	1984	1983	1982	1981
Mining					
Campbell Mine					
Revenue	\$98,813	\$99,133	\$113,962	\$100,550	\$109,237
Operating costs before depreciation	31,215	28,076	25,614	24,538	20,813
Depreciation	2,279	1,859	1,927	1,947	2,533
Total operating costs	33,494	29,935	27,541	26,485	23,346
Operating income	\$65,319	\$69,198	\$ 86,421	\$ 74,065	\$ 85,891
Ounces of gold produced	226,152	213,946	219,200	217,158	200,528
Tons milled	392,000	395,000	390,000	392,000	370,000
Operating cost per ton	\$85.44	\$75.78	\$70.62	\$67.56	\$63.10
Revenue per ounce	\$437	\$463	\$520	\$463	\$545
Operating cost per ounce	\$148	\$140	\$126	\$122	\$116
Proven ore reserves					
Tons in place (000's)	2,022	2,026	2,052	2,042	2,082
Grade (ounces per ton)	0.616	0.622	0.622	0.622	0.620
Number of employees	444	447	437	427	426
Detour Lake Mine (Campbell's 50% share):					
Revenue	\$19,438	\$18,246	\$2,767		
Operating costs before depreciation	15,498	17,646	3,339		
Depreciation	4,618	5,096	801		
Total operating costs	20,116	22,742	4,140		
Operating losses	\$ 678	\$ 4,496	\$1,373		
Ounces of gold produced	40,884	39,479	5,937		
Tons milled	448,000	438,000	62,000		
Operating cost per ton	\$44.90	\$51.93	\$66.76		
Revenue per ounce	\$475	\$462	\$466		
Operating cost per ounce	\$492	\$576	\$697		
Proven and probable ore reserves (100%) —					
Tons in place (000's)	9,272	10,869	30,200		
Grade (ounces per ton)	0.131	0.128	0.113		
Number of employees (100%)	241	303	284		
Dee Gold Mine (Campbell's 11.7% share)					
Ounces of gold produced	5,589	719			
Oil and gas					
Revenue	\$14,018	\$12,534	\$10,367	\$9,126	\$6,271
Operating costs	4,349	3,752	3,307	2,768	2,000
Depreciation and depletion	6,643	5,784	3,340	2,048	1,222
Total operating costs	10,992	9,536	6,647	4,816	3,222
Operating income	\$ 3,026	\$ 2,998	\$ 3,720	\$4,310	\$3,049
Production volumes					
Oil and natural gas liquids (000 bbls.)	409	374	344	293	351
Gas (mmcf)	1,376	1,298	1,064	1,039	953
Net proved reserves					
Oil and natural gas liquids (000 bbls.)	5,127	5,006	4,787	5,140	4,951
Gas (bcf)	56.9	53.4	49.4	53.2	53.4
Wells drilled (net)					
Oil	8	7	4	2	3
Gas	2	3	2	2	6
Dry	3	2	2	1	3
Total	13	12	8	5	12

Principal Markets for the Company's Shares

Campbell's Common Shares are listed on the New York Stock Exchange in the United States and on The Toronto Stock Exchange in Canada (Stock symbol: CRK), which are the principal exchanges on which the Common Shares are traded. Shown below are the high and low sale prices for the Company's Common Shares on these exchanges for the periods indicated.

	1985		1984	
The Toronto Stock Exchange (Canadian dollars)	High	Low	High	Low
First quarter	\$30	\$21	\$38 ³ / ₈	\$30 ¹ / ₄
Second quarter	30 ⁷ / ₈	26 ³ / ₄	37 ¹ / ₄	31 ⁵ / ₈
Third quarter	35 ¹ / ₈	27 ³ / ₈	32 ³ / ₈	23 ³ / ₈
Fourth quarter	33 ³ / ₄	30	31 ³ / ₄	21 ³ / ₄
New York Stock Exchange (United States dollars)	High	Low	High	Low
First quarter	\$21 ⁷ / ₈	\$15 ³ / ₈	\$30 ³ / ₈	\$24 ¹ / ₄
Second quarter	22 ³ / ₄	19 ³ / ₄	29 ¹ / ₄	24 ¹ / ₈
Third quarter	26	20 ¹ / ₈	24 ⁷ / ₈	17 ⁵ / ₈
Fourth quarter	24 ⁵ / ₈	21 ¹ / ₂	24 ¹ / ₄	16 ³ / ₈

Shareholders

As at March 25, 1986, the Company had 47,994,000 Common Shares issued and outstanding. Dome Mines owns 27,290,160 or 56.9% of the Common Shares. The Company's records indicate that there were 13,164 shareholders of record at January 27, 1986.

The Company's articles and by-laws contain no restrictions on the right to hold or vote the Common Shares.

Dividends

Dividends declared in Canadian dollars on the Common Shares for each quarterly period during 1985 and 1984 are shown below.

	1985	1984
First quarter	\$0.10	\$0.12
Second quarter	0.10	0.12
Third quarter	0.10	0.10
Fourth quarter	0.10	0.10
	\$0.40	\$0.44

A regular quarterly dividend of \$.10 per share was declared by the Board of Directors on March 25, 1986, payable May 26, 1986 to shareholders of record as at April 21, 1986.

Dividends are declared in Canadian dollars. However, at the request of the shareholder, an equivalent amount will be paid in United States funds.

Cash dividends paid to non-residents of Canada are subject to Canadian withholding taxes. Under a reciprocal tax treaty, shareholders resident in the United States are subject to a Canadian withholding tax of 15%.

The Company has paid dividends since 1953 and expects to continue to do so; however, the decision to pay dividends is at the discretion of the Board of Directors and is governed by such factors as earnings, capital requirements and the operating and financial condition of the Company.

DIRECTORS

Fraser M. Fell, Q.C.
Toronto, Ontario.
Chairman and
Chief Executive Officer,
Dome Mines Limited,
Campbell Red Lake Mines
Limited and Sigma Mines
(Quebec) Limited
(No personal liability)

C. Henry Brehaut
Toronto, Ontario.
President and Chief
Operating Officer,
Dome Mines Limited,
Campbell Red Lake Mines
Limited and Sigma Mines
(Quebec) Limited
(No personal liability)
Chairman of the Board,
President and Chief
Executive Officer of
Kiena Gold Mines Limited

***Peter A. Crossgrove**
Toronto, Ontario.
President and Chief
Executive Officer,
ITCO Properties Ltd.

***Robert M. Franklin**
Toronto, Ontario.
Executive Vice-President,
Algonquin Mercantile
Corporation

***Alan R. McFarland**
New York, New York.
General Partner,
Lazard Freres & Co.

R. Jack Pirie
Calgary, Alberta.
President and Chief
Executive Officer,
Sabre Petroleums Ltd.

***J. Keith Reynolds**
Toronto, Ontario.
Partner,
Alafin Consultants Limited

*Audit Committee Member

DIRECTOR EMERITUS

William F. James
Toronto, Ontario.
Partner, James & Buffam,
Consulting Geologists.
A Director of the Company
1949-1983

OFFICERS

Fraser M. Fell, Q.C.
Chairman and
Chief Executive Officer

C. Henry Brehaut
President and
Chief Operating Officer

G. S. Wallace Bruce
Vice-President, Exploration

J. Scott Drever
Vice-President,
Corporate Development

J. W. W. Hick
Vice-President,
General Counsel and
Secretary

Kenneth J. Hill
Vice-President

H. Douglas Scharf
Vice-President, Finance,
Treasurer and Chief
Financial Officer

Victor A. Wells
Controller

John H. Hough, Q.C.
Assistant Secretary

OPERATING MANAGEMENT

Campbell Mine

Stewart M. Reid
General Manager,
Campbell Mine

Keith H. Newman
General Superintendent,
Campbell Mine

Detour Lake Mine

John S. Rogers
General Manager,
Detour Lake Mine

Kiena Mine

Raynald Vezina
General Manager,
Kiena Mine

CORPORATE

Executive Office

Box 350, Suite 3500
IBM Tower, T-D Centre
Toronto, Ontario
M5K 1N3
(416) 868-6060

Campbell Mine Office

Box 10,
Balmertown, Ontario
P0V 1C0
(807) 735-2075

Detour Lake Mine Office

130 Wilson Avenue
Timmins, Ontario
P4N 2S9
(705) 268-3333

Kiena Mine Office

Box 87
Val d'Or, Quebec
J9P 4N9
(819) 738-4031

General Counsel

Fasken & Calvin,
Toronto, Ontario

Auditors

Clarkson Gordon,
Toronto, Ontario

Transfer Agents and Registrars

The Royal Trust Company,
Box 7500,
Toronto-Dominion Centre,
Toronto, Ontario
M5W 1P9

The Bank of New York,
48 Wall Street
New York, N.Y. 10015

Annual Meeting

The Annual Meeting of Shareholders will be held in the Territories Room of the Royal York Hotel, Toronto, Ontario on Friday, May 30, 1986 at 9:30 a.m. (Toronto time).

Annual Report

Copies of the Annual Report of the Company are available by writing to The Royal Trust Company, Box 7500, Station A, Toronto-Dominion Centre, Toronto, Ontario, Canada M5W 1P9

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 by writing to The Secretary, Box 350, Suite 3500, IBM Tower, Toronto-Dominion Centre Toronto, Ontario M5K 1N3

