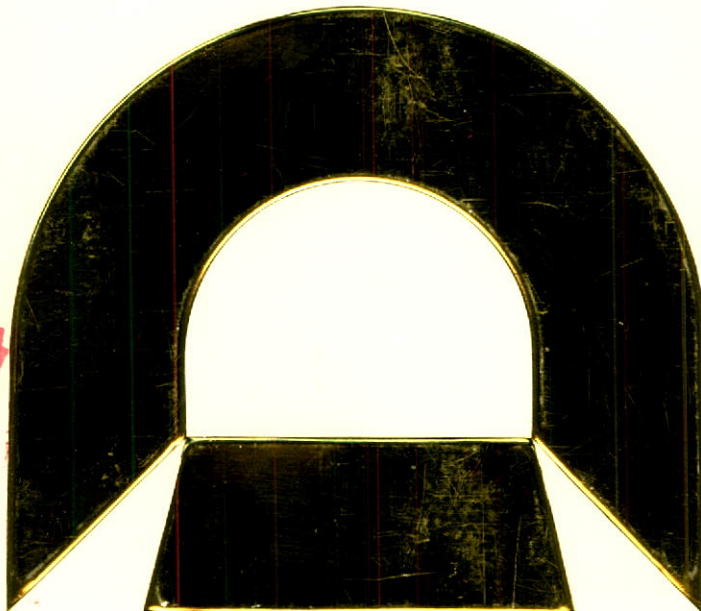
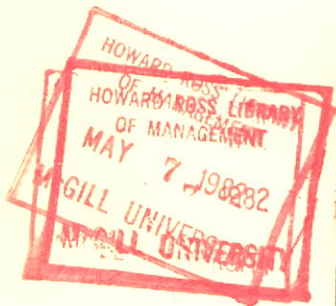

Dome Mines Limited

Annual Report
1981

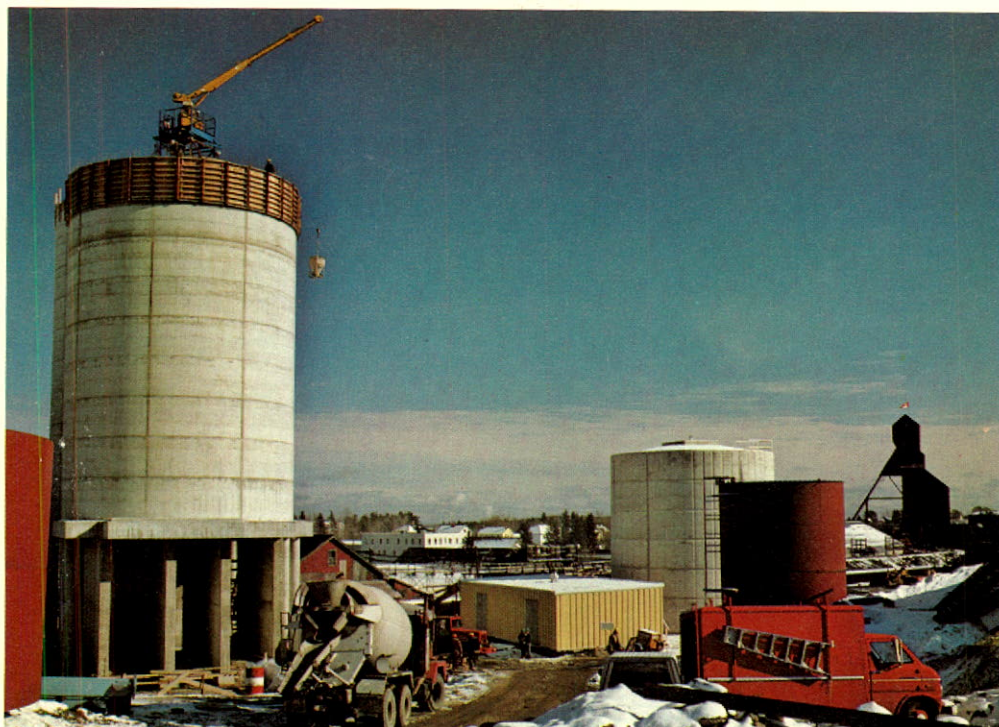


Dome Mines Limited and its principal operating subsidiaries, Campbell Red Lake Mines Limited (57% owned by Dome) and Sigma Mines (Quebec) Limited (66% owned by Dome), are Canadian gold mining companies with interests in oil and gas. Dome, incorporated in 1910, has 77,592,248 issued shares which are listed for trading on the New York, Toronto and Montreal stock exchanges. The largest shareholder is Dome Petroleum Limited which owns 39% of the shares outstanding.

In 1981, The Dome Mines Group produced 329,772 ounces of gold or approximately 21% of total Canadian production. Bullion is produced from Dome's mine at South Porcupine, Ontario, Campbell's mine at Balmertown, Ontario and Sigma's mine at Val d'Or, Quebec. Dome and Campbell each have a 25% interest in a gold property being developed in the Detour Lake area of northeastern Ontario which is scheduled to commence production in the fall of 1983. In addition, the Group maintains an ongoing mineral exploration program.

The Dome Mines Group participates in oil and gas operations through its investment in 66,780,500 or 27% of the currently outstanding common shares of Dome Petroleum Limited. In addition, Campbell and Sigma have direct participating interests in oil and gas production and exploration in western Canada.

Contents



Construction of new mill facilities at South Porcupine; No. 3 Headframe and mine office in the background.

Annual Meeting

The Annual and Special Meeting of Shareholders will be held in Toronto, Ontario at the Royal York Hotel, on June 8, 1982 at 11:00 a.m. (Toronto time).

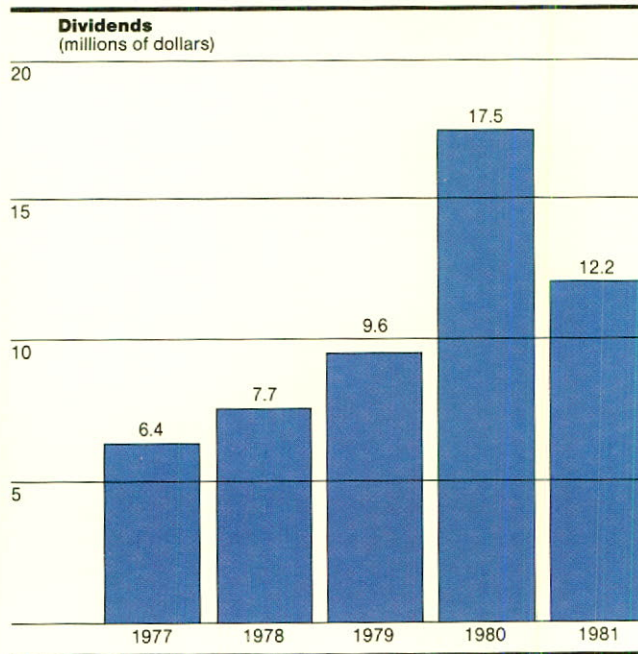
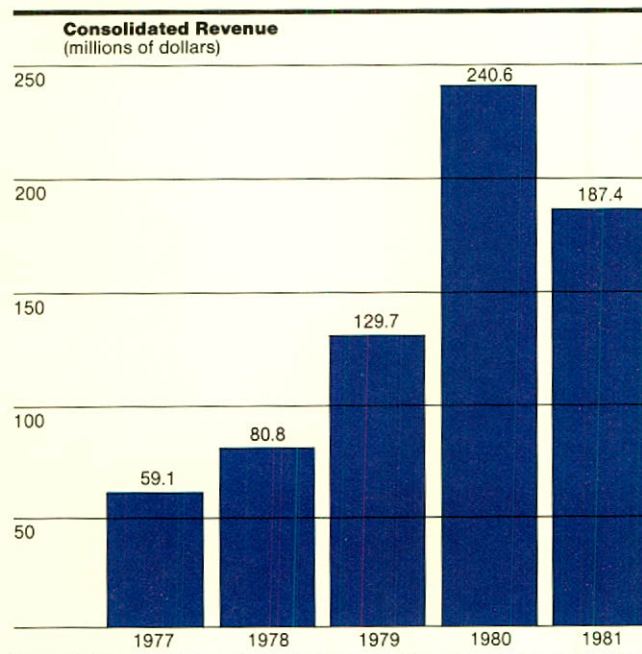
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Consolidated Highlights

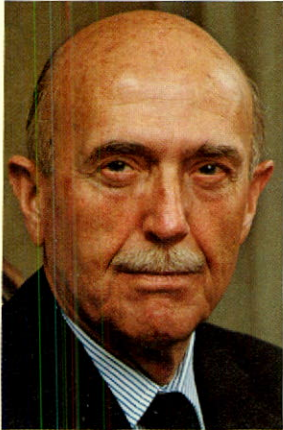
(thousands of dollars except per share)

		1981	1980	1979
Financial Operations	Revenue	\$187,421	\$240,642	\$129,716
	Operating costs	\$73,237	\$56,800	\$44,187
	Income, mining and other taxes	\$60,286	\$106,000	\$49,679
	Net income	\$91,347	\$126,543	\$89,280
Financial Position	Working capital	\$20,654	\$57,204	\$64,842
	Long-term debt	\$94,300		
	Shareholders' equity	\$446,821	\$367,930	\$253,183
Per Share	Net income	\$1.31	\$1.81	\$1.28
	Dividends	\$0.15^{3/4}	\$0.22 ^{1/2}	\$0.12 ^{1/2}
Production	Fine ounces of gold	329,772	329,086	347,596
	Tons milled	1,415,000	1,466,000	1,455,000
Statistical Data	Number of employees	1,674	1,526	1,397
	Number of shareholders	11,072	9,328	7,540
	Shares outstanding	77,592,248	77,592,248	77,280,048

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



Report of the Directors to the Shareholders



A. Bruce Matthews,
Chairman.



Malcolm A. Taschereau,
President and Chief Executive
Officer.

Earnings and Outlook

Following four successive record years, 1981 earnings of Dome Mines Limited fell as a result of declining gold prices and lower earnings of associated companies Dome Petroleum Limited and Canada Tungsten Mining Corporation Limited. However, consolidated net income of \$91,347,000 or \$1.31 per share compared to \$126,543,000 or \$1.81 per share in 1980 was still the second highest in the seventy-two year history of Dome. The average price received on gold sales in 1981 was \$547 (Canadian) per ounce compared to \$722 per ounce the previous year.

During 1981 prices for precious metals and other commodities declined in response to a slowdown in economic activity throughout the industrialized world. At the same time attempts were made to dampen inflationary trends, notably in the United States, by restricting the growth of money supply. This monetary policy and its resultant high interest rates have contributed to the drying up of surplus funds. Gold plays an important role in the mix of reserve assets and the decline in international liquid assets is perhaps the major factor affecting current prices.

The decline in price which began in January, 1980 has continued to the present time. The 1981 year opened with gold quoted at \$589.50 (U.S.) in London and closed at \$400.00 (U.S.). As of the time of preparing this report, the price had fallen to \$330 (U.S.) per ounce with downward pressure still in evidence. It can be expected that this downward trend will reverse only when interest rates stabilize at significantly lower levels and the industrialized nations reactivate their economies. At the same time, examination of costs of gold mining throughout the world indicates a large number of unprofitable operations at prices below \$400 (U.S.) per ounce, tending to support our view that the current weakness cannot continue indefinitely.

Operations

Costs continued to increase at Dome's operations at a pace in excess of the average rate of inflation. This was due in part to the necessity of eliminating the wage differential which existed for many years between gold mines and the rest of the mining industry.

Lower gold prices have caused re-examination of our current operations and capital commitments. The ability to increase grades of ore mined, particularly at Dome and Les Mines Sigma (Québec) Limitée — Sigma Mines (Quebec) Limited, is limited and, as a result, the focus is on improved productivity. Activities of a lower priority nature are being deferred where possible awaiting a return of higher revenues. These measures do not affect programs for the expansion at Dome nor the Detour Lake project as these long-term undertakings are based on higher prices anticipated in the future.

While proud of our past safety record, Dome continues to direct particular attention to worker health and safety. Formal reports from management are reviewed at meetings of the Board of Directors and safety is a major concern in all areas of the operations.

Associated Companies

Equity in the earnings of Dome Petroleum declined by 23 percent to \$48,383,000 from the \$62,786,000 reported last year. In spite of this drop, earnings of Dome Petroleum accounted for 53 percent of consolidated net income of Dome Mines compared to 50 percent in 1980.

In June, 1981 the Board of Directors authorized the purchase of an additional 2,994,500 common shares of Dome Petroleum as a long-term investment. Over the years Dome Mines' percentage interest has been diluted and this acquisition increased our interest to 26.7 percent of the currently outstanding common shares of Dome Petroleum.

In May, 1981 Dome Petroleum acquired a 53 percent interest in Hudson's Bay Oil and Gas Company Limited and subsequently acquired the remaining interest in that company. In connection with the bank financing arrangements for the closing of that transaction and in light of its significant investment in Dome Petroleum, Dome Mines agreed to provide its guarantee up to a limit of \$250 million (Canadian) in connection with the restructuring of existing loans by a group of Canadian chartered banks to Dome Energy Limited, a wholly-owned subsidiary of Dome Petroleum. The guarantee terminates on the earlier of repayment of the loans or December 30, 1982. The decision to provide the guarantee was reached after careful review by the independent members of the Board.

Equity in the earnings of Canada Tungsten declined to \$532,000 from \$4,588,000 last year, as a result of lower demand for tungsten and a strike which interrupted production from November, 1980 to May, 1981.

Dividends

Dome Mines has paid dividends since 1920 and expects to continue to do so. However, the decision to pay dividends and the amount is influenced by such factors as earnings, capital requirements and operating and financial conditions. After considering these factors, total dividends declared during the year 1981 were reduced to \$0.15³/₄ per share from \$0.22¹/₂ per share in 1980. In addition, the quarterly dividend, payable May 31, 1982 was reduced to \$0.02¹/₂ per share.

Directors and Officers

Fraser M. Fell, a Director since 1971, resigned as Secretary of Dome and its subsidiary companies, Campbell Red Lake Mines Limited and Sigma, and was appointed Vice-Chairman of Dome Mines in June, 1981.

Dr. J. Keith Reynolds, former Deputy Minister of the Ministry of Natural Resources of Ontario, was elected to the Board of Directors at the Annual and Special Meeting on May 8th, 1981.

Robert B. Hutchison retired as Treasurer in 1981 following 47 years of distinguished service. H. Douglas Scharf, formerly Controller was appointed to succeed him and Robert R. Quesnel, formerly Office Superintendent at the South Porcupine mine was appointed Controller. John W. W. Hick, formerly an associate with Fasken & Calvin, was appointed Secretary.

Acknowledgements

The Directors record their appreciation of the efforts of all employees throughout an active and demanding year.



A. Bruce Matthews,
Chairman.



Malcolm A. Taschereau,
President.

March 23, 1982

Review of Operations

Mining

Dome Mines

Miners at the start of their work shift.

	1981	1980	1979
	(thousands of dollars)		
Bullion revenue	\$40,447	\$62,578	\$35,149
Mining costs	\$25,315	\$22,860	\$18,376
Mine operating income before taxes	\$15,132	\$39,718	\$16,773
Fine ounces of gold	73,131	85,893	94,702
Tons milled	557,000	678,000	664,000
Grade treated — ounces/ton	0.136	0.132	0.148

Operations

Gold production in 1981 at the South Porcupine mine was 73,131 ounces compared with planned production of 85,000 ounces, and 85,893 ounces in 1980. A two-month strike during May and June was the main reason for the drop in gold production. For the ten months that the mine was in operation during 1981, the grade of ore treated and mill recovery were slightly higher than anticipated. However, this was largely offset by lower mill tonnage due to downtime for required maintenance of equipment in the grinding section.

Operating costs were \$45.43 per ton milled in 1981, an increase of 35 percent over 1980. The major factors in the rise were a 25 percent increase in wages negotiated during the year and the continuation of fixed costs during the strike. Other factors were increased development and stope preparation activities and higher repair costs in the mill. A breakdown of unit costs per ton milled by major activities is presented below:

	1981	1980	1979
Development	\$ 3.11	\$ 2.80	\$ 2.10
Mining	23.25	17.88	15.16
Milling	8.31	6.38	5.30
General services	3.85	2.60	2.24
Administration	4.55	2.90	2.11
Depreciation and amortization	2.36	1.15	.77
	\$45.43	\$33.71	\$27.68



Mine property exploration

Diamond drilling activity decreased to 36,965 feet in 1981 from 61,785 feet in the prior year. The program to test the ankerite zones below the 29th level in the west end of the property has been completed and accounted for the high level of drilling in 1980. The results of this program indicate a continuation of the ankerite structures to depth. The gold content of the veins intersected was low, which is not uncharacteristic of diamond drill results in ankerites. Development along the structures will be required to better define their ore potential. Most of the drilling in 1981 was for the purpose of exploring for extensions to mining areas and to act as a guide to current mining operations.

Development

Development work for the year totalled 19,074 feet, of which 13,301 feet were related to current operations and the balance to the expansion program. This compares to 17,423 feet driven in 1980 of which 14,708 feet were charged to that year's operations. As a result of the two-month strike, the total footage was lower than in 1980, although the rate of development increased by 8 percent on a tonnage basis.

Total development and diamond drilling footage by area is presented below:

Area	Sub Drifts	Drifts and Crosscuts	Raises	Total	Diamond Drilling
No. 3 Shaft	5,370	2,260	906	8,536	10,260
No. 6 Winze	3,169	4,972	1,207	9,348	24,988
No. 7 Winze	—	1,190	—	1,190	1,717
Total 1981	8,539	8,422	2,113	19,074	36,965
Total 1980	9,167	5,676	2,580	17,423	61,785
Total 1979	7,394	4,014	2,476	13,884	37,637

Ore reserves

Ore reserves at December 31, 1981 were estimated to be 2,146,716 tons averaging 0.207 ounces per ton, as compared with 2,149,500 tons averaging 0.206 ounces per ton at the end of 1980. While reserves did not change during 1981, the increased rate of development and stope preparation activities will add significantly to the reserve estimates over the next 3 years as this work is completed. Details of the ore reserves and extraction during the year by area are shown in the following table:

Area	Reserves		Extraction	
	Tons	Grade	Tons	Grade
No. 3 Shaft	519,718	0.225	324,100	0.143
No. 6 Winze	1,532,115	0.198	233,100	0.125
No. 7 Winze	94,883	0.249		
	2,146,716	0.207	557,200	0.136

Mine

Of 557,200 tons milled in 1981, 482,000 tons averaging 0.145 ounces per ton were from stopes and 75,200 tons at 0.080 ounces per ton resulted from development activities.

	1981	1980	1979
Stoping			
Cut and fill	36%	36%	30%
Shrinkage	2	2	2
Long hole	49	51	58
Development	13	11	10
	100%	100%	100%

Work continued during the year on the development of more productive mining methods.

Mill

The results of milling operation for the past three years are as follows:

	1981	1980	1979
Tons treated	557,200	678,100	663,900
Grade treated — ounces/ton	0.136	0.132	0.148
Recovery — %	96.9	96.4	96.2

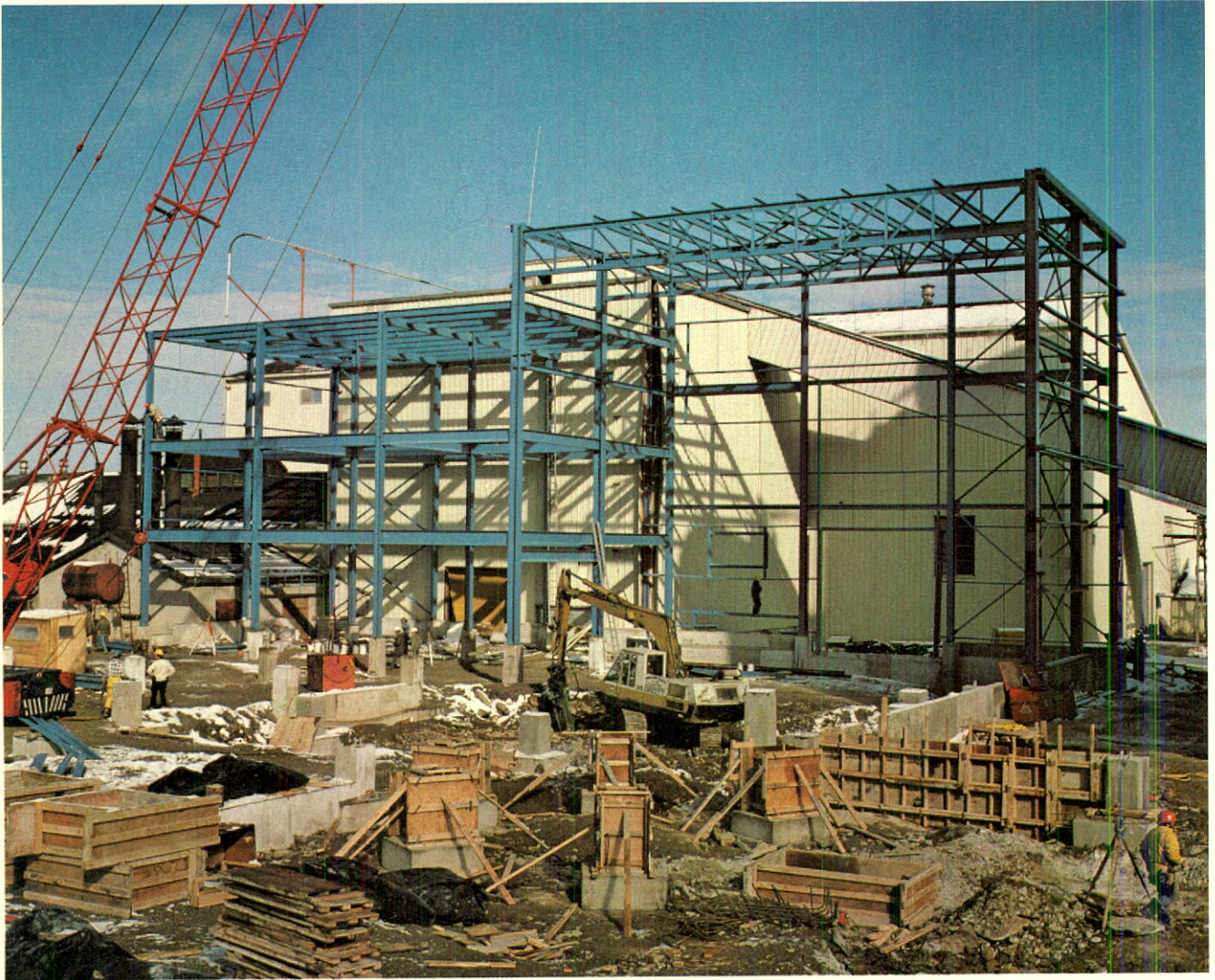
The improvement in mill recovery resulted from the installation of increased filter capacity in 1980. Studies are continuing for the purpose of selecting a new tailings disposal area which will be required by 1985.

Expansion program

The \$91,900,000 program to increase capacity from 2,000 to 3,000 tons per day made considerable progress in 1981 in all areas. Work related to the Number 8 Shaft program advanced to the point that sinking of the 5,400 foot shaft was under way by year end. Preparatory work included the completion of a pilot hole for shaft slashing from the surface to the 16th level and the erection of a 138 foot concrete headframe. Other work under way at year end included the construction of the hoistroom, the shaft house and the driving of the underground conveyor gallery from the mill to the shaft.

During 1981 a significant amount of underground work related to the expansion program was also carried out. Number 7 Winze has now been de-watered and rehabilitated and drifting is under way on the 37th and 34th levels to the Number 8 Shaft area at those horizons. A total of 4,827 feet of drifting and 953 feet of raising related to the expansion were completed during the year. The initial emphasis has been to provide access to the Number 8 Shaft area on four levels in support of the shaft sinking program. Future development work will include preparation of mining areas in order to provide the required additional tonnage and sufficient crews have now been hired to allow for this.

The first stage of work required to provide increased mill capacity will be completed by mid-1982. This includes the complete replacement of existing ore storage, grinding, amalgamation and thickening facilities and the provision of new fire protection and process water storage facilities. The new facilities will reduce the lost time and high maintenance costs being experienced with the existing grinding units.



Mill expansion at South Porcupine.
(top)

Planning mining operations.
(bottom left)

No. 6 hoistroom located at the
2,000 foot level. (bottom right)



Capital expenditures

The shop complex which includes the electrical, pipe and carpenter shops and the warehouse has been completed and is operative. The old warehouse will be removed in mid-1982 and replaced with a cold storage extension to the new shop complex. The new water process water pipe line, from Porcupine Lake to the mill, was completed in 1981 and is now operating.

Capital expenditures in 1981 totalled \$28,539,000 compared with \$3,427,000 in the prior year. Details are shown in the following table:

	1981	1980	1979
Regular capital	\$ 1,211,000	\$1,270,000	\$1,057,000
Shop complex and process water line	1,831,000	1,084,000	
Expansion –			
Shaft	13,953,000	582,000	
Mill	11,544,000	491,000	
	\$28,539,000	\$3,427,000	\$1,057,000

In 1982, capital expenditures on non-expansion and expansion items are estimated to be \$1,916,000 and \$23,000,000 respectively.

General

In April, 1981, an employee suffered a fatal injury as a result of a fall of rock in one of the active stopes. This incident was the first fatality in 10 years. Safety has always been a high priority at South Porcupine but regrettably accidents of this nature can still occur in spite of the careful precautions taken. The frequency of compensable injuries has decreased from 37 per million man hours in 1979 to 18 in 1980 and to 15 in 1981, which compares most favourably with industry averages. It is the objective of the entire work force to further reduce the frequency and severity of work related injuries.

The labour agreement with the United Steelworkers of America expired on April 17, 1981. Bargaining for a new agreement began in January, 1981, and continued through to the end of April at which time a two-month work strike commenced. A three-year contract was signed at the end of June, granting

wage increases averaging 25 percent for the first year and 12 percent for the second year. The third year of the contract provides for an average increase of 9 percent with adjustments commencing once the cost of living index exceeds 8 percent in that year. Although the wage settlement was high, historically wage levels at Dome have been below the mining industry average. As earnings increased, the need for higher wages was recognized and significant increases resulted from the negotiations of 1979 and 1981. Current wage rates are now in line with industry levels.

The total number of employees at the property increased from 697 at the end of 1980 to 751 at the end of 1981 as the rate of underground development work was increased to meet mine expansion requirements. Wages and salaries and other major cost items, not including capital and exploration expenditures, are listed below:

Wages and salaries	\$16,754,000
Supplies and services	\$9,957,000
Income and mining taxes	\$6,584,000

The higher level of activity brought about by the mine expansion program has added to the duties and responsibilities of all personnel and in particular the Department Heads. The positive manner in which all have responded to increased responsibilities is gratefully acknowledged.

Campbell Red Lake Mines

Geologists discussing stoping plans.

	1981	1980	1979
	(thousands of dollars)		
Bullion revenue	\$109,237	\$136,314	\$70,055
Mining costs	\$23,346	\$15,831	\$12,502
Mine operating income before taxes	\$85,891	\$120,483	\$57,553
Fine ounces of gold	200,528	189,536	185,005
Tons milled	370,000	304,000	300,000
Grade treated — ounces/ton	0.590	0.638	0.656

Campbell Red Lake Mines Limited, a 56.9 percent owned subsidiary, had a net income of \$46,047,000 in 1981, a decrease of 20 percent from the prior year.

Operations

Bullion revenue dropped significantly despite an increase in the number of ounces produced. Revenue per ounce averaged \$545 compared to \$719 in 1980 and \$379 in 1979.

Operating costs increased by 47 percent primarily as a result of the increase in production, a wage increase of 19 percent during the year and higher plant maintenance costs.

In 1981, the mill recovered 200,528 ounces of gold from 370,000 tons of ore compared with 189,536 ounces from 304,000 tons in 1980. Production in 1980 included approximately 7,000 ounces recovered from equipment taken out of service as changes were made to increase mill capacity. Tonnage milled increased as scheduled as new mining areas were brought into production throughout the year. The average grade treated in 1981 included a planned lower grade of ore as part of the expansion program. Towards the end of the year, the mine was operating at the expanded annual rate of 391,000 tons. Gold production is estimated to be 212,000 ounces in 1982.



Miners preparing to blast.

Mine planning meeting.



Mine property exploration and development

Surface exploration activity was reduced to 3,545 feet of diamond drilling compared with 23,936 feet in 1980. Underground drilling increased however, from 46,580 feet to 52,959 feet largely in support of mine planning and stope development programs. No new areas of significance were discovered during the year.

Underground development activities were 19 percent higher in 1981, largely as a result of increased stope preparation. Development programs to examine the potential of three major exploration targets identified in 1980 were initiated during the year, but as lower priority projects.

Ore reserves

Proven ore reserves as at December 31, 1981 were estimated to be 2,315,900 tons at an average grade of 0.620 ounces per ton, an increase of 65,700 tons over the prior year. The average grade is essentially unchanged from the previous year.

Capital

Capital expenditures totalled \$5,554,000 in 1981 compared to \$7,417,000 in 1980. The decrease is a result of completion of the expansion. In keeping with Campbell's policy of providing housing and recreational facilities to attract and retain employees, work was begun in 1981 on a community swimming pool and an adjoining recreation hall. These facilities were completed in March, 1982. Sixteen new houses

were also built in 1981 and a total of 216 units are now owned by the Company.

General

The accident frequency at Campbell in 1981 averaged 16.4 compensable accidents per million man hours as compared to an average of 15.9 in 1980. While this compares favourably with the average of 32 compensable accidents per million man hours for the mining industry in the province of Ontario, increased effort and attention will be directed towards the lowering of the accident frequency to the greatest extent possible.

The number of employees at year end totalled 426. The increase of 44 people is required to support a production level of 391,000 tons in 1982.

Sigma Mines

Examining diamond drill core.

	1981	1980	1979
	(thousands of dollars)		
Bullion revenue	\$30,851	\$38,649	\$24,512
Mining costs	\$16,768	\$13,367	\$11,326
Mine operating income before taxes	\$14,083	\$25,282	\$13,186
Fine ounces of gold	56,113	53,657	67,889
Tons milled	488,000	484,000	491,000
Grade treated — ounces/ton	0.120	0.115	0.143

Net income of Les Mines Sigma (Québec) Limitée — Sigma Mines (Quebec) Limited was \$9,196,000 in 1981, a decrease of 35 percent from last year. Dome Mines owns 66.2 percent of this Val d'Or, Quebec gold producer.

Operations

Bullion revenue for the year decreased 20 percent although the number of ounces produced increased 5 percent. Revenue per ounce averaged \$550, down from \$720 in 1980 but above the 1979 level of \$361.

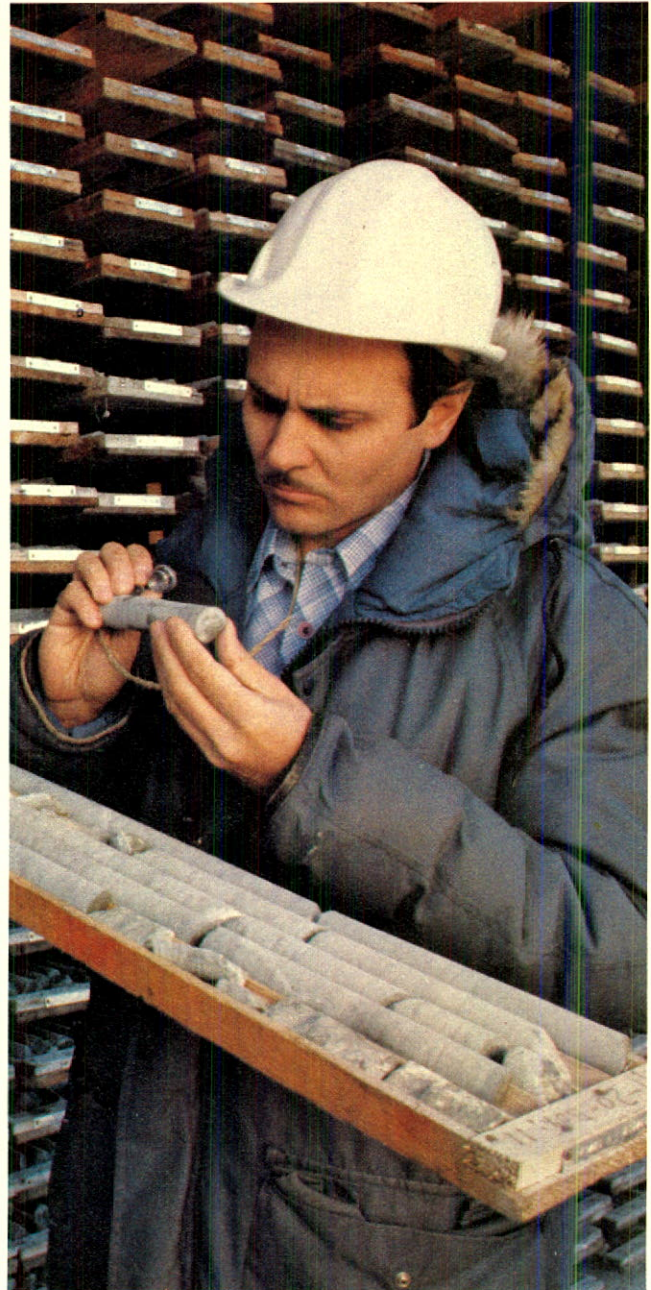
During 1981, the mill treated 488,000 tons of ore compared with 484,000 tons in 1980, with the grade mined increasing 4 percent to 0.120 ounces per ton.

Operating costs were \$34.39 per ton milled in 1981, an increase of 25 percent over 1980. In addition to an increase in wages averaging 13 percent, 32 additional miners were hired to increase the number of tons broken and to reduce, for reasons of safety, the number of men working alone.

Mine property exploration and development

Underground diamond drilling amounted to 57,112 feet in 1981, a 6 percent increase over 1980. No surface drilling was carried out, and most of the underground drilling activity was related to the search for dyke zones and flat veins. For a number of years the ability of the mine to maintain full production has been dependent on ore from a major dyke zone which is now nearing the end of its life and will be fully depleted towards the end of 1982. Exploration has indicated two new dyke areas which have the potential of replacing this tonnage. Detailed drilling of these areas is planned for 1982 with the expectation that replacement ore can be provided by 1983.

A program on the 29th level to investigate gold bearing quartz veins at 3,700 feet and 4,300 feet north of the shaft has proved disappointing. Diamond drilling and drifting returned very low values and no



Reviewing mine plans.



General

To improve mine safety, the Company has involved all employees in an effort to improve working conditions and methods. In 1981, the number of accidents decreased appreciably to 13.8 injuries per million man hours worked from 20.2 in 1980. The average frequency for all mines in the Province was 51.1 injuries per million hours.

Capital

Capital expenditures for 1981 amounted to \$294,500 of which an addition to the main office and related alterations cost \$146,000. Other items were largely related to replacement equipment for the underground operations.

additional work is planned in this area during 1982.

Mine development in 1981 amounted to 8,106 feet, a decrease of 13 percent compared to 1980. Development associated with the exploration for dyke stopes accounted for 21 percent of the total.

In 1981, drifting was carried out along a major shear zone discovered on the 38th level in 1980. Sections of ore grade have been outlined and have been included in the ore reserve estimates. Drifting along this zone will continue in 1982.

Ore reserves

Ore reserves at the end of 1981 were estimated to be 1,194,000 tons at an average grade of 0.197 ounces per ton. The reserve tonnage decreased by 28,900 tons during the year, although the average grade is slightly higher than that reported at the end of 1980.

Detour Lake

Mine development

Following the decision late in 1980 to proceed with development of the Detour Lake gold mining project, site construction began early in 1981 and was well advanced by year end. Construction also started in 1981 on the power line and the permanent access road to the site which is located 125 miles northeast of Timmins, Ontario and 8 miles west of the Quebec border. The development program calls for an open pit mine to be in operation by October 1, 1983 at a milling rate of 2,000 metric tonnes per day. Current plans call for mill capacity to be increased to 4,000 tonnes per day in 1987, with the additional ore being provided from an underground mine. Dome Mines and its subsidiary Campbell Red Lake Mines have each earned a 25 percent interest in this property. The remaining 50 percent interest in the joint venture is held by Amoco Canada Petroleum Company Ltd. and on-going expenditures will be shared in proportion to each party's interest. Campbell acts as operator of the project.

Capital costs for the development program prior to start-up in 1983 were originally estimated to be \$143,200,000. Based on experience to date the estimate has been raised to \$145,700,000 as a result

of moving additional overburden in the pit area prior to start-up instead of during the first year of production as originally planned. Cost savings in other areas have more than offset the high rate of inflation and changes made to facilitate future increases in production.

All construction programs scheduled for 1981 have been completed and in some instances an early start was made on work planned for 1982. Expenditures to the end of 1981 on the development program totalled \$32,426,000.

1981 site program

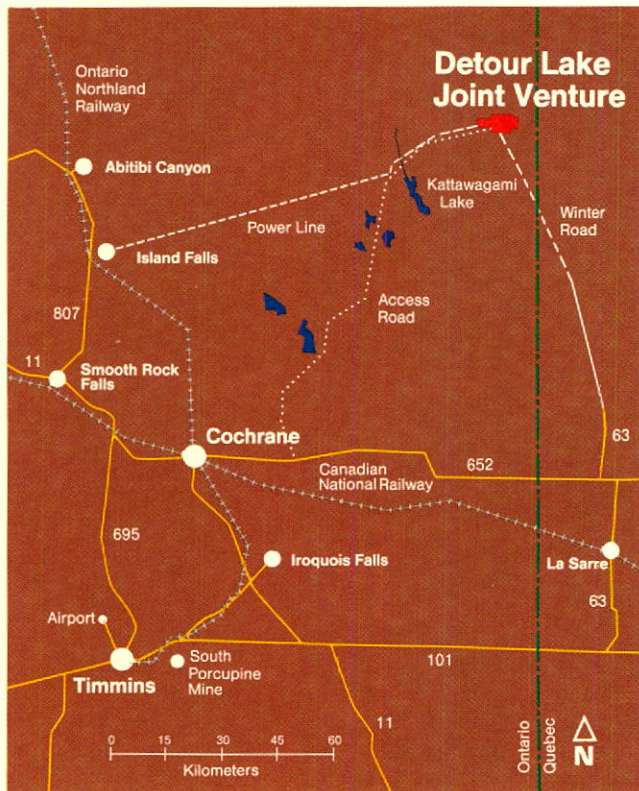
Once the decision to proceed was made, mobilization for the 1981 construction program began immediately, as all material and supplies had to be shipped over a winter road during the period mid-January to mid-March. An unusual thaw in February curtailed transportation but, with the return of cold weather in March, all supplies were delivered before road break-up in the spring.

The main objectives in 1981 were to erect a camp site capable of accommodating 450 construction workers and to pour the concrete foundations for the mill and shop/warehouse complex buildings. This required transforming areas of muskeg into well-graded and serviced areas for construction purposes. The camp site, complete with water, power and sewage services was ready for occupancy early in the summer, thus enabling work to start on the concrete foundations. The pouring of all concrete scheduled for the year was completed by late fall, at which time on-site activity was reduced until the winter road could be opened again in 1982.

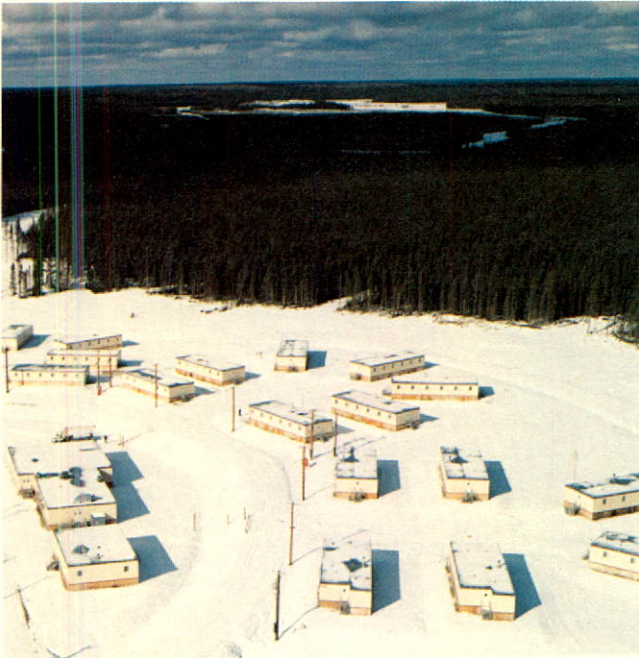
Roads

Road construction was also an important activity in 1981. In addition to access roads in and around the camp and plant site, a four kilometer road was constructed to Little Hopper Lake, which will be the water source for the project. Although not originally planned for 1981, work was initiated late in the year on the road to the tailings dam and a four kilometer extension to the Little Hopper Lake road.

The road to Little Hopper Lake and its extension form part of a commitment by the joint venture participants to build the 30 kilometer section of the all weather access road from the site to the Kattawagami River. During the year, the Ontario government commenced construction of 98 kilometers of road from the highway system in the south to the Kattawagami River. The section of the road being constructed by the joint venture participants will be completed in the fall of 1982, although access from



Camp site with mine clearing in background.



the south cannot be provided before the middle of 1983.

Power line

The power line which is being constructed by the joint venture participants will be 137 kilometers long, starting from Island Falls on the Abitibi River, north of Cochrane. The line will cross approximately 90 kilometers of forest and muskeg between Island Falls and a point on the access road, just south of the Kattawagami River, from where it will follow the road to the mine site. Construction will take place during the winter months to minimize any impact on the environment and the first half of the line starting from Island Falls will be completed by March 1982. Power will be available at the site by mid-1983.

Open pit

During 1981 pit activities were primarily related to design and selection of equipment. Equipment has now been purchased, and personnel are being hired to begin overburden stripping in 1982. This work will be carried out by Campbell personnel.

Ore reserves

An extensive surface drilling program was carried out during the year to better define the pit ore for planning purposes, and to test other ore indications near the surface. No changes to the ore reserve estimates have been made as a result of this work and the reserves reported below are unchanged from those of the previous year:

	Tonnes	Grams per tonne	Ounces per tonne
Main Zone	16,041,000	4.36	0.140
Other Zones	11,692,000	3.22	0.104
	27,733,000	3.88	0.125

Ore estimates include 4.66 grams of silver per tonne and 0.205 percent of copper.

The probability of adding to reserves is good. The Main Zone is open to depth and indications of mineralization away from the defined zones provide excellent exploration targets. No drilling was carried out to test for extensions to existing zones during 1981.

1982 site program

Major activities in 1982 will include erection of the mill and shop/warehouse complex buildings, all remaining concrete work and the construction of the tailings dam. Construction activity will peak during the summer months with a work force of 450 on the site. In preparation for the 1982 construction program, up to 800 truck loads of steel, cement, fuel and other supplies have been shipped to the property over the winter road. In order to provide more reliable and less costly air transportation, a 3,500 foot dirt airstrip is being prepared.

General

The engineering and construction program has progressed well and the efforts of the staff of Campbell, which acts as operator, and all the contractors is gratefully acknowledged.

Outside mineral exploration

During 1981, Dome Exploration (Canada) Limited carried out an extensive mineral exploration program involving an expenditure of \$7.33 million. The program was directed toward the discovery of both base and precious metal deposits in Canada and the southwestern region of the United States. The interest of each company participating in the Dome Mines Group program is as follows:

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

The program included work on 64 company-managed projects and 7 joint ventures of which 16 were undertaken in 1981. Projects in Canada, principally in Ontario, Quebec and British Columbia, accounted for approximately 90% of the expenditures. The 1981 program included 2,914 line miles of airborne geophysical surveys, 890 line miles of ground geophysical surveys and 467 drill holes totalling 216,300 feet. A total of 926 claims were staked and 7 properties were optioned. The results of exploration work continued to be encouraging, particularly on three programs all of which originated prior to January 1, 1977.

Diamond drilling in the Canadian Cordillera.



A large gold property on Opapimiskan Lake, approximately 80 miles north of Pickle Lake, Ontario is operated as a joint venture in which the Dome Mines Group has a 35 percent participating interest. The work is managed by Dome Exploration. A definition drilling program has outlined drill-indicated reserves in excess of one million tons grading approximately 0.2 ounces of gold per ton in two discrete zones in a banded iron formation. Preliminary feasibility studies, including metallurgical, environmental and mining investigations, are currently in progress. The main thrust of the 1982 exploration program will be to block out additional reserves and a major drilling program to test favourable areas close to the known deposits will be carried out during the first quarter.

Work continued on the Quesnel deposit in the Cariboo district of central British Columbia where drill-indicated reserves of 950,000 tons grading 0.21 ounces of gold per ton have been identified in a compact near-surface deposit. In addition to the drilling carried out in 1981, a comprehensive exploration program was undertaken to test the potential of the remainder of the property. This resulted in the delineation of several geochemical/geophysical targets within the same favourable geological environment as the original discovery. During 1982, further drilling will be carried out to explore these targets as well as to investigate some deep intersections of gold mineralization adjacent to the discovery.

In the Yukon, within a few miles of the Alaska Highway, participation continues in a joint-venture exploration program which involves tin prospects on several properties. On the most interesting of these, further drilling was carried out during 1981. The deposit is structurally complex and will require much more work to assess its ultimate potential.

In the Val d'Or area of northwestern Quebec, drilling in early 1981 on several prospects had to be suspended because of dangerous ice conditions on Lac Dubuisson. This suspension affected the drilling program on the Wesdome Resources Limited property and because of its somewhat limited potential and other priorities in the area further work on this property has been deferred.

In the Detour Lake area, a joint-venture exploration agreement has been concluded with Amoco Canada Petroleum Company Ltd. whereby the Dome Mines Group and Amoco will participate in exploration carried out within a specific area involving 583 claims near the Detour deposit.

In the United States, exploration activities are concentrated in the west, particularly Nevada and neighbouring states where major gold deposits have been discovered by various companies in the last few years. During 1981, the Dome Mines Group had active programs on 9 properties in Nevada and carried out drilling on 6 of these. In addition, the Dome Mines Group has a 33 $\frac{1}{3}$ percent working interest in the Cordex IV joint venture which is also actively engaged in precious metal exploration in Nevada.

During most of 1981, the permanent exploration staff consisted of 10 geologists and 7 support staff operating out of Toronto, Timmins and Reno, Nevada. Early in 1982, a field office was established in Red Lake, Ontario in order to handle exploration more efficiently in this important mineral-producing region. In northwestern Quebec, Sigma's geological staff supervises exploration projects in the Val d'Or area.

Oil and Gas

	1981	1980
	(thousands)	
Revenue	\$6,886	\$3,101
Operating costs	\$3,381	\$1,788
Production		
Oil and natural gas liquids – bbls.	438	201
Gas – cubic feet	1,191,743	561,834
Net proved reserves		
Oil and natural gas liquids – bbls.	6,189	5,898
Gas – mmcf	66.7	39.0

As of July 1, 1980, Campbell and Sigma had acquired, for a total consideration of \$42,260,000, working interests of 4 percent and 1 percent respectively in certain producing properties in which Dome Petroleum acted as operator. In addition, Campbell and Sigma earned 4 percent and 1 percent interests in all of Dome Petroleum's on-shore and non-producing oil and gas lands in western Canada in return for a commitment to incur \$99,480,000 of exploration costs. The area of mutual interest excludes lands in the Arctic Islands and off-shore acreage, nor do Campbell or Sigma participate in oil sands or other non-conventional oil recovery projects.

Revenue for the year from the oil and gas activities amounted to \$6,886,000, compared to \$3,101,000 during the six month period in 1980. Operating income for 1981 was \$3,505,000 before taking into account \$647,000 for the Petroleum and Gas Revenue Tax which became effective January 1, 1981. In 1982, the effective rate of this tax will be increased from 8 percent to 12 percent.

Production levels were adversely affected by cutbacks in oil production, initiated by the Province of Alberta as part of its negotiations with the federal government. In addition, gas production was affected by weaker markets for Canadian producers in the United States.

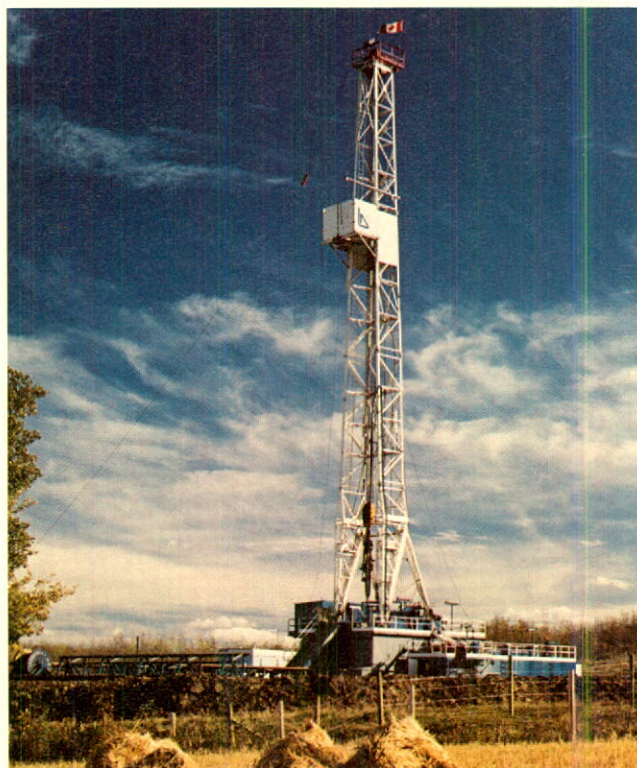
Net proved reserves of oil and natural gas liquids increased by 5 percent and natural gas by 71 percent compared to the prior year end through its participation in drilling 500 wells of which 127 were oil wells, 271 were gas wells and 102 were dry and abandoned. The companies have a gross working interest in 9,169 producing wells representing a net working interest of 52 wells.

To December 31, 1981, a total of \$157,895,000 has been expended on oil and gas properties. In 1982, the level of capital expenditures on oil and gas properties will be significantly lower than in the past two years as Campbell and Sigma have now earned their respective interests. Expenditures will be directed toward the further exploration for and development of additional reserves on existing properties.

A summary of land holdings and interests by area is included in the following table:

Area	Working Interest		Gross royalty acres
	Gross acres	Net acres	
Alberta	12,020,000	337,000	382,000
British Columbia	1,795,000	42,000	—
Saskatchewan	2,621,000	97,000	83,000
Manitoba	1,117,000	48,000	—
Ontario	71,000	1,000	1,000
MacKenzie Valley	1,428,000	31,000	1,007,000
1981	19,052,000	556,000	1,473,000

Exploratory well in Alberta.



Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of operations

Lower gold prices, increased operating costs and a drop in the earnings of equity accounted associates resulted in a 28 percent decline in Dome Mines' 1981 consolidated net income to \$91,347,000 or \$1.31 per share. Earnings in 1980 of \$126,543,000 or \$1.81 per share were the highest in the Company's history and represented an increase of 42 percent over 1979 levels of \$89,280,000 or \$1.28 per share.

Mining

Precious metals prices were significantly weaker during 1981 than in the prior year. Income from gold mining operations declined as average revenue per ounce dropped to \$547 (Cdn.) from \$722 in 1980. In 1979 revenue per ounce had averaged \$373. During 1981, the Canadian dollar averaged approximately \$0.83 U.S., compared to \$0.85 U.S. in 1979 and 1980. The relatively weaker Canadian dollar in 1981 had the effect of increasing bullion revenue by approximately 2 percent more than would otherwise have been the case.

Production of 329,772 ounces was a modest increase from 329,086 ounces in the prior year. Expanded production from the Campbell mine was offset by a decline in ounces from the South Porcupine property where a two month strike disrupted operations. Ounces in 1980 were lower than in 1979 due to the mining of a lower average grade of ore as part of a planned reduction in response to higher prices.

Operating costs increased 26 percent compared to increases of 24 percent in 1980 and 13 percent in 1979. The increases are principally due to wage settlements and an increase in the number of employees.

Capital expenditures at the mining properties totalled \$57,188,000 in 1981, compared to \$23,799,000 in 1980 and \$5,550,000 in 1979. The expansion of the South Porcupine mine to 3,000 tons per day by late 1984 has an approved cost of \$91,900,000. To the end of 1981 a total of \$28,238,000 had been incurred.

Additional information on mining operations and the Detour Lake project is included on pages 6 to 17 of this report.



Clockwise from left: J. W. W. Hick, Secretary; G. S. W. Bruce, Vice-President, Exploration; H. D. Scharf, Treasurer; R. R. Quesnel, Controller; C. H. Brehaut, Vice-President, Operations.

Oil and gas

Revenue from oil and gas properties after deduction of royalties amounted to \$6,886,000 compared to \$3,101,000 for the six month period in 1980 that Campbell and Sigma participated in exploration and development. Additional information on Campbell's and Sigma's interests in oil and gas operations is included on page 18 of this report.

Taxes

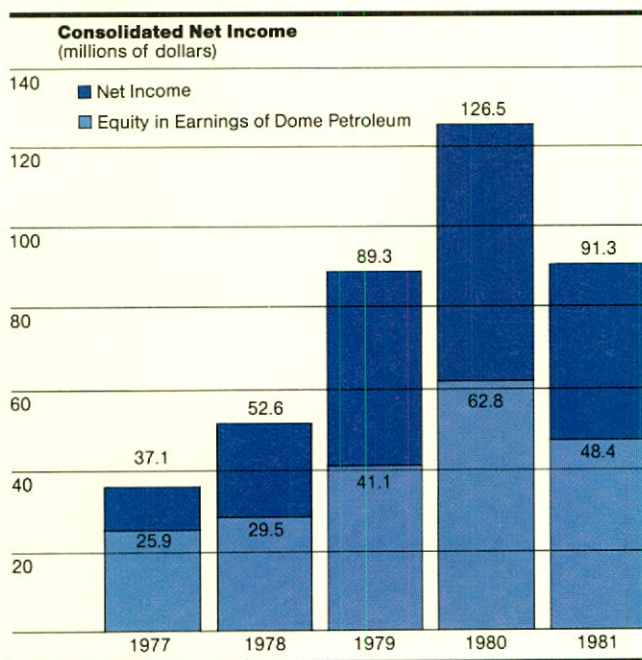
The combined effective rate of federal and provincial income taxes has declined to 27.6 percent from 33.3 percent in the previous year and 29.2 percent in 1979 as a result of increased depletion allowance from capital expenditures on mining properties and oil and gas exploration and development. Lower earnings from mining operations resulted in a decline in the average rate of provincial mining taxes which is applied on a graduated scale.

Dome Petroleum

Equity in the earnings of Dome Petroleum Limited was \$48,383,000, a decrease of 23 percent from \$62,786,000 in 1980. In 1979, Dome Petroleum contributed \$41,143,000 to the earnings of Dome Mines. Earnings of Dome Petroleum contributed 53 percent of the 1981 consolidated net income of Dome Mines. In 1980 and 1979, the comparable figures were 50 percent and 46 percent respectively.

During the year Dome Mines purchased through its wholly-owned subsidiary, Dome Mines Investments Limited, 2,994,500 common shares of Dome

Petroleum at a cost of \$73,544,000 to increase direct and indirect holdings to 66,780,500 shares or 26.7 percent of the outstanding shares from 25.7 percent at the end of 1980.



Canada Tungsten

Dome Mines' share of earnings of Canada Tungsten Mining Corporation Limited was \$532,000, a decline of 88 percent from \$4,588,000 in 1980 and 84 percent from \$3,274,000 in 1979. The decline was attributable to a combination of lower tungsten prices and a strike which halted operations from November, 1980 to May, 1981. Dome Mines received dividends of \$1,207,000 in 1981 and 1980 and \$1,001,000 in 1979 from its investment in Canada Tungsten.

Other investments

During the year, Dome Mines recorded a gain of \$3,351,000 on the disposal of 190,991 common shares of Noranda Mines Limited to Brascade Resources Inc. for cash of \$1,910,000 and 143,243 convertible preferred shares of Brascade Resources Inc., which are included in marketable securities.

Financial condition

Funds generated from operations are dependent on prices received on gold sales. Funds from operations were \$105,520,000 in 1981, a decline of 12 percent from \$119,996,000 in 1980 but substantially higher than \$46,370,000 in 1979. The decline in bullion revenue in 1981 was offset to a significant degree by an increase in deferred taxes from \$26,443,000 in 1980 to \$36,170,000 in 1981.

Expenditures on property, plant and equipment have been financed from internally generated funds and bank loans. At December 31, 1981 consolidated long-term bank debt was \$94,300,000. Expenditures in 1982 are expected to be financed from existing bank lines of credit and internally generated funds.

In July, 1981 Dome Mines arranged a \$125,000,000 unsecured revolving bank line of credit to finance its expenditure program. In March, 1982 a further \$250,000,000 irrevocable standby line of credit was arranged as support for Dome Mines' guarantee described below. An additional \$40,000,000 revolving line was established at the same time for future capital expenditures. As security for these bank lines, Dome Mines pledged its shares of Campbell, Sigma, Canada Tungsten, Denison Mines Limited and Noranda Mines Limited and the bank has the right to demand a first fixed and floating charge on the South Porcupine mine property and Dome Mines' interest in the Detour Lake project. On release of the guarantee, the standby line will be cancelled and the \$125,000,000 revolving line will once again become unsecured. At that time, security with respect to the \$40,000,000 revolving credit will be negotiated.

In March, 1982 Dome Mines agreed to provide its guarantee, up to a limit of \$250 million (Canadian), in connection with the restructuring of existing loans by a group of Canadian chartered banks to Dome Energy Limited, a wholly-owned subsidiary of Dome Petroleum. The guarantee terminates on the earlier of repayment of the loans or December 30, 1982.

Financial reporting and changing prices

A discussion of financial reporting and changing prices is included on page 50 of this report.

Management's Responsibility for Financial Reporting

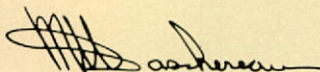
To the Shareholders of Dome Mines Limited:

The accompanying consolidated financial statements of Dome Mines Limited and all information in the Annual Report are the responsibility of the Board of Directors and management of the Company. The financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada which are in all material respects consistent with those in the United States. The financial information presented throughout this Report is consistent with the data presented in the financial statements.

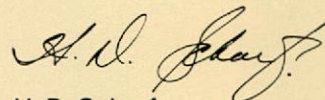
A system of internal accounting control is maintained in order to assure on a reasonable basis the reliability of this financial information. This system includes established policies and procedures, the selection and training of qualified personnel and an organization providing for appropriate delegation of authority and segregation of responsibilities. An annual budget is established against which performance is monitored, variations are investigated and corrective action taken where required.

The Board of Directors discharges its responsibilities for the financial statements primarily through the activities of its Audit Committee composed of four directors, of whom none are members of management. This Committee meets with management to assure that it is performing its responsibility to maintain financial controls and systems and to approve the annual financial statements of the Company. The Audit Committee also meets with the independent auditors to discuss the results of their audit, their review of internal accounting controls and their audit report prior to submitting the financial statements to the Board of Directors for approval.

The financial statements have been audited by Clarkson Gordon, whose appointment was ratified at the annual shareholders' meeting. The auditors' report outlines the scope of their examination and their opinion on the financial statements.



M. A. Taschereau
President



H. D. Scharf
Treasurer

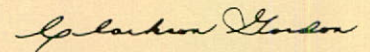
Auditors' Report

To the Shareholders of Dome Mines Limited:

We have examined the consolidated balance sheets of Dome Mines Limited as at December 31, 1981 and 1980 and the consolidated statements of income, retained earnings and changes in financial position for the three years ended December 31, 1981. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and 1980 and the results of its operations and the changes in its financial position for the three years ended December 31, 1981 in accordance with accounting principles generally accepted in Canada applied, except for the change in method of capitalizing interest by an equity accounted investee as explained in note 1(c) (iii), on a consistent basis.

Toronto, Canada,
March 18, 1982.



Chartered Accountants

Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are also, in all material respects, in conformity with those generally accepted in the United States, except as disclosed in note 1(c)(ii). The significant accounting policies are as follows:

A. Basis of consolidation

The consolidated financial statements include the accounts of the subsidiary companies, Campbell Red Lake Mines Limited (56.9% owned), Sigma Mines (Quebec) Limited (66.2% owned) and the wholly-owned subsidiaries Dome Mines Investments Limited, Dome Exploration (Canada) Limited and Dome Exploration (U.S.) Limited.

B. Inventories

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

C. Investments

(i) Dome Petroleum Limited –

The investment in Dome Petroleum Limited is accounted for by the equity method whereby the investment is carried at cost plus the related share of undistributed earnings since acquisition. The excess of cost over underlying book value at the dates of acquisition has been attributed to Dome Petroleum's oil and gas reserves, and beginning in 1981 is being amortized to income based on the proportion that current net revenue from oil and gas production is to the aggregate of current and estimated future net revenue from proved reserves. In prior years, amortization was based on the unit-of-production method. The effect on 1981 net income of the change in method of estimating amortization was not significant.

Since Dome Mines owns 26.7% (66,780,500 common shares) of Dome Petroleum and Dome Petroleum owns 39.3% (30,515,784 shares) of Dome Mines, the Company has a 10.5% pro rata interest in its own shares. Accordingly, the investment in Dome Petroleum and shareholders' equity are reduced by the 10.5% pro rata interest in the cost to Dome Petroleum of its Dome Mines' shares, and the equity in earnings of Dome Petroleum reflected in the consolidated statement of income is based on earnings of Dome Petroleum excluding its share of earnings of Dome Mines. The portion of Dome Mines' dividends applicable to the 10.5% pro rata interest is deducted from dividends in retained earnings and added to the carrying value of the investment in Dome Petroleum.

(ii) Canada Tungsten Mining Corporation Limited –

The investment in Canada Tungsten Mining Corporation Limited is also accounted for by the equity method.

(iii) Other investments –

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

D. Property, plant and equipment**(i) Mining –**

Mine buildings, machinery and equipment are carried at cost with depreciation provided at the rate of 15% per annum on the straight-line method. Mining claims and properties are carried at cost less amounts written off and are being amortized at the rate of 15% per annum on the straight-line method.

Exploration, interest and other carrying charges and overhead expense related to development and preproduction costs on properties with potentially economically recoverable mineral reserves are deferred until the start of commercial production and then written off over the estimated economic lives of the properties or producing mines.

Upon sale or retirement, the cost of capital assets 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.

(ii) Oil and gas –

Oil and gas operations are accounted for by the full cost method whereby all costs of exploring for and developing oil and gas and related reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenditures, costs of drilling both productive and non-productive wells, interest and other carrying charges of non-producing property and overhead expense related to exploration activities.

Beginning in 1981, depreciation and depletion of such costs are being amortized to income based on the proportion that current net revenue from oil and gas production is to the aggregate of current and estimated future net revenue from proved reserves. In 1980, amortization was based on the unit-of-production method. The effect on 1981 net income of the change in method of estimating depreciation and depletion was not significant. Costs of certain undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be determined through further exploration.

Gains or losses are not recognized upon disposition of oil and gas properties accounted for by the full cost method. Upon sale or retirement of other assets, the 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.

E. Mineral exploration and development

Exploration costs incurred prior to the date of establishing that a property has potentially economically recoverable mineral reserves are charged against earnings. On-going development expenditures on producing properties are expensed as incurred.

F. Income and mining taxes

The Company follows the tax allocation method of accounting under which the tax provision is based on income reported in the accounts. Timing differences between accounting income and income reported for tax purposes result in deferred taxes. Such timing differences arise principally as a result of claiming depreciation, exploration, development and preproduction costs for tax purposes at amounts differing from those recorded in the accounts.

Consolidated Statement of Income

(thousands of dollars)

Years ended December 31

	1981	1980	1979
Revenue	\$187,421	\$240,642	\$129,716
Operating costs	73,237	56,800	44,187
Operating income	114,184	183,842	85,529
Outside mineral exploration	7,332	5,481	2,877
	106,852	178,361	82,652
Other income (note 4(c))	18,834	16,405	26,491
Income before taxes and other items	125,686	194,766	109,143
Income, mining and other taxes (note 9)	60,286	106,000	49,679
Income after taxes, before other items	65,400	88,766	59,464
Equity in earnings of associated companies:			
Dome Petroleum Limited (note 1)	48,383	62,786	41,143
Canada Tungsten Mining Corporation Limited (note 2)	532	4,588	3,274
Minority interest in net income of subsidiary companies	(22,968)	(29,597)	(14,601)
Net income	\$ 91,347	\$126,543	\$ 89,280
Per share (notes 6 and 7):			
Net income	\$1.31	\$1.81	\$1.28
Dividends	\$0.15³/₄	\$0.22 ¹ / ₂	\$0.12 ¹ / ₂

(See accompanying accounting policies and notes to consolidated financial statements)

Dome Mines Limited

(Incorporated under the laws of Canada)

Consolidated Balance Sheets

(thousands of dollars)

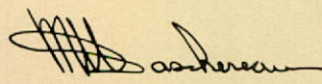
		December 31	
		1981	1980
Assets	Current assets:		
	Cash, including bank term deposits	\$ 37,391	\$118,338
	Bullion settlements receivable	6,106	8,666
	Bullion	6,493	3,272
	Marketable securities	6,209	1,840
	Sundry receivables	1,291	3,674
	Mining and milling supplies	8,715	7,428
	Total current assets	66,205	143,218
	Investments:		
	Associated companies –		
	Dome Petroleum Limited (note 1)	344,564	222,871
	Canada Tungsten Mining Corporation Limited (note 2)	14,506	15,182
	Other (note 3)	55,565	58,296
		414,635	296,349
	Property, plant and equipment (note 4(a))	237,765	95,878
		\$718,605	\$535,445

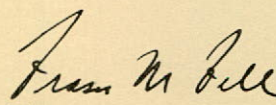
The Company follows the full cost method of accounting for oil and gas operations.

(See accompanying accounting policies and notes)

		December 31	
		1981	1980
Liabilities	Current liabilities:		
	Accounts payable and accrued liabilities –		
	Dome Petroleum Limited	\$ 3,534	\$ 11,853
	Other	14,252	5,082
	Income and other taxes payable	22,447	56,637
	Dividends payable –		
	Dome Petroleum Limited	1,221	3,433
	Other shareholders	4,097	9,009
	Total current liabilities	45,551	86,014
	Long-term debt (note 5)	94,300	
	Deferred income and mining taxes	66,276	30,106
	Minority interest in subsidiary companies	65,657	51,395
	Guarantee (note 12)		
Shareholders' equity	Capital –		
	Authorized:		
	Unlimited Preferred Shares		
	Unlimited Common Shares		
	Issued:		
	77,592,248 Common Shares (note 6)	34,984	34,984
	Contributed surplus	3,606	3,606
	Retained earnings	447,109	366,746
		485,699	405,336
	Less Dome Mines' pro rata interest in the cost to Dome Petroleum Limited of its investment in shares of Dome Mines	38,878	37,406
Total shareholders' equity	446,821	367,930	
	\$718,605	\$535,445	

On behalf of the Board:


Director


Director

Consolidated Statement of Retained Earnings

(thousands of dollars)

Years ended December 31

	1981	1980	1979
Retained earnings, beginning of year	\$366,746	\$255,943	\$175,334
Net income	91,347	126,543	89,280
	458,093	382,486	264,614
Dividends	12,221	17,471	9,596
Less portion applicable to Dome Mines' pro rata interest in its own shares held by Dome Petroleum Limited	1,237	1,731	925
	10,984	15,740	8,671
Retained earnings, end of year	\$447,109	\$366,746	\$255,943

(See accompanying accounting policies and notes to consolidated financial statements)

Consolidated Statement of Changes in Financial Position

(thousands of dollars)

	Years ended December 31		
	1981	1980	1979
Source of working capital:			
Operations –			
Net income	\$ 91,347	\$126,543	\$89,280
Items not affecting working capital:			
Depreciation, depletion and amortization	6,093	3,581	1,636
Deferred income and mining taxes	36,170	26,443	1,139
Equity in undistributed earnings of –			
Dome Petroleum Limited	(48,383)	(62,786)	(41,143)
Canada Tungsten Mining Corporation Limited	676	(3,382)	(2,272)
Minority interest in income of subsidiaries	22,968	29,597	14,601
Gain on investments	(3,351)		(16,871)
Total funds from operations	105,520	119,996	46,370
Long-term debt	94,300		
Issue of shares		3,984	
Proceeds on sale of investments	6,279		
Total	206,099	123,980	46,370
Disposition of working capital:			
Dividends	12,221	17,471	9,596
Dividends paid by subsidiaries to minority interests	8,706	10,316	6,335
Property, plant and equipment	147,980	85,884	5,550
Investment in shares of –			
Subsidiaries		4,385	
Dome Petroleum Limited	73,544	9,237	1,116
Canada Tungsten Mining Corporation Limited		137	
Other investments	198	4,188	32
Total	242,649	131,618	22,629
Net increase (decrease) in working capital	\$ (36,550)	\$ (7,638)	\$23,741
Changes in components of working capital:			
Increase (decrease) in current assets –			
Cash, including bank term deposits	\$ (80,947)	\$36,190	\$37,042
Bullion settlements receivable	(2,560)	(3,180)	9,324
Bullion	3,221	(2,852)	(1,176)
Short-term commercial paper		(700)	(4,300)
Marketable securities	4,369	(104)	(1,101)
Sundry receivables	(2,383)	2,762	(104)
Mining and milling supplies	1,287	1,279	1,027
	(77,013)	33,395	40,712
Increase (decrease) in current liabilities –			
Accounts payable and accrued liabilities	851	12,582	1,350
Income and other taxes payable	(34,190)	23,909	14,839
Dividends payable	(7,124)	4,542	782
	(40,463)	41,033	16,971
Net increase (decrease) in working capital	(36,550)	(7,638)	23,741
Working capital, beginning of year	57,204	64,842	41,101
Working capital, end of year	\$ 20,654	\$57,204	\$64,842

(See accompanying accounting policies and notes to consolidated financial statements)

Notes to Consolidated Financial Statements

1. Dome Petroleum Limited

(a) Details of the investment in Dome Petroleum are as follows:

	1981	1980
Number of common shares	66,780,500	63,786,000
	(thousands of dollars)	
Carrying value –		
Cost	\$130,268	\$ 56,724
Dome Mines' pro rata cumulative interest in its own dividends paid to Dome Petroleum	5,169	3,931
Equity in undistributed earnings	248,005	199,622
	383,442	260,277
Less Dome Mines' pro rata interest in the cost to Dome Petroleum of its investment in shares of Dome Mines	38,878	37,406
	\$344,564	\$222,871
Market value (which is not necessarily indicative of realizable value)	\$1,001,707	\$910,545

The unamortized excess of cost over the underlying book value at the dates of acquisition is \$81,626,000 (1980 – \$21,562,000).

(b) The audited consolidated financial statements of Dome Petroleum (see pages 40 to 65) are an integral part of these consolidated financial statements and are incorporated herein by reference.

(c) Certain accounting policies of Dome Petroleum affect the earnings of Dome Mines as follows:

(i) As disclosed in their Summary of Significant Accounting Policies, in 1981 Dome Petroleum changed its method of estimating depreciation and depletion. As a result, Dome Mines' net income was increased by \$5,499,000 (\$0.07 per share).

(ii) The effects of certain differences between generally accepted accounting principles in Canada and the U.S. are described in note 16 to the Dome Petroleum consolidated financial statements. Had Dome Petroleum followed U.S. accounting principles, net income and earnings per share of Dome Mines would have increased (decreased) as follows:

	Net income	Earnings per share
1981	\$(1,958,000)	\$(0.03)
1980	\$(1,996,000)	\$(0.03)
1979	\$828,000	\$ 0.01

(iii) In 1980, Dome Petroleum changed its method of capitalizing interest as described in note 12 to its consolidated financial statements. As a result, net income of Dome Mines in 1980 was increased by \$14,052,000 (\$0.20 per share).

2. Canada Tungsten Mining Corporation Limited

Details of the investment in Canada Tungsten are as follows:

	1981	1980
Number of shares	1,005,995	1,005,995
	(thousands of dollars)	
Carrying value		
Cost	\$ 1,289	\$ 1,289
Equity in undistributed earnings	13,217	13,893
	\$14,506	\$15,182
Market value (which is not necessarily indicative of realizable value)	\$25,150	\$40,240

3. Other investments

Details of other investments are as follows:

	1981		1980	
	Cost	Market value	Cost	Market value
	(thousands of dollars)			
With a quoted market value –				
Denison Mines Limited, 1,846,800 common shares	\$31,477	\$60,483	\$31,477	\$105,268
Noranda Mines Limited, 1,142,341 (1980 – 1,333,332) Common shares	17,517	25,703	20,444	40,000
	48,994	\$86,186	51,921	\$145,268
With no quoted market value –				
Panarctic Oils Ltd., 623,019 (1980 – 622,962) common shares	2,407		2,122	
Sundry (note 6)	4,164		4,253	
Total	\$55,565		\$58,296	

4. Business segments

The Board of Directors has determined that mining and oil and gas exploration and production are the business segments of the Company. The Company's 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:

	1981	1980
	(thousands of dollars)	
Mining –		
Buildings, machinery and equipment	\$ 95,226	\$ 43,940
Less accumulated depreciation	30,584	26,882
	64,642	17,058
Land, mining claims and properties	2,883	3,483
Deferred exploration and development costs	14,795	9,156
	82,320	29,697
Current assets	22,605	23,040
	104,925	52,737
Oil and gas –		
Property, plant and equipment*	157,895	67,103
Less accumulated depreciation and depletion	2,450	922
	155,445	66,181
Assets not allocated to segments –		
Current assets	43,600	120,178
Investments	414,635	296,349
	\$718,605	\$535,445

*Expenditures on oil and gas properties excluded from the depletion calculation in 1981 were \$113,795,000 and \$23,003,000 in 1980.

(b) Expenditures on property, plant and equipment during the year are summarized as follows:

	1981	1980	1979
	(thousands of dollars)		
Mining	\$ 57,188	\$23,799	\$5,550
Oil and gas	90,792	65,263	
	\$147,980	\$89,062	\$5,550

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

	1981	1980	1979
	(thousands of dollars)		
Mining –			
Bullion revenue	\$180,535	\$237,541	\$129,716
Operating costs:			
Mine, mill and plant	55,631	45,205	37,050
General and administrative	5,777	4,637	3,518
Depreciation and amortization	4,565	2,659	1,636
	65,973	52,501	42,204
Mine operating income	114,562	185,040	87,512
Oil and gas –			
Revenue	6,886	3,101	
Operating costs:			
Operations	1,450	686	
General and administrative	403	180	
Depreciation and depletion	1,528	922	
	3,381	1,788	
Oil and gas operating income	3,505	1,313	
General corporate costs	3,883	2,511	1,983
Total operating income	114,184	183,842	85,529
Outside mineral exploration	7,332	5,481	2,877
	106,852	178,361	82,652
Other income (expense):			
Interest	9,882	11,911	7,092
Dividends	5,665	4,438	3,140
Gain realized on investments	3,351		16,863
Other	(64)	56	(604)
	18,834	16,405	26,491
Income, mining and other taxes	(60,286)	(106,000)	(49,679)
Equity in earnings of affiliated companies –			
Dome Petroleum	48,383	62,786	41,143
Canada Tungsten	532	4,588	3,274
Minority interest	(22,968)	(29,597)	(14,601)
Net income	\$ 91,347	\$126,543	\$ 89,280

5. Long-term debt

Details of long-term bank debt are as follows:

	December 31	
	1981	1980
	(thousands of dollars)	
Dome Mines Limited – Revolving loan due May 31, 1984, interest at prime rate under a \$125,000,000 line of credit (note 12)	\$74,300	
Campbell Red Lake Mines Limited – Unsecured revolving term loan due 1990, repayable in equal semi-annual instalments commencing June 30, 1984, interest at prime until September 29, 1983 and prime plus ¼% thereafter	10,000	
Sigma Mines (Quebec) Limited – Secured revolving term loan due 1988, repayable in equal semi-annual instalments commencing June 30, 1983, interest at prime to September 29, 1982 and prime plus ⅛% to ¼% thereafter	10,000	
	\$94,300	Nil

On or before May 31, 1984, the outstanding balance of Dome Mines' loan may be converted into a ten year term loan, bearing interest at rates between prime plus ¼% and ½% and requiring repayments of 5 percent of principal in each of years 1 through 3, 10 percent in each of years 4 through 9 with the balance on maturity.

Sigma's loan is secured by 1,078,000 common shares of Dome Petroleum, 184,680 common shares of Denison Mines Limited, a pledge of up to \$3,000,000 of deposits and a first charge on bullion and bullion settlements receivable.

In 1981, interest on long-term debt amounted to \$5,869,000, all of which was capitalized as part of property, plant and equipment.

6. Share capital

Effective May 22, 1981, the issued capital of the Company was subdivided on a four-for-one basis into 77,592,248 Common Shares. In these financial statements the previously reported issued shares, net income per share and dividends per share have been restated to give effect to this subdivision.

During 1980, 312,200 Common Shares were issued at market value to officers and employees under the Key Employee Share Purchase Plan. No shares were issued in 1981. At December 31, 1981, loans receivable for shares issued under the plan totalled \$3,719,000 (1980 – \$3,891,000) and are included in other investments.

7. Earnings per share

Earnings per share are calculated by using the weighted average number of shares outstanding during the year after deducting the Company's pro rata interest in its own shares (1981 – 7,859,986; 1980 – 7,706,628; 1979 – 7,252,144) held by Dome Petroleum.

8. Capital programs

Major mine development and expansion projects of \$163,459,000 have been approved of which \$45,390,000 has been incurred to December 31, 1981.

9. Income, mining and other taxes

(a) Details of income, mining and other taxes expense (recovery) are as follows:

	Current	Deferred	Total
	(thousands of dollars)		
1981			
Federal income tax	\$ (400)	\$25,788	\$25,388
Provincial income tax	2,522	8,527	11,049
Provincial mining tax	21,347	1,855	23,202
Petroleum and gas revenue tax	647		647
	\$24,116	\$36,170	\$60,286
1980			
Federal income tax	\$31,543	\$16,012	\$ 47,555
Provincial income tax	10,492	6,903	17,395
Provincial mining tax	37,522	3,528	41,050
	\$79,557	\$26,443	\$106,000
1979			
Federal income tax	\$23,049	\$ 683	\$23,732
Provincial income tax	7,797	322	8,119
Provincial mining tax	17,694	134	17,828
	\$48,540	\$1,139	\$49,679

(b) Deferred taxes arising from the deduction for tax purposes of amounts in excess of depreciation, depletion and amortization expensed in the accounts are as follows:

	1981	1980	1979
	(thousands of dollars)		
Depreciation	\$ 8,760	\$ 3,891	\$ 918
Exploration, development and preproduction costs	29,327	20,875	373
Other	(1,917)	1,677	(152)
	\$36,170	\$26,443	\$1,139

(c) The reconciliation between the combined statutory rate and the effective combined tax rate is as follows:

	1981	1980	1979
Income taxes –			
Basic statutory rate (combined)	50.9%	50.9%	49.1%
Less			
Resource allowance	10.0	9.5	7.3
Depletion	10.1	6.5	3.2
Exempt income*	3.0	1.2	9.2
Sundry	0.2	0.4	0.2
	23.3	17.6	19.9
Effective income tax rate	27.6	33.3	29.2
Mining taxes –			
Average rate on mining income	22.5	23.2	21.6
Income not subject to mining tax	3.3	2.1	5.3
Effective mining tax rate	19.2	21.1	16.3
Petroleum and gas revenue tax	0.5		
Effective combined tax rate	47.3%	54.4%	45.5%

*Principally dividends from Canadian corporations and the non-taxable portion of capital gains.

10. Pension plans

Substantially all employees are eligible for and are members of pension plans which require contributions by the Company. Pension costs were calculated and funded based on actuarial estimates. At December 31, 1981 there were no unfunded past service obligations. Pension expense was \$1,102,000 for 1981; \$1,263,000 for 1980 and \$1,281,000 for 1979.

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

	December 31	
	1981	1980
	(thousands of dollars)	
Actuarial present value of accumulated plan benefits, using an assumed discount rate of 5.5 percent:		
Vested benefits	\$11,241	\$11,005
Non-vested benefits	648	584
	\$11,889	\$11,589
Net assets available for plan benefits	\$12,623	\$11,590

11. Related party transactions

During the year, a total of \$94,221,000 (1980 – \$70,304,000) was paid to related parties. Of this amount \$4,223,000 (1980 – \$4,825,000) was paid to J. S. Redpath Limited, a company controlled by a director of Campbell for engineering and contract services. In addition, \$89,668,000 (1980 – \$64,990,000) of oil and gas exploration and development expenditures were incurred by the Company under a program managed by Dome Petroleum.

12. Guarantee

On March 8, 1982, Dome Mines announced it had guaranteed to a maximum of \$250,000,000 certain bank loans maturing September 30, 1982 of Dome Energy Limited, a wholly-owned subsidiary of Dome Petroleum Limited. The guarantee terminates on the earlier of repayment of the loans or December 30, 1982. As security, Dome Petroleum and its wholly-owned subsidiary, Provo Gas Producers Limited, pledged with Dome Mines their joint and several demand debenture secured by a fixed and specific charge of their interests in certain Beaufort Sea acreage. In addition, as guarantor, Dome Mines has subrogation rights in the security taken by the banks as security for the Dome Energy loan.

To support its guarantee, Dome Mines arranged a \$250,000,000 bank standby credit expiring July 31, 1983. As security for this line, the \$40,000,000 revolving credit referred to below, and the existing \$125,000,000 credit (see note 5), Dome Mines pledged its shares of Campbell Red Lake Mines Limited, Sigma Mines (Quebec) Limited, Denison Mines Limited, Noranda Mines Limited and Canada Tungsten Mining Corporation Limited. In addition, the bank is entitled to request Dome Mines to grant a first fixed and floating charge on the South Porcupine mine property as additional security for the standby credit.

Dome Mines also established a \$40,000,000 revolving credit to be in place for the duration of the standby credit referred to above. The shares pledged under the standby credit are also security for this revolving credit and, in addition, the bank has the right to demand a first fixed and floating charge on Dome Mines' interest in the Detour Lake project.

13. Oil and gas producing activities

The following information summarizes Dome Mines' subsidiaries oil and gas producing activities in Canada and its proportionate share of equity accounted investees, Dome Petroleum and Canada Tungsten.

(a) Capitalized costs –

	December 31	
	1981	1980
	(thousands of dollars)	
Dome Mines–		
Proved and unproved properties	\$157,895	\$67,103
Accumulated depreciation and depletion	2,450	922
	\$155,445	\$66,181
Equity accounted investees –		
Proved and unproved properties (net)	\$1,666,200	\$771,819

(b) **Costs incurred** (capitalized and expensed) –

	Property acquisition	Exploration	Develop- ment	Production (lifting)	Depreciation and depletion
	(thousands of dollars)				
Dome Mines –					
December 31 – 1981	\$2,651	\$79,101	\$9,040	\$1,450	\$1,528
1980	\$39,847	\$24,831	\$585	\$686	\$922
1979	–	–	–	–	–
Equity accounted investees –					
December 31 – 1981					
Canada	\$558,046	\$ 72,098	\$ 98,612	\$34,879	\$21,148
Foreign	90,932	43,164	21,464	7,838	9,943
	\$648,978	\$115,262	\$120,076	\$42,717	\$31,091
1980					
Canada	\$174,804	\$ 99,819	\$52,218	\$14,732	\$12,789
Foreign	51,107	10,832	10,326	2,740	2,859
	\$225,911	\$110,651	\$62,544	\$17,472	\$15,648
1979					
Canada	\$134,013	\$37,477	\$37,071	\$6,555	\$8,321
Foreign	6,179	8,835	5,567	251	1,058
	\$140,192	\$46,312	\$42,638	\$6,806	\$9,379

(c) **Revenue, net of royalties and lifting costs –**

	Canada	Foreign	Total
	(thousands of dollars)		
Dome Mines –			
1981	\$5,436	–	\$5,436
1980	\$2,415	–	\$2,415
1979	–	–	–
Equity accounted investees –			
1981	\$120,365	\$16,887	\$137,252
1980	\$76,076	\$8,099	\$84,175
1979	\$42,720	\$1,000	\$43,720

The following Consolidated Financial Statements of Dome Petroleum Limited are included in this Annual Report as they are an integral part of the Consolidated Financial Statements of Dome Mines Limited.

Consolidated Statement of Income

(Millions of dollars, except per share amounts)

	Three Years ended December 31		
	1981	1980	1979
Revenue (Note 18)	\$2,238.8	\$1,143.6	\$945.5
Expense:			
Cost of sales — product	581.6	418.5	328.1
— shipbuilding	132.2	—	—
Operating and general	574.5	173.5	184.8
Minerals production	43.0	—	—
Interest on long term debt	724.4	291.8	141.2
Less interest capitalized (Note 12)	(215.1)	(142.4)	(29.9)
Depletion	99.7	53.6	28.9
Depreciation	65.4	30.0	34.0
Preferred share dividends of subsidiaries	24.0	18.2	22.9
	2,029.7	843.2	710.0
	209.1	300.4	235.5
Income taxes (Note 11):			
Current	24.6	(33.0)	—
Deferred	53.6	117.3	95.9
	78.2	84.3	95.9
	130.9	216.1	139.6
Equity in earnings of affiliated companies	78.0	71.1	42.1
Income before minority interest	208.9	287.2	181.7
Minority interest	9.8	—	—
Net income	\$ 199.1	\$ 287.2	\$181.7
Per common share (Note 10):			
Net income	\$0.80	\$1.20	\$0.78
Average number of common shares outstanding (in millions) (Notes 8 and 10)	223.4	221.5	223.1

Consolidated Statement of Retained Earnings

(Millions of dollars)

	Three Years ended December 31		
	1981	1980	1979
Retained earnings, beginning of year	\$ 861.3	\$595.1	\$421.3
Net income for the year	199.1	287.2	181.7
	1,060.4	882.3	603.0
Preferred share dividends — stock	2.0	2.1	1.1
— cash	18.8	18.9	6.8
Retained earnings, end of year	\$1,039.6	\$861.3	\$595.1

(See accompanying summary of significant accounting policies and notes)

Consolidated Balance Sheets**December 31, 1981 and 1980**

(Millions of dollars)

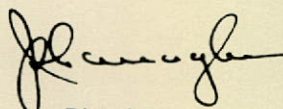
	Pro Forma December 31, 1981 (Note 22)	1981	1980
Assets			
Current:			
Cash and short term deposits	\$ 33.3	\$ 33.3	\$ 50.5
Accounts receivable (Note 14)	787.9	787.9	411.6
Inventories — product (Note 5)	178.8	178.8	133.5
— materials and supplies	223.1	223.1	106.8
	1,223.1	1,223.1	702.4
Investments (Note 5):			
Dome Mines Limited (Market value December 31, 1981 — \$556.9; 1980 — \$789.6) (Note 1)	195.4	195.4	188.2
Less Dome Petroleum's pro rata interest in its shares held by Dome Mines Limited	(108.5)	(108.5)	(79.6)
	86.9	86.9	108.6
Dome Canada Limited (Market value December 31, 1981 — \$259.9) (Note 2)	417.7	417.7	—
TransCanada PipeLines Limited (Market value December 31, 1981 — \$249.9; 1980 — \$458.7) (Note 3)	246.8	246.8	460.4
Sovereign Oil & Gas Ltd. (Market value December 31, 1981 — \$67.5; 1980 — \$99.2)	11.7	11.7	11.6
Panarctic Oils Ltd.	33.0	33.0	26.3
Other	11.4	11.4	5.8
	807.5	807.5	612.7
Property, Plant and Equipment (Notes 4 and 5)	8,155.7	8,048.6	3,692.1
Other Assets	129.5	129.5	71.5
	\$10,315.8	\$10,208.7	\$5,078.7

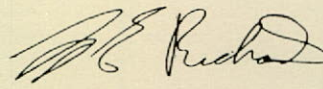
The Company follows the full cost method of accounting for oil and gas operations.

(See accompanying summary o

Liabilities and Shareholders' Equity	Pro Forma		
	December 31, 1981 (Note 22)	1981	1980
Current:			
Bank loans (Note 14)	\$ 315.9	\$ 231.1	\$ 8.8
Accounts payable	846.9	846.9	475.8
Long term debt due within one year	1,393.8	150.7	59.2
	2,556.6	1,228.7	543.8
Deferred Revenue (Note 15)	112.4	112.4	—
Long Term Debt (Note 5)	3,913.3	6,243.8	2,646.2
Deferred Income Taxes (Note 11)	554.3	554.3	499.3
Secured Preferred Share Financing	1,604.6	—	—
Minority Interest in Hudson's Bay Oil and Gas Company Limited	—	494.9	—
Redeemable Preferred Shares issued by subsidiaries (Note 6)	225.0	225.0	220.0
Redeemable Preferred Shares (Note 7)	279.5	279.5	282.7
Common Shares (Issued and outstanding at December 31, 1981 — 250,062,776; 1980 — 248,260,805) (Note 8)	136.2	136.2	104.0
Contributed Surplus	2.8	2.8	1.0
Retained Earnings	1,039.6	1,039.6	861.3
Dome Petroleum's Pro Rata Interest in its shares held by Dome Mines Limited (Note 1)	(108.5)	(108.5)	(79.6)
	\$10,315.8	\$10,208.7	\$5,078.7

On behalf of the Board:


Director


Director

had the calculation been based on reserve quantities. Prior to 1981 and for United States production facilities and oil and gas properties, oil sands and foreign properties, the provisions for depreciation of production facilities and depletion are computed on the composite unit-of-production method based on proved reserves of oil and gas as determined by Company engineers. In the unit of production calculation, natural gas and natural gas liquids reserves and production are converted to equivalent barrels of crude oil based on the relative net sales value of each product.

Costs incurred in the Beaufort Sea, Arctic and certain other undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be ascertained through further exploration.

Plants, pipelines, related facilities and other assets, drillships and supply vessels and shipyard facilities and vessels are depreciated on the straight-line basis at rates designed to amortize the assets over their estimated useful lives.

Depreciation of mining properties is calculated on the basis of tonnes of ore milled in relation to total estimated mineable ore reserves not exceeding the useful life of the asset.

Shipyard Operations	The Company reports income from contracts on the percentage of completion basis determined by the ratio of incurred costs to management's estimates of total anticipated costs. If a loss on the contract becomes apparent, the entire amount of the estimated loss is accrued.
Capitalized Interest	Interest is capitalized on all costs that are excluded from the depletion calculation and on costs incurred during the construction of property, plant and equipment. Once the exploration stage is complete, or the facility commences operations, subsequent interest costs are charged to income. Prior to 1980, the Company followed the policy of capitalizing interest only where the related financing could be identified with the purchase or construction of assets.
Income Taxes	The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method, the Company makes full provision for income taxes deferred principally as a result of claiming capital cost allowance and exploration and development costs in excess of depreciation and depletion provided in the accounts.

Notes to Consolidated Financial Statements

(Millions of dollars, except per share data and as otherwise noted)

1. Investment in Dome Mines Limited

At December 31, 1981 the Company owned 30,515,784 Common Shares of Dome Mines (after taking into account the four for one share split effective May 22, 1981) representing a 39.3% interest therein. At December 31, 1981 Dome Mines owned 26.7% of the outstanding common shares of the Company resulting in the Company having a pro rata interest of 10.5% in its own shares. The investment in Dome Mines and shareholders' equity have therefore been reduced by the allocated portion of the cost of the investment in shares of Dome Mines related thereto. The excess of the purchase price over the net book value of Dome Mines at dates of acquisition other than its holdings in the Company, amounts to \$51.8 million and is attributable to the value of the mineral assets held by Dome Mines. This excess is being amortized over the expected life of these mineral assets.

The following table indicates the Common Shares acquired and the dividends received from Dome Mines.

Years ended:	Number of Shares	Amount	Dividends Received	Interest in Dome Mines	Dome Mines Interest in Dome	Pro Rata Interest
1981	—	—	\$7.0	39.3%	26.7%	10.5%
1980	—	—	5.1	39.3	25.7	10.1
1979	6,566,184	\$65.8	3.2	39.5	25.6	10.1

Dome Mines Limited
Summarized Financial Information
Balance Sheet

	December 31	
	1981	1980
Current assets	\$ 66.2	\$143.2
Investments — Dome Petroleum Limited	344.5	222.9
— Other	70.1	73.4
Property, plant and equipment	237.8	95.9
	<u>\$718.6</u>	<u>\$535.4</u>
Current liabilities	\$ 45.6	\$ 86.0
Bank indebtedness	94.3	—
Deferred income and mining taxes	66.3	30.1
Minority interest in subsidiary companies	65.6	51.4
Shareholders' equity	446.8	367.9
	<u>\$718.6</u>	<u>\$535.4</u>

Statement of Income

	Years Ended December 31		
	1981	1980	1979
Revenues	\$187.4	\$240.6	\$129.7
Income before taxes and other items	\$125.7	\$194.8	\$109.1
Income, mining and other taxes	(60.3)	(106.0)	(49.6)
Income after taxes, before other items	65.4	88.8	59.5
Equity in earnings of affiliated companies			
Dome Petroleum Limited	48.4	62.8	41.1
Canada Tungsten Mining Corporation Limited	0.5	4.5	3.3
Minority interest in net income of subsidiary companies	(23.0)	(29.6)	(14.6)
Net income	<u>\$ 91.3</u>	<u>\$126.5</u>	<u>\$ 89.3</u>

**2. Investment in
Dome Canada Limited**

Effective March 19, 1981 the Company acquired 42,461,535 common shares of Dome Canada representing a 48.0% interest therein. Consideration was made by the transfer to Dome Canada of 10,306,886 common shares of TransCanada valued at \$251.2 million and cash in the amount of \$149.5 million. At December 31, 1981 Dome Canada's interest in the common shares of TransCanada was 23.2%. During November, 1981 the Company received on the basis of one warrant for each five common shares held 8,492,307 common share warrants. The Company is entitled to purchase one common share of Dome Canada for each common share warrant at a price of \$12.50 per share on or before November 1, 1983.

On April 1, 1981 the Company entered into certain agreements with Dome Canada which enabled Dome Canada to earn interests in certain Canadian exploratory lands held by the Company and others in return for the obligation to fund all exploration including the drilling of exploratory wells and geological and geophysical surveys. Subsequent development costs will be borne by the Company and Dome Canada in proportion to their respective interests. The operations of Dome Canada, including administration, are carried out by the Company on behalf of Dome Canada. (Also see Note 21.)

Dome Canada Limited
Summarized Financial Information
Balance Sheet
December 31, 1981

Current assets	\$ 786.2
Investment in TransCanada	260.3
Property, plant and equipment	84.9
	\$1,131.4
	\$1,131.4
Current liabilities	\$ 75.8
Long term debt	129.5
Deferred income taxes	34.6
Shareholders' equity	891.5
	\$1,131.4
	\$1,131.4

Statement of Income
For the period March 19 to
December 31, 1981

Interest income	\$77.2
General and administrative	(6.3)
	70.9
Deferred income taxes	(34.6)
Equity in earnings of TransCanada	21.0
	\$57.3
Net income	\$57.3

**3. Investment in
TransCanada
PipeLines Limited**

At December 31, 1981 and 1980 the Company owned 10,306,885 and 20,613,771 common shares of TransCanada respectively representing 23.2% and 46.9% interests therein. During the three years ended December 31, 1981 the Company acquired and disposed of common shares and received dividends from TransCanada as follows:

	Number of shares acquired (sold)	Amount	Dividends received
1981	(10,306,886)	\$(251.2)	\$12.0
1980	900,000	19.8	23.7
1979	10,693,550	246.6	19.7

At December 31, 1981 and 1980 the excess of the purchase price over the net book value of TransCanada at dates of acquisition and disposition amounted to \$68.7 million and \$137.3 million respectively which is attributable to the value of the pipelines owned by TransCanada. This excess is being amortized over the expected remaining life of these assets. (Also see Notes 2 and 21.)

TransCanada PipeLines Limited
Summarized Financial Information
Balance Sheet

	December 31	
	1981	1980
Current assets	\$ 566.9	\$ 476.0
Payments on future gas supply	1,013.3	832.1
Investments	1,032.0	615.1
Plant, property and equipment (net)	1,920.3	1,438.9
Deferred charges	53.8	18.6
	<u>\$4,586.3</u>	<u>\$3,380.7</u>
Current liabilities	\$ 716.8	\$ 566.1
Long term debt	2,458.8	1,706.8
Deferred income taxes	246.6	141.0
Shareholders' equity	1,164.1	966.8
	<u>\$4,586.3</u>	<u>\$3,380.7</u>

Statement of Income

	Years Ended December 31		
	1981	1980	1979
Revenues	\$3,404.9	\$3,123.1	\$2,581.0
Income before income taxes	\$256.6	\$184.7	\$175.8
Income taxes	(102.5)	(82.2)	(81.8)
Net income for the year	<u>\$154.1</u>	<u>\$102.5</u>	<u>\$ 94.0</u>

4. Property, Plant and Equipment

	Principal Depreciation and Depletion Rates	1981		1980	
		Investment at Cost	Accumulated Depreciation and Depletion	Net Investment	Net Investment
Plants, pipelines, related facilities and other assets	3.3% to 6.7%	\$ 678.2	\$118.7	\$ 559.5	\$ 431.6
Oil and gas properties	Unit of revenue or production	5,799.3	237.1	5,562.2	2,727.8
Oil sands mining, developed rights and related facilities	Unit of production	190.7	3.1	187.6	—
Production facilities	Unit of revenue or production	718.2	41.4	676.8	267.6
Metal mines and related facilities	Unit of production	512.4	5.6	506.8	—
Drillships and supply vessels	6.7% to 10.0%	578.3	93.1	485.2	265.1
Shipyard facilities and vessels	10.0% to 15.0%	73.6	3.1	70.5	—
		<u>\$8,550.7</u>	<u>\$502.1</u>	<u>\$8,048.6</u>	<u>\$3,692.1</u>

Costs of properties excluded from the depletion calculation in millions of dollars were: 1981 — \$1,413.2; 1980 — \$561.8; 1979 — \$253.8.

5. Long Term Debt

	1981	1980
Debentures		
9½% Series A Debentures due 1992 (U.S. \$150.0 million)	\$ 158.8	\$ 158.8
Income Debenture, with interest at 52% of the prime bank rate plus ¾%, due 1988	200.0	200.0
14¾% Debentures due 2006 (U.S. \$100.0 million)	119.9	—
13½% Debentures due 1992 (1981 — U.S. \$44.8 million; 1980 — U.S. \$48.6 million)	52.3	56.7
10¾% Sinking Fund Debentures due 1996	27.9	28.4
10% Debentures due 1994 (U.S. \$50.0 million)	57.4	57.3
7.85% Collateral Trust Bonds due 1994 (U.S. \$18.6 million)	20.0	—
Term Bank Loans		
With interest rates varying up to 1¼% in excess of the prime bank rate and up to ½% in excess of the London Interbank Offered Rate		
In Canadian funds, due 1982-1993	1,950.2	1,503.3
In U.S. funds, due 1982-1993 (1981 — U.S. \$2,361.1 million; 1980 — U.S. \$108.5 million)	2,822.5	117.4
In Swiss Francs, due 1985-1986 (Swiss Francs 149.0 million)	87.0	87.0
Promissory Notes		
With interest at the prime bank rate between 8¼% and 10¼% per annum adjusted for one half the differential in prime below or above these limits, due 1989	19.5	25.5
With interest at prime less ¼%, due 1985	75.0	75.0
With interest at varying rates from 6% to prime plus 1¼% Due 1988 (\$161.6 million less funds on deposit of \$123.3 million)	38.3	38.3
Due 1991	105.0	—
Due 1998	220.8	225.5
With interest at approximately 16%, due 2030	175.0	—
With interest at 7¼%, due 1990 (Swiss Francs 100.0 million)	58.2	—
With interest at 6%, due 1986 (Swiss Francs 100.0 million)	69.5	69.5
With interest at 5¾%, due 1991 (Swiss Francs 100.0 million)	61.4	—
Other (including capitalized lease and royalty obligations)	75.8	62.7
	6,394.5	2,705.4
Less amounts due within one year	150.7	59.2
	<u>\$6,243.8</u>	<u>\$2,646.2</u>

The 9½% Series A Debentures are secured by a first fixed mortgage and charge upon certain of the Company's oil and gas properties, related production equipment and sales agreements. The Trust Deed securing the Debentures requires annual redemption at varying amounts in each of the years 1982 to 1992.

As security for the Income Debenture and Term Bank Loans, the Company has issued collateral demand debentures which include floating charges on property, plant and equipment; has pledged certain oil and gas properties and product inventories; has assigned certain amounts due under marketing agreements and has hypothecated shares of TransCanada, Dome Mines, Dome Canada, HBOG and certain subsidiary companies. Under the provisions of the Income Debenture, the Company is required to make principal repayments of varying amounts in each of the years 1984 to 1988.

The 14¾% Debentures are secured by a charge on certain oil and gas properties and are subject to an annual sinking fund requirement sufficient to retire U.S. \$6.5 million of Debentures in each of the years 1992 to 2005 and U.S. \$9.0 million at maturity.

The 13½% Debentures are subject to a purchase fund which requires that the Company use all reasonable efforts to purchase in the market debentures in the amount of U.S. \$2.0 million in each of the years commencing May 1, 1981 to 1986 at prices not exceeding 100% of the principal amount. During 1981 and 1980, U.S. \$3.8 million and U.S. \$1.4 million of debentures were purchased under this provision.

The 10¾% Sinking Fund Debentures are secured by certain oil and gas properties and are subject to annual sinking fund payments in the amount of \$1.5 million in each of the years 1982 to 1995 inclusive. During 1981 and 1980, \$0.5 and \$1.6 million of debentures were purchased under this requirement.

The 10% Debentures are subject to annual sinking fund payments in the amount of U.S. \$2.8 million in each of the years 1984 through 1993.

The 7.85% Collateral Trust Bonds are secured by certain oil and gas properties and are subject to sinking fund payments in the amount of U.S. \$1.1 million in 1984, U.S. \$1.25 million per annum from 1985 to 1993 and U.S. \$6.25 million at maturity.

As security for certain of the Promissory Notes, the Company has pledged certain oil and gas properties which are subject to a first fixed charge and has placed in escrow with a Canadian chartered bank \$123.3 million in cash. The monies held in escrow earn interest and will be released in proportion to the principal repayment of the promissory notes. The promissory notes are repayable in the amount of \$36.1 million in each of the years 1983 through 1986.

The Company arranged through an agreement dated February 16, 1981 that the Arctic Petroleum Corporation, a Japanese company, will advance \$400.0 million during 1981 and 1982 to be used in conducting exploration activities in the Beaufort Sea. The first \$175.0 million was assigned to the Company in respect of 1980 Beaufort drilling activities, and the remaining \$225.0 million will be retained by an affiliate, Dome Canada. The Company and Dome Canada are joint and severally liable for repayment of the principal balance by the year 2030. Prior to that date repayment of the principal amount is to be made from 20% of the net proceeds of production from certain fields to be developed in the Beaufort Sea, but in any event the principal balance is repayable by the year 2030. Interest on the borrowing will approximate 16% per year compounded annually, the payment of which will be contingent upon proceeds of production from the Beaufort Sea. Accordingly, such interest will not be accrued until production is assured.

Discounts on debt issued and related expenses are deferred and amortized over the term of the loan.

Approximate instalments of long term debt (including sinking fund repayments) due in each of the years 1983 to 1986 are (in millions): 1983 - \$696.1; 1984 - \$133.3; 1985 - \$331.8 and 1986 - \$774.2. (Also see Note 21).

6. Redeemable Preferred Shares Issued by Subsidiaries

At December 31, 1981 and 1980 a subsidiary of the Company had outstanding 2,200,000 cumulative, non-voting, first preference shares redeemable in 1988 which redemption is guaranteed by the Company. The dividend rate is 52% of the prevailing prime bank rate plus ¾%. At the Company's option, the shares may be converted to a term bank loan and may be redeemed at any time. (Also see Note 21).

In addition, Davie Shipbuilding Limited (Also see Note 13) has outstanding 50,000 Class A 5% cumulative preferred shares redeemable at par value of \$100 and is committed to redeem these shares prior to September 26, 1983.

7. Redeemable Preferred Shares

Authorized:

An unlimited number of preferred shares issuable in series.

Issued:

14,546,611 preferred shares (December 31, 1980 – 14,622,549).

Preferred shares outstanding at December 31, 1981 and 1980 were as follows:

	Authorized	1981		1980	
		Outstanding	Amount	Outstanding	Amount
7.76% Series A and B	10,500,000	4,951,516	\$123.1	5,048,112	\$126.1
Stock dividends		133,251	2.0	105,345	2.1
Redeemed		(209,189)	(5.2)	(201,941)	(5.1)
		4,875,578	119.9	4,951,516	123.1
6.98% Series C	1,450,000	1,450,000	36.2	1,450,000	36.2
7.25% Series D	4,110,517	4,110,517	61.7	4,110,517	61.7
7% Series E	4,110,516	4,110,516	61.7	4,110,516	61.7
		14,546,611	\$279.5	14,622,549	\$282.7

During 1981, the Company purchased for cancellation 209,189 Series A and B Preferred Shares at a discount of \$1.8 million which amount has been credited to Contributed Surplus.

Series A Cumulative Preferred Shares and Series B Cumulative Stock Dividend Preferred Shares were issued at \$25 per share and are interconvertible at any time on a share for share basis at the option of the holder. The shares are redeemable at the option of the Company after August 31, 1984 at \$26 per share to August 31, 1985, declining thereafter by \$0.20 per share annually to \$25 after August 31, 1989. The Company is required to use all reasonable efforts to purchase each year, commencing in 1980, a total of 4% of the Series A and Series B Preferred Shares outstanding at the beginning of each year provided such shares are available at prices not exceeding \$25 per share plus costs of purchase.

Series C Cumulative Preferred Shares were issued at \$25 per share with redemption of 5% per annum of the issued shares beginning in 1985 at \$25. Each holder has the right to waive this redemption obligation of the Company in any year. The dividend rate will be adjusted in 1984 and each fifth year thereafter.

Series D Cumulative Preferred Shares were issued at \$15 per share and are redeemable beginning in 1991. The holder has the right to require redemption at \$15 in 1982.

Series E Cumulative Preferred Shares were issued at \$15 per share and are redeemable beginning in 1988. The holder has the right to require redemption at \$15 in 1982 and each third year thereafter. At the holder's request these shares were redeemed January 4, 1982.

8. Common Shares

Authorized:

An unlimited number of common shares of no par value.

Issued:

250,062,776 common shares (December 31, 1980 – 248,260,805).

During 1979, each common share of the Company was subdivided into four shares and subsequently the authorized number of common shares was increased to 100,000,000. Effective May 22, 1981 each common share of the Company was divided into five shares and subsequently the authorized number of common shares was increased to an unlimited number. All share and per share data have been restated to reflect the share splits. Common shares issued for the years ended December 31, 1981 and 1980 were as follows:

	1981		1980	
	Shares	Amount	Shares	Amount
Under stock purchase plans	463,125	\$ 6.8	1,969,675	\$19.9
In exchange for shares of a subsidiary	7,926	—	5,280	—
On the exercise of an option	2,000	—	24,500	—
On the acquisition of subsidiaries (Note 13)	1,328,920	25.4	—	—
	1,801,971	\$32.2	1,999,455	\$19.9

At December 31, 1981, 2,792,324 shares (December 31, 1980 – 3,271,375) were reserved for issue as follows: 2,567,200 under the Company's stock purchase plans, 108,000 for options granted or to be granted under employee stock option plans and 117,124 for shares of a subsidiary not yet presented for exchange. The Company has made interest free loans to officers to enable them to purchase shares from the Company under the stock purchase plans. At December 31, 1981, \$16.7 million (December 31, 1980 – \$13.9 million) was receivable by the Company under the above arrangements and is included in Other Assets.

Stock Option and Key Employee Stock Purchase Plans

During 1970 and 1971 the Company granted 10-year options under the Company's stock option plans. No options to purchase shares of the Company have been granted since 1971. No options became exercisable during the two years ended December 31, 1981 at which date 108,000 shares were reserved for the granting of future options under the plans. During the year, 2,000 shares at an option price of \$1.35 per share were exercised when the market price was \$16.53 per share. None of these options were exercised by an officer or director of the Company. No options are presently outstanding.

Under the Company's key employee stock purchase plans, the Company is authorized to sell to a trustee, at the prevailing market price, an aggregate of 14,000,000 common shares of the Company for resale at the same price to key employees of the Company. The purchase price of these shares is payable, without interest, by the employees over a maximum period of 10 years, during which the shares are held as security. At December 31, 1981 there were 493,125 shares remaining available for sale under these plans. Shares sold under these plans are as follows:

Years ended:	Number of shares	Purchase Price	
		Per Share	Total
1981	2,072,500	\$17.32	\$35.9
1980	1,186,750	\$11.96	\$14.2

9. Participation Agreements

Under various agreements, other than conventional farmout agreements, third parties have agreed to participate in the Company's exploration and development program in order to earn varying interests in the lands covered by the agreements. Amounts contributed under the above arrangements for the years ended were (in millions): 1981 – NIL; 1980 – \$12.6; 1979 – \$166.9.

10. Net Income Per Common Share

Net income per common share is calculated, after the deduction of preferred share dividends, using the weighted monthly average number of shares outstanding which amounts have been reduced by the Company's pro rata interest in its outstanding shares held by Dome Mines. There are no dilutive factors that would have a material effect on net income per share. The average number of common shares outstanding and net income per common share calculations have been restated to reflect the four for one share split effective May 18, 1979 and the five for one share split effective May 22, 1981.

11. Income Taxes

Income tax provisions differ from the calculated tax obtained by applying the Canadian corporate tax rate to income before income taxes. These differences are accounted for as follows:

	Years Ended December 31		
	1981	1980	1979
Corporate tax rate	47.8%	47.8%	46.0%
Calculated income tax provision	\$100.0	\$143.6	\$108.3
Add (deduct):			
Crown charges disallowed for tax purposes less provincial rebates	82.4	48.7	20.3
Federal resource allowance	(87.1)	(42.6)	(26.7)
Depletion allowance on Canadian oil and gas production income	(43.5)	(25.1)	(15.7)
Frontier exploration allowance	—	(45.4)	(2.6)
Investment tax credit	(10.2)	(2.0)	(1.8)
Manufacturing and processing tax rate reduction	—	(3.3)	(4.0)
Income debenture interest	10.3	7.8	6.8
Preferred share dividends of a subsidiary	11.3	9.7	10.5
Non-deductible depletion	10.8	6.2	—
Depreciation claimed for tax purposes which has no accounting equivalent	(16.8)	(17.1)	—
Petroleum and gas revenue tax	24.9	—	—
Other	(3.9)	3.8	0.8
Income tax provision	\$ 78.2	\$ 84.3	\$ 95.9

The components of income before income taxes between domestic and foreign categories together with related income taxes are set out below. The foreign components of net income and income tax expense were not significant prior to 1980.

	Years ended December 31,					
	1981			1980		
	Canada	Foreign	Total	Canada	Foreign	Total
Income before income taxes, equity earnings and minority interest	\$180.6	\$28.5	\$209.1	\$268.0	\$32.4	\$300.4
Income taxes:						
Current	\$17.5	\$ 7.1	\$24.6	\$ (33.0)	\$ —	\$ (33.0)
Deferred	55.5	(1.9)	53.6	104.4	12.9	117.3
	\$73.0	\$ 5.2	\$78.2	\$ 71.4	\$12.9	\$ 84.3

Current income taxes recorded during 1980 amounting to \$33.0 million represent the recovery of an income tax liability previously incurred by an acquired subsidiary.

12. Change in Accounting Policy

On December 31, 1980 the Company adopted, retroactive to January 1, 1980, the provisions of U.S. Financial Accounting Standards Board Statement No. 34 under which standards are established for capitalizing interest cost related to the acquisition and development of certain assets. The Company believes this policy more accurately reflects the cost of exploring in areas such as the Beaufort Sea, Arctic and other exploratory areas where the exploration period is lengthy and costs are significant. As a result, the Company has capitalized interest during 1980 on all costs incurred to date in such exploratory areas. Previously the Company followed the policy of capitalizing interest only where the related financing could be identified with the purchase or construction of assets. If this policy had been applied in 1979, net income for 1979 would have increased by \$17.5 million (\$0.08 per share). Net income for 1980 was increased by \$54.5 million (\$0.25 per share).

13. Acquisitions
(Also see Note 21)

(a) During 1979, the Company acquired the oil and gas properties of several companies including those previously held by Siebens Oil and Gas Ltd. and Mesa Petroleum Company for a net consideration of \$311.0 million.

(b) During 1980, the Company acquired the shares of a number of oil and gas exploration and development companies including Kaiser Petroleum Ltd. which have been accounted for by the purchase method. The details of the transactions are as follows (in millions):

Value attributed to property, plant and equipment	\$946.8
Net proceeds of subsequent dispositions	(270.1)
Deferred income taxes	(72.0)
<hr/>	
Acquisitions per Consolidated Statement of Changes in Financial Position	604.7
Working capital and other assets	8.6
Long term debt assumed	(30.0)
<hr/>	
Net purchase price financed by debt	\$583.3
<hr/>	

(c) During 1981, the Company acquired the shares of a number of companies, the most significant of which are as follows:

(i) On June 10, 1981, Dome Energy Limited ("Dome Energy"), a wholly owned subsidiary of the Company, acquired 22,000,000 common shares of Conoco Inc., a Delaware corporation, for a consideration of \$1,719.4 million. Subsequently Dome Energy exchanged its holdings in Conoco Inc., together with cash in the amount of \$294.6 million, for Conoco's 52.9% interest in HBOG, representing 40,156,268 common shares. To fund this acquisition Dome Energy entered into a loan agreement with four Canadian chartered banks to borrow \$2,014.0 million, the loan being secured by the shares of HBOG, 24,000,000 shares of Dome Mines and certain oil and gas properties.

(ii) During August 1981, the Company concluded an agreement for the acquisition of all the issued and outstanding common shares and certain preferred shares of Davie Shipbuilding Limited ("Davie"), for a total consideration of \$37.8 million consisting of \$15.0 million in cash and 1,221,500 common shares of the Company.

(iii) Effective August 31, 1981, HBOG acquired 100% of the outstanding shares of Cyprus. The purchase price of \$345.3 million was financed by term bank loans.

These acquisitions are being accounted for by the purchase method as follows:

	HBOG	Davie	Cyprus	Total
Value attributed to property, plant and equipment	\$2,601.0	\$ 54.0	\$396.1	\$3,051.1
Minority interest	(487.5)	—	—	(487.5)
Liabilities net of other assets	(201.0)	(19.2)	(58.8)	(279.0)
	1,912.5	34.8	337.3	2,284.6
Working capital acquired	120.6	3.0	8.0	131.6
Less interest capitalized June 10 to June 30, 1981	(19.1)	—	—	(19.1)
Net purchase price	\$2,014.0	\$ 37.8	\$345.3	\$2,397.1

The excess of the purchase price over the net book values of assets acquired has been attributed to the value of property, plant and equipment and is being depreciated or depleted over the expected life of the related assets.

14. Short Term Bank Loans

Short term bank loans bear interest at the prime bank rate and are secured by an assignment of accounts receivable and an undertaking to provide oil and gas properties as security if required. As at December 31, 1981 there was an unused line of credit under these arrangements of approximately \$250 million.

15. Related Party Transactions

In addition to those described in Note 21 the Company undertook the following related party transactions:

(a) The Company has contracts with TransCanada for the sale of gas and extraction of gas by-products. The utility operations of TransCanada are regulated and establish the terms and conditions with which TransCanada deals with outside parties including the Company. Revenue and cost of product included in the Consolidated Statement of Income during 1981 amounted to \$224.1 million (1980 — \$142.0 million) and \$27.0 million (1980 — \$25.0 million) respectively. Accounts receivable from TransCanada at December 31, 1981 amounted to \$21.9 million (1980 — \$15.0 million). In addition, at December 31, 1981 approximately \$90.0 million was deferred in relation to future sales of natural gas to TransCanada.

(b) During 1980, the Company sold to TransCanada for a consideration of approximately \$126.0 million a 12½% interest in certain oil and gas properties.

(c) During 1980, the Company sold to subsidiaries of Dome Mines a 5% interest in certain resource properties for a consideration of approximately \$42.5 million. In addition, these subsidiaries have earned an interest in certain exploratory oil and gas rights by spending approximately \$100.0 million.

(d) With respect to the Dome Exploratory Lands Agreement and the Corporate Services Agreement the Company charged Dome Canada the following:

(i) \$161.7 million with respect to management fees in relation to exploration, land acquisitions, geological and geophysical services provided together with costs incurred for exploration in the Beaufort Sea.

(ii) \$5.0 million with respect to the Corporate Services Agreement. Accounts receivable from and payable to Dome Canada at December 31, 1981 amounted to \$61.7 million and \$48.7 million respectively.

16. Differences Between Canadian and United States Generally Accepted Accounting Principles

The following information is disclosed in accordance with U.S. Securities and Exchange Commission requirements.

	1981	1980	1979
Net income in accordance with Canadian generally accepted accounting principles as reported	\$199.1	\$287.2	\$181.7
Add (deduct) adjustment for			
a) Foreign currency translation	(1.7)	(4.0)	3.3
b) Other	(5.9)	(3.9)	—
Net income in accordance with United States generally accepted accounting principles	\$191.5	\$279.3	\$185.0
Net income per share in accordance with United States generally accepted accounting principles	\$0.76	\$1.17	\$0.79

a) The U.S. Financial Accounting Standards Board Statement No. 8 requires that long term debt payable in foreign currencies be translated at the rate of exchange in effect at the end of the year with the resulting translation gains and losses being reflected in income immediately.

b) Comprised of interest capitalized by an equity accounted affiliate not in accordance with U.S. Financial Accounting Standards Board No. 34 and a deemed gain relating to shares in TransCanada which under U.S. accounting practice would be included in contributed surplus. At December 31, 1981 retained earnings of the Company included \$205.3 million representing cumulative earnings of equity accounted affiliates.

17. Pension and Savings Plans

The Company's voluntary contributory pension plan and employee savings plan are available to substantially all of its permanent employees. Employee and Company contributions made under the pension plan are paid to, and invested by, an insurance company. Similar contributions made under the savings plan are invested by a trustee in the common shares of the Company on behalf of the employees. Pension costs are funded in accordance with actuarial requirements. Amounts charged to income to fund the plans in millions were: 1981 — \$21.7; 1980 — \$10.7; 1979 — \$5.7.

**18. Information by
Business Segment
and
Geographic Area**

The Board of Directors of the Company has determined and recorded in the minutes of a Board meeting that the following segments are the business segments of the Company.

Business Segment	Operations		
Crude oil and natural gas	Exploration, development and production activities for crude oil, natural gas, field liquids, sulphur, and oil sands		
Pipeline transportation	Transportation of natural gas liquids		
	1981	1980	1979
Sales to Unaffiliated Customers:			
Crude oil and natural gas	\$1,965.5	\$1,085.5	\$885.0
Pipeline transportation	63.4	46.8	38.7
Other	209.9	11.3	21.8
Consolidated	\$2,238.8	\$1,143.6	\$945.5
Operating Income:			
Crude oil and natural gas	\$740.1	\$451.1	\$340.1
Pipeline transportation	48.0	28.9	20.9
Other	23.9	9.7	20.5
Consolidated	812.0	489.7	381.5
General corporate expenses	(69.6)	(21.7)	(11.8)
Interest expense	(509.3)	(149.4)	(111.3)
Preferred share dividends of subsidiaries	(24.0)	(18.2)	(22.9)
Income taxes	(78.2)	(84.3)	(95.9)
Equity in earnings of affiliated companies	78.0	71.1	42.1
Minority interest	(9.8)	—	—
Net income	\$199.1	\$287.2	\$181.7
Identifiable Assets:			
Crude oil and natural gas	\$ 7,115.7	\$3,378.9	\$1,817.9
Pipeline transportation	283.5	249.7	237.0
Other	649.4	63.5	15.8
Consolidated	8,048.6	3,692.1	2,070.7
Corporate assets	1,352.6	773.9	522.4
Investments	807.5	612.7	537.4
Total assets	\$10,208.7	\$5,078.7	\$3,130.5
Capital Expenditures:			
Crude oil and natural gas	\$3,105.3	\$1,565.8	\$ 945.4
Pipeline transportation	41.8	20.0	49.3
Other	600.8	49.3	9.1
Consolidated	\$3,747.9	\$1,635.1	\$1,003.8
Depreciation and Depletion:			
Crude oil and natural gas	\$146.5	\$74.8	\$54.6
Pipeline transportation	7.9	7.3	7.3
Other	10.7	1.5	1.0
Consolidated	\$165.1	\$83.6	\$62.9

Geographic Area	1981	1980	1979
Sales to Customers:			
Canada	\$1,781.7	\$ 815.2	\$696.6
United States	429.0	328.4	248.9
Other foreign	28.1	—	—
Consolidated	\$2,238.8	\$1,143.6	\$945.5
Transfers Between Geographic Segments:			
Canada	\$304.2	\$243.8	\$226.4
United States	—	0.5	—
Eliminations	(304.2)	(244.3)	(226.4)
Consolidated	\$ —	\$ —	\$ —
Operating Income:			
Canada	\$767.9	\$440.5	\$355.2
United States	45.8	49.2	26.3
Other foreign	(1.7)	—	—
Consolidated	812.0	489.7	381.5
General corporate expenses	(69.6)	(21.7)	(11.8)
Interest expense	(509.3)	(149.4)	(111.3)
Preferred share dividends of subsidiaries	(24.0)	(18.2)	(22.9)
Income taxes	(78.2)	(84.3)	(95.9)
Equity in earnings of affiliated companies	78.0	71.1	42.1
Minority interest	(9.8)	—	—
Net income	\$199.1	\$287.2	\$181.7
Identifiable Assets:			
Canada	\$ 8,027.8	\$3,820.0	\$2,296.2
United States	898.0	646.0	297.0
Other foreign	475.4	—	—
Consolidated	9,401.2	4,466.0	2,593.2
Investments	807.5	612.7	537.3
Total assets	\$10,208.7	\$5,078.7	\$3,130.5

The majority of the crude oil and natural gas produced in Canada by the Company is sold to government marketing agencies or transmission companies. Approximately 66% of the Company's domestic crude oil production is sold to the Alberta Petroleum Marketing Commission, a provincial government agency. The largest customer for natural gas is TransCanada, which accounts for approximately 60% of the Company's total natural gas sales. Due to the nature of the Company's marketing arrangements, the portion of the Company's Canadian crude oil and natural gas production that is ultimately exported cannot be identified. The transfers between geographic segments reported above are sales of natural gas liquids.

**19. Capitalized Costs
and Costs Incurred
in Oil and Gas
Producing Activities**

(a) Cumulative capital costs of proved and unproved properties and production facilities, together with related depreciation and depletion, incurred in oil and gas producing activities as at December 31, are as follows:

	1981		1980	
	Capitalized Costs	Accumulated Depreciation and Depletion	Capitalized Costs	Accumulated Depreciation and Depletion
Canada	\$5,507.7	\$222.5	\$2,737.3	\$142.1
Foreign	1,009.8	56.0	418.4	18.2
	<u>\$6,517.5</u>	<u>\$278.5</u>	<u>\$3,155.7</u>	<u>\$160.3</u>

The Company's proportionate interests in the cumulative capital costs of proved and unproved properties, net of depreciation and depletion, of companies accounted for by the equity method at December 31, 1981 and 1980 are \$343.8 million and \$283.0 million respectively.

(b) Costs incurred, together with related depreciation and depletion, in oil and gas producing activities during the years indicated are as follows:

	Property Acquisition	Exploration	Development	Production (Lifting)	Depreciation and Depletion
1981					
Canada	\$2,121.4	\$274.1	\$374.9	\$132.6	\$ 80.4
Foreign	345.7	164.1	81.6	29.8	37.8
	<u>\$2,467.1</u>	<u>\$438.2</u>	<u>\$456.5</u>	<u>\$162.4</u>	<u>\$118.2</u>
1980					
Canada	\$680.2	\$388.4	\$203.2	\$57.3	\$49.8
Foreign	198.8	42.2	40.2	10.7	11.1
	<u>\$879.0</u>	<u>\$430.6</u>	<u>\$243.4</u>	<u>\$68.0</u>	<u>\$60.9</u>
1979					
Canada	\$519.6	\$146.4	\$144.8	\$25.6	\$32.5
Foreign	24.1	34.5	21.8	1.0	4.1
	<u>\$543.7</u>	<u>\$180.9</u>	<u>\$166.6</u>	<u>\$26.6</u>	<u>\$36.6</u>

The Company's proportionate interests in costs incurred, together with related depreciation and depletion, in oil and gas producing activities of companies accounted for by the equity method are as follows:

	Property Acquisition	Exploration	Development	Production (Lifting)	Depreciation and Depletion
1981					
Canada	\$ 9.2	\$75.8	\$13.9	\$3.6	\$2.9
Foreign	4.9	4.6	1.8	—	—
	\$14.1	\$80.4	\$15.7	\$3.6	\$2.9
1980					
Canada	\$80.1	\$20.3	\$10.3	\$1.6	\$3.4
Foreign	6.9	.6	—	—	—
	\$87.0	\$20.9	\$10.3	\$1.6	\$3.4
1979					
Canada	\$153.4	\$.1	\$.2	\$.1	\$.3

**20. Net Revenue
From Oil and
Gas Producing
Activities**

Revenue, net of royalties and lifting costs:

	Canada	Foreign	Total
1981	\$457.6	\$64.2	\$521.8
1980	\$296.0	\$31.5	\$327.5
1979	\$166.9	\$3.9	\$170.8

The Company's proportionate interest in the net revenues of companies accounted for by the equity method amounted to \$10.6 million in 1981; \$6.9 million in 1980; \$0.3 million in 1979.

**21. Events Subsequent
to December 31, 1981**

(a) On January 13, 1982 the shareholders of HBOG voted in favour of a plan of arrangement (the "Plan") whereby HBOG would become a wholly-owned subsidiary of the Company. On March 10, 1982 Dome Resources Limited ("Dome Resources") a wholly-owned subsidiary acquired 35,922,620 common shares of HBOG ("HBOG Shares") representing 100% of the outstanding HBOG Shares not already owned by the Company in exchange for securities valued at \$2,066 million, consisting of,

(i) 35,922,620 \$5.75 Class A Retractable Preferred Shares of Dome Resources ("Class A Preferred Shares") with fixed cumulative preferential cash dividends at the annual rate of \$5.75 payable quarterly and retractable at \$57.50 per share on December 31, 1984. The shares are redeemable at any time by Dome Resources in whole or in part in the amount of \$57.50 per share plus accrued dividends or may be purchased by Dome Resources at the lowest prices obtainable but in any event not exceeding \$57.50 per share plus costs of purchase,

(ii) 47,896,826 warrants to purchase common shares of Dome Petroleum Limited exercisable until December 31, 1984 at \$23.1125 ("Common Share Warrants").

On March 10, 1982 Dome Resources sold to Dome Energy for demand notes the HBOG Shares so acquired for \$2,117 million which includes an amount equal to one quarterly dividend on the Class A Preferred Shares.

Dome Energy has secured its obligation under the demand notes by delivering \$2,117.4 million to a trustee, for the benefit of Dome Resources. Funds will be held by the trustee sufficient at all times to retract the outstanding Class A Preferred Shares together with an amount equal to one quarterly dividend payment. These funds will be invested in certain restricted classes of negotiable instruments, with the interest earned applied towards the interest payments on the syndicated loan (see below).

On March 10, 1982 Dome Energy drew down a U.S. \$1,800 million (\$2,182.6 million Canadian dollars) syndicated loan the majority of which was immediately deposited with a trustee as described above. The terms of the loan include repayment in quarterly instalments commencing in 1982, with a final maturity in 1989. Four year principal repayments on the loan are as follows (in U.S. millions); 1983 — \$160.0; 1984 — \$218.0; 1985 — \$38.0; 1986 — Nil. The interest rate is equal to the London Inter-Bank Offered Rate plus $\frac{5}{8}$ to $\frac{3}{4}$ of one per cent per annum. The loan is secured by certain oil and gas properties of HBOG and U.S. \$400 million (\$485.0 million, Canadian dollars) cash collateral. This cash collateral will be invested in certain restricted classes of negotiable instruments the interest from which will be applied towards interest and principal payments on the syndicated loan.

(b) On March 10, 1982 the Company sold interests in certain of HBOG's assets as follows:

(i) To Dome Canada a 12.5% interest in all of HBOG's oil and gas properties located in Canada including HBOG's interest in the Beaufort Sea, Arctic Islands, East Coast and Syncrude for a cash consideration of \$489 million.

(ii) To Maligne Resources Limited ("Maligne"), a wholly-owned subsidiary of Dow Chemical Canada Inc., a 12.5% interest in all of HBOG's conventional oil and gas properties located in the western Canadian provinces, the Yukon and Northwest Territories for \$451 million, of which \$192 million was received on closing, with the remainder of \$259 million to be paid over nine years, plus interest thereon. In addition Dome Energy obtained a non-recourse term bank loan in the amount of \$240 million which is secured by certain of Maligne's oil and gas properties and by \$240 million of this receivable and is repayable as the receivable is repaid.

(iii) To TCPL Resources Ltd., a wholly-owned subsidiary of TransCanada, an undivided 12.5% interest in essentially all of HBOG's properties including foreign and mining properties but excluding HBOG's coal, pipeline interests and other non-resource assets, for a cash payment of \$560 million.

The Company received \$1,241 million in cash, and an amount receivable for \$259 million, which includes compensation for the purchasers' pro rata share of the Company's carrying and other costs incurred in acquiring all the shares of HBOG and certain other charges.

As a result of the financing arrangements undertaken to complete the above transactions, the original borrowing by Dome Energy to fund the initial acquisition of 52.9% of HBOG was reduced to \$1,202 million, using a portion of the proceeds of disposition. This remaining balance is due and payable by September 30, 1982 and is presently secured by certain oil and gas properties, a limited guarantee by Dome Mines in the amount of \$250 million, and certain other assets.

22. Pro Forma Balance Sheet Information

The pro forma consolidated balance sheet has been prepared to give effect at December 31, 1981 to 1) the acquisition and related financing by the Company of the outstanding common shares of HBOG held by minority interest shareholders ("HBOG Shares") in exchange for \$5.75 Class A Retractable Preferred Shares of Dome Resources ("Class A Preferred Shares") and Common Share Warrants of Dome Petroleum Limited and, 2) the related dispositions of approximately 37.5% of certain of the HBOG assets (Also see Note 21).

The following describes the adjustments used in the preparation of the pro forma balance sheet information:

i) The issuance of Class A Preferred Shares of Dome Resources and Common Share Warrants of Dome Petroleum Limited in exchange for the HBOG Shares. For the purpose of this pro forma balance sheet the Class A Preferred Shares have been valued at \$2,018.4 million and the Common Share Warrants at \$47.2 million. The Class A Preferred Shares are retractable in the aggregate of \$2,065.6 million (\$57.50 per share).

ii) The draw-down of the syndicated loan proceeds of \$2,141.4 million (net of current portion of \$41.4 million included in current liabilities).

iii) The deposit of \$2,117.4 million with a trustee for the redemption of the Class A Preferred Shares.

iv) The deposit of proceeds of disposition amounting to \$485.0 million as cash collateral securing the syndicated loan.

To disclose the effect of these arrangements the foregoing adjustments have been combined in the pro forma balance sheet under the caption "Secured Preferred Share Financing" as follows:

Syndicated bank loan	\$ 2,141.4
Funds on deposit	(2,117.4)
Cash collateral	(485.0)
Class A Preferred Shares	2,018.4
Common Share Warrants	47.2
	<u>\$ 1,604.6</u>

v) The allocation of the excess of the purchase price over the minority interest in the net assets of HBOG at December 31, 1981 to oil and gas properties.

vi) The elimination of the minority interest in the net assets of HBOG.

vii) The disposition proceeds of certain HBOG assets together with increased short term indebtedness of \$84.8 million applied to reduce long term indebtedness by \$1,087.4 million.

viii) The increase in current portion long term debt amounting to \$1,202 million relating to the balance of the Dome Energy loan due by September 30, 1982.

ix) The offset of the non-recourse \$240 million term bank loan against the amount receivable of the same amount.

x) The increase of \$107.1 million in property, plant and equipment reflecting v) above together with the related dispositions of approximately 37.5% of certain of the HBOG assets.

23. Pro Forma Income Statement Information

a) Pro forma income statement information assuming that 100% of the HBOG Shares were acquired and the related disposition of certain of the HBOG assets occurred effective January 1, 1980 for the year ended December 31, 1980 and effective January 1, 1981 for the year ended December 31, 1981. This information has been provided in accordance with both Canadian and United States disclosure requirements. However, had the transactions occurred January 1, 1981 or 1980 the Company would have managed the combined operations in a substantially different manner. Consequently in Management's opinion these pro forma results are not indicative of the future combined operations of the companies.

	1981	1980
Revenue	\$2,422.0	\$1,690.7
Net income	\$50.7	\$196.1
Net income per share	\$0.13	\$0.79

The following explanations describe the estimated pro forma adjustments used in the preparation of the above pro forma income statement information:

i) The acquisition of 100% of the HBOG Shares and subsequent disposition of certain of the HBOG assets were consummated on January 1, 1981 and 1980 respectively and accounted for as purchases.

ii) The income statement information of HBOG included by consolidation with the Company, has been adjusted to reflect the acquisition by HBOG of 100% of the shares of Cyprus as if this acquisition had been consummated on January 1, 1981 and 1980 respectively and accounted for as a purchase.

iii) The earnings of HBOG were adjusted to conform HBOG's method of accounting for oil and gas operations (successful efforts) to that of the Company (full cost).

iv) The interest on the borrowings resulting from the acquisition of HBOG net of the related dispositions has been calculated on the London Interbank Offered Rate and the monthly exchange rates between Canadian and United States dollars.

v) United States accounting principles require the difference between the value attributed to the \$5.75 Class A Retractable Preferred Shares of Dome Resources and the retraction value of such shares be amortized against retained earnings of Dome Resources over the period to the retraction date. Such amortization would reduce consolidated pro forma net income by \$15.7 million or \$0.07 per share for 1981 and 1980. (Also see Note 16).

b) Pro forma income statement information for 1981 assuming that the Company did not acquire any interest in HBOG during 1981:

Revenue	\$1,866.8
Net income	\$223.4
Net income per share	\$0.94

Ten Year Financial Review

(thousands of dollars except per share)

	1981	1980	1979
Earnings			
Revenue	\$187,421	\$240,642	\$129,716
Operating costs	73,237	56,800	44,187
Outside mineral exploration	7,332	5,481	2,877
	80,569	62,281	47,064
Other income	18,834	16,405	26,491
Income before the following	125,686	194,766	109,143
Income, mining and other taxes	60,286	106,000	49,679
	65,400	88,766	59,464
Equity in earnings of –			
Dome Petroleum	48,383	62,786	41,143
Canada Tungsten (1)	532	4,588	3,274
Minority interest	(22,968)	(29,597)	(14,601)
Net income (1)	\$ 91,347	\$126,543	\$ 89,280
Net income per share (1)(2)(3)	\$1.31	\$1.81	\$1.28
Financial			
Working capital	\$20,654	\$57,204	\$64,842
Additions to property, plant and equipment	\$147,980	\$85,884	\$5,550
Total assets (1)(4)	\$718,605	\$535,445	\$334,708
Long-term debt	\$94,300		
Dividends declared	\$12,221	\$17,471	\$9,596
Dividends per share (3)	\$0.15^{3/4}	\$0.22 ^{1/2}	\$0.12 ^{1/2}
Shareholders' equity (1)(4)	\$446,821	\$367,930	\$253,183
Return on equity (%)	22.4	40.7	40.4
Number of shareholders	11,072	9,328	7,540
Shares outstanding (3)	77,592,248	77,592,248	77,280,048
Price of Common Shares			
TSE (\$CDN) (3) –			
High	30^{3/4}	38 ^{1/2}	15 ^{1/8}
Low	18^{1/8}	14 ^{3/4}	7 ^{1/2}
NYSE (\$U.S.) (3) –			
High	25^{3/8}	33 ^{1/8}	13
Low	15^{1/4}	12	6

(1) Restated to reflect the adoption in 1978 of the equity method of accounting for Canada Tungsten.

(2) Calculated using the weighted average number of shares outstanding after deducting the Company's pro rata interest in its own shares held by Dome Petroleum.

1978	1977	1976	1975	1974	1973	1972
\$80,830	\$59,067	\$46,716	\$59,014	\$63,332	\$43,508	\$25,514
39,155 2,019	34,683 1,803	32,414 1,722	29,817 1,588	25,159 1,273	19,869 1,147	15,965 937
41,174	36,486	34,136	31,405	26,432	21,016	16,902
12,770	4,927	5,004	4,677	4,777	2,995	2,780
52,426	27,508	17,584	32,286	41,677	25,487	11,392
24,386	13,738	8,498	15,519	19,093	9,795	3,738
28,040	13,770	9,086	16,767	22,584	15,692	7,654
29,487 3,995	25,888 3,039	12,843 1,286	8,451 147	5,666 635	2,587 89	1,406 (20)
(8,954)	(5,589)	(3,563)	(5,805)	(7,271)	(4,516)	(2,271)
\$52,568	\$37,108	\$19,652	\$19,560	\$21,614	\$13,852	\$ 6,769
\$0.74	\$0.52	\$0.27	\$0.28	\$0.31	\$0.20	\$0.10
\$41,101	\$53,318	\$50,039	\$53,335	\$45,430	\$37,325	\$27,256
\$1,022 \$244,107	\$906 \$180,067	\$1,020 \$141,106	\$1,928 \$123,721	\$1,481 \$111,190	\$1,718 \$86,136	\$822 \$54,149
\$7,728 \$0.10	\$6,440 \$0.08 $\frac{1}{3}$	\$5,032 \$0.06 $\frac{2}{3}$	\$5,256 \$0.07 $\frac{1}{2}$	\$5,548 \$0.07 $\frac{7}{8}$	\$3,017 \$0.04 $\frac{1}{3}$	\$1,947 \$0.02 $\frac{3}{4}$
\$188,959 31.5	\$145,211 28.6	\$113,999 19.8	\$94,538 22.4	\$80,234 29.2	\$67,685 25.1	\$42,645 16.5
6,793 77,280,048	7,029 77,280,048	7,444 77,280,048	7,938 70,080,048	7,768 70,080,048	6,206 70,080,048	5,673 70,080,048
9 $\frac{3}{8}$ 5 $\frac{7}{8}$	5 $\frac{7}{8}$ 3 $\frac{1}{2}$	3 $\frac{7}{8}$ 2 $\frac{3}{4}$	4 $\frac{3}{4}$ 2 $\frac{1}{2}$	5 $\frac{1}{4}$ 2 $\frac{5}{8}$	4 $\frac{1}{4}$ 1 $\frac{7}{8}$	2 $\frac{1}{8}$ 1 $\frac{1}{2}$
8 5 $\frac{1}{4}$	5 $\frac{3}{8}$ 3 $\frac{1}{2}$	3 $\frac{7}{8}$ 2 $\frac{5}{8}$	4 $\frac{3}{4}$ 2 $\frac{1}{2}$	5 $\frac{1}{2}$ 2 $\frac{5}{8}$	4 $\frac{3}{8}$ 1 $\frac{7}{8}$	2 $\frac{1}{4}$ 1 $\frac{1}{2}$

(3) Restated to reflect the four-for-one share split in May, 1981; the three-for-one split in June, 1979, and the three-for-one split in May, 1974.

(4) Restated to reflect adjustment in 1978 for prior years' dividends paid by Dome Mines which are applicable to Dome Mines' pro rata interest in its own shares held by Dome Petroleum.

Ten Year Operations Review

		1981	1980	1979
Dome Mines (Unconsolidated)	Tons milled	557,000	678,000	664,000
	Fine ounces	73,131	85,893	94,702
	Ore reserves (000's of tons)	2,147	2,150	1,896
	Revenue per ounce – Cdn.	\$553.06	\$728.55	\$371.15
	Operating cost per ounce*	\$346.16	\$266.14	\$194.04
	Operating cost per ton*	\$45.43	\$33.71	\$27.68
	Number of employees	803	734	677
	<hr/>			
Campbell Red Lake Mines	Mining			
	Tons milled	370,000	304,000	300,000
	Fine ounces	200,528	189,536	185,005
	Ore reserves (000's of tons)	2,316	2,250	1,977
	Revenue per ounce – Cdn.	\$544.75	\$719.20	\$378.66
	Operating cost per ounce*	\$116.42	\$83.53	\$67.57
	Operating cost per ton*	\$63.18	\$52.11	\$41.66
	Number of employees	426	382	342
	Oil and gas			
	Production			
	Oil and gas liquids – bbls.	350,527	160,713	
	Gas – mcf	953,395	449,467	
	Reserves (000's)			
	Oil and gas liquids – bbls.	4,951	4,718	
	Gas – mmcf	53.4	31.2	
	<hr/>			
Sigma Mines	Mining			
	Tons milled	488,000	484,000	491,000
	Fine ounces	56,113	53,657	67,889
	Ore reserves (000's of tons)	1,194	1,223	1,240
	Revenue per ounce – Cdn.	\$549.80	\$720.30	\$361.05
	Operating cost per ounce*	\$298.83	\$249.12	\$166.83
	Operating cost per ton*	\$34.39	\$27.63	\$23.05
	Number of employees	445	410	378
	Oil and gas			
	Production			
	Oil and gas liquids – bbls.	87,632	40,178	
	Gas – mcf	238,348	112,367	
	Reserves (000's)			
	Oil and gas liquids – bbls.	1,238	1,180	
	Gas – mmcf	13.3	7.8	

*Operating costs per ounce and per ton have been restated to reflect the change in classification of general corporate costs.

1978	1977	1976	1975	1974	1973	1972
679,000	686,000	708,000	708,000	702,000	682,000	630,000
94,161	94,261	119,504	117,809	121,032	148,512	146,242
1,859	1,867	1,890	1,933	1,871	1,691	1,590
\$231.33	\$164.69	\$122.28	\$155.80	\$161.78	\$104.41	\$60.63
\$173.34	\$145.52	\$114.81	\$117.11	\$94.93	\$57.81	\$48.73
\$24.03	\$20.00	\$19.37	\$19.37	\$16.38	\$12.27	\$11.32
645	620	556	756	754	708	708
301,000	297,000	301,000	300,000	290,000	304,000	303,000
183,546	191,031	184,610	185,228	197,369	196,190	196,855
1,899	1,856	1,734	1,637	1,556	1,482	1,424
\$229.58	\$162.51	\$123.88	\$159.01	\$161.60	\$101.28	\$58.91
\$62.13	\$55.30	\$50.88	\$43.27	\$32.37	\$28.32	\$22.06
\$37.95	\$35.54	\$31.26	\$26.75	\$22.05	\$18.28	\$14.34
338	334	342	315	313	306	292
493,000	496,000	499,000	497,000	498,000	521,000	520,000
73,115	77,598	75,284	72,676	73,019	78,023	85,614
1,262	1,262	1,232	1,259	1,253	1,242	1,223
\$231.28	\$161.06	\$122.64	\$155.54	\$162.40	\$103.97	\$59.00
\$141.53	\$123.67	\$113.44	\$103.06	\$91.24	\$68.54	\$47.53
\$20.98	\$19.34	\$17.12	\$15.05	\$13.36	\$10.29	\$7.83
384	377	360	384	380	371	366

Consolidation Schedule

(thousands of dollars except per share data)

December 31, 1981

		Dome Mines Limited	Campbell Red Lake Mines Limited	Sigma Mines (Quebec) Limited	Consolidated Dome Mines Limited
Dome Mines' ownership			56.9%	66.2%	
Revenue	Mining	\$40,447	\$109,237	\$30,851	\$180,535
	Oil and gas		5,509	1,377	6,886
		40,447	114,746	32,228	187,421
Operating costs	Mining	25,859	23,346	16,768	65,973
	Oil and gas		2,704	677	3,381
	General corporate costs	2,065	1,409	409	3,883
		27,924	27,459	17,854	73,237
	Operating income	12,523	87,287	14,374	114,184
	Outside mineral exploration	(3,284)	(2,401)	(1,647)	(7,332)
	Other income	9,826	7,567	1,441	18,834
		19,065	92,453	14,168	125,686
Income, mining and other taxes	Federal income tax	3,385	19,224	2,778	25,388
	Provincial income tax	1,478	8,540	1,032	11,049
	Provincial mining tax	1,721	19,694	1,787	23,202
	Petroleum and gas revenue tax		518	129	647
		6,584	47,976	5,726	60,286
		12,481	44,477	8,442	65,400
Equity in earnings of associated companies	Dome Petroleum	46,059	1,570	754	48,383
	Canada Tungsten	532			532
		59,072	46,047	9,196	114,315
	Minority interest		(19,864)	(3,104)	(22,968)
Dome Mines' share of net income		\$59,072	\$ 26,183	\$ 6,092	\$ 91,347
Amount per share of Dome Mines (1)		\$0.84	\$0.38	\$0.09	\$1.31
Working capital	Current assets	\$21,624	\$36,982	\$10,823	\$66,205
	Current liabilities	13,098	33,189	3,226	45,551
		\$ 8,526	\$ 3,793	\$ 7,597	\$20,654
	Total assets	\$529,472	\$216,665	\$51,870	\$718,605
	Additions to property, plant and equipment	\$42,829	\$86,524	\$18,627	\$147,980

(1) Restated to reflect the four-for-one share split in May, 1981.

December 31, 1980				December 31, 1979			
Dome Mines Limited	Campbell Red Lake Mines Limited	Sigma Mines (Quebec) Limited	Consolidated Dome Mines Limited	Dome Mines Limited	Campbell Red Lake Mines Limited	Sigma Mines (Quebec) Limited	Consolidated Dome Mines Limited
	56.9%	66.2%			56.8%	62.6%	
\$62,578	\$136,314 2,481	\$38,649 620	\$237,541 3,101	\$35,149	\$70,055	\$24,512	\$129,716
62,578	138,795	39,269	240,642	35,149	70,055	24,512	129,716
23,303	15,831 1,431	13,367 357	52,501 1,788	18,376	12,502	11,326	42,204
1,316	877	318	2,511	1,042	709	232	1,983
24,619	18,139	14,042	56,800	19,418	13,211	11,558	44,187
37,959	120,656	25,227	183,842	15,731	56,844	12,954	85,529
(2,319)	(1,879)	(1,283)	(5,481)	(1,336)	(1,108)	(433)	(2,877)
5,672	8,806	1,927	16,405	20,147	5,182	1,162	26,491
41,312	127,583	25,871	194,766	34,542	60,918	13,683	109,143
9,225	31,900	6,430	47,555	3,780	16,318	3,634	23,732
3,700	11,455	2,240	17,395	1,433	5,458	1,228	8,119
8,285	28,745	4,020	41,050	2,815	13,033	1,980	17,828
21,210	72,100	12,690	106,000	8,028	34,809	6,842	49,679
20,102	55,483	13,181	88,766	26,514	26,109	6,841	59,464
59,760	2,040	986	62,786	39,328	1,210	605	41,143
4,588			4,588	3,274			3,274
84,450	57,523 (24,815)	14,167 (4,782)	156,140 (29,597)	69,116	27,319 (11,813)	7,446 (2,788)	103,881 (14,601)
\$84,450	\$ 32,708	\$ 9,385	\$126,543	\$69,116	\$15,506	\$ 4,658	\$ 89,280
\$1.21	\$0.47	\$0.13	\$1.81	\$0.99	\$0.22	\$0.07	\$1.28
\$48,032	\$82,875	\$17,635	\$143,218	\$30,070	\$67,019	\$17,664	\$109,823
23,493	57,600	10,261	86,014	11,610	30,957	7,361	44,981
\$24,539	\$25,275	\$ 7,374	\$ 57,204	\$18,460	\$36,062	\$10,303	\$ 64,842
\$396,578	\$178,155	\$39,748	\$535,445	\$265,473	\$94,850	\$24,850	\$334,708
\$8,956	\$63,582	\$13,346	\$85,884	\$1,459	\$3,949	\$142	\$5,550

Supplementary Oil and Gas Information

Oil and gas reserves Net proved reserves of oil and gas as defined by the United States' Securities and Exchange Commission (SEC) and as determined by the engineers of Dome Petroleum are presented below.

In the following tables, oil (including natural gas liquids) is stated in thousands of barrels and gas measured in billions of cubic feet.

Details of Campbell's and Sigma's net proved reserves as at July 1, 1980 and December 31, 1981 together with changes between these dates are as follows:

	Canada	
	Oil	Gas
Year ended December 31, 1981		
Proved developed and undeveloped reserves:		
Beginning of year	5,898	39.0
Revision of previous estimates	162	(0.9)
Improved recovery	105	
Purchases of minerals-in-place	32	1.5
Extensions, discoveries and other additions	430	28.3
Production	(438)	(1.2)
End of year	6,189	66.7
Proved developed reserves:		
Beginning of year	4,560	21.2
End of year	5,265	29.4

	Canada	
	Oil	Gas
Six months ended December 31, 1980		
Proved developed and undeveloped reserves:		
Purchases of minerals-in-place July 1, 1980	6,075	38.9
Extensions, discoveries and other additions	24	0.7
Production	(201)	(0.6)
End of period	5,898	39.0
Proved developed reserves:		
End of period	4,560	21.2

The Company's proportionate interest in the proved developed and undeveloped reserves of Dome Petroleum, which is accounted for by the equity method, is as follows:

	Canada		Foreign		Total	
	Oil	Gas	Oil	Gas	Oil	Gas
December 31 —						
1981	147,330	1,937	8,623	41	155,953	1,978
1980	54,005	420	3,162	31	57,167	451
1979	30,985	356	1,061	13	32,046	369

Estimated future net revenues and the present value thereof

Estimated future net revenues from estimated production of proved and proved developed oil and gas reserves and the present value of such estimated future net revenues as determined by the engineers of Dome Petroleum are set forth below. In computing future net revenues, oil and gas prices at year end were used as a base with future price increases limited to the energy agreements between the provincial and federal governments to a maximum price equal to 75 percent of the world price as it existed at December 31, 1981. Future expenditures for both developing and producing the proved reserves are included in the calculations based on costs incurred in 1981 for similar activities. In determining the present value of estimated future net revenues, an annual discount factor of 10% was applied. Assumptions for prices, costs and the discount factor are based on guidelines issued by the SEC.

Estimated future net revenues as at December 31, 1981:

	Canada	
	Proved	Proved Developed
	(thousands of dollars)	
1982	\$ 4,786	\$ 6,229
1983	8,807	10,255
1984	13,847	10,963
1985 and subsequent	186,643	113,663
	<u>\$214,083</u>	<u>\$141,110</u>
Present value as at December 31, 1981	<u>\$92,118</u>	<u>\$68,576</u>

Estimated future net revenues as at December 31, 1980:

	Canada	
	Proved	Proved Developed
	(thousands of dollars)	
1981	\$ 9,107	\$ 6,708
1982	8,507	6,164
1983	8,015	5,733
1984 and subsequent	72,093	49,354
	<u>\$97,722</u>	<u>\$67,959</u>
Present value as at December 31, 1980	<u>\$52,448</u>	<u>\$36,928</u>

In the opinion of Management, the present value as defined should not be construed as the fair market value of the Company's oil and gas properties. Future prices and costs under present economic conditions are not expected to remain constant and the 10% discount factor is arbitrary.

The Company's proportionate interest in the present value of estimated future net revenues of Dome Petroleum in thousands of dollars is as follows:

	Canada		Foreign		Total	
	Proved	Proved Developed	Proved	Proved Developed	Proved	Proved Developed
December 31 –						
1981	\$2,510,130	\$2,263,077	\$137,079	\$101,294	\$2,647,209	\$2,364,371
1980	\$790,201	\$441,321	\$130,342	\$117,066	\$920,543	\$558,387
1979	\$437,051	\$256,767	\$47,940	\$26,427	\$484,991	\$283,194

Reserve recognition accounting

The SEC has concluded that the traditional methods of accounting (i.e. full cost or successful efforts) fail to provide sufficient information to disclose operating results of oil and gas procedures. Although the SEC has ceased developing Reserve Recognition Accounting (RRA) as a method of accounting for oil and gas producing activities in the primary financial statements, SEC regulations still require that the Company prepare supplementary information in accordance with RRA until an alternative comprehensive method of disclosure is developed.

Under the RRA method of accounting a value is ascribed to reserves of oil and gas at the time of discovery rather than at the time of production and reserves are recorded as assets. Income is based on the present value of the estimated future net revenue stream. The RRA presentations are based on uniform assumptions to be applied by all oil and gas producers.

Summary of changes in present value of estimated future net revenues

	1981	1980
	(thousands of dollars)	
Balance, beginning of year	\$52,448	
Revisions to reserves in prior years	22,676	
New field discoveries and additions	16,994	\$ 336
Purchases of reserves	3,586	54,527
Projected development costs incurred	1,850	
Production, net of lifting costs	(5,436)	(2,415)
Balance, end of year	\$92,118	\$52,448

The Company's proportionate interest in the results of the oil and gas activities of Dome Petroleum on the basis of RRA was \$165,951,000 in 1981, \$50,999,000 in 1980, and \$53,715,000 in 1979.

Summary of oil and gas producing activities	1981	1980
	(thousands of dollars)	
Additions and revisions to estimated oil and gas reserves:		
New field discoveries and extensions	\$16,994	\$ 336
Amortization of deferred gain*	797	484
	17,791	820
Revisions to reserves proved in prior years:		
Changes in prices	13,283	
Interest factor-accretion of discount	5,245	
Other	4,148	
Total revisions to proved reserves	22,676	
Total additions to proved reserves	40,467	820
Related exploration and development costs incurred:		
Acquisitions of unproved properties	2,651	1,563
Exploration	79,101	24,831
Development	2,260	146
Change in deferred costs	(87,301)	(26,394)
Total related exploration and development costs	(3,289)	146
RRA income before income tax provision	43,756	674
Provision for income taxes	22,709	349
Results of oil and gas activities following RRA	\$21,047	\$ 325

1980 information summarizes oil and gas producing activities of Campbell and Sigma from July 1, 1980, the effective date of acquiring oil and gas properties.

* The unamortized excess of the present value of estimated future net revenues of proved oil and gas reserves over the purchase price is \$16,895,000 (1980 – \$17,692,000).

Financial Reporting and Changing Prices

Over the past few years, accounting bodies in Canada and the United States have been developing standards for disclosing the effects of changing prices and inflation on business operations.

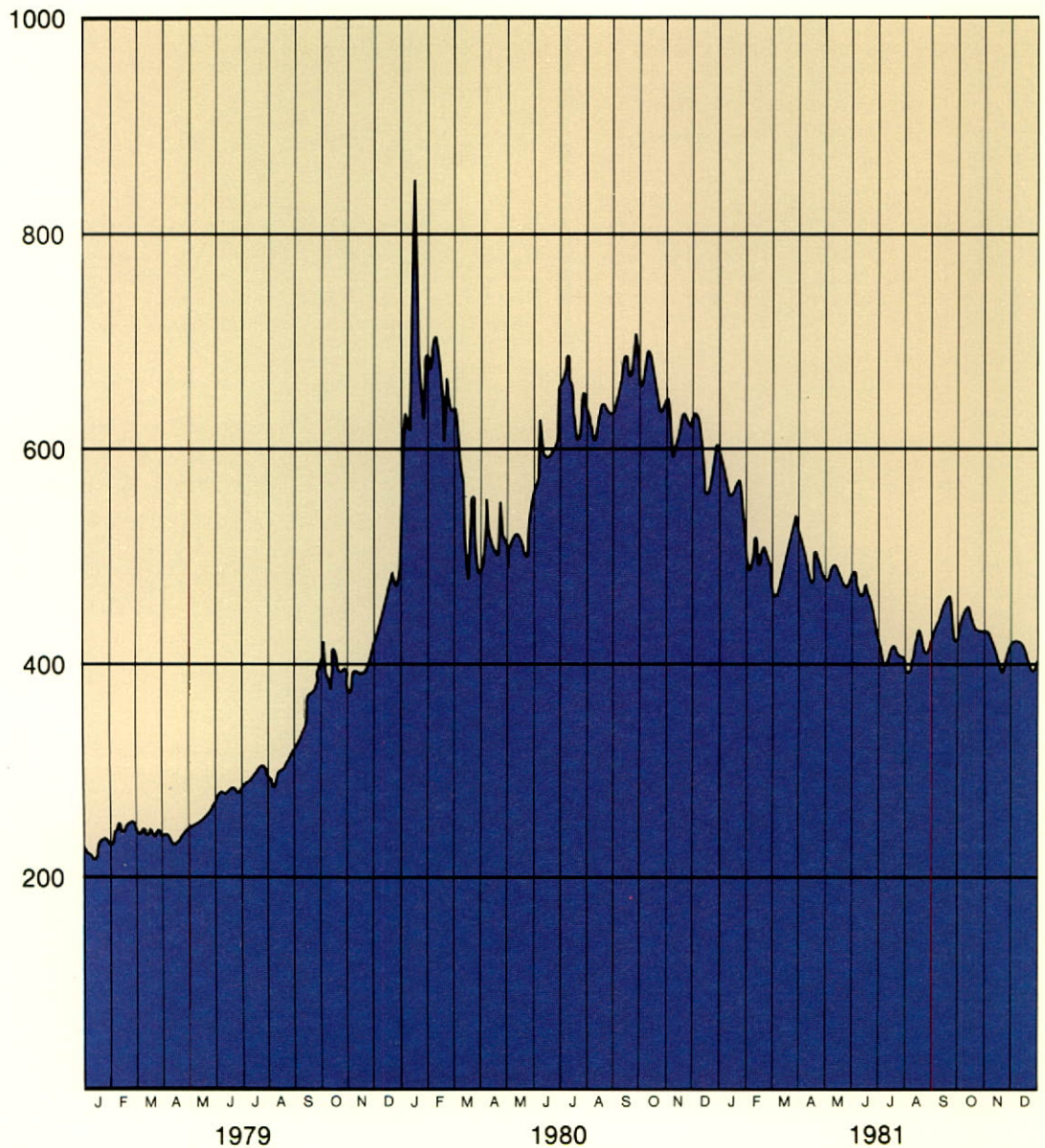
In the United States, FASB Statement No. 33 requires large companies to disclose supplementary information prepared on both a historical cost/constant dollar basis and a current cost basis. Statement No. 39 applies the requirements for the measurement of current costs and related expenses to the mineral resource assets of mining and oil and gas companies. In addition, mining companies are required to present estimates of significant quantities of proved, or proved and probable, mineral reserves, commercially recoverable minerals, quantities produced and selling prices.

In Canada, the Canadian Institute of Chartered Accountants (CICA) issued in December, 1981 an exposure draft on reporting the effects of changing prices. The exposure draft calls for supplementary disclosure of income attributable to common shareholders on a current cost basis together with other selected disclosures on both a current cost and a constant dollar basis. The proposed recommendations, if adopted, will apply to the mining and oil and gas industries and will require additional disclosure of mineral reserve quantities and changes in these quantities.

The proposals of the CICA differ from those in FASB Statements No. 33 and No. 39 in the United States. In view of this, the Company will continue to review the alternatives available to it so as to determine the most appropriate presentation for disclosing as supplementary information the effects of changing prices and inflation on its operations.

Gold Price

Gold Price
London 2nd Fixing
(U.S. dollars/fine oz.)



Quarterly Financial Information

Summarized unaudited quarterly financial data for 1981 and 1980 is as follows:

	Quarters Ended				Full Year
	March 31	June 30	Sept. 30	Dec. 31	
	(thousands of dollars except per share)				
1981					
Revenue	\$56,457	\$41,695	\$40,949	\$48,320	\$187,421
Operating income	\$39,314	\$25,455	\$21,250	\$28,165	\$114,184
Equity in earnings of Dome Petroleum	\$12,792	\$11,444	\$14,048	\$10,099	\$48,383
Net income	\$29,339	\$19,945	\$21,815	\$20,248	\$91,347
Net income per share	\$0.42*	\$0.29	\$0.31	\$0.29	\$1.31
1980					
Revenue	\$61,266	\$48,007	\$67,890	\$63,479	\$240,642
Operating income	\$48,352	\$34,295	\$54,015	\$47,180	\$183,842
Equity in earnings of Dome Petroleum	\$10,520	\$10,796	\$25,528	\$15,942	\$62,786
Net income	\$26,814	\$24,145	\$44,166	\$31,418	\$126,543
Net income per share	\$0.38½*	\$0.34½*	\$0.63*	\$0.45*	\$1.81*

* Restated to reflect the four-for-one share split in May, 1981.

Share Information

Principal Markets for Company's Shares

The New York Stock Exchange and The Toronto Stock Exchange are the principal markets in which the Company's shares are traded. Shown below are the high and low sale prices for the Company's shares on these exchanges for the periods indicated. Amounts shown for 1980 have been restated to reflect the four-for-one share split in May, 1981.

Toronto Stock Exchange (Canadian dollars)	1981		1980	
	High	Low	High	Low
First Quarter	\$29 ² / ₅	\$20 ⁷ / ₈	\$22 ³ / ₄	\$14 ³ / ₄
Second Quarter	29 ³ / ₄	22 ¹ / ₂	29 ¹ / ₂	15 ³ / ₈
Third Quarter	30 ³ / ₄	20 ¹ / ₄	38 ¹ / ₂	26 ⁵ / ₈
Fourth Quarter	26	18 ¹ / ₈	37 ⁷ / ₈	24 ¹ / ₄

New York Stock Exchange (United States dollars)	1981		1980	
	High	Low	High	Low
First Quarter	\$23 ¹ / ₂	\$17 ¹ / ₄	\$19 ⁴ / ₅	\$12
Second Quarter	24 ⁷ / ₁₆	18 ¹ / ₂	25 ³ / ₄	12 ⁴ / ₅
Third Quarter	25 ³ / ₈	16 ⁷ / ₈	33 ¹ / ₈	22 ⁷ / ₈
Fourth Quarter	21 ⁷ / ₈	15 ¹ / ₄	32 ² / ₃	19 ⁷ / ₈

Dividends

Dividends declared in Canadian dollars on the Company's shares for each quarterly period during 1981 and 1980 are shown below. Amounts shown for 1980 have been restated to reflect the four-for-one share split effected in May, 1981.

	1981			1980		
	Regular	Extra	Total	Regular	Extra	Total
First Quarter	\$0.03 ³ / ₄		\$0.03 ³ / ₄	\$0.03 ³ / ₄		\$0.03 ³ / ₄
Second Quarter	0.04		0.04	0.03 ³ / ₄		0.03 ³ / ₄
Third Quarter	0.04		0.04	0.03 ³ / ₄		0.03 ³ / ₄
Fourth Quarter	0.04		0.04	0.03 ³ / ₄	\$0.07 ¹ / ₂	0.11 ¹ / ₄
	\$0.15 ³ / ₄	—	\$0.15 ³ / ₄	\$0.15	\$0.07 ¹ / ₂	\$0.22 ¹ / ₂

A quarterly dividend of \$0.02½ per share was declared by the Board of Directors on March 23, 1982 payable May 31, 1982 to shareholders of record April 26, 1982.

The Company has paid dividends since 1920 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.

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. For shareholders resident in the United States the current rate of withholding tax is 15 percent.

Exchange Listings

Dome Mines' shares are listed on The New York Stock Exchange in the United States, on The Toronto and Montreal Stock Exchanges in Canada and are traded on the Paris Bourse.

The shares are also admitted for unlisted trading on the Detroit and Midwest Stock Exchanges in the United States.

Stock Symbol: DM

Shareholders

As at December 31, 1981 there were 77,592,248 Common Shares issued and outstanding, of which 30,515,784 or 39.3 percent are owned by Dome Petroleum. The Company's records indicate that there were 11,072 shareholders at year end.

There are no limitations on the right of non-residents to hold or vote the shares of the Company.

Directors

°†A. Bruce Matthews,
*Chairman,
Toronto, Ontario
President,
Matthews & Company, Inc.*

°Malcolm A. Taschereau,
*President and Chief
Executive Officer,
Toronto, Ontario
Dome Mines Limited*

°†Fraser M. Fell, Q.C.,
*Vice-Chairman,
Toronto, Ontario
Partner, Fasken & Calvin*

*Rene Amyot, Q.C.,
*Quebec, Quebec
Chairman, Air Canada
Partner, Amyot, Lesage,
Bernard, Drolet & Associés*

°John P. Gallagher,
*Calgary, Alberta
Chairman and Chief Executive,
Dome Petroleum Limited*

William F. James,
*Toronto, Ontario
Partner, James & Buffam*

°Executive Committee Member

†Management Resources and
Compensation Committee Member

*Audit Committee Member

†Maclean E. Jones, Q.C.,
*Calgary, Alberta
Partner, Bennett Jones*

*°Allen T. Lambert,
*Toronto, Ontario
Retired Chairman
The Toronto-Dominion Bank*

†Alan R. McFarland,
*New York, U.S.A.,
General Partner,
Lazard, Freres & Co.*

*James B. Redpath,
*Toronto, Ontario
Retired President,
Dome Mines Limited*

*†J. Keith Reynolds,
*Toronto, Ontario
President,
J. K. Reynolds Consultants Inc.*

William E. Richards,
*Calgary, Alberta
President,
Dome Petroleum Limited*

Officers

A. Bruce Matthews,
Chairman

Malcolm A. Taschereau,
*President and
Chief Executive Officer*

Fraser M. Fell, Q.C.,
Vice-Chairman

C. Henry Brehaut,
*Vice-President,
Operations*

G. S. Wallace Bruce,
*Vice-President,
Exploration*

H. Douglas Scharf,
Treasurer

John W. W. Hick,
Secretary

Robert R. Quesnel,
Controller

John H. Hough,
Assistant Secretary

Kenneth P. Wright,
Chief Metallurgist

Harry V. Pyke,
Mine Manager

Robert J. Perry,
General Superintendent

Corporate

Executive Office

Box 270, Suite 2700
1 First Canadian Place
Toronto, Ontario
M5X 1H1
(416) 364-3453

Mine Office

Dome Mines Limited
South Porcupine, Ontario
P0N 1H0

Transfer Agents

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

Auditors

Clarkson Gordon
Toronto, Ontario

Registrars

Canada Permanent Trust
Company
320 Bay Street
Toronto, Ontario
M5H 2P6

The Toronto-Dominion Bank
Trust Company
45 Wall Street
New York, N.Y. 10005

General Counsel

Fasken & Calvin
Toronto, Ontario

Annual Report

Copies of the Annual Reports of the Company and Campbell Red Lake Mines Limited are available by writing to
The Royal Trust Company,
Box 7500, Station A,
Toronto-Dominion Centre,
Toronto, Ontario, Canada
M5W 1P9.

Copies of the Annual Report of Sigma Mines (Quebec) Limited are available by writing to
The Secretary,
Box 270,
1 First Canadian Place,
Toronto, Ontario, Canada
M5X 1H1.

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 270,
1 First Canadian Place,
Toronto, Ontario, Canada
M5X 1H1.

Rapport Annuel

Copies du rapport annuel de Dome Mines Limited peuvent être obtenues en écrivant à
Le Secrétaire,
Box 270,
1 First Canadian Place,
Toronto, Ontario, Canada
M5X 1H1.

