DOME MINES LIMITED

ANNUAL REPORT 1986

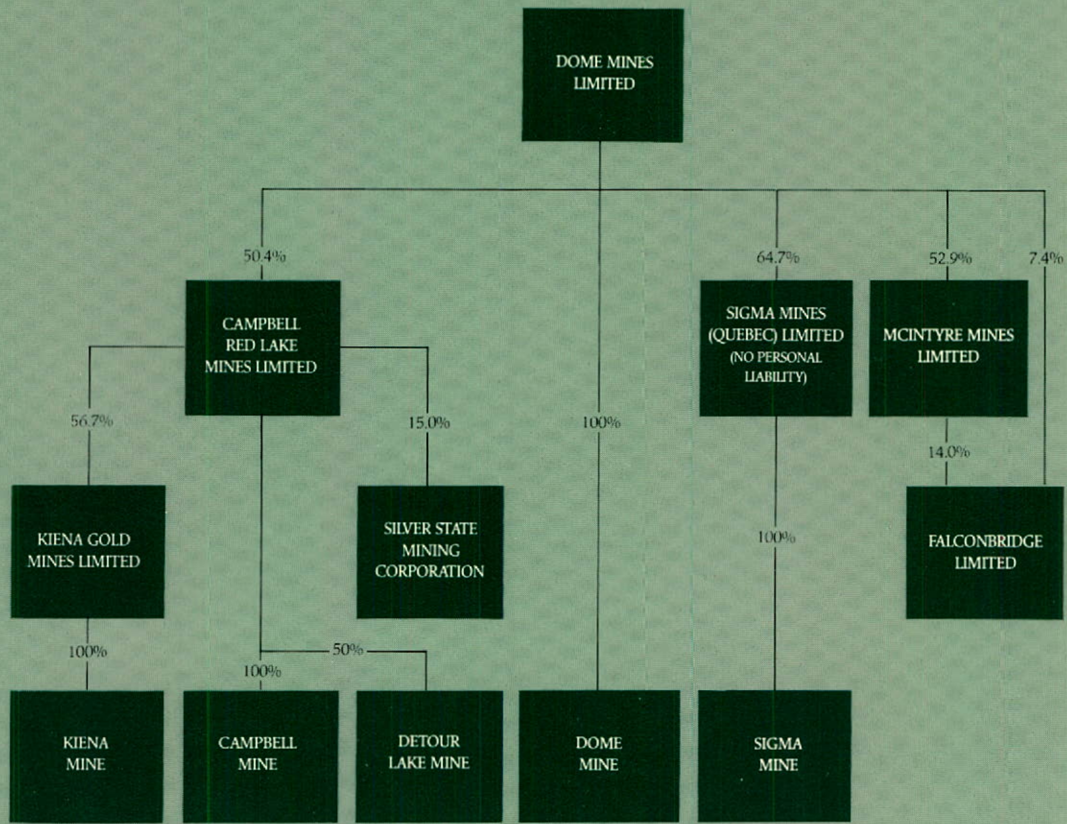
The Dome Mines Group is one of North America's largest producers of gold. Production in 1986 totalled 557,586 ounces of gold or approximately 18% of total estimated Canadian production. Dome Mines controls directly and through its major subsidiaries five underground gold mining operations in Ontario and Quebec.

Dome Mines, directly and through its subsidiary, McIntyre Mines Limited, controls 21.4% of the voting shares of Falconbridge Limited. Falconbridge is one of the largest producers of refined nickel in the non-communist world and also produces significant quantities of zinc, copper and other metals. Falconbridge's base and precious metal production has been enhanced by the acquisition of Kidd Creek in 1986.

The Dome Mines Group owns participating interests in oil and gas properties in Western Canada, held by Campbell and Sigma, and also has an investment in Dome Petroleum Limited.

Dome Mines Limited had 96,954,032 Common Shares issued and outstanding as at March 31, 1987. The Common Shares are listed for trading on The Toronto Stock Exchange, The Montreal Exchange, the New York Stock Exchange and the Paris Bourse.

The following chart shows the principal companies and operations of the Dome Mines Group as at March 31, 1987:



HIGHLIGHTS

- ☐ **Net income increased to $0.80 per share in 1986**
- ☐ **Campbell acquired a 56.7% interest in Kiena Gold Mines Limited**
- ☐ **Gold production increased by 20% to 557,586 ounces in 1986**
- ☐ **Cash flow from operations increased by 71% in 1986 to $81,723,000**
- ☐ **Reported gold reserves increased at the Campbell and Sigma mines**

(thousands of Canadian dollars, except per share amounts)	1986	1985	1984
Financial Results			
Revenue			
Mining	**$281,952**	$205,295	$199,427
Oil and gas	**$11,427**	$17,522	$15,667
Equity in losses of associated companies	**$(1,224)**	$(10,647)	$(56,870)
Income (loss) before unusual items and loss from discontinued coal mining operations	**$15,336**	$2,124	$(32,398)
Net income (loss)	**$71,586**	$12,210	$(25,674)
Cash provided by operating activities	**$81,723**	$47,845	$59,214
Financial Position			
Cash and short-term investments	**$34,433**	$25,395	$61,257
Shareholders' equity	**$372,359**	$272,666	$159,505
Per Share			
Net income (loss)	**$0.80**	$0.15	$(0.36)
Dividends	**$0.06**	$0.12	$0.12
Production			
Ounces of gold	**557,586**	466,274	430,676
Oil and natural gas liquids (bbls)	**550,000**	512,000	467,000
Natural gas (mcf)	**1,730,000**	1,719,000	1,623,000

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

CONTENTS

Fraser M. Fell

1986 was a significant year for the Dome Mines Group with increases in gold production, revenue and earnings for all companies. Gold production of the Group increased 20% in 1986 to 557,586 ounces of gold at a weighted average cost of $301 per ounce.

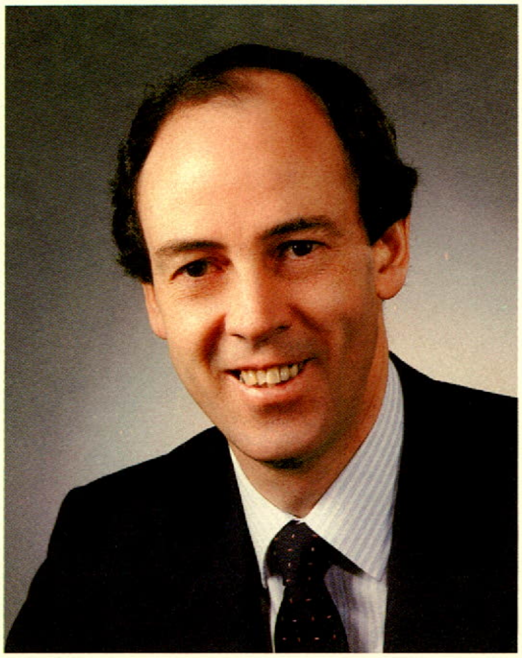
Consolidated income of Dome Mines in 1986, before unusual items and loss from discontinued coal mining operations, increased to $15.3 million compared to $2.1 million in 1985. After unusual items which included a gain on the issue of shares by Campbell, the sale of shares of Campbell, and a provision to reflect a decline in the market value of Campbell's shareholding of LAC Minerals, consolidated net income was $71.6 million or $0.80 per share compared to $12.2 million or $0.15 per share in 1985. In March, 1987, Campbell started an orderly disposition of its entire holding of LAC. Cash flow from operations increased by 71% to $81.7 million in 1986 from $47.8 million in 1985.

In 1986, the Dome Mine at Timmins, Ontario completed its 77th year of operations with production of 137,023 ounces of gold at an average cash cost of U.S. $250 per ounce. A $15 million program to replace the 58 year old gold recovery section of the mill is underway which, upon completion in mid-1988, should increase mill capacity by 10%, improve gold recovery, and reduce operating costs. The No. 8 shaft, completed in 1984, which provides access to the major ore structures down to the 5,100 foot horizon, has resulted in a number of operating efficiencies. With 46% of the ore still mined from above the 2,000 foot horizon, the Dome Mine has many years of operation ahead. Ore reserves will be calculated this year to report both proven and probable reserves in accordance with industry practice. Such a recalculation was completed in 1986 for the Campbell Mine at Red Lake, Ontario, and the Sigma Mine at Val d'Or, Quebec.

The Campbell Mine produced 229,182 ounces of gold in 1986 at an average cash cost of U.S. $107 per ounce. This operation continues as one of the highest grade and lowest cost gold mines in the world. A $12.6 million expansion and modernization program is currently underway to increase mine production and mill recovery and reduce operating costs. Gold production is planned to increase in stages to 240,000 ounces by 1990. At December 31, 1986, proven and probable reserves aggregated 7.6 million tons at an average grade of 0.608 ounces of gold per ton. This is equivalent to approximately 18 years of future production at currently projected rates.

Campbell's second operation is its 50% owned Detour Lake Mine located approximately 125 miles north-east of Timmins, Ontario. Campbell's share of production in 1986 was 43,176 ounces. Development of the underground mine is proceeding based on a production rate of 2,000 tons per day. Full production is expected by mid-1988. Campbell's share of the cost of the total program, including the associated surface facilities, is estimated to be $24.3 million with a portion of this cost to be provided in 1987 from revenue generated from low-grade stockpiles and pre-production ore. Campbell's share of production during the 1987 transition year is expected to be 30,000 ounces of gold. In 1988, when most of the ore will be supplied from the underground mine, gold production for Campbell's account is projected at 56,000 ounces. Proven and probable reserves for the underground mine are 8.2 million tons at an average grade of 0.15 ounces of gold per ton. This is equivalent to 12 years of future production at the planned milling rate. The ore body is open to depth.

Early in 1986, Campbell acquired a 57% equity interest in Kiena Gold Mines Limited which has an excellent mine near Val d'Or, Quebec, strong earnings and a healthy balance sheet. Kiena produced 72,694 ounces of gold in 1986 at an average cash cost of U.S. $202 per ounce. At December 31, 1986, proven and probable reserves at Kiena were 6.1 million tons at an average grade of 0.147 ounces of gold per ton. This is equivalent to 12 years of future production at currently projected milling rates. Exploration of the main ore zone to depth is underway and a major program of primary exploration on Kiena's large property has been started.



C. Henry Brehaut

In 1986, Sigma completed 50 years' of operations at Val d'Or, Quebec, with increased gold production and earnings and with shareholders' equity at a record level of $42.3 million. The Sigma Mine produced 64,715 ounces of gold in 1986 at an average cash cost of U.S. $260. At December 31, 1986, proven and probable reserves aggregated 4.9 million tons at an average grade of 0.139 ounces of gold per ton which is equivalent to 10 years' of future production at current production rates.

A major modernization program at the Sigma Mine has now commenced coincident with the conversion of Sigma's power system from 25 to 60 cycle. Hydro-Quebec will contribute $7.3 million to the conversion program and Sigma will expend a further $1.9 million to expand capacity and to install a number of cost-saving new facilities. As a result of this modernization program, gold production should increase by an average of 3,900 ounces annually starting in 1988.

In 1986, the Dome Mines Group expended $14.2 million in the exploration for and the development of new gold deposits in the Canadian Shield of Ontario and Quebec, in British Columbia, and in the United States.

A feasibility study at the Dona Lake Project in the Pickle Lake area of Ontario has indicated the development of a mine to be economic at a milling rate of 550 tons per day and the decision to proceed is awaiting requisite government approvals. This project, which is jointly owned by Dome Mines and Campbell, should add 20,000 ounces annually to the production of each company if the decision is made to proceed. An extensive exploration program in the Pickle Lake area has revealed two other properties with good promise and with significant gold bearing material on one of these properties.

To the north-west of Pickle Lake, Dome Mines and Campbell have a joint 35% participating interest in and are operators of the Musselwhite Project. A diamond drilling program is currently underway with the objective of extending the known gold bearing zones. To the end of 1986, 2.2 million tons of gold bearing material averaging 0.24 ounces per ton had been defined and, if these potential reserves are expanded, an underground exploration program will be undertaken to provide the information required for a detailed feasibility study.

In British Columbia, Dome Mines and Campbell each have a 50% interest in the exploration program now underway at the Quesnel Project. To date, 1.1 million tons of gold bearing material have been outlined at an average grade of 0.21 ounces per ton. Diamond drilling is continuing on this property and a preliminary feasibility study has been started.

In 1986, Campbell acquired from Dome Mines and Sigma their entire interests in Dome Exploration (U.S.) Ltd., the U.S. exploration arm of the Dome Mines Group. Dome Mines and Sigma retain an aggregate 12.5% net profits interest in Domex U.S.'s then existing U.S. exploration properties. Subsequently, Campbell, through Domex U.S., acquired a 15% equity interest in Silver State Mining Corporation of Denver, Colorado. Campbell has the right to increase this interest in the future through the exercise of options and the conversion of debt. Silver State's growth potential and its expertise and ability to develop low-cost gold production is expected to provide an important element in the expansion of Campbell's United States gold activities.

Although gold exploration, development and production is the principal business of the Dome Mines Group, Dome Mines also owns directly, and indirectly through its subsidiary, McIntyre Mines Limited, 21.4% of Falconbridge Limited. Last year Falconbridge acquired Kidd Creek Minerals which has a world class copper/zinc ore body and a modern environmentally sound metallurgical complex at Timmins, Ontario. With this acquisition, Falconbridge changed from being predominantly reliant upon nickel for its revenues into a more diversified producer of metal and mineral products. This change has strengthened Falconbridge's strategic position and broadened its opportunities to take advantage of growth in different sectors of the economy.

During the first quarter of 1987, McIntyre sold its wholly owned subsidiary, Smoky River Coal Limited, which owns and operates a metallurgical coal mine in Alberta. McIntyre's only remaining asset is its 14% interest in Falconbridge shares.

At the present time, Dome Mines owns 19.5% of the outstanding shares of Dome Petroleum which in turn owns 21.5% of the outstanding shares of Dome Mines. The carrying value of Dome Mines' investment in Dome Petroleum has been written-off.

Dome Petroleum continues to negotiate a long-term recapitalization plan with its lenders and the final outcome of negotiations cannot be predicted at this time. Dome Petroleum's continued existence as a going concern is dependent on its ability to reach agreement on a long term plan, which agreement is not assured. In late 1986, Dome Mines commenced discussions with the Dome Energy lenders with a view to eliminating its $225 million Guarantee on a basis acceptable to all parties concerned. Discussions to date have been sporadic and inconclusive.

During 1986, Campbell and Sigma continued their direct participation in oil and gas exploration, development and production in western Canada. Although production increased, revenues were adversely affected by price declines. Cash flows generated during the year were, however, sufficient to finance substantially all of the capital expenditures on oil and gas properties.

Turning to the business strategy of the Dome Mines Group, the first priority has been to examine the production capacity of each operating mine with a view to long-term optimization of profits. This has resulted in the recent expansion of operations at the Dome Mine and at the Campbell Mine and the further modernization of facilities currently underway at the Campbell Mine and at the Sigma Mine. The second element of the strategy is to be as efficient as possible. The introduction of new mining methods and technology has resulted in substantial cost savings at all operations which, to a considerable degree, have offset higher labour costs. Thirdly, the Group exploration activities have been expanded significantly with most of the current $17 million budget being directed to the discovery of gold deposits in the Canadian Shield and in the United States. The fourth element of the strategy is to acquire developed or partially developed gold properties and equity interests in well managed gold companies such as Kiena and Silver State.

In order to protect cash flow and minimize the impact of fluctuations in gold prices, a portion of the gold production from the Dome, Sigma and Kiena mines and substantially all of the gold production from the Detour Lake Mine are hedged through a combination of forward sales and put options. At December 31, 1986, 87,100 ounces of anticipated 1987 production were hedged as part of this program. A total of 24,000 ounces had been sold forward at an average price of U.S. $435 per ounce, while a further 63,100 ounces were protected by put options with an average exercise price of U.S. $394 per ounce. Production from the Campbell Mine is not sold forward, however, due to its low production costs and strong cash flow.

In 1986, Dome Mines sold 1.7 million shares of Campbell in a secondary offering to the public, thereby reducing its equity interest in Campbell to 50.4%. The net proceeds of $34.1 million were applied to reduce Dome Mines' bank debt. In March of this year, Dome Mines sold 7 million common shares to the public in Canada and elsewhere outside the United States for total proceeds of $84 million. The net proceeds were used to retire the remaining balance of bank debt and to strengthen Dome Mines' working capital.

Dome Mines is dedicated to meeting its social responsibilities by maintaining the profitability of its operations over the long term, providing safe working conditions, and protecting the environment. The employees at all operations are to be commended for their good safety record.

We would like to thank all of the men and women employed for the significant contribution they have made to bring about the excellent operating and financial results in 1986. We are also grateful to our shareholders whose support is vital to our continued success as a major Canadian gold producer.

Fraser M. Fell
Chairman and
Chief Executive Officer

C. Henry Brehaut
President and
Chief Operating Officer

March 31, 1987.

Aerial view of the Dome Mine
Timmins, Ontario.

MINING

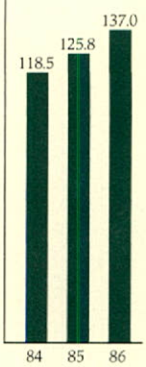
DOME MINE

The Dome Mine, located in Timmins in northeastern Ontario, completed its 77th year of operation in 1986 and has produced over 11,000,000 ounces of gold. New shaft facilities provide access to major ore bearing structures down to the 5,100 foot horizon below surface. A 50% expansion and modernization program was completed in 1985 which, in addition to the new shaft, included extensive improvements to the mill and other surface facilities.

Gold at the Dome Mine occurs in the free state in association with sulphide mineralization, in long narrow veins of quartz or ankerite, in quartz stockworks within sediments and porphyritic intrusives and also as en-echelon veins in massive volcanics. The ankerite and en-echelon veins contain higher grade ore but must be mined by the more expensive cut-and-fill method. Quartz stockworks within sediments and porphyritic intrusives contain lower grade ore but are sufficiently large to permit mining with the lower cost, longhole open stope method.

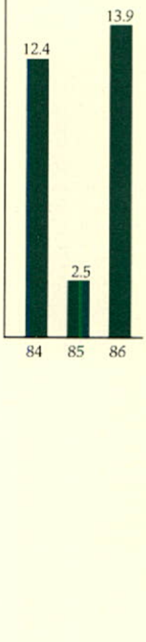
The Dome mill processes ore using gravity separation and cyanidation in conjunction with filtration and zinc precipitation for gold recovery. The gold is refined into bullion at the Dome Mine. In 1986, a program to replace the 58 year old gold recovery section of the mill with a modern carbon-in-pulp circuit was approved. This program, which is scheduled for completion in mid-1988 at an estimated cost of $15,000,000, is expected to increase mill capacity by 10%, improve gold recovery and reduce operating costs.

Dome Mine production (000's of ounces)



	1986	1985	1984
Ounces of gold	**137,023**	125,797	118,472
Revenue per ounce	**$500**	$436	$463
Operating cost per ounce	**$398**	$416	$358
Cash operating cost per ounce	**$348**	$362	$330
Operating income before taxes (000's)	**$13,880**	$2,484	$12,415

Dome Mine operating income ($ millions)



Operating income from the Dome Mine during 1986 increased to $13,880,000 from $2,484,000 in 1985 primarily as a result of increased gold production and prices. Cash operating costs per ounce in 1986 of $348 (U.S. $250) were lower than in 1985 largely due to increased gold production.

In 1986, gold production totalled 137,023 ounces from the milling of 1,060,000 tons of ore at an average grade of 0.134 ounces per ton. Gold production in 1986 was favourably affected by a 3% increase in tons milled, higher than planned ore grades and improved mill recovery in comparison to 1985. Anticipated gold production in 1987 is 134,000 ounces.

	1986	1985	1984
Tons milled	**1,060,000**	1,028,000	860,000
Grade (ounces per ton)	**0.134**	0.128	0.142
Mill recovery (%)	**96.8**	95.5	97.1
Operating cost per ton	**$51.50**	$50.87	$49.30

Mine operating costs per ton have shown little change over the past three years as economies of scale have largely offset the effects of inflation and other cost factors. The proportion of ore provided by the longhole mining method was 60% in 1986 compared to 64% in 1985 and 57% in 1984. Mill recovery dropped to 95.5% in 1985 as the result of a higher proportion of refractory ore being milled but increased to 96.8% in 1986 as the milling characteristics of the ore improved.

Historically, the Dome Mine has conservatively reported only proven ore reserves and then only

Dome Mine employees.

those proven reserves which could be mined without further development costs. Management has concluded that the reserves of the Dome Mine should be reported in accordance with the normal Canadian industry practice of reporting both proven and probable ore reserves which are mineable and include allowances for dilution, mining recovery and other factors. All other mines in the Dome Mines Group now report proven and probable reserves and a similar calculation of reserves is currently underway at the Dome Mine with completion scheduled by the end of 1987.

At December 31, 1986, proven extractable reserves were as follows:

	1986	1985	1984
Total reserves, including broken ore (000's of tons)	**2,495**	2,538	2,629
Grade (ounces per ton)	**0.174**	0.170	0.170

Lower grade ore not included in the reserves and ore not previously defined are mined as part of normal operating practices. This ore, when included in the mill feed, accounts for the average grade milled being lower than the reserve grade. Despite a small drop in reported proven reserves at the end of 1986, sufficient stoping areas have been identified for long-term mining. The lowest current production level at the Dome Mine is at the 3,900 foot elevation. The main geological structures have been traced to below 4,800 feet and are open to depth (meaning that, based on all information to date, Dome Mines has no reason to believe that the ore bearing structures do not continue below the levels currently established).

During 1986, underground diamond drilling totalled 63,454 feet, most of which was in support of mine planning, stope development and mine exploration activities. Development in 1986 totalled 20,234 feet of drilling, crosscutting and raising.

Capital expenditures in 1986 totalled $4,478,000 compared to $2,871,000 in 1985. Major programs in 1986 included the construction of a new assay office and fill plant and dam construction in the tailings area. In addition, $1,638,000 was spent on more productive mining equipment.

The production and maintenance workers at the Dome Mine are unionized and represented by the United Steelworkers of America. Agreement on a new two year contract, expiring in April, 1988, was reached in July, 1986. Wage rate increases under this new contract will average 3.4% in the first year and 3.2% in the second year.

The compensable accident frequency at the Dome Mine was 2.8 lost time injuries per 200,000 man hours in 1986 compared to 3.1 in 1985 and an average of 3.5 for the mining industry in Ontario in 1986.

Campbell Mine

The Campbell Mine, located at Balmertown in northwestern Ontario, was brought into production in 1949 and, in its 38 years of operation, has produced approximately 6,000,000 ounces of gold. The Campbell Mine is one of the world's lowest cost gold mines, with 1986 cash operating costs of $148 (U.S. $107) per ounce.

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

The Campbell Mine is serviced by a single four-compartment shaft extending to a depth of 4,317 feet below surface. Ore zones, though relatively extensive horizontally and continuous at

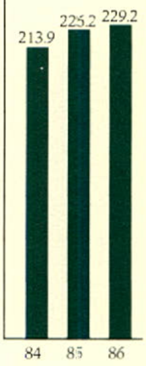
Underground at the Campbell Mine.

depth, are narrow and the mine is therefore relatively labour-intensive. As mining proceeds to depth, the use of the cut-and-fill stoping method will continue to increase over the less expensive shrinkage stoping method. Ore from cut-and-fill mining increased to 79% of all ore milled in 1986 compared to 70% in 1985 and 62% in 1984.

Ore from the Campbell Mine is processed through a mill with an annual capacity in the order of 393,000 tons, using gravity separation, flotation, roasting and cyanidation to recover the gold. The gold is refined into bullion at the Campbell Mine.

Operating income from the Campbell Mine in 1986, at $81,303,000, compared to $65,319,000 in 1985, was favourably affected by higher gold prices and production, offset to some extent by higher costs.

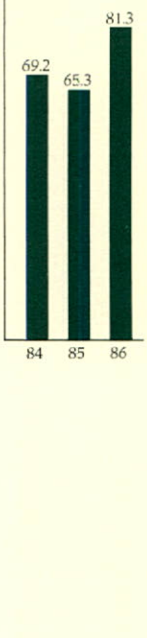
Campbell Mine production (000's of ounces)



	1986	1985	1984
Ounces of gold	**229,182**	226,152	213,946
Revenue per ounce	**$512**	$437	$463
Operating cost per ounce	**$157**	$148	$140
Cash operating cost per ounce	**$148**	$138	$131
Operating income before taxes (000's)	**$81,303**	$65,319	$69,198

During 1986, 393,000 tons of ore were processed through the Campbell mill and 229,182 ounces of gold were recovered. Gold production has increased during the past two years as a result of mining an increased percentage of higher grade ore and improved grade control measures. Planned production in 1987 is 230,000 ounces.

Campbell Mine operating income ($ millions)



	1986	1985	1984
Tons milled	**393,000**	392,000	395,000
Grade (ounces per ton)	**0.615**	0.608	0.573
Mill recovery (%)	**94.7**	94.9	94.5
Operating cost per ton	**$91.35**	$85.44	$75.78

Mine operating costs per ton increased in 1986 and 1985 primarily as a result of mining a higher proportion of ore by the more expensive cut-and-fill method. Other factors contributing to increased operating costs were hourly wage increases of 7% in both 1986 and 1985, higher government charges for workers' compensation and more extensive ground control measures. Wage rates at the Campbell Mine, which is not unionized, are related to rates at other mines in northwestern Ontario and are established with a view to maintaining Campbell's ability to attract and retain employees. Over the past year, mill operating costs remained steady, with operational efficiencies in a number of areas generally offsetting the increased cost of labour and supplies.

As a result of rock bursting in 1982 and 1983, stoping in one zone and sill removal activities in another zone were halted. Notwithstanding the rock bursts, planned production tonnage was maintained throughout 1984, 1985 and 1986. Plans have been developed to resume mining on a limited basis at a future date in the ore zone principally affected by rock bursting.

During 1986, underground diamond drilling totalled 43,829 feet, all in support of mine planning, stope development and mine exploration activities. In 1986, development footage for stope preparation and the extension of known ore zones totalled 9,555 feet.

Until December, 1986, Campbell had conservatively reported only proven ore reserves and then only those proven reserves which could be mined without further development costs. Management has completed a calculation of proven and probable reserves at the Campbell Mine and proposes for 1986 and following years to follow the normal Canadian industry practice and report both proven and probable ore reserves which are mineable and include allowances for dilution, mining recovery and other factors.

Proven and probable reserves in place, including dilution, at the Campbell Mine as of December 31, 1986 have been calculated to be 7,597,400 tons at an average grade of 0.608 ounces of gold per ton. This aggregate amount is comprised of 2,052,600 tons of proven reserves at an average grade of 0.575 ounces per ton (of which 193,800 tons, at an average grade of 0.326 ounces per ton, is broken ore) and 5,544,800 tons of probable reserves at an average grade of 0.620 ounces of gold per ton. Under the prior method, reported proven reserves in place which could be mined without further development cost as of December 31, 1985 were 2,022,000 tons at an average grade of 0.616 ounces per ton. If broken ore reserves of 233,000 tons at an average grade of 0.330 ounces per ton were included as proven reserves, then the aggregate proven reserves at December 31, 1985 would have been 2,255,000 tons at an average grade of 0.586 ounces of gold per ton.

Current ore reserves are located between surface and the 22nd level (3,250 feet below surface) which is the lowest active mining level. Additional levels have been established to the 27th level (4,000 foot elevation) for future mining. Currently known zones have the potential of adding to reserves above the 22nd level. In addition, the structures are open to depth.

Capital expenditures in 1986 totalled $6,764,000 compared to $1,894,000 in 1985. The modernization and expansion program in the mill was the major project underway in 1986, with completion expected in the third quarter of 1987 at a total estimated cost of $12,600,000. Upon completion, this program will provide the basis for a 10% increase in tonnage, improved mill recovery and reduced operating costs. Other major capital programs in 1986 included the purchase of more productive mining equipment, improvements to the mine ventilation system and dam construction in the tailings area.

The accident frequency at the Campbell Mine in 1986 was 1.8 lost time injuries per 200,000 man hours worked compared to an average of 3.5 lost time accidents per 200,000 man hours experienced by the Ontario mining industry in 1986.

Detour Lake Mine

Campbell's share of Detour Lake Mine production
(000's of ounces)

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

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

The main zone is a strong geological structure which strikes east-west and dips 45 degrees to 75 degrees to the north. To date, the ore body has been mined by open pit methods. Pit mining will be completed to a depth of 405 feet, in 1987 and an underground mining operation is currently being developed. Below the pit bottom, the main zone averages 820 feet long and 40 feet wide. The primary underground mining method is expected to be mechanized cut-and-fill stoping with blasthole stoping being used in steeper sections of the ore body.

The underground mine is being developed based on a production rate of 2,000 tons per day, with full production scheduled to be achieved by mid-1988. Campbell's share of the cost of the total program, including associated surface facilities, is estimated to be $24,300,000. Sufficient ore from the pit, low-grade stockpiles and pre-production underground ore is expected to be available for the mill to continue operating at capacity in 1987, with Campbell's share of planned production being in the order of 30,000 ounces.

During 1986, 864,000 tons of ore were processed for an average throughput of 2,370 tons per day and 86,352 ounces of gold were recovered. Tonnage was adversely affected by a one week labour strike and a two week shutdown for repairs to the grinding mill. Gold production in 1986 increased by 6% over 1985 primarily due to improved grades in the pit and higher than anticipated grades from the bulk sample mined as part of the underground development program. The Detour Lake mill processes ore using cyanidation and the carbon-in-pulp process to recover the gold which is refined into bullion at the mine site. Mill recovery improved to 94.0% in 1986.

100% of production	1986	1985	1984
Tons milled	864,000	895,000	876,000
Grade (ounces per ton)	0.106	0.098	0.097
Mill recovery (%)	94.0	93.6	92.8

Mine operating costs decreased in 1986 mainly due to a reduction in the pit stripping ratio. Continued savings were made in the utilization of manpower and supplies and over the year the workforce was reduced from 241 to 151 employees.

At December 31, 1986, proven and probable ore reserves in place, after allowing for dilution, were estimated by Campbell as follows:

	1986	1985	1984
Proven			
Open pit (including stockpiles) (000's of tons)	1,210	726	1,823
Grade (ounces per ton)	0.064	0.099	0.108
Probable			
Underground (000's of tons)	8,201	8,546	9,046
Grade (ounces per ton)	0.152	0.134	0.132
Total proven and probable (000's of tons)	9,411	9,272	10,869
Weighted average grade (ounces per ton)	0.141	0.131	0.128

The underground reserves reported as of December 31, 1986 include 1,209,000 tons at an average grade of 0.143 ounces per ton below the 11th level (1,800 feet below surface) which, at the present time, is the lowest level. The main zone, which constitutes a high proportion of the proven and probable reserves, is open to depth. In addition, several dozen ore grade intersections outside the presently defined ore zones may be indicative of mineralized structures requiring further exploration underground. Open pit reserves include 747,000 tons of low grade stockpiles at a grade of 0.041 ounces per ton.

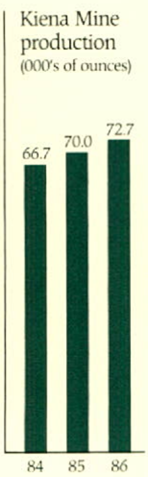
Campbell's share of operating income, before depreciation, in 1986 was $11,247,000. After depreciation charges, Campbell's share of operating income was $940,000. This compares to an operating loss of $678,000 in 1985 after depreciation charges of $4,618,000. Reduced cash operating costs, increased gold production and higher gold prices all contributed positively to operating results in 1986. Cash operating costs were reduced to $254 (U.S. $183) per ounce in 1986 from $379 (U.S. $277) in 1985.

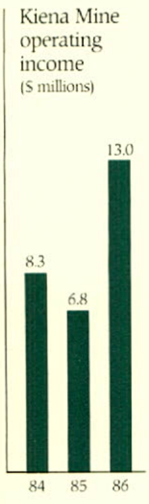
Campbell's 50% share	1986	1985	1984
Ounces of gold	43,176	40,884	39,479
Revenue per ounce	$514	$475	$462
Operating cost per ounce	$492	$492	$576
Cash operating cost per ounce	$254	$379	$447
Operating cost per ton	$49.21	$44.90	$51.93
Operating income before taxes (loss) (000's)	$940	$(678)	$(4,496)

The United Steelworkers of America were successful in replacing the International Union of Operating Engineers in September, 1985 as the certified bargaining agent for the production and maintenance employees at the Detour Lake Mine. The previous contract expired on October 6, 1985. A new three year contract was approved by the membership on August 28, 1986 after a one week strike. This agreement provides for wage increases of 3.6%, 3.1% and 3.0%, respectively, at the start of each contract year.

A significant improvement in safety performance was achieved in 1986. The accident frequency was reduced from 11.7 lost time injuries per 200,000 man hours in 1985 to 2.7 in 1986, which compares favourably to the Ontario mining industry average of 3.5 lost-time accidents per 200,000 man hours in 1986.

Kiena Mine





The Kiena Mine, owned by Campbell's 56.7% owned subsidiary, Kiena Gold Mines Limited, is located in the Val d'Or mining area of Quebec, and commenced production in 1981 using custom milling facilities.

Gold at the Kiena Mine occurs in a pyritic albite-chlorite breccia zone. Gold is not generally visible in the ore, but under a microscope has been noted within fractures in pyrite, on the edges of pyrite crystals and in other occurrences. The most common occurrence of gold is with the pyrite.

The upper limit of the main ore zone is about 300 feet below surface and has been traced to 1,800 feet. The average strike length is 800 feet and its average width is about 60 feet. The ore body is open to depth. In addition, a number of exploration targets on the property have been identified which consist of known mineralized zones, extensions to favourable geological structures, geophysical anomalies and isolated diamond drill intersections showing gold mineralization.

The Kiena Mine is serviced by a single three-compartment shaft, extending to a depth of 2,043 feet below surface. A long-term development program completed during 1985 included the deepening of the shaft and changes to other major facilities required to enable mining to proceed to depth. The nature of the ore body lends itself to the use of highly mechanized mining systems resulting in an efficient underground operation. Cut-and-fill, longhole and longhole pillar recovery stoping methods are also being employed.

Prior to September, 1984, all ore from the Kiena Mine was treated at a custom mill in the area. The construction of a mill at the mine site was completed by Kiena in 1984 and the treatment of ore under the custom milling agreement was terminated in January, 1985. The Kiena mill has a design capacity of 440,000 tons per year but processed 500,000 tons in 1986. The milling process is based on semi-autogenous grinding, cyanidation and carbon-in-pulp gold recovery. The gold is refined into bullion at the Kiena Mine.

During 1986, mine operating income increased to $12,978,000 compared to $6,789,000 in 1985 and $8,338,000 in 1984. Income was favourably affected by higher gold prices and production and lower unit costs.

	1986	1985	1984
Ounces of gold	**72,694**	70,034	66,657
Revenue per ounce	**$501**	$425	$461
Operating cost per ounce	**$322**	$328	$335
Cash operating cost per ounce	**$280**	$287	$302
Operating income before taxes (000's)	**$12,978**	$6,789	$8,338

In 1986, 500,000 tons of ore were milled at an average grade of 0.151 ounces per ton to produce 72,694 ounces. Mill throughput was 19% higher than in 1985 and 13% over the design capacity.

Milling operations at the Kiena Mine.

The mill operated satisfactorily throughout the year and management of Kiena believes that the tonnage rate achieved in 1986 can be sustained. In addition to the increase in tonnage, the mill recovery rate was improved from 95.3% in 1985 to 96.0% in 1986.

	1986	1985	1984
Tons milled	**500,000**	420,000	416,000
Grade treated (ounces per ton)	**0.151**	0.172	0.172
Mill recovery (%)	**96.0**	95.3	94.2
Operating cost per ton	**$46.92**	$54.70	$53.66

The average grade of ore treated in 1986 declined partly as planned and partly due to the increase in tonnage being provided by lower grade mining areas. This trend will continue in 1987 as mining activities will be spread more evenly throughout the mine. Because of the need to start new mining areas at the lower grade fringes of the ore zones, grades are expected to be marginally lower in 1987 than the average reserve grade. Planned gold production in 1987 is 67,000 ounces.

The increase in tonnage in 1986 was achieved primarily by mining additional ore from longhole stopes which accounted for 30% of the millfeed compared to 15% in 1985. Cut-and-fill mining still accounts for a high proportion of production but its relative amount dropped from 61% in 1985 to 52% in 1986. Direct stoping costs per ton in 1986 were slightly lower than in 1985 as a result of changes in mining methods and operating improvements introduced throughout the year.

The total operating cost per ton milled dropped significantly in 1986 to $46.92 from $54.70 in the previous year. The major factors contributing to the improvement in costs were the economies of scale derived from the increase in tonnage and lower mine development costs. Development work in 1986 was primarily related to regular stope preparation activities, while in 1985 a major development program for the lower section of the mine was underway. Total exploration expenditures in 1986 on Kiena's property amounted to $2,454,000 compared to $1,127,000 in 1985.

At December 31, proven and probable ore reserves at the Kiena Mine were as follows:

	1986	1985	1984
Tons (000's)			
Proven	**3,490**	3,707	1,768
Probable	**2,611**	2,464	4,146
Total	**6,101**	6,171	5,914
Grade (ounces per ton)	**0.147**	0.152	0.158

Surface exploration carried out during the winter of 1986 included the drilling of 12 diamond drill holes for a total of 13,419 feet at a cost of $267,000. The best gold values averaged 0.278 ounces per ton over 21.3 feet in hole S-194 located about 2,625 feet west of the North Zone. Three further holes were drilled in this area as part of the 1987 winter program but results are not yet available. Ten additional surface holes are planned to test other areas of significant geologic interest on the Kiena property. An overburden drilling program and some geophysical surveys will also be conducted for the purpose of identifying further targets for future surface drilling programs.

During 1986, mine capital expenditures totalled $1,469,000, net of investment tax credits, compared to $1,889,000 in 1985. In addition, mine development costs capitalized in 1985 were $2,233,000.

At December 31, 1986, the Kiena Mine had 189 permanent employees compared to 192 at the end of 1985.

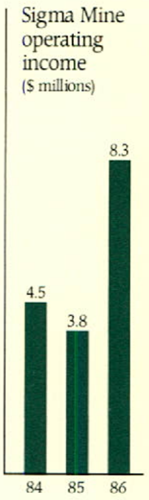
The accident frequency rate in 1986 at the Kiena Mine was 2.1 lost time accidents per 200,000 man hours worked compared to the Quebec mining industry's average rate of 10.4.

SIGMA MINE

Since operations began in 1937, the Sigma Mine has treated 21,000,000 tons of ore from which 3,515,331 ounces of gold have been recovered. Current underground mining activities extend from approximately 1,200 feet to 5,200 feet below surface. In addition, the Sigma No. 2 Mine, an open pit operation located fifteen miles from the Sigma mill, provided 6% of the total mill tonnage in 1986.

The Sigma Mine is serviced by a four-compartment shaft extending from surface to a depth of 3,150 feet. An internal shaft continues to a depth of 5,965 feet. Gold at the Sigma Mine occurs in a system of steeply-dipping veins extending over a strike length of some 3,000 feet. It also occurs in flat-dipping veins filling tension fractures in the walls of vertical shears and in stringer zones in porphyry dykes. Methods of ore extraction are mainly by shrinkage, room-and-pillar and cut-and-fill mining. The narrow vein structures preclude large scale mechanized methods and the Sigma Mine is relatively labour-intensive.

	1986	1985	1984
Stoping –			
Shrinkage	**15%**	16%	14%
Room and pillar	**17**	15	17
Cut-and-fill	**36**	37	34
Longhole	**7**	5	5
Other	**17**	15	24
Development	**2**	3	3
Open pit	**6**	9	3
	100%	100%	100%



Ore is processed through a mill with an annual capacity in the order of 485,000 tons, using cyanidation for gold recovery. The gold is refined into bullion at the Sigma Mine.

During 1986, operating income was $8,340,000 compared to $3,841,000 in 1985. Bullion revenue increased to $32,162,000 in 1986 from $26,143,000 in 1985 as a result of higher gold prices and production. Gold production was higher in 1986 due to higher than anticipated grades from the cut-and-fill and flat stopes and a 3% increase in tonnage. Although cost per ton mined increased by 4%, cash operating cost per ounce decreased from $366 (U.S.$267) in 1985 to $361 (U.S.$260) in 1986 primarily due to the increase in gold production.

	1986	1985	1984
Ounces of gold	**64,715**	59,465	56,980
Revenue per ounce	**$497**	$440	$465
Cash operating cost per ounce	**$361**	$366	$380
Operating income before taxes (000's)	**$8,340**	$3,841	$4,519

Mine operating cost per ton increased during 1986 primarily in response to inflationary pressures. The impact of additional costs associated with increased tonnage was largely offset by productivity improvements introduced during the year.

During 1986, 493,000 tons of ore were milled from which 64,715 ounces of gold were recovered. Gold production in 1986 was higher than in 1985 due to mine grades exceeding ore reserve estimates. Projections based on current ore reserve estimates indicate gold production to be in the order of 60,000 ounces in 1987.

	1986	1985	1984
Tons milled	**493,000**	479,000	478,000
Grade treated (ounces per ton)	**0.136**	0.129	0.124
Mill recovery (%)	**96.5**	96.3	96.3
Cost per ton	**$48.32**	$46.56	$45.92

An exploration program on the Sigma Mine property was initiated in 1986 to examine fully the area north of the existing mine workings. A surface magnetic survey, 11,000 feet of underground drilling and 4,750 feet of surface drilling were completed during the year at a cost of $486,000. Although results to date have not revealed any significant gold mineralization, the program will be continued in 1987.

Until December, 1986, the Sigma Mine had conservatively reported only proven ore reserves and then only those proven reserves which could be mined without further development costs. Management has completed a calculation of proven and probable reserves at the Sigma Mine and proposes for 1986 and following years to report both proven and probable ore reserves which are mineable after allowances for dilution, mining recovery and other factors.

At December 31, 1986, Sigma reported proven and probable reserves in place, including dilution, at the Sigma Mine and Sigma No. 2 Mine of 4,902,940 tons (equivalent to ten years of future production at current milling rates) at an average grade of 0.139 ounces of gold per ton, comprised of 1,640,779 tons of proven reserves at an average grade of 0.163 ounces of gold per ton and 3,262,161 tons of probable reserves at an average grade of 0.127 ounces of gold per ton. These grades are consistent with recent operating experience. Proven reserves as of December 31, 1985 under the prior method were 978,000 tons, equivalent to approximately two years of future production. The average grade of the proven reserves was 0.194 ounces of gold per ton. Lower grade ore not included in reserves and ore not previously defined were mined as part of normal operating practices. In past years, the inclusion of such ore in millfeed accounted for the average grade milled being lower than the reserve grade. If broken ore reserves of 290,000 tons at an average grade of 0.090 ounces per ton were included as proven reserves, then the aggregate proven reserves at December 31, 1985 would have been 1,268,000 tons at an average grade of 0.170 ounces of gold per ton.

Capital expenditures totalled $532,000 in 1986 compared to $301,000 in 1985. In 1987, capital expenditures for items associated with on-going operations are expected to be in the order of $1,500,000. Major capital projects include equipment to improve productivity, a service hoist for No. 3 shaft and additional computer equipment for the accounting, engineering and geology departments.

An agreement was signed with Hydro-Quebec in 1986 for the conversion of Sigma's 25 cycle power system to a 60 cycle power system. As part of the conversion program, Sigma will be installing a new grinding circuit and compressor plant which will provide future operating cost savings and which will enable the capacity of the mill to be increased by 11%. The cost of the total program is estimated to be $9,180,000 of which Hydro-Quebec will pay approximately $7,300,000. Sigma's share is expected to be $1,100,000 in 1987 and $780,000 in 1988. The additional millfeed will be supplied from the Sigma No. 2 Mine and increased gold production is anticipated to average in the order of 3,900 ounces per year starting in 1988.

In 1986, the accident frequency rate per 200,000 man hours worked was 8.0 at the Sigma Mine compared to the Quebec mining industry average of 10.4.

A two year labour agreement, effective July 1, 1986, was negotiated in 1986 with the hourly employees represented by Le Syndicat des Employés de Les Mines Sigma (Québec) Limitée. This contract provided for hourly wage increases of 3.0% at the start of the first year and 2.8% at the start of the second year, plus additional improvements to life insurance, pensions and other allowances.

Mineral Exploration

Dome Mines participates with Campbell and Sigma in a joint program of mineral exploration in Canada. Dome Mines and Campbell participate equally in new exploration programs in Ontario, except for programs undertaken within specified distances of the Campbell and Dome mines. Sigma undertakes all new projects in Quebec where most of its exploration activity is centred. In the rest of Canada, participation is generally Dome Mines as to 50%, Campbell as to 40% and Sigma as to 10%, although since 1985 Sigma has elected not to participate in new projects in Canada outside Quebec. Kiena continues its exploration activities to expand reserves at the Kiena Mine.

In the United States, exploration activities are carried out by Dome Exploration (U.S.) Limited ("Domex U.S."). Until September, 1986, Dome Mines, Campbell and Sigma owned 50%, 40% and 10%, respectively, of Domex U.S. In September, 1986, Dome Mines and Sigma sold their respective shares of Domex U.S. to Campbell, while retaining an aggregate 12.5% net profits interest in Domex U.S.'s then existing exploration properties.

During 1986, exploration expenditures, other than on the Kiena Mine property, were $11,727,000 compared to $11,409,000 in 1985 and $12,459,000 in 1984. Expenditures in 1986 were directed primarily toward the discovery of gold deposits in Ontario ($6,391,000), Quebec ($1,934,000), British Columbia ($1,438,000) and Nevada ($1,002,000). In 1986, work was undertaken on 66 projects. Diamond drilling was undertaken on 32 programs.

In 1984, gold mineralization in a folded sulphide bearing iron formation was discovered on the Dona Lake property near Pickle Lake in northwestern Ontario. This property is owned as to 50% by each of Dome Mines and Campbell. Following completion of an underground exploration program, the Company completed a feasibility study which has indicated the development of a mine to be economic at a milling rate of 550 tons per day. Information to date indicates gold bearing material to the 1,700-foot level of 1,926,000 tons at an estimated average grade of 0.20 ounces of gold per ton. Total capital expenditures to reach commercial production are estimated to be $36,300,000 but the decision to proceed with this project will not be made until requisite government approvals have been received. If proceeded with, Dona Lake could add 40,000 ounces annually to production.

Following the discovery of the Dona Lake deposit, land holdings in the Pickle Lake area were increased and an extensive exploration program is underway. Already, two other properties have shown promise, with significant gold bearing material having been found on one of these properties.

Dome Exploration (Canada) Limited is the operator of an exploration project to the northwest of Pickle Lake, known as the Musselwhite Project, in which the Dome Mines Group has an aggregate 35% participating interest. In 1986, a surface diamond drilling program was successful in discovering a gold bearing zone in the eastern section of the property near Snoppy Lake and, during 1986, a second zone was outlined and the possible occurrence of a third zone was indicated. A diamond drilling program is currently underway with the objective of extending the second zone and developing tonnage in the third. To the end of 1986, approximately 2,200,000 tons of gold bearing material averaging 0.24 ounces of gold per ton had been defined in the first two zones and, if the tonnage is expanded, an underground exploration program will be considered in order to provide the information required for a detailed feasibility study.

In western Canada, Dome Mines and Campbell also have an active exploration program underway on their Quesnel Project in central British Columbia. To date, 1,100,000 tons of gold bearing material at an average grade of 0.21 ounces of gold per ton has been outlined. Diamond drilling is continuing to extend the tonnage and further explore this large property and, if the results of further drilling warrant it, a preliminary feasibility study will be undertaken.

In the United States, Campbell , through Domex U.S., has a 23.3% interest in the Marigold Project as a member of the Cordex VI Syndicate. A recent announcement by the project operator stated that 5,000,000 tons of gold bearing material at a grade of 0.073 ounces of gold per ton had been outlined on this property near Battle Mountain, Nevada. Further drilling, metallurgical test work and engineering studies will be carried out during 1987.

Total exploration expenditures in 1986 by Kiena, all of which related to surface and underground exploration programs on its mine property, amounted to $2,454,000. Kiena identified a number of targets which require further work in 1987, principally in an area northwest of the present No. 1 shaft.

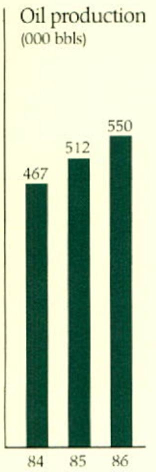
In Quebec, exploration work was carried out for Sigma's account on 13 projects in the northwest section of the province with activities primarily concentrated in the Val d'Or and Ligneris areas. The Val d'Or volcanic belt north of the Cadillac-Malartic fault, in which Sigma has 11 exploration properties covering approximately 10,000 acres, has a long history of gold production. A significant proportion of this extensive land holding lies west of the Sigma Mine and several of the properties are in the immediate vicinity of the Kiena Mine.

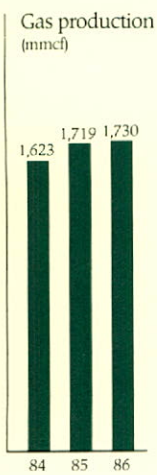
In 1986, exploration was carried out by Sigma on 5 properties in the Val d'Or area and, while gold values were intersected, no major discoveries were made. In 1987, a major drilling program is planned on the Wesdome property to investigate 3 gold bearing vein structures on this large holding with the objective of adding to existing reserves. Additional drilling programs are also planned on the Dubuisson property and the Lapaska option as well as on the Bellechasse option which is located 7 miles east of the Sigma No. 2 Mine.

In the Ligneris area, a major exploration by Sigma has been underway on the optioned Vior property for two years with numerous zones containing gold bearing material having been found. To the end of 1986, none of these zones were determined to be of economic significance. In January, 1987, a diamond drill hole intersected a zone grading 0.91 ounces of gold per ton over a core length of 17.6 feet in a series of pyroclastic rocks. The diamond drilling program for 1987 will test the significance of this area in addition to examining other geological targets on this large property.

Exploration activities at the Dona Lake property.

OIL AND GAS





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

The Company recorded an operating loss from oil and gas activities of $256,000 in 1986 compared to income of $3,328,000 in 1985. The decrease in earnings was due to a 35% decline in oil and gas revenues to $11,427,000 in 1986 (1985 – $17,522,000; 1984 – $15,667,000) as international crude oil prices dropped sharply early in 1986. The benchmark price of West Texas intermediate crude oil was below U.S.$16 per barrel for most of the year, but increased during the fourth quarter and in early 1987 has traded at prices approximating U.S.$18 per barrel. Average selling prices for the Campbell's and Sigma's oil, net of royalties, declined by 49% in 1986 compared to 1985. Natural gas prices, affected by reduced demand and price deregulation, declined by 20%. Average selling prices in each of the past three years were as follows:

	1986	1985	1984
Oil and natural gas liquids (per bbl)	**$17.22**	$33.53	$32.14
Natural gas (per mcf)	**$1.95**	$2.43	$2.57

Total Canadian oil and gas industry production declined in 1986. As a result of additional production from new wells, however, Campbell's and Sigma's gas production at 1,730,000 mcf was substantially unchanged in 1986 compared to 1985 and their oil production increased by 8% during the year. Oil and gas fields in Alberta provided 85% of Campbell's and Sigma's production of oil and gas in 1986, with the remainder coming from other provinces in western Canada. Total production in each of the past three years was as follows:

	1986	1985	1984
Oil and natural gas liquids (bbls)	**550,000**	512,000	467,000
Natural gas (mcf)	**1,730,000**	1,719,000	1,623,000

The Company's proved oil and gas reserves at December 31, 1986 were determined to be as follows:

	Proved Developed	Proved Undeveloped	Total
Oil and natural gas liquids (000 bbls)	**5,485**	717	6,202
Natural gas (000 mcf)	**38,400**	33,700	72,100

These reserves are contained in landholdings totalling 14,532,000 gross working interest acres (434,000 net working interest acres) plus a further 646,000 acres in which Campbell and Sigma have a gross royalty interest. Approximately 50% of the net working interest acreage and 67% of the gross royalty interest acreage are in Alberta. Only 14% of the total net working interest acreage has been developed.

Capitalized expenditures on oil and gas exploration, development, plant and equipment amounted to $8,296,000 in 1986, compared to $6,428,000 in 1985 and $7,523,000 in 1984. Despite the decline in revenues, cash flow from oil and gas operations, before income taxes, was sufficient to fund substantially all capital expenditures in 1986. Campbell and Sigma participated in the drilling of 526 gross wells (12 net), of which 355 were oil wells, 72 were gas wells and 99 were dry.

INVESTMENTS

FALCONBRIDGE LIMITED

As at March 31, 1987, Dome Mines, directly and through its subsidiary, McIntyre, exercised control over 21.4% of the issued and outstanding common shares of Falconbridge (17.8% on a fully diluted basis).

Falconbridge is an international resource corporation which has been engaged in the exploration, development, mining, processing and marketing of metals and minerals since 1928. The Falconbridge group of companies principal operations are in Canada, Norway, the Dominican Republic and Zimbabwe. Its products include nickel, ferronickel, copper, zinc and other base metals and various precious metals.

Falconbridge's base and precious metal production has been enhanced by the acquisition from Canada Development Corporation ("CDC") in 1986 of Kidd Creek, a fully integrated mining enterprise which owns and operates zinc, copper, silver and gold mining and metallurgical facilities in Timmins, Ontario.

The total cost of such purchase was $619,440,000 payable as follows: $140,000,000 cash, 10,473,568 Falconbridge common shares, $270,765,000 principal amount of Falconbridge 8½% convertible debentures, maturing in 2006 and convertible into Falconbridge common shares at a conversion price of $21.95 per share, and other costs of $4,440,000.

As a condition of the closing of the Kidd Creek acquisition, Dome Mines and McIntyre (the "Dome Group"), Falconbridge and CDC entered into a shareholders' agreement which provides that each of the Dome Group and CDC will limit to a maximum of 40% its beneficial ownership of Falconbridge voting securities (except in certain limited circumstances including a third party take-over bid) and confers upon CDC and the Dome Group certain reciprocal rights of first refusal in the event that either wishes to dispose of any of their Falconbridge voting securities, including the 8½% convertible debentures owned by CDC.

On October 7, 1986, CDC disposed of all of its common shares of Falconbridge by way of a public offering in Canada and elsewhere outside the United States to underwriters, who then sold to the public Units consisting of one common share of Falconbridge and one-half Deferred Payment Right evidencing the holder's right to one-half common share of Falconbridge. Dome Mines and McIntyre waived their respective rights of first refusal with respect to the sale of common shares of Falconbridge owned by CDC, and did not participate in the transaction.

Dome Mines' and McIntyre's rights of first refusal with respect to the 8½% convertible debentures of Falconbridge owned by CDC continue in effect in accordance with the terms of the shareholders' agreement.

Dome Mines' equity interest in Falconbridge's 1986 loss before extraordinary items was $1,224,000, compared to earnings of $4,547,000 in 1985 from May 29,1985, the date the Company acquired its interest in Falconbridge.

Falconbridge's loss before extraordinary items was $15,518,000 in 1986 compared to earnings of $38,543,000 in 1985. Extraordinary gains totalling $85,787,000 were reported by Falconbridge in 1986 from sales of its investments in Kiena Gold Mines Limited, Giant Yellowknife Mines Limited, Akaitcho Yellowknife Gold Mines Limited and Corporation Falconbridge Copper. Revenues increased to $1,145,480,000 in 1986 from $890,247,000 in 1985, primarily as a result of the inclusion of Kidd Creek revenues.

The 1986 operating profit before taxes of the Integrated Nickel Operations was $15,826,000, compared to $62,795,000 in 1985. Sales of nickel declined in 1986 to 41,321 tonnes from 54,600 tonnes in 1985 primarily due to a reduction in the sale of traded material. Copper sales increased to 41,593 tonnes from 32,766 tonnes. Average prices for refined nickel fell by 15% to U.S.$1.96 per pound in 1986 from U.S.$2.31 in 1985. Copper selling prices averaged U.S.$0.63 per pound in 1986 compared to U.S.$0.65 in 1985.

Operating profit contributed by Kidd Creek in 1986 was $71,226,000. Sales totalled 135,021 tonnes of zinc metal, 75,087 tonnes of zinc concentrate, 113,836 tonnes of copper, 6,027,000 ounces of silver and 70,000 ounces of gold.

Falconbridge's cash position at December 31, 1986 was $281,898,000 and long-term debt was $1,203,445,000. Interest and debt related expenses were $130,127,000 in 1986, compared to $40,863,000 in 1985. The increase in long-term debt and interest expense resulted primarily from debt assumed and incurred on the acquisition of Kidd Creek.

Falconbridge issued and sold 6,600,000 common shares by public offering in February, 1986 (of which Dome Mines purchased 1,600,000 for a total cash cost of $33,200,000), 10,473,568 common shares as part of the consideration for Kidd Creek, and 1,540,750 common shares in December, 1986 in conjunction with share purchase tax credits. In February, 1987, 4,978,385 common shares were issued on exercise of warrants.

In February, 1987, Falconbridge announced that it had sold its entire investment in Western Platinum Limited for U.S.$75,000,000.

Silver State Mining Corporation

On September 29, 1986, Campbell's wholly-owned United States exploration subsidiary, Domex U.S., purchased 6,250,000 or 15.1% of the common shares of Silver State, a Denver-based public company with gold mining properties in the western United States, for an aggregate cash price of $10,414,000 (U.S.$7,500,000). At the same time, Domex U.S. sold to Silver State its 29⅓% indirect interest in Dee Gold in exchange for Silver State's U.S.$4,500,000 non-recourse 6% debenture maturing September 29, 1991 and convertible at any time prior to maturity into 3,000,000 common shares of Silver State. This debenture is secured by the pledge of Silver State's indirect interest in Dee Gold. Domex U.S. also acquired options to purchase up to 12,000,000 additional common shares of Silver State at any time prior to September 30, 1991 at prices ranging from U.S.$1.50 to U.S.$1.75 per share.

Silver State reported 1986 earnings of U.S.$2,429,576 or U.S.$0.07 per share, on revenues of U.S.$6,726,327 compared to 1985 earnings of U.S.$404,394 or U.S.$0.01 per share on revenues of U.S.$1,150,961. The increase in earnings was attributed to an increase in gold production from 2,050 ounces in 1985 to 17,458 in 1986.

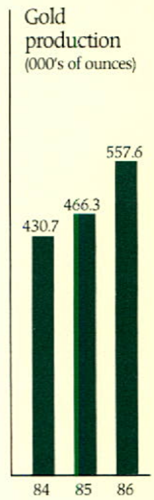
Silver State's Tonkin Springs gold mine in Eureka County, Nevada completed its first full year of operation in 1986, producing 13,740 ounces at an average direct operating cost of U.S.$124 per ounce. Silver State's share of Dee Gold's fourth quarter gold production was 3,718 ounces. The Dee Gold Mine produced 51,033 ounces of gold in 1986 at an average direct operating cost of U.S.$164 per ounce.

Silver State is presently evaluating the White Pine property in White Pine County, Nevada and the Hayden Hill property in Lassen County, California as potential gold mining projects.

Financial Review

Dome Mines' 1986 consolidated net income was $71,586,000 or $0.80 per share, compared to $12,210,000 or $0.15 per share in 1985 and a loss of $25,674,000 or $0.36 per share in 1984. Income before unusual items and discontinued coal mining operations was $15,336,000 in 1986, compared to $2,124,000 in 1985. This increase in earnings in 1986 was due primarily to higher gold prices and increased gold production.

Disclosure of the differences between accounting principles and practices generally accepted in Canada and those generally accepted in the United States and required by the SEC ("U.S. basis") is included in note 15 to the consolidated financial statements. Had the consolidated financial statements been prepared on the U.S. basis, Dome Mines would have reported a loss of $192,939,000 or $2.17 per share in 1986 compared to losses of $24,917,000 or $0.32 per share in 1985 and $44,243,000 or $0.62 per share in 1984.



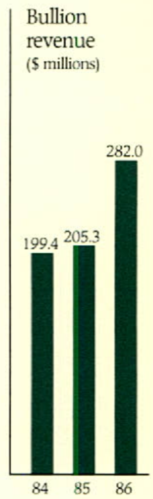
Mining

Mine operating income of $100,081,000 in 1986 was 66% higher than 1985 income of $60,125,000 and 47% higher than 1984 income of $67,854,000. The principal determinants of mine operating income and cash flow are the number of ounces of gold produced, the price of gold and operating costs.

Total production of gold in the past three years is summarized as follows:

(troy ounces of gold produced)	**1986**	1985	1984
Dome Mine	**137,023**	125,797	118,472
Campbell Mine	**229,182**	226,152	213,946
Detour Lake Mine			
(Campbell's 50% share)	**43,176**	40,884	39,479
Kiena Mine	**72,694**	–	–
Sigma Mine	**64,715**	59,465	56,980
Dee Gold Mine(1)	**10,796**	13,976	1,799
	557,586	466,274	430,676

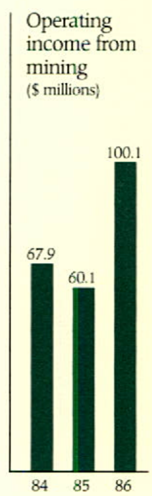
(1) To the date of sale of the Dee Gold interest on September 29, 1986.



Total production increased in 1986 primarily as a result of the acquisition of Kiena in January, 1986, although production at the other mines increased as described in the Review of Operations. The Company's 29⅓% indirect interest in Dee Gold was sold on September 29, 1986.

Bullion revenue was $281,952,000 in 1986, 37% and 41% higher than in 1985 and 1984, respectively. The increase in 1986 over the two preceding years was due not only to increased production, but also to a higher average selling price for gold. Revenue per ounce averaged $506 (U.S.$364) in 1986, compared to $440 (U.S.$322) in 1985 and $463 (U.S.$357) in 1984.

Operating costs totalled $181,871,000 in 1986, compared to $145,170,000 in 1985 and $131,573,000 in 1984. The higher costs in 1986 are largely attributable to the acquisition of Kiena, but also include increased depreciation charges at the Detour Lake Mine and increased outside mineral exploration activities. The increase in costs in 1985 compared to 1984 resulted primarily from increased production.



The contribution by mine to total operating income is as follows:

(thousands of Canadian dollars)	**1986**	1985	1984
Dome Mine	**$ 13,880**	$ 2,484	$12,415
Campbell Mine(1)	**81,235**	65,319	68,744
Detour Lake Mine(1)	**(1,504)**	(819)	(5,052)
Kiena Mine(1)	**10,648**	—	—
Sigma Mine(1)	**7,962**	3,841	4,438
Dee Gold Mine(2)	**2,041**	709	(232)
	114,262	71,534	80,313
Outside mineral exploration expense	**14,181**	11,409	12,459
Operating income	**$100,081**	$60,125	$67,854

(1) After amortization of the excess of the cost, to Dome Mines, of acquiring the net assets of subsidiaries Campbell, Sigma and Kiena over their underlying book values and after amortization of capitalized interest.
(2) To the date of sale of the Dee Gold interest on September 29, 1986.

Cash flow from mining operations, before income and mining taxes, amounted to $129,030,000 in 1986, compared to $76,617,000 in 1985 and $79,763,000 in 1984.

The Company's coal mining operations, acquired in 1985, were sold on March 25, 1987 with effect from February 28, 1987. The loss from these discontinued operations, after deducting non-cash operating charges and net of the minority interest share, amounted to $188,000 in 1986 and $2,289,000 in 1985. These losses were funded by the coal mining operations and did not result in any cash expenditure by Dome Mines.

Oil and Gas

Oil and gas revenues declined to $11,427,000 in 1986, 35% lower than 1985 revenue of $17,522,000 and 27% lower than 1984 revenue of $15,667,000. Although production increased by 5% in 1986, revenues were adversely affected by price declines. International oil prices dropped sharply in early 1986 and natural gas prices declined as a result of deregulation of Canadian markets and decreased demand. Operating costs declined in 1986, primarily because of the repeal of the Petroleum and Gas Revenue Tax, effective October 1, 1986. Oil and gas operations resulted in a loss of $256,000 in 1986 compared to income of $3,328,000 in 1985 and $3,461,000 in 1984. Cash flow from oil and gas operations, before income taxes, was $8,048,000 in 1986, compared to $12,084,000 in 1985 and $10,977,000 in 1984. These cash flows have been sufficient each year to finance substantially all capital expenditures on oil and gas properties.

Investments

Falconbridge

Dome Mines' equity in Falconbridge's 1986 loss before extraordinary items was $1,224,000, compared to earnings of $4,547,000 in 1985 from the date of the Company's acquisition of its interest in Falconbridge on May 29, 1985.

In February, 1986, Dome Mines purchased, at a cost of $33,200,000, 1,600,000 of a total of 6,600,000 common shares of Falconbridge offered to the public. In 1986, Falconbridge purchased Kidd Creek for a consideration which included 10,473,568 common shares of Falconbridge. As a result of these and other share issues by Falconbridge, Dome Mines' interest decreased from 29.9% at December 31, 1985 to 23.2% at December 31, 1986 and 21.4% at March 31, 1987. The Company recorded an unusual loss of $2,928,000 in 1986 as a result of the dilution of its interest in Falconbridge arising from these transactions.

Head office employees.

Falconbridge reported earnings of $70,269,000 in 1986, after extraordinary gains of $85,787,000, compared to earnings of $38,543,000 in 1985. Revenues increased by 29% to $1,145,480,000 in 1986 from $890,247,000 in 1985, primarily because of the inclusion of Kidd Creek, but depressed nickel, copper and cobalt prices had a significant negative impact on results. Interest and related debt expenses were considerably higher in 1986 as a result of the debt assumed and incurred on the acquisition of Kidd Creek. Further information concerning Falconbridge's operating results is provided in the Review of Operations.

Dome Petroleum

Dome Mines, with the concurrence of its auditors, determined in early 1986 that the criteria for application of the equity method of accounting for its investment in common shares of Dome Petroleum were no longer met. Effective January 1, 1986, the Company ceased to account for this investment by the equity method and, therefore, Dome Mines has recorded no part of the 1986 loss reported by Dome Petroleum. The Company accounted for its investment in Dome Petroleum by the cost method in 1986, with the carrying value being equal to the carrying value as at December 31, 1985 determined under the equity method, adjusted for the reversal of the amount of the reciprocal shareholding (see note 15 to the Company's consolidated financial statements for a discussion of the differences between accounting principles and practices generally accepted in Canada and those generally accepted in the United States and required by the SEC).

During 1986, subsidiaries of Dome Mines sold 6,387,500 common shares of Dome Petroleum for proceeds of $6,463,000, giving rise to a gain of $4,029,000.

Canada Tungsten

In June, 1986, Dome Mines sold its entire investment in Canada Tungsten for proceeds of $8,192,000 and recorded a gain on disposal of $2,337,000.

Other Income and Expense

Interest expense was $13,152,000 in 1986, compared to $4,907,000 in 1985. The increase in interest expense in 1986 relates to bank indebtedness incurred to finance the acquisition of Kiena.

Other income decreased to $3,669,000 in 1986, compared to $13,685,000 in 1985 and $15,830,000 in 1984, principally because of a deferral of guarantee fees payable by Dome Petroleum (see below) and write-downs of investments.

Unusual items in 1986 comprised gains on sales of shares of Campbell ($34,131,000), Dome Petroleum ($4,029,000) and Canada Tungsten ($2,337,000), a gain of $25,117,000 from issue of shares by Campbell, a loss of $2,928,000 from issue of shares by Falconbridge and a provision of $6,248,000 to reflect a decline in quoted market value of Campbell's investment in shares of LAC Minerals Limited.

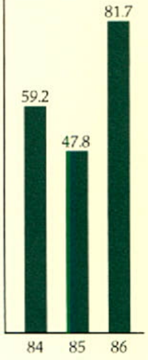
Income and mining taxes increased to $40,392,000 in 1986, compared to $39,978,000 in 1985, due to increased operating income. However, the effective rate of tax declined to 50.0% in 1986 from 60.2% in 1985 and 55.2% in 1984. The decline in the effective tax rate in 1986 was due primarily to an increase in net resource deductions for income tax purposes.

For discussion of the effects of changing prices, see "Unaudited Supplementary Information – Effects of Changing Prices".

Financial Condition

In 1986, cash flow from operations amounted to $81,723,000, compared to $47,845,000 in 1985 and $59,214,000 in 1984. A further $122,635,000 was provided by sales of investments and issues of common shares by the Company and by Campbell. Cash outlays included $131,957,000 for investments in Kiena, Falconbridge and Silver State, $26,252,000 for property, plant and equipment and $19,826,000 in dividend payments to shareholders, including minority shareholders of Campbell, Sigma and Kiena. Long-term obligations were $65,289,000 at December 31, 1986, a reduction of $6,400,000 during the year. Cash and short-term investments stood at $34,433,000 at December 31, 1986, an increase of $9,038,000 since the previous year-end.

Cash flow from operations
($ millions)



In order to protect cash flow and minimize the impact of fluctuations in gold prices, a portion of gold production from the Dome, Sigma and Kiena mines and substantially all the gold production from the Detour Lake Mine are hedged through a combination of forward sales and options. At December 31, 1986, 87,100 ounces of anticipated 1987 production were hedged as part of this program. A total of 24,000 ounces had been sold forward at an average price of U.S.$435 per ounce, while a further 63,100 ounces were protected by put options with an average exercise price of U.S.$394.

On January 24, 1986, Campbell acquired from Falconbridge 3,331,203 or 56.7% of the outstanding common shares of Kiena. The cash consideration of $86,611,000 was initially financed by bank borrowings. Campbell issued and sold 3,000,000 common shares to the public on May 27, 1986 for total proceeds of $60,000,000. The net proceeds to Campbell of $58,243,000 were used to repay a substantial portion of the bank debt incurred to acquire Kiena.

Dome Mines sold 1,700,000 common shares of Campbell on August 19, 1986 in a secondary offering to the public for total proceeds of $44,200,000. The net proceeds were applied to reduce the Company's bank debt.

In September, 1986, Campbell's subsidiary, Domex U.S., paid $10,414,000 to purchase 6,250,000 or 15.1% of the outstanding common shares of Silver State. At the same time, Domex U.S. sold its 29⅓% indirect interest in Dee Gold to Silver State in exchange for Silver State's U.S.$4,500,000 non-recourse 6% debenture convertible into 3,000,000 common shares of Silver State at any time prior to September 30, 1991. Domex U.S. also acquired options to purchase up to 12,000,000 additional common shares of Silver State at any time prior to September 30, 1991 at prices ranging from U.S.$1.50 to U.S.$1.75 per share.

Dome Mines and its subsidiaries have planned or underway several mine development programs. A $15,000,000 mill modernization and expansion program has started at the Dome Mine, with completion scheduled for mid-1988. At the Detour Lake Mine, work is progressing on the development of the underground mine. Campbell's share of the estimated costs in 1987 is $18,547,000 as approved in the annual budget. Approval of a further $4,477,000 will be required in subsequent annual budgets in order to complete the program. A mill expansion is underway at the Campbell Mine at a budgeted cost of $12,600,000. Expenditures on this program in 1986 were $3,504,000, with the remaining $9,096,000 to be spent in 1987. Planning for development of a mine on the Dona Lake property is proceeding, although a decision to proceed with this project will not be made until requisite government approvals have been received. These programs, together with ongoing capital equipment improvements and replacements, are currently estimated to require a total expenditure of up to $70,000,000 in 1987, all of which would be expected to be financed from cash flow generated by operations.

Dome Mines has a $125,000,000 revolving bank line of credit expiring December 31, 1987. On or before that date any outstanding balance under this line of credit may be converted into a loan having a term of seven years. At December 31, 1986, $44,600,000 in non-current bank indebtedness had been drawn under the line of credit by way of short-term bankers' acceptance and demand notes. Dome Mines pays standby fees of ¼% per annum on the undrawn portions of the revolving and standby lines of credit.

Campbell separately has $150,000,000 of unsecured revolving bank lines of credit expiring December 31, 1988. On or before that date, any outstanding balance under these lines of credit may be converted into loans having a term of four years. Campbell's outstanding drawings under these lines of credit, amounting to $20,000,000 at December 31, 1986, bear interest at the prime rates of the lending banks. Campbell pays standby fees of ⅛% per annum on the undrawn portions of the lines of credit.

The quoted market value of Campbell's investment in 1,274,000 shares of LAC, purchased in 1985 at a cost of $44,684,000, had declined as a result of an adverse trial court judgment relating to the Page-Williams gold mine in the Hemlo area and had a market value of $34,557,000 at December 31, 1986. An appeal of this judgment was heard in November, 1986; however, judgment has not yet been delivered. A charge to earnings of $6,248,000 was recorded in 1986 to reflect the decline in quoted market value of the LAC shares. During March, 1987, Campbell sold 702,500 shares of its investment in LAC for net proceeds of $28,456,000. At the close of business on March 31, 1987, Campbell owned 571,500 shares of LAC with a quoted market value of $23,217,000. Campbell is considering the orderly disposition of the balance of this holding.

On March 19, 1987, Dome Mines issued and sold 7,000,000 Common Shares to the public in Canada and elsewhere outside the United States for total proceeds of $84,000,000. Of the net proceeds, $41,200,000 were used to repay the remaining balance of Dome Mines' bank indebtedness, with the balance used to strengthen the Company's working capital position.

Dome Mines' Guarantee

In connection with the completion by Dome Petroleum of its acquisition of Hudson's Bay Oil and Gas Company Limited, Dome Mines, on March 10, 1982, guaranteed to a maximum of Cdn.$250,000,000 a bank loan (the "Dome Energy Loan") of U.S.$1,000,000,000 and Cdn.$50,000,000 made by Bank of Montreal, Canadian Imperial Bank of Commerce, The Royal Bank of Canada and The Toronto-Dominion Bank (collectively, the "Four Banks") to Dome Energy Limited, a wholly-owned subsidiary of Dome Petroleum. In November, 1983, the maximum amount of the Guarantee was reduced from $250,000,000 to $225,000,000 in connection with the sale of certain security for the Dome Energy Loan and application of the proceeds of disposition to reduce the principal amount of that loan. At January 1, 1987, the outstanding balance of the Dome Energy Loan was approximately $797.7 million.

As security for the repayment to Dome Mines of any amount paid by Dome Mines under its Guarantee, Dome Petroleum and its wholly-owned subsidiary, Provo Gas Producers Limited, pledged their joint and several demand debenture, secured by a fixed and specific charge on their interests in certain Beaufort Sea acreage. In addition, as guarantor, Dome Mines has subrogation rights in the security taken by the Four Banks. The value to Dome Mines of its subrogation rights is dependent upon there being realizable security available to it after payment to the Four Banks of all amounts owing under the Dome Energy Loan. Neither the amount of such realizable security nor the value of Dome Mines' debenture security is currently determinable by Dome Mines.

The Dome Mines Guarantee is supported by a $225,000,000 standby line of credit with The Toronto-Dominion Bank (the "T-D Bank"), which standby credit has been assigned to the Four Banks. As security for this standby credit, Dome Mines is obligated to keep pledged to the T-D Bank Campbell common shares having a market value of at least 140% of the amount of the standby credit facility.

In conjunction with the implementation of Dome Petroleum's Debt Rescheduling Agreement (the "DRA") on February 5, 1985, the term of the Dome Energy Loan was extended to December 31, 1995. The term of the Guarantee was correspondingly extended to January 8, 1996. As part of the arrangements relating to the DRA and the Guarantee amendments, Dome Petroleum convenanted with the Four Banks to sell, by December 31, 1986, at least 10,000,000 of the 30,861,184 Common Shares of Dome Mines which it owned. Dome Petroleum further undertook to Dome Mines not to sell or otherwise dispose of all or any portion of its Common Shares of Dome Mines without first giving to Dome Mines reasonable notice of its intention to effect any such sale or disposition, stating the proposed methodology. In effecting the sale or disposition of its Dome Mines Common Shares, Dome Petroleum is to afford to Dome Mines, or its affiliates, all reasonable opportunity of participating as a buyer so long as, in the opinion of the directors of Dome Petroleum, such participation is not detrimental to the interests of Dome Petroleum or its shareholders. In addition, Dome Mines has certain rights of consent with respect to sales of Dome Mines Common Shares owned by Dome Petroleum. Dome Mines consented to, but declined to participate as a buyer in, the sale by Dome Petroleum to certain Canadian underwriters of 10,000,000 Common Shares of Dome Mines on February 17, 1986. A secondary offering of such Common Shares was then made by such underwriters to the public in Canada and elsewhere outside the United States.

In early 1986, as a result of a significant decline in world oil prices materially and adversely affecting Dome Petroleum's revenue and cash flow, Dome Petroleum approached those of its lenders who are party to the DRA, Dome Mines and ENCOR Energy Corporation Inc. ("ENCOR") and requested that a short term plan (the "Interim Plan") be implemented in order to modify the payment obligations under the DRA and afford time for Dome Petroleum and its lenders to develop, negotiate and settle a long term recapitalization plan. Pursuant to a waiver (the "Waiver") dated as of May 30, 1986, the lenders party to the DRA, Dome Mines and ENCOR agreed to waive compliance with certain provisions of the DRA during the period (the "Interim Period") from May 1, 1986 to October 28, 1986. Prior to that date, it became apparent that the negotiation of such a long term recapitalization plan would not likely be completed within the originally contemplated time frame. On October 28, 1986, the lenders party to the DRA, Dome Mines and ENCOR agreed to extend the Interim Period to the earlier of the date of effectiveness of the long term recapitalization plan and June 30, 1987 (subject to earlier termination in the event of a breach of the Waiver). In addition to technical amendments to the Interim Plan, each lender party to the DRA waived, until the expiry of the Interim Period, the cross-default provisions of its credit facility and the DRA that would be triggered by a person who is not a party to the DRA becoming entitled to demand premature payment of its loan or not being paid at maturity, so long as no person commences legal proceedings to enforce payment thereof. There are currently debt holders in this category.

The following is an extract from the notes to the consolidated financial statements of Dome Petroleum contained in Dome Petroleum's Annual Report on Form 10-K for the fiscal year ended December 31, 1986 (the "Dome Petroleum 1986 10-K"):

"In September and October, 1986, the Company [Dome Petroleum] sought waivers of payments due and of rights of cross default and prospective waivers of certain events of default from certain lenders and other parties including the holders of eight series of publicly held unsecured debt for a period ending no later than June 30, 1987. The public unsecured lenders are not parties to the Debt Rescheduling Agreement or the Interim Plan. In the five Eurodollar series of notes and debentures, sufficient majorities of holders voting in person or by proxy approved the waivers to bind all holders. In the three series of Swiss franc (SF) denominated debt, the holders of over 75% in value of each of the series signed the waivers. Those holders of the three series of SF denominated debt who did not sign are not bound by the waivers. As permitted in the Interim Plan, special payments of interest accrued to October 31, 1986 totalling $16 million were made to the holders of the publicly held unsecured debt.

All amounts not paid to the holders of eight series of publicly held unsecured debt pursuant to the terms of the waivers obtained are due and payable upon expiry of such waivers. The Company [Dome Petroleum] anticipates the timing and method of payment of these amounts will be provided for as part of a Debt Restructuring Plan.

Payment of SF 100 million (Cdn.$86 million) of principal due on October 31, 1986 to holders of the 6% SF notes was not made. As a result, any holder of any of the series who did not sign the waivers

> has the right to call a default. In February 1987, a holder of a 6% SF note in the amount of SF 50,000 (Cdn.$43,000) who did not sign a waiver, commenced legal proceedings in the commercial court of the Canton of Zurich, Switzerland, for non-payment of the amount due. As a result of the commencement of this proceeding, all waivers previously obtained from holders of the three series of SF denominated debt were automatically terminated in accordance with their terms. Subsequently, five additional holders of SF notes have taken steps to attempt to collect outstanding amounts totalling SF 425,000 due to them.
>
> All other lenders, Dome Mines and Encor who signed waivers were notified of this development and of their subsequent right to terminate their waivers. Although the Company [Dome Petroleum] is now in default with respect to the three issues of SF denominated debt and two other scheduled debt payments due in 1986, a defined event of default with respect to certain of its other obligations will not occur unless and until the lenders notify the Company [Dome Petroleum] that the waivers have been terminated. As at March 25, 1987 no notification of termination had been received."

At this time, it cannot be ascertained whether, as a consequence of the commencement of the legal proceedings referred to in the aforesaid excerpt from the Dome Petroleum 1986 10-K, any steps will be taken which may ultimately have an effect on Dome Mines.

At present, Dome Petroleum continues to negotiate a long term recapitalization plan with its lenders. In early March, 1987, Dome Petroleum provided to its lenders, Dome Mines and ENCOR a proposed long term plan which has the stated objectives of: (i) limiting the continued growth of Dome Petroleum's debt obligations caused by the accrual and deferral of payments which cannot be serviced; (ii) restructuring the debt on a fair and equitable basis; (iii) providing a stable environment which will minimize the risks of operational disruptions; (iv) providing for an adequate level of capital expenditures and maintaining the cash flow generation of Dome Petroleum's asset base; and (v) maintaining a sufficient level of liquidity.

Dome Petroleum's existence as a going concern is dependent on the continuation of the Interim Plan during the Interim Period and its ability to obtain agreement on the implementation of a long term plan, neither of which is assured. Any long term plan would be subject to negotiation and require the approval of all parties affected, including Dome Mines.

Subsequent to October 26, 1986, Dome Mines commenced discussions with the Four Banks with a view to eliminating the Guarantee on a basis acceptable to all parties concerned. Discussions to date have been sporadic and inconclusive.

Dome Mines is entitled under an agreement with Dome Petroleum to receive a monthly fee of $900,000 for its Guarantee. Dome Mines received Guarantee fees of $3,600,000 in 1986 (1985 – $10,800,000; 1984 – $10,800,000) from Dome Petroleum or $3,078,000 net of standby fees (1985 – $9,675,000; 1984 – $10,321,000). The Interim Plan took effect May 1, 1986 and the Guarantee fee for May and subsequent months during the Interim Period was deferred. Accordingly, Dome Mines has not recorded as income the amount of fees deferred pending the outcome of negotiations with respect to the rescheduling of Dome Peteroleum's debt. Deferred fees to February 28, 1987 aggregated $9,000,000, plus interest accrued thereon.

Dome Petroleum currently holds 20,861,184 (21.5%) of the Common Shares of Dome Mines, 18,452,198 of which are pledged as security for certain bank loans of Dome Petroleum and/or its subsidiaries. Dome Petroleum has stated that it would consider the sale of this holding. A sale of all of this holding or a default with respect to such indebtedness could result in a change in control of Dome Mines and Dome Petroleum for purposes of certain securities laws (see note 7 to the Company's consolidated financial statements).

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 consolidated financial statements have been prepared by management based on information available to March 26, 1987 and are in accordance with accounting principles generally accepted in Canada. These principles differ in certain material respects from those in the United States, as described in note 15 to the consolidated financial statements of the Company. The consolidated financial statements and other financial information are prepared using the accounting principles described on pages 36, 37 and 38, and reflect management's best estimates and judgments. Financial information presented throughout this report is consistent with the data presented in the consolidated financial statements.

A system of internal accounting control is maintained in order to assure, on a reasonable and cost-effective 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.

The Board of Directors discharges its responsibilities for the consolidated financial statements primarily through the activities of its Audit Committee composed of five directors, none of whom 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 consolidated 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 consolidated financial statements to the Board of Directors for approval.

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

H. Douglas Scharf

Vice-President, Finance,
Treasurer and Chief Financial Officer
March 26, 1987

To the Shareholders of
Dome Mines Limited:

We have examined the consolidated balance sheets of Dome Mines Limited as at December 31, 1986 and 1985 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three year period ended December 31, 1986. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1986 and 1985 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1986 in accordance with accounting principles generally accepted in Canada applied on a consistent basis during the period.

Toronto, Canada,
March 26, 1987.

Clarkson Gordon
Chartered Accountants

Comment by Independent Chartered Accountants for United States readers on differences between Canadian and United States reporting standards.

The above opinion is expressed in accordance with standards of reporting generally accepted in Canada. Had our report been prepared in accordance with United States reporting standards, our opinion on the 1986 and 1985 consolidated financial statements would have been qualified as being subject to the uncertainties described in notes 4(c)(ii) and 7(a) to the consolidated financial statements.

Toronto, Canada,
March 26, 1987.

Clarkson Gordon
Chartered Accountants

Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. As described in note 15, these principles differ in certain material respects from those the Company would have followed had its consolidated financial statements been prepared in accordance with accounting principles and practices generally accepted in the United States and required by the United States Securities and Exchange Commission ("SEC"). The significant accounting policies are as follows:

Basis of consolidation

The consolidated financial statements include the accounts of the Company's subsidiaries: Campbell Red Lake Mines Limited ("Campbell") (1986 – 50.4% owned; 1985 and 1984 – 56.9% owned), including Campbell's 50% undivided interest in the assets, liabilities and expenses of the Detour Lake Mine, an unincorporated joint venture, and, in 1986, its 56.7% owned subsidiary, Kiena Gold Mines Limited ("Kiena"); Sigma Mines (Quebec) Limited (No personal liability) ("Sigma") (1986 and 1985 – 64.7% owned; 1984 – 65.2% owned); and McIntyre Mines Limited ("McIntyre") (1986 and 1985 – 52.9% owned).

The accounts of McIntyre's discontinued coal mining operations have been presented separately (note 17).

Marketable securities

Marketable securities are carried at the lower of cost and net realizable value.

Inventories

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

Investments

Falconbridge Limited –

The investment in Falconbridge Limited ("Falconbridge") is accounted for by the equity method, whereby the investment is carried at cost plus the Company's share of earnings (losses) and foreign currency translation adjustments of Falconbridge since the dates of acquisition. The excess of the cost of the investment over the underlying book value of Falconbridge's net assets at the dates of acquisition has been attributed to Falconbridge's producing properties at those dates, and the unrealized portion is being amortized to income on a straight-line basis over 20 years.

Dome Petroleum Limited –

The investment in Dome Petroleum Limited ("Dome Petroleum") is accounted for by the cost method, effective January 1, 1986. The Company determined that, as at that date, it was no longer appropriate to account for its investment in Dome Petroleum by the equity method having regard to the applicable criteria necessary to the application of the equity method. In 1985 and 1984, the investment was accounted for by the equity method.

Information with respect to the accounting for Dome Mines' Guarantee of a portion of a loan to a wholly owned subsidiary of Dome Petroleum is described in note 7. Refer also to note 15.

Canada Tungsten Mining Corporation Limited –

Dome Mines accounted for its investment in 1,161,951 or 20.2% of the common shares of

Canada Tungsten Mining Corporation Limited ("Canada Tungsten") by the equity method up to the date of disposition in 1986.

Silver State Mining Corporation –

Campbell's investment in common shares of Silver State Mining Corporation ("Silver State") is accounted for by the equity method.

Other investments –

Other investments are carried at cost less write-downs for impairment in value.

Property, plant and equipment

Mining –

Property, plant and equipment are carried at cost.

Depreciation and amortization on gold mining assets are provided using the straight-line method based on estimated economic lives of the assets at the following annual rates:

Mine, mill and plant	4% to 5%
Equipment	10% to 20%
Deferred exploration and development	5% to 20%

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

Upon the sale or retirement of capital assets, their cost and related depreciation or amortization are removed from the accounts and any gain or loss is taken into income. Repairs and maintenance are charged to operations; major betterments and replacements are capitalized.

Oil and gas –

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

Because of the deregulation of Canadian oil and gas prices, effective November 1, 1985, depreciation and depletion of oil and gas properties have been provided on the composite unit-of-production method based on estimated proved reserves of oil and gas rather than on production revenues.

Gains or losses on the disposition of oil and gas properties are not recognized unless such disposition would significantly alter the relationship between capitalized costs and proved reserves. Upon the sale or retirement of other assets, their cost and related depreciation and depletion are removed from the accounts and any gain or loss is taken into income.

The Company's accounting policies are consistent with The Canadian Institute of Chartered Accountants' Accounting Guideline for full cost accounting for oil and gas operations, which was published in September, 1986.

Mineral exploration and development

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

Capitalized interest

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

Income and mining taxes

The provisions for income and mining taxes are based on accounting income. Deferred taxes arise as a result of recognizing costs and revenues in different periods for accounting and tax purposes.

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

Consolidated Statements of Income
(thousands of Canadian dollars, except share and per share amounts)

	Years ended December 31		
	1986	1985	1984
Revenue	**$293,379**	$222,817	$215,094
Operating costs	**203,047**	165,217	150,200
Operating income	**90,332**	57,600	64,894
Interest on long-term obligations	**(13,152)**	(4,907)	(3,147)
Less interest capitalized	–	–	3,147
Other income (note 13(a))	**3,669**	13,685	15,830
Income before taxes and other items	**80,849**	66,378	80,724
Income and mining taxes (note 3(a))	**40,392**	39,978	44,526
Income after taxes, before other items	**40,457**	26,400	36,198
Equity in earnings (losses) of associated companies:			
Falconbridge (note 4)	**(1,224)**	4,547	–
Dome Petroleum (note 7)	–	(9,373)	(55,697)
Canada Tungsten (note 6)	–	(5,821)	(1,173)
Minority interest	**(23,897)**	(13,629)	(11,726)
Income (loss) before unusual items and discontinued coal mining operations	**15,336**	2,124	(32,398)
Unusual items (note 13(b))	**56,438**	12,375	6,724
Income (loss) from continuing operations	**71,774**	14,499	(25,674)
Loss from discontinued coal mining operations (note 17)	**(188)**	(2,289)	–
Net income (loss)	**$ 71,586**	$ 12,210	$ (25,674)
Per share (note 11(b)):			
Income (loss) from continuing operations	**$0.80**	$0.18	$(0.36)
Loss from discontinued coal mining operations	–	(0.03)	–
Net income (loss)	**$0.80**	$0.15	$(0.36)
Fully diluted net income (loss)	**$0.77**	$0.15	$(0.36)
Dividends	**$0.06**	$0.12	$0.12
Net weighted average number of Common Shares outstanding (000's)	**89,917**	79,192	71,012

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

CONSOLIDATED BALANCE SHEETS
(thousands of Canadian dollars)

Assets	December 31 1986	1985
Current assets:		
Cash and short-term investments	$ 34,433	$ 25,395
Bullion and bullion settlements receivable	21,168	10,283
Marketable securities (note 2)	34,557	44,684
Income and mining taxes recoverable (note 3(d))	8,174	11,843
Accounts receivable	5,890	5,965
Mining and milling supplies	12,818	11,270
Total current assets	117,040	109,440
Investments:		
Falconbridge Limited (quoted market value: 1986 – $238,031; 1985 – $256,364) (note 4)	280,850	248,720
Silver State Mining Corporation (note 5)	16,591	–
Canada Tungsten Mining Corporation Limited (note 6)	–	4,845
Other	299	2,668
Dome Petroleum Limited (quoted market value: 1986 – $61,877; 1985 – $217,682) (note 7)	(26,483)	(56,533)
Property, plant and equipment (note 8(a))	469,050	383,221
	$857,347	$692,361

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

Liabilities and Shareholders' Equity	December 31	
	1986	1985
Current liabilities:		
Accounts payable and accrued liabilities	$ 16,624	$ 13,600
Income and mining taxes payable	6,073	23,809
Dividends payable	–	2,696
Net liabilities of discontinued coal mining operations (note 17)	7,011	6,824
Total current liabilities	29,708	46,929
Long-term obligations (note 9)	65,289	71,689
Deferred income and mining taxes	148,738	131,806
Minority interest	241,253	169,271
Contingencies and commitments (notes 3(d), 4(c)(ii), 7, 10 and 17)		
Shareholders' equity:		
Capital (note 11(a)) –		
Authorized:		
Unlimited number of Preference Shares issuable in series		
Unlimited number of Common Shares		
Issued:		
1986 – 89,954,032 Common Shares; 1985 – 89,837,253 Common Shares	177,209	175,765
Common Shares to be issued	–	378
Common Share warrants	2,250	2,250
Contributed surplus (note 12)	22,050	22,050
Retained earnings	168,942	102,751
Cumulative translation adjustment (note 4(b))	1,908	2,735
	372,359	305,929
Less Dome Mines' pro rata interest in the cost of its own Common Shares held by Dome Petroleum (note 7(c))	–	33,263
Total shareholders' equity	372,359	272,666
	$857,347	$692,361

On behalf of the Board:

Director

Director

Consolidated Statements of Retained Earnings
(thousands of Canadian dollars)

	Years ended December 31		
	1986	1985	1984
Retained earnings, beginning of year	**$102,751**	$102,539	$137,919
Net income (loss)	**71,586**	12,210	(25,674)
Costs of issuing Common Shares, net of income tax reductions (1985 – $2,493; 1984 – $1,138)	**–**	(2,310)	(1,094)
	174,337	112,439	111,151
Dividends	**5,395**	10,498	9,492
Less portion applicable to Dome Mines' pro rata interest in its own Common Shares held by Dome Petroleum	**–**	810	880
	5,395	9,688	8,612
Retained earnings, end of year	**$168,942**	$102,751	$102,539

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

Consolidated Statements of Cash Flows
(thousands of Canadian dollars)

	Years ended December 31		
	1986	1985	1984
Cash provided by operating activities:			
Income (loss) before unusual items and discontinued coal mining operations	**$ 15,336**	$ 2,124	$ (32,398)
Items of income not affecting cash (note 13(c))	**78,302**	53,536	101,934
	93,638	55,660	69,536
Net change in non-cash working capital items related to operations (note 13(c))	**(11,915)**	(7,815)	(10,322)
Cash provided by operating activities	**81,723**	47,845	59,214
Cash provided by (used in) investing activities:			
Investments in –			
Kiena Gold Mines Limited (note 1)	**(82,095)**	–	–
Falconbridge Limited and McIntyre Mines Limited (note 4(a))	**(33,200)**	(160,000)	–
Silver State Mining Corporation (note 5)	**(16,662)**	–	–
Dome Petroleum Limited (note 7(b))	**–**	(21,800)	–
Canada Tungsten Mining Corporation Limited	**–**	–	(2,007)
Proceeds from sale of shares of associated companies	**20,926**	178	–
Additions to property, plant and equipment	**(26,252)**	(14,185)	(38,300)
Marketable securities	**–**	(44,684)	–
Cash used in investing activities	**(137,283)**	(240,491)	(40,307)
Cash provided by (used in) financing activities:			
Share issues by subsidiaries	**58,243**	473	–
Issues of Common Shares and Common Share warrants (note 11(a))	**1,066**	99,580	39,018
Proceeds from sale of shares of a subsidiary	**42,400**	–	–
Long-term obligations, net of borrowings of $121,000 in 1986	**(6,400)**	71,000	(28,311)
Dividends paid to shareholders	**(8,091)**	(10,219)	(10,072)
Dividends paid by subsidiaries to minority interests	**(11,735)**	(8,366)	(10,458)
Cash provided by (used in) financing activities	**75,483**	152,468	(9,823)
Net increase (decrease) in cash	**19,923**	(40,178)	9,084
Cash, beginning of year	**35,678**	75,856	66,772
Cash, end of year	**$ 55,601**	$ 35,678	$ 75,856
Changes in components of cash:			
Cash and short-term investments	**$ 9,038**	$ (35,862)	$ 3,715
Bullion and bullion settlements receivable	**10,885**	(4,316)	5,369
	$ 19,923	$ (40,178)	$ 9,084

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

1. **Investment in Kiena Gold Mines Limited**

On January 24, 1986, Campbell acquired from Falconbridge (note 4) 3,331,203 (56.7%) of the outstanding common shares of Kiena for an aggregate cash price of $86,611,000. This acquisition has been accounted for by the purchase method. Details of the share of Kiena's net assets acquired by Campbell are as follows:

(thousands of Canadian dollars)	
Value attributed to –	
Working capital, including cash of $4,516, net of current liabilities of $2,189	$ 4,433
Property, plant and equipment	103,802
	108,235
Deferred income taxes	(3,896)
Net assets acquired	104,339
Minority interest therein	17,728
Purchase price	$ 86,611

The excess of the fair value of Campbell's interest in Kiena's mine property over its book value at the date of acquisition, amounting to $58,314,000, is being amortized over 25 years, the estimated remaining economic life of the property.

2. **Marketable securities**

During 1985, Campbell purchased 1,274,000 common shares of LAC Minerals Limited ("LAC") at a cost of $44,684,000. On March 7, 1986, a trial court rendered judgment which, if upheld on appeal, could result in the loss of LAC's Page-Williams gold mine in the Hemlo area of Ontario. LAC appealed the judgment in November, 1986 but the appelate court's judgment has not yet been delivered. At December 31, 1986, the quoted market value of this investment had declined to $34,557,000 and, accordingly, the Company has written down the value of its investment to this amount and included in unusual items a charge of $6,248,000, net of minority interest of $3,879,000, to reflect the decline in market value. Between March 6 and March 23, 1987, Campbell sold 405,800 shares of LAC for net proceeds of $16,503,000. At March 23, 1987, Campbell owned 868,200 shares of LAC with a quoted market value of $34,077,000.

3. **Income and mining taxes**

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

(thousands of Canadian dollars)	**Current**	**Deferred**	**Total**
1986			
Federal income tax	**$13,421**	**$ 4,483**	**$17,904**
Provincial income tax	**5,405**	**1,340**	**6,745**
Provincial mining tax	**9,541**	**6,202**	**15,743**
	$28,367	**$12,025**	**$40,392**
1985			
Federal income tax	$14,419	$ 5,473	$19,892
Provincial income tax	7,547	(400)	7,147
Provincial mining tax	14,000	(1,061)	12,939
	$35,966	$ 4,012	$39,978
1984			
Federal income tax	$10,975	$10,997	$21,972
Provincial income tax	5,275	3,370	8,645
Provincial mining tax	14,363	(454)	13,909
	$30,613	$13,913	$44,526

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

(thousands of Canadian dollars)	1986	1985	1984
Depreciation	$ 2,637	$3,650	$11,081
Exploration and development	6,051	(986)	3,059
Interest capitalized	(352)	590	(106)
Other, principally bullion valuation	3,689	758	(121)
	$12,025	$4,012	$13,913

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

	1986	1985	1984
Income taxes –			
Basic statutory rates	48.8%	50.3%	49.7%
Add (deduct):			
Resource allowance	(15.2)	(13.5)	(10.9)
Earned depletion	(9.2)	(5.2)	(6.1)
Crown royalties	0.5	2.5	1.4
Revenue taxes	(0.4)	1.4	0.8
Expenses (income) not subject to income taxes (1)	2.3	4.9	(0.1)
Federal surtax	1.8	1.2	–
Sundry	1.9	(0.9)	3.1
	(18.3)	(9.6)	(11.8)
Effective rate	30.5	40.7	37.9
Mining taxes –			
Average rate on mining income	15.5	20.2	20.8
Expenses (income) not subject to mining taxes	4.0	(0.7)	(3.5)
Effective rate	19.5	19.5	17.3
Effective tax rate	50.0%	60.2%	55.2%

(1) Exempt income consists principally of income arising from operations in the United States and dividends from Canadian corporations. Non-deductible expenses consist primarily of amortization in excess of amounts allowed for tax purposes, the non-deductible portion of capital losses and non-deductible mineral exploration expenditures related to flow-through shares.

(d) The Company has received notices of reassessment under the Ontario Mining Tax Act imposing additional taxes and interest for the years 1979 to 1984, inclusive. The Company believes the amounts reassessed are not warranted and has filed notices of appeal.

Pending resolution of the appeals, payments made in respect of the reassessments have been recorded as income and mining taxes recoverable. Should the appeals be unsuccessful, any additional tax provision required with respect to the years reassessed would be charged to retained earnings as a prior period adjustment. Under accounting principles generally accepted in the United States, any such adjustment would be included in income in the period the assessment is resolved. The maximum amount of adjustment, if any, is not expected to exceed $2,820,000.

4. Investment in Falconbridge Limited and McIntyre Mines Limited

(a) On May 29, 1985, the Company acquired, for an aggregate cash price of $160,000,000, 1,942,534 (52.9%) of the outstanding common shares of McIntyre and 3,263,500 (7.8%) of the then outstanding common shares of Falconbridge, which purchases have been accounted for by the purchase method. Details of the Company's share of net assets acquired are as follows (in thousands of Canadian dollars):

Value attributed to –	
Working capital (including cash of $295)	$ 6,568
Investment in common shares of Falconbridge	164,534
	171,102
Long-term liabilities	(11,102)
Purchase price	$160,000

In February, 1986, Falconbridge issued 6,600,000 common shares, of which Dome Mines purchased 1,600,000 for a total cash cost of $33,200,000.

(b) As at December 31, 1986, Dome Mines exercised directly, and indirectly through McIntyre, control and direction over 14,105,570 or 23.2% (1985 – 12,505,570 or 29.9%) of the outstanding common shares of Falconbridge. On a fully diluted basis, the investment represented a 17.8% interest in Falconbridge at December 31, 1986.

Warrants to purchase 4,978,385 common shares of Falconbridge were exercised prior to their expiry on February 5, 1987. Since neither Dome Mines nor McIntyre owned any of these warrants, their aggregate holding of the outstanding common shares of Falconbridge was reduced to 21.4% on that date.

Details of the investment in Falconbridge are as follows:

(thousands of Canadian dollars)	1986	1985
Carrying value (including minority interest portion) –		
Cost	**$273,445**	$240,245
Share of undistributed income	**4,439**	4,325
Share of cumulative translation adjustment	**2,966**	4,150
	$280,850	$248,720
Quoted market value (which is not necessarily indicative of realizable value)	**$238,031**	$256,364

The quoted market value of this investment was $280,348,000 at March 24, 1987.

Extraordinary items of Falconbridge in 1986 represent gains on sales of investments. Since, at the date of acquisition of its investment in Falconbridge, Dome Mines ascribed fair value to such investments, Dome Mines' share of these gains is minimal. The excess of the cost of Dome Mines' investment in Falconbridge over underlying book value of Falconbridge to be amortized in future years declined from $15,801,000 at December 31, 1985 to $1,903,000 at December 31, 1986 principally as the result of sales of investments by Falconbridge.

(c) Summarized financial information for Falconbridge is as follows:

Falconbridge Limited
Summarized Consolidated Balance Sheets

	December 31	
(thousands of Canadian dollars)	1986	1985
Assets:		
Current assets	$ 725,478	$ 660,603
Property, plant and equipment:		
Producing assets	1,805,317	569,765
Non-producing assets	64,134	71,592
	1,869,451	641,357
Other:		
Investment in associated and other companies	72,692	32,793
Other	21,053	16,625
	93,745	49,418
	$2,688,674	$1,351,378
Liabilities:		
Current liabilities	$ 166,261	$ 126,498
Long-term debt	1,203,445	283,970
Deferred income and mining taxes	128,441	107,610
Minority interest	(33,448)	47,115
	1,464,699	565,193
Shareholders' equity	1,223,975	786,185
	$2,688,674	$1,351,378

Summarized Consolidated Statements of Operations

	Years ended December 31		
(thousands of Canadian dollars)	1986	1985	1984
Revenues	$1,145,480	$890,247	$733,312
Operating profit	$ 95,535	$ 80,838	$ 97,041
Interest and other income	43,599	47,380	53,094
Interest and debt expense	(130,127)	(40,863)	(71,826)
Exploration and research and process development	(32,088)	(39,029)	(27,168)
Income (loss) from investment in associated and other companies	3,895	879	(664)
	(19,186)	49,205	50,477
Income and mining taxes	4,385	(11,642)	(22,161)
Minority interest in losses (earnings) of of subsidiary companies	(717)	980	378
Income (loss) before extraordinary items	(15,518)	38,543	28,694
Extraordinary items	85,787	–	51,492
Net income	$ 70,269	$ 38,543	$ 80,186

(i) The consolidated financial statements of Falconbridge incorporate the assets, liabilities and operating results of Kidd Creek Minerals Ltd., effective January 1, 1986, and exclude the accounts of Kiena which was sold to Campbell in 1986. The operating results of Corporation Falconbridge Copper are consolidated up to the date that Falconbridge sold its shareholdings in that company.

(ii) Falconbridge Dominicana, C. por A. ("Falcondo"), a 67.7% owned subsidiary of Falconbridge, remains dependent on the continued support of its sponsors. While it is difficult to determine when market conditions will improve sufficiently to maintain the profits and positive cash flow achieved in the second half of 1986, it is the opinion of Falconbridge's management that the net carrying value of Falcondo's property, plant, equipment, preproduction, and other deferred charges will be recovered eventually. The carrying value of Falconbridge's investment in Falcondo at December 31, 1986 was $60,664,000.

5. **Silver State Mining Corporation**

On September 29, 1986, a wholly owned subsidiary of Campbell acquired from Silver State 6,250,000 or 15.1% of Silver State's common shares for an aggregate cash purchase price of $10,414,000 (U.S.$7,500,000). At the same time, Campbell's subsidiary sold to Silver State its 29⅓% indirect interest in Dee Gold Mining Co. in exchange for Silver State's U.S.$4,500,000 non-recourse 6% debenture maturing September 29, 1991 and convertible at any time prior to maturity into 3,000,000 common shares of Silver State. The indirect interest in Dee Gold Mining Co. has been pledged as security for this debenture. Campbell's subsidiary also acquired options to purchase up to 12,000,000 additional common shares of Silver State at any time prior to September 30, 1991 at prices ranging from U.S.$1.50 to U.S.$1.75 per share.

The investment in Silver State's common shares is accounted for by the equity method. The excess of the fair value of Campbell's interest in the net assets of Silver State at September 29, 1986 over its book value on that date, amounting to $6,674,000, is being amortized over 7 years.

Details of the investment in Silver State as at December 31, 1986 are as follows (in thousands of Canadian dollars):

	Carrying value	Quoted market value
Common shares	$10,343	$11,562(1)
Convertible debenture	6,248	
	$16,591	

(1) Quoted market value is not necessarily indicative of realizable value.

6. **Canada Tungsten Mining Corporation Limited**

In June, 1986, Dome Mines sold its entire holding of 1,161,951 shares (20.2%) of Canada Tungsten to a third party for $8,192,000 and recorded a gain before income taxes of $3,347,000 on disposal of its investment.

7. **Dome Petroleum Limited**

(a) Dome Mines has guaranteed, to a maximum of $225,000,000, a loan to Dome Energy Limited, a wholly owned subsidiary of Dome Petroleum. Dome Mines is unable to predict the likelihood or amount of loss, if any, that it may ultimately incur with respect to its Guarantee and, consequently, has not made related provision for loss in its accounts. Further information with respect to Dome Petroleum and the Guarantee is provided in notes 7(c) and 15.

(b) As of December 31, 1986, Dome Mines owned 66,533,900 (19.5%) of the outstanding common shares of Dome Petroleum (1985 – 72,921,400 common shares) and Dome Petroleum owned 20,861,184 (23.2%) of the outstanding Common Shares of Dome Mines (1985 – 30,861,184 Common Shares). During 1986, Dome Mines and its subsidiaries sold 6,387,500 common shares of Dome Petroleum for net proceeds of $6,463,000.

On May 14, 1985, Dome Petroleum issued 34,000,000 units and a further 250,000 common share purchase warrants. Each unit, issued at $3.55, consisted of one common share of Dome Petroleum and one-half of a common share purchase warrant of Dome Petroleum. A wholly-owned subsidiary of Dome Mines purchased 6,140,900 units at a total purchase price of $21,800,000. The common share purchase warrants expired in 1986 without being exercised.

(c) Dome Mines, with the concurrence of its auditors, determined in early 1986 that the criteria for application of the equity method of accounting for its investment in common shares of Dome Petroleum were no longer met. Accordingly, effective January 1, 1986, the Company ceased to account for this investment by the equity method. The Company accounted for its investment by the cost method in 1986, with the carrying value being equal to the carrying value as at December 31, 1985 determined under the equity method, adjusted for the reversal of the amount of the reciprocal shareholding. Refer to note 15(iii) regarding the SEC's accounting requirement for this investment.

In connection with the completion by Dome Petroleum of its acquisition of Hudson's Bay Oil and Gas Company Limited, Dome Mines, on March 10, 1982, guaranteed to a maximum of Cdn.$250,000,000 a bank loan (the "Dome Energy Loan") of U.S.$1,000,000,000 and Cdn.$50,000,000 made by Bank of Montreal, Canadian Imperial Bank of Commerce, The Royal Bank of Canada and The Toronto-Dominion Bank (collectively, the "Four Banks") to Dome Energy Limited. In November, 1983, the maximum amount of the Guarantee was reduced from $250,000,000 to $225,000,000 in connection with the sale of certain security for the Dome Energy Loan and application of the proceeds of disposition to reduce the principal amount of that loan.

As security for the repayment to Dome Mines of any amount paid by Dome Mines under its Guarantee, Dome Petroleum and its wholly-owned subsidiary, Provo Gas Producers Limited, pledged their joint and several demand debenture, secured by a fixed and specific charge on their interests in certain Beaufort Sea acreage. In addition, as guarantor, Dome Mines has subrogation rights in the security taken by the Four Banks. The value to Dome Mines of its subrogation rights is dependent upon there being realizable security available to it after payment to the Four Banks of all amounts owing under the Dome Energy Loan. Neither the amount of such realizable security nor the value of Dome Mines' debenture security is currently determinable by Dome Mines.

The Dome Mines Guarantee is supported by a $225,000,000 standby line of credit with The Toronto-Dominion Bank (the "T-D Bank"), which standby credit has been assigned to the Four Banks. As security for this standby credit, Dome Mines is obligated to keep pledged to the T-D Bank, Campbell common shares having a market value of at least 140% of the amount of the standby credit facility.

In conjunction with the implementation of Dome Petroleum's Debt Rescheduling Agreement (the "DRA") on February 5, 1985, the term of the Dome Energy Loan was extended to December 31, 1995. The term of the Guarantee was correspondingly extended to January 8, 1996. As part of the arrangements relating to the DRA and the Guarantee amendments, Dome Petroleum covenanted with the Four Banks to sell, by December 31, 1986, at least 10,000,000 of the 30,861,184 Common Shares of Dome Mines which it owned. Dome Petroleum further undertook to Dome Mines not to sell or otherwise dispose of all or any portion of its Common Shares of Dome Mines without first giving to Dome Mines reasonable notice of its intention to effect any such sale or disposition, stating the proposed methodology. In effecting the sale or disposition of its Dome Mines Common Shares, Dome Petroleum is to afford to Dome Mines, or its affiliates, all reasonable opportunity of participating as a buyer so long as, in the opinion of the directors of Dome Petroleum, such participation is not detrimental to the interest of Dome Petroleum or its shareholders. In addition, Dome Mines has certain rights of consent with respect to sales of Dome Mines Common Shares owned by Dome Petroleum. Dome Mines consented to, but declined to participate as a buyer in, the sale by Dome Petroleum to certain Canadian underwriters of 10,000,000 Common Shares of Dome Mines on February 17, 1986. A secondary offering of such Common Shares was then made by such underwriters to the public in Canada and elsewhere outside the United States.

In early 1986, as a result of a significant decline in world oil prices materially and adversely affecting Dome Petroleum's revenue and cash flow, Dome Petroleum approached those of its lenders who are party to the DRA, Dome Mines and ENCOR Energy Corporation Inc. ("ENCOR") and requested that a short term plan (the "Interim Plan") be implemented in order to modify the payment obligations under the DRA and afford time for Dome Petroleum and its lenders to develop, negotiate and settle a long term recapitalization plan. Pursuant to a waiver (the "Waiver") dated as of May 30, 1986, the lenders party to the DRA, Dome Mines and ENCOR agreed to waive compliance with certain provisions of the DRA during the period (the "Interim Period") from May 1, 1986 to October 28, 1986. Prior to that date, it became apparent that the negotiation of a long term recapitalization plan would not likely be completed within the originally contemplated time frame. On October 28, 1986, the lenders party to the DRA, Dome Mines and ENCOR agreed to extend the Interim Period to the earlier of the date of effectiveness of the long term recapitalization plan and June 30, 1987 (subject to earlier termination in the event of a breach of the Waiver). In addition to technical amendments to the Interim Plan, each lender party to the DRA waived, until the expiry of the Interim Period, the cross-default provisions of its credit facility and the DRA that would be triggered by a person who is not a party to the DRA becoming entitled to demand premature payment of its loan or not being paid at maturity, so long as no person commences legal proceedings to enforce payment thereof. There are currently debt holders in this category.

The following is an extract from the notes to the consolidated financial statements of Dome Petroleum contained in Dome Petroleum's Annual Report on Form 10-K for the fiscal year ended December 31, 1986 (the "Dome Petroleum 1986 10-K"):

> "In September and October, 1986, the Company [Dome Petroleum] sought waivers of payments due and of rights of cross default and prospective waivers of certain events of default from certain lenders and other parties including the holders of eight series of publicly held unsecured debt for a period ending no later than June 30, 1987. The public unsecured lenders are not parties to the Debt Rescheduling Agreement or the Interim Plan. In the five Eurodollars series of notes and debentures, sufficient majorities of holders voting in person or by proxy approved the waivers to bind all holders. In the three series of Swiss franc (SF) denominated debt, the holders of over 75% in value of each of the series signed the waivers. Those holders of the three series of SF denominated debt who did not sign are not bound by the waivers. As permitted in the Interim Plan, special payments of interest accrued to October 31, 1986 totalling $16 million were made to the holders of the publicly held unsecured debt.
>
> All amounts not paid to the holders of eight series of publicly held unsecured debt pursuant to the terms of the waivers obtained are due and payable upon expiry of such waivers. The Company [Dome Petroleum] anticipates the timing and method of payment of these amounts will be provided for as part of a Debt Restructuring Plan.
>
> Payment of SF 100 million (Cdn.$86 million) of principal due on October 31, 1986 to holders of the 6% SF notes was not made. As a result, any holder of any of the series who did not sign the waivers has the right to call a default. In February 1987, a holder of a 6% SF note in the amount of SF 50,000 (Cdn.$43,000) who did not sign a waiver, commenced legal proceedings in the commercial court of the Canton of Zurich, Switzerland, for non-payment of the amount due. As a result of the commencement of this proceeding, all waivers previously obtained from holders of the three series of SF denominated debt were automatically terminated in accordance with their terms. Subsequently, five additional holders of SF notes have taken steps to attempt to collect outstanding amounts totalling SF 425,000 due to them.
>
> All other lenders, Dome Mines and ENCOR who signed waivers were notified of this development and of their subsequent right to terminate their waivers. Although the Company [Dome Petroleum] is now in default with respect to the three issues of SF denominated debt and two other scheduled debt payments due in 1986, a defined event of default with respect to certain of its other obligations will not occur unless and until the lenders notify the Company [Dome Petroleum] that the waivers have been terminated. As at March 25, 1987 no notification of termination had been received".

At this time, it cannot be ascertained whether, as a consequence of the commencement of the legal proceedings referred to in the aforesaid extract from the Dome Petroleum 1986 10-K, any steps will be taken which may ultimately have an effect on Dome Mines.

At present, Dome Petroleum continues to negotitate a long term recapitalization plan with its lenders. In early March, 1987, Dome Petroleum provided to its lenders, Dome Mines and ENCOR a proposed long term plan which has the stated objectives of: (i) limiting the continued growth of Dome Petroleum's debt obligations caused by the accrual and deferral of payments which cannot be serviced; (ii) restructuring the debt on a fair and equitable basis; (iii) providing a stable environment which will minimize the risks of operational disruptions; (iv) providing for an adequate level of capital expenditures and maintaining the cash flow generation of Dome Petroleum's asset base; and (v) maintaining a sufficient level of liquidity.

Dome Petroleum's existence as a going concern is dependent on the continuation of the Interim Plan during the Interim Period and its ability to obtain agreement on the implementaion of a long term plan, neither of which is assured. Any long term plan would be subject to negotiation and require the approval of all parties affected, including Dome Mines.

Subsequent to October 26, 1986, Dome Mines commenced discussions with the Four Banks with a view to eliminating the Guarantee on a basis acceptable to all parties concerned. Discussions to date have been sporadic and inconclusive.

Dome Mines is entitled under an agreement with Dome Petroleum to receive a monthly fee of $900,000 for its Guarantee. Dome Mines received Guarantee fees of $3,600,000 in 1986 (1985 – $10,800,000; 1984 – $10,800,000) from Dome Petroleum or $3,078,000 net of standby fees (1985 – $9,675,000; 1984 – $10,321,000). The Interim Plan took effect May 1, 1986 and the Guarantee fee for May, 1986 and subsequent months during the Interim Period was deferred. Accordingly, Dome Mines has not recorded as income the amount of fees deferred pending the outcome of negotiations with respect to the rescheduling of Dome Petroleum's debt. Deferred fees to February 28, 1987 aggregated $9,000,000, plus accrued interest thereon.

Summarized financial information for Dome Petroleum is as follows:

Dome Petroleum Limited
Summarized Consolidated Balance Sheets

	December 31	
(thousands of Canadian dollars)	1986	1985
Assets:		
Cash and short term deposits	$ 223,000	$ 466,000
Accounts receivable	326,000	631,000
Inventories	152,000	173,000
Investments	446,000	576,000
Property, plant and equipment	3,690,000	5,843,000
Deferred foreign exchange	15,000	286,000
Other assets	52,000	204,000
	$4,904,000	$8,179,000
Liabilities:		
Accounts payable and accrued liabilities	$ 352,000	$ 671,000
Accrued interest	209,000	52,000
Debt	6,080,000	6,270,000
Deferred revenue	181,000	201,000
Deferred income taxes	195,000	805,000
Redeemable preferred shares	316,000	446,000
	7,333,000	8,445,000
Shareholders' deficiency	(2,429,000)	(266,000)
	$4,904,000	$8,179,000

Dome Petroleum Limited
Summarized Consolidated Statements of Operations

	Years ended December 31		
(thousands of Canadian dollars)	1986	1985	1984
Revenue	$ 1,552,000	$2,436,000	$2,448,000
Operating expense	1,292,000	1,589,000	1,653,000
Write-down of assets	2,084,000	–	–
Interest, financing and foreign exchange	952,000	683,000	962,000
Other expenses (income) – net	(13,000)	(42,000)	20,000
	4,315,000	2,230,000	2,635,000
	(2,763,000)	206,000	(187,000)
Income taxes	(651,000)	218,000	38,000
	(2,112,000)	(12,000)	(225,000)
Equity in earnings of associated companies	(87,000)	19,000	28,000
Net income (loss)	$(2,199,000)	$ 7,000	$ (197,000)

8. Business segments

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

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

(thousands of Canadian dollars)	1986	1985	1984
Mining:			
Property, plant and equipment	$293,428	$203,507	$199,013
Less accumulated depreciation, depletion and amortization	75,488	60,217	48,601
	217,940	143,290	150,412
Deferred exploration and development	91,208	79,098	80,710
	309,148	222,388	231,122
Current assets	47,387	36,483	29,148
	356,535	258,871	260,270
Oil and gas:			
Property, plant and equipment	193,768	186,395	179,967
Less accumulated depreciation and depletion	33,866	25,562	16,806
	159,902	160,833	163,161
Current assets	351	1,841	926
	160,253	162,674	164,087
Assets not allocated to segments:			
Current assets	69,302	71,116	61,666
Investments	271,257	199,700	(77,157)
	340,559	270,816	(15,491)
	$857,347	$692,361	$408,866

(b) Revenue, operating costs and operating income by segments are as follows:

(thousands of Canadian dollars)	1986	1985	1984
Mining:			
Bullion revenue	$281,952	$205,295	$199,427
Operating costs –			
Mine, mill and plant	125,081	106,934	97,531
General and administrative	13,660	10,335	9,674
Depreciation, depletion and amortization	28,949	16,492	11,909
Outside mineral exploration	14,181	11,409	12,459
	181,871	145,170	131,573
Operating income	100,081	60,125	67,854
Oil and gas:			
Revenue	11,427	17,522	15,667
Operating costs –			
Operations	3,276	2,898	2,553
General and administrative	577	792	738
Depreciation and depletion	8,304	8,756	7,516
Revenue taxes	(474)	1,748	1,399
	11,683	14,194	12,206
Operating income (loss)	(256)	3,328	3,461
General corporate costs	9,493	5,853	6,421
Operating income	90,332	57,600	64,894
Interest on long-term obligations (net)	(13,152)	(4,907)	–
Other income	3,669	13,685	15,830
Income and mining taxes	(40,392)	(39,978)	(44,526)
Equity in losses of associated companies (net)	(1,224)	(10,647)	(56,870)
Minority interest	(23,897)	(13,629)	(11,726)
Unusual items (note 13(b))	56,438	12,375	6,724
Loss from discontinued coal mining operations (note 17(a))	(188)	(2,289)	–
Net income (loss)	$ 71,586	$ 12,210	$ (25,674)

(c) Net expenditures during the past three years on property, plant and equipment of continuing operations are summarized as follows:

(thousands of Canadian dollars)	1986	1985	1984
Mining	$ 17,956	$ 7,757	$ 29,833
Oil and gas	8,296	6,428	7,523
	$ 26,252	$ 14,185	$ 37,356

(d) In 1986 and 1985, all costs of acquiring non-producing oil and gas properties have been included in the calculation of depletion. In 1984, acquisition costs of $19,834,000 for certain non-producing oil and gas properties were excluded from assets for purposes of calculating depletion.

Effective November1, 1985, depreciation and depletion of oil and gas costs are based on the unit-of-production method. Until October 31, 1985, depreciation and depletion of capitalized oil and gas costs were calculated based on a percentage of oil and gas revenue. These rates were 51% in the first ten months of 1985 and 48% in 1984. The rate for 1986 was $9.79 per equivalent barrel.

9. Long-term obligations

Long-term obligations at December 31 comprise the following:

(thousands of Canadian dollars)	1986	1985
Dome Mines	$45,289	$71,689
Campbell	20,000	–
	$65,289	$71,689

Dome Mines has a $125,000,000 revolving bank line of credit which expires on December 31, 1987. On or before that date, any outstanding balance under this line of credit may be converted into a loan having a term of seven years. At December 31, 1986, $44,600,000 in long-term bank indebtedness had been drawn under the line of credit by way of short-term bankers' acceptances and demand notes. In addition, Dome Mines has a $225,000,000 bank standby credit in support of its Guarantee, described in note 7(c). The standby credit expires on the earlier of the 40th business day following January 2, 1996 and the release of the Guarantee. As security for the standby credit for the Guarantee, Dome Mines is obligated to keep pledged to The Toronto-Dominion Bank common shares of Campbell having a market value of at least 140% of the amount of the standby credit facility. Dome Mines pays standby fees of ¼% per annum on the undrawn portions of the revolving and standby lines of credit.

Dome Mines' long-term obligations also include deferred revenues of $689,000 arising from the issuance in 1984 of gold purchase warrants (notes 10 and 11(a)).

Campbell has $150,000,000 of unsecured revolving bank lines of credit. which expires on December 31, 1988. On or before that date, any outstanding balances under these lines of credit may be converted into a loan having a term of four years. The outstanding drawings under these lines of credit ($20,000,000 at December 31, 1986) bear interest at the prime rates of the lending banks. Campbell pays a standby charge of ⅛% per year on the undrawn balance of the lines of credit.

10. Commitment

At December 31, 1986 and 1985, Dome Mines had 3,000,000 gold purchase warrants outstanding (note 11 (a)) which entitle holders to purchase a total of 60,000 ounces of gold at U.S.$425 per ounce during the period ended October 16, 1989.

11. Shareholders' equity and net inome (loss) per share

(a) Capital

On October 16, 1984, the Company sold 3,000,000 Units, each consisting of one Common Share and a warrant to purchase 0.02 ounces of gold, at a price of $14.00 per unit (note 10). Proceeds from the sale of the warrants have been recorded as deferred revenue and will be included in income upon the exercise or expiry of the warrants.

On June 17, 1985, Dome Mines sold 9,000,000 Units, each consisting of one Common Share and one-half of a Common Share purchase warrant at a price of $11.00 per unit for gross proceeds of $99,000,000. Each whole warrant entitles the holder to purchase one Common Share of Dome Mines prior to June 16, 1988, at a price of $13.25.

In 1986, the Company entered into an agreement for the private placement of up to 82,135 Common Shares to finance up to a maximum of $3,000,000 of its 1986 mineral exploration program in Canada. In 1985, the Company financed $4,626,000 of its mineral exploration expenditures through the private placement of 265,844 Common Shares 34,644 of which were issued in January, 1986. The portion of the subscription price relating to the market value of the Common Shares is included as share capital and the balance of the subscription price is included as a reduction of outside mineral exploration expense, representing the flow-through to the purchasers of the tax deductions related to the mineral exploration expenditures. The Company has entered into a similar agreement to issue up to 110,914 Common Shares to finance up to a maximum of $4,000,000 of 1987 mineral exploration expenditures in Canada.

On March 19, 1987, Dome Mines issued and sold 7,000,000 Common Shares to the public in Canada and elsewhere outside the United States for total proceeds of $84,000,000. Of the net proceeds, $41,200,000 were used to repay the remaining balance of bank debt and to strengthen the Company's working capital position.

Details of the Company's capital account are as follows:

(thousands of Canadian dollars)	**1986**		1985		1984	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	**89,837,253**	**$175,765**	80,606,053	$ 76,501	77,606,053	$35,251
Flow-through share issues	**116,779(1)**	**1,444**	231,200	2,514	–	–
Unit offering	**–**	**–**	9,000,000	96,750	3,000,000	41,250
Balance, end of year	**89,954,032**	**$177,209**	89,837,253	$175,765	80,606,053	$76,501

(1) Of this total, 34,644 shares ($378,000) were classified at December 31, 1985 as shares to be issued.

(b) Net income (loss) per share

Net income (loss) per share is calculated using the net weighted average number of Common Shares outstanding during the year after deducting in 1985 and 1984 the Company's pro rata interest in its own Common Shares held by Dome Petroleum. Fully diluted net income (loss) per share reflects the dilutive effect on reported earnings per share of the exercise of outstanding share purchase warrants, options and convertible securities of Dome Mines and its associated companies.

(c) Stock options

In December, 1982, the Key Employee Stock Option Plan was established under which options to purchase shares of the Company may be granted for terms of up to ten years. Details of the options granted, surrendered and exercised for each of the three years ended December 31, 1986 are as follows:

	Number of Common Shares	Option price per share
Options outstanding, December 31, 1983	428,000	$13.55–$20.50
Granted in 1984	17,000	$16.50
Options outstanding, December 31, 1984	445,000	
Granted in 1985	106,400	$12.25
Options outstanding, December 31, 1985	551,400	
Surrendered or expired in 1986	(19,000)	$13.55
Options outstanding, December 31, 1986	532,400	$12.25–$20.50

A total of 327,800 options were immediately exercisable at December 31, 1986 with the remainder exercisable over periods extending to 1989.

The Plan provides for Stock Appreciation Rights whereby the employee may surrender options and receive an amount equal to the excess of the fair market value of the Common Shares over the exercise price of the options.

12. Contributed surplus

Contributed surplus increased $5,427,000 during 1985 and $11,994,000 during 1984. Contributed surplus resulted principally from the reduction of the Company's pro rata interest in its own Common Shares arising on issue of common shares by Dome Petroleum.

13. Supplementary information

(a) Other income (expense) represents the following:

(thousands of Canadian dollars)	1986	1985	1984
Interest income	**$3,678**	$ 4,116	$ 3,906
Dividends	**551**	281	–
Guarantee fees, net (note 7(c))	**3,078**	9,675	10,321
Write-down of investments	**(3,882)**	–	–
Other	**244**	(387)	1,603
	$3,669	$13,685	$15,830

(b) Unusual items of income (expense) were as follows:

(thousands of Canadian dollars)	1986	1985	1984
Gain on issues of shares by Campbell	**$25,117**	$ –	$ –
Gain on sale of shares of Campbell	**34,131**	–	–
Provision for change in quoted market value of marketable securities (note 2), net of minority interest	**(6,248)**	–	–
Gains on sales of investments	**6,366**	–	–
Gain (loss) on issues of shares by associated companies	**(2,928)**	12,375	6,724
	$56,438	$12,375	$6,724

(c) The following summary sets forth certain information pertaining to the calculation of cash provided by operating activities:

(thousands of Canadian dollars)	1986	1985	1984
Items of income not affecting cash –			
Depreciation, depletion and amortization	**$37,433**	$25,248	$ 19,425
Deferred income and mining taxes	**12,025**	4,012	13,913
Equity in losses of associated companies	**1,224**	10,647	56,870
Minority interest	**23,897**	13,629	11,726
Other	**3,723**	–	–
	$78,302	$53,536	$101,934
Net change in non-cash working capital items related to operations –			
Income and mining taxes recoverable	**$ 3,669**	$(11,843)	$ –
Accounts receivable	**(413)**	(1,606)	2
Mining and milling supplies	**295**	126	(1,697)
Accounts payable and accrued liabilities	**980**	1,534	880
Income and mining taxes payable	**(16,446)**	3,974	(9,507)
	$(11,915)	$ (7,815)	$(10,322)

(d) The Company's financial statements incorporate the results of operations of McIntyre, Falconbridge and Kiena from the respective dates of their acquisition by the Company as described in notes 1 and 4. Similarly, Falconbridge's results incorporate the results of Kidd Creek from the date of its acquisition by Falconbridge. The following summarized pro forma 1985 financial information gives effect as at January 1, 1985 to these acquisitions and to the related financing activities described below:

(i) The financing by the Company of its acquisition of McIntyre and Falconbridge by the issue of 9,000,000 Units (note 11(a)) for net proceeds of $94,197,000 and by bank indebtedness.
(ii) The financing by Campbell of its acquisition of Kiena by the issue of 3,000,000 common shares for net proceeds of $58,243,000 and by bank indebtedness.

Pro forma revenue does not include the revenue of McIntyre's discontinued coal mining operations (note 17).

Pro forma financial information for the year ended December 31, 1985 is as follows:

(thousands of Canadian dollars, except per share amount)	
Revenue	$252,604
Income before unusual items and loss from discontinued coal mining operations	$6,118
Net income	$11,363
Net income per share	$0.14

14. Pension plans

Substantially all employees are eligible for and are members of pension plans requiring contributions by Dome Mines and its subsidiaries. Pension costs are calculated and funded based on actuarial estimates. At December 31, 1986, there were no unfunded past service obligations. Pension expense for the Company's continuing operations was $1,213,000 in 1986, $1,035,000 in 1985 and $815,000 in 1984.

Vested and non-vested benefits under the plans and the net assets available for plan benefits at December 31 for the Company's continuing operations are as follows:

(thousands of Canadian dollars)	1986	1985
Actuarial present value of accumulated plan benefits, using assumed discount rates varying from 5½% to 7%:		
Vested benefits	$22,245	$17,770
Non-vested benefits	528	464
	$22,773	$18,234
Net assets available for plan benefits	$25,419	$20,673

The Company intends to adopt in 1987 the recently issued accounting recommendations of The Canadian Institute of Chartered Accountants for pension costs and obligations. The effects of the change in accounting are not expected to be material.

15. Differences between Canadian and United States generally accepted accounting principles and practices

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian basis") which differ in certain material respects from those principles and practices that the Company would have followed had its consolidated financial statements been prepared in accordance with accounting principles and practices generally accepted in the United States and required by the SEC ("U.S. basis"). Had the Company followed the U.S. basis, certain items on the consolidated balance sheets and consolidated statements of income would have been reported as follows:

Consolidated balance sheets –

(thousands of Canadian dollars)	1986		1985	
	Canadian basis	**U.S. basis**	Canadian basis	U.S. basis
Investments:				
Dome Petroleum (iii)(v)	**$(26,483)**	**$(225,000)**	$(56,533)	$(36,782)
Falconbridge (iv)(v)	**$280,850**	**$283,352**	$248,720	$249,826
Property, plant and equipment (ii)	**$469,050**	**$380,980**	$383,221	$383,221
Current liabilities (v)	**$29,708**	**$29,979**	$46,929	$44,466
Deferred income and mining taxes (ii)	**$148,738**	**$106,929**	$131,806	$131,806
Minority interest (ii)(iv)(v)	**$241,253**	**$222,013**	$169,271	$171,656
Contributed surplus (iii)	**$22,050**	**$42,333**	$22,050	$22,050
Retained earnings (deficit) (ii)(iii)(iv)(v)	**$168,942**	**$(74,648)**	$102,751	$123,686

Consolidated statements of income –

(thousands of Canadian dollars)	**1986**	1985	1984
Income (loss) before unusual items and loss from discontinued coal mining operations, in accordance with the Canadian basis	**$15,336**	$2,124	$(32,398)
Unusual items (i)	**56,438**	12,375	6,724
Write-down of oil and gas properties, net of related deferred income tax recovery of $43,842 (ii)	**(48,214)**	–	–
Adjustments to –			
Share of earnings (losses) of associated companies –			
Dome Petroleum (iii)	**(242,982)**	(32,159)	(18,569)
Falconbridge (iv)	**2,068**	(238)	–
Gain (loss) on issues of shares by associated companies (iii)(v)	**3,759**	(4,811)	–
Gain on sale of shares of Campbell (v)	**1,083**	–	–
Gain on issues of shares by Campbell (v)	**806**	–	–
Depletion expense (ii)	**1,390**	–	–
Capitalized interest on deferred mine development costs	**563**	–	–
Ontario mining tax (v)	**(1,300)**	–	–
Minority interest	**18,302**	81	–
Loss from continuing operations, in accordance with the U.S. basis	**(192,751)**	(22,628)	(44,243)
Loss from discontinued coal mining operations	**(188)**	(2,289)	–
Net loss, in accordance with the U.S. basis	**$(192,939)**	$(24,917)	$(44,243)
Loss from continuing operations per share, in accordance with the U.S. basis	**$(2.17)**	$(0.29)	$(0.62)
Net loss per share, in accordance with the U.S. basis	**$(2.17)**	$(0.32)	$(0.62)

The principal differences between accounting principles and practices generally accepted in Canada and those generally accepted in the United States and required by the SEC, as they affect Dome Mines, are as follows:

(i) Unusual items have been presented under the Canadian basis net of related income taxes aggregating $1,010,000. Under the U.S. basis, such items would be included in income before taxes and other items.

(ii) Valuation of oil and gas properties –

The Company determines the limit (the "ceiling amount") on the carrying value of its oil and gas assets on the Canadian basis, which differs from the U.S. basis. Under the U.S. basis the ceiling amount, at the end of each reporting period, is the present value of estimated future net revenues, discounted at 10% and based on period end prices and costs, plus the cost of properties not being depleted and unproved properties at the lower of cost and net realizable value, all adjusted for related income tax effects. In addition, the U.S. basis requires that if a price decline occurs subsequent to the reporting period, which would have resulted in the carrying value of oil and gas properties exceeding the ceiling amount at the reporting period end if such prices had been used, disclosure of the amount of the excess is required. The principal difference between the Canadian and U.S. bases, as they apply to the Company, is the requirement to discount future net revenues under the U.S. basis.

Depletion under the U.S. basis for periods subsequent to the write-downs is calculated on the reduced carrying value of oil and gas properties.

(iii) Differences affecting the share of losses of Dome Petroleum –

(a) The staff of the SEC have informed the Company that it is their view that the Company should continue to account for its investment in Dome Petroleum by the equity method until the negative carrying value of the investment equals the maximum amount of the Guarantee. The accompanying reconciliations reflect the continuation of the equity method under the U.S. basis, as required by the SEC. The Company is currently unable to predict the likelihood or amount of loss, if any, that it may ultimately incur with respect to the Guarantee and believes that the continued application of the equity method is not appropriate in the circumstances. The additional charges to income in 1986 under the U.S. basis are not, and should not be construed to be, estimates of loss that the Company has incurred or may incur in future in connection with the Guarantee.

(b) Under U.S. full cost accounting rules for oil and gas operations, companies are permitted only one cost centre for the capitalization of Canadian exploration and development costs. Dome Petroleum segregates costs related to frontier operations and, in 1983, wrote down the carrying value of frontier properties. Under the U.S. basis, this write-down would not have been recorded and the annual depletion related to these properties would have been adjusted accordingly.

(c) Under the U.S. basis, gains and losses arising on translation of long-term foreign currency liabilities at year-end are included in income immediately, instead of being deferred and amortized over the remaining life of such liabilities.

(d) In 1985 and 1984, under the U.S. basis investment tax credits previously recognized were written off because they expired without being realized.

(iv) Differences affecting the earnings of Falconbridge –

Principally, the translation of long-term foreign currency obligations as described in item (iii)(c), above.

(v) Other –

Gains and losses arising from issues of shares by, and sales of shares of, subsidiary and associated companies are affected because of the impact of the items described above on the carrying value of the Company's investments.

The provision for Ontario mining taxes under the Canadian basis has been calculated on the basis of legislation enacted in 1987 with retroactive application to the 1986 taxation year. Under the U.S. basis, taxes are provided in accordance with tax legislation in force at the year-end.

16. Reclassifications

Certain figures as at and for the years ended December 31, 1985 and 1984 have been reclassified to conform to the current year's presentation.

17. Sale of coal mining operations

On March 25, 1987, McIntyre completed the sale, effective February 28, 1987, of substantially all of its coal mining assets and operations. The assets, liabilities, revenues, expenses and cash flows of the coal mining operations have, therefore, been presented separately in these financial statements on a basis that discloses the financial position, results of operations and changes in financial position of the Company's continuing operations.

As consideration for the sale of its coal mining operations, McIntyre will receive a nominal cash consideration and a royalty to be based on net operating cash flows from the coal properties. McIntyre will remain contingently liable for certain liabilities related to the coal operations.

The Company will recognize a gain from the disposal of $7,693,000 in 1987.

Net liabilities of the discontinued coal mining operations included in these consolidated financial statements comprise:

	December 31	
(thousands of Canadian dollars)	1986	1985
Current assets	$37,200	$33,538
Investments	5,133	5,713
Property, plant and equipment	14,560	13,204
Total assets	56,893	52,455
Current liabilities	20,528	17,149
Long-term obligations	21,034	20,595
Total liabilities	41,562	37,744
Net assets before minority interest	15,331	14,711
Minority interest	22,342	21,535
Net liabilities	$ (7,011)	$ (6,824)

Loss from the discontinued coal mining operations represents:

	Years ended December 31	
(thousands of Canadian dollars)	1986	1985(1)
Coal revenue	$72,725	$37,738
Operating costs	74,818	43,533
	(2,093)	(5,795)
Interest on long-term debt	–	(429)
Minority interest	1,905	3,935
Loss from discontinued coal mining operations	$ (188)	$ (2,289)

(1) Results of operations for 1985 are from May 29, 1985, the date of acquisition of the coal mining operations (note 4).

Quarterly Financial Information

Summarized quarterly financial data for 1986 and 1985 are as follows:

(thousands of Canadian dollars, except per share amounts)	Quarters Ended March 31	June 30	September 30	December 31	Full Year
1986					
Revenue(1)	$70,809	$71,950	$75,789	$74,831	$293,379
Operating income(1)	$19,581	$24,370	$26,200	$20,181	$90,332
Equity in earnings (losses) of Falconbridge	$(5,330)	$(2,592)	$4,997	$1,701	$(1,224)
Unusual items(2)	$(13,436)	$32,983	$25,690	$11,201	$56,438
Net income (loss)	$(14,132)	$35,028	$35,772	$14,918	$71,586
Net income (loss) per share	$(0.16)	$0.39	$0.40	$0.17	$0.80
1985					
Revenue(1)	$52,059	$59,134	$56,967	$54,657	$222,817
Operating income(1)	$12,594	$18,030	$15,499	$11,477	$57,600
Equity in earnings (losses) of –					
Falconbridge	–	$840	$1,399	$2,308	$4,547
Dome Petroleum	$(7,903)	$(5,179)	$2,400	$1,309	$(9,373)
Unusual items(2)	$7,491	$3,511	$651	$722	$12,375
Net income (loss)	$3,936	$4,126	$6,880	$(2,732)	$12,210
Net income (loss) per share	$0.05	$0.05	$0.08	$(0.03)	$0.15

(1) Revenues and operating income have been restated to exclude the results of discontinued coal mining operations.
(2) Unusual items comprise gains and losses from disposal of shares of subsidiary and associated companies, gains and losses from issues of shares by such companies and provision for changes in quoted market value of marketable securities.

Effects of Changing Prices

For several years, the Company has provided supplementary information on the effects of changing prices prepared in accordance with the recommendations of The Canadian Institute of Chartered Accountants ("CICA"). These recommendations are similar in their objectives to those Statements No. 33, as amended, ("SFAS 33") of the U.S. Financial Accounting Standards Board ("FASB").

Recent evidence indicates that the information provided by companies complying with the CICA or FASB disclosure standards has not been useful. A survey undertaken by the CICA indicated that few Canadian companies elected to comply with the CICA recommendations. In the U.S., the FASB recently completed a detailed review of the experiences of preparers and users of disclosures required by SFAS 33. The disclosures were not found to be widely used or well understood, nor to provide sufficient benefits to outweigh the costs associated with their preparation. The FASB has announced that, effective December 3, 1986, the disclosures outlined in SFAS 33 are optional.

Dome Mines is in agreement with the findings of the FASB review. Furthermore, it is not feasible for companies such as Dome Mines that own unique and irreplaceable natural resource assets to provide meaningful current replacement values for property, plant and equipment. Accordingly, in 1986 the Company has not provided the optional disclosures recommended by the CICA and FASB. In their place, readers of the consolidated financial statements are provided with the following comments concerning the effects of changing prices on the results of operations and financial position of the Company.

The prices that Dome Mines realizes for the natural resource products it sells are established in international markets. These prices are generally not affected by domestic inflation in Canada and cannot be adjusted by the Company to offset inflationary cost increases.

Operating and capital costs incurred by Dome Mines are generally subject to inflationary factors. Wage rates for labour in the Company's gold mining operations have tended to increase at approximately the general rate of inflation in recent years. Increased productivity through the development and implementation of new technologies and mining methods has helped to offset the impact of increased cost levels in the Company's operations. In most cases, unit production cost increases incurred by the Company have resulted from changes in operating conditions, rather than from inflationary factors.

The Company anticipates that future productivity increases will continue to provide some protection from the effects of cost increases. Recognizing that inflation affects all business activities, the Company makes necessary allowances in preparing its business plans and making operating, investing and financing decisions.

Oil and Gas

The following unaudited supplementary information of Dome Mines, Campbell, Sigma and, in 1985 and 1984, their equity accounted investee, Dome Petroleum, is disclosed in accordance with FASB Statement No. 69, "Disclosures about Oil and Gas Producing Activities" (see note 15 to the Company's consolidated financial statements). Effective January 1, 1986, Dome Mines ceased to account for its investment in Dome Petroleum by the equity method.

Capitalized costs relating to oil and gas producing activities

	December 31	
(thousands of Canadian dollars)	**1986**	1985
Oil and gas properties		
Proved properties	**$128,108**	$115,769
Unproved properties	**65,660**	70,626
	193,768	186,395
Accumulated depletion and depreciation	**33,866**	25,562
Net capitalized costs	**$159,902**	$160,833
Proportionate share of capitalized costs of Dome Petroleum		$1,030,123

Reserve quantity information

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

	1986		1985		1984	
	Oil	**Gas**	Oil	Gas	Oil	Gas
Proved reserves, beginning of year	**6,406**	**71.2**	6,258	66.8	5,984	61.8
Revisions to previous estimates	**30**	**(5.5)**	419	3.0	342	3.8
Extensions and discoveries	**287**	**8.1**	219	3.0	406	2.8
Production	**(521)**	**(1.7)**	(490)	(1.6)	(467)	(1.6)
Sales of minerals in place	**–**	**–**	–	–	(7)	–
Proved reserves, end of year	**6,202**	**72.1**	6,406	71.2	6,258	66.8
Interest of minority shareholders of Campbell and Sigma in proved reserves	**2,899**	**33.7**	2,660	28.0	2,594	27.7
Proved developed reserves –						
Beginning of year	**5,315**	**38.3**	5,135	33.1	4,939	29.0
End of year	**5,485**	**38.4**	5,315	38.3	5,135	33.1

The Company's proportionate interest in the proved reserves of Dome Petroleum in 1985 and 1984, all of which are in Canada, is as follows:

	1985		1984	
	Oil	Gas	Oil	Gas
Share of proved reserves	64,286	964	81,113	1,120

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

Costs incurred for property acquisition, exploration and development activities

(thousands of Canadian dollars)	**1986**	1985	1984
Property acquisitions –			
Unproved	**$554**	$1,320	$388
Exploration	**3,625**	2,911	5,851
Development	**4,117**	2,198	1,284
	$8,296	$6,428	$7,523
Proportionate share of costs incurred by Dome Petroleum		$32,584	$41,330

Results of operations for oil and gas producing activities

The following information summarizes the Company's results of operations for oil and gas producing activities, all of which are in Canada, and, in 1985 and 1984, the Company's proportionate share of its equity accounted investment in Dome Petroleum:

(thousands of Canadian dollars)	**1986**	1985	1984
Revenue	**$11,427**	$17,522	$15,667
Production costs	**3,379**	5,438	4,690
Depreciation and depletion	**8,304**	8,756	7,516
	11,683	14,194	12,206
Income (loss) before income taxes	**(256)**	3,328	3,461
Income taxes (recovery)	**(961)**	1,410	1,318
Results of operations for oil and gas producing activities	**$ 705**	$ 1,918	$ 2,143
Proportionate share of Dome Petroleum's results		$34,785	$48,905

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

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

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

(thousands of Canadian dollars)	1986	1985	1984
Cash inflows	**$238,900**	$363,300	$322,800
Production and development costs	**(83,500)**	(103,000)	(73,300)
Income taxes	**(48,300)**	(75,300)	(95,900)
Net cash flows	**107,100**	185,000	153,600
10% annual discount for estimated timing of cash flows	**(60,800)**	(97,100)	(74,900)
Standardized measure of discounted future net cash flows	**$ 46,300**	$ 87,900	$ 78,700
Proportionate interest of minority shareholders of Campbell and Sigma	**$ 21,435**	$ 36,513	$ 32,317
Company's proportionate interest in standardized measure of discounted future net cash flows of Dome Petroleum		$686,675	$779,365

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

(thousands of Canadian dollars)	1986	1985	1984
Sales, net of production costs	**$ (6,600)**	$(12,700)	$(11,100)
Net changes in prices and production costs	**(59,700)**	(17,000)	(2,243)
Extensions, discoveries and improved recovery, less related costs	**5,800**	4,700	5,900
Development costs incurred during the year	**4,000**	2,200	1,500
Revisions of previous quantity estimates[1]	**(3,100)**	5,000	6,300
Accretion of discount	**11,900**	11,900	9,000
Net changes in income taxes	**13,600**	9,400	(12,900)
Reduction in future Crown royalty payments	**–**	–	1,600
Petroleum and gas revenue tax allowance	**1,500**	8,800	9,400
Change in production schedule	**(12,000)**	(3,600)	8,900
Other adjustments and changes	**3,000**	500	–
Net increase (decrease)	**(41,600)**	9,200	16,357
Standardized measure – Beginning of year	**87,900**	78,700	62,343
End of year	**$ 46,300**	87,900	$ 78,700

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

Five Year Review

Financial

(thousands of Canadian dollars, except per share amounts)	**1986**(1)	1985	1984	1983	1982
Revenue(2):					
Mining	**$281,952**	$205,295	$199,427	$221,793	$171,204
Oil and gas	**11,427**	17,522	15,667	12,962	11,408
	$293,379	$222,817	$215,094	$234,755	$182,612
Operating income (loss)(2):					
Mining	**$100,081**	$60,125	$67,854	$124,216	$86,877
Oil and Gas	**(256)**	3,328	3,461	4,546	5,385
	99,825	57,658	71,315	128,762	92,262
General corporate costs	**(9,493)**	(5,853)	(6,421)	(6,124)	(3,649)
Interest expense (net)	**13,152**	4,907	–	–	–
Other income	**3,669**	13,685	15,830	16,232	16,798
Income and mining taxes	**(40,392)**	(39,978)	(44,526)	(70,461)	(50,376)
Equity in earnings (losses) of:					
Falconbridge	**(1,224)**	4,547	–	–	–
Dome Petroleum(3)	**–**	(14,302)	(55,697)	(290,947)	(110,449)
Canada Tungsten	**–**	(5,821)	(1,173)	(2,480)	(1,741)
Minority interest	**(23,897)**	(13,629)	(11,726)	(17,679)	(17,108)
Unusual items	**56,438**	12,375	6,724	26,262	(365)
Loss from discontinued coal mining operations	**(188)**	(2,289)	–	–	–
Net income(3)	**$71,586**	$12,210	$(25,674)	$(216,435)	$(74,628)

(1) Amounts as at and for the year ended December 31, 1986 include Kiena's balances on a consolidated basis. Refer to note 1 to the consolidated financial statements.

(2) Mining revenues and operating income for 1986 and 1985 exclude the operating results of the Company's discontinued coal mining operations acquired May 29, 1985. Refer to note 17 to the consolidated financial statements.

(3) The Company's share of losses of Dome Petroleum reflects a change in accounting policy by Dome Petroleum in 1983, which increased Dome Mines' loss in 1983 by $83,281,000 or $1.19 per share.

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

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

(6) Refer to notes 3(d), 4(c), 7, 10 and 17 to the consolidated financial statements of Dome Mines for information regarding certain contingencies at and events subsequent to December 31, 1986.

(thousands of Canadian dollars, except per share amounts)	**1986**	1985	1984	1983	1982
Per share:					
Income (loss) from continuing operations	**$0.80**	$0.18	$(0.36)	$(3.09)	$(1.07)
Loss from discontinued coal mining operations	**–**	$(0.03)	–	–	–
Net income (loss)(3)	**$0.80**	$0.15	$(0.36)	$(3.09)	$(1.07)
Fully diluted net income (loss)	**$0.77**	$0.15	$(0.36)	$(3.09)	$(1.07)
Dividends – Canadian $	**$0.06**	$0.12	$0.12	$0.115	$0.10
– U.S.$ equivalent	**$0.043**	$0.088	$0.093	$0.093	$0.08
Cash provided by operating activities	**$81,723**	$47,845	$59,214	$93,383	$90,432
Additions to property, plant and equipment (net):					
Mining	**$22,915**	$7,757	$29,833	$62,217	$78,040
Oil and gas	**$8,296**	$6,428	$7,523	$3,171	$13,217
Working capital(4)	**$87,332**	$62,511	$57,420	$36,490	$22,047
Total assets(4)	**$857,347**	$692,361	$408,866	$413,978	$691,929
Long-term obligations(4)	**$65,289**	$71,689	–	$29,000	$87,100
Shareholders' equity(4)	**$372,359**	$272,666	$159,505	$140,198	$361,576
Shares outstanding(4)	**89,954,032**	89,837,253	80,606,053	77,606,053	77,592,248
Price of common shares – TSE					
High	**$17¼**	$14	$21⅛	$27¼	$19¼
Low	**$6¾**	$8⅜	$8½	$13½	$6½
Exchange rates(5)–					
As at December 31	**1.3810**	1.3985	1.3217	1.2445	1.2297
Yearly average	**1.3913**	1.3683	1.2971	1.2334	1.2364
High for year	**1.3640**	1.3202	1.2416	1.2194	1.1863
Low for year	**1.4380**	1.4025	1.3348	1.2511	1.3002

Selected financial data in accordance with United States accounting principles

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

Equity in losses of associated companies	**$(242,138)**	$(40,328)	$(68,715)	$(207,726)	$(122,182)
Net loss	**$(192,939)**	$(24,917)	$(44,243)	$(130,734)	$(84,620)
Net loss per share	**$(2.17)**	$(0.32)	$(0.62)	$(1.87)	$(1.22)
Fully diluted net loss per share	**$(2.18)**	$(0.32)	$(0.62)	$(1.87)	$(1.22)
Total assets	**$573,262**	$713,218	$460,293	$484,468	$676,851
Shareholders' equity	**$149,052**	$293,601	$217,567	$216,829	$352,506

A discussion of differences between accounting principles and practices generally accepted in Canada and in the United States and required by the SEC is contained in note 15 to the consolidated financial statements.

OPERATIONS

	1986	1985	1984	1983	1982
Mining:					
Dome Mine					
Ounces of gold produced	**137,023**	125,797	118,472	138,020	85,201
Tons of ore milled	**1,060,000**	1,028,000	860,000	762,000	708,000
Operating cost per ton milled	**$51.50**	$50.87	$49.30	$49.84	$44.30
Revenue per ounce					
– Canadian $	**$500**	$436	$463	$528	$472
– U.S. $	**$360**	$319	$357	$428	$382
Operating cost per ounce(1)					
– Canadian $	**$398**	$416	$358	$378(2)	$368
– U.S. $	**$287**	$304	$276	$306	$298
Cash operating cost per ounce(1)(3)					
– Canadian $	**$348**	$362	$330	$362(2)	$355
– U.S. $	**$250**	$265	$255	$293	$287
Proven ore reserves					
Tons in place (000's)	**2,495**	2,538	2,629	2,600	2,142
Grade (ounces per ton)	**0.174**	0.170	0.170	0.182	0.197
Number of employees	**757**	758	756	789	756
Campbell Mine					
Ounces of gold produced	**229,182**	226,152	213,946	219,200	217,158
Tons or ore milled	**393,000**	392,000	395,000	390,000	392,000
Operating cost per ton milled	**$91.35**	$85.44	$75.78	$70.62	$67.56
Revenue per ounce					
– Canadian $	**$512**	$437	$463	$520	$463
– U.S. $	**$369**	$320	$357	$422	$374
Operating cost per ounce(1)					
– Canadian $	**$157**	$148	$140	$126	$122
– U.S. $	**$113**	$108	$108	$102	$99
Cash operating cost per ounce(1)(3)					
– Canadian $	**$148**	$138	$131	$117	$113
– U.S. $	**$107**	$101	$101	$95	$91
Proven and probable ore reserves(4)					
Tons in place (000's)	**7,597**	2,255	2,291	2,329	2,310
Grade (ounces per ton)	**0.608**	0.580	0.582	0.584	0.593
Number of employees	**453**	444	447	437	427
Detour Lake Mine (50% share)					
Ounces of gold produced	**43,176**	40,884	39,479	5,937(5)	–
Tons or ore milled	**432,000**	448,000	438,000	124,000	–
Operating cost per ton milled	**$49.21**	$44.90	$51.93	$66.76	–
Revenue per ounce					
– Canadian $	**$514**	$475	$462	$466	–
– U.S. $	**$370**	$348	$356	$378	–
Operating cost per ounce					
– Canadian $	**$492**	$492	$576	$697	–
– U.S. $	**$354**	$360	$444	$565	–
Cash operating cost per ounce(3)					
– Canadian $	**$254**	$379	$447	$562	–
– U.S. $	**$183**	$277	$345	$456	–
Proven and probable ore reserves					
Tons in place (000's)	**4,705**	4,636	5,450	15,100	–
Grade (ounces per ton)	**0.141**	0.131	0.128	0.113	–
Number of employees	**151**	241	303	284	–

(1) Operating costs at the Dome, Sigma and Campbell mines for 1982 and 1983 have been restated to reflect the reclassification of certain costs as general corporate costs.

(2) Including ounces of gold recovered from plant and equipment replaced as part of the mill expansion, in 1983 operating cost per ounce was $282 and cash operating cost per ounce was $264.

(3) Cash operating cost per ounce excludes depreciation.

(4) Effective December 31, 1986, the Company changed the method of calculating proven ore reserves and, in addition, commenced reporting probable reserves. Amounts of proven reserves for 1985 and prior years have been restated to include broken ore. Probable reserves for prior years were not calculated.

Kiena Mine(6)					
Ounces of gold produced	**72,694**	70,034	66,657	61,193	63,038
Tons of ore milled	**500,000**	420,000	416,000	339,000	317,000
Operating cost per ton milled	**$46.92**	$54.70	$53.66	$58.79	$59.94
Revenue per ounce					
– Canadian $	**$501**	$425	$461	$515	$483
– U.S. $	**$361**	$311	$355	$418	$391
Operating cost per ounce					
– Canadian $	**$322**	$328	$335	$326	$302
– U.S. $	**$233**	$240	$258	$264	$244
Cash operating cost per ounce(3)					
– Canadian $	**$280**	$287	$302	$299	$277
– U.S. $	**$202**	$210	$233	$242	$224
Proven and probable ore reserves					
Tons in place (000's)	**6,101**	6,171	5,914	5,582	5,501
Grade (ounces per ton)	**0.147**	0.152	0.158	0.163	0.170
Number of employees	**189**	192	191	161	135
Sigma Mine					
Ounces of gold produced	**64,715**	59,465	56,980	61,529	64,724
Tons of ore milled	**493,000**	479,000	478,000	481,000	486,000
Operating cost per ton milled	**$48.32**	$46.56	$45.92	$42.85	$39.56
Revenue per ounce					
– Canadian $	**$497**	$440	$465	$523	$470
– U.S. $	**$358**	$322	$359	$424	$380
Operating cost per ounce(1)					
– Canadian $	**$368**	$375	$385	$335	$297
– U.S. $	**$265**	$275	$299	$272	$240
Cash operating cost per ounce(1)(3)					
– Canadian $	**$361**	$366	$380	$331	$294
– U.S. $	**$260**	$267	$295	$268	$238
Proven and probable ore reserves(4)					
Tons in place (000's)	**4,903**	1,268	1,215	1,170	1,188
Grade (ounces per ton)	**0.139**	0.170	0.177	0.176	0.178
Number of employees	**429**	402	420	431	434
Dee Gold Mine (29⅓% share)(7)					
Ounces of gold produced	**10,796**	13,976	1,799	–	–
Oil and Gas					
Production volumes					
Oil and natural gas liquids (bbls.)	**550,000**	512,000	467,000	430,000	366,000
Gas (mcf)	**1,730,000**	1,719,000	1,623,000	1,330,000	1,299,000
Net proved reserves					
Oil and natural gas liquids (000 bbls.)	**6,202**	6,406	6,258	5,984	6,425
Gas (000 mcf)	**72,100**	71,200	66,800	61,800	66,500
Wells drilled (net)					
Oil	**8**	10	9	5	2
Gas	**1**	2	4	2	3
Dry	**3**	4	2	2	1
Total	**12**	16	15	9	6

(5) Represents results of two months operations of the Detour Lake Mine which began commercial production in November, 1983.

(6) Represents 100% of the production and reserve amounts for the Kiena Mine. Campbell acquired 56.7% of the outstanding common shares of Kiena on January 24, 1986. Operating cost per ounce does not include amortization of the cost to Campbell of purchasing its interest in Kiena's mine property.

(7) Ounces of gold produced represent Dome's 29⅓% indirect interest in production up to September 29, 1986, the date of sale of the Company's interest in Dee Gold. The mine began commercial production in October, 1984.

CONSOLIDATION SCHEDULE

(thousands of Canadian dollars, except per share amounts)

	1986						
	Dome Mines Limited (2)(3)	Campbell Red Lake Mines Limited (2)	Kiena Gold Mines Limited (5)	Sigma Mines (Quebec) Limited	McIntyre Mines Limited (4)	Consoli-dating Adjust-ments	Dome Mines Limited Consolidated
Dome Mines' ownership[1]		50.4%	28.6%	64.7%	52.9%		
Revenue:							
Mining	$ 70,763	$142,118	$36,452	$32,619	$ —	$ —	$281,952
Oil and gas	—	9,141	—	2,286	—	—	11,427
	70,763	151,259	36,452	34,905	—	—	293,379
Operating costs:							
Mining	59,514	65,134	25,928	26,776	—	4,519	181,871
Oil and gas	—	8,964	—	2,286	—	433	11,683
General corporate costs	5,069	2,946	740	738	468	(468)	9,493
	64,583	77,044	26,668	29,800	468	4,484	203,047
Operating income (loss)	6,180	74,215	9,784	5,105	(468)	(4,484)	90,332
Interest on long-term obligations	(7,927)	(5,225)	—	—	—	—	(13,152)
Less interest capitalized	—	—	—	—	—	—	—
Other income	12,242	3,894	757	1,531	264	(15,019)	3,669
Income and mining taxes	2,210	(36,971)	(3,582)	(2,049)	—	—	(40,392)
Income (loss) after taxes, before other items	12,705	35,913	6,959	4,587	(204)	(19,503)	40,457
Equity in earnings (losses) of associated companies:							
Falconbridge	(994)	—	—	—	(2,500)	2,270	(1,224)
Dome Petroleum	—	—	—	—	—	—	—
Canada Tungsten	—	—	—	—	—	—	—
Minority interest	—	(14,610)	(4,839)	(2,141)	942	(3,249)	(23,897)
Unusual items	59,444	(6,463)	—	1,489	(1,291)	3,259	56,438
Income (loss) from discontinued coal mining operations	—	—	—	—	1,952	(2,140)	(188)
Dome Mines' interest in net income (loss)	$ 71,155	$ 14,840	$ 2,120	$ 3,935	$(1,101)	$(19,363)	$ 71,586
Per Common Share of Dome Mines	$0.79	$0.17	$0.02	$0.04	$(0.01)	$(0.21)	$0.80
Working capital:							
Current assets	$ 17,744	$ 66,592	$15,074	$20,799	$ —	$ (3,169)	$ 17,040
Current liabilities	8,100	18,082	2,360	2,602	1,412	(2,848)	29,708
	$ 9,644	$ 48,510	$12,714	$18,197	$(1,412)	$ (321)	$ 87,332
Property, plant and equipment:							
Mining	$118,235	$ 75,294	$43,807	$ 3,417	$ —	$ 68,395	$309,148
Oil and gas	—	121,843	—	31,332	—	6,727	159,902
	$118,235	$197,137	$43,807	$34,749	$ —	$ 75,122	$469,050
Long-term obligations	$ 45,289	$ 20,000	$ —	$ —	$ —	$ —	$ 65,289

(1) Percentages are as at December 31 of the years indicated.

(2) The figures presented for Dome Mines include Dome Mines' equity in earnings (losses) of associated companies and exclude the results of Dome Mines' principal operating subsidiaries. Campbell's results in 1986 exclude the results of its subsidiary, Kiena.

(3) Other income of Dome Mines consists principally of dividends from Campbell and Sigma, interest income on short-term investments and a guarantee fee from Dome Petroleum.

(4) The results presented for McIntyre are for the period from May 29, 1985 (see note 4 to the consolidated financial statements).

(5) The results presented for Kiena are for the period from January 24, 1986 (see note 1 to the consolidated financial statements). Dome Mines' percentage ownership represents its 50.4% interest through Campbell in Campbell's 56.7% interest in Kiena.

(6) Certain amounts for 1985 and 1984 have been restated to conform to the presentation adopted in 1986.

1985						1984				
Dome Mines Limited (2)(3)	Campbell Red Lake Mines Limited 56.9%	Sigma Mines (Quebec) Limited 64.7%	McIntyre Mines Limited (4) 52.9%	Consolidating Adjustments	Dome Mines Limited Consolidated	Dome Mines Limited (2)(3)	Campbell Red Lake Mines Limited 56.9%	Sigma Mines (Quebec) Limited 65.2%	Consolidating Adjustments	Dome Mines Limited Consolidated
$ 57,844	$120,697	$26,754	$ —	$ —	$205,295	$ 55,195	$117,686	$26,546	$ —	$199,427
—	14,018	3,504	—	—	17,522	—	12,534	3,133	—	15,667
57,844	134,715	30,258	—	—	222,817	55,195	130,220	29,679	—	215,094
58,800	61,412	24,281	—	677	145,170	47,520	59,418	23,737	989	131,573
—	10,992	2,813	—	389	14,194	—	9,536	2,386	284	12,206
2,984	2,103	766	1,087	(1,087)	5,853	3,787	2,052	731	(149)	6,421
61,784	74,507	27,860	1,087	(21)	165,217	51,307	71,006	26,854	1,033	150,200
(3,940)	60,208	2,398	(1,087)	21	57,600	3,888	59,214	2,825	(1,033)	64,894
(4,907)	—	—	—	—	(4,907)	(3,147)	(1,942)	—	1,942	(3,147)
—	—	—	—	—	—	3,147	—	—	—	3,147
21,821	1,790	1,373	90	(11,389)	13,685	27,044	2,942	1,118	(15,274)	15,830
(1,866)	(36,216)	(1,896)	—	—	(39,978)	(7,993)	(34,875)	(1,658)	—	(44,526)
11,108	25,782	1,875	(997)	(11,368)	26,400	22,939	25,339	2,285	(14,365)	36,198
1,142	—	—	4,361	(956)	4,547	—	—	—	—	—
(9,373)	—	—	—	—	(9,373)	(55,697)	—	—	—	(55,697)
(5,821)	—	—	—	—	(5,821)	(1,173)	—	—	—	(1,173)
—	(11,161)	(661)	12,674	(14,481)	(13,629)	—	(10,930)	(796)	—	(11,726)
12,537	—	—	178	(340)	12,375	6,724	—	—	—	6,724
—	—	—	(31,023)	28,734	(2,289)	—	—	—	—	—
$ 9,593	$ 14,621	$ 1,214	$(14,807)	$1,589	$ 12,210	$ (27,207)	$ 14,409	$ 1,489	$(14,365)	$ (25,674)
$0.12	$0.18	$0.02	$(0.19)	$0.02	$0.15	$(0.38)	$0.20	$0.02	$(0.20)	$(0.36)
$ 17,994	$ 77,562	$17,986	$33,538	$(37,640)	$109,440	$ 24,581	$ 57,353	$13,351	$ 3,546)	$ 91,739
7,798	34,444	4,320	7,222	(6,855)	46,929	7,074	30,885	2,061	(5,701)	34,319
$ 10,196	$ 43,118	$13,666	$26,316	$(30,785)	$ 62,511	$ 17,507	$ 26,468	$11,290	$ 2,155	$ 57,420
$122,678	$ 77,832	$ 4,033	$28,619	$ 17,845	$222,388	$127,385	$ 80,789	$ 4,429	$ 18,520	$231,123
—	121,438	31,314	—	8,081	160,833	—	122,936	31,754	8,471	163,161
$122,678	$199,270	$35,347	$28,619	$ 25,926	$383,221	$127,385	$203,725	$36,183	$ 26,991	$394,284
$ 71,689	$ —	$ —	$ —	$ —	$ 71,689	$ —	$ —	$ —	$ —	$ —

Principal Markets for the Company's Shares

The Common Shares of Dome Mines are listed on the New York Stock Exchange in the United States, on The Toronto Stock Exchange and The Montreal Exchange in Canada and on the Paris Bourse in France.

Stock Symbol: DM

The New York Stock Exchange and The Toronto Stock Exchange are the principal exchanges on which the Common Shares are traded. Shown below are the high and low sale prices for the Common Shares on these exchanges for the periods indicated.

	1986		1985	
The Toronto Stock Exchange (Cdn. dollars)	**High**	**Low**	High	Low
First quarter	**$17¼**	**$10¾**	$13¼	$8⅜
Second quarter	**10⅞**	**7⅜**	13⅜	9½
Third quarter	**11⅛**	**6¾**	13¾	9¼
Fourth quarter	**11⅝**	**8⅞**	14	11¼
New York Stock Exchange (U.S. dollars)	**High**	**Low**	High	Low
First quarter	**$12¼**	**$7⅝**	$9¾	$6⅜
Second quarter	**7⅞**	**5⅜**	9⅞	7
Third quarter	**8⅛**	**4⅞**	10⅛	6⅞
Fourth quarter	**8⅜**	**6⅜**	10¼	8¼

Shareholders

As at March 31, 1987, the Company had 96,954,032 Common Shares issued and outstanding, of which 20,861,184 or approximately 21.5% were owned by Dome Petroleum.

The Company's records indicate that there were 14,049 shareholders of record at March 17, 1987.

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

Dividends

Dividends declared in Canadian dollars on the Common Shares for each quarterly period during 1986 and 1985 are shown below.

	1986	1985
First quarter	**$0.03**	$0.03
Second quarter	–	0.03
Third quarter	–	0.03
Fourth quarter	**0.03**	0.03
	$0.06	$0.12

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

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

The Company has paid dividends since 1920; however the decision to pay dividends and the amount thereof 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.

Flow-through Shares

Dome Mines has entered into an agreement for the private placement of flow-through Common Shares in consideration for the financing of up to a maximum of $4,000,000 of its 1987 mineral exploration program in Canada. Pursuant to this agreement, Dome Mines will, subject to regulatory approval, issue up to 110,914 Common Shares during 1987.

Share Purchase Warrants

As at March 31, 1987, there were 4,500,000 Dome Mines share purchase warrants outstanding. Each warrant entitles the holder to acquire from the Company one Common Share (subject to adjustment) at a price of $13.25 prior to the close of business on June 15, 1988. The share purchase warrants are listed on The Toronto Stock Exchange and The Montreal Exchange, and traded during 1986 at prices between $5.63 and $1.10.

Gold Purchase Warrants

The Company had oustanding at March 31, 1987 3,000,000 gold purchase warrants. Each warrant entitles the holder to acquire from the Company 0.02 ounces of gold at a price of U.S.$8.50 (U.S.$425 per ounce) prior to the close of business on October 16, 1989. The gold purchase warrants are listed on The Toronto Stock Exchange and The Montreal Exchange, and traded during 1986 at prices between $3.70 and $1.41.

Directors

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

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

°*Alex E. Barron,
Toronto, Ontario.
President,
Canadian General
Investments Limited

***John W. Goth,**
Greenwich, Connecticut.
Mining Consultant

‡*William James,
Toronto, Ontario.
Chairman of the Board,
President and Chief
Executive Officer,
Falconbridge Limited

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

‡°Allen T. Lambert,
Toronto, Ontario.
Chairman of the Board,
Trilon Financial Corporation

‡J. Howard MacDonald,
Calgary, Alberta.
Chairman and Chief
Executive Officer,
Dome Petroleum Limited

†H. John McDonald,
Toronto, Ontario.
Chairman, Black &
McDonald Limited

‡*Clifford L. Michel,
New York, New York
Partner,
Cahill Gordon & Reindel

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

‡Executive Committee Member
†Management Resources and Compensation Committee Member
*Audit Committee Member
°Nominating Committee Member

Valentine N. Stock
The Company notes with great sadness the death of Mr. Valentine Stock on January 2, 1987. Mr. Stock, President and Chief Executive Officer of Canada Packers Inc., Toronto, Ontario, served as a director of the Company from 1983.

Directors Emeritus

William F. James,
Toronto, Ontario.
Partner, James & Buffam,
Consulting Geologists.
A Director of the Company
1958-1983

A. Bruce Matthews,
Toronto, Ontario.
President, Matthews and
Company, Inc.
Chairman of the Company
1976-1983
and a Director
1947-1986

James B. Redpath,
Toronto, Ontario.
President of the Company
1959-1978
and a Director
1956-1983

OFFICERS

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

C. Henry Brehaut,
President and
Chief Operating Officer

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

J. Scott Drever,
Vice-President,
Corporate Development

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

Kenneth J. Hill,
Vice-President

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

Victor A. Wells,
Controller

John H. Hough, Q.C.
Assistant Secretary

OPERATING MANAGEMENT

DOME MINE

Robert J. Perry,
General Manager

Brian Robertson,
General Superintendent

CAMPBELL MINE

Stewart M. Reid,
General Manager

Keith H. Newman,
General Superintendent

DETOUR LAKE MINE

John S. Rogers,
General Manager

Tim Mann,
Manager of Operations

KIENA MINE

Raynald O. Vézina,
General Manager

Daniel G. Vanin
Production Superintendent

SIGMA MINE

J. André Carrier,
General Manager,

Marc C. Tremblay,
General Superintendent

Harry V. Pyke,
Consultant

Executive and Head Office
Box 350, Suite 3500,
IBM Tower,
Toronto-Dominion Centre,
Toronto, Ontario
M5K 1N3
(416) 868-6060

Mine Offices

Dome Mine
South Porcupine, Ontario
P0N 1H0
(705) 235-3221

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

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

Kiena Mine
Box 87,
Val d'Or, Quebec
J9P 6A5
(819) 738-4031

Sigma Mine
Head Office and Mine,
Val d'Or, Quebec
J9P 4N8
(819) 825-4182

General Counsel
Fasken & Calvin,
Toronto, Ontario

Auditors
Clarkson Gordon,
Toronto, Ontario

Transfer Agents and Registrars
The Royal Trust Company,
Box 7500,
Toronto-Dominion Centre
M5W 1P9

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

Share Listings
The Toronto Stock Exchange
The Montreal Exchange
New York Stock Exchange
Paris Bourse

Annual Meeting
The Annual Meeting of Shareholders will be held in Pier 2 and 3 of the Harbour Castle Hilton Hotel, Toronto, Ontario on May 27, 1987 at 11:00 a.m. (Toronto time).

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

Form 10-K
Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available by writing to The Secretary, Box 350, Suite 3500, IBM Tower, Toronto-Dominion Centre Toronto, Ontario M5K 1N3

Design: B P & A Limited
Printed in Canada by
Norgraphics (Canada) Limited