

HOWARD ZOGS LIBRARY
DEPARTMENT OF MANAGEMENT
OF MANAGEMENT LIBRARY
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MCGILL UNIV
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Cullaton Lake Gold Mines Ltd. produces gold and silver from its mine in the Keewatin District of the Northwest Territories. It is actively involved in the further development of its current mine and in the exploration of the adjacent gold anomalies on claims in the area surrounding Cullaton Lake.

Cullaton Lake Gold Mines Ltd. is managed by Camchib Resources Inc., one of the Campbell Resources group of companies.



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At fiscal year end, September 30, 1982 the mine and mill were in a preproduction stage. At January 1, 1983 the facilities were declared to have attained commercial production status. With the knowledge gained in this success it has become apparent that the Cullaton Lake gold mine has the potential to become the focal point of a major gold camp.

The objective now is three fold;

- to complete the task of ensuring a consistent mining and milling operation of 300 tons per day at the process efficiencies recently obtained;
- to expand the reserve base in the mine by rapid implementation of the mine development plans that are currently being evolved; and
- to develop the exploration targets in the 24-mile-long gold belt by a systematic evaluation of past data coupled with drill programmes to bring potential ore deposits to reality.

Rapid improvement has been made in achieving milling targets. Treatment rates of 300 tons per day have recently been achieved and this rate is expected to be maintained. Recoveries now are in a very acceptable order of 95%.

Originally, it was planned that Cullaton should embark on a programme of expansion over a period of several years. In view of the success of the past six months and the confidence achieved due to that success together with the improved environment for precious metals, added impetus is given to an acceleration in the timing of our expansion programme. To this end a rights offering is enclosed with this annual report.

Financial

Steps were taken to place the Company on a sound financial footing. On July 16, 1982 the joint venture for the mine and mill operations between the Company and Royex Sturgex Mining Ltd. was concluded. At the same time the reorganization and refinancing was successfully completed with the conversion of interest bearing debt into equity. This was achieved by raising \$25.5 million through the sale of stock. In addition, a loan of \$10.2 million was obtained to cover a 40% retraction obligation on the company's newly issued preferred shares. A \$5 million bank line of credit completed the financing arrangements.

Concurrent with this restructuring to reduce debt, Camchib Resources Inc. became the manager of the Company.

The statements reflect a \$33,900,000 writeoff from the cost of mining properties and preproduction expenses. This is a one-time charge which allows the balance sheet to more properly reflect the asset position of the Company. It

is important to note that Cullaton continues to retain the maximum tax deductions available for future use.

Production

To the end of the fiscal year, a total of 15,749 ounces of gold had been refined and sold. All revenues were applied to preproduction and development expenditures.

Output has improved sharply from rates of the earlier months of 1982 to reach a level of 3,485 ounces of gold in September with the mine and mill continuing to work towards the planned rate of 4,000 ounces monthly.

Gold recovery has improved dramatically (61% in June, 76% in July, 83% in August, 91% in September, and 95% in October, November and December) further illustrating the extent of the improvements in recent months.

At fiscal year end the mill was operating at 250 tons per day. With the recent changes, a steady rate of 300 tons is being attained using some stockpiled development ore. The mine is still building towards the required production level to supply the mill. Major emphasis is on developing new working faces. Additional necessary underground equipment was required to support the mine operations, some of which still has to be received.

Overall, substantial efficiencies have been achieved in all facets of the mining operations. Experienced manpower has been obtained from northern communities and on-the-job training programmes are continuing.

Development and Exploration

The mineral inventory currently totals approximately 200,000 tons with an average grade in excess of 0.50 ounces gold per ton. Our exploration teams consider the Cullaton Lake property to have outstanding potential for

expansion of this mineral inventory. They have also reported excellent prospects in the adjacent and surrounding properties. Hence a major program for both internal development and external exploration is being prepared.

Underground exploration resumed in the fall with gratifying initial results. Opportunities are excellent for expanding the reserve along strike and at depth close to the present openings.

Outside the immediate mine area, Cullaton holds 74 mineral claims strategically located along a favourable geological formation which hosts the Cullaton Lake deposit. These claims are within 12 miles of the mill. Limited surface work has already identified eight areas which warrant followup. A major exploration programme on these claims for 1983 is in the planning stage.

In addition, under a joint venture agreement with Royex Sturgex Mining Limited, exploration is to be carried out on the Shear Lake claims located about three miles from the Cullaton mill.

Outlook

The Cullaton Lake gold mine shows excellent promise of becoming a substantial and very successful operation. Programmes in the planning stage and already underway focus on the goal of making Cullaton the core of a significantly enlarged gold camp. Acceleration of such programmes is being pursued with a view to achieving as quickly as possible more of the potential opportunities felt to be available in the Cullaton Lake area.

Initial results of the underground programmes have already confirmed the presence of additional areas of mineralization. The area examined so far represents only a small portion of the total potential on the main property. All current reserves are in the folded iron formation within a strike length of 700 feet and a vertical depth of 400 feet. This deposit is open both along strike and at depth. Earlier deep drilling confirmed extensions to 775 feet and still open.

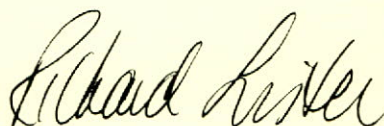
In the area outside the mine operation, exploration potential is excellent for the discovery of other Cullaton-type deposits. The exploration season is a relatively short period of four to six months and logistics must be carefully planned in advance to obtain maximum results and value for the expenditures.

The establishment of commercial production combined with the refinancing permits management to pursue growth objectives for your Company.

Our confidence that other mines will be found in close proximity to the existing mill have led us to initiate studies for expansion of the processing plant at two levels – 500 tons and 1,000 tons daily capacity.

The achievement of a viable gold mining operation in the eastern Arctic has required the assistance of many individuals. Appreciation is expressed for their outstanding efforts and for the support of shareholders through the recent period.

On behalf of the Board of Directors



Richard L. Lister,
President and Chief Executive Officer
January 24, 1983

Review of Exploration and Development

The excellent potential for creating a substantial gold camp in the Cullaton Lake area is being pursued from two major directions.

At the mine, in the ground immediately adjacent to the present workings an underground programme of drifting and drilling is developing known gold zones and probing for additional zones in order to increase mineral inventories.

In the surrounding area, on the Cullaton main property, on other Cullaton claim groups extending for 24 miles along the gold belt, and on the Shear Lake Joint Venture ground detailed planning is nearing completion for an expanded and accelerated exploration programme in 1983. The objective is to find new mines.

Underground Development

Gold is known to occur in bands of iron formation. As the illustration shows several iron bands have been defined on the Company's properties.

One mine has already been developed on one of these iron formations — the B Zone. An extensive underground development programme from the existing mine is reaching out in three directions — north and south along strike and to depth within this iron formation.

The mine cross-section shows how the B zone has been developed by a spiral ramp, levels and drifts. These now provide access to a depth of 400 feet and over a strike length of 700 feet. The new development, underway and proposed, is also shown.

This development programme is confirming ore reserves and making them available for mining as well as providing access for detailed exploration along strike and at depth.

In total approximately 1,800 feet of drifting is underway in the present phase of the programme.

The 405 South ramp is being extended 800 feet with a decline to the 525 foot level. Numerous ore grade intersections were obtained in earlier drilling and several new mining blocks will soon become available for production.

Two drives are opening up a large area for detailed exploration and will permit definition of the south extension of the iron formation.

On 100 South level which is closest to surface a 300 foot drive is proceeding into an area where earlier surface drilling indicated ore potential.

On 330 South, a 200 foot drive will permit detailed examination of another area of potential for development of large stopes.

To the north along strike, three drifts are underway to define the north extension of the

gold zone in the iron formation. A large area of some 400 feet vertically and at least 150 feet along strike will be explored.

The 120 North drift which recently provided access to a mining block is being extended to allow a second access to surface.

On 260 North, the principal objective is to test the strike extension of the hinge area of a fold in the formation. This area is known to have the potential for development of especially large mining blocks. At the same time a drill base will be established for further exploration within the iron formation.

The drive on 406 North is in its early stages. This drive will also permit detailed drilling in favourable formation.

Surface Exploration

A major exploration programme is being planned. The objective in accelerating activity is to develop new deposits to support an early expansion of the Cullaton mill. The presence of the mill and supporting infrastructure has enhanced the economics of nearby gold prospects.

The B Zone orebody is related to an iron formation in a geological environment similar to Homestake Mine, South Dakota and the recently-developed Lupin Mine, Northwest Territories. These deposits are well known for large tonnage possibilities.

Gold is associated mainly with sulphides in a folded magnetite iron formation. These sulphide zones are complex and require detailed underground diamond drilling and drifting to determine their full economic potential.

Initial exploration in the early 1960's confirmed the presence of bands of gold-bearing iron formation within the Company's extensive holdings totalling 23,000 acres. All claims are registered in the name of Cullaton Lake Gold Mines Ltd.

Within a three-mile radius of the mine, three 100 to 250 foot wide parallel bands of iron formation have been traced for an aggregate length of seven miles.

The eastern band on which the B Zone deposit is located extends for a strike length of 8,000 feet. Only 40% of this formation has been tested previously by diamond drilling.



Iron formation Extends 6500'

Portal



Drill Indicated Ore Potential

100

200

301

330

401

405

Unexplored Favorable Iron Formation

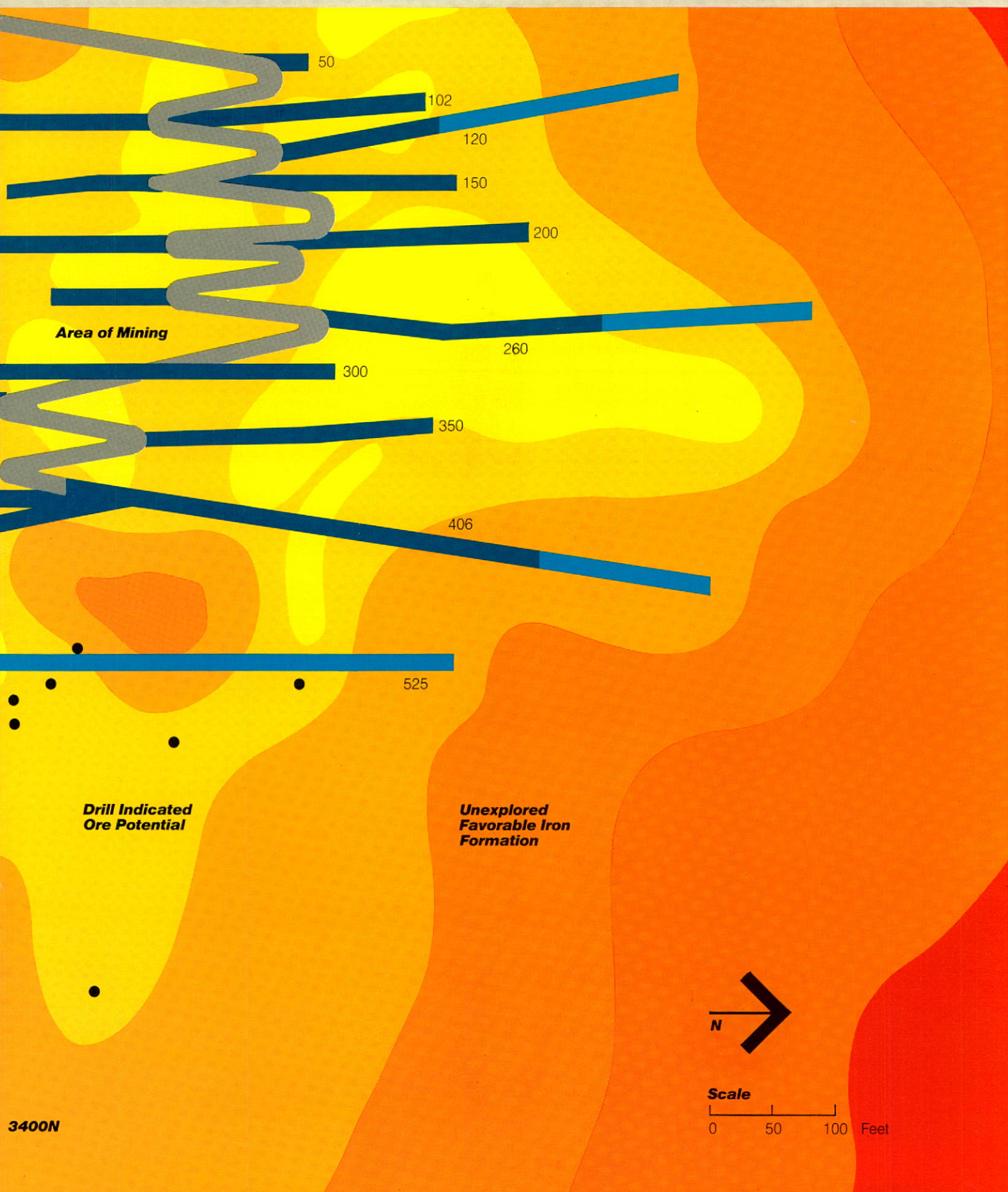
**Cullaton Lake
Idealized Mine Cross Section**

Legend

- Known Gold Ore Zones
- Current Development
- Significant Drill Hole Intersections

'B' Zone

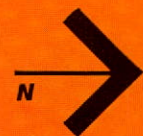
Iron Formation Extends 1500'



Area of Mining

**Drill Indicated
Ore Potential**

**Unexplored
Favorable Iron
Formation**



Scale



3400N

The central band, or A Zone is four miles long and has been tested in six areas by 14 widely scattered shallow drill holes which confirmed the presence of gold mineralization.

The western band, or C Zone iron formation, has been traced discontinuously over a strike length of 1¼ miles. The southern section of this zone shows excellent exploration potential. Over a length of 700 feet boulder samples have assayed up to 0.75 ounces gold per ton.

On other iron formations within the area, at least eight promising gold targets are already known as shown on "Exploration Targets 1983". These targets have been identified by one or more clusters of boulders carrying anomalous gold values coincident with magnetic and self-potential geophysical anomalies.

Four are located to the north of the B Zone mine and four are to the south. All areas will be detailed by systematic geophysical and geological surveys in order to fully define the iron formation and select drill targets.

Target 1 is an untested gold prospect on which trenching yielded 0.27 ounces of gold per ton over an 8 foot width.

Previous work on target 2 confirmed gold mineralization associated with magnetic iron formation.

Target 3 contains a cluster of high gold values ranging up to 4 ounces of gold per ton from trenches and frost-heaved boulders in an area 900 feet by 300 feet coincident with a magnetic anomaly.

Target 4 represents a 3,000 foot long magnetic iron formation. Boulder sampling in the northern portion indicated that 15% of the samples assayed between 0.25 ounces to 1.55 ounces gold per ton.

Target 5 covers a discontinuous folded magnetic feature with several self-potential anomalies; gold was found in boulders.

Target 6 represents a mile-long magnetic trend coinciding with three self-potential anomalies. On both targets 6 and 7, gold was obtained from limited boulder sampling.

The southernmost property, target 8, covers a folded magnetic anomaly which has been traced over a strike length of three miles. Gold has been obtained from boulders in this anomaly.

These anomalies are all very exciting but by themselves are not sufficient evidence of an economic orebody. The targets will be key to the anticipated exploration programme which will provide further delineation of a more definitive nature.

Shear Lake

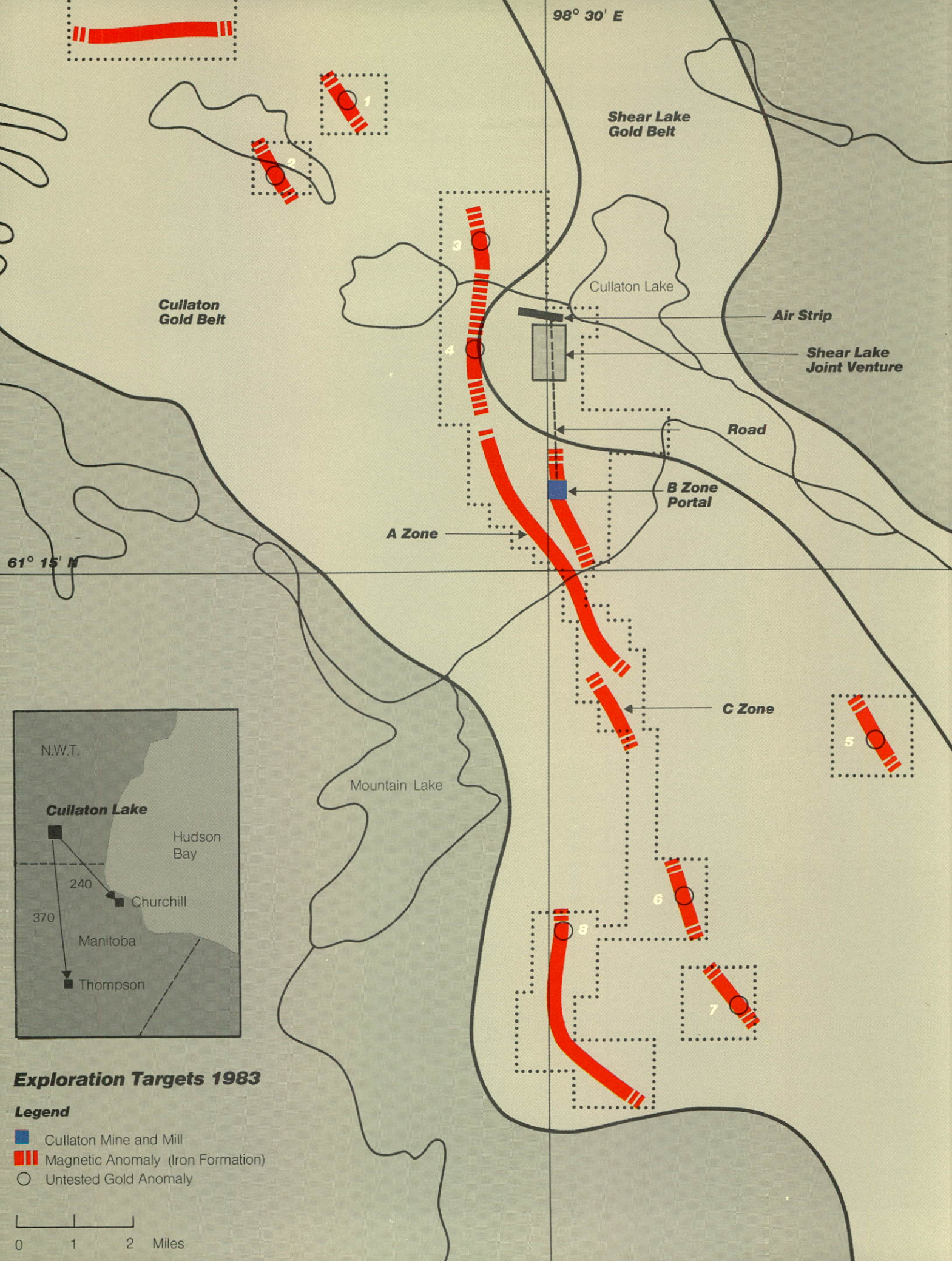
The Shear Lake Joint Venture is a major target. Under the agreement covering Shear Lake, a production decision is to be made by the end of 1984, with an extension available to December 1985. Cullaton can earn up to a 70% interest, depending on exploration expenditures. Shear Lake is within three miles of the mill and has promise of becoming an early source of additional ore to support the proposed mill expansion.

The geological environment is different from the B Zone deposit. Free gold occurs in iron stained pyritic quartzite along northeast and northwest trending shear zones. Four pyritic gold zones have already been indicated by drilling and trenching.

- i) a gold showing tested by a drill hole which intersected 0.57 ounces gold per ton over a width of 17.5 feet at a vertical depth of 170 feet.
- ii) a zone intersected by four drill holes suggesting a 300 foot long zone ranging from 0.22 ounces to 1.40 ounces gold per ton.
- iii) a zone intersected by four drill holes covering a strike length of 400 feet and to depths of 150 to 280 feet. Gold assays range from 0.26 to 1.4 ounces per ton.
- iv) a zone tested by two holes which had 0.30 ounces to 0.70 ounces gold per ton in drill sludges and core.

Average width of these zones is difficult to establish because of poor core recovery. These zones may be up to 20 feet in thickness.

The planned diamond drilling program is designed to confirm the structural controls of the mineralization and to establish the continuity of the known gold zones.



98° 30' E

Shear Lake Gold Belt

Cullaton Gold Belt

Cullaton Lake

Air Strip

Shear Lake Joint Venture

Road

B Zone Portal

A Zone

C Zone

Mountain Lake

N.W.T.

Cullaton Lake

Hudson Bay

Churchill

Manitoba

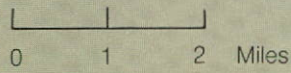
Thompson

240

370

Exploration Targets 1983

- Legend**
- Cullaton Mine and Mill
 - ▬▬▬ Magnetic Anomaly (Iron Formation)
 - Untested Gold Anomaly



General

Fiscal 1982 covers a period in which the mine and mill operations continued to be deemed in the preproduction or startup phase. Commercial production, effective January 1, 1983, was dependant on the operations sustaining a satisfactory performance relative to rated capacity over a three-month continuous period.

The time taken to achieve commercial status results from startup problems experienced in commencing production, severely aggravated by the financial problems which culminated in the rights issue in July. Subsequent to the successful completion of the refinancing and reorganization a significant improvement occurred in mining and mill recovery. This improvement was too late in the fiscal year to achieve commercial production status.

Statement of Changes in Financial Position

Working capital decreased by \$835,471 in the twelve-month period ended September 30, 1982. The issue of common shares in November 1981 raised \$9,591,592 and the issue of preferred shares in July 1982 raised a further \$25,500,000. The other major sources were revenues of \$6,512,962 from gold after the commencement of production in December 1981 to September 30, 1982 and \$577,197 from interest income. In addition the current portion of long term debt was reduced by \$4,113,989 with the refinancing.

The funds generated were utilized in

- a) the repayment of the production loan of \$19,756,650 to the Canadian Imperial Bank of Commerce upon conclusion of the refinancing,
- b) the completion of the mine and mill facilities in the amount of \$2,978,736,
- c) the purchase of the Royex interest in the Cullaton Lake Joint Venture, and
- d) the necessary expenditures to continue the operation and development of the mine and mill during the startup phase.

Amount Written Off

In order to better represent the asset position and to free future income from very large amortization charges, a total of \$33,900,000 was taken as a one-time writedown. Of this amount, \$24,200,000 relates to preproduction and development expenses and the remainder to mining properties.

The writedowns do not affect availability of future tax deductions and the company retains maximum tax deductions. The balance sheet at September 30, 1982 is a more realistic presentation in relation to recoverable cash flow. The writedown conforms to generally accepted accounting principles.



Balance Sheet

as at September 30

Cullaton Lake Gold Mines Ltd.
(Incorporated under the laws of Ontario)

Assets	1982	1981
Current:		
Cash and term deposit		\$ 1,358,998
Bullion settlements receivable	\$ 752,127	
Accounts receivable	97,133	
Prepaid expenses	18,774	
	<u>868,034</u>	<u>1,358,998</u>
Term deposit (note 3)	10,200,000	
Mining properties (note 7)	1,240,985	10,940,985
Equipment and buildings	12,721,928	9,743,192
Preproduction and development expenditures (note 7)	11,953,199	17,629,476
	<u>\$36,984,146</u>	<u>\$39,672,651</u>

Auditors' Report

To the Shareholders of
Cullaton Lake Gold Mines Ltd.:

We have examined the balance sheet of Cullaton Lake Gold Mines Ltd. as at September 30, 1982 and the statements of preproduction and development expenditures, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the

Corporation as at September 30, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

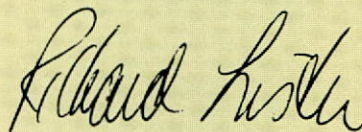
Thorne Riddell
Chartered Accountants

Toronto, Canada
December 6, 1982.

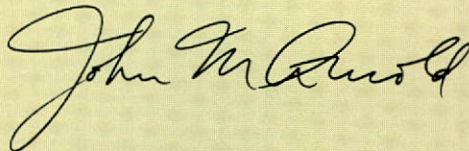
Liabilities	1982	1981
Current:		
Bank advances (note 2)	\$ 3,617,738	
Accounts payable and accrued liabilities	2,880,174	\$ 3,647,141
Due to Camchib Resources Inc.	248,077	
Due to Royex Sturgex Mining Limited	1,359,648	
Current portion of long term debt	3,788,671	7,902,660
	11,894,308	11,549,801
Long term debt (notes 2, 4 and 5)	7,708,006	11,853,990
	19,602,314	23,403,791
Shareholders' equity		
Capital stock (notes 2 and 6)		
Issued 5,100,000 Preferred shares	25,500,000	
19,800,000 Common shares (1981 — 4,100,000 shares)	26,035,952	16,444,360
	51,535,952	16,444,360
Deficit , resulting from the write-down of mining properties and preproduction and development expenditures (note 7)	34,154,120	175,500
	17,381,832	16,268,860
	\$36,984,146	\$39,672,651

See accompanying notes.

Approved by the Board of Directors



Richard Lister, Director



John M. Arnold, Director

Statement of Deficit

Year ended September 30

Cullaton Lake Gold Mines Ltd.

	1982	1981
Deficit, at beginning of year	\$ 175,500	\$ 117,835
Administrative expenditures written off (net)	78,620	57,665
Write-down of mining properties (note 7)	9,700,000	
Write-down of preproduction and development expenditures (note 7)	24,200,000	
Deficit at end of year	\$34,154,120	\$ 175,500

Statement of Preproduction and Development Expenditures

Year ended September 30

Cullaton Lake Gold Mines Ltd.

	1982	1981
Subcontracting and project consulting	\$ 8,576,656	\$ 6,717,110
Transportation	4,549,962	2,778,360
Interest	3,188,428	1,674,218
Direct payroll	3,422,009	748,799
Fuel	1,350,528	497,709
Equipment rental	454,808	439,334
Catering	668,028	475,617
Financing charges	2,826,266	1,000,000
	25,036,685	14,331,147
Proceeds from sale of bullion	6,512,962	
Increase in preproduction and development expenditures	18,523,723	14,331,147
Expenditures deferred at beginning of year	17,629,476	3,298,329
	36,153,199	17,629,476
Deduct write-down of mining properties and preproduction and development expenditures (note 7)	24,200,000	
Expenditures deferred at end of year	\$11,953,199	\$17,629,476

Statement of Changes in Financial Position

Year ended September 30

Cullaton Lake Gold Mines Ltd.

	1982	1981
Working capital derived from:		
Issue of common shares	\$ 9,591,592	\$ 1,000,000
Issue of preferred shares	25,500,000	
Issue of long term debt	11,496,677	19,756,650
Decrease in current portion of long term debt	4,113,989	
Revenue from production and interest earned	7,090,159	
Recovery of mining property costs		88,787
	57,792,417	20,845,437
Working capital applied to:		
Non-current term deposit	10,200,000	
Repayment of production loan	19,756,650	
Preproduction and development expenditures	22,711,796	14,331,147
Equipment and buildings	2,978,736	7,636,248
Purchase of Royex Sturgex Mining Limited interest in joint venture	2,902,086	
Administrative expenditures (net)	78,620	57,665
Current portion of long term debt		7,902,660
	58,627,888	29,927,720
Decrease in working capital position	835,471	9,082,283
Working capital deficiency at beginning of year	10,190,803	1,108,520
Working capital deficiency at end of year	\$11,026,274	\$10,190,803

Notes to Financial Statements

September 30, 1982

Cullaton Lake Gold Mines Ltd.

1. Accounting policies

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied.

(a) Recovery of costs

Mining properties, equipment and buildings and preproduction and development expenditures are recorded at cost less amounts written down.

The Cullaton Lake Mine is presently in the pre-operating, start-up phase. Revenue from initial bullion sales is applied against preproduction and development expenditures which continue to be deferred until commercial production is attained. Mining properties, equipment and buildings, and preproduction and development expenditures will be amortized on the unit of production method once commercial production is attained.

(b) Bullion settlements receivable

Bullion settlements are valued at net realizable value.

(c) Segmented information

Reporting of segmented information is not required since operations relate solely to the development of one gold mine located in the Keewatin District of the Northwest Territories (N.W.T.) Canada.

(d) Former joint venture

Reference should be made to note 2 concerning the former joint venture with Royex Sturgex Mining Limited (Royex). During that period the proportionate consolidation method of reporting joint venture expenditures was followed.

(e) Inventories

Broken ore underground and bullion in process within the circuit are not reflected in the financial statements. Presently supplies inventories are classified as preproduction and development expenditures on the balance sheet. Upon commencement of commercial production supplies inventories will be disclosed separately within current assets.

2. Refinancing

A \$25,500,000 refinancing was concluded on July 16, 1982 through a rights offering to shareholders of 5.1 million units at \$5 a unit. Each unit consisted of one Series "A" preferred share with a par value of \$5 together with two common shares of the Corporation. Series "A" preferred shares are non-voting and carry a 10% cumulative annual dividend payable annually in arrears commencing June 30, 1983. Series "A" preferred shares are redeemable at any time and have a retraction right giving holders the option of requiring the Corporation to redeem up to 40% of their

Series "A" preferred shares on June 30, 1984 and the balance, thereafter, annually on a proportionate basis to June 30, 1990.

The Corporation also entered into a management contract with Camchib Resources Inc. (Camchib) to take over the management of the Corporation and its mine located at Cullaton Lake, N.W.T. until December 31, 1984. Under the contract, Camchib provides its services at cost and is entitled to receive 10% of the mining income as defined. In addition, Camchib was granted the right to acquire 2,000,000 Units of the Corporation, each unit consisting of one Series "A" preferred share and two common shares at a price of \$5 per unit until June 30, 1984, and thereafter to December 31, 1984, except to the extent previously acquired, to acquire 2,000,000 Units, each unit consisting of 0.6 Series "A" preferred share and two common shares at a price of \$3 per unit.

At the completion of the July refinancing, Royex effected a transfer of all its interest in the Cullaton Lake gold property to the Corporation in consideration for 4,000,000 common shares of the Corporation and the assumption and discharge by the Corporation of the obligation of Royex to Inuit Development Corporation (I.D.C.), now renamed Nunasi Corporation, in the amount of \$2,830,000 under the I.D.C. production loan agreement.

The Corporation has also entered into an agreement with The Royal Bank of Canada to provide a \$10,200,000 term loan to purchase 40% of the outstanding Series "A" preferred shares on June 30, 1984 as well as a \$5,000,000 operating line of credit. The bank is secured by a first fixed and floating charge debenture for \$15,200,000 and has a sinking fund commitment to cover the retraction of the preferred shares on June 30, 1984. Camchib and Fleming Mercantile Trust Public Limited Company (Fleming) have each provided \$2,500,000 performance guarantees to cover cash flow deficiencies and Durham Mines & Resources Ltd. (Durham) and Royex have each provided guarantees up to \$2,500,000 to cover possible sinking fund shortfalls. Camchib received 250,000 common shares of the Corporation, Fleming 200,000 common shares and Royex 50,000 common shares as consideration for their guarantees.

The term loan of \$10,200,000 bears interest at the Bank's term deposit rate plus 2½% unless such calculated rate is below bank prime rate. Funds drawn under the operating line of credit bear interest at prime plus 1%.

As additional financing, the Corporation borrowed \$1,200,000 from the Canadian Imperial Bank of Commerce under terms requiring interest only from July 16, 1984 onward at prime plus 1%.

3. Term deposit

\$10,200,000 is held on short term deposit with the Royal Bank of Canada in the name of Guaranty Trust Company of Canada, and its use is restricted to the Corporation's obligation to retract 40% of Series "A" preferred shares on June 30, 1984 as outlined in note 2.

4. Repayment of loans

On November 13, 1981, the I.D.C. production loan was reduced from \$25,000,000 to \$20,000,000. The remaining \$20,000,000 was repaid on July 16, 1982 upon completion of the refinancing (note 2).

On February 26, 1982 a \$2,500,000 line of credit was arranged with the Canadian Imperial Bank of Commerce for working capital requirements. This loan was fully utilized at the time of refinancing on which date it was repaid.

5. Long term debt

Principal repayment dates are as follows:

(a) The Royal Bank of Canada	
March 31, 1983	\$ 1,250,000
June 30, 1983	1,250,000
September 30, 1983	1,250,000
December 31, 1983	1,250,000
March 31, 1984	1,250,000
June 30, 1984	1,250,000
September 30, 1984	1,350,000
December 31, 1984	1,350,000
	\$10,200,000
(b) Canadian Imperial Bank of Commerce	
July 16, 1985	60,000
January 16, 1986	120,000
July 16, 1986	180,000
January 16, 1987	240,000
July 16, 1987	600,000
	1,200,000
(c) Supplier of heavy equipment	
Principal and interest payable in 36 monthly instalments of \$3,222 to	
March 30, 1985	96,677
	11,496,677
Less portion included in current liabilities	3,788,671
	\$ 7,708,006

6. Capital stock

(a) Authorized

15,000,000 Series "A" preferred shares par value \$5, non-voting, redeemable, retractable, fixed cumulative preferential cash dividend at \$0.50 per annum payable annually in arrears commencing June 30, 1983
30,000,000 Common shares without par value

(b) Issued

During the year ended September 30, 1982 the Corporation issued shares of its capital stock as follows:

Common shares		
1,000,000	Shares issued under a private placement for a net cash consideration	\$ 9,591,590
10,200,000	Shares issued in conjunction with preferred shares under the Reorganization and Refinancing Agreement (note 2)	—
4,000,000	Shares issued as part consideration for remaining interest in Cullaton Lake Joint Venture	1
500,000	Shares issued for performance guarantees (note 2)	1
15,700,000	Shares	\$ 9,591,592
Series "A" preferred shares		
5,100,000	Shares under the Rights Offering for cash	\$25,500,000

(c) Options

Options granted on capital stock shares are as follows:

(i) Series "A" preferred shares and common shares

Camchib holds an option to December 31, 1984 to acquire 2,000,000 Units as outlined in note 2.

(ii) Common shares

Under the Employee Share Incentive Plan for key employees 750,000 common shares have been reserved and set aside. Options on 272,500 common shares have been granted exercisable at \$1.66 per share expiring on August 31, 1987.

Under the original Inuit Financing Agreement, I.D.C. was granted an option to purchase 400,000 common shares at a price of \$10 per share exercisable by February 28, 1986. The I.D.C. has petitioned for a lowering of this price but no revised pricing has been determined.

(d) Shares to be issued

The Board of Directors has approved, subject to shareholders' approval, the granting of 20,000 common shares each to two individuals in consideration for their efforts in the successful refinancing of the Corporation.

(e) Dividend restriction

Durham postponed its claim to recoup \$2,902,439 for prior property expenditures and interest from first proceeds of production to permit payment of dividends on the Series "A" preferred shares.

7. Amounts written down during year

(a) Mining properties

At September 30, 1982, mining properties were written down by \$9,700,000 to reflect a more appropriate carrying value of \$1,240,985 which approximates the agreed tax amount of the mining properties at the time they were acquired by the Corporation.

(b) Preproduction and development expenditure

At September 30, 1982 these expenditures were written down by \$24,200,000 being the excess cost encountered to bring the mine property to production due in part to technical problems at the start up stage.

8. Income taxes

At September 30, 1982 approximately \$49,600,000 (September 30, 1981 — \$28,500,000) of exploration expenditures and capital property may be claimed for tax purposes from time to time at rates and conditions prescribed by the Income Tax Act, the tax effect of which has not been recorded in the accounts.

9. Contingent liability

Grants of approximately \$166,000 were received in prior years by O'Brien and Durham. The Corporation has assumed the responsibility to repay these grants when the mining properties are brought into commercial production.

10. Shear Lake claims

Under a joint venture agreement dated May 12, 1982 the Corporation and Royex agreed to explore, develop and, if warranted, to bring into production the Shear Lake claims of Royex located in Keewatin District Northwest Territories. The Corporation shall have possession and exploration rights until December 31, 1984 or as may be extended, and shall earn an interest in the Shear Lake claims equal to 5% for each \$100,000 expended to a maximum of 50%. Royex shall have the option to repurchase such interest at cost if a decision to produce is not made.

If the decision to bring the Shear Lake claims into production is made, the Corporation shall have a further eighteen months to commence development and shall be responsible for all necessary capital. The Corporation shall be the operator and shall bear 70% and Royex 30% of the operating expenses and each shall own metals produced after actual and deemed investments have been repaid pro rata out of production profits.

11. Forward sales

The Corporation has sold forward 26,500 ounces of future gold production at various dates to September, 1983 at an average price of \$376 U.S. per ounce and also has sold forward \$4,050,000 U.S. at an average rate of \$1.2969 Cdn.

12. Related party transactions

(a) \$248,077 has been accrued for services to September 30, 1982 under its management agreement with Camchib.

(b) To September 30, 1982 amounts totalling \$423,072 were paid under a contract with I.D.C. for recruitment of labour, supervision and training at the Cullaton Mine. The current fee is based on 10% of gross payroll under an agreement expiring July 1, 1983.

(c) Professional Management Services (P.M.S.) is controlled by a director of the Corporation. P.M.S. provided administrative, management and head office facilities for a portion of the year at a cost of \$103,287.

(d) \$167,330 has been accrued for management fees which are payable to certain directors of the Corporation and/or their principals.

13. Comparative figures

Certain 1981 comparative figures have been reclassified to conform with the 1982 financial statement presentation.

Directors and Officers

Directors

J. M. Arnold*
*Medina Energy Resources
Corporation,
Toronto, Ontario*

T. Curley
*Nunasi Corporation,
Rankin Inlet, N.W.T.*

N. Goodman*
*Beutel, Goodman,
Toronto, Ontario*

H. D. Harbinson**
*Harbinson Mining Group,
Toronto, Ontario*

V. N. Harbinson*
*Harbinson Mining Group,
Toronto, Ontario*

T. J. Hoare
*Laing & Cruickshank
London, England*

R. L. Lister**
*Campbell Resources Inc.,
Toronto, Ontario*

T. Skimming**
*Thomas Skimming & Associates Ltd.,
Islington, Ontario*

J. G. Strasser**
*Camchib Resources Inc.,
Toronto, Ontario*

* Audit Committee
** Executive Committee

Officers

R. L. Lister
President and Chief Executive Officer

J. G. Strasser
Chief Operating Officer

R. P. Middleton
Chief Financial Officer

K. Sethuraman
Vice-President – Geology

M. J. Stendon
Secretary

Senior Operating Staff

M. Armstrong
Mine Manager

G. Brown
Controller

D. Derby
Mine Superintendent

L. Ducharme
Mechanical Superintendent

J. Kruse
Geological Superintendent

P. Mireault
Surface Superintendent

D. Scrimger
Safety Superintendent

M. Sveinson
Mill Superintendent

Stock Exchange Listing

Toronto Stock Exchange
Symbol: CUG

Head Office

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

Thompson Office

P.O. Box 1219
193 Hayes Road
Thompson, Manitoba
R8N 1P1

Mine Site

Cullaton Lake,
Keewatin District,
Northwest Territories,
Canada

Auditors

Thorne Riddell,
Toronto, Ontario

Registrar and Transfer Agent

Guaranty Trust Company of Canada,
Toronto, Ontario

