



FIFTY-FIFTH ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1980

DALHOUSIE

OIL COMPANY, LIMITED

DALHOUSIE OIL COMPANY, LIMITED

REGISTERED OFFICE

80 Richmond Street West
Suite 604-5
Toronto, Ontario M5H 2S9

OFFICERS

TODSON H. BECKER President
HOWARD L. BANTING Vice-President
I. EILEEN GREEN Secretary-Treasurer

DIRECTORS

HOWARD L. BANTING	W. STRACHAN CLARK
TODSON H. BECKER	I. EILEEN GREEN
JEFFREY J. BECKER	W. ARTHUR HASTIE

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE

REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA
Toronto

DALHOUSIE OIL COMPANY, LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors are pleased to present this Fifty-fifth Annual Report of your Corporation, including the Financial Statements as at December 31, 1980 together with the Auditors' Report to the Shareholders.

The net income from Turner Valley Units Nos. 3, 5 and 7, after deductions of royalties, taxes, lease rentals and well operations, increased from \$55,005 in 1975, to \$56,257 in 1976, to \$90,099 in 1977, to \$123,739 in 1978, to \$179,895 in 1979 and to \$301,191 in 1980. All three Turner Valley Units again showed increased net profits for the year. Your Corporation also received increased revenue from a farmout to Gulf Oil Canada Limited from a gas well which came on stream in 1976 in Turner Valley in which a 15% overriding royalty is held. Net production income for this well rose from \$26,566 in 1978, to \$29,737 in 1979 and to \$56,656 in 1980. The total net income from Turner Valley production for the year was \$357,847 compared with \$230,532 for 1979.

Your Corporation continues to maintain an approximate 7% interest in Liard Copper Mines Limited. It is our information, that Teck Corporation drilled a total of 47,615 feet in 45 drill holes in 1980 on the Schaft Creek property of Liard Copper. To date there has been 163,131 feet of core drilling in 160 holes. The 1980 drilling has increased ore reserves considerably and a recent report gives reserve figures of one billion tons with a copper-equivalent grade of 0.61% and a waste-to-ore ratio of 1.2 to one. In size and grade, the Schaft Creek deposit now ranks with the Lornex and Valley Copper ore bodies, Canada's two largest porphyry copper deposits. Teck Corporation hopes and expects to go underground later this year for the purpose of examining rock conditions and obtaining a large bulk sample.

In Stock and Clergue Townships in Northern Ontario, 5 drill holes totalling 2,158 feet were put down in May, 1980 to meet assessment work requirements on our claim group in that area. These claims flank the Pipestone fault structure just west of the Consolidated Montclerg gold occurrence. Nothing of interest was encountered and it is planned to hold the claims until local developments in the area warrant further work.

In Beatty Township, Northern Ontario, one hole was drilled for a length of 186 feet to test for gold values immediately south of the old Devon Gold Mine. Low gold values were cut up to .04 oz/ton over 1.25 feet, but the badly broken series of silicified volcanic rocks caused postponement of further drilling. The work program is scheduled to continue in 1981.

In Maisonville Township, Northern Ontario, an electromagnetic survey was carried out on a six claim group to locate Aerial Input anomalies thought to lie in an Archean window in the Gowganda formation. The survey was only partially successful and a limited amount of follow up exploration is planned for the current field season.

A compilation of data covering a volcanic-sedimentary belt in Northern Quebec was begun in 1980 and the material gathered may be used as a guide for claim staking and general exploration work in the area.

Several major mining exploration companies made financing proposals on your Company's gold properties in Knight & Tyrrell Townships in Northern Ontario, but with a declining gold price we were unable to arrive at an acceptable agreement. We are continuing to examine exploration proposals for these gold prospects and will keep you informed of any significant developments.

In Cook Township, Northern Ontario, a diamond drilling program is just being completed to test a strongly conductive zone.

At year end, working capital and investments at market value amounted to over \$3,500,000. Our search for new oil and mining ventures will continue.

RESPECTFULLY SUBMITTED ON BEHALF OF THE BOARD
TODSON H. BECKER: President

Toronto, Ontario,
August 20, 1981.

(Incorporated under the Canada Corporations Act)

Balance Sheet as at December 31, 1980

(With comparative figures for 1979)

ASSETS

	<u>1980</u>	<u>1979</u>
Current		
Cash in bank	\$ 26,375	\$ 57,065
On deposit including treasury bills	561,290	308,502
Accounts receivable, prepaid expenses and accrued interest	150,623	61,547
Note receivable due 1 July 1981	3,225	—
	<u>\$ 741,513</u>	<u>\$ 427,114</u>
 Note Receivable due 1 July 1981	 —	 3,225
 Investments in marketable securities	 1,031,209	 921,607
— Note 1 (a)		
(Market Value 1980 — \$3,041,359 1979 — \$1,617,196)		
 Non-marketable investments — Note 6	 54,993	 10,176
 Investments in and advances to subsidiary company — Note 1 (b)	 1,100	 1,100
 Capital Assets — Note 1 (c) and (d)	 18,135	 18,507
	<u>\$1,846,950</u>	<u>\$1,381,729</u>

Approved on behalf of the Board:

TODSON H. BECKER, Director
HOWARD L. BANTING, Director

LIABILITIES

	1980	1979
Current		
Accounts payable	\$ 34,654	\$ 9,773
Income taxes payable	97,560	13,038
Employees tax deductions	769	1,336
	<u>\$ 132,983</u>	<u>\$ 24,147</u>

SHAREHOLDERS' EQUITY

Capital Stock — Note 3

Authorized:

5,000,000 shares of no par value

Issued:

3,000,000 shares

\$3,000,000

\$3,000,000

Capital Deficit

Arising largely from appraisals of oil
properties and equipment made in 1944
and prior years (unchanged since 1945)

(2,237,807)

(2,237,807)

Retained Earnings

951,774

595,389

1,713,967

\$1,357,582

\$1,846,950

\$1,381,729

AUDITORS' REPORT

The Shareholders,
Dalhousie Oil Company, Limited —

We have examined the balance sheet of Dalhousie Oil Company, Limited as at December 31, 1980 and the statements of income, retained earnings 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 company as at December 31, 1980 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.

Ralph & Thompson
Chartered Accountants

Toronto, Ontario
June 26, 1981

Statement of Income and Retained Earnings for the Year Ended December 31, 1980

(With comparative figures for 1979)

	1980	1979
Operating income		
Sales	\$536,908	
Less — royalties	<u>154,348</u>	
	\$382,560	\$244,745
Operating expenses		
Taxes, lease rental and well operations	\$ 24,097	
Allowance for depreciation, depletion and amortization	<u>616</u>	
	24,713	14,213
	\$357,847	\$230,532
Exploration expenditures		
Consultants' fees and expenses	\$ 22,373	
Outside exploration	75,107	
Surveying and assaying	42	
Mining taxes	<u>273</u>	
	97,795	72,258
	\$260,052	\$158,274
Income from investments	110,035	66,318
	\$370,087	\$224,592
General and administrative expenses	66,629	57,663
	\$303,458	\$166,929
Other		
Gain realized on disposal of marketable securities	\$188,369	
Gain on foreign exchange	<u>1,951</u>	
	190,320	69,028
	\$493,778	\$235,957
Provision for income taxes	104,939	47,114
Net income for the year	\$388,839	\$188,843
Retained earnings — beginning of year	595,389	422,370
	\$984,228	\$611,213
Refundable tax on investment income — Note 4	32,454	15,824
Retained earnings — end of year	<u>\$951,774</u>	<u>\$595,389</u>

Statement of Changes in Financial Position for the Year Ended December 31, 1980

(With comparative figures for 1979)

	<u>1980</u>	<u>1979</u>
Source of funds		
From operations		
Net income for the year	\$388,839	\$188,843
Add amounts charged against income but not requiring an outlay of funds		
Depreciation	616	533
Non-marketable investments written off	<u>17,165</u>	<u>2,972</u>
	\$406,620	\$192,348
Payment by subsidiary	—	1,500
Reclassification of note receivable	<u>3,225</u>	<u>—</u>
	<u>\$409,845</u>	<u>\$193,848</u>
 Application of funds		
Notes receivable given	\$ —	\$ 3,225
Additions to mining claims	244	2,361
Investments in non-marketable securities	61,982	—
Refundable tax on investment income	32,454	15,824
Net increase in investments held	<u>109,602</u>	<u>30,198</u>
	<u>204,282</u>	<u>\$ 51,608</u>
 Increase in Working Capital	\$205,563	\$142,240
Working Capital — beginning of year	<u>402,967</u>	<u>260,727</u>
Working Capital — end of year	<u><u>\$608,530</u></u>	<u><u>\$402,967</u></u>

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1980

1. Summary of significant accounting policies

a) Marketable securities

Marketable securities are valued at a carrying value which is cost (calculated using a weighted average basis) excepting when there has been a market value decline which appears to be other than temporary, in which case the investment is written down to recognize the anticipated loss.

b) Investment in subsidiary company

It is the company's practice not to consolidate the subsidiary company as it is inactive, not wholly owned and not considered significant to the affairs of the company.

c) Mining claims

The total amount of mining claims, at cost, represents accumulated costs and is not intended to reflect current or future values. The cost is \$6,529.

The company has claims in the following Ontario townships: Beatty, Coulson, Knight, Taylor, Tyrell, Stock, Clerque, Cook, Maisonville and Eby.

d) Turner Valley oil properties

The net book value of Turner Valley oil properties and equipment is recorded at a value determined in 1944 by an independent geologist, with subsequent additions at cost.

Leases	\$1,883,488	
Less accumulated depletion	<u>1,872,733</u>	
		\$10,755
Wells and equipment	\$ 340,339	
Less accumulated amortization	<u>339,488</u>	
		851
		<u>\$11,606</u>

e) Exploration costs

Exploration costs are written off in the year they are incurred.

2. Subsidiary company

The financial statement of the subsidiary company, Tyrante Mines Limited is summarized as follows:

i Balance Sheet

Current assets	\$ 8,283	
Mining property assets	<u>2</u>	
		\$ 8,285
Current liabilities	\$ 250	
Demand loan to parent company	<u>441,642</u>	
		<u>441,892</u>
Shareholders' deficiency		<u>\$433,607</u>

ii Statement of Profit and Loss and Deficit

Net profit for the year	\$ 296
Deficit — beginning of year	<u>885,092</u>
— end of year	<u>\$884,796</u>

The demand loan was largely acquired by the parent company when it acquired the shares. It is 73% owned by Dalhousie Oil Company, Limited.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1980 (Continued)

3. Options

Options are outstanding to certain directors on 250,000 shares of capital stock at \$0.50 per share, exercisable at any time up to July 12, 1988.

4. Taxation

In 1980 taxes for the current year total approximately \$137,500 of which \$32,361 is refundable tax on investment income which has been charged to retained earnings. This tax can be recovered in the event of taxable dividends being paid in appropriate amounts. The refundable dividend tax accumulated is approximately \$81,000.

5. Directors' and officers' remuneration

Aggregate remuneration of the six directors, as directors, amounted to \$7,500 in 1980 and \$5,000 in 1979. Three officers are also directors. Remuneration paid to officers totalled \$18,300 in 1980 and \$16,500 in 1979.

6. Non-Marketable Investments consist of the following items

a) Investment in shares in private company	\$ 2,500
These are valued at cost.	
b) Resource Certificate	720
This is valued at original cost of \$4,650 less amounts expended for exploration and 30% of development expenses.	
c) Investment in Limited Partnerships	50,775
These are valued at original cost \$97,556 less amounts expended for exploration and 30% of development expenses, and 10% of Canadian oil and gas property expenditures and income or losses incurred.	
d) Investment in escrowed shares	998
These shares are valued at cost	
	<u>\$54,993</u>

