Annual Report 1982

THE DICKENSON GROUP OF COMPANIES

SILVANA 082FNW050

Dickenson Mines Limited

Highlights for 1982

Fiscal year ended December 31
(000's omitted)

	1982	1981
Revenue from metal production (gross)	$19,437	$19,650
Operating income (loss)	781	(6,011)
Income (loss) before extraordinary items	(1,909)	(4,747)
Net income (loss)	(2,683)	(1,447)
Shareholders' equity	21,038	22,036
Working capital December 31	$ 4,018	$ (9,686)

Summary of Results by Quarters in 1982

	Three months ended				Total	
	Mar. 31	June 30	Sept. 30	Dec. 31	1982	1981
Production						
Red Lake Division (note)						
Ore milled, tons	55,359	51,110	29,782	29,236	165,487	189,494
Gold recovered, ounces	8,036	10,475	6,657	11,852	37,020	24,760
Silvana Division						
Ore milled, tons	7,862	7,809	4,970	8,227	28,868	30,502
Silver recovered, ounces	78,681	106,502	59,725	66,686	311,594	354,811
Financial						
(000's omitted)						
Gross revenue	$ 4,358	$ 5,478	$ 3,739	$ 5,862	$19,437	$19,650
Treatment and refining charges	328	387	255	465	1,435	1,815
Operating and administrative costs	4,541	3,772	2,887	3,382	14,582	20,540
Operating income (loss) before the undernoted	(511)	1,319	597	2,015	3,420	(2,705)
Depreciation and amortization	774	748	445	672	2,639	3,306
Operating income (loss)	(1,285)	571	152	1,343	781	(6,011)
Other expenses less income	886	643	9	1,702	3,240	2,992
Income and mining taxes (recovery)	(950)	100		300	(550)	(4,256)
Income (loss) before extraordinary items	(1,221)	(172)	143	(659)	(1,909)	(4,747)
Extraordinary items	(41)	(345)	22	(410)	(774)	3,300
Net income (loss) for the period	$ (1,262)	$ (517)	$ 165	$ (1,069)	$ (2,683)	$ (1,447)
Income (loss) per share — Class A and B	$ (0.12)	$ (0.05)	$ 0.01	$ (0.11)	$ (0.27)	$ (0.15)

NOTE: The data for the Red Lake Division includes 100% of the production for the period from January 1 to June 30, 1982 and 65% of production for the period from July 1 to December 31, 1982.

Dickenson Mines Limited

Directors

G. Farquharson*†
President, Strathcona Mineral Services Limited Toronto

F. R. Graham†
Chairman, Graymont Limited Toronto

J. O. Kachmar
Vice-President — Finance and Treasurer, Dickenson Mines Limited

J. C. McCartney*
Partner, Law Firm of McCarthy & McCarthy

P. L. Munro*
President and Chief Executive Officer, Dickenson Mines Limited

G. H. Scott†
Retired, Toronto

R. W. Stewart
Business Executive, Vancouver

A. W. White
Retired, Orangeville

H. V. White*
Chairman of the Board, Dickenson Mines Limited

*Members of The Executive Committee
†Members of the Audit Committee

Officers

H. V. White
Chairman of the Board

P. L. Munro
President and Chief Executive Officer

J. O. Kachmar
Vice-President — Finance and Treasurer

J. Geddes
Vice-President — Administration and Secretary

D. N. Zeraldo
Vice-President — Marketing and Business Development

R. E. Van Tassell
Vice-President — Exploration

R. H. Gibson
Assistant Treasurer

D. F. Hill
Assistant Controller

Corporate Information

Executive Office

65 Queen Street West,
Suite 600,
Toronto, Ontario
Canada M5H 2M5

Bankers

The Bank of Nova Scotia
Canadian Imperial Bank of Commerce

Transfer Agent

National Trust Company, Limited
Toronto, Ontario

Auditors

Thorne Riddell
Toronto, Ontario

Listed

Toronto Stock Exchange
Vancouver Stock Exchange

Red Lake Division

Balmertown, Ontario
P. C. Busse,
Mine Manager

Silvana Division

New Denver, B.C.
W. W. Cummings,
Mine Manager

Goldquest Exploration Inc.

Toronto, Ontario
R. E. Van Tassell,
Vice-President

Annual and General Meeting of Shareholders

The Sheraton Centre,
City Hall Room,
123 Queen Street West,
Toronto, Ontario
Friday, April 15, 1983
10:30 a.m. (Toronto Time)

Corporate Profile

Dickenson Mines Limited is a Canadian company, originally incorporated in 1944 as Dickenson Red Lake Mines Limited. The outstanding share capital of the Company is comprised of 5,126,370 Class A shares and 5,837,820 Class B shares. The shares are traded on the Toronto and Vancouver Stock Exchanges.

Dickenson is primarily a producing gold-silver operation. The Company's principal assets are a 65 per cent interest in the Arthur W. White gold mine near Red Lake, Ontario, and a 100 per cent interest in a small producing silver mining operation (Silvana) near New Denver in the Slocan mining district of British Columbia. The Red Lake gold mine has been in continuous operation since 1949, and during its operating history the mine's production has totalled 4,926,874 tons of ore yielding 2,233,609 ounces of recovered gold. Other assets include interests in several non-producing oil and gas ventures, as well as major shareholdings in Kam-Kotia Mines Limited and Goldquest Exploration Inc.

Kam-Kotia Mines Limited is a member of the Dickenson Group of Companies. Its principal assets are its shareholdings in Dickenson Mines Limited (1,665,475 Class B shares and 127,575 Class A shares, representing 26.4 per cent of the voting interest and 16.1 per cent of the equity interest in Dickenson) and in Goldquest Exploration Inc. (16 per cent of the equity interest). Kam-Kotia owns 1,648,018 shares (69.5 per cent) of Carnegie Mining Corporation Limited which owns 181,728 Class B shares of Dickenson Mines Limited representing 2.9 per cent of the voting interest and 1.7 per cent of the equity interest in Dickenson. Kam-Kotia also has interests in several non-producing oil and gas ventures.

Directors' Report to the Shareholders of Dickenson Mines Limited and Kam-Kotia Mines Limited

The year 1982 witnessed a dramatic turnaround in the affairs of the Dickenson Group of Companies. The infusion of new management talent at the executive and operational levels, a redefined operating philosophy and bold corporate initiatives all combined to place the Group on a solid foundation for growth in the years ahead.

The steps necessary to restore the organization to sound financial health were painful. The wisdom of the course taken, however, is borne out in a comparison of the financial position of Dickenson Mines Limited at December 31, 1981 with the position at December 31, 1982. It shows that the determination of the Directors and of management to bring about rapid improvement produced very gratifying results.

At December 31, 1981, the Company had virtually no cash, current liabilities of $5.8 million, bank indebtedness of $21.6 million, and a working capital deficit of $9.7 million.

At December 31, 1982, your Directors are pleased to report, the Company had a cash balance of $2.4 million, bank debt had been eliminated, a positive working capital of $4.0 million, and both of the Company's mining operations were producing a positive cash flow.

The key to the improvement in the Company's fortunes was the sale on June 30, 1982 of a 35 per cent interest in Dickenson's principal asset — the Red Lake gold mine — to the Sullivan Mining Group. The funds realized from this transaction, approximately $11 million, were immediately applied to the reduction of bank debt and accounts payable. Without this sale, the most significant development in a very difficult year, all of the Company's current cash flow would still be directed to interest payments and the retirement of debt. Moreover, the Company would not have the capability to finance its current mill expansion or the extensive 1983 exploration program planned by Goldquest Exploration Inc.

Other financial transactions for Dickenson in 1982 included a private placement of 750,000 Class B treasury shares in April to raise $1.1 million and the sale to institutional investors of the $13.5 million Oakwood Petroleums Ltd. note for a net $13.1 million.

The year 1982 was also a most significant year for the Red Lake operation in particular. For economic as well as technical reasons, the original expansion plan was postponed in late 1981. In order to reduce operating costs, strict spending controls were initiated and manpower reduced. Simultaneously, the mining plan which had called for complete conversion of the mine to blasthole mining was abandoned in favour of mechanized cut-and-fill mining. These changes resulted in operating costs being reduced from $603 per ounce of gold produced in 1981 to $285 per ounce in 1982.

CORPORATE STRATEGY

This annual report provides a convenient forum for communicating to our shareholders the new corporate strategy for the Dickenson Group of Companies, as approved by the Directors. It is a strategy to which the executive and operating management are totally committed.

A. The first priority is to maximize revenue from the two revenue-producing properties, Red Lake in northwestern Ontario and Silvana in British Columbia.

   In the Red Lake Division, the objectives to be attained include an increase in ore reserves from the present 2,419,000 tons to three million tons; an increase in milling rate from 450 tons per day to 1,000 tons per day by the end of 1984; and an increase in gold recovery.

   For the Silvana Division, priority will be given to increasing ore reserves and maximizing mill throughput.

B. Another priority will be the acquisition of a third profit centre. The type of acquisition contemplated will be, preferably, a producing entity in the mineral or mining field which will not exceed $10,000,000 in value.

C. Priority will also be given to systematic exploration of the substantial holdings, in the Red Lake area, of Goldquest Exploration Inc. (owned 43.6 per cent by Dickenson and 16 per cent by Kam-Kotia). If the results of this program warrant, steps will be taken to have the more promising properties brought to the development stage as quickly as possible.

D. A concerted effort will be made to sell the oil and gas interests of Dickenson and Kam-Kotia, both in Canada and the United States.

The foregoing objectives in our expansion and diversification strategy represent a major challenge to the Dickenson Group of Companies. We are confident, however, that we have the people, the resources and the resolve to move ahead aggressively towards these goals.

GENERAL

On June 29, 1982, Mr. Arthur W. White, Chairman and founder of the Company and for whom the Red Lake Mine has been renamed the Arthur W. White Mine, retired after 40 years of active service. He remains a Director of Dickenson Mines Limited.

Your directors wish to express their appreciation for the efforts and co-operation of management, staff and all employees through what was a most difficult year.

On Behalf of the Board of Directors

H. Vance White
Chairman of the Board

Peter L. Munro
President and
Chief Executive Officer

Toronto, Ontario,
February 25, 1983.

Dickenson Mines Limited

Review of Operations

RED LAKE DIVISION:

Summary:

The year 1982 was marked by major changes at the Red Lake operations. Included were new management, a substantially reduced work force, a major revision to the mining method and a new approach to the expansion of the mill. Also, due to economic necessity, the Company sold a 35 per cent interest in the Red Lake operation to the Sullivan Mining Group. The net effect of the above has been to restore the mine as well as the Company to a solid economic footing.

Financial Review:	1982	1981
Net Revenue from metal production	$14,943,000	$13,536,000
Operating costs	10,065,000	15,064,000
Corporate costs	492,000	468,000
Other (income)	(39,000)	
Write down of mill processing assets	480,000	
Amortization and depreciation	1,292,000	937,000
Divisional profit (loss)	$ 2,653,000	$ (2,933,000)

Operations Review: (1)	1982	1981
Tons ore milled	165,487	189,494
Average grade — ounces of gold per ton	0.250	0.158
Production of gold — ounces (2)	37,020	24,760
Recovery %	84.0	83.3
Average price per ounce of gold received $ Canadian	$ 403.64	$ 546.68
Operating cost per ounce of gold produced $ Canadian	$ 284.85	$ 602.56

Note:

(1) Statistical data shown above represents Dickenson's portion of production which amounted to 100% of production for the period January 1, 1982 to June 30, 1982 and 65% of production for the period July 1, 1982 to December 31, 1982; hence direct comparison with 1981 is not possible.

(2) Gold production statistics include 1,713 ounces of gold contained in old flotation concentrates and sold in 1982.

Production:

Total mill throughput for the Red Lake mine was a record 197,265 tons at an average grade of 0.25 ounces of gold per ton yielding 41,373 ounces of gold. For 1981, comparable figures were 189,494 tons of ore at an average grade of 0.158 ounces of gold per ton yielding 24,760 ounces of gold. After July 1, 1982, Dickenson received 65% of the gold production. Dickenson's portion of total gold production in 1982 amounted to 37,020 ounces.

Operating costs at $285 per ounce of gold produced were sharply lower than the 1981 figure of $603 per ounce.

Red Lake Expansion:

By late 1981, it had become apparent that major problems had developed in the Red Lake expansion program, as detailed in the 1981 annual report. Included in the expansion program were:

(a) Introduction of long-hole mining methods and increased mechanization of the mine.

(b) Modifications to the crushing and milling circuits to increase throughput in stages from 450 tons per day to 1,000 tons per day while returning gold recovery to the levels achieved when the mill roasting process was in operation.

In the 1981 annual report, it was stated that revisions to the mining plan would permit the production of 36,000 ounces of gold in 1982, to be achieved by increasing the amount of stope ore and decreasing long-hole development ore through the mill. It is now apparent that the Red Lake mine has very few applications for long-hole mining without causing serious dilution problems. It is evident that maximum production with the use of available equipment is best obtained by the use of mechanized cut-and-fill mining. This basic change in mining methods was implemented in early 1982; gold production responded accordingly and the targeted production was substantially exceeded.

The original objective of the expansion program was to increase mine and mill capacity to 1,000 tons per day. Unfortunately this plan had to be postponed as the underground operation, at the beginning of 1982, was incapable of producing 1,000 tons per day of ore-grade material. In August of 1982, the joint venture management committee approved the first part of a revised two-stage expansion to 1,000 tons per day. The first stage is designed to bring mill capacity to 700 tons per day by July 1, 1983 at a total cost to the joint venture of $1.5 million. A decision on the further expansion to 1,000 tons per day awaits further work on the ore reserves. Management feels that three million tons of ore reserves are required to justify the second stage of the expansion.

Ore Reserves:	December 31, 1982		December 31, 1981	
	Short tons	Grade ounces gold/ton	Short tons	Grade ounces gold/ton
Proven ore	1,121,000	0.280	654,000	0.289
Probable ore	946,000	0.239	370,000	0.257
Possible ore	352,000	0.202	982,000	0.182
Total ore	2,419,000	0.253	2,006,000	0.231
Contained ounces of gold		612,000		463,000

Definitions:

1. *Proven ore:* Ore which has been partially developed by one or more mine openings along zones with demonstrable geological continuity and in which grade has been established by chip sampling or by two or more diamond drill holes. Limits of 25 feet on either side of the openings are assumed.
2. *Probable ore:* Ore which has been indicated and sampled by a diamond drill hole within a zone of demonstrable geological continuity or ore which falls within 50 feet of a mine opening as used in defining "Proven Ore".
3. *Possible ore:* One that is contiguous to proven and probable ore within interpreted geological zones but which has not been sampled.

Total ore reserves increased to 2,419,000 short tons at December 31, 1982 grading 0.253 ounces of gold per ton after milling 197,265 tons in 1982 grading 0.25 ounces of gold per ton. Ore reserves increased in average grade from 0.231 ounces of gold per ton at December 31, 1981 to 0.253 ounces of gold per ton at December 31, 1982 due to the deletion of a large low-grade area from the 1982 reserves. It is also important to note that significant tonnage of ore classified as "possible" in 1981 has now been reclassified as "proven" or "probable" in 1982. Several areas of gold mineralization within the existing mine boundaries remain to be classified. It is anticipated, therefore, that the trend to higher reserve tonnage will continue through 1983.

Personnel and Labour Relations:

The Directors sincerely thank the employees of Dickenson at Red Lake and Silvana for their fine support, particularly in early 1982 when it was necessary to make sharp cutbacks in the work force in order to restore profitability to the operations. At Red Lake, the work force was reduced in two stages from 278 employees to 191 employees. As conditions improved, it was possible to restore some essential services and limited development with a resulting increase to 210 employees. At Silvana, the work force was reduced from 70 employees to 50.

The Directors would also like to record their appreciation for the contribution of Mr. George Dundas who stepped in for three months in early 1982 as interim Mine Manager at Red Lake under extremely difficult conditions.

Relations with both unions during 1982 were constructive. Dickenson's hourly employees are represented by Local 950 of the United Steelworkers of America at Red Lake and by Local 168 International Union of Tunnel and Rock Workers at Silvana. The present collective agreement at Red Lake expires March 31, 1984.

Outlook:

The expansion to 700 tons per day is scheduled to be on stream by July 1, 1983. This will allow mine production to be raised in 1983 to 47,000 ounces of gold and 1984 production to approximately 52,000 ounces. Further expansion will depend on the development of a total of three million tons of ore in reserve. Management holds the view that this figure could be reached by the end of 1983.

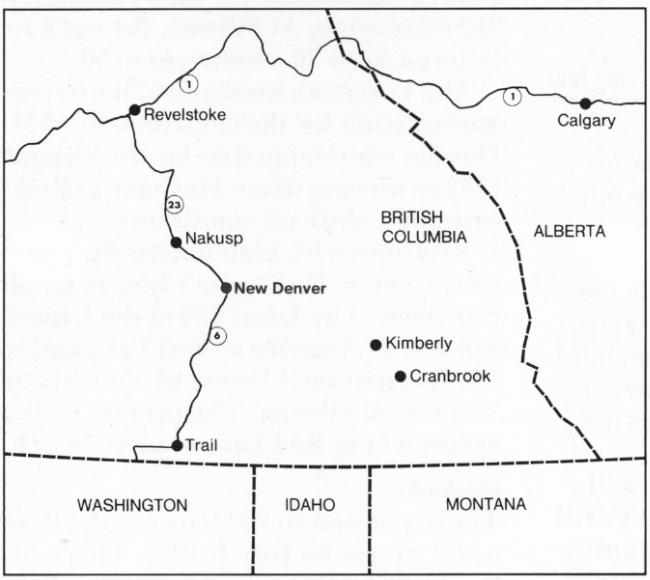
Mine Operating Personnel:

Mine Manager	P. C. Busse
Mill Superintendent	L. Connell
Master Mechanic	J. N. Bowerman
Chief Electrician	O. Kwasnycia
Chief Geologist	J. Rogers
Chief Engineer	R. Robison
Mine Controller	W. J. Henry

SILVANA DIVISION:

Summary:

1982 was also a most difficult year for Silvana as silver prices plunged to under $5 U.S. per ounce in June. The Company reacted to the downturn by reducing manpower while increasing daily mill throughput. In spite of a five-week shut-down in June and July of 1982 and low silver prices, the division achieved a break-even point on a cash basis after the first quarter.



Financial Review:	1982	1981
Net revenue from metal production	$3,060,000	$4,299,000
Operating costs	3,079,000	4,197,000
Corporate costs	120,000	51,000
Depreciation, depletion and amortization	1,222,000	1,291,000
Reduction to salvage value of certain assets	940,000	
Divisional Loss	$2,301,000	$1,240,000

13.6.16 *

Operations Review:	1982	1981
Tons ore milled	28,868	30,502
Average grade (ounces silver per ton)	12.0	12.5
Silver production — ounces	311,594	354,811
Lead production — pounds	1,914,855	2,378,775
Zinc production — pounds	1,403,779	1,821,506
Recovery of silver %	88.4	92.9
Average price received per ounce of silver ($ Canadian)	$ 9.98	$ 11.58
Operating cost per ton of ore	$ 107.70	$ 140.11
Operating cost per ounce of silver	$ 9.88	$ 11.82

Production:

Mill throughput at 28,868 tons was below the 1981 level of 30,502 tons; however, the 1982 figures reflect a five-week shut-down of operations. This shut- down coincided with a similar shut-down of the Cominco Smelter at Trail, British Columbia, the purchaser of the Silvana concentrates.

Operating costs at $107.70 per ton of ore were sharply lower than the $140.11 per ton of ore recorded in 1981 reflecting lower manpower levels and lower activity particularly in mine development.

Ore Reserves:	December 31, 1982			
		Grade		
	Short Tons	Silver ounces/ ton	Lead %	Zinc %
Proven and probable	62,000	10.6	3.4	3.5
Contained ounces of silver	662,000			

Silvana has not reported reserves in previous years due to the difficulty in quantifying ton-nages and grades without completely developing the mining area. While this is still the situation, management feels that available information should be published.

Outlook:

Production for 1983 is forecast at 33,600 tons yielding 349,000 ounces of silver. Operating costs including corporate charges are estimated to be $10.50 Canadian per ounce of silver produced or $109.00 per ton of ore milled. The future of Silvana is entirely dependent on silver prices and the success of the present diamond drilling program in locating additional ore.

Mine Operating Personnel:

Mine Manager	W. W. Cummings
Mine Superintendent	R. Leftrook
Mill Superintendent	K. Gordon
Master Mechanic	J. Heichert
Chief Electrician	R. Redenbach
Chief Geologist	S. Phillips
Chief Engineer	B. Bried
Mine Controller	G. Musil

MARKETING AND BUSINESS DEVELOPMENT — 1982

Until 1981, the Company produced gold-bearing sulfide concentrates at Red Lake as feed to its mill roasting operation. For environmental reasons, the Company shut down its roaster in 1980 and, as a result, two stockpiles of sulfide concentrates remained at the mine site at year-end 1981. The Company explored the marketability of these concentrates in early 1982 and by mid-year was successful in obtaining a two-year sales contract with a United States smelter. At year-end, 2,010 short dry tons containing approximately 1,700 ounces of payable gold had been shipped from the mine.

In February 1982, a decision was made to change gold refiners. As a result, an increased gold refining recovery as well as significant refining cost savings were realized by the Company.

During 1982, the Company actively pursued business opportunities in the mineral industry which fall within its financial capabilities and management expertise. The following is a review of the more significant projects in this regard:

1. Late in 1982, management was successful in arranging a long-term contract to purchase a complex gold bearing residue produced by a U.S. company. Funds have been approved by the Dickenson-Sullivan joint venture for the construction of a 10 ton per week circuit to treat this gold-bearing residue and other similar materials. Construction of the circuit will commence upon approval of an application currently before the Ontario Ministry of the Environment.
2. Management has identified heavy media coal washing as a process that will experience significant growth during the 1980's. The Company therefore has been pursuing opportunities to become a supplier of magnetite, the principal mineral product used as heavy media. During 1982, a thorough search of current and potential economic sources of supply was conducted, resulting in the identification of several orebodies and existing stockpiles of saleable heavy media. The Company optioned one such stockpile and was able to ship in excess of 10,000 tons in 1982 to both the Canadian and U.S. markets, thus establishing a preliminary position for itself with consumers.

In October, the Company, in partnership with three associated companies, bid unsuccessfully for a stockpile of magnetite in Western Canada. Efforts to acquire a substantial source of supply are continuing.

LEGAL PROCEEDINGS

On February 13, 1981 Willroy Mines Limited ("Willroy") brought an action in the Supreme Court of Ontario against New Cinch Uranium Ltd. ("New Cinch") and 14 other defendants including Dickenson and Kam-Kotia, claiming damages for losses of $21.4 million suffered by Willroy in connection with the purchase and sale of shares and warrants of New Cinch.

During 1979 and 1980 New Cinch was engaged in the exploration of a gold prospect known as the Orogrande property in New Mexico. Assay reports from the initial drilling in 1979 indicated a considerable body of gold and silver bearing material. Assay reports from drilling in 1980, including Holes 29 and 31, indicated the presence of additional material with high gold and silver values. All of the assays were performed by the El Paso Chem-Tec Laboratory ("Chem-Tec") in El Paso, Texas.

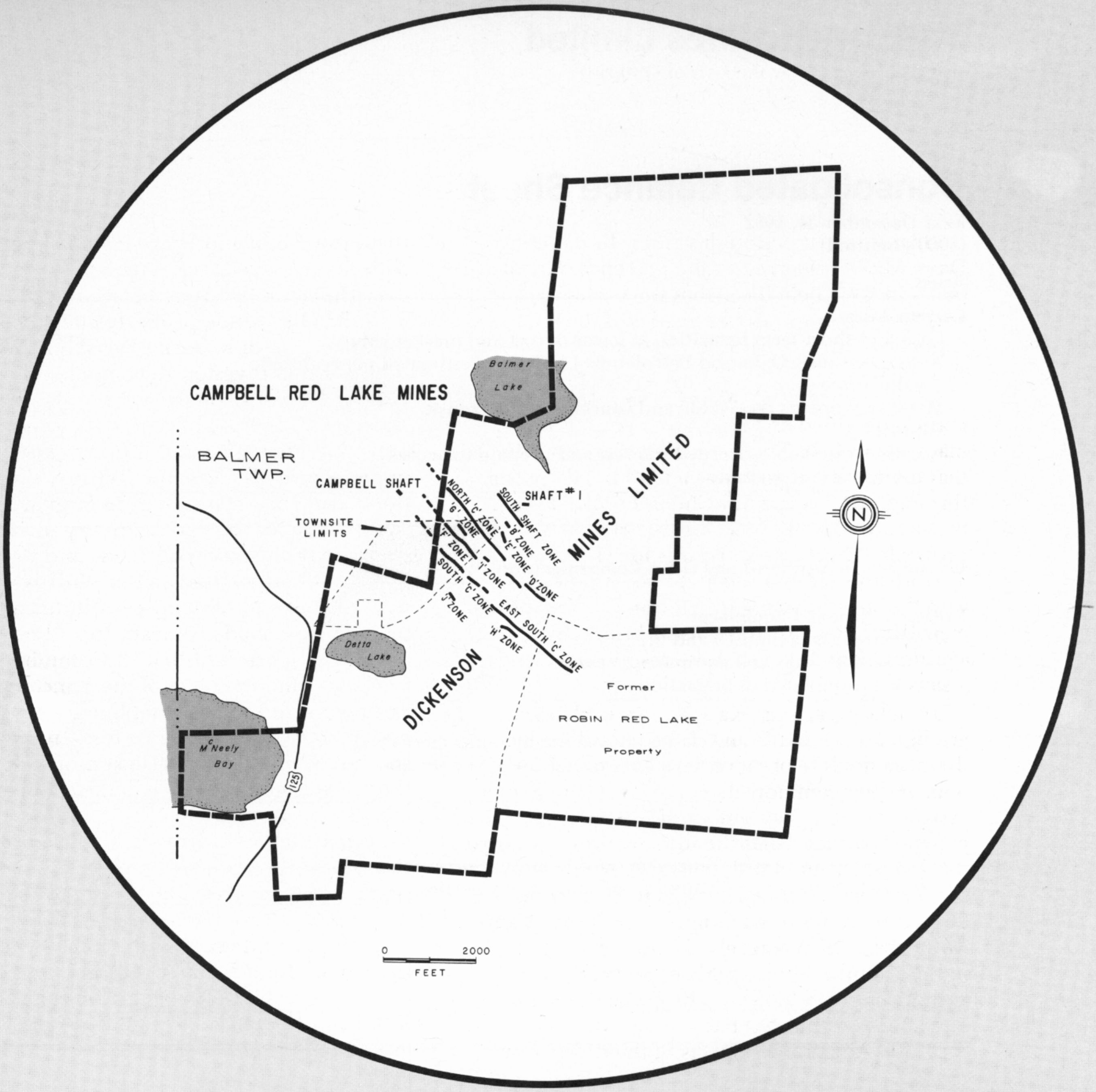
Willroy alleges that it relied on a Statement of Material Facts dated June 2, 1980 filed by New Cinch with the Vancouver Stock Exchange in connection with a public offering of shares and warrants, press reports and letters to shareholders of New Cinch, and purchased shares and warrants of New Cinch at a total price of $25.7 million. Willroy further alleges that in January 1981 it ascertained that there were no significant quantities of gold and silver on the Orogrande property and upon such realization sold all of the shares and warrants at a total selling price of approximately $4 million.

Upon becoming aware of the discrepancies, New Cinch retained Davy McKee Corporation ("Davy McKee"), an international mining and metallurgical consulting firm, to conduct a complete review of the drilling, sampling, sample preparation and assaying of drill cores from the Orogrande property. After an extensive investigation Davy McKee completed its report in November, 1981. Davy McKee stated, among other things, that the re-assaying of selected original core intervals from several drill holes produced uniformly low gold values and did not confirm the original high values. In its report Davy McKee referred to the presence of contaminants in the Chem-Tec laboratory when Holes 29 and 31 were originally assayed and to erroneous reporting to New Cinch as possible causes for the discrepancies.

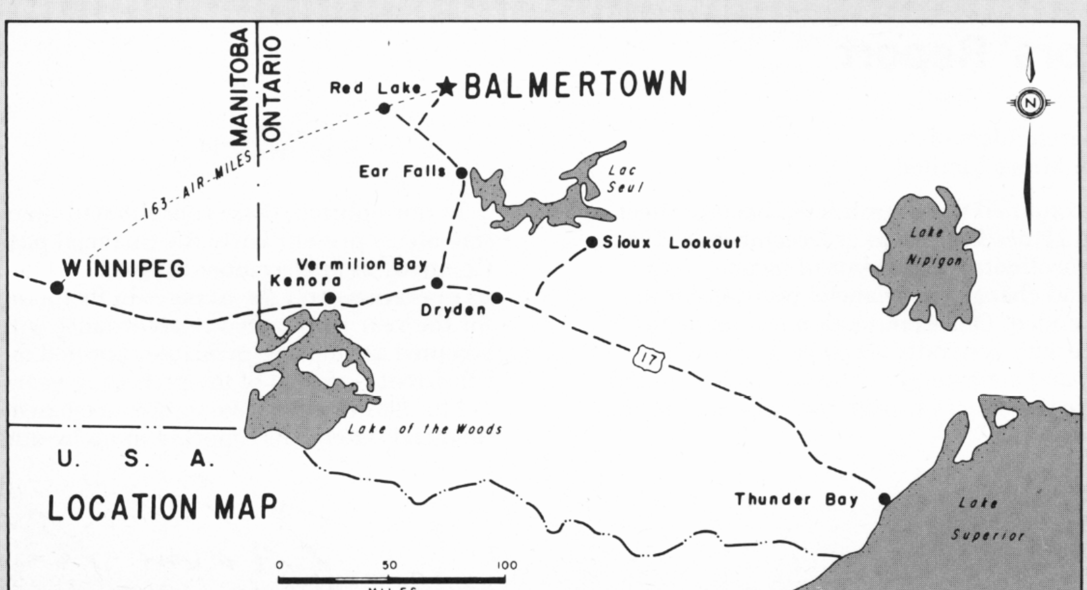
In December, 1981, New Cinch released information obtained as a result of investigations made on its behalf. It has stated that it is satisfied that a quantity of gold was added to one of the flux ingredients used in Chem-Tec fire assay procedures during November 1980 and that it is probable that the assay results for Holes 29 and 31 were affected but it is not known how, or by whom, the gold was added to the flux ingredient. New Cinch has instituted legal proceedings against Chem-Tec and those responsible for the assays.

The claims against Kam-Kotia and Dickenson are based principally upon the execution by them, as holders of more than 15% of the outstanding common shares of New Cinch, of a certificate on the Statement of Material Facts referred to above that the information contained therein constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. In signing the certificate Kam-Kotia and Dickenson relied upon reports of independent and reputable experts in geology and mining and believed the contents of the Statement of Material Facts were true and accurate. Additional aspects of the defence are that Kam-Kotia and Dickenson had nothing to do with the press releases, letters to shareholders of New Cinch or any other communication dealing with the Orogrande property after the filing of the Statement of Material Facts; that Willroy is a sophisticated investor, developer and owner of gold and silver properties throughout North America and relied upon the skill and judgment of its own geologists and mining experts and upon its own analysis; that Willroy's precipitous purchasing and selling was in large measure responsible for the extraordinary increase and decrease in the prices of shares and warrants of New Cinch which resulted in Willroy's loss; that the purchases by Willroy constituted a take-over bid and were made contrary to and in violation of the Securities Acts of British Columbia and other provinces and the rules of the Vancouver Stock Exchange; and that the negligence of Willroy caused or contributed to its loss. In the circumstances, Kam-Kotia and Dickenson believe that they have a good defence to the action on the merits.

Counsel for Kam-Kotia and Dickenson in connection with the action have advised that it is premature to express any opinion of their liability, if any. They do express the view that, assuming the accuracy of the facts made available to them by Kam-Kotia, Dickenson and New Cinch, the defences to the action raised by Kam-Kotia and Dickenson are substantial.



CAMPBELL RED LAKE MINES
BALMER TWP.
Balmer Lake
CAMPBELL SHAFT
TOWNSITE LIMITS
SHAFT #1
NORTH 'C' ZONE
SOUTH SHAFT ZONE
'B' ZONE
'E' ZONE
'D' ZONE
'G' ZONE
'F' ZONE
'I' ZONE
SOUTH 'C' ZONE
'J' ZONE
'H' ZONE
EAST SOUTH 'C' ZONE
MINES LIMITED
DICKENSON
Detta Lake
McNeely Bay
125
Former
ROBIN RED LAKE
Property
N
0
2000
FEET



MANITOBA
ONTARIO
Red Lake
BALMERTOWN
Ear Falls
Lac Seul
163 AIR MILES
Sioux Lookout
WINNIPEG
Vermilion Bay
Kenora
Dryden
Lake Nipigon
17
Lake of the Woods
U. S. A.
LOCATION MAP
Thunder Bay
Lake Superior
N
0
50
100
MILES

Dickenson Mines Limited

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

as at December 31, 1982
($000's omitted)

Assets	1982	1981
Current Assets		
Cash and short-term securities, at lower of cost and market value	$ 2,441	$ 201
Note receivable, Oakwood Petroleums Limited, at estimated net realizable value (note 6)		12,935
Metal settlements receivable and concentrates in transit	1,648	1,379
Supplies	1,213	2,454
Accounts receivable, accrued interest and prepaid expenses	796	679
Income taxes recoverable		90
	6,098	17,738
Investments in Associated and Other Companies (note 8)	4,014	4,594
Property, Plant and Equipment		
Producing assets (notes 4 and 5)		
Plant, buildings and equipment, at cost	18,593	26,077
Less accumulated depreciation	8,455	9,943
	10,138	16,134
Mining properties and claims, at cost less amounts amortized	531	871
Shaft deepening and renovation expenditures, at cost less amounts amortized	4,310	11,959
	14,979	28,964
Non-producing assets		
Interest in and expenditures on outside mining properties		586
Interest in and expenditures on oil and gas properties	2,607	3,766
	17,586	33,316
	$27,698	$55,648

Auditors' Report

To the Shareholders of
Dickenson Mines Limited

We have examined the consolidated balance sheet of Dickenson Mines Limited as at December 31, 1982 and the consolidated 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 consolidated financial statements present fairly the financial position of the Company as at December 31, 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.

The 1981 comparative figures are based on financial statements reported upon by other auditors.

Thorne Riddell
Chartered Accountants

Toronto, Canada
February 7, 1983

Liabilities	1982	1981
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,763	$ 5,287
Bank indebtedness		8,600
Mining taxes payable	317	482
Current portion of long-term debt		12,966
Deferred revenue		89
	2,080	27,424
Long-term debt		66
Income and Mining Taxes Relating to Future Years	4,580	6,122
Shareholders' Equity		
Capital Stock (note 10)		
Authorized		
30,000,000 Class A common shares without par value		
6,000,000 Class B special shares without par value		
Issued		
5,126,370 Class A shares (5,088,220 shares in 1981)	4,975	4,901
5,837,820 Class B shares (5,087,320 shares in 1981)	5,973	4,898
	10,948	9,799
Contributed Surplus	1,466	1,466
Retained Earnings	10,547	13,230
	22,961	24,495
Deduct Company's share of Kam-Kotia Mines Limited holding of shares in Dickenson Mines Limited at a cost to Kam-Kotia of $5,388,000 ($6,887,000 in 1981)	1,923	2,459
	21,038	22,036
	$27,698	$55,648

Commitments (note 11)
Legal proceedings (note 13)

Approved by the Board

Director

Director

Dickenson Mines Limited

Consolidated Statement of Income

Year ended December 31, 1982
($000's omitted)

	1982	1981
Revenue from Metal Shipments		
Bullion	$15,181	$13,591
Concentrate sales	4,256	6,059
	19,437	19,650
Deduct treatment and refining charges	1,435	1,815
Net revenue from metal shipments	18,002	17,835
Operating and administrative costs		
Mining, milling and general mine expenses	13,790	19,226
Head office, administration and general expenses	792	1,314
	14,582	20,540
Operating Income (Loss) before the Undernoted Items	3,420	(2,705)
Amortization of shaft deepening and renovations	1,310	1,305
Depreciation	1,206	923
Exploration and development expenditures	123	1,078
	2,639	3,306
Operating Income (Loss)	781	(6,011)
Other Income (Expenses)		
Equity in losses of associated companies	(1,066)	(237)
Interest and other income	2,911	1,464
Interest expense	(2,591)	(3,765)
Amortization of oil and gas properties	(523)	(454)
Reduction in carrying value of investments in associated and other companies	(485)	
Foreign exchange loss	(546)	
	(2,300)	(2,992)
	1,519	9,003
Reduction to salvage value of certain Silvana Division assets	940	
Loss before Income Taxes and Extraordinary Items	2,459	9,003
Income Taxes and Mining Taxes (Recovery)		
Current		224
Relating to future years	(550)	(4,480)
	(550)	(4,256)
Loss before Extraordinary Items	1,909	4,747
Extraordinary items (note 2)	(774)	3,300
Loss for the Year	$ 2,683	$ 1,447
Loss Per Share — Class A and B		
Loss before extraordinary items	$.19	$.51
Loss for the year	$.27	$.15

Consolidated Statement of Retained Earnings

Year ended December 31, 1982
($000's omitted)

	1982	1981
Balance at Beginning of Year		
As previously reported	$15,148	$16,688
Prior period adjustments (note 3)	1,918	1,918
As restated	13,230	14,770
Loss for the year	2,683	1,447
	10,547	13,323
Dividends paid		93
Balance at End of Year	$10,547	$13,230

Dickenson Mines Limited

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982
($000's omitted)

	1982	1981
Working Capital Derived From		
Operations		
Loss before extraordinary items	$(1,909)	$(4,747)
Items not affecting working capital		
Depreciation and amortization	3,039	3,760
Recovery of income and mining taxes relating to future years	(550)	(4,480)
Reduction to salvage value for certain Silvana Division assets	940	
Equity in losses of associated companies	1,066	237
Reduction in carrying value of investments in associated and other companies	485	
Reduction in carrying value of note receivable		(600)
Gain on sale of fixed assets and investments	(179)	(118)
Working capital derived from (applied to) operations	2,892	(5,948)
Proceeds on the sale of fixed assets and investments	688	
Proceeds on the sale of Conventures Limited		26,650
Proceeds on the issue of capital stock	1,149	41
Decrease in deferred charges		214
Net proceeds on the sale of a 35% interest in the Red Lake Mine	9,984	
	11,821	26,905
	14,713	20,957
Working Capital Applied To		
Additions to plant, buildings and equipment	488	9,637
Additions to shaft sinking and renovation expenditures	61	6,535
Purchase of investments in associated companies	293	
Corporate advances, net	55	67
Oil and gas asset additions	46	1,492
Exploration expenditures on outside mining properties		196
Reclassification of long-term debt to current liabilities	66	7,680
Settlement of mining tax assessments		340
Dividends		93
	1,009	26,040
Increase (Decrease) in Working Capital Position	$13,704	$(5,083)
Changes in Components of Working Capital		
Increase (decrease) in current assets		
Cash and short-term securities	$ 2,240	$ (146)
Note receivable, Oakwood Petroleums Limited	(12,935)	12,935
Metal settlements receivable and concentrates in transit	269	(182)
Supplies	(1,241)	137
Accounts receivable, accrued interest and prepaid expenses	117	(11)
Income taxes recoverable	(90)	(224)
	(11,640)	12,509
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(3,524)	683
Bank indebtedness	(8,600)	4,557
Mining taxes payable	(165)	340
Current portion of long-term debt	(12,966)	11,923
Deferred revenue	(89)	89
	(25,344)	17,592
Increase (Decrease) in Working Capital Position	13,704	(5,083)
Working Capital Deficiency at Beginning of Year		
As previously reported	9,346	4,603
Prior period adjustment (note 3)	340	
As restated	9,686	4,603
Working Capital (Deficiency) at End of Year	$ 4,018	$(9,686)

Dickenson Mines Limited

Notes to Consolidated Financial Statements

December 31, 1982

1. Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied, and conform in all material respects with the statements issued by the International Accounting Standards Committee. No disclosure is provided with respect to current cost accounting. The principal accounting policies followed by the Company are summarized hereunder to facilitate review of the consolidated financial statements.

(a) *Basis of consolidation*

The consolidated financial statements include the accounts of Kenwest Mines Limited of which the Company holds 60 percent of the outstanding common shares. The Company's proportionate share of revenues, expenses, assets and liabilities in unincorporated joint ventures are consolidated in the Company's accounts.

(b) *Revenue recognition*

Bullion is valued at estimated net realizable value and revenue is recorded in the accounts on completion of production. Metal contained in concentrates is sold under contracts with one smelter. Estimated revenues are recorded in the accounts during the month when the concentrates are produced. The estimated concentrate revenues may be subject to adjustment on final settlement or may be adjusted prior to final settlement, usually two months after date of production, to reflect changes in metal prices and weights and assays.

(c) *Valuation of metal settlements receivable and concentrates in transit*

Metal settlements receivable and concentrates in transit are valued at estimated realizable value in U.S. funds translated into Canadian dollars at the year end rate of exchange.

(d) *Valuation of supplies*

Stores and operating supplies are valued at the lower of average cost and replacement cost.

(e) *Property, plant and equipment*

Property, plant and equipment and related expenditures are accounted for as follows:

(i) Property, plant, buildings, equipment, shaft deepening and renovation expenditures are recorded at cost.

(ii) Depreciation on plant, buildings and equipment is provided on the unit-of-production method based on estimated mineral inventories.

(iii) Amortization of the cost of producing mining properties and claims is provided on the unit-of-production method based on estimated mineral inventories.

(iv) Shaft deepening and renovation costs are written off on the unit-of-production method based on estimated mineral inventories.

(v) Repairs and maintenance expenditures are charged against earnings; major betterments and replacements are capitalized.

(vi) Upon sale or abandonment, the cost of the fixed assets and related accumulated depreciation or amortization are removed from the accounts and any gains or losses thereon are taken into earnings.

(f) *Exploration*

(i) Mining properties

Exploration and development expenditures on unknown or unproven ore bodies are expensed as incurred. Development expenditures on other properties that have economically recoverable reserves are capitalized and will be amortized on the unit-of-production basis.

(ii) Petroleum and natural gas interests

For all oil and gas activities, the Company follows the full cost method of accounting, whereby all costs relative to the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical costs, carrying charges on non-producing properties and costs of drilling both productive and non-productive wells less any proceeds from the disposal of properties.

Separate full cost centres are maintained for each operating area. Net costs incurred in each of these areas are amortized on a straight-line basis over ten years. Should exploration activity in an area prove successful, the unamortized balance of the cost centre is depleted by the unit-of-production method. Should exploration activity in an area prove unsuccessful and management decides that there is little prospect for further work in the area, the unamortized balance of the cost centre is written off entirely.

(g) *Income and mining taxes*
The Company follows the deferral method of applying the tax allocation basis of accounting for income and mining taxes. Under this method, timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts result in provision for taxes relating to future years. These are recognized in the accounts as "income and mining taxes relating to future years".

(h) *Investments in associated and other companies*
The investment in shares of associated companies, over which the Company exercises significant influence, is accounted for by the equity method whereby cost of the shares of such companies owned by the Company is adjusted by its proportion of their earnings or losses since significant influence was acquired.
Investments in other companies are carried at cost with an allowance for estimated decline in value of investments below the stated cost.

(i) *Loss per share*
Basic loss per share is computed using the weighted average number of shares outstanding during the year after deducting shares held by certain associated companies accounted for by the equity method. Fully diluted earnings per share are calculated on the weighted average number of shares after deducting shares held by certain associated companies accounted for by the equity method that would have been outstanding during the year had the options and warrants been converted at the date of issue. However, fully diluted loss per share figures are not presented since conversion of options and warrants would not increase the loss per share.

2. Extraordinary Items

	1982	1981
	($000's omitted)	
Loss on abandonment of certain mill processing assets (net of future income taxes of $180,000)	$(300)	
Loss on sale of oil and gas assets (net of future income taxes of $250,000)	(250)	
Share of extraordinary losses of associated companies accounted for by the equity method	(64)	$(1,268)
Decrease in the carrying value of the Company's interest in Kam-Kotia Mines Limited arising from the issue of shares by Kam-Kotia	(160)	
Gain on sale of holdings in Conventures Limited (net of future income taxes of $4,333,000)		5,376
Reduction in carrying value of Oakwood Petroleums Limited note receivable (net of future income taxes of $150,000)		(450)
Reduction in carrying value of New Cinch Uranium (net of future income taxes of $119,000)		(358)
	$(774)	$ 3,300

3. Prior Period Adjustments

The opening balance of retained earnings has been restated to reflect:

	($000's omitted)
(i) A mining tax provision to comply with the Company's policy of following the deferral method of applying the tax allocation basis of accounting for income and mining taxes	$1,625
(ii) Recognition of compliance related mining tax penalties for the years 1978, 1979 and 1980	340
(iii) Recognition of the Company's share of Kam-Kotia Mines Limited recovery of Ontario mining taxes	(47)
	$1,918

4. Partial sale of Red Lake Mine

On June 30, 1982, the Company sold a 35 percent interest in its Red Lake Gold Mine and a 10 percent interest of its holdings in Goldquest Exploration Inc. to Sullivan Resources Ltd. for a cash consideration of $10,250,000 as well as a contribution of $691,000 towards working capital of the Joint Venture. Dickenson and Sullivan operate the Red Lake mine as a joint venture with Dickenson being the operator. Proceeds from the sale were used to reduce amounts due to suppliers and to eliminate the operating bank debt. The Company has not recorded any gain on the sale; all of the proceeds have been applied to reduce the carrying value of the related assets.

5. Dickenson-Sullivan Joint Venture

Dickenson has a 65% interest in the Joint Venture which commenced operations on July 1, 1982. The Company acts as operator for which a management fee of $210,000 was received in 1982.

The following amounts represent the Company's interest in the Joint Venture accounted for by the proportionate consolidation method.

	($000's omitted)
Working capital	$ 182
Property, plant and equipment	15,931
Net investment	$16,113
Bullion revenue (net)	$ 7,266
Operating and administrative expenses	4,290
Income before provision for depreciation and amortization	$ 2,976

Depreciation and amortization of the Company's share of Joint Venture assets are recorded in the Company's accounts and amount to $424,000.

Under the terms of the Joint Venture Agreement bullion is delivered to the joint venturers in kind and bullion revenue reflected in the accounts represents amounts received by the Company from the disposition of its proportionate share.

6. Sale of Oakwood Petroleums Limited Note

During the fourth quarter of 1982, the Company sold to institutional investors its $13,535,000 Oakwood Petroleum Limited promissory note receivable for a net consideration of $13,129,000. Proceeds from the sale were used to repay and eliminate the Company's term bank loan.

7. Income and Mining Taxes

The provisions for income and mining taxes for the years 1982 and 1981 are analyzed in the following table to show (i) the taxes that would be payable by applying statutory tax rates to the Company's pre-tax earnings, and (ii) the taxes actually provided in the accounts after deducting available resource, depletion and processing allowances:

	1982		1981
	Income tax	Mining tax	Income tax
	($000's omitted)		
Pre-tax earnings (loss) as reported	$(2,459)	$(2,459)	$(9,003)
Add other expenses less non-mining income	799	3,240	368
Earnings (loss) subject to tax	$(1,660)	$ 781	$(8,635)
Statutory tax rates	50.8%	10.2%	50.8%
Tax at statutory rates	$ (843)	$ 80	$(4,386)
Deduct tax effect of			
Processing allowance		(41)	
Non-claimable expenses	225	61	
Non-taxable income			(94)
Other	(232)	200	224
Tax provided (recovery) in the accounts	$ (850)	$ 300	$(4,256)
	$ (550)		$(4,256)

At December 31, 1982, the following amounts are available to be applied against future years' income for tax purposes:

Capital cost allowance	$8,000,000
Earned depletion	2,000,000
Foreign exploration and development expenses	2,200,000

In addition, unrecognized investment tax credits of approximately $1,000,000 are available to reduce future income taxes payable. These credits expire in 1985 and 1986.

8. Investment in Associated and Other Companies

	Number of shares		Market value		Carrying value	
	1982	1981	1982	1981	1982	1981
				($000's omitted)		
Accounted for on an equity basis						
Kam-Kotia Mines Limited	2,278,008	2,119,108	$ 5,582	$2,903	$ 852	$1,053
Goldquest Exploration Inc.*	1,517,274		2,845		1,331	
Tundra Gold Mines Limited	2,785,218	2,785,218	1,112	611	350	744
Redcon Gold Mines Limited	1,151,062	1,151,062	346	576	306	307
Other				1,136	300	1,068
			9,885	5,226	3,139	3,172
Accounted for on a cost basis						
Energy and Precious Metals Inc. — common	49,600	49,600	459	285	201	201
Energy and Precious Metals Inc. — class A	74,000	74,000	74	44	208	208
Langis Silver & Cobalt Mining Co. Ltd	426,599	419,250	73	63	85	213
New Cinch Uranium Ltd.	704,500	704,500	155	197	160	281
New Kelore Mines Limited	200,000	200,000	70	79	30	30
Nickel Rim Mines Limited	314,000	314,000	50	57	66	66
Starratt Nickel Mines Limited	175,683	175,683	14	26	26	26
Other					99	397
			895	751	875	1,422
			$10,780	$5,977	$4,014	$4,594

*Goldquest was formed on July 22, 1982 by the amalgamation of ten companies, seven in which the Company held interests. In 1981, these interests were included in other investments.

9. Related Party Transactions

Dickenson is a member of a group of related companies and during the year had transactions with these companies. A summary of theses transactions is as follows:

	1982	1981
	($000's omitted)	
Balance at the end of year		
Accounts receivable from Kam-Kotia, an associated company	$305	
Accounts payable to Kam-Kotia		$219
8% debenture receivable maturing January 31, 1985 from New Cinch Uranium Ltd., an associated company		445
Advances receivable from Goldquest Exploration Inc. (Goldquest), an associated company	260	
Transactions during the year		
Amounts paid		
Kam-Kotia for accounts payable and interest	221	
Goldquest for exploration expenditures	300	
New Cinch for exploration expenditures	80	
Repayment of a 1982 $1,000,000 interest bearing advance from New Cinch, net of the discounted value of the 8% debenture receivable	650	
Interest paid to New Cinch on the $1,000,000 advance	68	
Mid-North Engineering Services Limited (Mid-North), a company controlled by certain directors of Dickenson and Kam-Kotia for administration, accounting and office services		325
Amounts received		
Fees for administration, accounting and office services		
Kam-Kotia	180	
New Cinch	42	
Goldquest	135	
Other associated companies	68	
Interest on advances to Kam-Kotia	18	
Interest on 8% debenture to New Cinch	23	

In 1981, fees for administration, accounting and office services were billed directly by Mid-North.

10. Capital Stock

Changes during 1982

750,000 shares of Class B stock were issued in April 1982 for a net cash consideration of $1,074,000 as the result of a private placement placed with investors.

5,700 shares of Class A and 500 shares of Class B stock were issued during the year for a cash consideration of $10,230 resulting from the exercise of certain employee stock options.

32,450 shares of Class A stock were issued to the then Chief Executive Officer in lieu of $64,900 of prior year salary adjustments.

Changes during 1981

3,900 shares of Class A and 3,000 shares of Class B stock were issued during the year for a cash consideration of $41,000 resulting from the exercise of certain employee stock options.

Reservations of capital stock

(i) Warrants

The following share purchase warrants are outstanding:

Name	Number	Number and class of shares	Exercise price	Expiry date
1982 warrant	750,000	1 Class A	$1.75	April 14, 1984

(ii) Options

The Company has a stock option plan for certain employees under which options for the purchase of Class A and/or class B shares are still outstanding. Each option expires not later than five years from the date on which it was granted and all current options granted would expire by December 31, 1987.

As of December 31, 1982, there were outstanding and reserved options to purchase 305,000 shares (1981, 167,100 shares) at prices ranging from $1.65 to $4.10 (1981, $3.25 to $6.00).

11. Commitments

The Company is committed to contribute an estimated amount of $800,000 as its share of the mill expansion capital expenditures to be incurred by the Dickenson-Sullivan Joint Venture.

12. Segmented Information

The Company operates within one dominant industry segment, the mining of gold and silver-bearing ores together with ongoing exploration of new natural resource properties, and all of its operations are based in Canada. Product sales are principally made within Canada.

13. Legal Proceedings

The Company, Kam-Kotia Mines Limited and New Cinch Uranium Ltd. are among sixteen defendants in an action in the Supreme Court of Ontario by Willroy Mines Limited, as plaintiff, claiming damages of $21,396,000 based on allegations of negligence, negligent misrepresentation and conspiracy in connection with the purchase by the plaintiff of shares and warrants of New Cinch Uranium Ltd. Legal counsel representing the Company and Kam-Kotia Mines Limited have reported that it is premature to express an opinion on Dickenson's liability, if any, in this action, although counsel are of the view that the defences raised are substantial.

14. Comparative Figures

Certain 1981 balances have been reclassified to conform with the 1982 presentation.

Dickenson Mines Limited

5 Year Review of Operations and Statistical Data

(000's omitted)

	1982	1981	1980	1979	1978
PRODUCTION					
Red Lake Division					
Ore reserves — tons	2,419	2,006	2,406	390	351
Grade of gold — ounces per ton	0.25	0.23	0.26	0.53	0.57
Ore milled — tons	165	189	128	118	110
Grade of gold — ounces per ton	0.25	0.16	0.27	0.40	0.58
Gold recovered — ounces	37	25	29	44	60
Silvana Division					
Ore reserves — tons	62				
Grade of silver — ounces per ton	10.6				
Ore milled — tons	29	31	22	18	17
Grade of silver — ounces per ton	12.0	12.5	8.6	14.0	14.8
Silver recovered — ounces	312	355	255	290	244
FINANCIAL					
Net revenue from metal production	$18,002	$17,835	$25,512	$19,487	$15,425
Operating and administrative costs	14,582	20,540	16,898	12,517	10,540
Operating income (loss) before the undernoted	3,420	(2,705)	8,614	6,970	4,885
Depreciation and amortization	2,639	3,306	3,351	1,655	1,344
Operating income (loss)	781	(6,011)	5,263	5,315	3,541
Interest expense	(2,591)	(3,765)	(762)	(674)	
Other income (expenses)	(649)	773	1,694	766	361
Income (loss) before taxes	(2,459)	(9,003)	6,195	5,407	3,902
Income and mining taxes (recovery)	(550)	(4,256)	2,677	2,948	2,228
Income (loss) before extraordinary items	(1,909)	(4,747)	3,518	2,459	1,674
Extraordinary items	(774)	3,300	596	1,567	(14)
Net income (loss) for the year	$ (2,683)	$ (1,447)	$ 4,114	$ 4,026	$ 1,660
Dividends paid		$ 93	$ 461	$ 190	$ 353
Capital expenditures					
Property, plant and equipment	$ 488	$ 9,637	$ 4,482	$ 874	$ 869
Shaft deepening and renovations	61	6,535	5,100	2,185	650
Investment in associated and other companies	348	67	7,501	8,076	1,615
Deferred exploration	46	1,688	2,262	2,238	796
Working capital (deficiency)	4,018	(9,686)	(4,603)	1,044	657
Number of shares outstanding					
Class "A"	5,126	5,088	5,084	4,948	4,948
Class "B"	5,838	5,087	5,084	4,948	4,948

1. 1979 and 1978 figures have been restated to reflect the amalgamation of Dickenson Mines Limited and Silvana Mines Inc. pursuant to the Amalgamation Agreement dated October 7, 1980.
2. The above figures have been restated to reflect prior period adjustments:
   (a) for income and mining taxes made in 1982
   (b) for depreciation and amortization relating to shaft sinking and renovations made in 1980
   (c) for the equity method of accounting for long term investments made in 1979.

Kam-Kotia Mines Limited

Directors

R. A. Halet†
Consulting Engineer,
Halet, Broadhurst & Ogden
Toronto

H. R. Heard†
Retired, Toronto

P. L. Munro*
President and
Chief Executive Officer,
Dickenson Mines Limited

H. E. Neal
President, H. E. Neal &
Associates Limited
Toronto

F. M. Ryan
Partner, Haldenby
& Associates Limited
Toronto

D. A. Sloan
Professor of University
of Toronto

A. W. White
Retired, Orangeville

H. V. White*
Chairman of the Board,
Dickenson Mines Limited

W. F. White†
Vice-President,
Merrill Lynch, Royal
Securities, Toronto

*Members of the Executive Committee
†Members of the Audit Committee

Officers

H. V. White
Chairman of the Board

P. L. Munro
President and
Chief Executive Officer

J. O. Kachmar
Vice-President – Finance
and Treasurer

J. Geddes
Secretary

R. H. Gibson
Assistant Treasurer

Corporate Information

Executive Office

65 Queen Street West,
Suite 600,
Toronto, Ontario
M5H 2M5

Bankers

Canadian Imperial Bank of
Commerce
The Royal Bank of Canada

Transfer Agent

National Trust Company,
Limited
Toronto, Ontario.

Auditors

Thorne Riddell,
Toronto, Ontario.

Listed

The Toronto Stock Exchange

Annual Meeting of Shareholders

The Sheraton Centre,
City Hall Room,
123 Queen Street West,
Toronto, Ontario.
Friday, April 15, 1983
10:30 a.m. (Toronto Time)

Kam-Kotia Mines Limited

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

as at December 31, 1982
($000's omitted)

Assets	1982	1981
Current Assets		
Cash and short-term deposits	$ 65	
Accounts receivable		
Dickenson Mines Limited		$ 219
Other	22	155
Mining taxes recoverable	133	133
Marketable securities, at lower of cost and market (quoted market value in 1981, $31,000)		31
	220	538
Investments in Associated and other Companies (note 4)	8,051	11,359
Fixed Assets		
Land and buildings, at cost	169	169
Less accumulated depreciation	83	73
	86	96
Mining claims and properties, at cost less amounts amortized	41	41
	127	137
Non-Producing Assets		
Interest in and expenditure on oil and gas properties (note 5)	2,561	4,998
Interest in and expenditures on outside mining properties		150
Mortgage receivable		7
	2,561	5,155
	$10,959	$17,189

Auditors' Report

To the Shareholders of
Kam-Kotia Mines Limited

We have examined the consolidated balance sheet of Kam-Kotia Mines Limited as at December 31, 1982 and the consolidated statements of income, retained earnings (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 consolidated financial statements present fairly the financial position of the Company as at December 31, 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.

Toronto, Canada
February 7, 1983

Thorne Riddell
Chartered Accountants

Liabilities	1982	1981
Current Liabilities		
Bank loan and overdraft	$ 320	$ 1,495
Accounts payable and accrued liabilities	438	353
Payable to Dickenson Mines Limited	305	
Income taxes payable		126
Loan payable		1,000
	1,063	2,974
Income and Mining Taxes Relating to Future Years		115
Minority Interest	185	309
Shareholders' Equity		
Capital Stock (note 7)		
Authorized — 10,000,000 shares without par value		
Issued — 6,436,344 shares (5,936,344 shares in 1981)	10,628	10,128
Retained Earnings (Deficit)	(299)	4,504
	10,329	14,632
Deduct Company's ownership in the cost of Kam-Kotia's shares held by Dickenson Mines Limited with a cost to Dickenson of $3,433,000 ($3,239,000 in 1981)	618	841
	9,711	13,791
	$10,959	$17,189

Legal proceedings (note 11)
Contingent liability (note 12)
Subsequent event (note 14)

Approved by the Board

P. G. Munro Director

H. R. Heard Director

Kam-Kotia Mines Limited

Consolidated Statement of Income

Year ended December 31, 1982
($000's omitted)

	1982	1981
Income		
Interest, dividends and royalties	$ 80	$ 130
Gain (loss) on sale of securities	(221)	96
Oil and gas revenue	186	65
	45	291
Equity in loss of associated companies	176	606
	131	315
Expenses		
Head office, administration and general	390	374
Amortization of oil and gas properties	456	605
Outside exploration expenditures written off	36	47
Depreciation	10	10
Interest	218	345
	1,110	1,381
	1,241	1,696
Reduction of carrying value of oil and gas properties to approximate market value	1,825	457
Loss before income taxes and other items	3,066	2,153
Income tax recovery relating to future years	115	782
	2,951	1,371
Minority interest	18	4
Loss before extraordinary items	2,933	1,367
Extraordinary items (note 2)	1,870	1,282
Loss for the Year	$ 4,803	$ 2,649
Loss per share		
Loss before extraordinary items	$.49	$.25
Loss for the year	$.81	$.49

Consolidated Statement of Retained Earnings (Deficit)

Year ended December 31, 1982
($000's omitted)

	1982	1981
Retained Earnings at Beginning of Year		
As previously reported	$ 4,725	$ 7,374
Prior period adjustments (note 3)	221	221
As restated	4,504	7,153
Loss for the year	4,803	2,649
Retained Earnings (Deficit) at End of Year	$ (299)	$ 4,504

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982
($000's omitted)

	1982	1981
Working Capital Derived From		
Proceeds from sale of Dickenson Mines Limited shares	$ 1,373	$ 2,550
Proceeds from sale of other long term investments	428	
Advances received	38	
Proceeds from issue of shares	500	
Mortgage receivable	7	2
Proceeds on sale of oil and gas properties	62	
Settlement of mining tax assessment		133
Income taxes recoverable relating to extraordinary item	121	
	2,529	2,685
Working Capital Applied to		
Operations		
Loss before extraordinary items	2,933	1,367
Items not affecting use of working capital		
Depreciation	(10)	(10)
Amortization of interest in oil and gas properties	(456)	(605)
Write-down of oil and gas properties	(1,825)	(457)
Outside exploration expenditures written off	(36)	(47)
Income tax recovery relating to future years	115	773
Share of loss of associated companies	(176)	(606)
Loss on sale of securities	(221)	
Minority interest	18	
Working capital applied to operations	342	415
Additions to fixed assets		12
Exploration expenditures on oil and gas properties	349	1,588
Exploration expenditures on outside mining properties	35	58
Increase in investments in mining companies	210	727
	936	2,800
Increase (Decrease) in Working Capital Position	$ 1,593	$ (115)
Changes in Components of Working Capital Position		
Increase (decrease) in current assets		
Cash and short-term securities	$ 65	
Accounts receivable	(352)	$ 282
Mining taxes recoverable		133
Marketable securities	(31)	(402)
	(318)	13
Increase (decrease) in current liabilities		
Bank loan and overdraft	(1,175)	(192)
Accounts payable and accrued liabilities	390	(456)
Income taxes payable	(126)	(88)
Loan payable	(1,000)	1,000
Income and mining taxes relating to future years — current portion		(136)
	(1,911)	128
Increase (Decrease) in Working Capital Position	1,593	(115)
Working Capital Deficiency at Beginning of Year		
As previously reported	2,569	2,321
Prior period adjustment (note 3)	(133)	
As restated	2,436	2,321
Working Capital Deficiency at End of Year	$ 843	$ 2,436

Kam-Kotia Mines Limited

Notes to Consolidated Financial Statements

December 31, 1982

1. Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied and conform in all material respects with the statements issued by the International Accounting Standards Committee. No disclosure is provided with respect to current cost accounting. The principal accounting policies followed by the Company are summarized hereunder to facilitate review of the consolidated financial statements.

(a) *Basis of consolidation*
The consolidated financial statements include the accounts of Carnegie Mining Corporation Limited of which the Company holds 69.5 percent of the outstanding common shares and certain inactive subsidiaries.

(b) *Investments in associated and other companies*
The investment in shares of associated companies, over which the Company exercises significant influence, is accounted for by the equity method whereby cost of the shares of such companies owned by the Company is adjusted by its proportion of their earnings or losses since significant influence was acquired.
Investments in other companies are carried at cost with an allowance for estimated decline in value of investments below the stated cost.

(c) *Exploration*
(i) Mining properties
Exploration and development expenditures on unknown or unproven ore bodies are expensed as incurred. Development expenditures on other properties that have economically recoverable reserves would be capitalized and amortized on the unit-of-production basis.
(ii) Oil and gas properties
For all oil and gas activities, the Company follows the full cost method of accounting, whereby all costs relative to the exploration for and development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical costs, carrying charges on non-producing properties and costs of drilling both productive and non-productive wells less any proceeds from the disposal of properties.
Separate full cost centres are maintained for each operating area. Net costs incurred in each of these areas are amortized on a straight-line basis over ten years. Should exploration activity in an area prove successful, the unamortized balance of the cost centre is depleted by the unit-of-production method. Should exploration activity in an area prove unsuccessful and management decides that there is little prospect for further work in the area, the unamortized balance of the cost centre is written off entirely.

(d) *Income and mining taxes*
The Company follows the deferral method of applying the tax allocation basis of accounting for income and mining taxes. Under this method, timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts result in provisions for taxes relating to future years. These are recognized in the accounts as "income and mining taxes relating to future years".

(e) *Fixed assets*
(i) Fixed assets are recorded at cost.
(ii) Depreciation on fixed assets is provided on the straight-line basis at ten percent per annum.
(iii) Upon sale or abandonment, the cost of the fixed assets and related accumulated depreciation are removed from the accounts and any gains or losses thereon are taken into income.

(f) *Loss per share*
Loss per share is computed using the weighted average number of shares outstanding during the year after deducting shares held by certain companies accounted for by the equity method.

2. Extraordinary Items	1982	1981
		($000's omitted)
Gain (loss) on sale of shares of Dickenson Mines Limited (Dickenson) net of taxes recoverable of $121,000 (1981, $555,000)	$(1,589)	$ 1,074
Loss on sale of oil and gas properties	(182)	
Share of extraordinary gain (loss) of Dickenson, accounted for by the equity method	(99)	1,278
Provision for decline in value of New Cinch Uranium Ltd. including $93,000 related to companies accounted for by the equity method		(3,828)
Reduction of income taxes due to recognition of items previously not expensed for income tax purposes		194
	$(1,870)	$(1,282)

3. Prior Period Adjustments

The opening balance for retained earnings has been restated to reflect the following:

	($000's omitted)
(a) Recovery of a disputed Ontario mining tax assessment applicable to 1970	$(133)
(b) Recognition of the Company's share of Dickenson's adoption of the deferral method of applying the tax allocation basis of accounting for mining taxes	293
(c) Company's share of Dickenson's Ontario mining tax penalties for the years 1978, 1979 and 1980	61
	$ 221

4. Investment in Associated and Other Companies

	Number of shares		Market value		Carrying value	
	1982	1981	1982	1981	1982	1981
			($000's omitted)			
Accounted for on an equity basis						
Dickenson Mines Limited — Class A	127,575	988,453				
Dickenson Mines Limited — Class B	1,847,703	1,651,953				
Dickenson Mines Limited — Class A warrants	70,000		$10,398	$6,783	$6,740	$ 9,870
Davis Keays Mining Co. Ltd.	1,392,050	1,392,050	278	418		
Goldquest Exploration Inc.*	566,758		1,063		540	
			11,739	7,201	7,280	9,870
Accounted for on a cost basis						
New Cinch Uranium Ltd.	1,033,050	1,033,050	227	289	392	392
Langis Silver & Cobalt Mining Co. Ltd.	1,399,627	1,381,500	166	138		
New Kelore Mines Limited	427,717	427,717	150	169	46	46
Nickel Rim Mines Limited	194,000	194,000	31	35	32	32
Other shares and advances				3	301	1,019
			574	634	771	1,489
			$12,313	$7,835	$8,051	$11,359

*Goldquest was formed on July 22, 1982 by the amalgamation of ten companies, four in which the Company held interests. In 1981, these interests were included in investment in other shares and advances.

5. Interest In and Expenditures On Oil and Gas Properties

	Balance December 31, 1981	Additions	Amounts written off	Amortization	Transfers and sales	Balance December 31, 1982
			($000's omitted)			
Canadian interests						
Grande Prairie, Alberta	$1,683	$ (9)		$205		$1,469
Musreau Kakwa, Alberta	706	128	$ 394	100		340
Other Alberta	596	6	437	20		145
Prince Edward Island	365	15	380			
Other Canadian	251	40	40		$251	
Total Canadian interests	3,601	180	1,251	325	251	1,954
United States interests						
South Dakota	155	34		22		167
Bell County, Texas	71	2		8		65
Estavan Mora, Texas	335		96	39		200
Other Texas	836	133	478	62	254	175
Total United States interests	1,397	169	574	131	254	607
	$4,998	$349	$1,825	$456	$505	$2,561

6. Related Party Transactions

The Company is a member of a group of related companies and during the year had transactions with these companies. A summary of these transactions is as follows:

	1982	1981
	($000's omitted)	
Balances at end of year		
Accounts receivable from Dickenson, an associated company		$ 219
Accounts payable to Dickenson	$305	
Accounts payable to Mid-North Engineering Services Limited, a company controlled by certain of the directors and officers of Kam-Kotia and Dickenson	29	
Loan payable at prime plus 1% maturing April 1982 to Energy and Precious Metals Inc. (E.P.M.) a shareholder		1,000
Transactions during the year		
Amounts paid		
Dickenson for administration, accounting and office services	180	
Dickenson for interest	18	
Repayment of E.P.M. loan payable by		
(a) Cash (note 8 (a))	500	
(b) issue of 500,000 shares at $1 each (note 7)	500	
Mid-North, for administration, accounting and office services		129
E.P.M. for interest	21	123
Amounts received		
Dickenson for royalty	57	64
Dickenson for management services		35
Dickenson for property rental	17	17
Dickenson for accounts receivable and interest	221	

7. Capital Stock

In February 1982, 500,000 shares were issued at a price of $1.00 per share to Energy & Precious Metals Inc. in settlement of the remaining outstanding term loan payable.

8. Purchase and Sale of Dickenson Shares

A summary of these transactions is as follows:

1982

(a) Disposal of 725,000 Class A shares of which 225,000 shares were exchanged for Class B shares, with resulting net proceeds of $925,000. These proceeds were applied to reduce bank loans and amounts due to Energy & Precious Metals Inc.
(b) Disposal of 75,000 Class A shares for $104,000.
(c) Purchased 70,000 Class B shares with Class A warrants attached for $105,000.
(d) Purchased 250 Class A shares and 250 Class B shares for $5,500.
(e) Disposal by subsidiary of 61,128 Class A shares and 100,000 Class B shares for total proceeds of $344,000.

The above sales of Dickenson shares resulted in an accounting loss of $1,710,000.

1981

(a) Disposal of 250,000 Class A shares for proceeds of $2,550,000 resulting in an accounting gain of $1,629,000.
(b) Purchased 55,400 Class B shares for $390,000.

9. Income Taxes

At December 31, 1982, the following amounts are available to be applied against future years' income for tax purposes, the tax effect of which is not recorded in the accounts:

Capital cost allowance	$ 400,000
Earned depletion	1,700,000
Canadian exploration and development expenditures	2,600,000
Foreign exploration and development expenditures	2,500,000
Net capital losses	470,000
Non-capital losses	
– Expiring in 1986	200,000
– Expiring in 1987	260,000

10. Segmented Information ($000's omitted)

	Oil and Gas Interest				Mining Companies and Properties		Companies Accounted for by Equity Method		Total	
	Canada		United States		Canada					
	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981
Identifiable assets, after allowance for decline in value	$1,954	$3,601	$ 607	$1,397	$898	$1,776	$7,280	$ 9,870	$10,739	$16,644
Corporation assets									220	545
Total assets									$10,959	$17,189
Capital expenditure (use of funds)	$ 180	$ 478	$ 169	$1,107	$ 35	$ 411	$ 210	$ 389	$ 594	$ 2,385
Gross revenue	$ (18)	$ (6)	$(168)	$ (59)					$ (186)	$ (65)
Net adjustments to equity including extraordinary items							$1,985	$(1,746)	1,985	(1,746)
Loss on sale of oil and gas interests			182						182	
Allowance for decline						$3,828				3,828
Depreciation, amortization and write-offs	1,576	474	705	585	$ 46	60			2,327	1,119
Loss before the undernoted	$1,558	$ 468	$ 719	$ 526	$ 46	$3,888	$1,985	$(1,746)	4,308	3,136
General corporate expenses, net of revenues									292	240
Loss (gain) on sale of securities									221	(96)
Interest									218	345
									5,039	3,625
Income tax recovery									236	976
Loss for the Year									$ 4,803	$ 2,649

11. Legal Proceedings

The Company, Dickenson Mines Limited and New Cinch Uranium Ltd. are among sixteen defendants in an action in the Supreme Court of Ontario by Willroy Mines Limited, as plaintiff, claiming damages of $21,396,000 based on allegations of negligence, negligent misrepresentation and conspiracy in connection with the purchase by the plaintiff of shares and warrants of New Cinch Uranium Ltd. Legal counsel representing the Company and Dickenson Mines Limited have reported that it is premature to express an opinion on Kam-Kotia's liability, if any, in this action, although counsel are of the view that the defences raised are substantial.

12. Contingent Liability

The Company has guaranteed $100,000 of bank loans of Talcorp Lambton Joint Venture which, at December 31, 1982, amounted to $428,000.

13. Comparative Figures

Certain 1981 balances have been reclassified to conform with the 1982 presentation.

14. Subsequent Event

In February 1983, The Toronto Stock Exchange accepted notice for filing of a private placement of 170,000 shares of the Company to Dickenson Mines Limited at a price of $3 per share. Proceeds will be applied to eliminate the payable to Dickenson and to eliminate the bank loan.

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