



**Camchib  
Resources Inc.**

Annual Report  
1981





## Company Profile

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Camchib Resources Inc. produces gold, silver and copper from three mines in the Chibougamau area of northwestern Quebec.

Exploration for new sources of minerals is concentrated in the Province of Quebec, with emphasis on an area from which any ores mined could be transported to and the minerals extracted at the Camchib plant.

A substantial investment is held in shares of Campbell Resources Inc. which is active in the metal, coal mining, and oil and gas industries in Canada, the United States and Mexico.

Annual Meeting to be held on  
December 7, 1981 at 11:30  
a.m., at The Royal Bank Audi-  
torium, Place Ville Marie,  
Montreal, Quebec.

On peut se procurer la version  
française de ce rapport en  
s'adressant au secrétaire de la  
Compagnie.

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Other areas of the property are being explored by geological and geophysical surveys to define new drill targets.

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<b>Québec Chibougamau</b>	<b>\$500,000</b>
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Deep drilling has started on this former gold-copper mine, to determine if the mineralized shear zones extend to depth. Initially, four drill holes are planned to test the depth extension of the Main or "A" Zone at the 1,200 level elevation, 400 feet below the old workings.

Results to date have significantly enhanced the exploration potential of the property. The presence of a major mineralized shear zone is confirmed in three adjacent holes at the same elevation. The best intersection to date assayed 0.608 oz. gold per ton, 1.01% copper and 0.51 oz. per ton of silver over 7.1 feet. Further drilling to test tonnage potential of this zone is planned for later in the year.

The property is also strategically located only two miles from the Camchib concentrator.

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<b>Wescap</b>	<b>\$300,000</b>
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A reconnaissance geophysical survey has been completed on this property, located about 30 miles east of Val d'Or, Québec. Follow-up geophysical surveys and drilling are planned. This property covers a large area of some 9,600 acres of unexplored ground along a known gold belt. A recent drilling program, on the adjoining Crackingstone gold property to the west, encountered encouraging results.

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<b>Gand</b>	<b>\$200,000</b>
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A drilling program has been completed on this property adjoining the Opawica Explorers Ltd. gold deposit now being developed. Gold mineralization was encountered in all five holes drilled. Preliminary evaluation of results indicated that the known gold zone extends beyond the shallow depth drilled in earlier work. Follow-up drilling is planned.

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<b>Lempira</b>	<b>\$100,000</b>
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This silver prospect is about 14 miles east of the Town of Chibougamau. Extensive surface exploration includes drilling, geochemical surveys and sampling. The project is now at a stage where a detailed evaluation of results is necessary to plan additional exploration.

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<b>Echouani</b>	<b>\$12,500</b>
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The Echouani Joint Venture is a regional base and precious metal exploration program in a relatively unexplored area of southern Québec. Additional drilling is planned to assess further a copper-gold-silver zone intersected in a previous drilling program near Bin Lake, located about 85 miles east of Val d'Or.

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<b>Chibougamau Exploration Joint Venture</b>	<b>\$198,000</b>
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This is a major regional exploration program in the Chibougamau area managed by Camchib, involving more than 60 scattered properties in early stages of exploration. Twenty properties were systematically examined by geophysical and geological surveys. Drilling followed where suitable targets were indicated.

Currently two properties warrant special attention. A high-grade surface gold showing has been found on one property. Gold mineralization was indicated in a drill hole on the second property.

Following the release of the results of an Airborne Input Survey in July by the Québec Department of Energy and Resources, additional properties were staked by the C.E.J.V.

**It should be noted that Partnership Expenditures indicated in respect of the above listed projects will allow the Partnership to earn certain benefits from these projects. These benefits will consist of the recovery of Partnership Expenditures from Net Profits, if any, on each project before Payout and a share of the Net Profits, if any, from each project after Payout.**



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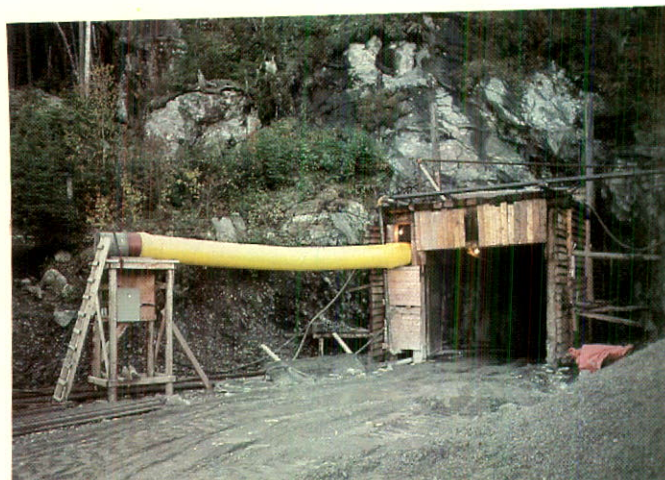
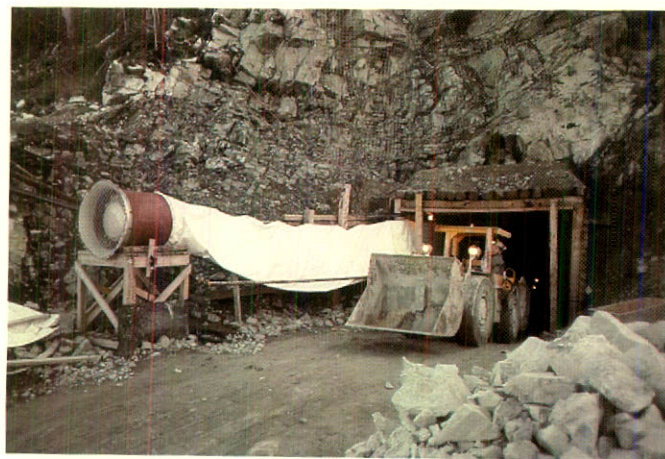
**Belle****\$460,000**

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The Belle property contains a vein-type, copper-gold-silver deposit, in a geological environment similar to that of the Opemiska Deposit at Chapais, Québec. Previous drilling indicated ore-grade intersections in nine out of twelve drill holes, with highly encouraging copper, gold and silver values. A recent down-hole geophysical survey appears to confirm the depth potential of these complex vein systems below the 300-foot level.

An exploration decline has already advanced 350 feet towards this deposit and is expected to reach the target by February 1982. This 1,150-foot decline is to go from surface to the 300-foot level. Drifting and drilling will be carried out along known veins to test the exploration potential at depth.

The Belle property is located 10 miles from the Camchib concentrator.



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**Taché Lake****\$700,000**

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An exploration decline on the Taché Lake property is well advanced to provide access to zones previously indicated by drilling and estimated to contain between 200,000-400,000 tons with an average of 4% to 6% zinc, 0.05 to 0.08 oz. gold and 0.5 to 0.8 oz. silver per ton. This property is located 15 miles from the Camchib concentrator.

The decline reached the area of interest in September 1981. Additional drilling, bulk sampling and metallurgical testing are being carried out.

On surface, a program of systematic mapping and geophysical surveys was recently completed. Preliminary results indicated other drill targets.

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**Scott****\$500,000**

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The Scott property covers a volcanogenic zinc-copper-silver deposit, about 32 miles from the Camchib concentrator. Previous drilling outlined some 750,000 tons, grading 7% zinc, 0.55% copper, 0.38% silver and 0.006 oz. gold per ton, based on 10 widely-spaced drill holes.

A fill-in drill program is currently in progress. Initial results are most promising. The depth extension of the deposit is confirmed by three deep drill holes, with excellent zinc values. Further additions to the reserves are expected.



<b>Devlin</b>	<b>\$2,500,000</b>
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The Devlin Project is the Partnership's largest specific Program, and involves definition of the orebody, mine planning and studying the economic feasibility of exploiting this flat-lying copper deposit, situated on the south shore of Lake Chibougamau, some 18 miles from Camchib's concentrator. Drill-indicated reserves have been previously estimated at 1.1 million tons, grading 2.08% copper.

A two-phase drill program involving 41 vertical holes on the southern part of the deposit was recently completed. This work outlined several higher-grade copper zones which could lead to early production. The higher-grade zones are of special importance in light of present world copper prices.

A new access road, approximately three miles long, was constructed to the deposit. Following overburden stripping and bedrock surveys, a decline portal was established. This exploration decline, which is also designed for production, is expected to reach the target zone in December 1981.



<b>S-3</b>	<b>\$1,000,000</b>
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The S-3 gold-copper deposit lies under Lake Chibougamau, about 8,000 feet from Camchib's Henderson I shaft. It has been defined as a number of sub-parallel, steeply-dipping, mineralized shear zones in the Anorthosite Complex.

During last winter, six holes were drilled, the results of which doubled the strike length of the mineralization and extended it to a vertical depth of 1,100 feet below the lake level. To date, a total of 104 ore grade intersections have been obtained, averaging 0.21 oz./ton gold and 0.58% copper, over an average width of 7.1 feet.

Shaft sinking of an additional 385 feet at Henderson I is well advanced. It will be followed by an 8,000-foot drift to provide access to the S-3 deposit. This underground exploration phase is expected to involve an expenditure of some \$10 million over a period of three years.

A program of re-logging old drill core is being carried out to define other potential targets along the route of the drift.



# La Première Société en Commandite Camchib



**Camchib  
Resources Inc.**

To the Special Partners:

We are taking this opportunity to provide you with a report on the activity to date on the projects explored under the Partnership Joint Venture in which La Première Société en Commandite Camchib is engaged with Camchib, the General Partner.

The funds derived from Special Partners' subscriptions to the Partnership have permitted the undertaking of an aggressive program of exploration, managed by Camchib. About \$8,700,000 will be expended by mid-1982 on 11 programs with the greater amount being spent by December 1981. Of this amount \$6,500,000 will be provided by the Partnership and the balance by Camchib.

Camchib, as Manager of the Partnership Joint Venture, is satisfied that all the programs are proceeding on schedule and within budget. We are very encouraged by the results and are optimistic that within the next three months more specific results on the various programs will be obtained on which a report will be sent to the Special Partners.

We are pleased to send you a copy of our Annual Report.

Les Ressources Camchib Inc.

By:

Richard L. Lister

President and Chief Executive Officer



# Highlights

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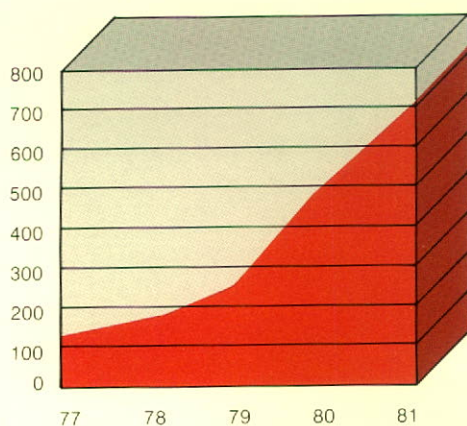
	1981†	1980
<b>Earnings per Share</b>	<b>\$0.22</b>	<b>\$0.03</b>
Net Income	\$ 675,000	\$ 30,000
Operating Cash Flow	\$ 3,200,000	\$ 30,000
Mining Income	\$ 4,671,000 **	—
Metal Sales	\$14,983,000	—
Total Assets	\$46,116,000	\$2,463,000
Shareholders' Equity	\$25,444,000	\$2,027,000
Per Share	\$3.39	\$2.20

† Income figures for 1981 include mining operations for 6 months only.

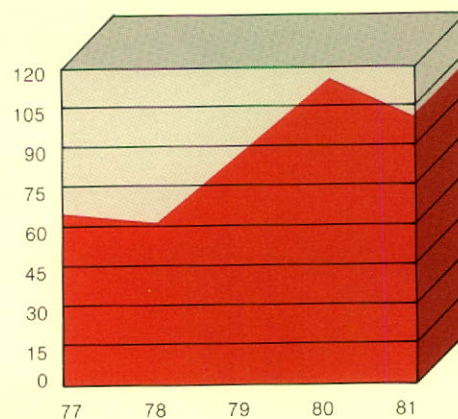
\*\* Before administration and interest charges, provisions and taxes.

## Selling Prices\*

**Gold per oz.**  
dollars



**Copper per lb.**  
cents



\*Includes prices for mining operations prior to their acquisition by the Company.



# To the Shareholders

This Annual Report for fiscal 1981, the first of Les Ressources Camchib Inc. (Camchib) reflects the re-organization which took place in 1981 and the acquisition of the mining and exploration assets of Campbell Resources Inc. (Campbell) located in Québec. While this is the initial Annual Report of Camchib, the mining assets now in the Company have a history of 26 years of production of base and precious metals.

The formation of Camchib has resulted in the evolution of a major Québec-based mining and exploration company which also holds a substantial investment in the shares of Campbell. The re-organization represents the beginning of a major thrust to develop better profitability through the expansion of the Chibougamau operations. The plan is simple: it involves focusing attention towards the addition of reserves to improve utilization of the Camchib mill to achieve higher profitability.

To increase the mineral reserves, the Company acquired interests in a number of new properties and developed major programs for increased exploration on its existing properties. Expansion in exploration is carried out directly and through joint ventures. As a step in this direction La Première Société en Commandite Camchib (the Partnership) was organized and limited partnership interests were offered to Québec residents. Such Partnerships are common in the oil and gas industry but are relatively rare in mining. The Province of Québec offers extremely favourable tax

incentives to Québec residents who invest in exploration for mineral resources and the Special Partners qualify for provincial and federal incentives. As a result of these exploration activities, the Company, its Joint Venture partners, and the Partnership, are presently incurring exploration and development expenditures in the order of \$13 million.

During the year, efforts were also directed to the evaluation of titanium-bearing properties in Québec. Options were taken on a property owned by Laurentian Titanium Mines Ltd. and claims in the La Blache area were acquired. It is the feeling that titanium metal, and particularly the feed stock to produce this metal, may be in short supply in the forthcoming years. To this end, Camchib has been involved in determining technology that would allow the production of highgrade titanium-bearing concentrates to be used for either titanium metal production or for sale to the titanium pigments industry. Towards the end of the fiscal year it became apparent that there are many titaniferous deposits throughout the world that may be applicable to satisfactory technology and therefore the further options on the Laurentian property were not exercised but the interest in La Blache was maintained. It is our intent to continue the present direction of evaluating technology with the objective of becoming involved in the production of highgrade titanium concentrates.

## Financial

The Financial Statements contained in this Report include only *six months' operations* for the mining assets purchased from Campbell. Comparisons with the previous fiscal year merely reflect the dramatic changes which have taken place.

Net income amounted to \$674,939 equal to 22¢ per share, resulting from the operations of the three mines. Metal sales totalled \$14,983,477. The prices of metals produced were the principal factors influencing the results from operations, with gold sales accounting for more than 50% of the 1981 revenues. The average price received for gold in fiscal 1981 was \$703 per oz. compared with \$500 per oz. in the previous year. The average selling price of copper in 1981 was 96¢ per lb., down from 1980's average of \$1.15. The policy of hedging part of the gold production by selling forward is being continued as it allows the Company to ensure a certain portion of profit into the future.

During 1981, two financings were carried out. In addition Camchib acquired 800,000 shares of Camp-



bell. This investment in shares of Campbell is a valuable asset which gives Camchib the opportunity to participate in the growing oil, gas, coal and other activities of the Campbell Group.

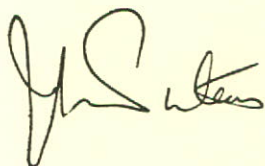
On October 13, 1981 Camchib acquired 700,000 shares (9.9%) of the outstanding common shares of United Asbestos Inc. Camchib contemplates making a proposal for an amalgamation with United Asbestos Inc. in the next several months

#### **Outlook**

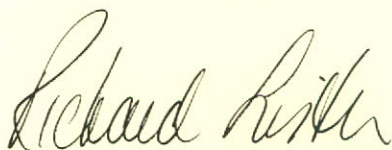
The outlook for the future appears bright. Important steps for the development of new reserves to fill the Camchib mill are underway, and we are optimistic that such reserves will lead to higher productivity and profitability.

Sincerest appreciation is expressed to our staff and employees for their efforts, which contributed greatly to the successful transition of the corporate character of Camchib.

On behalf of the Board,



J. G. Porteous, Q.C.,  
Chairman of the Board






R. L. Lister,  
President and Chief Executive Officer

November 16, 1981.



# Chibougamau Mining Area

## Legend

Mines Present Producer	Mines Past Producer	Exploration Projects
		

Gwillim



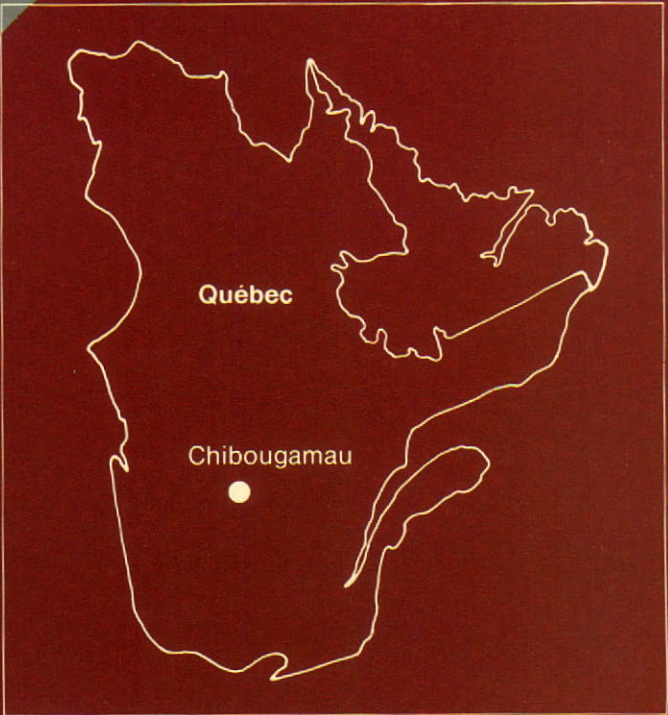
Taché



Scott

◁ Noranda







# Mine Operations

## General

With approval at the Shareholders' Meeting held on March 12, 1981, Camchib acquired the Québec mining assets of Campbell Resources Inc. as of January 1, 1981.

All of the mining operations are situated in the Chibougamau area of Québec, and consist of three producing mines, namely Henderson II, Cedar Bay and Gwillim, and a concentrator for processing all of Camchib's ore.

Other former producing mines, with exploration potential and mineral inventory, were also acquired. Among these were the Grandroy Mine, Henderson I, Québec Chibougamau and the Merrill Island Open Pit Mine.

Interests in a number of exploration properties were also acquired and the programs designed to explore these properties are described under the heading Exploration.

The Cedar Bay and Henderson II Mines produce gold-copper-silver ore. Both were developed by vertical shafts and the lowest current operating levels are the 2,250-foot level at Cedar Bay and the 1,975-foot level at Henderson II. The ore from these two mines is processed at Camchib's concentrator at the Original Mine site.

The resultant gold-copper-silver concentrate is shipped by rail to Noranda for custom smelting, refining and marketing of the contained metals.

The Gwillim Mine, a gold-silver property with only minor copper values, is a decline approach-type mine. This trackless operation is presently established on two operating levels, the 150 and 350-foot levels. The ore is processed in a separate cyanide circuit at Camchib's concentrator and the bullion produced is then shipped to the Canadian Mint in Ottawa for refining. The gold bars so produced are marketed by Camchib.

The Camchib General Offices are at the Original Mine site, close to the concentrator complex. The central warehouse, repair shops, assay office and other support facilities are also located there.

Camchib's personnel at Chibougamau now total 400 persons, 350 of whom are represented by the United Steelworkers of America, Local 5186.

## Production

For convenience of comparison, the production figures in this section refer to the production results for the fiscal year to June 30, 1981. The actual Camchib operation dates from January 1, 1981 but the continuity of the mining operations was not affected by the transfer from Campbell.

In the following discussion, the term mineral inventory refers to the geological ore reserves of Camchib before mining dilution, determined in a consistent manner from year to year. No allowance is made for mining dilution which can affect both tonnage and grade, nor any adjustments made to this inventory as metal prices fluctuate or costs change.

## Summary of All Mines

Ore Treated	1981	1980
Tons	434,000	480,000
<i>Millhead Grade</i>		
Gold — oz. per ton	.084	.065
Copper — %	0.95	1.08
Silver — oz. per ton	.168	.207

During fiscal 1980, a higher tonnage was treated, due to the mining of the surface pillar at the Original Mine. This was offset in 1981 by Gwillim Mine production which was lower in tonnage but higher in gold grade.

## Metals Produced

	1981	1980
Gold — ozs.	30,051	26,462
Copper — lbs.	6,316,000	9,261,000
Silver — ozs.	28,849	41,280



*The Henderson II headframe  
and buildings on Lake Chibou-  
gamau.*





Aerial view of the Cedar Bay headframe and workshops.



Following are the 1981 results by mine division:

### Gwillim Division

#### Ore Treated

##### Millhead Grade

Tons	Gold oz./ton	Silver oz./ton
70,000	.136	.128

#### Metals Produced

Gold	9,006 oz.
Silver	4,503 oz.

#### Mineral Inventory

##### Millhead Grade

Tons	Gold oz./ton	Silver oz./ton
189,000	.197	.135

The Gwillim Mine began production in April 1980 and has now completed its first full year. Production grade was below expectations since preproduction and development ore was treated along with regular production. By June 1981, the millhead grade improved to .151 oz./ton.

Gwillim ore is processed through the cyanide circuit which operated at 96% of its design capacity and at a gold recovery rate averaging 95.2% — both very satisfactory levels. It is expected that the present production rate will be maintained.

Surface and underground exploration during 1981 succeeded in identifying two new ore zones which are under development. Some 61,000 tons of new ore were added to the mineral inventory and further additions are anticipated.

Drilling below the deepest operating level is in progress to determine exploration potential.

### Cedar Bay Division

#### Ore Treated

Tons	Gold oz./ton	Grade	
		Copper %	Silver oz./ton
64,000	.093	0.81	.198

#### Metals Produced

Gold	4,668 oz.
Copper	937,000 lb.
Silver	5,644 oz.

#### Mineral Inventory

Tons	Gold oz./ton	Grade	
		Copper %	
913,000	.100	1.66	

Cedar Bay production of approximately 270 tons per day was similar to the previous year. This rate is again scheduled for 1982.

Exploration and development in 1981 added some 50,000 tons of new ore to the mineral inventory, almost offsetting the 64,000 tons processed.

There are good indications that additional high-grade tonnage can be outlined at depth.



Entry portal at the Gwillim Mine.



## Henderson II Division

Ore Treated		Grade	
Tons	Gold oz./ton	Copper %	Silver oz./ton
288,000	.071	1.00	.178
Metals Produced			
Gold			16,249 oz.
Copper			5,229,000 lbs.
Silver			17,766 oz.
Mineral Inventory		Grade	
Tons	Gold oz./ton	Copper %	
5,231,000	.043	1.67	

The accent on higher gold content ore has resulted in a treated gold grade much higher than that shown for the mineral inventory. The copper grade is lower because of this selective mining with its aim of higher gold recovery.

Recent additions to the mineral inventory are substantially higher in gold grade than current mineral inventory.

An internal shaft or winze, which is sinking below the lowest operation level, has progressed well during the year and is scheduled for completion in May 1982. It will open up three new production levels and make available a minimum of 700,000 tons of ore, grading 0.10 oz./ton gold and 1.2% copper.

A new zone was discovered by underground diamond drilling in 1981. The indicated tonnage, not yet included in mineral inventory, is calculated to contain 165,000 tons, grading .09 oz./ton gold and .67% copper. This new orebody is being developed by drifting on the 1,300 level. The drift is well underway and will be in ore by December of this year.

Henderson II production was 7% higher than the previous year and will be maintained at approximately 1,200 tons per mine day.

Increases in productivity can be expected when the new zones mentioned are in production.



## Original Mine Division

Ore Treated		Grade	
Tons	Gold oz./ton	Copper %	
12,000	.014	0.68	
Metals Produced			
Gold			128 oz.
Copper			150,000 lbs.
Silver			936 oz.
Mineral Inventory		Grade	
Tons	Gold oz./ton	Copper %	
2,221,000	.003	.85	

A final cleanup of the surface pillar operation at the Original Mine resulted in minor production.

The mineral inventory represents material which can be mined by open pit methods. While this material is within ready access to the concentrator, the high stripping ratio does not permit an economic operation at this time.

No production is scheduled from this division in fiscal 1982.



# Exploration

All Camchib exploration and development projects are in the Province of Québec. Programs underway represent an unprecedented level of activity involving an expenditure of almost \$13 million.

The aggressive effort to locate, define and develop orebodies, especially ore which might be conveniently processed in the Company's concentrator near Chibougamau, is largely financed by the funds of the Partnership. Camchib manages the projects in which the Partnership participates and also contributes some funds. This method of financing, common in the oil and gas industry, is relatively new to mining.

A review of the current status of these projects is included with this report for the information of both investors in the Partnership and Camchib shareholders. A map shows the locations in relation to the producing mines.

Camchib also has underway other exploration projects in Québec, including continuing exploration at the operating mines reviewed under the heading Production in this Report.

The range of programs is broad — from grass roots to evaluations of known reserves. Some are at important stages of exploration and development but in all cases, excellent progress has been made with most projects on or ahead of schedule. Key developments at the mines and other properties include:

- Discovery of two potential gold zones at Gwillim Mine during surface and underground drilling and discovery of gold-copper zone "H" at the Henderson II Mine.

- Deepening of the shaft at the Henderson I Mine by 385 feet to provide access to the S-3 deposit.
  - Initiating a deep drilling program to test depth extension of ore below the old workings on two former gold-copper producers at Québec-Chibougamau and Grandroy.
  - Implementation of closely-spaced surface drilling programs on known deposits at the Devlin and Scott properties.
  - Driving underground declines from surface towards the target zones at Devlin, Taché Lake and Belle properties, as well as construction of access roads, changing facilities and settling ponds to prevent environmental damage.
- Camchib has several exploration projects underway elsewhere in Québec in which the Partnership does not participate.

## **Titanium Projects**

While major efforts in exploration are related to precious and base metals, Camchib has continuing interests in exploration and development projects for other minerals. Titanium is of special interest, with the wholly-owned La Blache property on the St. Lawrence River North Shore having four prospects.

An option obtained during the year on the property of Laurentian Titanium Mines Ltd. was allowed to expire following an evaluation. The key considerations in developing titanium properties centre on metallurgy and marketing. Camchib is supporting metallurgical studies and is examining other possibilities in the belief that development of titanium production presents a long-term opportunity.

## **Norbeau Joint Venture**

Camchib is involved in a joint venture which is working towards re-opening the former Norbeau gold producing mine. Considerable preliminary work has been completed, including de-watering of upper levels at the Main Mine and surface drilling.

## **Grandroy Project**

Grandroy Mine, which produced 385,000 tons, grading 0.02 oz. gold per ton and 1.24% copper, consists of vein-type mineralization within granitic rocks. Results from exploration holes drilled are inconclusive and further evaluation is planned.

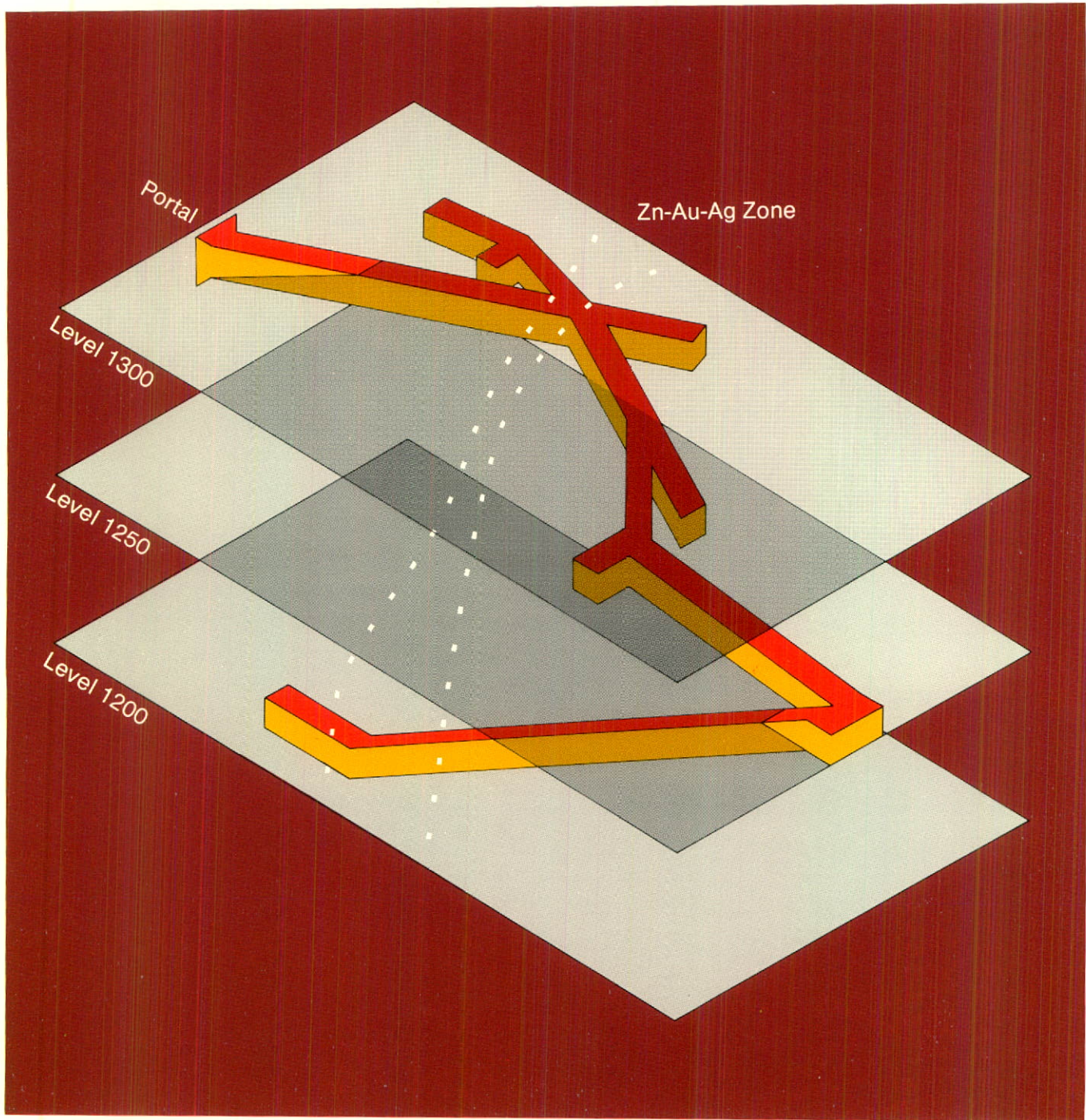


*Drilling in the exploration  
decline on the Belle property.*





Project Tache





## General

In fiscal 1980, Camchib (formerly Les Mines C.M. & S. Inc.) was an inactive company. In fiscal 1981, Camchib took the following major steps:

- (a) acquired the Québec mining and exploration assets and related income of Campbell Resources Inc. (Campbell). This purchase was effective as of January 1, 1981;
- (b) placed privately \$6,000,000 of 10% convertible debentures series A in December 1980;
- (c) increased, in December 1980, its shareholdings in Campbell from 272,010 shares (6%) to 1,072,010 (17% at June 30, 1981);
- (d) issued 1,000,000 common shares to the public on June 30, 1981 for \$7,500,000, such issue being accompanied by 500,000 share purchase warrants exercisable until December 1983, and limited partnership interests in La Première Société en Commandite Camchib for \$7,500,000, less applicable underwriter's commission on the issue and sale;
- (e) acquired interests in a number of properties for exploration in the Chibougamau area and elsewhere.

The effect of these transactions is reflected throughout the Financial Statements, explaining most of the changes in 1981 as compared to 1980.

## Earnings

The Company earned \$674,939 (22¢ per share) in fiscal 1981 as compared to \$29,830 (3¢ per share) in fiscal 1980. The 1981 results include the earnings for six months from the mining operations acquired from Campbell and also an extraordinary loss of \$62,680 as a result of the issue of shares by Campbell.

Mining income, prior to administration and interest charges, and provisions for amortization and taxes amounted to \$4,670,622. Interest was incurred principally for short-term bank loans and the 10% convertible debentures series A. The bank loan of \$8,000,000 made in December 1980 was reduced by the proceeds of the common share issue on June 30, 1981.

The bases of amortization can be summarized as follows — buildings and equipment are depreciated over a 16-year life, mining development costs on a unit-of-production basis by mine, and exploration expenditure is charged to expense when a group of claims is abandoned.

Camchib, as a result of its shareholdings in Campbell, records its share of Campbell's net income from sources other than Camchib.

Earnings per share are based on the weighted average of shares outstanding for fiscal 1981, net of the Company's weighted average pro-rata interest in its own shares through its holdings in Campbell.

## Metal Sales

### Sales Volumes and Prices

#### Volumes:

Gold — oz.	—	14,700
Copper — lb.	—	3,019,000

#### Average Prices:

Gold (Can. \$)	—	\$703
Copper (Can. \$)	—	95.5¢

The above data cover sales for the 6 months ended 30 June 1981



## Statement of Changes in Financial Position

### Financing

The Company undertook two major financings during fiscal 1981; firstly, the private placement of \$6,000,000 10% convertible secured debentures series A in December 1980 and subsequently, the issue on June 30, 1981 of 1,000,000 common shares and 500,000 share purchase warrants for \$7,500,000 before deduction of underwriter's commission and offering expenses. In addition, \$7,500,000 was raised by the issue of limited partnership interests in La Première Société en Commandite Camchib, also before deduction of commission and expenses. Proceeds of the Partnership do not appear in the Balance Sheet of the Company but will be used in exploration programs of which the Company is the General Partner. Approximately \$1,200,000 had been spent by Camchib on behalf of the Partnership by June 30, 1981.

### Acquisition of Campbell Shares

The Company purchased 800,000 shares of Campbell on December 29, 1980 for \$14,000,000, thus increasing its holdings to 1,072,010 shares (17% at June 30, 1981). These holdings enable the Company to participate in Campbell's income from diversified holdings in oil, gas and coal and any future acquisitions.

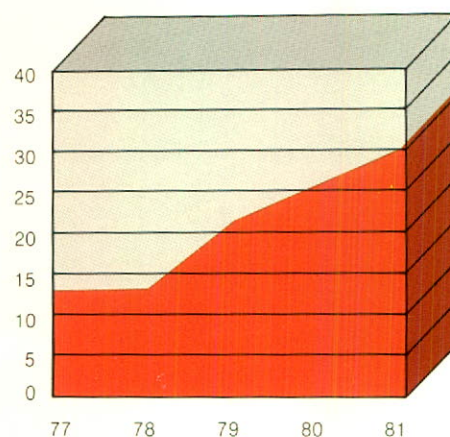
### Capital Expenditures

The main items of capital expenditure were the Winze Development Project at Henderson II, additional drifting to the "H" Zone at Henderson II and continued exploration at Gwillim. Additional equipment was required to handle the increased exploration programs.

## Sales Volume\*

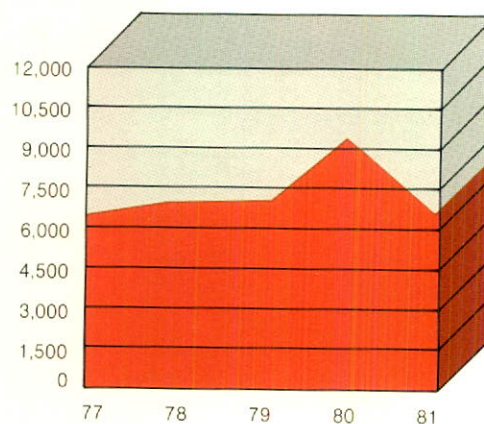
### Gold

thousands of ounces



### Copper

thousands of pounds



\*Includes volumes for mining operations prior to their acquisition by the Company.



# Five Year Summary

(Amounts in thousands of Canadian dollars unless otherwise shown)

## Note:

1. The data shown under the heading "Financial Information" apply to Les Ressources Camchib Inc. and its predecessor company, Les Mines C. M. & S. Inc. The operating information shows the results of the Quebec mining operations acquired by the Company from Les Ressources Campbell Inc. (formerly Campbell Chibougamau Mines Ltd.)

	June 30,				
Operating Information	1981	1980	1979	1978	1977
<b>Sales</b>					
Pounds copper — in thousands	6,844	9,694	6,934	6,955	6,386
Average copper price — per lb.	102.2¢	115.0¢	87.8¢	60.8¢	64.5¢
Ounces gold — in thousands	30	26	21	13	13
Average gold price — per oz.	\$703	\$500	\$259	\$183	\$134
Ounces silver — in thousands	35	46	29	23	19
Average silver price per oz.	\$16.04	\$23.18	\$7.83	\$5.35	\$4.59
<b>Production</b>					
Tons milled — in thousands	434	480	326	244	288
Returnable copper lbs. — in thousands	6,316	9,261	7,943	6,213	7,989
Returnable gold ozs. — in thousands	30	26	21	17	14
Returnable silver ozs. — in thousands	29	41	33	23	23
<b>Financial Information</b>					
<b>Earnings</b>					
Metal Sales	\$14,983				
Mining income	4,671				
Interest expense (net)	717				
General Administration	754	\$29	\$15	\$7	\$11
<i>Operating Cash Flow</i>	3,200	(29)	(15)	(7)	(11)
Amortization	2,052		13		1
<i>Income before Special Items and Taxes</i>	1,148	(29)	(28)	(7)	(12)
Gain on sale of investments		59			
Net income (loss)	\$ 675	\$30	(\$28)	(\$7)	(\$12)
Net earnings per share	\$0.22	\$0.03	(\$0.03)	(\$0.01)	(\$0.01)
<b>Changes in Financial Position</b>					
<i>Sources</i>					
From Operations (net of current taxes)	2,657	(29)	(15)	(7)	(11)
Issue of capital stock (net)	13,579				
Debenture issue	6,000				57
Sale of Investment	109	83			
Total	22,345	54	(15)	(7)	46
<i>Application</i>					
Capital Outlays — Mining	4,587				
— Exploration	791	1	1		
Purchase of Campbell shares	14,000				
Repayment of long-term debt	160				
Investments	19	11	5	6	7
Total	19,557	12	6	6	7
<i>Increase (Decrease) in Working Capital</i>	\$2,788	\$42	(\$21)	(\$13)	\$39
<b>Financial Position</b>					
Working capital	2,832	44	2	23	37
Long-term Debt	6,618	397	397	397	397
Shareholders' Equity	25,444	2,027	1,997	2,025	2,032
Per Share	\$3.39	\$2.20	\$2.17	\$2.20	\$2.21



# Auditors' Report

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To the Shareholders  
Les Ressources Camchib Inc.  
(formerly Les Mines C.M. & S. Inc.):

We have examined the accompanying balance sheet of Les Ressources Camchib Inc. as at June 30, 1981 and the statements of income, 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, and according to the best of our information and the explanations given to us, and as shown by the books of the company, these financial statements are drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at June 30, 1981 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.

Montréal, Canada  
November 13, 1981.

Clarkson Gordon  
Chartered Accountants



# Statement of Income

Les Ressources Camchib Inc.

Years ended June 30,	1981	1980
<b>Revenue:</b>		
Metal sales (note 4)	\$14,983,477	
Other	574,920	\$ 59,237
	<u>15,558,397</u>	<u>59,237</u>
<b>Operating expenses:</b>		
Mining operations	10,312,855	
General administration (note 12(d))	754,431	29,407
Interest — long-term debt	349,395	
— other	942,142	
	<u>12,358,823</u>	<u>29,407</u>
<b>Operating income before the undernoted items</b>	<u>3,199,574</u>	<u>29,830</u>
<b>Provisions:</b>		
Depreciation and depletion	760,443	
Amortization of development costs	1,183,857	
Write-off of exploration expenditures	107,045	
	<u>2,051,345</u>	
Income before the undernoted items	1,148,229	29,830
Provision for income taxes and mining duties	456,407	
	<u>691,822</u>	<u>29,830</u>
Equity in earnings of Les Ressources Campbell Inc.	45,797	
Income before extraordinary item	737,619	29,830
Extraordinary Item — Loss arising from issuance of share capital by Les Ressources Campbell Inc. (note 5(b))	(62,680)	
Net income for the year	<u>\$ 674,939</u>	<u>\$ 29,830</u>
<b>Earnings per share (note 10):</b>		
Before extraordinary item	<u>\$0.24</u>	<u>\$0.03</u>
Net income for the year	<u>\$0.22</u>	<u>\$0.03</u>

# Statement of Deficit

Years ended June 30,	1981	1980
Deficit, beginning of year	\$ 1,873,969	\$1,903,799
Net income for the year	674,939	29,830
	<u>1,199,030</u>	<u>1,873,969</u>
Offering expenses incurred on the sale of common shares and warrants, net of recovery of deferred income taxes of \$394,536 (note 9)	379,064	
Deficit, end of year	<u>\$ 1,578,094</u>	<u>\$1,873,969</u>

See accompanying notes



# Balance Sheet

June 30, 1981  
(with comparative figures  
as at June 30, 1980)

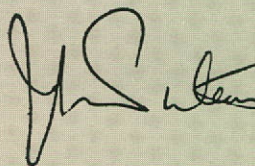
Les Ressources Camchib Inc.  
(Incorporated under  
the Companies Act  
(Québec) (note 1(a))

<b>Assets</b>	<b>1981</b>	<b>1980</b>
<b>Current:</b>		
Cash and short-term investments	\$ 1,083,635	\$ 4,493
Receivables	3,486,681	
Metals in process (estimated net realizable value — \$5,850,000)	5,688,160	
Mine and mill supplies	2,335,442	
Deposits and prepaid expenses (note 4)	458,068	344
Due from Les Ressources Campbell Inc.		78,564
	<u>13,051,986</u>	<u>83,401</u>
<b>Investments (note 5)</b>	<u>10,782,853</u>	<u>1,462,185</u>
<b>Metal mining properties (note 3(a)):</b>		
Mining	16,015,523	
Exploration expenditures	6,265,457	917,270
	<u>22,280,980</u>	<u>917,270</u>
	<u>\$46,115,819</u>	<u>\$2,462,856</u>

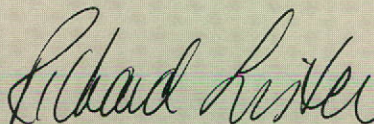


<b>Liabilities and Shareholders' Equity</b>	<b>1981</b>	<b>1980</b>
<b>Current:</b>		
Bank indebtedness (note 6)	\$ 1,316,187	
Accounts payable	7,060,760	\$ 39,320
Current portion of long-term debt	178,800	
Due to Les Ressources Campbell Inc.	1,664,383	
	<u>10,220,130</u>	<u>39,320</u>
<b>Long-term debt</b> (note 7)	<u>6,618,101</u>	<u>397,000</u>
<b>Deferred income taxes and mining duties</b>	<u>3,833,285</u>	
Commitments and contingencies (notes 8, 11 and 13)		
<b>Shareholders' equity:</b>		
Capital stock (note 9)	30,746,046	3,900,505
Deficit	1,578,094	1,873,969
	<u>29,167,952</u>	<u>2,026,536</u>
Less the company's pro rata interest in its own shares held by Les Ressources Campbell Inc. (note 5(b))	<u>3,723,649</u>	
	<u>25,444,303</u>	<u>2,026,536</u>
	<u>\$46,115,819</u>	<u>\$2,462,856</u>

On Behalf of the Board:



John G. Porteous, Q.C., Director



Richard L. Lister, Director

See accompanying notes



# Statement of Changes in Financial Position

Les Ressources Camchib Inc.

Years ended June 30,	1981	1980
<b>Sources of funds:</b>		
Operations —		
Operating income before provisions, income taxes and mining duties, equity earnings and extra-ordinary item	\$ 3,199,574	\$ 29,830
Less:		
Gain on sale of investment		59,237
Current income taxes and mining duties	543,163	
Funds from operations	2,656,411	(29,407)
Issuances of capital stock less related expenses (note 9)	26,071,941	
Less amounts not resulting in an inflow of funds		
Acquisition of Quebec mining assets from Les Ressources Campbell Inc. (net of working capital)	(10,955,717)	
Acquisition of exploration interests	(1,139,800)	
Conversion of debentures	(397,000)	
Funds from issue of capital stock	13,579,424	
Issue of 10% convertible secured debentures series A	6,000,000	
Proceeds from sale of investment	109,225	83,443
	22,345,060	54,036
<b>Application of funds:</b>		
Expenditures on natural resource properties —		
Mining	4,587,330	
Exploration	791,094	603
Purchase of shares in Les Ressources Campbell Inc.	14,000,000	
Repayment of long term debt	159,818	
Advances to associated companies	19,043	11,277
	19,557,285	11,880
<b>Increase in working capital</b>	<b>2,787,775</b>	<b>42,156</b>
Working capital, beginning of year	44,081	1,925
Working capital, end of year	\$ 2,831,856	\$ 44,081

See accompanying notes



June 30, 1981

**1. Change of name and amalgamation**

a) On October 30, 1980, the shareholders approved By-law No. 14 changing the statute under which the Company is governed from the Mining Companies Act (Québec) to the Companies Act (Québec). This By-law also changed the name of the Company from "Les Mines C.M. & S. Inc. — C.M. & S. Mines Inc." to "Les Ressources Camchib Inc. — Camchib Resources Inc.".

b) Pursuant to a reorganization agreement entered into by the Company, Les Ressources Campbell Inc. ("Campbell") and others, Campbell's Québec mining assets and business were sold, effective January 1, 1981, to a newly-incorporated, wholly-owned subsidiary of Campbell, the consideration being the assumption of Campbell's Québec mining liabilities and the issue of shares from the subsidiary's treasury.

On March 14, 1981, and with effect as of January 1, 1981, the aforementioned subsidiary and the Company were amalgamated under the name Les Ressources Camchib Inc. Upon the amalgamation, 5,350,000 special shares of the amalgamated Company were issued to Campbell. The holders of the Company's 999,920 shares which were outstanding immediately prior to the amalgamation (see note 9), of which 467,132 shares were owned by Campbell, received common shares of the amalgamated Company on a one-for-one basis. The common and special shares are identical in all respects except that the special shares do not carry votes with respect to the election of directors and are convertible into common shares on a one-for-one basis.

Assets and liabilities of the wholly-owned subsidiary of Campbell brought into the amalgamated Company are summarized as follows:

**Assets**

Current:	
Cash and short-term notes	\$ 13,000
Metal settlements and other receivables	3,706,000
Metals in process (estimated net realizable value — \$6,164,000)	4,847,000
Mine and mill supplies	1,744,000
Deposits and prepaid expenses	880,000
	11,190,000
Investments in mining properties	12,524,000
Exploration expenditures	3,524,000
	<u>\$27,238,000</u>

**Liabilities**

Current:	
Accounts payable and accrued liabilities	\$ 4,337,000
Long-term debt:	
Province of Québec, including accrued interest (note 7(c))	778,000
Deferred income taxes and mining duties	4,315,000
	9,430,000
Value ascribed to special shares	<u>\$17,808,000</u>

**2. Accounting policies**

The following is a summary of the significant accounting policies followed in the preparation of the accompanying financial statements:

**a) Amalgamation —**

As described in note 1(b) above, Campbell owned all the outstanding shares of the amalgamating subsidiary and 46.7% of the shares of the Company before the amalgamation, and held 91.6% of the total of all Common and special shares of the amalgamated company outstanding immediately thereafter. The amalgamation has therefore been deemed for accounting purposes to be a reorganization. As a consequence, the assets and liabilities brought into the amalgamated Company at January 1, 1981 are included in these financial statements at the amounts at which they were carried in the accounts of Campbell and the Company prior to the amalgamation.

Comparative amounts in the accompanying financial statements are those of the predecessor Company, Les Mines C.M. & S. Inc. Certain of these amounts have been reclassified to conform with the financial statement presentation adopted in the 1981 fiscal year.



*b) Investments —*

The Company accounts for its investments in Campbell and La Compagnie Minière Yorbeau Inc. ("Yorbeau"), in both of which it has significant influence but not majority share ownership, on the equity basis. On this basis of accounting, the carrying value of the investments represents the cost thereof less, in the case of Campbell, the Company's pro rata interest in its own shares held by Campbell, adjusted by the Company's share of undistributed income or losses and adjustments to retained earnings or deficit account. Prior to December 29, 1980, on which date the Company increased its share interest in Campbell from 6.1% to 20.3%, the investment in Campbell was carried at cost.

Investments in shares of other companies are carried at cost.

*c) Valuation of metals in process —*

Metals in process are valued at the lower of FIFO cost and net realizable value. Cost includes direct labour, supplies consumed and the proportion of administrative expenses that relates to mining operations, but does not include depreciation, depletion and amortization of related mining assets.

*d) Revenue recognition —*

The sale of metals processed through the Company's flotation circuit is recorded in income three months after arrival of the concentrate at the custom smelter, which is the normal time period required to smelt, refine and sell the metals contained in the concentrate. The sale of metals processed through the cyanide circuit, all of which are precious metals, is recorded in income when the metals are poured at the mine site.

*e) Amortization of mining assets —*

i) Depletion is provided on mining properties at a rate per ton milled which is determined by dividing the undepleted cost of each property by the economically recoverable proven and probable ore reserves related to that property.

ii) Depreciation of buildings and equipment is provided, largely on the straight-line basis, at a 6% annual rate.

iii) Development costs are deferred and charged against income at a rate per ton milled computed on a mine-by-mine basis by dividing the unamortized development costs and anticipated future development costs by the proven and probable economically recoverable ore reserve tonnage applicable to that mine.

iv) Exploration expenditures are deferred by specific project or project area and are written off if the project or project area is abandoned.

*f) Income taxes and mining duties —*

The tax allocation method of providing for income taxes and mining duties is followed. On this basis, taxes and duties deferred to future years as a result of timing differences between accounting income and income for tax and mining duty purposes (such differences being principally attributable to depreciation, depletion and exploration and development allowances) are recorded as deferred income taxes and deferred mining duties.

### 3. Segmented information

The Company is engaged in two lines of business activity, as follows:

**Mining —**

Mining and milling of base and precious metals in Québec.

**Mining exploration —**

Managing of and participating in exploration ventures for base and precious metals in Québec.

a) Total assets at June 30 summarized by business segment are as follows:

	1981	1980
<b>Mining —</b>		
Buildings and equipment	\$23,805,588	
Properties	6,645,623	
Deferred development costs	24,776,954	
Less accumulated depreciation, depletion and amortization	(39,212,642)	
	16,015,523	
Current assets	11,045,586	
<b>Total identifiable mining assets</b>	<b>27,061,109</b>	
<b>Mining exploration —</b>		
Exploration expenditures net of accumulated write-offs	6,197,600	\$ 917,270
Equipment	161,475	
Less accumulated depreciation	(93,618)	
	6,265,457	917,270
Investments	605,293	
Current assets	885,660	
<b>Total identifiable mining exploration assets</b>	<b>7,756,410</b>	<b>917,270</b>
<b>Assets not allocated to business segments —</b>		
Current assets	1,120,740	83,401
Investments	10,177,560	1,462,185
	11,298,300	1,545,586
<b>Total assets</b>	<b>\$ 46,115,819</b>	<b>\$ 2,462,856</b>



b) Substantially all revenue and operating profit for fiscal 1981 is attributable to mining operations. Revenue and operating profit recorded in fiscal 1980 resulted from the sale of the Company's interest in a mineral exploration project.

c) Segmented information regarding capital expenditures is set out in the accompanying statement of changes in financial position. Depreciation, depletion and amortization charges largely relate to mining operations.

#### 4. Deposits on gold future contracts

Camchib follows the policy of selling a portion of its gold production forward one year as protection against

a possible decline in gold prices. Included in "Deposits and prepaid expenses" in the balance sheet at June 30, 1981 is \$351,303 representing deposits on contracts covering the sale of approximately 16,000 ounces of gold at an approximate average price of \$561 U.S. per ounce which amount is recoverable on the closing of the contracts. In fiscal 1981, contracts entered into to protect 6,000 ounces of the subsequent year's gold production were bought back resulting in a gain of \$1,605,854 which amount is included in "Metal sales" in the accompanying statement of income.

#### 5. Investments

Investments consist of the following:

	Direct interest	Carrying value at June 30		Quoted market value at June 30	
		1981	1980	1981	1980
Les Ressources Campbell Inc. —					
1,072,010 shares at June 30, 1981	17.0%	\$13,709,324		\$13,400,000	
less the Company's pro rata interest in its own shares held by Campbell		3,723,649			
		9,985,675			
272,010 shares at June 30, 1980	6.1%		\$ 574,824		\$3,910,000
La Compagnie Minière Yorbeau Inc. —					
1,011,700 shares (650,000 in escrow)	47.4%	122,418	122,418	354,095*	505,850*
Advances		67,943	53,416		
Cia Minera Trans-Rio, S.A. de C.V. ("Trans-Rio") —					
14,500 shares at June 30, 1981	14.5%	38,469		no quoted market value	
24,500 shares at June 30, 1980	24.5%		65,000		
Advances		539,639	622,333		
Other (unlisted)		28,709	24,194	no quoted market value	
		\$10,782,853	\$1,462,185		

\*The quoted market value of the shares of La Compagnie Minière Yorbeau Inc. is based on over-the-counter bid prices.

a) The quoted market values set out above do not necessarily represent the value of the particular investment holdings which may be more or less than that indicated by quoted market values.

#### b) Investment in Campbell —

On December 29, 1980 the Company purchased for cash 800,000 common shares of Campbell at \$17.50 per share thereby increasing its interest in Campbell to 20.3%. As a result of the issuance of additional Campbell common shares in a subsequent share exchange

offer for shares of Skye Resources Ltd., the Company's interest in Campbell was reduced to 17.0% at June 30, 1981. This issue of shares by Campbell was effected at an amount per share which was less than the per share carrying value of the Company's investment in Campbell and as a result the Company's equity therein was decreased by \$62,680. This decrease is included as an extraordinary item in the accompanying statement of income for the year ended June 30, 1981.



The carrying value of the investment in Campbell consists of the following:

Company's share (20.3%) of book value of Campbell's net assets as at the date of acquisition (December 29, 1980) of additional shares	\$12,369,824
Excess of cost of investment over book value of net assets acquired, allocated to investments and mining properties	2,205,000
Cost of investment (including \$574,824 cost of shares held at beginning of year)	14,574,824
Deduct:	
Portion of cost allocated to Campbell mining properties and transferred to mining properties upon amalgamation	848,617
Cost of the Company's pro rata interest (1,002,955 shares) in its own shares held by Campbell	3,723,649
	10,002,558
Equity in earnings of Campbell since December 29, 1980	45,797
Loss arising from issuance of shares by Campbell in exchange for shares of Skye Resources Ltd.	(62,680)
Carrying value of investment in Campbell	\$9,985,675

The consolidated financial position of Campbell at June 30, 1981 and 1980 and the results of operations for the years ended June 30, 1981 and 1980 are summarized below. In these summaries the accounts of all subsidiaries of Campbell, except for the accounts of the Company, are consolidated. Campbell's interest in the Company is included on the equity basis of accounting.

Assets	June 30	
	1981	1980
	(in thousands)	
Current assets	\$ 20,948	\$15,659
Investment in Les Ressources Camchib Inc.	11,788	1,610
Other investments	11,523	7,047
Natural resource properties:		
Metal mining operations		11,599
Coal mining operations	17,150	
Exploration expenditures	2,811	6,217
Petroleum and natural gas operations	51,522	6,455
Other	772	150
	\$116,514	\$48,737

#### Liabilities and Shareholders' Equity

Current liabilities	\$ 15,240	\$ 5,905
Long-term debt	12,028	760
Deferred income taxes and mining duties	1,553	4,043
Minority interests in consolidated subsidiaries	22,115	
Shareholders' equity	65,578	38,029
	\$116,514	\$48,737

Statement of Income	Year ended June 30	
	1981	1980
	(in thousands)	
Revenue	\$52,522	\$27,010
Operating expenses	39,862	16,370
Operating income before the undernoted items	12,660	10,640
Add (deduct):		
Depletion, depreciation and amortization	(7,904)	(3,153)
Gain on sale of investment		5,931
	4,756	13,418
Income taxes and mining duties	(777)	(4,153)
Minority interests and pre-acquisition income	(1,950)	
	2,029	9,265
Equity in earnings of Les Ressources Camchib Inc.	734	13
Extraordinary gains arising on the issuances of share capital to outsiders by subsidiary and equity-accounted companies	10,422	
Net income	\$13,185	\$ 9,278

Reference is made to Note 14 (b) with respect to the possible reduction in the Company's interest in Campbell.

#### c) Investment in Yorbeau —

The book value of the net assets (principally mining claims and deferred expenses) of Yorbeau underlying



the Company's share investment therein was \$140,716 at June 30, 1981. Yorbeau was inactive during the period covered by the accompanying financial statements and had neither profit nor loss.

*d) Investment in Trans-Rio —*

In fiscal 1981, two Mexican companies exercised their option to acquire 10,000 Trans-Rio common shares from each of the Company and Campbell, thereby reducing the interest of the Company and Campbell to 14.5% each. Proceeds of \$109,225 received on the sale have been applied in reduction of the carrying value of the investment.

Effective July 1, 1976, Campbell assumed all obligations of the Company in respect of required expenditures relating to the Company's investment in Trans-Rio. Campbell is entitled to recover 150% of the amounts (\$225,000 to June 30, 1981) so assumed out of certain receipts which may be derived by the Company from Trans-Rio.

## 6. Bank indebtedness

Included in bank indebtedness is a \$1,000,000 demand loan which bears interest at  $\frac{3}{4}\%$  above the bank's prime lending rate. The loan is secured by the Company's investment in Campbell shares, metals-in-process and receivables.

## 7. Long-term debt

Long-term debt consists of the following:

	June 30	
	1981	1980
10% convertible secured debentures series A due November 15, 1990	\$6,000,000	
10% income convertible secured debentures due August 1, 1984		\$397,000
Province of Québec, including accrued interest	796,901	
Less current portion included in current liabilities	(178,800)	
	\$6,618,101	\$397,000

*a) 10% convertible secured debentures series A —*

These debentures were issued on December 11, 1980. The Company's shares of Campbell have been pledged as collateral security for the debentures, such pledge being subordinate to that described in note 6. The debentures are convertible at the option of the holder

into shares of the Company at \$5.00 per share to November 15, 1984, \$6.00 per share to November 15, 1987 and \$7.00 per share thereafter to maturity. The debentures are redeemable under certain conditions at the option of the Company after November 15, 1982.

Under the terms of the trust indenture relating to the debentures, the Company is required to establish a sinking fund for the debentures by depositing with a trustee in each of the years 1985 through 1989 an amount equal to \$600,000 less 10% of the principal amount of debentures previously redeemed or converted.

*b) 10% income convertible secured debentures —*

The balance (\$397,000) of these debentures was converted into 79,400 shares of the Company during the year.

*c) Province of Québec —*

At June 30, 1981 the Company owed \$796,901 to the Province of Québec with respect to a 5% loan which was obtained for ore reserve development and exploration at the Cedar Bay Mining Division. Under the terms of the loan agreement, the amount borrowed and interest thereon is repayable only to the extent of 30% of such operating profits (as defined) as are earned from mining at the Cedar Bay Mining Division. At June 30, 1981, \$178,800 included in current liabilities is repayable under this provision.

## 8. Litigation

Campbell is a defendant, together with other companies, in an action in the Superior Court of the Province of Québec, claiming an injunction to restrain defendants from any further mining activities in certain of the areas in which the Company operates in the Province of Québec and various amount of damages, \$1,540,000 in the case of Campbell, based on alleged environmental contamination and interference with alleged rights of the Cree Indians. The action is being contested and counsel for Campbell is of the opinion that Campbell has a valid substantive defence to this action.

The Company has agreed to assume the responsibility for any costs incurred by Campbell as a result of this action. However, in light of the opinion of Campbell's counsel as referred to in the preceding paragraph, no provision has been made in these financial statements for any liability which may arise therefrom.



## 9. Capital stock

At June 30, 1981, the Company's authorized capital stock consisted of an unlimited number of common shares and an unlimited number of special shares both of which are without par value. At June 30, 1980, authorized capital stock consisted of 5,000,000 common shares of the par value of \$1 each. Under By-law No. 14 and prior to the amalgamation described in

note 1(b)), the capital of the Company was altered by the consolidation of the then authorized 5,000,000 common shares of the par value of \$1 each into 1,000,000 common shares without par value and by the creation of 5,000,000 additional authorized shares without par value.

Changes in issued share capital during the year were as follows:

	Number of common shares	Number of special shares	Total ascribed value
Issued and outstanding at July 1, 1980	4,602,604		\$ 3,900,505
Reduction arising from the consolidation of authorized and issued shares on a one-for-five basis	(3,682,084)		
Issued upon the conversion of 10% income convertible secured debentures (note 7(b))	79,400		397,000
Issued and outstanding prior to amalgamation	999,920		4,297,505
Issued upon amalgamation (note 1(b))		5,350,000	17,808,741
Issued to acquire additional interest in the Chibougamau Exploration Joint Venture	80,000		640,000
Issued to acquire mining claims	60,000		499,800
Issued to the public for cash	1,000,000		7,500,000
Issued and outstanding at June 30, 1981	2,139,920	5,350,000	
Ascribed value	\$12,937,305	\$17,808,741	\$30,746,046

On June 30, 1981, the Company issued 1,000,000 common shares from Treasury and 500,000 warrants to purchase common shares for a cash consideration of \$7,500,000 pursuant to a public offering in the Province of Québec. Offering expenses of \$379,064 net of related deferred income tax recoveries of \$394,536 have been charged to deficit in the accompanying financial statements. Each warrant issued entitles the holder thereof to purchase one common share of the Company at a price of \$7.50 per share until December 31, 1983 when the warrant expires.

Reference is made to note 1(b) with respect to the attributes of the common and special shares and to note 13 with respect to the potential issue by the Company of additional common shares.

## 10. Earnings per share

The computation of earnings per share is based on the weighted average number of shares outstanding during the year, net of the Company's weighted average pro rata interest in its own shares, as follows:

Year ended June 30	Net weighted average number of shares outstanding
1981	3,047,024
1980	920,520

Net earnings per share for 1980 has been restated from the amount originally reported to give effect to the one-for-five share consolidation described in note 9.

## 11. Mineral exploration

In conjunction with the public issue of shares and warrants made by the Company on June 30, 1981 as described in note 9, a partnership (La Première Société en Commandite Camchib), established to participate with Camchib as a joint venturer in a mineral exploration program, issued limited partnership interests for net proceeds of \$6,651,401.



Under the joint venture agreement, the partnership is to expend substantially all of the net proceeds from the issue of limited partnership interests in mineral exploration programs in return for which it will earn varying interests in the net profits, if any, from particular properties or projects after recovery of exploration expenditures made, or deemed to have been made, by the joint venturers. As general partner in the partnership, Camchib manages the partnership and the joint venture and is committed to spend \$1,476,000 of its own funds in fiscal 1982 on the joint venture's exploration programs.

During fiscal 1981, \$1,206,000 was spent by the partnership on the exploration programs. Included in receivables as at June 30, 1981 is \$456,000 due from the partnership.

## 12. Related party transactions

a) Certain of the gold future transactions described in note 4 were effected through an investment dealer of which a director of the Company is an officer and shareholder. Commissions of \$5,415 were paid on these transactions in the year ended June 30, 1981. Interest of \$286,000 was earned on cash on deposit with this investment dealer in fiscal 1981. Included in cash and short term investments at June 30, 1981 is cash of \$1,065,000 which was held by the investment dealer.

b) At June 30, 1981 the directors and officers of the Company owned beneficially, directly and indirectly, \$1,990,000 principal amount of the 10% convertible secured debentures series A described in note 7(a).

c) A director of the Company is the President of a trucking Company which provides transportation services to the Company. Further, the Chairman of Camchib is counsel to a law firm which provides legal services to Camchib including matters referred to in notes 1, 5, 7 and 8. The following amounts charged for such services are included in the statement of income:

	Transportation services	Legal services
Year ended June 30 —		
1981	\$618,300	\$219,500
1980		5,950

The amount for legal services in 1981 includes \$100,000 paid by the partnership referred to in note 11.

d) General administration expense for the year ended June 30, 1981 includes a management fee of \$313,365 charged to the Company by Campbell.

## 13. Commitments

The Company has entered into agreements to acquire interests in mineral resource properties encompassing various forms of mineral resource conveyances. Potential future cash expenditures of \$1,476,000 and potential future issues of a further 122,000 common shares may occur in certain circumstances under the terms of these agreements.

## 14. Subsequent Events

a) On October 13, 1981, Camchib acquired 700,000 (approximately 9.9%) of the outstanding common shares of United Asbestos Inc. for \$13 per share of which \$11 per share was paid in cash with the balance financed through the issue of a \$1,400,000 non-interest bearing note maturing on October 12, 1982. As at the aforementioned date, Campbell held a further 19.8% of the outstanding common shares of United Asbestos Inc. Management contemplates making a proposal for an amalgamation with United Asbestos Inc. in the next several months.

b) Subject to appropriate approvals being obtained and certain conditions being fulfilled, Campbell intends to amalgamate one of its wholly-owned subsidiaries with Skye Resources Ltd. ("Skye"), thereby completing its acquisition of Skye. The amalgamation plans call for the issuance of up to 1,337,750 Campbell common shares to shareholders of Skye, the effect of which would be to reduce the Company's percentage interest in Campbell to 14%.



## Directors

## Officers

## Senior Operating Staff

Ned Goodman  
Vice-President and Director,  
Beutel, Goodman &  
Company Ltd., Investment  
Counsel, Toronto, Ontario.

Alfred Hamel  
President, Quebecair, Dorval,  
Quebec. President, Expedi-  
tex, Inc., St-Félicien,  
Québec.

Richard L. Lister  
President and Chief Execu-  
tive Officer of the Company  
and of Campbell Resources  
Inc.

Hubert Marleau  
Executive Vice-President and  
Director of Lévesque, Beau-  
bien Inc., Investment  
Dealers, Montreal, Quebec.

J. Harold Morgan  
Consulting Geologist, Presi-  
dent, Bakertalc Inc.,  
Montréal, Québec.

John G. Porteous, Q.C.  
Chairman of the Board of  
the Company.  
Counsel to the law firm of  
Ogilvy, Renault, Montréal,  
Québec.

J. Gordon Strasser  
Executive Vice-President and  
Chief Operating Officer of  
the Company.

John G. Porteous, Q.C.,  
Chairman of the Board

Richard L. Lister,  
President and Chief  
Executive Officer

J. Gordon Strasser,  
Executive Vice-President and  
Chief Operating Officer

Jean C. Rouvier,  
Vice-President — Mining

J. Yvan Côté,  
Vice-President — Metallurgy

K. Sethuraman, Ph.D.  
Vice-President — Geology

R. Paul Middleton,  
Vice-President — Finance

John H. Rutherford,  
Secretary

### Mine Office:

Léo Côté,  
Assistant Mine Manager

Fernand Lemieux,  
Manager — Special Projects

André Cauchon,  
Mill Superintendent

Bill Zuckerkandel,  
Manager — Mine Geology

Ray Fournier,  
Chief Mine Production  
Geologist

Enrico Boiocchi,  
Mine Superintendent —  
Henderson

Clément Nadeau,  
Mine Superintendent —  
Cedar Bay

Yvon Leonard,  
Mine Superintendent —  
Gwillim

André Blanchette,  
Manager — E.D.P.

Jean Dion,  
Mine Accountant

René Martineau,  
Manager — Personnel

Laurent Nolet,  
Electrical Superintendent

Dillon Tanguay,  
Mechanical Superintendent

Marcel Rouleau,  
Chief Assayer

Gilbert Lamarche,  
Mine Purchasing Agent

### Executive Office:

Baxter Goss,  
Controller — Mining  
Operations

Lyll W. Chapman,  
Chief Analyst

Bill Hamilton,  
Manager — Exploration



# Corporate Information

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**Head Office & Mine Office:**

P.O. Box 3400,  
Chibougamau, Québec,  
G8P 2K9.

**Montreal Office:**

Suite 750,  
1 Place Ville Marie,  
Montréal, Québec  
H3B 1Z7

**Executive Office:**

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

**Registrar & Transfer Agent:**

Montreal Trust Company,  
Montreal and Toronto

**Auditors:**

Clarkson Gordon,  
Montréal, Québec

**Stock Exchange Listing:**

Montreal Stock Exchange  
Toronto Stock Exchange

**Symbol:**

CUM

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