

CANADA TUNGSTEN
MINING CORPORATION
LIMITED

C

Annual Report 1987



Corporate profile

The Company owns the western world's largest tungsten mine at Tungsten, Northwest Territories that mines and concentrates scheelite (calcium tungstate) and it has a long-term leasehold interest over an ammonium paratungstate plant in Fort Madison, Iowa, U.S.A. It also has two of the western world's most promising tungsten mining projects: it owns the Mactung scheelite project located near the MacMillan Pass on the Yukon/Northwest Territories border and has an option to acquire a tungsten (wolframite: iron manganese tungstate) and tin project located at Hemerdon Ball near

Plymouth, southwest England. Canada Tungsten's activities include the purchasing and selling of tungsten concentrates and upgraded tungsten products.

Tungsten is a very hard, dense metallic element that has the highest melting point and highest tensile strength of all known metals and has unique electrical properties. It has a diversity of uses in tungsten carbides, mill products, tool steels, alloys and in chemicals for catalysts. Examples of end-uses range from cutting parts for machine tools and drill steel through the wear parts of transportation and electrical equipment to armaments, dies for

extrusion presses, high-temperature alloys and lamp filaments.

The Company is incorporated under the Business Corporations Act, 1982 (Ontario). Its common shares are quoted on the Toronto Stock Exchange (symbol: CTM). The principal shareholder, holding 56% of the outstanding common shares, is AMAX Inc. which is a worldwide supplier of minerals and energy with headquarters in Greenwich, Connecticut.

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Cover photo: A wide variety of ore samples symbolizes the Company's present mining assets and its priority program to broaden its business base. The inset on the back cover shows a rock bit with tungsten carbide inserts produced by one of our customers.



Report of directors to the shareholders

The Directors present the Company's Annual Report for the year ended December 31, 1987.

The 1987 net loss was \$2,809,000, down from a loss of \$17,237,000 in 1986."

There was a net loss of \$2,809,000 or \$0.17/common share in 1987, as compared to a net loss of \$17,237,000 or \$1.45/common share in the previous year. Results in 1987 benefited from a cost-cutting program aimed at reducing costs to a minimum while maintaining the core of managerial and technical skills that is essential to identify and develop new business opportunities for the Company. Results in 1986 had been affected by costs of shutting down the mine at Tungsten, NWT. Costs applicable to closed facilities were \$2,257,000 in 1987 as compared to \$6,323,000 in 1986.

Prices improved but are still low and tungsten operations remain closed. Sales volumes have been reduced."

Prices have increased significantly since low-points reached in the second half of 1986. In 1987, the Metal Bulletin scheelite quotation rose 21% and the wolframite quotation rose by 37%, to end the year at U.S. \$55/STU and U.S. \$49/STU respectively. These prices are still too low for economic operation of the Company's mine at Tungsten, NWT where operations have been suspended since May 20, 1986.

The Fort Madison, Iowa ammonium paratungstate (APT) plant has been closed since March 2, 1987. APT margins have improved recently and

the outlook for restarting the APT plant is now encouraging.

The Company has materially reduced its volume of sales to conserve inventories and in anticipation that realizations will improve in the future.

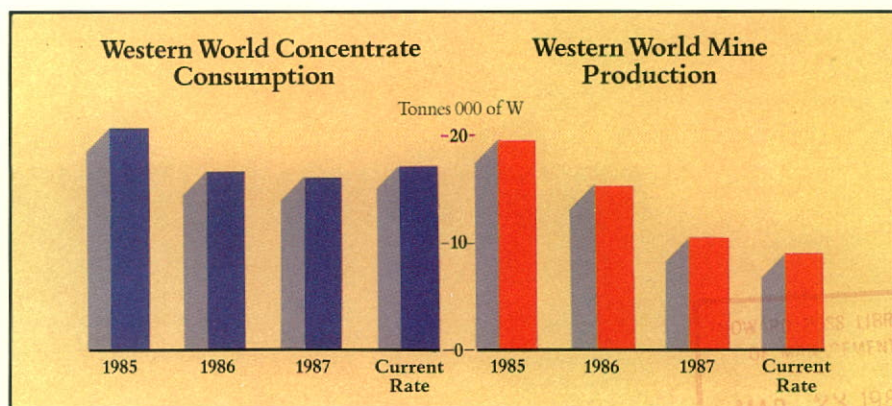
There is now a material shortfall of mine production versus consumption in the western world."

Many tungsten mines have closed in recent years and further closures and cutbacks are likely. In the western world, mine production is in the region of one-half of what it was in 1985 and barely covers one-half of today's concentrate consumption. Western world inventories, including Chinese-sourced concentrates in Hong Kong, are decreasing. The near-term outlook for consumption of concentrates in the Company's markets may be firming as western economies move into the phase of the economic cycle in which expenditures on capital goods and machine tools are trending upwards. The recently concluded U.S./China Orderly Marketing Agreement (OMA) will reduce the quantity of

Chinese APT imported into North America beginning with the first quarter of 1988, thus encouraging domestic U.S. APT production and concentrate usage. The pre-conditions for an eventual market improvement are moving into place although the timing of a recovery will be dependent on further reductions of world stocks including those of the People's Republic of China.

The OMA with China should help APT producers in the U.S."

Imports of low-priced APT from China into the U.S. have increased rapidly over the past few years and, in 1987, approximately 25% of the usage of APT in the U.S. was supplied from China. In September, 1987, the U.S. and China signed a 4-year Orderly Marketing Agreement that will materially reduce APT imports from China between 1988 and 1991. Imports from China will be significantly reduced in 1988 to a level that should account for approximately 6% of the usage. The reduction in low-priced APT imports as from 1988 should help restore margins for APT producers



such as your Company's Fort Madison plant which continues to be maintained on a quick restart basis.

The Company is seeking to broaden its business base."

With a view to establishing a more stable long-term earnings pattern, the Company is seeking opportunities to expand outside of its traditional, but highly cyclical, business of tungsten mining. In doing so, it is not changing its objective to be a major factor in the tungsten industry in the future. Diversification efforts over the past year have been aimed at utilizing the Company's skills in developing and operating mines with the primary target being the expansion of the Company's small gold sector. In addition, the Company is also examining opportunities in other resource businesses.

The Company has commenced to enhance its gold sector."

Until the change in markets that took place in October, 1987, most gold mining stocks were considerably overpriced and few gold projects met the Company's economic criteria. Nevertheless, an encouraging start was made with an investment in Minerex Resources Ltd. and in supporting that company's development of a heap leach gold mine at Aurora, Nevada. The mine commenced production on schedule and on budget, late in 1987. It is expected to produce over 20,000 ounces of fine gold in 1988. Minerex's interest in the production will reduce to 50% after all capital and initial outlays are recovered. The

Company is now a 26.5% shareholder in Minerex.

The Company's placer gold operation at Dublin Gulch, Yukon was operated successfully in 1987, producing 1,450 ounces of fine gold, which completed the depletion of the reserve. To replace Dublin Gulch and profit from the Company's proven expertise in placer mining, a high-grade placer operation at Swamp Creek, Yukon was acquired in January 1988 which is expected to produce over 4,000 ounces of fine gold this year. The Company has also acquired two other property positions in the Yukon which it will investigate for placer gold potential in 1988.

The 1987 exploration program focused on gold, including both hardrock and placer prospects. The Company continues to be very active in evaluating gold projects.

During 1987, the majority of the Company's shareholding in Queenstake Resources Ltd. was sold.

The Company has a sound base from which to grow."

The Company has a strong working capital position and excellent senior mine-operating skills which it intends to utilize in making carefully selected investments that will add to its resource-based earnings. Its close relationship with its major shareholder, AMAX Inc., increases the range of skills and experience that can be utilized in developing the business. The mine at Tungsten, NWT and the two tungsten mining projects at MacMillan Pass, NWT and at Hemerdon, England, together with the Fort Madison APT plant, give the Company an unparalleled

position in the tungsten industry of the western world. As tungsten markets recover, these assets will provide a strong foundation for the Company.

Board of Directors

The Board welcomes Mr. Stephen M. Johnson, President of Climax Metals Company (a subsidiary of AMAX), who joined the Board in January, 1988 as replacement for Mr. C.E. Stott, Jr., President of AMAX Mineral Resources Company. Special thanks are due to Mr. Stott for his contributions over the past three years.

The Board of Directors also expresses its appreciation to the core group of employees for their dedication and extra effort throughout the year.

On behalf of the Board of Directors,



Wayne D. Lenton
President and Chief Executive Officer

Vancouver, B.C.
February 23, 1988

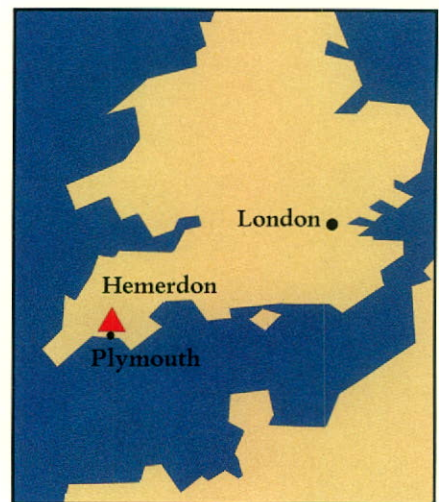
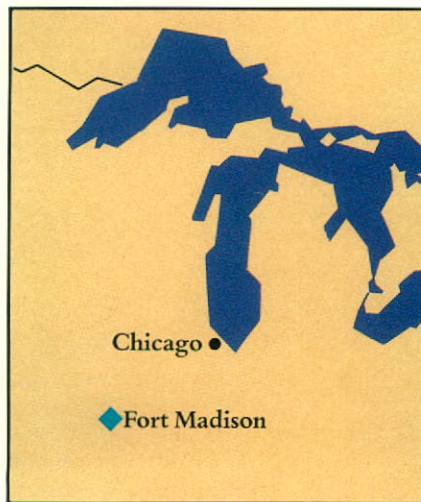


Review of operations and projects

Production was suspended in March at the Company's ammonium paratungstate (APT) plant at Fort Madison, Iowa. Prior to shutdown, the plant produced 33,100 STU's of APT. Production during normal operations is rated at 180,000 STU's per year. When appropriate, the plant will be restarted at short notice with minor expenditures.

The mine at Tungsten, Northwest Territories remained on a care and maintenance basis throughout the year. Two employees remained on site at all times to maintain the mine, plant and facilities in condition to facilitate a restart of operations. Periodic inspections of the underground work areas reveal that the integrity of the orebody is being

underground mechanized bulk mining methods on the higher grade portion, which has mineable reserves of 6.1 million tonnes averaging 1.16% WO_3 . Mining would later phase into an open pit operation to recover the remaining mineable reserves of 17.2 million tonnes averaging 0.78% WO_3 . Current mining plans allow for mining in the



- Mine
- ▲ Mining projects
- ◆ APT plant and warehouse
- Warehouse, distribution and executive office

maintained, and ore reserves in the proven and probable categories remain 1.4 million tons averaging 1.20% WO_3 . Excellent potential for further reserves exists in the westerly extension of the orebody.

The company's two tungsten mining projects, at MacMillan Pass on the Yukon/Northwest Territories border (the Mactung Project), and at Hemerdon, near Plymouth, England were maintained on a holding basis with little activity in 1987. Definition of mineralization, studies of economics, mine design and detailed planning for these projects are well advanced.

Mactung is planned to be mined by first employing highly efficient

first five years at an average grade of 1.29% WO_3 .

Open pit mineable reserves at Hemerdon are estimated at 38.2 million tonnes at 0.183% WO_3 and 0.029% tin.

Extraction of ore reserves at the Dublin Gulch placer gold property in the Yukon was completed during the year, with 1987 production of 1,450 ounces of fine gold. Reclamation work was completed at the end of the mining season. In order to continue and expand our northern placer operations, the Swamp Creek placer gold mine operation has been acquired in early 1988. This property

is located southwest of Dawson City, Yukon near the Alaska border, and is projected to produce over 4,000 ounces of fine gold in 1988.

The Company acquired a 26.5% interest in Minerex Resources Ltd., which operates the Aurora open pit heap leach gold mine near Hawthorne, Nevada. From start of construction in June, the first gold was poured in October, and production for the year was 2,850 ounces of fine gold. Production in 1988 is expected to exceed 20,000 ounces of fine gold.

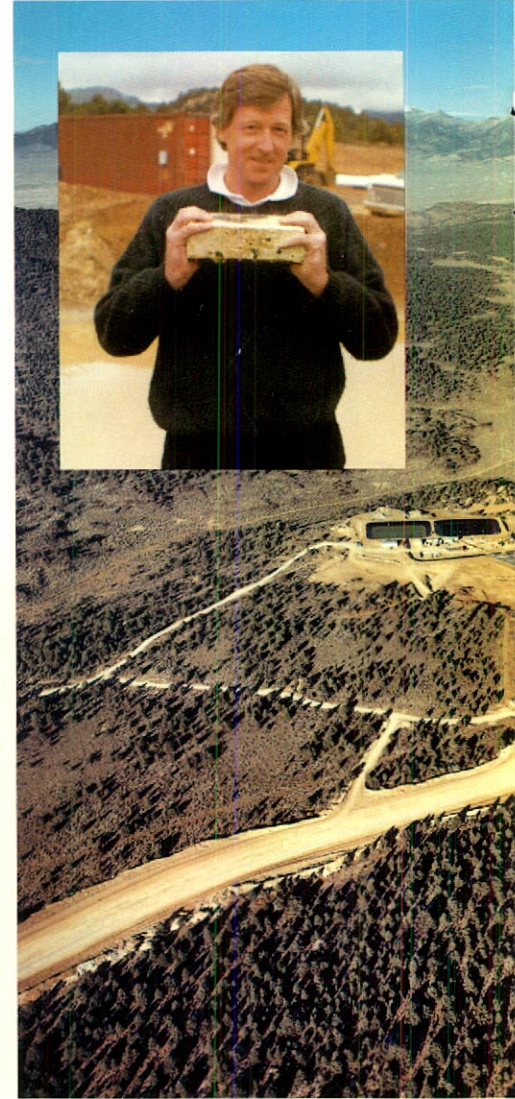
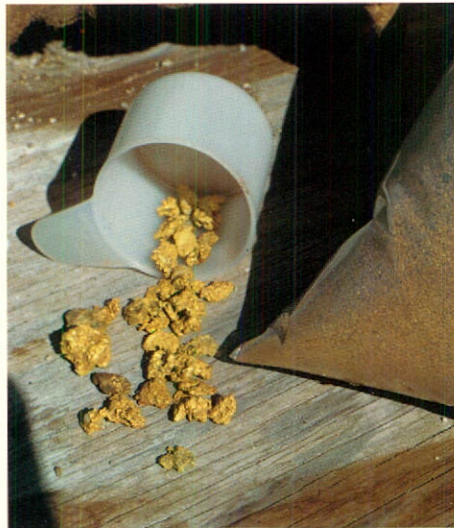
Considerable activity in gold exploration and acquisitions has resulted in a significant increase in the Company's gold interests. In addition to the Minerex and Swamp Creek acquisitions, several additional properties in the Yukon have been staked or optioned. Preliminary exploration results have been encouraging. Two gold properties in British Columbia have been optioned, with an exploration and drilling program completed on one property during 1987.

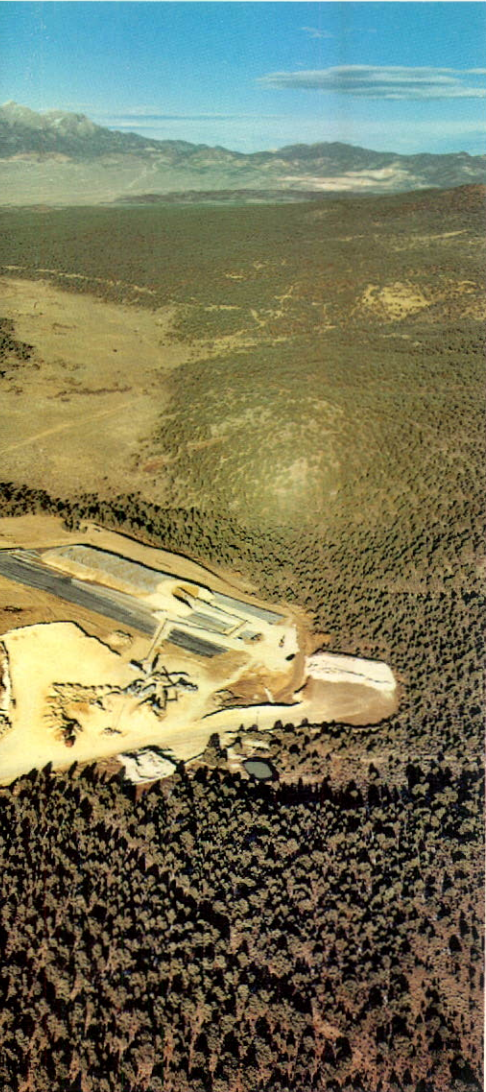
Left hand page:

Right: The heap leach gold mine of Minerex Resources Ltd. located near Hawthorne, Nevada. Inset — Rodney Duncan, President of Minerex, with the first gold bar.

Below: A sample of gold produced at Swamp Creek, Yukon in 1987. The Company acquired this mine in January, 1988.

Bottom: Part of the Swamp Creek property.



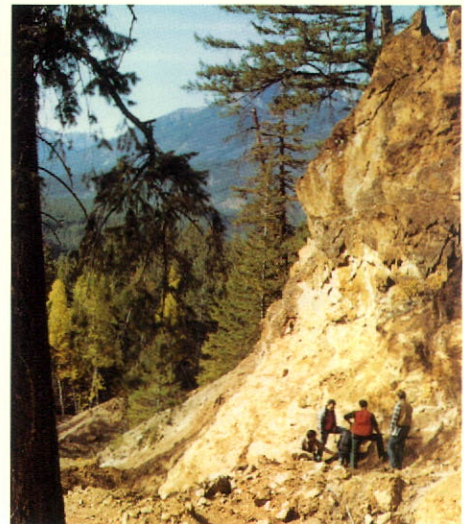


Right hand page:

Left: Claim stake placed to mark a gold prospect.

Below: Geologists study formations at a British Columbia gold prospect.

Bottom: Exploratory drilling in early winter.



The net loss in 1987 was \$2.8 million or \$0.17 per share as compared to a net loss of \$17.2 million or \$1.45 per share in 1986. Before extraordinary items, the net loss in 1987 was \$2.9 million or \$0.18 per share. Results in 1987 reflected cost-cutting activities to minimize holding costs while 1986 results were affected by costs of closure of the Company's mine at Tungsten, NWT, losses on an equity-accounted investment and provisions for losses on disposal of inventories.

In 1987, sales were principally from inventories as the Company's mine remained closed throughout the year and its Fort Madison APT plant was closed on March 2, 1987. To conserve inventories and in anticipation of improving prices, the level of sales was further reduced in 1987 and sales totalled \$10.3 million as compared to \$23.4 million in 1986. Market prices continued to trend upwards following troughs recorded in the second half of 1986 and sales prices realized by the Company in 1987, while low, were 9% above the 1986 average prices.

The fundamentals of the North American APT business are now improving, particularly as a result of

the Orderly Marketing Agreement between U.S. and China.

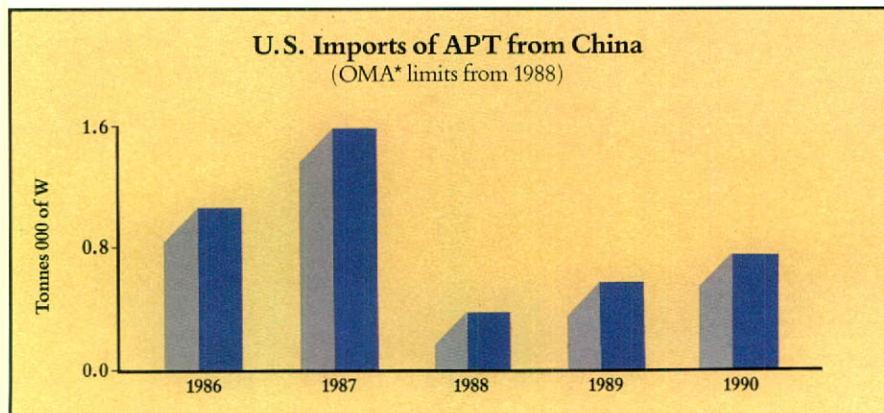
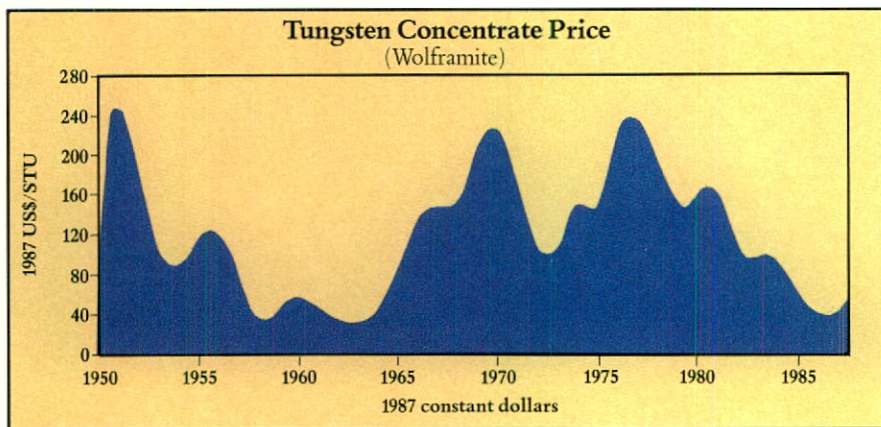
Net interest income in 1987 was \$0.9 million, up by \$0.4 million from 1986.

A number of expenses were less in 1987 than in 1986. Costs applicable to closed facilities, which includes initial costs of closures, totalled \$2.3 million in 1987 as compared to \$6.3 million in 1986. In 1986, provisions totalling \$3.6 million had been made against losses on disposal of inventories. Further, as depreciation and amortization are computed primarily on the units of production method, the depreciation charge was only \$0.4 million in 1987, down from \$3.3 million in the previous

year. The 1986 results had also been charged with \$2.1 million representing the Company's equity in net losses of Queenstake Resources Ltd.

While the Company's objective of developing its gold sector emphasizes investigation of projects at or near the production stage, there was a small gold-oriented exploration program in 1987 that resulted in a charge of \$0.8 million against earnings as compared to \$0.1 million in 1986. The greater part of this program was financed by the issuance of "flow-through" shares that provide tax benefits to investors.

In 1987, the Company sold the



majority of its shareholding in Queenstake Resources Ltd. and recorded an extraordinary loss of \$0.7 million on the sale and write-down of shares. On the other hand, following the termination of the pension plan for salaried employees, there were funds of \$0.8 million remaining after meeting all plan obligations and this amount, which has since been refunded to the

*Orderly Marketing Agreement, 1987 between China and U.S.A.

Auditors' report to the shareholders

Company, was credited to earnings as an extraordinary item.

The Company invested a total of \$3.3 million in Minerex Resources Ltd. in exchange for shares and share-purchase warrants. At year-end, it held just under 27% of the outstanding shares of Minerex.

Pursuant to a special resolution of shareholders, the stated capital for the common shares of the Company was reduced by \$20.0 million in 1987. After taking account of the 1987 net loss, the previously accumulated deficit and the 1987 dividend declared, retained earnings were \$8.4 million at year-end.

Dividend

A stock dividend of 18 cents per share was paid in 1987. The Company's common shares continue to be eligible investments for certain life insurance companies, pension funds and trusts.

Cash flows, liquidity and working capital

At December 31, 1987 the Company's working capital totalled \$25.4 million as compared to \$26.9 million at the end of the preceding year. Within this total, cash and marketable securities amounted to \$14.7 million, a \$2.4 million increase in the year.

Cash flows, in comparison with 1987 (excluding the major financing and acquisition transactions in that year), were as follows:

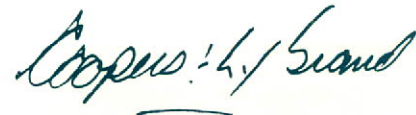
	Cash in (out)	
	1987	1986
	\$ millions	
Operating cash flows before undernoted	\$ 0.6	\$(1.6)
Working capital realized	3.8	9.8
Closed facilities	(2.3)	(6.3)
Sale of investment	3.1	-
Pension fund recovery	.8	-
	6.0	1.9
Invested, primarily in shares and exploration (net of shares issued)	(3.6)	(.2)
Cash inflow	\$ 2.4	\$ 1.7

Until tungsten markets recover sufficiently for the Company to resume operations, there is expected to be a gradual reduction in working capital. Inventories are sufficient to maintain sales at least through 1988.

The Company has a strong liquid and working capital position. Every effort is being made to establish additional sources of cash flows and earnings, including enhancement of the Company's gold sector.

We have examined the consolidated balance sheet of Canada Tungsten Mining Corporation Limited as at December 31, 1987 and the consolidated statements of loss and 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, 1987 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.



Vancouver, B.C.
January 29, 1988

Consolidated statement of loss and retained earnings

<i>for the years ended December 31</i>	<i>Note</i>	1987	1986
		<i>in thousands (except per share)</i>	
Revenues			
Sales		\$ 10,342	\$ 23,390
Interest income, net		931	561
		11,273	23,951
Expenses			
Operating expenses before the undernoted		10,713	29,316
Costs applicable to closed facilities	2	2,257	6,323
Depreciation and amortization		357	3,323
Exploration		821	126
Equity in losses of affiliates		52	2,100
		14,200	41,188
(Loss) before extraordinary items		(2,927)	(17,237)
Extraordinary items	3	118	-
Net (loss)		(2,809)	(17,237)
Retained earnings (deficit) at beginning of year			
Reduction of stated capital	8	20,000	-
Share issue expenses		-	(450)
Dividends		(2,927)	-
Retained earnings (deficit) at end of year		\$ 8,365	\$ (5,899)
Per share			
Net (loss) per common share -			
Before extraordinary item		\$ (0.18)	\$ (1.45)
After extraordinary item		\$ (0.17)	\$ (1.45)
Dividends - paid principally in capital stock		\$ 0.18	\$ -

Consolidated balance sheet

<i>at December 31</i>	<i>Note</i>	1987	1986
			<i>in thousands</i>
Assets			
Cash and marketable securities		\$ 14,732	\$ 12,355
Accounts receivable	3	2,032	2,448
Inventories	4	10,018	15,598
Prepaid expenses		90	131
Current assets		26,872	30,532
Investments	5	4,250	4,815
Property, plant, equipment and deferred mineral expenditures, less accumulated depreciation and amortization	6	63,005	63,453
		\$ 94,127	\$ 98,800
Liabilities			
Accounts payable and accrued liabilities		\$ 1,447	\$ 3,678
Current liabilities		1,447	3,678
Long-term debt	7	1,950	2,071
Reserve for reclamation		1,588	1,588
		4,985	7,337
Shareholders' equity			
Capital stock	8	80,777	97,362
Retained earnings (deficit)		8,365	(5,899)
		\$ 94,127	\$ 98,800

Approved by the Board of Directors



W.D. Lenton
Director



D.A. Berlis
Director

The attached notes form part of the financial statements.

Consolidated statement of changes in financial position

for the years ended December 31

1987

1986

in thousands

Operating activities

Sales less operating expenses, excluding depreciation, amortization, exploration and interest	\$ (371)	\$ (5,926)
Adjustment for non-cash charges	-	3,777
	(371)	(2,149)
Costs applicable to closed facilities	(2,257)	(6,323)
Net change, related to operations, in receivables, inventories and payables	3,806	9,839
Interest income, net	931	561
<i>Cash provided by operating activities</i>	<u>2,109</u>	<u>1,928</u>

Financing activities

Proceeds on sale of Queenstake Resources Ltd. shares	3,085	-
Pension fund recovery	816	-
Common shares issued, less expenses	494	82,490
Equipment disposals and other	163	38
Decrease in debt	(121)	(11,884)
	<u>4,437</u>	<u>70,644</u>

Investment activities

Investment in Minerex Resources Ltd.	(3,285)	-
Exploration	(821)	(126)
Additions to property, plant and equipment	(63)	(68)
Acquisition of AMAX's tungsten interests	-	(60,000)
Other	-	(23)
	<u>(4,169)</u>	<u>(60,217)</u>

Cash and marketable securities

Increase in year	2,377	12,355
At beginning of year	12,355	-
At end of year	<u>\$ 14,732</u>	<u>\$ 12,355</u>

Notes to consolidated financial statements

(in thousands of dollars except where indicated)

1. Summary of significant accounting policies

Accounting standards

The accounting policies of the Company conform in all material respects to international accounting standards and with generally accepted accounting principles in Canada.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Amax Northwest Mining Company Limited and Tungsten, Inc.

Inventories

Inventories of concentrates, ores and upgraded products are valued at the lower of cost or net realizable value. Cost is determined on the moving average basis and does not include depreciation or amortization. Materials and supplies are valued at the lower of cost and replacement cost.

Investments

The investment in Minerex Resources Ltd. is accounted for by the equity method. The excess of the cost of this investment over the Company's share in the underlying book values at dates of acquisition, is being amortized over the lives of the related assets. The investment in Queenstake Resources Ltd. was accounted for by the equity method until the disposal, in November 1987, of the majority of the shares held by the Company.

Oil and gas investments are considered to be distinct from mining operations and are valued at cost reduced by related income tax benefits.

Other investments are valued at cost after deducting provisions for losses.

Property, plant, equipment and deferred mineral expenditures

Property, plant and equipment are carried at cost less amounts written-off. Repairs and maintenance are charged to operating expense as incurred. Replacements and major improvements are capitalized.

Depreciation is computed primarily on the unit of production method.

Acquisition costs of major mining and petroleum properties are deferred until a property is abandoned or placed into production.

Costs of exploring for new ore occurrences are charged against earnings as incurred. Costs incurred on indicated economically recoverable reserves are deferred.

Preproduction development and acquisition costs are deferred and amortized on the unit of production basis over the estimated economic life of the related mine.

Reserve for reclamation

The Company provides for reclamation costs to be incurred on the eventual depletion of its mine at Tungsten, NWT on a unit of production basis over the estimated remaining economic life of the mine.

Income taxes

The tax allocation method is followed. Deferred income taxes, when provided, relate primarily to depreciation of property, plant and equipment and amortization of deferred costs. Due to accumulated losses, no deferred income taxes are recognized at present.

Foreign currencies

All items in foreign currencies have been translated using the temporal method. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the year-end rates of exchange. Other foreign currency balance sheet items are translated at rates prevailing at the relative transaction dates, except that depreciation and amortization are translated at the same rates as the related assets. Foreign currency revenue and expense items are translated into Canadian dollars at the average rates prevailing during the year except for the cost of inventories sold, depreciation and amortization which are translated at rates prevailing when the related assets were acquired. Exchange gains and losses, including those arising on translation, are included in determining current earnings.

Earnings per share

Earnings (loss) per common share for each period are determined using the weighted average number of common shares outstanding during the period.

2. Operations

Production at the Company's Tungsten, NWT mine ceased on May 20, 1986 due to a strike. On August 12, 1986, following further declines in the world market

price for tungsten, the Company announced that the mine will remain closed until further notice and that market prices will have to increase before the mine is re-opened. In order to reduce inventories, operations of the ammonium paratungstate (APT) plant at Fort Madison, Iowa were suspended from the date of acquisition to September 21, 1986. On March 2, 1987 the Company temporarily suspended operations of the Fort Madison APT plant due to poor market conditions and high levels of finished product inventories.

Resumption of operations at the Tungsten, NWT mine and the Fort Madison APT plant will depend on future market conditions and will require higher tungsten prices and improved operating margins.

3. Extraordinary items

	1987	1986
Pension fund recovery	\$ 816	\$ -
Loss and write-down on disposal of shares of Queenstake Resources Ltd.	(698)	-
	<u>\$ 118</u>	<u>\$ -</u>

The pension plan for salaried employees of the Company was terminated in 1987 and the funds remaining after meeting the plan obligations, which were returned to the Company in January 1988, are included in accounts receivable at December 31, 1987.

On November 20, 1987 the Company sold 1,756,000 shares of Queenstake Resources Ltd. and wrote-down the carrying value of its remaining holding of 226,000 shares to estimated net realizable value.

4. Inventories

	1987	1986
Concentrates and ores	\$ 2,297	\$ 3,154
Ammonium paratungstate and other upgraded products	4,392	9,023
Materials and supplies	3,329	3,421
	<u>\$ 10,018</u>	<u>\$ 15,598</u>

5. Investments

	1987	1986
Investments carried on the equity basis-		
Minerex Resources Ltd. (27% owned)	\$ 3,257	\$ -
Queenstake Resources Ltd. (1986-32% owned)	-	4,191
	<u>3,257</u>	<u>4,191</u>
Oil and gas investments, at cost less related tax deferrals-		
1% net profit interest in Beaufort Sea properties	5,000	5,000
Tax deferrals	(4,466)	(4,466)
	<u>534</u>	<u>534</u>
Other investments carried on the cost basis-		
Queenstake Resources Ltd.	384	-
Other	75	90
	<u>459</u>	<u>90</u>
	<u>\$ 4,250</u>	<u>\$ 4,815</u>

The majority of the Company's shareholding of Queenstake Resources Ltd. was sold on November 20, 1987 (note 3).

Tax benefits from exploration expenses, frontier allowance and depletion on oil and gas investments were not applied to reduce income taxes in the statement of earnings in the years they were claimed. Instead, they have been classified as tax deferrals and deducted from the costs of the investments.

The quoted market value at December 31, 1987 of the investment in Minerex Resources Ltd. was \$3.4 million and of the investment in Queenstake Resources Ltd. was \$0.2 million (1986-\$3.0 million). The quoted values are not necessarily indicative of realizable values.

6. Property, plant, equipment and deferred mineral expenditures

	1987	1986
Land	\$ 125	\$ 545
Buildings, plant and equipment	92,213	93,493
Deferred preproduction and development	8,590	8,590
Undeveloped mining properties	25,923	26,024
	<u>126,851</u>	<u>128,652</u>
Accumulated depreciation and amortization	(63,846)	(65,199)
	<u>\$ 63,005</u>	<u>\$ 63,453</u>

7. Debt

A revolving credit agreement, with a credit limit of \$15 million in Canadian or the equivalent in U.S. funds, was converted in 1986 to a term facility that extends for 4 years from September 1986, during which period the initial credit limit of \$15 million is reduced by \$3.7 million at the end of each year. Another revolving credit agreement, with a credit limit of \$15 million in Canadian or U.S. funds, is available until at least October, 1988. At December 31, 1987, the total credit available under these agreements was \$26.3 million (1986-\$30.0 million) and borrowings outstanding were U.S. \$1.5 million on which the average interest rate was 9.6% (1986-U.S. \$1.5 million and 6.9%).

8. Capital stock, warrants and stock options

Authorized-

An unlimited number of special shares
An unlimited number of common shares without par value

Common shares issued and fully paid-

	Number of common shares	
As at December 31, 1985	5,760,720	\$ 14,422
Issued for assets acquired	6,000,000	48,000
Issued in exchange for special warrants	4,500,000	34,940
As at December 31, 1986	16,260,720	97,362
Reduction of stated capital	-	(20,000)
Issued as a stock dividend	508,006	2,921
Issued for resource expenditures	28,100	260
Issued as consideration for investment	31,035	234
As at December 31, 1987	<u>16,827,861</u>	<u>\$ 80,777</u>

Common share purchase warrants outstanding-

	Number of warrants
Issued in 1986	<u>2,250,000</u>

Each common share purchase warrant entitles the holder to purchase one common share of the Company for \$10.00 per share at any time prior to March 25, 1991.

Outstanding options granted under a share option plan for key Company personnel permit the purchase of up to 348,500 common shares and are exercisable over five year periods that expire at various dates through October, 1992. Optionholders have cumulative rights to exercise up to 20% of their entitlements in each year. Of the total outstanding options, 331,000 are exercisable at a price of \$7.00 per common share and 17,500 are exercisable at a price of \$6.00 per common share. No options have been exercised.

In 1987, a special resolution of shareholders reduced the stated capital for the common shares of the Company by \$20,000,000.

In 1986, 4,500,000 shares and 2,250,000 common share purchase warrants were issued for gross proceeds of \$36,000,000 and the Company acquired substantially all of the tungsten interests of Amax Inc. (AMAX), which remains a 57% shareholder of the Company, for a purchase price of \$60,000,000, settled partly in cash and partly by the issuance of 6,000,000 common shares of the Company.

9. Related party transactions

The Company's wholly-owned subsidiary, Tungsten, Inc., the lessee of the Fort Madison ammonium paratungstate plant from AMAX, has an operating agreement under which AMAX operates the plant on behalf of Tungsten, Inc. for a period of 20 years commencing in 1986. AMAX provides services as requested to support the Company's sales of its products. Sales to, and amounts paid or payable to AMAX and its subsidiaries relative to these arrangements were as follows:

	1987	1986
	<i>(millions of dollars)</i>	
Sales to AMAX pursuant to sales agreement	\$ -	\$ 5.6
Paid or payable to AMAX - for commissions and sales support services for operation of the Fort Madison plant	\$ 0.6	\$ 0.9
	\$ 1.7	\$ 2.5

10. Segmented information

Substantially all of the operations of the Company are in the tungsten business, involved in the mining of tungsten ores and the production of upgraded tungsten products. However, a small Canadian gold segment is reported separately below. Sales other than gold are primarily export sales and include products upgraded in the United States under a tolling arrangement with the Company's United States subsidiary, Tungsten, Inc. The operations of that subsidiary are closely integrated with the Canadian mining operations and no sales are effected by it. Products sold are primarily scheelite concentrates, ammonium paratungstate, ammonium metatungstate and tungstic blue oxide. In 1987 and

1986, the gold segment comprised the Company's Dublin Gulch, Yukon, placer gold mine and its investments in Minerex Resources Ltd. and Queenstake Resources Ltd.

The undernoted analyses show sales by geographic destination, allocate the operating loss (sales less expenses other than losses on the equity-accounted investment, income taxes, interest and extraordinary items) between Canadian and United States operations and identify the assets employed in the Canadian and U.S. operations. Except for the gold segment, all data relate to the Company's tungsten business.

	1987	1986
	<i>(millions of dollars)</i>	
Sales-		
U.S.A.	\$ 7.5	\$ 10.2
Western Europe	0.7	8.2
Other destinations	1.3	3.6
Gold sold in Canada	0.8	1.4
	<u>\$ 10.3</u>	<u>\$ 23.4</u>
Operating earnings (loss)-		
Canadian operations	\$ (3.7)	\$ (11.4)
U.S.A. operations	(0.5)	(4.8)
Canadian gold operation	0.4	0.5
	<u>\$ (3.8)</u>	<u>\$ (15.7)</u>
Identifiable assets-		
Canadian operations	\$ 65.7	\$ 64.5
U.S.A. operations	24.8	30.1
Canadian gold operations and investments	3.6	4.2
	<u>\$ 94.1</u>	<u>\$ 98.8</u>

11. Commitments

Minimum commitments under various operating leases and supply agreements, which are principally for office premises, mining equipment and communications services, are as follows:

1988 - \$0.4 million; 1989 - \$0.3 million; 1990 - \$0.3 million.

Quarterly data

(unaudited)

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Quarter	Sales	Operating margin (loss)*	(Costs) of closed facilities	Net (loss)	Net (loss) per share**	Stock prices per common share	
						High	Low
<i>in thousands (except per share)</i>							
1987-							
First	\$ 3,779	\$ (314)	\$ (642)	\$ (993)	\$(0.06)	\$ 8¼	\$5¼
Second	2,722	(194)	(552)	(915)	(0.05)	8	6½
Third	2,519	248	(515)	(142)	(0.01)	10⅞	7⅞
Fourth	1,322	(111)	(548)	(877)	(0.06)	8	4.20
	10,342	(371)	(2,257)	(2,927)	(0.18)		
Extraordinary items	-	-	-	118	0.01		
	<u>\$10,342</u>	<u>\$ (371)</u>	<u>\$(2,257)</u>	<u>\$ (2,809)</u>	<u>\$(0.17)</u>		
1986-							
First	\$ 7,882	\$ (746)	\$ -	\$ (2,786)	\$(0.48)	\$ 8¼	\$ 7
Second	5,689	(798)	(1,312)	(2,819)	(0.31)	12	7¼
Third	5,413	(518)	(4,103)	(5,077)	(0.31)	9	6¼
Fourth	4,406	(3,864)	(908)	(6,555)	(0.40)	7	5¼
	<u>\$23,390</u>	<u>\$(5,926)</u>	<u>\$(6,323)</u>	<u>\$(17,237)</u>	<u>\$(1.45)</u>		

*Before deducting expenditures on closed facilities, depreciation, amortization, exploration and interest but after provisions of \$700,000 and \$2,880,000 in the third and fourth quarters respectively of 1986 to reduce inventories to market values.

**Net earnings (loss) per common share for each period are determined using the weighted average number of common shares outstanding during the period.

Ten year record

<i>(unaudited)</i>	1987	1986(1)	1985	1984	1983(2)	1982	1981(3)	1980(3)	1979	1978
	<i>dollars in millions (except where indicated)</i>									
For the year										
Sales	\$ 10.3	\$ 23.4	\$ 30.5	\$ 32.1	\$ 15.2	\$ 38.1	\$ 31.3	\$ 72.3	\$ 48.4	\$ 47.4
Net earnings (loss) before extraordinary items	(2.9)	(17.2)	(8.5)	(5.6)	(12.1)	(8.5)	2.8	23.0	16.5	20.2
Net earnings (loss)	(2.8)	(17.2)	(28.9)	(5.6)	(12.1)	(8.5)	2.8	23.0	16.5	20.2
Dividends declared	2.9	-	0.6	0.3	-	2.2	6.0	6.0	5.0	5.0
Acquisition of AMAX'S tungsten interests	-	60.0	-	-	-	-	-	-	-	-
Other capital expenditures and investments	3.3	0.1	0.6	0.4	0.7	5.7	12.2	14.6	19.8	13.5
Exploration charged to operations	0.8	0.1	0.6	1.0	1.5	1.8	2.8	4.3	2.0	1.1
Dollars per share -										
Net earnings (loss), before extraordinary items	\$(0.18)	\$(1.45)	\$(1.49)	\$(1.10)	\$(2.43)	\$(1.70)	\$ 0.56	\$ 4.60	\$ 3.31	\$ 4.05
Net earnings (loss)	(0.17)	(1.45)	(5.05)	(1.10)	(2.43)	(1.70)	0.56	4.60	3.31	4.05
Dividends declared	0.18	-	0.10	0.05	-	0.45	1.20	1.20	1.00	1.00
Mine production -										
Ore milled - tons 000	-	151	381	339	40	361	234	349	272(4)	195
Grade - % WO ₃	-	1.56	1.35	1.43	1.30	1.38	1.49	1.55	1.62	1.96
Recovery - % WO ₃	-	83.2	79.7	79.6	75.0	79.4	79.2	81.6	81.7	83.5
Concentrates produced - STU*000	-	197	410	386	39	395	277	442	361	318
APT production STU 000(5)	33	55	-	-	-	-	-	-	-	-
MB average wolframite price US \$/STU(6)	\$ 44	\$ 43	\$ 61	\$ 74	\$ 73	\$ 96	\$ 130	\$ 131	\$ 126	\$ 130
MB average scheelite price US \$/STU(6)	\$ 52	\$ 50	\$ 67	\$ 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
At year-end										
Cash	\$ 14.7	\$ 12.4	\$ -	\$ -	\$ -	\$ -	\$ 1.5	\$ 26.0	\$ 5.6	\$ 20.9
Total working capital	25.4	26.9	14.8	13.2	7.8	16.4	16.3	29.4	21.3	24.1
Total assets	94.1	98.8	46.0	70.8	71.4	81.1	90.6	100.2	80.0	68.0
Long-term debt	2.0	2.1	14.0	9.4	13.5	4.9	-	-	-	-
Shareholders' equity	89.1	91.5	26.2	54.8	51.0	63.1	73.8	77.0	60.0	48.5
Book value - \$/share	\$ 5.30	\$ 5.62	\$ 4.55	\$ 9.61	\$10.22	\$12.65	\$14.80	\$15.43	\$12.03	\$ 9.72
Quoted market value - \$/share	\$ 5.00	\$ 5.75	\$ 8.25	\$14.00	\$16.00	\$14.00	\$25.00	\$41.00	\$21.75	\$22.12
Number of registered shareholders	627	670	674	720	759	874	927	957	1,015	1,089

(1) Mine production was suspended from May 1986.

(2) Production in 1983 was affected by the suspension of operations from January through November.

(3) Production was affected by a strike from November 1980 to May 1981.

(4) An expansion program was completed in mid-1979.

(5) The lease of the APT facility commenced on July 1, 1986. Operations were conducted from September, 1986 to March, 1987 when the facility was temporarily closed.

(6) The Company sells scheelite, and realizes prices per STU which differ from the average quoted price of wolframite. A scheelite price quotation was introduced by the Metal Bulletin (MB) in May 1984 and the 1984 average stated is since that date; prior to that time, MB quotations were for wolframite only.

*The STU is the short-ton unit of 20 pounds avoirdupois of tungsten trioxide (WO₃). Each STU contains 15.86 pounds avoirdupois of tungsten (W) or 7.194 kilograms of W. A metric tonne of W is equivalent to 139 STUs.

Corporate data

Directors

Douglas A. Berlis, Q.C.*
Counsel, Aird & Berlis

Allen Born
*President and C.E.O.
AMAX Inc.*

John J. Crowhurst
*President
Crowhurst Engineering Ltd.*

Stephen M. Johnson
*President
Climax Metals Company*

Wayne D. Lenton
*President and C.E.O.
Canada Tungsten Mining
Corporation Limited*

George B. McKeen*
*Chairman, McKeen &
Wilson*

Thomas A. McKeever*
*Executive Vice President
AMAX Inc.*

Directors emeriti

J.M. Richard Corbet
James B. Redpath

*Member of Audit
Committee

Officers

Douglas A. Berlis, Q.C.
Chairman of the Board

Wayne D. Lenton
*President and
Chief Executive Officer*

Bryce M.A. Porter
*Vice President Finance
and Administration
Chief Financial Officer*

John C. Devitt
*Vice President
Operations*

Elaine L. Rickards
Secretary

Udo E. von Doehren
Assistant Secretary

Company offices

Executive office
*Suite 1600
Oceanic Plaza
1066 West Hastings Street
Vancouver, B.C. V6E 3X1*

Registered office†
*15th Floor
145 King Street West
Toronto, Ontario M5H 2J3*

†Please direct all
communications to the
Executive office

Auditors

Coopers & Lybrand
Vancouver, British Columbia

Bankers

Canadian Imperial Bank
of Commerce
*Main Branch
Vancouver, British Columbia*

The Royal Bank of Canada
*Main Branch
Vancouver, British Columbia*

Shares listed

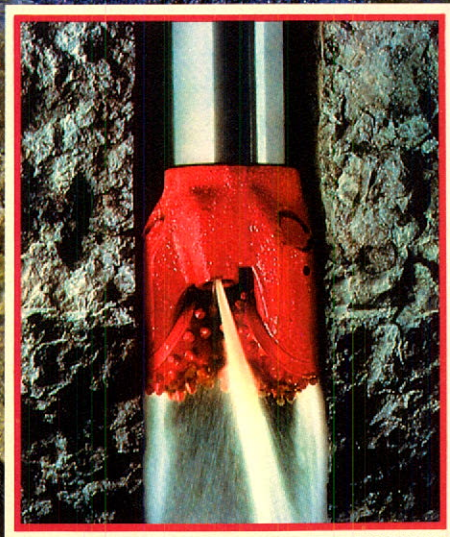
Toronto Stock Exchange

Registrar and transfer agent

Montreal Trust Company
of Canada
*Vancouver - Toronto -
Montreal*

Annual meeting

The Annual General
Meeting of the Share-
holders of Canada Tungsten
Mining Corporation
Limited will be held on
Friday, April 29, 1988 at
10:00 a.m. in the Tudor
Room, Royal York Hotel,
Toronto, Ontario.



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