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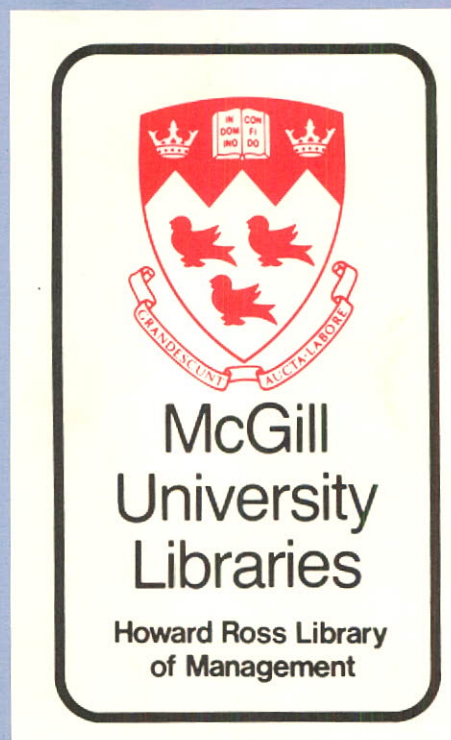
Hudson Bay Mining and Smelting Co., Limited

Annual Report 1984



Hudson Bay Mining and Smelting Co., Limited (“HBMS”) is a subsidiary of Inspiration Resources Corporation (“Inspiration Resources”). In addition to its Common Shares, all of which are owned by Inspiration Resources, HBMS has outstanding Special Exchangeable Non-Voting Shares (“Special Shares”) which are presently exchangeable at the option of the holder for Common Shares of Inspiration Resources on a one-for-one basis. Holders of Special Shares are entitled, through a trust arrangement, to one vote in Inspiration Resources for each Common Share of Inspiration Resources into which their Special Shares are exchangeable. Inspiration Resources has agreed to cause HBMS to pay dividends equivalent to and at the same time as any dividends declared and paid on the Inspiration Resources Common Shares.

Because the underlying economic interest of each Special Share is reflected in the Common Share of Inspiration Resources for which it is exchangeable, we are supplying to holders of Special Shares an Inspiration Resources annual report in addition to the HBMS annual report.



Company Profile

HBMS is a Canadian natural resource company. The Corporation mines and processes metals (primarily copper, zinc, gold and silver) at Flin Flon and Snow Lake in northern Manitoba, operates a zinc oxide plant in Ontario, has a 37½% interest in a tantalum mine, which is presently closed, in southeastern Manitoba, and has working interests in producing oil and gas properties and undeveloped leases primarily located in Alberta.

Report to Shareholders

Hudson Bay Mining and Smelting Co., Limited entered 1984 with modest hopes for a return to higher metal prices and a commensurate improvement in earnings. Indeed, the first half of the year showed better results due mainly to stronger zinc prices and higher zinc production coupled with continuing productivity gains and improved contributions from our industrial division. Copper, zinc and precious metal prices declined significantly in the second half.

For the year, HBMS reported a net profit of \$350 thousand on revenues of \$303.8 million compared with a net loss of \$4.8 million on revenues of \$307.7 million in 1983. Net cash flow was positive at \$3.6 million; down significantly from \$59.1 million in the previous year, primarily as a result of the equity issue in 1983.

Flin Flon/Snow Lake operations, while recording a net loss of \$8.7 million in 1984, had \$10.1 million positive cash flows before capital additions. All segments of our industrial division showed increased cash flows over last year and earnings were up significantly in our zinc oxide and zinc diecastings operations. The oil and gas division, which was purchased late in 1983, contributed \$1.5 million in earnings and \$2.0 million in cash flow.

Zinc metal production in 1984 at the Flin Flon zinc refinery reached an all-time record of 175 million pounds, up almost 10 million pounds from the previous high in 1973. Copper production at 142 million pounds was down slightly from the 1983 level. The Rod Mine was brought into production on schedule in March of 1984, but has been producing at lower than expected rates and metal grades. The Osborne Lake mine, which ceased production in the fall of 1983, was permanently closed in 1984.

Zochem, our zinc oxide operation in Brampton, Ontario reported earnings of \$1.1 million, more than three times 1983 earnings, with a comparable increase in cash flow. The zinc diecastings operation was sold in November 1984 to a management group. An agreement for the sale of the Francana Minerals Division was concluded in the first quarter of 1985.

The oil and gas division, although small, was a positive addition to the Company's asset base. HBMS pursued the acquisition of several oil and gas investments during the year and, although no properties were acquired in 1984, we continue to place strong emphasis on increasing our oil and gas interests.

The tantalum mining and milling operation remained suspended throughout the year with no sales or production of tantalum pentoxide because of the continuing depressed markets. However, the Federal Department of Regional Industrial Expansion awarded Tantalum Mining Corporation of Canada Limited a grant to assist in the temporary conversion of the tantalum mill into a pilot plant to produce ceramic grade spodumene. Present indications are that the commercial viability of a spodumene operation is feasible if markets can be established. Discussions with major spodumene users have been encouraging.

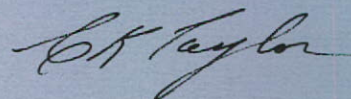
An extensive mineral exploration program was carried out in the area surrounding Flin Flon and Snow Lake and in a Canada-wide search for precious metals. In March the Company announced that it had discovered a nickel/copper zone beneath Namew Lake, Manitoba, approximately 40 miles south of Flin Flon. The deposit is located 2,000 feet from the lake shore under 20 feet of water and approximately 100 feet of Paleozoic sediment cover. An airborne electromagnetic survey using HBMS' EM-30 system indicated a conductive zone which was followed up by a survey on the ice of Namew Lake. This showed a conductor with a strike length of 1,200 feet. One drill hole was completed early in 1984 before deteriorating ice conditions forced a shutdown of operations. Testing resumed in the winter of 1984-85. To date, 28 surface diamond drill coreholes have been completed and 21 have intersected nickel/copper mineralization. The holes were drilled at 200 foot centres to intersect the zone at the 300, 600, 800 and 1,000 foot levels below surface. One hole has been drilled to the 1,200 foot level. Preliminary calculations show approximately 2,500,000 tons of drill-indicated ore at approximately 2.6% nickel and 0.8% copper (diluted 10 percent). The deposit is open at depth and drilling will continue as long as ice conditions permit. The Company has secured a strong land position and will shortly test additional geophysical anomalies.

A severe retrenchment in the Toronto corporate office has resulted in several executive changes. George D. Faught, formerly Chief Financial Officer, Vice-President-Finance and Treasurer, has been appointed Vice-President-Planning and Development. Fred Keul has assumed the office of Treasurer and will continue with his controllership duties. Douglas H. Houston, Senior Vice-President-Administration has been designated Chief Financial Officer and William M. M. Thoms was appointed Secretary of the Company.

That our efforts to improve productivity and reduce costs have been effective is evident in the Company's financial results. The dedication and loyalty of our employees is always highly valued, but even more so during these difficult times.



A.T. Lambert, O.C.
Chairman of the Board



C.K. Taylor, Q.C.
President and Chief
Executive Officer

April 12, 1985

Management's Discussion of the Financial Statements

Liquidity and Capital Resources

HBMS showed improved financial results in 1984 compared to 1983, an improvement brought about primarily through cost restraint programs initiated in 1982 and pursued vigorously during 1983 and 1984. While revenues were down compared to 1983, cost reductions substantially offset the decline. Cash from operations during 1984 amounted to \$19.9 million and overall, after capital expenditures and retirement of additional long-term debt, cash and short-term deposits increased by \$3.6 million to December 31, 1984. Non-cash working capital also rose modestly, bringing total working capital to \$115.5 million at year end. Cash flow was also aided through partial withdrawal of surplus from the pension fund (Note 14 to the consolidated financial statements). These funds were fully applied to the reduction of debt.

On November 12, 1984, the Company sold its Diecasting Division for cash plus a secured debenture to a management group and, on January 15, 1985, concluded an agreement to sell Francana Minerals, the Company's sodium sulphate operation, to Alberta Sulphate Limited.

Capital expenditures during 1984 amounted to \$19.5 million, about the same as 1983. Major mine development accounted for 60% of the total, the completion of the Rod mine for another 20%, while the balance consisted of numerous smaller stay-in-business projects at the Flin Flon/Snow Lake plants and at Francana Minerals.

Effective January 1, 1984, the Company changed its accounting policy relating to the translation of foreign currency (see Notes 1 and 3 to the consolidated financial statements). As a result of this change, U.S. dollar long-term debt at December 31, 1984 is now stated at a current rate rather than an historic rate. Additional foreign exchange of \$11.2 million has been added to long-term debt in 1984 of which \$9.8 million remains in other assets as a deferred charge to be amortized over the remaining life of the related debt. Principal retirements of long-term debt during 1984 amounted to \$6.9 million.

Dividends

Neither HBMS nor its parent company, Inspiration Resources Corporation, declared a dividend in 1984.

Impact of Inflation and Changing Prices

Due to the nature of HBMS' special shares (Note 10(a)(ii) to the consolidated financial statements), no information with regard to the impact of inflation and changing prices on the results of operations and financial position of the Company will be disclosed separately, as it would not be meaningful to holders of special shares. The reader interested in such information is directed, however, to the annual report of Inspiration Resources, HBMS' parent company, wherein HBMS' data are consolidated, such data being presented therein in conformity with U.S. GAAP.

1984 Compared with 1983

Consolidated net sales decreased only marginally as the effect of lower volumes and sales prices in base metals was partially offset by improved performance from the industrial products division, and a full year's contribution from oil and gas sales. The copper price, after a short rally to a high of 93.5 cents per pound at the end of the first quarter, quickly fell to the 80 cent level, where it remained for most of the year. The HBMS average published price for copper was 81.5 cents per pound in 1984 compared to 92.4 cents per pound in 1983. The price improvement for zinc, which began in 1983, continued through the first half of 1984 to a peak of 67 cents per pound. The zinc price then began to decline sharply to 59.25 cents per pound by the end of the third quarter, for an average of 62.7 cents per pound for the year. This compares favorably with HBMS' average published price of 49.4 cents per pound obtained in 1983.

Interest and other income increased in 1984 compared to 1983 because of two factors related to the excess cash realized from the equity issue in August of 1983, which has remained invested in U.S. dollar term deposits. The exchange gain recorded thereon, together with a full year's interest (as compared with only five months' interest in 1983), account for the significant increase.

Productivity improvement and cost reduction programs referred to earlier, have so succeeded in reducing costs that, in spite of generally lower prices, no write-down for copper inventories was required in either 1983 or 1984 and a much lower write-down for zinc to net realizable value was required in 1984 as compared with 1983. While net sales decreased by about \$9.2 million, cost of sales decreased by \$16.2 million.

Depreciation, depletion and amortization in 1984 only increased marginally from 1983. All of the increase is attributable to the oil and gas division which was acquired in September 1983 and hence did not include a full year's charge for that year.

Exploration work, cut back in the last half of 1982 and carried on at a much reduced level throughout 1983, was once again expanded to more normal levels with particular emphasis on replacing the Company's depleting reserves.

The effective income tax recovery rate in 1984 is similar to the rate for 1983. Note 12 to the consolidated financial statements describes more fully the components of the rate and discloses, as well, losses available for application against taxable income of future years.

HBMS' share of Tantalum Mining Corporation's loss was \$173 thousand in 1984 and \$67 thousand in 1983. As noted in the report to shareholders, the tantalum mining and milling operation remained suspended throughout the year, thus allowing the tantalum mill to be temporarily converted into a pilot plant to produce ceramic grade spodumene.

Management's Responsibility for Financial Reporting

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied except for the change in the method of foreign currency translation in 1984 (see Notes 1 and 3). These financial statements are in accordance with International Accounting Standards and are also in substantial conformity with United States generally accepted accounting principles with the exception of foreign currency translation of long-term debt. In management's opinion they have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 1 of the notes to the financial statements. All financial and operating data appearing elsewhere in this Annual Report are consistent, where applicable, with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board discharges these responsibilities principally through the Audit Committee of the Board, which is composed of three directors, two of whom are not officers or employees of the Company. The Committee meets periodically with management, the internal auditors and the external auditors to satisfy itself that their responsibilities are properly discharged. Following its review of the financial statements and the report of the shareholders' auditors, the Audit Committee submits its report to the Board of Directors for formal approval of the annual report and the financial statements contained therein.

The financial statements have been examined independently by Price Waterhouse, on behalf of the shareholders, in accordance with generally accepted auditing standards and their report is included herein.



D.H. Houston
Chief Financial Officer
Sr. Vice President, Administration

Consolidated Statement of Earnings

For the years ended December 31, 1984 and 1983

| | 1984 | 1983 |
|--|------------------------------|-------------------|
| | <i>(in thousands \$ Cdn)</i> | |
| Revenues: | | |
| Net sales | \$291,399 | \$300,648 |
| Interest and other income (Note 11) | 12,379 | 7,034 |
| | <u>303,778</u> | <u>307,682</u> |
| Costs and Expenses: | | |
| Cost of sales | 258,711 | 274,868 |
| Depreciation, depletion and amortization | 27,721 | 27,063 |
| Exploration expenses | 8,685 | 2,932 |
| General and administrative expenses | 6,657 | 10,485 |
| Interest | 6,771 | 9,308 |
| | <u>308,545</u> | <u>324,656</u> |
| Loss before the undernoted items | (4,767) | (16,974) |
| Recovery of income taxes, mining taxes and royalties (Note 12) | 3,554 | 12,260 |
| Loss from Operations | <u>(1,213)</u> | <u>(4,714)</u> |
| Share of losses of associated companies (Note 5(b)) | (173) | (67) |
| Loss before Extraordinary Items | <u>(1,386)</u> | <u>(4,781)</u> |
| Extraordinary items (Note 13) | 1,736 | — |
| Net Earnings (Loss) for the Year | <u>\$ 350</u> | <u>\$ (4,781)</u> |

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Retained Earnings

For the years ended December 31, 1984 and 1983

| | 1984 | 1983 |
|---|------------------------------|------------------|
| | <i>(in thousands \$ Cdn)</i> | |
| Retained Earnings at Beginning of the Year | \$148,795 | \$155,323 |
| Reorganization Adjustments (Note 2) | — | 1,185 |
| Net Earnings (Loss) for the Year | 350 | (4,781) |
| Dividends | — | (2,932) |
| Retained Earnings at End of the Year | <u>\$149,145</u> | <u>\$148,795</u> |

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Financial Position

For the years ended December 31, 1984 and 1983

| | 1984 | 1983 |
|--|------------------------------|------------|
| | <i>(in thousands \$ Cdn)</i> | |
| Sources of Cash | | |
| Operations: | | |
| Earnings (loss) from operations | \$ (1,213) | \$ (4,714) |
| Add (deduct) non-cash items: | | |
| Depreciation, depletion and amortization | 27,721 | 27,063 |
| Deferred taxes | (3,698) | (10,943) |
| Other income and expense items not affecting cash | 3,244 | 242 |
| Decrease (increase) in current assets: | | |
| Accounts receivable | 6,378 | 11,873 |
| Inventories | (2,024) | (835) |
| Income taxes recoverable | — | 1,306 |
| Increase (decrease) in current liabilities: | | |
| Accounts payable and accrued liabilities | (10,632) | (14,614) |
| Reclassification to deferred pension credits | — | 3,376 |
| Income and other taxes payable | 162 | 117 |
| Cash provided by operations | 19,938 | 12,871 |
| Transfer of pension surplus | 7,387 | — |
| Cash effect of extraordinary items (reconciliation below) | 1,938 | — |
| Total sources | 29,263 | 12,871 |
| Uses of Cash | | |
| Capital expenditures | 19,459 | 19,401 |
| Dividends paid | — | 27 |
| Other assets | (1,854) | (2,018) |
| Total uses | 17,605 | 17,410 |
| Increase (decrease) in cash and short-term investments before financing activities | 11,658 | (4,539) |
| Financing Activities | | |
| Proceeds from share issue | — | 85,639 |
| Proceeds from long-term borrowings | 190 | — |
| Reduction of long-term debt | (6,915) | (28,788) |
| Increase (decrease) in debt due within one year | (627) | (3,441) |
| Cash realized from (used for) investments | (739) | 10,238 |
| Net proceeds (deficiency) from financing activities | (8,091) | 63,648 |
| Increase in cash and short term deposits | \$ 3,567 | \$ 59,109 |
| Cash provided by extraordinary items (a reconciliation) | | |
| Extraordinary income, as reported (Note 13) | \$ 1,736 | — |
| Add (deduct) non-cash items: | | |
| Deferred taxes | | |
| Reduction of taxes on utilization of subsidiary losses | (710) | — |
| Tax effect of loss on sale of Division | (517) | — |
| Mortgage recorded on sale of Division, and included in other assets | (3,000) | — |
| Book value of divisional assets sold | 4,429 | — |
| | \$ 1,938 | — |

See accompanying notes to the consolidated financial statements.

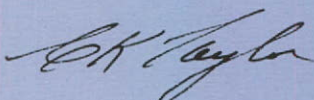
Consolidated Statement of Financial Position

As at December 31, 1984 and 1983

| | 1984 | 1983 |
|--|------------------------------|------------------|
| | <i>(in thousands \$ Cdn)</i> | |
| Current Assets: | | |
| Cash and short-term deposits | \$ 68,919 | \$ 65,352 |
| Accounts receivable | 32,085 | 38,463 |
| Inventories — work in process | 46,821 | 50,546 |
| — finished goods | 10,533 | 4,784 |
| Total current assets | <u>158,358</u> | <u>159,145</u> |
| Deduct: | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | 42,246 | 52,878 |
| Income and other taxes payable | 279 | 117 |
| Current portion of long-term debt | 366 | 993 |
| Total current liabilities | <u>42,891</u> | <u>53,988</u> |
| Working Capital | <u>115,467</u> | <u>105,157</u> |
| Add: | | |
| Investments (Note 5) | 10,247 | 11,156 |
| Property, plant and equipment (Note 6) | 239,572 | 252,263 |
| Other assets and deferred charges (Note 7) | 25,055 | 14,142 |
| Capital Employed | <u>390,341</u> | <u>382,718</u> |
| Deduct: | | |
| Commitments and contingencies (Note 8) | | |
| Deferred pension credits | 11,331 | 3,618 |
| Long-term debt (Note 9) | 65,926 | 61,441 |
| Deferred taxes | 42,032 | 46,957 |
| | <u>119,289</u> | <u>112,016</u> |
| Shareholders' Investment | <u>\$271,052</u> | <u>\$270,702</u> |
| Investment Represented By: | | |
| Share capital (Note 10 (a)) | \$121,907 | \$121,907 |
| Retained earnings | 149,145 | 148,795 |
| Total Shareholders' Investment | <u>\$271,052</u> | <u>\$270,702</u> |

Approved by the Board of Directors

Director:  A.T. Lambert, O.C.

Director:  C.K. Taylor, Q.C.

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 1984 and 1983

1. Summary of Significant Accounting Policies

Generally accepted accounting principles:

The financial statements are prepared in conformity with accounting principles generally accepted in Canada and are presented in Canadian dollars.

Principles of consolidation:

The financial statements include the accounts of Hudson Bay Mining and Smelting Co., Limited (HBMS) and all companies more than 50%-owned. HBMS follows the equity method of accounting for its interest in associated companies in which it owns from 20% to 50% of the common shares and exercises a significant influence.

Inventories:

Inventories consist substantially of metals and metal products. Metals and all other saleable products are valued at the lower of cost and estimated net realizable value; metal by-products are valued at estimated net realizable value. Cost is determined on the first-in, first-out basis.

Property, plant and equipment:

Mineral properties — Exploration costs with respect to mines operating, or in the development stage, are capitalized as mineral properties and amortized by the unit-of-production method based on estimated recoverable reserves; all other mineral exploration costs are written off to expense as incurred. Expenditures for projects deemed commercially productive are capitalized with a corresponding credit to earnings at the time this determination is made.

The Company accounts for its investment in oil and gas properties on the full cost method whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized. All such costs are in the Canadian cost centre. These costs are depleted by the unit-of-production method based on estimated proven oil and gas reserves. Costs accumulated are generally limited to the future net revenues from estimated production of proven reserves at current prices and costs and the estimated fair market value of unproved properties.

Mine development expenditures — Expenditures on major mine development are capitalized and amortized by the unit-of-production method for each mine based on related estimated recoverable reserves.

Plant and equipment — Expenditures for plant and equipment additions, major replacements and improvements are capitalized; the cost of maintenance and repairs is charged to operating expense as incurred. Depreciation of mineral plant and equipment is charged

to operations by the unit-of-production method based on estimated recoverable reserves. Depreciation of other plant and equipment is charged to operations, generally on a straight-line basis over their estimated useful lives.

The cost of property, plant and equipment includes applicable capitalized interest.

Income and mining taxes:

HBMS follows the tax allocation method of providing for income and mining taxes. Deferred taxes represent primarily tax reductions for expenditures on mine development, exploration, depreciation and interest capitalized during the construction of certain assets, deducted in the determination of taxable income but not yet charged to earnings. Investment tax credits are recorded when utilized.

Taxes otherwise payable on the sale of the potash division assets in 1977 have been included in deferred taxes. These taxes otherwise payable can be eliminated by allocation of eligible Canadian expenditures on natural resources exploration and development.

Foreign currency translation:

Transactions in foreign currencies are translated into Canadian dollars on the following basis: At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date. At December 31, all gains and losses are included in earnings in the current period, except for unrealized gains and losses relating to long-term debt with a fixed and ascertainable life extending beyond the end of the following fiscal year. These unrealized gains and losses are deferred and subsequently included in income over the remaining life of the related debt.

2. Reorganization

Effective July 6, 1983, Inspiration Resources Corporation (Inspiration Resources), HBMS and Minerals and Resources Corporation Limited (Minorco) completed a reorganization which pooled the joint interest of HBMS and Minorco in the Inspiration Resources Group with HBMS' other interests into Inspiration Resources, a U.S. public company, with HBMS as a Canadian subsidiary. Prior to July 6, 1983, HBMS' major (44%) shareholder was Minorco Canada Limited (Mincan) which was indirectly owned 100% by Minorco.

3. Change in Accounting Policy

Effective January 1, 1984, HBMS prospectively changed its accounting policy for foreign currency translation of long-term debt to conform with recommendations of the Canadian Institute of Chartered Accountants. The new policy is explained in the Summary of Significant Accounting Policies. Previously, long-term debt denominated in a foreign currency was translated at historic rates, and accordingly no exchange gains or losses were recognized in earnings until realized.

4. Short-Term Lines of Credit and Borrowings

HBMS and its subsidiaries have unused short-term lines of credit with banks at December 31, 1984 aggregating approximately \$15,000,000; (December 31, 1983 — \$15,000,000) with interest generally at money market rates on an as-quoted basis.

In November 1984, the Company negotiated gold and silver loan facilities for 15,000 and 200,000 troy ounces respectively. These facilities are unsecured and carry no commitment fees. The maximum term of any loan is 180 days at interest rates established at the time of each loan. There were no borrowings under these facilities during 1984.

5. Investments (including advances)

| | 1984 | 1983 |
|---|-----------------|-----------------|
| | (in thousands) | |
| Associated companies (Notes (a), (b), (c), below) | \$ 6,129 | \$ 5,903 |
| Whitehorse Copper joint venture | 621 | 433 |
| Other — at cost (after provision for decline in value Dec. 31, 1984 — \$9,129,000; Dec. 31, 1983 — \$7,657,000): | | |
| Quoted (market value) | | |
| Dec. 31, 1984 — \$2,353,000; | | |
| Dec. 31, 1983 — \$3,340,000) | 2,662 | 4,017 |
| Unquoted | 835 | 803 |
| | <u>\$10,247</u> | <u>\$11,156</u> |

(a) Total investment in associated companies:

| | % of common share ownership | | 1984 | 1983 |
|---|--------------------------------|-------|----------------|----------------|
| | 1984 | 1983 | 1984 | 1983 |
| | (in thousands) | | | |
| Tantalum Mining Corporation of Canada Limited (Tanco) | 37.5% | 37.5% | | |
| Equity in net assets | | | \$4,353 | \$4,526 |
| Advances | | | 1,283 | 884 |
| Unamortized excess cost of investments over equity in net assets | | | 493 | 493 |
| | | | <u>\$6,129</u> | <u>\$5,903</u> |

(b) Share of losses of associated companies:

| | 1984 | 1983 |
|-------|----------------|---------|
| | (in thousands) | |
| Tanco | \$ (173) | \$ (67) |

(c) Changes in investment positions of associated companies:

| | 1984 | 1983 |
|-------|----------------|---------------|
| | (in thousands) | |
| Ambay | \$ — | \$ (104) |
| Tanco | 399 | 509 |
| | <u>\$ 399</u> | <u>\$ 405</u> |

The unamortized excess cost of investments in associated companies over equity in net assets is being written off against HBMS' share of earnings, generally over periods not exceeding 20 years. HBMS makes provision, in amounts which it considers prudent, for declines in value of investments.

6. Property, Plant and Equipment

| | 1984 | 1983 |
|--|------------------|------------------|
| | (in thousands) | |
| Mineral property, plant and equipment: | | |
| Base metals | \$301,340 | \$304,479 |
| Oil and gas | 12,456 | 12,438 |
| | <u>313,796</u> | <u>316,917</u> |
| Less accumulated depreciation and depletion | 154,220 | 143,784 |
| | <u>159,576</u> | <u>173,133</u> |
| Unamortized mine development expenditures | 65,996 | 66,198 |
| Materials and supplies — at cost | 14,000 | 12,932 |
| | <u>\$239,572</u> | <u>\$252,263</u> |

7. Other Assets and Deferred Charges

| | 1984 | 1983 |
|----------------------------------|-----------------|-----------------|
| | (in thousands) | |
| Mortgages receivable | \$12,391 | \$10,966 |
| Deferred foreign exchange losses | 9,767 | — |
| Other | 2,897 | 3,176 |
| | <u>\$25,055</u> | <u>\$14,142</u> |

Amortization of deferred foreign exchange losses amounted to \$1,443,000 in 1984 (1983 — \$Nil).

8. Commitments and Contingencies

- (a) During 1978, HBMS received a reassessment notice from the Department of National Revenue disallowing the deduction of a nonrefundable contribution made to Manitoba Hydro for construction in 1973. This amount was, in the opinion of HBMS, a proper deduction, and accordingly, on the advice of its counsel, HBMS filed a Notice of Objection to the reassessment. The Department formally confirmed the reassessment on January 10, 1983 and HBMS has filed an appeal to the Federal Court of Canada. Income taxes, penalties and interest paid with respect to the reassessment, aggregating \$2,100,000, have not been charged to earnings pending settlement of the reassessment. Should the reassessment be upheld, the tax and related costs would be charged to retained earnings as a prior period adjustment.
- (b) HBMS sold its potash division assets in 1977 and the resulting gain on disposition was deferred for tax purposes. HBMS has the option of eliminating the tax on the deferred gain by allocating Canadian exploration and development expenses incurred for a ten-year period ending 1987. At the end of that period, any remaining gain would be added to 1977 taxable income with interest applied to tax thereon for the full ten-year period. At December 31, 1984 eligible expenditures of \$20,500,000, (after a proposed allocation for 1984 of approximately \$4,500,000), would be required to eliminate payment of the related tax obligation of approximately \$10,250,000.

9. Long-Term Debt

| | 1984 | 1983 |
|--|-----------------|-----------------|
| | (in thousands) | |
| 9% unsecured debentures due 1991 (note (a) below) | \$17,464 | \$18,320 |
| 10½% unsecured debentures due 1995 (1984 — \$US32,134,000; 1983 — \$US37,474,000;) (Note (b) below) | 42,462 | 38,047 |
| Revolving credit facilities (Note (c) below) | 6,360 | 5,810 |
| Mortgage loans | 6 | 75 |
| | 66,292 | 62,252 |
| Included in current liabilities | 366 | 811 |
| | \$65,926 | \$61,441 |

- (a) Under the trust indenture covering the 9% unsecured debentures, sinking fund payments sufficient to retire \$800,000 of principal amount are required each year until 1990. Debentures amounting to \$7,536,000 (principal amount) have been purchased by HBMS and cancelled. Therefore, no sinking fund payments have been required to date and \$1,136,000 is available for application against the 1985 and future years' sinking fund requirements.
- (b) Under the trust indenture covering the 10½% unsecured debentures, sinking fund payments sufficient to retire \$US3,330,000 of principal amount are required each year until 1994. Debentures amounting to \$US17,866,000 have been purchased by HBMS and cancelled. Therefore, no sinking fund payments have been required to date and \$US4,546,000 is available for application against the 1985 and future years' sinking fund requirements.
- (c) During 1984 the company restructured the long-term credit facility by entering into two separate \$20,000,000 three-year revolving credit facilities. Each facility expires March 29, 1988; one facility, however, provides for twelve-month extensions upon each anniversary date with mutual agreement. Interest rates are on a floating basis through a number of options including Eurodollars, Bankers Acceptance and U.S. dollars. Currently, interest is charged at Canadian bank prime.

As a condition of the reorganization (Note 2), Inspiration Resources has guaranteed the payment obligations of HBMS under the 9% and 10½% unsecured debentures' trust indentures.

Interest and related expenses on long-term debt were: 1984 — \$5,659,000; 1983 — \$10,459,000. Interest capitalized was: 1984 — \$369,000; 1983 — \$1,206,000.

Sinking fund and principal payments required over the next 5 years, based on December 31, 1984 borrowings and outstanding after allowing for prepayments, are as follows:

| | Canadian funds | U.S. funds |
|------|----------------|------------|
| | (in thousands) | |
| 1985 | 366 | — |
| 1986 | 464 | 2,114 |
| 1987 | 800 | 3,330 |
| 1988 | 6,800 | 3,330 |
| 1989 | 800 | 3,330 |

10. Share Capital, Dividends and Earnings per Share

| (a) | Issued and outstanding at December 31 | | | |
|---|---------------------------------------|------------------|------------|------------------|
| | 1984 | | 1983 | |
| | Shares | \$000s Cdn | Shares | \$000s Cdn |
| Special shares (non-voting) — (Note (ii) below): | | | | |
| Authorized: unlimited | | | | |
| Balance at beginning of year | 10,048,484 | \$116,665 | 4,353,391 | \$ 28,319 |
| Issued for cash (Note (i) below) | — | — | 5,500,000 | 85,639 |
| Issued as stock dividend (Note 10 (d)) | — | — | 195,093 | 2,707 |
| Balance at end of year | 10,048,484 | \$116,665 | 10,048,484 | \$116,665 |
| Common shares (voting) — (Note (iii) below): | | | | |
| Authorized: unlimited | | | | |
| Balance at beginning of year | 733,016 | \$ 5,242 | 704,823 | \$ 5,044 |
| Issued as stock dividend (Note 10 (d)) | — | — | 28,193 | 198 |
| Balance at end of year | 733,016 | \$ 5,242 | 733,016 | \$ 5,242 |
| TOTAL | | <u>\$121,907</u> | | <u>\$121,907</u> |

(i) On July 20, 1983, the Board of Directors of HBMS authorized an issue of 5,500,000 units in Canada at \$16.75 per unit for net proceeds of \$85,639,000. The transaction was completed on August 9, 1983. Each unit consists of one HBMS special share and one-half share purchase warrant which became separable on October 1, 1983. Each whole warrant entitled the holder to purchase one HBMS special share at \$20.50 during the period ending February 18, 1985. Thereafter each whole warrant will entitle the holder to purchase 1.074 special shares at \$19.09 per share until August 9, 1986. The Board of Directors of Inspiration Resources reserved for issuance additional Inspiration Resources trust shares and Inspiration Resources common shares. The additional trust shares are available for issue when the warrants are exercised; the additional common shares are available for future exchange of HBMS special shares.

(ii) The special shares do not carry general voting rights in HBMS; however, they are exchangeable for Inspiration Resources common shares on a 1 for 1 basis, subject to adjustment in certain events, commencing on July 6, 1983 and continuing until the last business day prior to the automatic exchange date of July 6, 1993 unless such date is extended by HBMS. On such automatic exchange date, the special shares will be automatically exchanged for Inspiration Resources common shares at the then-applicable share exchange rate. Each special share has a vote equivalent to one Inspiration Resources common share.

Dividends equivalent to any dividends declared and paid on Inspiration Resources common shares are payable on the special shares at the same time as they are paid on the Inspiration Resources common shares. Inspiration Resources agrees that, upon a voluntary liquidation of HBMS, supported by Inspiration Resources, HBMS will satisfy the liquidation value to which the holders of special shares are entitled.

(iii) The common shares are owned 100% by Inspiration Resources.

(b) Under HBMS' 1981 share option plan, 250,000 HBMS common shares were available for granting of options to key employees of HBMS, its subsidiaries and its other affiliates. Effective with the reorganization, the outstanding options for 42,000 common shares were converted into options to purchase 2,200 HBMS special shares and 46,000 Inspiration Resources common shares. During 1983, options to purchase 2,200 HBMS special shares and 13,800 Inspiration Resources common shares were cancelled due to the employment termination of certain employees.

- As a result of the 2% stock dividend paid by Inspiration Resources on December 21, 1983, the HBMS Board of Directors increased by 2% the number of Inspiration Resources common shares presently outstanding pursuant to each option outstanding and thereby reduced the per share purchase price of each outstanding option, so that the aggregate purchase price of the 32,843 Inspiration Resources common shares subject to option will remain the same as prior to the stock dividend.
- (c) During 1984, options to purchase 2,346 Inspiration Resources common shares were cancelled due to the employment termination of an employee. As a result, at December 31, 1984 there were 30,497 (1983 — 32,843) share options to purchase Inspiration Resources common shares outstanding at prices ranging from \$15.77-\$17.72. Future options, if any, are to be granted with respect to HBMS special shares.
- (d) HBMS declared a stock dividend of 2% on the special shares, paid on December 21, 1983 to shareholders of record on December 1, 1983. The special shares were valued at the closing price of the

special shares on the Toronto Stock Exchange on November 10, 1983. There were 195,093 special shares issued at a stated price of \$13.875 for a total value of \$2,707,000. A cash payment of \$27,000 was made in lieu of fractional shares. The value assigned to stock dividends, after a cash payment in lieu of fractional shares, was attributed to share capital of HBMS.

The number of shares issued as a result of the stock dividend on common shares was 28,193 and the fixed value for the said shares was \$198,000.

- (e) Inspiration Resources common shares began trading on the New York Stock Exchange on July 6, 1983 following the reorganization. As the outstanding special shares of HBMS, which have not been exchanged for common shares of Inspiration Resources, have the same rights as the common shares of Inspiration Resources (Note 10(a)(ii)) they are included in determining per share data of HBMS' parent. For this reason, information taken from Inspiration Resources' 1984 annual report, is included here.

| | By quarter | | | |
|--|--|-----------|-----------|-----------|
| | Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
| | (in thousands \$ US except per share data) | | | |
| 1984* | | | | |
| Total revenues | \$195,482 | \$350,336 | \$218,602 | \$148,504 |
| Gross profit | 7,889 | 38,796 | 8,851 | 3,166 |
| Net income (loss) ⁽ⁱ⁾ | (15,235) | 473 | (19,562) | (66,967) |
| Net income (loss) per share ⁽ⁱ⁾⁽ⁱⁱ⁾ | \$(0.50) | \$0.01 | \$(0.65) | \$(1.70) |
| 1983* | | | | |
| Total revenues | \$151,467 | \$304,111 | \$198,389 | \$161,531 |
| Gross profit | 3,636 | 18,607 | 3,753 | 302 |
| Net loss ⁽ⁱ⁾ | (16,248) | (12,122) | (23,387) | (30,900) |
| Net loss per share ⁽ⁱ⁾⁽ⁱⁱ⁾ | \$(1.00) | \$(0.74) | \$(1.01) | \$(1.02) |

* Certain amounts for the periods ending March 31, 1984 and prior have been reclassified to conform with the December 31, 1984 presentation.

(i) Includes approximately \$36,578,000 (\$0.93 per share) and \$7,160,000 (\$0.24 per share) of non-recurring charges in the fourth quarter of 1984 and 1983, respectively.

(ii) Quarterly loss per share amounts do not equal the full year amount as a result of the issuance of additional shares in the fourth quarter of 1984 and the third quarter of 1983.

| | 1984 | 1983 | 1982 | 1981 | 1980 |
|---------------------------------|----------|----------|----------|----------|--------|
| Earnings (loss) per share \$ US | | | | | |
| Before extraordinary item | \$(3.11) | \$(3.82) | \$(4.45) | \$(0.80) | \$3.21 |
| After extraordinary item | (3.11) | (3.82) | (1.68) | (0.80) | 3.30 |

11. Interest and Other Income

| | 1984 | 1983 |
|---|-----------------|-----------------|
| | (in thousands) | |
| Interest income | \$ 8,000 | \$ 3,738 |
| Interest income from associated company (Note below) | — | 1,716 |
| Share of earnings (loss) of Whitehorse Copper joint venture | 232 | 941 |
| Gain (losses) on foreign currency transactions | 2,967 | (238) |
| Miscellaneous | 1,180 | 877 |
| | <u>\$12,379</u> | <u>\$ 7,034</u> |

HBMS advanced \$US30,000,000 to Inspiration Resources on January 17, 1983 which bore interest at LIBOR plus three-quarters of 1%. The advance was funded by drawings under HBMS' revolving credit facilities. As a result of the reorganization, the advance and the funding were repaid effective June 30, 1983.

12. Income Taxes, Mining Taxes and Royalties

| | 1984 | 1983 |
|--------------------------------------|-------------------|--------------------|
| | (in thousands) | |
| Income taxes: | | |
| Current | \$ 144 | \$ (1,317) |
| Deferred | (2,829) | (9,790) |
| | <u>(2,685)</u> | <u>(11,107)</u> |
| Canadian mining taxes and royalties: | | |
| Current | — | — |
| Deferred | (869) | (1,153) |
| | <u>\$ (3,554)</u> | <u>\$ (12,260)</u> |

Income taxes have been calculated using the following effective income tax rates. The reconciliation of the combined Canadian Federal and Provincial statutory

income tax rates and the effective income tax rate is as follows:

| | 1984 | 1983 |
|--------------------------------------|----------------|----------------|
| Combined statutory income | | |
| taxes (recovery) rate | (52.0)% | (52.4)% |
| Inventory allowance | (22.1) | (6.0) |
| Resource allowance | (54.9) | — |
| Earned depletion | (11.5) | — |
| Historical deferred tax credit rates | 5.5 | 14.3 |
| Expenses of issuing shares | — | (21.5) |
| Eligible capital expenditures | — | 3.7 |
| Adjustment to prior years' provision | — | (8.3) |
| Non-deductible exploration | 54.3 | — |
| Other non-deductible expenditures | 11.8 | — |
| Effective income tax (recovery) rate | <u>(68.9)%</u> | <u>(70.2)%</u> |

HBMS has non-capital losses available for application against taxable income of future years of approximately \$32,000,000, of which, approximately \$27,600,000 expires in 1987 and approximately \$4,400,000 expires in 1990. HBMS has a net capital loss carry forward of approximately \$36,600,000. In addition, HBMS has unclaimed investment tax credits of approximately \$14,236,000 available for application against future Canadian federal income taxes payable. The unused investment tax credits expire as follows: 1985 — \$1,754,000; 1986 — \$7,804,000; 1987 — \$3,282,000; 1988 — \$151,000; 1990 — \$245,000; 1991 — \$1,000,000.

Deferred income taxes represent tax reductions applicable to the timing differences between amounts claimed in the year for income tax purposes and amounts charged to earnings. The sources of these differences and the tax effect of each are as follows:

| | 1984 | 1983 |
|---|-------------------|-------------------|
| | (in thousands) | |
| Depreciation and amortization | \$ (9,769) | \$ (9,025) |
| Capitalized mine development | 4,226 | 2,425 |
| Exploration expenditures | (2,311) | (1,589) |
| Current year's loss | — | (1,296) |
| Interest capitalization | (262) | (305) |
| Provision for write-off | (525) | — |
| Amortization of U.S. debenture exchange | (522) | — |
| Pension income | (2,689) | — |
| Unrealized exchange gain | 1,331 | — |
| Loss carry forwards | 6,722 | — |
| Gain on retirement of debentures | 260 | — |
| Extraordinary item | 710 | — |
| | <u>\$ (2,829)</u> | <u>\$ (9,790)</u> |

13. Extraordinary Items

| | 1984 | 1983 |
|---|----------------|-------------|
| | (in thousands) | |
| (i) Gain on sale of subsidiary (Note 15(d)) | \$1,938 | \$ — |
| (ii) Reduction of income taxes arising from the utilization of prior years' tax losses of a subsidiary | 710 | — |
| (iii) Loss on sale of division, net of income tax recovery of \$517,000 | (912) | — |
| | <u>\$1,736</u> | <u>\$ —</u> |

14. Retirement Plans

HBMS and its subsidiaries maintain non-contributory retirement plans which cover all salaried and hourly-paid employees.

Based on an actuarial valuation carried out as at December 31, 1983, the Company's retirement plans were then in a surplus position of approximately \$17,200,000. During the year ended December 31, 1984, this surplus was reduced by a cash refund of \$7,400,000 to the Company, plan enhancements of some \$2,500,000, a current service funding provision of \$2,300,000 and an estimated experience adjustment of approximately \$2,700,000. The resulting estimated actuarial surplus as at December 31, 1984 amounts to \$2,300,000.

The original surplus of \$22,900,000 arising in 1983 is being amortized and charged to operations, together with the 1984 estimated experience adjustment and plan enhancements, in equal annual amounts over a ten-year period. The net pension expense for the year ended December 31, 1984 was \$326,000 (December 31, 1983 — \$242,000).

15. Related Party Information

(refer to Note 2)

- (a) HBMS provides administrative and marketing services in Toronto to certain Inspiration Resources group companies. HBMS also provides administrative services in Toronto to certain Mincan group companies, some of which are joint venture partners with HBMS in certain exploration projects. The applicable costs are shared on a time or activity basis amongst the parties involved without any profit element. Total transactions with Inspiration Resources group for these types of services amounted to \$791,000 during 1984 (1983 — \$985,000). Accounts receivable included \$1,334,000 at December 31, 1984 (December 31, 1983 — \$2,851,000) due from Inspiration Resources which arose as a result of these services.

- (b) During 1983, HBMS and Mincan equally owned a company, Ambay Services Limited (Ambay), that handled the surplus funds, cash requirements and money market activities of certain related companies, at relevant market rates. As at December 20, 1983, HBMS sold its 50% interest in Ambay to Mincan.

- (c) HBMS purchased all of the shares of Plateau Oil Canada Inc. a wholly-owned Canadian subsidiary of Trend Exploration Limited (TEL), a subsidiary of Inspiration Resources, for \$12,000,000 effective September 1, 1983.

HBMS and TEL entered into an agreement for TEL to provide certain technical services related to HBMS' oil and gas properties. Charges for these services will be at cost as actually incurred by TEL. For 1984 and 1983, these charges were immaterial.

- (d) Hudson Bay Metals Limited, a wholly-owned subsidiary of HBMS, was sold in 1984 to Inspiration Resources for \$2, resulting in a net gain of \$1,938,000. The company had an accumulated deficit of \$1,938,000, consisting primarily of the prior years' trading losses on copper futures.
- (e) Traders in, and producers of, base metals often exchange product of like quality and weight at different geographic locations to reduce freight costs which otherwise would be incurred if the metal were physically shipped to the desired location. HBMS also makes use of this marketing tool and sometimes the exchange partner is a related corporation. All transactions of this nature are at competitive market rates.

16. Subsequent Events

- (a) On January 15, 1985, as amended February 15, 1985, March 22, 1985 and March 25, 1985, HBMS concluded an agreement to sell the net assets of Francana Minerals to Alberta Sulphate Limited, a wholly-owned subsidiary of Agassiz Resources Limited, for cash plus a secured receivable.
- (b) In January 1985 HBMS converted an estimated liability of \$49,000,000 for existing annuitants and vested deferred annuitants of the pension plans, to paid up annuities at a cost of approximately \$34,000,000. The gain will be amortized over 10 years commencing in 1985.

17. Geographic Areas

Financial data by geographic areas for the years ended December 31, 1984 and 1983 are provided below:

| | Year Ended Dec. 31 | |
|--|--------------------|-------------------|
| | 1984 | 1983 |
| Results of operations for the year: | (in thousands) | |
| Revenue: | | |
| Canadian operations: | | |
| Canada | \$ 94,182 | \$ 79,121 |
| Export — United States | 130,162 | 168,923 |
| Export — Europe | 67,055 | 52,604 |
| Net sales | 291,399 | 300,648 |
| Interest income: | | |
| United States | 4,951 | 3,994 |
| Canada | 3,049 | 1,460 |
| Other income | 4,379 | 1,580 |
| Total Revenue | 303,778 | 307,682 |
| Operating Profit (Loss): | | |
| Canada | \$ 7,535 | \$ 2,351 |
| General corporate expenses | (5,531) | (10,017) |
| Interest expense | (6,771) | (9,308) |
| Income taxes and royalties | 3,554 | 12,260 |
| Earnings (Loss) from Operations | \$ (1,213) | \$ (4,714) |
| Financial Position at December 31: | | |
| Current assets | \$158,358 | \$159,145 |
| Current liabilities | 42,891 | 53,988 |
| Working capital | 115,467 | 105,157 |
| Other assets | 274,874 | 277,561 |
| Capital employed | 390,341 | 382,718 |
| Long-term debt | 65,926 | 61,441 |
| Other liabilities including deferred pension credits | 53,363 | 50,575 |
| Net Equity | \$271,052 | \$270,702 |
| Identifiable Assets: | | |
| United States | \$ 68,713 | \$ 21,044 |
| Canada | 364,519 | 415,662 |
| Total identifiable assets | \$433,232 | \$436,706 |
| Depreciation, depletion and amortization | \$ 27,721 | \$ 27,063 |
| Capital expenditures | \$ 19,459 | \$ 19,401 |

Selected Financial Data

| | 1984 | 1983 | 1982 | 1981 | 1980 |
|---|---|-----------|-----------|-----------|-----------|
| | <i>(in thousands except per share data)</i> | | | | |
| Financial Position: | | | | | |
| Working capital | \$115,467 | \$105,157 | \$ 40,454 | \$ 52,923 | \$110,352 |
| Total assets | 433,232 | 436,706 | 408,741 | 415,480 | 408,301 |
| Capital employed | 390,341 | 382,718 | 336,815 | 343,063 | 336,579 |
| Long-term debt | 65,926 | 61,441 | 90,229 | 64,231 | 67,636 |
| Shareholders' investment | 271,052 | 270,702 | 188,686 | 167,382 | 193,575 |
| Earnings: | | | | | |
| Revenues: | | | | | |
| Net sales | \$291,399 | \$300,648 | \$249,992 | \$291,688 | \$308,658 |
| Other income | 12,739 | 7,034 | 5,248 | 20,999 | 23,528 |
| Cost and expenses | 308,545 | 324,656 | 304,015 | 320,048 | 297,570 |
| Taxes and royalties | (3,554) | (12,260) | (16,701) | (2,341) | 9,197 |
| Equity earnings (loss) | (173) | (67) | (1,280) | 1,922 | 13,445 |
| Earnings (loss) before extraordinary items | (1,386) | (4,781) | (33,354) | (3,098) | 38,864 |
| Extraordinary items | 1,736 | — | 55,508 | — | 21,195 |
| Net earnings (loss) | 350 | (4,781) | 22,154 | (3,098) | 60,059 |
| Other: | | | | | |
| Stock dividends declared per share:* | | | | | |
| — special shares | \$ — | \$.2747 | \$ — | \$ — | \$ — |
| — common shares | — | .2809 | — | — | — |
| Capital expenditures | 19,459 | 19,401 | 45,980 | 73,585 | 29,525 |
| Investment expenditures | 739 | (10,238) | 1,224 | 4,008 | 3,970 |

* Equivalent value per share; see Note 10 (d) to the consolidated financial statements.

Stock dividends declared prior to the reorganization are reflected in the financial statements of Inspiration Resources Corporation.

Auditors' Report

To the Shareholders of
Hudson Bay Mining and Smelting Co., Limited:

We have examined the consolidated statements of earnings, retained earnings and changes in financial position of Hudson Bay Mining and Smelting Co., Limited for the year ended December 31, 1984 and the consolidated statement of financial position as at December 31, 1984. 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 results of operations and changes in financial position of the Company for the year ended December 31, 1984 and its financial position as at December 31, 1984 in accordance with generally accepted accounting principles in Canada applied, except for the change in the method of accounting for foreign currency translation as explained in Note 3, on a basis consistent with that of the preceding year.

Price Waterhouse
Chartered Accountants

Toronto, Canada
February 14, 1985

Selected Quarterly Consolidated Financial Data

(unaudited)

| | Quarters ended | | | |
|--|-----------------------|-----------|-----------|-----------|
| | March 31 | June 30 | Sept. 30 | Dec. 31 |
| | <i>(in thousands)</i> | | | |
| 1984 | | | | |
| Net sales | \$ 77,000 | \$ 70,239 | \$ 69,869 | \$ 74,291 |
| Earnings (loss) before taxes, royalties and other items | (591) | 1,803 | (2,467) | (3,512) |
| Extraordinary items | — | — | — | 1,736 |
| Net earnings (loss) | 143 | 177 | (2,275) | 2,305 |
| 1983 | | | | |
| Net sales | \$ 70,067 | \$ 80,061 | \$ 76,448 | \$ 74,072 |
| Loss before taxes, royalties and other items | (5,995) | (4,245) | (5,271) | (1,463) |
| Net earnings (loss) | (3,475) | (857) | (3,920) | 3,471 |

Cash Dividends Declared and Market Price Ranges *(unaudited)*

By Quarters

| | Cash Dividends Declared (Cdn) | Market range | | | |
|-------------|-------------------------------------|--|--------------------------------|-----------------------------------|--------------------------------|
| | | Toronto Stock Exchange (Principal market, \$ Cdn) | | New York Stock Exchange (\$US) | |
| | | High | Low | High | Low |
| 1984 | | | | | |
| 4th | — | 9 | 6 | — | — |
| 3rd | — | 10 ³ / ₈ | 7 ¹ / ₂ | — | — |
| 2nd | — | 14 ¹ / ₄ | 10 | — | — |
| 1st | — | 16 ¹ / ₄ | 13 ³ / ₄ | — | — |
| 1983 | | | | | |
| 4th | — | 16 ¹ / ₄ | 12 ⁵ / ₈ | — | — |
| 3rd | — | 18 ³ / ₈ | 15 ⁷ / ₈ | — | — |
| 2nd | — | 22 ¹ / ₄ | 14 ¹ / ₂ | 18 ¹ / ₂ | 11 ³ / ₄ |
| 1st | — | 23 ¹ / ₄ | 16 ¹ / ₄ | 19 ¹ / ₄ | 13 ¹ / ₂ |

The above table summarizes the market price ranges, for the period indicated, of HBMS common shares on the Toronto Stock Exchange and the New York Stock Exchange (Note i) below), and of the special shares on the Toronto Stock Exchange (Note ii) below).

- i) On July 6, 1983, all outstanding common shares of HBMS were acquired by Inspiration Resources and were delisted from the Toronto, Montreal and the New York Stock Exchanges.
- ii) On July 6, 1983, the special shares commenced trading on the Toronto Stock Exchange.

Directors

R.R. Davis,
New York, New York
Senior Vice-President
and General Counsel
Inspiration Resources Corporation

A.M. Doull,
New York, New York
Senior Vice-President,
Administration
Inspiration Resources Corporation

D.H. Houston,
Mississauga, Ontario
Chief Financial Officer
Senior Vice-President —
Administration
HBMS

†***J.B. Howkins,**
Pottersville, New Jersey
Senior Vice-President, Operations
Inspiration Resources Corporation

†***A.T. Lambert, O.C.**
Toronto, Ontario
Chairman of the Board
HBMS

††**A. Sweatman, Q.C.,**
Winnipeg, Manitoba
Partner, Thompson, Dorfman,
Sweatman
Barristers and Solicitors

††***C.K. Taylor, Q.C.,**
Brampton, Ontario
President and Chief Executive
Officer
HBMS

+**J.D. Taylor, Q.C.,**
Toronto, Ontario
Company Director

*Member of Executive Committee

+Member of Audit Committee

†Member of Compensation
Committee

Officers

A.T. Lambert, O.C.
Chairman of the Board

C.K. Taylor, Q.C.
President and Chief Executive
Officer

W.K. Callander
Senior Vice-President — Operations

S.R. Horne
Senior Vice-President —
Investments

D.H. Houston
Chief Financial Officer
Senior Vice-President —
Administration

G.D. Faught
Vice-President — Planning
and Development

P.L. Martin
Vice-President — Exploration

L.R. Nilsen
Vice-President and General
Manager — Flin Flon/Snow Lake
Operations

F. Keul
Treasurer

Wm. M.M. Thoms
Secretary

Transfer Agent and Registrar

(Special Shares and Warrants)

Montreal Trust Company –
Montreal, Toronto, Winnipeg
Regina, Calgary, Vancouver

Auditors

Price Waterhouse, Toronto

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R8A 1N9

Oil and Gas Division

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Zochem Division

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Tantalum Mining Corporation of Canada Limited *(37½% owned)*

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Manitoba R0E 0G0

81-82