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Brunswick Mining and Smelting Corporation Limited

Annual Report – 1986

**BRUNSWICK
MINING AND
SMELTING
CORPORATION
LIMITED**

*(Incorporated under the
laws of New Brunswick)*

Head Office: Bathurst, N.B.
Executive Office: Suite 900,
4 King Street West,
Toronto, Ont. M5H 3X2

Annual Meeting

May 15, 1987, 11:30 a.m.,
(Atlantic Time)
in the Colonial Room at
Danny's Motel, Bathurst, N.B.

Directors

E. K. Cork, Toronto, Ont.
G. M. Dionne, Saint-Bruno, P.Q.
Gilbert Finn*, Dieppe, N.B.
Brian Flemming, Halifax, N.S.
J. A. Hall, Toronto, Ont.
K. C. Hendrick*, Toronto, Ont.
J. O. Hinds, Toronto, Ont.
W. David Jamieson, Saint John, N.B.
Gilbert Kerlin*, New York, N.Y.
James A. MacMurray, Saint John, N.B.
André Monast, Quebec, P.Q.
Alfred Powis*, Toronto, Ont.
J. Edgar Sexton, Toronto, Ont.
J. C. White*, Toronto, Ont.

*Member of Executive Committee

**Transfer Agent
and Registrar**

Guaranty Trust Company of Canada
Toronto, Ont. and Montreal, P.Q.
and its agent

The Central & Nova Scotia
Trust Company of Canada,
Fredericton, N.B.

Officers

J. C. White, President and
Chief Executive Officer
J. W. Moerman, Senior Vice-President
A. Young, Vice-President —
Corporate Relations
E. K. Cork, Vice-President —
Finance
W. M. O'Henly, Secretary
B. H. Grose, Assistant Secretary
B. C. Bone, Treasurer
L. S. Tigert, Assistant Treasurer
D. H. Ford, Comptroller

Metric Conversion Table

Metric Unit	Metric Symbol	Imperial Equivalent
Tonne	t	1.1023 tons
Kilogram	kg	2.2046 pounds
Gram	g	0.03215 troy ounces

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For the second consecutive year the Company recorded an unsatisfactory financial performance with a net loss of \$6.9 million, after a writedown of \$2.3 million (\$1.5 million after tax) in the value of deferred oil and gas exploration. This compares to a loss of \$5.6 million in 1985.

The year started badly with over-supplied markets for zinc and lead, the Company's main products and a poor outlook for its important by-product, silver. Not only was the price of zinc low and falling, but, encouraged by the promise of additional concentrates from the government-assisted reopening of Cyprus Anvil mine, European zinc smelters were able to command all-time high treatment charges. Responding to the over supply situation, the Company announced the complete shutdown of operations at year end 1985 and mid-1986 for two weeks each. This response to market conditions was not followed by others except Cominco and the price of zinc continued its fall from a high of \$960 per tonne reached in April 1985 to a low of \$670 by February 1986.

Fortunately (or unfortunately, depending on one's vantage point) the necessary production restraint was forced on the industry firstly by several labour disruptions in Australia and later by a 5-month strike at Noranda's zinc refinery at Valleyfield. As a result, prices firmed nicely through the third quarter to regain \$920 per tonne by September. With a strong operating performance in the fourth quarter the Company was able to post a profit of \$1.2 million, offsetting some of the losses from the earlier low prices and the self-imposed production cutbacks. With settlement of the supply disruptions though, the price fell back again through year end into early 1987. Consequently the Company made provision for a reduction in the value of zinc to \$790 U.S. per tonne.

Financial Condition and Dividends

The net loss of \$6.9 million equates to 20¢ per share. Funds from operations were insufficient to finance the Company's ongoing mine development and concentrator modernization programs. In addition, the Company spent close to \$4 million to successfully convert the fertilizer plant to the hemi-hydrate process and a further \$2.1 million on mineral exploration. Short term debt, consequently, rose by \$20 million to \$62.0 million at year end. Long term debt was reduced as scheduled to \$15.7 million. These levels of debt are well covered by investments and working capital for now. In the longer term, the mine development programs will not be repeated (unless more ore is found) and operating cash flow will increase with lower costs, higher productivity and, hopefully, modestly higher prices. Under the circumstances, the Company omitted dividend payments, the last one being 5¢ in the third quarter of 1985.

Business Conditions and Outlook

Reference has already been made to the over-supplied condition of the zinc concentrate and metal markets. Zinc is one of the few metals still being sold on a producer price basis with the LME serving as a terminal market for traders and spot sales/purchases. Although stocks of metal in producers' and consumers' hands are reported to be as low as one month of free world consumption, the fiercely competitive situation in Europe has led to aggressive discounting by producers to maintain market share. What has been needed for some time is a rationalization of world smelting capacity which would permit more appropriate production decisions. This has not yet happened. To the contrary, developing and newly industrialized countries like South Korea and Thailand continue to build up-to-date, technologically competitive plants which not only supply their own expanding markets, often behind protective barriers, but also add to the over supplied export markets. On the other hand, there are signs that Japanese mines and smelters are starting to rationalize and shutdown high cost plants in response to these pressures which are greatly magnified in their case by the appreciation of the yen against the dollar. Until this happens and is repeated elsewhere, the long term outlook for zinc is one of erratic prices responding to short term supply surpluses or disruptions.

With regard to lead, the market has already adjusted for the reduced usage as a gasoline additive and is now very much centred on the supply and demand for lead/acid batteries. While lead's principal use is for automotive batteries, there are potentially important growth markets for short range industrial vehicles, such as at airports, and for large banks of batteries for electrical power demand levelling at power stations. On the supply side, the United States lead mining and smelting capacity was rationalized in 1986 with the creation of Doe Run which groups the five Missouri mines and two smelters of Homestake and St. Joe Minerals. The markets responded favourably to the production flexibility this provides, setting the stage for a nice run-up in prices as the strong seasonal battery demand emerged. Other positive features for primary producers of lead are the environmental concerns over secondary scrap smelters and their lack of profitability at lower prices. On the other hand, the large proportion of secondary production capacity in the industry puts an effective ceiling on lead prices at about 30 cents U.S.

Silver is another metal that is over-supplied relative to demand. Its principal uses are in photography, X-rays and jewelry but its prices tend to follow the path of gold which is purchased mainly as an investment or as a hedge against inflation. When gold prices escalate rapidly there is often an overflow of speculative interest into silver. During the past few years, silver has provided from 39% to 20% of the Company's total revenue with prices ranging from \$11.15 to \$5.47 U.S. per ounce. In 1986, the price of silver dropped from a high of \$6.31 in January to a low of \$4.85 in May, then recovered to end the year at \$5.29. Because of the importance of silver to the Company's profitability and the risk of prices remaining below \$5.00, your Company adopted a program of selling forward up to 50% of its production as appropriate market conditions appear. At year end some 2,250,000 ounces were sold forward through 1987 at an average forward price of \$5.59 U.S.

Operational Results

Details of the operations appear in later sections of this report. When the future of metals and their markets is uncertain and pricing so competitive, it is imperative that producers look long and hard at the cost side of the profit equation. This process continues to be pursued on several fronts by the Company.

Firstly, knowing that energy accounts for 18% of total costs, management has paid particular attention to energy conservation, winning several Provincial and National Awards in the process. Among recent examples is the change to the hemi-hydrate process at the fertilizer plant whereby higher strength phosphoric acid is produced, eliminating costly steam generation for evaporators. Although still too early to forecast with certainty, the smelter now appears on the verge of saving one million dollars in annual coke costs. And a significant change in flotation has eliminated both energy and reagents while improving the working atmosphere in the concentrator and producing higher recovery of metals.

The use of supplies and materials constitutes over one third of total costs. They can be used more efficiently and effectively, increasing their life or decreasing their consumption. The gains sharing program at the mine has generated many ideas on how the Company can achieve lower material costs and we are grateful for the contribution of our employees. At the same time, the Company has been doing its share through investments of considerable money for new machinery and processes.

By far the largest component of the total cost is the 40% for employment, comprised of wages, salaries and benefits. There are only three ways in which economies can be achieved here; through paying people less, through producing the same with less people or through producing more with the same

people. In 1986 the Company paid a total of \$88 million for wages, salaries and benefits. This equates to about \$21 per hour worked, unchanged from 1985 when wages and salaries were frozen. The cost of unionized labour was close to \$20 per hour and \$23 for staff. In the context of the world marketplace these employment costs are a competitive disadvantage. Recent concessionary contracts in the U.S. mineral industry have been well publicized, but in Canada our labour/management climate has not permitted anything more drastic than wage freezes because managers have been unable to convince their workers of the necessity.

The alternative of producing the same with less people has been pursued effectively by the Company in recent years. Through attrition, early retirements and voluntary severances, the total work force declined by a further 165 or 7½% in 1986. Total employment of 2,093 now compares to 2,404 four years ago. This practise of trimming back while maintaining the same throughput must be continued for the next few years since the other option of producing more with the same number of people is not workable in view of production constraints and over supplied markets.

Reduction of total employment will not win popularity contests with Government, with local communities, with unions or with employees, some of whom have sons and daughters who have, regrettably, not yet found their first job. Over the years the Company has provided both temporary and permanent employment for many young people but it would be irresponsible to raise false hopes. The plain fact is that we all need to learn how to work smarter and do the same work with less people in order to stay competitive in today's world marketplace.

Heath Steele Mine

The Little River Joint Venture which held this mine was owned 25% by Asarco of New York and 75% by Noranda. The mineral inventory was reported in 1983 as 16 million tons grading 6.6% combined zinc/lead, 1.2% copper and 1.9 ounces of silver per ton. At then current metal prices this inventory was not economic and the mine was closed in 1983. The property still contains a number of other geologically interesting targets for exploration and its concentrator and infrastructure are well situated for potential production from nearby properties. In 1986 your Company purchased the Asarco 25% interest for a down payment and future royalties. At the same time, the Company arranged to earn a further 25% interest from Noranda through conducting a \$5 million, five year exploration program. Some initial encouragement has been encountered along the north boundary in conjunction with exploration on the adjoining Stratmat property in which a controlling interest is also being earned. Management of the Heath Steele property is carried out by Brunswick for the Joint Venture.

Health, Safety and the Environment

The improvement in the safety performance at the mining division began in mid 1985 and continued throughout 1986 with a reduction of 45% in the number of lost time injuries. The results for 1986 are at their best level since 1982.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The smelter employees continue to strive to achieve good health and safety results and were presented with the 1986 New Brunswick Mining and Metallurgical Accident Prevention Association Safety Award for having the lowest Lost Time Injury Frequency among the member companies. The fertilizer employees' safety performance, while good, was not up to the previous year's standard following a number of accidents occurring to temporary employees working on the hemi-hydrate construction project. However, the Noranda President's Award was awarded to the smelting and fertilizer division for having the lowest serious injury frequency for 1986 among Noranda Minerals mining and metallurgical operations.

Management and employees of all divisions are fully committed to the prevention of injuries, but the development of responsible Joint Health and Safety Committees and the direct involvement of senior management in accident prevention are imperative if good results are to be achieved.

There has been further improvement in the lobster fishing situation following our continuing efforts to minimize the effect of the smelting operation on the local environment. The control zone was reduced by 50% for the 1986 fishing season and there may be a further reduction in 1987.

Our employees

We are always proud of the actions of our employees and their contribution to the Company and the Communities in which they live. We are especially proud to pay tribute to three employees, Bernard Duke, Dale Furlotte and Yvan Leger who were recently awarded the Medal for Bravery by Governor General Jean Sauve. On their way home from work they rescued another employee Bernard Leblanc from his burning car.

Acknowledgements

Early in 1986 the management of the fertilizer plant was integrated with the smelter under General Manager, Mike Street. A further step in the rationalization of administration and cost reduction and to effect an improvement in employee relations was taken in November 1986 with the appointment of John Moerman as Senior Vice-President and Alan Young as Vice-President — Corporate Relations. Jim Schnarr was appointed Mine Manager.

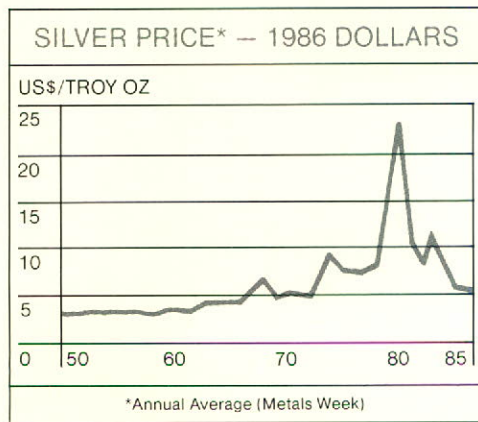
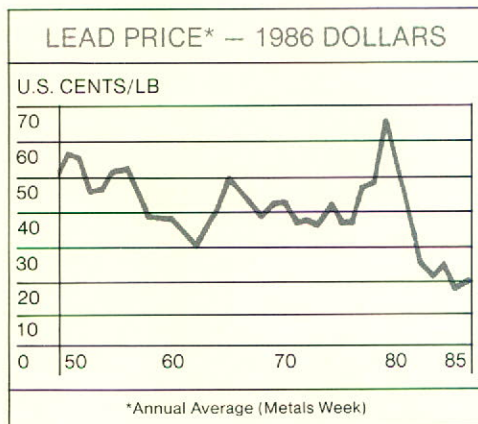
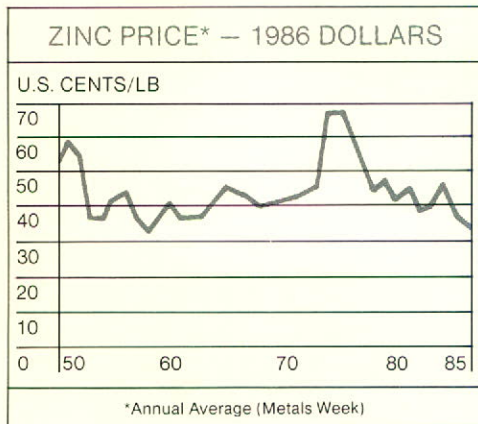
The dedicated efforts of these individuals, their staff and all employees are gratefully acknowledged.

On behalf of the Board of Directors,



J. C. White
President and
Chief Executive Officer

Toronto, Canada
February 19, 1987



General

Despite a strong performance in the automotive and housing sectors in North America, the overall pace of economic growth slowed in 1986 and demand for most base metals was little changed from the previous year. There was some further reduction in stock levels but no shortages, and prices remained generally flat, except when affected by temporary supply disruptions.

Zinc

Demand was sustained in 1986 mainly by increased usage for corrosion protection for steel in North America, which offset reduced demand in Japan. Supplies were affected by numerous disruptions including a two month stoppage at the Broken Hill mines in Australia and the five month strike at Canadian Electrolytic Zinc. Through the first ten months stocks fell and prices improved steadily by some 10¢ U.S. to levels above 40¢, but then fell back over the year-end as production returned to normal.

As for most metals, the tendency to overproduce from surplus refining capacity remains a feature of the zinc industry, while the required priority is still the creation of demand through intensified and specifically targeted product research and market development.

Lead

A high rate of automotive battery production in North America kept total demand at the same level as in 1985, while supplies of concentrate and metal tightened during the second half due to strikes and other disruptions in Australia, Canada, Peru and the United States. The resulting decline in stocks led to higher prices, which rose after the middle of the year from 17¢ to 23¢ U.S. on the London Metal Exchange and even more sharply to 28¢ in the United States.

Silver

Despite lower prices, production remained high and substantially in excess of demand. The resulting surplus caused prices to fall early in the year, but there was a partial recovery towards the year-end in sympathy with the strength exhibited by other precious metals which benefitted from strong demand from the Far East and the weaker U.S. dollar.

Fertilizers

Fertilizer markets continued to reflect the depressed state of the agricultural sector. Diammonium phosphate prices declined throughout 1986, bottoming at U.S. \$125 per metric tonne F.O.B. the Florida Gulf. Large volumes were committed at these low prices which then responded to the tighter supply conditions. The longer term outlook is for continuing surplus and weak prices.

Production		1986 Average Grades				1985
	1986	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Tonnes
	Tonnes					
Ore						
No. 12 Mine	3,408,600	8.68	3.54	0.34	101	3,311,600
Concentrates						
Zinc	413,800	50.5				421,200
Lead	206,000		32.5		467	187,900
Bulk	85,100	34.2	16.4		310	71,200
Copper	32,100			20.8	2,641	26,300

Recovery in Concentrates		Zn (%)	Pb (%)	Cu (%)	Ag (%)
Zinc		70.5			
Lead			55.6		27.9
Bulk		9.8	11.6		7.7
Copper				57.3	24.6
Total		80.3	67.2	57.3	60.2

Metals in Concentrates Produced				
	Zinc	Lead	Copper	Silver
	(tonnes)	(tonnes)	(tonnes)	(kilograms)
1986	238,000	81,000	6,700	207,700
1985	237,500	76,700	5,500	192,000

Development – No. 12 Mine			
	Drifts/Crosscuts	Raises	Diamond Drilling
1986 – (metres)	6,869	592	42,098
1985 – (metres)	7,002	541	39,929

Mineral Reserves						
(Includes allowance for dilution)						
	1986	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	1985
	Tonnes					Tonnes
	(000)					(000)
Proven	78,573	8.95	3.64	0.31	96	83,015
Probable	22,831	8.46	3.45	0.38	97	21,735
Total	101,404					104,750

Mining

Mine production was 3,408,645 tonnes, up slightly from 1985. The mine was shut down for two weeks in July because of a surplus of zinc concentrates on world markets. During this shutdown period, major maintenance work was undertaken including the replacement of a rod mill shell in the concentrator.

Early in the year, the footwall backfill system was commissioned improving the availability and cost of supplying backfill. The temporary crusher installation on 1000 level was operational, facilitating ore production on this level. A new hoisting record of 10,699 tonnes per day was established in April.

The shaft deepening and No. 4 crusher projects remain on schedule. Excavation work is expected to be complete at the end of 1987 with mechanical-electrical installations being targeted for the end of 1988. This new equipment will permit mining of the lower levels at the increased rates which will be necessary to maintain mill throughput at present levels.

Exploration

Diamond drilling at No. 12 mine continued to delineate the orebody. For the first time since the early 1970s, the drilling did not prove up more ore than was mined. Exploratory drilling at the north end and at depth have indicated few additional occurrences of lead-zinc mineralization.

Off-property exploration within New Brunswick continued for gold and base metals. In late 1986 exploration work was concentrated on the Heath Steele and Stratmat properties. The initial results are encouraging and this work will continue for the next couple of years.

No. 12 MINE SECTIONS

LEGEND



0 100 200 300 METRES

- MINED AREA AS OF DEC.31,1985
- AREA MINED IN 1986
- PROVEN LEAD ZINC ORE AS OF DEC.31,1986
- PROBABLE LEAD ZINC ORE AS OF DEC.31,1986
- INDICATED LEAD ZINC ORE OUTSIDE RESERVES
- INDICATED LOW GRADE MASSIVE SULPHIDES OUTSIDE RESERVES
- AREAS NOT MINEABLE

Concentrator

Flotation circuit changes continued throughout the year and were completed in early January 1987. The recoveries of lead, copper and silver were at or above plan for the year, but the zinc metallurgical results were below target. The changes made in the flotation circuits should have a positive effect on the zinc results in 1987.

A copper concentrate truck loading facility is under construction to reduce the costs of transporting this concentrate. Production of higher-grade lead concentrates for economic evaluation by the Smelting Division will continue in 1987.

Cost Control

Total operating costs in 1986 were 3.7% lower than the 1985 costs. A program of early retirement and voluntary severance pay reduced the workforce by 98 employees. At year end the total workforce was 1,498, which represents a decrease of 249 employees since 1982.

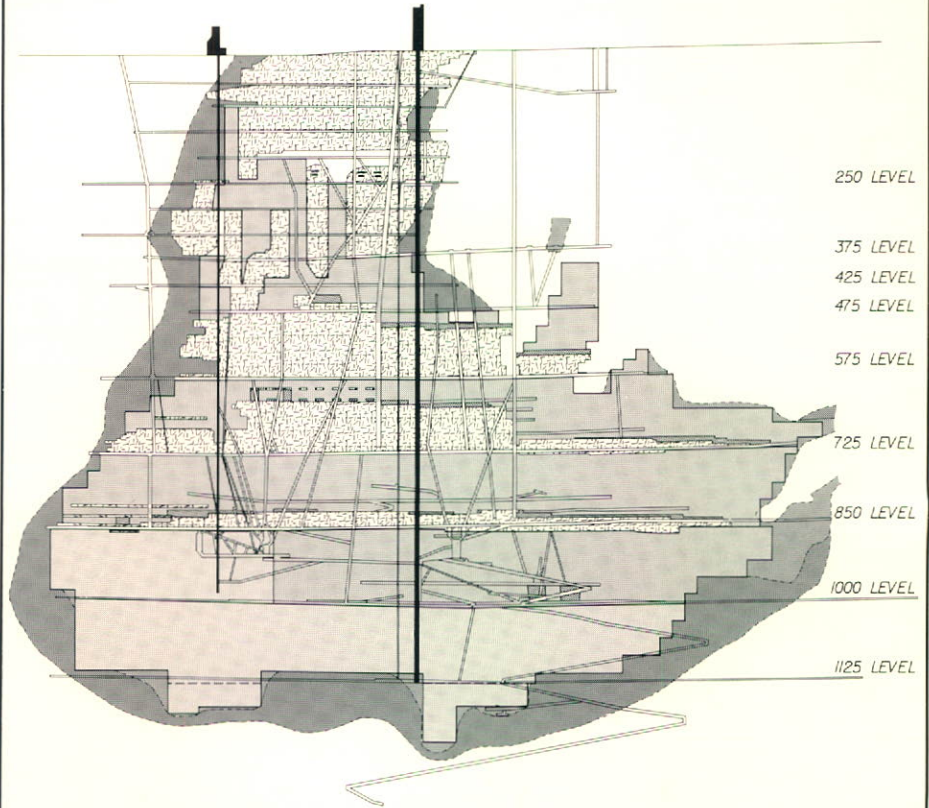
A fully integrated maintenance system is being installed to better utilize manpower and improve equipment reliability.

The employee involvement program generated a record number of ideas during 1986.

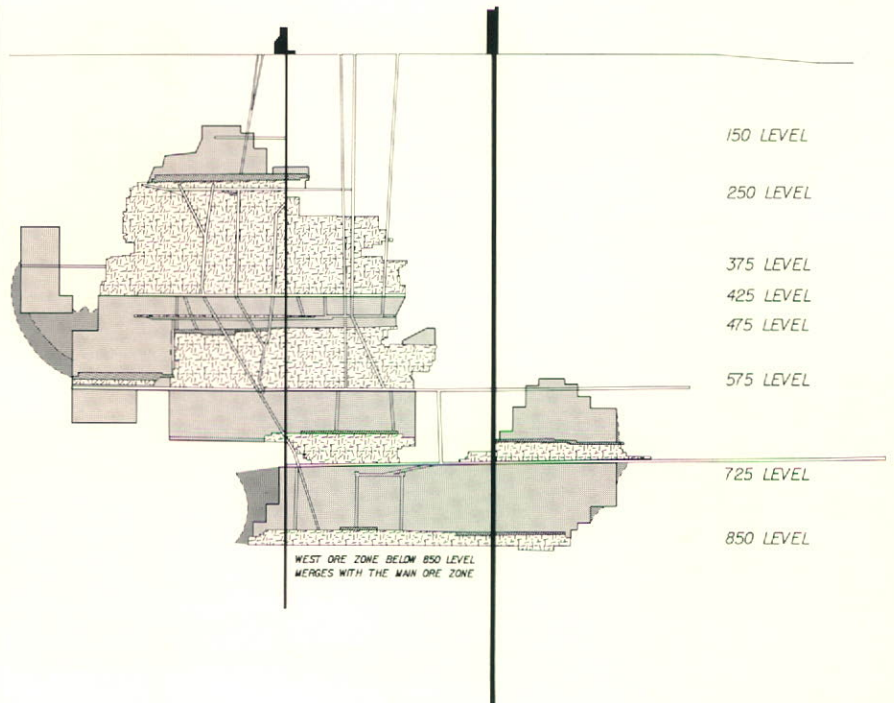
Accident Prevention

The frequency of compensable injuries was 25.8 per million manhours worked compared to 45.6 a year ago. Training of supervisory personnel continues to be a high priority.

main ore zone



west ore zone



The highlights of the year for the smelting and fertilizer division were the greatly improved performance of the smelter, the successful implementation of the hemi-hydrate process for the production of phosphoric acid, the continued reduction in operating costs and the integration of the two separate divisions to form a single cohesive operating unit.

Smelter operations were greatly improved compared to 1985 when poor metallurgical performance and three major planned shutdowns adversely affected production. There was only one major shutdown in 1986, coincident with the mining division shutdown and the increased operating time coupled with improved sinter plant and blast furnace performance resulted in planned production levels being achieved. The fertilizer plant was operated on a 5 day per week basis in order to consume the sulphuric acid produced by the smelter. Operations were shutdown for three months to carry out the modifications required for the change-over to the hemi-hydrate process. The plant was recommissioned on schedule and at below budget cost. The start up was relatively trouble free and full production rates were established rapidly — a tribute to all those associated with the engineering, construction and operation of this process.

Product markets and prices remained weak throughout the year although there was a marked improvement in lead prices at year end. All product was sold, mainly into the North American market, and inventories were reduced over the year. There was some slight reduction in raw materials cost, mainly for phosphate rock and ammonia and this, coupled with continued emphasis on cost management, improved efficiency and manpower reductions, enabled operating costs to be reduced compared to 1985. Capital expenditures were again severely restricted

		1986	1985
Smelter			
Consumption:			
(tonnes)	Mining division concentrate	188,900	180,400
	Purchased concentrate	9,200	—
	Dust and residues	16,100	12,700
	Total	214,200	193,100
Production:			
	Refined lead (tonnes)	59,000	52,700
	Silver dore (kilograms)	93,200	82,700
	Copper matte/Speiss (tonnes)	3,300	3,100
	Sulphuric acid (tonnes)	166,500	154,500
Fertilizer Plant			
Consumption:			
(tonnes)	Smelter acid	158,500	172,500
	Purchased acid	7,500	10,100
	Phosphate rock	214,800	231,800
	Ammonia	28,400	32,200
Production:			
(tonnes)	Diammonium phosphate	127,000	141,100

and, except for the hemi-hydrate project, no major projects were undertaken.

Safety performance improved and the division was awarded the President's Trophy for the lowest serious injury frequency among Noranda's Mining & Metallurgical operations. The smelter was also awarded the New Brunswick Mining & Metallurgical Accident Prevention Association Trophy for the lowest lost time accident frequency in the Province. Hygiene statistics as measured by the level of lead in blood continued to improve.

The investigation of improvements to the lead smelting process continues to receive high priority. A study of the quality of coke used in the blast furnace has indicated that major cost reductions can be achieved and tests are currently underway. The vacuum dezincing process in the lead refinery is fully operational and has reduced zinc consumption by approximately 50 percent. Other process changes in the lead refinery have further reduced costs and improved the inplant environment.

Long term plans include the investigations into the flash smelting

process for smelter modernization and the introduction of new processes to upgrade byproducts, to improve efficiency and to reduce costs.

Brunswick owns 16.7 percent of the outstanding common shares of Kerr Addison Mines Limited. Dividends from this investment totalled \$1.7 million in 1986 or 60 cents per share as in 1985.

Kerr Addison's net income for 1986 was \$5.1 million, or 30 cents per share, compared to earnings of 14 cents per share in the previous year. The principal reason for this increase was a gain of \$5.6 million on the sale of investments during 1986. Operating profits were adversely affected by a five month strike at the Canadian Electrolytic Zinc Refinery. Gold production from the Kerr Addison mine was 43,400 ounces, down about 10 percent from 1985 due to the lower grade of ore milled. Despite lower product prices and declines in natural gas sales, the oil and gas sector earnings increased in 1986 because of increased volumes of natural gas liquids from Canadian Hunter's new production facilities and reduced P.G.R.T. taxes and royalties.

In 1986 Kerr Addison purchased 49.3 percent of the issued common shares of Corporation Falconbridge Copper (C.F.C.) for an aggregate cash consideration of \$120.4 million. C.F.C. has two operating divisions in the Chapais, Quebec region: the Lac Shortt gold mine (94.2% owned) and the 100% owned Opemiska gold/copper mines. Two other mines are under active development by C.F.C. at Noranda, Quebec, the Lac Dufault Division's Ansil deposit, expected to produce 1,400 tons per day of 7 percent copper ore commencing in early 1989 and the 80% owned Winston Lake orebody near Schreiber, Ontario scheduled to produce, by early 1988, 1,000 tonnes per day of ore grading 16 percent zinc, 1 percent copper and some precious metals. C.F.C. reported net income of \$4.7 million in 1986 on production of 107,000 ounces of gold.

Kerr Addison's cash flow from operations and investments was \$20.3 million in 1986. Long-term debt increased to \$50 million while cash

and short-term investments increased to \$74.3 million by year end as a result of the purchase of C.F.C. and the consolidation of accounts effective September 1st, 1986. Capital expenditures totalled \$20.4 million.

In the British Columbia portion of the Deep Basin Region, Canadian Hunter completed 16 successful wells out of 18 in a major exploration program financed by partner Standard Oil Production Company. The partners have a 900,000 gross acre land position in this significant extension of the Elmworth natural gas field.

Anderson Exploration is proceeding with construction of a \$15.7 million deep-cut plant to recover propane and liquids at the Dunvegan natural gas field. Anderson's interest in the project is 47.5% which at present nomination rates should increase its daily natural gas liquids production by 1,100 barrels.

The substantial decline in world oil prices during 1986 has effected fundamental changes in the Canadian oil and gas industry. Lower land prices and reduced drilling and operating costs have improved the quality of exploration plays. In addition, favourable changes in the tax and royalty structures of the Canadian industry have substantially increased the economics of finding new reserves. Both Canadian Hunter and Anderson Exploration should do well in this environment.

The current strength in gold markets which began in the second half of 1986 will be particularly beneficial to Kerr Addison, which now controls annual production of 150,000 ounces. In addition, the two new base metal mines coming into production in the next two years will expand and diversify Kerr Addison's mine operation base. The acquisition of C.F.C. has not changed Kerr Addison's strong financial position.

Revenues

Revenues for the year 1986 were 9% above those earned in 1985, due entirely to the inclusion of twelve months of fertilizer revenues in 1986 versus only six months in 1985. Zinc revenues declined for the third year in a row, as market prices fell 20% during the three year period.

Silver revenues derived from the Company's mine were down for the fourth straight year due to weak markets. Lead revenues improved substantially in 1986, the result of improved operations and higher market prices. The Canadian dollar's continuing discount position with respect to the already weak U.S. Dollar also contributed positively to revenues during 1986.

Production Costs

After allowing for the additional six months of fertilizer operations in 1986, production costs at the mine division and at the smelting and fertilizer division were approximately the same as those for 1985, notwithstanding the higher production at both divisions. Unit costs at all three operations were lower than those for 1985, with improvements of 4% at the mine, 12% at the smelter, and 2% at the fertilizer plant.

Taxes

The pre-tax loss for the year 1986 results in the recognition of taxes recoverable in the future of approximately \$13.5 million.

The New Brunswick Mining Tax Royalty of \$1.4 million is a revenue-based, ad valorem tax and represents a current cash outlay for the Company, regardless of profitability.

Bank Statement

The only real difference between the Company's bank statement reproduced on the opposite page and a personal bank statement is in the size of the numbers. This statement shows the changes in the Company's cash position for the years 1986 and 1985.

Bar Chart

The bar chart on the opposite page demonstrates the contribution of the various products to total net revenues and also plots the production costs against the net revenues. Revenues and production costs for 1985 include fertilizer plant operations from July 1st to December 31st.

SUMMARY OF MARKET AND REALIZED PRICES

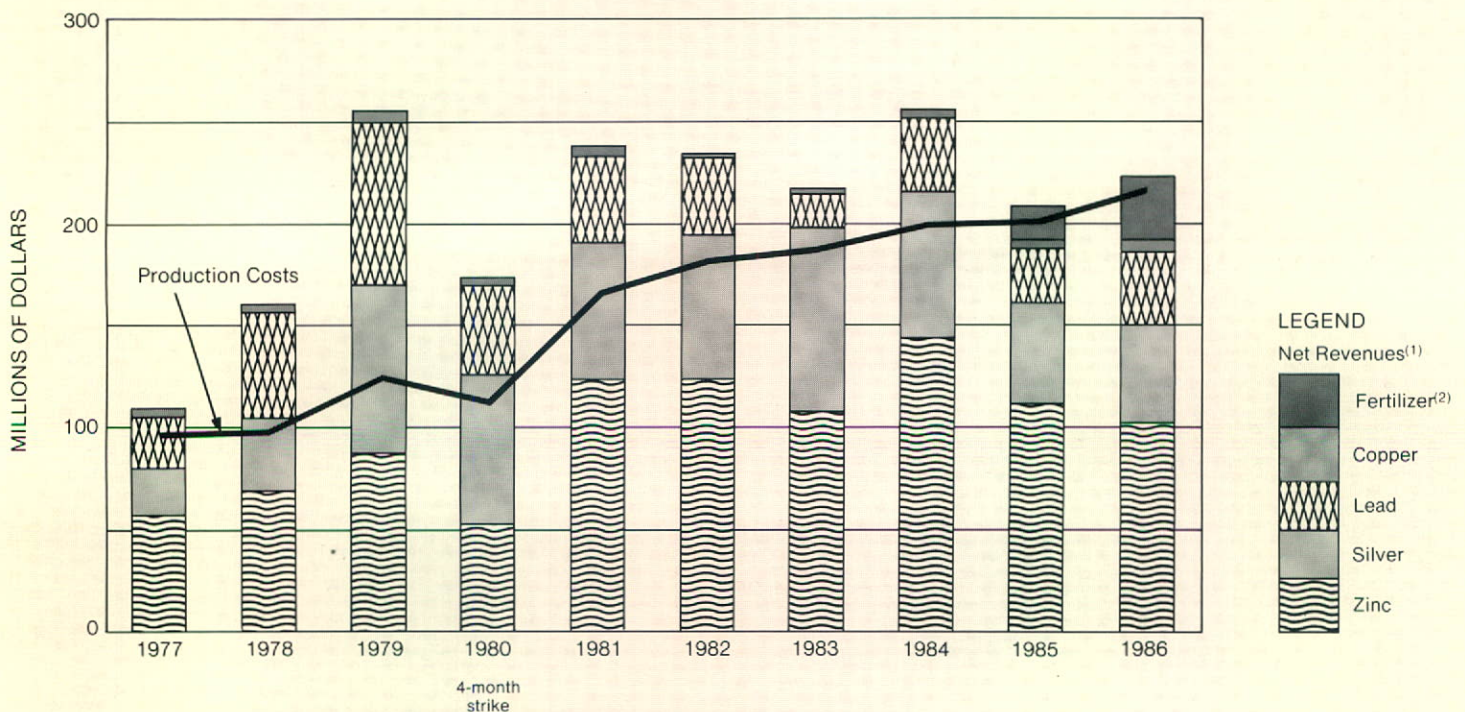
	1983	1984	1985	1986	Four Year % Change Favourable (Unfavourable)
Average market prices (U.S. funds)					
Zinc — \$/tonne (overseas producer price)	825.	1001.	848.	801.	(3)
— ¢/lb. (equivalent of above)	37.4	45.4	38.5	36.3	(3)
Silver — \$/oz.	11.15	8.14	6.14	5.47	(51)
Lead — ¢/lb.	22.1	26.0	19.2	21.9	(1)
Exchange rate (\$ U.S.= \$ Cdn.)	1.23	1.29	1.36	1.39	13
Net realized prices (Cdn. funds):					
Zinc (contained in concentrate) — ¢/lb.	25.9	26.6	22.7	21.2	(18)
Silver — \$/oz.	13.75	10.5	8.35	7.43	(46)
Lead — ¢/lb.	21.3	26.6	22.0	25.4	19

BANK STATEMENT

Date	Item	1986 Deposit (Withdrawal)	1985 Deposit (Withdrawal)
Jan. 1st	Balance	\$ (37,614,000 00)	\$ 3,733,000 00
	Proceeds from sale of mine and smelter products*	232,859,000 00	216,346,000 00
	Dividends received from associated companies	3,035,000 00	3,039,000 00
	Paid out for:*		
	wages, salaries and benefits	(87,914,000 00)	(87,003,000 00)
	supplies	(74,998,000 00)	(65,419,000 00)
	energy	(37,756,000 00)	(38,473,000 00)
	transportation and outside treatment costs	(23,657,000 00)	(23,543,000 00)
	other services and costs	(7,656,000 00)	(11,363,000 00)
	Paid to reduce debt	(2,393,000 00)	(2,163,000 00)
	Paid interest on debt	(6,035,000 00)	(2,905,000 00)
	Paid for new machinery and equipment	(11,719,000 00)	(19,991,000 00)
	Paid for deferred development	(3,697,000 00)	(908,000 00)
	Paid to federal, provincial and local governments for taxes	(3,477,000 00)	(3,374,000 00)
	Received from sale of shares to employees	43,000 00	21,000 00
	Paid dividends		(5,611,000 00)
Dec. 31st	Balance	\$ (60,979,000 00)	\$ (37,614,000 00)

* 1985 amounts, include only six months of fertilizer operations

HISTORICAL SUMMARY OF NET REVENUES AND PRODUCTION COSTS



(1) Net of cost of purchased lead concentrates and residues. (2) Fertilizer plant purchased June 30, 1985.

Balance Sheet December 31

BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

*(Incorporated under the
laws of New Brunswick)*

Assets

	1986	1985
	(in thousands)	
<i>Current:</i>		
Cash and short-term notes	\$ 32	\$ 2,183
Investments in associated companies (note 2)	9,786	9,786
Accounts and settlements receivable –		
Parent and affiliated companies	7,918	6,545
Other trade	31,888	28,684
Inventories of mine and smelter products, at estimated net realizable value	30,861	19,368
Materials, supplies and prepaid expenses	19,548	17,091
	100,033	83,657
 <i>Investments in associated companies (note 2)</i>	65,011	65,011
 <i>Fixed, at cost:</i>		
Buildings, machinery and equipment –		
Mine	224,905	216,963
Smelter	105,231	105,309
Fertilizer plant	9,145	5,936
	339,281	328,208
Less accumulated depreciation	195,113	181,252
	144,168	146,956
 Mining properties, at cost less amortization, and land	2,078	2,038
	146,246	148,994
 <i>Other assets (note 3)</i>	48,076	47,858
	\$359,366	\$345,520

On behalf of the Board:


J. C. White, Director


G. Kerlin, Director

(See accompanying notes)

Liabilities and Shareholders' Equity

	1986	1985
	(in thousands)	
<i>Current:</i>		
Bank advances	\$ 61,011	\$ 39,797
Debt due within one year (note 4)	967	2,319
Accounts payable and accrued liabilities –		
Parent and affiliated companies	7,993	1,214
Other trade	29,605	21,594
Taxes	2,177	1,001
	<u>101,753</u>	<u>65,925</u>
 <i>Deferred investment tax credits (note 1(f))</i>	 <u>3,580</u>	 <u>3,601</u>
 <i>Taxes provided not currently payable</i>	 <u>52,000</u>	 <u>66,077</u>
 <i>Long-term debt (note 4)</i>	 <u>15,658</u>	 <u>16,699</u>
 <i>Shareholders' equity:</i>		
Capital stock (notes 5 and 6)	98,933	98,890
Retained earnings	87,442	94,328
	<u>186,375</u>	<u>193,218</u>
	 <u>\$359,366</u>	 <u>\$345,520</u>

AUDITORS' REPORT

To the Shareholders of
Brunswick Mining and Smelting
Corporation Limited:

We have examined the balance sheet of Brunswick Mining and Smelting Corporation Limited as at December 31, 1986 and the statements of earnings and retained earnings and cash flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 19, 1987.

Clarkson Gordon
Chartered Accountants

**BRUNSWICK
MINING AND
SMELTING
CORPORATION
LIMITED**

*(Incorporated under the
laws of New Brunswick)*

**Statements of Earnings and Retained Earnings
for the Years ended December 31**

Earnings	1986	1985
	(in thousands)	
<i>Revenue from mine and smelter products, net</i>	\$225,272	\$207,424
<i>Expenses:</i>		
Production costs	216,899	200,575
Purchased lead concentrates	3,233	
Depreciation and amortization	16,768	16,786
	236,900	217,361
Operating loss	(11,628)	(9,937)
Dividends from associated companies	3,035	3,039
Interest on long-term debt (note 4)	(2,025)	(1,902)
Short-term interest, net	(4,010)	(1,003)
Exploration expenditures written off (note 3)	(4,346)	(3,522)
<i>Earnings (loss) before taxes</i>	(18,974)	(13,325)
<i>Taxes:</i>		
On income (note 7)	(11,560)	(6,529)
On production	(1,939)	(2,749)
New Brunswick mining tax royalty	1,411	1,529
	(12,088)	(7,749)
<i>Net earnings (loss)</i>	\$ (6,886)	\$ (5,576)
<i>Net earnings (loss) per share</i>	\$(0.20)	\$(0.16)

Retained earnings

Balance, beginning of year	\$ 94,328	\$106,870
Net earnings (loss)	(6,886)	(5,576)
Dividends:		
1985 — \$0.20 per share		
Cash		(5,611)
Stock		(1,355)
Balance, end of year	\$ 87,442	\$ 94,328

(See accompanying notes)

Cash Flow Statement for the Years ended December 31

	1986	1985
	(in thousands)	
Cash from (used in) operations:		
Net earnings (loss)	\$ (6,886)	\$ (5,576)
Add non-cash deductions –		
Depreciation and amortization	16,768	16,786
Taxes recoverable	(14,077)	(7,935)
Exploration expenditures – oil and gas (note 3)	2,290	
Change in operating working capital –		
Accounts receivable	(2,846)	(151)
Inventories, materials and prepaid expenses	(15,681)	(7,582)
Accounts payable and accrued liabilities	15,966	(8,236)
	<u>(4,466)</u>	<u>(12,694)</u>
Cash from (used for) investment activities:		
Additions to fixed assets, net	(11,698)	(23,822)
Deferred investment tax credits	(21)	3,831
Deferred development expenditures	(3,697)	(908)
Deferred employment costs	(1,133)	
	<u>(16,549)</u>	<u>(20,899)</u>
Cash flow before financing activities	<u>(21,015)</u>	<u>(33,593)</u>
Cash from (used for) financing activities:		
Repayment of long-term debt	(2,393)	(2,163)
Issue of common shares	43	1,375
Dividends		(6,966)
	<u>(2,350)</u>	<u>(7,754)</u>
Cash and short-term notes, less bank advances:		
Increase (decrease)	(23,365)	(41,347)
Beginning of year	\$ (37,614)	3,733
End of year	<u>\$ (60,979)</u>	<u>\$ (37,614)</u>

(See accompanying notes)

Notes to Financial Statements

December 31, 1986

1. Accounting policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies are set out below.

(a) **Inventories —**

Inventories of mine and smelter products are valued at estimated net realizable value. Fertilizer inventories are included with smelter products. Materials and supplies are valued at the lower of cost or replacement cost.

(b) **Investments in associated companies —**

Investments in associated companies are accounted for by the cost method.

(c) **Fixed assets —**

Fixed assets are valued at cost. Depreciation and amortization are provided primarily on a straight-line basis using rates that will charge operations with the cost of these assets over their estimated useful lives. Rates in use are as follows:

Buildings and fixed machinery and equipment	4.5%
Mobile equipment	12.5%
Tailing dams and equipment	6.5%
Housing	4.5% - 5.0%
Mining properties	4.0%

(d) **Deferred development expenditures —**

Development expenditures are deferred until the appropriate area of the mine comes into service, and then are amortized on a straight-line basis over 25 years.

(e) **Exploration expenditures —**

Oil, gas and mineral exploration expenditures are charged against earnings unless they relate to properties from which a productive result is reasonably certain or on which work is in progress, in which cases they are deferred. At the time of evaluation, deferred costs associated with unsuccessful exploration efforts are charged against earnings. Deferred costs associated with successful efforts (proven recoverable reserves) will be amortized on the unit-of-production method.

(f) **Taxes —**

The company provides for income and production taxes by the tax allocation method. Under this method, timing differences between reported and taxable income (related primarily to claiming capital cost allowances and deferred development expenses for tax purposes in excess of amounts written off in the accounts) result in the provision for taxes which are not currently payable.

In 1985 the company adopted on a prospective basis the recommendations of the CICA Handbook whereby investment tax credits are recorded as deferred credits when there is reasonable assurance that such credits

will be realized. The credits are then amortized on a straight-line basis over the estimated lives of the related assets. This policy change has resulted in the recognition and deferral of \$3,580,000 of investment tax credits as at December 31, 1986. Approximately \$14,100,000 of investment tax credits remain unrecognized at December 31, 1986.

(g) **Revenue —**

Mine and smelter products are included in inventories and revenue when they reach saleable forms at estimated net realizable values. Fertilizer revenues are included with smelter products.

(h) **Interest expense —**

Interest on borrowings associated with major construction projects is capitalized during the construction period. Discounts on bonds repurchased are deducted from interest on long-term debt.

(i) **Translation of foreign currencies —**

Accounts receivable or payable in foreign currencies are translated into Canadian dollars at the rate of exchange on the balance sheet date. Foreign exchange gains and losses are included in income.

2. Investments in associated companies

The investments consist of the following:

	Cost	Quoted market value	
	December 31, 1986 and December 31, 1985	December 31, 1986	December 31, 1985
		(in thousands)	
362,438 Convertible Preferred shares of Brascade Resources Inc.	\$ 9,786	\$14,679	\$14,226
2,890,390 Common shares of Kerr Addison Mines Limited	65,011	44,440	44,801
	<u>\$74,797</u>	<u>\$59,119</u>	<u>\$59,027</u>

The Brascade and Kerr Addison shares have been pledged as collateral for the company's bank indebtedness. The Brascade shares are retractable at September 30, 1987 for \$40 cash or convertible to Brascade common shares on a one-for-one basis.

The company's shareholding in Kerr Addison represents a 16.7% interest in that company. This investment is being accounted for by the cost method and because of its significance to the company, the following summarized financial information of Kerr Addison as at, and for the years ended, December 31, 1986 and 1985 is presented:

Financial position — December 31	1986	1985	(in thousands)	
Assets:				
Current	\$113,374	\$ 58,808		
Investments in associated companies (note a)	208,037	251,805		
Mining and smelting properties	128,475	10,989		
Gas and oil properties	68,242	67,050		
	\$518,128	<u>\$388,652</u>		
Liabilities:				
Current	\$ 22,356	\$ 11,777		
Deferred taxes and other	46,843	35,702		
Long-term debt	50,000	5,000		
Minority interest in Corporation Falconbridge Copper	67,782			
	186,981	52,479		
Shareholders' equity	331,147	336,173		
	\$518,128	<u>\$388,652</u>		
Results of operations —				
Year ended December 31				
Earnings from operations	\$ 1,049	\$ 4,447		
Loss from associated company	(587)	(2,225)		
Minority interest in Corporation Falconbridge Copper	(936)			
Special items	5,583	236		
Net income	\$ 5,109	\$ 2,458		
Net income per share	\$0.30	<u>\$0.14</u>		

Note (a) The investments consist of 7,961,281 common shares of Noranda Inc. (5.5% of Noranda's issued common shares) and 1,125,993 common shares of Anderson Exploration Ltd. (32.6% of Anderson's issued common shares).

(b) On August 27, 1986, the company acquired 49.3% of the outstanding common shares of Corporation Falconbridge Copper from Falconbridge Limited for cash of \$120,119,000. The acquisition has been accounted for using the purchase method and, accordingly, the company's share of the operations of CFC have been consolidated from that date. The excess of the cost of the shares over net book value at acquisition date has been assigned to mining properties in production and under development.

A summary of net assets acquired and values assigned thereto based on their fair market values at date of acquisition is as follows:

(in thousands)	
Assets acquired:	
Cash	\$ 76,328
Working capital	13,531
Producing properties	34,383
Properties under development	72,113
	<u>196,355</u>
Less liabilities:	
Deferred income taxes	(8,544)
Minority interest	(67,692)
Total purchase price	<u>\$120,119</u>

3. Other assets

	As at December 31	
	1986	1985
(in thousands)		
Deferred development expenditures, at cost less amortization	\$46,706	\$45,291
Bond issue expense, at cost less amortization	237	277
Interest in frontier area oil and gas drilling programs		2,290
Deferred employment costs	1,133	
	\$48,076	<u>\$47,858</u>

During the year, the company wrote down the value of its interest in frontier area oil and gas drilling programs to one dollar. This writedown of \$2,290,000 before tax (\$1,500,000 after tax) was included in "Exploration expenditures written off" in the Statement of Earnings.

4. Long-term debt

	Outstanding as at December 31	
	1986	1985
(in thousands)		
11% General Mortgage Sinking Fund Bonds, Series B, due December 1, 1996	\$15,658	\$15,699
7.25% General Mortgage Sinking Fund Bonds, Series A, due August 15, 1987	967	2,267
5.85% First Mortgage Sinking Fund Bonds, Series A, due April 1, 1986		1,052
	16,625	19,018
Less amount due within one year	967	2,319
	\$15,658	<u>\$16,699</u>

Remaining long-term debt maturities and sinking fund requirements are:

1988	—	Nil
1989	—	Nil
1990	—	\$ 1,833
Subsequent years	—	13,825

Bonds in the amount of \$2,393,000 were repurchased during the year.

5. Capital stock —

(a) Authorized capital —
The authorized capital consists of an unlimited number of common shares of no par value.

(b) Issued capital —
The issued capital stock is summarized below:

	1986	1985
Shares issued at beginning of year	34,892,719	34,798,119
Issued under stock option plan (note 5(c))	6,400	3,200
Stock dividends		91,400
Shares issued at end of year	<u>34,899,119</u>	<u>34,892,719</u>

(c) Stock option plan —
In 1986, 6,400 shares in the company's capital stock were issued under the company's stock option plan for \$40,582. At December 31, 1986, 604,160 common shares had been set aside to cover employees' stock options, of which the following were outstanding:

Year granted	No. of shares	Normal expiry date	Option price per share
1979	9,510	Feb. 21, 1989	\$ 6.76
1979	7,100	May 16, 1989	6.11
1984	383,350	Oct. 24, 1994	16.64
1986	204,200	Oct. 22, 1996	13.50
	<u>604,160</u>		

6. Contributed surplus

During the year changes in corporate legislation in New Brunswick eliminated the concept of par value shares. As the company has continued under the new legislation, the contributed surplus of \$63,997,000 as at December 31, 1985 which arose previously on the issue of par value shares has been included in the capital stock account.

7. Income taxes

(a) Explanation of variations from the basic income tax rate —
The company's provision for income taxes is made up as follows:

	1986	1985
	(in thousands)	
Tax recovery based on combined Federal and New Brunswick rate of 51% (51% in 1985)	\$ (9,677)	\$ (6,795)
Increase (decrease) in taxes resulting from:		
Non-taxable dividends	(1,548)	(1,550)
Miscellaneous	(335)	1,928
Inventory allowance		(112)
Actual income tax recovery	<u>\$(11,560)</u>	<u>\$ (6,529)</u>

8. Related party transactions

During the year, the company had business transactions with its parent company, Noranda Inc., and with certain of Noranda's affiliates. Transactions related to the purchase, sale and processing of mine and smelter products (including applicable purchase and sales commissions) were effected at rates set out in various contractual agreements between the parties, such agreements being similar to those commonly used in the industry. Purchases of operating supplies were at normal market prices. Charges for management, data processing, research, exploration and other services were at rates which approximated the actual cost of providing the services. Interest charges and revenues arising from the company's participation with Noranda and associated companies in a short-term investment pool were at market rates.

Details of 1986 and 1985 transactions are as follows:

	1986	1985
	(in thousands)	
Purchase of concentrates and residues	\$ 213	\$ 188
Sales of products	32,724	68,880
Smelting and refining tolls	984	917
Commissions	759	901
Purchases of operating supplies	5,379	5,917
Charges for services	4,243	5,036

The company purchased the assets of Belledune Fertilizer for \$5.3 million, plus working capital, from Noranda Inc. at June 30, 1985.

At December 31, 1986 and 1985, the amounts indicated on the accompanying balance sheet as receivable from and payable to parent and affiliated companies result from the above transactions, and are current and normal under the terms of the various agreements.

9. Segmented information and export sales

The company conducts mining and metallurgical operations and its plant facilities are all located in the Province of New Brunswick. Export sales amounted to \$134,303,000 in 1986 and \$105,195,000 in 1985.

10. Pension plans

A surplus of \$4.1 million remained in the company's salaried employee pension plan as at December 31, 1985, the date of the last independent actuarial calculation.

The Operational Employees Pension Plan, covering hourly employees of the company, had a surplus of \$0.3 million as at December 31, 1985, the date of the last independent actuarial calculation.

11. Capital expenditures

1987 capital expenditures are expected to be \$25 million.

12. Little River Joint venture

The company purchased a 25% interest in the assets of the Little River Joint venture ("Little River") from ASARCO Incorporated, effective June 30, 1986. The assets acquired included buildings, machinery and equipment, mining properties and deferred costs for which the consideration was \$1,633,000.

Also during the year the company entered into an agreement with Heath Steele Mines Limited, an affiliate, which provides that the company can increase its interest in Little River to 50% by spending \$5.5 million on the properties over the next five years.

13. Comparative figures

Certain of the prior year's accounts have been reclassified to conform with the presentation adopted in 1986.

TEN YEAR FINANCIAL SUMMARY

The summary on the opposite page gives highlights of the Company's financial record during the last ten years.

Distribution of Revenue

This table analyses the earnings statement by type of expenditure. The revenues are the result of production volumes, which the Company can usually control, and international metal prices and foreign exchange rates, over which the Company has no control. Net earnings are what is left over after obligations to employees, suppliers, lenders and governments have been satisfied and after a charge has been made to recover the original cost of productive assets spread over their useful lives. Revenues and net earnings are volatile from year to year as metal markets are traditionally cyclical in nature.

Financial Position

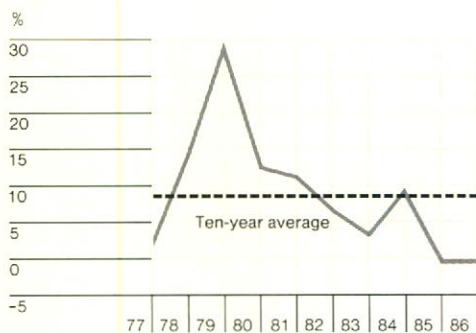
Net assets represent the permanent investment in the business on which a return must be earned. After increasing steadily from 1977 to 1980, the Company's capital base has remained around the \$300 million mark for the last seven years. New investment has exceeded depreciation in all years except 1983 and 1986 but the effects of this have been offset by lower operating working capital resulting from reduced inventory quantities, and by the write-off in 1983 and 1984 of the zinc reduction plant preliminary costs totalling \$10 million. In addition, following completion of the mine expansion project, the Company's financial position strengthened to the point that it was able to pay out a greater proportion of its earnings as dividends. The dividend pay out for the period 1980-1984 was 71% of earnings, compared with only 36% in the previous five year period. The weakness in zinc markets since mid-1985 has resulted in the suspension of dividends, cutbacks in capital investment and operations, and the losses incurred for the last two years.

Cash Flow

The table opposite presents the numbers from the Cash Flow Statement in summarized form. The Operations category indicates the net cash generated (consumed) by on-going operating activities, including changes to operating working capital. Cash redeployed in the business for future return is categorized under Investment activities. Financing activities include cash received from (paid to) shareholders and lenders. Net cash flow reflects the net increase (decrease) in Cash and short-term notes, less bank advances.

Rate of Return on Net Assets

This percentage is a key measurement of performance since it relates the earnings to the capital invested and since it can be compared with returns in other businesses. As with revenues and earnings, the rate of return is volatile and cyclical but has averaged about 8% over the ten-year period. Better rates of return are necessary in the good years of the price cycle in order to compensate for poor or negative returns in the bad years, of which 1985 and 1986 are prime examples.



TEN YEAR FINANCIAL SUMMARY

(\$ in millions)

Distribution of Revenue	Cumulative	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Revenue from production	\$2,436.5	\$248.9	\$231.0	\$293.3	\$265.4	\$275.0	\$273.3	\$234.6	\$287.7	\$189.6	\$137.7
Wages, salaries and benefits	666.8	87.9	87.0	90.3	78.2	81.7	68.9	46.9	45.9	39.2	40.8
Energy, supplies and services	1031.6	134.3	115.3	117.6	123.7	101.0	118.1	112.8	86.8	59.7	62.3
Transportation and outside treatment costs	280.2	23.7	23.5	36.6	36.1	39.4	31.7	18.3	30.1	22.8	18.0
Depreciation and amortization	144.2	16.8	16.8	15.9	16.2	16.9	16.0	14.6	11.6	9.8	9.6
Interest expense (income)	35.9	6.0	2.9	2.4	3.7	7.4	7.4	5.3	(2.6)	1.4	2.0
Provincial sales, property and business taxes	16.7	2.1	1.8	1.8	1.9	1.9	2.1	1.4	1.5	1.1	1.1
Income and production taxes	95.1	(12.0)	(7.7)	5.1	1.0	8.7	11.0	14.6	45.4	27.8	1.2
Share of associated company results and dividends	(38.5)	(3.0)	(3.0)	(3.0)	(3.0)	1.5	(12.3)	(13.4)	(2.3)	—	—
	2,232.0	255.8	236.6	266.7	257.8	258.5	242.9	200.5	216.4	161.8	135.0
Net earnings (loss)	\$ 204.5	\$ (6.9)	\$ (5.6)	\$ 26.6	\$ 7.6	\$ 16.5	\$ 30.4	\$ 34.1	\$ 71.3	\$ 27.8	\$ 2.7

Financial Position — Year End

Net assets consisted of:											
Operating working capital		\$ 50.5	\$ 47.8	\$ 31.9	\$ 44.6	\$ 46.7	\$ 34.0	\$ 48.1	\$ 54.5	\$ 70.5	\$ 51.1
Investment in associated companies		74.8	74.8	74.8	74.8	74.8	81.3	71.9	48.3	—	—
Fixed assets (net)		146.2	149.0	139.9	134.1	138.6	133.7	122.5	111.6	102.0	104.0
Other assets (net)		48.1	47.9	49.2	54.7	59.4	50.0	61.3	44.4	42.7	39.4
		319.6	319.5	295.8	308.2	319.5	299.0	303.8	258.8	215.2	194.5
Financed by:											
Short-term debt less cash*		61.9	39.9	(2.6)	19.6	27.7	23.2	35.8	(0.7)	1.4	20.6
Long-term debt		15.7	16.7	20.0	22.1	25.5	26.6	28.2	31.8	53.3	55.7
Shareholders' equity		186.4	193.2	204.4	192.7	192.8	179.0	168.0	163.1	125.3	100.8
Taxes provided not currently payable		55.6	69.7	74.0	73.8	73.5	70.2	71.8	64.6	35.2	17.4
		\$319.6	\$319.5	\$295.8	\$308.2	\$319.5	\$299.0	\$303.8	\$258.8	\$215.2	\$194.5

*and margin deposits in 1979

Cash Flow — In (Out)

	Cumulative										
Operations	\$ 388.0	\$ (4.5)	\$ (12.7)	\$ 60.9	\$ 30.7	\$ 28.2	\$ 65.6	\$ 52.9	\$126.7	\$ 36.3	\$ 3.9
Investment activities:											
Fixed assets and development, other, net	(223.8)	(16.5)	(20.9)	(21.7)	(11.5)	(31.3)	(30.8)	(25.6)	(22.4)	(11.3)	(31.8)
Investments in associates	(58.4)					4.8		(13.2)	(50.0)		
Oil and gas expenditures	(17.3)							(16.8)	(0.5)		
	(299.5)	(16.5)	(20.9)	(21.7)	(11.5)	(26.5)	(30.8)	(55.6)	(72.9)	(11.3)	(31.8)
Financing activities:											
Long-term debt	(41.9)	(2.4)	(2.2)	(2.2)	(2.8)	(0.5)	(1.6)	(3.6)	(21.4)	(3.6)	(1.6)
Issue of shares	6.6		1.4	3.2	.1	.1	.2	.9	.7	—	—
Dividends	(126.0)		(7.0)	(18.2)	(7.8)	(5.2)	(20.7)	(31.1)	(30.9)	(3.4)	(1.7)
	(161.3)	(2.4)	(7.8)	(17.2)	(10.5)	(5.6)	(22.1)	(33.8)	(51.6)	(7.0)	(3.3)
Net Cash Flow	\$ (72.8)	\$ (23.4)	\$ (41.4)	\$ 22.0	\$ 8.7	\$ (3.9)	\$ 12.7	\$ (36.5)	\$ 2.2	\$ 18.0	\$ (31.2)

Rate of Return on Net Assets — %

Net earnings exclusive of interest income or expense (net of tax) divided by average of opening and closing net assets	Average	8.6	(1.3)	(1.2)	9.2	3.0	6.5	11.3	13.1	29.5	13.9	2.1
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Per Share Data — \$

Net earnings	(0.20)	(0.16)	0.77	0.22	0.48	0.90	1.01	2.08	0.81	0.08
Dividends		0.20	0.53	0.23	0.15	0.60	0.90	0.90	0.10	0.05
Market price range — High	15.00	17.50	24.50	22.00	14.88	18.00	18.38	11.50	5.75	6.12
— Low	11.88	11.80	13.00	13.50	6.50	11.00	9.38	5.38	2.71	3.00
Book Value — Average	5.44	5.70	5.73	5.57	5.44	5.11	4.89	4.21	3.30	2.93

Note: Data for the years 1979 and earlier have been restated to give retroactive effect to the accounting policy change made during 1980 for preproduction and deferred development expenditures.

