Annual Report 1983

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BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

(NO PERSONAL LIABILITY)

(Incorporated under the laws of New Brunswick)

noranda group

BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

(NO PERSONAL LIABILITY)

(Incorporated under the laws of New Brunswick)

Head Office: Bathurst, N.B.
Executive Office: Suite 4500,
Commerce Court West,
Toronto, Canada M5L 1B6

Annual Meeting

May 10, 1984, 2:00 p.m.,
(Atlantic Time)
in the Colonial Room at
Danny's Motel, Bathurst, N.B.

Directors

E. K. Cork, Toronto, Ont.
Gilbert Finn*, Dieppe, N.B.
J. A. Hall*, Toronto, Ont.
K. C. Hendrick*, Toronto, Ont.
J. O. Hinds, Toronto, Ont.
Gilbert Kerlin*, New York, N.Y.
James A. MacMurray, Saint John, N.B.
André Monast, Quebec, P.Q.
B. H. Morrison, Toronto, Ont.
Alfred Powis*, Toronto, Ont.
J. C. White, Toronto, Ont.

*Member of Executive Committee

Officers

J. A. Hall, President
J. C. White, Senior Vice-President — Operations
E. K. Cork, Vice-President — Finance
J. W. Moerman, Vice-President — Mining
A. Young, Vice-President — Smelting
L. J. Taylor, Secretary
B. H. Grose, Assistant Secretary
B. C. Bone, Treasurer
L. S. Tigert, Assistant Treasurer
D. H. Ford, Comptroller

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.

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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DIRECTORS' REPORT TO THE SHAREHOLDERS

The report for 1982 showed earnings of 48¢ per share, as a result of excellent operating performance and rising silver prices, in spite of the weak economy that year. It is with disappointment, therefore, that earnings of only 22¢ per share are reported for 1983, a year when the economy was improving and when the Company's main product, zinc, became the star metal performer. Disruptions to the backfill system and low productivity and equipment availability caused a decline in mine production which more than offset the increase in zinc prices during the second half.

Production of metals in concentrates was lower than 1982; zinc by 6% or 33 million pounds; lead by 10% or 20 million pounds; and silver by 730,000 ounces. However, on the positive side, there was a net increase of 1.3 million tonnes in mineral reserves after extraction of 3.4 million tonnes during 1983.

Earnings and Dividends

The decrease in net earnings to $7.6 million from $16.5 million in 1982 also reflects a write-down of $2.6 million (after tax) in the book value of expenditures for the cancelled zinc reduction plant.

Three dividends of 7½¢ per share were paid, compared to two dividends of the same amount in 1982.

Financial Position

Bank borrowings were reduced by $8.7 million during 1983 to $18.3 million at year end as inventories of metals and concentrates returned to more normal levels and capital expenditures were held down to $11.5 million. Zinc concentrate inventory dropped more than 35,000 tonnes to 34,400 tonnes at December 31, 1983. Cash flow from mining and smelting operations was augmented by $3.0 million in dividends from the Company's investments in Kerr Addison Mines Limited and Brascade Resources Inc. Working capital increased further to $25.0 million.

Long-term debt was reduced to $22.1 million, bringing total indebtedness down to $41.7 million. Brunswick's balance sheet remains in a very strong position.

Investments

Dividends from investments contributed 40% of net earnings in 1983.

In the separate report which follows, more information has been provided this year on Kerr Addison's operating results and outlook so that shareholders can better judge the merits of this investment to Brunswick.

Brascade Resources has diversified and been strengthened by gaining control of Westmin Resources Limited.

Metal Markets and Prices

The recession of 1982 was the worst in 50 years. However, 1983 witnessed a strong consumer-led expansion in the United States with a modest improvement in other industrialized areas. Unfortunately, many resource-based products were insulated from the recovery by the heavy inventories which had accumulated during the down cycle and prices were generally lower at the end of 1983 than at the beginning. Zinc and aluminum were the exceptions, due to production cut-backs.

With the expectation that the rate of economic improvement will be slowing in 1984, major price recovery is not expected for those metals, like lead and copper, that are still in depressed circumstances. The closely balanced market for zinc should permit some further, moderate price increases this year.

The Zinc Business

Zinc is Brunswick's principal product, accounting for about 50% of revenue. It is the world's third most widely-used non-ferrous metal, after aluminum and copper. Approximately 80% of its consumption enters the steel, automobile and construction industries. Galvanizing accounts for 45% of its use, followed by die casting, 21%, and brass, 16%. The use of zinc for trim and hardware on cars was seriously hurt through down-sizing and weight reduction caused by the oil crises in the 1970's. For example, the use of die-cast zinc per intermediate-sized car was estimated at 47 pounds in 1977 and only 23 pounds in 1982. Now there are signs that this reduction has levelled off with new alloys preventing further erosion in usage. In addition, consumer demand for longer lasting products has extended the use of galvanized steel.

Zinc consumption in the United States recovered dramatically in 1983, increasing 14% to 920,000 tons, but it was still well below the peak of 1.5 million tons ten years ago. Total Free World consumption last year is estimated at 4.5 million tons, up 6% from 1982. Forecasts for the balance of the 80's predict 4% growth in 1984 levelling off to 2% annually thereafter; resulting in estimated consumption of 5.1 million tons by 1990.

Brunswick was fortunate that the zinc market was in close balance following the recession and prices were able to rise in response to increasing demand when the recovery finally commenced. This was not the case for copper, despite cutbacks in North America, due, in part, to increased production in some Third World countries. As a result, high inventories continue to overhang the market. Similarly, lead prices remain weak as many producers have been slow to reduce production because of the value of the silver content in their lead concentrates.

For many years, the zinc industry has been marked by a surplus of smelting capacity. The resultant unprofitability led to a European rationalization scheme involving the closure of one or two smelters. When the market improved last year, the scheme was abandoned. In addition, there are new plants and capacity increases proposed in various countries which will keep pace with the anticipated moderate growth in demand. Thus, it is expected that smelting capacity will remain in surplus with close to 6.0 million tons capacity by 1990.

Zinc Reduction Plant

The outlook for market conditions during the balance of the 1980's has changed since the zinc reduction plant was first proposed prior to the 1981-82 recession. After careful study of all the factors, the Company decided not to proceed in the foreseeable future and, consequently, preliminary costs amounting to $4.5 million were written-off in 1983. Subsequent write-offs of the remaining $5.5 million will be taken before the end of 1987 as warranted by market conditions, technological change and site deterioration.

Production and Productivity

The average milling rate for 1983, the second year of expanded 10,000 tonnes per day capacity, was a disappointing 9,422 tonnes per day, including a small tonnage of purchased ore, compared to 9,955 in 1982. Some of the problems encountered with the backfill system should not recur now that there are back-up facilities available. Hopefully other production losses caused by equipment failures have also been eliminated, but there still remains the difficult task of setting and achieving better productivity targets.

Like the rest of the mining industry, Brunswick sells its products in a world marketplace where over-capacity is not uncommon and where production costs on the one hand are determined by domestic factors while prices on the other hand are set by international competitive forces of supply and demand. Brunswick has a large, high-grade ore body with the highest zinc production in the world; but labour, power and other costs are also among the highest, especially since the devaluations of some of our competitors' currencies. The efficient extraction of minerals from Brunswick's complex ore is difficult and the mining method chosen to maximize ore recovery and minimize dilution is one of the more expensive methods. Therefore, achievement of an adequate return on investment is a challenge requiring continuing efforts to improve efficiency and reduce operating costs.

To this end, the Company will be spending close to $40 million over the next few years to upgrade and modernize the flotation and dewatering sections of the concentrator. An additional $15 million will be spent on mine equipment and the extension of mining below the present 850 metre level. The smelter at Belledune has embarked upon an investigation of alternative, more cost-effective methods of treating lead concentrates. But all of these measures will have little effect if, at the same time, improvements are not achieved in the utilization of our people resources.

A good start was made when new Union contracts were reached in 1983 at both mine and smelter without any loss of time. In the light of earlier agreements, the terms seemed modest, with no increase for six months, then 6% followed by 5% twelve months later. But even these increases cannot be justified unless corresponding increases can be achieved in productivity.

The Brunswick lead smelter has long been an example of good employee relationships with its exemplary safety and hygiene record, but it is also high cost, so new steps are being taken to better control expenses. At the mine, after some initial success with a Gains Sharing Program, whereby employees participate monetarily in cost and production gains, the employees' representatives withdrew their support over job-security issues in 1983 and productivity suffered notably. However, this program now seems to be back on track, so significant improvements in mine productivity and costs are anticipated.

The economic outlook for 1984 is for continued moderate growth with good prospects for zinc that will be dulled by weak though improving copper and lead markets. The prospects for silver are very unpredictable and much depends on inflationary expectations in the United States. In the face of this uncertainty, all concerned should realize that prosperity must be earned by working together.

Acknowledgements

Due to a very heavy workload, Mr. Adam H. Zimmerman resigned as a director of the Company. However, in his position as President and Chief Operating Officer of Noranda Mines Limited, his helpful advice and counsel will continue to be available. Mr. John C. White, Group Vice-President of Noranda Mines Limited, was appointed a Director and Senior Vice-President — Operations of the Company.

The Directors wish to extend their thanks to Vice-Presidents John Moerman, of the mine, and Alan Young, of the smelter, and all their employees for their continuing efforts in these still difficult and uncertain times.

On behalf of the Board,

J. A. Hall

J. A. Hall,
President.

Toronto, Canada
February 23, 1984

Brunswick owns 2.9 million or 16.9% of the total outstanding common shares of Kerr which were acquired on November 26, 1982 as a result of the liquidation of Zinor and Frenswick. As a subsidiary of Noranda Mines Limited, Brunswick was legally unable to accept Noranda shares on liquidation, and the Kerr shares were a tax efficient and financially advantageous substitution. Kerr owns 13.3 million or 10.4% of the total outstanding common shares of Noranda, so Brunswick retained a beneficial interest in 2.2 million Noranda common shares.

Kerr's holding in Noranda represented about 50% of the $466.5 million book value of its total assets at December 31, 1983. Kerr's other assets include the following interests: 100% of the Kerr Addison gold mine; 9.8% of Canadian Electrolytic Zinc Limited (CEZ); 13% of Canadian Hunter Exploration Ltd.; 8.3% of American Hunter Exploration Ltd.; and 32.6% of the newly-acquired Anderson Exploration Ltd. Marketable securities had a quoted market value of $60.2 million at December 31, 1983.

The investment in Kerr has thus provided considerable diversification for Brunswick. In addition to retaining a broadly-based interest in the mining, manufacturing, forest products and oil and gas industries through the indirect shareholding in Noranda, the Company now has a substantial investment in gold mining and in oil/gas exploration and production activities in both Canada and the United States.

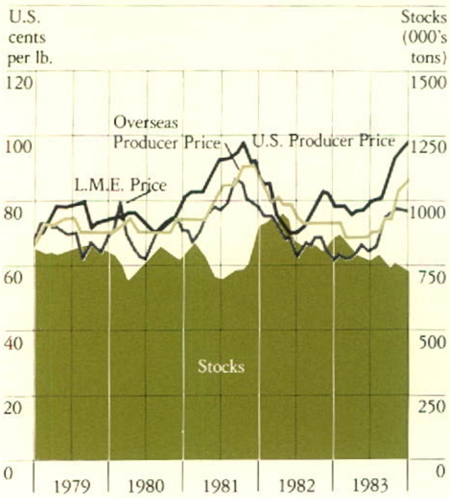
Kerr reported an increase in net income for 1983 to $16.9 million from $9.1 million in 1982. Earnings from operations and investments increased to $12.1 million from $9.6 million in 1982, primarily due to higher operating profit from CEZ, Canadian Hunter and increased investment income. The improvements were offset to some extent by lower earnings from the Kerr Addison gold mine, and higher mineral exploration expenditures and interest costs.

The report for 1983 also notes the following:

- Record production of 241,000 tons of zinc metal by CEZ;
- Successful start-up of the new CEZ roaster acid plant which doubled the commercial production of sulphuric acid to 462,000 tons per year;
- Discovery of additional economic reserves at the Kerr Addison mine resulted in a 20% net increase during the year to 928,000 tons grading 0.121 ounces of gold per ton;
- Kerr's share of Canadian Hunter's average daily gross gas sales increased 27% to 15 million cubic feet, reflecting the growth in gas reserves. Due to depressed markets, gas production represented only 47% of contract quantities during the 1982/1983 contract year;
- Participation in construction of ethane and heavy liquid extraction facilities at both the Elmworth and Wapiti gas plants through the Canadian Hunter joint venture's interest. Firm sales were arranged for Kerr's share of the natural gas liquids production for the initial seven years. Canadian Hunter has agreed to participate in a potential heavy oil development project in the Primrose area of Alberta;
- Acquisition on November 2, 1983, of a 32.6% equity interest in Anderson Exploration for $80 million. This private company's principal gas property is the Dunvegan field where it holds a 47.5% working interest and is the operator. In fiscal 1983, Anderson Exploration had daily production of 55 million cubic feet of gas and 950 barrels of oil and natural gas liquids. This represented only 54% of present daily contracted quantities before deduction of royalty. The investment is not expected to contribute greatly to Kerr's earnings during the next few years, but it will take on increasing importance as the markets for Canadian natural gas improve as expected later this decade;
- Kerr's interest in the combined proven and probable gas and oil reserves of Canadian Hunter and Anderson Exploration totalled some 438 billion cubic feet of gas and 14.1 million barrels of oil and liquids;
- Capital expenditures declined 40% to $8.0 million in 1983 and are estimated to be $11.5 million for 1984. Dividend payments totalled 60¢ per share ($1,734,000 to Brunswick). Working capital, after adjusting short-term investments to market values, totalled $70.2 million at year end. Long-term debt required to finance the investment in Anderson Exploration was $70.0 million at December 31, 1983.

Kerr seems to have found its niche in oil and gas through its participation in the activities and proven success of Canadian Hunter and Anderson Exploration. The company has stated that its emphasis will be in the mining industry and has budgeted $6.5 million for mineral exploration in 1984. Kerr has the human resources, experience and financial strength to be successful in finding or acquiring a viable mineral property.

Zinc

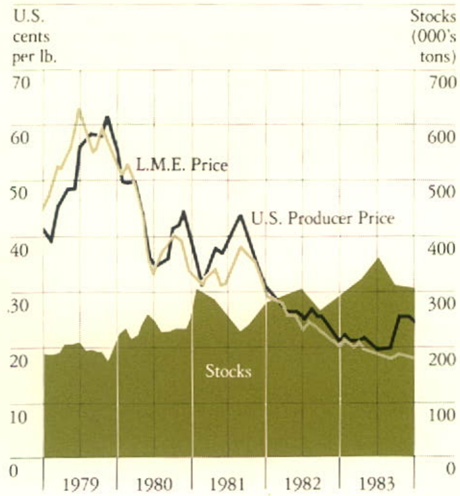


Western World Balance — '000 Short Tons	*1981*	*1982*	*1983 Est.*
Supply	4,991	4,620	4,845
Demand	4,867	4,678	4,960
Year-end Stocks	912	854	739

With the consumer-led recovery affecting demand for automobiles and housing, zinc consumption responded in all industrialized countries. Additional demand arose from the U.S. Mint for coinage and from China. While higher production was encouraged by the firmer market, the net effect was a reduction in inventories. Producer stocks peaked in January at 590,000 tons and then declined by year end to 365,000 tons, or less than one month's production.

Prices were initially weak with the U.S. producer price dropping from U.S. 40¢ per pound to 38¢ in February before rising in four moves to 49¢. Economic activity in Europe was lagging and the overseas price responded more slowly moving from U.S. $800 per metric ton to $750 in February before climbing to $980.

Lead

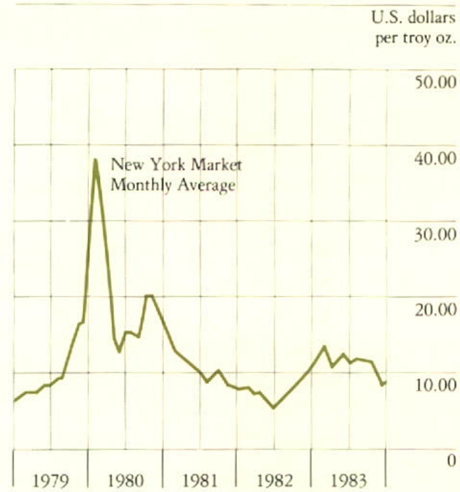


Western World Balance — '000 Short Tons	*1981*	*1982*	*1983 Est.*
Supply	4,303	4,187	4,192
Demand	4,280	4,179	4,178
Year-end Stocks	284	292	306

1983 was difficult for lead with further legislated reductions in the use of lead in gasoline in North America and the European community. Demand was weak for most of the year as structural changes in the market negated any cyclical economic improvement. Metal production remained at the depressed level of 1982 but was still in surplus. Producer and LME stocks rose modestly but steadily until the third quarter. Then, as a result of higher automobile production and adverse weather in North America, battery consumption rose and stocks fell.

Prices were depressed all year, beginning with an average LME of U.S. 21.5¢ in January and ending at 18.2¢ for December. In the U.S.A., the pattern was 22¢, dropping to 19¢ in July before reacting to 26¢ as the market improved in the fourth quarter.

Silver



Western World Balance — '000 Troy Ounces	*1981*	*1982*	*1983 Est.*
Supply	420.0	395.4	452.0
Consumption	383.0	370.0	385.0
Surplus	37.0	25.4	67.0

Although somewhat more volatile, silver prices continued to follow the pattern set by gold, falling precipitously from U.S. $15 to $11 per ounce at the end of February and weakening further below $9 over the year end. The combined increase in primary and secondary production exceeded the growth in consumption, and the continuing rise in terminal market stocks also reflected shipments from government stockpiles in some major producing countries.

Production

	1983 Tonnes	1983 Average Grades Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	1982 Tonnes
Ore						
No. 12 Mine	3,263,600	9.00	3.56	0.30	99	3,534,750
No. 6 Mine	147,100	6.90	2.57	0.52	86	98,750
Total	3,410,700					3,633,500
Concentrates						
Zinc	419,500	51.8				458,400
Lead	204,500		33.5		508	216,800
Bulk	80,000	35.4	15.1		292	78,800
Copper	22,100			21.7	3,083	26,700

Recovery in Concentrates

	Zn (%)	Pb (%)	Cu (%)	Ag (%)
Zinc	71.2			
Lead		56.8		30.8
Bulk	9.3	10.0		7.0
Copper			45.7	20.2
Total	80.5	66.8	45.7	58.0

Metals in Concentrates Produced

	1983	1982
Zinc (tonnes)	245,600	260,700
Lead (tonnes)	80,500	89,500
Copper (tonnes)	4,800	5,700
Silver (kilograms)	195,500	218,200

Mineral Reserves – No. 12 Mine

(Includes allowance for dilution)

	1983 Tonnes (000)	1983 Average Grades Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	1982 Tonnes (000)
Proven	71,127	9.04	3.67	0.31	97	57,734
Probable	31,918	8.94	3.70	0.37	98	44,008
Total	103,045					101,742

Development – No. 12 Mine

	Drifts, Crosscuts	Raises	Diamond Drilling
1983 – Metres	7,925	1,186	41,345
1982 – Metres	9,818	1,097	38,979

Mining

Two failures in the backfill supply system at No. 12 mine disrupted the mining cycles, restricting production to 3,263,600 tonnes of ore. A back-up fill raise was completed by year end, and a new distribution system will be available for use late in 1984.

An 8-cubic yard shovel and a mobile crusher were assembled for use in the new backfill quarry. In future, waste rock will be mined and conveyed directly to the fill system thus avoiding the long haul from No. 6 mine which was the source of fill until now.

Extraction of ore at the No. 6 mine was completed in 1983 with production of 147,100 tonnes. The combined total tonnage mined during the year was thus 3,410,700, or 9,344 tonnes per calendar day compared to 9,955 tonnes per day in 1982.

Diamond drilling at No. 12 mine proved up more ore than was extracted, resulting in an increase in reserves of 1.3 million tonnes. The area above the 850 (2,800) level remains the most promising for additional increases in reserves. Development of the new 1,000 (3,250) level was commenced in 1983 to meet production requirements from 1984 on.

Exploration

Off-property exploration continued with the expenditure of $2.6 million. The Company's ownership interest in the Nine-Mile Brook property optioned from Sabina was increased to 100%, with Sabina retaining a 12.5% net carried interest royalty. Deep drilling on the Flat Landing Brook project in this claim group intersected a thick section of massive sulphides containing several narrow widths of good grade zinc, silver, lead mineralization.

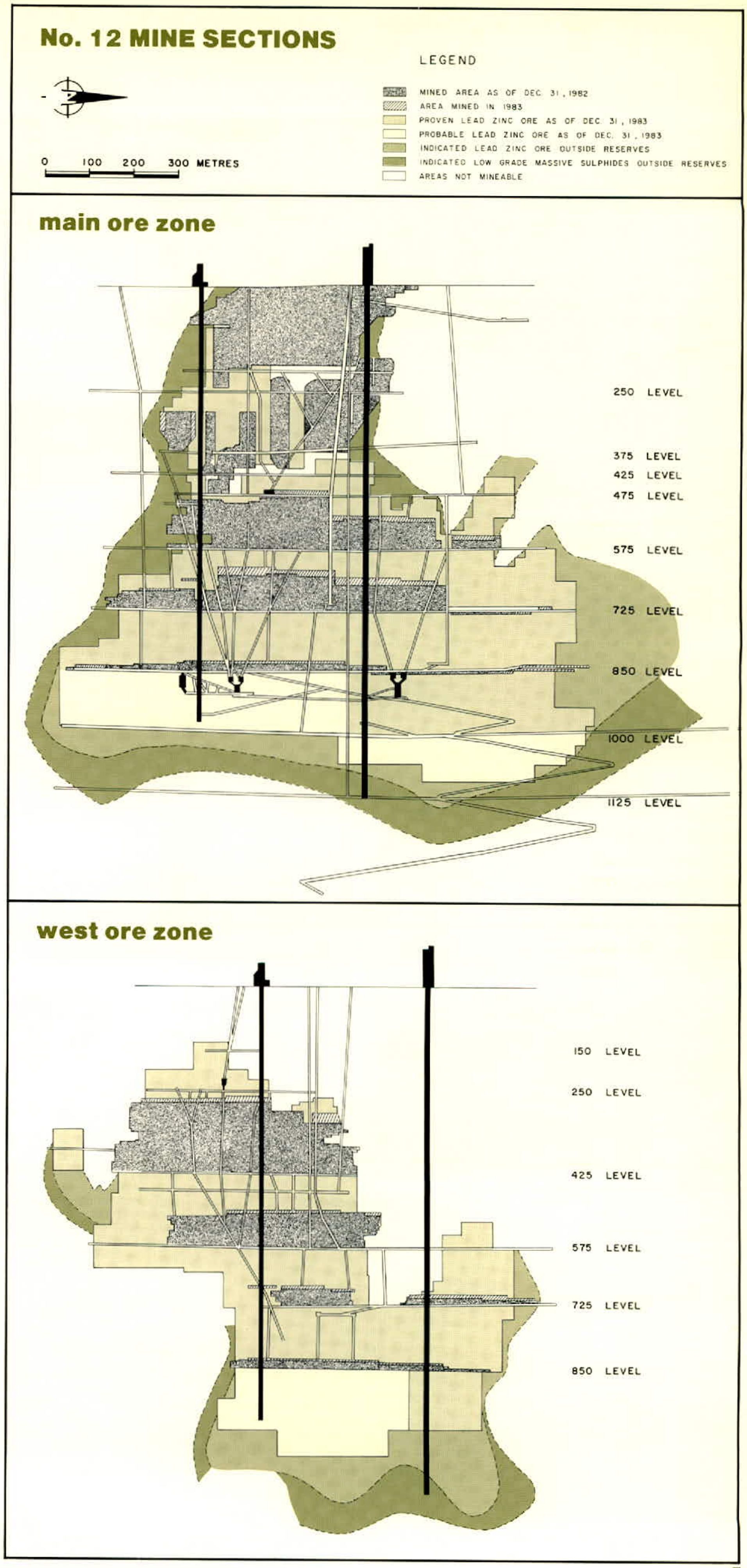
In conjunction with Noranda Exploration, the Company has obtained an interest in exploring the Gordex gold property near St. John.

Concentrator

Research in metallurgy was instrumental in increasing zinc recovery by 1% to 80.5%. This work continues. Approval has been granted to replace worn-out flotation cells at an estimated cost of $11.5 million. A plan to modernize the dewatering and drying section is also underway.

General

Turnover was at an all-time low. The hiring freeze was maintained throughout the year and no students were hired as summer replacements. At December 31 there were 1,676 employees compared to 1,708 a year earlier. The collective agreement with the United Steelworkers of America was renewed for two years with zero increase on signing, followed by 6% after six months and 5% twelve months later.



Satisfactory operations were maintained throughout the year, with Sinter Plant availability at 91.3% and concentrate consumption of 213,000 tonnes, of which 17,000 tonnes was purchased concentrate. Combined lead grade was slightly lower than planned and therefore total refined lead production was, at 58,000 tonnes, slightly less than in 1982. However, the higher silver content of purchased concentrate resulted in a significant increase in silver dore production to 113,400 kgs. All production was sold, and the refined lead inventory decreased by approximately 1,500 tonnes, but product prices were dismal.

Strict cost control was obtained during the year through an active Cost Management Programme. As a result, operating costs increased only 5% over 1982 and were approximately 3% less than plan. Capital expenditures were restricted throughout the year due to the depressed economic conditions.

The studies initiated during 1982 into methods of improving metal recovery and reducing costs continued throughout the year. First indications are that the Flash Smelting technique presents a potentially viable alternate operating method. However, further study is required to resolve some technical uncertainties and to further define the economics of this process. Development of new techniques to improve the lead refining process also shows promise, so additional work will be carried out to examine the viability of these processes as well.

A new two-year agreement similar to that at the mine was concluded with the Union.

Smelter Production

	1983	1982
Lead (tonnes)	58,000	60,800
Silver (kilograms)	113,400	98,700
Acid (tonnes)	179,000	179,700

FINANCIAL REVIEW

Direct comparison of revenues with the previous year is difficult because of the use in 1983 of substantially higher quantities of concentrates purchased from outside sources. Adjusting the revenues of both years for the cost of these purchases, the decrease from 1982 would be $17 million. Most of the decline would be attributable to lower production quantities.

The average realized price for zinc was 22¢ Cdn. per pound, almost the same as last year. The low prices received in the first few months of 1983 were corrected in dramatic fashion towards year end, with the fourth quarter averaging 27¢ per pound.

Silver prices, however, dropped during the fourth quarter, but the average dore realization for the year was still $14.55 Cdn. per ounce, up from $10.62 in 1982. This benefit was offset by the 5.3¢ per pound decrease in the lead price from 26.6¢ to 21.3¢ Cdn. per pound.

Year-end inventories were valued at metal prices of 55¢ Cdn. per pound for zinc (equivalent to a realized price of 28¢), 22¢ Cdn. per pound for lead and $10.00 Cdn. per ounce for silver. The poor silver price had a major impact on the fourth quarter results.

The bar chart below demonstrates the contribution of the various metals to total net revenues and also plots production costs against the net revenues. Of particular interest is the major contribution of silver to net revenues during the most recent five-year period. It can be seen that without silver the revenues from the other metals would have been inadequate to cover production costs in three of the past four years.

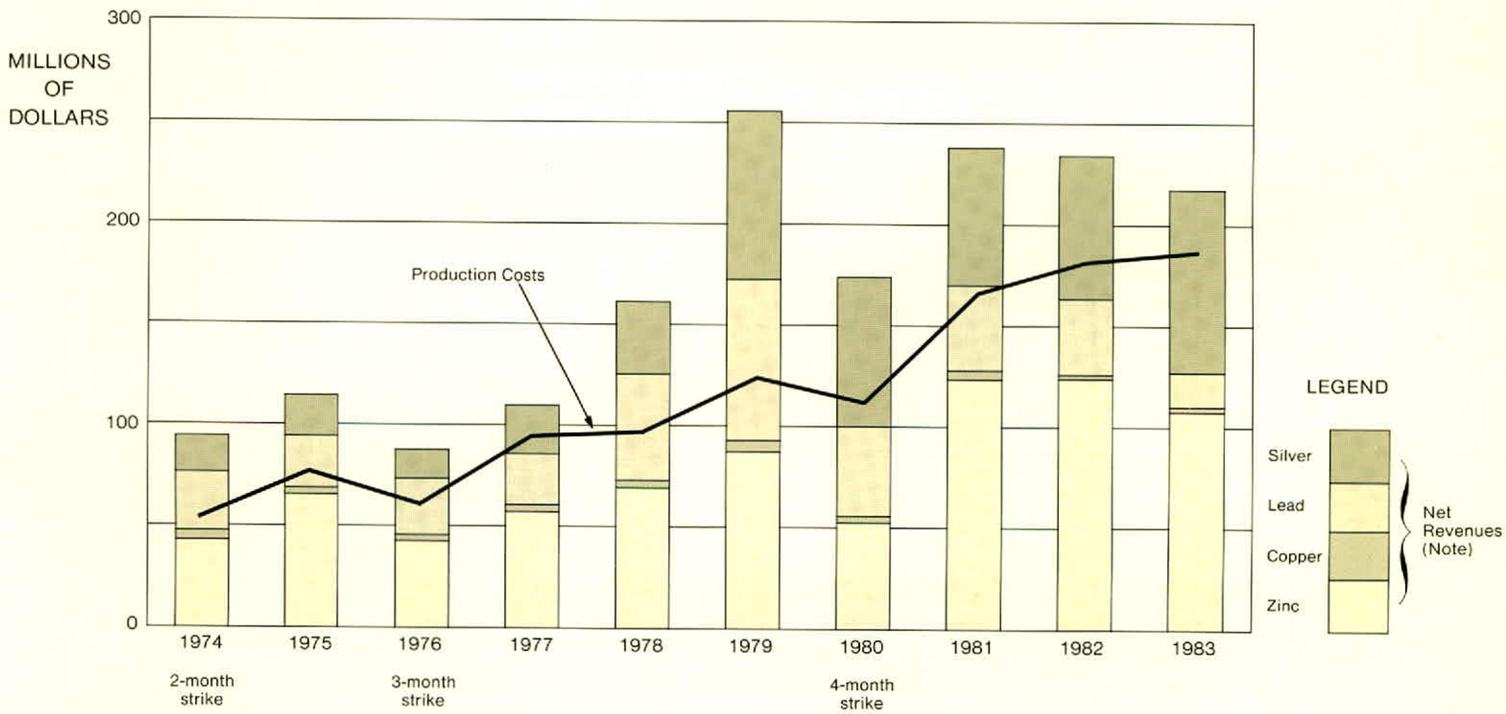
Accountable silver production was 5,532,000 ounces in 1983 compared to 6,580,000 ounces in 1982.

Total production costs were up only 2% over 1982 but, with lower volumes, the unit cost per tonne milled at the mine increased 6% to $37.97. At the smelter, the cost to treat a tonne of lead concentrate increased 11% to $258.09.

Improvements in the rules for Investment Tax Credits in the April, 1983 budget had a favourable impact. Without this change, income taxes would have been higher and earnings would have been $1.5 million lower.

Separate financial data is never presented publicly on the mine and smelter because the two in fact comprise a single economic unit. The lead concentrate produced by the mine is low grade and is unsaleable to third parties under normal market conditions. Accordingly, no realistic transfer price can be determined by reference to markets and any calculation based on production costs would be arbitrary in view of the complex metallurgy and the fact that the mine produces four different concentrates.

The return on net assets in 1983 was only 3%, well below the average of 10.8% over the past ten years.



Note: Net revenues for the purposes of this chart consist of reported net revenues less the cost of purchased lead concentrates and residues. Revenues from all smelter products other than silver dore are included with lead.

BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

(NO PERSONAL LIABILITY)

(Incorporated under the laws of New Brunswick)

Balance Sheet December 31

Assets

	1983	1982
	(in thousands)	
Current:		
Accounts and settlements receivable —		
Parent and affiliated companies	**$ 9,881**	$ 11,940
Other trade	**29,632**	27,173
Inventories of metals and concentrates, at estimated net realizable value	**23,483**	33,001
Materials, supplies and prepaid expenses	**13,811**	9,795
	76,807	81,909
Investment in associated companies (note 2)	**74,797**	74,797
Fixed, at cost:		
Mine buildings, machinery and equipment	**184,592**	179,373
Smelter buildings, machinery and equipment	**102,926**	104,477
	287,518	283,850
Less accumulated depreciation	**155,368**	147,343
	132,150	136,507
Mining properties, at cost less amortization, and land	**2,013**	2,098
	134,163	138,605
Other assets (note 3)	**54,740**	59,449
	$340,507	$354,760

On behalf of the Board:

J. A. Hall

J. A. Hall, Director

J. C. White, Director

(See accompanying notes)

Liabilities and Shareholders' Equity

	1983	1982
	(in thousands)	
Current:		
Bank indebtedness	**$ 18,282**	$ 27,007
Accounts payable and accrued liabilities —		
Parent and affiliated companies	**3,250**	1,747
Other trade	**18,994**	15,429
Taxes payable	**9,995**	18,035
Debt due within one year	**1,300**	717
	51,821	62,935
Taxes provided not currently payable	**73,832**	73,532
Long-term debt (note 4)	**22,116**	25,460
Shareholders' equity:		
Capital stock (note 5)	**34,596**	34,581
Contributed surplus (note 6)	**59,721**	59,635
Retained earnings	**98,421**	98,617
	192,738	192,833
	$340,507	$354,760

AUDITORS' REPORT

To the Shareholders of
Brunswick Mining and Smelting
Corporation Limited
(No Personal Liability):

We have examined the balance sheet of Brunswick Mining and Smelting Corporation Limited (No Personal Liability) as at December 31, 1983 and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1983 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.

Clarkson Gordon
Chartered Accountants

Toronto, Canada
February 23, 1984.

BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

(NO PERSONAL LIABILITY)

(Incorporated under the laws of New Brunswick)

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

Earnings	1983	1982
	(in thousands)	
Revenue from concentrates and smelter products	**$265,423**	$274,981
Less transportation and outside treatment charges	**(36,071)**	(39,389)
	229,352	235,592
Expenses:		
Production costs	**184,881**	181,173
Purchased lead concentrates and residues	**11,943**	1,212
Depreciation and amortization	**16,152**	16,933
	212,976	199,318
Operating income	**16,376**	36,274
Dividends from associated companies	**3,039**	955
Interest on long-term debt (note 4)	**(2,281)**	(2,450)
Short term interest (net)	**(1,398)**	(4,952)
Exploration expenditures written off	**(2,641)**	(2,133)
Zinc reduction plant preliminary costs written off (note 3)	**(4,510)**	
Earnings before the following	**8,585**	27,694
Taxes:		
On income (note 7)	**(900)**	4,000
On production		2,300
New Brunswick mining tax royalty	**1,900**	2,400
	1,000	8,700
	7,585	18,994
Share of loss of associated company		(2,500)
Net earnings	**$ 7,585**	$ 16,494
Net earnings per share	**$0.22**	$0.48

Retained earnings		
Balance, beginning of year	**$ 98,617**	$ 87,273
Net earnings	**7,585**	16,494
Dividends:		
1983 — $0.225 per share	**(7,781)**	
1982 — $0.15 per share		(5,150)
Balance, end of year	**$ 98,421**	$ 98,617

(See accompanying notes)

Statement of Changes in Financial Position for the Years ended December 31

	1983	1982
	(in thousands)	
Source of funds:		
Net earnings	**$ 7,585**	$ 16,494
Depreciation and amortization	**16,152**	16,933
Taxes provided not currently payable	**300**	2,574
Share of loss plus dividends of associated company		4,893
Zinc reduction plant preliminary costs written off	**4,510**	
Funds derived from operations	**28,547**	40,894
Issue of shares	**101**	53
Cash and note received upon liquidation of Frenswick Holdings Limited		4,827
Total funds provided	**28,648**	45,774
Use of funds:		
Additions to fixed assets (net)	**9,638**	28,168
Deferred development expenditures	**1,873**	3,098
Reduction of long-term debt	**3,344**	1,163
Dividends	**7,781**	5,187
Total funds used	**22,636**	37,616
Increase in working capital	**6,012**	8,158
Working capital, beginning of year	**18,974**	10,816
Working capital, end of year	**$ 24,986**	$ 18,974

(See accompanying notes)

Notes to Financial Statements
December 31, 1983

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.

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.

Inventories —
Inventories of metals and concentrates are valued at estimated net realizable value. Supplies are valued at the lower of cost or replacement cost. Capital spares, which were included in the balance sheet with fixed assets in prior years, have been transferred to supplies effective January 1, 1983.

Investment in associated companies —
The investments in Brascade Resources Inc. and Kerr Addison Mines Limited are accounted for by the cost method.

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%
Tailings dams and equipment	6.5%
Housing	4.5% - 5.0%
Mining properties	4.0%

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.

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 (recoverable reserves proven to exist) will be amortized on the unit-of-production method.

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.

Federal investment tax credits are recognized as a reduction in the provision for income taxes in the years in which such credits are claimed for tax purposes.

Revenue —
Concentrates and metals produced are included in inventories and revenue when they reach saleable forms at estimated net realizable values.

Interest expense —
Interest on corporate borrowing applicable to major construction projects is capitalized during the construction period. Discounts on bonds repurchased are deducted from interest on long-term debt.

2. Investment in associated companies

The investment consists of the following:

	Cost	Quoted market value	
	December 31, 1983 and December 31, 1982	December 31, 1983	December 31, 1982
		(in thousands)	
362,438 Convertible Preferred shares of Brascade Resources Inc.	**$ 9,786**	**$14,860**	$11,417
2,890,390 Common shares of Kerr Addison Mines Limited	**65,011**	**59,614**	46,246
	$74,797	**$74,474**	$57,663

The quoted market value does not necessarily represent the value of these holdings which may be more or less than that indicated by market quotations.

The Brascade and Kerr Addison shares have been pledged as collateral for the company's bank indebtedness.

The company's shareholding in Kerr Addison represents a 16.9% 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, 1983 and 1982 is presented:

Financial position — December 31	1983	1982
	(in thousands)	
Assets:		
Current	**$ 62,811**	$ 71,193
Investments (note)	**319,294**	245,694
Mining assets	**10,968**	10,631
Gas and oil properties	**73,460**	69,132
	$466,533	$396,650
Liabilities:		
Current	**$ 12,868**	$ 20,070
Deferred taxes and other	**31,793**	31,551
Long-term debt	**70,000**	
	114,661	51,621
Shareholders' equity	**351,872**	345,029
	$466,533	$396,650
Results of operations — Year ended December 31		
Earnings from operations	**$ 12,113**	$ 9,627
Loss from associated companies	**(319)**	(3,170)
Special items	**5,125**	2,625
Net income	**$ 16,919**	$ 9,082
Net income per share	**$0.99**	$0.89

Note: The investments consist primarily of 13,273,981 common shares of Noranda Mines Limited (10.4% of Noranda's issued common shares) having a quoted market value at December 31, 1983 of $351,760,000.

3. Other assets

	As at December 31	
	1983	1982
	(in thousands)	
Deferred development expenditures, at cost less amortization	**$ 46,634**	$ 46,790
Bond issue expense, at cost less amortization	**363**	406
Interest in frontier area oil and gas drilling programs	**2,290**	2,290
Zinc reduction plant preliminary costs, less amounts written off	**5,453**	9,963
	$ 54,740	$ 59,449

Development of the proposed 100,000 tonne per year zinc reduction plant at Belledune, New Brunswick, in which the company has a two-thirds interest, was suspended in 1982. In view of prevailing and expected conditions in international zinc markets, the company concluded in 1983 that it will not proceed with this project in the foreseeable future. Accordingly an amount of $4,510,000 has been written off in 1983, which amount consists of the cost of feasibility studies, construction overheads and a portion of engineering costs. Should the project not proceed the remaining $5,453,000, consisting of the balance of engineering and site preparation costs, will be written off by the end of 1987 at the latest, with each year's write-off being based upon an assessment of market conditions, technological change and site deterioration.

4. Long-term debt

	Outstanding as at December 31	
	1983	1982
	(in thousands)	
11% General Mortgage Sinking Fund Bonds, Series B due December 1, 1996	**$ 17,332**	$ 17,342
5.85% First Mortgage Sinking Fund Bonds, Series A due April 1, 1986	**1,052**	3,054
7.25% General Mortgage Sinking Fund Bonds, Series A due August 15, 1987	**5,000**	5,717
6¼% and 6¾% first mortgages	**32**	64
	23,416	26,177
Less amount due within one year	**1,300**	717
	$ 22,116	$ 25,460

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

1985	—	$1,350
1986	—	2,402
1987	—	1,000
1988	—	NIL
Subsequently	—	17,364

Bonds in the amount of $2,729,000 were repurchased during the year at a discount of $215,000 which has been deducted from interest on long-term debt.

5. Capital stock

(a) Authorized capital —

The authorized capital consists of 40,000,000 common shares of the par value of $1 each.

(b) Issued capital —

The issued capital stock is summarized below:

	1983	1982
Shares issued at beginning of year	**34,580,998**	34,569,198
Issued under stock option plan (note 5(c))	**15,050**	11,800
Shares issued at end of year	**34,596,048**	34,580,998

(c) Stock option plan —

In 1983, 15,050 shares in the company's capital stock were issued under the company's stock option plan for $101,000. At December 31, 1983, 84,660 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	20,710	Feb. 21, 1989	$6.76
1979	14,250	May 16, 1989	$6.11
	34,960		

6. Contributed surplus

As a result of the issue of 15,050 shares at values in excess of par, $86,000 has been added to contributed surplus in 1983 ($41,000 in 1982).

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:

	1983	1982
	(in thousands)	
Provision based on combined Federal and New Brunswick rate of 50.9% (51.8% in 1982)	**$ 4,370**	$ 14,345
Increase (decrease) in taxes resulting from:		
Investment tax credits	**(1,820)**	(1,920)
Non-taxable dividends	**(1,550)**	(500)
Resource allowance	**(1,430)**	(4,570)
Inventory allowance	**(400)**	(380)
Earned depletion	**(240)**	(2,240)
Miscellaneous	**170**	(735)
Actual income tax provision (recovery)	**$ (900)**	$ 4,000

(b) Investment tax credits

At December 31, 1983, unutilized investment tax credits amounted to approximately $16,900,000.

8. Related party transactions

During the year, the company had business transactions with its parent company, Noranda Mines Limited, and with certain of Noranda's subsidiary and associated companies. Transactions related to the purchase, sale and processing of mining and metallurgical 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 approximate the actual cost of providing the services.

Details of 1983 transactions are as follows:

	(in thousands)
Purchase of concentrates and residues	$12,900
Sales of products	32,742
Smelting and refining tolls	10,661
Commissions	1,131
Purchase of operating supplies	4,761
Purchase of fixed assets	856
Charges for services	3,823

At December 31, 1983, Noranda held $751,000 of the company's 7.25% General Mortgage Sinking Fund Bonds, Series A due August 15, 1987.

At December 31, 1983, 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 $194,421,000 in 1983 and $168,815,000 in 1982.

10. Capital expenditures

1984 capital expenditures are expected to be $32 million.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

EFFECTS OF INFLATION

The financial strength of individuals and companies continues to be eroded by inflation, but measurement of that erosion remains difficult despite much attention having been paid to this topic over the past few years.

The company has decided for now not to adopt the recommendations of the Canadian Institute of Chartered Accountants (CICA) in its material on current cost accounting. The CICA recommendations emphasize the maintenance of productive capacity. It is our view that this evaluation is too subjective and is not appropriate for the mining industry where the replacement of mineral resources is not within the control of the business. We believe that the use of a form of constant dollar accounting provides an indication of our ability to maintain the purchasing power of the capital invested in the company, that this method is more readily understood, and that it is more objective and hence credible than the CICA approach.

As in the past several years, the statement set out below is based on the recommendations of a Committee on Inflation Accounting appointed by the Ontario Government in 1977. The adjustments to inventories, fixed assets and development are based on the Gross National Product Implicit Price Deflation indices published by Statistics Canada.

Funds generated from operations (total from statement of changes in financial position)		$ 29,000,000
from this, deduct the funds required to pay for the original cost of productive assets (historical cost depreciation and amortization)		16,000,000
which leaves this amount available, on an historical accounting basis		13,000,000
but to take account of the deterioration in purchasing power of the dollar in our inflationary environment, the following funds are also required:		
to replace inventories at higher prices	$ 1,000,000	
for fixed assets and development at higher prices	20,000,000	
	21,000,000	
but partly offsetting these requirements, additional funds may be available from borrowing if present debt-equity ratio is maintained	3,000,000	18,000,000
which leaves an overall shortage of funds with nothing available from the year's operations for dividends or expansion		$ (5,000,000)

This statement demonstrates that in 1983 $37 million ($16 million plus $21 million) should have been spent to maintain the business, given the level of inflation Canada has been experiencing. The company generated $29 million and could have borrowed $3 million which on this basis would have left a shortage of $5 million before any distribution to shareholders or expenditure on growth.

What in fact happened in 1983 was that we spent only $9 million to maintain the business, $8 million was paid as dividends and total debt was reduced by $11 million.

By this measure the company spent $28 million less than the amount calculated to be necessary to conserve working capital and to maintain the business. This erosion of the capital base must be recovered in subsequent years if the company is to remain financially strong.

It should be noted that the $21 million figure shown in the statement could be interpreted as being the approximate amount by which the company's 1983 pre-tax earnings were overstated due to the effects of inflation on costs. Earnings are taxed without adequate recognition being given to this overstatement.

This data should not be considered as a precise measure of the adverse effects of inflation, but merely gives an indication of the magnitude of the problem faced by the company in trying to maintain financial strength during a prolonged inflationary period.

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.

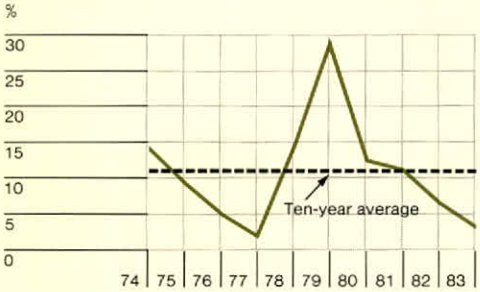
Financial Position

Net assets represent the permanent investment in the business on which a return must be earned, irrespective of how they were paid for. The Company's capital base has increased in every year except 1981 and 1983 (despite unsatisfactory earnings in some years) because new investment has exceeded depreciation and because operating working capital has generally grown as a result of inflation and higher production volumes. The reduction in the capital base in 1981 was caused by the write-off of the Kilannak working interest and by lower operating working capital resulting from reduced inventory quantities. The reduction in 1983 was caused by curtailed capital spending and lower inventory quantities. The bottom half of the table shows how the net assets have been financed.

Cash Flow and Reinvestment

The annual Statement of Changes in Financial Position highlights the movements in working capital and does not specifically deal with the generation of cash. The table opposite recognizes that operating working capital is part of the permanent investment in the business and is not available for new investment or distribution to shareholders. The short-term and long-term financing activities are grouped together to demonstrate that the incurrence or repayment of debt is merely the difference between cash generated and cash required.

The cumulative column shows that 73% of the cash available for distribution or new investment has been reinvested in the business, and that reinvestment exceeds net earnings by 31%. Dividends have amounted to 49% of net earnings.



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 11% over the ten-year period. High rates of return are necessary in good years to compensate for the lower rates in the bad years of the price cycle.

TEN YEAR FINANCIAL SUMMARY
($ in millions)

Distribution of Revenue	Cumulative	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Revenue from production	$1,987.7	**$265.4**	$275.0	$273.3	$234.6	$287.7	$189.6	$137.7	$103.1	$121.3	$100.0
Wages, salaries and benefits	484.3	**78.2**	81.7	68.9	46.9	45.9	39.2	40.8	30.7	31.7	20.3
Energy, supplies and services	774.0	**123.7**	101.0	118.1	112.8	86.8	59.7	62.3	38.9	42.4	28.3
Transportation and outside treatment costs	241.6	**36.1**	39.4	31.7	18.3	30.1	22.8	18.0	14.3	15.9	15.0
Depreciation and amortization	120.2	**16.2**	16.9	16.0	14.6	11.6	9.8	9.6	8.8	8.8	7.9
Interest expense (income)	28.4	**3.7**	7.4	7.4	5.3	(2.6)	1.4	2.0	1.4	1.2	1.2
Provincial sales, property and business taxes	13.2	**1.9**	1.9	2.1	1.4	1.5	1.1	1.1	0.9	0.9	0.4
Income and production taxes	130.2	**1.0**	8.7	11.0	14.6	45.4	27.8	1.2	1.3	8.9	10.3
Share of associated company results and dividends	(29.5)	**(3.0)**	1.5	(12.3)	(13.4)	(2.3)	–	–	–	–	–
	1,762.4	**257.8**	258.5	242.9	200.5	216.4	161.8	135.0	96.3	109.8	83.4
Net earnings	$ 225.3	**$ 7.6**	$ 16.5	$ 30.4	$ 34.1	$ 71.3	$ 27.8	$ 2.7	$ 6.8	$ 11.5	$ 16.6

Financial Position — Year End	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Net assets consisted of:										
Operating working capital	**$ 44.6**	$ 46.7	$ 34.0	$ 48.1	$ 54.5	$ 70.5	$ 51.1	$ 43.0	$ 40.6	$ 26.4
Investment in associated companies	**74.8**	74.8	81.3	71.9	48.3	–	–	–	–	–
Fixed assets (net)	**134.1**	138.6	133.7	122.5	111.6	102.0	104.0	93.9	89.4	85.2
Other assets (net)	**54.7**	59.4	50.0	61.3	44.4	42.7	39.4	27.4	17.5	8.8
	308.2	319.5	299.0	303.8	258.8	215.2	194.5	164.3	147.5	120.4
Financed by:										
Short-term debt less cash*	**19.6**	27.7	23.2	35.8	(0.7)	1.4	20.6	(10.9)	10.4	(6.3)
Long-term debt	**22.1**	25.5	26.6	28.2	31.8	53.3	55.7	57.6	24.6	26.4
Shareholders' equity	**192.7**	192.8	179.0	168.0	163.1	125.3	100.8	99.8	96.4	88.4
Taxes provided not currently payable	**73.8**	73.5	70.2	71.8	64.6	35.2	17.4	17.8	16.1	11.9
	$308.2	$319.5	$299.0	$303.8	$258.8	$215.2	$194.5	$164.3	$147.5	$120.4

*and margin deposits in 1979

Cash Flow and Reinvestment	Cumulative	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Net earnings	$ 225.3	**$ 7.6**	$ 16.5	$ 30.4	$ 34.1	$ 71.3	$ 27.8	$ 2.7	$ 6.8	$ 11.5	$ 16.6
Depreciation and amortization	120.2	**16.2**	16.9	16.0	14.6	11.6	9.8	9.6	8.8	8.8	7.9
Taxes provided not currently payable	69.9	**0.3**	2.6	(1.6)	7.2	29.4	17.8	(0.4)	1.7	4.2	8.7
Associated company earnings/loss less dividends	(14.5)	**—**	4.9	(8.4)	(9.4)	(1.6)	–	–	–	–	–
Decrease (increase) in operating working capital	(19.1)	**2.1**	(12.7)	14.1	6.4	16.0	(19.4)	(8.1)	(2.4)	(14.2)	(0.9)
Other (net)	21.4	**4.6**	0.1	15.2	0.9	0.7	0.3	0.1	(0.9)	0.2	0.2
Cash generated	403.2	**30.8**	28.3	65.7	53.8	127.4	36.3	3.9	14.0	10.5	32.5
Borrowings (reduction in)	3.7	**(11.5)**	3.4	(14.2)	32.9	(23.6)	(21.6)	29.6	11.7	14.9	(17.9)
Cash available	$ 406.9	**$ 19.3**	$ 31.7	$ 51.5	$ 86.7	$103.8	$ 14.7	$ 33.5	$ 25.7	$ 25.4	$ 14.6
Used as follows:											
Fixed assets and deferred development	$ 220.2	**$ 11.5**	$ 31.3	$ 30.8	$ 25.6	$ 22.4	$ 11.3	$ 31.8	$ 22.3	$ 22.0	$ 11.2
Investment in associated companies	58.4	**—**	(4.8)	–	13.2	50.0	–	–	–	–	–
Oil and gas drilling expenditures	17.3	**—**	–	–	16.8	0.5	–	–	–	–	–
Total reinvested	295.9	**11.5**	26.5	30.8	55.6	72.9	11.3	31.8	22.3	22.0	11.2
Dividends	111.0	**7.8**	5.2	20.7	31.1	30.9	3.4	1.7	3.4	3.4	3.4
	$ 406.9	**$ 19.3**	$ 31.7	$ 51.5	$ 86.7	$103.8	$ 14.7	$ 33.5	$ 25.7	$ 25.4	$ 14.6

Rate of Return on Net Assets — %	Average	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Net earnings exclusive of interest income or expense (net of tax) divided by average of opening and closing net assets	10.8	**3.0**	6.5	11.3	13.1	29.5	13.9	2.1	4.8	9.0	14.5

Per Share Data — $	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Net earnings	**0.22**	0.48	0.90	1.01	2.08	0.81	0.08	0.20	0.33	0.48
Dividends	**0.23**	0.15	0.60	0.90	0.90	0.10	0.05	0.10	0.10	0.10
Market price range — High	**22.00**	14.88	18.00	18.38	11.50	5.75	6.12	6.50	4.70	5.87
— Low	**13.50**	6.50	11.00	9.38	5.38	2.71	3.00	3.85	3.50	3.30
Book Value — Average	**5.57**	5.44	5.11	4.89	4.21	3.30	2.93	2.86	2.70	2.39

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.

BRUNSWICK MINING AND SMELTING CORPORATION LIMITED
(NO PERSONAL LIABILITY)

(Incorporated under the laws of New Brunswick)

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