McINTYRE MINES

ANNUAL REPORT 1982

Annual Meeting

The Annual Meeting of the Shareholders will be held on Monday, May 2, 1983 at 10:00 a.m. (Calgary Time) in the Bonavista Room, of The Westin Hotel, 320 Fourth Avenue S.W., Calgary, Alberta. A formal notice of this meeting together with the management proxy circular and a form of proxy, are being mailed to shareholders with this report.

About McIntyre

McIntyre Mines Limited (the Company) has been engaged in mining since 1911, and in the mining preparation and sale of coal since 1969. The Company's Smoky River coal properties contain multiple seams of high grade, low-volatile coking coal used primarily in steel production. McIntyre's principal coal customers have historically been certain Japanese steel mills. In 1980, McIntyre moved its head office to Calgary, Alberta from Toronto to bring management and the administrative functions closer to the Company's coal operations at Grande Cache, Alberta.

To Our Shareholders

P. J. Urso
President, Chairman and
Chief Executive Officer

1982 was an extremely difficult year for McIntyre. On a consolidated basis, the Company reported a loss of $74.5 million. This loss was comprised of $42.7 million from coal operations and $31.8 million from the Company's interest in Falconbridge Limited compared with $6.2 million and $1.7 million losses respectively in 1981.

In 1982, the Company sold 1.2 million long tons clean (LTC) of coal, generating revenues of $97.5 million compared to 1.9 million LTC's for $140.3 million in 1981. This significant drop in sales resulted from major reductions in crude steel production by steelmakers in Japan and Latin America, the Company's major markets.

In late 1981 and early 1982 while coal markets were relatively strong several major coal producers were successful in obtaining substantial price increases from the Japanese customers. The Company had been hopeful that this trend would assist it in renegotiating its contract with the Japanese customers for an extended term and at higher prices commencing in the 1982 contract year. However, in mid-1982 the impact of the worldwide recession began to be felt in Japan and the Japanese steel makers responded with significant reductions in steel production. As the year progressed, in light of an excess coal supply and falling steel demand, the Japanese reduced their purchases from coal producers in Australia and Canada to approximately 75% of contracted volumes. In Brazil our customers also reduced and deferred a major portion of their contracted tonnages for 1982.

The Company responded to the problem of reduced sales and resulting high inventories with several measures aimed at preserving working capital and liquidity. These measures included a moratorium on all discretionary capital expenditures, a reduction of the workforce by approximately 580 employees and a three and a half month shut-down of the mining operation during the 3rd and 4th quarters of 1982.

In light of the rapidly deteriorating market, the Company urged its Japanese customers to commence negotiations as soon as possible for a renewal of the Company's two year contract which was due to expire in March 1983. These negotiations began in early September, and in October the Company was able to obtain an agreement calling for deliveries of 1.8 million tons over a two year period commencing October 1, 1982. The price of the first 300,000 tons is $78.50 and for all remaining tons $87.50.

During the negotiations, the Japanese customers emphasized their concern regarding the worldwide oversupply of metallurgical coal and stated that due to this oversupply their current plans did not include any purchases from the Company after 1984. We are hopeful that by 1984, this oversupply situation will be corrected, and that further purchases by the Japanese will be possible. However, in light of these uncertainties, every possible effort is being made to secure sufficient additional sales to replace a substantial portion of the Japanese tonnages. Although significant progress has been made in this regard, the ultimate success of these efforts is highly dependent on a general and sustained recovery in world economies.

Falconbridge, in which the Company held a 37.1% equity interest during 1982, also experienced a very difficult year losing $85.3 million of which the Company's share was $31.8 million. These losses were caused by the depressed metal markets and the worldwide economic environment which led to lower nickel sales, lower average metal prices and a scaling down and temporary curtailment of certain operations.

In February 1983, Falconbridge successfully completed a public offering in which it sold 2,000,000 units comprised of one common share and one-half warrant at a unit price of $55.00. The Company did not participate in this offering. As a result of this offering, the Company's equity interest was diluted from 37.1% to 26.5% and could be further reduced to 23.2% if all the warrants are exercised. The Company's decision not to participate in the offering was based in large part on the belief that the dilution in the Company's equity position in Falconbridge would not be sufficiently significant to justify the commitment of McIntyre's cash flows to servicing the debt which would have been required to participate in the offering.

The major challenges in 1983 will be to weather the economic storm that is plaguing the mining industry throughout the world and to devote every possible resource to securing the markets so vitally needed to ensure the economic success of our coal operations. We believe that with the continued support of our employees, our shareholders and the Government of Alberta, we will be able to meet these challenges.

P. J. Urso
President, Chairman and
Chief Executive Officer

Operations Review

Total production was 1.23 million long tons clean (LTC) processed from 1.80 million long tons raw (LTR) from all of the operating mines. Production was reduced as a result of the economic recession and soft markets for metallurgical coal and was well below the 2.1 million LTC processed in 1981. The reduction was achieved chiefly through a three and a half month shutdown of the operations commencing June 1982. Production restarted in October 1982 with a total workforce of 665, compared with 1250 in January 1982.

No. 9 surface mine production was 0.95 million LTR in 1982, compared with 2.1 million in 1981. Production from the underground operations was 0.85 million in 1982, compared with 0.95 million LTR in 1981. Despite lower production, total property productivity per manshift in 1982 was maintained at a level similar to that achieved in 1981. The mining costs since October 1982 show a significant improvement over those achieved in 1981.

Surface Mining

Surface mining activity is concentrated in the No. 9 Mine area located on the north side of Sheep Creek. The mine has well established maintenance facilities, power, water and water treatment systems. Mining was carried out in three pit areas using up to five 15 cubic yard shovels and twenty-four 150 ton trucks to load and transport blasted overburden to designated dumps. After coal is exposed it is broken and positioned by dozers, then loaded onto 55 and 85 ton trucks and hauled to the Sheep Creek breaker station for transportation via the underground tunnelway conveyor to the coal preparation plant.

At the surface mine 13.2 million bank cubic yards (BCY) of waste were removed at a ratio of 13.9:1 BCY per LTR. In the waste stripping sequence for 1982 the ratio in the early part of the year was planned to be higher than in the latter part. As a result of the three and a half month shutdown the lower ratio areas were not accessed in 1982 and consequently the average ratio remained at 13.9:1, compared with the planned ratio of 11.5:1. During the year a major overhaul program was carried out on the rock haul fleet to increase reliability and reduce operating costs. Reclamation work continued in 1982 to comply with government regulations.

Underground Mining

Total production from underground mining was 0.85 million LTR. More than half of this total was produced from 9A-4 Mine. During the year mines 2R-11, 2-11 and 5-4 were worked to completion. Development work was carried out in Mine 9G-4, which was put on a care and maintenance basis as a result of the market contraction. During 1982 a high degree of concentration was established in the underground mines with all present and future production planned to come from the No. 9 area. Trials were carried out on improved development/ depillaring layouts and on support systems. Results were encouraging and work will be continuing on both projects.

Coal Preparation

During 1982 the coal preparation system processed 1.8 million LTR extracting 1.23 million LTC. Clean coal quality was consistent and in compliance with contract specifications. Development work carried out during the year has contributed to the achievement of a higher percentage recovery of clean coal.

Mine Planning

As a result of the depressed market conditions and the need to maintain viability at tonnages lower than mine capacity, planning and engineering efforts were intensified. Emphasis was placed on reducing the stripping ratio in the surface mines. Revised plans were developed in which the stripping ratio has been reduced to an average of 7.5:1. This significant improvement will be achieved by reducing the proportion of production mined in the No. 9 Mine West Extension and exploiting other areas on the property with lower ratios. The revised plan provides for at least 10 years production at the lower ratio.

Human Resources

Difficult market conditions brought about a temporary shutdown and lower levels of manpower when the mine resumed production. During the year turnover rates reduced and there has been no difficulty in maintaining the required level of labour force.

Affiliated Company

Falconbridge Limited

Falconbridge Limited (Falconbridge), in which the company held a 37.1% interest, recorded a consolidated loss of $85.3 million ($17.12 per share) compared to a consolidated loss of $9.0 million in 1981. The 1981 loss included a $5.1 million extraordinary write-off of United Keno Hill Mines Venus Mine Project.

The principal reasons for the increase in the consolidated loss for 1982, compared with 1981, were the depressed metal markets and worldwide economic environment, which resulted in lower nickel sales, decreased average metal prices, and the expensing of costs resulting from the scaling down and temporary curtailment of certain operations.

The integrated nickel operations' loss of $25.9 million in 1982 compared with earnings of $31.0 million in 1981. The unfavorable change of $56.9 million mainly reflected lower average U.S. dollar metal selling prices, production curtailment costs (including employee termination and retiring allowances) and decreased metal sales volumes. The 13-week production shutdown at Sudbury Operations, which had been scheduled to end on September 26, 1982 was extended by 14 weeks to January 3, 1983. The refinery in Norway, which had been shut down for 11 weeks, resumed limited operations on September 27, 1982 in order to meet contractual custom refining obligations.

Falconbridge Dominicana, C. por A.'s (Falcondo) 1982 loss of $43.3 million compared with a 1981 loss of $19.7 million. The 1982 loss reflected weak demand and prices for ferronickel, ongoing costs during an eight month suspension of production operations and costs associated with reducing the workforce. Production by Falcondo was suspended from mid-January to mid-September, 1982. Despite continued weak markets, inventory of ferronickel produced by Falcondo was depleted to a level at which it became necessary to resume production at about 50% of capacity. A severe reduction in the market price of ferronickel in the fourth quarter offset earlier cost cutting efforts.

During 1982 there was major emphasis put on cost savings and reduction of the drain on Falconbridge's cash resources. The Sudbury production operations were shut down for 27 weeks and the work force is being reduced from 4,034 to less than 2,650. The refinery in Norway was shut down for 11 weeks and the work force reduced. Falcondo, which suspended production operations from mid-January to mid-September, resumed limited production operations after certain steps, including a substantial reduction in the workforce, had been taken to reduce costs. In addition, there were significant reductions in capital expenditures, administrative costs, research and development and exploration expenditures.

At December 31, 1982 the Company's equity interest in Falconbridge was 37.1%. In February 1983 Falconbridge issued an additional 2,000,000 common shares together with warrants to purchase an additional 1,000,000 shares. McIntyre did not purchase any of the additional shares issued. As a result McIntyre's equity interest in February 1983 was reduced to 26.5% with a potential dilution to 23.2% if all the warrants are exercised.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

As a result of significant operating losses working capital decreased in 1982 by $27.1 million to $5.0 million from $32.1 million at December 31, 1981. During 1982, operations required funding of $20.4 million and capital expenditures accounted for the balance of the decrease in working capital. Such operations and capital expenditures were financed by the incurrence of short term debt which increased by $28.1 million over 1981. This debt included $9.9 million in debt to a bank and an $18.2 million inventory purchase arrangement with an affiliate.

Capital expenditures in 1982 were $7.6 million, compared to $19.9 million and $11.5 million in 1981 and 1980, respectively. The expenditures were made to replace equipment for surface and underground mining, and to develop new underground mines. Capital expenditures during 1982 were reduced significantly from prior years as a result of a freeze on capital spending that was implemented in June, 1982 to preserve liquidity. The Company will be in a position to minimize capital expenditures for the next several years in view of the significant expenditures in 1980 and 1981, assuming an absence of major production increases.

In the past the Company has received significant cash infusions in the form of dividends from Falconbridge. However, in view of the depressed state of the metals markets the Company does not anticipate that this source of cash flow will be of material benefit in the near future.

Except for housing mortgages and capital leases, which aggregated $7.9 million at December 31, 1982, McIntyre has no long-term debt and had available a $20 million line of credit, increased to $30 million in January, 1983, secured by its coal assets. The Company believes that this credit facility is ample for current and anticipated levels of activity.

In addition the Company's equity investment in Falconbridge is unencumbered and could provide substantial additional borrowing capacity with which to pursue other business activities.

Results of Operations

The Company experienced an operating loss of $42.7 million in 1982, compared to operating losses of $6.1 million in 1981 and $3.0 million in 1980. The primary reason for the 1982 operating loss was a $42.8 million decline in revenues due to a rapid deterioration of the metallurgical coal market which was attributable in large part to the impact of the world-wide economic recession on the steel manufacturing industry. As a result, several customers did not take contracted volumes in their full amount and spot market sales failed to materialize at anticipated levels. The loss from operations included the write-off of $10.2 million in deferred mine development expenditures relating to original start-up costs and exploration on non-producing areas of the Smoky River property.

A major factor in future revenues and earnings will be the Company's ability to continue its relationship with the group of Japanese steelmaking concerns which has accounted for 76%, 70% and 66% of McIntyre's revenues during the fiscal years ended December 31, 1982, 1981 and 1980, respectively. This group has indicated to McIntyre that it has no present intention of renewing its purchases after the expiration of the present agreement in late 1984. If McIntyre is unable to secure the extension of this arrangement at that time or to obtain suitable alternative markets, its operations will be materially and adversely affected.

The Company's corporate expenses increased by $5.1 million over 1981 due primarily to the absence of offsetting interest income since excess cash was consumed in operations and was unavailable for investment as in the prior year.

The Company has taken several measures to address the impact of the currently difficult operating environment, including the suspension of most capital expenditures, the reduction of the personnel force by approximately 580 persons and the cessation of operations at Smoky River for a period of 15 weeks during the third and fourth quarters of 1982. As a result of these measures, coal production for 1982 declined to 1,226,000 tons as compared to 2,065,000 and 1,470,000 tons for 1981 and 1980, respectively. In addition, during 1982 the Company completed a major redesign of its open pit operations and was successful in developing new plans calling for strip ratios of less than 8 to 1 for the next 10 years, a substantial improvement over prior plans. The Company intends to continue to restrict output as necessary to avoid excessive accumulation of inventory and to continue to effect other operating economies as appropriate.

As a result of reductions in cost and efficiencies achieved in 1982, including the completion of the redesign of certain pits last year, management believes that operating costs have been reduced to a level which will enable the Company to minimize operating losses or possibly achieve modest operating income in 1983 even in the absence of a recovery in the market for metallurgical coal. Thereafter, the long-term expectation for results of operations will be dependent upon the renewal of major contracts as discussed above as well as a general and sustained recovery in demand for metallurgical coal.

In addition to the operating losses described above, the Company recognized an additional loss of $31.8 million in 1982 attributable to its equity in the losses of Falconbridge, which resulted in an aggregate net loss for the year of $74.5 million as compared to a net loss of $9.7 million in 1981 and net income of $35.7 million in 1980. The equity in Falconbridge has historically impacted the Company's results of operations in a significant way and it is expected that it will continue to do so. As long as Falconbridge continues to experience losses due to the currently depressed state of the metals market, McIntyre's earnings will continue to be adversely affected. As a result of a public offering of common stock by Falconbridge in early 1983, in which McIntyre did not subscribe, McIntyre's equity interest in Falconbridge was reduced from 37.1% to 26.5%. McIntyre determined not to make this investment required to maintain its proportionate equity in Falconbridge as it did not believe that the incurrence of substantial indebtedness for this purpose represented an optimal utilization of its resources.

Consolidated Balance Sheets

(in thousands of Canadian dollars)

ASSETS	December 31		
	1982	1981	1980
Current:			
Cash and short-term investments	**$ 14,939**	$ 13,992	$ 32,318
Accounts receivable	**2,095**	3,909	5,911
Coal inventory (Note 15)	**16,431**	18,232	6,978
Mine supplies	**11,956**	10,485	8,089
	45,421	46,618	53,296
Investments (Note 2):			
Falconbridge Limited	**135,047**	166,694	172,817
Neptune Bulk Terminals (Canada) Limited	**885**	885	885
Madeleine Mines Ltd.	**—**	146	630
	135,932	167,725	174,332
Property, plant and equipment (Note 3)	**48,008**	52,195	46,639
Deferred mine development (Note 4)	**32,120**	42,824	42,238
Other (Note 5)	**12,978**	11,870	8,379
	$274,459	$321,232	$324,884

The accompanying notes to consolidated finan

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31		
	1982	**1981**	**1980**
Current liabilities:			
Bank indebtedness (Note 6)	**$ 9,864**	$ —	$ —
Accounts payable and accrued liabilities	**12,106**	14,252	11,313
Current portion of long-term debt	**288**	224	719
Due to affiliate (Note 15)	**18,160**	—	—
	40,418	14,476	12,032
Long-term debt (Note 6)	**7,589**	6,518	4,594
Provision for reclamation	**8,289**	7,575	5,991
Commitments and contingencies (Note 8)			
Shareholders' equity:			
Share capital (Notes 9 and 10)	**87,870**	87,870	87,741
Retained earnings	**134,070**	208,570	218,303
	221,940	296,440	306,044
Less: Shares held by affiliate, at cost	**3,777**	3,777	3,777
	218,163	292,663	302,267
	$274,459	$321,232	$324,884

APPROVED BY THE BOARD

Director

Director

atements form an integral part of these statements.

Consolidated Statements of Loss (Income) and Retained Earnings

(in thousands of Canadian dollars, except per share data)

	Year Ended December 31		
	1982	**1981**	**1980**
Revenue (Notes 7 & 18)	**$ 97,531**	$140,294	$115,213
Cost of Sales:			
Operating costs	**111,874**	130,904	101,599
Depreciation	**10,065**	8,046	9,309
Amortization	**2,012**	5,560	4,032
Reclamation	**714**	1,649	3,130
Write-off of deferred development (Note 4)	**10,195**	—	—
	134,860	146,159	118,070
Gross Loss	**37,329**	5,865	2,857
Corporate Expenses (Income):			
Administration	**4,502**	5,023	5,085
Exploration	**518**	521	1,353
Interest	**309**	(5,231)	(3,679)
Foreign exchange	**62**	(22)	—
Gain on insurance settlement	**—**	—	(2,124)
	5,391	291	635
Loss from operations before income taxes	**42,720**	6,156	3,492
Income taxes	**—**	—	(500)
Loss from operations	**42,720**	6,156	2,992
Equity in losses (earnings) of affiliates	**31,780**	1,676	(24,662)
Loss (income) before extraordinary items	**74,500**	7,832	(21,670)
Extraordinary items (Note 11)	**—**	1,901	(13,995)
Net loss (income)	**$ 74,500**	$ 9,733	$ (35,665)
Per share (Note 12)			
Loss (income) before extraordinary items	**$ 20.67**	$ 2.17	$ (6.02)
Extraordinary items	**—**	.53	(3.88)
	$ 20.67	$ 2.70	$ (9.90)
Retained earnings — beginning of year	**$208,570**	$218,303	$182,638
Net loss (income)	**74,500**	9,733	(35,665)
Retained earnings — end of year	**$134,070**	$208,570	$218,303

The accompanying notes to consolidated financial statements form an integral part of these statements.

Consolidated Statements of Changes in Financial Position

(in thousands of Canadian dollars)

	Year Ended December 31		
	1982	1981	1980
Funds provided:			
Operations (Note 17)	$ —	$ 8,957	$ 11,296
Dividends from affiliates	171	3,030	7,325
Decrease in security deposits	(24)	788	—
Proceeds from asset disposals	731	248	—
Issuance of common shares	—	129	333
Proceeds from insurance settlement	—	—	2,805
Settlement of long-term account receivable	—	—	2,000
Other	—	—	170
	878	13,152	23,929
Funds applied:			
Operations (Note 17)	20,421	—	—
Plant and equipment	6,095	13,708	9,462
Deferred mine development	1,502	6,146	2,008
Employee housing (Note 5)	(126)	2,231	771
Other	(14)	189	577
Reduction of long-term debt	139	—	118
Investment in Neptune Bulk Terminals	—	—	885
	28,017	22,274	13,821
Increase (decrease) in working capital	(27,139)	(9,122)	10,108
Working capital, beginning of year	32,142	41,264	31,156
Working capital, end of year	$ 5,003	$ 32,142	$ 41,264
Changes in components of working capital:			
Increase (decrease) in current assets			
Cash and short-term investments	$ 947	$ (18,326)	$ 20,119
Accounts receivable	(1,814)	(2,002)	1,869
Coal inventory	(1,801)	11,254	(10,709)
Mine supplies	1,471	2,396	734
	(1,197)	(6,678)	12,013
Increase (decrease) in current liabilities:			
Bank indebtedness	9,864	—	—
Accounts payable and accrued liabilities	(2,146)	2,939	1,910
Current portion of long-term debt	64	(495)	(5)
Due to affiliate	18,160	—	—
	25,942	2,444	1,905
Increase (decrease) in working capital	$ (27,139)	$ (9,122)	$ 10,108

The accompanying notes to consolidated financial statements form an integral part of these statements.

Notes to Consolidated Financial Statements

1. **Accounting Policies:**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada consistently applied and therefore conform in all material respects with the standards of the International Accounting Standards Committee. In these statements, references to the Company mean McIntyre Mines Limited.

All dollar amounts are stated in thousands of Canadian dollars except per share data and where noted.

(a) Basis of consolidation —

The consolidated financial statements include the accounts of McIntyre Mines Limited and all companies which are more than 50% owned. All companies which are less than 50% owned but over which the Company exercises significant influence are accounted for on the equity method. All significant intercompany accounts and transactions have been eliminated on consolidation.

(b) Short-term investments —

Short-term investments are recorded at cost which approximates market value.

(c) Inventories —

Coal inventory is recorded at the lower of cost and net realizable value, cost being determined on the basis of current production cost including depreciation and amortization.

Mine supplies are recorded at the lower of cost and net realizable value.

(d) Property, plant and equipment —

Property, plant and equipment are recorded at cost and depreciated on the straight-line basis over their estimated productive lives, which range from three to twenty years. Maintenance and repair expenditures are expensed as incurred.

Development and preproduction expenditures relating to each mine are capitalized until the mine is brought into production, at which time the costs are amortized on the unit of production basis. Costs which are not considered economically recoverable through mining operations or through sale of reserves are written off.

(e) Reclamation —

The estimated costs of reclaiming acreage which has been disturbed are provided primarily on a unit of production basis.

(f) Exploration —

Exploration costs which relate to new properties where an underlying economic value has not been established or which are incurred to better define known coal limits and structure are expensed as incurred.

Exploration costs which relate to new properties which have an underlying economic value, and which have proven mineral deposits are capitalized until the mine reaches an economic production level.

(g) Foreign exchange —

Assets and liabilities to be settled in foreign currencies are translated to Canadian dollars at the rates of exchange prevailing at the balance sheet date. Revenues and expenses are translated at the average rates prevailing during the year.

For financial statements of consolidated foreign subsidiaries, current assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Non-current assets are translated using the historical blend of exchange rates in effect at the time of acquisition. Revenues and expenses are translated at the average rates prevailing during the year.

2. Investments:

(i) Changes in the investments in affiliates are as follows:

	Falconbridge			Madeleine		
	1982	1981	1980	**1982**	1981	1980
Investment, beginning of year	**$166,694**	$172,817	$141,181	**$ 146**	$ 630	$ 934
Equity in earnings (losses):						
Before extraordinary items	**(31,647)**	(1,449)	24,110	**(133)**	(227)	552
Extraordinary items	**—**	(1,901)	13,995	**—**	—	—
Dividends	**—**	(2,773)	(6,469)	**(13)**	(257)	(856)
Investment, end of year	**$135,047**	$166,694	$172,817	**$ —**	$ 146	$ 630

Falconbridge

The investment in Falconbridge Limited (37.1% equity interest) is accounted for on the equity method which reflects the investment at cost less prior year's write-down plus its interest in undistributed earnings. In February, 1983, Falconbridge issued an additional 2,000,000 common shares with warrants to purchase an additional 1,000,000 common shares. The Company did not purchase any of the shares or warrants issued. As a result, the Company's equity interest in Falconbridge in February, 1983, was reduced to 26.5%, with potential dilution to 23.2% if all warrants are exercised.

At December 31, 1982, the carrying value of the Company's investment in Falconbridge (1,848,414 shares) was approximately $45,399 in excess of its market value based upon the quoted market price on The Toronto Stock Exchange. In the opinion of McIntyre's management, the Company's equity in the realizable value of the underlying net assets of Falconbridge is in excess of its investment.

Neptune

A 20% equity interest in Neptune Bulk Terminals (Canada) Limited was purchased in 1980 at a cost of $885. Since Neptune operates on a Cost of Service basis, all costs are passed through to McIntyre and the other shareholders, based on contracted and actual capacity used, and charged to earnings as incurred.

Madeleine

In 1982, Madeleine Mines Ltd. (36.4% equity interest) ceased operations and is in the process of disposing of all plant and equipment. During the year, dividends were received from Madeleine which, using the equity method, reduced the Company's investment to nil. Income (loss) attributable to common shares was $(1,534) in 1982, $(704) in 1981 and $1,864 in 1980. At December 31, 1982 the net assets of Madeleine were $1,996.

(ii) Summarized financial information for Falconbridge and Neptune is presented below:

	Falconbridge			Neptune	
	1982	1981	1980	1982	1981
Current assets	**$ 438,461**	$ 601,160	$ 548,325	**$ 2,552**	$ 5,005
Property, plant and equipment, net	**540,483**	550,011	506,131	**22,508**	18,424
Other assets	**98,585**	101,867	104,638	**95**	1,500
	$1,077,529	$1,253,038	$1,159,094	**$ 25,155**	$ 24,929
Current liabilities	**$ 96,910**	$ 127,990	$ 186,206	**$ 4,015**	$ 5,213
Long-term liabilities	**467,520**	465,386	285,801	**17,140**	15,716
Deferred income taxes	**48,554**	87,375	85,284	**—**	—
Minority interest	**60,151**	82,639	95,662	**—**	—
Shareholders' equity	**404,394**	489,648	506,141	**4,000**	4,000
	$1,077,529	$1,253,038	$1,159,094	**$ 25,155**	$ 24,929
Income (loss) attributable to common shares: Before extraordinary items	**$ 85,254**	$ (3,902)	$ 64,947	**$ —**	$ —
Extraordinary items	**$ —**	$ (5,122)	$ 37,700	**$ —**	$ —
Dividends paid on common shares	**$ —**	$ 7,469	$ 17,427	**$ —**	$ —

Financial information for Madeleine is not presented as the company ceased mining operations in 1982 and is now in the process of liquidating its plant and equipment.

3. Property, plant and equipment:

Property, plant and equipment are as follows:

	1982	1981	1980
Surface mine equipment	**$ 44,267**	$ 43,418	$40,986
Underground mine equipment	**23,595**	22,923	17,979
Coal preparation plant	**21,951**	21,844	21,327
Other equipment	**26,138**	23,081	18,756
	115,951	111,266	99,048
Less: Accumulated depreciation	**67,943**	59,071	52,409
	$ 48,008	$ 52,195	$46,639

4. Deferred mine development:

Deferred mine development, net of accumulated amortization, is as follows:

	1982	1981	1980
Producing properties, Smoky River:			
Surface mine	**$16,886**	$18,270	$20,607
Underground mines	**5,883**	5,444	3,933
Start-up costs (iii)	**—**	8,773	9,140
Non-producing properties:			
Copton (i)	**7,121**	6,989	6,923
Monkman (ii)	**1,408**	857	—
Smoky River (iii)	**822**	2,491	1,635
	$32,120	$42,824	$42,238

(i) Copton Excol Limited, an 82.9% owned subsidiary, has properties situated adjacent to the Smoky River property. Exploration of these properties indicates that substantial quantities of proven coal reserves exist. Studies are continuing on the feasibility of developing this property as a producer of coking or thermal coal. Profits commensurate with the risks of operating in this location must be indicated before further development is undertaken to bring the mine into production.

An agreement with Meadowlark Farms Inc., a subsidiary of Amax, Inc. was entered into in 1974 to explore and evaluate Copton's coal properties. In 1976, disputes arose and were the subject of lawsuits. In April, 1982, the litigation referred to in the 1981 Annual Report was resolved by the formation of a new joint venture between Copton Excol Limited and Meadowlark Farms Inc.

(ii) Exploration of the Monkman Property has outlined significant proven coal reserves. Mining feasibility studies, environmental submissions and market research are now in an advanced stage. Studies are continuing in order to establish that earnings will be commensurate with the risks of further investment in this property.

(iii) During 1982, due to the softening of the world coal markets, the Company reviewed and revised the mining plans. As a result, $10,195 in deferred mine development costs were not considered to be economically recoverable and were written off.

5. Other assets:

Other assets are as follows:

	1982	1981	1980
Employee housing loans	**$ 6,161**	$ 8,715	$ 2,224
Houses for sale to employees, at the lower of cost and net realizable value	**6,659**	3,021	5,233
Security deposits	**158**	134	922
	$12,978	$11,870	$ 8,379

To attract and retain employees, mortgage assistance and loans have been provided to enable employees to purchase local housing. In addition, certain housing mortgages, amounting to $1,202 at December 31, 1982 have been guaranteed.

The net change in employee housing was as follows:

	1982	1981	1980
Houses for sale to employees			
Net funds (derived from) applied to sale or purchase of houses (to) from employees	**$ 3,638**	$ (2,212)	$ 986
Mortgages on houses for sale to employees			
Increase in mortgages payable by the Company	**(1,210)**	(2,048)	(530)
Employee housing loans			
Mortgages (repaid by) advanced to employees	**(2,554)**	6,491	315
Change in employee housing	**$ (126)**	$ 2,231	$ 771

The realization of the investment in employee housing is dependent on the continuation of the mining activities at Smoky River.

6. Debt:

(i) Borrowing arrangements:

During 1982, the Company had a line of credit totalling $20,000 with a Canadian bank. At December 31, 1982, $9,864 was outstanding in Canadian Banker's Acceptances. The line of credit can be utilized at the option of the Company by way of direct Canadian or U.S. dollar equivalent loans or by way of Banker's Acceptances. The interest rate for Canadian loans is the Bank's prime lending rate. The interest rate on U.S. loans is the London Interbank Offered Rate (LIBOR) plus ½% with the stamping fee for Acceptances set at ½%. There are no commitment fees, and a compensating balance is not required under the line of credit.

(ii) Long-term debt is as follows:

	1982	1981	1980
Mortgages on houses for sale to employees	**$6,608**	$5,334	$3,286
Capital leases	**1,269**	1,408	2,027
	7,877	6,742	5,313
Less: Current portion	**288**	224	719
	$7,589	$6,518	$4,594

Long-term debt is repayable as follows:

	1983	1984	1985	1986	1987
Mortgages	$112	$106	$118	$135	$155
Capital leases	176	148	130	143	152

Interest rates vary from 8.0% to 19.5%.

7. Mining operations:

(i) The Company's primary activity is to mine, process and sell high grade metallurgical coking coal. This activity, formerly carried on by the Company's Mining Division, was transferred to a wholly owned subsidiary, Smoky River Coal Limited, incorporated in 1982. A condensed balance sheet for Smoky River Coal Limited as of December 31, 1982 is as follows:

Current assets	$ 22,313
Property, plant and equipment	47,481
Deferred mine development	23,591
Housing assets	12,181
Total Assets	$105,566
Current liabilities	$ 17,868
Due to parent	14,000
Long-term debt	7,589
Provision for reclamation	8,289
Shareholders' equity	57,820
Total Liabilities and Equity	$105,566

The following summarizes the results of coal mining operations for the current and prior two years:

	1982	1981	1980
Clean coal produced, in thousands of long tons	**1,226**	2,065	1,470
Clean coal sold, in thousands of long tons	**1,237**	1,899	1,684
Revenue	**$ 97,531**	$140,294	$115,213
Cost of Sales	**134,860**	146,159	118,070
Gross Loss	**$ 37,329**	$ 5,865	$ 2,857

Segment information:

All sales of coal are made to unaffiliated customers, the major ones being a group of eight Japanese steel mills and five Japanese gas/coke companies. The following is an analysis of sales (in thousands of long tons) and revenue:

	1982	1981	1980
Major Customers			
Sales	**945**	1,330	1,116
Revenue	**$74,500**	$ 96,707	$ 76,482
Others			
Sales	**292**	569	568
Revenue	**$23,031**	$ 43,587	$ 38,731
Total			
Sales	**1,237**	1,899	1,684
Revenue	**$97,531**	$140,294	$115,213

(ii) At the present time the Company has contracted for the annual delivery of coal as follows (in thousands of long tons):

	1983	1984	1985	1986	1987
Japan	1,200	450	—	—	—
Other Pacific Rim	258	280	280	255	65
South America	450	450	450	450	450
	1,908	1,180	730	705	515

In 1982, the Company successfully negotiated a contract with a consortium of Japanese customers calling for the delivery of 1.8 million tons over a two-year period commencing October 1, 1982. Under the contract, the Company will deliver the first 300,000 tons at a price of $78.50 per ton, and remaining tons at $87.50.

The 1983 prices on the remaining contracts will be negotiated during the year. Due to a softening in worldwide demand for metallurgical coal and the resulting oversupply situation, there has been a general downward trend in coal prices. This downward trend could result in somewhat lower coal prices during 1983 in markets other than Japan when compared to 1982. Furthermore, it is possible that due to reduced steel production worldwide, the currently contracted volume of sales may not be achieved.

8. Commitments and contingencies:

(i) The Company has a long-term operating lease agreement for the supply of unit-train rail cars for the transportation of coal. The minimum annual rental charges for the next two years will be $1,144; the overall lease agreement, which expires in 1990, includes several sub-contracts which will be re-negotiated as they expire. This is the only significant operating lease agreement of the Company.

(ii) In 1969 the Company contracted to supply coal to Canadian Utilities Limited to provide its requirements for fuel of contract specification at its thermal power generating plant at Smoky River, Alberta, for a period of fifteen years commencing December 1972 at a price of approximately $0.32 per long ton. It was initially anticipated that these annual requirements would be in the range of 600,000 short tons per year. The contract is renewable at the option of the purchaser at a nominal price for a further fifteen years.

Alberta Power Limited, the assignee of Canadian Utilities, in 1973 commenced an action against the Company in the Supreme Court of Alberta claiming damages in the amount of $804 for costs allegedly incurred by it in connection with the supply and use of coal supplied by the Company during 1973, and requesting certain declaratory and injunctive relief. The Company is defending the action. In the opinion of the Company's counsel, the plaintiff will not be successful in obtaining judgment in the amount of damages presently claimed or in obtaining an injunction. No provision therefor has been made in the accounts.

The plaintiff's claim as presently pleaded covers only the year 1973. Claims in respect of subsequent years may be made but the Company is not currently in a position to determine the amount of the damages, if any, which might be sustained with respect to those years.

The Company maintains that it is legally bound under the contract to supply only by-product coal from its metallurgical coal mining and processing operations. It believes, on the basis of its by-product coal production since its metallurgical coal mining operation at Smoky River commenced in 1970, that there will not be sufficient amounts of specification by-product coal available to fulfill the requirements of Alberta Power. The Company is presently delivering by-product coal to Alberta Power on a month to month basis, at cost. The Company understands that Alberta Power has also been purchasing and utilizing and continues to purchase and utilize additional fuel. The parties are currently engaged in discussions with a view to a possible settlement which may contemplate, among other things, long-term undertakings by the Company regarding delivery of minimum quantities of by-product coal from its Smoky River operation as well as other financial commitments.

(iii) On December 5, 1980, Neptune Bulk Terminals Ltd. filed a Statement of Claim in the Supreme Court of British Columbia, alleging that it had suffered damages by reason of breach of contract, negligent misrepresentation and negligence on the part of the Company in connection with the sale of a stacker-reclaimer by the Company.

There are numerous other defendants in this action.

Examinations for Discovery have commenced but are not yet completed. In its Statement of Claim, the plaintiff has not stated what quantum of damages it is seeking against the Company. In the opinion of counsel, it is too early to evaluate fully this claim.

In 1983 by Order of the Supreme Court of British Columbia, the action against the Company was dismissed and no appeal of this order has been commenced.

(iv) A guarantee, secured by a letter of credit, for the performance of reclamation work has been provided to the Alberta Government.

9. Share capital:

The authorized capital consists of an unlimited number of preference and common shares without nominal or par value. The Company had 3,669,573, 3,669,573 and 3,666,073 common shares outstanding as of December 31, 1982, 1981 and 1980 respectively.

There are no preference shares outstanding.

10. Share option plans:

In 1958, the Executive and Key Employee Stock Option Plan was established. This plan expired in 1982. In April 1980, the shareholders approved the 1980 Executive and Key Employee Share Option Plan which permits the Board of Directors to grant options for terms up to five years to purchase shares at a price of not less than 90% of the average market value of such shares on the preceding trading date. Options on up to 150,000 shares may be granted under this plan which also provides for stock appreciation rights in tandem with the options.

	Number of Shares	Option Price Per Share
Options outstanding December 31, 1979	18,100	$25.18 to $52.73
Granted	10,500	56.00
Exercised	(10,100)	25.18 to 52.73
Expired	(1,000)	56.00
Options outstanding December 31, 1980	17,500	25.18 to 56.00
Granted	17,000	56.00 to 62.00
Exercised	(3,500)	25.18 to 52.73
Surrendered or expired	(5,000)	56.00
Options outstanding December 31, 1981	26,000	44.06 to 62.00
Granted	28,500	29.25
Surrendered or expired	(10,500)	29.25 to 56.00
Options outstanding December 31, 1982	44,000	$29.25 to $62.00

Options outstanding at December 31, 1982 relate only to the five-year options on 44,000 common shares under the 1980 plan. The five-year options become exercisable after one year from the date of grant in cumulative increments of 25% per year.

Upon the exercise of options, the full amount received is credited to the Share Capital. No amounts are charged to earnings except upon the exercise of stock appreciation rights under the 1980 plan.

11. Extraordinary items:

Extraordinary items consist of the following:

	1982	1981	1980
Equity in Falconbridge's write-off of its investment in United Keno Hill Mines Limited's Venus Project	$ —	$ 1,901	$ —
Equity in gain on disposal of shares of Canadian Superior Oil Ltd. by Falconbridge	—	—	(13,995)
	$ —	$ 1,901	$(13,995)

12. Earnings per share:

For calculation of earnings per share, the number of total shares outstanding has been reduced by the Company's proportionate investment in its shares held by an affiliate as follows:

Years	Weighted average total shares outstanding	Deduct proportionate investment in shares held by an affiliate	Number of shares used in calculation of earnings per share
1982	3,669,573	65,269	3,604,304
1981	3,668,889	65,269	3,603,620
1980	3,665,306	65,269	3,600,037

Exercise of the share options outstanding would not materially affect the earnings per share.

13. Pension plans:

The Company has two pension plans, one for salaried and the other for hourly employees. The salaried plan is contributory and provides for an annual pension equivalent to the number of years of service times 1½% of the average annual earnings during the best three years of the final ten years of employment. The hourly plan is non-contributory and provides for an annual pension equivalent to 1¾% of the total earnings while a participant of the plan.

The most recent actuarial valuations for the plans were January 1, 1982. Due to the actuarial surplus in each plan, the Company did not make contributions in 1982, 1981 or 1980.

14. Reconciliation of loss (income) prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP) to conform with generally accepted accounting principles in the United States (U.S. GAAP):

	Year ended December 31		
	1982	**1981**	**1980**
Loss from operations, as reported	**$ 42,720**	$ 6,156	$ 2,992
Equity in losses (earnings) of affiliates before extraordinary items as reported	**$ 31,780**	$ 1,676	$ (24,662)
Adjustments to conform with U.S. GAAP			
Decrease (Increase) in Company's equity in Falconbridge to reflect the adjustments to:			
1. Record long-term debt at exchange rate at the end of year (i)	**3,678**	(973)	427
2. Record losses (gains) on translation of foreign subsidiaries' accounts which were deferred for consolidation purposes (i)	**(524)**	1,049	(587)
3. Record capitalization and amortization of interest costs (ii)	**(2,556)**	(2,175)	(1,234)
Equity in losses (earnings) of affiliates, as adjusted	**$ 32,378**	$ (423)	$ (26,056)
Loss (income) from continuing operations in accordance with U.S. GAAP	**$ 75,098**	$ 5,733	$ (23,064)
Company's equity in write-off of Venus project (iii)	—	1,901	—
Company's equity in gain on disposal of shares of Canadian Superior Oil Ltd. by Falconbridge (iii)	—	—	(13,995)
Loss (income) in accordance with U.S. GAAP	**$ 75,098**	$ 7,634	$ (37,059)
Loss (earnings) per share in accordance with U.S. GAAP			
Continuing operations	**$ 20.84**	$ 1.59	$ (6.41)
Company's equity in write-off of Venus project	—	.53	—
Company's equity in gain on disposal of shares of Canadian Superior Oil Ltd. by Falconbridge	—	—	(3.88)
	$ 20.84	$ 2.12	$ (10.29)

(i) Under Canadian GAAP Falconbridge translates long-term debt into Canadian dollars at rates of exchange prevailing when the debts were incurred and defers net unrealized gains on translation of foreign subsidiaries' financial statements for consolidation purposes. U.S. GAAP require recognition of all gains or losses resulting from translation of foreign currencies at year-end exchange rates.

(ii) Consistent with the Canadian mining industry's policy of capitalizing all costs incurred during the preproduction stage of a project, Falconbridge capitalizes interest costs incurred prior to the commencement of commercial production for projects which are specifically financed by debt capital. Interest costs incurred after the commencement of commercial production are expensed.

U.S. GAAP require the capitalization of interest costs as part of the historical cost of acquiring certain assets whether or not the assets are specifically financed by debt. Capitalized interest costs are amortized on the same basis as the related assets.

(iii) See Note 11.

15. Related party transactions:

The Superior Oil Company owns 26.6% and Canadian Superior Oil Ltd. (CSO) (a wholly owned subsidiary of The Superior Oil Company) owns 26.4% of the Company. The following transactions occurred between the Company and other members within the group:

(i) Pursuant to an agreement with Canadian Superior Exploration Limited (Canadian Superior), effective January 1, 1979, Canadian Superior has earned interests, up to a maximum of 50%, in certain of the Company's exploration properties by matching previous expenditures by the Company.

(ii) The Company and CSO are participants in the Monkman Pass Coal Joint Venture.

(iii) In December 1982, the Company entered into an agreement with CSO whereby CSO purchases all production at Smoky River, incurs all transportation costs, and resells the product to the Company at Neptune Terminals. Interest is charged on the amounts advanced by CSO at prime less 1½%. Under GAAP, since this transaction is with a related party and no sale has been made to third parties, at December 31, 1982, the coal sold to CSO is included in coal inventory and the amount received from CSO is included in due to affiliate in the accompanying financial statements.

16. Income taxes:

At December 31, 1982, $20 million in tax loss carryforwards are available. The right to use these expires in 1987.

In addition, at December 31, 1982 the Company and its subsidiaries had approximately $104.7 million of aggregate unused capital cost allowance and exploration and development deductions available to offset future Canadian taxable income. These deductions are available to reduce the taxable income of the entity which generated the deduction.

Income taxes have not been provided on the undistributed earnings of affiliates since dividends received are not subject to tax. The Company has no material foreign tax liability.

17. Working capital:

Working capital was derived from (applied to) operations as follows:

	1982	1981	1980
Income (loss) before extraordinary items	**$ (74,500)**	$ (7,832)	$21,670
Items not affecting working capital			
Depreciation	**10,065**	8,046	9,309
Amortization	**2,012**	5,560	4,032
Write-off of deferred development	**10,195**	—	—
Equity in losses (earnings) of affiliates	**31,780**	1,676	(24,662)
Reclamation	**714**	1,649	1,004
Gain on disposal of assets	**(516)**	(142)	—
Dividends from affiliates	**(171)**	—	—
Deferred taxes	**—**	—	(500)
Neptune loss	**—**	—	443
Total from operations (to operations)	**$ (20,421)**	$ 8,957	$11,296

18. **Waiver of coal royalties:**

Coal operations are governed by the Ministry of Energy and Natural Resources of Alberta. A waiver has been received in respect of the fixed minimum rate of 5% of minesite revenue until September 1984, and instead the company is subject to coal royalties based on a formula. For 1982, 1981 and 1980, calculations based on the formula resulted in no royalty expense.

19. **Falconbridge Dominicana, C. por A.:**

In January 1982, Falconbridge Dominicana, C. por A. (Falcondo), a 65.7% owned subsidiary of Falconbridge, temporarily shut down its ferronickel production operations in the Dominican Republic because of the uncertain demand for ferronickel. Falcondo resumed limited production operations in September 1982 after certain steps, including a substantial reduction in workforce, had been taken to reduce costs. Under current market conditions Falcondo will be dependent on the continued financial support of its sponsors. Although it is not possible to determine when conditions will improve sufficiently for the achievement of a self-sustaining operation, management of Falconbridge is of the opinion that its investment in Falcondo will be recovered over the long term. Based upon such opinion, which the Company considers reasonable, the Company has decided not to make any provision in the Company's accounts relating to Falcondo. The Company's proportionate share of the net aggregate carrying value of Falcondo was approximately $34.5 million on December 31, 1982.

Auditors' Report

To the Shareholders of
McINTYRE MINES LIMITED:

We have examined the consolidated balance sheets of McIntyre Mines Limited (a Canada corporation) as of December 31, 1982, 1981 and 1980 and the related consolidated statements of loss (income) and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances

In our opinion, these consolidated financial statements present fairly the financial position of McIntyre Mines Limited as of December 31, 1982, 1981 and 1980 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta
February 1, 1983

ARTHUR ANDERSEN & CO.
Chartered Accountants

Comment by Auditors on Differences in
Canada-United States Reporting Standards

In the United States, reporting standards for auditors require the expression of an opinion qualified as being subject to the outcome of significant uncertainties affecting the financial statements such as the uncertainty relating to Falconbridge Dominicana, C. por A. (a subsidiary of Falconbridge Limited), referred to in Note 19 to the accompanying financial statements.

The opinion in our report to the shareholders, dated February 1, 1983, is expressed in accordance with Canadian standards and is not qualified with respect to, and provides no reference to, this uncertainty since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements. No such reporting standards conflict existed in 1980.

Calgary, Alberta
February 1, 1983

ARTHUR ANDERSEN & CO.
Chartered Accountants

Quarterly Financial Data (Unaudited)

(in thousands of Canadian dollars)

	Quarter Ended			
1982	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**
Coal revenue	**$ 25,872**	**$ 36,799**	**$ 24,157**	**$ 10,703**
Coal gross profit (loss)	**(9,021)**	**(4,092)**	**(19,183)**	**(5,033)**
Corporate expenses	**1,277**	**1,434**	**1,386**	**1,294**
Income (loss) from operations	**(10,298)**	**(5,526)**	**(20,569)**	**(6,327)**
Equity in earnings (losses) of affiliates	**(4,926)**	**(6,003)**	**(10,003)**	**(10,848)**
Net income (loss)	**$ (15,224)**	**$ (11,529)**	**$ (30,572)**	**$ (17,175)**
Earnings (loss) per share				
Before extraordinary items	**$ (4.22)**	**$ (3.20)**	**$ (8.48)**	**$ (4.77)**
Total	**$ (4.22)**	**$ (3.20)**	**$ (8.48)**	**$ (4.77)**

	Quarter Ended			
1981	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**
Coal revenue	$ 25,736	$ 45,393	$ 34,519	$ 34,646
Coal gross profit (loss)	(3,527)	(1,829)	1,511	(2,020)
Corporate expenses	290	(456)	(208)	665
Income (loss) from operations	(3,817)	(1,373)	1,719	(2,685)
Equity in earnings (losses) of affiliates	3,235	2,888	141	(7,940)
Income (loss) before extraordinary items	(582)	1,515	1,860	(10,625)
Extraordinary items	—	—	—	(1,901)
Net income (loss)	$ (582)	$ 1,515	$ 1,860	$ (12,526)
Earnings (loss) per share				
Before extraordinary items	$ (0.16)	$ 0.42	$ 0.52	$ (2.95)
Total	$ (0.16)	$ 0.42	$ 0.52	$ (3.48)

	Quarter Ended			
1980	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**
Coal revenue	$ 25,866	$ 36,176	$ 32,527	$ 20,644
Coal gross profit (loss)	(109)	3,872	3,105	(9,725)
Corporate expenses	274	511	1,902	(2,052)
Income taxes (recovery)	(380)	1,046	658	(1,824)
Income (loss) from operations	(3)	2,315	545	(5,849)
Equity in earnings of affiliates	12,283	6,468	2,791	3,120
Income before extraordinary items	12,280	8,783	3,336	(2,729)
Extraordinary items	13,995	—	—	—
Net income (loss)	$ 26,275	$ 8,783	$ 3,336	$ (2,729)
Earnings (loss) per share				
Before extraordinary items	$ 3.41	$ 2.44	$ 0.93	$ (0.76)
Total	$ 7.29	$ 2.44	$ 0.93	$ (0.76)

Selected Financial Data

	1982	1981	1980	1979	1978
Production (000's omitted)					
Raw coal (long tons)	**1,798**	3,108	2,329	1,755	2,133
Clean coal (long tons)	**1,226**	2,065	1,470	1,044	1,316
Earnings ($000's omitted)	**$**	$	$	$	$
Revenue	**97,531**	140,294	115,213	62,667	105,270
Exploration	**518**	521	1,353	333	4,279
Interest	**309**	(5,231)	(3,679)	8,620	6,310
Depreciation	**10,065**	8,046	9,309	9,005	9,083
Amortization	**12,207**	5,560	4,032	1,909	1,945
Income taxes	**—**	—	(500)	(2,306)	712
Loss from operations	**(42,720)**	(6,156)	(2,992)	(2,741)	(2,264)
Equity in earnings (losses) of affiliates	**(31,780)**	(1,676)	24,662	39,226	(94)
Extraordinary items	**—**	(1,901)	13,995	7,424	1,454
Consolidated earnings (loss)	**(74,500)**	(9,733)	35,665	43,909	(904)
Per share (a)	**(20.67)**	(2.70)	9.90	18.45	(0.38)
Dividends paid	**—**	—	—	—	1,184
Per share	**—**	—	—	—	$0.50
Dividends received from affiliates	**171**	3,030	7,325	5,545	342
Financial Position ($000's omitted)					
Working capital	**5,003**	32,142	41,264	31,156	11,003
Investments	**135,932**	167,725	174,332	142,115	101,010
Property, plant, equipment and deferred development	**80,128**	95,019	88,877	91,712	98,942
Long-term debt	**7,589**	6,518	4,594	4,712	68,944
Shareholders' equity	**218,163**	292,663	302,267	266,269	144,556
Per share (a)	**$60.53**	$81.21	$83.96	$111.89	$61.01
Shareholders and Employees — December 31					
Total shares outstanding	**3,669,573**	3,669,573	3,666,073	3,655,973	2,434,482
Shareholders	**1,733**	1,891	1,980	2,134	2,513
Employees	**697**	1,275	1,060	790	822

(a) Per share figures calculated on the basis of average shares outstanding during the year less equity in own shares held by affiliate.

Share Price Information

The following table shows the high and low sale prices of the common shares for each calendar quarter since the beginning of 1980.

	New York Composite (U.S. $)		The Toronto Stock Exchange (CDN. $)	
	High	Low	High	Low
1980				
First Quarter	89	35½	103	46½
Second Quarter	80⅜	40¾	92	49¾
Third Quarter	84¾	65	98½	76½
Fourth Quarter	62¼	52½	80	62
1981				
First Quarter	62½	46	73½	55
Second Quarter	66¾	47	78½	58
Third Quarter	53	29	63¾	35½
Fourth Quarter	42	27½	50	32
1982				
First Quarter	35	23¼	42	28
Second Quarter	27¾	17¼	34	22½
Third Quarter	25¾	17¾	31¼	22½
Fourth Quarter	26	19⅞	32	25

McIntyre has not paid dividends on its common shares since 1978. While any future dividends will be determined by the Board of Directors after consideration of McIntyre's earnings, financial condition and other relevant factors, it is presently expected that available cash flow will be utilized in McIntyre's coal operations and it is not anticipated that cash dividends on McIntyre shares will be paid in the foreseeable future.

Corporate Information

Head Office

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Calgary, Alberta
T2P 0J3
Telephone 1-403-267-4847

Directors

F. C. ACKMAN,
President, Chairman and Chief Executive Officer
The Superior Oil Company, an oil company

M. A. COOPER,
M. A. Cooper Consultants Inc.,
independant consultant

THE HON. E. C. MANNING,
Chairman,
Manning Consultants Limited,
independant consultant

A. R NIELSEN,
Chairman and Chief Executive Officer
Canadian Superior Oil Ltd., an oil company

J. B. REDPATH,
Director
Dome Mines Limited, a mining company

P. J. URSO
President, Chairman and Chief Executive Officer
McIntyre Mines Limited, a coal producer

Executive Committee

F. C. ACKMAN
E. C. MANNING
A. R. NIELSEN
J. B. REDPATH
P. J. URSO

Compensation Committee

F. C. ACKMAN
A. R. NIELSEN
E. C. MANNING

Audit Committee

A. R .NIELSEN
J. B. REDPATH
E. C. MANNING

Officers

P. J. URSO President, Chairman and Chief Executive Officer

J. P. L. BACHARACH
Vice-President, Operations and Engineering

J. C. POSS
Vice-President, Finance & Planning

W. M. BONE
General Counsel & Corporate Secretary

D. P. KATHOL
Treasurer and Controller

Capital Stock

Authorized:	Unlimited number of common shares without nominal or par value
Issued:	3,669,573
Authorized:	Unlimited number of preference shares without nominal or par value, issuable in series.
Issued:	None

Auditors

Arthur Andersen & Co.
Chartered Accountants, Calgary, Alberta

Transfer Agents

Canada Permanent Trust Company Toronto, Ontario; Calgary, Alberta; Montreal, Quebec; Vancouver, British Columbia.

Bradford Trust Company
New York, N.Y.

Registrars

Canada Permanent Trust Company Toronto, Ontario; Calgary, Alberta; Montreal, Quebec; Vancouver, British Columbia.

The Chase Manhattan Bank
(National Association) New York, N.Y.

Stock Exchanges

The common shares of the Company are listed for trading on The Toronto Stock Exchange, Montreal Stock Exchange and the New York Stock Exchange.

Operations

Coal Division: K. Forgaard, General Manager, Grande Cache, Alberta

McINTYRE MINES

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