McINTYRE MINES LIMITED

ANNUAL REPORT 1986

Corporate Profile

McIntyre Mines Limited's principal asset is its 14.0% equity interest in Falconbridge Limited, an international resource corporation. Through Falconbridge, McIntyre participates indirectly in the exploration, development, mining, processing and marketing of nickel, ferronickel, copper, zinc and other base metals and various precious metals.

McIntyre has 3,669,599 Common Shares issued and outstanding, of which 1,942,534 or 52.9% are held by Dome Mines Limited. The Common Shares are listed for trading on The Toronto Stock Exchange, the New York Stock Exchange and The Montreal Exchange.

Contents

McIntyre's consolidated net loss for 1986 was $34,323,000 or $9.42 per share, compared to $26,255,000 or $7.23 per share in 1985 and net income of $20,487,000 or $5.65 per share in 1984. An extraordinary loss of $32,280,000 or $8.86 per share was recorded in 1986 resulting from a loss on disposal of discontinued operations of $48,376,000 and a gain of $16,096,000 representing equity in extraordinary items of Falconbridge. In 1984 an extraordinary gain of $13,182,000 or $3.64 per share was recorded.

McIntyre's loss before extraordinary items was $2,043,000 in 1986, compared to a loss of $26,255,000 in 1986 and income of $7,305,000 in 1984. The decrease in the loss in 1986 compared to 1985 was primarily due to improved results from discontinued coal mining operations, partially offset by a decrease in equity in income of Falconbridge.

SALE OF COAL OPERATIONS

On March 25, 1987, the Company completed the sale of substantially all of its coal mining assets and operations, including all of the shares of Smoky River Coal Limited ("Smoky"). The purchaser was Smoky River Holdings Ltd., a company controlled by M.L. Henson, the former President and Chief Operating Officer of McIntyre. The sale was for nominal cash consideration. McIntyre has retained a royalty interest in Smoky which is based on net operating cash flows from the coal properties.

The assets, liabilities, revenues, expenses and cash flows of McIntyre have been presented in the Company's 1986 financial statements on a basis that shows the financial position, results of operations and changes in financial position of discontinued coal mining operations separately from those of continuing operations. The loss from the disposition, recognized as an extraordinary item in the 1986 consolidated financial statements, is $48,376,000 which includes $1,265,000 of operating losses of the coal mining operations for the two month period ended February 28, 1987.

McIntyre has provided a $3 million last recourse letter of credit to the Alberta Government in respect of Smoky's reclamation obligations. This letter of credit reduces as reclamation is performed by Smoky and expires on the earlier of completion of $3 million of reclamation activities by Smoky or December 31, 1992. Smoky has provided the Alberta Government with letters of credit aggregating approximately $9.3 million which are available to allow the government to complete the reclamation should Smoky fail to meet its obligations. McIntyre's last recourse letter of credit would only be drawn if Smoky's existing reclamation letters of credit were to be exhausted.

FALCONBRIDGE

McIntyre's interest in Falconbridge represents its principal asset and, historically, its equity participation in Falconbridge's earnings and losses has significantly affected the consolidated earnings and losses of McIntyre. McIntyre's interest in Falconbridge's 1986 loss before extraordinary items was $2,500,000, compared to the Company's interest in earnings of $8,752,000 in 1985 and $7,352,000 in 1984. McIntyre's share of Falconbridge's extraordinary gains was $16,096,000 in 1986 and $13,182,000 in 1984.

At March 31, 1987 the Company owned 9,242,070 or 14.0% and its parent company, Dome Mines, owned 4,863,500 or 7.4% of the outstanding common shares of Falconbridge. As a result, Dome Mines exercised control and direction over 21.4% of the outstanding common shares of Falconbridge.

Falconbridge is an international resource corporation which has been engaged in the exploration, development, mining, processing and marketing of metals and minerals since 1984. The Falconbridge group of companies' principal operations are in Canada, Norway, the Dominican Republic and Zimbabwe. Its products include nickel, ferronickel, copper, zinc and other base materials and various precious metals.

Falconbridge's base and precious metal production has been enhanced by the acquisition from Canada Development Corporation ("CDC") in 1986 of Kidd Creek Minerals Ltd. ("Kidd Creek"), a fully integrated mining enterprise which owns and operates zinc, copper, silver and gold mining and metallurgical facilities in Timmins, Ontario. The total cost of such purchase was $619,440,000 payable as follows: $140,000,000 cash, 10,473,568 Falconbridge common shares, $270,765,000 principal amount of Falconbridge 8½% convertible debentures, maturing in 2006 and convertible into Falconbridge common shares at a conversion price of $21.95 per share, and other costs of $4,440,000.

Falconbridge's loss before extraordinary items was $15,518,000 in 1986 compared to earnings of $38,543,000 in 1985 and $28,694,000 in 1984. Extraordinary gains totalling $85,787,000 were reported by Falconbridge in 1986 from sales of its investments in Kiena Gold Mines Limited, Akaitcho Yellowknife Gold Mines Limited and Corporation Falconbridge Copper. Extraordinary gains were $51,492,000 in 1984. Revenues increased to $1,145,480,000 in 1986 from $890,247,000 in 1985, primarily as a result of the inclusion of Kidd Creek revenues. Revenues increased in 1985 from $733,312,000 in 1984 principally because of an increase in sales of traded material.

In 1986, operating profit before taxes of the Integrated Nickel Operations was $15,826,000, compared to $62,795,000 in 1985 and $79,994,000 in 1984. Sales of nickel declined in 1986 to 41,321 tonnes from 54,600 tonnes in 1985 primarily due to a reduction in the sale of traded material. Nickel sales were 39,421 tonnes in 1984. Copper sales increased to 41,593 tonnes from 32,766 tonnes in 1985 and 36,740 tonnes in 1984. Average prices for refined nickel fell to U.S.$1.96 per pound in 1986 from U.S.$2.31 in 1985 and U.S.$2.35 in 1984. Copper selling prices averaged U.S.$0.63 per pound in 1986 compared to U.S.$0.65 in 1985 and U.S.$0.61 in 1984.

Operating profit contributed by Kidd Creek in 1986 was $71,226,000. Sales totalled 135,021 tonnes of zinc metal, 75,087 tonnes of zinc concentrate, 113,836 tonnes of copper, 6,027,000 ounces of silver and 70,000 ounces of gold.

Falconbridge's cash position at December 31, 1986 was $281,898,000 and long-term debt was $1,203,445,000. Interest and debt related expenses were $130,127,000 in 1986, compared to $40,863,000 in 1985 and $71,826,000 in 1984. The increase in long-term debt and interest expense from 1985 to 1986 resulted primarily from debt assumed and incurred on the acquisition of Kidd Creek.

Falconbridge issued and sold 6,600,000 common shares by public offering in February, 1986, 10,473,568 common shares as part of the consideration for Kidd Creek and 1,540,750 common shares in December, 1986, in conjunction with share purchase tax credits. In February, 1987, 4,978,385 common shares were issued on exercise of warrants. McIntyre did not increase its share holding during the year.

In February, 1987, Falconbridge announced that it had sold its entire investment in Western Platinum Limited for U.S.$75,000,000.

As a condition of the closing of the Kidd Creek acquisition, Dome Mines and McIntyre (the "Dome Group"), Falconbridge and CDC entered into a Shareholders' Agreement which provides that each of the Dome Group and CDC will limit to a maximum of 40% its beneficial ownership of Falconbridge voting securities (except in certain limited circumstances including a third party take-over bid) and confers upon CDC and the Dome Group certain reciprocal rights of first refusal in the event that either wishes to dispose of any of their Falconbridge voting securities, including the 8½% convertible debentures owned by CDC.

On October 7, 1986, CDC disposed of all of its common shares of Falconbridge by way of a public offering in Canada and elsewhere outside the United States to underwriters, who then sold to the public Units consisting of one common share of Falconbridge and one-half Deferred Payment Right evidencing the holder's right to one-half common share of Falconbridge. Dome Mines and McIntyre waived their respective rights of first refusal with respect to the sale of common shares of Falconbridge owned by CDC, and did not participate in the transaction.

Dome Mines' and McIntyre's rights of first refusal with respect to the 8½% convertible debentures of Falconbridge owned by CDC continue in effect in accordance with the terms of the Shareholders' Agreement.

Discontinued Coal Operations

The Company reported a reduction in its gross loss from discontinued coal operations from $19,076,000 in 1985 to $3,196,000 in 1986. The 1985 gross loss represented a decline of $25,273,000 from the gross profit of $6,197,000 reported in 1984.

During 1986, sales volumes of clean coal improved over the depressed level experienced in 1985, but were lower than the volume of sales in 1984. The lower sales levels reflect the continued worldwide oversupply of metallurgical coal that has affected most producers and the termination, in October, 1984, of the Company's sales contract with a consortium of Japanese steel mills. Coal sales in 1986 amounted to 1,097,000 long tons of clean coal at prices averaging $61.45 per long ton. In comparison, during 1985, 679,000 long tons were sold with revenue averaging $63.81 per long ton and during 1984, 1,168,000 long tons were sold at an average price of $79.76 per long ton. Average sale prices in 1986 and 1985 were affected by the continued drop in long term contract prices as well as sales into the spot market at competitive prices.

In addition to clean coal sales, 145,000 long tons of raw coal were sold in 1986 and 370,000 long tons in 1985. At the end of 1986, the inventory of clean coal totalled 184,000 long tons, substantially reduced from 504,000 long tons at the end of 1985 and 507,000 long tons at the end of 1984. The mine operated for eleven months in 1986 and only nine months in 1985 when production was restricted in order to balance production with sales.

Appreciation

Upon completion of the sale of Smoky, all its employees and those of McIntyre at its Calgary office became employees of Smoky River Holdings Ltd. The Directors wish to thank these employees for their dedicated efforts which resulted in significant improvements to the operating results of Smoky River during 1986. The Directors also wish every success to Mr. Michael Henson and all employees of Smoky River Coal Limited in their efforts to continue the operations of the Smoky River Mine.

On March 25, 1987, Mr. Michael Henson retired as a director of the Company and as President and Chief Operating Officer. On March 26, 1987, Mr. H. John McDonald was elected a director of the Company replacing Mr. Henson. Mr. Henry Brehaut, Chairman and Chief Executive Officer of the Company was also appointed President.

C Henry Brehaut

C. Henry Brehaut
Chairman, President and
Chief Executive Officer

April 9, 1987

Sale of Coal Operations

On March 25, 1987, with effect from February 28, 1987, the Company sold substantially all of its coal mining assets and operations, including all of the shares of Smoky. The sale was for nominal cash consideration. McIntyre has retained a royalty interest in Smoky which is based on net operating cash flows from the coal properties. The assets, liabilities, revenues expenses and cash flows of McIntyre have been presented in the Company's 1986 financial statements on a basis that shows the financial position, results of operations and changes in financial position of discontinued coal mining operations separately from those of continuing operations.

The net assets of the coal mining operations have been written down at December 31, 1986 to the value subsequently realized by the Company. The loss from the disposition, recognized as an extraordinary item in the 1986 consolidated financial statements, is $48,376,000 which includes $1,265,000 of operating losses of the coal mining operations for the two month period ended February 28, 1987.

The Company remains contingently liable for certain annual lease payments of Smoky in the amounts of $856,000 in 1987, $838,000 in 1988, $649,000 in 1989, $229,000 in 1990 and $22,000 in 1991. McIntyre is contingently liable in the amount of approximately $1,800,000 for Smoky's pro-rata share of operating costs of Neptune through December 31, 1987 and certain bank loans of Neptune in the amount of $2,700,000 through 1989. In addition, the Company has provided a $3,000,000 last recourse letter of credit to the Alberta Government in respect of Smoky's reclamation obligations. This letter of credit reduces as reclamation is performed by Smoky and expires on the earlier of completion of $3,000,000 of reclamation activities by Smoky or December 31, 1992.

Smoky has provided the Alberta Government with letters of credit aggregating approximately $9,300,000 which are available to allow the government to complete the reclamation of the Mine should Smoky fail to meet its obligations.

McIntyre's last recourse letter of credit could only be drawn if Smoky's existing reclamation letters of credit were to be exhausted.

Financial Results

McIntyre's consolidated net loss for 1986 was $34,323,000 or $9.42 per share, compared to $26,255,000 or $7.23 per share in 1985 and net income of $20,487,000 or $5.65 per share in 1984. An extraordinary loss of $32,280,000 or $8.86 per share was recorded in 1986 resulting from a loss on disposal of discontinued operations of $48,376,000 partially offset by a gain of $16,096,000, representing equity in extraordinary items of Falconbridge. In 1984 an extraordinary gain of $13,182,000 or $3.64 per share was recorded.

McIntyre's loss before extraordinary items was $2,043,000 in 1986, compared to a loss of $26,255,000 in 1985 and income of $7,305,000 in 1984. The decrease in the loss in 1986 compared to 1985 was primarily due to improved results from discontinued coal mining operations, partially offset by a decrease in equity in income of Falconbridge. The increase in McIntyre's loss before extraordinary item in 1985, in comparison to 1984, was primarily the result of the loss of $36,828,000 from discontinued coal operations reflecting write-downs of $16,346,000 recorded in the fourth quarter of 1985.

The loss from continuing operations was $3,995,000 in 1986. In comparison, income from continuing operations was $10,573,000 in 1985 and $6,527,000 in 1984.

Disclosure of the differences between Canadian and United States generally accepted accounting principles is included in note 8 to the consolidated financial statements of McIntyre.

Falconbridge

McIntyre's equity in Falconbridge's 1986 loss before extraordinary items was $2,500,000, compared to earnings of $8,752,000 in 1985 and $7,352,000 in 1984. The Company's share of Falconbridge's extraordinary gains was $16,096,000 in 1986 and $13,182,000 in 1984.

In 1986, Falconbridge purchased Kidd Creek for consideration which included 10,473,568 common shares of Falconbridge. As a result of this and other share issues by Falconbridge, McIntyre's interest in the outstanding common shares of Falconbridge decreased from 22.1% at December 31, 1985 to 15.2% at December 31, 1986 and 14.0% at March 31, 1987. The Company recorded a gain of $195,000 in 1986 as a result of the dilution of its interest, a corresponding gain of $843,000 in 1985, and a loss of $457,000 in 1984.

Falconbridge reported earnings of $70,269,000 in 1986, after extraordinary gains of $85,787,000, compared to earnings of $38,543,000 in 1985 and $80,186,000 in 1984, after extraordinary gains of $51,492,000. Revenues increased by 29% to $1,145,480,000 in 1986 from $890,247,000 in 1985, primarily because of the inclusion of Kidd Creek, but depressed nickel, copper and cobalt prices had a significant negative impact on results. Interest expenses were considerably higher in 1986 as a result of the debt assumed and incurred on the acquisition of Kidd Creek. Revenues increased in 1985 from $733,312,000 in 1984 principally because of an increase in sales of traded materials.

Discontinued Coal Mining Operations

The Company reported a gross loss from discontinued coal operations of $3,196,000 in 1986, which compares to a gross loss of $19,076,000 in 1985. The 1985 gross loss represented a decline of $25,273,000 from the gross profit of $6,197,000 reported in 1984. Revenues increased by 39% in 1986 to $72,450,000 from $52,241,000 in 1985. Revenues declined in 1985 by 45% from $94,949,000 in 1984.

During 1986, sales volumes of clean coal improved over the depressed level experienced in 1985, but were lower than the volume of sales in 1984. The lower sales levels reflect the continued worldwide oversupply of metallurgical coal that has affected most producers and the termination, in October 1984, of the Company's sales contract with a consortium of Japanese steel mills. Coal sales in 1986 amounted to 1,097,000 long tons of clean coal at prices averaging $61.45 per long ton. In comparison, during 1985, 679,000 long tons were sold with revenue averaging $63.81 per long ton and during 1984, 1,168,000 long tons were sold at an average price of $79.76 per long ton. Average sale prices in 1986 and 1985 were affected by the continued drop in long term contract prices as well as sales into the spot market at competitive prices.

In addition to clean coal sales, 145,000 long tons of raw coal were sold in 1986 and 370,000 long tons in 1985. At the end of 1986, the inventory of clean coal totalled 184,000 long tons, substantially reduced from 504,000 long tons at the end of 1985 and 507,000 long tons at the end of 1984. The mine operated for eleven months in 1986 and only nine months in 1985 when production was restricted in order to balance production with sales.

Cost of sales increased by 6% or $4,329,000 in 1986 to $75,646,000 from $71,317,000 in 1985. The increase in costs in 1986 compared to 1985 is smaller than the corresponding increase in sales volume due to reduced unit production costs in 1986 and the inclusion in 1985 costs of a substantial writedown in the carrying value of coal inventories to net realizable value. Partially offsetting the lower 1986 production costs was an increase in freight and terminal charges. The cost of sales decreased by 20% or $17,435,000 in 1985 from $88,752,000 in 1984. The decline in cost of sales in 1985 compared to 1984 was smaller than corresponding decline in sales volumes primarily because of the 1985 inventory writedown.

Included in income in 1986 is a refund of $5,881,000 from one of the pension plans for employees in the coal operations, representing assets in excess of amounts required to provide future pension benefits.

The Company recorded charges of $405,000, $16,346,000 and $4,535,000 in 1986, 1985 and 1984 respectively, representing writedowns of mining assets to their estimated recoverable values from future operations.

Financial Condition

The Company's principal asset, its investment in common shares of Falconbridge with a quoted market value of $175,599,000 at March 31, 1987, is unencumbered. The Company has an arrangement with a Canadian chartered bank that would permit it to borrow up to $30,000,000. The Company has arranged to borrow from its parent company, Dome Mines, the funds required to finance ongoing corporate costs.

McIntyre remains contingently liable for certain obligations aggregating approximately $7,000,000 at December 31, 1986. The Company has provided a $3,000,000 last recourse letter of credit to the Alberta Government in respect of Smoky's reclamation obligations.

AUDITORS' REPORT

To the Shareholders of
McIntyre Mines Limited:

We have examined the consolidated balance sheet of McIntyre Mines Limited as at December 31, 1986 and the consolidated statements of operations, retained earnings and cash flows 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, the consolidated financial statements present fairly the financial position of the Company as at December 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in Canada applied on a basis consistent with that of the preceding year.

The accompanying consolidated financial statements of McIntyre Mines Limited for the year ended December 31, 1984 were examined by other auditors.

Calgary, Canada,
March 25, 1987.

Clarkson Gordon
Chartered Accountants

Comment by Auditors for United States Readers on Differences between Canadian and United States Reporting Standards

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 related to Falconbridge Dominicana, C. por A. (a subsidiary of Falconbridge Limited), described in note 2(a) to the accompanying financial statements. The above opinion is expressed in accordance with Canadian reporting 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 when the uncertainty is adequately disclosed in the financial statements.

In connection with our report dated March 14, 1986, we commented that our opinion on the 1985 consolidated financial statements would have been qualified as being subject to the outcome of significant uncertainties related to the Company's coal mining operations if that report had been prepared in accordance with United States reporting standards. As explained in note 1 to the accompanying financial statements, these uncertainties have been resolved as a result of the sale of the coal mining operations. Accordingly, our opinion on the 1985 consolidated financial statements would not be qualified with regard to the coal mining operations under United States reporting standards.

The auditors who examined the consolidated financial statements of the Company for the year ended December 31, 1984 have, in conjunction with their report on such financial statements dated March 25, 1987, made comments substantially the same as those in the preceding paragraphs.

Calgary, Canada,
March 25, 1987.

Clarkson Gordon
Chartered Accountants

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which, in the Company's case, conform in all material respects with those generally accepted in the United States except as disclosed in note 8. The significant accounting policies are as follows:

Investment in Falconbridge Limited

The Company owned 15.2% of the outstanding common shares of Falconbridge Limited ("Falconbridge") at December 31, 1986, 22.1% at December 31, 1985 and 25.6% at December 31, 1984. The Company's parent, Dome Mines Limited ("Dome Mines"), owned directly 8.0% of the outstanding common shares of Falconbridge at December 31, 1986 and 7.8% at December 31, 1985. Dome Mines controlled, directly and indirectly, 23.2% of the outstanding common shares of Falconbridge at December 31, 1986 and 29.9% at December 31, 1985 and, accordingly, accounts for its investment in Falconbridge by the equity method. McIntyre, therefore, accounts for its investment in common shares of Falconbridge by the equity method. The investment is carried at cost plus the Company's share of earnings and foreign currency translation adjustments of Falconbridge since the dates of acquisition. Since Falconbridge owns 175,825 or 4.8% of the outstanding common shares of the Company, the Company has a 0.7% pro rata interest in its own shares. The investment in Falconbridge and shareholders' equity are reduced by the 0.7% pro rata interest in the cost to Falconbridge of its McIntyre shares.

Basis of consolidation

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiary, Smoky River Coal Limited ("Smoky River"), and Copton Excol Limited (83.2% owned). As described in note 1, McIntyre disposed of its coal mining operations, including its investment in its subsidiaries, subsequent to December 31, 1986. The results of operations and cash flows of the discontinued operations for 1986, 1985 and 1984 have been presented separately in these consolidated financial statements. The net assets of the discontinued operations have also been presented separately as at December 31, 1986.

Accounting policies for discontinued operations

The following accounting policies pertain to the discontinued operations. The net assets of these operations have been written down as at December 31, 1986 to the value subsequently realized by the Company (see note 1).

Short-term investments –

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

Inventories –

Coal inventory was 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 were recorded at the lower of cost, on a moving average basis, and net realizable value.

Investment in Neptune Bulk Terminals (Canada) Limited –

The Company owned a 20% equity interest in Neptune Bulk Terminals (Canada) Limited ("Neptune") which was acquired at a cost of $885,000. Neptune operates its bulk terminal facility on a cost-of-service basis and costs were passed on to McIntyre and other shareholders on a contracted usage basis and have been charged to income as incurred.

Property, plant, and equipment –

Property, plant, and equipment were recorded at cost less write-downs for impairment in value.

Depreciation and amortization have been provided using the straight-line method based on estimated economic lives of the assets which range from three to twenty years.

Upon the sale or retirement of capital assets, their cost and related depreciation or amortization were removed from the accounts and any gain or loss has been taken into income. Repairs and maintenance have been charged to operations; major betterments and replacements have been capitalized.

Deferred mine development –

Development and preproduction expenditures were deferred until the start of commercial production and then amortized on the unit-of-production basis over the estimated economic life of the producing property. Costs which were not economically recoverable are charged to income.

Reclamation –

A provision for the costs of reclaiming property that has been environmentally disturbed is recorded on the unit-of-production basis.

Exploration –

Exploration costs incurred prior to establishing that a property has the potential for economically recoverable reserves or that are incurred as on-going expenditures on producing properties are expensed as incurred.

Exploration costs related to the development of mine properties with the potential for economically recoverable reserves were deferred until the start of commercial production and then amortized over the estimated economic life of the property.

Foreign currency translation –

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

Consolidated Balance Sheets
(thousands of Canadian dollars)

Assets (note 1)	December 31	
	1986	1985
Current assets:		
Cash and short-term investments	$ –	$ 4,103
Accounts receivable	–	5,129
Coal inventory	–	17,665
Mine supplies	–	6,641
Total current assets	–	33,538
Investments:		
Falconbridge (note 2(a))	185,771	174,111
Neptune	–	885
	185,771	174,996
Plant and equipment (note 1(b)(ii))	–	19,571
Deferred mine development (notes 1(b)(iii) and 5))	–	9,048
Other assets (note 1(b)(iv))	–	11,477
	$185,771	$248,630

(See accompanying accounting policies and notes to consolidated financial statements)

Liabilities and Shareholders' Equity (note 1)	December 31	
	1986	1985
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,412	$ 6,614
Current portion of long-term obligations	–	608
Total current liabilities	1,412	7,222
Long-term obligations (note 1(b)(v))	–	9,832
Provision for reclamation	–	10,763
Contingencies (notes 2(a) and 3)		
Shareholders' equity:		
Share capital (note 4) –		
Authorized – an unlimited number of common shares and an unlimited number of preference shares, both without par value		
Issued – 3,669,599 common shares	87,871	87,871
Retained earnings	94,216	128,539
Cumulative translation adjustment (note 2(a))	3,817	6,648
	185,904	223,058
Less pro-rata interest in own shares held by Falconbridge	1,545	2,245
Total shareholders' equity	184,359	220,813
	$185,771	$248,630

On behalf of the Board:

Director

Director

Consolidated Statements of Operations
(thousands of Canadian dollars, except share and per share amounts)

	Years ended December 31		
	1986	1985	1984
Continuing operations:			
Royalty income	$ 264	$ 115	$ 37
Equity in income (losses) of Falconbridge (note 2(a))	(2,500)	8,752	7,352
General corporate costs	(468)	(1,725)	(405)
Unusual items (note 5)	(1,291)	3,431	(457)
Income (loss) from continuing operations	(3,995)	10,573	6,527
Income (loss) from discontinued operations (note 1(a))	1,952	(36,828)	778
Income (loss) before extraordinary items	(2,043)	(26,255)	7,305
Extraordinary items:			
Equity in extraordinary items of Falconbridge (note 2(a))	16,096	–	13,182
Loss on disposal of discontinued operations (note 1(a))	(48,376)	–	–
	(32,280)	–	13,182
Net income (loss)	$(34,323)	$(26,255)	$20,487
Per share (note 6):			
Income (loss) from continuing operations	$(1.10)	$ 2.91	$1.80
Income (loss) from discontinued operations	0.54	(10.14)	0.21
Income (loss) before extraordinary items	(0.56)	(7.23)	2.01
Extraordinary items	(8.86)	–	3.64
Net income (loss)	$(9.42)	$ (7.23)	$5.65
Net weighted average number of common shares outstanding (000's)	3,643	3,631	3,625

Consolidated Statements of Retained Earnings
(thousands of Canadian dollars)

Retained earnings, beginning of year	$128,539	$154,794	$134,307
Net income (loss)	(34,323)	(26,255)	20,487
Retained earnings, end of year	$ 94,216	$128,539	$154,794

(See accompanying accounting policies and notes to consolidated financial statements)

Consolidated Statements of Cash Flows
(thousands of Canadian dollars)

	Years ended December 31		
	1986	1985	1984
Cash used in continuing operations:			
Income (loss) from continuing operations	$ (3,995)	$ 10,573	$ 6,527
Items of income not affecting cash	3,791	(12,183)	(6,895)
	(204)	(1,610)	(368)
Net change in non-cash working capital items related to continuing operations	(532)	870	–
Cash used in continuing operations	(736)	(740)	(368)
Cash provided by (used in) discontinued operations (note 1(a))	14,080	(7,679)	(9,845)
	13,344	(8,419)	(10,213)
Cash provided by investing activities:			
Proceeds on sale of investments	–	2,588	–
Net increase (decrease) in cash	13,344	(5,831)	(10,213)
Cash and short-term investments, beginning of year	4,103	9,934	20,147
	17,447	4,103	9,934
Cash attributable to discontinued operations (note 1(a))	(17,447)	–	–
Cash and short-term investments, end of year	$ –	$ 4,103	$ 9,934

(See accompanying accounting policies and notes to consolidated financial statements)

1. **Discontinued operations**

(a) On March 25, 1987, the Company completed the sale, with effect from February 28, 1987, of all of the shares of Smoky River Coal Limited and certain related coal assets to Smoky River Holdings Ltd., an Alberta company controlled by Mr. M.L. Henson, the former President and Chief Operating Officer of McIntyre. The assets, liabilities, revenues, expenses and cash flows of McIntyre have been presented in these financial statements on a basis that shows the financial position, results of operations and changes in financial position of discontinued coal mining operations separately from those of continuing operations.

As consideration for the sale of its coal mining operations, McIntyre received a nominal cash consideration and a royalty to be based on net operating cash flows from the coal properties. McIntyre will remain contingently liable for certain obligations as described in note 3.

The net assets of the coal mining operations have been written down at December 31, 1986 to the value subsequently realized by the Company. The loss from the disposition, recognized as an extraordinary item in 1986, is $48,376,000 which includes $1,265,000 of operating losses of the coal mining operations for the two month period ended February 28, 1987.

Net assets of the discontinued operations are set out below. Balances as at December 31, 1986 reflect write downs to the value subsequently realized by the Company:

(thousands of Canadian dollars)	1986	1985
Current assets:		
Cash and short-term investments	$17,447	$ 4,103
Accounts receivable	3,583	5,129
Coal inventory	6,981	17,665
Mine supplies	–	6,641
Total current assets	28,011	33,538
Investment	–	885
Property, plant and equipment (note 1(b)(ii))	–	19,571
Deferred mine development (note 1(b)(iii))	–	7,562
Other assets (note 1(b)(iv))	–	11,477
Total assets	28,011	73,033
Current liabilities:		
Accounts payable and accrued liabilities	6,292	5,632
Current portion of long-term obligations	706	608
Total current liabilities	6,998	6,240
Long-term obligations (note 1(b)(v))	9,688	9,832
Provision for reclamation	11,325	10,763
Total liabilities	28,011	26,835
Net assets	$ –	$46,198

Income of the discontinued operations represents:

(thousands of Canadian dollars)	1986	1985	1984
Revenue:			
Foreign	$68,822	$ 41,680	$93,121
Domestic	3,628	10,561	1,828
	72,450	52,241	94,949
Cost of sales (note 1(b)(vi))	75,646	71,317	88,752
Gross profit (loss)	(3,196)	(19,076)	6,197
Refund from pension plan (note 1(b)(viii))	5,881	–	–
Other costs (note 1(b)(vii))	(733)	(17,752)	(5,419)
Income (loss) from discontinued operations	$ 1,952	$(36,828)	$ 778

Cash flows related to the discontinued operations comprise:

(thousands of Canadian dollars)	1986	1985	1984
Cash provided by (used in) operating activities:			
Income (loss) from discontinued operations	$ 1,952	$(36,828)	$ 778
Items of income not affecting cash	4,768	31,862	17,579
	6,720	(4,966)	18,357
Net change in non-cash working capital items related to discontinued operations	10,345	(1,206)	(27,786)
Cash provided by (used in) operating activities	17,065	(6,172)	(9,429)
Cash provided by (used in) investment activities:			
Proceeds on disposal of:			
Property, plant, equipment and other assets	812	934	1,071
Additions to:			
Property, plant and equipment	(1,376)	(1,586)	(1,116)
Deferred mine development	(1,936)	(369)	(11)
Other assets	(439)	(427)	(226)
Cash used in investment activities	(2,939)	(1,448)	(282)
Cash used in financing activities:			
Decrease in long-term obligations	(46)	(59)	(134)
Net increase (decrease) in cash from discontinued operations	$14,080	$ (7,679)	$ (9,845)

(b) Detailed disclosures concerning the discontinued operations are provided below.

(i) Mining operations –

The Company's primary activity in 1984, 1985 and 1986 was the mining, processing and sale of metallurgical coal at its Smoky River Mine near Grande Cache, Alberta. In January, 1986, the Company restructured its mining operations and revised its mining plan in recognition of reduced world demand for metallurgical coal. As a result of the revision, certain costs which management determined were not economically recoverable through mining operations were written off in 1985. Costs written off include $10,243,000 of deferred mine development costs, $2,667,000 of underground mine equipment, $1,164,000 of other equipment and $2,272,000 of housing costs. In addition, included in operating costs, mine supplies relating to underground operations were reduced by a provision for obsolescence of $1,000,000 and clean coal inventories were revalued downward by $6,146,000 to reflect the current operating mode and current market conditions. In late 1986, housing costs were written down by a further $405,000.

In 1984, the Company wrote off $3,435,000 of housing costs and $1,100,000 of deferred mine development costs related to underground operations.

(ii) Plant and equipment –
Plant and equipment are as follows:

(thousands of Canadian dollars)	1986	1985
Surface mine equipment		$ 44,023
Underground mine equipment		21,460
Coal preparation plant		20,659
Other equipment		17,926
		104,068
Less accumulated depreciation		84,497
	$ –	$ 19,571

(iii) Deferred mine development –
Deferred mine development, net of accumulated amortization, is as follows:

(thousands of Canadian dollars)	1986	1985
Non-producing properties:		
Copton (1)		$ 7,259
Smoky River		303
	$ –	$ 7,562

(1) Copton Excol Limited, an 83.2% owned subsidiary, has properties situated adjacent to the Smoky River property.

(iv) Other assets –

(thousands of Canadian dollars)	1986	1985
Employee housing loans		$ 1,113
Houses held for sale		6,316
Security deposits		6
Capital recovery due from Alberta Power Limited		4,042
	$ –	$11,477

Due to depressed economic conditions, houses for sale to employees have been valued at the lower of cost and current market value on a house-by-house basis and, due to an oversupply of homes on the market, a provision of $405,000 was recorded in 1986 and $2,272,000 in 1985.

(v) Long-term obligation –

(thousands of Canadian dollars)	1986	1985
Mortgages on houses held for sale	$ 5,922	$ 6,227
Capital leases	1,347	838
Alberta Power Limited agreement	3,125	3,375
	10,394	10,440
Less current portion	706	608
	$ 9,688	$ 9,832

Interest rates vary from 8.0% to 19.5%. Interest on long-term debt amounted to $759,000, $729,000 and $775,000 in 1986, 1985 and 1984, respectively.

The Company will remain contingently liable after the disposal of its coal mining operations for certain obligations related to those operations (note 3).

(vi) Cost of sales –

(thousands of Canadian dollars)	1986	1985	1984
Operating costs (note 1(b)(i))	$71,298	$62,475	$77,746
Depreciation	3,785	6,913	7,962
Amortization	–	1,415	2,177
Reclamation	563	514	867
	$75,646	$71,317	$88,752

(vii) Other costs –

(thousands of Canadian dollars)	1986	1985	1984
Administration	$ 1,500	$ 1,600	$ 1,900
Interest income, net of interest expense	(1,172)	(194)	(1,016)
Write-off of mining and other assets (note 1(b)(i))	405	16,346	4,535
	$ 733	$17,752	$ 5,419

(viii) Pension plans –

The Company maintained two pension plans for the employees of its discontinued coal mining operations. Each plan required contributions by the Company.

The latest independent actuarial valuation for the plans was made during 1985. Due to the actuarial surplus in the plans, contributions were not required in 1986, 1985 or 1984. The Company received a refund of $5,881,000 out of the surplus in its salaried pension plan in 1986 after receiving the appropriate approvals.

Vested benefits under the two pension plans and net assets available for plan benefits are as follows:

(thousands of Canadian dollars)	1986	1985
Actuarial present value of accumulated vested plan benefits, using an assumed discount rate of 7%	$6,500	$ 6,250
Net assets available for plan benefits	$7,217	$13,000

2. **Investments**

(a) Falconbridge

As at December 31, 1986, the Company owned 9,242,070 or 15.2% of the outstanding common shares of Falconbridge (December 31, 1985 – 22.1%; December 31, 1984 – 25.6%). Falconbridge issued common shares and share purchase warrants during the three years ended December 31, 1986 which caused the reduction in the Company's interest as it did not participate in these share issues. McIntyre's pro rata interest in its own shares held by Falconbridge has also been reduced by this dilution. On a fully diluted basis, the Company's investment represents an 11.7% interest in Falconbridge at December 31, 1986. Warrants to purchase 4,978,385 common shares of Falconbridge were exercised between January 1, 1987 and their expiry on February 5, 1987. Since McIntyre did not acquire any shares through exercise of the warrants, its holding of the outstanding common shares of Falconbridge was reduced to 14.0% at March 31, 1987 (11.6% on a fully diluted basis).

Details of the investment in Falconbridge are as follows:

	December 31	
(thousands of Canadian dollars)	1986	1985
Carrying value:		
Cost	$ 57,220	$ 57,220
Share of undistributed income	126,279	112,488
Share of cumulative translation adjustment	3,817	6,648
	187,316	176,356
Less McIntyre's pro rata interest in the cost of its own shares held by Falconbridge	1,545	2,245
	$185,771	$174,111
Quoted market value (which is not necessarily indicative of realizable value)	$155,960	$190,618

The quoted market value of the investment was $181,376,000 at March 25, 1987.

Summarized financial information for Falconbridge is as follows:

Falconbridge Limited
Summarized Consolidated Balance Sheets

	December 31	
(thousands of Canadian dollars)	1986	1985
Assets:		
Current assets	$ 725,478	$ 660,603
Property, plant and equipment:		
Producing assets	1,805,317	569,765
Non-producing assets	64,134	71,592
	1,869,451	641,357
Other:		
Investment in associated and other companies	72,692	32,793
Other	21,053	16,625
	93,745	49,418
	$2,688,674	$1,351,378
Liabilities:		
Current liabilities	$ 166,261	$ 126,498
Long-term debt	1,203,445	283,970
Deferred income and mining taxes	128,441	107,610
Minority interest	(33,448)	47,115
	1,464,699	565,193
Shareholders' equity	1,223,975	786,185
	$2,688,674	$1,351,378

Summarized Consolidated Statements of Operations

	Years ended December 31		
(thousands of Canadian dollars)	1986	1985	1984
Revenues	$1,145,480	$890,247	$733,312
Operating profit	$ 95,535	$ 80,838	$ 97,041
Interest and other income	43,599	47,380	53,094
Interest and debt expense	(130,127)	(40,863)	(71,826)
Exploration and research and process development	(32,088)	(39,029)	(27,168)
Income (loss) from investment in associated and other companies	3,895	879	(664)
	(19,186)	49,205	50,477
Income and mining taxes	4,385	(11,642)	(22,161)
Minority interest in losses (earnings) of subsidiary companies	(717)	980	378
Income (loss) before extraordinary items	(15,518)	38,543	28,694
Extraordinary items	85,787	–	51,492
Net income	$ 70,269	$ 38,543	$ 80,186

(i) The consolidated financial statements of Falconbridge incorporate the assets, liabilities and operating results of Kidd Creek Minerals Ltd. and its subsidiaries (collectively "Kidd Creek"), effective January 1, 1986. In February, 1986, Falconbridge issued 6,600,000 common shares, the proceeds of which issue were used to finance a substantial amount of the cash portion of the acquisition cost of Kidd Creek. The Company did not purchase any of these common shares. The acquisition cost of Kidd Creek of $619,440,000 comprised $140,000,000 cash, 10,473,568 common shares of Falconbridge valued at $19.50 per share or $204,235,000 in aggregate, $270,765,000 principal amount of unsecured 8½% debentures of Falconbridge maturing in 2006 and convertible into 12,335,535 common shares of Falconbridge at a conversion price of $21.95 per share, and other costs of $4,440,000.

(ii) Falconbridge Dominicana, C. por A. ("Falcondo"), a 67.7% owned subsidiary of Falconbridge, remains dependent on the continued support of its sponsors. While it is difficult to determine when market conditions will improve sufficiently to maintain the profits and positive cash flow achieved in the second half of 1986, it is the opinion of Falconbridge's management that the net carrying value of Falcondo's property, plant, equipment, preproduction, and other deferred charges will be recovered eventually. The carrying value of Falconbridge's investment in Falcondo at December 31, 1986 was $60,664,000.

(b) Gain on disposal of investments

During 1985, the Company realized a gain of $2,588,000 on the sale of investments. Costs associated with the investments had been written off in prior years.

3. Contingencies

The Company remains contingently liable for certain annual lease payments of Smoky in the amounts of $856,000 in 1987, $838,000 in 1988, $649,000 in 1989, $229,000 in 1990 and $22,000 in 1991. McIntyre is contingently liable in the amount of $1,800,000 for Smoky's pro-rata share of operating costs of Neptune through December 31, 1987 and certain bank loans of Neptune in the amount of $2,700,000 through 1989. In addition, the Company has provided a $3,000,000 last recourse letter of credit to the Alberta Government in respect of Smoky's reclamation obligations. This letter of credit reduces as reclamation is performed by Smoky and expires on the earlier of completion of $3,000,000 of reclamation activities by Smoky or December 31, 1992. Smoky has provided the Alberta government with letters of credit aggregating approximately $9,300,000 which are available to allow the government to complete the reclamation of the Mine should Smoky fail to meet its obligations. McIntyre's last recourse letter of credit could only be drawn if Smoky's existing reclamation letter of credit were to be exhausted.

4. **Share option plans**

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, 1983	59,125	$23.35 to $62.00
Granted in 1984	24,000	$34.20
Surrendered or expired in 1984	(14,375)	$23.35 to $29.25
Options outstanding, December 31, 1984	68,750	$23.35 to $62.00
Granted in 1985	25,500	$43.45
Surrendered or expired in 1985	(22,275)	$23.25 to $56.00
Options outstanding, December 31, 1985	71,975	$23.35 to $62.00
Granted in 1986	10,000	$35.55
Surrendered or expired in 1986	(13,875)	$43.45 to $62.00
Exercised in 1986	(16,650)	$23.35 to $34.20
Options outstanding, December 31, 1986	51,450	$23.23 to $43.45

Options oustanding at December 31, 1986 relate only to the five-year options on 43,475 common shares under the 1980 plan. These options were all exercisable as at December 31, 1986 and expire on varying dates between 1987 and 1991.

The cost to the Company of stock appreciation rights, all of which have been granted to employees who had resigned as of March 6, 1987, has been accrued in the 1986 accounts.

5. **Supplementary information**

Unusual items of income (expense) related to continuing operations comprise the following:

(thousands of Canadian dollars)	1986	1985	1984
Write off of deferred mine development (1)	$(1,486)	$ –	$ –
Gain (loss) from share issues by Falconbridge	195	843	(457)
Gain on disposal of investments	–	2,588	–
	$(1,291)	$3,431	$(457)

(1) In 1986, management determined that costs incurred on the Monkman property were not economically recoverable through mining operations, and accordingly such costs were written off.

6. **Net income (loss) per share**

Net income (loss) per share is calculated using the net weighted average number of common shares outstanding during the year after deducting the Company's pro-rata interest in its own common shares held by Falconbridge, as follows:

Year	Weighted average number of common shares outstanding	Pro rata interest in own shares	Net weighted average number of common shares outstanding
1986	3,669,599	26,677	3,642,922
1985	3,669,599	38,775	3,630,824
1984	3,669,599	45,011	3,624,588

The Company's outstanding share options and the potentially dilutive securities of Falconbridge have no dilutive effect.

7. **Income taxes**

After taking into account losses arising from the disposition of the Company's discontinued coal mining operations (note 1) amounting to $48,376,000, McIntyre has $90,000,000 of capital losses available for carry forward for income tax purposes. These losses may be carried forward indefinitely to reduce future capital gains.

8. **Differences between Canadian and United States generally accepted accounting principles**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian basis") which differ in some respects from those applicable in the United States ("U.S. basis"). Had McIntyre and its associated company, Falconbridge, followed the U.S. basis, certain items on the consolidated balance sheets and consolidated statements of operations of McIntyre would have been reported as follows:

Consolidated balance sheets –

	As at December 31	
(thousands of Canadian dollars)	1986	1985
Investment in Falconbridge	$189,458	$176,671
Retained earnings	$ 97,903	$131,099

Consolidated statements of operations –

	Years Ended December 31		
(thousands of Canadian dollars)	1986	1985	1984
Income (loss) from continuing operations, in accordance with the Canadian basis	$ (3,995)	$ 10,573	$ 6,527
Adjustments to the Company's equity in income (losses) of Falconbridge in respect of:			
Foreign currency translation	1,122	(192)	1,923
Capitalization and amortization of interests costs	5	(6)	(4)
Items not from continuing operations	–	(301)	(520)
Gains on sales of shares of subsidiary and associated companies	16,096	–	10,622
	17,223	(499)	12,021
Loss from share issues by Falconbridge	–	–	457
Income from continuing operations in accordance with the U.S. basis	13,228	10,074	19,005
Income (loss) from discontinued operations in accordance with the Canadian basis	1,952	(36,828)	778
Adjustment to reflect the deferral and amortization of refund from Company pension plan	(5,293)	–	–
Loss on disposal of discontinued operations	(43,083)	–	–
Income (loss) from discontinued operations in accordance with the U.S. basis	(46,424)	(36,828)	778
Income (loss) before extraordinary items in accordance with the U.S. basis	(33,196)	(26,754)	19,783
Extraordinary items:			
Equity in gain on redemption of debentures	–	301	520
Equity in deferred tax adjustments	–	–	2,560
	–	301	3,080
Net income (loss) in accordance with the U.S. basis	$(33,196)	$(26,453)	$22,863

Income (loss) per share, in accordance with the U.S. basis:			
Income from continuing operations	$3.63	$2.77	$5.24
Income (loss) from discontinued operations	$(12.74)	$(10.14)	$0.22
Income (loss) before extraordinary items	$(9.11)	$(7.37)	$5.46
Extraordinary items	$ –	$0.08	$0.85
Net income (loss)	$(9.11)	$(7.29)	$6.31

The principal differences between accounting principles generally accepted in Canada and in the United States as they affect McIntyre are as follows:

(i) Pension plan refund –

Under the U.S. basis, the refund received from one of the Company's pension plans must be deferred and amortized into income over the estimated average remaining service life of the employee group covered by the plan. Under the Canadian basis, the Company recorded the entire refund in income when received in 1986. Deferral of this gain under the U.S. basis affects the amounts of loss from discontinued operations and loss on disposal of discontinued operations.

(ii) Differences affecting the earnings of Falconbridge –

(a) Under the U.S. basis, gains and losses arising on translation of long-term foreign currency liabilities at year-end are included in income immediately, instead of being deferred and amortized over the remaining lives of such liabilities.

(b) Other significant reconciling items between the Canadian basis and the U.S. basis result from differences in the classification of certain gains and losses within the statements of operations and do not affect net income.

Quarterly Financial Information

(thousands of Canadian dollars, except per share amounts)	March 31	Quarters Ended June 30	Sept. 30	Dec. 31	Full Year
1986					
Income (loss) from continuing operations	$(1,335)	$(1,997)	$875	$(1,538)	$(3,995)
Income (loss) from discontinued operations	$3,732	$(1,072)	$1,447	$(2,155)	$1,952
Income (loss) before extraordinary items	$2,397	$(3,069)	$2,322	$(3,693)	$(2,043)
Extraordinary items	$9,254	–	$6,842	$(48,376)	$(32,280)
Net income (loss)	$11,651	$(3,069)	$9,164	$(52,069)	$(34,323)
Per share–					
Income (loss) from continuing operations	$(0.36)	$(0.55)	$0.24	$(0.43)	$(1.10)
Income (loss) from discontinued operations	1.02	(0.29)	0.40	(0.59)	0.54
Income (loss) before extraordinary items	0.66	(0.84)	0.64	(1.02)	(0.56)
Extraordinary items	2.54	–	1.88	(13.28)	(8.86)
Net income (loss)	$ 3.20	$(0.84)	$2.52	$(14.30)	$(9.42)
1985					
Income (loss) from continuing operations	$5,246	$3,723	$934	$670	$10,573
Income (loss) from discontinued operations	$(4,885)	$(371)	$(3,327)	$(28,245)	$(36,828)
Net income (loss)	$361	$3,352	$(2,393)	$(27,575)	$(26,255)
Per share –					
Income (loss) from continuing operations	$ 1.45	$ 1.02	$ 0.26	$ 0.18	$ 2.91
Income (loss) from discontinued operations	(1.35)	(0.10)	(0.92)	(7.77)	(10.14)
Net income (loss)	$ 0.10	$ 0.92	$(0.66)	$(7.59)	$ (7.23)

Certain figures have been reclassified to conform to the presentation adopted for the 1986 audited consolidated financial statements.

Principal Markets for the Company's Shares

McIntyre's common shares (the "Common Shares") are listed on the New York Stock Exchange in the United States and on The Toronto Stock Exchange and The Montreal Exchange in Canada

Stock Symbol: MP

The New York Stock Exchange and The Toronto Stock Exchange are the principal exchanges on which the Common Shares are traded. Shown below are the high and low sale prices for the Common Shares on these exchanges for the periods indicated.

	1986		1985	
The Toronto Stock Exchange (Canadian dollars)	High	Low	High	Low
First quarter	\$45½	\$38½	\$50¾	\$35⅜
Second quarter	46½	40¼	53⅜	36½
Third quarter	40	35½	43¼	36
Fourth quarter	38¾	37	40½	36½
New York Stock Exchange (United States dollars)	High	Low	High	Low
First quarter	\$33	\$27½	\$37	\$26¾
Second quarter	33⅜	29⅛	39⅝	26¾
Third quarter	29⅛	25⅛	32⅜	26
Fourth quarter	27⅞	26¼	29⅜	25¾

Shareholders

As at March 31, 1987, there were 3,669,599 Common Shares issued and outstanding, of which 1,942,534, or approximately 52.9%, were owned by Dome Mines Limited.

The Company's records indicate that there were 917 shareholders of record as at March 20, 1987.

The Company's articles and by-laws contain no restrictions on the right to hold or vote the Common Shares.

McIntyre has not paid dividends on its Common Shares since 1978. Payment of any dividends in the future will be determined by the Board of Directors after consideration of McIntyre's earnings, financial condition and other relevant factors.

(thousands of Canadian dollars, except per share and exchange rate amounts)	1986	1985	1984	1983	1982
Equity in income (losses) of Falconbridge(1)	$(2,500)	$8,752	$7,352	$(9,892)	$(30,762)
Income (loss) from continuing operations	$(3,995)	$10,573	$6,527	$(10,139)	$(32,605)
Income (loss) before extraordinary items	$(2,043)	$(26,255)	$7,305	$(10,865)	$(73,482)
Extraordinary items	$(32,280)	–	$13,182	$3,924	–
Net income (loss)	$(34,323)	$(26,255)	$20,487	$(6,941)	$(73,482)
Per share (2):					
Income (loss) from continuing operations	$(1.10)	$2.91	$1.80	$(2.80)	$(9.05)
Income (loss) before extraordinary item	$(0.56)	$(7.23)	$2.01	$(3.00)	$(20.39)
Net income (loss)	$(9.42)	$(7.23)	$5.65	$(1.92)	$(20.39)
Working capital (deficiency) (3)	$(1,412)	$26,316	$39,041	$23,124	$5,003
Total assets (3)	$185,771	$248,630	$267,125	$279,143	$281,637
Long-term obligations (3)	$ –	$9,832	$10,180	$10,900	$7,589
Shareholders' equity (3)	$184,359	$220,813	$240,059	$219,482	$225,341
Exchange rates (4) –					
As at December 31	1.3810	1.3985	1.3217	1.2445	1.2297
Yearly average	1.3913	1.3683	1.2971	1.2334	1.2364
High for year	1.3640	1.3202	1.2416	1.2194	1.1863
Low for year	1.4380	1.4025	1.3348	1.2511	1.3002

(1) McIntyre's equity in income (losses) of Falconbridge for each of the three years 1983, 1982 and 1981 were restated in 1984 to reflect the retroactive adoption of certain new accounting policies by Falconbridge.

(2) Per share figures are calculated using the net weighted average number of shares outstanding during the year after deducting the Company's pro rata interest in its own shares held by Falconbridge.

(3) Amounts are at December 31 of the years indicated.

(4) Exchange rates are expressed as the ratio of the amount of Canadian funds equivalent to one United States dollar.

(5) Reference should be made to notes 1, 2(a), and 3 to the consolidated financial statements regarding certain commitments and contingencies at, and event subsequent to, December 31, 1986.

Selected financial data in accordance with United States accounting principles

Had the consolidated financial statements been prepared in accordance with accounting principles generally accepted in the United States, certain selected financial data would have been reported as follows:

(thousands of Canadian dollars, except per share amounts)	1986	1985	1984	1983	1982
Equity in income (losses) of Falconbridge	$14,723	$8,253	$19,373	$(2,157)	$(30,171)
Income (loss) from continuing operations	$13,228	$10,074	$19,005	$(2,404)	$(32,014)
Income (loss) before extraordinary items	$(33,196)	$(26,754)	$19,783	$(3,130)	$(72,891)
Extraordinary items	–	$301	$3,080	$135	–
Net income (loss)	$(33,196)	$(26,453)	$22,863	$(2,995)	$(72,891)
Per share:					
Income (loss) from continuing operations	$3.63	$2.77	$5.24	$(0.66)	$(8.88)
Income (loss) before extraordinary item	$(9.11)	$(7.37)	$5.46	$(0.87)	$(20.22)
Net income (loss)	$(9.11)	$(7.29)	$6.31	$(0.83)	$(20.22)
Total assets	$186,989	$253,433	$269,501	$283,089	$282,228
Shareholders' equity	$185,040	$233,373	$242,435	$223,428	$225,932

A discussion of differences between Canadian and United States generally accepted accounting principles is contained in note 8 to the consolidated financial statements.

Directors

C. Henry Brehaut
Chairman, President and Chief Executive Officer, Toronto, Ontario. President and Chief Operating Officer Dome Mines Limited

* **Fraser M. Fell**
Toronto, Ontario. Chairman and Chief Executive Officer, Dome Mines Limited

* **Ernest C. Manning**
Edmonton, Alberta. Chairman, Manning Consultants Limited

Marsh A. Cooper
Toronto, Ontario. M. A. Cooper Consultants Inc.

* **Robert M. Franklin**
Toronto, Ontario. Vice-Chairman and Chief Executive Officer, Algonquin Mercantile Corporation

H. John McDonald
Toronto, Ontario. Chairman, Black & McDonald Limited

* Audit Committee Member

Officers

C. Henry Brehaut
Chairman, President and Chief Executive Officer

John W. W. Hick
Vice-President, General Counsel and Secretary

H. Douglas Scharf
Vice-President, Finance, Treasurer and Chief Financial Officer

Victor A. Wells
Controller

Douglas C. New
Assistant Secretary

Executive Office

Box 350, Suite 3500
IBM Tower,
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N3
(416) 868-6060

General Counsel

Fasken & Calvin
Toronto, Ontario

Auditors

Clarkson Gordon,
Calgary, Alberta

Transfer Agents

The Canada Trust Company,
20 Eglinton Avenue West,
Toronto, Ontario, Canada
M4R 2E2

Fidata Trust Company New York,
67 Broad Street
New York, N.Y. 10004

Registrars

The Canada Trust Company,
Toronto, Ontario

The Chase Manhattan Bank
(National Association)
1 New York Plaza
New York, N.Y., 10081

Annual Meeting

The Annual Meeting of Shareholders will be held in The Territories Room of the Royal York Hotel, Toronto, Ontario on Wednesday, May 27, 1987 at 3:00 p.m. (Toronto time).

Form 10-K

Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available by writing to: The Secretary, Box 350, Suite 3500, IBM Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1N3.

Annual Report

Copies of the Annual Report of the Company are available by writing to The Canada Trust Company, 20 Eglinton Avenue West, Toronto, Ontario, Canada M4R 2E2.

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