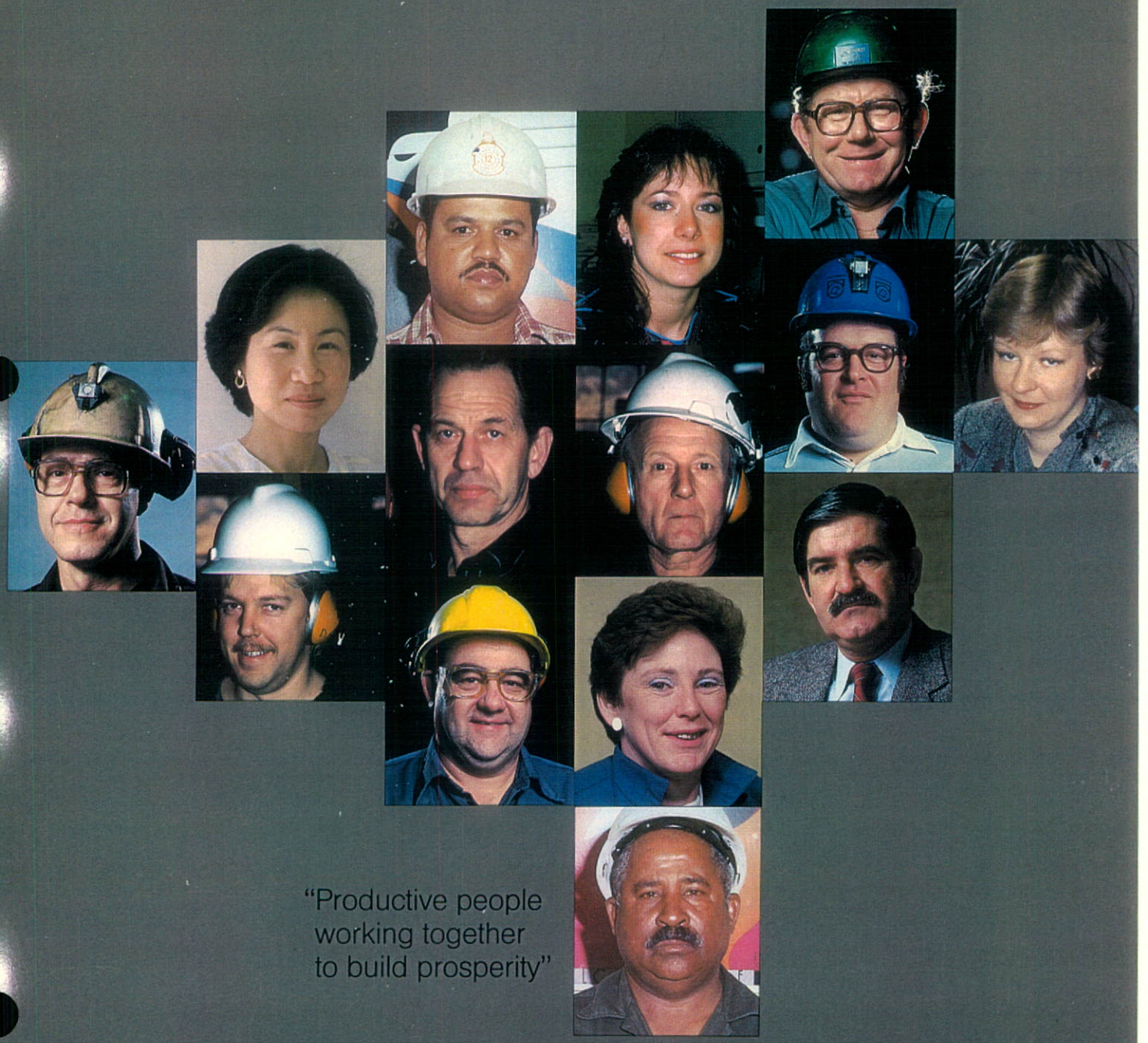
FALCONBRIDGE LIMITED Annual Report 1984

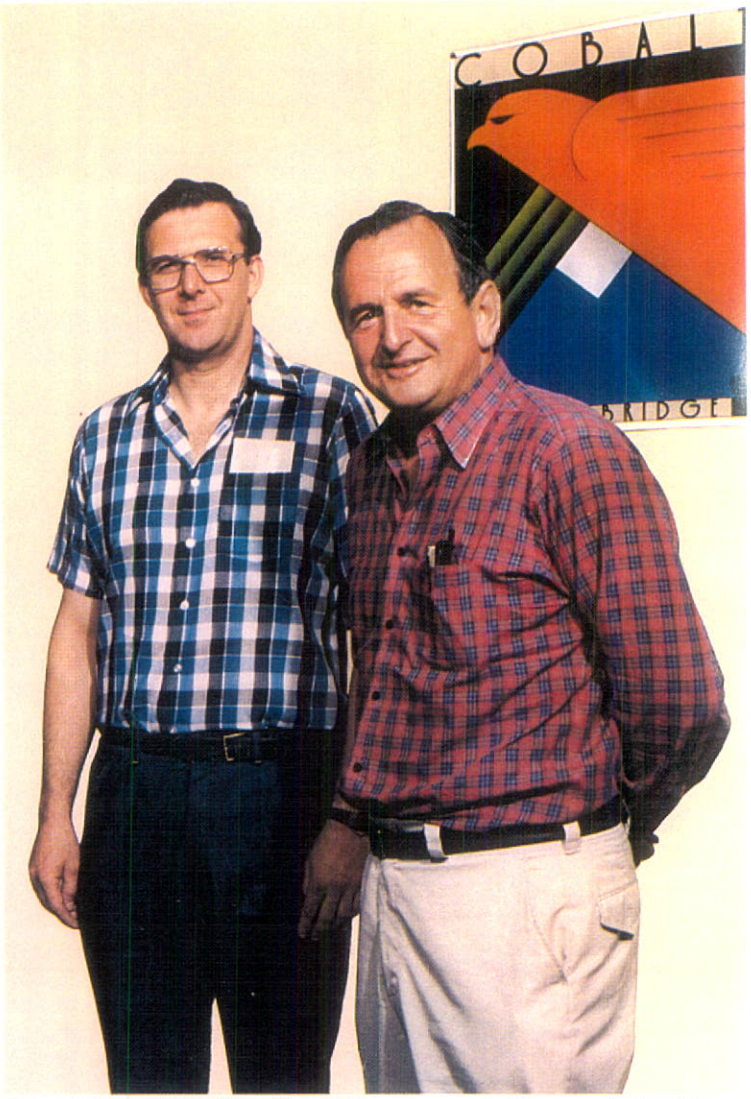


"Productive people
working together
to build prosperity"

Falconbridge Limited is an international resource enterprise engaged directly and indirectly through its subsidiary and associated companies in the exploration, development, mining, processing and marketing of metals and minerals. Products include nickel, ferronickel, copper, cobalt, other base metals, gold, silver, platinum group metals, industrial minerals and steel castings.

In addition to operations in Canada, Norway and the Dominican Republic, the Falconbridge Group comprises subsidiary and associated companies operating in southern Africa, research laboratories in Ontario and Norway, marketing and sales offices serving Canadian and international markets and exploration offices in Canada and abroad.

The Corporation is committed to long-term growth through its search for new ore bodies, improved methods of mining and metals recovery and the development of new markets for its products. It is also dedicated to meeting its social responsibilities by remaining an economically viable employer, providing a healthy and safe workplace and protecting the environment.



Falconbridge Limited President William James, right, presented an Idea Award of $16,900 to Matt Yuriy, an electrician at the Fraser Mine, for developing an innovative power distribution unit, known as the "Mattmobile," which reduces labour and material costs by approximately $113,000 a year.

Annual Meeting of Shareholders
Wednesday, April 17, 1985
10:00 a.m. (Eastern Standard Time)
Commerce Hall,
Concourse Level, Commerce Court
Toronto, Ontario

La version francaise du rapport annuel sera fournie sur demande.

Falconbridge Limited's Form 10K Annual Report for 1984 is filed with the United States Securities and Exchange Commission. This report will be made available upon written request to the Secretary of the Corporation.

Highlights

	1984	1983	1982
Revenues	$733,312,000	$615,387,000	$483,126,000
Earnings (loss) for the year before extraordinary items	28,694,000	(31,409,000)	(81,279,000)
– per share	3.98	(4.64)	(16.32)
Earnings (loss) for the year	80,186,000	(16,593,000)	(81,279,000)
– per share	11.13	(2.45)	(16.32)
Dividends per share	–	–	–
Working capital	414,661,000	472,168,000	407,035,000
Long-term debt	283,842,000	486,135,000	502,262,000

Contents

Report of the Directors to the Shareholders

After three years of losses, Falconbridge Limited reported its first full-year net profit since 1980.

The Corporation recorded a consolidated profit in 1984, before extraordinary items, of $28.7 million, or $3.98 per share, compared with a loss of $31.4 million, or $4.64 per share, in 1983.

Falconbridge Limited's extraordinary gains included $41.5 million from the sale of its shares of The Superior Oil Company and $10 million in recognition of previously unrecorded tax benefits. In 1983, an extraordinary gain of $14.8 million was reported from an equity issue of Kiena Gold Mines Limited in which the Corporation did not participate.

When extraordinary items are included, the Corporation reported net earnings of $80.2 million, or $11.13 per share, for 1984, compared with a loss of $16.6 million, or $2.45 per share, the previous year.

The improved results were due to reductions in production and sales costs, an 11 per cent increase in average nickel prices, higher cobalt prices and greater metals deliveries. The total volume of metals sold by the Integrated Nickel Operations in 1984 – almost 223 million pounds including nickel in all forms, copper and cobalt – was the highest in 11 years, falling only 1.8 per cent below the record set in 1973.

Cost-management programs have been instituted in all operations. Everyone is playing an important role in enhancing profitability and Falconbridge is proud to have in its ranks productive people working together to build prosperity.

However, Falconbridge must continue to stress cost reduction and productivity in order to remain profitable at existing price levels, which are not high enough to allow for a satisfactory return on investment.

Although the Canadian dollar declined in value relative to the U.S. dollar, it increased in value compared with currencies of most other nations, putting the Corporation at a significant competitive disadvantage in the international marketplace.

Evolving marketing strategies and a willingness to adapt to ever-changing economic conditions led to Falconbridge Limited's increased involvement in the physical trading of metals and an expansion of its raw material acquisition capabilities.

During 1984, Falconbridge improved its balance sheet by applying the proceeds of the sale of its investment in The Superior Oil Company and other available funds to reduce its long-term debt by $231 million. At the end of 1984, Falconbridge had cash and temporary investments of $190.4 million available.

In January 1984, Falconbridge Limited raised $16.4 million from the sale of 230,000 common shares.

The Corporation further strengthened its financial position through the sale of one million common shares for net proceeds of $90 million received in March 1985.

In June 1984, it raised $8 million from the sale of 7,500 flow-through units. The proceeds were expended on Falconbridge's 1984 mineral exploration programs.

For its 1985 exploration projects, the Corporation has raised $3.7 million from an issue of flow-through units in Quebec and $5.6 million from a national offering of flow-through units.

Following a two-year period in which economic factors forced a reduction in exploration expenditures, Falconbridge is placing a renewed emphasis on the search for new ore bodies on its own properties and elsewhere to ensure its long-term survival in the mining industry.

Subsidiary and associated companies have continued to contribute to the Corporation's overall performance. Highlights during the year include: Indusmin Limited, which became a wholly owned subsidiary, posted its best year ever; Corporation Falconbridge Copper officially opened its Lac Shortt gold mine in September; Kiena Gold Mines Limited put its own mill into operation, making it a fully integrated gold producer; and in the third quarter Falconbridge Dominicana, C. por A. recorded its first profit for a three-month period since 1980.

In June, a tragic event took place in which four workers died as a result of a rockburst at the Falconbridge Mine. A technical committee composed of independent experts in rock mechanics from around the world concluded such events cannot be accurately predicted. Because there was not a high enough degree of assurance of safe working conditions at the Falconbridge Mine, it was closed after 55 years of operation.

On September 28, 1984, Mobil Corporation completed the acquisition of The Superior Oil Company and as a result acquired Canadian Superior Oil Ltd. and control of McIntyre Mines Limited, the largest single shareholder of Falconbridge Limited.

On November 27, 1984, Mr. F. C. Ackman, Chairman of the Board, President and Chief Executive Officer of The Superior Oil Company resigned as a Director and member of the Executive Committee of the Board. Mr. Richard F. Tucker, President of Mobil Diversified Businesses, was appointed to fill both vacancies.

In another change, Mr. R. A. Barker, Vice-President Minerals, The Superior Oil Company, resigned in February 1985, as a Director and a member of the Executive Committee of the Board. Mr. J. P. Rogers, President, Mobil Mining and Minerals Co., was appointed to both positions.

The Board of Directors expresses its gratitude for contributions made to the Corporation by Mr. Ackman and Mr. Barker.

The Board of Directors wishes to thank employees of the Falconbridge Group for their efforts in meeting the challenge of reducing operating costs and strengthening Falconbridge's position as a low-cost producer of metals and minerals.

On behalf of
the Board of Directors,

William James,
Chairman of the Board,
President and
Chief Executive Officer

Toronto, Ontario
February 26, 1985

Nickel

The continuation of the global economic recovery which began in 1983 improved nickel markets during 1984.

The stainless steel sector, which accounts for more than half of the world's nickel consumption, performed particularly well reaching record output levels in several countries. That strong performance along with high demand from the high alloy and electroplating sectors helped push Non-Communist World (NCW) nickel consumption to 1,240 million pounds, a 12 per cent increase from 1983 levels and only 5 per cent below the peak set in 1979. The U.S. stainless steel industry recorded its greatest output since 1979, pushing nickel consumption in that country to its highest level in five years. In Japan, production of stainless steel on a hot-rolled basis hit an all time high, surpassing the previous record year 1983 by more than 15 per cent, and apparent nickel consumption grew by approximately 10 per cent.

Despite the mixed economic recovery in Europe, stainless steel production reached record or near-record levels in many countries. Overall, European nickel consumption increased by almost 15 per cent over 1983.

Cutbacks and closures begun by several producers in 1983 continued to adversely affect the supply of nickel during the first six months of 1984, when demand was strongest. As a result, combined NCW inventories of nickel held by producers, consumers and the London Metal Exchange (LME) fell by approximately 55 million pounds during the period, reaching minimum levels. During the second half of the year, NCW nickel producers brought production levels more in line with demand. Consequently, at the end of 1984 combined NCW nickel inventories were little changed from the end of June.

NCW refined nickel production for 1984 was 1,135 million pounds, up 18 per cent from 1983. Despite consumers drawing heavily from LME nickel stocks over the course of the year, NCW producer nickel deliveries rose to 1,155 million pounds, up 5 per cent from 1983.

At year end, NCW producer nickel inventories totalled approximately 305 million pounds, or 20 million pounds less than a year earlier, and LME inventories stood at 16.2 million pounds, compared with 60.7 million pounds at the end of 1983.

Although market fundamentals were greatly improved, U.S. dollar prices for nickel remained effectively constant during 1984.

For most of the year, nickel prices on the LME moved in a narrow range from U.S. $2.10 to U.S. $2.25. For the year as a whole, the LME cash price for nickel averaged U.S. $2.16 per pound, only 2 per cent more than the U.S. $2.12 per pound averaged in 1983. The strength of the U.S. dollar clouded the pricing issue. In terms of many foreign currencies, nickel prices during 1984 reached all-time highs.

Copper

NCW refined consumption grew to about 8.2 million tons, a 10 per cent increase from 1983 levels, while refined production actually fell by 1 per cent to 8 million tons. As a result, NCW inventories of refined copper fell throughout 1984. By year end, combined LME and Comex stocks of refined copper at 413,000 tons, were about 476,000 tons lower than at the end of 1983.

Normally, a reduction in inventories of that magnitude would have resulted in a significant increase in the price of copper, but the strength of the U.S. dollar proved to be a major impediment. Copper prices improved during the early part of 1984, peaking in mid-April at U.S. $0.71 per pound, however, speculative selling drove them down sharply in May. Following that decline, prices stagnated and slowly drifted downward to a low of U.S. $0.56 per pound in mid-October. Although prices then improved somewhat through year end, they remained far below first-half levels.

Cobalt

Cobalt consumption in the NCW during 1984 was an estimated 42 million pounds, the highest level since 1980. Total NCW producer deliveries of cobalt increased to almost 55 million pounds from 35 million pounds in 1983.

Producer cobalt inventories were reduced by approximately 14 million pounds over the year, reaching 17 million pounds at year end. Following a rapid run-up in free market cobalt prices during the early months of 1984, on March 14, the major African producers announced a new selling price for cobalt of U.S. $11.70 per pound.

The average price for cobalt received by Falconbridge Limited in 1984 rose to U.S. $10.02 per pound from $5.64 per pound in 1983.

Precious Metals

Prices for most precious metals declined during 1984. Increased mine production, receding fears of inflation, near record real interest rates and the strong U.S. dollar all served to lessen investment demand and depress precious metals markets.

Average Metals Prices Received by the Falconbridge Group*

Metal	Pricing Unit	1984	1983	1982
Refined nickel	pound	U.S.$2.35	U.S.$2.16	U.S.$2.36
Ferronickel	pound	2.27	1.96	2.15
Copper	pound	0.61	0.71	0.66
Gold	ounce	359.44	419.98	389.19
Silver	ounce	7.71	10.75	7.55
Platinum	ounce	344.31	412.79	337.53
Cobalt	pound	10.02	5.64	8.03

*Includes sales on an agency basis.

Integrated Nickel Operations

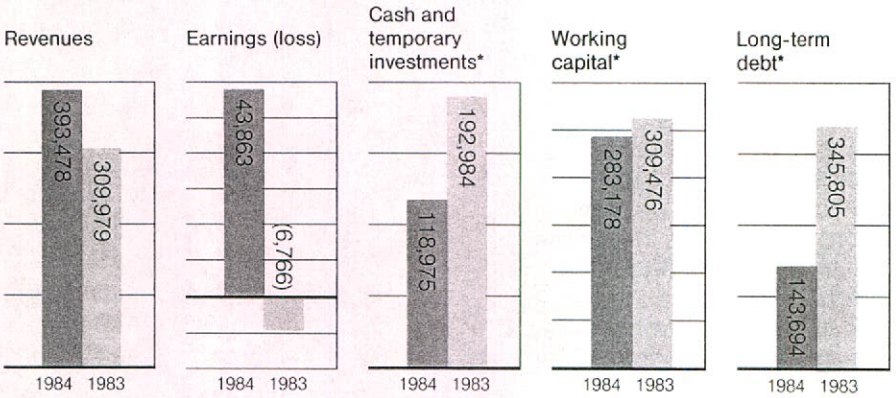
Operating Results

The Integrated Nickel Operations include the mines, mills and smelter in Sudbury, Ontario, together with the Refinery in Kristiansand, Norway, and the Marketing and Sales group.

Business conditions improved in 1984 and the Integrated Nickel Operations earned $43.9 million, up from a restated loss of $6.8 million in 1983. Sales revenues rose substantially to $393.5 million from $310 million the previous year.

Highlights

(000's of dollars)



*Includes items relating to the Corporate operations of Falconbridge Limited.

Sudbury Operations

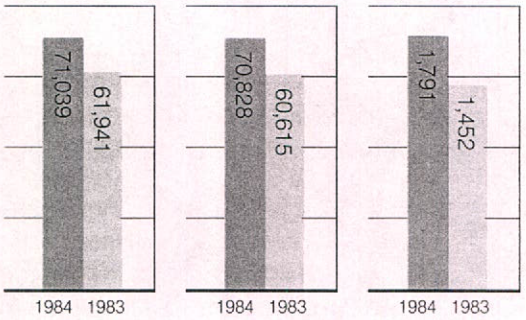
Operating Review

Sudbury Operations passed a milestone on October 5, 1984, when the 100 millionth ton of ore was mined since the Corporation started business in 1928. Nickel production from the smelter reached 71,039,000 pounds in 1984, compared with 61,941,000 pounds in 1983, while ore delivered to treatment plants from operating mines totalled 3.2 million tons, compared with 3 million tons in 1983. In addition, some 15,611 tons of high-grade copper concentrate were produced and delivered to two other companies for custom treatment and refining.

The East, Lockerby, North, Fraser and Strathcona Mines operated throughout the year while Falconbridge Mine shut down June 20. The Onaping Mine was reopened and production rates at the other mines were stepped up to meet the shortfall caused by that closure. The number of employees at Sudbury Operations was 2,684 at year end, compared with 2,640 at the end of 1983.

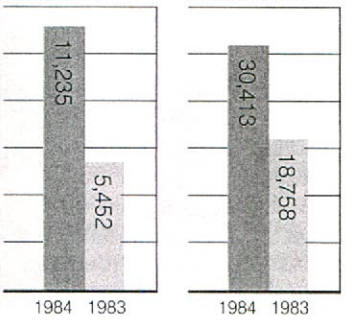
Production of metals at Sudbury Operations

(000's of pounds)



Expenditures on mines and plants

(000's of dollars)



Capital Program

Mine development and preproduction expenditures increased in 1984 to $30.4 million from $18.8 million in 1983. This spending was primarily directed toward the goals of developing ore reserves, reducing costs and improving safety and productivity. Projects currently underway include the deepening of Strathcona No. 1 shaft, the removal of overburden for Falconbridge No.1 shaft open pit and development of the Onaping, Fraser and Lockerby Mines.

Other projects undertaken during the year include developing a new magnetic separation circuit for copper at the Strathcona Mill, installing an induction furnace for treating secondary materials for the Smelter and completing the new sulphur dioxide monitoring system.

Labour Relations

A new collective agreement was reached with Local 6855 of the United Steelworkers of America, representing the Office, Clerical and Technical employees at Sudbury Operations. The new agreement is in effect from March 2, 1984, to March 1, 1986. Negotiations under a wage reopener clause were

successfully concluded with Local 598 of the Mine, Mill and Smelter Workers' Union. That agreement expires August 21, 1985.

Occupational Health and Safety

In an effort to combat rising compensation costs and to help employees who have been injured get back on the job sooner, two modified work centres and an in-house physiotherapy treatment unit were established. These facilities will become fully operational in 1985.

The total medical aid frequency of Sudbury Operations increased 18 per cent during 1984. The compensable accident frequency remained at about the same level as 1983.

The Total Loss Control system was adopted during the year, providing a set of standards which permit a mine or plant to more accurately measure and improve its safety record.

Ore Reserves

On December 31, 1984, ore reserves were 69.5 million tons, with an average grade of 1.51 per cent nickel and 1.11 per cent copper. This compares with reserves of 73.6 million tons, with an average grade of 1.51 per cent nickel and 1.1 per cent copper at the end of 1983.

Falconbridge Nikkelverk Aktieselskap

At the Refinery, nickel output increased to 78.4 million pounds in 1984, up from 63.1 million pounds the previous year and cobalt production rose to 2.6 million pounds from 1.9 million pounds.

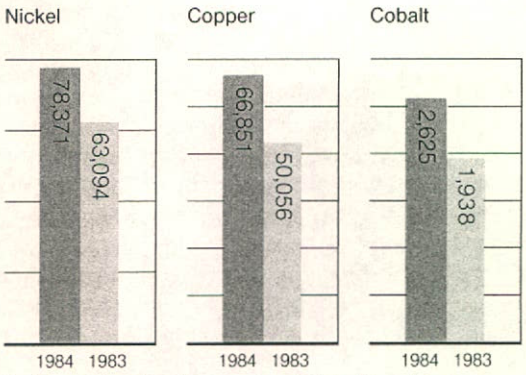
The production of copper reached a record high of 66.9 million pounds in 1984, compared with 50.1 million pounds in 1983.

A large proportion of the output was produced for the high purity superalloy and plating markets.

The cost-management program implemented at the facility is beginning to have an impact on reducing refining costs.

The total production of metals at the Refinery*

(000's of pounds)



*Includes metals produced for companies outside the Falconbridge Group.

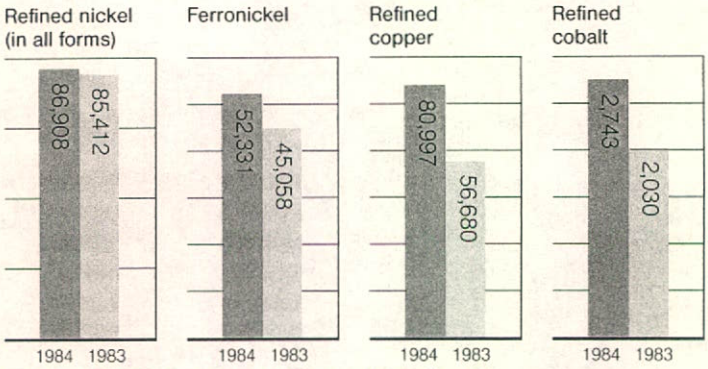
Marketing and Sales

The group is responsible for the marketing and sales of all products produced by Falconbridge. During 1984, these included six forms of nickel, refined copper, copper concentrates, cobalt, silver, gold, platinum group metals, lead and zinc concentrates and sulphuric acid. The group also acquires raw materials for custom and toll treatment, acts as sales agent for toll and custom produced metals and conducts trading activities.

Falconbridge sales of nickel products in all forms during 1984 rose to 139.2 million pounds from the 130.5 million pounds delivered in 1983.

Integrated Nickel Operations sales of finished metals products from all sources*

(000's of pounds)



*Includes metals refined and sold as agent and metals purchased for resale.

Deliveries of refined copper and cobalt were 81 million pounds and 2.7 million pounds, respectively – record levels reflecting increased production of both metals.

However, sales of copper in concentrates by subsidiary companies fell 23 per cent from 60.3 million pounds in 1983 to 46.2 million pounds in 1984, because of a shutdown of Corporation Falconbridge Copper's Perry Mine in November 1983 and the cessation of operations at the Wesfrob Mining Division in October 1983.

Inventories of nickel were at minimum working levels throughout 1984 and at year end totalled 33.2 million pounds. During 1984, the Corporation entered into a joint venture with a ring-dealing member of the London Metal Exchange to form Arkay Metals (U.K.) Limited, which is engaged in the physical trading of metals.

Approximately 11 per cent of the nickel refined by the Corporation in 1984 was sourced as custom feed, the acquisition of which was handled by wholly owned subsidiary Falconbridge International Limited in Bermuda. The feed acquisition capability was strengthened during 1984 by the formation of Falconbridge Trading Associates in Stamford, Connecticut.

Corporate Operations

Exploration

The trend toward reduced exploration expenditures established in 1982 and 1983 continued until mid-1984 when additional funding became available following the issue of flow-through units.

In order to expand the Corporation's involvement in exploration programs while sharing the risks, it is continuing to seek joint-venture partners. Consolidated exploration expenditures increased to $23.9 million in 1984 from $19 million in 1983.

Exploration activity was concentrated in Canada largely because of the financial advantages of investing domestically rather than in foreign countries. The search for precious and multi-metallic deposits remains the focus of exploration activity.

The following review outlines the major activities of the 1984 exploration programs.

At Sudbury, 2 million tons have been deleted from ore reserves due to the closure of the Falconbridge Mine. In efforts to replenish reserves, surface and underground exploration continues in the eastern end of the Sudbury basin and in the western end at the Onaping Mine.

In Quebec, an underground exploration program at the Callahan property, adjacent to Kiena Gold Mines Limited, near Val d'Or, commenced in 1984. Surface installations have been completed and the exploration shaft has been collared. The program calls for a shaft to be sunk to a depth of 850 feet, followed by 4,000 feet of underground drifting to an area where several zones of gold-bearing mineralization have been indicated from surface diamond drilling results. Detailed underground diamond drilling is required to determine the exact position, size and grade of these zones. Surface exploration continues in the Val d'Or and Lac Shortt areas on properties located near, or on the strike with producing, or past producing mines.

New Quebec Raglan Mines Limited, 73.8 per cent owned by the Corporation, indirectly holds mining claims covering 77 square miles in the Ungava region of northern Quebec. There was no exploration activity on the claims during 1984. Further development of the property will depend on the emergence of stronger markets for nickel and copper as well as the availability of power and the provision of the necessary infrastructure at acceptable cost.

In Ontario, exploration focused on properties held in the gold-producing areas of Timmins and Kirkland Lake, in the vicinity of Hearst, the old St. Anthony mine at Sturgeon Lake and the area near Cameron Lake. Several drill intersections of economic interest have been found on these properties, but further drilling will be required for proper evaluation.

In Manitoba, surface exploration drilling of potential multi-metallic deposits was conducted in the Snow Lake area.

Exploration programs aimed at the discovery of precious metals deposits in southern British Columbia and gold-bearing base metals deposits on Vancouver Island and the western coastal areas continued in 1984.

In Botswana, the joint-venture program is continuing under the direction of DeBeers Consolidated Mines Limited. The first stage of the bulk sampling program has been completed on the Gope 25 kimberlite pipe with the treatment of 218 tons of material and the recovery of 60 carats of diamonds of varying quality. A decision to proceed with the second stage bulk sampling program is under review.

Also in Quebec, La Société Québécoise d'Exploration Minière (SOQUEM) continued exploration on the number 1 zone in the southern portion of the Pascalis property in accord with its joint-venture agreement with New Pascalis Mines Limited. This property is held 60 per cent by SOQUEM and 40 per cent by New Pascalis Mines Limited, in which the Corporation held a 61.3 per cent equity interest at year end.

Underground exploration completed includes a 666-metre ramp to the 95 metre level and two drifts in the gold-bearing mineralized zone on the 45 and 95 metre levels. Also, five raises were driven in the mineralized zone and 12,000 metres of diamond drilling were completed.

A 27,000-ton bulk sample from the mineralized zone was treated late in the year at the La Société Minière Louvem Inc. (LOUVEM) mill located near Val d'Or.

A pre-feasibility study and revised ore reserve estimate will be undertaken when all the exploration results have been received.

In addition, an underground exploration program is in progress on the three mine claims in the northern part of the property under the direction of LOUVEM, which can earn 100 per cent interest in these claims subject to 25 per cent net proceeds royalty payable to New Pascalis.

Research and Development

Mining research activities during 1984 continued to focus on the development and adaptation of new technologies and equipment to improve safety and productivity and reduce costs. Significant returns are expected on investments made in this area and from participation in HDRK Mining Research Limited programs.

Due to the increasing depth of mines in the Sudbury area, renewed emphasis has been placed on efforts to improve ground control and working conditions.

The Corporation is committed to improving its knowledge and understanding of rockburst phenomena and implementing measures to detect, control and prevent these occurrences in all of its mines.

Metallurgical research and development continued to focus on improving working environments, increasing metal recoveries, reducing smelting and refining costs and developing additional applications for Falconbridge's nickel and copper products.

Research and process development expenditures decreased from $3.4 million in 1983 to $3.2 million in 1984. During the year, 13 employees were transferred from the Metallurgical Laboratory in Richmond Hill, Ontario, to Sudbury. The Metallurgical Process Technology Department at Sudbury was merged with this group to form a new corporate Metallurgical Technology Centre, which provides services not only to Sudbury Operations but to Falconbridge Group companies worldwide. The relocation, which was completed in the autumn of 1984, will reduce administrative costs.

The move has already accomplished one of its objectives by improving co-operation between research scientists and plant operators, thereby enhancing the development and implementation of new processing technology.

Progress continues to be made in developing methods to reduce metal losses during the milling and smelting stages. A revision to the flowsheet at the Strathcona Concentrator was partially implemented during late 1984. When completed it is expected to result in improved recoveries of nickel, copper and cobalt. During 1985, commercial scale tests will be run on a newly developed technique for increasing cobalt recovery in the smelter. Pilot plant testing of an improved method for treatment of copper residues at the Refinery in Norway has been completed and it is anticipated the process will be put into full operation during 1985.

In 1984, the Corporation became one of the founding members of the Nickel Development Institute, an international organization formed to develop and promote new markets for nickel products.

Environmental Control

The Corporation's ongoing research and development programs continued to show improvement in reducing the environmental impact of sulphur dioxide emissions. In 1953, 83 per cent of the sulphur in the ore mined in Sudbury was released by the smelter into the atmosphere as sulphur dioxide. By 1984, this had been reduced to 12 per cent. A large portion of the sulphur contained in the ore is converted into sulphuric acid, a useful product.

The Corporation remains committed to continuing efforts to protect the environment, while at the same time improving the economic thrust of its operations. During 1984, $800,000, or 25 per cent of the total research budget, was spent on programs associated with environmental improvement. In addition, $12.7 million was expended on operating costs associated with environmental programs along with $4.2 million in capital costs.

The Ontario Ministry of the Environment issued an amending Order in December 1983, requiring the Corporation to ensure that sulphur dioxide emissions from the smelter neither exceed an average of 423 tonnes per day (unchanged from an earlier Control Order), nor result in an average hourly ground-level concentration of more than 0.5 parts per million.

The Corporation complied with this Order in three ways. First, it put in place on June 1, 1984, a Reactive Supplementary Emission Control System to monitor ground-level concentrations of sulphur dioxide; second, it put into operation a meteorological system to continuously record and transmit data from sulphur dioxide monitors; and third, it prepared terms of reference for a study to evaluate dispersion modelling and alternative systems for the smokestack plume.

Also in the Sudbury area, equipment, which was installed in 1983, has resulted in a 68 per cent reduction in heavy metals found in a creek flowing into the Onaping River, compared with 1980 data. At the Norwegian Refinery, facilities are being constructed to further neutralize liquid effluents before being discharged into the sea.

Corporation Falconbridge Copper

Stock issued: 12,970,125 common shares
Falconbridge Limited's ownership: 6,585,696 common shares, or 50.8%

The company produces concentrates containing copper, zinc, gold and silver from its two divisions, Lake Dufault at Noranda and Opemiska at Chapais in Quebec. In September, a new gold-producing division was opened at Waswanipi, 46 miles southwest of Chapais. The Lac Shortt gold mine is expected to mill 827 tons of ore per day and produce 47,000 ounces of gold in 1985.

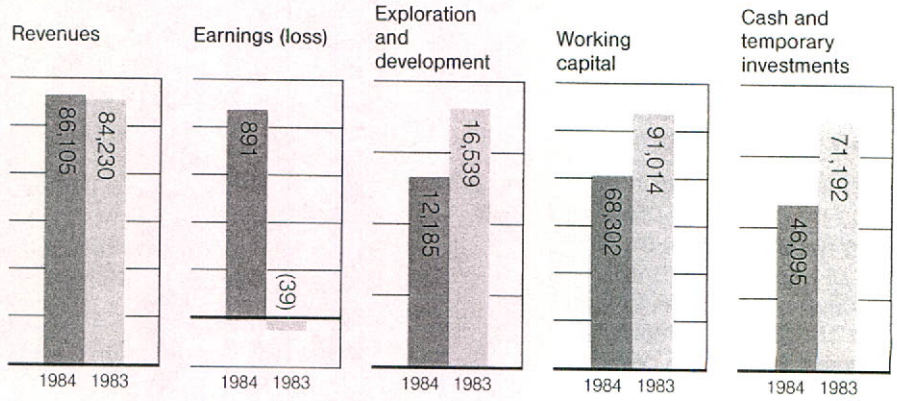
Lower average prices for all metals except zinc, higher treatment costs and decreased copper production adversely affected net revenues during 1984. However, those factors were offset by reduced operating costs. Net earnings for 1984 were $891,000, compared with a loss of $39,000 the previous year. In 1985, gross revenue from metal shipments is expected to be distributed on the basis of: 46 per cent gold, 39 per cent copper, 12 per cent zinc and 3 per cent silver.

Three major underground delineation programs were launched in 1984. At the Winston Lake property near Schreiber in northern Ontario, shaft sinking had reached a depth of 1,530 feet at year end in the development of a zinc deposit. The deposit is estimated, from surface diamond drilling, to contain 2,950,000 tons of ore grading 17.8 per cent zinc, 0.94 per cent copper, 0.74 ounce silver per ton and 0.025 ounce gold per ton.

On the Ansil property, near the Norbec mill of the Lake Dufault Division, a shaft was collared and surface facilities completed as the first step toward delineating and developing a copper deposit. This deposit is estimated to contain 2,320,000 tons of ore grading 7.18 per cent copper, 0.57 per cent zinc, 0.7 ounce silver per ton and 0.05 ounce gold per ton.

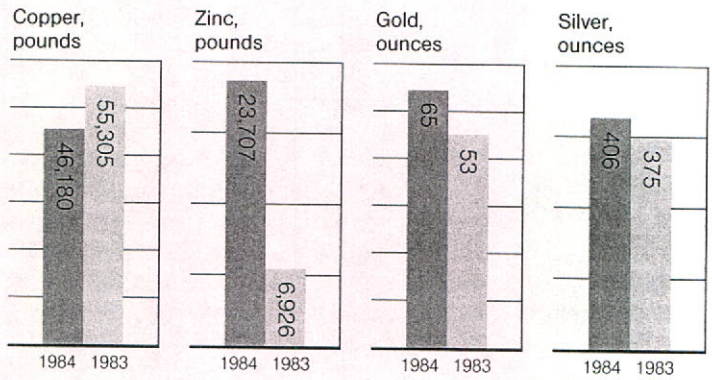
Highlights

(000's of dollars)



Production

(000's)



Under a joint-venture agreement with Falconbridge Limited, the company is maintaining a 49 per cent working interest in an underground gold exploration program on the Callahan property, adjacent to Kiena Gold Mines Limited, near Val d'Or, Quebec.

Other exploration programs are being conducted in Quebec, Ontario, British Columbia and in the western United States through a wholly owned subsidiary, Nevcan Exploration Inc. In order to finance exploration, the company raised $2,530,000 during 1984 through the issue of 460 flow-through units in Quebec. Subsequent to year end, a further $10,150,000 was raised for 1985 mineral exploration programs through the issue of 2,900 flow-through units.

The company is debt-free and maintains a strong financial position which would enable it to develop and bring into production these new deposits which are being delineated. Working capital at year end stood at $68.3 million.

Ore reserves at the Opemiska Division on December 31, 1984, were 884,000 tons grading 1.46 per cent copper and 0.09 ounce gold per ton. At the Lake Dufault Division, ore reserves stood at 854,000 tons grading 3.09 per cent copper, 2.54 per cent zinc, 0.03 ounce gold per ton and 0.72 ounce silver per ton. At Lac Shortt, proven and probable reserves were 1,848,000 tons grading 0.16 ounce gold per ton. In addition, drill indicated possible reserves were 618,000 tons grading 0.14 ounce gold per ton.

Indusmin Limited

Stock issued: 1,167,901 common shares
Falconbridge Limited's ownership: 1,167,901 common shares, or 100%

Indusmin Limited produces and markets nepheline syenite, feldspar, silica and limestone aggregates through its Minerals Division and alloy steel castings through its Fahramet Division.

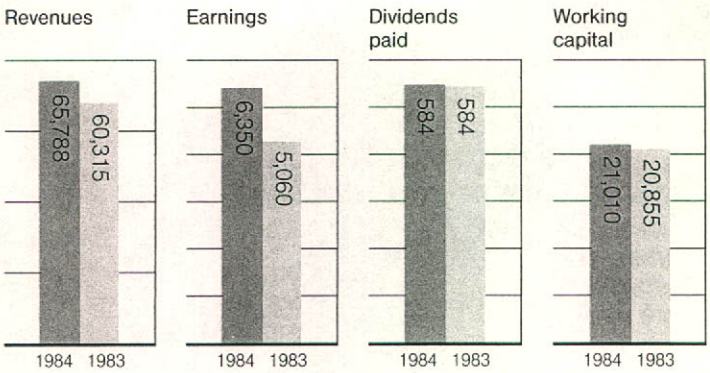
Operations in the United States are handled by the company's wholly owned subsidiary Indusmin Incorporated.

Earnings for the year rose to $6.4 million, establishing a new record. Increased sales combined with the beneficial results of a cost-reduction program, as well as a sales and management reorganization at Fahramet, contributed to the gain in profits.

Sales revenue increased to $65.8 million over the 1983 level of $60.3 million. Recovery in the steel castings industry provided most of the sales gain, while revenue from minerals increased only marginally.

Highlights

(000's of dollars)



Capital expenditures totalled $2.8 million, with the major portion related to a $2.2 million program to consolidate Fahramet Division's facilities in Orillia. This program is scheduled to be completed by the spring of 1985.

On August 31, 1984, Falconbridge Limited made an Offer to Purchase for $35 per share the 340,571 outstanding shares it did not already own of Indusmin Limited. As of October 24, 1984, Indusmin Limited became a wholly owned subsidiary of Falconbridge Limited.

In 1984, the marketplace was highly competitive and it is expected to remain so in 1985. The company has maintained its strong minerals base and completion of the consolidation at Fahramet places the company in a strong position to maintain profitability.

Falconbridge Dominicana, C. por A.

Stock issued: 3,000,000 shares
Falconbridge Limited's ownership: 2,012,300 shares, or 67.1%

Falconbridge Dominicana, which produces ferronickel at its mining and processing facilities in the Dominican Republic, made further progress in improving operations and reduced its net loss from U.S. $32.8 million in 1983 to U.S. $8.6 million in 1984.

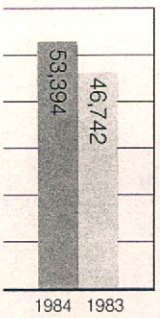
Shipments of nickel contained in ferronickel in 1984 totalled 53.4 million pounds, about 84 per cent of plant design capacity, compared with 46.7 million pounds in 1983.

This increased level of production, achieved while operating only one of the three electric furnaces, was the result of technological improvements and the selective mining of higher grade ores.

Ferronickel prices averaged U.S. $2.28 for the year and did not reach the level necessary to make the operation profitable in 1984, despite reductions in unit production costs achieved through cost-management programs, an improved foreign exchange situation and the sale of excess power.

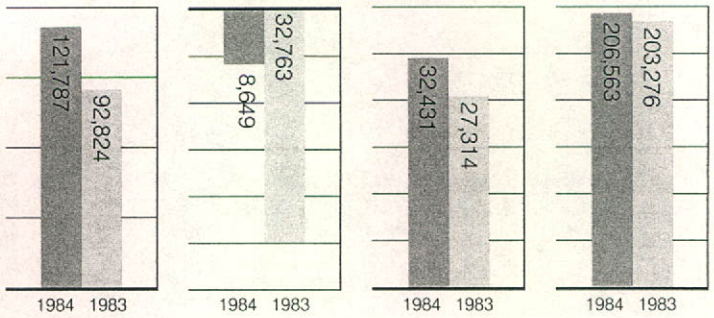
Production

(000's of pounds)



Highlights

(000's of U.S. dollars)



*1984 includes $10,608,000 due in 1985.

The total debt includes subordinated advances of U.S. $114,458,000 by the project sponsors and accrued interest of U.S. $36,520,000.

During 1984, Falconbridge Limited and the other project sponsor provided net additional funding of U.S. $4.2 million in the form of subordinated notes.

The company had 1,128 employees on December 31, 1984 – 1,114 citizens of the Dominican Republic and 14 foreign nationals – compared with a workforce of 1,073 at the end of 1983.

Ore reserves at the end of 1984 were 41.3 million tons grading 1.77 per cent nickel, compared with 43.7 million tons grading 1.78 per cent nickel at the end of 1983.

Kiena Gold Mines Limited

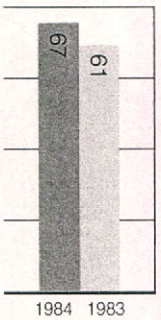
Stock issued: 5,876,848 common shares
Falconbridge Limited's ownership: 3,331,203 common shares, or 56.7%

Kiena Gold Mines Limited became a fully integrated gold producer during 1984. Construction of the company's 1,375-ton-per-day capacity mill was completed on schedule and within budget. Processing of ore started in September and by year end the new facility was fully operational and had treated more than 100,000 tons of ore.

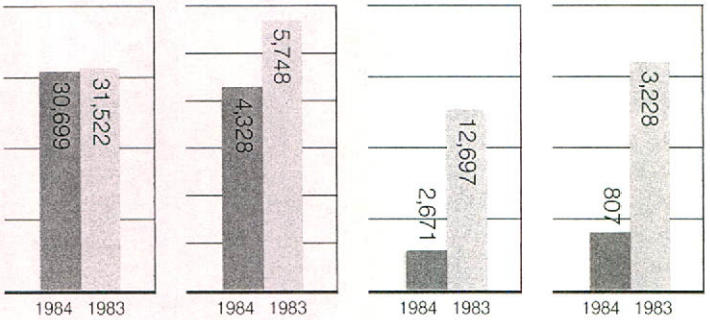
Prior to that time, regular mine production, which totalled about 400,000 tons of ore for the year, had exceeded the available milling capacity of the company's custom processor. Excess production was stockpiled on the surface and delivered subsequently for treatment. Delivery commitments under the custom milling contract were completed in January 1985.

Gold production, derived from a record 426,000 tons of ore milled, increased significantly during the third full year of production to 66,657 ounces, from 61,193 ounces the previous year. This increase was not sufficient, however, to offset the reduced prices received for gold. Gross revenues from metal shipments during the year were lower than in 1983. Production costs were $300 per ounce.

Production (000's of ounces)



Highlights (000's of dollars)



Kiena reported earnings of $4.3 million and at year end, the company had working capital of $2.7 million.

Production results from mining operations reflect improvements in labour productivity combined with an outstanding employee safety record. The operation completed a full calendar year without suffering a lost time injury. This followed the award of the John T. Ryan Canada trophy for the safest metalliferous mine in Canada for the previous year. At year end, Kiena had 191 employees.

The long-term mine development program to prepare the lower ore zone for production and to increase mining capacity to 425,000 tons per year was well advanced during 1984 and new crushing and ore handling facilities are scheduled to be installed in 1985.

Ore reserves as of December 31, 1984, including an allowance for mining dilution, were 5.9 million tons with a grade of 0.16 ounce gold per ton, sufficient for over 13 years of operation at current production levels.

Kiena has embarked upon an extensive program of exploration on its property in Dubuisson Township near Val d'Or, Quebec.

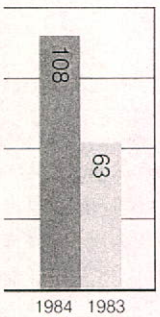
Giant Yellowknife Mines Limited

Stock issued: 4,303,050 common shares
Falconbridge Limited's ownership: 824,413 common shares, or 19.2%

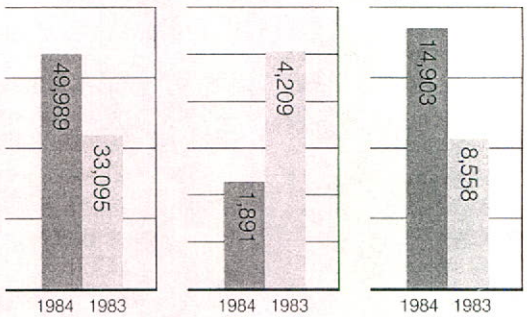
Giant Yellowknife Mines Limited mines and mills gold ore in the Northwest Territories at Yellowknife, and 150 miles northeast, at the Salmita Mine. Consolidated results include the operations of its subsidiary companies, Lolor Mines Limited (87.5 per cent owned) and Supercrest Mines Limited (50.01 per cent owned).

Earnings of $1.9 million were down from the $4.2 million of 1983 due to lower average gold prices received – falling to $461 an ounce from

Production (000's of ounces)



Highlights (000's of dollars)



*Accounted for by Falconbridge Limited on the equity basis.

$507 an ounce – higher operating costs and write-offs totalling $5.7 million in connection with the development of the Salmita Mine. Working capital rose from $8.6 million at the start of the year to $14.9 million at the end of the year.

Bullion output in 1984 from all properties totalled 108,480 ounces – compared with 62,505 ounces in 1983 – with the Yellowknife Division providing 64,066 ounces and the Salmita Division 44,414 ounces. The grade of ore treated was 0.23 ounce gold per ton at Yellowknife and 0.76 ounce gold per ton at Salmita while operating costs were $403 per ounce at Yellowknife and $289 per ounce at Salmita.

Some start-up difficulties were encountered in the Salmita Mill. Changes were made in ore handling procedures and a larger ball mill was installed. Since then the plant has been operating satisfactorily and production targets for the year were achieved.

Ore reserves as of December 31, 1984, at Yellowknife operations were 1,057,000 tons grading 0.24 ounce gold per ton, compared with 1,120,000 tons grading 0.23 ounce gold per ton a year earlier. At Salmita, ore reserves were 88,000 tons grading 0.85 ounce gold per ton at the end of 1984, compared with 116,000 tons grading 0.82 ounce gold per ton at the prior year end.

The company is continuing exploration programs for precious metals on its operating properties elsewhere in Canada and, through a subsidiary, in the United States.

United Keno Hill Mines Limited

Stock issued: 2,470,000 common shares
Falconbridge Limited's ownership: 1,195,989 common shares, or 48.4%

United Keno Hill Mines Limited is a silver-lead producer with mines and a concentrating facility located at Elsa in the Keno Hill-Galena Hill area, central Yukon.

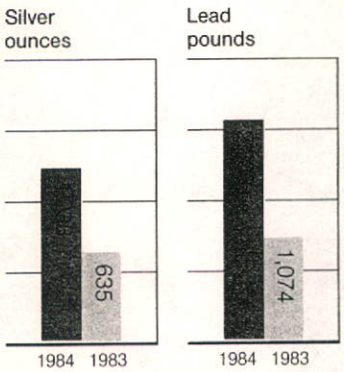
A loss of $6.8 million was recorded in 1984. Operating losses before write-offs and investment income totalled $1.7 million due to a decline in the price of silver from an average of U.S. $8.99 per ounce in the first quarter to U.S. $7.17 per ounce in the last quarter of 1984. Ore milled during the year totalled 72,409 tons, yielding 1,233,000 ounces of silver and 2,333,000 pounds of lead. The cost per ounce of silver produced in 1984 excluding write-offs and investment income averaged $11.63 while the average silver price in the same period was $9.73.

Working capital declined from $14.2 million at the beginning of the year to $11.7 million at year end.

At December 31, 1984, ore reserves at Elsa totalled 234,800 tons grading 22.3 ounces of silver per ton and 3.1 per cent lead, compared with 200,400 tons grading 27.3 ounces of silver per ton and 4.1 per cent lead at the end of 1983.

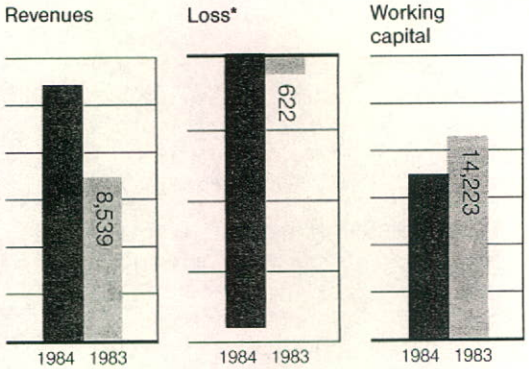
Production

(000's)



Highlights

(000's of dollars)



*Accounted for by Falconbridge Limited on the equity basis.

In June 1984, the company raised $6,320,250 for its 1984 exploration programs, from the sale of 2,385 units each consisting of the right to earn 106 flow-through warrants and 100 common shares. On November 30, 1984, an additional $317,550 was received by the company from the exercise of warrants for exploration to be done in 1985.

Falconbridge Limited did not subscribe to any of these units and as a result its holding in the company was reduced from 48.4 per cent to 44.2 per cent following the issue of shares in January 1985.

Exploration at the Venus Mine outlined several new high-grade gold-silver zones. In the Elsa area, surface drilling intersected high-grade silver veins in several areas and three new adits were collared to explore extensions of former producing high-grade veins. Further work will be required to complete these programs.

In March 1985, the company raised $3,480,000 from the sale of flow-through units. The proceeds of the issue will be spent on a portion of the company's 1985 exploration program.

Falconbridge Investments (Zimbabwe) (Private) Limited

Falconbridge Limited's ownership: 9,208 common shares, or 100%

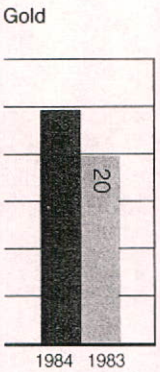
The company produces gold, through a wholly owned subsidiary, at two operations in Zimbabwe.

Production at both the Blanket and Golden Kopje Mines continued during 1984, with 24,812 ounces of gold produced, compared with 19,663 ounces the previous year.

At the Blanket Mine gold production totalled 19,560 ounces from the milling of 166,781 tons of ore, while Golden Kopje Mine produced 5,252 ounces of bullion from the milling of 77,084 tons of ore.

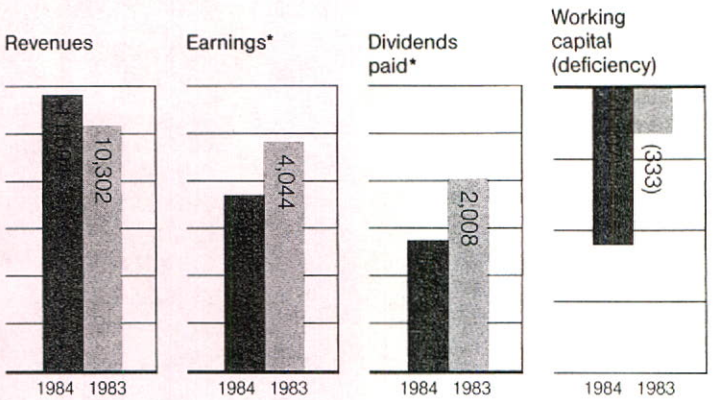
Production

(000's of ounces)



Highlights

(000's of dollars)



*Accounted for by Falconbridge Limited on the cost basis.

Earnings of $3.1 million were lower than the $4 million reported in 1983 due to falling gold prices and poor recoveries at the Golden Kopje Mine.

Intensive study and testing continues at Golden Kopje to improve mill recoveries.

Western Platinum Limited

Stock issued: 12,100,000 ordinary shares
Falconbridge Limited's indirect ownership: 3,025,001 ordinary shares, or 25%.

Western Platinum Limited produces platinum group metals, gold, nickel, copper and cobalt at its operation in Transvaal, Republic of South Africa.

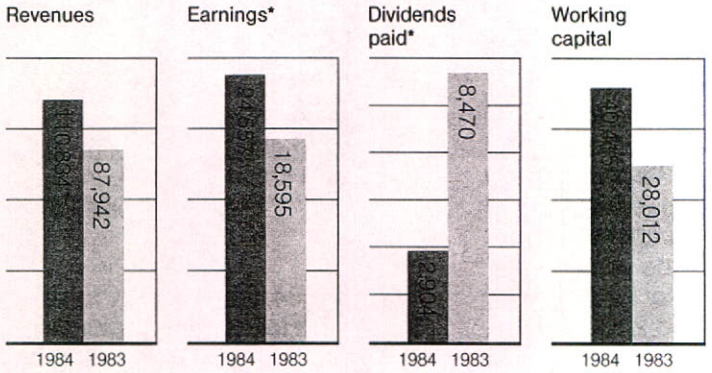
The Falconbridge Refinery in Norway extracts the precious metals and refines the base metals from Western Platinum's matte. The precious metals are subsequently returned to the company for further processing in South Africa. Falconbridge sells the full output on an agency basis.

During 1984, the company started construction of its own plant in South Africa to separate base metals from platinum group metals.

Earnings during the year were R24.6 million, compared with R18.6 million in 1983. Conservation of cash reserves and allocation to capital programs led to reduced dividend payments during 1984.

Highlights

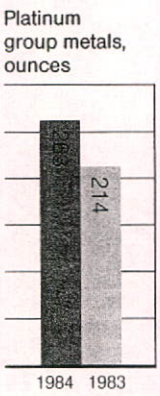
(000's of Rand)

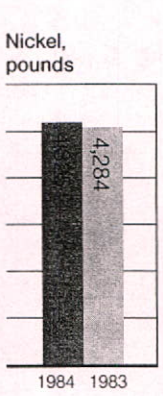


* Accounted for by Falconbridge Limited on the cost basis.

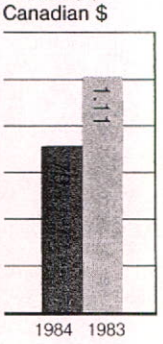
Production

(000's)





Currency



Year ended September 30

Accounting Responsibilities, Procedures and Policies

The Board of Directors which, among other things, is responsible for the consolidated financial statements of the Corporation, delegates to management the responsibility for the preparation of the statements. Responsibility for their review is that of the Audit Committee. Each year the shareholders appoint independent auditors to examine and report directly to them on the financial statements.

In preparing the financial statements great care is taken to use the appropriate generally accepted accounting principles and estimates considered necessary by management to present fairly and consistently the consolidated financial position and the results of operations. The significant accounting policies followed by Falconbridge are summarized on pages 14 and 15.

The accounting systems employed by Falconbridge include appropriate controls, checks and balances to provide reasonable assurance that Falconbridge's assets are safeguarded from loss or unauthorized use as well as facilitating the preparation of comprehensive, timely and accurate financial information. The internal auditors, who are employed by the Corporation as part of management, play an integral part in the effective operation of the systems of internal accounting control. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Falconbridge believes its systems provide the appropriate balance in this respect.

The Corporation's Audit Committee is appointed by the Board of Directors annually and is comprised of four non-management directors. The Committee meets with management and with the independent auditors (who have free access to the Audit Committee) to satisfy itself that each group is properly discharging its reponsibilities and to review the financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

D. E. Lewis, Q.C.
Chairman of the Audit Committee

W. James
Chairman of the Board,
President and Chief Executive Officer

J. F. Gillies
Vice-President, Controller and
Chief Financial Officer

Auditors' Report

To the Shareholders of Falconbridge Limited:

We have examined the following financial statements of Falconbridge Limited:

> Consolidated financial position as at December 31, 1984 and 1983; Consolidated statements of operations, retained earnings and changes in consolidated financial position for the three years ended December 31, 1984; and
> Segmented information as at December 31, 1984, 1983 and 1982 and for the three years ended December 31, 1984.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of the Corporation, the results of its operations and the changes in its financial position at the dates and for the periods indicated in accordance with accounting principles generally accepted in Canada applied, after giving retroactive effect to the changes, with which we concur, in the methods of accounting for foreign currency translation and the valuation of inventories as explained in note 3, page 20, to the consolidated financial statements, on a consistent basis.

Toronto, Canada, January 25, 1985 (except as to
note 19(c), (d) and (e) which is as of March 6, 1985).

Clarkson Gordon
Chartered Accountants

Comment on Differences in Canadian-United States Reporting Standards for Auditors

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 referred to in the attached statement of consolidated financial position as at December 31, 1984 and 1983 and as described in note 7(b) relating to Falconbridge Dominicana, C. por A., page 22, of the notes to consolidated financial statements. The opinion in our above report 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.

Toronto, Canada,
January 25, 1985.

Clarkson Gordon
Chartered Accountants

Summary of Accounting Policies

The consolidated financial statements of Falconbridge Limited have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied after retroactive application of the accounting changes described in Note 3, page 20. In these statements, references to the Corporation mean only Falconbridge Limited, the parent company, and references to Falconbridge include the Corporation, its consolidated subsidiaries and significantly influenced companies. The principal accounting policies followed by Falconbridge are summarized hereunder to facilitate review of the consolidated financial statements.

A. Basis of consolidation and accounting standards

Investments in subsidiary companies (owned more than 50%) and significantly influenced companies are accounted for as follows:

(i) Falconbridge generally consolidates the financial statements of subsidiary companies and accounts on the equity basis for those companies over which it exercises significant influence. Companies incorporated in foreign countries in which there are significant restrictions on the transfer of funds are accounted for on the cost basis;

(ii) Differences between the interest in the book value of the net assets of consolidated subsidiaries and the carrying value of the investments are allocated to the subsidiary's asset accounts based on their fair values at the date of acquisition. For consolidated operating subsidiaries, the differences are depreciated, depleted or amortized in accordance with the Corporation's accounting policy for the related asset; and

(iii) For consolidation purposes foreign subsidiaries' foreign currency financial statements are restated to accord with the Corporation's accounting policies.

B. Translation of foreign currencies

Foreign currency transactions and balances, and the financial statements of integrated foreign operations, have been translated into Canadian dollars using the temporal method. Under this method monetary items are translated at the rate of exchange at the balance sheet date while non-monetary items are translated at historic exchange rates and revenue and expense items are translated at the weighted average of exchange rates prevailing during the year except for depreciation and amortization which are translated at the same exchange rates as the assets to which they relate. Exchange gains and losses are included in income in the current year, except when the gain or loss relates to a monetary item with a fixed or ascertainable original life extending beyond the end of the following fiscal year in which case the gain or loss is deferred and amortized to income on a straight-line basis over the period the related monetary item is outstanding.

Financial statements of self-sustaining foreign operations are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the rate of exchange in effect on the balance sheet date while revenue and expense items (including depreciation and amortization) are translated at the weighted average of exchange rates prevailing during the year. Exchange gains and losses from the translation of such financial statements are deferred and disclosed as a separate component of shareholders' equity.

C. Revenue recognition

Revenues from the sale of refined metals, ferronickel, industrial minerals and metal castings are recorded in the accounts when the rights and obligations of ownership pass to the buyer.

Estimated revenues, based upon anticipated metal prices or forward sales commitments, are recorded in the accounts during the month when bullion and metals contained in concentrates which are sold under contracts are produced. Such estimated revenues may be subject to adjustment on or before final settlement, usually three or four months after the date of production, to reflect changes in metal market prices, weights and assays.

D. Valuation of inventories

Inventories are valued as follows:

(i) Metals inventories are valued at the lower of cost and net realizable value determined on a "first-in, first-out" basis. Cost includes direct labour and material costs as well as administrative expenses at the operating properties, but excludes development and preproduction expenditures and depreciation; and

(ii) Supplies inventories are valued at the lower of average cost of acquisition and replacement cost.

E. Property, plant and equipment

Property, plant and equipment and related expenditures are accounted for as follows:

(i) Property, plant and equipment and related capitalized development and preproduction expenditures are generally recorded at cost and include, where appropriate, the fair value adjustments referred to in policy A(ii) above. Government assistance and investment tax credits relating to plant and equipment expenditures and development and preproduction expenditures are recorded as reductions of the cost of the related assets;

(ii) The Corporation depreciates plant and equipment on a straight-line basis over the lesser of their useful service lives or the lives of the producing mines to which they relate, limited to a maximum of twenty-five years. Generally the subsidiary companies calculate depreciation on a straight-line basis at rates varying from 5% to 25%. Depreciation is provided on the unit of production basis by Kiena Gold Mines Limited and by Corporation Falconbridge Copper for certain of its properties;

(iii) Idle plant and equipment resulting from temporary curtailments of operations continue to be depreciated on a straight-line basis. Care and maintenance costs during standby periods are expensed as incurred;

(iv) Idle plant and equipment resulting from the termination of operations are carried at the lower of depreciated cost and estimated salvage value. Upon sale or abandonment, the cost of fixed assets and the related accumulated depreciation are removed from the accounts and any gains or losses thereon are taken into earnings;

(v) Depletion of resource properties is provided over the lesser of the estimated life of the resources recoverable from the properties and twenty-five years;

(vi) Development and preproduction expenditures are capitalized until the commencement of commercial production. These, together with certain subsequent development expenditures, which are also capitalized, are amortized over periods not longer than the lives of the producing mines and properties, limited to a maximum of twenty-five years; and

(vii) Repairs and maintenance expenditures are charged to operations or, if related to non-producing properties, to development and preproduction; major betterments and replacements are capitalized.

F. **Exploration**

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings; further costs are generally capitalized and then amortized as appropriate under policy E above.

G. **Research and process development**

Research and process development costs are charged against earnings as incurred.

H. **Retirement plans**

The costs of retirement plans are charged against earnings in the year required fundings are payable and include amounts for current service and amortization of past service costs. Past service costs are generally being amortized and funded over periods of up to 15 years.

I. **Income and mining taxes**

All companies follow the deferral method of applying the tax allocation basis of accounting for income and mining taxes. Under this method timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts result in deferred taxes.

Where appropriate, income and withholding taxes are provided on the portion of any interest in consolidated foreign subsidiaries' undistributed net income since acquisition which it is reasonable to assume will be transferred in a taxable distribution.

J. **Stock option plan**

The cost to the Corporation of shares optioned under the plan is allocated over a period of four years from the date options are granted and is measured as the amount by which the quoted market value of the Corporation's shares exceeds the option price specified under the plan throughout the period that options remain outstanding.

Accrued stock option plan expenses are included in accounts payable and accrued charges in the statement of consolidated financial position until the options are exercised or cancelled.

K. **Interest costs**

Interest costs incurred prior to the commencement of commercial production for projects which are specifically financed by debt are capitalized. Interest costs incurred after the commencement of commercial production are expensed, as are interest costs not identified with specific projects.

L. **Earnings (loss) per common share**

Earnings (loss) per common share are computed using the weighted average number of shares outstanding during the year, after deducting shares held by subsidiary companies. The common stock equivalents of outstanding stock options and warrants are included in the calculation of fully diluted earnings per share, provided they do not increase earnings per share or decrease a loss per share.

Consolidated Financial Position

Assets

	December 31, 1984 (000's)	Restated (note 3, page 20) 1983 (000's)
Current:		
Cash and temporary investments, at cost which approximates market value (note 8 B(i)(c), page 25)	$ 190,374	$ 294,511
Accounts and metals settlements receivable (note 11, page 26)	166,096	153,753
Inventories of metals (note 6, page 22)	124,109	107,492
Inventories of supplies	40,793	39,317
	521,372	595,073
Property, plant and equipment (note 7, page 22):		
Producing assets –		
Plant and equipment, at cost	786,092	714,581
Land and properties, at cost	19,252	20,887
	805,344	735,468
Less accumulated depreciation and depletion	500,258	465,827
	305,086	269,641
Development and preproduction expenditures, at cost less amounts written off	200,090	119,946
	505,176	389,587
Non-producing assets –		
Properties and projects, at cost less amounts written off	100,381	167,532
	605,557	557,119
Other:		
Investment in associated and other companies (note 18, page 29)	30,935	96,147
Deposits, long-term accounts receivable, other assets, at cost and deferred debt issue expenses, net	5,793	4,941
Deferred exchange loss, net of amortization	1,893	9,299
	38,621	110,387
	$ 1,165,550	$ 1,262,579

(See notes to consolidated financial statements)

Liabilities and Shareholders' Equity

	December 31, 1984 (000's)	Restated (note 3, page 20) 1983 (000's)
Current:		
Bank indebtedness (note 15, page 27)	$ 1,342	$ 11,000
Accounts payable and accrued charges	59,671	58,109
Salaries and wages payable	21,364	19,986
Income and other taxes payable	10,314	15,044
Long-term debt maturing within one year	14,020	18,766
	106,711	122,905
Long-term debt (notes 8 and 15, pages 23 and 27):		
Falconbridge Limited and its wholly-owned subsidiaries	143,694	345,805
Falconbridge Dominicana, C. por A.	139,280	135,843
Other subsidiary companies	868	4,487
	283,842	486,135
Deferred income and mining taxes (note 5, page 20)	88,956	59,840
Minority interest	50,047	61,414
Commitments and contingencies (note 11, page 26)		
Shareholders' equity:		
Capital (notes 9 and 19, pages 25 and 29)		
Issued: 7,266,930 Common shares (7,028,030 in 1983)	217,700	199,618
To be issued: 75,000 Common shares	4,678	
Retained earnings (notes 8 and 10, pages 23 and 26)	401,918	322,794
Cumulative translation adjustment	14,444	13,052
	638,740	535,464
Less 28,724 (45,483 in 1983) common shares held by subsidiary companies, at cost	(2,746)	(3,179)
	635,994	532,285
	$ 1,165,550	$ 1,262,579

On behalf of the Board:

William James
Director

U. E. Lewis
Director

Consolidated Statements of Operations and Retained Earnings

Statement 2

Consolidated Statement of Operations

(See additional details — Statement 4, page 30)

	Year ended December 31,		
		Restated (note 3, page 20)	
	1984 (000's)	1983 (000's)	1982 (000's)
Revenues	$ 733,312	$ 615,387	$ 483,126
Operating expenses:			
Costs of metal and other product sales	520,787	509,953	394,994
Selling, general and administrative	50,018	42,770	47,755
Development and preproduction	23,668	16,885	18,192
Depreciation and depletion	33,359	32,637	34,726
Other charges (note 14, page 27)	8,439	17,264	75,531
	636,271	619,509	571,198
Operating profit (loss)	97,041	(4,122)	(88,072)
Interest and other income, net (note 17, page 28)	53,094	36,251	44,262
	150,135	32,129	(43,810)
Interest and debt expenses (note 8, page 23)	57,016	56,219	69,941
Exchange loss on early retirement of long-term debt	14,810	3,364	816
Exploration (note 12, page 26)	23,928	18,965	28,806
Research and process development	3,240	3,394	5,769
	98,994	81,942	105,332
	51,141	(49,813)	(149,142)
Income (loss) from investment in associated and other companies (note 18, page 29)	(664)	6,277	(1,407)
Earnings (loss) before taxes and other items	50,477	(43,536)	(150,549)
Income and mining taxes (note 5, page 20):			
Current	1,817	7,110	1,556
Deferred	20,344	(7,926)	(47,885)
	22,161	(816)	(46,329)
Earnings (loss) before minority interest and extraordinary items	28,316	(42,720)	(104,220)
Minority shareholders' interest in earnings (losses) of subsidiary companies	(378)	(11,311)	(22,941)
Earnings (loss) before extraordinary items	28,694	(31,409)	(81,279)
Extraordinary items (note 2, page 20)	51,492	14,816	
Earnings (loss) for the year	$ 80,186	$ (16,593)	$ (81,279)
Earnings (loss) per common share (note 13, page 27):			
Before extraordinary items	$ 3.98	$(4.64)	$(16.32)
Extraordinary items	7.15	2.19	
For the year	$11.13	$(2.45)	$(16.32)

Consolidated Statement of Retained Earnings

Retained earnings, beginning of year			
As previously reported	$ 307,808	$ 318,205	$ 403,459
Adjustments for change in foreign currency translation method (note 3, page 20)	(8,759)	(7,474)	(4,564)
Adjustments for change in inventory valuation method (note 3, page 20)	23,745	35,511	28,626
Retained earnings, beginning of year as restated	322,794	346,242	427,521
Earnings (loss)	80,186	(16,593)	(81,279)
	402,980	329,649	346,242
Common share issue expenses (note 9, page 25)	(1,062)	(6,855)	
Retained earnings, end of year	$ 401,918	$ 322,794	$ 346,242

(See notes to consolidated financial statements)

Changes in Consolidated Financial Position

Statement 3

	Year ended December 31,		
		Restated (note 3, page 20)	
	1984 (000's)	1983 (000's)	1982 (000's)
Sources of working capital (funds):			
Operations –			
Earnings (loss) for the year before extraordinary items	$ 28,694	$ (31,409)	$ (81,279)
Charges (credits) not affecting funds in the current period:			
Depreciation and depletion	33,359	32,637	34,726
Deferred income and mining taxes	25,286	(8,178)	(47,355)
Development and preproduction	23,668	17,264	18,192
Exchange loss on early redemption of long-term debt	14,810	3,364	816
Amortization of deferred exchange loss	2,993	663	2,275
Interest in (earnings) losses of companies accounted for on the equity basis, net	2,927	(1,531)	2,473
Gain on disposal of fixed assets, net	(1,091)	(5,461)	(47)
Loss on disposal and write-off of investments, net			2,329
Minority shareholders' interest in earnings (losses) of subsidiary companies, net, and changes in minority interest	114	(10,701)	(22,095)
Other items	(1,842)	(4,983)	(2,149)
Total from operations	128,918	(8,335)	(92,114)
Proceeds on sale of Superior shares and Mobil debentures (note 12(a), page 26)	119,235		
Issue of units, common shares and warrants for cash, net	22,131	103,395	
Currency translation adjustments affecting working capital	11,529	(2,117)	(284)
Proceeds from disposal of fixed assets	5,624	7,715	1,907
Proceeds from subsidiary companies' share and rights offerings	2,743	23,691	656
	290,180	124,349	(89,835)
Applications of working capital:			
Decrease in long-term debt, net	231,039	11,919	(4,369)
Property, plant and equipment expenditures	52,683	24,321	17,317
Development and preproduction expenditures	50,077	22,128	28,805
Increase in investment in subsidiary companies	13,428		
Increase (decrease) in other assets	460	848	(723)
Decrease in working capital as a result of sale of subsidiary			2,153
	347,687	59,216	43,183
Increase (decrease) in working capital	$ (57,507)	$ 65,133	$ (133,018)
Changes in components of working capital:			
Increase (decrease) in current assets –			
Cash and temporary investments	$ (104,137)	$ 98,258	$ (94,110)
Accounts and metals settlements receivable	12,343	28,803	(2,036)
Inventories	18,093	(26,469)	(69,422)
	(73,701)	100,592	(165,568)
Increase (decrease) in current liabilities –			
Bank indebtedness	(9,658)	10,865	(6,275)
Long-term debt maturing within one year	(4,746)	640	(524)
Other current liabilities	(1,790)	23,954	(25,751)
	(16,194)	35,459	(32,550)
Increase (decrease) in working capital during the year	(57,507)	65,133	(133,018)
Working capital, beginning of year	472,168	407,035	540,053
Working capital, end of year	$ 414,661	$ 472,168	$ 407,035

(See notes to consolidated financial statements)

Notes to Consolidated Financial Statements

1. **Accounting policies**
   The principal accounting policies followed by Falconbridge are described on pages 14 and 15.

2. **Extraordinary items**
   The $51,492,000 of extraordinary items in 1984 reflect a $10,000,000 benefit resulting from the recognition of previously unrecorded tax debits and a $41,492,000 gain on the sale of the common shares of The Superior Oil Company (net of a $13,830,000 provision for income taxes).
   The $14,816,000 extraordinary item in 1983 reflects the change in the Corporation's interest in the net identifiable assets of Kiena Gold Mines Limited, a consolidated subsidiary, which resulted from the Corporation's decision not to participate in the subsidiary's public share issue in 1983.

3. **Changes in Accounting Policies**
   (a) Effective January 1, 1984 the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants for foreign currency translation. This change, from the current/non-current method, was applied retroactively and increased 1984 earnings by $672,000 ($0.09 per share), increased the 1983 loss by $1,285,000 ($0.19 per share) and increased the 1982 loss by $2,910,000 ($0.59 per share).
   (b) In June 1984, the Corporation adopted the "first-in, first-out" (FIFO) basis for valuation of inventories because it provides a better matching of costs against revenues and permits inventory costs to be determined more readily. Previously inventory had been valued on the "last-in, first-out" (LIFO) basis. This change was applied retroactively and increased 1984 earnings by $2,121,000 ($0.29 per share), increased the 1983 loss by $11,766,000 ($1.74 per share) and decreased the 1982 loss by $6,885,000 ($1.39 per share).

4. **Retirement plans**
   The Corporation and certain of its subsidiaries maintain retirement plans providing retirement, death and termination benefits for substantially all salaried and hourly-rated employees.
   Total pension expense for the year was $3,355,000 (1983 – $5,905,000; 1982 – $15,196,000), net of actuarial gains of $8,401,000 (1983 – $5,266,000) arising from retirements, terminations and investment gains. The current year's expense includes past service costs of $3,605,000 (1983 – $3,465,000; 1982 – $7,186,000). Based on the most recent actuarial valuations, the unfunded past service costs for all pension plans in effect at December 31, 1984, are estimated to amount to approximately $21,012,000 (1983 – $21,200,000; 1982 – $17,000,000) including $17,704,000 (1983 – $13,800,000; 1982 – $11,000,000) which is computed to have vested. The companies' present intentions are to provide for the unfunded past service costs over periods of up to 15 years.

5. **Income and mining taxes**
   (a) Consolidated income and mining tax expense consists of the following:

	1984 (000's)	1983 (000's)	1982 (000's)
Canadian taxes –			
Current	$ 1,239	$ 4,453	$ 841
Deferred	19,996	(7,986)	(47,559)
	21,235	(3,533)	(46,718)
Foreign taxes –			
Current	578	2,657	715
Deferred	348	60	(326)
	926	2,717	389
Total taxes	$22,161	$ (816)	$(46,329)

   (b) The provision for consolidated deferred tax expense results from timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts. The sources and tax effects of these differences are as follows:

	1984 (000's)	1983 (000's)	1982 (000's)
Depreciation claimed for tax purposes in excess of (lower than) depreciation expensed in the accounts	$ 1,393	$ 408	$ (6,219)
Exploration, preproduction and mine development costs claimed for tax purposes in excess of (lower than) amounts expensed in the accounts, net	17,617	(9,358)	(2,658)
Losses carried forward	3,994	(1,811)	(41,060)
Other	(2,660)	2,835	2,052
	$20,344	$(7,926)	$(47,885)

At December 31, 1984, deferred income and mining taxes on the statement of consolidated financial position amount to $88,956,000 (1983 – $59,840,000). This amount will be reflected as a component of current tax expense in subsequent years as timing differences are reversed.

(c) The difference between the amount of the reported consolidated provision for income and mining taxes and the amount computed by multiplying the earnings (loss) before taxes by the Corporation's applicable statutory tax rates is as follows:

	1984				1983				1982			
	Federal and provincial income taxes (000's)	Provincial mining taxes (000's)	Foreign taxes (000's)	Total (000's)	Federal and provincial income taxes (000's)	Provincial mining taxes (000's)	Foreign taxes (000's)	Total (000's)	Federal and provincial income taxes (000's)	Provincial mining taxes (000's)	Foreign taxes (000's)	Total (000's)
Earnings (loss) before taxes	$ 39,844	$39,844	$10,633	$50,477	$(19,279)	$(19,279)	$(24,257)	$(43,536)	$(90,218)	$(90,218)	$(60,331)	$(150,549)
Statutory tax rates	51%	20.5%*	51%		51%	16.7%*	51%		51%	16.4%*	51%	
Earnings (loss) before taxes multiplied by the statutory tax rates	$ 20,320	$ 8,181	$ 5,423		$ (9,832)	$ (3,220)	$(12,371)		$(46,011)	$(14,796)	$(30,769)	
Taxes reported in accounts	14,918	6,317	926	$22,161	(3,371)	(162)	2,717	$ (816)	(47,887)	1,169	389	$ (46,329)
Difference to be reconciled	$ (5,402)	$ (1,864)	$ (4,497)		$ 6,461	$ 3,058	$ 15,088		$ (1,876)	$ 15,965	$ 31,158	
Reconciliation, tax effect of –												
(1) Non-claimable expenses	$ 6,968	$16,255	$ (543)		$ 4,081	$ 3,530	$ (448)		$ 7,162	$ 20,750	$ 2,687	
(2) Resource, depletion, processing and inventory allowances	(12,889)	(8,553)			(2,813)	(694)			(9,394)	(921)	(70)	
(3) Adjustments because of differences in tax rates	(1,268)	(609)	2,132		3,140	831	8,052		(405)	1,763	11,934	
(4) Unrecorded tax debit			3,684		5,233	(111)	13,683				22,235	
(5) Non-taxable income	1,787	(8,957)	(9,770)		(3,180)	(498)	(6,199)		761	(5,627)	(5,628)	
	$ (5,402)	$ (1,864)	$ (4,497)		$ 6,461	$ 3,058	$ 15,088		$ (1,876)	$ 15,965	$ 31,158	

*Average determined from the graduated scale which ranges from 0% to 30%.

(d) Falconbridge Dominicana, C. por A. (Falcondo), a subsidiary company, has received an income tax assessment from the Dominican Government for the 1972 and 1973 fiscal years approximating $5,900,000. Falcondo has appealed the assessment to the Superior Administrative Court and has also asked the Supreme Court of the Dominican Republic to rule on the admissibility of the said appeal. At the request of the Supreme Court the company has obtained from a commercial bank a performance bond, for the amount of the assessment, which will remain in effect while the Court has the case under consideration. Management cannot reasonably predict the outcome of this appeal. As a result no provision for the assessment has been made by Falcondo or in the consolidated accounts.

(e) At December 31, 1984, Falcondo has losses, aggregating $86,987,000, which can be carried forward to reduce its taxable income in future years. The loss carry forwards expire in 1985 – $4,205,000; 1986 – $18,604,000; 1987 – $42,015,000; 1988 – $21,667,000 and 1989 – $496,000. In addition, depreciation and amortization charges of approximately $84,108,000 which have been recorded in the accounts, but not claimed for tax purposes, are available to reduce taxable incomes of future years. These amounts give rise to deferred tax debits which have not been recorded in the accounts.

(f) At December 31, 1984, United Keno Hill Mines Limited (48.4% owned by the Corporation and accounted for on the equity basis) has non-capital losses, approximating $3,393,000, which can be carried forward until 1991 to reduce its taxable income. The company also has net capital losses approximating $800,000 and unrecognized investment tax credits of approximately $1,000,000 which are available until 1986 to reduce income taxes payable. As a result of the 1982, 1983 and 1984 losses, cumulative expenditures of approximately $13,136,000 which have been recorded in the accounts but not claimed for tax purposes, are available to reduce taxable incomes of future years and give rise to an unrecorded deferred tax debit.

(g) At December 31, 1984, the Corporation has losses for federal income tax purposes, aggregating $74,800,000, which can be carried forward to reduce its taxable income in future years. The loss carry forwards expire in 1987 – $65,500,000 and 1990 – $9,300,000. For provincial income tax purposes the losses aggregate $21,200,000 with $15,800,000 expiring in 1987 and $5,400,000 expiring in 1990.

6. Inventories of metals

Consolidated inventories of metals consist of the following:

	1984		1983	
	Metals in process (000's)	Finished metals (000's)	Metals in process (000's)	Finished metals (000's)
Derived from:				
Corporation's ore	$35,842	$35,311	$30,570	$37,235
Subsidiaries	4,418	18,809	4,992	17,232
Other sources	319	29,410	1,196	16,267
	$40,579	$83,530	$36,758	$70,734
Total inventories of metals	$124,109		$107,492	

7. Property, plant and equipment

(a) The following table details consolidated property, plant and equipment on a functional basis:

	1984			1983		
	Cost (000's)	Accumulated depreciation and depletion (000's)	Net book value (000's)	Cost (000's)	Accumulated depreciation and depletion (000's)	Net book value (000's)
Property, plant and equipment:						
Producing assets –						
Plant and equipment:						
Mines, mining plants and ancillary mining assets	$509,302	$325,768	$183,534	$439,561	$298,837	$140,724
Smelter	108,943	40,789	68,154	108,311	38,262	70,049
Refinery	111,951	83,927	28,024	110,116	77,016	33,100
Townsites and other company housing	16,185	11,974	4,211	16,384	11,962	4,422
Transportation, including facilities	6,616	5,065	1,551	6,882	5,379	1,503
Other	33,095	19,406	13,689	33,327	20,039	13,288
	786,092	486,929	299,163	714,581	451,495	263,086
Properties	17,321	13,329	3,992	18,907	14,332	4,575
Land	1,931		1,931	1,980		1,980
	19,252	13,329	5,923	20,887	14,332	6,555
	$805,344	$500,258	305,086	$735,468	$465,827	269,641
Non-producing assets			34,820			49,278
			339,906			318,919
Development and preproduction expenditures:						
Producing assets			200,090			119,946
Non-producing assets			65,561			118,254
			265,651			238,200
			$605,557			$557,119

(b) Falconbridge Dominicana, C. por A. is still dependent on the continued support of its sponsors. While it is difficult for management to determine when market conditions will improve sufficiently to achieve profits and sustained positive cash flow, it is their opinion that the December 31, 1984 net aggregate carrying value of $102,765,000 (1983 – $103,178,000) of its property, plant, equipment, preproduction and other deferred charges will be recovered eventually.

(c) Non-producing assets consist of the following:

	1984 (000's)	1983 (000's)
Company and project		
Falconbridge Limited –		
Fraser mine (i)		$ 97,934
Other projects (ii)	$ 5,148	6,657
New Quebec Raglan Mines Limited –		
Subsidiary's Cape Smith-Wakeham Bay properties (iii)	42,994	42,975
Other subsidiary companies' projects (iv)	52,239	19,966
	$100,381	$167,532

(i) In 1984, the mine reached commercial production and was transferred to producing assets.

(ii) Includes the costs related to certain projects upon which further work has been suspended pending more favourable economic conditions. Management believes these costs will be recovered.

(iii) Exploration, development and other expenditures relating to New Quebec Raglan Mines Limited (a 73.8% owned subsidiary) and its wholly owned subsidiary company, Société Minière Raglan du Québec Ltée, incurred in the development of the latter company's Cape Smith-Wakeham Bay properties.

These costs have been capitalized with the intention that they will be amortized by charges against income from future mining operations. Profits commensurate with the risks of operating in such a remote northern location must be indicated before development to production.

(iv) Includes $35,479,000 of costs relating to the Lac Shortt project of Corporation Falconbridge Copper. It is anticipated that it will reach designed commercial quantities early in 1985 and be transferred to producing assets.

(d) In 1984, Falconbridge completed two projects with cumulative expenditures of $63,427,000 (1983 – $18,193,000) against which government assistance totalling $9,000,000 (1983 – $4,041,000) and investment tax credits of $227,000 have been deducted. As well, Falconbridge has announced that it had accepted an offer of a grant to a maximum of $25,000,000 from the Minister of Energy and Resources of Quebec. The funds are to be used to assist in financing the cost of sinking a 5,300 foot shaft and performing underground exploration and development work. The terms of the grant provide that if the deposit is brought into production before December 31, 1991, then Falconbridge will repay in 1992 and 1993 the difference between the $25,000,000 grant and 20 per cent of the total costs incurred in bringing the property into production. In the event the property is not brought into production by December 31, 1991 the full amount of the grant is repayable without interest. To December 31, 1984, project gross expenditures amounted to $3,965,000 against which an equivalent amount of grant has been recognized in the accounts.

8. Long-term debt

A. Details of long-term debt are as follows:

	1984 (000's)	1983 (000's)
(i) **Falconbridge Limited and its wholly-owned subsidiaries**		
7.75% Sinking fund debentures maturing February, 1991 (a) and (c)	$ 36,102	$ 36,725
8.85% Sinking fund debentures maturing May, 1996 (1984 – U.S. $17,204,000; 1983 – U.S. $23,377,000) (b) and (c)	22,739	29,090
Bank loans –		
Due December 31, 1988 (U.S. $24,200,000; 1983 – U.S. $140,000,000) (d)	31,985	174,216
15.88% due December 31, 1986 (U.S. $40,000,000)	52,868	49,776
Due December 31, 1988 (1984 – U.S. $nil; 1983 – U.S. $45,000,000) (d)		55,998
Total	$143,694	$345,805

(a) The Corporation is required to make sinking fund payments sufficient to retire $1,250,000 principal amount of the 7.75% debentures in each year to and including 1990. There are no sinking fund payment requirements until 1988.

(b) The Corporation is required to make sinking fund payments sufficient to retire U.S. $3,000,000 principal amount of the 8.85% debentures in each year to and including 1995. There are no sinking fund payment requirements until 1991.

(c) During 1984, the Corporation recorded (netted with interest and debt expenses) a gain of $2,708,000 (1983 – $5,784,000) on the redemption of debentures at substantial discounts.

(d) These bank loans reflect borrowings under the Corporation's lines of credit, of Canadian $180,000,000 or the U.S. equivalent and U.S. $45,000,000, due December 31, 1988. Interest is based on the London Interbank Offered Rate (LIBOR) plus ½ of 1% and was payable at 9.5% as at December 31, 1984 (1983 – 11.06%) and averaged 11.54% (1983 – 10.68%) during the year.

(ii) **Falconbridge Dominicana, C. por A.** (see note B (i)(a) below)

(a) Due to Loma Corporation (Loma)*		
8.73% Series C secured sinking fund notes, due in semi-annual payments of U.S. $5,080,000 to and including 1986 (U.S. $20,310,000; 1983 – U.S. $30,470,000)	$ 26,844	$ 37,917
8.50% Series D guaranteed sinking fund notes, due in semi-annual payments of U.S. $3,400,000 from 1987 to and including 1991 (U.S. $34,000,000; 1983 – U.S. $34,000,000)	44,938	42,310
* Payment will only be demanded under certain specified circumstances, the most significant being to meet payments due on notes of Loma (a U.S. financing company) issued in the same principal amounts and at the same interest rates as the above demand notes.		
(b) Subordinated advances by a minority shareholder – Interest rates vary from 11.5% to 21% (weighted average 14.24%; 1983 – 14.50%), due not later than December 15, 1991 (U.S. $45,783,000; 1983 – U.S. $44,103,000)	60,512	54,882
Accrued interest thereon	19,322	11,234
(c) Other		
Interest rates vary from 7% to 10.50%, due over various terms to and including 1991 and payable in various currencies	1,684	7,466
	153,300	153,809
Less long-term debt maturing within one year	14,020	17,966
Total	$139,280	$135,843

(iii) **Other subsidiary companies**

Kiena Gold Mines Limited – Bank loan due May 9, 1987 (see note 15, page 27)	$ 807	$ 3,228
Others – various maturity dates and interest rates	61	2,059
	868	5,287
Less long-term debt maturing in one year		800
Total	$ 868	$ 4,487

(iv) **Maturity and sinking fund requirements**

Maturity and sinking fund requirements (stated at 1984 year-end rates of exchange) for the next five years are as follows:

1985 – $14,020,000	1988 – $42,258,000
1986 – $66,435,000	1989 – $10,440,000
1987 – $ 9,962,000	

B. Guarantees, covenants and restrictions:

(i) The Corporation has guaranteed portions of the long-term debt and other obligations of Falconbridge Dominicana, C. por A. (Falcondo), the details of which are as follows:

(a) Loans to Falcondo amounting to $71,782,000 are secured by a first mortgage on the assets of the project, which have a net aggregate carrying value of $164,232,000 at December 31, 1984. The Corporation has agreed to buy all ferronickel of commercial value produced by Falcondo and is also obligated to provide 60% of the funds required by Falcondo to enable it to meet its operating costs and debt service obligations in the event receipts from the sale of ferronickel produced by Falcondo and other receipts are insufficient for that purpose. The Corporation has been required since July, 1980, in accordance with the terms of the financing agreements, to provide funds in U.S. dollars (converted at 1984 year-end rates of exchange) totalling $90,768,000 (1984 – $3,331,000; 1983 – $23,791,000; 1982 – $32,569,000; 1981 – $19,798,000; 1980 – $11,279,000), representing 60% of the total amount required by Falcondo to meet its cash requirements. The funds so provided to Falcondo are evidenced by notes, which are subordinated to all other debt instruments and can only be repaid under certain circumstances, and bear interest at rates related to the U.S. prime rate which is in effect on the date the notes are issued.

(b) The Corporation has pledged all of its shareholdings in Falcondo against repayment of the Loma Series C demand mortgage notes. In addition, the Corporation has made a direct guarantee for repayment of 60% of the Loma Series D demand subordinated notes. The loans from Loma Corporation are covered by specific risk insurance issued by the Overseas Private Investment Corporation.

(c) In accordance with the terms of the loan agreements, at year end, funds of $7,101,000 (1983 – $4,569,000) (included with cash and temporary investments) were on deposit with the Trustee for use in paying current debt service and operating expenses of Falcondo.

(ii) During the period that the Falcondo loans are outstanding, there are certain restrictions placed on the amount and nature of borrowing that the Corporation may undertake. Covenants given by the Corporation in this respect are substantially the same (other than (a) and (d) below) as those given by the Corporation under its 8.85% debentures which include limitations as to:

(a) The amount of dividends which may be paid by the Corporation (see note 8 B(iii) below);

(b) The incurring of additional debt. Under the covenants the Corporation is prohibited from borrowing, if after giving effect thereto the ratio of its consolidated indebtedness, as defined, exceeds 45% of certain of its consolidated net tangible assets. At December 31, 1984, the Corporation had available borrowing capacity of $394,419,000 (1983 – $80,818,000).

(c) Guarantees which it may give on certain indebtedness of its subsidiary and other companies; and

(d) The 8.85% debenture covenants provide that the proceeds from the permitted sale of assets which are owned by the Corporation shall be held in cash or short term securities, applied to the redemption of debentures, other funded debt or bank indebtedness, or invested in mineral properties or processing or manufacturing plant or facilities or in securities of a corporation engaged in businesses similar to that of the Corporation.

(iii) At December 31, 1984, the portion of retained earnings restricted under the 8.85% debenture covenants and not available for dividend payment and share repurchase was $42,573,000 (1983 – $61,032,000).

9. Capital

(a) Authorized capital

At the Annual and Special Meeting of the Shareholders on April 19, 1984, resolutions were passed to delete the par value of preference shares and to provide for an unlimited number of common and preference shares authorized for issuance in each class.

(b) Common shares

(i) On January 18, 1984, the Corporation received gross proceeds of $16,445,000 from the sale of 230,000 common shares at $71.50 per share. The underwriting, legal and associated fees of $625,000 were charged to retained earnings.

(ii) In June, 1984, the Corporation issued 7,500 units at a price of $1,070 per unit. Each unit entitled the subscriber to earn 10 common shares at the rate of one share for each $107 expended on Canadian Exploration Expenses (CEE) as defined in the Income Tax Act (Canada). The underwriting, legal and associated fees of $437,000 were charged to retained earnings. The portion of the subscription price relating to the shares ($4,678,000) is included as capital in shareholders' equity at the value equal to the market value at the date of issue. The balance of the subscription price ($3,347,000) is the value attributed to tax benefits transferred to the subscribers and is included in the provision for income and mining taxes in the consolidated statement of operations.

(iii) On February 8, 1983, the Corporation received gross proceeds of $110,000,000 from the sale of common shares and common share purchase warrants (units). The number of units sold was 2,000,000 at $55.00 per unit, the price being allocated at $53.50 per common share and $1.50 for the one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for $65.50 on or before February 5, 1987. No warrants have been exercised to December 31, 1984. The underwriting, legal and associated costs of $6,855,000 were charged to retained earnings.

(iv) In 1979, the Corporation reserved 200,000 unissued common shares for the purpose of granting options to purchase shares of the Corporation to certain full time employees of the Corporation or subsidiary or associated company. The price for which the shares may be optioned is the closing bid price for the common shares on the business day immediately preceding the granting of the option less a discount of ten percent.

Options are exercisable, over a period of ten years from the date granted, and are earned at the rate of twenty-five percent of the shares optioned times the number of periods of twelve months each which have elapsed since the date the option was granted less the aggregate number of options already exercised or surrendered. The optionee may also be given the right, at the time of exercise, to surrender the right to purchase shares under the options in return for receipt of cash equal to the excess of the fair market value of the shares over the option price thereof. On November 16, 1981, options were granted to purchase 122,000 shares under the stock option plan at a price of $57.15 per share. Options on 28,375 shares have been terminated to December 31, 1984. To date 11,925 of the options on the remaining shares were exercised of which 8,650 were exercised during the year. On August 30, 1983, options were granted to purchase 101,500 shares under the stock option plan at a price of $68.85 per share. Options on 3,000 shares have been terminated and 250 options were exercised in 1984. In 1984, the expense was $1,452,000 (1983 – $1,200,000; 1982 – $ Nil).

(v) In June, 1984 the board of directors of the Corporation conditionally allotted and reserved for issue 10,000 common shares under an incentive plan for its Sudbury employees. No shares have been issued under this plan.

10. **Interest in undistributed earnings of equity accounted for companies**

Consolidated retained earnings include the Corporation's share of the undistributed earnings of its equity accounted for companies which amounted to $4,421,000 (1983 – $7,349,000; 1982 – $5,820,000).

11. **Commitments and contingencies**

(a) At December 31, 1984, there are commitments outstanding of approximately $3,500,000 (1983 – $9,900,000) in connection with capital expenditure programs. In addition, there are net forward purchase commitments for 516 tonnes (1983 – 1,878) of refined nickel at a total cost of $3,286,000 (1983 – $11,382,000).

(b) The following are under continuing study and discussion with Government officials:

(i) The construction of Canadian facilities for refining ores mined in Ontario. However, the Corporation has received an exemption by the Ontario Government, until December 31, 1989, from a requirement to refine in Canada ores mined from certain properties of the Corporation in Ontario such exemption being limited to the quantity of nickel-copper matte capable of producing not more than 100,000,000 pounds of refined nickel per year; and

(ii) The Ontario Ministry of the Environment issued an Amending Control Order in December 1983, requiring the Corporation to take necessary steps to ensure that sulphur dioxide emissions from its Sudbury smelter do not (i) exceed an average of 423 tonnes per day (unchanged from the earlier Control Order with which the Corporation complies) or (ii) result in an hourly average groundlevel concentration in excess of 0.50 parts per million. The Corporation is to monitor groundlevel concentrations of sulphur dioxide in differing meteorological conditions and to formulate and operate a supplementary emission control system by 1987. The Corporation believes that it can comply with the Amending Control Order without major effect on its Sudbury Operations and has to date complied with the terms of the order.

It is presently not practicable to estimate the potential costs which may arise from these items.

(c) During 1984, accounts receivable of U.S. $104,275,000 (1983 – U.S. $63,795,000) were either sold without recourse or discounted with recourse. Discounting costs, which were charged to interest expense, amounted to $3,151,000 in 1984 (1983 – $3,241,000; 1982 – $2,466,000). As a result of these transactions, at December 31, 1984, the Corporation has a contingent liability of U.S. $38,540,000 (1983 – U.S. $29,790,000; 1982 – U.S. $17,234,000) (see note 15, page 27).

(d) See notes 4, 5(d), 7(b), 7(c), 7(d), 8 B(i), and 15, pages 20, 21, 22, 23, 24 and 27, respectively, which detail other commitments and contingencies.

12. **Transactions with related companies**

Falconbridge is a member of a group of related companies. The Corporation's holdings in this group are described in note 18, page 29. Other significant holdings within the group include The Superior Oil Company's (Superior) (which became a wholly owned subsidiary of Mobil Corporation (Mobil) on September 28, 1984) 24% interest in Western Platinum Limited (Western Platinum) and its 100% interest in Canadian Superior Oil Ltd. (Canadian Superior). McIntyre Mines Limited (McIntyre), which holds a 25.4% interest in the Corporation is owned 26.6% by Superior and 26.4% by Canadian Superior (which has a 6.1% interest in the Corporation).

The following transactions occurred between Falconbridge and other members of the group:

(a) In the second quarter of 1984 as a result of the public offer made by Mobil to purchase common shares of Superior, the Corporation tendered and had accepted 811,875 shares for which it received Mobil debentures (with a quoted market value of $25,395,000) and cash consideration of $21,026,000. This transaction resulted in a gain of $16,156,000 (net of income taxes $5,385,000). At a later date these debentures were sold. In the third quarter of 1984 the Corporation sold the remainder of the Superior shares for cash consideration of $71,232,000. This transaction resulted in a gain of $25,336,000 (net of income taxes of $8,445,000).

(b) Matte produced from Western Platinum ore is refined on a fee basis and the refined metals are marketed on an agency basis by Falconbridge. Fees and commissions totalled $8,602,000 in 1984 (1983 – $8,755,000; 1982 – $7,353,000).

(c) The Corporation engages in a number of mineral exploration programs with Superior and other members of the related group. The Corporation's participating interest in these projects ranges up to 50 per cent, and the Corporation's cost is proportional to its share of the overall cost. The most significant of these ventures include:

(i) Exploration and development of mining claims in northern Chile pursuant to agreements between the Corporation, Superior, Canadian Superior, and the government of Chile. The Corporation's minority participation to date has been $11,175,000 of which $580,000 was expended in 1984 (1983 – $760,000; 1982 – $2,721,000);

(ii) Exploration for minerals in various African countries pursuant to an agreement between the Corporation and Superior. The Corporation's participating interest is 50% and to date it has expended $13,441,000 on these projects, of which $276,000 was expended in 1984 (1983 – $262,000; 1982 – $1,568,000). In the Republic of Botswana, De Beers Consolidated Mines Limited may acquire up to 50% of the combined interests of the Corporation and Superior in consideration of expenditures it may make in carrying out exploration work in the diamond exploration areas; and

(iii) Exploration for minerals in North America. Participation, pursuant to an agreement with Superior, ranges up to 34 per cent and to date the Corporation has expended $6,001,000, of which $70,000 was expended in 1984 (1983 – $80,000; 1982 – $966,000).

13. Earnings (loss) per common share

Earnings (loss) per common share are based on the weighted average number of 7,206,130 common shares outstanding during the year (1983 – 6,772,054; 1982 – 4,979,272), excluding shares held by subsidiary companies.

Inclusion in the earnings (loss) per share computation of shares subject to issue under outstanding options and warrants (see note 9, page 25) results in fully diluted earnings per share before and after extraordinary items of $3.89 and $9.98 respectively for 1984. The 1983 and 1982 loss per common share have not been recalculated to include the unexercised common share purchase warrants since their inclusion would decrease the loss per share.

14. Other charges

Other charges of $8,439,000 in 1984 include the write-off of development and preproduction expenditures on the closure of the Falconbridge mine, start-up costs at the Onaping mine and the ongoing shutdown costs at the Wesfrob Mining Division.

Other charges of $17,264,000 in 1983 represent employee termination and retiring allowances, costs associated with the start-up of the Corporation's Sudbury Operations, ongoing costs at Corporation Falconbridge Copper's Lake Dufault Division during the temporary suspension of operations and shutdown costs incurred during the permanent closing of the Wesfrob Mining Division.

Other charges of $75,531,000 in 1982 relate to the measures taken by Falconbridge to stem the cash drain and to reduce expenditures over the long term. These comprise costs of placing and maintaining certain properties on a standby basis, continuing costs incurred during the temporary shutdown of production facilities and employee termination and retiring allowances.

15. Compensating balances and borrowing arrangements

None of the companies within the Falconbridge group of companies is required to maintain a compensating balance under any borrowing arrangement. Falconbridge Dominicana, C. por A. is required, under loan agreements, to keep funds on deposit with the Trustee for use in paying current debt service and other expenses (see note 8 B(i)(c), page 25).

The various borrowing arrangements, which have been established over a period of years, are as follows:

Falconbridge Limited

In addition to the lines of credit detailed in note 8 A(i)(d), page 23, the Corporation has operating lines of credit from two Canadian chartered banks aggregating $125,000,000. These lines of credit can be drawn in either Canadian or U.S. dollars. The interest rates for Canadian dollar drawings under these lines are the banks' prime lending rates. For U.S. dollar drawings the rate is the banks' U.S. base lending rate. The Corporation also has a U.S. $20,000,000 line of credit with a United States bank under which the Corporation may sell U.S. dollar accounts receivable at rates prevailing at the time of sale.

There is no commitment fee on these lines which may be withdrawn at the banks' discretion.

Use of these lines of credit is restricted under guarantees and covenants, (see note 8 B(ii), page 25).

Indusmin Limited

Indusmin Limited (Indusmin) has a $10,000,000 operating line of credit with a Canadian chartered bank. No commitment fee is payable for this line of credit which can be withdrawn at the bank's discretion. Interest is payable at the bank's prime lending rate. At December 31, 1984, Indusmin had no obligations outstanding under this line of credit.

Kiena Gold Mines Limited

Kiena Gold Mines Limited (Kiena) has arranged a $30,000,000 revolving term credit and a $30,000,000 operating line of credit with a Canadian bank as described below. The aggregate credit that may be utilized under these lines is $30,000,000.

The $30,000,000 revolving term credit, due May 9, 1987, may be drawn in Canadian or U.S. dollars or gold. The loan is secured by a fixed and floating charge upon Kiena's assets. No commitment fee is payable on this term credit. Interest on this loan is payable at ⅛ of 1 per cent above the bank's prime lending rate or if drawn in U.S. dollars at rates based on LIBOR or a U.S. base rate.

The $30,000,000 operating line of credit may be drawn in Canadian or U.S. dollars. Interest on this loan is the bank's prime lending rate, or if drawn in U.S. dollars at rates based on LIBOR or a U.S. base rate.

As partial utilization of the above noted revolving term credit Kiena has entered into an agreement under which it is obligated to return 1,500 ounces of gold, or pay the equivalent U.S. dollar market value of the gold to the bank by May 9, 1987. The indebtedness bears a 1½ percent annual interest charge based on the current daily market value of the outstanding ounces of gold.

At December 31, 1984, the indebtedness under these lines of credit was the obligation to return 1,500 ounces of gold, referred to above.

16. Reconciliation of earnings (loss) determined in accordance with generally accepted accounting principles (GAAP) in Canada to amounts determined under accounting principles which are generally accepted in the United States (U.S. GAAP):

	1984 (000's)	1983 (000's)	1982 (000's)
Earnings (loss) for the year before extraordinary items, under Canadian GAAP	$28,694	$(31,409)	$(81,279)
Adjustments to accord with U.S. GAAP:			
1. Adjustments relating to foreign currency translation (i)	7,511	3,966	(5,295)
2. Adjustments relating to capitalization of interest less amortization of capitalized interest, net of income taxes (ii)	(16)	10,916	6,887
3. Gain on sale of shares of The Superior Oil Company (iii)	41,492		
4. Gain on Kiena share issue (iii)		14,816	
5. Adjustments relating to items not from continuing operations	(2,031)	(511)	
Earnings (loss) from continuing operations in accordance with U.S. GAAP	75,650	(2,222)	(79,687)
Losses from discontinued operations			
Wesfrob Mining Division		(1,909)	
Extraordinary items			
Deferred income tax adjustment	10,000		
Gain on redemption of debentures	2,031	2,420	
Earnings (loss) for the year in accordance with U.S. GAAP	$87,681	$ (1,711)	$(79,687)
Earnings (loss) per common share in accordance with U.S. GAAP:			
From continuing operations	$ 10.38	$ (0.33)	$ (16.00)
For the year	$ 12.03	$ (0.25)	$ (16.00)

(i) Under Canadian GAAP Falconbridge defers gains and losses on translation of monetary items where the foreign currency denominated item has a fixed or ascertainable original life which extends beyond one year. Such gains or losses are amortized over the remainder of the life of the item. Under U.S. GAAP no deferral of exchange gains and losses as a result of translation is permitted – the gains and losses are included in income for the current period.

(ii) Consistent with the Canadian mining industry's practice 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. Interest costs incurred after the commencement of commercial production are expensed.

U.S. GAAP requires the capitalization of interest costs as part of the historical cost of acquiring certain assets whether or not the assets are specificially financed by debt.

Capitalized interest costs are amortized on the same basis as the related assets.

(iii) See note 2, page 20. U.S. GAAP requires that these items be included in earnings (loss) from continuing operations.

(iv) Under U.S. GAAP the Corporation's retained earnings at December 31, 1984 would be $427,926,000 (1983 – $341,307,000).

17. Interest and other income, net

Interest and other income, net, includes a $5,078,000 gain (1983 – $553,000) resulting from translation of the Corporation's U.S. dollar temporary investments, reflecting a weaker Canadian dollar and a $1,581,000 gain on the sale of the Mobil Corporation debentures which were received as partial consideration for the sale of a portion of the shares of The Superior Oil Company. The 1983 amount includes a $4,073,000 gain on the sale of the Corporation's airplane and the 1982 amount includes insurance proceeds of $5,811,000 for the loss of production from a fire at the refinery in Norway in October 1981; and a loss of $2,301,000 on the sale of the Corporation's 74.9% interest in Oamites Mining Company (Proprietary) Limited.

18. Investment in associated and other companies

	December 31, 1984		Market value (i) As at December 31,		Carrying value As at December 31,		Contribution to earnings (loss) for the year		
	Shares of common stock	Beneficial interest %	1984 (000's)	1983 (000's)	1984 (000's)	1983 (000's)	1984 (000's)	1983 (000's)	1982 (000's)
Accounted for on the equity basis:									
Akaitcho Yellowknife Gold Mines Limited	1,198,230	36.7	$ 563	$ 1,078	$ 197	$ 197		$ 4	$ 7
Giant Yellowknife Mines Limited	824,413	19.2	10,717	18,961	5,029	4,667	$ 362	806	135
United Keno Hill Mines Limited	1,195,989	48.4	11,960	24,219	4,606	7,895	(3,289)	721	(2,615)
Total on the equity basis			23,240	44,258	9,832	12,759	(2,927)	1,531	(2,473)
Accounted for on the cost basis:									
McIntyre Mines Limited	175,825	4.8	6,198	6,022	10,175	10,175			
The Superior Oil Company				93,013		62,332	467	377	503
Thompson-Lundmark Gold Mines Limited	600,000	12.0	252	330	377	377			
Other companies			714	849			4	5	5
			$30,404	$144,472	20,384	85,643	(2,456)	1,913	(1,965)
Investments with no quoted market value —									
Western Platinum Limited	3,025,001	25.0			10,010	10,010	725	2,357	
Falconbridge Investments (Zimbabwe) (Private) Limited	9,208	100.0					1,067	2,007	558
Other companies					541	494			
					$30,935	$96,147	$ (664)	$6,277	$ (1,407)

(i) The market values shown are based on Canadian and United States stock exchange closing bid prices at year end. Because of the number of shares involved the amounts that could be realized if these securities were to be sold may be more or less than their indicated quoted market value.

19. Subsequent events

(a) In January 1985, the Corporation completed two issues of flow-through units. One issue relates to exploration programs on various properties throughout Canada and provides the right to earn common shares at the rate of one share for each $140 of subscribers' funds, including interest earned on these funds, expended during 1985 on CEE. The gross proceeds of this issue were $5,600,000 and the cost of the issue, estimated to be $376,000, will be charged to retained earnings. The other issue relates to exploration programs in the province of Quebec and provides the right to earn common shares at the rate of one share for each $245 of subscribers' funds, including interest earned on these funds, expended during 1985 on CEE. The gross proceeds of this issue were $3,675,000 and the cost of the issue, estimated to be $260,500, will be charged to retained earnings.

(b) In January 1985, Corporation Falconbridge Copper completed an issue of flow-through units. The issue relates to exploration programs in Canada and provides the right to earn common shares at the rate of one share for each $35.00 of subscribers' funds, including interest earned on these funds, expended during 1985 on CEE. The gross proceeds of this issue were $10,150,000 and the cost of the issue, estimated to be $649,000, will be charged to retained earnings.

(c) On March 5, 1985, United Keno Hill Mines Limited completed an issue of flow-through units. The issue relates to exploration programs in Canada and provides the right to earn common shares at the rate of one share for each $14.50 of subscribers' funds, including interest earned on these funds, expended during 1985 on CEE. The gross proceeds of this issue were $3,480,000 and the cost of the issue, estimated to be $284,000, will be charged to retained earnings.

(d) On March 6, 1985, the Corporation received gross proceeds of $93,000,000 from the sale of 1,000,000 common shares at $93.00 per share. The cost of the issue, estimated to be $3,160,000, will be charged to retained earnings.

(e) At the annual meeting of shareholders to be held on April 17, 1985, the Corporation will propose that the common shares be divided on a five-for-one basis.

Segmented Information (Thousands of dollars)

December 31,	1984									
	Integrated Nickel Operations	Unallocated Corporate	Corporation Falconbridge Copper	Falconbridge Dominicana, C. por A.	Indusmin Limited	Kiena Gold Mines Limited	Others	Consolidation adjustments	Consolidated total	Integra Nic Operati
% ownership	(100%) (note 1)	(100%) (note 1)	(50.8%) (note 5)	(67.1%) (notes 2 & 5)	(100%) (note 6)	(56.7%)	(note 7)	(note 2)		(10 (note
Earnings										
Revenues	$393,478	$ 4,429	$86,105	$157,703	$65,788	$30,560	$ 3,602	$ (8,353)	$733,312	$309.97
Operating expenses –										
Costs of metal and other product sales	258,714		73,540	123,674	46,830	19,582	2,049	(3,602)	520,787	258,83
Selling, general and administrative	24,492	6,161	2,077	14,789	7,004	866	424	(5,795)	50,018	22,19
Development and preproduction	17,254		3,517	1,924	31	1,345		(403)	23,668	11,69
Depreciation and depletion	17,002		3,294	8,836	2,677	1,295	150	105	33,359	15,59
Other charges	6,976		394				1,069		8,439	11.47
	324,438	6,161	82,822	149,223	56,542	23,088	3,692	(9,695)	636,271	319.78
Operating profit (loss)	69,040	(1,732)	3,283	8,480	9,246	7,472	(90)	1,342	97,041	(9.81
Interest (net) and debt expenses	(9,350)	930	(6,562)	17,846	(1,861)	(1,198)		4,117	3,922	(83
Exchange loss on early retirement of long-term debt	9,873	4,937							14,810	2,24
Exploration	1,677	11,228	9,993	94	132	804			23,928	1,18
Research and process development	2,952				288				3,240	3,18
	5,152	17,095	3,431	17,940	(1,441)	(394)		4,117	45,900	5,78
Earnings (loss) before investment income and taxes	63,888	(18,827)	(148)	(9,460)	10,687	7,866	(90)	(2,775)	51,141	(15.59
Investment income (loss)		(664)							(664)	
Earnings (loss) before taxes	63,888	(19,491)	(148)	(9,460)	10,687	7,866	(90)	(2,775)	50,477	(15.59
Income and mining taxes	20,025	(4,598)	(1,039)		4,337	3,538		(102)	22,161	(8.82
Earnings (loss) for the year before other items	$ 43,863	$(14,893)	$ 891	$ (9,460)	$ 6,350	$ 4,328	$ (90)	$ (2,673)	$ 28,316	$ (6,766
Minority shareholders' interest in earnings (loss)			$ 440	$ (3,923)	$ 1,230	$ 1,875			$ (378)	
Falconbridge's interest in above earnings (loss) after consolidation adjustments (note 2) and before extraordinary items	$ 43,863	$(14,893)	$ 499	$ (7,241)	$ 4,102	$ 2,454	$ (90)		$ 28,694	$ (6,766
Financial Data (note 1):										
Working capital	$283,178		$68,302	$ 42,864	$21,010	$ 2,671	$ 228	$ (3,592)	$414,661	$3
Property, plant and equipment										
Producing assets, at net book value	$329,479		$ 9,986	$105,022	$17,836	$42,605	$ 1,561	$ (1,313)	$505,176	$2
Non-producing assets, at cost less amounts written off	$ 5,148		$41,105		$ 638	$ 4,109	$43,638	$ 5,743	$100,381	$1
Long-term debt	$143,694			$258,993	$17,000	$ 807	$ 61	$(136,713)	$283,842	$3
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND DEVELOPMENT AND PREPRODUCTION	$ 45,278		$31,861	$ 2,322	$ 2,773	$18,014	$ 2,512		$102,760	$ 2
MARKET VALUE OF FALCONBRIDGE'S SHAREHOLDINGS (note 3)			$94,669			$57,047	$14,202		$165,918	
PRINCIPAL LOCATION OF ASSETS	Ontario, Bermuda and Norway		Quebec	Dominican Republic	Ontario, Quebec and U.S.A.	Quebec				anc
PRINCIPAL PRODUCTS	Nickel, copper and cobalt		Copper, zinc and precious metals	Ferronickel	Industrial minerals and metal castings	Gold				co
MAJOR MARKETS FOR PRINCIPAL PRODUCTS	The Americas, Europe and Asia		Canada and Europe	The Americas, Europe and Asia	Canada and U.S.A.	Canada				The A

(See notes to statement of segmented information)

solidated total	1983 (Restated, note 3, page 20) Integrated Nickel Operations (100%) (note 1)	Unallocated Corporate (100%) (note 1)	Corporation Falconbridge Copper (50.2%)	Falconbridge Dominicana, C. por A. (65.7%) (note 2)	Indusmin Limited (70.8%)	Kiena Gold Mines Limited (56.7%) (note 4)	Others (note 7)	Consolidation adjustments (note 2)	**Consolidated total**
'33,312	$309,979	$ 3,000	$ 84,230	$114,415	$60,315	$31,522	$19,434	$ (7,508)	**$615,387**
520,787	258,832		73,455	109,938	40,978	18,327	14,696	(6,273)	**509,953**
50,018	22,192	6,033	1,917	8,757	7,031	964	588	(4,712)	**42,770**
23,668	11,690		2,921	1,832	32	832		(422)	**16,885**
33,359	15,596		2,712	8,508	2,793	778	1,993	257	**32,637**
8,439	11,479		1,511				3,469	805	**17,264**
536,271	319,789	6,033	82,516	129,035	50,834	20,901	20,746	(10,345)	**619,509**
97,041	(9,810)	(3,033)	1,714	(14,620)	9,481	10,621	(1,312)	2,837	**(4,122)**
3,922	(831)	(431)	(8,506)	25,915	(75)	23	157	3,716	**19,968**
14,810	2,243	1,121							**3,364**
23,928	1,180	5,165	11,682	240	108	150	440		**18,965**
3,240	3,189				205				**3,394**
45,900	5,781	5,855	3,176	26,155	238	173	597	3,716	**45,691**
51,141	(15,591)	(8,888)	(1,462)	(40,775)	9,243	10,448	(1,909)	(879)	**(49,813)**
(664)		6,277							**6,277**
50,477	(15,591)	(2,611)	(1,462)	(40,775)	9,243	10,448	(1,909)	(879)	**(43,536)**
22,161	(8,825)	587	(1,423)		4,183	4,700	62	(100)	**(816)**
28,316	$ (6,766)	$(3,198)	$ (39)	$ (40,775)	$ 5,060	$ 5,748	$ (1,971)	$ (779)	**$ (42,720)**
(378)			$ (19)	$ (14,396)	$ 1,475	$ 1,629			**$ (11,311)**
28,69	66)	$(3,198)	$ 28	$ (27,071)	$ 3,533	$ 4,036	$ (1,971)		**$ (31,409)**
114,661	$309,476		$ 91,014	$ 34,411	$20,855	$12,697	$ 3,697	$ 18	**$472,168**
505,176	$224,290		$ 16,174	$107,415	$17,723	$26,508	$ 2,397	$ (4,920)	**$389,587**
00,381	$104,592		$ 9,895		$ 638	$ 4,912	$41,832	$ 5,663	**$167,532**
283,842	$345,805			$234,992	$ 1,200	$ 3,228	$ 3,529	$(102,619)	**$486,135**
02,768	$ 26,938		$ 11,054	$ 22	$ 1,386	$ 6,454	$ 595		**$ 46,449**
65,918			$123,684		$19,029	$79,949	$22,812		**$245,474**
	Ontario, Bermuda and Norway		Quebec	Dominican Republic	Ontario, Quebec and U.S.A.	Quebec			
	Nickel, copper and cobalt		Copper, zinc and precious metals	Ferronickel	Industrial minerals and metal castings	Gold			
	The Americas, Europe and Asia		Canada and Europe	The Americas, Europe and Asia	Canada and U.S.A.	Canada			

1982 (Restated, note 3, page 20) Integrated Nickel Operations (100%) (note 1)	Unallocated Corporate (100%) (note 1)	Corporation Falconbridge Copper (50.2%)	Falconbridge Dominicana, C. por A. (65.7%) (note 2)	Indusmin Limited (70.8%)	Kiena Gold Mines Limited (68.3%) (note 4)	Others (note 7)	Consolidation adjustments (note 2)	**Consolidated total**
$244,667	$ 1,978	$ 68,296	$ 21,994	$58,128	$30,424	$32,716	$ 24,923	**$ 483,126**
191,031		60,572	34,344	43,100	17,490	27,551	20,906	**394,994**
23,680	8,281	2,120	2,279	8,502	719	2,474	(300)	**47,755**
8,614		6,919	1,829	27	848	586	(631)	**18,192**
16,816	210	2,069	8,612	3,198	684	3,056	81	**34,726**
50,873	2,160	1,183	21,315					**75,531**
291,014	10,651	72,863	68,379	54,827	19,741	33,667	20,056	**571,198**
(46,347)	(8,673)	(4,567)	(46,385)	3,301	10,683	(951)	4,867	**(88,072)**
750	8,287	(13,079)	22,459	1,069	3,491	236	2,466	**25,679**
544	272							**816**
2,898	8,450	15,289	813	32		1,324		**28,806**
5,491				278				**5,769**
9,683	17,009	2,210	23,272	1,379	3,491	1,560	2,466	**61,070**
(56,030)	(25,682)	(6,777)	(69,657)	1,922	7,192	(2,511)	2,401	**(149,142)**
	(1,407)					20	(20)	**(1,407)**
(56,030)	(27,089)	(6,777)	(69,657)	1,922	7,192	(2,491)	2,381	**(150,549)**
(35,807)	(9,223)	(4,617)	(410)	578	3,510	(669)	309	**(46,329)**
$ (20,223)	$ (17,866)	$ (2,160)	$ (69,247)	$ 1,344	$ 3,682	$ (1,822)	$ 2,072	**$(104,220)**
		$ (1,076)	$ (23,252)	$ 405	$ 1,167	$ (185)		**$ (22,941)**
$ (20,223)	$ (17,866)	$ (1,012)	$ (44,071)	$ 882	$ 2,647	$ (1,636)		**$ (81,279)**
$248,936		$101,133	$ 30,443	$19,217	$ 851	$ 7,677	$ (1,222)	**$ 407,035**
$235,643		$ 20,511	$116,395	$19,153	$26,239	$ 4,617	$ (7,327)	**$ 415,231**
$ 95,803		$ 259		$ 639	$ 338	$41,688	$ 5,613	**$ 144,340**
$346,901			$196,140	$ 6,095	$17,640	$ 1,479	$ (65,993)	**$ 502,262**
$ 34,401		$ 5,368	$ 25	$ 1,347	$ 2,078	$ 2,903		**$ 46,122**
		$110,665		$ 9,101	$84,946	$20,390		**$ 225,102**
Ontario, Bermuda and Norway		Quebec	Dominican Republic	Ontario, Quebec and U.S.A.	Quebec			
Nickel, copper and cobalt		Copper, zinc and precious metals	Ferronickel	Industrial minerals and metal castings	Gold			
The Americas, Europe and Asia		Canada and Europe	The Americas, Europe and Asia	Canada and U.S.A.	Canada			

Notes to Statement of Segmented Information

The information contained on Statement 4, page 30, and the following notes, present a more detailed review of the various group operations. It should be read in conjunction with the preceding consolidated financial statements and notes thereto.

1. **Integrated Nickel Operations and Unallocated Corporate**
   Included under the caption "Integrated Nickel Operations" are the accounts of the Corporation and all its wholly owned subsidiaries engaged in the integrated operations of mining, milling, smelting, refining and marketing of metals mainly derived from Sudbury ores. The companies comprising the Integrated Nickel Operations are interdependent and production activities are carried on in Canada (mainly mining and reduction of ore to matte in Sudbury) and in Norway (producing refined metals from matte). The Marketing Division is structured to serve worldwide markets and contracts the processing of material containing various metals, on a fee basis (refined metals produced from these sources are either marketed on an agency basis or returned to the owner of the material). That portion of the Corporation's net corporate expenditures relating to the overall direction and management of other activities of the Falconbridge group of companies and income from investment in associated and other companies have been segregated under the caption "Unallocated Corporate". It is not practicable to segregate the Integrated Nickel Operations and the Corporation's Corporate financial items.

   The Integrated Nickel Operations' and the Corporation's Corporate financial position at December 31, 1984, includes identifiable assets of $31,058,000 in Norway (1983 – $36,417,000; and 1982 – $42,562,000).

2. **Consolidation adjustments**
   Adjustments have been made on consolidation as follows:
   (a) Falconbridge Dominicana, C. por A. (Falcondo)
   The ferronickel produced by Falcondo is purchased and marketed by the Corporation. The earnings of Falcondo include profits on all ferronickel sold to the Corporation whereas consolidated earnings exclude the profits relating to inventories of ferronickel held by the Corporation at December 31, for subsequent resale to customers.
   (b) Other adjustments have been made to eliminate inter-company transactions.

3. **Market value of Falconbridge's shareholdings**
   The market values shown are based on Canadian stock exchanges' closing bid prices at year end. Because of the number of shares held by Falconbridge (representing control of the companies concerned), the amounts that could be realized if these securities were to be sold may be more or less than their indicated quoted market value.

4. **Kiena Gold Mines Limited**
   During 1983 the company issued 1,000,000 common shares. Falconbridge did not purchase any of the shares and accordingly its percentage holding was diluted from 68.3% to 56.7%.

5. **Corporation Falconbridge Copper and Falconbridge Dominicana, C. por A.**
   During 1984 the Corporation acquired an additional 76,000 shares of Corporation Falconbridge Copper to own 50.8 per cent of the issued shares and an additional 40,776 shares of Falconbridge Dominicana, C. por A., to own 67.1 per cent of the issued shares.

6. **Indusmin Limited**
   In August 1984 the Corporation announced that it was making an offer to acquire, for $35 per share, all of the common shares of Indusmin Limited that it did not already own. By October 1, 1984 the Corporation owned 97.5 per cent of the outstanding shares. The offer expired on October 22, 1984 at which time the Corporation gave notice to Indusmin and the remaining shareholders that it had acquired, under Section 199 of the Canada Business Corporations Act, the shares not tendered.

7. **Others from the segmented information on page 30**
   Revenues and net earnings (loss) relate mainly to the operations of the Wesfrob Mining Division of the Corporation, which mined iron and copper in British Columbia before October 1983, when it ceased production because economic ore reserves were depleted. The 1982 amounts include the results of Oamites Mining Company (Proprietary) Limited which was sold during 1982.

   Property, plant and equipment, net, includes the costs relating to certain projects, the largest of which is New Quebec Raglan Mines, upon which further work has been suspended, see note 7(c)(iii), page 23.

8. Additional unaudited segmented information is included in the ten-year review, page 36, and in the summary of 1984 and 1983 consolidated results by quarters, page 34.

9. Segmented sales data

(a) The following table shows sales revenues on a segmented and product basis by amount and approximate percentage:

	1984		1983		19	
	Amount (000's)	%	Amount (000's)	%	Amount (000's)	%
CONSOLIDATED SUBSIDIARIES –						
Integrated Nickel Operations and Corporate:						
Nickel	$252,380	34	$212,420	35	$150,771	31
Copper	62,536	9	46,924	8	40,209	8
Cobalt	32,968	4	12,030	2	13,539	3
Gold	4,797	1	2,902		3,877	1
Silver	2,633		2,784		1,378	1
Platinum	8,932	1	5,088	1	6,297	1
Palladium	4,661	1	3,146	1	1,221	
Other revenues	29,000	4	27,685	4	29,353	6
	397,907	54	312,979	51	246,645	51
* Other operations:						
Ferronickel	153,477	21	109,018	18	48,615	10
Copper	36,127	5	51,738	8	53,667	11
Zinc	14,647	2	3,775	1	1,175	
Gold	62,006	8	59,179	10	51,692	11
Silver	3,885	1	5,013	1	5,172	1
Industrial minerals	43,042	6	42,512	6	34,771	7
Steel castings	16,317	2	12,906	2	18,606	4
Other metals and products	5,904	1	18,267	3	22,783	5
	335,405	46	302,408	49	236,481	49
Consolidated total	$733,312	100	$615,387	100	$483,126	100
**EQUITY ACCOUNTED FOR COMPANIES –						
Gold	$ 61,598	82	$ 43,006	83	$ 44,352	
Silver	12,829	17	8,461	16	10,718	19
Lead	722	1	299	1	619	1
	$ 75,149	100	$ 51,766	100	$ 55,689	100

*1982 amounts include Oamites Mining Company (Proprietary) Limited, a 74.9% owned subsidiary, sold in 1982.
**Includes Falconbridge Investments (Zimbabwe) (Private) Limited, wholly owned and accounted for on the cost basis.

The 1984 revenues include $71,159,000, 10% of the consolidated total, (1983 – $79,380,000, 13%; 1982 – $62,211,000, 13%) from sales by Corporation Falconbridge Copper to a single customer.

(b) Consolidated sales revenues by geographical area were as follows:

	1984		1983		1982	
	Amount (000's)	%	Amount (000's)	%	Amount (000's)	%
Europe	$243,640	34	$177,586	29	$152,320	32
U.S.A.	205,221	28	179,701	29	129,300	27
Others	91,198	12	78,335	13	54,482	11
*Total foreign	540,059	74	435,622	71	336,102	70
Canada	193,253	26	179,765	29	147,024	30
*World total	$733,312	100	$615,387	100	$483,126	100
*Includes sales by Canadian operations to foreign customers of	$364,118		$282,707		$237,334	

Summary of 1984 and 1983 consolidated results by quarters (Unaudited)

's omitted)

	Three month period ended				1984 (note 1)
	March 31 (000's)	June 30 (000's)	Sept. 30 (000's)	Dec. 31 (000's)	Year (000's)
Metal sales (pounds):					
Integrated Nickel Operations –					
Nickel	18,750	21,855	17,490	24,734	82,829
Copper	21,062	18,493	15,959	22,291	77,805
Cobalt	585	531	755	663	2,534
Corporation Falconbridge Copper –					
Copper	12,781	11,731	9,910	11,758	46,180
Gold and silver revenues	$ 9,663	$ 9,459	$ 7,624	$ 8,585	$ 35,331
Falconbridge Limited –					
Ferronickel	12,253	12,959	14,030	13,089	52,331
Inventories of finished nickel – all forms (pounds)	25,988	28,776	30,623	33,179	33,179
Earnings:					
Revenues	$168,188	$187,696	$173,007	$204,421	$733,312
Interest, investment and other income, net	15,312	15,673	12,475	8,970	52,430
	183,500	203,369	185,482	213,391	785,742
Costs other than the undermentioned	135,978	141,646	132,638	160,543	570,805
Depreciation, depletion, development and preproduction	13,700	14,296	16,496	12,535	57,027
Exploration, research and process development	4,730	4,764	7,766	9,908	27,168
Interest and debt expenses	16,053	16,598	13,213	11,152	57,016
Foreign exchange loss on early retirement of long-term debt		8,097	5,839	874	14,810
Other charges		3,456	2,399	2,584	8,439
Income and mining taxes	5,888	6,381	2,726	7,166	22,161
Minority interest in earnings (losses) of subsidiaries	(760)	(219)	1,003	(402)	(378)
	175,589	195,019	182,080	204,360	757,048
rnings (loss) for the period before extraordinary items	7,911	8,350	3,402	9,031	28,694
Extraordinary items (note 3)		23,133	28,359		51,492
Earnings (loss)	$ 7,911	$ 31,483	$ 31,761	$ 9,031	$ 80,186
Earnings (loss) per share:					
Before extraordinary items	$ 1.10	$ 1.16	$ 0.47	$ 1.25	$ 3.98
Extraordinary items		3.21	3.94		7.15
For the period (note 4)	$ 1.10	$ 4.37	$ 4.41	$ 1.25	$ 11.13
Earnings (loss) contributions:					
Corporation Falconbridge Copper	$ 471	$ 43	$ 94	$ (109)	$ 499
Falconbridge Dominicana, C. por A.	(3,145)	(2,559)	602	(2,139)	(7,241)
Giant Yellowknife Mines Limited	111	(82)	101	232	362
Indusmin Limited	436	1,427	1,086	1,153	4,102
Kiena Gold Mines Limited	403	714	276	1,061	2,454
United Keno Hill Mines Limited	207	(366)	(1,925)	(1,205)	(3,289)
Other controlled companies	581	962	229	1,278	3,050
Total	(936)	139	463	271	(63)
Wesfrob Mining Division	(230)	(255)	(389)	(50)	(924)
Integrated Nickel Operations, net of allocated Corporate costs	10,444	12,486	11,387	9,546	43,863
Unallocated Corporate costs, net (note 5)	(1,367)	(4,020)	(8,059)	(736)	(14,182)
Earnings (loss) for the period before extraordinary items	$ 7,911	$ 8,350	$ 3,402	$ 9,031	$ 28,694
Market price and dividend information about the Corporation's shares					
Sales prices for common shares –					
High ($)	74.25	71.50	80.00	88.00	
Low ($)	61.50	58.00	55.75	78.25	
Dividends Paid	Nil	Nil	Nil	Nil	

		(Restated, note 3, page 20)		1983
		Three month period ended		(note 2)
March 31 (000's)	June 30 (000's)	Sept. 30 (000's)	Dec. 31 (000's)	Year (000's)
20,940	23,857	11,321	23,627	79,745
6,868	20,236	9,276	16,654	53,034
405	318	331	678	1,732
8,383	15,644	17,724	13,554	55,305
$ 8,048	$ 7,933	$ 8,549	$ 8,141	$ 32,671
10,225	12,147	10,356	12,330	45,058
26,998	22,407	27,824	27,712	27,712
$128,382	$173,573	$136,551	$176,881	$615,387
7,731	6,869	8,927	19,001	42,528
136,113	180,442	145,478	195,882	657,915
129,377	163,507	109,635	150,204	552,723
12,040	13,662	12,803	11,017	49,522
7,048	5,683	5,165	4,463	22,359
15,312	15,247	14,227	11,433	56,219
			3,364	3,364
5,550	2,200	3,139	6,375	17,264
(2,542)	(2,501)	3,222	1,005	(816)
(4,712)	(3,216)	(869)	(2,514)	(11,311)
162,073	194,582	147,322	185,347	689,324
(25,960)	(14,140)	(1,844)	10,535	(31,409)
		14,816		14,816
$ (25,960)	$ (14,140)	$ 12,972	$ 10,535	$ (16,593)
$ (3.83)	$ (2.09)	$ (0.27)	$ 1.55	$ (4.64)
		2.19		2.19
$ (3.83)	$ (2.09)	$ 1.92	$ 1.55	$ (2.45)
$ (267)	$ 243	$ 299	$ (247)	$ 28
(8,880)	(7,971)	(4,397)	(5,823)	(27,071)
235	242	207	122	806
80	1,202	1,057	1,194	3,533
522	644	1,497	1,373	4,036
695	(356)	388	(6)	721
(9)	1,729	138	(1,591)	267
(7,624)	(4,267)	(811)	(4,978)	(17,680)
503	(1,518)	242	(1,136)	(1,909)
(19,793)	(4,492)	1,216	16,303	(6,766)
954	(3,863)	(2,491)	346	(5,054)
$ (25,960)	$ (14,140)	$ (1,844)	$ 10,535	$ (31,409)
65.00	76.00	88.00	77.75	
47.38	57.50	71.25	66.75	
Nil	Nil	Nil	Nil	

Notes:

1. The major factors contributing to the improvement in earnings over 1983 results were reductions in the cost of production, higher nickel and cobalt prices received by the Corporation and increased sales volumes. Lower copper and precious metals prices partially offset these gains.
2. Demand for nickel increased steadily during the year while the nickel price rose substantially in the early part of the year, from the lows in 1982, and declined in the fourth quarter. Favourable factors included the reduction in the charges associated with the temporary curtailment of production operations and the gain on the Kiena share issue. Fourth quarter operating profits were largely attributed to increased sales volumes of precious metals, the reduction in pension expense as a result of actuarial gains, the gain on the redemption of the debentures and productivity improvements.
3. See note 2, page 20, of the notes to the consolidated financial statements.
4. Based on the weighted average number of shares outstanding during the year.
5. Unallocated Corporate shown on Statement 4, page 30, for 1984, is after reflecting the interest in earnings, before extraordinary items, of significantly influenced companies, which are accounted for on the equity basis (Giant Yellowknife Mines Limited, earnings – $362,000; United Keno Hill Mines Limited, loss – $3,289,000, included herein with "other controlled companies", earnings – $24,000), and dividends of $2,192,000 included above with "other controlled companies".

Ten-Year Review (unaudited) (Restated, note 3, page 20)

		1984	1983
Revenues and Earnings (Loss) ($000's except per share data)	Revenues	733,312	615,387
	Earnings (loss) before extraordinary items	28,694	(31,409)
	Per common share	3.98	(4.64)
	Extraordinary items	51,492	14,816
	Per common share	7.15	2.19
Earnings (Loss) Contributions – after consolidation adjustments, before extraordinary items ($000's)	Alminex Limited (note 1)		
	Corporation Falconbridge Copper	499	28
	Falconbridge Dominicana, C. por A.	(7,241)	(27,071)
	Giant Yellowknife Mines Limited	362	806
	Indusmin Limited	4,102	3,533
	Integrated Nickel Operations	43,863	(6,766)
	Kiena Gold Mines Limited	2,454	4,036
	Oamites Mining Company (Proprietary) Limited (note 2)		
	United Keno Hill Mines Limited	(3,289)	721
	Wesfrob Mining Division	(924)	(1,909)
	Unallocated Corporate (note 3)	(14,182)	(5,054)
	Others	3,050	267
	Earnings (loss) before extraordinary items	28,694	(31,409)
Financial Position ($000's)	Total assets	1,165,550	1,262,579
	Working capital –		
	Integrated Nickel Operations (note 4)	283,441	309,118
	Falconbridge Dominicana, C. por A.	42,864	34,411
	Corporation Falconbridge Copper	68,302	91,014
	Consolidated total	414,661	472,168
	Property, plant, and equipment, net –		
	Producing	505,176	389,587
	Non-producing	100,381	167,532
	Long-term debt	283,842	486,135
	Deferred exchange loss	1,893	9,299
Shareholders' Data	Shareholders' equity (000's)	$ 635,994	532,285
	Amount per common share	$ 87.90	76.19
	Dividends paid per common share	$	
	Number of common shares outstanding at end of year (note 5) (000's)	7,267	7,028
	Number of common shareholders	4,314	4,762
	Toronto Stock Exchange quotes, (TSE) High	$ 88.00	88.00
	Low	$ 55.75	47.38
	Close	$ 79.50	71.00
	Volume of shares traded on TSE (000's)	1,939	3,088
	Volume of warrants traded on TSE (000's)	1,012	1,913
	Preference shares (000's)	$	
	Dividends paid per preference share	$	
Exploration, Research and Process Development ($000's)	Exploration	23,928	18,965
	Research and process development	3,240	3,394
Capital Expenditures ($000's)	Expenditures on property, plant, equipment, development and preproduction –		
	Integrated Nickel Operations (note 4)	45,278	26,938
	Corporation Falconbridge Copper	31,861	11,054
	Consolidated total	102,760	46,449
Metal Sales (000's pounds)	Integrated Nickel Operations –		
	Nickel	82,829	79,745
	Copper	77,805	53,034
	Falconbridge Limited –		
	Nickel in ferronickel (note 6)	52,331	45,058
	Corporation Falconbridge Copper –		
	Copper	46,180	55,305
	Zinc	23,707	6,926
Ore Reserves (000's tons)	Falconbridge Limited	69,491	73,628
	Falconbridge Dominicana, C. por A.	41,310	43,659
	Corporation Falconbridge Copper (note 7)	3,586	3,496

Notes:
1. Investment sold in 1977.
2. Investment sold in 1982.
3. Before interest in earnings of equity accounted for companies.
4. Includes both the Integrated Nickel Operations and Corporation's Corporate operations, see note 1, page 32, of the notes to statement of segmented information.
5. Includes shares held by consolidated subsidiaries.
6. Ferronickel sales to customers, see note 2, page 32 of the notes to statement of segmented information.
7. Does not include drill indicated reserves at the Ansil, Lac Shortt and Winston Lake deposits.

1983	1982	1981	1980	1979	1978	1977	1976	1975
5,387	483,126	712,952	757,815	789,418	508,211	381,684	483,480	409,888
1,409)	(81,279)	1,443	74,980	105,163	14,878	(18,629)	16,150	7,910
(4.64)	(16.32)	0.29	13.76	19.93	2.04	(4.09)	3.26	1.60
4,816		(5,122)	37,700	6,131		20,238		
2.19		(1.03)	7.57	1.23		4.08		
						3,776	3,424	2,952
28	(1,012)	266	15,152	23,277	7,498	2,913	1,637	198
7,071)	(44,071)	(21,316)	(5,378)	3,496	(7,670)	2,399	9,033	5,712
806	135	161	1,150	1,492	613	368	(137)	(43)
3,533	882	2,037	2,398	2,714	2,027	1,251	2,019	2,821
5,766)	(20,223)	38,191	61,917	58,005	16,879	(10,883)	6,206	(322)
4,036	2,647	6						
	(434)	(593)	909	1,360	405	(336)	128	739
721	(2,615)	(1,488)	3,718	10,035	1,825	1,168	841	1,422
1,909)	(214)	(1,089)	1,503	4,597	551	(2,211)	(337)	(1,361)
5,054)	(15,373)	(12,734)	(5,275)	(585)	(7,315)	(16,284)	(5,765)	(4,250)
267	(1,001)	(1,998)	(1,114)	772	65	(790)	(899)	42
1,409)	(81,279)	1,443	74,980	105,163	14,878	(18,629)	16,150	7,910
2,579	1,165,235	1,335,255	1,231,341	1,129,110	939,976	934,037	764,485	780,290
9,118	248,936	375,132	237,688	264,798	200,597	204,202	116,345	132,617
4,411	25,237	35,226	52,144	56,030	44,578	42,785	37,410	33,703
1,014	101,133	103,703	106,983	85,194	45,525	32,696	24,409	20,768
2,168	407,035	540,053	418,400	424,845	306,006	290,743	188,036	199,542
9,587	415,231	437,591	408,949	380,960	387,539	313,455	250,750	281,277
7,532	144,340	128,525	115,632	105,747	89,092	150,380	167,672	143,220
6,135	502,262	490,295	315,311	315,094	328,570	306,580	221,995	255,303
9,299	12,598	7,223	8,743	9,577	12,537	6,615	922	1,302
2,285	445,040	523,271	534,954	519,199	429,402	414,472	337,861	326,880
76.19	89.20	104.77	107.10	103.96	86.10	83.36	68.09	65
		1.50	3.50	3.00		0.50	1.00	[illegible]
7,028	5,025	5,025	5,025	5,025	5,024	5,010	5,009	5,006
3,762	5,169	5,542	5,908	7,362	8,351	9,150	9,788	10,732
38.00	73.75	116.00	161.00	91.75	36.25	39.75	45.00	38.25
37.38	32.50	57.00	79.00	32.00	16.63	16.50	29.25	24.25
71.00	48.50	74.00	102.50	91.50	32.50	20.75	35.50	24.25
3,088	1,328	1,236	2,820	2,150	1,423	604	564	783
,913				75,000	75,000	75,000		
			2.158	1.970	1.577	0.564		
3,965	28,806	37,964	28,284	14,297	7,662	9,726	8,325	7,826
3,394	5,769	11,105	6,636	3,960	3,086	3,844	3,769	4,100
3,938	34,401	70,927	64,946	37,008	30,429	63,762	33,201	46,307
,054	5,368	8,119	9,306	10,489	8,543	7,720	10,775	8,823
3,449	46,122	104,817	90,995	58,352	42,964	81,701	50,252	62,706
3,745	51,451	62,998	54,159	84,454	71,341	32,047	80,176	61,524
,034	48,509	56,458	53,686	42,460	30,027	42,677	34,076	40,713
,058	18,327	43,776	34,567	47,628	43,477	43,394	59,781	50,270
,305	52,642	56,324	69,172	83,547	87,555	92,369	82,939	77,503
,926	2,538	7,591	50,984	91,710	85,337	89,032	73,430	73,767
,628	77,314	79,161	78,649	75,771	78,808	80,670	83,405	89,099
,659	45,955	63,800	66,000	68,700	68,500	70,000	72,500	63,700
,496	4,799	5,654	6,725	8,565	9,235	8,653	7,187	9,234

Analysis of Financial Condition

Liquidity and Capital Resources

On December 31, 1984, working capital amounted to $414,661,000, down $57,507,000 from a year earlier.

Transactions which reduced the Corporation's working capital included: $231,039,000 for the repayment of long-term debt; $52,683,000 for expenditures on property, plant and equipment; $50,077,000 for development and preproduction expenditures; and $13,428,000 for investment in subsidiary companies.

Items which increased Falconbridge Limited's working capital included: $128,918,000 generated from operations; $119,235,000 from the sale of shares of The Superior Oil Company and Mobil Corporation debentures; $22,131,000 from the issue of units and common shares; and $11,529,000 from currency translation adjustments affecting working capital.

The overall drop in working capital is based on decreases of $29,552,000 in the Integrated Nickel Operations, Unallocated Corporate and Wesfrob Mining Division (from $312,993,000 to $283,441,000); $10,026,000 in Kiena Gold Mines Limited (from $12,697,000 to $2,671,000); and $22,712,000 in Corporation Falconbridge Copper (from $91,014,000 to $68,302,000).

Cash and temporary investments of $190,374,000 have decreased to 37 per cent of current assets at the end of 1984, down from $294,511,000 or 49 per cent of current assets at the end of 1983.

The $104,137,000 decrease includes a drop in the Integrated Nickel Operations and Unallocated Corporate of $74,009,000 (from $192,984,000 to $118,975,000), a decrease in Indusmin Limited of $3,365,000 (from $6,802,000 to $3,437,000); a decrease in Kiena Gold Mines Limited of $10,144,000 (from $12,713,000 to $2,569,000) and a decrease in Corporation Falconbridge Copper of $25,097,000 (from $71,192,000 to $46,095,000).

Since July 1980, the Corporation and the other sponsor have been required by the provisions of financing agreements to meet the cash deficiencies of Falconbridge Dominicana, C. por A. (Falcondo). At the end of 1984, the total cash provided to Falcondo (converted at 1984 year end rates of exchange) has amounted to $151,279,000, of which $5,551,000 was provided in 1984, $39,651,000 in 1983, $54,282,000 in 1982, $32,996,000 in 1981 and $18,799,000 in 1980. Falconbridge Limited is required to provide 60 per cent of the cash to meet these requirements.

It is anticipated cash deficiencies could continue in 1985 and that additional advances may be required by Falcondo; however, recent cost-management measures combined with productivity improvements and favourable exchange rates could reduce these requirements.

Restrictions contained in the Indenture with respect to the Corporation's 8.85 per cent sinking fund debentures and an agreement entered into by Falconbridge Limited in connection with the financing of Falcondo prohibit the Corporation from defined borrowings in excess of 45 per cent of its defined net tangible assets.

At December 31, 1984, after this borrowing test, the Corporation has available borrowing capacity of $394,419,000.

The Corporation had available long-term lines of credit and operating lines of credit as shown in note 15 on page 27.

Share capital was increased during the year by the issue of 230,000 common shares from the January 18, 1984 share offering, which raised $16,445,000 before costs of $625,000.

As well, $8,025,000 was raised through the issue of 7,500 flow-through units at a price of $1,070 per unit. Each unit entitled the subscriber to earn 10 common shares at the rate of one common share for each $107 expended on eligible Canadian Exploration Expense.

In January 1985, the Corporation completed the issue of 800 flow-through units at a price of $7,000 per unit. Each unit entitles the subscriber to earn 50 common shares at the rate of one common share for each $140 expended on eligible Canadian Exploration Expense.

Also, an issue of 300 units at a price of $12,250 per unit was completed in Quebec. Under this issue, each unit entitles the subscriber to earn 50 common shares at the rate of one common share for each $245 expended on Canadian Exploration Expense.

In March 1985, the Corporation received net proceeds of $90 million from the sale of one million common shares.

In summary, working capital was reduced during the year by $57,507,000, but long-term debt repayments of $231,039,000 have been made by using proceeds from the sale of shares in The Superior Oil Company and Mobil Corporation debentures and funds generated from operations. Falconbridge Limited is now in a better position to weather any future downturns in the economy.

Analysis of Results of Operations

The details of the 1984, 1983 and 1982 contributions to consolidated earnings (loss) are shown in the Ten Year Review, page 36.

Falconbridge Limited's interest in the 1984 earnings of Corporation Falconbridge Copper was $499,000, compared with an earnings contribution of $28,000 in 1983. The improved results in 1984 related to reduced expenditures on exploration and development and lower operating costs which were partially offset by lower operating revenues and reduced investment income. The earnings contribution in 1983 represented an improvement over a loss of $1,012,000 in 1982, resulting mainly from higher average gold prices.

Falconbridge Limited's interest in the 1984 loss of Falconbridge Dominicana, C. por A., was $7,241,000, compared with a loss of $27,071,000 in 1983. The improvement in the 1984 results was due to lower production costs, the sale of excess power and favourable exchange rates. The $17,000,000 higher contribution in 1983 compared with 1982 (a loss of $27,071,000 compared with a loss of $44,071,000), generally reflected the elimination of ongoing costs during the 1982 shutdown. Although costs have been significantly cut back, the ferronickel selling price was too low to generate a profit in 1983.

Falconbridge Limited's interest in the 1984 earnings of Giant Yellowknife Mines Limited was reduced to $362,000, compared with $806,000 in 1983 largely due to lower gold prices. The $671,000 higher contribution in 1983 compared with 1982 ($806,000 compared with $135,000), resulted mainly from lower production costs and a higher average gold price.

Falconbridge Limited's interest in the 1984 earnings of Indusmin Limited was

$4,102,000, compared with $3,533,000 in 1983. The major reason for the increase in the 1984 contribution was due to the increased level of ownership. Indusmin's contribution to 1983 earnings was $3,533,000, compared with $882,000 in 1982. The improvement in 1983 earnings was due to favourable productivity and cost-control variances in the Canadian Mineral and Fahramet Divisions.

Falconbridge Limited's interest in the 1984 earnings of Kiena Gold Mines Limited was $2,454,000, compared with $4,036,000 in 1983. The decline was mainly due to a lower average gold price and the decreased 1984 ownership caused by Kiena's 1983 common stock issue. The $1,389,000 higher 1983 contribution, compared with 1982 ($4,036,000 compared with $2,647,000), reflected a higher average gold price and lower interest expenses.

Falconbridge Limited's interest in the 1984 loss of United Keno Hill Mines Limited was $3,289,000, compared with an earnings contribution of $721,000 in 1983. The decrease in the contribution was largely due to lower silver prices and increased exploration expenditures.

The $3,336,000 higher contribution in 1983, compared with 1982 (earnings of $721,000 compared with a loss of $2,615,000) mainly reflected a favourable tax reassessment and interest which were recorded in the consolidated accounts in 1983 and ongoing costs incurred in the shutdown in 1982.

Unallocated Corporate costs, net, were $14,182,000 in 1984, compared with $5,054,000 in 1983. The major reasons for the increase were the increased exploration expenditures under the flow-through share program and the 1984 exchange loss on the early retirement of long-term debt. In 1983, Unallocated Corporate costs, net, were $10,319,000 lower than in 1982 ($5,054,000 compared with $15,373,000). The decrease mainly reflected the $4,073,000 gain on the sale of the Corporation's airplane, the impact of the 1982 cost reduction program on administrative and exploration expenditures and increased investment income.

The 1984 earnings of the Integrated Nickel Operations of $43,863,000 compared with a loss of $6,766,000 in 1983. The improvement in results is largely due to improvements in the cost of production. The Integrated Nickel Operations' loss of $6,766,000 in 1983 compared with a loss of $20,223,000 in 1982. The improved results generally reflected the impact of reduced shutdown costs, decreased unit production costs and lower allocated corporate expenditures. These factors plus increased sales volumes more than offset a decline in the average price for nickel.

See pages 30 to 33 for certain segmented data. Further discussions and analyses of results of operations of the Corporation and its operating subsidiaries are also contained throughout the annual report.

The Impact of Inflation

The following data, prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) recommendations, provides estimates of the impact on the financial position and operating results of Falconbridge of changes in prices of specific goods and services purchased, produced and used by Falconbridge (current cost data) and changes in the general purchasing power of the dollar (general inflation – as measured by the Canadian Consumer Price Index, base 1971-100).

The current cost amounts are based on judgments by management involving choices of methods within the CICA recommendations. As such the estimates and judgments may differ from those chosen by other companies and may not represent the actual costs that would be incurred if the related assets were to be, or could be, replaced. No comparisons of the adjusted costs of property, plant and equipment, development and preproduction expenditures were made with a prediction of the current worth of the net amount of cash expected to be recoverable from the use or sale of these assets because such a comparison would involve the use of highly subjective estimates and forecasts. The disclosure of current cost amounts does not necessarily indicate Falconbridge's intention to replace existing assets.

Discussion

The earnings statement items which are affected most by changing prices are cost of sales and depreciation, depletion and amortization of fixed assets. These items have been adjusted for the impact of current costs while income taxes have not.

To arrive at current cost of inventories, the most recent production costs were used for estimating the value of metal inventories. The replacement costs for supplies inventories were based on current acquisition costs. Methods used to derive the current cost of property, plant and equipment include applying current costs per unit of production, preparing engineering estimates of replacement costs and using indices published by government and private organizations. Development and preproduction expenditure estimates were based on similar methods. The related depreciation, depletion and amortization amounts were based upon the expired service potential as determined from the historic cost records.

The 1984 consolidated earnings, before extraordinary items, of $29 million adjusted to reflect current costs decreased to a loss of $50 million. Inventories increased by $7 million to $172 million on a current cost basis. The depreciation, depletion and amortization increase for 1984 relates to net property, plant and equipment values of $1,228 million expressed on a current cost basis compared with $606 million in historical dollars.

Because Falconbridge is partly financed by borrowed funds, a financing adjustment is required. This adjustment provides a measure of the increases in current costs that are financed by debt, based on the debt-to-equity ratio.

Supplementary Information (unaudited)

(Restated, note 3, page 20)

	1984			1983 (ii)		
	Integrated Nickel Operations and Corporate (millions)	Other Operations (millions)	Consolidated total (millions)	Integrated Nickel Operations and Corporate (millions)	Other Operations (millions)	Consolidated total (millions)
Earnings (Loss):						
Earnings (loss) before extraordinary items	$ 29	$	$ 29	$ (12)	$ (20)	$ (32)
Adjustments to restate historical costs to current costs –						
Costs of sales	2		2		1	1
Depreciation, depletion and amortization (increase)	(50)	(31)	(81)	(21)	(35)	(56)
Earnings (loss) before extraordinary items, adjusted for changes in cost	$ (19)	$ (31)	$ (50)	$ (33)	$ (54)	$ (87)
Asset Values:						
1. Carrying value, at December 31						
(a) Inventories –						
Historic cost, as reported	$ 131	$ 34	$ 165	$ 113	$ 40	$ 153
Current cost basis	131	41	172	124	45	169
(b) Net property, plant and equipment (i)						
Historic cost, as reported	$ 335	$ 271	$ 606	$ 341	$ 238	$ 579
Current cost basis	695	533	1,228	740	535	1,275
(c) Net assets (common shareholders' equity) –						
Historic cost, as reported			$ 636			$ 543
Current cost basis			1,266			1,265
2. Increase (decrease) during the year in the current cost amounts of inventory and property, plant and equipment (i)	$ 14	$ 40	$ 54	$ 85	$ (1)	$ 84
Effect of general inflation	34	27	61	33	28	61
Excess of increase (decrease) in current cost over the effect of general inflation	$ (20)	$ 13	$ (7)	$ 52	$ (29)	$ 23
Other Data:						
1. Financing adjustment on current cost increases of inventory and property, plant and equipment (i)			$ 2			$ 12
Financing adjustment based on the current cost adjustments made to earnings (loss) during the year			$ 7			$ 8
2. General purchasing power gain (loss) on net monetary liabilities (assets)	$ (3)	$ (2)	$ (5)	$ 7	$ 1	$ 8

(i) Net property, plant and equipment includes development and preproduction expenditures.

(ii) The 1983 asset and liability values have been restated in December 1984 dollars. Income statement amounts have been restated at the average rate for 1984 dollars.

Information relating to ore reserves can be found in other sections of the Annual Report.

Printed in Canada

Board of Directors

*William James
Chairman of the Board, President and Chief Executive Officer

*H. T. Berry
Consulting Metallurgist

†*Marsh A. Cooper
President, M. A. Cooper Consultants Inc.

† R. E. Harrison
Corporate Director

Robert Hewitt
Chairman of the Board, Hewitt Equipment Limited

W. F. James
Consulting Geologist

† H. B. Keck, Jr.
Private Investor

† D. E. Lewis, Q. C.
Barrister and Solicitor

G. P. Mitchell
Consulting Geologist

J. P. Rogers
President, Mobil Mining and Minerals Co.

*R. F. Tucker
President, Mobil Diversified Businesses

Eivind Wigstol
Managing Director, Falconbridge Nikkelverk Aktieselskap

*Member of the Executive Committee
†Member of the Audit Committee

Officers and Corporate Management

William James
Chairman of the Board, President and Chief Executive Officer

L. G. Bonar
Vice-President Marketing and Sales

J. M. Donovan
Vice-President, Treasurer

J. F. Gillies
Vice-President, Controller and Chief Financial Officer

L. C. Kilburn
Vice-President Exploration, Development and Precious Metals Operations

F. G. T. Pickard
Vice-President Metallurgy and Engineering

G. B. Reed
General Manager, Sudbury Operations

J. T. H. Clelland
General Manager, Ferronickel Operations

E. A. Seth
General Counsel and Secretary

G. D. Gordon
Assistant General Counsel

Sharon M. Lax
Assistant Secretary and Legal Counsel

T. J. Desanti
Assistant Vice-President Commodity Marketing

D. C. Hambley
Director Employee Relations

Peter McBride
Director Public Affairs

R. D. Burrow
Assistant Controller

J. G. Wilson
Assistant Controller

K. B. Morley
Assistant Treasurer

Corporate Directory

Head Office
P. O. Box 40
Commerce Court West
Toronto, Ontario, Canada M5L 1B4
Telephone: (416) 863-7000
Telex: 065-24211
Rapifax: 364-8986
Cables: "Falconbrij"

Sudbury Operations
Falconbridge, Ontario P0M 1S0
Telephone: (705) 693-2761
Telex: 067-7194
Rapifax: (705) 693-4530
G. B. Reed, General Manager

Falconbridge Nikkelverk Aktieselskap
Kristiansand S., Norway
G. Lous, Chairman of the Board
E. Wigstol, Managing Director
E. O. Stensholt, Technical Director

Marketing and Sales Subsidiaries
Falconbridge Europe S. A.
Chaussée de la Hulpe, 150 – Bte. 15
B-1170 Brussels, Belgium
Telephone: (02) 673-99-50
Telex: (046) 23280
Rapifax: (02) 660-64-82
K. W. Troemel, President

Falconbridge International Limited
Barclay's International Building
Church St., 2nd Floor
P. O. Box 1151
Hamilton 5, Bermuda
Telephone: (809) 292-4700
Telex: 290-3479
Rapifax: 809-292-5441
J. A. Vermeulen, President

Falconbridge (Japan) Ltd.
Daiichi Seimei Sohgokan Building
No. 7-1, 3-Chome Kyobashi
Chuo-ku
Tokyo 104, Japan
Telephone: (03) 562-39-71
Telex: 02-522416
Rapifax: (03) 562-05-66
H. Amano, President

Falconbridge U. S. Incorporated
Twin Towers
4955 Steubenville Pike
Suite 245
Pittsburgh, Pennsylvania 15205
U. S. A.
Telephone: (412) 787-0220
Telex: 866-507
Rapifax: 412-787-0288
R. W. Bain, President

Falconbridge Trading Associates
3001 Summer St.
Stamford, Connecticut 06905
U.S.A.
Telephone: (203) 967-3330
Telex: 697-2239 ACIST
Ralph Paglieri, President

Arkay Metals (U.K.) Limited
Blossoms Inn
3/6 Trump St.
London EC2 V8AR
England
Telephone: (1) 606-0463
Telex: 895-5915
Oliver Gillie, Commercial Director

Corporation Falconbridge Copper
C. Carbonneau, Chairman of the Board, President and Chief Executive Officer
William James, Vice Chairman
M. J. Knuckey, Vice-President Exploration
D. D. Tolgyesi, Manager, Opemiska Division
R. Gaetan, Manager, Lake Dufault Division
L. P. Gignac, Manager, Lac Shortt Division

Indusmin Limited
J. C. Cowan, Chairman of the Board
C. M. Woodruff, President and Chief Executive Officer
S. B. Goss, Vice-President, Corporate Affairs
R. Lavertu, Senior Vice-President, Minerals Division
G. G. Jacox, Vice-President, Fahramet Division

Falconbridge Dominicana, C. por A.
J. T. H. Clelland, President and General Manager
R. J. McAllister, Manager of Operations

Kiena Gold Mines Limited
B. A. Ferguson, President
R. O. Vezina, Mine Manager

Giant Yellowknife Mines Limited
D. J. Emery, President and Managing Director
K. Blower, General Manager

United Keno Hill Mines Limited
L. C. Kilburn, Chairman of the Board
J. C. Cowan, President and Chief Executive Officer
T. A. Dickson, Mine Manager

Falconbridge Investments (Zimbabwe) (Private) Limited
A. Ryan, Managing Director
P. E. Griffiths, General Manager

Western Platinum Limited
C. P. Beatty and S. C. Newman, Joint Managing Directors
A. A. Saffy, General Manager

Solicitors
Tilley, Carson & Findlay, Toronto

Auditors
Clarkson Gordon, Toronto

Transfer Agents and Registrars
Canada Permanent Trust Company, Toronto, Montreal, Vancouver and Calgary

Registrar and Transfer Company, New York, N. Y. and Cranford, N. J., U. S. A.

Stock Exchanges
The shares and warrants of Falconbridge Limited are listed on the Toronto, Montreal and Vancouver stock exchanges.

The shares are also traded Over-the-Counter in the United States.