

Kerr Addison Mines Limited

Annual Report 1984



KERR ADDISON MINES LIMITED

P.O. Box 91, Commerce Court West
Toronto, Ontario
M5L 1C7

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual and a Special Meeting of Shareholders of Kerr Addison Mines Limited will be held in Commerce Hall, Concourse Level, Commerce Court West, Toronto, Ontario on

WEDNESDAY, MAY 9, 1984

at 11:30 o'clock in the forenoon (Toronto Time) for the following purposes:

1. to receive the Annual Report, including financial statements and Auditors' Report for the fiscal year ended December 31, 1983;
2. to elect Directors;
3. to appoint auditors and authorize the Directors to fix their remuneration;
4. pursuant to the provisions of the new Ontario Business Corporations Act, 1982,
 - (a) to consider and, if thought fit, approve Special Resolution "A" which, as described in the accompanying Information Circular, authorizes the amendment of the Articles of the Corporation to delete certain provisions of the Articles and to change the authorized number of Directors from twelve (12) to a minimum of eight (8) and a maximum of twenty (20);
 - (b) subject to approval of Special Resolution "A", to consider and, if thought fit, approve Special Resolution "B" which, as described in the accompanying Information Circular, authorizes the Board of Directors to fix the number of Directors from time to time within the range set out in the Articles;
 - (c) to consider and, if thought fit, confirm the repeal of the existing by-laws of the Corporation and the enactment of By-law No. 1, a new general by-law, as described in the accompanying Information Circular; and
5. to transact such other business as may properly come before the meeting or any adjournment thereof.

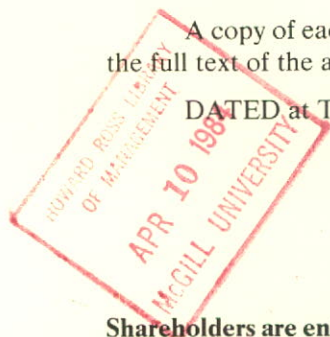
A copy of each of the said reports and financial statements and an Information Circular containing the full text of the above-mentioned resolutions and By-law No.1 accompany this notice.

DATED at Toronto, Ontario, this 30th day of March, 1984.

By Order of the Board,

JOHN B. SAGE,
Secretary.

Shareholders are entitled to vote at the meeting either in person or by proxy. If it is not your intention to be present at the meeting, please exercise your right to vote by promptly signing, dating and returning the attached form of proxy in the envelope provided for that purpose.



KERR ADDISON MINES LIMITED

INFORMATION CIRCULAR

for

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

to be held on May 9, 1984

This Information Circular accompanies the Notice of the Annual and Special Meeting of Shareholders of Kerr Addison Mines Limited (hereinafter referred to as "the Corporation") to be held on May 9, 1984, and is furnished in connection with the solicitation of proxies by management of the Corporation for use at said meeting. The solicitation will be primarily by mail, but proxies may also be solicited by regular employees of the Corporation. The cost of solicitation by management will be borne by the Corporation.

The persons named in the accompanying form of proxy are Officers of the Corporation. **If, however, a shareholder desires to appoint some other person (who need not be a shareholder) to represent him at the meeting other than those designated in the form of proxy, he may do so by inserting such other person's name in the blank space provided in the form of proxy or by completing another form of proxy.**

A shareholder who has given a proxy may revoke it pursuant to the provisions of Section 110(4) of the Ontario Business Corporations Act, 1982 at any time prior to its use either, (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Corporation, (b) by signing personally or by attorney a written notice of revocation and delivering it to the Secretary of the Corporation prior to the date of the meeting or to the Chairman of the meeting, or (c) in any other manner permitted by law.

On any ballot at the meeting, the persons named in the accompanying form of proxy will vote the shares in respect of which they are appointed nominees in accordance with the instructions of the nominees, and will vote such shares in accordance with any choices that may be specified regarding matters identified in the Notice of Meeting. The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consists of 25,000,000 common shares without par value, of which there are 17,149,967 shares outstanding at the date of this Information Circular, and shareholders of record at the time of the meeting will be entitled to one vote for each share held at the meeting and at any adjournment thereof.

Management of the Corporation understands that the only persons which own beneficially or exercise control or direction over shares carrying more than 10% of the voting rights attached to all of the outstanding shares of the Corporation are Noranda Mines Limited ("Noranda"), Brunswick Mining and Smelting Corporation Limited ("Brunswick") and Brenda Mines Limited ("Brenda"). Noranda owns, directly and indirectly through subsidiaries, 8,555,207 common shares, or 49.9% of the outstanding shares of the Corporation. Brunswick is a subsidiary of Noranda and its holdings of shares in the Corporation (2,890,390 common shares, or 16.9% of the outstanding shares of the Corporation) are included in the figures given above for shares of the Corporation owned by Noranda. Brenda, which is an associate of Noranda but not a subsidiary, owns 2,890,390 common shares, or 16.9% of the outstanding shares of the Corporation.

ELECTION OF DIRECTORS

The management of the Corporation proposes to nominate the persons listed below for election as Directors of the Corporation to serve until the next annual meeting or until their successors are elected or appointed. All such proposed nominees are now Directors of the Corporation. **It is the intention of the persons named in the accompanying form of proxy to vote for the election of the proposed nominees as Directors.** If any of such nominees should be unable to serve as a Director for any unforeseen reason, the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion.

<i>Name and office held with the Corporation</i>	<i>Principal occupation</i>	<i>Became Director</i>	<i>Number of shares of the Corporation beneficially owned</i>
*Ian D. Bayer <i>President</i>	President and Chief Executive Officer of the Corporation	1982	9,827
*Philip S. Cross <i>Executive Vice-President</i>	Executive Vice-President and Chief Operating Officer of the Corporation	1978	3,230
John P. Fisher	Chairman and Chief Executive Officer of Fraser Inc. (manufacturers of forest products)	1982	Nil
John A. Hall	Senior Vice-President — Mines of Noranda Mines Limited	1982	1,000
J. Oswald Hinds	Senior Vice-President — Exploration and Development of Noranda Mines Limited	1974	300
Gilbert Kerlin	Partner in the firm, Shearman & Sterling (attorneys-at-law)	1982	Nil
†*James W. McCutcheon, Q.C.	Partner in the firm, Shibley, Righton & McCutcheon (barristers and solicitors)	1975	200
† Donald G. Neelands, Q.C.	Company Director	1973	200
*Jean P. W. Ostiguy, O.C.	Honorary Chairman of Richardson Greenshields of Canada Limited (investment dealers)	1968	100
†*Alfred Powis	Chairman and Chief Executive Officer of Noranda Mines Limited	1969	2,569
*William S. Row <i>Chairman of the Board</i>	Chairman of the Board of the Corporation	1955	1,100
Donald E. G. Schmitt	Chairman of Pamour Porcupine Mines, Limited	1973	600

* Members of the Executive Committee † Members of the Audit Committee

NOTE: Information as to shares owned, as shown above, has been provided by the Directors individually.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

- The following table sets forth the aggregate remuneration paid or payable by the Corporation and its subsidiaries to its Directors and five Senior Officers in respect of the fiscal year ended December 31,

1983, and the estimated aggregate cost to the Corporation and its subsidiaries for that year of all pension benefits proposed to be paid to those Directors and Senior Officers under existing plans in the event of retirement at normal retirement age:

	<i>Nature of Remuneration</i>	
	<i>Aggregate remuneration</i>	<i>Estimated aggregate cost of pension benefits</i>
(i) Twelve Directors (in their capacity as such),		
(A) from the Corporation	<u>\$ 83,000</u>	—
(B) from partially-owned subsidiaries:		
Mogul of Ireland Limited	<u>\$ 461</u>	—
(ii) Five Senior Officers (includes highest paid employees) — from the Corporation	<u>\$ 544,185</u>	—

2. Under a share purchase plan established in 1970, the Corporation from time to time advances money by way of interest-free loan to a trustee to be applied in payment of the subscription price of treasury shares of the Corporation to be purchased by the trustee for sale to certain Officers and senior management employees, in accordance with the governing corporations law. In this regard, interest-free loans totalling \$494,025 were advanced to the trustee prior to 1983 to finance the purchase by the trustee of a total of 30,300 shares of the Corporation at then current market prices of \$16.75 per share and \$14.25 per share. A further amount of \$124,338 was advanced to the trustee in February 1984 to finance the purchase of 6,900 shares of the Corporation at the then current market price of \$18.02 per share. All of these shares were sold by the trustee to a total of nine key employees on the same terms, including price per share, as those on which they were acquired by the trustee. The trustee retains custody of the shares until payment is made by the employees to the trustee, which is required within a seven year period. During 1983 and 1984 to date, payments of \$50,250 were made by employees so that the total amount currently outstanding is \$568,113 against which the trustee holds 34,200 shares. This was also the largest aggregate amount outstanding since the beginning of 1983.
3. During 1983 and 1984 to date, Senior Officers of the Corporation purchased common shares of the Corporation pursuant to stock options granted to them in previous years by the Corporation, as follows:

<i>Quarter — 1983/1984</i>	<i>Total number of shares purchased</i>	<i>Purchase price per share</i>	<i>Price range of shares on Toronto Stock Exchange in 30 day period preceding purchase</i>
January-March 1983	1,250	\$11.53	\$19.375 - \$14.375
April-June 1983	1,075	\$12.02	\$19.375 - \$16.50

4. The Corporation maintains liability insurance for the benefit of the Corporation and its Directors and Officers as a group in the amount of \$10,000,000, and paid a premium of \$7,821 in respect of the fiscal year ended December 31, 1983 for this coverage. A deductible of \$50,000 applies to each loss under the company reimbursement section of the policy, and deductibles of \$10,000 apply to each Director or Officer for each loss to a maximum of \$20,000 for all Directors and Officers in respect of a particular loss.

APPOINTMENT OF AUDITORS

The persons named in the accompanying form of proxy intend to vote for the re-appointment of Messrs. Clarkson Gordon, Chartered Accountants, Toronto, as auditors of the Corporation to hold office until the close of the next Annual Meeting of Shareholders, and for the authorization of the Board of Directors of the Corporation to fix their remuneration.

NEW ONTARIO BUSINESS CORPORATIONS ACT

A new Ontario corporations statute, the Business Corporations Act, 1982 (the "New Act"), came into force on July 29, 1983 and now governs the Corporation. The New Act replaced the prior Business Corporations Act (the "Old Act") and has made numerous changes to the general corporate law applicable to the Corporation. The New Act adds some additional flexibility to procedures governing actions of shareholders and directors and grants some significant new rights to shareholders.

There is no requirement for the Corporation to take any steps to amend its Articles or by-laws in order to be in compliance with the New Act. Any valid provision in existing Articles, by-laws or special resolutions continues to be valid until July 29, 1984, and thereafter any provision not in conformity with the New Act will be deemed to be amended to the extent necessary to bring the terms of such provision into conformity with the New Act.

However, despite these transitional provisions of the New Act, the Board of Directors of the Corporation (hereinafter sometimes referred to as "the Board") believes that, as a matter of convenience and clarification, amendments should be made to the Articles and a new general by-law should be adopted to conform with the New Act.

Special Resolution "A" (see APPENDIX "A") is proposed with a view to making minor changes to the Articles of the Corporation in conformity with provisions of the New Act and also to permit greater flexibility in determining the number of Directors as permitted under the New Act. Special Resolution "B" (see APPENDIX "B") is proposed in connection with the proposed change to the number of Directors contained in Special Resolution "A". Additionally, the shareholders are asked to consider confirming a new general by-law in conformity with the New Act (see APPENDIX "C").

Special Resolution "A" (Amendments to Articles)

Paragraphs 1.1 and 1.2 of Special Resolution "A" would authorize the amendment of the Articles of the Corporation to delete a number of provisions which are unnecessary under the New Act. The proposed deletions are summarized as follows:

- (a) Paragraph 1.1 — the deletion of stated objects or purposes of the Corporation which were required under the Old Act but not under the New Act;
- (b) Paragraph 1.2 — the deletion of certain special provisions contained in the Articles as follows:
 - (i) the provision in the Articles determining the quorum for meetings of the Board (two-fifths of the number of Directors) is replaced by a provision to the same effect contained in the proposed new general by-law;
 - (ii) the provisions in the Articles regarding the location of meetings of the Board and any committees of the Board and meetings of the shareholders are replaced by provisions regarding these matters in the proposed new general by-law (see discussion under the heading "By-law No. 1 (New General By-law)");
 - (iii) the provision in the Articles authorizing payment of commissions in connection with share issuances is unnecessary in that the New Act grants authority to a corporation to pay a reasonable commission to any person in consideration of the acquisition of shares of the corporation; and
 - (iv) the New Act authorizes a corporation to purchase its own shares, subject to certain solvency requirements, unless its articles restrict such right, so that the provision to this effect in the Articles is unnecessary.

Paragraph 1.3 would authorize an amendment to the Articles of the Corporation to take advantage of the provision under the New Act which permits the articles of a corporation to provide for a variable number of directors within a range as set out in the articles. The Old Act required that the articles of a corporation provide for a fixed number of directors which could only be changed with the approval of the shareholders.

The number of Directors of the Corporation is currently 12, and paragraph 1.3 would authorize an

amendment to the Articles of the Corporation to provide for a number of Directors within a range of 8 to 20. The New Act provides that the number of Directors within the range shall be determined by special resolution, or by the Board of Directors if so empowered by special resolution.

The text of Special Resolution “A” is set forth in APPENDIX “A” to this Information Circular.

The Board of Directors recommends that shareholders vote for approval of Special Resolution “A”. To be approved at the meeting, Special Resolution “A” must be passed by a majority of at least two-thirds of the votes cast in respect thereof at the meeting. **Each proxy received by management on this matter will be voted for approval of Special Resolution “A” unless contrary instructions are indicated in the proxy.** If Special Resolution “A” is duly passed at the meeting, management of the Corporation intends to file Articles of Amendment giving effect thereto immediately following the meeting.

Special Resolution “B” (Fixing Number of Directors)

The New Act provides that, where the articles of a corporation provide for a minimum and maximum number of directors, the board of directors may, if authorized by special resolution, from time to time fix the number of directors to be elected at annual meetings and between annual meetings within a range as set out in the articles, and the board may fill any vacancies created by increases in the number of directors within such range. Such authority is subject to a statutory restriction that the board of directors may not, between annual meetings, increase the number of directors by more than one-third of the number of directors required to have been elected at the preceding annual meeting. Special Resolution “B” would empower the Board of Directors to fix the number of Directors from time to time, subject to the above-mentioned constraint, and to fix the number of Directors to be elected at each annual meeting of the Corporation. If Special Resolution “B” is approved, it is the present intention of the Board to fix the number of Directors at 12, the same number to be elected at the meeting.

The text of Special Resolution “B” is set forth in APPENDIX “B” to this Information Circular.

The Board of Directors recommends that shareholders vote for approval of Special Resolution “B”. To be approved at the meeting, Special Resolution “B” must be passed by a majority of at least two-thirds of the votes cast in respect thereof at the meeting. **Each proxy received by management on this matter will be voted for approval of Special Resolution “B” unless contrary instructions are indicated in the proxy.**

By-law No. 1 (New General By-law)

The shareholders will be asked to consider and, if thought fit, to confirm the Directors’ action in repealing the existing by-laws of the Corporation and making a new general by-law (“By-law No. 1”) of the Corporation. The Board has repealed such existing by-laws of the Corporation and enacted By-law No. 1 to take effect only upon confirmation by the shareholders of such repeal and enactment as required under the New Act.

The text of the resolution confirming the repeal of the existing by-laws and the enactment of By-law No. 1 is set forth in APPENDIX “C” to this Information Circular. This resolution includes the text of By-law No. 1.

By-law No. 1 would take advantage of the provisions of the New Act that enable simplification of, and greater flexibility in, a number of corporate procedures. For example, the New Act enables certain corporate procedures, such as the appointment of Officers and description of their duties, to be prescribed by standing resolutions of the Board of Directors rather than being contained in the Corporation’s by-laws, which may be amended only with shareholders’ approval. By-law No. 1 would also update certain corporate procedures.

The following are significant differences between By-law No. 1 and the Corporation’s former general by-law (the “Old By-law”):

1. Under the Old By-law, the quorum for the transaction of business at a meeting of shareholders was three or more persons present in person and entitled to vote thereat. Under By-law No. 1 a quorum for shareholders’

meetings will be three persons present in person and entitled to vote thereat and representing in the aggregate shares carrying not fewer than 20% of the votes entitled to be cast at the meeting. The Board considers the new quorum to be more appropriate in view of the number of shareholders of the Corporation.

2. Consistent with the proposed amendment to the Articles in Special Resolution "A" to delete the special provision regarding the location of meetings of shareholders, which takes advantage of the flexibility under the New Act, By-law No. 1 authorizes the Corporation to hold meetings of shareholders at any place that the Board determines. However, the Board has no present intention of changing the Corporation's practice of holding shareholders' meetings in Toronto.

3. The Old By-law provides for the indemnification of Directors and Officers to the extent permitted under the Old Act. By-law No. 1 would provide for the Corporation to indemnify its Directors and Officers, by way of insurance or otherwise, in accordance with the somewhat broader provisions of the New Act.

4. By-law No. 4 presently provides for the remuneration of Directors. As contemplated by the New Act, if the resolution is passed confirming By-law No. 1, the Directors' remuneration will be determined by the Board of Directors rather than by by-law. The Board has no present intention of changing the rate of remuneration.

The Board of Directors recommends that shareholders vote in favour of the resolution confirming the repeal of the existing by-laws and the enactment of a new general by-law of the Corporation. To be approved at the meeting, such resolution must be passed by a majority of the votes cast in respect thereof at the meeting. **Each proxy received by management on this matter will be voted in favour of such resolution unless contrary instructions are indicated in the proxy.**

OTHER BUSINESS

Management of the Corporation knows of no matters to come before the meeting other than the matters referred to in the Notice of Meeting. However, if matters not now known to management should properly come before the meeting, shares represented by proxies solicited by management will be voted on each such matter in accordance with the best judgment of the nominees voting same.

APPROVAL

The contents and the sending of this Information Circular have been approved by the Board of Directors of the Corporation.

Dated at Toronto, Ontario, this 23rd day of March, 1984.

A handwritten signature in dark ink, appearing to read "J.B. Sage", with a stylized flourish at the end.

JOHN B. SAGE
Secretary

APPENDIX "A"
Special Resolution "A"
(Amendment of Articles)

RESOLVED THAT:

1. The Articles of the Corporation be amended as follows:
 - 1.1 By deleting therefrom in its entirety paragraph 6 setting out the objects of the Corporation.
 - 1.2 By deleting therefrom the following provisions contained in paragraph 10 thereof:
 - "(1) THAT it shall not be necessary for a majority of the board of directors of the Corporation to constitute a quorum, but the quorum shall be two-fifths (2/5) of the board of directors;
 - (2) THAT meetings of the board of directors and the executive committee (if any) of the Corporation may be held at any place in or outside Ontario and meetings of the shareholders of the Corporation may be held at any place in Ontario;
 - (3) THAT the Corporation may pay commissions to persons in consideration of their subscribing or agreeing to subscribe, whether absolutely or conditionally, for shares in the Corporation, or procuring or agreeing to procure subscriptions whether absolute or conditional for such shares, but no such commission shall exceed twenty-five per cent (25%) of the amount of the subscription;
 - (4) THAT the Corporation may at any time and from time to time purchase any of its common shares; and"
 - 1.3 by renumbering subparagraph (5) of paragraph 10 as subparagraph (1) of paragraph 10.
2. Any one or more of the Directors and Officers be and they are hereby authorized and directed for and on behalf of the Corporation to execute all documents and do all other things necessary or desirable to carry out the foregoing, including, but not limited to, the preparation and delivery of appropriate articles of amendment pursuant to the Business Corporations Act, 1982 (Ontario).

APPENDIX "B"
Special Resolution "B"
(Determination of Number of Directors)

RESOLVED:

1. THAT, subject to the Articles of the Corporation being amended as provided in Special Resolution "A", the Board of Directors is empowered to determine, by resolution, the number of Directors within the range prescribed by the Articles of the Corporation and the number of Directors within such range to be elected at each meeting of the shareholders.

APPENDIX "C"
Resolution of the Shareholders
(New General By-law)

WHEREAS the Business Corporations Act, 1982 (the "New OBCA") came into force on July 29, 1983;
AND WHEREAS to conform with certain provisions of the New OBCA the Board of Directors has repealed all of

the existing by-laws of the Corporation and enacted a new general by-law, to take effect following confirmation of such actions by the shareholders of the Corporation;

BE IT RESOLVED THAT:

1. The repeal of By-laws Numbers 1, 2, 4 and 5 of the Corporation is confirmed; provided that such repeal shall not affect the previous operation of any by-laws so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any resolution passed or agreement made pursuant to any such by-law prior to its repeal.
2. The by-law attached hereto as SCHEDULE "A" is confirmed as By-law No. 1 of the Corporation.

SCHEDULE "A" TO APPENDIX "C"

By-law No. 1

A By-law to regulate generally the business and affairs of the Corporation

CONTENTS

Part 1	Interpretation
Part 2	Directors and Officers
Part 3	Shareholders
Part 4	Borrowing
Part 5	Execution of Documents

PART 1

INTERPRETATION

SECTION 1.01. **Definitions.** In this By-law and all other by-laws and resolutions of the Corporation, unless the context otherwise requires:

- (a) the following terms shall have the meanings specified:
 - (i) "Act" means the Business Corporations Act, 1982 (Ontario), or any statute which may be substituted therefor, as amended from time to time;
 - (ii) "Articles" means the articles of the Corporation, as amended or restated from time to time;
 - (iii) "Board" means the Board of Directors of the Corporation;
 - (iv) "Corporation" means Kerr Addison Mines Limited;
 - (v) "Director" means a member of the Board;
 - (vi) "meeting of shareholders" means an annual meeting of shareholders, or a special meeting of shareholders, or both, and includes a meeting of any class or series of any class of shareholders; and
 - (vii) "Officer" means an officer of the Corporation.
- (b) terms that are defined in the Act are used in this By-law with the same meaning; and
- (c) words importing the singular number shall include the plural number and vice versa, and words importing the masculine gender shall include the feminine and neuter genders.

PART 2

DIRECTORS AND OFFICERS

SECTION 2.01. Number of Directors. The minimum and maximum number of Directors of the Corporation shall be such as are from time to time set forth in the Articles. The number of Directors within such range shall be determined from time to time by special resolution or, subject to the provisions of the Act, by the Board if so empowered by special resolution.

SECTION 2.02. Election and Term. The Directors shall be elected at each annual meeting of shareholders to hold office until the next annual meeting or until their respective successors are elected or appointed. At any annual meeting every retiring Director shall, if qualified, be eligible for re-election.

SECTION 2.03. Quorum. Two-fifths of the number of Directors determined in accordance with this By-law from time to time shall constitute a quorum for the transaction of business at any meeting of the Board. If it is necessary to determine the number of Directors constituting a quorum at a time when one or more vacancies exist on the Board, such a determination shall be made as if such vacancies did not exist.

SECTION 2.04. Calling of Meetings. A meeting of the Board may be held at any time upon call by the Officer discharging the functions of Chief Executive Officer, any two Directors, or any other Officer so empowered by the Board.

SECTION 2.05. Place of Meetings. Each meeting of the Board shall be held at such place within or outside Ontario as may be determined by the person or persons calling the meeting.

SECTION 2.06. Notice. Except as hereinafter provided, notice of every meeting of the Board shall be given to each Director at least 48 hours prior to the meeting. Notwithstanding the foregoing:

- (a) no notice need be given of the first meeting of the Board subsequent to a meeting of shareholders at which Directors are elected if such Board meeting is held immediately following the meeting of shareholders; and
- (b) the Board may appoint a day or days in any month or months for regular meetings at a place and hour to be named; a copy of any resolution by the Board fixing the time and place of regular meetings of the Board shall be sent to each Director forthwith after being passed, but no other notice shall be required for any such regular meeting.

The accidental failure to give notice of a meeting of the Board to a Director or any error in such notice not affecting the substance thereof shall not invalidate any action taken at the meeting.

SECTION 2.07. Votes to Govern. Every question at a meeting of the Board shall be decided by a majority of the votes cast on the question. In the event of an equality of votes on any question at a meeting of the Board, the Chairman of the meeting shall be entitled to a second or casting vote.

SECTION 2.08. Presiding Officer. In the absence from any meeting of the Officer appointed to preside as Chairman at meetings of the Board, another Director designated by the meeting shall preside.

SECTION 2.09. Audit, Executive and Other Committees. The Board shall appoint annually from among its members an Audit Committee in accordance with the provisions of the Act. Subject to the provisions of the Act, the Board may from time to time appoint one or more other committees of Directors, including a committee designated as an Executive Committee, and delegate to such committee or committees any of the powers of the Board except those powers which, under the Act, a committee of Directors has no authority to exercise. Unless otherwise determined by the Board, each committee appointed by the Board shall have the power to elect its presiding Officer and to fix its rules of procedure, including the quorum for its meetings.

SECTION 2.10. Appointment of Officers. The Board may from time to time appoint Officers (one of whom shall be appointed to discharge the functions of Chief Executive Officer, one of whom shall be appointed to preside at

meetings of the Board, and one of whom shall be appointed to discharge the functions of Secretary), specify their duties, designate their titles and delegate to them such powers as the Board deems advisable and which are permitted by the Act to be so delegated. The Board may also from time to time appoint persons to serve the Corporation in such positions other than as Officers, with such titles and such powers and duties and for such terms of service, as the Board deems advisable. One person may hold or discharge the functions of more than one office or other position.

SECTION 2.11. Remuneration and Expenses. Each Director shall be remunerated for his services as a Director at such rate as the Board may from time to time determine. In addition, each Director shall be paid such sums in respect of the out-of-pocket expenses incurred by him in attending meetings of the Board, meetings of any committee of the Board of which he is a member, or meetings of shareholders, or otherwise incurred by him in connection with the performance of his duties as a Director, as the Board may from time to time determine. Nothing herein contained shall preclude any Director from receiving remuneration for serving the Corporation as an Officer or employee or in any other capacity.

SECTION 2.12. Indemnity and Insurance. Without limit to the right of the Corporation to indemnify any person to the full extent permitted by law, the Corporation shall indemnify a Director or Officer, a former Director or Officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a Director or Officer, or director or officer of such body corporate, if

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

PART 3

SHAREHOLDERS

SECTION 3.01. Annual and Special Meetings. The Board shall call an annual meeting of shareholders not later than 15 months after the holding of the last preceding annual meeting and may at any time call a special meeting of shareholders.

SECTION 3.02. Place of Meetings. Each meeting of shareholders shall be held at such place within or outside Ontario as the Board determines.

SECTION 3.03. Notice of Meetings. Notice of each meeting of shareholders shall be sent not less than 21 days nor more than 50 days before the meeting to each shareholder entitled to vote at the meeting, to each Director and to the auditors of the Corporation. The accidental failure to give notice of a meeting of shareholders to any persons entitled to notice thereof or any error in such notice not affecting the substance thereof shall not invalidate any action taken at the meeting.

SECTION 3.04. Persons Entitled to be Present. The only persons entitled to attend a meeting of shareholders shall be those persons entitled to vote thereat, the Directors, the auditors of the Corporation and any other persons who, although not entitled to vote at the meeting, are entitled or required under any provision of the Act, the Articles or any by-law of the Corporation to attend the meeting. Any other persons may be admitted to the meeting only on the invitation of the Chairman of the meeting or with the consent of the meeting.

SECTION 3.05. Quorum. At any meeting of shareholders, a minimum of three persons present in person and entitled to vote thereat and representing in the aggregate shares carrying not fewer than 20% of the votes entitled to be cast at the meeting shall constitute a quorum for the transaction of business.

SECTION 3.06. **Voting.**

- (a) Voting at any meeting of shareholders shall be by a show of hands except where, either before or after a vote by show of hands, a ballot is required by the Chairman of the meeting or is demanded by any person present and entitled to vote at the meeting. On a show of hands, each person present and entitled to vote on a show of hands at the meeting shall have one vote. On a ballot, each person present at the meeting and entitled to vote thereat shall, subject to the Act and the Articles, have one vote for each share in respect of which such person is entitled to vote. A ballot so required or demanded shall be taken in such manner as the Chairman of the meeting directs.
- (b) Unless otherwise required by the Act or the Articles, every question at a meeting of shareholders shall be decided by a majority of the votes cast on the question. In the event of an equality of votes on any question at a meeting of shareholders either upon a show of hands or upon a ballot, the Chairman of the meeting shall be entitled to a second or casting vote.
- (c) Subject to the Act and the Articles, where, after the date at which a list of shareholders entitled to receive notice of a meeting is prepared in accordance with the Act, a shareholder named in such list transfers any of his shares, the transferee of such shares shall be entitled to vote such shares at the meeting if, at any time before the meeting, the transferee
 - (i) produces properly endorsed share certificates, or
 - (ii) otherwise establishes that he owns such shares.

SECTION 3.07. **Representatives.** Upon filing proof of his appointment reasonably sufficient to the Chairman of a meeting of shareholders,

- (a) a person who holds shares as a personal representative, or
- (b) an individual who has been duly authorized to represent at the meeting a shareholder which is a body corporate or an association,

shall be entitled to vote at the meeting in respect of the shares in respect of which such person has been appointed.

SECTION 3.08. **Joint Shareholders.** Where two or more persons are registered jointly as the holders of shares of the Corporation,

- (a) any one of such persons may give a receipt on behalf of them for a share certificate that is issued in respect of their shares, or for any dividend that is paid in respect of their shares, or for any warrant or other evidence of a right to subscribe for securities of the Corporation that is issued in respect of their shares, or for any evidence of the rights in respect of any conversion, exchange or other change in the share capital of the Corporation that is issued in respect of their shares; and
- (b) any one of such persons present in person or represented by proxy at a meeting of shareholders and entitled to vote thereat may, in the absence of the other or others, vote their shares as if he were solely entitled thereto, but, if more than one of such persons is so present or represented, that one of such persons whose name stands first in the Corporation's share register shall be entitled alone to vote in respect of such shares.

For the purposes of this section, several personal representatives of a shareholder in whose names shares of the Corporation are registered shall be deemed to hold such shares jointly.

SECTION 3.09. **Presiding Officer and Secretary.** The Officer discharging the functions of Chief Executive Officer or, in his absence, a Director designated by the Board or, if the Board shall fail to do so, by the meeting, shall preside as Chairman at a meeting of shareholders. If neither the Officer discharging the functions of Chief Executive Officer nor any Director is present within thirty minutes after the time appointed for the holding of a meeting of shareholders, the shareholders present shall choose a shareholder then present to

be Chairman of the meeting. The Secretary of the Corporation or, in his absence, such other person as the Chairman of the meeting may appoint shall act as Secretary of the meeting.

SECTION 3.10. Scrutineers. At any meeting of shareholders, the Chairman of the meeting may appoint one or more persons, who may but need not be shareholders, to serve as scrutineers at the meeting.

SECTION 3.11. Dividends. A dividend payable to any shareholder

- (a) in cash may be paid by cheque payable to the order of the shareholder, or
- (b) in shares may be paid by a share certificate in the name of the shareholder,

and, if mailed to such shareholder, shall be mailed by prepaid ordinary or air mail in a sealed envelope addressed (unless he has directed otherwise) to him at his address as shown in the Corporation's share register. The mailing of such cheque or share certificate, as the case may be, unless in the case of a cheque it is not paid on due presentation, shall discharge the Corporation's liability for the dividend to the extent of the sum or number of shares represented thereby plus the amount of any tax which the Corporation has properly withheld. In the event of the non-receipt of any such dividend cheque or share certificate, as the case may be, the Corporation shall issue to the shareholder a replacement cheque or share certificate, as the case may be, for the same amount or number of shares on such reasonable terms as to indemnity and evidence of non-receipt as the Board, or any Officer or agent designated by the Board, may require.

PART 4

BORROWING

SECTION 4.01. Authority. Without limit to the powers of the Board as provided in the Act, the Board may from time to time on behalf of the Corporation:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell or pledge debt obligations of the Corporation;
- (c) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

SECTION 4.02. Delegation. The Board may delegate to one or more Directors or Officers all or any of the powers conferred by the foregoing provisions to such extent and in such manner as the Board shall determine at the time of each such delegation.

PART 5

EXECUTION OF DOCUMENTS

SECTION 5.01. The Board may from time to time determine the Officers or other persons by whom certificates, contracts or other documents of the Corporation shall be executed and the manner of execution thereof, including the use of printed or facsimile reproductions of any or all signatures and the use of a corporate seal or a printed or facsimile reproduction thereof.

ENACTED by the Board of Directors the 17th day of February, 1984.

KERR ADDISON MINES LIMITED

P.O. Box 91, Commerce Court West
Toronto, Ontario
M5L 1C7

FORM OF PROXY SOLICITED BY MANAGEMENT

FOR USE AT THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF KERR ADDISON MINES LIMITED TO BE HELD ON THE 9th DAY OF MAY, 1984, AND AT ANY ADJOURNMENTS THEREOF.

The undersigned shareholder of KERR ADDISON MINES LIMITED hereby appoints W. S. ROW, Chairman of the Board, or, failing him, IAN D. BAYER, President, or, failing both of them, JOHN B. SAGE, Secretary, or, in lieu of the foregoing,, as nominee of the undersigned to attend and act for and on behalf of the undersigned at the Annual and Special Meeting of the Shareholders of the Corporation to be held on May 9, 1984 and at any adjournments thereof, and to vote at the meeting or adjournments on the matters listed below.

The shares represented by this Proxy will be voted or withheld from voting in accordance with the directions indicated below. **IF NO CHOICE IS SPECIFIED IN RESPECT OF A MATTER BELOW, THIS PROXY WILL BE VOTED IN FAVOUR OF SUCH MATTER.**

FOR ☐ WITHHOLD FROM VOTING ☐

In respect of the election as Directors of the nominees listed in the accompanying Information Circular.

FOR ☐ WITHHOLD FROM VOTING ☐

In respect of the reappointment of Messrs. Clarkson Gordon, Chartered Accountants, as auditors of the Corporation and the authorization of the Directors to fix their remuneration, as described in the accompanying Information Circular.

FOR ☐ AGAINST ☐

The approval of Special Resolution "A" to amend the Articles of the Corporation and change the authorized number of Directors, as described in the accompanying Information Circular.

FOR ☐ AGAINST ☐

The approval of Special Resolution "B" authorizing the Board of Directors to fix the number of Directors, as described in the accompanying Information Circular.

FOR ☐ AGAINST ☐

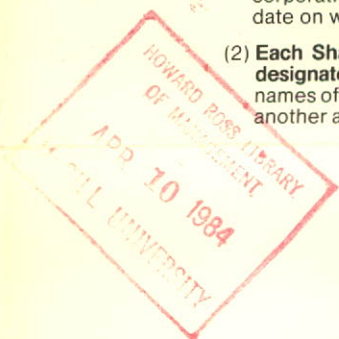
The confirmation of the repeal of the existing by-laws and the enactment of By-law No. 1 as a new general by-law of the Corporation, as described in the accompanying Information Circular.

DATED this day of, 1984.

.....
Signature of Shareholder

NOTES: (1) This Proxy should be dated and signed by the Shareholder or his attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized person. If not dated in the space provided, this Proxy will be deemed to bear the date on which it was mailed by Management.

(2) Each Shareholder has the right to appoint a person (who need not be a Shareholder) other than any of the persons designated above to attend and act for him and on his behalf at the meeting. Such right may be exercised by striking out the names of the persons designated and inserting in the blank space provided the name of such other person or by completing another appropriate form of Proxy and, in either case, delivering the completed Proxy to the Secretary before the meeting.



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/M MCGILL UNIVERSITY
ATT HOWARD ROSS LIBRARY OF MGMT
1001 SHERBROOKE ST W
MONTREAL QUE H3A 1G5

S.

William S. Row

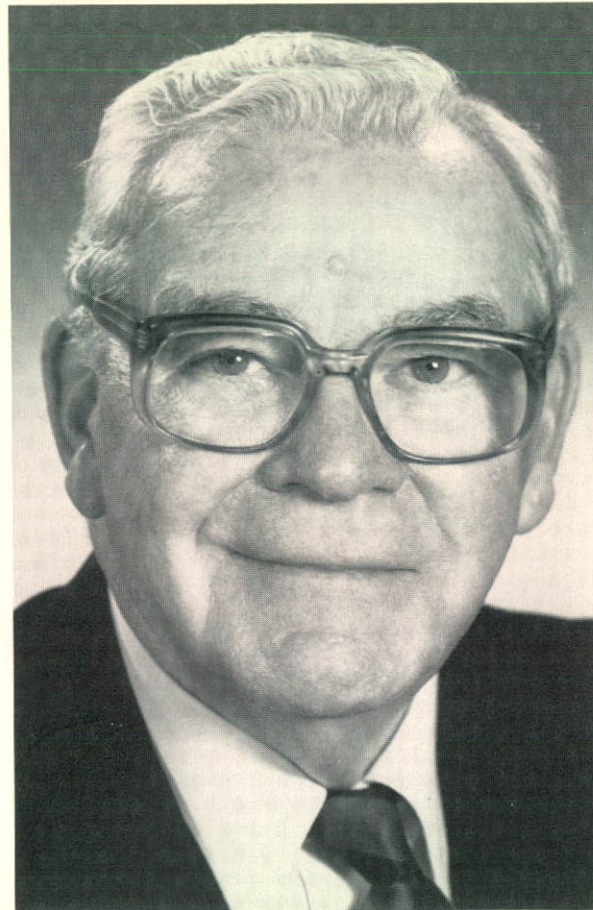
Bill Row, formerly President and Chairman of the Board of Kerr Addison Mines Limited, passed away suddenly on November 12, 1984 at the age of 80. He had been a vital force in shaping the policy and philosophy of Kerr Addison for over 47 years.

Born in the town of Curries, Ontario, he received his early education at Woodstock Collegiate Institute and, later, graduated from McGill University with a B.Sc. in mining engineering in 1927. Over the following 10 years, he worked at the Cerro de Pascoe Copper mine in Peru, South America, the Inco Frood Mine at Sudbury, Ontario and at the Lake Shore Gold Mine at Kirkland Lake, before moving to Virginiatown as Manager of the developing Kerr-Addison Gold Mine in 1937. In that capacity, he successfully placed the mine in production and was directly responsible for its operation until 1955, at which time he became a Director and Executive Vice-President of the Company. After moving to Toronto, he was elected President in 1958 and held that position until he became Chairman of the Board in 1967.

During that period, he had also been elected a Director and Vice-President of Noranda Mines Limited in 1960 and became its Executive Vice-President in 1965 and its Chairman in 1974. He retired as Noranda's Chairman in 1977 but continued as a Director until 1979.

Bill was a Past President of the Mining Association of Canada and of the Ontario Mining Association, and in 1977 he was awarded the Inco Medal by the Canadian Institute of Mining and Metallurgy. The CIM's citation accompanying that award was particularly appropriate to Bill Row: "In recognition of the 'Hard Rock Miner' qualities he brought to the job of providing leadership in the formative years of Kerr Addison and Mattagami Lake Mines as well as in the whole Noranda organization."

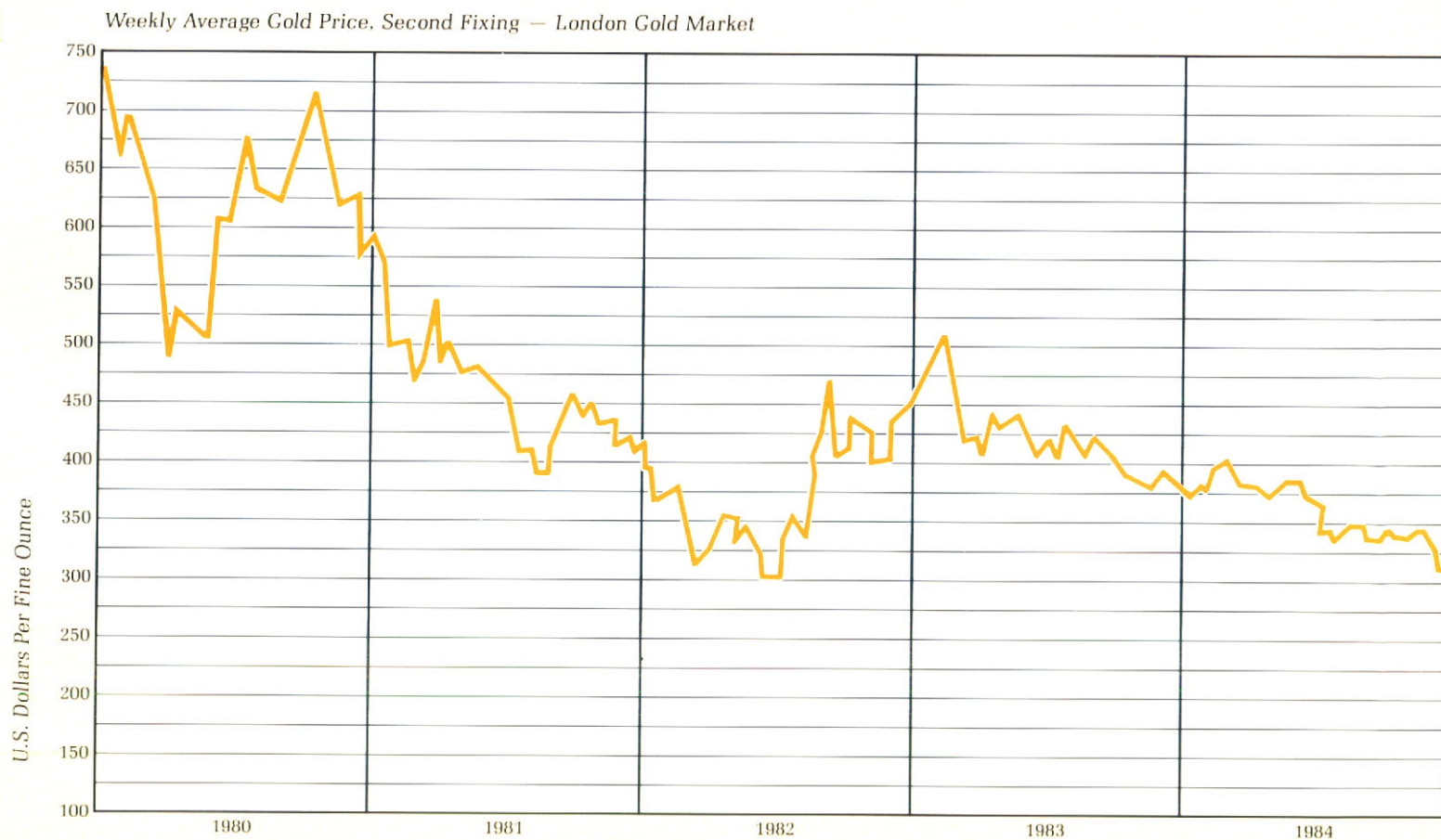
Mr. Row retired as Chairman of Kerr Addison in May 1984, but continued on the Board as an able contributor and adviser. In the past few years, he had meticulously assembled and edited the recently completed history of Kerr Addison. He was an extraordinary person who, aside from having outstanding ability, exemplified the qualities of leadership, hard work, common sense, loyalty and above all, integrity. He will be truly missed by all of us.



Financial Summary:

	1984	1983	1982	1981	1980
Millions of Dollars					
Production revenue	\$ 48.7	\$ 47.5	\$ 55.0	\$ 67.6	\$ 69.8
Net income	17.8	16.9	9.1	46.0	47.3
Working capital	26.0	49.9	51.1	21.7	23.7
Long-term debt	40.0	70.0			
Shareholders' equity	361.4	351.9	345.0	206.6	165.5
Dollars Per Share					
Net income	\$ 1.04	\$ 0.99	\$ 0.89	\$ 4.90	\$ 5.07
Dividends declared	.60	.60	.60	.60	.40

The Gold Picture:



Kerr Addison Mines Limited

DIRECTORS:

*Ian D. Bayer
President & Chief Executive Officer
Kerr Addison Mines Limited

Jack L. Cockwell
Executive Vice-President
Brascan Limited

*P. S. Cross
Executive Vice-President &
Chief Operating Officer
Kerr Addison Mines Limited

John P. Fisher
Chairman & Chief Executive Officer
Fraser Inc.

J. A. Hall
Senior Vice-President — Mines
Noranda Inc.

J. O. Hinds
Senior Vice-President —
Exploration & Development
Noranda Inc.

Gilbert Kerlin
Partner
Shearman & Sterling

†*James W. McCutcheon, Q.C.
Partner
Shibley, Righton & McCutcheon

†D. G. Neelands, Q.C.
Company Director

*J. P. W. Ostiguy, O.C.
Honorary Chairman
Richardson Greenshields of Canada Limited

†*Alfred Powis, O.C.
Chairman & Chief Executive Officer
Noranda Inc.

D. E. G. Schmitt
Director
Pamour Porcupine Mines, Limited

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

OFFICERS:

James W. McCutcheon, Q.C.
Chairman of the Board

Ian D. Bayer
President & Chief Executive Officer

P. S. Cross
Executive Vice-President &
Chief Operating Officer

D. A. Lowrie
Vice-President — Exploration

A. H. Cross
Treasurer

J. B. Sage
Secretary

OPERATIONS:

J. K. Carrington
Manager of Operations

The Kerr Addison Mine
D. S. Douglass, Manager

HEAD OFFICE AND EXPLORATION OFFICE:

P.O. Box 91
Commerce Court West
Toronto, Ontario
M5L 1C7

TRANSFER AGENT AND REGISTRAR:

Canada Permanent Trust Company,
Toronto, Ontario

CO-TRANSFER AGENT:

Registrar & Transfer Company,
Cranford, New Jersey and New York, N.Y.

ANNUAL MEETING OF SHAREHOLDERS:

Monday, April 29, 1985, 11:30 a.m.
in Commerce Hall, Commerce Court West,
King and Bay Streets,
Toronto, Ontario.

Directors' Report to the Shareholders

The past year was a particularly difficult one for the Canadian mining and natural gas industries, which are Kerr Addison's principal business lines. Following a recovery in metal markets during the first quarter of 1984, prices in Canadian dollars declined over the balance of the year and most sectors of the mining industry are continuing to struggle and restructure. Precious metal prices also fell during the year, under pressure from the strong U.S. dollar, high real interest rates and lower inflation levels which partly reflected weakening world oil prices. The Canadian natural gas industry was in the process of adjusting to deregulation in the United States, its principal export market. The decision of the Canadian government to move from a fixed to a more competitive flexible export price for natural gas, effective November 1, 1984, resulted in increased export volumes in late 1984, but gas prices have decreased and remain under pressure. This environment had a negative impact on the Company's financial results in 1984. Although net income increased slightly over 1983, the quality of earnings deteriorated. Net income for 1984 was \$17.8 million, or \$1.04 per share, compared to earnings of 99 cents per share in 1983. Gains from the sale of investments increased to \$12.1 million, whereas profits from operations and investments declined to \$5.7 million, or approximately 50% of the results achieved in the previous year.

Gold production from the Kerr Addison mine at Virginiatown, Ontario, was 42,000 ounces, similar to 1983. However, the mine incurred an operating loss during the second half of 1984, and operating profit before depreciation, amortization and income and production taxes was only \$0.3 million, compared to \$5.1 million in 1983. This reduction was due to lower gold prices, which had declined to \$300 U.S. per ounce by year end, and the reduced grade of ore milled. The current level of gold prices has placed the remaining reserves into the marginal category.

The Canadian Electrolytic Zinc reduction plant at Valleyfield, Quebec, in which this Company has a 9.8% joint venture interest, had an excellent year in 1984. Total zinc slab production was 246,000 tons, or 97% of capacity. Zinc markets were firm and the new acid plant facilities contributed to higher earnings. The operating profit to Kerr Addison was \$7.2 million, a substantial increase over the profit of \$3.3 million recorded in 1983.

Kerr Addison's direct involvement in the oil and gas industry includes a 13% joint venture interest in Canadian Hunter Exploration Ltd. and a 32.6% equity interest in Anderson Exploration Ltd. Both companies are headquartered in Calgary, are major natural gas producers and have their principal

producing properties and gas plants located in northwestern Alberta. During 1984, natural gas deliveries by Canadian Hunter and Anderson Exploration were limited to 50% and 40% respectively of daily contracted quantities, due to surplus supplies and weak export markets.

Canadian Hunter's production revenues increased slightly over 1983, as increased oil and liquids production offset a small decline in natural gas sales. Kerr Addison's share of Hunter's daily production averaged 14 million cubic feet of natural gas and 200 barrels of oil and liquids. Operating profit was \$12.9 million, a reduction of \$0.2 million from 1983 due to lower Alberta royalty tax credits.

Natural gas sales by Anderson Exploration were severely restricted, as the regulated export price was too high to be competitive in northern California. Anderson's principal market. Although this situation was relieved late in 1984, Anderson's total production declined to a daily average of 46 million cubic feet of natural gas and 1,200 barrels of oil and liquids. Kerr Addison's share of Anderson's loss was \$2.6 million, the first full year since this Company acquired an equity interest in Anderson in late 1983. Anderson's cash flow from operations, after deducting interest costs, was \$18 million, which, together with \$9

million of take-or-pay payments, brought the total 1984 cash flow to \$27 million.

Noranda Inc., which is now 9.5% owned by Kerr Addison, incurred a loss of \$4.5 million, or 32 cents per share after preferred dividends, compared to a restated loss of 50 cents per share for the previous year. Generally low product prices, together with the high value of North American currencies prevented Noranda from returning to profitability for 1984. Although Kerr Addison received \$6.6 million in dividends during 1984 from its investment in the common shares of Noranda, only 50% or \$3.3 million was permitted to be included in earnings, due to accounting rules. The remaining \$3.3 million was credited to the Company's investment in Noranda.

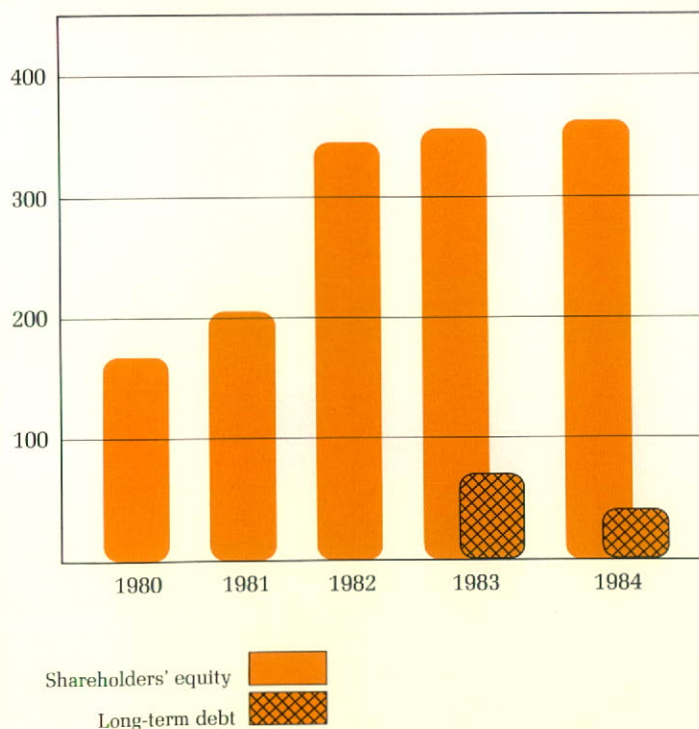
Kerr Addison's cash flow totalled \$56 million in 1984, \$42 million from the sale of marketable investments and \$14 million from operations. Expenditures on property, plant and equipment increased to \$13 million, reflecting increased activity at Canadian Hunter. Hunter expended the initial funds to earn a 15% working interest in the Primrose heavy oil pilot project in east central Alberta and is in the process of constructing facilities to recover natural gas liquids at both the Elmworth and Wapiti natural gas fields. Dividend payments to shareholders amounted to 60 cents per share, similar to 1983. The Company repaid \$30 million of debt, reducing long-term debt to \$40 million at December 31, 1984. Working capital of \$26 million and a debt to equity ratio of 1:9 maintains the Company in a strong financial position.

Canadians are looking forward with a great deal more confidence following the election of the federal Progressive Conservative Government in the fall of 1984. The government intends to provide a new direction for the country by taking a long-term view of economic policy. A comprehensive new energy policy is being negotiated and the petroleum industry anticipates a major overhaul of the National Energy Programme, including the phasing out of the Petroleum and Gas Revenue Tax and Petroleum Incentive Payments.

High interest rates continue to restrain the growth of the fragile Canadian economy. If the interest rate differential relative to the United States were eliminated, economic activity and new investment would be more vigorous. The Canadian dollar has been very strong in relation to the currencies of most other industrialized nations. Although lower interest rates may result in an initial decline in the Canadian dollar, a stronger economy would contribute to a higher Canadian currency in the medium and long term.

Kerr Addison's heavy dependency on the currently oversupplied North American natural gas markets should diminish over the next few years. Canadian Hunter expects that the production of oil and liquids will increase substantially with further development associated with late 1984 conventional oil discoveries, the bringing on stream of the two Deep Basin natural gas liquids recovery plants in mid 1985 and the commercial start-up in 1986 of the first stage of the Primrose heavy oil project. Anderson Exploration has been placing increased emphasis on conventional oil exploration and is currently seeking approval to build natural gas liquids extraction facilities at the Dunvegan field. Both Canadian Hunter and Anderson anticipate increased natural gas deliveries in 1985, although natural gas from existing contracted Canadian

Debt/Equity
millions of dollars



fields is expected to exceed demand throughout most of this decade.

Kerr Addison has been placing increased emphasis on mineral exploration to supplement and replace its limited mineral reserve position. Also, the continuing search for opportunities to acquire quality mineral reserves is being stressed. Mineral exploration expenditures increased to \$6.3 million in 1984 and an active programme is planned for 1985. The Company examined and evaluated a large number of mining properties in Canada and the western United States during 1984. The hard realities of the industry made it difficult to find acquisition candidates that met the Company's economic standards. This search continues, and to provide even greater financial flexibility, the Company intends to further reduce long-term debt in 1985.

The Directors regret having to report the loss in November 1984 of Mr. William S. Row who had continued as a Director following his retirement in May 1984 as Chairman of the Board. Our tribute to this great gentleman, truly "Mr. Kerr Addison", is printed at the beginning of this report. Mr. James W. McCutcheon, Q.C., who has been a Director of Kerr Addison since 1975, was elected Chairman of the Board in May, a position for which he is well-qualified. In October, Mr. Jack L. Cockwell was appointed a Director of the Company, and it is a pleasure to welcome

him to this position. Mr. Cockwell is Executive Vice-President and a Director of Brascan Limited and is also a Director of Noranda Inc.

On behalf of the Directors, it is a pleasure to acknowledge the continuing loyalty and diligence of all of the employees of this Company during the past year.

On behalf of the Board,



Ian D. Bayer
President and
Chief Executive Officer

Toronto, Canada
February 26, 1985

Kerr
Addison
Mines
Limited

Report on Mining Operations

THE KERR ADDISON MINE

Total throughput of ore in 1984 at the Kerr Addison gold mine in Virginiatown, Ontario, was 382,320 tons at an average daily rate of 1,047 tons. Of this total, 378,530 tons were produced from the Kerr mine with a grade of 0.114 ounces of gold per ton and 3,790 tons were ores treated for another producer on a custom toll basis. The tonnage of Kerr ore milled increased 14% over 1983 but the grade decreased 12%. Gold recovery was 97.22% compared to 97.77% in 1983. Precious metal production from Kerr ore amounted to 42,063 ounces of gold and 1,758 ounces of silver having an overall realized value of \$19.5 million or \$51.47 per ton milled. The average price per ounce received for the year was \$468 Canadian, compared to \$521 Canadian for 1983. As the price of gold decreased during the year, the availability of gold ores from other producers for custom milling declined, as evidenced by the substantial reduction from the 64,897 tons of custom ores treated in 1983.

During 1984, 2,378 feet of drifting and raising were completed compared to 5,333 feet in 1983. All of this work was either for stope development or mining of isolated pods of ore and accounted for 3.5% of the total ore mined. With the decline in the price of gold, no development of low grade, bulk tonnage ore blocks was done, although intermittent production came from some previously developed blocks.

Mining operations were conducted over the length and depth of the developed workings, with nine different ore zones being mined between the 800 foot and 4,200 foot levels. The internal No. 4 shaft workings produced 12% of the total tons mined, a decrease from 19% in the previous year. Tonnage mined by mining method during 1984 was 18% from square set stopes, 27% from cut and fill stopes and 52% from shrinkage and blasthole stopes.

Carbonate ore zones provided 66% of the tonnage mined at a grade of 0.076 ounces per ton with flow ore zones making up the balance with a grade of 0.173 ounces per ton. As the better grade flow ores are depleted, the proportion of lower grade, carbonate tonnage will continue to increase.

Operating costs per ton milled decreased by 4% from 1983 primarily due to the higher tonnage of ore mined and treated. However, costs per ounce of gold produced increased 9% due to the lower grade of ore mined. Combined labour and material costs increased by 7% during 1984.

At year end, mineable ore reserves, with allowance for dilution, in the proven and probable categories at the Kerr mine were 607,608 tons at an average grade of 0.109 ounces of gold per ton, compared to 927,903 tons at a grade of 0.121 ounces of gold per ton at December 31, 1983. Some of these reserves may prove to be uneconomical if current gold prices persist.

The total number of mine employees at year end was 374, a decrease of 19 from the previous year. A layoff of a further 38 employees was announced in early January of 1985. A 27-month labour agreement which includes a wage freeze for the first nine months and an aggregate increase of 5.1% over

the remaining 18 months was ratified by the hourly employees in November 1984. The accident frequency per 200,000 manhours was 5.2 compared to 4.5 for all Ontario gold mines and 1.8 for the Kerr mine in 1983.

To the end of 1984, the Kerr mine had produced 10,127,368 ounces of gold and 558,395 ounces of silver from the milling of 37,148,066 tons of ore with an average recovered grade of 0.273 ounces of gold per ton since production commenced in May 1938.

ENVIRONMENTAL

Work progressed throughout the year on the rehabilitation of three closed down mining properties in accordance with plans approved by environmental regulatory agencies.

At the Agnew Lake property near Sudbury, Ontario, the reclamation of the tailings basin and surface leach pile areas was completed with the entire area being revegetated. The buildings and equipment were sold and are currently being removed from the property with completion expected by year-end.

Rehabilitation of the site of the old Normetal mine in northwest Quebec continued with completion planned in 1985. More than 150 acres have been graded, covered with soil and vegetated over the last four years.

At the Blue Hill mine site in the State of Maine, the five year programme for the reclamation of the 100 acre tailings area, mine site and gravel borrow-pits was completed. All buildings and equipment have been removed. At year-end, negotiations were underway for the sale of six dwellings and the townsite.

Provision for the estimated cost of completing these programmes and the eventual closure of the Kerr mine at Virginiatown, Ontario has been made on the Company's balance sheet.

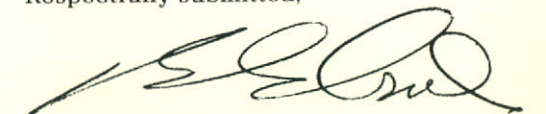
EXPLORATION

The search for minerals in 1984 was directed primarily towards gold deposits with lesser emphasis on uranium and lead-zinc-silver mineralization.

Expenditures in Canada and the United States increased from \$4.6 million in 1983 to \$6.3 million in 1984. Approximately 62% was expended on exploration in Ontario and Quebec. A total of 71,400 feet of diamond drilling and 1,150 line miles of geophysical survey were completed on 33 properties in Ontario, Quebec, Saskatchewan and British Columbia.

In excess of 200 properties and submissions were examined, explored and evaluated. Twenty-five studies were conducted on development and mining operations resulting in several acquisition proposals.

Respectfully submitted,



P. S. Cross
Executive Vice-President and
Chief Operating Officer

Toronto, Ontario
February 26, 1985

Report on Gas and Oil Investments

Kerr Addison's investment in the gas and oil industry, initiated in 1977, now totals \$167 million, representing 38% of the Company's assets. This investment is comprised of a 13% joint venture interest in Canadian Hunter Exploration Ltd., a 32.6% equity ownership in the common shares of Anderson Exploration Ltd., and an 8% joint venture interest in American Hunter Exploration Ltd.

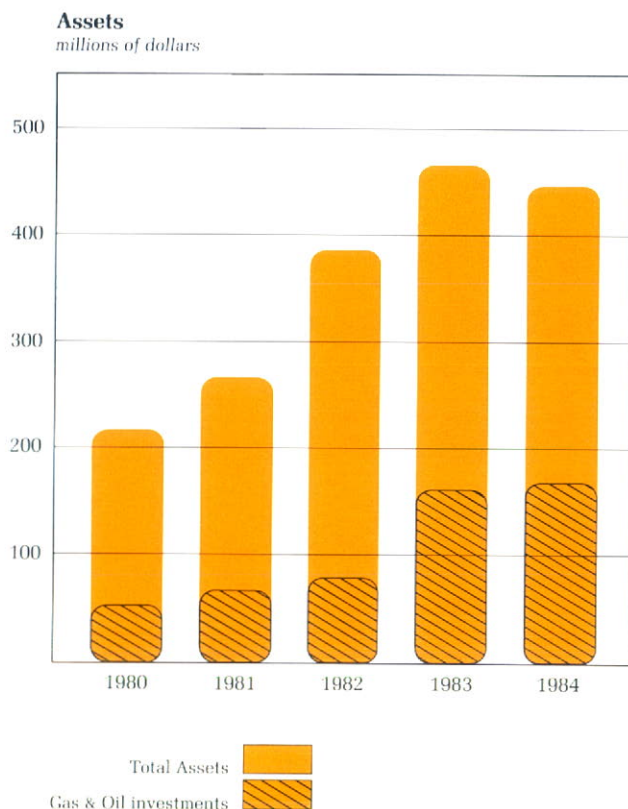
CANADIAN HUNTER

Canadian Hunter's principal assets are its extensive land position and developed gas reserves in the Elmworth and Wapiti contract areas in northwestern Alberta. Its gas production is contracted primarily to TransCanada Pipelines, which supplies natural gas to the eastern Canadian and mid-western United States markets. TransCanada's

nominations averaged about 50% of contracted quantities during 1984, reflecting the large surplus of natural gas overhanging its principal markets. As a result, Kerr Addison's share of Canadian Hunter's average gas sales was 14 million cubic feet per day, down 6% from 1983. Crude oil and liquids production averaged 200 barrels per day.

The Company's expenditures on Hunter's properties and projects totalled \$10.6 million in 1984. This increase partly reflects the initial costs of the Primrose heavy oil pilot project in east central Alberta, in which Canadian Hunter is earning a 15% interest. The pilot plant has been performing better than anticipated, and the operator is expected to apply shortly for approval to build a 25,000 barrel per day commercial project. The first production stage at 5,000 barrels per day could be on stream in 1986, with full production by the end of this decade.

The ethane and heavier liquids extraction facilities at the Elmworth and Wapiti gas fields were under construction at year end. Elmworth is expected to come on stream in April, and Wapiti to follow in June 1985. Pipeline facilities to move these liquids to market should be available in May 1985.



Drilling activity was increased in 1984 to evaluate prospects that had been developed over the past three years. Canadian Hunter participated in the drilling of 74 exploratory and development wells, resulting in 17 oil wells and 17 gas wells. Canadian Hunter's land position at December 31, 1984 totalled 1.9 million net acres. American Hunter has limited production revenues at this time, but has land holdings of 1.6 million net acres.

ANDERSON EXPLORATION

Kerr Addison acquired a 32.6% equity interest in Anderson Exploration Ltd. in late 1983. Anderson is the operator and holds a 47.5% interest in the Dunvegan gas contract area in northwestern Alberta. It is primarily a natural gas producer, with gas sales accounting for 80% of production revenues. Most of its production is contracted to Alberta and Southern Gas Co. Ltd., which supplies natural gas to the large northern California market.

During the past three years, the Canadian government's mandated price for Canadian gas at the U.S. border became progressively higher than competing suppliers, as the price of natural gas from U.S. sources available to California declined. This pricing discrepancy reached its peak in 1984, and Alberta and Southern's nominations averaged only 40% of contracted quantities. As a result, Anderson's average daily production declined to 46 million cubic feet of natural gas and 1,200 barrels of oil and liquids. However, production levels have increased since November 1984, following the Federal Government's move to more competitive export pricing for natural gas.

Anderson's expenditures on exploration and development totalled \$16 million in 1984, including participation in 67 working interest wells, 43 operated by the company and 24 by other operators. This drilling resulted in 37 oil wells and 15 gas wells. During the year, three small gas-handling facilities were installed, two in eastern Alberta in which Anderson's interest is 100%, and one in the Peace River area in which its interest is 55%. Two more gas-handling facilities are under construction in the Peace River area to accommodate gas production under a new sales contract to supply an enhanced heavy oil project in Alberta. A major expansion of the Manyberries oil handling facility in southern Alberta was completed to service production from the increased number of wells in the area. Also, Anderson has applied to the Alberta Energy Resources Conservation Board for approval to construct ethane and heavier liquids extraction facilities at Dunvegan. Agreements for the sale of these liquids are nearing completion. At December 31, 1984, Anderson's total land holdings in Canada amounted to 636,000 net acres.

RESERVES

Set out below is a summary of Kerr Addison's interests in the proven and probable reserves, before royalty, of Canadian Hunter as at December 31, 1984 and of Anderson Exploration as at September 30, 1984, Anderson's fiscal year end. The Canadian Hunter numbers represent this Company's undivided interest in its reserves, while the Anderson figures reflect Kerr Addison's indirect 32.6% share of that company's reserves.

	Canadian Hunter	Anderson Exploration	Total
Natural Gas (billions of cubic feet)			
Proven	129	147	276
Probable	79	62	141
Total	<u>208</u>	<u>209</u>	<u>417</u>
Oil and Natural Gas Liquids (millions of barrels)			
Proven	6.3	1.7	8.0
Probable	5.6	.9	6.5
Total	<u>11.9</u>	<u>2.6</u>	<u>14.5</u>

In addition, Kerr Addison's share of Canadian Hunter's proven and probable heavy oil reserves was 2.3 million barrels at December 31, 1984.

Toronto, Ontario
February 26, 1985

Consolidated Statement of Operations

For the year ended
December 31, 1984
(with comparative
figures for the year
ended December 31, 1983)
(in thousands of dollars)

	1984	1983
Operations:		
Value of production	\$48,720	\$47,450
Cost of production	28,357	25,960
	20,363	21,490
Dividends and interest income (note 1(b))	6,172	5,864
	26,535	27,354
Deduct:		
Administrative and general expenses	1,376	1,284
Outside exploration expenses	6,328	4,576
Depreciation and amortization	3,253	3,353
Interest on long-term debt	5,857	1,283
	16,814	10,496
Profit from operations before tax	9,721	16,858
Income and production taxes (note 8)	1,463	4,745
Profit from operations	8,258	12,113
Less share of loss of Anderson Exploration Ltd.	2,595	319
Profit before the following	5,663	11,794
Reduction in provision for mine closures (net of tax of \$1,399) (note 6)		2,897
Gain on disposal of investments and other assets (net of tax of \$1,189; \$378 in 1983)	12,114	2,228
Net income for the year	\$17,777	\$16,919
Net income per share (based on the weighted average number of shares outstanding 1984 — 17,152,164; 1983 — 17,114,896)	\$1.04	\$0.99

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Retained Earnings

For the year ended
December 31, 1984
(with comparative
figures for the year
ended December 31, 1983)
(in thousands of dollars)

	1984	1983
Retained earnings, beginning of year	\$173,956	\$167,318
Add net income for the year	17,777	16,919
	191,733	184,237
Deduct dividends (\$0.60 per share in each year)	10,292	10,281
Retained earnings, end of year	\$181,441	\$173,956

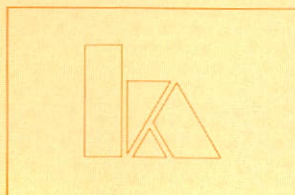
(See accompanying notes to consolidated financial statements)

Auditors' Report

To the Shareholders of
Kerr Addison Mines Limited:

We have examined the consolidated balance sheet of Kerr Addison Mines Limited as at December 31, 1984 and the consolidated statements of operations, retained earnings and changes in cash for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and the changes in its cash for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Clarkson Gordon

Chartered Accountants

Toronto, Canada,
February 15, 1985.

**Kerr
Addison
Mines
Limited**

(Incorporated under the laws of Ontario)

**Consolidated
Balance Sheet**

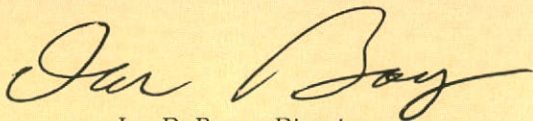
December 31, 1984
(with comparative figures
at December 31, 1983)
(in thousands of dollars)

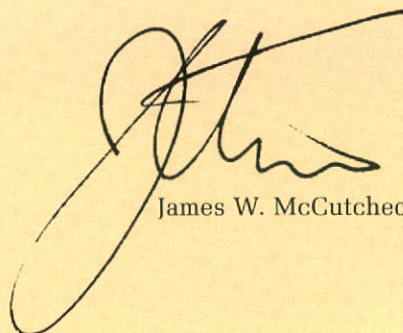
ASSETS	1984	1983
Current:		
Cash, term deposits and short-term notes	\$ 3,397	\$ 1,356
Marketable securities (note 2)	12,238	41,253
Concentrates, bullion and metals awaiting settlement, in transit and on hand	11,387	9,152
Accounts and interest receivable	5,549	8,060
Supplies and materials, at cost	2,489	2,990
Total current assets	35,060	62,811
Investments in associated companies:		
Noranda Inc. (note 3(a))	236,294	239,613
Anderson Exploration Ltd. (note 3(b))	77,086	79,681
	313,380	319,294
Property, plant and equipment (note 4)	96,342	84,428
	\$444,782	\$466,533

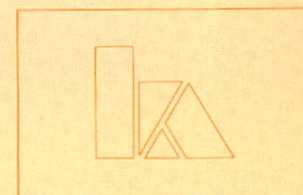
(See accompanying notes to consolidated financial statements)

LIABILITIES AND SHAREHOLDERS' EQUITY	1984	1983
Current:		
Accounts payable and accrued charges	\$ 8,689	\$ 8,412
Income and production taxes payable (note 8)	416	4,456
Total current liabilities	9,105	12,868
Long-term debt (note 5)	40,000	70,000
Provision for mine closures (note 6)	3,900	5,500
Deferred income taxes	21,817	17,313
Deferred revenue	8,544	8,980
	83,366	114,661
Shareholders' equity:		
Share capital (note 7)	178,225	177,916
Retained earnings	181,441	173,956
Currency translation adjustment (note 1(c))	1,750	
	361,416	351,872
	\$444,782	\$466,533

On behalf of the Board:


Ian D. Bayer, Director


James W. McCutcheon, Director



Consolidated Statement of Changes in Cash

For the year ended
December 31, 1984
(with comparative
figures for the year
ended December 31, 1983)
(in thousands of dollars)



	1984	1983
Sources of cash:		
Operations —		
Profit from operations	\$ 8,258	\$12,113
Items not affecting cash, primarily depreciation, amortization, and deferred taxes	5,298	5,153
	13,556	17,266
Net change in non-cash working capital balances (receivables and inventories, less payables)	(3,448)	(2,349)
	10,108	14,917
Dividends from Noranda Inc. (note 1(b))	3,319	6,081
Proceeds from sale of investments and other assets	42,342	3,268
Proceeds from issuance of shares	230	115
	55,999	24,381
Applications of cash:		
Investment in Anderson Exploration Ltd.		80,000
Financed by long-term debt		(70,000)
		10,000
Repayment of long-term debt	30,000	
Mine closure expenditures (net)	304	3,048
Dividends (excluding stock dividends of \$79; \$90 in 1983)	10,213	10,191
Additions to property, plant and equipment	13,441	8,018
	53,958	31,257
Increase (decrease) in cash	2,041	(6,876)
Cash, beginning of year	1,356	8,232
Cash, end of year	\$ 3,397	\$ 1,356

(See accompanying notes to consolidated financial statements)

Kerr Addison Mines Limited

Notes to Consolidated Financial Statements

December 31, 1984

1. Summary of significant accounting policies

(a) Basis of consolidation —

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and include, on a consolidated basis, the accounts of Kerr Addison Mines Limited ("Kerr Addison" or "the company") and its wholly-owned subsidiary companies, Keradamex, Inc. and Kerramerican, Inc.

On January 1, 1984 Kerr Addison Mines Limited and three of its wholly-owned subsidiary companies, Agnew Lake Mines Limited, Normetal Mines Limited and Quemont Mines Limited were amalgamated as one company continuing under the name "Kerr Addison Mines Limited". Also during the year the company sold its 75% ownership in Mogul of Ireland Limited.

(b) Investments in associated companies —

The company's interest in the common shares of Noranda Inc. ("Noranda") is being accounted for following the "cost method" whereby the investment is initially recorded at cost and earnings from the investment are recognized only to the extent that dividends are distributed from the net

profits of Noranda arising subsequent to acquisition of the shares on September 30, 1982. Accordingly, dividends received from Noranda in 1984 and 1983 have been accounted for as follows:

	<u>1984</u>	<u>1983</u>
	(in thousands)	
Dividends included in consolidated earnings, being the amounts deemed to have been distributed from Noranda's accumulated net profits since September 30, 1982	\$3,319	\$ 600
Balance of dividends deducted from the company's investment in Noranda common shares, being the dividends in excess of Noranda's accumulated net profits since September 30, 1982	<u>3,319</u>	<u>6,081</u>
Total Noranda common dividends received	<u>\$6,638</u>	<u>\$6,681</u>

The company's interest in the common shares of Anderson Exploration Ltd. ("Anderson") is accounted for following the "equity method" whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to reflect the company's share of post-acquisition earnings or losses. The excess of the cost of the shares over net book value at date of acquisition has been attributed to oil and gas properties and is being amortized on the unit-of-production basis based on estimated proven and probable reserves at date of acquisition.

(c) Exchange translation —

The consolidated financial statements of companies outside of Canada are translated using the current rate

method, under which assets and liabilities are translated at the exchange rate prevailing at the year end, and revenues and expenses at average rates of exchange during the year. Gains or losses on translation are not included in the consolidated statement of operations but are deferred and shown as a separate item under shareholders' equity. This method of accounting for foreign currency translation is in accordance with the methods recommended by the Canadian Institute of Chartered Accountants and has been applied prospectively from January 1, 1984. By translating all foreign currency denominated items at January 1, 1984 using this method the deferred gain recorded as a separate component of shareholders' equity would have been approximately \$575,000. The effect of this change on the current year's earnings is not material.

- (d) Concentrates, bullion and metals — Consistent with industry practice, the company records as revenue the value of production of concentrates, bullion, and metals awaiting settlement, in transit and on hand at estimated net realizable value. Purchased concentrates are valued at the lower of actual cost and net realizable value.
- (e) Property, plant and equipment — Property, plant and equipment is recorded at cost and includes previously deferred exploration and development expenditures on properties which have been brought into production. Depreciation of property, plant and equipment and amortization

Kerr Addison Mines Limited

Notes to Consolidated Financial Statements (continued)

of development expenditures are provided at rates designed to write off the costs over the estimated service lives of the assets. Fixed assets are generally depreciated in equal annual amounts over their estimated service lives (which at December 31, 1984 range from 5 to 21 years) and development expenditures are amortized on a unit-of-production basis.

(f) Exploration and development expenditures —

Gas and oil

The company participates through joint venture agreements with Noranda Inc. and others in certain gas and oil properties held by Canadian Hunter Exploration Limited and American Hunter Exploration Ltd. as trustees.

The company has adopted the full cost method of accounting for these joint ventures whereby all costs relating to the exploration for and development of gas and oil reserves in its area of interest, North America, are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties and costs of drilling both productive and non-productive wells, and are generally limited to the estimated value of future net revenues from production of proven reserves. These costs are being amortized to income by the unit-of-production method based on estimated proven gas and oil reserves.

Minerals

Mineral exploration and development expenditures are charged against current earnings unless they relate to interests in properties where the reserves have the potential of being economically recoverable, in which case the expenditures are deferred. Upon disposal or abandonment of such interests, the net gain or loss is reflected in the consolidated statement of operations. If the properties are brought into production, deferred exploration and development expenditures relating thereto are reclassified with property, plant and equipment and amortized as explained in note 1(e).

(g) Income taxes —

The company follows the tax allocation method of accounting for income taxes. Under this method, timing differences between reported and taxable income result in deferred income taxes. The principal timing differences relate to exploration and development expenditures, capital cost allowances, and provisions for mine closures.

(h) Deferred revenue —

The company defers recognition of revenue received under contracts of sale of gas where the gas has not been delivered by agreement with the customer. The revenue will be recognized when the gas is delivered.

2. Marketable securities

Marketable securities are carried at cost and consist of:

	1984	1983
	(in thousands)	
Noranda Inc. — preferred (36,641 shares; 1983 — 220,141 shares)	\$ 3,286	\$19,740
Brascade Resources Inc. — pre- ferred (316,491 shares; 1983 — 714,891 shares)	8,545	19,302
Other	407	2,211
	<u>\$12,238</u>	<u>\$41,253</u>

Quoted market value of the securities was \$16,457,000 at December 31, 1984 (1983 — \$60,188,000).

3. Investments in associated companies

	1984	1983
	(in thousands)	
Noranda Inc.	\$236,294	\$239,613
Anderson Exploration Ltd.	77,086	79,681
	<u>\$313,380</u>	<u>\$319,294</u>

(a) **Noranda Inc. —**

The company owns 13,273,981, or 10.4%, of the total outstanding common shares of Noranda Inc. Noranda and its associated companies are engaged in businesses encompassing mining and metallurgy, manufacturing, forest products and oil and natural gas exploration and production. Condensed financial information of

Noranda Inc. for the years ended December 31, 1984 and 1983 is set out as follows:

	1984	1983*
	(in thousands)	
Operations —		
Revenue	\$3,400,078	\$3,106,198
Expense — including interest of \$233,706 (1983 — \$168,523)	3,392,895	3,090,746
	7,183	15,452
Income and production taxes	(4,345)	(7,234)
	11,528	22,686
Minority interest in earnings of subsidiaries	12,450	9,673
Earnings (loss) of Noranda and subsidiaries	(922)	13,013
Unusual items (net) mainly reduction in carrying value of certain mining properties		(28,985)
Share of losses in associated companies	(3,529)	(8,731)
Loss for the year	\$ (4,451)	\$ (24,703)
Financial position —		
Current assets	\$1,783,954	\$1,813,454
Investments in and advances to associated and other companies	1,263,926	1,219,722
Fixed assets — net	2,944,881	2,718,693
Other assets	313,571	254,355
	\$6,306,332	\$6,006,224
Current liabilities	\$1,043,864	\$ 861,552
Deferred taxes and other	225,780	287,133
Long-term debt	2,287,210	2,061,810
Minority interest in subsidiaries	145,896	151,737
Shareholders' equity	2,603,582	2,643,992
	\$6,306,332	\$6,006,224

*1983 figures have been restated to reflect accounting changes and to conform to reclassifications adopted for 1984.

(b) **Anderson Exploration Ltd. —**

The company purchased 1,125,993, or 32.6%, of the total outstanding common shares of Anderson Exploration Ltd. for \$80,000,000 cash on November 2, 1983. Anderson is engaged in exploration and development of oil and gas properties in Western Canada. Condensed financial information of Anderson Exploration Ltd. for the year ended December 31, 1984 is set out as follows:

	(in thousands)
Operations —	
Revenue	\$ 46,977
Expense, including interest of \$14,086	36,077
	10,900
Income and production taxes	16,441
Net loss	\$ (5,541)
Financial position —	
Current assets	\$ 10,057
Investments	14,266
Oil and gas properties	314,361
	\$338,684
Current liabilities	\$ 9,550
Deferred revenue	35,755
Long-term debt	107,967
Deferred income taxes	37,161
Shareholders' equity	148,251
	\$338,684

4. Property, plant and equipment

Gas and oil properties
Mining and smelting properties

Payments of \$1,152,000 (1983 — \$556,000) earned during the year under the Petroleum Incentive Program have been deducted from the cost of oil and gas properties.

5. Long-term debt

The company has arranged with its bankers a line of credit which expires January 2, 1986. Existing advances are fully funded through bankers' acceptances. The effective interest rate payable on the bankers' acceptances is less than the bankers' prime lending rates. No assets have been pledged by the company as collateral for the line of credit.

6. Provision for mine closures

The provision for mine closures at December 31, 1984 includes estimated net expenditures to be incurred for reclamation, rehabilitation and closure of mining properties currently in operation or closed in prior years but for which these costs are still being incurred. The net balance of the provision at December 31, 1984 was \$6,366,000 (1983 — \$7,486,000) of which \$2,466,000 (1983 — \$1,986,000) is included in the consolidated balance sheet as part of accounts payable and accrued charges and \$3,900,000 (1983 — \$5,500,000) as provision for mine closures.

	1984		1983
	Accumulated depreciation and amortization	Net book value	Net book value
Cost			
	(in thousands)		
Gas and oil properties	\$ 97,347	\$12,094	\$85,253
Mining and smelting properties	31,228	20,139	11,089
	\$128,575	\$32,233	\$96,342
			\$84,428

Kerr Addison Mines Limited

Notes to Consolidated Financial Statements (continued)

7. Share capital

	Number of shares	
	1984	1983
Common shares without par value:		
Authorized	25,000,000	25,000,000
Issued and outstanding	17,158,377	17,140,291

During the year 4,661 shares valued at \$79,000 were issued as stock dividends. As well, 13,425 shares valued at \$230,000 were issued under the employees' stock option and purchase plans. At December 31, 1984, options on 42,650 shares were outstanding, exercisable at prices varying from \$11.53 to \$18.02 for periods up to 1994.

8. Income and production taxes

Income and production taxes consist of the following:

	1984	1983
	(in thousands)	
Income taxes — current	\$ (1,875)	\$ 1,567
— deferred	2,045	1,800
Petroleum and gas revenue tax	1,068	1,093
Mining and capital taxes	225	285
	<u>\$ 1,463</u>	<u>\$ 4,745</u>

The difference between the above provision for income and production taxes and the amount computed by multiplying the profit from operations before tax by the applicable statutory tax rate is as follows:

	1984	1983
	(in thousands)	
Profit from operations before tax	<u>\$ 9,721</u>	<u>\$16,858</u>
Statutory tax rate	<u>48.0%</u>	<u>49.6%</u>
Profit from operations before tax multiplied by the statutory tax rate	\$ 4,666	\$ 8,362
Taxes provided (as above)	1,463	4,745
Difference to be reconciled	<u>\$ (3,203)</u>	<u>\$ (3,617)</u>
Represented by the tax effect of —		
(1) Crown royalties	\$ 1,392	\$ 531
(2) Foreign exploration and amortization	520	555
(3) Resource allowance	(2,341)	(2,314)
(4) Depletion allowance	(1,053)	(1,049)
(5) Non-taxable dividends	(2,947)	(2,894)
(6) Other	(67)	176
	<u>(4,496)</u>	<u>(4,995)</u>
Petroleum and gas revenue tax	1,068	1,093
Mining and capital taxes	225	285
	<u>\$ (3,203)</u>	<u>\$ (3,617)</u>

At December 31, 1984, income and production taxes payable include deferred income taxes of \$300,000 (1983 — \$1,570,000).

9. Segmented information

The company operates primarily in two industries — mining and smelting, and gas and oil, and in two geographic areas — Canada and the United States. The mining and smelting industry is comprised principally of the mining and sale of gold from the Kerr mine and the zinc reduction activities of the Canadian Electrolytic Zinc operation. The gas and oil industry comprises the company's interest in the Canadian Hunter and American Hunter joint ventures. Information regarding industry and geographic segments is set out as follows:

	1984 (in thousands)					1983 (in thousands)				
	Industry segments			Geographic segments		Industry segments			Geographic segments	
	Mining and smelting	Gas and oil	Consolidated	Canada	U.S.A.	Mining and smelting	Gas and oil	Consolidated	Canada	U.S.A.
Value of production	\$34,103	\$14,617	\$ 48,720	\$48,720		\$33,674	\$13,776	\$ 47,450	\$47,450	
Cost of production	26,666	1,691	28,357	28,357		25,284	676	25,960	25,960	
	7,437	12,926	20,363	20,363		8,390	13,100	21,490	21,490	
Outside exploration expenses	(6,328)		(6,328)	(5,871)	\$ (457)	(4,576)		(4,576)	(4,037)	\$ (539)
Depreciation and amortization	(550)	(2,703)	(3,253)	(2,627)	(626)	(531)	(2,822)	(3,353)	(2,773)	(580)
Segment operating profit (loss)	<u>\$ 559</u>	<u>\$10,223</u>	<u>10,782</u>	<u>\$11,865</u>	<u>\$ (1,083)</u>	<u>\$ 3,283</u>	<u>\$10,278</u>	<u>13,561</u>	<u>\$14,680</u>	<u>\$ (1,119)</u>
Dividends and interest income			6,172					5,864		
Administrative and general expenses			(1,376)					(1,284)		
Interest on long-term debt			(5,857)					(1,283)		
Income and production taxes			(1,463)					(4,745)		
Reduction in provision for mine closures								2,897		
Share of loss of Anderson Exploration Ltd.			(2,595)					(319)		
Gain on disposal of investments and other assets			12,114					2,228		
Net income for the year			<u>\$ 17,777</u>					<u>\$ 16,919</u>		
Identifiable assets	<u>\$24,016</u>	<u>\$89,845</u>	<u>\$113,861</u>	<u>\$93,828</u>	<u>\$20,033</u>	<u>\$21,933</u>	<u>\$80,303</u>	<u>\$102,236</u>	<u>\$84,922</u>	<u>\$17,314</u>
Corporate assets			330,921					364,297		
Total assets			<u>\$444,782</u>					<u>\$466,533</u>		
Capital expenditures	<u>\$ 696</u>	<u>\$12,745</u>	<u>\$ 13,441</u>	<u>\$11,295</u>	<u>\$ 2,146</u>	<u>\$ 868</u>	<u>\$ 7,150</u>	<u>\$ 8,018</u>	<u>\$ 6,860</u>	<u>\$ 1,158</u>

Canadian production includes exports of \$25,382 (\$20,747 in 1983) primarily to customers in the United States.

10. Related party transactions

The company participates in a number of transactions with Noranda Inc. and its affiliated companies (the Noranda Group). Details of significant transactions with the Noranda Group are set out below:

(i) *Canadian Hunter and American Hunter* —

The company has direct and undivided interests of 13.0% and 8.2% respectively in all of the gas and oil properties, production and related activities of Canadian Hunter and American Hunter. Noranda is the major holder and operator of both of these ventures.

(ii) *Canadian Electrolytic Zinc* —

The company has a direct and undivided interest of 9.8% in all of the properties, production and related activities of Canadian Electrolytic Zinc (CEZ) and the balance is owned by Noranda. The company's portion of zinc concentrate purchased on the company's behalf by CEZ from the Noranda Group amounted to approximately \$13,918,000 (1983 — \$11,598,000).

(iii) *Marketing and administrative services* —

The Noranda Group markets substantially all of the company's production and renders technical and administrative services to the company. During the year marketing fees were \$340,000 (1983 — \$229,000) and fees for technical and administrative services were \$146,000 (1983 — \$148,000).

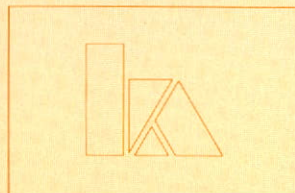
(iv) *Short-term investment pool* —

The company participates in a short-term investment pool with the

Noranda Group. The pool is operated to provide participating companies with the opportunity to invest or borrow funds on a short-term demand basis within the group. Over the year the company paid interest on these funds amounting to \$19,000 (in 1983 interest earned totalled \$157,000). At the year end, the deposit in the pool was \$3,355,000 (1983 — \$545,000).

11. Planned capital expenditures

Capital expenditures for 1985 are estimated to be approximately \$12,000,000.



Management's Comments on the Effects of Changing Prices

The Canadian Institute of Chartered Accountants (CICA) has recommended that Canada's large public companies provide disclosure of certain effects of changing prices in their annual reports. It was proposed that these disclosures be presented as supplementary information outside the annual audited financial statements.

The Management of Kerr Addison has reviewed the effects of inflation on funds generated by the Company for the 1982 through 1984 fiscal years on a constant dollar basis, using a Statistics Canada Index (The Implicit Price Index — Gross National Expenditure Deflator). Although this was not the method recommended by the CICA, the review indicated that the impact on the Company's earnings as compared to the traditional historical cost result, was not material.

Management has considered the disclosure recommended by the CICA and has concluded that such a presentation would not be useful information for the shareholder at this time. Also, because of the nature of the Company's business and assets, such disclosures would serve no meaningful purpose.

Toronto, Canada
February 15, 1985

