Craigmont Mines Limited

Annual Report 1983

Corporate Information

DIRECTORS

WILLIAM ALLAN
West Vancouver, B.C.
Group Vice-President
Noranda Mines Limited

C. ALLEN BORN
Vancouver, B.C.
Chairman and Chief
Executive Officer and President
Placer Development Limited

JAMES L. McPHERSON
West Vancouver, B.C.
Vice-President of the Company
Senior Vice-President and
Chief Financial Officer
Placer Development Limited

HENNING A. NORGAARD
Merritt, B.C.
President
Norgaard Ready-Mix Ltd.

ANTHONY J. PETRINA
North Vancouver, B.C.
President of the Company
Senior Vice-President and
Chief Operating Officer
Placer Development Limited

OFFICERS

Anthony J. Petrina, President
James L. McPherson, Vice-President
Donald Hallam, Secretary
Geoffrey D. Bach, Treasurer
Ted J. Will, Comptroller
Sheryl A. Thomson, Assistant Secretary

AUDITORS

Campbell Sharp
Chartered Accountants

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada - Vancouver and Toronto

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Vancouver Stock Exchange

ANNUAL MEETING

The Annual General Meeting of the Company will be held at 11:00 a.m. on Thursday, February 9, 1984 in Room 209, Hotel Vancouver, 900 West Georgia Street Vancouver, British Columbia

OFFICES

HEAD OFFICE:
1600 - 1055 Dunsmuir Street
Vancouver, B.C.

MAILING ADDRESS:
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Bentall Postal Station
Vancouver, B.C. V7X 1P1
Telephone (604) 682-7082
Telex 04-55-181

MINE OFFICE:
P.O. Box 3000
Merritt, B.C. V0K 2B0

Directors' Report to the Shareholders

All production at the mine ceased on December 2, 1982 with the milling of the last coarse iron to media grade quality. The processing of copper ore ended early in 1982 when reserves were exhausted. The only continuing activities are the sale of iron concentrate from inventory, disposal of assets and reclamation of land.

In the fiscal year ended October 31, 1983 the Company had net earnings of $467,000 or $0.09 per share on revenues of $1,632,000. This compares with net earnings of $604,000 or $0.12 per share on revenues of $8,734,000 in the previous year when the last copper concentrate was produced and sold.

Revenues were provided principally by the sale of media grade iron concentrate and the disposal of assets with interest income also contributing.

Dividends of $0.20 per share were again in excess of earnings, amounting to $1,015,000 (1982 - $0.80; $4,062,000). The Company has been able to pay quarterly dividends for 20 years because its cash position remained in excess of operating requirements. As future dividends will depend on the sale of iron concentrate and the disposal of assets the policy of paying a regular quarterly dividend is being discontinued and future dividends will only be declared when surplus funds are available. At year-end, cash and time deposits declined to $1,602,000 (1982 - $2,718,000), the reduction being almost entirely attributable to the payment of dividends.

Liquidation of Assets

At the Annual General Meeting held on January 27, 1983 the Directors received authority to dispose of all of the Company's assets, which is the first step leading to winding up the Company. The liquidation is, however, proceeding slowly because of the current poor economic climate.

The most significant asset is the stockpiled heavy media grade iron concentrate which is used as a cleaning medium for mettallurgical coal. The Company is the principal supplier to western Canadian coal mines, but the market size is small relative to Craigmont's remaining inventory of approximately 600,000 tons on October 31, 1983. Demand was low in 1983 as a result of depressed coal markets. Sales declined to $845,000 compared to $2,010,000 in 1982. With new coal production beginning in late 1983 from northeastern British Columbia, sales of concentrate are expected to improve. To date no acceptable offer has been received for a bulk sale of the entire stockpile of iron concentrate.

Every effort is being made to dispose of all assets at the best possible price. A common method of liquidating such assets as buildings and equipment is by auction. Because current economic conditions would make it difficult to realize their value through this method the Company continued to sell these assets when reasonable prices were available. Sales amounted to $854,000 or approximately 20% of the total appraised value of the buildings and equipment and included such items as a rod mill, a ball mill, the pit shop building, machine shop equipment, a tractor, scooptram, truck and bus.

Oil and Gas

At October 31, 1983 Craigmont held interests in 31,094 gross acres, equivalent to 5,588 net acres of oil and gas leases in Alberta and British Columbia. This was reduced from the previous year following the surrender of leases in two areas.

The Company has interests in four oil wells, one producing gas well and one shut-in gas well in the Willesden Green field, Alberta; one oil well in the Buick Creek field, B.C. and one oil well and two potential gas wells in the Silverberry, B.C. area. Revenue of $393,000 from these wells produced net earnings of $72,000 in 1983 (1982 - revenues of $205,000; net earnings of $28,000). An exploration well in which Craigmont has a 25% interest is scheduled in the North Eagle area near Fort St. John, B.C. in early 1984.

These oil and gas interests form part of the assets which will have to be sold before winding up of the Company may be completed.

Reclamation

Areas previously required for mining activities are being planted with grasses in accordance with provincial standards for the restoration of mined lands. Reclamation at an estimated total cost of $327,000 is proceeding on 770 acres over a three-year period which commenced in 1982. Costs of

$252,000 have been incurred to date and an estimated $75,000 will be required to complete the programme. The 1983 expenditure amounted to $89,000 (1982 - $163,000) and was primarily for work on the tailing pond where new areas were seeded and established growth was fertilized.

In 1982 the Company's reclamation obligation on 170 acres was discharged when government approval of the work was received. In the current year work was completed and approval received on an additional 225 acres in the open pit area. Seeding will be carried out on the remaining 375 acres in 1984 and 1985.

Exploration

The search for additional ore on Craigmont's property and for new ore bodies throughout the province was carried on for a number of years without success. This programme was essentially completed by the end of 1982 when the Company's declining income was no longer sufficient to provide tax deductibility for exploration costs. The Kamloops exploration office was closed at the end of February, 1983 although work amounting to $178,000 was continued on the Chu Chua property north of Kamloops in order to complete previous commitments. The results did not indicate a potential for economic development by the Company.

Employee and Community Relations

Craigmont's work force became steadily smaller in the final years of the mine's operating life. Planning for this reduction began some years before the exhaustion of ore and involved both Company and Union representatives. As a result, employees received significant monetary and relocation assistance at the end of their employment. Close to 50% of the hourly employees were relocated and severance entitlements amounting to $306,300 or an average of $6,660 per person were paid in 1983.

At October 31, 1983 six employees remained at the mine site (1982 - 52). Payroll and benefit costs in 1983 were $1,103,000 (1982 - $3,793,000).

The Board wishes to note the contribution of Craigmont's employees, and particularly of W.D. Diment who was Mine Manager from January 1, 1977 until June 30, 1983. Their co-operation and team spirit enabled efficient operations to continue through the shut-down period when many changes were occurring in work responsibilities.

In July, 1983 Craigmont received one of Canada's most prestigious industrial safety awards when it was named the winner of the Canadian Institute of Mining and Metallurgy's John T. Ryan trophy for British Columbia and the Yukon. During the mine's last year of operations employees accumulated 500,000 hours without a lost-time accident.

Five students received scholarship assistance amounting to $5,000 during the year while donations of used equipment, valued at $42,000 were made to the British Columbia Museum of Mining and the Nicola Valley Archives and Museum, which have displays emphasizing Craigmont's role in British Columbia's mineral industry.

On behalf of
the Board of Directors,

A.J. Petrina
President

Vancouver, B.C.
December 1, 1983

Statement of Earnings

	Year ended October 31 1983	1982
REVENUES:		
Concentrate sales - iron	$ 845,000	$2,010,000
- copper	-	6,478,000
Interest and other income	482,000	780,000
Disposal of equipment and materials, net of costs	305,000	(534,000)
	1,632,000	8,734,000
EXPENSES:		
Cost of sales	262,000	6,166,000
Mine closure and reclamation	24,000	680,000
General and administrative	302,000	613,000
Exploration	288,000	486,000
	876,000	7,945,000
EARNINGS BEFORE TAXES	756,000	789,000
INCOME TAXES:		
Current	62,000	607,000
Deferred	227,000	(422,000)
	289,000	185,000
NET EARNINGS	$ 467,000	$ 604,000
EARNINGS PER SHARE	$ 0.09	$ 0.12

Statement of Earnings Reinvested in the Business

	Year ended October 31 1983	1982
Balance, beginning of year	$5,719,000	$9,177,000
Net earnings	467,000	604,000
Dividends - $0.20 per share (1982 - $0.80)	(1,015,000)	(4,062,000)
Balance, end of year	$5,171,000	$5,719,000

Statement of Financial Position

ASSETS	October 31 1983	1982
CURRENT ASSETS:		
Cash and time deposits	$1,602,000	$2,718,000
Accounts receivable	800,000	239,000
Concentrate inventory	4,009,000	3,902,000
Materials and supplies	233,000	332,000
	6,644,000	7,191,000
PROPERTY, BUILDINGS AND EQUIPMENT:		
Buildings and equipment	7,670,000	8,978,000
Less: accumulated depreciation	6,732,000	7,932,000
	938,000	1,046,000
Oil and gas properties, less accumulated depletion of $309,000 (1982 - $215,000)	887,000	1,050,000
	1,825,000	2,096,000
	$8,469,000	$9,287,000

LIABILITIES AND SHAREHOLDERS' EQUITY	1983	1982
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 194,000	$ 836,000
Income taxes payable	253,000	108,000
	447,000	944,000
DEFERRED INCOME TAXES	673,000	446,000
SHAREHOLDERS' EQUITY:		
Share capital - Authorized: 6,000,000 common shares, par value $0.50 each; 150,000 preferred shares, 6% cumulative, redeemable on call, par value $100 each		
Issued, 5,077,275 common shares	2,178,000	2,178,000
Earnings reinvested in the business	5,171,000	5,719,000
	7,349,000	7,897,000
	$8,469,000	$9,287,000

Approved by the Board:
A.J. Petrina, Director
J.L. McPherson, Director

Statement of Changes in Financial Position

	Year ended October 31 1983	1982
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations -		
Net earnings	$ 467,000	$ 604,000
Depreciation and depletion	148,000	358,000
Deferred income taxes	227,000	(422,000)
(Gain) loss on disposal of property, buildings and equipment	(705,000)	274,000
Oil and gas properties abandoned	93,000	-
	230,000	814,000
Sale of property, buildings and equipment	881,000	147,000
	1,111,000	961,000
FINANCIAL RESOURCES WERE USED FOR:		
Dividends	1,015,000	4,062,000
Property, buildings and equipment	146,000	320,000
	1,161,000	4,382,000
DECREASE IN WORKING CAPITAL	50,000	3,421,000
WORKING CAPITAL, BEGINNING OF YEAR	6,247,000	9,668,000
WORKING CAPITAL, END OF YEAR	$6,197,000	$6,247,000

Notes to Financial Statements

October 31, 1983

1. Accounting policies:

Inventories

Iron concentrate is valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Materials and supplies are valued at the lower of average cost and net realizable value.

Depreciation and depletion

Depreciation of the cost of buildings and equipment has been provided over their estimated useful lives on the diminishing-balance basis.

Depletion of the cost of oil and gas properties, representing lease acquisition and drilling costs, is provided on the unit-of-production basis using proven reserves for each field as determined by independent engineers.

Exploration

Mineral exploration costs are expensed as incurred except that costs are capitalized if economically recoverable ore reserves have been determined.

Oil and gas expenditures are accounted for using the successful efforts method. Geological, geophysical and exploratory dry hole costs are expensed as incurred.

NOTES (Continued)

Lease acquisition and drilling costs are capitalized. On abandonment of an area or impairment in value of an undeveloped property, the related capitalized costs are expensed.

Comparative figures

Certain 1982 amounts have been reclassified for comparative purposes.

2. Mine closure:

With the exhaustion of ore reserves in early 1982, mine operations have ended. Sales of iron concentrate will continue from the accumulated stockpile. Liquidation of the assets and reclamation of the land continues.

3. Related party transactions:

Placer Development Limited ("Placer") owns 44.6% of the common shares of the Company. The Company contracts with Placer for management, technical and administrative services, which were $188,000 (1982 - $439,000), at rates equal to its proportionate share of Placer's costs.

4. Remuneration of directors and senior officers:

Aggregate direct remuneration paid by the Company to its directors and the five highest paid employees in 1983 amounted to $265,000 (1982 - $292,000) of which $11,000 (1982 - $12,000) consisted of fees paid to directors. No direct payments were made to officers of the Company as their services are provided by Placer Development Limited.

Auditors' Report

To the Shareholders of
Craigmont Mines Limited

We have examined the statement of financial position of Craigmont Mines Limited as at October 31, 1983 and the statements of earnings, earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at October 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles consistently applied.

Vancouver, Canada
November 21, 1983

CAMPBELL SHARP
Chartered Accountants

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