



MANAGEMENT
LIBRARY
MAR 27 1974
MCGILL UNIVERSITY

ANNUAL REPORT 1973

ANNUAL MEETING



The Annual and General Meeting of Shareholders will be held at 10:00 o'clock a.m. (Toronto time) on Friday, April 26th, 1974, in the Territories Room, Royal York Hotel, Toronto, Ontario.

CONTENTS

Corporate data	2
Directors, officers, managers	3
Directors' report	4- 6
Auditors' report	7
Consolidated balance sheet	8- 9
Consolidated earnings	10
Consolidated reinvested earnings	11
Consolidated source and use of funds	11
Notes to consolidated financial statements	12-15
Ten year review	16-17
Exploration offices	18



Capital Stock

Authorized: 3,000,000 shares without par value
Issued: 2,434,482 shares

Location of Mines

McIntyre Coal Mines, Smoky River, Alberta
The Madeleine Mine, Ste. Anne des Monts, Quebec

Executive and Head Office

Suite 5100 Commerce Court West
Toronto, Ontario M5L 1C1

Auditors

Price Waterhouse & Co.
Chartered Accountants, Toronto, Ontario

Transfer Agents

Canada Permanent Trust Company, Toronto, Ontario
and Calgary, Alberta
Bankers Trust Company, New York, N.Y.

Registrars

Crown Trust Company, Toronto, Ontario and Calgary, Alberta
The Chase Manhattan Bank (National Association), New York, N.Y.

Directors

*M. A. COOPER Toronto, Ontario	<i>President and Managing Director Falconbridge Nickel Mines Limited</i>
N. F. W. H. D'ARCY London, England	<i>President, Locana Corporation Limited</i>
†*A. E. FELDMEYER Calgary, Alberta	<i>President and Managing Director Canadian Superior Oil Ltd.</i>
†*R. B. FULTON Toronto, Ontario	<i>President and Chief Executive Officer of the Company</i>
J. K. GODIN Toronto, Ontario	<i>Consulting Mining Engineer</i>
*H. B. KECK Houston, Texas	<i>President The Superior Oil Company</i>
W. M. KECK, JR. Los Angeles, California	<i>Director and Member of the Executive Committee The Superior Oil Company</i>
SENATOR THE HON. E. C. MANNING, P.C., C.C., Edmonton, Alberta	<i>President M & M Systems Research Ltd.</i>
†*D. G. C. MENZEL Toronto, Ontario	<i>Partner Campbell, Godfrey and Lewtas</i>
J. L. NORMAN Houston, Texas	<i>Vice-President Manufacturing and Sales The Superior Oil Company</i>
L. T. POSTLE Vancouver, B. C.	<i>Consulting Engineer</i>

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

Officers

M. A. COOPER, <i>Chairman of the Board</i>
R. B. FULTON, <i>President and Chief Executive Officer</i>
J. B. ANDERSON, <i>Vice-President Operations</i>
F. T. MCKINNEY, <i>Corporate Secretary</i>
A. G. GOODEVE, <i>Treasurer and Comptroller</i>

Coal Division E. P. JOHNSON, *General Manager, Grande Cache, Alberta*

Metals Division J. A. PLAXTON, *Manager, Toronto, Ontario*

Madeleine Mine G. B. DARLING, *Manager, Ste. Anne des Monts, Quebec*

DIRECTORS' REPORT

To the Shareholders:

This is the sixty-second annual report of your Company.

The Company's operations showed a loss of \$952,000 for 1973 compared with a loss of \$8,117,000 for the previous year. After taking into account the gain on the sale of the Schumacher Mine of \$3,457,000 the year's earnings were \$2,505,000 which compares with a loss in 1972 of \$11,726,000 after extraordinary items. Dividends received in 1973 totalled \$2,875,000 of which \$1,027,000 were payments by Madeleine Mines Ltd. In 1972 dividends received by the Company were \$1,848,000.

The Company adopted in 1972 the equity method of accounting for its investments in its affiliated companies, Falconbridge Nickel Mines Limited and Madeleine Mines Ltd. in which the Company holds equity interests of 37.3% and 36.4% respectively. On this basis the Company's consolidated earnings for 1973, including extraordinary gains totalling \$6,105,000, were \$21,421,000 or \$8.80 per share, or \$15,316,000 and \$6.29 per share before extraordinary items. Comparative 1972 figures show a loss of \$30,125,000 or \$12.43 per share, extraordinary losses of \$22,056,000 (\$9.10 per share) and a loss before extraordinary items of \$8,069,000 or \$3.33 per share. In addition to the gain resulting from the sale of the Schumacher Mine, extraordinary items in 1973 include the Company's share of an extraordinary tax credit resulting from the write down of assets in 1972 by Falconbridge.

Indebtedness was reduced by \$9,298,000 during the year including short-term loan repayments totalling \$3,000,000 to The Superior Oil Company and Canadian Superior Oil Ltd.

During 1973 the Smoky River Coal Mine made an operating profit of \$4,150,000 before interest, depreciation and amortization charges which compares with an operating loss during 1972 of \$1,148,000. Net overall results after interest, depreciation and amortization charges were losses of \$4,863,000 for 1973 and \$9,324,000 for 1972. The improvement during the past year was due to higher prices received for coal deliveries after April 1, 1973, lower production costs as a result of the realignment of mining operations to expanded open-pit coal production and the closure of No. 5 underground mine which had proven uneconomic.

The Schumacher Mine operated profitably during 1973, but lower grades of ore mined in both the copper and gold sections and markedly reduced ore production from the gold section resulted in sharply higher unit of

metal costs in the past year than in 1972. Declining production and rising costs brought the Company's management to the decision to sell the Schumacher Mine properties and plant and on November 27, 1973 the sale was made to Pamour Porcupine Mines, Limited, an affiliate of Noranda Mines Limited, for the sum of \$4,500,000 in cash and the assumption by Pamour of the Company's liabilities under its employee benefits program.

Madeleine Mines Ltd. enjoyed a satisfactory year from its operations which had earnings of \$4,317,000 compared with \$1,053,000 for 1972. The increase was due to higher prices received for its copper and silver production.

Coal Division

Raw coal production totalled 2,157,886 long tons of which 2,086,667, including breaker rejects, were processed yielding 1,441,535 long tons of specification grade coal. All delivery commitments under the Company's sales contracts were met. 1972 production figures were 2,532,988 long raw tons and 1,565,720 long clean tons. The lower production during 1973 was attributable to the national railway strike during the summer months which resulted in a loss of production equivalent to approximately one month's output. The lower mine tonnage was partially offset by improved recoveries in the preparation plant.

Coal production from No. 2 Mine remained below target throughout the year. Substandard equipment availabilities resulting from a persistent shortage of skilled maintenance personnel was a contributing factor. Coal production loss from the closure of No. 5 Mine was offset to some extent by increased output from No. 8 open-pit Mine which raised its production from 1,054,266 long tons in 1972 to 1,324,195 long tons during 1973. Development of No. 9 Mine which will replace No. 8 Mine as the principal source of open-pit coal is proceeding according to plan with initial production scheduled for the second quarter of this year.

The Grande Cache Commission appointed by the Province of Alberta Government conducted hearings during the year on the background of development and economic viability of the Company's Smoky River coal operation and of the New Town of Grande Cache. The Commission's findings were critical of the Company's initial coal mine development program, declaring it inadequately engineered and unrealistic in terms of the coal delivery commitments which were undertaken. It also took issue with the Company's decision to close No. 5 Mine but found the present operation based primarily

on open-pit coal production with an improving trend in coal prices to be an economically viable one.

The Commission recommended continued financial assistance from the Province to the Town of Grande Cache. During the past several months the Town has gained in population and it is expected this trend will continue as a result of the improved outlook coupled with further stabilization of the mine labour force and additional personnel requirements for the operation of No. 9 Mine.

In April 1973 the Company renegotiated its long-term fixed price coal sales contract with the Japanese and reached agreement with them on a new one-year contract for the delivery of 1,250,000 long tons at a price of \$21.95 per long ton. This represented an increase over the previous price of \$3.23 per long ton. During the year spot sales of coal were made to United States Steel Corporation, Bethlehem Steel Corporation and The Steel Company of Canada Limited totalling 237,464 net tons at prices somewhat higher than the Japanese price. These latter sales helped to gain recognition in the steel industry for Smoky River coal as an excellent low volatile coking coal and the equivalent in value to premium quality Pocohantas coking coals produced in the Eastern United States. Negotiations for coal sales totalling 1,500,000 long tons during the 1974-1975 contract year were conducted with the Japanese in December 1973 and a price of \$29.00 per long ton was agreed upon. Subsequently one year contracts for the sale of 500,000 net tons were negotiated with two of the Company's North American customers at a price equivalent to Pocohantas coal export quotations as of April 1, 1974. In each of these contracts the Company is protected against cost increases by price escalation provisions.

On September 27, 1973 the Company sold its interest in the coal-handling facilities at Neptune Terminals, North Vancouver, B.C., to a subsidiary of Federal Industries Limited for \$9,023,000 of which \$6,000,000 was paid in cash. The unpaid balance together with accrued rentals is recoverable by annual payments from Neptune based on the tonnage throughput of the Company's coal through the terminal. Coupled with the sale is a long-term agreement with Neptune Terminals preserving for the Company the favourable terminal service rates and other provisions of the prior coal-handling agreement.

Schumacher Division (McIntyre Mine)

During the year up to the date of sale (November 27, 1973) gold ore milled totalled 216,900 tons having an

average gold content of 0.251 ounces per ton. 1972 full year's production was 302,840 tons grading 0.286 ounces per ton. Gold and silver produced from the gold section during the 1973 period were 54,165 and 6,546 ounces respectively, compared with the output for 12 months during 1972 of 86,638 ounces of gold and 9,294 ounces of silver. Ore production costs rose by more than 25% during 1973 due to lower productivities and because of the declining ore grade the cost of producing an ounce of gold advanced by more than 50% to \$75.00.

The copper section of the mine produced 709,860 tons of ore averaging 0.638% copper and 0.027 ounces of gold per ton up to November 27, 1973. Production figures for all of 1972 were 758,380 tons of ore grading 0.659% copper and 0.029 ounces of gold per ton. Metal production in 1973 was 8,372,217 pounds of copper, 14,383 ounces of gold and 65,625 ounces of silver, and for the year 1972, 9,297,276 pounds of copper and 17,441 and 70,132 ounces of gold and silver respectively. As in the case of gold ore the grade of copper ore declined steadily during 1973, dropping to 0.539% during the final month of the Company's operations with consequent sharp copper production cost increases.

Falconbridge Nickel Mines Limited

Falconbridge, in which your Company owns a 37.3% interest, reports that consolidated earnings for 1973 amounted to \$55,004,000 or \$11.10 per share including an extraordinary tax credit of \$7,100,000 or \$1.43 per share arising from the write-down of assets in 1972. In 1972 there was a loss of \$43,927,000 or \$8.87 per share including an extraordinary charge of \$49,456,000 or \$9.99 per share.

The principal factor contributing to the substantially increased earnings was the higher metal prices received by all the companies in the Falconbridge group. Also affecting the earnings of the integrated nickel operations was the higher volume of nickel deliveries, offset to some extent by lower copper deliveries and increased costs. There was also a substantial increase in earnings for practically all of the subsidiary companies. The major improvements in earnings occurred in the integrated nickel operations (\$14,307,000), in Falconbridge Dominicana, C. por A. which was in commercial operation for the full year against only seven months in 1972 (\$9,430,000), in Falconbridge Copper Limited (\$8,486,000) and in Wesfrob Mines Limited (\$4,657,000).

Madeleine Mines Ltd.

Earnings for 1973 totalled \$4,317,000 or 92¢ per Madeleine share compared with \$1,053,000 or 22¢ per share in 1972. The improvement in earnings was due to the higher prices received for copper which averaged 75¢ per pound compared to 47¢ during 1972. The outstanding amount of \$825,000 of income bonds was redeemed and dividends totalling 60¢ per Madeleine share were paid during the year. Working capital at year-end was \$3,336,000.

During the operating period, following the settlement of the strike of hourly paid employees in mid-February, 713,981 tons of ore were milled having an average grade of 1.31% copper. Production totalled 17,495,481 pounds of copper and 163,162 ounces of silver. Production figures for 1972 were 729,608 tons milled with an average grade of 1.42% copper and 19,450,796 pounds of copper and 192,813 ounces of silver recovered.

The shaft-sinking project below the 2720' level was completed in October following which ore hoisting from the 2400' level commenced.

Additions to ore reserves during the year did not fully replace the tonnage mined. Reserves at year-end stood at 4,184,000 tons having an average grade of 1.10% copper, compared with the previous year's total of 4,427,000 tons grading 1.17% copper.

Exploration

Exploration for base and precious metal deposits was concentrated in Canada during 1973, chiefly in areas of Ontario and Quebec. Reconnaissance mapping and sampling was also carried out on coal leases jointly owned by the Company and Canadian Superior Oil Limited situated in the Monkman Pass region of northern British Columbia. The Company's exploration activities in Australia were suspended pending clarification of its Government's policies dealing with mineral resource ownership and development by overseas companies. A somewhat larger exploration program will be carried out during 1974 than those of the past several years as a step towards establishing a broader income base for the Company in the future.

Employees

Good relations were maintained between the Company and its employees during 1973. The total number of employees at year's end including the 207 at the Madeleine Mine was 698. The 637 employees at the Schumacher Mine were transferred to Pamour Porcupine Mines, Limited on November 27, 1973.

Corporate

Mr. J. O. Hambro retired from the Board of Directors at the time of the last Annual Meeting of Shareholders, April 26, 1973, and the resulting vacancy was filled by the election of Mr. L. T. Postle. The Directors express their appreciation of Mr. Hambro's valued service and counsel.

A change in the Company's name to McIntyre Mines Limited has been approved by the Directors and will be submitted to the shareholders for consideration and approval at the forthcoming Annual Meeting.

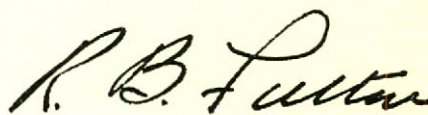
Outlook

The strong prevailing and long-term markets for high quality low volatile coking coal in Japan and eastern Canada and the U.S. provide good prospects for the Company's coal operations. Profitable operations after all charges are anticipated when the new coal prices take effect during the second quarter of this year and production from No. 9 Mine commences. An adverse factor is the deteriorating railway service with respect to the Company's coal shipments which has been manifest during recent months. Greatly extended unit train turnaround times are upsetting scheduled mine shipments and vessel loadings with resultant production losses and costly delays.

The reduction in the Company's indebtedness during the past year has resulted in significant savings in interest cost and further reductions will occur in 1974 through the application of a portion of the cash flow from operations. Early removal of the Company's indebtedness will enable it to expand its exploration program and make provision for a resumption of dividend payments to the shareholders.

Your Directors express their appreciation to the Company's employees for their efforts during the past year.

By Order of the Board of Directors



President and Chief Executive Officer

Toronto, March 11, 1974.

Price Waterhouse & Co.

chartered accountants

P.O. Box 51 Toronto-Dominion Centre Toronto, Ont. M5K 1G1 (416) 863-1133 Telex 02-2246

March 8, 1974

To the Shareholders of
McIntyre Porcupine Mines Limited:

We have examined the consolidated balance sheet of McIntyre Porcupine Mines Limited and its subsidiaries as at December 31, 1973 and the consolidated statement of earnings, reinvested earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The investment in Falconbridge Nickel Mines Limited has been accounted for on the equity basis, and we have relied on the report of the auditors who have examined its financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants



AND SUBSIDIARY COMPANIES

(Incorporated under the laws of the Province of Ontario)

CONSOLIDATED BALANCE SHEET

(\$000's omitted)

Assets

	DECEMBER 31	
	1973	1972
Current		
Cash and short-term deposits	\$ 615	\$ 1,202
Settlements outstanding and inventories (note 2)	6,781	5,078
Other receivables	1,018	1,505
	<u>8,414</u>	<u>7,785</u>
Investments (note 3)		
Falconbridge Nickel Mines Limited	104,616	85,948
Madeleine Mines Ltd.	5,877	5,629
Other at cost	662	850
	<u>111,155</u>	<u>92,427</u>
Properties and Plant		
Plant and equipment at cost (note 4)	38,604	56,527
Less accumulated depreciation	8,316	14,371
	<u>30,288</u>	<u>42,156</u>
Deferred mine development less amortization (note 5)	30,299	25,607
	<u>60,587</u>	<u>67,763</u>
Other		
Mine supplies at cost	2,506	3,942
Long-term account receivable (note 6)	4,297	1,463
Employee housing loans (note 10)	1,580	1,991
	<u>8,383</u>	<u>7,396</u>
	<u>\$ 188,539</u>	<u>\$ 175,371</u>

Liabilities

	DECEMBER 31	
	1973	1972
Current		
Inventory financing	\$ —	\$ 1,500
Accounts payable and accrued liabilities	6,633	7,506
5½% Notes due within one year	1,173	1,173
	<u>7,806</u>	<u>10,179</u>
Long Term		
Bank loan repayable by December 31, 1976	58,875	64,000
5½% Notes due 1975	528	1,701
	<u>59,403</u>	<u>65,701</u>
Shareholders' Equity		
Capital stock (note 11)		
Authorized — 3,000,000 shares without par value		
Issued — 2,434,482 shares (1972 — 2,424,482 shares)	9,604	9,186
Reinvested earnings	115,521	94,100
	125,125	103,286
Less equity in own shares held by affiliate	3,795	3,795
	<u>121,330</u>	<u>99,491</u>
Approved by the Board:		
R. B. FULTON, Director.		
M. A. COOPER, Director.		
	<u>\$ 188,539</u>	<u>\$ 175,371</u>



CONSOLIDATED EARNINGS

(\$000's omitted)

	YEAR ENDED DECEMBER 31	
	1973	1972
		(restated)
Smoky River Coal Mine		
Revenue	\$ 30,455	\$ 28,974
Expenses	35,318	38,298
(Loss)	<u>(4,863)</u>	<u>(9,324)</u>
Schumacher Mine <i>(sold November 27, 1973)</i>		
Revenue from Copper	7,682	5,607
Revenue from Gold	5,297	5,047
	<u>12,979</u>	<u>10,654</u>
Expenses	9,631	9,336
Earnings	<u>3,348</u>	<u>1,318</u>
Investments		
Dividends from affiliates –		
Falconbridge Nickel Mines Limited	1,848	1,848
Madeleine Mines Ltd.	1,027	–
	<u>2,875</u>	<u>1,848</u>
	<u>1,360</u>	<u>(6,158)</u>
Less		
Exploration	881	1,204
Corporate administration	1,089	1,098
Other expense (income)	342	(343)
	<u>2,312</u>	<u>1,959</u>
(Loss) from operations	(952)	(8,117)
Gain on Sale of Schumacher mine	3,457	–
Provision for close down of No. 5 Mine	–	(3,609)
	<u>2,505</u>	<u>(11,726)</u>
Earnings (loss) before following items	2,505	(11,726)
Equity in undistributed earnings of affiliates	16,268	48
Equity in affiliate's extraordinary gain (loss)	2,648	(18,447)
Consolidated Earnings (Loss)	<u>\$ 21,421</u>	<u>\$(30,125)</u>
Per Share	\$8.80	\$ (12.43)
Extraordinary items included above (note 8)	\$ 6,105	\$(22,056)
Per Share	\$2.51	\$ (9.10)
Consolidated earnings (loss) before extraordinary items	\$ 15,316	\$ (8,069)
Per Share	\$6.29	\$ (3.33)

(Depreciation, amortization and interest – note 7)

CONSOLIDATED REINVESTED EARNINGS

(\$000's omitted)	YEAR ENDED DECEMBER 31	
	1973	1972
Balance at beginning of year	\$ 94,100	\$ 124,225
Consolidated earnings (loss) for year	21,421	(30,125)
Balance at end of year	<u>\$ 115,521</u>	<u>\$ 94,100</u>

CONSOLIDATED SOURCE AND USE OF FUNDS

(\$000's omitted)	YEAR ENDED DECEMBER 31	
	1973	1972
Source of Funds		
Operations –		
Consolidated earnings (loss)	\$ 21,421	\$ (30,125)
Extraordinary items not affecting working capital	(6,105)	21,430
Depreciation and amortization	4,948	4,903
Equity in undistributed earnings of affiliates	(16,268)	(48)
	3,996	(3,840)
Sale of Neptune Terminal (note 6)	9,023	–
Sale of Schumacher Mine	4,500	–
Issue of shares	418	–
	<u>17,937</u>	<u>(3,840)</u>
Use of Funds		
Properties and plant	6,920	5,561
Bank and note repayments	6,298	(2,967)
Long-term receivable (note 6)	3,482	367
Employee housing loans	(411)	556
Mine supplies and other	(1,354)	923
	<u>14,935</u>	<u>4,440</u>
Increase (decrease) in working capital	<u>\$ 3,002</u>	<u>\$ (8,280)</u>
Working Capital Changes		
Increase (decrease) in current assets		
Cash and short-term deposits	(587)	(5,474)
Settlements outstanding and inventories	1,703	1,852
Other receivables	(487)	(370)
	<u>629</u>	<u>(3,992)</u>
Increase (decrease) in current liabilities		
Inventory financing	(1,500)	1,500
Accounts payable and accrued liabilities	(873)	2,788
	<u>(2,373)</u>	<u>4,288</u>
Increase (decrease) in working capital	3,002	(8,280)
Working capital – beginning of year	(2,394)	5,886
Working capital – end of year	<u>\$ 608</u>	<u>\$ (2,394)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1973

1. Principles of Consolidation

The consolidated financial statements include the accounts of all companies more than 50% owned. The assets and earnings of these companies are not significant and aggregate less than 2% of the consolidated total.

Investments in affiliated companies, Falconbridge Nickel Mines Limited (37.3% owned) and Madeleine Mines Ltd. (36.4% owned) are accounted for by the equity method which reflects the Company's investment at cost plus its interest in reinvested earnings less amortization of the excess of cost over book value at date of acquisition.

2. Settlements Outstanding and Inventories

These are valued at estimated net realizable value and comprise:

	December 31	
	1973	1972
	(000's omitted)	
Metal settlements outstanding and inventories	\$1,777	\$1,811
Clean metallurgical coking coal	4,155	3,166
Houses for sale to employees less mortgages thereon	849	101
	<u>\$6,781</u>	<u>\$5,078</u>

In estimating net realizable value, metal prices are based on market prices prevailing at the year end and the coal price is based on existing contracts with Japanese buyers.

3. Investments

Changes in the Company's investments in affiliated companies, accounted for by the equity method, are as follows:

	Falconbridge		Madeleine	
	1973	1972	1973	1972
	(000's omitted)			
Investment — beginning of year	\$ 85,948	\$104,401	\$5,629	\$5,575
Equity in earnings not distributed	18,668	(18,233)	544	383
Amortization of excess cost	—	(220)	(296)	(329)
Investment — end of year	<u>\$104,616</u>	<u>\$ 85,948</u>	<u>\$5,877</u>	<u>\$5,629</u>
Market value at December 31	\$115,256	\$120,147	\$7,448	\$5,565

The excess of the cost of the Company's investment in Falconbridge over its book value at date of acquisition was completely amortized by December 31, 1972 and no amortization was required in 1973.

In Madeleine the excess cost remaining at December 31, 1973 was \$1,893,000, which is being amortized over the estimated life of the ore reserves.

Summarized financial information for these two companies is presented below:

	Falconbridge		Madeleine	
	1973	1972	1973	1972
	(000's omitted)			
Current assets	\$265,569	\$175,569	\$ 4,688	\$ 4,351
Other assets	476,768	487,352	7,612	9,043
	<u>\$742,337</u>	<u>\$662,921</u>	<u>\$12,300</u>	<u>\$13,394</u>
Current liabilities	78,464	63,288	1,352	3,114
Long-term liabilities	373,167	359,034	—	825
Shareholders' equity	290,706	240,599	10,948	9,455
	<u>\$742,337</u>	<u>\$662,921</u>	<u>\$12,300</u>	<u>\$13,394</u>
Earnings before extraordinary items	\$ 47,904	\$ 5,529	\$ 4,317	\$ 1,053
Extraordinary items	7,100	(49,456)	—	—
Earnings (loss)	<u>\$ 55,004</u>	<u>\$ (43,927)</u>	<u>\$ 4,317</u>	<u>\$ 1,053</u>
Dividends paid	<u>\$ 4,955</u>	<u>\$ 4,954</u>	<u>\$ 2,824</u>	<u>\$ —</u>

4. Plant and Equipment

Plant and equipment at cost are as follows:

	December 31	
	1973	1972
	(000's omitted)	
Smoky River Coal Mine:		
Underground equipment	\$13,098	\$13,114
Surface plant and equipment	24,821	24,583
	37,919	37,697
Vancouver terminal facilities	—	8,974
Schumacher Mine	—	9,135
Other	685	721
	38,604	56,527
Less accumulated depreciation	8,316	14,371
	<u>\$30,288</u>	<u>\$42,156</u>

Plant and equipment are being depreciated on a straight-line basis over the productive life of the assets.

5. Deferred Mine Development

Unamortized mine development costs are as follows:

	December 31	
	1973	1972
	(000's omitted)	
Smoky River Coal Mine:		
Producing properties	\$ 2,579	\$ 2,669
Non-producing properties	10,816	5,960
Unallocated costs	16,904	16,904
	30,299	25,533
Schumacher Mine	—	74
	<u>\$30,299</u>	<u>\$25,607</u>

Development expenditures relating to each mining property are deferred until the property is brought into production at which time they are amortized on a unit of production basis.

General exploration, infrastructure costs and start-up expenses aggregating \$16,904,000 have been segregated and the Company intends to commence amortizing this amount in 1974 over the estimated life of its proven coal reserves. Also included is the purchase price (\$2,050,000) of certain longwall equipment which proved unsatisfactory and for which a claim has been made against the supplier for recovery and allied costs.

6. Long-Term Receivable

During September the Company sold its coal handling facilities at Neptune Terminals in Vancouver for \$9,023,000 of which \$6,000,000 was received in cash. The balance, together with accumulated unpaid rentals at the date of sale, is included as a long-term receivable which will be paid over future periods on the basis of McIntyre's coal throughput at the Terminal.

7. Charges included in Consolidated Earnings

	1973	1972
	(000's omitted)	
Depreciation of plant and equipment:		
Schumacher Mine	\$ 177	\$ 230
Smoky River Coal Mine	3,502	3,307
Corporate office	50	14
	<u>\$3,729</u>	<u>\$3,551</u>
Amortization of mine development:		
Schumacher Mine	\$ 143	\$ 156
Smoky River Coal Mine	1,076	1,196
	<u>\$1,219</u>	<u>\$1,352</u>
Interest		
Smoky River Coal Mine	\$4,435	\$3,673
Other expense (income)	281	226
	<u>\$4,716</u>	<u>\$3,899</u>

8. Extraordinary Items

These are as follows:

	1973	1972
	(000's omitted)	
Gain on sale of Schumacher mine	\$3,457	—
Provision for close-down of No. 5 mine	—	(3,609)
Company's share of Falconbridge refinery write-down in 1972 and related tax recovery in 1973	2,648	(18,447)
	<u>\$6,105</u>	<u>\$(22,056)</u>

9. Income Taxes

Investment income from Falconbridge Nickel Mines Limited and Madeleine Mines Ltd. is not taxable to McIntyre.

Accumulated charges to income which have not been claimed for tax purposes total approximately \$19,000,000 and are available as credits against future taxable income.

10. Commitments and Contingencies

(i) For the year commencing April 1, 1974 McIntyre has the following sales contracts and coal delivery commitments:

<u>Buyer</u>	<u>Tonnage</u>	<u>Price</u>
Japanese Buyers	1,500,000 long tons ± 5% at buyers' option	\$29/long ton F.O.B. Vancouver
Bethlehem Steel Corporation	300,000 short tons	U.S. producer price April 1, 1974
Steel Company of Canada Ltd.	200,000 short tons	U.S. producer price April 1, 1974

(ii) The Company has guaranteed mortgages amounting to \$9,401,000 at December 31, 1973 in respect of employee housing in Grande Cache. In addition the Company has provided \$1,580,000 of interest-free loans to employees to assist them in the purchase of these houses. Of this amount \$415,000 is subject to forgiveness at the rate of 10% per year commencing in 1976 so long as the purchasers remain employees of the Company.

(iii) A long-term lease agreement for the supply of unit-train rail cars for the transportation of coal provides for minimum rental charges of \$890,000 per year.

(iv) Under a new transportation agreement with the Canadian National Railway Company, to take effect April 1, 1974, the coal tonnage shortfall penalties presently in effect will no longer apply. The accumulated penalty to date of \$150,000 can be liquidated by credits for coal shipments in excess of 8,064,000 short tons over the period April 1, 1974 to March 31, 1978 and accordingly no provision has been made for it in the accounts.

(v) The Company has a 15-year contract with Alberta Power Limited to supply coal for fuel at the H. R. Milner Thermal Power Generating Plant at Smoky River. Alberta Power has commenced an action against the Company in the Supreme Court of Alberta claiming damages in the amount of \$804,000 for costs allegedly incurred by it in connection with the supply and use of middling fuel to December 31, 1973, requesting a declaration that the contract is valid, and seeking an injunction requiring delivery of coal.

It is the opinion of Counsel that the Company's position is defensible and that the Plaintiff will not be successful in obtaining judgement for the amount of damages claimed or in obtaining an injunction. Accordingly, no provision therefor has been made in the accounts.

Further claims may arise out of the same contract, which is renewable at the option of Alberta Power for a further 15 year period. The extent of the Company's liability, if any, in respect of such claims cannot be determined at this time.

(vi) The Company is obligated to pay approximately \$500,000 for the balance of purchase of shares of a subsidiary company (77.9% owned) in the event the subsidiary secures a contract for the sale of coal from its property.

(vii) A leasing agreement has been entered into to lease open pit equipment required for the operation of No. 9 Mine. Lease rental commitments to date amount to approximately \$950,000 per year.

(viii) At December 31, 1973 estimated capital expenditures required to complete existing projects and bring No. 9 Mine into production totalled \$5,283,000.

11. Capital Stock

Of 150,000 shares set aside in 1958 under the Executive and Key Employees Stock Option Plan 135,450 had been issued to December 31, 1973, including 10,000 shares issued in November, 1973 at \$41.80 per share under an option granted January 25, 1973.

The remaining options were outstanding at December 31, 1973:

4,000 shares at \$110.20 per share granted February 5, 1969 and expiring February 4, 1979.

10,000 shares at \$41.80 per share granted January 25, 1973 and expiring January 24, 1983.

12. Remuneration of Directors and Senior Officers

Aggregate remuneration paid to directors and senior officers was \$355,000 which compares with the 1972 remuneration total of \$474,000.

TEN YEAR REVIEW (a)

Statistical	1973	1972	1971
PRODUCTION:			
Gold ounces (b) (d)	68,548	104,079	108,728
Average selling price per oz. (c)	\$99.23	\$57.92	\$45.36
Copper, in thousands of pounds (d)	8,372	9,297	9,556
Average selling price per lb.	72¢	48¢	46¢
Coal, long clean tons – production (e)	1,441,535	1,565,720	1,178,197
– shipments (e)	1,513,098	1,383,150	1,163,709
Average selling price per long clean ton	\$21.17	\$18.51	\$17.96
SHAREHOLDERS AND EMPLOYEES:			
Shares outstanding	2,434,482	2,424,482	2,424,482
Shareholders	3,049	3,042	2,941
Employees	698	1,626	1,663
Financial (\$000's omitted)			
EARNINGS:			
	\$	\$	\$
Revenue – Metal production (d)	12,979	10,654	9,411
– Coal production	30,455	28,974	15,656
Dividends and interest income	2,875	1,848	5,537
Equity in undistributed earnings of affiliates	16,268	48	(3,433)
Exploration	881	1,204	1,481
Interest	4,716	3,899	2,951
Depreciation and amortization	4,948	4,903	3,670
Income taxes			(1,160)
Extraordinary gains (losses)	6,105	(22,056)	
Earnings (loss)	21,421	(30,125)	(6,494)
Per share	8.80	(12.43)	(2.68)
Dividends paid			1,940
Per share			80¢
FINANCIAL POSITION:			
Working capital (deficit)	608	(2,394)	5,886
Investments at equity	111,155	92,427	110,868
Properties and plant	60,587	67,763	70,088
Long term debt	59,403	65,701	62,734
Shareholders' equity	121,330	99,491	129,616
Per share	49.84	41.04	53.46

(a) 1972 and prior years restated to conform with 1973 presentation.

(b) Includes gold recovered from copper production.

(c) Includes EGMA in 1971 and prior years.

(d) To November 27, 1973.

(e) Includes tonnage produced and shipped in preproduction period.

1970	1969	1968	1967	1966	1965	1964
104,270	103,407	106,457	108,881	126,624	161,102	183,176
\$45.71	\$48.12	\$48.22	\$48.11	\$48.06	\$46.37	\$43.89
10,167	10,813	12,089	14,431	14,947	13,689	6,419
52¢	71¢	58¢	58¢	63¢	46¢	39¢
420,276						
334,716						
\$14.03						
2,424,482	2,390,682	2,389,282	2,389,282	2,389,182	2,388,382	2,387,982
2,972	3,190	3,169	3,219	3,190	3,529	3,448
1,452	1,193	863	888	909	1,017	1,100
\$	\$	\$	\$	\$	\$	\$
10,185	13,037	12,229	14,213	16,506	14,613	10,740
7,050	7,188	7,110	7,123	7,184	7,127	6,013
4,966	7,030	1,974	(2,301)	938	1,566	78
2,051	1,990	1,208	1,183	1,004	947	708
290						
562	516	732	1,190	1,055	1,031	392
(312)	445	285	316	605	165	275
747						
10,395	14,356	8,704	5,017	9,966	9,255	6,068
4.29	6.00	3.64	2.10	4.17	3.88	2.54
4,844	4,780	5,496	6,689	6,438	5,732	4,298
2.00	2.00	2.30	2.80	2.70	2.40	1.80
5,597	502	7,702	18,230	3,332	3,358	3,103
115,588	120,692	107,027	93,224	106,720	98,425	93,472
67,643	42,670	5,515	5,374	4,223	4,774	5,595
53,551	33,313					
138,050	129,612	119,922	116,714	114,203	106,743	102,637
56.94	54.22	50.19	48.85	47.80	44.69	42.98



CORPORATE OFFICE:

51st Floor
Commerce Court West
Toronto, Ontario M5L 1C1
Telephone: (416) 362-4751

EXPLORATION OFFICES:

CANADA

Wayne R. Zwickey,
McIntyre Porcupine Mines Limited,
P.O. Box 51,
Commerce Court West,
Toronto, Ont.
Tel.: (416) 362-4751

Ontario

McIntyre Porcupine Mines Limited,
P.O. Box 970,
Timmins, Ont.
Tel.: (705) 264-9735

British Columbia

D. L. McKelvie,
McIntyre Porcupine Mines Limited,
1003 - 409 Granville Street,
Vancouver, B.C.
Tel.: (604) 685-9815

