

Pine Point Mines Limited Annual Report

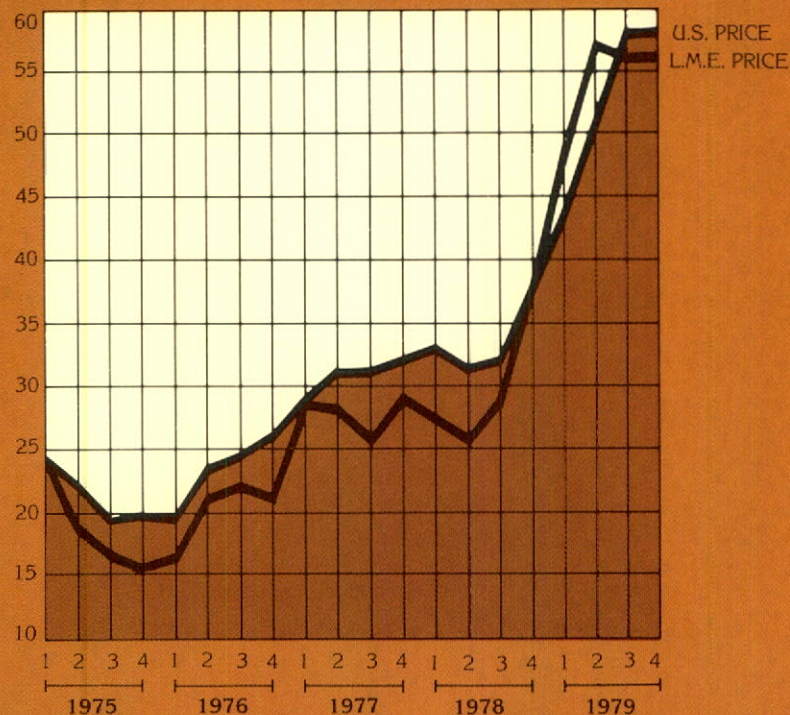
Year Ended December 31, 1979



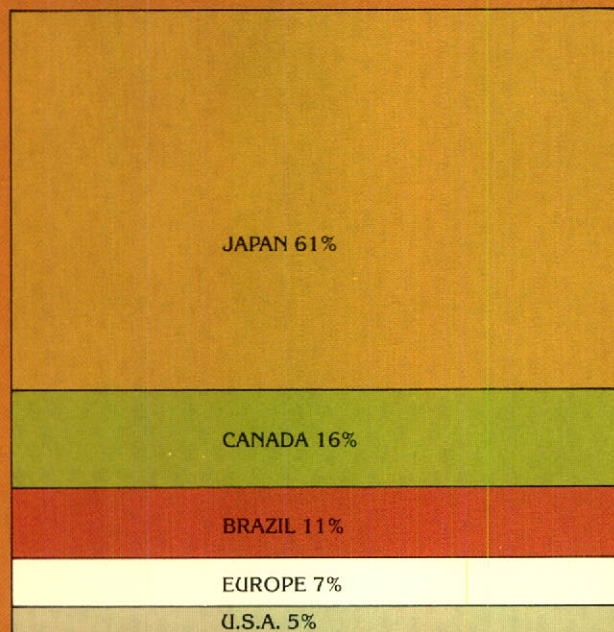
Front Cover The new 30 cubic yard "walking" dragline silhouetted against the northern sky.

Front Cover Insert The 22 cubic yard loader filling an 85 ton truck in the L-37 pit.

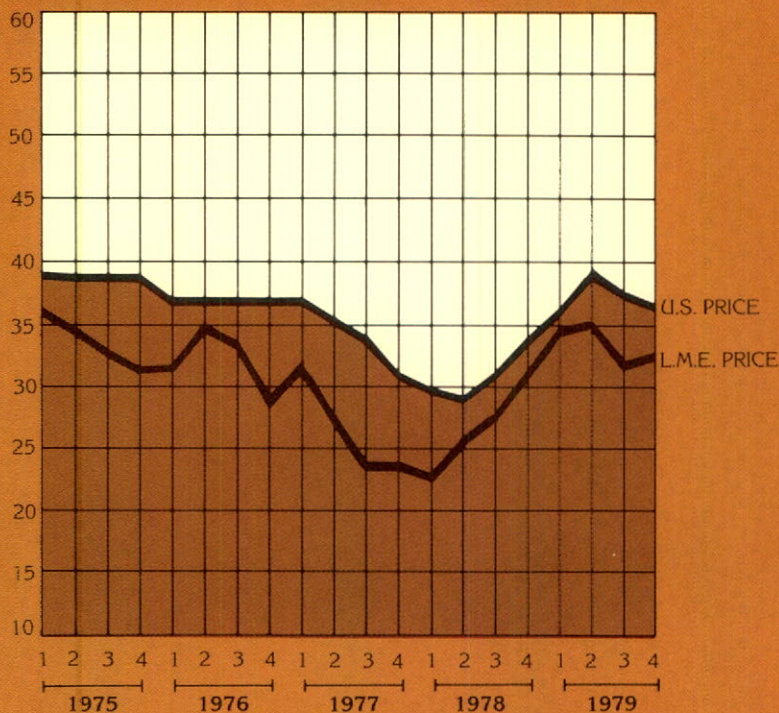
LEAD QUARTERLY AVERAGES
January 1975-December 1979
(U.S. ¢/LB.)



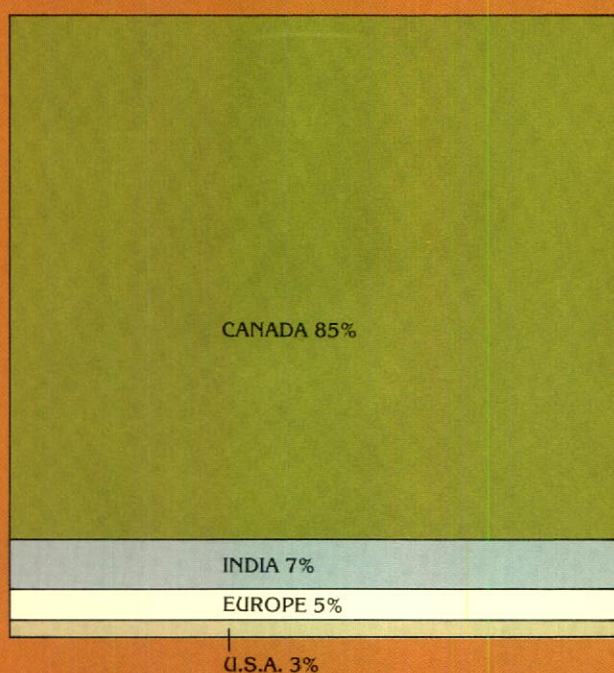
LEAD
GEOGRAPHIC SALES



ZINC QUARTERLY AVERAGES
January 1975-December 1979
(U.S. ¢/LB.)



ZINC
GEOGRAPHIC SALES



Pine Point Mines Limited

Annual Report

Year Ended December 31, 1979

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 Directors and Officers

HIGHLIGHTS—5 YEAR

(all dollar amounts in millions
 except per share amounts)

	1979	1978	1977	1976	1975
OPERATIONS					
Sales of products	\$143.5	\$88.5	\$74.8	\$86.0	\$91.0
Net earnings	43.0	16.3	9.4	8.7	16.7
—per common share	9.52	3.60	2.08	1.94	3.70
Funds from operations	52.3	23.5	16.7	16.2	23.6
—per common share	11.60	5.19	3.69	3.59	5.22
Dividends on common shares	27.1	7.9	11.3	24.8	20.3
—per common share	6.00	1.75	2.50	5.50	4.50
Capital expenditures	10.4	13.2	7.1	4.1	5.5
Total employment cost	15.1	13.7	13.6	13.6	11.9
Number of employees	569	552	596	695	652
FINANCIAL POSITION					
Assets:					
—Working Capital	\$30.7	\$15.9	\$13.5	\$16.0	\$29.4
—Fixed Assets (net)	39.7	38.7	33.1	33.1	35.6
—Other Assets	3.1	1.3	—	—	—
	<u>\$73.5</u>	<u>\$55.9</u>	<u>\$46.6</u>	<u>\$49.1</u>	<u>\$65.0</u>
Represented by:					
—Long term debt	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.9	\$ 1.6
—Income taxes not currently payable	8.4	6.6	5.7	5.6	4.7
—Shareholders' equity	65.0	49.1	40.7	42.6	58.7
	<u>\$73.5</u>	<u>\$55.9</u>	<u>\$46.6</u>	<u>\$49.1</u>	<u>\$65.0</u>
Return on assets—%	66.5	31.5	19.3	15.2	24.9
Return on shareholders' equity —%	88.2	36.2	22.5	17.3	28.1
SALES					
Lead concentrate (tons)	84,000	95,000	81,000	80,000	123,000
Zinc concentrate (tons)	328,000	306,000	263,000	334,000	290,000
MARKET PRICE					
—high	\$38 1/4	\$28	\$34 1/2	\$33 5/8	\$33 1/2
(Toronto Stock Exchange)—low	\$23 1/4	\$18	\$21 5/8	\$26 3/4	\$25 1/2

Pine Point Mines Limited

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to present the 29th Annual Report for the year ended December 31, 1979.

Financial Results

Net earnings were \$43.0 million or \$9.52 per share compared with \$16.3 million or \$3.60 per share in 1978. Dividends paid were \$6.00 per share compared with \$1.75 last year.

The increase in earnings was attributable to improvements in base metal markets. The relationship of the Canadian dollar to other currencies also had a beneficial effect on earnings. Strong demand and tight supply for lead concentrate resulted in significantly higher prices. Zinc concentrate prices also improved due to a slight reduction in Western world mine production. As sales volumes exceeded production, inventories were lower than at the beginning of the year.

Sales

Concentrate sales were \$143.5 million compared with \$88.5 million in 1978. Lead concentrate sales decreased to 84,000 tons compared with 95,000 tons in 1978. Zinc concentrate sales increased to 328,000 tons compared with 306,000 tons the previous year.

Operations (1978 comparative figures in brackets).

Operating costs increased significantly due principally to sharply higher energy costs and to an increase in the amount of overburden removed. Ore treated in the concentrator totalled 3,291,000 (3,290,000) tons with an average grade of 1.9 (2.6) percent lead and 5.5 (5.9) percent zinc. Year end inventories were 4,000 (14,000) tons of lead concentrate and 16,000 (56,000) tons of zinc concentrate. Production amounted to 74,000 (100,000) tons of lead concentrate

and 288,000 (302,000) tons of zinc concentrate. The decrease in concentrate production was caused by milling lower grade ore, unusually severe weather in the early months of 1979 and the high calcium-magnesium content of one of the pits.

The 30 cubic yard dragline, which went into operation early in 1979, accounted for most of the overburden removed and did it at one-third of the cost of the truck and shovel method.

Capital Projects

In preparation for longer ore hauls and increased stripping activity, three 150-ton tractor/trailer units were purchased as additions to the haulage fleet. At year-end, one was in service and the other two are scheduled to be operating early in 1980. A third blasthole drill was purchased to provide additional capacity.

A \$6.0 million project to modernize the flotation section of the concentrator was started during the year. Seventy-five large flotation cells will replace the existing four hundred smaller units to improve recovery, reduce energy and maintenance costs. Scheduled for completion in 1981, the changeover will be accomplished with only minor interruptions in production. Expansion and renovation of the acid leaching plant was completed and went into operation at mid-year. A program to upgrade employee changeroom/lunchroom facilities was progressing well. Construction of additional accommodation is under active consideration.

Exploration

The cornerstone of an operating mine is the success of its exploration program in replacing ore that has been mined. Since the start of

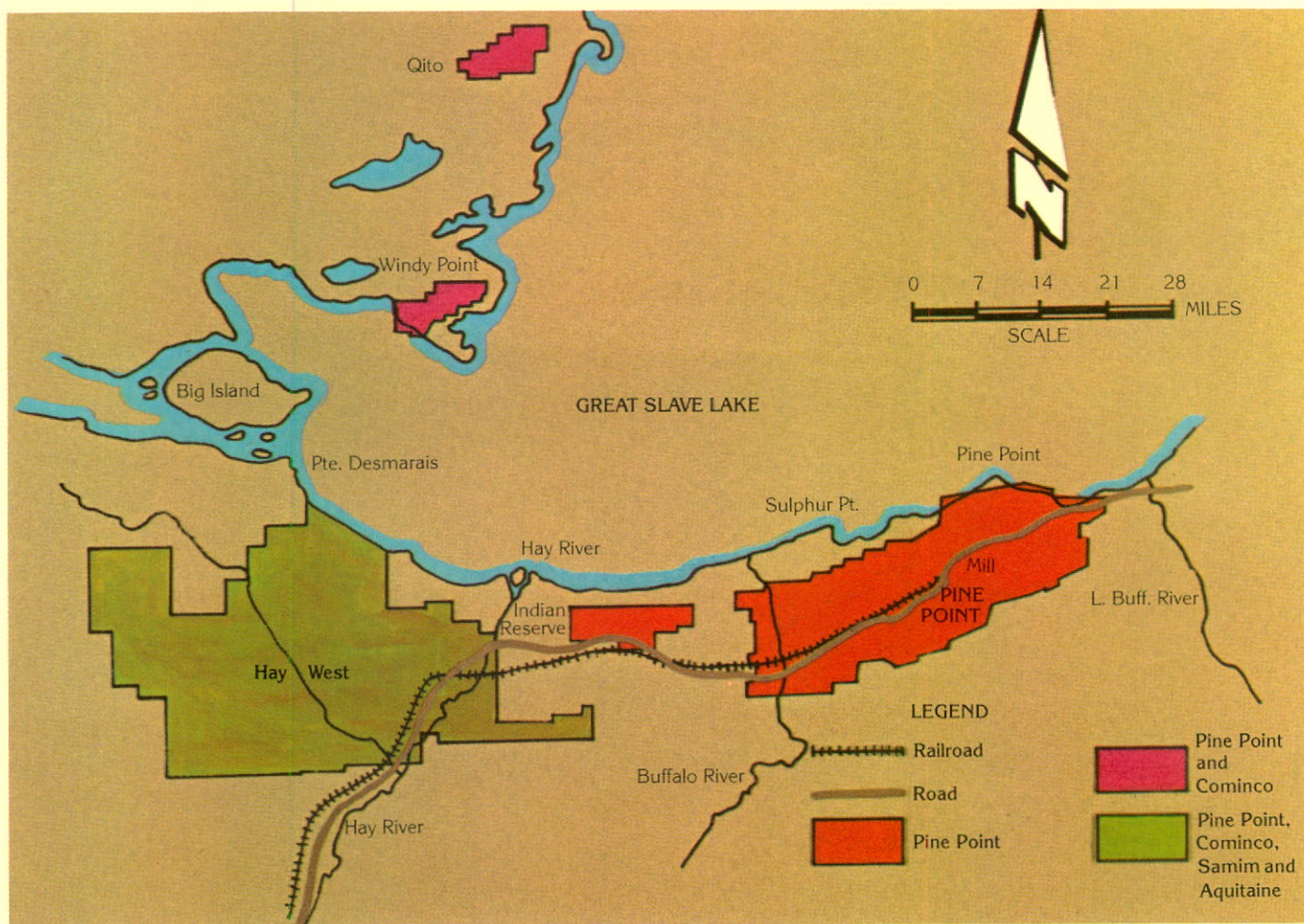


A geologist examining a diamond drill core in the core shed.

production annual exploration programs of the Company have achieved their primary objective of maintaining a ten-year reserve of ore. In 1979 additions to ore reserves were in excess of the ore mined.

Over the past ten years, the Company has expended \$14.4 million to delineate 31.1 million tons of ore. In addition, 2.3 million tons of ore were added to reserves through the purchase of the Coronet and Conwest properties in 1972 and 1974 respectively.

In a joint venture with Cominco Ltd. for exploration outside the Pine Point property, the Windy Point and Qito claims were staked on the west shore of Great Slave Lake in 1975 and 1976. In 1979 an eight-hundred-square-mile area, the Hay West property, was staked. In August, Samim, an Italian state owned mining company, and Aquitaine Company of Canada, Limited joined in the

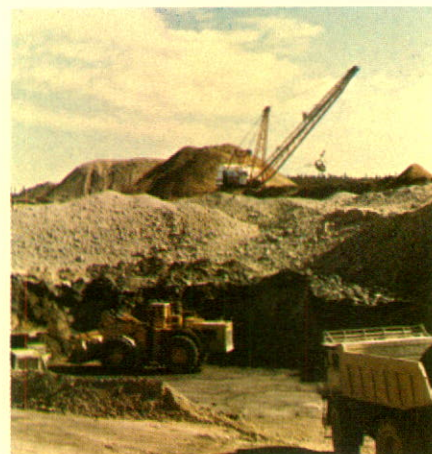


exploration program of the Hay West property. The Company's interest is 29%. The Company also acquired claims between the Buffalo River and the eastern boundary of the Hay River Indian Reserve.

Thirteen holes with a total footage of 19,650 at widely spaced intervals were drilled on the Hay West property. This drilling program confirmed the continuity of potential ore-bearing trends from the Pine Point area but

considerably more work on the property will be necessary to locate mineralization and assess its economic potential. An expanded exploration program is planned in 1980.

YEAR	ORE RESERVES (million tons)	NEW ORE DISCOVERED (million tons)	ORE MILLED (million tons)	AVERAGE GRADE RESERVES(%) LEAD ZINC		EXPLORATION EXPENDITURES (million \$)	DIAMOND DRILLING (footage drilled)	GEOPHYSICAL WORK (line miles)
1970	43.5	5.7	3.9	2.5	6.0	1.8	95,800	596
1971	41.9	2.3	3.9	2.4	6.0	1.1	86,300	—
1972	40.9	2.0	3.8	2.4	6.0	1.0	137,500	—
1973	38.3	1.2	3.9	2.3	5.7	1.1	135,800	—
1974	39.5	4.0	4.1	2.2	5.7	1.3	148,300	19
1975	39.2	3.6	3.9	2.0	5.4	1.8	132,500	25
1976	36.2	0.8	3.8	2.0	5.4	1.1	62,800	250
1977	37.5	4.7	3.4	2.1	5.3	1.6	96,000	357
1978	37.3	3.1	3.3	1.9	5.1	1.6	71,100	283
1979	38.0	4.1	3.3	1.9	5.0	2.0	122,900	290



The 22 cubic yard loader is dwarfed by the new dragline in the background.

Pine Point Mines Limited



Testing a new exploration drilling method on the Pine Point property.

Personnel

The total work force increased to 569 at year-end compared with 552 in 1978. A new labour agreement was signed during the year covering the period March 1, 1979 to April 30, 1981.

Increased mining activity in British Columbia and Saskatchewan and the development of the tar sands in Alberta has created labour shortages, particularly in the skilled trades, resulting in an increased overall

turnover rate. In anticipation of a continuing shortage of skilled tradesmen, the apprenticeship program was expanded and 55 apprentices were enrolled at year-end. It is anticipated the program to provide additional housing, which is expected to commence early in 1980, will be beneficial.

W. H. R. Gibney, formerly General Manager, was appointed Vice-President and General Manager on August 16, 1979.

The Directors wish to express their appreciation to all the people throughout the Company who contributed to this successful year. For the Board of Directors

R. P. Douglas

R. P. Douglas
President and Chief Executive Officer
Yellowknife, Northwest Territories

STATEMENT OF EARNINGS

Year Ended December 31, 1979

	1979	1978
	(thousands)	
Revenue		
Sales	\$143,531	\$88,475
Income from investments	4,529	462
	<u>148,060</u>	<u>88,937</u>
Costs and Expenses		
Cost of product sold	40,735	30,472
Distribution	23,661	24,117
Selling	134	90
General and administrative	1,991	2,025
Depreciation	3,769	2,878
Depletion	2,591	2,591
	<u>72,881</u>	<u>62,173</u>
Earnings Before Income Taxes	<u>75,179</u>	<u>26,764</u>
Income Taxes		
Current	30,409	9,620
Not currently payable	1,770	876
	<u>32,179</u>	<u>10,496</u>
Net Earnings	<u>\$ 43,000</u>	<u>\$16,268</u>
Earnings Per Share	<u>\$9.52</u>	<u>\$3.60</u>

STATEMENT OF EARNINGS REINVESTED IN THE BUSINESS

Year Ended December 31, 1979

	1979	1978
	(thousands)	
Amount at Beginning of Year	\$19,946	\$11,582
Net earnings	43,000	16,268
	<u>62,946</u>	<u>27,850</u>
Dividends (\$6.00 per share; 1978—\$1.75)	27,098	7,904
Amount at End of Year	<u>\$35,848</u>	<u>\$19,946</u>

Pine Point Mines Limited


(Incorporated under the laws of Canada)

BALANCE SHEET AT DECEMBER 31, 1979

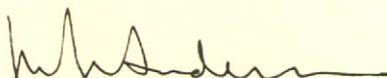
ASSETS	1979	(thousands)	1978
Current Assets			
Cash and short-term investments	\$ 49,743		\$ 10,250
Trade accounts receivable (note 2)	8,794		10,291
Inventories (note 3)	7,397		9,585
Prepaid expenses	994		2,362
	<u>66,928</u>		<u>32,488</u>
Fixed Assets			
Land, buildings and equipment	74,021		55,369
Less accumulated depreciation	<u>38,810</u>		<u>39,289</u>
	35,211		16,080
Construction in progress	—		15,585
	<u>35,211</u>		<u>31,665</u>
Mining properties and development	10,136		36,968
Less accumulated depletion	<u>5,665</u>		<u>29,906</u>
	4,471		7,062
Deferred Pit Preparation Costs	3,135		1,260
	<u>\$109,745</u>		<u>\$72,475</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 7,134		\$ 6,523
Income taxes	29,074		10,080
Long-term debt due within one year	8		7
	<u>36,216</u>		<u>16,610</u>
Long-Term Debt			
Housing mortgages, less portion due within one year	137		145
Income Taxes Provided but not Currently Payable	8,383		6,613
Shareholders' Equity			
Capital:			
Authorized			
5,000,000 shares of no par value			
Issued and fully paid			
4,516,363 shares	29,161		29,161
Earnings Reinvested in the Business	35,848		19,946
	<u>65,009</u>		<u>49,107</u>
Commitments (note 5)			
	<u>\$109,745</u>		<u>\$72,475</u>

Approved by the Board

Director



Director



STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1979

	1979	1978
	(thousands)	
Source of Funds		
Funds provided from operations		
Net earnings	\$43,000	\$16,268
Add:		
Depreciation and depletion	6,360	5,469
Amortization of deferred pit preparation costs	1,076	839
Income taxes not currently payable	1,770	876
Other	102	6
	<u>\$52,308</u>	<u>\$23,458</u>
 Application of Funds		
Deferred pit preparation costs	\$ 2,951	\$ 2,099
Buildings, equipment and construction in progress	7,417	11,091
Repayment of long-term debt	8	7
Dividends	27,098	7,904
	<u>37,474</u>	<u>21,101</u>
 Change in Working Capital	<u>14,834</u>	<u>2,357</u>
	<u>\$52,308</u>	<u>\$23,458</u>

THORNE RIDDELL

Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Pine Point Mines Limited

We have examined the balance sheet of Pine Point Mines Limited as at December 31, 1979 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 December 31, 1979 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 applied on a basis consistent with that of the preceding year.

Vancouver, Canada
January 24, 1980

THORNE RIDDELL
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Company are prepared using generally accepted accounting principles in Canada and on a basis consistent with the previous year.

Inventories

Inventories of concentrates are valued at the lower of cost (determined on the monthly average method) and net realizable value. Stores and operating supplies are valued at average cost less appropriate allowances for obsolescence.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost and include the cost of renewals and betterments. Repairs and maintenance costs are charged against earnings as incurred. Depreciation is calculated on a straight-line basis related to the lesser of the economic life of the asset or the remaining life of the mine. Depreciation is not provided on major additions until commencement of commercial production.

Mining Properties and Development

Expenditures on general exploration and development are charged against earnings as incurred. Expenditures on the development of new mining properties are capitalized and amortized against earnings by charges for depletion based on the estimated life of ore reserves. The cost of preparing individual pits for ore extraction are deferred and amortized on the basis of units of production.

Income Taxes

Income tax laws in Canada permit the deduction of depreciation and other items from income to determine taxable income at times which do not coincide with those used for regular financial reporting purposes. These differences in timing of deductions result in taxes being provided but not currently payable.

Foreign Currency Translation

Current assets and current liabilities denominated in foreign currencies are translated at year end rates of exchange. The resulting exchange adjustments are included in the determination of earnings.

Revenue Recognition

Revenues are recorded in the accounts when title passes to the buyer. Revenues are estimated at the time of sale and may be subject to adjustment on final settlement to reflect changes in metal prices, weights and assays.

Earnings Per Share

Earnings per common share are calculated by dividing net earnings by the average number of shares outstanding during the year.

2. TRADE ACCOUNTS RECEIVABLE

	1979	1978
	(thousands)	
Shareholder, Cominco Ltd.	\$2,194	\$ 4,472
Affiliated companies	—	1,242
Other	6,600	4,577
	<u>\$8,794</u>	<u>\$10,291</u>

3. INVENTORIES

	1979	1978
	(thousands)	
Concentrates	\$2,344	\$ 5,550
Stores and operating supplies	5,053	4,035
	<u>\$7,397</u>	<u>\$ 9,585</u>

4. DIRECTORS' AND OFFICERS' REMUNERATION

In 1979, total remuneration of \$22,900 was paid to the nine directors. No remuneration was paid to the four officers as officers; two officers were also directors.

5. COMMITMENTS

At December 31, 1979, the amount unexpended on approved capital projects was \$6.7 million.

Pine Point Mines Limited

Incorporated under the laws of Canada, May 16, 1951

Head Office

Pine Point, N.W.T.

Mailing Address

c/o Cominco Ltd.
200 Granville Street
Vancouver, British Columbia
V6C 2R2

DIRECTORS

M. N. Anderson
R. P. Douglas
H. T. Fargey
G. H. D. Hobbs
R. A. MacKimmie, Q.C.
A. V. Marcolin
J. B. Smith
W. G. Wilson
W. M. Young

OFFICERS

R. P. Douglas
President and Chief Executive Officer
M. N. Anderson
Vice-President
W. H. R. Gibney
Vice-President and General Manager
P. C. Stewart
Secretary

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company
555 Burrard Street, Vancouver, British Columbia V6B 3R7
500 - 7th Avenue S.W., Calgary, Alberta T2P 0Y6
Toronto Dominion Centre, Toronto, Ontario M5W 1P9

AUDITORS

Thorne Riddell
Vancouver, British Columbia

ANNUAL MEETING

10 a.m. (P.S.T.) April 25, 1980
Four Seasons Hotel
Vancouver, British Columbia

For Canadian capital gain tax purposes the valuation day value of Pine Point Mines Limited shares on December 22, 1971 as established by the Department of National Revenue was \$24.00.

Tonnage figures given in this report are short tons.



The Company's Board of Directors attended meetings and inspected the operations at Pine Point on August 15-16. Pictured (left to right) in front of the 22 cubic yard loader are M. N. Anderson, W. M. Young, H. T. Fargey, G. H. D. Hobbs, J. B. Smith, A. V. Marcolin, R. P. Douglas, R. A. MacKimmie, and W. G. Wilson.

