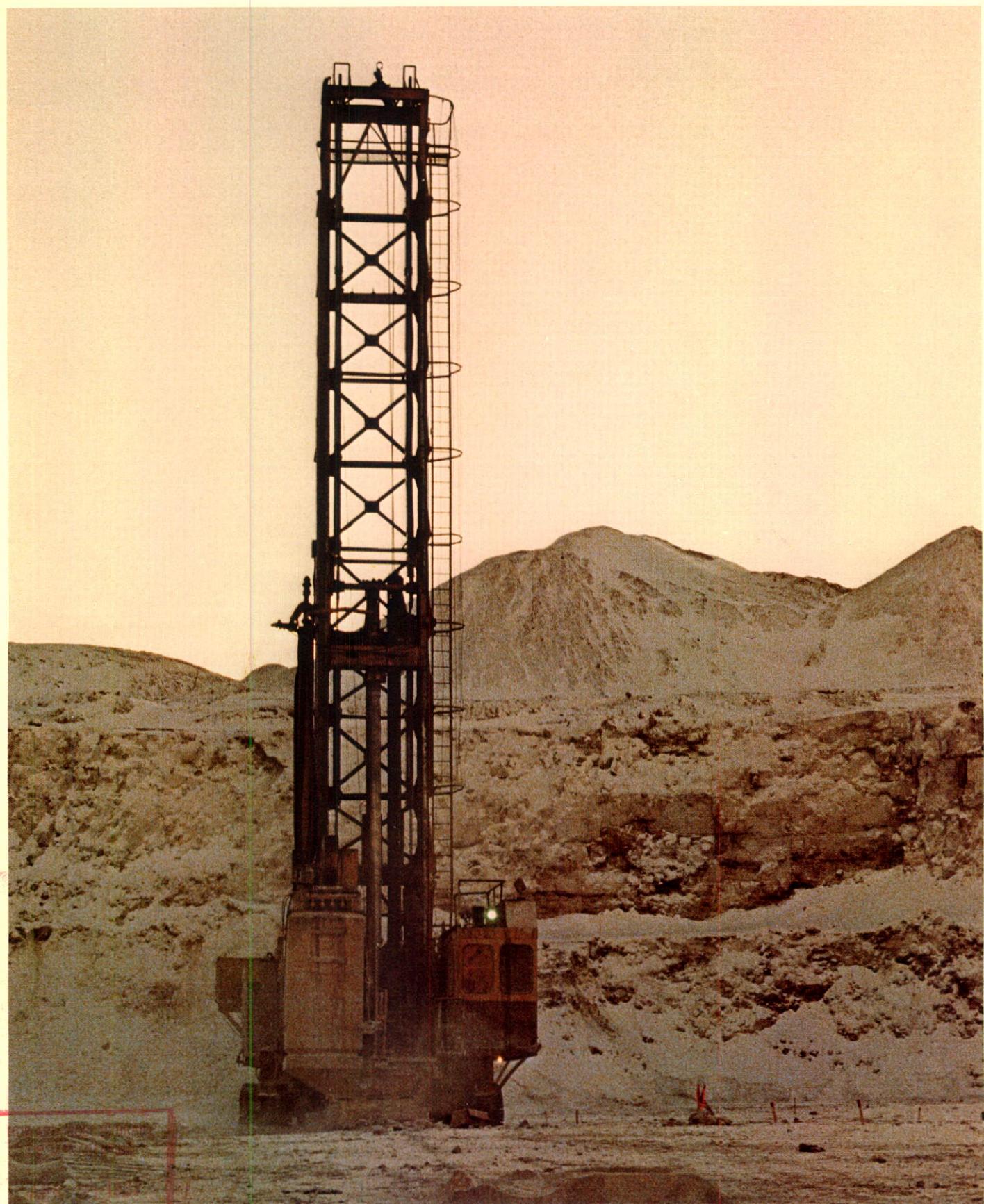


PINE POINT MINES LIMITED
1980 ANNUAL REPORT



PINE POINT MINES LIMITED

1980 ANNUAL REPORT

HEAD OFFICE

Yellowknife, N.W.T.
c/o Cominco Ltd.

MAILING ADDRESS

c/o Cominco Ltd.
200 Granville Street
Vancouver, B.C.
V6C 2R2

DIRECTORS

M. N. ANDERSON
R. P. DOUGLAS
H. T. FARGEY
G. FARQUHARSON
R. A. MACKIMMIE, Q.C.*
A. V. MARCOLIN
J. B. SMITH*
W. G. WILSON
W. M. YOUNG*

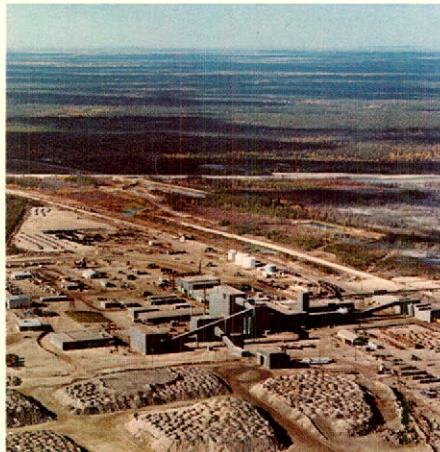
*Members of Audit Committee

OFFICERS

R. P. DOUGLAS, President and Chief Executive Officer
M. N. ANDERSON, Vice-President
W. H. R. GIBNEY,† Vice-President and General Manager
K. S. BENSON, Corporate Secretary
†We regret to report that Bill Gibney died February 21, 1981.

TRANSFER AGENT AND REGISTRAR

THE ROYAL TRUST COMPANY
555 Burrard Street, Vancouver, B.C.
V6B 3R7
333-7th Ave. S.W., Calgary, Alberta
T2P 2Z1
P.O. Box 7500-Station A,
Toronto, Ontario M5W 1P9



AUDITORS

THORNE RIDDELL
Vancouver, B.C.

ANNUAL MEETING

April 24, 1981
10:00 A.M.
Four Seasons Hotel
Vancouver, B.C.

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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.

COVER: Rotary drill at work in one of the six open pits at Pine Point.

LEFT: The mill operations at the mine. BELOW: New tractor-trailer units and front-end loaders reduced diesel fuel consumption and improved efficiency in 1980.

OPPOSITE: Increased quantities of ore were mined and milled at Pine Point in 1980.

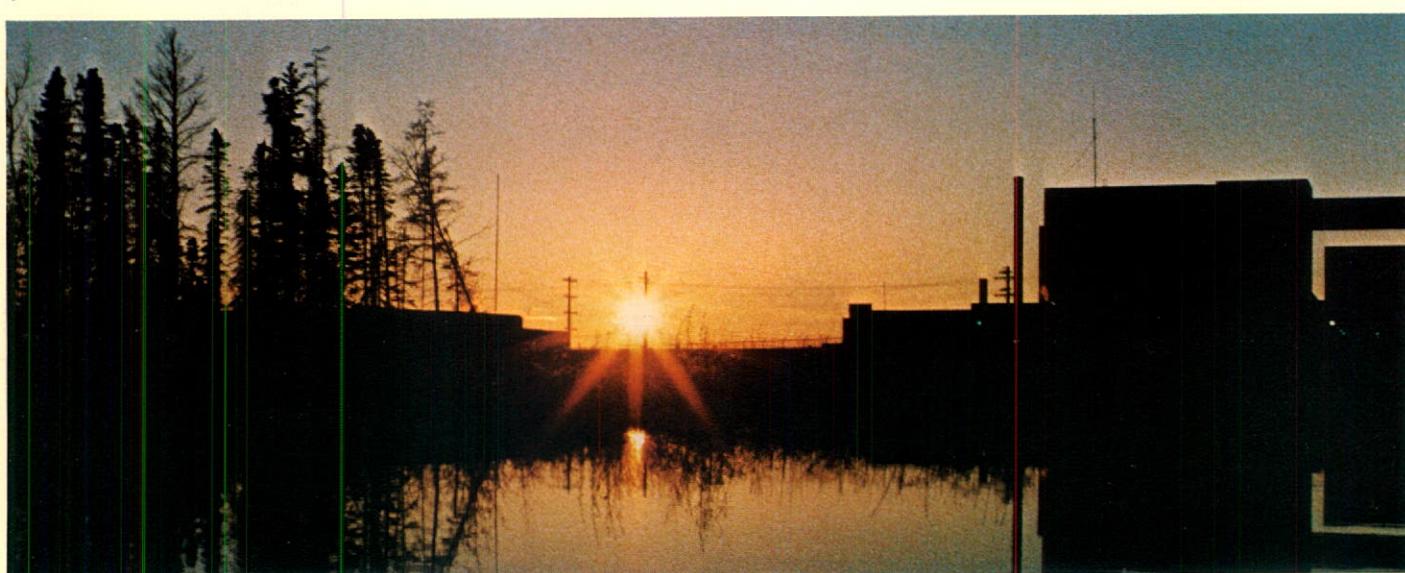


PINE POINT MINES LIMITED

HIGHLIGHTS — 5 YEAR

(all dollar amounts in millions except per share amounts)
1976 to 1979 figures restated. See Note 5 to the Financial Statements

	1980	1979	1978	1977	1976
OPERATIONS					
Sales of products	\$106.7	\$143.5	\$ 88.5	\$ 74.8	\$ 86.0
Net earnings	25.4	43.2	18.1	10.3	11.3
— per common share	5.62	9.57	4.00	2.28	2.51
Funds from operations	35.9	54.6	26.1	17.8	16.8
— per common share	7.95	12.08	5.77	3.93	3.72
Dividends on common shares	27.1	27.1	7.9	11.3	24.8
— per common share	6.00	6.00	1.75	2.50	5.50
Capital expenditures	26.7	10.4	13.2	7.1	4.1
Total employment cost	16.1	15.1	13.7	13.6	13.6
Number of employees	611	569	552	596	695
FINANCIAL POSITION					
Assets:					
— Working Capital	\$ 19.2	\$ 37.1	\$ 20.0	\$ 15.0	\$ 16.4
— Fixed Assets (net)	55.1	39.7	38.7	33.1	33.1
— Other Assets	7.6	3.1	1.3	—	—
	<hr/> \$ 81.9	<hr/> \$ 79.9	<hr/> \$ 60.0	<hr/> \$ 48.1	<hr/> \$ 49.5
Represented by:					
— Long term debt	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.9
— Income taxes not currently payable	12.5	8.8	5.0	3.3	2.9
— Shareholders' equity	69.3	71.0	54.9	44.7	45.7
	<hr/> \$ 81.9	<hr/> \$ 79.9	<hr/> \$ 60.0	<hr/> \$ 48.1	<hr/> \$ 49.5
Return on assets — %	31.4	61.8	33.5	21.1	19.8
Return on shareholders' equity — %	36.2	68.6	36.3	22.8	21.5
SALES					
Lead concentrate (tons)	66,000	84,000	95,000	81,000	80,000
Zinc concentrate (tons)	306,000	328,000	306,000	263,000	334,000
SHARE MARKET PRICE	— high	\$ 51 3/4	\$ 38 1/4	\$ 28	\$ 34 1/2
(Toronto Stock Exchange)	— low	\$ 32	\$ 23 3/8	\$ 18	\$ 21 5/8
					\$ 26 3/4



PINE POINT MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to present the 30th Annual Report of the Company for the year ended December 31, 1980.

FINANCIAL

(1979 Comparative Figures)

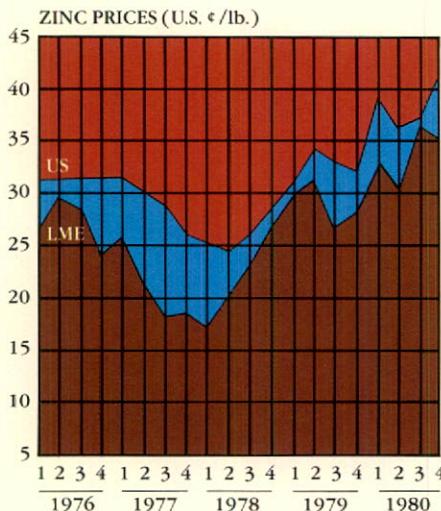
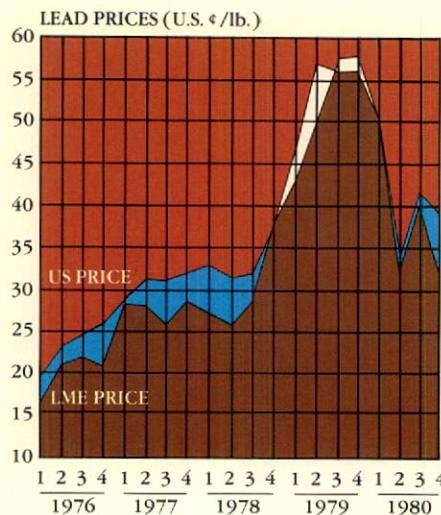
Net earnings were \$25.4 million or \$5.62 a share compared with \$43.2 million or \$9.57 a share in 1979. Dividends paid were \$6.00 a share amounting to \$27.1 million, the same amount as paid in 1979.

The reduction in net earnings was mainly attributable to lower sales volumes of lead and zinc concentrates and to lower prices received for lead concentrate. Zinc concentrate prices were slightly higher than last year. In addition, higher costs of operations affected the results with the main factors being higher energy costs, a significant increase in the quantity of overburden removed, and increased quantities of ore mined and milled. A 13 percent increase in freight rates pushed transportation costs up sharply.

During the year the Federal income tax authorities granted new mine status for each new open pit brought into production. This resulted in reducing the provision for 1980 taxes by \$1.6 million and a reduction in the prior years' provisions for taxes of \$6.0 million, an amount which is shown as a prior period adjustment in the financial statements.

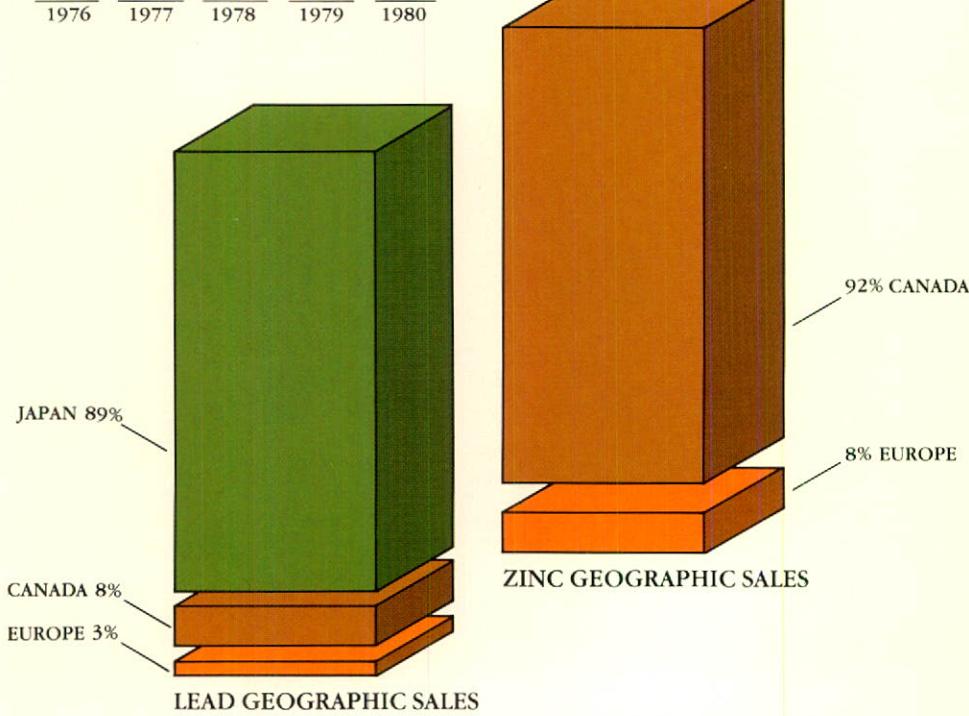
SALES

Concentrate sales were \$106.7 million compared with \$143.5 million in 1979. Sales volumes of both lead and zinc concentrates were lower than in 1979 when inventories were reduced by an aggregate of 50,000 tons. Lead concentrate sales were 66,000 tons (84,000) although at year-end, 19,000 tons were at New Westminster, B.C. awaiting transportation to Japan. Zinc concentrate sales were 306,000 tons (328,000). Lead prices weakened during the year as the United States economy, particularly in the automotive sector, continued to be depressed. However, zinc prices were marginally higher. The average Canadian lead price in 1980 was 49.3 cents a pound (59.9), with the average Canadian zinc price being 43.6 cents a pound (43.2).



OPERATIONS

Ore treated in the concentrator totalled 3,626,000 tons (3,291,000) with an average grade of 2.0 (1.9) percent lead and 5.5 (5.5) percent zinc. Production amounted to 82,000 tons (74,000) of lead concentrate and 315,000 tons (288,000) of zinc concentrate. Year-end inventories, including the tonnage at New Westminster, B.C., were 20,000 tons (4,000) of lead concentrate and 25,000 tons (16,000) of zinc concentrate. Concentrate production increased as a result of higher ore tonnage treated in the concentrator.



PINE POINT MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Mine production was from six pits including one new pit. Two pits were completed during the year and three new pits were being prepared for production. Waste and overburden removed during the year totalled 16.4 million tons (11.9) including 7.0 (6.8) million tons removed by the 30 cubic yard dragline. The dragline continued to operate at approximately one-third of the cost of the truck and shovel method while, at the same time, it facilitated the mining of thin tabular ore zones covered with a thick layer of overburden.

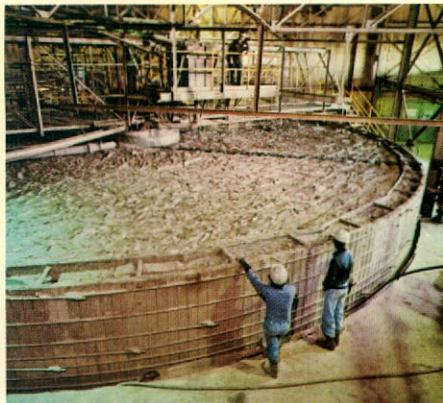
Nine miles of new haulroads were constructed to open up new mining areas while extending haulage distances to 12 miles from the concentrator.

Operating costs increased due to the substantially higher costs of energy and labour and the larger amount of overburden removed. During the year, labour costs increased by 8 percent, supplies by 15 percent, and energy by 38 percent.

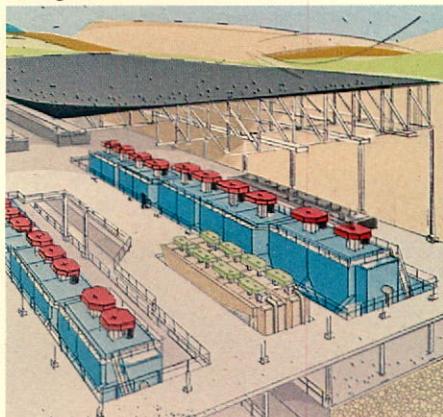
During the last ten years, rising energy costs and inflation have had the greatest impact on the Company's costs. During this period, overall costs have increased by 280 percent with energy costs alone having escalated by 600 percent. Inflation, during the same period, as measured by the Consumer Price Index, has increased 210 percent.

In the past, energy costs were a relatively minor component of the Company's operating budget. However, partly because of the increased usage of diesel-generated power and partly because of the rising price of diesel oil, the costs of energy have increased in 1980 from 9 to 19 percent of operating costs. This component will grow as oil prices escalate.

To assist in reducing the impact of rising energy costs, the Company has established a wide-ranging conservation program to maximize efficient use of energy. The utilization of more efficient equipment such as larger tractor-trailer units and loaders is an important factor in lowering the consumption of diesel fuel on the basis of tonnage hauled. The replacement of small flotation cells with larger units will substantially reduce the electrical



In the concentrator, mineral slurry is thickened in a settling tank.

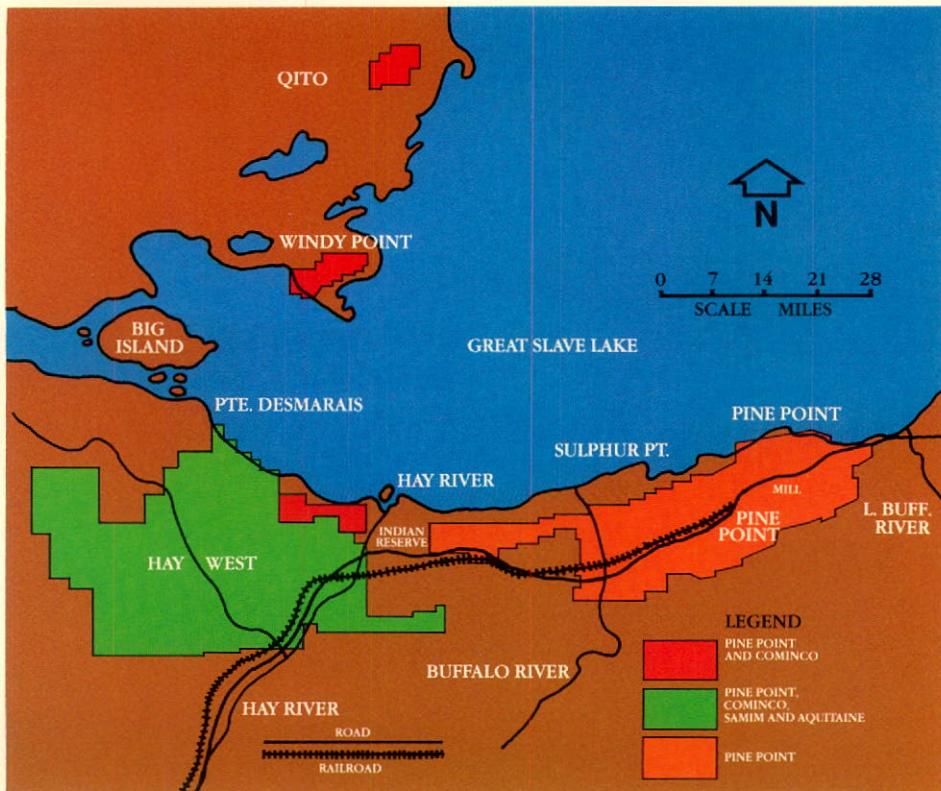


Above: Artist's conception of the new flotation section to be completed in 1981.

power required. The number of hours that the diesel generators must be run to supply electricity for the dragline operation has been reduced by the use of a peak shaver which smoothes out load demand. Upgraded insulation standards in new and existing Company-owned housing also have contributed to this program.

CAPITAL PROJECTS

To meet the demands for longer hauls and higher stripping activity, the haulage fleet was increased with the purchase of two additional 150-ton tractor-trailer units at an aggregate cost of \$1.6 million. The loader fleet was also upgraded with the purchase of four 13.5 cubic yard loaders, replacing four 10 cubic yard machines, at an aggregate cost of \$2.5 million. The \$6.0 million project to modernize the flotation section of the concentrator is well advanced. The first section consisting of ten 38 cubic meter cells is now in operation and working well. A second section of nine 16 cubic meter cells is expected to be in operation in early 1981. Using fewer, larger cells, the flotation section when completely



PINE POINT MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

installed is expected to lower energy and maintenance costs and facilitate improved recoveries of metal. This project is scheduled to be completed by the end of the first quarter of 1981 and has been undertaken without any significant interruptions in normal production.

A \$7.0 million construction program to provide 40 additional houses for married personnel and 120 bachelor apartments neared completion during the year. The houses will supplement the 234 Company-owned houses in the Town of Pine Point and the apartments will replace the conventional bunk-houses currently used to house single employees. This new accommodation is expected to alleviate the problem of attracting and retaining skilled trades people and to lessen employee turnover rates.

EXPLORATION

The Company had another successful exploration year. Exploration expenditures amounted to \$1.9 million compared to \$2.0 million in 1979. A total of 90,000 feet of exploration diamond drilling was completed and geophysical survey covered 173 line miles. Over 135,000 feet of diamond drilling was completed to outline new ore zones.

The 1980 drilling program followed up the discoveries made in 1979 on the northern part of the property about three miles north of the concentrator. Most of the program was carried out in the early winter of 1980. Forest fire hazards and a late freeze up curtailed the drilling during the remainder of the year. A major program is scheduled to commence in early 1981 on the northern trend to the west of the significant discoveries made in 1980.

At year-end, ore reserves were 41.3 million tons at 1.9 percent lead and 5.3 percent zinc, up from 38.0 million tons at 1.9 percent lead and 5.0 percent zinc at the end of 1979.

Work continued on the Hay West joint venture property with over 51,000 feet drilled to the end of 1980. Results of the drilling and seismic work was encouraging and further work is planned in 1981.

PERSONNEL

The work force increased to 611 at year-end compared to 569 in 1979. Labour supply was generally adequate except for the continued shortage of skilled tradesmen.

To assist in alleviating a projected shortage, the Company's Apprenticeship Program has been expanded. It provides training up to journeyman level for employees in 12 trades and is the largest non-governmental program of its kind in the Northwest Territories. This program began in 1971 and has



The 30 cubic yard dragline removed 7 million tons of waste and overburden in 1980.



New bachelor apartments will replace bunkhouses.



resulted in approximately 95 percent of the apprentices graduating, with approximately 55 percent remaining with the Company for at least three years. In 1980, 13 apprentices graduated from this program. In addition, scholarships have been instituted to attract graduates from the three local high schools into trade programs.

The development of an effective training and safety program continued to be a priority item. Over the years, Pine Point has enjoyed an excellent safety record, winning a number of national awards. To reinforce and improve this standard, a Loss Control Program was initiated in April 1980. In addition to traditional safety areas, this comprehensive program is aimed at all sectors where there is a potential for loss.

In 1980 Mr. G.H.D. Hobbs did not stand for reelection to the Board and was replaced by Mr. G. Farquharson. During the year Mr. K.S. Benson was appointed Corporate Secretary of the Company upon the retirement of Mr. P.C. Stewart. The Board wishes to express its appreciation to Mr. Hobbs and Mr. Stewart for their valuable contribution to the Company during their years of service.

The Board of Directors also expresses its appreciation to all employees for their efforts and dedication to the Company in 1980.

For the Board of Directors

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

PINE POINT MINES LIMITED
STATEMENT OF EARNINGS

Year Ended December 31, 1980

	1980	1979
	(thousands)	(thousands)
REVENUE		
Domestic sales	\$ 72,668	\$ 85,672
Export sales	34,006	57,859
	<u>106,674</u>	<u>143,531</u>
Income from investments	4,139	4,529
	<u>110,813</u>	<u>148,060</u>
COSTS AND EXPENSES		
Cost of product sold	40,916	40,735
Distribution	26,093	23,661
Selling	134	134
General and administrative	2,298	1,991
Depreciation	4,605	3,769
Depletion	336	2,591
	<u>74,382</u>	<u>72,881</u>
EARNINGS BEFORE INCOME TAXES	<u>36,431</u>	<u>75,179</u>
INCOME TAXES		
Current	7,335	28,141
Not currently payable	3,709	3,800
	<u>11,044</u>	<u>31,941</u>
NET EARNINGS	<u>\$ 25,387</u>	<u>\$ 43,238</u>
EARNINGS PER SHARE	<u>\$ 5.62</u>	<u>\$ 9.57</u>

PINE POINT MINES LIMITED
STATEMENT OF EARNINGS REINVESTED IN THE BUSINESS

Year Ended December 31, 1980

	1980	1979
	(thousands)	(thousands)
AMOUNT AT BEGINNING OF YEAR		
As previously reported	\$ 35,848	\$ 19,946
Adjustment of federal income taxes (note 5)	6,000	5,762
As restated	<u>41,848</u>	<u>25,708</u>
Net earnings	25,387	43,238
	<u>67,235</u>	<u>68,946</u>
Dividends (\$6.00 per share; 1979 — \$6.00)	27,098	27,098
AMOUNT AT END OF YEAR	<u>\$ 40,137</u>	<u>\$ 41,848</u>

PINE POINT MINES LIMITED
BALANCE SHEET AT DECEMBER 31, 1980

ASSETS	1980	1979
CURRENT ASSETS	(thousands)	(thousands)
Cash and short-term investments	\$ 10,479	\$ 49,743
Trade accounts receivable (note 2)	6,669	8,794
Inventories (note 3)	11,665	7,397
Prepaid expenses	1,924	994
	<u>30,737</u>	<u>66,928</u>
 FIXED ASSETS		
Land, buildings and equipment	93,027	74,021
Less accumulated depreciation	42,103	38,810
	<u>50,924</u>	<u>35,211</u>
Mining properties and development	10,136	10,136
Less accumulated depletion	6,002	5,665
	<u>4,134</u>	<u>4,471</u>
 DEFERRED PIT PREPARATION COSTS	 7,620	 3,135
	<u>\$ 93,415</u>	<u>\$109,745</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
 CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 8,309	\$ 7,134
Income taxes	3,170	22,665
Long-term debt due within one year	8	8
	<u>11,487</u>	<u>29,807</u>
 LONG-TERM DEBT		
Housing mortgages, less portion due within one year	129	137
 INCOME TAXES PROVIDED BUT NOT CURRENTLY PAYABLE	 12,501	 8,792
 SHAREHOLDERS' EQUITY		
 CAPITAL (note 4)		
Issued and fully paid 4,516,363 shares without par value	29,161	29,161
 EARNINGS REINVESTED IN THE BUSINESS	 40,137	 41,848
	<u>69,298</u>	<u>71,009</u>
	<u>\$ 93,415</u>	<u>\$109,745</u>

COMMITMENTS (note 6)

Approved by the Board

R. P. Douglas

Director

H. Anderson

Director

PINE POINT MINES LIMITED
STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1980

SOURCE OF FUNDS	Funds provided from operations	1980	1979
		(thousands)	
	Net earnings	\$ 25,387	\$ 43,238
	Add:		
	Depreciation and depletion	4,941	6,360
	Amortization of deferred pit preparation costs	1,634	1,076
	Income taxes not currently payable	3,709	3,800
	Other	252	102
		\$ 35,923	\$ 54,576
APPLICATION OF FUNDS			
	Deferred pit preparation costs	\$ 6,119	\$ 2,951
	Buildings and equipment	20,569	7,417
	Repayment of long-term debt	8	8
	Dividends	27,098	27,098
		53,794	37,474
CHANGE IN WORKING CAPITAL		(17,871)	17,102
		\$ 35,923	\$ 54,576

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, 1980 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, 1980 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 22, 1981

Thorne Riddell
Chartered Accountants

PINE POINT MINES LIMITED
NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1980

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

	1980	1979
	(thousands)	
Shareholder, Cominco Ltd.	\$ 2,847	\$2,194
Affiliated companies	252	—
Other	<u>3,570</u>	<u>6,600</u>
	<u>\$ 6,669</u>	<u>\$8,794</u>

3. INVENTORIES

	1980	1979
	(thousands)	
Concentrates	\$ 5,688	\$2,344
Stores and operating supplies	<u>5,977</u>	<u>5,053</u>
	<u>\$11,665</u>	<u>\$7,397</u>

4. CAPITAL

The Company applied for and received a Certificate of Continuance under the Canada Business Corporations Act dated May 1, 1980. The authorized capital consists of common shares of no par value. Under this Act there is no limitation on the number of shares that may be issued.

5. PRIOR PERIOD ADJUSTMENT

During the year, Revenue Canada agreed to treat each new pit as a separate mine. As a result, a portion of the provisions for taxes 1975 to 1979 is no longer required. The amounts previously reported have been restated to show a reduction of \$6,000,000. Of this amount, \$238,000 (\$.05 per share) is applicable to 1979; the remaining \$5,762,000 is applicable to previous years. The financial statements have been restated retroactively for these changes.

6. COMMITMENTS

At December 31, 1980, the amount unexpended on approved capital projects was \$4.2 million.

7. RELATED PARTY TRANSACTIONS

Cominco Ltd., the Company's majority shareholder, manages the Company's operations and is reimbursed for all costs incurred.

In 1980 Cominco Ltd. and associated companies of Cominco purchased at fair market value 99% (1979 — 86%) of the quantity of lead concentrate and 83% (1979 — 82%) of the zinc concentrate sold by the Company.

