

PINE POINT MINES LIMITED
ANNUAL REPORT 1984



PINE POINT MINES LIMITED

HIGHLIGHTS — 5 YEAR

(All dollar amounts in millions except per share amounts)

	1984	1983	1982	1981	1980
OPERATIONS					
Ore Milled (millions of tons)	2.5	1.0	2.4	3.6	3.6
Feed Grade — % Zinc	7.6	8.1	7.3	4.8	5.5
— % Lead	2.3	2.7	3.0	2.0	2.0
Sales of products	\$119.9	\$ 51.7	\$ 87.9	\$126.1	\$106.7
Net earnings (loss)	15.2	(8.4)	(9.0)	22.4	25.4
— per common share	3.36	(1.87)	(1.99)	4.97	5.62
Funds from operations	33.7	(0.5)	3.0	37.8	35.9
— per common share	7.45	(0.10)	0.67	8.37	7.95
Dividends on common shares	Nil	Nil	Nil	20.3	27.1
— per common share	Nil	Nil	Nil	4.50	6.00
Capital expenditures	9.1	0.7	8.2	10.9	20.6
Pit preparation costs	13.7	3.8	14.9	12.1	6.1
Total employment cost	26.0	14.1	22.6	21.1	16.1
Number of employees	588	545	591	648	611

FINANCIAL POSITION

Assets:

— Working capital	\$ 8.2	\$ 4.2	\$ 7.6	\$ 13.7	\$ 19.2
— Fixed assets (net)	56.7	55.8	59.9	59.3	55.1
— Other assets	26.2	18.8	20.7	14.5	7.6
	<u>\$ 91.1</u>	<u>\$ 78.8</u>	<u>\$ 88.2</u>	<u>\$ 87.5</u>	<u>\$ 81.9</u>

Represented by:

— Long term debt	\$ 8.2	\$ 15.1	\$ 13.8	\$ 0.1	\$ 0.1
— Income taxes not currently payable	13.7	9.7	12.0	16.0	12.5
— Shareholders' equity	69.2	54.0	62.4	71.4	69.3
	<u>\$ 91.1</u>	<u>\$ 78.8</u>	<u>\$ 88.2</u>	<u>\$ 87.5</u>	<u>\$ 81.9</u>

Return on assets — %	17.9	Nil	Nil	26.5	31.4
Return on shareholders' equity — %	24.7	Nil	Nil	31.9	36.2

SALES

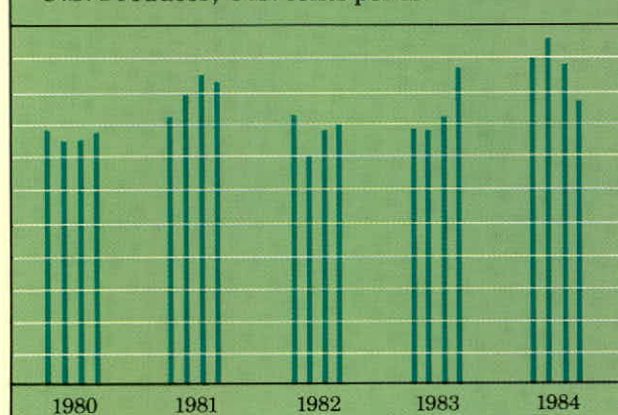
Lead concentrate (tons)	62,000	55,000	72,000	91,000	66,000
— (grade %)	(75.2)	(73.8)	(76.5)	(77.1)	(76.0)
Zinc concentrate (tons)	285,000	136,000	279,000	292,000	306,000
— (grade %)	(58.7)	(56.9)	(57.3)	(58.4)	(57.7)

SHARE MARKET PRICE

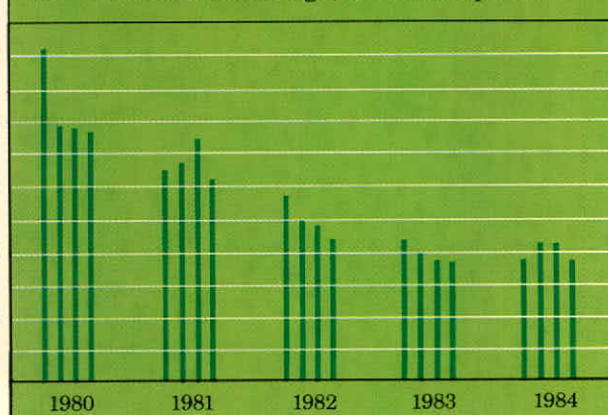
— high	\$38	\$35	\$45 ⁵ / ₈	\$57	\$51 ³ / ₄
— low	\$20 ¹ / ₂	\$25 ⁵ / ₈	\$20	\$38 ¹ / ₂	\$32

(Toronto Stock Exchange)

Zinc prices — Quarterly Averages 1980 - 1984
U.S. Producer, U.S. cents per lb.

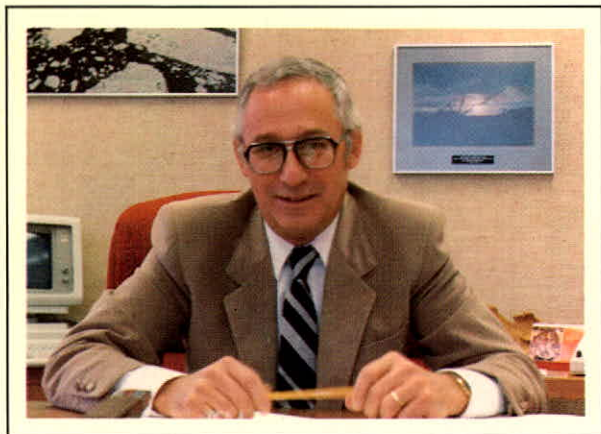


Lead prices — Quarterly Averages 1980 - 1984
London Metal Exchange, U.S. cents per lb.



PINE POINT MINES LIMITED

PRESIDENT AND CHIEF EXECUTIVE OFFICER'S MESSAGE



R.P. Douglas

The year 1984 was noteworthy for two reasons: it was both a recovery year and an anniversary year.

The Company returned to profitability after two years of losses. Earnings in 1984 were \$15.2 million or \$3.36 per share compared with a loss of \$8.4 million or \$1.87 per share in 1983. Total debt was reduced from \$17.5 million at the beginning of the year to \$8.2 million at year end.

The year was also the 20th anniversary of production from Pine Point. The first crude ore was shipped to a concentrator at Kimberley, British Columbia, in November, 1964. Since that time more than 61 million tons of ore have been mined at average grades of 6.7 per cent zinc and 3.0 per cent lead. After paying \$105 million in income taxes to the Federal Government, \$14 million in royalties to the Government of the Northwest Territories and \$8 million in municipal taxes to the town of Pine Point, the Company's net profit over the 20-year period was \$375 million. Of this amount \$334 million, or 89 per cent, was paid in dividends to shareholders. Wages and benefits earned by employees totalled \$219 million.

These are impressive figures. But they should not divert attention from the fact that the Pine Point operating environment has become more and more demanding with each passing year.

The conditions Pine Point currently faces are the increased thickness of overburden and bedrock that must be penetrated to reach the ore, increased dewatering costs for deeper open pits, more stringent environmental regulation, and low metal prices. These have combined to reduce the reserves of ore that can be economically mined, causing the Directors, management and the operators to respond in meeting these challenges.

A record tonnage of material was moved in 1984 due to increased productivity and larger equipment. The strategy of increasing equipment size to larger shovels and trucks has proven to be particularly successful. In 1984, 588 employees handled 30 million tons of material, compared with 10 years ago when the same number of employees moved 16 million tons. The change to larger equipment helped to keep operating costs at \$26 a ton of ore milled, about the same level as in 1982.

Exploration for new ore is a key factor in the future of any mine. During 1984, \$3.7 million was spent on exploration. The property map on pages 6 and 7 shows the large area requiring closer examination for orebodies that can be mined by open pit. While reserves today are at about the same level as 20 years ago, it is necessary to continue an intensive exploration program to find new ore to replace the ore mined each year. The principal object is to locate additional high-grade ore zones like N-81, which was discovered in 1981 and is today's primary producer.

Exploration on the western part of the property, where the mineralized rocks dip to 300 feet below the surface, has shown signs of tabular ore zones of sufficient thickness, continuity and grade to warrant mining by underground methods. To test the feasibility of mining this ore a \$2 million underground mining program was started in the third quarter. This program will provide information on the continuity of the ore and the costs of mining. Good progress has been made and by mid-1985 sufficient information will have been obtained to decide on the viability of this method of mining.

By making the necessary expenditures, intensifying the exploration program, and testing the feasibility of underground mining, I believe new opportunities will be created to locate and develop additional mineable ore at Pine Point.

I take this opportunity to commend employees in every area of operations for their dedication and skill in meeting the year's challenges and for helping the Company return to profitability.

R.P. Douglas
President and
Chief Executive Officer

Yellowknife, N.W.T.
February 19, 1985

PINE POINT MINES LIMITED

34TH REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

(1983 comparative figures in parentheses)

The Year in Review

Net earnings for the year were \$15.2 million or \$3.36 a share compared with a loss of \$8.4 million or \$1.87 a share in 1983. The strong turnaround was due to improved prices received for zinc and lead, particularly in the first six months of the year, together with an excellent operating record with increased levels of zinc production. The continuing cost restraint programs instituted in 1982 contributed significantly to the Company's return to profitability.

Financial

Sales revenue for the year improved over 1982, the last full year of operations, and over 1983 levels when operations were shut down for five and one-half months due to high operating costs and low metal prices. Zinc and lead concentrate sales were \$119.9 million compared with \$51.7 million in 1983 and \$87.9 million in 1982. Sales volumes were 285,000 tons (136,000) of zinc concentrate and 62,000 tons (55,000) of lead concentrate.

During the first half of the year, zinc prices continued the upward trend which had started the previous year but declined in the second half to reach the low point for the year in December. The average zinc price for the year was 48.7 cents U.S. a pound compared with 41.4 cents U.S. a pound in 1983. Lead prices on the London Metal Exchange, which is the basis for pricing the Company's lead concentrate, remained at weak 1982 and 1983 levels during 1984. There was some strengthening during the year but in the last five months prices declined to close the year at 17.9 cents U.S. a pound. The average lead price on the London Metal Exchange was 20.1 cents U.S. a pound compared with 19.3 cents U.S. a pound in 1983. Average quarterly zinc and lead prices for the last five years are shown in charts on the inside front cover.

Funds generated from operations amounted to \$33.7 million compared with a negative cash flow of \$450,000 in 1983. This improvement allowed the Company to incur capital expenditures and pit preparation costs of \$22.8 million and to reduce total debt from \$17.5 million to \$8.2 million at year end.

On September 20, 1984 Pine Point's majority shareholder, Cominco Ltd., announced that as part of a continuing review of assets Cominco would reduce its 69 per cent interest in Pine Point to approximately 51 per cent through the sale of 800,000 shares. The sale was concluded on January 31, 1985.

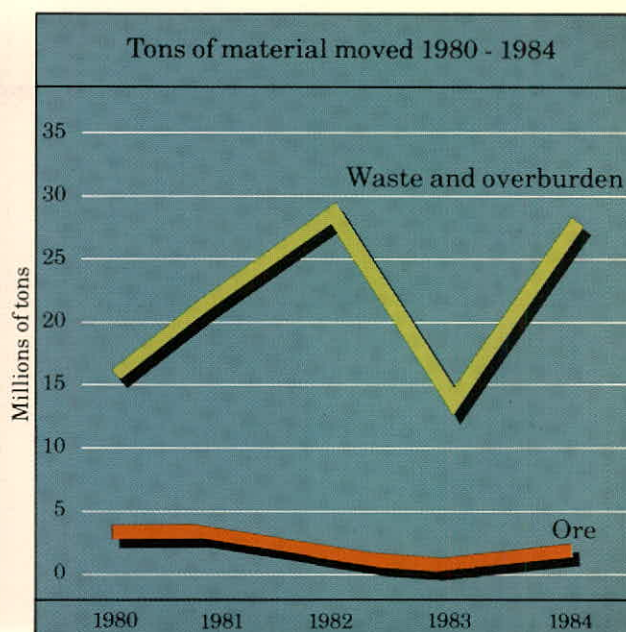
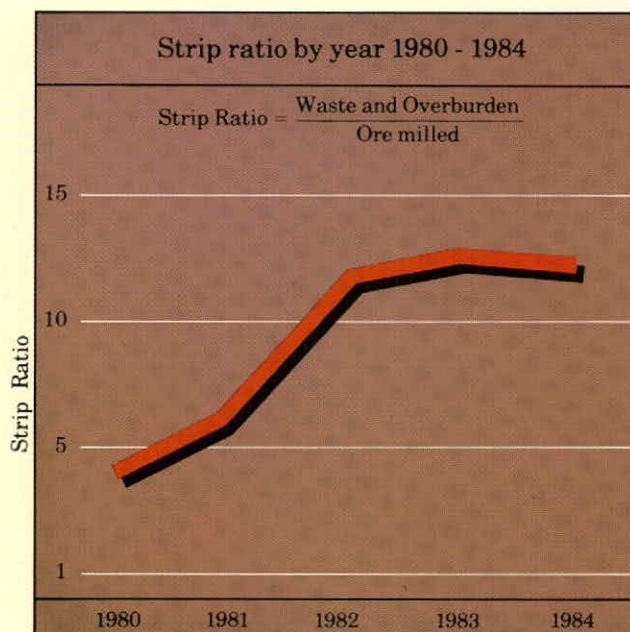
Dividends

During 1982 and 1983 losses prevented the Company from paying dividends to shareholders. Through those years of weak demand and low prices the Company also accumulated debt. In 1984 available funds were directed to reduction of debt, to exploration and to the purchase of equipment. The Directors will consider reinstating dividends when the Company's present debt has been repaid.

Operations

Production of zinc concentrate in 1984 was the highest since 1980. Process improvements in the mill resulted in the production of higher grade concentrates than in the previous year in spite of average feed grades being lower than in 1983.

The concentrator was shut down for 11 days from December 22, 1984 to January 1, 1985 to control concentrate inventory levels. Inventories at year end were 27,000 tons (9,000) of zinc concentrate and 11,000 tons (5,000) of lead concentrate.





The underground mine project started in 1984; above, the portal in the pit wall.



This 140-ton haul truck and 17-yard electric shovel represent Pine Point's most efficient truck-shovel combination.

Mine production came from seven operating pits, the same number as in 1983. Production from the N-81 pit started in July and the full benefit of higher feed grades from this significant ore producer was realized in the fourth quarter. Mining of N-81 remained on schedule in spite of dewatering requirements that were greater than anticipated. Extra pumping capacity was added to the dewatering process and new methods are being studied to reduce groundwater flows from the surrounding rock into the mining area.

Since all of Pine Point's ore lies beneath the water table, more extensive dewatering is needed as mining proceeds westward to deeper orebodies. In 1984, 37 new wells were drilled as part of the total dewatering program. The 55 pumps in service averaged a total pumping rate of 60,000 U.S. gallons a minute. The 1984 dewatering program cost \$5.5 million compared with \$2.6 million in 1983.

The map on pages 6 and 7 shows the location of producing pits. Waste and overburden removed totalled 28.2 million tons. The dragline removed 7 million tons of overburden. The truck shovel fleet hauled a total of 2.3 million tons of ore, 10.8 million tons of waste and 10.4 million tons of overburden. The total amount of material moved at 30.5 million tons exceeds all previous annual tonnages moved on the property without the aid of independent contractors. The strip ratio, which is the amount of waste removed to uncover one ton of ore, dropped slightly from 12.7 in 1983 to 12.4 in 1984.

Operating statistics for 1984 are summarized below:

	1984	1983 (6½ months)
Ore milled (tons)	2,512,000	985,000
Zinc		
Average grade	7.6%	8.1%
Concentrate (tons)	303,000	130,000
Concentrate grade	58.7%	56.9%
Lead		
Average grade	2.3%	2.7%
Concentrate (tons)	68,000	32,000
Concentrate grade	75.2%	73.8%

Capital Projects

Capital expenditures in 1984 totalled \$9.1 million for the purchase of equipment which included three 140-ton mechanical-drive haul trucks costing \$2.8 million, three 85-ton haul trucks for \$2.0 million, a 14-yard electric shovel for \$1.4 million, a bulldozer, a front-end loader, a 120-ton haul truck and pumps for the dewatering program.

Exploration, Development and Ore Reserves

Exploration expenditures in 1984 amounted to \$3.7 million, compared with \$2.4 million in 1983. The 1984 exploration program consisted of 217 line miles (60) of induced polarization survey, and a total of 161,000 feet (115,000) of exploration drilling. An additional 158,000 feet (53,000) were drilled to outline ore zones being prepared for production and included a program to define the high grade deep tabular ore run on the northwest part of the property which is the target of the \$2 million underground mine test.

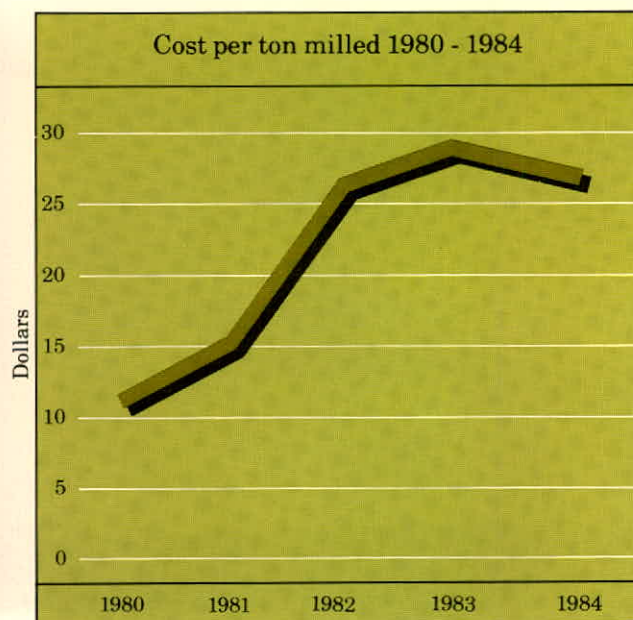
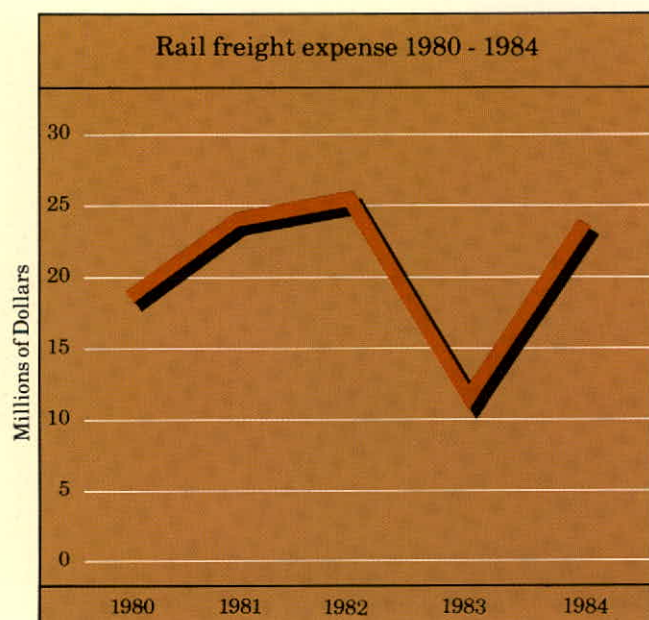
The main ore bearing trend of the property has hosted many of the prismatic orebodies profitably mined to date and 1984 exploration activities were carried out largely along this trend west from the N-81 orebody.

The program consisted of induced polarization surveys and follow-up diamond drilling as well as an extensive program of grid drilling along the projected trend. One prismatic orebody was discovered 7 miles west of the concentrator containing 224,000 tons grading 8.1 per cent zinc and 3.9 per cent lead.

Closer spaced drilling in and around known orebodies on the north trend resulted in a small increase in ore tonnage with some loss in zinc metal.

Underground Mine Test

In the third quarter of 1984 a \$2 million project was started to test the feasibility of mining ore which is accessible only by underground mining methods. Success in this project could open up extensive mineralized trends to the west which could support underground mining for many years.



A decline was driven from an opening in the third bench of a pit wall to access a high-grade orebody. By year end the decline had been driven 1,050 feet using the same mining equipment employed in the underground project at Pine Point in the mid-1970s. Ground conditions are proving to be satisfactory and the decline should reach the ore in the first quarter of 1985.

The map on Pages 6 and 7 details the extent of exploration activity across the property and shows there are large areas still to be explored.

A belt south and east of existing production areas (yellow on map) has the potential of hosting large or high grade deposits, which are critical to the Company's continuing profitability in the long term. Accordingly, these areas will receive high priority in the exploration program of the next few years. The search will be accelerated, using modern induced polarization methods, primarily directed to major concentrations of zinc and lead at shallow depths. Other work will continue in productive ore trends marked in brown and orange on the map.

At year end ore reserves were 24.0 million tons grading 6.0 per cent zinc and 2.7 per cent lead compared with 25.7 million tons grading 6.3 per cent zinc and 2.7 per cent lead at the end of 1983.

Personnel

The work force increased to 588 at year-end, compared with 545 in 1983 and 591 in 1982. The increase was due to the underground mine test project and additional manpower requirements for development and mining of the N-81 pit.

Due mainly to the shortage of employment opportunities in the mining industry in southern Canada, turnover of both staff and general roll employees decreased compared to the previous year.

The Company continued to offer scholarships to graduates from local high schools for the purpose of trades training. In 1984 five awards were made to students for tuition costs at institutes of trades training.

In 1984 the number of lost-time accidents which occurred was about the same as in 1982, the last full year of operations. Most accidents were of a relatively minor nature except for one which resulted in a fatality when two vehicles collided in a snowstorm. Management remains dedicated to creating safe working conditions and all employees are participating in strengthened programs to improve job safety. Seven supervisors won awards of merit from the Territories Mines Accident Prevention Association for each supervising 5,000 man-shifts without a lost time accident.

A new three-year collective agreement for Union employees was signed on June 29, 1984 effective from May 1, 1984 to April 30, 1987. The agreement included an across-the-board wage increase of five per cent in each year of the agreement, as well as improvements in pension benefits.

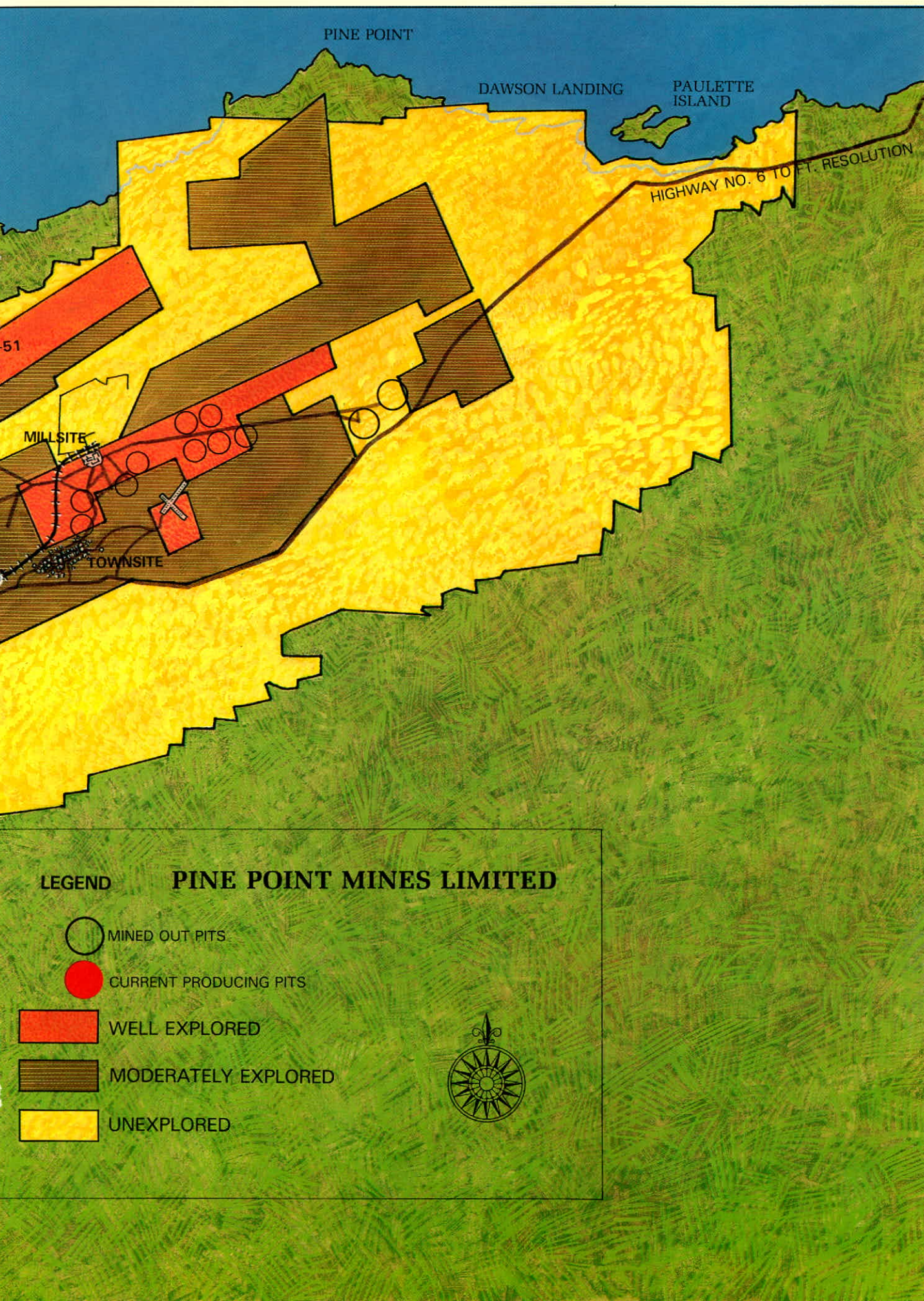
Mr. H.T. Fargey, a Director of Pine Point Mines for six years, retired in April and Mr. J.M. Willson resigned as a Director to pursue post-graduate studies at the Royal School of Mines in London, England. The Board wishes to express its appreciation to each for their valuable contributions to the Company.



July 1984 view of N-81 pit with waste dump at left and drainage channels around perimeter.

A detailed map of the Great Slave Lake region. The lake is shown in blue at the top. The shoreline is marked with Sulphur Point and Breynat Point. A large yellow area represents a specific geological or administrative region, with the Buffalo River flowing through it. A brown area represents another region, containing the CN Railway and Highway No. 5. A red area, labeled 'UNDERGROUND OREBODY', is situated near the shore. A scale bar at the bottom indicates distances in miles (0 to 10) and kilometers (0 to 16). Other labels include 'TO HAY RIVER' and 'HIGHWAY NO. 5 TO FT. SMITH'.

16 KM





Mary Temple, a haul truck driver, is one of 37 women who occupy "non-traditional" jobs at Pine Point.



Andy Larrivee at the controls of the 30-cubic yard dragline which moved 7 millions tons of overburden in 1984.

MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

The accompanying financial statements of Pine Point Mines Limited have been prepared in accordance with generally accepted accounting principles considered to be appropriate in the circumstances. The statements and all of the information contained in the Annual Report are the responsibility of management and are approved by the Board of Directors of the Corporation. Financial and operating information appearing in the body of the Annual Report is consistent with that contained in the financial statements.

The financial statements of Pine Point Mines Limited are examined by the Corporation's external auditor, Thorne Riddell, and their report is included herein.

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, 1984 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 corporation as at December 31, 1984 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 18, 1985

Thorne Riddell
Chartered Accountants

PINE POINT MINES LIMITED STATEMENT OF EARNINGS YEAR ENDED DECEMBER 31, 1984

	1984 (thousands)	1983
REVENUE		
Domestic sales	\$ 105,459	\$ 40,616
Export sales	14,431	11,051
	<u>119,890</u>	<u>51,667</u>
Income from investments	—	314
	<u>119,890</u>	<u>51,981</u>
COSTS AND EXPENSES		
Cost of product sold (Note 4)	57,175	38,673
Distribution	27,688	16,036
General, administrative and selling	2,376	1,619
Exploration	3,679	2,409
Debt interest and expense	1,260	1,856
Depreciation and depletion (Note 4)	8,125	4,578
	<u>100,303</u>	<u>65,171</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	<u>19,587</u>	<u>(13,190)</u>
INCOME TAXES (Note 5)		
Current (refundable)	386	(2,449)
Not currently payable	4,018	(2,300)
	<u>4,404</u>	<u>(4,749)</u>
EARNINGS (LOSS) FOR THE YEAR	<u>\$ 15,183</u>	<u>\$ (8,441)</u>
EARNINGS (LOSS) PER SHARE	<u>\$ 3.36</u>	<u>\$ (1.87)</u>

PINE POINT MINES LIMITED

(Incorporated under the laws of Canada)

BALANCE SHEET AT DECEMBER 31, 1984

ASSETS

	1984 (thousands)	1983
CURRENT ASSETS		
Trade accounts receivable	\$ 3,517	\$ 3,261
Inventories (Note 2)	14,443	10,235
Prepaid expenses	1,519	1,001
	<u>19,479</u>	<u>14,497</u>
FIXED ASSETS		
Land, buildings and equipment	117,058	108,392
Less accumulated depreciation	60,790	53,946
	<u>56,268</u>	<u>54,446</u>
Mining properties and development	9,147	9,147
Less accumulated depletion	8,760	7,786
	<u>387</u>	<u>1,361</u>
DEFERRED PIT PREPARATION COSTS		
	<u>26,161</u>	<u>18,752</u>
	<u>\$ 102,295</u>	<u>\$ 89,056</u>

LIABILITIES

CURRENT LIABILITIES		
Bank loans	\$ —	\$ 2,409
Accounts payable and accrued liabilities	9,296	6,397
Income taxes	1,982	1,523
Long-term debt due within one year	11	11
	<u>11,289</u>	<u>10,340</u>
LONG-TERM DEBT (Note 3)	<u>8,185</u>	<u>15,096</u>
INCOME TAXES PROVIDED BUT NOT CURRENTLY PAYABLE	<u>13,659</u>	<u>9,641</u>

SHAREHOLDERS' EQUITY

CAPITAL		
Authorized — unlimited		
Issued and fully paid		
4,516,363 shares without par value	29,161	29,161
EARNINGS REINVESTED IN THE BUSINESS	<u>40,001</u>	<u>24,818</u>
	<u>69,162</u>	<u>53,979</u>
	<u>\$ 102,295</u>	<u>\$ 89,056</u>

Approved by the Board

R. P. Douglas

Director

W. G. Wilson

Director

PINE POINT MINES LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1984

	1984 (thousands)	1983
SOURCE OF FUNDS		
Funds provided (deficit) from operations		
Earnings (loss) for the year	\$ 15,183	\$ (8,441)
Add items not requiring an outlay of funds:		
Depreciation and depletion	8,125	4,578
Amortization of deferred pit preparation costs	6,344	5,800
Income taxes not currently payable	4,018	(2,300)
Gain on sale of assets	(11)	(87)
	<u>33,659</u>	<u>(450)</u>
Proceeds from sale of assets	129	242
Additional long-term debt	—	1,300
	<u>33,788</u>	<u>1,092</u>
APPLICATION OF FUNDS		
Deferred pit preparation costs	13,752	3,847
Buildings and equipment	9,092	657
Repayment of long-term debt	6,911	15
	<u>29,755</u>	<u>4,519</u>
INCREASE (DECREASE) IN WORKING CAPITAL	4,033	(3,427)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>4,157</u>	<u>7,584</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 8,190</u>	<u>\$ 4,157</u>

STATEMENT OF EARNINGS REINVESTED IN THE BUSINESS

YEAR ENDED DECEMBER 31, 1984

	1984 (thousands)	1983
AMOUNT AT BEGINNING OF YEAR	\$ 24,818	\$ 33,259
Earnings (loss) for the year	<u>15,183</u>	<u>(8,441)</u>
AMOUNT AT END OF YEAR	<u>\$ 40,001</u>	<u>\$ 24,818</u>

PINE POINT MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1984

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Corporation are prepared using accounting principles generally accepted in Canada applied on a consistent basis.

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 estimated 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.

DEFERRED PIT PREPARATION COSTS

The costs 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.

Tax savings from investment tax credits are reflected in earnings as a reduction in current income tax expense as they are realized.

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. INVENTORIES

	1984 (thousands)	1983
Concentrates	\$ 7,747	\$ 2,665
Stores and operating supplies	6,696	7,570
	<u>\$14,443</u>	<u>\$10,235</u>

3. LONG-TERM DEBT

(excluding amount due within one year)

	1984 (thousands)	1983
Bank loans with an initial three-year revolving term convertible before 1988 into five-year term loans with interest related to bank prime rates	\$ 8,100	\$15,000
7% housing mortgages	85	96
	<u>\$ 8,185</u>	<u>\$15,096</u>

Payments required on long-term debt, assuming the conversion of the revolving loans into five-year term loans in 1987, are: 1985 - \$11,000; 1986 - \$12,000; 1987 - \$13,000; 1988 - \$1,633,000; 1989 - \$1,635,000.

4. TEMPORARY SUSPENSION OF OPERATIONS

The Corporation's mining and milling operation was shut down from January 2 to June 15, 1983 due to depressed zinc and lead prices and high operating costs which, combined, made continued operations uneconomic. Costs of maintaining the facility during the shut-down amounted to \$7,701,000 and are included in cost of product sold. No depreciation was taken during that period.

5. TAXES ON INCOME

The following summary is presented to explain the difference between the effective tax rate derived from the accounts and the statutory tax rate applicable to companies operating in the Northwest Territories:

	1984	1983
	(dollars in thousands)	
Income tax (tax benefits)		
at statutory tax rates	\$ 9,010 46.0 %	\$(6,193) (46.9) %
Tax effect (benefit) of:		
Resource allowance and earned depletion net		
of resource taxes	(4,549) (23.2)	1,415 10.7
Other items	(57) (0.3)	29 0.2
Income taxes charged		
(credited) to earnings	<u>\$ 4,404 22.5 %</u>	<u>\$(4,749) (36.0) %</u>

6. RELATED PARTY TRANSACTIONS

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

In 1984, Cominco Ltd. and associated companies of Cominco purchased at fair market value 100% (1983 - 96%) of the quantity of lead concentrate and 100% (1983 - 100%) of the zinc concentrate sold by the Corporation.

Accounts receivable include \$3,212,000 (1983 - \$2,119,000) from related parties.

7. INDUSTRY SEGMENT

The Corporation operates solely in the mining industry producing lead concentrate and zinc concentrate.

SHAREHOLDER INFORMATION

Registered Office
11th Floor
Precambrian Building
Yellowknife, N.W.T.

Mailing Address
2300-200 Granville Street
Vancouver, B.C.
V6C 2R2
Attention: K.S. Benson
Corporate Secretary

Directors
R.P. Douglas
R.G. Duthie*
G. Farquharson*
R.I. Hardy
D.L. Johnston
R.A. MacKimmie, Q.C.*
W.J. Robertson
W.G. Wilson

Officers
R.P. Douglas,
President and Chief Executive Officer
K.S. Benson,
Corporate Secretary
C.M. Edworthy,
Controller
M.J. Mandry,
General Manager

*Members of the Audit Committee

Transfer Agent and Registrar
The Royal Trust Company
505 Burrard Street, Vancouver, B.C.
V7X 1R5

333-7th Ave. S.W., Calgary, Alberta
T2P 2Z1

P.O. Box 7500-Station A
Toronto, Ontario
M5W 1P9

Auditor
Thorne Riddell
Vancouver, B.C.

Annual Meeting
April 19, 1985
10:00 a.m.
Shuswap Room
Four Seasons Hotel
Vancouver, B.C.

For Canadian capital gains 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.



Pine Point mill complex where zinc and lead concentrates are produced.

Cover

*Railroad linking Pine Point with northern Alberta crosses
Buffalo River on mine property. Photo by Pine Point employee
Stephen Elliott*



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