
Falconbridge Limited

Annual Report

1982

Falconbridge Limited is an international resource enterprise engaged directly and through its subsidiary and associated companies in the exploration, mining, processing and marketing of metals and minerals. Products include nickel, copper, cobalt, other base metals, iron ore, precious metals, industrial minerals and foundry products.

In addition to operations in Sudbury, Norway and the Dominican Republic, the Falconbridge Group comprises subsidiary and associated companies operating throughout the world; four marketing and sales offices serving Canadian and international markets; and exploration offices worldwide.

The Company is committed to long-term growth through its search for new orebodies, improved methods of mining and recovery and the development of new markets for its products.

Annual Meeting of Shareholders

Wednesday, April 20, 1983

10:00 a.m. (Toronto time)

Commerce Hall

Concourse Level, Commerce Court

Toronto, Ontario

Highlights

	1982	1981	1980
Revenues	\$483,126,000	\$712,952,000	\$757,815,000
Earnings (loss) for the year before extraordinary item	(85,254,000)	(3,902,000)	71,422,000
— per share	(17.12)	(0.78)	13.04
Earnings (loss) for the year	(85,254,000)	(9,024,000)	109,122,000
— per share	(17.12)	(1.81)	20.61
Dividends per share	—	1.50	3.50
Working capital	341,551,000	473,170,000	362,119,000
Long-term debt	467,520,000	465,386,000	285,801,000

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“To survive the recession and to prosper amid the new realities of the future, Falconbridge has adopted an array of stringent restraint and cash-management measures, a lower-cost production program and an aggressive marketing strategy.”

Report of the Directors to the Shareholders

Falconbridge Limited has experienced serious economic and financial setbacks, reporting a net consolidated loss in 1982 of \$85.3 million or \$17.12 per common share, compared with a loss in 1981 of \$3.9 million or \$0.78 per share, before an unfavourable extraordinary item of \$5.1 million.

The 1982 loss is an outcome of the severe recession afflicting most of the industrialized world and reflects substantially lower sales of nickel, significantly lower average realized prices for all metals and increased costs. Contributing to those costs were higher unit production costs and nonrecurring costs, such as termination payments due to workforce reductions and ongoing costs during production shutdowns, associated with the restraint measures implemented by the Company.

The past decade has seen an increase in the number of nickel producers and a considerable reduction in the annual growth rate of nickel consumption. The combined effect of this will be stiff competition for years to come.

The current recession has aggravated these conditions, with all major producers selling below cost in order to generate cash flow, maintain their share of a depressed market or earn foreign exchange.

To survive the recession and to prosper amid the new realities of the future, Falconbridge has adopted an array of stringent restraint and cash-management measures, a lower-cost production program and an aggressive marketing strategy.

Production was suspended at Sudbury Operations for the second half of 1982, at Falconbridge Dominicana, C. por A. in the Dominican Republic for eight months of the year and at the Refinery in Norway for 11 weeks. Production by United Keno Hill Mines Limited and by the Lake Dufault Division of Corporation

Falconbridge Copper has been suspended since the summer of 1982. Major workforce reductions were made in several operations, some exploration offices were closed in Canada and abroad, and all but top-priority exploration, research and development programs have been curtailed.

Falconbridge hoped to achieve higher prices during the first half of 1982 in anticipation of an economic pickup during the second half; however, recovery did not materialize, sales dwindled and market share was lost. In response, the Company became vigorously competitive in the third quarter, with nickel being sold at market prices that were considerably below production costs. The result was increased sales in the final months of 1982 and a regaining of the Company's market share.

Falconbridge is, of course, more than just a nickel producer, and the other base and precious metals produced by the Falconbridge Group have been and will be significant sources of income. Many of the Company's subsidiaries, associated companies and joint ventures were engaged in promising exploration programs during 1982.

A detailed presentation of the operations and financial results of the Company and its major subsidiary and associated companies appears elsewhere in this report.

On February 8, 1983, the Company publicly sold 2 million Units, each consisting of one Common Share and one-half Common Share Purchase Warrant, at \$55 per Unit. Each whole warrant entitles the holder to purchase one common share of the Company for \$65.50 on or before February 5, 1987. The sale of the units has raised a net of \$103.1 million, which has been added to working capital to strengthen liquidity and will be used for general corporate purposes.

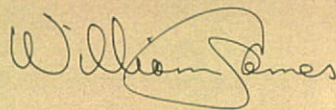
On April 21, 1982, the Company changed its name to Falconbridge Limited from Falconbridge Nickel Mines Limited.

The past year witnessed the transition of leadership, as Mr. H.T. Berry, who was Chairman of the Board, Chief Executive Officer and President, neared retirement. Mr. William James was elected President and Chief Operating Officer on April 20, 1982, and on January 1, 1983, he became Chairman of the Board, President and Chief Executive Officer.

The Board of Directors wishes to express its gratitude to Mr. Berry for the many ways in which he contributed to the betterment of the Company. His expertise as a metallurgist and his ability to lead Falconbridge during unsettled times have earned him the respect and friendship of all who know him and all who have worked with him.

The Board of Directors would also like to express its appreciation for the contributions made by the Company's employees. The program of restraint instituted during the past year has meant hardship to some and extra burdens for all. The men and women of the Falconbridge Group have accepted the challenge and are putting forth tremendous effort to help the Company overcome its present difficulties.

On Behalf of the Board of Directors:



William James,
Chairman of the Board,
President and
Chief Executive Officer

Toronto, Ontario
March 1, 1983

"... the downward price spiral that accelerated in the second half of 1982 has now ended."

Metals Review

Nickel

The continued effects of the worldwide recession adversely affected all major end-use markets for nickel. As a result, non-Communist world (NCW) nickel consumption declined for the third consecutive year, an occurrence unprecedented since the 1930s. According to the Company's latest estimates, nickel consumption during 1982 decreased to 975 million pounds, the lowest level since 1975 and down by 8.9 per cent from the 1981 level of 1,070 million pounds. Figure 1 indicates the trend in NCW nickel consumption since World War II. Clearly the traditional annual average growth forecast of 6.5 per cent a year — considered reasonable until the mid-1970s — no longer applies. The Company now estimates that consumption will grow at an average annual rate of about 2.5 per cent for the next decade.

NCW producer nickel deliveries in 1982 declined by 12.2 per cent to 895 million pounds from the 1,020 million pounds shipped in 1981. This decrease was due not only to the drop in nickel consumption, but also to the marked increase in nickel imports from Cuba and the Soviet Union.

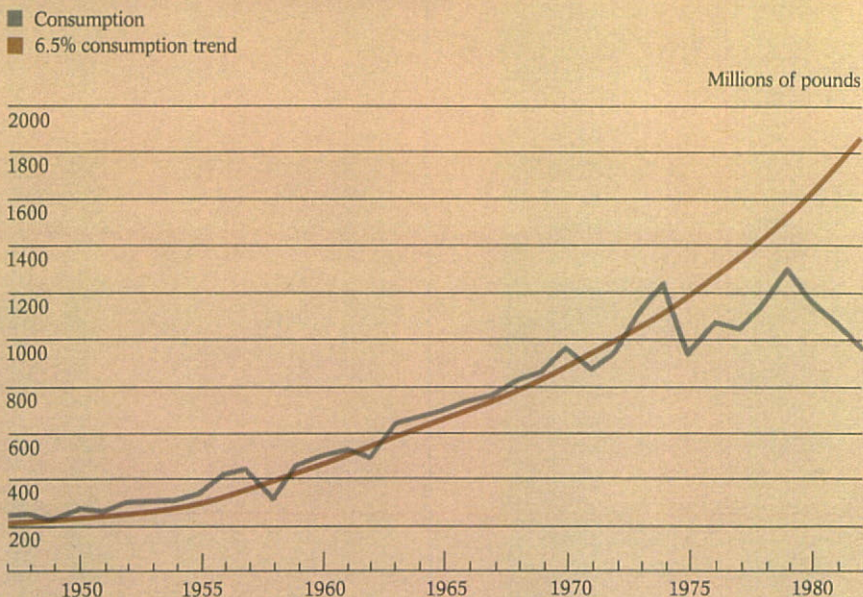
Most major NCW producers severely curtailed nickel production as the year progressed. Refined NCW production decreased to 860 million pounds, almost 20 per cent below the 1981 level. Even this level of production, however, was too great in light of declining demand. A number of producers did not cut production and chose to sell at any price, thus contributing to the oversupply.

Although nickel inventories

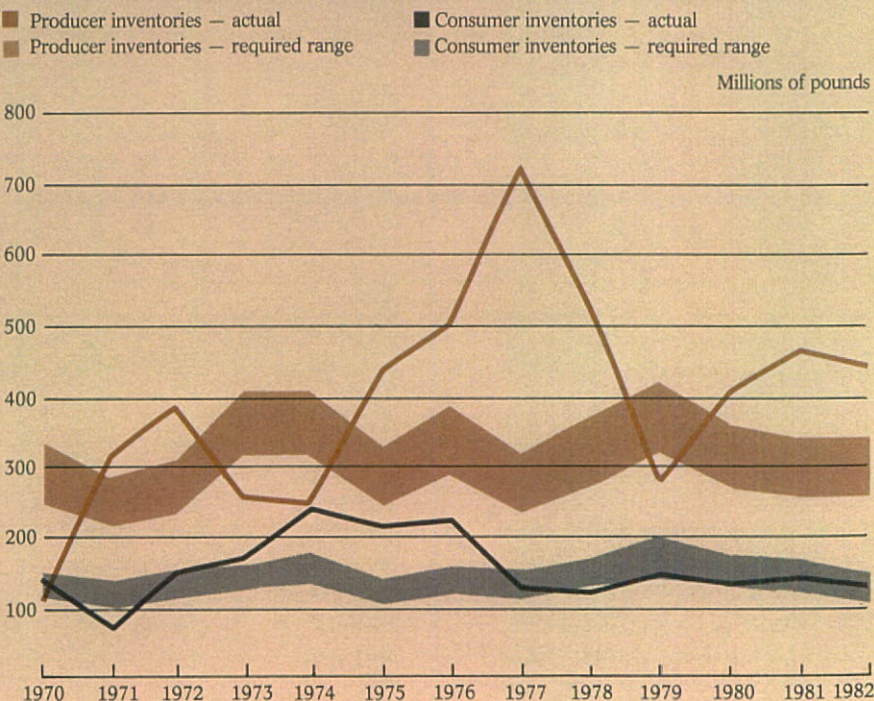
held by NCW producers declined slightly during 1982, at year end they were still moderately in excess of normal requirements at an estimated 430 million pounds. Consumer inventories, however,

were low at an estimated 135 million pounds. As Figure 2 shows, current inventories held by producers and consumers are far less than the record levels attained in the 1974 to 1977

Non-Communist world nickel consumption



Non-Communist world nickel inventories



period. It may still be several quarters before prices again reach satisfactory levels; but the current consumer and producer inventory situation supports the view that the downward price spiral that accelerated in the second half of 1982 has now ended.

Nickel demand in the United States remained at low levels. The high interest rates that were prevalent through most of 1981 and 1982 resulted in severely curtailed industrial output in all major nickel consuming sectors. In the month of November, 1982, nickel consumption declined to its lowest monthly level in more than 30 years. The U.S. stainless industry, a major consumer of nickel, operated at only 40 per cent of capacity during the second half of the year. Overall, U.S. nickel consumption fell by more than 25 per cent from 1981 levels. Indeed, for the first time, Japan edged out the United States as the largest consuming country in the NCW.

The downturn in the economies of the major European countries bottomed out in mid-1982, but the modest economic recovery which was expected to follow did not occur. Instead, the European economy stagnated for the rest of the year and nickel demand remained depressed. Stainless steel output remained relatively unchanged from the 1981 levels.

The Japanese economy showed a slight improvement during 1982, particularly in the first half of the year. Stainless steel melting rates declined marginally in the fourth quarter, but overall output was up by more than 14 per cent from 1981 levels.

While the economies of India, Korea, Taiwan and other Southeast Asian countries were also affected somewhat by lower export demand, they remained

comparatively buoyant throughout 1982.

In November, 1981, Falconbridge's published price for melting grade nickel was set at U.S.\$3.20 per pound. Weak nickel demand and an unusually high level of nickel imports from the Soviet Union, however, severely depressed nickel prices on both the London Metal Exchange (LME) and dealer markets throughout 1982. Nickel prices realized by the major producers deteriorated steadily, particularly during the latter part of the year. By the fourth quarter, producers were selling nickel at prices that, in real terms, were the lowest in over 30 years. The average selling prices per pound received by Falconbridge Limited in 1982 were U.S.\$2.36 for refined nickel products and U.S.\$2.15 for ferronickel products. Similar prices for 1981 were U.S.\$3.09 per pound and U.S.\$2.97 per pound, respectively. The LME cash settlement price for nickel averaged U.S.\$2.18 per pound in 1982, compared with U.S.\$2.71 per pound in 1981.

Copper

NCW copper mine production in 1982 was approximately 6.8 million tons, a drop of 4.6 per cent from 1981. This decrease reflects substantial production curtailments in the United States and lower production levels in Canada and the Philippines. Refined copper production estimated at 7.5 million tons was also down significantly from the 1981 figure of 8.1 million tons. Despite this reduction, refined production exceeded consumption by approximately 150,000 tons. This surplus, coupled with net imports from Communist countries, increased 1982 year-end

refined copper stocks by more than 200,000 tons over the year-end 1981 level. Total refined metal stocks are now adequate, but not excessive, since there has been some shift in inventories from consumers to producers and commodity exchanges. Consumers are expected to increase their stocks when economic conditions improve.

Both mine and refined metal production are expected to remain curtailed until copper prices exceed the full cost of production. Consumption should therefore exceed production in 1983 and result in a modest supply deficit.

The London Metal Exchange cash settlement price for Copper-Higher Grade cathode averaged U.S.\$0.672 per pound in 1982, well below the U.S.\$0.795 per pound in 1981.

Cobalt

NCW cobalt consumption in 1982 declined to about 30 million pounds, more than 25 per cent below 1981 levels. This was the fourth year in a row that cobalt consumption decreased. As in previous years, consumption in the superalloy and magnetic alloy sectors was most severely affected. Although cobalt production dropped as a result of cutbacks in nickel and copper production, producer inventories had increased by year end to about 46 million pounds or 50 per cent more than total 1982 consumption.

The producer price for cobalt was reduced to U.S.\$12.50 per pound from U.S.\$17.50 per pound on February 1, 1982. Massive oversupply coupled with weak demand resulted in widespread discounting. By October, free-market quotations for cobalt were less than U.S.\$4.00 per

pound, rising to U.S. \$4.50 by the end of the year. Prices realized by all producers were well below posted levels. The average cobalt price per pound received by Falconbridge in 1982 was U.S.\$8.03, compared with U.S.\$14.00 in 1981.

Precious Metals

High interest rates during the first half of 1982 continued to adversely affect precious metals markets. Both the expense of owning inventories and the high returns available from fixed interest term deposits discouraged investment in these metals. Pro-

longed recessionary conditions significantly reduced industrial and jewelry consumption. Consequently, prices declined sharply from January through July.

Prices started to rise sharply in July as interest rates in the United States and elsewhere began a significant decline and investors returned to the market. This interest accelerated throughout the second half of 1982 as it became clear that higher-than-expected U.S. government deficits and potential loan defaults by foreign governments would place increasing pressure on the Western financial system. Prices in

1983 should continue to be strongly influenced by movements in interest rates and money supply and by the financial liquidity problems of certain governments.

Gold prices per ounce averaged U.S.\$376 in 1982, compared with U.S.\$460 in 1981. Silver averaged U.S.\$7.95 per ounce in 1982, compared with U.S. \$10.52 per ounce in 1981. Average 1982 prices for platinum and palladium were U.S.\$327 per ounce and U.S.\$67 per ounce, respectively. In all cases, however, year-end prices were the highest recorded during the 12-month period.

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* These public companies are subject to corporate and securities legislation of various jurisdictions. Their annual reports, from which this information has been extracted, are available for public inspection at the offices of the regulatory authorities which administer such legislation.

"... the worst recession in the mining industry since the 1930s."

Integrated Nickel Operations

The Integrated Nickel Operations include the Canadian Nickel Division, Sudbury, Ontario, the Refinery in Norway and the Company's Marketing and Sales group.

Operating Results

The worst recession in the mining industry since the 1930s resulted in a sharp loss in 1982 for the

	1982 (000's)	1981 (000's)
Revenues	\$244,667	\$367,360
Earnings (loss)	(24,563)	31,059
* Cash and temporary investments	95,532	197,760
* Working capital	193,371	317,002
* Long-term debt	328,086	334,321
* Includes items relating to the Corporate operations of the Company		

Company's Integrated Nickel Operations. Prices remained unsatisfactory throughout the year. Sales rose sharply in the second

half when the Company became more competitive.

Sudbury Operations

Operating Review

Depressed business conditions forced the Company to take measures at Sudbury Operations to bring production in line with sales and reduce operating costs. A 13-week shutdown began on June 27, 1982. Conditions did not improve by the end of that period, and the shutdown, scheduled to end on September 26, 1982, was extended by 14 weeks to January 2, 1983. In November, the Company announced that the workforce would be reduced by approximately 34 per cent to less than 2,650 employees from about 4,000. Early retirement incentives were offered to eligible employees; the others, whose services were terminated, received termination pay in lieu of notice.

The Falconbridge, East, Lockerby, Onaping, North, Fraser and Strathcona Mines operated for the first half of the year. The Onaping Mine remained on standby when Sudbury Operations resumed production in January, 1983.

Ore delivered to treatment plants from the Company's seven mines in the Sudbury area totalled 1.7 million tons for six

Production of metals at Sudbury Operations:

	1982 (000's of pounds)	1981
Nickel	36,083	62,728
Copper	32,901	55,754
Cobalt	831	1,372

months, compared with 3.0 million tons for all of 1981. Some 9,900 tons of high-grade copper concentrate were produced for treatment and refining in Ontario.

Capital, exploration and development expenditures were significantly reduced in 1982, with further reductions planned for 1983. Research and development projects, to improve metal recoveries and determine the most viable methods of reducing sulphur-dioxide emissions below the present level, continued at the Smelter and the Metallurgical Laboratories. For details see discussions of Exploration on page 11, Research and Development on page 12 and Environmental Control on page 13.

Capital Program

Continued development of the Fraser Mine, which first provided ore from development and stope preparation during the third quarter of 1981, was the major capital program in 1982. Expen-

ditures of \$12.0 million included \$2.0 million for mine dewatering systems, and \$1.8 million for Phase 1 of the main ventilation exhaust system.

Facilities for testing the experimental hydraulic hoisting plant at the Onaping Mine were completed during the year. Initial tests were promising; however, further testing had to be postponed when operations at the mine were suspended.

Labour Relations

The collective agreement with Local 598 of the Sudbury Mine, Mill and Smelter Workers' Union expired on August 21, 1982, and negotiations for a new agreement are continuing. The Company will abide by the terms and conditions of the expired agreement until a new agreement is signed.

A collective agreement was signed during the year with Local 6855 of the United Steelworkers of America, which represents

office, clerical and technical employees at Sudbury Operations. The agreement is in effect from March 1, 1982, to July 1, 1983. An agreement with the Canadian Guards Association, representing the security force, expires in 1985.

Occupational Health and Safety

McMaster University issued a comprehensive report in April, 1982, of a four-year epidemiological study of 11,594 men employed by Sudbury Operations between 1950 and 1976. The study was conducted to determine whether there was a statistical variance in mortality rates between Falconbridge employees and men of the same age in Ontario. In general, there was no disease group in which a significant deviation from the provincial average was observed for any employee category. The Company and Union gave full cooperation to the study. Falconbridge plans to do follow-up studies based on the findings of the report.

Safety Performance

The total medical aid accident frequency of Sudbury Operations decreased during 1982 by 2 per cent from the previous year. The compensable accident frequency increased by 2 per cent.

Ore Reserves

Total proven and probable reserves at Sudbury were reduced slightly in 1982. Some marginal material was removed from reserves because of low metal prices and increased production costs.

Expenditures on mines and plants were as follows:

	1982 (000's)	1981 (000's)
Property, plant and equipment	\$ 8,206	\$22,710
Development and preproduction	22,398	40,581
	\$30,604	\$63,291

Reserves were as follows:

At December 31	Tons of Ore (000's)	Tons of Contained Metal		Average Grade	
		Nickel (000's)	Copper (000's)	Nickel %	Copper %
1982	77,314	1,160	820	1.50	1.06
1981	79,161	1,178	734	1.49	0.93

Falconbridge Nikkilverk Aktieselskap

The Refinery operated for about nine months during the year. Repairs to the matte leach plant, which had been damaged by fire in October, 1981, were completed by April, 1982, when production of granular and active nickel resumed. All operations of the Refinery were shut down for 11 weeks during the summer because of poor market conditions. Production resumed on

September 27, 1982, to meet contractual custom refining obligations. These shutdowns resulted in utilization of only 60 per cent of installed nickel, copper and cobalt capacity. During the year, Falconbridge D-Crowns, a new form of Falconbridge Nickel Crowns for electroplating use, were brought into commercial production.

The present collective bargaining agreement will expire in April, 1983, and new contract negotiations are underway.

Production of metals at the Refinery was as follows:

	1982 (000's of pounds)	1981
Nickel	56,951	81,466
Copper	39,775	57,487
Cobalt	2,186	3,184

Marketing and Sales

The Falconbridge group of marketing and sales companies includes Falconbridge U.S. Inc., in Pittsburgh, Pennsylvania; Falconbridge Europe S.A. in Brussels, Belgium; and Falconbridge International Limited in Hamilton, Bermuda. Sales in Canada, Latin America and the Far East are handled through the Company's Marketing and Sales Department in Toronto, Ontario. Falconbridge products, which include eight forms of nickel as well as copper, cobalt, silver, gold, platinum and other precious metals, are marketed through this group. In addition, the group markets copper, lead and zinc concentrates; gold; silver; platinum group metals; iron ore, and arsenic trioxide for subsidiary and associated companies.

The decrease in nickel sales reflects the worldwide recession and poor business conditions throughout the year. Lower ferronickel, copper and cobalt sales reflect the production lost during shutdowns.

Copper sales by subsidiary companies in 1982 totalled 68.4 million pounds contained in concentrates, a decline of 6.5 per cent from the 73.2 million pounds sold in 1981. The lower sales levels reflect the temporary closure of Corporation Falconbridge Copper's Lake Dufault mine in August, 1982.

As a result of decreased production levels and increased sales volume in the second half of the year, Company inventories of nickel in all forms, including ferronickel and agency refined nickel, fell to 39.7 million pounds at year end 1982 from 50.8 million pounds at the end of 1981.

Over the past 25 years, the geographic pattern of NCW

nickel consumption has been shifting from traditional markets in Europe and the United States to Japan and newly industrialized countries. This pattern can be seen in Figure 3. Falconbridge is constantly adjusting its marketing thrust to take advantage of these new opportunities. It is, for example, planning to open a sales office in Tokyo later in 1983. In

1982, Falconbridge marketed nickel directly to nearly 400 customers in about 40 countries. In addition to those direct customers, the Company has significantly increased its network of distributors and agents, and now has about 50 representatives worldwide serving hundreds of small plating and foundry accounts.

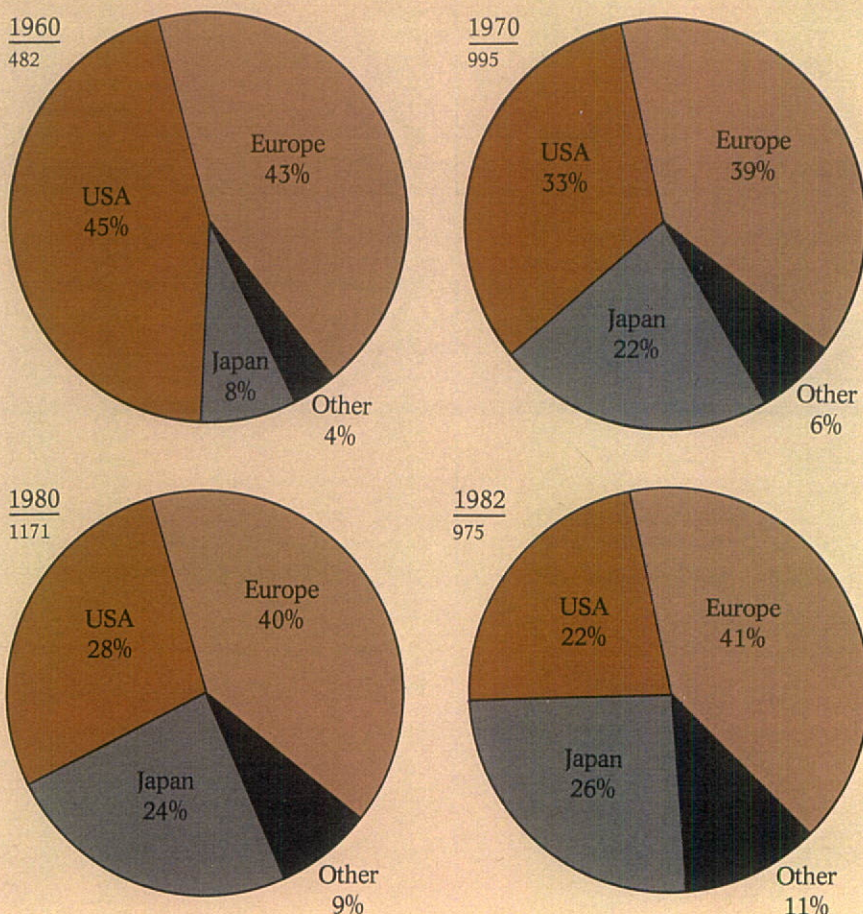
Company sales of metals from all sources were as follows:

	1982	1981
	(000's of pounds)	
* Refined nickel (in all forms)	57,718	65,629
Ferronickel	18,327	43,776
* Copper	51,482	59,412
* Cobalt	1,444	2,272

* Includes metal refined and sold as agent

Primary nickel consumption by market area

Millions of pounds



"... noteworthy exploration programs were conducted in 1982."

Corporate Operations

Staff Reduction

Every department at Falconbridge's Head Office was affected by the cost-cutting programs implemented during the year. The measures to stem cash drain included a staff reduction, through layoffs and early retirements, of 96 employees as well as salary reductions for senior staff. At year end, there were 139 Head Office employees.

Exploration

As a result of the overall cost-reduction programs implemented throughout Falconbridge, exploration activities were confined to high-priority projects. Consolidated exploration expenditures decreased in 1982 by \$9.2 million to \$28.8 million, and exploration offices were closed in Timmins, Ontario; St. John's, Newfoundland; Oslo, Norway; and Windhoek, Namibia.

Total exploration expenditures will be further reduced in 1983, and a portion of exploration work will be financed by third parties through joint ventures.

The following review outlines the more noteworthy exploration programs conducted within the Falconbridge group of companies in 1982.

Ontario

Exploration by Sudbury Operations was limited to the extension of known orebodies and further definition of the new copper zone at the Strathcona Mine. Reserves in this copper zone are now 4 million tons grading 0.67 per cent nickel and 5.96 per cent copper, approximately 1.5 million tons more than at 1981 year end.

Diamond drilling by Corpora-

tion Falconbridge Copper in the Winston Lake area, 17 miles north of Schreiber in northwestern Ontario, resulted in the discovery of a zone of massive sulphides. A preliminary evaluation of results to December 31, 1982, suggests a deposit in excess of 3 million tons grading 13.5 per cent zinc, 1 per cent copper, 0.75 ounce silver per ton and 0.02 ounce gold per ton, of which it may be possible to selectively mine about 1.7 million tons with an in-situ grade of 23 per cent zinc and 1 per cent copper. These estimates assume continuity between widely spaced intersections; confirmatory drilling will be required. The mineralized zone is located on claims optioned from Zenmac Explorations Limited, which is entitled to retain a 20 per cent working interest in the property or a 10 per cent net profits royalty from production.

Quebec

The Lac Shortt gold project, in Gand Township, was discovered and previously supervised by the Company under terms of a joint-venture agreement with Corporation Falconbridge Copper. However, due to economic constraints, the Company declined to contribute its share of the 1982 underground exploration program, and its direct interest in the project has been reduced to 18 per cent from 51 per cent. Management of the project was assumed by Corporation Falconbridge Copper in 1982. During the year, a three-compartment shaft was completed to a depth of 1,120 feet and an initial program of underground development amounting to 4,787 feet was completed on the second (300-foot), third (500-foot) and sixth (1,000-foot) levels. A total of 29,704 feet of underground

diamond drilling confirmed the continuity and grade of the zone indicated by surface drilling in previous years, and indicated that the gold mineralization extends to a minimum depth of 1,500 feet.

Diamond drilling at the property of New Pascal Mines Limited northeast of Val d'Or has intersected interesting gold mineralization near the surface. Exploration work is being conducted by Société Québécoise d'Exploration Minière (SOQUEM), which earned a 60 per cent interest in the property by incurring expenditures of \$420,000. Falconbridge has a 61.3 per cent equity interest in New Pascal.

British Columbia

Falconbridge's Windy Craggy copper property is located in a heavily glaciated mountainous area in the northwest corner of British Columbia. During the field seasons of 1981 and 1982, a program of 12 diamond drill holes, airborne geophysics and geological mapping was completed and indicated that further work may be warranted. However, a comprehensive exploration program will be required in order to determine the extent of mineralization on this property. Falconbridge manages the program on behalf of Geddes Resources Limited, which earned a 49 per cent undivided interest in the property through expenditures of \$1.5 million.

United States

Falconbridge's interest in a joint-venture diamond project at the Sloan property in Colorado dropped to 43.6 per cent from 49 per cent following a decision in June, 1982, to decline further participation. However, in 1983, Falconbridge may decide to contribute again to the project and maintain its reduced interest. The

project is managed by The Superior Oil Company. During the latter half of 1982, a heavy media separation plant was added to the existing bulk sampling plant on the property. Bulk sample treatment of kimberlite has yielded diamonds from 450 tons of material. The economic potential of the Sloan property is unlikely to be known until at least 2,000 tons of kimberlite have been treated.

Botswana

Diamond exploration in southern Africa has been conducted under the terms of a joint-venture agreement with The Superior Oil Company. Falconbridge manages these exploration programs and has a 50 per cent interest in the venture. Sixty-two kimberlite pipes have been discovered in Botswana, of which the most promising is approximately 27 acres in area. Limited bulk sample treatment of this pipe is planned in the first half of 1983. In October, 1982, the joint venture granted an option to De Beers Consolidated Mines Limited to acquire 50 per cent of those interests held under prospecting licences by the joint venture in diamond exploration areas in the Republic of Botswana. De Beers is entitled to earn such interest through exploration expenditures.

Chile

A limited partnership, in which Falconbridge has a 20 per cent interest, has been exploring in Chile for the past five years and has discovered two major porphyry copper deposits: Quebrada Blanca and Collahuasi.

The Quebrada Blanca property is optioned from the Chilean Government, and a new corporation, in which the Chilean Government will have a 49 per cent interest, is being formed for the

purpose of developing the property. The Company's interest in the new corporation will be 10.2 per cent.

Diamond drilling and underground development outlined a significant orebody containing 440 million tons with a grade of 0.81 per cent copper and 0.018 per cent molybdenum within which is an enriched secondary sulphide zone containing 55 million tons with a grade of 1.60 per cent copper and 0.019 per cent molybdenum. These reserves are amenable to proposed open-pit mining methods and do not include other related zones of secondary and primary sulphides. Pilot plant metallurgical testing indicated good recoveries producing a potentially saleable concentrate product. Due to poor copper prices, however, the project is not considered viable at this time.

At the Collahuasi property, optioned from third parties, a porphyry copper deposit larger than nearby Quebrada Blanca has been indicated. The secondary enriched portion is similar in tonnage and grade, but the primary material has a much greater tonnage with a deep central core of higher-grade copper and molybdenum mineralization. More diamond drilling and an underground evaluation will be required before a feasibility study is warranted.

Dominican Republic

Surface diamond drilling completed in 1982 by Falconbridge Dominicana, C. por A. on its mining concession at Cerro de Maimon, a few miles southeast of the nickel laterite plant, has indicated near-surface copper-zinc sulphide mineralization suitable for open-pit mining. Based on 1 per cent copper cutoff, the mineral inventory is estimated to be

3.2 million tons averaging 4.05 per cent copper, 1.93 per cent zinc, 1.3 ounces silver per ton and 0.014 ounce gold per ton. Metallurgical testwork and preliminary feasibility studies are underway.

Research and Development

Metallurgical research is conducted to develop mineral analyses, new methods for processing ores and new applications for Falconbridge's nickel and cobalt products. Mining research activities have been concerned with the development of new mining methods and equipment to provide a safer working environment and to reduce mining costs, and with the improvement of existing mining and ground control methods.

Research and process development expenditures decreased in 1982 by 48 per cent to \$5.8 million, reflecting the cutbacks in overall Company activities. Expenditures will be further reduced in 1983. At the Falconbridge Metallurgical Laboratories, staff reductions of 45 left a total of 37 employees as of February, 1983.

Improved mining productivity continued to be a major objective through internal research and through the support of independent and joint programs such as the Mining Industry Research Organization of Canada (MIROC).

Good progress was achieved in process development work aimed at reducing smelter emissions, increasing metal recoveries and reducing smelting and refining costs. Results of laboratory and plant programs on roasting and smelting of copper-nickel concentrates indicate that reduced emissions and increased metal recoveries are attainable with modi-

fications to existing equipment, though possibly at the expense of some reduction in smelter capacity. A potential new process has been developed at the Refinery for improved treatment of copper residues. Laboratory work on Dominican Republic laterite ores focussed on upgrading the plant feed, and by year end a promising method of increasing the proportion of low-grade material rejected had been developed.

In collaboration with the Exploration group, laboratory personnel have developed an integrated approach to precious metals prospecting based on rock geochemistry, petrography and ore microscopy. Improvements in the techniques for extracting diamonds and for evaluating kimberlite pipes by their mineral chemistry were also developed during 1982.

Environmental Control

Sudbury Operations has continued research into methods of improving the existing milling and smelting facilities to further reduce sulphur dioxide emissions. These investigations have included increasing the degree of roasting so that 60 per cent of the sulphur contained in the concentrate is eliminated in roasting and subsequently fixed as sulphuric acid. The roasting process was originally designed to eliminate 50 per cent of the sulphur contained in the concentrate. Full-scale tests have demonstrated the viability of this change in process and operations resumed in January, 1983, at the higher degree of roast. Sudbury Operations now achieves a total fixation of over 80 per cent of the sulphur contained in ore which it processes. Investigations are continuing into the effect of higher sulphur elimi-

nation on roaster and electric furnace operations.

In September, 1980, an Ontario/Canada Task Force was formed to provide an independent assessment of the various technical options for achieving the lowest possible level of sulphur dioxide emissions by nickel producers operating in the Sudbury area. The Task Force report was issued on December 21, 1982. It concludes that nickel producers in the Sudbury area should take further abatement action to control sulphur dioxide emissions and the deposition of metal particulates within 60 miles of the Sudbury area. The report acknowledges the substantial reduction in emission levels which the Company achieved as a result of its smelter environmental improvement program completed in 1979. The Task Force considered a number of major abatement options for the Company which it believed would provide technical solutions that would meet the

Company's needs as well as achieve specified emission reductions. The Task Force suggested that abatement action should be a phased program of emission reductions which incorporates process changes and the installation of abatement equipment. The Company believes that such solutions would require substantial capital expenditures, increased operating costs and changes in processing operations.

In 1977, the Ontario Ministry of the Environment amended its control order to require the Company to reduce ground level concentrations of sulphur dioxide in Sudbury by December 31, 1983. In ongoing discussions, the Company has advised the Ministry that it is neither technically nor financially feasible to comply with the amendment, but that the Company would undertake additional research programs into how the requirements of the amending order might best be met.

Wesfrob Mining Division

The Division produces iron and copper concentrates at its operations at Tasu, Queen Charlotte Islands, B.C.

Due to the continued decline in the price of copper and the results of development work completed in 1982, 1.0 million tons of lower-grade copper-bearing material were deleted from reserves. After mining 1.1 million

	1982 (000's)	1981 (000's)
Iron concentrates, tons produced	718	606
Copper in concentrate, pounds produced	8,321	6,206
Revenues	\$21,753	\$18,104
Loss	214	1,089

Increased production combined with lower unit operating costs resulted in a reduced loss for 1982. The favourable volume increase was partially offset by a decline in the average price received for copper and by accelerated depreciation charges.

tons in 1982, ore reserves at December 31, 1982, were 905,000 tons, compared with 3.0 million tons at year end 1981. This reserve is sufficient to sustain operations for approximately one year at current production rates and metal prices.

“... gold prices were at profitable levels during the third and fourth quarters.”

Subsidiary and Associated Companies

(For financial details of companies whose results are consolidated, see page 36.)

Corporation Falconbridge Copper

The company produces copper, zinc, gold and silver from its Opemiska and Lake Dufault Divisions in Quebec. In the search for new orebodies, the company conducts active exploration programs in Quebec, Ontario, Manitoba and in California and Nevada through Nevcan Exploration Inc., a wholly owned subsidiary.

covery made in 1981 on the Ansil property, three miles west of the former Norbec Mine, was completed in March, 1982. Drill-indicated reserves are estimated at over 2.3 million tons grading 7.0 per cent copper, 0.50 per cent zinc, 0.70 ounce silver per ton and 0.05 ounce gold per ton after allowing for a 20 per cent dilution factor. Because of depressed copper prices, development of the property has been postponed pending an economic recovery.

For details of the exploration programs at the Lac Shortt gold deposit in Gand Township, Quebec, and at the Winston Lake project in northwestern Ontario, see page 11.

Falconbridge's ownership: 6,509,696 shares or 50.2%

	1982 (000's)	1981 (000's)
Copper, pounds produced	52,642	56,324
Zinc, pounds produced	2,538	7,591
Gold, ounces produced	44	36
Silver, ounces produced	352	434
Revenues	\$ 68,296	\$ 76,939
Loss	2,160	122
Exploration and development	19,529	19,119
Dividends paid	—	5,170
Working capital	101,133	103,703
Cash and temporary investments	87,586	84,260

Prices and demand for all metals produced by the company remained depressed throughout 1982. Consequently, metals revenue decreased sharply and the company incurred a greater loss than in the previous year. Production at the Lake Dufault Division has been suspended since the end of August, 1982, due to depressed copper prices, and the Division is being maintained on a standby basis until prices improve. As a result, production of all metals, except gold, was lower than in 1981.

Surface exploration of the dis-

New Quebec Raglan Mines Limited

New Quebec Raglan, through a wholly owned subsidiary, Société Minière Raglan du Québec Limitée, holds 1,248 mining claims covering 77 square miles in the Ungava region of northern Quebec. These claims have been staked on property withdrawn from exploration permits. Falconbridge Limited's ownership is 73.3 per cent or 6,932,497 common shares.

During the year, a total of

13,641 feet of surface exploration diamond drilling and detailed geological mapping of the claim areas were completed. Further studies on power generation and metallurgical testwork were carried out.

Further development on the property will depend on the emergence of strong markets for nickel and copper, as well as on the availability of power and the provision of the necessary infrastructure at acceptable cost.

Proven and probable ore reserves are 12.0 million tons grading 3.11 per cent nickel and 0.79 per cent copper.

Net expenditures on the property to date amount to \$43.2 million, including \$2.4 million in 1982. A rights offering completed in 1982 raised \$6.4 million, which financed the 1981 and 1982 exploration programs and provided additional working capital. In consideration, New Quebec Raglan is issuing 2.6 million shares.

Indusmin Limited

Consolidated results of Indusmin Limited include the operations of its subsidiary companies, Fahramet Limited, American Nepheline Corporation, and Lawson-United Feldspar and Mineral Company. Products include industrial minerals and sand, shell and centrifugal castings.

The drop in sales revenue reflected the deepening recession. Interest costs were again a major factor in the earnings decrease, but less so than in the previous year.

Decreases in sales volumes were experienced in all operations. The most significant reductions were Ontario silica lump quartzite sales to the ferrosilicon industry, construction aggregates,

Falconbridge's ownership: 827,330 common shares or 70.84%

	1982 (000's)	1981 (000's)
Nepheline syenite, tons produced	349	437
Silica, tons produced	748	939
Aggregates, tons produced	2,097	2,838
Feldspar, tons produced	138	147
Revenues	\$58,128	\$70,003
* Earnings	1,504	3,051
Dividends paid	—	1,051
* Working capital	19,217	15,131

* Retroactive adjustment made in 1982. Falconbridge included the adjustment in its 1982 accounts and did not restate prior years.

and Fahramet sand castings. Because of the volume decrease, the Castings Division operations at Fahramet recorded a loss. Weak market conditions are continuing in 1983.

A cost-cutting program initiated early in the year resulted in a 26 per cent reduction in the number of salaried and hourly rated employees. As part of this program, the Technical Centre was moved in November to the Falconbridge Metallurgical Laboratories in Thornhill, Ontario.

Capital expenditures were limited during the year to small programs of a support nature, and this limitation is expected to continue in 1983.

Fahramet Limited was dissolved as a company as of December 30, 1982, and its operations are now carried on as a division of Indusmin Limited. The Fahramet identity in the foundry industry and with customers is being retained by continued use of its trade name.

Falconbridge Dominicana, C. por A.

The company produces ferronickel at its mining and smelting facilities in the Dominican Republic.

The recession resulted in a marked reduction in both the volume of ferronickel shipments and the realized price.

Production operations were shut down from mid-January

Falconbridge's ownership: 1,971,524 shares or 65.7%

	1982 (000's)	1981 (000's)
Ferronickel shipments (nickel content in pounds)	12,090	41,180
RD\$1.00 equals U.S.\$1.00		
Revenues	RD\$ 17,908	RD\$120,521
Loss	55,600	28,059
Working capital	22,324	33,340
Long-term debt (1982 includes RD\$14,067,000 due in 1983)	173,687	137,844

until mid-September, 1982, to minimize supplementary financing from the project sponsors during a period of uncertain short-term demand for ferronickel. Inventory levels in this period were sufficient to meet the weak market demand; however, by September inventory had been reduced to a level which justified resumption of limited production. Severe reductions in the market price of ferronickel during the fourth quarter offset earlier cost-cutting efforts.

The total debt includes subordinated advances of U.S.\$80.3 million and accrued interest thereon of U.S.\$9.2 million due to the project sponsors as well as unrealized foreign exchange losses of U.S.\$2.5 million. During the year Falconbridge Limited and the other project sponsor provided net additional funding of U.S.\$41.1 million in the form of subordinated notes bearing interest at a rate of 1 per cent above the New York prime rate in effect on the date of issue of the notes. Further funding will be required from the sponsors in 1983.

The total work force at December 31, 1982, was 1,171 employees of whom 1,144 were Dominican Republic citizens and 27 were expatriates, compared with a total workforce of 1,975 employees at year end 1981.

Proven and probable reserves of laterite ore at the end of 1982 were 46.0 million tons grading 1.78 per cent nickel. These reserves are restated for the first time using higher cut-off grades in the mine.

For details of exploration at the company's mining concession at Cerro de Maimon, see page 12.

Kiena Gold Mines Limited

The Kiena Mine, located in Dubuisson Township, Quebec, commenced commercial production in the last quarter of 1981.

A steady improvement in the grade of ore mined, tonnage milled and amount of gold produced enabled the company to benefit from the substantially higher gold prices obtainable during the last four months of the year. Mining, milling and general mine expenses per ton of ore milled were reduced over the year.

The bulk of the 317,000 tons of ore milled during the year was treated under contract at the Lamaque Mill of Teck Corporation. In addition, the company negotiated an agreement for the milling of accumulated ore on surface stockpile at the milling facility of another company. This agreement has been extended through 1983 to provide capacity for an expansion in production to 360,000 tons for the coming year.

The company is examining

Falconbridge's ownership: 3,331,203 common shares or 68.3%

	1982 (000's)	1981 (000's)
Gold, ounces produced	63	15
Revenues	\$30,424	\$ 7,040
Earnings (loss)	3,682	(58)
Working capital (deficit)	851	(1,213)
Long-term debt	17,640	21,796

alternatives for financing the design and construction of its own mill, and engineering consulting firms have been commissioned to prepare definitive cost estimates for the mill and tailings disposal system on the assumption of a construction start-up in the spring of 1983.

Capital and preproduction expenditures in 1983 have been authorized for the first stage of a three-year program to develop the lower ore zone for mining by the end of 1985. This program will allow for a further production expansion to 420,000 tons per year on completion and is expected to cost in the region of \$10 million, of which \$2 million

will be spent in 1983.

There was little change in the ore reserve position during the year. Total proven and probable reserves decreased to 5.5 million tons grading 0.17 ounce gold per ton as a result of mining extraction in 1982.

During the year, \$250,000 plus interest was paid for the redemption of income debentures owned by Falconbridge.

Part of the long-term debt has been converted into 12,000 ounces of gold to be repaid either in cash or in gold. This portion of the loan carries a low interest charge of 4 per cent per annum on the value of the gold outstanding.

Oamites Mining Company (Proprietary) Limited

Oamites Mining Company (Proprietary) Limited operates a copper mine and a 45,000-ton-per-month concentrator in Namibia. On December 15, 1982, Falconbridge completed the sale of its 74.9 per cent interest in Oamites and received approximately \$900,000. A loss of \$2.3 million on the sale was recorded in the fourth quarter of 1982.

Giant Yellowknife Mines Limited

The consolidated results of Giant Yellowknife Mines Limited include the operations of its subsidiary

companies, Lolor Mines Limited and Supercrest Mines Limited. Gold mining and milling operations are located at Yellowknife in the Northwest Territories.

Mining of richer ore zones, improved grade control proce-

Falconbridge's ownership: 824,413 common shares or 19.2%

	1982 (000's)	1981 (000's)
Gold, ounces produced	73	59
Revenues	\$35,519	\$31,204
* Earnings (loss)	1,456	(199)
* Dividends paid	—	1,076
Working capital	14,991	13,053
* Accounted for by Falconbridge on an equity basis		

dures and higher plant recoveries contributed to the improved results for 1982. The improvements partially offset increased operating costs and a lower average price received for gold. Prices strengthened after a low of U.S.\$297 per ounce in June, 1982, and remained at profitable levels for the company during the third and fourth quarters.

At the Salmita gold property, 150 miles northeast of Yellowknife, underground development and diamond drilling indicated ore reserves of 154,000 tons grading 0.817 ounce gold per ton after mining dilution allowances. A final production decision has been delayed pending acquisition of the necessary government licences and permits.

At the Giant Mine, a comprehensive study indicated that a mining rate reduction to about 25,000 tons per month from about 33,000 tons per month would increase mine life by two years, thus providing time to explore for new ore reserves. The mining rate change will be implemented at the end of the first quarter of 1983.

Ore reserves after mining dilution allowances were 980,000 tons grading 0.24 ounce gold per ton at year end, compared with 1.2 million tons of the same grade at the end of 1981.

A new waste water treatment plant commissioned in August, 1981, has successfully reduced heavy metals, arsenic and suspended solids in the final effluent discharged from the tailings pond.

United Keno Hill Mines Limited

United Keno Hill Mines Limited is a silver-lead producer with mines located on Keno and Galena Hills and a concentrating-

Falconbridge's ownership: 1,195,989 common shares or 48.4%

	1982 (000's)	1981 (000's)
Silver, ounces produced	1,198	1,158
Revenues	\$11,415	\$12,561
* Loss (1981 includes extraordinary item)	5,399	13,649
* Dividends paid	—	1,235
Working capital	11,858	16,167
* Accounted for on an equity basis		

smelting facility at Elsa in the Mayo district of the Yukon Territory. The company maintains an exploration office in Whitehorse.

Operating losses in the first quarter of 1982, due to a decline in the price of silver, forced the company to reduce the scope of its operations in March. Mining was concentrated at the two highest-grade underground mines, and existing stockpiles were treated in the mill. Although unit costs were significantly reduced, operating losses continued as a result of further decreases in the price of silver.

Consequently, all mining and milling operations at Elsa were suspended on June 28, 1982, and all production ceased in early July. The property has since been maintained on a standby basis, pending a sufficient improvement in silver prices.

Cash and temporary investments increased to \$5.9 million by year end, compared with \$4.2 million in 1981. The increase is primarily the result of the liquidation of metal inventories.

Proven and probable ore reserves at Elsa totalled 209,000 tons grading 25.8 ounces silver per ton at December 31, 1982.

Blanket Mine (Private) Limited

(name changed to Falconbridge Investments (Zimbabwe) (Private) Limited on January 10, 1983)

The company produces gold through a wholly owned subsidiary at operations outside Gwanda, Zimbabwe.

The decrease in earnings was due primarily to higher operating costs and losses on foreign exchange as a result of the devaluation of the Zimbabwe dollar. Ore milled decreased to 159,000 tons from 168,000 tons while gold production rose.

The Golden Kopje property did not commence production in

Falconbridge's ownership: 9,208 common shares or 100%

	1982 (000's)	1981 (000's)
Gold, ounces produced	20	17
Revenues	\$9,396	\$9,401
* Earnings	2,903	4,495
Dividends paid	558	1,708
Working capital	838	1,634
* Accounted for by Falconbridge on a cost basis		

1982 as originally planned. Poor gold prices and technical difficulties in the development of the mine, located at old mine workings which have been dewatered, were responsible for the postponement. Plant construction has been underway since 1981, with milling now expected to begin in July, 1983.

Western Platinum Limited

Western Platinum Limited is a producer of platinum group metals, gold, nickel, copper and cobalt at its mining operation in the Transvaal, Republic of South Africa.

metals to approximately 245,000 ounces. Milling of ore from the orebody commenced in November, 1982.

Cash flow from operations during the year was used to finance working capital and capital expenditures, and as a result no dividends were declared in 1982.

Falconbridge's ownership: 3,025,001 ordinary shares or 25%

Year ended September 30	1982 (000's)	1981 (000's)
Platinum group metals, ounces produced	174	155
Nickel, pounds produced	4,418	3,851
1 Rand = Canadian	\$1.09	\$1.28
Revenues	R50,717	R51,732
* Earnings	13,245	20,524
* Dividends paid	—	8,910
Working capital	13,667	15,088

* Accounted for by Falconbridge on a cost basis

Reduced prices received for all metals resulted in lower earnings for the year ended September 30, 1982, despite increased sales volumes of all platinum group and base metals. Operating costs increased only marginally, reflecting the effect of the increased scale of operations and further improvements in productivity.

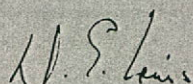
Capital expenditures for 1982 totalled R14.6 million of which R12.4 million was spent on an expansion program undertaken in 1980. When completed, this project will increase the annual production of platinum group

Accounting Responsibilities, Procedures and Policies

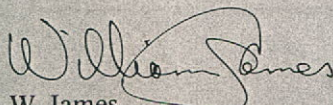
The Board of Directors which, among other things, is responsible for the consolidated financial statements of the Company, delegates to management the responsibility for the preparation of the statements. Responsibility for their review is that of the audit committee. Each year the shareholders appoint independent auditors to examine and report directly to them on the financial statements.

In preparing the financial statements great care is taken to use the appropriate generally accepted accounting principles and estimates considered necessary by management to present fairly and consistently the consolidated financial position and the results of operations. The significant accounting policies followed by Falconbridge are summarized on pages 20 and 21. The accounting systems employed by Falconbridge include appropriate controls, checks and balances to provide reasonable assurance that Falconbridge's assets are safeguarded from loss or unauthorized use as well as facilitating the preparation of comprehensive, timely and accurate financial information. The internal auditors, who are employed by the Company as part of management, play an integral part in the effective operation of the systems of internal accounting control. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Falconbridge believes its systems provide the appropriate balance in this respect.

The Company's audit committee is appointed by the Board of Directors annually and is comprised of four non-management directors. The committee meets with management and with the independent auditors (who have free access to the audit committee) to satisfy itself that each group is properly discharging its responsibilities and to review the financial statements and the independent auditors' report. The audit committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.



D. E. Lewis, Q.C.
Chairman of the Audit Committee



W. James
Chairman of the Board,
President and Chief Executive Officer



J. D. Krane
Vice-President Corporate Affairs
and Secretary

Auditors' Report

To the Shareholders of Falconbridge Limited:

We have examined the following financial statements of Falconbridge Limited:

Consolidated financial position as at December 31, 1982 and 1981;

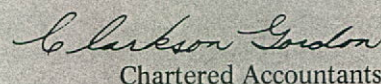
Consolidated earnings, consolidated retained earnings and changes in consolidated financial position for the three years ended December 31, 1982; and

Segmented information as at December 31, 1982, 1981 and 1980 and for the three years ended December 31, 1982.

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, the above-mentioned financial statements present fairly the financial position of the company, the results of its operations and the changes in its financial position at the dates and for the periods indicated in accordance with accounting principles generally accepted in Canada, consistently applied.

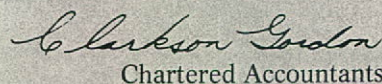
Toronto, Canada, January 26, 1983.
(except as to note 20(b) for which the
date is February 8, 1983)


Chartered Accountants

Comment on Differences in Canadian — United States Reporting Standards for Auditors

In the United States, reporting standards for auditors require the expression of an opinion qualified as being subject to the outcome of significant uncertainties affecting the financial statements such as the uncertainty referred to in the attached statement of consolidated financial position as at December 31, 1982 and 1981 and as described in note 8(b) relating to Falconbridge Dominicana, C. por A., page 29, of the notes to consolidated financial statements. The opinion in our above report is expressed in accordance with Canadian standards and is not qualified with respect to, and provides no reference to, this uncertainty since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

Toronto, Canada, January 26, 1983.


Chartered Accountants

Accounting Policies

The consolidated financial statements of Falconbridge Limited (formerly Falconbridge Nickel Mines Limited) have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied. In these statements, references to the Company mean only Falconbridge Limited, the parent company, and references to Falconbridge include the Company, its consolidated subsidiaries and significantly influenced companies. The principal accounting policies followed by Falconbridge are summarized hereunder to facilitate review of the consolidated financial statements.

A. Basis of consolidation and accounting standards

Investments in subsidiary companies (owned more than 50%) and significantly influenced companies are accounted for as follows:

- (i) Falconbridge generally consolidates the financial statements of subsidiary companies and accounts on an equity basis for those companies over which it exercises significant influence. Those companies incorporated in foreign countries in which there are significant restrictions on the transfer of funds are accounted for on a cost basis;
- (ii) The differences between the interest in the book value of the net assets of consolidated subsidiaries and the carrying value of the investments are allocated to the subsidiary's asset accounts based on their fair values at the date of acquisition. For consolidated operating subsidiaries, the differences are depreciated, depleted or amortized in accordance with the Company's accounting policy for the related asset; and
- (iii) For consolidation purposes foreign subsidiaries' foreign currency financial statements are restated to accord with the Company's accounting policies.

B. Translation of foreign currencies

Foreign currency transactions and account balances have been translated into Canadian dollars as follows:

- (i) Current assets and current liabilities are translated at approximate quoted rates of exchange at year end;
- (ii) Items included in property, plant and equipment, other assets, and non-current liabilities are translated at rates of exchange prevailing when they were acquired or incurred;
- (iii) Revenues and expenses are translated at the approximate average monthly quoted rates of exchange, except that provisions for depreciation, depletion and amortization are translated at the rates used to translate the related assets;
- (iv) Realized foreign exchange gains and losses are included in earnings; and
- (v) On translation of foreign subsidiaries' financial statements for consolidation purposes, net unrealized gains are deferred and losses are reflected in earnings.

C. Revenue recognition

Revenues from the sale of refined metals, ferronickel, industrial minerals and metal castings are recorded in the accounts when legal title passes to the buyer.

Estimated revenues, based upon anticipated metal prices or forward sales commitments, are recorded in the accounts during the month when bullion, and metals contained in concentrates which are sold under contracts, are produced. The estimated revenues may be subject to adjustment on or before final settlement, usually three or four months after the date of production, to reflect changes in metal market prices and weights and assays.

D. Valuation of inventories

Inventories are valued as follows:

- (i) Metals inventories are valued at the lower of cost or net realizable value. Cost includes direct labour and material costs as well as administrative expenses at the operating properties but excludes development and preproduction expenditures and depreciation. The cost of inventories derived from the Company's ore is determined monthly on a "last-in, first-out" basis; the cost of inventories derived from subsidiaries' ore and other sources is determined monthly on a "first-in, first-out" basis; and
- (ii) Supplies inventories are valued at the lower of average cost of acquisition and replacement cost.

E. Property, plant and equipment

Property, plant and equipment and related expenditures are accounted for as follows:

- (i) All property, plant and equipment and related capitalized development and preproduction expenditures are generally recorded at cost and include, where appropriate, the fair value adjustments referred to in policy A(ii) above. Investment tax credits related to plant and equipment expenditures are recorded as a reduction of the cost of the related asset;
- (ii) The Company depreciates plant and equipment on a straight-line basis over the lesser of their useful lives or the lives of the producing mines to which they relate, limited to a maximum of twenty-five years. Generally the subsidiary companies calculate depreciation on a straight-line basis at rates varying from 5% to 25%. Depreciation is provided on the unit of production basis by the Company's Wesfrob Mining Division, Kiena Gold Mines Limited, and by Corporation Falconbridge Copper for certain of its properties;

- (iii) Idle plant and equipment resulting from temporary curtailments of operations continue to be depreciated for those assets on a straight-line basis. Care and maintenance costs during standby periods are expensed as incurred;
- (iv) Idle plant and equipment resulting from the termination of operations are carried at estimated salvage value. Upon sale or abandonment, the cost of fixed assets and the related accumulated depreciation are removed from the accounts and any gains or losses thereon are taken into earnings;
- (v) Depletion of properties is provided over a period equal to the lesser of the estimated life of the resources recoverable from the properties, or twenty-five years;
- (vi) Development and preproduction expenditures are capitalized until the commencement of commercial production. These, together with certain subsequent development expenditures which are also capitalized are amortized over periods not longer than the lives of the producing mines or properties, limited to a maximum of twenty-five years; and
- (vii) Repairs and maintenance expenditures are charged to operations or development and preproduction; major betterments and replacements are capitalized.

F. Exploration

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings; further costs are generally capitalized and then amortized as appropriate under policy E above.

G. Research and process development

Research and process development costs are charged against earnings as incurred.

H. Retirement plans

The costs of retirement plans are charged against earnings in the year required fundings are payable and include amounts for current service and amortization of past service costs. Past service costs are generally being amortized and funded over periods of up to fifteen years.

I. Income and mining taxes

All companies follow the deferral method of applying the tax allocation basis of accounting for income and mining taxes. Under this method timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts result in deferred taxes.

Where appropriate, income taxes and withholding taxes are provided on the portion of any interest in consolidated foreign subsidiaries' undistributed net income since acquisition which it is reasonable to assume will be transferred in a taxable distribution.

J. Stock option plan

The cost to the Company of shares optioned under the plan is allocated over a period of four years from the date options are granted, according to the terms of the plan, and is measured as the amount by which the quoted market value of the Company's shares covered by the grant exceeds the option price specified under the plan throughout the period that options remain outstanding.

Stock option plan costs expensed are included in the accounts payable and accrued charges classification of the statement of financial position until the options are exercised.

K. Interest costs

Interest costs incurred prior to the commencement of commercial production for projects which are specifically financed by debt are capitalized. Interest costs incurred after the commencement of commercial production are expensed, as are interest costs not identified with specific projects.

L. Earnings per common share

Earnings per common share are computed using the weighted average number of shares outstanding during the year, after deducting shares held by subsidiary companies.

The preference shareholder's prior claim is deducted from earnings for purposes of this calculation.

Consolidated Financial Position

<i>Assets</i>	December 31,	
	1982 (000's)	1981 (000's)
Current:		
Cash and temporary investments, at cost which approximates market value	\$ 196,253	\$ 290,363
Accounts and metals settlements receivable (note 12, page 32)	124,950	126,986
Inventories of metals (note 7, page 28)	73,557	132,805
Inventories of supplies	43,701	51,006
	438,461	601,160
Property, plant and equipment (note 8, page 28):		
Producing assets —		
Plant and equipment, at cost	683,931	700,521
Land and properties, at cost	20,625	25,235
	704,556	725,756
Less accumulated depreciation and depletion	425,976	423,925
	278,580	301,831
Development and preproduction expenditures, at cost less amounts written off	117,570	119,661
	396,150	421,492
Non-producing assets —		
Properties and projects, at cost less amounts written off	144,333	128,519
	540,483	550,011
Other:		
Investment in associated and other companies (note 19, page 35)	94,492	96,965
Deposits, long-term accounts receivable and other assets, at cost and deferred debt issue expenses, net	4,093	4,902
	98,585	101,867
	\$ 1,077,529	\$ 1,253,038

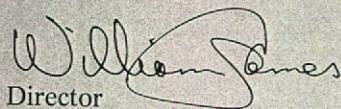
(See notes to consolidated financial statements)

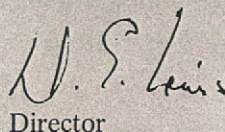
Liabilities and Shareholders' Equity

December 31,

	1982 (000's)	1981 (000's)
Current:		
Bank indebtedness (note 16, page 33)	\$ 135	\$ 6,410
Accounts payable and accrued charges (note 4, page 26)	54,350	67,067
Salaries and wages payable	18,335	29,023
Income and other taxes payable	5,964	6,840
Long-term debt maturing within one year	18,126	18,650
	96,910	127,990
Long-term debt (notes 4, 9 and 16, pages 26, 29 and 33):		
Falconbridge Limited	328,086	334,321
Falconbridge Dominicana, C. por A.	114,198	102,602
Other companies	25,236	28,463
	467,520	465,386
Deferred income and mining taxes (note 6, page 26)	48,554	87,375
Minority interest	60,151	82,639
Commitments and contingencies (notes 8, 12 and 20, pages 28, 32 and 35)		
Shareholders' equity:		
Capital (notes 10 and 20, pages 31 and 35) —		
Authorized:		
25,000,000 Common shares without par value		
Issued:		
5,024,755 Common shares	89,368	89,368
Retained earnings (notes 9 and 11, pages 29 and 32)	318,205	403,459
	407,573	492,827
Less 45,483 Common shares held by subsidiary companies, at cost	(3,179)	(3,179)
	404,394	489,648

On behalf of the Board:


Director


Director

\$ 1,077,529

\$ 1,253,038

Consolidated Earnings and Retained Earnings

Consolidated Earnings (See additional details — Statement 4, page 36)

Year ended December 31,

	1982 (000's)	1981 (000's)	1980 (000's)
Revenues	\$ 483,126	\$ 712,952	\$ 757,815
Operating expenses:			
Costs of metal and other product sales	392,125	548,080	455,793
Selling, general and administrative	47,755	49,604	40,114
Development and preproduction	17,905	26,755	23,820
Depreciation and depletion	33,296	32,808	30,311
Other charges (note 15, page 32)	75,531	2,963	15,306
	566,612	660,210	565,344
Operating profit (loss)	(83,486)	52,742	192,471
Interest and other income, net (note 18, page 34)	42,927	32,575	37,466
	(40,559)	85,317	229,937
Interest and debt expenses (note 9, page 29)	67,823	51,344	39,112
Exploration (note 13, page 32)	28,806	37,964	28,284
Research and process development	5,769	11,105	6,636
	102,398	100,413	74,032
	(142,957)	(15,096)	155,905
Income from investment in associated and other companies (note 19, page 35)	(1,407)	3,770	9,588
Earnings (loss) before taxes and other items	(144,364)	(11,326)	165,493
Income and mining taxes (note 6, page 26):			
Current	1,556	3,458	48,227
Deferred	(38,131)	(1,246)	31,873
	(36,575)	2,212	80,100
Earnings (loss) before minority interest and extraordinary item	(107,789)	(13,538)	85,393
Minority shareholders' interest in earnings (losses) of subsidiary companies	(22,535)	(9,636)	13,971
Earnings (loss) for the year before extraordinary item	(85,254)	(3,902)	71,422
Extraordinary item (note 3, page 26)		(5,122)	37,700
Earnings (loss) for the year	(85,254)	(9,024)	109,122
Dividend requirement on preference shares			6,475
Earnings (loss) applicable to common shares	\$ (85,254)	\$ (9,024)	\$ 102,647
Earnings (loss) per common share (note 14, page 32):			
Before extraordinary item	\$(17.12)	\$(0.78)	\$13.04
Extraordinary item		(1.03)	7.57
For the year	\$(17.12)	\$(1.81)	\$20.61

Consolidated Retained Earnings

Retained earnings, beginning of year	\$ 403,459	\$ 419,952	\$ 334,732
Earnings (loss) for the year	(85,254)	(9,024)	109,122
	318,205	410,928	443,854
Dividends:			
Common shares (per share: 1981 — \$1.50; 1980 — \$3.50)		(7,469)	(17,427)
Preference shares (per share: 1980 — \$2.158)			(6,475)
Retained earnings, end of year	\$ 318,205	\$ 403,459	\$ 419,952

(See notes to consolidated financial statements)

Changes in Consolidated Financial Position

	Year ended December 31,		
	1982 (000's)	1981 (000's)	1980 (000's)
Sources of working capital (funds):			
Operations —			
Earnings (loss) for the year before extraordinary item	\$ (85,254)	\$ (3,902)	\$ 71,422
Charges (credits) not requiring outlay of funds:			
Depreciation and depletion	33,296	32,808	30,311
Development and preproduction	17,905	26,755	23,820
Income and mining taxes deferred	(37,562)	2,091	30,729
Minority shareholders' interest in earnings (losses) of subsidiary companies, net, and changes in minority interest	(21,990)	(9,636)	13,971
Gain on disposal of fixed assets, net	(47)	(386)	(449)
Loss (gain) on disposal and write-off of investments, net	2,329		(631)
Interest in (earnings) losses of companies accounted for on an equity basis, net	2,473	1,348	(4,872)
Others	(2,149)	86	175
Total from operations	(90,999)	49,164	164,476
Increase (decrease) in long-term debt, net	4,369	179,639	(815)
Proceeds from disposal of fixed assets	1,907	1,760	1,561
Decrease (increase) in other assets	723	(4,643)	364
Proceeds from a subsidiary company's rights offering	656		
Dividends received from companies accounted for on an equity basis		804	3,515
Proceeds from disposal of investments			9,165
	(83,344)	226,724	178,266
Applications of working capital:			
Property, plant and equipment expenditures	17,317	44,241	50,116
Development and preproduction expenditures	28,805	60,576	40,879
Decrease in working capital as a result of sale of subsidiary, net of \$888,000 proceeds (note 18, page 34)	2,153		
Dividend payments on the common shares		7,469	17,427
Dividend payments to the minority shareholders of subsidiary companies		3,387	7,133
Redemption of preference shares			75,000
Dividend payments on the preference shares			6,475
	48,275	115,673	197,030
Increase (decrease) in working capital during the year	\$ (131,619)	\$ 111,051	\$ (18,764)
Changes in components of working capital:			
Increase (decrease) in current assets —			
Cash and temporary investments	\$ (94,110)	\$ 47,283	\$ (16,273)
Accounts and metals settlements receivable	(2,036)	18,048	(47,042)
Inventories	(66,553)	(12,496)	75,274
	(162,699)	52,835	11,959
Increase (decrease) in current liabilities —			
Bank indebtedness	(6,275)	1,335	890
Long-term debt maturing within one year	(524)	232	3,996
Other current liabilities	(24,281)	(59,783)	25,837
	(31,080)	(58,216)	30,723
Increase (decrease) in working capital during the year	(131,619)	111,051	(18,764)
Working capital, beginning of year	473,170	362,119	380,883
Working capital, end of year	\$ 341,551	\$ 473,170	\$ 362,119

(See notes to consolidated financial statements)

Notes to Consolidated Financial Statements

1. Accounting policies

The principal accounting policies followed by Falconbridge are summarized on pages 20 and 21.

2. Change in name

The Company's name was changed to Falconbridge Limited from Falconbridge Nickel Mines Limited on April 21, 1982.

3. Extraordinary item

The \$5,122,000 extraordinary item in 1981 reflects the Company's share of United Keno Hill Mines Limited's (United Keno) write-off of its Venus Mine project costs, which were considered not recoverable due to depressed metal prices and increased operating costs. United Keno is owned 48.4% by the Company and accounted for on an equity basis. See note 6(g), page 28, in respect of United Keno's taxes.

As a result of the public offer made by The Superior Oil Company, Houston, Texas (Superior), to purchase all of the capital stock of Canadian Superior Oil Ltd. (Canadian Superior), the Company received, in January, 1980, 336,793 shares of Superior (with a quoted market value of \$59,214,000) and Cdn. \$8,534,000 for its 294,143 Canadian Superior shares. The transaction resulted in a gain of \$37,700,000 (net of taxes of \$12,583,000).

4. Translation of foreign currencies

(a) If translated into Canadian dollars at the year end rates of exchange, long-term debt as at December 31, 1982 would increase by \$34,740,000 to \$502,260,000 (1981 — increase by \$24,910,000 to \$490,296,000). This change is not necessarily indicative of the amount repayable when the obligations are retired.

(b) Net exchange gains on foreign currency transactions amounting to \$3,463,000 in 1982 (1981 — losses, \$683,000; 1980 — losses, \$407,000) have been included in earnings; net unrealized gains on translation of foreign subsidiaries' financial statements for consolidation purposes, before minority interest, amounting to \$8,886,000 at December 31, 1982 (1981 — \$8,192,000; 1980 — \$12,144,000), have been deferred and included in accounts payable and accrued charges.

(c) The rates of exchange for foreign currencies in which Falconbridge conducts a significant portion of its business were as follows:

	U.S. \$1 = Cdn. \$			Norwegian Kroner 1 = Cdn. \$		
	1982	1981	1980	1982	1981	1980
Average for the year	\$1.23	\$1.20	\$1.17	\$0.19	\$0.21	\$0.24
At year end	1.23	1.19	1.19	0.18	0.20	0.23
High for the year	1.30	1.25	1.21	0.21	0.23	0.24
Low for the year	1.19	1.18	1.14	0.17	0.19	0.23

5. Retirement plans

The Company and certain of its subsidiaries maintain retirement plans providing retirement, death and termination benefits for substantially all salaried and hourly rated employees.

Total pension expense for the year was \$15,196,000 (1981 — \$15,662,000; 1980 — \$12,850,000) including past service costs of \$7,186,000 (1981 — \$7,401,000; 1980 — \$6,317,000). Based on the most recent actuarial evaluation at January 1, 1982, projected to December 31, 1982, and modified by valuing the present value of future benefits on a revised interest rate and by employee retirements and terminations during the period, the unfunded past service costs for all pension plans in effect at December 31, 1982 are estimated to amount to approximately \$17,000,000 (1981 — \$50,000,000; 1980 — \$47,000,000) including \$11,000,000 (1981 — \$26,500,000; 1980 — \$24,000,000) which is computed to have vested. The companies' present intention is to provide for the unfunded past service costs over periods of up to fifteen years.

6. Income and mining taxes

(a) Consolidated income and mining tax expense consists of the following:

	1982 (000's)	1981 (000's)	1980 (000's)
Canadian taxes —			
Current	\$ 841	\$ 2,051	\$45,844
Deferred	(37,805)	2,328	35,296
	(36,964)	4,379	81,140
Foreign taxes —			
Current	715	1,407	2,383
Deferred	(326)	(3,574)	(3,423)
	389	(2,167)	(1,040)
Total taxes	\$(36,575)	\$ 2,212	\$80,100

- (b) The provision for consolidated deferred tax expense results from timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts. The sources and tax effects of these differences are as follows:

	1982 (000's)	1981 (000's)	1980 (000's)
Depreciation claimed for tax purposes in excess of (lower than) depreciation expensed in the accounts	\$ (5,881)	\$ 637	\$ 9,069
Exploration, preproduction and mine development costs claimed for tax purposes in excess of (lower than) amounts expensed in the accounts, net	(2,513)	7,932	7,970
Inventories recorded in accounts on "last-in, first-out" basis and on tax returns on "first-in, first-out" basis	3,560	(3,349)	(9,229)
Non-capital loss			29,756
Losses carried forward	(35,237)		(2,060)
Other	1,940	(6,466)	(3,633)
	<u>\$ (38,131)</u>	<u>\$ (1,246)</u>	<u>\$ 31,873</u>

At December 31, 1982 deferred taxes on the statement of consolidated financial position amount to \$48,554,000 (1981 — \$87,375,000). This amount will be reflected as a component of current tax expense in subsequent years as timing differences are reversed.

- (c) The difference between the amount of the reported consolidated provision for income and mining taxes and the amount computed by multiplying the earnings (loss) before taxes by the Company's applicable statutory tax rates is as follows:

	1982				1981				1980			
	Federal and provincial income taxes (000's)	Provincial mining taxes (000's)	Foreign taxes (000's)	Total (000's)	Federal and provincial income taxes (000's)	Provincial mining taxes (000's)	Foreign taxes (000's)	Total (000's)	Federal and provincial income taxes (000's)	Provincial mining taxes (000's)	Foreign taxes (000's)	Total (000's)
Earnings (loss) before taxes	\$ (84,875)	\$ (84,875)	\$ (59,489)	\$ (144,364)	\$ 8,046	\$ 8,046	\$ (19,372)	\$ (11,326)	\$ 162,414	\$ 162,414	\$ 3,079	\$ 165,493
Statutory tax rates	51%	16.4%*	51%		51%	16.5%*	51%		51%	28%*	51%	
Earnings (loss) before taxes multiplied by the statutory tax rates	\$ (43,286)	\$ (13,920)	\$ (30,339)		\$ 4,103	\$ 1,328	\$ (9,880)		\$ 82,831	\$ 45,476	\$ 1,570	
Taxes reported in accounts	(37,442)	478	389	\$ (36,575)	2,825	1,554	(2,167)	\$ 2,212	52,179	28,961	(1,040)	\$ 80,100
Difference to be reconciled	\$ 5,844	\$ 14,398	\$ 30,728		\$ (1,278)	\$ 226	\$ 7,713		\$ (30,652)	\$ (16,515)	\$ (2,610)	
Reconciliation, tax effect of —												
(1) Non-claimable expenses	\$ 5,900	\$ 20,344	\$ 2,422		\$ 5,468	\$ 8,444	\$ 3,182		\$ 3,844	\$ 12,106	\$ 4,778	
(2) Resource, depletion, processing and inventory allowances	(9,394)	(921)	(70)		(5,547)	(4,499)	(175)		(30,723)	(11,352)	(844)	
(3) Adjustments because of differences in tax rates	8,577	602	12,138		152	158	6,875		207	(3,241)	2,057	
(4) Unrecorded tax debit			21,814				8,071					
(5) Non-taxable income	761	(5,627)	(5,576)		(1,351)	(3,877)	(10,240)		(3,980)	(14,028)	(8,601)	
	<u>\$ 5,844</u>	<u>\$ 14,398</u>	<u>\$ 30,728</u>		<u>\$ (1,278)</u>	<u>\$ 226</u>	<u>\$ 7,713</u>		<u>\$ (30,652)</u>	<u>\$ (16,515)</u>	<u>\$ (2,610)</u>	

*Average determined from the graduated scale which ranges from 0% to 30%.

- (d) No taxes have been provided by the Company in respect of the earnings of its wholly-owned subsidiary, Falconbridge International Limited (Bermuda), as a result of the present intention not to transfer, to Canada, its earnings of U.S. \$61,910,000 accumulated to December 31, 1982 (U.S. \$52,225,000 to December 31, 1981).
- (e) Falconbridge Dominicana, C. por A. (Falcondo), a subsidiary company, has received income tax assessments from the Dominican Government for the 1972 and 1973 fiscal years approximating Cdn. \$5,900,000. Falcondo is presently appealing these assessments to a Superior Administrative Court. Management cannot reasonably predict the outcome of this appeal. As a result no provision has been made by Falcondo or in the consolidated accounts.
- (f) At December 31, 1982 Falcondo has losses, aggregating RD\$74,804,000, which can be carried forward to reduce its taxable income in future years. The loss carry forwards expire in 1983 — RD\$2,216,000; 1985 — RD\$4,709,000; 1986 — RD\$20,832,000; and 1987 — RD\$47,047,000. In addition, depreciation and amortization charges of approximately RD\$5,953,000 which have been recorded in the accounts, but not claimed for tax purposes, are available to reduce taxable incomes of future years. These amounts give rise to deferred tax debits which have not been recorded in the accounts.

- (g) At December 31, 1982 United Keno Hill Mines Limited (48.4% owned by the Company and accounted for on an equity basis) has losses, approximating \$4,200,000, which can be carried forward (until 1987) to reduce its taxable income. In addition, unrecognized investment tax credits of approximately \$900,000 are available (until 1986) to reduce income taxes payable. As a result of the current year losses and the 1981 extraordinary item, detailed in note 3, page 26, cumulative expenditures of approximately \$9,300,000 which have been recorded in the accounts, but not claimed for tax purposes, are available to reduce taxable incomes of future years and gave rise to an unrecorded deferred tax debit.
- (h) The Company's accumulated deferred income tax credits have been fully offset by the tax effect on the loss incurred in 1982. The loss can be carried forward to reduce the Company's taxable incomes in the years up to 1987.

7. Inventories of metals

Consolidated inventories of metals consist of the following:

	1982		1981	
	Metals in process (000's)	Finished metals (000's)	Metals in process (000's)	Finished metals (000's)
Derived from:				
Company's ore	\$ 4,302	\$ 38,383	\$ 19,949	\$ 55,017
Subsidiaries	5,183	16,084	6,707	43,888
Other sources	962	8,643	1,655	5,589
	<u>\$ 10,447</u>	<u>\$ 63,110</u>	<u>\$ 28,311</u>	<u>\$104,494</u>
Total inventories of metals	\$ 73,557		\$ 132,805	

The December 31, 1982 inventory of ferronickel produced by Falconbridge Dominicana, C. por A. was written down by \$1,512,000, to an estimated net realizable value (1981 written down by \$3,521,000).

Inventories derived from the Company's ore are valued on the "last-in, first-out" (LIFO) basis. If these LIFO inventories were valued at current cost the December 31, 1982 inventory values recorded on the balance sheet would increase by \$60,861,000 to \$134,418,000 (1981 — increase by \$60,351,000 to \$193,156,000).

8. Property, plant and equipment

(a) The following table details consolidated property, plant and equipment on a functional basis:

	1982			1981		
	Cost (000's)	Accumulated depreciation and depletion (000's)	Net book value (000's)	Cost (000's)	Accumulated depreciation and depletion (000's)	Net book value (000's)
Property, plant and equipment:						
Producing assets —						
Plant and equipment:						
Mines, mining plants and ancillary mining assets	\$407,220	\$266,933	\$140,287	\$425,750	\$271,937	\$153,813
Smelter	108,245	35,272	72,973	107,617	32,039	75,578
Refinery	109,720	70,516	39,204	107,471	64,158	43,313
Townsites and other company housing	15,254	10,692	4,562	16,419	11,190	5,229
Transportation, including facilities	10,841	10,360	481	10,790	9,987	803
Other	32,651	18,332	14,319	32,474	16,681	15,793
	<u>683,931</u>	<u>412,105</u>	<u>271,826</u>	<u>700,521</u>	<u>405,992</u>	<u>294,529</u>
Properties	18,889	13,871	5,018	23,484	17,933	5,551
Land	1,736		1,736	1,751		1,751
	<u>20,625</u>	<u>13,871</u>	<u>6,754</u>	<u>25,235</u>	<u>17,933</u>	<u>7,302</u>
	<u>\$704,556</u>	<u>\$425,976</u>	<u>278,580</u>	<u>\$725,756</u>	<u>\$423,925</u>	<u>301,831</u>
Non-producing assets			37,693			34,689
			<u>316,273</u>			<u>336,520</u>
Development and preproduction expenditures:						
Producing assets			117,570			119,661
Non-producing assets			106,640			93,830
			<u>224,210</u>			<u>213,491</u>
			<u>\$540,483</u>			<u>\$550,011</u>

(b) Falconbridge Dominicana, C. por A. resumed limited production operations in September, 1982 after certain steps had been taken to improve cash flows. Production operations had been shut down in January, 1982 and the property, plant and equipment maintained on a standby basis. Under current market conditions Falconbridge Dominicana will still be dependent on the continued support of its sponsors. While it is difficult for management to determine when market conditions will improve sufficiently for the achievement of a self sustaining operation it is their opinion that the December 31, 1982 — \$92,997,000 (1981 — \$101,270,000) net aggregate carrying value of its property, plant, equipment, preproduction and other deferred charges will be recovered eventually.

(c) As a result of production curtailments, in the Sudbury operations, property, plant and equipment and the related preproduction and development expenditures, with a net aggregate carrying value of \$190,200,000, as at December 31, 1982, have been placed on a standby basis (see note 20(a), page 35).

Operations at the Lake Dufault Division of Corporation Falconbridge Copper (a consolidated subsidiary) and at the Elsa Mining Division of United Keno Hill Mines Limited (48.4% owned and accounted for on an equity basis) have been suspended, pending improved market conditions. The related unamortized property, plant, equipment and development and preproduction expenditures total, respectively, \$18,072,000 and \$4,855,000 as at December 31, 1982.

The Company is confident that, with proper care and maintenance during the standby period, the productive capacity of these assets will not be impaired.

(d) Non-producing assets do not include the assets placed on a standby basis (referred to in note 8(c) above) but consist of the following:

	1982 (000's)	1981 (000's)
Company and project		
Falconbridge Limited —		
Fraser mine (i)	\$ 87,329	\$ 75,303
Other projects (ii)	8,474	7,520
New Quebec Raglan Mines Limited —		
Subsidiary's Cape Smith-Wakeham Bay properties (iii)	43,156	40,726
Other subsidiary companies' projects (ii)	5,374	4,970
	\$144,333	\$128,519

(i) In the preproduction or construction stage. The Fraser mine was officially opened on September 12, 1981 but is not yet in commercial production.

(ii) Includes the costs related to certain projects upon which further work has been suspended pending more favourable economics. Falconbridge believes these costs will be recovered.

(iii) Exploration, development and other expenditures relating to New Quebec Raglan Mines Limited (a 73.3% owned subsidiary) and its wholly-owned subsidiary company, Société Minière Raglan du Québec Ltée, incurred in the development of the latter company's Cape Smith-Wakeham Bay properties.

These costs have been capitalized with the intention that they will be amortized by charges against income from future mining operations. In 1971 underground work on the properties was suspended. Studies recommenced in 1980 and have continued during 1981 and 1982 on the feasibility of bringing the properties into production. Profits commensurate with the risks of operating in such a remote northern location must be indicated before development to production. The exploration permits and development licences pertaining to these properties expired in 1982 and Raglan has retained the mineral rights on these deposits by the staking of mineral claims.

9. Long-term debt

A. Details of long-term debt are as follows:

	1982 (000's)	1981 (000's)
(i) Falconbridge Limited		
7.75% Sinking fund debentures maturing February, 1991 (a) and (c)	\$ 40,967	\$ 42,500
8.85% Sinking fund debentures maturing May, 1996 (1982 — U.S. \$38,963,000; 1981 — U.S. \$43,565,000) (b) and (c)	39,816	44,518
Bank loans (d) —		
Due December 31, 1986 (U.S. \$125,000,000)	147,204	147,204
Due December 31, 1986 (U.S. \$40,000,000)	47,105	47,105
Due December 31, 1988 (U.S. \$45,000,000)	52,994	52,994
Total	\$328,086	\$334,321

(a) The Company is required to make sinking fund payments sufficient to retire \$1,250,000 principal amount of the 7.75% debentures in each year until 1990.

(b) The Company is required to make sinking fund payments sufficient to retire U.S. \$3,000,000 principal amount of the 8.85% debentures in each year until 1995.

(c) During 1982 the Company recorded (netted with interest and debt expenses) a gain of \$2,611,000 on the redemption of debentures at substantial discounts.

(d) The bank loans reflect borrowings under lines of credit extended by a Canadian bank.

The Cdn. \$75,900,000 loan outstanding at December 31, 1980 was converted to a U.S. dollar loan and increased to U.S. \$125,000,000 on November 27, 1981 under a line of credit of Cdn. \$180,000,000 (or the U.S. dollar equivalent thereof) extended by the bank until December 31, 1986. Interest is based on the London Interbank Offered Rate (LIBOR) plus $\frac{1}{2}$ of 1%. A fee of $\frac{1}{4}$ of 1% applies to any undrawn portion of the credit, payable monthly. Interest was payable at 13.42% as at December 31, 1982 (1981 — 13.52%) and averaged 14.54% during the year.

Under a U.S. \$85,000,000 line of credit the Company borrowed, on November 27, 1981, U.S. \$40,000,000, due December 31, 1986, at 15.88%; and U.S. \$45,000,000, due December 31, 1988, at floating rates based on LIBOR plus $\frac{1}{2}$ of 1%, interest was payable at 12.08% as at December 31, 1982 (1981 — 13.94%) and averaged 14.28% during the year.

	1982 (000's)	1981 (000's)
(ii) Falconbridge Dominicana, C. por A. (Falcondo) (RDS\$ equals U.S. \$1)		
(a) Due to Loma Corporation (Loma)* (Payable in U.S. currency) —		
8.73% Series C demand mortgage notes	RD\$ 40,630	RD\$ 50,790
8.5% Series D demand subordinated notes	34,000	34,000
	74,630	84,790
* Payment will only be demanded under certain specified circumstances, the most significant being to meet payments due on notes of Loma (a U.S. financing company) issued in the same principal amounts and at the same interest rates as the above demand notes, as follows:		
8.73% Series C secured sinking fund notes, due in semi-annual payments of U.S. \$5,080,000 until 1986 inclusive (this schedule of repayments reflects the 1978 deferment of principal repayments aggregating U.S. \$15,240,000); and		
8.5% Series D guaranteed sinking fund notes, due in semi-annual payments of U.S. \$3,400,000 1987 to 1991 inclusive.		
(b) Due to International Bank for Reconstruction and Development (IBRD) —		
7% Loans, due semi-annually to 1984, payable in various currencies	6,872	10,728
	81,502	95,518
(c) Housing —		
9.5% Mortgages on houses repayable monthly to 1993 in Dominican Republic currency	1,649	1,766
(d) Subordinated advances by shareholders —		
Advances from the Company and the other sponsor under the terms of the agreement which requires the Company and the other sponsor to provide, respectively, 60% and 40% of the funds required by Falcondo to meet its cash requirements — interest rates vary from 12% to 21% (weighted average 16%; 1981 — 17%), due not later than December 15, 1991	80,258	39,188
Accrued interest thereon	9,249	
(e) Other —		
Unsecured borrowings payable in U.S. funds, bearing interest at 10.5%, due in semi-annual installments to 1985	1,029	1,372
	173,687	137,844
Less long-term debt maturing within one year	14,067	14,196
Total — As reported by Falcondo in Dominican Republic currency, translated at year-end rates of exchange	RD\$159,620	RD\$123,648
Total — Expressed in Canadian currency and reflecting consolidation adjustments and the Company's translation policy (1982 net of \$17,286,000 maturing within one year)	\$114,198	\$102,602
(iii) Other companies		
Kiena Gold Mines Limited — Bank loan due December 31, 1986 (9.14% at December 31, 1982; 1981 — 16.8%) (see note 16, page 33)	\$ 17,640	\$ 21,796
Others — various maturity dates and interest rates	7,596	6,667
Total (1982 net of \$840,000 maturing within one year)	\$ 25,236	\$ 28,463

(iv) **Maturity and sinking fund requirements**

Maturity and sinking fund requirements (stated at 1982 year-end rates of exchange) for the next five years are as follows:

1983 — \$18,126,000	1986 — \$244,825,000
1984 — \$20,250,000	1987 — \$ 8,592,000
1985 — \$19,477,000	

B. Guarantees, covenants and restrictions:

- (i) Falconbridge Limited (the Company) has guaranteed portions of the long-term debt and other obligations of Falconbridge Dominicana, C. por A. (Falcondo), the details of which are as follows:
 - (a) Loans to Falcondo amounting to RD\$81,502,000 are secured by a first mortgage on the assets of the project, which have a net aggregate carrying value of RD\$132,077,000 at December 31, 1982. The Company has agreed to buy all ferronickel of commercial value produced by Falcondo and is also obligated to provide 60% of the funds required by Falcondo to enable it to meet its operating costs and debt service obligations in the event receipts from the sale of ferronickel produced by Falcondo and other receipts are insufficient for that purpose. (The Company has been required since July, 1980, in accordance with the terms of the financing agreements to provide funds totalling U.S. \$48,155,000 (1982 — U.S. \$24,642,000; 1981 — U.S. \$14,979,000; 1980 — U.S. \$8,534,000), representing 60% of the total amount required by Falcondo to meet its cash requirements. The funds so provided to Falcondo are evidenced by notes, which are subordinated to all other debt instruments and can only be repaid under certain circumstances, and bear interest at rates related to the U.S. prime rate which is in effect on the date the notes are issued). The loans from Loma Corporation are covered by specific risk insurance issued by the Overseas Private Investment Corporation.
 - (b) The Company has pledged all of its shareholdings in Falcondo against repayment of the Loma Series C demand mortgage notes and the IBRD loans. In addition, the Company has made a direct guarantee for repayment of 60% of the Loma Series D demand subordinated notes.
 - (c) In accordance with the terms of the loan agreements, funds of \$9,565,000 (1981 — \$2,395,000) (included with cash and temporary investments) are on deposit with the Trustee for use in paying current debt service and operating expenses of Falcondo.
- (ii) During the period that the Falcondo loans are outstanding, there are certain restrictions placed on the amount and nature of borrowing that the Company may undertake. Covenants given by the Company in this respect are substantially the same (other than (a) and (d) below) as those given by the Company under its 8.85% debentures which include limitations as to:
 - (a) The amount of dividends which may be paid by the Company (see note 9 B(iii) below);
 - (b) The incurring of additional debt. Under the covenants the Company is currently prohibited from borrowing until the ratio of its consolidated indebtedness, as defined, to certain of its consolidated net tangible assets comes within prescribed limits;
 - (c) Guarantees which it may give on certain indebtedness of its subsidiary and other companies; and
 - (d) The 8.85% debenture covenants provide that the proceeds from the permitted sale of assets which are owned by the Company shall be held in cash or short term securities, applied to the redemption of debentures, other funded debt or bank indebtedness, or invested in mineral properties or processing or manufacturing plant or facilities or in securities of a corporation engaged in businesses similar to that of the Company.
- (iii) At December 31, 1982, the portion of retained earnings restricted under the 8.85% debenture covenants and not available for dividend payment and share repurchase was \$170,905,000 (1981 — \$170,905,000).

10. Capital

(a) Preference shares

None of the Company's 7,000,000 authorized preference shares of the par value of \$25 each were issued in 1982 or 1981. In 1980, 3,000,000 Variable Rate Cumulative Redeemable Preference Shares, Series "A", were redeemed and cancelled.

(b) Common shares

In 1979, the Company reserved 200,000 unissued common shares without par value for the purpose of granting options to purchase shares of the Company to certain full time employees of the Company or a subsidiary or associated company. The price for which the shares may be optioned is the closing bid price for the common shares on the business day immediately preceding the granting of the option less a discount of 10%.

Options are exercisable, over a period of ten years from the date granted, and are earned at the rate of 25% of the shares optioned times the number of periods of twelve months each which have elapsed since the date the option was granted less the aggregate number of options already exercised or surrendered. The optionee may also be given the right, at the time of exercise, to surrender the right to purchase shares under the options in return for receipt of cash equal to the excess of the fair market value of the shares over the option price thereof. On November 16, 1981 options were granted to purchase 122,000 shares under the stock option plan at a price of \$57.15 per share. Options on 20,500 shares have been terminated to December 31, 1982 and none of the options on the remaining 101,500 shares were exercised. There is currently no cost to the Company for shares optioned under the plan since the option price exceeds the quoted market value of the Company's shares. In 1981 the cost to the Company was \$135,000.

11. Interest in investees' undistributed earnings

Consolidated retained earnings includes the Company's share of the undistributed earnings of its (i) consolidated subsidiaries; and (ii) equity accounted for companies, which, respectively, amounted to \$65,459,000 and \$5,820,000 (1981 — \$87,242,000 and \$8,291,000; 1980 — \$89,627,000 and \$15,565,000).

12. Commitments and contingencies

- (a) There are commitments outstanding at December 31, 1982 aggregating approximately \$1,400,000 (1981 — \$3,700,000) in connection with capital expenditure programs.
- (b) The following are under continuing study and discussion with Government officials:
 - (i) The construction of Canadian facilities for refining ores mined in Ontario. However, the Company has received an exemption by the Ontario Government, until December 31, 1989, from a requirement to refine in Canada ores mined from certain properties of the Company in Ontario, such exemption being limited to the quantity of nickel-copper matte capable of producing not more than 100,000,000 pounds of refined nickel per year; and
 - (ii) The requirement that, by December 31, 1983, the Company take such steps as are necessary to reduce emissions of sulphur dioxide from its Sudbury smelter complex so that in the aggregate they comply with the standards prescribed by the Ontario Government. The Company is awaiting a reply to its appeal of this requirement which is currently neither technically nor financially feasible.

It is presently not practicable to estimate the potential costs which may arise from these items.

- (c) During 1982, 1981 and 1980 a portion of accounts receivable was either sold without recourse or discounted with recourse. The cost, which was charged against earnings, amounted to \$2,466,000 in 1982 (1981 — \$6,774,000; 1980 — \$4,514,000). As a result of these transactions, at December 31, 1982, the Company has a contingent liability of U.S. \$17,234,000 (1981 — U.S. \$22,944,000). (See note 16, page 33).
- (d) See notes 5, 6(e), 8(b), 8(c), 9B(i), 16 and 20(a), pages 26, 27, 29, 31, 33 and 35, respectively, which detail other commitments and contingencies.

13. Transactions with related companies

Falconbridge is a member of a group of related companies. The Company's holdings in this group are described in note 19, page 35. Other significant holdings within the group include The Superior Oil Company's (Superior) 24% interest in Western Platinum Limited (Western Platinum) and its 100% interest in Canadian Superior Oil Ltd. (Canadian Superior). McIntyre Mines Limited (McIntyre), which holds a 36.8% interest in Falconbridge, is owned 26.6% by Superior and 26.4% by Canadian Superior (which has an 8.9% interest in Falconbridge). The aggregate interest of these principal shareholders of Falconbridge was diluted from 45.9% to 32.8% as a result of the 1983 sale of shares described in note 20(b), page 35.

The following transactions of an ongoing nature occurred between Falconbridge and other members of the group:

- (a) Matte produced from Western Platinum ore is refined on a fee basis and the refined metals are marketed on an agency basis by Falconbridge. Fees and commissions totalled \$7,353,000 in 1982 (1981 — \$6,748,000; 1980 — \$7,061,000).
- (b) The Company engages in a number of mineral exploration programs with Superior and other members of the related group. The Company's participating interest in these projects ranges up to 51%, and the Company's cost is proportional to its share of the overall cost.

The most significant of these ventures include:

- (i) Exploration and development on mining claims in northern Chile pursuant to agreements between the Company, Superior, Canadian Superior, McIntyre, the government of Chile and private parties. The Company's minority participation to date has been \$9,835,000 of which \$2,721,000 was expended in 1982 (1981 — \$2,444,000; 1980 — \$2,162,000);
- (ii) Exploration for minerals in various African countries pursuant to an agreement between the Company and Superior. The Company's participating interest is 50% and to date it has expended \$12,903,000 on these projects, of which \$1,568,000 was expended in 1982 (1981 — \$3,790,000; 1980 — \$4,799,000). In Botswana, De Beers Consolidated Mines Limited may acquire up to 50% of the combined interests of the Company and Superior in consideration of expenditures it may make in carrying out exploration work in the diamond exploration areas; and
- (iii) Exploration for minerals in North America. Participation, pursuant to an agreement with Superior, ranges up to 51% and to date the Company has expended \$5,851,000, of which \$966,000 was expended in 1982 (1981 — \$2,690,000; 1980 — \$1,762,000).

See also notes 3 and 9 B(i)(a), pages 26 and 31, for other transactions which occurred between the Company and related members of the group.

14. Earnings (loss) per common share

Earnings (loss) per common share are based on the weighted average number of 4,979,272 common shares outstanding during the year, excluding shares held by subsidiary companies. Inclusion in the earnings (loss) per share computations of shares subject to issue under outstanding options, see note 10(b), page 31, would produce substantially the same results.

The preference shareholder's prior claim is deducted from earnings for the 1980 calculation.

15. Other charges

Other charges of \$75,531,000 in 1982 relate to the measures taken by Falconbridge to stem the cash drain and to

reduce expenditures over the long term. These comprise costs of placing and maintaining certain properties on a standby basis (see notes 8(b) and (c), page 29), continuing costs incurred during the temporary shutdown of production facilities and employee termination and retiring allowances.

Other charges of \$2,963,000 in 1981 reflect a provision for employee severance payments and for the expenditures required to place Falconbridge Dominicana, C. por A.'s (Falcondo) assets on a standby basis.

Other charges of \$15,306,000 in 1980, represent the costs incurred during the five-month shut down of Falcondo's ferronickel production operations.

16. Compensating balances and borrowing arrangements

No company within the Falconbridge group of companies is required to maintain a compensating balance under any borrowing arrangement. Falconbridge Dominicana, C. por A. is required, under loan agreements, to keep funds on deposit with the Trustee for use in paying current debt service and other expenses (see note 9B(i)(c), page 31).

The various borrowing arrangements, which have been established over a period of years, are as follows:

Falconbridge Limited

In addition to the lines of credit detailed in note 9A(i)(d), page 30, the Company has a \$75,000,000 operating line of credit with the same Canadian chartered bank. The interest rate for this line is the bank's prime lending rate. This line of credit may also be used, to the extent of U.S. \$40,000,000, to discount U.S. dollar trade paper at rates prevailing at the time of discounting. There is no commitment fee on this line which may be withdrawn at the bank's discretion. As at December 31, 1982 the Company was contingently liable to the bank for U.S. \$6,344,000 (1981 — U.S. \$10,360,000) with respect to trade paper discounted with recourse.

The Company also has a \$50,000,000 line of credit with another Canadian chartered bank. This line of credit can be converted to U.S. dollar loans at the bank's option. The interest rate for Canadian dollar drawings under this line is the bank's prime lending rate. For U.S. dollar borrowings the rate is the bank's U.S. base lending rate. The line of credit is also available to discount U.S. dollar trade paper at rates prevailing at the time of discounting. There is no commitment fee on this line which may be withdrawn at the bank's discretion. As at December 31, 1982 the Company was contingently liable to the bank for U.S. \$1,090,000 (1981 — U.S. \$9,544,000) with respect to trade paper discounted with recourse.

The Company also has a U.S. \$20,000,000 line of credit with a United States bank under which the Company may sell U.S. dollar accounts receivable at rates prevailing at the time of sale. There is no commitment fee on this line which may be withdrawn at the bank's discretion. As at December 31, 1982 the Company was contingently liable to this bank for U.S. \$9,800,000 (1981 — U.S. \$3,040,000) with respect to the sale of accounts receivable with recourse.

Use of these lines of credit is restricted under guarantees and covenants, see note 9B(ii), page 31.

Indusmin Limited

Indusmin Limited (Indusmin) has a \$10,000,000 operating line of credit with a Canadian chartered bank. No commitment fee is payable for this line of credit which can be withdrawn at the bank's discretion. Interest is payable at the bank's prime lending rate. During 1982, the largest amount of indebtedness outstanding at any one time was \$4,956,000, the average was \$1,422,000 and interest averaged 16.45%. The aforementioned \$10,000,000 line of credit may also be utilized, to the extent of \$5,000,000, by way of banker's acceptances for which Indusmin pays current rates to the bank at the time of their acceptance. At December 31, 1982 no banker's acceptances were outstanding.

Indusmin also has a \$3,800,000 term loan facility with the same bank. No commitment fee is payable for this loan facility which gives various currency and interest rate options. The line of credit may also be utilized by way of banker's acceptances for which Indusmin pays $\frac{3}{4}$ of 1% to the bank for their acceptance. This loan is repayable in quarterly installments over a five year period which commenced on December 15, 1982. The largest amount of indebtedness outstanding at any one time in 1982 was \$4,000,000, the average for the year was \$3,983,000 and \$3,800,000 was outstanding at December 31, 1982. Interest was payable at 11.87% as at December 31, 1982 and averaged 14.76% during the year.

At December 31, 1982, American Nepheline Corporation (ANC), a wholly-owned subsidiary of Indusmin, had a revolving credit and term loan facility totalling U.S. \$2,500,000, from a U.S. bank, secured by a guarantee of Indusmin. No commitment fee is payable for this loan facility which gives ANC various interest rate options. The loan is repayable in twenty equal quarterly installments over a five-year period commencing March 31, 1985. The largest amount of indebtedness outstanding at any one time in 1982 was U.S. \$2,500,000, the average for the period of the loan was U.S. \$2,500,000. Interest was payable at 10.25% as at December 31, 1982 and averaged 10.25% during the period of the loan.

Kiena Gold Mines Limited

Kiena Gold Mines Limited (Kiena) has arranged a \$30,000,000 revolving term credit and a \$30,000,000 operating line of credit with a Canadian bank as described below. The aggregate credit that may be utilized under these lines is \$30,000,000.

The \$30,000,000 revolving term credit, due December 31, 1986, may be drawn in Canadian or U.S. dollars or gold. The loan is secured by a fixed and floating charge upon Kiena's assets. No commitment fee is payable on this term credit. Interest on this loan is payable at $\frac{1}{2}$ of 1% above the bank's prime lending rate or if drawn in U.S. dollars at rates based on the London Interbank Offered Rate (LIBOR) or U.S. base rate. Kiena also has an option to utilize this term credit facility by way of banker's acceptances for which Kiena pays current rates at the time of their acceptance.

The \$30,000,000 operating line of credit may be drawn in Canadian or U.S. dollars. Interest on this loan is the bank's prime lending rate or if drawn in U.S. dollars at rates based on LIBOR or U.S. base rate. Kiena also has an option to utilize this operating credit facility to the extent of \$15,000,000 by way of banker's acceptances for which Kiena pays current rates at the time of their acceptance.

As partial utilization of the above noted revolving term credit Kiena has entered into an agreement under which it is obligated to return 12,000 ounces of gold or pay the equivalent U.S. dollar market value of the gold to the bank, within 360 days from September 30, 1982. The indebtedness bears a 4% annual interest charge based on the current daily market value of the outstanding ounces of gold.

The largest amount of indebtedness outstanding under the above facilities at any one time during 1982 was \$25,229,000, the average for the year was \$23,140,000 and \$17,640,000 was outstanding at December 31, 1982. Interest was payable at an average rate of 9.14% at December 31, 1982 and averaged 14.99% during the year. At December 31, 1982 \$11,000,000 banker's acceptances were outstanding at an average rate of 12.11%.

17. Reconciliation of earnings (loss) prepared in accordance with generally accepted accounting principles (GAAP) in Canada to accord with accounting principles which are generally accepted in the United States (U.S.):

	1982 (000's)	1981 (000's)	1980 (000's)
Earnings (loss) for the year, as reported	\$ (85,254)	\$ (9,024)	\$109,122
Add (deduct) extraordinary item, as reported (iii)		5,122	(37,700)
Adjustments to accord with U.S. GAAP:			
1. Record long-term debt at exchange rate current at the end of each year (i)	(9,909)	2,622	(1,151)
2. Record gains which were deferred on translation of foreign subsidiaries' accounts for consolidation purposes (i)	1,413	(2,827)	1,582
3. Record capitalization of interest costs (ii)	6,961	5,878	3,324
4. Amortization of capitalized interest costs (ii)	(74)	(18)	
Earnings (loss) from continuing operations in accordance with U.S. GAAP	(86,863)	1,753	75,177
Write off of Venus Mine project costs (iii)		(5,122)	
Disposal of Canadian Superior shares (iii)			37,700
Earnings (loss) for the year in accordance with U.S. GAAP	\$ (86,863)	\$ (3,369)	\$112,877
Earnings (loss) per common share in accordance with U.S. GAAP:			
From continuing operations	\$ (17.44)	\$ 0.35	\$ 13.80
Write off of Venus Mine project costs		(1.03)	
Disposal of Canadian Superior shares			7.57
For the year	\$ (17.44)	\$ (0.68)	\$ 21.37

(i) Under Canadian GAAP Falconbridge translates long-term debt into Canadian dollars at rates of exchange prevailing when the debts were incurred and defers net unrealized gains on translation of foreign subsidiaries' financial statements for consolidation purposes. U.S. GAAP require recognition of all gains or losses resulting from translation of foreign currencies at year-end exchange rates.

(ii) Consistent with the Canadian mining industry's policy of capitalizing all costs incurred during the preproduction stage of a project, Falconbridge capitalizes interest costs incurred prior to the commencement of commercial production for projects which are specifically financed by debt capital. Interest costs incurred after the commencement of commercial production are expensed.

U.S. GAAP require the capitalization of interest costs as part of the historical cost of acquiring certain assets whether or not the assets are specifically financed by debt.

Capitalized interest costs are amortized on the same basis as the related assets.

(iii) See note 3, page 26.

(iv) Balance sheet items under U.S. GAAP:

(a) Long-term debt at December 31, 1982 — \$502,260,000 (1981 — \$490,296,000).

(b) Retained earnings at December 31, 1982 — \$313,137,000 (1981 — \$400,000,000).

18. Interest and other income, net

The 1982 interest and other income, net includes a \$5,342,000 gain resulting from translation of the Company's U.S. dollar temporary investments, reflecting a weakened Canadian dollar (see note 4(b), page 26); insurance proceeds of \$5,811,000 for the loss of production from a fire at the Integrated Nickel Operations' refinery in Norway in October, 1981; and a loss of \$2,301,000 on the sale of the Company's 74.9% interest in Oamites Mining Company (Proprietary) Limited in the fourth quarter.

19. Investment in associated and other companies

	December 31, 1982		Market value (i)		Carrying value (ii)		Contribution to		
	Shares of common stock	Beneficial interest %	As at December 31,		As at December 31,		earning (loss) for the year		
			1982 (000's)	1981 (000's)	1982 (000's)	1981 (000's)	1982 (000's)	1981 (000's)	1980 (000's)
Accounted for on an equity basis (ii):									
Akaicho Yellowknife Gold Mines Limited	1,198,230	36.7	\$ 1,018	\$ 827	\$ 193	\$ 186	\$ 7	\$ (22)	\$ 6
Giant Yellowknife Mines Limited	824,413	19.2	16,900	8,244	3,861	3,726	135	161	1,150
United Keno Hill Mines Limited (iii)	1,195,989	48.4	25,715	20,631	7,174	9,789	(2,615)	(1,488)	3,718
Total on an equity basis			43,633	29,702	11,228	13,701	(2,473)	(1,349)	4,874
Accounted for on a cost basis:									
McIntyre Mines Limited	175,825	4.8	4,747	7,385	10,175	10,175			
The Superior Oil Company	2,033,965	1.6	71,860	88,905	62,332	62,332	503	370	341
Thompson-Lundmark Gold Mines Limited	600,000	12.0	510	342	377	377			
Other companies			559	288			5		
			<u>\$121,309</u>	<u>\$126,622</u>	<u>84,112</u>	<u>86,585</u>	<u>(1,965)</u>	<u>(979)</u>	<u>5,215</u>
Investments with no quoted market value —									
Western Platinum Limited	3,025,001	25.0			10,010	10,010		3,017	1,987
Blanket Mine (Private) Limited (iv)	9,208	100.0					558	1,708	1,637
Other companies					370	370		24	749
					<u>\$94,492</u>	<u>\$96,965</u>	<u>\$(1,407)</u>	<u>\$ 3,770</u>	<u>\$9,588</u>

- (i) The market values shown are based on Canadian and United States stock exchange closing bid prices at year end. Because of the number of shares involved the amounts that could be realized if these securities were to be sold may be more or less than their indicated quoted market value.
- (ii) The carrying value represents the cost of the investments less amounts written off, and also reflects the interest in earnings of certain significantly influenced companies on an equity basis (i.e. the investments are carried on the statement of financial position at cost plus proportionate share of undistributed earnings).
- (iii) The \$1,488,000 loss recorded in 1981 excludes the extraordinary item referred to in note 3, page 26.
- (iv) Name changed to Falconbridge Investments (Zimbabwe) (Private) Limited on January 10, 1983.

20. Subsequent events

- (a) The Company's Sudbury operations resumed limited production (without a labour contract for 1,850 production and maintenance employees) on January 3, 1983. Negotiations with the Sudbury Mine, Mill and Smelter Workers Union have not yet resulted in the settling of a new collective agreement. The Company will abide by the terms and conditions of the collective agreement that expired on August 21, 1982 until a new agreement is implemented.
- (b) On February 8, 1983 the Company received net proceeds of \$103,145,000 from the sale of Common Shares and Common Share Purchase Warrants (units). The number of Units sold was 2,000,000 at \$55.00 per unit (the price being allocated at \$53.50 per Common Share and \$1.50 for the one-half Common Share Purchase Warrant) for gross proceeds of \$110,000,000. The Underwriting Fee for the issue amounted to \$6,050,000 and other costs were \$805,000. As a result of this issue the Company's issued common shares increased by 2,000,000 to 7,024,755. Each whole Warrant will entitle the holder to purchase one common share for \$65.50 on or before February 5, 1987 (which if fully exercised will result in the Company's share capital increasing by 1,000,000 shares and \$65,500,000).

Segmented Information (Thousands of dollars)

	December 31,					1982			
	Integrated Nickel Operations	Unallocated Corporate	Corporation Falconbridge Copper	Falconbridge Dominicana, C. por A.	Indusmin Limited	Kiena Gold Mines Limited	Others	Consolidation adjustments	Consolidated total
% ownership	(100%) (note 1)	(100%) (note 1)	(50.2%)	(65.7%) (note 2)	(70.8%)	(68.3%) (note 4)	(note 6)	(note 2)	
Earnings (note 2):									
Revenues	\$244,667	\$ 1,978	\$ 68,296	\$ 21,994	\$ 58,128	\$ 30,424	\$ 32,716	\$ 24,923	\$ 483,126
Operating expenses —									
Costs of metal and other product sales	188,162		60,572	34,344	43,100	17,490	27,551	20,906	392,125
Selling, general and administrative	23,680	8,281	2,120	2,279	8,502	719	2,474	(300)	47,755
Development and preproduction	8,614		6,919	1,542	27	848	586	(631)	17,905
Depreciation and depletion	16,816	210	2,069	7,220	3,198	684	3,018	81	33,296
Other charges	50,873	2,160	1,183	21,315					75,531
	288,145	10,651	72,863	66,700	54,827	19,741	33,629	20,056	566,612
Operating profit (loss)	(43,478)	(8,673)	(4,567)	(44,706)	3,301	10,683	(913)	4,867	(83,486)
Interest (net) and debt expenses	49	7,726	(13,079)	22,938	1,069	3,491	236	2,466	24,896
Exploration	2,898	8,450	15,289	813	32		1,324		28,806
Research and process development	5,491				278				5,769
	8,438	16,176	2,210	23,751	1,379	3,491	1,560	2,466	59,471
Earnings (loss) before investment income and taxes	(51,916)	(24,849)	(6,777)	(68,457)	1,922	7,192	(2,473)	2,401	(142,957)
Investment income		(1,407)					20	(20)	(1,407)
Earnings (loss) before taxes	(51,916)	(26,256)	(6,777)	(68,457)	1,922	7,192	(2,453)	2,381	(144,364)
Income and mining taxes	(26,053)	(9,223)	(4,617)	(410)	578	3,510	(669)	309	(36,575)
Earnings (loss) for the year before other items	\$ (25,863)	\$ (17,033)	\$ (2,160)	\$ (68,047)	\$ 1,344	\$ 3,682	\$ (1,784)	\$ 2,072	\$ (107,789)
Minority shareholders' interest in earnings (loss)			\$ (1,076)	\$ (22,846)	\$ 405	\$ 1,167	\$ (185)		\$ (22,535)
Falconbridge's interest in above earnings (loss) after consolidation adjustments (note 2)	\$ (25,863)	\$ (17,033)	\$ (1,012)	\$ (43,257)	\$ 882	\$ 2,647	\$ (1,618)		\$ (22,535)
Financial Data (note 1):									
Working capital	\$186,471		\$101,133	\$ 27,431	\$ 19,217	\$ 851	\$ 7,670	\$ (1,222)	\$ 341,551
Property, plant and equipment (note 2) —									
Producing assets, at net book value	\$235,633		\$ 20,511	\$ 97,737	\$ 18,946	\$ 26,239	\$ 4,411	\$ (7,327)	\$ 396,150
Non-producing assets, at cost less amounts written off	\$ 95,803		\$ 259		\$ 639	\$ 338	\$ 41,681	\$ 5,613	\$ 144,333
Long-term debt	\$328,086			\$179,226	\$ 6,095	\$ 17,640	\$ 1,501	\$ (65,028)	\$ 467,520
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT	\$ 34,401		\$ 5,368	\$ 25	\$ 1,347	\$ 2,078	\$ 2,903		\$ 46,122
MARKET VALUE OF FALCONBRIDGE'S SHAREHOLDINGS (note 3)			\$110,665		\$ 9,101	\$ 84,946	\$ 20,390		\$ 225,102
PRINCIPAL LOCATION OF ASSETS	Ontario and Norway	Quebec	Dominican Republic	Ontario, Quebec and U.S.A.	Quebec				
PRINCIPAL PRODUCTS	Nickel, copper and cobalt	Copper, zinc and precious metals	Ferromnickel	Industrial minerals and metal castings	Gold				
MAJOR MARKETS FOR PRINCIPAL PRODUCTS	The Americas, Europe and Asia	Canada and Europe	The Americas, Europe and Asia	Canada and U.S.A.	Canada				

(See notes to statement of segmented information)

1981

Integrated Nickel Operations	Unallocated Corporate	Corporation Falconbridge Copper	Falconbridge Dominicana, C. por A.	Indusmin Limited	Kiana Gold Mines Limited	Others	Consolidation adjustments	Consolidated total
(100%) (note 1)	(100%) (note 1)	(50.2%)	(65.7%) (note 2)	(70.8%)	(68.3%) (note 4)	(note 6)	(note 2)	
\$367,360	\$ 4,623	\$ 76,939	\$144,469	\$ 70,003	\$ 7,040	\$ 35,833	\$ 6,685	\$712,952
249,642		66,061	139,223	52,144	5,646	31,207	4,157	548,080
25,143	7,391	1,441	11,693	7,299		3,210	(6,573)	49,604
14,715		9,314	1,546	31	260	1,436	(547)	26,755
17,007	201	1,920	7,434	3,325	180	2,628	113	32,808
			2,963					2,963
306,507	7,592	78,736	162,859	62,799	6,086	38,481	(2,850)	660,210
60,853	(2,969)	(1,797)	(18,390)	7,204	934	(2,648)	9,535	52,742
1,027	4,201	(13,012)	16,754	1,991	1,057	(23)	6,774	18,769
5,540	16,392	12,430	746	93	5	2,758		37,964
10,755				350				11,105
17,322	20,593	(582)	17,500	2,434	1,062	2,735	6,774	67,838
43,531	(23,562)	(1,215)	(35,890)	4,770	(108)	(5,383)	2,761	(15,096)
	3,770	43		25		23	(91)	3,770
43,531	(19,792)	(1,172)	(35,890)	4,795	(108)	(5,360)	2,670	(11,326)
12,472	(5,832)	(1,675)	(2,430)	1,722	(50)	(1,494)	(501)	2,212
\$ 31,059	\$ (13,960)	\$ 503	\$ (33,460)	\$ 3,073	\$ (58)	\$ (3,866)	\$ 3,171	\$ (13,538)
		\$ 250	\$ (10,541)	\$ 926	\$ (18)	\$ (253)		\$ (9,636)
\$ 31,059	\$ (13,960)	\$ 266	\$ (19,687)	\$ 2,037	\$ 6	\$ (3,623)		\$ (3,902)

\$312,540	\$103,703	\$ 39,518	\$ 15,379	\$ (1,213)	\$ 7,803	\$ (4,560)	\$473,170
\$241,435	\$ 24,132	\$106,514	\$ 20,827	\$ 26,032	\$ 10,430	\$ (7,878)	\$421,492
\$ 82,876	\$ 288		\$ 639		\$ 41,040	\$ 3,676	\$128,519
\$334,321		\$130,437	\$ 5,130	\$ 21,796	\$ 1,537	\$ (27,835)	\$465,386
\$ 70,927	\$ 8,119	\$ 89	\$ 1,922	\$ 15,121	\$ 8,639		\$104,817
	\$ 82,999		\$ 11,169	\$ 54,132	\$ 19,882		\$168,182

Ontario and Norway	Quebec	Dominican Republic	Ontario, Quebec and U.S.A.	Quebec
Nickel, copper and cobalt	Copper, zinc and precious metals	Ferronickel	Industrial minerals and metal castings	Gold
The Americas, Europe and Asia	Canada and Europe	The Americas, Europe and Asia	Canada and U.S.A.	Canada

1980

Integrated Nickel Operations	Unallocated Corporate	Corporation Falconbridge Copper	Falconbridge Dominicana, C. por A.	Indusmin Limited	Others	Consolidation adjustments	Consolidated total
(100%) (note 1)	(100%) (note 1)	(50.2%)	(65.7%) (note 2)	(69.0%)	(note 6)	(note 2)	
\$350,496	\$ 5,443	\$171,428	\$137,614	\$ 63,945	\$ 42,389	\$ (13,500)	\$757,815
192,906		93,897	104,214	46,536	31,354	(13,114)	455,793
19,604	6,095	1,767	10,332	6,830	3,673	(8,187)	40,114
12,430		10,011	1,498	31	353	(503)	23,820
14,729	166	3,062	7,141	3,016	2,053	144	30,311
			15,306				15,306
239,669	6,261	108,737	138,491	56,413	37,433	(21,660)	565,344
110,827	(818)	62,691	(877)	7,532	4,956	8,160	192,471
(5,150)	(2,575)	(9,955)	13,651	1,332	(170)	4,513	1,646
5,127	13,560	7,569	214	75	1,739		28,284
6,289				347			6,636
6,266	10,985	(2,386)	13,865	1,754	1,569	4,513	36,566
104,561	(11,803)	65,077	(14,742)	5,778	3,387	3,647	155,905
	9,489	101		157	23	(182)	9,588
104,561	(2,314)	65,178	(14,742)	5,935	3,410	3,465	165,493
47,189	(2,001)	34,845	(5,193)	2,248	1,603	1,409	80,100
\$ 57,372	\$ (313)	\$ 30,333	\$ (9,549)	\$ 3,687	\$ 1,807	\$ 2,056	\$ 85,393
		\$ 15,109	\$ (2,621)	\$ 1,135	\$ 348		\$ 13,971
\$ 57,372	\$ (313)	\$ 15,152	\$ (4,516)	\$ 2,398	\$ 1,329		\$ 71,422

\$188,414	\$106,983	\$ 52,144	\$ 13,129	\$ 8,963	\$ (7,514)	\$362,119
\$220,235	\$ 27,261	\$115,474	\$ 22,088	\$ 11,123	\$ (5,670)	\$390,511
\$ 67,165	\$ 266		\$ 639	\$ 54,605	\$ (7,055)	\$115,620
\$167,678		\$113,763	\$ 5,995	\$ 8,278	\$ (9,913)	\$285,801
\$ 64,946	\$ 9,306	\$ 3,234	\$ 3,331	\$ 10,178		\$ 90,995
	\$ 78,116		\$ 12,090	\$126,257		\$216,463

Ontario and Norway	Quebec and Ontario	Dominican Republic	Ontario, Quebec and U.S.A.
Nickel, copper and cobalt	Copper, zinc and precious metals	Ferronickel	Industrial minerals and metal castings
Europe, U.S.A. and Japan	Canada and Europe	Europe, U.S.A. and Japan	Canada and U.S.A.

Notes to Statement of Segmented Information

The data contained on Statement 4, page 36, and the following notes, present a more detailed review of the various group operations. It should be read in conjunction with the preceeding consolidated financial statements and notes thereto.

1. Integrated Nickel Operations and Unallocated Corporate

Included under the caption "Integrated Nickel Operations" are the accounts of the Company and all its wholly-owned subsidiaries engaged in the integrated operations of mining, milling, smelting, refining and marketing of metals mainly derived from Sudbury ores. The Integrated Nickel's operations are interdependent and are carried on in Canada (mainly mining and reducing ore to matte at Sudbury) and in Norway (producing refined metals from matte). The Marketing Division is structured to serve worldwide markets and contracts the processing of material containing various metals, on a fee basis (refined metals produced from these sources are either marketed on an agency basis or returned to the owner of the material). That portion of the Company's net corporate expenditures relating to the overall direction and management of other activities of the Falconbridge group of companies and income from investment in associated and other companies have been segregated under the caption "Unallocated Corporate". It is not practicable to segregate the Integrated Nickel Operations and the Company's Corporate financial position items; however, the Company's Wesfrob Mining Division has been segmented.

The Integrated Nickel Operations' and the Company's Corporate financial position at December 31, 1982 includes identifiable assets of \$42,562,000 in Norway (1981 — \$48,681,000; and 1980 — \$49,914,000).

2. Consolidation adjustments

Adjustments have been made on consolidation as follows:

(a) Falconbridge Dominicana, C. por A. (Falcondo)

The ferronickel produced by Falcondo is purchased and marketed by the Company. The earnings of Falcondo include profits on all ferronickel sold to the Company whereas consolidated earnings exclude the profits relating to inventories of ferronickel held by the Company at December 31, for subsequent resale to customers.

(b) Fair value adjustments

The difference between the interest in the book value of the net assets of certain consolidated subsidiaries and the carrying value of the investments are accounted for as explained in accounting policy A (ii), page 20. The investment in consolidated subsidiaries is \$10,398,000 less than the equity in net assets of these subsidiaries at December 31, 1982 (1981 — \$12,203,000) and this difference is included in the consolidated financial position as follows:

	1982 (000's)	1981 (000's)
Increase (decrease)		
Property, plant and equipment —		
Producing assets		
Plant and equipment	\$ 5,580	\$ 5,580
Accumulated depreciation	5,393	5,297
Land and properties	5,891	5,891
Accumulated depletion	6,479	6,495
Development and preproduction expenditures	(12,427)	(12,427)
Accumulated amortization	(5,500)	(4,870)
Non-producing assets	(3,537)	(4,951)
Investment in associated and other companies	716	714
Other	(249)	(88)
Excess of interest in net assets of subsidiaries over carrying value of investments	\$(10,398)	\$(12,203)

The depreciation, depletion and amortization of the fair value adjustments included in the consolidated statement of earnings increased the 1982 depreciation and depletion expenses by a net \$81,000 (1981 — \$113,000; 1980 — \$144,000) and decreased the amortization of development and preproduction expenditures by \$632,000 (1981 — \$547,000; 1980 — \$503,000).

(c) Other adjustments have been made to eliminate inter-company transactions.

3. Market value of Falconbridge's shareholdings

The market values shown are based on Canadian stock exchanges' closing bid prices at year end. Because of the number of shares held by Falconbridge (representing control of the companies concerned), the amounts that could be realized if these securities were to be sold may be more or less than their indicated quoted market value.

4. Kiena Gold Mines Limited

The company commenced commercial production in October, 1981.

5. Segmented sales data

(a) The following table shows sales revenues on a segmented and product basis by amount and approximate percentage:

	1982		1981		1980	
	Amount (000's)	%	Amount (000's)	%	Amount (000's)	%
CONSOLIDATED SUBSIDIARIES —						
Integrated Nickel Operations and Corporate:						
Nickel	\$150,771	31	\$232,253	32	\$206,719	27
Copper	40,209	8	53,469	7	62,385	8
Cobalt	13,539	3	34,701	5	40,158	5
Gold	3,877	1	4,714	1	3,568	1
Silver	1,378	1	3,106	1	2,396	
Platinum	6,297	1	7,857	1	8,025	1
Palladium	1,221		2,020		3,366	1
Other revenues	29,353	6	33,863	5	29,322	4
	246,645	51	371,983	52	355,939	47
Other operations:						
Ferronickel	48,615	10	155,593	22	128,340	17
Copper	53,667	11	66,867	9	98,742	13
Zinc	1,175		4,165	1	24,073	3
Gold	51,692	11	24,798	3	31,563	4
Silver	5,172	1	7,313	1	41,487	5
Industrial minerals —						
Nepheline syenite	11,753	2	12,902	2	11,961	2
Silica	17,691	4	19,989	3	16,798	2
Aggregates	5,327	1	6,846	1	7,056	1
Steel castings	18,606	4	25,596	4	23,481	3
Other metals and products	22,783	5	16,900	2	18,375	3
	236,481	49	340,969	48	401,876	53
Consolidated total	\$483,126	100	\$712,952	100	\$757,815	100
*EQUITY ACCOUNTED FOR COMPANIES —						
Gold	\$ 44,352	80	\$ 40,158	76	\$ 38,921	55
Silver	10,718	19	11,682	22	29,997	43
Lead	619	1	888	2	1,443	2
	\$ 55,689	100	\$ 52,728	100	\$ 70,361	100

* Includes Blanket Mine (Private) Limited, wholly-owned and accounted for on a cost basis.

The 1982 revenues include \$62,211,000, 13% of the consolidated total, (1981 — \$72,774,000, 10%; 1980 — \$144,984,000, 19%) from sales by Corporation Falconbridge Copper to a single customer.

(b) Consolidated sales revenues by geographical area were as follows:

	1982		1981		1980	
	Amount (000's)	%	Amount (000's)	%	Amount (000's)	%
Europe	\$152,320	32	\$223,742	32	\$197,639	26
U.S.A.	129,300	27	243,504	34	282,266	37
Others	54,482	11	87,936	12	51,462	7
*Total foreign	336,102	70	555,182	78	531,367	70
Canada	147,024	30	157,770	22	226,448	30
*World total	\$483,126	100	\$712,952	100	\$757,815	100
*Includes sales by Canadian operations to foreign customers of						
	\$237,334		\$328,453		\$335,877	

(c) Sale of principal metals and products were as follows:

	1982		1981		1980	
	Total	Company	Total	Company	Total	Company
	(000's)	share*	(000's)	share*	(000's)	share*
CONSOLIDATED SUBSIDIARIES —						
Integrated Nickel Operations:						
Nickel (pounds)	51,451	51,451	62,998	62,998	54,159	54,159
Copper (pounds)	48,509	48,509	56,458	56,458	53,686	53,686
Cobalt (pounds)	1,364	1,364	2,084	2,084	1,386	1,386
Gold (ounces)	8	8	9	9	5	5
Silver (ounces)	147	147	251	251	108	108
Platinum (ounces)	15	15	15	15	10	10
Palladium (ounces)	15	15	18	18	14	14
Other operations:						
Ferronickel (pounds of nickel)	18,327	12,041	43,776	28,761	34,567	22,710
Copper (pounds)	68,433	40,342	73,171	42,451	86,971	49,287
Zinc (pounds)	2,538	1,274	7,591	3,811	50,984	25,594
Iron concentrate (tons)	651	651	549	549	677	677
Gold (ounces)	107	65	50	28	44	22
Silver (ounces)	529	309	653	392	2,011	1,067
Industrial minerals (tons) —						
Nepheline syenite	354	251	439	305	429	296
Silica	648	459	866	601	977	674
Aggregates	1,660	1,176	2,563	1,783	2,950	2,035
Steel castings (tons)	3	2	5	3	6	4
Sales on a commission basis:						
Nickel (pounds)	6,267		2,631		5,612	
Copper (pounds)	2,973		2,954		3,666	
Cobalt (pounds)	80		188		391	
Platinum group metals (ounces)	156		118		115	
**EQUITY ACCOUNTED FOR COMPANIES —						
Silver (ounces)	1,181	568	1,167	563	1,672	807
Lead (pounds)	2,085	1,010	2,243	1,086	3,296	1,596
Gold (ounces)	93	34	76	28	53	22

*Prorated on the basis of the Company's percentage ownership.

**Includes Blanket Mine (Private) Limited, wholly-owned and accounted for on a cost basis.

(d) The following table sets forth certain information respecting metal prices during the periods indicated. The pricing bases used therein are the most representative prices that the Falconbridge group received for its metal products and metals in concentrates:

Metal	Pricing unit	Prices at		Falconbridge (6) average prices during			
		December 31, 1982					
				1982	1981	1980	
Refined nickel	pound	U.S.\$	3.20(1)	U.S.\$	2.36	U.S.\$	3.09
Ferronickel	pound		3.18(1)		2.15		2.97
Copper	pound		0.68(2)		0.66		0.78
Gold	ounce		448.00(3)		389.19		428.02
Silver	ounce		10.90(4)		7.55		8.92
Platinum	ounce		383.10(5)		337.53		450.43
Cobalt	pound		12.50(1)		8.03		14.00
							24.36

(1) Producers are currently selling at a discount from the producer prices as listed.

(2) London Metal Exchange copper — higher grade contract price.

(3) London gold fix.

(4) Prices quoted by Handy and Harman, New York

(5) New York Dealer prices.

(6) Includes sales on an agency basis.

6. Other includes:

(a) Earnings

	1982		1981		1980	
	Revenues (000's)	Contribu- tions* (000's)	Revenues (000's)	Contribu- tions* (000's)	Revenues (000's)	Contribu- tions* (000's)
Natresco Incorporated (i)	\$ 902	\$ (621)	\$ 1,188	\$ 541	\$ 1,388	\$ 393
Oamites Mining Company (Proprietary) Limited (ii)	7,783	(434)	13,590	(593)	20,003	909
Wesfrob Mining Division (iii)	21,753	(214)	18,104	(1,089)	18,473	1,503
Other subsidiaries	2,278	(349)	2,951	(2,482)(iv)	2,525	(1,476)(iv)
	\$ 32,716	\$ (1,618)	\$ 35,833	\$ (3,623)	\$ 42,389	\$ 1,329

* Falconbridge's interest in earnings (loss), after consolidation adjustments.

(b) Financial data

	1982		1981		1980	
	Working capital (000's)	Property, plant and equipment (000's)	Working capital (000's)	Property, plant and equipment (000's)	Working capital (000's)	Property, plant and equipment (000's)
Natresco Incorporated (i)	\$ (110)	\$ 1,345	\$ (345)	\$ 1,707	\$ 98	\$ 1,641
Oamites Mining Company (Proprietary) Limited (ii)			3,295	3,237	3,917	5,017
Wesfrob Mining Division (iii)	6,900	1,732	4,462	4,120	6,521	3,802
Other subsidiaries (v)	880	43,015	391	42,406	(1,573)	55,268
	\$ 7,670	\$ 46,092	\$ 7,803	\$ 51,470	\$ 8,963	\$ 65,728

- (i) Natresco Incorporated, wholly-owned, has a small interest in oil and gas claims in the Gulf of Mexico.
- (ii) Oamites Mining Company (Proprietary) Limited, which mines copper in Namibia, was 74.9% owned prior to being sold in 1982 (see note 18, page 34).
- (iii) Wesfrob Mining Division of Falconbridge Limited, wholly-owned, mines iron and copper in British Columbia.
- (iv) Mainly wholly-owned exploration subsidiaries expenditures in the U.S. and Philippines.
- (v) Property, plant and equipment, net, includes the costs related to certain projects, the largest of which is New Quebec Raglan Mines Limited, upon which further work has been suspended, see note 8(d)(iii), page 29. The reduction in 1981 reflects the segregation of Kiena Gold Mines Limited on Statement 4.

7. Additional segmented information is included in the ten-year review, page 44, and in the summary of 1982 and 1981 consolidated results by quarters, page 42.

Summary of 1982 and 1981 consolidated results by quarters

(Unaudited — 000's omitted)

	1982 Three month period ended (note 4)				1981 Year
	March 31	June 30	Sept. 30	Dec. 31	
Metal sales (pounds):					
Integrated Nickel Operations —					
Nickel	9,043	11,473	10,212	20,723	51,451
Copper	15,812	17,404	4,891	10,402	48,509
Cobalt	469	321	219	355	1,364
Corporation Falconbridge Copper —					
Copper	17,964	16,606	11,403	6,669	52,642
Gold and silver revenues (\$'s)	\$ 5,040	\$ 6,235	\$ 7,489	\$ 6,150	\$ 24,914
Falconbridge Limited —					
Ferronickel	2,578	3,160	4,064	8,525	18,327
Inventories of finished nickel — all forms (pounds)	53,145	57,786	44,587	38,202	38,202
Earnings:					
Revenues	\$ 119,255	\$ 131,939	\$ 110,151	\$ 121,781	\$ 483,126
Interest, investment and other income, net	16,813	13,177	5,880	5,650	41,520
	136,068	145,116	116,031	127,431	524,646
Costs other than the undermentioned	103,274	111,305	107,346	117,955	439,880
Depreciation, depletion, development and preproduction	15,667	15,311	9,706	10,517	51,201
Exploration, research and process development	10,828	11,884	5,843	6,020	34,575
Interest and debt expenses	16,768	14,470	19,021	17,564	67,823
Other charges	9,445	16,801	24,730	24,555	75,531
Income and mining taxes	(518)	(2,598)	(17,939)	(15,520)	(36,575)
Minority interest in earnings (losses) of subsidiaries	(6,483)	(5,884)	(5,729)	(4,439)	(22,535)
	148,981	161,289	142,978	156,652	609,900
Earnings (loss) for the period before extraordinary item	(12,913)	(16,173)	(26,947)	(29,221)	(85,254)
Extraordinary item (note 2)					
Earnings (loss)	\$ (12,913)	\$ (16,173)	\$ (26,947)	\$ (29,221)	\$ (85,254)
Earnings (loss) per share:					
Before extraordinary item	\$ (2.59)	\$ (3.25)	\$ (5.41)	\$ (5.87)	\$ (17.12)
Extraordinary item					
For the period	\$ (2.59)	\$ (3.25)	\$ (5.41)	\$ (5.87)	\$ (17.12)
Earnings (loss) contributions:					
Corporation Falconbridge Copper	\$ (329)	\$ (565)	\$ 342	\$ (460)	\$ (1,012)
Falconbridge Dominicana, C. por A.	(10,774)	(10,256)	(12,571)	(9,656)	(43,257)
Giant Yellowknife Mines Limited	(82)	(594)	365	446	135
Indusmin Limited	(295)	400	442	335	882
Kiena Gold Mines Limited	(593)	17	989	2,234	2,647
Oamites Mining Company (Proprietary) Limited (note 3)	(277)	(168)	11	—	(434)
United Keno Hill Mines Limited	(1,045)	(1,349)	150	(371)	(2,615)
Other controlled companies	25	(903)	(257)	172	(963)
Total	(13,370)	(13,418)	(10,529)	(7,300)	(44,617)
Wesfrob Mining Division	(649)	311	284	(160)	(214)
Unallocated Corporate costs, net (note 1)	(3,324)	(3,218)	(3,051)	(4,967)	(14,560)
Integrated Nickel Operations, net of allocated Corporate costs	4,430	152	(13,651)	(16,794)	(25,863)
Earnings (loss) for the period before extraordinary item	(12,913)	(16,173)	(26,947)	(29,221)	(85,254)
Extraordinary item (note 2)					
Earnings (loss)	\$ (12,913)	\$ (16,173)	\$ (26,947)	\$ (29,221)	\$ (85,254)

1981				
Three month period ended				(note 5)
March 31	June 30	Sept. 30	Dec. 31	Year
17,254	19,873	15,271	10,600	62,998
11,349	16,967	14,331	13,811	56,458
361	292	497	934	2,084
12,506	12,101	15,526	16,191	56,324
\$ 5,718	\$ 4,450	\$ 6,571	\$ 5,609	\$ 22,348
11,373	12,974	10,708	8,721	43,776
48,987	44,237	43,466	48,778	48,778
\$184,077	\$200,306	\$182,213	\$146,356	\$712,952
9,357	11,050	6,441	9,497	36,345
193,434	211,356	188,654	155,853	749,297
144,460	162,620	147,675	142,929	597,684
13,485	14,115	14,419	17,544	59,563
10,431	11,960	11,612	15,066	49,069
10,687	12,755	11,814	16,088	51,344
5,460	3,511	5,723	2,963	2,963
179	(1,397)	(3,234)	(12,482)	2,212
184,702	203,564	188,009	(5,184)	(9,636)
8,732	7,792	645	(21,071)	(3,902)
			(5,122)	(5,122)
\$ 8,732	\$ 7,792	\$ 645	\$ (26,193)	\$ (9,024)
\$1.75	\$1.57	\$0.13	\$(4.23)	\$(0.78)
			(1.03)	(1.03)
\$1.75	\$1.57	\$0.13	\$(5.26)	\$(1.81)
\$ 596	\$ 42	\$ (385)	\$ 13	\$ 266
(490)	(3,176)	(6,270)	(9,751)	(19,687)
256	(41)	30	(84)	161
(64)	666	711	724	2,037
	100	160	(254)	6
(195)	(196)	209	(411)	(593)
(296)	(869)	356	(679)	(1,488)
(17)	(251)	(382)	(1,313)	(1,963)
(210)	(3,725)	(5,571)	(11,755)	(21,261)
123	(782)	427	(857)	(1,089)
(2,548)	(1,119)	(3,400)	(5,544)	(12,611)
11,367	13,418	9,189	(2,915)	31,059
8,732	7,792	645	(21,071)	(3,902)
			(5,122)	(5,122)
\$ 8,732	\$ 7,792	\$ 645	\$ (26,193)	\$ (9,024)

Notes:

1. Unallocated Corporate shown on Statement 4, page 36, for 1982, is after reflecting the interest in earnings/losses, before extraordinary items, of significantly influenced companies, which are accounted for on the equity basis (Giant Yellowknife Mines Limited, earnings — \$135,000; United Keno Hill Mines Limited, loss — \$2,615,000 and Akaitho Yellowknife Gold Mines Limited, included above with "other controlled companies", earnings — \$7,000).
2. See note 3, page 26, of the notes to consolidated financial statements.
3. See note 18, page 34, of the notes to consolidated financial statements.
4. The international economic situation had a depressing effect on metal markets throughout 1982 with the average selling prices for primary metals dropping each quarter. Among other unfavourable factors were the ongoing costs during the temporary curtailment of production operations and other costs associated with cash conservation measures.
5. Metal markets deteriorated throughout the year with metal prices trending downward during the four quarters and nickel demand dropping significantly in the last half of the year. Unit production costs were significantly higher than in 1980.

Ten-Year Review (Unaudited)

		1982	1981
Revenues and Earnings (Loss) (\$000's)	Revenues	\$ 483,126	712,952
	Earnings (loss) before extraordinary item	(85,254)	(3,902)
	Per common share	(17.12)	(0.78)
	Extraordinary item		(5,122)
	Per common share		(1.03)
Earnings (Loss) Contributions — after consolidation adjustments, before extraordinary items (\$000's)	Alminex Limited (note 1)	\$	
	Corporation Falconbridge Copper	(1,012)	266
	Falconbridge Dominicana, C. por A.	(43,257)	(19,687)
	Giant Yellowknife Mines Limited	135	161
	Indusmin Limited	882	2,037
	Integrated Nickel Operations	(25,863)	31,059
	Kiena Gold Mines Limited	2,647	6
	Oamites Mining Company (Proprietary) Limited	(434)	(593)
	United Keno Hill Mines Limited	(2,615)	(1,488)
	Wesfrob Mining Division	(214)	(1,089)
	Unallocated Corporate (note 2)	(14,560)	(12,611)
	Others	(963)	(1,963)
	Earnings (loss) before extraordinary item	\$ (85,254)	(3,902)
Financial Position (\$000's)	Total assets	\$1,077,529	1,253,038
	Working capital —		
	Integrated Nickel Operations (note 3)	186,471	312,540
	Falconbridge Dominicana, C. por A.	27,431	39,518
	Corporation Falconbridge Copper	101,133	103,703
	Consolidated total	341,551	473,170
	Property, plant, and equipment, net —		
	Producing	396,150	421,492
	Non-producing	144,333	128,519
	Long-term debt	467,520	465,386
Shareholders' Data	Shareholders' equity (000's)	\$ 404,394	489,648
	Amount per common share	\$ 81.11	98.08
	Dividends paid per common share	\$	1.50
	Number of common shares outstanding at end of year (note 4) (000's)	5,025	5,025
	Number of common shareholders	5,169	5,542
	Toronto Stock Exchange quotes, High (TSE)	\$ 73.75	116.00
	Low	\$ 32.50	57.00
	Close	\$ 48.50	74.00
	Volume of shares traded on TSE (000's)	1,328	1,236
	Preference shares (000's)	\$	
	Dividends paid per preference share	\$	
Exploration, Research and Process Development (\$000's)	Exploration	\$ 28,806	37,964
	Research and process development	5,769	11,105
Capital Expenditures (\$000's)	Expenditures on property, plant, equipment, development and preproduction —		
	Integrated Nickel Operations (note 3)	\$ 34,401	70,927
	Corporation Falconbridge Copper	5,368	8,119
	Consolidated total	46,122	104,817
Metal Sales (000's pounds)	Integrated Nickel Operations —		
	Nickel	51,451	62,998
	Copper	48,509	56,458
	Falconbridge Limited —		
	Nickel in ferronickel (note 5)	18,327	43,776
	Corporation Falconbridge Copper —		
	Copper	52,642	56,324
	Zinc	2,538	7,591
Ore Reserves (000's tons)	Falconbridge Limited	77,314	79,161
	Falconbridge Dominicana, C. por A.	45,955	63,800
	Corporation Falconbridge Copper	4,799	5,654

- Notes: 1. Investment sold in 1977.
2. Before interest in earnings of equity accounted for companies.
3. Includes both the Integrated Nickel Operations and Company's Corporate operations, see note 1, page 38, of the notes to statement of segmented information.
4. Includes 45,483 shares held by consolidated subsidiaries.
5. Ferronickel sales to customers, see note 2, page 38, of the notes to statement of segmented information.

1980	1979	1978	1977	1976	1975	1974	1973
757,815	789,418	508,211	381,684	483,480	409,888	443,508	426,834
71,422	110,561	5,818	(28,786)	14,591	2,937	31,996	49,533
13.04	21.01	0.22	(6.14)	2.94	0.59	6.46	10.00
37,700	20,000		20,238				7,100
7.57	4.02		4.08				1.43
			3,776	3,424	2,952	2,922	2,040
15,152	23,277	7,498	2,913	1,637	198	3,981	12,295
(4,516)	4,508	(6,596)	2,788	8,834	5,689	3,309	9,933
1,150	1,492	613	368	(137)	(43)	450	717
2,398	2,714	2,027	1,251	2,019	2,821	1,307	1,287
57,372	62,213	6,558	(21,496)	4,860	(5,271)	17,779	19,487
909	1,360	405	(336)	128	739	1,433	2,406
3,718	10,035	1,825	1,168	841	1,422	2,946	1,159
1,503	4,597	551	(2,211)	(337)	(1,361)	539	2,753
(5,187)	(453)	(7,165)	(16,217)	(5,779)	(4,251)	(2,887)	(3,529)
(1,077)	818	102	(790)	(899)	42	217	985
71,422	110,561	5,818	(28,786)	14,591	2,937	31,996	49,533
1,159,094	1,069,371	868,525	889,781	737,176	750,394	754,950	725,129
188,414	228,181	158,825	174,339	85,509	101,731	139,959	117,994
52,144	56,030	44,578	42,785	37,410	33,703	28,941	36,214
106,983	85,194	45,525	32,696	24,409	20,768	18,840	25,776
362,119	380,883	254,784	255,592	155,131	167,017	198,263	188,052
390,511	364,636	367,601	304,768	255,217	283,611	282,803	303,767
115,620	105,743	88,913	150,356	167,654	143,178	137,504	105,021
285,801	287,170	295,003	291,394	223,715	255,121	274,616	288,493
506,141	495,921	386,201	384,755	322,440	312,736	314,643	292,556
101.36	84.40	62.57	62.46	65.01	63.11	63.55	59.14
1.50	3.00		0.50	1.00	1.00	2.00	1.00
5,025	5,025	5,024	5,010	5,009	5,006	5,001	5,001
5,908	7,362	8,351	9,150	9,788	10,732	11,205	11,104
161.00	91.75	36.25	39.75	45.00	38.25	69.75	86.25
79.00	32.00	16.63	16.50	29.25	24.25	23.00	57.00
102.50	91.50	32.50	20.75	35.50	24.25	24.50	62.50
2,820	2,150	1,423	604	564	783	623	848
	75,000	75,000	75,000				
2.158	1.970	1.577	0.564				
28,284	14,297	7,662	9,726	8,325	7,826	11,432	8,895
6,636	3,960	3,086	3,844	3,769	4,100	4,382	3,304
64,946	37,008	30,429	63,762	33,201	46,307	39,432	24,589
9,306	10,489	8,543	7,720	10,775	8,823	17,117	12,577
90,995	58,352	42,964	81,701	50,252	62,706	67,444	42,975
54,159	84,454	71,341	32,047	80,176	61,524	89,464	99,408
53,686	42,460	30,027	42,677	34,076	40,713	53,981	53,725
34,567	47,628	43,477	43,394	59,781	50,270	73,828	67,644
69,172	83,547	87,555	92,369	82,939	77,503	56,911	80,935
50,984	91,710	85,337	89,032	73,430	73,767	30,838	37,950
78,649	75,771	78,808	80,670	83,405	89,099	90,578	92,798
66,000	68,700	68,500	70,000	72,500	63,700	66,000	68,500
6,725	8,565	9,235	8,653	7,187	9,234	11,004	11,287

Management's Discussion and Analysis of Financial Condition and Results of Operations

Analysis of Financial Condition:

Liquidity

At December 31, 1982 working capital amounted to \$341,551,000, a decline of \$131,619,000 from a year earlier. The decline was mainly the result of a negative funds flow from operations of \$90,999,000 combined with expenditures on capital, preproduction and development of \$46,122,000. The \$131,619,000 decrease in working capital included a \$123,631,000 reduction in the Integrated Nickel Operations and Corporate (from \$317,002,000 to \$193,371,000), a \$2,570,000 reduction in Corporation Falconbridge Copper (from \$103,703,000 to \$101,133,000) and a \$5,791,000 reduction (from \$52,525,000 to \$46,734,000) in other subsidiaries which are not wholly-owned. The remaining adjustment (an increase of \$373,000 from a deficit of \$60,000 to a positive balance of \$313,000) reflected the changes within other wholly-owned subsidiaries.

The cash and temporary investments of \$196,253,000 have decreased to 45% of current assets at the end of 1982 from \$290,363,000 or 48% of current assets at the end of the previous year. The \$94,110,000 decrease in cash and temporary investments included a \$102,228,000 reduction in the Integrated Nickel Operations and Corporate (from \$197,760,000 to \$95,532,000), a \$3,326,000 increase in Corporation Falconbridge Copper (from \$84,260,000 to \$87,586,000) and a \$5,061,000 increase (from \$8,009,000 to \$13,070,000) in other subsidiaries which are not wholly-owned. The remaining adjustment (a decrease of \$269,000, from \$334,000 to \$65,000) reflected the changes within other wholly-owned subsidiaries.

In the absence of a positive funds flow from operations in 1982 expenditures on property, plant and development and preproduction of \$46,122,000, which were \$58,695,000 lower than in 1981, were financed from working capital. The negative funds flow from operations is due to softness in the prices and demand for Falconbridge's products resulting from the continued depressed level of economic activity and to increased costs.

The Company and the other sponsor have been required since July, 1980 in accordance with terms of the financing agreements, to provide funds totalling U.S. \$80,258,000 (1982 — U.S. \$41,070,000; 1981 — U.S. \$24,965,000; 1980 — U.S. \$14,223,000) to Falconbridge Dominicana, C. por A. (Falcondo) to meet its cash deficiencies. The Company provides 60% of the requirement. It is anticipated that cash deficiencies will continue in 1983 and that additional advances will be required by Falcondo.

While the liquidity of the Company at the end of 1982 is considered adequate, the continued uncertainty as to the duration of the present economic recession requires that additional cash be provided to ensure liquidity is preserved until the demand and prices for Falconbridge's products strengthen. Additional cash amounting to \$103,145,000, after the expenses of the issue, has been raised in February, 1983 by the public sale of treasury

common shares of the Company and warrants to purchase additional treasury shares.

During 1982 there was major emphasis put on cost savings and reduction of the drain on the Company's cash resources. The Sudbury production operations were shut down for 27 weeks and the work force is being reduced from 4,034 to less than 2,650. The refinery in Norway was shut down for 11 weeks and the work force reduced. Falcondo, which suspended production operations from mid-January to mid-September resumed limited production operations after certain steps, including a substantial reduction in the workforce, had been taken to reduce costs. In addition there were significant reductions in capital expenditures, administrative costs, research and development and exploration expenditures.

The temporary shutdowns at the Lake Dufault Division of Corporation Falconbridge Copper and at the Elsa Mining Division of United Keno Hill Mines Limited which began in the summer of 1982 are continuing pending further improvement in the markets for copper and silver respectively.

Capital Resources

No new common or preference shares were issued during 1982.

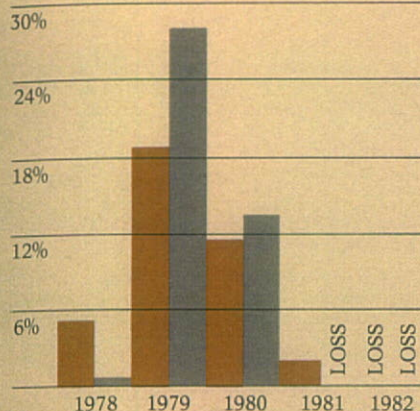
At December 31, 1982 consolidated shareholders' equity and long-term debt of the Company totalled \$890,040,000 a decrease of \$83,644,000 from December 31, 1981. The debt/equity ratio at December 31, 1982 was 55:45 compared with 50:50 at the beginning of the year.

Restrictions contained in the indenture with respect to the Company's 8.85% sinking fund debentures and in an agreement entered into by the Company in connection with the financing of Falconbridge Dominicana, C. por A. prohibit the Company from any further borrowing, if after giving effect thereto the ratio of its consolidated indebtedness, as defined, exceeds 45% of certain of its consolidated net tangible assets. After giving effect, at December 31, 1982, to the share issue discussed below, the Company's consolidated indebtedness exceeded these consolidated net tangible assets by approximately \$9,000,000.

On February 8, 1983 the Company received net proceeds of \$103,145,000 from the sale of Common Shares and Common Share Purchase Warrants (units). The number of Units sold was 2,000,000 at \$55.00 per unit (the price being allocated at \$53.50 per Common Share and \$1.50 for the one-half Common Share Purchase Warrant) for gross proceeds of \$110,000,000. The Underwriting Fee for the issue amounted to \$6,050,000 and other costs were \$805,000. As a result of this issue the Company's issued common shares increased by 2,000,000 to 7,024,755. Each whole Warrant will entitle the holder to purchase one common share for \$65.50 on or before February 5, 1987 (which if fully exercised will result in the Company's share capital increasing by 1,000,000 shares and \$65,500,000). The debt/equity ratio at December 31, 1982 after giving effect to this share issue would have been 49:51.

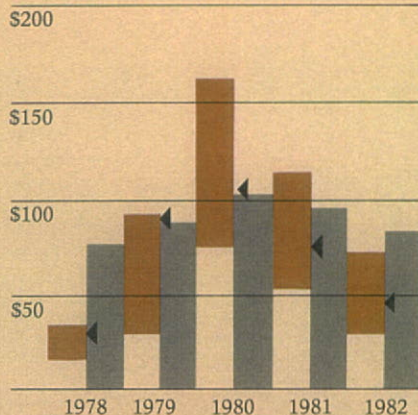
Return on investment

- Return on total assets less current liabilities
- Return on common shareholder's equity



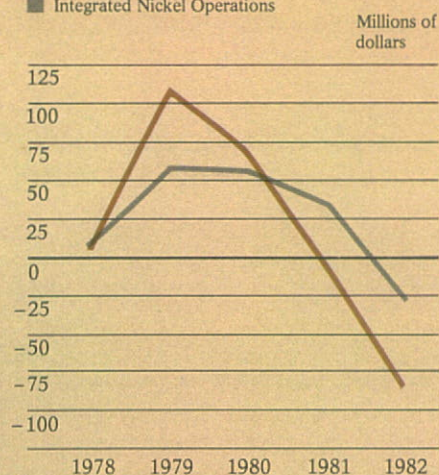
Common stock

- Price range
- Shareholder's equity
- Closing price December 31



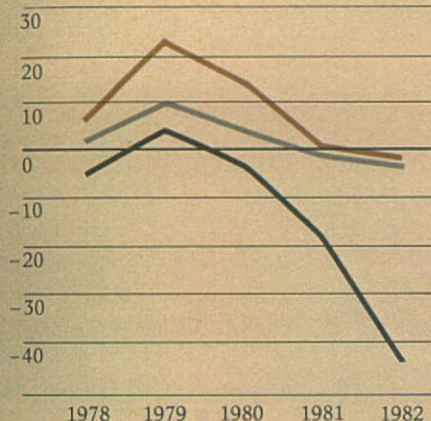
Earnings (loss)

- Consolidated*
- Integrated Nickel Operations



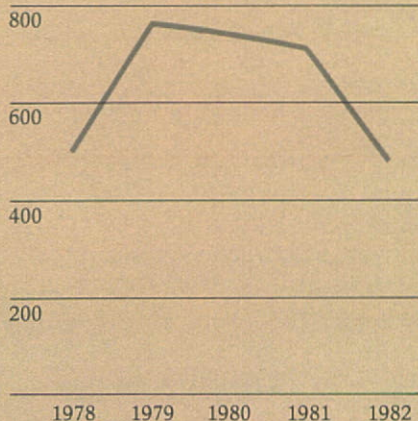
Earnings (loss) contributions

- Corporation Falconbridge Copper
- United Keno Hill Mines Limited*
- Falconbridge Dominicana, C. por A.



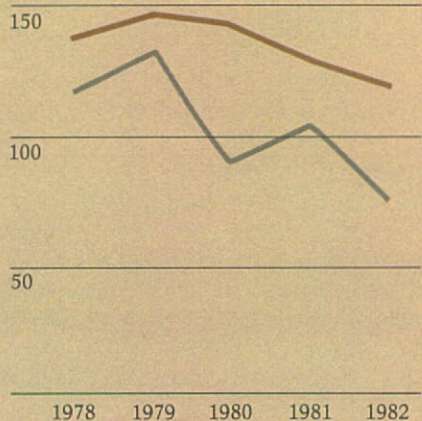
Consolidated revenues

- Millions of dollars



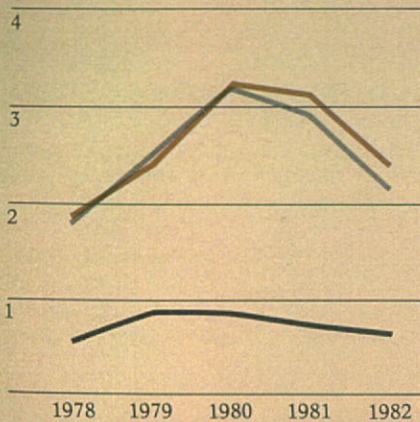
Consolidated metal sales

- Copper
- Nickel
- Millions of pounds



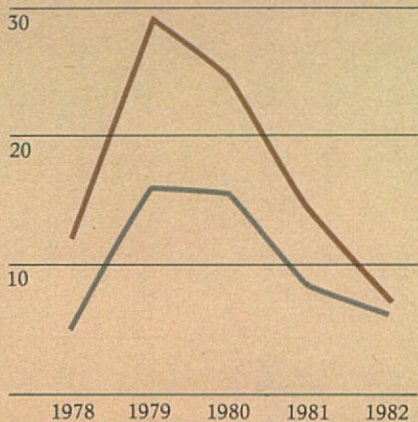
Metal sales prices

- Refined nickel
- Ferronickel
- Copper
- U.S. \$ per pound



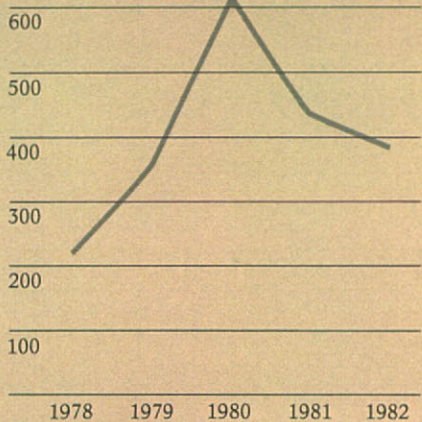
Metal sales prices

- Cobalt
- Silver
- U.S. \$ per pound (cobalt)
- U.S. \$ per ounce (silver)



Metal sales prices

- Gold
- U.S. \$ per ounce



*Before extraordinary item

Analysis of Results of Operations:

A consolidated loss for the year 1982 amounted to \$85,254,000 or \$17.12 per share compared with a loss of \$3,902,000 or \$0.78 per share, before extraordinary item, in 1981 and earnings of \$71,422,000 or \$13.04 per share in 1980. The Company's share (\$5,122,000) of United Keno Hill Mines Limited's write-off of its Venus Mine Project costs increased the 1981 consolidated loss to \$9,024,000 or \$1.81 per share. The acceptance of a public offer by The Superior Oil Company to purchase all the capital stock of Canadian Superior Oil Ltd. increased the Company's consolidated earnings for 1980 by \$37,700,000 to \$109,122,000 or \$20.61 per common share.

The main reasons for the increase in the consolidated loss, before extraordinary item, for 1982, compared with 1981, were the depressed metal markets and worldwide economic environment, which resulted in lower nickel sales, decreased average metal prices and the expensing of costs resulting from the scaling down and temporary curtailment of certain operations. The change to a consolidated loss, before extraordinary item for 1981, compared with earnings in 1980, mainly reflected lower U.S. dollar metal selling prices, which were modified by a more favourable average U.S. currency exchange rate, higher operating costs, increased exploration and research and process development expenditures, higher interest expense and lower interest income. Metal production in certain operations was lower because of strikes and the closure of a joint venture. These unfavourable factors were partially offset by the favourable impact of a higher volume of nickel sales.

The following table compares the various 1982, 1981 and 1980 contributions to consolidated earnings (loss):

	1982 (000's)	1981 (000's)	1980 (000's)
Earnings (loss)			
contributions:			
Corporation			
Falconbridge Copper	\$ (1,012)	\$ 266	\$ 15,152
Falconbridge Dominicana, C. por A.	(43,257)	(19,687)	(4,516)
Giant Yellowknife Mines Limited	135	161	1,150
Indusmin Limited	882	2,037	2,398
Kiena Gold Mines Limited	2,647	6	
Oamites Mining Company (Proprietary) Limited	(434)	(593)	909
United Keno Hill Mines Limited	(2,615)	(1,488)	3,718
Other controlled companies	(963)	(1,963)	(1,077)
Total	(44,617)	(21,261)	17,734
Wesfrob Mining Division	(214)	(1,089)	1,503
Unallocated Corporate costs, net	(14,560)	(12,611)	(5,187)
Integrated Nickel Operations, net of allocated Corporate costs	(25,863)	31,059	57,372
Earnings (loss) before extraordinary item	(85,254)	(3,902)	71,422
Write off Venus Mine project costs		(5,122)	
Disposal of Canadian Superior shares			37,700
Earnings (loss)	\$(85,254)	\$ (9,024)	\$109,122

Corporation Falconbridge Copper's \$1,278,000 unfavourable change to a loss in 1982, compared with an earnings contribution in 1981, is mainly due to the decrease in average metal prices, which was a major factor in the temporary suspension of production operations at its Lake Dufault Division in August, 1982. The \$14,886,000 lower 1981 contribution to consolidated earnings, compared with 1980, mainly resulted from lower production because of the closure of facilities at its Sturgeon Lake Joint Venture in December 1980 and strikes of one month's duration at both of its divisions in 1981, lower metal prices and higher exploration expenditures.

Falconbridge Dominicana, C. por A.'s (Falcondo) \$23,570,000 larger 1982 loss, compared with 1981, reflected weak demand and prices for ferronickel, ongoing costs during an eight-month suspension of production operations and costs associated with reducing the workforce. Production by Falcondo was suspended from mid-January to mid-September, 1982. Despite continued weak markets, inventory of ferronickel produced by Falcondo was depleted to a level at which it became necessary to resume production at about 50% of capacity in view of anticipated sales. Severe reductions in the market price of ferronickel during the fourth quarter offset earlier cost-cutting efforts. The \$15,171,000 higher loss in 1981, compared with 1980, principally resulted from a higher unit production cost, a lower average net selling price for ferronickel, the write-down of inventory to estimated realizable value, and interest expense on additional borrowings.

Giant Yellowknife Mines Limited's \$26,000 lower 1982 contribution, compared with 1981, principally reflected equity accounting adjustments. The \$476 per ounce average price received for gold in 1982 compared with \$524 per ounce in 1981; however, the cost per ounce produced was lower in 1982 as a result of improved grade control procedures and higher plant recoveries. The \$989,000 lower 1981 contribution, compared with 1980, was mainly attributable to a lower average price received for the gold produced, \$524 per ounce in 1981 compared with \$730 per ounce in 1980, and increased costs.

Indusmin Limited's \$1,155,000 lower 1982 contribution, compared with 1981, mainly resulted from the impact of the depressed economy and more competitive market conditions on all divisions of the company. The \$361,000 lower 1981 contribution, compared with 1980, mainly reflected higher operating costs in its Aggregates and Castings Divisions and higher interest expenses.

Kiena Gold Mines Limited's \$2,641,000 higher 1982 contribution, compared with 1981, reflected the completion of the first full year of operations. The 1981 contribution to consolidated earnings represented production from initial extraction in the mine stoping areas.

Oamites Mining Company (Proprietary) Limited's \$159,000 lower 1982 loss (for the nine-months ended September 30, 1982), compared with the full year 1981, reflected increased production, partially offset by the impact of a lower average copper price. The Company sold its investment in Oamites late in 1982 and recorded a loss of \$2,301,000 on the sale. The \$1,502,000 unfavourable change to a loss in 1981, compared with earnings in 1980, generally resulted from lower production and decreased metal selling prices.

United Keno Hill Mines Limited's \$1,127,000 increased loss in 1982, before extraordinary item, compared with 1981, mainly resulted from a decrease in the price of silver. Operations at the Elsa Mining Division were suspended at the end of July, 1982 pending an improved silver price. The \$5,206,000 unfavourable change, before its Venus Mine project costs write off (see note 3 of the notes to consolidated financial statements, page 26), to a loss in 1981, compared with earnings in 1980, resulted from lost production because of a strike from September, 1980 to May, 1981, a considerably lower average silver price in 1981 (\$9.99 compared with \$17.91 per ounce) and increased labour costs.

The \$1,000,000 lower 1982 loss, compared with 1981, by other controlled companies mainly resulted from lower exploration expenditures, as part of the cash conservation program, and decreased profits within certain other small operations. The \$886,000 increased loss in 1981, compared with 1980, mainly reflected increased exploration expenditures in the U.S. by a wholly-owned subsidiary.

Falconbridge Limited's Wesfrob Mining Division's \$875,000 lower 1982 loss, compared with 1981, reflected increased production, partially offset by lower metal prices and accelerated depreciation charges. The \$2,592,000 unfavourable change to a loss in 1981, compared with earnings in 1980, mainly reflected a lower average selling price for copper and precious metals, increased operating costs and accelerated depreciation charges.

Unallocated Corporate costs, net, are \$1,949,000 higher than in 1981 because of decreased dividend income from investments and the expensing in 1982 of employee termination and retiring allowances. These unfavourable factors were partially offset by a cash conservation reduction in exploration expenditures. Net expenditures were \$7,424,000 higher in 1981, compared with 1980, mainly because of lower interest income (the unfavourable impact of lower cash balances being modified by higher rates), increased interest expense

(because of higher rates), greater expenditures on exploration and increased administrative expenditures.

The Integrated Nickel Operations' loss of \$25,863,000 in 1982 compared with earnings of \$31,059,000 in 1981. The unfavourable change of \$56,922,000 mainly reflected lower average U.S. dollar metal selling prices, production curtailment costs (including employee termination and retiring allowances) and decreased metal sales volumes. The 13-week production shutdown at Sudbury Operations, which had been scheduled to end on September 26, 1982 was extended by 14 weeks to January 3, 1983. The refinery in Norway, which had been shut down for 11 weeks, resumed limited operations on September 27, 1982, in order to meet contractual custom refining obligations. Earnings of \$31,059,000 in 1981 compared with \$57,372,000 earned in 1980. The decrease of \$26,313,000 reflected lower average metal selling prices (modified by a more favourable U.S. dollar exchange rate), higher production costs, increased mine operating development and depreciation, and higher allocated Corporate costs (resulting from increased research and process development expenditures, larger interest expenses, lower interest income and greater administrative costs). These unfavourable factors were partially offset by the impact of increased nickel, copper and cobalt sales volumes.

See pages 36 to 41 for certain segmented data. Further discussion and analysis of the results of operations of the Company and its operating subsidiaries is also contained throughout the annual report.

Impact of Inflation:

As a result of significant and continued inflation, traditional historical cost financial statements do not fully reflect the cumulative effects of increasing costs and changes in the purchasing power of the dollar.

Falconbridge's 1982 consolidated loss of \$85 million adjusted for general inflation is increased to an estimated loss of \$169 million. Adjusting the reported loss to reflect current costs resulted in an estimated loss of \$185 million. The large variances from historical results reflected by the use of these measurement techniques indicate the significant impact of inflation. However, it is important to recognize that these are subjective estimates.

Depreciation, depletion and amortization of \$51 million for property, plant and equipment, development and preproduction expenditures reported in the historical cost financial statements compares with \$150 million based on the current cost of the related assets. This indicates that the \$51 million reported in the historical cost financial statements does not adequately reflect the current cost of assets consumed in the production process. A \$889 million higher cost of net property, plant and equipment, development and preproduction expenditures (from the historical cost of \$540 million to \$1,429 million adjusted for current costs) indicates that large capital outlays are required to bring new mines and plants into production and that increased product prices are required to yield an acceptable rate of return on the current cost of these assets.

The prices of Falconbridge's products are established in international markets, with the result that they do not necessarily reflect the effect of inflation on its various cost components. Consequently, Falconbridge cannot offset the effects of inflation by increasing prices as costs increase. However, ore reserves are a significant hedge against inflation as is increased productivity through the development of improved processes and methods. Recognizing that inflation affects all business activity, appropriate allowances are made in Falconbridge's planning and financial forecasting.

Board of Directors

*F. C. Ackman Chairman of the Board, President and Chief Executive Officer, The Superior Oil Company	Robert Hewitt Chairman of the Board, Hewitt Equipment Limited	‡H. B. Keck, Jr. President, Maritime Bank of California
*H. T. Berry Metallurgical Consultant	*William James Chairman of the Board, President and Chief Executive Officer	‡D. E. Lewis, Q.C. Barrister and Solicitor
‡*Marsh A. Cooper President, M. A. Cooper Consultants Inc.	W. F. James Consulting Geologist	G. P. Mitchell Geological Consultant
‡R. E. Harrison Chairman and Chief Executive Officer, Canadian Imperial Bank of Commerce	*H. B. Keck Director, The Superior Oil Company	Eivind Wigstol Managing Director, Falconbridge Nikkelverk Aktieselskap
		* Member of the Executive Committee ‡ Member of the Audit Committee

Officers and Corporate Management

William James Chairman of the Board, President and Chief Executive Officer	F. G. T. Pickard Vice-President Metallurgy and Engineering	C. M. H. Jennings Assistant Vice-President Exploration
L. G. Bonar Vice-President Marketing and Sales	A. G. Slade Vice-President Canadian Nickel and Copper Operations	M. O. Pearce Assistant Vice-President Marketing
J. M. Donovan Vice-President Finance	E. A. Seth General Counsel and Assistant Secretary	D. C. Hambley Director Human Resources
I. H. Keith Vice-President Ferronickel and Industrial Minerals Divisions and African Operations	A. M. Clarke Assistant Vice-President Development	E. L. Shiller Director Public Affairs
L. C. Kilburn Vice-President Exploration, Development and Western Canadian Operations	T. J. Desanti Assistant Vice-President Commodity Marketing	J. F. Gillies Controller
J. D. Krane Vice-President Corporate Affairs and Secretary		G. T. Ballantyne Assistant Controller
		J. G. Wilson Assistant Controller

Corporate Directory

Head Office

P.O. Box 40
Commerce Court West
Toronto, Ontario, Canada M5L 1B4
Telephone: (416) 863-7000
Telex: 065-24211
Rapifax: 364-8986
Cables: "Falconbrij"

Canadian Nickel Division

Falconbridge, Ontario P0M 1S0
Telephone: (705) 693-2761
Rapifax: (705) 693-4530
A. G. Slade, President
G. B. Reed, General Manager,
Sudbury Operations

Falconbridge Nikkelverk Aktieselskap

Kristiansand S., Norway
G. Lous, Chairman of the Board
E. Wigstol, Managing Director
E. O. Stensholt, Director-Technical

Marketing Subsidiaries

Falconbridge Europe S.A.
150 Chaussée de La Hulpe, Bte. 15
B-1170 Brussels, Belgium
Telephone: (02) 673-99-50
Telex: (046) 23280
Rapifax: (02) 660-64-82
K. W. Troemel, President

Falconbridge International Limited
Gibbons Building, Queen Street
Hamilton 5-31, Bermuda
Telephone: (809) 292-4700
Telex: 290-3479
Rapifax: 809-292-5441
J. A. Vermeulen, President

Falconbridge U.S. Incorporated
Seven Parkway Center, Suite 450
Pittsburgh, Pennsylvania 15220
U.S.A.
Telephone: (412) 922-0100
Telex: 866-507
Rapifax: 412-922-5515
R. W. Bain, President

Exploration Offices

Toronto and Sudbury, Ontario
Quebec City, Quebec
Delta, British Columbia
Winnipeg, Manitoba
Santo Domingo, Dominican Republic
Johannesburg, South Africa
Gaborone, Botswana
Bulawayo, Zimbabwe
Manila, Philippines

Research Laboratories

Falconbridge Metallurgical
Laboratories,
Thornhill, Ontario
R. A. Bergman, General Manager

Kristiansand S., Norway

Wesfrob Mining Division

J. C. Cowan, President
C. L. Stafford, Vice-President and
General Manager
W. H. Muise, Mine Manager

Corporation

Falconbridge Copper

A. G. Slade, Chairman of the Board
C. Carbonneau, President and
Chief Executive Officer
R. Plasse, Vice-President Operations
and Manager, Lake Dufault Division
M. J. Knuckey, Vice-President
Exploration
P. P. Dessureault, Manager,
Opemiska Division

New Quebec Raglan Mines Limited

L. C. Kilburn, Chairman of the
Board and Chief Executive Officer
T. F. Pugsley, President and
Chief Operating Officer
J. C. Cowan, Vice-President

Indusmin Limited

I. H. Keith, Chairman of the Board
C. M. Woodruff, President and
Chief Operating Officer
R. Lavertu, Senior Vice-President,
Minerals Division
J. L. Caylor, Senior Vice-President,
Castings Division

Falconbridge Dominicana, C. por A.

I. H. Keith, President
J. T. H. Clelland, Vice-President and
General Manager
R. J. McAllister, Manager of Operations

Kiena Gold Mines Limited

G. P. Mitchell, President
B. A. Ferguson, Vice-President
Operations
R. O. Vezina, Mine Manager

Giant Yellowknife Mines Limited

D. J. Emery, President and
Managing Director
K. Blower, General Manager

United Keno Hill Mines Limited

L. C. Kilburn, Chairman of the Board
J. C. Cowan, President and
Chief Executive Officer
T. Dickson, Mine Manager

Falconbridge Investments (Zimbabwe) (Private) Limited

(formerly Blanket Mine (Private)
Limited)
A. Ryan, Managing Director
P. E. Griffiths, General Manager

Western Platinum Limited

C. P. Beatty and S. C. Newman,
Joint Managing Directors
A. A. Saffy, General Manager

Solicitors

Tilley, Carson & Findlay, Toronto

Auditors

Clarkson Gordon, Toronto

Transfer Agents and Registrars

Canada Permanent Trust Company,
Toronto, Montreal, Vancouver and
Calgary

Registrar and Transfer Company
New York, N.Y., and Cranford, N.J.,
U.S.A.

Stock Exchanges

The shares and warrants of
Falconbridge Limited are listed on
the Toronto, Montreal and
Vancouver stock exchanges.

The shares are also traded Over-the-
Counter in the United States.

The NASDAQ symbol is FALCF.

