

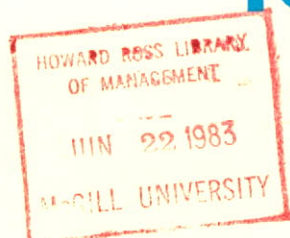
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CONSOLIDATED
RAMBLER
MINES
LIMITED

ANNUAL
REPORT

FOR THE YEAR ENDED
DECEMBER 31

1982



CONSOLIDATED RAMBLER MINES LIMITED

Incorporated under the laws of Ontario on January 20, 1961

DIRECTORS	<p>J. J. HOGAN New York, New York</p> <p>W. D. JAMIESON Saint John, New Brunswick</p> <p>A. G. KIRKLAND Saint John, New Brunswick</p> <p>†W. D. MACAULAY Saint John, New Brunswick</p> <p>†D. A. MACFARLANE Saint John, New Brunswick</p> <p>†DR. A. L. MCALLISTER Fredericton, New Brunswick</p> <p>†Members of the Audit Committee.</p>
OFFICERS	<p>D. A. MACFARLANE <i>President and Treasurer</i></p> <p>J. K. IRVING <i>Executive Vice-President</i></p> <p>A. L. IRVING <i>Executive Vice-President</i></p> <p>J. E. IRVING <i>Executive Vice-President</i></p> <p>A. G. KIRKLAND <i>Vice-President</i></p> <p>W. D. JAMIESON <i>Secretary</i></p>
EXECUTIVE OFFICE	FIFTH FLOOR, GOLDEN BALL BLDG. Saint John, N.B.
MINE OFFICE	BAIE VERTE Newfoundland
AUDITORS	COOPERS & LYBRAND Saint John, N.B.
TRANSFER AGENT and REGISTRAR	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
ANNUAL MEETING	<p>June 29, 1983 — 2:30 p.m. (Toronto time)</p> <p>New Brunswick Room, The Royal York Hotel, Toronto, Ontario</p>

DIRECTORS' REPORT

to the Shareholders:

During 1982, regular mining and milling were carried on for the first four months, after which the mine operations were closed down. Accordingly, operations for 1982 are not directly comparable with the previous year when the mine and mill were in continuous operation.

Earnings for 1982 before extraordinary item were \$2,026,115 (\$0.68 per share) compared with \$2,091,812 (\$0.70 per share) in the previous year. After taking into account the extraordinary item relating to income taxes as described in note 3 to the financial statements, net earnings for the year 1982 were \$2,926,115 (\$0.98 per share) compared with \$6,581,812 (\$2.21 per share) in 1981.

Shareholders have already been advised that underground mining operations terminated on April 30, 1982. This decision was taken only after a detailed examination of the economics of the total mine operation. Unfortunately, economic conditions during 1982 have validated the decision that was made. On the other hand, the Corporation had an accumulation of liquid short term investments which generated the major portion of the earnings during 1982.

Four shipments of concentrate totalling 19,315 short wet tons were made in 1982 compared with shipments of 28,866 tons in 1981. All concentrate at Tilt Cove was shipped in 1982 and at year end 13,910 short dry tons remained to be priced and paid for. It is anticipated that all of this concentrate will be paid for by July 31, 1983.

The average price realized by the Corporation for concentrate paid for in 1982 was \$345 per ton, down substantially from the average price of \$506 per ton realized in 1981. Realizations to date (April) in 1983 have improved marginally mainly due to relatively strong gold and silver prices. At year end, a copper price of Can. \$0.80 per lb. has been used in the valuation of concentrate compared with a price of Can. \$0.84 per lb. at December 31, 1981. As described in the financial statements, certain forward hedge contracts are in place which are designed to protect the Corporation's valuation.

Exploration activity in 1982 was somewhat lower than in the previous year. Our exploration program will likely be continued in a modest manner in the current year.

During the past year, several potential mining projects have been considered by management as vehicles for further operations but to date no positive decisions have been made. With substantial quantities of base metals in Exchange warehouses and with considerable surplus capacity available at existing mining properties, it requires an above average ore occurrence to warrant the cost of bringing it on stream. Only those companies concentrating on precious metals appear to have a good change for success in the current mining environment. Nevertheless, management of the Corporation are continuing their efforts to locate a suitable investment.

May 15, 1983

On behalf of the Board,

D. A. MACFARLANE,
President

MINE MANAGER'S REPORT

To: — Mr. A. G. Kirkland, Vice-President

Operations for the year ended December 31, 1982 are reported as follows:

PRODUCTION	1982	1981
Ore milled — D.S.T.	59,783	157,900
Average per operating day	575	669
Grade % Cu	3.84	3.82
Copper recovery %	96.11	95.66
Concentrate produced — D.S.T.	9,359	22,984
Contained Metals — Copper — Pounds (Net)	4,374,008	11,090,433
Gold — Ounces (Net)	2,332	6,244
Silver — Ounces (Net)	18,396	49,970

MINE OPERATING COSTS PER TON MILLED

Mining	\$ 24.51	\$ 25.61
Development	1.52	6.66
Milling	11.91	14.38
General	8.33	8.06
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	\$ 46.27	\$ 54.71
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MING MINE DEVELOPMENT

Main Ramp Advance — Ft.	—	—
Drifting — Ft.	543	287
Raising — Ft.	—	—
Diamond Drilling — Ft.	7,482	5,473

MING EXTENSION DEVELOPMENT

Main Ramp Advance — Ft.	—	1,233
Drifting — Ft.	115	1,755
Raising — Ft.	132	109
Diamond Drilling — Ft.	3,731	18,658

MILLING

Tonnage milled for the year was on plan and production of all metals was in excess of plan as a result of cleanup of the mill circuits. Zinc values have remained in range due to the reactivation of a second cleaner stage.

All mill circuits and storage of ore and concentrate were cleaned out following the shutdown.

MINING

Extraction of ore continued in all known ore lenses together with development of the 1807 zone. A drift on the 1700 level was extended to open up the top of the 1805 stopes. This encountered a bornite zone which, although high in grade, was disappointing with regard to continuity. All broken ore was extracted by the time of closedown at the end of April.

EXPLORATION

Underground

In January of 1982 massive sulphides of ore grade were encountered by diamond drilling some 300 feet beyond (north) the mine workings on the 1800 level. Subsequent development and diamond drilling outlined a disappointingly small isolated body of high grade material, part of which was mined prior to the shutdown.

Surface

Surface exploration was carried out during the year, both within and outside the mine property, in the form of geophysical and geochemical surveys. Nothing of economic significance was found.

A block of twenty-five (25) claims was staked south of the Main Mine area to cover a copper anomaly in lake sediment which was sampled by the Provincial Department of Mines and Energy during a regional survey. No work was initiated on this ground during the 1982 field season.

GENERAL

Due to depressed metal markets, depletion of ore reserves, and rising operating costs, mining and milling operations were closed down by the end of April. Three shipments of concentrate from regular production were made following the shut-down. A fourth shipment was made from the clean-out of the Tilt Cove concentrate shed. Mothballing and securing of equipment and plant were concluded by the end of August.

Respectfully Submitted,

J. E. GRAINGER, B.Sc., P.Eng.

Mine Manager

December 31, 1982

Consolidated Balance Sheet

ASSETS		
	1982	1981
	\$	\$
CURRENT ASSETS		
Cash and term deposits	23,200,383	23,245,206
Demand loan receivable from an affiliated company (note 4)	7,000,000	—
Settlements receivable	3,992,272	6,097,425
Accounts receivable	168,790	344,514
Inventory of concentrate	—	1,933,984
Prepaid expenses	—	14,068
	<u>34,361,445</u>	<u>31,635,197</u>
FIXED ASSETS		
Mining property costing \$5,377,716 has been fully amortized		
Buildings, surface structures and equipment — at cost	9,068,003	9,110,988
Less: Accumulated depreciation	9,050,003	9,077,988
	<u>18,000</u>	<u>33,000</u>
DEFERRED EXPENDITURES		
Mine development expenses of \$2,324,339 have been fully amortized		
Materials and supplies	—	986,693
	<u>34,379,445</u>	<u>32,654,890</u>

SIGNED ON BEHALF OF THE BOARD

D. A. MACFARLANE, Director

A. G. KIRKLAND, Director

BLER MINES LIMITED

December 31, 1982

LIABILITIES

CURRENT LIABILITIES	1982 \$	1981 \$
Accounts payable and accrued liabilities	422,958	601,891
Income taxes payable	784,815	244,815
Mining tax payable	100,971	250,971
Accrual under participation agreement (note 2)	2,601,584	4,014,211
	<u>3,910,328</u>	<u>5,111,888</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 5,000,000 shares of \$1 par value		
Issued —		
2,980,006 shares	2,980,006	2,980,006
Less: Discount thereon	965,000	965,000
	<u>2,015,006</u>	<u>2,015,006</u>
CONTRIBUTED SURPLUS	14,625	14,625
RETAINED EARNINGS	28,439,486	25,513,371
	<u>30,469,117</u>	<u>27,543,002</u>
	<u>34,379,445</u>	<u>32,654,890</u>

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the Year Ended December 31, 1982

	1982	1981
	\$	\$
REVENUE FROM CONCENTRATE PRODUCTION	5,132,671	10,156,308
Less: Marketing expenses	412,905	526,677
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	4,719,766	9,629,631
INTEREST INCOME (including \$713,000 from an affiliated company)	3,931,058	3,647,634
OTHER INCOME	1,266,906	571,503
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	9,917,730	13,848,768
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EXPENSES		
Operating	4,606,679	8,915,027
Exploration	299,157	449,758
Depreciation and amortization	46,795	891,106
Change in inventory levels	1,933,984	(56,935)
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	6,886,615	10,198,956
	<hr/>	<hr/>
ALLOCATION UNDER PARTICIPATION AGREEMENT (note 2)	(285,000) ¹	(742,000)
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	6,601,615	9,456,956
EARNINGS BEFORE TAXES AND EXTRAORDINARY ITEM	3,316,115	4,391,812
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PROVISION FOR TAXES		
Income taxes	1,440,000	2,300,000
Mining taxes	(150,000)	—
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	1,290,000	2,300,000
	<hr/>	<hr/>
EARNINGS BEFORE EXTRAORDINARY ITEM	2,026,115	2,091,812
EXTRAORDINARY ITEM (note 3)	900,000	4,490,000
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NET EARNINGS FOR THE YEAR	2,926,115	6,581,812
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RETAINED EARNINGS — BEGINNING OF YEAR	25,513,371	18,931,559
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RETAINED EARNINGS — END OF YEAR	28,439,486	25,513,371
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EARNINGS PER SHARE:		
Before extraordinary item	0.68	.70
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For the year	0.98	2.21
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CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1982

	1982 \$	1981 \$
SOURCE OF WORKING CAPITAL		
From operations	2,088,959	2,978,441
Decrease in materials and supplies	986,693	109,423
Extraordinary item (note 3)	900,000	4,490,000
	<u>3,975,652</u>	<u>7,577,864</u>
USE OF WORKING CAPITAL		
Purchase of fixed assets	47,844	135,615
INCREASE IN WORKING CAPITAL	3,927,808	7,442,249
WORKING CAPITAL — BEGINNING OF YEAR	26,523,309	19,081,060
WORKING CAPITAL — END OF YEAR	<u>30,451,117</u>	<u>26,523,309</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1982

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, 464739 Ontario Limited.

Depreciation and Amortization

Depreciation and amortization of fixed assets are on the unit of production method based on the estimated ore reserves.

Mine development expenses are being amortized on the unit of production method based on the estimated ore reserves.

Materials and Supplies

Materials and supplies inventory are valued at the lower of cost and estimated realizable value.

Settlements Receivable

Settlements receivable are shown at estimated realizable value. In accordance with terms of the sales contract, final settlements are made at prices prevailing at a future date and the amounts received may vary from the amounts shown as settlements receivable at date of the balance sheet. Payable copper contained in concentrate has been valued at \$.80 per pound; 1981—\$.84.

Forward Hedge Contracts (note 5)

Forward hedge contracts are given accounting recognition when the contracts are settled; at which time the resulting gain or loss, is included in income.

2. PARTICIPATION AGREEMENT

Under a participation agreement between the Corporation, the Carroll Prospector Group ("Carroll") and Advocate Mines Limited ("Advocate"), the Corporation has extracted ore from a property known as the Ming Extension which adjoins the Corporation's Ming Mine. The agreement provides for the Corporation to pay to Carroll and Advocate 10% of the profits therefrom until its exploration and preproduction costs have been recovered and thereafter 55% of the profits.

3. EXTRAORDINARY ITEM

This results from a realization of the income tax benefits of pre-acquisition tax losses and expenses incurred by Gullbridge Mines Limited, all of whose shares were purchased by the Corporation on June 30, 1980. Gullbridge was subsequently wound up on December 31, 1980.

4. RELATED PARTY TRANSACTIONS

During the year, the Corporation loaned an affiliated company varying amounts of money on a demand basis, at the prime bank interest rate. This has resulted in a higher return than the Corporation could otherwise obtain on other demand or short-term investments.

5. FORWARD HEDGE CONTRACTS

The Corporation has entered into forward hedge contracts with respect to its share of copper and gold contained in concentrate produced but not paid for at December 31, 1982. The contracts cover 1,000 tonnes of copper at an average price of Can. \$.95 per lb. and 1,200 oz. gold at an average price of Can. \$493 per oz.

At December 31, 1981, the Corporation had entered into forward hedge contracts covering 2,200 tonnes of copper at Can. \$1.00 per lb. and 2500 oz. gold at \$520 per oz.

6. MINING OPERATIONS

Due to relatively low metal prices, ore reserves and other economic conditions, the Corporation suspended mining operations on April 30, 1982. Subsequently all steps were taken to suspend surface operations and all equipment was removed from underground.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Consolidated Rambler Mines Limited as at December 31, 1982 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, on a basis consistent with that of the preceding year.

COOPERS & LYBRAND

Chartered Accountants

Saint John, N. B.
February 25, 1983

