

# Annual Report 1981



Pine Point Mines Limited

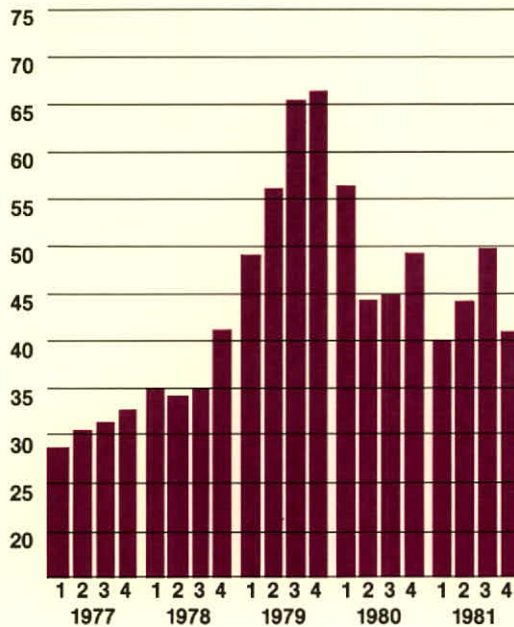


# Pine Point Mines Limited

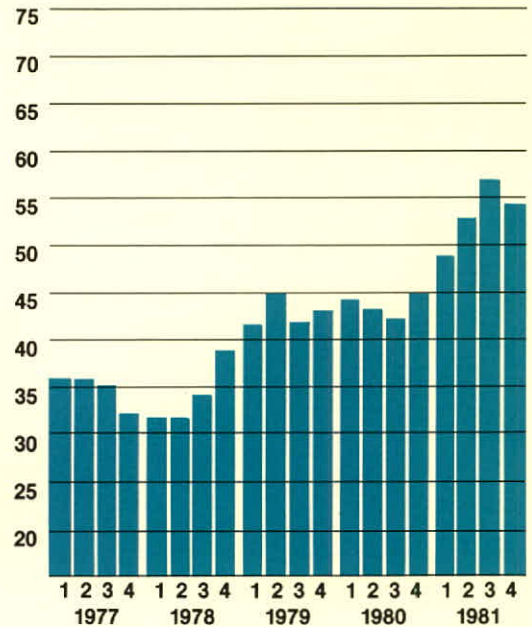
## 1981 ANNUAL REPORT

(all tonnage figures in this report are in short tons)

Lead Prices (Canadian cents per lb.)



Zinc Prices (Canadian cents per lb.)



### COVER:

From left: Pine Point's giant dragline; aerial view of Pine Point millsite; 85-ton haulage trucks move ore to the concentrator. (Cover design by Outcrop Ltd., Yellowknife, N.W.T.)



In June, 1981, 122 apartments for single people were completed at the Pine Point townsite (Wide angle photo)



# Pine Point Mines Limited

## HIGHLIGHTS — 5 Year

(all dollar amounts in millions except per share amounts)

### OPERATIONS

	1981	1980	1979	1978	1977
Sales of products	\$126.1	\$106.7	\$143.5	\$ 88.5	\$ 74.8
Net earnings	22.4	25.4	43.2	18.1	10.3
— per common share	4.97	5.62	9.57	4.00	2.28
Funds from operations	37.8	35.9	54.6	26.1	17.8
— per common share	8.37	7.95	12.08	5.77	3.93
Dividends on common shares	20.3	27.1	27.1	7.9	11.3
— per common share	4.50	6.00	6.00	1.75	2.50
Capital expenditures	23.0	26.7	10.4	13.2	7.1
Total employment cost	21.1	16.1	15.1	13.7	13.6
Number of employees	648	611	569	552	596

### FINANCIAL POSITION

#### Assets:

— Working capital	\$ 13.7	\$ 19.2	\$ 37.1	\$ 20.0	\$ 15.0
— Fixed assets (net)	59.3	55.1	39.7	38.7	33.1
— Other assets	14.5	7.6	3.1	1.3	—
	<b>\$ 87.5</b>	<b>\$ 81.9</b>	<b>\$ 79.9</b>	<b>\$ 60.0</b>	<b>\$ 48.1</b>

#### Represented By:

— Long-term debt	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
— Income taxes not currently payable	16.0	12.5	8.8	5.0	3.3
— Shareholders' equity	71.4	69.3	71.0	54.9	44.7
	<b>\$ 87.5</b>	<b>\$ 81.9</b>	<b>\$ 79.9</b>	<b>\$ 60.0</b>	<b>\$ 48.1</b>

#### Return on assets — %

Return on assets — %	26.5	31.4	61.8	33.5	21.1
Return on shareholders' equity — %	31.9	36.2	68.6	36.3	22.8

### SALES

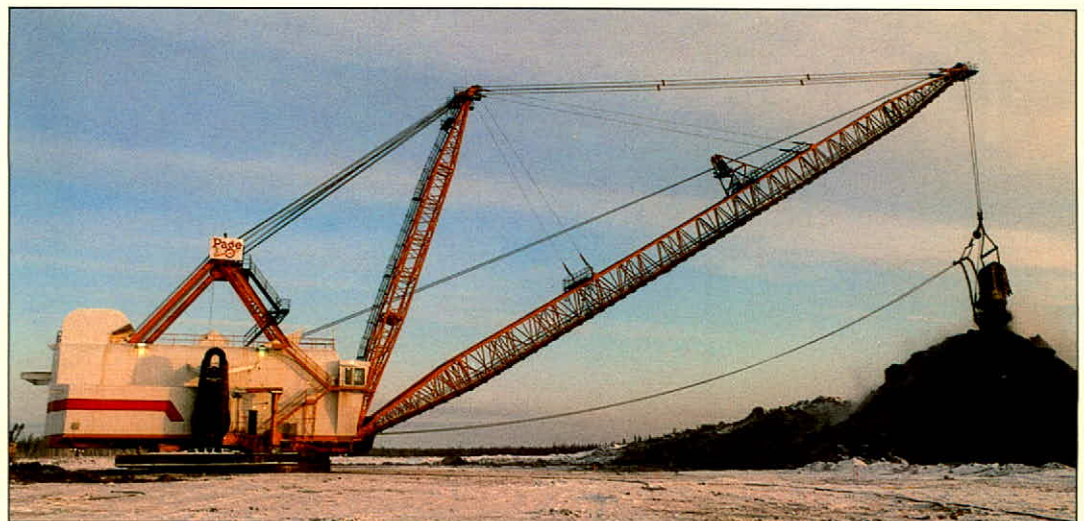
Lead concentrate (tons)	91,000	66,000	84,000	95,000	81,000
— (grade %)	(77.1)	(76.0)	(73.6)	(76.5)	(73.4)
Zinc concentrate (tons)	292,000	306,000	328,000	306,000	263,000
— (grade %)	(58.4)	(57.7)	(57.2)	(58.5)	(56.6)

### SHARE MARKET PRICE

— high	\$57	\$51-3/4	\$38-1/4	\$28	\$34-1/2
— low	\$38-1/2	\$32	\$23-3/8	\$18	\$21-5/8

(Toronto Stock Exchange)

The 30-cubic yard dragline removes waste and overburden from the production area



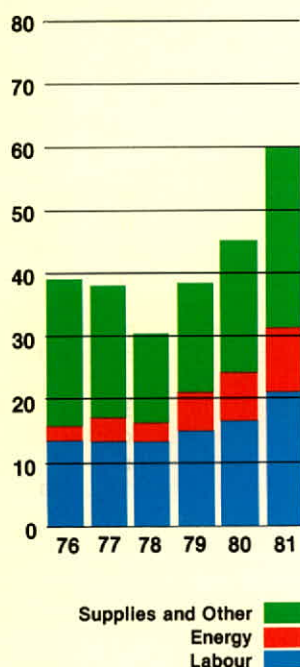


# Pine Point Mines Limited

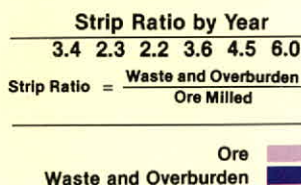
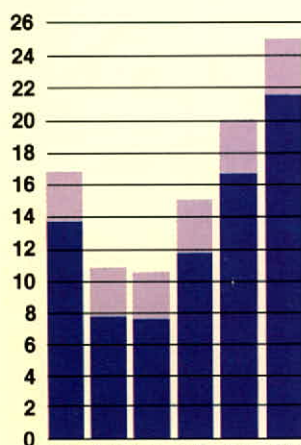
## DIRECTORS' REPORT TO THE SHAREHOLDERS

(1980 comparative figures in parentheses)

**OPERATING COSTS**  
1976-1981  
(in millions \$)



**TONS OF MATERIAL  
MOVED**  
1976-1981  
(millions of tons)



The Board of Directors is pleased to present the 31st Annual Report of the Corporation for the year ended December 31, 1981.

### Financial

Net earnings were \$22.4 million or \$4.97 a share, compared to \$25.4 million or \$5.62 a share in 1980. Dividends paid were \$4.50 a share amounting to \$20.3 million, compared to \$6.00 a share or \$27.1 million in 1980.

Sales revenues were higher during the year due to the increased tonnage of lead concentrate sold and to higher prices received for zinc concentrate. However, as a result of the high rate of inflation, significantly higher production costs were experienced, particularly for labour, supplies, energy and transportation. Increased strip ratios and the consequent increase in the volume of material moved also contributed to a sharp rise in the cost of production.

### Sales

Concentrate sales were \$126.1 million compared to \$106.7 million in 1980.

Sales volumes of lead concentrate at 91,000 tons (66,000) were higher than in 1980 principally because of the sale of 19,000 tons in inventory at the beginning of the year and awaiting shipment to Japan. This increase was partly offset by lower realized prices, which averaged 44.6 (49.3) Canadian cents a pound over the year. Zinc concentrate sold was 292,000 tons (306,000) with prices increasing up to October, when they dropped significantly. Over the year the realized price for zinc averaged 53.7 (43.6) Canadian cents a pound. This had a significant effect on the increased revenues for the year, in spite of the decreased volume of zinc concentrate sold. By year end lower prices prevailed for zinc and lead due to recession in North America and Europe.

For off-shore sales of concentrates, the closing of Pacific Coast Terminals at New Westminster, B.C. required the selection of an alternative deep-sea shiploading facility. A 10-year agreement was made with Vancouver Wharves to handle the Corporation's lead and zinc concentrates. The first shipments were made from this terminal in July, 1981.

### Operations

Ore treated in the concentrator totalled 3,636,000 tons (3,626,000) with an average grade 2.0 (2.0) per cent lead and 4.8 (5.5) per cent zinc. Production was 86,000 tons (82,000) of lead concentrate and 274,000 tons (315,000) of zinc concentrate.

Year-end inventories were 15,000 tons

(20,000) of lead concentrate and 7,000 tons (25,000) of zinc concentrate.

The significant drop in zinc concentrate production is attributed to lower zinc feed grades in the new tabular type open pits developed during the year. These tabular ore zones are prone to greater grade variations due to the erratic nature of the deposition of the minerals.

The concentrator operated satisfactorily during the year with greater flotation capacity available and improved metallurgy. Concentrate grades were higher at 77.1 (76.0) per cent lead and 58.4 (57.7) per cent zinc.

The consolidated flotation circuit project, completed in March, 1981 at a cost of \$4.3 million, resulted in improved recoveries of both lead and zinc, as well as cost savings in the use of energy and reagents. The value of better recoveries and cost savings will be about \$2.5 million on an annual basis.

Mine production came from eight pits compared to six in 1980. A further three were being prepared for production by year-end. During 1981 four pits were mined out. The higher number of production areas reflects the trend towards smaller tabular type orebodies with significantly higher strip ratios. High moisture content in the overburden along the north portion of the property caused difficult mining conditions for the dragline. It was necessary to rehandle the overburden at least once in order to reduce the pit wall slopes from the normal 40 degrees to 25 degrees. This overburden condition is expected to persist and will likely require further modification to mining plans.

In order to meet the increased stripping requirements a contractor was used to supplement the mine's existing stripping capacity. Waste and overburden removed during the year totalled 21.7 million tons (16.4), an increase of 32 per cent. The dragline removed 6.9 million tons (7.0) of waste and overburden at a cost significantly lower than that of the truck and shovel method. During the year the truck/shovel fleet hauled a total of 3.7 million tons of ore, 8.1 million tons of waste and 1.3 million tons of overburden. A contractor using scrapers removed an additional 5.4 million tons of overburden.

Eleven miles of new haulroads were constructed to four new production areas, extending hauling distances to 13 miles from the concentrator.

Increased dewatering activity became necessary during the year as operations penetrated areas with a higher water table. Twenty-seven wells were drilled in 1981 as part of the dewatering program. As well, extensive ditching was completed during the year to improve the drainage in new production areas.





Pine Point operations looking east

### Capital Projects

In order to provide adequate storage for tailings disposal and to meet environmental standards, the tailings dyke was raised and extended in 1981 at a cost of \$2.3 million. The dyke should provide storage for up to 10 years.

In June, 1981 the construction of 40 houses and 122 bachelor apartments was completed at a cost of \$7.3 million. The increased number of family homes and the upgrading of single persons' accommodations have contributed significantly to decreasing personnel turnover from 53 per cent per year in 1980 to 43 per cent in 1981.

To meet the demands of longer hauls and higher stripping activity, the heavy equipment fleet is being expanded. Seven new 85-ton haulage trucks were put into service in December, 1981. A 17 cubic yard electric shovel has been ordered and is expected to be operating in April, 1982. Estimated cost of these additions is \$9.1 million. It is also planned to test the suitability of 120-ton mechanical drive type haulage trucks as replacements for the older 85-ton haulers approaching required replacement.

About 20 per cent of the Corporation's ore

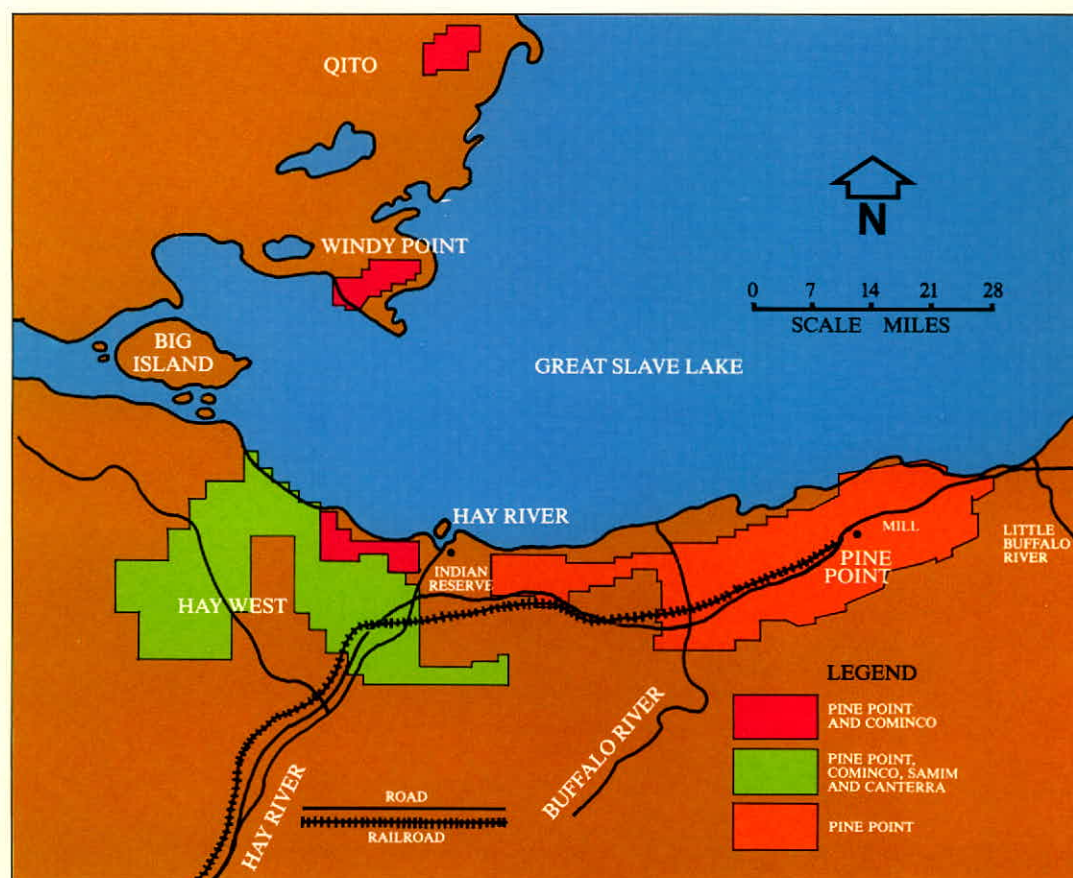
reserves are in the form of underground ore. Planning is in progress to evaluate these reserves and a decision on resumption of underground mining will be dependent on the results of the evaluation and on market conditions.

### Exploration

The 1981 exploration program was successful in replacing ore mined with new ore reserves. Exploration expenditures amounted to \$2.8 million compared to \$1.9 million in 1980. A total of 129,000 feet of exploration diamond drilling was completed and an additional 157,000 feet were drilled to outline new ore zones. The geophysical program completed the survey of 237 line miles.

At year-end ore reserves were 41.3 million tons at 1.9 per cent lead and 5.4 per cent zinc, matching reserves of 41.3 million tons at 1.9 per cent lead and 5.3 per cent zinc at the end of 1980.

Included in these reserves is a significant new prismatic type orebody 13 miles west of the concentrator. It is estimated that this orebody contains about one million tons of







Unloading ore at the primary crusher

approximately 20 per cent combined lead and zinc.

The majority of the 1982 exploration expenditure forecast of \$3.5 million will be spent to explore favourable ore trends in the western part of the property and thus facilitate a logical mining sequence of the area.

Exploration at the Hay West Joint Venture property in which the Corporation has a 29 per cent interest continued in 1981. Favourable geological structures have been confirmed and a seismic follow-up program is planned for 1982. Exploration expenditures on the Joint Venture property in 1981 totalled \$2.2 million with the Corporation providing \$550,000. In 1982 the Corporation's share of expenditures will amount to \$150,000.

### Personnel

The work force increased to 648 at year-end compared to 611 in 1980. The increase is attributed mainly to hiring additional drivers and maintenance mechanics for the expanded haulage truck fleet. Labour supply was generally adequate except for skilled tradesmen, for whom there is a nationwide shortage.

The Corporation's Apprenticeship Program continued at a high level of activity to assist in alleviating the shortage of tradesmen. This is the largest non-governmental program of its kind in the Northwest Territories. In 1981 a total of 64 apprentices were registered in the program compared to 65 in 1980. Fourteen apprentices graduated from the program in 1981, compared to thirteen in 1980. The Corporation continued to offer three scholarships to graduates from local high schools for trades training.

An improved supervisor selection procedure has been developed which includes a one-month course on management. The objective is to provide better-trained supervisors, resulting in improved labour relations and increased operating efficiency. It is planned to improve and extend this program in 1982.

The Corporation's safety performance improved during the year with four accidents occurring for each 200,000 hours worked. This compares with six in 1980. The majority of 1981 lost-time accidents were injuries of a minor nature. To reinforce and improve this safety performance the Corporation's Loss Control Program, which was initiated in 1980, continued.

The labour agreement between the Corporation and the United Steelworkers of America was renewed during the year for a two-year term expiring on April 30, 1983.

We regret to report the death of Mr. W.H.R. Gibney, Vice-President and General Manager, on February 21, 1981 after a brief illness. Mr. Gibney first came to Pine Point in 1967 and

accepted increased responsibilities culminating in his appointment as Vice-President in 1979. His contributions to the progress of the Corporation and his leading role in the affairs of the community of Pine Point will be sorely missed.

Mr. W.R. Hargrave was appointed General Manager effective March 1, 1981. Mr. E.W. Craft was appointed General Superintendent from the same date.

In 1981 Mr. J.B. Smith did not stand for re-election to the Board and at the Corporation's Annual General Meeting in 1981, Mr. H.M. Giegerich of Yellowknife, Northwest Territories, was elected to the Board.

During the year, Messrs. M.N. Anderson and W.M. Young resigned from the Board and in November, 1981, the Board appointed Mr. R.G. Duthie of Vancouver, B.C. and Mr. J.H. Robertson of Inuvik, Northwest Territories, to fill the vacancies occurring from these resignations.

The Board wishes to express its appreciation to the Directors who have retired for their valuable contributions to the Corporation during their years of service.

The Board also expresses its thanks to all employees for their efforts and dedication to the Corporation in 1981.

For the Board of Directors,

R.P. Douglas  
President and Chief Executive Officer  
Yellowknife, N.W.T.

# MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

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

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

## Pine Point Mines Limited STATEMENT OF EARNINGS

Year Ended December 31, 1981

	1981	1980
	(thousands)	
<b>REVENUE</b>		
Domestic sales	\$104,102	\$ 72,668
Export sales	22,013	34,006
	126,115	106,674
Income from investments	2,619	4,139
	128,734	110,813
<b>COSTS AND EXPENSES</b>		
Cost of product sold	60,233	40,916
Distribution	28,063	26,093
Selling	40	134
General and administrative	2,782	2,298
Depreciation	5,707	4,605
Depletion	804	336
	97,629	74,382
<b>EARNINGS BEFORE INCOME TAXES</b>	31,105	36,431
<b>INCOME TAXES</b>		
Current	5,196	7,335
Not currently payable	3,483	3,709
	8,679	11,044
<b>NET EARNINGS</b>	\$ 22,426	\$ 25,387
<b>EARNINGS PER SHARE</b>	\$ 4.97	\$ 5.62

## Pine Point Mines Limited STATEMENT OF EARNINGS REINVESTED IN THE BUSINESS

Year Ended December 31, 1981

	1981	1980
	(thousands)	
<b>AMOUNT AT BEGINNING OF YEAR</b>		
Net earnings	\$ 40,137	\$ 41,848
	22,426	25,387
	62,563	67,235
Dividends (\$4.50 per share; 1980 — \$6.00)	20,324	27,098
<b>AMOUNT AT END OF YEAR</b>	\$ 42,239	\$ 40,137



# Pine Point Mines Limited

## BALANCE SHEET AT DECEMBER 31, 1981

(Incorporated under the laws of Canada)

### ASSETS

#### CURRENT ASSETS

	1981 (thousands)	1980
Cash and short-term investments	\$ 8,922	\$ 10,479
Trade accounts receivable	5,513	6,669
Inventories (note 2)	11,610	11,665
Prepaid expenses	1,263	1,924
	<b>27,308</b>	<b>30,737</b>

#### FIXED ASSETS

Land, buildings and equipment	101,437	93,027
Less accumulated depreciation	45,497	42,103
	<b>55,940</b>	<b>50,924</b>
Mining properties and development	10,136	10,136
Less accumulated depletion	6,806	6,002
	<b>3,330</b>	<b>4,134</b>

#### DEFERRED PIT PREPARATION COSTS

	14,514	7,620
	<b>\$101,092</b>	<b>\$ 93,415</b>

### LIABILITIES

#### CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 10,512	\$ 8,309
Income taxes	3,067	3,170
Long-term debt due within one year	9	8
	<b>13,588</b>	<b>11,487</b>

#### LONG-TERM DEBT

Housing mortgages, less portion due within one year	120	129
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#### INCOME TAXES PROVIDED BUT NOT CURRENTLY PAYABLE

	<b>15,984</b>	<b>12,501</b>
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### SHAREHOLDERS' EQUITY

#### CAPITAL

Authorized — unlimited		
Issued and fully paid		
4,516,363 shares without par value	<b>29,161</b>	<b>29,161</b>

#### EARNINGS REINVESTED IN THE BUSINESS

	<b>42,239</b>	<b>40,137</b>
	<b>71,400</b>	<b>69,298</b>
	<b>\$101,092</b>	<b>\$ 93,415</b>

Contingent liability and commitments (note 3)

Approved by the Board

*W. Wilson*  
Director

*R. P. Douglas*  
Director



# Pine Point Mines Limited

## STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1981

	1981	1980
	(thousands)	
<b>SOURCE OF FUNDS</b>		
Funds provided from operations		
Net earnings	\$ 22,426	\$ 25,387
Add:		
Depreciation and depletion	6,511	4,941
Amortization of deferred pit preparation costs	5,181	1,634
Income taxes not currently payable	3,483	3,709
Other	217	252
	<b>\$ 37,818</b>	<b>\$ 35,923</b>
<b>APPLICATION OF FUNDS</b>		
Deferred pit preparation costs	\$ 12,075	\$ 6,119
Buildings and equipment	10,940	20,569
Repayment of long-term debt	9	8
Dividends	20,324	27,098
	<b>43,348</b>	<b>53,794</b>
<b>DECREASE IN WORKING CAPITAL</b>	<b>(5,530)</b>	<b>(17,871)</b>
	<b>\$ 37,818</b>	<b>\$ 35,923</b>

### AUDITORS' REPORT

To the Shareholders of  
Pine Point Mines Limited

We have examined the balance sheet of Pine Point Mines Limited as at December 31, 1981 and the statements of earnings, earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada  
January 22, 1982

*Thorne Riddell*

Chartered Accountants

# Pine Point Mines Limited

## NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1981

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### INVENTORIES

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

#### LAND, BUILDINGS AND EQUIPMENT

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

#### MINING PROPERTIES AND DEVELOPMENT

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

#### INCOME TAXES

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

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

#### FOREIGN CURRENCY TRANSLATION

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

#### REVENUE RECOGNITION

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

### EARNINGS PER SHARE

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

### 2. INVENTORIES

	1981	1980
	(thousands)	
Concentrates	\$ 3,999	\$ 5,688
Stores and operating supplies	7,611	5,977
	<u>\$11,610</u>	<u>\$11,665</u>

### 3. CONTINGENT LIABILITY AND COMMITMENTS

During the year, Revenue Canada initiated a proposal which could result in additional income taxes of approximately \$2,000,000 relating to the years 1977 to 1981. No provision has been made in the accounts as the outcome is not determinable.

At December 31, 1981, the amount unexpended on approved capital projects was \$4.3 million.

### 4. RELATED PARTY TRANSACTIONS

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

In 1981, Cominco Ltd. and associated companies of Cominco purchased at fair market value 100% (1980 — 99%) of the quantity of lead concentrate and 88% (1980 — 83%) of the zinc concentrate sold by the Company.

Accounts receivable include \$898,000 (1980 — \$3,099,000) from related parties. Accounts payable and accrued liabilities include \$501,000 (1980 — nil) to related parties.

### 5. INDUSTRY SEGMENT

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





*Diamond drill operating under cover at Hay West (see photo below)*

#### **Head Office**

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

#### **Mailing Address**

c/o Cominco Ltd.  
2300 - 200 Granville Street  
Vancouver, B.C.  
V6C 2R2

#### **Directors**

R. P. Douglas  
R. G. Duthie  
H. T. Fargey\*  
G. Farquharson\*  
H. M. Giegerich  
R. A. MacKimmie, Q.C.\*  
A. V. Marcolin  
J. H. Robertson  
W. G. Wilson

#### **Officers**

R. P. Douglas,  
President and Chief Executive Officer  
K. S. Benson,  
Corporate Secretary

\*Members of the Audit Committee

#### **Transfer Agent and Registrar**

The Royal Trust Company  
555 Burrard Street, Vancouver, B.C.  
V6B 3R7

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

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

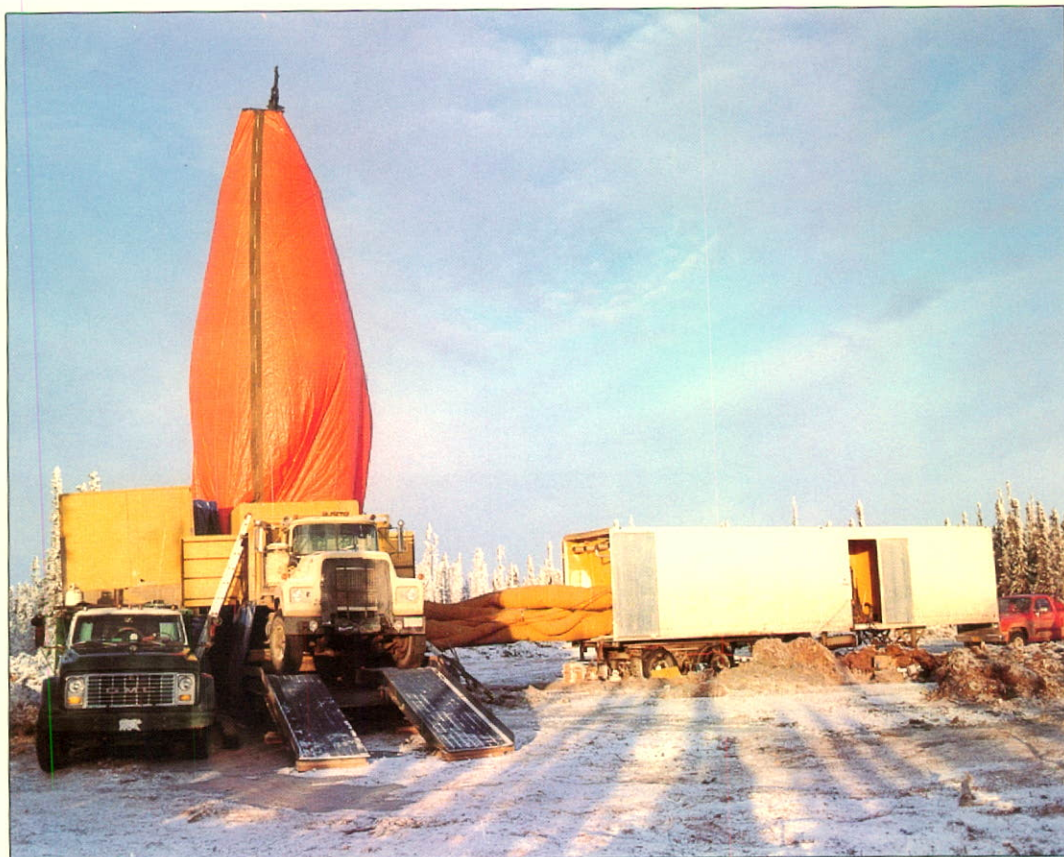
#### **Auditor**

Thorne Riddell  
Vancouver, B.C.

#### **Annual Meeting**

April 23, 1982  
10:00 a.m.  
Shuswap Room  
Four Seasons Hotel  
Vancouver, B.C.

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



*Exploration diamond drilling site at the Hay West Joint Venture property*

