

Pine Point Mines Limited



Annual Report 1983

Pine Point Mines Limited

HIGHLIGHTS — 5 YEAR

(all dollar amounts in millions except per share amounts)

OPERATIONS

	1983	1982	1981	1980	1979
Sales of products	\$ 51.7	\$ 87.9	\$126.1	\$106.7	\$143.5
Net earnings (loss)	(8.4)	(9.0)	22.4	25.4	43.2
— per common share	(1.87)	(1.99)	4.97	5.62	9.57
Funds from operations	(0.5)	3.0	37.8	35.9	54.6
— per common share	(0.10)	0.67	8.37	7.95	12.08
Dividends on common shares	nil	nil	20.3	27.1	27.1
— per common share	nil	nil	4.50	6.00	6.00
Capital expenditures	0.7	8.2	10.9	20.6	7.4
Pit preparation costs	3.8	14.9	12.1	6.1	3.0
Total employment cost	14.1	22.6	21.1	16.1	15.1
Number of employees	545	591	648	611	569

FINANCIAL POSITION

Assets:					
— Working capital	\$ 4.2	\$ 7.6	\$ 13.7	\$ 19.2	\$ 37.1
— Fixed assets (net)	55.8	59.9	59.3	55.1	39.7
— Other assets	18.8	20.7	14.5	7.6	3.1
	\$ 78.8	\$ 88.2	\$ 87.5	\$ 81.9	\$ 79.9
Represented By:					
— Long term debt	\$ 15.1	\$ 13.8	\$ 0.1	\$ 0.1	\$ 0.1
— Income taxes not currently payable	9.7	12.0	16.0	12.5	8.8
— Shareholders' equity	54.0	62.4	71.4	69.3	71.0
	\$ 78.8	\$ 88.2	\$ 87.5	\$ 81.9	\$ 79.9
Return on assets — %	nil	nil	26.5	31.4	61.8
Return on shareholders' equity — %	nil	nil	31.9	36.2	68.6

SALES

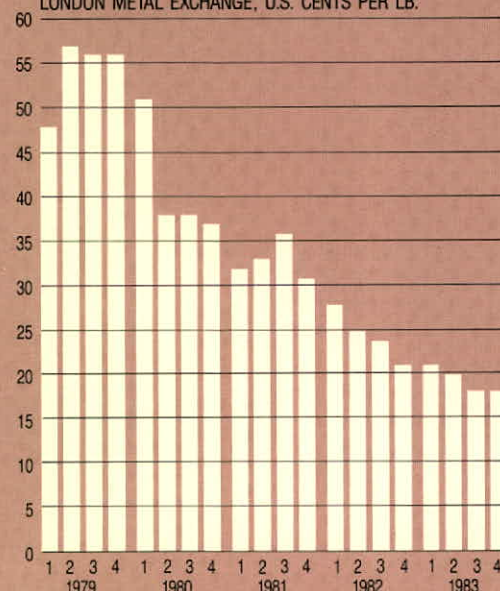
Lead concentrate (tons)	55,000	72,000	91,000	66,000	84,000
— (grade %)	(73.8)	(76.5)	(77.1)	(76.0)	(73.6)
Zinc concentrate (tons)	136,000	279,000	292,000	306,000	328,000
— (grade %)	(56.9)	(57.3)	(58.4)	(57.7)	(57.2)

SHARE MARKET PRICE

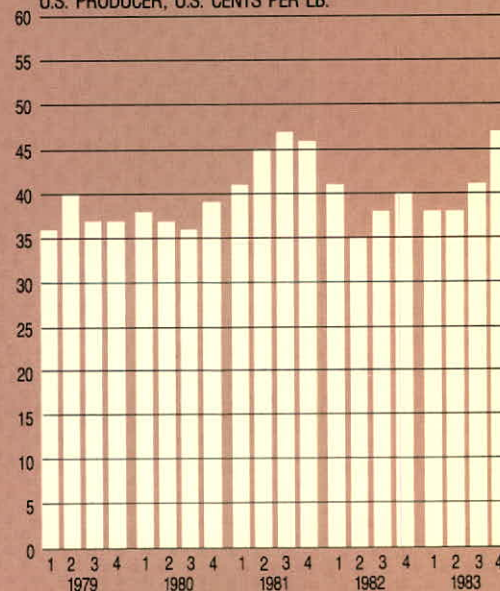
— high	\$35	\$45½	\$57	\$51¾	\$38¼
— low	\$25½	\$20	\$38½	\$32	\$23¾

(Toronto Stock Exchange)

LEAD PRICES - Quarterly averages 1979-1983
LONDON METAL EXCHANGE, U.S. CENTS PER LB.



ZINC PRICES - Quarterly averages 1979-1983
U.S. PRODUCER, U.S. CENTS PER LB.



Pine Point Mines Limited

PRESIDENT AND CHIEF EXECUTIVE OFFICER'S REPORT TO THE SHAREHOLDERS



R.P. Douglas

The Company's mine and mill were shut down on January 2, 1983 for five and a half months. The decision to close was difficult but necessary to minimize losses. In 1983, the Company incurred a loss of \$8.4 million or \$1.87 a share, compared with a loss of \$9.0 million or \$1.99 a share in 1982.

The principal reason for the shutdown was the severe decline in metal prices (see page 2 and charts on opposite page) which, together with the higher operating costs associated with an increasing strip ratio, rendered Pine Point's operations uneconomic. It was unacceptable to continue depleting the Company's ore reserves without financial gain.

During the shutdown, the property was maintained in a state of readiness. Fifty employees performed essential maintenance activities and the remainder retained their entitlements to seniority, medical and dental coverage and housing assistance. Throughout, emphasis was placed on the temporary nature of the shutdown.

Resumption of operations on June 15, 1983 was made possible by two factors. First, by mid-1983 the outlook for metal prices, particularly of zinc, was considerably brighter than at the end of 1982. Although the zinc price was actually lower in June, 1983 than in December, 1982, the increase which ultimately brought zinc prices from a low of 38 cents U.S. per pound in March to its 1983 year-end level of 49 cents U.S. per pound had started. The second factor was the receipt of cost saving concessions from the Company's major service sectors.

The Company's salaried staff were the first to contribute by accepting a continued salary freeze which had been in force since July, 1981. The unionized hourly paid employees, who had continued to receive pay increases established by the two-year collective agreement negotiated in 1981, accepted a 10 per cent pay cut on May 1, 1983. This concession provided that the reduced wages would remain in effect until metal prices increased sufficiently to allow the Company to break even on a cash basis, at which time the contractual base rate would be restored to its previous level.

The Canadian National Railway Company, which transports concentrates from Pine Point, granted a 10 per cent rebate on 1983 freight rates and agreed to defer a proposed 6 per cent rate increase. Cominco Ltd.'s Trail smelter, which treats most of Pine Point's zinc concentrate, reduced smelting charges and the Northern Canada Power Commission agreed to grant partial relief on the Company's power tariff. The Federal Government's contribution was made through the provisions of the Unemployment Insurance Act, whereby the equivalent of unemployment insurance

payments may be applied towards a portion of the wages paid to employees engaged in exploration and pre-production work. The Government of the Northwest Territories also agreed to pay a grant of \$60 per man week for those eligible for the Federal Government's assistance program.

The effects of the recession were magnified at Pine Point by high operating costs associated with its northern location. The magnitude of these costs inhibits the Company's ability to weather troughs in metal price cycles. The understanding and cooperation shown by those granting concessions provided the means whereby the Company could alleviate, to a sufficient degree, the combined burdens of economic recession and low metal prices.

The total effect of all contributions was to reduce the Company's operating costs to levels that made resumption of operations possible in spite of the continuing low metal prices. The subsequent increase in zinc prices since startup has improved the cash flow of the Company and should allow for a return to profitability and financial strength.

I wish to thank all whose collective contributions permitted the resumption of operations. Their recognition of the Company's importance to the economy of the Canadian North, and that all parties would benefit from an early start-up, are greatly appreciated. I also commend the efforts of all employees, especially the accomplishments of the Company's Vice-President and General Manager, Mr. Ralph Hargrave, who successfully engendered a spirit of trust and cooperation between the Company's management, its non-union and union employees, Local 804 of the United Steelworkers of America and the Governments of Canada and of the Northwest Territories.

A handwritten signature in dark ink, appearing to read "R. P. Douglas".

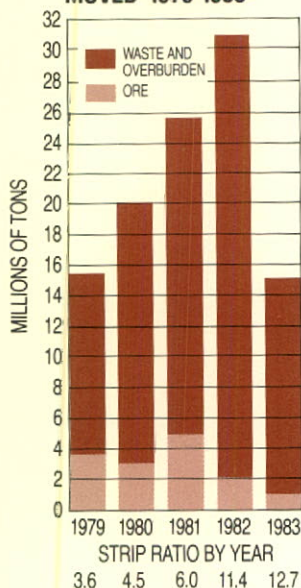
February 21, 1984

Pine Point Mines Limited

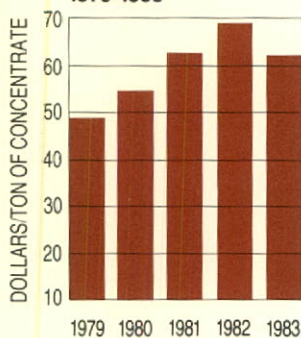
33rd REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

(1982 comparative figures in parentheses)

TONS OF MATERIAL
MOVED 1979-1983



RAIL FREIGHT COSTS
1979-1983



The Year in Review

Pine Point operations were shut down from January 2 to June 15, 1983 due to depressed zinc and lead prices and high operating costs, which, combined, made continued operations uneconomic. After receiving concessions from employees, reductions in transportation and smelter treatment charges, and federal and territorial government assistance for mine development, the resumption of operations became less costly than continued shutdown and operations resumed in mid-June. Continuing cost restraint programs implemented by the Company combined with higher metal prices will assist in returning the Company to profitability.

Financial

The loss for the year was \$8.4 million or \$1.87 a share, compared with a loss of \$9.0 million or \$1.99 a share in 1982. No dividends were paid in 1983.

Sales revenue for the year was lower due to the five and one-half month shutdown of the Company's operations resulting in less concentrates available for sale. Lead and zinc concentrate sales were \$51.7 million, compared to \$87.9 million in 1982. Sales volumes were 55,000 tons (72,000) of lead concentrate and 136,000 tons (279,000) of zinc concentrate.

In the first half of the year, lead prices on the London Metal Exchange, which is the basis for pricing the Company's lead concentrate, continued the downward trend from their low 1982 levels. At mid-year, lead prices steadied but remained at depressed levels of between 18 cents and 19 cents U.S. per pound until the end of the year. The average lead price on the London Metal Exchange for the year was 19.3 cents U.S. compared with 24.7 cents U.S. in 1982. Zinc producer prices also continued their decline in the first quarter of 1983. However, in the second quarter, prices strengthened from 38 cents U.S. a pound and improved steadily over the year to close at 49 cents U.S. a pound. The average zinc price for the year was 41.4 cents U.S. a pound compared to 38.6 cents U.S. in 1982.

The negative cash flow from operations, after pre-production costs, amounted to \$4.3 million compared to \$11.8 million in 1982. To provide for the continuing operating losses, it was necessary during the year to increase the Company's bank lines of credit from \$30 to \$40 million.

Operations

In the six and one-half months operating period in 1983, ore treated in the concentrator totalled 985,000 tons (2,445,000) with an average grade of 2.7 (3.0) per cent lead and 8.1 (7.3) per cent zinc. Production was 32,000

tons (85,000) of lead concentrate and 130,000 tons (287,000) of zinc concentrate.

Start-up of the mill and resumption of mining operations were routinely accomplished due to the operating facilities having been maintained in a state of readiness throughout the shutdown period. Inventories at year-end were 5,000 tons (28,000) of lead concentrate and 9,000 tons (15,000) of zinc concentrate.

Concentrate grades were 73.8 (76.5) per cent lead at a recovery rate of 89.5 (89.0) per cent lead and 56.9 (57.3) per cent zinc at a recovery rate of 92.0 (92.6) per cent zinc. The lower grade of lead concentrate is attributed to the changing nature of the ore sources.

Mine production came from five operating and two development pits, compared to 11 pits in 1982. During the year, two pits, X-53 and X-54 were mined out and closed. The X-53 pit provided one half of the concentrate production for the year. Another production source was the A-55 pit (see map on page 4) which produced 30 per cent of the concentrates for the period.

Waste and overburden removed during the year totalled 14 million tons (28.6). The dragline removed 4.9 million tons (7.3) of waste and overburden. The truck/shovel fleet hauled a total of 1.1 million tons (2.5) of ore, 4.4 million tons (10.4) of waste and 4.7 million tons (6.6) of overburden. There was no stripping of overburden by independent contractors in 1983 (1982 - 4.3 million tons).

Development

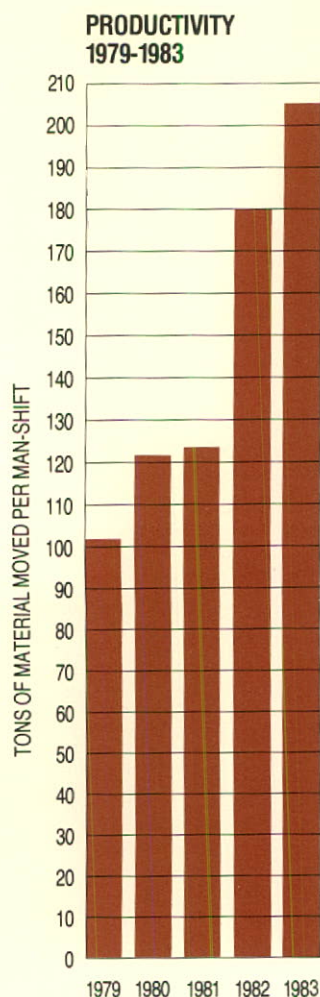
Major development programs continued during the year on two tabular ore bodies and on the prismatic N-81 deposit. Approximately 45 per cent of required overburden stripping at the N-81 ore body was completed by year-end. The first ore from this deposit, which contains about 3 million tons grading 7 per cent lead and 14 per cent zinc, is expected to be mined in July, 1984.

Draining of production areas is necessary for year-round mining because much of the ore lies below the water table. As a necessary prerequisite to mining, extensive dewatering activity was undertaken in 1983. More than 8,000 feet of deep well drilling was completed to enable the lower benches in the A-55 pit to be dewatered and large scale pumping to commence at the N-81 ore body.

Exploration

The 1983 exploration program was successful in discovering 780,000 tons of ore grading 1.1 per cent lead and 4.2 per cent zinc in two production areas on the property. This amount, however, was less than the tonnage milled by the Company during the year.

Exploration expenditures amounted to \$2.4 million, compared to \$3.7 million in 1982. Exploration activity was delayed until March because of the shutdown. The geophysical



program of induced polarization completed the survey of 60 line miles (268), while a total of 115,000 feet (142,000) of exploration diamond drilling was accomplished. An additional 53,000 feet (223,000) were drilled to outline ore zones being prepared for production.

Ore Reserves

Since the mid-1970's, material mineable by underground methods has been included in Pine Point's ore reserves. While test stoping established that underground mining is technically feasible, the economics of mining this ore has been marginal throughout depending on prevailing and long-term forecasts of lead and zinc prices. However, with rising mining costs and the continuing possibility of metal price increases lagging behind prevailing rates of inflation, it became necessary in the year to reassess the ore zones included within the Company's ore reserves. This review resulted in the removal of 9.2 million tons of material at 1.4 per cent lead and 5.5 per cent zinc, including 7.8 million tons of underground material grading 1.5 per cent lead and 5.6 per cent zinc from the Company's ore reserves. This adjustment resulted in a \$600,000 after tax write-off of costs previously capitalized as ore outline drilling.

The table on this page details the adjustment made in the year to the Company's ore reserves.

In 1983, no exploration activities were carried out on the Hay West property in which the Company holds a 29 per cent interest.

The 1984 exploration program will continue to concentrate on areas of the Company's properties where opportunities are most favourable for locating prismatic ore.

Capital Projects

Capital expenditures in 1983 were confined to essentials. Capital projects totalled \$657,000 in the year and included work on dewatering mining areas being prepared for production and completing the power line to the N-81 pit.

Operational testing of two Wabco 120-ton mechanical drive trucks leased in 1982 was completed and the Company exercised its option to purchase the units. These trucks are sized and matched to work effectively with the Company's 17 cubic yard electric shovel on overburden removal.

Personnel

The work force decreased to 545 at year-end, compared to 591 in 1982 and 648 in 1981. The reduction resulted from a hiring freeze and persons leaving the Company's employ during the shutdown. When employees were recalled for the June 15 startup, 76 per cent returned to work. Three quarters of the journeymen employed at the time of the shutdown returned, a number sufficient to meet planned requirements in 1984.

The uncertainties of the shutdown caused a significant increase in turnover of both staff and general roll employees compared to the previous year. The turnover was 41 (24) per cent for general roll employees and 43 (23) per cent for staff.

The Company's apprenticeship program remains the largest in the private sector in the Northwest Territories. While training activity was hampered by the shutdown, 12 apprentices achieved journeyman status in 1983, compared to 16 in 1982. Since June, 16 supervisors qualified for the basic supervisory skills program, three persons were certified in surface mine rescue and production training

PINE POINT ORE RESERVES

	OPEN PIT			UNDERGROUND			TOTAL			TOTAL TONS METAL	
	Tons	%Pb	%Zn	Tons	%Pb	%Zn	Tons	%Pb	%Zn	Lead	Zinc
Ore Reserves December 31, 1982	27,427,700	2.7	6.2	7,769,700	1.5	5.6	35,197,400	2.4	6.1	846,600	2,140,700
Production during 1983	984,700	2.7	8.1	-	-	-	984,700	2.7	8.1	26,500	80,200
Deletions from ore reserves	1,481,400 ⁽¹⁾	0.5	2.5	7,769,700 ⁽¹⁾	1.5	5.6	9,251,100	1.4	5.1	125,700	475,000
New ore located during 1983	780,200 ⁽²⁾	1.1	4.2	-	-	-	780,200	1.1	4.2	8,600	33,100
Reserves December 31, 1983	25,741,800	2.7	6.3	-	-	-	25,741,800	2.7	6.3	703,000	1,618,600

Notes:

(1) Reserves previously classified as ore, where either further drilling, mining experience or the effect of the long term trend of mining costs rising faster than metal prices, makes the reserves uneconomic.

(2) New ore located on the extensions of the North Trend tabular ore zones.



Inspecting flotation in the concentrator. Seventy-six per cent of employees recalled for start-up returned to their jobs.

was expanded with the appointment of a full-time training person. In the same period, six female employees trained as haulage truck drivers under the Canada Employment and Immigration Program for "Women in Non-traditional Occupations".

The Company continued to offer scholarships in 1983 to graduates from local high schools for the purpose of trades training.

The frequency and severity of accidents decreased in 1983 compared to 1982. For each 200,000 hours worked, 3.7 accidents occurred compared with 5.5 in 1982. The severity rate for each 200,000 hours worked was reduced from 110 days lost in 1982 to 46 days in 1983. Programs to further improve job safety are continuing.

A salary review for staff scheduled for January 1, 1983, the first since salaries were frozen in 1981, was implemented in October. A further modest increase was made in December to maintain the Company's competitive wage position.

A collective agreement was signed on May 19 for a period of one year commencing May 1. This agreement, approved by 81 per cent of the membership of the United Steelworkers of America, Local 804, included a temporary 10

per cent wage reduction to be restored before expiration of the agreement on April 30, 1984. Due to improved metal prices, one half of the agreed reduction was restored by year-end and the balance on January 6, 1984.

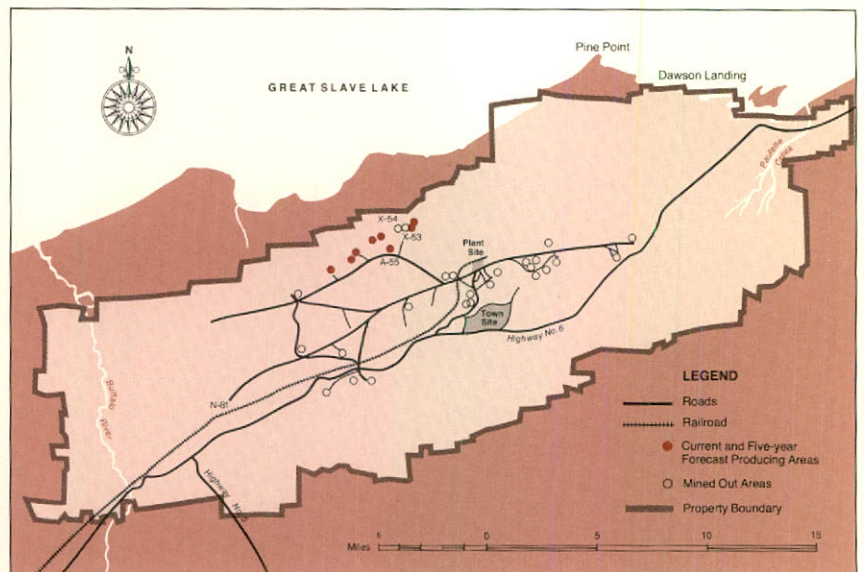
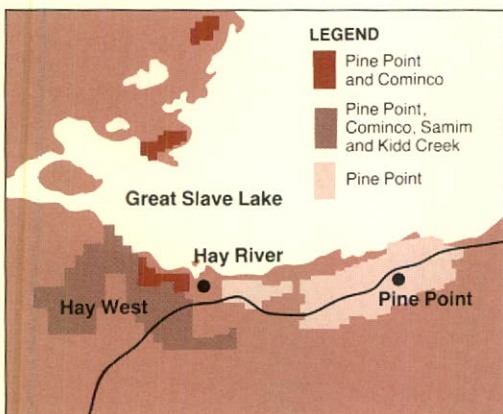
Mr. A.V. Marcolin did not stand for re-election to the Board at the annual meeting in April, and Messrs. M.F. LaFleur and J.H. Robertson resigned as Directors of the Company during the year. The Board wishes to express its appreciation to each of these persons for their contributions to the Company.

After 13 years of service to the Company, Mr. W.R. Hargrave, Vice-President and General Manager, was transferred in December to the Cominco Ltd. operations at Kimberley, British Columbia. He was succeeded as General Manager of Pine Point operations by Mr. M.J. Mandry, former Manager of the Cominco Ltd. Sullivan Concentrator at Kimberley.

For the Board of Directors

R.P. Douglas

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



MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

AUDITORS' REPORT

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.

To the Shareholders of
Pine Point Mines Limited

We have examined the balance sheet of Pine Point Mines Limited as at December 31, 1983 and the statements of earnings, earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1983 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.

Thorne Riddell

Vancouver, Canada
January 19, 1984

Chartered Accountants

Pine Point Mines Limited

STATEMENT OF EARNINGS

Year Ended December 31, 1983

REVENUE

	1983	1982
	(thousands)	
Domestic sales	\$ 40,616	\$ 72,153
Export sales	11,051	15,767
	51,667	87,920
Income from investments	314	302
	51,981	88,222

COSTS AND EXPENSES

Cost of product sold (Note 4)	41,082	61,398
Distribution	16,036	30,225
General, administrative and selling	1,619	2,748
Debt interest and expense	1,856	1,366
Depreciation and depletion (Note 4)	4,578	7,518
	65,171	103,255

LOSS BEFORE INCOME TAXES

	13,190	15,033
--	--------	--------

INCOME TAXES

Current (refundable)	(2,449)	(2,010)
Not currently payable	(2,300)	(4,043)
	(4,749)	(6,053)

LOSS FOR THE YEAR

	\$ 8,441	\$ 8,980
--	----------	----------

LOSS PER SHARE

	\$ 1.87	\$ 1.99
--	---------	---------

Pine Point Mines Limited

(Incorporated under the laws of Canada)

BALANCE SHEET AT DECEMBER 31, 1983

ASSETS

CURRENT ASSETS

	1983	1982
	(thousands)	
Trade accounts receivable	\$ 3,261	\$ 913
Inventories (Note 2)	10,235	13,390
Prepaid expenses	1,001	1,901
	<u>14,497</u>	<u>16,204</u>

FIXED ASSETS

Land, buildings and equipment	108,392	108,281
Less accumulated depreciation	<u>53,946</u>	<u>50,694</u>
	54,446	57,587
Mining properties and development	9,147	9,147
Less accumulated depletion	<u>7,786</u>	<u>6,851</u>
	<u>1,361</u>	<u>2,296</u>

DEFERRED PIT PREPARATION COSTS

	18,752	20,705
	<u>\$ 89,056</u>	<u>\$ 96,792</u>

LIABILITIES

CURRENT LIABILITIES

Bank loans	\$ 2,409	\$ -
Accounts payable and accrued liabilities	6,397	8,611
Income taxes	1,523	-
Long-term debt due within one year	11	9
	<u>10,340</u>	<u>8,620</u>

LONG-TERM DEBT (Note 3)

	15,096	13,811
--	--------	--------

INCOME TAXES PROVIDED BUT NOT CURRENTLY PAYABLE

	9,641	11,941
--	-------	--------

SHAREHOLDERS' EQUITY

CAPITAL

Authorized — unlimited Issued and fully paid 4,516,363 shares without par value	29,161	29,161
---	--------	--------

EARNINGS REINVESTED IN THE BUSINESS

	24,818	33,259
	<u>53,979</u>	<u>62,420</u>

Contingent liability (Note 5)	\$ 89,056	\$ 96,792
-------------------------------	-----------	-----------

Approved by the Board

W. G. Wilson

Director

R. P. Douglas

Director

Pine Point Mines Limited

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1983

SOURCE OF FUNDS

	1983	1982
	(thousands)	
Funds provided (deficit) from operations		
Loss for the year	\$ (8,441)	\$ (8,980)
Add items not requiring an outlay of funds:		
Depreciation and depletion	4,578	7,518
Amortization of deferred pit preparation costs	5,800	8,640
Income taxes not currently payable	(2,300)	(4,043)
Gain on sale of assets	(87)	(93)
	(450)	3,042
Proceeds from sale of assets	242	199
Additional long-term debt	1,300	13,700
	1,092	16,941

APPLICATION OF FUNDS

Deferred pit preparation costs	3,847	14,831
Buildings and equipment	657	8,237
Repayment of long-term debt	15	9
	4,519	23,077

DECREASE IN WORKING CAPITAL

WORKING CAPITAL AT BEGINNING OF YEAR

WORKING CAPITAL AT END OF YEAR

3,427	6,136
7,584	13,720

\$ 4,157	\$ 7,584
----------	----------

Pine Point Mines Limited

STATEMENT OF EARNINGS REINVESTED IN THE BUSINESS

Year Ended December 31, 1983

AMOUNT AT BEGINNING OF YEAR

AMOUNT AT END OF YEAR

	1983	1982
	(thousands)	
	\$ 33,259	\$ 42,239
Loss for the year	8,441	8,980
	\$ 24,818	\$ 33,259

Pine Point Mines Limited

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1983

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

INVENTORIES

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

LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are recorded at cost and include the cost of renewals and betterments. Repairs and maintenance costs are charged against earnings as incurred. Depreciation is calculated on a straight-line basis related to the lesser of the economic life of the asset or the 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

	1983	1982
	(thousands)	
Concentrates	\$ 2,665	\$ 5,929
Stores and operating supplies	7,570	7,461
	\$10,235	\$13,390

3. LONG-TERM DEBT (excluding amount due within one year)

	1983	1982
	(thousands)	
Bank loans with an initial three-year revolving term convertible before 1987 into five-year term loans with interest related to prime bank rates	\$15,000	\$13,700
7% housing mortgages	96	111
	\$15,096	\$13,811

Payments required on long term debt, assuming the conversion of the revolving loans into five-year term loans in 1986, are: 1984 - \$11,000; 1985 - \$11,000; 1986 - \$12,000; 1987 - \$3,013,000; 1988 - \$3,014,000.

4. TEMPORARY SUSPENSION OF OPERATIONS

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

5. CONTINGENT LIABILITY

In 1981, Revenue Canada initiated a proposal which could result in additional income taxes relating to years subsequent to 1977. The proposal is still under discussion and the final outcome is not determinable. If Revenue Canada is successful, an additional tax provision of \$1,000,000 would be required.

6. RELATED PARTY TRANSACTIONS

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

In 1983, Cominco Ltd. and associated companies of Cominco purchased at fair market value 96% (1982 - 91%) of the quantity of lead concentrate and 100% (1982 - 98%) of the zinc concentrate sold by the Corporation.

Accounts receivable include \$2,119,000 (1982 - nil) from related parties.

Accounts payable and accrued liabilities include \$ nil (1982 - \$971,000) to related parties.

7. INDUSTRY SEGMENT

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

SHAREHOLDER INFORMATION

Head Office

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

Mailing Address

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

Directors

R.P. Douglas
R.G. Duthie
H.T. Fargey*
G. Farquharson*
J.M. Willson
R.A. MacKimmie, Q.C.*
W.G. Wilson

Officers

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

*Members of the Audit Committee

Transfer Agent and Registrar

The Royal Trust Company
555 Burrard Street, Vancouver, B.C.
V7X 1K2

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 18, 1984
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.

Mailing address:

Pine Point Mines Limited,
2300-200 Granville Street,
Vancouver,
British Columbia V6C 2R2