"KERR ADDISON IS WELL POSITIONED TO PURSUE ITS LONG TERM STRATEGY OF MINING AS ITS CORE BUSINESS."

Kerr Addison Mines Limited ~ Annual Report 1991

CORPORATE PROFILE

Kerr Addison is a significant metals producer, an experienced mine operator and developer, an aggressive explorer for minerals and holds extensive investments in the resource industries. The Company was incorporated over fifty-five years ago and has paid dividends for 52 consecutive years.

Mining		
Minnova Inc.		50.4%
Operating Mines		
Lac Dufault Division	100%	
Winston Lake Division	100%	
Lac Shortt Division	95.7%	
Samatosum Division	70%	
Opemiska Division	100%	
Refining		
Canadian Electrolytic Zinc		9.8%
Oil and Gas		
Anderson Exploration Ltd.		30.2%

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ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders will be held in the Vanity Fair Room of the King Edward Hotel, 37 King Street East, Toronto, Ontario on Friday, May 1, 1992 at 11:30 a.m.

KERR ADDISON MINES LIMITED

Suite 2901
1 Adelaide Street East
Toronto, Ontario
M5C 2Z7

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the annual meeting of shareholders of Kerr Addison Mines Limited will be held in the Vanity Fair Room of the King Edward Hotel, 37 King Street East, Toronto, Ontario on

FRIDAY, MAY 1, 1992

at 11:30 a.m. (Toronto Time) for the following purposes:

1. to receive the Annual Report, including financial statements and Auditors' Report for the fiscal year ended December 31, 1991;

2. to elect Directors;

3. to appoint auditors and authorize the Directors to fix the remuneration of the auditors; and

4. to transact such other business as may properly come before the meeting or any adjournment thereof.

A copy of each of the said reports and financial statements and an Information Circular accompany this Notice.

DATED at Toronto, Ontario, this 18th day of March, 1992.

By Order of the Board,

JOHN B. SAGE
Secretary

Shareholders are entitled to vote at the meeting either in person or by proxy. If it is not your intention to be present at the meeting, please exercise your right to vote by promptly signing, dating and returning the attached form of proxy in the envelope provided for that purpose.

KERR ADDISON MINES LIMITED

Suite 2901
1 Adelaide Street East
Toronto, Ontario
M5C 2Z7

INFORMATION CIRCULAR
for the
ANNUAL MEETING OF SHAREHOLDERS
to be held on May 1, 1992

SOLICITATION OF PROXIES

This circular is furnished in connection with the solicitation by the management of Kerr Addison Mines Limited (hereinafter referred to as the "Corporation") of proxies to be voted at the annual meeting of shareholders to be held on the 1st day of May, 1992 and at any and all adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting. The solicitation is intended to be primarily by mail and the cost thereof will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons designated in the accompanying form of proxy are Officers of the Corporation. A shareholder has the right to appoint some other person to represent him at the meeting and he may exercise this right by striking out the names of the persons designated and by inserting such person's name in the blank space provided in the form of proxy. The accompanying form of proxy, when properly signed, confers discretionary authority with respect to amendments or variations of matters identified in the accompanying Notice of Meeting and other matters which may properly be brought before the meeting.

All Common Shares represented by properly executed proxies in the accompanying form deposited with The Royal Trust Company, Corporate Trust Services, P.O. Box 475, Adelaide Street Postal Station, Toronto, Ontario, M5C 2J5 prior to the date of the meeting or with the Chairman of the meeting prior to its commencement, will be voted or withheld from voting as directed. In the event no direction is given it is intended that the proxy will be voted **FOR** in each case.

If the appointor is a corporation the instrument of proxy must be signed under its corporate seal or under the hand of an officer or attorney so authorized.

A shareholder who has appointed a proxy in the accompanying form has the power to revoke it at any time before it is exercised by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either with the Secretary of the Corporation at its head office at Suite 2901, 1 Adelaide Street East, Toronto, Ontario, M5C 2Z7 prior to the date of the meeting or with the Chairman of the meeting prior to its commencement.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation's issued and outstanding capital consists of 17,589,852 Common Shares (hereinafter sometimes referred to as "Shares") without par value. Each shareholder is entitled to one vote for each Share registered in the shareholder's name on the list of holders of Common Shares prepared as of the March 17, 1992 Record Date, unless a person has transferred Shares after March 17, 1992 and the new holder of such Shares establishes proper ownership and requests at any time before the meeting to be included on the list of shareholders.

To the knowledge of the management, the following are the only persons or companies who beneficially own, directly or indirectly, or who exercise control or direction over, more than 10% of the issued Shares of the Corporation.

Name	*Number of Shares held*	*% of total Shares issued*
Noranda Inc.	8,497,807	48.3%
Ontario Municipal Employees Retirement Board	2,545,900	14.5%

ELECTION OF DIRECTORS

Pursuant to the By-laws of the Corporation, the number of Directors may be determined from time to time by resolution of the Directors, and, accordingly, the Board of Directors shall be increased in number from 11 to 12 effective at the time of election of Directors. As a result there will be twelve (12) Directors elected at the said shareholders' meeting, each to hold office until the next annual meeting or until his successor is elected or appointed. Proxies given pursuant to this solicitation by management will be voted **FOR** the election as Directors of the following proposed nominees, all of whom are presently Directors of the Corporation, except Mr. David L. Bumstead, who has not previously been elected to the Board of Directors;

Name and office held with the Corporation	*Principal Occupation*	*Director Since*	*Number of Shares of the Corporation owned or controlled*
Alex G. Balogh	President & Chief Executive Officer, Noranda Minerals Inc. (mining and metals)	1991	Nil
Ian D. Bayer	President & Chief Executive Officer, Hemlo Gold Mines Inc. (mining)	1982	43,100
David L. Bumstead	President, Noranda Sales Corporation Ltd. (minerals products marketing and sales) since July 1990 and Executive Vice-President, Noranda Minerals Inc. since November 1989, prior to which he was Vice-President, Noranda Minerals Inc.	–	Nil
Philip S.Cross, P.Eng.	Consultant to the Corporation	1978	500
André Y. Fortier *President & Chief Executive Officer*	President & Chief Executive Officer of the Corporation since July 1991, prior to which he was Senior Vice-President, Noranda Inc. (natural resources developers, operators and manufacturers). Prior to January 1989, he was Vice-President, Employee Relations, Noranda Minerals Inc.	1991	30,000
John A. Hall	Company Director, Mining Engineer	1982	1,000
Keith C. Hendrick *Chairman of the Board*	Senior Vice-President, Noranda Inc. and Chairman, Noranda Minerals Inc.	1986	Nil
David W. Kerr	President & Chief Executive Officer, Noranda Inc.	1987	10,000
James W. McCutcheon, Q.C.	Counsel, McCarthy Tétrault (barristers & solicitors)	1975	1,000
Jean P.W.Ostiguy, O.C.	Company Director	1968	100
Alfred Powis, O.C.	Chairman, Noranda Inc.	1969	2,711
E. Courtney Pratt	Senior Vice-President – Human Resources and Strategic Planning, Noranda Inc.	1988	Nil

NOTES:

The information as to the number of Shares owned or controlled, as shown above, has been provided by the Directors individually. Mr. McCutcheon holds 1,000 shares and Mr. Cross holds 500 shares of Minnova Inc., a subsidiary of the Corporation.

It is not contemplated that any of the nominees will be unable or unwilling to serve as a Director. If, for any reason any of them shall be unable or unwilling to serve, a substitute will be nominated by management.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors each year elects from its number an Executive Committee and an Audit Committee. The Directors presently serving on the Executive Committee are Messrs. I.D. Bayer, K.C. Hendrick, D.W. Kerr, J.W. McCutcheon, J.P.W. Ostiguy and A. Powis. The Audit Committee is presently comprised of Messrs. J.W. McCutcheon, J.P.W. Ostiguy and A. Powis.

REMUNERATION OF EXECUTIVE OFFICERS

The five "Executive Officers" of the Corporation, as defined in applicable securities legislation, were paid cash compensation, by the Corporation aggregating $622,383 during the fiscal year ended December 31, 1991. Some of these Officers also received non-cash personal benefits during the year which did not exceed $34,000 in aggregate value.

Under the Share Purchase Plan of the Corporation established in 1970, the Board of Directors from time to time authorizes the Corporation to make interest-free loans to a corporate trustee to be applied in payment of the subscription price of Common Shares of the Corporation to be purchased by the trustee from treasury for sale to key employees of the Corporation or of any subsidiary of the Corporation. Each employee gives the trustee a promissory note for the price of the Shares sold to him and pledges the Shares as collateral security for the payment of the note, which is required within seven years from the sale date. The Plan was amended in 1987 to provide that loans made thereafter shall bear interest equal to the cash dividends paid on the pledged Shares, and must be repaid within a maximum period of five years.

Indebtedness of the "Senior Officers," as defined in applicable securities legislation, and other employees of the Corporation under the Share Purchase Plan during the year ended December 31, 1991 was and at present is as follows:

Name	*Largest amount outstanding during year ended December 31, 1991*	*Amount currently outstanding*
Peter Bojtos, Willowdale, Ontario	$243,000	$243,000
Arthur H. Cross, Scarborough, Ontario	64,800	64,800
André Y. Fortier, Montreal, Quebec	455,700	455,700
John B. Sage, Etobicoke, Ontario	87,498	87,498
Other employees (in the aggregate)	89,450	89,450

REMUNERATION OF DIRECTORS

In accordance with the By-laws of the Corporation, each Director is remunerated for his services as a Director at such rate as the Board may from time to time determine, and is reimbursed in respect of the out-of-pocket expenses incurred by him in attending meetings of the Board or of any committee of the Board of which he is a member. Each Director of the Corporation who is not a full-time employee of the Corporation is eligible to be compensated at the rate of $10,000 per annum. Each Director who is not an Officer or full time employee of the Corporation is also eligible to be compensated at the rate of $500 for each meeting of any committee of the Board attended by him.

APPOINTMENT OF AUDITORS

Proxies given pursuant to this solicitation by management will be voted in favour of the reappointment of Ernst & Young, Chartered Accountants, as auditors of the Corporation to hold office until the close of the next annual meeting of shareholders, and for the authorization of the Board of Directors of the Corporation to fix the remuneration of the auditors.

OTHER BUSINESS

Management of the Corporation knows of no matters to come before the meeting other than the matters referred to in the Notice of Meeting. However, if matters not now known to management should properly come before the meeting, Shares represented by proxies solicited by management will be voted on each such matter in accordance with the best judgment of the nominees voting same.

APPROVAL

The contents and the sending of this Information Circular have been approved by the Board of Directors of the Corporation.

DATED at Toronto, Ontario, this 28th day of February, 1992.

JOHN B. SAGE
Secretary

Printed in Canada

FINANCIAL SUMMARY

For The Years Ended December 31

(millions of dollars)	1991	1990	1989	1988	1987
Net sales	$161.0	$211.6	$131.7	$109.9	$ 90.2
Net income	3.2	17.6	12.6	10.5	24.0
Cash and short-term securities	120.2	89.7	94.7	128.2	203.1
Total assets	588.8	629.2	663.0	683.3	695.7
Long-term debt	45.0	75.0	125.0	125.0	135.0
Shareholders' equity	350.8	357.7	350.4	348.2	348.1
(dollars per share)					
Net income	$ 0.18	$ 1.00	$ 0.72	$ 0.60	$ 1.38
Dividends declared	0.60	0.60	0.60	0.60	0.60

In This Report
Dollars are Canadian unless otherwise noted.
As at December 31, 1991 US$ = Cdn. $1.16 (1990: US$ = Cdn. $1.16)

HIGHLIGHTS

- Cash from operating activities increased to $72.5 million, or $4.12 per share.
- Production records were achieved at mining operations.
- Acquired undeveloped high-grade zinc and copper reserves at Izok Lake in the Northwest Territories.
- CEZinc's new No. 3 cellhouse now operating at capacity after successfully resolving major start-up problems.
- Anderson had record oil and gas production and acquired significant additional oil and gas assets.

Kerr Addison Mines is a company with an enviable reputation. When I was appointed President and Chief Executive Officer in July 1991, I joined an organization with a strong commitment to shareholder return. Over the years, the commitment has been maintained from its history as a mine operator, through its ownership of companies like Minnova Inc., and through its close association with its major shareholder, Noranda Inc. The Company's investments in Noranda Inc. (3.9%), in Anderson Exploration Ltd. (30.2%), and in Canadian Electrolytic Zinc (9.8%) substantiate this commitment to the creation of shareholder wealth.

Kerr Addison is well positioned to pursue its long term strategy of mining as its core business. The limited life of existing mining operations will allow the reassignment of solid mining expertise to the development of new ore reserves. The Company's strong financial position will support this development by making necessary funds available.

Minnova continues to be our primary operating subsidiary. Its challenge is to renew its ore reserves and it is in a strong financial position to do so. Major capital investments in new mines, made over the last few years, have been recovered. Initiatives to address the issue of ore reserves were taken in the latter part of 1991 with the acquisition of three massive sulphide deposits in the Northwest Territories. One of them, Izok Lake, could be in production in 1997. The Frotet gold-copper project north of Chapais, Quebec, a joint venture with Kerr Addison, could be in production in late 1994. Other projects may be identified while exploration continues on properties already known as having extensive mineralization. Kerr Addison's direct participation in joint exploration activities with Minnova will be reduced in 1992 because of a lower consolidated earnings contribution from mining and increased expenditures on mining property development.

In 1991, we announced our intention to sell our interest in Anderson Exploration Ltd., but the sale has not yet been realized. We maintain our intention to sell our investment in this enterprising oil and gas company, but at the right price. We are supportive of the initiatives taken by Anderson's management to enhance shareholder value, and therefore Kerr Addison's. Our philosophy about our other investments is similar. We shall dispose of them if and when the right price can be obtained, and use the funds to support our increasing activity in mining.

Our investment in Canadian Electrolytic Zinc Ltd. falls into this category. It has been an excellent investment over the years. It is a world-class operation and will be most competitive in the future.

In the application of its strategy to retain mining as its core business, Kerr Addison pursues excellence in its conduct towards its stakeholders and in the management of the environment. We are living the environmental policy developed some time ago. It is implemented at all operations with which we are associated, including those of Minnova. Each mining division has an environmental plan and works in close cooperation with the proper authorities and agencies to ensure that our commitments are met.

As the Lac Shortt and Samatosum operations are phased out, we shall repeat our commitment to excellence, be it in the environmental area or in employee or community relations. We strongly believe that there should be no surprises in our dealings with our communities and we will strive for a tremendous amount of co-operation. We achieved this standard in the closure of the Opemiska mines and we will do so again.

Kerr Addison arrived at the end of 1991 remarkably well positioned for the challenges that lie ahead. It is not encumbered by debt and its financial assets are readily convertible, giving it considerable flexibility. My predecessor, Ian Bayer, deserves the credit for the growth that the Company experienced under his leadership. To lead a company through the major changes of the last 10 years with the success experienced requires not only leadership, but a strong commitment to succeed. Ian Bayer demonstrated both of these qualities during his term with Kerr Addison.

However, the work of one individual cannot be effective without the support of the people throughout the organization. In this regard, Kerr Addison is well endowed, in that a strong commitment to the Company's success is demonstrated by all of our employees. Their efforts contributed in a significant way to our results in 1991 and, with their continuing support, we look forward to the challenges of the years ahead as we take the steps to enhance the Company's future and the wealth of our shareholders.

André Y. Fortier

President and Chief Executive Officer

Toronto, Canada, February 7, 1992

MINNOVA CONTINUES TO BE OUR PRIMARY OPERATING SUBSIDIARY. ITS CHALLENGE IS TO RENEW ITS ORE RESERVES AND IT IS IN A STRONG FINANCIAL POSITION TO DO SO. MAJOR CAPITAL INVESTMENTS IN NEW MINES OVER THE PAST FEW YEARS HAVE BEEN RECOVERED.

KERR ADDISON PURSUES EXCELLENCE IN ITS CONDUCT TOWARDS THE MANAGEMENT OF THE ENVIRONMENT. EACH MINING DIVISION HAS AN ENVIRONMENTAL PLAN AND WORKS IN CLOSE COOPERATION WITH THE PROPER AUTHORITIES AND AGENCIES TO ENSURE THAT ITS COMMITMENTS ARE MET.

ANDERSON EXPLORATION ACHIEVED RECORD OIL AND GAS PRODUCTION DURING 1991. THE FOCUS OF ITS EXPLORATION CONTINUED TO BE DIRECTED TOWARDS FINDING OIL IN THE D-1 PROSPECT AREA OF THE PEACE RIVER ARCH AND FINDING NATURAL GAS IN EASTERN ALBERTA.

MINNOVA HAS ACQUIRED SEVERAL BASE METAL PROPERTIES IN THE NORTHWEST TERRITORIES. THE ZINC/COPPER DEPOSITS ARE LOCATED 360 KILOMETERS NORTH OF YELLOWKNIFE. THE MAJOR CHALLENGE WILL BE TO DEVELOP AN INFRASTRUCTURE TO SUPPORT A REMOTE OPERATION AND TO ENABLE SEASONAL TRUCKING OF LARGE QUANTITIES OF CONCENTRATES ON WINTER ROADS TO AN ARCTIC PORT.

CEZinc's NEW 230,000 TONNE NO. 3 CELLHOUSE BECAME FULLY OPERATIONAL AND WAS PRODUCING AT CAPACITY BY MID-FEBRUARY 1991. THIS MARKED THE COMPLETION OF ITS MAJOR MODERNIZATON PROGRAM.

MINING

The mining operations achieved or exceeded most of their production goals in 1991. Contained metals amounted to almost 42,000 tonnes of copper, 57,000 tonnes of zinc, 104,000 ounces of gold and 4.3 million ounces of silver. Unit operating costs were reduced at all the operations. Revenues, however, declined significantly because of lower metal prices and the strength of the Canadian dollar. All of the divisions recorded a cash operating profit contribution.

Lac Dufault Division

The Ansil mine, located near Rouyn-Noranda, Quebec, completed its second full year of production at record levels. The division contributed a cash operating profit of $41.5 million compared to $51.4 million in 1990.

As expected, underground conditions deteriorated because of the high rock stresses in the mine. The problems with the ore pass that were encountered during 1990 recurred in the second half of 1991 due to these increasing stresses. Production, however, was not significantly affected while repairs were made. As a result of good rock mechanics analyses, engineering design, and mining practice, the mine achieved total recovery of the ore while maintaining safe working conditions.

The Norbec mill achieved record high copper and gold recoveries of 97.9% and 89.4% respectively to produce 118,805 tonnes of copper/gold concentrates. In 1992, zinc concentrates will also be produced as a result of mining in the zinc-rich portion of the Ansil orebody. The tailings pond capacity was increased during the year to enable it to hold all future Ansil tailings. Rehabilitation and revegetation of the former Millenbach mine site was completed successfully.

Winston Lake Division

The Winston Lake Division, situated near Schreiber, Ontario, once again met all its operational targets. The division's reduced cash operating profit in 1991 of $16.3 million, compared to $36.3 million in 1990, was due solely to lower average metal prices throughout the year. The lower revenues were partially off-set by reduced operating costs achieved as a result of productivity improvements in all areas of the operation. Development of the lower ore zone has commenced which will permit the operation to maintain its 1,000 tonnes per day production rate from 1993 onwards.

The mill produced 101,643 tonnes of zinc concentrates and 13,714 tonnes of copper concentrates. A particle size monitor was integrated into the process control system along with an Expert Systems computer package. This will assist in improving zinc recovery and in decreasing reagent and power consumption. High environmental standards were maintained in all facets of the operation. Concentrate handling facilities and practices were modified to eliminate any further problems with dusting.

Lac Shortt Division

The Lac Shortt gold mine, located west of Chapais, Quebec, performed as planned in spite of the difficult conditions resulting from the highly stressed ground in the mine. The division achieved a cash operating profit of $1.4 million compared to $1.7 million in 1990.

By year end, the stoping and surface pillar extraction were nearing completion with 73,000 tonnes of ore remaining to be mined. Closure of the mine is planned for March 1992. A minesite closure and rehabilitation plan has been submitted to the provincial government for approval.

Samatosum Division

At the Samatosum operation, near Barriere, British Columbia, the underground exploration program at the base of the open pit, started in 1990, was completed by mid-year and required a major readjustment of the stated ore reserves. As a result, the year end ore reserves at Samatosum have declined by the quantity mined during the year as well as from a further negative adjustment of 197,000 tonnes. A decision was made in mid-1991 to extract the remaining ore by underground mining methods.

The development of the underground mine began in August 1991 and ore was being supplied to the mill throughout the fourth quarter. A total of 83,000 tonnes of ore will be extracted from underground and the life of the operation will now be extended to September 1992. Production from the open pit will be concluded in April 1992.

The Company's share of this division's cash operating profit was $7.4 million compared to $11.4 million in 1990. The mill produced 4,763 tonnes of copper concentrates, 4,962 tonnes of zinc concentrates and 2,673 tonnes of lead concentrates. The precious metals are contained chiefly in the copper concentrates.

FINANCIAL REVIEW

	Lac Dufault		Winston Lake		Lac Shortt		Samatosum		Opemiska	
	1991	1990	1991	1990	1991	1990	1991	1990	1991(1)	1990
Average price received										
copper ($ per pound)	1.17	1.31	1.16	1.37			1.14	1.38	1.23	1.35
zinc ($ per pound)		0.63	0.58	0.79			0.58	0.83		
lead ($ per pound)							0.28	0.42		
gold ($ per ounce)	412	438	405	494	413	489	408	438	410	434
silver ($ per ounce)	4.57	5.20	4.55	4.93			6.58	5.83	4.72	5.20
($000s)										
Net sales	62,355	73,619	39,080	60,696	18,754	20,899	21,733	34,406	13,123	17,150
Cost of production:										
Mining	11,618	14,085	11,729	13,376	8,249	10,062	6,929	11,141	3,842	9,362
Milling	4,845	4,385	5,533	5,451	3,683	3,772	3,461	3,785	693	1,358
Plant	1,331	1,457	1,402	1,343	2,246	2,108	362	406	1,834	3,444
General	3,069	2,255	4,114	4,224	3,139	3,199	1,732	1,607	2,068	3,511
Total operating costs	20,863	22,182	22,778	24,394	17,317	19,141	12,484	16,939	8,437	17,675
Operating profit (loss)	41,492	51,437	16,302	36,302	1,437	1,758	9,249	17,467	4,686	(525)
Minority interest					62	96	1,014	4,420		
Royalties							830	1,667		
Underground exploration		453			53	390				429
Depreciation & amortization	18,934	19,799	10,818	10,235	6,879	11,283(2)	6,047	9,873	234	934
Profit (loss) before tax	22,558	31,185	5,484	26,067	(5,557)	(10,011)	1,358	1,507	4,452	(1,888)

(1) Based on six months' production. (2) Excludes write-down of $10,000,000

PRODUCTION REVIEW

	Lac Dufault		Winston Lake		Lac Shortt		Samatosum		Opemiska	
	1991	1990	1991	1990	1991	1990	1991	1990	1991(1)	1990
Tonnes milled (000s)	440	425	347	346	367	349	178	169	198	340
Grade:										
copper, %	7.5	8.2	1.2	1.1			0.8	1.2	3.0	1.8
zinc, %			16.4	17.7			2.2	2.9		
lead, %							1.1	1.6		
gold, grams per tonne	2.7	2.4	1.7	1.4	4.1	4.1	1.3	1.9	2.0	1.7
silver, grams per tonne	28.2	29.9	38.7	36.6			690.0	1,072.0	21.4	13.4
Production:										
copper, pounds (000s)	70,703	75,091	7,582	6,698			2,555	3,225	12,589	12,915
zinc, pounds (000s)		520	119,161	128,960			5,554	7,099		
lead, pounds (000s)							2,822	5,831		
gold, ounces	34,474	30,032	7,768	6,954	45,448	42,855	5,319	8,998	10,870	16,542
silver, ounces (000s)	299	325	192	160			3,673	5,342	117	121
Operating cost: $ per tonne milled	47.41	52.14	65.61	70.43	47.20	54.78	70.29	100.14	42.52	52.02
Number of employees, December 31	190	199	177	174	111	154	47	51	43	214
Lost time accident frequency per 200,000 hours worked	2.9	4.6	2.7	1.3	3.2	0.7	3.9	0.0	1.6	5.9

(1) Based on six months' production.

Opemiska Division

With the exhaustion of its ore reserves, the Opemiska operation was closed at the end of June after an illustrious 38 year mine life. It was very profitable in its final months generating a $4.7 million cash operating profit, compared to a loss of $0.5 million in the previous year.

The Company's comprehensive communication program with its employees and the community of Chapais, Quebec, combined with a fair severance package, helped the community manage the impact of the closure. Dismantling of the facilities is now underway and site reclamation will commence in 1992.

ORE RESERVES

(Diluted) at December 31, 1991

Deposit	Category	Tonnes	% Copper	% Zinc	% Lead	g/t Silver	g/t Gold
Ansil	proven	428,000	6.3	1.4		22.4	1.2
	probable	118,000	3.3	1.3		13.0	0.4
	Total	546,000	5.6	1.4		20.4	1.0
Winston Lake	proven	870,000	1.2	15.5		33.5	1.5
	probable	755,000	0.9	12.6		25.1	1.0
	possible	201,000	0.9	10.6		21.2	0.6
	Total	1,826,000	1.0	13.8		28.7	1.2
Lac Shortt	proven	73,000					4.1
Samatosum	proven	108,000	0.8	1.8	1.1	703.0	1.2

g/t-grams per tonne

EXPLORATION AND DEVELOPMENT

Exploration expenditures declined in 1991 to $19.7 million from the 1990 level of $23.9 million. This reflects the substantially decreased expenditures on the Mobrun 1100 lens and on underground exploration at the mining operations. Exploration for base and precious metals continued throughout the year in the Canadian Shield areas of Quebec, Ontario and Manitoba; in British Columbia; and in the southwestern United States, principally in Nevada. In addition, an office has been established in Panama City, and exploration programs are underway in Panama and Bolivia.

Izok Lake

In November, Minnova announced that it was acquiring several base metal properties in the Northwest Territories, the most significant of which is the Izok Lake deposit.

The Izok Lake, Hood River and Gondor polymetallic sulphide deposits were acquired after year end for US$20 million and certain capped royalties. An exploration program in 1992 is being designed to increase the tonnage and confidence of the reserves at Izok Lake. The deposit is located about 360 kilometers north of Yellowknife. At present, the drill-indicated reserves are 13.4 million tonnes at a grade of 3.2% copper, 14.4% zinc, 1.3% lead and 74.1 grams of silver per tonne. Engineering and environmental baseline studies to define project parameters and costs will also be undertaken.

The major challenge to the project is in the development of infrastructure to support a remote operation and to enable seasonal trucking of large quantities of metal concentrates on winter roads to an Arctic port. A mine could possibly be developed for start-up in 1997.

RFC Resource Finance Corporation

Kerr Addison owns a 46% equity interest in RFC Resource Finance Corporation which is evaluating its Pend Oreille zinc-lead property located in northeastern Washington. A 19,000 foot, 13-hole underground diamond drilling program was carried out during the year to extend the limits of the known mineralization of the Northeast zone in the Yellowhead horizon. This highly successful program confirmed the continuity and the increasing grade and thickness of the deposit in this area. Drill-indicated geological reserves were increased to 3.9 million short tons at 10.4% zinc and 1.7% lead which represents a 24% increase of contained zinc metal over previous reserves. RFC is now attempting to secure the financing necessary to complete a feasibility study.

Mobrun

Studies of the Mobrun 1100 lens, in the Lac Dufault area of Quebec, continued throughout the year examining several scenarios at various operating rates. Minnova completed the requirements of earning into a 50% joint venture interest in the deposit. At year-end, all work had stopped while Audrey secures its financing.

Frotet

A prefeasibility study is nearing completion on this large gold-copper deposit located 120 kilometers north of Chibougamau, Quebec. Open-pittable, drill-indicated geological reserves are 36 million tonnes at a grade of 1.6 grams of gold per tonne. Substantial additional mineralization has been identified both within and beneath the outlines of a 200 meter deep open-pit. A decision to undertake a feasibility study is pending.

Pick Lake

Additional drilling at Pick Lake, situated 1.5 kilometers southwest of the Winston Lake mine, failed to locate any substantial additional tonnage. Several studies are in progress to determine if additional work should be carried out.

REFINING

Canadian Electrolytic Zinc

The CEZinc refinery in Valleyfield, Quebec, had a disappointing year as a result of depressed zinc metal prices coupled with significant production disruptions. Production of zinc slab amounted to 199,000 tonnes in 1991 compared to 202,000 tonnes in the previous year. The operation contributed a net loss of $0.5 million in 1991 to Kerr Addison compared to a net income contribution of $2.8 million in 1990.

The new 230,000 tonne No. 3 cellhouse became fully operational and was producing at capacity by mid-February. This marked the completion of CEZinc's major modernization program and allowed for the shutdown of the No. 1 and No. 2 cellhouses. The operations were severely affected by several major operating upsets in the second and third quarters. Most of the disruptions were a result of using inappropriate procedures and parameters to meet the demanding operating discipline of the new cellhouse. These start-up problems have now been resolved. By the fourth quarter, the plant was running as expected.

CEZinc continued with its strategy of extending into downstream value-adding processes. The zinc powder plant, which started in 1990, continued to operate successfully. It produces a specialized form of the metal for battery manufacturers. A second zinc pellet production line was constructed and will come on stream in 1992. The refinery was granted a prestigious certification for meeting an internationally recognized quality assurance standard known as ISO 9002. These initiatives ensure that CEZinc will remain one of the world's leading refiners and suppliers of zinc.

Anderson Exploration Ltd.

During 1991, Anderson Exploration accomplished several notable achievements in exploration, operations, production, marketing and acquisitions. In spite of these successes, Anderson's cash flow from operations declined to $36.3 million in 1991 from $38.2 million the year previously. This was Anderson's first decline in cash flow since 1986.

With the slowdown in activity in Alberta's oil and gas industry, land prices and the offered acreage declined significantly. Anderson took advantage of this situation and continued to be active, but very selective, in land acquisition. The focus of exploration continued to be directed towards finding oil in the D-1 prospect area of the Peace River Arch and finding natural gas in eastern Alberta. The ongoing interpretation of 3-D seismic data in the Peace River area has led Anderson to the discovery of 13 new D-1 pools, as well as gas and oil in horizons other than the D-1 formation. Natural gas additions to reserves were accomplished by the continued success of the eastern Alberta gas exploration program. However, oil reserves declined because reduced drilling activity did not keep pace with record production.

Anderson's gas production volumes achieved an all-time high over the year. Even though production from Dunvegan was reduced due to pipeline restrictions, production that was chiefly from Anderson's new Wildmere plant more than compensated for the decrease. The average selling price for Anderson's gas was $1.68 per thousand cubic feet. The company has traditionally been a pipeline system supplier, but has diversified its marketing tactics recently by entering into some short-term contracts. At Dunvegan, Anderson

Anderson's Highlights

September 30th year end

Financial: ($000s)	1991	1990
Revenues (net of royalty)	$ 72,000	$ 66,300
Net earnings	6,000	13,200
Cash flow from operations	36,300	38,200
Net capital expenditures	33,000	72,500
Long-term debt	73,000	75,000
Shareholders' equity	191,800	182,700
Production:		
Natural gas		
(millions of cubic feet per day)	76.6	66.0
Oil (barrels per day)	4,346	3,821
Natural gas liquids (barrels per day)	1,082	1,162

Reserves:	1991	1990
Natural gas (billions of cubic feet)		
Proven	619	575
Proven plus probable	907	872
Oil and gas liquids		
(millions of barrels)		
Proven	15.2	16.4
Proven plus probable	22.3	24.0
Drilling Activity:		
Wells drilled		
Gross	73	105
Net	54	77

installed an underground gas storage system, capable of storing 20 billion cubic feet of gas in a sandstone formation at a depth of 3,000 feet. This is only the third such system in Alberta and it cost $1.9 million. Gas is injected into the storage formation during periods of low demand, for retrieval during periods of high demand. This system also helps to maintain field deliverability and to optimize recovery from the fields.

Oil production volumes reached new records and the average selling price increased to $24.63 per barrel, compared to $21.47 per barrel in the previous year. In addition, a successful hedging program was instituted during a period of high prices early in the year.

In January 1992, Anderson completed the acquisition of all the outstanding shares of Columbia Gas Development of Canada Ltd. for $109.3 million, which included $10.5 million in working capital. Based on an independent evaluation, Columbia has proven and probable reserves of 5.5 million barrels of oil and natural gas liquids and 149 billion cubic feet of natural gas. Columbia holds 319,000 net acres of undeveloped land in western Canada with 80% of it located in Alberta. In November 1991, the Columbia properties produced at a rate of 1,700 barrels per day of oil and natural gas liquids and 35 million cubic feet of gas per day. Columbia operates 62% of its production. In addition to its oil and gas assets, Columbia has $219 million in unused tax pools.

Since 1986, Anderson has managed to increase both its production and its reserves. Long-term obligations in the form of bank debt and from take-or-pay gas contracts have been reduced by $46.4 million. The company has maintained a healthy level of capital expenditures averaging approximately $32 million per year and, until the past year, cash flow and net earnings have increased every year. Anderson has an excellent staff that views the future with optimism, yet is realistic about the probable tough-times ahead in the near term.

Peter Bojtos, P. Eng.
Vice-President, Corporate Development
Toronto, Canada, February 7, 1992

OPERATIONS

Operating profit for the year of $17.8 million was down markedly from the $39.4 million in 1990 and compares with $15.3 million in 1989. The reduction in operating profit was primarily the result of lower prices for all metals produced.

Physical production of metal compared favourably with that of last year with the exception of silver and lead produced at the Samatosum mine in British Columbia, which amounted to 71% and 43%, respectively, of 1990 totals. The Opemiska Division was closed as scheduled on June 28, 1991. Its ore production was 58% of last year's twelve month total while improved grades, during the final six months of mining, kept its copper output at 97% of the prior year. The other four mining divisions processed increased tonnages of ore at slightly lower grades which resulted in our production of zinc, copper and gold being just below 1990 levels.

Start up problems with the new cellhouse at CEZinc, in addition to lower zinc prices, curtailed the net profit contribution of this facility. The operating efficiency of the plant showed a marked improvement in the closing months of 1991, with production running at 100% of capacity.

Metal prices, on average, were lower in 1991. Zinc, especially, was down 26% from a year ago, with copper trending 11% lower. The precious metals, gold and silver, were priced less than in 1990 by 6% and 16% respectively. Silver traded at a sixteen year low of US$3.58 per ounce during 1991.

Forward sales positions, related to the production of metals, are taken from time to time, primarily to ensure the recovery of the capital cost of a mine. During 1991, hedging activities added $5 million to silver sales values and $0.5 million to copper.

In 1991, the Canadian dollar averaged $1.15 in relation to US$1.00. This compares to $1.18 in 1990. Had the Canadian dollar not stengthened to this extent, it is estimated that the Company's net sales would have been $7.7 million greater.

Total cost of production was lower than in 1990 because of the Opemiska closing and reduced costs at each of the other mining operations. CEZinc's operating costs were about the same. Depreciation and amortization costs were down from last year as a result of lower silver output at Samatosum (silver production is the basis for calculating depreciation and amortization at this operation) and the $10 million write-down of the Lac Shortt gold mine in 1990.

INVESTMENTS

The gain on sale of investments and other assets, at $4.0 million, includes $4.8 million recognized on the scheduled redemption of the promissory note acquired in respect of the sale of substantially all of our interest in the Canadian Hunter Joint Venture, less a $0.8 million loss on the sale of other assets. This compares with a $4.8 million gain in 1990 and the initial gain of $7.6 million recorded in 1989 on the sale of Hunter. Last year's total also included a dilution gain of $2.6 million related to the issue of common shares by Anderson Exploration Ltd.

Dividend and interest income at $22.0 million compares with $23.3 million in 1990 and $25.5 million in 1989. The current year's earnings reflect lower dividend income. Interest income, in spite of lower rates, was larger because of increased funds available for investment.

The loss of $0.8 million attributed to Anderson Exploration Ltd. compares with profit shares of $1.9 million in 1990 and $2.4 million in 1989. The reduction in earnings at Anderson Exploration is primarily the result of lower gas prices together with higher operating costs. Production was about the same. In January 1991, Kerr Addison announced its intention to sell all of its interest in Anderson. This intention remains valid, but is subject to improved market conditions.

MINERAL EXPLORATION

The cost of exploring for minerals in 1991, at $19.7 million, is down $4.2 million from last year mostly because of reduced expenditures on the Mobrun 1100 lens project. Minnova Inc. completed its expenditure commitment on the 1100 lens deposit and now owns a 50% interest therein. Work on the project is presently suspended while Minnova's partner arranges financing. The Frotet gold project in Quebec has had a prefeasibility study done. The decision to carry out a full feasibility study in 1992 is pending. Additional drilling and engineering studies on the Pick Lake project, near the Winston Lake mine, failed to increase the previously indicated reserve tonnage. Studies are underway to determine whether or not further deep drilling should be carried out. An exploration budget of $15 million is planned for next year. This will include expenditures on the recently acquired Izok Lake deposit in the Northwest Territories which has drill-indicated reserves estimated at 13.4 million tonnes of possible and probable zinc/copper ore. Funding for exploration is provided from operating cash flow. An office was opened in the Republic of Panama during 1991 from which exploration activities in Central and South America are carried out.

OTHER ITEMS

There were no transactions in 1991 that were the equivalent of the write-down of the Lac Shortt property and the refund of Quebec mining duties in 1990.

A year ago, provisions for mine closure costs totalled $13.5 million, of which $7.0 million was carried as a current liability and $6.5 million was long term. During 1991, $6.8 million was spent on mine reclamation work, $1.5 million was deleted from the provision upon return of the former Agnew Lake mine property to the Crown, and an addition of $2.0 million was made to bring the provision in line with current expectations of future closure costs. At December 31, 1991, a $7.0 million mine closure provision was classified as a current liability.

Provisions for mine closure costs are, of necessity, uncertain estimates of future costs because definitive closure plans cannot be made or approved by the regulatory authorities until each of the mines has ceased operations. Additional provisions against closure will be charged to future years' operations.

The Company is committed to a program of responsible environmental management and is substantially in compliance with environmental regulations at all of its operations. The provision for closure will be reviewed regularly to determine its adequacy. There can be no assurances that future changes in the standards and regulations will not have a negative impact on future operating results, but management feels that such future changes would not reduce significantly the Company's financial strength.

Income tax recoveries were reduced by $9.4 million this year due to lower resource income, lower non-taxable dividend income and reduced refunds of Quebec mining duties.

Net income for the year was $3.2 million compared with $17.6 million in 1990 and $12.6 million in 1989.

CAPITAL EXPENDITURES

During 1991, $7.8 million was invested in property, plant and equipment ($19 million in 1990). Approximately 62% of the amount was spent to complete the raising of the Winston Lake tailings dam and 25% was for the completion of the CEZinc plant modernization. The remainder is for capital costs of an ongoing replacement nature. Capital costs for 1992 will include US$20 million for the acquisition of the mineral deposits in the Northwest Territories and $1 million for ongoing capital requirements.

LIQUIDITY AND CAPITAL RESOURCES

Cash and short-term securities at December 31, 1991 of $120.2 million were up $30.5 million from a year ago and compare with $94.7 million at year end 1989. After providing for the planned capital expenditures in 1992, the cash position should still increase over the next few years, in the absence of further major capital expenditures, on the strength of projected cash flow. The note receivable from Noranda Inc. of $35.1 million ($46.8 million in 1990) is expected to be redeemed rateably over the next three years. This holding, together with the 7.4 million shares of Noranda Inc. which is no longer subject to an enforced disposition, and the investment in Anderson Exploration Ltd. have a book value of $241 million. The Company intends to liquidate these holdings at the appropriate time and re-deploy the funds to the expansion of our mining interests.

Long term debt was reduced by $30 million on December 31, 1991, with proceeds from the sale of short term securities., to stand at $45 million.

Two Canadian chartered banks provide revolving lines of credit totalling $150 million. Loans under these facilities may be funded by way of bankers' acceptances (currently, $45 million are outstanding), demand loans at the banks' prime rate or United States Eurodollar loans. The credit facilities expire on January 31, 1993 and will be reviewed, prior to their expiry dates, with the intent of renewing them.

With a positive outlook for cash flow, $149 million of working capital and its relatively large investment portfolio, the Company views itself as well-positioned to take advantage of new opportunities in the mining industry.

OUTLOOK

The Company's long term strategy maintains mining as its core business. It will continue to concentrate its management resources and funds on increasing its participation in mining. In the near term, faced with closure of the Lac Shortt and Samatosum Divisions in 1992 and the Ansil mine at Lac Dufault the following year, replacement of ore reserves remains the most important mission for Kerr Addison. The development of the recently acquired mineral deposits in the Northwest Territories, as well as the Frotet gold project in Quebec, is within the Company's technical and financial resources. Furthermore, the Company will continue its search for high quality deposits to ensure growth in the future.

The prices that the Company receives for its products are, by and large, determined by world-wide influences on supply and demand, and prices for metals can change dramatically over short periods. As most of the prices are quoted in U.S. or European currencies, the relative value of the Canadian dollar is significant. As most of the Company's operating costs, at least in the short term, are relatively fixed, prices and foreign exchange movements have an immediate impact on operating profits.

Forecasting future prices is difficult but, generally, it is expected that base and precious metal prices will improve over the next year and that the Canadian dollar will weaken in relation to its U.S. counterpart.

Keeping the Canadian mining industry competitive in the global minerals industry will be a challenge. Because we cannot control the prices we receive for our products, our alternative is to keep our unit costs of production at the lower end of the world scale. This will require the co-operation of the industry and our governments to create an environment that will enable us to fulfill the expectations of our employees, our shareholders and the public.

Toronto, Canada February 11, 1992

Accounting Policies

December 31, 1991 and 1990

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada applied on a consistent basis. The principal accounting policies are summarized hereunder to facilitate review of the consolidated financial statements.

a) Basis of consolidation
The consolidated financial statements include the accounts of Kerr Addison Mines Limited ("Kerr Addison" or "the company"), its 50.4% owned-subsidiary company, Minnova Inc. ("Minnova"), and its wholly owned subsidiary companies, Keradamex, Inc. and Kerramerican, Inc. The company is a member of the Noranda Group of companies. At December 31, 1991, Noranda Inc. ("Noranda") holds 48.4% of the issued common shares of the company.

The company has a direct and undivided interest of 9.83% in all of the properties, production and related activities of Canadian Electrolytic Zinc ("CEZinc"). Noranda is a major holder and operator of this venture. The company's share of CEZinc's assets, liabilities, revenues and expenses is included in the consolidated financial statements.

b) Investments in associated companies
The company owns 3.9% of the common shares of Noranda. The investment is accounted for on the cost method. The company owns 30.2% of the common shares of Anderson Exploration Ltd. ("Anderson"). The investment is accounted for on the equity method whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to reflect the company's share of post-acquisition profits or losses.

c) Revenue recognition
Metals contained in concentrates are sold under contracts. Gold bullion and refined metals are sold on a spot basis. Forward sales positions, related to mine production of gold, copper and silver, are taken from time to time. Estimated revenues, based upon anticipated metal prices or forward sales commitments, are recognized when the concentrates, bullion and refined metals are produced. The estimated revenues from metals in concentrates may be subject to adjustment on or before final settlement, usually four months after the date of shipment, to reflect changes in metal market prices and weights and assays. The inclusion in sales of the excess of realizable value over cost of metals on hand is not significant.

d) Valuation of concentrates, bullion and refined metals
Concentrates, bullion and refined metals awaiting settlement, in transit and on hand are valued at estimated realizable value except that a portion of the in-process inventories of CEZinc (i.e., a base stock amount required to maintain the continuous smelting and refining process) is priced at cost.

e) Property, plant and equipment
Mining and smelting – Property, plant and equipment and related expenditures are recorded at cost less applicable investment tax credits and government assistance. Property, plant and equipment includes previously deferred exploration and development expenditures on properties which have been brought into production. Preproduction and development expenditures on projects under construction are capitalized until the commencement of commercial production.

Mineral exploration and development expenditures are charged against current earnings unless they relate to interests in properties where the reserves have the potential of being economically recoverable, in which case the expenditures are deferred. Upon disposal or abandonment of such interests, the net gain or loss is reflected in earnings. If the properties are brought into production, deferred exploration and development expenditures relating thereto are reclassified with property, plant and equipment. Depreciation of mining assets is provided on the unit-of-production basis over the estimated economic life of the related mine. Depreciation of smelting assets is provided on the straight-line method over a period of 24 years. When it is clear that the carrying value of a particular property exceeds the net recoverable amount, the excess is charged to earnings.

Oil and gas – Anderson follows the full cost method of accounting whereby all costs associated with the exploration for and development of oil and gas reserves, whether productive or unproductive, are capitalized in cost centers on a country-by-country basis and charged against earnings as set out below. Such costs include land acquisition, drilling, geological and geophysical interest and overhead expenses related to exploration and development activities.

Depletion is provided on costs accumulated in producing cost centers using the unit-of-production method based on estimated proven oil and gas reserves. Anderson periodically reviews the costs associated with unproven properties to determine whether they are likely to be recovered. When costs are not likely to be recovered, an impairment allowance is made. The carrying value of the company's investment in Anderson is limited to an ultimate recoverable amount which is the aggregate of future net revenues from proved reserves and the costs of unproved properties, net of impairment allowances, general and administrative costs, financing costs and income taxes. Future net revenues are estimated using year-end prices.

f) Mine closure costs
Mine closure costs are accrued when estimates of such costs are reasonably determinable and charged to operations over the lives of the mines to which they relate.

g) Income taxes
The company follows the deferral method of applying the tax allocation method of accounting for income 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 income taxes.

The future tax benefits of tax loss carry forwards are recorded in income only when there is virtual certainty of their recovery; if there is not virtual certainty of realization, the benefits are recognized in the accounts as they are realized.

h) Retirement costs
The company has retirement plans covering substantially all employees. The "projected benefit" actuarial method based on management's best estimate assumptions is used to value benefit obligations. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized over the estimated average remaining service lives of the employee groups. Current service costs are expensed in the year. Market related asset values are determined on a five year average basis.

Consolidated Statements of Operations

For The Years Ended December 31

(in thousands of dollars)	1991	1990
Net Sales	$160,986	$211,596
Less:		
Cost of production	90,865	109,799
Depreciation and amortization	52,281	62,417
Operating profit	17,840	39,380
Gain on sale of investments and other assets (note 6)	4,028	7,288
Dividend and interest income	22,048	23,272
Share of profit (loss) of Anderson Exploration Ltd.	(848)	1,861
	43,068	71,801
Deduct:		
Administrative and general expenses	4,075	3,438
Mineral exploration expenses	19,678	23,919
Interest on long-term debt	13,410	18,266
Write-down of carrying value of mining property (note 3)		10,000
Provision for mine closure costs (note 8)		10,000
Refund of Quebec mining duties (note 9)	(1,500)	(8,000)
Minority interest in earnings of Minnova Inc.	5,688	7,479
Recovery of income taxes (note 7)	(1,490)	(10,912)
	39,861	54,190
Net income for the year	$ 3,207	$ 17,611
Earnings per share	$ 0.18	$ 1.00

(See notes to consolidated financial statements)

Consolidated Statements of Changes in Financial Position

For The Years Ended December 31

(in thousands of dollars)	1991	1990
Cash provided by (used in) operating activities:		
Net income for the year	$ 3,207	$ 17,611
Items not affecting cash –		
Depreciation and amortization	52,281	62,417
Write-down of carrying value of mining property		10,000
Provisions for mine closure costs	500	12,000
Deferred tax recovery	(2,716)	(10,912)
Other	3,535	(3,573)
	56,807	87,543
Net change in non-cash working capital balances (receivables and metal settlements, less payables)	15,663	(21,428)
Cash provided by operating activities	72,470	66,115
Cash provided by (used in) investing activities:		
Additions to property, plant and equipment	(7,754)	(19,003)
Sales of investments and other assets	6,189	9,685
Dividends received on shares of Noranda Inc. (note 2 (a))	1,840	
Cash provided by (used in) investing activities	275	(9,318)
Cash used in financing activities:		
Repayment of long-term debt	(30,000)	(50,000)
Issue of common shares	463	189
Cash used in financing activities	(29,537)	(49,811)
Dividends paid (including $2,140 in 1991 and $1,426 in 1990 to minority shareholders of Minnova Inc.)	(12,684)	(11,959)
Increase (decrease) in cash during the year	30,524	(4,973)
Cash and short-term securities, beginning of year	89,718	94,691
Cash and short-term securities, end of year	$120,242	$ 89,718

(See notes to consolidated financial statements)

Consolidated Balance Sheets

As at December 31

Assets *(in thousands of dollars)*	1991	1990
Current:		
Cash and short-term securities, at cost which approximates market value (note 11(c))	$120,242	$ 89,718
Accounts and interest receivable	4,921	4,038
Concentrates, bullion and metals awaiting settlement, in transit and on hand	39,812	55,321
Supplies and materials, at cost	5,179	6,971
Quebec mining duties recoverable (note 9)	1,500	8,000
Total current assets	171,654	164,048
Deferred income taxes recoverable	18,250	13,558
Investments and other assets (note 2)	286,781	294,521
Property, plant and equipment (note 3)	112,151	157,019
	$588,836	$629,146
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued charges	$ 13,949	$ 13,448
Income and other taxes payable	2,260	556
Provision for mine closure costs (note 8)	6,967	7,000
Total current liabilities	23,176	21,004
Long-term debt (note 5)	45,000	75,000
Deferred income taxes	10,498	8,522
Deferred gain on sale of interest in Canadian Hunter (note 6)	14,496	19,328
Provision for mine closure costs (note 8)	200	6,500
	93,370	130,354
Minority interest in Minnova Inc.:		
Convertible debentures (note 10)	65,000	65,000
Common shares	79,659	76,111
	144,659	141,111
Shareholders' equity:		
Share capital (note 4)	185,061	184,598
Retained earnings	165,746	173,083
	350,807	357,681
	$588,836	$629,146

(See notes to consolidated financial statements)

On behalf of the board:

André Y. Fortier,
Director

James W. McCutcheon,
Director

Consolidated Statements of Retained Earnings

For The Years Ended December 31

(in thousands of dollars)	1991	1990
Retained earnings, beginning of year	$173,083	$166,005
Net income for the year	3,207	17,611
	176,290	183,616
Dividends paid ($0.60 per share in each year)	(10,544)	(10,533)
Retained earnings, end of year	$165,746	$ 173,083

(See notes to consolidated financial statements)

Auditors' Report

To the Shareholders of
Kerr Addison Mines Limited:

We have audited the consolidated balance sheets of Kerr Addison Mines Limited as at December 31, 1991 and 1990 and the consolidated statements of operations, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Ernst & Young

Chartered Accountants

Toronto, Ontario

February 11, 1992

1. Accounting policies

The principal accounting policies followed by the company are detailed under the caption "Accounting Policies."

2. Investments and other assets

($000s)	1991	1990
Investments in associated companies:		
Noranda Inc.		
– Common shares (a)	$117,609	$119,449
– Note receivable (note 6)	35,100	46,800
Anderson Exploration Ltd. common shares (b)	88,350	89,198
Other investments, at cost (c)	35,697	30,241
Other assets	10,025	8,833
	$286,781	$294,521

(a) Noranda Inc. – At December 31, 1991 and 1990, the company owned 7,361,281, or 3.9%, of the outstanding common shares of Noranda. Noranda and its associated companies are engaged in businesses encompassing mining and metallurgy, manufacturing, forest products and oil and natural gas exploration and production. At December 31, 1991 the quoted market value of the shares was approximately $138 million (1990 – $122 million).

Under the cost method of accounting, dividends received on the shares are recognized in income to the extent that they are paid out of Noranda's earnings subsequent to September 30, 1982, the date of acquisition of the shares. In the years 1983 to 1987, dividends received exceeded earnings on the shares and the excess was deducted from the company's investment. In the years 1988 to 1990 and for the nine months ended September 30, 1991, earnings exceeded dividends received and the dividends were fully recognized in income. Because of the loss incurred by Noranda in the fourth quarter of 1991, the dividend of $1,840,000 received in the quarter was deducted from the company's investment. Dividends recognized in income for 1991 amounted to $5,521,000 (1990 – $7,361,000).

(b) Anderson Exploration Ltd. – At December 31, 1991 and 1990, the company owned 6,202,281 common shares of Anderson representing a 30.2% (1990 – 30.5%) equity interest. Anderson is engaged in the exploration and production of oil and gas properties in Western Canada. At December 31, 1991, the quoted market value of the company's investment was approximately $56 million (1990 - $100 million). The decline in the quoted market value does not, in management's opinion, represent a permanent impairment in the carrying value of the investment. The company has announced that it is offering its investment in Anderson for sale.

(c) Other investments – Included in other investments at December 31, 1991 are investments with a carrying value of $14 million, in mining and exploration companies whose underlying properties have not yet been determined to contain economic ore reserves. The recoverability of these investments is dependent upon the discovery and development of economically recoverable reserves and future profitable production therefrom or the sale of the investments.

3. Property, plant and equipment

	1991		
($000s)	Cost	Accumulated depreciation and amortization	Net book value
Property, plant and equipment	$226,986	$151,119	$ 75,867
Preproduction and development expenditures	149,826	113,542	36,284
	$376,812	$264,661	$112,151

	1990		
($000s)	Cost	Accumulated depreciation and amortization	Net book value
Property, plant and equipment	$225,563	$124,497	$101,066
Preproduction and development expenditures	149,430	93,477	55,953
	$374,993	$217,974	$157,019

The accumulated depreciation and amortization of preproduction and development expenditures includes a $10 million write-down in 1990 of the carrying value of the Lac Shortt mine.

4. Share capital

In 1991 and 1990, preferred and common shares without par value are authorized for issuance in an unlimited number. There are no preferred shares issued. The changes in common shares issued for the years 1991 and 1990 are set out below:

	1991		1990	
	Shares	Amount ($000s)	Shares	Amount ($000s)
Issued, beginning of year	17,559,352	$184,598	17,548,177	$184,409
Issued under employee share purchase and option plans	30,500	463	11,175	189
Issued, end of year	17,589,852	$185,061	17,559,352	$184,598

At December 31, 1991, options on 12,850 common shares were outstanding, exercisable at prices varying from $15.11 to $19.88 for periods up to 1998.

5. Long-term debt

The company has a line of credit with its bankers which expires January 31, 1993. Advances totalling $45 million are funded by bankers' acceptances. The effective interest rate payable on the bankers' acceptances is 8.35% at December 31, 1991.

6. Gain on sale of investments and other assets

($000s)	1991	1990
Gain on sale of interest in Canadian Hunter Joint Venture	$4,832	$4,832
Gain on issuance of share capital by an associated company		2,600
Loss on sale of investments	(67)	
Loss on sale of fixed and other assets	(737)	(144)
	$4,028	$7,288

Effective January 1, 1989, the company sold substantially all of its 13% interest in the Canadian Hunter Joint Venture to a subsidiary of Noranda for total proceeds of $76.5 million comprising $18.0 million cash and $58.5 million of redeemable preferred shares of the subsidiary. Effective December 31, 1990, the preferred shares were exchanged for a promissory note from Noranda. The note bears interest at the rate of 90% of bank prime and is redeemable in equal annual amounts on March 31, 1992-1994. Each annual repayment is conditional upon the average specific contract price paid by TransCanada Pipelines Limited to gas producers in Alberta for the preceding twelve month period exceeding $1.35 per MCF in constant 1988 dollars. If a required annual repayment is not made, the obligation carries forward on a cumulative basis to the next year.

Because of the conditions attaching to the repayment of the note the total gain on the sale of $31.8 million is being recognized in income only as cash payments are received by the company. Accordingly, $7.6 million was reflected as income in 1989, $4.8 million in each of 1990 and 1991, and the balance of $14.5 million has been deferred to future years.

7. Income taxes

The income tax recoveries for the years 1991 and 1990 are analyzed in the following table to show the difference between the taxes that would be payable by applying statutory tax rates to pre-tax earnings, and the tax recoveries recorded in the accounts:

($000s)	1991	1990
Earnings before income taxes	$ 1,717	$ 6,699
Statutory tax rates	43.3%	43.3%
Tax at statutory rates	$ 743	$ 2,901
Adjusted for the effect of -		
Resource allowance	(3,191)	(7,017)
Non-taxable income	(5,797)	(13,351)
Quebec mining duties refund	(650)	(3,464)
Minority interest	2,463	3,238
Other (net)	4,942	6,781
Tax recovery, as recorded in the accounts	$(1,490)	$(10,912)

8. Provision for mine closure costs

The company continues to review the currently anticipated costs associated with the closure of its mines, including the net costs of dismantling and sale of equipment, reclamation, and employee severances. The 1991 provision for these anticipated costs was $500,000 (net) and is included in cost of production in the Statement of Operations. In 1990, the provision for these costs was $12,000,000 of which $2,000,000 was included in cost of production and $10,000,000 as a provision for mine closure costs.

An analysis of the changes in the provision for mine closure costs for the years ended December 31, 1991 and 1990 is shown below:

($000s)	1991	1990
Balance, beginning of year	$13,500	$ 1,500
Provision for the year	500	12,000
Expenditures during the year	(6,833)	
Balance, end of year	$ 7,167	$13,500

Provisions for mine closure costs are, of necessity, uncertain estimates of future costs because definitive closure plans cannot be made or approved by the regulatory authorities until each of the mines has ceased operations.

9. Refund of Quebec mining duties

An amount of $8,000,000 was reflected in income for the year 1990, representing a cash refund applicable to qualifying exploration and development and plant and equipment expenditures incurred by Minnova in the Province of Quebec after April 23, 1985. Minnova had the option to claim for a cash refund or carry forward the expenditures and deduct them from future years' mining income. In 1990, Minnova exercised its option to file a claim for the cash refund applicable to expenditures deducted from income for Quebec mining duty purposes to the end of 1990. In 1991, Kerr Addison exercised its option to file a claim for a cash refund of $1,500,000 applicable to qualifying expenditures incurred to the end of 1991.

10. Convertible debentures of Minnova Inc.

The adjustable rate convertible subordinated debentures are unsecured obligations of Minnova. The debentures mature on September 30, 2007, and pay interest at a rate per annum equal to the greater of (i) 5% and (ii) 1% plus the percentage that two times the dividends paid on the common shares of Minnova in the six months ended on the date six months prior to the interest payment date is of the conversion price. The debentures are convertible at the holder's option into common shares of Minnova on or before the earlier of September 29, 2007 and the last business day prior to redemption, at a conversion price of $34.25 per common share. At any time after September 30, 1992, Minnova may adjust the conversion price to $38.00, provided that Minnova also fixes the interest rate at 6% per annum. The debentures are redeemable by Minnova at par plus accrued interest after September 30, 1992 and, at any time prior to that date, at 105% of par plus accrued interest if at least 85% of the original principal amount of the debentures have been converted. On September 30, 2007, Minnova has the option to retire any debentures then outstanding by issuing common shares at the average closing market price for the 30 trading days prior to maturity. The characteristics and attributes attaching to the debentures, including Minnova's option to apply the proceeds of redemption of the debentures at maturity to subscribe for and purchase common shares, causes the company to view those securities as permanent capital and hence includible with the minority interest in Minnova.

11. Related party transactions

Details of significant transactions with the Noranda Group for the years 1991 and 1990 are set out below:

(a) Canadian Electrolytic Zinc ("CEZinc") – The company's portion of zinc concentrate purchased on the company's behalf by CEZinc from the Noranda Group amounted to approximately $13,634,000 (1990 – $13,828,000).

(b) Marketing and administrative services – The Noranda Group markets substantially all of the company's production and renders technical and administrative services to the company. During the year marketing fees were $358,000 (1990 – $450,000) and fees for technical and administrative services were $199,300 (1990 – $215,000). Copper and zinc concentrates and gold bullion sales by the company to the Noranda Group during 1991 amounted to approximately $132,503,000 (1990 - $171,547,000).

(c) Short-term securities – The company participates in a short-term investment pool with the Noranda Group. The pool is operated to provide participating companies with the opportunity to invest or borrow funds on a short-term demand basis within the Noranda Group. During 1991, the company earned interest on net deposits amounting to $3,971,000 (1990 – $2,052,351). At December 31, 1991, the company's deposit to the pool was $123,249,000 (1990 – $41,460,000).

At December 31, 1990, short-term securities included a $50,000,000 investment in the common shares of an affiliated company. These shares were sold at cost on December 31, 1991 to Noranda. Dividends received on these shares during the year amounted to $3,510,000 (1990 – $8,692,000).

(d) The company and Minnova carry on certain of their exploration activities in a 50:50 joint venture operated by Minnova. For the year ended December 31, 1991, the company's share of the costs was $3,971,000 (1990 – $4,105,000).

12. Forward Metal Sales

Copper – At December 31, 1991, 4.63 million pounds of copper are contracted for delivery in various quantities monthly from January 1992 through March 1992 at an average price of US$1.00 per pound.

Silver – At December 31, 1991, 1.925 million troy ounces of silver are contracted for delivery in various quantities monthly from January 1992 to January 1993 at an average price of US$5.26 per ounce.

13. Retirement plans

The most recent actuarial valuation of the retirement plans was carried out at December 31, 1988. The valuation results, which were based on projections of interest, employees' compensation levels and length of service to time of retirement, extrapolated to December 31, 1991, indicate that the estimated actuarial present value of accrued pension benefits and the estimated market-related value of the pension fund assets were as follows:

($000s)	1991	1990
Accrued pension benefits	$22,322	$20,196
Pension fund assets	$35,723	$34,577

14. Litigation

Minnova's 100% ownership of its Winston Lake mine is subject to a 10% net proceeds of production royalty under the terms of the original 1980 option agreement. In December of 1987, an action was instituted against Minnova alleging, among other things, that under the option agreement the previous owner is entitled to purchase a 20% participating ownership interest in the mine rather than the 10% net proceeds of production royalty.

Minnova's 95.7% ownership interest in its Lac Shortt gold mine is subject to a 7.5% net proceeds of production royalty under the terms of the original 1979 option agreement. In January of 1988, an action was instituted against Minnova alleging, among other things, that the annual royalty calculations performed by Minnova pursuant to the 1979 agreement were not done in accordance with the agreement. The company believes, based on the advice of legal counsel, that it has good defences to these actions and accordingly no provision has been made in the accounts.

15. Event Subsequent to the Year End

On January 21, 1992, Minnova purchased from Falconbridge Limited, an affiliate of the Noranda Group, its 100% interest in the Izok Lake and Hood River properties and its 60% interest in the Gondor property. The purchase price was US$20 million, together with a 3% net smelter royalty. The royalty is payable two years after the commencement of commercial production and continues for five years or until US$12.5 million has been paid, whichever event occurs later.

DIRECTORS

Alex G. Balogh
President & Chief Executive Officer
Noranda Minerals Inc.

Ian D. Bayer
President & Chief Executive Officer
Hemlo Gold Mines Inc.

Philip S.Cross, P.Eng.
Consultant
Kerr Addison Mines Limited

André Y. Fortier
President & Chief Executive Officer
Kerr Addison Mines Limited

John A. Hall
Company Director-Mining Engineer

* *Keith C. Hendrick*
Chairman
Noranda Minerals Inc.

* *David W.Kerr*
President & Chief Executive Officer
Noranda Inc.

+**James W. McCutcheon, Q.C.*
Counsel
McCarthy, Tétrault

+**Jean P.W. Ostiguy, O.C, LLD*
Company Director

+**Alfred Powis, O.C.*
Chairman
Noranda Inc.

E. Courtney Pratt
Senior Vice-President, Human Resources & Strategic Planning
Noranda Inc.

* *Member of Executive Committee*
\+ *Member of Audit Committee*

OFFICERS

Keith C. Hendrick
Chairman of the Board

André Y. Fortier
President & Chief Executive Officer

Peter Bojtos
Vice-President, Corporate Development

Arthur H. Cross
Treasurer

Bruce N. Futterer
General Counsel

John B. Sage
Secretary

Paul J. Smith
Controller

Burt M. McRae
Assistant Controller

MINNOVA INC.

David H. Watkins
President

John H. Purkis
Vice-President, Mining

Dan Tolgyesi
General Manager, Quebec

Jean Desrosiers
Mine Manager,
Lac Dufault Division

Tom A. Dickson
Mine Manager,
Winston Lake

Michel Garon
Mine Manager,
Opemiska Division

Serge Nantel
Mine Manager,
Lac Shortt Division

Mike Bell
Acting Mine Manager,
Samatosum Division

Frank Balint
Exploration Manager,
Central Canada

Alex J. Davidson
Exploration Manager,
Western Canada & International

Gérald Riverin
Exploration Manager,
Eastern Canada

CORPORATE DEVELOPMENT

Raymond A. Dujardin
Director, Business Development
Vancouver, British Columbia

Head Office
Suite 2901
1 Adelaide Street East
Toronto, Ontario
M5C 2Z7
Tel: (416)982-7270
Fax: (416)982-7288

Transfer Agent and Registrar
The Royal Trust Company
Toronto, Ontario

Co-transfer Agent
Registrar & Transfer Company
Cranford, New Jersey
New York, N.Y.

Shares Listed ("KER")
The Toronto Stock Exchange

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