

Kerr Addison Mines Limited

Annual Report 1983



noranda



The cover illustrations depict Kerr Addison's major assets, namely: the gold mine, the 10.4% interest in Noranda's common shares, the 9.8% interest in the C.E.Zinc joint venture, the 13% interest in the Canadian Hunter gas and oil joint venture and the 32.6% equity interest in the gas and oil operations of Anderson Exploration Ltd.

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KERR ADDISON MINES LIMITED

INFORMATION CIRCULAR
for
ANNUAL MEETING OF SHAREHOLDERS
to be held on May 3, 1983

This Information Circular accompanies the Notice of the Annual Meeting of Shareholders of the Corporation to be held on May 3, 1983, and is furnished in connection with the solicitation of proxies by management of the Corporation for use at said meeting. The solicitation will be primarily by mail, but proxies may also be solicited by regular employees of the Corporation. The cost of solicitation by management will be borne by the Corporation.

The persons named in the accompanying form of proxy are officers of the Corporation. **If, however, a shareholder desires to appoint some other person (who need not be a shareholder) to represent him at the meeting other than those designated in the form of proxy, he may do so by inserting such other person's name in the blank space provided in the form of proxy or by completing another form of proxy.**

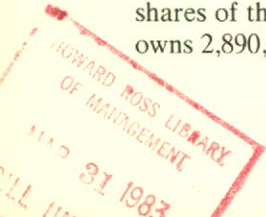
A shareholder who has given a proxy may revoke it at any time prior to its use either, (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Corporation, or (b) by signing written notice of revocation and delivering it to the Secretary of the Corporation or the Chairman of the meeting.

The persons named in the accompanying form of proxy will vote the shares in respect of which they are appointed nominees, subject to the provisions of Section 119 of the Business Corporations Act of Ontario. The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consists of common shares without par value, of which there are 17,130,700 shares outstanding at the date of this Information Circular, and shareholders of record at the time of the meeting are entitled to one vote for each share held, at the meeting and at any adjournment thereof.

Management of the Corporation understands that the only persons or companies which own beneficially, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all of the outstanding shares of the Corporation are Noranda Mines Limited ("Noranda"), Brunswick Mining and Smelting Corporation Limited ("Brunswick") and Brenda Mines Limited ("Brenda"). Noranda owns, directly and indirectly through subsidiaries, 8,555,207 common shares, or 49.9% of the outstanding shares of the Corporation. Brunswick is a subsidiary of Noranda and its holdings of shares in the Corporation (2,890,390 common shares, or 16.9% of the outstanding shares of the Corporation) are included in the figures given above for shares of the Corporation owned by Noranda. Brenda, which is an associate of Noranda but not a subsidiary, owns 2,890,390 common shares, or 16.9% of the outstanding shares of the Corporation.



ELECTION OF DIRECTORS

The management of the Corporation proposes to nominate the persons listed below for election as directors of the Corporation to serve until the next annual meeting or until their successors are elected or appointed. All such proposed nominees are now directors of the Corporation and have been since the dates indicated. **It is the intention of the persons named in the accompanying form of proxy to vote for the election of the proposed nominees as directors.** If any of such nominees should be unable to serve as a director for any unforeseen reason, the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion.

<u>Name and office held with the Corporation</u>	<u>Principal occupation</u>	<u>Became Director</u>	<u>Number of shares of the Corporation beneficially owned</u>
†*Ian D. Bayer <i>President</i>	President and Chief Executive Officer of the Corporation	1982	9,529
*Philip S. Cross <i>Executive Vice-President</i>	Executive Vice-President and Chief Operating Officer of the Corporation	1978	3,985
John P. Fisher	Chairman and Chief Executive Officer of Fraser Inc. (manufacturers of forest products)	1982	Nil
John A. Hall	Senior Vice-President — Mines of Noranda Mines Limited since April 1979, prior to which he was Vice-President, Mine Projects of Noranda Mines Limited	1982	500
J. Oswald Hinds	Senior Vice-President — Exploration and Development of Noranda Mines Limited	1974	300
Gilbert Kerlin	Partner in the firm, Shearman & Sterling (attorneys-at-law)	1982	Nil
† James W. McCutcheon, Q.C.	Partner in the firm, Shibley, Righton & McCutcheon (barristers and solicitors)	1975	200
Donald G. Neelands, Q.C.	Company Director	1973	200
*Jean P. W. Ostiguy, O.C.	Honorary Chairman of Richardson Greenshields of Canada Limited (investment dealers)	1968	100
†*Alfred Powis	Chairman and Chief Executive Officer of Noranda Mines Limited	1969	2,500
*William S. Row <i>Chairman of the Board</i>	Chairman of the Board of the Corporation	1955	1,100
Donald E. G. Schmitt	Chairman of Pamour Porcupine Mines, Limited	1973	600

* Members of the Executive Committee † Members of the Audit Committee

NOTE: Information as to shares owned, as shown above, has been provided by the Directors individually.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

1. The following table sets forth the aggregate remuneration paid or payable by the Corporation and its subsidiaries to its Directors and five of its senior officers in respect of the fiscal year ended December 31, 1982, and the estimated aggregate cost to the Corporation and its subsidiaries for that year of all pension benefits proposed to be paid to those Directors and senior officers under existing plans in the event of retirement at normal retirement age:

	<i>Nature of remuneration</i>	
	<i>Aggregate remuneration</i>	<i>Estimated aggregate cost of pension benefits</i>
(i) Sixteen Directors (in their capacity as such),		
(A) from the Corporation and its wholly-owned subsidiaries	\$ 77,280	—
(B) from partially-owned subsidiaries:		
Mogul of Ireland Limited	\$ 2,908	—
(ii) Five senior officers (includes highest paid employees) — from the Corporation	\$ 503,900	\$ 32,070

2. Under a share purchase plan established in 1970, the Corporation from time to time advances money by way of interest-free loan to a trustee to be applied in payment of the subscription price of shares of the Corporation to be purchased by the trustee for sale to certain officers and senior management employees, in accordance with the by-laws of the Corporation and the Business Corporations Act (Ontario). In this regard, in February 1981, an interest-free loan in the amount of \$417,075, which remains outstanding at the date hereof, was advanced to the trustee to finance the purchase by the trustee of 24,900 shares of the Corporation at the then current market price of \$16.75 per share. A further amount of \$76,950, which also remains outstanding at the date hereof, was advanced to the trustee in May 1982, to finance the purchase of 5,400 shares of the Corporation at the then current market price of \$14.25 per share. All of these shares were sold by the trustee to eight key employees on the same terms, including price per share, as those on which they were acquired by the trustee. The trustee retains custody of the shares until payment is made by the employees to the trustee, which is required within a seven year period.

3. During 1982 and 1983 to date, senior officers of the Corporation purchased common shares of the Corporation pursuant to stock options granted to them in previous years by the Corporation, as follows:

<i>Quarter — 1982/1983</i>	<i>Total number of shares purchased</i>	<i>Purchase price per share</i>	<i>Price range of shares on Toronto Stock Exchange in 30 day period preceding purchases</i>
January-March 1983	1,250	\$11.53	\$19.375 - \$14.375

APPOINTMENT OF AUDITORS

The persons named in the accompanying form of proxy intend to vote for the re-appointment of Messrs. Clarkson Gordon, Chartered Accountants, Toronto, as auditors of the Corporation, to hold office until the next Annual Meeting of Shareholders. Messrs. Clarkson Gordon (formerly known as Clarkson, Gordon & Co.) have been auditors of the Corporation for more than five years.

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 come before the meeting, shares represented by proxies solicited by management will be voted on each such matter in accordance with the best judgement of the nominees voting same.

Toronto, Ontario,
March 21, 1983.

Kerr Addison Mines Limited

DIRECTORS:

*Ian D. Bayer
President & Chief Executive Officer
Kerr Addison Mines Limited

*P. S. Cross
Executive Vice-President &
Chief Operating Officer
Kerr Addison Mines Limited

John P. Fisher
Chairman & Chief Executive Officer
Fraser Inc.

J. A. Hall
Senior Vice-President — Mines
Noranda Mines Limited

J. O. Hinds
Senior Vice-President —
Exploration & Development
Noranda Mines Limited

Gilbert Kerlin
Partner
Shearman & Sterling

†*James W. McCutcheon, Q.C.
Partner
Shibley, Righton & McCutcheon

†D. G. Neelands, Q.C.
Company Director

*J. P. W. Ostiguy, O.C.
Honorary Chairman
Richardson Greenshields of Canada Limited

†*Alfred Powis
Chairman & Chief Executive Officer
Noranda Mines Limited

*W. S. Row
Chairman of the Board
Kerr Addison Mines Limited

D. E. G. Schmitt
Chairman
Pamour Porcupine Mines, Limited

*Member of the Executive Committee
†Member of the Audit Committee

OFFICERS:

W. S. Row
Chairman of the Board

Ian D. Bayer
President & Chief Executive Officer

P. S. Cross
Executive Vice-President &
Chief Operating Officer

D. A. Lowrie
Vice-President — Exploration

A. H. Cross
Treasurer

J. B. Sage
Secretary

OPERATIONS:

J. K. Carrington
Manager of Operations

The Kerr Addison Mine
D. S. Douglass, Manager

The Agnew Lake Property
L. H. Heymann, Manager

Mogul of Ireland Limited
P. S. Cross, Chairman
& Managing Director

HEAD OFFICE AND EXPLORATION OFFICE:

P.O. Box 91
Commerce Court West
Toronto, Ontario
M5L 1C7

REGISTRAR AND TRANSFER AGENTS:

Canada Permanent Trust Company, Toronto
Registrar & Transfer Company, New York, N.Y.
and Jersey City, N.J.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS:

Wednesday, May 9, 1984, 11:30 a.m.
in Commerce Hall, Commerce Court West,
King and Bay Streets,
Toronto, Ontario.

Financial Summary:

	1983	1982	1981	1980	1979
Millions of Dollars					
Production revenue	\$ 47.5	\$ 55.0	\$ 67.6	\$ 69.8	\$ 54.8
Net income (loss)	16.9	9.1	46.0	47.3	(5.7)
Working capital	49.9	51.1	21.7	23.7	39.6
Dollars Per Share					
Net income (loss)	\$ 0.99	\$ 0.89	\$ 4.90	\$ 5.07	\$(0.61)
Dividends declared	.60	.60	.60	.40	.10

The Gold Picture:



Directors' Report to the Shareholders

Net income increased to \$16.9 million, or \$0.99 per share in 1983. Net income in the previous year, while not comparable due to changes in the accounting treatment for associated company investments, was \$9.1 million, or \$0.89 per share, on fewer average outstanding shares. Net income for the two years is summarized as follows:

(\$ millions)	<u>1983</u>	<u>1982</u>
Earnings from operations and investments	\$12.1	\$ 9.7
(Losses) from associated companies	(0.3)	(3.2)
Special items	5.1	2.6
Net income	<u>\$16.9</u>	<u>\$ 9.1</u>
Net income per share	<u>\$0.99</u>	<u>\$0.89</u>
Average number of common shares outstanding	<u>17.1</u>	<u>10.2</u>

Earnings from operations and investments increased in 1983 to \$12.1 million from \$9.7 million in 1982 due primarily to higher operating profits from Canadian Electrolytic Zinc and Canadian Hunter, and increased investment income. These improvements were somewhat tempered by reduced earnings from the Kerr Addison gold mine and increased mineral exploration expenditures and interest costs.

The special gains in 1983 included a \$2.9 million reduction in the mine closure provision at the Agnew Lake uranium property and \$2.2 million in gains on sales of investments and other assets.

The Company's cash flow from operations and investments in associated companies increased to \$25.0 million in 1983, or \$1.46 per share. Dividend payments to shareholders amounted to 60 cents per share, the same as in the previous year. Capital expenditures declined by 40% to \$8.0 million in 1983, principally reflecting reduced drilling activity by Canadian Hunter. Working capital, after adjusting short term investments to market values, totalled \$68.9 million, or \$4.02 per share, at year end. Long term debt, required to finance the investment in Anderson Exploration Ltd., was \$70.0 million at December 31, 1983.

During the past year, a number of notable developments occurred which, if taken together, are expected to have a favourable long term effect on the Company's future earnings.

First, the new roaster-acid plant facilities at the 9.8% owned Canadian Electrolytic Zinc reduction plant in Valleyfield, Quebec, were completed and successfully brought on stream in mid 1983. This plant, which is now more cost efficient, has a rated annual capacity of 253,000 tons per year of slab zinc, up slightly from the previous rating of 240,000 tons. In addition, C.E.Z. can now produce 462,000 tons of sulphuric acid annually, an increase of about 50%.

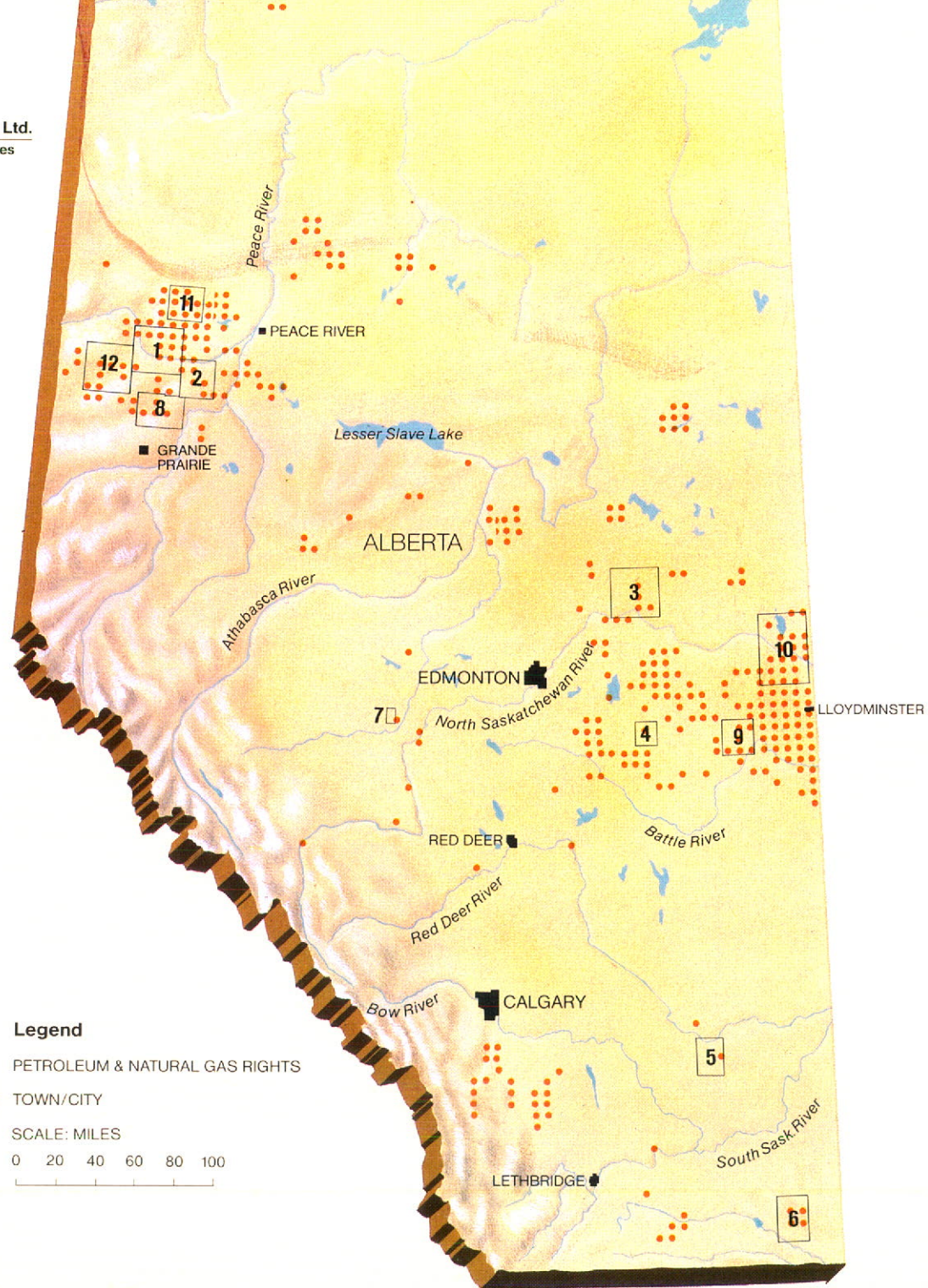
Second, the Canadian Hunter joint venture, 13% owned by the Company, is participating in the construction of ethane and heavier liquids extraction facilities at both the Elmworth and Wapiti gas plants, where all necessary approvals were granted in 1983. When construction is completed in mid 1985, Kerr Addison's share of natural gas liquids produc-

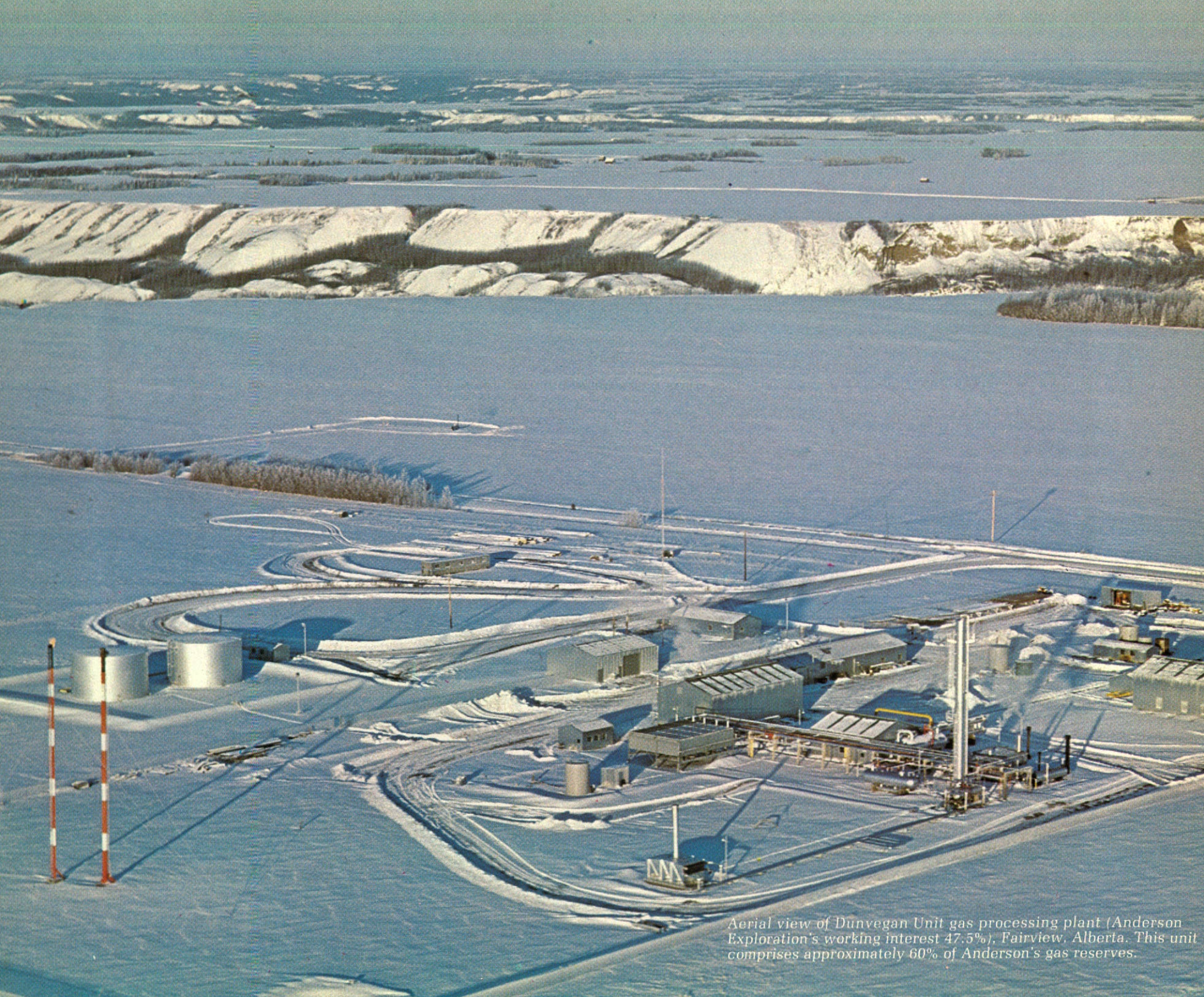
tion from the two plants, in the order of 1,200 barrels per day, will be sold to Esso Resources for the initial seven years. Canadian Hunter has also signed an interest earn-in agreement whereby it can earn up to 15% of the petroleum and natural gas rights and oil sands rights underlying a ten-township block within the Primrose Air Weapon Range located in east-central Alberta. This in-situ pilot recovery project is in the early evaluation stage, and could lead to significant commercial heavy oil production by the end of the decade.

Third, Kerr Addison's purchase of a 32.6% equity interest in Anderson Exploration Ltd. for \$80 million, part of a \$110 million private placement of the voting common shares of that company, was completed on November 2, 1983. The balance of \$30 million was provided by existing shareholders, principally B.C. Sugar Refinery, Limited which owns 38.7% and Mr. J. C. Anderson, Chief Executive Officer, who owns 20.8% of Anderson Exploration Ltd. Anderson is a private company based in Calgary which has been engaged since 1968 in oil and gas exploration, development and production activities. For the present, Anderson Exploration will continue to operate as a private company and aggressively pursue oil and gas exploration, development, and acquisition opportunities in Canada and the United States and to examine opportunities elsewhere.

Anderson Exploration Ltd.
Major Productive Properties

- 1 Dunvegan
- 2 Belloy
- 3 Bellis
- 4 Bruce
- 5 Princess
- 6 Manyberries
- 7 Pembina Cardium
- 8 Rycroft-Woking
- 9 Cummings
- 10 John Lake
- 11 Hines Creek
- 12 Gordondale





Aerial view of Dunvegan Unit gas processing plant (Anderson Exploration's working interest 47.5%), Fairview, Alberta. This unit comprises approximately 60% of Anderson's gas reserves.

The Company's ownership of 10.4% of the common shares of Noranda Mines Limited represents about 50% of our book assets. This investment paid dividends to Kerr Addison of \$6.6 million in 1983, representing a 2.7% after-tax yield on the carrying cost of the Company's Noranda shares. Accounting rules permitted Kerr Addison to include in earnings only \$0.6 million of these dividends, as Noranda's earnings were less than the dividends paid. The \$6.0 million in dividends excluded from earnings were credited to the investment in Noranda.

Noranda incurred a loss of \$34.6 million, or 58 cents per share in 1983, compared to a loss of \$1.00 per share in the previous year. However, results from Noranda's broadly-based natural resource assets improved considerably during a very difficult year in 1983, as operating results, before special items, produced a loss of \$5.6 million, compared to a \$140.0 million loss in 1982. Noranda should return to profitability in 1984, in which case, Noranda's dividends will have an increasingly important impact on Kerr Addison's earnings.



Aerial view in August 1983 of the exciting new Hemlo gold project, located north of Highway 17 and Lake Superior, near Marathon in Northwestern Ontario, where Noranda is developing a mining and milling complex, and has acquired options to earn varying interests in a number of properties in the immediate vicinity.

This expansive gold mining and milling operation is planned to be in production at 1,000 tonnes per day in early 1985, progressively increasing to 3,000 tonnes per day by 1987, and is expected to be a profitable contributor to Noranda's earnings for at least 20 years.



Aerial view of recent progress at Noranda's Hemlo site in January 1984.

Turning to operations, the staff at the Kerr Addison mine continues to develop additional economic reserves. Their efforts are complemented by an extensive exploration programme in the general vicinity of the mine site. Mineable proven and probable ore reserves, with allowances for dilution, at December 31, 1983 were 928,000 tons with a grade of 0.121 ounces of gold per ton, representing a 20% increase in contained ounces of gold since the previous year end. Gold production in 1983 was 42,000 ounces; an expected decline of 23% from 1982, due to the milling of lower grade ore. Although the price for gold improved to an average of \$424 U.S. per ounce on the London Market in 1983, compared to \$376 U.S. per ounce in the previous year, the profit contribution from the mine declined due to the treatment of a higher tonnage of lower grade ore.

Zinc slab production of 241,000 tons in 1983 represented record annual production for Canadian Electrolytic Zinc. Production of zinc slab during 1982 had been limited to 160,000 tons, due to a three and one-half month strike at the plant. During the second half of 1983, earnings were improved by firming zinc markets, positive inventory value adjustments and reduced unit operating costs. With the new production facilities in place, C.E.Z. has successfully entered into sulphuric acid retail marketing.

Kerr Addison's share of Canadian Hunter's average gross gas sales in 1983 was 15 million cubic feet per day, an increase of 27% over 1982, reflecting the growth of reserves in the two principal contract areas at Elmworth and Wapiti. Nominations by TransCanada Pipelines Limited, our major purchaser, averaged 47% of contract quantities during the 1982/1983 contract year, down from 62% in the previous contract period. The last two months of the year, which were the first two months of the 1983/1984 contract year, had nominations higher than the recent historical levels for corresponding months, with much of the system delivering at or near peak demand. TransCanada's nominations are expected to have improved to at least 53% of contract quantities for the current contract year.

The Company's 32.6% share of Anderson's accounting loss for the two months ended December 31, 1983 was \$0.3 million. Anderson's operating cash flow, net of interest costs, was \$4.4 million for that period. At December 31, 1983, Anderson's working capital and investments totalled \$22.6 million, and bank indebtedness was \$126.4 million. While this investment is not expected to contribute in a material way to Kerr Addison's earnings during the next few years, Anderson's substantial reserves will take on added importance as the markets for Canadian



Canadian Hunter et al gas well flare in Elmworth Deep Basin, Alberta. This well location #10-27-70-11, W6M produces from the Falher zone, with a current capability of 12.5 million cubic feet per day.

natural gas improve over the second half of this decade.

Based on an independent consultant's report, Anderson Exploration had proven reserves at the end of its fiscal year, September 30, 1983, of 457 billion cubic feet of natural gas and 5.3 million barrels of oil and natural gas liquids before deduction of royalties. Proven plus probable reserves at the same date were 679 billion cubic feet of natural gas and 8.1 million barrels of oil and liquids. That company also held approximately 658,000 net acres of non-producing petroleum and natural gas rights, primarily in Alberta. During fiscal 1983, Anderson Exploration had daily production of 55 million cubic feet of gas and 950 barrels of oil and natural gas liquids before deduction of royalty. Because of depressed markets, its gas production represented only 54% of present daily contracted quantities and, as a result, revenue from oil and gas sales after royalty was limited to \$48 million for fiscal 1983. Approximately 82% of Anderson Exploration's proven gas reserves is under contract with production facilities installed, and it is the operator of approximately 94% of its gas production and 54% of its liquids production.

Anderson's principal gas property, representing about 60% of the company's natural gas reserves, is the Dunvegan field, situated in the Peace River Arch area of west-central Alberta. Anderson is the operator and has a 47.5% working interest in this field, which has a daily contract quantity of 157 million cubic feet per day. Production from Dunvegan is sold under contract to Alberta and Southern Gas Co. Ltd., which exports natural gas to the northern California market.

Industry drilling activity in Canada and the United States was relatively unchanged from

1982. Canadian Hunter's exploration activity was diversified somewhat over the course of the year. New oil prospects are being pursued in the three western provinces in addition to the continuing gas and oil exploration programmes in the Deep Basin of Alberta and British Columbia. In the United States, American Hunter, 8.3% owned by this Company, has significant exploration programmes proceeding in Texas, Utah, California and Wyoming. The Hunter joint ventures exploration expenditures are being modestly increased in response to improved economics of "new" oil and in anticipation of new gas markets within two to three years.

Following the decision to proceed with the ethane and heavier liquids extraction facilities at both Elmworth and Wapiti, a sizeable portion of Hunter's natural gas reserves has been transferred to the liquids reserve category. As a result, Kerr Addison's share of natural gas reserves at December 31, 1983, before royalty, was 136 billion cubic feet proven and 217 billion cubic feet proven and probable, a 13% decrease from the prior year's reserves. However, the Company's share of Hunter's oil and natural gas liquids at year end was 6.3 million barrels proven and 11.5 million barrels proven and probable, a tenfold increase over December 31, 1982.

Through its interests in Canadian Hunter and Anderson Exploration, Kerr Addison is participating in entities which have substantial reserves and operating income. Equally important, both companies are managed by experienced

people who have had a great deal of success in finding and developing oil and gas reserves. As both enterprises are properly funded and are carrying out active exploration and development projects, Kerr Addison plans to restrict its future involvement in this industry to its participation in the Hunter and Anderson activities.

The Company's emphasis will be in the mining industry. Mineral exploration expenditures are budgeted at \$6.5 million in 1984, approximately double the amount expended two years ago. Our efforts will continue to be directed towards increasing the Company's mineral reserves and operating income through exploration, farm-in and acquisition of quality mining properties and assets, while maintaining a strong financial position.

On behalf of the Board of Directors, I would like to thank all employees for their continuing loyalty and productive efforts during the past year.

On Behalf of the Board,



Ian D. Bayer
President

Toronto, Canada
February 17, 1984

Report on Mining Operations

THE KERR ADDISON MINE

During 1983, treatment of ore at the Kerr Addison gold mine, located at Virginiatown, Ontario, totalled 396,711 tons at an average rate of 1,086 tons per day. Included in this was ore milled from the Kerr mine amounting to 331,814 tons with a grade of 0.129 ounces of gold per ton, and 64,897 tons of custom ores received from outside shippers and from Company-optioned properties. Kerr ore throughput increased 18% over that of 1982, but grade decreased 36%. Overall recovery of gold increased to 97.77% from 96.70% in 1982. Production from Kerr non-custom ore amounted to 41,952 ounces of gold and 3,755 ounces of silver having a realized value of \$21.7 million or \$65.56 per ton milled. The currently depressed gold price has reduced the near term potential for treatment of custom ores. The average price received per ounce of gold produced during 1983 was \$521 Canadian, compared to \$456 Canadian for 1982.

Mine development advance during the year totalled 5,333 feet, an increase of 22% over the previous year. The priorities continued to be the development of higher grade isolated ore pods indicated by underground diamond drilling and the preparation of large low grade carbonate ore blocks for bulk mining. Development provided 10% of the total ore mined.

Mining operations were carried on in 9 ore zones on 23 levels between the 300 foot and 4200 foot levels. Approximately 19% of production came from the No. 4 internal shaft, a decrease from 34% in 1982. Mining methods employed were 25% square set, 33% cut and fill and 32% shrinkage and blasthole.

Carbonate ore zones provided 56% at a grade of 0.093 ounces of gold per ton with flow ore making up the balance with a grade of 0.182 ounces per ton. The trend towards mining lower grade carbonate ore will continue as the flow ore is depleted over the next few years.

Total operating costs per ton milled decreased by 9% from 1982 due mainly to the higher tonnage of ore mined and treated. Costs per ounce of gold produced, however, increased by 39% as a result of the lower grade of ore mined. Combined labour and material costs increased by 11% during 1983.

Mineable ore reserves at the Kerr Addison mine, with allowances for dilution, in the proven and probable classifications were estimated at 927,903 tons, with a grade of 0.121 ounces of gold per ton. After the milling of 331,814 tons during 1983, total reserves were increased by 231,903 tons over those reported at the end of 1982. The substantial increase in the 1983 reserves is a result of the transfer of several ore blocks and pods to the probable classification. This ore had previously been held in the possible classification because of insufficient development.

The total work force at the end of the year was 388, an increase of 8 over that of 1982. The current labour agreement will expire June 30, 1984. The accident frequency per million man hours in 1983 was 9, and this compares favourably with 14 for 1982. The frequency for all Ontario gold mines was 14 for 1983.

Since commencement of production in May 1938 to the end of 1983, the Kerr Addison mine has produced 10,085,305 ounces of gold

and 556,637 ounces of silver from the milling of 36,769,536 tons of ore with a recovered grade of 0.274 ounces of gold per ton.

AGNEW LAKE

With the cessation of operations in March 1983, production of uranium at the Agnew Lake property during the year was only 39,031 pounds of U₃O₈. Total production since the commencement of operations in 1977 was 1,954,709 pounds of U₃O₈.

Work on the property was directed towards recovering the remaining uranium in solution in the underground stopes and preparing the property for closure. The mill was cleaned up and mothballed. The mine was stripped of all commercially salvageable materials and all openings were sealed. By year end, all major mining plant equipment had been sold.

Regulatory approval for the eventual close-out and abandonment of the property was obtained early in the year. This approval is contingent upon specified clean-up work being undertaken and the satisfactory results of a five year monitoring programme. Results from the initial sampling under the monitoring programme indicate that requirements will be met. The major clean-up task, now completed, has been the movement of some 2.3 million tons of rock and sand from the surface leach pile to the tailings basin and the lime neutralization and soil coverage of the area.

As a result of the gradual curtailment of most activities at the property, the workforce was further reduced from 58 to 3 people. Some of those leaving have been placed at other Kerr Addison and Noranda Group operations. All

employees who were laid off have benefitted from the severance plan established in 1979 when the salvage leach operation was commenced.

MOGUL OF IRELAND

Following the termination of operations at the Mogul property in July 1982, efforts during the past year have been directed towards disposing of the mining and milling plants and equipment as well as other physical assets. It is expected that this work will be completed during 1984.

Billiton Exploration Ireland Limited continued exploration work throughout the year on a number of prospecting licences under a joint venture agreement with Shallee Explorations (Ireland) Limited, a wholly-owned subsidiary of Mogul of Ireland Limited. Shallee's direct interest in this joint venture has now been diluted to approximately 13.5% because of declining contributions.

A joint venture exploration agreement was concluded during the year with Irish Base Metals Limited, where the latter can earn a 50% equity interest in Mogul of Ireland Limited by exploration expenditures of £2,750,000 on Mogul's mineral rights and mining leases in the Silvermines areas. Results to date warrant continuation of this work.

EXPLORATION

Expenditures on mineral exploration increased from the 1982 total of \$3.2 million to \$4.6 million in 1983. In excess of 70% of this total was expended on a continuing search for economic gold deposits in Canada and the United States.

Exploration for uranium is being carried out on a joint venture basis on the Comaplex Permit in Saskatchewan. The Company's interests are being maintained in the Thelon Joint Venture in the Northwest Territories and in the Fernandez Joint Venture in New Mexico.

More than 100 properties and submissions were examined, explored and evaluated. A total of approximately 33,000 feet of diamond drilling was performed on properties in Ontario, Quebec and Saskatchewan.

Respectfully submitted,



P. S. Cross
Executive Vice-President
and Chief Operating Officer

Toronto, Canada
February 17, 1984

**Kerr
Addison
Mines
Limited**

**Consolidated
Statement of
Operations**

For the year ended
December 31, 1983
(with comparative
figures for the year
ended December 31, 1982)
(in thousands of dollars)

	1983	1982
Operations:		
Value of production	\$47,450	\$55,011
Cost of production	25,960	34,992
	21,490	20,019
Dividends and interest income (note 1(a))	5,864	3,964
	27,354	23,983
Deduct:		
Administrative and general expenses	1,284	987
Outside exploration expenses	4,576	3,174
Depreciation and amortization	3,353	3,381
Interest on long-term debt	1,283	
Income and mining taxes (including deferred taxes of \$1,800; \$2,140 in 1982)	4,745	6,483
Other		331
	15,241	14,356
Profit from operations	12,113	9,627
Less share of losses of associated companies:		
Anderson Exploration Ltd. (note 3)	319	
Zinor Holdings Limited (note 1(a))		3,170
Profit before the following	11,794	6,457
Reduction in provision for mine closures (net of tax of \$1,399; \$960 in 1982) (note 7)	2,897	2,040
Net gain on disposal of investments and other assets (net of tax of \$378; nil in 1982)	2,228	585
Net income for the year	\$16,919	\$ 9,082
Net income per share (based on the weighted average number of shares outstanding 1983 — 17,114,896; 1982 — 10,232,752)	\$0.99	\$0.89

(See accompanying notes to consolidated financial statements)

Consolidated Statement of Retained Earnings

For the year ended
December 31, 1983
(with comparative
figures for the year
ended December 31, 1982)
(in thousands of dollars)

	1983	1982
Retained earnings, beginning of year	\$167,318	\$163,932
Add net income for the year	16,919	9,082
	184,237	173,014
Deduct dividends (\$0.60 per share) (note 8(b))	10,281	5,696
Retained earnings, end of year	\$173,956	\$167,318

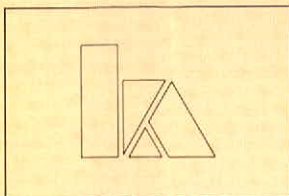
(See accompanying notes to consolidated financial statements)

Auditors' Report

To the Shareholders of
Kerr Addison Mines Limited:

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

In our opinion, these consolidated financial statements present fairly the financial position of the company 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.



Toronto, Canada,
February 15, 1984.

C. Clarkson Gordon
Chartered Accountants

**Kerr
Addison
Mines
Limited**

(Incorporated under the laws of Ontario)

**Consolidated
Balance Sheet**

December 31, 1983
(with comparative figures
at December 31, 1982)
(in thousands of dollars)

ASSETS	1983	1982
Current:		
Cash, term deposits and short-term notes	\$ 1,356	\$ 8,232
Marketable securities (note 2)	41,253	41,908
Concentrates, bullion and metals awaiting settlement, in transit and on hand	9,152	7,207
Accounts and interest receivable	8,060	10,777
Supplies and materials, at cost	2,990	3,069
Total current assets	62,811	71,193
Investments in associated companies (note 3):		
Noranda Mines Limited	239,613	245,694
Anderson Exploration Ltd.	79,681	
	319,294	245,694
Property, plant and equipment (note 4)	84,428	79,763
	\$466,533	\$396,650

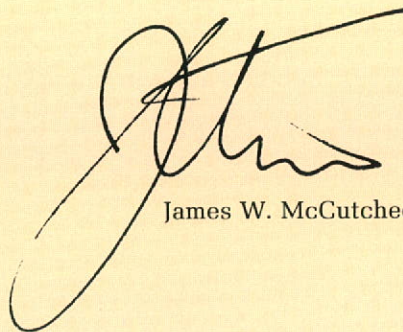
(See accompanying notes to consolidated financial statements)

LIABILITIES AND SHAREHOLDERS' EQUITY	1983	1982
Current:		
Accounts payable and accrued charges	\$ 8,412	\$ 14,908
Income and mining taxes payable (note 5)	4,456	5,162
Total current liabilities	12,868	20,070
Long-term debt (note 6)	70,000	
Provision for mine closures (note 7)	5,500	8,530
Deferred income taxes	17,313	13,909
Deferred revenue	8,980	9,112
	114,661	51,621
Shareholders' equity (note 8):		
Share capital	177,916	177,711
Retained earnings	173,956	167,318
	351,872	345,029
	\$466,533	\$396,650

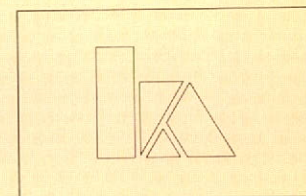
On behalf of the Board:



Ian D. Bayer, Director



James W. McCutcheon, Director



Consolidated Statement of Changes in Financial Position

For the year ended
December 31, 1983
(with comparative
figures for the year
ended December 31, 1982)
(in thousands of dollars)

	1983	1982
Source of working capital:		
Operations —		
Profit from operations	\$12,113	\$ 9,627
Items not affecting working capital, primarily depreciation, depletion, and deferred taxes	6,850	7,556
	18,963	17,183
Dividends from associated companies (note 1(a)):		
Noranda Mines Limited	6,081	
Zinor Holdings Limited		4,643
Increase (decrease) in deferred revenue	(132)	6,772
Proceeds from sale of fixed and other assets	3,268	1,044
Proceeds from issuance of shares for cash	115	126
Net increase in working capital resulting from liquidation of Zinor Holdings Limited		28,810
	28,295	58,578
Application of working capital:		
Investment in associated companies:		
Anderson Exploration Ltd.	80,000	
Noranda Mines Limited		136,160
Financed by —		
Long-term debt	(70,000)	
Issuance of common shares from treasury		(134,870)
	10,000	1,290
Mine closure expenditures (net)	1,266	7,636
Dividends (excluding stock dividends of \$90; \$88 in 1982)	10,191	5,609
Additions to property, plant and equipment	8,018	14,107
	29,475	28,642
Increase (decrease) in working capital	(1,180)	29,936
Working capital, beginning of year	51,123	21,187
Working capital, end of year	\$49,943	\$51,123

(See accompanying notes to consolidated financial statements)



Notes to Consolidated Financial Statements

December 31, 1983

1. Summary of significant accounting policies

(a) Basis of presentation of financial statements —

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada and include, on a consolidated basis, the accounts of Kerr Addison Mines Limited and its subsidiary companies:

	Percentage ownership
Agnew Lake Mines Limited	100%
Keradamex, Inc.	100%
Kerramerican, Inc. (non-operating)	100%
Normetal Mines Limited	100%
Quemont Mines Limited	100%
Mogul of Ireland Limited (non-operating)	75%

Until September 30, 1982, the company held a 27.3% interest in Zinor Holdings Limited ("Zinor"), an associated company, which was accounted for under the "equity method". Under this method the investment in Zinor was initially recorded at cost and adjusted thereafter for the company's pro rata share of Zinor's earnings.

On September 30, 1982 the shareholders of Zinor agreed to

liquidate the company, and as a result Kerr Addison acquired a direct interest of 10.4% in the outstanding common shares of Noranda Mines Limited ("Noranda") (see note 3). This investment is being accounted for following the "cost method" whereby the investment is initially recorded at cost and earnings from the investment are recognized only to the extent that dividends are distributed from the net profits of Noranda arising subsequent to September 30, 1982.

In the quarter ended December 31, 1982, Noranda earned net profits, and in the year ended December 31, 1983, Noranda incurred a net loss. Dividends received by Kerr Addison in 1983 have been accounted for as follows:

Dividends included in consolidated earnings, being the residual amount deemed to have been distributed from Noranda's 1982 fourth quarter earnings	\$ 600,000
Dividends deducted from the company's investment in Noranda common shares, being the dividends distributed in 1983 when Noranda was incurring a loss	<u>6,081,000</u>
	<u>\$6,681,000</u>

The company's 32.6% investment in Anderson Exploration Ltd. ("Anderson") (see note 3) is accounted for following 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 earnings.

(b) Exchange translation —

The financial statements of companies outside of Canada have been translated into Canadian dollars as follows: current assets and current liabilities at exchange rates prevailing at the

year end; fixed assets, depreciation and amortization provisions on the basis of rates prevailing at dates of acquisition, and income and expenses (other than depreciation and amortization) at average rates during the year. Exchange gains or losses resulting from such translation practices are reflected in the consolidated statement of operations.

(c) Concentrates, bullion and metals —

Consistent with industry practice, the company records as revenue the value of production of concentrates, bullion, and metals awaiting settlement, in transit and on hand at estimated net realizable value. Purchased concentrates are valued at the lower of actual cost and net realizable value.

(d) Property, plant and equipment —

Property, plant and equipment is recorded at cost and includes previously deferred exploration and development expenditures on properties which have been brought into production. Depreciation of property, plant and equipment and amortization of development expenditures are provided at rates designed to write off the costs over the estimated service lives of the assets. Fixed assets are generally depreciated in equal annual amounts over their estimated service lives (which at December 31, 1983 range from 5 to 22 years) and development expenditures are amortized on a unit-of-production basis.

(e) Exploration and development expenditures —

Gas and oil

The company participates through joint venture agreements with Noranda Mines Limited and others in certain gas and oil properties held by

Canadian Hunter Exploration Ltd. and American Hunter Exploration Ltd. as trustees.

The company has adopted the full cost method of accounting for its gas and oil activities whereby all costs relating to the exploration for and development of gas and oil reserves in its area of interest, North America, are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties and costs of drilling both productive and non-productive wells. These costs are being amortized to income by the unit-of-production method based on estimated proven gas and oil reserves.

Minerals

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 the consolidated statement of operations. If the properties are brought into production, deferred exploration and development expenditures relating thereto are reclassified with property, plant and equipment and amortized as explained in note 1(d).

(f) Income taxes —

The company follows the tax allocation method of accounting for income taxes. Under this method, timing differences between reported and taxable income result in deferred

income taxes. The principal timing differences relate to exploration and development expenditures, capital cost allowances, and provisions for mine closures.

(g) Deferred revenue —

The company defers recognition of revenue received under contracts of sale of gas where the gas has not been delivered by agreement with the customer. The revenue will be recognized when the gas is delivered.

2. **Marketable securities**

Marketable securities are carried at cost and consist of:

	1983	1982
	(in thousands)	
Noranda Mines Limited — preferred (220,141 shares)	\$19,740	\$19,740
Brascade Resources Inc. — preferred (714,891 shares)	19,302	19,302
Other	2,211	2,866
	<u>\$41,253</u>	<u>\$41,908</u>

Quoted market value of the securities was \$60,188,000 at December 31, 1983 (1982 — \$50,900,000).

3. **Investment in associated companies**

	1983	1982
	(in thousands)	
Noranda Mines Limited	\$239,613	\$245,694
Anderson Exploration Ltd.	79,681	
	<u>\$319,294</u>	<u>\$245,694</u>

Noranda Mines Limited —

The company owns 13,273,981, or 10.4%, of the total outstanding common shares

of Noranda Mines Limited. Noranda and its associated companies are engaged in businesses encompassing mining and metallurgy, manufacturing, forest products and oil and natural gas exploration and production. Condensed financial information of Noranda Mines Limited for the years ended December 31, 1983 and 1982 is set out as follows:

	1983	1982
	(in thousands)	
Operations —		
Revenue	\$3,100,127	\$2,830,197
Expense — including interest of \$168,523 (1982 — \$145,525)	3,099,223	2,955,144
	904	(124,947)
Income taxes	(11,886)	(65,890)
	12,790	(59,057)
Minority interest in earnings of subsidiaries	9,673	6,457
Earnings (loss) of Noranda and subsidiaries	3,117	(65,514)
Unusual items (net) mainly reduction in carrying value of certain mining properties	(28,985)	
Gain on disposal of tax benefits		57,229
Share of losses in associated companies	(8,731)	(74,659)
Loss for the year	<u>\$ (34,599)</u>	<u>\$ (82,944)</u>

	1983	1982
	(in thousands)	
Financial position —		
Current assets	\$2,030,138	\$1,806,638
Investments and advances to associated and other companies	1,200,281	1,097,333
Fixed assets — net	2,646,196	2,498,003
Other assets	254,355	302,916
	<u>\$6,130,970</u>	<u>\$5,704,890</u>
Current liabilities	\$1,058,795	\$ 764,896
Deferred taxes and other	258,805	363,985
Long-term debt	2,061,810	1,722,854
Minority interest in subsidiaries	151,737	147,273
Shareholders' equity	2,599,823	2,705,882
	<u>\$6,130,970</u>	<u>\$5,704,890</u>

Anderson Exploration Ltd. —

The company purchased 1,125,993, or 32.6%, of the total outstanding common shares of Anderson Exploration Ltd. for \$80,000,000 cash on November 2, 1983. Anderson is engaged in exploration and development of oil and gas properties in Western Canada. A summary of the company's share of the net assets at date of acquisition is as follows:

Net assets, at book value	
Assets	\$111,111,000
Liabilities	<u>60,825,000</u>
	50,286,000
Excess of purchase price over the net book value of assets acquired	29,714,000
	<u>\$ 80,000,000</u>

The excess of the purchase price over net book value has been attributed to oil and gas properties and is being amortized on the unit-of-production basis based on estimated proven and probable reserves at date of acquisition. In the two months ended December 31, 1983, the company's share of Anderson's net loss, including amortization of the excess purchase price, amounted to \$319,000.

4. Property, plant and equipment

	1983		1982	
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	(in thousands)			
Gas and oil properties	\$ 82,851	\$ 9,391	\$73,460	\$69,132
Mining and smelting properties	30,700	19,732	10,968	10,631
	<u>\$113,551</u>	<u>\$29,123</u>	<u>\$84,428</u>	<u>\$79,763</u>

Payments of \$556,000 (1982 — \$2,054,000) earned during the year under the Petroleum Incentive Program have been deducted from the cost of oil and gas properties.

5. Income and mining taxes payable

Included in income and mining taxes payable are deferred income taxes of \$1,570,000 (1982 — \$1,588,000).

6. Long-term debt

The company has arranged with its bankers a line of credit which expires January 2, 1986. Existing advances are fully funded through bankers' acceptances. The effective interest rate payable on the bankers' acceptances is less than the bankers' prime lending rates. No assets have been pledged by the company as collateral for the line of credit.

7. Provision for mine closures

The provision for mine closures at December 31, 1983 includes estimated net expenditures to be incurred for reclamation, rehabilitation and closure of mining properties currently in operation or closed in prior years but for which these costs are still being incurred. The net balance of the provision at December 31, 1983 was \$7,486,000 (1982 — \$15,320,000) of which \$1,986,000 (1982 — \$6,790,000) is included in the consolidated balance sheet as part of accounts payable and accrued charges and \$5,500,000 (1982 — \$8,530,000) as provision for mine closures. Management is of the opinion that total expenditures to be incurred in mine closures will be less than originally estimated and accordingly the provision has been reduced during the year by \$4,296,000.

Kerr Addison Mines Limited
Notes to Consolidated Financial Statements (continued)

8. Shareholders' equity

Details of share capital and dividends per share are as follows:

	Number of shares	
	1983	1982
(a) Share capital —		
Common shares without par value:		
Authorized	<u>25,000,000</u>	<u>25,000,000</u>
Issued and outstanding	<u>17,140,291</u>	<u>17,126,350</u>

During the year 4,766 shares valued at \$90,000 were issued as stock dividends. As well, 9,175 shares valued at \$115,000 were issued under the employees' stock option plan. At December 31, 1983, options on 18,375 shares were outstanding, exercisable at prices varying from \$11.53 to \$16.76 for periods up to 1993.

	1983	1982
	(in thousands)	
(b) Dividends —		
Dividends declared during year	\$10,281	\$5,776
Less company's pro rata share of dividends paid to associated companies		(80)
Net charge to retained earnings	<u>\$10,281</u>	<u>\$5,696</u>

9. Segmented information

In 1983 the company operated primarily in two industries — mining and smelting, and gas and oil, and in two geographic areas — Canada and the United States. In 1982 the company also had mining and smelting activities in Ireland. The mining and smelting industry is comprised principally of the mining and sale of gold from the Kerr mine and the zinc reduction activities of the Canadian Electrolytic Zinc operation. The gas and oil industry comprises the company's interest in the Canadian Hunter and American Hunter joint ventures. Information regarding industry and geographic segments is set out as follows:

	1983 (in thousands)					1982 (in thousands)					
	Industry Segments			Geographic Segments		Industry Segments			Geographic Segments		
	Mining and smelting	Gas and oil	Consolidated	Canada	U.S.A.	Mining and smelting	Gas and oil	Consolidated	Canada	U.S.A.	Ireland
Value of production	\$33,674	\$ 13,776	\$ 47,450	\$ 47,450		\$42,745	\$ 12,266	\$ 55,011	\$ 42,190		\$12,821
Cost of production	25,284	676	25,960	25,960		34,469	523	34,992	21,613	\$ 55	13,324
	8,390	13,100	21,490	21,490		8,276	11,743	20,019	20,577	(55)	(503)
Outside exploration expenses	(4,576)		(4,576)	(4,037)	\$ (539)	(3,174)		(3,174)	(2,789)	(385)	
Depreciation and amortization	(531)	(2,822)	(3,353)	(2,773)	(580)	(567)	(2,814)	(3,381)	(2,787)	(594)	
Segment operating profit (loss)	<u>\$ 3,283</u>	<u>\$ 10,278</u>	<u>13,561</u>	<u>\$ 14,680</u>	<u>\$ (1,119)</u>	<u>\$ 4,535</u>	<u>\$ 8,929</u>	<u>13,464</u>	<u>\$ 15,001</u>	<u>\$ (1,034)</u>	<u>\$ (503)</u>
Dividends and interest income			5,864					3,964			
Administrative and general expenses			(1,284)					(987)			
Interest on long-term debt			(1,283)								
Income and mining taxes			(4,745)					(6,483)			
Reduction in provision for mine closure			2,897					2,040			
Share of losses of associated companies			(319)					(3,170)			
Other items (net)			2,228					254			
Net income for the year			<u>\$ 16,919</u>					<u>\$ 9,082</u>			
Identifiable assets	<u>\$21,933</u>	<u>\$ 80,303</u>	<u>\$ 102,236</u>	<u>\$ 84,922</u>	<u>\$17,314</u>	<u>\$22,390</u>	<u>\$ 77,456</u>	<u>\$ 99,846</u>	<u>\$ 81,100</u>	<u>\$16,113</u>	<u>\$ 2,633</u>
Corporate assets			364,297					296,804			
Total assets			<u>\$ 466,533</u>					<u>\$ 396,650</u>			
Capital expenditures	<u>\$ 868</u>	<u>\$ 7,150</u>	<u>\$ 8,018</u>	<u>\$ 6,860</u>	<u>\$ 1,158</u>	<u>\$ 2,815</u>	<u>\$ 11,292</u>	<u>\$ 14,107</u>	<u>\$ 8,850</u>	<u>\$ 5,257</u>	

Canadian production includes exports of \$20,747 (\$10,808 in 1982) primarily to customers in the United States.

10. **Related party transactions**

The company participates in a number of transactions with Noranda Mines Limited (Noranda) and its affiliated companies (the Noranda Group). Details of significant transactions with the Noranda Group are set out below:

(i) *Canadian Hunter and American Hunter* —

The company has direct and undivided interests of 13.0% and 8.3% respectively in all of the gas and oil properties, production and related activities of Canadian Hunter and American Hunter. Noranda is the major holder and operator of both of these ventures.

(ii) *Canadian Electrolytic Zinc* —

The company has a direct and undivided interest of 9.8% in all of the properties, production and related activities of Canadian Electrolytic Zinc (CEZ) and the balance is owned by Noranda. The company's portion of zinc concentrate purchased on the company's behalf by CEZ from the Noranda Group amounted to approximately \$11,598,000 (1982 — \$9,692,000).

(iii) *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 \$229,000 (1982 — \$243,000) and fees for technical and administrative services were \$148,000 (1982 — \$166,000).

(iv) *Short-term investment pool* —

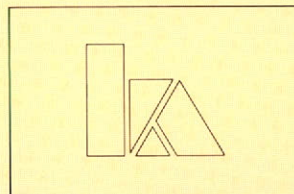
The company participates in a short-term investment pool with the Noranda Group. The pool is operated to provide participating companies with the opportunity to invest or borrow funds on a short-term demand basis within the group. Over the year the company earned interest on these funds amounting to \$157,000 (1982 — \$147,000). At the year end, the deposit in the pool was \$545,000 (1982 — \$750,000).

11. **Planned capital expenditures**

Capital expenditures for 1984 are estimated to be approximately \$11,500,000.

12. **1982 comparative figures**

Certain of the 1982 figures presented for comparison purposes have been reclassified to conform to the presentation adopted for 1983.



Management's Comments on the Effects of Changing Prices

The Canadian Institute of Chartered Accountants (CICA) has recommended that Canada's large public companies provide disclosure of certain effects of changing prices in their 1983 annual reports. It was proposed that these new disclosures be presented as supplementary information outside the annual audited financial statements.

The Management of Kerr Addison has reviewed the effects of inflation on funds generated by the Company for the 1982 and 1983 fiscal years on a constant dollar basis, using a Statistics Canada Index (The Implicit Price Index — Gross National Expenditure Deflator). Although this was not the method recommended by the CICA, the review indicated that the impact on the Company's earnings as compared to the traditional historical cost result, was not material.

Management has considered the disclosure recommended by the CICA and has concluded that such a presentation would not be useful information for the shareholder at this time. Also, because of the nature of the Company's business and assets, such disclosures would serve no meaningful purpose.

Toronto, Canada
February 17, 1984

