

013396

0920 041

80/4

**REPORT
TO THE
SHAREHOLDERS**

**October - November - December
1980**

Bethlehem Copper Corporation

BETHLEHEM COPPER CORPORATION

1980 FOURTH QUARTER REPORT TO SHAREHOLDERS

Operating Results

Net earnings, excluding extraordinary items, for the fourth quarter of 1980, were \$746,000, or 11.7¢ per share, compared to \$4,294,000, or 67.9¢ per share for the corresponding period of 1979. The extraordinary item described below added \$12,538,000, or \$1.97 per share to fourth quarter earnings. Net earnings for the year, including the extraordinary item, are \$20,072,000, or \$3.15 per share for 1980, compared with \$13,724,000, or \$2.17 per share during 1979.

Although copper shipments in the fourth quarter of 1980 were almost 50% higher than for the same period in 1979, higher operating costs and lower metal prices reduced mine earnings to close to break even.

As anticipated copper prices weakened during the fourth quarter and are expected to remain weak for the first half of 1981. A stronger trend is expected to re-establish itself in the second half of the year.

During the fourth quarter, all of the company's shares of Frio Oil Ltd. were sold to Drummond Holdings Ltd., Frio's other shareholder, for \$19,182,207. The extraordinary item mentioned above relates to the profit from that sale after deducting appropriate taxes.

Exploration and Development

All results of 1980 exploration programs have not yet been received and assessed. However, the following are summaries of status reports given to the optionors of the two most active properties being developed by the company.

Buckhorn Property

A joint venture of Bethlehem (as to 75%) and Pembina Pipeline Ltd. (as to 25%) has acquired a 50% interest in the Buckhorn property in Nevada from Bar Resources Limited. The joint venture has the option of increasing this interest to approximately 65% by converting certain shares owned in Bar Resources into a direct property interest.

To date four separate mineralized zones, North Buckhorn, South Buckhorn, North Aspen and South Aspen, have been identified and the first three have been explored in varying degrees. To date 246 holes, totalling 40,865 feet have been drilled. Assays for 50 holes have not yet been received and accordingly are not included in the calculations of uncut and undiluted ore reserves outlined below:

Based on a Gold Cutoff Grade	Ore Tons	Gold oz/ton	Silver oz/ton	Waste Tons	Stripping Ratio Waste/Ore
0.050	1,463,000	0.122	1.431	5,153,000	3.5/1
or 0.035	2,445,000	0.090	1.108	4,171,000	1.7/1
or 0.025	3,309,000	0.074	0.940	3,307,000	1/1
or 0.015	<u>4,375,000</u>	<u>0.061</u>	0.790	2,240,000	0.5/1

Additional reserves are expected to be added when all assays have been received and further drilling completed.

Based on ore reserves developed to date, preliminary pit design and mine planning are in progress and an engineering and metallurgical group in Salt Lake City has been retained to prepare an estimate of capital and

operating costs, all with a view to preparing a feasibility study during 1981.

Fish Lake

Bethlehem has an option to acquire an 80% interest in the Fish Lake copper-gold-silver porphyry deposit located southwest of Williams Lake.

Exploration drilling in the 1960's and early 1970's defined a zone of mineralization with measured, indicated and inferred reserves of 156 million tons grading 0.25% copper and 0.014 ounces/ton of gold.

During 1980 exploration work included geochemical surveys, surveying and 7,078 feet of percussion drilling in 23 holes. This work complemented a 3,628 foot percussion drilling program in 14 holes completed in the autumn of 1979. Anomalous concentrations of gold were defined in several of the 1979 and 1980 percussion drilling programs. These results are tabulated below:

1979/80 Percussion Drilling Anomalous Intersections

Hole No.	Interval (feet)	Gold oz/ton	Silver oz/ton	Copper %
FL-79-6	150 to 180 (30)	.180	—	.05
FL-79-7	130 to 210 (70) 80	.038	—	.03
FL-79-8	50 to 110 (60)	.073	—	.03
FL-80-23	160 to 200 (40)	.104	.10	.03
FL-80-33	<u>190 to 230 (40)</u>	<u>.247</u>	.81	.71
Including	190 to 210 (20)	.46	1.52	1.37

An exploration program is scheduled to commence mid-January, with two rigs drilling on a continuous 24-hour per day basis. The objectives in 1981 are:

- to bring indicated and inferred ore reserves which total some 108 million tons of the 156 million tons referred to above, into the proven category by extensive large core diamond drilling.
- to explore and drill the peripheral areas containing anomalous gold as indicated by the 1979/80 percussion drilling results.

Labour Relations

The company and its union employees have recently reached an agreement which will adjust labour rates to make them more competitive with other mines in the province and to extend the current agreement for 16 months or until October 31, 1982.

Dividend

Dividend No. 68 in the amount of 15¢ per share will be paid March 13, 1981 to shareholders of record on February 27, 1981.

BRYAN J. REYNOLDS
President

January 19, 1981

SUMMARY OF OPERATING RESULTS

(Figures subject to audit)

	Three Months Ended December 31		Twelve Months Ended December 31	
	1980	1979	1980	1979
Mill feed (dry) average per operating dayTons	20,067	20,809	19,688	20,897
Grade of ore — copper%	.39	.43	.38	.41
Concentrate grade%	26.58	40.35	28.17	40.16
Copper producedPounds	10,920,000	11,489,000	41,834,000	46,013,000
Copper shippedPounds	12,947,000	8,830,000	50,079,000	46,872,000
Molybdenum producedPounds	81,000	143,000	290,000	581,000
Molybdenum shippedPounds	70,000	144,000	206,000	675,000
Average copper price per poundCanadian cents	108.84	119.8	108.98	106.9
Revenues				
Concentrate sales	\$11,943,000	\$13,167,000	\$51,825,000	\$51,549,000
Oil and gas sales	218,000	440,000	1,101,000	1,413,000
Interest and investment income	1,784,000	1,513,000	6,883,000	5,213,000
	<u>\$13,945,000</u>	<u>\$15,120,000</u>	<u>\$59,809,000</u>	<u>\$58,175,000</u>
Cost of sales and administrative	<u>\$12,996,000</u>	<u>\$ 5,998,000</u>	<u>\$44,135,000</u>	<u>\$30,315,000</u>
Exploration	<u>750,000</u>	<u>769,000</u>	<u>2,554,000</u>	<u>2,192,000</u>
	<u>\$13,746,000</u>	<u>\$ 6,767,000</u>	<u>\$46,689,000</u>	<u>\$32,507,000</u>
Earnings before taxes	<u>\$ 199,000</u>	<u>\$ 8,353,000</u>	<u>\$13,120,000</u>	<u>\$25,668,000</u>
Provision for income and resource taxes	(582,000)	4,027,000	5,625,000	11,808,000
Earnings before the undernoted	<u>\$ 781,000</u>	<u>\$ 4,326,000</u>	<u>\$ 7,495,000</u>	<u>\$13,860,000</u>
Minority interest	(9,000)	(32,000)	65,000	(136,000)
Share of net loss of non-consolidated affiliate	(26,000)	—	(26,000)	—
Net earnings before extraordinary item	<u>\$ 746,000</u>	<u>\$ 4,294,000</u>	<u>\$ 7,534,000</u>	<u>\$13,724,000</u>
Extraordinary item	<u>12,538,000</u>	—	12,538,000	—
NET EARNINGS	<u>\$13,284,000</u>	<u>\$ 4,294,000</u>	<u>\$20,072,000</u>	<u>\$13,724,000</u>
EARNINGS PER WEIGHTED AVERAGE OF SHARES OUTSTANDING:				
1980 — 6,435,364 shares outstanding				
— before extraordinary item	11.7¢		118.2¢	
— after extraordinary item	208.3¢		314.8¢	
1979 — 6,344,382 shares outstanding		67.9¢		216.9¢

STATEMENT OF CHANGES IN FINANCIAL POSITION

(Figures subject to audit)

	Twelve Months Ended December 31	
	1980	1979
WORKING CAPITAL PROVIDED FROM:		
Net earnings before extraordinary item	\$ 7,534,000	\$13,724,000
Add: Items not requiring an outlay of working capital —		
Depreciation and depletion	3,851,000	2,793,000
Provision for future taxes	(111,000)	641,000
Minority interest	(65,000)	136,000
Loss of non-con- solidated affiliate	26,000	—
From operations	<u>\$11,235,000</u>	<u>\$17,294,000</u>
Sale of capital assets	182,000	183,000
Increase in long term debt	2,444,000	667,000
Proceeds from issue of shares	1,247,000	310,000
Proceeds from sale of Frio Oil Ltd. shares of \$19,182,000 net of income taxes of \$4,504,000 and working capital disposed of \$253,000	14,425,000	—
Other	—	50,000
	<u>\$29,533,000</u>	<u>\$18,504,000</u>
WORKING CAPITAL APPLIED TO:		
Dividends	\$ 6,373,000	\$ 5,066,000
Purchase of capital assets	6,377,000	4,590,000
Investments	1,944,000	—
Reduction in provision for future taxes	1,478,000	—
	<u>\$16,172,000</u>	<u>\$ 9,656,000</u>
INCREASE IN WORKING CAPITAL	<u>\$13,361,000</u>	<u>\$ 8,848,000</u>
WORKING CAPITAL, BEGINNING OF YEAR	<u>64,535,000</u>	<u>55,687,000</u>
WORKING CAPITAL, END OF YEAR	<u>\$77,896,000</u>	<u>\$64,535,000</u>