Falconbridge Limited

Annual Report 1983

Falconbridge Limited is an international resource enterprise engaged directly and through its subsidiary and associated companies in exploration, and in the mining, processing and marketing of metals and minerals. Products include nickel, ferronickel, copper, cobalt, other base metals, precious metals, industrial minerals and foundry products.

In addition to operations in Sudbury, Norway and the Dominican Republic, the Falconbridge Group comprises subsidiary and associated companies operating throughout the world, research laboratories in Ontario and Norway, marketing and sales offices serving Canadian and international markets and exploration offices worldwide.

The Corporation is committed to long-term growth through its search for new orebodies, improved methods of mining and metals recovery and the development of new markets for its products. And it is dedicated to meeting its social responsibilities by remaining an economically viable employer, providing a healthy and safe workplace and protecting the environment.

Annual Meeting of Shareholders
Thursday, April 19, 1984
10:00 A.M. (Toronto time)
Commerce Hall
Concourse Level, Commerce Court
Toronto, Ontario

Highlights

	1983	1982	1981
Revenues	$615,387,000	$483,126,000	$712,952,000
Loss for the year before extraordinary item	18,358,000	85,254,000	3,902,000
— per share	2.71	17.12	0.78
Loss for the year	3,542,000	85,254,000	9,024,000
— per share	0.52	17.12	1.81
Dividends per share	—	—	1.50
Working capital	431,562,000	341,551,000	473,170,000
Long-term debt	454,459,000	467,520,000	465,386,000

Contents

Report of the Directors to the Shareholders

Falconbridge Limited recorded a consolidated loss in 1983, before extraordinary item, of $18.36 million, or $2.71 per share, compared with a loss of $85.3 million, or $17.12 per share, in 1982. The Corporation recorded an extraordinary gain of $14.82 million, or $2.19 per share, resulting from a $25 million equity issue by Kiena Gold Mines Limited in which Falconbridge Limited did not participate. This resulted in a consolidated net loss of $3.54 million, or $0.52 per share, in 1983.

The substantial improvement in results was due to reduced production shutdown costs, lower exploration expenditures, higher sales, higher productivity and no-frills operations throughout the organization. These factors plus increased dividends from subsidiary companies more than offset a decline in the average price for nickel, and they contributed to earnings of $12.1 million, or $1.74 per share, in the fourth quarter of 1983, the first quarterly consolidated net operating profit since the three-month period ending September 30, 1981.

Falconbridge is striving to operate profitably at present metal prices. It began 1983 as a more productive and efficient Group as a result of major workforce and other cost reductions at Sudbury Operations, Head Office, the Metallurgical Laboratories, the Refinery in Norway, the ferronickel operation in the Dominican Republic and other subsidiary and associated companies.

During the year, additional workforce reductions were made at some locations and ongoing cost-management programs were intensified. In all, the cost of producing a pound of nickel has been reduced by about 30 per cent since 1981, and Falconbridge has strengthened its position as a low-cost producer.

The declines in prices that occurred in 1982 and 1983 would normally have forced the high-cost producers out of the market. This did not happen because of the support that many of these producers receive either directly or indirectly from their governments. We estimate that about 40 per cent of the world's nickel production receives substantial government support in one form or another. It is therefore necessary for the Group to continue to take measures to reduce costs, if it is to be a profitable producer in this type of marketplace.

World-wide nickel consumption rose during the year as some industrialized economies began their long-awaited recovery. As a result, Falconbridge's sales volumes rose and inventories were reduced to minimum working levels.

Subsidiary and associated companies have contributed and will continue to contribute to the Group's improved performance: Indusmin Limited reported record earnings in 1983; Giant Yellowknife Mines Limited officially opened its Salmita gold mine in the Northwest Territories; Kiena Gold Mines Limited began construction of its own mill, which should add substantially to the company's profitability in 1985; Corporation Falconbridge Copper decided to proceed to production at its Lac Shortt gold property in Quebec, with production expected to begin late in 1984, and to sink a shaft on its Winston Lake zinc property in Ontario; Western Platinum Limited paid substantial dividends; and the Blanket gold mine in Zimbabwe continues to operate at a profit despite difficult conditions.

On January 18, 1984, the Corporation sold 230,000 common shares for $71.50 each. The net proceeds of $15.8 million have been used primarily to finance the purchase for cancellation of certain of the Corporation's sinking fund debentures.

On October 21, 1983, Mr. H. B. Keck resigned as a Director and member of the Executive Committee. The Board of Directors will miss the wise counsel he has rendered over the years. At its meeting on February 28, 1984, the Board of Directors appointed Mr. R. A. Barker, Vice President, Minerals of The Superior Oil Company, as a Director and as a Member of the Executive Committee of the Board.

Four executives have left the Corporation or have announced their intention to retire early in 1984. They are Messrs. I. H. Keith, Vice-President Ferronickel and Industrial Minerals Divisions and African Operations, J. D. Krane, Vice-President Corporate Affairs and Secretary, M.O. Pearce, Assistant Vice-President Marketing, and A. G. Slade, Vice-President Canadian Nickel and Copper Operations. The Board of Directors and the management and staff of the Corporation would like to express their appreciation and gratitude to these gentlemen for the valuable contributions they made to Falconbridge during their many years of service.

The Board of Directors also wishes to thank the employees of the Falconbridge Group for their outstanding performance during the past year. Their efforts have helped bring about a significant increase in Falconbridge's international competitiveness, which will help to ensure the Group's long-term success.

On behalf of
the Board of Directors:

William James,
Chairman of the Board,
President and
Chief Executive Officer

Toronto, Ontario
February 28, 1984

(For average annual prices received by Falconbridge for the metals discussed here, *see the table on page 39.)*

Nickel

Business conditions improved for the nickel industry in 1983 as consumption increased over 1982 levels in response to a general economic recovery.

Nickel prices rose substantially in the early part of the year from the near-record lows reached in November, 1982. However, prices declined slightly in the fourth quarter.

Provisional 1983 estimates indicate that non-Communist world (NCW) nickel consumption rose to 1,080 million pounds, a 10 per cent rise over 1982 and the first annual increase since 1979. A sharp rise in LME inventories and a modest increase in consumer nickel stocks pushed up NCW producer nickel deliveries by more than 20 per cent from 1982 levels to about 1,100 million pounds in 1983.

However, many of the cutbacks initiated by nickel producers in 1982 continued to affect output in 1983. This, combined with reduced imports from Soviet-bloc producers, kept the NCW nickel supply increase during 1983 to only 11 per cent. Consequently, producer inventories declined significantly to about 310 million pounds by the end of 1983. Combined with increased LME inventories, this level of producer stocks was still considered to be slightly excessive for the level of consumption. However, low-purity forms of nickel made up a disproportionate percentage of the total inventories and some high-purity and specialty products were in short supply.

The economic recovery in the United States proved to be extremely robust, with factory utilization increasing to nearly 80 per cent from the low of 62 per cent in November, 1982. Stimulated by strong consumer demand for cold rolled sheet and strip products, the U.S. stainless steel industry, a major consumer of nickel, recorded its best year in terms of volume since 1979. Output was up by more than 40 per cent from 1982 levels. In December, 1983, stainless steel producers operated at about 76 per cent of installed capacity, compared with 37 per cent a year earlier. Nickel demand in the electroplating sector was also up by a significant margin as automotive production ran at near capacity. These gains, plus increases in all of the other major end-use sectors, resulted in a 26 per cent increase in U.S. nickel consumption in 1983.

The recovery in Europe was mixed. While the economies of Germany and the United Kingdom grew, those of France and Italy continued to decline. Overall, European levels of industrial production and G.N.P. improved very slightly. European exports of stainless steel and other commodities were adversely affected during the first half of 1983 by U.S. protectionism and the collapse of markets in OPEC and less developed countries. For the full year, however, both stainless steel production and nickel consumption increased modestly over 1982.

Japan, which emerged as the number one nickel consumer in 1982, retained that position in 1983, although it suffered from relatively weak export markets and the lack of domestic stimulus during the first half of the year. A combination of government economic measures and improved exports in the second half, however, resulted in a 10 per cent growth in nickel consumption for the year as a whole.

Similar problems of weak export markets and lack of domestic stimulus plagued South East Asian nations and India throughout 1983, with stagnant nickel consumption the inevitable outcome.

Copper

The copper industry in 1983 suffered from the effects of production in excess of demand which contributed to sustained low prices. Prices were strongest in the second quarter in response to recovery in the U.S. automotive and housing industries and sales of about 180,000 tonnes of copper to the People's Republic of China.

Though producers in the industrial nations tried individually to gear their production to demand, some producers in Third World Nations, which were more concerned with export trade balances than with operating at a profit, continued to produce at excessive levels. Estimated NCW copper mine production in 1983 fell to 6.1 million tonnes from 6.3 million tonnes in 1982. Refined copper production, estimated at 7.3 million tonnes, increased from 7.1 million tonnes in 1982.

As a result, total refined copper stocks at year-end 1983 were estimated at 1.6 million tonnes, an increase of 135,000 tonnes, or 9 per cent, over year-end 1982. These stocks exceed normal inventory requirements by about 350,000 tonnes. Consumption increases are expected in 1984 which may result in inventory reductions and some price improvement.

Cobalt

NCW cobalt consumption in 1983 increased by 6.7 per cent over 1982 levels to about 32 million pounds. The increase follows four successive years of decline. As a result of marked cutbacks by all major producers, production of cobalt was in line with consumption for the first time since 1978. Producer inventories decreased by 17 per cent to 38 million pounds at year end, still a high level relative to consumption.

Precious Metals

The high level of real interest rates in North America, the slow European economic recovery and lower inflationary expectations reduced demand for precious metals by both consumers and speculators. These factors quashed the price rises that occurred in the first quarter of 1983.

(a) Consolidated subsidiary
(b) Accounted for on an equity basis
(c) Accounted for on a cost basis

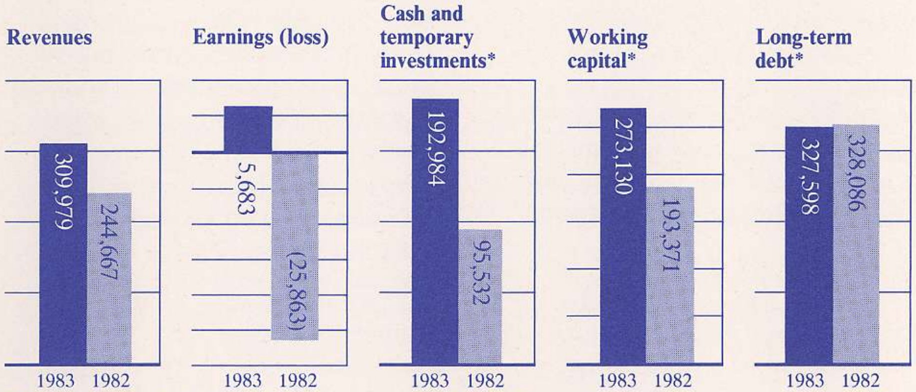
* These public companies are subject to corporate and securities legislation of various jurisdictions. Their annual reports, from which this information has been extracted, are available for public inspection at the offices of the regulatory authorities which administer such legislation.

Integrated Nickel Operations

The Integrated Nickel Operations include the mines, mills and smelter in Sudbury, Ontario, the Refinery in Kristiansand, Norway, and Falconbridge's Marketing and Sales group.

Highlights

(000's of dollars)



*Includes items relating to the Corporate operations of the Corporation

Business conditions improved in 1983, with nickel sales volumes rising 55 per cent over 1982. The Integrated Nickel Operations also benefited from a decrease in shutdown and termination costs as well as greater productivity and efficiency. These factors outweighed the effect of low metal prices and resulted in a profit for the year.

Sudbury Operations

Operating Review

Operations resumed at Sudbury on January 3, 1983, following a six-month shutdown. Production was increased in 1983 to meet higher delivery levels and to reduce unit costs. As a result, the 1983 summer shutdown, originally planned to last three months, ran for only two weeks in July. At year end, inventories remained at minimum working levels.

The Falconbridge, East, Lockerby, North, Fraser and Strathcona Mines operated during the year. The Onaping Mine, which had been placed on standby in 1982, remained closed in 1983.

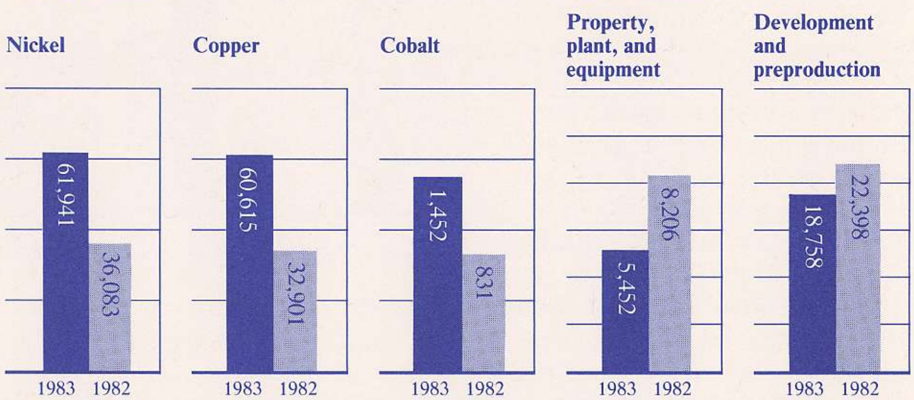
Ore delivered to treatment plants from the six operating mines totalled 3.0 million tons for the year, compared with 1.7 million tons during the six operating months of 1982. Some 18,700 tons of high-grade copper concentrate were produced and delivered to another company for custom treatment and refining in Ontario.

Production of metals at Sudbury Operations

(000's of pounds)

Expenditures on mines and plants

(000's of dollars)



Capital Program

Cost restraints resulted in decreased expenditures in 1983. Development expenditures are expected to increase in 1984 to enable the Corporation to maintain its ability to meet future production requirements. For details of 1983 exploration, see page 7.

Preparation for the deepening of the Strathcona No. 1 shaft began in December, 1983, to provide hoisting facilities for the deeper Fraser zones as well as access to the deep copper zones.

The installation of a filter and load-out facility at the Strathcona Mill, to increase production of copper concentrate for refining at other Canadian companies, was completed early in 1984.

Labour Relations

The Sudbury Operations workforce comprised 2,640 employees at year end, compared with 2,717 at the end of 1982.

A new collective agreement was reached with Local 598 of the Sudbury Mine, Mill and Smelter Workers Union. The 30-month contract has a wage reopener on April 1, 1984. The agreement replaces one that expired on August 21, 1982, and will run from April 1, 1983, to August 21, 1985.

Negotiations are continuing with Local 6855 of the United Steelworkers of America, which represents the office, clerical and technical employees at Sudbury Operations. The previous agreement expired on July 1, 1983.

Occupational Health and Safety

Two important studies relating to occupational health matters were undertaken at Sudbury Operations during 1983. Research was conducted on diesel emissions from underground equipment and possible means to improve pollution controls. The second major study included examination of noise sources throughout Sudbury Operations and means of effectively protecting employees.

The results of these studies will be available to the Corporation for follow-up in 1984.

The total medical aid accident frequency of Sudbury Operations decreased during 1983 by 18 per cent from the previous year. The compensable accident frequency decreased by 15 per cent.

Ore Reserves

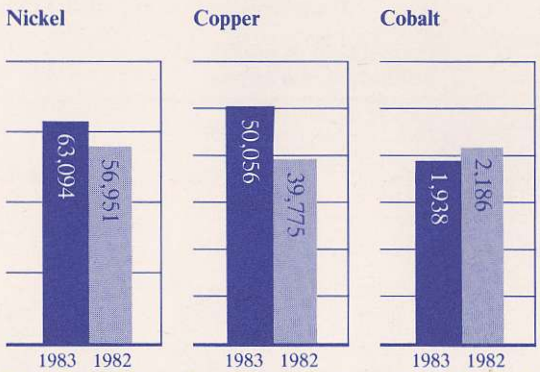
Ore reserves at December 31, 1983, were 73.6 million tons, with an average grade of 1.51 per cent nickel and 1.10 per cent copper, compared with reserves of 77.3 million tons, with an average grade of 1.50 per cent nickel and 1.06 per cent copper at the end of 1982.

Falconbridge Nikkelverk Aktieselskap

In order to meet higher delivery requirements, the Refinery operated for 11 months during the year and ran at 74 per cent of installed annual nickel capacity. There was a vacation shutdown of all operations of the Refinery for four weeks in July. As part of the cost-cutting program, the Refinery operated on a four-day week for two months early in 1983, and operations at the matte leach plant, which accounted for about 15 per cent of the Refinery's nickel capacity, ceased in February, 1983.

The total production of metals at the Refinery*

(000's of pounds)



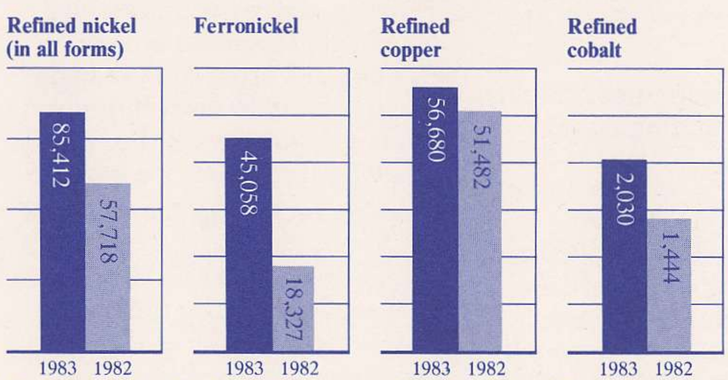
*Includes metals produced for companies outside the Falconbridge Group

Marketing and Sales

The Falconbridge group of marketing and sales companies is responsible for the marketing of products produced by Falconbridge. In addition, Falconbridge acts as sales agent for metals produced on a toll basis. In 1983, Falconbridge marketed six forms of nickel as well as refined copper, cobalt, silver, gold, platinum and other platinum group metals; copper, lead and zinc concentrates; iron ore, arsenic trioxide and sulphuric acid. Total sales of nickel products in

Integrated Nickel Operations sales of finished metal products from all sources*

(000's of pounds)



*Includes metals refined and sold as agent and metals purchased for resale all forms at 130.5 million pounds, were the highest since 1979. The increase in the shipments of refined nickel and ferronickel during 1983 over 1982 levels can be attributed primarily to improved world nickel demand and increased marketing efforts. Deliveries of copper and cobalt were the highest since 1974 and reflect the higher levels of production of those metals in 1983.

Sales of copper in concentrate by subsidiary companies in 1983 totalled 60.3 million pounds, 12 per cent less than the 68.4 million pounds delivered in 1982. This decrease reflects the shutdown at Corporation Falconbridge Copper's Lake Dufault division from the end of August, 1982, to the beginning of April, 1983, the temporary shutdown of the Opemiska Division's Perry Mine that began in November, 1983, as well as the sale of Oamites Mining Company (Proprietary) Limited in December, 1982, and the cessation of operations at the Wesfrob Mining Division in October, 1983.

Inventories of nickel in all forms, including ferronickel and agency refined nickel, were reduced to minimum working levels during the first quarter of 1983, and remained at those levels for the balance of the year. At year end inventories totalled 29.2 million pounds, down from 39.7 million pounds one year earlier.

The Falconbridge marketing and sales group is continually reviewing and adjusting its global marketing efforts to take maximum advantage of new opportunities in changing markets. At mid-year a new sales office was opened in Tokyo. The office, operated by newly incorporated Falconbridge (Japan) Ltd., is now the fifth member of the Falconbridge sales force worldwide. Other offices are located in Pittsburgh, Toronto, Brussels and Bermuda. In 1983, these offices marketed Falconbridge products to customers in about 40 countries. In addition, the Falconbridge network of agents and distributors consists of about 50 representatives worldwide.

The treatment of primary and secondary materials containing nickel and cobalt became a more important aspect of Falconbridge's business in 1983. The marketing group negotiates the acquisition of such materials, arranges for their treatment in Falconbridge plants and contracts for the sale of the recovered metals.

Corporate Operations

Exploration

Exploration programs during 1983 were significantly reduced in keeping with the overall cost-restraint program. The focus of continuing exploration is mainly on the search for gold and multi-metallic deposits. Falconbridge has been able to expand its opportunities for exploration success by participation in joint ventures. Consolidated exploration expenditures decreased by $9.8 million in 1983 to $19.0 million.

The following review outlines the highlights of the 1983 exploration programs.

Ontario

Exploration by Sudbury Operations continued on surface and underground at the Fraser and Strathcona Mines. In the copper zones at Strathcona, 650,000 tons were added to ore reserves.

On Corporation Falconbridge Copper's Winston Lake property located 17 miles north of Schreiber in northwestern Ontario, the surface diamond drilling program has indicated a mineralized zone estimated at 2.95 million tons with a grade of 0.94 per cent copper, 17.8 per cent zinc, 0.74 ounce silver per ton and 0.025 ounce gold per ton including a 20 per cent dilution factor. An expenditure of $7.6 million has been approved to sink a 1,673-foot shaft and perform related underground work to delineate the deposit.

Quebec

Pursuant to a joint-venture agreement with New Pascalis Mines Limited, Société Québecoise d'Exploration Minière (SOQUEM) carried out a surface diamond drilling program on property in Louvicourt Township, Quebec. The 24,000 feet of drilling in 60 holes disclosed significant gold mineralization within a vertical, tabular-shaped zone averaging 30 feet in width and about 1,000 feet in length. Results from 41 diamond drill holes totalling 16,842 feet within the mineralized zone gave an undiluted drill-indicated mineral reserve of 919,000 tons grading 0.24 ounce gold per ton. The zone is open at depth. Further work to confirm the grade of this discovery is now being planned.

The Corporation holds a 61.3 per cent equity interest in New Pascalis, which has a 40 per cent interest in the property. SOQUEM holds the remaining 60 per cent interest in the property. On February 16, 1984, New Pascalis filed a final prospectus with the Quebec Securities Commission for a public offering of 500 Deposit Receipts totalling approximately $2.8 million, by which subscribers will be entitled to earn or acquire common shares in the company. The purpose of the offering, which is to close finally on or about March 7, 1984, is to obtain funds in order for the company to maintain its 40 per cent interest in the property. Falconbridge Limited will not participate in the offering, and as a result its equity interest in New Pascalis may be diluted to 43.3 per cent.

New Quebec Raglan Mines Limited, 73.8 per cent owned by the Corporation, indirectly holds mining claims covering 77 square miles in the Ungava region of northern Quebec. There was no exploration activity on the claims in 1983. Further development of the property will depend on the emergence of stronger markets for nickel and copper, as well as the availability of power and the provision of the necessary infrastructure at acceptable cost.

Proven and probable ore reserves are 12 million tons grading 3.11 per cent nickel and 0.79 per cent copper. Net expenditures on the property to date amount to $43.0 million, including a recovery of $181,000 in 1983.

British Columbia

In 1983, the exploration program conducted by Falconbridge at the Windy Craggy property consisted of nine diamond drill holes, a detailed airborne geophysical survey and a detailed geological mapping and sampling survey of the northern part of the property. The diamond drilling program further defined the copper mineralization and confirmed the northwesterly extension of this massive sulphide deposit. One diamond drill hole intersected 201 feet of mineralization averaging 1.21 per cent copper, 0.27 ounce of gold per ton and 0.28 ounce of silver per ton. This is the first significant gold mineralization intersected. A full evaluation of the property will require major expenditures for exploration and development.

The Corporation, which has managed the program on behalf of the Falconbridge Limited-Geddes Resources Limited joint venture, transferred its 51 per cent interest in the property to a subsidiary, Windy Craggy Explorations Limited. On November 29, 1983, Windy Craggy Explorations Limited announced that it had agreed to transfer its interest in the property to Geddes Resources Limited for a royalty interest equal to 22.5 per cent of the net proceeds of production in the event the property is brought into production.

Botswana

Diamond exploration, conducted by DeBeers Consolidated Mines Limited under the terms of the option granted to it, continued in 1983. Emphasis was placed on the evaluation of the Gope 25 kimberlite pipe. Preliminary bulk sampling results of the Gope pipe are encouraging and further large-scale tests will be required during 1984 to properly determine its commercial value.

United States

The Corporation's interest in the joint-venture diamond project at the Sloan property in Colorado dropped to 35.1 per cent from 43.6 per cent following the decision not to participate in the 1983 program. The Superior Oil Company continued treating bulk samples of kimberlite until the third quarter of 1983, when it suspended operations because of a lack of encouraging results. It continued to explore for other kimberlites in the region.

Chile

Further studies have been conducted on the Quebrada Blanca deposit, but current copper prices do not justify an early production decision.

Research and Development

Mining research activities continued to focus on improving productivity and developing new mining methods and equipment to provide a safer working environment, to reduce mining costs and to improve existing mining and ground-control methods. A major aim of the Sudbury mining group is to increase the proportion of bulk mining, one of the safer methods. In 1983, about 50 per cent of the production was so mined, with 40 per cent of the production from mechanized mining and only 10 per cent from conventional methods. The expertise developed in Sudbury is available to subsidiary and associated companies.

In 1983, the Corporation, along with three other major Canadian mining companies, formed HDRK Mining Research Limited in order to share the cost of major research programs aimed at improving mining productivity and developing new equipment.

Metallurgical research and process development continued to be concerned with improving working environments, reducing sulphur dioxide emissions, increasing metal recoveries, reducing smelting and refining costs, and developing additional applications for Falconbridge's nickel and cobalt products.

Research and process development expenditures decreased in 1983 by 41 per cent to $3.4 million, reflecting the general cutbacks in Falconbridge's activities. Expenditures will remain at this level in 1984.

In January, 1984, the Corporation announced that it will transfer its central metallurgical research facilities from Richmond Hill to existing Corporation-owned facilities at other locations in

Ontario. The relocation, which should be completed by the summer of 1984, will significantly reduce administration costs for the research facilities, and it will permit greater collaboration between research scientists and plant operators to facilitate the development and implementation of new processing technology. Research will continue to be autonomous from operations.

Development work continued on methods to reduce metal losses during the milling, smelting and refining stages. A new process developed at the Falconbridge Nikkelverk Refinery for improved treatment of copper residues is currently being tested in a pilot plant. A method for upgrading Dominican Republic laterite ores has been successfully tested on a small pilot-plant scale, and further large-scale testing is being considered.

Environmental Control

Ongoing research and development projects at the Smelter and Metallurgical Laboratories have helped Falconbridge achieve significant reductions in the emission of sulphur dioxide.

In 1953, 83 per cent of the sulphur in the ore mined by the Corporation in Sudbury was emitted by the Smelter into the atmosphere as sulphur dioxide. New technologies and equipment have drastically cut this percentage. Operating at full capacity, only 14 per cent of the sulphur would now be emitted. In 1983, at reduced operating rates, the percentage of the sulphur emitted into the atmosphere was 12 per cent.

This achievement illustrates the Corporation's continuing efforts to protect the environment and improve the economic viability of its operations. Between 1966 and 1982, the Corporation spent $180 million on sulphur emission reduction programs. Of that, $15 million went for research and development, and $165 million was for capital expenditures.

The continuing emissions research and development program will focus on three key areas. These are the search for more cost-effective ways of separating the mineral pyrrhotite, which contains large amounts of iron and sulphur and very little nickel, from the mineral pentlandite, which contains large amounts of nickel; efforts to increase the amount of sulphur that can be fixed as sulphuric acid during smelting; and the study of weather patterns and their effects on emissions in an effort to help the Corporation find ways to adjust production in order to minimize ground-level concentrations of sulphur dioxide.

The Ontario Ministry of the Environment issued an Amending Control Order in December, 1983, requiring the Corporation to take necessary steps to ensure that sulphur dioxide emissions from the Smelter neither exceed an average of 423 tonnes per day (unchanged from the earlier Control Order) nor result in an hourly average ground-level concentration in excess of 0.50 parts per million. In addition, the Corporation is required to monitor ground-level concentrations of sulphur dioxide from fixed locations and to formulate and operate a supplementary emission control system by 1987. The Corporation believes that it can comply with the Amending Control Order without major effect on its Sudbury Operations.

In another effort to protect the environment, the Corporation has installed facilities to recycle water from the Strathcona Creek watershed through the Strathcona mill. This system will greatly reduce the heavy-metal discharge into the Onaping River.

subordinated notes bearing interest at a rate of 1 per cent above the U.S. prime rate in effect on the date of issue of the notes. The cost-cutting measures undertaken in the fourth quarter should considerably reduce funding required by the sponsors in 1984.

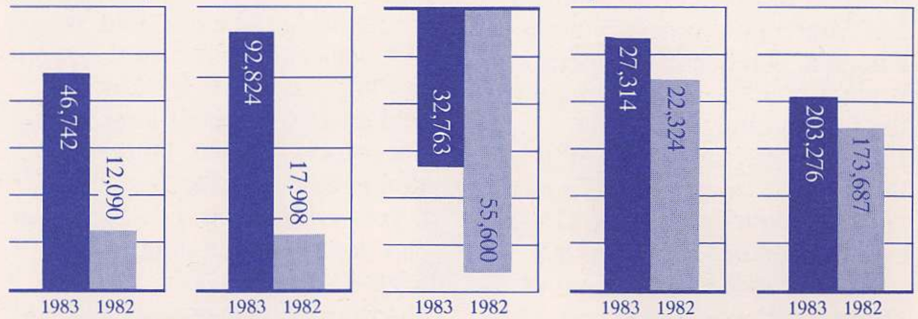
The total workforce at December 31, 1983, was 1,073 employees of whom 1,057 were Dominican Republic citizens and 16 expatriates, compared with a total workforce of 1,171 employees at year-end 1982.

Proven and probable reserves of laterite ore at the end of 1983 were 43.7 million tons grading 1.78 per cent nickel.

Production **Highlights**

(000's of pounds) (000's of RDdollars) (RD$1 = U.S.$1)

Ferronickel shipments (nickel content) **Revenues** **Loss** **Working capital** **Long-term debt***



*(1983 includes RD$14,437,000 due in 1984)

Kiena Gold Mines Limited

Stock issued: 5,876,848 common shares
Falconbridge Limited's ownership: 3,331,203 common shares or 56.7%

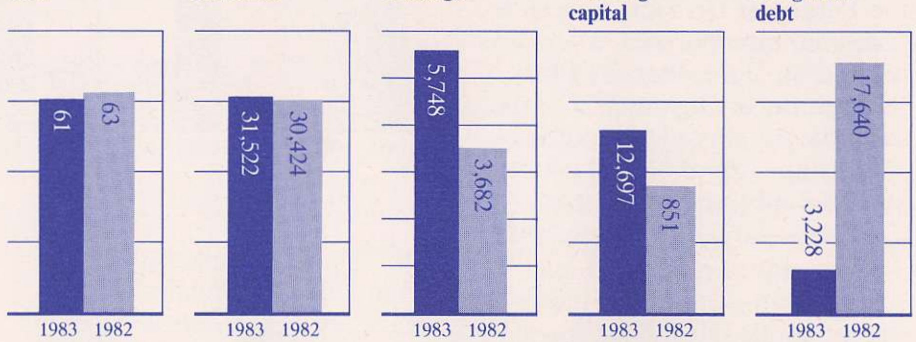
The Kiena Mine, located in Dubuisson Township, Quebec, completed its second full year of gold production.

Gross revenues from metal shipments increased in 1983, reflecting a higher average gold price received, which more than offset slightly lower gold production. The amount of ore milled increased, but was affected adversely by a three-month strike, from February to May, 1983, at the mill of the company's primary custom processor. During this period, mine production was maintained with some ore processed at alternative facilities and the balance added temporarily to stockpiles. By the third quarter, operations had returned to normal, additional ore was milled and metal recoveries improved. Operating costs per ton decreased slightly during the year, but costs of production of gold increased slightly because of the lower grade of ore milled.

Production **Highlights**

(000's of ounces) (000's of dollars)

Gold **Revenues** **Earnings** **Working capital** **Long-term debt**



The mine was shut down in July for a two-week vacation period. At year end, Kiena had 162 employees.

Preparations for the long-term development program, to prepare the lower zone for production in 1986, started in the third quarter with an advancement of the main decline to the 1,250-foot level by year end. Estimated costs for this program are $10 million.

Ore reserves as of December 31, 1983, including an allowance for mining dilution, were 5.6 million tons grading 0.16 ounce gold per ton.

Construction of the company's own 1,375-ton per-day mill, at an estimated cost of $20 million, started in August. By year end, all foundation work was completed and the building was erected. Equipment is being installed, and the facility should be ready to treat ore during the fourth quarter of 1984. The Quebec Government is providing a grant which reimburses Kiena for 20 per cent of eligible mill construction expenses to a maximum of $4 million.

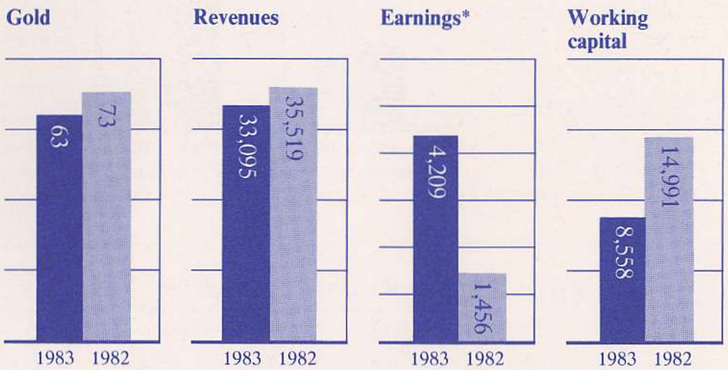
In August, Kiena raised a net of $23.8 million through the issue of one million common shares. The proceeds were used to retire the cash portion of the company's bank indebtedness and the remainder was added to working capital, to be applied ultimately to mill construction. Falconbridge Limited did not participate in the issue, and its equity interest in Kiena was reduced to 56.7 per cent from 68.3 per cent. However, the Corporation's interest in Kiena's net assets increased, resulting in an extraordinary gain of $14.8 million.

Giant Yellowknife Mines Limited

Stock issued: 4,303,050 common shares
Falconbridge Limited's ownership: 824,413 common shares or 19.2%

The company carries out gold mining and milling operations in Yellowknife and at the Salmita Mine, 150 miles northeast of Yellowknife, in the Northwest Territories. Consolidated results include the operations of its subsidiary companies, Lolor Mines Limited (87.5 per cent owned) and Supercrest Mines Limited (50.01 per cent owned).

Production (000's of ounces) **Highlights** (000's of dollars)



*Accounted for by Falconbridge Limited on an equity basis

At the Yellowknife operations the mining rate was reduced by 25 per cent at the end of the first quarter of 1983 in order to ensure a more complete extraction of indicated ore reserves and to permit more time to develop new reserves.

Despite the cutback and resultant lower bullion output, earnings were improved over 1982 because of lower overall operating costs, a drop in exploration expenditures and a higher average price received for gold. Continued close attention to mining control and extraction from richer ore zones resulted in better grade ores.

Treatment plant operations were adversely affected during the year by metallurgical problems that caused several roaster shutdowns. Gold recovery, however, was unchanged at 85 per cent.

In March, 1983, after receiving the necessary government permits and licences, a decision was made to place the Salmita gold property into production. Underground development work and rehabilitation of a nearby plant, which had been acquired from Tundra Gold Mines Limited, started in April. Milling operations commenced in early August, and the first gold bullion was poured in September. The project is nearing completion within budget. During the tune-up phase, only lower-grade development ores were processed. Output for 1983 was 5,116 ounces of gold obtained from treatment of 13,146 tons of ore.

Ore reserves at Yellowknife operations were 1.1 million tons grading 0.23 ounce gold per ton at December 31, 1983, compared with 980,000 tons grading 0.24 ounce gold per ton a year earlier. The Salmita ore reserves were 116,000 tons grading 0.82 ounce gold per ton at year-end 1983, and 154,000 tons grading 0.78 ounce gold per ton at the time of the production decision in March, 1983.

The company is continuing exploration programs for precious metals in Canada and, through a subsidiary company, in the United States.

United Keno Hill Mines Limited

Stock issued: 2,470,000 common shares
Falconbridge Limited's ownership: 1,195,989 common shares or 48.4%

United Keno Hill Mines Limited is a silver-lead producer with mines located at Keno Hill and Galena Hill and a concentrating-smelting facility at Elsa, all in the Yukon Territory. The company has an exploration office in Whitehorse.

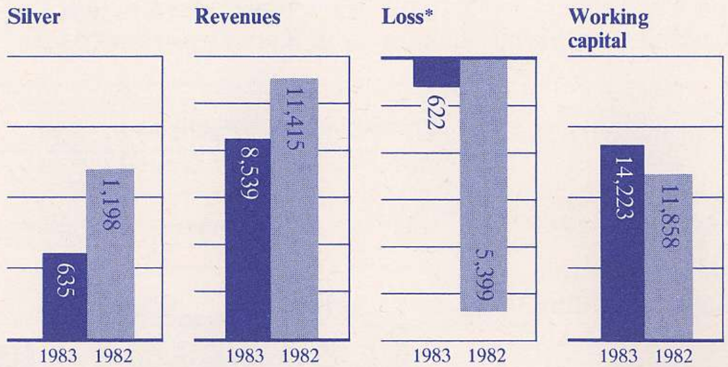
Following an increase in silver prices in the first half of the year, operations at Elsa resumed production in August, 1983, ending a temporary shutdown that began on July 1, 1982. Production resumed at a planned rate of 5,500 tons per month yielding an average of 115,000 ounces of silver per month. However, actual tonnage and production exceeded plans, and earnings of $788,000 were recorded for the last two quarters of 1983.

A recall of 120 hourly and staff workers brought the year-end total to 142 employees. A new two-year agreement with Local 924 of the United Steelworkers of America was ratified in June, 1983.

Proven and probable ore reserves at Elsa totalled 200,400 tons grading 27.3 ounces silver per ton at December 31, 1983, compared with 209,000 tons grading 25.8 ounces of silver per ton a year earlier.

Production **Highlights**

(000's of ounces) (000's of dollars)



*Accounted for by Falconbridge Limited on an equity basis

Falconbridge Investments (Zimbabwe) (Private) Limited

Falconbridge Limited's ownership: 9,208 common shares or 100%

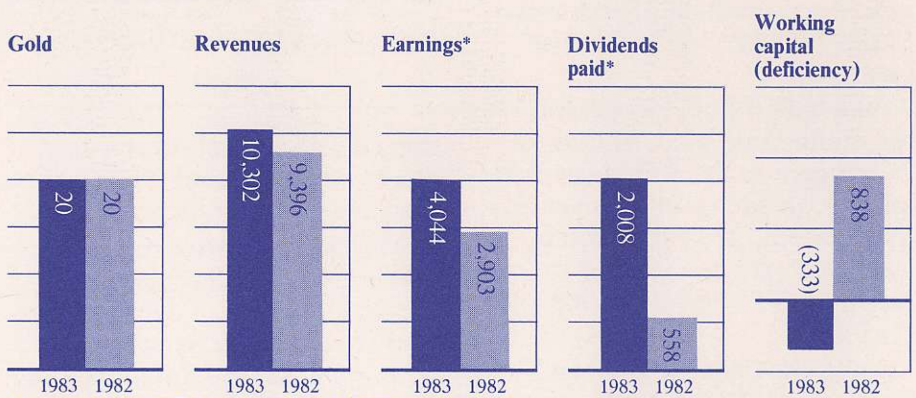
The company (formerly Blanket Mine (Private) Limited) produces gold through a wholly owned subsidiary at operations in Zimbabwe.

Earnings in 1983 increased due to lower operating expenditures and a higher average selling price for gold. Ore milled increased to 178,000 tons from 159,000 tons in 1982.

The Golden Kopje property commenced operations on July 22, 1983, with 17,000 tons of ore milled during 1983. Recovery of gold was low due to treatment of low-grade development ore.

Production **Highlights**

(000's of ounces) (000's of dollars)



*Accounted for by Falconbridge Limited on a cost basis

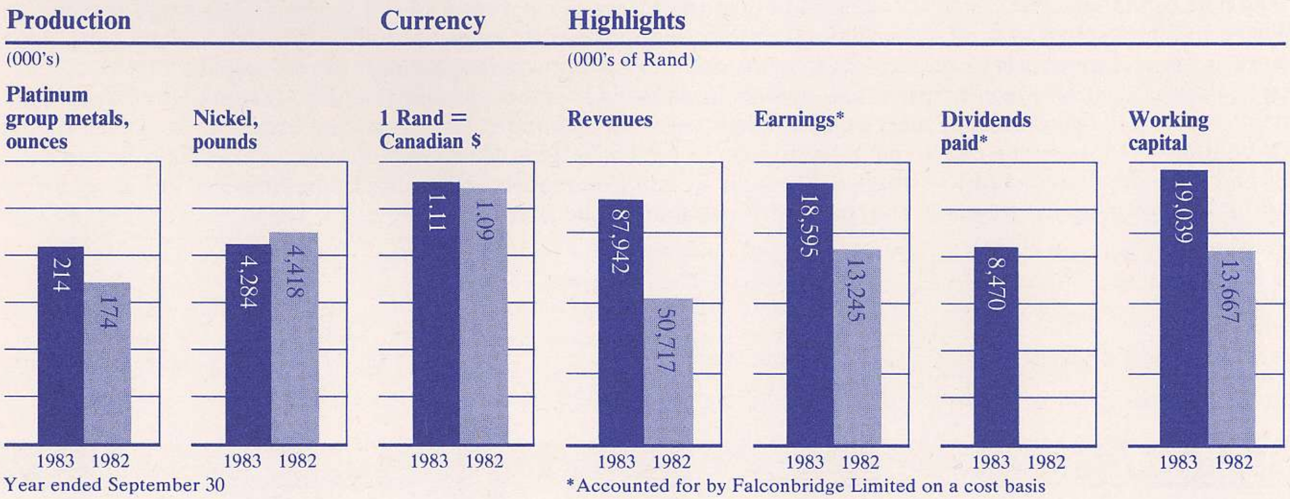
Western Platinum Limited

Stock issued: 12,100,000 ordinary shares
Falconbridge Limited's indirect ownership: 3,025,001 ordinary shares or 25%

Western Platinum Limited is a producer of platinum group metals, gold, nickel, copper and cobalt at its mining operation in the Transvaal, Republic of South Africa. The Falconbridge Refinery in Norway extracts the precious metals and refines the base metals from Western Platinum matte, and Falconbridge sells the full output on an agency basis.

Revenues increased substantially in 1983 as a result of the higher production levels and improved precious metal prices. However, this was partially offset by increased operating costs due to rapidly escalating wage rates and continued high inflation in South Africa.

Cash flow from operations was used to finance working capital, capital expenditures on mining assets of R5.4 million and dividend payments.



Accounting Responsibilities, Procedures and Policies

The Board of Directors which, among other things, is responsible for the consolidated financial statements of the Company, delegates to management the responsibility for the preparation of the statements. Responsibility for their review is that of the audit committee. Each year the shareholders appoint independent auditors to examine and report directly to them on the financial statements.

In preparing the financial statements great care is taken to use the appropriate generally accepted accounting principles and estimates considered necessary by management to present fairly and consistently the consolidated financial position and the results of operations. The significant accounting policies followed by Falconbridge are summarized on pages 17 and 18.

The accounting systems employed by Falconbridge include appropriate controls, checks and balances to provide reasonable assurance that Falconbridge's assets are safeguarded from loss or unauthorized use as well as facilitating the preparation of comprehensive, timely and accurate financial information. The internal auditors, who are employed by the Company as part of management, play an integral part in the effective operation of the systems of internal accounting control. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Falconbridge believes its systems provide the appropriate balance in this respect.

The Company's audit committee is appointed by the Board of Directors annually and is comprised of four non-management directors. The committoe meets with management and with the independent auditors (who have free access to the audit committee) to satisfy itself that each group is properly discharging its responsibilities and to review the financial statements and the independent auditors' report. The audit committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

D. E. Lewis
D. E. Lewis, Q.C.
Chairman of the Audit Committee

W. James
W. James
Chairman of the Board,
President and Chief Executive Officer

J. D. Krane
Vice-President Corporate Affairs
and Secretary

Auditors' Repo r

To the Shareholders of Falconbridge Limited:

We have examined the following financial statements of Falconbridge Limited:

Consolidated financial position as at December 31, 1983 and 1982;

Consolidated statements of operations, retained earnings and changes in consolidated financial position for the three years ended December 31, 1983; and

Segmented information as at December 31, 1983, 1982 and 1981 and for the three years ended December 31, 1983.

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, the above-mentioned financial statements present fairly the financial position of the company, the results of its operations and the changes in its financial position at the dates and for the periods indicated in accordance with accounting principles generally accepted in Canada, consistently applied.

Toronto, Canada,
January 27, 1984.

Clarkson Gordon
Chartered Accountants

Comment on Differences in Canadian — United States Reporting Standards for Auditors

In the United States, reporting standards for auditors require the expression of an opinion qualified as being subject to the outcome of significant uncertainties affecting the financial statements such as the uncertainty referred to in the attached statement of consolidated financial position as at December 31, 1983 and 1982 and as described in note 7(b) relating to Falconbridge Dominicana, C. por A., page 26, of the notes to consolidated financial statements. The opinion in our above report is expressed in accordance with Canadian standards and is not qualified with respect to, and provides no reference to, this uncertainty since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

Toronto, Canada, January 27, 1984.

Clarkson Gordon
Chartered Accountants

Summary of Accounting Policies

The consolidated financial statements of Falconbridge Limited have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied. In these statements, references to the Company or the Corporation mean only Falconbridge Limited, the parent company, and references to Falconbridge include the Company, its consolidated subsidiaries and significantly influenced companies. The principal accounting policies followed by Falconbridge are summarized hereunder to facilitate review of the consolidated financial statements.

A. Basis of consolidation and accounting standards

Investments in subsidiary companies (owned more than 50%) and significantly influenced companies are accounted for as follows:

(i) Falconbridge generally consolidates the financial statements of subsidiary companies and accounts on an equity basis for those companies over which it exercises significant influence. Those companies incorporated in foreign countries in which there are significant restrictions on the transfer of funds are accounted for on the cost basis;

(ii) The differences between the interest in the book value of the net assets of consolidated subsidiaries and the carrying value of the investments are allocated to the subsidiary's asset accounts based on their fair values at the date of acquisition. For consolidated operating subsidiaries, the differences are depreciated, depleted or amortized in accordance with the Company's accounting policy for the related asset; and

(iii) For consolidation purposes foreign subsidiaries' foreign curreney financial statements are restated to accord with the Company's accounting policies.

B. Translation of foreign currencies

Foreign currency transactions and account balances have been translated into Canadian dollars as follows:

(i) Current assets and current liabilities are translated at approximate quoted rates of exchange at year end;

(ii) Items included in property, plant and equipment, other assets, and non-current liabilities are translated at rates of exchange prevailing when they were acquired or incurred;

(iii) Revenues and expenses are translated at the approximate average monthly quoted rates of exchange, except that provisions for depreciation, depletion and amortization are translated at the rates used to translate the related assets;

(iv) Realized foreign exchange gains and losses are included in earnings; and

(v) On translation of foreign subsidiaries' financial statements for consolidation purposes, net unrealized gains are deferred and losses are reflected in earnings.

The Canadian Institute of Chartered Accountants (CICA) has recently released revisions, effective for the fiscal year commencing January 1, 1984, for the translation of foreign currency transactions and financial statements of foreign operations.

The CICA recomnends that foreign currency transactions and balances, and the financial statements of integrated foreign operations should be translated using the temporal method. Under this method monetary items will be translated at the current rate while non-monetary items will be translated at historical rates. Exchange gains and losses from translation will be included in income in the current year, except when the gain or loss relates to a monetary item with a fixed or ascertainable original life extending beyond the end of the following fiscal year.

Financial statements of self-sustaining foreign operations will be translated using the current rate method. Exchange gains and losses from the translation of the financial statements will be deferred and disclosed as a separate component of shareholders' equity.

The present intention is to apply these recommendations retroactively.

C. Revenue recognition

Revenues from the sale of refined metals, ferronickel, industrial minerals and metal castings are recorded in the accounts when the rights and obligations of ownership pass to the buyer.

Estimated revenues, based upon anticipated metal prices or forward sales commitments, are recorded in the accounts during the month when bullion, and metals contained in concentrates which are sold under contracts, are produced. The estimated revenues may be subject to adjustment on or before final settlement, usually three or four months after the date of production, to reflect changes in metal market prices and weights and assays.

D. Valuation of inventories

Inventories are valued as follows:

(i) Metals inventories are valued at the lower of cost and net realizable value. Cost includes direct labour and material costs as well as administrative expenses at the operating properties, but excludes development and preproduction expenditures and depreciation.

The cost of inventories derived from the Company's ore is determined monthly on a "last-in, first-out" basis; the cost of inventories derived from subsidiaries' ore and other sources is determined monthly on a "first-in, first-out" basis; and

(ii) Supplies inventories are valued at the lower of average cost of acquisition and replacement cost.

E. Property, plant and equipment

Property, plant and equipment and related expenditures are accounted for as follows:

(i) All property, plant and equipment and related capitalized development and preproduction expenditures are generally recorded at cost and include, where appropriate, the fair value adjustments referred to in policy A(ii) above. Government assistance and investment tax credits related to plant and equipment expenditures are recorded as a reduction of the cost of the related asset;

(ii) The Company depreciates plant and equipment on a straight-line basis over the lesser of their useful service lives or the lives of the producing mines to which they relate, limited to a maximum of twenty-five years. Generally the subsidiary companies calculate depreciation on a straight-line basis at rates varying from 5% to 25%. Depreciation is provided on the unit of production basis by Kiena Gold Mines Limited and by Corporation Falconbridge Copper for certain of its properties;

(iii) Idle plant and equipment resulting from temporary curtailments of operations continue to be depreciated on a straight-line basis. Care and maintenance costs during standby periods are expensed as incurred;

(iv) Idle plant and equipment resulting from the termination of operations are carried at the lower of depreciated cost and estimated salvage value. Upon sale or abandonment, the cost of fixed assets and the related accumulated depreciation are removed from the accounts and any gains or losses thereon are taken into earnings;

(v) Depletion of properties is provided over a period equal to the lesser of the estimated life of the resources recoverable from the properties, or twenty-five years;

(vi) Development and preproduction expenditures are capitalized until the commencement of commercial production. These, together with certain subsequent development expenditures, which are also capitalized, are amortized over periods not longer than the lives of the producing mines or properties, limited to a maximum of twenty-five years; and

(vii) Repairs and maintenance expenditures are charged to operations or development and preproduction; major betterments and replacements are capitalized.

F. Exploration

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings; further costs are generally capitalized and then amortized as appropriate under policy E above.

G. Research and process development

Research and process development costs are charged against earnings as incurred.

H. Retirement plans

The costs of retirement plans are charged against earnings in the year required fundings are payable and include amounts for current service and amortization of past service costs. Past service costs are generally being amortized and funded over periods of up to 15 years.

I. Income and mining taxes

All companies follow the deferral method of applying the tax allocation basis of accounting for income and mining 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 taxes.

Where appropriate, income taxes and withholding taxes are provided on the portion of any interest in consolidated foreign subsidiaries' undistributed net income since acquisition which it is reasonable to assume will be transferred in a taxable distribution.

J. Stock option plan

The cost to the Company of shares optioned under the plan is allocated over a period of four years from the date options are granted, according to the terms of the plan, and is measured as the amount by which the quoted market value of the Company's shares exceeds the option price specified under the plan throughout the period that options remain outstanding.

The accrued stock option plan expenses are included in the accounts payable and accrued charges classification of the statement of financial position until the options are exercised or cancelled.

K. Interest costs

Interest costs incurred prior to the commencement of commercial production for projects which are specifically financed by debt are capitalized. Interest costs incurred after the commencement of commercial production are expensed, as are interest costs not identified with specific projects.

L. Earnings (loss) per common share

Earnings (loss) per common share are computed using the weighted average number of shares outstanding during the year, after deducting shares held by subsidiary companies. The common stock equivalents of outstanding stock options and warrants are included in the calculation, provided they do not increase earnings per share or decrease the loss per share.

Consolidated Statements of Operations and Retained Earnings — Statement 1

Consolidated Statement of Operations

(See additional details — Statement 4, page 34)	**1983 (000's)**	1982 (000's)	1981 (000's)
		Year ended December 31,	
Revenues	**$ 615,387**	$ 483,126	$ 712,952
Operating expenses:			
Costs of metal and other product sales	**485,955**	392,125	548,080
Selling, general and administrative	**42,770**	47,755	49,604
Development and preproduction	**16,595**	17,905	26,755
Depreciation and depletion	**31,252**	33,296	32,808
Other charges (note 14, page 30)	**17,264**	75,531	2,963
	593,836	566,612	660,210
Operating profit (loss)	**21,551**	(83,486)	52,742
Interest and other income, net (note 17, page 33)	**32,674**	42,927	32,575
	54,225	(40,559)	85,317
Interest and debt expenses (note 8, page 27)	**56,201**	67,823	51,344
Exploration (note 12, page 30)	**18,965**	28,806	37,964
Research and process development	**3,394**	5,769	11,105
	78,560	102,398	100,413
	(24,335)	(142,957)	(15,096)
Income (loss) from investments in associated and other companies (note 18, page 33)	**6,277**	(1,407)	3,770
Earnings (loss) before taxes and other items	**(18,058)**	(144,364)	(11,326)
Income and mining taxes (note 5, page 23):			
Current	**7,110**	1,556	3,458
Deferred	**4,306**	(38,131)	(1,246)
	11,416	(36,575)	2,212
Earnings (loss) before minority interest and extraordinary items	**(29,474)**	(107,789)	(13,538)
Minority shareholders' interest in earnings (losses) of subsidiary companies	**(11,116)**	(22,535)	(9,636)
Earnings (loss) before extraordinary items	**(18,358)**	(85,254)	(3,902)
Extraordinary items (note 2, page 23)	**14,816**		(5,122)
Earnings (loss) for the year	**$ (3,542)**	$ (85,254)	$ (9,024)
Earnings (loss) per common share (notes 13 and 19, pages 30 and 33):			
Before extraordinary items	**$(2.71)**	$(17.12)	$(0.78)
Extraordinary items	**2.19**		(1.03)
For the year	**$(0.52)**	$(17.12)	$(1.81)

Consolidated Statement of Retained Earnings

	1983	1982	1981
Retained earnings, beginning of year	**$ 318,205**	$ 403,459	$ 419,952
Earnings (loss)	**(3,542)**	(85,254)	(9,024)
	314,663	318,205	410,928
Common share issue expense (note 9, page 29)	**(6,855)**		
Dividends on common shares ($1.50 per share)			(7,469)
Retained earnings, end of year	**$ 307,808**	$ 318,205	$ 403,459

(See notes to consolidated financial statements)

Falconbridge Limited
(Incorporated under the laws of Ontario)

Consolidated Financial Position

Assets	December 31, 1983 (000's)	1982 (000's)
Current:		
Cash and temporary investments, at cost which approximates market value	**$ 294,511**	$ 196,253
Accounts and metals settlements receivable (note 11, page 29)	**153,753**	124,950
Inventories of metals (note 6, page 25)	**75,470**	73,557
Inventories of supplies	**39,317**	43,701
	563,051	438,461
Property, plant and equipment (note 7, page 26):		
Producing assets —		
Plant and equipment, at cost	**685,766**	683,931
Land and properties, at cost	**20,165**	20,625
	705,931	704,556
Less accumulated depreciation and depletion	**448,621**	425,976
	257,310	278,580
Development and preproduction expenditures, at cost less amounts written off	**113,473**	117,570
	370,783	396,150
Non-producing assets —		
Properties and projects, at cost less amounts written off	**167,531**	144,333
	538,314	540,483
Other:		
Investment in associated and other companies (note 18, page 33)	**96,147**	94,492
Deposits, long-term accounts receivable, other assets, at cost and deferred debt issue expenses, net	**4,941**	4,093
	101,088	98,585
	$ 1,202,453	$ 1,077,529

(See notes to consolidated financial statements)

Liabilities and Shareholders' Equity

		December 31,
	1983 (000's)	1982 (000's)
Current:		
Bank indebtedness (note 15, page 31)	**$ 11,000**	$ 135
Accounts payable and accrued charges (note 3, page 23)	**66,693**	54,350
Salaries and wages payable	**19,986**	18,335
Income and other taxes payable	**15,044**	5,964
Long-term debt maturing within one year	**18,766**	18,126
	131,489	96,910
Long-term debt (notes 3, 8 and 15, pages 23, 27 and 31):		
Falconbridge Limited	**287,184**	328,086
Falconbridge Dominicana, C. por A.	**122,374**	114,198
Other subsidiary companies	**44,901**	25,236
	454,459	467,520
Deferred income and mining taxes (note 5, page 23)	**51,563**	48,554
Minority interest	**60,695**	60,151
Commitments and contingencies (notes 5e, 7b and 11, pages 25, 26 and 29)		
Shareholders' equity:		
Capital (notes 9 and 19, pages 29 and 33) —		
Authorized: 25,000,000 Common shares without par value		
Issued: 7,028,030 Common shares (5,024,755 in 1982)	**199,618**	89,368
Retained earnings (notes 8 and 10, pages 27 and 29)	**307,808**	318,205
	507,426	407,573
Less 45,483 common shares held by subsidiary companies, at cost	**(3,179)**	(3,179)
	504,247	404,394

On behalf of the Board:

William James
Director

W. E. Lewis
Director

	$ 1,202,453	$ 1,077,529

Changes in Consolidated Financial Position — Statement 3

	Year ended December 31,		
	1983 (000's)	1982 (000's)	1981 (000's)
Sources of working capital (funds):			
Operations —			
Earnings (loss) for the year before extraordinary items	**$ (18,358)**	$ (85,254)	$ (3,902)
Charges (credits) not affecting funds in the current period:			
Depreciation and depletion	**31,252**	33,296	32,808
Development and preproduction	**16,595**	17,905	26,755
Deferred income and mining taxes	**4,054**	(37,562)	2,091
Minority shareholders' interest in earnings (losses) of subsidiary companies, net, and changes in minority interest	**(10,506)**	(21,990)	(9,636)
Gain on disposal of fixed assets, net	**(5,461)**	(47)	(386)
Loss (gain) on disposal and write-off of investments, net		2,329	
Interest in (earnings) losses of companies accounted for on an equity basis, net	**(1,531)**	2,473	1,348
Other items	**(1,619)**	(2,149)	86
Total from operations	**14,426**	(90,999)	49,164
Issue of common shares and warrants for cash, net	**103,395**		
Increase in long-term debt, net		4,369	179,639
Proceeds from disposal of fixed assets	**7,715**	1,907	1,760
Decrease (increase) in other assets	**(848)**	723	(4,643)
Proceeds from subsidiary companies' share and rights offering	**23,691**	656	
Dividends received from companies accounted for on an equity basis			804
	148,379	(83,344)	226,724
Applications of working capital:			
Property, plant and equipment expenditures	**24,321**	17,317	44,241
Development and preproduction expenditures	**22,128**	28,805	60,576
Decrease in long-term debt, net	**11,919**		
Decrease in working capital as a result of sale of subsidiary		2,153	
Dividend payments on the common shares			7,469
Dividend payments to the minority shareholders of subsidiary companies			3,387
	58,368	48,275	115,673
Increase (decrease) in working capital	**$ 90,011**	$ (131,619)	$ 111,051
Changes in components of working capital:			
Increase (decrease) in current assets —			
Cash and temporary investments	**$ 98,258**	$ (94,110)	$ 47,283
Accounts and metals settlements receivable	**28,803**	(2,036)	18,048
Inventories	**(2,471)**	(66,553)	(12,496)
	124,590	(162,699)	52,835
Increase (decrease) in current liabilities —			
Bank indebtedness	**10,865**	(6,275)	1,335
Long-term debt maturing within one year	**640**	(524)	232
Other current liabilities	**23,074**	(24,281)	(59,783)
	34,579	(31,080)	(58,216)
Increase (decrease) in working capital during the year	**90,011**	(131,619)	111,051
Working capital, beginning of year	**341,551**	473,170	362,119
Working capital, end of year	**$ 431,562**	$ 341,551	$ 473,170

(See notes to consolidated financial statements)

Notes to Consolidated Financial Statements

1. Accounting policies

The principal accounting policies followed by Falconbridge are summarized on pages 17 and 18.

2. Extraordinary items

The $14,816,000 extraordinary item recorded in 1983 reflects the change in the Company's interest in the net identifiable assets of Kiena Gold Mines Limited, a consolidated subsidiary, which resulted from the Company's decision not to participate in the subsidiary's public share issue in 1983.

The $5,122,000 extraordinary item in 1981, (net of taxes of $876,000), reflects the Company's share of United Keno Hill Mines Limited's (United Keno) write-off of its Venus Mine project costs, which were considered not recoverable due to depressed metal prices and increased operating costs. United Keno is owned 48.4% by the Company and is accounted for on an equity basis. See note 5(g), page 25, in respect of United Keno's taxes.

3. Translation of foreign currencies

(a) If translated into Canadian dollars at the year-end rates of exchange, long-term debt as at December 31, 1983, would increase by $31,677,000 to $486,136,000 (1982 — increase by $34,740,000 to $502,260,000). This change is not necessarily indicative of the amount that will be repayable when the obligations are retired.

(b) Net exchange losses on foreign currency transactions amounting to $1,422,000 in 1983 (1982 — gains, $3,463,000; 1981 — losses, $683,000) have been included in earnings; cumulative net unrealized gains on translation of foreign subsidiaries' financial statements for consolidation purposes, before minority interest, amounting to $8,065,000 at December 31, 1983 (1982 — $8,886,000; 1981 — $8,192,000), have been deferred and included in accounts payable and accrued charges.

(c) The rates of exchange for foreign currencies in which Falconbridge conducts a significant portion of its business were as follows:

	R.D. $1 = U.S. $1 = Cdn. $			Norwegian Kroner 1 = Cdn. $		
	1983	1982	1981	1983	1982	1981
Average for the year	$1.23	$1.23	$1.20	$0.17	$0.19	$0.21
Year end	1.24	1.23	1.19	0.16	0.18	0.20
High for the year	1.25	1.30	1.25	0.18	0.21	0.23
Low for the year	1.22	1.19	1.18	0.16	0.17	0.19

4. Retirement plans

The Company and certain of its subsidiaries maintain retirement plans providing retirement, death and termination benefits for substantially all salaried and hourly rated employees.

Total pension expense for the year was $5,905,000, (1982 — $15,196,000; 1981 — $15,662,000), net of actuarial gains of $5,266,000 arising from retirements, terminations and investment gains. The current year's expense includes past service costs of $3,465,000 (1982 — $7,186,000; 1981 — $7,401,000). Based on the most recent actuarial evaluations, the unfunded past service costs for all pension plans in effect at December 31, 1983, are estimated to amount to approximately $21,200,000 (1982 — $17,000,000; 1981 — $50,000,000) including $13,800,000 (1982 — $11,000,000; 1981 — $26,500,000) which is computed to have vested. The companies' present intention is to provide for the unfunded past service costs over periods of up to 15 years.

5. Income and mining taxes

(a) Consolidated income and mining tax expense consists of the following:

	1983 (000's)	1982 (000's)	1981 (000's)
Canadian taxes —			
Current	$ 4,453	$ 841	$ 2,051
Deferred	4,246	(37,805)	2,328
	8,699	(36,964)	4,379
Foreign taxes —			
Current	2,657	715	1,407
Deferred	60	(326)	(3,574)
	2,717	389	(2,167)
Total taxes	$11,416	$(36,575)	$ 2,212

(b) The provision for consolidated deferred tax expense results from timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts. The sources and tax effects of these differences are as follows:

	1983 (000's)	1982 (000's)	1981 (000's)
Depreciation claimed for tax purposes in excess of (lower than) depreciation expensed in the accounts	$ 2,320	$ (5,881)	$ 637
Exploration, preproduction and mine development costs claimed for tax purposes in excess of (lower than) amounts expensed in the accounts, net	(2,057)	(2,513)	7,932
Inventories recorded in the accounts on "last-in, first-out" basis and on tax returns on "first-in, first-out" basis	1,208	3,560	(3,349)
Losses carried forward		(35,237)	
Other	2,835	1,940	(6,466)
	$ 4,306	$(38,131)	$(1,246)

At December 31, 1983, deferred income and mining taxes on the statement of consolidated financial position amount to $51,563,000 (1982 — $48,554,000). This amount will be reflected as a component of current tax expense in subsequent years as timing differences are reversed.

(c) The difference between the amount of the reported consolidated provision for income and mining taxes and the amount computed by multiplying the earnings (loss) before taxes by the Company's applicable statutory tax rates is as follows:

	1983				1982				1981			
	Federal and provincial income taxes (000's)	Provincial mining taxes (000's)	Foreign taxes (000's)	Total (000's)	Federal and provincial income taxes (000's)	Provincial mining taxes (000's)	Foreign taxes (000's)	Total (000's)	Federal and provincial income taxes (000's)	Provincial mining taxes (000's)	Foreign taxes (000's)	Total (000's)
Earnings (loss) before taxes	$ 5,668	$5,668	$(23,726)	$(18,058)	$ (84,875)	$(84,875)	$(59,489)	$(144,364)	$ 8,046	$ 8,046	$(19,372)	$(11,326)
Statutory tax rates	51%	16.7%*	51%		51%	16.4%*	51%		51%	16.5%*	51%	
Earnings (loss) before taxes multiplied by the statutory tax rates	$ 2,891	$ 947	$(12,101)		$ (43,286)	$(13,920)	$(30,339)		$ 4,103	$ 1,328	$ (9,880)	
Taxes reported in accounts	5,016	3,683	2,717	$ 11,416	(37,442)	478	389	$ (36,575)	2,825	1,554	(2,167)	$ 2,212
Difference to be reconciled	$ 2,125	$2,736	$ 14,818		$ 5,844	$ 14,398	$ 30,728		$ (1,278)	$ 226	$ 7,713	
Reconciliation, tax effect of —												
(1) Non-claimable expenses	$ 3,597	$3,372	$ (555)		$ 5,900	$ 20,344	$ 2,422		$ 5,468	$ 8,444	$ 3,182	
(2) Resource, depletion, processing and inventory allowances	(2,813)	(694)			(9,394)	(921)	(70)		(5,547)	(4,499)	(175)	
(3) Adjustments because of differences in tax rates	(712)	667	7,983		8,577	602	12,138		152	158	6,875	
(4) Unrecorded tax debit	5,233	(111)	13,498				21,814				8,071	
(5) Non-taxable income	(3,180)	(498)	(6,108)		761	(5,627)	(5,576)		(1,351)	(3,877)	(10,240)	
	$ 2,125	$2,736	$ 14,818		$ 5,844	$ 14,398	$ 30,728		$ (1,278)	$ 226	$ 7,713	

*Average determined from the graduated scale which ranges from 0% to 30%.

(d) No taxes have been provided by the Company in respect of the earnings of its wholly-owned subsidiary, Falconbridge International Limited (Bermuda), as a result of the present intention not to transfer, to Canada, its earnings of U.S. $72,882,000 accumulated to December 31, 1983 (U.S. $61,910,000 to December 31, 1982).

(e) Falconbridge Dominicana, C. por A. (Falcondo), a subsidiary company, has received an income tax assessment from the Dominican Government for the 1972 and 1973 fiscal years approximating Cdn. $5,900,000. The company has appealed the assessment to the Superior Administrative Court and has also asked the Supreme Court of the Dominican Republic to rule on the admissibility of the said appeal. Management cannot reasonably predict the outcome of this appeal. As a result no provision has been made by Falcondo or in the consolidated accounts.

(f) At December 31, 1983, Falcondo has losses, aggregating RD$96,850,000, which can be carried forward to reduce its taxable income in future years. The loss carry forwards expire in 1985 — RD$4,709,000; 1986 — RD$20,832,000; 1987 — RD$47,047,000 and 1988 — RD$24,262,000. In addition, depreciation and amortization charges of approximately RD$91,968,000 which have been recorded in the accounts, but not claimed for tax purposes, are available to reduce taxable incomes of future years. These amounts give rise to deferred tax debits which have not been recorded in the accounts.

(g) At December 31, 1983, United Keno Hill Mines Limited (48.4% owned by the Company and accounted for on an equity basis) has losses, approximating $2,400,000, which can be carried forward (until 1987) to reduce its taxable income. In addition, unrecognized investment tax credits of approximately $1,000,000 are available (until 1986) to reduce income taxes payable. As a result of the 1982 and 1983 losses and the 1981 extraordinary item, detailed in note 2, page 23, cumulative expenditures of approximately $11,200,000 which have been recorded in the accounts, but not claimed for tax purposes, are available to reduce taxable incomes of future years and give rise to an unrecorded deferred tax debit.

(h) The Company has not provided any income tax credits against the 1983 loss since its accumulated deferred income tax credits were fully offset by the loss in 1982. At December 31, 1983, the Company has losses, aggregating $86,000,000, which can be carried forward to reduce its taxable income in future years. The loss carry forwards expire in 1987 — $79,900,000 and 1990 — $6,100,000.

6. Inventories of metals

Consolidated inventories of metals consist of the following:

	1983		1982	
	Metals in process (000's)	Finished metals (000's)	Metals in process (000's)	Finished metals (000's)
Derived from:				
Company's ore	$ 12,984	$ 22,799	$ 4,302	$ 38,383
Subsidiaries	4,992	17,232	5,183	16,084
Other sources	1,196	16,267	962	8,643
	$ 19,172	$ 56,298	$ 10,447	$ 63,110
Total inventories of metals	$ 75,470		$ 73,557	

Inventories derived from the Company's ore are valued on the "last-in, first-out" (LIFO) basis.

7. Property, plant and equipment

(a) The following table details consolidated property, plant and equipment on a functional basis:

	1983			1982		
	Cost (000's)	Accumulated depreciation and depletion (000's)	Net book value (000's)	Cost (000's)	Accumulated depreciation and depletion (000's)	Net book value (000's)
Property, plant and equipment:						
Producing assets —						
Plant and equipment:						
Mines, mining plants and ancillary mining assets	$412,590	$282,650	$129,940	$407,220	$266,933	$140,287
Smelter	108,311	38,262	70,049	108,245	35,272	72,973
Refinery	110,116	77,016	33,100	109,720	70,516	39,204
Townsites and other company housing	14,952	11,249	3,703	15,254	10,692	4,562
Transportation, including facilities	6,882	5,379	1,503	10,841	10,360	481
Other	32,915	19,853	13,062	32,651	18,332	14,319
	685,766	434,409	251,357	683,931	412,105	271,826
Properties	18,428	14,212	4,216	18,889	13,871	5,018
Land	1,737		1,737	1,736		1,736
	20,165	14,212	5,953	20,625	13,871	6,754
	$705,931	$448,621	257,310	$704,556	$425,976	278,580
Non-producing assets			49,278			37,693
			306,588			316,273
Development and preproduction expenditures:						
Producing assets			113,473			117,570
Non-producing assets			118,253			106,640
			231,726			224,210
			$538,314			$540,483

(b) Falconbridge Dominicana, C. por A. is still dependent on the continued support of its sponsors. While it is difficult for management to determine when market conditions will improve sufficiently to achieve profits and a positive cash flow, it is their opinion that the December 31, 1983 — $84,805,000 (1982 — $92,997,000) net aggregate carrying value of its property, plant, equipment, preproduction and other deferred charges will be recovered eventually.

(c) Non-producing assets consist of the following:

	1983 (000's)	1982 (000's)
Company and project		
Falconbridge Limited —		
Fraser mine (i)	$ 97,934	$ 87,329
Other projects (ii)	6,657	8,474
New Quebec Raglan Mines Limited —		
Subsidiary's Cape Smith-Wakeham Bay properties (iii)	42,975	43,156
Other subsidiary companies' projects (ii)	19,965	5,374
	$167,531	$144,333

(i) In the preproduction stage. The Fraser mine was officially opened on September 12, 1981, but is not yet in commercial production. In 1984, the mine will reach commercial production and be transferred to producing assets.

(ii) Includes the costs related to certain projects upon which further work has been suspended pending more favourable economic conditions. Management believes these costs will be recovered.

(iii) Exploration, development and other expenditures relating to New Quebec Raglan Mines Limited (a 73.8% owned subsidiary) and its wholly-owned subsidiary company, Société Minière Raglan du Québec Ltée, incurred in the development of the latter company's Cape Smith-Wakeham Bay properties.

These costs have been capitalized with the intention that they will be amortized by charges against income from future mining operations. Profits commensurate with the risks of operating in such a remote northern location must be indicated before development to production.

(d) Falconbridge has made decisions to proceed with capital expenditures which are estimated at approximately $63,000,000 before government assistance up to a maximum of $9,000,000. As at December 31, 1983, the gross expenditures amounted to $18,193,000 against which $4,041,000 has been deducted for government assistance claimed to date.

8. Long-term debt

A. Details of long-term debt are as follows:

	1983 (000's)	1982 (000's)
(i) **Falconbridge Limited**		
7.75% Sinking fund debentures maturing February, 1991 (a) and (c)	$ 36,725	$ 40,967
8.85% Sinking fund debentures maturing May, 1996 (1983 — U.S. $23,377,000; 1982 — U.S. $38,963,000) (b) and (c)	23,888	39,816
Bank loans (d) —		
Due December 31, 1986 (U.S. $107,395,000, 1982 — U.S. $125,000,000)	126,472	147,204
Due December 31, 1986 (U.S. $40,000,000)	47,105	47,105
Due December 31, 1988 (U.S. $45,000,000)	52,994	52,994
Total	$287,184	$328,086

(a) The Company is required to make sinking fund payments sufficient to retire $1,250,000 principal amount of the 7.75% debentures in each year to and including 1990.

(b) The Company is required to make sinking fund payments sufficient to retire U.S. $3,000,000 principal amount of the 8.85% debentures in each year to and including 1995.

(c) During 1983, the Company recorded (netted with interest and debt expenses) a gain of $2,420,000 (1982 — $2,611,000) on the redemption of debentures at substantial discounts.

(d) The bank loans reflect borrowings under lines of credit extended by a Canadian bank.

On November 27, 1981, the Company borrowed U.S. $125,000,000 under a line of credit of Cdn. $180,000,000 (or the U.S. dollar equivalent thereof) extended by the bank until December 31, 1986. During the year the Company repaid U.S. $17,605,000 of the loan and Zeballos Iron Mines Limited, a wholly-owned subsidiary, borrowed U.S. $32,605,000 under this line of credit. Interest is based on the London Interbank Offered Rate (LIBOR) plus 1/2 of 1%. A fee of 1/4 of 1% applies to any undrawn portion of the credit, payable monthly. Interest was payable at 11.06% as at December 31, 1983 (1982 — 13.42%) and averaged 10.73% during the year.

Under a U.S. $85,000,000 line of credit the Company borrowed, on November 27, 1981, U.S. $40,000,000, due December 31, 1986, at 15.88%; and U.S. $45,000,000, due December 31, 1988, at floating rates based on LIBOR plus 1/2 of 1%, interest was payable at 11.06% as at December 31, 1983 (1982 — 12.08%) and averaged 10.53% during the year.

	1983 (000's)	1982 (000's)
(ii) **Falconbridge Dominicana, C. por A.** (Falcondo) (RD$1 equals U.S. $1)		
(a) Due to Loma Corporation (Loma)* (Payable in U.S. currency) —		
8.73% Series C demand mortgage notes	RD$ 30,470	RD$ 40,630
8.50% Series D demand subordinated notes	34,000	34,000
	64,470	74,630

* Payment will only be demanded under certain specified circumstances, the most significant being to meet payments due on notes of Loma Corporation (a U.S. financing company) issued in the same principal amounts and at the same interest rates as the above demand notes, as follows:

8.73% Series C secured sinking fund notes, due in semi-annual payments of U.S. $5,080,000 to and including 1986; and

8.50% Series D guaranteed sinking fund notes, due in semi-annual payments of U.S. $3,400,000 1987 to and including 1991.		
(b) Due to International Bank for Reconstruction and Development (IBRD) — 7% Loans, due semi-annually to and including 1984, payable in various currencies	3,793	6,872
	68,263	81,502
(c) Housing — 9.5% Mortgages on houses repayable monthly to and including 1993 in Dominican Republic currency	1,520	1,649
(d) Subordinated advances by shareholders — (see note B(i)(a) below) — Interest rates vary from 12% to 21% (weighted average 14.50%; 1982 — 16%), due not later than December 15, 1991.	110,258	80,258
Accrued interest thereon	22,549	9,249
(e) Other — Unsecured borrowings payable in U.S. funds, bearing interest at 10.50%, due in semi-annual installments to and including 1985	686	1,029
	203,276	173,687
Less long-term debt maturing within one year	14,437	14,067
Total — As reported by Falcondo in Dominican Republic currency, translated at year-end rates of exchange	RD$188,839	RD$159,620
Total — Expressed in Canadian currency and reflecting consolidation adjustments and the Company's translation policy (1983 net of $17,966,000 maturing within one year)	$122,374	$114,198

(iii) **Other subsidiary companies**

Kiena Gold Mines Limited — Bank loan due December 31, 1986 (4.00% at December 31, 1983; 1982 — 9.14%) (see note 15, page 31)	$ 3,228	$ 17,640
Zeballos Iron Mines Limited — Bank loan due December 31, 1986 (U.S. $32,605,000)	40,414	
Others — various maturity dates and interest rates	1,259	7,596
Total (1983 net of $800,000 maturing within one year)	$ 44,901	$ 25,236

(iv) **Maturity and sinking fund requirements**

Maturity and sinking fund requirements (stated at 1983 year-end rates of exchange) for the next five years are as follows:

1984 — $ 18,766,000	1987 — $ 9,171,000
1985 — $ 14,063,000	1988 — $65,966,000
1986 — $240,463,000	

B. Guarantees, covenants and restrictions:

(i) Falconbridge Limited (the Company) has guaranteed portions of the long-term debt and other obligations of Falconbridge Dominicana, C. por A. (Falcondo), the details of which are as follows:

(a) Loans to Falcondo amounting to RD$68,263,000 are secured by a first mortgage on the assets of the project, which have a net aggregate carrying value of RD$129,032,000 at December 31, 1983. The Company has agreed to buy all ferronickel of commercial value produced by Falcondo and is also obligated to provide 60% of the funds required by Falcondo to enable it to meet its operating costs and debt service obligations in the event receipts from the sale of ferronickel produced by Falcondo and other receipts are insufficient for that purpose. (The Company has been required since July, 1980, in accordance with the terms of the financing agreements to provide funds totalling U.S. $66,155,000 (1983 — U.S. $18,000,000, 1982 — U.S. $24,642,000; 1981 — U.S. $14,979,000; 1980 — U.S. $8,534,000), representing 60% of the total amount required by Falcondo to meet its cash requirements. The funds so provided to Falcondo are evidenced by notes, which are subordinated to all other debt instruments and can only be repaid under certain circumstances, and bear interest at rates related to the U.S. prime rate which is in effect on the date the notes are issued). The loans from Loma Corporation are covered by specific risk insurance issued by the Overseas Private Investment Corporation.

(b) The Company has pledged all of its shareholdings in Falcondo against repayment of the Loma Series C demand mortgage notes and the IBRD loans. In addition, the Company has made a direct guarantee for repayment of 60% of the Loma Series D demand subordinated notes.

(c) In accordance with the terms of the loan agreements, at year-end, funds of $4,569,000 (1982 — $9,565,000) (included with cash and temporary investments) were on deposit with the Trustee for use in paying current debt service and operating expenses of Falcondo.

(ii) During the period that the Falcondo loans are outstanding, there are certain restrictions placed on the amount and nature of borrowing that the Company may undertake. Covenants given by the Company in this respect are substantially the same (other than (a) and (d) below) as those given by the Company under its 8.85% debentures which include limitations as to:

(a) The amount of dividends which may be paid by the Company (see note 8 B(iii) below);

(b) The incurring of additional debt. Under the covenants the Company is prohibited from borrowing, if after giving effect thereto the ratio of its consolidated indebtedness, as defined, exceeds 45% of certain of its consolidated net tangible assets. At December 31, 1983, the Company had available borrowing capacity of $80,818,000 (1982 — nil).

(c) Guarantees which it may give on certain indebtedness of its subsidiary and other companies; and

(d) The 8.85% debenture covenants provide that the proceeds from the permitted sale of assets which are owned by the Company shall be held in cash or short term securities, applied to the redemption of debentures, other funded debt or bank indebtedness, or invested in mineral properties or processing or manufacturing plant or facilities or in securities of a corporation engaged in businesses similar to that of the Company.

(iii) At December 31, 1983, the portion of retained earnings restricted under the 8.85% debenture covenants and not available for dividend payment and share repurchase was $61,032,000 (1982 — $170,905,000).

9. Capital

(a) Preference shares

None of the Company's 7,000,000 authorized preference shares were outstanding in 1983 or 1982.

(b) Common shares

(i) On February 8, 1983, the Company received gross proceeds of $110,000,000 from the sale of Common Shares and Common Share Purchase Warrants (Units). The number of Units sold was 2,000,000 at $55.00 per Unit, the price being allocated at $53.50 per Common Share and $1.50 for the one-half Common Share Purchase Warrant. Each whole warrant entitles the holder to purchase one common share for $65.50 on or before February 5, 1987. No warrants have been exercised to December 31, 1983. The underwriting, legal and associated costs of $6,855,000 have been charged to Retained Earnings.

(ii) In 1979, the Company reserved 200,000 unissued common shares without par value for the purpose of granting options to purchase shares of the Company to certain full time employees of the Company or subsidiary or associated company. The price for which the shares may be optioned is the closing bid price for the common shares on the business day immediately preceding the granting of the option less a discount of 10%.

Options are exercisable, over a period of ten years from the date granted, and are earned at the rate of 25% of the shares optioned times the number of periods of twelve months each which have elapsed since the date the option was granted less the aggregate number of options already exercised or surrendered. The optionee may also be given the right, at the time of exercise, to surrender the right to purchase shares under the options in return for receipt of cash equal to the excess of the fair market value of the shares over the option price thereof. On November 16, 1981, options were granted to purchase 122,000 shares under the stock option plan at a price of $57.15 per share. Options on 23,625 shares have been terminated to December 31, 1983 and 3,275 of the options on the remaining 98,375 shares were exercised. On August 30, 1983, options were granted to purchase 101,500 shares under the stock option plan at a price of $68.85 per share. In 1983, the cost to the Company was $1,200,000 (1982 — $ nil; 1981 — $135,000).

10. Interest in undistributed earnings of consolidated subsidiaries and equity accounted for companies

Consolidated retained earnings include the Company's share of the undistributed earnings of its (i) consolidated subsidiaries; and (ii) equity accounted for companies, which, respectively, amounted to $67,812,000 and $7,349,000 (1982 — $65,459,000 and $5,820,000; 1981 — $87,242,000 and $8,291,000).

11. Commitments and contingencies

(a) At December 31, 1983, there are commitments outstanding of approximately $9,900,000 (1982 — $1,400,000) in connection with capital expenditure programs. In addition, there are forward purchase commitments for 1,878 tonnes of refined nickel at a total cost of $11,382,000.

(b) The following are under continuing study and discussion with Government officials:

(i) The construction of Canadian facilities for refining ores mined in Ontario. However, the Company has received an exemption by the Ontario Government, until December 31, 1989, from a requirement to refine in Canada ores mined from certain properties of the Company in Ontario, such exemption being limited to the quantity of nickel-copper matte capable of producing not more than 100,000,000 pounds of refined nickel per year; and

(ii) The Ontario Ministry of the Environment issued an Amending Control Order in December, 1983, requiring the Company to take necessary steps to ensure that sulphur dioxide emissions from its Sudbury smelter do not (i) exceed an average of 423 tonnes per day (unchanged from the earlier Control Order with which the Company complies) or (ii) result in an hourly average groundlevel concentration in excess of 0.50 parts per million. The Company is to monitor groundlevel concentrations of sulphur dioxide in differing meteorological conditions and to formulate and operate a supplementary emission control system by 1987. The Company believes that it can comply with the Amending Control Order without major effect on its Sudbury operations.

It is presently not practicable to estimate the potential costs which may arise from these items.

(c) During 1983, 1982 and 1981 portions of accounts receivable were either sold without recourse or discounted with recourse. The cost, which was charged against earnings, amounted to $3,241,000 in 1983 (1982 — $2,466,000; 1981 — $6,774,000). As a result of these transactions, at December 31, 1983, the Company has a contingent liability of U.S. $29,790,000 (1982 — U.S. $17,234,000; 1981 — U.S. $22,944,000) (see note 15, page 31).

(d) See notes 4, 5(e), 7(b), 7(c), 8 B(i), and 15, pages 23, 25, 26, 28 and 31, respectively, which detail other commitments and contingencies.

12. Transactions with related companies

Falconbridge is a member of a group of related companies. The Company's holdings in this group are described in note 18, page 33. Other significant holdings within the group include The Superior Oil Company's (Superior) 24% interest in Western Platinum Limited (Western Platinum) and its 100% interest in Canadian Superior Oil Ltd. (Canadian Superior). McIntyre Mines Limited (McIntyre), which holds a 26.3% interest in the Company is owned 26.6% by Superior and 26.4% by Canadian Superior (which has a 6.3% interest in the Company).

The following transactions of an ongoing nature occurred between Falconbridge and other members of the group:

(a) Matte produced from Western Platinum ore is refined on a fee basis and the refined metals are marketed on an agency basis by Falconbridge. Fees and commissions totalled $8,755,000 in 1983 (1982 — $7,353,000; 1981 — $6,748,000).

(b) The Company engages in a number of mineral exploration programs with Superior and other members of the related group. The Company's participating interest in these projects ranges up to 51%, and the Company's cost is proportional to its share of the overall cost.

The most significant of these ventures include:

(i) Exploration and development of mining claims in northern Chile pursuant to agreements between the Company, Superior, Canadian Superior, and the government of Chile. The Company's minority participation to date has been $10,595,000 of which $760,000 was expended in 1983 (1982 — $2,721,000; 1981 — $2,444,000);

(ii) Exploration for minerals in various African countries pursuant to an agreement between the Company and Superior. The Company's participating interest is 50% and to date it has expended $13,165,000 on these projects, of which $262,000 was expended in 1983 (1982 — $1,568,000; 1981 — $3,790,000). In the Republic of Botswana, De Beers Consolidated Mines Limited may acquire up to 50% of the combined interests of the Company and Superior in consideration of expenditures it may make in carrying out exploration work in the diamond exploration areas; and

(iii) Exploration for minerals in North America. Participation, pursuant to an agreement with Superior, ranges up to 49% and to date the Company has expended $5,931,000, of which $80,000 was expended in 1983 (1982 — $966,000; 1981 — $2,690,000).

13. Earnings (loss) per common share

Earnings (loss) per common share are based on the weighted average number of 6,772,054 common shares outstanding during the year (1982 and 1981 — 4,979,272), excluding shares held by subsidiary companies. Inclusion in the earnings (loss) per share computations of shares subject to issue under outstanding options, see note 9(b), page 29, would produce substantially the same results.

The 1983 loss per common share has not been recalculated to include the unexercised common share purchase warrants since their inclusion would decrease the loss per share.

14. Other charges

Other charges of $17,264,000 in 1983 represent employee termination and retiring allowances, costs associated with the start-up of the Company's Sudbury Operations, ongoing costs at Corporation Falconbridge Copper's Lake

Dufault Division during the temporary suspension of operations, and shutdown costs incurred during the permanent closing of the Wesfrob Mining Division.

Other charges of $75,531,000 in 1982 relate to the measures taken by Falconbridge to stem the cash drain and to reduce expenditures over the long term. These comprise costs of placing and maintaining certain properties on a standby basis, continuing costs incurred during the temporary shutdown of production facilities and employee termination and retiring allowances.

Other charges of $2,963,000 in 1981 reflect a provision for employee severance payments and expenditures required to place Falcondo's production facilities on a standby basis.

15. Compensating balances and borrowing arrangements

None of the companies within the Falconbridge group of companies is required to maintain a compensating balance under any borrowing arrangement. Falconbridge Dominicana, C. por A. is required, under loan agreements, to keep funds on deposit with the Trustee for use in paying current debt service and other expenses (see note 8B(i)(c), page 29).

The various borrowing arrangements, which have been established over a period of years, are as follows:

Falconbridge Limited

In addition to the lines of credit detailed in note 8A(i)(d), page 27, the Company has a $75,000,000 operating line of credit with the same Canadian chartered bank. The interest rate for this line is the bank's prime lending rate. This line of credit may also be used, to the extent of U.S. $40,000,000, to discount U.S. dollar trade paper at rates prevailing at the time of discounting. There is no commitment fee on this line which may be withdrawn at the bank's discretion. As at December 31, 1983, the Company was contingently liable to the bank for U.S. $4,877,000 (1982 — U.S. $6,344,000) with respect to trade paper discounted with recourse.

The Company also has a $50,000,000 line of credit with another Canadian chartered bank. This line of credit can be drawn in either Canadian or U.S. dollars. The interest rate for Canadian dollar drawings under this line is the bank's prime lending rate. For U.S. dollar borrowings the rate is the bank's U.S. base lending rate. The line of credit is also available to discount U.S. dollar trade paper at rates prevailing at the time of discounting. There is no commitment fee on this line which may be withdrawn at the bank's discretion. As at December 31, 1983, the Company was contingently liable to the bank for U.S. $21,093,000 (1982 — U.S. $1,090,000) with respect to trade paper discounted with recourse.

The Company also has a U.S. $20,000,000 line of credit with a United States bank under which the Company may sell U.S. dollar accounts receivable at rates prevailing at the time of sale. There is no commitment fee on this line which may be withdrawn at the bank's discretion. As at December 31, 1983, the Company was contingently liable to this bank for U.S. $3,820,000 (1982 — U.S. $9,800,000) with respect to the sale of accounts receivable with recourse.

Use of these lines of credit is restricted under guarantees and covenants, (see note 8B(ii), page 29).

Indusmin Limited

Indusmin Limited (Indusmin) has a $10,000,000 operating line of credit with a Canadian chartered bank. No commitment fee is payable for this line of credit which can be withdrawn at the bank's discretion. Interest is payable at the bank's prime lending rate. This line of credit may also be utilized by way of banker's acceptances for which Indusmin pays current rates to the bank at the time of their acceptance. At December 31, 1983, Indusmin had no obligations outstanding under this line of credit.

Indusmin also has a $2,000,000 term loan facility with the same bank. No commitment fee is payable for this loan facility which gives various currency and interest rate options. The line of credit may also be utilized by way of banker's acceptances for which Indusmin pays 3/4 of 1% to the bank for their acceptance. This loan is repayable in quarterly installments over a five year period, which commenced on Deeember 15, 1982. The largest amount of indebtedness outstanding at any one time in 1983 was $3,800,000, the average for the year was $3,000,000 and $2,000,000 was outstanding at December 31, 1983. Interest was payable at 9.68% as at December 31, 1983, and averaged 10.25% during the year.

At December 31, 1983, Indusmin Incorporated, a wholly-owned subsidiary of Indusmin, had a revolving credit and term loan facility totalling U.S. $2,500,000, from a U.S. bank, secured by a guarantee of Indusmin. No commitment fee is payable for this loan facility which gives Indusmin Incorporated various interest rate options. The loan is repayable in twenty equal quarterly installments over a five-year period commencing March 31, 1985. The largest amount of indebtedness outstanding at any one time in 1983 was U.S. $2,500,000, the average for the period of the loan was U.S. $2,500,000. Interest averaged 10.50% during the period of the loan. No loans were outstanding under this facility at December 31, 1983.

Kiena Gold Mines Limited

Kiena Gold Mines Limited (Kiena) has arranged a $30,000,000 revolving term credit and a $30,000,000 operating line of credit with a Canadian bank as described below. The aggregate credit that may be utilized under these lines is $30,000,000.

The $30,000,000 revolving term credit, due December 31, 1986, may be drawn in Canadian or U.S. dollars or gold. The loan is secured by a fixed and floating charge upon Kiena's assets. No commitment fee is payable on this term credit. Interest on this loan is payable at 1/2 of 1% above the bank's prime lending rate or if drawn in U.S. dollars at rates based on the LIBOR or a U.S. base rate. Kiena also has an option to utilize this term credit facility by way of banker's acceptances for which Kiena pays current rates at the time of their acceptance.

The $30,000,000 operating line of credit may be drawn in Canadian or U.S. dollars. Interest on this loan is the bank's prime lending rate or if drawn in U.S. dollars at rates based on LIBOR or a U.S. base rate. Kiena also has an option to utilize this operating credit facility to the extent of $15,000,000 by way of banker's acceptances for which Kiena pays current rates at the time of their acceptance.

As partial utilization of the above noted revolving term credit Kiena has entered into an agreement under which it is obligated to return 6,000 ounces of gold or pay the equivalent U.S. dollar market value of the gold to the bank by March 31, 1984. The indebtedness bears a 4% annual interest charge based on the current daily market value of the outstanding ounces of gold.

The largest amount of indebtedness outstanding under the above facilities at any one time during 1983 was $20,390,000, the average for the year was $12,837,000 and $3,228,000 was outstanding at December 31, 1983. At December 31, 1983, the only indebtedness under these lines of credit was the obligation to return 6,000 ounces of gold, referred to above.

16. Reconciliation of earnings (loss) determined in accordance with generally accepted accounting principles (GAAP) in Canada to amounts determined under accounting principles which are generally accepted in the United States (U.S. GAAP):

	1983 (000's)	1982 (000's)	1981 (000's)
Earnings (loss) for the year, as reported	$ (3,542)	$(85,254)	$ (9,024)
Add (deduct) extraordinary item, as reported	(14,816)		5,122
Adjustments to accord with U.S. GAAP:			
1. Adjustments relating to foreign currency translation (i)	2,681	(8,205)	(127)
2. Adjustments relating to capitalization of interest less amortization of capitalized interest, net of income taxes (ii)	10,916	6,887	5,860
3. Gain on Kiena share issue (iii)	14,816		
4. Adjustments relating to items not from continuing operations	(511)		
Earnings (loss) from continuing operations in accordance with U.S. GAAP	9,544	(86,572)	1,831
Losses from discontinued operations			
1. Wesfrob Mining Division	(1,909)		
2. Write-off of Venus Mine project costs			(5,122)
Extraordinary item			
Gain on redemption of debentures	2,420		
Earnings (loss) for the year in accordance with U.S. GAAP	$ 10,055	$(86,572)	$ (3,291)
Earnings (loss) per common share in accordance with U.S. GAAP:			
From continuing operations	$ 1.41	$ (17.39)	$ 0.37
For the year	$ 1.48	$ (17.39)	$ (0.66)

(i) Under Canadian GAAP Falconbridge translates long-term debt into Canadian dollars at rates of exchange prevailing when the debts were incurred and defers unrealized gains on translation of foreign subsidiaries' financial statements for consolidation purposes. U.S. GAAP requires the translation of the Company's foreign currency long-term debt at current exchange rates. Also, under U.S. GAAP adjustments resulting from the translation of foreign subsidiary financial statements for currency exchange rate changes are excluded from net income for those fluctuations that do not impact cash flows and are included for those that do.

(ii) Consistent with the Canadian mining industry's policy of capitalizing all costs incurred during the preproduction stage of a project, Falconbridge capitalizes interest costs incurred prior to the commencement of commercial production for projects which are specifically financed by debt. Interest costs incurred after the commeneement of commercial production are expensed.

U.S. GAAP requires the capitalization of interest costs as part of the historical cost of acquiring certain assets whether or not the assets are specificially financed by debt.

Capitalized interest costs are amortized on the same basis as the related assets.

(iii) See note 2, page 23. U.S. GAAP requires that this item be included in earnings (loss) from continuing operations compared with the treatment as an extraordinary item under Canadian GAAP.

(iv) Balance sheet items under U.S. GAAP:

(a) Long-term debt at December 31, 1983 — \$486,136,000 (1982 — \$502,260,000).

(b) Retained earnings at December 31, 1983 — \$317,562,000 (1982 — \$314,362,000).

(c) Cumulative translation adjustment (separate component of equity) at December 31, 1983 — \$13,327,000 (December 31, 1982 — \$12,661,000) to recognize accumulated exchange gains, net, on translation of foreign subsidiaries' accounts for consolidation purposes where the subsidiaries' functional currencies are not the same as the parent company's reporting currency.

17. Interest and other income, net

Interest and other income, net, includes a \$553,000 gain (1982 — \$5,342,000) resulting from translation of the Company's U.S. dollar temporary investments, reflecting a weakened Canadian dollar (see note 3(b), page 23) and a \$4,073,000 gain on the sale of the Company's airplane. The 1982 amount also includes insurance proceeds of \$5,811,000 for the loss of production from a fire at the Integrated Nickel Operations' refinery in Norway in October, 1981; and a loss of \$2,301,000 on the sale of the Company's 74.9% interest in Oamites Mining Company (Proprietary) Limited.

18. Investment in associated and other companies

	December 31, 1983		Market value (i) As at December 31,		Carrying value (ii) As at December 31,		Contribution to earning (loss) for the year		
	Shares of common stock	Beneficial interest %	1983 (000's)	1982 (000's)	1983 (000's)	1982 (000's)	1983 (000's)	1982 (000's)	1981 (000's)
Accounted for on an equity basis (ii):									
Akaitcho Yellowknife Gold Mines Limited	1,198,230	36.7	\$ 1,078	\$ 1,018	\$ 197	\$ 193	\$ 4	\$ 7	\$ (22)
Giant Yellowknife Mines Limited	824,413	19.2	18,961	16,900	4,667	3,861	806	135	161
United Keno Hill Mines Limited (iii)	1,195,989	48.4	24,219	25,715	7,895	7,174	721	(2,615)	(1,488)
Total on an equity basis			44,258	43,633	12,759	11,228	1,531	(2,473)	(1,349)
Accounted for on a cost basis:									
McIntyre Mines Limited	175,825	4.8	6,022	4,747	10,175	10,175			
The Superior Oil Company	2,033,965	1.6	93,013	71,860	62,332	62,332	377	503	370
Thompson-Lundmark Gold Mines Limited	600,000	12.0	330	510	377	377			
Other companies			849	559			5	5	
			\$144,472	\$121,309	85,643	84,112	1,913	(1,965)	(979)
Investments with no quoted market value —									
Western Platinum Limited	3,025,001	25.0			10,010	10,010	2,357		3,017
Falconbridge Investments (Zimbabwe) (Private) Limited (iv)	9,208	100.0					2,007	558	1,708
Other companies					494	370			24
					\$96,147	\$94,492	\$6,277	\$(1,407)	\$ 3,770

(i) The market values shown are based on Canadian and United States stock exchange closing bid prices at year end. Because of the number of shares involved the amounts that could be realized if these securities were to be sold may be more or less than their indicated quoted market value.

(ii) The carrying value represents the cost of the investments less amounts written off, and also reflects the interest in earnings, less dividends received.

(iii) The \$1,488,000 loss recorded in 1981 excludes the extraordinary item referred to in note 2, page 23.

(iv) Name changed from Blanket Mine (Private) Limited on January 10, 1983.

19. Subsequent events

On January 18, 1984, the Company received net proceeds of \$15,820,000 from the sale of 230,000 Common Shares at \$71.50 per share. The underwriting fee and other costs of the issue were estimated at \$625,000.

As a result of this share issue the Company's issued common shares increased by 230,000 to 7,258,030. This issue will not have a material impact on the calculation of earnings per share.

Falconbridge Limited

Segmented Information

December 31, 1983	Integrated Nickel Operations	Unallocated Corporate	Corporation Falconbridge Copper	Falconbridge Dominicana, C. por A.	Indusmin Limited	Kiena Gold Mines Limited	Others	Consolidation adjustments	**Consolidated total**
% ownership	(100%) (note 1)	(100%) (note 1)	(50.2%)	(65.7%) (note 2)	(70.8%)	(56.7%) (note 4)	(note 6)	(note 2)	
Earnings (note 2):									
Revenues	$309,979	$ 3,000	$84,230	$114,415	$60,315	$31,522	$19,434	$ (7,508)	**$615,387**
Operating expenses									
Costs of metal and other product sales	234,834		73,455	109,938	40,978	18,327	14,696	(6,273)	**485,955**
Selling, general and administrative	22,192	6,033	1,917	8,757	7,031	964	588	(4,712)	**42,770**
Development and preproduction	11,690		2,921	1,542	32	832		(422)	**16,595**
Depreciation and depletion	15,596		2,712	7,139	2,793	778	1,977	257	**31,252**
Other charges	11,479		1,511				3,469	805	**17,264**
	295,791	6,033	82,516	127,376	50,834	20,901	20,730	(10,345)	**593,836**
Operating profit (loss)	14,188	(3,033)	1,714	(12,961)	9,481	10,621	(1,296)	2,837	**21,551**
Interest (net) and debt expenses	729	476	(8,506)	27,007	(75)	23	157	3,716	**23,527**
Exploration	1,180	5,165	11,682	240	108	150	440		**18,965**
Research and process development	3,189				205				**3,394**
	5,098	5,641	3,176	27,247	238	173	597	3,716	**45,886**
Earnings (loss) before investment income and taxes	9,090	(8,674)	(1,462)	(40,208)	9,243	10,448	(1,893)	(879)	**(24,335)**
Investment income (loss)		6,277							**6,277**
Earnings (loss) before taxes	9,090	(2,397)	(1,462)	(40,208)	9,243	10,448	(1,893)	(879)	**(18,058)**
Income and mining taxes	3,407	587	(1,423)		4,183	4,700	62	(100)	**11,416**
Earnings (loss) for the year before other items	$ 5,683	$(2,984)	$ (39)	$ (40,208)	$ 5,060	$ 5,748	$(1,955)	$ (779)	**$(29,474)**
Minority shareholders' interest in earnings (loss)			$ (19)	$ (14,201)	$ 1,475	$ 1,629			**$(11,116)**
Falconbridge's interest in above earnings (loss) after consolidation adjustments (note 2)	$ 5,683	$(2,984)	$ 28	$ (26,699)	$ 3,533	$ 4,036	$(1,955)		**$(18,358)**
Financial Data (note 1):									
Working capital	$269,272		$ 91,014	$ 33,990	$20,859	$12,697	$ 3,712	$ 18	**$431,562**
Property, plant and equipment (note 2)									
Producing assets, at net book value	$224,283		$ 16,174	$ 89,042	$17,517	$26,508	$ 2,179	$ (4,920)	**$370,783**
Non-producing assets, at cost less amounts written off	$104,592		$ 9,895		$ 638	$ 4,912	$41,831	$ 5,663	**$167,531**
Long-term debt	$327,598			$219,468	$ 1,200	$ 3,228	$ 3,529	$(100,564)	**$454,459**
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT	$ 26,938		$ 11,054	$ 22	$ 1,386	$ 6,454	$ 595		**$ 46,449**
MARKET VALUE OF FALCONBRIDGE'S SHAREHOLDINGS (note 3)			$123,684		$19,029	$79,949	$22,812		**$245,474**
PRINCIPAL LOCATION OF ASSETS	Ontario and Norway		Quebec	Dominican Republic	Ontario, Quebec and U.S.A.	Quebec			
PRINCIPAL PRODUCTS	Nickel, copper and cobalt		Copper, zinc and precious metals	Ferronickel	Industrial minerals and metal castings	Gold			
MAJOR MARKETS FOR PRINCIPAL PRODUCTS	The Americas, Europe and Asia		Canada and Europe	The Americas, Europe and Asia	Canada and U.S.A.	Canada			

(See notes to statement of segmented information)

Statement 4

1982

Integrated Nickel Operations	Unallocated Corporate	Corporation Falconbridge Copper	Falconbridge Dominicana, C. por A.	Indusmin Limited	Kiena Gold Mines Limited	Others	Consolidation adjustments	**Consolidated total**
(100%) (note 1)	(100%) (note 1)	(50.2%)	(65.7%) (note 2)	(70.8%)	(68.3%) (note 4)	(note 6)	(note 2)	
$244,667	$ 1,978	$ 68,296	$ 21,994	$58,128	$30,424	$32,716	$24,923	**$ 483,126**
188,162		60,572	34,344	43,100	17,490	27,551	20,906	**392,125**
23,680	8,281	2,120	2,279	8,502	719	2,474	(300)	**47,755**
8,614		6,919	1,542	27	848	586	(631)	**17,905**
16,816	210	2,069	7,220	3,198	684	3,018	81	**33,296**
50,873	2,160	1,183	21,315					**75,531**
288,145	10,651	72,863	66,700	54,827	19,741	33,629	20,056	**566,612**
(43,478)	(8,673)	(4,567)	(44,706)	3,301	10,683	(913)	4,867	**(83,486)**
49	7,726	(13,079)	22,938	1,069	3,491	236	2,466	**24,896**
2,898	8,450	15,289	813	32		1,324		**28,806**
5,491				278				**5,769**
8,438	16,176	2,210	23,751	1,379	3,491	1,560	2,466	**59,471**
(51,916)	(24,849)	(6,777)	(68,457)	1,922	7,192	(2,473)	2,401	**(142,957)**
	(1,407)					20	(20)	**(1,407)**
(51,916)	(26,256)	(6,777)	(68,457)	1,922	7,192	(2,453)	2,381	**(144,364)**
(26,053)	(9,223)	(4,617)	(410)	578	3,510	(669)	309	**(36,575)**
$ (25,863)	$(17,033)	$ (2,160)	$(68,047)	$ 1,344	$ 3,682	$ (1,784)	$ 2,072	**$(107,789)**
		$ (1,076)	$(22,846)	$ 405	$ 1,167	$ (185)		**$ (22,535)**
$ (25,863)	$ (17,033)	$ (1,012)	$(43,257)	$ 882	$ 2,647	$ (1,618)		**$ (85,254)**
$186,471		$101,133	$ 27,431	$ 19,217	$ 851	$ 7,670	$ (1,222)	**$ 341,551**
$235,633		$ 20,511	$ 97,737	$ 18,946	$ 26,239	$ 4,411	$ (7,327)	**$ 396,150**
$ 95,803		$ 259		$ 639	$ 338	$ 41,681	$ 5,613	**$ 144,333**
$328,086			$179,226	$ 6,095	$ 17,640	$ 1,501	$ (65,028)	**$ 467,520**
$ 34,401		$ 5,368	$ 25	$ 1,347	$ 2,078	$ 2,903		**$ 46,122**
		$110,665		$ 9,101	$ 84,946	$ 20,390		**$ 225,102**
Ontario and Norway		Quebec	Dominican Republic	Ontario, Quebec and U.S.A.	Quebec			
Nickel, copper and cobalt		Copper, zinc and precious metals	Ferronickel	Industrial minerals and metal castings	Gold			
The Americas, Europe and Asia		Canada and Europe	The Americas, Europe and Asia	Canada and U.S.A.	Canada			

1981

Integrated Nickel Operations	Unallocated Corporate	Corporation Falconbridge Copper	Falconbridge Dominicana, C. por A.	Indusmin Limited	Kiena Gold Mines Limited	Others	Consolidation adjustments	**Consolidated total**
(100%) (note 1)	(100%) (note 1)	(50.2%)	(65.7%) (note 2)	(70.8%)	(68.3%) (note 4)	(note 6)	(note 2)	
$367,360	$ 4,623	$ 76,939	$144,469	$70,003	$ 7,040	$35,833	$ 6,685	**$712,952**
249,642		66,061	139,223	52,144	5,646	31,207	4,157	**548,080**
25,143	7,391	1,441	11,693	7,299		3,210	(6,573)	**49,604**
14,715		9,314	1,546	31	260	1,436	(547)	**26,755**
17,007	201	1,920	7,434	3,325	180	2,628	113	**32,808**
			2,963					**2,963**
306,507	7,592	78,736	162,859	62,799	6,086	38,481	(2,850)	**660,210**
60,853	(2,969)	(1,797)	(18,390)	7,204	954	(2,648)	9,535	**52,742**
1,027	4,201	(13,012)	16,754	1,991	1,057	(23)	6,774	**18,769**
5,540	16,392	12,430	746	93	5	2,758		**37,964**
10,755				350				**11,105**
17,322	20,593	(582)	17,500	2,434	1,062	2,735	6,774	**67,838**
43,531	(23,562)	(1,215)	(35,890)	4,770	(108)	(5,383)	2,761	**(15,096)**
	3,770	43		25		23	(91)	**3,770**
43,531	(19,792)	(1,172)	(35,890)	4,795	(108)	(5,360)	2,670	**(11,326)**
12,472	(5,832)	(1,675)	(2,430)	1,722	(50)	(1,494)	(501)	**2,212**
$ 31,059	$(13,960)	$ 503	$ (33,460)	$ 3,073	$ (58)	$ (3,866)	$ 3,171	**$ (13,538)**
		$ 250	$ (10,541)	$ 926	$ (18)	$ (253)		**$ (9,636)**
$ 31,059	$ (13,960)	$ 266	$ (19,687)	$ 2,037	$ 6	$ (3,623)		**$ (3,902)**
$312,540		$103,703	$ 39,518	$15,379	$ (1,213)	$ 7,803	$ (4,560)	**$473,170**
$241,435		$ 24,132	$106,514	$20,827	$26,032	$10,430	$ (7,878)	**$421,492**
$ 82,876		$ 288		$ 639		$41,040	$ 3,676	**$128,519**
$334,321			$130,437	$ 5,130	$21,796	$ 1,537	$(27,835)	**$465,386**
$ 70,927		$ 8,119	$ 89	$ 1,922	$15,121	$ 8,639		**$104,817**
		$ 82,999		$11,169	$54,132	$19,882		**$168,182**
Ontario and Norway		Quebec	Dominican Republic	Ontario, Quebec and U.S.A.	Quebec			
Nickel, copper and cobalt		Copper, zinc and precious metals	Ferronickel	Industrial minerals and metal castings	Gold			
The Americas, Europe and Asia		Canada and Europe	The Americas, Europe and Asia	Canada and U.S.A.	Canada			

Notes to Statement of Segmented Information

The information contained on Statement 4, page 34, and the following notes, present a more detailed review of the various group operations. It should be read in conjunction with the preceding consolidated financial statements and notes thereto.

1. Integrated Nickel Operations and Unallocated Corporate

Included under the caption "Integrated Nickel Operations" are the accounts of the Company and all its wholly-owned subsidiaries engaged in the integrated operations of mining, milling, smelting, refining and marketing of metals mainly derived from Sudbury ores. The companies comprising the Integrated Nickel Operations are interdependent and production activities are carried on in Canada (mainly mining and reduction of ore to matte in Sudbury) and in Norway (producing refined metals from matte). The Marketing Division is structured to serve worldwide markets and contracts the processing of material containing various metals, on a fee basis (refined metals produced from these sources are either marketed on an agency basis or returned to the owner of the material). That portion of the Company's net corporate expenditures relating to the overall direction and management of other activities of the Falconbridge group of companies and income from investment in associated and other companies have been segregated under the caption "Unallocated Corporate". It is not practicable to segregate the Integrated Nickel Operations and the Company's Corporate financial items.

The Integrated Nickel Operations' and the Company's Corporate financial position at December 31, 1983, includes identifiable assets of $36,417,000 in Norway (1982 — $42,562,000; and 1981 — $48,681,000).

2. Consolidation adjustments

Adjustments have been made on consolidation as follows:

(a) Falconbridge Dominicana, C. por A. (Falcondo)

The ferronickel produced by Falcondo is purchased and marketed by the Company. The earnings of Falcondo include profits on all ferronickel sold to the Company whereas consolidated earnings exclude the profits relating to inventories of ferronickel held by the Company at December 31, for subsequent resale to customers.

(b) Fair value adjustments

The difference between the interest in the book value of the net assets of certain consolidated subsidiaries and the carrying value of the investments are accounted for as explained in accounting policy A (ii), page 17. The investment in consolidated subsidiaries is $8,408,000 less than the equity in net assets of these subsidiaries at December 31, 1983 (1982 — $10,398,000) and this difference is included in the consolidated financial position as follows:

	1983 (000's)	1982 (000's)
Increase (decrease)		
Property, plant and equipment —		
Producing assets		
Plant and equipment	$ 5,656	$ 5,580
Accumulated depreciation	5,524	5,393
Land and properties	5,891	5,891
Accumulated depletion	6,458	6,479
Development and preproduction expenditures	(10,069)	(12,427)
Accumulated amortization	(5,831)	(5,500)
Non-producing assets	(3,604)	(3,537)
Investment in associated and other companies	492	716
Other	(623)	(249)
Excess of interest in net assets of subsidiaries over carrying value of investments	$ (8,408)	$(10,398)

The depreciation, depletion and amortization of the fair value adjustments included in the consolidated statement of operations increased the 1983 depreciation and depletion expenses by a net $104,000 (1982 — $81,000; 1981 — $113,000) and decreased the amortization of development and preproduction expenditures by $586,000 (1982 — $632,000; 1981 — $547,000).

(c) Other adjustments have been made to eliminate inter-company transactions.

3. Market value of Falconbridge's shareholdings

The market values shown are based on Canadian stock exchanges' closing bid prices at year end. Because of the number of shares held by Falconbridge (representing control of the companies concerned), the amounts that could be realized if these securities were to be sold may be more or less than their indicated quoted market value.

4. Kiena Gold Mines Limited

The company commenced commercial production in October, 1981.

During 1983 the company issued 1,000,000 common shares. Falconbridge did not purchase any of the shares and accordingly its percentage holding was diluted from 68.3% to 56.7%.

5. Segmented sales data

(a) The following table shows sales revenues on a segmented and product basis by amount and approximate percentage:

	1983		1982		1981	
	Amount (000's)	%	Amount (000's)	%	Amount (000's)	%
CONSOLIDATED SUBSIDIARIES —						
Integrated Nickel Operations and Corporate:						
Nickel	$212,420	35	$150,771	31	$232,253	32
Copper	46,924	8	40,209	8	53,469	7
Cobalt	12,030	2	13,539	3	34,701	5
Gold	2,902		3,877	1	4,714	1
Silver	2,784		1,378	1	3,106	1
Platinum	5,088	1	6,297	1	7,857	1
Palladium	3,146	1	1,221		2,020	
Other revenues	27,685	4	29,353	6	33,863	5
	312,979	51	246,645	51	371,983	52
*Other operations:						
Ferronickel	109,018	18	48,615	10	155,593	22
Copper	51,738	8	53,667	11	66,867	9
Zinc	3,775	1	1,175		4,165	1
Gold	59,179	10	51,692	11	24,798	3
Silver	5,013	1	5,172	1	7,313	1
Industrial minerals	42,512	6	34,771	7	39,737	6
Steel castings	12,906	2	18,606	4	25,596	4
Other metals and products	18,267	3	22,783	5	16,900	2
	302,408	49	236,481	49	340,969	48
Consolidated total	$615,387	100	$483,126	100	$712,952	100
**EQUITY ACCOUNTED FOR COMPANIES —						
Gold	$ 43,006	83	$ 44,352	80	$ 40,158	76
Silver	8,461	16	10,718	19	11,682	22
Lead	299	1	619	1	888	2
	$ 51,766	100	$ 55,689	100	$ 52,728	100

*1982 and 1981 amounts include Oamites Mining Company (Proprietary) Limited, a 74.9% owned subsidiary, sold in 1982.

**Includes Falconbridge Investments (Zimbabwe) (Private) Limited, wholly-owned and accounted for on a cost basis.

The 1983 revenues include $79,380,000, 13% of the consolidated total, (1982 — $62,211,000, 13%; 1981 — $72,774,000, 10%) from sales by Corporation Falconbridge Copper to a single customer.

(b) Consolidated sales revenues by geographical area were as follows:

	1983 Amount (000's)	%	1982 Amount (000's)	%	1981 Amount (000's)	%
Europe	$177,586	29	$152,320	32	$223,742	32
U.S.A.	179,701	29	129,300	27	243,504	34
Others	78,335	13	54,482	11	87,936	12
*Total foreign	435,622	71	336,102	70	555,182	78
Canada	179,765	29	147,024	30	157,770	22
*World total	$615,387	100	$483,126	100	$712,952	100
*Includes sales by Canadian operations to foreign customers of	$282,707		$237,334		$328,453	

6. Others from the segmented information on page 34, includes:

(a) **Earnings**

	1983 Revenues (000's)	1983 Contributions* (000's)	1982 Revenues (000's)	1982 Contributions* (000's)	1981 Revenues (000's)	1981 Contributions* (000's)
Natresco Incorporated (i)	$ 571	$ (509)	$ 902	$ (621)	$ 1,188	$ 541
Oamites Mining Company (Proprietary) Limited (ii)			7,783	(434)	13,590	(593)
Wesfrob Mining Division (iii)	16,183	(1,909)	21,753	(214)	18,104	(1,089)
Other subsidiaries	2,680	463	2,278	(349)	2,951	(2,482)(iv)
	$19,434	$(1,955)	$32,716	$(1,618)	$35,833	$(3,623)

* Falconbridge's interest in earnings (loss), after consolidation adjustments.

(b) **Financial data**

	1983 Working capital (000's)	1983 Property, plant and equipment (000's)	1982 Working capital (000's)	1982 Property, plant and equipment (000's)	1981 Working capital (000's)	1981 Property, plant and equipment (000's)
Natresco Incorporated (i)	$ (18)	$ 905	$ (110)	$ 1,345	$ (345)	$ 1,707
Oamites Mining Company (Proprietary) Limited (ii)					3,295	3,237
Wesfrob Mining Division (iii)	3,858		6,900	1,732	4,462	4,120
Other subsidiaries (v)	(128)	43,105	880	43,015	391	42,406
	$ 3,712	$44,010	$ 7,670	$46,092	$ 7,803	$51,470

(i) Natresco Incorporated, wholly-owned, has a small interest in oil and gas claims in the Gulf of Mexico.

(ii) Oamites Mining Company (Proprietary) Limited, which mined copper in Namibia, was 74.9% owned prior to being sold in 1982 (see note 17, page 33).

(iii) Wesfrob Mining Division of Falconbridge Limited, mined iron and copper in British Columbia prior to its ceasing production in October, 1983 with the depletion of economic ore reserves.

(iv) Mainly wholly-owned exploration subsidiaries expenditures in the U.S. and Philippines.

(v) Property, plant and equipment, net, includes the costs related to certain projects, the largest of which is New Quebec Raglan Mines Limited, upon which further work has been suspended, see note 7(c)(iii), page 27.

7. Additional unaudited segmented information is included in the ten-year review, page 42, in the summary of 1983 and 1982 consolidated results by quarters, page 40, and in the additional data, page 39.

Additional Data (Unaudited)

1. (a) Sale of principal metals and products were as follows:

	1983 Total (000's)	1983 Company share* (000's)	1982 Total (000's)	1982 Company share* (000's)	1981 Total (000's)	1981 Company share* (000's)
CONSOLIDATED SUBSIDIARIES –						
Integrated Nickel Operations:						
Nickel (pounds)	79,745	79,745	51,451	51,451	62,998	62,998
Copper (pounds)	53,034	53,034	48,509	48,509	56,458	56,458
Cobalt (pounds)	1,732	1,732	1,364	1,364	2,084	2,084
Gold (ounces)	6	6	8	8	9	9
Silver (ounces)	190	190	147	147	251	251
Platinum (ounces)	10	10	15	15	15	15
Palladium (ounces)	19	19	15	15	18	18
**Other operations:						
Ferronickel (pounds of nickel)	45,058	29,603	18,327	12,041	43,776	28,761
Copper (pounds)	60,304	32,762	68,433	40,342	73,171	42,451
Zinc (pounds)	6,926	3,477	2,538	1,274	7,591	3,811
Iron concentrate (tons)	496	496	651	651	549	549
Gold (ounces)	114	62	107	65	50	28
Silver (ounces)	384	193	529	309	653	392
Industrial minerals (tons)	3,213	2,275	2,662	1,886	3,868	2,689
Steel products (tons)	2	2	3	2	5	3
Sales on a commission basis:						
Nickel (pounds)	5,667		6,267		2,631	
Copper (pounds)	3,646		2,973		2,954	
Cobalt (pounds)	298		80		188	
Platinum group metals (ounces)	187		156		118	
***EQUITY ACCOUNTED FOR COMPANIES –						
Silver (ounces)	653	310	1,181	568	1,167	563
Lead (pounds)	1,074	520	2,085	1,010	2,243	1,086
Gold (ounces)	83	32	93	34	76	28

* Prorated on the basis of the Company's percentage ownership.

** 1982 and 1981 amounts include Oamites Mining Company (Proprietary) Limited, a 74.9% owned subsidiary, sold in 1982.

*** Includes Falconbridge Investments (Zimbabwe) (Private) Limited, a wholly-owned subsidiary, accounted for on the cost basis.

(b) The following table sets forth certain information regarding metal prices during the periods indicated. The pricing bases used therein are the most representative prices that the Falconbridge group received for its metal products and metals in concentrates:

Metal	Pricing unit	Prices at December 31, 1983	Falconbridge (6) average prices during 1983	1982	1981
Refined nickel	pound	U.S.$ 3.20(1)	U.S.$ 2.16	U.S.$ 2.36	U.S.$ 3.09
Ferronickel	pound	3.18(1)	1.96	2.15	2.97
Copper	pound	0.65(2)	0.71	0.66	0.78
Gold	ounce	382.40(3)	419.98	389.19	428.02
Silver	ounce	8.95(4)	10.75	7.55	8.92
Platinum	ounce	390.50(5)	412.79	337.53	450.43
Cobalt	pound	12.50(1)	5.64	8.03	14.00

(1) Producers are currently selling at a discount from the present producer prices as listed.
(2) London Metal Exchange copper-higher grade contract price.
(3) London gold fix.
(4) Prices quoted by Handy and Harman, New York.
(5) New York Dealer prices.
(6) Includes sales on an agency basis.

Summary of 1983 and 1982 consolidated results by quarters (Unaudited)

(000's omitted)

					1983
	Three month period ended				(note 4)
	March 31 (000's)	June 30 (000's)	Sept. 30 (000's)	Dec. 31 (000's)	Year (000's)
Metal sales (pounds):					
Integrated Nickel Operations —					
Nickel	20,940	23,857	11,321	23,627	79,745
Copper	6,868	20,236	9,276	16,654	53,034
Cobalt	405	318	331	678	1,732
Corporation Falconbridge Copper —					
Copper	8,383	15,644	17,724	13,554	55,305
Gold and silver revenues ($'s)	$ 8,048	$ 7,933	$ 8,549	$ 8,141	$ 32,671
Falconbridge Limited —					
Ferronickel	10,225	12,147	10,356	12,330	45,058
Inventories of finished nickel — all forms (pounds)	26,998	22,407	27,824	27,712	27,712
Earnings:					
Revenues	$ 128,382	$173,573	$136,551	$176,881	$615,387
Interest, investment and other income, net	7,478	7,178	8,756	15,539	38,951
	135,860	180,751	145,307	192,420	654,338
Costs other than the undermentioned	122,643	151,385	109,078	145,619	528,725
Depreciation, depletion, development and preproduction	11,630	13,249	12,383	10,585	47,847
Exploration, research and process development	7,048	5,683	5,165	4,463	22,359
Interest and debt expenses	14,822	15,001	13,957	12,421	56,201
Other charges	5,550	2,200	3,139	6,375	17,264
Income and mining taxes	890	3,679	3,506	3,341	11,416
Minority interest in losses of subsidiaries	(4,630)	(3,162)	(814)	(2,510)	(11,116)
	157,953	188,035	146,414	180,294	672,696
Earnings (loss) for the period before extraordinary item	(22,093)	(7,284)	(1,107)	12,126	(18,358)
Extraordinary item (note 3)			14,816		14,816
Earnings (loss)	$ (22,093)	$ (7,284)	$ 13,709	$ 12,126	$ (3,542)
Earnings (loss) per share:					
Before extraordinary item	$(3.26)	$(1.08)	$(0.16)	$1.79	$(2.71)
Extraordinary item			2.19		2.19
For the period (note 6)	$(3.26)	$(1.08)	$2.03	$1.79	$(0.52)
Earnings (loss) contributions:					
Corporation Falconbridge Copper	$ (267)	$ 243	$ 299	$ (247)	$ 28
Falconbridge Dominicana, C. por A.	(8,722)	(7,869)	(4,292)	(5,816)	(26,699)
Giant Yellowknife Mines Limited	235	242	207	122	806
Indusmin Limited	80	1,202	1,057	1,194	3,533
Kiena Gold Mines Limited	522	644	1,497	1,373	4,036
Oamites Mining Company (Proprietary) Limited (note 2)					
United Keno Hill Mines Limited	695	(356)	388	(6)	721
Other controlled companies	(5)	345	142	(199)	283
Total	(7,462)	(5,549)	(702)	(3,579)	(17,292)
Wesfrob Mining Division	503	(1,518)	242	(1,136)	(1,909)
Integrated Nickel Operations, net of allocated Corporate costs	(16,295)	2,110	1,683	18,185	5,683
Unallocated Corporate costs, net (note 1)	1,161	(2,327)	(2,330)	(1,344)	(4,840)
Earnings (loss) for the period before extraordinary item	$ (22,093)	$ (7,284)	$ (1,107)	$ 12,126	$ (18,358)

Three month period ended				1982 (note 5)
March 31 (000's)	June 30 (000's)	Sept. 30 (000's)	Dec. 31 (000's)	Year (000's)
9,043	11,473	10,212	20,723	51,451
15,812	17,404	4,891	10,402	48,509
469	321	219	355	1,364
17,964	16,606	11,403	6,669	52,642
$ 5,040	$ 6,235	$ 7,489	$ 6,150	$ 24,914
2,578	3,160	4,064	8,525	18,327
53,145	57,786	44,587	38,202	38,202
$ 119,255	$131,939	$110,151	$121,781	$483,126
16,813	13,177	5,880	5,650	41,520
136,068	145,116	116,031	127,431	524,646
103,274	111,305	107,346	117,955	439,880
15,667	15,311	9,706	10,517	51,201
10,828	11,884	5,843	6,020	34,575
16,768	14,470	19,021	17,564	67,823
9,445	16,801	24,730	24,555	75,531
(518)	(2,598)	(17,939)	(15,520)	(36,575)
(6,483)	(5,884)	(5,729)	(4,439)	(22,535)
148,981	161,289	142,978	156,652	609,900
(12,913)	(16,173)	(26,947)	(29,221)	(85,254)
$ (12,913)	$ (16,173)	$ (26,947)	$ (29,221)	$ (85,254)
$(2.59)	$(3.25)	$(5.41)	$(5.87)	$(17.12)
$(2.59)	$(3.25)	$(5.41)	$(5.87)	$(17.12)
$ (329)	$ (565)	$ 342	$ (460)	$ (1,012)
(10,774)	(10,256)	(12,571)	(9,656)	(43,257)
(82)	(594)	365	446	135
(295)	400	442	335	882
(593)	17	989	2,234	2,647
(277)	(168)	11		(434)
(1,045)	(1,349)	150	(371)	(2,615)
25	(903)	(257)	172	(963)
(13,370)	(13,418)	(10,529)	(7,300)	(44,617)
(649)	311	284	(160)	(214)
4,430	152	(13,651)	(16,794)	(25,863)
(3,324)	(3,218)	(3,051)	(4,967)	(14,560)
$ (12,913)	$ (16,173)	$ (26,947)	$ (29,221)	$ (85,254)

Notes:

1. Unallocated Corporate shown on Statement 4, page 34, for 1983, is after reflecting the interest in earnings, before extraordinary items, of significantly influenced companies, which are accounted for on the equity basis (Giant Yellowknife Mines Limited, earnings — $806,000; United Keno Hill Mines Limited, earnings — $721,000; Akaitcho Yellowknife Gold Mines Limited, included above with "other controlled companies", earnings — $4,000), and dividends of $325,000 included above with "other controlled companies".
2. See note 17, page 33, of the notes to consolidated financial statements.
3. See note 2, page 23, of the notes to the consolidated financial statements.
4. Demand for nickel increased steadily during the year while the nickel price rose substantially in the early part of the year, from the lows in 1982, and declined in the fourth quarter. Favourable factors included the reduction in the charges associated with the temporary curtailment of production operations and the gain on the Kiena share issue. Fourth quarter operating profits were largely attributed to increased sales volumes of precious metals, the reduction in pension expense as a result of actuarial gains, the gain on the redemption of the debentures and productivity improvements.
5. The international economic situation had a depressing effect on metal markets throughout 1982 with the average selling prices for primary metals dropping each quarter. Among other unfavourable factors were the ongoing costs during the temporary curtailment of production operations and other costs associated with cash conservation measures.
6. Based on the weighted average number of shares outstanding during the year.

Ten-Year Review (Unaudited)

		1983	1982
Revenues and Earnings (Loss) ($000's)	Revenues	615,387	483,126
	Earnings (loss) before extraordinary item	(18,358)	(85,254)
	Per common share	(2.71)	(17.12)
	Extraordinary item	14,816	
	Per common share	2.19	
Earnings (Loss) Contributions — after consolidation adjustments, before extraordinary items ($000's)	Alminex Limited (note 1)		
	Corporation Falconbridge Copper	28	(1,012)
	Falconbridge Dominicana, C. por A.	(26,699)	(43,257)
	Giant Yellowknife Mines Limited	806	135
	Indusmin Limited	3,533	882
	Integrated Nickel Operations	5,683	(25,863)
	Kiena Gold Mines Limited	4,036	2,647
	Oamites Mining Company (Proprietary) Limited (note 2)		(434)
	United Keno Hill Mines Limited	721	(2,615)
	Wesfrob Mining Division	(1,909)	(214)
	Unallocated Corporate (note 3)	(4,840)	(14,560)
	Others	283	(963)
	Earnings (loss) before extraordinary item	(18,358)	(85,254)
Financial Position ($000's)	Total assets	1,202,453	1,077,529
	Working capital —		
	Integrated Nickel Operations (note 4)	269,272	186,471
	Falconbridge Dominicana, C. por A.	33,990	27,431
	Corporation Falconbridge Copper	91,014	101,133
	Consolidated total	431,562	341,551
	Property, plant, and equipment, net —		
	Producing	370,783	396,150
	Non-producing	167,531	144,333
	Long-term debt	454,459	467,520
Shareholders' Data	Shareholders' equity (000's)	$ 504,247	404,394
	Amount per common share	$ 72.20	81.11
	Dividends paid per common share		
	Number of common shares outstanding at end of year (note 5) (000's)	7,028	5,025
	Number of common shareholders	4,762	5,169
	Toronto Stock Exchange quotes, (TSE) High	$ 88.00	73.75
	Low	$ 47.38	32.50
	Close	$ 71.00	48.50
	Volume of shares traded on TSE (000's)	3,088	1,328
	Volume of warrants traded on TSE (000's)	1,913	
	Preference shares (000's)	$	
	Dividends paid per preference share	$	
Exploration, Research and Process Development ($000's)	Exploration	18,965	28,806
	Research and process development	3,394	5,769
Capital Expenditures ($000's)	Expenditures on property, plant, equipment, development and preproduction —		
	Integrated Nickel Operations (note 4)	26,938	34,401
	Corporation Falconbridge Copper	11,054	5,368
	Consolidated total	46,449	46,122
Metal Sales (000's pounds)	Integrated Nickel Operations —		
	Nickel	79,745	51,451
	Copper	53,034	48,509
	Falconbridge Limited —		
	Nickel in ferronickel (note 6)	45,058	18,327
	Corporation Falconbridge Copper —		
	Copper	55,305	52,642
	Zinc	6,926	2,538
Ore Reserves (000's tons)	Falconbridge Limited	73,628	77,314
	Falconbridge Dominicana, C. por A.	43,659	45,955
	Corporation Falconbridge Copper (note 7)	3,496	4,799

Notes:
1. Investment sold in 1977.
2. Investment sold in 1982.
3. Before interest in earnings of equity accounted for companies.
4. Includes both the Integrated Nickel Operations and Company's Corporate operations, see note 1, page 36, of the notes to statement of segmented information.
5. Includes 45,483 shares held by consolidated subsidiaries.
6. Ferronickel sales to customers, see note 2, page 36, of the notes to statement of segmented information.
7. Does not include drill indicated reserves at the Ansil, Lac Shortt and Winston Lake deposits.

1981	1980	1979	1978	1977	1976	1975	1974
712,952	757,815	789,418	508,211	381,684	483,480	409,888	443,508
(3,902)	71,422	110,561	5,818	(28,786)	14,591	2,937	31,996
(0.78)	13.04	21.01	0.22	(6.14)	2.94	0.59	6.46
(5,122)	37,700	20,000		20,238			
(1.03)	7.57	4.02		4.08			
				3,776	3,424	2,952	2,922
266	15,152	23,277	7,498	2,913	1,637	198	3,981
(19,687)	(4,516)	4,508	(6,596)	2,788	8,834	5,689	3,309
161	1,150	1,492	613	368	(137)	(43)	450
2,037	2,398	2,714	2,027	1,251	2,019	2,821	1,307
31,059	57,372	62,213	6,558	(21,496)	4,860	(5,271)	17,779
6							
(593)	909	1,360	405	(336)	128	739	1,433
(1,488)	3,718	10,035	1,825	1,168	841	1,422	2,946
(1,089)	1,503	4,597	551	(2,211)	(337)	(1,361)	539
(12,611)	(5,187)	(453)	(7,165)	(16,217)	(5,779)	(4,251)	(2,887)
(1,963)	(1,077)	818	102	(790)	(899)	42	217
(3,902)	71,422	110,561	5,818	(28,786)	14,591	2,937	31,996
1,253,038	1,159,094	1,069,371	868,525	889,781	737,176	750,394	754,950
312,540	188,414	228,181	158,825	174,339	85,509	101,731	139,959
39,518	52,144	56,030	44,578	42,785	37,410	33,703	28,941
103,703	106,983	85,194	45,525	32,696	24,409	20,768	18,840
473,170	362,119	380,883	254,784	255,592	155,131	167,017	198,263
421,492	390,511	364,636	367,601	304,768	255,217	283,611	282,803
128,519	115,620	105,743	88,913	150,356	167,654	143,178	137,504
465,386	285,801	287,170	295,003	291,394	223,715	255,121	274,616
489,648	506,141	495,921	386,201	384,755	322,440	312,736	314,643
98.08	101.36	84.40	62.57	62.46	65.01	63.11	63.55
1.50	3.50	3.00		0.50	1.00	1.00	2.00
5,025	5,025	5,025	5,024	5,010	5,009	5,006	5,001
5,542	5,908	7,362	8,351	9,150	9,788	10,732	11,205
116.00	161.00	91.75	36.25	39.75	45.00	38.25	69.75
57.00	79.00	32.00	16.63	16.50	29.25	24.25	23.00
74.00	102.50	91.50	32.50	20.75	35.50	24.25	24.50
1,236	2,820	2,150	1,423	604	564	783	623
		75,000	75,000	75,000			
	2.158	1.970	1.577	0.564			
37,964	28,284	14,297	7,662	9,726	8,325	7,826	11,432
11,105	6,636	3,960	3,086	3,844	3,769	4,100	4,382
70,927	64,946	37,008	30,429	63,762	33,201	46,307	39,432
8,119	9,306	10,489	8,543	7,720	10,775	8,823	17,117
104,817	90,995	58,352	42,964	81,701	50,252	62,706	67,444
62,998	54,159	84,454	71,341	32,047	80,176	61,524	89,464
56,458	53,686	42,460	30,027	42,677	34,076	40,713	53,981
43,776	34,567	47,628	43,477	43,394	59,781	50,270	73,828
56,324	69,172	83,547	87,555	92,369	82,939	77,503	56,911
7,591	50,984	91,710	85,337	89,032	73,430	73,767	30,838
79,161	78,649	75,771	78,808	80,670	83,405	89,099	90,578
63,800	66,000	68,700	68,500	70,000	72,500	63,700	66,000
5,654	6,725	8,565	9,235	8,653	7,187	9,234	11,004

Management's Discussion and Analysis of Financial Condition and Results of Operations

Analysis of Financial Condition:

Liquidity

At December 31, 1983, working capital amounted to $431,562,000, an increase of $90,011,000 from a year earlier. This increase resulted mainly from the sale by the Company of 2,000,000 Units comprised of 2,000,000 Common Shares and 1,000,000 Common Share Purchase Warrants for $103,145,000, net of the underwriting fee and other related expenses. Working capital was also increased by the net proceeds of $23,691,000 from the issue by Kiena Gold Mines Limited of 1,000,000 common shares. The working capital contribution from operations was $14,426,000.

Offsetting these increases were expenditures on property, plant and equipment along with development and preproduction of $46,449,000. Long term debt was reduced by $11,919,000.

The overall increase in working capital is based on an increase of $79,759,000 in the Integrated Nickel Operations, Unallocated Corporate and Wesfrob Mining Division (from $193,371,000 to $273,130,000), an increase in Kiena Gold Mines Limited of $11,846,000 (from $851,000 to $12,697,000), and a decrease in Corporation Falconbridge Copper of $10,119,000 (from $101,133,000 to $91,014,000).

Cash and temporary investments of $294,511,000 have increased to 52 per cent of current assets at the end of 1983, up from $196,253,000 or 45 per cent of current assets at the end of 1982. The $98,258,000 increase in cash and temporary investments includes an increase in Integrated Nickel Operations and Unallocated Corporate of $97,452,000 (from $95,532,000 to $192,984,000), an increase in Kiena Gold Mines Limited of $12,699,000 (from $14,000 to $12,713,000), an increase in Indusmin Limited of $4,458,000 (from $2,344,000 to $6,802,000), and a decrease in Corporation Falconbridge Copper of $16,394,000 (from $87,586,000 to $71,192,000).

Since July, 1980, the Company and the other sponsor have been required by the provisions of financing agreements to meet the cash deficiencies of Falconbridge Dominicana C. por A. (Falcondo). To the end of 1983 the total cash provided to Falcondo has amounted to U.S. $110,258,000 of which U.S. $30,000,000 was provided in 1983, U.S. $41,070,000 in 1982, U.S. $24,965,000 in 1981 and U.S. $14,223,000 in 1980. The Company is required to provide 60 per cent of the cash requirements. It is anticipated that cash deficiencies will continue in 1984 and that additional advances will be required by Falcondo, however, recent cost cutting measures should considerably reduce these requirements.

In summary, the Company's liquidity has been enhanced during 1983 by the issue of additional common shares, by improved operating results stemming from tight control of both operating and capital expenditures and increased sales volumes of our products. The program of cost reduction and cash conservation initiated in 1982 continued in 1983.

Capital Resources

On February 8, 1983, the Company received net proceeds of $103,145,000 from the sale of Common Shares and Common Share Purchase Warrants (Units). The offering consisted of 2,000,000 Units at $55.00 per Unit (the price being allocated: $53.50 per Common Share and $1.50 for the one-half Common Share Purchase Warrant) for gross proceeds of $110,000,000. The underwriting fee for the issue amounted to $6,050,000 and other costs were $805,000. Each whole Warrant will entitle the holder to purchase one common share for $65.50 on or before February 5, 1987 (which, if fully exercised, will result in the Company's share capital increasing by 1,000,000 shares and $65,500,000).

During 1983, 3,275 Common Shares of the Company were issued to employees, pursuant to option agreements granted to certain employees for total proceeds of $250,000. (See note 9, page 29).

On January 18, 1984, the Company received net proceeds of $15,820,000 from the sale of 230,000 Common Shares at $71.50 each. Gross proceeds of the issue were $16,445,000 and the underwriting fee was $575,000 and related expenses were $50,000. The net proceeds were used to repay the short term bank loan incurred during December, 1983, when the Company purchased for cancellation U.S. $12,561,000 of the Company's 8.85% sinking fund debentures and $4,242,000 of the Company's 7.75% sinking fund debentures.

In August, 1983, Kiena Gold Mines Limited issued 1,000,000 common shares at $25.00 per share, resulting in net proceeds of $23,691,000 after the underwriter's fee of $1,187,500 and other issue expenses of $121,500.

The debt equity ratio at December 31, 1983, after giving effect to the January, 1984, share issue by the Company would have been 48 : 52.

Restrictions contained in the indenture with respect to the Company's 8.85% sinking fund debentures and an agreement entered into by the Company in connection with the financing of Falconbridge Dominicana , C. por A. prohibit the Company from defined borrowings in excess of 45 per cent of its defined net tangible assets. At December 31, 1983, after applying this issuance test, the Company had available borrowing capacity of $80,818,000. The Company has fully utilized its long-term lines of credit. Operating lines of credit, as shown in note 15, page 31, are available.

Analysis of Results of Operations:

A consolidated loss, before extraordinary item, for the year 1983 amounted to $18,358,000 or $2.71 per share compared with a loss of $85,254,000 or $17.12 per share in 1982 and a loss of $3,902,000 or $0.78 per share, before extraordinary item, in 1981. As a result of the Company's decision not to participate in the 1983 public share offering of Kiena Gold Mines Limited (Kiena) the Company recorded a gain of $14,816,000 or $2.19 per share due to the increase in the net identifiable assets of Kiena. The Company's share ($5,122,000) of United Keno Hill Mines Limited's write-off of its Venus Mine Project costs increased the 1981 consolidated loss to $9,024,000 or $1.81 per share.

The cost cutting measures implemented in 1982 had a significant impact on reducing the 1983 loss. However, the average metal prices received during the year were too low to generate a profit. The main reasons for the increase in the consolidated loss, before extraordinary item, for 1982, compared with 1981, were the depressed metal markets and worldwide economic environment, which resulted in lower nickel sales, decreased average metal prices and the expensing of costs resulting from the scaling down and temporary curtailment of certain operations.

The details of the 1983, 1982 and 1981 contributions to consolidated earnings (loss) are shown in the Ten Year Review, page 42.

Corporation Falconbridge Copper's favourable change to an earnings contribution of $28,000 in 1983, compared with a loss of $1,012,000 in 1982 mainly resulted from a higher average gold price and lower costs. The $1,278,000 unfavourable change to a loss in 1982, compared with an earnings contribution in 1981, was mainly due to the decrease in average metal prices, which was a major factor in the temporary suspension of production operations at its Lake Dufault Division in August, 1982.

Falconbrige Dominicana, C. por A.'s (Falcondo) $16,558,000 lower loss in 1983, compared with 1982, generally reflected the elimination of ongoing costs during the 1982 shutdown. Although costs have been significantly cut back, the ferronickel selling price was still too low to generate a profit in 1983. The $23,570,000 larger 1982 loss, compared with 1981, reflected weak demand and prices for ferronickel, ongoing costs during an eight-month suspension of production operations and costs associated with reducing the workforce. Production by Falcondo was suspended from mid-January to mid-September, 1982. Despite continued weak markets, the inventory of ferronickel produced by Falcondo was depleted to a level at which it became necessary to resume production at about 50% of capacity in view of anticipated sales.

Giant Yellowknife Mines Limited's $671,000 higher 1983 contribution, compared with 1982, mainly resulted from lower production costs and a higher average gold price. The $26,000 lower 1982 contribution, compared with 1981, principally reflected equity accounting adjustments. The $476 per ounce average price received for gold in 1982 compared with $524 per ounce in 1981; however, the cost per ounce produced was lower in 1982 as a result of improved grade control procedures and higher plant recoveries.

Indusmin Limited's $2,651,000 higher 1983 contribution, compared with 1982, reflected favourable productivity and cost control variances in the Canadian Mineral and Fahramet divisions. The U.S. Mineral Division's markets are extremely competitive. The $1,155,000 lower 1982 contribution, compared with 1981, mainly resulted from the impact of the depressed economy and more competitive market conditions on all divisions of the Company.

Kiena Gold Mines Limited's $1,389,000 higher 1983 contribution reflected a higher average gold price and lower interest expenses. Kiena sold 1,000,000 common shares and received net proceeds of $23,691,000. The Company did not participate in this issue and consequently its percentage interest in Kiena has been reduced from 68.3% to 56.7%. The $2,641,000 higher 1982 contribution, compared with 1981, reflected the completion of the first full year of operations.

Oamites Mining Company (Proprietary) Limited's $159,000 lower 1982 loss contribution (for the nine-months ended September 30, 1982), compared with the full year 1981, reflected increased production, partially offset by the impact of a lower average copper price. The Company sold its investment in Oamites late in 1982 and recorded a loss of $2,301,000 on the sale.

United Keno Hill Mines Limited's $3,336,000 higher contribution in 1983, compared with 1982, mainly reflected a favourable tax re-assessment, and interest thereon, which were recorded in the consolidated accounts in 1983, and the ongoing costs incurred during the shutdown in 1982. Production was resumed in August, 1983, after being suspended for about one year. The $1,127,000 increased loss in 1982, before extraordinary item, compared with 1981, mainly resulted from a decrease in the price of silver. Operations at the Elsa Mining Division were suspended at the end of July, 1982 pending an improved silver priee.

Falconbridge Limited's Wesfrob Mining Division's operations were terminated in 1983 on the depletion of its orebody. The $1,695,000 higher 1983 loss, compared with 1982, mainly results from the shutdown costs. The $875,000 lower 1982 loss, compared with 1981, reflected increased production and lower operating costs, partially offset by lower metal prices.

The $283,000 profit in 1983 compared with a loss of $963,000 in 1982 by other controlled companies excluding the Wesfrob Mining Division reflected the cash conservation and cost cutting measures implemented in 1982. The $1,000,000 lower 1982 loss, compared with 1981, mainly resulted from lower exploration expenditures, as part of the cash conservation program, and decreased profits within certain other small operations.

Unallocated Corporate costs, net, are $9,720,000 lower than in 1982. The decrease mainly reflected the $4.073,000 gain on the sale of the Company's airplane, the impact of the 1982 cost reduction program on administrative and exploration expenditures, and increased investment income. The 1982 net costs are $1,949,000 higher than in 1981 because of decreased dividend income from investments and the expensing in 1982 of employee termination and retiring allowances. These unfavourable factors were partially offset by a reduction in exploration expenditures.

The Integrated Nickel Operations' profit of $5,683,000 in 1983 compared with a loss of $25,863,000 in 1982. The improved results generally reflected the impact of reduced shutdown costs, decreased unit production costs and lower allocated corporate expenditures. These factors plus increased sales volumes more than offset a decline in the average price for nickel. There were no income tax credits available to reduce the Company's 1983 loss, since all available credits were apphed in 1982. The loss of $25,863,000 in 1982, compared with earnings of $31,059,000 in 1981. The unfavourable change of $56,922,000 mainly reflected lower average U.S. dollar metal selling prices, production curtailment costs (including employee termination and retiring allowances) and decreased metal sales volumes. The 13-week production shutdown at Sudbury Operations, which had been scheduled to end on September 26, 1982, was extended by 14 weeks to January 3, 1983. The refinery in Norway, which had been shut down for 11 weeks, resumed limited operations on September 27, 1982, in order to meet contractual custom refining obligations.

See pages 34 to 39 for certain segmented data. Further discussion and analysis of the results of operations of the Company and its operating subsidiaries is also contained throughout the annual report.

The Impact of Inflation

The following data, prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) recommendations, provides estimates of the impact on the financial position and operating results of Falconbridge of changes in prices of specific goods and services purchased, produced and used by Falconbridge (current cost data) and changes in the general purchasing power of the dollar (general inflation — as measured by the Canadian Consumer Price Index, base 1971 - 100).

The current cost amounts are based on judgments by management involving choices of methods within the CICA Guidelines. As such the estimates and judgments may differ from those chosen by other companies and may not represent the actual costs that would be incurred if the related assets were to be, or could be, replaced. No comparisons of the adjusted costs of property, plant and equipment, development and preproduction expenditures were made with a prediction of the current worth of the net amount of cash expected to be recoverable from the use or sale of these assets because such a comparison would involve the use of highly subjective estimates and forecasts. The disclosure of current cost amounts does not necessarily indicate Falconbridge's intention to replace existing assets.

Discussion

The earnings statement items which are affected most by changing prices are cost of sales and depreciation, depletion and amortization of fixed assets. These items have been adjusted for the impact of current costs while income taxes have not.

To arrive at current cost of inventories, the most recent production costs were used for estimating the value of metal inventories. The replacement costs for supplies inventories were based on current acquisition costs. Methods used to derive the current cost of property, plant and equipment include applying current costs per unit of production, preparing engineering estimates of replacement costs and using indices published by government and private organizations. Development and preproduction expenditure estimates were based on similar methods. The related depreciation, depletion and amortization amounts were based upon the expired service potential as determined from the historic cost records.

The 1983 consolidated loss, before extraordinary item, of $18 million adjusted to reflect current costs increased to $95 million. Inventories increased by $47 million to $162 million on a current cost basis. The depreciation, depletion and amortization increase for 1983 relate to net asset values of $1,226 million expressed on a current cost basis compared to $538 million in historical dollars.

Because Falconbridge is partly financed by borrowed funds, a financing adjustment is required. This adjustment provides a measure of the increases in current costs that are financed by debt, based on the debt-to-equity ratio.

Holders of cash and other monetary assets lose purchasing power during periods of inflation; debtors gain. Falconbridge has greater monetary liabilities than monetary assets and the general purchasing power gain thereon helps to preserve the general purchasing power of shareholders' equity.

Supplementary Information (unaudited)

	1983			1982 (ii)		
	Integrated Nickel Operations and Corporate (millions)	Other Operations (millions)	Consolidated total (millions)	Integrated Nickel Operations and Corporate (millions)	Other Operations (millions)	Consolidated total (millions)
Earnings (Loss):						
Earnings (loss) before extraordinary item	$ 3	$ (21)	$ (18)	$ (45)	$ (44)	$ (89)
Adjustments to restate historical costs to current costs —						
Costs of sales (increase)	(24)	1	(23)	(9)	8	(1)
Depreciation, depletion and amortization (increase)	(20)	(34)	(54)	(26)	(49)	(75)
Earnings (loss) before extraordinary item, adjusted for changes in cost	$ (41)	$ (54)	$ (95)	$ (80)	$ (85)	$ (165)
Asset Values:						
1. Carrying value, at December 31						
(a) Inventories —						
Historic cost, as reported	$ 77	$ 38	$ 115	$ 70	$ 53	$ 123
Current cost basis	119	43	162	134	59	193
(b) Net property, plant and equipment (i)						
Historic cost, as reported	$ 328	$ 210	$ 538	$ 345	$ 216	$ 561
Current cost basis	712	514	1,226	745	545	1,290
(c) Net assets (common shareholders' equity) —						
Historic cost, as reported			$ 507			$ 424
Current cost basis			1,242			1,223
2. Increase (decrease) during the year in the current cost amounts of inventory and property, plant and equipment (i)	$ 82	$ (1)	$ 81	$ 110	$ 43	$ 153
Effect of general inflation	32	27	59	82	75	157
Excess of increase (decrease) in current cost over the effect of general inflation	$ 50	$ (28)	$ 22	$ 28	$ (32)	$ (4)
Other Data:						
1. Financing adjustment on current cost increases of inventory and property, plant and equipment (i)			$ 10			$ 22
Financing adjustment based on the current cost adjustments made to earnings (loss) during the year			$ 9			$ 11
2. General purchasing power gain on net monetary liabilities	$ 7	$ 1	$ 8	$ 18	$ 2	$ 20

(i) Net property, plant and equipment includes development and preproduction expenditures.

(ii) The 1982 asset and liability values have been restated in December, 1983 dollars. Income statement amounts have been translated at the average rate for 1983 dollars.

Information relating to ore reserves can be found in other sections of the Annual Report.

Board of Directors

*William James
Chairman of the Board, President and Chief Executive Officer

*F. C. Ackman
Chairman of the Board, President and Chief Executive Officer, The Superior Oil Company

*R. A. Barker
Vice President Minerals, The Superior Oil Company

*H. T. Berry
Consulting Metallurgist

†*Marsh A. Cooper
President, M. A. Cooper Consultants Inc.

†R. E. Harrison
Chairman, Canadian Imperial Bank of Commerce

Robert Hewitt
Chairman of the Board, Hewitt Equipment Limited

W. F. James
Consulting Geologist

†H. B. Keck, Jr.
Private Investor

†D. E. Lewis, Q.C.
Barrister and Solicitor

G. P. Mitchell
Geological Consultant

Eivind Wigstol
Managing Director, Falconbridge Nikkelverk Aktieselskap

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

Officers and Corporate Management

William James
Chairman of the Board, President and Chief Executive Officer

L. G. Bonar
Vice-President Marketing and Sales

J. M. Donovan
Vice-President, Treasurer

J. F. Gillies
Vice-President, Controller

L. C. Kilburn
Vice-President Exploration, Development and Western Canadian Operations

J. D. Krane
Vice-President Corporate Affairs and Secretary

F. G. T. Pickard
Vice-President Metallurgy and Engineering

A. G. Slade
Vice-President Canadian Nickel and Copper Operations

E. A. Seth
General Counsel and Assistant Secretary

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Assistant Vice-President Development

T. J. Desanti
Assistant Vice-President Commodity Marketing

D. C. Hambley
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E. Wigstol, Managing Director
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C. Carbonneau, President and Chief Executive Officer
R. Plasse, Vice-President Operations
M. J. Knuckey, Vice-President Exploration
D. D. Tolgyesi, Manager, Opemiska Division
R. Gaetan, Manager, Lake Dufault Division
L. P. Gignac, Manager, Lac Shortt Division

Indusmin Limited
J. C. Cowan, Chairman of the Board
C. M. Woodruff, President and Chief Executive Officer
R. Lavertu, Senior Vice-President, Minerals Division

Falconbridge Dominicana C. por A.
J. T. H. Clelland, President and General Manager
R. J. McAllister, Manager of Operations

Kiena Gold Mines Limited
G. P. Mitchell, President
B. A. Ferguson, Vice-President Operations
R. O. Vezina, Mine Manager

Giant Yellowknife Mines Limited
D. J. Emery, President and Managing Director
K. Blower, General Manager

United Keno Hill Mines Limited
L. C. Kilburn, Chairman of the Board
J. C. Cowan, President and Chief Executive Officer
T. A. Dickson, Mine Manager

Falconbridge Investments (Zimbabwe) (Private) Limited
A. Ryan, Managing Director
P. E. Griffiths, General Manager

Western Platinum Limited
C. P. Beatty and S. C. Newman, Joint Managing Directors
A. A. Saffy, General Manager

Solicitors
Tilley, Carson & Findlay, Toronto

Auditors
Clarkson Gordon, Toronto

Transfer Agents and Registrars
Canada Permanent Trust Company, Toronto, Montreal, Vancouver and Calgary

Registrar and Transfer Company
New York, N.Y., and Cranford, N.J., U.S.A.

Stock Exchanges
The shares and warrants of Falconbridge Limited are listed on the Toronto, Montreal and Vancouver stock exchanges.

The shares are also traded Over-the-Counter in the United States.