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George Cross News Letter

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WESTERN CANADIAN INVESTMENTS

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NO. 80 (2000)
APRIL 26, 2000

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COMINCO LTD.

[CLT-T] 85,556,000 SHS.

| THREE MONTHS ENDED MARCH 31, 2000 | 1999 |
|-----------------------------------|---------------|
| REVENUE \$419,000,000 | \$384,000,000 |
| OPERATING PROFIT 58,000,000 | 29,000,000 |
| NET EARNINGS 19,000,000 | 4,000,000 |
| EARNINGS PER SHARE 23¢ | 5¢ |

FIRST QUARTER PROFIT POSTED - Cominco Ltd. reports unaudited net earnings for the quarter ended 31Mar2000. Earnings increased by \$15,000,000 from the first quarter of 1999 due primarily to a \$30,000,000 improvement in operating profit, of which \$21,000,000 was from the Red Dog mine in Alaska. An \$8,000,000 increase in operating loss from the Sullivan Mine, Kimberley, BC, more than offset the net increase in operating profit from Cominco's other zinc operations. The two copper operations contributed an additional \$6,000,000 of operating profit compared with the first quarter of 1999. SEE PRODUCTION STATISTICS OVERLEAF P.2 & METAL SALES STATISTICS OVERLEAF P. 3.

In the first quarter of 1999, other income and expenses included \$6,000,000 of interest income on income tax refunds and \$4,000,000 in foreign exchange translation gains due to the strengthening of the Canadian dollar. In 2000, there was no interest income on income tax refunds and the foreign exchange translation gain was less than \$100,000. These two items and higher income taxes on the improved earnings partially offset the favourable operating profit.

At 31Mar2000, working capital totalled \$424,000,000 compared with \$428,000,000 at the end of 1999. Net debt (total debt less cash and short-term investments) was \$540,000,000 at the end of March, or 25% of net debt plus equity, a decrease of \$90,000,000 from the \$630,000,000 or 29% at end of 1999.

Higher zinc price resulted in an additional \$25,000,000 of revenue and higher sales volumes of zinc concentrate and refined zinc contributed an additional \$35,000,000 of revenue. Revenues for all of Cominco's other major product groups were lower than last year, with revenue from silver and gold declining \$15,000,000 due mainly to lower sales volumes from Trail, BC.

Red Dog's higher operating profit was due to the combined impact of higher sales volumes, the favourable zinc price and lower unit costs resulting from the production rate increase project. Zinc concentrate sales in the first quarter of 2000 were 70,000 tonnes higher than in the first quarter of 1999, with the increase due to additional production from the Production Rate Increase project.

Work on Red Dog's recently announced mill optimization project has begun, and when completed it is expected to increase zinc

concentrate production to 1,100,000 tonnes per year and improve the quality of the concentrate. The major components of this 18-month project include an upgrade of the existing water treatment capacity, a new large-capacity zinc thickener, a major addition to flotation capacity and additional power generation and fuel storage capacity. Additional production from the mill optimization project is expected to reach the markets in the 2002 shipping season. The cost of the project is estimated at US \$90,000,000.

Sullivan's zinc and lead concentrate production were 13% and 17% respectively less than in the first quarter of 1999, due mainly to ground control problems that lowered the grade and curtailed ore feed to the mill. A \$2,500,000 lead inventory write down due to declining lead prices and higher provisions for mine closure costs contributed to Sullivan's operating loss of \$11,000,000. A review is being undertaken to determine if Sullivan can be operated on an economic basis until the planned closure date of early 2002.

The improvement in Trail's quarterly operating profit is due mainly to the favourable zinc price and higher sales volumes of refined zinc. Profit margins on all of Trail's major product groups were higher in the first quarter of 2000 compared with the first quarter of 1999, except for silver and gold. The Kivcet lead smelter continued to operate well in the quarter, contributing to a 2,400 tonne drawdown of the residue stockpile. The reactivation of the No.2 slag fumer contributed to a 9,200 tonne drawdown of the slag stockpile. However, refined zinc production in the second quarter of 2000 is expected to be about 7,000 tonnes lower than normal due to a maintenance shutdown scheduled for May and damage to the slag fuming baghouse caused by a fire on April 16th.

The Cajamarquilla zinc refinery in Peru continued to operate well, producing 32,000 tonnes of refined zinc in the first quarter of 2000, a 7% improvement over the first quarter of last year. A decision on Stage II of the 240,000 tonne expansion program is expected in the second half of this year.

Highland Valley Copper in southern BC (HVC) has been operating at full production levels since October 1999. HVC set a copper concentrate production record in March, which contributed to a 7% increase in production in the first quarter of 2000 compared with 1999. Copper concentrate sales volumes, however, were 15% less than in the same period last year.

On 20Apr2000, Cominco and **TECK CORP.** [TEK-T] reported signing a definitive agreement with **AUR RESOURCES INC.** [AUR-T] for the sale of their interest in the Quebrada Blanca mine in Chile. The gain or loss, which is dependent on the U.S. dollar exchange rate on the closing date, is not expected to be significant and will be recorded in the accounts when the transaction closes. The transaction is expected to reduce Cominco's net debt to about \$350,000,000 and its net debt to net debt plus equity ratio to about 19%. The sale, which is expected to close in mid-June 2000, is subject to Aur procuring financing and any applicable regulatory approvals. (SEE GCNL NO.79, 25Apr2000, P.5 FOR PREVIOUS QUEBRADA BLANCA SALE DETAILS)

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Sales Statistics

| | | Three Months Ended March 31 | |
|---|--------|--------------------------------|-----------|
| | | 2000 | 1999 |
| REFINED METALS | | | |
| Zinc | | | |
| Trail | Tonnes | 71,200 | 69,900 |
| Cajamarquilla | Tonnes | 32,200 | 30,100 |
| | | 103,400 | 100,000 |
| Lead | | | |
| Trail | Tonnes | 20,200 | 21,100 |
| Copper | | | |
| Quebrada Blanca (47.25%) | Tonnes | 8,900 | 8,300 |
| Silver | | | |
| Trail | Ounces | 2,168,500 | 3,738,100 |
| Highland Valley Copper (50%) ¹ | Ounces | 181,300 | 245,200 |
| | | 2,349,800 | 3,983,300 |
| Gold | | | |
| Trail | Ounces | 11,700 | 15,000 |
| Highland Valley Copper (50%) ¹ | Ounces | 1,400 | 1,700 |
| | | 13,100 | 16,700 |
| CONCENTRATES | | | |
| Zinc | | | |
| Red Dog ² | Tonnes | 229,400 | 159,200 |
| Sullivan ³ | Tonnes | 39,600 | 45,500 |
| Polaris (77.5%) | Tonnes | 36,700 | 32,200 |
| | | 305,700 | 236,900 |
| Lead | | | |
| Red Dog | Tonnes | 47,400 | 25,100 |
| Sullivan ³ | Tonnes | 14,500 | 10,000 |
| Polaris (77.5%) | Tonnes | 10,200 | 7,200 |
| | | 72,100 | 42,300 |
| Copper | | | |
| Highland Valley Copper (50%) ¹ | Tonnes | 15,700 | 19,400 |
| Molybdenum | | | |
| Highland Valley Copper (50%) ¹ | Tonnes | 200 | 300 |

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¹ Metal contained in concentrate.

² Sales tonnage includes concentrates sold to and processed at Trail.

³ All concentrates are sold to Trail.

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Production Statistics

| | | Three Months Ended March 31 | |
|---|--------|--------------------------------|------------------|
| | | 2000 | 1999 |
| REFINED METALS | | | |
| Zinc | | | |
| Trail | Tonnes | 72,600 | 74,300 |
| Cajamarquilla | Tonnes | 30,700 | 29,000 |
| | | 103,300 | 103,300 |
| Lead | | | |
| Trail | Tonnes | 22,300 | 21,000 |
| Copper | | | |
| Quebrada Blanca (47.25%) | Tonnes | 8,900 | 8,500 |
| Silver | | | |
| Trail | Ounces | 2,204,500 | 3,806,300 |
| Highland Valley Copper (50%) ¹ | Ounces | 286,300 | 265,100 |
| | | 2,490,800 | 4,071,400 |
| Gold | | | |
| Trail | Ounces | 11,800 | 13,300 |
| Highland Valley Copper (50%) ¹ | Ounces | 2,000 | 1,800 |
| | | 13,800 | 15,100 |
| CONCENTRATES | | | |
| Zinc | | | |
| Red Dog | Tonnes | 228,300 | 232,700 |
| Sullivan | Tonnes | 41,400 | 47,500 |
| Polaris (77.5%) | Tonnes | 44,300 | 46,700 |
| | | 314,000 | 326,900 |
| Lead | | | |
| Red Dog | Tonnes | 32,100 | 33,500 |
| Sullivan | Tonnes | 14,300 | 17,300 |
| Polaris (77.5%) | Tonnes | 8,300 | 9,900 |
| | | 54,700 | 60,700 |
| Copper | | | |
| Highland Valley Copper (50%) ¹ | Tonnes | 23,500 | 21,900 |
| Molybdenum | | | |
| Highland Valley Copper (50%) ¹ | Tonnes | 300 | 300 |

¹ Metal contained in concentrate.

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