

Sales. In spite of strong competition within the marketplace, Sulphide was able to either hold or increase the market share throughout S.E. Asia and the Indian subcontinent, which are both very important export areas for our zinc products.

Technical and promotional service relationships are continuing to develop with customers who consider the assistance as very beneficial to their own business growth; it is, therefore, of utmost importance in enhancing our sales potential.

Indonesia, Malaysia, Taiwan and the Philippines are our most important overseas markets. Considerable growth occurred in 1986 in sales volumes to Indonesia and Taiwan, with total sales to these two areas approaching 14 000 tonnes or 35% of our zinc exports.

In the Philippines, following the recent period of political turmoil, signs of economic recovery are being seen.

Sulphide is concentrating its marketing efforts in the pipe and sheet galvanizing sectors, with pleasing results.

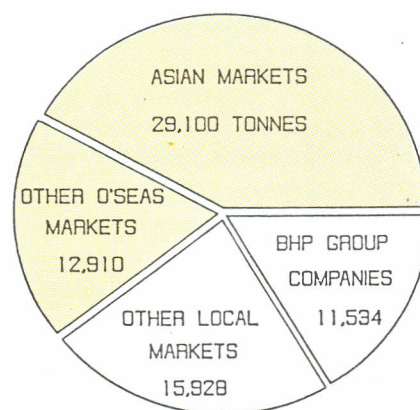
Sales volumes were maintained in Singapore/Malaysia in the face of strong competition from the Padaeng smelter and the appearance of very low priced zinc product from China.

Prime Western Grade Zinc is now widely accepted through the region and is seen by many companies as the most economic grade for use in galvanizing plants. In Bangladesh the introduction of PWG to the new sheet galvanizers has shown steady progress. China is a difficult market and a lot of development work needs to be done to gain acceptance of PWG.

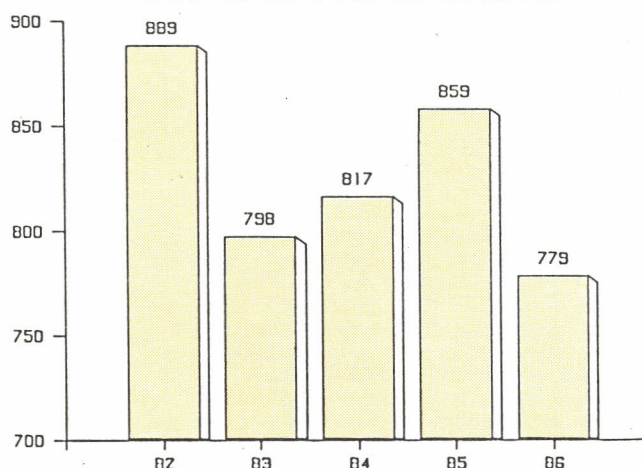
Despite the many competitive threats, there should be no serious difficulties in continuing to sell all available PWG production.

Sales of lead bullion and cadmium are assured under long term arrangements but poor market conditions exist for the sale of copper/lead dross which is surplus to that fed to the Dross Leaching Plant. Work is continuing at Cockle Creek to develop a suitable process for in-house utilization of this product.

The Outlook for the balance of 1987 is for continuing strong market competition in all sales areas. Zinc output throughout the world continues to be in excess of that required by the market-place. Sulphide Corporation is, however, still relatively well placed in terms of its ready access to the growth regions in Asia. By maintaining its strong marketing thrust in respect of PWG product, continuing success in increasing the market share in nearby export areas should be assured.



UNIT OPERATING COSTS

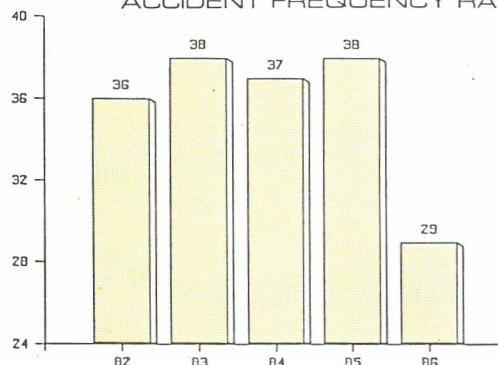


Costs. Our ability to reduce unit operating costs has been a major factor in remaining profitable. After adjusting for inflation our total operating cost divided by zinc production has reduced from \$889 in 1982 to \$779 in 1986.

Some of the main factors influencing this reduction are increased production levels, lower prices for coke, the effect of the introduction of natural gas and the operation of the Refinery with fewer lead columns.

Increased production levels have contributed to an increase in maintenance costs and these have been partly responsible for eroding our costs savings.

ACCIDENT FREQUENCY RATE



Safety. A significant improvement in the accident frequency rate was achieved throughout the year. Congratulations go to the team for such a fine effort.

This attainment can be attributed to greater attention to safe working practices, the attitude of all employees to maintain production with safety and the continuing influence of the Occupational Health and Safety Committee.



Ross Scott



Terry Marks