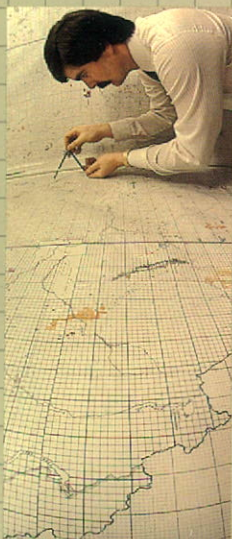
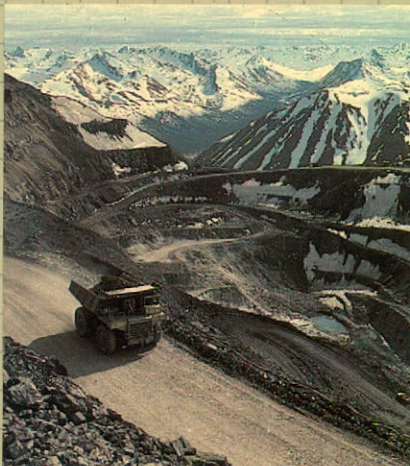


Brinco



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Brinco Limited Annual Report 1980



BRINCO LIMITED
1980



SIR MARK TURNER
1906-1980

Chairman, The Rio Tinto-Zinc Corporation Limited,
1975-1980. Chairman, Brinco Limited, 1975-1979
Sir Mark Turner died on December 13, 1980 after a
brief illness. His vision, wisdom, compassion and
humour will be greatly missed by all at Brinco.

FINANCIAL	1980	1979
	(in thousands)	
Revenue—		
Asbestos	\$ 8,753	—
Coal	23	—
Oil and gas	3,408	\$ 619
Short-term investments	5,886	5,076
Earnings (loss) before extraordinary items	(1,378)	622
Per common share	(.13)	.03
Earnings after extraordinary items	899	18,909
Per common share	.01	1.24
Working capital	11,228	54,428
Capital expenditures—		
Acquisition of Cassiar Resources Limited	89,580	—
Mineral properties	1,232	3,009
Asbestos	2,457	—
Coal	2,052	—
Oil and gas	10,550	941
Long term debt	4,220	4,220
Shareholders' investment	155,847	123,443
Dividends on preferred shares	810	173

PRODUCTION	1980	1979
Asbestos (tons)*	107,239	109,606
Crude oil (barrels)	143,371	126,730
Daily	391	347
Natural gas (mcf)	976,000	1,369,000
Daily	2,667	3,748
Coal (tons)	736	—

NET RESERVES	1980	1979
Operating—		
Asbestos ore (tons)	13,847,000	—
Coal (tons of clean recoverable coal)	5,500,000	—
Crude oil (barrels)	4,409,000	3,203,000
Natural gas (bcf)	33.5	39.1
Non-operating—		
Uranium oxide (pounds)	23,232,600	23,232,600
Asbestos fibre (tons)	3,000,000	3,000,000
Gold ore grading 0.19 ounces (tons)	405,000	—

*Cassiar Resources Limited has been consolidated with Brinco since November 18, 1980. Production statistics have been presented for the full year 1980 in order to provide a meaningful comparison with prior activities of Cassiar.

Brinco Limited is a Canadian natural resource company with interests in energy—oil, gas, uranium and coal; in industrial minerals—asbestos and limestone; and in base and precious metals. The Company's corporate office is located in Toronto while its oil and gas operations are directed from Calgary, with an oil and gas exploration office in Dallas, Texas, and its mining activities are directed from Vancouver, with mineral exploration offices in Springdale, Newfoundland, and in Toronto.

In 1980 Brinco Limited achieved two key objectives—namely a substantial increase in Canadian ownership and the acquisition of significant revenue-producing assets in the mineral resource industry. Achievement of these aims has fundamentally altered the Company, in terms of share ownership, composition of the Board of Directors, corporate structure, management, asset mix, shareholders' investment and earnings potential. On existing activities, Brinco Oil & Gas Limited expanded its reserves, but the Kitts-Michelin project was deferred pending improvement in uranium markets.

Although 1980 was a year of achievement for Brinco, it was also a sad year, in that we lost, in the deaths of Sir Mark Turner and Mr. Sam Harris, two of the Company's oldest friends and staunchest supporters. Sir Mark Turner was chairman from 1976 to 1979 and his resignation as Chairman in April, 1979 set the pattern for the eventual Canadian ownership of the Company. He made a great contribution to Brinco and the strong position we are in today is largely due to his vision. Sam Harris served on the Board for more than eighteen years and during this period was a source of wise counsel to management and to his fellow directors.

CANADIAN CONTENT AND BOARD OF DIRECTORS

In November, Canadian ownership of Brinco increased to 70.9% from 21.2% through the acquisition of 50.1% voting control of Brinco by Olympia & York Developments Limited of Toronto. As part of this transaction Brinco issued 7.3 million Preferred Shares Series C for \$40 million to Olympia & York. These shares will be converted into 4.0 million common shares from three to five years after the issue date. The Rio Tinto-Zinc Corporation Limited retains 24.4% voting control of the Company, and Marubeni Corporation of Japan 2%. Following this transaction the Minister of Industry, Trade and Commerce gave his opinion that Brinco is a Canadian-controlled company for the purposes of the Foreign Investment Review Act.

We are particularly happy to be associated with the Olympia & York group, one of the most successful and dynamic pools of private capital in the country, and we are delighted to welcome their representatives, Messrs. Arthur J. Block, Albert Reichmann, Paul Reichmann, Ralph Reichmann and David A. Ward to the Board of Directors. During the year, we also welcomed to the Board Mr. J. D. Little, formerly President of Cassiar Resources Limited, and Mr. Thomas N. Dirks, Executive Vice-President of Brinco Oil & Gas Limited, who joined the Board to represent holders of Preferred Shares Series A, following the resignation of Mr. George H. Plewes. The retiring Directors, Messrs. H. L. Snyder, R. M. Smith of Bethlehem Steel Corporation, R. Kawasaki of Marubeni, and Mr. George H. Plewes have all contributed very significantly to the Company, and we express our gratitude for their support.

ACQUISITIONS

Asbestos—

In August 1980 Brinco negotiated a six-month option to acquire 59% of the equity of Cassiar Resources Limited. In November the Company made an offer of \$16.15 per share for all the outstanding shares of Cassiar—a transaction valued at \$89 million. By December 31, 98% of Cassiar's stock had been delivered and early in the new year Cassiar was merged into the Brinco group of companies. The acquisition has given Brinco a significant operating base in the Canadian mining industry.

Cassiar produces high-grade chrysotile asbestos fibre mainly in the asbestos cement grades, and is one of the most profitable asbestos mines in the world, with production capacity of approximately 115,000 tons of fibre per year. Proven reserves are sufficient to sustain twelve years operations using present mining methods.



*R. B. Dale-Harris,
Chairman of the Board.*

Coal—

In December the Company bought the coal properties and related assets of Loftis Coal Company Inc., a producer of low-sulphur steam coal in eastern Kentucky. This purchase has given Brinco an operating base in an important sector of the energy supply business in North America at a relatively low cost.

Gold—

In addition, Brinco negotiated an option last August to acquire a 50% interest in the former San Antonio Gold Mine in east-central Manitoba. Following completion of a program to confirm ore reserves and to assess the feasibility of re-opening the mine, the Company intends to return the mine to production at a target production rate of 22,000 ounces of gold per year. Mine development costs are estimated to be about \$15 million.

CORPORATE STRUCTURE AND MANAGEMENT

Brinco Mining Limited (the successor to Brinex Limited) manages the exploration, development and mining interests previously managed by Cassiar Resources Limited, as well as those previously managed by the Brinco Group. Brinco Mining Limited is based in Vancouver with exploration offices in Springdale, Newfoundland, and in Toronto. Mr. J. D. Little, formerly President of Cassiar Resources Limited is President of Brinco Mining Limited, and Mr. J. C. O'Rourke, Executive Vice-President. Brinco's oil and gas interests are managed by Brinco Oil & Gas Limited in Calgary with an exploration office in Dallas, Texas. The corporate office, including the functions of Finance and Administration, Corporate Development, and Secretary and General Counsel, remains in Toronto.

EXISTING ACTIVITIES

Oil and gas—

Brinco participated in the drilling of 57 wells during the year, in the Provinces of Alberta and British Columbia, and in the States of Kansas, Nebraska and Texas. Substantial new exploration acreage was acquired, mainly in the areas of Ring, Sierra and Tenaka in British Columbia, and Red Earth in northern Alberta.

Crude oil production increased 13% over 1979, averaging 391 barrels per day. About 10% of production was from U.S. leases, which yielded significantly higher revenue per barrel than for Canadian production. Production of natural gas averaged 2,667 mcf per day, down from 3,748 mcf last year. Reduced demand for British Columbia gas in the Pacific Northwest of the United States contributed to the decline. At year-end the net present value of proven and producing properties had increased about 30% over 1979, notwithstanding the effects of the National Energy Program.

Several senior staff appointments were made during the year which have greatly strengthened management of Brinco Oil & Gas Limited. Mr. Greg Cave was appointed Exploration Manager; Mr. Wayne Carter, Land Manager; and Mr. Wayne Jessee, Operations Manager. Each of these gentlemen has had broad petroleum industry experience. In addition, the company opened an exploration office in Dallas, Texas.

Effective April 1, 1981 Mr. R. G. Niven has been appointed President and Chief Executive Officer of Brinco Oil & Gas Limited. Mr. Niven joins Brinco after a successful career as a senior executive with major Canadian petroleum companies, and replaces Mr. C. A. Smith who served Brinco Oil & Gas Limited as its President and Chief Executive Officer during the period of reorganization and consolidation which followed the 1979 merger between Brinco and Conuco Limited.

Labrador Uranium—

The project report on the Kitts-Michelin deposits based on the revised concept developed in 1979, was completed in February 1980. Reserves are calculated at 23 million pounds of U_3O_8 in the proven category. An operating rate of approximately 1.3 million lbs. U_3O_8 per year is recommended and capital costs are currently estimated to be \$160 million.

In September, Edison Development Canada Inc., a wholly-owned subsidiary of Commonwealth Edison Company of Chicago, purchased the 40% equity interest in the Labrador Uranium Joint Venture formerly held by Urangesellschaft Canada Limited. Brinco and Edison Development have agreed to defer development of Kitts-Michelin until conditions improve in uranium markets. The Newfoundland government declined to give Brinco a development licence until satisfied that project design would provide safe and permanent storage for tailings generated at the mine project. Engineering work will continue on the project and Brinco remains confident that it can meet government requirements.

In 1980 field exploration continued to delineate prospects, and bedrock mineralization was found in the Punch Lake area some 2 kilometres from the Kitts reserve. A well-defined boulder field was discovered at Anna Lake, about 15 kilometres northwest of the Michelin deposit. Limited drilling at Melody Lake and McLean Lake failed to locate sources of high grade ore indicated by boulder trains previously discovered.

Exploration—

Brinco was engaged in mineral exploration projects across Canada during the year, investing \$1.5 million as its share of expenditures for programs costing \$6 million in total. Apart from exploration on lands covered by the Labrador Uranium Joint Venture, principal exploration projects were:

- (i) Central Newfoundland where diamond drilling encountered massive sulphide mineralization containing silver and certain base metals. This program was conducted under a joint venture with Getty Canadian Metals Limited, Brinco having a 50% interest.
- (ii) The Jason claims of the Ogilvie Joint Venture in the Yukon where the best drill intersection to date has indicated 32% lead-zinc and 9 oz. per ton silver over a true width of 17 metres. Pan Ocean Oil Ltd. has the right to earn a 50% interest in the Jason claims after spending \$8 million; Brinco has a 48% interest in this venture which reduces to 24% should Pan Ocean earn its full 50% interest.

FINANCIAL RESULTS

Net earnings in 1980, which include the consolidation of Cassiar Resources Limited from November 18, 1980, amounted to \$899,000 compared to \$18,909,000 in 1979. The 1979 earnings included an extraordinary gain of \$18,201,000 relating primarily to the sale of the Company's equity interest in Coseka Resources Limited. Revenues were \$18,070,000 in 1980 compared to \$5,695,000 in 1979. 1980 revenues include sales of asbestos fibre, oil and gas and coal, whereas 1979 revenues were derived chiefly from investment of surplus cash.

Working capital decreased from \$54,428,000 at December 31, 1979 to \$11,228,000 at the end of 1980. In November 1980 \$40,000,000 was raised through the issue of preference shares to Olympia & York. The main applications of funds were \$89,580,000 for the acquisition of Cassiar Resources, \$10,550,000 for oil and gas exploration and land acquisition, and \$7,747,000 for redemption of preferred shares.



*H. R. Snyder,
President and
Chief Executive Officer.*

BRINCO TODAY

As a result of capital restructuring and acquisitions, Brinco's assets are, for the first time since 1974, not dominated by cash. Of the \$238 million in assets under the Company's control, about two-thirds are in the mining business and one-third in oil and gas. Brinco may thus be described as a mineral resource development company, rather than strictly a mining company.

The following table shows the impact of these changes on assets and shareholders' investment:

	1980	1979
	(in thousands)	
Cash	\$ 6,322	\$ 55,499
Accounts receivable and inventories	35,431	5,540
Other current assets	3,059	—
Property plant and equipment		
Asbestos	113,100	13,312
Oil and gas	62,856	54,837
Coal	2,052	—
Uranium	9,385	11,076
Gold	1,232	—
Corporate	736	794
Other assets	4,301	812
TOTAL ASSETS	238,474	141,870
Liabilities	82,627	18,427
SHAREHOLDERS' INVESTMENT	\$155,847	\$123,443

OUTLOOK

Brinco entered 1981 with 71% Canadian ownership, a strong balance sheet, good earnings potential, and experienced management in both the mining and oil and gas operations.

Brinco Mining Limited—

Although markets for asbestos products have been affected by a somewhat depressed construction industry in North America and Europe in 1981, a strong demand for Cassiar's high quality fibre is anticipated over the longer term.

Modifications to the mill this year will improve recovery and production of Ay and Az fibre grades, which may in part be offset by declining grades of ore. A potential new orebody at Cassiar, located in 1979 at depth, will be evaluated this year. The viability of building a plant to treat the 18 million tons of tailings in the waste dump will also be investigated. These tailings contain a higher content of fibre than many primary ore bodies in Eastern Canada.

The growing demand for high-quality washed steam coal in the United States, Europe and Japan is encouraging, and the Company intends to increase its production capacity in the eastern United States. This year at Loftis the Company plans to open a new mining section which, together with certain modifications to the preparation plant, should enable the mine to raise output to a rate of 30,000 tons per month. The goal is to achieve a 2½-3 million tons per year coal production capability by 1985 through the acquisition of under-developed reserves in the United States.

Construction at the San Antonio gold project is scheduled for completion late in 1981.

Outside exploration costs will be maintained at approximately \$2 million per year, which together with partners' contributions will give the Company exposure to exploration activities costing \$10 million in the aggregate in 1981. Evaluation of known undeveloped reserves will continue to receive priority.

Brinco Oil & Gas —

A budget of \$8 million has been committed for oil and gas operations, as Brinco's contribution to Canadian and United States oil and gas exploration and development programs. Additional exposure and leverage will be gained through the \$10 million Brinco 81 Energy Program. Over the next five years the Company, together with partners, expects to invest \$80-100 million on oil and gas exploration and development programs in Canada. In the United States the Company has entered into a joint venture with Hrubetz Oil Company of Texas, under which the Company will contribute a minimum U.S. \$9 million over three years as its share of a U.S. \$96 million oil and gas exploration and development program.

Corporate—

The Company will continue to seek acquisition opportunities in the U.S. and Canada, with both mining and hydrocarbon production being the targets. Management's objective for Brinco's longer term growth is to achieve a doubling of assets by 1985 as a minimum goal, and in all probability, this growth will come from acquisitions. Finally, the sponsorship of Brinco by a strong Canadian shareholder, together with access to the skills and technical depth of one of the largest mining companies in the world, give Brinco a unique opportunity to achieve rapid growth in the 1980's.

APPRECIATION

Progress made by the Company during the year would not have been possible without the help, encouragement and patience of the shareholders, board members, management and staff. We would like to express our sincere gratitude for this support in what has been a very active year for the Company.



R. B. Dale-Harris, *Chairman*



Hugh R. Snyder, *President and Chief Executive Officer*

March 31, 1981.



*Doug Little (right), President and
Jim O'Rourke, Executive Vice-President
of Brinco Mining Limited.*



*Garth MacRae (right) Al Smith (centre) and
Tom Dirks, members of the Operating Committee,
Brinco Oil & Gas Limited.*



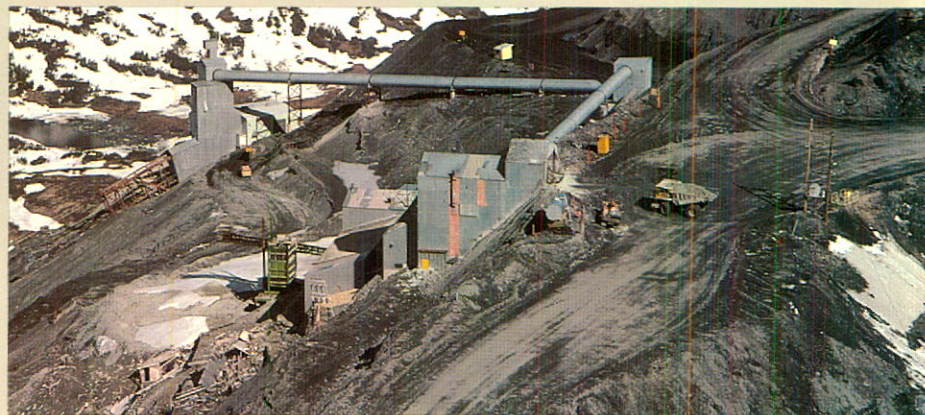
*Brian Hunt (right), Comptroller,
with Accountants Stephanie Scott
and Mike Mallowney.*



Each year six million yards of waste rock are mined to expose 1,300,000 tons of fibre-carrying serpentine ore.



50 to 70 ton capacity off-highway trucks are used to haul ore from the pit.



Primary and secondary crushing is completed adjacent to the mine prior to moving ore at 300 tons per hour three miles via aerial tramway to the mill.

GENERAL

The Cassiar mine is an open pit asbestos mine which produces more than 100,000 tons per year of high-grade chrysotile asbestos fibre mainly in the asbestos cement grades. It is located in North Central British Columbia just south of the Yukon border.

The mine, which operates three shifts a day year round, is situated 6000 feet above sea level on the top of McDame Mountain. Extensive stripping of overburden is required—about 6 million yards are removed each year. Crushed ore is carried three miles from the mine to the mill on an aerial tramway, at a rate of 300 tons per hour.

Cassiar has ore reserves of 13,847,000 tons, giving it a mine life of at least twelve years. For the last six years minimal stripping will be required. Recent underground exploration on the site has indicated a zone of strong fibre mineralization containing more than six million tons. Engineering studies and further drill testing are to be done to evaluate the prospects for underground mining of this new zone.

Graded fibre is packaged in 100-lb. reinforced plastic bags and palletized in 1-ton units which are shrink-wrapped with plastic covers. The sealed pallets are trucked in containers 320 miles to Stewart, British Columbia, then barged to the company-owned wharf at North Vancouver for shipment to markets throughout the world.

Since 1976, Cassiar has invested approximately \$70 million in the mine and related facilities, including the removal of overburden. The improvements include rebuilding and expanding the milling facilities which has improved fibre yield; installation of a new ventilating and air cleaning system; upgrading water, sewage and power systems; expansion of the modern townsite; and building new barge facilities and a tank farm at Stewart.

Cassiar has also spent \$15 million since 1975 on environmental protection and worker health safety, operating under the regulations of the Government of British Columbia.

MARKETING

The high quality chrysotile fibre produced by Cassiar is sold mainly to building material suppliers to the construction industry. Asbestos is mixed with cement and other additives to form asbestos cement for the manufacture of pressure and drain pipe, siding and roofing, and other construction materials. Among the important properties of asbestos cement are its light weight, resistance to corrosion, strength and flexibility, and relatively low cost of production. Over 80% of Cassiar's fibre is in the major asbestos cement grades.

Cassiar's Marketing Division, working directly and through agents, is responsible for the selling of fibre to about 100 customers in more than 40 countries. Sales are broadly diversified by market as follows:

DISTRIBUTION OF SALES

%

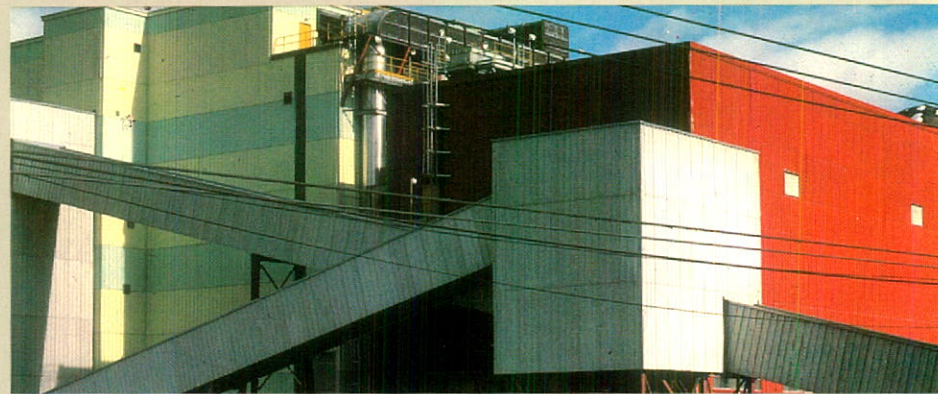
North America	23.0
South America	6.0
Asia	27.0
Continental Europe	26.0
Australia	17.0
Middle East	1.0



Cassiar mine located in North Central British Columbia. The open pit mine sits on McDame Mountain at a 6,000 foot elevation.



Ore is carefully handled by front end loaders for transportation to primary crusher.



Asbestos mill in Cassiar, British Columbia which has a capacity to produce 115,000 tons of asbestos fibre a year.



Truck hauling sealed containers of finished products to Stewart, B.C. where shipments are loaded on barges for delivery to Vancouver.

Cassiar sold 105,431 tons of fibre in 1980, only 1800 tons less than production. World demand for asbestos fibre weakened during the year due to sluggish world economic conditions particularly in the United States and Western Europe.

OPERATIONS

In 1980 1,442,554 tons of ore were mined. The recoverable grade of ore mined was 7.65% compared to 9.82% in 1979, and the quantity of rock rejected in the primary concentrator was 21% compared to 15% last year because of the lower grade of ore. The mill processed 1,109,330 tons of concentrate and produced 107,239 tons of fibre.

Capital expenditures during the year of \$6,904,000 were invested in additions, replacements and improvements to the plant and equipment. The removal of 7.2 million yards of waste in 1980 was similar to the rate in 1979 and the cost per yard of waste removed remained the same. Waste removal in 1981 will be substantially less due to redesign of the mine plan.

OPERATING AND FINANCIAL RESULTS

Year Ending December 31
1980 1979

OPERATIONS—		
Ore Milled (tons)	1,109,330	945,807
Recoverable Mine Grade	7.65%	9.82%
Fibre Produced (tons)	107,239	109,606
Waste Removal (cubic yards)	7,212,541	6,335,560
FINANCIAL—		
Gross Revenue	\$84,142,952	83,219,947
Income and Resource Taxes	10,107,821	7,003,000
Net Earnings	12,102,464	11,750,458

EXPLORATION AND DEVELOPMENT

Exploration of the southern extension of the Cassiar orebody continued in 1980 and about six million tons as a potential underground mining reserve have been identified to date. The exploration adit was extended by 951 feet, while 4,951 feet of underground diamond drilling and 5,446 feet of surface diamond drilling were completed.

Cassiar was involved in several mineral exploration projects in British Columbia and the Yukon in 1980, investing about \$900,000 as its share of total project expenditures of \$1,350,000. Geological and geochemical investigations were carried out on a silver-lead-zinc prospect in the Tootsee Lake area, northern British Columbia, on a tungsten-copper prospect in north-central British Columbia, and on a gold prospect in the Cassiar district. Follow-up work is planned on two of these properties in 1981. Drilling under Cassiar management took place on a molybdenum prospect in the Cassiar area and bulldozer trenching was done on an asbestos prospect in the Dease Lake area, both with negative results.

Cassiar also participated as non-operator in a tungsten and asbestos joint venture in the northern Cordillera with encouraging results. Work on both projects has identified excellent targets, and drilling and trenching are planned in 1981. Three new properties with metallic potential were staked in the Kamloops area, and grass-roots exploration is planned on these in 1981. A molybdenum prospect on Vancouver Island was optioned in late 1981.



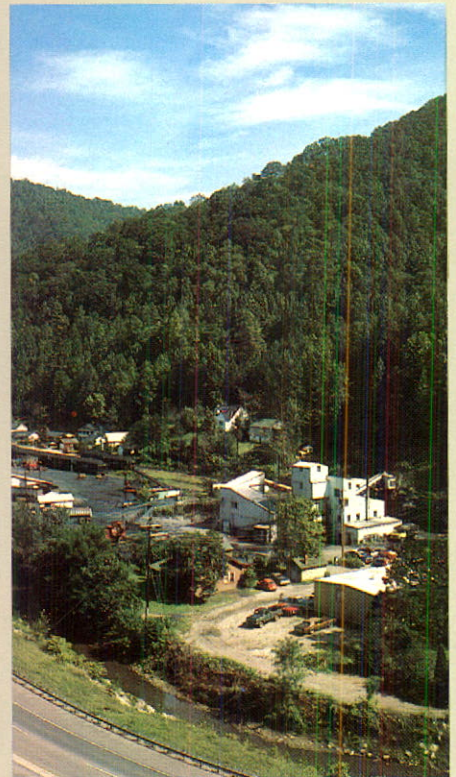
Buddy Hall, Mine Superintendent of Loftis Coal Division examining 60 inch seam underground. Clean coal thickness in the seam is 45".



Railcar loading facilities at the preparation plant. The siding can accommodate 22 loaded cars and is adjacent to the N & W rail line.



Frank Delzer, Vice President Loftis Coal Division.



Coal washing facilities near Belfry approximately six miles from the mine. Plant capacity is sufficient to handle 135 tons per hour of raw coal.

In December Brinco purchased the coal properties and related assets of Loftis Coal Company, Inc. of Sharondale, Kentucky, following a six-month evaluation of the Loftis coal mine, including a diamond drilling program which confirmed reserves of 5.5 million tons of clean recoverable coal. These reserves give the mine a life of some thirty years at current production rates, and additional coal reserves are available in the immediate area.

Loftis is an underground coal operation, located in eastern Kentucky, which produces 160,000 tons per year of high-quality washed steam coal. Product is marketed through an agent to industrial users of stoker coal in the eastern United States.

Brinco plans to increase production in 1981 to a rate of 350,000 tons of clean coal per year. Underground mining capacity will be doubled by adding an extra crew and by installing a second mining section. Wash plant facilities which now operate eight hours per day, five days a week, are to operate sixteen hours per day, five days per week, in order to handle the higher production rate.

MINE INFORMATION

COAL RESERVES—

Gross Acres	3,100 acres
Net Acres	1,700 acres
Coal Thickness	45 inches
Seam Thickness	60 inches
Mining Coal Recovery	65%
Wash Plant Coal Recovery	80%
Net Tons Clean Recoverable Coal	5.5 million

PRODUCTION—

Tons Clean Coal Produced 1980	160,000
Coal Quality—BTU per pound	13,000 plus
% Sulphur	0.9-1.0
% Ash	6.0-8.0

GENERAL—

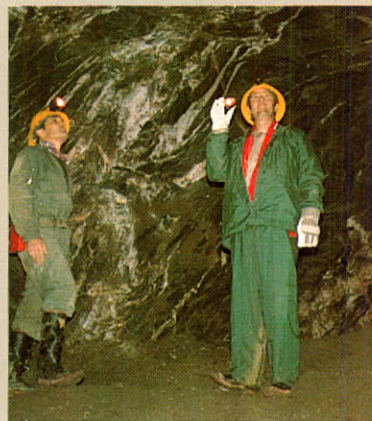
Number of Employees	86
Railroad	Norfolk & Western



Mine staff in No. 3 Shaft cage at San Antonio project in Bissett, Manitoba. Mine facilities were refurbished to gain access for underground exploration and reserve confirmatory program.



Dianne Darch, Geologist, examining diamond drill core.



Frank Gentile (left) and Jim O'Rourke examining gold materialization in an old stope on the sixth level.



Diamond drill working on the twelfth level as part of a 6000 foot drilling program.

In August 1980 Brinco and New Forty-Four Mines Limited N.P.L. formed a joint venture giving Brinco an option to earn a 50% interest in the former San Antonio gold mine near Bissett, Manitoba. Under the joint venture agreement, Brinco has completed an exploration program to confirm and extend mineable ore reserves, and has prepared a study to determine the feasibility of returning the mine to production.

The San Antonio mine produced gold continuously from 1932 to 1968, processing about 4.5 million tons of ore with an average grade of 0.28 ounces gold per ton from mine workings which extended some 33 levels or 5000 feet below the surface. Metal recovered included more than 1.1 million ounces of gold and 180,000 ounces of silver. Operations were closed down in 1968 following a fire which destroyed the main hoist room on surface.

In September 1980, Brinco completed a preliminary review of the mine using old assay and ore reserve records and current cost and technical data. This review indicated that more than 500,000 tons of mineable reserves could be confirmed and that re-opening the mine could be economically attractive. Based on these initial findings, Brinco decided to proceed with the exploration program and feasibility study.

Activities at the site were directed at obtaining access into the mine in order to sample exposed veins and conduct a 6000-foot diamond drill program. Access to the mine necessitated refurbishing hoists, shafts, manways, ventilation fans, compressors and support facilities, as well as dewatering the lower levels. About 40 employees were working on this program at year-end. Diamond drilling results confirmed potential reserves of 800,000 tons grading 0.19 ounces of gold per ton.

In March 1981, the Company concluded that the economics of returning the mine to production were attractive, and Brinco has advised its joint venture partner that it will proceed accordingly. It is expected that the mine and mill will be in operation late in 1981.

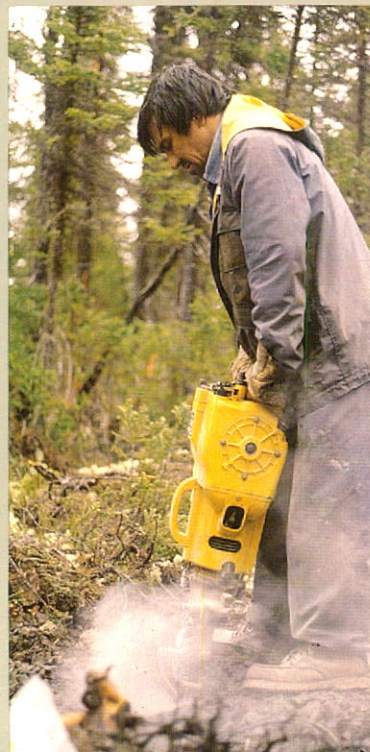
The development plan is based on mining and processing 122,500 tons of ore per year at an average of 350 tons per day. Production is projected at about 22,000 ounces of gold per year. Capital costs to construct a new processing plant, refurbish existing facilities, and develop the mine are estimated at \$15 million.



*The Kitts Belt near
Kaipokok Bay in Labrador.*



*Diamond drill at
Melody Hill prospect
in the Kitts Michelin
area.*



*Drilling holes for placing
dynamite to blast trenches
in outcrop. Punch Lake
South Prospect, Kitts Belt,
Labrador.*



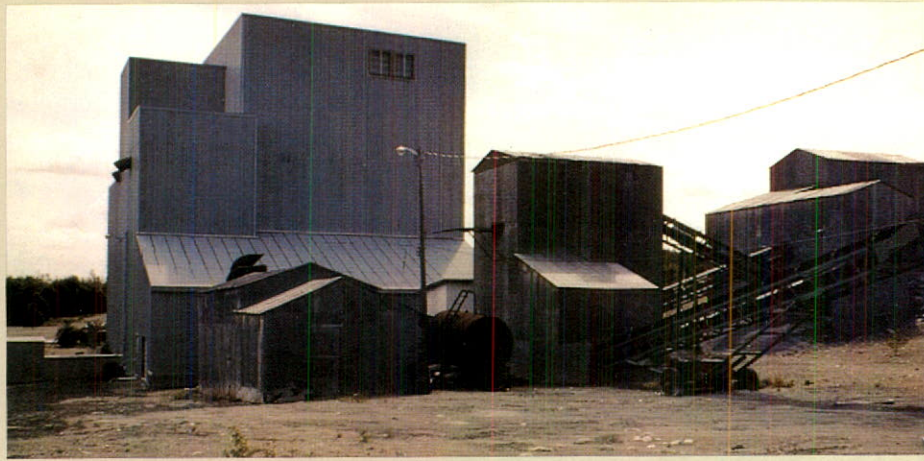
*Examining mineralized outcrop
at Punch Lake South Prospect,
Kitts Belt, Labrador.*

A comprehensive project report was completed early in 1980 which confirmed technical and economic projections for the planned development. The report was based on development of the Kitts and Michelin deposits, including a 1500-tons-per-day processing facility at the Michelin site. Production was projected to start late in 1983 at an operating rate of 1.3 million pounds U_3O_8 per year. Mineable reserves are estimated to contain 24 million pounds of U_3O_8 , which would give the project an operating life of more than fifteen years. The project would be staged out of Goose Bay.

In September, Edison Development Canada Limited, a wholly-owned subsidiary of Commonwealth Edison Company of Chicago, completed the purchase of the 40% equity interest in the Labrador uranium joint venture formerly held by Urangesellschaft Canada Limited. Brinco remains the manager of the project and retains a 60% equity interest in the joint venture. Early in the year Brinco and Edison Development Canada Limited announced that development of the Kitts-Michelin project would be deferred pending improvement in uranium markets.

Since 1976 the company has conducted several environmental assessment studies of the Kitts-Michelin project. In 1979 a ten-volume Environmental Impact Statement was submitted to the public, the Atomic Energy Control Board, and to the Newfoundland Government. Following initial response from the Government of Newfoundland, an addendum to the Statement was provided prior to the scheduling of public hearings.

Newfoundland's environmental assessment legislation was enacted late in 1980 and is similar to the guidelines given to Brinco in 1979. Brinco is confident that it can meet public concerns with respect to the environmental impact of the project.



Asbestos processing pilot plant constructed in 1972 to test Abitibi fibre quality, grades and recovery.



Headframe constructed in 1972 as part of an underground program to provide bulk samples for pilot plant tests.



Proposed open pit area, Abitibi Asbestos Project, being examined by Brinco and Kilborn (Que.) Ltée. personnel.

Abitibi Asbestos Mining Company Limited, in which Brinco has a 60% interest, owns a large, undeveloped asbestos deposit located about 50 miles north of Amos, Quebec. The deposit has been explored by diamond drilling and underground development. Reserves are calculated at 106,700,000 tons of 2.8% recoverable fibre of a competitive quality. Other assets include a 30-ton-per-day processing pilot plant and camp facilities.

In 1980, Abitibi engaged Kilborn (Que.) Ltée. of Montreal to assist in a review of cost and technical data with the purpose of defining the parameters for development of the deposit at a production level which might best suit projected market conditions. Results indicated that the possibility of an open pit mine and mill with a production rate of 130,000 tons of fibre per year would warrant further evaluation. The review is expected to be completed in 1981.

Markets for Quebec asbestos were weak in 1980 with many producers reducing production. Sales of short grade fibres were particularly affected. Brinco is optimistic that the current situation is a temporary one and that over the longer term markets will improve.

Discussions will continue with potential partners who may wish to participate in the evaluation and eventual development of the Abitibi asbestos deposit.









Brinco participated in mineral exploration in a number of areas in Canada during the year, investing \$1.5 million in field expenditures as its share of costs under programs costing \$6 million in total. A high proportion of the exploration activity continues to be conducted in joint ventures with other companies. In 1980, programs in which the company participated included drilling for precious metals in Newfoundland, base metals in the Yukon and Newfoundland, and uranium in Saskatchewan, in addition to extensive field work in the area of the Kitts-Michelin project.

In central Newfoundland, Brinco in a 50%/50% joint venture with Getty Canadian Metals Limited conducted a diamond drilling program, encountering massive sulphide mineralization containing silver, lead, zinc and copper. Geophysical surveys have identified additional drill targets in several areas and there are plans to do more drilling in 1981. A Brinco-operated uranium joint venture in western Labrador acquired about 670 claims by staking in 1980 and an airborne survey is presently under way.

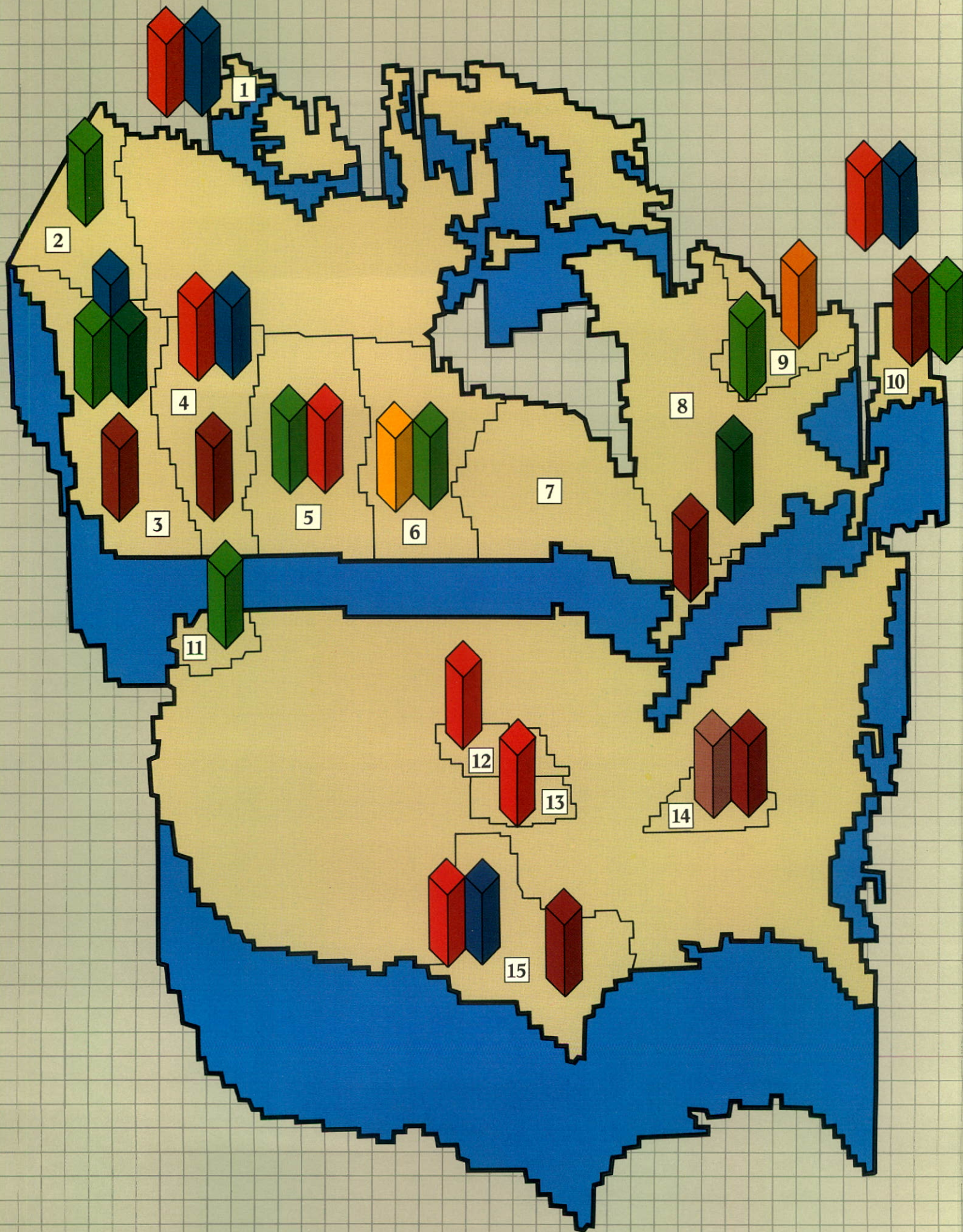
Work by Pan Ocean Oil Ltd. as operator on the Jason claims of the Ogilvie Joint Venture in the Yukon continues to produce encouraging results. The best drill intersection to date has been 17 metres true width of 32% lead-zinc and 9 oz. silver per ton. An expanded exploration program is planned for 1981. Pan Ocean has the right to earn 50% of the venture after investing \$8 million in the project. Brinco's interest, originally 48%, will reduce to 24% should Pan Ocean earn its full 50% interest.

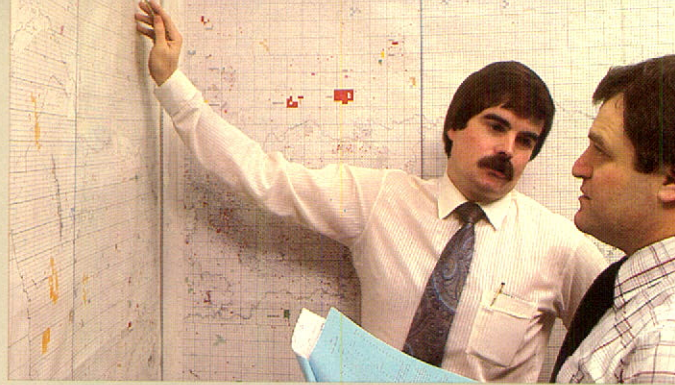
During 1980, field exploration located bedrock mineralization in the Punch Lake area about 2 kilometres west-southwest of the Kitts deposit and a well-defined uraniferous boulder field at Anna Lake about 15 kilometres northwest of the Michelin deposit. Work in these areas will continue in 1981.

LEGEND

-  Oil
 -  Gas
 -  Uranium
 -  Coal
 -  Asbestos
 -  Gold
 -  Exploration
 -  Office
-

1. Northwest Territories (Melville Island)
 2. Yukon
 3. British Columbia
 4. Alberta
 5. Saskatchewan
 6. Manitoba
 7. Ontario
 8. Québec
 9. Labrador
 10. Newfoundland
 11. Washington
 12. Nebraska
 13. Kansas
 14. Kentucky
 15. Texas
-

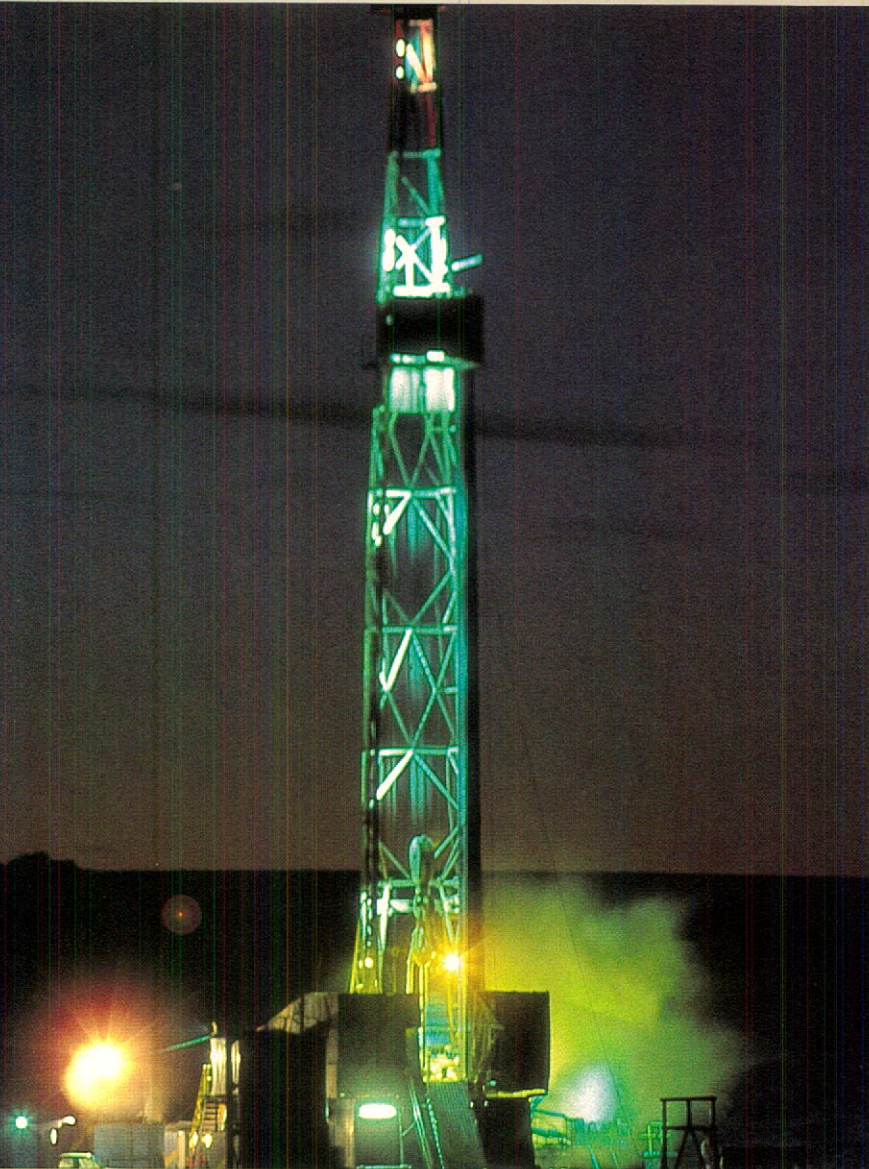




Trevor Titheridge, Chief Geologist, reviewing an exploration project with Greg Cave, Manager of Exploration.



Randy Pelletier, Chief Geophysicist, studying seismic.



Drilling in Northern Alberta



Wayne Jessee, centre, Production Manager, reviews results with Mike Huculak and Steve Clement.



Rock chip samples recovered for purposes of analysis.

OPERATIONS

During 1980, Brinco Oil & Gas Limited managed an active exploration and development program, participating in 57 wells, resulting in 19 oil wells and 18 gas wells. Of the total wells drilled, 13 were drilled by Brinco as operator, and of the Brinco-operated wells six were cased for oil production and four for gas—a success rate of 77%. The overall success rate on all wells drilled was 65% (61% on non-operated wells). In 1980 Brinco invested \$4.2 million in drilling and \$5.4 million in acreage acquisition, mainly in the areas of Ring, Sierra and Tenaka in British Columbia, and Red Earth in northern Alberta.

Crude oil production increased 13% over 1979, averaging 62.2 m³ (391 bbl) per day. Major oil producing areas include: Joffre, Lobstick and McAden. Approximately 10% of oil production was from United States properties where prices are considerably higher than in Canada. In 1980, 59% of production revenues were derived from oil and 41% from natural gas.

Natural gas production averaged, 75,131 10³m³ (2,667 mcf) per day in 1980. Major gas producing areas include: North Dahl, Buick Creek/Rigel and Kotcho. Reduced demand for British Columbia gas in the Pacific Northwest of the United States was a major factor in the decline from 1979 levels.

Year-end reserve estimates include both proven and probable additional reserves. These estimates, prepared by an independent consulting engineering firm with technical support from Brinco staff, indicate that as of December 31, 1980, the net present value of reserves, discounted at 15%, was \$57 million.

PRODUCING PROPERTIES**JOFFRE**

Brinco has a 24.4% interest in Joffre Viking Sand Unit No. 3, which has 22 wells and is located 12 miles east of Red Deer, Alberta. A water injection secondary recovery scheme is in operation. The Company's share of production from this property averaged 26.5 m³ (167 bbl) per day during 1980, or 43% of Brinco's total crude oil output.

LOBSTICK

The Company has interests in 1472 hectares (3,680 acres) in the Lobstick area at the northern edge of the Pembina oilfield of central Alberta. Brinco has interests in one producing oil well (50%), one producing gas well (37.5%), and one capped gas well (50%) drilled in 1980. Brinco's share of production averaged 8.6 m³ (54 bbl) per day of oil and 5.0 10³m³ (178 mcf) per day of gas representing 14% and 7% of the Company's total oil and gas production, respectively. The oil well demonstrated capacity of over 32 m³ (200 bbl) per day in the summer of 1980. Potential for additional reserves exists on the property.

KOTCHO

Brinco's 17.4% working interest in the Kotcho d-55-E well, east-northeast of Fort Nelson, British Columbia, provided 2,173 10³m³ (77 mmcf) of gas production in 1980, 8% of Brinco's gas production. The well was shut in for over half the year due to low demand for British Columbia gas. The well produces from the Slave Point formation.

NORTH DAHL

The North Dahl field contributed about 16% of Brinco's gas production or 12.2 10³m³ (433 mcf) per day during 1980. The field is located approximately 130 miles northeast of Fort St. John, British Columbia. The Company's interests average 10% in ten producing gas wells. Brinco is a part owner of the gas processing facility.

DRILLING RESULTS

	1980	1979
Success Rate	65%	70%
Total Wells Drilled	57	50
Crude Oil	19	13
Natural Gas	18	22

COMPANY SHARE OF RESERVES
(after deducting royalties)

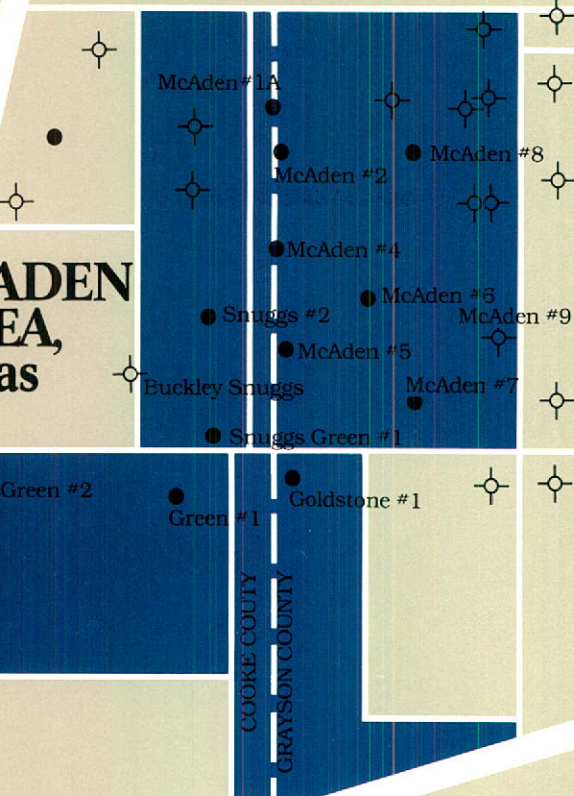
	1980	1979
Crude Oil (barrels)	4,409,000	3,203,000
Natural Gas (BCF)	33.5	39.1

JOFFRE AREA, Alberta

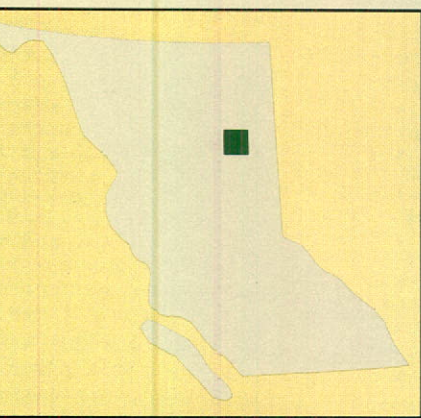


PANBALM (STRAWN) FIELD

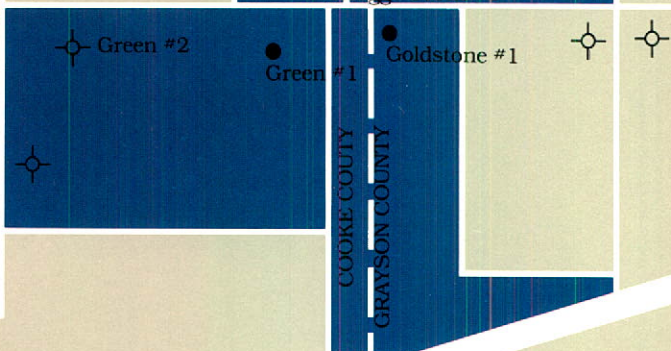
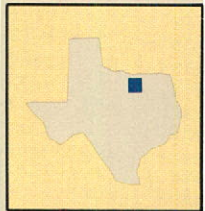
PHILPICK (STRAWN) FIELD



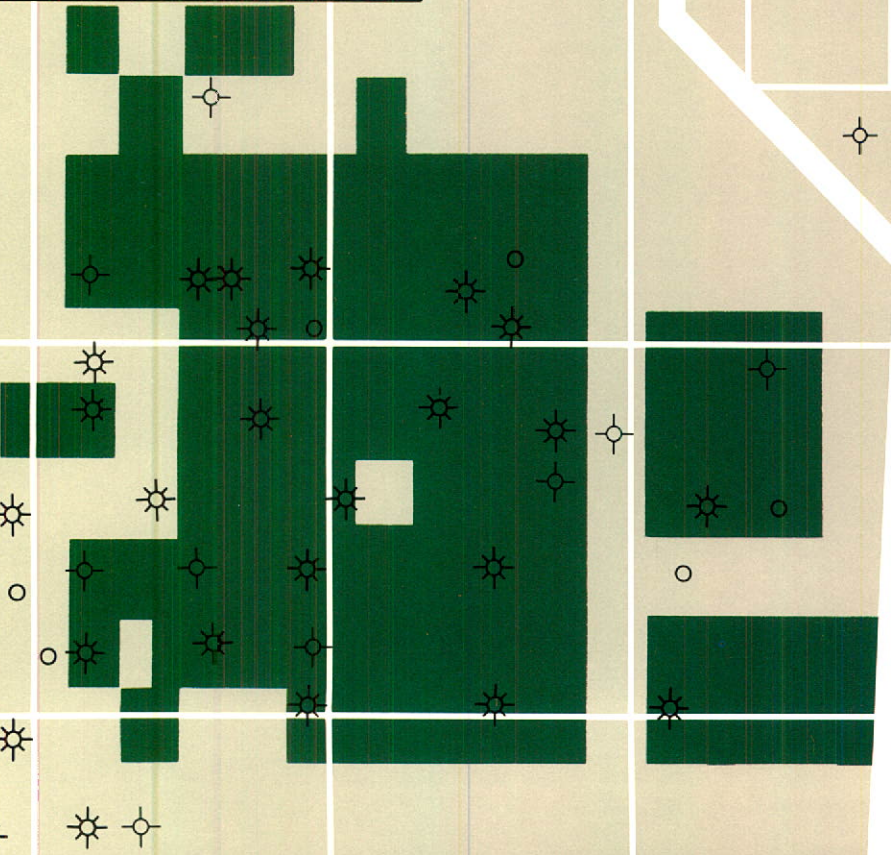
NORTH DAHL AREA, British Columbia



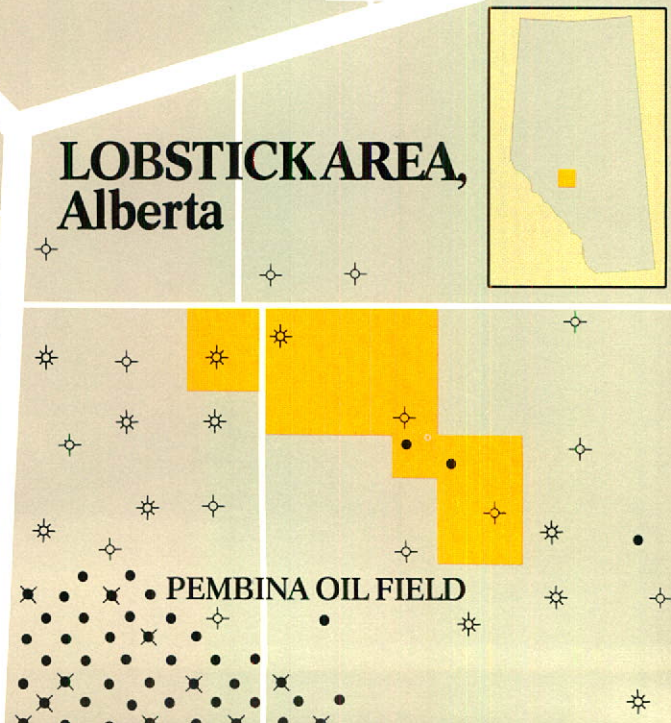
McADEN AREA, Texas



LOBSTICK AREA, Alberta



PEMBINA OIL FIELD



RIGEL/BUICK CREEK

Various working interests of 9% to 14% are held in the Rigel/Buick Creek area of northeastern British Columbia, approximately 40 miles north of Fort St. John. The five gas wells account for about 17% of Brinco's gas production or $12.9 \times 10^3 \text{ m}^3$ (458 mcf) per day.

McADEN, TEXAS

Brinco's wholly-owned subsidiary, Conuco Oils of Texas Inc., holds various working interests in 284 hectares (711 acres) in the McAden area about 121 km north of Dallas, Texas. Brinco has an approximate 6% interest in ten producing oil wells. Brinco's share of production averaged 5.3 m^3 (34 bbl) of oil per day in 1980, about 9% of Brinco's total oil production. The most recent producer was drilled in 1980 and placed on-steam in April at 25.5 m^3 (161 bbl) per day.

OWNERSHIP IN PRODUCTIVE WELLS

(at December 31, 1980)

CRUDE OIL WELLS	Gross Wells	Net Wells	Status		1980 Production	
			Producing	Capped	Metric m^3	Imperial bbl
Alberta	100	23,932	73	27	17,705	111,416
British Columbia	2	0,500	1	1	505	3,178
Saskatchewan	3	2,020	3	0	2,243	14,115
United States	17	2,345	17	0	2,330	14,662
	122	28,797	94	28	22,783	143,371
Natural gas wells					10^3 m^3	mmcf
Alberta	189	24,443	58	131	15,273	542
British Columbia	41	4,998	19	22	11,378	404
United States	9	0,566	9	0	847	30
	239	30,007	86	153	27,498	976
TOTAL WELLS	361	58,804	180	181		

LEGEND

■	Brinco Land Holdings
○	Drilling Location
☼	Gas Well
●	Oil Well
◆	Abandoned Oil Well
⊕	Abandoned Well
⊗	Service Well

EXPLORATION AND DEVELOPMENT

UNDEVELOPED LANDS

(at December 31, 1980)

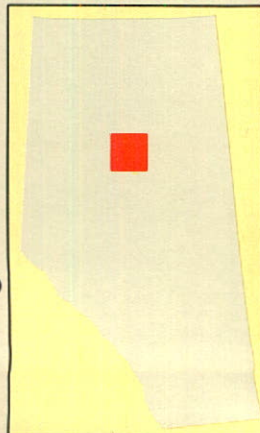
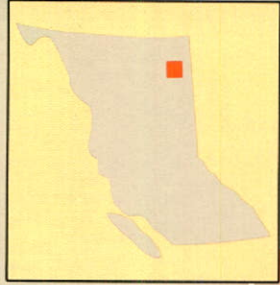
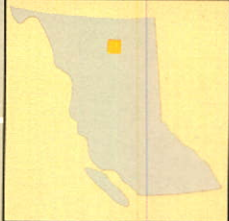
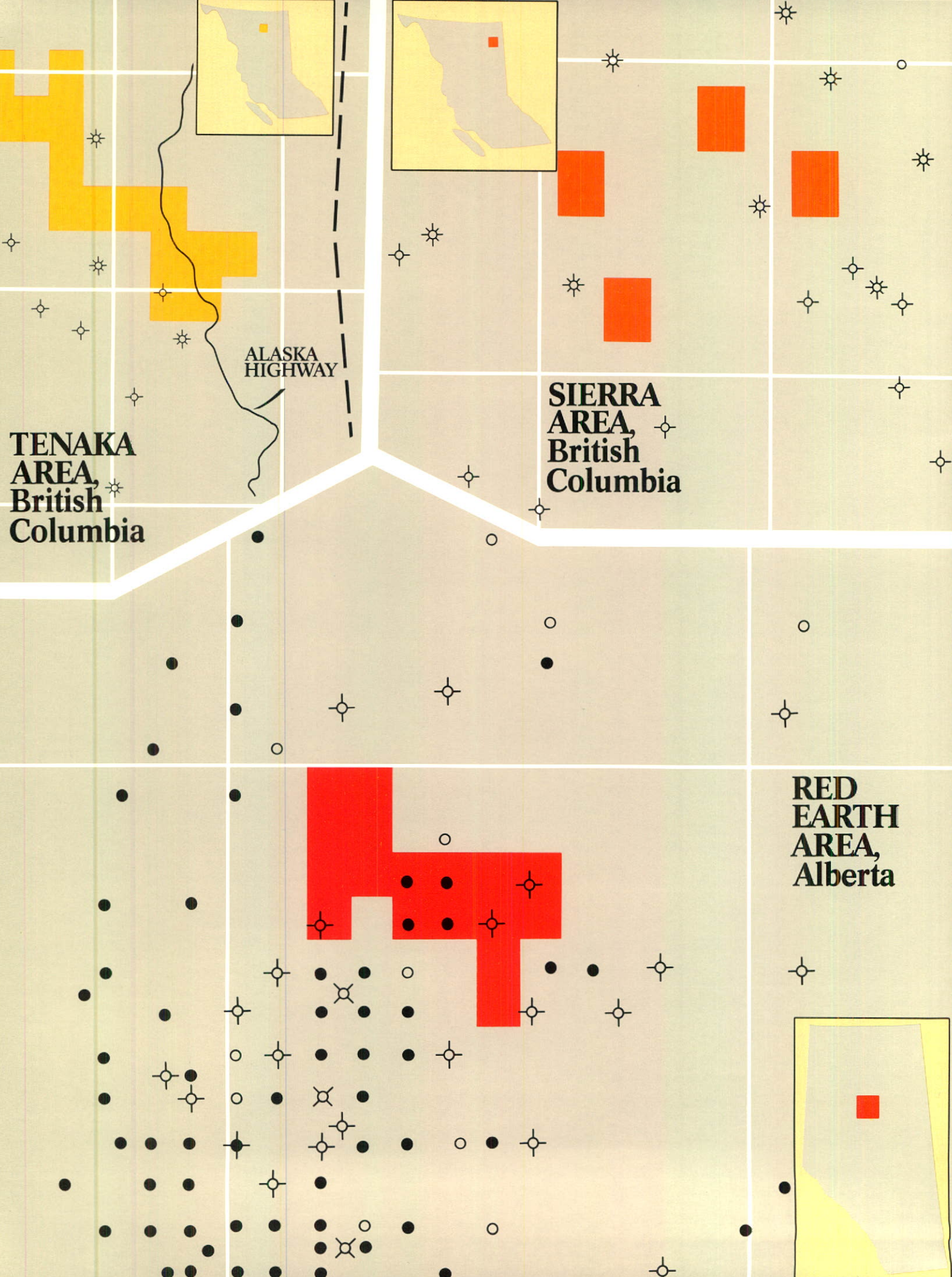
Region	Gross Acs.	Net Acs.	Avg. Int. Held
Alberta	410,000	83,000	20.25%
Saskatchewan	240	240	100.00%
British Columbia	320,000	48,500	15.20%
United States	6,480	982	15.15%
Canadian Arctic	509,422	8,654	1.70%
Offshore Labrador Sea	682,800	8,075	1.20%
TOTAL ACREAGE	1,928,942	149,451	

WESTERN CANADA

Ring/Border—

In 1980 Brinco engaged in extensive exploration activity in the Ring and Border prospects, located along the British Columbia/Alberta border 120 miles northeast of Fort St. John.

In the Ring area on the British Columbia side of the border, Brinco operates and holds various working interests in 65,491 gross acres, including a 6,118-acre drilling reservation purchased in 1980. Since the discovery in 1978, Brinco has drilled 5 gas wells which AOF tested up to 4.164 mmcf per day from the Bluesky/Triassic formations. In 1980, d-32-J/94-H-9 was drilled to 9,318 feet to test the hydrocarbon potential of the deeper Devonian horizons. Initial evaluations of the Devonian are encouraging and the well has indicated pay in the Bluesky/Triassic. It is anticipated that completion and testing will be carried out in 1981.



ALASKA
HIGHWAY

**TENAKA
AREA,
British
Columbia**

**SIERRA
AREA,
British
Columbia**

**RED
EARTH
AREA,
Alberta**

Brinco operates and holds a working interest in the 38,914 gross acre Border block. Drilling and geophysical activity in 1980 delineated the extent of the Bluesky/Triassic play which AOF tested 2.675 mmcf per day in the 16-25-97-12 W6M well and also defined a deep seismic anomaly. This anomaly and an additional Bluesky/Triassic test are to be drilled in 1981.

Sierra—

Brinco acquired a 50% working interest in 2,658 acres at a British Columbia Crown sale in November, 1980. The acreage is situated 45 miles east of the town of Fort Nelson in the prolific Middle Devonian Carbonate reef trend. Offsetting wells exhibit flow rates of between 16 and 38 mmcf per day with gas pays in excess of 250 feet. Brinco as operator will commence a seismic program and drill at least one well on the acreage in 1981.

Red Earth—

Brinco has a 25% interest in 2,720 acres in the Red Earth area of northern Alberta. In 1980, 2 development wells were drilled which have initial production capabilities of 20 to 100 bbls per day of light gravity crude oil from the Middle Devonian Slave Point Formation. Leases for an additional one and one-quarter sections were acquired in 1980. Further drilling is planned for 1981 and it is expected that this activity will extend the Slave Point production as well as test the potentially oil bearing Granite Wash Sands.

Taber—

The Taber prospect in southeastern Alberta, in which Brinco holds approximately 1,600 acres with a 16-25% working interest, was the scene of successful drilling activity for the Company in 1980. Brinco participated in the drilling of 4 wells which resulted in 3 oil wells and 1 gas well. A seismic program will be shot in early 1981 to delineate the play, and several wells may be drilled on the prospect. Taber is expected to become a major oil producing property. The 3 oil-producing wells on the land yield approximately 3,770 bbls per month, 25% of which accrues to Brinco.

Tenaka—

The company holds a 37.5% working interest in a 4,627 acre drilling reservation purchased at the June 1980 British Columbia Crown sale. The acreage is situated near Mile 250 on the Alaska Highway in an area of considerable drilling activity.

Natural gas has been discovered primarily in the Middle Devonian Carbonate in several of the surrounding wells which have flow rates of between 2 and 33 mmcf per day. Brinco has purchased 26 miles of seismic on the prospect and will shoot an additional 7 miles early in 1981.

Chauvin—

Brinco holds a 100% interest in 960 acres in the Chauvin area of east central Alberta, where it drilled 3 successful wells in 1980, each of which found heavy oil in at least 1 of 3 prospective zones. Two older wells on the acreage produce about 490 barrels per month.

ARCTIC ISLANDS

Melville Island—

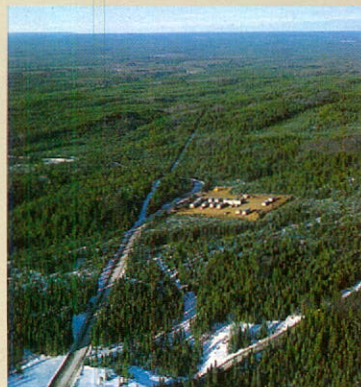
On the Sabine Peninsula, Brinco holds a 6.15% weighted average interest in 241,043 acres. The company has elected to pool its deep rights with PanArctic Oils Ltd. and other companies having interests in the area, and is participating in an exploration program to evaluate the deep potential on a 736,610 acre tract of land. The pooling will result in a 1.94% working interest for the Company in the overall acreage. A 126-mile seismic program costing \$1.4 million was commenced last fall to identify drilling locations for 1981.

LEGEND

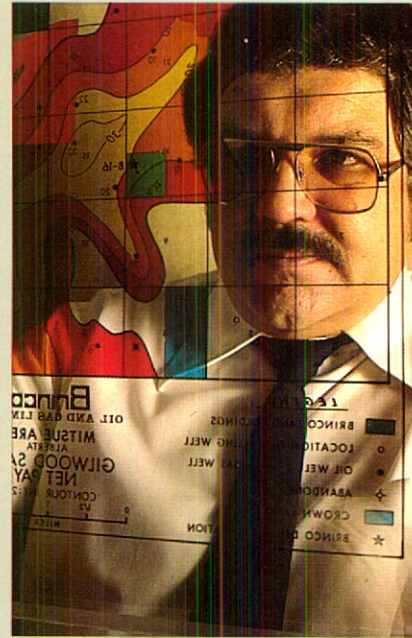
■	Brinco Land Holdings
○	Drilling Location
☼	Gas Well
●	Oil Well
◆	Abandoned Oil Well
◇	Abandoned Well
⊗	Service Well
— —	Westcoast Transmission Gas Pipeline



Mike Huculak, Steve Clement and Wayne Jessee viewing field installations.



Seismic Camp in Northern Alberta.



Neil Screpnec, Chief Draftsman, preparing an oil and gas map.



Members of the oil and gas land department, Wayne Carter, Manager, seated, with Jonathan Chapman, David MacQuarrie, Gary Bedell and Linda Unrau.

EAST COAST

Labrador—

Brinco holds a 0.458% interest in 393,688 acres and a 1.017% interest in 359,716 acres (totalling 753,404 acres) in offshore Labrador. The lands have been farmed out to major East Coast offshore operators who are required to drill 2 wells to earn a 55% interest in the Hopedale and South Labrador blocks. In 1978 the Hopedale was drilled on a seismic anomaly and became a successful gas and condensate well. The second well was drilled in the fall of 1980, also on a seismic anomaly. Due to adverse weather and poor hole conditions, the well was not tested but remains an interesting prospect.

UNITED STATES

Kansas/Nebraska—

In 1980 Brinco participated in the drilling of 6 prospects along the central Kansas uplift in Kansas and Nebraska. Five of the 6 wells were completed as oil wells and earned Brinco a 32.5% working interest in some 2,072 acres. Oil production from these wells started in 1980, although certain mechanical start-up problems were encountered. Offset development drilling on several of the prospects is scheduled for 1981.

Hrubetz Oil Company—

Early in 1981, Brinco entered into a joint venture with Hrubetz Oil Company of Dallas Texas, under which Brinco will contribute a minimum of U.S. \$9 million over a three year period towards a program of exploration and land acquisition in the United States costing approximately U.S. \$96 million. Brinco has the right to extend its participation for an additional two years. Under the joint venture, Brinco will earn an interest proportionate to its contributions to total program expenditures. Hrubetz Oil Company was formed by Mr. Al Hrubetz, formerly President of Texas Pacific Oil & Gas Limited.

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1980
(with comparative figures for 1979)

	1980	1979
REVENUE:	(in thousands)	
Asbestos	\$ 8,753	\$ —
Coal	23	—
Oil and gas	3,408	619
Short-term investments	5,886	5,076
Total revenue	18,070	5,695
EXPENSES:		
Production	5,408	172
Transportation and warehousing	820	—
Depletion and depreciation	4,552	783
Mineral exploration (note 9)	385	1,961
General and administration	5,281	2,018
Interest	556	440
Total expenses	17,002	5,374
	1,068	321
INCOME TAXES: (note 5)		
Current (recovery)	2,230	(34)
Deferred	216	601
Total income taxes	2,446	567
	(1,378)	(246)
EQUITY IN NET INCOME OF COSEKA RESOURCES LIMITED	—	868
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	(1,378)	622
EXTRAORDINARY ITEMS:		
Gain on sale of shares of Coseka Resources Limited less taxes thereon of \$5,720,000	—	13,722
Reduction in income taxes due to utilization of unclaimed deductions expensed in prior years and application of prior years' losses	2,151	4,479
Total extraordinary items	2,151	18,201
	773	18,823
MINORITY INTEREST IN LOSS OF SUBSIDIARY	126	86
NET EARNINGS FOR THE YEAR	\$ 899	\$18,909
EARNINGS (LOSS) PER COMMON SHARE:		
Before extraordinary items	\$ (0.13)	\$ 0.03
After extraordinary items	\$ 0.01	\$ 1.24

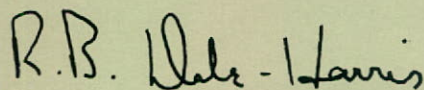
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 1980.
(with comparative figures for 1979)

	1980	1979
	(in thousands)	
CURRENT ASSETS:		
Cash and short-term investments	\$ 6,322	\$ 55,499
Accounts receivable	15,738	5,173
Marketable securities (note 2)	3,059	—
Asbestos fibre and ore	11,778	—
Supplies and prepaid expenses	7,915	367
Total current assets	44,812	61,039
CURRENT LIABILITIES:		
Bank indebtedness	15,097	1,165
Accounts payable and accrued liabilities	13,916	5,446
Income taxes payable	4,571	—
Total current liabilities	33,584	6,611
WORKING CAPITAL	11,228	54,428
PROPERTY, PLANT AND EQUIPMENT (note 3)	189,361	80,019
OTHER ASSETS	4,301	812
CAPITAL EMPLOYED	204,890	135,259
DEDUCT:		
Debentures payable (note 4)	4,220	4,220
Deferred income taxes (note 5)	41,661	4,308
Minority interest in subsidiary	3,162	3,288
	49,043	11,816
SHAREHOLDER'S INVESTMENT (note 6)	\$155,847	\$123,443

CONTINGENCY (note 8)

On behalf of the Board:



Robert B. Dale-Harris, *Director*



Hugh R. Snyder, *Director*

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1980
(with comparative figures for 1979)

	1980	1979
	(in thousands)	
RETAINED EARNINGS AT BEGINNING OF YEAR	\$46,575	\$31,862
NET EARNINGS FOR THE YEAR	899	18,909
	47,474	50,771
AMALGAMATION EXPENSES (note 10)	88	—
DIVIDENDS ON PREFERRED SHARES	810	173
	46,576	50,598
DEFICIENCY ARISING FROM REISSUE OF SHARES PURCHASED IN PRIOR YEARS	—	4,023
RETAINED EARNINGS AT END OF YEAR	\$46,576	\$46,575

Brinco Limited and Subsidiaries

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated statement of financial position of Brinco Limited as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 25, 1981

Peat, Marwick, Mitchell & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1980
(with comparative figures for 1979)

	1980	1979
	(in thousands)	
WORKING CAPITAL PROVIDED:		
Loss before extraordinary items and minority interest in loss of subsidiary	\$ 1,378	\$ 246
Items not affecting working capital:		
Depletion and depreciation	4,552	783
Deferred income taxes	216	601
Other	-	40
Working capital provided by operations	3,390	1,178
Extraordinary tax reduction	2,151	-
Housing loan repayments	291	-
Proceeds on sale of investment in Coseka Resources Limited	-	30,389
Issue of preferred shares, series A	-	12,157
Issue of preferred shares, series B	-	12,157
Issue of preferred shares, series C	40,000	-
Issue of common shares	158	11,695
Total working capital provided	45,990	67,576
WORKING CAPITAL APPLIED:		
Acquisition of subsidiaries, net of working capital acquired	64,563	38,498
Amalgamation expenses	88	-
Expenditures on mineral resource properties	(254)	3,009
Purchase of asbestos plant and equipment	2,457	-
Purchase of oil and gas properties and equipment	10,550	941
Purchase of coal property and equipment	2,052	-
Purchase of other equipment	45	178
Redemption of preferred shares	7,747	4,076
Redemption of preferred shares held by minority shareholders of acquired subsidiary	-	1,580
Dividends on preferred shares	810	173
Advance royalty payment	1,211	-
Retirement of bank loan of acquired subsidiary	-	9,356
Other	(79)	94
Total working capital applied	89,190	57,905
INCREASE (DECREASE) IN WORKING CAPITAL	(43,200)	9,671
WORKING CAPITAL AT BEGINNING OF YEAR	54,428	44,757
WORKING CAPITAL AT END OF YEAR	\$11,228	\$54,428

December 31, 1980

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The accounting policies of significance to the Company are as follows:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiary companies. The operations of the subsidiaries are included in the accounts from the date of acquisition.

Substantially all of the oil and gas exploration and production and a significant amount of the mining exploration and development is conducted under joint venture agreements. The Company's proportionate interest in such ventures is included in the accounts.

The active subsidiaries and the Company's ownership therein, are as follows:

	Ownership
Brinco Oil & Gas Limited	100%
Brinco Mining Limited	100%
Cassiar Resources Limited (note 3)	100%
Sharondale Corporation	100%
Abitibi Asbestos Mining Company Limited	60%

During 1980, Union Holdings Incorporated changed its name to Sharondale Corporation. In February 1981, Brinex Limited changed its name to Brinco Mining Limited.

INVENTORIES AND SUPPLIES

Asbestos fibre and ore stockpiled are valued at the lower of cost, determined on a first-in, first-out basis and net realizable value. Supplies are valued at the lower of average cost and replacement cost.

MINERAL EXPLORATION

Exploration expenditures and costs related to the investigation of possible investments in mineral resource properties are charged to earnings as incurred, net of recoveries from joint venture partners.

PROPERTY, PLANT AND EQUIPMENT**Mineral Resource Properties—**

Expenditures on mineral resource properties, net of recoveries from partners, are capitalized providing the properties are considered to be of value to the Company and charged to earnings when put into production. In the event of abandonment or disposal of such properties, the resulting gain or loss is charged to earnings.

Mine Development—

Expenditures on mine development and waste removal are initially capitalized; costs are then charged to earnings using the unit-of-production method based on estimated proven and probable reserves.

Oil and Gas Properties—

Expenditures on oil and gas properties are accounted for using the full cost method whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized. The costs of such properties are charged to earnings using the unit-of-production method based on estimated proven reserves.

Plant and Equipment—

Expenditures for plant and equipment are capitalized in the property accounts. Depreciation of oil and gas equipment is charged to earnings using the unit-of-production method based on estimated proven reserves. Mine plant and equipment is charged to earnings over its physical or economic life using the straight-line method of depreciation.

INCOME TAXES

Tax allocation procedures are followed, except that no recognition is given in the accounts to the possible future income tax reduction which may be realized through the deduction in determining taxable income in future years of unclaimed amounts of depreciation, exploration and development expenditures and losses available for carryforward. The reduction in income taxes resulting from the application of such unclaimed amounts and losses carried forward is reflected as an extraordinary item in the years in which the tax reduction is realized.

TRANSLATION OF FOREIGN CURRENCIES

The accounts of the Company's foreign subsidiaries are translated into Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange in effect at the end of the year; revenue and expense items at the average rate of exchange for the period; non-current assets, related depreciation and depletion and non-current liabilities at exchange rates applicable at the time of relevant transactions. Gains and losses on currency translations are included in the determination of earnings.

EARNINGS PER COMMON SHARE

Earnings (loss) per common share are calculated using the weighted average number of shares outstanding during the year.

2. MARKETABLE SECURITIES

Marketable securities are recorded at cost, which is approximately equal to market value at December 31, 1980.

3. PROPERTY, PLANT AND EQUIPMENT

	1980		1979	
	Cost	Accumulated depreciation and depletion	Net	
			Net	
(In thousands)				
Operating—				
Asbestos	\$111,008	\$51,170	\$ 59,838	\$ —
Coal	2,052	—	2,052	—
Oil and gas	68,931	6,075	62,856	54,837
Corporate	1,277	811	466	524
	\$183,268	\$58,056	125,212	55,361
Unamortized waste removal costs (asbestos)			36,156	—
Non-Operating—				
Asbestos	\$ 17,106	\$ —	17,106	13,312
Uranium	9,385	—	9,385	11,076
Gold	1,232	—	1,232	—
Other	270	—	270	270
	\$ 27,993	\$ —	27,993	24,658
			\$189,361	\$80,019

a) PURCHASE OF ASBESTOS PROPERTY

Late in 1980, the Company acquired all the outstanding shares of Cassiar Resources Limited for \$88,825,000. Acquisition costs amounted to \$755,000. The results of Cassiar's operations have been included in earnings for the period November 18 to December 31, 1980.

The acquisition has been accounted for using the purchase method with the purchase consideration being assigned as follows:

	(in thousands)
Net working capital	\$ 25,017
Other assets	2,656
Property, plant and equipment—net of \$15,950,000 being the excess of the net book value of assets acquired over the purchase consideration	99,044
	126,717
Deferred income taxes	(37,137)
Purchase consideration	\$ 89,580

b) PURCHASE OF COAL PROPERTY

On December 30, 1980, the Company purchased the assets of the Loftis Coal Company Inc. for U.S. \$1.5 million. In addition, the Company paid, and capitalized, an advance royalty of U.S. \$1 million on December 30, 1980, and paid a further advance royalty of U.S. \$1 million on January 2, 1981. An annual royalty of U.S. \$750,000 is payable in each of the six years commencing in 1981. After January 1, 1987, a royalty of U.S. \$1.25 per ton of coal mined and sold will be payable. The results of the coal property's operations have been included in earnings for one day, December 31, 1980.

c) MINERAL RESOURCE PROPERTIES

Development of non-operating mineral resource properties and recovery of related costs are dependent upon capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

Asbestos

During 1980 the Company pursued detailed technical and financial reviews in connection with the development of the asbestos property in Quebec. The Company expects to complete its reviews during 1981. Discussions are continuing with interested parties concerning their participation in the development of the asbestos deposit.

Uranium

In September 1980, Edison Development Canada Inc. acquired the 40% interest of a previous joint venture partner in the Kitts and Michelin uranium deposits. The Company has also entered into an agreement in principle with Edison and its parent company, Commonwealth Edison Company of Chicago whereby Edison, on completion of detailed arrangements concerning financing, construction, marketing and operating, would arrange financing of mine and mill construction at the Kitts and Michelin uranium deposits in Labrador and Commonwealth Edison would purchase up to 18,000,000 pounds of uranium. In view of the existing uranium market conditions, the parties have delayed a production decision, however, an active exploration program is continuing on the property. Under the terms of the agreement with Edison the Company recovered development costs previously capitalized in the amount of \$1,888,000 and exploration costs previously expensed in the amount of \$931,000.

Gold

In August 1980 the Company entered into a joint venture agreement with New Forty-Four Mines Limited for the purpose of investigating the feasibility of developing a gold property in Manitoba. The Company is currently preparing a detailed feasibility study which should be completed in 1981, at which time a production decision will be considered.

4. DEBENTURES PAYABLE

The debentures bear interest at 5.4% and are due August 1, 1982. They are secured by a floating charge on certain oil and gas properties. Interest expense for the year was \$228,000.

5. INCOME TAXES

For income tax purposes, the Company and its subsidiaries claim as deductions depreciation and exploration and development expenditures sufficient to offset income which would otherwise be taxable. As at December 31, 1980, the amount of such expenditures charged to earnings in certain of the subsidiaries exceed the amounts deducted for tax purposes by approximately \$5,800,000. Certain subsidiaries also have losses available for carry forward, expiring in years to 1985, which amount to \$2,500,000. These amounts are available to offset future income for tax purposes. No recognition is given in the accounts to such possible future income tax reduction. Also, the Company has unclaimed earned depletion allowances which are available for offset against future resource profits.

The amount of income tax expense relates to those companies that have income for tax purposes which is not reduced by losses of other companies included in the consolidation. Deferred income taxes relate primarily to Cassiar and represent the tax reductions for expenditures on mine development, exploration and depreciation deducted in the determination of taxable income but not yet charged to earnings.

6. SHAREHOLDERS' INVESTMENT

CAPITAL STOCK

Authorized—

10,000,000 preferred shares with a par value of \$5.50 each, issuable in series

35,000,000 common shares without nominal or par value

	1980	1979
	(in thousands)	
Issued—		
2,093,290, 7% cumulative convertible redeemable retractable preferred shares, series A (1979—2,210,435)	\$ 11,513	\$ 12,157
Convertible retractable preferred shares, series B (1979—1,469,208)	—	8,081
7,272,728, 8% cumulative convertible preferred shares, series C	40,000	—
17,008,823 common shares (1979—16,885,953)	57,758	56,630
7,762,632 class A common shares (1979—7,762,632)	54,882	54,882
Total capital stock	164,153	131,750
Retained earnings	46,576	46,575
	210,729	178,325
Cost of common shares purchased pursuant to the 1974 tender offer to shareholders, net	(54,882)	(54,882)
	\$155,847	\$123,443

PREFERRED SHARES

(a) On November 6, 1980, 7,272,728 preferred shares, series C with a par value of \$5.50 each, were issued. At the option of the holder, each preferred share, series C can be converted into 0.55 of a common share. On November 6, 1985, the conversion of the remaining preferred shares, series C to common shares will take place. Should the weighted average market price of the common shares for any ninety consecutive days after November 6, 1983 be more than 150% of the conversion price (\$10.00) the preferred shares, series C will be converted at the end of the ninety days.

(b) At the option of the holder, each preferred share, series A is convertible until October 18, 1984, into 0.55 of a common share. At the option of the Company, the preferred shares, series A are redeemable after April 30, 1981 if the market price of the Company's common shares is more than 150% of the conversion price (\$10.00) of the preferred shares. The Company shall invite tenders on or about October 18, 1984 for retraction of the preferred shares, series A at \$5.50 each plus accrued and unpaid dividends. Each year, under a mandatory provision the Company shall offer to redeem an amount equal to 5% of the originally issued shares for \$5.50 each plus accrued and unpaid dividends if the weighted average market value of the preferred shares, series A during the Company's fiscal year is less than par value. Since the weighted average market value was greater than \$5.50 in 1980, the Company is not required to offer to redeem the shares in 1981. During the year 5,015 shares were converted into common shares, and 112,130 shares were redeemed under the mandatory provision.

(c) Prior to October 18, 1980, preferred shares, series B were retractable, for \$5.50 each or convertible into 0.55 of a common share. After October 18, 1980, all outstanding preferred shares, series B were converted into common shares. During the year 172,791 shares were converted into common shares and 1,296,417 shares were redeemed.

(d) Each issued and outstanding preferred share, series A and series C is entitled to a fraction of a vote equal to the conversion basis of such shares into common shares.

COMMON SHARES

In 1978, 9,973,067 common shares purchased for \$7.07 each, pursuant to the 1974 tender offer to shareholders, were deemed by legislation to be a special class of common shares designated as class A. When these shares are reissued, they revert to their former status as common shares. During 1979, 2,210,435 of such class A common shares were issued at \$5.25 each, the value ascribed to them by the Board of Directors in connection with the acquisition of Brinco Oil & Gas Limited. The difference of \$4,023,000 between the value of shares purchased and the ascribed value of shares issued was charged to retained earnings.

7. STOCK OPTIONS

Under the Company's stock option plan, 450,000 common shares have been set aside for issuance. At December 31, 1980, options were outstanding on 358,750 shares (including 190,000 to officers) at prices ranging from \$4 to \$9 per share exercisable at various dates to 1985. During the year, options were exercised on 25,716 shares for a cash consideration of \$158,000.

Subject to approval by shareholders, an additional 250,000 common shares have been set aside for issuance and 170,000 such options (including 37,500 to officers) have been issued at \$9.45 per share exercisable until 1985.

8. LEGAL ACTIONS

Cassiar, as well as others, continues to be involved as a defendant in a large number of product liability suits in the United States in which substantial damages are claimed for alleged injuries to the health of asbestos workers and others by means of their exposure to asbestos fibres or dust. Cassiar is spending increasingly large amounts of money in defense and settlement of the product liability suits and since 1975, has spent approximately \$2,915,000 (including approximately \$1,500,000 in 1980) in the litigation. The first product liability suit in which Cassiar was named a defendant was commenced in 1974. Since that time Cassiar has been named as a defendant in approximately 1,570 claims in several states. Some actions have been settled and Cassiar has been dismissed from others. As of mid-February 1981 Cassiar was involved as a defendant in approximately 1,420 actions in eight states.

Based on the evidence available to date, Cassiar's U.S. counsel are of the opinion that a substantial portion of the claims are very weak and many cannot be sustained at all. They are also of the opinion that Cassiar has good defenses in others, but because only one of the actions in which it is a defendant has as yet gone to trial, the validity of these defenses has not yet been determined. The one case that was tried resulted in a verdict for the defendants on the stated ground that the plaintiff did not have an asbestos-related disease. Cassiar has settled some cases and is prepared to settle certain other cases for reasonable amounts. To date, it has paid a total of U.S. \$136,000 in the settlement of 21 actions brought by plantworkers of customers of Cassiar and it is this type of claim that forms the majority of actions in which Cassiar is named defendant. The amounts paid by Cassiar in settlements have varied from nominal amounts to U.S. \$44,750. In a recent tentative settlement, which is subject to the allocation of funds by court appointed special magistrates, Cassiar has paid U.S. \$227,500 as its contribution in settling approximately 660 cases. The amount of settlements to date may not be indicative of possible future settlements since Cassiar's potential liability in each case depends upon a great many factors apart from legal defenses, including the seriousness of the claimant's illness and whether the illness is related to exposure to asbestos supplied by Cassiar.

Cassiar held policies of insurance providing coverage for product liability in the years 1953 to 1975. Cassiar takes the position that a substantial portion of its settlement and litigation costs, as well as any judgments that might be rendered against it, should be reimbursed by its insurance carriers. While these insurers have thus far denied coverage in most instances, Cassiar has instituted litigation to recover certain of these costs in the Ontario courts.

9. MINERAL EXPLORATION

Expenditures on mineral exploration during 1980 amounted to \$3,467,000. Recoveries from joint venture partners during 1980 were \$3,082,000 of which \$2,151,000 relates to the current year and \$931,000 to prior years.

10. AMALGAMATION

During the year, the Company and Thornwood Investments (1980) Limited amalgamated. The amalgamation had no effect on the operations or structure of the Company and the transaction has been accounted for as a pooling of interests. The expenses relating to the amalgamation were charged to retained earnings.

11. EXPLORATION AND DEVELOPMENT COMMITMENTS

As a condition to obtaining approval for the acquisition of Brinco Oil & Gas Limited in 1979, certain undertakings were agreed upon between the Company and the Foreign Investment Review Agency of the Government of Canada, the most significant of which are:

- (a) the Company shall provide from its treasury during the five years following the acquisition, a minimum of \$25,000,000; \$17,500,000 for exploration and \$7,500,000 for development of oil and natural gas properties in Canada;

- (b) the Company shall reinvest all available cash flow generated from its Canadian oil and natural gas operations in the exploration for and development of oil and natural gas properties in Canada during the period 1980 to 1983; and
- (c) the Company shall provide from its treasury a minimum of \$6,000,000 during the period from January 1, 1980 to December 31, 1983 for exploration for hard minerals in Canada.

12. LEASE COMMITMENTS

Cassiar entered into certain leases prior to 1979 which, after 1979, would have been capitalized under generally accepted accounting principles. Had these leases been retroactively accounted for as capital leases, fixed assets and liabilities at December 31, 1980 would have increased by \$1,440,000 and \$1,860,000 respectively. The effect on net earnings for the year is not significant.

The Company has entered into certain other leases which are considered operating leases. Commitments under these leases at December 31, 1980 are not significant.

13. RETIREMENT PLANS

The Company maintains contributory retirement plans which cover certain salaried and hourly paid employees.

The unfunded past service costs with respect to all the plans was approximately \$687,000 as at December 31, 1980 and is being funded and charged to earnings by annual payments of \$121,000.

14. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable for the year by the Company and its subsidiaries to its directors and senior officers amounted to \$753,000 (\$650,000 in 1979).

15. RECLASSIFICATION

For 1980, certain figures reported in 1979 have been reclassified to conform to current presentation.

16. SEGMENTED INFORMATION

The segmented financial information has been determined by the Company based on industry segment and geographic area. Segmented information on revenues, earnings (before income taxes, extraordinary items and minority interest) and assets is summarized as follows:

	Asbestos	Coal	Oil & Gas	Uranium	Gold	Corporate	Consolidated
	(in thousands)						
Revenue:							
Operations							
Canada	\$ 8,753	\$ —	\$ 3,408	\$ —	\$ —	\$ 5,886	\$ 18,047
United States	—	23	—	—	—	—	23
Total Revenue	\$ 8,753	\$ 23	\$ 3,408	\$ —	\$ —	\$ 5,886	\$ 18,070
Earnings:							
Canada	\$ 287	\$ —	\$ (1,807)	\$ —	\$ —	\$ 2,570	\$ 1,050
United States	—	18	—	—	—	—	18
Total Earnings	\$ 287	\$ 18	\$ (1,807)	\$ —	\$ —	\$ 2,570	\$ 1,068
Depreciation and depletion	\$ 1,802	\$ —	\$ 2,635	\$ —	\$ —	\$ 115	\$ 4,552
Identifiable Assets:							
Canada							
Operating	\$136,295	\$ —	\$65,224	\$ —	\$ —	\$3,999	\$205,518
Non-Operating	17,067	—	—	10,686	1,486	270	29,509
United States							
Operating	—	3,447	—	—	—	—	3,447
Total Identifiable Assets	\$153,362	\$3,447	\$65,224	\$10,686	\$1,486	\$4,269	\$238,474
Capital expenditures	\$ 67,225	\$ 2,052	\$10,550	\$ (1,691)	\$ 1,232	\$ 45	\$ 79,413

Substantially all asbestos revenue is derived from sales to customers outside of Canada. Sales to two major customers, under contracts which generally are not more than one year in duration, traditionally account for up to one-third of the revenue.

DIRECTORS

Arthur J. Block
Vancouver, British Columbia
President
Block Bros. Industries Ltd.

E. J. Courtois, Q.C.
Montreal, Quebec
Partner
Courtois, Clarkson, Parsons
& Tétrault

Thomas N. Dirks
Calgary, Alberta
Executive Vice-President
Brinco Oil & Gas Limited

*Robert B. Dale-Harris
Toronto, Ontario
Chairman
Brinco Limited

*Alistair G. Frame
London, England
Deputy Chairman and
Chief Executive
The Rio Tinto-Zinc
Corporation Limited

Donald R. Getty
Edmonton, Alberta
President
D. Getty Investments

J. Douglas Little
Vancouver, British Columbia
President and
Chief Executive Officer
Brinco Mining Limited

Harry W. Macdonell, Q.C.
Toronto, Ontario
Partner
McCarthy & McCarthy

Albert Reichmann
Toronto, Ontario
President
Olympia & York
Developments Limited

*Paul Reichmann
Toronto, Ontario
Senior Executive
Vice-President
and Secretary
Olympia & York
Developments Limited

Ralph Reichmann
Toronto, Ontario
Senior Executive
Vice-President
and Treasurer
Olympia & York
Developments Limited

C. Alan Smith
Calgary, Alberta
Executive

*Hugh R. Snyder
Toronto, Ontario
President and
Chief Executive Officer
Brinco Limited

Sir Anthony Tuke
London, England
Chairman
The Rio Tinto-Zinc
Corporation Limited

David A. Ward, Q.C.
Toronto, Ontario
Partner
Davies, Ward & Beck

OFFICERS

Robert B. Dale-Harris
Chairman

Hugh R. Snyder
President and
Chief Executive Officer

J. Douglas Little
Vice-President

Garth A. C. MacRae
Vice-President,
Finance and Administration
and Treasurer

James C. O'Rourke
Vice-President, Mining

Robert G. Niven
Vice-President, Oil and Gas

Norbert M. Peters
Vice-President,
General Counsel and
Secretary

Charles A. Cox
Assistant Treasurer

Brian A. Hunt
Comptroller

REGISTRARS AND
TRANSFERAGENTS:

COMMON SHARES
The Royal Trust Company
St. John's, Newfoundland
Montreal, Quebec
Toronto, Ontario

PREFERRED SHARES
Guaranty Trust Company
of Canada
St. John's, Newfoundland
Montreal, Quebec
Toronto, Ontario
Calgary, Alberta

SHARES LISTED:
Montreal Stock Exchange
The Toronto Stock Exchange
Alberta Stock Exchange

REGISTERED OFFICE:

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EXECUTIVE OFFICE:

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BRINCO MINING LIMITED:

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V6E 3V3

BRINCO OIL & GAS LIMITED:

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T2P 3C4

*Member of the Executive Committee



Brinco Limited today is firmly established as a natural resource company with interests in the mining and oil and gas industries. The photograph of Churchill Falls signifies Brinco's link with its past, and is dedicated to the many who participated in the planning, financing and construction of the vast Churchill Falls Hydro Electric Station in Labrador, the successful development of which was Brinco's prime activity in earlier years.

