BRINCO LIMITED

1983 Annual Report

Company Offices and Locations

Registered Office

Brinco Limited
Royal Trust Building
Suite 1101
Water Street
St. John's, Newfoundland
A1C 5J9

Executive Office

Brinco Limited
Suite 2000
1055 West Hastings Street
Vancouver, British Columbia
V6E 3V3

Brinco Mining Limited
Suite 2000
1055 West Hastings Street
Vancouver, British Columbia
V6E 3V3

Cassiar Resources
Cassiar, British Columbia
V0C 1E0

Exploration Offices

Suite 704
602 West Hastings Street
Vancouver, British Columbia
V6B 1P2

North West River
Labrador
A0P 1M0

P.O. Box 249
Springdale, Newfoundland
A0J 1T0

Sharondale Corporation
Loftis Coal Division
Box 310
Belfry, Kentucky 41514
U.S.A.

Quinsam Coal Limited
973 Alder Street
Campbell River, British Columbia
V9W 2R1

Brinco Oil & Gas Limited
1801, 300-5th Avenue S.W.
Calgary, Alberta
T2P 3C4

Registrars and Transfer Agents

Common Shares

The Royal Trust Company
St. John's, Newfoundland
Montreal, Quebec
Toronto, Ontario
Vancouver, British Columbia

Preferred Shares

Guaranty Trust Company of Canada

St. John's, Newfoundland
Montreal, Quebec
Toronto, Ontario
Calgary, Alberta
Vancouver, British Columbia

Shares Listed

Montreal Stock Exchange
Toronto Stock Exchange
Alberta Stock Exchange

Cover Photo: Segment of a chart, published in 1798, indicating the eighteenth century voyage of H.M.S. Discovery, commanded by Captain George Vancouver, into the Strait of Juan de Fuca and along the southwestern coast of British Columbia.

HIGHLIGHTS

Financial	1983	1982
	(in thousands)	
REVENUE		
Asbestos	**$ 70,239**	$ 76,000
Oil and gas	**4,889**	3,693
Investments and other	**622**	2,456
Total Revenue	**$ 75,750**	$ 82,149
LOSS BEFORE EXTRAORDINARY ITEMS	**$ 5,641**	$ 8,921
Per common share after deducting dividends on preferred shares (dollars per share)	**.56**	.75
NET LOSS AFTER EXTRAORDINARY ITEMS	**$ 20,081**	$ 28,756
Per common share after deducting dividends on preferred shares (dollars per share)	**1.41**	1.91
EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT		
Asbestos	**$ 15,126**	$ 20,082
Coal	**1,398**	1,548
Oil and gas	**550**	1,346
Gold	**78**	3,455
Total Expenditures	**$ 17,152**	$ 26,431
LONG-TERM DEBT	**$ 49,000**	$ 60,000
SHAREHOLDERS' EQUITY	**$ 99,786**	$120,494

Production	1983	1982
ASBESTOS (tonnes)	**† 82,185**	†† 78,206
CRUDE OIL (barrels)	**135,050**	115,118
Daily	**370**	315
NATURAL GAS (mcf)	**553,000**	777,000
Daily	**1,900**	2,130

Reserves	1983	1982
OPERATING		
Asbestos ore (tonnes)	**8,308,000**	7,496,800
Net Crude Oil (barrels)	**2,199,000**	2,334,000
Net Natural Gas (bcf)	**33.1**	33.7

† 10 Months operation in 1983 †† 9 months operation in 1982

Brinco Limited is a Canadian controlled resource development company, engaged through subsidiaries in exploration, development and production of energy resources (oil and gas and coal), industrial minerals (asbestos), and base and precious metals.

The Company's corporate offices are located in Vancouver. The Company's mining activities are directed from Vancouver while oil and gas operations are directed from Calgary.

Results

The difficult conditions experienced by the mining industry in 1982 persisted through 1983 with demand and prices remaining under pressure for most mineral commodities, including asbestos and coal, the principal mine products of the Brinco Group. The effect of lower sales revenues was offset by significant cost reductions and by the improved performance of Brinco Oil & Gas Limited; consequently, cash generated from operations after interest costs was $5.184 million.

The 1983 loss from operations was $5.641 million ($8.921 million in 1982) and after allowing for charges for extraordinary items of $14.440 million ($19.835 million in 1982) the loss for the year was $20.081 million ($28.756 million in 1982). Loss from continuing asbestos and oil and gas operations was reduced from $5.061 million in 1982 to $1.425 million in 1983, while the 1983 loss for discontinued gold and coal operations was $4.216 million.

The net loss per share for 1983 was $1.41 after providing for the extraordinary items amounting to $ .85 per share. Retained earnings dropped from $11.427 million to a deficit of $8.674 million in 1983 and working capital fell from $11.677 million to a deficit of $177,000 at the end of 1983, reflecting, principally, an increase in the current portion of long term debt by $11 million. However, total corporate debt of the Company and its subsidiaries, net of invested cash, was reduced during the year from $84.3 million to $79.1 million.

The charge to earnings for extraordinary items reflects continuing depressed conditions in the uranium and coal industries. Assets which have been offered for sale have been written down to their estimated net realizable value and those properties on which little work is planned for the immediate future have been written off.

Counsel have advised the Company that the provisions of the Newfoundland Companies Act prohibit the redemption of Preferred Shares so long as its retained earnings are negative. Accordingly, no redemption of Preferred Shares Series A was possible in January, 1984, as provided for under the provisions attaching to the Preferred Shares Series A. This restriction on the redemption of Preferred Shares Series A will also likely apply to the redemption which would otherwise take place in October, 1984. Also, given the financial performance of the Company, the Board of Directors did not declare dividends on the Company's Preferred Shares during 1983.

Markets

In 1983 Canadian shipments of asbestos fibre, which fell sharply from 1979 to 1982, stabilized at 1982 levels. Since 1980, the Cassiar mine's share of Canadian shipments has increased from 8 to 10 percent. Canadian mine capacity, which supplies approximately 36 percent of the asbestos requirements of the free world economies, currently greatly exceeds demand and prices remained under pressure throughout the year; consequently, Cassiar sales were approximately $6 million lower than in 1982.

In the face of poor export performances by U.S. coal producers, coupled with depressed demand from the domestic steel and utility industries, coal prices deteriorated throughout the year. In parts of the United States, eastern Kentucky amongst them, approximately 50 percent of the mines were idle by mid-year. The Loftis mine was shut down intermittently to ensure a balance of production and orders and, with no improvement in markets in sight, the decision was taken in October to close the mine and place it on a care-and-maintenance basis. Consequently, sales for the year were $4 million lower than in 1982.

Coal demand in Pacific Rim countries has fallen far short of predictions leaving many buyers in an over-committed position. The resulting surpluses have created intense price competition and spot prices have weakened by 30 percent over the past two years, whilst many coal contracts have been re-negotiated both as to volume and price. These difficult conditions will impact on the timing of development of the Quinsam coal project on Vancouver Island, which is dependant on the availability of acceptable contracts for the supply of coal to this market area.

Gold prices ranged from a high of just over $500 U.S. per ounce at the start of the year to a low of $375 U.S. per ounce at year end. This decrease in price reflects the fall in demand for gold with the contraction of discretionary income on a world wide basis and the strong demand for the U.S. dollar. Gold averaged $424 U.S. per ounce for the year, which was less than the cost of production at the San Antonio gold mine.

Canadian oil prices improved significantly in the year, reflecting Federal-Provincial agreements on pricing, but gas sales continued at depressed levels reflecting poorer United States and Canadian demand. Brinco Oil & Gas Limited's production is predominately oil, and net sales revenues increased by 32.4 percent over those experienced in 1982.

Operations

Although quantities of ore mined and fibre produced at the **Cassiar mine** were higher than in 1982, cash costs at the minesite were lowered again reflecting temporary mine closures, improved productivity, and reduced stripping made possible through the implementation of the revised mine plan.

Mining in the upper levels of the **San Antonio gold mine** was discontinued on May 27, 1983. Subsequently, a drilling program to test the lower levels of the mine indicated continuity of gold mineralization at depth. In November, an agreement in principle was concluded with Lathwell Resources Ltd., a subsidiary of First Calgary Petroleum Ltd., whereby Lathwell can earn a 50 percent working interest in the mine by expending $7.5 million on exploration and development over a 4½ year period.

Production at the **Loftis coal mine** in 1983 was lower reflecting reduced operating days in the first three quarters of the year and the shutdown in October, both due to adverse market conditions. While the mine was operating, rated production levels at budgeted costs were achieved. The mine is now being held on a care-and-maintenance basis.

Oil production by **Brinco Oil & Gas Limited** averaged 370 barrels per day, up from 315 barrels per day in 1982. Gas production averaged 1900 mcf per day, compared with 2130 mcf per day in the previous year.

Activities during 1983 on the **Quinsam coal property**, a joint venture project of Brinco Limited and Weldwood of Canada Limited, were directed towards market development, further refinement of pre-feasibility studies, and the obtaining of environmental permits for development of the project. During the year, it became apparent that market opportunities, which will determine the timing of project release, are restricted by the large surplus of coal available at low prices in the Pacific Rim area.

A public inquiry to provide an opportunity for full public discussion of the environmental issues associated with the project was held from October 12th to November 25th, 1983 and the results are expected to be made public shortly.

During 1983 Brinco Mining Limited participated in thirteen **exploration** projects of which five were major programs. Drilling results on the Dawes Pond project in Newfoundland, subject to a joint venture between Brinco Mining Limited and Getty Canadian Metals, Limited, continue to provide encouragement, as does the work done by Canamax Resources Inc. on Brinco Mining Limited's Tootsee property in northern British Columbia and on an adjacent property also under investigation by Canamax.

Outlook

The sharp decline in Canadian shipments of asbestos fibre which began in 1979 was arrested in 1983, and 1984 purchase commitments for Cassiar fibre are well ahead of those received by this time last year. A price recovery in the asbestos market in the immediate future is unlikely however, given the serious over-capacity in the industry. It is anticipated that the dollar value of asbestos fibre sales in 1984 will be similar to that experienced in 1983, but overall corporate results in 1984 should be better than those achieved in 1983, reflecting reduced minesite costs, a further reduction in overhead, a continuing strong performance by Brinco Oil & Gas Limited and elimination of losses at Loftis and San Antonio. Also, the combination of the Company's corporate offices with those of Brinco Mining Limited in Vancouver, is expected to have a significant beneficial impact on consolidated general and administrative costs.

The debt level in Brinco Mining Limited was reduced by $7.2 million during 1983 and by a further $15 million during the first quarter of 1984. Further modest reductions are likely during the remaining three quarters of 1984. Principal repayments on the term loan are behind schedule however, and the terms and conditions of this loan remain under negotiation with Brinco Mining Limited's bankers.

Ore sources additional to the present Cassiar open pit, which have good potential to prolong the mine life, will continue to be evaluated and a modest exploration program, oriented toward precious metals, will be conducted in British Columbia and Newfoundland. The advisability of increasing the development activities of Brinco Oil & Gas Limited will be examined in the light of that company's improved performance and the more stable conditions which apply in the oil and gas industry in Canada.

Although an improvement is expected in 1984, the financial results anticipated are unlikely to permit a resumption of dividends on the Preferred Shares in 1984 and given the Company's deficit position, redemption of any of the Preferred Shares Series A during 1984 cannot be expected. In the longer term, the Company's ability to retract the Preferred Shares Series A will depend, principally, on a significant improvement in the asbestos market. Volume in this market is presently showing signs of improvement and prices will follow when over-capacity, which is considerable, is removed. Notwithstanding the depressed conditions in the market at this time, the Cassiar mine is generating a healthy cash flow before debt service and a small improvement in prices would significantly improve earnings.

Acknowledgements

Costs have been reduced at all locations and we, together with all members of the Board of Directors, extend our thanks to all employees and particularly to those at the Cassiar minesite where, in addition to improving productivity and reducing costs, a record safety performance for British Columbia mines has been achieved.

H W Macdonell

Harry W. Macdonell
Chairman

Hugh R. Snyder
President and
Chief Executive Officer

April 6, 1984

CASSIAR ASBESTOS

Operations

A total of 895 102 metric tonnes of ore was mined and processed during the year compared to 983 160 metric tonnes in 1982. The mill produced 82 185 metric tonnes of asbestos fibre, compared to 78 206 metric tonnes in the previous year. Recoverable mine grade averaged 9.41 percent compared with 7.82 percent in 1982. Waste mining at 3.188 million bank cubic metres was approximately 312 000 cubic metres less than in the previous year.

The mill was closed during the first two weeks of the year as a result of a break in a haul rope on the tramline and was closed again for a seven-week period in July and August for a holiday shutdown. Waste mining operations were halted for a total of eleven weeks during the year.

New collective agreements were negotiated with bargaining units of the United Steelworkers of America representing employees at Cassiar. The new agreements are for a two-year period commencing July 1, 1983 and include a compensation package which falls within the Federal government wage guidelines.

By July 1983, the Cassiar work force had completed one million manhours of work without a lost-time injury, a record performance for British Columbia mines. The Mining Association of British Columbia struck a special plaque to honor the achievement.

Ore Reserves

Following a detailed geotechnical evaluation of the mine, the design of the open pit was modified and the net effect has been an increase in ore tonnage and grade, and a decrease in waste rock to be mined. Based on the ultimate open pit design, ore reserves as of December 31, 1983 are now calculated to be 8.308 million metric tonnes having an average grade of 6.85 percent asbestos fibre.

Additional Fibre Resources

Consulting engineers in association with Cassiar personnel, have completed a preliminary feasibility study for the development of the McDame deposit, which is contiguous to the Cassiar orebody. Previous exploration of the McDame deposit identified approximately 13 million metric tonnes of asbestos-bearing serpentinite having fibre grades similar to those of the Cassiar orebody. Studies completed to date indicate that the McDame deposit is mineable by underground mining methods. A commitment to proceed with development of the McDame deposit would be required by mid-1985 if development is to be fully complete by the end of minelife of the existing Cassiar open pit.

During the year, airborne magnetic and ground magnetic surveys were completed in the Cassiar area with the object of outlining near-surface asbestos-bearing serpentinite bodies. A large magnetic anomaly was defined adjacent to and southeast of the Cassiar orebody and a drilling program will be undertaken in 1984 to test this anomalous area for near-surface asbestos mineralization. Several other magnetic targets in the Cassiar vicinity will also be the subject of exploratory work during the year.

A rotary percussion drilling program of 1518 metres on the Tanya asbestos property, north of the Cassiar mine, was completed during 1983, and several holes intersected low-grade asbestos mineralization over short intersections. It is deduced that surface asbestos concentrations and asbestos soil anomalies on the property are caused by highly altered low-grade asbestos-bearing diorite dykes and no further work is planned on this project.

Marketing

Canadian asbestos shipments, which in 1980 totalled approximately 1.2 million metric tonnes, had decreased to approximately 850 000 metric tonnes in 1982, a decline of about 30 percent. Preliminary figures for 1983 shipments are similar to 1982 levels, suggesting that asbestos fibre consumption levels may have stabilized. Markets are expected to improve with the increase in world construction activity as the economic recovery becomes more widespread.

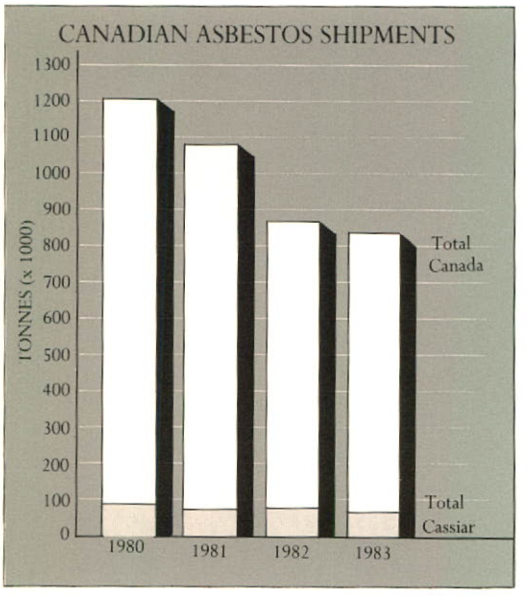
Free world production capacity remains at a level in excess of 4 million metric tonnes per annum, with Canadian capacity at approximately 1.5 million metric tonnes per annum; consequently, pricing will continue to be extremely competitive. Despite these difficult circumstances, Cassiar has increased its share of the Canadian export market from 8 percent in 1980 to 10 percent in 1983 and sold approximately 90 percent of production capacity in 1983.

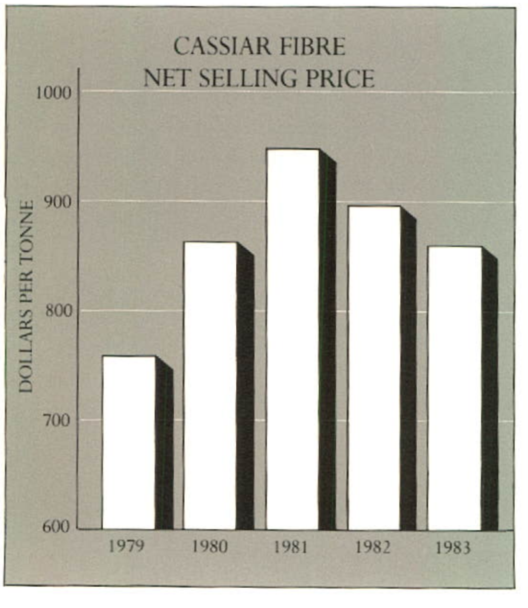
Product Liability Litigation

Brinco Mining Limited continues to be named along with other asbestos producers in U.S. legal actions in which it is alleged that the producers are liable to individuals who have contracted disease as a result of exposure to asbestos, chiefly in manufacturing plants and in the handling and use of asbestos fibre products. Brinco Mining Limited has also been named in several actions in which damages are claimed for the cost of removal of asbestos materials from certain public buildings. Brinco Mining Limited denies such liability and continues to defend its position in all actions which have been brought against it.

None of the cases in which Brinco Mining Limited is named a defendant went to trial during 1983, due in large measure to court-imposed delays pending further developments in Manville Corporation's petition for relief under Chapter 11 of the U.S. Bankruptcy Code. The outcome of the petition and its eventual impact on Brinco Mining Limited and other asbestos producers is not expected for several months but increased litigation activities are anticipated in 1984.

Brinco Mining Limited has entered into an agreement with one of its major insurers under which the insurer has reimbursed Brinco Mining Limited for a large portion of its past defence costs. The insurer has also undertaken the defence of actions based on exposure to asbestos at any time during its policy periods between 1955 and 1975. Indemnification of future settlements and judgments remains under discussion.





SAN ANTONIO GOLD

At the San Antonio gold mine, a total of 27 455 metric tonnes of ore grading 5.21 grams gold per metric tonne were processed during 1983, to produce 130 104 grams of gold and 23 327 grams of silver. Concern over the ability of the mine to produce sufficient gold from the upper levels led to a decision to close the mine, and mining operations ceased on May 27, 1983.

Prior to shutdown, the D shaft was de-watered and an exploration diamond drilling program totalling 1524 metres over seventeen holes was completed on the 97 stockwork vein during May and June. The program confirmed that the 97 stockwork vein continues at depth, and 131 340 metric tonnes of additional reserves grading 10.97 grams gold per metric tonne at a gold cutoff grade of 5.14 grams per metric tonne were defined.

Following the exploration program, the mine was placed on a care-and-maintenance basis. In November 1983, an agreement was entered into with Lathwell Resources Ltd. under which Lathwell will have the right to earn up to a 50 percent working interest by expending $7.5 million over a four and a half year period.

EXPLORATION

During 1983, Brinco Mining Limited participated in thirteen exploration projects, the major ones being located in Newfoundland, Manitoba and British Columbia. Expenditure of $637,000 by Brinco Mining Limited on these projects, exclusive of exploration drilling costs on the San Antonio gold property, provided exposure through joint venturing to exploration activity costing $2.6 million overall.

Negotiations with the Newfoundland Government resulted in agreement on arrangements whereby Brinco Mining Limited and its various joint venture partners may be assured of continuing tenure under the Newfoundland Mineral Act of selected exploration and project areas, including the Kitts-Michelin uranium area, beyond September 25, 1985, when Brinco Mining Limited's concession land rights in Newfoundland and Labrador will expire.

In Newfoundland, exploration work directed toward definition of volcanogenic precious and base metal mineralization in the Dawes Pond area under a joint venture with Getty Canadian Metals, Limited continued to produce encouraging results, and a major follow-up drilling program is planned for the spring of 1984.

In north-central British Columbia, in addition to exploration work on asbestos prospects in the Cassiar area, work continued on the Tootsee silver-lead-zinc property some fifty miles north of Cassiar. A drilling program totalling 1524 metres was completed by Canamax Resources Inc., under farm-in arrangements, and while economic mineralization was not intersected, large sections of drill core were found to contain massive sulphides. On the Midway property of Regional Resources Limited, which adjoins the Tootsee property, drilling programs funded by Canamax in 1982 and 1983 resulted in definition of reserves of 3.9 million metric tonnes grading 361.7 grams per metric tonne silver and 17 percent combined lead-zinc. These mineralized zones on the Midway dip and trend onto the Tootsee property.

During 1983, work on the large shale-hosted Jason silver-zinc-lead deposit at MacMillan Pass in the Yukon was restricted to geological data compilation, environmental monitoring and metallurgical studies. Reserves include 11.5 million drill-indicated metric tonnes grading 13.8 percent combined lead-zinc and 76.5 grams per metric tonne silver, and 2.4 million drill-inferred metric tonnes of 12.99 percent combined lead-zinc and 93.9 grams per metric tonne silver. Brinco Mining Limited has a 21.1 percent joint venture interest in the Jason property.

Quinsam Coal Project

Under arrangements with Weldwood of Canada Limited, Brinco has since mid-1981 managed programs and studies covering the Quinsam coal reserves which are located approximately 27 kilometres southwest of Campbell River on Vancouver Island in British Columbia. Activities on the project during 1983 were directed toward the obtaining of permits for the development of the project, market investigations, and further refinement of pre-feasibility studies to determine the optimum operating mode of the project.

In February 1983, the Government of British Columbia granted Stage II approval to the Quinsam project, and at the same time directed that a public inquiry be held to allow a full public discussion of the major environmental issues. The public inquiry commenced on October 12, 1983, and during the six weeks of sittings which followed, briefs from a wide variety of interested groups were presented and discussed. The inquiry chairman's report is expected to be delivered to the Government during the early months of 1984.

Presently, markets for thermal coal in Pacific Rim countries are weak. Current surpluses in the market place have created extreme competition amongst coal suppliers and in the past three years, thermal coal prices have decreased in the order of 30 percent. From a technical point of view, the project is sufficiently advanced to permit early development as and when acceptable coal contracts become available.

Sharondale Corporation

The chief asset of Sharondale Corporation, a wholly-owned subsidiary of Brinco, is the Loftis coal mine in eastern Kentucky. The Loftis mine, acquired by Sharondale late in 1980, is a producer of high quality, low sulphur coal, destined primarily for the utility and industrial markets in the northeastern United States.

Coal markets in the eastern United States continued to deteriorate during 1983, with a substantial reduction in demand in both the domestic and export markets. Prices for steam coal fell steadily and by mid-year thirty percent of capacity in the region in which Loftis operates was idle. Coal producers such as Sharondale which rely on spot markets, and producers selling under coal contracts which came due for renewal during the year, were those most adversely affected. In these conditions, it was not possible to continue mining operations at the Loftis mine, despite all efforts to reduce costs. Accordingly, operations were discontinued during the fourth quarter and the mine is presently held on a care-and-maintenance basis.

Coal sales from the Loftis mine during 1983, up to the time of closure, were 243,369 tons, compared with full-year sales of 327,271 tons during 1982. While the mine was operating, daily productivity was at planned levels and operating costs declined as a result of significant reductions in direct mining costs.

Exploration and Development

The conservative, low risk strategy adopted in 1982 continued throughout 1983. A total of 20 wells were drilled on company lands resulting in fifteen oil wells, two gas wells and three dry holes. Of these, Brinco Oil & Gas Limited had direct financial participation in six oil wells, two gas wells, and no dry holes. Both of the gas wells are in areas in which gas purchase contracts are in place, and 1983 is the second successive year in which financial participation in dry holes has been avoided.

Brinco Oil & Gas Limited has a 4.5 percent interest in a six well drilling program at Crossfield, just north of Calgary. Individual well productivities range from five barrels per day to ninety barrels per day, the average being twenty-five barrels per day per well. Enhanced recovery measures and possibly further drilling are being considered.

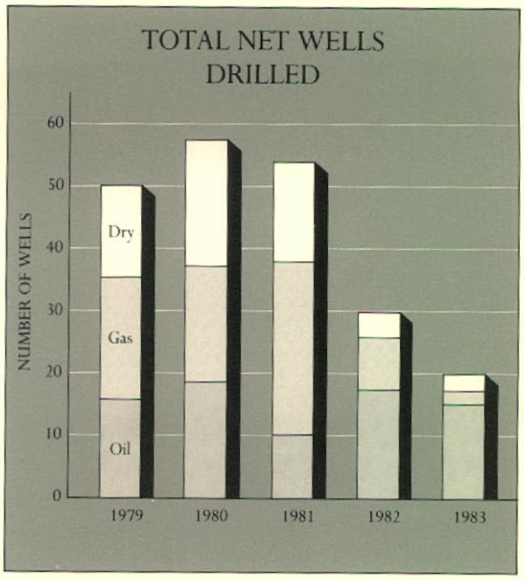
The development program on the Chauvin property in eastern Alberta was completed in 1983. There are now a total of 12 producing wells on this property, and Brinco Oil & Gas Limited's share of production is 36 barrels of oil per day.

The boundaries of the Lobstick pool in Pembina have been defined by drilling, and enhanced recovery alternatives are being evaluated for implementation in 1984.

Brinco Oil & Gas Limited has a 7 percent working interest after payout of drilling costs in a significant discovery in the Chigwell area of central Alberta. It is expected that a step-out well, in which Brinco Oil & Gas Limited will have a 5 percent working interest, will be drilled during 1984.

DRILLING RESULTS

	1983	1982
Success Rate	**85%**	87%
Total Wells Drilled	**20**	30
Crude Oil	**15**	17
Natural Gas	**2**	9



LAND HOLDINGS
(as at December 31, 1983)

	Gross	**Net**
	Acres	
Alberta	**394,609**	**49,164**
British Columbia	**227,374**	**31,130**
Saskatchewan	**3,120**	**1,040**
Eastcoast offshore	**753,403**	**4,126**
Northwest Territories	**677,560**	**8,500**
Total Canada	**2,056,066**	**93,960**
United States	**11,487**	**1,157**
Total Holdings	**2,067,553**	**95,117**

Production and Marketing

As at December 31, 1983, Brinco Oil & Gas Limited's ownership of producing wells stood at 67 net wells, of which 34 were oil wells and 33 were natural gas producers. Oil production averaged 370 barrels per day in 1983 compared to 315 barrels per day in 1982. Gas production was 1900 mcf per day, compared with 2130 mcf per day in the previous year. The bulk of oil and gas production is located in Alberta.

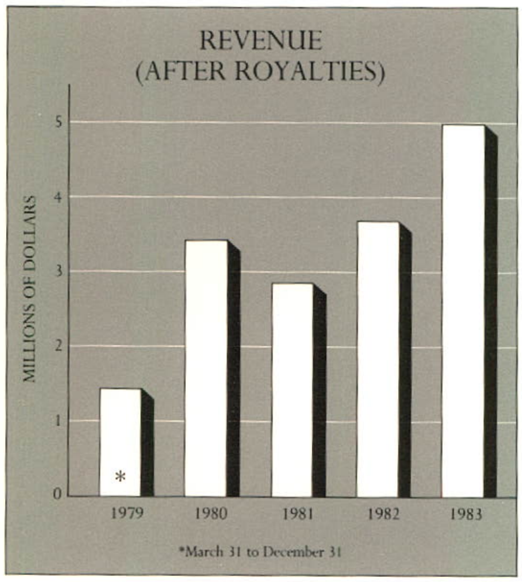
Low demand in the United States for Canadian natural gas, caused by recession, weather, domestic supply and price, continues to impede the natural gas industry's performance. However, increases in government regulated prices contributed to an overall increase in oil and gas revenues of some 32.4 percent over 1982. Oil production levels have been maintained as a consequence of the company's development drilling program, and growth of oil prices towards international levels has been largely responsible for the improvement in sales revenues.

OWNERSHIP IN PRODUCTIVE WELLS
(as at December 31, 1983)

	Gross Wells	Net Wells	Status Producing	Capped
Crude Oil Wells				
Alberta	134	28.1	97	37
British Columbia	2	.5	1	1
Saskatchewan	3	2.0	3	0
United States	21	2.9	21	0
Total Oil Wells	160	33.5	122	38
Natural Gas Wells				
Alberta	221	26.3	60	161
British Columbia	46	6.3	18	28
United States	7	.5	7	0
Total Gas Wells	274	33.1	85	189
Total Wells	434	66.6	207	227

PRODUCTION
(average daily)

	1983	1982
Crude Oil (barrels)	**370**	315
Natural Gas (mcf)	**1900**	2130



AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated statement of financial position of Brinco Limited as at December 31, 1983 and the consolidated statements of earnings, retained earnings (deficit) 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, 1983 and the results of its operations and 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.

Peat, Marwick, Mitchell & Co.

Chartered Accountants

Vancouver, Canada
February 20, 1984,
except for Note 4
which is as of March 30, 1984.

Brinco Limited and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 1983
(with comparative figures for 1982)

ASSETS		**1983**	1982
		(in thousands)	
CURRENT ASSETS	Notes		
Cash and short-term investments		**$ 1,412**	$ 8,500
Accounts receivable		**22,219**	24,572
Asbestos inventory		**13,289**	13,561
Mine supplies and prepaids		**6,755**	8,157
Income and mining taxes receivable		**253**	1,425
Total current assets		**43,928**	56,215
NET ASSETS OF DISCONTINUED BUSINESS	11	**—**	16,805
PROPERTY, PLANT AND EQUIPMENT	2	**166,465**	172,130
LONG-TERM INVESTMENTS	3	**942**	2,307
OTHER ASSETS		**3,699**	4,446
		$215,034	$251,903

LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank indebtedness	4	**$ 10,548**	$ 22,820
Current portion of long-term debt	4	**21,000**	10,000
Accounts payable and accrued liabilities		**12,557**	11,718
Total current liabilities		**44,105**	44,538
LONG-TERM DEBT	4	**49,000**	60,000
DEFERRED INCOME AND MINING TAXES	5	**22,143**	26,871
SHAREHOLDERS' EQUITY	6	**99,786**	120,494
		$215,034	$251,903
CONTINGENCIES	9		

See accompanying notes

On Behalf of the Board:

H W Macdonell

Harry W. Macdonell, Director

Hugh R. Snyder, Director

Brinco Limited and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1983 (with comparative figures for 1982)

	Notes	1983	1982
		(in thousands)	
REVENUE			
Asbestos		**$70,239**	$76,000
Oil and gas		**4,889**	3,693
Investments and other		**622**	2,456
Total revenue		**75,750**	82,149
EXPENSES			
Production		**30,736**	35,778
Transportation and warehousing		**8,826**	9,361
Depletion and depreciation		**22,183**	21,490
Mineral exploration		**637**	1,908
General and administration		**7,685**	9,290
Interest	4	**8,105**	14,476
Total expenses		**78,172**	92,303
		2,422	10,154
INCOME AND MINING TAXES	5	**(997)**	(5,093)
LOSS FROM CONTINUING OPERATIONS		**1,425**	5,061
LOSS FROM DISCONTINUED OPERATIONS	11	**4,216**	3,860
LOSS BEFORE EXTRAORDINARY ITEMS		**5,641**	8,921
EXTRAORDINARY ITEMS	8	**14,440**	19,835
NET LOSS FOR THE YEAR		**$20,081**	$28,756
LOSS PER COMMON SHARE AFTER DEDUCTING DIVIDEND REQUIREMENTS ON PREFERRED SHARES			
Before extraordinary items		**$ .56**	$ .75
After extraordinary items		**$ 1.41**	$ 1.91

See accompanying notes

Brinco Limited and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1983 (with comparative figures for 1982)

	1983	1982
	(in thousands)	
WORKING CAPITAL PROVIDED		
Loss before extraordinary items	**$ (5,641)**	$ (8,921)
Items not affecting working capital:		
Depletion and depreciation	**22,286**	22,862
Deferred income and mining taxes	**(1,277)**	(5,241)
Other	**283**	648
Working capital provided by operations	**15,651**	9,348
Proceeds from sale of long-term investments	**—**	2,666
Proceeds from disposal of property and equipment	**1,012**	592
P.I.P. Grant	**832**	—
Discontinued operations	**(1,086)**	11,030
Other	**583**	(261)
Total working capital provided	**16,992**	23,375
WORKING CAPITAL APPLIED		
Property, plant and equipment	**17,152**	26,431
Long-term investments	**67**	2,123
Reduction of long-term debt	**11,000**	10,143
Dividends on preferred shares	**20**	2,989
Redemption of preferred shares	**607**	615
Total working capital applied	**28,846**	42,301
DECREASE IN WORKING CAPITAL	**11,854**	18,926
WORKING CAPITAL AT BEGINNING OF YEAR	**11,677**	30,603
WORKING CAPITAL (DEFICIT) AT END OF YEAR	**$ (177)**	$ 11,677

See accompanying notes

Brinco Limited and Subsidiaries

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

for the year ended December 31, 1983 (with comparative figures for 1982)

	Notes	1983	1982
		(in thousands)	
RETAINED EARNINGS AT BEGINNING OF YEAR		**$ 11,427**	$ 43,172
DEDUCT NET LOSS FOR THE YEAR		**20,081**	28,756
		(8,654)	14,416
DIVIDENDS ON PREFERRED SHARES	6	**20**	2,989
RETAINED EARNINGS (DEFICIT) AT END OF YEAR		**$ (8,674)**	$ 11,427

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983

1. *Summary of Significant Accounting Policies*

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 the assets and liabilities and revenues and expenses of such ventures is included in the accounts.

The active subsidiaries, which are wholly-owned, are as follows:

Brinco Mining Limited
Brinco Oil & Gas Limited

INVENTORIES AND MINE 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. Mine supplies are valued at the lower of cost, principally 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

Development and preproduction expenditures on mineral resource properties, net of recoveries from joint venture partners, are capitalized providing the properties are considered to be of value to the Company. When a property achieves commercial production volumes, costs are charged to earnings using the unit-of-production method based on proven reserves. In the event of abandonment or disposal of such properties, the resulting loss is charged to earnings.

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 proven reserves.

Plant and Equipment

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

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities arising in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the end of the year and revenue and expense items are translated at the average rate of exchange for the year. Gains and losses on currency translations are included in the determination of earnings.

2. *Property, Plant and Equipment*

	1983			1982
	Cost	Accumulated depletion and depreciation	Net	Net
	(in thousands)			
OPERATING				
Asbestos	$109,349	$ 61,635	$ 47,714	$ 55,196
Oil and gas	72,372	13,141	59,231	61,612
Corporate	–	–	–	404
	$181,721	$ 74,776	106,945	117,212
Unamortized waste removal costs (asbestos)			42,327	39,018
NON-OPERATING				
Asbestos	$ 5,960	$ –	5,960	5,792
Coal	3,404	–	3,404	2,006
Gold	7,829	–	7,829	8,102
	$ 17,193	$ –	17,193	15,900
			$166,465	$172,130

MINERAL RESOURCE PROPERTIES (NON-OPERATING)

Asbestos

Detailed technical and financial reviews are continuing in respect of a property contiguous to the Cassiar ore body in British Columbia.

Coal

The Company has entered into a joint venture agreement with Weldwood of Canada Limited and is investigating the feasibility of developing a coal property on Vancouver Island in British Columbia. The Federal and Provincial governments must approve the development of the property.

Gold

Mining in the upper levels of the San Antonio gold mine was discontinued on May 27, 1983. Subsequently, a drilling program to test the lower levels of the mine indicated continuity of gold mineralization at depth and an agreement was concluded with Lathwell Resources Ltd., whereby Lathwell can earn up to a 50% working interest in the mine by performing exploration and development work up to $7,500,000 over a 4½ year period.

3. *Long-Term Investments*

	1983	1982
	(in thousands)	
Brinco 1981 Energy Program	$ 568	$2,000
Other	374	307
	$ 942	$2,307

Long-term investments are acquisition costs of interests in oil and gas ventures written down to amounts expected to be recovered from future operations of the properties.

4. *Bank Indebtedness*

LONG-TERM DEBT

Brinco Mining Limited has a term loan in the amount of $70,000,000 payable to a Canadian chartered bank. The loan bears interest at spreads over various money market rates quoted from time to time for bankers acceptances, prime Canadian or U.S. dollar loans, and L.I.B.O.R. loans. This loan and current bank indebtedness, to the extent of $10,000,000, is secured by a first fixed and floating charge on the assets of the Cassiar Asbestos Division of Brinco Mining Limited and an assignment of the accounts receivable of Brinco Mining Limited which at December 31, 1983 totalled $20,078,000.

Covenants relating to the loan require, inter alia, that Working Capital and Net Tangible Worth, as defined by the loan agreement between Brinco Mining Limited and the bank, be maintained at specified minimum levels. Brinco Mining Limited is not meeting the requirements of these covenants and had not made principal payments of approximately $7 million each, which were due on September 15, 1983 and March 15, 1984. However, subsequent to March 15, 1984 principal payments totalling $10 million have been made. The bank has provided Brinco Mining Limited with a waiver of the defaults to May 30, 1984.

The loan is included in the financial statements in accordance with existing terms which require repayments in equal semi-annual installments commencing September 15, 1983 and ending March 15, 1988.

Interest on long-term debt in 1983 amounted to $6,800,000.

CURRENT BANK INDEBTEDNESS

Bank indebtedness includes demand bank loans and cheques issued but not cashed.

5. *Income and Mining Taxes*

The Company and certain subsidiaries have losses available for carry-forward for which no recognition is given to the possible future income tax benefits in the accounts. These losses, which approximate $22,000,000, are available to offset future income for tax purposes. Tax losses expire in taxation years to 1987 in Canada and 1997 in the United States. Any tax benefit resulting from the utilization of these losses will be recognized as an extraordinary item in the years of utilization. In addition, the Company and certain subsidiaries have unclaimed earned depletion allowances, amounting to $25,000,000 which are available for deduction from future resource profits.

Deferred income taxes relate primarily to Brinco Mining Limited and represent the tax deductions for expenditures on mine development, exploration and depreciation deducted in the determination of taxable income but not yet charged to earnings. Income and mining tax credits on the statement of earnings arise primarily from the reversal of such timing differences during the year at historical tax rates.

6. *Shareholders' Equity*

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

	1983	1982
	(in thousands)	
Issued		
1,869,818 7% Cumulative Convertible Redeemable Retractable Preferred Shares Series A (1982-1,980,138)	**$ 10,284**	$ 10,891
7,272,728 8% Cumulative Convertible Preferred Shares Series C (1982-7,272,728)	**40,000**	40,000
17,077,843 Common Shares (1982-17,077,833)	**58,176**	58,176
7,762,632 Class A Common Shares (1982-7,762,632)	**54,882**	54,882
Total capital stock	**163,342**	163,949
RETAINED EARNINGS (DEFICIT)	**(8,674)**	11,427
	154,668	175,376
Cost of Common Shares purchased pursuant to the 1974 tender offer to shareholders, net	**(54,882)**	(54,882)
	$ 99,786	$120,494

Preferred Shares

(a) 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 if the market price of the Company's Common Shares is more than $15.00.

Unless contrary to applicable law 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 is required to offer to redeem an amount equal to 5% of the originally issued shares for $5.50 each plus accrued and unpaid dividends if the defined market value of these shares is less than par value. During the year, 110,301 shares were redeemed under the mandatory provision and 19 were converted to Common Shares. The accrued dividend paid at the time of redemption was $20,000. Because the Company is in a deficit position, the Board of Directors has determined that it would be contrary to applicable law for the Company to proceed with the redemption of 5% of its outstanding Preferred Shares Series A which would otherwise be redeemable at the beginning of 1984.

(b) 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 $13.00, the Preferred Shares Series C will be converted at the end of the ninety days.

(c) 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.

(d) Dividends on the cumulative Preferred Shares Series A and Series C are payable quarterly on the last days of March, June, September and December of each year. The dividend payable in December, 1982 and all the 1983 dividends for a total of $4,910,500 are in arrears.

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. To date 2,210,435 such shares have been reissued.

7. *Stock Options*

Under the Company's stock option plan, 700,000 Common Shares have been set aside for issuance. At December 31, 1983, options were outstanding on 275,500 shares (including 112,500 to officers) at prices ranging from $6.25 to $9.45 per share exercisable at various dates to 1986. During the year no options were exercised.

8. *Extraordinary Items*

The Company has reassessed its mineral resource properties and has determined that because of the depressed market for uranium and coal the carrying value of certain non-operating mineral properties required adjustment. Properties identified to be sold have been written down to estimated net realizable value. Properties where active development will not take place in view of current and foreseeable commodity market conditions have been written off. The Company will continue to maintain these properties in good standing and maintenance costs incurred in 1984 and subsequent years will be expensed.

Accordingly, the carrying value of these mineral properties has been reduced by $17,890,000. This has been presented in the consolidated statement of earnings (net of deferred income taxes of $3,450,000) as an extraordinary loss.

	1983	1982
	(in thousands)	
Write-down of mineral resource properties, net of deferred taxes of $3,450,000	**$14,440**	$ -
Write-down of Quebec asbestos property, net of deferred taxes of $3,384,000	-	7,696
Write-down of gold property, net of deferred taxes of $3,035,000	-	5,285
Loss on sale of portfolio investment	-	3,712
Write-down of U.S. oil and gas venture, net of deferred taxes of $287,000	-	2,507
Write-down of Brinco 1981 Energy Program, net of deferred taxes of $365,000	-	635
	$14,440	$19,835

9. *Contingencies*

LEGAL ACTIONS

Brinco Mining Limited, as well as others, continues to be named 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 and has also been named in several actions claiming economic loss attendant upon potential costs of removal of asbestos products from certain public buildings. The subsidiary company is currently involved in approximately 1,200 such suits. Since 1974, the company has been involved in approximately 2,800 claims and has agreed to settle or has been dismissed from approximately 1,560 claims. Three cases have come to trial. In one case, the company was dismissed before the verdict was rendered. A second trial resulted in a verdict for the defence. The third case, involving seven plaintiffs, was decided against the defendants and the jury apportioned damages of U.S. $41,650 against the company. From 1974 to date, legal and settlement costs paid by Brinco Mining Limited and its insurers have totalled approximately $10 million. The costs to date may not be indicative of future costs since the company's potential liability in each case depends upon a great many factors apart from legal defences, including the seriousness of the claimant's illness, whether the illness or claimed economic loss is related to exposure to asbestos supplied by the company and the amount of contribution required from the various co-defendants.

In 1982 Manville Corporation, which is both a substantial fibre supplier in many actions in which Brinco Mining Limited has been sued and the employer in a large number of Brinco Mining Limited's cases, petitioned for relief under Chapter 11 of the U.S. Bankruptcy Code. Amatex Corporation, which is the employer in certain cases in which Brinco Mining Limited has been sued, applied for similar relief. The company is not now in a position to assess the impact of these bankruptcy filings on its potential liabilities. The bankruptcy filings have had the immediate effect of removing the petitioning companies from the litigation. Some cases are proceeding to trial without the petitioning companies and other cases have been stayed pending further developments in the bankruptcy proceedings.

The company held policies of insurance providing coverage for product liability in the years 1955 to 1975. The company has instituted an action in the Ontario Courts wherein it has claimed that a substantial portion of the settlement and litigation costs, as well as any judgment that might be rendered against it, are covered under these policies.

An agreement was reached in March, 1984 between Brinco Mining Limited and one of its major insurers, which is also a defendant in the above action, whereby that insurer has reimbursed the company for a large portion of its past defence costs. In addition, that insurer has agreed to undertake the defence of Brinco Mining Limited for claims involving exposure to asbestos in its policy periods. No agreement has been reached on the question of that insurer's obligation to indemnify Brinco Mining Limited for settlements and judgments against the subsidiary company. Discussions are continuing on this issue.

BRINCO 1981 ENERGY PROGRAM

Brinco Oil & Gas Limited is the general partner in the Brinco 1981 Energy Program, an oil and gas exploration and development limited partnership which, during 1981, sold 5,219 units to third parties at $1,000 per unit. Commencing in 1984, any limited partner may require the subsidiary company to offer to purchase all or any of their units at a price related to the fair market value of the unit. The maximum number of units that the subsidiary company is obligated to purchase in any one year is 1,000.

10. *Retirement Plans*

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

These plans are fully funded based on the actuarial valuations as of December 31, 1982.

11. *Discontinued Operations*

Discontinued operations are shown net of deferred taxes. Financial statement amounts related to these operations have been reclassified in the comparative 1982 statements.

12. *Related Parties*

There were no significant related party transactions during the year.

13. *Segmented Information*

The segmented financial information has been determined by the Company based on industry segment. Segmented information on revenues, earnings (before income and mining taxes and extraordinary items) and assets is summarized in the attached schedule.

Substantially all asbestos revenue is derived from sales to customers outside of Canada. Sales to two major customers account for approximately one-half of the revenue in 1983 and 1982.

Segmented Information Schedule (in thousands)

	Asbestos		Oil & Gas		Corporate		Non-Operating		Consolidated	
	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982
Revenue:										
Continuing Operations—										
Canada	$ 70,239	$ 76,000	$ 4,511	$ 3,348	$ 622	$ 2,456	—	—	$ 75,372	$ 81,804
United States	—	—	378	345	—	—	—	—	378	345
Total Revenue	$ 70,239	$ 76,000	$ 4,889	$ 3,693	$ 622	$ 2,456	—	—	$ 75,750	$ 82,149
Earnings:										
Continuing Operations—										
Canada	$ 1,233	$ (5,796)	$(1,050)	$(1,331)	$(2,697)	$(3,264)	—	—	$ (2,514)	$(10,391)
United States	—	—	92	237	—	—	—	—	92	237
Total Earnings	$ 1,233	$ (5,796)	$ (958)	$(1,094)	$(2,697)	$(3,264)	—	—	$ (2,422)	$(10,154)
Depletion and Depreciation	$ 18,367	$ 19,010	$ 3,772	$ 2,415	$ 44	$ 65	—	—	$ 22,183	$ 21,490
Capital Employed	$ 98,573	$108,959	$59,303	$60,527	$(3,003)	$ 3,036	$16,056	$34,843	$170,929	$207,365
Identifiable Assets:										
Canada	$133,397	$139,731	$58,876	$61,888	$ 2,324	$10,888	$17,514	$27,007	$212,111	$239,514
United States	—	—	2,923	4,069	—	—	—	8,320	2,923	12,389
Total Identifiable Assets	$133,397	$139,731	$61,799	$65,957	$ 2,324	$10,888	$17,514	$35,327	$215,034	$251,903
Expenditures on Property, Plant and Equipment and Long-Term Investments	$ 14,879	$ 19,414	$ 617	$ 3,469	—	—	$ 1,723	$ 7,371	$ 17,219	$ 30,254

Directors

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

E. J. Courtois, Q.C.
Montreal, Quebec
Partner
Stikeman, Elliott

Peter H. Dean
London, England
Executive Director
The Rio Tinto-Zinc
Corporation PLC

Thomas N. Dirks
Calgary, Alberta
Exploration Geologist

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

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

J. Douglas Little
Vancouver, British Columbia
Consultant

* 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 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

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

Officers

Harry W. Macdonell, Q.C.
Chairman

Hugh R. Snyder
President and Chief
Executive Officer

James C. O'Rourke
Vice-President
Mining and Projects

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

Anthony T. Kana
Treasurer

Gill E. Carter
Assistant Secretary

* Member of the Executive Committee

LITHOGRAPHED IN CANADA BY
EVERGREEN PRESS LIMITED 9