Brascade Resources Inc.

1987 Annual Report

Brascade Resources Inc.

Brascade's principal operating companies include a 35% interest in Noranda Inc. and a 73% interest in Westmin Resources Limited.

Annual Meeting

Brascade's 1988 Annual Meeting of Shareholders will be held in Commerce Hall, Concourse Level, Commerce Court West, King and Bay Streets, Toronto, Ontario at 11:00 a.m. on Wednesday, May 25.

Corporate Information

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Registrar and Transfer Agent
The Royal Trust Company
Toronto, St. John's, Halifax, Charlottetown, Saint John, Montreal, Winnipeg, Regina, Calgary and Vancouver

Rapport Annuel
Si vous désirez recevoir un exemplaire en français de ce rapport veuillez vous adresser au Secrétaire, Ressources Brascade Inc.

Financial Highlights

millions	1987	1986
Total assets	**$2,547**	$2,503
Shareholders' equity	**1,488**	1,325
Net income (loss)	**109**	(131)
Number of preferred shares outstanding	**14.6**	12.1
Number of common shares outstanding	**51.4**	51.4
Registered shareholders	**3,993**	6,684

Contents

Brascade reported net income of $108.7 million in 1987, compared to a loss of $130.6 million in 1986. The improvement in 1987 was the result of better performances by both Noranda and Westmin. Higher commodity prices, production volumes and lower interest expense, as well as the ongoing benefits of cost reduction programs and organizational changes contributed to the improved results.

The 1987 net income figure excludes Brascade's share of $453 million of group after tax gains, mainly arising from Noranda's restructuring initiatives, which were offset by the creation of provisions for possible future diminution in the carrying value of group assets. Brascade's share of these provisions amounted to $204 million.

Noranda

Noranda reported a profit of $343 million compared to a profit of $43 million in 1986. During 1987 organizational changes, ongoing productivity improvements and more buoyant commodity markets resulted in one of the best years in Noranda's history, even after the creation of the reserves of $453 million mentioned above.

In December 1987 Noranda significantly increased the size of its petroleum operations as well as its equity base by acquiring a 49% interest in North Canadian Oils Limited and a 38% interest in Norcen Energy Resources Limited. The acquisition of these oil and gas companies constitutes an important step by Noranda toward its goal of becoming the world's premier diversified natural resources company.

During 1987 Noranda's strategic emphasis was on four areas: productivity, decision making and accountability, financial flexibility and management and employee rewards.

Because Noranda's products are essentially commodities sold at world prices, the key variables within Noranda's control are its costs. In order to reduce operating costs per unit produced, Noranda continued to invest in cost reducing technology and research and development.

Noranda's divisionalized structure has enhanced decision making and accountability in that senior managers of each operating group have greater responsibility for the results they achieve. Performance is monitored through agreed business plans which are division mandates regarding strategic direction, financial standards of performance, senior management remuneration and succession, cash flow allocation, capital structure and other significant matters. An indication of the increased role of Noranda's operating groups is the reduction in corporate office personnel to a third of the previous level.

Substantial progress was achieved by Noranda in improving its financial flexibility. During 1987 Noranda's cash flow from operations was $1.1 billion compared to $448 million in 1986. Operating cash flow was supplemented by $700 million, mainly arising out of the sale to the public of 19% of Noranda Forest, 12% of Hemlo Gold and the private sale of 50% of Noranda Pacific. In addition, Noranda and its affiliates raised $300 million from the issue of adjustable rate convertible debentures. The increased cash flows, coupled with the divestment of non-core assets, enabled Noranda to reduce its year end net debt to $1.3 billion compared to $3.4 billion outstanding in the middle of 1985 – a truly remarkable achievement.

Management share purchase plans were established within Noranda's corporate operations as well as for Noranda Minerals and Noranda Forest. In certain privately held subsidiaries, management of the units were given an opportunity to acquire a direct equity interest. Several new gain sharing plans were also introduced during the year. As a result, a significant number of Noranda employees now have a portion of their remuneration directly determined by the results of their particular operation.

Westmin

Westmin reported net earnings of $22 million compared to $9 million in 1986, as a result of improved petroleum division earnings, lower interest expense and higher investment income. During the year Westmin sold its interest in Lacana Mining Corporation for $35 million.

Several significant achievements were recorded by Westmin in 1987. The expansion of the H-W precious and base metals mine on Vancouver Island, from 3,000 to 4,000 tonnes of daily ore milling capacity, continued with completion expected in the middle of 1988.

A decision was made to proceed with development of the Premier Gold Project in Northern British Columbia at a rate of 2,000 tonnes per day. A rapid payback of capital outlay is expected from this project.

During 1987 Westmin's crude oil and natural gas liquids production was again a record, the tenth successive year of volume growth. In anticipation of better oil and gas markets in the coming years, Westmin has commenced a $60 million petroleum exploration and development program for 1988. This is more than three times the expenditures in 1987 and one of the company's highest annual outlays ever on exploration and development.

Westmin's successful base and precious metals forward selling program, combined with a recent firming of spot gas prices, should support a higher level of earnings in 1988.

Financial Restructuring

On May 20, 1987, the shareholders of Brascade approved amendments to the capital structure of Brascade which had the effect of providing holders of Brascade's Series A Preferred Shares with the opportunity to convert their shares into new Series B Preferred Shares, or to have their shares redeemed on September 30, 1987 or to continue to hold their Series A Preferred Shares.

Of the 12.1 million Series A Preferred Shares outstanding on May 20, 1987, 8.2 million shares were converted to new Series B Preferred Shares. In addition, during 1987 a private placement of 2.5 million Series B Preferred Shares was made for $100 million which was used to reduce corporate debt.

Board of Directors

We were saddened by the death of Mr. Fernand Paré during 1987. Mr. Paré was Deputy Chairman of Brascade. In addition, Mr. Denis Giroux tendered his resignation as a director as part of a career change. The advice and counsel of both these gentlemen will be missed. We welcome Mr. René Dufour and Mr. Michel Grignon to the Brascade Board.

Outlook

The extended world economic recovery and its recent strong capital expenditure component have significantly reduced world commodity inventories. As a result, we expect the continued economic growth to have favourable implications for Brascade's earnings in 1988.

On behalf of the Board

J. Trevor Eyton
Chairman

Paul M. Marshall
President

March 25, 1988

Noranda Inc.: 35%

Noranda is a major natural resources company with significant operations in the forest, minerals and energy sectors and related metallurgical and manufacturing operations.

Summarized Financial Information

millions	1987	1986	1985
Total assets	**$9,596**	$7,710	$8,162
Shareholders' equity	**3,661**	2,671	2,359
Gross revenues	**7,277**	6,156	5,833
Cash flow from operations	**1,092**	448	380
Net income (loss)	**343**	43	(254)
Earnings (loss) per share	**$2.14**	$0.02	$(2.38)

Noranda recorded net income of $343 million in 1987, a substantial increase over the $43 million reported in 1986. While higher forest products and minerals earnings provided most of this earnings increase, significant additional earnings were contributed by the manufacturing operations.

Noranda's net earnings do not reflect $453 million of after tax gains arising mainly from the sale of non-strategic assets, as these were substantially offset by provisions against the carrying values of certain assets.

Noranda Minerals

Noranda Minerals recorded an operating profit of $299 million in 1987 compared to $47 million in 1986. Generally higher precious and base metals prices and volumes coupled with continuing productivity improvements and the relative absence of strikes in 1987 contributed to the improved results.

During 1987 the new Hemlo Golden Giant mine averaged 2,435 tonnes per day of mill throughput and in so doing produced 370,000 ounces of gold at a cash cost of US$95 per ounce. Full milling capacity of 3,000 tonnes of ore per day is expected to be achieved by the end of 1988.

Noranda maintained an $80 million exploration program in 1987. Exploration activity in recent years has identified a significant portfolio of promising deposits.

Noranda Energy

Noranda Energy's operating profit, based solely on Canadian Hunter's operations in 1987, was $10 million compared to $17 million in the prior year. Depressed gas prices and volumes continued to be the primary reasons for the low earnings. The year end acquisitions by Noranda of the interests in Norcen and North Canadian Oils will add materially to Noranda Energy's earnings. Had these acquisitions been completed at the beginning of 1987 Noranda Energy's operating earnings would have been $114 million.

The recent acquisitions, together with interests previously held, place Noranda Energy among Canada's top ten companies in terms of oil and gas reserves.

Noranda Forest Inc.

Noranda Forest is owned 81% by Noranda. Noranda Forest's operating earnings in 1987 were $508 million compared to $318 million in 1986. The absence of strikes in 1987, satisfactory North American housing starts and increased lumber exports, combined with strong newsprint, containerboard and pulp demand, all helped to sustain a high level of machine and mill utilization throughout the year. The earnings performances of MacMillan Bloedel, James Maclaren Industries and Northwood Pulp and Timber were particularly noteworthy.

Several major capital expenditure programs are currently underway at MacMillan Bloedel including a fourfold expansion of Parallam capacity in Canada and a new plant in the United States for the same product. The development of Parallam has established MacMillan Bloedel as the world's leader in reconstituted lumber. James Maclaren is currently expanding its annual newsprint capacity by about 11%. A major modernization of Fraser's Madawaska mill is also currently underway.

Noranda Manufacturing

Noranda's manufacturing activities recorded improved operating earnings in 1987 of $121 million compared to a loss of $2 million in 1986. Higher aluminum ingot prices accounted for most of the improved results.

During 1987 the aluminum smelter in New Madrid, Missouri, operated at over 93% of capacity and was running at close to 100% by year end. Wire and cable operations recorded improved earnings as a result of better markets and operating efficiencies. Satisfactory performance was also achieved by Noranda Metals.

Outlook

The extended world economic recovery and its recent strong capital expenditure component has generally eroded surplus commodity inventories. The prospects for continued economic growth and the ongoing weakness in North American currencies also have favourable implications for Noranda's earnings in 1988.

Westmin Resources Limited: 73%

Westmin is a natural resources exploration and production company with interests in oil and gas, base and precious metals, coal and industrial minerals.

Summarized Financial Information

millions	1987	1986	1985
Total assets	**$ 825**	$ 889	$ 895
Shareholders' equity	**396**	397	384
Gross revenues	**190**	190	170
Cash flow from operations	**57**	52	80
Net income	**22**	9	30
Earnings (loss) per share	**$0.12**	$(0.21)	$0.40

Westmin reported earnings of $22 million in 1987 compared to $9 million in the prior year, a 144% increase. Improved petroleum division earnings combined with lower interest expense and higher investment income resulted in the 1987 earnings improvement.

Westmin Petroleum

Operating profit rose to $25 million from $22 million in 1986 as higher oil prices and lower royalty rates more than offset sharply lower gas prices. Oil and gas sales volumes were slightly higher than 1986. The average price received for oil was $17.35 per barrel compared to $14.06 in 1986 while the average gas price realized was $1.65 per mcf. compared to $2.29 in the prior year.

In 1987 Westmin sustained natural gas cash flows by reducing operating costs, scheduling gas production from its royalty exempt freehold lands and by preferentially producing gas containing high volumes of natural gas liquids. Westmin is one of the largest owners of freehold land in Canada.

During the year Westmin drilled 74 wells, resulting in 44 oil and 14 gas wells for a success ratio of 78%. Gross proven and probable oil and natural gas liquids reserves were 100 million barrels at the end of 1987 while proven and probable gas reserves totalled 634 bcf.

Westmin Minerals

Precious and base metals operating profit was $10 million in 1987 compared to $11 million in 1986. The beneficial effects of higher average precious and base metals prices were offset by a decline in head grades arising from the processing of development ore and a stronger Canadian dollar. In addition to the reported level of operating earnings, Westmin's minerals operations also contributed gains of $3 million, arising mainly from sales of investments.

During 1987 work proceeded on the expansion of the H-W mine/mill complex on Vancouver Island to 4,000 tonnes of ore per day from 3,000 tonnes with completion scheduled for the fall of 1988.

A decision was also made to proceed with development of the Premier Gold Project near Stewart, British Columbia at a rate of 2,000 tonnes of ore per day. Initial production is scheduled for early 1989. Westmin has a 50.1% interest in this project.

The 1987 exploration program yielded encouraging results, the most promising being on the Debbie gold property near Port Alberni on Vancouver Island where commencement of a 1.9 kilometre exploration adit is planned for 1988.

Operating profit from coal and industrial minerals was $6 million in 1987 compared to $7 million in 1986 as a result of a one time royalty rate adjustment. Westmin continued to supply coal to Alberta's major power stations under take-or-pay production royalty contracts. The recoverable thermal coal reserves in Westmin's freehold land are approximately 420 million tons.

Strategic Initiatives

As a result of Westmin's increased direct precious metals exploration and production exposure, the company sold its block of 3.2 million common shares of Lacana Mining Corporation to Royex Gold Mining Corporation in February, 1987 for a total consideration of $34.7 million.

Encouraged by the increasing value of growing reserves and the potential of other areas in the Foothills Belt of California, Westmin decided to exchange its earned interest in the Blue Moon precious and base metals property in California for a 25.5% direct interest in Colony Pacific Explorations Ltd. and an increase in its net profits interest in the Blue Moon property to 10% from 7.25%. The 1987 exploration program on the Blue Moon property yielded significant increases in both volume and grade of probable and inferred reserves.

Outlook

During 1988 Westmin's mining plan anticipates an increased level of operations in the copper rich area of the H-W orebody. Higher copper production in 1988, coupled with the opportunity presented by recent increases in copper and gold prices to sell forward at attractive prices, should result in a material increase in Westmin's mineral earnings in 1988.

While gas volumes in 1988 should broadly conform to 1987 levels, increased oil production will contribute towards improved petroleum earnings. An aggressive $60 million petroleum exploration and development program is planned for 1988.

Consolidated Balance Sheet

December 31 millions	note	1987	1986
Assets			
Cash and short-term investments		**$ 80.4**	$ 119.5
Receivables and other assets	2	**105.8**	125.6
Corporate investments	3	**1,673.5**	1,566.8
Property and equipment	4	**687.1**	690.7
		$2,546.8	$2,502.6
Liabilities			
Bank indebtedness		**$ 15.6**	$ 8.9
Accounts payable and other		**45.4**	33.7
Term debt	5	**400.7**	477.4
		461.7	520.0
Deferred Credits	7	**151.2**	213.5
Minority Interest		**445.9**	443.7
Shareholders' Equity	6	**1,488.0**	1,325.4
		$2,546.8	$2,502.6

On behalf of the Board:

J. Trevor Eyton, Director

Michel Grignon, Director

Consolidated Statement of Operations

Years ended December 31

millions	note	1987	1986
Income			
Operating revenues		$177.0	$ 180.2
Investment and other income		14.4	12.3
Equity in income of Noranda Inc.		127.4	(105.6)
		318.8	86.9
Expenses			
Operating		102.6	109.0
Depletion and depreciation		41.1	45.2
Interest		35.2	41.2
Income and resource taxes	8	0.8	(5.5)
Minority interest		30.4	27.6
		210.1	217.5
Net income (loss) for year		$108.7	$(130.6)
Earnings (loss) per common share		$1.22	$(3.39)

Consolidated Statement of Retained Earnings

Years ended December 31

millions	note	1987	1986
Balance, (deficit) beginning of year		$ —	$(350.5)
Income (loss) for year		108.7	(130.6)
		108.7	(481.1)
Preferred dividends		(45.9)	(43.5)
		62.8	(524.6)
Share issue costs		(0.1)	—
Capital reduction	11	—	524.6
Balance, end of year		$ 62.7	$ —

Consolidated Statement of Changes in Financial Position

Years ended December 31 millions	note	1987	1986
Provided from operations	10	**$101.1**	$ 86.5
Provided from financing			
Shares issued		**99.9**	—
Term debt		**(76.7)**	88.6
Minority interest		**2.2**	26.9
		25.4	115.5
Used for investing			
Corporate investments		**89.6**	98.5
Property and equipment		**37.5**	36.9
Other		**(38.4)**	(29.4)
		88.7	106.0
Dividends			
Corporate		**45.9**	43.5
Minority interest		**31.0**	31.7
		76.9	75.2
Cash and short-term investments			
Increase (decrease)		**(39.1)**	20.8
Balance			
Beginning of year		**119.5**	98.7
End of year		**$ 80.4**	$119.5

Auditors' Report

To the Shareholders:

We have examined the consolidated balance sheet of Brascade Resources Inc. as at December 31, 1987 and the consolidated statements of operations, 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, 1987 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.

Touche Ross & Co.

Toronto, Canada
March 1, 1988

RAYMOND, CHABOT, MARTIN, PARÉ

Chartered Accountants

1. Summary of Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Accounting for Investments

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the company and all of its subsidiaries including a 73% (58% fully diluted) interest in Westmin Resources Limited.

The costs of acquiring each subsidiary are allocated to its identifiable net assets on the basis of estimated fair values at the date of purchase.

Corporate Investments

Investments in which significant influence exists are carried on the equity method.

Equity in the income of corporate investments is based on income as reported by the investee adjusted for the amortization of the difference between acquisition costs and underlying net book value of the investee's assets. The accounting policies of investees are, in all material respects, in accordance with those of the company.

The unamortized excess of acquisition costs over underlying net book value of the assets acquired amounting to $319.8 million (1986 – $443.9 million) relates principally to property and equipment and is being amortized where appropriate over the estimated useful lives of the related assets.

Short-term Investments

Short-term investments, which consist mainly of common and preferred shares, are carried at the lower of cost and market value. At December 31, 1987 cost approximates market value.

Joint Venture Accounting

Substantially all exploration activities and oil and gas production are conducted jointly with others and accordingly the accounts reflect only the proportionate interests in such activities.

Petroleum Properties and Equipment

The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas properties, including plant and equipment costs, are capitalized by cost centre on a country by country basis. Such costs are amortized using the unit of production method based on estimated proven reserves. The costs of unproved properties are excluded from costs to be depleted pending determination of reserves. Capitalized costs are generally limited to the value of future net revenues from estimated production of proved oil and gas reserves plus the costs of unproved properties with reductions for applicable administration, financing and income tax costs.

Mining and Mineral Exploration

Mineral exploration costs pertaining to individual mineral prospects are charged to income as incurred until an economic orebody is defined or brought into production. The costs of mine plant and equipment, together with mineral exploration costs and capitalized interest, are amortized based on the unit of production method over the estimated life of the ore reserves.

Concentrate Settlements Receivable and Concentrate Inventory

Concentrate settlements receivable and concentrate inventory are valued at current metal prices less provision for estimated market adjustments, treatment and marketing charges.

Interest Costs

Interest costs attributable to major capital expansion and development projects are capitalized until commercial production has commenced.

Income and Resource Taxes

The company follows the tax allocation method of accounting for corporate income and resource taxes, whereby deferred taxes are provided to the extent that current taxes have been reduced by claiming amounts, primarily exploration and development costs and capital cost allowances, in excess of the related depletion and depreciation recorded in the accounts.

2. Receivables and Other Assets

millions	1987	1986
Receivables of which $22.7 million (1986 – $22.7 million) are due within one year	$ 72.2	$ 68.5
Investment in Lacana Mining Corporation	—	31.9
Concentrate settlements and inventory	15.5	11.1
Other	18.1	14.1
	$105.8	$125.6

Receivables due beyond one year include the present value of payments due under instalment sale and royalty agreements.

3. Corporate Investments
The company holds 64,274,556 common shares of Noranda Inc. (1986 – 63,655,936) and the equivalent of 8,136,749 common shares (1986 – 5,993,892) in the form of convertible preferred shares and debentures representing a fully diluted 35% (1986 – 42%) interest.

In December Noranda Inc. issued 34,795,750 common shares to acquire a 38% interest in Norcen Energy Resources Limited and a 49% interest in North Canadian Oils Limited. As the company did not participate in this transaction, its ownership interest declined from 45% to 35% resulting in a $43 million loss on dilution which has been deducted, together with other purchase discrepancy adjustments, from the provision for restructuring referred to in note 7.

4. Property and Equipment

	1987			1986
millions	Cost	Accumulated depreciation and depletion	Net	Net
Petroleum	$584.2	$167.2	$417.0	$426.7
Mining	313.7	49.9	263.8	257.5
Coal properties and other	10.1	3.8	6.3	6.5
	$908.0	$220.9	$687.1	$690.7

Unproved properties amounted to $32.2 million at December 31, 1987 (1986 – $38.5 million).

5. Term Debt
Westmin Resources Limited has a $167.5 million project financing facility for the H-W mine/mill complex at Myra Falls, British Columbia. This facility bears interest at floating rates and is repayable over six years subject to earlier repayment from available project cash flows. The loan is secured, on a non-recourse basis, by the project assets.

Westmin Resources Limited has a $54.0 million project financing facility for the acquisition of the Sundance properties. This facility bears interest at floating rates and repayments are made from the cash flows of the Sundance properties with a final maturity date of January 1, 1993. The loan will be secured after all conditions have been met, on a non-recourse basis, by the acquired properties.

Westmin Resources Limited also has a $150.0 million credit facility. The unsecured loan bears interest at varying rates and may be drawn on a revolving basis and is convertible to a five-year term loan. At December 31, 1987, $52.5 million was outstanding. In addition Westmin has a $33.0 million unsecured operating line of credit of which $14.1 million was drawn at December 31, 1987.

The company has a $121.5 million unsecured credit facility bearing interest at prime rates which may be drawn down on a revolving basis until June 30, 1988 at which time it is convertible to term loans repayable in ten semi-annual instalments. At December 31, 1987, $112.6 million was outstanding.

6. Shareholders' Equity
Share capital consists of:

Authorized:

- Unlimited Senior preferred shares issuable in series
- Unlimited Preferred shares issuable in series
- Unlimited Junior participating preferred shares
- Unlimited Common shares

Issued and outstanding:

millions	1987	1986
3,891,406 Convertible preferred shares, Series A (1986 – 12,081,146)	$ 155.6	$ 483.2
10,683,113 Convertible preferred shares, Series B (1986 – Nil)	427.3	—
51,410,229 Common shares (1986 – 51,406,602)	811.4	811.2
	1,394.3	1,294.4
Contributed surplus	31.0	31.0
Retained earnings	62.7	—
	$1,488.0	$1,325.4

In 1987, Series A preferred shareholders were granted the right to convert their shares into new Series B preferred shares resulting in 8,182,938 Series A shares being converted to Series B preferred shares. In addition the company issued 2,500,000 Series B shares from treasury for $100 million cash.

Other changes in the number of outstanding shares represent retractions and conversions to common shares.

The following rights and privileges apply to the convertible preferred shares:

(i) entitlement to cumulative quarterly dividends calculated on the issue price of $40 per share at a variable rate, equal to 1½% plus ½ of the average daily prime lending rate of a specified Canadian chartered bank, subject to a minimum rate on an annual basis of 9% for the Series A and 8% for the Series B;

(ii) the Series B shares are retractable by the holders on September 30, 1997 at $40 per share plus accrued and unpaid dividends thereon;

(iii) redeemable at any time at prices declining from $41.60 to $40 per share in 1991 plus accrued and unpaid dividends thereon;

(iv) fully voting on the basis of one vote per share; and

(v) convertible at the option of the holders into one common share for each preferred share on or prior to September 30, 1991 for the Series A shares and September 30, 1997 for the Series B shares.

The attributes of the senior preferred shares will be determined by the directors of the company on issuance.

The junior participating preferred shares will be entitled to a fixed, preferential, non-cumulative, quarterly dividend of $0.05 per share, and to participate fully with the quarterly common share dividends above $0.05 per share.

7. Deferred Credits

Deferred credits comprise deferred taxes of $114.2 million (1986 – $113.5 million) and a $37.0 million (1986 – $100.0 million) provision to cover the cost of restructuring the company's natural resource interests.

8. Income and Resource Taxes

Income and resource taxes are as follows:

millions	1987	1986
Income taxes –		
Deferred	$0.3	$(3.1)
Other	—	(2.8)
	0.3	(5.9)
Resource taxes	0.5	.4
	$0.8	$(5.5)

The difference between the approximate statutory rate and the effective rate is attributable to non-taxable investment income, resource and depletion allowances and non-deductible expenses.

The company has incurred non-capital tax losses of approximately $54 million which will expire between 1988 and 1994.

9. Commitments and Contingencies

Westmin Resources Limited is committed under a defined benefit pension plan. As at December 31, 1987 the value of the pension fund assets is $12.0 million. The actuarial present value of accrued pension benefits is $12.0 million.

10. Other Information

(a) Segmented information for consolidated operations:

millions	1987	1986
Gross operating revenues		
Oil and gas	$ 90.6	$ 90.8
Mining	86.5	86.4
Income before interest and taxes		
Oil and gas	25.3	22.4
Mining	15.0	14.8
Identifiable assets		
Oil and gas	401.0	408.9
Mining	302.6	289.8
Capital expenditures		
Oil and gas	14.6	30.5
Mining	22.5	5.6

(b) Funds from operations:

	1987	1986
Net income (loss)	$ 108.7	$(130.6)
Add (deduct) non-cash items –		
Depletion and depreciation	41.1	45.2
Deferred income taxes	0.3	(3.1)
Minority interest	30.4	27.6
Equity in undistributed income of Noranda Inc.	(80.1)	147.5
Other	0.7	(0.1)
	$ 101.1	$ 86.5

(c) The company and its associates arrange investment transactions among themselves without cost and all financing transactions are at normal market terms. At December 31, 1987, cash and short-term investments included $48.0 million (1986 – $51.3 million) of securities of associates. Income from securities of associates amounted to $3.0 million (1986 – $2.6 million).

11. Capital Reduction

Effective December 31, 1986 the stated capital of the common shares of the company was reduced by $724.6 million eliminating the deficit of $524.6 million at that date and retroactively reducing the carrying value of the investment in Noranda Inc. by $200.0 million.

12. Comparative Figures

Certain of the prior year's accounts have been reclassified to conform with the 1987 presentation.

Directors

Edward M. Bronfman
Toronto
Chairman
Hees International Corporation

Peter F. Bronfman
Toronto
Chairman
Edper Enterprises Ltd.

Jack L. Cockwell
Toronto
Executive Vice-President and
Chief Operating Officer
Brascan Limited

Gilles M. Dionne
Saint-Bruno
Consulting Geologist

René Dufour
Montreal
University Professor
École Polytechnique de Montréal

Robert A. Dunford
Aurora
Executive Vice-President and
Chief Administrative Officer
Brascan Limited

J. Trevor Eyton, O.C., Q.C.
Toronto
President and Chief Executive Officer
Brascan Limited

Michel Grignon
Montreal
Senior Vice-President
Caisse de dépôt et placement du Québec

Pierre Lamy
Montreal
Economic and Financial Consultant

Paul M. Marshall
Toronto
Vice-Chairman
Brascan Limited

Harold M. Wright, C.C.
Vancouver
Chairman
Wright Engineers Limited

Robert G. Yeoman
Toronto
Vice-President, Corporate Development
Brascan Limited

Officers

J. Trevor Eyton
Chairman

Michel Grignon
Deputy Chairman

Paul M. Marshall
President

Jack L. Cockwell
Vice-President, Finance

Gilles M. Dionne
Vice-President

Pierre Lamy
Vice-President and Secretary

F.W. Orde Morton
Associate Secretary

Robert P. Simon
Vice-President and Treasurer

Robert G. Yeoman
Vice-President, Corporate Development

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Chairman and Chief Executive Officer

David W. Kerr
President

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J. Trevor Eyton, Chairman

Paul M. Marshall
President and Chief Executive Officer

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