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BRENDA MINES LTD.

*Annual Report*

1992

**noranda** group





# BRENDA MINES LTD.

2281 Hunter Road  
Kelowna, British Columbia

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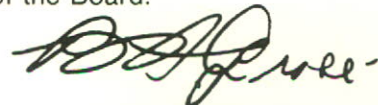
## NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BRENDA MINES LTD. (the Company) will be held in the Seymour Room, Hyatt Regency Hotel, Vancouver, British Columbia, on Friday, the 7th day of May, 1993 at the hour of 11:30 o'clock a.m., Vancouver time, for the following purposes:

1. To receive the Financial Statements of the Company for the year 1992 and the report of the Auditors thereon;
2. To elect Directors; and
3. To appoint Auditors and authorize the Directors to fix their remuneration.

If you are unable to attend the Meeting, kindly sign and return the form of proxy accompanying this Notice. A proxy to be valid must be deposited at the office of The R-M Trust Company, 1177 West Hastings Street, Concourse Level, Vancouver, B.C., V6E 2K3 at or before the hour of 11:30 o'clock a.m., Vancouver time, on the 5th day of May, 1993.

By Order of the Board.



B. H. GROSE,  
Secretary.

DATED this 18th day of March, 1993.

# BRENDA MINES LTD.

2281 Hunter Road  
Kelowna, British Columbia

## INFORMATION CIRCULAR

(as at and Dated March 18, 1993)

### PERSONS MAKING THE SOLICITATION

The solicitation is made by the management of the Company, and the cost of the solicitation will be borne by the Company.

### VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The voting securities of the Company are entitled to one vote each, and the number outstanding is 4,887,242.

Only members of record on the date of mailing of the Notice will be entitled to vote at the meeting.

To the knowledge of the directors and senior officers of the Company, the following persons beneficially own, directly or indirectly, or exercise control or direction over, voting securities carrying more than ten percent of the voting rights attached to all voting securities of the Company carrying the right to vote.

<u>Name and Address</u>	<u>Number of Voting Securities</u>	<u>Percentage of Outstanding Voting Securities</u>
Noranda Inc., P.O. Box 755, BCE Place 181 Bay Street, Toronto, Ontario	3,717,734	76%

### ELECTION OF DIRECTORS

The term of office of each director of the Company will expire at the next Annual General Meeting of the Company, unless sooner terminated.

The nominees proposed for election as directors are:

<u>Name and Position with Company</u>	<u>Director Since</u>	<u>No. of Voting Securities Held</u>	<u>Present Occupation and Employer</u>
Bernard O. Brynelsen* Chairman of the Board and Director — Canada	1956	37,028	Retired
David L. Bumstead President and Director — Canada	1992	Nil	Executive Vice-President, Noranda Minerals Inc. (mining company) since October 1989 and President, Noranda Sales Corporation Ltd. (marketing) since July 1990; Vice-President, Noranda Minerals Inc. from April 1987 to October 1989

<u>Name and Position with Company</u>	<u>Director Since</u>	<u>No. of Voting Securities Held</u>	<u>Present Occupation and Employer</u>
John M. Gordon Director — Canada	—	Nil	Retired since November 1992; Executive Vice-President, Mining Operations, Noranda Minerals Inc. prior thereto. Previously Director of the Company from May 1986 to October 1992.
Keith C. Hendrick* Director — Canada	1987	Nil	Retired
Gordon H. Montgomery* Director — Canada	1974	200	Retired
Horace B. Simpson Director — Canada	1973	Nil	Director, Okanagan Skeena Group Limited (Broadcasting, property development and management)

\*Member of the Audit Committee.

The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective nominees.

#### **STATEMENT OF EXECUTIVE COMPENSATION**

The Corporation does not pay its executive officers directly. Management and other services are provided to the Corporation by Noranda Minerals Inc. for a fee. The fee for these services in 1992 was \$183,000.

#### **DIRECTORS' REMUNERATION**

Each Director of the Company shall be paid remuneration for his services as a Director the sum of \$2,500 per annum to be paid quarterly, plus \$625 for each meeting of the Board of Directors attended by him excluding organizational meetings.

#### **MANAGEMENT CONTRACTS**

(a) By agreement dated and effective as of July 11, 1986, the Company appointed Noranda Minerals Inc., Toronto, Ontario, as Manager and Supervisor of the business and operations of the Company, such management and supervision to always be subject to general directions from the Company's Board of Directors. The agreement is to remain in force and effect from year to year unless and until terminated by either party on not less than twelve (12) months' written notice.

The management of the Company understands that Brascan Limited and associated companies own 93,629,999 Common Shares (48.6%), 5,504,308 Series C Preferred Shares and Convertible Debentures convertible into 2,142,855 Common Shares of Noranda Inc.

#### **REVOCABILITY OF PROXY**

A member giving a proxy has the power to revoke it in any manner permitted by law.

#### **USE OF PROXY**

A proxy to be valid must be deposited at least forty-eight hours, excluding Saturdays and holidays, before the time of the meeting at the office of the Company's Transfer Agent and Registrar, The R-M Trust Company, 1177 West Hastings Street, Concourse Level, Vancouver, B.C., V6E 2K3.

If the instructions contained in a Form of Proxy are certain, the shares represented by the proxy shall be voted on any ballot and, where a choice is specified, in accordance with the specification so made. **If no choice is specified with respect to any matter referred to herein, it is intended on a ballot to vote such shares in favour of each such matter.**

The proxy confers discretionary authority with respect to amendments or variations to matters referred to herein and to other matters which may properly come before the meeting.



A member has the right to appoint a person, who need not be a member, to attend and act for the member and on the member's behalf at the Meeting, other than the person designated in the form of proxy and may do so by inserting such other person's name in the blank space provided in the form of proxy.

#### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Company maintains directors' and officers' liability insurance coverage through a policy covering Noranda Inc. and certain subsidiary and associated companies, which has an annual aggregate policy limit of \$10 million, subject to a corporate deductible of \$5 million per loss. Generally, under this insurance coverage, the Company is reimbursed for indemnity payments made to its directors or officers as required or permitted by law for losses, including legal costs incurred by officers and directors in their capacity as such. This policy also provides coverage directly to individual directors and officers without any deductible if they are not indemnified by the Company. The insurance coverage for directors and officers has certain exclusions including libel and slander and those acts determined to be deliberately fraudulent or dishonest or to have resulted in personal profit or advantage. The policy was effective November 1, 1992. The Company's share of the annual premium was \$3,000.00 and was payable entirely by the Company. Of this, an estimated \$1,667 was payable in respect of its directors as a group and \$1,333 was payable in respect of its officers as a group. The policy term is 12 months with automatic renewal, unless otherwise terminated, for four subsequent 12 month terms at premiums to be established on each renewal.

#### **APPOINTMENT OF AUDITORS**

The persons named in the form of proxy enclosed with the Notice of Meeting intend to vote for the appointment of Ernst & Young, Chartered Accountants, as auditors of the Company at a remuneration to be fixed by the directors.

#### **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

The Company has investments in the Noranda Group companies. The Company participates in a short-term investment pool with the Noranda Group and at December 31, 1992 the Company had invested \$51,500,000 in the pool. The Company also has an investment of \$50,000,000 in Floating/Adjustable Rate Cumulative Redeemable Class A Preferred Series 1 shares of Noranda Forest Inc.

These investments are set out in detail in the Notes to the Consolidated Financial Statements prepared for the year 1992 by the Company's auditors, Ernst & Young.



B. H. Grose, Secretary

The latest Annual Information form of the Company filed with the Securities Commissions or similar authorities in Canada is available (without charge to holders of common shares of the Corporation) upon request to The Secretary, Brenda Mines Ltd., P.O. Box 755, B.C.E. Place, 181 Bay Street, Toronto, Ontario, M5J 9Z9.

## BRENDA MINES LTD.

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<b>Directors:</b>	B. O. Brynelsen*	Vancouver, B.C.
	D. L. Bumstead	Toronto, Ont.
	K. C. Hendrick*	Toronto, Ont.
	G. M. Montgomery*	Vancouver, B.C.
	H. B. Simpson	Kelowna, B.C.
<b>Officers:</b>	Chairman of the Board	B. O. Brynelsen
	President	D. L. Bumstead
	Secretary	B. H. Grose
	Treasurer	A. R. Thomas
	Comptroller	T. J. Harrison
	Assistant Treasurer	B. C. Bone

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\*Members of Audit Committee

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### Records Office:

2281 Hunter Road,  
Kelowna, B.C.

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### Transfer Agent and Registrar:

R-M Trust Company,  
1177 West Hastings St.,  
Vancouver, and Royal  
Trust Tower, King Street,  
Toronto, Canada

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### Annual Meeting:

May 7, 1993, 11:30 a.m.  
Seymour Room, Hyatt  
Regency, Vancouver, B.C.

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## DIRECTORS' REPORT TO SHAREHOLDERS

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The company earned \$2.9 million, or \$0.58 per share in 1992. This compares to a loss of \$1.9 million, or \$0.38 per share in 1991, which included an additional provision of \$11 million for mine closure. The 1992 results reflect lower production volumes from the oil holdings in the Timor Sea, a decrease in revenues from the Process Technology group and reduced investment income due to declining interest rates. Costs included a further addition to the funding provided for mine closure and site reclamation, but in total were substantially lower than in 1991.

At the minesite, work continued on the removal of buildings and other structures, and the sale of equipment. Further revegetation activity included the reinforcement, fertilizing and seeding of the tailings beach areas and the rock piles, and the planting of trees and shrubs. Water run-off from rock piles and tailings ponds continues to be collected and pumped into the mine pit.

By year end a draft Mine Decommissioning Report had been completed for review with provincial and federal government officials. Further testwork on various processes to treat molybdenum bearing water currently being collected in the pit will be carried out during the summer.

Oil production from the mature Jabiru and Challis fields in the Timor Sea continued to decline, and Brenda's share amounted to an average of 480 barrels per day, down 26 per cent from 1991 results. This rate of decline is expected to continue. The mineral exploration joint venture with Minnova was completed by year end. Total expenditures amounted to \$0.9 million and there were no discoveries of significant value. No further exploration activity is planned for 1993.

The activities of the Process Technology group were expanded to include minesite decommissioning and reclamation services as well as services relating to process development, control, instrumentation and maintenance. Revenues were down by more than 20 per cent from the 1991 level, reflecting funding constraints in the mining sector in North America, but new projects in China and Latin America resulted in an improvement towards the end of the year.

The Directors recognize the continuing dedication and contribution of the Company's employees and wish to record their appreciation.

On behalf of the Board.



D. L. BUMSTEAD  
President



## MANAGEMENT DISCUSSION AND ANALYSIS 1992

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### RESULTS OF OPERATIONS

<i>Highlights</i>	Earnings were \$2.9 million or 58 cents per share in 1992 compared to a net loss of \$1.9 million or 38 cents per share in 1991. Revenues continue from oil interests near Australia and short-term investments.
<i>Oil Operations</i>	The Company's oil interest consists of a 1.09% joint venture interest in the Jabiru, Challis and Cassini projects in the Timor Sea off the coast of northwestern Australia. Brenda's share of crude oil sales decreased to 484 barrels per day in 1992 from 650 barrels per day in 1991 due to the declining field production rate. The average price realized decreased to \$25.67 per barrel in 1992 from \$25.92 per barrel in 1991. The combination of the lower price and decreasing volumes resulted in revenues decreasing to \$4.5 million in 1992 from \$6.2 million in 1991, while operating costs decreased to \$1.4 million from \$1.8 million. Operating income from the oil operations was reduced to \$3.1 million in 1992 from \$4.3 million in 1991. The oil operations contributed \$1.2 million to cash flow in 1992 compared to \$0.3 million in 1991.
<i>Investment and Other Income</i>	Interest and dividend income decreased as a result of the average Canadian prime rate of interest falling to 7.43% in 1992 compared to 9.68% in 1991.  The revenues of the Brenda Process Technology group were adversely affected by the general economic slowdown, particularly during the first half of the year. Revenues were \$2.2 million compared to \$2.8 million in 1991 resulting in a breakeven position on an operating basis for the year. These activities are not yet significant enough to constitute a separate business segment and are included with other income.
<i>Mine Decommissioning Activities</i>	During the year, expenditures for reclamation of the property of \$5.6 million, partially offset by \$1.1 million in proceeds from asset sales, resulted in a decrease in the provision for mine closure costs from \$18.7 million to \$14.2 million. Following Management's annual review of the decommissioning budget, a further \$3.5 million was then provided for possible additional future costs relating to site water management, resulting in the year-end accrual of \$17.7 million.
<i>Exploration Activities</i>	Mineral exploration expense decreased to \$0.9 million in 1992 from \$2.5 million in 1991 due to lower spending in both the Noranda Exploration and Minnova Inc. Joint Ventures.
<i>Financial Position, Liquidity and Changes in Financial Position</i>	The Company's financial position continues to remain strong. Net assets increased to \$100.2 million at the end of 1992 from \$97.4 million at the end of 1991 due to asset sales. Included in net assets at the end of 1992 was \$102.1 million of cash and short-term investments compared to \$100.6 million at the end of 1991.

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***Future  
Prospects***

The Company has \$102.1 million in cash and short term investments and no debt at the end of 1992. It is the Company's intention to maintain its existing investments, always subject to an ongoing determination that they are earning the best possible return.

Oil production is forecast to be lower in 1993 with Brenda's share of annual production estimated at 150,400 barrels compared to 177,036 barrels in 1992. The forecast price for 1993 is \$25.60 per barrel. A variance of \$1.00 in the selling price would affect earnings by approximately \$200,000.

Mineral exploration expenditures will decline again in 1993. The joint venture with Noranda Exploration has been terminated and the joint venture project with Minnova was completed at the end of 1992. At present, there are no plans to undertake any further mineral exploration in 1993.

By year-end, a final draft of the Mine Decommissioning Plan was completed and submitted to the representatives of the relevant federal and provincial government ministries for their consideration in January 1993. While the majority of the reclamation program is defined, there are still some uncertainties principally in the area of water management. Molybdenum bearing water from the site is subject to a variety of quality objectives downstream of the mine. Several options have been submitted as part of the decommissioning plan and selection of the most appropriate one is likely to require one to two years of test work. The current estimate of closure costs is based on compliance with existing reclamation standards and practice, but is subject to annual re-assessment based on the results of future test work and new information. The ultimate closure cost is uncertain and may exceed the amount currently provided.



## MINE DECOMMISSIONING REPORT

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By year end, the final draft of the Mine Decommissioning Report describing all aspects of the closure was completed. The first step in the approval process for this document will occur in early 1993 when it will be reviewed by the Brenda Technical Working Committee. Comprised of representatives of various provincial and federal government ministries and company personnel, this group will assess the completeness and sufficiency of the decommissioning plan.

Work in support of site closure continued along the lines established in 1991, principally equipment sales and building removal, revegetation, and water management test work.

Equipment sales were \$2.4 million, of which \$1.1 million has been paid, bringing total sales to \$12.1 million since the mine ceased operation. While some equipment remains to be sold, the bulk of the values have now been achieved. To date, the primary crushing and screening buildings, the secondary screening building, and the transfer tower and associated conveyor galleries have been removed.

A detailed evaluation for converting a portion of the site to an industrial park was completed. While of potential future interest, it was decided to avoid any complications to the closure permitting process and the concept will therefore be held in abeyance until the necessary permits have been obtained.

Fertilization of formerly seeded areas was conducted and will continue for several more years until the revegetation is self supporting. To date, 141 of 151 hectares of tailings beach have been seeded and nearly 200,000 trees and shrubs have been planted.

Management of the molybdenum bearing waters from the site poses the biggest challenge in the decommissioning process. A number of leading edge biological and chemical processes were investigated with the most promising to be further evaluated. Summer field trials using a passive biological process were augmented by winter laboratory tests. A comprehensive field and laboratory program is currently in the design stage for next summer's test season. It is felt that one or two years will be required to determine if the processes are feasible on a full scale. Meanwhile, excess mine waters are being collected in the open pit, a reservoir which will permit storage for at least another decade.

By year end, the workforce consisted of 6 full time employees supported by a number of contracted service personnel. Seven employees were transferred to the Equipment Sales and service group, a new business offering by Brenda Process Technology. The success of the Brenda closure is due to the dedication to excellence of all employees, both past and present. To each goes a heartfelt thanks for a job well done.

## BRENDA PROCESS TECHNOLOGY

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During 1992, the management of the Mine, the Brenda Business Development Group, and the Process Technology Division was consolidated. A Director responsible for site environment was appointed to oversee mine closure. All business activities were assigned to Brenda Process Technology. To the core Process Control and Instrumentation sector was added a new business, Equipment Sales and Service. This combines the maintenance service started in 1991 with the activities developed at the mine site pertaining to equipment sales.

Brenda Process Technology will provide services to the mine on a competitive basis while building on an existing base of work outside the company.

The entire year was marked by a sluggish market for services as companies withheld funding from capital projects on all fronts. It was recognized early in 1992 that potential for business within the North American market was almost non-existent. The work that was available was subject to extreme competition with many projects going to bids below cost. Fortunately, marketing efforts offshore began to bear fruit by the last quarter of the year.

Revenues declined to \$2.2 million during 1992 from \$2.8 million in 1991. While an operating loss of \$123,000 was incurred for the year, the fourth quarter resulted in a profit of \$75,000, a trend which may be expected to continue through the coming year. Substantial projects are now underway in Guyana, the People's Republic of China, Chile, and the Dominican Republic. Potential projects may develop from contracts in Argentina and Indonesia.

It is evident that the success of Brenda Process Technology will be a function of:

- The excellence of the people employed and the delivery of quality services.
- A determination to maintain a consistent marketing program.
- An ability to adapt the services provided to changing customer requirements.

The latter is particularly challenging. A limited market study, conducted during 1992, indicates a significant business potential in the environmental field. The metallurgical laboratory set up in 1991 has been marginally successful on a business basis.

However, much of the work now being conducted is environmentally related. Similarly, a number of small instrumentation projects were completed in this same business area. The task during 1993 will be to develop this opportunity.

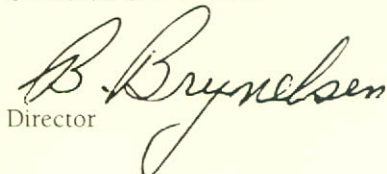


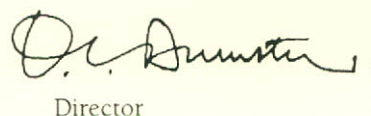
Brenda Mines Ltd.  
(Incorporated under the laws of British Columbia)  
**CONSOLIDATED BALANCE SHEETS**  
As at December 31

	1992	1991
	\$ (in thousands)	\$
<b>Assets</b>		
Cash	598	655
Short-term investments [note 2]	101,500	100,000
Accounts receivable [note 2]	8,106	5,503
Inventories	—	235
Prepaid expenses	62	93
Oil properties [note 3]	1,042	1,803
Income taxes recoverable	4,145	3,343
Property, buildings and equipment [note 4]	861	1,385
Deferred income taxes	4,359	4,164
	<u>120,673</u>	<u>117,181</u>
<b>Liabilities</b>		
Accounts payable	2,798	1,114
Provision for mine closure costs [note 6]	17,656	18,700
	<u>20,454</u>	<u>19,814</u>
Contingency [note 9]		
<b>Shareholders' equity</b>		
Capital stock		
Authorized		
100,000,000 preferred shares without nominal or par value		
100,000,000 common shares without nominal or par value		
Issued and outstanding		
4,887,242 common shares	14,350	14,350
Retained earnings	85,869	83,017
<b>Total shareholders' equity</b>	<u>100,219</u>	<u>97,367</u>
	<u>120,673</u>	<u>117,181</u>

See accompanying notes

On behalf of the Board:

  
Director

  
Director

Brenda Mines Ltd.

**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS**

Years ended December 31

	1992	1991
	\$ (in thousands)	\$
Revenue from sale of oil	4,542	6,150
Cost of production	574	572
Depreciation and amortization	1,029	1,295
Oil and mineral exploration expense	921	2,549
Mine closure expense <i>[note 6]</i>	3,500	11,055
Administration and general expense	253	1,208
	6,277	16,679
Operating loss	(1,735)	(10,529)
Writedown of investment in Vanderbilt Gold Corporation	—	(200)
Interest and other income <i>[note 2]</i>	3,013	4,158
Dividend income <i>[note 2]</i>	3,018	3,919
	6,031	7,877
Income (loss) before taxes	4,296	(2,652)
Income and other tax expense (recovery) <i>[note 8]</i>		
— current	1,639	2,606
— deferred	(195)	(3,387)
	1,444	(781)
<b>Net income (loss)</b>	<b>2,852</b>	<b>(1,871)</b>
Retained earnings, beginning of year	83,017	84,888
<b>Retained earnings, end of year</b>	<b>85,869</b>	<b>83,017</b>
Net income (loss) per share	0.58	(0.38)

*See accompanying notes*



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31

	1992	1991
	\$ (in thousands)	\$
<b>Operating Activities</b>		
Net income (loss)	2,852	(1,871)
Adjustments for items not affecting cash:		
Depreciation and amortization	1,029	1,295
Mine closure provision	3,500	11,055
Writedown of investment	—	200
Deferred taxes	(195)	(3,387)
Changes in balance sheet accounts related to operations	(917)	27
Mine closure expenditures	(5,673)	(5,484)
<b>Cash provided by operating activities</b>	<b>596</b>	<b>1,835</b>
<b>Investing Activities</b>		
Additions to oil properties	(128)	(133)
Additions to property, buildings and equipment	(114)	(44)
Proceeds from sale of property, buildings and equipment	1,089	3,860
Proceeds from disposal of other assets	—	150
<b>Cash provided by investing activities</b>	<b>847</b>	<b>3,833</b>
<b>Increase in cash position</b>	<b>1,443</b>	<b>5,668</b>
Cash position, beginning of year	100,655	94,987
<b>Cash position, end of year</b>	<b>102,098</b>	<b>100,655</b>

*Cash position comprises cash and short-term investments.*

*See accompanying notes*

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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The consolidated financial statements including the notes thereto and all the information in this annual report have been prepared by management and have been reviewed by the Audit Committee and approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. As financial statements include certain amounts based on estimates and judgments, management has determined such amounts on a reasonable basis to ensure that the consolidated financial statements are presented fairly in all material respects.

Management is responsible for the integrity of the internal accounting and administrative controls, to ensure that the financial information is relevant, reliable and accurate and that the company's assets are appropriately accounted for and adequately safeguarded. Management is responsible for preparation of the calculation of ore reserves; The Board of Directors is responsible for ensuring that management fulfils these obligations.

The Audit Committee is appointed by the Board of Directors and is comprised solely of outside directors. The Committee meets periodically with management, as well as with the independent auditors, to review and discuss auditing matters, financial reporting issues, and the consolidated financial statements of the annual report. The Committee reports its findings to the Board.

The consolidated financial statements have been audited in accordance with generally accepted auditing standards by Ernst & Young, the independent auditors, appointed by the shareholders. Ernst & Young has full and unrestricted access to the Audit Committee.



David L. Bumstead  
President



Alan R. Thomas  
Treasurer

### AUDITORS' REPORT

To the Shareholders of Brenda Mines Ltd.

We have audited the consolidated balance sheets of Brenda Mines Ltd. as at December 31, 1992 and 1991 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1992 and 1991 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the Company Act of British Columbia we report that, in our opinion, these principles have been applied on a consistent basis.

Vancouver, Canada,  
January 15, 1993.



Chartered Accountants



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1992 and 1991

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### *1. Summary of Significant Accounting Policies*

#### **Principles of consolidation**

The accompanying financial statements consolidate the accounts of Brenda Mines Ltd. and its wholly owned subsidiary, Brenda Inc.

#### **Joint venture interests**

The company has a 1.09% joint venture interest in the Jabiru, Challis and Cassini projects in the Timor Sea. This joint venture interest is accounted for by the proportionate consolidation method.

#### **Foreign currency translation**

Monetary assets and liabilities in foreign currency have been translated into Canadian dollars at the rate of exchange prevailing at year end. Other balance sheet items are translated at historical rates. Transactions during the year are translated at exchange rates prevailing at the date of the transaction. Exchange gains or losses relating to current items are included in earnings.

#### **Inventories**

Inventories are valued at the lower of average cost and replacement cost.

#### **Oil properties**

The company follows the successful efforts method of accounting for its oil properties. Acquisition costs of oil properties together with costs of drilling and equipping successful wells are capitalized. Shut-in well costs are capitalized pending commencement of production. Exploration expenditures, including geological and geophysical costs, annual rentals on exploratory acreage and dry holes are charged to expense.

#### **Depreciation and amortization**

Depreciation of property, buildings and equipment and amortization of deferred mine development costs are calculated on a straight line basis over their estimated useful lives. Additions, betterments and renewals are capitalized and expenditures for maintenance and repairs are charged to expense.

Capitalized costs of proven oil properties, production equipment and gathering systems are amortized on the unit of production method based on estimated recoverable reserves.

#### **Deferred exploration costs**

Mining exploration costs are charged against current earnings unless they relate to properties from which a production result is reasonably certain.

#### **Mine closure costs**

The company has provided for estimated mine closure costs for its Peachland mining operation on a straight line basis to the date of mine closure. Thereafter, periodic assessments of the adequacy of the provision are made and changes are charged to earnings. Gains or losses arising on disposition of depreciable mine assets and pension curtailments resulting from the mine closure are included in the determination of mine closure costs.

#### **Income taxes**

The company follows the tax allocation method of accounting for income and resource taxes. Taxes not currently payable, as a result of claiming for tax purposes amounts different from those recorded in the accounts, are charged against current earnings.

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### **Pension costs**

The company has two pension plans which cover substantially all employees. The company follows the accrued benefit actuarial method and best estimate assumptions to value benefit obligations.

Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employee groups. Current service costs are expensed in the period. Market related asset values are determined on a five-year average basis.

### **2. Related party transactions**

Noranda Inc. owns 76% [1991 — 69%] of Brenda Mines Ltd. The company participates in a number of transactions with Noranda and its affiliated companies (the Noranda Group). Details of significant transactions with the Noranda Group are set out below:

- [a] The Noranda Group acts as manager and provides technical and administrative services to the company. During the year \$188,300 [1991 — \$212,150] was paid for technical and administrative services.
- [b] The company participates in a short-term investment pool with the Noranda Group. The pool is operated to provide participating companies with the opportunity to invest or borrow funds on a short-term demand basis. Interest charges and credits are at market rates. "Market rates" earned on surplus

cash in the short-term investment pool are established monthly based on the average of the weekly rates for Banker's Acceptances and Commercial Paper as published by the Bank of Canada. At December 31, 1992 the company had invested \$51,500,000 [1991 — \$50,000,000] in the pool. At the year end \$339,000 [1991 — \$318,000] of interest was receivable and \$3,417,000 [1991 — \$4,424,000] of interest was included in income for the year.

- [c] Included in short-term investments is the company's investment of \$50,000,000 in 2,000,000 Floating/Adjustable Rate Cumulative Redeemable Class A Preferred Series 1 shares of Noranda Forest Inc. which were acquired in 1988. The Investment is carried at cost, which approximates market value. At the year end, \$815,000 [1991 — \$859,000] of dividends were receivable and \$3,018,000 [1991 — \$3,919,000] of dividends were included in income for the year.
- [d] The company, through its Business Development Group, provided consulting services to the Noranda Group during 1992 for which it charged \$1,179,000 [1991 — \$1,965,000]. Accounts receivable related to these revenues at December 31, 1992 amount to \$276,000 [1991 — \$519,000]. Fees for consulting services net of related expenses have been included in interest and other income.



### 3. Oil properties

Oil properties, at cost less accumulated depreciation and amortization are as follows:

(in thousands)	1992	1991
	\$	\$
Productive properties	100	100
Productive drilling	797	744
Tangible production equipment	5,213	5,139
	6,110	5,983
Less accumulated depreciation and amortization	5,068	4,180
	1,042	1,803

### 4. Property, buildings and equipment

Property, buildings and equipment, at cost less accumulated depreciation are as follows:

(in thousands)	1992	1991
	\$	\$
Buildings, equipment and related facilities	20,733	33,146
Mobile equipment	1,338	1,361
	22,071	34,507
Less accumulated depreciation	21,210	33,122
	861	1,385

### 5. Pension plans

The company maintains defined benefit pension plans which provide eligible employees with pensions based on length of service and average earnings. Hourly employees are members of a negotiated plan.

The most recent actuarial reports for the pension plans, which were based on projections of interest, employees' compensation levels and length of service to the time of retirement, indicate that the approximate present value of accrued benefits at December 31, 1992 was \$10,357,000 [1991 - \$11,774,000]. The pension fund assets at market related values at December 31, 1992 were \$10,011,000 [1991 - \$9,855,000].

### 6. Mine closure

In 1992 the company revised the estimated costs associated with the mine closure, primarily as a result of an estimated increase in vegetation and water reclamation costs. The 1992 charge for mine closure costs amounting to \$3,500,000 [1991 - \$11,055,000] is included in the statement of earnings. Actual reclamation costs are charged against the accumulated provision.

The company has estimated the current mine closure provision based upon information currently available. Such estimates are subject to yearly assessments based upon new information and technologies. The ultimate mine closure cost is uncertain and may be larger than the amount currently provided.



## 7. Segmented information

The company operates in two industries, mining and milling in British Columbia, and oil production in Australia.

Information regarding industry segments is set out below:

(in thousands)	1992	1991
	\$	\$
<b>Revenue from sales</b>		
Oil	4,542	6,150
Total revenue	4,542	6,150
<b>Segment operating profit (loss)</b>		
Mining and milling	(4,774)	(14,847)
Oil	3,039	4,318
	(1,735)	(10,529)
Writedown of investment	—	(200)
Interest and other income	3,013	4,158
Dividend income	3,018	3,919
Income and other taxes	(1,444)	781
Net income (loss)	2,852	(1,871)
<b>Depreciation and amortization</b>		
Mining and milling	140	115
Oil	889	1,180
	1,029	1,295
<b>Identifiable assets</b>		
Mining and milling	5,847	4,093
Oil	1,572	2,428
General corporate assets	113,254	110,660
	120,673	117,181
<b>Capital expenditures</b>		
Mining and milling	114	44
Oil	128	133
	242	177

## 8. Income and other taxes

Income and other taxes vary from the amount that would be computed by applying the combined federal and provincial income tax rate of approximately 44.8% [1991 — 43.8%] for the following reasons:

(in thousands)	1992	1991
	\$	\$
Expense (recovery) based on earnings before taxes	1,925	(1,162)
Increase (decrease) in taxes resulting from:		
Non-taxable dividend income	(1,352)	(1,673)
Timing differences not recognized for accounting purposes	—	85
Foreign production taxes paid	857	1,920
Non-allowable portion of investment writedown	—	26
Other	14	23
Income and other taxes	1,444	(781)

At December 31, 1992 the company had accumulated income tax timing differences of approximately \$4,500,000 [1991 — \$4,500,000] and foreign business income tax credits of approximately \$400,000 [1991 — \$400,000] available to reduce taxable income and taxes payable in future years. The potential income tax benefit of these items has not been recognized in the accounts as realization is not reasonably assured.

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**9. Contingency**

The Company has been notified by Revenue Canada, Taxation that it plans to reassess the Company for its 1987, 1988 and 1989 taxation years. The amount of any taxes and interest which may ultimately be owing as a result of these reassessments is presently not determinable. The Company plans to

contest these reassessments and no provision has been made for them in the accounts. However, should any loss result from the resolution of these planned reassessments, such amount will be accounted for as a prior period adjustment.

**FINANCIAL HISTORY\*** — \$000's

<i>Earnings</i>	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Net value of production	34,826	31,439	21,977	62,666	71,617	74,425	49,847	26,786	6,150	4,542
Cost of production	34,172	25,270	14,914	41,570	43,884	42,544	49,363	18,726	572	574
Depreciation and amortization	4,000	4,205	4,288	8,254	7,552	4,749	8,540	5,448	1,295	1,029
Exploration expense	1,429	1,606	3,877	3,037	2,678	4,194	5,356	3,198	2,549	921
Administration and general expense	2,597	4,063	3,349	2,784	3,620	3,122	2,466	1,436	1,112	248
Mine closure expense	—	—	—	3,000	3,000	3,800	3,800	2,115	11,055	3,500
Municipal and sundry taxes	1,921	1,597	715	462	154	186	142	135	96	5
	44,119	36,741	27,143	59,107	60,888	58,595	69,667	31,058	16,679	6,277
Operating income (loss)	(9,293)	(5,302)	(5,166)	3,559	10,729	15,830	(19,820)	(4,272)	(10,529)	(1,735)
Investment and other income less interest expense	(704)	(3,714)	(1,781)	(2,072)	2,241	8,580	7,950	4,361	7,877	6,031
Income and other taxes	7,000	2,560	344	32	(1,704)	(9,782)	2,446	(1,565)	781	(1,444)
Extraordinary item	—	—	—	—	4,891	—	—	—	—	—
Net earnings (loss)	(2,997)	(6,456)	(6,603)	1,519	16,157	14,628	(9,424)	(1,476)	(1,871)	2,852
<i>Financial Position</i>										
Capital employed —										
Non-cash working capital	28,218	22,154	13,265	18,963	28,106	33,698	26,734	10,299	12,224	13,874
Investment in associated companies	63,950	63,950	63,950	63,950	—	—	—	—	—	—
Oil and gas properties, net	29,832	26,812	25,124	24,966	26,240	2,779	3,573	2,850	1,803	1,042
Property, buildings and equipment, net	21,887	20,231	18,466	13,425	11,420	7,705	4,243	2,011	1,385	861
Other investments and assets	215	215	215	215	553	12,189	7,050	735	—	—
	144,102	133,362	121,020	121,519	66,319	56,371	41,600	15,895	15,412	15,777
Capital sources —										
Short-term borrowings (cash)	53,073	50,805	43,086	38,161	(38,394)	(64,056)	(72,714)	(94,987)	(100,655)	(102,098)
Shareholders' equity	87,694	81,238	76,895	80,164	97,984	110,627	100,714	99,238	97,367	100,219
Other	3,335	1,319	1,039	3,194	6,729	9,800	13,600	11,644	18,700	17,656
	144,102	133,362	121,020	121,519	66,319	56,371	41,600	15,895	15,412	15,777
<i>Cash Flows</i>										
Operating activities	7,236	4,419	11,336	9,468	14,148	16,049	15,264	23,166	4,384	1,517
Investing activities —										
Oil and gas properties, net	(1,523)	(274)	(2,100)	(3,316)	(6,355)	28,363	(1,659)	(757)	(133)	(128)
Property, buildings and equipment, net	(848)	(271)	100	60	(699)	(935)	(281)	2,980	3,816	975
Exploration	(1,429)	(1,606)	(3,877)	(3,037)	(3,016)	(5,057)	(4,155)	(3,198)	(2,549)	(921)
Investment in associated companies	—	—	—	—	70,814	—	—	—	—	—
Other investments and assets	—	—	—	—	—	(10,773)	(22)	82	150	—
	(3,800)	(2,151)	(5,877)	(6,293)	60,744	11,598	(6,117)	(893)	1,284	(74)
Financing activities —										
Issue of common shares	—	—	2,260	1,750	1,663	459	—	—	—	—
Dividends	—	—	—	—	—	(2,444)	(489)	—	—	—
	—	—	2,260	1,750	1,663	(1,985)	(489)	—	—	—
Increase in cash position	3,436	2,268	7,719	4,925	76,555	25,662	8,658	22,273	5,668	1,443
<i>Statistics</i>										
Tons milled (000's)	9,022	6,734	3,307	11,224	11,344	12,441	12,746	4,720	—	—
Number of employees	105	105	404	401	418	421	411	75	41	29

\*Data for the years 1983 to 1986 have been restated from amounts originally reported to reflect the appropriate share of prior years' adjustments made in 1988 and 1986. A recovery in 1987 of income taxes through the application of losses carried forward, which was originally reported as an extraordinary item, has been restated as ordinary income in accordance with accounting rules effective in 1992.







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Contient plus de 50 p. 100  
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100 de fibres post  
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