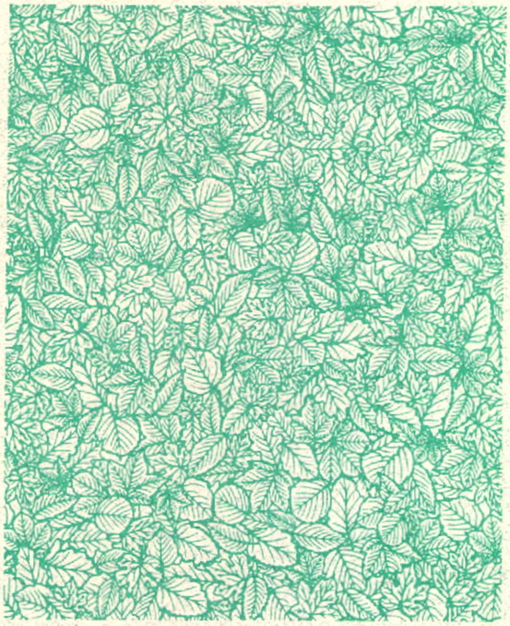

Brenda Mines Ltd.

Annual Report

1991

noranda group

Mine Office:
P.O. Box 420,
Peachland, B.C.

Transfer Agent and Registrar:
Royal Trust Company,
1177 West Hastings St.,
Vancouver, and Royal
Trust Tower, King Street,
Toronto, Canada

Annual Meeting:
May 8, 1992, 11:30 a.m.
Seymour Room, Hyatt
Regency, Vancouver, B.C.

Brenda Mines Ltd.

Directors:	B. O. Brynelsen*	Vancouver, B.C.
	J. M. Gordon*	Toronto, Ont.
	K. C. Hendrick	Toronto, Ont.
	G. M. Montgomery*	Vancouver, B.C.
	R. H. Ostrosser*	Calgary, Alta.
	H. B. Simpson	Kelowna, B.C.
Officers:	Chairman of the Board	B. O. Brynelsen
	President	J. M. Gordon
	Secretary	B. H. Grose
	Treasurer	A. R. Thomas
	Comptroller	D. E. Hamilton
	Assistant Treasurer	B. C. Bone

*Members of Audit Committee

Brenda Mines — Reclamation

Three years' growth of grass, legumes and wild flowers on the once barren north-east rockpile.

Directors' Report to Shareholders

The shutdown operation incurred a net loss of $1.9 million, or $0.38 per share, compared to a net loss of $1.5 million or $0.30 per share in 1990. The 1991 results include an increase in mine closure funding based on current information.

Activities at the minesite during the spring, summer and fall concentrated on reclamation work. Some of the rock piles were contoured, perimeter ditching was upgraded to allow fresh water to bypass the pit area, and site ditching was done to ensure this water was held either in the tailings area or the pit. Most of the water in the tailings area was transferred to the pit after the spring run-off.

Revegetation was carried out on the rock piles, the tailings area beach, and tailings dam walls. This was successful, with both grass and trees maintaining a high survival rate. Most of the remaining revegetation will be done during the spring and summer of 1992, with follow-up reinforcement for the next several years.

Much of the remaining equipment was sold and shipped during the year, and this activity will continue during 1992 with a reduced workforce.

Closure plans were firmed up. The consultants' reports, which will provide the technical information regarding future reclamation steps, and the environmental impact assessment of the area below the minesite, were in draft form at year-end. The completed reports will be reviewed by the Technical and Public Surveillance Committees prior to approval being sought from the appropriate government ministry. Disposition of molybdenum-bearing water is the major concern.

Operating income from the Timor Sea oil holdings off the coast of Australia amounted to $4.3 million. During the year, the Jabiru Field floating production facility was damaged while being disconnected to meet an approaching cyclone with consequent loss of production while shut down between mid April and early September for repairs and for the previously planned refit of the ship, Jabiru Venture, in Singapore. Production from the Challis Field continued throughout the year. Expected production for 1992 from both the Jabiru and Challis fields is about one-half of the 1991 level, with operating income forecast at $2.9 million.

Mineral exploration during the year was carried out via the joint ventures with Noranda Exploration and Minnova. Some $1.15 million was expended on twenty-two prospects with the Norex joint venture, and $823,000 with the Minnova joint venture on seven prospects. Nothing of commercial interest was found. The joint venture with Noranda Exploration was terminated at year end, with Brenda retaining a carried interest in several of the prospects. Several prospects will be pursued by the Minnova joint venture in 1992.

Activities for the Business Development Group focused on the metallurgical laboratory and mechanical services where the majority of the work was done for Hemlo Gold Mines' New World Project and Noranda's Bell Mine. These were responsible for one half of the Process Technology's increased revenues during 1991. Although traditional business was adversely affected by the general economic malaise, marketing was aggressively pursued, including offshore, where projects were completed in China and Mexico. Control audits to identify and implement improved process efficiencies continued to be an important facet of the Division's activities, particularly within Noranda Minerals.

The Directors acknowledge the activities and dedication of all the employees, and wish to express appreciation for their continuing efficient efforts.

On behalf of the Board.

J. M. Gordon

J. M. GORDON
President

Brenda Mines — Tour Group

Primary school teachers involved in environmental studies through Simon Fraser University, visiting the minesite in July, 1991.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS 1991 vs 1990

Overview

There was a net loss of $1.9 million or $0.38 per share in 1991 compared to a net loss of $1.5 million or $0.30 per share in 1990. A detailed review is set out below.

Mining and Milling Operations

There were no net revenues from the mine during 1991 compared to net revenues of $17.5 million in 1990. The property was shut down in June of 1990. There was an addition to the mine closure provision of $11.0 million during 1991 to cover an increase in estimated costs relating to tailings and water disposal.

Mineral exploration expense decreased from $3.2 million in 1990 to $2.5 million in 1991 due to lower spending in both the Noranda Exploration and Minnova Inc. Joint Ventures.

Oil Operations

The Company's oil interests continue to include 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 from 880 barrels per day in 1990 to 650 barrels per day in 1991 due to the Jabiru Venture floating production facility being in dry dock 4½ months for routine maintenance and refit. The average price realized decreased from $28.86 per barrel in 1990 to $25.92 per barrel in 1991. The combination of lower volume and price resulted in revenues decreasing from $9.2 million in 1990 to $6.2 million in 1991. Operating costs decreased from $2.3 million in 1990 to $1.8 million in 1991 due to the shutdown of the Jabiru Venture floating production facility. Operating income from the oil operations decreased from $7.0 million in 1990 to $4.3 million in 1991. The oil operations contributed $0.3 million to cash flow in 1991.

Investment and Other Income

Interest and dividend income in total decreased as a result of lower interest rates in 1991.

The revenues of the Business Development Group were adversely affected in 1991 by the general economic slowdown. The activities of this group are not significant enough to constitute a separate business segment and are included with other income.

FINANCIAL POSITION, LIQUIDITY AND CHANGES IN FINANCIAL POSITION

The Company's financial position remained strong during 1991. Net assets decreased from $99.2 million at the end of 1990 to $97.4 million at the end of 1991, due mainly to the increase in the mine closure provision. Included in the net assets at the end of 1991 was $100.6 million of cash and short-term investments up from $95.0 million at the end of 1990.

The Company had no debt at either year-end.

The provision for mine closure costs increased from $11.6 million at the end of 1990 to $18.7 million at the end of 1991.

FUTURE PROSPECTS

The Company has $100.6 million in cash and short term investments and no debt at the end of 1991. It is the Company's intent 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 1992 with Brenda's share of annual production estimated at 153,600 barrels. The forecast price for 1992 is $24.36 per barrel. A variance of $1.00 in the selling price would affect earnings by approximately $153,000.

Mineral exploration expenditures should be lower in 1992 than 1991. The Company will discontinue the joint venture program with Noranda Exploration in 1992. Spending on exploration is currently estimated to amount to $0.8 million in 1992 largely on the Minnova joint venture project. Management has reviewed and continues to review opportunities that could enable it to continue in the mining business but at this point has no current plan to embark on any one major project.

The amount of reclamation work that will have to be done at the closed minesite and the cost thereof is still uncertain. Consultants' reports, which will provide the technical information regarding future reclamation steps, and the environmental impact assessment of the area below the minesite, were in draft form at year-end. These plans will be reviewed by the Technical and Public Surveillance Committees before approval is requested from the British Columbia Government. The major concern continues to be the disposition of molybdenum-bearing water. The estimate of closure costs is based on compliance with existing reclamation standards and practices and the Company believes that its existing mine closure provision will be sufficient to fund all future reclamation costs.

Project Manager's Report

The focus in 1991 was on three major areas — sale and shipment of equipment, revegetation, and the effort directed toward eliminating or reducing molybdenum content in water to acceptable levels.

Sale of equipment decreased from $5.5 million in 1990 to $4.2 million in 1991. Removal and shipment of remaining equipment proceeded well, with the shovels, drills and majority of the trucks having been sold. In the concentrator area, four mills, the primary crusher, five secondary crushers, both dryers and some float cells were sold.

In the pit area, 11 hectares were recontoured, and 27 hectares were planted during the summer.

During the year, approximately 6,170,000 cubic meters of water were pumped from the tailings pond to the pit to give ample room for run-off, and to be able to carry out experiments in the biological area.

In the process of lowering the tailings pond elevation, a great deal more beach was exposed. Seeding and fertilizing took place on some 41 hectares, and other areas that had suffered from wind erosion were reinforced. It is expected that this work will be close to completion during the summer of 1992.

Steffen Robertson and Kirsten, the mine closure consultants, have completed a draft report outlining possible options for closure, and for handling the excess water containing molybdenum. Rescan Environmental Services was engaged to carry out an environmental impact assessment of the area below the minesite that could be affected by closure plans. Both these plans will be reviewed by the Technical and Public Surveillance Committees, which were established by the Ministry of Energy, Mines and Petroleum Resources.

The Ministry of Mines, Energy and Petroleum Resources of British Columbia has required security totalling $5 million to be deposited with the government as assurance that all possible future reclamation work will be completed.

The Job Search Program, set up in the spring of 1990 to assist laid-off employees find other jobs, was wound-up in the spring. The overall adjustment and relocation program, which was started several years before the mine was shut down, was very successful, and is being used as a blueprint by other companies.

The workforce currently consists of 20 regular employees, although some reduction in this number is expected by the fall. The Brenda tradition of carrying out a variety of tasks successfully continued, and everyone gets a much-deserved vote of thanks.

R. R. Brown

R. R. Brown
Project Manager

Business Development Group and Process Technology Division Report

Business Development Group

While the general state of the economy presented financial challenges during 1991, opportunities for growth and diversification were also recognized. Efforts focused on business complementary to the Process Technology Division including two of the last year's initiatives, mechanical services and the metallurgical laboratory. A new venture was initiated to determine what role the Group may play in the environmental field.

Mechanical services centered on Noranda's Bell Copper Mine, where equipment renovation was completed by year-end. The client achieved a significant improvement in productivity, while providing the business with a low-risk opportunity to successfully hone its project skills.

The metallurgical lab similarly benefitted from a copper heap leach study for the Bell Copper Mine, and process flow sheet development for Hemlo Gold Mines' New World Project. Both of these are continuing jobs which enhance the skills and experience necessary to develop a commercial facility.

During the coming decades, studies indicate a growing number of maturing mines across North America requiring specialized environmental services. A joint effort is being undertaken with mine personnel to formulate a business unit capable of addressing some of those needs. A functional team is already in place to carry out work during 1992, and a market study will be completed in early 1992 to determine its future direction.

Brenda Process Technology Centre — Kelowna, British Columbia; providing technical services to the mining industry

Process Technology Division

Marketing continued to be the central focus during 1991. Always recognized as important, the year's economic climate only served to heighten its crucial nature. Largely unsuccessful efforts were directed towards partnering with other companies to leverage marketing endeavours. By year-end, a plan had been developed outlining the future strategy and tactics to be followed.

Lower margins, associated with the new service areas and a general slowdown in business activity during the second half resulted in an operating loss of $3,000 on a revenue base of $2.8 million. This compares to operating earnings of $132,000 on revenues of $2.5 million during 1990.

Compared to previous years, the division's scope of work tended to be smaller owing to client capital spending cuts. Marketing horizons have been broadened beyond the traditional North American market. Projects were completed in the People's Republic of China and in Mexico, and future work in these countries may indeed become the norm.

Client education remained a cornerstone of marketing strategy. In addition to participation in university short courses, specialized sessions were developed for specific clients both in Canada and the U.S.A. The recently completed process control monogram, funded by MITEC, will be published during the first quarter of 1992. This will not only serve as effective advertisement, it will also provide a basis for future educational thrusts.

Efforts to commercialize the MOCCA control software progressed cautiously during the year. The development of a more robust and flexible package was pursued, with testing scheduled for completion in early 1992. It is anticipated that a marketable product will be available by mid-year.

Without a doubt, an extremely competitive environment will be faced during 1992 and beyond. With continued perseverance and dedication, the challenge will be met.

R. Bradburn.

R. G. Bradburn
Manager — Business Development

Brenda Mines Ltd.
(Incoprorated under the laws of British Columbia)

CONSOLIDATED BALANCE SHEETS

As at December 31

	1991	1990
	$ (in thousands)	$
Assets		
Cash	655	987
Short-term investments *[note 2(c) and (d)]*	100,000	94,000
Accounts receivable	5,503	6,982
Inventories	328	1,600
Oil properties *[note 3]*	1,803	2,850
Income taxes recoverable	3,343	1,994
Property, buildings and equipment *[note 4]*	1,385	2,011
Other assets *[note 5]*	—	735
Deferred income taxes	4,164	777
	117,181	111,936
Liabilities		
Accounts payable	1,114	1,054
Provision for mine closure costs *[note 6]*	18,700	11,644
	19,814	12,698
Shareholders' equity		
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	83,017	84,888
Total shareholders' equity	97,367	99,238
	117,181	111,936

See accompanying notes

On behalf of the Board:

B. Brynelsen
Director

J.M. Gordon
Director

Brenda Mines Ltd.

Consolidated Statements of Loss and Retained Earnings

Years ended December 31

	1991	1990
	$ (in thousands)	$
Revenue from sale of concentrates	—	32,381
Change in inventory at estimated realizable value	—	(9,410)
	—	22,971
Less treatment and distribution charges	—	5,426
	—	17,545
Revenue from sale of oil	6,150	9,241
	6,150	26,786
Cost of production	572	18,726
Depreciation and amortization	1,295	5,448
Oil and mineral exploration expense	2,549	3,198
Mine closure expense *[note 6]*	11,055	2,115
Administration and general expense	1,208	1,571
	16,679	31,058
Operating loss	(10,529)	(4,272)
Writedown of investment in Vanderbilt Gold Corporation	(200)	(4,638)
Interest and other income *[note 2(c)]*	4,158	3,894
Dividend income *[note 2(d)]*	3,919	5,105
	7,877	4,361
Earnings (loss) before taxes	(2,652)	89
Income and other tax expense (recovery) *[note 8]*		
— current	2,606	2,342
— deferred	(3,387)	(777)
	(781)	1,565
Net loss	(1,871)	(1,476)
Retained earnings, beginning of year	84,888	86,364
Retained earnings, end of year	83,017	84,888
Net loss per share	(0.38)	(0.30)

See accompanying notes

Brenda Mines Ltd.

Consolidated Statements of Cash Flows

Years ended December 31

	1991	1990
	\$ (in thousands)	\$
Operating Activities		
Net loss	(1,871)	(1,476)
Adjustments for items not affecting cash:		
Depreciation and amortization	1,295	5,448
Mine closure provision	11,055	2,115
Writedown of investment	200	4,638
Deferred taxes	(3,387)	(777)
Other	—	(28)
Changes in balance sheet accounts related to operations	27	17,848
Oil and mineral exploration	2,549	3,198
Mine closure expenditures	(5,484)	(7,800)
Cash provided by operating activities	4,384	23,166
Investing Activities		
Additions to oil properties	(133)	(757)
Oil and mineral exploration	(2,549)	(3,198)
Additions to property, buildings and equipment	(44)	(158)
Proceeds from sale of property, buildings and equipment	3,860	3,138
Proceeds from disposal of other assets	150	82
Cash provided by (used in) investing activities	1,284	(893)
Increase in cash position	5,668	22,273
Cash position, beginning of year	94,987	72,714
Cash position, end of year	100,655	94,987

Cash position comprises cash and short-term investments.

See accompanying notes

Auditors' Report

To the Shareholders of Brenda Mines Ltd.

We have audited the consolidated balance sheets of Brenda Mines Ltd. as at December 31, 1991 and 1990 and the consolidated statements of loss 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, 1991 and 1990 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.

Ernst & Young

Chartered Accountants

Vancouver, Canada,
January 14, 1992.

Notes to Consolidated Financial Statements

Years ended December 31, 1991 and 1990

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.

Long-term investment

Long-term investment in companies that are not subject to significant influence are recorded at cost unless a decline in value which is other than temporary has occurred, at which time the investment is written down to reflect the loss in value.

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.

Investment tax credits are credited to related assets or expenses in the year if their realization is reasonably assured.

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 69% [1990 — 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 markets substantially all mine products and is responsible for collection of proceeds. For these services, $Nil commissions were paid during 1991 [1990 — $283,000]. As at December 31, 1991 amounts totalling $Nil [1990 — $1,376,000] were due through the Noranda Group from third parties.

[b] The Noranda Group acts as manager and provides technical and administrative services to the company. During the year $212,150 [1990 — $337,000] was paid for technical and administrative services.

[c] 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, 1991 the company had invested $50,000,000 [1990 — $44,000,000] in the pool. Interest earned related to pool investment amounted to $4,424,000 for 1991 [1990 — $3,754,000].

The company, through it's Business Development Group, provided consulting services to the Noranda Group during 1991 for which it charged $1,965,000 [1990 — $1,956,000]. Accounts receivable related to these revenues at December 31, 1991 amount to $519,400 [1990 — $782,000]. Fees for consulting services net of related expenses have been included in interest and other income.

[d] 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, $859,000 [1990 - $1,248,000] of dividends were receivable and $3,919,000 [1990 - $5,105,000] of dividends were included in income for the year.

[e] The company has sold equipment during the year for proceeds of $366,000 [1990 - $1,889,000] to the Noranda Group.

3. *Oil properties*

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

(in thousands)	1991	1990
	$	$
Productive properties	100	100
Productive drilling	744	744
Tangible production equipment	5,139	5,006
	5,983	5,850
Less accumulated depreciation and amortization	4,180	3,000
	1,803	2,850

4. *Property, buildings and equipment*

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

(in thousands)	1991	1990
	$	$
Buildings, equipment and related facilities	33,146	47,341
Mobile equipment	1,361	3,264
	34,507	50,605
Less accumulated depreciation	33,122	48,594
	1,385	2,011

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 for 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, 1991 was $11,774,000 [1990 — $9,739,000]. The pension fund assets at market related values at December 31, 1991 were $9,855,000 [1990 — $10,010,000].

6. *Mine closure*

In 1991 the company revised the estimated costs associated with the mine closure, primarily as a result of an estimated increase in tailings and water disposal costs. The 1991 provision for mine closure costs amounting to $11,055,000 [1990 — $2,115,000] is included in the statement of earnings. Actual reclamation costs are charged against the accumulated provision.

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)	1991	1990
	$	$
Revenue from sales		
Mining and milling	—	17,545
Oil	6,150	9,241
Total revenue	6,150	26,786
Segment operating profit (loss)		
Mining and milling	(14,847)	(11,228)
Oil	4,318	6,956
	(10,529)	(4,272)
Writedown of investment	(200)	(4,638)
Interest revenue and other income	4,158	3,894
Dividend income	3,919	5,105
Income and other taxes	781	(1,565)
Net loss	(1,871)	(1,476)
Depreciation and amortization		
Mining and milling	115	3,968
Oil	1,180	1,480
	1,295	5,448
Identifiable assets		
Mining and milling	4,093	9,492
Oil	2,428	3,803
General corporate assets	110,660	98,641
	117,181	111,936
Capital expenditures		
Mining and milling	44	158
Oil	133	757
	177	915

The company's 1990 sales of copper concentrate were to Japan and of molybdenum concentrate were to Europe.

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 43.8% [1990 – 42.8%] for the following reasons:

(in thousands)	1991	1990
	$	$
Expense (recovery) based on earnings before taxes	(1,162)	38
Increase (decrease) in taxes resulting from:		
Non-taxable dividend income	(1,673)	(2,185)
Timing differences not recognized for accounting purposes	85	1,581
Foreign production taxes paid	1,920	971
Non-allowable portion of investment writedown	26	496
Other	23	664
Income and other taxes	(781)	1,565

At December 31, 1991 the company had accumulated income tax timing differences of approximately $4,500,000 [1990 – $4,500,000] and foreign business income tax credits of approximately $400,000 [1990 – $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.

9. *Comparative figures*

As a result of the mine closure in 1990 the company has adopted an unclassified balance sheet for 1991 and the comparative figures have been reclassified to conform to the new presentation.

FINANCIAL HISTORY* — $000's

Earnings	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Net value of production	46,295	34,826	31,439	21,977	62,666	71,617	74,425	49,847	26,786	6,150
Cost of production	38,091	34,172	25,270	14,914	41,570	43,884	42,544	49,363	18,726	572
Depreciation and amortization	4,985	4,000	4,205	4,288	8,254	7,552	4,749	8,540	5,448	1,295
Exploration expense	1,802	1,429	1,606	3,877	3,037	2,678	4,194	5,356	3,198	2,549
Administration and general expense	1,994	2,597	4,063	3,349	2,784	3,620	3,122	2,466	1,436	1,112
Mine closure expense	—	—	—	—	3,000	3,000	3,800	3,800	2,115	11,055
Municipal and sundry taxes	1,889	1,921	1,597	715	462	154	186	142	135	96
	48,761	44,119	36,741	27,143	59,107	60,888	58,595	69,667	31,058	16,679
Operating income (loss)	(2,466)	(9,293)	(5,302)	(5,166)	3,559	10,729	15,830	(19,820)	(4,272)	(10,529)
Investment and other income less interest expense	(10,243)	(704)	(3,714)	(1,781)	(2,072)	2,241	8,580	7,950	4,361	7,877
Income and other taxes	5,690	7,000	2,560	344	32	(1,704)	(9,782)	2,446	(1,565)	781
Extraordinary item	—	—	—	—	—	4,891	—	—	—	—
Net earnings (loss)	(7,019)	(2,997)	(6,456)	(6,603)	1,519	16,157	14,628	(9,424)	(1,476)	(1,871)
Financial Position										
Capital employed —										
Non-cash working capital	37,678	28,218	22,154	13,265	18,963	28,106	33,698	26,734	10,299	12,224
Investment in associated companies	63,950	63,950	63,950	63,950	63,950	—	—	—	—	
Oil and gas properties, net	29,443	29,832	26,812	25,124	24,966	26,240	2,779	3,573	2,850	1,803
Property, buildings and equipment, net	23,905	21,887	20,231	18,466	13,425	11,420	7,705	4,243	2,011	1,385
Other investments and assets	215	215	215	215	215	553	12,189	7,050	735	—
	155,191	144,102	133,362	121,020	121,519	66,319	56,371	41,600	15,895	15,412
Capital sources —										
Short-term borrowings (cash)	56,509	53,073	50,805	43,086	38,161	(38,394)	(64,056)	(72,714)	(94,987)	(100,655)
Shareholders' equity	90,691	87,694	81,238	76,895	80,164	97,984	110,627	100,714	99,238	97,367
Other	7,991	3,335	1,319	1,039	3,194	6,729	9,800	13,600	11,644	18,700
	155,191	144,102	133,362	121,020	121,519	66,319	56,371	41,600	15,895	15,412
Cash Flows										
Operating activities	(4,404)	7,236	4,419	11,336	9,468	14,148	16,049	15,264	23,166	4,384
Investing activities —										
Oil and gas properties, net	(1,529)	(1,523)	(274)	(2,100)	(3,316)	(6,355)	28,363	(1,659)	(757)	(133)
Property, buildings and equipment, net	(524)	(848)	(271)	100	60	(699)	(935)	(281)	2,980	3,816
Exploration	(1,802)	(1,429)	(1,606)	(3,877)	(3,037)	(3,016)	(5,057)	(4,155)	(3,198)	(2,549)
Investment in associated companies	14,613	—	—	—	—	70,814	—	—	—	—
Other investments and assets	—	—	—	—	—	—	(10,773)	(22)	82	150
	10,758	(3,800)	(2,151)	(5,877)	(6,293)	60,744	11,598	(6,117)	(893)	1,284
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	6,354	3,436	2,268	7,719	4,925	76,555	25,662	8,658	22,273	5,668
Statistics										
Tons milled (000's)	10,455	9,022	6,734	3,307	11,224	11,344	12,441	12,746	4,720	—
Number of employees	439	105	105	404	401	418	421	411	75	20

*Data for the years 1982 to 1986 have been restated from amounts originally reported to reflect the appropriate share of prior years' adjustments made in 1988, 1986 and 1982. 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 1991.