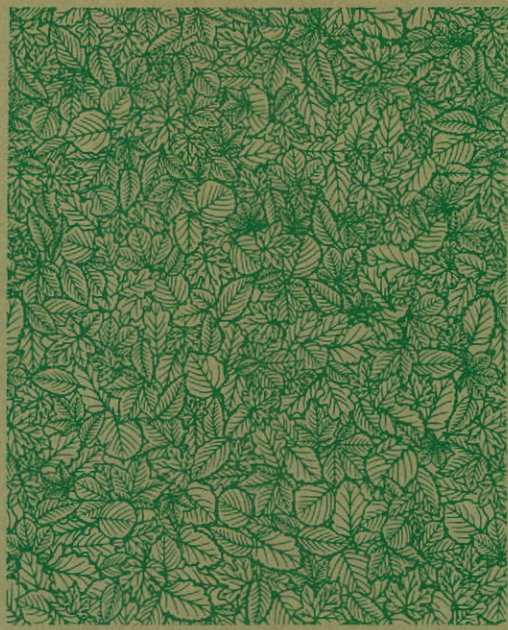

BRENDA MINES LTD.

Annual Report

1990

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 10, 1991, 11:30 a.m.
Kensington 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. H. 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	M. C. Proctor
	Assistant Treasurer	B. C. Bone

*Members of Audit Committee

A helicopter landing on the tailings dam in the healthy growth of grass planted in 1989.

Don Miller (L) and Bob Bechtel (R) are pictured closing the Minesite gate. Bob Bechtel is the prospector who held the initial Brenda Mine claims back in the 1950's and he worked with Bern Brynelsen to bring the mine into production.

Directors' Report to the Shareholders

A net loss of $1.5 million or $0.30 per share was incurred compared to a net loss of $9.4 million or $1.93 per share in 1989. Mining operations ceased in June following a massive rock slide into the pit in April.

Electronic monitoring of the pit walls had indicated movement early in April. All work was stopped in the pit, and the ore stockpiled on surface was used as feed for the mill. Five days later, a massive rock slide of some eight million tons effectively eliminated any further mining from the pit. With the milling of the stockpiled ore completed in late May, the property was officially shut down on June 4th, and all but forty employees laid off.

During the operating period earlier in the year, 4.7 million tons of ore were milled, with 24,900 tons of copper concentrate and 2,500 tons of molybdenum concentrate produced. An average price of $1.13 per pound was received for the copper production compared to $0.96 per pound in 1989, as the forward selling program commitments were worked out. The average molybdenum price was $2.26 per pound, well below the average $3.22 per pound received the previous year. Total sales amounted to 4.7 million pounds of copper and 2.4 million pounds of molybdenum. Inventories for both concentrates were eliminated by year end.

The closure plans had been formulated three years previously in conjunction with the Steelworkers Union. An Industrial Adjustment Program was established, encompassing various assistance programs for the employees including educational and skills upgrading, financial planning, retirement counselling, résumé writing and job interviews. Job sharing was introduced in the latter stages of the mine life to provide opportunities for employees to learn other jobs in addition to the one regularly performed.

The federal and provincial governments contributed monetary assistance for these various training programs, and prior to the closure, a job placement office was set up to provide an interface for employees seeking other work. This proved to be very successful. The Company was awarded the "Excellence in Employee and Family Assistance" award by the Canadian Mental Health Association in recognition of the successful design and implementation of the support provided to the 400 employees and their families who were facing job loss due to the planned closure of the mine.

The forty employees retained at the site have been involved in carrying out the planned reclamation of the property, dismantling equipment, maintaining yards, roads and pumping systems, and administration and sales. Communications with the government agencies and the communities continue to be stressed, and a formal Public Surveillance Committee was established at mid year with representatives of interested parties.

Operating income from the Australian oil holdings in the Timor Sea increased to $7.0 million from $2.4 million in 1989, reflecting full-year production from both the Jabiru and Challis fields, and the somewhat higher oil prices. The Company wrote down its investment in Vanderbilt Gold Corporation by $4.6 million.

Mineral exploration was carried out through the joint ventures with Noranda Exploration, Minnova and Vanderbilt Gold Corporation in British Columbia and the Northwestern United States. These efforts did not result in successful projects, but several prospects will be pursued during 1991. A feasibility study was completed on the Bearcub feldspar property north of Vernon, B.C., and it will be returned to the owner.

The Business Development Group had a busy year. Metallurgical and analytical laboratory work was done for several clients, administrative support was provided to a maintenance team of former Brenda employees who were working at Noranda's Heath Steele and Bell Copper properties, and exploration and acquisition activities were supported. The Process Technology Division placed particular emphasis on training, conferences and marketing, and generated operating earnings of $132,000 from revenue of $2.5 million. Areas such as equipment technical support and instrumentation maintenance services are being investigated. The Division continues to devote a majority of its time to Noranda Minerals Inc. properties, largely in the process control area. Relationships with McGill University, and the Universities of Alberta and British Columbia were further reinforced.

During the summer of 1990, Mr. Emile Brokx, who had been appointed Mine Manager in 1988, was transferred to Noranda Minerals' Central Canada Potash Division in Saskatoon as Mine Manager. He provided strong leadership and contribution to the closure planning during his relatively short tenure at Brenda. Ron Brown, who was Environmental and Services Superintendent, was appointed Project Manager to oversee the closure and reclamation.

The activities of all those involved in the safe and successful mine closure are particularly appreciated. The Directors acknowledge this, and wish to express their gratitude to all employees for their efforts and dedication in a trying year.

On behalf of the Board.

J.M. Gordon
President

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

RESULTS OF OPERATIONS 1990 vs 1989

Overview

There was a net loss of $1.5 million or $0.30 per share in 1990 compared to a net loss of $9.4 million of $1.93 per share in 1989. A detailed review is set out below.

Mining and Milling Operations

Net revenues from the mine declined from $46.0 million in 1989 to $17.5 million in 1990 as the mine's life came to an abrupt but not unexpected end in April when a massive rock slide fell into the pit. Milling of stockpiled ore continued until June 4 when the property was shut-down. Cost of production at the mine decreased in close proportion to the revenues, and all costs at the minesite subsequent to June 4 have been applied against the provision for mine closure costs which had been accumulated by charges against earnings since 1986. Depreciation and amortization charges in 1990 were at approximately half of the 1989 levels reflecting the expected June 30 shutdown. There were no significant capital expenditures at the mine in either year.

Mineral exploration expense in 1990 reflects an increase in spending in the Okanagan area due to the joint venture with Minnova Inc. being in effect all year, but lower spending in both the Noranda Exploration and Vanderbilt Gold joint ventures. 1989 results included the expensing of $1.2 million of costs on a kaolin project which had been deferred in earlier years while feasibility studies were being completed.

The activities of the Business Development Group continued to expand in 1990 but are not yet significant enough to constitute a separate business segment and are included with the mining and milling operations.

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 increased from 470 barrels per day in 1989 to 880 barrels per day in 1990 reflecting a full year's production from the Challis field which came on stream in December 1989. The average price realized increased from $22.66 per barrel in 1989 to $28.86 per barrel in 1990. The combination of the higher volume and price resulted in revenues increasing from $3.9 million in 1989 to $9.2 million in 1990. Operating costs and depreciation and amortization charges both increased as a result of the higher volumes. Operating income from the oil operations increased from $2.4 million in 1989 to $7.0 million in 1990.

Investment income

During the fourth quarter, the Company wrote down the carrying value of its shares of Vanderbilt Gold Corporation by $4.6 million to their approximate market value of $0.2 million.

Interest and dividend income in total increased as a result of higher balances of cash and short-term investments and higher interest rates in 1990.

FINANCIAL POSITION, LIQUIDITY AND CHANGES IN FINANCIAL POSITION

The Company's financial position continued to improve during 1990 and remains very strong. Working capital amounted to $105.3 million at the end of 1990 compared to $99.4 million at the end of 1989. Included in working capital at the end of 1990 was $95.0 million of cash and short-term investments, up from $72.7 million at the end of 1989.

The Company had no debt at either year-end. The long-term assets are not significant in relation to the working capital.

The only long-term liability is the provision for mine closure costs which amounts to $11.6 million at the end of 1990 compared to $13.6 million at the end of 1989. This provision is an estimate only as discussed in the "Future Prospects" section of this narrative.

Cash from operating activities increased from $15.3 million in 1989 to $23.2 million in 1990, a result of the near-liquidation of receivables, product inventories and prepaid expenses of the mining operation.

Cash used for investing activities declined from $6.1 million in 1989 to $0.9 million in 1990. The decrease was due to lower capital spending at the Australian oil operations reflecting the completion in 1989 of the Challis installations, lower mineral exploration, and the receipt in 1990 of $3.1 million on disposal of mining equipment.

There were no dividends paid in 1990. The last dividend was 10¢ per share paid in the first quarter of 1989 reflecting a strong fourth quarter 1988 result.

FUTURE PROSPECTS

With $95.0 million in cash and short-term investments and no debt at the end of 1990, a continuing income stream in 1991 from the oil operations and from the short-term investments, the Company has the financial capability to undertake a major mining project. It remains the Company's principal objective to locate either through acquisition or exploration an ore body of economical size and grade to continue in the mining business.

Oil production is expected to be lower in 1991 than in 1990 due to a scheduled three month refit of the Jabiru floating production system. Oil prices are impossible to predict because of the aftermath of the war in the Persian Gulf.

Mineral exploration expenditures should be lower in 1991 than in 1990 as the joint venture with Vanderbilt Gold was terminated in early 1991. The Company will continue to participate in the joint ventures with Noranda Exploration and Minnova during 1991 at about the same level as in 1990.

The ultimate amount of reclamation work that will have to be done at the closed minesite and the cost thereof is uncertain. Definitive plans have not yet been approved by the British Columbia Government due to uncertainties over technology. The major challenge involves the disposition of the tailings pond and pit water as well as water that percolates through the waste rockpiles. Consultants and mine staff have been working on this problem for several years and have been joined recently by representatives from the provincial and local governments. The Company believes that its existing mine closure provision, which will be augmented by future proceeds on the disposal of equipment, should be sufficient to fund all future reclamation costs.

PROJECT MANAGER'S REPORT

Mine production statistics

		1990	1989
Waste removed	Tons	168,130	3,456,902
Ore milled	Tons	4,719,900	12,745,598
Ore milled per calendar day	Tons	30,450*	34,824
Ore milled per operating day	Tons	—	34,919
Copper content of ore	% Cu	0.162	0.161
Copper recovery	%	89.16	88.16
Copper concentrates produced	Tons	24,934	67,339
Copper concentrate grade	% Cu	27.47	26.80
Molybdenum content of ore	% Mo	0.034	0.034
Molybdenum recovery	%	84.41	84.10
Molybdenum concentrates produced	Tons	2,485	6,408
Molybdenum concentrate grade	% Mo	56.02	56.34

* *to June 4th*

The year 1990 was an eventful one for Brenda Mines. It had been expected that the mine would operate into the third quarter. However, on April 9th there was a failure on the west wall of the pit, and some 8 million tons of rock buried the remaining ore at the foot of the south wall.

Ore from the stockpiles was fed to the mill for the following two months and the system was shut down on June 4th.

A majority of the employees were laid off. A small crew of 40 employees were retained to handle the dismantling and sale of equipment, maintenance of the property and environmental work.

The Industrial Adjustment Program which had been started several years ago in cooperation with the union and the federal and provincial governments proved to be very successful. With the extra technical and job search training the terminated employees were well prepared to find other employment. Until the end of November Brenda operated a local job search office which provided former employees with a place to obtain the assistance necessary for an aggressive job search. A smaller one-person job search office is continuing to list job openings and provide assistance.

Work at the minesite is now concentrated on the sale and removal of equipment and buildings and carrying out all necessary environmental work. Equipment sales to the end of the year were just under $10 million, with over $3 million received.

The environmental work is divided into three major areas; revegetation, surface water control and studies into the most effective treatment and release of water containing molybdenum.

Revegetation involves planting grasses, legumes, bushes and trees on the disturbed areas, such as the tailings complex, rockpiles, corridors and plant site. The area involved is approximately 1500 acres. A great deal of the revegetation was done by the end of 1990 and the work planned for 1991 will bring it close to completion. Reinforcement will need to continue for a few years.

Controlling surface runoff will involve up-grading all the channels and ditches so that they can handle a heavy rainfall or sudden spring melt. Work will be done on over five miles of ditches. This is expected to be completed in 1991.

Planting shrubs and tree seedlings on the tailings dam overlooking the MacDonald Creek valley. Some 25,000 in all were planted around the minesite in the fall of 1990.

The major challenge involves the disposition of the tailings pond and pit water as well as runoff water that percolates through the waste rockpiles. This water contains molybdenum as well as undesirable quantities of dissolved salts. Consultants and mine staff have been working for several years on this problem. This will continue until a satisfactory resolution to the problem is found. For the interim, all water containing molybdenum is being contained on the minesite, primarily in the pit. The percentage of molybdenum permitted has been reduced over the mine life. The mine water presently could meet the standards in effect when the mine opened.

The work force performed admirably in 1990 under very difficult conditions. It is a tribute to them that operations were as successful as they were during the five months of production and the shutdown period. The people that are still on the minesite have shown their versatility in successfully tackling the variety of jobs required. Thank you to them all.

R. R. Brown

R. R. Brown
Project Manager

EXPLORATION REPORT

The major portion of the 1990 work was performed by Joint Venture partners or by consultants. All of the exploration was focused on twenty-five open pitable copper/gold/moly properties in Canada and the U.S.A. Exploration expenditures amounted to $3.2 million.

The Noranda Exploration/Brenda Joint Venture (Brenda 44.44%) investigated fifteen properties, five of which were gold properties in the Eskay Creek area of B.C. Only six of the twenty properties investigated in 1989 were funded in 1990.

The Minnova/Brenda Joint Venture (Brenda 49%) explored six properties, four of which were carried over from 1989. The major interest was on properties in the Penticton/Greenwood area. No significant results were encountered in 1990 and only four of the existing properties will be funded in 1991. The Joint Venture is still focused on open pitable reserves which have good access and infrastructure.

Brenda's 50% share of expenditures by the Vanderbilt/Brenda Joint Venture absorbed $US 272,000 on two properties and a general exploration program. The Big Mike copper cementation project near Winnemucca, Nevada completed a pump test program, and a feasibility study is being undertaken. The Mazama property in Washington State was fully evaluated, deemed uneconomic, and returned to the owner. Several properties in the U.S. and Mexico were evaluated during the year but none were found worthy of further work.

The Rayfield River copper/gold bulk tonnage prospect was investigated by ground geophysics and diamond drilling. All of the fifteen holes drilled intersected copper mineralization. No gold was encountered. The property was returned to the owners.

The Bearcub Feldspar/Silica market study indicated that the limited market for the Bearcub products rendered the property uneconomic, and it will be returned to its owner before the option date of March 1, 1991.

R. M. Weeks
Manager — Exploration

BUSINESS DEVELOPMENT GROUP AND PROCESS TECHNOLOGY DIVISION REPORT

Business Development Group

During 1990, efforts concentrated on the evaluation of commercial opportunities utilizing the expertise developed at the Brenda Mine. Included were the materials management system, an advanced predictive maintenance technique, and the establishment of a specialized maintenance project team.

Modernization of the materials management operating system was completed by year end and preliminary market assessment begun. A video was produced to assist in the presentation of the use and benefits of the predictive maintenance service program resulting in one successful contract during the year.

The most progress was experienced with the special projects maintenance team. Formed following the successful refurbishment of Noranda's Heath Steele concentrator, a one year contract was negotiated at midyear with Noranda's Bell Copper operation. Composed of former mine personel, this twelve man team is replacing obsolete flotation equipment with that from the Brenda mill. Early contacts with a number of western mining operations has revealed a significant level of interest in this group.

A commercially experienced metallurgical lab manager was hired on a one-year contract in late 1990. The belief that this facility forms a natural extension to the current services offered by the Process Technology Division will be assessed during the coming year.

Process Technology Division

To assure future growth, market development was emphasized during 1990. The production of a professional video describing the Division's background and services has proven an effective tool. More active participation in major conferences provided increased general exposure. Follow up trips to interested mining operations allowed for more concentrated marketing efforts. To ensure ability to deliver as advertised, substantial commitments were made to personnel training and development.

For the year, operating earnings were $132,000 on revenues of $2.5 million compared to operating earnings of $160,000 on revenues of $1.5 million for the same period in 1989. The lower operating earnings were the result of the addition of staff due to the premature mine closure as well as an increase in marketing and training costs.

The Division worked on a range of projects for twenty-six different mining companies including one located in the People's Republic of China. Contracts with two major forest companies located in western Canada afforded an opportunity for client diversification.

Education of future clients is seen as a powerful long term marketing tool. To this end the Division participated in control seminars at McGill University and the University of British Columbia. A full term mineral processing course was taught at the University of Alberta. Short courses on control, instrumentation and processing were presented for several mining companies.

Research and development remained an important element through the successful implementation of the advanced control strategy, MOCCA, at Hemlo Gold Mines

Inc.'s Golden Giant Mine. The commercialization of this technology is being jointly evaluated with its inventor and a major international control hardware vendor.

Given the economic climate forecast in 1991, the Division's primary goal will be to maintain its competitive position. With the continued dedication, support and enthusiasm of everyone, this will be accomplished.

R. Bradburn.

R.G. Bradburn
Manager — Business Development

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

CONSOLIDATED BALANCE SHEETS

As at December 31

Assets	**1990**	1989
	$ (in thousands)	$
Current assets		
Cash	**987**	484
Short term investments *[note 2(c) and (d)]*	**94,000**	72,230
Accounts receivable	**5,884**	10,283
Income taxes recoverable	**3,869**	2,379
Inventories *[note 3]*	**1,587**	13,549
Prepaid expenses and margin deposits *[note 11]*	**13**	5,570
Total current assets	**106,340**	104,495
Investment in Vanderbilt Gold Corporation	**200**	4,838
Oil properties *[note 4]*	**2,850**	3,573
Property, buildings and equipment *[note 5]*	**2,011**	4,243
Other assets *[note 6]*	**535**	2,212
	111,936	119,361

Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	**1,054**	5,047
Total current liabilities	**1,054**	5,047
Provision for mine closure costs *[note 8]*	**11,644**	13,600
	12,698	18,647
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	**84,888**	86,364
Total shareholders' equity	**99,238**	100,714
	111,936	119,361

See accompanying notes

On behalf of the Board:

B. Brynelsen
Director

Gordon
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31

	1990	1989
	$ (in thousands)	$
Revenue from sale of concentrates	**32,381**	63,708
Change in inventory at estimated realizable value	**(9,410)**	(3,228)
	22,971	60,480
Less treatment and distribution charges	**5,426**	14,535
	17,545	45,945
Revenue from sale of oil	**9,241**	3,902
	26,786	49,847
Cost of production	**18,726**	49,363
Depreciation and amortization	**5,448**	8,540
Oil and mineral exploration expense	**3,198**	5,356
Mine closure expense *[note 8]*	**2,115**	3,800
Administration and general expense	**1,571**	2,608
	31,058	69,667
Operating loss	**(4,272)**	(19,820)
Writedown of investment in Vanderbilt Gold Corporation	**(4,638)**	
Interest and other income	**3,894**	3,173
Dividend income *[note 2(d)]*	**5,105**	4,777
	4,361	7,950
Earnings (loss) before taxes	**89**	(11,870)
Income and other taxes — current *[note 10]*	**1,565**	(2,446)
Net loss	**(1,476)**	(9,424)
Net loss per share	**(0.30)**	(1.93)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31

	1990	1989
	$ (in thousands)	$
Retained earnings, beginning of year	**86,364**	96,277
Dividends		(489)
Net loss	**(1,476)**	(9,424)
Retained earnings, end of year	**84,888**	86,364

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31

	1990	1989
	$ (in thousands)	$
Operating Activities		
Net loss	(1,476)	(9,424)
Adjustments for items not affecting cash:		
Depreciation and amortization	5,448	8,540
Mine closure provision	2,115	3,800
Writedown of investment	4,638	
Other	(28)	28
Change in non-cash working capital related to operations	17,071	6,964
Oil and mineral exploration	3,198	5,356
Mine closure expenditures	(7,800)	
Cash provided by operating activities	23,166	15,264
Investing Activities		
Additions to oil properties, net of grants	(757)	(1,659)
Oil exploration	(42)	(33)
Mineral exploration	(3,156)	(4,122)
Additions to property, buildings and equipment	(158)	(281)
Proceeds from sale of property, buildings and equipment	3,138	
Disposals of (additions to) other assets	82	(22)
Cash used in investing activities	(893)	(6,117)
Dividends		(489)
Increase in cash position	22,273	8,658
Cash position, beginning of year	72,714	64,056
Cash position, end of year	94,987	72,714

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, 1990 and 1989 and the consolidated statements of earnings, 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, 1990 and 1989 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 Section 212(2) of 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 15, 1991.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1990 and 1989

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.

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
Concentrate is valued at estimated net realizable value. Stores 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 were calculated on a straight line basis up to June 30, 1990. 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 on a straight line basis over the remaining life of the mine. 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% [1989 — 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, $283,000 of commissions were paid during 1990 [1989 — $547,000]. As at December 31, 1990 amounts totalling $1,376,000 [1989 — $7,418,000] 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 $337,000 [1989 — $385,000] 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. At December 31, 1990 the company had invested $44,000,000 [1989 — $22,230,000] in the pool. Interest earned related to pool investment amounted to $3,754,000 for 1990 [1989 — $1,638,000].

[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, $1,248,000 [1989 — $1,225,000] of dividends were receivable and $5,105,000 [1989 — $4,777,000] of dividends were included in income for the year.

[e] The company, through its Business Development Group, provided consulting services to the Noranda Group during 1990 for which it charged $1,956,000 [1989 — $1,385,000]. Accounts receivable related to these revenues at December 31, 1990 amount to $782,000 [1989 — $323,000].

[f] The company has sold equipment during the year for proceeds of $1,889,000 [1989 — Nil] to the Noranda Group.

3. *Inventories*

(in thousands)	**1990**	1989
	$	$
Concentrate		9,410
Stores	**1,587**	4,139
	1,587	13,549

4. *Oil Properties*

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

(in thousands)	**1990**	1989
	$	$
Productive properties	**100**	100
Productive drilling	**744**	859
Tangible production equipment	**5,006**	4,134
	5,850	5,093
Less accumulated depreciation and amortization	**3,000**	1,520
	2,850	3,573

5. *Property, buildings and equipment*

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

(in thousands)	**1990**	1989
	$	$
Buildings, equipment and related facilities	**47,341**	58,193
Mobile equipment	**3,264**	14,304
	50,605	72,497
Less accumulated depreciation	**48,594**	68,254
	2,011	4,243

6. *Other assets*

(in thousands)	**1990**	1989
	$	$
Deposits	**150**	232
Deferred mine development costs		1,980
Pension plan surplus *[note 7]*	**385**	
	535	2,212

7. *Pension Plans*

As a result of the mine closure [note 8] the company has experienced a significant gain on the expected settlement of certain of its pension obligations.

The company has calculated the expected future benefit available to the company [arising on the pension plans curtailment] to be $525,000. This gain has been included in the determination of mine closure costs and will be realized through the reduction of future contributions to the pension plans.

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, 1990 was $9,739,000 [1989 — $8,256,000]. The pension fund assets at market related values at December 31, 1990 were $10,010,000 [1989 — $9,708,000].

8. *Mine closure*

The mine reached the end of its economic life in June 1990. Total costs associated with the mine closure are estimated to be $16,240,000 of which $13,600,000 was provided up to December 31, 1989 with the remainder provided in 1990. Actual costs incurred subsequent to mine closure are charged against the provision.

9. 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)	1990	1989
	$	$
Revenue from sales		
Mining and milling	**17,545**	45,945
Oil	**9,241**	3,902
Total revenue	**26,786**	49,847
Segment operating profit (loss)		
Mining and milling	**(11,228)**	(22,252)
Oil	**6,956**	2,432
	(4,272)	(19,820)
Writedown of investment	**(4,638)**	
Interest revenue and other income	**3,894**	3,173
Dividend income	**5,105**	4,777
Income and other taxes	**(1,565)**	2,446
Net loss	**(1,476)**	(9,424)
Depreciation and amortization		
Mining and milling	**3,968**	7,675
Oil	**1,480**	865
	5,448	8,540
Identifiable assets		
Mining and milling	**9,492**	39,788
Oil	**3,803**	4,480
General corporate assets	**98,641**	75,093
	111,936	119,361
Capital expenditures		
Mining and milling	**158**	281
Oil	**757**	1,659
	915	1,940

The company's 1990 and 1989 sales of copper concentrate were to Japan and molybdenum concentrate were to Europe.

10. 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 42.8% for the following reasons:

(in thousands)	1990	1989
	$	$
Expense (recovery) based on earnings before taxes	**38**	(5,080)
Increase (decrease) in taxes resulting from:		
Non-taxable dividend income	**(2,185)**	(2,044)
Resource allowance and current depletion net of non-deductible government royalties and resource taxes	**2**	(515)
Timing differences not recognized for accounting purposes	**1,581**	4,238
Foreign production taxes paid	**971**	826
Non-allowable portion of writedown of investment in Vanderbilt Gold Corporation	**496**	
Other	**662**	129
Income and other taxes	**1,565**	(2,446)

At December 31, 1990 the company had accumulated income and resource tax timing differences of approximately $2,823,000 [1989 — $4,470,000] and foreign business income tax credits of approximately $550,000 [1989 — $1,103,000] available to reduce taxable income and taxes payable in future years.

The potential income tax benefits of these items has not been recognized in the accounts as realization is not reasonably assured.

11. Forward sales contracts

1990

As at December 31, 1990 the company had no copper forward sales contracts.

1989

In late 1987, coincident with the decision to extend the life of the mine by an additional year through mining of ore underlying the south wall of the open pit, a forward selling program for copper and U.S. dollars was commenced. This program was modified and extended during 1988 and 1989 with the result that, for accounting purposes, approximately 80% of 1989 and 1990 copper production was hedged at a price of $Cdn.0.95 per lb.

As at December 31, 1989, the company had committed to sell 9,900 tons of copper at an average price of $U.S.1.10 per lb. for delivery over the eight-month period ended August 31, 1990, and has deposited $372,000 to meet margin requirements associated with its future copper delivery commitments. In addition, a deferred cost of $5,048,000 as at December 31, 1989, representing the timing difference between the realization of hedging transactions and their recognition in the accounts, was amortized over 1990 copper production.

FINANCIAL HISTORY* — $000's

Earnings	1981	1982	1983	1984	1985	1986	1987	1988	1989	**1990**
Net value of production	39,126	46,295	34,826	31,439	21,977	62,666	71,617	74,425	49,847	**26,786**
Cost of production	37,258	38,091	34,172	25,270	14,914	41,570	43,884	42,544	49,363	**18,726**
Depreciation and amortization	4,280	4,985	4,000	4,205	4,288	8,254	7,552	4,749	8,540	**5,448**
Exploration expense	3,450	1,802	1,429	1,606	3,877	3,037	2,678	4,194	5,356	**3,198**
Administration and general expense	2,160	1,994	2,597	4,063	3,349	2,784	3,620	3,122	2,466	**1,436**
Mine closure expense	—	—	—	—	—	3,000	3,000	3,800	3,800	**2,115**
Municipal and sundry taxes	1,592	1,889	1,921	1,597	715	462	154	186	142	**135**
	48,740	48,761	44,119	36,741	27,143	59,107	60,888	58,595	69,667	**31,058**
Operating income (loss)	(9,614)	(2,466)	(9,293)	(5,302)	(5,166)	3,559	10,729	15,830	(19,820)	**(4,272)**
Investment and other income less interest expense	1,776	(10,243)	(704)	(3,714)	(1,781)	(2,072)	2,241	8,580	7,950	**4,361**
Income and other taxes	12,028	5,690	7,000	2,560	344	32	(1,704)	(9,782)	2,446	**(1,565)**
Extraordinary item	—	—	—	—	—	—	4,891	—	—	**—**
Net earnings (loss)	4,190	(7,019)	(2,997)	(6,456)	(6,603)	1,519	16,157	14,628	(9,424)	**(1,476)**
Financial Position										
Capital employed —										
Non-cash working capital	33,952	37,678	28,218	22,154	13,265	18,963	28,106	33,698	26,734	**10,299**
Investment in associated companies	82,149	63,950	63,950	63,950	63,950	63,950	—	—	—	**—**
Oil and gas properties, net	29,211	29,443	29,832	26,812	25,124	24,966	26,240	2,779	3,573	**2,850**
Property, buildings and equipment, net	27,069	23,905	21,887	20,231	18,466	13,425	11,420	7,705	4,243	**2,011**
Other investments and assets	215	215	215	215	215	215	553	12,189	7,050	**735**
	172,596	155,191	144,102	133,362	121,020	121,519	66,319	56,371	41,600	**15,895**
Capital sources —										
Short-term borrowings (cash)	62,863	56,509	53,073	50,805	43,086	38,161	(38,394)	(64,056)	(72,714)	**(94,987)**
Shareholders' equity	96,850	90,691	87,694	81,238	76,895	80,164	97,984	110,627	100,714	**99,238**
Other	12,883	7,991	3,335	1,319	1,039	3,194	6,729	9,800	13,600	**11,644**
	172,596	155,191	144,102	133,362	121,020	121,519	66,319	56,371	41,600	**15,895**
Cash Flows										
Operating activities	(4,797)	(4,404)	7,236	4,419	11,336	9,468	14,148	16,049	15,264	**23,166**
Investing activities —										
Oil and gas properties, net	(7,889)	(1,529)	(1,523)	(274)	(2,100)	(3,316)	(6,355)	28,363	(1,659)	**(757)**
Property, buildings and equipment, net	(8,924)	(524)	(848)	(271)	100	60	(699)	(935)	(281)	**2,980**
Exploration	(3,450)	(1,802)	(1,429)	(1,606)	(3,877)	(3,037)	(3,016)	(5,057)	(4,155)	**(3,198)**
Investment in associated companies	—	14,613	—	—	—	—	70,814	—	—	**—**
Other investments and assets	—	—	—	—	—	—	—	(10,773)	(22)	**82**
	(20,263)	10,758	(3,800)	(2,151)	(5,877)	(6,293)	60,744	11,598	(6,117)	**(893)**
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 (decrease) in cash position	(25,060)	6,354	3,436	2,268	7,719	4,925	76,555	25,662	8,658	**22,273**
Statistics										
Tons milled (000's)	11,243	10,455	9,022	6,734	3,307	11,224	11,344	12,441	12,746	**4,720**
Number of employees	463	439	105	105	404	401	418	421	411	**75**

*Data for the years 1981 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 1990.

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BRENDA MINES LTD.

P.O. Box 420, Peachland, B.C.

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 Kensington Room, Hyatt Regency Hotel, Vancouver, British Columbia, on Friday, the 10th day of May, 1991 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 1990 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 Royal 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 8th day of May, 1991.

By Order of the Board,

B. H. GROSE,
Secretary.

DATED this 20th day of March, 1991.

BRENDA MINES LTD.

P.O. Box 420, Peachland, B.C.

INFORMATION CIRCULAR

(as at and Dated March 20, 1991)

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.

Name and Address	Number of Voting Securities	Percentage of Outstanding Voting Securities
Noranda Inc., P.O. Box 45, Commerce Court West, Toronto, Ontario	3,371,020	69%

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:

Name and Position with Company	Director Since	No. of Voting Securities Held	Present Occupation and Employer
Bernard O. Brynelsen* Chairman of the Board and Director — Canada	1956	37,028	Retired
John M. Gordon* President and Director — Canada	1986	Nil	Executive Vice-President, Mining Operations, Noranda Minerals Inc. (mining company)
Keith C. Hendrick Director — Canada	1987	Nil	Senior Vice-President — Minerals, Noranda Inc. (natural resources) Chairman, Noranda Minerals Inc.

Name and Position with Company	Director Since	No. of Voting Securities Held	Present Occupation and Employer
Gordon H. Montgomery* Director — Canada	1974	200	Consulting Engineer
Richard H. Ostrosser* Director — Canada	1988	Nil	Consultant
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 1990 was $336,900.

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.

(b) The names and addresses of the insiders of Noranda Minerals Inc. are A. G Balogh, I. D. Bayer, D. L. Bumstead, G. H. Curtis, D. Goldman, J. M. Gordon, D. C. Hambley, J. D. Harvey, K. C. Hendrick, K. V. Konigsmann, D. Libby, M. H. McSorley, J. G. Peacy, M. C. Proctor, L. S. Tigert, H. Veldhuizen and J.C. White, 4 King Street West, Toronto, Ontario; W. G. Deeks, F. Frantisak, D. W. Kerr, W. M. O'Henly, A. Powis, E. C. Pratt and A. R. Thomas, Suite 4500, Commerce Court West, Toronto, Ontario; A. Y. Fortier, Suite 2400, 1800 McGill College Avenue , Montreal, Quebec; A. H. Zimmerman, Suite 4414, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario.

The names and addresses of the insiders of Noranda Inc. are: André Bérard, 600 de La Gauchetiére West, Montreal, Quebec; P. F. Bronfman, Suite 4400, Commerce Court West, Toronto, Ontario; J. L. Cockwell, Suite 4800, Commerce Court West, Toronto, Ontario; René Dufour, P.O. Box 6079, Station A, Montreal, Quebec; J. T. Eyton, O.C., Q.C., Suite 4800, Commerce Court West, Toronto, Ontario; W. J. L'Heureux, Suite 4400, Commerce Court West, Toronto, Ontario; P. M. Marshall, Suite 4800, Commerce Court West, Toronto, Ontario; D. S. McGiverin, 5th Floor, 401 Bay Street, Toronto, Ontario; W. D. McKeough, P.O. Box 940, Chatham, Ontario; D. E. Mitchell, O.C., 639 - 5th Avenue S.W., Calgary, Alberta; André Monast, Q.C., 1150 Claire-Fontaine Street, Quebec, Quebec; B. A. Roy, 1981 McGill College Avenue, Montreal, Quebec; H. R. Whittall, Suite 1100, 885 West Georgia Street, Vancouver, British Columbia; W. P. Wilder, Suite 3990, Commerce Court West, Toronto, Ontario; R. J. Anderson, B. C. Bone, G. H. Corlett, W. G. Deeks, Frank Frantisak, B. H. Grose, D. W. Kerr, W. M. O'Henly, G. M. Penna, T. E. Phelps, Alfred Powis, O.C., E. C. Pratt and A. R. Thomas, Suite 4500, Commerce Court West, Toronto, Ontario; J. D. Harvey, K. C. Hendrick, L. S. Tigert, 4 King Street West, Toronto, Ontario; R. T. Kenny and A. H. Zimmerman, Suite 4414, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario; F. L. Lederman and P. Tarassoff, 240 Hymus Boulevard, Point Claire, Quebec; A. Y. Fortier, 1800 McGill College Avenue, Montreal, Quebec; R. E.

Connell, 33 Yonge Street, Toronto, Ontario. The Management of Noranda Inc. has advised the Company at March 11, 1991, Brascade Resources Inc., a subsidiary of Brascan Limited, owns or exercises control or direction over 68,040,747 Common Shares (35.7%), 4,212,080 Series C Preferred Shares, 12,500,000 Series E Preferred Shares and Convertible Debentures convertible into 2,142,855 Common Shares of the Corporation. Noranda Equities Inc., a subsidiary of Brascan Limited, owns 16,116,158 Common Shares (8%).

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 Royal 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.

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

Noranda Minerals Inc., through its sales agency, marketed substantially all mine products and is responsible for collection of proceeds. These transactions are in the Company's ordinary course of business.

B. H. Grose, Secretary

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Printed on recycled paper.
The inside pages are acid-free and environmentally friendly.
Vegetable-based inks have been used throughout.

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