Annual Report 1987

Brenda Mines Ltd.

brenda

noranda group

Brenda Mines Ltd.

Directors:

B. O. Brynelsen	Vancouver, B.C.
J. M. Gordon	Toronto, Ont.
J. A. Hall	Toronto, Ont.
K. C. Hendrick	Toronto, Ont.
G. H. Montgomery	Vancouver, B.C.
A. Powis	Toronto, Ont.
H. B. Simpson	Kelowna, B.C.
H. R. Whittall	Vancouver, 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

Audit Committee:

J. M. Gordon
J. A. Hall
G. H. Montgomery
H. R. Whittall

Mine Office:

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

Transfer Agent and Registrar:

Canada Trust Company,
Four Bentall Centre, Vancouver, and
110 Yonge Street, Toronto, Canada

Annual Meeting:

May 12, 1988, 11:00 a.m. Seymour Room,
Hyatt Regency, Vancouver, B.C.

Brenda Mines open pit mine and tailings pond.

Directors' Report to the Shareholders

Financial Results

Net earnings in 1987 were $16.2 million or $3.41 per share as compared with $1.8 million or $0.40 per share in 1986. Included in the 1987 results are extraordinary items of $10.3 million, comprised of $4.9 million net of tax realized from the sale of Kerr Addison shares in April, and a $5.4 million recovery of income taxes through the application of prior years' losses. Thus the mining and oil and gas divisions had a very satisfactory year with earnings of $5.9 million or $1.24 per share.

In April, the shares held in Kerr Addison were sold at a net $24.50 per share, providing proceeds of $70.8 million and an after-tax gain of $4.9 million. Cash flow amounted to $76.6 million, permitting the retirement of the bank loan, and resulting in a treasury position of $38.4 million at year end. This had the added advantage of reducing interest charges by $3.4 million and adding interest income of $1.9 million.

Mining Operations

Continuing the excellent results attained in 1986, mill throughput was increased to a record 11.3 million tons, at an average 31,080 tons per day. Operating cost at $3.89 per ton milled was up slightly, but still satisfactory. Metallurgical recoveries were comparable to the previous year, as Brenda expertise in process control continued to be exercised at home as well as being acquired and used by other mining companies. As a result, the 68,980 tons of copper concentrate produced was a record, surpassing the record made in 1986. Molybdenum concentrate production at 7,271 tons was down from the previous year due to a lower grade of ore mined.

Marketing of Mine Products

The efforts by Noranda Sales Corporation were equally as satisfactory as mine operations, and sales of molybdenum exceeded production, with a consequent reduction in inventory to 2.95 million pounds at year end. During the year, the copper concentrate treatment agreement was renewed with Nippon Mining for a two-year period to March, 1989 at competitive terms. Molybdenum prices were variable, dropping from $U.S. 3.25 per pound at the beginning of the year to a low of $2.58 in June, and recovering to $2.86 at year end. Copper prices increased gradually during the year from $U.S. 0.61 per pound at the beginning of the year to $0.85 in September, and then rapidly to $1.45 at year end. The stronger prices had a very positive impact on fourth quarter results.

Extension of Mine LIfe

Approximately 18,000 feet of definition drilling in the pit to confirm ore reserve grade led to the discovery of an extension of the ore under the south wall. An additional one year's reserves were confirmed, and removal of 6 million tons of overburden started at the end of 1987. As of February 17, 13,200 tons of the final twelve months' production of copper metal has been sold forward at about $U.S. 0.87 per pound, and an agreement has been reached with the provincial government and B.C. Hydro regarding a reduced power cost dependent on the copper price. These two arrangements will ensure the viability of the mine operation to mid 1990. However, to ensure an orderly transition, Industrial Adjustment Committees have been established for staff and hourly-rated employees. These will provide career counselling and training upgrading needs analyses, and provide the liaison with provincial government placement agencies.

Mineral Exploration

Noranda Exploration continued to carry out work on behalf of Brenda, with 1987 expenditures of $1.7 million, essentially in British Columbia. While a considerable proportion of this was spent on grass roots exploration, those properties identified as having potential during the $7.0 million 1985 and 1986 program were followed-up. The most promising of these is the Grew Creek gold project in the Yukon, in which Brenda has a 22% interest. In addition to the Norex work, Brenda investigated several prospects during the year.

Continuing test work is being done on the Bearcub feldspar prospect, northeast of Kelowna, which was acquired in 1986. In late fall, a joint venture was entered into with Fargo Resources of Vancouver to explore, and if feasible, construct a one million tonne a year recovery plant on their very promising high grade kaolin property south of Powell River. Brenda will fund the exploration work and plant construction, and will receive 80% of the proceeds until the advance is recovered, at which time the project will become a 50:50 joint venture. Magnotometer and resistivity surveys were carried out late in the year to follow up the discovery holes, and an extended exploration program has been developed for 1988.

Business Development

The Business Development Group had an active year with the formation of a Process Technology Division and a major process control project successfully completed. Work on molybdenum recovery for Hemlo Gold Mines Inc. using columnar flotation is expected to lead to a successful conclusion in 1988. Several potential contracts are being followed-up subsequent to technical papers being presented in the United States and Chile. Brenda personnel have been asked to prepare a process control proposal for a molybdenum plant to be built in China. To permit the Group to function efficiently, an office was established in Kelowna to serve as a center for its activities.

Sulphur

As a result of the work done in 1987 with the mobile sulphur melter in processing contaminated sulphur, the development of a sulphur division is being considered. If feasible, production for industrial and agricultural uses will be pursued both by acquisition of existing operations and construction of new facilities.

Oil and Gas

The Oil and Gas Division continued to expand rapidly. Following the strategy of being market driven, Brenda Marketing contracted for and sold 17.1 Bcf of natural gas during the year. Of this, 2.6 Bcf or 15% was produced by the Division with an additional 1.9 Bcf produced and sold directly. The remaining gas was brokered for various suppliers. About 90% of the volume handled by Brenda Marketing was sold to twenty-six end users in Ontario and Quebec.

The rapid growth in oil and gas exploration and production capabilities was financed by divisional cash flow, along with $1.2 million from the issue of flow-through shares and $1.0 million from other financing.

The 1.09% interest in the Timor Sea permit area NT/P26, off the north coast of Australia, generated $1.3 million in operating income. Brenda's share of the reserves amount to 642,000 barrels, with 1987 production of 70,960 barrels. Further development of the Challis and Jabiru fields is being carried out by the operators.

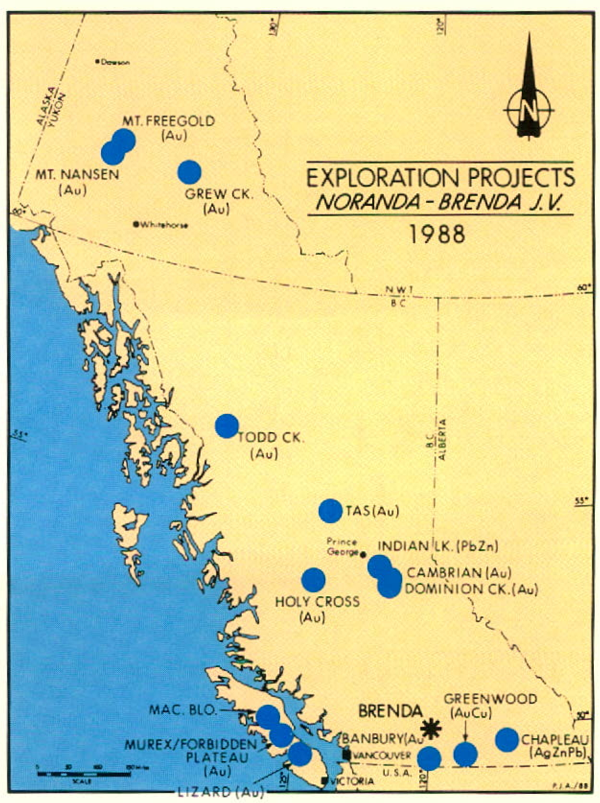
Acknowledgement

The very fine job done by all Brenda employees is acknowledged by the Directors who wish to express their gratitude for a very successful year. The enthusiastic approach to day-to-day problems in the mine and plant resulted in record throughput, while the Oil and Gas and Business Development Group personnel expanded their operations significantly. This dedication and enthusiasm augers well for the future.

On behalf of the Board,

President

February 17, 1988

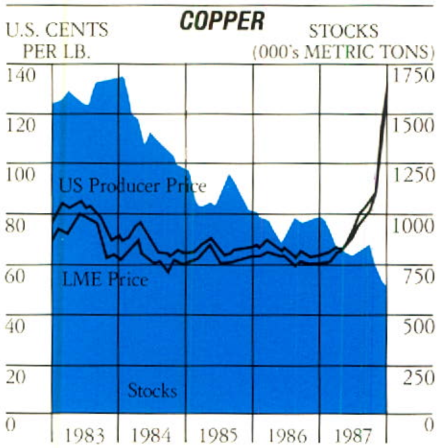


Metal Markets

Copper

Western World Balance (metric '000 tons)

	1985 Year	1986 Year	1987 Year
Supply	7,036	7,511	7,526
Demand	7,264	7,595	7,903
Stocks	960	876	499



Demand for refined copper in 1987 surpassed the previous record of 1986 with particularly strong consumption in the second half in the United States and the Far East.

Stocks declined 225,000 tons in the first half and prices rose modestly to U.S. 70 cents per pound on the London Metal Exchange by mid year.

An anticipated second half surplus was reversed to a deficit of 150,000 tons as demand remained strong and producers in North and South America encountered shipping problems.

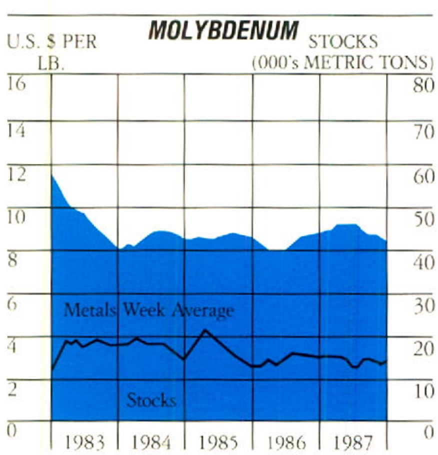
At year end stocks were at absolute minimum practical levels which reflected in extreme market tightness, premiums for prompt delivery and a year end price of $U.S.1.45 per pound on the L.M.E. Prices subsequently fell back from this unsustainable level to below $1.00 per pound.

The outlook is for a strong 1988 first half with a relaxation in the extreme market tightness.

Molybdenum

Western World Balance ('000 lbs Mo)

	1985 Year	1986 Year	1987 Year
Supply	79	78	73
Demand	78	76	75
Stocks	42	44	42



Western World demand for molybdenum remained buoyant, supported by healthy world demand for moly-bearing automotive, stainless, specialty and tool steels. Attributable to the stronger U.S. dollar and improved steel industry performance, North American molybdenum demand expanded by approximately 7% over 1986 levels, at the expense of the European and Japanese markets.

World stocks steadily climbed over the first half as by-product molybdenum output, stimulated by improving copper prices, outstripped the ability of the market to absorb it. Market prices responded by falling from a high of $U.S.3.10/lb Mo to a low of $2.58. Market prices subsequently improved to close the year at $2.86/lb Mo.

Mining Division

Mine Production Statistics		1987	1986
Waste stripped	Tons	4,093,940	4,461,380
Ore milled	Tons	11,344,320	11,224,310
Ore milled per calendar day	Tons	31,080	30,750
Ore milled per operating day	Tons	33,270	33,110
Copper content of ore	% Cu	0.192	0.184
Copper recovery	%	89.89	90.38
Copper concentrates produced	Tons	68,980	67,170
Copper concentrates grade	% Cu	28.33	27.84
Molybdenum content of ore	% Mo	0.041	0.048
Molybdenum recovery	%	87.48	88.39
Molybdenum concentrates produced	Tons	7,271	8,650
Molybdenum concentrates grade	% Mo	56.08	55.45

It is very gratifying to be able to report that 1987 was one of the best years ever experienced at the mining operation. Milled tonnage in three of the four quarters was well above plan and the third quarter missed the target by only 60,000 tons resulting in an all-time production record for ore milled. The production of copper was also at a record high. Fortuitously, the fourth quarter saw a rapid increase in the copper price to an average of $U.S.1.34 resulting in an increase in revenue of $6.4 million over plan for the period. The operating profit from mining operations for 1987 of $10.1 million is the highest since 1980 despite the mediocre performance of the molybdenum price. In this connection, sales of molybdenum exceeded production and reduced the inventory to slightly less than 3 million pounds.

The pit operation was aided throughout the year by good weather conditions and no ground instability problems were experienced. A new pumping system was installed to provide dry conditions for the ramping-down operations which will occur more frequently as the mining area in the bottom of the pit becomes smaller.

In an attempt to prolong the life of the mine, exploration was carried out in two anomalous areas in the vicinity. Mineralization was discovered but unfortunately not of ore grade. At the same time, drilling took place in the bottom of the pit and the stated ore reserves were confirmed. As an adjunct to that drilling, several holes

Foreground – Caterpillar D-9 dozer used for heavy clean-up in and around the mine. *Background* – 100 ton electrahaul truck used to haul ore from the mine pit to the crusher.

were drilled in the south wall of the pit and an extension to the orebody was discovered. Although of lower than average grade, computer analysis determined the feasibility of mining that portion of the orebody. It was decided that, under appropriate conditions and with a negotiated hydro power discount, such an operation would be viable and stripping commenced in late December 1987. By mining the south wall the life of the operation will be extended by approximately one year to mid-1990.

As expected, the metallurgical results were again excellent with recoveries of 89.9% and 87.5% for Cu and Mo respectively. The mill has now been in operation for eighteen years and it is a credit to the maintenance and process control personnel that it continues to function so efficiently.

Efficiencies in the operation generally are reflected in the low operating cost of $3.89 per short ton milled. The variance from the plan is mainly because the operation did not qualify for the entire power discount due to higher than planned revenues.

As the mine approaches the end of its operating life, particular attention is being paid to reclamation and closure.

The major work in reclamation in 1987 was the start of full-scale seeding of the tailings dam. It was fairly successful but indicated the necessary modifications to the procedures for the future. In addition, further experimental work was carried out in planting grasses and shrubs on the waste rock dumps.

Tentative plans for closure have been produced but some further work is scheduled for governmental approval and public endorsement.

Good relations with all employees continued throughout the year. It is noteworthy that a new collective agreement was concluded one month ahead of the expiration date of the previous agreement. Greater attention to safety was rewarded during 1987 with a reduction of compensable injuries to eight giving a frequency of 10.2 per million man hours, a decided improvement over the 18.0 experienced in 1986.

The active workforce was increased by 1 to 387. The profit-sharing plan is a popular feature at Brenda and this year's allocation amounted to $1,479,000 or $3,750 per individual full share, an increase of $930 over 1986.

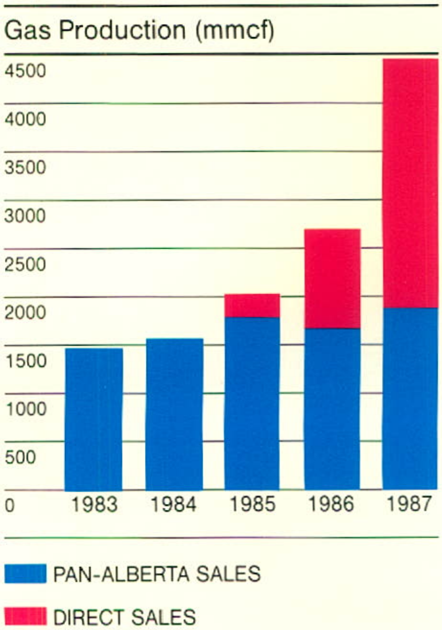
Two senior operating staff departed the Brenda mine operation during the year. Mr. R. G. Bradburn, former Concentrator Superintendent, now heads the Business Development Group in Kelowna, and Mr. J. A. Keyes, former Mine Superintendent, is currently the Mine Manager of Mattabi Mines Limited in Ignace, Ontario. Their respective contributions to the operation over the years were very considerable and are acknowledged with gratitude.

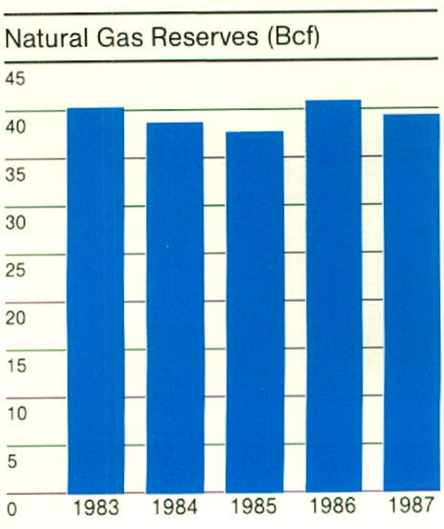
The total workforce likewise performed in exemplary fashion and produced the excellent results referred to earlier. I wish to offer my sincere thanks to all employees for their support and hard work leading to the successes of 1987.

G. R. Harris
Mine Manager

February 17, 1988

Oil & Gas Division





Summary

During 1987, oil prices fluctuated from U.S.$16 to $21 per barrel, while the natural gas border price was artificially stabilized at about $1.40 per mcf. The plan to concentrate on natural gas and to become a fully integrated exploration, production and marketing company resulted in a marked growth in production and in sales. Following the practice since the Division was established in the late 1970s, the cash flow from the Canadian and Australian operations was reinvested in acquisition and exploration. An additional $1.2 million from flow through shares and $1.0 million from other financing was also expended.

The operating profit from the oil and gas division was $1.0 million, with most of this coming from the Australian Timor Sea operations. The strong operating performance of the Canadian operations was negated by the writedown of $1.0 million of reserve deficient properties, and reclassification of seven wells, thereby increasing the exploration expense by $376,000. This will have the effect of reducing future depletion expenses and thus improving earnings.

Exploration and Land

In what was the most successful year since the Division was established, a total of 19 wells were drilled with a success ratio of 84%. Fifteen wells were cased as gas wells and one an oil discovery.

This program contributed about 11.0 Bcf to Brenda's proven natural gas reserves, or 2.4 times Brenda's 1987 production. In addition, 1.4 Bcf was added to proven reserves through the acquisition of the Kaybob South well. This brought total reserves to 47.4 Bcf by year end, of which 43.7 Bcf is proven and 3.7 Bcf probable.

With the emphasis on drilling higher working interest prospects, land acquisition and seismic programs were very active. Approximately 155 miles of seismic data was acquired during 1987, of which 130 miles was new shooting to evaluate grass roots prospects.

A total of 27,000 net acres was acquired during the year at a cost of $2.4 million, as compared to 12,400 net acres in 1986. This brings Brenda's Canadian land position to 122,100 acres in Alberta and 1,200 acres in British Columbia.

Brenda's Kaybob natural gas and natural gas liquids plant located 130 miles northwest of Edmonton.

Gas gathering system installation in Greater Cache area.

Operations

Natural gas production increased by 67% to 4.5 Bcf from 2.7 Bcf in 1986, while operating costs decreased from $0.29/mcf to $0.24/mcf. This ranks among the lowest in the industry.

Proven reserves were brought into production with a minimum of delay. The average time from releasing the rig to bringing the pool on stream was only about 4 months. Of the 4.5 Bcf produced in 1987, about 18% was contributed to production from wells drilled during the year.

About 90 bbls/day of natural gas liquids was delivered from the Kaybob well acquired in January, 1987.

In the Greater Cache area of east central Alberta, deliverability was increased by nearly 30% through the acquisition of additional production facilities.

Marketing

In keeping with Brenda's strategy to be market driven, Brenda Marketing Inc., a wholly-owned subsidiary of Brenda Mines Ltd., has established itself as a competitive, reliable supplier of natural gas in Canada.

During the year, direct sales averaged 47 mmcfd, peaking at 100 mmcfd by year end. Of the total 17.0 Bcf sold, approximately 2.6 Bcf or 15% was purchased from Brenda Oil and Gas.

Australia

The off-shore Australia operation contributed substantially to cash flow and earnings. Production from two wells in the Jabiru field exceeded 29,000 barrels per day on average, with Brenda's interest of 1.09% representing 300 barrels per day.

Currently, Brenda's share of proven oil reserves is 642,000 barrels, in an overall land position totalling 307,500 net acres.

Projections for 1988 indicate an increased amount of activity in the Jabiru and Challis fields, with production capacity from the Jabiru field to be expanded.

1988 Outlook

Natural gas prices are expected to remain flat in the near term. Competition will be intense for market share, and companies which aggressively seek and find markets for their natural gas, and have the ability to operate high quality reserves at high load factors, will succeed. Brenda is well placed to exploit the current and anticipated environment.

Acknowledgement

The commitment, dedication and perseverance of all members of a team make an enterprise grow and thrive. The tangible results for the year are indicative of such an effort.

The professionalism, integrity and excellence demonstrated by all employees in the Oil and Gas Division is greatly appreciated.

J. Balaban
General Manager

February 17, 1988

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

Consolidated Balance Sheet

December 31

Assets

	1987	*1986*
	(in thousands)	
Current assets:		
Short term investments (note 6)	**$ 43,000**	
Accounts receivable	**26,457**	$ 10,028
Inventories (note 2)	**17,352**	18,492
Prepaid expenses	**68**	356
Total current assets	**86,877**	28,876
Investment in associated company (note 13)		63,950
Oil and gas properties (note 3)	**26,240**	24,966
Property, buildings and equipment (note 4)	**11,420**	13,425
Other assets	**553**	215
	$125,090	$131,432

Liabilities and Shareholders' Equity

Current liabilities:		
Bank advances (note 5)	**$ 4,606**	$ 35,161
Short term borrowings (note 6)		3,000
Accounts payable	**8,845**	5,476
Taxes payable	**2,866**	779
Total current liabilities	**16,317**	44,416
Capital lease obligations	**402**	
Provision for mine closure costs (note 8)	**6,000**	3,000
Deferred income taxes	**729**	194
Shareholders' equity:		
Capital stock (note 9) –		
Authorized:		
5,000,000 shares without nominal or par value		
Issued and outstanding:		
4,854,244 shares (1986 – 4,720,587)	**13,891**	12,228
Retained earnings	**87,751**	71,594
	101,642	83,822
	$125,090	$131,432

(See accompanying notes to financial statements)

On behalf of the Board:

B. Brynelsen
Director

J. M. Gordon
Director

Consolidated Statement of Earnings
Years ended December 31

	1987	1986
	(in thousands)	
Revenue from sale of concentrates (note 1(b))	$75,341	$61,640
Change in inventory at estimated realizable value	(1,919)	5,173
	73,422	66,813
Less treatment and distribution charges	12,450	9,685
	60,972	57,128
Revenue from sale of oil and gas	10,645	5,538
	71,617	62,666
Cost of production (note 11)	43,884	41,570
Depreciation, depletion and amortization	7,552	8,254
Oil, gas and mineral exploration expense (note 9)	2,678	3,037
Administration and general expense	3,620	2,784
Mine closure expense (note 8)	3,000	3,000
Municipal and sundry taxes	154	462
	60,888	59,107
Operating income	10,729	3,559
Interest expense	(968)	(4,349)
Interest and other income	2,775	859
Dividend income	434	1,734
	2,241	(1,756)
Earnings before taxes and extraordinary items	12,970	1,803
Income and other taxes (recovery) (note 12)	7,118	(32)
Earnings before extraordinary items	5,852	1,835
Extraordinary items (note 13)	10,305	
Net earnings	$16,157	$ 1,835
Earnings per share before extraordinary items	$1.24	$.40
Net earnings per share	$3.41	$.40

Consolidated Statement of Retained Earnings
Years ended December 31

	1987	1986
	(in thousands)	
Retained earnings, beginning of year	$71,594	$69,759
Net earnings	16,157	1,835
Retained earnings, end of year	$87,751	$71,594

(See accompanying notes to financial statements)

Consolidated Statement of Changes in Cash Position

Years ended December 31

	1987	1986
	(in thousands)	
Cash from (used in) operations:		
Earnings before extraordinary items	**$ 5,852**	$ 1,835
Adjustments for items not affecting cash:		
Depreciation, depletion and amortization	**7,552**	8,254
Surrendered leases	**305**	221
Deferred income taxes	**(1,039)**	(845)
Mine closure	**3,000**	3,000
Other	**(72)**	(20)
Change in non-cash working capital related to operations	**(11,518)**	(6,014)
Oil, gas and mineral exploration	**2,678**	3,037
Reduction of income taxes through application of losses carried forward	**6,988**	
	13,746	9,468
Cash from (used for) investing activities:		
Additions to oil and gas properties, net of grants	**(6,355)**	(3,316)
Oil and gas exploration	**(2,176)**	(1,285)
Mineral exploration	**(502)**	(1,752)
Deferred mineral exploration	**(338)**	
Proceeds on disposal of investment in associated company	**70,814**	
Additions to property, buildings and equipment	**(821)**	(141)
Proceeds from sale of property, buildings and equipment	**122**	201
	60,744	(6,293)
Cash from financing activities:		
Issue of common shares	**1,663**	1,750
Capital lease obligations	**402**	
	2,065	1,750
Increase in cash position	**76,555**	4,925
Cash position, beginning of year	**(38,161)**	(43,086)
Cash position, end of year	**$ 38,394**	$(38,161)

Cash position comprises short term investments (borrowings) and bank advances.
(See accompanying notes to financial statements)

Auditors' Report

To the Shareholders of
Brenda Mines Ltd.:

We have examined the consolidated balance sheet of Brenda Mines Ltd. as at December 31, 1987 and the consolidated statements of earnings, retained earnings and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada,
January 22, 1988.

Clarkson Gordon
Chartered Accountants

Notes to Consolidated Financial Statements

December 31, 1987

1. Summary of significant accounting policies

(a) Principles of consolidation

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

(b) Revenue

Pursuant to new recommendations of the Canadian Institute of Chartered Accountants on revenue recognition, the company has disclosed revenue from product shipped separately from the income effect of valuing concentrates on hand at estimated realizable values.

(c) Foreign currency translation

Current assets and liabilities in foreign currency have been translated into Canadian dollars at the rate of exchange prevailing at year end. Transactions during the year are translated at exchange rates prevailing at the date of the transaction. Exchange gains or losses resulting from such translation are included in earnings.

(d) Inventories

Concentrate is valued at estimated net realizable value. Stores and gas inventories are valued at the lower of average cost and replacement cost.

(e) Oil and gas properties

The company follows the successful efforts method of accounting for its oil and gas properties. Acquisition costs of oil and gas 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.

Production equipment and gathering systems are recorded at cost. Petroleum incentive tax credits related to eligible expenditures are recorded as a reduction of exploration and development costs.

(f) Depreciation, depletion and amortization

Depreciation of property, buildings and equipment is calculated on a straight line basis over 42 months up to June 30, 1990, which is management's revised estimate of the remaining life of the mine (1986 – 40 months up to April 30, 1989). Additions, betterments and renewals are capitalized and expenditures for maintenance and repairs are charged to expense. When depreciable assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings.

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

(g) 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.

(h) Pension costs

The company has two pension plans which cover substantially all employees. Effective January 1, 1987, in accordance with the recommendations of The Canadian Institute of Chartered Accountants, the company began using an 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. This change in accounting from prior years has no significant impact on earnings.

2. Inventories

	1987	*1986*
	(in thousands)	
Concentrate	**$12,368**	$14,287
Stores	**4,458**	4,205
Gas	**526**	
	$17,352	$18,492

3. Oil and gas properties

Oil and gas properties, at cost unless otherwise noted, less accumulated depreciation, depletion and amortization are as follows:

	1987	*1986*
	(in thousands)	
Net profits interest in frontier areas, at net cost	**$ 73**	$ 73
Productive properties	**12,376**	11,523
Unevaluated properties	**4,608**	2,910
Productive drilling	**9,856**	8,942
Tangible production equipment and other	**13,480**	11,495
	40,393	34,943
Less accumulated depreciation, depletion and amortization	**14,153**	9,977
	$26,240	$24,966

4. Property, buildings and equipment

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

	1987	*1986*
	(in thousands)	
Buildings, equipment and related facilities	**$58,848**	$57,600
Mobile equipment	**13,901**	13,791
Residential land and buildings	**30**	64
	72,779	71,455
Less accumulated depreciation	**61,359**	58,030
	$11,420	$13,425

5. Bank advances

	1987	1986
	(in thousands)	
Bank overdraft	$ 1,706	$ 1,261
Demand loan	2,900	13,900
Bankers' acceptances		20,000
	$ 4,606	$35,161

The company has pledged accounts receivable and inventories as collateral for bank advances.

6. Related party transactions

Noranda Inc. owns 47.6% 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, $519,000 of commissions were paid during 1987 (1986 – $468,000). As at December 31, 1987 amounts totalling $14,464,000 (1986 – $6,746,000) 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 $370,000 (1986 – $370,000) was paid for technical and administrative services.

(c) In 1987 the company purchased approximately $215,000 (1986 – $310,000) of production supplies and services from the Noranda Group.

(d) 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, 1987 the company had invested $43,000,000 (1986 – owed $3,000,000) in the pool. Net interest earned related to pool investment amounted to $2,224,000 for 1987 (1986 – interest paid $948,000).

(e) The Noranda Group purchased natural gas in the amount of $13,834,000 from the company (1986 – $1,107,000). At December 31, 1987 $1,410,000 (1986 – $263,000) was due in respect of these sales.

(f) Noranda Inc. acquired 84,342 common shares through the company's flow-through program (see note 9) for cash consideration of $1,453,000.

7. Pension plans

The company has two pension plans, participation in which is available to substantially all employees. The hourly employees are members of a negotiated plan to which the company contributes amounts specified by the collective agreement.

Actuarial reports for the pension plans prepared during the year, 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, 1987 was $5,910,000. The pension fund assets at market related values at December 31, 1987 were $8,141,000.

8. Mine closure

The mine is currently estimated to reach the end of its economic life in June of 1990. Total costs associated with the mine closure are estimated to be $13,500,000. These costs are being provided for on a straight line basis over the remaining life of the mine. A total of $6,000,000 of this amount has been provided up to December 31, 1987.

9. Capital stock

During the year the company issued 133,657 (1986 – 215,053) common shares for $2,381,000 as flow-through shares to finance mineral and gas exploration in Canada. The company was committed to issue an additional 33,624 shares at prices ranging between $18.56 to $18.83 per share under the terms of existing flow-through share agreements.

As a result of this issue $718,000 (1986 – $1,750,000) relating to the sale of exploration expenditures has been recorded as a reduction of exploration and development expenditures.

10. Segmented information

The company operates in two industries, mining and milling in British Columbia, and oil and gas exploration in Alberta and British Columbia.

Information regarding industry segments is set out below:

	1987	1986
	(in thousands)	
Value of production:		
Mining and milling	**$ 60,972**	$ 57,128
Oil and gas	**10,645**	5,538
Total revenue	**$ 71,617**	$ 62,666
Segment operating profit:		
Mining and milling	**$ 10,086**	$ 4,754
Oil and gas	**1,013**	(824)
	11,099	3,930
General and corporate expenses	**(370)**	(371)
Extraordinary items	**10,305**	
Interest revenue (expense) and other income	**1,807**	(3,490)
Dividend income	**434**	1,734
Income and other taxes	**(7,118)**	32
Net earnings	**$ 16,157**	$ 1,835
Depreciation, depletion and amortization:		
Mining and milling	**$ 3,349**	$ 5,078
Oil and gas	**4,203**	3,176
	$ 7,552	$ 8,254
Identifiable assets:		
Mining and milling	**$ 46,079**	$ 39,637
Oil and gas	**36,011**	27,845
General corporate assets	**43,000**	63,950
	$125,090	$131,432
Capital expenditures:		
Mining and milling	**$ 178**	$ 141
Oil and gas	**6,998**	3,316
	$ 7,176	$ 3,457

The company's 1987 sales of copper concentrate were to Japan and molybdenum concentrate were to Europe.

11. Government assistance

In 1985 the company entered into an agreement with the Commissioner of Critical Industries for the Province of British Columbia which provided for reduced hydro power costs and property taxes for a period up to three years. This agreement, amongst other things, provides for reductions in the amount of assistance in the event that the company exceeds stipulated target levels of gross operating revenues. The agreement's term ends in August 1988.

During the year expenses were reduced by $479,000 (1986 – $2,083,000) as a result of assistance received under this agreement.

12. Income and other taxes

(a) As at December 31, 1987 the company has estimated investment tax credits of $449,000 (1986 – $516,000) which are available as a deduction from future income taxes payable.

These investment tax credits expire as follows:

1990	131,000
1991	41,000
1992	45,000
1993	132,000
1994	100,000

(b) Income and other taxes vary from the amount that would be computed by applying the combined federal and provincial income tax rate of approximately 51.6% (1986 – 53.8%) for the following reasons:

	1987	*1986*
	(in thousands)	
Expense based on earnings before taxes and extraordinary items	**$6,693**	$ 970
Increase (decrease) in taxes resuting from:		
Non-taxable dividend income	**(222)**	(933)
Inventory allowance		(154)
Resource allowance net of non-deductible government royalties and resource taxes	**(503)**	(403)
Exploration expenses sold	**861**	941
Losses and timing differences not recognized for accounting purposes	**378**	(467)
Petroleum and gas revenue taxes	**(16)**	4
Other	**(73)**	10
Income and other taxes (recovery)	**$7,118**	$ (32)

13. Extraordinary items

Gain on disposal of Kerr Addision Mines Limited (net of income taxes of $1,973,000)	$ 4,891,000
Recovery of income taxes, not previously recognized, through application of losses carried forward	5,414,000
	$10,305,000

14. Commitments

The company has committed to sell 12,125 tons of copper at an average price of $U.S. 0.87 per lb. for delivery over the twelve-month period ended June 30, 1990, and has committed to sell $U.S. 19,400,000 at an exchange rate of $Cdn. 1.3156 over the same period.

15. Contingency

In April of 1986 income tax reassessments were issued by Revenue Canada, Taxation against the company claiming $3,600,000 in taxes for the 1977-1980 taxation years. The company is being denied a portion of its resource and depletion allowances on the grounds that a portion of the company's mining profits were earned as a result of foreign processing activities. Management believes the amounts are validly claimed and is contesting the reassessment. If the company is not successful, a prior period adjustment will be made relating to the years 1977-1980.

Financial History* — $000's

Earnings

	1978	1979	1980	1981	1982	1983	1984	1985	1986	**1987**
Net value of production	64,756	90,129	77,293	39,126	46,295	34,826	31,439	21,977	62,666	**71,617**
Cost of production	27,593	26,916	33,422	37,258	38,091	34,172	25,270	14,914	41,570	**43,884**
Depreciation, depletion and amortization	4,231	4,483	3,120	4,280	4,985	4,000	4,205	4,288	8,254	**7,552**
Exploration expense	7,818	19,775	4,369	3,450	1,802	1,429	1,606	3,877	3,037	**2,678**
Administration and general expense	1,442	1,714	2,037	2,160	1,994	2,597	4,063	3,349	2,784	**3,620**
Mine closure expense	–	–	–	–	–	–	–	–	3,000	**3,000**
Municipal and sundry taxes	1,185	1,234	1,204	1,592	1,889	1,921	1,597	715	462	**154**
	42,269	54,122	44,152	48,740	48,761	44,119	36,741	27,143	59,107	**60,888**
Operating income	22,487	36,007	33,141	(9,614)	(2,466)	(9,293)	(5,302)	(5,166)	3,559	**10,729**
Investment income less interest expense	940	4,074	8,996	2,161	(10,026)	(510)	(3,519)	(1,594)	(1,756)	**2,241**
Income and other taxes	(10,592)	(15,579)	(15,030)	12,028	5,690	7,000	2,560	344	32	**(7,118)**
Extraordinary items	–	–	–	–	–	–	–	–	–	**10,305**
Net earnings (loss)	12,835	24,502	27,107	4,575	(6,802)	(2,803)	(6,261)	(6,416)	1,835	**16,157**

Financial Position

	1978	1979	1980	1981	1982	1983	1984	1985	1986	**1987**
Capital employed –										
Non-cash working capital	23,991	26,077	28,071	36,501	40,444	31,178	25,309	16,607	22,621	**32,166**
Investment in associated companies	–	50,519	73,312	82,149	63,950	63,950	63,950	63,950	63,950	**–**
Oil and gas properties, net	7,809	15,497	21,628	29,211	29,443	29,832	26,812	25,124	24,966	**26,240**
Property, buildings and equipment, net	23,391	20,797	22,119	27,069	23,905	21,887	20,231	18,466	13,425	**11,420**
Other assets	210	215	215	215	215	215	215	215	215	**553**
	55,401	113,105	145,345	175,145	157,957	147,062	136,517	124,362	125,177	**70,379**
Capital sources –										
Short-term borrowings (cash)	(11,583)	29,155	37,803	62,863	56,509	53,073	50,805	43,086	38,161	**(38,394)**
Shareholders' equity	58,689	73,593	94,572	99,399	93,457	90,654	84,393	80,237	83,822	**101,642**
Other	8,295	10,357	12,970	12,883	7,991	3,335	1,319	1,039	3,194	**7,131**
	55,401	113,105	145,345	175,145	157,957	147,062	136,517	124,362	125,177	**70,379**

Changes in Cash Position

	1978	1979	1980	1981	1982	1983	1984	1985	1986	**1987**
Operations	22,068	46,980	25,719	(4,797)	(4,404)	7,236	4,419	11,336	9,468	**13,746**
Investing activities –										
Oil and gas properties, net	(1,439)	(7,920)	(6,239)	(7,889)	(1,529)	(1,523)	(274)	(2,100)	(3,316)	**(6,355)**
Property, buildings and equipment, net	(1,576)	(1,673)	(4,335)	(8,924)	(524)	(848)	(271)	100	60	**(699)**
Exploration	(7,818)	(19,775)	(4,369)	(3,450)	(1,802)	(1,429)	(1,606)	(3,877)	(3,037)	**(3,016)**
Investment in associated companies	–	(50,000)	(13,171)	–	14,613	–	–	–	–	**70,814**
	(10,833)	(79,368)	(28,114)	(20,263)	10,758	(3,800)	(2,151)	(5,877)	(6,293)	**60,744**
Financing activities –										
Issue of common shares	–	–	–	–	–	–	–	2,260	1,750	**1,663**
Dividends	(4,539)	(8,350)	(6,253)	–	–	–	–	–	–	**–**
Capital lease obligations	–	–	–	–	–	–	–	–	–	**402**
	(4,539)	(8,350)	(6,253)	–	–	–	–	2,260	1,750	**2,065**
Increase (decrease) in cash position	6,696	(40,738)	(8,648)	(25,060)	6,354	3,436	2,268	7,719	4,925	**76,555**

Statistics

	1978	1979	1980	1981	1982	1983	1984	1985	1986	**1987**
Tons milled (000's)	11,018	10,005	10,061	11,243	10,455	9,022	6,734	3,307	11,224	**11,344**
Gas produced – Gross MMcf	–	–	140	564	1,551	1,473	1,577	2,037	2,704	**4,464**
Number of employees	470	468	474	463	439	105	105	404	401	**418**

*Data for the years 1978 to 1985 have been restated from amounts originally reported to reflect the appropriate share of prior years' adjustments recorded in 1986 (sales tax refund), 1982 (income tax reassessments) and 1980 (income and resource tax assessments).

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BRENDA MINES LTD.

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

NOTICE OF ANNUAL GENERAL MEETING OF THE MEMBERS

OF

BRENDA MINES LTD.

Notice is hereby given that the Annual General Meeting of the Company will be held:

DATE:	Thursday, May 12, 1988
TIME:	11:00 a.m., Vancouver Time
PLACE:	Seymour Room Hyatt Regency Hotel Vancouver, British Columbia

and with respect thereto an Information Circular is appended.

INFORMATION CIRCULAR

(as at and Dated March 14, 1988)

PERSONS MAKING THE SOLICITATION

The solicitation is made by the management of the Company, and the cost of the soliciting 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	2,340,020	47.9%

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	Geological Engineer
John M. Gordon* President and Director — Canada	1986	1,000	Vice-President and President of Mining Corp. Group, Noranda Minerals Inc. (mining company)
Keith C. Hendrick — Canada	1987	Nil	Senior Vice-President — Minerals, Noranda Inc. (natural resources) President, Noranda Minerals Inc.
Gordon H. Montgomery* Director — Canada	1974	200	Consulting Engineer
Richard H. Ostrosser		Nil	Executive Vice-President and President of the Mining Division, Westmin Resources Limited (natural resource, exploration and production) Prior thereto Senior Vice-President — Corporate Affairs — Human Resources — Coal and Industrial Minerals Division
Alfred Powis, O.C. Director — Canada	1968	Nil	Chairman and Chief Executive Officer, Noranda Inc.
Horace B. Simpson Director — Canada	1973	Nil	Director, Okanagan Skeena Group Limited (Broadcasting, property development and management)
H. Richard Whittall* Director — Canada	1973	Nil	Vice-Chairman and Director, Richardson Greenshields of Canada Limited (investment dealers)

*Members of the Company's 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 Inc. and Noranda Minerals Inc. for a fee. The fee for these services in 1987 was $370,000.

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 subjected 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, D. L. Bumstead, W. G. Deeks, A. Y. Fortier, J. M. Gordon, J. D. Harvey, K. C. Hendrick, K. V. Konigsmann, F. X. Koch, L. J. Tigert and J. C. White, 4 King Street West, Toronto, Ontario; D. W. Kerr, W. M. O'Henly, A. Powis, E. C. Pratt, C. S. Tedmon, Jr. and A. R. Thomas, Suite 4500, Commerce Court West, Toronto, Ontario; I. D. Bayer, 39th Floor, Commerce Court West, Toronto, Ontario.

The names and addresses of the insiders of Noranda Inc. are: J. W. Bird, 420 Wilsey Road, Fredericton, New Brunswick; P. F. Bronfman, Suite 4400, Commerce Court West, Toronto, Ontario; J. L. Cockwell, Suite 4800, Commerce Court West, Toronto, Ontario; R. Dufour, P.O. Box 5079, Station A, Montreal, Quebec; J. T. Eyton, O.C., Q.C., Suite 4800, Commerce Court West, Toronto, Ontario; Brian Flemming, Q.C., 1459 Hollis Street, Halifax, Nova Scotia; D. S. Giroux, Suite 650, 759 Victoria Square, Montreal, Quebec; Pierre Lamy, 3355 Queen Mary Road, Montreal, Quebec; D. S. McGiverin, 5th Floor, 401 Bay Street, Toronto, Ontario; W. D. McKeough, 30 Dover Street, Chatham, Ontario; P. M. Marshall, Suite 4800, Commerce Court West, Toronto, Ontario; D. E. Mitchell, O.C., 639 - 5th Avenue S.W., Calgary, Alberta; Andre Monast, Q.C., 1150 Claire-Fontaine Street, Quebec, Quebec; Antoine Turmel, O.C., 6000 Deacon Road, Montreal, Quebec; H. R. Whittall, Suite 500, 1066 West Hastings Street, Vancouver, British Columbia; W. P. Wilder, Suite 3990, Commerce Court West, Toronto, Ontario; W. J. Barbour, B. C. Bone, E. K. Cork, G. H. Corlett, B. H. Grose, D. W. Kerr, G. M. Penna, T. E. Phelps, Alfred Powis, O.C., E. C. Pratt, L. J. Taylor, C. S. Tedmon, Jr., A. R. Thomas and H. V. Thomson, Suite 4500, Commerce Court West, Toronto, Ontario; F. Frantisak, J. D. Harvey, K. C. Hendrick, F. X. Koch, 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. The Management of Noranda Inc. has advised the Company that at March 14, 1988, Brascade Resources Inc. owns 64,274,556 Common Shares (35.1%), 5,212,080 Series C Preferred Shares (29.5%) and Convertible Debentures convertible into 2,142,857 Common Shares of the Corporation. Noranda Equities Inc., a subsidiary of Brascan Limited, owns 21,949,550 Common Shares (12%).

(c) The amount paid or payable by the Company to Noranda Minerals Inc. since the commencement of the Company's last completed financial year for management and supervision fee and expenses was $370,000.

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 Canada Trust Company, 1055 Dunsmuir Street, 6th Floor, Vancouver, British Columbia, V7X 1B1.

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 him and on his 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 Clarkson Gordon, 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, markets substantially all mine products and is responsible for collection of proceeds. These transactions are in the Company's ordinary course of business.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Management seeks approval of the members of the Company to alter the Memorandum of the Company to (i) redesignate the existing shares of the Company as Common shares, (ii) increase the authorized capital of the Company by creating an additional 95 million Common shares and 100 million Preferred shares issuable in series and (iii) delete the maximum consideration for which shares of the Company may be issued. The rights and restrictions to attach to the Common shares are the same as those attaching to the existing shares. The Preferred shares, when issued, will not have the right to vote but will have priority over the Common shares in respect of the payment of dividends and the distribution of assets of the Company on winding-up. The directors will determine the other rights and restrictions to attach to each series of the Preferred shares at the time of their creation. The text of the Special Resolutions to accomplish the foregoing is set forth as an Exhibit to this information circular.

Management wishes to have the authorized share capital available so that shares may be issued, in the appropriate circumstances, without incurring the cost and delay of calling a special general meeting to create the required share capital.

The contents of this information circular and the sending thereof have been approved by the directors of the Company.

B. H. Grose, Secretary

EXHIBIT

PROPOSED SPECIAL RESOLUTIONS

1. RESOLVED as a Special Resolution that provided that 10% or more of the shares of the Company entitled to vote are not voted against this resolution, the Memorandum and the Articles of the Company be altered by:

   (a) designating as Common shares all of the 5,000,000 issued and unissued shares without par value in the capital of the Company,

   (b) increasing the authorized capital of the Company by creating:

      (i) an additional 95,000,000 unissued Common shares without par value, and

      (ii) 100,000,000 unissued Preferred shares without par value, and

   (c) creating defining and attaching to the Common and Preferred shares the following special rights and restrictions which shall be included as Parts 20 and 21 of the Articles of the Company:

   PART 20 SPECIAL RIGHTS AND RESTRICTIONS ATTACHED TO COMMON SHARES

   20.1. The holders of the Common shares shall be exclusively possessed of the right to receive notices of meetings of the Company and to attend and vote at meetings of the Company in respect of the election of directors and the affairs of the Company.

   20.2. The holders of the Common shares shall, as and when declared by the directors, be entitled, out of any or all of the profits or surplus available for dividends, to non-cumulative dividends on such shares, PROVIDED HOWEVER that no dividends shall at any time be declared or paid on or set apart for the Common shares unless the holders of the Preferred shares shall have first received the preferential dividend payable for the last completed year of the Company referred to in Article 21.3. hereof.

   20.3. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common shares shall, subject to the rights of the holders of the Preferred shares, be solely entitled to participate in the distribution of the remainder of the property and assets of the Company.

   PART 21 SPECIAL RIGHTS AND RESTRICTIONS ATTACHED TO PREFERRED SHARES

   21.1. The preferred shares may at any time and from time to time be issued in one or more series. The directors may from time to time, by resolution passed before the issue of any Preferred shares of any particular series, alter the Memorandum of the Company to fix the number of Preferred shares in, and to determine the designation of the Preferred shares of, that series and alter the Memorandum of the Articles to create, define and attach special rights and restrictions to the Preferred shares of that series.

   21.2. The holders of the Preferred shares shall not, as such, be entitled to receive notices of meetings of the Company or to attend or vote at meetings of the Company in respect of the election of directors and the affairs of the Company.

   21.3. The Preferred shares shall, with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company whether voluntary or involuntary, or any other distribution of the assets of the Company among its members for the purpose of winding up its affairs, be entitled to a preference over the Common shares of the Company and over any other shares ranking junior to the Preferred shares on the occurrence of such an event and the Preferred shares of each series may also be given such other preferences over the Common shares and any other shares ranking junior to the Preferred shares as may be determined as to the respective series authorized to be issued.

2. RESOLVED as a Special Resolution that the Memorandum of the Company be altered by deleting the maximum price or consideration at or for which shares of the Company may be sold.

3. RESOLVED as a Special Resolution that the Memorandum of the Company be in the form presented to this meeting (attached) so that the Memorandum as altered shall, at the time of filing, comply with the "Company Act".

COMPANY ACT

MEMORANDUM

OF

BRENDA MINES LTD.

(as altered by special resolutions passed by the Company on May 12, 1988)

We wish to be formed into a company with limited liability under the "Company Act" in pursuance of this memorandum.

1. The name of the Company is BRENDA MINES LTD.

2. The company is restricted from carrying on all businesses except:
   (a) To acquire and develop mining properties in British Columbia or elsewhere;
   (b) For investment to invest the capital of the Company, accretions to capital and the income of the Company or such part thereof as the Directors of the Company may determine, in real and personal property, mortgages, bonds, debentures, stocks, shares and other securities, preferably other mining companies, and from time to time to change said investments by sale, exchange or otherwise, and to invest the proceeds of any such sale or sales in other investments of a like nature;
   (c) To acquire by purchase, lease, hire, discovery, location, or otherwise, and to hold, mines, mineral claims, mineral leases, mining lands, prospects, licenses and mining rights of every description, and to work, develop, operate, turn to account, sell or otherwise dispose thereof;
   (d) To dig, drill, or bore for, raise, crush, wash, smelt, reduce, refine, amalgamate, assay, analyse, and otherwise treat gold, silver, copper, lead, iron, coal, petroleum, natural gas, and any other ore, deposit, metal or mineral whatsoever, whether belonging to the Company or not, and to render the same merchantable, and to buy, sell and deal in the same or any products thereof;
   (e) To engage in any branch of mining, smelting, milling and refining minerals;
   (f) To acquire by purchase, lease, hire, exchange, or otherwise timber lands, leases, or claims, rights to cut timber, surface rights and rights-of-way, water rights and privileges, patents, patent rights and concessions, and other real or personal property;
   (g) To acquire by purchase, lease, hire, exchange, or otherwise, and to construct, operate, maintain, or alter trails, roads, ways, tramways, reservoirs, dams, flumes, race and other ways, watercourses, canals, aqueducts, pipelines, wells, tanks, bridges, wharves, piers, mills, pumping plants, factories, foundries, furnaces, coke-ovens, crushing-works, smelting-works, concentrating-works, refining-works, hydraulic, electrical and other works and appliances, power devices and plants of every kind, laboratories, warehouses, boarding-houses, dwellings, buildings, machinery, plant and other works and conveniences, and to buy, sell, manufacture and deal in all kinds of goods, stores, provisions, implements, chattels and effects;
   (h) To build, purchase, lease, hire, charter, navigate, use and operate cars, wagons and other vehicles, boats, ships and other vessels;
   (i) To carry on the business of timber merchants, sawmill, planing mill, pulp mill and paper mill owners, loggers, lumbermen and lumber merchants in any or all of their branches.

3. The authorized capital of the Company consists of 200,000,000 shares without par value divided into 100,000,000 Common shares and 100,000,000 Preferred shares.

4. The special rights and restrictions attached to the shares of the Company are set out in the Articles.

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