

brenda

Brenda Mines Ltd.

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OF MANAGEMENT
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MCGILL UNIVERSITY

Brenda Mines Ltd.

Registered Office: The Mine Office, Brenda Mines Road, Out of Peachland, B.C.

Directors

William Allan	Vancouver, B.C.
Bernard O. Brynelsen	Vancouver, B.C.
John A. Hall	Toronto, Ont.
John B. Knapp	Westbank, B.C.
Morris M. Menzies	Vancouver, B.C.
Gordon H. Montgomery	Vancouver, B.C.
Alfred Powis	Toronto, Ont.
Horace B. Simpson	Kelowna, B.C.
H. Richard Whittall	Vancouver, B.C.

Officers

Chairman	Bernard O. Brynelsen
President	John A. Hall
Vice-President and General Manager – Mining Operations	John B. Knapp
Secretary	B. H. Grose
Treasurer	E. K. Cork
Comptroller	D. H. Ford

Mine Office:

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

Transfer Agent and Registrar:

Canada Permanent Trust Company,
701 West Georgia Street, Vancouver, and
20 Eglinton Avenue W., Toronto, Canada

Annual Meeting:

May 6, 1983, 11:00 a.m. Room 209,
Hotel Vancouver, Vancouver, B.C.

Report of The Directors

Your Directors are pleased to present the 17th Annual Report to shareholders. In reflecting on the 1982 year, Brenda's operations performed well, but the adverse effect of the dismal economy was just too great and the company suffered its first loss since 1972.

The net loss was \$7.53 million or \$1.78 a share compared with a profit of \$4.3 million or \$1.02 a share last year. The loss was due to unprofitable copper and molybdenum price levels, high interest expense and the company's share of after-tax losses in Frenswick Holdings Limited. The company ceased equity accounting for Frenswick effective September 30, 1982.

Survival was the priority in 1982 and it remains so in 1983 with continued retirement of the bank debt an early objective. The debt was reduced \$6.4 million to \$56.5 million at year-end partly through the sale of molybdenum from inventory earlier in the year and later from the cash generated in the reorganization of Zinor Holdings Limited. The convertible preferred shares of Brascade Resources Inc. received on the reorganization have been sold since year-end 1982 to reduce the debt further.

Zinor

The liquidation of Zinor and Frenswick became effective November 26, 1982. Brenda, Fraser Inc. and Brunswick Mining and Smelting Corporation Limited owned Frenswick but were subsidiaries of Noranda Mines Limited and therefore were prevented by the pertinent Companies' Acts from owning the shares of Noranda which they otherwise would have received on the liquidation of Zinor. In these circumstances, they agreed to an

exchange of the Noranda common shares for common shares of Kerr Addison Mines Limited on a one-for-one basis and a sale of the Noranda preferred shares for cash. On completion of the distribution of the assets of Zinor and Frenswick, Brenda received 2,890,390 common shares of Kerr, 362,438 Brascade Resources Inc. convertible preferred shares and \$4,827,000 cash. Brenda now owns a 16.9% direct interest in Kerr which in turn holds a 10.4% direct interest in Noranda. Kerr is strong financially with a working capital of \$51.6 million or \$3.00 per share at the end of 1982 and no debt.

Mine

Mine operations were shut down for a six week period during the summer to reduce molybdenum inventory. The shutdown also caused a slightly lower output of metals when compared to 1982. Past reports have described the innovation of Brenda's staff and employees and this explains why the mining operation has gained world stature for technical expertise and high productivity. For example, this summer the installation of the sands flotation circuit in the mill was completed at a final cost of \$4.4 million. Again adding to the stature of Brenda's workforce is the fact that the large flotation cells in the circuit are producing the predicted results, that is, additional metal recoveries of about 3% for copper and 4-4½% for molybdenum. A mill speed up was also undertaken with a conservative

approach and the results justified changes to all four grinding circuits. This will be completed at the end of the first quarter 1983.

Capital expenditures for the mine and Oil and Gas Division were limited to \$2.4 million in 1982.

A record milling rate of 30,308 tonnes per calendar day was achieved in the fourth quarter. This is a result of intelligent hard work and concern of all employees and it is pleasant to report earnings of \$3,073,000 or \$.072 a share in the fourth quarter.

Oil and Gas

Last year, again with the objective of selling assets to reduce debt, it was generally known that the Oil and Gas Division was for sale. Discussions were held with a number of potential buyers but no acceptable offers have materialized. The Division realizes that in order to continue to grow and expand its reserves and revenue, it needs an accelerated exploration program. To this end, it will look to joint ventures, farmouts and possibly some form of corporate association with other companies to share the cost and establish a broader base for growth.

The Directors were pleased with the improved financial results from the Division and credit the employees for the very favourable change. The Division produced a positive cash flow of \$553,000. In 1983, Brenda will qualify for the full Alberta royalty rebate, as Noranda in the latter part of 1982 reduced its ownership in Brenda to just under 50%.

Outlook

One cannot yet say that the corner has been turned for better economic times for Brenda as demand for molybdenum remains soft. However, the oversupply in the hands of producers should start to fall and some recovery has been indicated in the merchant quotations for high quality molybdenum oxide. Copper prices improved in January although there is no general improvement in the level of orders or shipments for sustained recovery. The economy will pick up sometime and when it does, Brenda's physical plant is ready and in top shape with good equipment, operating procedures and management. In the expectation of better items, the Directors decided that Brenda will operate at full capacity throughout 1983.

The Directors wish to extend their thanks to all employees for their fine effort in a difficult year.

On behalf of the Board,

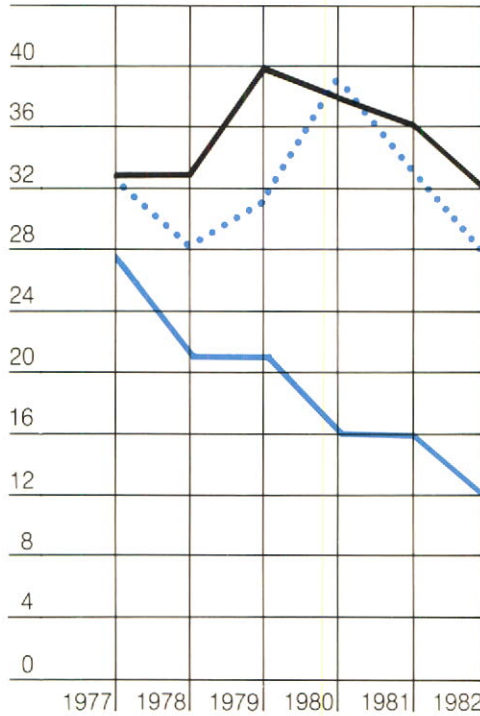
J. A. Hall

J. A. Hall,
President.

Toronto, Canada
February 21, 1983

**Accident Frequency
Per Million Man Hours**

All mines – B.C. —————
Open pit mines – B.C.
Brenda mines —————



General Manager's Report

To the President and Directors:

Herewith is my report covering mining operations for the year.

A complete shutdown of all operations occurred between July 28 and September 7. Operations were suspended to avoid the build-up of an excessive molybdenum inventory during a period of low sales volumes, and the dates were chosen to permit employee vacations at a desirable time. Molybdenum inventory, while large, did not increase significantly during 1982.

The 12% loss in operating time reduced the tonnes milled and waste stripped by 7% and 23% respectively compared with 1981. Stripping volumes normally increase during the summer months while stockpiled ore, which requires less equipment, is being milled. Therefore the effect of the shutdown on stripping was more pronounced.

Newly mined ore constituted 75% of the mill feed, and the balance was obtained from the stockpile. Approximately 4.7 million tonnes remain in the stockpile which will last another two years at the present rates of treatment.

The remaining mineral inventory consists of 110 million tonnes at a grade of 0.148% copper and 0.032% molybdenum estimated to last an additional 10 years at current milling rates. However, a continuation of the present unrealistic metal prices and the reduced molybdenum demand experienced throughout 1982 could adversely affect the mineral inventory.

Concentrator operations were satisfactory throughout the year with no interruptions except for the temporary closure. A new high average milling rate of 29,375 tonnes of ore was reached per operating day. Concentrate grades and copper recovery were maintained, and molybdenum recovery improved.

A sand flotation circuit installed to re-treat the coarse fraction of the rougher tailing commenced operation in mid-year. The absence of slime interference has permitted the flotation of additional coarse

<i>Statistical</i>		1982	1981
Waste stripped	Tonnes	8,328,000	10,644,800
Ore milled	Tonnes	9,484,560	10,199,300
Ore milled per calendar day	Tonnes	25,990	27,900
Copper content of ore	% Cu	0.139	0.137
Copper recovery	%	81.98	82.09
Copper concentrates produced	Tonnes	37,230	38,160
Copper concentrates — grade	% Cu	29.12	29.95
Molybdenum content of ore	% Mo	0.032	0.033
Molybdenum recovery	%	80.14	79.11
Molybdenum concentrates produced	Tonnes	4,370	4,817
Molybdenum concentrates — grade	% Mo	56.12	55.90

minerals which has improved metal recoveries, particularly for molybdenum.

Two of the four grinding circuits were speeded up by installation of larger pinions in the mill drives, and the remaining two circuits will be speeded up in 1983. Increased throughput of approximately 5%-6% can be expected when all four units are operating at the higher speed.

The reclaim water pumping system which returns tailings pond water to the concentrator for re-use, was revised during the summer shutdown. The present elevation of the tailings pond made removal of one pumping stage feasible, and at the same time the pipeline was salvaged and re-installed on a shorter and more direct routing. The result has been energy savings and reduced maintenance requirements.

No outside mineral exploration work was conducted but two properties were maintained in good standing for further examination in the future. However, study of available data has since led to the abandonment of one of these areas.

The work force at December 31 consisted of 107 salaried employees and 325 hourly rated employees, a reduction of approximately 5% from the year ago total. Tonnes milled per operating hour and tonnes milled per man hour worked were both higher than in the previous year.

Safety awareness and accident statistics showed improvement in 1982. A total of

10 lost time accidents occurred during the year which compares with 16 accidents in each of the two previous years. The accident frequency of 12.1 per million man hours compares with 16.5 per million man hours in 1981 and 1980.

Employee relations were good throughout the year, as indicated in part by increased productivity, and in part by a keen interest in the Company's affairs. Most employees recognize the effects of the depressed metal markets and the difficult economic conditions under which the Company is operating.

Clauses covering wages and certain benefits in the Collective Agreement with local 7618 of the United Steelworkers of America came up for review on August 31, 1982. Meetings have been held with the Union negotiating committee but agreement has not been reached and the matter has been referred to the Provincial Mediation Service. Both parties continue to follow the provisions of the previous agreement.

It is a pleasure to acknowledge the ever greater efforts of the staff and employees throughout the year. Their determination to do everything possible to ensure continuing operation pending a return to improved metal markets is both gratifying and appreciated.

Respectfully submitted,

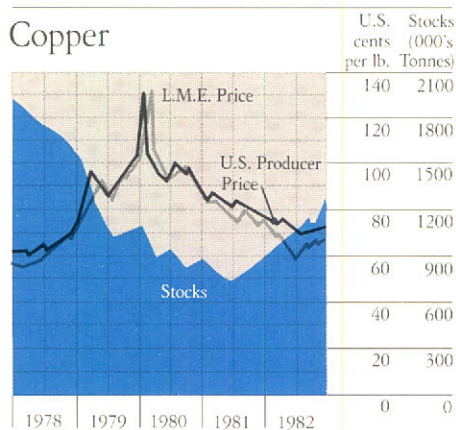
J. B. Knapp

Vice President and General Manager
February 21, 1983

Metal Markets

Contrary to earlier expectations prices for most metals remained severely depressed throughout 1982 as a result of lackluster economic performance in the Western world. The low point was reached in mid-June for commodities traded on terminal markets and while there was some improvement over the second half, prices generally remained well below the cost of production for most western world mining companies. By the year end, there was however, evidence that economic growth would resume on a modest basis in 1983 and prospects appear to be improving.

Copper



Western World Balance

'000 tonnes

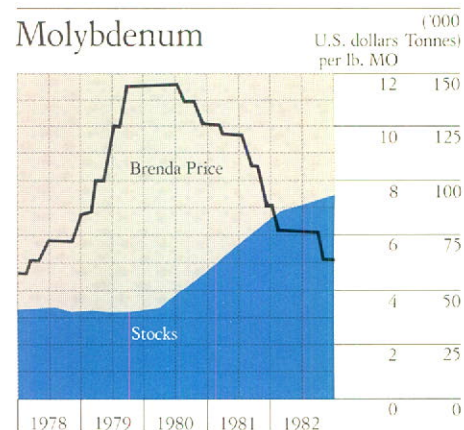
	1980	1981	1982
Supply	7116	7301	7137
Demand	7261	7232	6790
Stocks	860	929	1276

Despite the major cutbacks in North American mine production during 1982 of 660,000 tons, higher output in developing countries continued to depress terminal market prices. Added to this was a further fall in consumption and further increases in world copper stocks. While there has been some improvement in prices during the early months of 1983, sustained improvement will depend on consumption rising to levels to contain existing supply and reduce stocks.

London Metal Exchange quotations averaged US 67¢ per pound in 1982, the lowest level in real terms in the last 40 years. At the end of the year the price of 68¢ was above the June low of 53¢ but still well below economic levels for nearly all of the world's copper production.

It is unlikely that prices will move to the much higher levels needed for major new project investment in copper mining facilities over the next two-three years.

Molybdenum



Western World Balance

'000 Tonnes

	1980	1981	1982
Supply	96	94	72
Demand	80	73	62
Stocks	60	81	91

The major market for molybdenum is alloy steels and the extreme depression in this important industrial sector has had a devastating impact on many molybdenum producers, whose operations, particularly in the United States and Canada are shut down. Little prospect for recovery in molybdenum can be seen until the alloy steel sector is again expanding. This in turn is dependent on renewed capital investment. So long as existing high molybdenum inventories remain, prices will be depressed and there will be little prospect for shutdown mine production to recommence operation.

Merchant quotations fell below US \$3.00 per pound for molybdenum in oxide during the year and producer quotations dropped to \$5 per pound and lower. There has been some improvement in merchant quotations in 1983 reflecting the sharp cutbacks in supply and some degree of pickup in the steel business. This trend should continue especially if producer inventories continue to be reduced because of mine shutdowns.

Exploration and development expenditures during the year in Alberta totalled \$2.9 million compared to expenditures in 1981 of \$10.6 million. Of the \$2.9 million, \$1.9 million was spent on seismic, base metals, drilling and administration, \$51,000 for land acquisitions, and \$955,000 for production facilities. Cumulative expenditures since inception in 1977, have been \$41.8 million.

During 1982 Brenda participated in the drilling of 22 wells achieving a 68.2% drilling success ratio. In addition, Brenda secured other oil companies to drill an additional 14 wells via farmout and those "Farmees" achieved a success factor of 71.4%. As of December 31, 1982 Brenda had an interest in 177 wells, 33 of which are producing.

Land holdings at year-end were 53,510 hectares, down 2,391 hectares over the year. Land acquisition costs averaged \$274 per hectare in 1982 resulting in a cumulative reserve acquisition cost of \$203 per hectare.

A September 1, 1982 update of Brenda's proven and probable reserves by an independent consultant indicated somewhat lower gross reserves on the one hand and slightly higher net reserves on the other. Gross and net reserves are now 1.148 Bcm (Billion cubic meters) and 0.839 Bcm respectively versus 1.232 Bcm and 0.822 Bcm reported a year ago.

Brenda's share of gas production in 1982 from six operating gas plants was 44 10⁶m³ or a daily average of 119 10³m³/day compared to the 1981 rate of 42 10³m³/day. Total operating cash income was \$2.7 million in 1982 compared to \$0.7 million in 1981.

Approximately 77% of the Company's gas reserves are under long term sales contracts. About 58% are committed to Amisk, Clyde, Cache, Florence, Granlea and Victoria and were in production throughout 1982. Some 3% of the reserves, committed to Jarvie, Vega and Elkpoint, are expected to start production early in 1983 under Pan Alberta contract. A further 16% have been dedicated to the

Sulpetro Export Application which recently obtained National Energy Board approval.

The industry was given some much needed assistance during the year by Federal and Provincial tax changes. The Federal Government reduced the Petroleum and Gas Revenue Tax (PGRT) between June 1, 1982 and May 31, 1983 from 12% to 11%. They also provide an annual credit of up to \$250,000 to corporations to offset their PGRT liability.

The Alberta Government reduced the average Crown royalty rate by 3% and extended the low productivity allowance from wells producing 250 Mcf/d or less to wells producing 600 Mcf/d or less. For the years 1982 and 1983 the Alberta Royalty Tax Credit was increased from 50% of royalties up to \$2 million to 75% of royalties up to \$4 million.

The Company and its major partner Weeks Petroleum are negotiating with the Government of the British Virgin Islands for an extension of the time limitation on their 202,340 hectare offshore petroleum permit and, if successful, attempts will be made to farmout the permit to a major oil company.

In Australia Q20P offshore Petroleum

permit in the Gulf of Carpentaria was given back to the government following receipt of negative geophysical results. In the offshore northwest shelf area where Brenda has a 2.1875% interest in 688,000 hectares on permit NT/P26, the operator CITCO is attempting to arrange a farmout on behalf of all partners.

In the Beaufort Sea, where Brenda has a net profits interest in fourteen wells, the 1982 drilling results were disappointing.

The third well drilled on the Tarsiut structure by Gulf Oil, tested 15 mmcf/d gas and no oil. Gulf estimates the structure contains only 350 million barrels of oil. The Nerlerk M-98 and Orvilruk 0-3 wells were dry and abandoned. Kenalook 2V-94 tested no oil and only minor gas. Kaglulik A-75 well was cancelled and is to be replaced by another location. Uvilruk P-66 is planned to be drilled from an island this coming winter. Miterk I-44 is scheduled for drilling summer of 1983.

Metric conversion

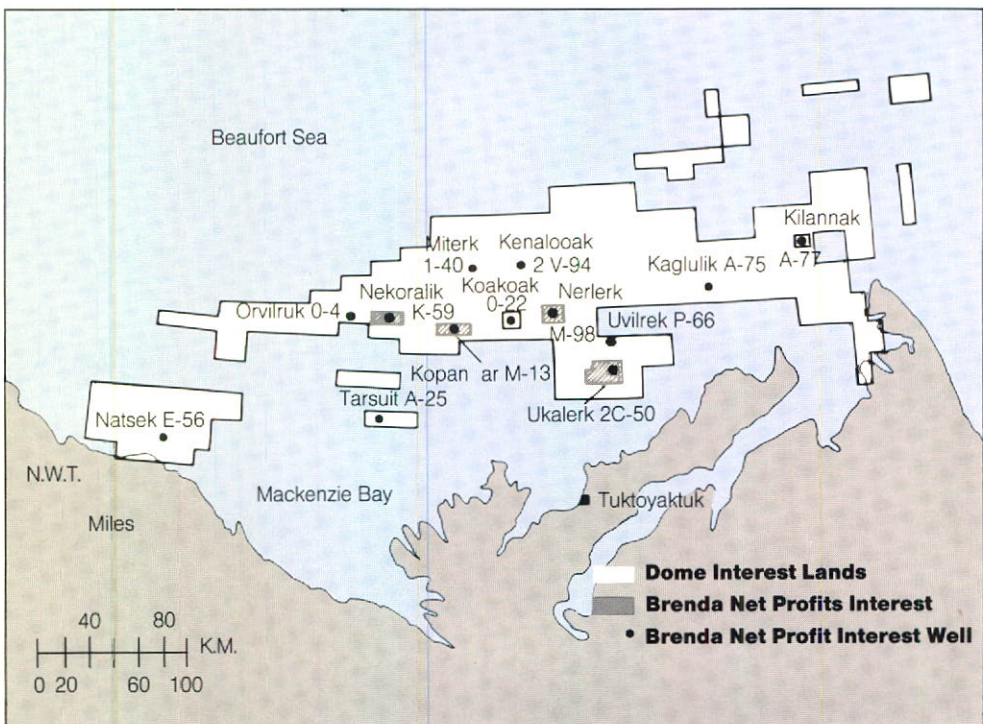
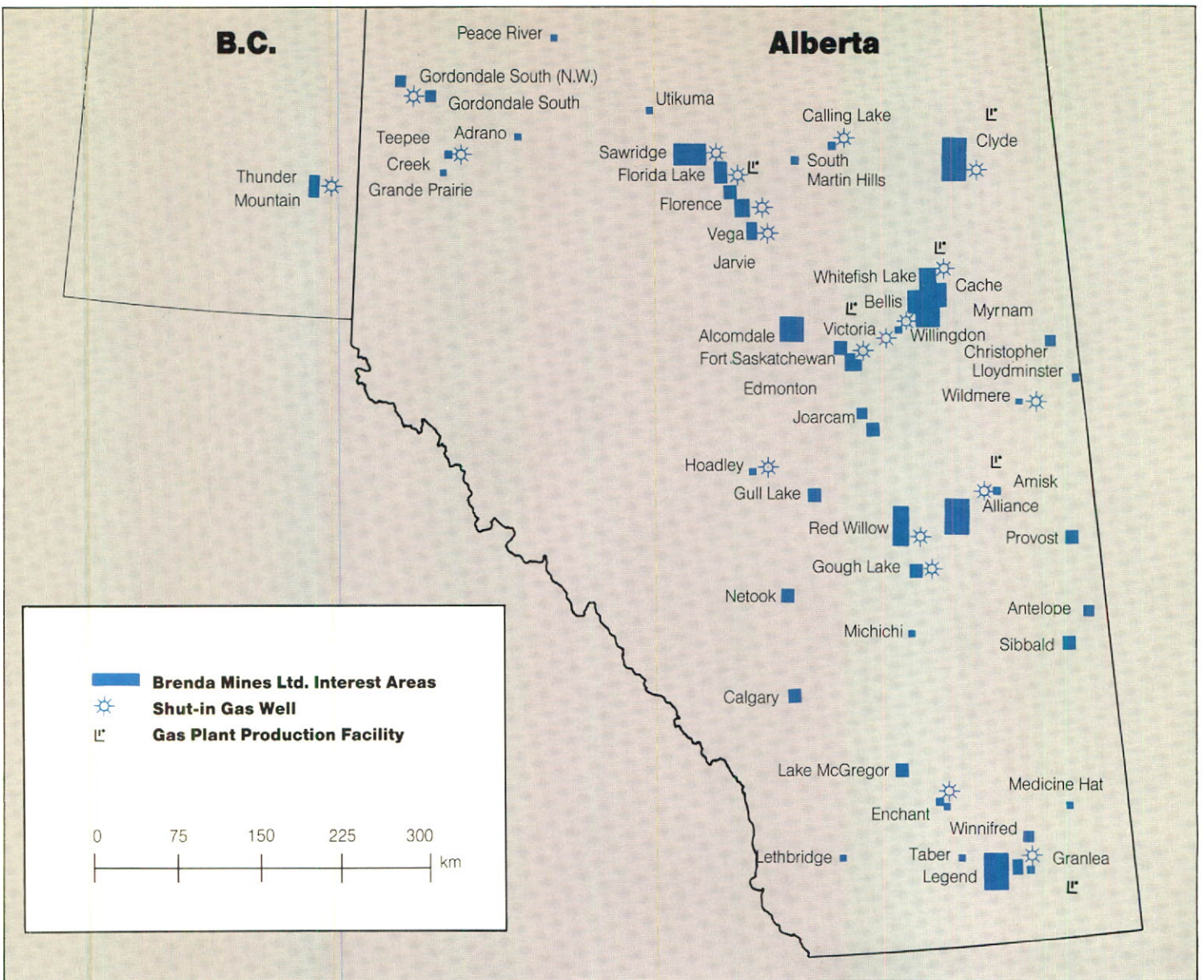
1 metre	= 3.2808 feet
1 hectare	= 2.47 acres
1 cubic metre	= 6.293 barrels
1 cubic metre	= 35.181 cubic feet
10 ³ m ³ /d	= 1000 cubic metres per day

Net Profit Interests – Beaufort Sea

<i>Well and Surrounding 405 hectares</i>	<i>Net Profit Interest %</i>	<i>Status at 12/31/82</i>
Kopanoar M-13	1.2540	2.066 cubic metres/d oil well
Nektoralik K-59	1.0000	175 cubic metres/d oil well
Ukalerk 2C-50	1.0833	2.4 million cubic metres/d gas well
Tarsiut A-25	.5642	127 cubic metres/d oil well
Nerlerk M-98	1.3999	Abandoned
Kopanoar 21-44	1.0657	790 to 1590 cubic metres/d oil well
Koakoak O-22	.3287	Min. 790 cubic metres/d oil well
Kenalook 2V-94	.7286	Abandoned
Kilannak A-77	.7286	Abandoned
Orvilruk O-3	.3999	Abandoned
Natsek E-56	.3166	Suspended at 2,743 metres
Miterk I-44	.3999	Scheduled for summer 1983
Uvilruk P-66	.3999	Scheduled for winter 1983
Kaglulik A-75	.3999	Relocating drill

In addition Brenda holds a 1% net profit interest in the following entire blocks:

Nektoralik – 10,400 hectares. Kopanoar – 10,453 hectares. Ukalerk – 15,533 hectares. Nerlerk – 10,419 hectares.



Balance Sheet

December 31

Assets	1982	1981
	(in thousands)	
Current assets:		
Marketable investments (note 3)	\$ 9,786	\$ —
Accounts receivable	6,807	11,685
Inventories (note 2)	33,283	32,534
Prepaid expenses	18	56
Total current assets	49,894	44,275
Investment in associated company (Note 3)	63,950	82,149
Oil and gas properties (Note 4)	29,443	29,211
Property, buildings and equipment (Note 5)	23,905	27,069
Other assets	215	215
	\$167,407	\$182,919
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank advances (Note 6)	\$ 56,509	\$ 62,863
Accounts payable	7,331	5,829
Income and resource taxes (Note 7)	3,253	2,365
Total current liabilities	67,093	71,057
Taxes provided not currently payable	7,991	12,883
Shareholders' equity:		
Capital stock (Note 8)	8,218	8,218
Retained earnings	84,105	91,632
	92,323	99,850
Less the company's pro rata interest in its shares held by the associated company	—	(871)
Total shareholders' equity	92,323	98,979
	\$167,407	\$182,919

See accompanying notes to financial statements.

On behalf of the Board:

J. A. Hall

Director

B. Brynnesen

Director

Statement of Earnings

Years ended December 31

	1982	1981
	(in thousands)	
Gross value of concentrates produced	\$50,404	\$46,120
Less treatment and distribution charges	7,844	7,888
	42,560	38,232
Value of oil and gas produced	3,140	894
	45,700	39,126
Cost of production	38,346	37,485
Depreciation, depletion and amortization	4,985	4,280
Exploration expense:		
Mineral	61	748
Oil and gas	1,741	2,702
Administration and general expense	1,994	2,160
Municipal and sundry taxes	1,889	1,592
	49,016	48,967
Operating loss	(3,316)	(9,841)
Interest and other income	746	582
Deduct interest expense	9,025	11,022
	(8,279)	(10,440)
Loss before taxes and share in earnings of associated company	(11,595)	(20,281)
Income and resource taxes recovered	(6,287)	(12,116)
Petroleum and gas revenue taxes	378	88
	(5,909)	(12,028)
	(5,686)	(8,253)
Dividend income	955	-
Share in earnings (loss) of associated company (Note 3)	(2,796)	12,575
Net earnings (loss)	\$ (7,527)	\$ 4,322
Earnings (loss) per share	\$ (1.78)	\$ 1.02

Statement of Retained Earnings

Years ended December 31

	1982	1981
	(in thousands)	
Retained earnings, beginning of year:		
As previously reported	\$91,968	\$87,614
Adjustment of prior years' income taxes (Note 9)	(336)	(304)
As restated	91,632	87,310
Net earnings (loss) for the year	(7,527)	4,322
Retained earnings, end of year	\$84,105	\$91,632

See accompanying notes to financial statements.

Statement of Changes in Financial Position

Years ended December 31

	1982			1981
		(in thousands)		
Source of funds:				
Operations:				
Net earnings (loss)	\$ (7,527)			\$ 4,322
Add (deduct) items not involving working capital:				
Depreciation and amortization	4,985			4,280
Taxes provided not currently payable	(5,624)			(87)
Share of earnings (loss) of associated company	(2,796)		12,575	
Less: Dividends received	2,393	5,189	3,990	(8,585)
Funds used in operations	(2,977)			(70)
Liquidation of Frenswick Holdings Ltd.	78,563			
Less: Non-current investment in associated company (note 3)	63,950	14,613		
Fixed asset disposals		389		207
		12,025		137
Use of funds:				
Purchase of oil and gas properties	1,608		9,138	
Less: Petroleum Incentive Program grants	79	1,529	1,249	7,889
Fixed asset purchase		913		9,131
		2,442		17,020
Increase (decrease) in working capital deficiency	(9,583)			16,883
Working capital deficiency, beginning of year	26,782			9,899
Working capital deficiency, end of year	\$17,199			\$26,782

See accompanying notes to financial statements.

1. Summary of significant accounting policies

(a) 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.

(b) Inventories

Copper and molybdenum concentrates are valued at estimated net realizable value. Stores are valued at the lower of average cost or replacement cost.

(c) Investment in associated company

The company accounts for its investment in an associated company on the cost basis.

(d) 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.

(e) Depreciation, depletion and amortization

Depreciation of property, buildings and equipment is based on the estimated service lives of the assets calculated using the straight-line method.

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.

The cost of mineral claims and leases is being amortized over fifteen years.

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

(f) 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. Deferred income and resource taxes, resulting from inventories being valued at cost for tax purposes, are included in current liabilities.

Investment tax credits are reflected in earnings in the year they arise if their realization is virtually certain.

(g) Pension plans

The company has various contributory pension plans which cover all employees. Current service pension costs are charged to earnings as they accrue. Past service costs are charged to earnings at rates which, based on annual independent actuarial estimates, will fully provide for the obligations over periods not longer than those permitted by various regulatory bodies.

2. Inventories

Inventories comprise the following:

	1982	1981
	(in thousands)	
Copper and molybdenum concentrates	\$27,852	\$27,582
Stores and other	5,431	4,952
	\$33,283	\$32,534

3. Investment in associated company

On September 30, 1982 a plan to liquidate Frenswick Holdings Limited, in which the company had a 38.2% common share interest, was announced. Frenswick owned a 36.3% interest in Zinor Holdings Limited which company was also to be liquidated. Zinor's principal asset was a 16.4% interest in the common shares of the company's parent Noranda Mines Limited. The liquidation could not take place until late November because of regulatory and shareholder approvals, but since all significant matters had been agreed by the parties on September 30, equity accounting for the earnings or losses of Noranda ceased on that date.

Under the liquidation the company received cash and a note receivable totalling \$4,827,000 and the shares outlined below:

Shares	Quoted market value at Dec. 31,	
	Cost	1982
	(in thousands)	
362,438 Convertible Preferred shares of Brascade Resources Inc.	\$ 9,786	\$11,417
2,890,390 Common shares of Kerr Addison Mines Limited	63,950	46,246
	\$73,736	\$57,663

The quoted market value does not necessarily represent the value of these holdings which may be more or less than that indicated by market quotations.

No profit or loss was recorded as a result of this liquidation, nor was any income tax liability generated. Both Brascade and Kerr Addison are associated companies of Noranda and therefore of the company.

The company's shareholding in Kerr Addison represents a 16.9% interest in that company. The investment in Kerr Addison is being accounted for by the cost method and because of its significance to the company, the following summarized financial information of Kerr Addison as at December 31, 1982 is presented:

	Audited (in thousands)
<hr/>	
Assets:	
Current assets	\$ 70,876
Investments (note)	246,011
Mining assets	10,631
Gas and oil properties	69,132
	<hr/>
	\$396,650
<hr/>	
Liabilities:	
Current liabilities	\$ 19,265
Deferred taxes and other	31,551
Minority interest in subsidiaries	805
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	51,621
Shareholders' equity	345,029
	<hr/>
	\$396,650
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Income:	
Earnings from operations	\$ 9,627
Loss from associated companies	(3,170)
Special items	2,625
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Net income	\$ 9,082
	<hr/>
Net income per share	\$.89

Note: The investments consist primarily of 13,273,981 common shares of Noranda Mines Limited (10.4% of Noranda's issued common shares) having a quoted market value at December 31, 1982 of \$257,117,000.

The liquidation of Frenswick and Zinor and the cessation of equity accounting have resulted in the elimination of the pro rata interest in the company's shares held through the associated company. However, the number of shares issued and earnings per share have been reduced to reflect the company's pro rata interest in its own shares up to September 30, as shown in note 8.

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

	1982	1981
	(in thousands)	
Net profits investments in frontier areas, at net cost	\$ 73	\$ 73
Productive properties	11,581	11,489
Unevaluated properties	4,102	4,508
Productive drilling	7,526	7,003
Tangible production equipment and other	7,738	6,783
	31,020	29,856
Less accumulated depreciation, depletion and amortization	1,577	645
	\$29,443	\$29,211

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

	1982	1981
	(in thousands)	
Buildings, equipment and related facilities	\$56,978	\$56,433
Mobile equipment	13,238	13,135
Residential land and buildings	215	215
	70,431	69,783
Less accumulated depreciation	46,584	42,795
	23,847	26,988
Mineral claims and leases, at cost less accumulated amortization	58	81
	\$23,905	\$27,069

6. Bank advances

	1982	1981
	(in thousands)	
Bank overdraft	\$ 932	\$ 877
Demand loan, with interest at bank prime rate (December 31, 1982 — 12.5%)	55,577	61,986
	\$56,509	\$62,863

The shares of Kerr Addison Mines Limited and Brascade Resources Inc. have been pledged as collateral for the demand loan.

7. Income and resource taxes

Current income and resource taxes payable include deferred income taxes of \$3,253,000 (1981 — \$3,974,000). As at December 31, 1982 the company has estimated investment tax credits of \$1,365,000 (1981 — \$1,135,000) which are available as a deduction from future income taxes payable.

8. Capital stock

Authorized 5,000,000 shares without nominal or par value.

	1982	1981
	(Number of Shares)	
Issued	4,282,000	4,282,000
Less pro rata interest in its shares held by the associated company (note 3)		49,830
	4,282,000	4,232,170

9. Adjustment of prior years' income taxes

As a result of income tax reassessments applicable to 1977 and 1978 the balance of retained earnings as at January 1, 1982 has been adjusted by the cumulative amount by which the income taxes at that date have been increased; \$32,000 of the adjustment relates to interest with respect to 1981 on the income tax reassessment and has been charged to income for that year. The remainder is applicable to years prior to January 1, 1981 and the balance of retained earnings at that date has been adjusted accordingly.

10. Pension costs

At year end, based on an independent actuarial evaluation, the company's pension plans are fully funded. Pension expense for the year totals \$383,000 (1981 - \$393,000).

11. Commitments

At December 31, 1982 the company was committed to the purchase and construction of fixed assets of \$589,000 (1981 - \$494,000). Approved expenditures for oil and gas exploration and development amount to \$1,315,000 (1981 - \$1,986,000).

12. Related party transactions

The company has entered into a sales agency agreement with Noranda Sales Corporation Ltd., an agent of Noranda Mines Limited which owns 49.88% of Brenda Mines. Under the terms of this agreement, Noranda Sales is responsible for selling all mine products and for collection of the proceeds. For these services, Noranda Sales was paid commissions which totalled \$449,580 during 1982 (1981 - \$397,844).

As at December 31, 1982 amounts totalling \$2,550,856 (1981 - \$8,413,190) were due through Noranda Sales from third parties and sales commissions totalling \$85,265 (1981 - \$104,270) were payable to Noranda Sales. These outstanding balances are current and normal under the terms of the sales agency agreement.

Noranda Mines Limited acts as manager and provides technical assistance and services to the company at rates which closely reflect the actual cost of providing the services. During the year \$401,000 (1981 - \$355,000) were paid to reimburse Noranda for these services.

During the year the company purchased approximately \$1,157,000 (1981 - \$909,000) of production supplies and services from companies related to the Noranda Group. The company also received dividends totalling \$955,000 from related companies.

13. Comparative figures

Certain of the 1981 comparative figures have been reclassified to conform with the financial statement presentation adopted in 1982

14. Segmented information

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

Information regarding industry segments is set out below:

	1982	1981
	(in thousands)	
Value of production:		
Mining and milling	\$ 42,560	\$ 38,232
Oil and gas	3,140	894
Total revenue	\$ 45,700	\$ 39,126
Segment operating profit (loss):		
Mining and milling	\$ (2,864)	\$ (6,434)
Oil and gas	1,593	310
	(1,271)	(6,124)
General corporate expenses	(401)	(355)
Exploration expense	(1,802)	(3,450)
Interest expense — net	(8,279)	(10,440)
Share of earnings (loss) in associated company	(2,796)	12,575
Dividend income	955	—
Income and resource tax	6,067	12,116
Net earnings (loss)	\$ (7,527)	\$ 4,322
Depreciation, depletion and amortization:		
Mining and milling	\$ 4,053	\$ 3,974
Oil and gas	932	306
	\$ 4,985	\$ 4,280
Identifiable assets:		
Mining and milling	\$ 60,055	\$ 68,429
Oil and gas	32,847	32,341
Investments	74,505	82,149
	\$167,407	\$182,919
Capital expenditures:		
Mining and milling	\$ 913	\$ 9,131
Oil and gas	1,529	7,889
	\$ 2,442	\$ 17,020

The company's production comprised exports of copper concentrate to Japan and molybdenum to Europe.

Auditors' Report

to the Shareholders
of Brenda Mines Ltd:

We have examined the balance sheet of Brenda Mines Ltd. as at December 31, 1982 and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
January 28, 1983

Clarkson Gordon
Chartered Accountants

Financial History — \$000's

Earnings	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Revenue	40,958	41,006	32,757	40,910	51,787	64,756	90,129	77,293	39,126	45,700
Expense — excluding interest and taxes	18,074	21,905	25,668	27,888	35,141	41,084	52,922	43,081	47,375	47,127
Interest expense — net	3,813	3,143	451	199	(577)	(940)	(1,636)	4,304	10,440	8,279
Municipal and sundry taxes	542	719	819	1,029	1,003	1,185	1,234	1,204	1,592	1,889
Income and production taxes	1,794	6,844	3,213	6,305	6,897	10,592	15,579	15,030	(12,028)	(5,909)
Dividend income	—	—	—	—	—	—	—	—	—	955
Share of earnings in associated companies	—	—	—	—	—	—	2,438	13,300	12,575	(2,796)
Earnings	16,735	8,395	2,606	5,489	9,323	12,835	24,468	26,974	4,322	(7,527)

Financial Position

Capital employed —										
Working capital	19,105	8,361	12,166	20,355	25,047	35,574	(3,112)	(9,899)	(26,782)	(17,199)
Investments	—	—	—	—	—	—	50,519	73,312	82,149	63,950
Fixed assets — net	35,855	33,569	30,116	27,589	32,382	31,200	36,294	43,747	56,280	53,348
Other assets	3,522	868	395	1,004	210	210	215	215	215	215
	58,482	42,798	42,677	48,948	57,639	66,984	83,916	107,375	111,862	100,314
Capital sources —										
Shareholders' equity	27,235	35,630	38,236	43,168	50,393	58,689	73,559	94,405	98,979	92,323
Other	31,247	7,168	4,441	5,780	7,246	8,295	10,357	12,970	12,883	7,991
	58,482	42,798	42,677	48,948	57,639	66,984	83,916	107,375	111,862	100,314

Changes in Financial Position

Sources —										
From operations	23,661	18,109	6,872	10,959	15,180	18,114	29,246	23,211	(70)	(2,977)
Investments	—	—	—	—	—	—	—	—	—	14,613
Other	215	220	250	250	12	(33)	11	—	207	389
	23,876	18,329	7,122	11,209	15,192	18,081	29,257	23,211	137	12,025
Application —										
Dividends	—	—	—	557	2,098	4,539	8,350	6,253	—	—
Capital expenditures —										
Fixed assets	572	1,771	695	1,604	9,196	3,015	9,593	10,574	17,020	2,442
Investments	—	—	—	—	—	—	50,000	13,171	—	—
Other	—	—	—	859	(794)	—	—	—	—	—
Reduction in long term debt	7,007	27,302	2,622	—	—	—	—	—	—	—
Increase (decrease) in working capital	16,297	(10,744)	3,805	8,189	4,692	10,527	(38,686)	(6,787)	(16,883)	9,583
	23,876	18,329	7,122	11,209	15,192	18,081	29,257	23,211	137	12,025

Statistics

Tonnes milled (000's)	8,045	8,664	9,116	10,048	9,634	9,995	9,076	9,127	10,199	9,485
Gas produced — net MMcF								87.7	351.6	1,127.6
Number of employees	405	433	439	442	463	470	468	474	463	439

