

brenda

ANNUAL REPORT 1979



BRENDA MINES LTD.
noranda group

BRENDA MINES LTD.

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



NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BRENDA MINES LTD. (the Company) will be held in Room No. 213, Hotel Vancouver, Vancouver, British Columbia, on Wednesday, the 7th day of May, 1980 at the hour of 11:30 o'clock in the forenoon, Vancouver time, for the following purposes:

1. To receive the Financial Statements of the Company for the year 1979 and the report of the Auditors thereon;
2. To elect Directors;
3. To appoint Auditors and authorize the Directors to fix their remuneration.

If you are unable to attend the Meeting, kindly sign and return the form of proxy accompanying this Notice. A proxy to be valid must be deposited at the office of Canada Permanent Trust Company, 701 W. Georgia St., Vancouver, B.C. at or before the hour of 11:30 o'clock in the forenoon, Vancouver time, on the 5th day of May, 1980.

By Order of the Board,

B. H. GROSE,
Secretary.

DATED this 15th day of March, 1980.

BRENDA MINES LTD.

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



INFORMATION CIRCULAR

As at March 15, 1980

REVOCABILITY OF PROXY

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

PERSONS MAKING THE SOLICITATION

The solicitation is made by the management of the Company in respect of the Annual General Meeting called for the 7th day of May, 1980 and the cost of which will be borne by the Company.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are 4,282,000 common shares of the Company without nominal or par value outstanding, each of which entitles the holder to one vote for each share held at all Meetings of Shareholders. Only Shareholders of record on the date of mailing of the Notice will be entitled to vote at the Meeting.

A proxy to be valid must be deposited at the office of the Canada Permanent Trust Company, 701 W. Georgia St., Vancouver, British Columbia at or before the hour of 11:30 o'clock in the forenoon, Vancouver time, on the 5th day of May, 1980.

If the instructions contained in a Form of Proxy are certain, the shares represented by the Proxy shall be voted on any poll and, where a choice is specified, the shares shall be voted on any poll in accordance with the specifications so made. **If no choice is specified in a proxy, the shares represented thereby shall be voted in favour of all matters referred to therein.**

The proxy confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting, and other matters which may properly come before the Meeting.

Noranda Mines Limited owns beneficially, directly or indirectly, 2,177,900 shares in the capital stock of the Company, and this represents 50.9% of the outstanding shares of the Company.

APPOINTMENT OF PROXIES

A member has the right to appoint a person, who need not be a member, to attend and act for him on his behalf at the Meeting, other than the persons 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.

ELECTION OF DIRECTORS

(a) 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 by Management are listed below. The persons named are the present Directors of the Company.

In the event any nominee is not available to act as a Director, a substitute will be nominated.

<u>Proposed Nominee</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Shares Owned</u>
Bernard O. Brynelsen Chairman of the Board and Director — Canada	President, Norancon Exploration Limited	1956	37,028
John A. Hall President and Director — Canada	Senior Vice-President — Mines, Noranda Mines Limited	1969	Nil
William James Director — Canada	Executive Vice-President Noranda Mines Limited	1975	Nil
John B. Knapp Vice-President & General Manager — Mining Operations — Canada	Vice-President & General Manager — Mining Operations, Brenda Mines Ltd.	1979	Nil
Morris M. Menzies Director — Canada	Geological Engineer	1965	82
Gordon H. Montgomery Director — Canada	General Manager — Mines, Noranda Mines Limited	1974	500
Alfred Powis Director — Canada	Chairman & President, Noranda Mines Limited	1968	Nil
Horace B. Simpson Director — Canada	Vice-President, Okanagan Holdings Ltd.	1973	Nil
H. Richard Whittall Director — Canada	Partner, Richardson Securities of Canada	1973	Nil

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

(b) Advance Notice of the Meeting was published in Vancouver on the 1st day of March, 1980.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the Company in the last completed financial year to the Directors and Senior Officers of the Company amounted to \$250,575.

The estimated aggregate cost to the Company in the last completed financial year of all pension benefits proposed to be paid to the Senior Officers of the Company under the existing pension plan in the event of retirement at normal retirement age was \$12,517.

APPOINTMENT OF AUDITORS

It is intended to appoint Messrs. Peat, Marwick, Mitchell & Co. as auditors of the Company.

MANAGEMENT CONTRACT

(a) By agreement dated April 18, 1968, the Company appointed Noranda Mines Limited, P.O. Box 45, Commerce Court West, Toronto, Ontario, as Manager and Supervisor of the business and operations of the Company, to have effect from January 1, 1968, such management and supervision to always be subject to general directions from the Company's Board of Directors. The agreement is to remain in force and effect from year to year unless and until terminated by either party on not less than twelve (12) months' written notice.

(b) The names and addresses of the insiders of Noranda Mines Limited are: J. C. Dudley, 3701 - 521 Fifth Avenue, New York, N.Y. 10017, U.S.A.; Louis Hébert, 500 Place d'Armes, Montreal, Quebec; A. J. Little, P.O. Box 251, Toronto-Dominion Centre, Toronto, Ontario; David E. Mitchell, 639 - 5th Avenue S.W., Calgary, Alberta; André Monast, Q.C., 65 Ste. Anne Street, Quebec City, Quebec; T. H. McClelland, 1030 W. Georgia St., Vancouver, British Columbia; W. Darcy McKeough, P.O. Box 2001, Chatham, Ontario; W. P. Wilder, P.O. Box 90, First Canadian Place, Toronto, Ontario; R. C. Ashenurst, A. G. Balogh, E. K. Cork, D. H. Ford, J. A. Hall, K. C. Hendrick, J. O. Hinds, William James, L. G. Lumbers, B. H. Morrison, R. L. Pepall, Q.C., Alfred Powis, R. P. Riggan, D. E. G. Schmitt and A. H. Zimmerman, P.O. Box 45, Commerce Court West, Toronto, Ontario. The management of Noranda Mines Limited has advised the Company that at March 3, 1980 Zinor Holdings Limited owned 23,980,202 common shares, or approximately 21.2% of the outstanding shares of Noranda Mines Limited and Brascan Limited owned 14,228,190 common shares or approximately 12.6% of the outstanding shares of Noranda Mines Limited.

(c) The amount paid or payable by the Company to Noranda Mines Limited since the commencement of the Company's last completed financial year for management and supervision fee and expenses was \$185,000.

MATERIAL TRANSACTION

Since November 16, 1979 the Company has purchased 3,324,822 common shares (38.2%) of Frenswick Holdings Limited at \$19 per share. The other shareholders of Frenswick are Brunswick Mining and Smelting Corporation Limited (38.2%) and Fraser Inc. (23.6%). Frenswick purchased 8,711,034 common shares of Zinor Holdings Limited at \$19 per share. The other shareholders of Zinor are Kerr Addison Mines Limited (27.4%) and Placer Development Limited (36.3%). Zinor purchased 23,980,202 common shares (21.4%) of Noranda Mines Limited at \$19 per share. The address of Noranda Mines Limited is P.O. Box 45, Commerce Court West, Toronto, Ontario.

BRENDA MINES LTD.

(Incorporated under the Companies Act, British Columbia)

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

DIRECTORS

Bernard O. Brynelsen	Vancouver, B.C.
John A. Hall	Toronto, Ont.
John B. Knapp	Kelowna, B.C.
William James	Toronto, Ont.
Morris M. Menzies	Vancouver, B.C.
Gordon H. Montgomery	Toronto, Ont.
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
Vice-President — Oil & Gas	V. C. Wright
Secretary	B. H. Grose
Treasurer	E. K. Cork
Comptroller	D. H. Ford

MINE OFFICE: P.O. Box 420, Peachland, B.C.

SOLICITORS: Davis & Company, 14th floor, 1030 West Georgia Street, Vancouver.

AUDITORS: Peat, Marwick, Mitchell & Co., Vancouver.

TRANSFER AGENT AND REGISTRAR: Canada Permanent Trust Company,
701 West Georgia Street, Vancouver, and
20 Eglinton Avenue W., Toronto, Ontario.

ANNUAL MEETING: May 7, 1980, 11:30 a.m., Hotel Vancouver, Vancouver, B.C.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the Annual Report for the year ended December 31, 1979.

EARNINGS

Net earnings were a record \$25.9 million or \$6.07 per share compared to \$13.4 million or \$3.14 per share in 1978. Fourth quarter earnings were \$7.2 million or \$1.69 per share compared to \$4.0 million or \$0.94 per share in the same period last year.

This significant increase was due primarily to higher metal prices. Products were sold at prices averaging, in Canadian funds, \$1.08 per pound for copper and \$11.57 per pound for molybdenum compared to \$0.75 and \$6.40 in 1978. The continuing exchange gain on U.S. dollar sales accounted for 34% of the earnings and higher prices for precious metals also contributed to the improvement. Production in 1979 totalled 22.7 million payable pounds of copper in concentrate and 5.6 million payable pounds of molybdenum in concentrate, compared to 29.8 million pounds and 7.3 million pounds, respectively, in 1978. The payable precious metal production was 2,984 ounces of gold and 166,422 ounces of silver.

Mine production was lower due to a 33-day strike ended October 17 and also to unusually high maintenance requirements late in the year. However, exclusive of the strike, productivity remained quite high overall as the tonnage milled averaged 30,224 tons per day. Although the average grade of ore was lower, it was gratifying that mineralization, sub-economic to mine and mill even a year ago, became profitable at current metal prices. Operating costs increased 8.4% to \$2.97 per ton milled from \$2.74 last year. Capital expenditures were \$1.7 million. Inventories at year-end were valued at \$1.16 per pound for copper and \$12.25 per pound for molybdenum compared to \$0.83 and \$6.80 at December 31, 1978. The value of warehouse stores increased \$1.2 million to \$5.2 million.

DIVIDENDS

Your Directors increased the quarterly dividend from \$0.20 to \$0.25 per share in the second quarter and approved two extra dividends, the first \$0.25 per share in the third quarter, the second \$0.75 per share in the fourth quarter for a total of \$1.95 per share.

INVESTMENT

In mid-November, a 38.2% interest in Frenswick Holdings Limited was purchased for \$50 million cash. Through a 36.3% interest in another holding company, Frenswick has an indirect interest in shares of Noranda Mines Limited. In February, 1980 a further \$13,172,000 was invested in securities of Frenswick. Brenda's interest is equivalent to 0.776 of a Noranda share for each of the 4,282,000 issued and outstanding shares of Brenda. Income from this investment, which is accounted for on an equity accounting basis, contributed \$2,438,000 to earnings. This investment in a large diversified natural resource company will provide a strong underpinning for a company whose mine products are subject to very specific segments of the business cycle. Brenda will continue its other investment programs in oil and gas, mineral exploration and capital expenditures on the mine property.

OVERVIEW

Highlights in 1979

- Buoyant metal prices
- Record earnings
- Thirty-three-day work stoppage
- Additional ore reserves
- Investment — Frenswick Holdings Limited
- Oil and gas expansion.

The highlights to some extent indicated the progress on management's objectives which are to constantly seek new ways to improve the present mining operation and to identify new ventures that offer potential for the company's growth and return for the shareholders' investment.

The net earnings for 1979 were heartening and the outlook remains favorable for the near term. At the Annual General Meeting held last May 4th, it was stated that: "Stripping for the final contours of the open pit is on schedule." One now has to wonder what schedule, as there have been several pit expansions since then and the ore reserve tonnage was increased to 153,000,000 tons grading 0.145% copper and 0.032% molybdenum. Significantly, the grade of ore milled in 1979 averaged nearly the same grade. This reflects the importance of higher metal prices, which permit mining to a lower cut-off grade. Under current economic conditions, the life of the mine has been extended five years, perhaps longer, if other fringe areas not yet tested prove to be viable.

Under the planned operating parameters for 1980, the ore grade will continue in the downward trend of recent years. Current metal prices will lessen the impact of a \$6.0 million increase in operating costs and net earnings, exclusive of the contribution from Frenswick Holdings Limited, are projected to be about the same as last year.

This level of profit permits re-investment in the plant and the Directors have approved some \$7.0 million in capital expenditures. The major project is a sands-slimes flotation circuit to further improve metal recoveries. Additional expense will include a new replacement secondary crusher and installation of a pipeline for natural gas to replace bunker C oil.

The addition of low-grade mineralization to the ore category does present some interesting problems and opportunities. It provides a challenge to the metallurgists since metal recoveries tend to decline on low-grade ore. Also, some of the new ore in the northeast area of the pit is associated with a large gouge zone of clay-like material with impurities which is difficult to treat. New equipment purchase decisions will be required since the large mining shovels and trucks were expected to last the life of the mine, based on the original ore reserves. Some of this equipment

will require replacement starting in 1982. Similarly, the tailings dam and waste areas were designed for smaller quantities and the preparation of new facilities may prove expensive and difficult to locate. However, knowing of their excellent work in the past, one is confident that the operating people will find economical and practical solutions to these concerns.

The mineral exploration program is carried out from an office located in Peachland, B.C. A small but experienced group has been recruited to manage the oil and gas program and in December a permanent office was established in Calgary. The company has budgeted \$1.0 million for mineral exploration and \$11.0 million for exploration and development expenditures in oil and gas during 1980.

ACKNOWLEDGMENT

Mr. Gordon R. Harris, formerly Manager of Brenda, accepted the position of Area Manager, Noranda Mines Limited — Babine Division, in November. Gordon's long experience in mining and maintenance has been a great asset and help to Brenda. Although he will be sorely missed, he goes with our good wishes and appreciation.

The Directors wish to express their appreciation to all staff and personnel for their efforts during the year which contributed to the continuing growth of the company.

On Behalf of the Board,

John A. Hall.

President.

Toronto, Ontario,
February 27, 1980

DISTRIBUTION OF REVENUE

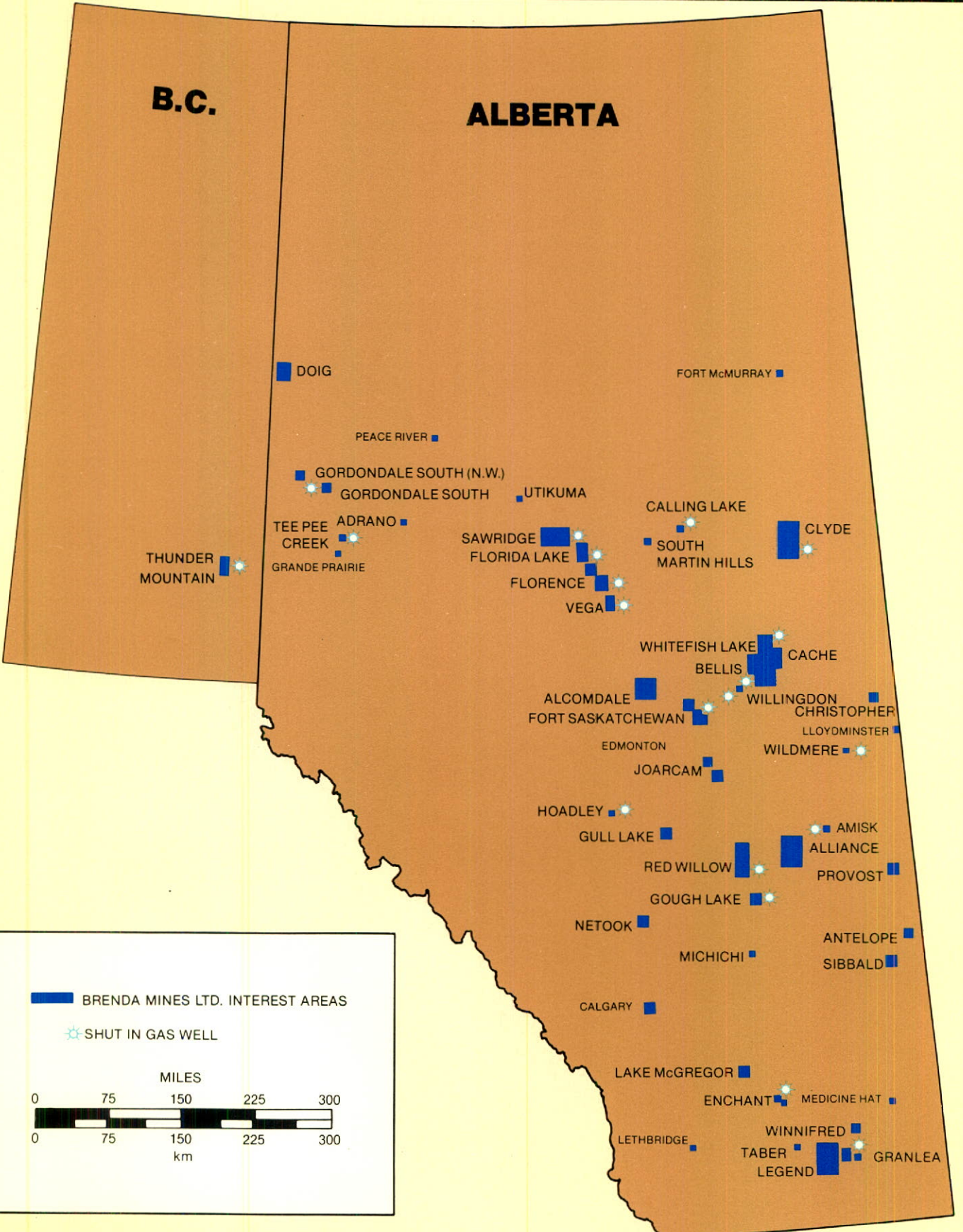
\$000's	Apr. 1, 1970 Dec 31, 1971	1972	1973	1974	1975	1976	1977	1978	1979
Revenue — net	51,510	27,067	40,958	41,006	32,757	40,910	52,371	65,818	92,328
Wages and benefits paid	7,951	4,657	4,599	6,264	7,095	8,282	9,431	10,742	11,448
Depreciation and depletion	6,089	3,667	3,678	4,040	3,983	4,115	4,391	4,231	4,483
Energy, supplies, services and other business costs	23,601	13,812	12,168	14,744	15,042	15,689	16,332	18,414	17,759
Exploration written off	—	—	—	—	—	—	4,994	7,818	19,775
Preproduction expenditures	10,091	5,767	1,442	—	—	—	—	—	—
Pre-tax profits	3,778	(836)	19,071	15,958	6,637	12,824	17,223	24,613	38,863
Provided for payments to governments	1,395	684	2,336	7,563	4,031	7,334	7,743	11,185	15,359
Profit (loss) after taxes	2,383*	(1,520)	16,735	8,395	2,606	5,490	9,480	13,428	23,504
Share of after-tax profits in associated company	—	—	—	—	—	—	—	—	2,438
Earnings (loss)	2,383	(1,520)	16,735	8,395	2,606	5,490	9,480	13,428	25,942
Re-invested in the business	2,383	(1,520)	16,735	8,395	2,606	4,933	7,382	8,889	17,592
Dividends paid	—	—	—	—	—	557	2,098	4,539	8,350

*Before extraordinary item — foreign exchange gain realized on conversion of long term debt — \$1,424,000

Statistics	1972	1973	1974	1975	1976	1977	1978	1979
Tons milled (000's)	15,434	9,503	8,868	9,550	10,049	11,076	10,620	11,018
Number of employees	393	396	405	433	439	442	463	470
Gross capital employed (historical \$000's)	80,357	94,612	92,553	82,052	92,390	94,484	104,594	111,833

B.C.

ALBERTA



■ BRENDA MINES LTD. INTEREST AREAS

☀ SHUT IN GAS WELL

MILES

0 75 150 225 300



km

0 75 150 225 300

OIL AND GAS

Exploration and development expenditures during the year in Alberta and British Columbia were \$10.3 million. Cumulative expenditures since 1977 have been \$18.8 million.

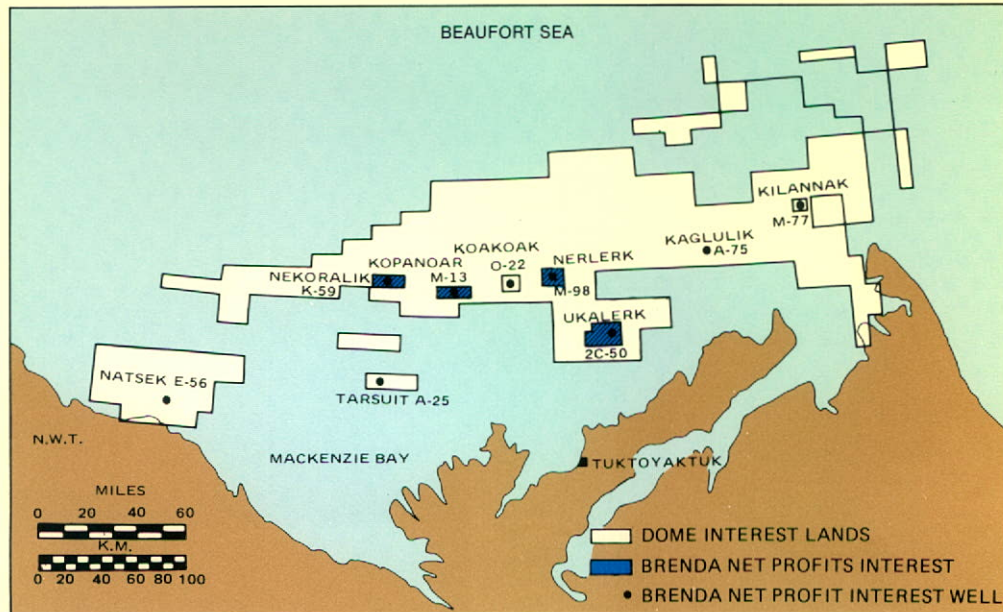
Approximately two-thirds of the earning commitment was completed on the major joint exploration program with Sulpetro Limited. A new multi-project exploration program with Marline Oil Corporation commenced in September. Expenditures on these programs and several small projects totalled \$6.5 million, comprising \$4.8 million for seismic and drilling and \$1.7 for Crown land acquisitions and development items.

Brenda participated in 35 wells. 25 were completed as shut-in gas producers and 10 were abandoned; a success ratio of 71%.

Sabre Petroleum's remaining 8.3% working interest in the Greater Cache project was purchased for \$0.9 million. Together with the interest acquired from Sabre in 1977, this increased Brenda's share of Greater Cache to approximately 35%. After payout of cost of the present 33 shut-in wells, Brenda's interest decreases to 25% in wells and 128,000 acres. Gas reserves at Greater Cache are contracted under the Pan Alberta export permit approved by the National Energy Board in December. Gas sales should commence in 1981.

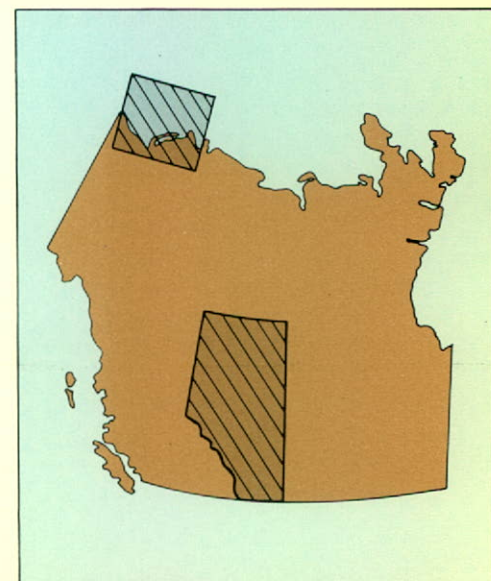
A final payment of \$2.9 million was made on reserve properties acquired from Sulpetro at the end of 1978 for a \$1.2 million initial payment. Reserves on these latter properties were increased by drilling of three successful wells at Sulpetro's expense immediately prior to final price determination on November 1, 1979. Brenda interest gas wells at Amisk and Enchant are included in the Sulpetro export permit approved by the National Energy Board during December. Production should commence by mid-1980, subject to U.S. import approval.

Net land holdings at year-end were 67,200 acres. Proven and probable gas reserves were established by an independent consultant as 27 billion cubic feet (19 billion cubic feet net of royalties).



Brenda joined Noranda Exploration Company to acquire a 50% interest in a 500,000 acre offshore petroleum prospecting licence and a mineral prospecting licence covering 300,000 acres over the land areas in the British Virgin Islands. An aeromagnetic survey was carried out over both licences just prior to year-end.

An additional \$16.6 million was invested in the Beaufort Sea and other frontier area drilling programs to earn a small net profit interest in individual wells. Cumulative pre-tax expenditures on net profit investments were \$28.9 million to the end of 1979. All such expenditures were subject to the special Frontier Allowance, resulting in a relatively small after tax investment. The most important development in the Beaufort Sea during 1979 was the completion of Kopanoar M-13 as an oil well at a rate of 12,000 barrels per day.



BRENDA NET PROFITS INTEREST BEAUFORT SEA

Well	Brenda Net Profits Interest — %
Kopanoar M-13	1.3230
Nektoralik K-59	1.0000
Ukalerk C-50	1.0000
Ukalerk 2C-50	1.0833
Nerlerk M-98	1.3999
Natsek E-56	0.3166
Kagalulik A-75	0.3999
Tarsuit A-25	0.5639
Kopanoar 1-44	1.0660
Koakoak O-22	1.3290
Kilannak M-77	0.7289

METAL MARKETS

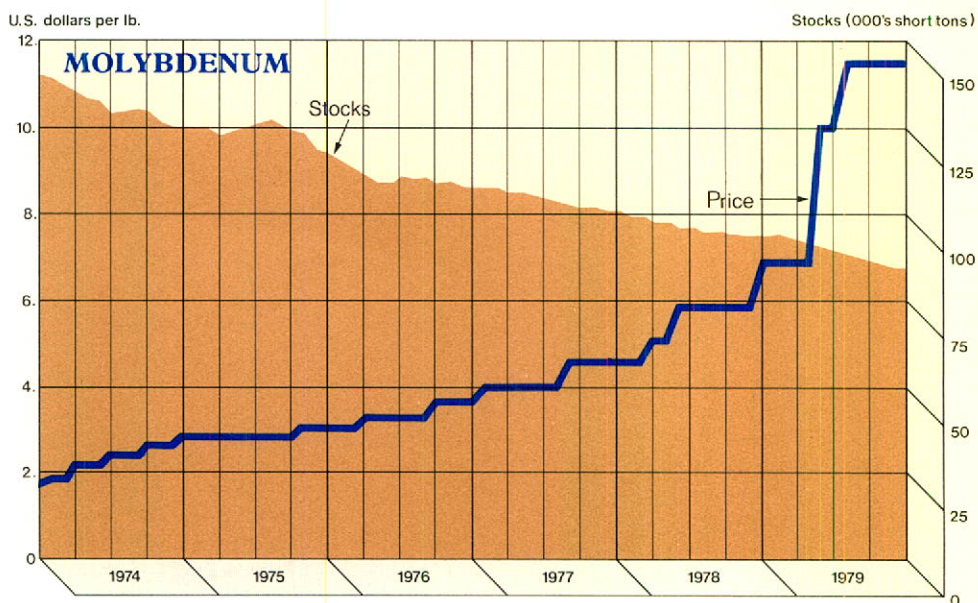
Demand for most metals, including molybdenum and copper, remained relatively strong throughout 1979. The anticipated decline in the United States due to the much-forecast recession was more than offset by demand in developing countries, the Middle East, and imports to the Eastern bloc countries. As a result, prices were higher at year-end with prospects for further increases for those metals requiring higher levels to justify investment in new capacity.

MOLYBDENUM

Western World Balance —
'000,000 Lbs.

	1977	1978	1979
Supply	182	192	191
Consumption	183	198	201
Year-End Stocks	101	95	85

Demand for molybdenum remained strong throughout 1979 with supplies to Western industrial markets frustrated by strikes, production problems and high priced exports to the Eastern bloc. By the end of the year, with production rapidly recovering to capacity levels, the pressure on the market subsided and merchant prices had fallen much closer to the levels quoted by most major producers. Prices for Brenda's concentrate were increased in three steps from the equivalent of U.S. \$6.89 per pound of contained molybdenum in oxide to \$11.57.

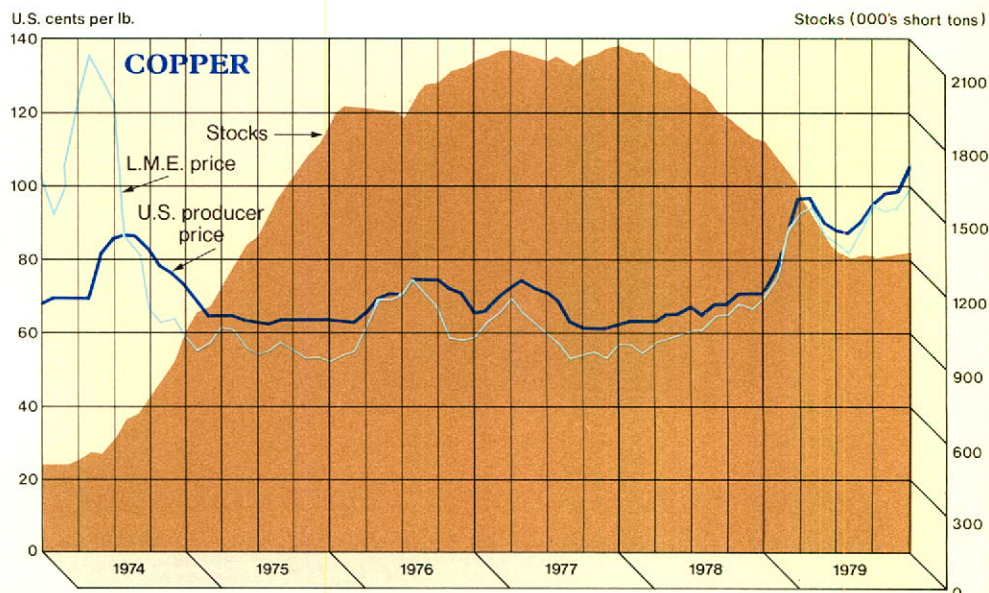


COPPER

Western World Balance —
'000 Short Tons

	1977	1978	1979
Supply	7,604	7,625	7,780
Consumption	7,535	8,035	8,224
Year-End Stocks	2,086	1,676	1,232

Copper consumption continued to grow at a more rapid rate than production and in 1979 again set a new record. Some 800,000 tons of stocks have been withdrawn from commodity exchanges and other inventories over the last three years and this combined with production shortfalls in several developing countries was the reason for the improvement in the London Metal Exchange copper quotation from U.S. 76¢ to \$1.04 at the end of the year.



GENERAL MANAGER'S REPORT

To the President and Directors: I submit herewith my report on operations for the year ended December 31, 1979.

STATISTICAL		1979	1978
Waste stripped	— Tons	9,092,600	8,249,600
Ore milled	— Tons	10,004,260	11,018,370
Ore milled per calendar day	— Tons	27,409	30,187
Copper content of ore	— % Cu	0.144	0.165
Copper recovery	— %	82.30	85.54
Molybdenum content of ore	— % Mo	0.036	0.040
Molybdenum recovery	— %	77.55	82.35
Copper concentrates produced	— Tons	40,424	51,677
Copper concentrate grade	— % Cu	29.25	30.02
Molybdenum concentrates produced	— Tons	4,956	6,415
Molybdenum concentrate grade	— % Mo	56.41	56.92

A total of 19.1 million tons was removed from the pit and stockpile, of which 9.1 million tons were delivered to the concentrator. Approximately 1.2 million tons of stockpiled ore were reclaimed and milled during the warm weather months, which left a balance of 12.8 million tons in the stockpile.

A diamond drilling program in certain fringe areas of the pit has indicated that additional tonnages can be classified as ore under present economic conditions. The ore reserves have been adjusted to reflect the inclusion of this lower grade material, and now stand at 152,869,450 tons at a grade of 0.145% copper and 0.032% molybdenum.

With the addition of this extra tonnage to ore reserves, waste stripping for the enlarged Pit 4 will continue at a rate of approximately 22,000 tons per day until the end of 1983, after which it will decrease.

The failure of the haul road referred to last year was overcome, Pit 3 was completed, and the higher grade ore was recovered during the first quarter. The geodimeter and engineering office computer are now used for daily monitoring of pit walls, and it is hoped that other more sensitive but localized monitoring systems will be computerized during the coming year.

The regional program of exploration in the vicinity of the mine continued, but no areas of economic importance were located. The main sources of interest continue to be copper and molybdenum, but the program is not confined to these metals. Activity has

now been expanded into other nearby areas of British Columbia in addition to the immediate area of the mine. Participation in the two British Columbia joint ventures and in the Idaho property continued, and total mineral exploration costs in 1979 were \$943,000.

Tonnage treated in the concentrator was lower by approximately 9% compared to the previous year and reflects the impact of a 33-day work stoppage. On the basis of operating days the treatment rate was equivalent to the rate during the previous year.

Metal output and recoveries were lower due to lower head grades, the effect of the strike, and treatment of a significant tonnage of oxidized stockpiled ore. Concentrate grades were satisfactory and all concentrates were shipped as produced to Japan and Korea in the case of copper concentrates, and to European roasters for the molybdenum concentrates.

Computerized controls continue to exceed expectations and, as part of the on-going program, have been expanded to include portions of the flotation circuits. The secondary-tertiary crushing plant is now being studied, and an attempt to develop a control strategy for this area will be undertaken during the coming year.

Reclamation and protection of the environment continues to be an important phase of operations. The most notable project completed during 1979 was installation of a 36-inch pipeline to carry fresh water and snow-

melt from higher elevations to a point below the area of influence of the mine. Precipitation on the mine or waste dumps is now excluded from the fresh water supply to protect its natural quality.

PERSONNEL

The work force at December 31 consisted of 122 salaried and 342 hourly-rated employees. Up to 48 students were employed during their school breaks to relieve full-time employees for vacation purposes.

The Collective Agreement with Local 7618, United Steelworkers of America, expired September 11, 1979 and in the absence of a new Collective Agreement the Union withdrew its members on September 14. Negotiations resumed on October 4 under a mediation officer and led to the signing of an agreement on October 12 to expire on October 31, 1981. Relations with Local 7618 and our employees continue to be good in spite of the 33-day strike.

I wish to express my thanks and appreciation to the staff and to all employees for their efforts, cooperation and support throughout the year, and for their contributions to a successful year of operation.

Respectfully submitted,

J. B. Knapp,
Vice-President and General Manager.
February 27, 1980

BRENDA MINES LTD. BALANCE SHEET

December 31, 1979 (With comparative figures for 1978)

(\$000)	<u>1979</u>	<u>1978</u>
ASSETS		
Current assets:		
Cash	\$ —	\$ 33
Funds on deposit with parent company (Noranda Mines Ltd.)	—	11,550
Accounts receivable from associated company	16,174	19,773
Inventories of concentrates and stores (Note 1)	29,399	17,648
Prepaid expenses	<u>96</u>	<u>91</u>
Total current assets	45,669	49,095
Investment in associated company (Note 2)	50,519	—
Oil and gas properties (Note 3)	15,497	7,809
Property, buildings and equipment (Note 4)	20,797	23,391
Other assets	<u>215</u>	<u>210</u>
	<u>\$132,697</u>	<u>\$ 80,505</u>
LIABILITIES AND SHAREHOLDER' EQUITY		
Current liabilities:		
Bank advances (Note 5)	\$ 29,155	\$ —
Accounts payable	6,212	3,706
Income and resource taxes (Note 6)	<u>11,190</u>	<u>9,065</u>
Total current liabilities	46,557	12,771
Taxes provided not currently payable	10,357	8,295
Shareholders' equity:		
Capital stock (Note 7)	8,218	8,218
Retained earnings, per accompanying statement	<u>68,813</u>	<u>51,221</u>
	77,031	59,439
Less the company's prorata interest in its shares held by the associated company (Note 2)	<u>(1,248)</u>	<u>—</u>
Total shareholders' equity	<u>75,783</u>	<u>59,439</u>
	<u>\$132,697</u>	<u>\$ 80,505</u>

See accompanying notes to financial statements.

On behalf of the Board:

John A. Hall, Director
B. Brynelson, Director

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended December 31, 1979 (With comparative figures for 1978)

(\$000)	<u>1979</u>	<u>1978</u>
Gross value of concentrates produced	\$ 97,817	\$ 73,112
Less smelter and distribution charges	<u>7,688</u>	<u>8,356</u>
	90,129	64,756
Cost of concentrate production	26,950	27,593
Administration and general expense	1,714	1,442
Municipal and sundry taxes	1,234	1,185
Depreciation and amortization	4,483	4,231
Oil, gas and mineral exploration expense	<u>19,775</u>	<u>7,818</u>
	54,156	42,269
Operating income	35,973	22,487
Interest and other income	2,199	1,062
Deduct interest expense	<u>543</u>	<u>121</u>
	1,656	941
Earnings before income and resource taxes	37,629	23,428
Income and resource taxes	<u>14,125</u>	<u>10,000</u>
	23,504	13,428
Share of after tax profit in associated company	<u>2,438</u>	<u>—</u>
Net earnings for the year	25,942	13,428
Retained earnings at beginning of year	<u>51,221</u>	<u>42,332</u>
	77,163	55,760
Dividends paid	<u>8,350</u>	<u>4,539</u>
Retained earnings at end of year	<u>\$ 68,813</u>	<u>\$ 51,221</u>
Earnings per share	<u>\$ 6.07</u>	<u>\$ 3.14</u>

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1979 (With comparative figures for 1978)

(\$000)	1979	1978
Working capital, beginning of year	\$ 36,324	\$ 25,204
Source of funds:		
Operations:		
Earnings	25,942	13,428
Depreciation and amortization	4,483	4,231
Taxes provided not currently payable	2,062	1,048
Share of earnings less dividends of associated company	(1,767)	—
Other	11	(33)
	<u>30,731</u>	<u>18,674</u>
Application of funds:		
Investment in associated company	50,000	—
Purchase of property, buildings and equipment	1,673	1,576
Purchase of oil and gas properties	7,920	1,439
Dividends paid	8,350	4,539
	<u>67,943</u>	<u>7,554</u>
Net increase (decrease) in working capital	<u>(37,212)</u>	<u>11,120</u>
Working capital (deficiency), end of year	<u>\$ (888)</u>	<u>\$ 36,324</u>

See accompanying notes to financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Brenda Mines Ltd. as at December 31, 1979 and the statements of earnings and 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, 1979 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.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Vancouver, British Columbia, Canada
January 25, 1980, except for
Note 10 as to which the date is
February 27, 1980

NOTES TO FINANCIAL STATEMENTS

December 31, 1979

1. Accounting policies:

Foreign currencies:

Current assets in foreign currency have been converted into Canadian dollars at the rate of exchange in effect at December 31, 1979.

Inventories:

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

Exploration and development costs:

Exploration expenditures, including geological and geophysical costs, annual rentals on exploratory acreage and dry hole costs are charged to expense. Where the costs of drilling successful wells in remote frontier areas exceed the related tax savings, only the net after-tax cost is capitalized.

The initial acquisition costs of oil and gas properties together with the costs of drilling and equipping successful wells (other than wells in remote frontier areas) are capitalized.

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 oil and gas properties and drilling and equipping wells will be charged against earnings on the unit-of-production method using estimated recoverable oil and gas reserves. Charges will be made against earnings for depreciation of investment in plant and equipment based on the estimated remaining useful lives of the assets using either the straight-line or the unit-of-production method, whichever is appropriate.

Taxes on income:

The company follows tax allocation procedures in recording charges for taxes on income. 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.

2. Investment in associated company:	(\$000)
Investment in common shares, at cost	\$ 50,000
Equity in earnings since acquisition	2,438
Less dividends received	(671)
Less the company's prorata interest in its shares held by the associated company	(1,248)
	<u>\$ 50,519</u>

The investment in the associated company, 2,631,579 common shares of Frenswick Holdings Ltd. (38.17% owned) is accounted for by the equity method. See Note 5.

3. Details of oil and gas properties, at cost unless otherwise noted, less amortization are as follows:

	<u>1979</u>	<u>1978</u>
	(\$000)	
Net profits investments in frontier areas, at net cost	\$ 116	\$ 129
Productive properties	11,303	7,680
Unevaluated properties	1,390	—
Productive drilling	2,445	—
Tangible production equipment	228	—
Work in process	247	—
	<u>15,729</u>	<u>7,809</u>
Less amortization of unevaluated properties	232	—
	<u>\$ 15,497</u>	<u>\$ 7,809</u>

4. Details of property, buildings and equipment, at cost, less accumulated depreciation and depletion are as follows:

	<u>1979</u>	<u>1978</u>
	(\$000)	
Buildings, equipment and related facilities	\$ 46,891	\$ 45,775
Mobile equipment	10,713	10,247
Residential land and buildings	306	306
	<u>57,910</u>	<u>56,328</u>
Less accumulated depreciation	37,240	33,087
	<u>20,670</u>	<u>23,241</u>
Mineral claims and leases, at cost less depletion	127	150
	<u>\$ 20,797</u>	<u>\$ 23,391</u>

5. Bank advances:

(\$000)

Bank overdraft	\$ 720
Demand loan, with interest at bank prime rate (December 31, 1979 — 15%)	18,435
Bankers' Acceptances	10,000
	<u>\$ 29,155</u>

The demand loan is secured by 2,631,579 common shares of Frenswick Holdings Ltd.

6. Income and resource taxes:

Current income and resources taxes payable include deferred income taxes of approximately \$7,317,000 (1978 — \$4,540,000).

The tax provision for 1979 and 1978 resulted in effective tax rates of 37.5% and 42.7% respectively. The reduction in the effective tax rates is attributable to the oil and gas exploration expenditures of the company. These expenditures permit the company to claim special allowances for tax purposes, the effect of which reduced the effective tax rates by 18.8% in 1979 and by 13.8% in 1978.

7. Capital stock:

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

	<u>1979</u>	<u>1978</u>
	(Number of Shares)	
Issued	4,282,000	4,282,000
Less the company's prorata interest in its shares held by the associated company	<u>71,381</u>	<u>—</u>
	<u>4,210,619</u>	<u>4,282,000</u>

8. Commitments:

At December 31, 1979 the company was committed to future expenditures as follows:

	(\$000)
— under several oil and natural gas exploration agreements; approximately	\$ 1,800
— for the construction of fixed assets; approximately	<u>2,400</u>
Total obligations at December 31, 1979	<u>\$ 4,200</u>

9. Remuneration of directors and senior officers:

The aggregate direct remuneration paid to the directors and senior officers of the company, as defined by the B.C. Companies Act, amounted to \$215,575 (1978 — \$188,672).

10. Subsequent event:

The company has agreed to invest an additional \$13,172,000 in common shares of Frenswick Holdings Ltd. in 1980. This additional investment will maintain the corporation's interest in the share capital of Frenswick Holdings Ltd. at 38.17%.

