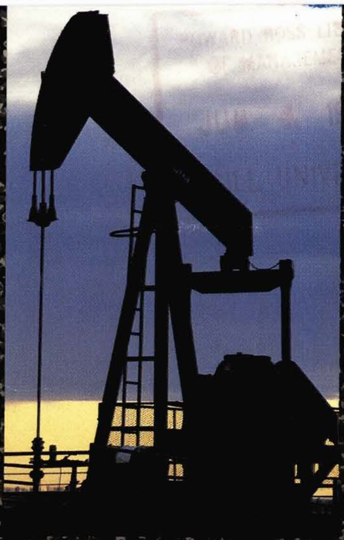
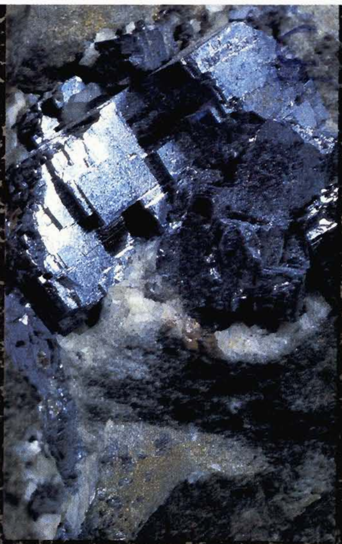





BANKENO MINES LIMITED
1983 ANNUAL REPORT

CONTENTS

METRIC CONVERSION

The measurements presented in this report are in International System of Units and where appropriate, the numerical magnitude is presented in exponential form. The units used; cubic metres (m^3), hectares (ha) and kilometres (km) are shown with Imperial measurement system equivalents.

VOLUME MEASUREMENT

28.17 cubic metres (m^3)	=	1,000 cubic feet (MCF)
1,000 cubic metres (10^3m^3)	=	35.49 thousand cubic feet (MCF)
1,000,000 cubic metres (10^6m^3)	=	35.49 million cubic feet (MMCF)
0.1589 cubic metres (m^3)	=	1 barrel (Bbl)
1 cubic metre (m^3)	=	6.293 barrels (Bbls)

SURFACE AREA MEASUREMENTS

0.4047 hectares (ha)	=	1 acre
1 hectare (ha)	=	2.471 acres

LINEAR MEASUREMENTS

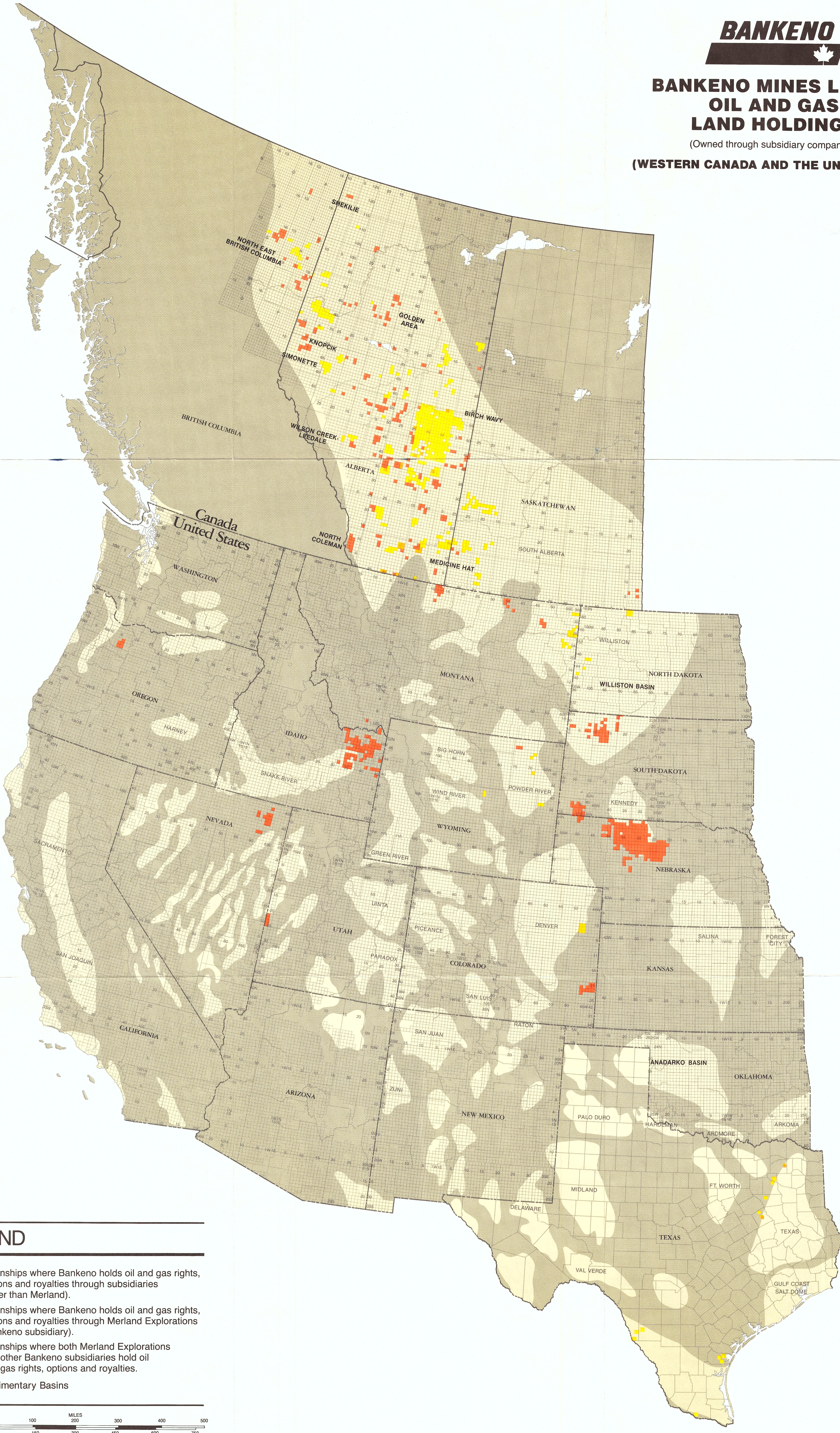
1.609 kilometres (km)	=	1 mile
1 kilometre	=	0.6215 miles
0.3048 metres (m)	=	1 foot

BANKENO

BANKENO MINES LIMITED OIL AND GAS LAND HOLDINGS

(Owned through subsidiary companies)

(WESTERN CANADA AND THE UNITED STATES)



LEGEND

- Townships where Bankeno holds oil and gas rights, options and royalties through subsidiaries (other than Merland).
- Townships where Bankeno holds oil and gas rights, options and royalties through Merland Explorations (Bankeno subsidiary).
- Townships where both Merland Explorations and other Bankeno subsidiaries hold oil and gas rights, options and royalties.
- Sedimentary Basins

MILES: 100 0 100 200 300 400 500

KILOMETRES: 150 0 150 300 450 600 750

In 1982, Bankeno acquired, through the issue of shares, substantial oil and gas producing properties and the controlling interest in Merland Explorations Limited, an aggressive oil and gas company based in Calgary.

Also in 1982, and following the commencement of commercial levels of production, Bankeno exercised its option to acquire a 25% royalty interest in a zinc and lead mine called Polaris located on Little Cornwallis Island in the Northwest Territories. Based on present forecasts, Bankeno is expected to receive royalties from Polaris as early as 1987.

Bankeno has an 80% Canadian Ownership Rate and is publicly traded. The principal shareholder is Turbo Resources Limited holding 89.69% of the issued common shares.

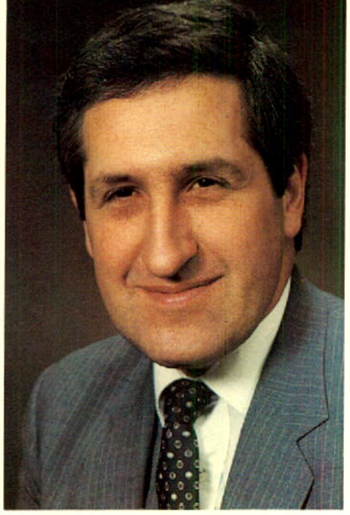
HIGHLIGHTS

	1983	1982
FINANCIAL (Dollars in thousands except share figures)		
Gross revenues before royalties	**$ 83,043**	$ 68,316
Net loss		
Before unusual item	**7,514**	9,393
After unusual item	**162,514**	9,393
Per common share	**5.77**	0.34
Cash flow	**29,875**	19,893
Per common share	**1.06**	0.71
Capital expenditures	**33,624**	45,542
Long-term debt	**95,055**	103,122
Shareholders' equity	**75,590**	238,104
Numbers of shares issued (common)	**28,170,721**	28,170,721
OPERATING		
Production		
Natural gas		
Million of cubic metres (10^6m^3)	**745**	617
Thousands of cubic metres per day ($10^3m^3/d$)	**2 040**	2 126
Crude Oil		
Thousands of cubic metres (10^3m^3)	**67**	48
Cubic metres per day (m^3/d)	**185**	167
Reserves (proven and probable)		
Natural Gas (10^6m^3)	**14 868**	14 556
Crude oil (10^3m^3)	**595**	527
Land holdings (in thousands of hectares)		
Gross	**1 845**	1 901
Net	**606**	748

Note: Figures shown for 1982 include Merland Explorations Limited for the period March 17, 1982 to December 31, 1982.

SHAREHOLDERS MEETING

The Annual General Meeting of Shareholders will be held on Tuesday, June 19th, 1984 at 10:00 a.m. in The Calgary Westin Hotel, 4th Avenue and 3rd Street, S.W., Calgary, Alberta.



PRESIDENT'S REPORT

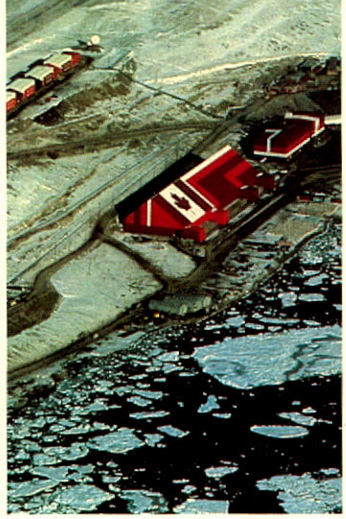
During 1983 Bankeno has consolidated operations and built a stronger financial base for future growth. It has taken longer than we anticipated to achieve this stability, but with the prospect of higher interest rates in the future, the decision to financially consolidate appears to have been prudent.

Several things of importance occurred during 1983. The first full year of consolidated operations with the Merland staff went smoothly and the management contract between Merland and Bankeno has been renewed for a second year. A decision was made to constrict operations in the United States for both Bankeno and Merland, and all producing properties and undeveloped properties with less than three years remaining on their lease were sold or dropped. Bankeno participated in 24 wells, of which 17 were completed as oil wells and three as gas wells. In addition Merland participated in the drilling of 159 wells resulting in 91 gas wells and 39 oil wells. Zinc reached a price of US $1,050 per metric tonne, the highest for many years, and is presently slightly above this price. Reserves of oil and gas, production levels, and mineral concentrate production were all at record or near record levels.

Despite all of this, natural gas and oil prices declined and rate of gas deliveries were extended considerably, and therefore the net present value of reserves declined, requiring Bankeno to take an extraordinary write down of $155,000,000. This has become common place with many oil and gas producers. It should be noted that this write down occurred because the accounting treatment on the issuance of 24,073,717 shares in early 1982 for $240,737,157 or $10.00 per share and created a substantial appraisal surplus. The current market price, around $3.00 per share, reflects the write down and the effects on the Company of the Canada/Alberta Energy Pricing Agreement of September, 1982, and the current economic recession in Canada. This write down does not affect cash flow, nor will it in future years.

As a result of this adjustment, however, depletion charges in 1984 and future years will be reduced to about 62% of their former level, and it is expected that the Company will operate profitably in the future. While it is a shock to have such an event it is preferable to recognize it and to get back to building a solid Company with excellent potential, comprised of good human, material and financial resources.

Bankeno, its subsidiaries and parent have been involved with a number of legal and regulatory matters during 1983. Some matters have been settled and the remaining should be concluded in 1984. In April of this year, the Company successfully settled a wrongful dismissal suit by Robert K. Dixon, the former President of the Company for $361,057.50, considerably less than the $1,600,000 demanded. Merland successfully defended itself in an action by a joint venture partner in the Westlock Alberta properties, but the defendants have appealed the decision. Merland is also a defendant in an action in the United States involving the non-fulfilment of a 1981 drilling contract. Arrangements were made during the year to conclude the "Net Profits Interest" held by certain present and former officers of Merland. These petroleum and natural gas interests were purchased and returned to Merland. It was felt that this type of remuneration was an inappropriate compensation plan in today's economy, and a bonus plan tied to corporate profits, which is only activated after an acceptable return to shareholders, was implemented in Merland along with a stock option plan for key Merland employees. Thomas J. Day and associates have sued Bankeno, certain present and former Bankeno Directors, and a number of other companies related to Bankeno's 1982 Merland purchase offer. The Company is confident it will successfully defend this action. Turbo Resources Limited has also


made a number of proposals to solve its regulatory and financial problems with respect to Bankeno warrant holders, Merland minority shareholders and other creditors, but has not yet completed its arrangements.

The operation of Bankeno Mines Limited's subsidiary Companies progressed favorably under economic conditions prevalent in the oil, gas and mining business in Canada today. Production levels of gas were maintained and oil production was increased in both Merland and Bankeno Resources Ltd. PanArctic Oils Ltd. drilled several more successful exploration wells in the offshore Arctic islands and Hazen Strait, and is progressing on a plan to bring oil from Cameron Island during the ice free period between August and September, by freezing in a tanker for production storage in the fall of 1985. The Polaris Mine shipped zinc and lead concentrates from Little Cornwallis Island from August 15th to the end of October in nine ship loads, and the mine and mill operation achieved record levels of production. With these shipments the corner has been turned on the total investment and a small amount of investment has been recaptured by Cominco. Bankeno should begin receiving funds from its royalty interest in late 1987 or 1988, to be applied against repayment on Cominco's $3,000,000 loan to the Company.

Merland purchased Coltrin Resources Ltd. during 1983 for cash and shares. Coltrin was a joint venture partner with Merland on a number of oil and gas properties in Alberta, Saskatchewan and the United States. In addition Merland purchased certain gas interests from NASNA Resources Ltd. in their Southern Alberta and Saskatchewan gas contract areas. Merland also sold its producing United States oil and gas properties to a United States purchaser at year-end. Other than these purchases, efforts of management were toward building a solid, well-run organization, reducing debt and cleaning up several areas of activity left over from the days of more rapid expansion.

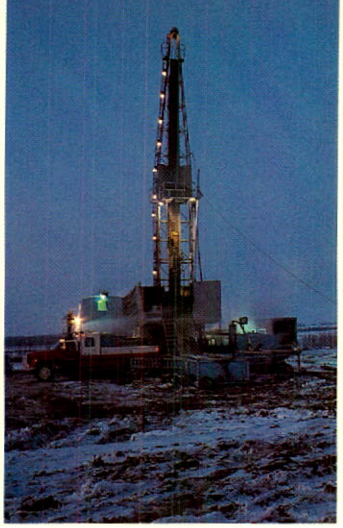
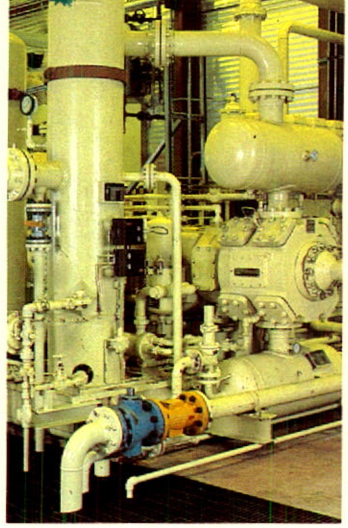
During the year, gross sales increased from $68,316,000 to $83,043,000. This was primarily due to a full year of consolidation of Merland, but some increase is attributable to expanded oil production. The 1983 year-end loss, before unusual items, was reduced to $7,514,000, but if the new depletion rates (after the write down) where in effect at the beginning of 1983 the result would have been a profit of approximately $1,500,000. We are expecting a profit to be made in 1984. Consolidated cash flow increased to $29,875,000 and long term debt was reduced to $95,055,000 are also positive results.

At the request of the Toronto Stock Exchange, Bankeno is working toward compliance with International Accounting Standards. Although there are still one or two problem areas to be dealt with, the transition is proceeding and it is hoped that full implementation of these standards will be completed by the 1984 year end.

In last year's report we stated that our goal was to build a strong resource corporation. This is still our goal, and we believe that the last year has been spent building the foundation for such a corporation. Shareholders should see the positive effects of the efforts made in 1984 and the coming years. We are thankful for our dedicated Directors, shareholders and staff, and see a bright future on the road ahead.

Robert G. Brawn
President and
Chief Executive Officer

Calgary, Alberta
May 23, 1984



INVESTMENT — MERLAND

Merland Explorations Limited, a 54% controlled subsidiary, weathered difficult times in the industry and continued to concentrate its efforts towards successful exploration for, and production of, crude oil and natural gas. A concerted effort was made towards improving the profitability and financial health of Merland throughout 1983.

Gross revenues for 1983 were $73 million and although this is slightly down from 1982 as a result of reduced natural gas sales, an increased contribution to revenue resulted from greater oil production. Earnings from Canadian operations increased dramatically from $3.2 million in 1982 to $8.1 million for 1983 which on a Merland per share basis represents Canadian earnings of 27¢ per share. Merland's consolidated net earnings after providing for the loss on discontinued U.S. operations amounted to $4.7 million or 10¢ per share which compares to a $20 million loss for the previous year. Cash flow increased 19% to a new record high of $27 million or $1.19 per share. Capital expenditure programs amounted to $31 million **before** Petroleum Incentive Payments of $7 million and long-term debt was reduced by approximately $8 million by year-end to $91 million.

Natural gas production decreased only very slightly from 1982 even though there were dramatic cutbacks in the industry in general as a result of the reduced demand. For 1983 in Canada, Merland produced 709 10^6m^3 of natural gas or 1 941 $10^3m^3/d$ average for the year which is a modest 7% decrease from 1982. However, oil production in Canada increased dramatically by 52% over 1982 to 38 10^3m^3, an average of 105 m^3/d.

During 1983, 159 wells were drilled of which 131 were Merland operated. Although this is less than the number of wells drilled in 1982, Merland still placed amongst Canada's 10 top companies in terms of drilling activity. This drilling activity resulted in 91 gas wells and 39 oil wells for an overall success ratio of 82%.

Merland's reserves at year-end showed a moderate increase over the previous years in both oil and gas despite the reduction in reserves due to the disposition of substantially all of U.S. oil and gas properties. At year-end Merland had 13 452 10^6m^3 of natural gas and 377 10^3m^3 of crude oil and liquids representing both proven and probable reserves.

Through careful management of capital expenditures, selective drilling and land acquisitions, Merland has maintained a good quality of land inventory. At year-end, Merland had 886 665 gross hectares and 349 467 net hectares of oil and gas lands.

Merland controls and operates 79% of its gas production capability through 23 Merland owned and operated facilities and 91% of its oil production capability through 7 equity-owned and operated facilities.

Throughout 1983 Merland continued to explore for and develop natural gas in East Central Alberta, often referred to as the Birchwavy area, in which area Merland markets its gas through various and numerous existing natural gas sales contracts. Drilling commitments on sizeable land holdings, farmed into previously, were completed in the fall of 1983. Merland has now earned a significant interest in these highly prospective lands located within the area of these gas contracts. The majority of Merland's drilling activity in 1983 was in East Central Alberta where over half of the wells drilled during the year resulted in 52 gas and 9 oil wells.

To the south of Birchwavy is the Sullivan Lake area where Merland was also successful in placing additional gas on stream under new and separate contracts. In this area at Fenn-Big Valley, Merland built a gas processing facility and also assumed operatorship of another gas processing plant. A major portion of Merland's gas production continues to be supplied from the Medicine Hat area in Southeastern Alberta where Merland has significant land holdings under gas contracts. As these fields are maturing, new land acquisitions and drilling opportunities are being sought.

In the Taber area of Southeastern Alberta, Merland's major oil producing area provides approximately 60% of Merland's oil production. Bankeno Resources Ltd. holds a small interest and is one of several partners with Merland in the Taber area. Drilling activity in the area resulted in 8 successful oil wells in 1983.

The lands which Merland acquired in Southwestern Saskatchewan several years ago attracted a great deal of Merland's attention in 1983 as a result of major new oil and gas policy changes which were introduced by the Saskatchewan government. One-third of Merland's drilling activity was directed to this area of Saskatchewan resulting in 32 gas wells and 19 oil wells in 3 separate projects.

On its shallow gas Sand Hills project Merland was successful in negotiating a new gas sales contract with a Saskatchewan purchaser and consequently constructed a gas processing facility which placed approximately 190 $10^3m^3/d$ on stream in that area. Additionally, new wells were drilled and facilities expanded in the Horsham area of Southwestern Saskatchewan to meet gas contract requirements.

Merland's extensive oil interests in the Dodsland area of Southwestern Saskatchewan proved particularly successful and economical under the current royalty scheme. The 1983 drilling program resulted in approximately 32 m^3/d of new oil production. Continued development drilling is planned for 1984.

Other areas of interest in Saskatchewan are located towards the Southeastern quadrant where in conjunction with other partners Merland has acquired substantial land holdings in prospective oil acreage. Upon completion of geophysical evaluation, drilling is planned for 1984.

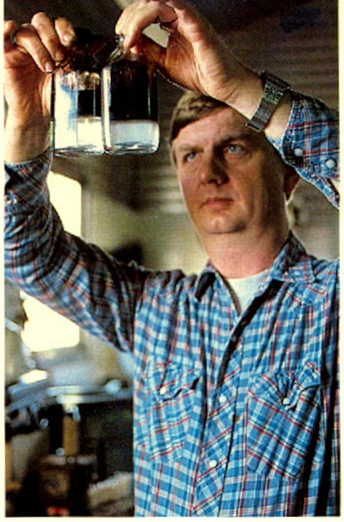
Upon careful investigation and critical analysis of Merland's investment and their strategy in oil and gas exploration activities in the United States, it was concluded that continued investment of scarce financial resources in the United States was not desirable at this time. Merland determined that existing operations would be discontinued and a suitable purchaser for the United States oil and gas assets would be sought. A successful transaction was concluded whereby Merland sold substantially all of its oil and gas interests in the United States to a U.S. buyer and purchased Canadian producing and non producing oil and gas properties which are more compatible with Merland's existing operations in Canada. Over the next few years Merland will examine its philosophy of investing in oil and gas activities in the United States and will continue to monitor the economic circumstances to be in a position to take advantage of any opportunities that may present themselves.

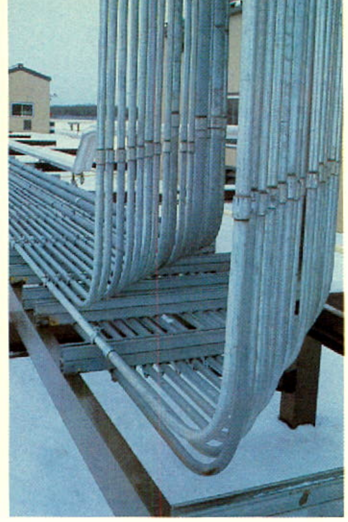
Management believes that there will be a significant strengthening in the natural gas markets in two to four years, particularly of benefit to Canadian producers. Merland, with its proven track record of a successful natural gas explorer and producer, is in an excellent position to take advantage of any improvement in the North American gas markets when it occurs. Merland's strategy is to continue to maintain its share of natural gas markets for the next few years, while continuing to build natural gas holdings, to be a significant producer of natural gas when markets return to normal levels. There is encouragement in the long term, as investment in natural gas assets will provide a good rate of return to shareholders as Merland will be in a position to be amongst the leaders as a natural gas producer in Western Canada. It is Merland's view, also, that a more stable world oil price environment will continue to exist and that Western Canadian crude oil will continue to enjoy good market conditions at prices allowing a reasonable rate of return to producers. Therefore, Merland has shifted significant exploration emphasis towards search for oil in Western Canada placing greater emphasis in 1984 on the acquisition of prospective oil lands to allow an ongoing, orderly, building process of an inventory of oil lands and reserves. Although at this time limited funds which are available for capital expenditure projects, must be carefully allocated between oil and natural gas projects, Merland must therefore take advantage now of excellent opportunities and lower land prices existing during this recessionary period in order to be in the position to have a good varied inventory of oil prospects which will earn a good rate of return.

Merland's existing holdings of prospective oil and gas lands in Northwestern Alberta, in the Peace River Arch area, which was acquired some years ago, provide an excellent area for exploration activity. During 1984 Merland is diverting considerable efforts towards the exploration activities in that area. Although the geology is complex in comparison to shallower oil reservoirs in Southeastern Alberta, Merland views this as an exciting area to search for oil. In the Dodsland area of Southwestern Saskatchewan where Merland has extensive land holdings, continued development drilling is underway for 1984. With the improved economic climate in Saskatchewan, Merland is seeking to acquire additional lands. In Southeastern Saskatchewan where Merland has recently acquired prospective oil acreage, continued geophysical activity and follow-up drilling is planned for 1984. The recent oil pool discoveries in East Central Alberta, in the Bellshill Lake area, encourage Merland to continue to remain active in its development of oil reserves in that area.

In keeping with our long-term strategy for natural gas, Merland continues to actively search for land acquisitions and farm-ins, particularly in the readily marketable areas. However, Merland is also aggressively searching for prospective natural gas lands in areas of Alberta and Saskatchewan where no present contracts exist, as it is believed this will complement the long-term philosophy.

Merland has the foundation and the expertise to be amongst the leaders of independent oil and gas producers in Western Canada and intends to take full advantage of opportunities to return Merland to more traditional growth patterns. Financial health through profitable operations and intelligent capital investment as well as new capital sources remains as a matter of highest priority for 1984.



Bankeno Resources Ltd.

During 1983, Bankeno Resources Ltd., a wholly-owned Canadian subsidiary, participated in 24 wells which resulted in 2 gas wells, 18 oil wells and 4 wells which were dry and abandoned. In addition, the Company farmed out 7 wells which resulted in 3 gas, 2 oil and 2 dry and abandoned wells. During the year, gas production increased by 42% from 1982 levels to 32.8 $10^6 m^3$ of natural gas. Similarly oil production increased by 50% to 21.1 $10^3 m^3$ of crude oil.

The increase in gas production was due in part to new gas sales in Alberta from Morinville, Michichi, and Wapiti properties. Morinville sales were to an industrial sales contract, while the latter two were to new contracts to Pan Alberta Gas Ltd. In addition, increased gas sales were made in the Golden Spike and Knopcik areas of Alberta.

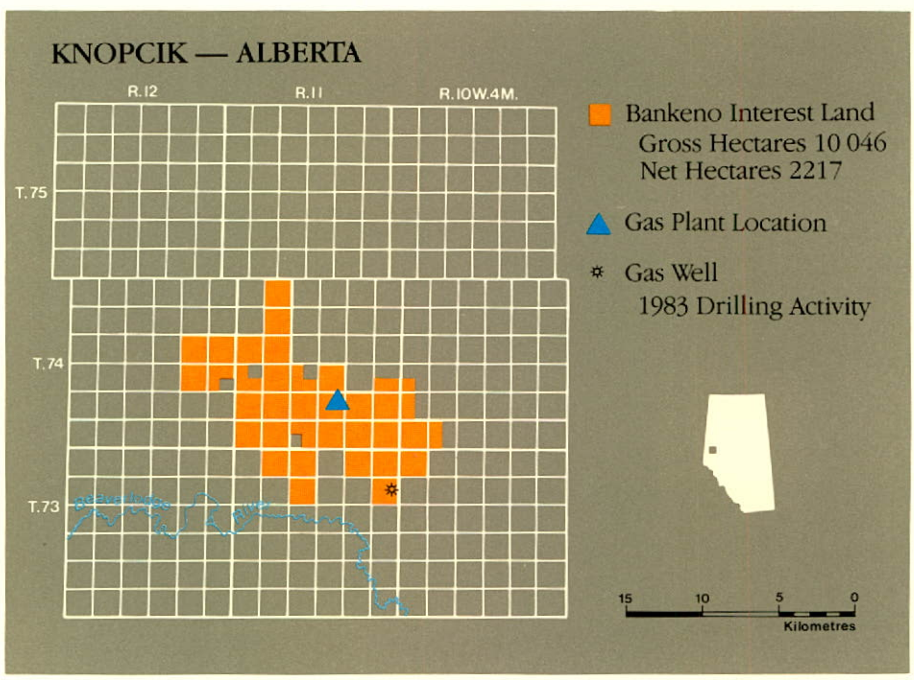
In Golden Spike, 3 oil wells were sold last year with 2 gas wells being retained. For a 3-4 month period the gas wells produced through a non-operated plant under a gas utility contract.

In Knopcik, a Company operated gas facility, the daily production averaged 259 $10^3 m^3$/d gross (52 $10^3 m^3$/d net). Overall volumes were down from the previous year due to reduced takes by the purchaser, Pan Alberta. Due to the nature of the Pan Alberta contract, it is anticipated that the plant will operate from February 1 to June 1 to satisfy the expected 83/84 contract take of 40%. The Knopcik plant contributes significant revenue from natural gas liquids and should average 30 m^3/d gross (6 m^3/d net) when on production during the contract year. One new well, 9-25-73-11 W5M, was drilled in December 1983 and was placed on stream in early 1984 to maintain current contract deliveries. The Company had a net interest in 2 217 hectares in Knopcik at year-end.

The increase in the Company's oil production was due to increased Alberta production levels from several existing fields, as well as new production from the Sylvan Lake area.

At Sylvan Lake, an existing shut-in gas well was recompleted as a Viking oil well. The well has been tested and further follow-up development drilling is planned for 1984. In addition, a study has been initiated with other producers in the area to review gas conservation schemes, pool studies, and potential secondary recovery modes.

In the Penhold area in 1983, three successful Viking oil wells were drilled bringing Bankeno's net oil production to 9.5 m^3/d. Additional drilling is planned for 1984.



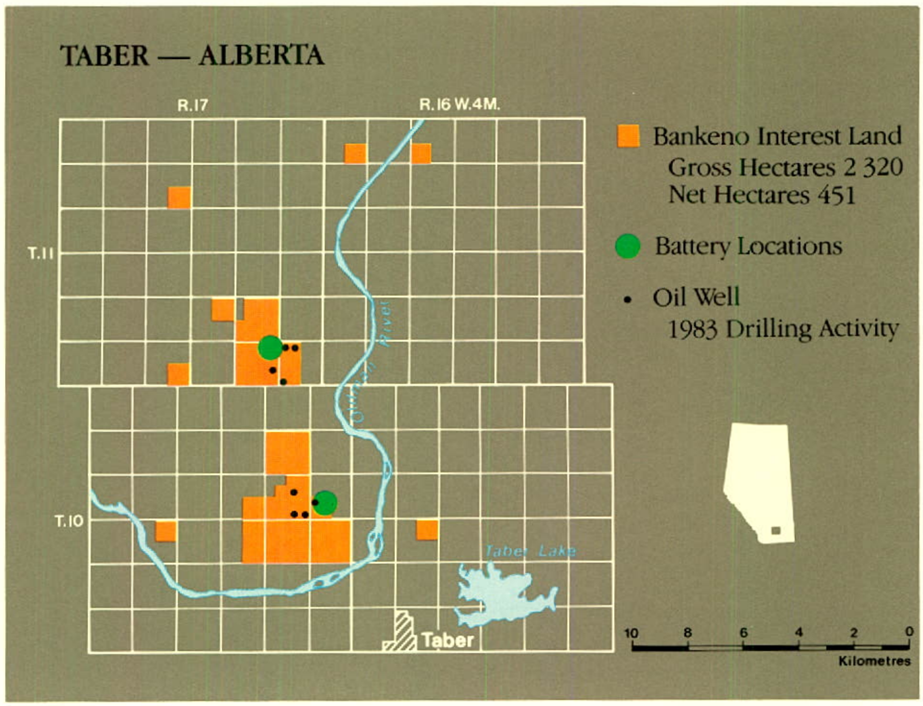
Four successful oil wells were drilled in the Clairmont Lake area during 1983 and it is anticipated that a central battery facility will be constructed in 1984. Bankeno maintains an average 12½% working interest and current production levels should average 7 m^3/d of net oil production.

Four successful oil wells were also drilled in the Dina Marsden area, where additional drilling is also contemplated in 1984. It is anticipated that Bankeno's 27% working interest will result in an average of 3 m^3/d of net oil production.

Successful 1983 infill drilling in the Merland operated Taber area resulted in 8 oil wells, improving Bankeno's net production from 451 net hectares to approximately 10 m^3/d. Additional drilling is expected in early 1984.

Other areas of interest in Alberta for 1984 should include steady gas revenues from the Wilson Creek-Leedale area, a full contract year's performance from Michichi and Wapiti, and steady oil revenues from the Joarcam, Red Earth, and Red Coulee areas. Also during 1984, Bankeno hopes to obtain approval to construct sour gas treating facilities to produce gas from the Morinville property.

In Flatrock, B.C., the Company was unsuccessful in its efforts to add another productive well in the Boundary Lake pool from which Bankeno currently has 2 producing oil wells averaging 5.5 m^3/d of net oil.



Bankeno Resources Ltd. Land Holdings

December 31, 1983	Gross Hectares	Net Hectares
Alberta	213 249	56 598
British Columbia	27 908	4 867
Saskatchewan	1 022	541
Arctic	257 277	19 502
Total	499 456	81 508

Bankeno Resources Ltd. Drilling Results

	Alberta		Saskatchewan		B.C.		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Gas wells	2	.7	—	—	—	—	2	.7
Oil wells	14	1.9	4	1.1	—	—	18	3.0
Dry wells	3	.6	—	—	1	.5	4	1.1
Total	19	3.2	4	1.1	1	.5	24	4.8

The company's overall success ratio in the period was 83%.

Leaside Resources, Inc.

The assets of Bankeno Mines Limited's wholly-owned U.S. subsidiary are principally undeveloped acreage in the mid-western States.

During late 1982 the Company attempted to rationalize and evaluate Leaside's existing land inventory. Although time consuming, this process has now been completed with all lands listed on a priority basis. The categorizing will be used in selecting those lands to be retained and those to be dropped. Through the selection process yearly land rentals will be reduced.

Leaside's approximate 20% interest in 315 520 gross hectares in six counties in the State of Nebraska is of interest to shareholders. The Company is involved in a pooling arrangement with other land owners. When complete, there will be approximately 404 700 gross hectares pooled with Leaside's working interest dropping to approximately 16%. The group has an initial gravity survey over part of their holdings and 220 kilometres of current seismic which has been interpreted. Indications point the area being gas prone.

After several years of planning, a large Nebraska exploration program has been undertaken in which the first phase includes the drilling of three shallow wells and one deep well during 1984. The operator has secured a firm gas contract with a major gas purchaser which allows for production to be on stream as early as 1987 providing 1 071 10^6m^3 of reserves are established. The reserve calculation is not limited to Leaside's lands and may include others in the general vicinity.

Leaside Resources, Inc. Land Holdings

December 31, 1983

	Gross Hectares	Net Hectares
Colorado	12 162	2 243
Idaho	61 501	48 846
Montana	9 947	7 457
Nebraska	315 520	65 148
South Dakota	50 679	47 331
Utah	9 022	4 674
Wyoming	162	58
Total	458 993	175 757

Outlook

In 1984, Bankeno Resources's exploration and development expenditures will be concentrated on properties which have the potential to increase cash flow. Financing of these projects will be within the Company's financial capabilities and will not require outside financing. Management remains optimistic that both oil and gas production will increase.

CONSOLIDATED RESERVES

The Company's 1983 consolidated reserves increased over those established last year. Total proved and probable reserves as determined by independent petroleum consultants were 14 868 10^6m^3 of natural gas and 595 10^3m^3 of crude oil and natural gas liquids.

Proven oil and natural gas reserves are defined as those quantities, which, upon analyses of geological and engineering data, appear with reasonable certainty to be recoverable in future years from known oil and gas reservoirs under existing economic and operating conditions. Probable additional reserves are defined as those reserves situated in the vicinity of proved properties but where the geological and engineering controls indicate some degree of risk in recovery.

Significant changes in the Company's reserves during the year resulted from exploration and development activity in Bankeno Resources' Clairmont Lake property and Merland's Dodsland and Taber properties. Oil reserve additions attributable to this activity totalled 129 10^3m^3, a 25% increase over 1982 levels.

Other changes in the reserves during 1983 included the disposition of substantially all of Merland's producing properties in the United States.

Natural gas reserve levels were maintained during 1983 with net additions exceeding production. The majority of the 1 122 10^6m^3 of total natural gas additions were established in Bankeno Resources' Knopcik property and Merland's Sandhills and East Central Alberta producing areas.

Consolidated Reserve Changes

	Natural Gas		Crude Oil & Liquids	
	10^6m^3	% Change	10^3m^3	% Change
RESERVES AT DECEMBER 31, 1982	14 556		527	
1983 RESERVE CHANGES				
Additions by exploration & development	950	6	129	25
Additions by purchase	172	1	13	2
Dispositions	(16)	—	(38)	(7)
Revisions	(49)	—	31	6
Produced volumes	(745)	(5)	(67)	(13)
Total changes	312	2	68	13
RESERVES AT DECEMBER 31, 1983	14 868		595	

Natural Gas, Crude Oil & Liquid Reserves

at December 31, 1983

	BANKENO RESOURCES LTD.		MERLAND EXPLORATIONS LIMITED		TOTAL BANKENO MINES LIMITED	
	Natural Gas 10^6m^3	Crude Oil 10^3m^3	Natural Gas 10^6m^3	Crude Oil 10^3m^3	Natural Gas 10^6m^3	Crude Oil 10^3m^3
Proved						
Producing	263	165	5 968	199	6 231	364
Non-producing	652	34	5 048	3	5 700	37
Undeveloped	—	—	794	9	794	9
	915	199	11 810	211	12 725	410
Probable additional	501	19	1 642	166	2 143	185
Total proved & probable	1 416	218	13 452	377	14 868	595




INVESTMENT — PANARCTIC

During 1983, Bankeno participated in the 12th Expansion Financing Program with Panarctic Oils Ltd. through the purchase of 80,000 common shares of Panarctic at $3.00 each. As a result of the foregoing Bankeno received $192,000 of Petroleum Incentive Payments for its participation in this financing. Concurrently with the above financing, Bankeno sold to an existing shareholder of Panarctic 90,000 shares at $3.00 each resulting in a total of 903,372 shares or 1.45% of the issued Panarctic shares being held at year-end.

Panarctic's operations are funded through a series of expansion financings to existing shareholders which, if purchased, allow the shareholder to obtain Federal Petroleum Incentive Payments. Because of Bankeno's high Canadian Ownership Rate of 80%, it is entitled to receive the maximum payments under the program.

Panarctic continues to remain a private company with the majority of shares owned or controlled by the Government of Canada. It was incorporated 16 years ago to explore the Canadian Arctic and since that time Panarctic has drilled in excess of 170 wells and expended $400 million. Through this activity, Panarctic remains the most active explorer for oil and gas in the Arctic and has pioneered new petroleum technology.

Bankeno's proportional share of Panarctic's reserves are in excess of its direct reserves held in the Western Sedimentary Basin and are not included in the Consolidated Reserves table shown on page 10.

Panarctic's 1983-84 winter drilling program in the Canadian Arctic Islands commenced in late November, 1983. The program will involve one deep onshore well on Melville Island and three offshore wells in the vicinity. The onshore well was spudded on October 8th, 1983, northwest of the Drake Point gas field on the Savine Peninsula of Melville Island and was drilled to a total depth of 5 400 metres. Results are now being analyzed.

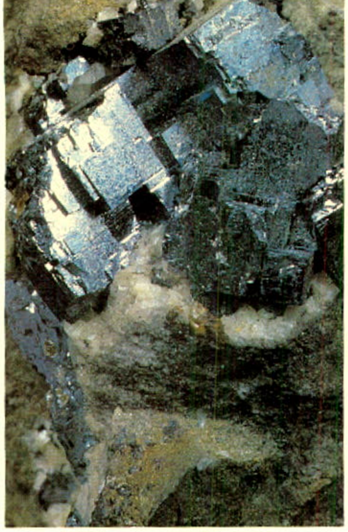
The two offshore wells will be delineation wells to evaluate the oil and gas reserves of the Cisco and Skate fields discovered by Panarctic in 1981. These wells will be the fourth at Cisco and the second at Skate respectively.

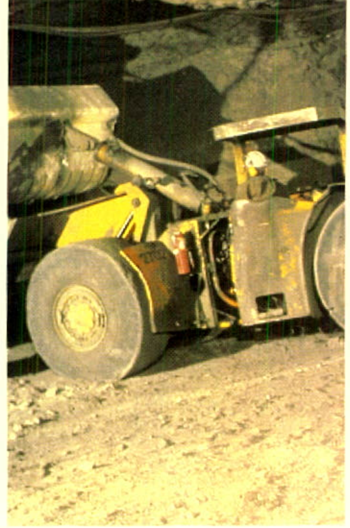
The Skate C-59 well has now been drilled to 2 300 metres and termed a commercial success. The third offshore well will be near Buckingham Island and will be classified as a wildcat well.

Not included in the recent Panarctic program are Exploration Agreements Bankeno holds with the Federal Government on land held in the Arctic. These agreements carry a one well commitment over a 5 year term in which Bankeno has a small working interest in 257 277 gross hectares.

Panarctic is taking steps to formulate a plan which could obtain significant production revenues through the sale of discovered oil. Cameron Island, approximately 322 kilometres northwest of Resolute, may have the distinction of becoming the first commercial producing field in Canada's Arctic. Panarctic plans to produce one well of a three-well Bent Horn oilfield on a continuous basis at 476.7 m^3/d and store the production in a tanker frozen into the ice near the island. The crude would then be available for shipment to market in ice-strengthened tankers during the short shipping season of August and September. First production could be as early as September 1985.

The market for the crude oil has not been determined at this stage and Panarctic is applying for an export licence from the National Energy Board in the event there are no markets available in Canada. If markets are found and Panarctic meets Government requirements, revenues of $20,000,000 annually are anticipated. When received, these funds will be sufficient to maintain Panarctic's exploration program at its existing level. Although the plan is small, it is economically viable and has much potential for expansion. Should the above plan be successful, interest in the Arctic will increase. Additionally, it would be a large step towards Canada's goal of energy self-sufficiency as Panarctic's oil and gas reserves are significant.





MINING — POLARIS

On August 29, 1983, only twenty-two months after start-up, a milestone was reached when the one millionth tonne of ore was processed through the concentrator at the Polaris Mine. Located on Little Cornwallis Island in the Canadian Arctic, Polaris is one of the richest zinc and lead mines in the world and holds the undisputed distinction of being the most northerly.

1983 also marked the first full year of operations and as a result of this 829 000 tonnes of ore were milled. This figure represents a 76% increase over 1982. Nine merchant vessels were loaded with 183 500 tonnes of zinc concentrate and 41 400 tonnes of lead concentrate for shipment to European smelters — three more than the previous year. During the short shipping period activity is high and the organization and team-work very evident as every advantage must be taken when the shipping lanes are relatively ice-free. This year the first vessel arrived in the middle of August and the last one left the end of October, 1983.

With all concentrate shipped having been sold, approximately 80% of the sale price is received shortly after shipments with the balance paid as the concentrate is taken up by the purchaser. Sales to smelters have been pre-arranged for future years based on the average producer price of the metals during that year.

Revenues for 1983 of $61,000,000 from the sale of concentrates and metal yielded a modest, first ever, operating profit of $6,000,000. Inventory at year-end consisted of 57 300 tonnes of zinc concentrate and 19 200 tonnes of lead concentrate at the mine. In 1983, production was 217 000 tonnes of zinc concentrate at 60.9% zinc and 51 100 tonnes of lead concentrate at 76.2% lead. Production from the existing reserves is expected for at least another 25 years.

Shareholders can take a great deal of pride in their investment in the Polaris Mine which was originally discovered in 1960 by a Bankeno crew who were examining oil leases on Little Cornwallis Island.

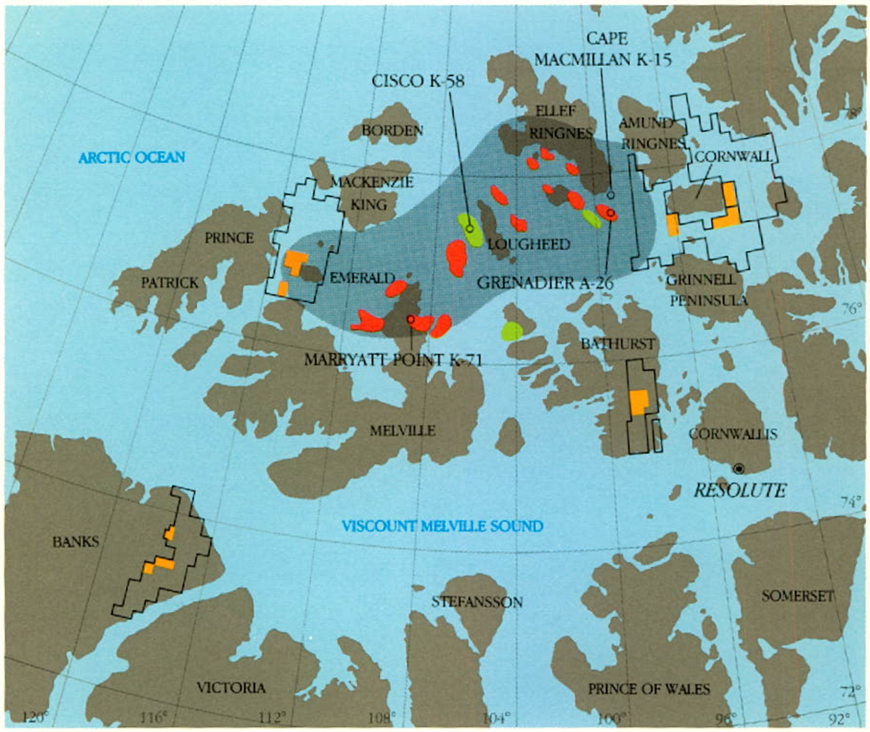
In 1971, Bankeno and Cominco Ltd. created a private company called Arvik Mines Ltd. to explore properties related to the mineral deposits discovered in the Arctic. In 1979, Cominco purchased Bankeno's 25% interest in Arvik for a negotiated $5,000,000 and a $3,000,000 advanced royalty payment repayable from production proceeds when the mine was operational. As a result of this arrangement Bankeno received an option to purchase a 25% net proceeds royalty interest from the Polaris Mine and any future mines developed on the Arvik properties for $7,500,000. Following the commencement of commercial levels of production in March of 1982, Bankeno exercised its option and now has a 25% royalty interest in the Polaris Mine which will contribute significantly to the growth potential of the Company in future years.

The success to date of Polaris is principally due to the creative and resourceful leadership of Cominco who have pioneered new techniques which have resulted in a model operation. This has captured the attention of the mining industry and is setting the standards for future mines in the Arctic.

Of particular importance in the later half of 1983, was the increase in the price of zinc. This trend has continued into 1984. The outlook is excellent as consumer inventories are low and there appears to be an economic up-turn which was addressed in last year's annual report. Falling inventories due to a growing consumption arising out of increased activity in the housing market and the resurgence of the automobile industry are the two principal components responsible for the stronger demand. Zinc galvanized products are becoming popular due to their rust-resistant qualities, light weight and cost competitive aspects and because of this have become a key component in automobile construction. The net result is a strong increase in the European producer price which resulted in higher returns to zinc producers. The ratio at the Polaris Mine is approximately 81% zinc concentrate and approximately 19% lead concentrate. Unfortunately, lead prices remain weak and were relatively flat throughout 1983 despite an increased demand from battery producers in North America.

It is important to remember that an increase of one cent per pound in zinc and lead prices would result in an approximate increase of $7.00 for zinc and $13.00 for lead in the value of each tonne of concentrate sold.

Because of the increased tonnage sold in 1983 and the rise in the European producer price of zinc there was an operational profit with a modest reduction in the costs pools incurred in building the mine. Indications are the production levels for 1984 should be slightly better than those of 1983 and the zinc prices should remain strong. Therefore, the projections made several years ago remain achievable and could result in obtaining a strong cash flow through royalties received from operations, commencing as early as 1987.



ARCTIC ISLANDS

LEGEND

Bankeno Interest Lands

Oil Field

Gas Field

Location/Drilling

Highgrade Area of Western Sverdrup Basin

Bankeno Exploration Agreements

0 50 100 150 200 kilometres

0 100 200 miles

While the natural gas markets were weak in 1983, improved oil production combined with reduced interest expenses produced improved operating performance. Cash flow from operations was recorded at $29.9 million for 1983 versus $19.9 million for 1982. The Company recorded a 1983 loss before the unusual item of $7.5 million compared to $9.4 million in 1982. The necessity of the write down of oil and gas assets resulted in a net loss of $162.5 million for 1983 but should improve the future profitability of the Company.

The results in this review include Merland for the full 1983 calendar year while in 1982 Merland was included only from March 17 to December 31.

Revenue

Gross revenues increased 22% to $83 million primarily as a result of including a full year of Merland's revenues in 1983, compared to 9½ months in 1982. Merland contributed $73 million in gross revenue compared to $60 million in 1982 while Bankeno Resources provided $10 million for 1983 and $8.3 million for 1982.

Natural gas sales revenue provided 83% of the 1983 revenue compared to 80% for 1982. This is a result of being able to include Merland revenues during the high gas volume first quarter of 1983, which was not included in 1982.

Daily production declined from an average of 2 126 $10^3m^3/d$ in 1982 to 2 040 $10^3m^3/d$ in 1983. These production declines are a result of decreases in gas takes by the major gas purchasers from 63% in 1982 to 47% in 1983. The decrease was offset by increased industrial gas sales in Alberta. Average natural gas prices showed some improvement with a 7% increase in the Alberta border price which was partially offset by the higher industrial market sales which were made at approximately 60% of the Alberta border price.

During 1983, the revenue contribution of crude oil and natural gas liquids decreased to 17% of revenue compared to 20% for 1982. Production increased to 185 m^3/d for 1983 from 167 m^3/d for 1982 as a result of the successful exploration and development programs undertaken during 1982 and 1983. Average oil prices increased by 25% as a result of increased production being eligible for the New Oil Reference Prices.

Cash Flow From Operations

Cash flow from operations increased 50% to $29.9 million for 1983. Merland provided $27.1 million of 1983 cash flow compared to $18 million for 1982. Bankeno Resources generated $2.8 million or 10% of 1983 cash flow. This represents cash flow from operations of $1.06 per common share for 1983 versus $.71 per common share for 1982. The increase is principally a result of the inclusion of Merland for the full year in 1983 combined with Merland's significant reductions in interest expense together with general and administration expenses.

Capital Expenditures

Capital expenditures decreased by 26% to $33.6 million for 1983 with Merland's portion being $31.1 million as compared to Merland's $43 million of the $45.5 million spent in 1982. Expenditures were reduced to provide a more balanced relationship with cash flow from operations with the emphasis on the fulfillment of certain major drilling commitments and the maintenance or expansion of natural gas and oil production capacity.

Provision For Impairment of Property, Plant and Equipment

Over the last two years the difficult environment in the oil and gas industry has resulted in significant changes in the outlook for future oil and gas deliveries and prices. In 1982 Bankeno Mines acquired substantial oil and gas assets and a controlling position in Merland at a time when perceived conditions in the industry were much more optimistic. Based on an evaluation of the Company's oil and gas assets as of December 31, 1983, by independent engineering consultants the Company's accumulated carrying costs of petroleum and natural gas properties were in excess of the value of its underlying reserves.

This decline in reserve value from 1982 resulted from the combined effect of depressed natural gas and oil prices, reduced natural gas demand and the decline in production profiles of certain reservoirs. As discussed in the "Consolidated Reserves" section of this annual report, the reserve volumes of natural gas and oil have increased as compared to 1982. The reserve value was determined according to the method prescribed by the United States Securities and Exchange Commission several years ago which has been the general basis for similar calculations by other Canadian companies. The Company computed the aggregate present value, using a 10% discount rate, of the estimated future net revenues, after income taxes, from proven reserves using prices in accordance with the existing Federal/Alberta Government pricing agreements in effect until 1986 and no price increases thereafter, plus the estimated fair value of undeveloped land. When compared to the after income taxes carrying value of petroleum and natural gas properties this reserve value required a write down of $155 million. Of this total, $97.1 million was attributable to Canadian properties and $57.9 million was attributable to the United States properties.

The $155 million impairment provision has no impact on 1983 or future consolidated cash flow and will have a positive effect on future earnings by reducing the depletion expense unit of production rate by 38%. If the 1984 unit of production rate had been used in calculating the 1983 depletion expense it would have been reduced by $9 million and would have turned the loss before unusual item into earnings of approximately $1.5 million or $.05 per common share.

The impairment provision was based on oil and gas assets only and could not include the estimated value of the Company's investments in Panarctic Oils Ltd. or its interest in the Polaris Mine. Based on an independent engineering evaluation, the royalty interest in the Polaris Mine was valued at year-end, using a 20% discount rate, in excess of $28 million while it is carried in the financial statements at $8.2 million.

Financial Position

Throughout 1983 Merland continued to use its existing bank credit facilities, in addition to cash flow from operations, to fund its capital expenditure program. No new debt was established in 1983 by Bankeno Mines or its other subsidiaries. Bankeno's sole direct debt was associated with an advanced $3,000,000 royalty by Cominco. This advanced royalty is repayable from the royalty proceeds Bankeno will receive from the Polaris Mine.

Merland reduced its total debt from $115 million in 1982 to $111.8 million at December 31, 1983. The consolidated Bankeno Mines long-term debt portion due after 1984 was $95.1 million at year end. This represents a debt to equity ratio of 1.26 to 1 for 1983 versus .43 to 1 for last year. This increase in the ratio is a result of the large reduction in equity resulting from the provision for impairment of property, plant and equipment described in an earlier section of this report.

Pursuant to agreements with natural gas purchasers concerning Take or Pay provisions, $31.9 million of advances have been received, of which $31.6 million in advances have been received by Merland. These advances will be repaid by the delivery of natural gas over the next 11 years with payments of $1.1 million commencing late in 1984.

The Company's share capital consists of common shares, warrants and units which consist of 1.4 common shares and 1 common share purchase warrant. The common shares and warrants are listed on the Alberta, Montreal and Toronto Stock Exchanges while the units were delisted on December 30, 1983 as a result of low trading volumes and the small number of units outstanding.

Common share purchase warrants which expire March 17, 1986 entitle the holder to purchase one common share for $9.00. Turbo Resources Limited, the Company's parent corporation, holds approximately 89% of the common shares and was required to purchase the warrant for $3.50 during a 30 day period, commencing March 17, 1983. Turbo holds approximately 84% of the outstanding warrants and has indicated it is not able to meet the purchase obligation.

Bankeno Mines Limited Share Prices

	Common Shares		Warrants		Units	
1983 Quarterly Record	High	Low	High	Low	High	Low
First Quarter	$2.95	$1.95	$1.40	$0.68	$4.70	$3.75
Second Quarter	$3.25	$2.45	$0.85	$0.23	$4.90	$3.40
Third Quarter	$5.25	$1.95	$1.00	$0.59	$7.00	$4.20
Fourth Quarter	$5.13	$2.85	$0.65	$0.32	$6.25	$4.25

CONSOLIDATED BALANCE SHEET

December 31, 1983
(thousands of dollars)

ASSETS

	1983	1982
CURRENT ASSETS		
Cash and term deposits	**$ 2,545**	$ 962
Accounts receivable	**20,520**	29,100
Prepaid expenses	**350**	545
	23,415	30,607
INVESTMENTS (Note 2)	**11,016**	10,501
PROPERTY, PLANT AND EQUIPMENT (Note 3)	**287,743**	454,541
	$ 322,174	$ 495,649

LIABILITIES AND SHAREHOLDERS' EQUITY

	1983	1982
CURRENT LIABILITIES		
Demand bank loans (Note 4)	**$ 5,218**	$ 2,458
Accounts payable and accrued liabilities	**23,707**	41,732
Current portion of deferred revenue	**1,120**	—
Current maturities of long-term debt	**15,418**	13,256
	45,463	57,446
DEFERRED REVENUE (Note 5)	**30,771**	27,741
LONG-TERM DEBT (Note 6)	**95,055**	103,122
DEFERRED INCOME TAX	**23,353**	19,723
MINORITY INTEREST	**51,942**	49,513
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	**244,799**	244,799
Deficit	**(169,209)**	(6,695)
	75,590	238,104
CONTINGENCIES (Note 12)		
	$ 322,174	$ 495,649

On behalf of the Board:

, Director

, Director

CONSOLIDATED STATEMENT OF LOSS

Year ended December 31, 1983
(thousands of dollars)

	1983	1982
REVENUE		
Sales of petroleum and natural gas	**$ 83,043**	$ 68,316
Less royalties	**19,722**	16,876
	63,321	51,440
EXPENSES		
Production	**12,258**	8,413
General and administrative	**7,336**	6,488
Interest on long-term debt	**12,522**	15,493
Depletion	**23,802**	21,273
Depreciation	**6,482**	5,181
	62,400	56,848
INCOME (LOSS) BEFORE UNDERNOTED ITEMS	**921**	(5,408)
TAXES		
Deferred income tax (Note 8)	**3,630**	1,416
Alberta royalty tax credit	**(4,770)**	(3,735)
Petroleum and gas revenue tax	**6,100**	4,888
	4,960	2,569
MINORITY INTEREST	**3,475**	1,416
LOSS BEFORE UNUSUAL ITEM	**7,514**	9,393
UNUSUAL ITEM		
Provision for impairment of property, plant and equipment (Note 3)	**155,000**	—
NET LOSS	**$ 162,514**	$ 9,393
NET LOSS AFTER UNUSUAL ITEM		
Per common share (dollars)	**$ 5.77**	$ 0.34

CONSOLIDATED STATEMENT OF DEFICIT

Year ended December 31, 1983
(thousands of dollars)

	1983	1982
DEFICIT (RETAINED EARNINGS) AT BEGINNING OF YEAR	**$ 6,695**	$ (2,698)
Net loss	**162,514**	9,393
DEFICIT AT END OF YEAR	**$ 169,209**	$ 6,695

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1983
(thousands of dollars)

	1983	1982
SOURCE OF FUNDS		
Operations	**$ 29,875**	$ 19,893
Issue of common shares	**—**	240,737
Deferred revenue	**4,150**	18,749
Decrease in deferred expenditures	**—**	179
Sale of property, plant and equipment	**7,389**	1,300
Issue of common shares by subsidiary	**1,482**	1,148
	$ 42,896	$ 282,006
DISPOSITION OF FUNDS		
Purchase of property, plant and equipment	**$ 33,624**	$ 45,542
Less Petroleum Incentives Program grants	**(7,749)**	(6,310)
	25,875	39,232
Acquisition of subsidiaries plus working capital deficiency acquired of $15,769	**—**	258,206
Repayment of long-term debt	**8,067**	9,522
Dividends paid by subsidiary	**2,528**	1,872
Current portion of deferred revenue	**1,120**	—
Increase in investments	**515**	7,216
Increase (decrease) in working capital	**4,791**	(34,042)
	$ 42,896	$ 282,006
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets		
Cash and term deposits	**$ 1,583**	$ (6,690)
Accounts receivable	**(8,580)**	29,057
Prepaid expenses	**(195)**	545
	(7,192)	22,912
Increase (decrease) in current liabilities		
Demand bank loans	**2,760**	2,458
Accounts payable and accrued liabilities	**(18,025)**	41,240
Current portion of deferred revenue	**1,120**	—
Current maturities of long-term debt	**2,162**	13,256
	(11,983)	56,954
Increase (decrease) in working capital	**$ 4,791**	$ (34,042)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983

1. Significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bankeno Resources Ltd. (Resources) and Leaside Resources, Inc. (Leaside) and its 54.1% owned subsidiary, Merland Explorations Limited (Merland).

b) Investments

Investments are recorded at cost.

The investment in Panarctic Oils Ltd. represents the accumulated costs of common shares purchased less the proceeds from the partial disposition of the shares and the proceeds from grants received pursuant to the Petroleum Incentives Program.

The investment in mining property represents the cost of the royalty interest plus directly associated interest and other expenditures incurred until such time as revenues are realized. Depletion of the accumulated cost of the investment will be recognized when revenues commence.

c) Property, plant and equipment

The Company follows the full cost method of accounting for petroleum and natural gas properties and related expenditures, under which all costs related to the exploration and development of petroleum and natural gas reserves are capitalized recognizing a North American cost centre. Capitalized costs include those related to lease acquisitions, geological and geophysical activities, lease rentals on non-producing properties, drilling of productive and non-productive wells and overhead related to exploration and development.

Depletion of petroleum and natural gas properties and depreciation of production equipment and facilities are calculated on the unit-of-production method based upon estimated proven reserves as determined by independent engineers. Other equipment is depreciated at rates of 5% to 30% calculated on a declining balance basis.

d) Foreign currency translation

The foreign currency accounts of the Company and its subsidiaries are translated to Canadian dollars as follows:

Current assets and current liabilities at the rate of exchange prevailing at the end of the year.

Other assets and liabilities at the rate of exchange in effect on the dates the assets were acquired or the obligations were incurred.

Revenue and expenses at the average rate of exchange in effect during the year with the exception of depletion and depreciation, which reflect the rate in effect when the related assets were acquired.

All gains and losses arising from foreign currency translation are included in the determination of net earnings.

e) Joint interest operations

Substantially all of the Company's petroleum and natural gas exploration and production activities are conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

f) Income tax

The Company follows the deferral method of tax allocation accounting under which the income tax provision is based on the income reported in the financial statements. Under this method, the Company makes full provision for income tax deferred principally as a result of claiming capital cost allowance and exploration and development costs in excess of depreciation and depletion provided in the financial statements.

2. Investments

	1983	1982
	(thousands of dollars)	
Panarctic Oils Ltd.	$ 2,787	$ 2,611
Mining property	8,229	7,890
	$ 11,016	$ 10,501

At December 31, 1983, the Company holds a 1.45% interest in Panarctic Oils Ltd. Panarctic was formed to explore the oil and gas potential in the Arctic Islands with joint funding from private enterprises and Petro-Canada Exploration Inc.

The Company holds a 25% royalty interest in the net proceeds of production from the Polaris mine and from any future mines on Little Cornwallis Island. Operations from the Polaris mine commenced in 1982 and it is currently estimated that the Company will recognize revenue from its royalty interest commencing in 1987.

3. Property, plant and equipment

(thousands of dollars)

	December 31, 1983			1982
	Cost	Accumulated Depletion and Depreciation	Net Book Value	Net Book Value
Canada				
Petroleum and natural gas properties	$355,781	$140,082	$215,699	$321,929
Production equipment and facilities	77,804	10,487	67,317	64,289
Other equipment	2,691	523	2,168	1,998
	$436,276	$151,092	285,184	388,216
United States			2,559	66,325
			$287,743	$454,541

The Company has determined that the combined effect of depressed natural gas and oil prices, reduced natural gas demand and the decline in production profiles necessitated a reduction in the carrying value of certain of its natural resource property, plant and equipment. This determination was confirmed by the results of proven reserve studies by independent engineers. The impairment was computed under conditions existing at December 31, 1983 and was based on the aggregate present value, using a 10% discount rate, of estimated future net revenues of proven reserves using prices in accordance with the existing Federal/Alberta Government pricing agreements in effect until 1986 with no price increases thereafter, plus the estimated fair value of undeveloped properties. Accordingly, the carrying value of the oil and gas assets was reduced by $155,000,000 with $57,896,000 attributable to the United States' properties and $97,104,000 to the Canadian properties.

4. Demand bank loans

All demand bank loans represent borrowings by Merland of $3,102,000 and US $1,700,000 which bear interest at the banks' prime lending rate plus ½% to ⅝%. The loans are secured by certain producing petroleum and natural gas properties.

5. Deferred revenue

Pursuant to take-or-pay provisions included in certain natural gas purchase contracts, payments were received principally by Merland in respect of annual contract gas volumes not taken by the purchaser. The payments will be recognized as revenue upon subsequent delivery of the gas. The purchaser's delivery schedule for the gas will allow recognition after 1984 of $30,771,000 of revenue over 10 years with $2,874,500 annually in 1985 through 1988, $3,400,000 annually in 1989 through 1993 and $2,273,000 in 1994.

6. Long-term debt

	1983	1982
	(thousands of dollars)	
Merland Explorations Limited		
Bank loans		
Canadian	$ 74,379	$ 78,312
United States (U.S. $5,000)	6,177	6,177
	80,556	84,489
Income debentures		
Canadian	18,500	20,000
United States (US $6,475)	7,707	8,507
	26,207	28,507
	106,763	112,996
Less current portion		
Bank loans	11,111	11,111
Income debentures	4,307	2,145
	15,418	13,256
	91,345	99,740
Bankeno Mines Limited		
Mining loan payable	3,710	3,382
	$ 95,055	$ 103,122

MERLAND EXPLORATIONS LIMITED

The bank loans are repayable in equal quarterly principal repayments of $2,778,000. During the term of the loans, they bear interest at rates ranging from the bank's prime lending rate plus ⅝% to prime plus ¾%.

The bank loans and income debentures are secured by certain of Merland's Canadian producing petroleum and natural gas properties.

The income debentures have a final maturity date of June, 1988, with quarterly principal repayments commencing September, 1983. Principal repayments by year are as follows:

Year	Canadian Dollars	United States Dollars
1984	$ 3,000,000	$ 1,050,000
1985	3,500,000	1,225,000
1986	4,500,000	1,575,000
1987	5,000,000	1,750,000
1988	2,500,000	875,000
	$18,500,000	$ 6,475,000

BANKENO MINES LIMITED

The mining loan payable bears interest at the bank prime rate and will be repaid to the mine operator from the Company's royalty interest as described in Note 2. Accrued interest is repaid first with any residual royalty revenue to reduce the $3,000,000 principal portion of the loan. Based on estimated production, mineral prices and interest rates, principal repayments of $685,000 in 1987 and $2,315,000 in 1988 are expected.

7. Share capital

First Preferred Shares	Authorized	— 50,000,000 shares, issuable in series, with a par value of $10.00 each.
	Issued	— Nil
Common Shares	Authorized	— 100,000,000 shares
	Issued	—

	Number	Consideration
Balance January 1, 1982	4,097,004	$ 4,062,000
Issued in consideration for shares of:		
Merland Explorations Limited	14,729,117	147,291,000
Bankeno Resources Ltd.	5,900,200	59,002,000
Leaside Resources, Inc.	3,444,400	34,444,000
Balance December 31, 1982 and 1983	28,170,721	$ 244,799,000

In March 1982, the Company issued warrants, expiring March 17, 1986, entitling the holder of each warrant to purchase one common share for $9.00, or require Turbo Resources Limited ("Turbo"), the Company's parent corporation, to purchase the warrant for $3.50 during a 30 day period commencing March 17, 1983. Turbo has since indicated its inability to meet such an obligation. Turbo holds 84.4% of the 15,427,093 outstanding warrants.

At December 31, 1983, the Company has granted Stock Options, exercisable as to 20% annually on a cumulative basis, to officers as follows:

Expiry	Option Price	Number
July, 1987	$ 2.00	250,000
June, 1988	$ 2.75	10,000

8. Deferred income tax

The provision for deferred income tax of $3,630,000 differs from the result which would be obtained by applying the combined Canadian Federal and Provincial income tax rate of 47.9% (1982 — 48.8%) to the loss before unusual item, minority interest and deferred income tax of $409,000 (1982 — $6,561,000). This difference results from the following items:

	1983	1982
	(thousands of dollars)	
Computed expected tax	**$ (196)**	$ (3,202)
Increase (decrease) in deferred income tax resulting from:		
Effect of subsidiaries and consolidation	**5,967**	5,452
Royalties and other payments to provincial governments	**5,161**	4,141
Petroleum and gas revenue tax	**2,922**	2,384
Interest on income debentures	**935**	966
Federal resource allowance	**(7,192)**	(5,455)
Alberta royalty tax credit	**(2,284)**	(1,822)
Earned depletion on Canadian production income	**(1,727)**	(611)
Other	**44**	(437)
Deferred income tax provision	**$ 3,630**	$ 1,416

As at December 31, 1983, Merland's United States subsidiaries have accumulated losses of approximately $28,000,000, the potential future income tax benefits of which have not been recognized in these financial statements. The ability to realize these benefits expires in intervals over the years 1995 to 1998.

9. Related party transactions

Throughout the year, the Company participated on a joint venture basis with Turbo. The terms of the joint venture agreements are considered comparable with non-related parties.

10. Comparative figures

Certain of the 1982 comparative amounts have been reclassified to conform with current presentation.

11. Statutory information

The aggregate direct remuneration paid or payable to 6 directors of the Company and 7 individuals performing the functions of senior officers for the Company, as defined in The Companies Act (Alberta), amounted to $750,304.

12. Contingencies

Merland is defendant in an action arising from the 1979 acquisition of certain oil and gas properties which were placed on production in 1980. The plaintiffs allege to hold an interest in the respective properties. The Company's position was upheld in the initial case but has since been appealed.

Merland is defendant in an action in the United States arising from the 1980 acquisition of certain oil and gas properties which were placed on production in 1981. The plaintiffs allege to hold an interest in the respective properties.

Merland is defendant in an action in the United States with claimed damages of $1,100,000 U.S. and punitive damages of $1,000,000 U.S. alleging the non-fulfillment of a 1981 drilling contract in the United States.

The former President of Merland is suing Merland for $1,600,000 alleging wrongful dismissal in March, 1982.

The Company is defendant in an action by certain of the Company's minority shareholders claiming that the 1982 acquisition of Merland, Leaside and Resources caused substantial dilution and loss of value of the minority's shareholdings.

The Company is not able to determine the outcome of the foregoing actions and accordingly, is not able to estimate the effect, if any, on earnings, deficit, or on the resultant reclassification of assets which would result from settlement in the plaintiffs' favour.

AUDITORS' REPORT

To the shareholders of
Bankeno Mines Limited:

We have examined the consolidated balance sheet of Bankeno Mines Limited as at December 31, 1983 and the consolidated statements of loss, deficit 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 consolidated financial statements present fairly the financial position of the Company as at December 31, 1983 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.

Calgary, Canada
February 24, 1984

Deloitte Haskins & Sells
Chartered Accountants

CORPORATE INFORMATION

Board of Directors

(all residents of Calgary, Alberta)
(1) Member of the Audit Committee
* year appointed to the Board

Robert G. Brawn, P. Eng. (*1977)
President & Chief Executive Officer
Bankeno Mines Limited

Eric Connelly, F.C.A. (1) (*1977)
Chartered Accountant
Self-Employed

Norman R. Gish, B.A., LL.B. (*1982)
Chairman, President
& Chief Executive Officer
Turbo Resources Limited

Frederick H. Hemming (1) (*1983)
President
Bankton & Associates

John F. Moore, LL.B., Q.C. (*1982)
Partner
Moore Martin

V. Kenneth Travis (*1977)
President
Liberty Holdings & Industries Ltd.

Corporate Officers

Robert G. Brawn, P. Eng.
President & Chief Executive Officer

Frederick A. Youck, A.C.I.S., P. Adm.
Vice President & Secretary

Head Office

630 - 4th Avenue, S.W.
CALGARY, Alberta, T2P 0K2
Telephone: (403) 269-2511
Telex: 03-826866

Subsidiary Companies

Bankeno Resources Ltd.
Leaside Resources, Inc.
Merland Explorations Limited

Auditors

Deloitte Haskins + Sells
Calgary, Alberta

Bankers

Canadian Imperial Bank of Commerce
Calgary, Alberta

The Royal Bank of Canada
Calgary, Alberta

Solicitor

Moore Martin
Calgary, Alberta

Registrar and Transfer Agent

Guaranty Trust Company of Canada
Calgary, Alberta
Toronto, Ontario
Montreal, Quebec

Stock Exchange Listings

Alberta Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange

Stock Exchange Symbols

BKE — Common Shares
BKE WT — Common Warrants

MERLAND EXPLORATIONS LIMITED

Merland Explorations Limited is a controlled subsidiary of Bankeno Mines Limited and represents a substantial asset of considerable potential.

Shareholders and other interested parties requiring more detailed information than shown in this report may obtain an annual report of Merland Explorations Limited by writing or contacting Frederick A. Youck, #300, 630 - 4th Avenue, S.W., Calgary, Alberta, T2P 0K2, telephone (403) 269-2511.

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