BANKENO MINES LIMITED

1982 ANNUAL REPORT

COMPANY PROFILE

Bankeno Mines Limited, is a publicly traded resource company with its head office situated in Calgary, Alberta. The Company was incorporated in 1944 and operates under the laws of the Province of Alberta.

Prior to the 1982 acquisitions, the Company's assets consisted of a 25% net royalty interest in a producing zinc and lead mine, a share ownership in Panarctic Oils Ltd. and small direct working interests in Canadian Arctic oil and gas properties.

During 1982, the Company acquired substantial oil and gas producing and non producing properties plus 55% of Merland Explorations Limited, a public oil and gas company, through a share exchange.

As a result of the foregoing the Company recorded additional assets on its balance sheet which totals $495,600,000 as at December 31, 1982.

SHAREHOLDERS' MEETING

The Annual General Meeting of Shareholders will be held on Tuesday, June 28, 1983 at 10:00 a.m. in the Westin Hotel, 4th Avenue and 3rd Street S.W., Calgary, Alberta.

CONTENTS

METRIC CONVERSION (SI)

The Metric System was initiated in Canada on January 1, 1979 using the system of measurement known as the international System of Units, abbreviated as SI. Most measurements in this report will be given in SI units although the equivalent Imperial Units will be shown throughout the report and below for the convenience of those readers who are not familiar with the SI units.

Volume Measurement

28.174 cubic metres (m^3) = 1,000 cubic feet (MCF)
1,000 cubic metres (10^3m^3) = 35.494 thousand cubic feet (MCF)
1,000,000 cubic metres (10^6m^3) = 35.494 million cubic feet (MMCF)
0.159 cubic metres (m^3) = 1 barrel (Bbl)
1 cubic metre (m^3) = 6.293 barrels (Bbls)
1 tonne = 2,204.6 pounds

Surface Area Measurements

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

Linear Measurements

1.609 kilometres (km) = 1 mile
1 kilometre = 0.621 miles
0.305 metres (m) = 1 foot

1982 HIGHLIGHTS

FINANCIAL (Dollars in Thousands except per share amounts)	
Gross Revenue	$ 68,316
Net Loss	9,393
Per Share	0.34
Funds Provided From Operations	19,893
Per Share	0.71
Capital Expenditures	46,848
Long Term Debt	103,122
Shareholders' Equity	238,104
Number Issued	
Common Shares	28,170,721
Warrants	15,427,093
OPERATING	
Production	
Natural Gas	
Thousands of Cubic Metres (10^3m^3)	616 616
Thousands of Cubic Metres Per Day ($10^3m^3/d$)	2 126
Crude Oil	
Cubic Metres (m^3)	48 327
Cubic Metres Per Day (m^3/d)	167
Reserves (Proven and Probable)	
Natural Gas (10^3m^3)	14 556 000
Crude Oil (m^3)	527 272
Land Holdings (At Year End)	
Gross Hectares	1 901 306
Net Hectares	748 504

NOTE: (1) Comparisons for 1981 are not shown due to significant acquisitions made in 1982.
(2) Figures incorporate Merland Explorations Limited, as a subsidiary, for the period March 17, 1982 to December 31, 1982.

Robert G. Brawn
President and Chief Executive Officer

Acquisitions

A major transformation occurred in 1982 which expanded the scope and business opportunities which were available to Bankeno Mines Limited. The Company had operated for years as a public holding company with limited scope but did have an excellent long term potential.

In February of 1982, Bankeno exercised an outstanding option with Cominco Ltd. with its existing cash and purchased a 25% net royalty interest in an operating zinc and lead mine in the Northwest Territories. This was a significant event in the history of the Company in which involvement dates back as far as the 1960's and the future cash flow assures a promising future for the Company in the 1990's.

As part of an overall plan to create immediate cash flow and diversify, Bankeno, in late 1981 stepped forward to register its intention to build and develop into a strong Canadian independent resource company.

An opportunity existed wherein Bankeno could acquire companies with certain producing and non-producing oil and gas properties and at the same time, become the major and controlling shareholder in an aggressive publicly traded resource company.

After much deliberation and review of independent engineering evaluations of the assets owned by these companies, the Directors accepted the expansion program as it would accomplish the objectives of adequate cash flow and the opportunity to establish a strong base from which to grow.

With the foregoing objectives in mind, Bankeno made an offer on January 26, 1982 to purchase all the Canadian common and preferred shares of Merland Explorations Limited ("Merland"). This offer, which was subject to extensions, closed on March 17, 1982. As a result of exchanging common shares and warrants of Bankeno, approximately 55% of the outstanding common shares of Merland and 4.3% of the outstanding preferred shares were purchased. Included in the purchase were all the Merland shares previously purchased in 1981 by Turbo Resources Limited ("Turbo").

Coincidental with the Merland offer, all of the outstanding shares of two private companies were purchased, effective January 1, 1982, from Turbo for Bankeno common shares. These companies consisted of substantial oil and gas producing and non producing properties in Canada and the undeveloped acreage in the United States.

The transition has not been easy. It is never simple to change a company from essentially that of a holding corporation into one which will leave its mark on Canadian resource development. The total acquisition cost for the oil and gas companies and the investment in Merland totalled $242,437,243 and was totally financed through the issue of shares and warrants.

Needless to say, several problems are yet to be overcome. One is with respect to the units which were issued under the Merland offer, consisting of 1.4 Bankeno common shares and one warrant. The Company continues to experience extra costs related to the maintenance and listing of the units on three exchanges. There are presently few registered unitholders remaining and few units traded. These units have been exchangeable (at no charge) since July 17, 1982, for shares and warrants at designated offices of Guaranty Trust Company of Canada. As a result of the foregoing, the Directors feel the cost of a continued listing is not warranted and steps will be taken to delist the units on December 31, 1983.

Secondly, despite the fact that the offer to acquire shares of Merland was made by the Company on January 26, 1982 as an independent offer to enable our company to achieve its goal, we are still being linked to the requirements of Turbo to make an offer to the minority shareholders of Merland. This is both unfair and onerous on the shareholders of Bankeno and the Ontario Securities Commission (OSC) has persisted in this activity. Recently, they issued an order prohibiting the Company from dealing with its assets for no apparent reason other than they wished to exert pressure on Turbo with regards to its obligation to the Merland minority shareholders. We have resisted and complained about this treatment but to little avail. The OSC has continually taken the attitude that it is trying to protect the minority shareholders in Merland but in doing so has ignored the rights of the Bankeno shareholders. As the OSC has stated that all it ever hears from is the Merland shareholders, we would request that our shareholders write to Mr. Peter Dey, Chairman of the OSC, Suite 1800, 20 Queen Street West, Toronto, Ontario M5H 3S6 and complain about this injustice and lack of regard of your rights as a Bankeno shareholder.

Thirdly, as a controlled subsidiary of Turbo, we are still suffering from their inability to refinance, but their recent announcement that they intend to sell their controlling interest of Bankeno will allow the Company to again realize in the market place the goal that was visualized in 1981 to make the Company a large successful resource company and to reflect the growth potential of your shares.

On the positive side is the acquisition of Merbank Resources Ltd., now Bankeno Resources Ltd., has given the Company a good source of cash flow from producing oil and gas properties in Canada. The same is not true however, for our American properties which consisted primarily of undeveloped frontier land. Because of the slowdown in American drilling activity, the demand and thus the value of these types of properties has declined sharply. We are continuing to evaluate our position in the United States and may have to write down our investment there if we decide to discontinue operations in that country.

Our investment in Merland is beginning to show returns despite the depressed natural gas markets. In 1982, Merland's gas purchase contracts with its biggest customer were pro-rated to 66% and it appears likely that it will be close to 50% in 1983. Despite this, Merland will sell more gas than it did in 1982 and has some exciting new oil discoveries which will sharply increase its oil production.

As the Company has no debt to speak of, the lowering of interest rates has been felt primarily in its subsidiary, Merland. It is hoped that rates will remain at existing levels or decline while the industry builds an adequate cash reserve base for future expansion.

We are also encouraged by what appears to be a rebound in metal prices which will help to hold 1987 as the year in which we receive our first cash flow from the Polaris mine. Some considerable doubt existed while zinc and lead prices remained low, that Cominco could cover more than their operating costs and interest, but with the sound development, excellent mining and milling results, an increase in metal prices and a return of the American economy, optimism on an early cash flow is justified.

Financial

The Company's financial results for 1982 include the combined effect of mining activities as well as oil and gas operations acquired from Turbo plus results of Merland for the period March 17, 1982 to December 31, 1982. As 1982 was the first year when oil and gas operations were reported in the Company there are no previous years' financial results for comparative purposes.

Gross revenues amounted to $68,315,695 and royalties were $16,875,559 resulting in net sales of $51,440,136. Cash flow from operations amounted to $19,893,199 or $0.71 per share while the net loss recorded was $9,392,753 or $0.34 per share.

The loss is principally attributable to the extremely high depletion and depreciation amounting to $21,273,210 and $5,180,858 respectively which is calculated on the unit of production basis under the full cost method of accounting under a North American cost pool for all oil and gas assets. Interest expense of $15,250,836 was all related to Merland's bank debt for the period since the acquisition.

As described in the Notes to the Financial Statements and elsewhere in this report, the Company has acquired substantial interests in oil and gas properties in Canada and the United States. These interests were primarily acquired from Turbo through the issuance of units and common shares in exchange for shares of Merland Explorations Limited, Bankeno Resources Ltd. and Leaside Resources Inc.

With the newly acquired strong oil and gas resource base, the Company is in an excellent position to grow financially and to be postured to take advantage of industry opportunities as they arise. Therefore the Company anticipates successful financial results for 1983.

Outlook

The major transactions which took place last year necessitated a change within the framework in which Bankeno had previously operated. In late 1982, Bankeno relocated its staff and office to the Merland building in Calgary. This action was designed to reduce overhead for both companies and resulted in the creation of a management agreement where Merland now manages, for an appropriate fee, Bankeno's assets and operations. The two staffs have been structured to form a strong cohesive dedicated team which will benefit both groups of shareholders in allowing expenses to be shared and overhead to be trimmed in 1983.

Bankeno, since its relocation, has been operating without any involvement with Turbo, which previously had funded certain capital expenditures. All current operating expenses have been paid and a modest 1983 capital expenditure program of $3,300,000 will be financed from existing cash flow dedicated to Bankeno's existing properties. At this time it is important to realize that all Bankeno's assets are unencumbered and there is no bank debt.

In light of the present economic conditions of lower than expected world oil prices, the negative effects of the National Energy Program coupled with shrinking markets for natural gas in North America and low metal prices, companies must assess their present position. They must consolidate the gains they have achieved to date and protect themselves against possible further erosion and deterioration.

Bankeno is in the process of consolidating and strengthening the Corporate consolidated balance sheet which when accomplished, should allow the strength and flexibility to react to the present economic environment. Bankeno has the right combination to advance in 1983 with the overall bottom line objectives to manage its assets efficiently, and to reward shareholders for their patience and loyalty with excellent cash flows.

A brief description of the Company's operations and investments are outlined in the following pages.

It is with regret that we bid farewell to Mr. R. Michael Gray who has been a Director of the Company since 1974. Mr. Gray wished to devote more time to his principal occupation as President of Queenston Gold Mines Limited and we wish him well in this endeavour.

I would like to thank the shareholders who have had confidence in the Company, those who became shareholders by accepting our offer to purchase on March 1982 and all others. It has been a difficult year but things are beginning to look a lot brighter.

Robert G. Brawn
President and
Chief Executive Officer

Calgary, Alberta
May 31, 1983

ECONOMIC REVIEW

Government policies and market developments continued to significantly influence the company's position in 1982. Although the National Energy Program (NEP) and Federal-Provincial Pricing Agreements were in effect throughout the fiscal year, material changes took place in pricing, in royalties and in grant schemes. Of particular significance was a favourable amendment to the Alberta Gas Royalty. The policy of reducing Crown royalties in relationship to well performance was extended to include not only low productivity but also medium productivity wells. The royalty reduction is expected to continue for three more years, the remaining term of the Federal Provincial Energy Pricing Agreement.

The Federal Government's Petroleum and Gas Revenue Tax was reduced from 12% to 11% in 1982. A maximum deduction of $250,000 was introduced on payments due. This rate reduction will expire in May 1983. The tax will then continue at 12%, up from the initial effective 1981 rate of 8%.

During 1982 major policy changes by the Government of the Province of Saskatchewan yielded a simplification of its oil royalty system and the introduction of incentives. Royalty-free periods were granted on the production of newly-found oil discovered prior to the end of 1983.

Wellhead prices of both natural gas and oil increased in 1982, as allowed for under the governmental pricing agreements. A third category of oil price was introduced in July 1982: Special Old Oil Price (SOOP). This category served to bring certain old oil to 75% of the world price.

The benefits arising from increased prices were offset by market-related factors affecting production levels and pricing.

Crude oil demand was down, but more acute in nature was the overall weakness of natural gas markets. The major gas purchaser took approximately two-thirds of its minimum obligation for the 1982 contract year. In response to the deteriorating market conditions, this purchaser and the majority of producers (including Bankeno) entered into a remedial program, amending certain provisions in the gas contracts.

This program's duration of approximately ten years prorates existing market to existing contractual obligations. Volumes of gas not taken and not paid for under past allocation schemes were recognized and payment was made to the producers in 1982. Recovery of the prepaid gas is on a fixed annual schedule. The cost of financing the prepaid gas payments affects the producer as a reduction in wellhead price. Thus the cash injection which benefits the producers is at the cost of reduced net backs on future production.

In spite of the constraints outlined, the company increased its market share of contracted production through the commencement of natural gas sales from the Knopcik area to Pan Alberta.

The Company's plans take into account present economic/market constraints in conjunction with perceived advantages and opportunities. The reduced economy will apply further pressure on prices and markets. The recently announced reduction in the Canadian export price of natural gas is an attempt to maintain markets. Implementation of pricing incentive schemes will be required to encourage expanded export sales. Bankeno is well positioned to benefit from an immediate improvement of natural gas markets and from future opportunities. The Company has reserves in the recently approved export licences granted to certain purchasers. Other opportunities include the development of NORP oil from the Company's existing land holdings. Projects which are capable of profitable returns under the current circumstances will be pursued, recognizing that further gains are achievable upon long term economic improvement.

POLARIS MINE

Mineralization was discovered on Little Cornwallis Island in 1960 by a group of petroleum geologists who were mapping oil permits for Bankeno Mines Limited (Bankeno). In 1971, Bankeno and Cominco Ltd. (Cominco) formed a private company, Arvik Mines Ltd. (Arvik) to explore and develop mineral properties on Little Cornwallis Island. During 1979, Cominco purchased Bankeno's 25% equity interest in Arvik for $5,000,000 and also advanced $3,000,000 as a loan repayable out of royalty production proceeds. In addition, Bankeno was granted an option to purchase a royalty interest of 25% of the net proceeds of production from the first mine and any other mines on the Arvik properties for $7,500,000.

Cominco, pioneering new techniques, commissioned the construction of a mill, concentrator and other processing facilities which were to be built on a large barge in Quebec and towed approximately 5 000 kilometres to a unique permanent site on Little Cornwallis Island in the Northwest Territories.

By the end of 1981, construction was completed on one of the richest zinc and lead mine in the world called Polaris. Cominco built the mine and exceptional employee facilities in record time for approximately $140,000,000 and has become the recognized leader of construction and mine operating experience in the harsh Canadian Arctic environment.

Following the commencement of commercial levels of production in March, 1982 Bankeno exercised, paid for, and received its 25% royalty interest in the Polaris Mine.

During the following months, concentrate was stock piled awaiting shipment when shipping lanes were relatively 'ice free'. As was expected, the short Arctic shipping window which exists produced a run of hyper-activity and required considerable preparation and planning to handle the scheduled loading.

On August 2, 1982, the M.V. Arctic became the first merchant ship to be loaded with ore concentrate from the Polaris Mine. During the shipping season a total of six ships were loaded with concentrate with the last one leaving on October 15, 1982. It should be noted that firm sales at the then current prices are assured to 1984. Product shipped to European smelters totalled 110 100 tonnes of zinc concentrate and 33 700 tonnes of lead concentrate which was in excess of the 1982 plan.

POLARIS MINE SITE

Bankeno Mining Interest
■ Mine Site

0 20 40 60 80 100 miles
0 20 40 60 80 100 120 140 160 kilometres

The length of the "Arctic window" in 1982 was longer than anticipated and may have been an abnormal year. All ships were loaded and turned around in good time with little loading or handling complications. It was also established that present dock facilities could handle, dependent on ice conditions, more traffic during the short window period. Another positive fact was the turnover of personnel was less than expected which is no doubt due to the first class facilities which are available to personnel on location. The manpower totalled 237 at year end.

A net increase of 875 000 tonnes of reserves were recorded at year-end which takes into account the removal of 470 000 tonnes of production from existing reserves. Totals now show indicated and inferred 1982 estimates of reserves to be 22 030 000 tonnes with average grades of 13.4% zinc and 4% lead. Production for 1982 was 129 200 tonnes of zinc concentrate at 57.3% zinc and 41 600 tonnes of lead concentrate at 72.6% lead. Ore grades were 17% and 7% respectively.

Zinc

The building construction and transportation industry are the most important market sectors for zinc. Galvanizing and die casting are the most significant applications of zinc, accounting for more than 50% of the total world consumption. Zinc is a major alloy element in brass, and zinc metals have various uses as dry battery cases and printing plates. Chemicals and compounds containing zinc are used in tires, paints and pharmaceutical products. These many uses place zinc consumption in fourth place among metals following steel, copper and aluminum.

A potential zinc market exists through ongoing research and development of rechargeable batteries of either nickle/zinc or zinc/chloride variety. Still in the development stage, the late 1980's could find zinc batteries in the electric car market and other industrial applications. Furthermore, the Bureau of the Mint in Washington has moved ahead with plans to produce a less expensive zinc penny rather than the current copper penny used in the United States.

Canada is the leading producer of zinc, accounting for approximately 25% of mine output for 1981. Other major producers are Peru (11%) Australia (10%) and the United States (8%).

Lead

The Transportation Industry is the major consumer of lead. Batteries account for about 50% of lead use and anti-knock gasoline additives about 15%. Other uses include cable sheathing, paint, solder and ammunition.

Outlook

The demand for lead does contain uncertainties and is tied to the economy and as a result of this factor, a major increase in demand is not anticipated in 1983.

On the financial side, metal prices are extremely weak due to the present economic conditions throughout the world. There does however appear to be some indicators of a modest recovery in the United States which will be beneficial to the industry. Even though zinc prices are depressed and lead prices are the weakest in history there is some room for optimism. An increase of one cent per pound in zinc and lead prices would relate to an approximate increase of $7.00 for zinc and $13.00 for lead in the value of each tonne of concentrate.

The cost of building the mine, the additional expenditure relating to the mine's "breaking-in stage", and the operating costs net of sales receipts in the first year of production, together with interest incurred on those amounts, total approximately $245,000,000. This amount has been substantially deducted from future net proceeds of production before royalties are paid. For royalty purposes, concentrate shipments are recorded as sales when cash is received. Of the total sales receipts, 80% are received shortly after shipment with the balance coming in as customers consume the concentrate over the ensuing year.

Bankeno does, however, continue to anticipate the $3,000,000 loan from Cominco, classified as an advanced royalty payment, will be paid in full from production proceeds by 1988. This would mean that Bankeno, based on present forecasts, would receive substantial royalties from the Polaris mine during the 1990's. The anticipated production capacity and reserves are expected to support activities for a minimum 25 years.

BANKENO — OIL & GAS OPERATIONS

Through the issue of common shares, Bankeno Mines Limited ("Bankeno") added a new dimension to the Company as it closed a purchase on March 17, 1982, totalling $93,446,000(Cdn.) of Companies owning oil and gas producing and non-producing properties from Turbo Resources Limited.

Companies purchased was January 1, 1982 and included independently appraised properties with an assigned value of $59,002,000 for the Canadian assets and $34,444,000 for the properties situated in the United States.

The Canadian properties are owned by Bankeno Resources Ltd. operating out of Calgary, Alberta and the United States assets are held by Leaside Resources, Inc. with an office situated in Denver, Colorado. Both companies are 100% owned subsidiaries of Bankeno.

Bankeno Resources Ltd.

In 1982, through Bankeno Resources Ltd. (Resources), Bankeno participated in the drilling of 15 wells of which seven were cased as potential oil wells, five found gas and three were dry and abandoned.

Total gross production, before royalties, in 1982 was 23 007 10^3m^3 of gas and 14 052 m^3 of crude oil and natural gas liquids.

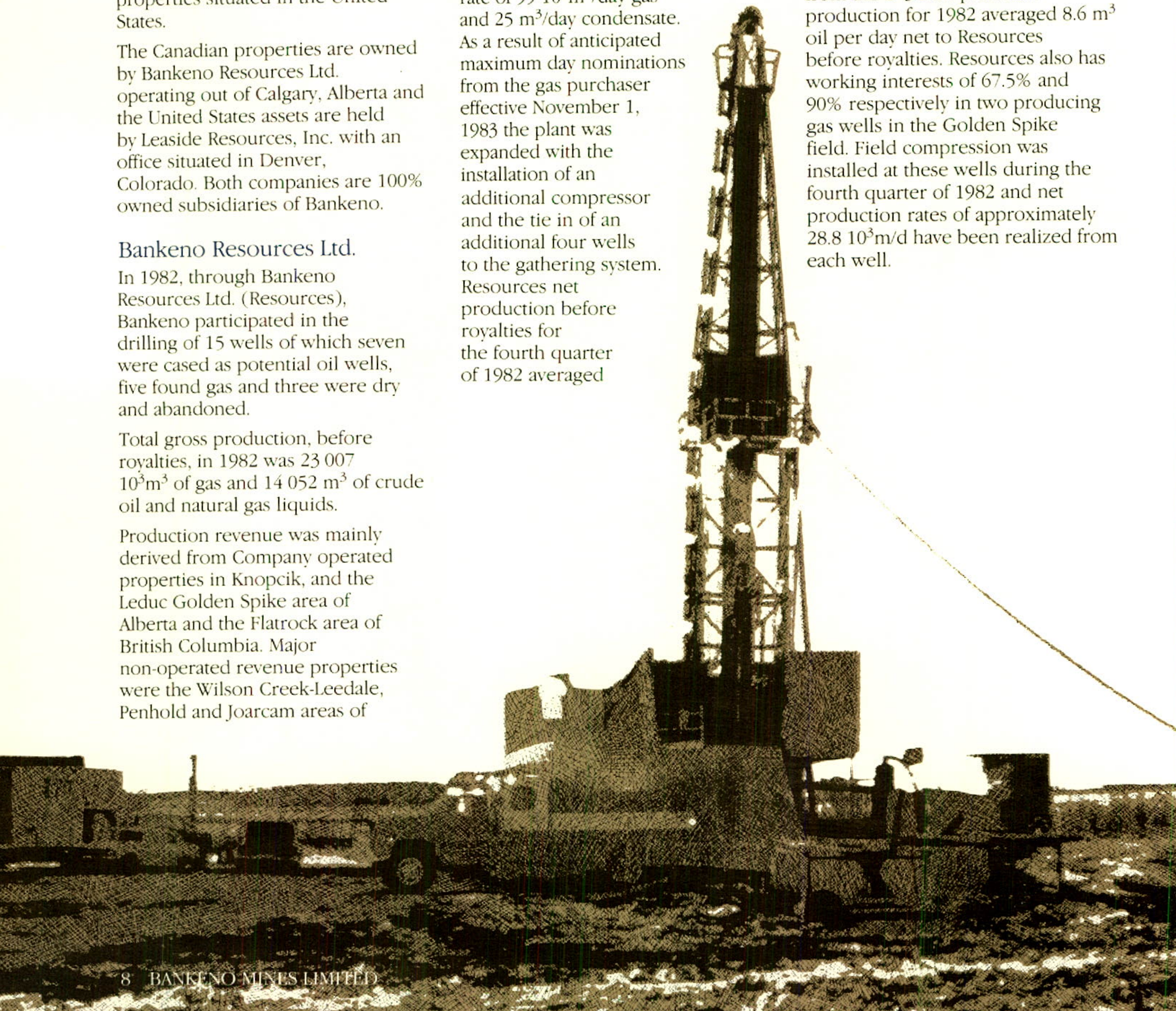
Production revenue was mainly derived from Company operated properties in Knopcik, and the Leduc Golden Spike area of Alberta and the Flatrock area of British Columbia. Major non-operated revenue properties were the Wilson Creek-Leedale, Penhold and Joarcam areas of Alberta. A brief description of these areas, in which the production volumes stated are before royalties follow:

Knopcik, Alberta

Resources holds various working interests in approximately 10 046 gross hectares of land (2 322 net) in the Knopcik area of northwest Alberta. During March, 1982 Resources completed construction of Phase I of the Knopcik gas processing plant and gas gathering system. The area was initially placed on production at an average net rate of 99 10^3m^3/day gas and 25 m^3/day condensate. As a result of anticipated maximum day nominations from the gas purchaser effective November 1, 1983 the plant was expanded with the installation of an additional compressor and the tie in of an additional four wells to the gathering system. Resources net production before royalties for the fourth quarter of 1982 averaged 52.8 10^3m^3/day gas and 7.8 m^3/day condensate from this area. One new gas well was drilled in the area during the fourth quarter of 1982. Additional drilling is planned for 1983 in order to ensure adequate capability to meet contract rates. Total capital expenditures to date on plant and facilities now total approximately $5,400,000.

Golden Spike, Alberta

Resources holds various working interests in 4 288 gross hectares (2 842 net) of land in this area of central Alberta. Three wells produce from the D-3C oil pool and production for 1982 averaged 8.6 m^3 oil per day net to Resources before royalties. Resources also has working interests of 67.5% and 90% respectively in two producing gas wells in the Golden Spike field. Field compression was installed at these wells during the fourth quarter of 1982 and net production rates of approximately 28.8 10^3m/d have been realized from each well.



Flatrock, Area, British Columbia

Resources holds a working interest in 778 Gross hectares (234 net) in the Flatrock area of northeastern British Columbia. These lands contain two producing Boundary Lake oilwells, which, during 1982, produced an average of 6.4 m^3/d of oil net to Resources before royalties.

Wilson Creek — Leedale

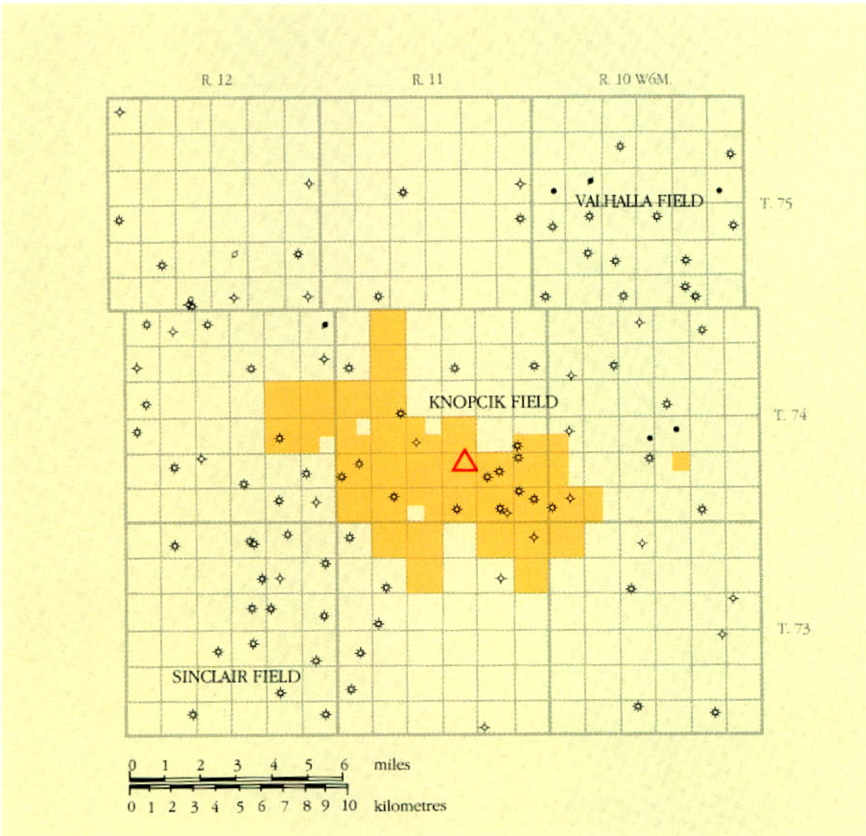
Working interest in this area averages 9% in approximately 9 344 gross hectares (883 net). Gas sales from the area averaged 19.6 10^3m^3/d net to Bankeno before royalties during 1982. With current cutbacks in gas sales contracts it is unlikely that further development work will be done in this area during the first half of 1983 as excess deliverability exists at present.

Penhold

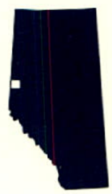
Resources holds various interests in 2 944 gross hectares (597 net) of land in the Penhold area of central Alberta. During 1982 two additional Viking oil wells were drilled in the area and one successful well recompletion was carried out. As of January, 1983 Resources net production from the area before royalties averaged 7.4 m^3/day of oil. An additional well will be drilled during early 1983 to further delineate oil reserves in the area.

Other

Other activity during 1982 included participation in the drilling of oil wells in the Red Earth and Taber areas of Alberta. Several additional oil prospects will be drilled in the Taber area in early 1983.



KNOPCIK



- Bankeno Interest Lands
- Gas Well
- Oil Well
- Dry & Abandoned
- Bankeno Operated Plant


BISTCHO LAKE
LAKE ATHABASCA
British Columbia
RIVER
LAKE CLAIRE
PEACE
RIVER
Alberta
Saskatchewan
GOPHER
FORT ST. JOHN
FLATROCK
RED EARTH
ATHABASCA
PETER POND LAKE
CHURCHILL LAKE
KNOPCIK
UTIKUMA LAKE
LAC LA RONGE
GRANDE PRAIRIE
LESSER SLAVE LAKE
DORÉ LAKE
COLD LAKE
MONTREAL LAKE
NORTH SASKATCHEWAN RIVER
EDMONTON
JOARCAM
GOLDEN SPIKE
WAINWRIGHT
RIVER
WILSON CREEK
DINA-MARSDEN
WESTERN CANADA
Bankeno Interest Lands
Principal Producing areas (Identified)
PENHOLD
MICHICHI
SOUTH SASKATCHEWAN
Land Holdings (Hectares)
Gross Net
Alberta 220 530 61 200
British Columbia 29 035 5 272
Saskatchewan 1 070 543
BOW RIVER
CALGARY
0 50 100 150 miles
0 50 100 150 200 250 kilometres
BINDLOSS
OLD WIVES LAKE
TABER
MEDICINE HAT
RED COULEE

BANKENO 1982 LAND HOLDINGS

	Gross Hectares	Net Hectares
Alberta	220 530	61 200
British Columbia	29 035	5 272
Saskatchewan	1 070	543
Total Resources	250 635	67 015
Colorado	15 696	2 143
Idaho	105 753	93 889
Montana	13 757	9 485
Nebraska	383 370	73 188
Nevada	69 268	51 563
Oregon	12 393	12 330
South Dakota	70 965	48 660
Texas	1 538	82
Utah	6 232	4 674
Wyoming	2 200	308
Total Leaside	681 172	296 322
Total	931 807	363 337

BANKENO TOTAL RESERVES

	Proven		Probable		Proven & Probable	
	Natural Gas (10^3m^3)	Crude Oil and Liquids (m^3)	Natural Gas (10^3m^3)	Crude Oil and Liquids (m^3)	Natural Gas (10^3m^3)	Crude Oil and Liquids (m^3)
CANADA						
Alberta						
Developed	710 862	124 662	159 808	16 979	870 670	141 641
Undeveloped	—	—	54 595	5 833	54 595	5 833
	710 862	124 662	214 403	22 812	925 265	147 474
Saskatchewan						
Developed	133 159	13 146	21 340	—	154 499	13 146
Undeveloped	—	—	76 659	—	76 659	—
	133 159	13 146	97 999	—	231 158	13 146
British Columbia						
Developed	11 910	2 020	77 518	—	89 428	2 020
Undeveloped	—	—	—	—	—	—
	11 910	2 020	77 518	—	89 428	2 020
	855 931	139 828	389 920	22 812	1 245 851	162 640
UNITED STATES						
Developed	4 563	582	—	—	4 563	582
Undeveloped	3 615	163	—	—	3 615	163
	8 178	745	—	—	8 178	745
TOTAL						
Developed	860 494	140 410	258 666	16 979	1 119 160	157 389
Undeveloped	3 615	163	131 254	5 833	134 869	5 996
	864 109	140 573	389 920	22 812	1 254 029	163 385

Leaside Resources Inc.

Leaside Resources Inc.'s (Leaside) assets consist mainly of undeveloped oil and gas lands in nine Rocky Mountain states. A small source of revenue, slightly in excess of $100,000 (U.S.) per year, is obtained from producing properties held in Texas and Wyoming.

During 1982, emphasis was placed on evaluation and rationalization of the present land inventory. In this assessment, Leaside participated in an extensive regional seismic program in South Dakota and Nevada to supplement existing exploration data on hand. In Idaho, an evaluation of an experimental seismic program plus a 38 kilometre program was completed in the "overthrust" area.

1983 capital expenditures will be held to a minimum but will allow the completion of existing seismic programs and the payment of selected lease rentals. This year's plan will allow for approximately 50% of the present land to be farmed-out or dropped thereby reducing land rental costs. The remaining land which in the opinion of the Leaside management have better oil and gas potential will require development plans.

Outlook

Exploration and development expenditures for 1983 should be less than that expended in 1982 and will be concentrated on existing properties and financed through Bankeno's cash flow.

1983 should also mark the completion of Bankeno's assessment and evaluation of its oil and gas properties which will establish a firm base from which to grow and expand despite the world wide uncertainties which prevail with fluctuating oil prices and weak gas markets in Canada and the United States.

Commitments have been made to conserve capital spending and prudently manage existing assets and cash flow while searching for new markets to earn a profit.

MERLAND EXPLORATIONS LIMITED

As of December 31, 1982, Bankeno owned approximately 55% of the common and 4.3% of the preferred shares of Merland Explorations Limited (Merland). The acquisition of Merland was made as of March 17, 1982 and a description of this oil and gas subsidiary is appropriate to allow the reader to gain a greater insight into Merland. Selected properties and statistical information highlights have been extracted from the Merland Annual Report and are shown for the full twelve months of 1982.

Canadian Exploration and Development

Merland saw 1982 as a year to further establish low-cost, cash flow producing natural gas reserves. Exploration and development drilling programs were carried out primarily in eastern Alberta, where they continued to acquire and successfully explore high quality land holdings in their gas contracted areas. By resisting the continuing trend in recent years of oil industry investment away from western Canada, Merland's strategy of strengthening its long-term position as a natural gas producer was complimented through its 1982 expenditures.

In 1982, Merland participated in the drilling of 282 wells, of which 204 were completed as gaswells, 14 as oilwells and 64 were dry and abandoned. Merland ranked fourth in Canada for the number of wells drilled in 1982, and was among the top ten drilling operators for the fourth consecutive year. For the first time, Merland was the number one operator in drilling exploratory wells in Alberta. Out of a total of 85 wells, 57 yielded gas and 1 oil, while 27 wells were dry and abandoned.

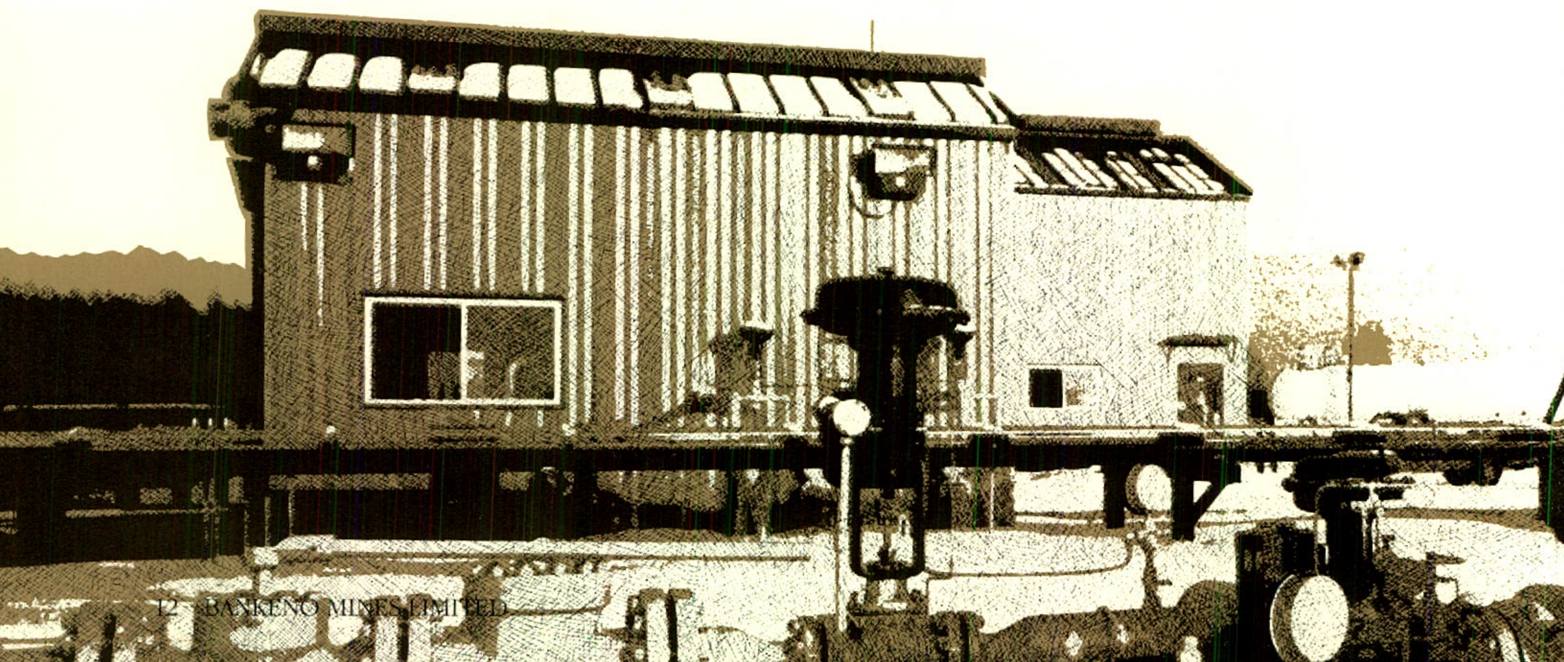
Production levels for 1982 showed significant increases, primarily in Merland's east central Alberta holdings. Natural gas production increased 26% over the 1981 period, to 2 087 10^3m^3/day. Crude oil and natural gas liquids reached 68.6 m^3/day, reflecting a 14% increase over 1981 levels.

Merland's net land holdings increased to 375 175 hectares. The main land acquisitions were in east central Alberta in connection with a drilling program.

Merland's ambitious drilling programs over the past several years have yielded not only substantial natural gas reserves but opened several promising oil discoveries. With new oil pricing incentives and the determination to maximize oil cash flow, 1983 will represent a record year for Merland in oil development programs in western Canada.

MERLAND LAND HOLDINGS

	Gross Hectares		Net Hectares	
	1982	1981	1982	1981
Alberta	849 443	853 411	331 537	321 199
British Columbia	11 852	18 030	2 736	4 778
Saskatchewan	78 736	84 142	40 902	43 246
Canadian Total	940 031	955 583	375 175	369 223
Montana	4 008	4 635	1 198	1 040
North Dakota	1 618	2 307	315	151
Wyoming	4 256	4 553	2 392	2 124
Colorado	8 439	17 131	2 110	3 775
Texas	11 154	38 680	3 977	5 184
United States Total	29 475	67 306	9 992	12 274
Total Holdings	969 506	1 022 889	385 167	381 497



Approximately 65% of Merland's producing properties are located in Alberta and are Company operated. The major areas of activity during 1982 are highlighted below:

East Central Alberta

The Birch Wavy/Sullivan block, located in east central Alberta, comprises over 50% of Merland's Canadian land holdings 446 975 gross hectares (223 605 net). The area represented 78% of Merland's 1982 drilling activity, with participation in 221 wells resulting in 159 gaswells, 4 oilwells and 58 dry and abandoned wells.

Continued investment by Merland is encouraged by the area's high deliverability, multiple-zone reservoirs, in combination with low cost drilling and year-round accessibility. Merland is a party to 12 gas contracts with 3 major gas purchasers, providing market opportunities for newly discovered gas. East central Alberta is now Merland's major producing area as the production level in this region during 1982 was doubled to 1 012 10^3m^3/day.

To aid in successfully evaluating the area, geophysical acquisition programs were continued. During the year Merland participated in 642 kilometres of proprietary data to form part of the 1 774 kilometres acquired over the past 5 years.

Although the area is noted for its gas productivity, Merland has several previously defined oil discoveries. New pricing incentives and immediate marketability will enable Merland to proceed with active oil development programs in 1983.

Medicine Hat-Sandhills

Merland's shallow gas production in the Medicine Hat area of south eastern Alberta and the Horsham field across the Saskatchewan border continues to be a significant contributor to the Company's total cash flow.

In the Medicine Hat field a limited development drilling program took place during 1982 which maintained shallow gas production at 992 10^3m^3/day for the Alberta portion of the area.

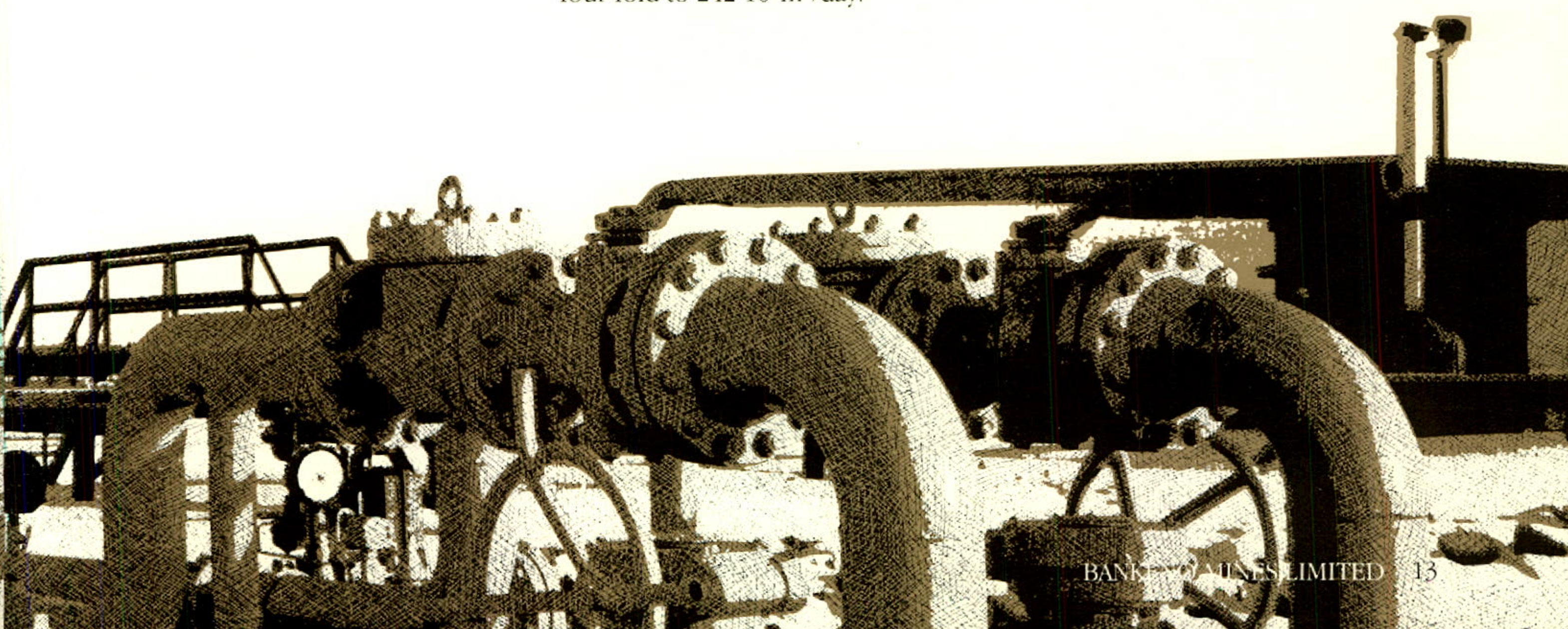
Merland holds interests in 91 225 gross hectares (41 237 net) which included 43 111 gross hectares at Sandhills (11 697 net) to be developed.

Recent positive policy changes relating to pricing and marketing opportunities sponsored by the Saskatchewan Government will result in a large development drilling and facility installation program in the Sandhills area. It is expected that this prime natural gas acreage will be onstream in late 1983, increasing Merland's 1982 Saskatchewan production levels four-fold to 242 10^3m^3/day.

North West Alberta

In the Moonshine/Simonette areas of North West Alberta, Merland has interests varying from 10% to 50% in 95 380 gross hectares (14 760 net). These holdings provide a wide variety of prospects with deeper hydrocarbon potential in the active Deep Basin and Peace River Arch, areas which will form an integral part of future operations.

Oil and natural gas liquid production in the area increased 160% to 14.0 m^3/day and natural gas increased 16% to 76.7% 10^3m^3/day. These increases resulted mainly from the drilling of 3 development oilwells in the 1980 Simonette-Dunvegan oilfield discovery. Merland now has a $33^1/_3$% interest in 5 producing oilwells where gross oil production averages 23 m^3/day and gas production contributes 36 10^3m^3/day. Further drilling is anticipated on the 3 462 net hectare Simonette holdings.



Canadian Production

1982 Canadian gas production increased 26.5% to 761.9 10^6m^3. Daily production for 1982 was 2 087.0 10^3m^3/day as compared to 1981 rates of 1 650 10^3m^3/day. Because of a reduced gas market, Merland's 1982 production was only 76% of that actually contracted and available for production. Rates of 2 750 10^3m^3/day would have been realized in 1982 without the gas market restrictions.

In 1982, gas production within Alberta constituted 96.9% of the total with the remaining 3.1% from Saskatchewan. In 1983, Merland's gas production is expected to increase by 10% to 2 295.0 10^3m^3/day, primarily from development activities within Saskatchewan.

To provide for the additional gas deliveries originating primarily from the East Central Alberta area, Merland installed 250 kilometres of pipeline and an additional 2,500 horsepower of compressor facilities. At year end, Merland's ownership of compressor capacity was 20,000 horsepower. Continuing the policy of operating properties in which they have a significant interest, Merland operates 22 of the 37 compressor stations in which Merland has an interest.

In 1982, all of the Company's crude oil and natural gas liquid production was from within Alberta. Continued development of Merland's existing oil pools and those recently discovered within Alberta, combined with development activity in the Saskatchewan oil properties, will result in production levels of 150 m^3/day in 1983.

MERLAND CANADIAN NATURAL GAS AND CRUDE OIL SALES VOLUMES (Before Royalties)

Natural Gas (10^3m^3) Area	1982	1981
Southeast Alberta	338 567	343 557
East Central Alberta	370 748	205 357
Northwest Alberta	28 010	24 108
West Central Alberta (Foothills)	665	1 128
Saskatchewan	23 920	28 033
Total Natural Gas	761 910	602 183

Crude Oil and Natural Gas Liquids (m^3) Area	1982	1981
South Alberta	17 526	18 118
East Central Alberta	2 385	1 757
Northwest Alberta	5 119	1 953
West Central Alberta	15	39
Saskatchewan	—	—
Total Oil and Natural Gas Liquids	25 045	21 867

U.S. NATURAL GAS AND CRUDE OIL SALES VOLUMES (Before Royalties)

Natural Gas (10^3m^3) Area	1982	1981
Williston Basin	508.2	Flared
East Texas	3 338.8	21 431.5
South Texas	1 694.0	2 143.0
South West Texas	—	414.2
Totals	5 541.0	23 988.7

Crude Oil and Liquids (m^3) Area	1982	1981
Williston Basin	14 610	2 709
East Texas	661	2 988
South Texas	50	65
South West Texas	—	54
	15 321	5 816

Crude oil and natural gas liquid production in 1982 increased by 14.3% to 2 5045 m^3. Daily production for 1982 was 68.6 m^3/day as compared to 1981's rate of 60.0 m^3/day. An unusual 2 month shut-in of Merland's primary oil producing property at Taber prevented average liquid production levels of 80.0 m^3/day from being attained in 1982.

United States Operations

During 1982, Merland, through its U.S. subsidiaries, concentrated on increasing cash flow by drilling development lands in the Williston Basin area in northeastern Montana, which resulted in 5 Mississippian oil wells in the 1981 Target field discovery. An exploratory well in the nearby Lone

Creek area was a Red River oil discovery.

In the Powder River Basin of Wyoming, Merland participated in 3 unsuccessful wildcat tests.

Land acquisitions for the year were confined to development holdings in the Putnam oilfield area of northeastern Montana where Merland has a 100% working interest in 842 hectares at year-end.

Production volumes increased significantly during 1982 in the Williston Basin and now account for 95% of Merland's U.S. oil production. At year-end, Merland's net oil production totalled 15 321 m^3. Natural gas production, primarily from the East Texas properties, declined substantially to 5 541 10^3m^3 reflecting the soft market demand and the unexpected depletion of the Mitchell Creek field.

MERLAND RESERVES

	Proven		Probable		Proven & Probable	
	Natural Gas (10^6m^3)	Crude Oil and Liquids m^3	Natural Gas (10^6m^3)	Crude Oil and Liquids m^3	Natural Gas (10^6m^3)	Crude Oil and Liquids m^3
CANADA						
ALBERTA						
Developed	10 557.4	127 855	1 050.9	104 865	11 608.3	232 720
Undeveloped	452.2	8 912	146.7	20 986	598.9	29 898
	11 009.6	136 767	1 197.6	125 851	12 207.2	262 618
SASKATCHEWAN						
Developed	299.6	—	26.1	—	325.7	—
Undeveloped	81.9	—	573.4	—	655.3	—
	381.5	—	599.5	—	981.0	—
BRITISH COLUMBIA						
Developed	49.0	—	10.0	—	59.0	—
Undeveloped	—	—	—	—	—	—
	49.0	—	10.0	—	59.0	—
	11 440.1	**136 767**	**1 807.1**	**125 851**	**13 247.2**	**262 618**
UNITED STATES						
Developed	25.1	66 084	—	—	25.1	66 084
Undeveloped	29.7	35 185	—	—	29.7	35 185
	54.8	**101 269**	—	—	**54.8**	**101 269**
TOTAL						
Developed	10 931.1	193 939	1 087.0	104 865	12 018.1	298 804
Undeveloped	563.8	44 097	720.1	20 986	1 283.9	65 083
1982 Totals	**11 494.9**	**238 036**	**1 807.1**	**125 851**	**13 302.0**	**363 887**
1981 Totals	11 672.2	335 618	1 063.2	118 547	12 735.4	454 165

RESERVES

Merland's total proven and probable reserves at December 31, 1982, as determined by independent petroleum consultants, were 13 302.0 10^6m^3 of natural gas and 363 887 m^3 of crude oil and natural gas liquids. This total represents an increase in natural gas reserves of 4% and a decrease in oil reserves of 20%.

Proven oil and 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.

Of Merland's reserve holdings, greater than 90% of its gas reserves are in Alberta producing properties. All U.S. gas reserves are located in producing properties and contribute less than 1% of total reserves. 28% of Merland's oil reserves are in the U.S., the majority being established in the Williston Basin.

FINANCIAL INFORMATION

Additional information containing comparative financial statements for Merland are available on request (see inside back cover for details).

PANARCTIC OILS LTD.

As at December 31, 1982, Bankeno owned 877,520 common shares of Panarctic Oils Ltd. (Panarctic) representing approximately 1.57% of the issued shares.

Some 15 years ago, Panarctic was created and has become Canada's most active explorer for oil and natural gas and a developer of new petroleum related technology in the Canadian Arctic Islands. Panarctic is a private company with the majority of shares owned or controlled by the Government of Canada together with 29 other companies and individuals.

Operations are funded through a series of expansion financings in which shareholders may elect to purchase additional common shares in Panarctic at a price set at that time. Following an election to purchase, a series of cash calls are made to the purchaser with the funds used by Panarctic to explore and drill for oil and gas. The shares issued are identified as common but because of the method used in financing could be classified as 'flow through shares'. This means the purchaser has the opportunity to obtain Federal Petroleum Incentive Payment (PIP's) which allows a recapture of funds spent on acquiring shares depending on the degree of Canadian Ownership Rate (COR) a Company has. Bankeno is fortunate as it has been issued an 80% COR certificate indicating its Canadian content is over the maximum threshold and therefore available for maximum payments under the PIP program.

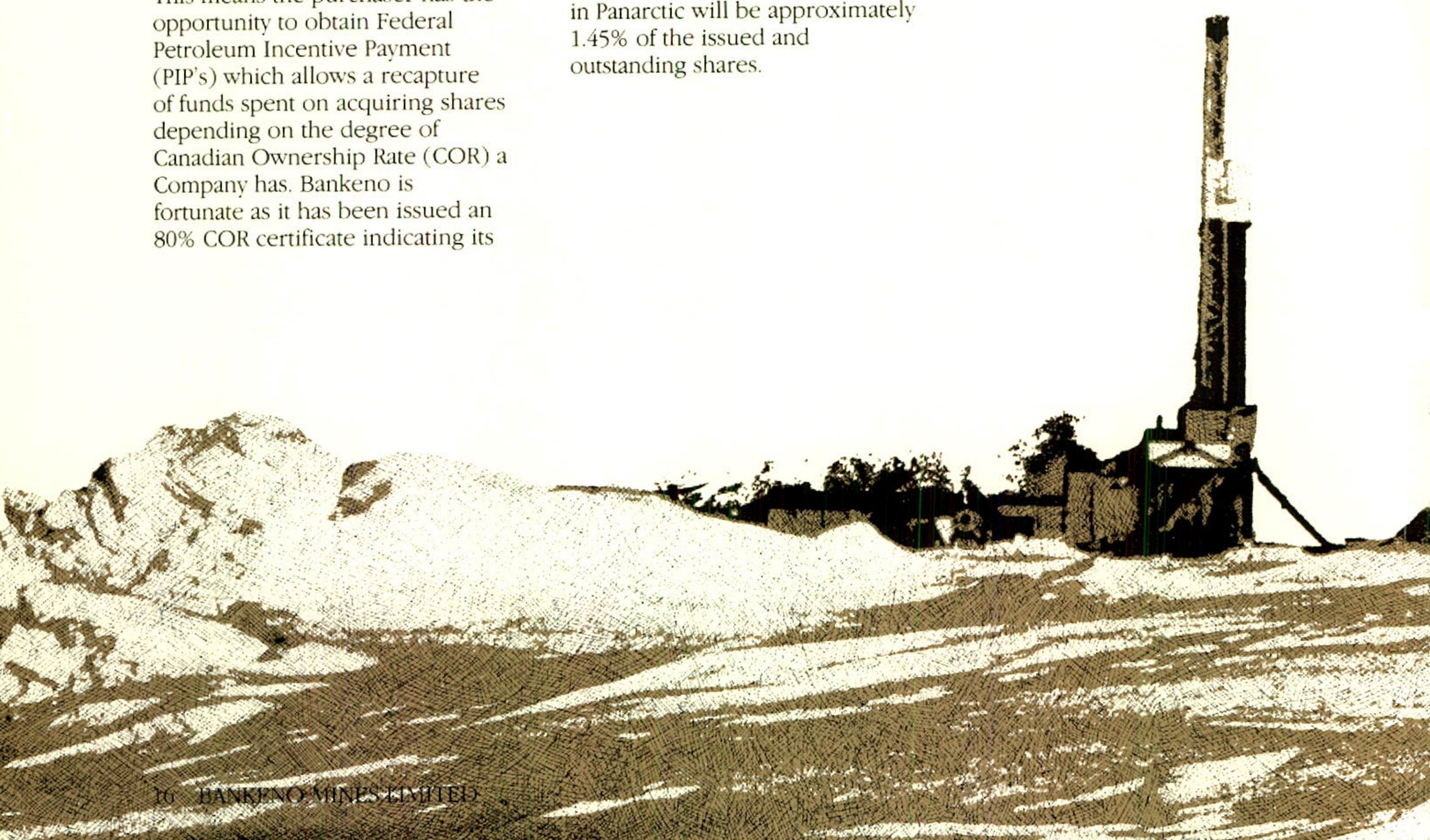
It is only the last two expansion financings that Bankeno has been able to participate in, as prior to that it had little surplus cash available. Under the 1980, 11th expansion financing program, Bankeno purchased 81,261 common shares at $4.8333 per share and has commited to buy an additional 83,000 common shares at $3.00 each under the 12th expansion financing which commenced in late 1982. In order to conserve its present cash, Bankeno agreed to sell to an existing Panarctic shareholder 90,000 common shares at $3.00 each from its existing pool of shares. The funds received under this sale will be used to acquire the 83,000 common shares under the 12th expansion financing program. Furthermore, Bankeno will be able to claim approximately 80% of the $240,000 paid under the 12th expansion financing through PIP's. When this financing scheme is complete, Bankeno share interest in Panarctic will be approximately 1.45% of the issued and outstanding shares.

Exploration Agreements

During September, 1982, Bankeno entered into 5 Exploration Agreements (EA) with the Federal Government on land held in the Arctic Islands. Two cover onshore levels and 3 are offshore and are identified in the Arctic map shown on page 17.

Each EA carries a one well commitment over a 5 year term. Bankeno's largest interest is in the Banks Island block which is 1.41%. The total of the 5 EA's in which Bankeno has an interest covers 3 925 000 hectares and is included in Panarctic's holdings.

Panarctic, using its own drilling rigs is presently involved in a current drilling program estimated to cost $63,000,000. The four wells



identified on the map below are being drilled with the exception of Cisco K-58. The Cisco well has been drilled to a total depth of 2 240 metres in February of 1983 and is currently under production testing of certain intervals. The Cape MacMillan 2K-15 was announced on April 15, 1983 as an oil and gas well. Drill stem tests from the well flowed oil at 155 cubic metres/day and natural gas at 150 000 cubic metres/day. Including the four wells shown on the map, the Panarctic program initiated 15 years ago will have drilled 166 wells.

Panarctic holds 12.2 million gross hectares in the Arctic Islands, which represents 4.8 million net hectares. Another good year of exploration is now history and has further established and confirmed significant natural gas and oil discoveries on Panarctic's permit lands. Although commercial production of natural gas and crude oil has not been achieved these discoveries are substantial. Bankeno's proportional share of reserves in Panarctic are in excess of its direct reserves held in the Western Sedimentary Basin. Although this investment must be classified as a long term one, it does however have great potential to contribute to Canada's reserves in the years to come.

It is important to recall that the National Energy Program was extended to spur activity in Alberta through the development of the Oil Sands and expansion was forecast for the Syncrude Project. New prospects, also in Alberta, were anticipated in the Alsands Oil and Cold Lake heavy oil, none of these mega projects were implemented and have virtually closed the door for Canada's oil self-sufficiency by the end of the decade.

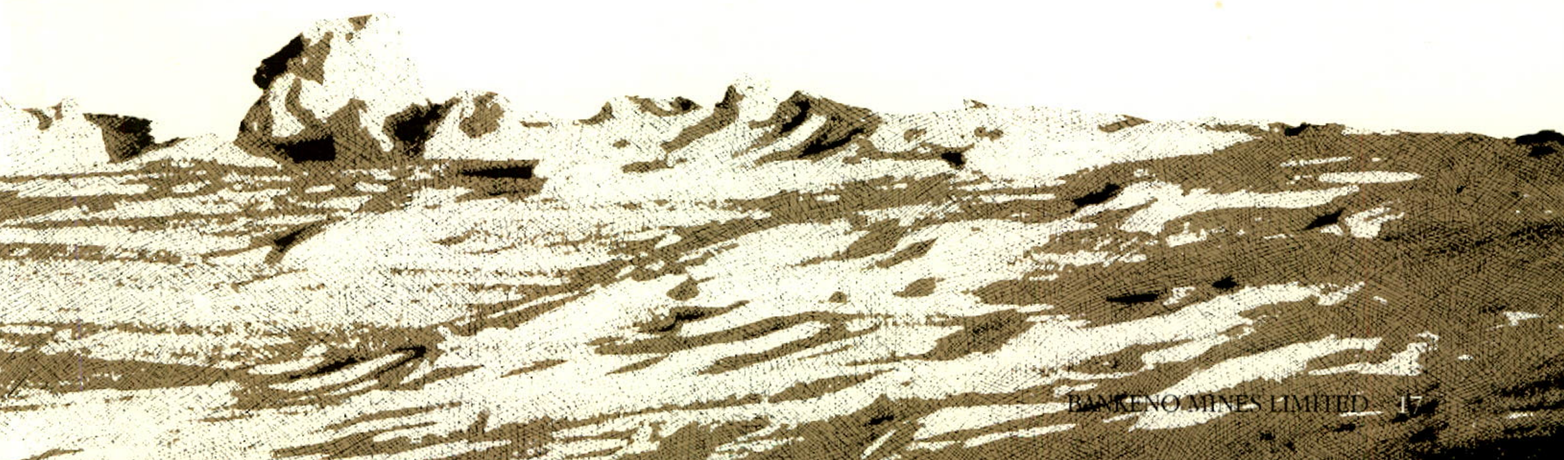
The Federal Government set the goal of self-sufficiency by 1990 but realistically one should look at the year 2000. Even this will require a creative marketing system and advanced techniques to get the product to market because of the long lead time between discovery and a sale.

ARCTIC ISLANDS

- 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



SHARE INFORMATION

Common Shares
(Symbol BKE)

During 1982, as a result of Bankeno's large acquisition program the number of outstanding common shares was increased by 24,073,717. These shares were issued from treasury as follows:

a) for approximately 55% of the common shares and 4.3% of the preferred shares of Merland Explorations Limited 14,729,117 shares

b) for 100% of Bankeno Resources Ltd. 5,900,200 shares

c) for 100% of Leaside Resources Ltd. 3,444,400 shares

Turbo Resources Limited (Turbo) holds approximately 89.7% of the issued and outstanding common shares.

Units (Symbol BKE.UN)

On March 17, 1982 11,330,089 Units consisting of 1.4 common shares (1.3 issued from treasury and .1 contributed by Turbo) and 1 common share purchase warrant were issued as a result of the Company's purchase of Merland Explorations Limited shares.

Holders may exchange Units at no charge, for common shares and warrants at the offices of Guaranty Trust Company of Canada, shown on the face of the Unit certificate, up to and including March 17, 1986.

There are presently a limited number of Units outstanding as most have been exchanged.

Common Share Purchase Warrants (Symbol BKE.WT)

On March 17, 1982 15,427,093 Common Share Purchase Warrants ("Warrants") were issued to shareholders of record February 16, 1982 on the basis of one Warrant for each share registered. Identical Warrants were also issued to former Merland Explorations Limited shareholders who subscribed to the Company's purchase offer of January 26, 1982. (Refer to description of units.)

The Warrants may be subscribed for an equal number of common shares for $9.00 (Canadian) up to and including March 17, 1986.

United States resident shareholders were also issued Warrants but are not entitled to subscribe for common shares because of the security regulations in the U.S.A. Guaranty Trust Company of Canada, Suite 380, Gulf Canada Square, 401 - 9th Avenue, S.W., Calgary, Alberta, T2P 3C5, presently hold Warrants for the United States residents and upon instructions can dispose of the Warrants on behalf of holders.

Each Warrant holder may also require Turbo to purchase a Warrant at a price of $3.50 (Canadian) during a 30 day period, or such longer period as may be permitted by Turbo, commencing March 17, 1983. Turbo has announced its inability to meet the foregoing obligation but has confirmed its intention to make an offer to all Warrant holders and not just those who deposited their Warrants for purchase, as part of the overall restructuring of its debt which is now being negotiated. Warrant holders will be kept abreast of developments as they occur.

Turbo holds approximately 84.4% of the issued and outstanding Warrants.

Stock Exchanges

Bankeno's Common Shares, Warrants and Units are listed on the Alberta, Montreal and Toronto Stock Exchanges.

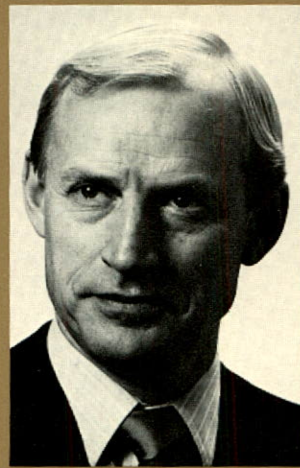
1982 TRADING RECORD

Description	Exchange Symbol	1st quarter $ range	2nd quarter $ range	3rd quarter $ range	4th quarter $ range	Year-end price	Trading Volume	Dollar Volume
Common	BKE	4.35-10.00	1.75-4.75	1.75-2.70	1.75-3.60	$2.05	553,332	$1,942,673
Unit*	BKE.UN	—	2.95-6.25	3.10-4.25	3.00-6.00	$3.05	219,513	$ 889,707
Warrant	BKE.WT	—	.70-1.30	.60-1.00	.72-1.31	$ .90	295,260	$ 288,460

* A Unit is equivalent to 1.4 common shares and 1 warrant and is now exchangeable through the Company's transfer agent.

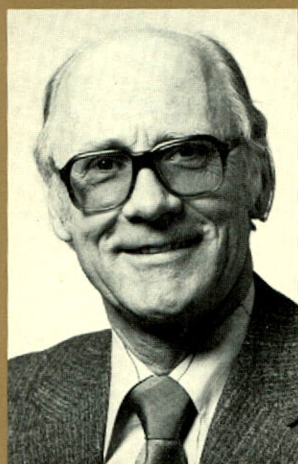
Robert G. Brawn, Director
President and Chief Executive Officer

Eric Connelly, Director

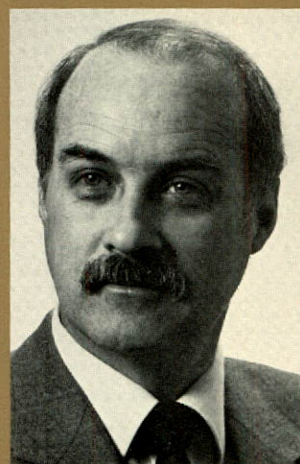


Norman R. Gish, Director

John F. Moore, Director



V. Kenneth Travis, Director
Chairman of the Board



Frederick A. Youck,
Vice President and Secretary

BANKENO MINES LIMITED

Consolidated Balance Sheet

December 31, 1982	1982	1981
ASSETS		
CURRENT ASSETS		
Cash and term deposits	$ 962,276	$ 7,651,715
Accounts receivable	20,461,675	43,595
Petroleum Incentives Program grants receivable	8,637,614	—
Prepaid expenses	545,152	—
	30,606,717	7,695,310
DEFERRED EXPENDITURES	—	453,666
INVESTMENTS		
Panarctic Oils Ltd. (Note 3)	2,611,727	3,010,431
Mining property (Note 4)	7,889,767	—
	10,501,494	3,010,431
PROPERTY, PLANT AND EQUIPMENT (Note 5)	454,540,555	243,655
	$495,648,766	$11,403,062

	1982	1981
LIABILITIES		
CURRENT LIABILITIES		
Demand bank loan (Note 6)	$ 2,457,776	$ —
Accounts payable and accrued liabilities	24,905,736	492,075
Accounts payable to joint interest partners on advances on natural gas sales contracts	10,841,448	—
Petroleum and Gas Revenue Tax payable	5,984,959	—
Current maturities of long-term debt	13,256,000	—
	57,445,919	492,075
ADVANCES ON NATURAL GAS SALES CONTRACTS (Note 7)	27,740,837	—
LONG-TERM DEBT (Note 8)	103,122,000	3,000,000
DEFERRED INCOME TAXES	19,722,935	1,151,000
MINORITY INTEREST	49,512,684	—
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	244,799,350	4,062,193
RETAINED EARNINGS (DEFICIT)	(6,694,959)	2,697,794
	238,104,391	6,759,987
CONTINGENCIES (Note 13)		
	$495,648,766	$11,403,062

On behalf of the Board:

, Director

, Director

BANKENO MINES LIMITED

Consolidated Statement of Earnings

Year ended December 31, 1982	
REVENUE	
Sales of petroleum and natural gas	$68,315,695
Less royalties	16,875,559
	51,440,136
EXPENSES	
Production	8,412,929
General and administrative	6,685,549
Interest on long-term debt	15,250,836
Other interest	242,417
Depletion	21,273,210
Depreciation	5,180,858
	57,045,799
OTHER INCOME	197,768
LOSS BEFORE TAXES AND MINORITY INTEREST	5,407,895
INCOME AND REVENUE TAXES	
Deferred income taxes (Note 10)	1,416,313
Alberta royalty tax credit	(3,734,619)
Petroleum and Gas Revenue Tax	4,887,593
	2,569,287
LOSS BEFORE MINORITY INTEREST	7,977,182
MINORITY INTEREST	1,415,571
NET LOSS	$ 9,392,753
LOSS PER COMMON SHARE	$ .34

BANKENO MINES LIMITED

Consolidated Statement of Retained Earnings

Year ended December 31, 1982	1982	1981
RETAINED EARNINGS AT BEGINNING OF YEAR	$ 2,697,794	$ 2,697,794
Net loss	(9,392,753)	—
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	$ (6,694,959)	$ 2,697,794

BANKENO MINES LIMITED

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982	1982	1981
WORKING CAPITAL DERIVED FROM		
Operations	$ 19,893,199	$ —
Issue of common shares	240,737,157	—
Advances on natural gas sales contracts	18,749,151	—
Decrease in deferred expenditures	178,736	1,035,092
Decrease in investment in Panarctic Oils Ltd.	398,704	—
Sale of property, plant and equipment.	1,300,000	—
Issue of common shares by subsidiary	1,148,105	—
	282,405,052	1,035,092
WORKING CAPITAL APPLIED TO		
Purchase of property, plant and equipment	45,543,064	206,901
Less Petroleum Incentives Program grants	(6,310,285)	—
	39,232,779	206,901
Acquisition of subsidiaries plus working capital deficiency acquired of $15,768,694 (Note 2)	258,205,937	—
Increase in investment in Panarctic Oils Ltd.	—	233,975
Increase in investment in mining property	7,614,836	—
Reduction of long-term debt	7,377,000	—
Current maturities of long-term debt	2,145,000	—
Dividends paid by subsidiary	1,871,937	—
	316,447,489	440,876
INCREASE (DECREASE) IN WORKING CAPITAL	(34,042,437)	594,216
Working capital at beginning of year	7,203,235	6,609,019
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	$ (26,839,202)	$7,203,235

BANKENO MINES LIMITED

Consolidated Statement of Deferred Expenditures

Year ended December 31, 1982	1982	1981
ADMINISTRATIVE EXPENDITURES		
Administration fees	$ 31,250	$ 100,000
Professional fees	13,229	24,723
Shareholders' reports, transfer and listing fees	7,952	52,526
Travel and general	4,307	62,993
	56,738	240,242
DEVELOPMENT EXPENDITURES	—	63,629
INTEREST INCOME	(235,474)	(1,338,963)
NET DECREASE FOR YEAR	(178,736)	(1,035,092)
DEFERRED EXPENDITURES AT BEGINNING OF YEAR	453,666	1,488,758
	274,930	453,666
Reclassified to investment in mining property	(274,930)	—
DEFERRED EXPENDITURES AT END OF YEAR	$ —	$ 453,666

Notes to Consolidated Financial Statements

December 31, 1982

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 54.8% owned subsidiary, Merland Explorations Limited (Merland).

b) Revenue recognition and deferred expenditures

Prior to the acquisitions referred to in Note 2, all activities of the Company were directed towards the acquisition and development of mineral properties and accordingly all exploration, development and administrative expenditures net of incidental income were deferred. Revenues and expenses were recognized and a statement of earnings presented only in years when sales of properties or investments occurred. Effective March 17, 1982, the Company commenced full operations and accordingly all transactions of an operating nature are given appropriate recognition in the consolidated statement of earnings.

c) 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 dispositions 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.

d) 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.

e) Foreign currenty 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.

f) 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.

2. Acquisition of subsidiary companies

On March 17, 1982, the Company acquired 11,204,974 common shares and 56,030 preferred shares of Merland representing 55.5% and 4.3% interests respectively of Merland's total issued and then outstanding shares. Of the total common shares acquired, 10,074,687 shares were acquired from Turbo Resources Limited (Turbo), the Company's parent corporation.

Immediately following the acquisition of the Merland shares, the Company acquired from Turbo all of the issued and outstanding shares of Resources and Leaside.

These acquisitions have been accounted for by the purchase method with the results of operations included in these financial statements from March 17, 1982. Details of the acquisitions are as follows:

	Merland	Resources	Leaside	Total
Book values of acquired assets	$242,230,908	$63,740,819	$ 8,610,785	$314,582,512
Book values of assumed liabilities	169,377,324	4,738,819	—	174,116,143
	72,853,584	59,002,000	8,610,785	140,466,369
Excess of attributed values over book values of acquired net assets assigned to petroleum and natural gas properties	124,958,604	—	25,833,215	150,791,819
Net assets acquired at attributed values	197,812,188	59,002,000	34,444,000	291,258,188
Minority interest	48,820,945	—	—	48,820,945
Cost of acquisitions	$148,991,243	$59,002,000	$34,444,000	$242,437,243
Net assets acquired, at attributed values, consist of				
Property, plant & equipment	$349,372,190	$59,002,000	$34,444,000	$442,818,190
Advances on natural gas sales contracts	(8,870,620)	(121,066)	—	(8,991,686)
Long-term debt	(109,644,000)	—	—	(109,644,000)
Deferred income taxes	(17,155,622)	—	—	(17,155,622)
Minority interest	(48,820,945)	—	—	(48,820,945
	164,881,003	58,880,934	34,444,000	258,205,937
Working capital				
Current assets	17,817,322	4,738,819	—	22,556,141
Current liabilities	(33,707,082)	(4,617,753)	—	(38,324,835)
	(15,889,760)	121,066	—	(15,768,694)
	$148,991,243	$59,002,000	$34,444,000	$242,437,243

As consideration for the Merland shares acquired, the Company issued 11,330,089 Bankeno units. Each unit consisted of 1.4 Bankeno common shares (1.3 issued from treasury and .1 contributed by Turbo) and one Bankeno warrant. Of the total units issued, 10,074,687 units were issued to Turbo.

As consideration for the Resources and Leaside shares acquired, the Company issued to Turbo 5,900,200 and 3,444,400 shares respectively.

3. Investment in Panarctic Oils Ltd.

	Common Shares				
	Number	Amount	Grants	Other	Total
Balance December 31, 1980	829,111	$2,743,956	$ —	$32,500	$2,776,456
Purchase of shares	48,409	233,975	—	—	233,975
Balance December 31, 1981	877,520	2,977,931	—	32,500	3,010,431
Purchase of shares	41,052	183,385	—	—	183,385
Petroleum Incentives Program grants	—	—	(312,089)	—	(312,089)
Sale of shares	(90,000)	(270,000)	—	—	(270,000)
Balance December 31, 1982	828,572	$2,891,316	$(312,089)	$32,500	$2,611,727

As at December 31, 1982 the Company is committed to subscribe for an additional 74,800 common shares for a total consideration of $224,400. Upon payment for these shares, the Company will hold a 1.45% interest in Panarctic Oils Ltd.

Panarctic Oils Ltd. was formed to explore the oil and natural gas potential in the Arctic Islands. It is funded jointly by private enterprise and Petro-Canada Exploration Inc.

4. Investment in mining property

In March, 1982 the Company exercised its option to acquire a 25% royalty interest in the net proceeds of production from the Polaris mine and from any future mines on Little Cornwallis Island. Details of the investment are as follows:

Balance December 31, 1981	$ 1
Exercise of option for cash consideration	7,232,836
Reclassification of deferred expenditures	274,930
Capitalization of interest on related long-term debt	382,000
Balance December 31, 1982	$7,889,767

Operations at the Polaris mine commenced in 1982. It is currently estimated that the Company will commence recognizing revenue from its royalty interest in 1987.

5. Property, plant and equipment

	December 31, 1982			1981
	Canada	United States	Consolidated	Consolidated
Cost				
Petroleum and natural gas properties	$341,971,511	$61,117,585	$403,089,096	$243,655
Production equipment and facilities	68,818,726	6,285,641	75,104,367	—
Other equipment	2,185,616	615,544	2,801,160	—
	$412,975,853	$68,018,770	480,994,623	243,655
Accumulated depletion			(21,273,210)	—
Accumulated depreciation			(5,180,858)	—
			$454,540,555	$243,655

6. Demand bank loan

The demand bank loan represents borrowings of US $1,999,167 by Merland's United States subsidiaries. The loan bears interest at the bank's prime lending rate plus ½%. The loan is secured by certain of the subsidiaries' producing petroleum and natural gas properties.

7. Advances on natural gas sales contracts

This is the amount received in respect of annual contracted gas volumes not taken by the purchaser and which will be reported as revenue upon subsequent delivery of the gas.

8. Long-term debt

	1982	1981
Merland Explorations Limited		
Bank loans		
Canadian	$ 78,312,000	$ —
United States (U.S. $5,000,000)	6,177,000	—
	84,489,000	—
Income debentures		
Canadian	20,000,000	—
United States (U.S. $7,000,000)	8,507,000	—
	28,507,000	—
	112,996,000	—
Less current portion		
Bank loans	11,111,000	—
Income debentures	2,145,000	—
	13,256,000	—
	99,740,000	—
Bankeno Mines Limited		
Loan payable	3,382,000	3,000,000
	$103,122,000	$3,000,000

Merland Explorations Limited

The bank loans are repayable in equal quarterly principal repayments of $2,777,770. During the term of the loans, they bear interest at rates ranging from the bank's prime lending rate plus ½% to prime plus ¾%.

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
1983	$ 1,500,000	$ 525,000
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
	$20,000,000	$7,000,000

The income debentures bear interest at one half of the bank's prime lending rates plus 1⅝% until July, 1983, and plus 1⅛% from August, 1983 to maturity.

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

Bankeno Mines Limited

Coincident with the exercise of the option to acquire the royalty interest as described in Note 4, the terms of the $3,000,000 loan payable to Cominco Ltd. pursuant to the option agreement were restated as follows:

a) the loan bears interest at bank prime rate

b) all proceeds from the Company's interest in the Polaris mine are applied to reduction of the loan and accrued interest

c) any balance of the loan and accrued interest outstanding on December 31, 1995 is repayable in full on that date

Based on estimated production and interest rates, principal and accrued interest repayments are expected to be:

	Principal	Interest	Total
1987	$ 629,000	$2,317,000	$2,946,000
1988	2,371,000	180,000	2,551,000
	$3,000,000	$2,497,000	$5,497,000

9. Share capital

First Preferred Shares — Authorized — The First Preferred Shares are authorized as to 50,000,000 shares, issuable in series, with a par value of $10.00 each.

Issued — Nil

Common Shares — Authorized — The common shares are authorized as to 100,000,000 shares.

Issued —

	1982		1981	
	Number	Consideration	Number	Consideration
Balance January 1	4,097,004	$ 4,062,193	4,097,004	$4,062,193
Issued in consideration for shares of				
Merland Explorations Limited	14,729,117	147,291,157	—	—
Bankeno Resources Ltd.	5,900,200	59,002,000	—	—
Leaside Resources, Inc.	3,444,400	34,444,000	—	—
Balance December 31	28,170,721	$244,799,350	4,097,004	$4,062,193

As a result of these issues, Turbo increased its ownership in the Company to 89.7% from 72.0%.

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 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. The details of the issue of the warrants are as follows:

	Number
Issued to shareholders of record as of February 16, 1982	4,097,004
Issued pursuant to acquisition of shares of Merland Explorations Limited	11,330,089
Balance outstanding December 31, 1982	15,427,093

Turbo holds 84.4% of the outstanding warrants.

In August, 1982, the Company granted a stock option, expiring in July, 1987, to an officer and director to purchase 250,000 common shares at a price of $2.00 each. The option is exercisable as to 20% per year on a cumulative basis.

10. Deferred income taxes

The provision for deferred income taxes of $1,416,313 differs from the result which would be obtained by applying the combined Canadian Federal and Provincial income tax rate of 48.8% to the earnings before income and revenue taxes. This difference results from the following items:

Computed expected tax (recovery)	$(2,639,053)
Increase (decrease) in taxes resulting from	
Royalties and other payments to provincial governments	4,141,036
Interest on income debentures	965,591
Depletion and depreciation related to excess of attributed values over book values of property, plant and equipment	5,451,775
Federal resource allowance	(5,455,039)
Earned depletion on Canadian production income	(611,221)
Other	(436,776)
	$ 1,416,313

11. Segmented information

The following information relates to the Company's operations in Canada and the United States:

	1982		
	Canada	United States	Total
Revenue, net of royalties	$ 48,855,214	$ 2,584,922	$ 51,440,136
Segment operating earnings before the undernoted items	$ 30,848,620	$ 803,213	$ 31,651,833
Interest			15,493,253
Depletion and depreciation			26,454,068
Income taxes (recovery)			(2,318,306)
Minority interest			1,415,571
Net loss			$(9,392,753)
Identifiable assets			
Petroleum and natural gas	$387,156,683	$67,383,872	$454,540,555
Other	39,211,605	1,896,606	41,108,211
	$426,368,288	$69,280,478	$495,648,766

12. 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.

During the year, the Company received interest from Turbo in the amount of $235,474 (1981 — $122,133). The Company also paid management fees to Turbo in the amount of $151,250 (1981 — $100,000).

Until October 31, 1982, Turbo provided treasury services to the Company, Resources and Leaside in respect of payment and collection of accounts. As at December 31, 1982, an amount of $3,656,269 (1981 — $370,202) was due to Turbo and affiliated companies for the net effect of treasury transactions as well as liabilities of Resources relating to the purchase of working capital, principally accounts receivable.

13. 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. Merland is defendant in another action 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. The Company is not able to estimate the effect, if any, on earnings which would result from settlement in the plaintiffs' favour or on the resultant reclassification of assets.

The former President of Merland is suing Merland for approximately $1,600,000 alleging wrongful dismissal in March, 1982. The Company is not able to determine the outcome of this action.

14. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year's basis of presentation.

BANKENO MINES LIMITED
Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Bankeno Mines Limited as at December 31, 1982 and the consolidated statements of earnings, retained earnings, changes in financial position and deferred expenditures 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, 1982 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
May 19, 1983

Deloitte Haskins & Sells
Chartered Accountants

CORPORATE INFORMATION

Board Of Directors
Robert G. Brawn, P. Eng.
Calgary, Alberta
Eric Connelly, F.C.A.
Calgary, Alberta
Norman R. Gish, B.A., LL.B.
Calgary, Alberta
John F. Moore, Q.C., LL.B.
Calgary, Alberta
V. Kenneth Travis
Calgary, Alberta

Corporate Officers
Robert G. Brawn, P. Eng.
President and Chief Executive Officer
V. Kenneth Travis
Chairman of the Board
Frederick A. Youck, A.C.I.S., P. Adm.
Vice President and Secretary

Head Office
#300, 630 - Fourth Avenue, S.W.
Calgary, Alberta T2P 0K2
Telephone (403) 269-2511
Telex 03-826866

U.S. Regional Office
3300 One Denver Place
999 - 18th Street
Denver, Colorado 80202
Telephone (303) 623-9423

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

Auditors
Deloitte Haskins + Sells
Calgary, Alberta

Bankers
Royal Bank of Canada
Calgary, Alberta

Solicitors
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

Exchange Listing Symbols
BKE — Common Shares
BKE WT — Common Warrants
BKE.UN — Units

MERLAND EXPLORATIONS LIMITED

Shareholders and other interested parties may obtain an annual report for Merland Explorations Limited by writing or contacting Mr. Frederick A. Youck, #300, 630 Fourth Avenue, S.W. Calgary, Alberta, T2P 0K2. Telephone (403) 269-2511.

Printed in Canada
by Lawson Graphics Western

Design and Production by
Art Directions of C.L. Belyea Limited

BANKENO