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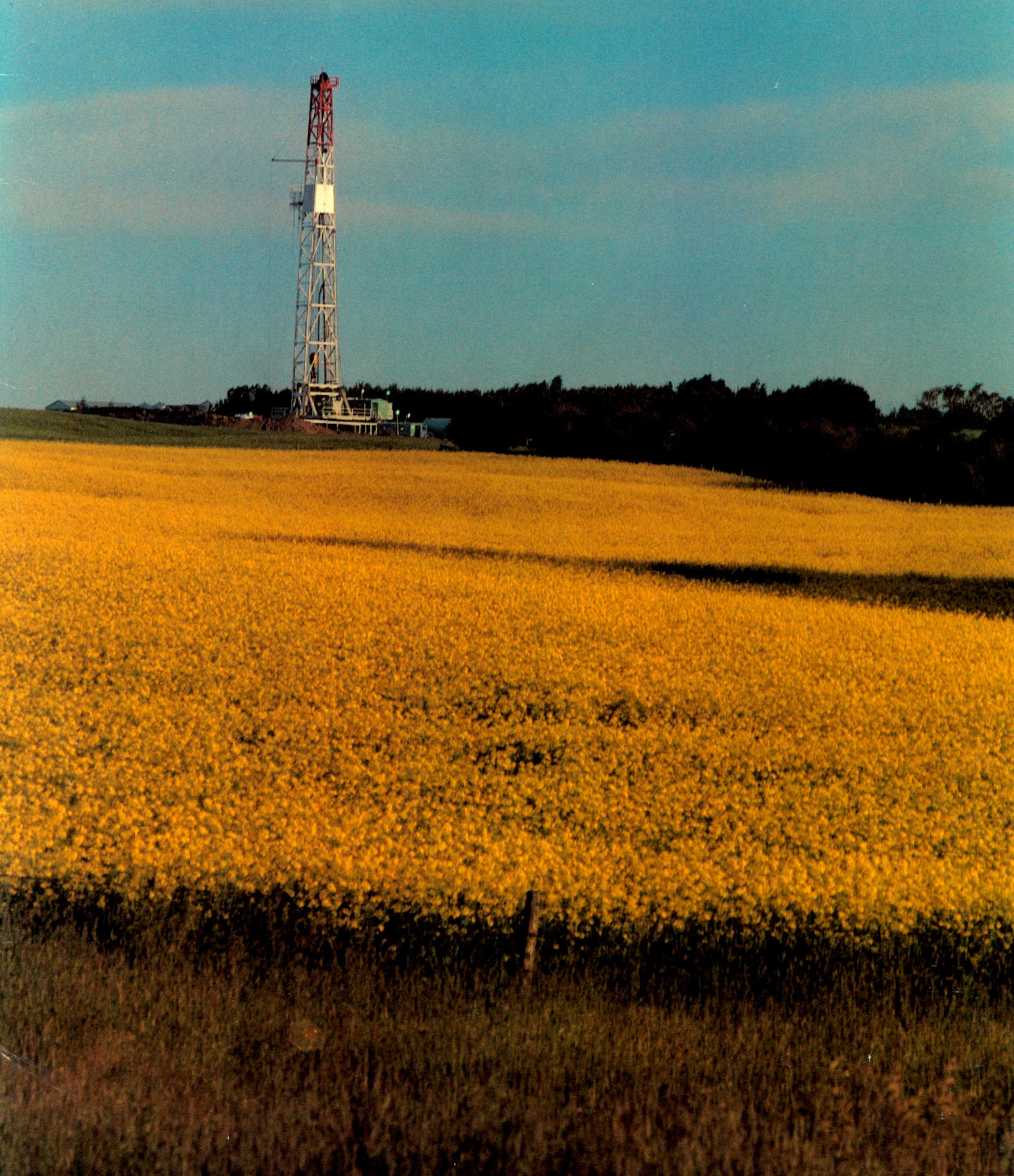
1983 Annual Report

Bralorne Resources Limited



The Company

Bralorne Resources Limited is a diversified North American energy company with headquarters in Calgary, Alberta.

The Company explores for and produces oil and natural gas in Western Canada, and has oil and gas interests in the United States and Australia. Bralorne is also a major manufacturer and supplier of products and services to energy-related industries world-wide.

At year-end 1983 Bralorne, through its subsidiaries and divisions, employed 1,490 people at more than 30 offices and plants around the world. Total wages, salaries and benefits paid to employees in 1983 amounted to $40.5 million. Comparable figures for 1982 are 1,640 employees and $61.0 million.

Contents

Cover: Development Drilling at Crossfield, Alberta

Cover Photography by Ted Nodwell
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Corporate Information

Officers

F. William Fitzpatrick
Chairman, President and Chief Executive Officer

Donald H. Claughton
Group Vice President, Service

P. Stuart Grant, P.Eng.
Group Vice President, Manufacturing

James R. Kelly
Group Vice President, Supply

William F. Limin, C.A.
Vice President, Finance

Peter G. Wiseman
Secretary

William G. Crossley, C.A.
Treasurer

Executive Office

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Auditors

Price Waterhouse
Calgary, Alberta

Bankers

The Royal Bank of Canada
and the Bank of Montreal
Calgary, Alberta

First City National Bank of Houston
Houston, Texas

Transfer Agent and Registrar

Common Shares:
The Royal Trust Company
Vancouver, Calgary, Toronto, Montreal and Regina

Preferred Shares:
The Royal Trust Company
Vancouver, Calgary and Toronto

Co-Transfer Agent

Common Shares:
The First Jersey National Bank
Jersey City, New Jersey

Directors

†Arthur F. Armstrong
Colorado Springs, Colorado
Vice Chairman
Velcro Industries, N.V.

*Douglas A. Berlis, Q.C.
Toronto, Ontario
Senior Partner, Aird & Berlis

†Ronald L. Cliff, C.A.
Vancouver, British Columbia
Chairman of the Board
Inland Natural Gas Co. Ltd.

*F. William Fitzpatrick
Calgary, Alberta
Chairman, President and Chief Executive Officer
Bralorne Resources Limited

P. Stuart Grant, P.Eng.
Calgary, Alberta
Group Vice President, Manufacturing
Bralorne Resources Limited

*John L. Kemmerer, Jr.
New York, New York
Chairman, Kemmerer Resources Corp.

†J. Ronald Longstaffe
Vancouver, British Columbia
Executive Vice President
Canfor Corporation

Clifford S. Malone
Toronto, Ontario
Vice Chairman
United Corporations Limited

George B. McKeen
Vancouver, British Columbia
Chairman, McKeen & Wilson Ltd.

*Peter Paul Saunders
Vancouver, British Columbia
Chairman and President
Versatile Corporation

**Member, Executive Committee*
†Member, Audit Committee

Annual Meeting

The annual meeting of shareholders will be held in the Bow Valley Square Auditorium, third floor, 205 - 5th Ave. S.W., Calgary, Alberta at 10 a.m., Tuesday, April 17, 1984.

1983 Highlights

	1983	1982
Gross revenue	$138,357,000	$228,281,000
Cash flow from operations	$ 12,544,000	$ 22,726,000
Per share	$ .48	$ 1.11
Loss before unusual items	$ 5,929,000	$ 829,000
Loss for the year	$ 10,327,000	$ 829,000
Per share — before unusual items	$ .40	$ .04
— including unusual items	$ .61	$ .04
Shareholders' equity	$121,609,000	$ 84,976,000
Per common share	$3.81	$ 4.14
Dividends — Preferred	$ 2,450,000	—
— Common	—	$ 1,542,000
Per Share — Preferred	$1.53	—
— Common	—	$0.075

Directors' Report to the Shareholders

To the Shareholders:

1983 was a very difficult year for the Company and for the North American Energy Industry. We have now experienced 6 straight quarters of severely depressed market conditions unprecedented in the history of our industry.

But this is not the message we want to convey to you in our report this year. Without in any way understating the negative impact of the currently depressed market, we want to first record our belief that the market has bottomed out and a very gradual recovery is now underway, particularly in the United States. With respect to the Company's current financial conditions, we have been operating throughout 1983 totally with internally generated funds and our ability to participate in the recovery has been significantly enhanced by the raising of $51,000,000 in equity capital and a further $20,000,000 through reduced requirements for inventory and accounts receivable, net of accounts payable. In short, we currently have an excellent balance sheet.

Finally, despite the cataclysmic market conditions of the past 18 months, we continue to believe that the Company's medium and long-term prospects are excellent. Our Company was built on the underlying premise that North America consumes a great deal more hydrocarbons than it produces and, therefore, a viable thriving domestic industry is a must. Despite recent events that premise remains true today.

In this year's report, we have included a special section dealing with the underlying market factors which we believe have caused the current North American seismic and drilling downturn. We hope these statistics and analyses assist you in understanding the root cause of the current situation.

Financial Highlights

The Company's gross revenue in 1983 was $138,357,000, down from $228,281,000 in 1982. Cash flow from operations in 1983 was $12,544,000 or 48 cents per share after preferred dividends, down from $22,726,000 or $1.11 per share last year. The Company recorded an operating net loss of $5,929,000 or 40 cents per share in 1983 which compared with an $829,000 or four cents per share loss in the previous year. One time unusual after-tax write-offs of $4,398,000 in 1983 brought the final loss to $10,327,000. There were no similar provisions in 1982.

As was the case in the previous year, the decline in revenues and net profits for the Company can be traced directly to dramatic demand declines for manufactured products and services in both the seismic and drilling sectors of the United States market. The Canadian market has remained relatively flat since 1981, albeit at very unsatisfactory activity levels.

Total Bralorne revenues in 1983 were off approximately $90,000,000. United States revenues were off $86,000,000 with $64,000,000 occurring in the drilling sector and $22,000,000 attributable to lower shipments to the seismic sector.

Two year statistics are equally as telling: Bralorne's 1983 revenues, valued at $138,400,000, were down $198,900,000 from the peak 1981 experience. In this two year period revenues from our United States plants have declined 75%, from $233,900,000 to only $56,500,000. $123,000,000 of this reduction came from the drilling sector and a further $52,000,000 from the seismic sector.

In the face of this dramatic decline, a concerted cost reduction program has been in effect for the past year and a half. This program has reduced the Company's break-even revenue level to under $12,000,000 per month which is approximately one-third of the peak 1981 sales level.

In terms of trend, quarterly revenues declined from the $89,900,000 recorded in the first quarter of 1982 through the third quarter of 1983 in which gross revenue was only $31,400,000. Sales picked up in the fourth quarter of 1983 to $36,500,000. As a result, the Company recorded its first net operating profit in six quarters.

With respect to the unusual write-offs taken in 1983, they involved basically two items. In light of currently depressed drilling rig values and our desire to ultimately dispose of the three rigs we own, we considered it prudent to reduce book value by approximately $4,000,000 (before income taxes) to more closely approximate current market values. A provision of approximately the same size was recorded to reduce certain United States raw material steel inventories to current mill prices. This inventory adjustment should be recovered in subsequent periods through improved margins. No cash was involved in either transaction.

As indicated, the Company took major steps to improve its financial position during 1983. Firstly, we lived within our means. Total operating cash flow of $12,544,000 was re-invested in maintaining plant and equipment ($5,404,000), a significantly reduced oil and gas exploration program ($4,146,000) and the payment of preferred dividends ($2,450,000). Under the circumstances, your Board of Directors felt it prudent to omit common stock dividends until cash flows improve.

As a result of two financings during the year and a concerted effort to reduce inventories, the Company's net working capital increased by approximately 50% to $70,800,000 and the current ratio improved from 1.5 to 2.7. In addition, total outstanding long-term debt was reduced by 22% and total equity now is one-third higher than outstanding long-term debt whereas the reverse was true a year ago.

Operating Highlights

You will find in other sections of this report a discussion on each of our operating units' activities during 1983. The thread that runs through all this commentary is the effective and pragmatic way that our staff has dealt with very difficult market conditions. On behalf of all shareholders, we express our appreciation to our employees who have certainly risen to the occasion. The spirit of our staff, despite the buffeting of the past year and a half, remains strong. The Company has come through a very difficult time and we are all looking forward to the inevitable market improvement and the opportunity to expand our business and employment.

Cost cutting has not been the only activity of our operating units during this downturn. Where possible and logical, steps are in progress to broaden product range and utilize surplus capacity by expanding industry coverage. In addition, in certain units plans are under way to improve distribution systems so we may get closer to our customers and improve our service and communication.

On the manufacturing side, in addition to reducing overheads wherever possible, our staff has spent considerable time in 1983 rationalizing plant capacity, both in terms of plant consolidation and equipment movement, aimed at improving utilization of existing capacity.

Business expansion, which has always been an important component of Bralorne's activities, was basically placed on the back burner during 1983. The one exception was the investment of approximately $2,000,000 in a joint venture company with Vallourec of France to establish premium thread production facilities in Canada. We believe this venture has good potential, particularly in domestic offshore markets.

Outlook

Business prospects in the energy industry are inexorably tied to political decisions. This situation is compounded for companies like Bralorne which operates in more than one political jurisdiction. The future is difficult to forecast in an uncertain and what sometimes appears to be an irrational political atmosphere. The best we can do is position the Company against known political options.

In this regard Bralorne is well positioned to participate in the inevitable North American energy recovery due to its various involvements in both Canada and the United States. Obviously, our strategy will ultimately be dictated by political decisions on both sides of the border. It is somewhat comforting to have some options in this regard.

Drilling activities in Western Canada in recent years have clearly indicated the very significant natural gas reserve potential of the area. On the marketing side, by any measure this natural gas reserve potential far exceeds Canada's domestic requirements in the foreseeable future. Therefore, expanded natural gas exports to the United States have to be the key to the Canadian industry's current surplus problem.

On the United States side of the border, we believe that predictions of current natural gas surpluses extending out to 1988 are overstated. In fact, we believe that the domestic United States industry will be back drilling for gas by the end of 1984 and we further believe that there is the possibility of some regional United States shortages in 1986 if additional drilling doesn't commence by early in 1985.

This scenario suggests that there could be a very important window for the import of Canadian gas commencing probably in 1986 with a deal to be struck after federal elections in both countries.

We believe that drilling improvement will occur, firstly in the United States within a year followed by increased activity in Canada trailing by approximately one year or less, depending on gas export decisions.

Logic suggests that Bralorne's business will improve modestly in 1984, primarily due to the gradual elimination of United States field equipment inventories and a modest increase in United States drilling activity. Drilling activity should start to surge early in 1985. Canada will be up slightly in the first quarter and then will be flat to down for the balance of the year pending some gas export news.

In sum, while there continues to be some uncertainty in regard to the 1984 prospets for Bralorne, we are optimistic about the Company's outlook for 1985 and beyond.

Mr. P.S. Grant, who has been an officer of the Company since 1972 and a director since 1974, will not be standing for re-election to the Board of Directors at the April 17, 1984 annual meeting. We want to pay particular tribute to Mr. Grant for the outstanding contribution he has made to the Company over the past 12 years.

On behalf of the Board

F. W. Fitzpatrick
Chairman, President and Chief Executive Officer

February 29, 1984

Hydrostatic testing of an OMSCO Kelly valve. ▶


10000 TEST

Industry Overview

Bralorne's 1983 results can be understood more fully when recent industry experience is examined as a backdrop. As an oil and gas service and supply company in the United States, as an oil and gas explorer and producer and as a service and supply company in Canada the Company's results are entwined with:

- World oil prices and oil exploration economics; and
- North American natural gas supply and demand.
- North American service and drilling activity.

World Oil Pricing and Exploration Economics

Oil exploration economics became increasingly unpredictable during the 1970's and early 80's due to significant crude price increases and the reaction of the economy to these price increases. Exploration economics shifted from return on investment based on known pricing to analysis based on anticipated pricing. Rapid price increases combined with expectations that prices might reach anywhere between \$50 to \$100 (U.S.) per barrel in the 1985-90 period caused acceleration in the explortion pace commencing in 1979. Drilling funds, banks, and other financial institutions made loans to finance exploration and additional oil field equipment based on these price forecasts.

In late 1981 OPEC increased its official price for Arab light crude to \$34.00 per barrel from \$32.00 per barrel. At the same time average world crude oil prices had begun to decline because of increased non-OPEC supplies, conservation, fuel switching and economic recession. OPEC and non-OPEC members began to make up for oil revenue shortfalls by increasing production outputs. The resultant increased supply further eroded prices. In the spring of 1983 the price for Arab light (the world bench mark crude) was dropped to \$29.00 to stop price competition among OPEC members and forecasts for up to \$100 per barrel pricing during the decade disappeared. In fact, forecasters brought into question whether oil prices would match inflation in the 1982-90 period.

The North American energy industry boomed in the late seventies and momentum carried the activity level forward through 1981. Service and supply companies were required to increase capacity and inventory levels to meet the exploration pace which came to a sudden halt in early 1982 due to the reduced price expectation. Faced with large inventories and few orders suppliers cut prices to provide cash flow to finance increase debt burdens.

Average per well footage dropped from a peak of 11,013 feet in the fourth quarter of 1981 to 9,074 feet in the third quarter of 1983. Shallower drilling reduced the market for certain oil field service and supply products and encouraged further price competition. Drilling contractors cut their rates, used fewer products and services, and when they used services, used them for a shorter time than on deeper wells.

U.S. drilling cost estimates per foot for 1983 ranged between \$67 - \$78, down from late 1981 estimates between \$87 - \$105. The rigs drilling were up to 30% more efficient with average annual footage drilled in the U.S. increasing from 105,000 feet per rig in 1981 to an estimated 134,800 feet in 1983.

Today, crude oil prices are far from settled. It is not clear if the OPEC bench mark price of \$29.00 will hold. While reduced drilling costs and increased efficiency of rigs make oil exploration viable at a \$29.00 level, the uncertainty of pricing make many explorers unwilling to risk their financial resources in such an economic environment.

Natural Gas Supply and Demand

Canada currently has reserves of natural gas to meet its domestic demand for approximately 41 years. This high reserves to production ratio has caused Canadian natural gas producers to focus on export sales as a key element in their planning. The major export market for Canadian gas has been the United States. Normally, exports to the United States account for 30% to 40% of Canadian production. Due to surplus of U.S. natural gas, export sales have dropped significantly. In 1983, Canadian exports dropped by 13.5% from the previous year and were less than 50% of contracted levels. Additions to reserves in the United States brought on during the early eighties in combination with reduced demand caused by the recession and conservation resulted in an annual domestic excess productive capacity of natural gas estimated to be approximately 5 trillion cubic feet (TCF).

Due to the excess United States productive capacity, drilling for natural gas on both sides of the border has been limited largely to infill development drilling to meet existing contractual commitments. Also, due to excess supply, prices have been under pressure for the past two years.

Canadian imports to the United States historically amount to a market share of approximately 4% with this supply being used largely as swing production to fill peak demand and to balance supply irregularities.

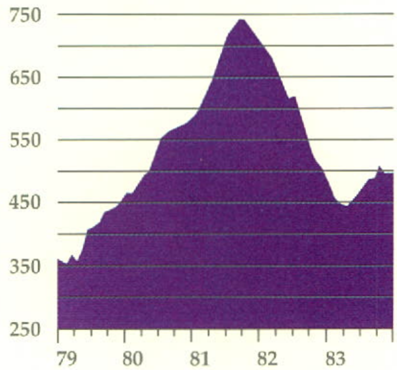
Due to the excess domestic supply the short-term outlook for Canadian gas in the United States is not good. Estimates of the duration of the excess supply situation in the United States range from two to five years. Given the average reservoir life of seven to eight years and the low level of natural gas drilling in the past one and a half years, it would seem reasonable to expect that domestic drilling would have to accelerate sometime during 1985 even if there was no demand recovery.

Seismic and Drilling Activity

The extent of the slowdown in North American oil field activity can be best seen when seismic and drilling statistics are examined. Seismic activity has often been used as a leading indicator of drilling activity. Generally, trends found in the seismic crew count predict drilling activity three to six months ahead. For example, the United States seismic crew count peaked in September of 1981 and drilling peaked in December 1981; seismic crew counts "bottomed out" in March 1983 and drilling bottomed out in May 1983.

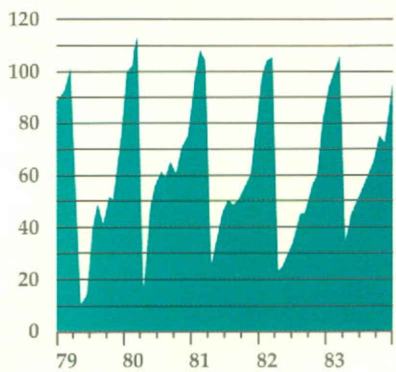
United States seismic activity peaked in 1981 and declined steadily until 1983 when the decline bottomed out and a moderate recovery began. United States seismic crew counts reported by the Society of Exploration and Geophysicists peaked at 744 crews in September 1981 and dropped to 447 in March of 1983. The number of crews has since increased to 496 in December 1983.

U.S. Seismic Crew Count



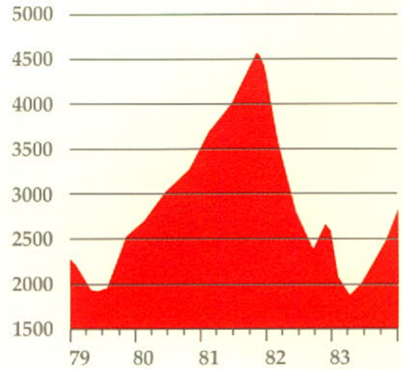
Canadian seismic crew counts are more cyclical due to climatic conditions. However, the peak levels during the 1982-83 season and 1983-84 season are below the level reached in the 1981-82 season. The 1983-84 season has had the lowest peak since 1977.

Canadian Seismic Crew Count



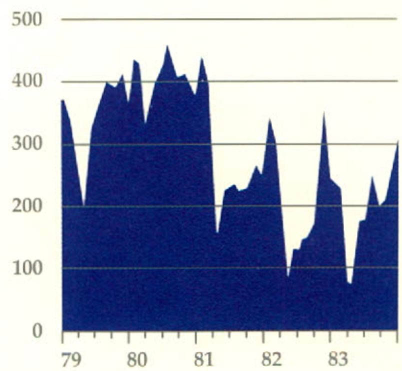
Drilling rigs working in the United States peaked at an all-time high in December 1981 at a monthly average of 4,520 and declined almost steadily until April 1983 when they averaged 1,846. They have since recovered to approximately 2,700 rigs at December 31, 1983.

U.S. Rotary Rig Count



In Canada seasonal factors cause a more volatile pattern of rig activity. The peak to peak comparison shows a decline from the 1980-81 season peak of 436 rigs to 339 in 1981-82 season, 346 in 1982-83 season. The 1983-84 season is expected to peak at levels above 300.

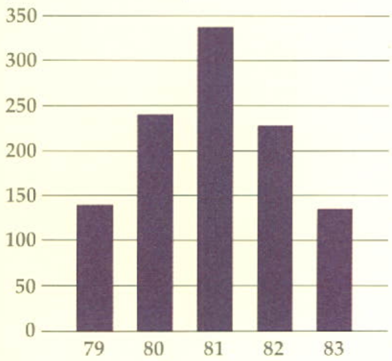
Canadian Rig Activity



Financial Review

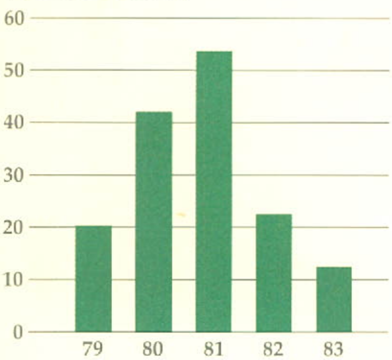
Gross Revenue

(in millions of dollars)



Cash Flow

(in millions of dollars)



In 1983, Bralorne operated under the extremely difficult conditions prevailing throughout the North American oil and gas industry. Uncertainty in world energy prices, the decline in the world economy and an imbalance in the supply and demand for oil and natural gas all provided negative influences on the Company's operations. Despite these difficulties, Bralorne closed the year in a significantly stronger financial position than the previous year as a result of two public share issues.

In February, $32,000,000 was received from the sale of 1,600,000 8.75% Cumulative Redeemable Convertible First Preferred Shares, Series A. These shares are each convertible into 2.963 Common Shares of the Company on or before February 15, 1990, being a conversion price of $6.75 per Common Share. Subject to certain conditions the Preferred Shares may be redeemed on or after February 16, 1986.

In November, $19,000,000 was received from the sale of 3,000,000 Common Shares and 1,000,000 Share Purchase Warrants. This sale was in units, each comprising three Common Shares and one Share Purchase Warrant, which could not be separated until a date which was subsequently fixed at December 15, 1983. Each Share Purchase Warrant entitles the holder to purchase one Common Share at $7.65 on or before March 1, 1987.

The following, read in conjunction with the Notes to the Financial Statements, provide a summary of the major items affecting the Company's financial performance.

Income

Gross revenue in 1983 declined 39% to $138,357,000 and cash flow from operations declined 45% to $12,544,000. The Company recorded a loss before unusual items of $5,929,000 (40¢ per share) and a loss of $10,327,000 (61¢ per share) in 1983 compared to a loss of $829,000 (4¢ per share) in 1982. The 1983 unusual items of $4,398,000, net of taxes and minority interest, result from the write-down of the Company's drilling rigs to their estimated realizable value and certain raw material inventory to reflect reduced prices of purchased steel in the U.S.

The decline in financial performance was primarily related to the continuation of the downturn in the Company's United States operations. After a very strong first quarter in 1982, seismic and drilling activities were sharply reduced and remained at a low level until the second half of 1983, when a modest improvement in activity occurred. Because the activity levels decreased so quickly, seismic and drilling contractors were left with abnormally high field inventories to be utilized before additional purchases were required. This resulted in excess plant capacity and a highly competitive market.

The Canadian operations were also adversely affected by reduced levels of drilling activity for natural gas in western Canada. Partially offsetting the decline in revenue from sales of products and services, the Company was able to find additional markets for some of its shut-in gas reserves and revenue from oil and gas sales increased 28% over the 1982 level.

Comparative Results by Operating Segments

(thousands of dollars)

	Gross Revenue		Segmented Cash Flow		Segmented Operating Profit (Loss)	
	1983	1982	1983	1982	1983	1982
Manufacturing Group	**71,357**	141,665	**7,679**	23,377	**1,973**	17,135
Service Group	**35,431**	50,828	**2,622**	4,976	**(1,860)**	(1,487)
Supply Group	**12,821**	21,219	**653**	3,769	**(1,541)**	1,634
Oil and Gas Division	**18,050**	14,076	**12,750**	9,583	**7,312**	4,645
Other	**698**	493	**698**	493	**698**	546
	138,357	228,281	**24,402**	42,198	**6,582**	22,473
General corporate expenses					**4,326**	5,476
Interest expense					**17,460**	25,215
Gain on foreign exchange					**(453)**	(1,414)
Income tax recovery					**(9,312)**	(7,212)
Minority interest					**490**	1,237
Unusual items, net of deferred income taxes and minority interest					**4,398**	—
					16,909	23,302
Loss for the year					**10,327**	829

Comparative Results by Geographic Area

(thousands of dollars)

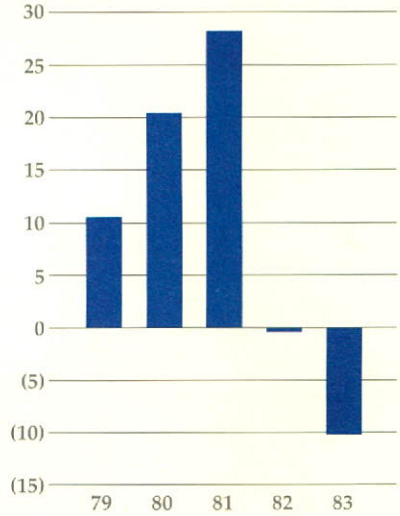
	Sales to Customers Outside the Enterprise		Segmented Operating Profit (Loss)	
	1983	1982	1983	1982
Canada	**66,926**	79,678	**7,950**	8,513
United States	**64,497**	142,425	**(2,581)**	13,189
Other	**6,934**	6,178	**1,213**	771
Consolidated	**138,357**	228,281	**6,582**	22,473

Changes in results are shown by individual group in the table Comparative Results by Operating Segments and by geographic location in the table Comparative Results by Geographic area.

To combat the economic downturn the Company eliminated all non-essential capital expenditures (except for drilling expenditures on certain new oil prospects), further reduced the Company's work force from a December 31, 1982 level of 1,640 to 1,490 at December 31, 1983, reduced inventory levels, suspended dividends on common shares, sold the machine shop in Newfoundland, closed its Singapore operations in favour of an agency arrangement and consolidated certain manufacturing operations to improve productivity. In addition, a comprehensive cost reduction program resulted in a significant reduction in selling, general and administrative expenses.

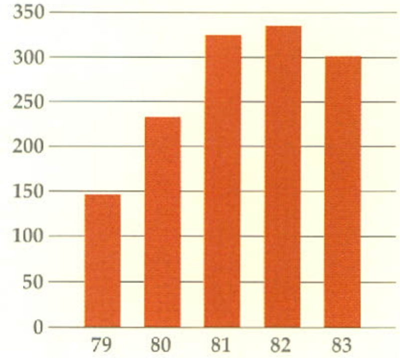
Net Income (Loss)

(in millions of dollars)



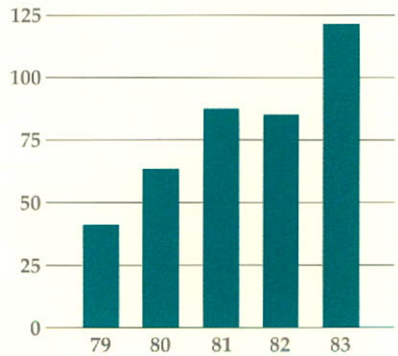
Assets

(in millions of dollars)



Shareholders' Equity

(in millions of dollars)



Bralorne Resources Limited Ten-Year Financial Summary

(thousands of dollars except per share)

	1983	1982	1981	1980	1979	1978	1977*	1976*	1975*	1974
INCOME										
Gross revenue	**138,357**	228,281	337,340	239,964	140,700	86,408	58,488	46,743	33,147	23,438
Cash flow from operations	**12,544**	22,726	53,811	42,227	20,396	12,619	7,657	5,671	4,533	2,316
Net income (loss)	**(10,327)** (1)	(829)	26,630	20,520	10,726	6,808	3,880	2,926	1,199	938
BALANCE SHEET										
Working capital	**70,784**	46,619	65,283	52,284	25,875	11,826	10,505	1,432	6,162	3,591
Total assets	**302,771**	335,036	324,385	234,423	148,694	86,908	64,263	54,662	33,737	23,287
Long-term debt	**95,419**	122,782	104,375	83,700	41,124	19,532	25,557	15,544	9,498	5,363
Shareholders' equity	**121,609**	84,976	87,666	63,560	41,883	32,402	20,126	16,041	12,943	11,745
CAPITAL EXPENDITURES										
Property, plant and equipment	**5,404**	18,922	33,755	25,025	11,434	7,620	3,926	1,960	4,508	779
Oil and gas interests	**4,146**	19,054	16,999	17,008	7,619	2,794	3,636	15,153	1,419	2,201
	9,550	37,976	50,754	42,033	19,053	10,414	7,562	17,113	5,927	2,980
PER COMMON SHARE (in dollars)										
Cash flow	**0.48**	1.11	2.62	2.07	1.02	0.71	0.50	0.37	0.30	0.15
Net income (loss)	**(0.61)** (1)	(0.04)	1.30	1.01	0.54	0.38	0.25	0.19	0.14	0.06
Shareholders' equity	**3.81**	4.14	4.26	3.10	2.09	1.62	1.30	1.05	0.85	0.77
DIVIDENDS										
Common	**—**	0.075	0.15	0.10	0.07	0.03	—	—	—	—
Preferred	**1.53**	—	—	—	—	—	—	—	—	—

* *Restated for 1978 prior period adjustment. All per share figures reflect 1980 three-for-one stock split.*

(1) Includes unusual items of $4,398 or 21¢ per common share.

Interest on both long-term debt and working capital loans was reduced by the application of proceeds of the share issues to reduce loans and to a lesser extent as a result of lower interest rates.

The gain on foreign exchange results from the translation of working capital in the Company's United States subsidiaries from United States dollars to Canadian dollars. The value of the Canadian dollar relative to the United States dollar was less at December 31, 1983 than at the previous year-end.

Operating losses incurred in 1983 and the ongoing investment in equipment and oil and gas ventures resulted in the Company recovering $10,327,000 of income taxes paid in prior years and the deferring of $3,240,000 of income tax otherwise payable. In addition, the Company receives an Alberta royalty tax credit which is calculated as a percentage of the royalties paid to the Province of Alberta. Note 9 to the Financial Statements provides an analysis of the income tax recovery shown in the financial statements.

The minority interest shown on the operations statement relates to the minority shareholders' position in Mark Products, Inc. and Mobile Homes Limited.

Changes in Financial Position

The major sources of funds in 1983 were the aggregate proceeds of $51,000,000 of the common and preferred share issues which were used to retire long-term debt and to reduce current bank loans.

As indicated above, except for drilling on certain new oil prospects, the Company substantially reduced its capital expenditures. Such expenditures were primarily made when there was immediate prospects of improved sales volumes or to achieve sales in new areas. The results of the drilling program are discussed in the oil and gas section of this report and the accompanying table summarizes capital expenditures.

The principal new investment in 1983 was the establishing of Vam Premium Connections Limited in Sault Ste. Marie, Ontario as a corporate joint venture with Vallourec of Paris, France. Vam manufactures, sells and services pipe connections for use in natural gas and oil wells, underwater pipelines and other operations in Canada and offshore Canada. Bralorne invested $1,960,000 in this joint venture.

Dividends aggregating $2,450,000 were declared on the Preferred Shares during the year and were paid on April 1, July 1, October 1 and January 1, 1984.

Capital Expenditures

(millions of dollars)

	Canada 1983	Canada 1982	United States 1983	United States 1982	Australia 1983	Australia 1982	Total 1983	Total 1982
Oil and Gas								
Land acquisition	**0.5**	0.2	**—**	1.6	**—**	—	**0.5**	1.8
Exploration and development	**2.6**	6.1	**0.7**	10.3	**0.3**	0.9	**3.6**	17.3
	3.1	6.3	**0.7**	11.9	**0.3**	0.9	**4.1**	19.1

	Canada 1983	Canada 1982	United States 1983	United States 1982	Other 1983	Other 1982	Total 1983	Total 1982
Property, plant and equipment								
Manufacturing	**0.5**	0.7	**1.2**	9.2	**—**	—	**1.7**	9.9
Service	**1.8**	2.0	**1.5**	3.1	**—**	—	**3.3**	5.1
Supply	**0.1**	2.3	**0.3**	0.5	**—**	0.4	**0.4**	3.2
Other	**—**	0.5	**—**	0.2	**—**	—	**—**	0.7
	2.4	5.5	**3.0**	13.0	**—**	0.4	**5.4**	18.9

Comparative Revenue Analysis by Products and Services

(millions of dollars)

Products and Service	Canada 1983	Canada 1982	United States 1983	United States 1982	Total 1983	Total 1982
Seismic	**6.8**	6.6	**22.4**	44.0	**29.2**	50.6
Drilling	**20.6**	16.8	**34.0**	97.0	**54.6**	113.8
Production	**21.9**	28.2	**.1**	1.6	**22.0**	29.8
	49.3	51.6	**56.5**	142.6	**105.8**	194.2
Oil & Gas					**18.1**	14.1
Other					**14.5**	20.0
Total Revenue					**138.4**	228.3

Balance Sheet

The stronger financial position of the Company is evident from an examination of the balance sheet. It is primarily due to the application of proceeds of the share issues to both bank loans and long-term debt, but working capital has also been increased by the re-scheduling of repayments of long-term debt. Payments previously due in 1984 have been deferred and long-term debt is now scheduled for re-payment over four to six year periods beginning in 1985. The reduction in the inventory component of working capital reflects reduced purchasing and improved utilization of existing items during the current economic downturn.

In summary, the Company's working capital position has increased to $70,784,000 at December 31, 1983 from $46,619,000 at the end of 1982. The working capital ratio (current assets to current liabilities) increased to 2.7 to 1 from 1.5 to 1 at the same dates. Similarly the debt/equity ratio (long-term debt to shareholder's equity) has improved from 1.4 to 1 at December 31, 1982 to .8 to 1 at the end of 1983. This strong financial base should assist the Company to respond promptly as the energy sector recovers.

Shareholder Information

(at December 31, 1983)

Shares Authorized

30,000,000 Common Shares without par value
10,000,000 First Preferred Shares without par value

Shares and Warrants Issued

23,489,430 Common Shares
1,600,000 8.75% Cumulative Redeemable Convertible First Preferred Shares, Series A
1,000,000 Warrants

Listings

Common Shares: Montreal, Toronto and Vancouver Stock Exchanges (symbol "BR", and NASDAQ (symbol "BRALF")
Preferred Shares: Toronto Stock Exchange (symbol "BR.PR.A")
Warrants: Montreal, Toronto and Vancouver Stock Exchanges (symbol "BR.WT")

Shareholder Distribution — Common Shares

	Shareholders	Shareholdings	Per Cent
Canada	2,210	20,285,787	86.36
United States	2,419	3,184,558	13.56
United Kingdom	10	11,459	.05
Other	22	7,626	.03
	4,661	23,489,430	100.00

8.75% Cumulative Redeemable Convertible First Preferred Series A

	Shareholders	Shareholdings	Per Cent
Canada	920	1,598,000	99.88
United States	2	2,000	.12
	922	1,600,000	100.00

1983 Trading Activity

	Volume	High	Low	Close
TSE — Common	4,196,439	8⅜	4.40	5¼
TSE — Preferred*	1,360,695	26¾	19¾	22
TSE — Warrants**	220,300	1.45	.90	1.40
NASDAQ — Common	1,291,420	6¾	3½	4⅛

* *Listed on April 05, 1983*
** *Listed on December 12, 1983*

Review of Operations

United States

1983 marked a year of continued contraction of sales levels for Bralorne's United States operations; all groups except the Oil & Gas Division operated at a loss for the year.

The oil and gas exploration and development business in the United States has been adversely impacted in the last two years by excess gas reserves, declining oil prices, the economic recession and the need by many independent explorers to divert cash flow to service outstanding debt. All of these factors have contributed to a lower level of activity in the energy sector.

The problem of inactivity has been compounded in a number of Bralorne's operations that supply manufactured goods to the drilling and production industries. During the peak activity levels of 1980 and 1981 a large amount of inventory was accumulated in the distribution channels. Recovery is dependent upon liquidation of the inventory backlog and although there are signs of demand for certain specific products, a much broader liquidation is required before there is a substantial recovery. The Company is well placed to participate when this recovery occurs. As well, intense price competition has been an integral part of the inventory liquidation and will continue to impact profitability until the process is complete. All of these factors combined have lead to Bralorne's United States manufacturing plants operating at less than 25% of capacity, employment levels declining and several divisions operating at a loss. The Company continues to emphasize cost and cash management programs to minimize the impact of the weak markets for its products.

Manufacturing Group

Bralorne's Manufacturing Group is the largest part of the United States operations, contributing 62% of total revenue. In line with industry conditions, revenue was $40,070,000, down 62% from 1982.

Mark Products, Inc. manufactures and markets a wide range of geophysical data acquisition equipment and specialized cable equipment for the oil and gas exploration industry. The company's common stock is traded on the American Stock Exchange under the symbol MKP and Bralorne owns 53% of the outstanding common shares.

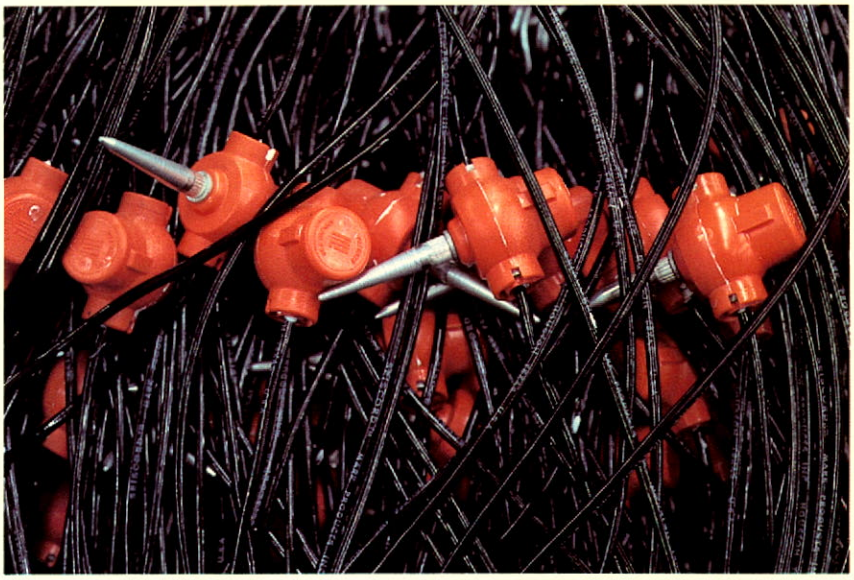
During 1983, the seismic industry experienced an even lower level of product demand than that experienced in 1982. Through a very strict program of cash management and inventory reduction, Mark has been able to earn a modest profit of $171,000 U.S. as well as continue to build up cash reserves. These results were achieved with revenues of $21,473,000 U.S. and plants running at about 25% of capacity.

Mark Products continued their research and development in the area of new seismic technologies and products. This work has lead to a number of new products, the most important being the application of fibre optics to the collection of seismic information. This system will be field tested early in 1984.

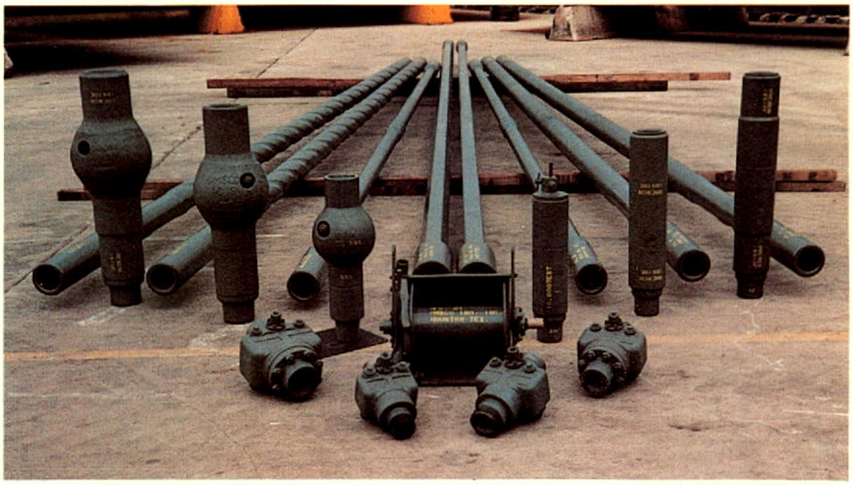
Mark's Canadian operations experienced a good year, as there is a large seismic component in exploration for new oil, which increased in western Canada during 1983.

OMSCO Industries, Inc. manufactures drill collars, kellys, and kelly valves, inside blowout preventers and associated drill stem equipment. The existence of excess inventories in the distribution channels is emphasized in OMSCO by the fact that an estimated 60% to 70% of current consumption is being met from field inventories. Liquidation of these inventories has caused continuing downward pressure on prices. These factors have all contributed to a significant drop in sales for this subsidiary.

While intense price competition is expected to continue through 1984, signs of an end to field inventory liquidation are beginning to appear. Manufacturers can expect a gradual improvement in sales during 1984 due to this factor. OMSCO's management are also directing their efforts to develop new products for the deeper and more complex drilling conditions of the future and adopting new marketing



Mark Products, Inc. manufactures geophones, cables and connectors.



OMSCO Industries, Inc. manufactures an array of products including drill collars, kellys, upper and lower kelly valves.

Supreme Contractors, Inc. completed a 6-acre hardwood board drill site.

Triangle Grinding, Inc. manufactures cutting tools and tool holders.

Custom Structures leases camps for the U.S. drilling and seismic industry.

programs to increase their geographical distribution. These endeavours should strengthen their ability to participate in the anticipated recovery.

Triangle Grinding, Inc. manufactures and distributes standard and specialty cutting tool systems, principally to oilfield related manufacturing and repair businesses. Triangle, like other energy related manufacturing operations, is affected by the industry downturn. As with all other divisions, Triangle continues to maintain rigid cost control programs.

During 1983, Triangle has taken the opportunity to use excess plant capacity to expand the distribution of their specialty products into the aircraft, automotive, defense, farm and heavy equipment industries. Also, this subsidiary continues to dedicate resources to new product development for both present and new markets. We are optimistic that their program of diversification will increase plant utilization in 1984.

Service Group

As in the manufacturing group, a reduced level of industry activity combined with increasing price competition resulted in a greatly reduced sales volume and lower contribution for the Service Group during 1983. Revenue for the group was $15,379,000, down 36% from the 1982 experience.

Supreme Contractors, Inc. of Lafayette, Louisiana provides a range of production and drilling contract services to oil and gas producers in the South Louisiana and East Texas Gulf areas. These services include the construction of hardwood board roads and drillsites, production equipment installations and lease maintenance work.

During 1983, Supreme's market areas experienced the same continuing contraction as the Company's other units. Drilling permits issued in Louisiana, normally a leading indicator of activity, dropped from an average of 432 per month in 1982 to 334 per month for the first six months of 1983. During the third and fourth quarters drilling permits issued increased to 546 and 624 per month respectively. This increase in activity resulted in improved sales levels at firmer prices for the fourth quarter of 1983. The Company anticipates that this recovery will continue on into 1984, providing Supreme with improved operating prospects.

A positive note during 1983 was Supreme successfully bidding on two large contracts. In central Louisiana, Supreme prepared one of the largest drill sites ever built, covering nearly 6 acres of boarded area and requiring over three million board feet of lumber. In southwest Louisiana, a board access road 4½ miles in length was completed, using in excess of four million board feet of lumber.

Custom Structures, part of the Canadian service group, continued to lease a limited number of camps out of its Denver office. Crown Caterers, also part of the Canadian service group, has completely withdrawn from the United States market.

Supply Group

The Supply Group, like the manufacturing and service groups, experienced a decline in revenue and operating profit. Revenue was $5,965,000, down 40% from 1982 levels.

ESSE International, Inc. specializes in supplying the petroleum industry with hydrogen sulfide safety equipment and related services. Hydrogen sulfide is a highly toxic gas frequently found with petroleum.

ESSE continued to expand its international market by establishing new facilities in the Middle East and the Mediterranean Sea. Domestic United States operations were expanded by the addition of an office in California. This expansion should contribute to the recovery in 1984.

Jarco Services, a part of the Canadian Supply Group, has distributed its line of downhole drilling tools through a number of agents in the United States. During 1983, in response to the economic conditions, Jarco found it necessary to terminate all of these agency agreements with the exception of Alaska. The Company is now planning to open its own offices to distribute tools into the United States market as the industry begins to revive.

Esse International, Inc. provides hydrogen sulphide safety services.

Jarco Services Inc. distributes downhole tools in the U.S.

1983 Production

	1983	1982
Canada		
Natural Gas:		
daily average (mmcf/d)	16.4	12.6
annual volume (bcf)	6.0	4.6
Oil and Condensate:		
daily average (bbls/d)	229	182
annual volume (mbbls)	83.5	67.3
United States		
Natural Gas:		
daily average (mmcf/d)	1.3	1.1
annual volume (bcf)	0.5	0.4
Oil and Condensate:		
daily average (bbls/d)	74	73
annual volume (mbbls)	26.8	26.5
Total		
Natural Gas:		
daily average (mmcf/d)	17.7	13.7
annual volume (bcf)	6.5	5.0
Oil and Condensate:		
daily average (bbls/d)	303	255
annual volume (mbbls)	110.3	93.8

	1983	1982
Canada		
Natural Gas:		
daily average ($10^3m^3/d$)	462	356
annual volume (10^6m^3)	169	130
Oil and Condensate:		
daily average (m^3/d)	36	29
annual volume (10^3m^3)	13.3	10.7
United States		
Natural Gas:		
daily average ($10^3m^3/d$)	36	32
annual volume (10^6m^3)	13.1	11.6
Oil and Condensate:		
daily average (m^3/d)	12	12
annual volume (10^3m^3)	4.2	4.2
Total		
Natural Gas:		
daily average ($10^3m^3/d$)	498	388
annual volume (10^6m^3)	182.1	141.6
Oil and Condensate:		
daily average (m^3/d)	48	41
annual volume (10^3m^3)	17.5	14.9

1983 Drilling
(number of wells drilled)

	1983		1982	
	Gross	Net	Gross	Net
Canada				
Exploratory:				
oil	6	1.7	0	0
gas			6	1.8
dry			1	0.4
Development:				
oil	4	1.7	0	0
gas			22	6.7
dry			1	0.2
Total	10	3.4	30	9.1
United States				
Exploratory:				
oil	1	0.2	2	0.3
gas			4	1.1
dry	1	0.1	18	5.8
Development:				
oil	2	0.2	0	0
gas	2	0.5	2	0.4
dry	1	0.4	2	0.6
Total	7	1.4	28	8.2

Outlook

Management believes that during 1984 a sufficient amount of rationalization will take place in the oil and gas manufacturing and service industries to allow the Company to return to a more profitable position in the United States. Although over-capacity and associated price competition will continue to be a problem, the large quantity of field inventories existing all through 1983 will be substantially liquidated in the next eighteen months, resulting in increased orders at the manufacturing level.

The active development of new markets and products discussed above, the existence of adequate plant capacity, and the rise in activity in some geographical areas suggests that 1984 should be a better year than 1983 in the United States for Bralorne.

Oil and Gas Division

Bralorne's United States oil and gas activities were markedly curtailed in 1983 with a modest capital program directed towards increasing production from the Company's existing reserve base and land holdings. On this premise the Company participated in 7 gross (1.45 net) wells in Texas and Louisiana. Two exploratory wells resulted in one oil well and one dry hole and five development wells resulted in two oil wells, one gas well, one gas and oil well and one dry hole. Capital expenditures were U.S. $748,000 compared to U.S. $9,322,000 in 1982.

Natural gas production in the United States averaged 36 thousand cubic metres per day (1.3 million cubic feet per day) during 1983, compared to 32 thousand cubic metres per day (1.1 million cubic feet per day) in 1982. Oil/condensate production averaged 12 cubic metres per day (74 barrels per day) in 1983, about the same level as 1982.

Bralorne's properties are located in the States of Louisiana, New York, Montana, Ohio, Pennsylvania and Texas. Ryder Scott Company, Independent Petroleum Consultants of Houston, Texas, in a report dated January 25, 1984 have prepared an estimate of the reserves and future production and income attributable to these properties as of December 31, 1983. This report indicates the Company's proved net reserves consist of 23,847 thousand cubic metres (150,000 barrels) of oil/condensate and 73.2 million cubic metres (2.6 billion cubic feet) of natural gas and probable reserves consist of 6,041 thousand cubic metres (38,000 barrels) of oil and 31.4 million cubic metres (1.1 billion cubic feet) of natural gas. The report estimates the value of these reserves before income taxes, when discounted at 15%, to be U.S. $8,542,000.

A renewed exploration effort in 1984 in the United States is not contemplated at this time.

Canada

All groups, other than the Oil and Gas Division, experienced further declines in revenue in their Canadian operations during 1983. Revenue for the groups, excluding Oil and Gas, declined 26% during 1983.

The principal factor causing the weak markets and consequent decline in sales is the excess gas deliverability in western Canada stemming from the over-supply of natural gas in the United States.

The over-supply of gas in the United States has reduced demand for Canadian gas, resulting in less drilling until presently shut-in reserves are marketed. The Company believes this problem could be substantially alleviated if the normal supply and demand factors applied and suppliers could negotiate directly with purchasers, both within Canada and in the United States.

The adverse effects described above have been somewhat mitigated by increased oil exploration in western Canada as newly-found oil receives the world price. Furthermore, there are indications that the demand for gas in the United States will increase significantly within a year or two as the present excess supply is consumed.

Bralorne's manufacturing, service and supply operations all have various product lines and services that relate directly to natural gas exploration and production. The Company's other products and services as well as new ventures have not yet grown to a sufficient size to offset the decline in gas related markets discussed above.

Manufacturing Group

Bralorne's Canadian Manufacturing Group recorded a decline in revenue of 16%, to $32,181,000. The Group contributed 47% of total Canadian revenue, unchanged from 1983.

Barber Industries operates one of the largest metal fabricating and machining facilities in western Canada with two plants in Calgary and one in Edmonton.

This division assembles gas compressor units and manufactures pressure vessels. Barber also manufactures wellheads and flow control devices for use in the petroleum industry as well as assorted tools and other products used in the mining industry and threads oilfield tubular goods. In late 1982 and continuing into 1983, Barber consolidated these operations, leaving one Calgary plant operating at less than 25% of capacity. This change, together with improved cost control programs, has allowed Barber to meet the reduced product demand in the most efficient manner.

1983 Land

(in acres)	At year-end 1983	1982
Alberta		
gross	**489,984**	513,306
net	**166,738**	175,988
Saskatchewan		
gross	**3,568**	3,808
net	**1,530**	1,541
British Columbia		
gross	**644**	2,273
net	**19**	239
United States		
gross	**18,058**	35,593
net	**9,387**	12,994
Total		
gross	**512,254**	554,980
net	**177,674**	190,762
(in hectares)		
Alberta		
gross	**195 994**	205 322
net	**66 695**	70 395
Saskatchewan		
gross	**1 427**	1 523
net	**571**	616
British Columbia		
gross	**257**	909
net	**8**	96
United States		
gross	**7 223**	14 237
net	**3 755**	5 197
Total		
gross	**204 901**	221 991
net	**71 029**	76 304

1983 Reserves
(gross proven and probable)

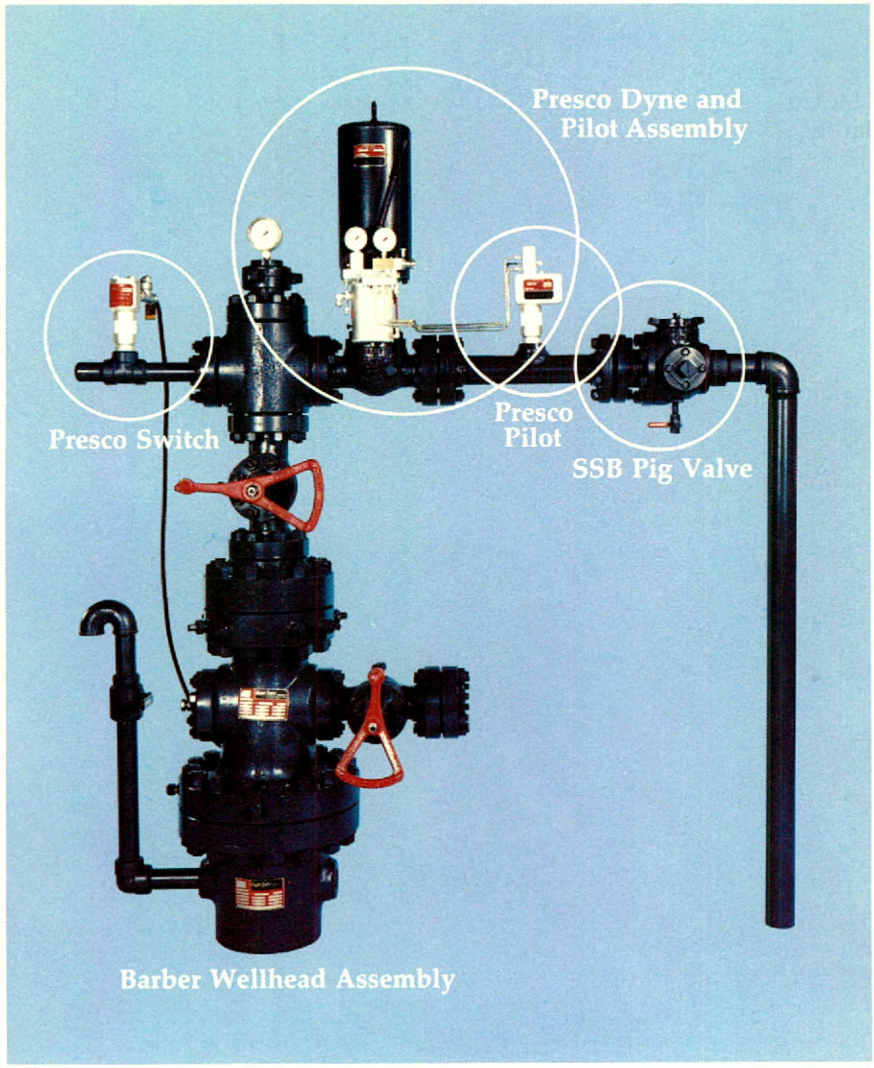
	At year-end 1983	1982
Canada		
Natural gas (bcf)	**128.2**	137.9
Crude oil and NGL (mbbls)	**1,754**	1,145
United States		
Natural gas (bcf)	**4.9**	5.7
Crude oil and NGL (mbbls)	**247**	282
Canada		
Natural gas (10^6m^3)	**3 620**	3 885
Crude oil and NGL (10^3m^3)	**279**	182
United States		
Natural gas (10^6m^3)	**138**	160
Crude oil and NGL (10^3m^3)	**39**	45

Year-End 1983 Present Worth Values at 15 Per Cent Discount Rate
(in thousands of dollars, Canadian)

Canada oil, natural gas and NGL	140,207
Undeveloped lands	6,677
Canada Total	146,884
U.S. oil, natural gas and NGL	10,630
U.S. undeveloped lands	1,351
United States Total	11,981
Total Canada and United States	158,865
Net book value, at cost less accumulated depletion and depreciation	84,720

Barber Offshore opened a new plant in Dartmouth, Nova Scotia to service the offshore markets for tubular threading.

Quality assurance check by Vam Premium Connections Ltd. at their Sault Ste. Marie plant.



Although there was a decline in machine operations generally, some of the decline was offset by special jobs such as a major contract to machine special Hunting underwater pipe and casing connectors required for exploration in the Beaufort Sea.

The Wellhead and Engineered Oil Controls (ENOCO) divisions increased sales of wellhead and production control equipment related to exploration for oil in western Canada.

The fabrication facilities, which have normally concentrated on the construction of gas compressor packages and pressure vessels, have experienced a much lower level of sales in direct response to the gas market situation. No signficant improvements are expected in these markets in 1984.

Barber has moved to take advantage of opportunities to serve drilling operations off the East Coast of Canada through its Barber Offshore Division. Barber Offshore opened a new plant facility in Dartmouth, Nova Scotia to service the offshore markets with standard and premium pipe threading along with providing repair services. The business has expanded considerably during the year, now employing 34 people, and enjoyed a profitable year. As it appeared that East Coast operations could be adequately served from Dartmouth, the former Barber Offshore's St. John's, Newfoundland facilities were sold during 1983.

Vam Premium Connections Ltd. was incorporated in 1983 as a joint venture 49% owned by Bralorne and 51% owned by Vallourec of Paris, France. Vam has the exclusive Canadian rights to manufacture Vallourec's premium threaded pipe connections. This Vam connection is a high quality patented design that is leak proof and stress and corrosion resistant, thereby making it very suitable for tubing, casing or pipe in environmentally sensitive frontier and offshore drilling and production areas.

Vam completed a new plant facility in Sault Ste. Marie, Ontario and opened a sales office in Halifax. A number of orders were completed for the East Coast Offshore market since operations commenced in mid 1983.

Service Group

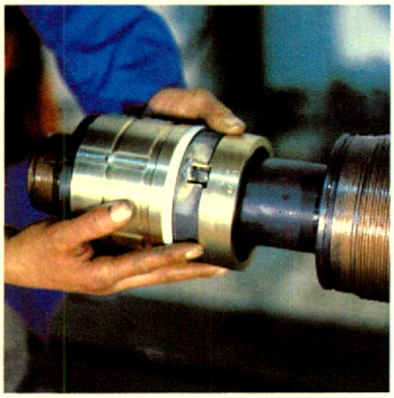
The Company's Canadian Service Group experienced a 36% decline in revenue from 1982, recording total revenue of $13,887,000 for 1983.

Custom Structures, located in Spruce Grove, manufactures relocatable industrial housing for sale or lease. Despite very weak markets for conventional products, particularly drill camps, Custom was able to achieve a modest level of operation by manufacturing specialized units for use in frontier regions. Major contracts during 1983 included an 82-man camp on the Esso Beaufort Project and a facility for over 250 men in Canada's Northwest Territories. This work has continued into 1984 with a 60-man camp destined for Alaska.

Crown Caterers, which provides catering services and lease camps for drilling and seismic crews, has been especially hard hit. Remote locations where camps are normally used have experienced an even greater reduction in activity than other areas as contractors have increasingly relied on the facilities of nearby towns instead of establishing camps at the work sites. This drop in catering activity has been followed by significant price cutting and operating profits have suffered accordingly.

Crown Caterers provides catering services for drilling and seismic camps.

Custom Structures manufactured an 82-man camp for the Beaufort Sea project.



Jarco Services assembles and leases hydraulic drilling jars and shock subs.

Polesystems developed a new high mast raising and lowering device with a patented latching device.

Supply Group

Bralorne's Supply Group in Canada experienced a 43% drop in revenues from 1982 with a total of $5,957,000 for the year.

Jarco Services manufactures and supplies downhole drilling tools such as drilling jars and shock subs to the drilling industry throughout the world. Their markets and profitability have been affected by a shift in drilling focus away from deeper gas prone zones, a willingness of drilling contractors to save costs by foregoing the use of some types of tools, and significant price competition for the remaining business.

Jarco has, in the past, served its varying markets through a combination of regional offices, subsidiaries and agents. Reductions in overall activity and increased competition, along with changing customer service requirements, have necessitated the consolidation of a number of operations in Calgary. Jarco is, however, of the opinion that this groundwork will lead to improved profitability in the future.

Polesystems, with facilities in both Calgary and Winnipeg, manufactures and installs a variety of high quality outdoor lighting standards, traffic sign and control structures, and flare stacks for the petroleum industry. Their market and profitability has been impacted by a large reduction in the formation of new communities in western Canada combined with general constraint in municipal spending on services.

In spite of current slow market conditions, Polesystems continues to dedicate resources to the development of new products. In late 1983, they patented a new mechanical latch for their hi-mast lighting standards which is receiving market attention throughout North America.

Polesystems has also entered into a number of new joint marketing agreements with lighting fixture manufacturers, thereby increasing the avenues of distribution. These factors combined to create an improved outlook for 1984.

Gold Mine

A joint venture agreement was negotiated with E & B Inc. to provide for the reopening of the Bralorne Gold Mine in British Columbia. However, until gold prices increase no action will be taken.

Outlook

Management believes that 1984 activity levels in the Canadian operations will be similar to 1983, primarily due to the continued surplus of exportable gas in western Canada. However, Bralorne's investments in the East Coast market as well as strict cost management and rationalization within the existing operations are expected to result in improved profitability at these existing activity levels.

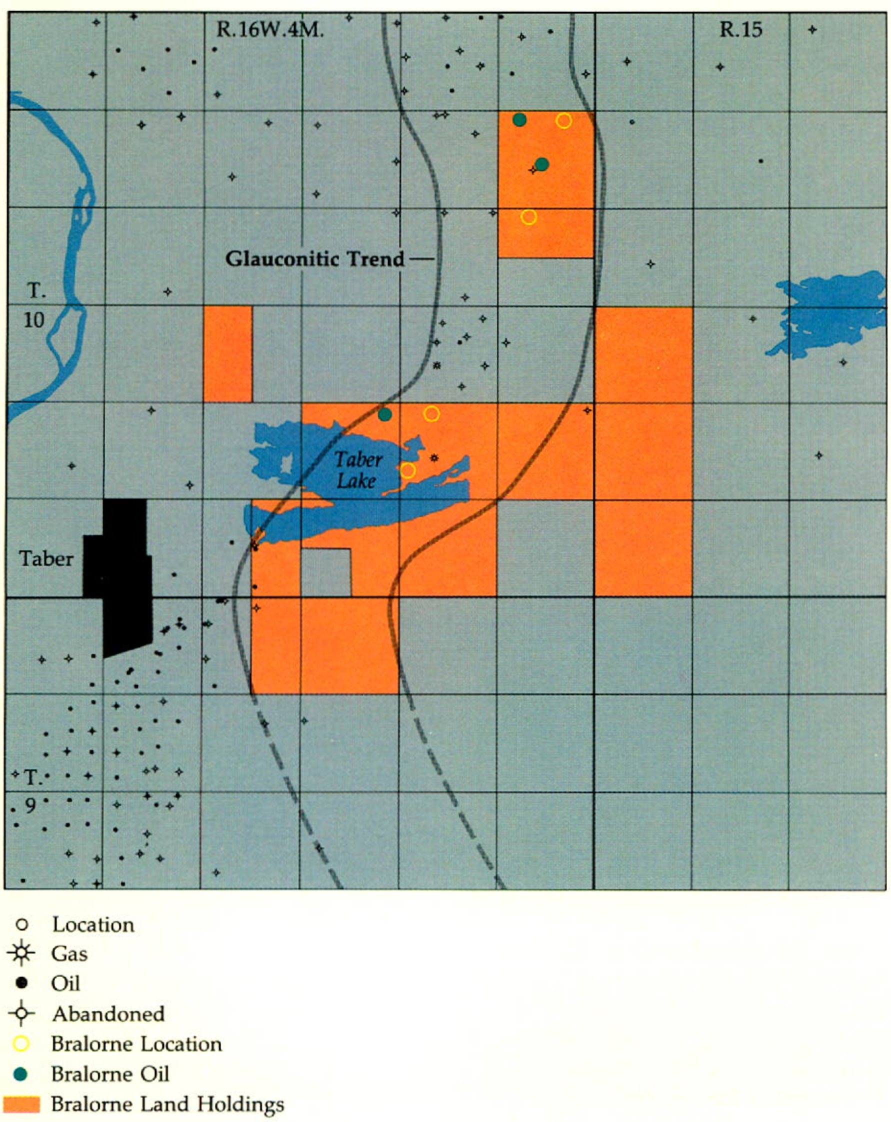
Oil and Gas Division

During 1983 the efforts of Bralorne's Canadian oil and gas division were directed towards developing new markets for the Company's shut-in gas reserves and exploring for oil in Western Canada. Good progress was made in both areas as natural gas production increased 30% in 1983 and oil reserves increased 53% from the prior year-end. Gross revenue in 1983 for the division was $19,023,000, a 34% increase over 1982 and the highest sales level since the division was formed. Capital expenditures were $3,023,000 compared to $13,586,000 in 1982. The 1982 capital expenditures included a $7,752,000 acquisition of a subsidiary company.

Exploration and Development

In 1983 the division participated in 6 exploratory wells (1.7 net) in the Taber and Shekilie areas of Alberta, all of which were successfully completed as oil wells. The success of the program in the Taber area resulted in four additional wells being committed for the first half of 1984 on existing Bralorne lands. As well, 4 development wells (1.7 net) were drilled in the Crossfield area of Alberta. This program resulted in the completion of four producing oil wells. Additional lands were subsequently acquired in the Crossfield area and further development drilling is planned for 1984.

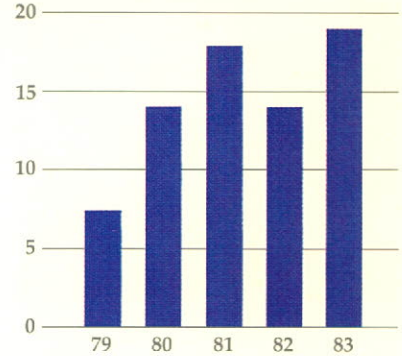
Taber North



Gross Revenue

Oil and Gas Division – Canada

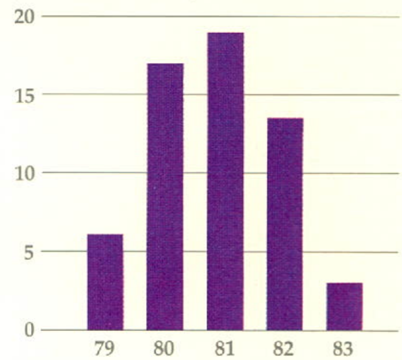
(in millions of dollars)



Capital Expenditures

Oil and Gas Division – Canada

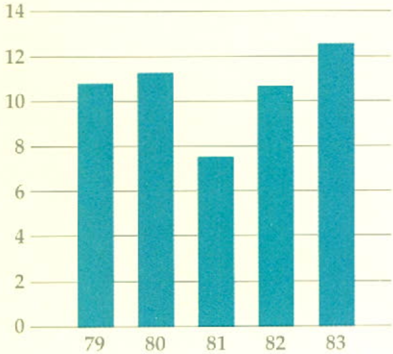
(in millions of dollars)



1982 includes Sagebrush Acquisition

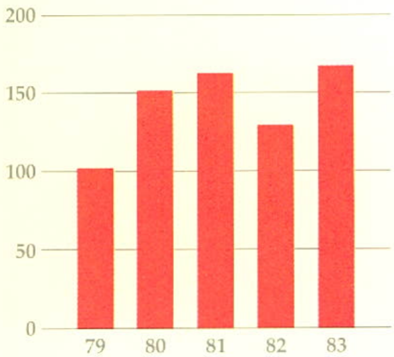
Oil Production – Canada

(Thousand cubic metres per year)

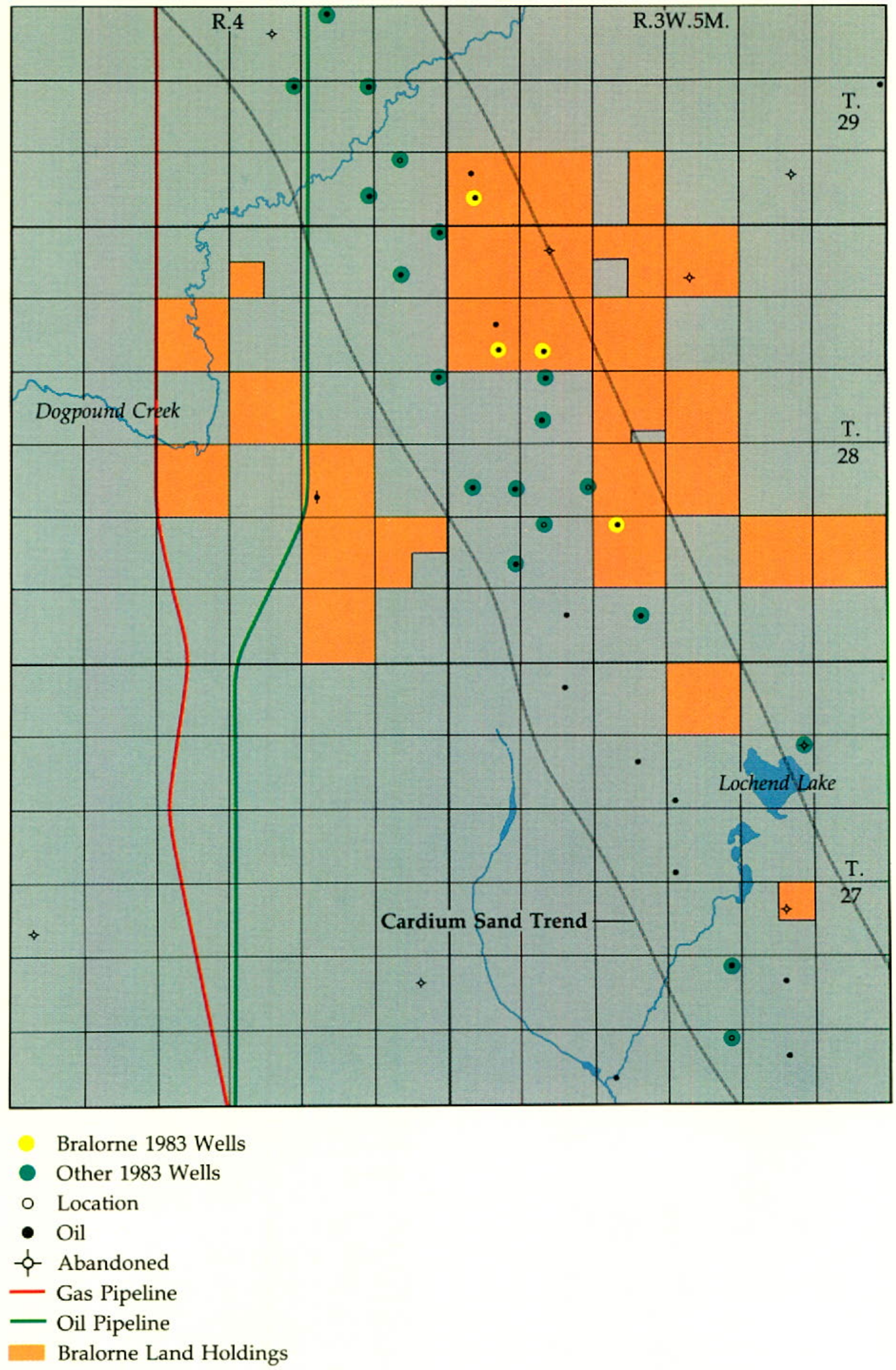


Gas Production – Canada

(Million cubic metres per year)



Crossfield Area



In addition to the drilling programs outlined, a field-testing program in the Donnelly area enabled the Company to re-classify 487 million cubic metres (17.3 BCF) of gas reserves from the probable to proven category. This re-classification substantially enhanced the marketability of these reserves.

Production

Bralorne's natural gas production in Canada increased to 462 thousand cubic metres (16.4 million cubic feet) per day from 356 thousand cubic metres (12.6 million cubic feet) in 1982. These increased deliveries resulted primarily from new areas brought on-stream to satisfy contracts with industrial users in Alberta and Pan-Alberta Gas, a Canadian gas exporter.

Production of crude oil and natural gas liquids increased to 36 cubic metres (229 barrels) per day in 1983 from 29.0 cubic metres (182 barrels) per day in 1982. This increase resulted from new oil production associated with the 1983 drilling program.

Reserves

Bralorne's Canadian reserves were evaluated by the independent consulting firm of Sproule Associates Limited. As of January 1, 1984 the Company's gross proven and probable Canadian crude oil and natural gas liquids reserves were 279 thousand cubic metres (1,754 thousand barrels), a 53% gain over the 182 thousand cubic metres (1,145 thousand barrels) reported at the end of 1982. The natural gas reserves were, however, reduced as of January 1, 1984 to 3,612 million cubic metres (128.2 billion cubic feet) from the year end 1982 amount of 3,885 million cubic metres (137.9 billion cubic feet).

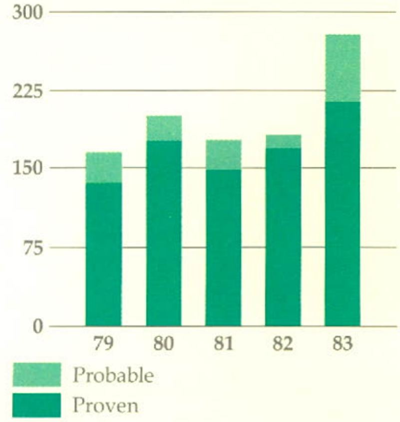
The significant increase in oil reserves was a result of Bralorne's drilling activity in the Crossfield Cardium oil field and the improved production performance realized throughout its Saskatchewan oil properties. The 6.8% reduction in natural gas reserves essentially reflected normal reserve decline through production and some minor revisions of gas property evaluations in Alberta. Production initiated in the Donnelly field during 1983 resulted in the proven reserves increasing to 648 million cubic metres (23 billion cubic feet) from a 1982 year end appraisal of 16.1 million cubic metres (.57 billion cubic feet).

Present worth of Bralorne's Canadian reserves, both proved and probable, net of royalties, operating costs, PGRT, IORT, mineral taxes and capital costs, but before income taxes and discounted at 15%, decreased to $146,884,000 from the 1982 estimate of $166,621,000. While the present worth of Bralorne's oil properties increased due to reserve additions, the combination of decreased gas reserves discussed above and a reduction in anticipated net-backs for natural gas resulted in this net value reduction.

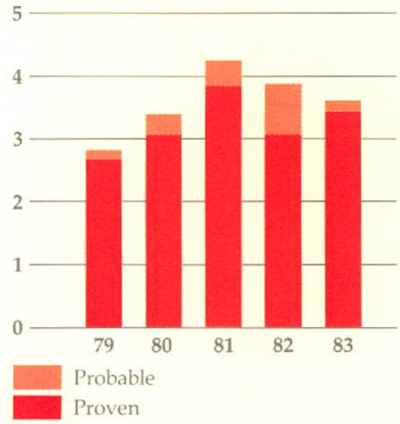
Outlook

Bralorne's Exploration Program for 1984 will maintain a balance between acquisition and development of cash flow generating oil prospects in both Alberta and Saskatchewan while increasing seismic and land acquisition programs to provide

Oil Reserves – Canada
Proven and Probable
(Thousands of cubic metres)



Gas Reserves – Canada
Proven and Probable
(Billions of cubic metres)



the basis for future drilling activity. The Company has taken on an aggressive attitude towards gas marketing in Canada and thus anticipates the successful injection of gas reserves into new markets both in Alberta and Eastern Canada during 1984. This will result in significant increases to Bralorne's net cash flow by the fourth quarter of 1984. Spot sales of short term gas requirements will also be pursued in order to utilize excess gas production capacity. This excess capacity is due to the continued low level of gas exports and the competitive alternate energy markets in the major consumer provinces of Ontario and Quebec.

Development drilling in the Crossfield Cardium Pool will continue to maximize the economic advantage of the Alberta Government's increase in minimum well allowable (10 cubic metres per day or 63 barrels per day) for wells of this depth range. Similarly, Bralorne proposes to develop acreage purchased in Saskatchewan during 1983. Exploration efforts in Saskatchewan will be increased based upon the regulatory incentives and recent successful oil development activity.

The Company proposes to acquire and shoot extensive seismic in both Alberta and Saskatchewan during 1984. This program is designed to provide the basis for the identification of new prospects of significant extent and potential. Land purchase and subsequent drilling will then be evaluated based upon prevailing market and regulatory considerations.

International

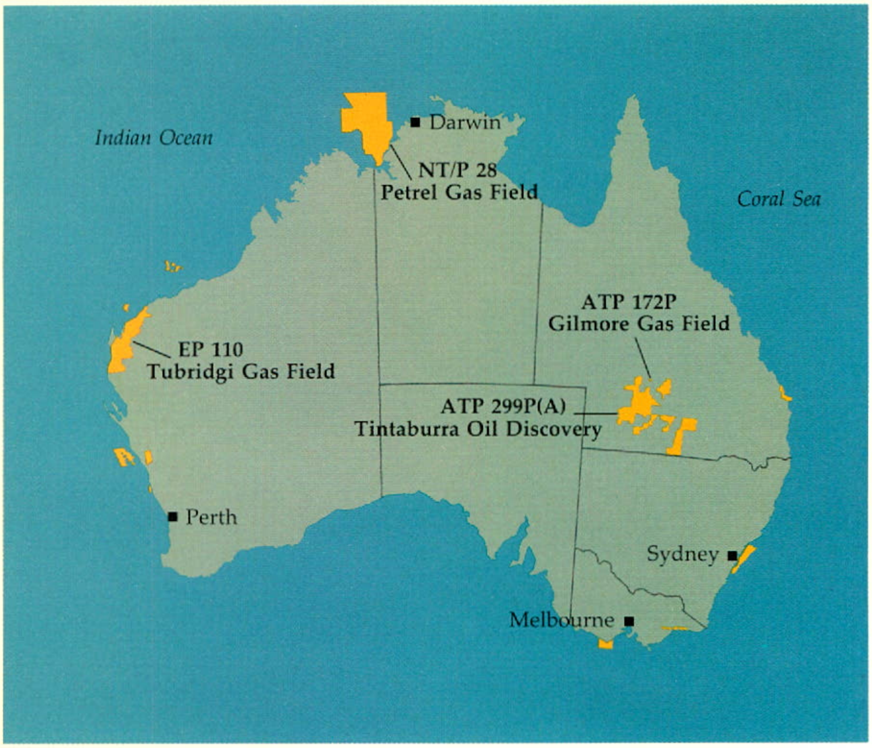
The Company continued to participate directly in international markets through its 51% investment in Mobile Homes Limited of Malta and Bralorne Resources Pte Ltd., a subsidiary based in Singapore. Gross revenue from these investments was $6,934,000 in 1983, compared to $6,178,000 for 1982.

Mobile Homes manufactures modular housing for residential, commercial and industrial use. Malta is a strategic location from which to supply housing and camp units in the Middle East and North African market area. Mobile also builds residential and recreational housing units and manufactures specialized products such as skid-mounted units and wheeled trailers for seismic survey use. A reasonable level of activity was maintained throughout 1983, primarily due to large orders for Algeria and Libya.

Due to reduced activity in South East Asia, the office and plant of Bralorne Resources Pte Ltd. in Singapore was closed. Future operations in that area will be handled by leasing agents.

The Company also continued to invest in oil and gas exploration in Australia. During 1983 the Company participated in seven wells in Australia. Five of these wells were unsuccessful, one was a suspended gas well and the

Australia



Bralorne Interest Permits

Tintaburra #1 well drilled in Permit ATP 299P(A) in the Eromanga Basin of Queensland was a significant success. This well, in which the Company retained a .83% interest, flowed 1,750 barrels of oil per day on a drill stem test from the Hutton sand at 1,167 metres (3,520') and 300 barrels of oil per day from the Lower Cretaceous formation at 80 metres (2,425'). The Tintaburra discovery is located about 80 kilometres north of the developing Jackson field in South West Queensland. Preliminary gross reserve estimates attributable to the well range from 5 to 10 million barrels of recoverable oil.

Further testing is now in progress and we anticipate a seismic and drilling program to delineate the structure will commence in 1984.

Expenditures for the Australian program aggregated $300,000 during 1983 and were directed towards geophysical data gathering and exploratory drilling on existing lands. Land holdings were reduced to 38 104 487 hectares (95,261,219 acres) gross — 282 982 hectares (707,454 acres) net from 19 259 549 hectares (48,148,873 acres) gross — 85 837 hectares (214,543 acres) net, as it is the Company's intent to focus future drilling commitments towards oil-prone onshore acreage.

Mobile Homes Limited makes relocatable housing for the Middle East and North Africa.

Consolidated Statement of Operations

	December 31,	
	1983	1982
Gross revenue	**$138,357,000**	$228,281,000
Expenses:		
Cost of sales and services	**92,194,000**	149,552,000
Selling, general and administrative	**24,150,000**	40,013,000
Interest on long-term debt	**15,968,000**	18,138,000
Other interest	**1,492,000**	7,077,000
Depreciation and amortization	**15,519,000**	18,031,000
Depletion	**4,238,000**	3,688,000
Gain on foreign exchange	**(453,000)**	(1,414,000)
	153,108,000	235,085,000
Loss before income taxes and minority interest	**14,751,000**	6,804,000
Income taxes:		
Alberta Royalty Tax Credit	**(2,225,000)**	(2,168,000)
Current	**(10,327,000)**	(6,228,000)
Deferred	**3,240,000**	1,184,000
	(9,312,000)	(7,212,000)
Income (loss) before minority interest	**(5,439,000)**	408,000
Minority interest	**490,000**	1,237,000
Loss before unusual items	**5,929,000**	829,000
Writedown of raw materials inventory and oil well drilling equipment, net of deferred income taxes of $3,992,000 and minority interest of $176,000 (note 2)	**4,398,000**	—
Loss for the year	**$ 10,327,000**	$ 829,000
Loss per common share		
Before unusual items	**$.40**	$.04
Including unusual items	**$.61**	$.04

Consolidated Balance Sheet

	December 31, 1983	1982
Assets		
Current assets:		
Cash and term deposits	$ 7,093,000	$ 2,783,000
Accounts receivable	29,375,000	35,712,000
Income taxes recoverable	13,555,000	10,762,000
Inventories (note 3)	59,474,000	75,925,000
Prepaid expenses and other assets	2,226,000	2,210,000
	111,723,000	127,392,000
Capital assets (note 4)	152,776,000	168,650,000
Other assets:		
Long-term receivables, investments and other assets	5,907,000	5,183,000
Goodwill	29,418,000	30,578,000
Patents	2,947,000	3,233,000
	38,272,000	38,994,000
	$302,771,000	$335,036,000

Liabilities and Shareholders' Equity		
Current liabilities:		
Bank loans (note 5)	$ 9,262,000	$ 41,433,000
Accounts payable and accrued liabilities	23,047,000	25,036,000
Dividend payable on preferred shares	700,000	—
Current portion of long-term debt	7,930,000	14,304,000
	40,939,000	80,773,000
Long-term debt (note 6)	95,419,000	122,782,000
Deferred income taxes	27,339,000	29,380,000
Prepayment of natural gas sales	2,678,000	2,610,000
Minority interest	14,787,000	14,515,000
Shareholders' equity		
Capital stock — (note 7)	66,931,000	16,616,000
Earnings reinvested in the business	54,678,000	68,360,000
	121,609,000	84,976,000
	$302,771,000	$335,036,000

Approved by the Board:

, Director

, Director

Consolidated Statement of Changes in Financial Position

	December 31, 1983	December 31, 1982
Sources of working capital:		
From operations —		
Loss for the year	$ 10,327,000	$ 829,000
Add: Items not affecting working capital		
Depreciation, depletion and amortization	19,757,000	21,719,000
Deferred income taxes	3,240,000	1,184,000
Minority interest	490,000	1,237,000
Writedown of oil well drilling equipment	4,061,000	—
Deferred income taxes and minority interest on unusual items	(4,168,000)	—
Other — net	(509,000)	(585,000)
Cash flow from operations	12,544,000	22,726,000
Long-term debt	4,945,000	20,209,000
Proceeds from sale of fixed assets	3,460,000	3,536,000
Prepayment of natural gas sales	68,000	1,265,000
Decrease in long-term receivables	1,247,000	741,000
Issuance of shares (net of share issue costs)		
— preferred	30,582,000	—
— common	17,726,000	—
Other	90,000	(108,000)
	70,662,000	48,369,000
Uses of working capital:		
Property, plant and equipment	5,404,000	18,922,000
Oil and gas interests	4,146,000	19,054,000
Reduction in long-term debt	32,308,000	13,487,000
Dividends — preferred	2,450,000	—
— common	—	1,542,000
Investment in joint venture company	1,960,000	—
Business acquisition less working capital acquired	—	10,511,000
Purchase of minority interest	—	2,255,000
Minority interest dividends	42,000	943,000
Purchase of common shares	187,000	319,000
	46,497,000	67,033,000
Increase (decrease) in working capital	24,165,000	(18,664,000)
Working capital, beginning of year	46,619,000	65,283,000
Working capital, end of year	$ 70,784,000	$ 46,619,000

Consolidated Statement of Earnings Reinvested in the Business

	December 31, 1983	1982
Earnings reinvested in the business, beginning of year	**$68,360,000**	$71,015,000
Loss for the year	**10,327,000**	829,000
Dividends — $1.53 per preferred share	**2,450,000**	—
— $ .075 per common share	—	1,542,000
Excess of purchase price of common shares over stated value	**166,000**	284,000
Preferred share issue costs net of income taxes	**739,000**	—
Earnings reinvested in the business, end of year	**$54,678,000**	$68,360,000

Auditors' Report

To the Shareholders of Bralorne Resources Limited

We have examined the consolidated balance sheet of Bralorne Resources Limited as at December 31, 1983 and the consolidated statements of operations, earnings reinvested in the business 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, Alberta
February 15, 1984

Price Waterhouse
Chartered Accountants

Notes to Consolidated Financial Statements

(tabular amounts in thousands)

1. ACCOUNTING POLICIES

(a) Principles of consolidation: The consolidated financial statements include the accounts of the Company and all its subsidiaries. The Company's 49% interest in a joint venture company is accounted for by the equity method. Substantially all of the Company's oil and gas exploration and development activities are conducted jointly with others and accordingly these consolidated financial statements reflect only the Company's proportionate interest in such activities.

(b) Inventories: Inventories of finished goods, work-in-process, raw materials and supplies are valued at the lower of cost and net realizable value.

(c) Oil and gas interests: The Company follows the full cost method of accounting for oil and gas activities whereby all costs relating to the acquisition, exploration and development of oil and gas reserves are capitalized. Costs are depleted by the unit-of-production method based on estimated proven oil and gas reserves.

(d) Mining interests: Exploration expenditures on mining properties continuing under examination are deferred and will be amortized against production revenue from the relevant properties or written off upon cessation of interest therein.

(e) Property, plant and equipment: Property, plant and equipment are carried at cost, and are being depreciated mainly on a straight-line basis over the estimated useful life of the assets at annual rates from 2½% to 50%. Expenditures for repairs and maintenance are charged to operating expenses. Betterments and major renewals are capitalized. Gains or losses on retirement or disposal of property, plant and equipment are recognized in income.

(f) Goodwill: Goodwill is being amortized on a straight-line basis mainly over forty years resulting in a charge to operations in 1983 of $1,160,000 (1982 — $827,000).

(g) Patents: Patents are being amortized over a period of seventeen years resulting in a charge to operations in 1983 of $286,000 (1982 — $289,000).

(h) Earnings or loss per share: The Company calculates earnings or loss per share based on the weighted monthly average of common shares outstanding after deducting preferred share dividend requirements.

(i) Foreign currency translation: Foreign currency balances included in the consolidated financial statements have been expressed in Canadian dollars on the following basis:

Current assets and liabilities — at the rate of exchange at the year-end.

Other assets and liabilities — at historical rates of exchange.

Income and expenses — at monthly rates of exchange except provisions for depreciation, depletion and amortization which are translated on the same basis as the related assets.

2. Unusual Items

Management has concluded that the value of its oil well drilling rigs has been permanently impaired and consequently has written them down to their estimated realizable value. This resulted in a charge to earnings of $4,061,000, less deferred income taxes of $1,892,000.

Due mainly to reduced prices of steel in the U.S., the Company has recorded a writedown of certain raw material inventory in the amount of $4,505,000, less deferred income taxes of $2,100,000 and minority interest of $176,000.

3. Inventories

	December 31, 1983	December 31, 1982
Raw materials and supplies	**$ 34,184**	$ 44,439
Work in process	**13,635**	17,486
Finished goods	**11,655**	14,000
	$ 59,474	$ 75,925

4. Capital Assets

	1983 Cost	1983 Net Book Value	1982 Cost	1982 Net Book Net
Land	**$ 6,049**	**$ 6,049**	$ 6,049	$ 6,049
Buildings	**18,082**	**13,070**	18,082	14,173
Machinery and equipment	**67,971**	**39,697**	77,877	50,819
Other	**13,377**	**8,271**	15,194	10,332
	105,479	**67,087**	117,202	81,373
Oil and gas interests	**103,903**	**84,720**	100,274	86,321
Mining interests	**969**	**969**	956	956
Total	**$210,351**	**$152,776**	$218,432	$168,650

5. Bank Loans

Operating bank loans amounting to $9,262,000 (U.S. $7,443,000) are secured by certain inventories and a general assignment of certain book debts.

6. Long-Term Debt

	December 31, 1983	December 31, 1982
Bralorne Resources Limited		
Sinking fund debentures, Series A, bearing interest at 12⅞% due August 15, 1995, secured by certain producing oil and gas properties	**$ 37,000**	$ 40,000
Bank loans bearing interest at rates ranging from ¼% below to 1% above the prime rates of the respective banks	—	24,795

Bralorne International Inc.		
Bank loans secured, bearing interest at rates ranging from ¾% above the Euro-dollar London inter-bank rate to 16% (principal amount U.S. $31,900,000), repayable in 10 semi-annual instalments commencing January 1, 1985	**37,228**	43,499
Bank loan bearing interest at 1% above the prime rate of a U.S. bank (principal amount U.S. $6,797,800), repayable in 18 equal quarterly instalments commencing March 31, 1985, secured by certain oil and gas properties and covered by a negative pledge covenant on the Company's oil well drilling rigs	**8,478**	11,466
Bank loan bearing interest at 1% above the prime rate of a U.S. bank (principal amount U.S. $3,600,000), repayable in 8 equal semi-annual instalments commencing January 1, 1985, secured by certain oil and gas properties	**4,449**	—
Notes payable 1984 - 1986 bearing interest at 6% and 9% (principal amount U.S. $5,398,000)	**6,494**	6,889
Mark Products, Inc.		
Unsecured, note bearing interest at 9.95% repayable in semi-annual instalments through December 1, 1990 (principal amount U.S. $3,745,000)	**4,417**	5,024
Term loan bearing interest at 1¾% above the holder's commercial paper rate repayable in quarterly instalments commencing January 23, 1984 through 1987 (principal amount U.S. $4,000,000)	**4,864**	4,814
Other secured debt	**419**	599
	103,349	137,086
Less: Current portion	**7,930**	14,304
	$ 95,419	$122,782

The aggregate maturities of long-term debt in each of the four years subsequent to December 31, 1984 are as follows:

1985 — $17,775,000	1987 — $15,100,000
1986 — $16,708,000	1988 — $14,097,000

Under the provisions of the Trust Deed securing the $37,000,000 debenture, the Company must establish a sinking fund by remitting to the trustee $3,000,000 annually for the years 1984 to 1994 inclusive. In addition, the Company must comply with certain covenants with respect to the discounted value of future net revenues for the oil and gas properties which secure the debenture.

As security for long-term bank loans of U.S. $34,500,000 the Company executed a first floating charge debenture in the amount of $25,000,000. A covenant of this debenture requires the consent of the lender for payment of dividends on common shares. In addition, the Company executed a first fixed charge debenture in the amount of $23,000,000 mortgaging certain real properties.

7. Share Capital

	December 31, 1983	1982
First Preferred shares, issuable in series		
Authorized		
10,000,000 shares of no par value		
Issued		
1,600,000 shares, Series A	**$32,000**	$ —
Common shares:		
Authorized		
30,000,000 shares of no par value		
Issued		
23,489,430 shares (1982 — 20,515,330)	**34,931**	16,616
	$66,931	$16,616

By a special resolution of the common shareholders filed on January 12, 1983 the Company's authorized share capital was increased by the creation of 10,000,000 First Preferred shares, issuable in series. On February 15, 1983 the Company issued 1,600,000 8.75% cumulative, redeemable, convertible First Preferred Shares, Series A at a price of $20 per share for gross cash proceeds of $32,000,000. The Series A shares are non-voting unless dividends are eight quarters in arrears.

Each Series A share is convertible at any time prior to February 15, 1990 into 2.963 common shares of the Company for a conversion price of $6.75 per common share, subject to adjustments in certain events.

The Series A shares are redeemable between February 16, 1986 and February 15, 1988 at a price of $21 per share, together with accrued and unpaid dividends, provided the current market price of the common shares is not less than 125% of the conversion price then in effect. Each year after 1988 the redemption price reduces by $.20 per share until 1993.

On November 14, 1983, the Company issued 1,000,000 units, each unit consisting of three common shares and one share purchase warrant, at a price of $19 per unit for gross proceeds of $19,000,000 before deduction of the underwriter's fee and the costs of issue.

Each share purchase warrant will entitle the holder to purchase one common share at $7.65 on or before March 1, 1987.

In 1983, 25,900 common shares of the Company previously issued under the Company's incentive share subscription plan were purchased, and cancelled, by the Company at an amount equal to the original purchase price for a total consideration of $187,000 (1982 — 43,700 common shares were purchased, and cancelled, for $319,000). Shares purchased under the plan are held by a trustee as security for promissory notes from the various participants which are repayable in five annual instalments commencing six years after the date of issue, without interest. Funds for the purchase were advanced by the Company and the amount unpaid from time to time is included in long-term receivables. At December 31, 1983 this amount was $1,985,000 (December 31, 1982 — $3,164,000). The Company has set aside 253,260 common shares as at December 31, 1983 for possible future allocation under this plan.

In addition, 5,740,800 common shares have been set aside at December 31, 1983 for the conversion of First Preferred Shares, Series A and for the exercise of the share purchase warrants.

In the event that dividends on the Series A shares are in arrears, the approval of the holders of those shares must be obtained before the Company may declare a cash dividend on the common shares.

8. Segmented Information

By Geographic Location	Canada		United States	
	1983	1982	**1983**	1982
Sales to customers outside the enterprise	**$ 66,926**	79,678	**64,497**	142,425
Intersegment sales	**2,659**	3,189	**169**	265
Total revenue	**69,585**	82,867	**64,666**	142,690
Segmented operating profit (loss)	**$ 7,950**	8,513	**(2,581)**	13,189
General corporate expenses				
Interest expense				
Gain on foreign exchange				
Income taxes recovery				
Minority interest				
Unusual items				
Loss for the year				
Identifiable assets	**$118,453**	126,233	**180,220**	202,833

By Industry	Manufacturing		Service		Supply	
	1983	1982	**1983**	1982	**1983**	1982
Sales to customers outside the enterprise	**$ 71,357**	141,665	**35,431**	50,828	**12,821**	21,219
Intersegment sales	**1,000**	3,502	**181**	706	**(116)**	35
Total revenue	**72,357**	145,167	**35,612**	51,534	**12,705**	21,254
Segmented operating profit (loss)	**$ 1,973**	17,135	**(1,860)**	(1,487)	**(1,541)**	1,634
General corporate expenses						
Interest expense						
Gain on foreign exchange						
Income taxes recovery						
Minority interest						
Unusual items						
Loss for the year						
Identifiable assets	**$131,400**	150,657	**33,366**	37,179	**26,041**	33,818
Expenditures on oil and gas interests	**$ —**	—	**—**	—	**—**	—
Expenditures on property, plant and equipment	**$ 1,648**	9,900	**3,278**	2,455	**462**	5,773
Depreciation, amortization and depletion	**$ 5,728**	6,206	**4,799**	6,677	**2,342**	2,873

Other		Eliminations		Consolidated	
1983	1982	**1983**	1982	**1983**	1982
6,934	6,178	**—**	—	**138,357**	228,281
798	833	**(3,626)**	(4,287)	**—**	—
7,732	7,011	**(3,626)**	(4,287)	**138,357**	228,281
1,213	771	**—**	—	**6,582**	22,473
				4,326	5,476
				17,460	25,215
				(453)	(1,414)
				(9,312)	(7,212)
				490	1,237
				4,398	—
				$ 10,327	829
4,098	6,465	**—**	(495)	**302,771**	335,036

Oil & Gas		Other		Eliminations		Consolidated	
1983	1982	**1983**	1982	**1983**	1982	**1983**	1982
18,050	14,076	**698**	493	**—**	—	**138,357**	**228,281**
—	—	**1,716**	2,647	**(2,781)**	(6,890)	**—**	—
18,050	14,076	**2,414**	3,140	**(2,781)**	(6,890)	**138,357**	228,281
7,312	4,645	**698**	546	**—**	—	**6,582**	22,473
						4,326	5,476
						17,460	25,215
						(453)	(1,414)
						(9,312)	(7,212)
						490	1,237
						4,398	—
						$ 10,327	829
86,372	93,817	**25,592**	19,565	**—**	—	**302,771**	335,036
4,146	19,054	**—**	—	**—**	—	**4,146**	19,054
16	171	**—**	623	**—**	—	**5,404**	18,922
5,288	4,608	**1,600**	1,355	**—**	—	**19,757**	21,719

9. Income Taxes

The provision for income taxes in the Consolidated Statement of Operations reflects an effective tax rate which differs from the Canadian corporate tax rate of 48% for the following reasons:

	1983	1982
Income tax recovery at the Canadian corporate tax rate	**$(7,064)**	$(3,320)
Add (deduct) effect of —		
Crown charges including resource royalties and petroleum and gas revenue taxes disallowed for tax purposes	**2,395**	1,700
Resource profits rate reductions	**(2,660)**	(2,029)
Provincial resource industry rebates	**(2,225)**	(2,168)
Other incentive credits and allowances	**(260)**	(1,502)
Earnings from foreign subsidiaries with lower effective tax rates	**(319)**	(359)
Loss carry forwards not recognized	**1,473**	506
Miscellaneous	**(652)**	(40)
Actual income tax recovery	**$(9,312)**	$(7,212)

10. Contingencies

The acquisition costs of certain companies acquired prior to December 31, 1983 are subject to an upward adjustment (payable in cash) which cannot be determined until 1985 and 1986. When such amounts are determined the additional payments will be charged to goodwill.

11. Long-Term Lease Commitments

The Company leases certain administrative, manufacturing and camp facilities. The annual lease rental commitment on these long-term leases is:

1984 — $2,630,000
1985 — $2,157,000
1986 — $1,353,000
1987 — $ 912,000
1988 — $738,000

12. Related Party Transactions

The Company has participated in a major joint venture for the exploration and development of oil and gas reserves. Versatile Corporation, the Company's parent company, participates in this joint venture under normal industry terms. There are no significant related party receivables or payables at December 31, 1983.

13. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers for the year ended December 31, 1983 was $1,074,000, including the amount of $74,000 paid to directors as director's fees (1982 — $1,237,000 and $68,000 respectively).

14. Operating Subsidiary Companies

Barber Industries, Inc.
Bralorne Antilles N.V.
Bralorne Holland B.V.
Bralorne International Inc.
Custom Cable Company
ESSE International, Inc.
Jarco Services Ltd.
Mark Products, Inc.
Mark Products, Ltd.
Mark Products U.S., Inc.
Mobile Homes Limited
OMSCO Industries, Inc.
Polesystems Ltd.
Supreme Contractors, Inc.
Triangle Grinding, Inc.
Triangle Grinding International, Inc.
World Wide Catering Ltd.

Operating Information

Manufacturing Group

P. S. (Stuart) Grant
Group Vice President

Barber Industries

T. C. (Tom) Donnelly
President and General Manager

Office and plant
9625 Shepard Road S.E.
P.O. Box 5280, Stn. A
Calgary, Alta. T2H 1X6
Telephone (403) 279-7511
Telex #03825721

Office and plant in Edmonton, Alta.
Sales office in Grande Prairie, Alta.

Barber Offshore

D. J. (Doug) Eastcott
President

Office and plant
10 Wright Avenue
Burnside Industrial Park
Dartmouth, N.S. B3B 1G6
Telephone (902) 465-3133
Telex #0164005

Mark Products, Inc.

W. E. (Wayne) Tabor
President

Office and plants
10502 Fallstone
Houston, Texas 77099
Telephone (713) 498-0600
Telex #762069

Service office in Denver, Colorado
Custom Cable Company office and plant in Houston, Texas
Mark Products Ltd. office and plant in Calgary, Alta.

OMSCO Industries, Inc.

P. W. (Pete) Samoff
President

Office and plant
6418 Esperson Street
P.O. Box 9582
Houston, Texas 77011
Telephone (713) 926-7401
Telex #775326

Triangle Grinding, Inc.

V. C. (Vic) Takacs
President

Office and plant, 7710 Gulf Freeway
P.O. Box 26244
Houston, Texas 77207
Telephone (713) 641-3211
Telex #9108817219 TWX

Sales office in Irvine, California

Vam Premium Connections Limited

G. D. (Gary) Gray
President

Office
3100, 205 - 5th Ave. S.W.
Calgary, Alberta T2P 2V7
Telephone (403) 233-0119
Telex #03821639

Plant in Sault Ste. Marie, Ont.
Service office in Halifax, N.S.

Service Group

D. H. (Don) Claughton
Group Vice President

Crown Caterers

M. P. (Martin) Vandergouwe
General Manager

Office and plant, 15816 - 112 Avenue
Edmonton, Alta. T5M 2W1
Telephone (403) 451-3811
Telex #0372365

Sales offices in Calgary, Alta. and Denver, Colorado

Custom Structures

F. S. (Fred) Shaw
General Manager

Office and plant
225 Diamond Avenue
P.O. Box 9000
Spruce Grove, Alta. T0E 2C0
Telephone (403) 962-2110
Telex #03741850

Sales offices in Calgary, Alta. and Denver, Colorado

Mobile Homes Limited

J. S. (Jack) Sutherland
Operations Director

Office and plant, Corradino Heights Industrial Park
Corradino, Malta
Telephone 823924
Telex #4061460

Supreme Contractors, Inc.

W. H. (Wayne) Bollich
President

Office and plant, 110 Emerald Drive
P.O. Box 52164
Lafayette, Louisiana 70505
Telephone (318) 233-7357
Telex #784829

Regional offices in Jennings and Thibodaux, Louisiana, and Bay City, Texas

Supply Group

J. R. (Jim) Kelly
Group Vice President

ESSE International, Inc.

E. D. (Edwin) Loitz
President

Offices, Ste. 325
3100 South Wilcrest
P.O. Box 770489
Houston, Texas 77215
Telephone (713) 266-4141
Telex #790848

Marketing office in Denver, Colorado
Regional offices in Seguin, Tyler, Texas; Laurel, Mississippi; Lusk and Evanston, Wyoming; Dickinson and Williston, North Dakota; and Bakersfield, Ca.

Jarco Services Ltd.

Office and plant, Bay #1
6325 - 11 Street S.E.
Calgary, Alta. T2H 2L6
Telephone (403) 259-5936
Telex #03821639

Sales office in Edmonton, Alta.

Polesystems Ltd.

Office and plant
4822 Centre Street South
P.O. Box 218, Stn. T
Calgary, Alta. T2H 2G8
Telephone (403) 287-3610
Telex #03824625

Plant in Winnipeg, Man.

Oil and Gas Division

D. H. (Daryl) Connolly
General Manager

Head office
3100, 205 - 5 Avenue S.W.
Calgary, Alta. T2P 2V7
Telephone (403) 261-9060
Telex #03821639

Field office in Medicine Hat, Alta.

Bralorne Resources Limited
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