1982 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 1982 Bralorne, through its subsidiaries and divisions, employed 1,640 people at more than 40 offices and plants around the world. Total wages, salaries and benefits paid to employees in 1982 amounted to $61.0 million. Comparable figures for 1981 are 3,390 employees and $68.9 million.

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CORPORATE INFORMATION

Officers

F. William Fitzpatrick
Chairman and Chief Executive Officer

Robert D. Niven
President and Chief Operating Officer

Donald H. Claughton
Group Vice President, Service

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

Robert W. Hayes
Vice President, Administration

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

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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
and Montreal

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

Co-Transfer Agent

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

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†Arthur F. Armstrong
Colorado Springs, Colorado
Vice Chairman and Chief Executive Officer
Velcro Industries, N.V.

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

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Inland Natural Gas Co. Ltd.

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Calgary, Alberta
Chairman and Chief Executive Officer
Bralorne Resources Limited

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

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Chairman, Kemmerer Resources Corp.

†J. Ronald Longstaffe
Vancouver, British Columbia
Executive Vice President
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Toronto, Ontario
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United Corporations Limited

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Chairman, McKeen & Wilson Ltd.

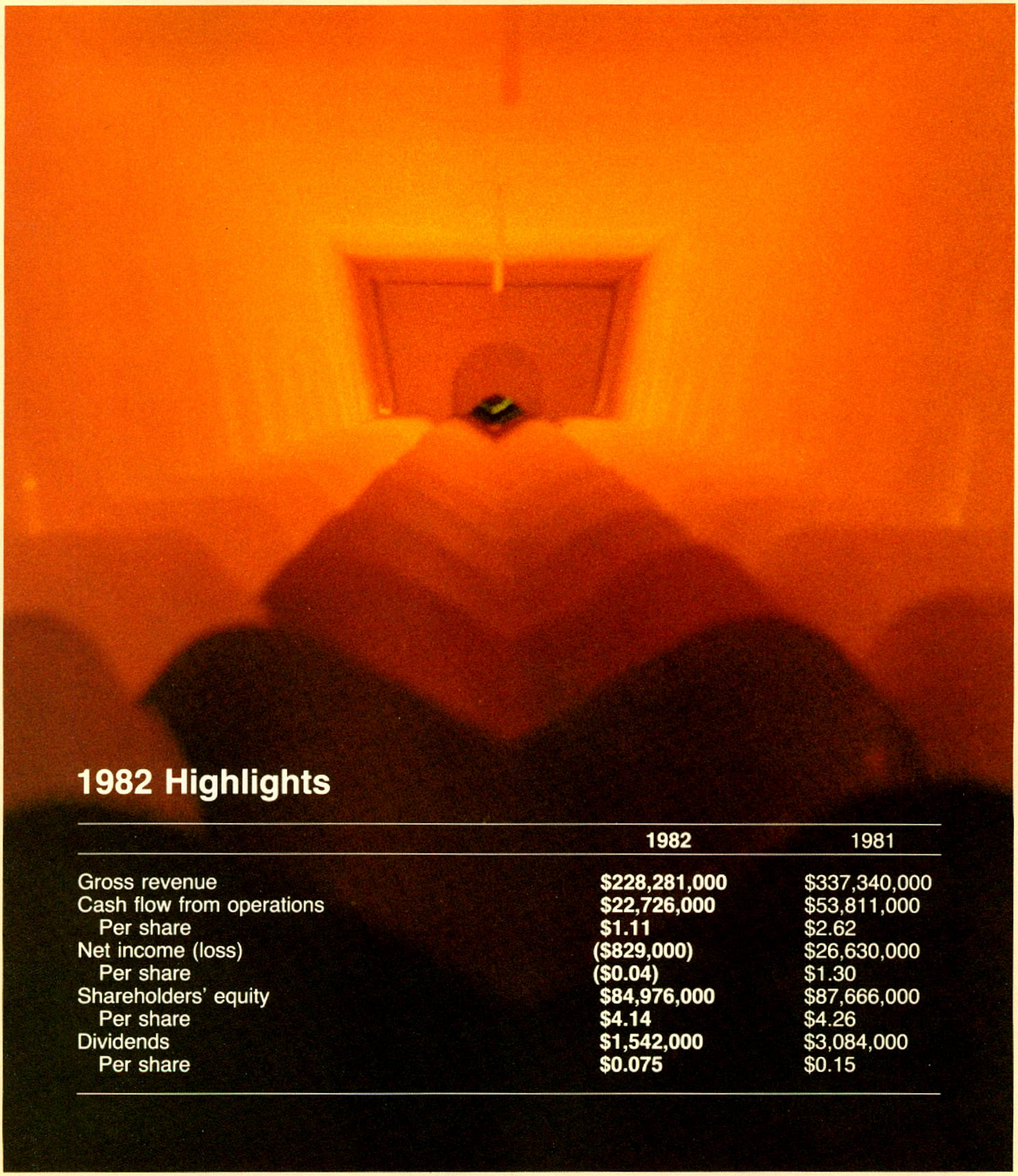
*Robert D. Niven
Calgary, Alberta
President and Chief Operating Officer
Bralorne Resources Limited

*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. Friday, April 22, 1983.



1982 Highlights

	1982	1981
Gross revenue	**$228,281,000**	$337,340,000
Cash flow from operations	**$22,726,000**	$53,811,000
Per share	**$1.11**	$2.62
Net income (loss)	**($829,000)**	$26,630,000
Per share	**($0.04)**	$1.30
Shareholders' equity	**$84,976,000**	$87,666,000
Per share	**$4.14**	$4.26
Dividends	**$1,542,000**	$3,084,000
Per share	**$0.075**	$0.15

An inside look at a heat-treater, at OMSCO Industries.

Directors' Report to the Shareholders

When last year's report was being written, the Company was experiencing all-time record demand for its products and services. Despite this we, and the industry generally, were forecasting that some moderation had to be expected in 1982 as declining world oil demand translated into lower wellhead price expectations.

The energy industry in North America has experienced several cycles in the last decade, none of which compare in intensity with the drilling and seismic downturn experienced in the United States in 1982. As a major supplier of both these industry sectors, Bralorne, commencing in the second quarter, experienced a very rapid decline in demand for its products and services as drilling and seismic contractors' cash flow virtually disappeared.

As a result, and despite an excellent first quarter, the Company experienced a modest net loss on 1982 operations.

Financial Highlights

The Company's gross revenue in 1982 was $228,281,000, down from $337,340,000 in 1981. Cash flow from operations in 1982 was $22,726,000 or $1.11 per share, down from $53,811,000 or $2.62 per share in 1981. The resulting net loss of $829,000 or $0.04 per share compared with net income in 1981 of $26,630,000 or $1.30 per share.

In addition to declining volume and prices, net losses in the third and fourth quarters resulted from unusually large provisions for potential accounts receivable collection problems. The energy industry has historically had an excellent credit record, but reflecting the poor business climate, Bralorne and its 53%-owned subsidiary, Mark Products, Inc., found it prudent to set up a $7,100,000 charge against income to cover potential credit problems. Most of these provisions result from business set-backs experienced by companies with whom we have had excellent business relationships for years. To illustrate the magnitude of the 1982 provision, comparable provisions for potential credit problems were only $738,000 in 1981, on a much higher sales volume.

More detailed information on the geographic and business segment revenue and operating income comparisons for 1982 versus 1981 are included in the Financial Review section of this report.

In summary, these statistics clearly support the conclusion that problems in the United States seismic and drilling sectors, which have been the major growth areas for the Company in recent years, were the primary cause of our poor performance in 1982. In Canada, our revenue decline continued to reflect reduced exploration activity in the Western Sedimentary Basin. Total 1982 revenues in Canada were approximately 20% below the previous year and 40% below the 1980 experience.

In terms of over-all financial strength, the Company experienced a decline in net working capital in 1982 due to the fact that first half capital expenditures were based on a much higher operating cash flow forecast for the year. Several steps have been taken to ensure that the Company has the continuing financial strength to optimize its opportunities during the current market downturn.

- Additions to plant and equipment have been reduced as much as possible which is reflected in fourth quarter expenditures being only 5% of the total year expenditure.
- Oil and gas expenditures have been similarly reduced, with the majority of expenditures directed toward immediate cash flow development projects.
- To further husband our resources in these difficult times, the Board of Directors decided to omit the semi-annual common stock dividend normally payable in January 1983.
- Finally, your Board of Directors felt it prudent in early 1983 to raise additional capital in the form of a $32,000,000 convertible preferred stock issue, the details of which are set out on page 32 of this report. This issue was successfully completed in mid-February.

Operating Highlights

As indicated, 1982 was clearly a year of retrenchment for Bralorne in response to the unprecedented market decline which affected virtually all segments of the Company's operation.

In the United States all of the Company's manufacturing and service operations had to reduce their levels of activity and curtail expenditures. United States oil and gas exploration was discontinued at mid-year and the Corpus Christi office became solely a production centre.

The Company's Canadian experience in 1982 was one of continued depressed markets for its products and services, and further curtailment of its own oil and gas program. The main focus for the Company's Canadian oil and gas activity during the year was installation of facilities required to increase natural gas production.

The Company's international operations also were affected, and involvement in the Australian oil and gas farm-in was cut back.

Unfortunately, because of significantly reduced operating levels it became necessary to reduce staff. The Company's total number of employees was reduced from 3,390 at year-end 1981 to 1,640 at year-end 1982. In view of Bralorne's unprecedented growth in the past several years, we recognize how difficult this change in direction has been for all personnel, and we wish to make particular mention of the professional manner in which employees at all levels have dealt with this ongoing challenge.

Outlook

Predicting 1983 North American exploration activity levels at this time is virtually an impossible task. Whereas a few months ago some market recovery was expected by mid-year, the current world oil price instability has had a very definite negative impact on prospects for North American exploration. Briefly stated, North American explorers are sitting on their budgets pending resolution of this important issue.

The short-term outlook clearly turns on the achievement of international price stability which assumes that current excess production can be brought into line.

If a real oil price war were to erupt then obviously the immediate outlook would be poor indeed. We believe that reason will prevail and that international oil prices will firm up at the $25 (U.S.) per barrel or better level.

Assuming this pricing scenario, prospects for the North American energy industry are anything but bleak. The old adage of the forest and the trees has particular application to our industry today. When we see drilling rig and seismic crew counts in a constant downward spiral we tend to lose sight of some very fundamental and important economic facts of life.

First, with respect to exploration economics and oil prices, we tend to ignore the decline in inflation rate when agonizing over a reduction in oil price. We must be better off with $25 per barrel oil and a zero-to-minus inflation rate than $34 per barrel oil and a 12% inflation rate.

Secondly, with respect to North American oil production, despite unprecedented drilling activity in the 1980-81 period, we have only been able to replace field decline. It follows then, if drilling activity does not pick up from current depressed levels, that a production decline in 1984 and beyond is predictable.

Similarly, and despite current levels of shut-in natural gas, the United States at present operates with only about 10 years' reserves which again suggests that the current drilling slump is of short-term duration.

Finally, with respect to domestic North American oil demand, we believe that as the economy comes out of the recession consumption will increase accordingly and within two years the question of excessive foreign energy dependence will once again be an issue unless there is a marked increase in domestic exploration and discovery.

The problem of foreign energy dependence is definitely more acute in the United States than in Canada but with that exception the above comments apply generally to the Canadian energy scene with a variance in reserve levels (particularly natural gas) and, therefore, urgency for exploration growth.

In respect of natural gas, the Canadian situation is unique in that it has clearly moved from an exploration to a marketing problem.

In conclusion, while we anticipate a very difficult 1983, we are certainly not disenchanted with the Company's prospects in the medium to longer term. It should not be forgotten that the Company has the facilities in place to do approximately $500,000,000 business when the recovery occurs.

Until that recovery is in full stride our job will be to maintain the Company's financial strength while optimizing opportunities which surface.

On behalf of the Board

F. W. Fitzpatrick
Chairman and Chief Executive Officer

March 3, 1983

A Discussion with the Chairman

Question: Mr. Fitzpatrick, last year at this time you were looking for some slowdown in growth in the United States, but obviously the severity of the decline that occurred was not predicted. What happened, and what was Bralorne's response?

The downturn in seismic and drilling activity that occurred in the United States in the first quarter was unprecedented in its suddenness and its severity. It caught virtually the whole industry in an expansion phase, making adjustments that much more difficult.

The underlying cause of the industry downturn was global — global economic recession, global decline in energy demand, and global drop in oil prices. Despite increased cash flow early in 1982, the industry was confronted with a combination of high interest rates and a growing scarcity of exploration capital, as investors reacted in anticipation of this global drop in energy prices.

The problem then became one of uncertainty about the real value of both oil and natural gas. Pessimism about future petroleum pricing translated into uncertainty about the wisdom of future exploration, and that translated into industry inactivity.

With respect to Bralorne's response to this sudden downturn, we immediately cancelled all discretionary capital spending and set to work to reduce working capital requirements and improve liquidity. We continue to have a tight handle on capital spending but our over-all inventory levels remain too high. At current demand it will be some time before we can get our inventories down to satisfactory levels.

Question: With all the current problems facing the energy industry in the United States do you still see business opportunities there for Bralorne?

To start with, the global pricing uncertainty is still with us and even if OPEC and non-OPEC producers come up with a price and production agreement in the near term it will be some months before it can be confirmed. That suggests that 1983 will be another difficult year for the North American petroleum industry.

Notwithstanding this rather pessimistic forecast for 1983, we still see the medium to longer term prospects for the energy sector in the United States as good to excellent.

The need for a strong domestic petroleum exploration program is, in our view, self-evident. Despite significantly reduced current demand levels, the United States still imports 30% of its oil, so security of supply continues to be a long-term issue. Also, the domestic oil reserves decline exceeds 10% per year which means that with a need to replace approximately 1,000,000 barrels per day of production each year, drilling activity must keep pace to meet this need. The same situation exists with natural gas. Despite a current deliverability surplus, there is still less than a 10-year proven supply, which again suggests the need for a strong and continuing exploration effort.

The basic question is not whether, but when, the recovery will occur. We should see a steady but gradual improvement in demand for oil service products commencing in early 1984. The timing and extent of the recovery hinges upon both the resolution of oil prices and some rationalization of excess plant and equipment capacity which has been built into the North American industry in the past two years.

Bralorne strategy in this environment is really quite simple. It is to retain and build its financial and management strength in anticipation of the inevitable upturn which we believe will offer excellent investment opportunities.

Question: Last year you predicted another weak year for the petroleum industry in Canada, and that certainly was the case. What do you see for 1983 in Canada, and why?

The major problem confronting the industry in Canada continues to be associated with natural gas marketing. There is still too much surplus natural gas in Western Canada that must be sold before the exploration sector can get back to work.

Despite the current short-term problems of selling gas to the United States we still are convinced that, in this decade, prospects for a resurgence in Western Canadian petroleum activity are inextricably linked to the development of additional gas export markets in the United States.

In that regard the recent National Energy Board and federal government decision to approve additional export volumes is a welcome step. It also confirms what the industry has been maintaining for a number of years — that there are indeed substantial volumes of gas surplus to Canada's own foreseeable requirements, and that export of that surplus is economically desirable not only for the petroleum industry but for Canada as a whole. However, flexibililty on export pricing and a willingness to provide long-term contracts remain essential to concluding any such export agreements.

Given the current excessive uncontracted natural gas reserves on both sides of the border, an early exploration surge in Canada is not in the cards and so we have to be pessimistic in the short-term. Medium-term prospects basically turn on a meaningful penetration of the United States market in the second half of this decade.

Question: You seem to see little to be optimistic about for 1983, and look to 1984 and beyond for a resurgence of growth both for the industry and for Bralorne. What, then, are the Company's plans for 1983?

For Bralorne 1983 will be a year of continuing retrenchment. We don't anticipate any major developments, at least none that will have a dramatic effect on the Company's over-all performance. But we are still moving to take advantage of opportunities as they arise, and some of the steps we are taking in 1983 will certainly have a positive effect on the Company.

For example, we are opening a new Barber Offshore plant in Dartmouth, to better service the Nova Scotia sector of the Atlantic petroleum industry.

This type of development is important to us — as is the increased natural gas production scheduled for 1983. But it will not produce any magic turnaround for Bralorne this year.

Realistically, the key to our recovery is the start of a recovery for the United States petroleum industry, and as I've said, we don't see that gaining much momentum until 1984.

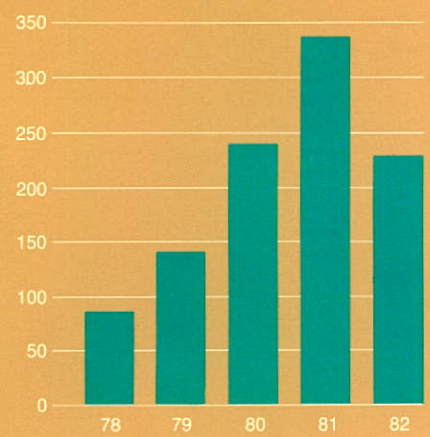
So our strategy for 1983 is to sit tight, improve efficiency and streamline operations, conserve cash flow, and position ourselves to take best advantage of recovery when it does come.

Question: Has the experience of 1982 altered in any way Bralorne's strategy for growth?

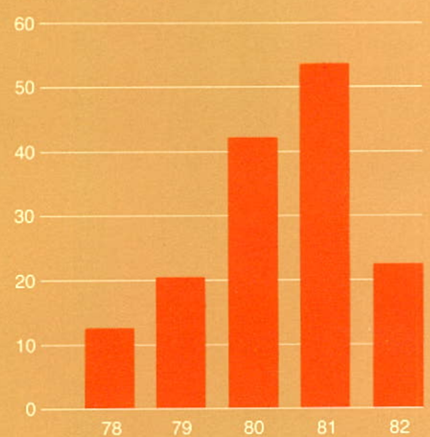
The experience of the past year has certainly altered Bralorne's pattern of growth, but it has not materially altered our strategy. We still are convinced of the soundness of the energy business, and we still believe in a combination of growth through internal development and acquisition of complementary businesses. We also still believe in diversification, both of products and services, and geographically.

Once a recovery is under way, we may well move to reduce somewhat our dependence upon the seismic and drilling sectors. We still intend to stay within the energy sector, but we might well find it prudent to move more into energy production areas, to further increase our diversification.

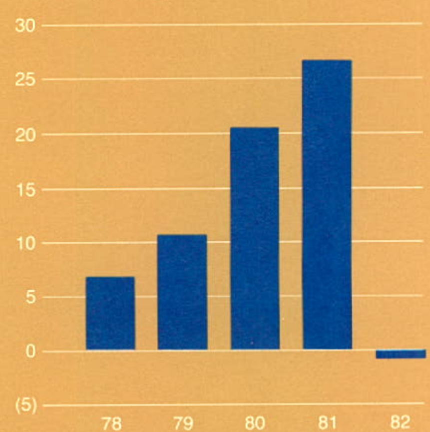
Gross Revenue
(in millions of dollars)



Cash Flow
(in millions of dollars)



Net Income (Loss)
(in millions of dollars)



Financial Review

Income

Gross revenue in 1982 declined 32% to $228,281,000 and cash flow from operations declined 58% to $22,726,000. The Company recorded a loss of $829,000 for the year (4¢ per share) compared to net income of $26,630,000 ($1.30 per share) in 1981.

The marked decline in financial performance related primarily to the downturn in the Company's United States business operations. During 1982 additional sources of world supply and declining demand for oil reduced future oil price expectations. This key factor, along with the shrinking of capital available for investment in the industry due to the world-wide recession and a natural gas surplus in the United States, caused an abrupt reduction in United States drilling activity. The industry was then confronted with excess capacity and abnormally high inventory levels. These factors created a highly competitive marketplace for the Company's products and services that translated into reduced volumes and prices during the latter part of 1982.

The Company reacted promptly to this situation by reducing or eliminating capital expenditures (including oil and gas exploration), shaving overheads, omitting the common share dividend ordinarily declared in December and reducing the work force.

During this adjustment period the creditworthiness of certain customers faltered and the Company experienced accounts receivable collection problems. A provision of $7.1 million has accordingly been made for doubtful accounts. This amount is included in selling, general and administrative expenses. Management continues to monitor this situation closely.

In Canada oil and gas activity continued to decline, primarily because of a lack of markets for Canadian natural gas, resulting in reduced profit contributions for the Canadian operations.

The accompanying table of Comparative Results by Operating Segments illustrates the changes in operating profits by individual groups. In addition the Comparative Results by Geographic Area table illustrates the changes in operating profits by geographic location.

The increase in interest on long-term debt for the year resulted from higher debt levels incurred to finance the acquisition of Sagebrush Resources and capital programs during the first half of 1982 as well as higher interest rates during most of the year. The increase in other interest resulted from the requirement to finance high inventory levels associated with the current downturn.

Depletion increased in 1982 due to the current year's exploration expenditures, the acquisition cost of the Sagebrush properties and the reclassification of Donnelly area reserves from the proven category to probable.

The gain on foreign exchange resulted 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 U.S. dollar was less at December 31, 1982 than at the previous year-end.

Comparative Results by Operating Segments

(thousands of dollars)

	Gross Revenue		Segmented Cash Flow		Segmented Operating Profit	
	1982	1981	**1982**	1981	**1982**	1981
Manufacturing Group	**141,665**	224,198	**23,377**	64,032	**17,135**	58,709
Service Group	**50,828**	79,927	**4,976**	16,116	**(1,487)**	10,366
Supply Group	**21,219**	19,421	**3,769**	4,599	**1,634**	4,080
Oil and Gas Division	**14,076**	13,422	**9,583**	9,817	**4,645**	7,076
Other	**493**	372	**493**	372	**546**	1,804
	228,281	337,340	**42,198**	94,936	**22,473**	82,035
General corporate expenses					**5,476**	4,495
Interest expenses					**25,215**	20,019
Loss (gain) on foreign exchange					**(1,414)**	722
Income taxes					**(7,212)**	23,981
Minority interest					**1,237**	6,188
					23,302	55,405
Net income (loss)					**(829)**	26,630

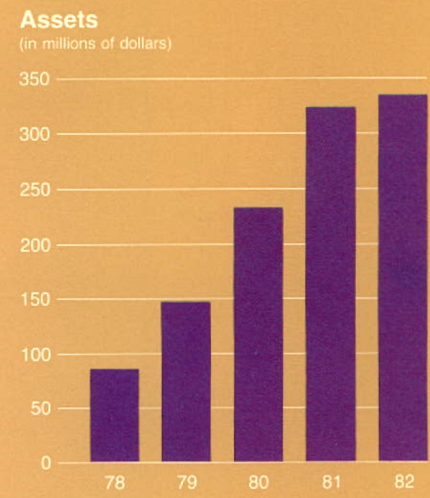
A combination of the high level of investment in equipment and oil and gas ventures in the United States in the first half of the year and the operating losses incurred in the last six months of the year resulted in the Company deferring income taxes otherwise payable of $1,184,000 and recovering income taxes paid in prior years of $6,228,000. In addition, the Company receives an Alberta royalty tax credit which is calculated as a percentage of royalties paid to the province of Alberta. In 1982 the Alberta government increased this credit to stimulate the level of activity in the petroleum industry. Note 6 to the Financial Statements provides a reconciliation of the income tax recovery shown in the financial statement. The largest component of this reconciliation relates to special regulations affecting resource industry operations.

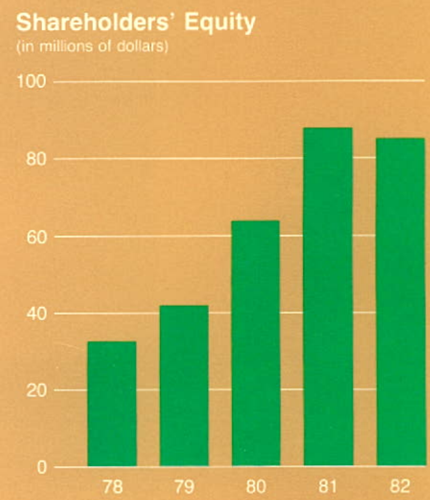
The minority interest shown on the operations statement relates to the minority shareholders' positions in Mark Products, Inc. and Mobile Homes Limited.

Comparative Results by Geographic Area

(thousands of dollars)

	Sales to Customers Outside the Enterprise		Segmented Operating Profit	
	1982	1981	**1982**	1981
Canada	**79,678**	96,171	**8,513**	14,809
United States	**142,425**	229,758	**13,189**	66,038
Other	**6,178**	11,411	**771**	1,853
Eliminations	**—**	—	**—**	(665)
Consolidated	**228,281**	337,340	**22,473**	82,035





Bralorne Resources Limited Ten-Year Financial Summary

(thousands of dollars except per share)

	1982	1981	1980	1979	1978	1977*	1976*	1975*	1974	1973
INCOME										
Gross revenue	**228,281**	337,340	239,964	140,700	86,408	58,488	46,743	33,147	23,438	18,842
Cash flow from operations	**22,726**	53,811	42,227	20,396	12,619	7,657	5,671	4,533	2,316	1,488
Net income (loss)	**(829)**	26,630	20,520	10,726	6,808	3,880	2,926	1,199	938	2,262
BALANCE SHEET										
Working capital	**46,619**	65,283	52,284	25,875	11,826	10,505	1,432	6,162	3,591	4,902
Total assets	**335,036**	324,385	234,423	148,694	86,908	64,263	54,662	33,737	23,287	20,319
Long-term debt	**122,782**	104,375	83,700	41,124	19,532	25,557	15,544	9,498	5,363	5,642
Shareholders' equity	**84,976**	87,666	63,560	41,883	32,402	20,126	16,041	12,943	11,745	10,807
CAPITAL EXPENDITURES										
Property, plant, and equipment	**18,922**	33,755	25,025	11,434	7,620	3,926	1,960	4,508	779	1,180
Oil and gas interests	**19,054**	16,999	17,008	7,619	2,794	3,636	15,153	1,419	2,201	1,833
	37,976	50,754	42,033	19,053	10,414	7,562	17,113	5,927	2,980	3,013
PER SHARE (in dollars)										
Cash flow	**1.11**	2.62	2.07	1.02	0.71	0.50	0.37	0.30	0.15	0.10
Net income (loss)	**(0.04)**	1.30	1.01	0.54	0.38	0.25	0.19	0.14	0.06	0.15
Shareholders' equity	**4.14**	4.26	3.10	2.09	1.62	1.30	1.05	0.85	0.77	0.71
Dividends	**0.075**	0.15	0.10	0.07	0.03	—	—	—	—	—

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

Changes in Financial Position

During 1982 the Company's capital program aggregated $18,922,000 for additions to property, plant and equipment. The majority of the funds were spent in the first half of the year and related to commitments made during the previous year to expand capacity at the United States plants and increase the available supply of downhole rental equipment for Jarco Services. During the second half of the year, capital spending was substantially reduced in response to the poor industry and economic conditions.

Oil and gas expenditures of $19,054,000 for the year were directed towards a U.S. exploration program (terminated mid-1982) and a Canadian gas development program. The results of these endeavours are discussed under the oil and gas section of this report. The accompanying table summarizes total capital expenditures.

The increase in long-term debt is associated with the acquisition of Sagebrush Resources (as set out in Note 2 to the financial statements) acquired in March 1982, and capital expenditures for the Company not funded by cash flow from operations.

A dividend of 7.5 cents per share was paid July 1, 1982. However, no further dividends were declared or paid in 1982 to conserve cash.

The caption "Purchase of minority interest" relates to Mark Products, Inc. During the first half of 1982 Mark Products repurchased 318,500 shares of its common stock for $2,255,000. This transaction had the effect of increasing Bralorne's ownership position in this subsidiary from 51% to 53%.

Balance Sheet

As of December 31, 1982 the Company's working capital position had declined to $46,619,000 from $65,283,000 at December 31, 1981. The 1982 year-end working capital ratio of current assets to current liabilities was 1.5:1. The working capital decline related primarily to the net reduction in accounts receivable and accounts payable associated with the decline in business activity. Due to the sudden market softening, inventories remain high relative to current sales levels.

Capital Expenditures

(millions of dollars)

	Canada		United States		Australia		Total	
	1982	1981	**1982**	1981	**1982**	1981	**1982**	1981
Oil and gas								
Land acquisition	**0.2**	1.0	**1.6**	1.2	**—**	—	**1.8**	2.2
Exploration and development..........	**6.1**	5.5	**10.3**	8.8	**0.9**	0.5	**17.3**	14.8
	6.3	6.5	**11.9**	10.0	**0.9**	0.5	**19.1**	17.0

	Canada		United States		Other		Total	
	1982	1981	**1982**	1981	**1982**	1981	**1982**	1981
Property, plant and equipment								
Manufacturing	**0.7**	0.4	**9.2**	18.9	**—**	—	**9.9**	19.3
Service	**2.0**	1.0	**3.1**	7.9	**—**	0.1	**5.1**	9.0
Supply	**2.3**	3.7	**0.5**	0.9	**0.4**	0.1	**3.2**	4.7
Other	**0.5**	0.5	**0.2**	0.2	**—**	—	**0.7**	0.7
	5.5	5.6	**13.0**	27.9	**0.4**	0.2	**18.9**	33.7

To improve the Company's liquidity position and provide additional equity, on February 15, 1983 an issue of 8.75% Cumulative Redeemable Convertible First Preferred Shares, Series A was sold in Canada. At that time 1,600,000 shares were issued at $20 per share, with aggregate proceeds of $32,000,000. These preferred shares are convertible into the common shares of Bralorne on or prior to February 15, 1990 on the conversion basis of 2.963 common shares for each convertible preferred share, being a conversion price of $6.75 per common share. The convertible preferred shares are not redeemable prior to February 16, 1986. On and after February 16, 1986 and prior to February 16, 1988 they are redeemable at $21 per share only if the market price of the common shares for a specified time period is not less than 125% of the conversion price. Thereafter the convertible preferred shares will be redeemable at $21 per share, declining by $0.20 each year to $20 in 1993. These preferred shares will be listed on the Toronto Stock Exchange.

Comparative Revenue Analysis by Products and Services

(millions of dollars)

	Canada		United States		Total	
Products and Services	**1982**	1981	**1982**	1981	**1982**	1981
Seismic	**6.6**	11.6	**44.0**	74.4	**50.6**	86.0
Drilling	**16.8**	21.8	**97.0**	157.4	**113.8**	179.2
Production	**28.2**	30.0	**1.6**	2.1	**29.8**	32.1
	51.6	63.4	**142.6**	233.9	**194.2**	297.3
Oil and Gas					**14.1**	13.4
Other					**20.0**	26.6
Total Revenue					**228.3**	337.3

SHAREHOLDER INFORMATION

(at December 31, 1982)

Shares Authorized

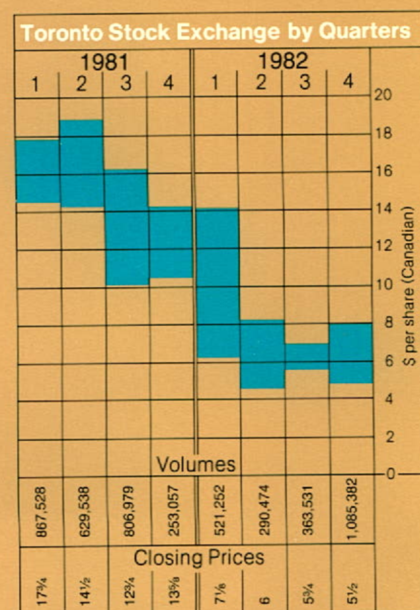
30,000,000 common shares without par value

Shares Issued

20,515,330 common shares

Shareholder Distribution

	Share-holders	Share-holdings	Per cent
Canada	2,183	17,115,989	83.43
United States	2,573	3,354,121	16.35
United Kingdom	13	37,694	0.18
Other	22	7,526	0.04
	4,791	20,515,330	100.00



Listings

Montreal, Toronto and Vancouver Stock Exchanges (Symbol "BR")
NASDAQ (Symbol "BRALF")

Toronto Stock Exchange (Symbol "BR") in Canadian Dollars

	Volume	High	Low	Close
1981	2,557,102	18⅞	10⅛	13⅝
1982	2,260,639	14⅛	4.6	5½
1983*	784,524	7⅜	5⅜	6

NASDAQ (Symbol "BRALF") in U.S. Dollars

	Volume	High	Low	Close
1981	1,011,650	15⅞	8¾	11½
1982	872,484	11¾	3¾	4⅜
1983*	307,406	6⅛	4⅛	4¾

*to March 4, 1983

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

Review of Operations

United States

What happened to Bralorne's United States operations in 1982 can best be understood by examining what happened to the United States seismic and drilling industries during the year.

At the end of 1981 there were 4,500 drilling rigs working in the United States and 700 seismic crews. By the end of October 1982 the rig count was down to about 2,400 active rigs, and despite a modest increase in the last two months of 1982 the count resumed its decline in early 1983, dropping to around 2,000 in February. Similarly the seismic crew count had dropped by year-end 1982 to 477, and was still dropping in early 1983.

As a result of this sudden and steady decline in activity, demand for Bralorne's seismic and drilling products and services also dropped off. The Company's United States sales continued to represent more than 60% of total Company sales in 1982, but the over-all United States sales for the year were down 38% from 1981 levels. United States operating profit was down 80% from 1981.

MANUFACTURING

All three of Bralorne's Houston manufacturing operations were adversely affected by the turnaround in oil field activity in 1982.

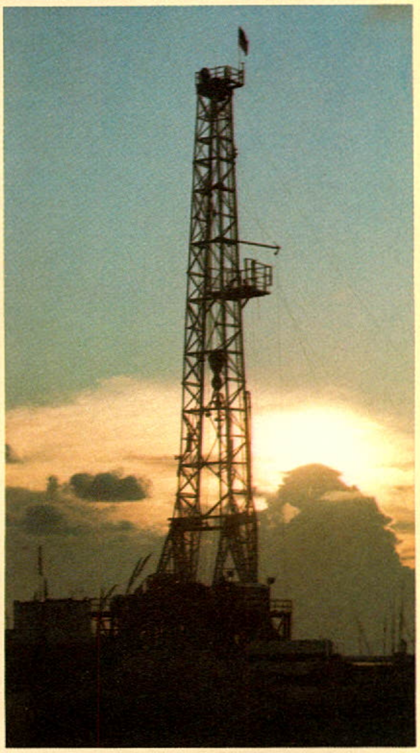
Bralorne's Manufacturing Group continued to account for the bulk of Company revenues in 1982 — 62% of sales and 76% of operating profit. Nevertheless the group's 1982 revenues of $141,665,000 reflect a drop of 37% from 1981.

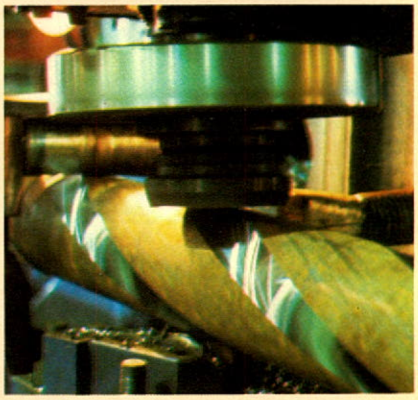
Mark Products, Inc. is a leading international supplier of seismic cable, geophones and connectors. In 1982 Mark saw its revenues drop from $69,269,000 (U.S.) in 1981 to $38,567,000 (U.S.); net income went from $9,605,000 (U.S.) in 1981 to a net loss of $157,000 (U.S.) in 1982.

A major factor contributing to Mark's loss was a substantial increase in allowance for doubtful accounts; in the third and fourth quarters the company recorded a charge to earnings of $3,160,000 (U.S.).

As demand for its products dropped, Mark moved quickly to respond to the situation. It reduced its work force and reduced work hours to get production levels down to the appropriate levels of demand. Mark remains convinced that research and development of new seismic technologies and products is the key to long-term growth of the company, so it continues to maintain its R & D activity — but it did reduce its R & D expenditures by about 50% and will continue to work at that level through 1983. Mark has also reduced its inventory and continues to work to bring this down. The company remains financially strong and in good shape to respond quickly to any recovery.

A relatively active winter season in Canada, with about 115 crews working at the peak, helped Mark's Canadian subsidiary, Mark Products, Ltd. But the over-all forecast is for continued weak demand in 1983 and no early end to the seismic industry's problems.





Top: ESSE International, Inc. provides hydrogen sulphide safety services.
Middle: Most of the Company's United States drilling in 1982 was done in Texas.
Bottom: OMSCO Industries, Inc. manufactures drill collars.

Top: Triangle Grinding, Inc. makes cutting tools and tool holders.
Middle: Supreme Contractors, Inc. prepares drill sites in Louisiana.
Bottom: Checking a Triangle product.

Mark is a public company approximately 53% owned by Bralorne. It trades on the American Stock Exchange under the symbol MKP.

OMSCO Industries, Inc. of Houston had a similar experience in 1982.

OMSCO manufactures drill collars, kellys and kelly valves. As the rig count dropped during the year, so did demand for OMSCO products. The company saw its sales drop by almost 50% compared with 1981, and until the industry-wide inventory of drill collars is used up, demand for new products will continue to be slow.

Early in 1982, when activity was still at a high level, OMSCO completed installation of a new heat-treating facility. The equipment was fully tested and then shut down to await return of sufficient business to warrant its use.

Like Mark, OMSCO moved quickly to cope with the downturn. It reduced its work force, and has been working to reduce its own inventory situation.

With its core of experienced personnel intact, and with equipment such as the new heat-treating unit available, OMSCO will also be able to react quickly to take advantage of any improvement in the market. But it, too, foresees a slow recovery and a difficult 1983.

The third Houston manufacturing plant is Triangle Grinding, Inc. Triangle provides products for the metal cutting industry, and since much of its product has historically gone to oil tool equipment manufacturers, it, too, was adversely affected by the industry-wide downturn.

For 1983 Triangle plans to continue to develop a national network of cutting tool distributors to help expand its market potential. The company also plans to introduce new products into the market to stimulate and diversify its sales. The new products will be applicable to machining operations in all industries and are now in the process of final testing and patent search.

SERVICE

In 1982 Bralorne's Service Group recorded an over-all decline in group revenue of 36% from 1981 to $50,828,000 in 1982. The group also recorded a net operating loss during the year.

Supreme Contractors, Inc. of Lafayette, Louisiana began the year positively enough, but showed a rapid decline in business for the rest of the year.

Supreme provides a variety of production and drilling services to oil and gas operators throughout southern Louisiana and the eastern Gulf Coast area of Texas. It prepares drill sites and access roads using hardwood boards. It also hooks up production equipment and performs lease maintenance work. Supreme is thus obviously dependent upon the level of exploration activity in its market area. At the end of November 1981 there were 402 drilling rigs working there; a year later only 187 rigs were active.

As a result, Supreme's sales dropped more than 30% in 1982, with most of the loss in business coming at year-end; bidding for the available work became extremely competitive and profitability suffered.

Like its manufacturing counterparts, Supreme sees little to be optimistic about in 1983.

In 1981 two Canadian service divisions moved to increase their United States involvement. Both Crown Caterers and Custom Structures opened offices there to provide camps and camp catering to the United States petroleum industry. With the 1982 downturn in activity, however, the markets for such services all but dried up. As a result, both Crown and Custom severely curtailed their United States operations in 1982.

SUPPLY

The Supply Group showed an increase in revenues in 1982. The $21,219,000 recorded was a 9% increase over 1981. One reason for the improvement was the inclusion of a full year's results from ESSE International, Inc. of Houston, acquired in mid-1981.

ESSE specializes in providing hydrogen sulphide safety equipment and services to the petroleum industry. Hydrogen sulphide is a highly toxic gas frequently found with petroleum.

ESSE also experienced reduced demand for its products and services in 1982. But by curtailing costs and reducing staff, plus developing new marketing initiatives, the company managed to remain profitable throughout the year.

ESSE diversified into related industry activities such as other toxic gas monitoring, consulting and systems installation, which, together with outright sale of equipment, improved revenues, as did increased emphasis on the international market. These actions should continue to help ESSE throughout 1983.

OIL AND GAS

Bralorne's United States natural gas production increased in 1982, resulting in increased United States oil and gas revenue. However, disappointing exploration results, and the need at mid-year to curtail discretionary exploration spending led to the decision to cut back the Company's Corpus Christi, Texas operations to strictly a production office.

United States oil and gas expenditures in 1982 were $11.9 million (Canadian) compared with $10.0 million (Canadian) in 1981.

Exploration and Development

The Company reduced its gross landholdings in 1982, but increased its net position. Gross holdings at year-end 1982 were 35,593 acres (14 237 hectares) compared with 53,340 acres (21 336 hectares) in 1981. Net holdings at year-end 1982 were 12,994 acres (5 197 hectares) compared with 11,460 acres (4 584 hectares) in 1981.

All of the Company's exploratory and development drilling in the United States was done in the first half of the year. The Company participated in 28 gross (8.2 net) wells in 1982 compared with 35 gross (8.8 net) wells in 1981. Of the 28 wells completed, 24 were exploratory and 4 were development; 2 were oil wells, 6 were gas and the rest dry holes. Most of the drilling — 24 wells — was in Texas.

In 1982 Bralorne undertook a successful development drilling program in the Aqua Dulce prospect in Nueces County, Texas and the Weslaco North prospect in Hidalgo County, Texas. Bralorne has a 25% interest in the 1,067-acre (427 hectare) Aqua Dulce prospect

1982 Production

	1982	1981
Canada		
Natural Gas:		
daily average (mmcf/d)	**12.6**	15.9
annual volume (bcf)	**4.6**	5.8
Oil:		
daily average (bbls/d)	**182**	132
annual volume (mbbls)	**67.3**	47.8
United States		
Natural Gas:		
daily average (mmcf/d)	**1.1**	0.5
annual volume (bcf)	**0.4**	0.2
Oil:		
daily average (bbls/d)	**73**	82
annual volume (mbbls)	**26.5**	31
Total		
Natural Gas:		
daily average (mmcf/d)	**13.7**	16.4
annual volume (bcf)	**5.0**	6.0
Oil:		
daily average (bbls/d)	**255**	214
annual volume (mbbls)	**93.8**	78.8
Canada		
Natural Gas:		
daily average ($10^3m^3/d$)	**356**	448
annual volume (10^6m^3)	**130**	163
Oil:		
daily average (m^3/d)	**29**	21
annual volume (10^3m^3)	**10.7**	7.6
United States		
Natural Gas:		
daily average ($10^3m^3/d$)	**32**	15
annual volume (10^6m^3)	**11.6**	5
Oil:		
daily average (m^3/d)	**12**	13
annual volume (10^3m^3)	**4.2**	5
Total		
Natural Gas:		
daily average ($10^3m^3/d$)	**388**	463
annual volume (10^6m^3)	**141.6**	168
Oil:		
daily average (m^3/d)	**41**	34
annual volume (10^3m^3)	**14.9**	12.6

1982 Drilling
(number of wells drilled)

	1982		1981	
	Gross	**Net**	Gross	Net
Canada				
Exploratory:				
oil	**0**	**0**	2	0.9
gas	**6**	**1.8**	10	3.4
dry	**1**	**0.4**	10	3.7
Development:				
oil	**0**	**0**	0	0
gas	**22**	**6.7**	27	13.6
dry	**1**	**0.2**	1	0.7
Total	**30**	**9.1**	50	22.3
United States				
Exploratory:				
oil	**2**	**0.3**	8	2.0
gas	**4**	**1.1**	15	3.8
dry	**18**	**5.8**	12	3.0
Development:				
oil	**0**	**0**	0	0
gas	**2**	**0.4**	0	0
dry	**2**	**0.6**	0	0
Total	**28**	**8.2**	35	8.8

Bralorne's oil and gas activity in 1982 was concentrated on increasing production.

and a 25% interest in the 796-acre (318 hectare) Weslaco North prospect. Two Aqua Dulce development wells (Liska No. 1 and Liska No. 2) were completed in 1982 as natural gas and condensate wells. And Weslaco No. 2, drilled as a follow-up to the 1981 discovery Weslaco No. 1 on the Weslaco North prospect, was also completed as a natural gas and condensate well.

Simons No. 1 in Jackson County, Texas was a new exploratory discovery well for Bralorne in 1982. It was completed as a natural gas and condensate well and went on production in the last quarter. The Company has a 48.75% interest in the 160-acre (64 hectare) prospect.

Production

Nine new wells — 8 gas and 1 oil — were put on-stream in 1982. These additional wells, plus the addition of Sagebrush production, combined to increase Bralorne's United States natural gas production from 0.5 million cubic feet per day (15 thousand cubic metres per day) in 1981 to 1.1 million cubic feet per day (32 thousand cubic metres per day) in 1982. However, despite the addition of Sagebrush oil production, Bralorne's United States oil production dropped from 82 barrels per day (13 cubic metres per day) in 1981 to 73 barrels per day (12 cubic metres per day).

United States oil and gas revenue increased from $2.6 million (Canadian) in 1981 to $3.0 million (Canadian) in 1982.

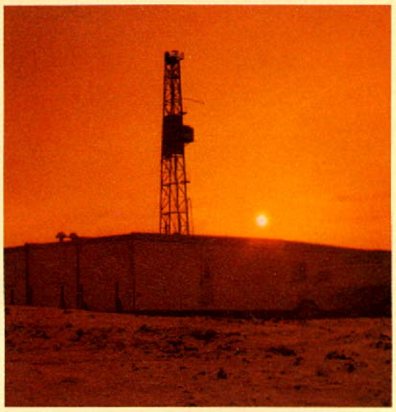
Reserves

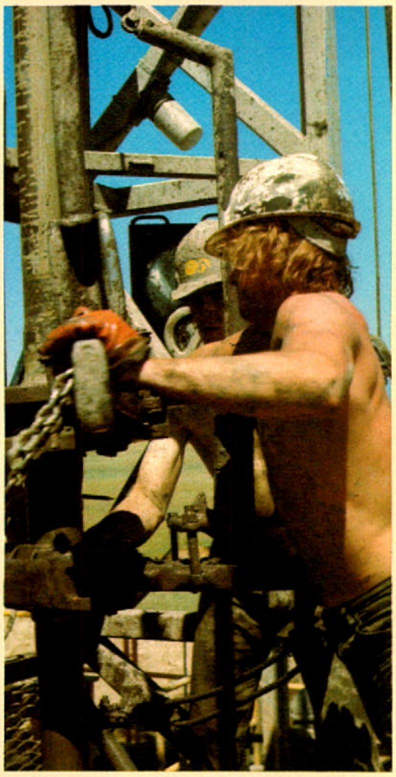
Natural gas reserves increased modestly from 5.5 billion cubic feet (155 million cubic metres) in 1981 to 5.7 billion cubic feet (160 million cubic metres) in 1982. Of this volume approximately 1.5 billion cubic feet (42 million cubic metres) was added by Sagebrush. Oil reserves decreased from 430 thousand barrels (68 thousand cubic metres) in 1981 to 282 thousand barrels (45 thousand cubic metres) in 1982.

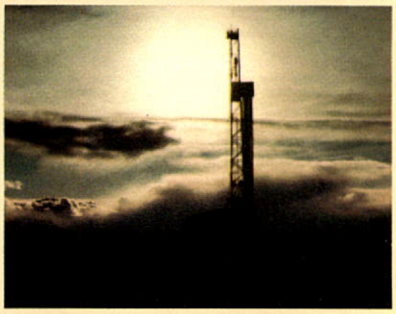
The present worth of United States oil, natural gas and natural gas liquids, discounted at 15%, decreased from $16,690,000 (Canadian) in 1981 to $13,658,000 (Canadian) in 1982.

Outlook

Owing to a poor economic climate, exploration activity was terminated in the United States in mid-1982. Until there are sufficient positive signs to encourage a renewed exploration effort in the United States, operations there will be restricted solely to production activities.







Exploratory drilling in Canada was reduced considerably in 1982 — only seven wells were drilled, all in Alberta.

1982 Land

(in acres)	At year-end 1982	1981
Alberta		
gross	513,306	500,145
net	175,988	183,800
Saskatchewan		
gross	3,808	5,275
net	1,541	3,205
British Columbia		
gross	2,273	—
net	239	—
United States		
gross	35,593	53,340
net	12,994	11,460
Total		
gross	554,980	558,760
net	190,762	198,465
(in hectares)		
Alberta		
gross	205 322	200 058
net	70 395	73 520
Saskatchewan		
gross	1 523	2 110
net	616	1 282
British Columbia		
gross	909	—
net	96	—
United States		
gross	14 237	21 336
net	5 197	4 584
Total		
gross	221 991	223 504
net	76 304	79 386

1982 Reserves
(gross proven and probable)

	At year-end 1982	1981
Canada		
Natural gas (bcf)	137.9	150.0
Crude oil and NGL (mbbls)	1,145	1,113
United States		
Natural gas (bcf)	5.7	5.5
Crude oil and NGL (mbbls)	282	430
Canada		
Natural gas (10^6m^3)	3 885	4 226
Crude oil and NGL (10^3m^3)	182	177
United States		
Natural gas (10^6m^3)	160	155
Crude oil and NGL (10^3m^3)	45	68

Year-End 1982 Present Worth Values at 15 Per Cent Discount Rate
(in thousands of dollars, Canadian)

Canada oil	5,771
Canada natural gas and NGL	136,387
Undeveloped lands	7,898
Canada Total	150,056
U.S. oil, condensates and natural gas	13,658
U.S. undeveloped lands	1,702
United States Total	15,360
Total Canada and United States	165,416
Net book value, at cost less accumulated depletion and depreciation	86,321

Canada

OIL AND GAS

In 1976 Bralorne's Oil and Gas Division adopted a two-part strategy in Canada. It involved expanding cash flow and reserves in existing contract areas and exploring for and developing reserves in new areas. This approach was modified in 1981 as Bralorne reacted to the negative investment climate in Canada by reducing the acquisition of new exploratory lands and concentrating on drilling previously-acquired lands.

The division's activities were further curtailed in 1982 as deteriorating economic conditions resulted in exploratory drilling being brought to a standstill in the second half. The Company's primary thrust in 1982 was infill drilling, deliverability testing and the installation of natural gas production facilities necessary to bring additional reserves on-stream in the first half of 1983.

Of the $19.1 million the division spent in 1982, $6.3 million was spent in Canada. Division revenue in 1982 was up 5% over 1981, to $14,076,000 — despite reduced natural gas production.

In March 1982 Bralorne acquired, for $9,076,000, a Calgary-based junior oil and gas company, Sagebrush Resources Ltd. Sagebrush explored for oil and gas and had production in Western Canada and various areas of the United States. During the year the operations and staff of Sagebrush were consolidated with Bralorne's Oil and Gas Division. The 1982 oil and gas data include Sagebrush data.

Exploration

Bralorne increased its Canadian gross land position in 1982 with the addition of the Sagebrush properties. However, the Company's over-all net land position was slightly less than it was at year-end 1981.

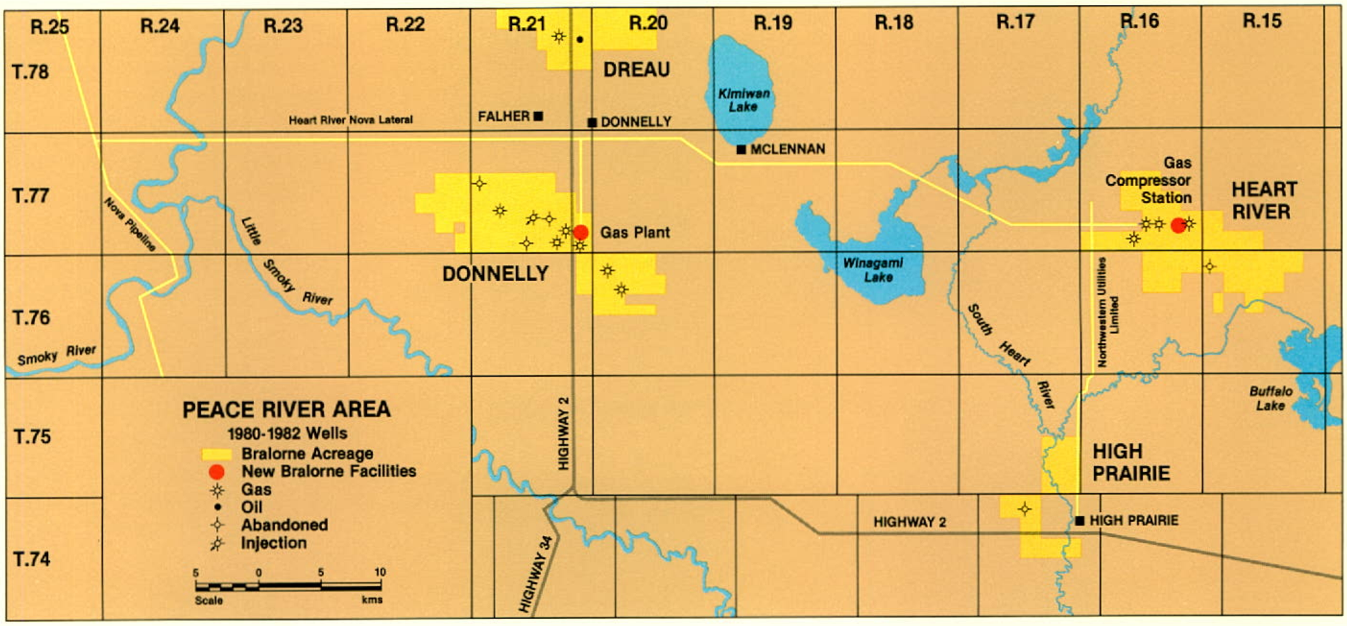
The Company held 519,387 acres (207 754 hectares) gross in Canada compared with 505,420 acres (202 168 hectares) in 1981. Net holdings decreased from 187,005 acres (74 802 hectares) in 1981 to 177,768 acres (71 107 hectares) in 1982.

Exploratory drilling in 1982 was also reduced considerably, with discretionary activity almost completely curtailed after mid-year. Only 7 gross (2.2 net) exploratory wells were drilled, all in Alberta. This compares with 22 gross (8.0 net) wells in 1981.

Results included 6 gross (1.8 net) gas completions and 1 gross (0.4 net) dry hole.

Exploratory drilling at Pine Creek and Fox Creek resulted in 1 potential gas well and 1 dry hole, respectively. One exploratory well and 3 development wells were drilled in the Tower area during the year and were cased as potential gas wells. Bralorne now has a 50% working interest in 13 gas wells and 25,600 acres (10 240 hectares) in the Tower field. Four wells were drilled at Medicine Hat to evaluate the potential of a gas zone discovery drilled in 1981, and although unsuccessful at achieving this objective, were cased as Medicine Hat/Milk River producers.

In the second quarter of 1982 Bralorne announced its participation in a five-year farm-in program for exploration in Canada's Beaufort Sea. The Company took a 10% interest in the $600 million program, but withdrew from the venture at mid-year as part of its



program of reducing expenditures and conserving cash flow.

Joint Venture

Bralorne entered into a joint venture agreement in mid-1980 with C-I-L Inc., Versatile Corporation and ICI Petroleum (Canada) Inc. for new gas exploration in Western Canada.

Participants had originally anticipated spending up to $70 million over the first three years of the agreement, but lack of natural gas markets, the slowdown in North American energy demand and the global economic downturn all combined to reduce levels of activity for the joint venture.

To date the participants have spent $35.5 million and only minimum expenditures are envisioned in the near future. Bralorne, as operator of the joint venture, has spent approximately $10 million on the program and retains a 42.85% working interest in all joint venture properties and reserves.

Development

Bralorne's development drilling was down in 1982, from 28 gross (14.3 net) wells in 1981 to 23 gross (6.9 net) wells in 1982. Of the 23 wells drilled, 22 gross (6.7 net) were completed as gas wells and 1 gross (0.2 net) was a dry hole.

As in previous years, the majority of the development wells were drilled in Bralorne's Medicine Hat gas contract area. Bralorne participated in 14 gross (2.9 net) wells there, all of which were gas wells.

The Company has now substantially completed its development drilling program for the Medicine Hat area, a program which has produced significant increases in deliverability in recent years. However, the Company feels that the prospect for future development drilling there, and thus for further production increases, is limited.

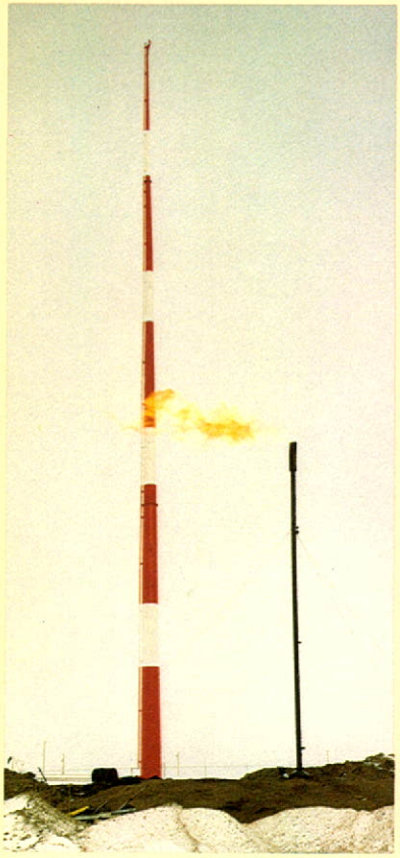
Two development gas wells were also drilled at Heart River — site of a new gas compressor station begun in late 1982. Two development wells were also drilled and cased at Donnelly — site of a new gas plant to be constructed in early 1983. Both areas are scheduled to begin delivering gas to Pan-Alberta Gas Ltd. in the second quarter of 1983.

Production

Bralorne's natural gas production in Canada in 1982 decreased to 12.6 million cubic feet per day (356 thousand cubic metres per day), from 15.9 million cubic feet per day (448 thousand cubic metres per day) in 1981. The drop in production was principally due to reduced gas deliveries requested by TransCanada PipeLines Limited.

Production of crude oil and natural gas liquids increased in 1982, from 132 barrels per day (21 cubic metres per day) in 1981 to 182 barrels per day (29 cubic metres per day) in 1982. The increase reflects both additional Bralorne production, plus the addition of Sagebrush production.

Revenue from the sale of oil and gas in Canada was $11.1 million, compared with $10.8 million in 1981.



Top: Construction of a new gas compressor station at Heart River began in late 1982.
Middle: Polesystems Ltd. manufactures traffic control and lighting structures, as well as flare stacks.
Bottom: Bralorne natural gas production should increase by 50% in 1983.

Much of the Company's activity in 1982 was devoted to installing production facilities needed to put additional natural gas on-stream in early 1983.

The Company's Parkland gas began flowing to market in January 1983, and the Company's over-all production will increase further in early 1983 as deliveries are made under contracts to Pan-Alberta Gas Ltd., Fiberglas Canada Inc., and Sherritt Gordon Mines Limited.

These new gas contracts (including the Parkland gas) are expected to increase Bralorne's Canadian natural gas production in 1983 by 6.7 million cubic feet per day (190 thousand cubic metres per day) — an increase of more than 50% over last year.

Reserves

An evaluation of Bralorne's Canadian reserves was conducted by the independent consulting firm of Sproule Associates Limited. As of year-end 1982 the Company's gross proven and probable Canadian crude oil and natural gas liquids reserves were 1,145 thousand barrels (182 thousand cubic metres), up slightly from 1,113 thousand barrels (177 thousand cubic metres) at year-end 1981. Natural gas reserves were down. At year-end 1982 the Company's gross proven and probable natural gas reserves were 137.9 billion cubic feet (3 885 million cubic metres), down from 150.0 billion cubic feet (4 226 million cubic metres) a year ago.

The reduction in natural gas reserves was attributable principally to normal reserve decline through production at Medicine Hat — 6.1 billion cubic feet (172 million cubic metres) — and a revised evaluation of the Donnelly field. Delineation drilling in 1982 resulted in Bralorne's reserves at Donnelly being cut from 44.3 billion cubic feet (1 248 million cubic metres) to 25.6 billion cubic feet (721 million cubic metres). However, as the field goes into production in 1983 and additional information is gained about its characteristics, future upward evaluation is possible.

Present worth of Bralorne's Canadian reserves, along with unproven properties, net of royalties and operating costs but before taxes and discounted at 15%, decreased from $168,612,000 in 1981 to $150,056,000 in 1982. This decrease reflects the reduction in reserves, lower price forecasts, and potential delays in future natural gas deliveries.

Outlook

Bralorne entered 1982 with the intention of maintaining a "holding pattern" if economic conditions did not improve enough to warrant increased oil and gas activity. The Company entered 1983 with the same intention.

The new gas contracts that will result in gas coming on-stream in early 1983 are certainly a positive factor for the Company. With the anticipated production under these contracts Bralorne will have approximately 57% of its proven Canadian gas reserves on production.

The Company also continues to pursue sale of its shut-in gas to industrial gas users, one of which is a joint venture partner.

As a Canadian public company — the Company calculates its Canadian Ownership Rating to be at least 76% — Bralorne is in a position to take maximum benefit of any and all national incentives available to the Canadian petroleum industry. But until significant new markets can be developed for the Company's shut-in gas, Bralorne must continue to act prudently and curtail its Canadian oil and gas activity.

MANUFACTURING

Barber Offshore Ltd. is a Newfoundland company established by Bralorne to provide service to the Atlantic petroleum industry. The company operates a machine shop in St. John's, providing threading services.

The company added one computerized numerically-controlled lathe, and managed to record a reasonable year in 1982.

In early 1983 Bralorne opened a second Barber Offshore threading plant in Dartmouth, Nova Scotia. The plant was opened in recognition of the fact that Nova Scotia is a distinct market area.

The company remains optimistic about Newfoundland for future oil field growth, but feels the Nova Scotia offshore gas play also warrants attention.

In Western Canada Barber Industries had another difficult year.

Barber operates one of the largest metal fabricating and machining facilities in the West, with plants in Calgary and Edmonton. In 1982 Barber consolidated its machine shop operations in Edmonton, virtually shutting down the Calgary machine shop except for some threading work. Barber also reduced employment in both cities.

Sales of gas compressor packages were about 60% of previous year's sales. But general fabrication work in Calgary increased, with more pressure vessels being built.

The Wellhead and Engineered Oil Controls (ENOCO) divisions opened a new sales and services office at year-end in Grande Prairie.

Barber entered 1983 with a four months' backlog of work in hand — a special Hunting pipe connector job out of Edmonton and a VAM threading job out of Calgary, plus compressor package and wellhead orders. But the company still expects another difficult year and is looking for more general fabrication work and greater diversification to ensure longer-term strength.

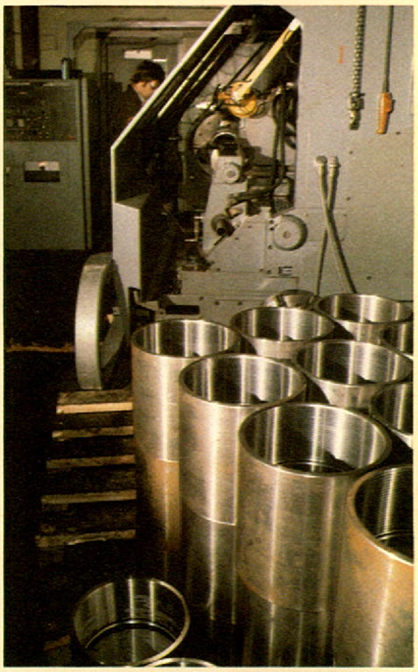
SERVICE

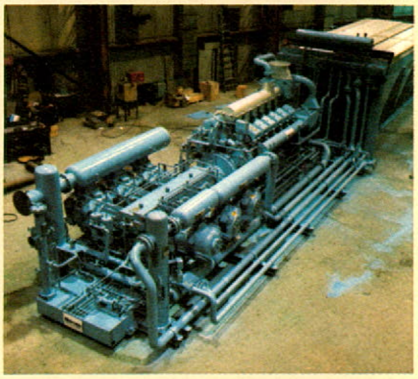
The Service Group was hard hit in 1981; 1982 proved to be worse still.

Crown Caterers of Edmonton leases and services camps and provides catering services. It recorded about the same amount of business activity in 1982 as it did in 1981, but with greater competition and less profitability.

Its Camp Provisioners Division in Edmonton, which supplies meat and frozen produce to Crown and other commercial and institutional businesses, faced a similar situation.

Crown did see an increase in demand for its services at year-end, as the winter drilling season showed some signs of life. But prospects for 1983 are for another difficult year.





Top: One of Custom Structures' jobs in 1982 was this multi-storey camp for use by Dome in the Beaufort Sea.
Middle: Barber Offshore Ltd. added a new computerized numerically-controlled lathe to its St. John's machine shop.
Bottom: Barber Industries produces a variety of products, including gas compressor packages.

Barber Industries' Edmonton machine shop is capable of doing large-diameter Hunting pipe connector work.

Custom Structures of Spruce Grove manufactures, sells, leases and services industrial relocatable housing. In 1982 Custom produced a number of small structures — relocatable offices, and power generation buildings — as well as a number of large, custom-built specialty units. But the market for Custom's basic drill camps was all but non-existent, and in June Custom closed down its Claresholm plant.

Custom did produce a special four-storey barge camp for use in the Beaufort Sea. It produced a three-storey drill camp for use in Alaska. It also began work on a construction camp at Norman Wells.

At the start of 1983 it began work on a special multiple-storey unit to be used on caissons in the Beaufort Sea.

But prospects for the rest of 1983 are anything but strong, and Custom plans to concentrate on more specialty units.

SUPPLY

Jarco Services Ltd. of Calgary supplies downhole drilling tools. It assembles, leases and services patented hydraulic drilling jars, used on drilling rigs to free strings of drill pipe which become stuck in the hole; and shock subs, used to dampen vibration in a drill string, thus reducing downhole maintenance and increasing drill bit life.

Jarco has tools in use throughout Canada and the United States as well as internationally (in Southeast Asia Jarco is represented by Bralorne Resources Pte. Ltd. of Singapore).

Jarco's revenues in 1982 were comparable to those in 1981. However, decreasing demand for product — particularly as the amount of drilling in North America dropped through the year — plus increasing competition in all market areas combined to reduce Jarco's profitability.

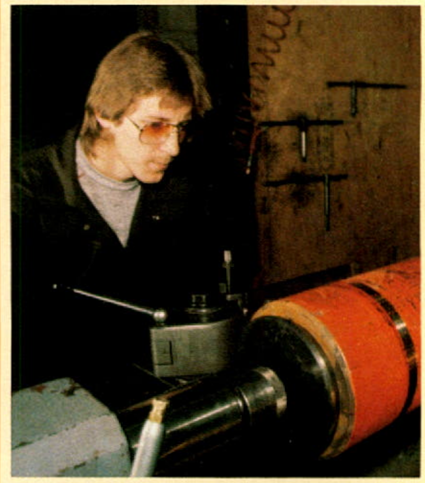
Jarco sees little sign of improvement in its North American markets for 1983.

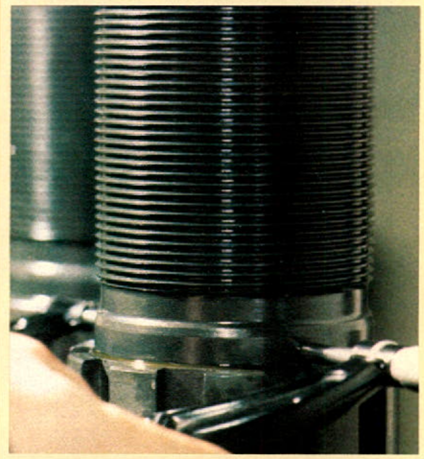
Polesystems Ltd. of Calgary and Winnipeg manufactures highway lighting and traffic control structures. It also manufactures light rail power poles and flare stacks for the petroleum industry.

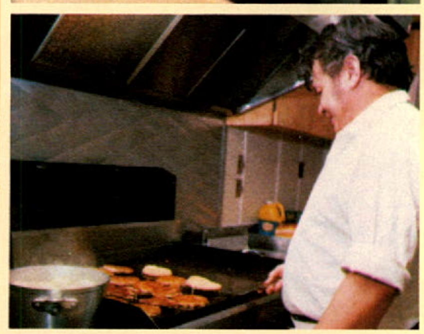
After a slow start in 1982, with the company faced with declining demand from its conventional customers (the cities and provinces), Polesystems decreased its operating costs, cut inventories by 50%, developed new product lines (such as flare stacks), developed new markets and a new dealer network and ended 1982 showing a modest profit.

Gold Mine

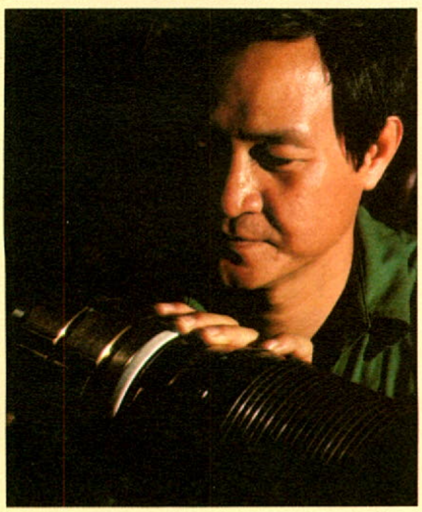
No decision was taken in 1982 on re-opening the Bralorne gold mine in B.C. Now that Bralorne's joint venture partner has completed its $5,000,000 exploration and rehabilitation program at the mine, Bralorne's interest in the mine has been reduced to 50%. Results of the program continue to be evaluated.







Top: Barber Offshore Ltd. does threading service work for the Atlantic petroleum industry.
Middle: Jarco Services Ltd. assembles and leases hydraulic drilling jars and shock subs.
Bottom: Crown Caterers provides camps and camp catering services.



Top: Mobile Homes Limited makes relocatable housing for the Middle East and North Africa.
Middle: Bralorne is a participant in an Australia farm-in venture.
Bottom: Jarco Services Ltd. has tools in use internationally, including Southeast Asia.

Around the World

International sales once again accounted for 3% of Bralorne's total revenue. In 1982 international sales revenue was $6,178,000. Operating profit of $771,000 also represented 3% of the total.

Jarco Services Ltd., a Canadian-based supplier of downhole drilling tools, had success in recent years with its international operations. Jarco is represented in Southeast Asia by Bralorne Resources Pte. Ltd. of Singapore, and Jarco tools have been in use in Malaysia, Indonesia and the Philippines. Early in 1982 the company opened a machine shop in Balikpapan, Indonesia, but as the year progressed and business deteriorated the machine shop was sold. Declining demand for tools and increasing competition in the Southeast Asia area both contributed to reduced profitability for Jarco's international operations in 1982.

Mobile Homes Limited of Corradino, Malta also started 1982 positively but then experienced difficulties. Mobile Homes manufactures and sells mobile housing for residential, commercial and industrial use in the Middle East and North Africa.

The first four months of 1982 produced generally good results. But after April the company's seismic camp work and Libyan business declined, and the company had to reduce employment. A large Algerian contract awarded in October helped restore production for the rest of the year and well into 1983.

Mobile Homes looks for some improvement in 1983, with increased activity in countries such as Egypt providing most of the reason for guarded optimism.

In 1981 Bralorne agreed to participate in an oil and gas exploration and development program in Australia. Bralorne, along with other North American companies, farmed-in to a portion of the Magnet Group of companies' interest in 37 permits for exploration onshore and offshore. Bralorne was to earn interests varying from 0.075% to 2.5% by participating in 27 exploratory wells, 10 development wells and seismic work.

In 1982 Bralorne and partners reduced their holdings to 28 petroleum permits covering 95,261,219 acres (38 104 487 hectares) gross — 707,454 acres (282 982 hectares) net to Bralorne. Although anticipated cost to Bralorne for 1982 was originally $2.2 million (Canadian) the actual expenditure during the year was $0.9 million as the participants agreed to reduce the level of activity. The Company's total expenditure to date in Australia has been $1.4 million (Canadian).

Bralorne has now been involved in the drilling of 16 wells in Australia, 3 of which were drilled at no cost to Bralorne since they were farmed out. The results include 6 gas wells — the most significant being the Petrel #3 discovery in the Bonaparte Gulf Basin — and 10 dry holes.

As of November 1982, according to independent consultants, proven and probable Australian reserves net to Bralorne (before royalties) were 17.0 billion cubic feet (479 million cubic metres) of natural gas. Present worth of these reserves, at 15% discount rate, is $10.3 million (Canadian).

FINANCIAL STATEMENTS

Consolidated Statement of Operations and Earnings Reinvested in the Business

	December 31	
	1982	1981
Gross revenue	**$228,281,000**	$337,340,000
Expenses:		
Cost of sales and services	**149,552,000**	210,922,000
Selling, general and administrative	**40,013,000**	32,302,000
Interest on long-term debt	**18,138,000**	14,847,000
Other interest	**7,077,000**	5,172,000
Depreciation and amortization	**18,031,000**	14,376,000
Depletion	**3,688,000**	2,200,000
Loss (gain) on foreign exchange	**(1,414,000)**	722,000
	235,085,000	280,541,000
Income (loss) before income taxes and minority interest	**(6,804,000)**	56,799,000
Income taxes:		
Alberta Royalty Tax Credit	**(2,168,000)**	(1,155,000)
Current	**(6,228,000)**	17,981,000
Deferred	**1,184,000**	7,155,000
	(7,212,000)	23,981,000
Income before minority interest	**408,000**	32,818,000
Minority interest	**1,237,000**	6,188,000
Net income (loss)	**(829,000)**	26,630,000
Earnings reinvested in the business, beginning of year	**71,015,000**	47,469,000
	70,186,000	74,099,000
Dividends (1982 — $0.075 per share) (1981 — $0.15 per share)	**1,542,000**	3,084,000
Excess of purchase price of common shares over stated value	**284,000**	—
Earnings reinvested in the business, end of year	**$ 68,360,000**	$ 71,015,000
Earnings (loss) per share	**$(0.04)**	$1.30

Bralorne Resources Limited

Consolidated Balance Sheet

	December 31	
Assets	**1982**	1981
Current assets:		
Cash	**$ 2,783,000**	$ 6,664,000
Accounts receivable	**35,712,000**	70,626,000
Income taxes recoverable	**10,762,000**	—
Inventories of raw materials and supplies, at lower of cost or net realizable value	**75,925,000**	71,669,000
Prepaid expenses and other assets	**2,210,000**	2,651,000
	127,392,000	151,610,000
Long-term receivables and other assets	**5,183,000**	5,957,000
Capital assets:		
Property, plant and equipment, at cost	**117,202,000**	101,368,000
Less: Accumulated depreciation	**(35,829,000)**	(26,517,000)
Oil and gas interests, at cost	**100,274,000**	65,420,000
Less: Accumulated depletion and depreciation	**(13,953,000)**	(9,294,000)
Mining interests, at cost, less amounts written off	**956,000**	950,000
	168,650,000	131,927,000
Goodwill	**30,578,000**	31,369,000
Patents	**3,233,000**	3,522,000
	$335,036,000	$324,385,000

Liabilities		
Current liabilities:		
Bank loans	**$ 41,433,000**	$ 35,107,000
Accounts payable and accrued liabilities	**25,036,000**	40,837,000
Dividend payable	**—**	1,542,000
Income taxes payable	**—**	5,068,000
Current portion of long-term debt	**14,304,000**	3,773,000
	80,773,000	86,327,000
Long-term debt	**122,782,000**	104,375,000
Deferred income taxes	**29,380,000**	28,196,000
Prepayment of natural gas sales	**2,610,000**	1,345,000
Minority interest	**14,515,000**	16,476,000
Shareholders' Equity		
Capital stock —		
Authorized — 30,000,000 shares of no par value		
Issued — 20,515,330 shares (1981 — 20,559,030)	**16,616,000**	16,651,000
Earnings reinvested in the business	**68,360,000**	71,015,000
	84,976,000	87,666,000
	$335,036,000	$324,385,000

Approved by the Board:

F. W. Fitzpatrick, Director

Peter Paul Saunders, Director

Consolidated Statement of Changes in Financial Position

	December 31 1982	December 31 1981
Sources of working capital:		
From operations —		
Net income (loss)	$ (829,000)	$26,630,000
Add: Items not affecting working capital		
Depreciation, depletion and amortization	21,719,000	16,576,000
Deferred income taxes	1,184,000	7,155,000
Minority interest	1,237,000	6,188,000
Other — net	(585,000)	(2,738,000)
Cash flow from operations	22,726,000	53,811,000
Long-term debt	20,209,000	31,519,000
Proceeds from sale of fixed assets	3,536,000	5,969,000
Prepayment of natural gas sales	1,265,000	107,000
Decrease (increase) in long-term receivables — net	741,000	(1,580,000)
Issuance of common shares	—	560,000
	48,477,000	90,386,000
Uses of working capital:		
Property, plant and equipment	18,922,000	33,755,000
Oil and gas interests	19,054,000	16,999,000
Reduction in long-term debt	13,487,000	12,070,000
Dividends	1,542,000	3,084,000
Business acquisition less working capital acquired	10,511,000	9,054,000
Additional purchase consideration on prior acquisition	—	2,337,000
Purchase of minority interest	2,255,000	—
Minority interest dividends	943,000	88,000
Purchase of common shares	319,000	—
Other	108,000	—
	67,141,000	77,387,000
Increase (decrease) in working capital	(18,664,000)	12,999,000
Working capital, beginning of year	65,283,000	52,284,000
Working capital, end of year	$46,619,000	$65,283,000

Notes to 1982 Consolidated Financial Statements

1. Accounting Policies

(a) Principles of consolidation: The consolidated financial statements include the accounts of the Company and all its subsidiaries.

(b) Oil and gas interests: The Company follows the full cost method of accounting for oil and gas properties whereby all costs relating to the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expense, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead related to exploration activities. These costs are depleted by the unit-of-production method based on the estimated proven oil and gas reserves.

(c) 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.

(d) Property, plant and equipment: Property, plant and equipment are carried at cost, and are being depreciated 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 on retirement or disposal of property, plant and equipment are recognized in income.

(e) Goodwill: Goodwill is being amortized on a straight-line basis over forty years resulting in a charge to income in 1982 of $827,000 (1981 — $733,000).

(f) Patents: Patents are being amortized over a period of seventeen years resulting in a charge to income in 1982 of $289,000 (1981 — $108,000).

(g) Income Taxes: The Company accounts for taxes by the tax allocation method whereby tax expense is determined as the amount that would be payable if statutory deductions for drilling, exploration and lease acquisitions and capital cost allowance did not exceed the related depletion and depreciation provisions charged against income. The excess of income tax expense over income tax actually payable is reported as deferred income tax expense.

(h) Earnings (loss) per share: The Company calculates earnings or loss per share based on the weighted monthly average of shares outstanding.

(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 and amortization which are translated on the same basis as the related assets.

2. Business Acquisition

Effective March 1, 1982 the Company acquired all the outstanding shares of a company engaged in the business of exploration for and development of petroleum and natural gas reserves. The acquisition has been accounted for as a purchase and accordingly the results of operations since March 1, 1982 have been included in the consolidated financial statements.

Net assets acquired at March 1, 1982 are summarized as follows:		Consideration:	
Working capital	$ (1,435,000)	Cash	$9,076,000
Fixed assets, at appraised value	22,196,000		
	20,761,000		
Long-term debt	(11,685,000)		
	$ 9,076,000		$9,076,000

3. Bank Loans

Operating bank loans amounting to $25,873,000 (U.S. $21,045,000) are secured by certain inventories and a general assignment of certain book debts. Additional operating bank loans amounting to $15,560,000 are secured by certain inventories, a general assignment of certain book debts and the first floating charge debenture referred to in Note 4.

4. Long-Term Debt (thousands of dollars)

	1982	1981
Bralorne Resources Limited		
Sinking fund debentures, Series A, bearing interest at 12⅞% due August 15, 1995, secured by certain producing oil and gas properties	**$ 40,000**	$ 40,000
Bank loan bearing interest as follows: February 1, 1982 - January 31, 1984 — prime rate of a Canadian bank; February 1, 1984 - January 31, 1989 — ¼% above prime rate of a Canadian bank, repayable in quarterly instalments commencing April 30, 1984, unsecured	**9,300**	—
Bank loan bearing interest as follows: November 1, 1982 - October 31, 1987 — ¾% above prime rate of a Canadian bank; November 1, 1987 - September 1, 1992 — 1% above prime rate of a Canadian bank, repayable in quarterly instalments commencing September 1, 1983 secured by certain natural gas properties	**9,500**	—
Deferred payment, non-interest bearing, in connection with acquisition of a subsidiary paid April 1, 1982	**—**	600
Term loan, due June 21, 1991, bearing interest at the prime rate of a U.S. bank less ¼% (principal amount U.S. $5,000,000), unsecured (see Note 13(b))	**5,995**	5,995
Bralorne International Inc.		
Bank loans, secured, bearing interest as follows: U.S. $17,000,000 at ¾% above the Eurodollar London inter-bank rate — due in equal semi-annual instalments 1982 - 1987; U.S. $10,000,000 at a fixed rate of 15⅞% — due 1986; U.S. $10,000,000 at a fixed rate of 16% — due 1986	**43,499**	43,212
Bank loans bearing interest at ½% above the prime rate of a U.S. bank (principal amount U.S. $9,190,000), repayable by an initial payment of U.S. $1,155,000 on March 31, 1983, the balance by quarterly instalments, commencing June 30, 1983 through 1987, initially at U.S. $618,000 declining to U.S. $433,000, unsecured	**11,466**	—

Notes payable 1983 - 1986 bearing interest at 6% and 9% (principal amount U.S. $5,666,000)	**6,889**	6,799
Mark Products, Inc.		
Note bearing interest at 9.95% repayable in semi-annual instalments through December 1, 1990 (principal amount U.S. $4,275,000)	**5,024**	5,378
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)	**4,814**	4,802
Other secured debt	**599**	1,362
	137,086	108,148
Less: Current portion	**14,304**	3,773
	$122,782	$104,375

The aggregate maturities of long-term debt in each of the four years subsequent to December 31, 1983 are as follows:

1984 — $13,234,000
1985 — $18,932,000
1986 — $39,654,000
1987 — $10,280,000

Under the provisions of the Trust Deed securing the $40,000,000 debenture, the Company must establish a sinking fund by remitting to the trustee $3,000,000 annually for the years 1983 to 1994 inclusive. In addition, the Company must ensure that the value of the petroleum and natural gas properties securing the debentures, discounted at 12⅞%, exceeds the principal amount of the debenture outstanding by a certain percentage and that the annual net revenue forecasts of these properties exceed the annual principal and interest requirements by a certain percentage. The discounted value and annual net revenue forecasts are to be determined by independent petroleum consultants.

As additional security for an operating bank loan in Note 3 and as security for long-term bank loans amounting to U.S. $37,000,000 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.

The note of $5,024,000, shown under Mark Products, Inc. above, is unsecured but the loan agreement contains restrictive covenants limiting the payment of dividends and requiring a certain level of net working capital for Mark Products, Inc. In addition to this, Mark Products, Inc. is restricted from incurring additional debt in excess of a specific amount, mortgaging certain assets, entering into long-term lease agreements, guaranteeing debt, disposing of certain assets and entering into new lines of business.

5. Share Capital

On March 5, 1982 an option to purchase 100,000 shares of the Company was granted to an officer under the Company's incentive stock option plan, exercisable at $9 per share on a cumulative basis at the rate of 10,000 shares annually until March 5, 1992.

In 1982, 43,700 common shares of the Company previously issued under the Company's incentive share subscription plan were purchased by the Company at an amount equal to the original issue price for a total consideration of $319,000 and cancelled (1981 — 42,900 treasury shares were issued for $560,000). The shares are held by a trustee as security for promissory notes from the various participants which are repayable in five equal 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, 1982 this amount was $3,164,000 (1981 — $3,823,000).

The Company has set aside 215,460 common shares as at December 31, 1982 for possible future allocation under these plans.

6. **Income Taxes** (thousands of dollars)

The provision for income taxes in the Consolidated Statement of Operations and Earnings Reinvested in the Business reflects an effective tax rate which differs from the Canadian corporate tax rate of 48.8% for the following reasons:

	1982	1981
Income taxes (recovery) at the Canadian corporate tax rate (48.8%)	**$(3,320)**	$27,718
Add (deduct) effect of —		
Resource royalties, lease rentals and mineral taxes payable to the Crown disallowed for tax purposes	**1,139**	1,927
Petroleum and gas revenue tax disallowed for tax purposes	**561**	510
Resource profits rate reductions	**(2,029)**	(2,238)
U.S. incentive credits	**(1,272)**	(1,109)
Earnings from foreign subsidiaries with lower effective tax rate	**(359)**	(1,853)
Provincial resource industry rebates	**(2,168)**	(1,263)
Inventory allowance	**(228)**	(178)
Miscellaneous	**464**	467
Actual income tax provision (recovery)	**$(7,212)**	$23,981

7. **Contingencies**

(a) The acquisition costs of certain companies acquired prior to December 31, 1982 are subject to an upward adjustment (payable in cash) which cannot be determined until 1984, 1985 and 1986. When such amounts are determined the additional payments will be charged to goodwill.

(b) The Company, through the acquisition referred to in Note 2, owns three drilling rigs which are currently inactive in the United States. The book value of $5,646,000 of these rigs currently exceeds their market value. Management is of the opinion that, until there is a significant increase in drilling activity in the United States, these rigs will neither generate revenues nor will they be marketable for an amount which would recover the book value.

8. **Segmented Information** (thousands of dollars)

By Geographic Location	**Canada**		**United States**	
	1982	1981	**1982**	1981
Sales to customers outside the enterprise	**$ 79,678**	96,171	**142,425**	229,758
Intersegment sales	**3,189**	2,627	**265**	206
Total revenue	**82,867**	98,798	**142,690**	229,964
Segmented operating profit	**$ 8,513**	14,809	**13,189**	66,038
General corporate expenses				
Interest expense				
Loss (gain) on foreign exchange				
Income taxes				
Minority interest				
NET INCOME (LOSS)				
Identifiable assets	**$126,233**	120,996	**202,833**	195,418

By Industry	**Manufacturing**		**Service**		**Supply**	
	1982	1981	**1982**	1981	**1982**	1981
Sales to customers outside the enterprise	**$141,665**	224,198	**50,828**	79,927	**21,219**	19,421
Intersegment sales	**3,502**	4,455	**706**	718	**35**	198
Total revenue	**145,167**	228,653	**51,534**	80,645	**21,254**	19,619
Segmented operating profit (loss)	**$ 17,135**	58,709	**(1,487)**	10,366	**1,634**	4,080
General corporate expenses						
Interest expense						
Loss (gain) on foreign exchange						
Income taxes						
Minority interest						
NET INCOME (LOSS)						
Identifiable assets	**$150,657**	166,739	**37,179**	50,552	**33,818**	29,488
Expenditure on oil and gas interests	**$ —**	—	**—**	—	**—**	—
Expenditures on property, plant and equipment	**$ 9,900**	19,341	**2,455**	9,129	**5,773**	4,705
Depreciation, amortization and depletion	**$ 6,206**	5,238	**6,677**	5,875	**2,873**	1,712

Other		Eliminations		Consolidated	
1982	1981	**1982**	1981	**1982**	1981
6,178	11,411	**—**	—	**228,281**	337,340
833	325	**(4,287)**	(3,158)	**—**	—
7,011	11,736	**(4,287)**	(3,158)	**228,281**	337,340
771	1,853	**—**	(665)	**22,473**	82,035
				5,476	4,495
				25,215	20,019
				(1,414)	722
				(7,212)	23,981
				1,237	6,188
				$ (829)	26,630
6,465	7,571	**(495)**	400	**335,036**	324,385

Oil & Gas		Other		Eliminations		Consolidated	
1982	1981	**1982**	1981	**1982**	1981	**1982**	1981
14,076	13,422	**493**	372	**—**	—	**228,281**	337,340
—	—	**2,647**	2,755	**(6,890)**	(8,126)	**—**	—
14,076	13,422	**3,140**	3,127	**(6,890)**	(8,126)	**228,281**	337,340
4,645	7,076	**546**	1,804	**—**	—	**22,473**	82,035
						5,476	4,495
						25,215	20,019
						(1,414)	722
						(7,212)	23,981
						1,237	6,188
						$ (829)	26,630
93,817	63,624	**19,565**	13,982	**—**	—	**335,036**	324,385
19,054	16,999	**—**	—	**—**	—	**19,054**	16,999
171	273	**623**	430	**—**	(123)	**18,922**	33,755
4,608	2,745	**1,355**	1,006	**—**	—	**21,719**	16,576

The Company operates in four main segments of the resource industry. The manufacturing segment produces and sells compressor packages, wellhead equipment, kellys and drill collars, geophones, connectors, cable, carbide cutting tools and tool holders. The service segment provides industrial relocatable housing, camp catering, and builds board roads and prepares drilling sites. The supply segment supplies downhole tools, safety equipment for the drilling industry and provides a variety of light standards and overhead traffic structures. The oil and gas segment is involved in the exploration for, and development of, petroleum and natural gas resources.

9. Long-Term Lease Commitments

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

1983 — $2,881,000	1985 — $2,003,000	1987 — $1,153,000
1984 — $2,680,000	1986 — $1,505,000	

10. Related Party Transactions

The Company has participated in a major joint venture for the exploration and development of petroleum and natural gas resources. 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, 1982.

11. 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, 1982 was $1,237,000, including the amount of $68,000 paid to directors as directors' fees (1981 — $1,025,000 and $60,000 respectively).

12. Operating Subsidiary Companies

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

13. Subsequent Events

(a) The Company obtained approval at an Extraordinary General Meeting of common shareholders on January 6, 1983 to increase the authorized share capital by creating 10,000,000 First Preferred Shares.

(b) On February 15, 1983 the Company closed the sale of 1,600,000 8.75% cumulative, redeemable, convertible First Preferred Shares, Series A at a price of $20 per share for proceeds of $30,602,000 after deduction of the underwriter's fee and the costs of issue. The proceeds were used February 15, 1983 to retire the U.S. $5,000,000 term loan, to reduce operating bank loans by approximately $18,700,000 and to make payments on the current portion of long-term loans of approximately $5,600,000.

Auditors' Report

To the Shareholders of Bralorne Resources Limited

We have examined the consolidated balance sheet of Bralorne Resources Limited as at December 31, 1982 and the consolidated statements of operations and 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, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse, Chartered Accountants

Calgary, Alberta, February 15, 1983

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

Office and plant in Edmonton, Alta.

Barber Offshore Ltd.

Office and plant, Clyde Avenue
Donovan's Industrial Park
P.O. Box 13278, Stn. A
St. John's, Nfld. A1B 3M9
Telephone (709) 364-2957

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

Mark Products, Inc.

W. E. (Wayne) Tabor
President

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

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.

K. M. (Kees) Verheul
President

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

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

Sales office in Irvine, California.

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

Sales offices in Calgary, Alta. and Denver, Colorado. Camp Provisioners Division office and plant in Edmonton, Alta.

Custom Structures

F. W. (Fred) Shaw
General Manager

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

Sales offices in Calgary, Alta. and Denver, Colorado.

Mobile Homes Limited

J. S. (Jack) Sutherland
Operations Director

Office and plant, Corradino Heights
Corradino, Malta
Telephone 823924

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

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

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

Jarco Services Ltd.

R. D. (Ron) Carey
President and General Manager

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

Sales office in Edmonton, Alta.
Office and service centre in Casper, Wyoming, and in Singapore.

Polesystems Ltd.

E. H. (Ed) Brennan
President and General Manager

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

Plant in Winnipeg, Man.

Oil and Gas Division

R. D. (Bob) Niven
President

Head office
2900 - 205 - 5 Avenue S.W.
Calgary, Alta. T2P 2V7
Telephone (403) 261-9060

Field office in Medicine Hat, Alta.

United States office
Bralorne International Inc.
814 Corpus Christi National Bank North
Corpus Christi, Texas 78471
Telephone (515) 883-2588

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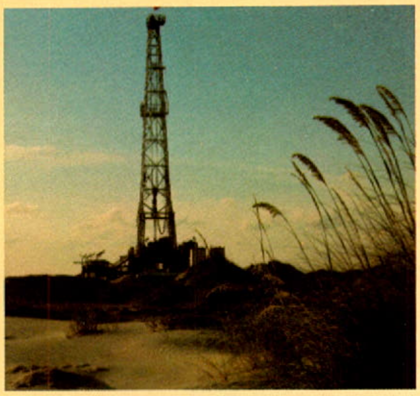

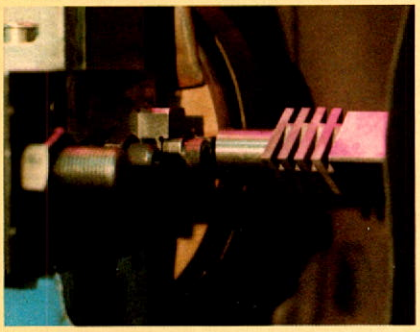

Bralorne Resources Limited
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Calgary, Alberta T2P 2V7