

1980 Annual Report



Bralorne Resources Limited



CORPORATE INFORMATION

The Company

Bralorne Resources Limited is a diversified North American energy

resource company with headquarters in Calgary, Alberta.

The company explores for and produces oil and natural gas in Western Canada and the United States. It is also a major manufacturer and supplier of products and services to energy-related industries world-wide.

Bralorne is organized into three operating groups and one division. There is a Manufacturing Group, a Service Group, a Supply Group, and an Oil and Gas Division.

At year-end 1980 Bralorne — through its divisions and subsidiaries — employed 3,200 people at more than 40 plants and offices around the world. Total wages, salaries and benefits paid to employees in 1980 amounted to \$52.8 million. Comparable figures for 1979 are 2,240 employees and \$31.9 million.

Annual Meeting

The annual meeting of the shareholders of the company will be held in the Bow Valley Square Auditorium, third floor, 205 - 5th Ave. S.W., Calgary, Alberta on Tuesday, April 28, 1981 at 2 p.m.

On the cover

The cover subject is a photograph of an employee at the Custom Structures' Spruce Grove plant. The unusual colors and texture of the picture were created by the technique of posterization. The photograph at right, on the highlights page, is a picture of a Jarco Services Ltd. tool component being hardened with heat at Barber Industries' Edmonton plant.

Officers

Peter Paul Saunders
Chairman of the Board



F. William Fitzpatrick
President and Chief Executive 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

Harry C. Lowther, P.Geol.
Vice President and General Manager,
Oil and Gas Division

Peter G. Wiseman
Secretary

William G. Crossley, C.A.
Treasurer

Executive Office

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Registered and Records Office

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Box 49153
Vancouver, B.C. V7X 1K3

Auditors

Price Waterhouse & Co.
Calgary, Alberta

Bankers

The Royal Bank of Canada
Calgary, Alberta
First City National Bank of Houston
Houston, Texas

Transfer Agent and Registrar

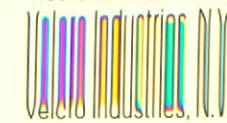
The Royal Trust Company
Vancouver, Toronto and Montreal

Co-Transfer Agent

The First Jersey National Bank
Jersey City, New Jersey

Directors

†Arthur F. Armstrong
Colorado Springs, Colorado
Vice Chairman and President



Velcro Industries, Inc.

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

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

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

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

*John L. Kemmerer, Jr.
New York, New York
President, The Kemmerer Corporation

J. Ronald Longstaffe
Vancouver, British Columbia
Executive Vice President
Canadian Forest Products Ltd.

†Clifford S. Malone
Toronto, Ontario
President, Cannon Inc.

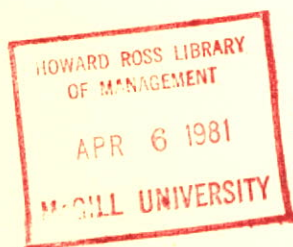
George B. McKeen
Vancouver, British Columbia
President, McKeen & Wilson Ltd.

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

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

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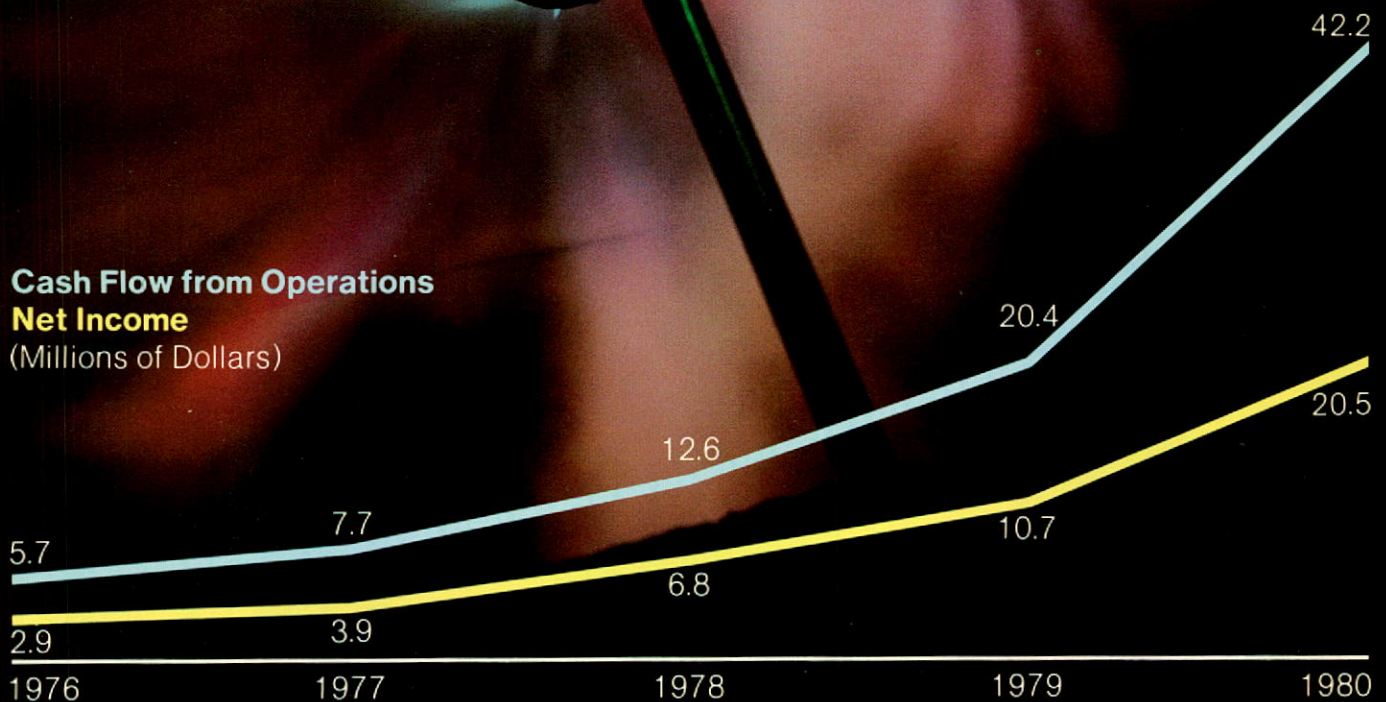
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1980 Highlights

	1980	1979
Gross revenue	\$240.0 million	\$140.7 million
Cash flow from operations	\$ 42.2 million	\$ 20.4 million
Per share	\$ 2.07	\$ 1.02
Net income	\$ 20.5 million	\$ 10.7 million
Per share	\$ 1.01	\$ 0.54
Shareholders' equity	\$ 63.6 million	\$ 41.9 million
Per share	\$ 3.10	\$ 2.09
Return on average shareholders' equity	39%	29%
Dividends	\$ 2.1 million	\$ 1.3 million
Per share	10 cents	7 cents
Natural gas reserves	149 billion cubic feet	100 billion cubic feet
Crude oil and natural gas liquids reserves	1.7 million barrels	1.0 million barrels

Cash Flow from Operations
Net Income
 (Millions of Dollars)



Directors' Report to the Shareholders

Bralorne Resources Limited had an excellent year in 1980. All sectors of the Company performed well, but the continued volume and revenue growth from our United States manufacturing facilities was particularly noteworthy. Also noteworthy was the success of our oil and natural gas exploration programs in Canada and the United States. The only truly sour note for the year was the announcement in October of the National Energy Program (NEP) and budget, which cast a shadow over the entire Canadian petroleum industry.

Financial highlights

Your Board of Directors is pleased to report that gross revenue for the Company was \$239,964,000 in 1980, an increase of 71 per cent over the \$140,700,000 of 1979. Cash flow from operations was \$42,227,000 (\$2.07 per share), 107 per cent more than the \$20,396,000 (\$1.02 per share) last year. Net income was \$20,520,000 (\$1.01 per share), 91 per cent more than the \$10,726,000 (54 cents per share) in 1979. All per share figures reflect the 1980 three-for-one stock split.

One-third of the \$100,000,000 revenue growth was due to acquisitions — the mid-year acquisition of Supreme Contractors, Inc., and the full year's revenue from Mark Products, Inc. acquired in mid-1979. The rest came from internal growth.

Once again the strongest performers were those supplying petroleum exploration products and services. United States subsidiaries were particularly successful. In 1980 more than 50

per cent of sales revenue came from the United States; by year-end that had grown to more than 55 per cent. Almost 60 per cent of operating profit was attributable to United States operations.

Net income growth was attributable to the impact of the United States subsidiaries' success, growth in the Canadian Service Group, improved natural gas sales at improved prices, and an unrealized foreign exchange gain.

The Company continues to work to increase the value of shareholders' investment through short-term growth in cash flow and net income, and through longer-term growth in oil and gas reserves and land asset values.

In 1980 the Company made a net additional investment of \$8 million acquiring, exploring on, and developing its oil and gas properties (expenditures of \$17 million less cash flow from producing properties of \$9 million). At the same time the value of these holdings increased by an estimated \$73 million based on a 12 per cent discount factor, or \$52 million based on a 15 per cent discount factor.

At year-end 1980 the net book value of our oil and gas properties as reflected in the Company's Balance Sheet amounted to \$42 million. Therefore we currently have an estimated unrecorded before-tax gain on oil and gas property values of \$148 million based on a 12 per cent discount rate, or \$106 million using a 15 per cent discount rate. A more detailed review of this asset growth is on Page 20.

During the second quarter a three-for-one stock split was authorized, and the Board of Directors increased dividends by 50 per cent, to a semi-annual 5 cents per share, payable to shareholders of



*F. W. Fitzpatrick
President*

record June 13 and December 10, 1980. Despite the increase — the second in two years — the Board's dividend policy remains one of reinvesting the major part of earnings, to strengthen the Company and your investment.

In the third quarter the Company completed a \$40 million 15-year 12 $\frac{7}{8}$ per cent fixed rate secured financing in Canada. Funds were used to retire existing medium-term and a portion of short-term Canadian bank financing, thus reducing the Company's vulnerability to fluctuating interest rates and strengthening the net working capital position.

Operating highlights

Corporate strategy continues to involve a combination of growth through internal expansion, and growth through acquisition of complementary businesses. Also — and perhaps most important at this time — we continue to pursue a strategy of geographical diversification, primarily directed



Peter Paul Saunders
Chairman

towards further involvement in the United States.

In terms of internal growth, the Company spent more than \$25 million during the year on property, plant and equipment, and another \$17 million on oil and gas interests.

Bralorne also made one acquisition in 1980. Supreme Contractors, Inc. of Lafayette, Louisiana joined the Service Group effective July 1. Supreme is an oil field service company specializing in road and drilling site preparation. It contributed substantially to second half results.

Outlook

Overall the outlook for 1981 is good. We are particularly optimistic about our prospects in the United States, but the situation in Canada is much more uncertain.

The NEP has hurt the Canadian petroleum industry. The stated objectives of the program are laudable — energy self-sufficiency, greater Canadianization of the

petroleum industry, and establishment of a fair pricing and revenue-sharing regime. However, the provisions of the NEP, unless modified, will make self-sufficiency unlikely in this century; they confuse Canadianization with nationalization; and they have created a pricing and revenue-sharing situation that is anything but fair.

The result of all this has been, unfortunately, all too predictable. Numerous companies have announced cutbacks in planned exploration spending. Seismic activity is down. Pre-NEP forecasts calling for a record 10,000 wells to be drilled in 1981 have been reduced to forecasts of only 6,000.

When one looks at what is happening in the United States, the situation in Canada looks even bleaker by comparison. In the United States oil prices have been deregulated, return on oil or gas discovered is significantly higher than that available in Canada, and markets are available. As a result, the petroleum exploration business is booming.

Bralorne is a Canadian public company with approximately 79% of its shares held by Canadian residents. As such it qualifies for maximum incentives as currently outlined in the NEP.

Despite this so-called preferred position we remain highly skeptical of prospects in Canada and intend to restrict both plant and exploration expenditures to present commitment levels until such time as the political and economic climates are resolved.

We believe that the natural gas reserve potential of Western Canada is enormous and that additional gas exports are a necessary ingredient in the timely delineation and exploitation of this reserve potential. We believe, too, that the further development of

export markets is in the national interest, both in terms of strengthening the economy in the short term and ensuring long-term reserves are available to optimize the displacement of oil consumption in the domestic market. Finally we believe most emphatically that the industry will not be prepared to make the necessary investments to ensure energy self-sufficiency until such time as the governments involved create the proper political and economic climate.

Such a climate does exist in the United States and we intend to further expand our involvement in that market. In 1981 we propose to allocate the majority of our plant and equipment spending to our United States facilities. Our Canadian oil and gas spending will be comparable to our 1980 spending, but our 1981 United States oil and gas spending will increase considerably over 1980.

We believe the overall outlook for the Company in 1981 remains good. We are not likely to duplicate the extremely rapid growth of 1980, but the outlook for 1981 nevertheless is still one of continued improvement.

Finally, the Directors would like to welcome new employees and organizations who have joined Bralorne during 1980, and to express their appreciation for the contributions all employees made during the year to the Company's continued success.

On behalf of the Board

Peter Paul Saunders
Peter Paul Saunders
Chairman

F. W. Fitzpatrick

F. W. Fitzpatrick
President

March 6, 1981

Review of Operations



Oil and Gas Division

Increased natural gas sales at higher prices contributed to the doubling of Oil and Gas Division revenue and increased emphasis on exploration resulted in the drilling of a number of gas and oil discovery wells in Canada and in the United States.

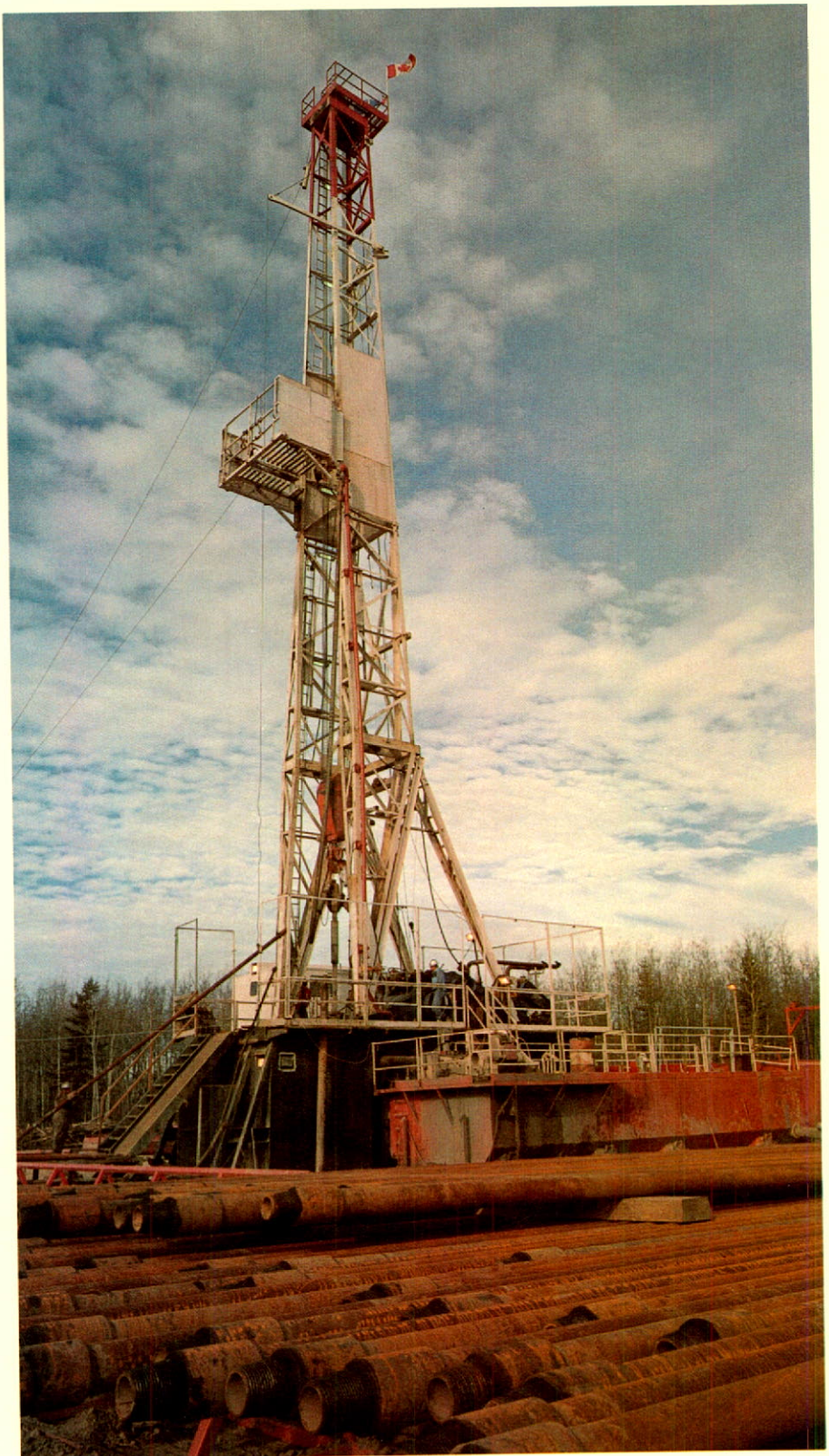
Canada

The Oil and Gas Division continued to pursue a two-part strategy of expanding cash flow and reserves within Alberta gas contract areas, and developing new reserves through land acquisition and exploratory drilling.

During 1980 the Division spent \$13.9 million in Canada on land acquisition, geophysical, development and exploratory work. That compares to 1979 expenditures of \$6.1 million.

Exploration

During 1980 the Company participated in the drilling of 17 gross (8.4 net) exploratory wells in Alberta; 11 (5.5 net) were successful gas completions and 2 (0.9 net) were oil completions.



Exploratory drilling at Dreau, Alberta just north of Donnelly: this well was drilled as part of the new joint venture



*Development drilling at Medicine Hat, Alberta:
one of 61 wells drilled there in 1980*

One of the major areas of activity during the year was Donnelly, south of Peace River. The area was the scene of considerable activity, both by the Company and competitors, following a triple-zone gas discovery well drilled by Bralorne early in the year. Gas was tested from three formations and by mid-year three wells had been completed.

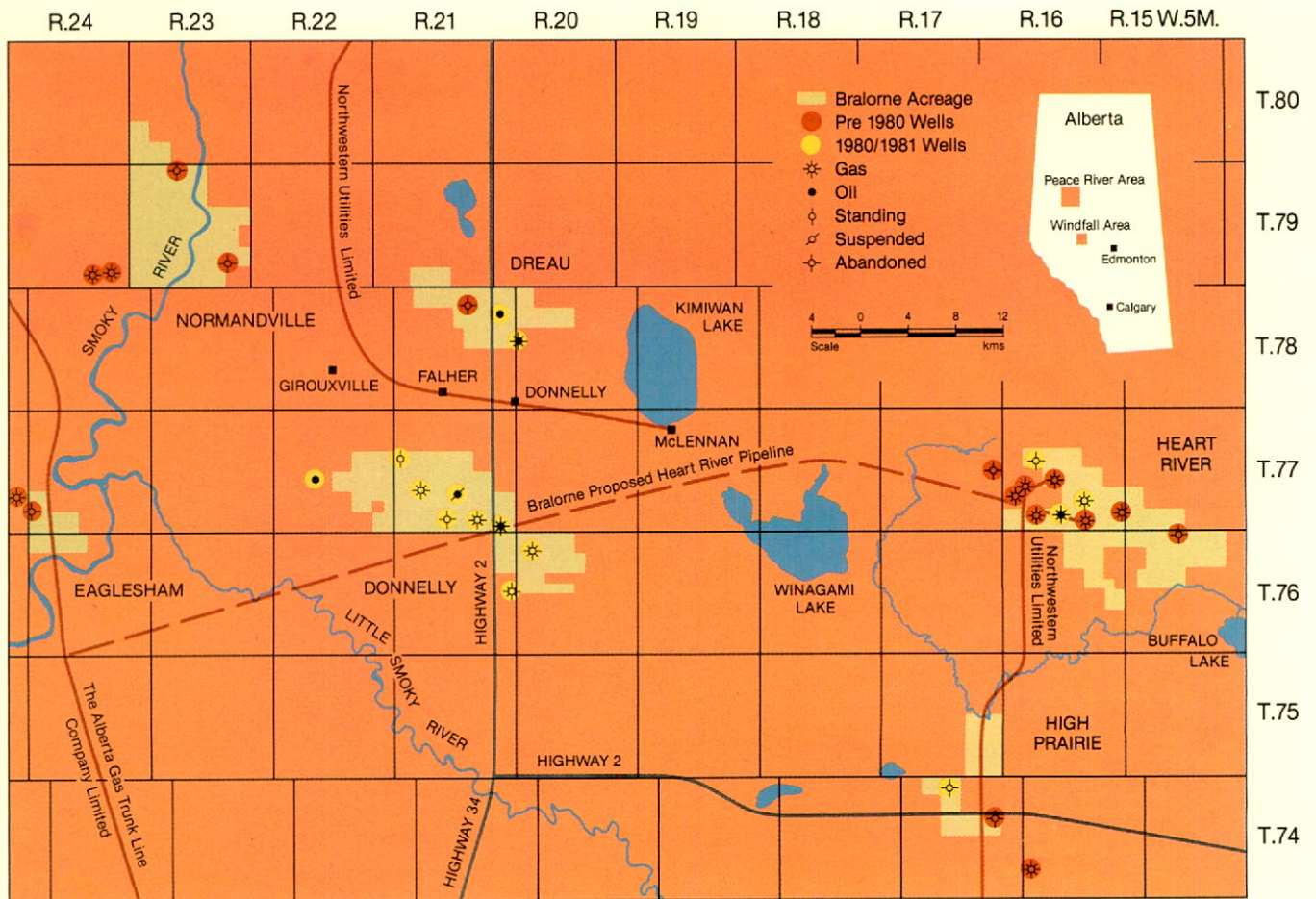
By year-end four additional wells had been drilled on the 24,000 acres (9 600 hectares) held by Bralorne (50 per cent interest) and partner, resulting in two more successful gas completions. Gas has now been tested in six separate formations at rates up to 7,600 thousand cubic feet per day (214 000 cubic metres per day), and oil has been recovered from two zones.

A well was drilled at Dreau, north of Donnelly, in the fourth quarter on 3,840 acres (1 536 hectares) acquired by Bralorne (42.85 per cent interest) and partners in July. It was completed as a low productivity oil well. The Company and partners subsequently were successful in acquiring an additional 6,720 acres (2 688 hectares) offsetting this discovery. Additional drilling on both licences is planned for 1981.

At mid-year a 2,720 acre (1 088 hectare) licence, offset by completed gas wells, was acquired at Iosegun, and a 4,800 acre (1 920 hectare) licence with similar characteristics was acquired at Pine Creek. Bralorne holds a 42.85 per cent interest in both areas. Both prospects will be drilled in 1981.

Gas was discovered at Heart River prior to 1980 in two formations. In December gas was tested at 2,800 thousand cubic feet per day (79 000 cubic metres per day) from a deeper horizon in a delineation well. Bralorne holds

Peace River Area



varied interests in the 24,188 acres (9 675 hectares), ranging from 25 to 50 per cent. The Company has held preliminary discussions with a major transporter of natural gas concerning construction of a pipeline from the Heart River area and has been advised that a pipeline is now economic, if markets can be developed.

Joint Venture One

Bralorne's joint venture agreement with C-I-L Inc., which began in 1976, expired May 30, 1980. During 1980 the two partners spent \$11.7 million on exploration acreage within Alberta and drilling exploration wells. The Joint Venture One properties now total 172,000 acres (68 800 hectares) and

	1980 drilling			United States			total
	oil	Alberta gas	dry	oil	gas	dry	
Exploratory wells							
— gross	2	11	4	6	5	7	35
— net	0.9	5.5	2.0	1.0	1.3	2.0	12.7
Development wells							
— gross	—	56	7	—	—	—	63
— net	—	31.1	5.1	—	—	—	36.2

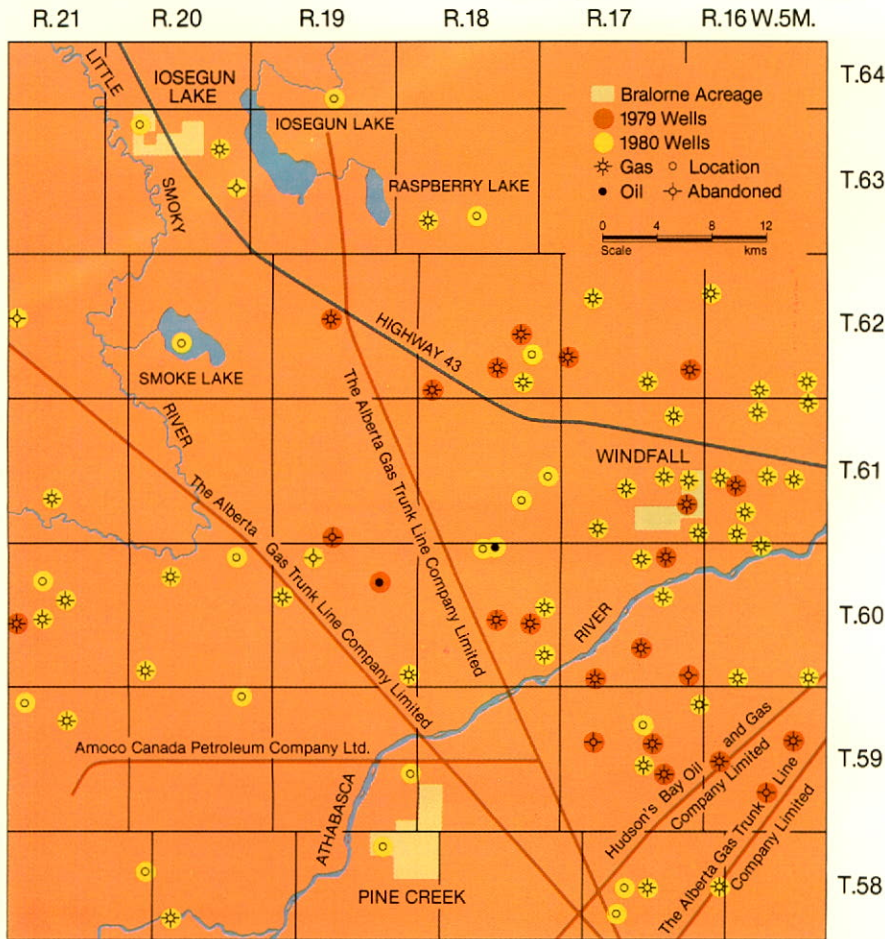
involve 23 prospects. Bralorne and C-I-L will continue to develop these properties as equal partners.

Joint Venture Two

During the year Bralorne and three partners — C-I-L, Versatile Corporation and ICI Petroleum (Canada) Inc. — entered into a new joint venture for oil and gas exploration in Western Canada.

The agreement calls for initial expenditure by the four parties of up to \$70 million by June 30, 1983, but full commitment of funds will be carefully reviewed on an annual basis. The companies may ultimately extend the agreement to 1985 and spend up to \$117 million if conditions warrant.

Windfall Area



Land (in acres)	Dec. 31, 1980	Dec. 31, 1979
Alberta		
— gross	487,125	386,912
— net	180,904	146,265
Saskatchewan		
— gross	6,633	6,633
— net	3,843	3,788
United States		
— gross	19,051	13,774
— net	4,842	4,546
Total		
— gross	512,809	407,319
— net	189,589	154,599

64,000 gross acres (25 600 hectares). Bralorne retains a 42.85 per cent working interest in all lands and petroleum reserves acquired.

Development

Of 63 gross (36.2 net) development wells drilled by the Company in 1980, 56 (31.1 net) were completed as successful gas wells. The major areas of development activity continued to be within the Company's gas purchase contract areas at Medicine Hat.

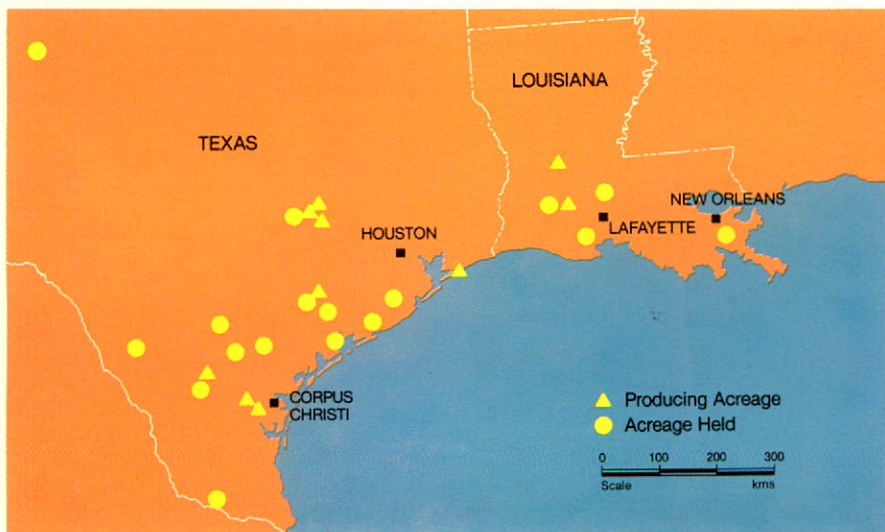
The Company participated in 55 gross wells (31 net) within its contract area at Chappice; 50 (28 net) were completed as gas wells and are now producing.

Also during 1980 6 gross (4.5 net) wells were drilled within the Cavan Lake sales contract area and 4 were completed as producers.

Production

The development drilling program resulted in a significant increase in gas production. Daily gas production in 1979 averaged 9.9 million cubic feet a day (280 thousand cubic metres a day). Daily gas production in 1980 averaged 14.5 million cubic feet a day (409 thousand cubic metres a day). Production at year-end was 18.8 million cubic feet a day (530 thousand cubic metres a day).

United States



As operator of the venture, Bralorne has been acquiring exploration acreage and drilling exploratory

wells since July 1. To date \$11.5 million has been spent acquiring interests in six prospects covering

The increases in production occurred despite some contractual and take-or-pay shutting in of gas during the year. And although volume restraints are expected throughout the province in 1981 the Company still intends to request further increases in its deliveries for November 1981.

Production of crude oil and natural gas liquids, mainly from Saskatchewan properties, increased slightly over 1979. In 1980 it averaged 213 barrels a day (34 cubic metres a day).

Reserves

According to independent consultants Sproule Associates Limited, at year-end net proven and probable crude oil and natural gas liquids reserves were 1,251,000 barrels (199 thousand cubic metres), an increase of 22 per cent over 1979. Gas reserves were 147 billion cubic feet (4 billion cubic metres), an increase of 47 per cent over 1979. Present worth of these reserves, net of royalties and operating costs, but before taxes and discounted at 12 per cent, increased from \$99,053,000 to \$161,721,000.

Outlook

The Company remains concerned about the lack of new markets for natural gas. In 1979 the Company had 67 per cent of its natural gas connected to markets; in 1980 only 50 per cent of our gas was on-stream. Additional markets — domestic and export — must be developed and developed soon.

The Company will continue to expand its land holdings, crude reserves and production facilities in Canada in 1981, but with emphasis on areas near existing energy transportation systems, and on reserves that have some reasonable hope of being developed and sold in the foreseeable future.



Bralorne participated in the drilling of 18 wells on shore in Texas and Louisiana

United States

Bralorne's United States oil and gas activities grew from an expenditure in 1979 of \$1.5 million to an expenditure of \$3.1 million in 1980. Expenditures in 1981 will likely be double those of 1980.

Up to now Bralorne's activity has been limited to investing in joint ventures, but the Company is adding staff and office space in Corpus Christi, Texas, to expand investment activity and to begin operations on our own prospects.

In 1980 Bralorne participated in the drilling of 18 gross (4.3 net) exploratory wells, and an additional four wells by farmout. Of the 18, 6 were completed as oil wells and 5 as gas. All wells were in Texas and Louisiana, onshore.

Relatively modest oil and gas production was realized from these wells in 1980 — just under 13,000 barrels (2.1 thousand cubic metres) of oil and 13,000 thousand cubic feet (366 thousand cubic metres) of gas — providing Bralorne with operating income of about \$0.2 million. Production and revenues from United States operations will increase in 1981.

An independent consultant evaluated our United States reserves at year-end 1980 at 2 billion cubic feet (56 million cubic metres) of natural gas, and 450,000 barrels (71 500 cubic metres) of oil. These reserves have a before tax worth, discounted at 12 per cent, of \$11.8 million (Canadian).

As of year-end, the Company's United States land holdings totalled 19,051 gross acres (7 620 hectares). Bralorne's net interest, which totals 4,842 acres (1 937 hectares), has been independently valued at \$1.25 million.



Installing an Amphib connector, a patented and successful product from Mark Products, Inc.



Manufacturing Group

Bralorne's Manufacturing Group had another excellent year. The Group's revenue was up more than 68 per cent, and accounted for 60 per cent of Bralorne's total revenue in 1980. Prospects for continued volume growth for the Manufacturing Group are excellent in the United States, but uncertain in Canada.

United States

Mark Products, Inc.

Mark Products, Inc. had record earnings and record order backlogs at year-end 1980. Net income was \$6,134,000 (U.S.) on revenues of \$42,276,000 in 1980, compared with net income of \$1,602,000 on revenues of \$24,502,000 in 1979.

Mark manufactures and markets a wide range of equipment used to gather geophysical data, including geophones, cables, and various connectors.

Mark has its head office and plants in Houston, Texas. In the first quarter of 1980 Mark acquired a new 60,000 square-foot building adjacent to its two other plants. It now houses the corporate offices, an expanded research and development staff, and sales and

accounting departments. It also provides additional manufacturing space which will be fully utilized in 1981.

Custom Cable Company, a Mark subsidiary in Houston, added 20,000 square feet of plant space in the first quarter, and installed one of the world's largest cabling machines.

In the spring, Mark opened a service centre in Denver, Colorado to provide cable repair, geophone restringing and accessories to geophysical crews working in the Rocky Mountains.

Mark's outlook for 1981 is excellent. The company is considered a technical innovator and a leader in the geophysical equipment industry, and with the continuing — and indeed growing — boom in United States petroleum activity Mark's prospects are bright. To meet the continuing high demand for its products Mark plans to increase its production capacity 50 per cent by mid-1981.

Mark is a public company 51 per cent owned by Bralorne. On August 28 last year trading in Mark shares commenced on the American Stock Exchange under the symbol MKP; it previously traded on NASDAQ.

OMSCO Industries, Inc.

Plant expansion and expansion of storage capacity for steel, begun in 1979, continued at OMSCO Industries, Inc. in 1980. In fact, expansion and growth has been almost continuous at the OMSCO facility in Houston, Texas, as OMSCO has increased its production and sales to meet the continuing increase in demand throughout the United States for petroleum exploration products.



A 5½-inch hex kelly before machining the hex, at OMSCO Industries, Inc.



*Grinding corner radii on API threading inserts,
at Triangle Grinding, Inc.*

OMSCO, a wholly-owned Bralorne subsidiary, manufactures drill collars, kellys and kelly valves.

Demand for OMSCO products should remain high throughout 1981, and additional expansion is planned. OMSCO is adding to its production capacity by utilizing additional plant space that currently exists adjacent to present plants. It also is completing a new two-storey office complex.

Triangle Grinding, Inc.

Triangle Grinding, Inc. of Houston, Texas manufactures carbide cutting tools, tool holders and boring bars for the metal cutting industry. It is a wholly-owned Bralorne subsidiary.

Energy industry demand in 1980 for more products requiring threaded connections and components resulted in a marked increase in demand for Triangle's patented V-Lok system carbide inserts. There was also an increase in demand for special trepan-type tools used to make oil field tubular products. This type of carbide tooling increased to 25 per cent of Triangle's manufacturing volume in 1980.

In the first quarter of the year Triangle acquired a Houston machine shop to create its own in-house manufacturing capability for tool holders and trepanning heads.

Canada

Barber Industries

Barber Industries had an improved year in 1980 with revenue up almost 50 per cent over 1979. Barber, a division of Bralorne, operates one of the largest metal fabricating and machining facilities in Western Canada.

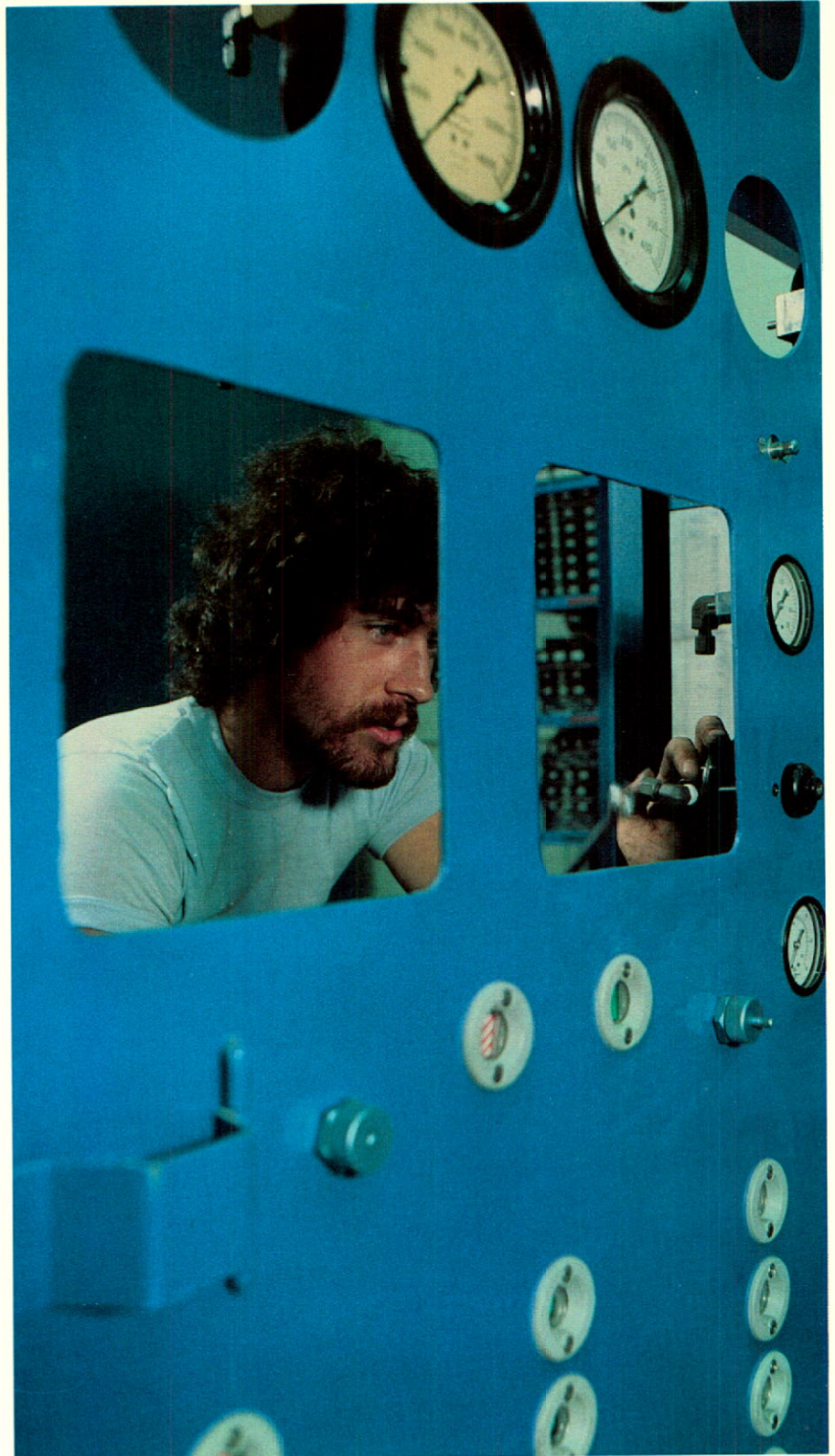
The Calgary fabrication shop increased its compressor plant space by 50 per cent and enjoyed a record sales year. The plant's pressure vessel bay was kept busy in 1980 and will work on vessels in 1981 for the Alaska Highway gas pipeline project. Pipe threading facilities also operated at full capacity in Calgary.

In Edmonton the Wellhead Division experienced an excellent year with revenues up 150 per cent over 1979. Prospects for the division are also excellent for 1981, with increased international sales forecast. Engineered Oil Controls (ENOCO), also of Edmonton, became a division of Barber in 1980; previously it had been a division within the Supply Group.

Despite these positive aspects of 1980, prospects for 1981 are less bright. Current domestic energy uncertainties have resulted in reduced petroleum exploration activity, and thus reduced orders for equipment. Thus the division looks to the future with some trepidation.

Barber Offshore Ltd.

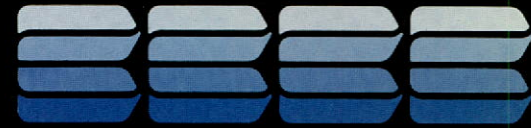
Effective July 1, Bralorne participated in the formation of Barber Offshore Ltd. in St. John's, Newfoundland to provide product and services to the petroleum industry in the Atlantic provinces. Barber Offshore is a Newfoundland company. It initially established a machine shop to provide repairs to all types of tubular goods.



Assembling a compressor control panel: part of the complete compressor packaging service of Barber Industries



Supreme Contractors, Inc., acquired in mid-1980, prepares access roads and drilling sites in southern Louisiana



Service Group

Service Group revenue in 1980 was up 76 per cent. Growth was due to strong demand for camps and services for the drilling industry in Western Canada, and the mid-year acquisition of Supreme Contractors, Inc. Despite the National Energy Program's negative effects on drilling, the Service Group expects continued growth in 1981 – through expansion of Supreme, and through increased United States involvement by Crown Caterers and Custom Structures.

United States

Supreme Contractors, Inc.

The newest member of the Service Group is Supreme Contractors, Inc. of Lafayette, Louisiana, acquired effective July 1, 1980 through Bralorne's wholly-owned subsidiary Bralorne International Inc. The Company acquired a 100 per cent interest in the privately-owned oil field service company.

Supreme provides a variety of production and drilling-related services to oil and gas operators throughout southern Louisiana. Its principal business activity is preparing roads using hardwood boards, and site preparation for



Serving a meal in one of Crown Caterers' new camp units, at a drilling site near Edson, Alberta

drilling locations. Supreme also hooks up production equipment during completion of oil and gas wells and does lease maintenance throughout the life of a completed well.

Supreme's head office is in Lafayette, with field offices in Jennings, Cecilia, Thibodaux and False River, Louisiana, and in Bay City, Texas.

Supreme contributed materially to Bralorne's excellent second half, and it will be an important part of the Company's planned expansion of service activities in the United States.

Canada

Crown Caterers

Crown Caterers, and its Camp Provisioners Division, both of Edmonton, had an excellent year as the petroleum drilling boom continued in Western Canada through 1980. Demand for Crown's camp leasing, servicing and food catering services continued to be high.

Crown, a Division of Bralorne, remodelled a number of its older camp units in 1980, and added to its camp fleet — in all \$3 million was spent on additions to Crown's property, plant and equipment during the year. Demand remained strong throughout the year, but with

the announcement in October of the National Energy Program, drilling activity — and thus drilling service activity — began to drop.

With observers forecasting a drop in Western drilling of up to 40 per cent in 1981, Crown, too, faces a drop in business in its traditional markets of Western and Northern Canada. It hopes to offset any such losses with increased business in 1981 in the United States. It began moving camps to United States drilling locations at the beginning of 1981. It established an operations base in Casper, Wyoming and a sales representative in Denver, Colorado.



Imperial Oil's permanent base camp at Norman Wells, N.W.T., built in 1980 by Custom Structures

Custom Structures

Custom Structures also had an excellent year; revenue was up about 150 per cent and demand for product was strong.

Custom, a Division of Bralorne, based in Spruce Grove, Alberta, entered 1980 with a substantial backlog of orders for industrial relocatable housing. Early in the year it sublet space in Calgary to help handle the backlog. Spruce Grove concentrated on special projects — another all-steel camp for Alaska and a base camp for use by Imperial Oil in Norman Wells.

In September, Custom announced it was moving by year-end from its temporary Calgary facility to

100,000 square feet of permanent plant space in Claresholm, Alberta.

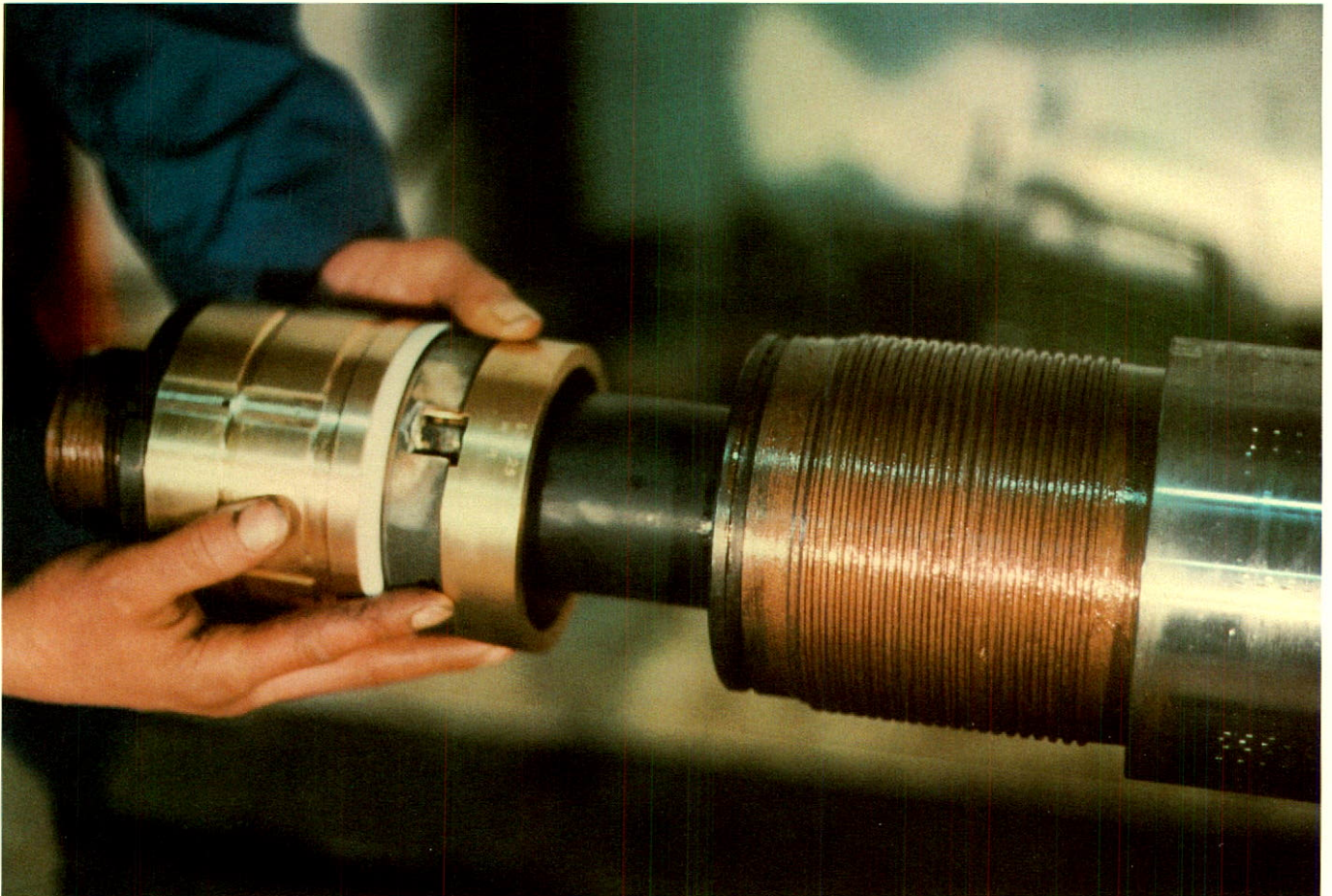
The numerous energy megaprojects planned for the 1980s — oil sands, heavy oil, pipeline and mining projects — are still expected to have a positive impact on Custom Structures. But with reduced demand for drilling camps in Canada, as a result of the National Energy Program, Custom is also looking in some new directions for 1981. It has already produced some special construction shelter units, and it is looking at greater involvement in the construction of larger, permanent camps. Custom has also begun to move more aggressively into United States markets.

Malta

Mobile Homes Limited

Mobile Homes Limited diversified both products and markets in 1980. Mobile, a 51 per cent owned Bralorne subsidiary in Malta, supplies mobile housing for residential, commercial and industrial use in the Middle East and North Africa.

The main plant at Corradino was expanded during 1980, and a specialized products section established. A number of skid-mounted units were built, and wheeled trailers were introduced for seismic survey use.



Assembling a Jarco Services Ltd. downhole drilling tool: Jarco added to its tool inventory in 1980



Supply Group

The Supply Group was formed at the beginning of 1980. Its mandate is to expand the company's involvement in specialized products – in manufacturing, in rentals and in sales.

Jarco Services Ltd.

Jarco Services Ltd. supplies downhole tools for the drilling industry. It is a wholly-owned Bralorne subsidiary based in Calgary with world-wide markets.

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

Jarco had another excellent year in 1980 with continued growth in demand for its products. During the year Jarco opened a facility to service its tools in St.

John's, Newfoundland. It added \$3 million worth of property, plant and equipment during the year, increasing its rental tool inventory once again, and moving into a new office and plant facility with 17,500 square feet of space in southeast Calgary.

Considerable effort also went into expanding Jarco's business in the Far East. Bralorne Resources PTE Ltd. represents Jarco in the area, with an office in Singapore. Service centres for tools have been established in Singapore; Brunei, Malaysia and Balikpapan, Indonesia, and tools were also moved into the Philippines during 1980.



Polesystems Ltd. had increased orders for highway lighting and traffic control structures

With the likelihood of substantially reduced petroleum activity in Western Canada in 1981, Jarco plans to put even greater emphasis during the coming year on developing its international markets. A joint venture has been developed to move Jarco tools into Australia and New Zealand and a service centre is planned for Toowoomba, Australia; tools are being tried in Abu Dhabi and Mexico; and demand continues to grow along the Gulf Coast of the United States.

Polesystems Ltd.

Polesystems Ltd. had an improved year in 1980. Orders for highway lighting and traffic control structures increased. Some new specialized products were manufactured. And steel availability was better than it was in 1979.

Polesystems is a wholly-owned Bralorne subsidiary with plants in Calgary and Winnipeg. As of early 1981 a third facility was established on Bralorne property at Claresholm, Alberta. It is being equipped to provide overflow capacity for the Calgary plant.

One of the special projects handled in Calgary in 1980 was the production for the City of Calgary

of power poles for the city's new Light Rail Transit (LRT) system. The plant also continued its trade in traffic and lighting structures.

The Winnipeg plant also concentrated on light standards and overhead traffic control structures, while working to expand its markets further into Eastern Canada.

Plans for 1981 include continued involvement with LRT, and possible involvement in energy transmission line systems.



Something old: the town of Bralorne and the Bralorne gold mine — the site of exploratory drilling in 1980



Other Corporate

In August, Bralorne entered into an agreement with E & B Explorations Inc. to undertake a program of exploration and development of the Bralorne gold mine. The Bralorne mine was once the largest producer of gold in British Columbia, and although the mine was closed in 1971 the Company retained its 133 Crown-granted mineral claims on more than 3,800 acres (1 520 hectares) at Bralorne, B.C.

Under terms of the agreement E & B will spend \$1 million before March 31, 1981 on property assessment work. E & B may commit to spend a further \$2 million by March 31, 1982 to earn a 20 per cent interest in the property, and a further \$2 million by June 30, 1983 to earn a further 30 per cent interest.

Results of exploratory work and core drilling in the latter part of 1980 were encouraging, and E & B had already accelerated its pace of spending by year-end.

The ultimate aim of the venture is to reopen the mine as a joint venture, if it proves economic to do so.

Also during 1980, Bralorne launched a new corporate design program. The new logo is a four-part 'B', with the various sections representing the different parts of the Company that combine



Something new: corporate design

to make the Bralorne whole. The new design program is used throughout this report, and will be used in future on all Bralorne corporate and Oil and Gas print materials, signs and equipment. It is not intended, however, for use by divisions or subsidiaries already having logos, trademarks or design programs of their own.

Comparative Results by Operating Segments

(thousands of dollars)

	Gross Revenue			Segmented Cash Flow*			Segmented Operating Profit		
	1980	1979	% Increase	1980	1979	% Increase	1980	1979	% Increase
Manufacturing Group	\$145,140	86,331	68	36,077	20,718	74	32,429	18,636	74
Service Group	70,572	40,051	76	14,393	5,345	169	11,369	4,468	154
Supply Group	14,075	9,190	53	5,030	3,257	54	4,322	2,929	48
Oil & Gas Division	10,177	5,128	98	8,985	3,998	125	6,840	2,682	55
Consolidated	\$239,964	140,700	71	64,485	33,318	95	54,960	28,715	91

*Before income taxes, interest, certain corporate expenses and minority interest

General corporate expenses	\$ 2,910	1,712
Interest expenses	11,833	6,066
(Gain) loss on exchange	(766)	379
Minority interest	3,842	1,198
Income taxes	16,621	8,634
	34,440	17,989
Net income	\$20,520	10,726

Financial Review

Income

Gross revenue increased 71 per cent to \$239,964,000 while cash flow from operations increased 107 per cent to \$42,277,000. Net income was \$20,520,000 or \$1.01 per share compared to \$10,726,000 or 54 cents per share in 1979. The above table summarizes these comparative results by operating segment.

These significant increases in gross revenue and operating income have three major components: internal growth from all divisions; the mid-year acquisition of Supreme Contractors, Inc.; and the inclusion of a full year of operations for Mark Products, Inc.

As a result of the Company's ambitious development program within existing contract areas, the Oil and Gas Division achieved much higher production levels in 1980 with a resultant increase in operating income.

From a geographic point of view, the Company's United States manufacturing and service operations had excellent growth with the second half results

significantly ahead of those for the first six months.

Larger outstanding loan balances resulting from acquisitions and an ambitious capital expenditures program, coupled with 1980 interest rates higher than those of the prior year, resulted in a substantial increase in the Company's interest on long-term debt. Other interest is higher because short-term bank loans were increased during the year to finance the additional working capital requirements associated with the higher volumes in all segments.

The gain on foreign exchange results from the conversion of working capital in the Company's United States subsidiaries from U.S. dollars to Canadian dollars.

Since the Company maintains a high level of reinvestment in plant and equipment, and oil and gas exploration and development programs, a significant portion of income taxes otherwise payable continues to be deferred.

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

Changes in Financial Position

The Company's financial structure was changed in 1980 by the placement, in September, of a \$40,000,000, 15-year 12 $\frac{7}{8}$ per cent debenture in Canada. These funds were used to retire all existing medium-term floating rate Canadian bank debt and reduce the Canadian short-term bank loan.

The significant increase in cash flow from operations has been reinvested in oil and gas interests and property, plant and equipment.

The increase and repayment of long-term debt reflects the

Capital Expenditures

(millions of dollars)	1980	1979
Oil and Gas		
Land		
acquisition	\$ 6.1	0.7
Exploration and development	10.9	6.9
	\$17.0	7.6
Property, plant and equipment		
Manufacturing	\$13.4	5.2
Service	7.9	4.5
Supply	3.5	1.4
Other	0.2	0.3
	\$25.0	11.4
	\$42.0	19.0

Estimated Before-Tax Present Worth Value of Oil & Gas Holdings

(millions of dollars)

Discount Rate 12%				Discount Rate 15%		
1980	1979	1980 Gain		1980	1979	1980 Gain
162	99	63	Canada	126	84	42
15	11	4		Proven and probable reserves	16	10
177	110	67	United States	142	94	48
13	7	6		Undeveloped lands	10	6
190	117	73	Total	152	100	52

retirement of existing debt on the placement of the debenture referred to above. The net increase in long-term debt of \$42,576,000 arises from new loans in the United States to finance acquisitions and the increase in long-term debt in Canada resulting from the new debenture.

Under the terms of purchase agreements on prior acquisitions, the Company pays additional purchase consideration based on earning levels achieved subsequent to the purchase. In 1980, the additional payments of \$8,315,000 were charged to goodwill.

As indicated elsewhere in this report, the appraised value of the Company's oil and gas interests increased markedly during 1980 (see above chart).

In addition to increased natural gas productivity in Canada, these values were also favorably affected by significant new gas finds in Canada and by encouraging exploration results in the United States. The Company estimates that the provisions of the National Energy Program, which are taken into account in establishing present worth, had the effect of reducing values in the range of 15 to 20 per cent.

The Company's ratio of long-term debt to shareholders' equity as reflected on the Balance Sheet

increased from 1:1 at Dec. 31, 1979 to 1.3:1 at Dec. 31, 1980. These ratios are misleading in assessing the financial strength of resource companies such as Bralorne where there is a wide disparity between book and estimated market value of the underlying oil and gas assets. For example, using a 12 per cent discount factor and an effective 50 per cent income tax rate, the value of the Company's oil and gas assets as presented in the financial statements would increase by approximately \$74,000,000. The shareholders' equity would accordingly increase from \$63.5 million to approximately \$137.5 million and the indicated debt-equity would decline from 1.3:1 to 0.6:1.

On this basis we believe that the Company is relatively conservatively financed at present and has the capacity to raise substantial additional debt financing should the need arise.

The Company increased its dividend by 50 per cent during 1980. Dividends of 5 cents per share were paid July 1, 1980 and Jan. 2, 1981 to shareholders of record on June 13, 1980 and Dec. 10, 1980 respectively.

Reflecting the steadily improving market value of the Company's shares, a three-for-one stock split was authorized effective April 25, 1980.

SHAREHOLDER INFORMATION

Shares Authorized

30,000,000 common shares without par value

Shares Issued

20,516,130 at December 31, 1980

Shareholder Distribution

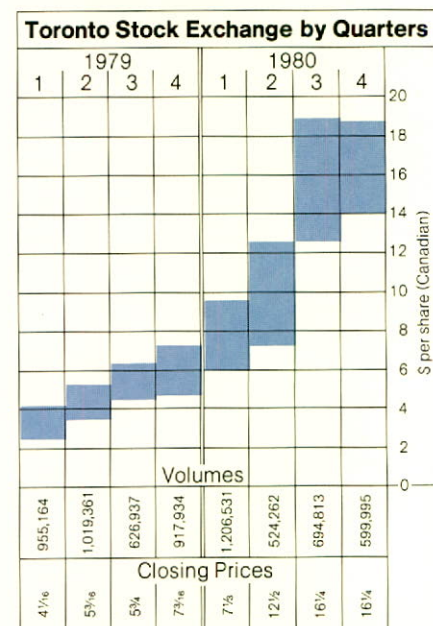
	Shareholders	Shareholdings	Per cent
Canada	2,034	16,073,368	79
United States	3,002	4,377,022	21
Other	37	65,740	—
	5,073	20,516,130	100

Listings

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

NASDAQ (Symbol "BRALF")

Trading Records



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

	Volume	High	Low	Close
1979	3,519,396	7 1/8	2 3/8	7 3/16
1980	3,025,601	19	6	16 1/2
1981*	459,685	16 7/8	14 1/2	16

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

	Volume	High	Low	Close
1979	2,195,307	6 1/4	2 3/16	6 1/16
1980	2,652,659	16 3/8	4 1 9/16	13 3/8
1981*	219,317	14 1/4	12	13 3/8

*to March 6, 1981

All numbers have been restated to reflect 1980 stock split.

Ten-Year Financial Summary

(thousands of dollars except per share)

	1980	1979	1978	1977*	1976*	1975*	1974	1973	1972	1971
Gross Revenue	\$239,964	\$140,700	\$86,408	\$58,488	\$46,743	\$33,147	\$23,438	\$18,842	\$17,223	\$1,515
Cash Flow from Operations	42,227	20,396	12,619	7,657	5,671	4,533	2,316	1,488	1,328	255
Per Share	\$2.07	\$1.02	71c	50c	37c	30c	15c	10c	9c	2c
Income before Extraordinary Items	20,520	10,726	6,808	3,511	2,926	2,193	938	532	639	151
Per Share	\$1.01	54c	38c	23c	19c	14c	6c	4c	4c	1c
Net Income	20,520	10,726	6,808	3,880	2,926	1,199	938	2,262	639	151
Per Share	\$1.01	54c	38c	25c	19c	14c	6c	15c	4c	1c
Shareholders' Equity	63,560	41,883	32,402	20,126	16,041	12,943	11,745	10,807	8,107	7,530
Per Share	\$3.10	\$2.09	\$1.62	\$1.30	\$1.05	85c	77c	71c	56c	52c

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

Financial Statements

Auditors' Report

To the Shareholders of
Bralorne Resources Limited:

We have examined the consolidated balance sheet of Bralorne Resources Limited as at December 31, 1980 and the consolidated statements of income 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, 1980 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 & Co.
Chartered Accountants

Calgary, Alberta
February 20, 1981

Consolidated Statement of Income and Earnings Reinvested in the Business

	Year Ended December 31	
	1980	1979
Gross revenue	\$239,964,000	\$140,700,000
Expenses:		
Cost of sales and services	153,521,000	93,847,000
Selling, general and administrative	23,926,000	14,740,000
Interest on long-term debt	8,454,000	4,238,000
Other interest	3,379,000	1,828,000
Depreciation and amortization	8,742,000	4,060,000
Depletion	1,725,000	1,050,000
Loss (gain) on foreign exchange	(766,000)	379,000
	198,981,000	120,142,000
Income before income taxes and minority interest	40,983,000	20,558,000
Income taxes:		
Current	9,284,000	5,041,000
Deferred	7,337,000	3,593,000
	16,621,000	8,634,000
Income before minority interest	24,362,000	11,924,000
Minority interest	3,842,000	1,198,000
Net income	20,520,000	10,726,000
Earnings reinvested in the business, beginning of year	29,000,000	19,611,000
	49,520,000	30,337,000
Dividends (1980 - \$0.10 per share) (1979 - \$0.07 per share)	2,051,000	1,337,000
Earnings reinvested in the business, end of year	\$ 47,469,000	\$ 29,000,000
Earnings per share	\$1.01	\$0.54

See accompanying notes

Consolidated Balance Sheet

December 31

Assets	1980	1979
Current assets:		
Cash	\$ 3,935,000	\$ 1,864,000
Accounts receivable	49,969,000	33,204,000
Inventories of raw materials and supplies, at lower of cost or net realizable value	49,889,000	36,136,000
Prepaid expenses and other assets	3,006,000	1,018,000
	<u>106,799,000</u>	<u>72,222,000</u>
Long-term receivables and other assets	4,445,000	974,000
Capital assets:		
Property, plant and equipment, at cost	68,904,000	42,137,000
Less: Accumulated depreciation	(14,753,000)	(8,547,000)
Oil and gas interests, at cost	48,727,000	33,570,000
Less: Accumulated depletion and depreciation	(6,647,000)	(4,518,000)
Mining interests, at cost, less amounts written off	941,000	946,000
	<u>97,172,000</u>	<u>63,588,000</u>
Goodwill	24,577,000	10,401,000
Patents	1,430,000	1,509,000
	<u>\$234,423,000</u>	<u>\$148,694,000</u>
Liabilities		
Current liabilities:		
Bank loans	\$ 19,392,000	\$ 15,929,000
Accounts payable and accrued liabilities	27,685,000	21,843,000
Dividend payable	1,025,000	677,000
Income taxes payable	2,124,000	1,483,000
Notes payable	3,737,000	—
Current portion of long-term debt	552,000	6,415,000
	<u>54,515,000</u>	<u>46,347,000</u>
Long-term debt	83,700,000	41,124,000
Deferred income taxes	21,041,000	12,224,000
Prepayment of natural gas sales	1,238,000	413,000
Minority interest	10,369,000	6,703,000
Shareholders' Equity		
Capital stock —		
Authorized —		
30,000,000 shares of no par value		
Issued —		
20,516,130 shares (1979 - 20,030,130)	16,091,000	12,883,000
Earnings reinvested in the business	47,469,000	29,000,000
	<u>63,560,000</u>	<u>41,883,000</u>
APPROVED BY THE BOARD:	<u>\$234,423,000</u>	<u>\$148,694,000</u>

PETER PAUL SAUNDERS, Director
F. W. FITZPATRICK, Director

See accompanying notes

Consolidated Statement of Changes in Financial Position

	Year Ended December 31	
	1980	1979
Sources of working capital:		
From operations —		
Net income	\$ 20,520,000	\$10,726,000
Add: Items not affecting working capital		
Depreciation, depletion and amortization	10,467,000	5,110,000
Deferred income taxes	7,759,000	3,593,000
Minority interest	3,842,000	1,198,000
Other — net	(361,000)	(231,000)
Cash flow from operations	42,227,000	20,396,000
Proceeds from disposals —		
Property, plant and equipment	1,265,000	2,075,000
Oil and gas properties	1,834,000	—
Other	—	156,000
Issuance of common shares	3,208,000	92,000
Long-term debt	74,782,000	22,305,000
Prepayment of natural gas sales	825,000	233,000
	<u>124,141,000</u>	<u>45,257,000</u>
Uses of working capital:		
Property, plant and equipment	25,025,000	11,434,000
Oil and gas interests	17,008,000	7,619,000
Reduction in long-term debt	32,206,000	7,215,000
Dividends	2,051,000	1,337,000
Increase (decrease) in long-term receivables	3,471,000	(145,000)
Business acquisitions less working capital acquired	9,625,000	3,633,000
Additional purchase consideration on prior acquisitions	8,315,000	—
Other	31,000	115,000
	<u>97,732,000</u>	<u>31,208,000</u>
Increase in working capital	26,409,000	14,049,000
Working capital, beginning of year	25,875,000	11,826,000
Working capital, end of year	<u>\$ 52,284,000</u>	<u>\$25,875,000</u>

See accompanying notes

Notes to 1980 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 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 1980 of \$397,000. (1979 - \$240,000).
- (f) Patents: Patents are being amortized over a period of seventeen years resulting in a charge to income in 1980 of \$109,000 (1979 - \$107,000).
- (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 allowances 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 per share: The Company calculates earnings 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 July 1, 1980, the Company acquired all the outstanding shares of a company engaged in the business of road and drill site preparation. The acquisition has been accounted for as a purchase and accordingly the results of operations since July 1, 1980 have been included in the consolidated financial statements.

Net assets acquired as at July 1, 1980 are summarized as follows:

Working capital	\$ 2,358,000
Fixed assets, at appraised value	4,280,000
Goodwill	6,403,000
	<u>13,041,000</u>
Deferred income taxes	(1,058,000)
	<u>\$11,983,000</u>

Consideration:

Cash	\$ 4,995,000
Notes due January 2, 1981	3,397,000
Deferred purchase consideration due August 1, 1985 bearing interest at 6 per cent	3,591,000
	<u>\$11,983,000</u>

3. Long-term debt

	<u>1980</u>	<u>1979</u>
Bralorne Resources Limited		
Secured debentures, Series A, bearing interest at 12 $\frac{7}{8}$ % due August 15, 1995, secured by certain producing oil and gas properties	\$40,000,000	—
Deferred payment, non-interest bearing, in connection with acquisition of a subsidiary, due April 1, 1982	600,000	600,000
Bank loans, utilized by way of Bankers' Acceptance bearing interest at 14.6% and a term loan bearing interest at 1% above the prime rate of a Canadian chartered bank, due 1980 - 1987.	—	20,625,000
Note payable, bearing interest at 1% above the prime rate of a Canadian chartered bank due January 15, 1980, secured by the assignment of certain producing properties.	—	1,333,000
Bralorne International Inc.		
Bank loan, due 1982 - 1987, bearing interest as follows: U.S. \$4,600,000 at 1 $\frac{1}{2}$ % above the Euro-dollar London inter-bank rate U.S. \$22,400,000 at 1% above the prime rate of a U.S. bank	31,215,000	16,116,000
Note payable December 31, 1983 (principal amount U.S. \$888,000 plus accumulated interest at 6%)	1,129,000	1,065,000
Note payable August 1, 1985 bearing interest at 6% (principal amount U.S. \$3,120,000)	3,614,000	—
Note payable July 1, 1980 (principal amount of U.S. \$1,250,000 less imputed interest at 9%)	—	1,438,000
Mark Products, Inc.		
Note bearing interest at 9.95% repayable in semi-annual instalments through December 1, 1990 (principal amount U.S. \$4,800,000)	5,609,000	5,838,000
Bank loan bearing interest at $\frac{3}{4}$ % above the prime rate of a U.S. bank, due in December 1982 (principal amount U.S. \$1,300,000)	1,555,000	—
Other secured debt	530,000	524,000
	84,252,000	47,539,000
Less: current portion	552,000	6,415,000
	<u>\$83,700,000</u>	<u>41,124,000</u>

The aggregate maturities of long-term debt in each of the four years subsequent to December 31, 1981 are as follows:

1982 — \$ 5,717,000	1984 — \$ 9,918,000
1983 — \$11,051,000	1985 — \$13,495,000

Under the provisions of the Trust Deed securing the \$40,000,000 debentures, 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 12 $\frac{7}{8}$ %, 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.

The note of \$5,609,000, 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.

4. Share capital

Under the Company's incentive share subscription plan, 486,000 treasury shares of the Company were issued in 1980 to the participants for a total consideration of \$3,208,000 (1979 - 36,000 treasury shares for \$151,000). The shares are held by the trustee as security for promissory notes from the various participants, 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, 1980, this amount was \$3,442,000. The Company has set aside 314,660 shares for possible future issuance under this plan.

On April 25, 1980 the share capital of the Company was split three-for-one and all information in these financial statements has been adjusted to retroactively reflect this split.

5. Contingent liabilities

The acquisition costs of certain companies acquired prior to December 31, 1980 are subject to an upward adjustment (payable in cash) which cannot be determined until 1981, 1983 and 1985. When such amounts are determined the additional payments will be charged to goodwill.

6. 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:

1981 — \$1,394,000	1983 — \$1,620,000	1985 — \$1,224,000
1982 — \$1,248,000	1984 — \$1,506,000	

7. Related party transactions

The Company has entered into 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, 1980.

8. 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, 1980 was \$856,000, including the amount of \$50,000 paid to directors as directors' fees (1979 - \$570,000 and \$43,000 respectively).

9. Operating subsidiary companies

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

10. Segmented Information — (thousands of dollars)

							December 31, 1980	
By Geographic Location	Canada	United States	Other	Eliminations	Consolidated			
Sales to customers outside the enterprise	\$110,017	121,152	8,795	—	239,964			
Intersegment sales	1,606	71	—	(1,677)	—			
	<u>111,623</u>	<u>121,223</u>	<u>8,795</u>	<u>(1,677)</u>	<u>239,964</u>			
Segment operating profit	<u>\$ 22,742</u>	<u>31,712</u>	<u>800</u>	<u>(84)</u>	<u>55,170</u>			
General corporate expenses						3,120		
Interest expense						11,833		
Gain on foreign exchange						(766)		
Income taxes						16,621		
Minority interest						3,842		
Net income						<u>\$ 20,520</u>		
Identifiable assets	<u>\$118,229</u>	<u>110,387</u>	<u>6,417</u>	<u>(610)</u>	<u>234,423</u>			
							December 31, 1980	
By Industry	Mfg.	Service	Supply	Oil & Gas	Other	Eliminations	Consolidated	
Sales to customers outside the enterprise	\$144,918	70,572	14,075	10,177	222	—	239,964	
Intersegment sales	614	—	249	—	1,391	(2,254)	—	
Total revenue	<u>145,532</u>	<u>70,572</u>	<u>14,324</u>	<u>10,177</u>	<u>1,613</u>	<u>(2,254)</u>	<u>239,964</u>	
Segment operating profit	<u>\$ 32,492</u>	<u>11,385</u>	<u>4,255</u>	<u>6,840</u>	<u>210</u>	<u>(12)</u>	<u>55,170</u>	
General corporate expenses							3,120	
Interest expense							11,833	
Gain on foreign exchange							(766)	
Income taxes							16,621	
Minority interest							3,842	
Net income							<u>\$ 20,520</u>	
Identifiable assets	\$115,210	47,056	15,690	46,374	10,093	234,423		
Expenditures on oil and gas interests	—	—	—	17,008	—	17,008		
Expenditures on property, plant and equipment	13,407	7,851	3,516	—	251	25,025		
Depreciation, amortization and depletion	- \$ 3,655	3,111	960	2,150	591	10,467		

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 leasing, camp servicing and catering operations. The supply segment supplies downhole tools 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.

OPERATING INFORMATION

Manufacturing Group

P. S. (Stuart) Grant
Group Vice President

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Mark Products Ltd.:

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V. C. (Victor) Takacs
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Service Group

D.H. (Don) Claughton
Group Vice President

Crown Caterers Division

M. P. (Martin) Vandergouwe
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Custom Structures Division

G. M. (Gerry) Fergstad
General Manager

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S. J. (Steve) Sutherland
Joint Managing Directors

Office and plant, Corradino Heights,
Corradino, Malta Telex: MW460

Supreme Contractors, Inc.

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President

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Supply Group

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J. R. (Jim) Kelly
President

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Alta.; Fort St. John, B.C.; and Singapore
Agents in Ventura, California; Houston,
Texas; Anchorage, Alaska; Brunei; and St.
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Polesystems Ltd.

E. H. (Ed) Brennan
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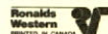
Bralorne International Inc.

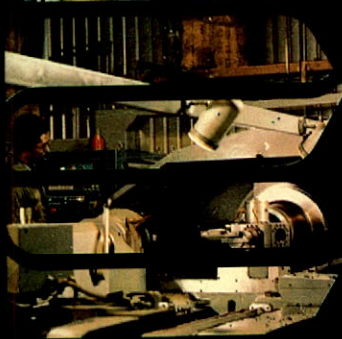
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Oil and Gas

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