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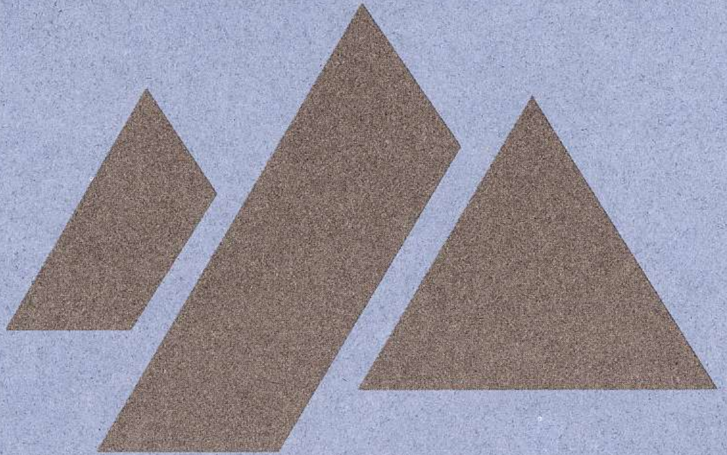
Westar Mining Ltd.



Annual Report 1991

Highlights

	1991	1990
Coal Shipments (millions of tonnes)		
Metallurgical (1)	7.5	7.4
Thermal (1)	1.5	1.0
Sales ($ millions)	457.1	445.8
Net Loss ($ millions)	(62.2)	(4.4)
Cash Flow Information ($ millions)		
Funds provided by operations	7.6	8.1
Capital expenditures	4.5	11.9
Financing costs	18.2	46.9
Financial Position ($ millions)		
Working capital	(44.9)	(16.9)
Total assets	278.3	374.4
Total long-term debt	336.5	337.0
Shareholders' deficit	(246.6)	(184.4)
Other Information		
Number of employees (at December 31) (1)	1,972	1,964
Wages, salaries and employee benefits ($ millions) (1)	124.8	117.7

Note: (1) Includes 100% of the Greenhills Mine Joint Venture.

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President's Report

The year 1991 was difficult for Westar Mining. A $1.00 (U.S.) per tonne price decrease for metallurgical coal sold to Japan effective April 1, 1991 had a corresponding impact on world-wide coal prices. This decrease was compounded by the persistent rise in the value of the Canadian dollar compared to the U.S. dollar. Despite these negative factors, revenues still increased by 2.5% in 1991 to $457.1 million from $445.8 million in 1990 because of a 6% increase in shipments.

While the geologically complex upper seam mining conditions first encountered at the Balmer mine in 1989 continued throughout the year, the Greenhills mine experienced record production, shipments and lower operating costs. Consequently, the Company's cost per tonne of clean coal declined by 3% in 1991. Unfortunately, this success was offset by the price and exchange factors with the result the margin per tonne sold decreased. This caused the operating loss to increase to $17.6 million from $14.1 million in 1990.

Stewardship of the Company's cash resources was a principal concern of management during 1991. Due to the economic and mining factors noted above, the Company's cash position deteriorated during the year in spite of the debt restructuring completed in 1990. As a result it became critical to aggressively manage the Company's working capital. With the co-operation of the Company's lenders and creditors these efforts were successful. However, the Company entered the new year with very limited working capital flexibility which will be compounded by spending needed to redevelop the Balmer mine.

A long range plan for both mines was completed in 1991. The study concluded that with respect to the Balmer mine, an expenditure of some $75 million over a five year period is necessary to rehabilitate the mine. Meanwhile, the plan estimated that the Greenhills mine has a life of 15 to 20 years under current economic and mining conditions and would not require significant additional investment.

The Company had expected to receive $32 million in 1992 from an investment in the preferred shares of Westar Industries Ltd. Unfortunately, due to the financial condition of its parent, Westar Group Ltd., the Company has been advised that Westar Industries will be prevented by law from redeeming the preferred shares and is unable to predict when it will be able to do so. Accordingly, a provision against the carrying value of this investment has been made. The Company will pursue resolution of this matter within the framework of its legal rights.

In order to implement the long range plan and to overcome the current liquidity problems, management has initiated discussions with its lenders and other key stakeholders with a view to achieving a financial restructuring and recovery plan for the Company. It is essential that these negotiations be completed quickly to ensure that the financial requirements for 1992 can be met.

During the year, the Company acquired, under operating lease arrangements, twelve new Haulpak 240-ton trucks for the Balmer operation and two new Hitachi 24-yard shovels for the Greenhills operation. The operating performance of this new equipment has met or exceeded projections for availabilities and operating costs per hour. Consequently, for 1992, commitments have been made to lease a new P & H 55-yard shovel and ten additional new Haulpak 240-ton trucks. When completed over the next several years, the fleet replacement program will result in the complete modernization of the truck and shovel fleets at both mines.

President's Report *continued*

In light of the state of the Company and the coal industry, the Company was pleased with the Marshall report "Coal in British Columbia: An Assessment of Future Prospects" which had been commissioned by the Provincial Government. The Company, together with the Coal Association of Canada, has strongly endorsed the recommendations to the government which were contained in this report.

The forthcoming year will be a particularly challenging one for the Company. A further $0.50(U.S.) decrease in the price per tonne of metallurgical coal sold to Japan has been accepted by Australian and Canadian coal producers effective April 1, 1992. While the immediate effect of this price decrease has been offset by the recent decline in the value of the Canadian dollar, there is no certainty that the dollar will remain at these levels.

In these circumstances, we will need to show continued imagination in influencing the production and performance items that can be controlled. Concurrently, we must successfully negotiate and implement a financial recovery plan which is a prerequisite to the long term viability of the Balmer mine and of the Company. A more detailed discussion of the Company's problems and recovery plans is included in the Management's Discussion and Analysis section of this annual report.

On behalf of the Board of Directors,

Peter Dolezal
President and Chief Executive Officer
February 24, 1992

Management's Discussion and Analysis

As stated in the President's Report, Westar Mining experienced the most difficult year in its mining history. World coal prices continue to be depressed while the strength of the Canadian dollar relative to the U.S. and Australian dollar in 1991 has made Canadian producers less competitive in world markets. In spite of the Company's efforts at cost containment, the Company experienced an operating loss for the second consecutive year. Cash resources were severely constrained during the year and are forecast to continue to be so in 1992. With-out a restructuring of its obligations and other accommodations from its lenders and other stakeholders, it is unlikely the Company will be able to meet those obligations as well as fund the needed rehabilitation of the Balmer mine.

Westar Mining's products are metallurgical coal and thermal coal which represented approximately 87% and 13% respectively, of its total coal production in 1991. Metallurgical coal is used in the production of steel. Thermal coal is used primarily as a fuel for electrical power generation and other industrial purposes. The profitability of coal operations is mainly affected by the volume of shipments, prices and currency exchange rates prevailing at the time coal is sold and the cost of coal production and transportation. The demand of the steel industry, especially in Japan and Korea, for metallurgical coal determines the level of shipments and the price received, whereas thermal coal volumes shipped and prices vary with the general level of world economic activity. Westar Mining's principal customers for its metallurgical coal are steel mills in Japan and Korea, however, sales are made to steel mills in approximately 20 countries.

The 1991 financial results also reflect the impact of the significantly different geology encountered by

the Balmer mine operation since 1989. The complexity of mining a number of seams, instead of one main seam, has had adverse consequences on raw coal production volumes, yields and clean coal cost per tonne at the Balmer operation. This will continue unless a mine rehabilitation program is undertaken. The operating results at Balmer were partially offset by the performance of the Greenhills mine. In 1991, the Greenhills mine set records for production of raw and clean coal, yield and cost per tonne of clean coal produced. Despite the overall increase in production costs, savings from royalty taxes, transportation and selling costs resulted in a 3% reduction in the cost of each tonne sold in 1991 compared to 1990. Unfortunately, this success was offset by the impact of price and exchange factors on revenues with the result that the margin per tonne sold decreased in 1991. This lower margin caused the operating loss to increase by 25% to $17.6 million for 1991.

Westar Mining's financial results and its operations continue to be adversely affected by the substantial debt incurred in the early 1980s. While the restructuring completed in 1990 significantly reduced the Company's financing costs the debt burden is still unsupportable in the current economic conditions. In addition, the Company has reviewed the carrying value of its investment in the preferred shares of Westar Industries Ltd., a related company. The Company has been advised that the redemption of these shares in March 1992 will not occur, and has concluded that because of the uncertainty of timing of the redemption a provision against the carrying value is appropriate. Accordingly, a provision of $31.2 million was made which substantially increased the net loss for 1991.

The net loss for the year was $62.2 million ($3.66 per share) on revenue of $457.1 million compared with a loss of $4.4 million ($0.49 per share) on revenue of $445.8 million in 1990. The 1990 loss reflected the favourable impact of a number of adjustments resulting from the financial restructuring concluded in that year net of a provision against the carrying value of the fixed assets.

In 1991, a long range study of both the Balmer and Greenhills operations was completed. As a result of the study, the Company has developed a five year plan involving the expenditure of approximately $75 million to rehabilitate the Balmer mine. This initiative would ameliorate the current multi-seam mining problems at Balmer and return the mine to profitability under current and forecast economic conditions. Because of the amount of expenditures required and the current liquidity problems of the Company, a financial restructuring and certain accommodations from key stakeholders of the Company have become necessary. Successful negotiation and implementation of the Company's financial recovery plan is essential for the long-term survival of the Balmer mine and the continuation of the Company as a going concern.

Revenue

Total shipments from both mines, including the share of Greenhills production belonging to Pohang Iron and Steel Company Limited, were 9.0 million tonnes in 1991 as compared with 8.4 million tonnes in 1990, an increase of 6%. The Company's share of these shipments from each mine in 1991 and 1990 was as follows:

(tonnes in 000s)	1991	1990
Balmer		
Metallurgical	4,475	4,960
Thermal	844	509
	5,319	5,469
Greenhills (80%)		
Metallurgical	2,452	2,068
Thermal	518	265
	2,970	2,333
Total	8,289	7,802

Revenue increased to $457.1 million in 1991 from $445.8 million in 1990. The increase in sales revenue was attributable to higher volumes from the Greenhill's mine partially offset by a price decrease and higher exchange rates as follows:

(Millions)		
Volume/product mix	$	19.1
Price changes		(1.2)
Exchange rates		(6.6)
	$	11.3

Prices are negotiated effective the coal year beginning April 1. The price of metallurgical coal sold to customers in Japan and Korea, which is the highest price paid for the Company's metallurgical coal product, declined by $1.00(U.S.) effective April 1, 1991 to $51.80(U.S.). The sales price to other customers followed this decline. Revenues were further reduced as a result of the Canadian dollar average strengthening in 1991 in comparison to the average level for 1990. Effective April 1, 1992 the price of metallurgical coal sold to customers in Japan and Korea will fall by a further $0.50(U.S.) to $51.30(U.S.) per tonne.

Virtually all of the Company's sales are contracted in U.S. dollars, whereas the Company's operating costs are principally incurred in Canadian dollars. Thus the value of the Canadian dollar relative to its U.S. counterpart has a significant effect on results. During 1991, the Canadian dollar averaged $0.872(U.S.) versus $0.857 in 1990 and $0.846 in 1989. Each $.01 change in the value of the Canadian dollar would have changed reported sales revenue by approximately $5 million in 1991. The Company has a limited short-term hedging program, but due to the Company's financial situation, a long-term hedging program which would reduce the impact of exchange rate fluctuations has not been put in place.

The price of coal per tonne for the past five coal years and for the forthcoming year are as follows:

Effective April 1	$ US	$ Cdn
1987	$ 44.00	$ 57.60
1988	46.90	57.88
1989	50.40	60.13
1990	52.80	61.79
1991	51.80	60.00
1992	51.30	60.35

The 1992 Canadian price assumes an exchange rate of $0.85 (U.S.).

Operating Costs

The cost of products sold in 1991 was $447.3 million compared to $431.6 million in 1990. On a per tonne basis, costs averaged $53.97 in 1991 compared to $55.32 in 1990. The decrease in these costs is primarily attributable to a reduction in provincial royalty taxes and delivery costs to the customer, which includes transportation. Total production costs increased in 1991 because the costs being incurred at the aging Balmer mine more than offset a record performance at the Greenhills mine. The Greenhills mine decreased its operating costs by over 5% in 1991 compared to 1990. However, costs of production at Balmer increased by 8% which reflects the worsening mining conditions being encountered since 1989. These conditions are expected to continue in the future unless a mine rehabilitation program can be initiated.

Until 1988, operations at the Balmer mine relied upon one main seam of coal for as much as 80% of the total raw coal produced at the mine. Today the total raw coal is derived from many seams and the main seam only contributes approximately 45% of the total base product. Because of the upper seam geology being encountered at the Balmer mine, there is a greater quantity of waste material to be removed per clean tonne of coal produced.

"Clean-strip" ratio, a key measure used to describe the proportion of waste material to clean coal, has risen from 5.6 in 1989 to 6.1 in 1990, and to 7.5 in 1991. The yield of clean coal produced from raw coal improved to 61% in 1991 from 57% in 1990. As a result of the above factors, coal production at Balmer decreased 4% in 1991 to 5.4 million tonnes compared to 5.6 million tonnes in 1990.

The strip ratio and yield at the Greenhills mine were 5.7 and 86% respectively in 1991 compared to 5.6 and 82% in 1990. Clean coal production increased 15% to 3.4 million tonnes from 3.0 million tonnes in 1990 which was attributable to the above factors augmented by increased productivity and improved mine planning. The 1991 production level and yield were a record performance for the Greenhills mine. These figures include the 20% share of production belonging to the joint venture participant in the Greenhills mine.

In 1989 the Company recognized that the fleets of rock moving (truck and shovel) equipment at Balmer were beyond their economic life and no longer well matched to the mine's geology. Accordingly, a replacement program was initiated, aimed at achieving substantial productivity and unit cost improvements over a five year period. Due to the economic benefits being achieved, the program has been expanded to include the Greenhills mine. For further discussion on the cost of this program, refer to the section entitled *Capital Expenditures.*

At Greenhills, the Company is in the second year of a four year collective agreement with the Greenhills Workers Association which represents 80% of the employees at the mine. This agreement reflects the strong sense of goodwill between management and employees and their desire to improve the mine's competitiveness in world markets. At Balmer, three year collective labour agreements with the United Mine Workers of America and the Office and Technical Employees Union expired December 31, 1991 and will expire on June 30, 1992, respectively. To date no substantive negotiations have taken place. Management is not able to predict the outcome of these negotiations.

Operating Cash Flows

Cash provided from operating activities increased to $26.3 million in 1991 from $11.3 million in 1990. This reflects the growing reliance the Company has placed on its creditors and does not indicate an improvement in operations. In both years, cash generated was primarily from increasing payables and other liabilities; in 1991, this increase was $27.0 million whereas in 1990 it was $15.3 million. Consequently, the Company has incurred significant interest and penalties as well as lost discounts. This is the major cause for the increase in other income and expenses. For further discussion, please refer to the section entitled *Liquidity.*

Capital Expenditures

Capital expenditures decreased to $4.5 million in 1991 from $11.9 million in 1990. For the past several years, such expenditures have been constrained because of the requirement to use available cash to service debt with the result that the Company deferred expenditures which would have improved productivity and reduced operating costs. The 1991 capital expenditures, which were primarily at the Balmer mine, were principally for replacements of loading, drilling and support equipment in each mine's pit operations. Other expenditures were made for upgrading information technology, plant analysis equipment and environmental purposes. These are expected to directly benefit operations by improving productivity in 1992. In addition to this spending, the Company was also able to acquire new fleet equipment, to meet the current needs of the operations, through operating lease arrangements.

After testing three pairs of different haul trucks, the Company reached an agreement to lease over a five year period new 240-ton trucks. Twelve 240-ton trucks were acquired, on an operating lease basis, by the end of 1991 for the Balmer operation. A similar program was initiated for the shovel fleet with the first shovel at Balmer to be delivered early in 1992. As a result of the economies achieved to date from this initiative at the Balmer mine, the Greenhills mine also commenced an equipment modernization program. Two new hydraulic shovels were acquired in 1991 under five year operating leases with a further shovel and ten new 240-ton haul trucks expected to be acquired in 1992.

The cost of leasing the twelve new trucks is $4.4 million annually and the annual lease cost of the two shovels is $1.1 million. In 1991, total lease costs expensed were $4.4 million including costs associated with arranging the leases. In 1992, it is estimated that lease costs will be $9 million. In addition, the Company was required to make refundable deposits totalling $2.2 million for the trucks acquired in 1991. Due to the operating savings which have been and are expected to accrue, the Company estimates the modernization program can be implemented without diminishing cash flows.

Financing Costs

In July, 1990, the Company implemented an agreement with its lenders for the restructuring of the Company's debt. Financing costs decreased from $41.6 million in 1990 to $21.1 million in 1991 primarily as a result of these arrangements but also because of lower interest rates in general. The cash cost was $15.8 million in 1991 compared to $38.1 million in 1990. The estimated reduction in financing costs expensed and cash cost directly attributable to the debt restructuring agreement is $7 million and $12 million, respectively.

The recent reductions in the prime rate do not have as large an impact on financing costs as would have been the case prior to July, 1990 because a majority of the long-term debt has a rate based on a percentage of the prime rate while a significant portion of the remaining debt has a rate based on the Canadian coal price received which is independent of the prime rate being charged.

Liquidity

The strength of the Canadian dollar and the coal price reduction in 1991 combined with the effects of the difficult geology at Balmer mine have resulted in an operating loss for the second consecutive year. In spite of a significant reduction in cash employed in working capital (see discussion under the section entitled *Operating Cash Flows*), the Company's cash resources are severely limited.

The Company failed to meet certain cash flow tests under its loan agreements during the year but the lenders have granted the Company waivers in respect of these defaults. Without a new financial restructuring, the Company does not expect to be in a position to meet these tests in 1992 or to make a principal repayment of $4.7 million due April 30, 1992.

The Company has access to up to $25 million of operating funds from the operating loan. The actual margin requirement is determined by the value of certain of the current assets. While the operating loan was $11.3 million at December 31, 1991, a decrease from the previous year, it is routinely utilized to its full availability. The loan has thus become a part of long-term capital with the result that the Company has little flexibility to deal with normal fluctuations in cash flow and working capital.

During 1991, the Company's total trade and accrued liabilities increased by $27.0 million. This increase was mainly the result of the deferral of certain tax obligations including interest and penalties totalling approximately $10 million, special credit arrangements for $10 million, and an accrual for future pension costs of $3 million. During the course of the year, a supplier was granted a second priority debenture secured by a charge on the receivables and coal inventories of the Company to a maximum

of $25 million. This debenture secured $19 million at year-end.

At December 31, 1991, outstanding municipal property taxes and provincial royalty taxes related to 1990 and 1991 assessments, including interest and penalties, totalled approximately $26 million. The Company is required to pay the 1990 property taxes by September 30, 1992. These taxes including interest and penalties are over $7 million. If these taxes are not paid, the mine properties will be subject to a tax sale in 1992, but the Company will have until September, 1993 to pay all the accumulated taxes, interest and penalties and thereby avoid the loss of the property. The failure to pay the property taxes is considered an event of default under the Company's agreement with its lenders. Finally, in addition to these taxes, the Company has a liability for income taxes related to reassessments of 1981-1987. The Company has reached an agreement to pay these taxes over time.

The Company holds an investment in Westar Industries Ltd., a subsidiary of Westar Group Ltd. This investment comprises preferred shares which have a mandatory redemption provision. On March 31, 1991, one half of the outstanding shares were redeemed for $40.1 million. As required, these proceeds were applied against the loan payable to Westar Industries by the Company. The remaining shares are required to be redeemed on March 31, 1992 unless the redemption is prohibited by law. After applying the proceeds against the loan payable, it was estimated that the Company would receive approximately $32 million at that time.

Westar Group Ltd. has notified the Company that Westar Industries will be prevented from redeeming these shares on March 31, 1992, except to the extent to offset the loan payable. It was also unable to predict when any said redemption will occur. Due to the uncertainty as to the timing and likelihood of the redemption and following the recommendations of the CICA with respect to such investments, the Company made a provision against this investment in the amount of $31.2 million.

In the event that Westar Industries does not redeem the shares on March 31, 1992 the Company will take appropriate action to ensure that its rights are fully exercised and protected.

The Board of Directors has continued the suspension of dividends on the Company's 1,790,500 issued and outstanding $2.5625 Cumulative Redeemable Class A Preferred shares, Series 1. Dividends have been suspended since the October 15, 1986 payment and amount to $24.1 million at December 31, 1991. The Company has determined that it is still prevented by applicable law from redeeming any Series 1 Preferred shares previously deposited for redemption on April 15, 1989 or which may be deposited for redemption on October 15, 1992, and is unable to predict when any such redemption will be permitted. The shares deposited carry a redemption price of $25.00 each plus accrued dividends.

Management estimates the current liquidity problems will become acute by the second half of the fiscal year. Accordingly, a financial restructuring as a part of an overall financial recovery plan is essential.

Financial Recovery Plan

As a result of the difficult geological situation at Balmer mine described in *Operating Costs* and the then limited expected life of the Greenhills mine, the Company undertook a major study to assess the long-term economic potential of each mine. This long range plan which was completed in September 1991, calls for a major expenditure over the next five year period of approximately $75 million in prestripping costs to rehabilitate the Balmer mine. Implementation and completion of this program is estimated to result in a financially viable Balmer mine under current economic conditions. The study also resulted in a new mining plan for the Greenhills mine which extends its life, under current economic conditions, for a 15 to 20 year period without any significant increase in investment. The plan requires new operating permits for both mines

from the Provincial Government. Management expects to be successful in obtaining these permits.

Due to its past and current economic constraints, the Company has been unable to put in place a program to effectively hedge its foreign exchange risk. As substantially all of its sales are denominated in U.S. dollars and most expenses are incurred in Canadian dollars, this risk is substantial. Capacity to effectively hedge this foreign exchange risk is an essential element in establishing the long-term viability of the Company and must be a component of any financial recovery plan.

In addition to the projected cost to rehabilitate the Balmer mine and the need to hedge the foreign exchange risk, the Company is currently experiencing severe liquidity problems as described in the *Liquidity* section preceding. For these reasons the Company is currently pursuing changes in the terms of its loan agreements and the timing of principal repayments. In conjunction with the discussions with its lenders, the Company is also seeking support from other major stakeholders in order to restore its long-term financial viability. A further reduction in the cost of operating the Balmer mine to meet the realities of the world coal market is an essential part of this plan.

A financial recovery plan would permit the implementation of the long range plan for both mines. While the Greenhills mine is economically viable under current and forecast economic conditions, the Balmer mine will not be viable without the proposed pre-stripping. Lenders are being asked, amongst other things, to defer the repayment of principal until the Balmer rehabilitation is completed in 1996. Principal repayments thereafter would depend on available cash flows.

In the circumstances, the value of the Series 1 Preferred shares and Common shares is indeterminate. As all secured creditors and other trade creditors rank ahead of these equity holders and the lenders are unlikely to receive any repayment of principal prior to 1997, it is difficult to ascribe any value to the shareholders' investment under current and forecast economic conditions. Even assuming the implementation and success of a financial recovery plan, there is a significant risk that no funds will ever be available for the redemption of the Series 1 Preferred shares.

The Company's continued existence as a going concern is dependent upon its ability to obtain and implement a financial recovery plan. At this time, it is not possible to predict with assurance the success of the Company's restructuring efforts.

Outlook for 1992

Prices for coal world-wide will be under pressure to decrease in 1992 as a result of acceptance by Australian and Canadian producers in late 1991 of a $0.50(U.S.) decrease in the price for metallurgical coal sold in Japan during the 1992 coal year. This price decrease is effective for the coal year beginning April 1, 1992. The Company's share of coal volumes to be shipped in 1992 are forecast at 5.9 million tonnes and 2.9 million tonnes respectively for the Balmer and Greenhills mines, but will be determined by mining conditions, customer demand and successful completion of a financial recovery plan.

The long-term viability of the Balmer mine and of the Company is dependent upon a successful restructuring and implementation of a financial recovery plan in 1992. Management recognizes this imperative and will continue to seek the tangible support of all interested stakeholders in a timely manner.

Management's Responsibility

To the Shareholders of Westar Mining Ltd.

The consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the preparation and presentation of the information contained in these consolidated financial statements and other sections of this Annual Report. To fulfill this responsibility, the Company maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are properly executed in accordance with management's authorization.

Deloitte & Touche, the auditors appointed by the Common shareholders, have reviewed the systems of internal control and examined the consolidated financial statements. Their examination was made in accordance with generally accepted auditing standards to enable them to express to the shareholders their independent professional opinion on the fairness of these statements. Their opinion is included below.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee which is composed of three directors. This Committee meets regularly with the auditors and management to review their activities and reports to the Board of Directors. The auditors have full and direct access to the Audit Committee.

Verne D. Pecho
Vice President, Finance and Chief Financial Officer

Vancouver, British Columbia
February 24, 1992

Auditors' Report

To the Shareholders of Westar Mining Ltd.

We have audited the consolidated balance sheets of Westar Mining Ltd. as at December 31, 1991 and 1990 and the consolidated statements of loss, deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Chartered Accountants
Vancouver, British Columbia
February 4, 1992

Consolidated Balance Sheets

As at December 31

	Note Reference	1991	1990
		(Millions)	
Assets			
Current			
Cash		$ 1.4	$ 2.6
Receivables and prepaids		17.9	16.7
Inventories	4	43.1	46.6
		62.4	65.9
Property, plant, equipment and related development costs, net	5	212.3	230.4
Investment in related company	7	—	76.7
Other assets		3.6	1.4
		$ 278.3	$ 374.4

	Note Reference	1991	1990
Liabilities and Shareholders' Deficit			
Current			
Accounts payable and accrued liabilities	9	$ 95.5	$ 72.5
Income taxes payable		11.8	10.3
		107.3	82.8
Long-term debt	1, 8, 9	336.5	337.0
Due to related company	10	—	48.0
Deferred income taxes		60.7	74.6
Other liabilities		20.4	16.4
		524.9	558.8
Shareholders' deficit			
Share capital	3, 11	63.0	63.0
Contributed surplus		15.2	15.2
Deficit		(324.8)	(262.6)
		(246.6)	(184.4)
Basis of Presentation, Commitments and contingencies	1, 2, 7, 16		
		$ 278.3	$ 374.4

Approved by the Directors:

Peter Dolezal
Director

L.M. Johnstone
Director

Consolidated Statements of Loss

For the years ended December 31

	Note Reference	1991	1990
		(Millions)	
Sales	18	$ 457.1	$ 445.8
Costs and expenses			
Cost of products sold		447.3	431.6
General and administrative		6.4	7.0
Depreciation, depletion and amortization		21.0	21.3
		474.7	459.9
Operating loss		(17.6)	(14.1)
Financing costs on long-term debt	12	(18.6)	(41.0)
Other income and expense		(4.5)	2.0
Loss before income taxes and unusual items		(40.7)	(53.1)
Unusual items	13	(31.2)	(0.4)
Loss before income taxes		(71.9)	(53.5)
Recovery of income taxes	15	9.7	49.1
Net loss		$ (62.2)	$ (4.4)
Loss per common share		$ (3.66)	$ (0.49)

Consolidated Statements of Deficit

For the years ended December 31

	1991	1990
	(Millions)	
Deficit at beginning of year	$ (262.6)	$ (258.2)
Net loss	(62.2)	(4.4)
Deficit at end of year	$ (324.8)	$ (262.6)

Consolidated Statements of Changes in Financial Position

For the years ended December 31

	Note Reference	1991	1990
		(Millions)	
Operating activities			
Provided from operations	14	$ 7.6	$ 8.1
Change in operating working capital and other long-term liabilities	14	26.8	3.8
Income taxes paid		(2.7)	(2.8)
Other		(5.4)	2.2
		26.3	11.3
Investing activities			
Additions to property, plant and equipment		(4.5)	(11.9)
Insurance recovery		—	10.5
Recovery of amounts previously written off		—	9.2
Proceeds on redemption of shares held in related company	7	38.4	38.3
Dividends from related company	7	4.9	9.4
Other		(1.4)	1.0
		37.4	56.5
Financing activities			
Financing costs	12	(18.2)	(46.9)
Change in operating loan	8	(5.8)	17.1
Reduction of long-term debt		—	(25.6)
Restructuring costs		—	(1.1)
Advances from related company	10	2.4	8.8
Repayments to related company	10	(43.3)	(47.7)
		(64.9)	(95.4)
Decrease in cash resources		(1.2)	(27.6)
Cash resources at beginning of year		2.6	30.2
Cash resources at end of year		$ 1.4	$ 2.6

Notes to the Consolidated Financial Statements

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December 31, 1991

1. Financial Recovery Plan

In July 1990, the Company completed an agreement with its lenders to restructure the Company's long-term debt. It was expected that this refinancing would enable the Company to operate on a continuing basis as a going concern. Unfortunately, the benefits from this restructuring have been offset by lower revenues and higher operating costs associated with current mining conditions. Lower coal prices and the increased value of the Canadian dollar in relation to the U.S. dollar combined to significantly decrease revenues. A long range study completed in 1991 concluded that major expenditures are required over the next five years to rehabilitate the Balmer mine. As a consequence of these factors, the Company's ability to meet its required loan obligations in 1992 (Note 8) and to continue funding its operations cannot be determined at this time.

The Company is pursuing various options with its lenders and other key stakeholders to implement a financial recovery plan to restore the Company's liquidity and long-term viability. The Company's existence as a going concern (Note 2) is dependent upon obtaining agreement to such a plan. As yet no agreements have been reached and no assurance can be given that a successful plan can be attained.

2. Summary of Significant Accounting Policies

Basis of Presentation:

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company not be able to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. (See also Note 1)

Accounting Principles:

The Company is incorporated under the Company Act of the Province of British Columbia and prepares its accounts in accordance with generally accepted accounting principles followed in Canada.

Principles of Consolidation:

The consolidated financial statements include the accounts of all subsidiaries. The Company has an 80% interest in the Greenhills Mine Joint Venture which is proportionately consolidated.

Inventories:

Coal inventories are valued at the lower of average cost and net realizable value. Depreciation, depletion and amortization are not included in coal inventory costs. Operating supplies are valued at average cost less a provision for obsolescence.

Property, Plant, Equipment and Related Develpment Costs:

Property, plant and equipment are stated at cost. During the construction or development stages of major capital projects, interest is capitalized as a cost of these projects on the basis of expenditures incurred without restriction to specific borrowings for these projects. Replacements and major improvements are capitalized. Costs of assets sold, retired or abandoned and the related amounts of accumulated depreciation are eliminated from the accounts. Gains or losses on such dispositions are included in earnings. Expenditures for repairs and maintenance of plant and equipment are charged against earnings. Plant and equipment are depreciated on a unit of production method over the estimated useful lives of the assets.

Acquisition costs of coal reserves are capitalized and depleted by the unit of production method. Coal exploration costs are charged against earnings when incurred. Costs incurred in connection with feasibility studies for new mining projects are capitalized and charged against earnings over the life of the mine or written off when it is determined that the project is not feasible. Preproduction and development costs are capitalized and amortized on the straight line basis over the life of each mine. (See also Note 5)

3. Omission of Dividend

The Board of Directors of the Company has not declared quarterly dividends on the Company's $2.5625 Cumulative Redeemable Class A Preferred shares, Series 1, which total $44.8 million, since the third quarter of 1986. Cumulative unpaid dividends amounted to $24.1 million and $19.5 million at December 31, 1991 and 1990 respectively. These dividends have not been recorded in the accounts of the Company.

4. Inventories

(Millions)		1991		1990
Coal	$	25.3	$	31.1
Operating supplies		17.8		15.5
	$	43.1	$	46.6

5. Property, Plant and Equipment

(Millions)		1991		1990
Property, plant, equipment and related development costs, at cost	$	590.1	$	590.2
Accumulated depreciation, depletion, amortization and writedown provision		(377.8)		(359.8)
	$	212.3	$	230.4

The Company reviews the carrying value of its assets on an annual basis to determine whether the value would be recovered through future use. Future expected cash flows are based on estimates deemed reasonable at the time and are compared to the carrying values. In 1990, such a review indicated that an $80 million writedown of the carrying value was appropriate. This year's review indicated that the expected cash flows would recover the current carrying value.

6. Share of Joint Venture Operations

The Company is an 80% participant (with Pohang Iron and Steel Company Limited – a 20% participant) in the ownership of the Greenhills Mine Joint Venture.

The financial statements include $188.3 million and $192.1 million in assets and $20.3 million and $25.3 million in liabilities, in 1991 and 1990 respectively related to the joint venture, prior to the provision for carrying values. Included in the asset values is $167.1 million (1990 – $177.7 million) related to the property, plant and equipment of the joint venture.

7. Investment in Related Company

The Company has 38,333 (1990 – 76,666) Cumulative Redeemable Class C Preferred shares of Westar Industries Ltd. redeemable at $1,000 each. These shares earn quarterly dividends based on 70% of the prevailing prime rate of a Canadian chartered bank and carry a mandatory redemption provision. Westar Industries is a wholly-owned subsidiary of Westar Group Ltd. which through another subsidiary owns 66.6% of the outstanding Common shares of the Company.

Under the terms of an amendment, dated August 30, 1988, to the Loan Agreement between the Company and Westar Industries, dividend and mandatory redemption payments may be offset against the indebtedness owed to Westar Industries. Accordingly, dividends paid on September 30, 1991 and the March 31, 1991 mandatory redemption of 38,333 shares, which together totalled $43.3 million (1990 – $47.7 million), were offset against the indebtedness owed to Westar Industries (Note 10). Westar Industries has not declared the December 31, 1991 quarterly dividend, amounting to $0.6 million, on the Class C Preferred shares.

Under the provisions of the Class C preferred shares, Westar Industries is obligated to redeem the remaining 38,333 shares held by the Company on March 31, 1992 unless the redemption is contrary to applicable law. The Company has been advised that Westar Group's long-term debt becomes due and payable on March 31, 1992 and that it has commenced negotiations with its lenders to restructure its debt and reschedule its debt payments. If Westar Group is unable to restructure its debt, it would be unable to pay the long-term debt obligations as required on March 31, 1992. In the debt restructuring agreement presently being negotiated, the lenders have declined to provide any accommodation for the redemption of the Westar Industries preferred shares. Such an arrangement will then prevent Westar Industries from effecting any redemption of the

preferred shares, except to the extent to offset the loan payable by the Company to Westar Industries, since to do so would result in an event of default under Westar Group's restructured debt arrangements and which would render Westar Group and Westar Industries insolvent. Accordingly, Westar Group has notified the Company that Westar Industries will be prevented from redeeming the preferred shares, except to the extent to offset the loan payable, as such redemption will be prohibited by applicable law and the terms of the proposed restructuring agreement. Westar Group has further indicated that it is unable to predict when Westar Industries will be able to redeem the remaining shares.

Due to the uncertainty as to the ultimate realization by the Company of the proceeds from redemption, the Company has written down the carrying value of the Class C preferred shares by $31.2 million to a nominal value. As at December 31, 1991, the remaining indebtedness of $7.1 million owed to Westar Industries by the Company has been applied against the carrying value of this investment to determine the appropriate provision. The Company has retained legal counsel to advise as to the appropriate actions to be taken to ensure the Company's rights are fully exercised and that the Company's interests are fully protected.

8. Long-Term Debt

Due to the current financial state of the Company (Note 1), the Company has commenced preliminary negotiations with its lenders to alter the existing repayment terms of the long-term debt obligations. It is not possible to predict with assurance whether these refinancing efforts will be successful, and the Company's ability to meet the required loan payments cannot be determined. Consequently, the amounts due to the lenders will continue to be classified as long-term.

Long-term debt consists of the following facilities:

(Millions)	1991	1990
Operating loan	$ 11.3	$ 17.1
Investment facility	220.0	220.0
Reducing term loans	93.6	93.6
Accrued interest payable	11.6	6.3
	$ 336.5	$ 337.0

The above loans include amounts owing to a related company, MC Resources Ltd., as at December 31, 1991 of $30.2 million (1990 – $29.7 million). MC Resources Ltd. is a wholly-owned subsidiary of Mitsubishi Corporation which owns 13.1% of the outstanding common shares of the Company. The interest paid and accrued on these loans from MC Resources Ltd. in 1991 and 1990 were $1.9 and $2.8 million respectively.

A description of the loan facilities follows:

Operating Loan

Under this facility, which expires in April, 1994, the Company may borrow up to $25 million, subject to margin restrictions. The value of the receivables and inventories of the Company determine the margin available. Interest is charged at the prime rate of a Canadian chartered bank.

Investment Loans

The investment loan facility represents preferred shares issued to the lenders by wholly-owned subsidiaries of the Company. The financing charges are calculated at 50% of prime rate plus 1.75% and are paid in the form of dividends. As at December 31, 1991 the financing rate was 5.75% (1990 – 8.125%). In April, 1994, the Company may convert the shares into a five year term loan facility if certain conversion tests are met including the repayment requirements of the reducing term loan facility. The term loan facility requires principal payments of $8.8 million in each of April 1995, 1996 and 1997, $13.2 in April, 1998 and the remaining balance in April 1999.

Reducing Term Loans/Accrued Interest Payable

With respect to the reducing term loan, interest charged on $84.8 million is at a rate based on the price of coal received by the Company with a minimum rate of 5% and a maximum of 20% while the interest charged on the remaining portion is 69% of the prime rate of a Canadian chartered bank. Interest rates charged at December 31, 1991 were 5.72% and 5.55% (1990 – 7.79% and 8.8%) respectively. The interest is not required to be paid until the principal amount of the loan is fully repaid. There is no interest charge on the unpaid interest. Under certain circumstances the lenders may convert the accrued interest into notes payable

which will attract an interest charge at the prime rate. The reducing term loan facility also requires the following minimum principal repayments to be made on or before April 30 of the following years:

1992	$ 4.7 million
1993	$ 20.0 million
1994	$ 35.0 million
1995	$ 7.0 million
1996	$ 2.0 million

9. Loan Security and Financial Tests

The holders of the Company's long-term debt and certain accounts payables have been granted security as follows:
The operating loan (Note 8) is secured by a first priority claim on the receivables and inventories of the Company. In addition, a second priority debenture has been granted which is secured by a charge on the receivables and coal inventory to a maximum of $25 million. The current amount of accounts payables secured by this debenture is $19 million.

The investment loan and reducing term loan facilities are secured by debentures which have a charge on all assets of the Company with the exception of the assets of the Greenhills Mine Joint Venture (Note 6).

As part of the restructuring agreement, the Company must meet certain financial tests in regard to the principal amount outstanding to bank lenders, cash flow available for debt service and protection ratios based on discounted cash flows.

10. Due to Related Company – Westar Industries Ltd.

The loan to the Company from Westar Industries Ltd. bears interest at the prime rate of a Canadian chartered bank plus 1% with interest due quarterly. Interest payments by the Company are offset in equal amounts by additional loans from Westar Industries Ltd. The Loan Agreement also enables Westar Industries to offset dividend and share redemption payments on its Class C Preferred shares against the indebtedness owing by the Company. The loan payable has been applied against the carrying value of the investment in Westar Industries (Note 7) in the determination of the provision for the valuation of the shares.

(Millions)	1991	1990
Balance due,		
at beginning of the year	$ 48.0	$ 86.9
Interest payments re-advanced	2.4	8.8
Repayments		
–dividends applied	(4.9)	(9.4)
–share redemption		
proceeds applied	(38.4)	(38.3)
Application against carrying		
value of investment		
in related company	(7.1)	—
Balance due, at end of the year	$ —	$ 48.0

11. Share Capital

(Millions)	1991	1990
Authorized		
5,000,000 Class A Preferred shares		
of $25 par value each		
100,000,000 Common shares		
without par value		
Issued		
1,790,500 $2.5625 Cumulative		
Redeemable Class A		
Preferred shares, Series 1	$ 44.8	$ 44.8
18,247,530 Common shares	18.2	18.2
	$ 63.0	$ 63.0

The Preferred shares may be issued from time to time in one or more series having special rights and restrictions fixed prior to issue of each series by the Directors of the Company.

The terms under which the Series 1 Preferred shares were issued provided for retraction at the option of the holder on either April 15, 1989 or October 15, 1992 at $25 per share plus accrued and unpaid dividends (Note 3). The Company determined that it was still prevented by applicable law from redeeming on the January 15, 1992 quarterly dividend date any Series 1 Preferred shares previously deposited for redemption on April 15, 1989 and not withdrawn. The Company is

unable to predict when any such redemption will be permitted for shares already on deposit or which may be deposited for redemption on October 15, 1992. The Series 1 Preferred shares are redeemable at the option of the Company commencing April 15, 1989 at $26.25 declining annually to $25 on April 15, 1993, plus accrued and unpaid dividends.

As part of the terms of restructuring, the Company has granted options to each of the lenders to acquire for nominal consideration a fully-diluted 32.65% Common share interest in the Company. These options can only be exercised under certain circumstances, including default of the principal payment required. The options are not exercisable until April 1996 unless an event of default or specific events occur prior to that date. Westar Group Ltd. may purchase these options from the lenders if the principal and accrued interest on the reducing term loan facility have been repaid.

12. Financing Costs

(Millions)	1991	1990
Amounts Paid		
Long-term debt instruments	$ 15.8	$ 38.1
Westar Industries Ltd.	2.4	8.8
	18.2	46.9
Amounts Accrued		
Long-term debt instruments	5.3	3.5
	23.5	50.4
Less: Dividends received		
Westar Industries Ltd.	(4.9)	(9.4)
	$ 18.6	$ 41.0

13. Unusual Items

(Millions)	1991	1990
Recovery of amounts previously written off	$ —	$ 9.2
Settlement of insurance claim	—	10.5
Net gains associated with the restructuring of the Company's debt	—	59.9
Provision against carrying value of mine assets	—	(80.0)
Provision against net carrying value of investment in related company	(31.2)	—
	$ (31.2)	$ (0.4)

14. Cash Flow Information

(Millions)	1991	1990
Provided from operations:		
Operating loss	$ (17.6)	$ (14.1)
Add charges to operations not requiring a current cash payment:		
Depreciation, depletion and amortization	21.0	21.3
Loss on disposal of assets	1.7	—
Deferred pension expense	2.5	0.9
	$ 7.6	$ 8.1
Change in working capital and other liabilities:		
Cash provided by (used for):		
Receivables and prepaids	$ (1.2)	$ —
Inventories	3.5	(10.6)
Payables and other liabilities	27.0	15.3
Deferred pension liability	(2.5)	(0.9)
	$ 26.8	$ 3.8

15. Recovery of Income Taxes

(Millions)	1991	1990
Current expense		
Federal and provincial income taxes	$ (1.3)	$ 0.7
British Columbia mining tax	(0.1)	(1.0)
Transfer from deferred taxes	(2.8)	(0.2)
	(4.2)	(0.5)
Deferred recovery		
Federal and provincial income taxes	11.5	39.7
British Columbia mining tax	(0.4)	9.7
Transfer to current taxes	2.8	0.2
	13.9	49.6
Net recovery	$ 9.7	$ 49.1

The following is a reconciliation of the effective recovery rate to the statutory rate:

	1991	1990
Recovery of Income Taxes at Statutory Rate of 43.8% (1990 – 42.8%)	$ 31.5	$ 22.9
Increase (Decrease) resulting from:		
Difference between drawdown rate and statutory rate	2.0	8.0
Non-deductible payments to provinces for mining tax and mineral taxes	(1.5)	8.0
Special resource and depletion allowances	(3.1)	(17.2)
Non-deductible financing costs	(6.3)	(3.6)
Non-taxable dividend income	2.1	4.0
Non-taxable (deductible) portion of certain unusual items	(13.7)	13.6
Utilization of prior year's capital losses	—	4.3
Recovery of (provision for) interest on outstanding reassessments	(1.2)	0.6
Settlement of previously provided for amounts	—	9.0
Large Corporation Capital Tax	(0.1)	(0.5)
Recovery of Income Taxes	$ 9.7	$ 49.1
Effective Tax Recovery Rate	13.4%	91.8%

16. Lease Commitments

The Company has entered into operating leases, for replacement of a portion of its equipment fleet. These lease agreements are in place for periods up to 1996 and are in addition to other operating leases pertaining to general operations but which are usually of a shorter term. Total lease payments required under these commitments aggregate $32.6 million. The future minimum annual payments required under these leases are as follows:

(Millions)		
	1992	$ 10.5
	1993	7.4
	1994	6.3
	1995	5.5
	1996	2.9
		$ 32.6

17. Pension Plans

The Company has pension plans for hourly and salaried employees. The date of the last actuarial valuations for both plans was January 1, 1991. At December 31, 1991, the estimated actuarial present value of accrued pension benefits was $62.6 million while the estimated market value of the pension fund assets was $43.9 million. This deficiency is being funded over an appropriate period as determined by the Company's actuaries. The Company is meeting all of its funding obligations with respect to both plans. The Company has accrued an additional $5.3 million as of December 31, 1991 relating to future pension funding obligations. An amount of $8.6 million has been expensed in the year (1990–$7.5 million) representing the cost of pension benefits earned in the current year and the amortization, over the expected average remaining service life of current plan members, of the excess of accrued pension benefits over pension fund assets.

18. Related Party Transactions

The Company sells metallurgical coal produced from its Balmer mine to nine Japanese corporations under an agreement expiring on March 31, 1993. The Company sells metallurgical coal produced from its Greenhills mine to the nine Japanese corporations under annual contracts which also expire on March 31, 1993. At December 31, 1991, Mitsubishi Corporation together with the nine Japanese corporations owned 33.4% of the Company's outstanding Common shares. Total sales to these Japanese customers amounted to $182 million and $187 million for the years ended December 31, 1991 and 1990 respectively.

Pohang Iron and Steel Company Limited of Korea (Posco), which has an indirect 20% interest in the Greenhills Mine Joint Venture, purchases Balmer and Greenhills metallurgical coals from the Company under long-term contracts extending through March 31, 1994 and 2002 respectively. Sales to Posco amounted to $89 million and $78 million for the years ended December 31, 1991 and 1990 respectively.

The Company ships substantially all of its coal products through a bulk loading terminal at Roberts Bank, British Columbia which is operated by Westshore Terminals Ltd. Westshore Terminals Ltd. is a wholly-owned subsidiary of Westar Group Ltd. Payments to Westshore Terminals Ltd. for these services amounted to $45 million and $42 million in 1991 and 1990 respectively. Included in accounts payable and accrued liabilities at December 31, 1991 and 1990 are amounts owing to Westshore Terminals of $7.2 million and $1.7 million respectively.

In 1991 and 1990 respectively, the Company reimbursed a subsidiary of Westar Group Ltd. $1.3 million and $2.0 million for the cost of certain centralized management and administrative services.

In 1991 and 1990 the Company incurred interest costs in the amount of $4.4 million and $11.6 million respectively on amounts due to related companies (Notes 8, 10).

Five Year Review

	1991	1990	1989	1988	1987
		(Millions except per share data)			
Coal Shipments (tonnes) (1)					
Metallurgical	7.5	7.4	8.7	8.0	6.8
Thermal	1.5	1.0	0.9	1.2	1.5
	9.0	8.4	9.6	9.2	8.3
Sales ($)	457.1	445.8	491.6	457.1	405.2
Net Loss ($)	(62.2)	(4.4)	(15.6)	(7.6)	(17.6)
Share Statistics ($)					
Loss per Common share (2)	(3.66)	(0.49)	(1.10)	(0.67)	(1.22)
Cash Flow Information ($)					
Funds provided from operations (3)	7.6	8.1	37.1	45.2	34.7
Financing costs on long-term debt	18.2	46.9	56.9	45.1	42.6
Capital expenditures	4.5	11.9	9.8	5.0	16.6
Financial Position ($)					
Working capital (deficiency)	(44.9)	(16.9)	3.8	18.1	11.9
Total assets	278.3	374.4	520.3	538.1	543.5
Total long-term debt (4)	336.5	385.0	437.9	441.5	464.1
Shareholders' deficit	(246.6)	(184.4)	(180.0)	(164.4)	(156.8)

Comparative financial information for 1987 was restated in 1988 to reflect a prior period adjustment resulting from income tax reassessments and a prior period adjustment relating to the 1986 sale of the Company's oil and gas operations in the United Kingdom.

Notes:
(1) Includes 100% of the Greenhills Mine Joint Venture shipments.

(2) After deducting dividends on Preferred shares.

(3) These amounts do not include financing costs, dividend income, other income, deferred pension expenses and income taxes in the determination of funds provided from operations. The 1988 and 1990 amounts have been restated to not include deferred pension costs incurred in those years.

(4) Includes long-term debt due to a related company.

Corporate and Shareholder Information

Directors

L.I. (Larry) Bell [1]
President and Chief Executive Officer
Westar Group Ltd.
Vancouver, B.C.

Robert F. Chase [1] [2]
Senior Vice President, Finance
and Chief Financial Officer
Westar Group Ltd.
Vancouver, B.C.

Peter Dolezal [1]
President and
Chief Executive Officer
Westar Mining Ltd.
Vancouver, B.C.

Lucille M. Johnstone [2][3]
Chairman, President and
Chief Executive Officer
Integrated Ferry Constructors Ltd.
North Vancouver, B.C.

Edwin C. Phillips [2]
Chairman of the Board
Westar Group Ltd.
Vancouver, B.C.

Akihiko Nagasawa
Director
NKK Corporation
Tokyo, Japan

Izuru Nagasawa
Director and Senior Assistant
to Managing Director, Metals
Mitsubishi Corporation
Tokyo, Japan

Kiyokazu Watanabe
General Manager,
Coal and Fuel Division
Nippon Steel Corporation
Tokyo, Japan

Auditors

Deloitte & Touche

Officers

L.I. (Larry) Bell
Chairman of the Board and
Chairman of the Executive Committee

Peter Dolezal
President and Chief Executive Officer

Sam Oishi
Vice President, General Manager
Greenhills Operations

Clifford I. Britch
Vice President, General Manager
Balmer Operations

Verne D. Pecho
Vice President, Finance
and Chief Financial Officer

Suzanne K. Wiltshire
General Counsel and Secretary

Robert D. Armstrong
Assistant Secretary

Dorothy M. McClelland
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The Royal Trust Company
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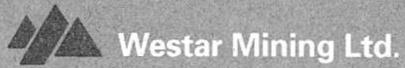
Toronto and Montreal

Preferred Shares Listed

Vancouver Stock Exchange
The Toronto Stock Exchange

(1) Member of Executive Committee
(2) Member of Audit Committee
(3) Member is not seeking re-election



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