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Westmin
Resources
Limited

Annual Report
1984



Corporate Profile

Westmin Resources Limited is a diversified natural resource exploration and development company with interests in oil, natural gas, base metals, precious metals, coal and industrial minerals.

On September 1, 1983, the Company became part of the Brascade Resources Inc. group when the latter acquired a 63 per cent fully diluted interest in Westmin from Brascan Limited.

Westmin's production of crude oil and natural gas liquids has set successive annual records over the past seven years. Acquisition of a 50 per cent interest in Sundance Oil Company's Alberta production effective January 1, 1985, assures acceleration of this trend.

At the Myra Falls mine complex, inland from Campbell River on Vancouver Island, construction is nearing completion and underground development is well underway towards a three-fold increase in production by the fourth quarter of 1985.

Coal royalty revenue continues to increase, with long-term growth tied to Crown royalty rates and the rate of inflation.

Continued growth will result from the mine expansion, acquisition of production and land in the Petroleum Division and follow-up programs on some of the more advanced exploration projects involving both minerals and hydrocarbons.

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Annual General Meeting

The Annual General Meeting of Westmin Resources Limited will be held on Wednesday, April 17, 1985, at 2:00 p.m. in the Four Seasons Hotel, Vancouver, British Columbia.

Metric Conversion

Canada commenced the changeover to "metric" on January 1, 1979. This measurement system is known as the International System of Units or SI. In this Annual Report, in the interests of familiarity and consistency, measurements are given in standard Imperial units. For those wishing to convert to SI, we provide the following table.

To convert from	To	Multiply By
Thousand cubic feet (mcf) gas	Cubic metres (m ³)	28.169
Barrels (bbls) oil	Cubic metres (m ³)	0.159
Feet	Metres (m)	0.305
Miles	Kilometres (km)	1.609
Acres	Hectares (ha)	0.405
Tons	Tonnes	0.907



Corporate Highlights

Financial Highlights

(\$000's except per share data)

Gross Revenue	\$133,378
— oil and gas	97,736
— mining	23,032
— investment income & other	12,610
Cash Flow	66,873
Net Earnings	33,871
Net Earnings per share	.47
Working Capital	113,386
Long Term Debt	140,000
Capital Expenditures	145,038
— oil and gas	49,100
— mining	95,607
Total Assets	671,577
Shareholders' Equity	387,732
Common Shares Outstanding	38,033,515

Operating Highlights

Gross Production

Crude Oil	
— bbls	1,633,100
— bbls/d	4,462
Natural Gas	
— mmcf	16,285
— mmcf/d	44.5
Minerals	
— tons	224,470
— average daily tons	905

Gross Reserves

Crude Oil*	— bbls	
	proven	12,836,000
	probable	77,291,000
	total	90,127,000
Natural Gas*	— mmcf	
	proven	402,622
	probable	93,384
	total	496,006
Minerals	— tons (Myra Falls operations)	
	proven	757,900
	drill indicated	15,581,000
	total	16,338,900

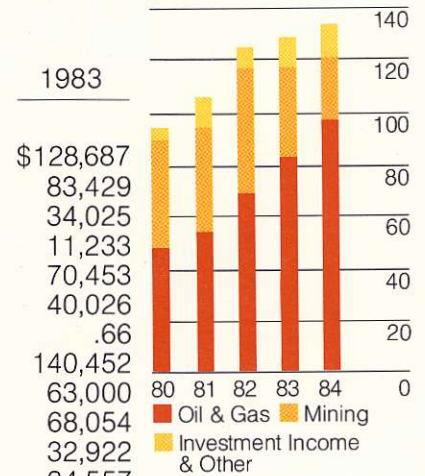
Land Holdings

Gross acres	8,595,000
Net acres	2,611,000

*excluding Sundance reserves.

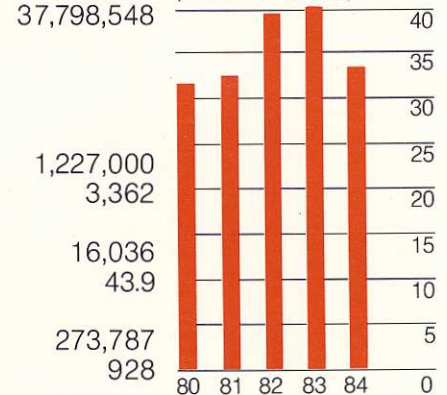
Revenue

(Millions of dollars)



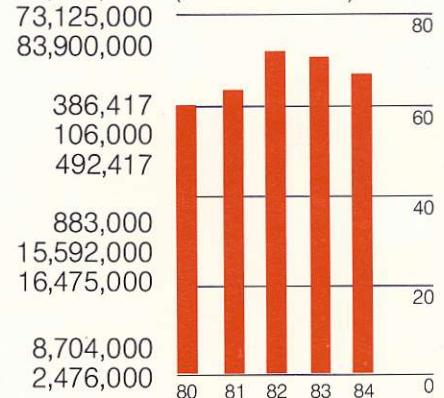
Net Earnings

(Millions of dollars)



Cash Flow

(Millions of dollars)



To The Shareholders

During 1984, Westmin Resources established the foundation for major growth in production and revenues from both the Petroleum and Mining Divisions.

The acquisition of a 50 per cent interest in Sundance Oil Company's Alberta producing properties was negotiated in 1984 and upon closing will be effective as of the beginning of the new year. This acquisition will make a very significant contribution to Westmin's production of crude oil and natural gas. The Sundance addition ranks Westmin among the top 30 petroleum companies in Canada in terms of assets, reserves and oil production.

In the Mining Division, 1984 was the year in which most of the capital expenditures were incurred for the Myra Falls expansion from 1,000 to 3,000 tons per day. Start-up of the new mill and auxiliary facilities will get under way this spring and full production should be achieved by the fourth quarter.

This is just a few months behind schedule despite the 4-1/2 month strike which shut down production and some of the development from mid-November, 1983 to the end of the first quarter of 1984. The lost production, combined with severely depressed metal prices adversely affected 1984 earnings following eight consecutive years of record performance.

Total revenue was a record \$133,378,000 compared to \$128,687,000 mainly due to higher oil production. Net earnings totalled \$33,871,000 versus \$40,026,000 the previous year. After provision for dividends on the class A and B preferred shares, net earnings per common share amounted to 47 cents versus 66 cents. Cash flow totalled \$66,873,000 compared with \$70,453,000 in 1983.

As noted above, capital expenditures were up sharply to \$145,038,000 from \$68,054,000 chiefly due to completion of the major phase of mine/mill expansion. Working capital remained a very healthy \$113,386,000, with virtually all of the funds in the form of cash or short-term investments.

During the year, the company completed the \$200 million non-recourse financing for the H-W mine/mill development and expansion, replacing temporary bank borrowings incurred during construction. As of the end of 1984, \$140 million had been drawn under this facility. A similar arrangement is being negotiated to finance the major portion of the \$130 million acquisition of the Sundance interests.

Petroleum Division

Once again, the Petroleum Division achieved a record operating profit with a 10 per cent increase to \$50,545,000. This was mainly due to an 1,100 barrels per day or 33 per cent increase in crude oil and natural gas liquids production to 4,462 bopd.

Despite the well-publicized problems of temporary oversupply, sales of natural gas were also slightly higher at 16.3 billion cubic feet, and the average price remained relatively firm at \$2.83 per mcf versus \$2.90 the year before. This resulted in gross revenues from gas sales of \$46.1 million versus \$46.5 million the year before.

During 1984, the Company renewed its efforts to find more gas, especially in areas with ready markets. This resulted in an expansion of holdings in the Beacon Hill area of Saskatchewan to 235,000 acres, the drilling of 20 wells and initial deliveries in November, 1984. The potential here is most significant.

Lindbergh and area low gravity oil production rose by 69 per cent during the year and now accounts for 57 per cent of Westmin's total crude output. With 34 sections (square miles) of this mineral title acreage considered potentially capable of production, Westmin will continue accelerated development throughout 1985 and for years to come. Development is low risk and relatively inexpensive with production qualifying for New Oil Reference Prices (NORP) free of royalty payments to other parties. Steam stimulation (huff and puff) programs have been successful in increasing recoveries several-fold from

individual wells. Consequently, the Company has decided to steam a full quarter section later in 1985.

Gross revenues from sales of crude oil and condensate rose to \$51,635,000 from \$36,949,000 in 1983.

Mining Operations

The past year was very trying for Westmin's mining operations. It was a period of large capital expenditures on the three-fold expansion combined with severely depressed metal prices. The situation was further exacerbated by the strike which began in mid-November, 1983 and ended with the first quarter of 1984. The dispute resulted in significant delays in development and loss of production. Combined with the fixed costs during the strike period and depressed metal prices, this resulted in net smelter returns of \$17,471,000 versus \$29,161,000 the previous year.

The expansion program was immediately accelerated in the second quarter and some of the time lost has been made up with full production of 3,000 tons per day anticipated by the fourth quarter of 1985.

The higher tonnage, mined by much more efficient trackless mining methods and processed in the new mill, will lead to significantly higher cash flow from mining operations. These developments will also position the Company to benefit from any improvement in metal prices.

Royalty revenues from Westmin's coal and industrial mineral leases rose to \$5.6 million.

Outlook

The past year can best be described as one of transition . . . with the Myra Falls expansion and the Sundance acquisition setting the stage for significantly greater production of oil, gas and minerals, beginning in 1985 and accelerating in subsequent years.

The Sundance acquisition will result in a large increase in petroleum reserves and production. This is in addition to the expected increase in crude oil production resulting from the ambitious development drilling program undertaken during 1984.

We are optimistic that the oversupply of natural gas is a relatively short-term situation and that supply and demand will eventually come into balance at economically realistic prices. Some weakness may also persist in crude pricing during the short term. However, general worldwide recovery, combined with governments' realization that the energy segment is one of the main engines of Canada's own recovery, would augur well for the industry.

As far as the mining industry is concerned, one can take some comfort in the realization that Westmin's current operations are generating a positive cash flow despite severely depressed metal prices. Economic recovery and industry rationalization should result in some price recovery.

As the H-W orebody and new mill come on stream, Westmin will benefit greatly from economies of scale and modern technology. In addition, mineral grades being encountered in underground development are significantly higher than those indicated by initial diamond drilling.

Royalties from coal and industrial minerals will continue to increase under long-term escalation clauses in contracts concluded in 1982.

Non-recourse project financing is in place for the mine expansion and is being negotiated for the Sundance acquisition. Working capital remains healthy and lines of credit are open for suitable further acquisitions. However, the major effort in 1985 will be the integration and consolidation of the most recent acquisition and mine expansion.

People

Any report to shareholders would not be complete without a special word of thanks to Westmin's employees who have worked with great dedication and diligence throughout a trying year to establish the basis for a new era of accelerated growth. We would also like to thank our former chairman, A. William Farmilo for his many years of guidance, especially in those formative years when Westmin's various components were being put together. We are fortunate to have Mr. Farmilo remain a director for continued guidance during the Company's newest growth phase.

On behalf of the Directors.



Paul M. Marshall
President and Chief
Executive Officer.

February 20, 1985

Petroleum Division

The Petroleum Division again established records in revenues of \$97,736,000, cash flow of \$63,112,000 and operating profit of \$50,545,000 representing increases of 17, 16, and 10 per cent respectively.



For the first time, the Company's revenues from sale of crude oil and natural gas liquids exceeded revenue received from sales of natural gas.

Production

Sales of crude oil and natural gas liquids increased 33 per cent during 1984 to an average of 4,462 barrels per day from a 1983 average of 3,362 bopd. The major contribution to this large increment came from low gravity crude production from the general Lindbergh area of east-central Alberta, where output rose by 66 per cent to account for 57 per cent of Westmin's total production.

Other major areas of oil production include Chinchaga and Wayne-Rosedale in Alberta and Neptune in Saskatchewan.

Gross revenues from crude production amounted to \$51,635,000, almost 40 per cent above the previous year's total of \$36,949,000.

Sales of natural gas during 1984 averaged 44.5 million cubic feet per day, a little above the previous year's 43.9 mmcf/d. With the 1984 average sales price at \$2.83 per mcf versus \$2.90 the year before, gross revenues amounted to \$46,101,000 compared with \$46,480,000 the previous year.

After a relatively brief period of de-emphasis on finding more gas, chiefly due to the so-called 'bubble' in supply, Westmin is once again actively looking for additional gas. The Company

has achieved considerable success in its efforts to find new markets beyond the existing major contracts with Northwestern Utilities, Pan-Alberta Gas and TransCanada Pipelines.

The Beacon Hill area of west-central Saskatchewan has taken on new prominence. Meanwhile, major production is still emanating from traditional west-central Alberta areas such as Hairy Hill, Chinchaga, Myrnam, Beauvallon and Newbrook.

Production and Income*

	Year Ended December 31		
	1984	1983	1982
Crude oil and natural gas liquids			
Per year bbls	1,633,100	1,277,130	961,045
Daily average bbls	4,462	3,362	2,633
Natural gas			
Per year mmcf	16,285	16,036	15,144
Daily average mmcf	44.5	43.9	41.5
Gross Revenue (\$000's)			
Natural Gas	\$ 46,101	\$ 46,480	\$ 43,283
Crude Oil & Gas Liquids	51,635	36,949	25,756
Total	<u>\$ 97,736</u>	<u>\$ 83,429</u>	<u>\$ 69,039</u>

* Includes royalty production and income accruing to Westmin but before deducting royalty interests accruing to other parties.

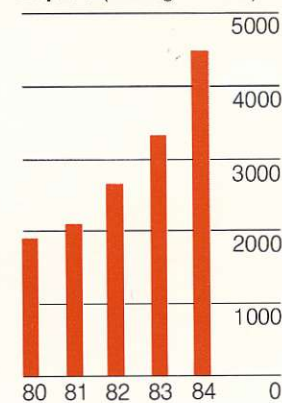
Drilling Activity-1984

Working Interest	Gas	Oil	Dry	Gross	Net
Exploratory	15	21	21	58	30
Development	7	93	9	108	96
Total	<u>22</u>	<u>114</u>	<u>30</u>	<u>166</u>	<u>125</u>
Royalty Interest (1)	4	20	11	35	*

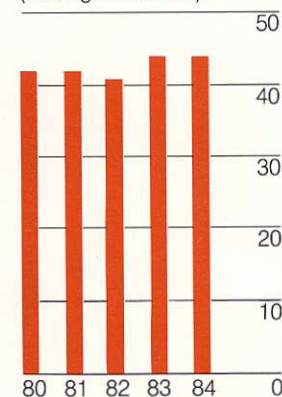
(1) "Royalty interest wells" are wells drilled at no cost to Westmin on properties in which Westmin's only interest is a retained royalty interest.

* Variable, depending on contractual arrangements.

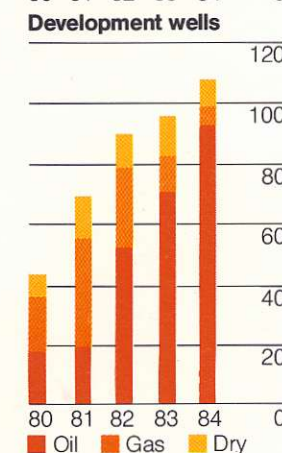
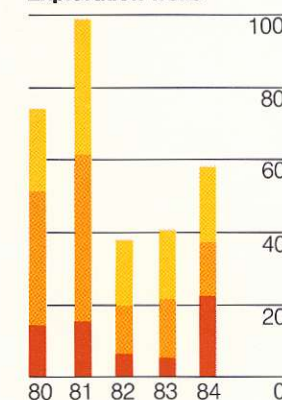
Production Crude Oil and Natural Gas Liquids (Average BOPD)



Natural Gas (Average MMCF/D)



Drilling Activity (Gross working interest wells) Exploration wells



Oil Gas Dry

Sundance Acquisition

Acquisition of 50 per cent of Sundance Oil Company's Alberta producing assets positions Westmin among Canada's top 30 oil companies.

In mid-September, 1984, Westmin Resources agreed to purchase \$125 million of producing assets in Alberta from Société québécoise d'initiatives pétrolières (SOQUIP) contingent on SOQUIP acquiring these assets via acquisition of all the issued shares of Sundance Oil Company.

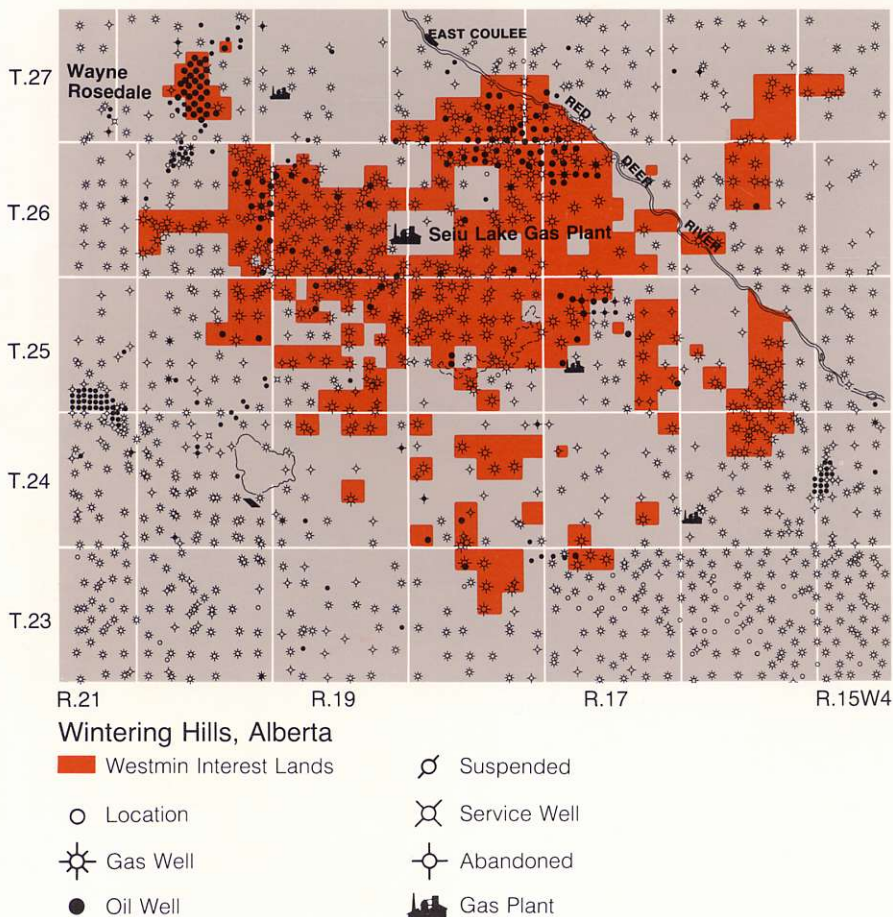
The Westmin acquisition, which became effective January 1, 1985, involves 50 per cent of Sundance's producing properties in Alberta plus certain lands in close proximity to Sundance production for an additional \$5 million. Project financing to cover the acquisition is being finalized with Canadian institutions.

Based on Sundance's 1984 estimates, daily production accruing from Westmin's 50 per cent, would have been 1,524 barrels of crude oil and natural gas liquids and 23.2 million cubic feet of natural gas, with approximately 80 per cent coming from the Wintering Hills and Hoadley areas of Alberta. This would translate into a most significant 34 per cent increase over Westmin's 1984 daily average production of oil and natural gas liquids and a 53 per cent increase in the Company's daily average production of natural gas.

This acquisition also adds an estimated 6.1 million barrels of proven and probable reserves of crude oil and natural gas liquids and 135 billion cubic feet of natural gas to Westmin's reserves. Approximately 570,000 acres of prospective land in Alberta and British Columbia were involved in the transaction.

Wintering Hills

One of the two major properties obtained by Westmin in the Sundance acquisition is Wintering Hills, located 60 miles east of Calgary.



In addition to acquiring a working interest in 119 gas wells and 66 oil wells, Westmin, at a modest cost (\$26/net acre) gained an interest in 71,000 acres of unproven but highly prospective lands adjoining proven oil and gas reserves. Westmin will also retain a gross overriding royalty in 135 shallow gas wells drilled by another company.

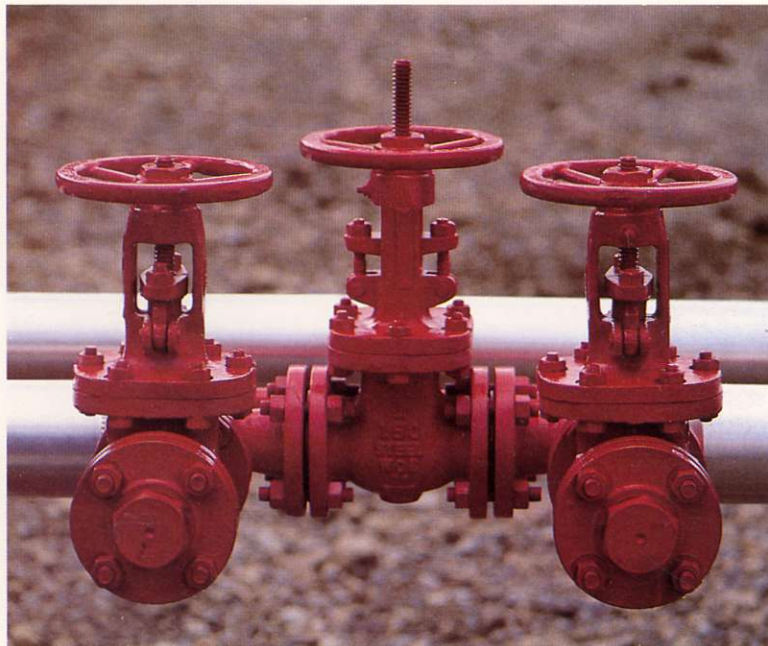
In addition, it should be noted that lands containing proven oil and gas reserves have yet to be fully developed. The oil pools and single well oil discoveries have not yet been delineated and as a result have potential for extension through further drilling. Another major attraction is the potential for infill drilling on closer spacing and possibly eventual waterflood in oil pools not being efficiently drained by the existing widely spaced wells.

The Wintering Hills property contains seven horizons prospective for gas production and four for oil production. Wells are 4500 feet in depth at a drill and case cost of approximately \$250,000.

Hoadley

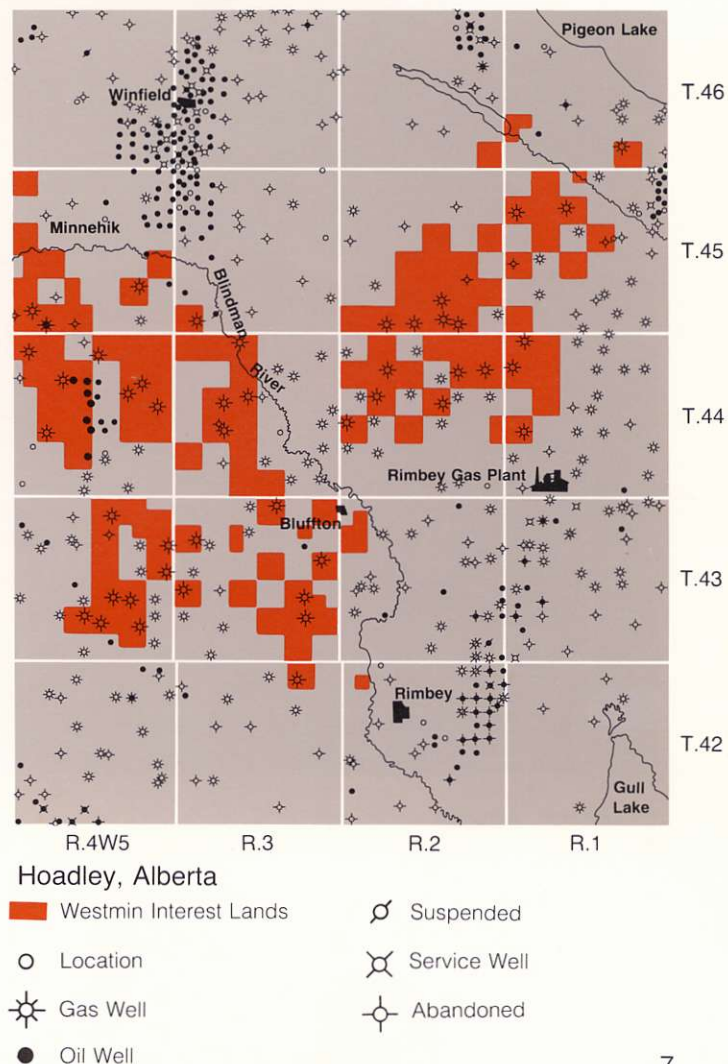
The second major producing property is Hoadley, located 50 miles southwest of Edmonton.

In addition to acquiring a working interest in 28 gas wells (11 producing, 17 shut-in awaiting market) containing gross proven reserves of 155 billion cubic feet of natural gas and over eight million barrels of liquids, Westmin will acquire an approximate 25 per cent interest in 42,000 acres of prospective but undeveloped acreage. This



land, which in most cases immediately offsets established production, was acquired at a cost of \$176.00/net acre.

The prolific gas and liquids-bearing Glauconitic Sand is the primary target in the area. For instance, the Sundance discovery well at 6-2-45-2 W5M tested 26 mmcf/d and 1500 barrels per day of natural gas liquids from 80 feet of pay. This well will continue to qualify for royalty-free status for eight months in 1985. Most wells are drilled to a total depth of 6600 feet at a drill and case cost of \$450,000.



Lindbergh

Fifty-seven per cent of Westmin's average daily 1984 crude production came from the general Lindbergh low gravity oil area of east-central Alberta.

The year's average of 2,565 bopd is 69 per cent above the 1983 average of 1,521 bopd. And as production continues to optimize from 1984's accelerated development program, output will continue to rise. Average production in the final month of 1984 totalled 3,575 bopd.

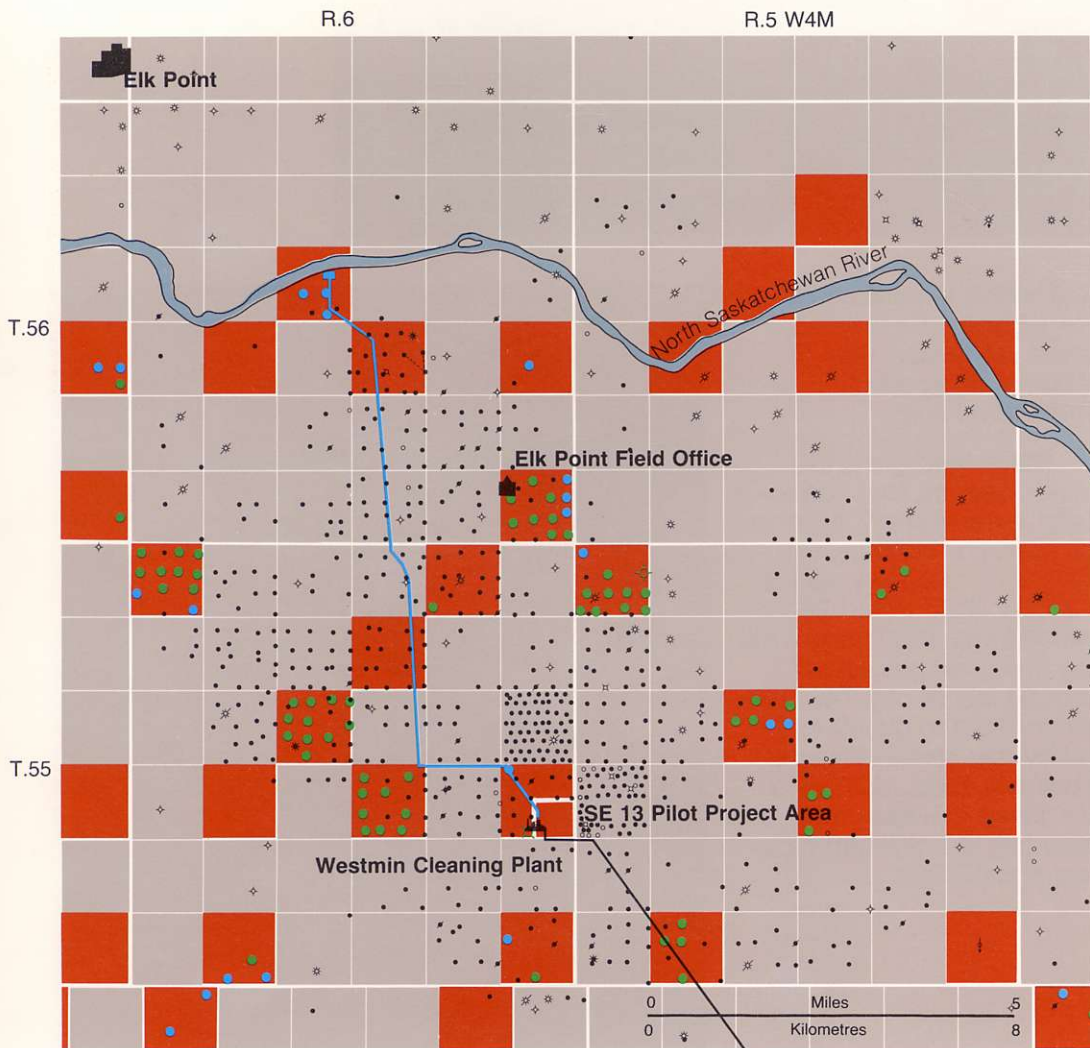
During the year, Westmin drilled 88 development wells on its low gravity acreage, bringing the total on production to 217.

With 34 checkerboarded sections (square miles) considered amenable to low gravity oil production, overlying an estimated 1.4 billion barrels of oil in place, it is readily evident that Westmin plans to proceed with further expansion of both primary and tertiary production.

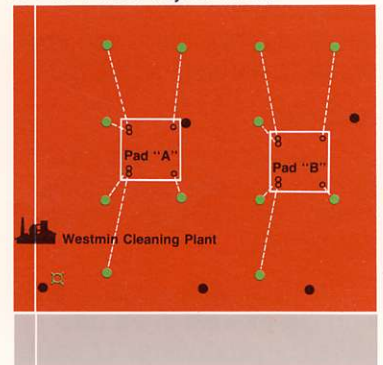
A further incentive is the fact that this is mineral title acreage which is not subject to royalty or rental payments to the Crown or other third parties . . . except for a nominal annual mineral tax.

In addition, Lindbergh is a relatively low risk development area qualifying for certain Petroleum Incentive Program (PIP) grants. Production is readily marketable and qualifies for New Oil Reference Prices (NORP).

With only three to six per cent of oil in place recoverable via primary production, Westmin has become increasingly active in developing its tertiary, steam stimulation (huff and puff) programs which can increase recoveries to 15 to 30 per cent or higher.



SE 13 Pilot Project Area



Lindbergh, Alberta.

- | | | |
|---|---|----------------|
| ■ Westmin Title Lands | — Water Pipeline | Suspended Well |
| ● 1984 Drilling Activity | — Low Gravity Oil Pipeline | Location |
| ● 1985 Proposed Locations | Oil Well | Abandoned Well |
| | Gas Well | Service Well |

During 1984, seven wells in section 13-55-6 W4M and two in other sections were put through one or more cycles of steam stimulation. As indicated last year, 12 directional wells were drilled in section 13-55-6 W4M on 10-acre spacing and placed on primary production to create voidage in the formation prior to initiating an enhanced recovery operation . . . probably in late 1985.

This operation requires construction of a permanent 50 million BTU/hr. steam unit in addition to the two 22 million BTU/hr. portable units now in operation in other areas.

To produce this steam, Westmin completed a \$3.3 million, eight-mile, eight-inch water pipeline from the North Saskatchewan River. With capacity excess to Westmin's immediate needs, sale of water to other area operators will enhance the cash flow generated by this project.

A \$3 million, 3,000 bopd cleaning plant, located on the same section, came on stream in February, 1984. It was subsequently connected to a low gravity oil pipeline to supplant the more costly practice of trucking the oil to markets. Plans are under way to increase capacity to at least 5,000 bopd.



Westmin's new 3,000 bopd Elk Point cleaning plant is already operating above capacity.

In 1985, even further emphasis will be placed on development of thermal operations. Of the 40 proposed wells to be drilled in low gravity oil areas, 12 will be deviated wells on 10-acre spacing as part of a steam flood pilot project. This is designed to accelerate information return on steam flooding which would normally be acquired only after steam stimulation is completed. Steam flooding or steam drive, usually results in even higher recoveries of oil-in-place.

Wayne-Rosedale

During 1984 Westmin's share of production from the Wayne-Rosedale area averaged 159 bopd with 590 mcf/d of solution gas and 39 barrels per day of natural gas liquids from 26 wells on production. As a result of studies conducted by the operator, a two-phase development program was recommended for the basal quartz oil pool.

The first phase entailed drilling 18 additional wells in the pool on reduced spacing. Following one year's production from these new wells, the second phase would entail the initiation of waterflood operations. As of year-end, regulatory approval had been received for the reduced spacing with the waterflood approval pending. Infill drilling will commence in early 1985.

Exploration

During the past year, Westmin concentrated its search for new hydrocarbon reserves in areas offering higher probabilities of success and early payout. Over the years, Company explorationists have built up a vast storehouse of knowledge and expertise on various productive trends, especially in Alberta. This advantage is being exploited via acreage acquisitions and exploration programs.



Western Canada

During 1984 Westmin actively explored in 10 major project areas in Western Canada including seven in Alberta, two areas in Saskatchewan, and one in British Columbia. The Company participated in drilling evaluations of specific prospects within each project area.

Selection of exploration project areas is a complex process which must relate costs of exploration to potential revenues based on an analysis of probable reserves and exploration risk.

In 1984 Westmin's general cost of exploration was maintained at a relatively low level by a combination of Petroleum Incentive Program (PIP) cash rebates and lower direct charges from an increasingly competitive petroleum service sector. Closely allied is our continuing emphasis on the most efficient use of manpower and budgets.

The diversity of project areas and defined prospects is a direct result of the high level of expertise and creativity exhibited by Westmin explorationists.

Desan Trend

As a result of intense industry drilling activity and reported oil discoveries in this area of northeastern British Columbia, Westmin (25 per cent) and partners undertook a two-well drilling program to evaluate lands on this shallow oil play. One well was cased and is to be tested this winter. Westmin (33-1/3 per cent) and partners were also successful on trend at a B.C. Crown Land Sale, acquiring rights to 5,288 acres.

Fringing Arch Trend

This trend has received considerable attention from the industry during the past few years. In 1984 additional finds, characterized by significant gas and oil flow-rates and reserves, were reported by a number of companies. Westmin's major area of interest within this trend is in the Botha gas/condensate field where ongoing activity includes seismic and development drilling.

The Company drilled three part-interest wells in this project area in 1984 including; a major extension of the Botha pool, a potential oil well in the eastern part of the trend, and a well on the southern trend extension which was completed for potential oil and gas in uphole zones. The exploration drilling program for 1985 is contingent on continued success and the prospects for sale of natural gas and condensate through existing gas contracts and anticipated new sales agreements.

Peace River Arch

This portion of west central Alberta is characterized by a wide range of subsurface targets in both stratigraphic as well as structural petroleum traps. The Company has an excellent land position in the area comprising 106,176 gross acres and 19,998 net acres.

During 1984 Westmin maintained a relatively high level of activity here through participation in the drilling of nine exploratory and development wells. Of these, four were cased as potential oil wells, four were gas completions and one was abandoned. Westmin's working interest in these ranges from 15 per cent to 40 per cent.

In the Spirit River project area, the Company and partners are concluding negotiations for a gas sales contract which will allow production of 1.7 to 3.4 mmcf/d accruing to Westmin.

East Alberta — Lower Mannville Trend

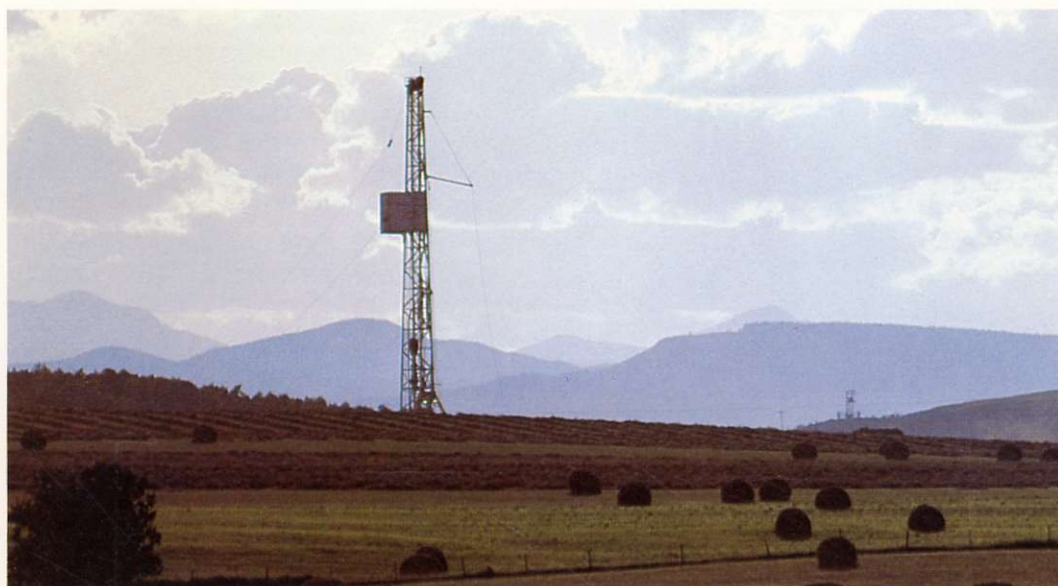
This area is characterized by multi-zone Cretaceous sand prospects with the Basal Quartz zone generally being the main objective. Westmin was involved in three drilling programs in this trend during 1984. Most of this drilling was in the development category in the Hayter and Provost areas.

In total, Westmin participated in 12 gross wells, with five being completed as oil wells, two as gas wells and five abandoned.

Central Alberta Reef Trend

The Company's entry into this project area was based upon recognition of the diversity of targets and the potential of large reserve discoveries. During 1984 Westmin drilled four wells on individual prospects.

All wells were cased as potential Devonian oil wells and are undergoing extensive testing. Lands were acquired through leasing of Freehold and Crown rights and through farmin. We anticipate a continued high level of activity to evaluate significant seismic and geological anomalies present in the area.



Southern Alberta — Lower Mannville Trend

In 1984 the Company continued to pursue prospects within this trend with six wells drilled to evaluate geological and seismic anomalies related to ancient river channel sands. One well has been completed as a potentially significant oil well and is awaiting additional testing. A second well was cased as a gas well. Westmin's working interest in these prospects ranges from 23-1/3 per cent to 66-2/3 per cent.

Eastern Alberta Gas Trend

This area has historically been the Company's major area of activity. Extensive holdings of Mineral Title lands combined with high success ratio drilling and availability of gas sales contracts have spurred the Company to continue active exploration and development. In 1984 Westmin drilled 11 wells resulting in seven gas wells and four abandonments.

The demand for gas in this area should remain high and our holdings are expected to remain a source of significant revenues. To this end we are planning a 1985 program which includes the drilling of up to 15 wells to increase our gas reserves.

Low Gravity Heavy Oil Trend

In addition to the extensive Lindbergh drilling program, Westmin also participated in two three-well programs in the Fort Kent and Marwayne low gravity oil areas. Five of these were cased as oil wells. The Company recognizes that other land holdings in this trend have excellent potential for low gravity oil and we are continually reviewing strategies for their development.

Beacon Hill

This area has quickly become one of great interest and potential for Westmin. The first well was drilled in 1982 on the basis of potential near-term markets for Saskatchewan natural gas. By mid-February 1985, 26 wells were drilled, of which 22 encountered commercial gas reserves. This extraordinarily high success ratio is mainly attributable to utilization of proven seismic technology in a new area.

First production, of about seven mmcf/d, commenced in November 1984. To date, the Company has acquired interests ranging from 50 per cent - 75 per cent in 235,000

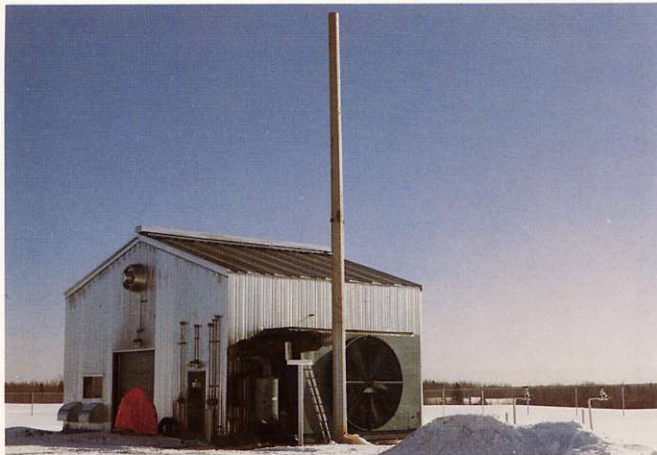
acres via significant bids at Saskatchewan land sales and through farmin commitments.

A further, 12-well program began near year-end to evaluate additional prospects in areas of expiring land rights. As markets develop, Westmin envisions the construction of additional compressor stations and gathering systems. Proven and probable reserves in the general Beacon Hill-Pierceland area now total about 90 billion cubic feet.

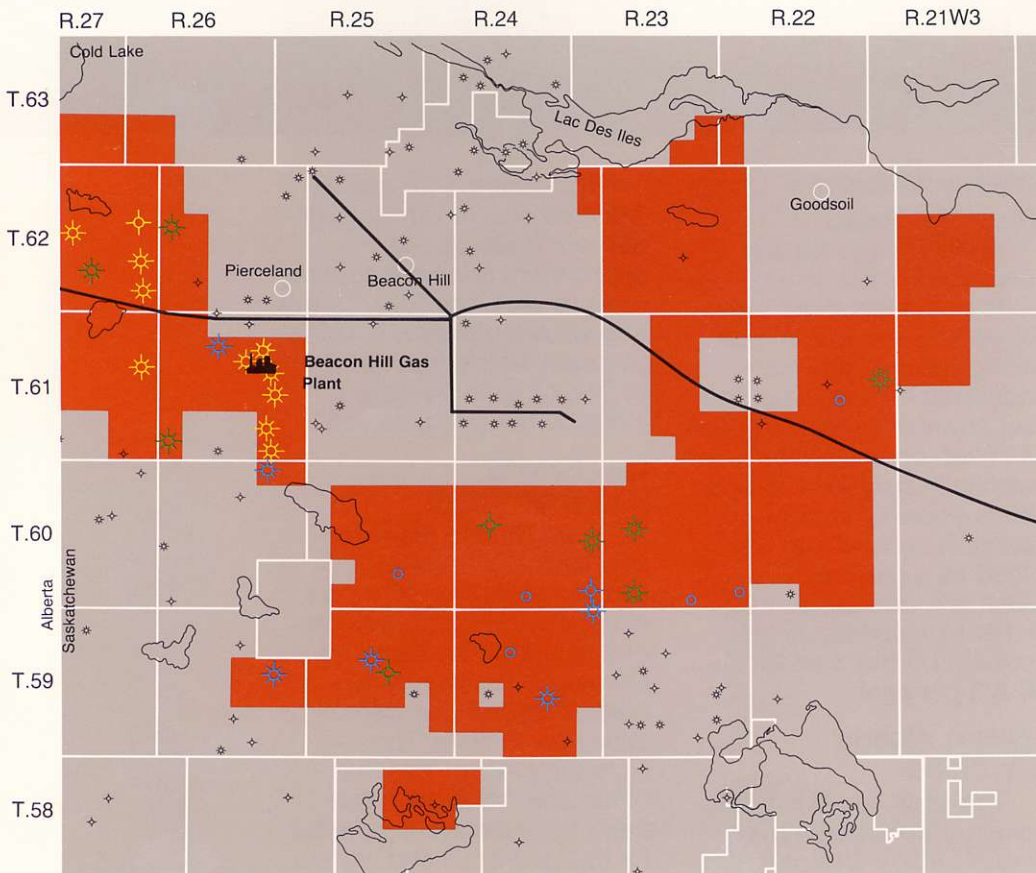
South-East Saskatchewan

During 1984 Westmin participated in the drilling of five part-interest wells (20 per cent - 50 per cent) and one full interest well in this extremely active area of the province. The bulk of this drilling was of the stepout category in the North Neptune trend where our group completed three of four wells as oil producers.

The Company has also been active in acquiring additional lands. In the September Crown Land Sale, Westmin (50 per cent) was successful in leasing three permits on trend with the North Neptune lands, as well as one permit on a parallel oil trend. The first well on this land was drilled in late 1984 and evaluation is in progress. In addition, Westmin has committed five farmin wells to a land holder in southeastern Saskatchewan and southwestern Manitoba, which, when completed, will earn additional lands.



Westmin's new Beacon Hill gas plant is forerunner of renewed interest in Saskatchewan.



Beacon Hill, Saskatchewan

- | | | |
|------------------------------------|------------------|--------------|
| Westmin Interest Lands | SPC Gas Pipeline | Suspended |
| 1983 Drilling Activity | Location | Service Well |
| 1984 Drilling Activity | Gas Well | Abandoned |
| 1985 Drilling & Proposed Locations | Oil Well | |

* * *

In addition to the exploration conducted on the major trends, subsurface studies and minor interest drilling activity were undertaken in other areas, such as Bistcho (northwestern Alberta) and Pembina (western Alberta).

Canada Lands

Beaufort Sea

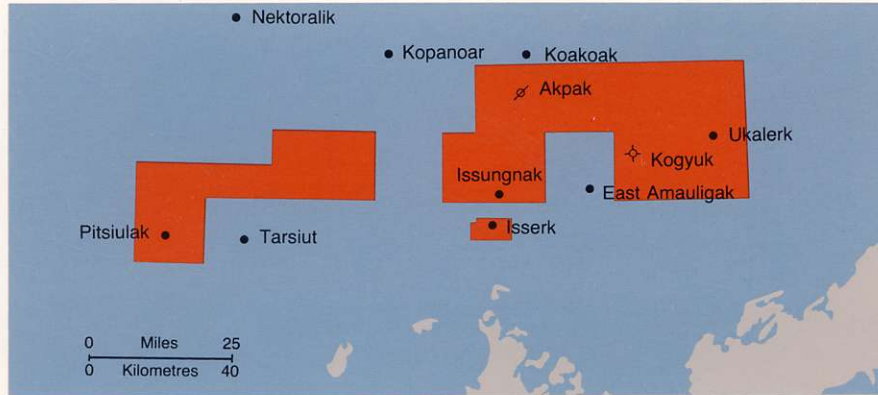
During 1984 Westmin participated in the drilling of two wells on this Exploration Agreement area. The most significant was the Pitsiulak A-5 well located near the western end of the block. The well has been classified as a new field oil discovery based on a number of tests of a 100-ft. thick sand which was topped at 6,740 ft. The entire sand package is confirmed oil-bearing with test flow rates up to 2290 bopd. Westmin retains a nine per cent interest in the work program prospect area. Kogyuk N-67, which was commenced in 1983, was completed in 1984 and later abandoned.

A third test was spudded on Westmin interest lands at the Akpak P-35 site. As the Company chose to farm out their 12 per cent interest, Westmin will have a six per cent interest in the prospect area at the conclusion of drilling and testing in 1985.

When drilling operations are concluded at the Akpak location, the basic earning terms of the Gulf-operated Beaufort Sea Exploration Agreement area will be satisfied.

Eagle Plains – Yukon

Westmin concluded a farmout agreement on the southern Exploration Agreement area which requires the farmee to drill two 6,000 ft. tests, at a cost of approximately \$8 million during the 1984/85 winter drilling season, to earn a 50 per cent interest in approximately 104,000 acres. The first well is currently drilling. On another 600,000 acre block 20 miles to the north, the farmee has agreed to shoot a minimum of 300 miles of seismic at an estimated cost of \$6 million and has until December 1, 1985 to elect to drill a 12,000-ft. test to earn 50 per cent in some 200,000 acres.



Beaufort Sea

- Westmin Interest Lands
- Discovery Areas
- Suspended
- Dry and Abandoned

The farmout lands do not involve areas drilled by Westmin in prior years where proven and probable reserves of 1.5 million barrels of oil and 100 billion cubic feet of gas have been established. Westmin holds interests in approximately 1.3 million acres in the Eagle Plains area. Both the Dempster Highway and planned extension of the Mackenzie Valley pipeline are in relatively close proximity.

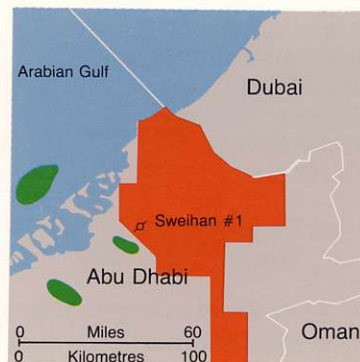
Abu Dhabi

The operator has completed an extensive subsurface review of this 1,500,000 acre concession (Westmin 13 per cent). A number of anomalies have been recognized. A decision has been made to drill a second exploratory well near the western edge of the block to value a triple-zone prospect. Approvals have been received from all partners and Abu Dhabi government departments. Drilling commenced during the first quarter of 1985 but it will take some time to reach total depth.

International

California

Westmin is participating to a 65 per cent interest in a program to define petroleum prospects in the Sacramento Basin. Subsurface evaluation began in early 1984 and we anticipate land acquisition recommendations early in 1985 on defined subsurface leads. This project is being undertaken in an area of above average gas demand for both residential and industrial use.



- Abu Dhabi
- Oil Field
- Suspended

Land

Westmin spent approximately \$6.6 million on land acquisitions during 1984, nearly double the previous year's total.

The funds were used to directly acquire varying interests in 187,000 acres and to farm into an additional 125,000 acres by committing to pay for seismic and/or drilling to earn varying interests.

The Company was particularly active in the Beacon Hill area of Saskatchewan where a total of 75,000 gross acres were acquired by purchase and 123,000 acres were added via farmin from other companies. At Radville in south-central Saskatchewan, another major area for the Company, an interest was acquired in 27,000 gross acres. Alberta acquisitions were spread over many areas of the province.

Westmin continued its policy of fully farming out or only partially participating in selected drilling prospects in the Beaufort Sea.

Throughout the course of the year, the Company granted various farmouts and options on a wide range of acreage to other companies which conducted exploratory work and drilled wells at no cost to Westmin.



Land Holdings in Acres

(as of December 31, 1984)

	Leases and Mineral Title		Licences, Permits Reservations, Concessions and Exploration Agreements		Total	
	Gross	Net	Gross	Net	Gross (1)	Net
Alberta	1,986,222	822,393	156,320	56,795	2,142,542	879,188
British Columbia	431,891	47,115	—	—	431,891	47,115
Saskatchewan	262,749	149,309	112,711	64,615	375,460	213,924
Manitoba	1,265	633	—	—	1,265	633
Yukon Territory	—	—	1,303,603	1,032,637	1,303,603	1,032,637
Arctic Islands & Offshore (2)	—	—	306,279	—	306,279	—
Beaufort Sea	—	—	1,906,515	161,360	1,906,515	161,360
Labrador Offshore	—	—	561,510	45,361	561,510	45,361
United States	108,361	41,025	—	—	108,361	41,025
Abu Dhabi	—	—	1,457,205	189,437	1,457,205	189,437
Total: December 31, 1984	2,790,488	1,060,475	5,804,143	1,550,205	8,594,631	2,610,680
December 31, 1983	2,823,765	976,900	5,879,943	1,498,790	8,703,708	2,475,690

(1) Gross figures include working interest, mineral title, carried interest and overriding royalty lands.

(2) In addition Westmin has a 12.28% equity interest in Magnorth Petroleum Ltd. which in turn holds 2,346,411 gross acres or 1,738,535 net acres in the Western Arctic Islands.

Reserves

In every respect, Westmin's reserves of oil and natural gas show significant improvement over year-ago figures.

According to estimates prepared by McDaniel and Associates Consultants Ltd., Westmin's reserves of proven crude oil and natural gas liquids increased 18.5 per cent to 12.8 million barrels, while the combined total of 90.1 million barrels proven and probable is 7.4 per cent above year-ago levels.

This is before the January 1, 1985 effective date for acquisition of Sundance Oil Company production and reserves. Sproule Associates Limited place these reserves at 5.5 million barrels proven and 6.1 million barrels proven plus probable.

The Westmin reserves, combined with the Sundance interests, results in a 69.4 per cent increase in proven reserves to 18.3 million barrels, while proven plus probable increases 14.7 per cent to 96.2 million barrels.

A similar trend develops for natural gas. Westmin's own proven reserves increased by just over four per cent to 402.6 bcf, while proven plus probable was up about one per cent to 496 bcf.

The Sundance acquisition adds 127.3 bcf of proven gas to bring the total to 529.9 bcf or a 37.1 per cent increase over 1983 year-end figures. Proven plus probable rises by 140 bcf to 636 bcf or 29.3 per cent above year-ago levels.

Westmin's own gas reserves are located mainly in Alberta with Saskatchewan gaining in importance over the last two years. At year-end, approximately 52 per cent of the Company's gas reserves were dedicated and producing; 34 per cent were dedicated and shut-in, with 14 per cent remaining undedicated.

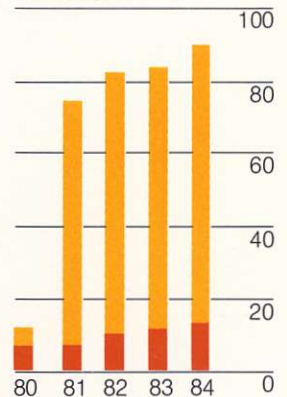
McDaniel places a present worth of \$426.6 million on Westmin's own reserves on a before tax, 15 per cent discount basis. This is a 5.3 per cent increase over the 1983 year-end.

Sproule's present worth evaluation of the Sundance assets, on the same basis, totals \$158.6 million for a combined total of approximately \$585 million.

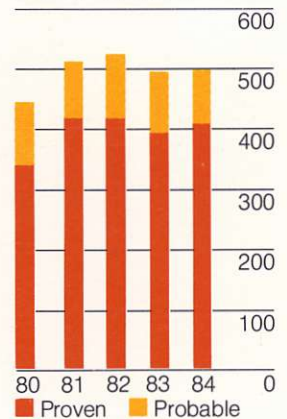
Proven & Probable Reserves*

	Crude Oil and Natural Gas Liquids		Sales Gas
	MM BBLs	BCF	
1984	90.1	496	
1983	83.9	492	
1982	82.6	522	
1981	74.5	501	
1980	11.7	439	
1979	11.7	384	
1978	5.9	328	
1977	4.1	325	
1976	4.1	291	

Reserves*
Crude Oil and Natural Gas Liquids (MMBLS)



Natural Gas (BCF)



*Excluding Sundance reserves.

The following table shows the status of Westmin's proven reserves from December 31, 1983 to January 1, 1985.

	Crude Oil and Natural Gas Liquids		Sales Gas
	MM BBLs	BCF	
Reserves Status			
• December 31, 1983	10.8	386.4	
• Additions — 1984	3.6	32.5	
• Acquisitions (Sundance)	5.5	127.3	
• Sales — 1984	1.6	16.3	
Reserves Status			
• January 1, 1985	18.3	526.0	

Mining Division

The H-W mine/mill expansion is nearing completion. Higher tonnage and modern technology will usher in a new era at Myra Falls.



● Areas of Activity

● Blue Moon Property

Operations at the Myra Falls, Vancouver Island, mine-site in 1984 were highlighted by continued productivity improvements in mining, the delineation of additional ore reserves in the new West 'G' Zone of the Lynx mine and continued development and construction of the new H-W mine and mill complex, now scheduled for completion in the second quarter of 1985.

The completion schedule and production were adversely affected by the 4-1/2 month strike which lasted throughout the entire first quarter of 1984. Settlement was reached on March 27 and the new collective agreement extends to August 31, 1986.

Metal prices were generally disappointing in 1984. However, management rose to the challenge and redoubled its efforts to maintain an economically viable operation.

Improved mining and processing techniques are being applied at the Myra Falls operation and successful exploration efforts have resulted in the expansion of ore reserves at the Lynx mine and at two of the Company's most important exploration joint venture properties, Silbak-Premier and Blue Moon.

Completion of the H-W expansion should lead to very significant increases in cash flow as production climbs three-fold to 3,000 tons per day. Much more efficient trackless mining methods and the new modern mill will combine to sharply reduce costs.

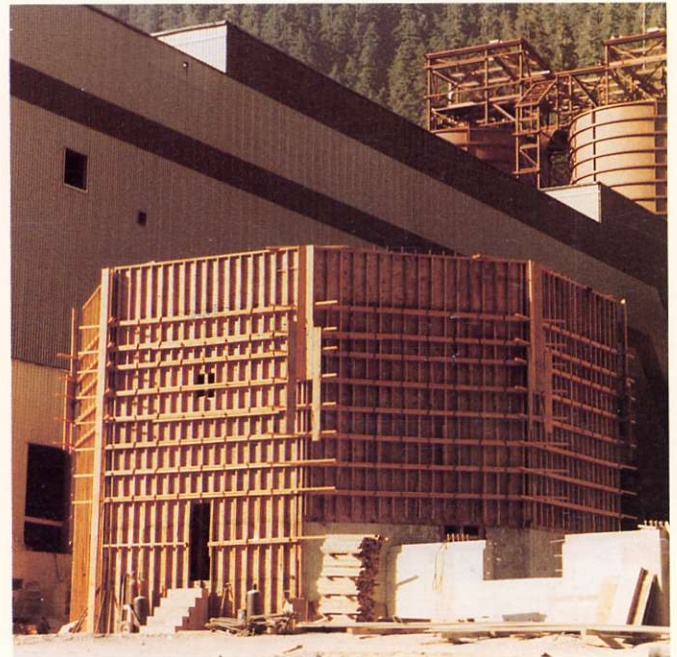
Production

Productivity improvement programs continued in 1984 with the upgrading of the ore transportation system on level 15 of the Lynx mine and with the phasing in of mechanized bulk mining methods in some portions of the mine to replace the more costly cut-and-fill production method. The effectiveness of these programs was reflected in a slight reduction in costs per ton of ore despite rising costs of labour and fuel.

In support of ongoing operations and in preparation for the H-W mine, modular training programs for miners and training courses for all levels of staff, continued throughout 1984.

Steady progress in the safety and health programs was reflected in a three per cent reduction in accident frequency and a 55 per cent reduction in accident severity. Lost time accidents were reduced to 6.4 per 200,000 employee hours, the lowest this year for underground mines in British Columbia.

Total production for the year was 26,122 tons of zinc concentrate, 6,545 tons of copper concentrate and 4,424 tons of lead concentrate. Mill throughput of 224,470 tons of ore was 18 per cent below 1983 levels and well below normal as a result of the labour disruption which ended on March 27, 1984. The Lynx mine produced 72 per cent of the ore milled, with the remaining ore coming from Myra.



New Myra Falls mill and storage bins under construction.

Production

		250 days	245 days
		1984	1983
Ore Milled	— tons	224,470	273,787
Daily Average	— tons	905	928
Source of Ore (%)	— Lynx	72	77
	— Myra	28	23
Head Grade	— Gold (oz/ton)	0.07	0.08
	— Silver (oz/ton)	3.08	3.53
	— Copper (%)	1.02	1.10
	— Lead (%)	1.03	1.08
	— Zinc (%)	7.42	7.45
Mill Recovery	— Copper (%)	78.4	79.2
	— Lead (%)	77.9	77.7
	— Zinc (%)	84.2	83.5
Concentrate Production	— Copper (tons)	6,545	8,755
	— Lead (tons)	4,424	5,704
	— Zinc (tons)	26,122	32,244

H-W Project

Completion of the expansion at the Myra Falls, Vancouver Island minesite is now expected in the second quarter of 1985, due to the labour dispute and delays in the underground development program.

The delays have led to capital and development expenditures above budget and they are now expected to total \$250 million. H-W ore is now being stockpiled in anticipation of mill start-up which is scheduled to begin early in the second quarter.

Financing for the project was arranged by a consortium of three banks on a limited recourse basis. Once completion tests have been achieved, financing will revert to a non-recourse basis.

Mine Development

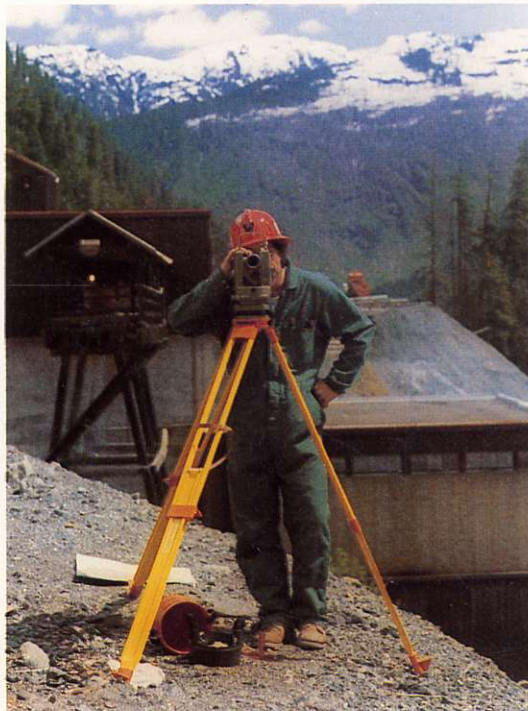
With the sinking of the H-W shaft essentially complete in 1983, mine development concentrated on further delineation of ore reserves, lateral development of the 20, 21 and 24 levels plus associated vertical development and infrastructure.

The main waste pass system between 20 and 24 levels and the main fresh air raise between 21 and 24 levels were completed in July. The ore pass system was completed in September, excavation of the coarse and fine ore underground bins was completed in November, and the crusher room excavation and one of the two fresh air ventilation raises to surface were near completion at year-end. Installation of permanent mechanical/electrical facilities commenced in January 1985.

Development

Emphasis is being placed on developing proven ore reserves in the West 'G' Zone of the Lynx mine and in 1984, this program resulted in the upgrading of 90,800 tons of reserves to the proven classification. An aggressive development schedule is planned for the West 'G' Zone in 1985 and it should be possible to transfer 150,000 tons of indicated reserves to the proven category. With no development work at the Myra and Price mines in 1984 and only marginal extension of reserves in the Lynx 'S' and East 'G' Zones, there was a net decrease of 125,100 tons in proven reserves after allowing for tonnages milled during the year.

Total proven and indicated reserves as of January 1, 1985 are as follows:



	Proven Reserves Tons	Grade				
		Gold oz/ton	Silver oz/ton	Copper %	Lead %	Zinc %
Lynx Mine	512,600	.067	2.11	1.05	0.82	7.60
Myra Mine	14,300	.095	5.33	0.84	1.21	5.85
Price Mine	231,000	.036	1.55	1.10	1.07	8.31
Total	757,900	.058	2.00	1.06	0.90	7.78
	Indicated Reserves					
Lynx Mine	349,000	.079	2.74	0.90	0.87	7.74
For comparison, total proven reserves as of January 1, 1984 were:						
	883,000	.060	2.10	1.00	0.90	7.70

Diamond drilling to further define ore reserves continued throughout 1984. A total of 77,000 feet was completed to the end of December. Information is currently being integrated into an initial production plan and for the purposes of updating reserve data. Drilling results indicate ore grades will be above original expectations. However, at the present time, drill indicated geological reserves for the H-W orebody remain unchanged from 1982 and are as calculated in the accompanying table.

Surface Construction

The new Shop/Warehouse and Office/Dry buildings were completed in July and occupied by the project construction staff. By year-end the mile-long overland ore conveyor was essentially complete, and the new 3000 ton per day concentrator was fully enclosed with mechanical/electrical installations in progress. The crusher, fine ore bins, grinding mills, flotation cells, filter and loadout mechanical installation were substantially complete, with electrical furnishings well under way. Construction of fresh and reclaim water and backfill handling systems were initiated and are scheduled for completion in early 1985.

Infrastructure

As part of the expansion program, Westmin is upgrading the storage and shiploading facilities in Campbell River. Additional sources of hydro electric power are also being developed in order to meet the increased requirements of the expanded production facilities and to reduce the reliance on supplementary diesel power. At Tennant Lake, the existing

dam has been raised to increase the water storage capacity so that additional power will be available throughout the year. On Thelwood Creek, an adjacent watershed, a completely new system is under development. The new facilities, including an 8.5 megawatt generator, are expected to be fully operational by late March 1985.

Environmental Control

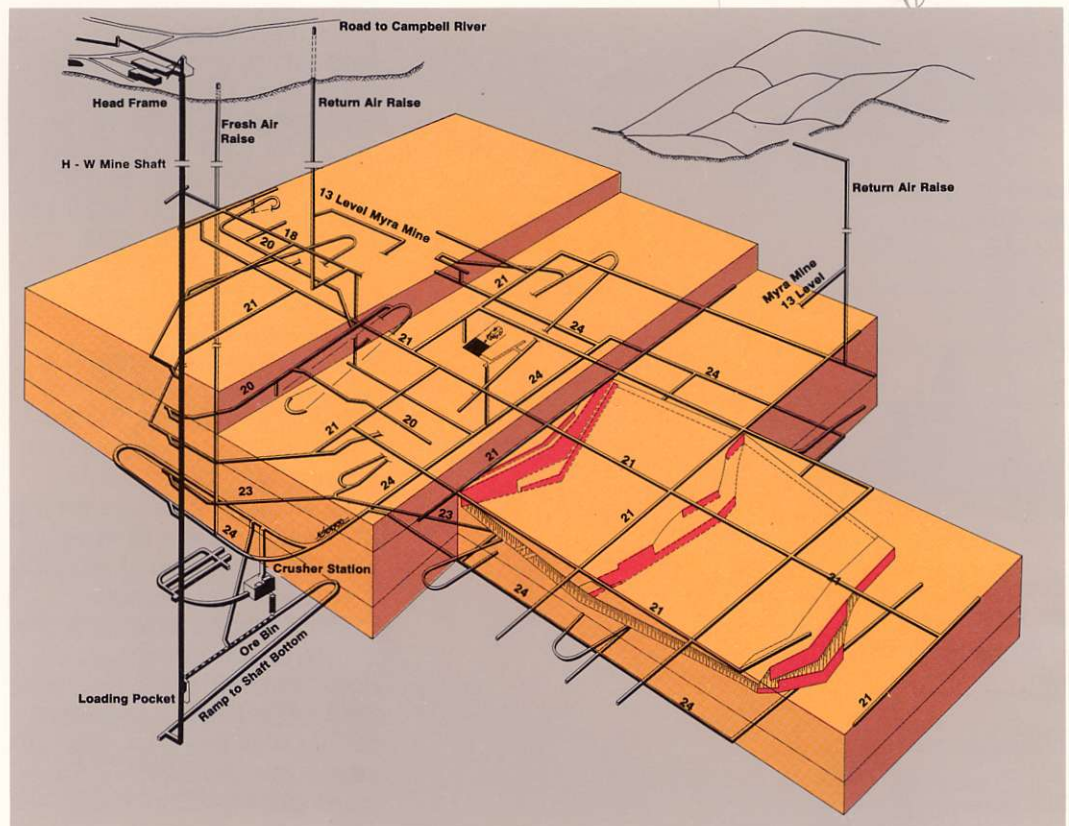
Construction has proceeded on a number of new environmental facilities in conjunction with the expansion program at Myra Falls. The first of a two stage on-land tailings disposal area was completed in early July. Construction of the second stage began in August and by the end of December the starter embankment, inclusive of underdrainage control systems, was complete. With

the commissioning of the initial stage of the new on-land disposal system in July, tailings deposition into Buttle Lake ceased.

The water collection and treatment system initiated in early 1983 continues to perform satisfactorily and government monitoring has confirmed that these and other improvements at the mine site have resulted in a significant improvement in water quality at Buttle Lake. This trend is expected to continue.

H-W Reserves

Tons	Grade				
	Gold oz/ton	Silver oz/ton	Copper %	Lead %	Zinc %
15,232,000	0.07	1.1	2.2	0.3	5.3

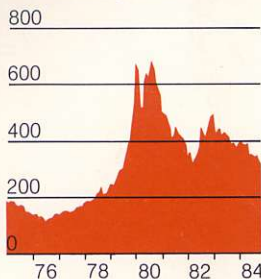


Multi-dimensional rendering of underground development at the new H-W mine.

■ Ore Zones

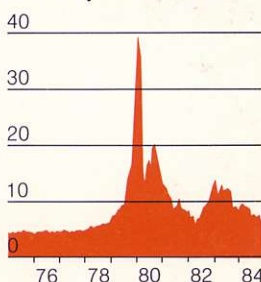
Gold (U.S.\$/Troy oz.)

■ London p.m. fix



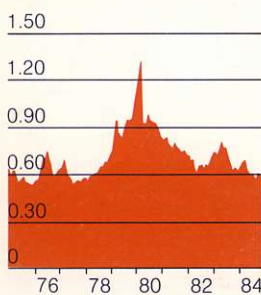
Silver (U.S.\$/Troy oz.)

■ Handy & Harman



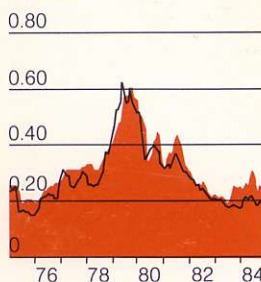
Copper (U.S.\$/lb.)

■ L.M.E.



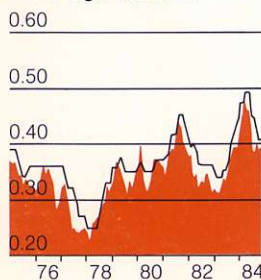
Lead (U.S.\$/lb.)

■ U.S. Producer
— L.M.E.



Zinc (U.S.\$/lb.)

■ L.M.E.
— Foreign Producer



Marketing

Strong economic growth in the United States combined with steadily improving trends in Japan and Europe had a favourable impact on base metal consumption, causing a sizeable reduction in refined metal stocks.

The improved market fundamentals were, however, overshadowed by the effect on metal prices of the strong rise in the value of the U.S. dollar.

With the exception of zinc, dollar denominated prices proved quite disappointing, falling below the previous year's levels. Demand for concentrate remained firm with the Company selling its full production in North America and Japan.

Gold and Silver

The gold and silver markets remained relatively quiet throughout the year. A modest increase in industrial demand for both metals was offset by the decline in speculative interest as the stronger U.S. dollar, lower inflation rates and declining oil prices caused investors to look elsewhere for potential gains. Following some modest improvements early in the year, prices declined, averaging U.S. \$360.45 per ounce for gold and U.S. \$8.14 per ounce for silver in 1984 compared with U.S. \$425.18 and U.S. \$11.44 in 1983.

Copper

Consumption grew by nine per cent in response to increased economic activity in the United States, Europe and Japan. A continuation of price related cutbacks and closures kept pressure on the physical market and resulted in a net drawdown of 429,000 metric tons in LME and COMEX stocks. In spite of the improved fundamentals, U.S. dollar prices did not hold and the LME quotation averaged 62.50 cents per pound for the year compared with 72.15 cents per pound in 1983.

Zinc

Consumption rose 2.1 per cent to 4.7 million tons, the highest level since 1979. Prices increased throughout the first half of the year, with U.S. Producers quoting up to 53.5 cents per pound in May and June and European Producers quoting \$1090 per ton (49.5 cents/lb). Demand and prices subsequently weakened and at year-end prices were 45 cents per pound and \$900 per metric ton (40.8 cents/lb) respectively. Demand for zinc has begun to firm and with reduced inventories, the outlook for 1985 remains positive.

Lead

The lead market fundamentals showed modest improvement during the year due to improved consumption trends and strike-related production losses. While U.S. Producer Prices reached a peak of 32 cents during the second quarter, softening of demand combined with the strong U.S. dollar resulted in deterioration and by year-end, U.S. Producer and LME prices were 21 cents and 18.7 cents per pound, respectively.

Payable Metals

	(000's)	1984*	1983
Gold (oz.)		12	17
Silver (oz.)		542	781
Copper (lb.)		3,610	4,814
Lead (lb.)		3,273	4,195
Zinc (lb.)		24,373	28,317

*Reflects effects of strike which eliminated production for entire first quarter.

Exploration

During 1984, Westmin spent approximately \$4 million on mineral exploration compared with \$3.4 million in 1983.

Emphasis continues on programs directed towards precious metal and poly-metallic massive sulphide deposits.

Minesite

Exploration activity in the vicinity of the Lynx mine resulted in the discovery of three new massive sulphide zones — two of which appear to be on the Lynx mine horizon. The third, considerably to the west of the H-W orebody, is on a deeper horizon, at a comparable level to the H-W horizon. Additional drilling is planned in 1985 to further define these zones.

Stewart Area, British Columbia

Westmin is carrying out exploration for precious metals in the Stewart area of northwestern British Columbia under the terms of joint venture arrangements with Tournigan Mining Explorations Limited on the Big Missouri property and with British Silbak Premier Mines Limited, on the Silbak Premier property. In 1984, work on both of these precious metal properties resulted in the expansion of the reserve base.

Big Missouri

Four potential open-pit zones containing gold, silver and minor base metal mineralization have been defined on the Big Missouri property and at the end of 1983, open-pit geological reserves were estimated at 2,167,000 tons grading 0.098 oz gold equivalent/ton. In 1984, a modest drilling program concentrated on establishing continuity within the Dago Zone and resulted in a small increase in reserves. As detailed calculations are incomplete, this increase in reserves has not been included in the above total.

A feasibility study is scheduled for completion in June 1985 and, when delivered to Tournigan, will result in Westmin achieving a 70 per cent interest in the property.

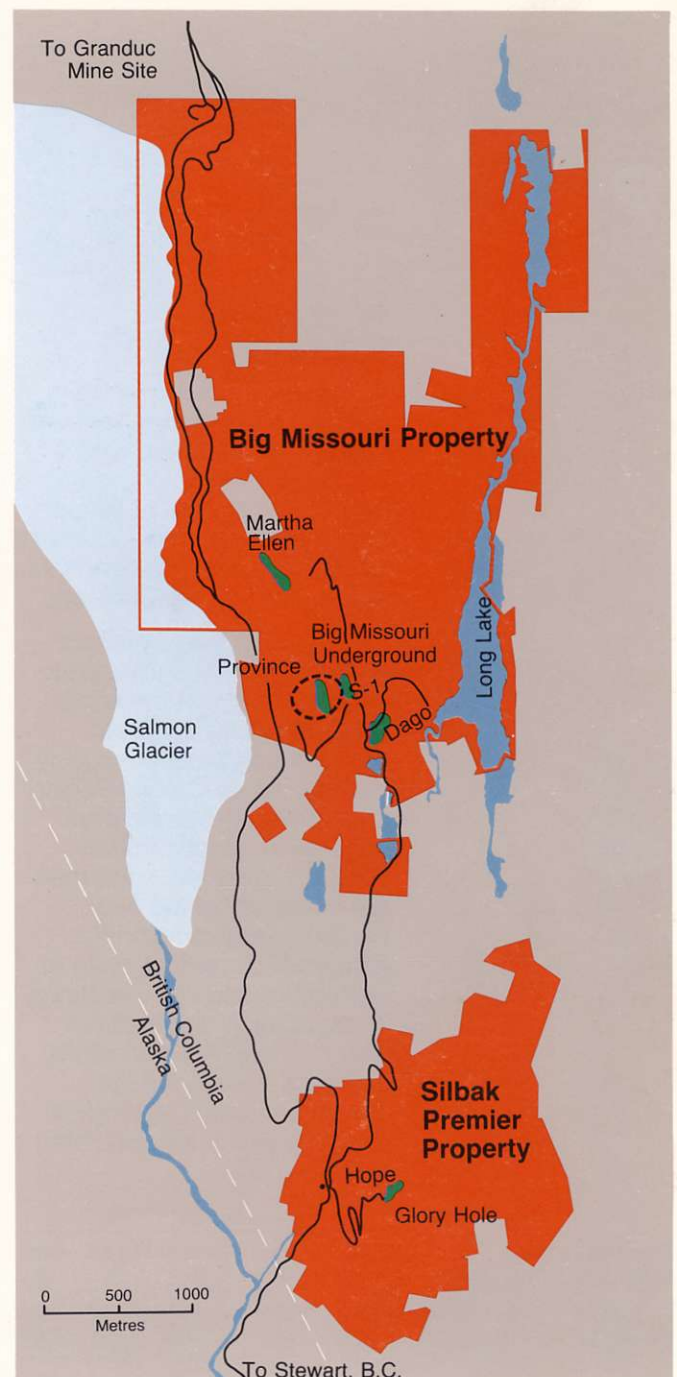
Silbak Premier

The expansion of geological reserves in the Glory Hole area was the focus of the diamond drill program in 1984. A steeply dipping zone up to 60 metres wide and up to 600 metres long has been partly defined and estimated open-pit geological reserves are tabulated below.

A further drilling program will be undertaken in 1985 to complete the delineation of this zone.

Reserve Category	Tons	Grade		
		Gold oz/ton	Silver oz/ton	Gold Equiv.* oz/ton
Probable	1,348,000	.073	3.48	.156
Possible	1,535,000	.066	3.31	.145
Inferred	1,412,000	.074	2.89	.143
Total	4,295,000	.071	3.22	.148

*Based on 42 ounces silver/ton equivalent to 1 ounce gold/ton.



Stewart Area, B.C.

Mineral Deposits



Blue Moon, California

In March 1984, Westmin concluded an agreement with Colony Pacific Explorations Ltd., whereby the Company can earn a minimum 50 per cent interest in the Blue Moon - American Eagle property in Mariposa County, California.

A 10,000 foot diamond drill program was initiated in early 1984 to test the continuity of two mineralized zones which were previously discovered by Colony Pacific. This drilling program, plus geological studies undertaken by Westmin, confirmed the continuity of the two parallel massive sulphide zones which remain open in both strike and dip directions. These data, in conjunction with previous drilling results, provided a basis for the calculation of the geological reserves which are tabulated below:

Reserve Category	Tons	Grade				
		Gold oz/ton	Silver oz/ton	Copper %	Lead %	Zinc %
Probable	812,200	0.051	2.73	0.98	0.39	7.57
Possible	942,300	0.034	2.17	1.21	0.27	8.92
Sub Total	1,754,500	0.042	2.43	1.10	0.33	8.30
Inferred	1,278,000					
Total	3,032,500					

Geological studies have identified additional targets which require follow-up testing and in early 1985 a further diamond drill program commenced.

Western Shield

In 1984, Westmin established a joint venture with Barringer Magenta and six properties in northeastern Manitoba were acquired. These properties contain geological, geochemical and/or geophysical features considered indicative of gold and/or massive sulphide deposits. Detailed prospecting, accompanied by geological mapping and selective geochemical and ground geophysical surveys resulted in the discovery of gold showings on two properties.

Coal and Industrial Minerals

Coal

Westmin's coal revenues increased to \$5,265,000 in 1984 from \$4,575,000 the previous year and are expected to approximate \$5 million in 1985. Coal royalties received, which will continue into the next century, will increase at a rate greater than inflation under the terms of the various lease agreements.

Presently leased lands in the Highvale mine area near Lake Wabamun are only a small portion of the Company's coal rights, which include, in addition to Crown coal lands, some 507,000 acres of mineral title lands in central Alberta.

Westmin continues to maintain its 12-1/2 per cent interest in the Sukunka Coal Project in northeastern British Columbia.

The depressed state of world coal markets has significantly curtailed current coal exploration and development. Westmin's activity will be restricted to modest exploration on the Company's Crown holdings in Alberta and a

detailed appraisal of some near-surface coal lands in the north-central part of the province for use as possible feed-stock for steam production in the Company's "huff and puff" low-gravity oil areas.

In addition, Westmin intends to selectively evaluate high-quality coal prospects in British Columbia and the western United States.

Industrial Minerals

Royalty revenues from Westmin's leases to Alberta Sulphate Limited totalled approximately \$268,000 in 1984. During the latter part of the year Noranda sold its interest in Alberta Sulphate to another company. It is anticipated that the new owners will give greater priority to the operation, possibly leading to higher royalty revenue for Westmin.

During the early part of 1984, the Company opened up its Nordegg limestone quarry for a one-month production of stone. During the summer, all the necessary Government approvals and licences were obtained to put the quarry into permanent production. Negotiations are currently proceeding with a contracting company to operate the quarry on a year-round basis.

All necessary approvals have now been acquired to open Westmin's Mount Palsson limestone quarry in northeastern British Columbia. Investigations are continuing to find sufficient markets to commence production.

Westmin continues to actively investigate other industrial mineral prospects in Western Canada.

Lacana Mining Corporation

Lacana Mining Corporation, in which Westmin maintains a 28 per cent interest, participated in the opening of three new gold mines in the state of Nevada during 1984.

Lacana's share of U.S. gold sales rose to 20,270 ounces in 1984 from 14,820 ounces in 1983. The Company's estimated share of gold production from all sources in 1985 should more than double to 50,000 ounces.

Through its oil and gas subsidiary, Lacana produced an average of 638 net bopd and 3,205 net mcf/d of natural gas during 1984.

The Company is actively exploring for additional reserves of hydrocarbons and will be expanding its gold/silver exploration, development and acquisitions programs in the U.S. and Canada.

Although audited figures are not yet available, 1984 earnings will reflect the lower precious metals prices which prevailed during the year. Net cash dividends received from Mexican operations totalled \$2,540,000 versus \$7,482,000 in 1983. The discrepancy is due to the fact that several of the Mexican companies were allowed to pay dividends twice during 1983 because of changes in their fiscal year-ends. Lacana's 1984 share of production from these mines

totalled approximately two million ounces of silver, 13,000 ounces of gold and 7.6 million pounds of lead.

Oil and gas revenues for 1984 will show a substantial increase, reflecting the cumulative success of Lacana's Canadian exploration programs over the past several years.

Lacana continues to report a strong working capital of about \$21 million as of December 31, 1984 compared to \$27 million a year earlier.

Lacana's various U.S. holdings include a 26.25 per cent interest in the Pinson gold mine, a 29.3 per cent interest in the Dee gold mine, and a 100 per cent interest in the Relief Canyon gold mine, all located in the state of Nevada.

Pinson's milling rate continued at about 1,425 tons per day at an average grade of 0.11 oz./ton. The heap leach operation is in its second year and recovered 14,028 ounces of gold from lower-grade material. The Preble deposit, located about 12 miles southwest of the Pinson mine, commenced leaching operations on November 1 and produced 2,497 ounces of gold by year-end. The Preble deposit was financed entirely by Pinson and is expected to produce 13,000 ounces of gold per year.

Operations at the Dee mine commenced on schedule and under budget. The ore reserves are estimated at 2.67 million tons grading 0.12 oz. gold per ton. Milling operations commenced in mid-October 1984 at the planned rate of 865 tons per day at a grade of 0.13 oz. gold per ton. Heap leaching of lower grade material is expected to commence in 1986.

Mining operations at Lacana's wholly-owned Relief Canyon heap leach gold mine commenced in October 1984. About 100,000 tons of ore have been mined each month, with an average grade of .037 oz. of gold per ton. Adverse weather conditions throughout this period have reduced leaching time by more than 50 per cent and as a result, the operation only produced 1,247 ounces of gold. The Relief Canyon mine is expected to produce 24,500 ounces of gold annually.

Lacana also retains its 29.3 per cent interest in the Cordex Syndicate and has several projects in different stages of development. Key projects are the Santa Fe and Gilt Edge, U.S. gold prospects and the Musselwhite gold project in Canada. Recent exploration includes a significant base and precious metal find located in north-eastern New Brunswick. Additional work in 1985 will be financed by the Canadian Minerals Joint Venture which will enter into its sixth year. Another Canadian joint venture, to be managed by Lacana, has been formed and will have a budget of \$750,000 for 1985.

Approximately \$6.2 million has been spent on oil and gas exploration in 1984 and the Company has been very successful in proving up substantial reserves in Canada. Lacana Petroleum participated in 47 wells during the year which resulted in 19 oil wells and 13 gas wells for a success ratio of 68 per cent. The average interest in these wells is 22.7 per cent.

Financial Review

The following discussion of the results of operations and financial position of the Company should be read in conjunction with the consolidated financial statements and related notes.

Earnings

Westmin's net earnings for the year ended December 31, 1984 were \$33.9 million versus \$40.0 million in 1983. After provision for dividends on preferred shares, earnings per common share amounted to 47 cents in 1984 compared to 66 cents the previous year.

Revenues for 1984 were a record \$133.4 million, an increase of almost 4 per cent from 1983 revenues of \$128.7 million. Major increases in crude oil production and sales were largely offset by lower revenues from the mining division, due in large part to a strike at the Myra Falls complex which commenced in mid-November 1983, and ended with the first quarter of 1984.

Despite soft markets, proceeds from natural gas sales were off only minimally at \$46.1 million. Production volumes for the year were almost identical to last year's average of 44.5 million cubic feet per day. The average wellhead price received was \$2.83 per mcf compared to \$2.90 in 1983.

Due to the shortage of natural gas markets, for the past several years Westmin has concentrated its exploration programs on the search for oil. For the first time, sales of oil and natural gas liquids have exceeded gas sales, increasing to \$51.6 million in 1984 from \$36.9 million the year before. Daily production volumes were up by a third to an average 4,462 barrels of oil per day. Average wellhead price received was \$31.62 per barrel for the year, up from \$30.11 the previous year.

Net smelter returns from the Company's mining operations on Vancouver Island decreased to \$17.5 million in 1984 from \$29.2 million the previous year. Average metal prices were significantly lower in 1984, and the volume of ore milled was down 18 per cent at 224,000 tons due to the labor strike which began in mid-November, 1983 and lasted throughout the first quarter of 1984.

Royalty and other revenues from coal and industrial minerals have increased to \$5.6 million from \$4.9 million the previous year due to higher prices received for coal as a result of the escalation clauses in royalty agreements.

Investment income, generated primarily by investing in pre-tax instruments, increased to \$10.1 million from \$9.6 million in 1983. The Company continues to maintain a significant balance of cash and short-term investment resources pending appropriate alternate investment opportunities such as the Sundance acquisition.

Expenses

Royalties paid on the Company's working interest production decreased to \$15.1 million in 1984 from \$15.8 million the year before. While the Company achieved a significant increase in the level of production, especially for crude oil and natural gas liquids, much of this improvement was derived from the Company's royalty free mineral title lands. Although the freehold mineral tax increased substantially in 1984, the Company's average effective royalty rate remains a very low 16.7 per cent.

Depreciation and depletion charges were \$13.9 million for 1984, up 31 per cent from \$10.6 million in 1983. While production volumes and the related amortization charge are up for oil and gas the converse is true for the Mining Division due to the strike. More significantly, revenue forecasts for the Petroleum Division, which are used in the revenue depletion method to set amortization rates, are down considerably, consistent with recent developments in world pricing for oil and gas.

Income and resource taxes have decreased by approximately 4 per cent to \$19.4 million for 1984 compared to \$20.2 million in the previous year (see note 8 to the financial statements). Income taxes are \$12.3 million down from \$13.2 million in 1983 where reduced taxes on lower pretax earnings are offset significantly by a reduction in the availability of the Alberta royalty tax credit.

Provincial mining taxes were not a factor due to the low levels of mining division revenues. Consistent with our increased oil and gas revenue, the Petroleum and Gas Revenue Tax (PGRT) increased seven per cent to \$7.5 million from \$7.0 million the year before.

Current taxes paid or payable on the year's operations are the PGRT of \$7.5 million less the Alberta royalty tax credit of \$2 million and the federal investment tax credits available of \$1.2 million. Federal income taxes, provincial income taxes and provincial mining taxes have all been deferred due to available tax credits generated by expenditures on exploration and development programs.

Oil and gas production expense increased by 53 per cent to \$22.1 million from \$14.4 million in 1983. This change is consistent with higher gross revenues and production volumes in 1984. In addition, oil production is again up significantly with attendant unit costs higher than gas.

Operating costs for the mining division at \$20.6 million were down slightly from \$22.5 million in 1983. The operating cost per ton milled was up 12 per cent at \$91.03 from \$81.26 per ton in 1983, primarily as a result of the inclusion of fixed costs during the strike period which extended to the end of the first quarter. In spite of the severely depressed metal prices, the mining division generated a positive cash flow during the last three quarters of 1984.

The Company maintains a very active mineral exploration program. Costs for 1984 were \$4.0 million, up approximately 18 per cent from \$3.4 million in 1983. All costs associated with the H-W deposit at the minesite are capitalized in accordance with our policy of expensing costs only until such time as an economic orebody is defined.

General and administrative costs decreased to \$4.1 million in 1984 from \$4.6 million in 1983. The impact of inflation has been much lower than in prior years, and increased activity levels have resulted in higher joint venture recoveries than in the past.

Changes in Financial Position

Funds provided from operations before mineral exploration expense amounted to \$66.9 million, a slight decrease from \$70.5 million in 1983. Substantial increases in oil and gas cash flow were offset by lower returns from the mining division.

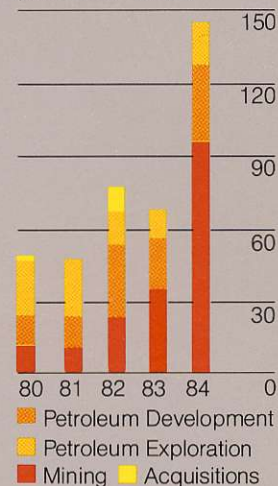
By agreement dated August 15, 1984, the Company entered into a financing agreement with several Canadian chartered banks to provide a \$200 million facility for the development of the H-W mine/mill complex (see note 5 to the financial statements). The Company's existing \$150 million revolving credit facility has been extended to November 14, 1985, or such later date as may be mutually agreed upon.

Capital expenditures were \$145 million for 1984 as compared to \$68.1 million for 1983. Expenditures in the mining division, which were predominantly development costs and capitalized interest for the H-W project were \$95.6 million in 1984 compared to \$34.6 million in 1983. Exploration and development programs in the Petroleum Division were a net \$49.1 million after provision for Petroleum Incentive Program (PIP) receivables of \$9.5 million.

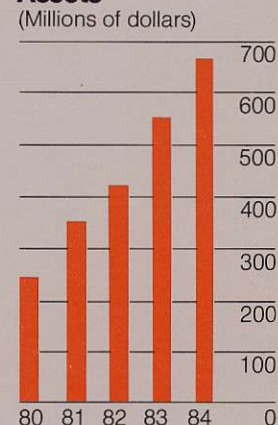
Working capital, which includes \$122.4 million of cash and short-term investments, was \$113.4 million at December 31, 1984, compared to \$140.5 million at year end 1983.

Capital Expenditures

(Millions of dollars)



Assets



Management's Responsibility

This Annual Report to the shareholders of Westmin Resources Limited, including the financial statements on pages 27 to 40, has been prepared by the management of the Company and approved by the Directors. The financial data included in the text of this report is consistent, to the extent applicable, with the financial statements and the underlying information from which these statements were prepared.

Management is responsible for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Company maintains appropriate systems of internal controls, policies and procedures to ensure that its reporting practices and accounting

and administrative procedures are of high quality, consistent with reasonable costs. The statements have been prepared utilizing accounting principles, ("Summary of Accounting Policies", Page 30) which we believe to be appropriate for the operations of the Company.

Touche Ross & Co., the auditors appointed by the shareholders, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report as auditors is set forth below.

The statements have been further examined by the Board of Directors and its Audit Committee whose members are listed elsewhere in this report. This Committee meets regularly with the auditors and management to review the activities of each and it reports to the Board of Directors. The auditors have full access to the Audit Committee.

Auditors' Report

To the Shareholders of Westmin Resources Limited

We have examined the consolidated balance sheet of Westmin Resources Limited as at December 31, 1984 and the consolidated statements of earnings, retained earnings 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, 1984 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.

Touche Ross & Co.

Chartered Accountants

Calgary, Alberta
February 1, 1985



Consolidated Statement of Earnings

For the year ended December 31, 1984

	1984	1983
	(in thousands)	
Revenue		
Oil and gas	\$ 97,736	\$ 83,429
Mining	23,032	34,025
Investment income	10,075	9,572
Other	2,535	1,661
	<u>133,378</u>	<u>128,687</u>
Expenses		
Royalty expense	15,072	15,794
Cost of production		
Oil and gas	22,087	14,366
Mining	20,607	22,492
Mineral exploration	3,995	3,383
General and administrative	4,060	4,558
Depletion and depreciation	13,921	10,599
Income and resource taxes (note 8)	19,385	20,152
	<u>99,127</u>	<u>91,344</u>
Earnings Before The Following:	34,251	37,343
Share of Earnings (Loss) of Lacana Mining Corporation	(380)	2,683
Net Earnings For The Year	<u>\$ 33,871</u>	<u>\$ 40,026</u>
Earnings Per Common Share (note 9)	<u>\$.47</u>	<u>\$.66</u>

Consolidated Statement of Retained Earnings

For the year ended December 31, 1984

	1984	1983
	(in thousands)	
Balance at Beginning of Year	\$ 85,685	\$ 68,810
Net earnings for the year	33,871	40,026
	<u>119,556</u>	<u>108,836</u>
Dividends (note 7)	23,639	23,151
Balance at End of Year	<u>\$ 95,917</u>	<u>\$ 85,685</u>



Consolidated Balance Sheet

December 31, 1984

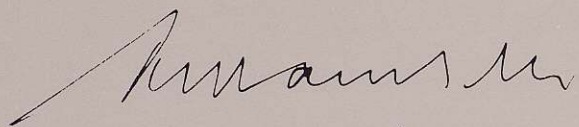
Assets

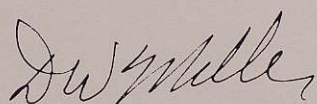
	1984	1983
	(in thousands)	
Current Assets		
Cash and short-term investments	\$122,396	\$134,159
Accounts receivable (note 1)	27,996	24,530
Inventories (note 2)	7,593	5,558
	<u>157,985</u>	<u>164,247</u>
Investments (note 3)	44,234	44,017
Property, Plant and Equipment (note 4)		
Oil and gas	347,267	298,166
Mining	195,142	99,553
Other	3,453	3,150
	<u>545,862</u>	<u>400,869</u>
Accumulated depletion and depreciation	76,504	62,625
	<u>469,358</u>	<u>338,244</u>
	<u>\$671,577</u>	<u>\$546,508</u>

Liabilities and Shareholders' Equity

Current Liabilities		
Accounts payable	\$ 43,023	\$ 23,315
Income and resource taxes payable	1,576	480
	<u>44,599</u>	<u>23,795</u>
Long-Term Debt (note 5)	140,000	63,000
Deferred Income and Resource Taxes	99,246	83,991
	<u>283,845</u>	<u>170,786</u>
Shareholders' Equity		
Share capital (note 6)	291,815	290,037
Retained earnings	95,917	85,685
	<u>387,732</u>	<u>375,722</u>
	<u>\$671,577</u>	<u>\$546,508</u>

Approved by the Directors

 Director

 Director



Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1984

	1984	1983
	(in thousands)	
Cash provided by (used in) operating activities		
Net earnings for the year	\$ 33,871	\$ 40,026
Add charges to operations not requiring a current cash payment –		
Depletion and depreciation	13,921	10,599
Deferred income taxes	15,255	17,410
Other	(169)	(965)
Cash provided by operating activities	62,878	67,070
Mineral exploration expense	3,995	3,383
Cash provided by operating activities before mineral exploration	<u>66,873</u>	<u>70,453</u>
Cash provided by (used in) financing activities		
Bank loan	77,000	39,000
Common share capital, net of issue costs	1,778	52,412
Dividends	(23,639)	(23,151)
Net change in working capital balance other than cash	15,303	6,823
Other	737	623
	<u>71,179</u>	<u>75,707</u>
	<u>138,052</u>	<u>146,160</u>
Cash used in investment activities		
Investments	782	3,812
Property, plant and equipment	145,038	68,054
Mineral exploration expenditures	3,995	3,383
	<u>149,815</u>	<u>75,249</u>
Net increase (decrease) in cash during the year	(11,763)	70,911
Cash position at beginning of year	<u>134,159</u>	<u>63,248</u>
Cash position at end of year	<u>\$122,396</u>	<u>\$134,159</u>
Cash position comprises cash and short-term investments		
Net change in working capital balances other than cash		
Accounts receivable	\$ (3,466)	\$ 1,018
Inventories	(2,035)	6,913
Accounts payable	19,708	1,124
Income and resource taxes payable	1,096	(2,232)
	<u>\$ 15,303</u>	<u>\$ 6,823</u>



Summary of Accounting Policies

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and consistently applied.

Basis of Consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, Westmin Resources Inc.

Investments

The investment in Lacana Mining Corporation (28% owned), over which the company exercises significant influence, is accounted for by the equity method. Under this method the investment is carried at cost plus the company's share of accumulated earnings since acquisition. The share of annual net earnings or loss of Lacana, less amortization of the related purchase discrepancy, is included in income and dividends are deducted from the carrying value.

Other investments are carried at the lower of cost and net realizable value.

Joint Venture Accounting

Substantially all exploration activities and oil and gas production activities are conducted jointly with others and accordingly the accounts reflect only the proportionate interests in such activities.

Translation of Foreign Currencies

Assets, liabilities, revenues and expenses in currencies other than Canadian dollars are translated into Canadian dollars as follows:

Cash and short-term investments, accounts receivable and accounts payable at the rates of exchange prevailing at the balance sheet date.

Other assets and liabilities at rates prevailing when they are acquired or incurred.

Revenues and expenses at average rates for the period except for depletion and depreciation provisions, which are at the rates used for translation of the related costs.

These procedures give rise to exchange translation gains and losses, the net amounts of which are included in income.

Concentrate Settlements Receivable and Concentrate Inventory

Concentrate settlements receivable and concentrate inventory are valued at current metal prices less provision for estimated market adjustments, treatment and marketing charges. In accordance with the terms of the sales contracts, final settlements are made at prices prevailing at future dates and the amounts eventually received by the company may vary from the amounts included in receivables and inventory at the balance sheet date. From time to time the company establishes the price it will receive for part of its production by selling forward on the metal and currency markets.

Materials and Supplies

Materials and supplies are valued at the lower of average cost and net realizable value.

Property, Plant and Equipment

Oil and Gas

The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas reserves are capitalized by cost centre until commencement of production.

Costs include land acquisition, geological and geophysical expenditures, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells, overhead expenses related to exploration and development activities and plant and equipment. Proceeds from the disposal of properties and grants received from petroleum incentives programs are credited against costs.

Costs in producing cost centres are amortized using the revenue depletion method based on the proportion that current revenues are to estimated revenues from proven reserves as determined by independent and company petroleum engineers. The company employs a ceiling test annually whereby capitalized costs would be written off should they exceed the present value of future net revenues from estimated production of proven reserves. Costs attributable to non-producing centres which prove unsuccessful and abandoned are written off.

Cost centres are:

Producing: North America (excluding Arctic)

Non-Producing: Arctic, Overseas

Mining

Metals

Mineral exploration costs (including acquisition, exploration and development expenditures and related overhead) pertaining to individual mineral prospects are charged to income as incurred until an economic orebody is defined. Subsequent development costs are capitalized and amortized on the unit of production method based upon the estimated life of the ore reserves.

Mine plant and equipment costs, including capitalized interest, are depreciated substantially on the unit of production method.

Coal and Industrial Minerals

Until commercial production begins, coal and other properties are carried at cost less any amount written off in recognition of a permanent decline in value. Upon commencement of production, costs are amortized on the unit of production method based upon the estimated life of the reserves.

Interest Costs

Interest costs attributable to major capital expansion and development projects are capitalized until commencement of production.

Income and Resource Taxes

The company follows the tax allocation method of accounting for corporate income and resource taxes, whereby deferred taxes are provided to the extent that current taxes have been reduced by claiming amounts, primarily exploration and development costs and capital cost allowances, in excess of the related depletion and depreciation recorded in the financial statements.

Westmin Resources Limited

Notes to Consolidated Financial Statements

For the year ended December 31, 1984

1. Accounts Receivable

	1984	1983
	(in thousands)	
Oil and gas	\$ 20,950	\$ 18,733
Concentrate settlements	1,953	3,071
Other accounts receivable	5,093	2,726
	\$ 27,996	\$ 24,530

2. Inventories

Concentrate	\$ 3,457	\$ 988
Materials and supplies	4,136	4,570
	\$ 7,593	\$ 5,558

3. Investments

Lacana Mining Corporation, at equity (quoted value, December 31, 1984 - \$31,900,000)	\$ 34,201	\$ 35,054
Long-term receivable	7,603	7,307
Other	2,430	1,656
	\$ 44,234	\$ 44,017

Long-Term Receivable

This receivable, amounting to \$16,000,000, is due in annual instalments ranging from \$500,000 to \$800,000 to July 1, 2005. Interest is not applicable providing the instalments are paid when due. Under the terms of the agreement 50% of any instalment, in aggregate not exceeding \$1,000,000, may be postponed up to July 1, 2005 subject to an 8% per annum interest payment. This option has been fully utilized. With the exception of the current portion of \$500,000 which is included in current assets, the remaining instalments are carried at a discounted value of \$7,603,000 (1983 - \$7,307,000) based on an assumed interest rate of 8%.

Other Investments

This amount includes housing and stock purchase plan loans of \$138,000 to certain employees, some of whom are officers and directors of the Company.

4. Property, Plant and Equipment

	1984			1983
	Cost	Accumulated depletion and depreciation	Net	Net
	(in thousands)			
Oil and gas				
Properties				
North America	\$250,895	\$49,141	\$201,754	\$177,019
Arctic	14,264		14,264	13,757
Overseas	12,890		12,890	12,583
Plant and equipment	69,218	9,362	59,856	48,871
	347,267	58,503	288,764	252,230
Mining				
Metals				
Properties and development	5,373	1,875	3,498	2,482
Plant and equipment	21,772	13,343	8,429	8,533
Construction in progress	162,337		162,337	68,444
Coal and industrial minerals	5,660	1,056	4,604	4,791
	195,142	16,274	178,868	84,250
Leasehold improvements and other equipment	3,453	1,727	1,726	1,764
	\$545,862	\$76,504	\$469,358	\$338,244

4. Property, Plant and Equipment (continued)

Interest in the amount of \$10,785,000 (1983 - \$3,977,000) was capitalized during 1984 in connection with the development of the H-W mine at Myra Falls. Under the provisions of the Petroleum Incentives Program, the company has accrued \$9,500,000 in 1984 (1983 - \$11,423,000). This amount has been shown as a reduction to the appropriate property, plant and equipment accounts.

5. Long-Term Debt

- (i) By agreement dated August 15, 1984 the company has entered into a financing facility with certain Canadian chartered banks for the construction of the H-W Mine/Mill Complex. The company may borrow up to \$200 million Canadian or U.S. equivalent during the construction period on a revolving credit basis until the earlier of project completion or June 30, 1986 at which time the company has the option to term the outstanding loan balance for a seven year period. Interest rates are floating and vary from time to time depending on the currency and the nature of the loans. The loan is secured, on a non-recourse basis, by the project assets following completion, but is a full obligation to the company until completion has been attained. At December 31, 1984 \$140 million had been drawn under this facility.
- (ii) By agreement with certain Canadian chartered banks the company may borrow under a revolving credit facility up to \$150 million Canadian or U.S. equivalent during the period to November 14, 1985 (or such later date as may be mutually agreed upon), the Revolving Loan Maturity Date, at varying interest rates depending upon the nature of the loans. On or prior to the Revolving Loan Maturity Date, the company may convert its indebtedness to a five-year term basis. The credit facility is unsecured but the company is restricted from creating security on any of its assets (except for the H-W Mine/Mill Complex) without providing security on a pari passu basis to the lenders under this agreement.
- (iii) In addition the company has available short-term operating lines of credit with its principal bankers amounting to \$35 million.

6. Share Capital

	1984	1983
	(in thousands)	
Authorized —		
An unlimited number of:		
Class A Preferred Shares issued in series		
Class B Preferred Shares issued in series		
Common shares without par value		
Issued and fully paid —		
Class A Preferred Shares, Series 1	\$100,000	\$100,000
Class B Preferred Shares, Series 1	99,982	99,982
Common Shares	91,833	90,055
	<u>\$291,815</u>	<u>\$290,037</u>

Class A Preferred Shares, Series 1

The Class A Preferred Shares rank in priority to all other shares. The first series of this class of shares have attached thereto certain provisions which include:

- (i) the right to receive cumulative annual dividends equal to one and one-half percent plus one-half of the average prime rate of interest charged by certain Canadian banks adjusted daily but payable quarterly.
- (ii) the obligation to redeem at par plus accrued and unpaid dividends a maximum of 5% of the outstanding shares per annum commencing January 1, 1983. This obligation has been waived by the preferred shareholders since 1983. The company may accelerate redemption after December 31, 1985 and may at any time purchase all or any part of the outstanding shares for cancellation.
- (iii) the right of the holders of the shares to require the company after June 1, 1992 to repurchase all the shares which are then outstanding at a price of \$100 per share plus accrued and unpaid dividends.

Class B Preferred Shares, Series 1

The Class B Preferred Shares rank junior to the Class A Preferred Shares and senior to the common shares. The first series of this class of shares have attached thereto certain provisions which include:

- (i) the right to receive cumulative dividends of \$2.125 per annum per share payable quarterly on the last day of each calendar quarter.
- (ii) the right of the holders to convert the shares into common shares at any time prior to May 2, 1988 at the rate of 1.695 common shares for each preferred share.
- (iii) the obligation of the company to make all reasonable efforts to purchase, during each calendar quarter commencing July 1, 1988 at a price not exceeding the \$25.00 issue price per share plus accrued and unpaid dividends and costs of purchase, 1% of the number of preferred shares outstanding as at May 1, 1988.

6. Share Capital (continued)

	Number of shares	Amount (in thousands)
Common Shares		
As at December 31, 1983	37,798,548	\$ 90,055
Issued for cash		
Private placement	65,800	757
Employee stock options	169,167	1,021
As at December 31, 1984	<u>38,033,515</u>	<u>\$ 91,833</u>

Under the terms of the company's employee stock option plan, options of 889,576 shares were outstanding as at December 31, 1984, exercisable at varying dates to 1990 at prices ranging from \$5.97 to \$15.75 per share.

7. Dividends

	1984	1983
	(in thousands)	
Class A Preferred	\$ 7,546	\$ 7,106
Class B Preferred	8,499	8,500
Common	7,594	7,545
	<u>\$ 23,639</u>	<u>\$ 23,151</u>

8. Income and Resource Taxes

Income taxes		
Deferred	\$ 15,455	\$ 17,483
Alberta royalty tax credit	(2,000)	(4,000)
Investment tax credit	(1,179)	(300)
	<u>12,276</u>	<u>13,183</u>
Resource taxes		
Provincial mining taxes – current	(200)	
– deferred	(200)	(73)
Petroleum and gas revenue tax	7,509	7,042
	<u>7,109</u>	<u>6,969</u>
Total income and resource taxes	<u>\$ 19,385</u>	<u>\$ 20,152</u>

The following reconciles the difference between the income tax expense recorded and the expected tax expense obtained by applying the expected tax rate to earnings before income and resource taxes.

	1984	1983
Federal tax rate	46.0 %	46.0 %
Federal surtax	–	.9
Provincial abatement	(10.0)	(10.0)
Provincial tax rates	13.1	13.5
Expected tax rate	<u>49.1 %</u>	<u>50.4 %</u>

	1984		1983	
	in thousands	% of pre-tax income	in thousands	% of pre-tax income
Expected tax expense	\$26,335	49.1	\$28,977	50.4
Effect on taxes from:				
Crown royalty and rental disallowance	4,677	8.7	4,344	7.5
Resource allowance	(6,840)	(12.7)	(6,908)	(12.0)
Depletion allowance	(4,980)	(9.3)	(4,642)	(8.1)
Alberta royalty tax credit	(2,000)	(3.7)	(4,000)	(7.0)
Tax exempt dividends	(4,490)	(8.4)	(4,323)	(7.5)
Investment tax credit	(1,179)	(2.2)	(300)	(.5)
Other	753	1.4	35	.1
Income tax provision	<u>\$12,276</u>	<u>22.9</u>	<u>\$13,183</u>	<u>22.9</u>

8. Income and Resource Taxes (continued)

Deferred income taxes arise from timing differences in the recognition of income and expenses for income tax and financial statement purposes. The source of these differences is as follows:

	1984	1983
	(in thousands)	
Exploration and development expenses	\$ 11,973	\$ 6,604
Depreciable property, plant and equipment	5,442	9,466
Other	(1,960)	1,413
Deferred income taxes	<u>\$ 15,455</u>	<u>\$ 17,483</u>

9. Earnings Per Common Share

Earnings per share have been calculated using the weighted monthly average of shares outstanding and earnings after deducting dividends paid on the preferred shares.

10. Other Information

Commitments

The company is in the process of developing the H-W Mine, Myra Falls, British Columbia at an estimated cost of \$250,000,000. As at December 31, 1984, \$162,337,000 has been expended.

Pension plans exist for all employees. Based on the most recent actuarial evaluation of the plans no unfunded past service liability existed as at December 31, 1984.

Related Party Transactions

In the normal course of business, the company engages professional services of various engineering and geological consulting firms. During 1984, \$1,735,000 was paid to such a company in which a director holds a majority interest. Terms of these transactions are the same as with unrelated parties.

From time to time the company arranges investment transactions in conjunction with certain affiliates. These transactions are carried out without cost and at normal market terms.

Segmented Information

The directors have determined the company's principal classes of business, as defined by the Canada Business Corporation Act, to be oil and gas and mining. Financial information relating thereto is disclosed in the Consolidated Statement of Segmented Information on page 40.

Contingencies

On March 12, 1981 the company was charged under the Fisheries Act (Canada). The company is unaware of any damage occasioned to fish or other marine life by its mining operations and intends to defend itself against the charges. While the claim and a subsequent appeal were dismissed during 1983, the Crown was successful in a further appeal and a new trial has been scheduled. It is not possible at this time to determine the outcome of this action.

11. Subsequent Event

In 1984 the company entered into an agreement to purchase a 50% interest in Sundance Oil Company's Alberta producing assets and some additional exploratory acreage effective January 1, 1985. This \$130 million acquisition will be financed through a bank financing arrangement and working capital.

Westmin Resources Limited

Nine Year Summary of Changes in Cash Position

For The Years Ended December 31

	1984	1983	1982
Funds Provided:			
Operations before mineral exploration	\$ 66,873	70,453	72,183
Mineral exploration expense	3,995	3,383	4,283
Net from operations	62,878	67,070	67,900
Reduction in long-term receivable	250	250	250
Bank loan	77,000	39,000	24,000
Advances			
Share capital, net of issue costs	1,778	52,412	717
Changes in other working capital	15,303	6,823	6,541
Other	487	373	460
	<u>157,696</u>	<u>165,928</u>	<u>99,868</u>
Funds Used:			
Investments	782	3,812	1,435
Property, plant and equipment	145,038	68,054	77,152
Bank loan repaid			
Advances repaid			
Dividends	23,639	23,151	21,376
	<u>169,459</u>	<u>95,017</u>	<u>99,963</u>
Increase (Decrease) in Cash and Short-Term Investments	(11,763)	70,911	(95)
Cash and Short-Term Investments at Beginning of Year	<u>134,159</u>	<u>63,248</u>	<u>63,343</u>
Cash and Short-Term Investments at End of Year	<u>\$122,396</u>	<u>134,159</u>	<u>63,248</u>

Operations Summary

Production	1984	1983	1982
Crude oil and natural gas liquids	1,633,100	1,227,100	961,045
Daily average	4,462	3,362	2,633
Natural gas	16,285	16,036	15,144
Daily average	44.5	43.9	41.5
Ore delivered to the mill	224,470	273,787	317,002
Payable metal (000's)			
Gold (oz.)	12	17	20
Silver (oz.)	542	781	959
Copper (lbs.)	3,610	4,814	5,344
Lead (lbs.)	3,273	4,195	4,801
Zinc (lbs.)	24,373	28,317	33,488
Reserves — Gross Proven			
Crude oil and natural gas liquids	12.8	10.8	9.7
Natural gas	403	386	411
Ore	758	883	1,021

1981	1980	1979	1978	1977	1976
(In thousands of dollars)					
63,415	60,082	47,272	27,614	20,790	13,065
5,199	4,007	4,319	1,640	2,239	3,038
58,216	56,075	42,953	25,974	18,551	10,027
250	500	400	400	400	400
	22,000				
95,932	64	5,000	2,000		20,814
(13,623)	14,236	50	67	49	49
313	579	6,796	(12,699)	(7,678)	(12,291)
		1,118	2,193	5,731	7,446
141,088	93,454	56,317	17,935	17,053	26,445
2,801	23,784	108	107	7	8
49,388	49,719	48,577	15,906	8,866	12,766
22,000					
16,923	28,554	3,141	267	5,504	264
91,112	102,057	51,826	16,280	267	13,038
49,976	(8,603)	4,491	1,655	2,409	13,407
13,367	21,970	17,479	15,824	13,415	8
63,343	13,367	21,970	17,479	15,824	13,415

1981	1980	1979	1978	1977	1976
770,200	695,362	409,900	327,600	257,000	260,000
2,100	1,900	1,123	898	704	712
15,422	15,374	13,570	14,800	14,797	10,561
42.3	42.0	37.2	40.5	40.5	28.9
271,334	306,712	294,181	296,560	296,598	296,846
17	19	20	18	16	18
783	786	791	841	914	1,068
4,824	5,941	6,296	5,923	5,322	5,187
4,305	5,125	5,425	5,409	5,353	5,948
29,212	33,656	36,509	35,868	33,318	32,010
6.7	6.1	4.9	3.2	2.7	2.9
410	364	324	275	276	254
1,057	1,092	1,144	1,273	1,460	1,704

Westmin Resources Limited

Nine Year Financial Summary*

For the years ended December 31

	1984	1983	1982
	(In thousands of dollars)		
Revenue			
Oil and gas	\$ 97,736	83,429	69,039
Mining	23,032	34,025	47,504
Investment Income	10,075	9,572	6,918
Other	2,535	1,661	1,413
	133,378	128,687	124,874
Expenses			
Royalty expense	15,072	15,794	11,128
Cost of production			
Oil and gas	22,087	14,366	11,984
Mining	20,607	22,492	22,740
Mineral exploration	3,995	3,383	4,283
General and administrative	4,060	4,558	3,949
Depletion and depreciation	13,921	10,599	8,051
Interest			
Currency translation adjustments			
Other			
	79,742	71,192	62,135
Earnings From Operations	53,636	57,495	62,739
Resource Revenue Taxes	7,109	7,042	6,317
Income and Mining Taxes			
Current	(3,179)	(4,300)	(3,837)
Deferred	15,455	17,410	21,120
	\$ 19,385	20,152	23,600
Earnings Before The Following	34,251	37,343	39,139
Share of earnings (loss) of Lacana Mining Corporation	(380)	2,683	673
Write down of deferred development expenditures, net of income taxes			
Extraordinary items			
Net Earnings (Loss) For The Year	\$ 33,871	40,026	39,812
Earnings (Loss) Per Common Share	.47	.66	.65
Cash Flow			
(Before mineral exploration expense)	66,873	70,453	72,183
Capital Expenditures			
Oil and gas			
Exploration	16,837	10,782	11,500
Development	32,264	22,140	30,516
Properties purchased (sold)			11,200
Mining development	95,607	34,557	23,411
Other	330	575	525
Total capital expenditures	\$145,038	68,054	77,152
Working Capital	\$113,386	140,452	76,364
Long Term Debt	\$140,000	63,000	24,000

*Westmin is building towards a 10-year Financial Summary with 1976 as a base, since it is the first full year following the initial Western Mines-Brascan Resources association.

<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
except per share amounts)					
53,845	48,555	29,148	26,689	21,610	13,038
42,760	42,071	43,639	21,130	15,647	16,344
8,690	3,633	7,152	2,577	1,156	541
788	427	267	89	28	113
<u>106,083</u>	<u>94,686</u>	<u>80,206</u>	<u>50,485</u>	<u>38,441</u>	<u>30,036</u>
10,823	9,113	5,064	4,315	3,624	2,514
8,204	5,958	2,954	2,165	1,817	1,228
16,161	14,741	12,890	10,915	11,112	10,256
5,199	4,007	4,319	1,640	2,239	3,038
3,167	3,089	2,022	1,278	1,465	1,617
8,670	7,924	5,466	4,895	4,968	4,189
1,443	1,162	83			406
187	(288)	215	(507)	(642)	46
				213	504
<u>53,854</u>	<u>45,706</u>	<u>33,013</u>	<u>24,701</u>	<u>24,796</u>	<u>23,798</u>
<u>52,229</u>	<u>48,980</u>	<u>47,193</u>	<u>25,784</u>	<u>13,645</u>	<u>6,238</u>
3,500					
(442)	1,600	6,596	988	(413)	497
17,260	15,800	13,471	8,421	4,335	1,757
<u>20,318</u>	<u>17,400</u>	<u>20,067</u>	<u>9,409</u>	<u>3,922</u>	<u>2,254</u>
31,911	31,580	27,126	16,375	9,723	3,984
1,035	350				
					(9,800)
		835	688	4,203	
<u>32,946</u>	<u>31,930</u>	<u>27,961</u>	<u>17,063</u>	<u>13,926</u>	<u>(5,816)</u>
.58	.71	.60	.32	.24	(.37)
63,415	60,082	47,272	27,614	20,790	13,065
24,339	23,135	19,148	10,924	6,687	5,520
14,005	12,888	7,842	4,724	2,955	3,681
	2,686	20,171		(1,410)	
10,248	10,782	1,063	230	552	579
796	228	353	28	82	63
<u>49,388</u>	<u>49,719</u>	<u>48,577</u>	<u>15,906</u>	<u>8,866</u>	<u>9,843</u>
83,000	19,401	42,240	44,545	30,191	20,104
	22,000				

Westmin Resources Limited

Consolidated Statement of Segmented Information

	1984				1983			
	Oil and Gas	Mining	Other and Un-allocated	Con-solidated Total	Oil and Gas	Mining	Other and Un-allocated	Con-solidated Total
	(in thousands)				(in thousands)			
Revenue								
Domestic	\$ 96,444	14,324		110,768	\$ 79,539	13,536		93,075
Other	1,292	8,708		10,000	3,890	20,489		24,379
	97,736	23,032		120,768	83,429	34,025		117,454
Investment income			10,075	10,075			9,572	9,572
Other	2,535			2,535	1,661			1,661
	100,271	23,032	10,075	133,378	85,090	34,025	9,572	128,687
Expenses								
Royalty expense	15,072			15,072	15,794			15,794
Cost of production	22,087	20,607		42,694	14,366	22,492		36,858
Mineral exploration		3,995		3,995		3,383		3,383
General and administrative			4,060	4,060			4,558	4,558
Depletion and depreciation	12,567	1,063	291	13,921	8,927	1,402	270	10,599
	50,545	(2,633)	5,724	53,636	46,003	6,748	4,744	57,495
Earnings from operations								
Income and resource taxes	22,303	(2,631)	(287)	19,385	20,221	1,856	(1,925)	20,152
Share of earnings (loss) of Lacana Mining Corp.			(380)	(380)			2,683	2,683
	\$ 28,242	(2)	5,631	33,871	\$ 25,782	4,892	9,352	40,026
Net earnings								
Current assets	\$ 23,425	12,164	122,396	157,985	\$ 21,768	8,320	134,159	164,247
Investments	637	9,396	34,201	44,234	626	8,337	35,054	44,017
Property, plant and equipment	288,764	178,868	1,726	469,358	252,230	84,250	1,764	338,244
	\$312,826	200,428	158,323	671,577	\$274,624	100,907	170,977	546,508
Total assets								
Capital expenditures	\$ 49,100	95,607	331	145,038	\$ 32,922	34,557	575	68,054

Trading Range 1984 (\$ per share)

Common Shares			Class B Convertible Preferred Shares		
High	Low	Close	High	Low	Close
17 ¹ / ₂	10 ¹ / ₈	11 ³ / ₄	30 ⁷ / ₈	24 ³ / ₄	27 ¹ / ₄

Canadian Ownership Rate

During 1984, Westmin retained its Canadian Ownership Rate (COR) at Level 4, the maximum level, providing maximum benefits to the Company.

The Energy Security Act 1982 provides, in part, for the Petroleum Incentives Program (PIP) and the certification of the Canadian Ownership Rate (COR) of companies which may be entitled to PIP payments. This incentive program and the related COR determinations, are central features of the National Energy Program.

The PIP payments provide for reimbursement of certain exploration and development expenditures based on the nature of the expenses incurred, the location of the activity and the percentage of Canadian ownership.

The maximum COR level provides the following incentive payments as a percentage of eligible expenditures:

	Provincial Lands	Canada Lands
Exploration	35%	80%
Development	20%	20%

Corporate Information

Officers

J. Trevor Eyton

Chairman of the Board

Paul M. Marshall

President and
Chief Executive Officer

Douglas W. Miller

Executive Vice-President and
General Manager,
Petroleum Division

Gordon H. Montgomery

Executive Vice-President and
General Manager, Mining Division

John S. Walton

Executive Vice-President

Richard H. Ostrosser

Senior Vice-President

William B. Hartley

Vice-President, Land,
Petroleum Division

John B. Killick

Vice-President,
Corporate Development

Eugene W. Kulsky

Vice-President, Exploration,
Petroleum Division

Dr. Arthur E. Soregaroli

Vice-President, Exploration,
Mining Division

Cameron G. Troyer

Vice-President, Production,
Petroleum Division

Wayne K. Watmough

Vice-President, Heavy Oil
Petroleum Division

Donald D. Webster

Vice-President,
Finance and Treasurer

Raymond O. Hampton

Corporate Secretary

H. William Verveda

Assistant Treasurer and
Corporate Controller

Ross A. Mitchell

Assistant Treasurer
and Controller,
Mining Division

Donald A. Repka

Assistant Corporate Secretary

Directors

Neil W. Baker, Winnipeg*

President and Chief
Executive Officer,
The Winnipeg Supply & Fuel
Company Limited

Jack L. Cockwell, Toronto

Executive Vice-President
and Chief Operating Officer,
Brascan Limited

Gilles M. Dionne,

Saint-Bruno, Quebec†
Consulting Geologist

J. Trevor Eyton, Q.C.,

Toronto†
President and Chief
Executive Officer
Brascan Limited

A. William Farmilo,

Pender Island, B.C.
Past-Chairman of the Board

Patrick J. Keenan, Toronto†*

Chairman and Chief
Executive Officer
Keewhit Investments Limited

Paul M. Marshall, Calgary†

President and
Chief Executive Officer

John A. McLallen, Vancouver*

Private Investor

Douglas W. Miller, Calgary†

Executive Vice-President and
General Manager,
Petroleum Division

Gordon H. Montgomery,

Vancouver†
Executive Vice-President and
General Manager
Mining Division

Andre Saumier,

Montreal*
Senior Vice-President,
Richardson Greenshields of
Canada Limited

John S. Walton, Calgary†

Executive Vice-President

Harold M. Wright, Vancouver†

Chairman
Wright Engineers Limited

†Member, Executive Committee

*Member, Audit Committee

Company Offices

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M5C 1Y2

Mine Office

P.O. Box 8000
Campbell River, British Columbia
V9W 5E2

Solicitors

Burnet, Duckworth & Palmer
Lawrence & Shaw

Auditors

Touche Ross & Co.

Registrar and Transfer Agent

The Royal Trust Company

Shares Listed

Toronto Stock Exchange
Montreal Exchange
Vancouver Stock Exchange

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