

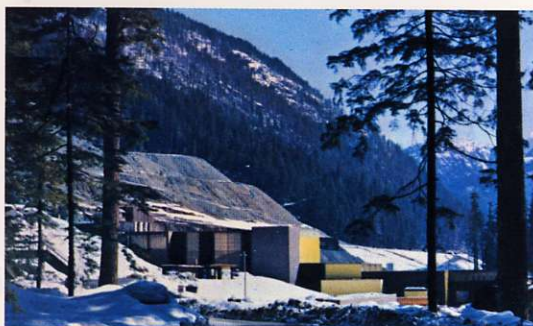
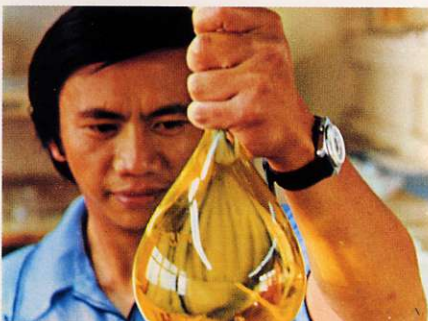


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R. V. KIRKHAM



Western Mines Limited • Annual Report 1975



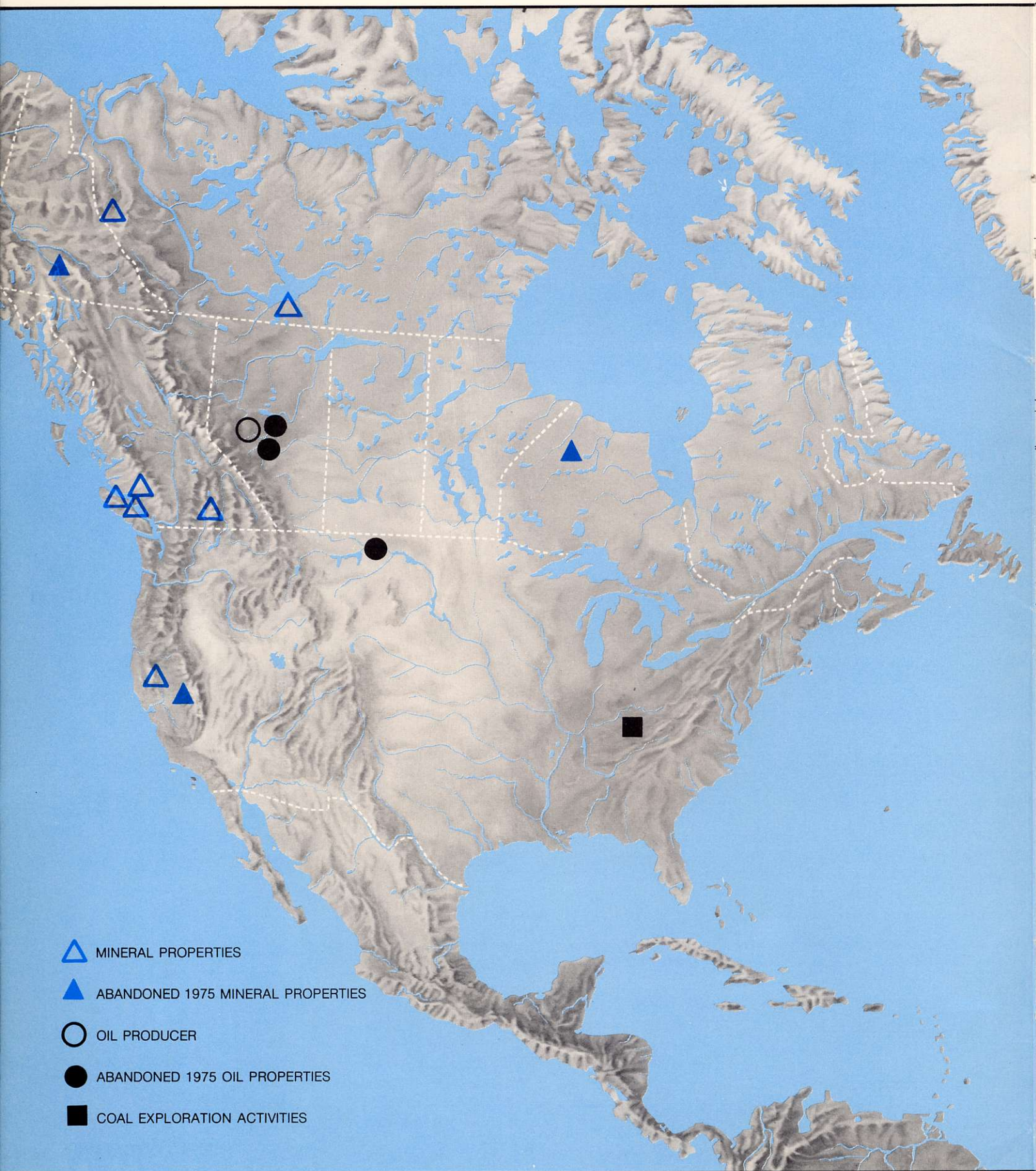
Mining equipment moving material from underground.

Field geologist examining mineralized core at the Great Slave Reef Project.

Road built by the Company provides the only road access into Strathcona Park.

Test work being done at the mine assay lab.

Facilities nestled amongst the giant timber at minesite.



LEGEND



NEW ORE ADDED TO RESERVES IN 1975

ORE TYPES



NORTHWALL



NORTHWALL HIGH GRADE

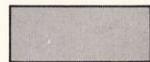


SOUTHWALL



FUMEROLE (?)

ROCK TYPES



BANDED TUFF FORMATION



LAPILLI TUFF



LITHIC TUFF



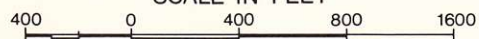
RHYOLITE



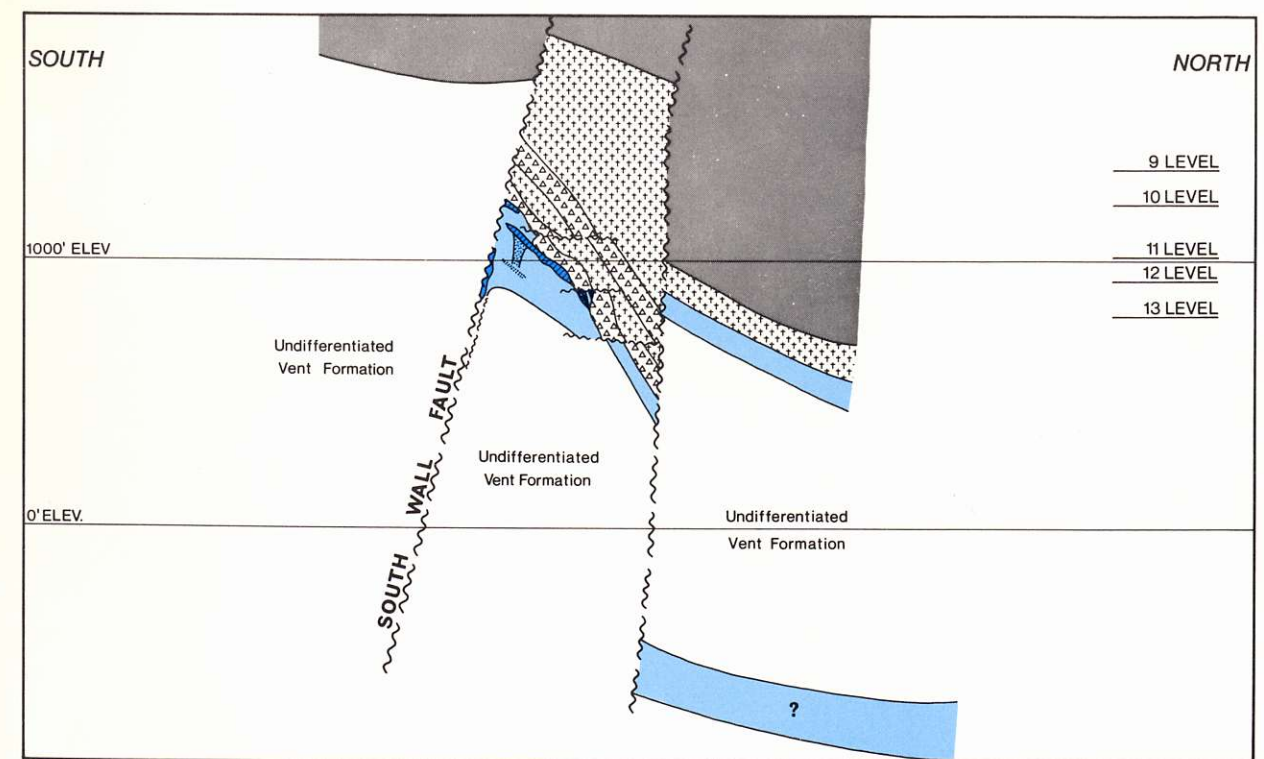
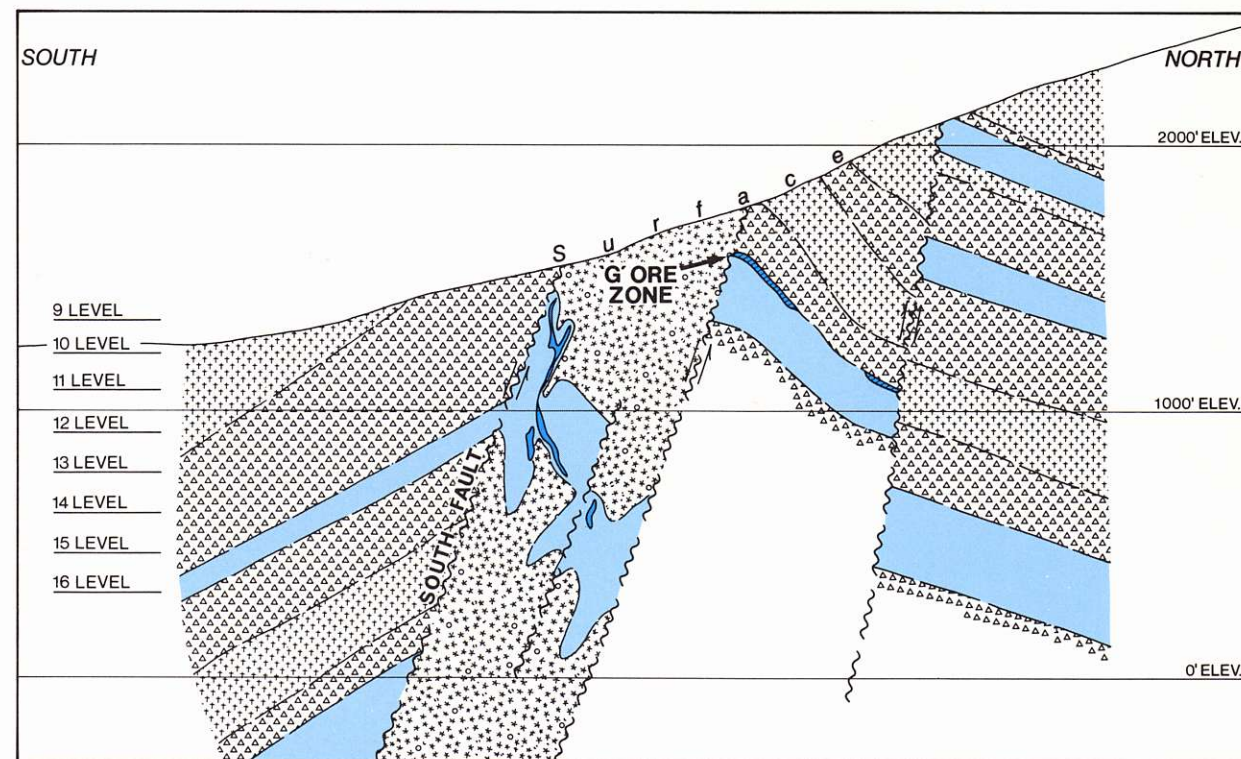
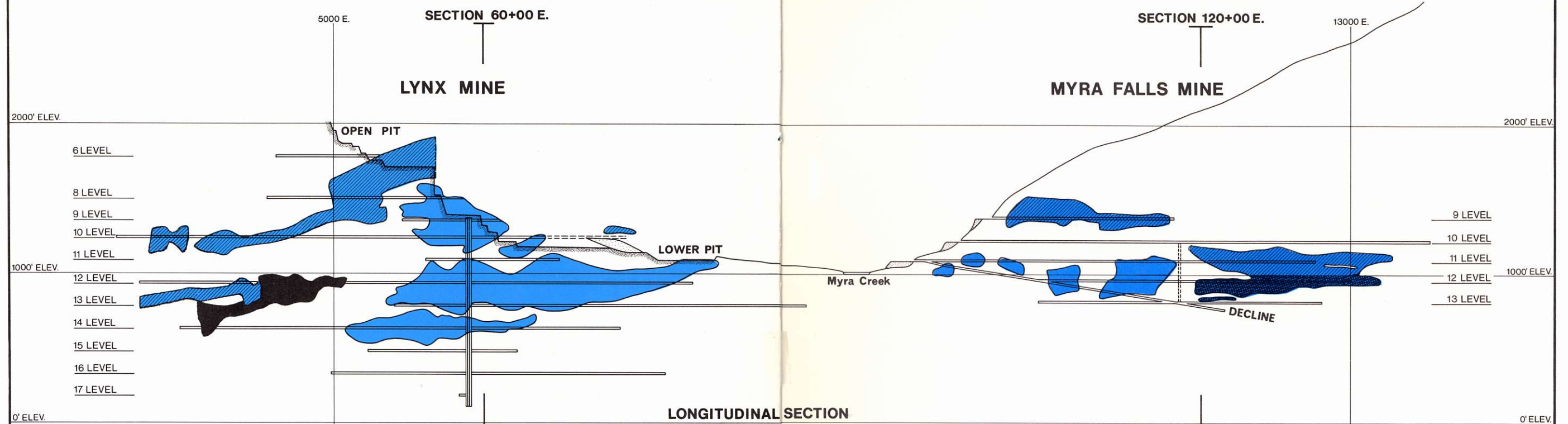
ALTERED ZONE

VENT FORMATION

SCALE IN FEET



LYNX MINE & MYRA FALLS MINE SCHEMATIC PRESENTATION OF THE ORE ZONES



Western Mines Limited

and subsidiary companies

COMPARATIVE HIGHLIGHTS

	1975	1974
Net earnings	\$ 664,174	\$ 2,822,915
Net earnings per share.....	\$.13	\$.54
Dividends paid.....	\$ 2,085,426	\$ 2,084,646
Dividends per share.....	\$.40	\$.40
Shares outstanding at year end	5,213,566	5,181,516
Number of shareholders	4,504	4,800
Capital expenditures — net.....	\$ 359,531	\$ 586,253
Working capital	\$10,759,351	\$11,142,102

Tons milled	287,393	297,290
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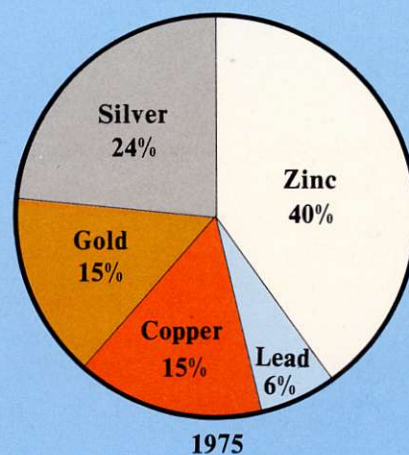
Average tons per day	787	814
Copper concentrate produced, tons...	8,877	10,320
Zinc concentrate produced, tons	34,416	37,346
Lead concentrate produced, tons.....	7,613	8,648
Ore reserves, tons proven	1,731,300	1,887,900

Payable metal		
Copper — lbs.	4,918,669	5,805,057
Zinc — lbs.	31,648,667	34,854,571
Lead — lbs.	5,545,057	5,805,470
Gold — oz.	16,521	18,077
Silver — oz.	958,187	992,455
Cadmium — lbs.	61,382	69,790

Average number of employees.....	276	310
Total company payroll	\$ 4,746,796	\$ 4,492,636

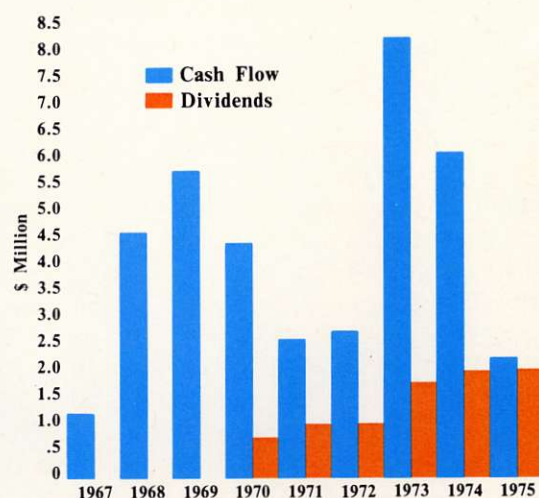
ANNUAL GENERAL MEETING

The Annual General Meeting of Western Mines Limited will be held on Tuesday, June 1, 1976, at 11:00 a.m. in the Devonshire Hotel, Vancouver, B.C.

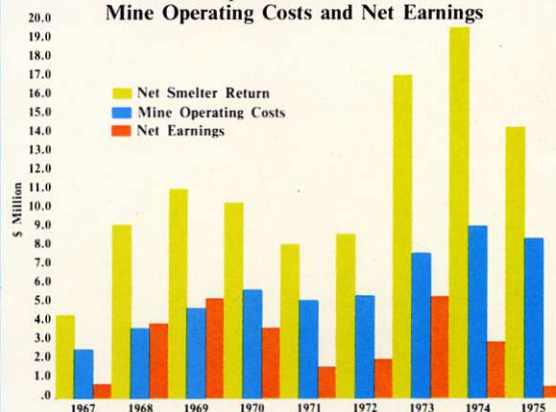


Value of Metals in Net Smelter Return

Relationship of Cash Flow and Dividends



Relationship of Net Smelter Return, Mine Operating Costs and Net Earnings



Annual Report of the Board to the Shareholders

1975 HIGHLIGHTS

The year saw a decline in earnings and cash flow, from the \$2.8 million and \$6.2 million achieved in 1974, to \$0.7 million and \$2.3 million respectively in 1975, and was caused principally by a decline in net smelter return from \$19.8 million to \$14.6 million.

The bar charts and graphs on the previous page show clearly the trend towards higher operating costs at the Buttle Lake operation as the percentage of ore mined from underground now approaches 85%, up from 39% in 1970. Since the ore reserve position remains strong, further profitability will depend principally on metal prices and our ability to effectively contain costs. However, the Buttle Lake operation will be exposed to inexorable cost increases, particularly since labour accounts for 50% of direct costs, and since ore is located in a number of small discrete ore bodies, spread over 1½ miles from the east end of Myra to the west end of Lynx.

To maintain the long term viability of your Company, we initiated two programs early in 1975. First, we initiated a program to investigate acquisition and/or development opportunities in the mining industry with the potential for yielding early cash flow and earnings. Second, an aggressive exploration program was started which was directed towards projects which could be brought rapidly to a drilling stage and which were compatible with the skills and experience of our exploration group. This latter activity has paid off with a significant discovery early in 1976 in a joint venture between Western Mines Limited and DuPont of Canada Exploration Limited, on ground staked early in 1975 by Western in the Northwest Territories.

In November, Brascan Resources Limited made arrangements to purchase 40.2% of the shares of your Company. We are particularly happy to welcome an aggressive, growth oriented, Canadian resource company as a major shareholder of your Company as well as its representatives to the Board. In anticipation of an improved climate, both economically and politically, the new Board has approved an increase in mine development and exploration expenditures from \$2.27 per ton milled in 1975 to \$3.43 per ton in 1976. The Board has also endorsed and agreed to expand, with some amendments, the exploration and acquisition and/or development programs initiated last year. Though these activities will severely restrict funds available for dividend purposes from earnings in the immediate future, they are obligatory if we wish to ensure the long term viability and growth of your Company.



Hugh R. Snyder, President and Chief Executive Officer.

OPERATIONS

Production

The year saw an increase in percentage of ore mined from underground, from 73% in 1974 to 82% in 1975.

Tons milled declined from 297,290 tons in 1974 to 287,393 tons in 1975, due principally to the decrease in operating days from 336 to 325 days resulting from a changed vacation schedule. As a result of this lower tonnage treated as well as decreased ore grades, concentrate tonnage dropped from 10,320 tons in 1974 to 8,877 tons in 1975 (copper), from 8,648 tons to 7,613 tons (lead) and 37,346 tons to 34,416 tons (zinc). Payable silver and gold contained in the concentrates was 958,187 ounces and 16,521 ounces respectively (992,455 ounces and 18,077 ounces in 1974.)

Recoveries and concentrate grades were improved in all three categories in 1975 compared to 1974.

A new two year labour contract with the United Steelworkers of America was signed on November 14, 1975 effective October 1, 1975.

Mine Exploration and Development

Given the improved ore reserve at the end of 1974, the weak metal prices, and punitive tax situation facing your Company at the beginning of 1975, exploration and development expenditures at the Buttle Lake operation were severely curtailed to contain costs. As a result, underground development declined from 15,500 feet in 1974 to 12,050 feet in 1975, and underground diamond drilling from 61,679 feet to 24,457 feet. No surface drilling was undertaken in 1975 compared to 15,199 feet in 1974.

Environmental Control

Despite exceptionally stringent standards, monitoring by the Pollution Control Board shows that all characteristics are being maintained at satisfactory levels. Additionally, tests performed by the Board on water quality and fish life in Buttle Lake confirm the acceptable practices initiated and maintained by the mine.

Installation of all equipment in the alkaline chlorination plant was completed in 1975 and operation of this plant is now satisfactory. This plant was installed to destroy residual cyanide in, and precipitate heavy metals from the mine tailings.



Unique alkaline chlorine plant at mine concentrator installed to ensure high environmental standards are maintained.

Ore Reserves

Proven ore reserves at January 1, 1976 were:

	Tons	Gold oz./ton	Silver oz./ton	Copper %	Lead %	Zinc %
Lynx	1,021,900	.08	2.4	1.4	.9	7.9
Myra Standard	551,200	.10	5.6	.9	1.5	7.6
Myra High Grade	107,200	.20	16.3	.8	3.3	10.7
Stockpile	51,000	.04	1.1	.6	.6	5.5
	1,731,300	.09	4.2	1.2	1.2	7.9

In addition, 123,600 tons are computed in the possible category as follows:

Lynx	99,100	.05	2.0	.9	.9	8.2
Myra Standard	24,500	.03	.8	1.5	.3	3.4
	123,600	.05	1.8	1.0	.8	7.2

Proven ore reserves at January 1, 1975 were:

	1,887,900	.08	4.1	1.1	1.2	7.5
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Operating Costs

Notwithstanding the increased percentage of ore mined from underground and the general inflationary pressures, mine operating costs were contained (\$30.05 per ton in 1975 versus \$30.82 per ton in 1974). This containment reflects the severe cutback in mine exploration and development expenditures and also improved efficiencies.

Oil and Gas

Your Company has a 10% interest in Wood River No. 1, a small producer located in central Alberta. In 1975 a total of 60,166 barrels of oil were produced from this well.

OUTSIDE EXPLORATION AND NEW PROJECTS

Outside exploration expenditures and expenditures related to investigation of new projects in 1975 were \$1,544,927, compared to \$1,273,363 in 1974.

Seven exploration projects were actively investigated in 1975. Four were drilled, including an oil joint venture with Summit Resources Limited in Montana. In addition, three coal and four metalliferous mine operating and/or development opportunities were investigated in detail. These latter investigations were discontinued when the projects failed to meet investment objectives.

Projects initiated in 1975 and still current are:

Kuroko Program, Northern California:

A reconnaissance of volcanogenic ores in the western U.S.A., in the same setting as that in which the Buttle Lake property is located, has led to the detailed investigation of a number of properties in Northern California. As a result of this work, seven claims have been staked in the area and negotiations are continuing to obtain rights to inspect two previously worked mining properties.

Great Slave Reef Project, Northwest Territories:

The AX claim group consisting of 1,325 claims was staked in the second quarter of 1975 by Western Mines Limited on land contiguous to Pine Point Mines Limited's property. These claims are situated along the indicated strike extension of the ore bearing structures on Pine Point's property.

Subsequently, a joint venture agreement (the Great Slave Reef Joint Venture) was negotiated with DuPont of Canada

Exploration Limited for the exploration of these claims. Western is the operator of the project and would have a 55% working interest in the project after payback of exploration and financing costs in the event of a production decision being made.

Nineteen holes totalling 13,331 feet were drilled in the fourth quarter of 1975 and confirmed the western extension of the main Pine Point ore structure.

Phase II drilling to test mineralization in this ore structure and Phase III drilling to determine the extent of such mineralization, is currently in progress.

Based on encouragement received in Phase II the WD claim group, consisting of 1,306 claims, was staked in March and April of this year. Exploration of this group will be undertaken in terms of the agreement with DuPont of Canada Exploration Limited.

Coal Program, U.S.A.:

D. D. Saxton, a former vice-president of Peabody Coal Company, was hired in mid 1975 to manage your Company's investigation for an acquisition and/or development opportunity in the coal industry in the eastern U.S.A. This program is continuing with two mature companies currently under investigation.

Other Projects:

Other mining interests for which your Company is responsible, namely, the Amy Group on Vancouver Island, and the OK property owned by Golden Granite Mountain Mines were kept in good standing.

Projects abandoned in 1975 were:

Tule Creek, Montana:

In a joint venture with Summit Resources Limited initiated in late 1974, three wells totalling 23,475 feet were drilled in the Tule Creek field of northern Montana. Unfortunately, no hydrocarbons were encountered and the project was abandoned.

Blue Jay, Nevada:

Economic studies based on the substantial drilling, drifting and the metallurgical test work undertaken on this copper property in 1973-74, showed an unfavorable rate of return and your Company's interest was terminated.

Big Trout Lake, Ontario:

Three holes totalling 2,000 feet were drilled to test geophysical anomalies on the property but failed to encounter significant mineralization. This project has been abandoned.

Mt. Freegold, Yukon Territory:

Twelve exploratory holes totalling 3,367 feet were drilled on the Mt. Freegold property between May and July. This examination indicated an extensive copper-molybdenite porphyry deposit of sub-economic grade and Western's interest in this prospect was terminated.

Pounding Mill Coal Company Inc., Kentucky:

Total recoverable reserves on Pounding Mill's land, principally of metallurgical quality, were estimated by your Company's engineers to be 8,057,000 tons. However, an economic analysis of the project was negative, based on the terms and conditions under which the option on the property was negotiated, and the option was therefore terminated.

FINANCIAL

Consolidated Earnings

Consolidated net earnings in 1975 were \$664,174 or 13¢ per share, compared to \$2,822,915 or 54¢ per share in 1974. The principal reason for this decrease in earnings was a decline in net smelter return from \$19,843,263 in 1974 to \$14,595,706 in 1975. The decrease was due to both decreased ore grades and metal prices as well as a small reduction in tonnage milled.

Cash Flow and Working Capital

Cash flow from operations in 1975 was \$2,307,328 or 44¢ per share. In addition, \$151,231 was received from sale of fixed assets and stock options. Cash disbursements included \$2,085,426 paid out in dividends, \$445,175 for plant and equipment additions, \$48,289 for development and \$262,420 for investments. The net effect was a decrease in working capital of \$382,751, giving a year-end working capital position of \$10,759,351.

Dividends

The Board of Directors approved the payment of a 40¢ dividend on October 14 to shareholders of record on December 10, the dividend payable on December 17, 1975.

The Company has been informed by legal counsel that under the terms of the Anti-Inflation Act, because the shares of the Company are listed on certain stock exchanges, the Company is prohibited from the declaration and payment of dividends until October 14, 1976.

Since dividend payments commenced in 1970, your Company has paid \$8,867,926 in dividends, which is 54% of earnings and 33% of cash flow.

Tax

Tax expense in 1975 was \$2,111,000, 65% of which related to the British Columbia Provincial Government. The effective tax rate in 1975 was 76%, up from 62% in 1974.



Lunch time for daily visitors

GENERAL

On November 13, 1975, W. R. Grace & Company sold its shares in your Company and pursuant to this transaction the three W. R. Grace representatives on your Board, namely, Messrs. D. E. Grimm, H. R. Logan and I. E. McKeever Jr., resigned from your Board. Subsequently, on November 26, 1975, Brascan Resources Limited arranged to purchase 40.2% of the outstanding shares of Western Mines Limited. Messrs. A. W. Farmilo, L. B. Leeming and J. P. Zachary were appointed to the Board to fill the vacancies created by the resignation of the three W. R. Grace representatives, and Messrs. A. J. Ellis, W. G. Jewitt, J. B. Magee and W. H. McLallen Jr., resigned to make way for Messrs. F. H. Low-Beer, R. H. Ostrosser, D. W. Miller and G. M. Furnival.

The new appointees are all representatives of Brascan Resources Limited.

Messrs. W. G. Jewitt and J. B. Magee have served on your Board from May, 1967 and December, 1968 respectively and a substantial amount of credit for the success achieved by your Company since then is due to their efforts. Mr. Magee has also resigned as Vice-President, Mines but will continue as a consultant to your Company until October 1977. At the mine, R. K. Tschach was appointed acting Mine Superintendent replacing F. P. Kerr, and C. W. Dumka was hired as Plant Superintendent.

The mine staff and employees headed by G. I. Dziny are to be congratulated on meeting all their production targets and keeping costs under control in very difficult circumstances. The exploration group headed by B. E. Spencer is to be congratulated on formulating the exploration program which has placed your Company in an excellent position to prove the presence of a significant lead-zinc mine in the Northwest Territories.

On Behalf of the Board

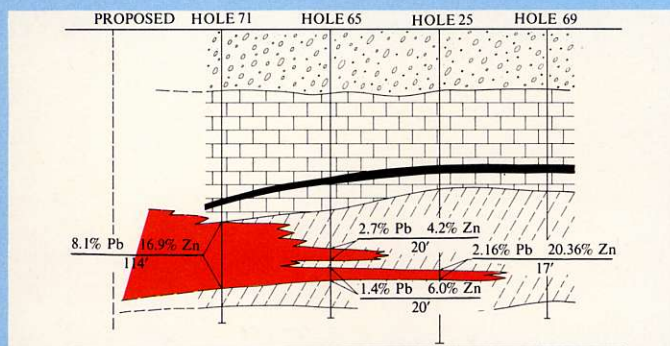
Hugh R. Snyder

President and Chief Executive Officer

Vancouver, B.C.

April 14, 1976

Great Slave Reef Project



Initial Results of Phase III Drilling Around Hole 25

Some 70 million tons of ore grading 10% combined lead-zinc have been discovered on Pine Point Mine Limited's property in the Northwest Territories. This ore is located in dolomitized reefal structures which are coincident with fracture or hinge zones over a 25 mile strike length.

The Western Mines Limited and DuPont of Canada Exploration Limited joint venture has now acquired by staking a 26 mile strike length of ground covering the western extension of the Pine Point lead-zinc district. This ground was acquired on the assumption that these reefal structures will persist to the west. It was anticipated that, on the AX-WD claim groups staked by Western-DuPont, the potentially ore bearing structures would occur at depths ranging from 550 feet at the eastern boundary to 900 feet at the western boundary. This depth is beyond the limit of geophysical detection in this district and thus a drilling program is required to test the above assumption and requires, in essence, a three phase approach:

Phase I: This phase consists of wide spaced drilling on lines several miles apart to locate mineralized trends identifiable by geological and other criteria. This phase was completed on the Main Hinge Zone of the AX group in late December 1975 and confirmed the presence of the same ore bearing structural features which exist on the Pine Point property.

Phase II: This consists of reconnaissance drilling on 1000 ft. centres on lines spaced ½ mile apart to define specific mineralized areas in the geologically favorable areas located in Phase I. An intersection of 16 feet percent (eg. 8 feet of rock assaying 2% metal) or more is regarded as significant and may indicate proximity to a major ore occurrence. To

March 31, 1976 the joint venture had drilled 40 reconnaissance holes of which 9 had encountered significant mineralization, any one of which could be located near a major ore occurrence.

Phase III: This phase consists of fill in drilling at 100-200 foot centers. It is undertaken to test the disposition, grade and extent of an ore occurrence indicated by significant intersections. This work has only just commenced and results obtained to date have indicated the presence of at least one zone of mineralization which has the potential to yield a production decision.

On the AX-WD claims it is probable that three parallel hinge zones occur and, if this is the case, a strike length of some 78 miles of favorable ground is available for evaluation. The current program has partially evaluated some 4 miles of the Main Hinge Zone, which is about 5% of the possible ore bearing ground. Future work will involve Phase III drilling of the mineralized centers now identified in the Main Hinge Zone and Phase I and Phase II drilling to evaluate the unexplored mineralized trends.

Results to date have been exceptionally encouraging and an aggressive exploration program will be maintained on this ground. The 200 square miles now acquired by Western-DuPont on the western extension of the Pine Point lead-zinc district provides excellent exploration potential for any operation which may be established in the area by the partners.



Core from hole no. 25 of the Great Slave Reef Project assayed 22.52% of combined lead and zinc over a length of 17 feet.

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1975

	1975 \$	1974 \$
Revenue from Concentrates Produced	21,456,705	27,287,466
Less: Treatment and marketing charges.....	6,860,999	7,444,203
	14,595,706	19,843,263
Operating Costs		
Production	8,635,772	9,163,348
Administrative office	630,721	274,760
Depreciation and amortization	1,609,445	1,660,683
	10,875,938	11,098,791
Operating Earnings	3,719,768	8,744,472
Other Expense (Income)		
Exploration	1,544,927	1,273,363
Deferred development written-off.....	272,009	662,954
Write down of investments	37,146	175,000
Loss on disposal of property, plant and equipment.....	554	181,717
Interest earned on short-term investments	(755,749)	(899,030)
Other income.....	(154,293)	(22,447)
	944,594	1,371,557
	2,775,174	7,372,915
Provision for Taxes and Royalties (note 4)		
British Columbia		
Royalties and mineral land tax	750,000	1,200,000
Mining taxes	372,000	800,000
Corporation income taxes	256,000	755,000
	1,378,000	2,755,000
Canada		
Corporation income taxes	733,000	1,795,000
	2,111,000	4,550,000
Net Earnings for the Year	664,174	2,822,915
Earnings Per Share	13¢	54¢

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 1975

ASSETS

	1975 \$	1974 \$
Current Assets		
Cash and short-term investments, at cost which approximates market value.....	7,509,040	11,467,969
Concentrate settlements and other accounts receivable	960,532	1,536,886
Inventories		
Concentrates, at estimated net realizable value	3,353,498	1,808,928
Materials and supplies, at cost	951,917	868,662
	<u>12,774,987</u>	<u>15,682,445</u>
 Investments — at cost or written-down value	 397,231	 171,957
Property, Plant and Equipment (note 2)	7,171,391	7,969,527
Deferred Development — at cost less amortization (note 3)	958,754	1,638,661
	<u>21,302,363</u>	<u>25,462,590</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1975 \$	1974 \$
Current Liabilities		
Accounts payable and accrued liabilities.....	870,549	1,134,583
Income and mining taxes payable	328,316	2,272,639
Royalties and mineral land taxes payable	816,771	1,133,121
	<u>2,015,636</u>	<u>4,540,343</u>
Provision for Future Income and Mining Taxes (note 1).....	1,759,294	2,035,294
Total liabilities	<u>3,774,930</u>	<u>6,575,637</u>
 Shareholders' Equity		
Share capital (note 5)		
Authorized —		
12,000,000 shares of no par value		
Issued and fully paid —		
5,213,566 shares (1974 — 5,181,516 shares)	8,487,358	8,425,626
Earnings reinvested in the business	<u>9,040,075</u>	<u>10,461,327</u>
Total shareholders' equity.....	<u>17,527,433</u>	<u>18,886,953</u>
	<u>21,302,363</u>	<u>25,462,590</u>

SIGNED ON BEHALF OF THE BOARD

H. R. Snyder, Director

R. T. Hager, Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1975

	1975 \$	1974 \$
Source of Working Capital		
Net earnings for the year.....	664,174	2,822,915
Add: Items not affecting working capital		
Depreciation and amortization	1,609,445	1,660,683
Loss on disposal of property, plant and equipment	554	181,717
Provision for future income and mining tax	(276,000)	680,000
Write-down of investments.....	37,146	175,000
Deferred development written-off	272,009	662,954
From operations	2,307,328	6,183,269
Proceeds on disposal of fixed assets	85,644	251,859
Share capital issued	61,732	2,450
Other.....	3,855	
	<u>2,458,559</u>	<u>6,437,578</u>
Use of Working Capital		
Dividends	2,085,426	2,084,646
Investments	262,420	23,433
Property, plant and equipment	445,175	838,112
Deferred development.....	48,289	467,375
Share capital repurchased		67,603
	<u>2,841,310</u>	<u>3,481,169</u>
Increase (Decrease) in Working Capital	(382,751)	2,956,409
Working Capital – Beginning of Year	11,142,102	8,185,693
Working Capital – End of Year.....	<u>10,759,351</u>	<u>11,142,102</u>
Working Capital is Represented by:		
Current assets.....	12,774,987	15,682,445
Current liabilities.....	2,015,636	4,540,343
	<u>10,759,351</u>	<u>11,142,102</u>

CONSOLIDATED STATEMENT OF EARNINGS REINVESTED IN THE BUSINESS
FOR THE YEAR ENDED DECEMBER 31, 1975

	1975	1974
	\$	\$
Beginning of Year	10,461,327	9,723,058
Net earnings for the year.....	664,174	2,822,915
	11,125,501	12,545,973
Dividends — 40¢ per share in 1975 and 1974.....	2,085,426	2,084,646
End of Year	9,040,075	10,461,327

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Western Mines Limited as at December 31, 1975 and the consolidated statements of earnings, earnings reinvested in the business and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence 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, 1975 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.

Vancouver, B.C.
February 12, 1976

COOPERS & LYBRAND
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1975

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These financial statements include the accounts of the company and its active subsidiaries, Western Mines Inc. and Western Coal Holdings Inc., which are engaged in mining exploration activities in the United States. Three additional subsidiaries (Western Mines Holdings Limited, Discovery Terminals Ltd. and Myra Falls Management Ltd.) have been inactive since incorporation, are without assets or liabilities, are carried at nominal cost and, accordingly, have not been included in the consolidated financial statements. All subsidiaries are wholly-owned.

(b) Translation of foreign currencies

Current assets and current liabilities in foreign currencies are translated at year-end rates. Non-current assets, related depreciation, and non-current liabilities are translated at the rates applicable at the time of the relevant transactions. Revenues and expenses, other than depreciation, are at average rates of exchange for the year. Exchange adjustments are included in the determination of net earnings.

(c) Concentrate settlements receivable and concentrate inventories

Concentrate settlements receivable are valued at the metal prices prevailing at the time of shipment less provision for estimated market adjustments, treatment and marketing charges. In accordance with the terms of the sales contract, final settlements are made at prices prevailing at a future date and the amounts eventually received by the company may vary from the amounts shown as concentrate settlements receivable at December 31, 1975.

Concentrate inventories are valued at the metal prices at December 31, 1975, less provision for estimated market adjustments, treatment and marketing charges.

(d) Depreciation and amortization

Depreciation and amortization of mining properties, plant and equipment are calculated on a basis relating to production and ore reserves. Automotive equipment is depreciated on the same basis or at the rate of 20% of cost on a straight-line basis whichever is greater. Staff housing, located in the Campbell River area, is depreciated at the rate of 5% per annum on a straight-line basis.

(e) Deferred development

Deferred development represents the cost of development relating to areas where economically recoverable mineral, oil and gas reserves are proven or indicated, less amortization. These costs are amortized over the life of the reserves from the time production commences or written-off if the project is abandoned.

Mineral exploration costs including the acquisition of mineral properties are charged to earnings in the year in which they are incurred until such time as economically recoverable reserves are indicated.

(f) Provision for future income and mining taxes

The company follows the tax allocation basis of accounting for corporate income and mining taxes. Taxes deferred to future years as a result of claiming for tax purposes amounts different from those recorded in the accounts are charged against current operations and are recorded in the balance sheet as provision for future income and mining taxes. The timing differences relate primarily to depreciation and deferred development costs.

(g) Comparative figures

Certain figures in the comparative financial statements have been restated to conform with presentation adopted in 1975.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation and amortization are:

	1975		1974	
	Cost	Accumulated depreciation and amortization	Net	Net
	\$	\$	\$	\$
Mining properties.....	203,903	61,190	142,713	163,113
Plant, roads and equipment.....	11,878,075	5,214,264	6,663,811	7,410,668
Underground capital development....	231,872	82,909	148,963	173,616
Staff housing.....	339,854	123,950	215,904	222,130
	12,653,704	5,482,313	7,171,391	7,969,527

3. DEFERRED DEVELOPMENT

	1975 \$	1974 \$
Beginning of year	1,638,661	2,282,716
Expenditures during the year	48,289	467,375
	<u>1,686,950</u>	<u>2,750,091</u>
Amortization and write-offs during the year		
Charged to operating costs	456,187	448,476
Charged to other expenses	272,009	662,954
	<u>728,196</u>	<u>1,111,430</u>
End of year	<u>958,754</u>	<u>1,638,661</u>

The amount charged to other expense during the year relates to oil and gas exploration programmes which were discontinued during 1975.

4. PROVISION FOR TAXES AND ROYALTIES

The provision for taxes and royalties included in the statements of earnings for the year ended December 31, 1975 is comprised of:

	Current \$	Provision for (reduction of) future taxes (note 1) \$	Total \$
British Columbia			
Royalties and mineral land taxes	750,000		750,000
Mining taxes	415,000	(43,000)	372,000
Corporation income taxes	316,000	(60,000)	256,000
	<u>1,481,000</u>	<u>(103,000)</u>	<u>1,378,000</u>
Canada			
Corporation income taxes	906,000	(173,000)	733,000
	<u>2,387,000</u>	<u>(276,000)</u>	<u>2,111,000</u>

The provision for future income and mining taxes (note 1) included in the 1974 comparative figures is (\$170,000) for B.C. mining taxes, \$250,000 for B.C. corporation income taxes and \$600,000 for Canadian corporation income taxes.

5. SHARE CAPITAL

(a) Authorized share capital has been increased to 12,000,000 shares of no par value.

(b) During 1975, 32,050 shares were issued for cash under the terms of stock option plans available to employees and a consultant. As at December 31, 1975, 115,950 shares remain outstanding under existing stock options, exercisable at varying rates to 1980 at prices ranging from \$1.86 per share to \$2.45 per share.

(c) The company holds 30,100 shares which were purchased for \$67,603 which have been treated as a reduction of issued share capital pending resale or retirement.

6. DIVIDEND RESTRICTION

Under the terms of the Anti-Inflation Act, because the shares of the company are listed on certain stock exchanges, the company is prohibited from the declaration and payment of dividends until October 14, 1976.

7. ANTI-INFLATION ACT

With effect from November 26, 1975, as a result of the acquisition of a significant percentage of the company's share capital by Brascan Resources Limited, the company may be subject to controls on profit margins, prices and employee compensation for Canadian operations and sales under the terms of the Anti-Inflation Act. The impact on the company of the controls is not presently fully determinable because of uncertainties respecting the application of the Regulations, however, it is unlikely such measures will have a significant effect on the company's operations for 1975 or its financial position as at December 31, 1975.

8. COMMITMENTS

The company has firm commitments for the expenditure of \$200,000 on drilling and exploration during 1976.

Additional expenditures required during 1976 to maintain in good standing option agreements which may be terminated upon notice, total approximately \$6,000.

9. STATUTORY INFORMATION

During the year ended December 31, 1975, the directors and senior officers of the company were paid aggregate direct remuneration totalling \$334,774 (1974 — \$246,193).

BRASCAN LIMITED

Brascan Limited is a public Canadian investment management company with assets of \$1,919 million, and head office in Toronto. Although Brascan shares are widely held throughout the world, the majority of its shares are held by Canadians.

The company's subsidiaries are divided into three major groupings: Light-Serviços de Electricidade S. A. (the electric utility in Brazil), Brascan-Administração e Investimentos Ltda., (the investment company in Brazil) and Great Lakes Power Corporation Limited (the investment company in Canada).

Brascan's oldest and principal investment is its 82.4 percent interest in Light-Serviços de Electricidade S. A., the largest private electric utility in the western hemisphere south of the United States. Light supplies electricity to the cities and environs of Sao Paulo and Rio De Janeiro, the most highly industrialized and populous area in Brazil. Employing thirty thousand people, Light serves approximately four million customers in a region with a population of about twenty million.

Since 1967, Brascan has been developing investment programs in Canada and Brazil. The company is now involved in the following parallel investment areas in both countries: operation of electric power utilities, natural resources development, provision of industrial and consumer goods and services, financial services and tourism and real estate development in Brazil.

In Brazil, Brascan's involvement in the natural resource sector to date has been primarily in mineral exploration. The company also holds a 60 percent interest in a producing tin mine.

In Canada, Brascan Resources Limited, which is 100 percent owned by Great Lakes Power Corporation Limited, is the company's natural resources arm. Through this subsidiary, Brascan continues to reaffirm its 1970 decision that investment in natural resources represents an attractive opportunity for its Canadian investment program. Brascan Resources, with assets of upwards of \$100 million, is involved directly and through joint ventures in the exploration and development of oil and gas, coal and minerals.

Brascan Resources holds major oil and natural gas acreage in Alberta, the western Arctic and to a lesser extent elsewhere in Canada and offshore east coast Labrador and in the United States. Holdings total 8.2 million gross acres of which Brascan Resources' net share is 2.7 million acres.

The company's active mineral exploration is carried on in the Yukon, Northwest Territories, Saskatchewan, Ontario, Quebec and Nova Scotia.

Brascan Resources' coal mining properties are based in British Columbia, Alberta and Saskatchewan, including the 12½ percent interest in Sukunka coal reserves in northeastern British Columbia.

In December 1975, a 40.2 percent interest in Western Mines Limited was acquired by Brascan Resources. This investment in Western Mines will complement Brascan's overall interests in the natural resources sector.

In addition, Brascan Limited, through Great Lakes Power Corporation Limited has made an offer, subject to certain conditions, to purchase a 43.8 percent interest in Western Decalta Petroleum Limited.

SUMMARY OF OPERATIONS

	Eight Months Ended	Years Ended		Three Months Ended	Years Ended					
	Sept. 30, 1967	Sept. 30, 1968	Sept. 30, 1969	Dec. 31, 1969	Dec. 31, 1970	Dec. 31, 1971	Dec. 31, 1972	Dec. 31, 1973	Dec. 31, 1974	Dec. 31, 1975
Net operating income										
before the following	\$1,690,576	\$5,322,391	\$5,116,534	\$2,604,642	\$4,463,738	\$2,818,180	\$3,044,197	\$9,225,673	\$10,381,453	\$5,329,213
Investment and other										
income			109,077	97,544	434,753	74,199	111,811	224,434	921,477	910,042
	1,690,576	5,322,391	5,225,611	2,702,186	4,898,491	2,892,379	3,156,008	9,450,107	11,302,930	6,239,255
Depreciation	332,897	447,840	492,551	161,885	509,475	591,752	744,579	1,197,131	1,660,182	1,609,445
Exploration				24,643	118,062	156,862	164,268	378,458	1,250,162	1,544,927
Interest on long term										
debt	496,335	720,610	519,821	93,414	259,051	13,566	13,052	5,880		
Loss on disposals and										
write-down of assets		114,208	675			361,284	(27,292)	654,712	1,019,671	309,709
Taxes on income,										
including future taxes					258,500	157,500	282,675	1,680,000	4,550,000	2,111,000
	829,232	1,282,658	1,013,047	279,942	1,145,088	1,280,964	1,177,282	3,916,181	8,480,015	5,575,081
Net earnings	\$ 861,344	\$4,039,733	\$4,212,564	\$2,422,244	3,753,403	\$1,611,415	\$1,978,726	\$5,533,926	\$ 2,822,915	\$ 664,174
Shares issued	4,780,016	4,786,616	5,161,616	5,169,416	5,201,816	5,203,016	5,207,816	5,210,616	5,181,516	5,213,566
Earnings per share	18¢	84¢	82¢	47¢	72¢	31¢	38¢	\$1.06	54¢	13¢
Dry tons milled	228,536	330,223	373,850	99,107	386,976	386,541	379,405	354,240	297,290	287,393
Copper concentrate										
produced	14,570	22,113	21,059	7,259	27,943	26,080	24,436	13,320	10,320	8,877
Zinc concentrate										
produced	23,772	47,105	42,447	13,608	35,580	38,003	33,630	43,838	37,346	34,416
Lead concentrate										
produced	1,815				931	2,001	3,830	8,830	8,648	7,613
Ore reserves proven	1,321,450	1,286,000	1,303,000	1,328,600	1,830,500	1,870,900	1,746,000	1,671,100	1,887,900	1,731,300

* Prior to 1970, preproduction and financing costs were not amortized by charges against earnings. In 1970, \$10,058,558 was written off to retained earnings.

Valuation Day

On December 22, 1971, established as Valuation Day by the Canadian Department of National Revenue, the price of the Company's shares was \$2.55 per share.

COMPANY OFFICES

Head Office and Exploration Office
1103-Three Bentall Centre
595 Burrard Street
Vancouver, B.C.
V7X 1C4

Mine Office
P.O. Box 8000
Campbell River, B.C.
V9W 5E2

OFFICERS

Hugh R. Snyder, President and Chief Executive Officer
Roger T. Hager, Vice-President
Raymond O. Hampton, Secretary-Treasurer

HONORARY DIRECTOR

Ernest C. Hammond

MINE MANAGEMENT

Gunnar I. Dziny, Mine Manager
Edward Sader, General Superintendent
Rudolf K. Tschach, Acting Mine Superintendent
Albert G. Eccles, Mill Superintendent
Norman T. McGeachy, Chief Accountant
Carl W. Dumka, Plant Superintendent

EXPLORATION

Bruce E. Spencer, Chief Geologist

SOLICITORS

Lawrence & Shaw

AUDITORS

Coopers & Lybrand

REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust

BANKER

Bank of Montreal

SHARES LISTED

Vancouver Stock Exchange
Toronto Stock Exchange

DIRECTORS

A. William Farmilo, Calgary †
President, Brascan Resources Limited
George M. Furnival, Calgary †
Senior Vice-President, Brascan Resources Ltd.
Roger T. Hager, Vancouver *
Retired Chairman, The Canadian Fishing Co.
Lloyd B. Leeming, Toronto
Vice-President, Corporate Affairs,
Brascan Limited
Francis Low-Beer, Vancouver
Partner, Bull Housser & Tupper
John A. McLallen, Vancouver
Chairman of the Board, Bethlehem Copper Corporation
Douglas W. Miller, Calgary † *
Vice-President, Operations,
Brascan Resources Limited
Richard H. Ostrosser, Calgary
Vice-President, Brascan Resources Ltd.
Patrick M. Reynolds, Vancouver
President and Chief Executive Officer,
Bethlehem Copper Corporation
Hugh R. Snyder, Vancouver †
President and Chief Executive Officer
Harold M. Wright, Vancouver †
Chairman, Wright Engineers Limited
J. Peter Zachary, Toronto *
Vice-President, Corporate Development,
Brascan Limited

† Executive Committee

* Audit Committee