WESTMIN

Westmin Resources Limited / Annual Report 1987

Westmin Resources Limited

Corporate Profile

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

In 1983, the Company became part of the Brascade Resources Inc. group when the latter acquired a majority interest in Westmin from Brascan Limited. As of the 1987 year-end, Brascade held a 58 per cent fully diluted interest in Westmin.

The Company's production of crude oil and natural gas liquids has set successive annual records over the past decade.

A record 1988 petroleum exploration and development budget of $60,000,000 has been designed to expand reserves and maintain growth in production.

At Myra Falls, inland from Campbell River on Vancouver Island, the H-W mine/mill expansion achieved a three-fold increase in production during the final quarter of 1985. Subsequent throughput significantly exceeded the mill's 3,000 tons per day rated capacity and early in 1987, work began on a further expansion to 4,400 tons per day. It is scheduled for completion during the latter half of 1988.

Westmin receives significant annual royalties from coal production used in power generation in Alberta.

Early in 1988, the Company decided to proceed with an $80,000,000 gold/silver open pit mine development near Stewart in Northwestern British Columbia. With a 50.1 per cent interest, Westmin is the operator of the Premier Gold Project, which is scheduled for production at 2,200 tons per day, early in 1989.

Other interesting precious metals prospects are being actively pursued on Vancouver Island, in Northern Manitoba and in the James Bay area of Quebec.

Annual General Meeting

The Annual General Meeting of Westmin Resources Limited will be held on Wednesday, April 13, 1988, 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, Mining Division measurements are given in SI and standard Imperial units, while Petroleum Division results remain in 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)	28.174
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

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Westmin Resources Limited

Corporate Highlights

Financial Highlights

($000's except per share data)

	1987	1986
Gross Revenue	**$ 190,475**	$ 189,563
— oil and gas	**90,578**	93,838
— mining	**86,471**	86,396
— investment and other income	**13,426**	9,329
Cash Flow	**56,840**	52,125
Net Earnings	**21,821**	8,648
Net Earnings (Loss) per share	**.12**	(.21)
Working Capital	**102,683**	117,006
Long-Term Debt	**268,070**	310,662
Capital Expenditures	**37,460**	36,865
— oil and gas	**14,553**	30,550
— mining	**22,484**	5,622
Total Assets	**824,845**	888,744
Shareholders' Equity	**395,836**	396,691
Common Shares Outstanding	**38,942,495**	38,697,597

Operating Highlights

Gross Production

		1987	1986
Crude Oil	— bbls	**3,090,060**	2,955,100
	— bbls/d	**8,465**	8,096
Natural Gas	— mmcf	**21,853**	21,520
	— mmcf/d	**60**	59
Minerals	— tons	**1,201,294**	1,175,794
	— average daily tons	**3,327**	3,257
Gold	— troy oz.	**36,749**	43,964
Silver	— troy oz.	**771,645**	966,266
Copper	— thousand lb.	**49,185**	45,492
Zinc	— thousand lb.	**80,393**	96,238
Lead	— thousand lb.	**340**	770

Gross Reserves

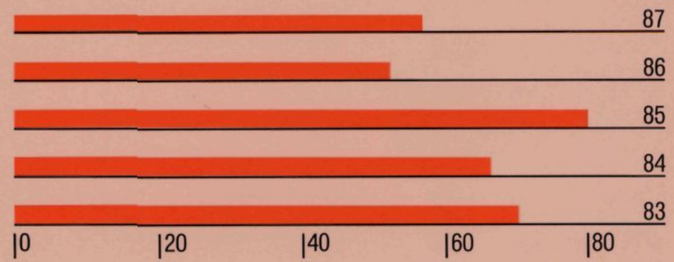
		1987	1986
Crude Oil	— bbls		
	— proven	**28,280,000**	27,125,000
	— probable	**72,131,000**	50,740,000
	— total	**100,411,000**	77,865,000
Natural Gas	— mmcf		
	— proven	**556,495**	588,332
	— probable	**77,695**	75,539
	— total	**634,190**	663,871
Minerals	— tons (Myra Falls operations)		
	— proven and probable	**12,423,000**	12,698,000
	— possible	**1,376,000**	2,601,000
	— total	**13,799,000**	15,299,000

Land Holdings

	1987	1986
Gross acres	**8,080,000**	8,571,000
Net acres	**1,835,000**	2,145,000

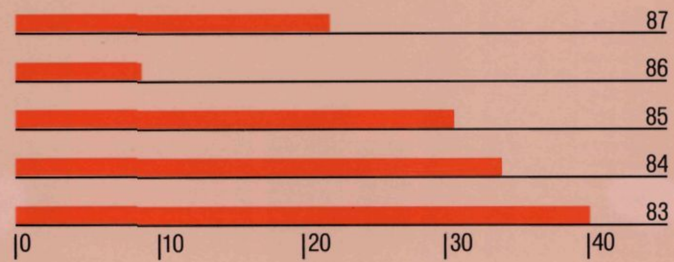
Cash Flow

(Millions of Dollars)



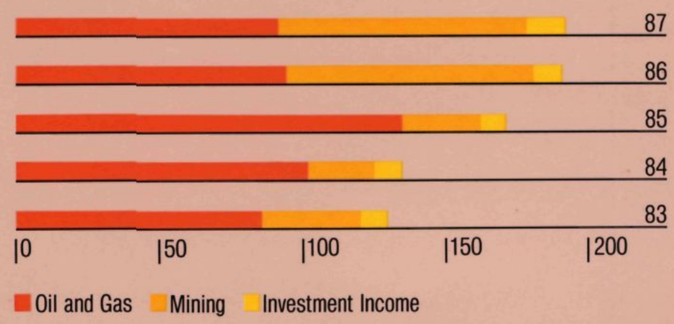
Net Earnings

(Millions of Dollars)



Revenue

(Millions of Dollars)



To The Shareholders

Net earnings showed a significant improvement over 1986 despite the fact that the past year has been one of uneven recovery for the Company's products.

The City of Calgary . . . site of Westmin's Head Office and the Principal Office for the Petroleum Division. The Olympic Saddledome (foreground) was one of the major venues for the very successful XV Winter Olympics, held in Calgary in February, 1988.

Crude oil production again set new records and prices recovered appreciably from the critical lows of 1986. However, the sharp decline in deregulated natural gas prices to an average of $1.65 per thousand cubic feet from $2.29, had a significant negative effect on revenues and earnings.

Precious metal prices rose to more promising levels, while base metals broke out of a multi-year depression. On the other hand, development work associated with the current expansion, delayed much of the benefits of these higher prices until the final quarter of the year.

On the monetary side, the benefits of declining interest rates were more than offset by a strengthening Canadian dollar.

More specifically, Westmin had net earnings of $21,821,000 on revenues of $190,475,000 versus $8,648,000 and $189,563,000 respectively in 1986. This amounted to earnings per common share, after provision for preferred dividends, of 12 cents versus a loss of 21 cents the previous year. The major portion of the improvement occurred during the final quarter, as mining operations began to show more of their potential.

Cash flow improved to $56,840,000 from $52,125,000. At year-end, current assets stood at $163,233,000, including $114,300,000 in cash and short-term investments. Current liabilities totalled $60,550,000, including the $20,000,000 current portion of long-term debt.

Capital expenditures remained virtually unchanged at $37,460,000 versus $36,865,000 with the emphasis in 1987 on the new mine expansion. Major expenditures were made in 1985 when almost $290,000,000 went toward the original H-W mine/mill development and the Sundance oil and gas purchase.

In February, 1987 Westmin sold its shareholdings in Lacana Mining Corporation for cash proceeds of $34,661,000. This was consistent with previously stated intentions to concentrate on development of directly held precious metals production, such as the new Premier Gold Project near Stewart, British Columbia and the advanced Debbie exploration venture on Vancouver Island.

Petroleum Division

Crude oil production continued to set records with a five per cent increase to an average of 8,465 barrels per day while average prices increased impressively to $17.35 per barrel from the previous year's $14.06.

Unfortunately, natural gas prices dropped to $1.65 per thousand cubic feet from an average of $2.29 in 1986. Production remained relatively constant at approximately 60 million cubic feet per day.

Following two years of market imposed austerity, the Petroleum Division has budgeted a record $60,000,000 for exploration and development in 1988 to conserve and expand the asset base. Approximately one-third of the total has been earmarked for exploration and land acquisition with another 25 per cent slated for heavy oil drilling and completions. On the conventional side, up to 44 wells are to be drilled in conjunction with a water flood program on light gravity oil pools in the Progress/Spirit River area of Alberta. There will also be more emphasis on developing natural gas potential in Alberta and Saskatchewan.

Mining Division

The 33 per cent expansion of precious/base metals production at the Myra Falls, Vancouver Island complex is on schedule and within budget. Average output for 1987 was up slightly to 3,327 tons per operating day, increasing to approximately 3,850 tpd towards the end of the year.

Results for the first nine months of 1987 were adversely affected by production interruptions due to rehabilitation of the underground coarse ore bin and the dilution of ore grades due to the processing of development ore associated with the expansion. The latter resulted in lower head grades which reduced the production of payable metals. Grades have improved and will continue to do so, as production reaches the expanded rate of 4,400 tpd, which is anticipated during the second half of 1988.

Early in 1988, Westmin gave the go-ahead for a new $80,000,000 gold/silver mine near Stewart in northwestern British Columbia. The Company is the operator with a 50.1 per cent interest in the Premier Gold Project, which unitizes the British Silbak and Big Missouri properties for open pit production of 2,200 tons per day, beginning in early 1989.

On the Debbie property, near Port Alberni on Vancouver Island, Westmin recently approved driving of a 1.2 mile adit to follow up exceptional gold intersections encountered in recent surface diamond drill programs.

Royalty revenues from Westmin's coal and industrial mineral leases were lower at $6,068,000 due to a positive one-time royalty rate adjustment at the Whitewood mine which occurred in 1986.

Westmin Resources' Office of the President (left to right) ***Douglas W. Miller****, President of Petroleum Division;* ***Donald D. Webster****, Executive Vice-President Finance and Administration;* ***Paul M. Marshall****, President and Chief Executive Officer and* ***Richard H. Ostrosser****, President Mining Division.*

People

The severe drop in oil prices that occurred in early 1986 and the subsequent deterioration of gas prices following deregulation required substantial changes in the Petroleum Division. This resulted in shutting in previously marginal production and a sizeable reduction in staffing. Westmin's employees have shown admirable dedication in absorbing the additional workload under very trying conditions and in maintaining the Company in a position to benefit from the improved markets now anticipated.

On April 1, 1987 Westmin and the Canadian Association of Industrial, Mechanical and Allied Workers signed an agreement covering the operation at Myra Falls to March 30, 1990.

The Board would like to extend special appreciation to Gordon Montgomery who retired as Executive Vice-President and General Manager of the Mining Division in February, 1988. Gordon joined Westmin in 1981 specifically to oversee the H-W development. He will continue with the Company in an advisory capacity, especially relating to the Premier Gold Project.

Congratulations are also in order for Harold Wright, a director and a founding father of predecessor Western Mines, on his induction into the Canada Sports Hall of Fame. Harold represented Canada in track events at the 1932 Los Angeles Olympics and has been involved with amateur sports and the Olympic movement ever since.

And finally, congratulations to the Calgary staff who devoted many hours of their time in helping stage a most successful Winter Olympics.

Outlook

As a resource Company, commodity prices will continue to play an important role in Westmin's performance in 1988 and beyond.

While the longer term repercussions of the October, 1987 stock market crash are still being debated, the outlook for most of the commodities produced remains cautiously optimistic. However, there is some concern about the strength of the Canadian dollar, which affects most of the Company's products.

Although there is some current instability in crude oil prices, there are still significant profit margins for efficient operators. We are optimistic that prices will improve in future quarters. Natural gas prices appear to be bottoming out, with signs of increasing demand from the U.S. and Eastern Canada.

Westmin's record $60,000,000 petroleum exploration and development budget for 1988 is aimed at building reserves and maintaining the upward curve in production.

By early 1989, open pit production, at the rate of 2,200 tons per day, is scheduled to begin from the $80,000,000 Premier Gold Project near Stewart, B.C.

Underground development at the H-W mine is now progressing favourably in support of the new capacity of 4,400 tons per day which is anticipated by the second half of 1988.

Prospects are also bright for the Debbie gold property near Port Alberni on Vancouver Island, where an adit is to be driven for underground drilling and bulk sampling, as a follow-up to some spectacular results from surface diamond drilling.

While precious and base metal prices have come off from their 1987 highs, they are still sufficiently buoyant to ensure meaningful profitability.

On behalf of the Directors

Paul M. Marshall
President and Chief Executive Officer

February 24, 1988

Westmin's Business Principles and Corporate Philosophy

Westmin Resources believes that its corporate responsibilities extend beyond the usual financial objectives, to the necessity of contributing to the quality of life of its employees and the communities where they live and work. In certain cases, this social responsibility extends to the provinces and the country at large.

Our primary responsibility, of course, is to our owners . . . our shareholders. Westmin conducts its operations in a cost effective manner and in the best interest of all its shareholders. The emphasis is on total return, comprising increases in underlying asset values and reported earnings. As these objectives are met, in the context of prevailing economic conditions, the dividend policy is designed for the benefit of all shareholders . . . combining a measured return on investment with prudent money management, which enhances access to public capital markets.

In order to represent the broad spectrum of shareholders Westmin's board of directors consists of representatives of its major shareholders, independent individuals representing widely held minority shareholdings and senior officers representing management. This combination assures a healthy exchange in boardroom discussions, leading to objective, well-balanced deliberation and decision making.

It is the directors' responsibility to assess management's performance against realistic business plans and industry standards . . . and to reward special performance accordingly.

Within these broad parameters, senior management is expected to be self-sufficient, with an emphasis on participation and open communication, encouraging the downward delegation of responsibility, accountability and authority for decision making.

Management is encouraged to continually look for ways of developing each individual's knowledge and skills through expanding job opportunities and training.

There is a pursuit of excellence and innovation in all areas of the Company. The financial reward system is equitable, competitive and essentially based on performance. At senior levels, the compensation package is composed of salaries and common stock option packages to ensure that objectives and returns are equally beneficial to the shareholder and the employee.

Westmin insists on operation of its facilities with a high priority for safety and for generally accepted environmental standards.

The Company also plays an active role in its various communities through its corporate giving and the dedication of its personnel and their time to community projects at the local, provincial and national levels.

Petroleum Division

Once again, production of crude oil and natural gas liquids was at record levels, increasing five per cent to 8,465 barrels per day, while natural gas sales remained constant at about 60 million cubic feet per day.

Unfortunately, the improvement in crude oil prices was more than offset by the sharp drop in prices for natural gas.

This led to a slight decline in Petroleum Division revenues to $90,578,000 from $93,838,000 the previous year.

Revenue from the sale of conventional crude oil and natural gas liquids increased 26 per cent to $24.8 million. This was due to an increase in the average wellhead price to $19.25 per barrel in 1987 from an average of $18.26 in 1986, combined with an increase of 18 per cent in daily oil production to 3,529 barrels per day in 1987.

Revenues from the sale of heavy oil increased 32 per cent to $28.8 million, primarily due to an increase in the average heavy oil wellhead price of 37 per cent to $16 per barrel from $11.64 the previous year. However, natural gas prices declined to an average of $1.65 per thousand cubic feet from $2.29 in 1986.

Cash flow from oil and gas operations, before interest and taxes, decreased slightly to $47.0 million from $48.6 million in 1986. Operating profit, before interest and taxes, was $25.3 million, up 13 per cent from $22.4 million in 1986.

Results for 1987 were maximized by cost-cutting measures adopted early in 1986, when crude oil prices tumbled from an average of $32 per barrel the previous year to less than $10 a barrel for heavier grades. These efficiencies are still in place and will stand the Company in good stead for years to come.

While, a degree of instability has returned to petroleum markets. OPEC, aided by continuing geo-political problems, should succeed in maintaining crude prices fairly close to posted levels in future quarters.

And finally, there are definite signs that the price of natural gas has bottomed out. During the coldest part of the winter, some producers found it difficult, if not impossible, to deliver the gas they sold at distress level spot prices. The pipelines were just too full of longer-term contracted volumes.

Encouraged by these improving conditions, Westmin struck a record $60,000,000 exploration and development budget for 1988.

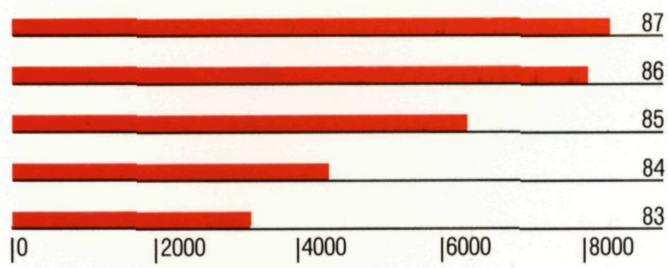
This is more than a threefold increase over 1987 levels and the highest annual expenditure in the Petroleum Division's history, except for 1985's $187,000,000, which included acquisition of Sundance properties from SOQUIP.

The budget is based on current and improving market conditions. However, provision has been made for reduced spending should product prices revert to 1986 levels, which brought on the past two years of hold-the-line austerity.

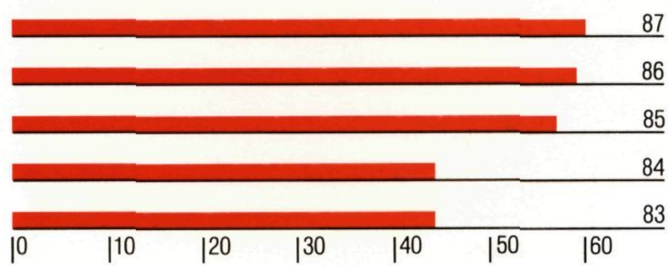
In order to maintain and expand inventory and production, Westmin has earmarked approximately one-third of the 1988 petroleum budget for exploration and land acquisition.

Another 25 per cent is slated for heavy oil drilling and completions, while the remainder is to be spent on conventional development drilling, completions, plant and equipment.

Crude Oil and NGL Production
(Average BOPD)



Natural Gas Production
(Average MMCF/D)



*Production and Revenue**

		Year Ended December 31	
	1987	1986	1985
Crude oil and NGLs			
Per year — bbls	**3,090,060**	2,955,100	2,354,250
Daily average — bbls	**8,465**	8,096	6,450
Natural Gas			
Per year — mmcf	**21,853**	21,520	20,944
Daily average — mmcf	**60**	59	57
Gross Revenue ($000's)			
Natural Gas	**$ 36,104**	$ 49,250	$ 57,528
Crude Oil & NGLs	**53,611**	41,556	74,141
Other	**863**	3,032	2,675
Total	**$ 90,578**	$ 93,838	$ 134,344

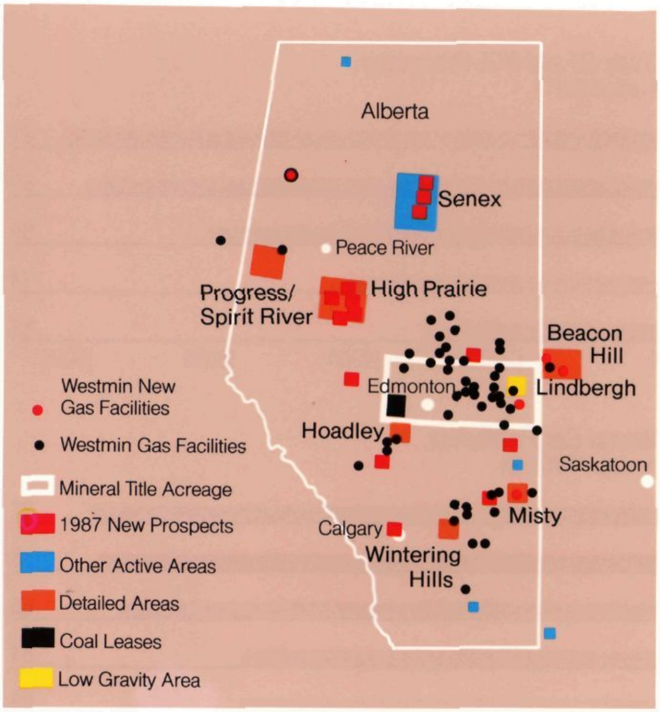
* Includes royalty production and income accruing to Westmin but before deducting royalty interests accruing to other parties.

Drilling Activity — 1987

	Gas	Oil	Dry	Gross	Net
Working Interest					
Exploratory	6	3	14	23	10
Development	8	41	2	51	20
Total	14	44	16	74	30
Royalty Interest (1)	7	3	5	15	*

(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 contractural arrangements.



Western Canada Activity

Delivering crude oil from field storage tanks to Westmin's 6,000 barrels per day cleaning plant near Elk Point, Alberta.

Some of the major projects include:

- **The drilling of 30 infill oil wells and further development of thermal recovery projects in the Lindbergh heavy oil area in Alberta.**
- **The drilling of up to 44 wells in conjunction with a water flood program on light oil pools at Progress/Spirit River.**
- **Construction of another gas plant and gathering system in the Beacon Hill area of Saskatchewan, where Westmin interests range from 50-75 per cent in over a quarter million gas prone acres.**
- **Installation of additional gas gathering and compression systems at Botha, Vermilion and Misty in Alberta.**

Lindbergh Heavy Oil Area

The general Lindbergh area of east-central Alberta remains an important source of Westmin's crude oil production, accounting for approximately 60 per cent of the 1987 total.

Production averaged 4,936 barrels per day versus the previous year's record 5,138 bpd. This was primarily due to the continuing effects of the 1986 slump in oil prices, which temporarily pushed heavier crudes to under $8 per barrel.

The Company's current objective is to respond to improved prices and to compensate for that period of postponed capital expenditures and shut-in wells.

With the success of infill drilling programs on sections 13 and 15-55-6 W4M, Westmin plans to duplicate the process on section 15-56-6 W4M. The $9 million budget calls for the directional drilling of 30 wells from central pads, using one pad to drill 10-12 wells per section.

These wells are comparatively shallow and therefore relatively inexpensive to drill. Furthermore, the risk factor is minimal, since the drilling is to be done within a delineated pool. Payback will start early, with drilling to be completed during the summer and production, of about 40 bpd per well, commencing in the last quarter of 1988.

Westmin currently has about 350 wells capable of production in the general Lindbergh area.

A major factor in maintaining and expanding the Company's production at Lindbergh is the steady development of expertise in tertiary recovery technology. In 1988, approximately $2 million will be spent on thermal stimulation on 29 projects, compared to only seven the previous year.

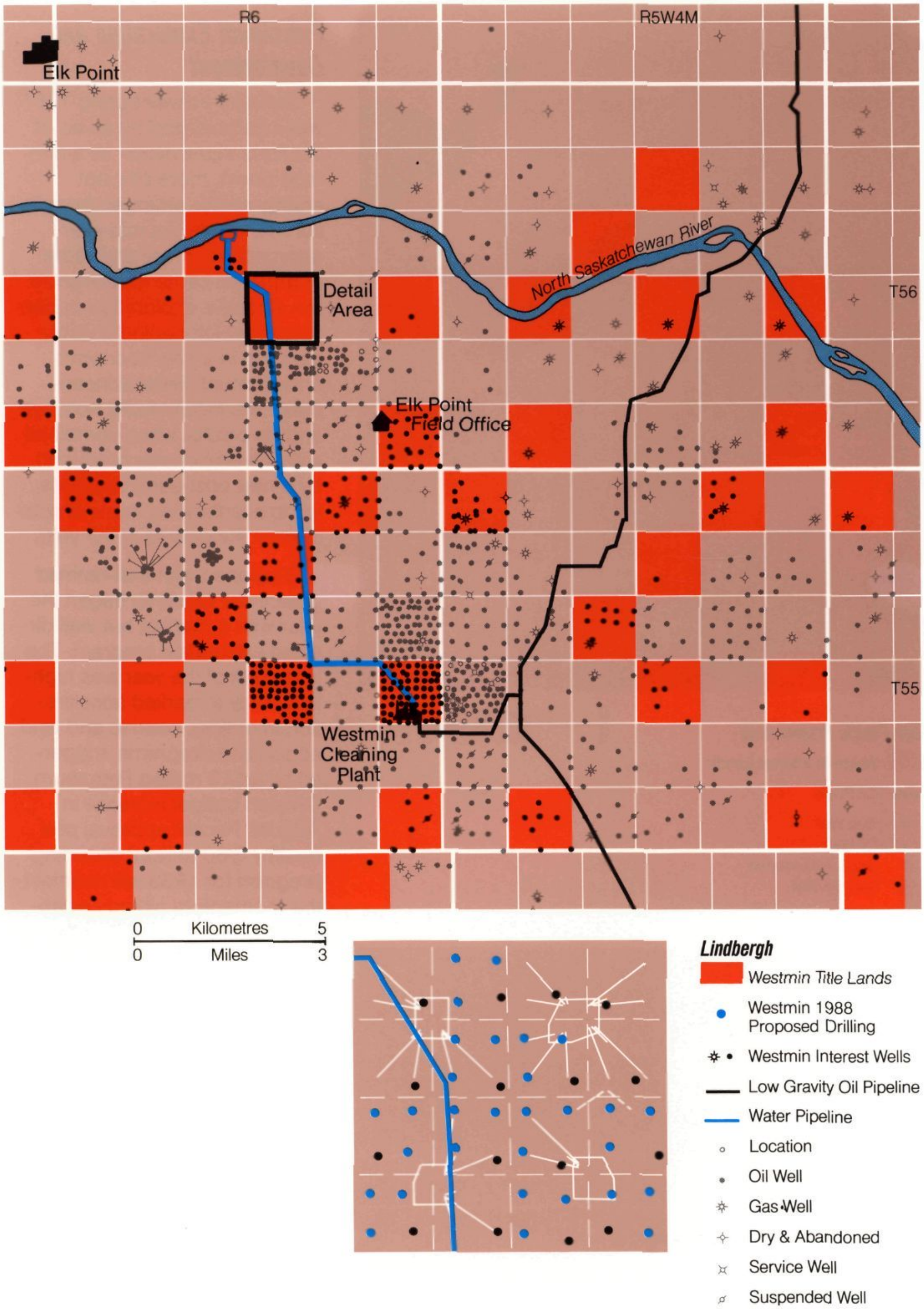
Incremental oil recovery of approximately one million barrels is forecast during the initial five year period of this still modest program.

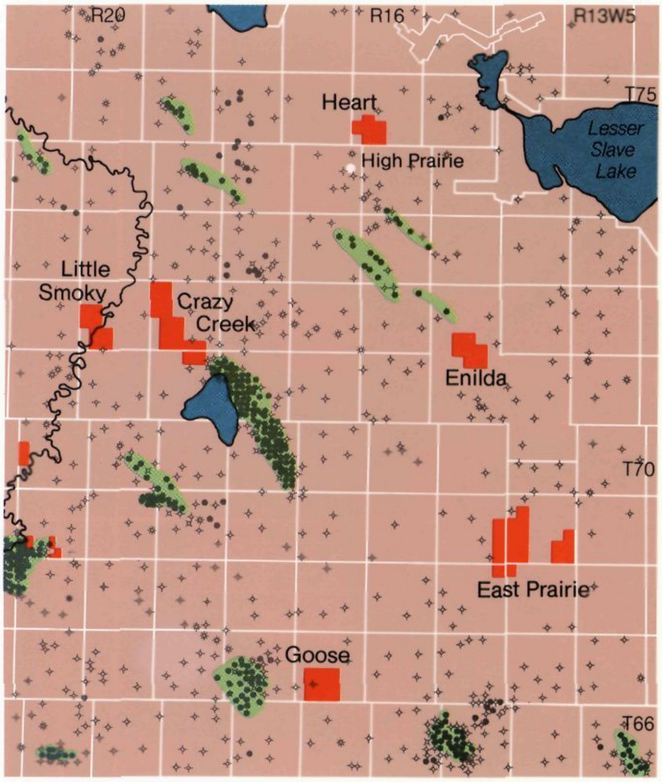
Typically, primary production can recover three-to-six per cent of the oil-in-place. However, Westmin has continued to develop experience in tertiary oil recovery techniques, based on steam injection which can increase recoveries to 15-30 per cent or more. The two processes being developed by Westmin are steam stimulation and steamflood.

Steam stimulation or "huff and puff" consists of injecting steam (huff) . . . allowing the steam to spread into formations to thin the oil during a brief "cook" period and producing (puff) the hot oil back through the same well. Steam flooding, on the other hand, means that steam is injected into central wells to thin the oil and push it to adjacent production wells.

With 34 of a total of 75 Westmin sections (square miles) in the general Lindbergh area overlaying an estimated 1.4 billion barrels of oil-in-place, the Company remains in an excellent position to continue developing this major resource for years to come.

Furthermore, 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. This means that virtually all of any improvement in prices will flow back to the Company.





0 Kilometres 5
0 Miles 3

High Prairie Project Area

Westmin Interest Lands
Oil Pools
Gas Well
Oil Well
Dry & Abandoned
Service Well

Petroleum Exploration and Development

Industry activity during 1987 was characterized by an air of cautious rejuvenation as a trimmed down, more efficient energy sector emerged from its survival mode. As mid-year approached, more and more companies came to recognize the attractive exploration opportunities which could be viably pursued in a new economic environment. Federal incentives, provincial royalty holidays and tax credits, when combined with the efficiencies produced by a new cost-consciousness, led to accelerating levels of activity over the course of the year.

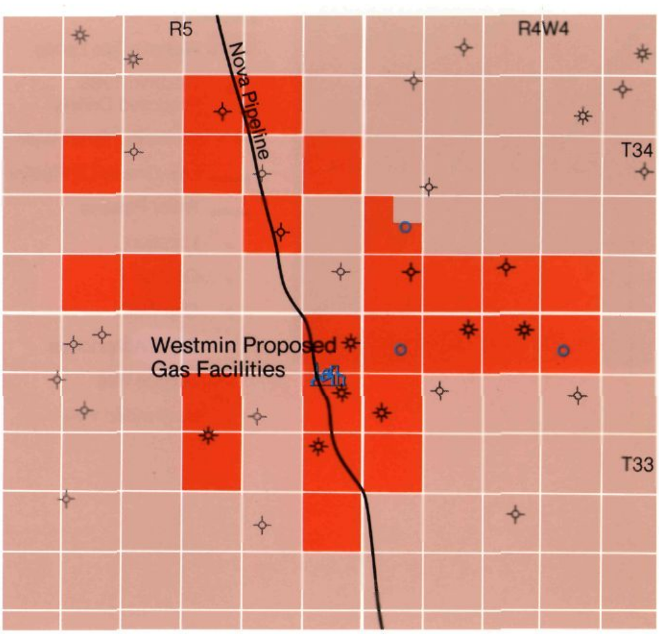
Equipped with well-defined objectives, Westmin began the year with a modest but well-directed exploration program. The latter part of the year was highlighted by a marked acceleration in drilling, seismic and land acquisition programs, triggered by a $10 million Petroleum Division budget increase in August. Recent approval of a healthy ($60 million) spending program for 1988 will maintain the momentum already established.

Western Canada

Westmin retained its position as one of Alberta's most active drillers, with participation in 74 working interest wells in 1987, resulting in 44 oil wells, 14 gas wells and 16 dry holes, for a success ratio of 78 per cent. A strategy of cash conservation and production optimization early last year resulted in drilling activity in traditional, established producing areas. Exploratory drilling later in the year resulted in six new gas discoveries and three oil finds. A highlight of the year was Westmin's success in establishing a solid land position in promising regional project areas. Geological and geophysical work will bring several of these exciting new prospects to the drilling stage in 1988.

Alberta The **High Prairie** region of northern Alberta has been the focus of much industry attention in the past 12 months, with several significant light oil discoveries now announced. Westmin had acquired a position in the prospect area with inexpensive purchases in 1986 at **Little Smoky** on the western flank of the play. During 1987, the Company added significantly to its land holdings with the purchase of 33,000 gross acres on several seismically-defined prospects including **Heart River, Enilda, East Prairie, Goose River** and **Crazy Man Creek.** Westmin's working interest averages 50 per cent. New seismic programs to further define existing leads have commenced on a number of the prospects with exploratory drilling anticipated later this year and early 1989.

In the **Senex/Panny** area of northern Alberta, the Company supplemented its existing land holdings at Crown land sales and in a recent development,



0 Kilometres 5
0 Miles 3

Misty

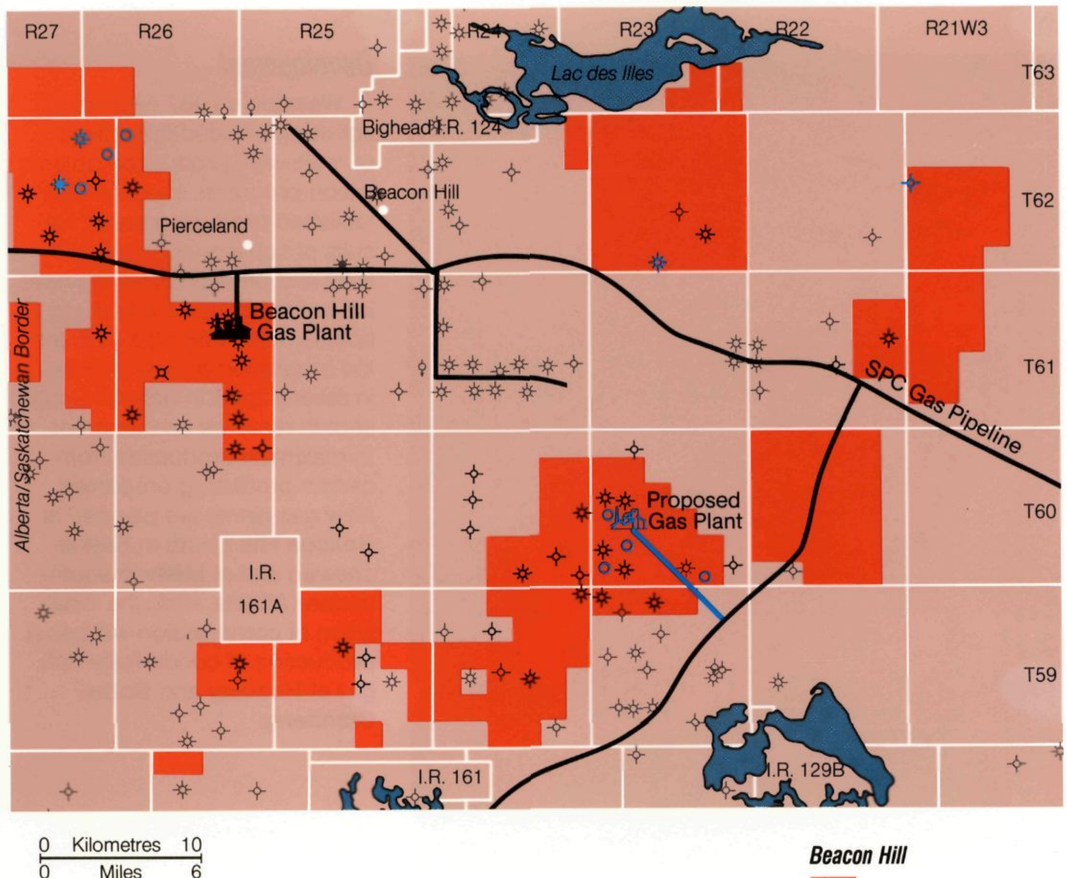
Westmin Interest Lands
Proposed 1988 Drilling Locations
Westmin Interest Wells
Dry & Abandoned
Gas Well

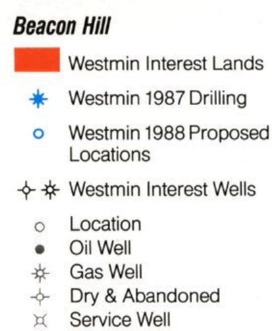
will be earning an interest in eight sections of prospective acreage via the drilling of an exploratory farmin well on a Keg River formation oil prospect. Westmin will retain a 50 per cent working interest and will operate the test well, which is slated for drilling before spring breakup. A comprehensive, company-operated, seismic program is currently underway over other undisposed Crown and company-held lands in this active area.

In the deep plains area of west-central Alberta, Westmin acquired a strong land position on high-reserve potential gas/condensate prospects. At **Niton,** the Company acquired a 50 per cent interest in 10,000 acres and is currently operating a seismic program over this 15 section block. Although Westmin's first well on the acreage was abandoned after encountering thick but non-productive objective horizons, competitor activity on adjacent lands and technical re-assessment has confirmed that excellent potential remains on our significant holdings in the area.

At **Ferrier,** Westmin (50%) and partners successfully pursued a multi-zone gas/condensate play in 1987. The Company plans to expand its position during 1988, with a firm location selected for first quarter drilling.

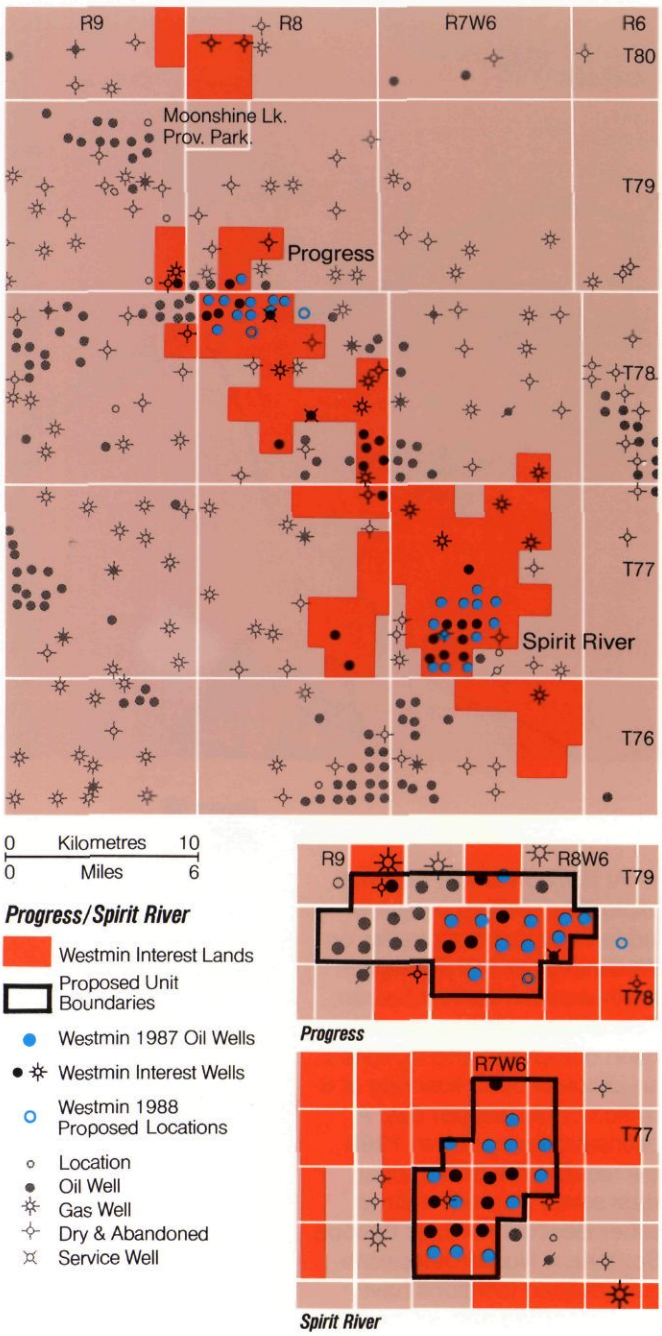
As a result of encouraging production tests from wells drilled earlier, Westmin has firm plans for exploratory drilling in several other oil and gas-prone areas. New wells are slated for prospects at **Alderson, Kirkpatrick, Misty** and **Dizzy Creek,** all of which are significant step-outs from earlier Westmin-operated producers.





Saskatchewan The Company's 1987 program in Saskatchewan was limited to the pursuit of natural gas in two broad prospect areas. At **Altana,** in the south-west corner of the province, Westmin (37½%) participated in an unsuccessful program to evaluate shallow gas potential. None of the 5 shallow tests drilled encountered hydrocarbons in commercial quantities and all were abandoned. However, other wells in this area have encountered excellent reserves and productivity in deeper horizons. Seismic, shot earlier, confirms the presence of potentially drillable deep features and there is a strong possibility that a test well to evaluate this potential will be proposed on Westmin's 50,000 acre block before year end.

At **Beacon Hill,** a four well exploratory drilling program led to three gas discoveries on Westmin-operated acreage in north-western Saskatchewan. One of the wells has recently been completed and exhibited an absolute open flow rate of 8 million cubic feet per day. A delineation program in 1988 will result in the drilling of at least seven step-out wells at either Beacon North or Beacon Southeast. Numerous seismically-defined locations have been identified and will be drilled as new production facilities are put in place. Westmin holds a 50-75 per cent working interest in 200,000 acres, 32 gas wells and related facilities in this area.



Development

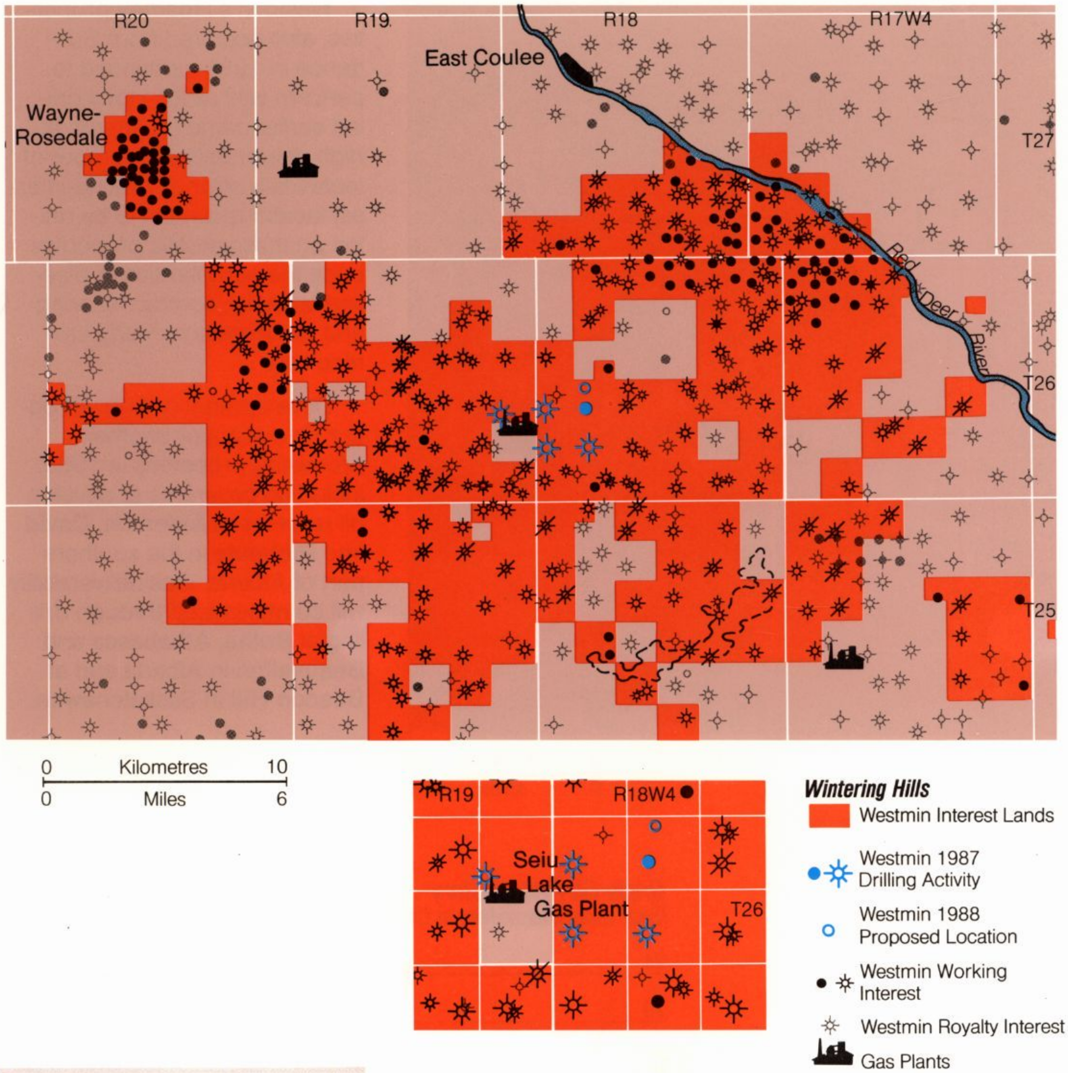
Westmin's 1987 exploitation activities included the drilling of multi-well, production optimization programs in several established producing areas. Results of subsequent completions and production testing have led to firm plans for follow-up activity. The 1988 plan calls for the installation of new facilities in several areas in order to bring shut-in reserves on-stream or to maximize production from certain producing properties. New gas plants are planned at **Beacon Hill South** in Saskatchewan and at **Misty** in southeastern Alberta, while the installation of compression will boost production of condensate-rich gas at **Hoadley** and **Botha/ Cranberry.**

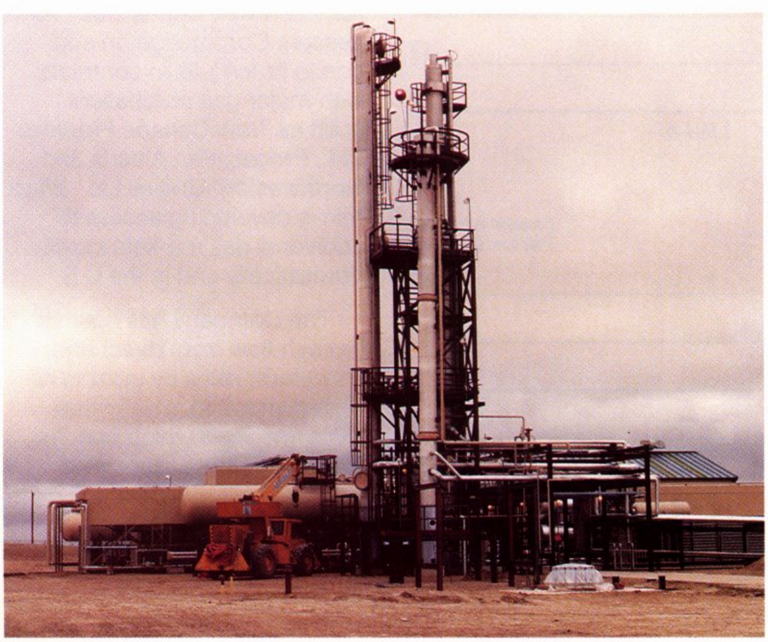
Multi-well infill programs on company-operated projects at **Lindbergh** in the heavy oil corridor of eastern Alberta and in water-flood programs on the **Peace River Arch** are slated for later this year. The Company continues to review the timing and economies of constructing major gas-gathering laterals into promising areas containing proven and probable Westmin-interest reserves at Beacon Hill North and in the **County of Vermilion.** Follow-up drilling programs will be undertaken in several other areas in order to extend the established boundaries of oil and gas pools defined by recent drilling.

In the **Progress/Spirit River** area of northwestern Alberta, Westmin participated in, and operated, the drilling of 22 infill and delineation wells in 1987. All of the wells have been completed for oil production and qualify for a five year royalty holiday. Production from Westmin-operated wells in the area is now approaching 1,000 barrels per day, with the Company's share being approximately 50 per cent. Now that feasibility studies are essentially complete and reservoir boundaries have been defined, companies involved in these two shallow, light oil pools in the Doe Creek Sand Formation are in general agreement to proceed with an early program of pressure maintenance using waterflood. Up to 44 wells are contemplated in 1988, as producers, injectors, water source and disposal wells are drilled in conjunction with a program of production optimization. Westmin has been designated as operator for the two proposed units.

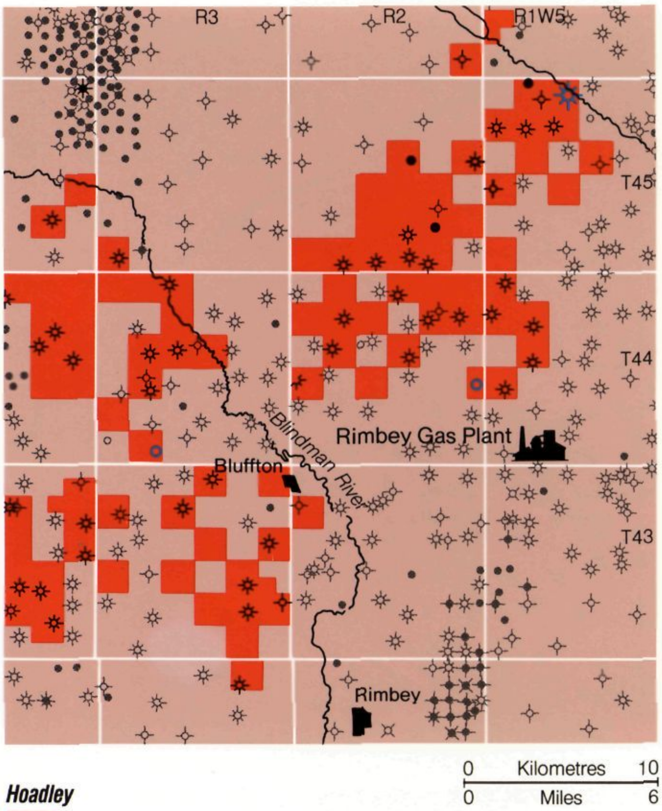
At **Wintering Hills,** east of Calgary, the Company drilled a five-well development program on a five section block acquired from a competitor, resulting in 4 gas wells (3 of which contain multiple pay zones) and an excellent oil well. Westmin operated this program and retains a 50 per cent working interest in the leases, which are adjacent to the Company-operated **Seiu Lake** gas plant, in the heart of producing properties acquired from Sundance in 1985. All wells are on production and follow-up drilling will occur in 1988.

At **Metiskow** in eastern Alberta, an aggressive partner-operated development program resulted in Westmin's participation in the drilling of 15 oil wells in a highly productive Dina Sand reservoir. Westmin's approximate 17 per cent share of production in the pool, located in Twp 39 Range 4 W4M, reached 425 barrels of oil per day by the end of 1987. Further infill drilling is planned by the operator later this year.





Expansion in progress on Seiu Lake gas plant in Wintering Hills area, east of Calgary.



Hoadley

Westmin Interest Lands

Westmin 1987 Drilling Activity

Westmin 1988 Proposed Locations

Westmin Interest Wells

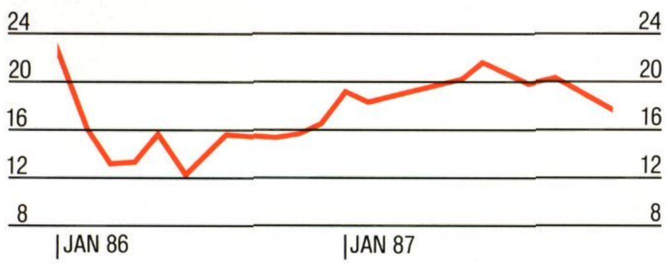
- Location
- Oil Well
- Gas Well
- Abandoned
- Service

Westmin's **Hoadley** properties, also acquired from Sundance in 1985, continued to perform well as locations drilled earlier came on-stream at high deliverability. A number of technically strong working-interest locations remain to be drilled on these prolific properties once the complexities of pipeline capacity, contract-sharing and compression needs are resolved.

Development drilling will occur on a number of other promising properties in 1988, including programs to develop oil reserves at **Alderson, David** and **Richdale** in the southern part of Alberta. Gas deliverability will be maximized through drilling at **Botha, Athabasca** and **Beauvallon** in Alberta and at **Beacon Hill** in Saskatchewan.

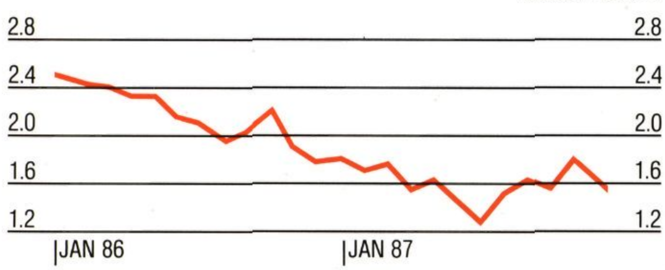
Crude Oil Price History
West Texas Intermediate at Chicago

U.S. dollars per barrel



Natural Gas Price History
TransCanada Wellhead Price

Canadian dollars per Thousand Cubic feet



Oil and Gas Marketing

Deregulation of oil and gas markets has created a highly competitive and volatile market environment. Westmin is aggressively developing marketing opportunities to secure diversified short and long term markets to ensure current and future sales of gas and oil at attractive prices and high takes.

In 1986, Westmin was a founding member and shareholder of the producer-directed Canpet Marketing Limited through which Westmin markets most of its conventional oil. Canpet is in the process of expanding a retail gasoline network in Western Canada.

Westmin also directly markets natural gas liquids where it can optimize its netback. The Company has arranged contracts to ensure condensate diluant supply required for its Lindbergh heavy oil operations.

Westmin was successful in accessing its first direct sales (1.75 billion cubic feet) to northern California industrial consumers during the summer of 1987, through its close association with Bonus Gas Processors Corporation. In addition to its long-term contracts with major gas purchasers such as TransCanada Pipelines Ltd., Progas, Pan Alberta and Northwestern Utilities Ltd., Westmin is developing access to additional gas markets locally, domestically and in the U.S.

The Company has optimized its cash flow from direct and short-term sales by utilizing its high-ownership, royalty-free wells and wells which concurrently contribute associated natural gas liquids, through existing production facilities.

Reserves

Successful exploration and development activity plus higher world prices shifted a significant portion of total crude oil reserves into the more tangible proven category, resulting in an increase of approximately four per cent to 28.3 million barrels from 27.1 million.

The Company's proven and probable total rebounded 29 per cent to a record 100.4 million barrels versus just over 77.9 million barrels a year earlier.

By definition, probable reserves are those which may not be produced for some time to come. According to generally accepted industry standards, their value is a function of current prices, discounted into the future.

Higher prices, as of the 1987 year-end, had a most favorable effect, returning millions of barrels to Westmin's extensive Lindbergh area primary and tertiary reserves.

A major portion of Westmin's natural gas reserves, 556.5 billion cubic feet, is in the proven category. Proven and probable reserves amounted to 634 bcf versus 664 a year earlier.

The decline in gas reserves is due to a de-emphasis on drilling due to depressed markets and to an update of reserve evaluations on certain properties.

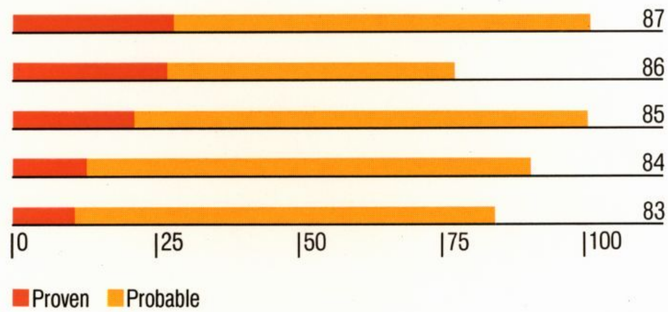
Approximately 38 per cent of Westmin's gas reserves are proven and producing, while 27 per cent are dedicated to gas sales contracts but shut-in. The remaining 35 per cent are shut-in and undedicated.

The present value of Westmin reserves, on a before-tax, 15 per cent discount basis, remained relatively constant at $576.8 million versus $578.7 million a year earlier.

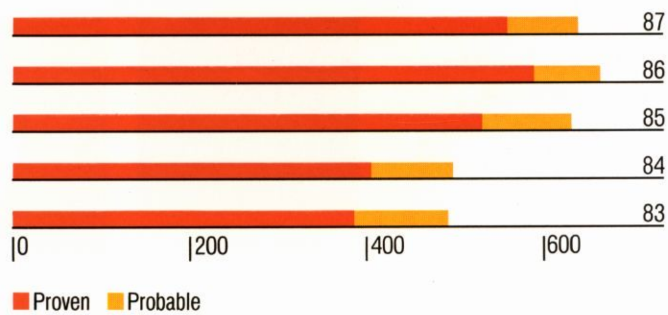
At the end of 1987 the Company had a working interest in 1,814 gross wells (1,177 net) with royalty interests in another 990. Westmin was operator of 1,423 (1,087 net) of the working interest wells.

Shut-in gas wells accounted for the major portion of the 615 (347 net) wells which were capped or suspended.

Crude Oil and NGL Reserves
(MMBBLS)



Natural Gas Reserves
(BCF)



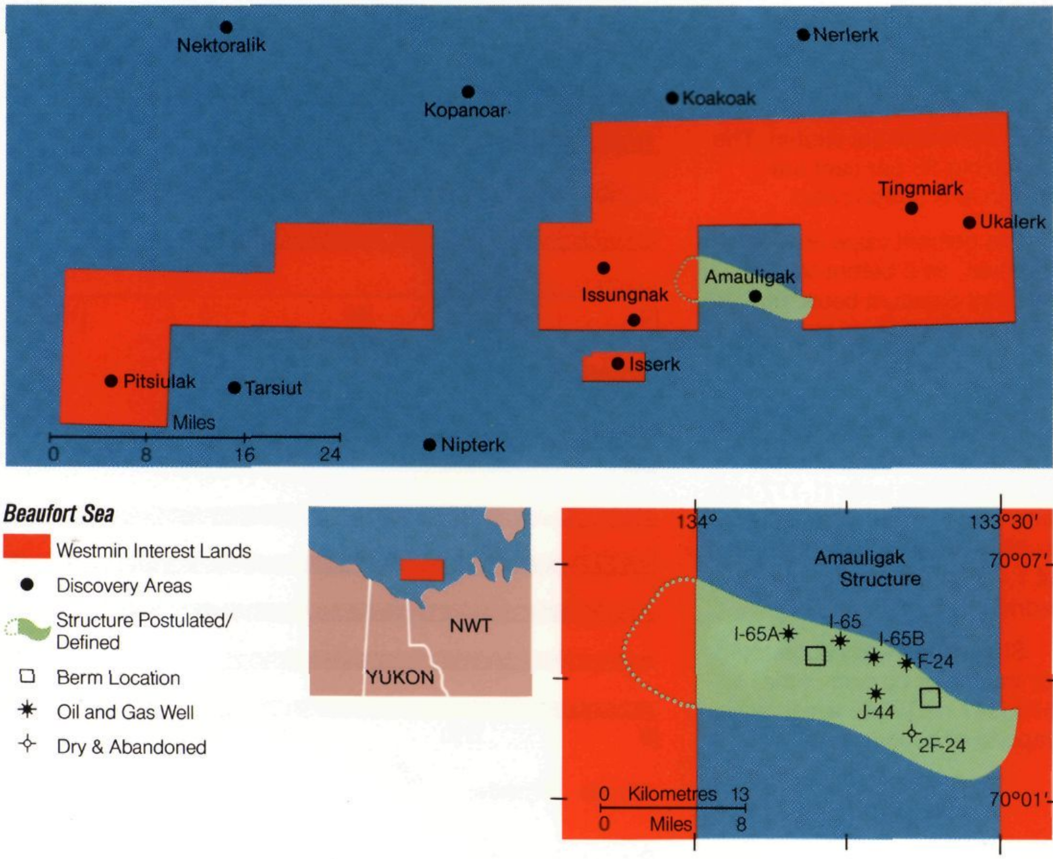
Proven Reserves

The following table shows the status of Westmin's proven reserves from January 1, 1987 to January 1, 1988.

	Crude Oil and Natural Gas Liquids mmbls	Sales Gas bcf
Reserves Status		
— January 1, 1987	27.1	588.3
— Additions — 1987	4.3	−9.9
— Sales — 1987	3.1	21.9
Reserves Status		
— January 1, 1988	28.3	556.5

Proven & Probable Reserves

	Crude Oil and Natural Gas Liquids mmbls	Sales Gas bcf
1987	**100.4**	**634**
1986	77.9	664
1985	100.2	631
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

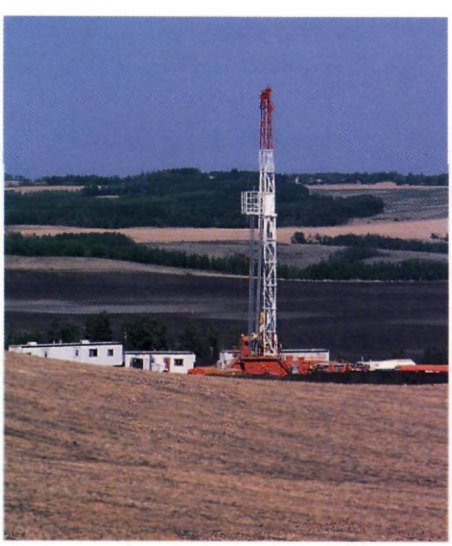


Canada Lands

Beaufort Sea Aggressive drilling programs and an accelerated plan for early production from the Gulf-operated Amauligak oil pool has enhanced the potential of Westmin's adjacent working interest acreage in the overall project. Gulf's encouragement with drilling results at F-24 on the east side of the structure may lead to a proposal for delineation to the west next year. Westmin holds a 12 per cent working interest (Gulf is the operator) in undrilled acreage overlying an interpreted westward extension of the prolific 900 million barrel Amauligak structure.

Eagle Plains — Yukon Further relinquishment of acreage during the year reduced Westmin's holdings to approximately 350,000 gross (210,000 net) acres at year end. The Company continues to hold, indefinitely, an interest in significant discovery areas at **Blackie, Chance** and **Birch** containing net proven and probable reserves of 95 billion cubic feet of gas and 1.5 million barrels of oil in close proximity to the Dempster Highway and the proposed extension of the MacKenzie Valley pipeline.

Many of Westmin's exploration and development wells are drilled on rolling Alberta farmlands . . . in winter and in summer.



International

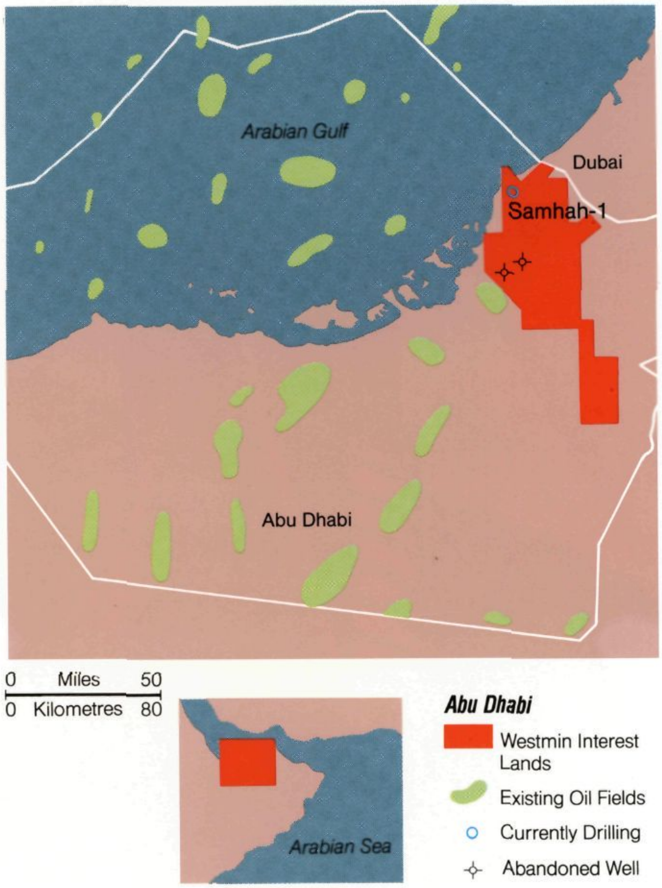
Abu Dhabi A seismic program undertaken in mid-1987 successfully confirmed an exploratory drilling location on the 965,000 acre Block A Concession. Samhah-1, located in the extreme north-west corner of the acreage block, commenced operations in early January, 1988 and will be drilled to a projected total depth of 13,400 feet. A successful well would trigger additional seismic work and possibly further drilling prior to the October, 1988 relinquishment date for 50 per cent of the remaining concession. Westmin holds a 13 per cent working interest in the project.

California Activity in the Sacramento Delta gas prospect area in 1987 was limited to the drilling of one exploratory test at no cost to Westmin and a modest seismic program. Over the past two years the Company has reduced its working interest to 20 per cent in four prospect areas and to 8 per cent in a fifth . . . through the involvement of outside parties. Sun Exploration drilled a 10,000 ft. farmin earning well at Fong #1 in late 1987 and subsequently abandoned the well after encountering non-commercial gas shows. Another company has earned an interest by undertaking Westmin's share of seismic obligations. Activity in 1988 will be limited to a modest acreage maintenance program.

Land

During 1987, Westmin spent $2.8 million at Crown land sales to purchase an interest in 74,000 gross (37,000 net) acres, primarily in Alberta. This represents a four-fold increase over 1986 land spending and underscores the Company's commitment to the evaluation and pursuit of new hydrocarbon prospects. Westmin will maintain a competitive presence at 1988 sales, with $6 million earmarked for the acquisition of petroleum and natural gas rights.

With the exception of active programs in Abu Dhabi and California, Westmin's foreign and frontier acreage holdings were generally maintained, but idle during the year. The Company continues to hold vast tracts of proven or highly prospective acreage in the Beaufort Sea, Arctic Islands, Lancaster Sound, offshore Labrador and at Eagle Plains in the Yukon Territories.



Land Holdings (in Acres)
(as of December 31, 1987)

	Leases and Mineral Title		Licences, Permits Reservations Concessions and Exploration Agreements		Total	
	Gross	Net	Gross	Net	Gross (1)	Net (2)
Alberta	2,113,781	831,008	137,060	91,730	2,250,841	922,738
British Columbia	234,063	23,967	16,831	7,534	250,894	31,501
Saskatchewan	203,542	121,925	179,019	88,125	382,561	210,050
Manitoba	12,285	6,382	—	—	12,285	6,382
Yukon Territory	—	—	354,320	206,013	354,320	206,013
Arctic Islands & Offshore	—	—	2,563,424	263,502	2,563,424	263,502
Beaufort Sea	—	—	1,275,565	62,475	1,275,565	62,475
Labrador Offshore	—	—	7,250	1,182	7,250	1,182
United States	18,346	5,973	—	—	18,346	5,973
Abu Dhabi	—	—	964,500	125,385	964,500	125,385
Total: December 31, 1987	**2,582,017**	**989,255**	**5,497,969**	**845,946**	**8,079,986**	**1,835,201**
December 31, 1986	2,804,336	1,042,523	5,766,769	1,101,995	8,571,105	2,144,518

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

(2) "Net acres" refers to the total acres in each parcel in which Westmin has a working interest multiplied by the percentage working interest owned therein by Westmin. Net acres also include Westmin's retained working interest in mineral title lands. Carried interests and royalty interests are not reflected in net acres.

Mining Division

Over the past number of years, Westmin's Myra Falls complex, inland from Campbell River on Vancouver Island, has been in a relatively constant state of expansion.

From an operation which was scrambling to meet its 1,000 tons per day rated capacity in 1984, it went to 3,000 tpd in 1986; exceeded that rate by about 500 tpd in 1987 and is currently in the midst of a further 33 per cent expansion to 4,400 tpd, which should be achieved in the latter half of 1988. Underground development and surface construction are on schedule and within budget.

This continuing expansion has not been without its challenges. Base metals prices have been in the doldrums for years and only recovered to more realistic levels toward the end of 1987. Around mid-year, some production was curtailed by interruptions due to rehabilitation of the underground coarse ore bin . . . while grades were diluted by the processing of development ore associated with the current expansion.

However, these problems were largely resolved towards the latter part of the year, as reflected in significantly improved results in the final quarter. Increased tonnage, better head grades and buoyant prices, resulted in operating profit of $5,202,000 in the final quarter versus a range of $1.2-$2.4 million for the previous three quarters.

Mining Division revenues for the year remained constant, totalling $86.5 million compared to $86.4 million in 1986. Revenues from the Myra Falls operation increased two per cent to $80.4 million from $78.7 million in 1986, while revenues from coal operations declined to $6.1 million from $7.7 million in 1986. Cash flow, before interest, mineral exploration and taxes, was down slightly to $31.9 million from $33.9 million in 1986, while operating profit, before the above items, totalled $16.0 million and $18.4 million respectively.

Production from the Myra Falls operation increased slightly in 1987 to average 3,327 tons per operating day compared to 3,257 tons in 1986. However, with the expansion beginning to take effect, year-end rates reached approximately 3,850 tons per operating day.

Operating and administrative costs for the Myra Falls operation increased to $53.9 million in 1987 from $51.8 million in 1986. Costs per ton of ore milled increased only two per cent to $44.90.

H-W Mine Operations

The H-W Mine produced 989,863 tons (898,242 tonnes) of ore during 1987. Development was concentrated on definition diamond drilling of the north and main ore zone lenses and preparation of ore blocks for mining to meet the increased tonnage requirements scheduled in 1988.

Modifications to the hydraulic sandfill distribution system have resulted in improved operating efficiencies. Fill placement quantities at year-end were reaching design capacity.

An extensive development program is planned for 1988. Stope preparation in the main and north lenses will continue. Ore definition will be conducted in the north lenses, the east and west main zone, and exploration will commence in areas lying north, east and south of the present H-W workings.

Lynx Mine Operations

The Lynx Mine produced 211,092 tons (191,554 tonnes) of ore, which was approximately 18 per cent of the total for the complex. The average monthly production rate was 17,588 tons (15.960 tonnes). Preparation of room and pillar stopes

British Columbia

Areas of Activity

Production

	1987	1986	1985
Ore Milled			
— tons	**1,201,294**	1,175,794	645,590
— (tonnes)	**(1,089,800)**	(1,066,700)	(585,670)
Average/Operating Day*			
— tons	**3,327**	3,257	1,783
— (tonnes)	**(3,019)**	(2,955)	(1,618)
Percent Operating Time*	**89.8**	93.5	90.4
Source of Ore (%)			
— H-W	**82**	78	56
— Lynx	**18**	22	40
— Myra	—	—	4
Head Grades			
— Gold: oz/ton	**0.06**	0.07	0.06
(g/tonne)	**(2.20)**	(2.47)	(2.09)
— Silver: oz/ton	**1.17**	1.44	1.73
(g/tonne)	**(40.1)**	(49.30)	(59.40)
— Copper (%)	**2.46**	2.33	1.64
— Zinc (%)	**4.91**	5.85	6.18
— Lead (%)	**0.36**	0.47	0.55
Concentrate Production			
— Copper: tons	**110,200**	99,300	36,423
(tonnes)	**(100,200)**	(90,100)	(33,042)
Copper Grade (%)	**23.3**	23.9	24.3
Copper Recovery (%)	**87.1**	86.6	83.5
— Zinc: tons	**95,300**	110,500	59,502
(tonnes)	**(86,500)**	(100,300)	(53,979)
Zinc Grade (%)	**50.3**	51.7	53.2
Zinc Recovery (%)	**81.2**	83.0	79.4
— Lead: tons	—	—	3,301
(tonnes)			(2,995)

*Percent operating time is based on operating days.

Mill building, storage silo and truck loading bay, with conveyor bringing ore from the H-W mine about one mile distant.

and sublevel retreat stopes in the west "G" and "S" zones continued throughout the year.

Drifting and diamond drilling at an accelerated rate was commenced in April in conjunction with the expansion program. Areas of exploration included the westerly extensions of the west "G" and "S" zones and the H-W Rhyolite and South Flank horizons. Exploration of these areas will continue throughout 1988.

Ore Reserves

Total ore reserves as of January 1, 1988 show a net loss of 1,500,000 tons (1,357,000 tonnes) in comparison to January 1, 1987 figures. This is due to tonnage depletions by production and a tonnage loss in the possible category through a structural re-interpretation of the north edge of the north ore zones.

Diamond drilling throughout the year focused, as planned, on ore definition in preparation for mining resulting in the transfer of some possible ore to the probable category. The need for ore definition will decrease during 1988 and it is planned to increase exploration type drilling.

Power

The Thelwood Lake Reservoir project was completed in September. The project, which raises the high water elevation by 11 feet (3.3m) consisted of constructing two small rockfill dams and control works to increase water storage capacity in the Thelwood Power system.

Three diesel, 1,000 KW generators were installed at the power house in October to handle additional standby power requirements.

Environmental

Westmin places a high priority on protecting the environment, with state-of-the-art control systems and installations. The Company's policy is to maintain standards which greatly exceed regulatory requirements.

The on-land tailings deposition system operated as planned throughout the year. Construction of a separation berm between Areas I and II and the raising of the perimeter berm on Area II have been completed.

The expansion was completed on the water treatment system in 1987. These includes: the excavation of a fifth settling pond; the enlargement of the surge basin and the upgrading of the water conveyance system to handle increased flow rates.

Routine monitoring indicates that water quality entering Myra Creek is well within permit restrictions.

Total Reserves

As of January 1, 1988

	Proven and Probable Reserves	GRADE Gold	Silver	Copper	Zinc	Lead
	Tons (Tonnes)	oz/ton (g/tonnes)	oz/ton (g/tonnes)	%	%	%
H-W Mine	11,871,400 (10,772,600)	0.07 (2.45)	1.11 (38.08)	2.57	5.22	0.35
Lynx Mine	320,500 (290,900)	0.08 (2.75)	2.15 (73.69)	1.14	7.48	0.86
Price Mine	230,900 (209,500)	0.04 (1.23)	1.55 (53.14)	1.10	8.31	1.07
Total Proven and Probable	**12,422,800** (11,273,000)	**0.07** (2.44)	**1.14** (39.27)	**2.50**	**5.33**	**0.38**
	Possible Reserves					
H-W Mine	1,344,900 (1,220,500)	0.06 (2.08)	0.64 (22.00)	1.51	4.80	0.17
Lynx Mine	30,900 (28,000)	0.07 (2.45)	2.24 (80.00)	1.00	7.70	1.00
Total Possible	**1,375,800** (1,248,500)	**0.06** (2.09)	**0.68** (23.30)	**1.49**	**4.86**	**0.19**
Combined Total						
Proven, Probable and Possible January 1, 1988	**13,798,600** (12,521,500)	**0.07** (2.40)	**1.10** (37.68)	**2.40**	**5.28**	**0.36**
January 1, 1987	15,298,300 (13,878,400)	0.07 (2.36)	1.13 (39.70)	2.35	5.35	0.35

Metals Marketing

A fifth straight year of growth in the world economy was recorded in 1987, resulting in improved demand and prices for most commodities. However, concerns over U.S. trade and budget deficits and the potential for lower consumer spending, obscure the economic outlook for 1988.

In 1987, production of copper and zinc concentrates from the Myra Falls operation was shipped primarily to smelters in the Far East.

Copper

Prices on the London Metal Exchange for copper ended the year at US$1.45 per pound, having started at 60 cents. This dramatic improvement resulted from better than expected metal demand over the past two years, combined with supply problems. Worldwide inventories have been depleted and are currently at their lowest levels in many years. However, primary production increases forecast for 1988 should begin to replenish stocks by mid-year.

Zinc

Labour disputes, in combination with the weakness of the U.S. dollar, were supporting factors for zinc markets in 1987. Zinc prices began the year with the European Producer Price (EPP) at $870 (39.5 cents) but soon weakened. However, in response to a strike at a major Canadian integrated producer, North American supplies tightened through the second and third quarters and prices firmed. In Europe, the weakness of the U.S. dollar, combined with significant smelting over-capacity, led to a round of talks aimed at rationalization by European producers. Nothing came of these talks but the year ended with prices firming and the EPP finished the year at US$860 per metric tonne or 39 cents U.S. per pound.

Gold and Silver

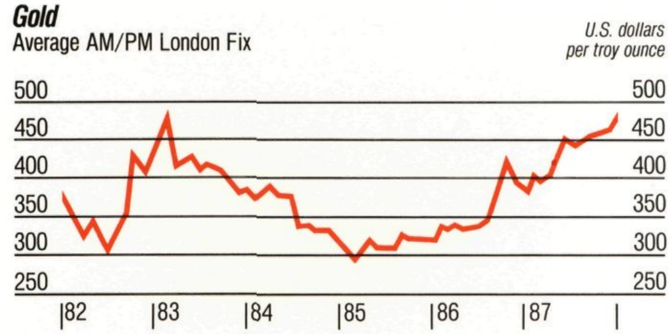
The steady decline in the value of the U.S. dollar, together with tension in the Middle East, volatility in equity markets and renewed inflationary concerns, all combined to support a rise in the price of gold during 1987. The average price for an ounce of gold bullion in London was US$447 in 1987 compared with $368 in 1986. Silver was also stronger, averaging US$7.01 per ounce versus $5.47 in 1986. There was a substantial improvement in the silver supply/demand situation due to better industrial consumption, a revival in investor demand and production cutbacks.

Payable Metals

(000)		**1987**	1986
Gold	— oz	**37**	44
Silver	— oz	**772**	966
Zinc	— lb	**80,393**	96,238
Copper	— lb	**49,185**	45,492
Lead	— lb	**340**	770

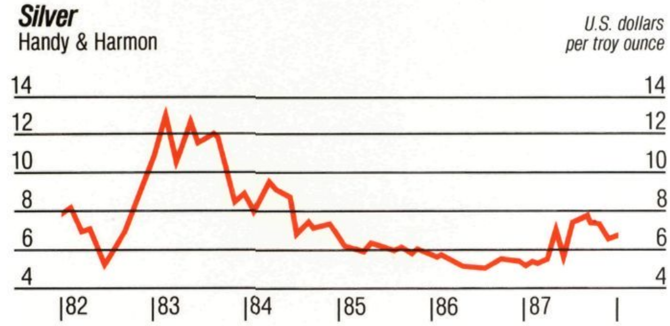
Gold

Average AM/PM London Fix



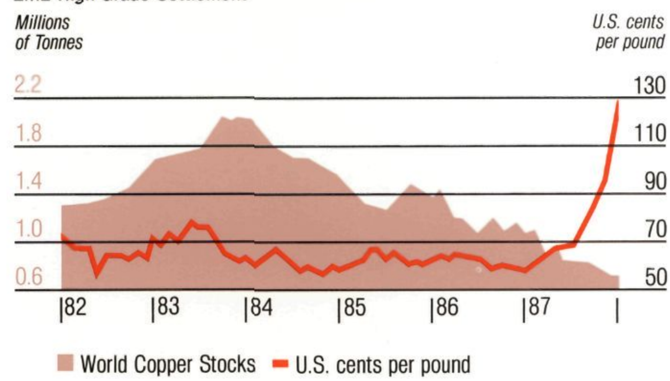
Silver

Handy & Harmon

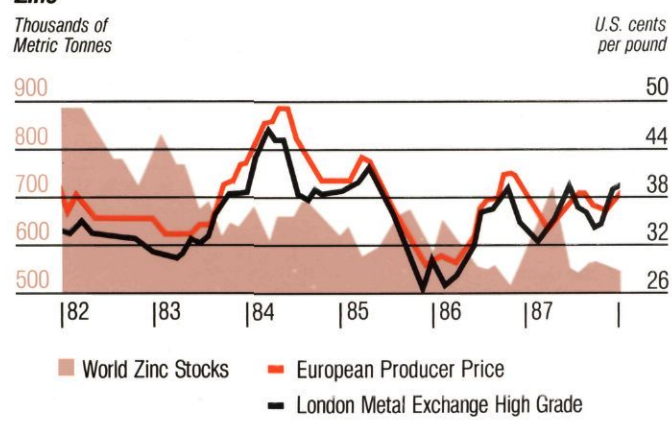


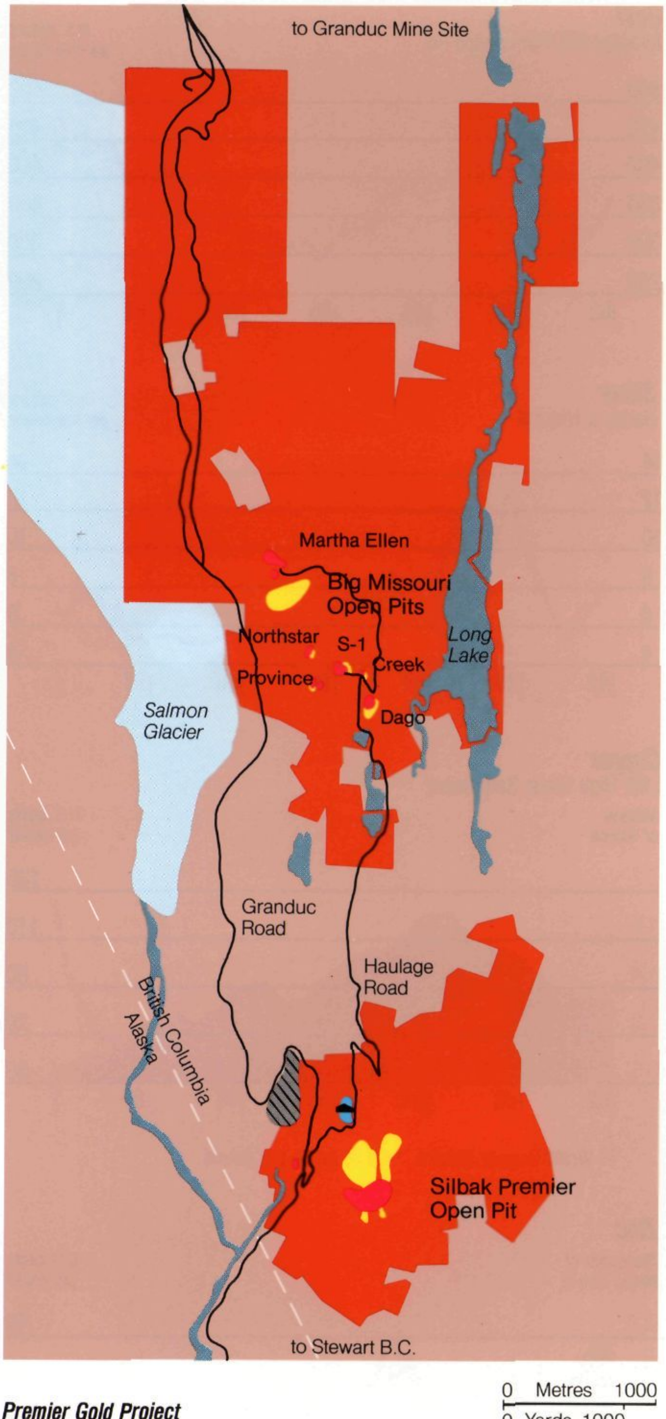
Copper

LME High Grade Settlement



Zinc





Premier Gold Project (Silbak Premier/Big Missouri)

Mineral Exploration

Westmin continued an aggressive search for precious metal deposits in 1987. Significant gold values were encountered in surface outcrops and/or diamond drill core on ten of the 20 joint venture properties managed by Westmin. Expenditures on exploration properties totalled \$14 million, approximately \$8 million of which was contributed by joint venture participants

Highlight of the year was the decision to bring the Silbak Premier/Big Missouri project to production.

Premier Gold Project

After years of methodical exploration, evaluation and negotiation, the Silbak Premier and Big Missouri gold/silver properties, near Stewart, British Columbia, have been unitized and will be brought into production in early 1989.

With a 50.1 per cent working interest, Westmin remains operator of the development, which is now known as the Premier Gold Project.

Based on a production rate of 2,200 tons (2,000 tonnes) per day, final feasibility studies indicate an annual output of approximately 77,000 ounces of gold and 890,000 ounces of silver, over the first four years of operation. An average cash production cost of US\$164 per ounce for gold and \$2.66 per ounce for silver is assumed for this period. Based on current precious metals prices and exchange rates, average

annual cash flow (before financing and taxes) is estimated at approximately $30,000,000, and payback is expected in approximately 2.5 years.

The Premier Gold Project will develop separate open pit gold/silver mines on the near surface portions of the famous Premier underground gold/silver mine which operated from 1918 to 1968 and several deposits on the nearby Big Missouri property, which was also a producer during that period. Initial production emphasis will be on the higher grade portion of the Silbak Premier pit.

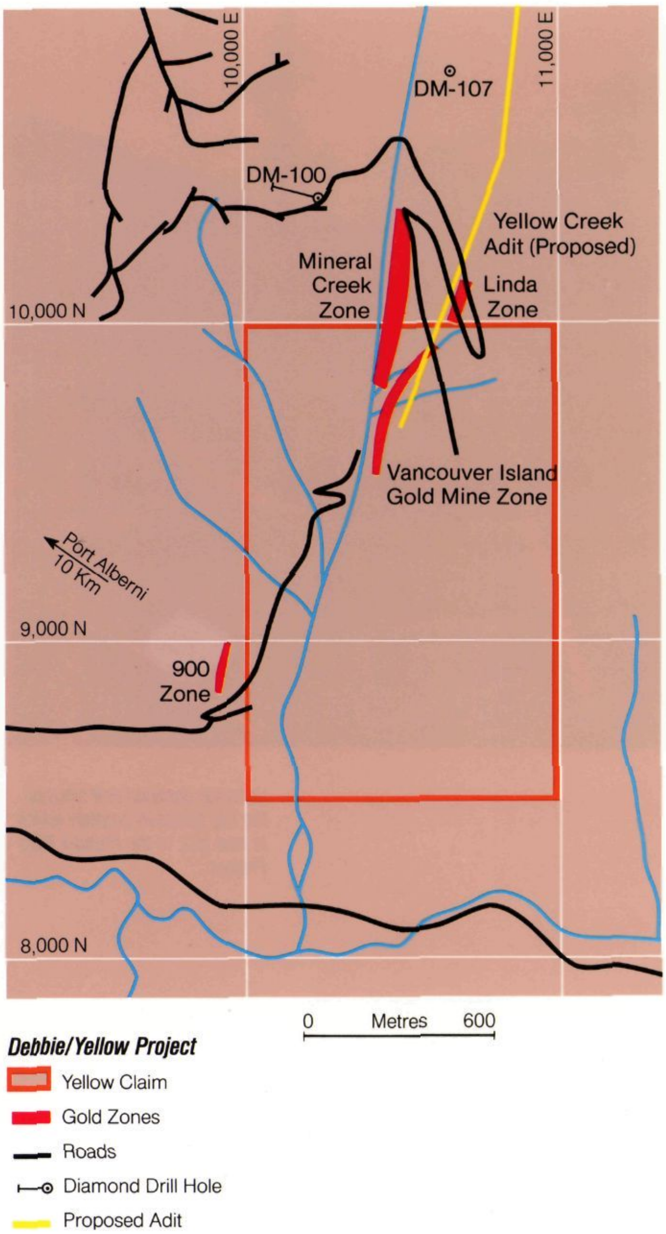
Capital cost excluding working capital, inflation and interest is expected to total $80,350,000 of which approximately $5,000,000 has already been expended on roads, site preparation and various environmental and regulatory studies. Negotiations are proceeding with a number of institutions regarding financing . . . probably involving some form of bullion loan. The total employment during construction of this project is expected to peak at 220 people with the required operating staff estimated at 160 people.

Currently defined open pit mineable reserves include 6.5 million tons (5.9 million tonnes) at Silbak Premier, grading 0.063 ounces gold per ton and 2.34 ounces silver per ton plus 1.8 million tons (1.6 million tonnes) at Big Missouri, grading 0.105 ounces gold per ton and 0.86 ounces silver . . . sufficient for 10.5 years production.

Locating diamond drill sites on the Big Missouri property which is now part of the Premier Gold Project.

An added $3,000,000 will be expended in 1988 on additional exploration to upgrade existing geological reserves to the *mineable category; to extend* reserves, and to investigate new areas of indicated potential for both open pit and underground reserves. Evaluation of the historical drill hole data and extensive underground workings at Silbak Premier is in progress to define targets which will begin to be tested later this year. Similarly, diamond drilling will test the deeper parts of the open pit zones at Big Missouri.

Drill at work in Glory Hole area of Silbak Premier property (Premier Gold Project) near Stewart, B.C.



Debbie/Yellow Gold Project

Vancouver Island, B.C. A very active 1987 exploration season, at times involving more than half a dozen diamond drills, has elevated the Debbie/Yellow project to a major development. It incudes the Mineral Creek, Linda and 900 gold zones, plus significant potential extensions.

In February, 1988, a decision was made to expend another $5 million on exploration, including a 1.2 mile adit into the Mineral Creek and Linda zones which have returned impressive gold intersections from surface diamond drilling.

The adit will facilitate further drilling and reserve calculations, as well as supplying bulk samples for metallurgical testing.

The properties are located just six miles (10 km) from Port Alberni. Westmin is the operator and manager of joint ventures which include a 50 per cent interest in Debbie and the option to earn a 24.5 per cent interest in Yellow by funding the next phase of expenditures. The remaining interests in the properties are shared by Nexus Resources Corporation, Angle Resources Limited and Reward Resources Limited, which all share a common management.

The 1987 exploration program discovered three new gold zones (see map) in addition to expanding the three known gold bearing areas.

Hole DM107, which was drilled 1,560 feet (475m) north of the Mineral Creek zone to test the projected extension, intersected three gold-bearing sections, including 3.3 feet averaging 0.547 oz/t gold, 2.6 feet of 0.117 and 6.6 feet grading 0.109 oz/t. A single hole (DM-100) approximately 1,000 feet (300m) west of the Mineral Creek zone intersected 2.0 feet grading 0.245 oz/t gold. There is also the possibility that the Linda zone extends to the former Vancouver Island Gold Mines showings which lie 1000 feet (300m) to the southwest on the Yellow claim. The zone was discovered in 1987 when several quartz veins were intersected in drill core and a drill access road later exposed several gold-bearing veins within this area.

The **Mineral Creek** gold zone, which straddles the Debbie/Yellow boundary, has been explored over a strike length of about 2,000 feet (610m). Over 40 diamond drill holes have tested the 200-foot (61m) wide gold bearing zone which contains several higher grade (0.15-0.845 oz/t gold) sections up to 15 feet (4.6m) wide in the quartz-carbonate altered mafic volcanic rocks. Some of the more important intersections from the 1987 drilling include:

Hole	Feet	Oz/t Gold
DM19	3.3	0.202
DM29	3.8	0.417
DM36	1.6	0.845
	3.3	0.485
DM43	13.7	0.246
DM51	1.4	0.248
DM74	1.5	0.443
DM78	1.0	0.283
	6.7	0.295
DM97	3.0	0.563

The **Linda zone,** a system of gold-bearing quartz veins, lies about 700 feet (210m) east of the Mineral Creek zone. Twenty-five drill holes in the Linda zone have returned assays in excess of 0.10 oz/t gold. The most significant include:

Hole	Feet	Oz/t Gold
DM57	0.7	4.895
	6.9	0.347
DM62	9.8	0.578
	5.2	0.312
DM67	2.2	0.280
DM70	1.6	0.216
DM83	6.6	1.383
DM91	4.6	1.310
DM125	5.7	1.311

The **900 zone,** which is about 4,000 feet (1220m) southwesterly from the Mineral Creek zone, has provided some spectacular gold intersections in drill core. Gold occurs in quartz veins, quartz stockwork and in silicified bedded cherts and cherty tuffs. The zone has been explored over a length of 600 feet (180m) and a width of 500 feet (150m). Abundant samples of visible gold in quartz have been found by diligent surface prospecting. The most significant drill core intersections include:

Hole	Feet	Oz/t Gold
DN52	16.4	0.335
DN55	3.3	0.564
DN58	1.3	1.924
DN59	5.2	0.959
DN63	2.6	3.392
DN66	14.1	0.622
DN85	3.6	0.409
DN86	6.9	2.760
DN89	3.9	0.310
	1.0	3.919
DN94	3.4	0.353
DN114	4.1	0.701
	7.2	0.447
DN115	19.7	0.212
DN118	47.1	4.078
DN121	19.9	1.449

The 1988 program also provides for large scale exploration of the 900 zone area.

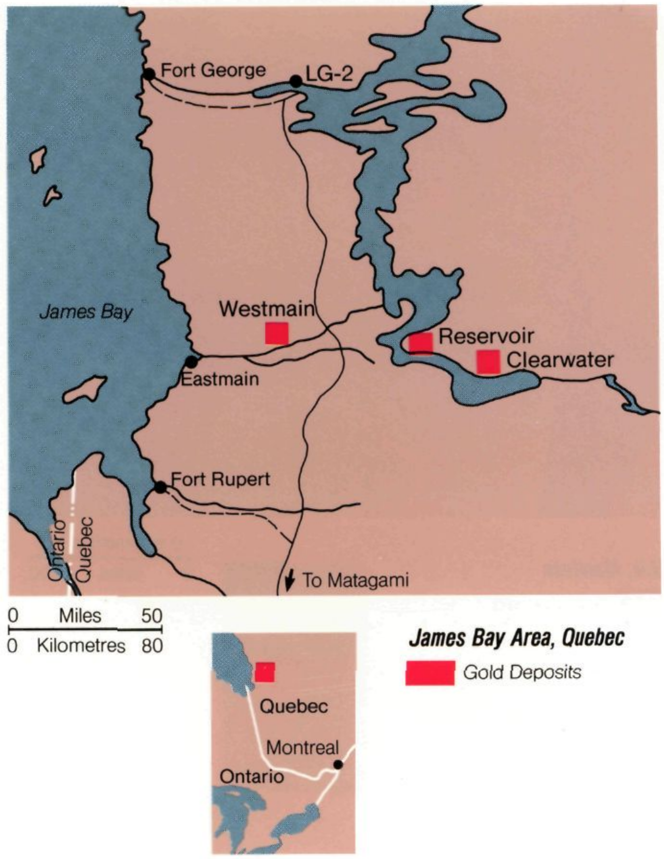
James Bay Area — Quebec

Clearwater Westmin and Eastmain Resources Inc., joint owners of the Clearwater property in the Baie James area of Quebec, are allowing MSV Resources Inc. to earn a 20 per cent working interest in the project by providing $1,800,000 in exploration funds for the 1987 and 1988 programs. Westmin, as operator, retains a 53.33 per cent interest while Eastmain dilutes to 26.67 per cent. The property is east of the Baie James highway, about 250 miles (400 km) north of Matagami.

Diamond drilling of several EM conductors on the L'Eau Claire grid in 1987 intersected significant gold values in quartz and quartz-tourmaline veins in four holes and in one hole on an extension of the zone on the adjacent Lichteneger property (Westmin 66.67 per cent, Eastmain 33.33 per cent).

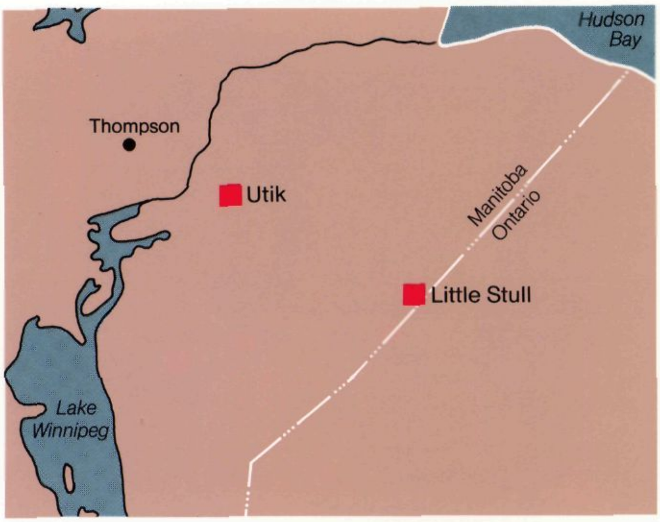
Hole (Location)	Length Feet	(M)	Gold oz/t	g/t
L-05	3.3	(1.0)	0.11	3.74
(0+50W)	3.3	(1.0)	0.49	16.67
	0.7	(0.2)	2.32	79.53
	3.3	(1.0)	0.21	7.27
L-06 (3+00E)	10.2	(3.1)	2.97	101.75
L-08 (3+00E)	3.3	(1.0)	0.17	5.97
L-17 (1+00W)	3.3	(1.0)	0.13	4.66
L-02 (2+50W) (Lichteneger)	3.3	(1.0)	0.16	5.35

A major drilling program is planned for 1988.



James Bay Area, Quebec

Gold Deposits



Utik, Manitoba

Gold Deposits

Westmain The Westmain property is 30 miles (50 km) west of the Baie James highway in northern Quebec and is owned jointly by Westmin, the operator, Eastmain Resources Inc., and MSV Resources Inc. Upon completion of aggregate expenditures of $1,500,000 MSV, will have earned a 30 per cent interest in the project, leaving Westmin with 35.7 per cent and Eastmain with 34.3 per cent.

Several areas of interest have been defined within the vast 135 square mile (35,000 ha) property. Seven areas with significant precious and base metal occurrences have been identified along a stratigraphic horizon for a distance of seven miles (12 km).

Six composite grab samples from surface trenches on one of the areas, A-21 Gold Zone, returned assays in excess of 0.45 oz/t (15.72 g/t) gold . . . the highest of which averaged 3.34 oz/t (113.4 g/t) gold. Gold, silver and polymetallic sulfides have been exposed in other surface showings, as well as in drill core.

A major drill program is in progress on the Gold Zone.

Reservoir Permit The Reservoir Permit, which lies about 30 miles (50 km) west of the Clearwater property, is owned jointly by Westmin Resources Limited, as operator (51%) and Eastmain Resources Inc. (49%). It was explored with 14 diamond drill holes in 1987.

Eleven holes concentrated on a series of coincident EM and gold soil geochemistry anomalies. Hole 4 cut 4.9 feet (1.5m) grading 0.34 oz/t (11.5 g/t) gold in sulfide-bearing quartz/calcite veins. Four other holes penetrated gold-bearing sections averaging greater than 0.10 oz/t (3.4 g/t) gold.

Northeastern Manitoba

Little Stull Diamond drilling began in early February 1988, to follow-up important gold mineralization intersected in the 1987 drilling program reported in last year's Annual Report.

Four gold-bearing zones have been identified. The West Zone was intersected by fourteen diamond drill holes along a strike length of 4,300 feet (1300 metres). The zone remains open to the south and has not been tested below the first tier of drill holes. Three other isolated, single gold intersections in drill core will be further tested in 1988.

In 1987 Westmin and Tangueray Resources Limited purchased the Barringer Magenta Limited interest in the project. Westmin, as operator and manager of the joint venture, now holds a 53.33 per cent interest in the project.

Utik On the Utik Prospect, drilling in a major two-phase program with partners Polestar Exploration Inc. and Barringer Magenta Inc., outlined a zone approximately seven feet (2.2m) wide with an average grade of 0.12 oz/t (4.2 g/t) gold based on five sample points. The best assay was 0.35 oz/t (11.9 g/t) gold across four feet (1.2m). Four other gold and base metal showings require more drilling.

California

Colony Pacific/Blue Moon Encouraged by the increasing value of growing reserves, and the potential of other areas in the Foothills Belt of California, Westmin decided to exchange its earned interest in the Blue Moon property for a major direct interest in Colony Pacific Explorations itself.

In the exchange, which is subject to the normal regulatory approvals. Westmin will receive 1,500,000 Colony shares plus a 2.75 per cent net profits interest to bring the Company's shareholding to 25.5 per cent of Colony's 5,300,000 outstanding shares, plus an increase in net profits interest to 10 per cent.

Following this and related transactions, Imperial Metals Corporation will hold an 18.5 per cent interest in Colony. Westmin has nominated three members to the Colony board and Imperial two. The companies plan to combine their technical and financial strengths in a major exploration and development program in an effort to develop the Blue Moon property. In addition, Colony is in the process of acquiring Imperial's Bonne Terre Ranch property, some 30 miles north of Blue Moon.

Last year's exploration program on the Blue Moon property resulted in significant increases in both volume (about one million tons) and grade.

Coal and Industrial Minerals

Total Coal and Industrial Minerals revenue for 1987 was approximately $6,100,000 compared to $7,700,000 the previous year, which included a $1,500,000 non-recurring back royalty payment from TransAlta Utilities for the Whitewood mine. Westmin has various coal royalty agreements in place which continue into the next century at per tonne royalty rates which increase at a rate greater than inflation.

Present coal royalties are obtained from lands which the Company has leased to TransAlta in the Highvale and Whitewood mine areas near Lake Wabamun, west of Edmonton, Alberta. Westmin also has unleased coal lands in a south extension area of the Highvale mine, which will likely be required for future expansion of the Keephills thermal power plant.

The presently leased lands are a small part of some 507,000 acres of mineral title lands which Westmin owns in central Alberta. Additional Crown coal lands are held in Alberta and Saskatchewan. Westmin continues to retain its 3½ per cent royalty position with BP Canada on the Sukunka coal project in northeastern British Columbia.

Agassiz Resources Limited continues to operate the Company's sodium sulphate leases in east-central Alberta and produced some 41,000 tonnes of sodium sulphate in 1987.

Nordegg Lime Ltd. produced a small quantity of sized rock products from the Company's Nordegg area limestone quarry in west central Alberta.

During the latter part of 1987 Westmin leased its Mount Palsson, British Columbia limestone project to another company which is planning to undertake exploration and production studies during the spring of 1988.

Westmin will continue to selectively investigate other coal and industrial mineral projects in western Canada.

Lacana Mining Corporation

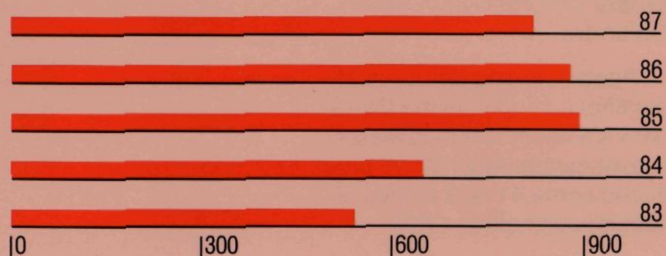
In accordance with previously stated intentions and reflecting the Company's increased direct precious metals exploration exposure, Westmin sold its block of 3,151,009 common shares of Lacana Mining Corporation to Royex Gold Mining Corporation in February, 1987 for a total consideration of $34,661,000.

Reserve Inventory

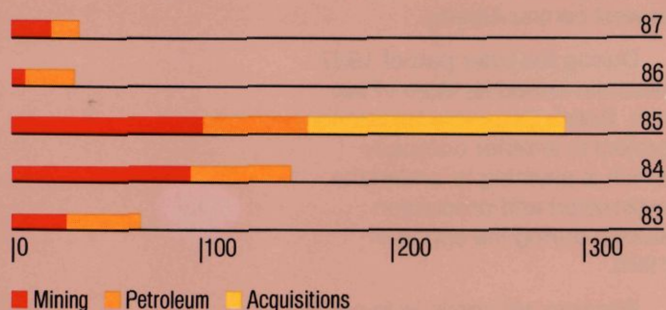
	Tons (Tonnes)	Gold oz/t (g/t)	Silver oz/t (g/t)	Copper %	Zinc %	Lead %
Probable	2,258,000 (2,048,000)	0.06 (2.06)	2.53 (86.64)	1.18	9.57	0.44
Inferred	1,860,000 (1,687,000)	--------- similar grades ---------				
Total	**4,118,000 (3,735,000)**					

Financial Review

Assets
(Millions of Dollars)



Capital Expenditures
(Millions of Dollars)



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.

Overview

Total revenues generated in 1987 were $190.5 million, a slight increase over 1986 revenues of $189.6 million. An increase in revenues generated from investment activities was offset by lower revenues from the Petroleum Division due to lower gas prices.

Cash provided from operating activities before mineral exploration, increased by 9 per cent to $56.8 million in 1987 from $52.1 million in 1986.

Net earnings for 1987 were $21.8 million, an increase of $13.2 million or two and one-half times 1986 earnings of $8.6 million. After provision for dividends on preferred shares, the Company had earnings of 12 cents per common share in 1987 compared to a loss of 21 cents in 1986.

Oil and Gas

Revenues from the Petroleum Division totalled $90.6 million in 1987 versus $93.8 million in 1986. This was the result of an expected sharp decline in gas prices, offset by higher oil prices (especially for heavy oil) and a slight increase in overall oil and gas production volumes.

Revenue from the sale of conventional crude oil and natural gas liquids increased 26 per cent to $24.8 million. This was due to an increase in the average wellhead price of conventional oil to $19.25 per barrel in 1987 from an average of $18.26 in 1986, combined with an increase of 18 per cent in daily conventional oil production to 3,529 barrels per day in 1987.

Revenues from the sale of heavy oil increased 32 per cent to $28.8 million, primarily due to an increase in the average heavy oil wellhead price of 37 per cent to $16 per barrel.

However, the average price of natural gas declined to an average of $1.65 per thousand cubic feet from $2.29 in 1986. This decline reduced 1987 revenues to $36.1 million from $49.3 million in 1986.

Royalties paid on the Company's working interest production, net of Alberta Royalty Tax Credit ($3.0 million versus $2.8 million in 1986), were 10 per cent in 1987, reduced from 14 per cent in 1986. The average royalty rate on conventional oil and gas production decreased 5 per cent in 1987 to approximately 13 per cent, while heavy oil production, because it is produced from mineral title acreage, is royalty free. It is, however, subject to a Freehold mineral tax assessed by the Crown, of approximately 3 per cent. The Alberta Royalty Tax Credit is expected to be reduced from the current maximum level of $3.0 million to a maximum of $2.0 million in 1989.

Oil and gas operating and administrative expenses increased in 1987 to $35.1 million from $33.5 million in 1986. This increase was primarily due to the inclusion of 12 months of payments under an equipment lease finalized in October of 1986; the adoption on a prospective basis of the CICA's recommendation on accounting for pension costs and obligations (see note 12 to the financial statements); offset by generally lower field operating and administrative costs, which resulted from the Company's cost and efficiency program commenced in 1986.

Depreciation and depletion expenses decreased 17 per cent to $21.7 million from $26.2 million in 1986, due to a lower cost base and a slight increase in the reserve base.

Cash flow from oil and gas operations, before interest and taxes, decreased slightly to $47.0 million from $48.6 million in 1986. This decrease was due primarily to the inclusion of a full years lease payments as noted above, as well as lower gas prices offset somewhat by higher oil prices and lower costs. Conventional oil and gas contributed approximately 80 per cent or $37.5 million of 1987 total cash flow from petroleum operations, while heavy oil contributed the remaining $9.5 million. Operating profit, before interest and taxes, was $25.3 million, up 13 per cent from $22.4 million in 1986.

Mining

Revenues from the Mining Division remained constant, totalling $86.5 million compared to $86.4 million in 1986. Revenues from the Myra Falls operation increased 2 per cent to $80.4 million from $78.7 million in 1986, while revenues from coal operations declined to $6.1 million from $7.7 million in 1986. Myra Falls revenues reflect slight price increases for all commodities, offset by a stronger Canadian dollar and by the mining of lower grades of ore resulting in reduced production of payable metals. The lower grades were the result of processing development ore associated with the expansion and the fine tuning of facilities. Revenues from Westmin's coal properties reflect slightly lower production and a royalty rate adjustment which occurred in 1986.

Production from the Myra Falls operation increased slightly in 1987 to average 3,327 tons per operating day compared to 3,257 tons in 1986. The expansion, commenced in 1987, is beginning to take effect as year-end rates reached approximately 3,850 tons per operating day.

Operating and administrative costs for the Myra Falls operation increased to $53.9 million in 1987 from $51.8 million in 1986. Costs per ton of ore milled increased only 2% to $44.90.

Depreciation and depletion expense for the Mining Division increased slightly to $16.5 million from $16.1 million in 1986. This increase is entirely attributable to increased production, as the depletion rate per ton of ore processed remained constant over the two years at $13.48.

Cash flow from the Mining Division, before interest, mineral exploration and taxes, was down slightly to $31.9 million from $33.9 million in 1986. Operating profit, before interest, mineral exploration and taxes, totalled $16.0 million, down from $18.4 million in 1986. The unacceptable level of operating profits, was the result of problems with the underground ore pass and the mining of lower ore grades. The problems were largely resolved by the final quarter of 1987.

Funds spent on mineral exploration in 1987 decreased to $1.0 million from $3.6 million in 1986 due to; capitalizing all 1987 expenditures on the Premier Gold Project; the issue of flow through shares (whereby the subscriber incurs the expenditure) and the ability of the Company to negotiate favourable farmout deals on some of its properties.

Corporate Activities

Investment and other income increased to $13.4 million from $9.3 million in 1986. This $4.1 million increase is attributed to the sale in February 1987 of the Company's equity interest in Lacana Mining Corporation, resulting in a gain of $2.8 million (see Note 3 to the financial statements) and to a higher average level of cash and short term investments available to the Company for investment purposes in 1987 over 1986 levels. Investments earning tax free dividends continue to be favored by the Company, with income from these vehicles increasing by $.7 million to $7.7 million in 1987.

Interest expense decreased 21 per cent to $28.8 million from $36.6 million in 1986, a reduction of $7.8 million. This reduction resulted from lower average debt levels, a lower effective borrowing rate (8.90 per cent versus 10.05 in 1986) and capitalization of interest on the Premier Gold Project in 1987 (see Note 9 to the financial statements).

Despite elimination of PGRT in October of 1986, income and resource taxes (see Note 10 to the financial statements) increased due to higher levels of 1987 earnings. This increase is reflected in lower deferred taxes recoverable ($.9 million versus $5.7 million in 1986).

Capital Resources and Liquidity

Capital expenditures totalled $37.5 million versus $36.9 million in 1986. Expenditures in the Petroleum Division totalled $14.6 million, of which $7.6 million was spent on exploration, $8.3 million on development and approximately $1.3 million was recovered through various government programs. Expenditures in the Mining Division totalled $22.5 million, of which $14.8 million was directly related to the Myra Falls expansion to 4,400 tons per day and $3.7 million was expended on the Premier Gold Project.

The Company has entered into various financing agreements with several Canadian chartered banks (see Note 5 to the financial statements) including: a non-recourse loan on the H-W mine/mill complex of $200.0 million on which payments have commenced, leaving $167.5 million outstanding at year-end; a non-recourse loan on the Sundance Properties of $100.0 million on which payments have commenced, leaving $54.0 million outstanding at year-end; an unsecured revolving credit facility of up to $150.0 million, of which $52.5 million has been drawn at year-end; and unsecured short term operating lines amounting to $33.0 million of which $14.1 million has been drawn by advances and $4.9 million has been drawn under letters of credit at year-end. Each facility has various drawings options including banker's acceptances and drawing options in either Canadian or U.S. dollars.

Accounting change

In 1987 the Company adopted, on a prospective basis, the provisions of the CICA's accounting recommendation on "Accounting for Pension Costs and Obligations" (see Note 12 to the financial statements). As a result of adopting this recommendation, pension expense is determined based on the rendering of services. Prior to the adoption of the guideline, pension expense was based on funding requirements. The adoption of the guideline had no material impact on 1987, nor is it expected to have a material impact on future earnings.

Outlook

Despite the many economic uncertainties on the horizon, it is anticipated that 1988 will see a continuation of the improvement in earnings evidenced in the latter months of 1987. This projection is based on the maintenance of current base and precious metals price levels and somewhat higher oil and gas prices . . . combined with increased production and effective cost controls.

Capital expenditures for 1988 are estimated at approximately $100.0 million, a major increase over 1987 expenditures of $37.5 million. Petroleum Division expenditures will total approximately $60.0 million, with approximately $20.0 million dedicated to exploration and land acquisition; $15.0 million directed towards heavy oil operations to maintain primary recovery, expand thermal operations, and to maintain existing wells and facilities; and the remaining $25.0 million directed towards projects in conventional operations intended to generate early cash flow and quick payback. Mining Division capital expenditures total approximately $40.0 million and are dedicated to completing expansion of the Myra Falls facility to 4,400 tons per day by the second half of 1988, and to the Premier Gold Project scheduled to commence production in early 1989.

Mineral exploration expenditures in 1988 will concentrate on properties where gold-silver showings have been encouraging. The most significant of these is the Debbie/Yellow project on Vancouver Island.

Working capital amounted to $102.7 million at the year end. In 1988 it will be used partially to fulfill the redemption and purchase requirements of the Company's preferred shares and for other corporate requirements as needed.

Management anticipates that 1988 will continue the increased earnings trend commenced in 1987. Aggressive capital expenditure programs should position the Company to benefit from opportunities foreseen in the 1990's and beyond.

Management's Responsibility

This Annual Report to the shareholders of Westmin Resources Limited, including the financial statements on pages 32 to 43, 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", pages 35 and 36) 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

The Shareholders
Westmin Resources Limited

We have examined the consolidated balance sheet of Westmin Resources Limited as at December 31, 1987 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, 1987 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.

Calgary, Alberta
February 9, 1988

Touche Ross & Co.
Chartered Accountants

Consolidated Statement of Earnings

For the years ended December 31

	1987	1986
	(in thousands)	
Revenue		
Oil and gas	$ 90,578	$ 93,838
Mining	86,471	86,396
Investment and other income (note 3)	13,426	9,329
	190,475	189,563
Expenses		
Royalty expense	8,470	11,698
Operating and administrative	92,850	90,627
Mineral exploration	993	3,637
Depletion and depreciation	38,457	42,593
	140,770	148,555
Earnings before financing and taxes	49,705	41,008
Interest (Note 9)	28,754	36,567
Income and resource taxes (note 10)	(870)	(4,207)
Net earnings for the year	$ 21,821	$ 8,648
Earnings (loss) per common share (note 11)	$ .12	$ (.21)

Consolidated Statement of Retained Earnings

For the years ended December 31

	1987	1986
	(in thousands)	
Balance at beginning of year	$ 73,123	$ 88,968
Net earnings for the year	21,821	8,648
	94,944	97,616
Dividends (note 8)	24,795	24,493
Balance at end of year	$ 70,149	$ 73,123

see accompanying accounting policies and notes

Consolidated Balance Sheet

Assets	December 31 1987	1986
	(in thousands)	
Current assets		
Cash and short-term investments	$114,300	$153,923
Accounts receivable (note 1)	37,577	28,304
Inventories (note 2)	11,356	14,131
	163,233	196,358
Investments (note 3)	12,746	42,497
Property, plant and equipment (note 4)	648,866	649,889
	$824,845	$888,744

Liabilities and Shareholders' Equity	1987	1986
Current liabilities		
Accounts payable	$ 40,550	$ 24,352
Current portion of long term debt	20,000	55,000
	60,550	79,352
Long-term debt (note 5)	268,070	310,662
Deferred production revenue (note 6)	3,715	4,497
Deferred income and resources taxes	96,674	97,542
	429,009	492,053
Shareholders' Equity		
Share capital (note 7)	325,687	323,568
Retained earnings	70,149	73,123
	395,836	396,691
	$824,845	$888,744

On Behalf of the Board

Director

Director

see accompanying accounting policies and notes

Consolidated Statement of Changes in Financial Position

For the years ended December 31

	1987	1986
	(in thousands)	
Operating activities		
Net earnings	$ 21,821	$ 8,648
Charges to earnings that do not reduce funds		
Depletion and depreciation	38,457	42,593
Deferred income and resource taxes	(868)	(2,205)
Other	(3,563)	(548)
Funds provided from operations	55,847	48,488
Mineral exploration expenditures	993	3,637
Funds provided from operations before mineral exploration	56,840	52,125
Financing activities		
Long-term debt	(42,592)	(29,045)
Share capital, net of issue costs	2,119	28,189
Dividends	(24,795)	(24,493)
Changes in non-cash working capital	(25,300)	29,821
Proceeds from sale and leaseback transaction		35,010
Sale of investment tax credits		9,000
Other	(44)	(1,117)
Cash provided from (used for) financing activities	(90,612)	47,365
Investment activities		
Proceeds from sale of investments	34,927	309
Investments	(2,325)	(53)
Property, plant and equipment	(37,460)	(36,865)
Mineral exploration	(993)	(3,637)
Cash used for investment activities	(5,851)	(40,246)
Cash and short-term investments		
Net increase (decrease)	(39,623)	59,244
Balance		
At beginning of year	153,923	94,679
At end of year	$114,300	$153,923
Changes in non-cash working capital		
Accounts receivable	$ (9,273)	$ 6,980
Inventories	2,775	1,177
Accounts payable	16,198	(23,336)
Current portion of long-term debt	(35,000)	45,000
	$ (25,300)	$ 29,821

see accompanying accounting policies and notes

Summary of Accounting Policies

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

Principles of Consolidation

The consolidated financial statements include the accounts of the company and all its wholly-owned subsidiaries.

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

Investments

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

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 the average rate for the year except for depletion and depreciation provisions which are at the rates used for translation of the related assets.

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. Capitalized 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 costs related to plant and equipment. These costs are accumulated in cost centres established on a country-by-country basis. Proceeds from disposal of properties are normally deducted from the capitalized costs without recognition of gain or loss. Capitalized costs are limited to the value of future net revenues from estimated production of proved reserves and the costs of unproved properties. Future net revenue is calculated using year-end prices and costs with reductions for applicable administrative, financing and income tax expenses.

Capitalized costs in each cost centre are amortized using the unit of production method based upon proved reserves before deduction for royalties and utilizing a common unit of measure for oil and gas products based on relative energy content. Costs related to the acquisition of unproved properties are excluded from capitalized costs to be depleted until it is determined whether proven reserves are attributable to the properties or impairment in value has occurred.

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. Development costs and initial start-up operations (including applicable production revenues and interest costs) are capitalized until a commercial production level is deemed to have been reached, at which time the costs are amortized using the unit of production method based upon estimated ore reserves to be recovered.

Mining plant and related equipment costs, including capitalized interest, are depreciated substantially on the unit of production method. Other equipment is depreciated based on estimated useful life.

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 commercial production is reached.

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.

Notes to Consolidated Financial Statements

For the years ended December 31

1. Accounts Receivable

	1987	1986
	(in thousands)	
Oil and gas	$18,035	$18,640
Concentrate settlements	13,131	5,223
Other accounts receivable	6,411	4,441
	$37,577	$28,304

2. Inventories

	1987	1986
Concentrate	$ 2,325	$ 5,883
Materials and supplies	9,031	8,248
	$11,356	$14,131

3. Investments

	1987	1986
Lacana Mining Corporation	$	$31,903
Long-term receivable	7,289	7,399
Other	5,457	3,195
	$12,746	$42,497

Lacana Mining Corporation

In February 1987, the company sold its investment in Lacana Mining Corporation for cash proceeds of $34,661,000. The resulting gain on sale of $2,758,000 has been included in investment and other income.

Long-Term Receivable

This receivable, amounting to $14,200,000 is due in annual installments ranging from $650,000 to $800,000 to July 1, 2005. With the exception of the current portion of $650,000 which is included in current assets, the remaining instalments are carried at a discounted value of $7,289,000 (1986 – $7,399,000) based on an assumed interest rate of 8%.

Other Investments

This amount includes stock purchase plan loans of $1,053,000 (1986 – $1,053,000) to certain employees, some of whom are officers and directors of the company.

4. Property, Plant and Equipment

	1987			1986
	Cost	Accumulated depletion and depreciation	Net	Net
	(in thousands)			
Oil and gas				
Properties				
Canada	$415,761	$ 98,679	$317,082	$322,818
U.S.A.	14,252	13,463	789	1,023
Abu Dhabi	14,273	12,750	1,523	1,200
Plant and equipment	88,690	29,330	59,360	60,867
	532,976	154,222	378,754	385,908

Mining				
Metals				
Properties and development	135,318	16,714	118,604	119,776
Plant and equipment	174,659	33,141	141,518	137,742
Construction in progress	3,700		3,700	
Coal and industrial minerals	5,747	1,618	4,129	4,311
	319,424	51,473	267,951	261,829
Leasehold improvements and other equipment	4,398	2,237	2,161	2,152
	$856,798	$207,932	$648,866	$649,889

Unproved properties not subject to depletion total $32,200,000 as at December 31, 1987 (1986 – $38,500,000).

Under the provisions of various government sponsored incentives programs, the company became entitled to $1,300,000 of incentive grants in 1987 (1986 – $5,561,000). This amount has been shown as a reduction of the related expenditure.

5. Long-Term Debt

	1987	1986
	(in thousands)	
H-W Mine/Mill Complex (i)	$167,520	$189,712
Sundance Properties (ii)	54,000	90,700
Revolving/Term Credit Facility (iii)	52,500	85,250
Other (iv)	14,050	
	288,070	365,662
Current Portion	20,000	55,000
	$268,070	$310,662

(i) The H-W Mine/Mill Complex financing is repayable over a six year period subject to earlier repayment based on available cash flows from the project. The loan is secured on a non-recourse basis by the project assets. An additional $2,480,000 is available for draw down under this facility. Scheduled principal repayments are as follows: 1988 – $20,000,000; 1989 – $20,000,000; 1990 – $25,000,000; 1991 – $30,000,000; 1992 – $45,000,000; 1993 – $30,000,000.

(ii) The Sundance financing converted to term and non-recourse status during the year. The loan is repayable over an eight year period from the cash flows of the Sundance Properties. The loan is secured by the Sundance Properties and was fully drawn at year end.

(iii) Under the Revolving/Term Facility the company may borrow up to $150,000,000. On or prior to the Revolving Loan Maturity Date (June 30, 1988) the company may convert its indebtness to a five year term loan with annual principal repayments commencing November 15, 1988. 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 and Sundance Properties) without providing security on a pari passu basis to the lenders under this agreement. At year end $97,500,000 was undrawn under this facility.

(iv) The company has unsecured short-term operating lines of credit amounting to $33,000,000. At December 31, 1987 $14,050,000 was drawn by advances and $4,877,000 was utilized under letters of credit leaving $14,073,000 undrawn.

(v) Each facility is with a Canadian chartered bank and has various drawing options including banker's acceptances and Canadian and U.S. dollar loans. The company has entered into interest rate swaps to convert $35,000,000 of debt to a fixed rate of 10.7% with the balance of the debt on a floating rate basis. The weighted average interest rate on all debt was 8.9% during 1987 (1986 – 10%).

6. Deferred Production Revenue

Deferred revenue represents value received under take or pay contracts and has been recorded at a discounted amount to reflect the value of gas to be delivered in future years.

7. Share Capital

The company has authorized share capital of an unlimited number of shares of Class A Preferred Shares issuable in series, Class B Preferred Shares issuable in series and common shares without par value.

Issued and fully paid

	1987		1986	
	Number of Shares	**Amount**	Number of Shares	Amount
		(in thousands)		(in thousands)
Class A Preferred Shares				
Series 1	**1,000,000**	**$100,000**	1,000,000	$100,000
Class B Preferred Shares				
Series 1	**3,999,200**	**99,980**	3,999,200	99,980
Series 3	**2,812,500**	**26,850**	2,812,500	26,850
Common Shares	**38,942,495**	**98,857**	38,697,597	96,738
		$325,687		$323,568

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 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

The Class B Preferred Shares rank junior to the Class A Preferred Shares and senior to the common shares.

Series 1 The first series of the Class B Preferred 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) purchase by the company, during each calendar quarter commencing July 1, 1988 at a price not exceeding the $25 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.

Series 3 The Series 3 Class B Preferred Shares have attached thereto certain provisions which include:

(i) the right to receive dividends at the rate equal to four times the dividends paid on the common shares.

(ii) the right of the holders to convert the shares into common shares at any time prior to May 1, 1991 at the rate of one common share for each preferred share.

Common Shares

	Number of Shares	Amount
		(in thousands)
As at December 31, 1986	38,697,597	$96,738
Issued under a flow-through share agreement	131,400	1,268
Issued under employee stock options	113,498	851
As at December 31, 1987	38,942,495	$98,857

Under the terms of the company's employee stock option plan, options of 733,940 shares were outstanding as at December 31, 1987, exercisable at varying dates to 1992 at prices ranging from $7.25 to $9.375 per share.

8. Dividends

	1987	1986
	(in thousands)	
Class A Preferred	**$ 6,277**	$ 6,775
Class B Preferred		
Series 1	**8,498**	8,499
Series 3	**2,250**	1,500
Common	**7,770**	7,719
	$24,795	$24,493

9. Interest

Details of interest incurred on debt are as follows:

	1987	1986
	(in thousands)	
H-W Mine/Mill Complex	**$15,466**	$19,070
Sundance Properties	**7,273**	9,215
Revolving/Term Credit Facility	**4,519**	8,282
Other	**2,012**	
	29,270	36,567
Interest capitalized	**516**	
Interest expensed	**$28,754**	$36,567

10. Income and Resource Taxes

	1987	1986
	(in thousands)	
Deferred Income Taxes	**$ (1,412)**	$ (4,597)
Resource taxes		
Provincial mining	**542**	(1,090)
Petroleum and gas revenue		1,480
Total income and resource taxes	**$ (870)**	$ (4,207)

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

	1987	1986
Corporate Tax Rate	**52.0%**	52.0%
	(in thousands)	
Calculated income tax provision	**$10,897**	$ 2,309
Effect on taxes from		
Crown royalty and rental disallowance	**2,580**	2,567
Resource allowance	**(9,859)**	(7,443)
Depletion allowance	**(996)**	1,637
Tax exempt dividends	**(4,006)**	(3,617)
Non-taxable portion of capital gain	**(596)**	
Other	**568**	(50)
Income tax recovery	**$ (1,412)**	$ (4,597)

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:

	1987	1986
	(in thousands)	
Exploration and development expenses	**$ 530**	$ (7,003)
Depreciable property, plant and equipment	**617**	683
Resource and earned depletion allowances	**(996)**	1,356
Other	**(1,563)**	367
	$ (1,412)	$ (4,597)

11. Earnings Per Common Share

The weighted average number of common shares outstanding during 1987 was 38,761,506 (1986 – 38,549,847).

Earnings per common share have been calculated by dividing net earnings, after deducting preferred dividends, by the weighted average number of common shares outstanding.

12. Other Information

Pension Plan

Defined benefit pension plans exist for substantially all permanent employees. In 1987 the company adopted on a prospective basis the provisions of the new CICA recommendations relating to Accounting for Pension Costs and Obligations. Previously pension expense was determined based on funding requirements. This change has no significant impact on the financial statements.

As at December 31, 1987 the present value of total accrued benefits as estimated by management was $12,026,000 and the market value of pension fund assets was $12,061,000. Pension expense for 1987 was $1,430,000 (1986 – $61,000).

Commitments

The company has various commitments, contingencies and other claims which are in the ordinary course of business.

Under an equipment lease agreement, the company is committed to monthly payments of $331,000 over a 12½ year period.

Related Party Transactions

In the normal course of business, the company engages professional services of various engineering and geological consulting firms. During 1987, $593,000 (1986 – $157,000) was paid to such a company in which a director holds an 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. At December 31, 1987 cash and short-term investments included $38,000,000 (1986 – 38,000,000) of securities of an affiliate from which the company earned $2,945,000 (1986 – $843,000) of dividends.

Segmented Information

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

Statement of Quarterly Consolidated Earnings During 1987

	First	Second	Third	Fourth	(unaudited) Total
			(in thousands)		
Revenue					
Oil and gas	$21,031	$19,740	$24,868	$24,939	$ 90,578
Mining	20,671	20,169	19,386	26,245	86,471
Investment and other income	5,739	2,682	2,776	2,229	13,426
	47,441	42,591	47,030	53,413	190,475
Expenses					
Royalty expense	2,291	1,461	1,713	3,005	8,470
Operating and administrative	22,478	21,412	24,404	24,556	92,850
Mineral exploration	534	(6)	(49)	514	993
Depletion and depreciation	9,412	8,756	9,531	10,758	38,457
Interest	7,339	6,784	7,542	7,089	28,754
Income and resource taxes	130	(358)	(613)	(29)	(870)
	42,184	38,049	42,528	45,893	168,654
Net earnings	$ 5,257	$ 4,542	$ 4,502	$ 7,520	$ 21,821
Earnings per common share after preferred dividends	$ .03	$ .01	—	$ .08	$ .12

Consolidated Statement of Segmented Information

	1987				1986			
	Oil and Gas	Mining	Corporate	Total	Oil and Gas	Mining	Corporate	Total
		(in thousands)				(in thousands)		
Revenue								
Domestic	$ 90,578	10,664		101,242	$ 93,838	14,224		108,062
Export		75,807		75,807		72,172		72,172
Investment and other income			13,426	13,426			9,329	9,329
	90,578	86,471	13,426	190,475	93,838	86,396	9,329	189,563
Expenses								
Royalty expense	8,470			8,470	11,698			11,698
Operating and administration	35,151	54,051	3,648	92,850	33,501	51,918	5,208	90,627
Mineral exploration		993		993		3,637		3,637
Depletion and depreciation	21,674	16,462	321	38,457	26,192	16,079	322	42,593
Earnings before financing and taxes	$ 25,283	14,965	9,457	49,705	$ 22,447	14,762	3,799	41,008
Interest				28,754				36,567
Income and resource taxes				(870)				(4,207)
Net earnings				21,821				8,648
Current assets	$ 22,076	25,561	115,596	163,233	$ 22,553	18,866	154,939	196,358
Investments	171	9,083	3,492	12,746	317	9,194	32,986	42,497
Property, plant and equipment	378,754	267,926	2,186	648,866	385,908	261,829	2,152	649,889
Total assets	$401,001	302,570	121,274	824,845	$408,778	289,889	190,077	888,744
Capital expenditures	$ 14,553	22,484	423	37,460	$ 30,550	5,622	693	36,865
Funds generated from operations before financing and taxes	$ 46,959	31,881	6,754	85,594	$ 48,639	33,930	4,121	86,690
Funds used for interest and taxes				(28,754)				(34,565)
Funds generated from operations				56,840				52,125

Ten Year Operations Summary

For the years ended December 31

		1987	1986	1985
Production				
Crude oil and NGLs	— bbls	**3,090,660**	2,955,100	2,354,250
Daily average	— bbls	**8,465**	8,096	6,450
Natural gas	— mmcf	**21,853**	21,520	20,944
Daily average	— mmcf	**60**	59	57
Ore delivered to the mill	— tons	**1,201,294**	1,175,794	645,590
Payable metal (000's)				
Gold (oz.)		**37**	44	23
Silver (oz.)		**772**	966	707
Copper (lbs.)		**49,185**	45,492	17,088
Lead (lbs.)		**340**	770	2,648
Zinc (lbs.)		**80,393**	96,238	54,165
Reserves — Gross Proven				
Crude oil and NGLs	— mmbbls	**28.3**	27.1	21.1
Natural gas	— Bcf	**556**	588	530
Ore	— Thousand tons	**12,423**	12,698	13,171
Land holdings (000's acres)				
Gross		**8,080**	8,571	8,278
Net		**1,835**	2,145	2,710
Drilling activity				
Gas		**14**	13	33
Oil		**44**	64	110
Dry		**16**	9	38
Total		**74**	86	181
Net		**30**	63	132
Success ratio %		**78**	90	79
Employees		**970**	870	857

1984	1983	1982	1981	1980	1979	1978
1,633,100	1,227,100	961,045	770,200	695,362	409,900	327,600
4,462	3,362	2,633	2,100	1,900	1,123	898
16,285	16,036	15,144	15,422	15,374	13,570	14,800
44	44	41	42	42	37	41
224,400	273,787	317,002	271,334	306,712	294,181	296,560
12	17	20	17	19	20	18
542	781	959	783	786	791	841
3,610	4,814	5,344	4,824	5,941	6,296	5,923
3,273	4,195	4,801	4,305	5,125	5,425	5,409
24,373	28,317	33,488	29,212	33,656	36,509	35,868
12.8	10.8	9.7	6.7	6.1	4.9	3.2
403	386	411	410	364	324	275
9,525	883	1,021	1,057	1,092	1,144	1,273
8,595	8,704	8,315	8,389	8,550	6,756	
2,611	2,476	1,761	1,760	1,836	1,130	
22	31	41	83	58	47	29
114	75	58	34	31	29	22
30	31	29	51	28	29	55
166	137	128	168	117	105	106
126	84	81	78	61	68	51
82	77	77	70	76	72	48
667	626	593	532	462	412	369

Ten Year Financial Summary

For the years ended December 31 (in thousands except per share amounts)

	1987	1986	1985
	$	$	$
Statement of Earnings			
Revenue			
Oil and gas	**90,578**	93,838	134,344
Mining	**86,471**	86,396	27,588
Investment income	**13,426**	9,329	7,851
	190,475	189,563	169,783
Expenses			
Royalty expense	**8,470**	11,698	19,215
Operating and administrative	**92,850**	90,627	53,512
Mineral exploration	**993**	3,637	3,564
Depletion and depreciation	**38,457**	42,593	25,522
Interest	**28,754**	36,567	8,900
Income and resource taxes	**(870)**	(4,207)	26,792
	168,654	180,915	137,505
Earnings before the following	**21,821**	8,648	32,278
Equity earnings and extraordinary items			(1,826)
Net earnings (loss) for the year	**21,821**	8,648	30,452
Dividends on preferred shares	**17,025**	16,774	15,299
Net earnings attributable to common shares	**4,796**	(8,126)	15,153
Average common shares outstanding	**38,762**	38,550	38,343
Earnings (loss) per common share	**.12**	(.21)	.40
Dividends paid per common share	**.20**	.20	.20
Common share trading range ($ per share)			
High	**14.88**	13.00	15.63
Low	**8.00**	6.38	11.25
Balance Sheet			
Working capital	**102,683**	117,006	87,583
Investments	**12,746**	42,497	41,836
Property, plant and equipment	**648,866**	649,889	707,700
Long-term debt	**268,070**	310,662	339,707
Deferred revenue and taxes	**100,389**	102,039	113,065
Shareholders' equity			
Preferred Shares	**226,830**	226,830	199,982
Common shares and retained earnings	**169,006**	169,861	184,365
Funds from operations	**56,840**	52,125	80,007
Capital Expenditures			
Oil and gas — land and exploration	**6,280**	3,979	19,478
— development	**8,273**	26,571	32,956
— properties purchased			134,104
Mining development	**22,484**	5,622	101,930
Other	**423**	693	500
Total capital expenditures	**37,460**	36,865	288,968

1984	1983	1982	1981	1980	1979	1978
$	$	$	$	$	$	$
100,271	85,090	70,452	54,633	48,982	29,415	26,778
23,032	34,025	47,504	42,760	42,071	43,639	21,130
10,075	9,572	6,918	8,690	3,633	7,152	2,577
133,378	128,687	124,874	106,083	94,686	80,206	50,485
13,072	11,794	6,459	9,504	7,558	4,162	3,667
46,635	41,416	38,673	27,719	23,500	18,081	13,851
3,995	3,383	4,283	5,199	4,007	4,319	1,640
13,921	10,599	8,051	8,670	7,924	5,466	4,895
119			1,443	1,162	83	
21,385	24,152	28,269	21,637	18,955	20,969	10,057
99,127	91,344	85,735	74,172	63,106	53,080	34,110
34,251	37,343	39,139	31,911	31,580	27,126	16,375
(380)	2,683	673	1,035	350	835	688
33,871	40,026	39,812	32,946	31,930	27,961	17,063
16,045	15,606	17,994	13,554			
17,826	24,420	21,818	19,392			
37,903	36,980	33,717	33,691			
.47	.66	.65	.58	.71	.60	.32
.20	.20	.10	.10	.10	.10	.05
17.50	18.50	12.25	14.00	13.50	7.00	2.82
10.13	11.63	5.88	6.63	6.25	2.45	1.58
113,386	140,452	76,364	83,000	19,401	42,240	44,545
44,234	44,017	37,597	35,442	31,575	7,491	7,652
469,358	338,244	280,792	211,909	171,241	129,446	87,395
140,000	63,000	24,000		22,000		
99,246	83,991	64,318	43,069	26,928	9,828	111
199,982	199,982	200,000	200,000	100,000	100,000	100,000
187,750	175,740	106,435	87,282	73,289	69,349	39,481
66,873	70,453	72,183	63,415	60,082	47,272	27,614
16,837	10,782	11,500	24,339	23,135	19,148	10,924
32,264	22,140	30,516	14,005	12,888	7,842	4,724
		11,200		2,686	20,171	
95,607	34,557	23,411	10,248	10,782	1,063	230
330	575	525	796	228	353	28
145,038	68,054	77,152	49,388	49,719	48,577	15,906

Corporate Information

Company Offices

Head Office

Principal Office,
Petroleum Division
Suite 1800, Bow Valley Square III
255 - 5th Avenue S.W.
Calgary, Alberta T2P 3G6
Telephone: (403) 298-2000
Fax: (403) 264-9759

Principal Office
Mining Division
Suite 904
1055 Dunsmuir Street
P.O. Box 49066
Vancouver, British Columbia
V7X 1C4
Telephone: (604) 681-2253
Fax: (604) 681-0357

Mining Division
Eastern Exploration Office
Suite 1400
25 Adelaide Street East
Toronto, Ontario M5C 1Y2
Telephone: (416) 364-8116
Fax: (416) 364-4920

Mine Office
P.O. Box 8000
Campbell River,
British Columbia V9W 5E2
Telephone: (604) 287-9271
Fax: (604) 287-7123

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

Trading Range 1987

($ per share)

	Common Shares			Class B Convertible Preferred Shares		
	High	Low	Close	High	Low	Close
Q1	11.50	8.63	11.13	24.75	20.13	24.38
Q2	12.25	11.00	11.25	25.25	23.50	24.38
Q3	14.88	11.13	11.63	26.75	24.13	24.50
Q4	11.75	8.00	8.38	23.13	17.00	18.88

Board of Directors

Neil W. Baker*
Toronto, Ontario
Chairman, Gordon Investment Corporation

Jack L. Cockwell
Toronto, Ontario
Executive Vice-President and Chief Operating Officer, Brascan Limited

Gilles M. Dionne†
Saint-Bruno, Quebec
Consulting Geologist

J. Trevor Eyton, O.C.†
Toronto, Ontario
President and Chief Executive Officer
Brascan Limited

A. William Farmilo
Pender Island, B.C.
Past Chairman of the Board

Norman R. Gish
Calgary, Alberta
President and Chief Executive Officer
North Canadian Oils Limited

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Chairman and Chief Executive Officer
Keewhit Investments Limited

Paul M. Marshall†
Toronto, Ontario
President and Chief Executive Officer

John A. McLallen*
Vancouver, B.C.
Private Investor

Douglas W. Miller†
Calgary, Alberta
Executive Vice-President and President, Petroleum Division

Gordon H. Montgomery†
Vancouver, B.C.
Consultant

Richard H. Ostrosser†
Calgary, Alberta
Executive Vice-President and President, Mining Division

Marcel J. Tremblay*
Calgary, Alberta
President and Chief Executive Officer, Enerplus Energy Services Ltd.

Donald D. Webster, FCA
Calgary, Alberta
Executive Vice-President
Finance & Administration

Harold M. Wright, C.C.†
Vancouver, B.C.
Chairman
Wright Engineers Ltd.

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

Company Officers and Senior Personnel

J. Trevor Eyton, O.C. — Chairman of the Board
Paul M. Marshall — President and Chief Executive Officer

Douglas W. Miller
Executive Vice-President and President
Petroleum Division

John B. Killick
Vice-President
Corporate Development

Richard H. Ostrosser
Executive Vice-President and President
Mining Division

Raymond O. Hampton
Corporate Secretary

Donald A. Repka
Assistant Corporate Secretary

Donald D. Webster, FCA
Executive Vice-President
Finance and Administration

Ross A. Mitchell
Treasurer

H. William Verveda
Corporate Controller

Principal Officers — Petroleum Division

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President

Cameron G. Troyer
Vice-President, Production

Wayne K. Watmough
Vice-President, Heavy Oil

Ronald R. Talbot
Vice-President, Exploration

Principal Officers — Mining Division

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President

George W. Flumerfelt
Vice-President, Operations

Bruce K. McKnight
Vice-President
Business Development

Dr. Arthur E. Soregaroli
Vice-President, Exploration

Neil S. Seldon
Vice-President, Marketing

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