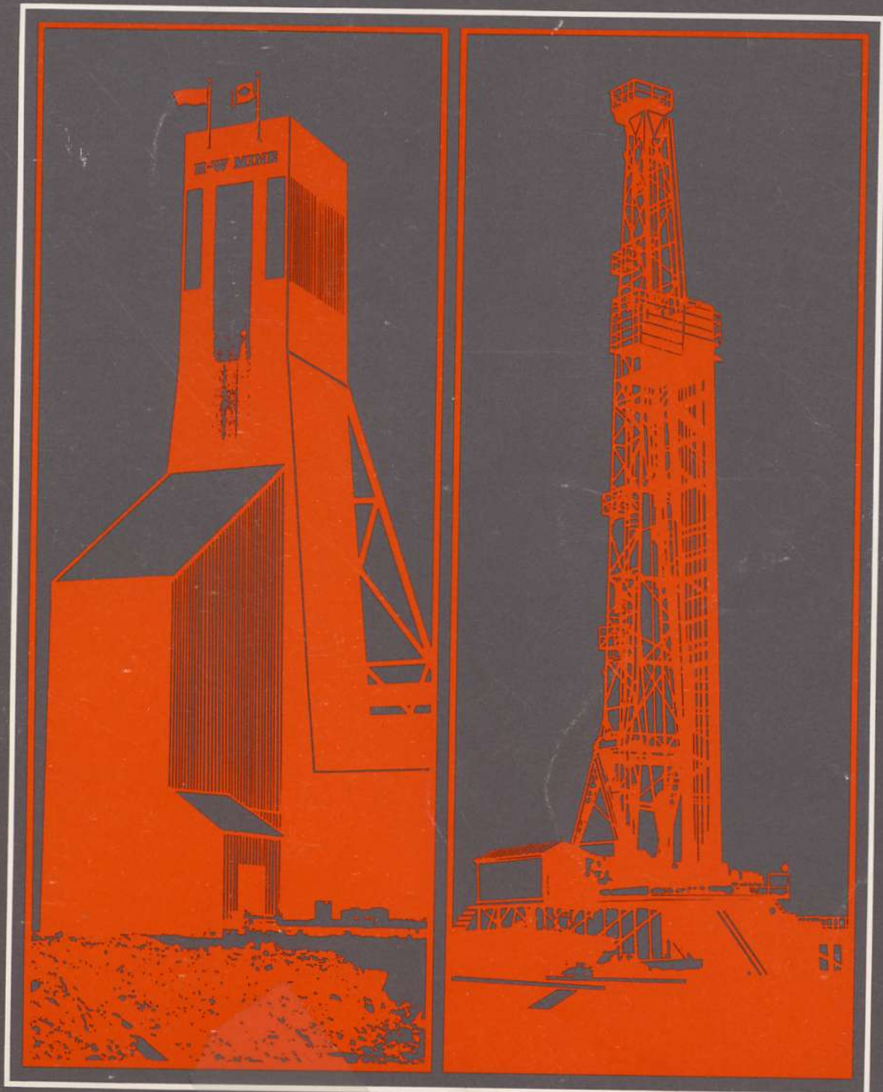
WESTMIN

WESTMIN RESOURCES LIMITED



1985 Annual Report

WESTMIN

Westmin Resources Limited
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Corporate Profile

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

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

Westmin's production of crude oil and natural gas liquids has set successive annual records over the past eight years. Acquisition of a 50 per cent interest in Sundance Oil Company's Alberta production, which became fully effective March 29, 1985, will contribute to continuation of this trend.

At Myra Falls, inland from Campbell River on Vancouver Island, the H-W mine/mill expansion was completed on schedule and a three-fold increase in production was achieved during the final quarter of 1985.

Coal royalty revenues increased again, with long-term growth tied to Crown royalty rates and the rate of inflation.

Barring extreme errosion in commodity prices, continued growth will result from the mine expansion and the acquisition of land and production in the Petroleum Division.

Follow-up programs on some of the more advanced mineral and hydrocarbon exploration projects are planned to assure that the trend continues.

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Annual General Meeting

The Annual General Meeting of Westmin Resources Limited will be held on Wednesday, April 23, 1986, 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)	28.169
Barrels (bbls) oil	Cubic metres (m^3)	0.159
Feet	Metres (m)	0.305
Miles	Kilometres (km)	1.609
Acres	Hectares (ha)	0.405
Tons	Tonnes	0.907

1.176

Estimated Westmin metal Prod. 20-yrs

Au	359,071 oz	x 500	$179.5 MM	
Ag	17,354,617 oz	x 7.22	125.3 MM	
Cu	173,370,620 #	x .86	149.1	✓
Pb	117,577,650 #	x .33	38.8	✓
Zn	861,405,880 #	x .60	516.8	✓
			1,069.5	

Au mt seeker	15 MM
Ag. " "	7 MM
Cu. " "	18 MM
	40 MM.

NSR 50%

= $500. MM

÷ 20

= $25 MM/yr

TONS. $\frac{20}{17}$ (1.176) x 5.44 MMT. = 6.4 MMT.

Ave Grades. $157.7 Say $150

Au	.056	28.0
Ag	2.70	19.5
Pb	0.92	6.1
Cu	1.35	23.2
Zn	6.72	80.6
		147.4

Western Mines – West Mine

began 1962 1000 TPd.
1984.

22 yrs. 8,000,000 T.

Say 7,000,000 T

To allow for down time

Reserves (Grade)	Cu	Pb	Zn	Ag	Au
66	2.38	1.11	10.8	2.85	.07
70	2.00	0.7	7.9	2.0	.06
74	1.3	0.9	7.3	2.2	.06
78	1.4	0.9	8.1	2.7	.08
80	1.1	1.0	8.0	3.4	.08
84	1.0	0.9	7.4	2.6	.06
reserve	1.4	1.0	9.0	2.5	.07
"Dept of Mines production" "prod"	1.4	.9	6.7	2.7	.06

No return Hardest reserves

Please hold for

A.F Reeve

— no charge

T.E. Kalnins
Victoria

27 GCNL #91,#218, 1976 RES
28 GCNL #39,#87, 1977 RES
29 GCNL #43, 1978 RES
30 GCNL #33, 1979 RES
31 GCNL #32, 1980 RES
32 N MINER MAR 2,MAY 4,1978
33 N MINER APR 23,MAY 21,NOV 12,26,1981
34 N MINER NOV 4, 1982
35 N MINER JAN 20,FEB 17,APR 7,21,AUG 11, 1983
36 N MINER APR 25,1974 RES
37 N MINER MAY 5,JUNE 2,1977 RES
38 N MINER MARCH 2,APRIL 20,1978 RES
39 N MINER FEB 15,1979 P.A21 RES
40 N MINER FEB 21,1980 P.2 RES
41 W MINER JUNE,DEC 1981
42 W MINER APR 1982
43 W MINER MARCH,MAY 1983
44 W MINER MAY 1977 P.62 RES
45 W MINER APRIL 1978 P.122 RES
46 W MINER MARCH,1979 P.46 RES
47 W MINER MARCH 1980 P.60 RES
48 MINING IN CANADA, MARCH 1967 P 16
49 PERSONAL COMMUNICATION, HAMPTON,R.O., DEC 16,1974 RES
50 CAN MINES HANDBOOK 1976-77 P 331 RES
51 CAN MINING JOURNAL MAG OCT 1981
52 BCDM EXPL IN BC 1979-133
53 N MINER OCT 20, 1983
54 GCNL #41, 1984
55 N MINER MARCH 29, MAY 31, 1984
56 W MINER APR 1984
57 GCNL #103, 1984
58 N MINER APR 23,1981 RES
59 N MINER MAY 21,1981 RES
60 W MINER JUNE 1981 RES
61 N MINER NOV 26,1981 RES
62 N MINER FEB 17, 1983 RES

Lynx, HW

Year	Tonnes mined	Au (g)	Ag (g)	Cu (kg)	Pb (kg)	Zn (kg)
1984	203 636	405154	19 011 347	1945 768	1 978 933	14056197
	223,999 t	13,027 g	611,297 g	4,280,690 lb	4,353,653 lb	30,923,633 lb

MINFILE E R

PUBLISHED PRODUCTION DATA

YEAR	TONNES MINED	TONNES MILLED	GOLD (G)	SILVER (G)	COPPER (KG)	LEAD (KG)	ZINC (KG)	MOLY (KG)	OTHER
1967	281,774	281,774	339,085	12,761,592	4,067,512	1,786,191	14,529,417	0	54,335(CD)
1968	299,572	299,572	448,256	16,214,212	5,328,617	2,405,076	23,962,070	0	92,048(CD)
1969	348,294	348,294	433,794	15,489,481	5,813,429	2,900,319	25,875,759	0	114,485(CD)
1970	344,262	351,057	366,860	12,182,081	6,352,510	2,236,001	21,020,956	0	90,101(CD)
1971	315,157	350,662	386,361	15,492,124	6,300,265	2,158,452	21,215,471	0	89,595(CD)
1972	344,189	344,189	378,679	16,366,896	6,721,354	2,223,933	17,239,950	0	67,580(CD)
1973	321,359	321,359	694,406	41,365,746	3,405,008	3,805,197	25,388,147	0	104,133(CD)
1974	308,823	269,696	792,660	35,815,384	3,932,623	2,719,464	21,482,459	0	85,947(CD)
1975	260,717	260,717	642,837	35,977,151	2,707,398	3,459,337	18,090,898	0	70,372(CD)
1976	269,293	269,293	695,494	40,435,642	2,953,251	3,586,262	18,987,531	0	72,800(CD)
1977	247,646	269,068	632,075	34,909,727	2,856,881	3,356,196	18,607,822	0	72,139(CD)
1978	269,033	269,033	628,094	36,150,053	3,294,888	2,768,914	18,003,921	0	71,704(CD)
1979	266,877	266,877	802,688	37,990,999	3,595,016	3,137,575	18,933,570	0	79,887(CD)
1980	278,244	0	444,126	20,453,988	1,880,630	1,568,857	17,918,936	0	76,262(CD)
1981	246,150	0	572,366	26,940,813	2,402,823	2,286,971	15,863,753	0	63,984(CD)
1982	287,584	0	656,781	33,364,451	2,677,011	2,409,516	17,923,645	0	75,528(CD)
1983	248,376	0	578,431	27,086,863	2,580,863	2,542,008	17,204,718	0	67,278(CD)
	COPPER CONCENTRATES 11969T; LEAD CONCENTRATES 5316T; ZINC CONCENTRATES 30654T								
TOTALS=	4,937,350	3,901,591	9,492,993	458,997,203	66,870,085	45,350,269	332,249,023	0	
IMPERIAL	5,442,520	4,300,700	305,211	14,757,328	147,424,072	99,980,751	732,487,539	0	
1984	224 000		13,027	611 297	4,280,690	4 353 653	30,923,633		

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1 BCDM MMAR 1918-268, 1919-220, 1920-207, 1922-241, 1923-254, 1927-349,
2 1928-378, 1929-384, 1930-301, 1952-211, 1961-103, 1962-107, 1963-105,
3 1964-157, 1965-234, 1966-77, 1967-77, 1968-105
4 BCDM GEM 1969-218, 1970-284, 1971-252, 1972-271, 1973-235, 1974-181
5 BCDM EXPL IN BC 1978-E130
6 BCDM ASS RPT 5164, 7090
7 BCDM MIN DEPOSIT LAND USE MAP RES
8 BCDM MINING IN BC 1975
9 BCDM PREL MAP
10 BCDM OPEN FILE
11 GSC SUM RPT 1930A-56
12 GSC MAP 196A, 1965-2
13 EMR MRO CORPFILE (WESTERN MINES LTD.)
14 EMR MIN RES BR FILE -PARAMOUNT (MYRA,CLAW) RES
15 EMR MIN RES BR FILE -LYNX (BUTTLE LAKE) RES
16 EMR RESERVES FILE (MYRA FALLS MINE) RES
17 EMR RESERVES FILE (LYNX MINE) RES
18 EMR RESERVES FILE (LYNX-BUTTLE LAKE) RES
19 EMR MIN BULL MR 166 RES
20 GCNL #88,#92,#144, 1979
21 GCNL #152, 1982
22 GCNL #101,#151,#153, 1983
23 GCNL #214, 1971 RES
24 GCNL FEB 7,1973 RES
25 GCNL #76, 1973 RES
26 GCNL #87, 1975 RES

METAL MINES

From Mining in B.C., vol. 1, Mine Production, 1975-1980, by M.S. Hedley, EMPR

LYNX, MYRA, HW, PRICE (Fig. M-2, NTS 92, No. 1)

Alberni, M.D. Lat. 49°34′ Long. 125°35′ (92F/12E)

The Lynx mine is on the north side of Myra Creek and the Myra mine is on the south side, 1.5 kilometres west of the south end of Buttle Lake. The HW mine is near the Myra, and the Price mine is on the west side of Thelwood Creek, 1 kilometre southwest of the south end of Buttle Lake. Myra Creek is 88 kilometres by road from Campbell River.

The combined property is an extensive one, with many Crown-granted and recorded mineral claims. It was owned by Western Mines Limited until April 1981, when the name was changed to Westmin Resources Limited, 1103 Three Bentall Centre, 595 Burrard Street, Vancouver V7X 1C4.

The four mines are separate operations, but all ore was treated at a single concentrator adjacent to the Lynx mine. The Lynx mine started production in 1967, the Myra mine in 1972, and the Price and HW were under development in 1980. The concentrator had a capacity of about 1 000 tonnes per day; a separate circuit treated higher grade ore from the Myra mine. Tailings not used as backfill in cut-and-fill stopes were discharged deep into Buttle Lake. Mine water was discharged into settling ponds. Copper, and lead, and zinc concentrates were trucked to a ship-loading facility at Campbell River and shipped to various buyers.

The ore deposits consist of massive sulphides, including pyrite, chalcopyrite, sphalerite, and galena, occurring in volcanic rocks of the Sicker Group, rocks believed to have formed in a submarine environment. The massive sulphides are closely associated with rhyolitic volcanic rocks.

The Lynx, Myra, and Price mines are within a single structural-stratigraphic zone 400 to 500 metres thick, which has been traced over a strike length of 6 000 metres. The HW mine, under development in 1981, is at a stratigraphic level 100 metres lower.

In the mine area, rocks ranging from massive volcanic rock to breccias, tuffs, and clastic sediments have been affected by dynamothermal metamorphism. The Lynx, Myra, and Price mines are segments of a zone of rhyolite, other volcanic rocks, and ore. Large amounts of sericitic, siliceous, and pyritic rock occur beneath the orebodies. Schistosity (which may be folded) is localized primarily in sericitic altered rocks associated with the ore zones. The history of the zone is complex, as it contains rocks ranging from flows and breccias to fine-grained tuffs, all of which have undergone a probably long period of deformation and alteration.

Production from the Lynx mine was first from an open pit, but was entirely from underground by the end of 1975. The mine was developed from a shaft, extending from the No. 10 to the No. 16 level, and most ore was mined by cut-and-fill stoping. Mill tailings were used as backfill.

The Myra mine was developed by a decline driven from the portal at No. 11 level to No. 13 level. The workings were trackless and stoping was almost entirely by cut-and-fill, using mill tailings as backfill. Ore was stockpiled as normal or higher grade, and was trucked to the concentrator. Ventilation was by air drawn through an adit in the Price mine.

Complete statistics are not available, so it is not possible to give the tonnage from each mine for each year, but those tonnages were comparable in 1975 and 1977. In 1979, tonnage from the Lynx was more than twice that from the Myra.

The Price mine is a long-known mineral deposit that was developed as understanding of the geology was gained from the Lynx and Myra operations. It was partly developed in 1976 and 1977, was idle in 1978, and development resumed in 1979. The road from the Price No. 13 level was extended to the No. 9 level portal, which adit level was driven 448 metres; also, the road was extended to the portal of the Price No. 5 level. In 1980 the No. 5 level was driven 485 metres and No. 4 adit was driven 215 metres before work stopped for the winter.

The HW mine, 100 metres stratigraphically below the Myra ore zone, was discovered by a surface drill hole at a depth of 430 metres below Myra Creek valley. A shaft was collared and sunk 12 metres by the end of 1980. According to company sources, substantial reserves were indicated.

The camp, situated near the Lynx mine, was closed at the end of 1979 except for key operating and mill personnel. A number of the work force had for some years commuted from Campbell River, and, after the company purchased three buses in 1979, all hourly rated employees commuted from Campbell River and Courtenay each day.

References: *Minister of Mines, B.C.*, Ann. Rept., 1964, pp. 157–166; *CIM*, Bull., Dec. 1980, pp. 71–90; MI 92F-71, 72, 73.

Lynx and Myra Production

Year	Ore Produced tonnes	Products Shipped	Gross Metal Content					
			Gold g	Silver g	Copper kg	Lead kg	Zinc kg	Cadmium kg
1975	260 717	Copper concentrates, 7 862 t; lead concentrates 6 767 t; zinc concentrates, 30 597 t	642 837	35 977 151	2 707 398	3 468 337	18 090 598	70 372
1976	262 293	Copper concentrates, 8 830 t; lead concentrates, 7 093 t; zinc concentrates, 31 663 t	695 494	40 435 642	2 953 261	3 586 262	18 987 531	72 600
1977	269 068	Copper concentrates, 8 670 t; lead concentrates, 5 486 t; zinc concentrates, 31 247 t	632 075	34 909 727	2 858 881	3 386 196	18 807 822	72 139
1978	269 033	Copper concentrates, 11 485 t; lead concentrates, 6 453 t; zinc concentrates, 32 400 t	628 094	36 150 053	3 294 866	2 768 914	18 003 921	71 704
1979	295 877	Copper concentrates, 12 284 t; lead concentrates, 7 176 t; zinc concentrates, 34 069 t	802 686	37 890 999	3 596 018	3 157 575	18 933 570	79 867
1980	278 244	Copper concentrates, 6 997 t; lead concentrates 3 736 t; zinc concentrates, 32 842 t	444 126	20 453 988	1 880 [illegible]	1 [illegible] 567	17 918 936	78 262

1986 Projection

645,590 / 1000,000 × 27.5 MM = $42.5MM.

$ 27,588,000 / 645,590 = $ 42.73 net per Ton

op cost = $73.85/Ton

Corporate Highlights

Financial Highlights
($000's except per share data)

	1985	1984
Gross Revenue	$169,783	$133,378
— oil and gas	131,669	97,736
— mining	27,588	23,032
— investment and other income	10,526	12,610
Cash Flow	80,007	66,873
Net Earnings	30,452	33,871
Net Earnings per share	.40	.47
Working Capital	87,583	114,935
Long Term Debt	339,707	140,000
Capital Expenditures	288,968	145,038
— oil and gas	186,538	49,100
— mining	101,930	95,607
Total Assets	919,911	671,577
Shareholders' Equity	398,752	387,732
Common Shares Outstanding	38,520,428	38,033,515

Operating Highlights

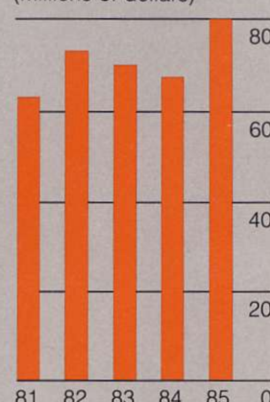
	1985	1984
Gross Production*		
Crude Oil — bbls	2,354,250	1,633,100
— bbls/d	6,450	4,462
Natural Gas — mmcf	20,944	16,285
— mmcf/d	57	44
Minerals — tons	645,590	224,470
— average daily tons	1,783	905
Gross Reserves*		
Crude Oil — bbls		
— proven	21,076,000	12,836,000
— probable	79,157,000	77,291,000
— total	100,233,000	90,127,000
Natural Gas — mmcf		
— proven	530,339	402,622
— probable	100,335	93,384
— total	630,674	496,006
Minerals — tons (Myra Falls operations)		
— proven and probable	13,170,841	9,525,463
— possible	3,265,043	6,812,868
— total	16,435,884	16,338,331
Land Holdings		
Gross acres	8,278,000	8,595,000
Net acres	2,710,000	2,611,000

*Figures include Sundance oil and gas operations for last three quarters of 1985 and start-up of H-W mine/mill complex.

Revenue
(Millions of dollars)

Net Earnings
(Millions of dollars)

Cash Flow
(Millions of dollars)



To The Shareholders

While earnings were less than satisfactory, 1985 was a year of solid accomplishment. Total revenues, cash flow and capital expenditures were at record levels. In a period when world prices for both metals and petroleum products deteriorated badly, new facilities have been put in place in both Divisions. As a result, the company is in a position to benefit to the maximum extent when commodity prices return to more reasonable levels.

In the Petroleum Division, acquisition of the Sundance Oil Co. assets, which was finalized at the end of the first quarter, adds significantly to production and reserves.

On September 19, 1985 Westmin celebrated the official opening of the Myra Falls mine/mill expansion. By the end of the year the new mill was running consistently at or above its 3,000 tons per day rated capacity . . . a threefold increase over the old plant. It should be noted that the initial period included the treatment of lower grades of new and stockpiled development ore and therefore metal recoveries were not indicative of the expanded complex's true potential. By year end, most of this ore had been processed and fine tuning brought the mill to near optimum levels of operation.

In 1985, total Westmin revenues reached a record $169,783,000 compared with $133,378,000 the year before . . . chiefly due to sharply higher heavy oil sales and inclusion of Sundance oil and gas production. However, earnings were adversely affected by lower metal prices, higher depreciation, depletion, income and resource tax charges and lower returns on short-term investments.

Net earnings amounted to $30,452,000 versus $33,871,000 the previous year. After provision for dividends on the Class A and B preferred shares, net earnings per common share amounted to 40 cents versus 47 cents.

As noted above, cash flow rose to a record $80,007,000 from $66,873,000 in 1984, while capital expenditures almost doubled to $288,968,000 from $145,038,000 the previous year. The latest figures include the final expenditures for the H-W mine/mill expansion and completion of the Sundance acquisition which was originally scheduled for the latter part of 1984. Approximately $300 million in non-recourse financing, relative to both major developments, has been negotiated. Westmin still maintains a healthy working capital position of $87,583,000 as of the year end, compared to $114,935,000 a year earlier. Virtually all of the funds are in the form of cash or short-term investments.

Petroleum Division

Once again, the Petroleum Division achieved a record operating profit with a 9.5 per cent increase to $55,363,000. This was mainly due to a 1,988 barrels per day (45 per cent) increase in crude oil and natural gas liquids production to 6,450 bopd and an increase of approximately 13 million cubic feet per day (30 per cent) in natural gas sales.

These increases resulted from sharply higher Lindbergh area heavy oil production and inclusion of production from the Sundance acquisition properties.

On average, product prices held up remarkably well, obscuring the year-end slide which accelerated into the first quarter of 1986. Crude prices averaged $31.49 per barrel, only 13 cents below the 1984 figure while natural gas sales averaged $2.75 per mcf, eight cents less than the year before.

Lindbergh and area low gravity oil production rose by 34 per cent during the year. Despite the sharp decline in product prices early in 1986, it is anticipated that Lindbergh area production will continue to rise as a result of the 72-well infill drilling program announced in October. These wells are proving to be significantly more productive than expected. The economies of operating at relatively shallow depths on mineral title acreage are also advantageous.

However, the scope and extent of the steam stimulation program on sections 13 and 15 is continuously being re-evaluated in light of prevailing crude oil prices.

Westmin has been successful in negotiating new spot market contracts for its natural gas. As a consequence, the company is actively pursuing additional reserves to supply these new-found markets. It is anticipated that these sales will largely offset lower prevailing natural gas prices.

Mining Division

The past year was a trying period for Westmin's mining operations, as metal prices remained near their lowest levels of the current decade. However, it was also a period of guarded optimism as fundamental factors, such as inventories and demand, pointed towards eventual improvement.

Meanwhile the expansion, which began with discovery of the rich H-W orebody in late 1979, finally became a reality with the new mine fully integrated with the new mill and currently operating above the 3,000 tons per day rated capacity.

Recovery rates in the mill have achieved planned objectives and adjustments are continuing to maximize efficiency.

Underground, ore grades are proving to be better than indicated by earlier diamond drilling.

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

Royalty revenues from Westmin's coal and industrial mineral leases rose again to $5.9 million.

Outlook

With recent major projects in both divisions now complete, Westmin is looking forward to a period of consolidation and growth emanating from these and earlier developments. We anticipate that increased production from Westmin's new and expanded, highly-efficient facilities, will significantly reduce the company's unit costs of production in the future.

Commodity prices will be the key element in gauging Westmin's performance in 1986 and beyond. There is a growing oonsensus that metal prices may have finally entered their long-awaited recovery phase. Even moderately higher prices, combined with the H-W's economies of scale and modern technology, would have a significant effect on operating profit and cash flow from the Mining Division.

Future price structures in oil and gas are even more difficult to track . . . both as to extent and duration. However, management has prepared contingency plans for a broad range of scenarios in order to optimize profitability and the utilization of resources. We foresee increased sales from the Sundance properties and the Lindbergh heavy oil area. The $22.5 million 72-well accelerated development program, announced for Lindbergh last October, is bringing on some highly-productive, low-cost wells which should keep crude oil output on an upward curve throughout 1986.

People

In December, Westmin restructured its management team with the appointment of Donald Webster as Executive Vice-President, Finance and Administration and Richard Ostrosser as Executive Vice-President and President of Westmin's Mining Division. Douglas Miller, an Executive Vice-President of the Company, was appointed to the additional post of President, Westmin Petroleum Division. The three appointees have been with the Westmin organization since the early 1970's.

Together with the President and Chief Executive Officer, the new appointees will constitute the "Office of the President" located at the Head Office of the Company in Calgary. This corporate restructuring reflects the continued growth of Westmin and the diversity of its operations.

During the year, two directors left the Board, with John Walton moving on to become President of a major Canadian resource company while André Saumier was appointed President of The Montreal Exchange. We wish them both much success in their new endeavours and extend our appreciation of their contributions to the Company during their tenure.

At the Annual Meeting of the Company it will be proposed that the Board of Directors be increased by two. The Board woufd like to welcome Norman Gish, Richard Ostrosser, Marcel Tremblay and Donald Webster, who will be standing for election at the Meeting to replace Messrs. Saumier and Walton and to fill the two new positions.

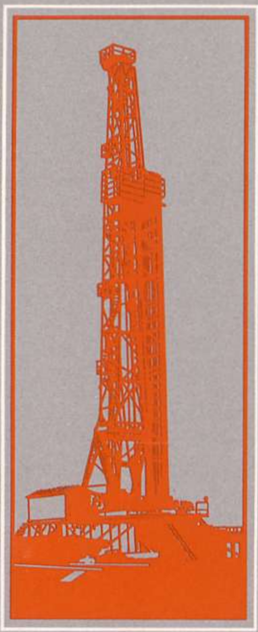
The Board also wishes to express its sincere appreciation to all Westmin employees for their dedicated efforts during this year of transition. Senior management deserves special recognition for taking on many of the President's responsibilities while the incumbent served as President of the Canada Development Investment Corporation.

On behalf of the Directors . . .

Paul M. Marshall
President and Chief Executive Officer

February 25, 1986

Petroleum Division



Once again, the Petroleum Division generated record revenues, cash flow and operating profit. Total revenues and cash flow each increased by 35 per cent to $131,669,000 and $85,487,000 respectively, while operating profit was up approximately 10 per cent to $55,363,000.

Westmin was the 14th most active operator in Alberta during 1985. The Company participated in the drilling of 181 wells resulting in 110 oil wells, 33 gas wells and 38 dry holes for a 79 per cent success ratio. In addition, Westmin retains a royalty interest in eight oil wells and three gas wells drilled on its properties by others.

In order to more effectively participate in deregulated markets under the Western Accord, Westmin became a founding partner in Canpet Marketing Ltd. Virtually all of Westmin's light and medium crude and natural gas liquids are now sold via this association of 10 small-to-medium sized companies.

Production

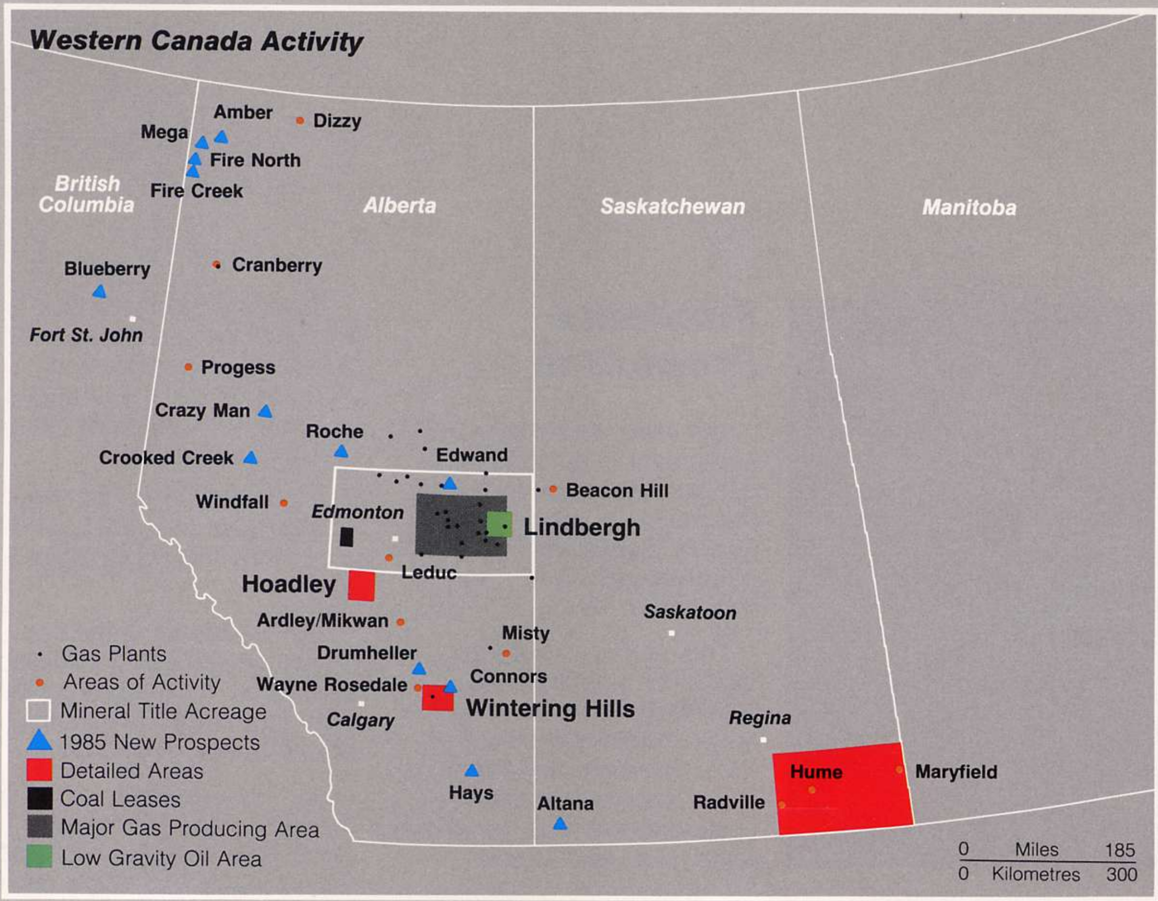
Sales of crude oil and natural gas liquids increased 45 per cent in 1985 to an average of 6,450 barrels per day from a 1984 average of 4,462 bopd. This large increment was mainly due to the 34 per cent rise in Lindbergh areas low gravity oil production and the inclusion of production from the Sundance acquisition properties for the final three quarters of the year. Other major areas of crude oil and natural gas liquids production included Cranberry (Chinchaga), Wayne-Rosedale and Leduc in Alberta, and Neptune in Saskatchewan.

Gross revenues from crude production amounted to $74,141,000, almost 44 per cent above the previous year's total of $51,635,000. The average price received per barrel of oil declined by 13 cents to $31.49.

Sales of natural gas during 1985 averaged 57 million cubic feet per day, a 30 per cent increase over the previous year's 44 mmcf/day rate, with the Sundance acquisition making the big difference. With the 1985 average sales price at $2.75 per mcf, versus $2.83 the year before, gross revenues amounted to $57,528,000, a 25 per cent increase over the previous years $46,101,000.

Westmin has been very successful in finding new markets beyond the existing major contracts with Northwestern Utilities, Pan-Alberta Gas and TransCanada Pipelines.

One of several rigs working on Lindbergh infill program.



As of the year-end 41 per cent of the Company's gas was dedicated and on production while another 27 per cent was dedicated but shut in, leaving only 32 per cent in the undedicated category.

Major gas production emanates from Westmin's central Alberta Hairy Hill, and Myrnam fields, Cranberry (Chinchaga) in the northwest and very significant contributions from Wintering Hills and Hoadley, which were acquired in the Sundance deal. In Saskatchewan, Beacon Hill remains the major source of natural gas sales.

Production and Income*

		Year Ended December 31		
		1985	1984	1983
Crude oil and natural gas liquids				
Per year	bbls	2,354,250	1,633,100	1,227,130
Daily average	bbls	6,450	4,462	3,362
Natural Gas				
Per year	mmcf	20,944	16,285	16,036
Daily average	mmcf	57	44	44
Gross Revenue ($000's)				
Natural Gas		$ 57,528	$ 46,101	$ 46,480
Crude Oil and Gas Liquids		74,141	51,635	36,949
Total		$ 131,669	$ 97,736	$ 83,429

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

Drilling Activity — 1985

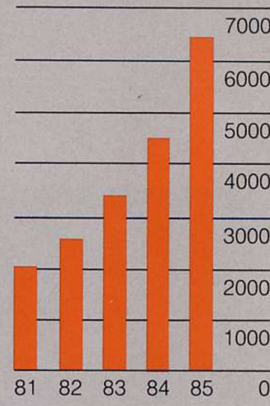
Working Interest	Gas	Oil	Dry	Gross	Net
Exploratory	15	13	31	59	38
Development	18	97	7	122	94
Total	33	110	38	181	132
Royalty Interest (1)	3	8	11	22	*

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

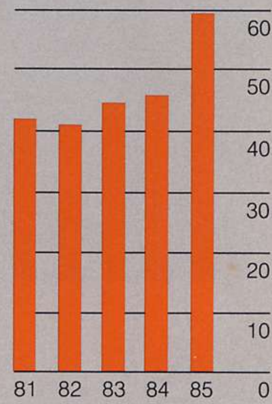
* Variable, depending on contractual arrangements.

Production

Crude Oil and Natural Gas Liquids
(Average BOPD)

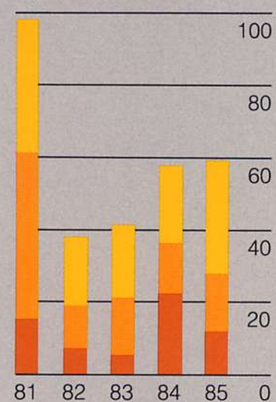


Natural Gas
(Average MMCF/D)

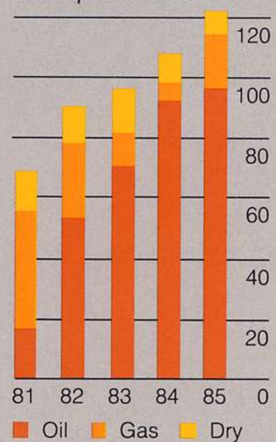


Drilling Activity

(Gross working interest wells)
Exploration Wells



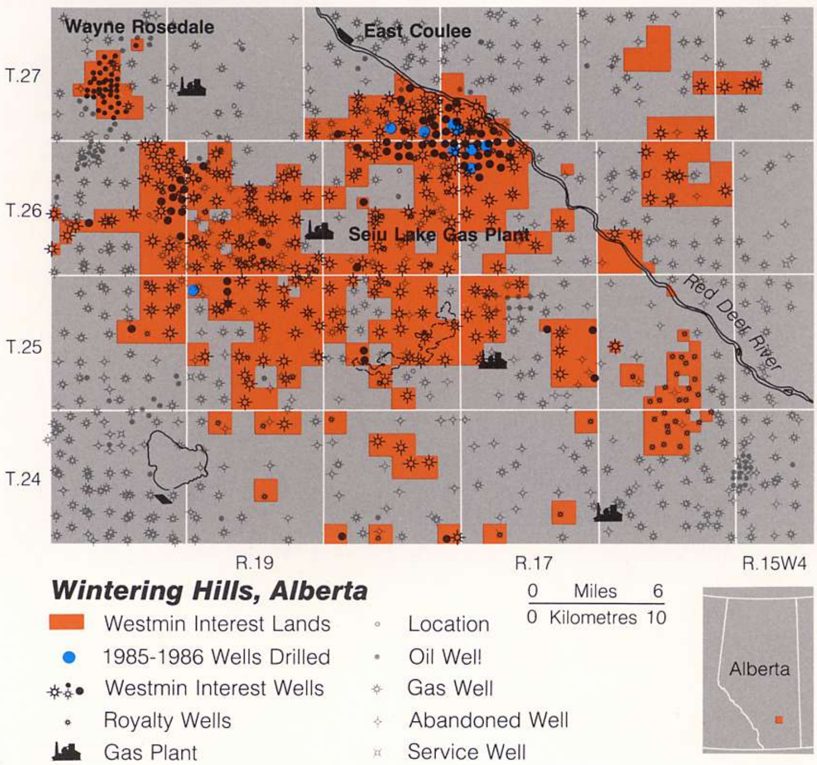
Development Wells



Sundance Properties

The initial September, 1984 agreement to purchase a 50 per cent interest in the Sundance Oil Co. properties from Société Québécoise d'initiative pétrolières (SOQUIP) was finalized on March 29, 1985.

This period of detailed evaluation was followed up by several months of assimilation and consolidation with Westmin's operations and personnel. The Company became the operator of the major properties during July and August.



Production from the Sundance properties averaged 971 barrels of oil per day and 14.1 million cubic feet of gas per day during the last three quarters of the year.

The averages for the final quarter rose to 1,587 bopd and 18.25 mmcf/day respectively.

More than half of the Sundance oil and gas production came from the **Wintering Hills** area located approximately 60 miles east of Calgary.

As noted last year, much of the Wintering Hills acreage remains to be fully developed. The oil pools and single well oil discoveries have not yet been delineated and as a result have potential for extension through further drilling. Another major attraction is the potential for infill drilling on closer spacing and possibly eventual waterflood in oil pools not being efficiently drained by the existing widely spaced wells.

A multiwell production acceleration program commenced in late 1985 with highly encouraging results. Of nine wells drilled to mid-February 1986, seven have been cased for oil potential while two wells have been cased for deliverability to the TransCanada Pipelines gas contract. An application for reduced spacing has been submitted to the Energy Resources Conservation Board, which, when approved, could lead to the drilling of up to 15 additional infill oil locations in 1986. Westmin has a 50 per cent working interest in the drilled and proposed oil locations and interests ranging from 20 to 50 per cent in the gas prospects.

The Wintering Hills properties contain seven horizons prospective for gas production and four for oil production.

The second major Sundance producing area is **Hoadley,** located 50 miles southwest of Edmonton.

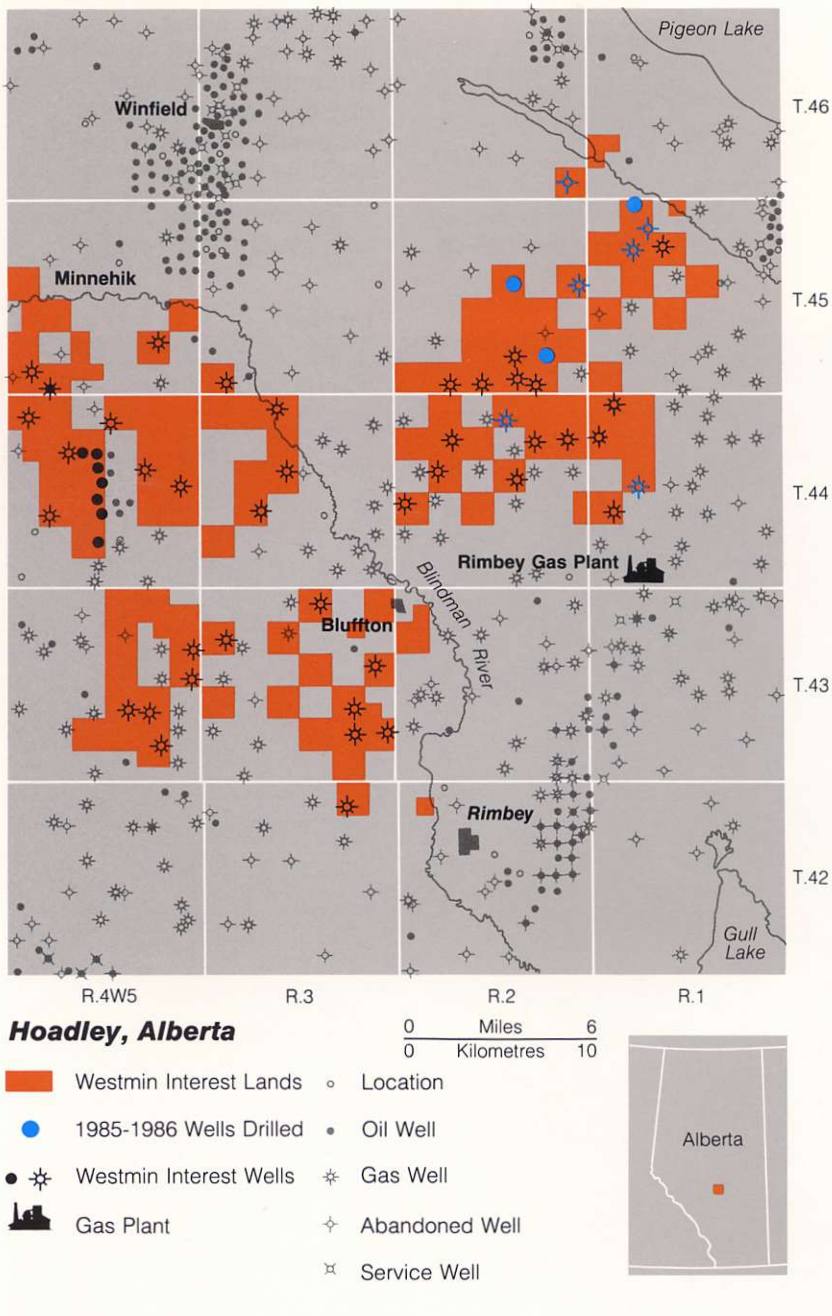
The prolific gas and liquids-bearing Glauconitic Sand is the primary target in the area. As an example, the original Sundance discovery well tested 26 mmcf/d and 1,500 barrels per day of natural gas liquids from 80 feet of pay.

Since Westmin's acquisition of this property, six development wells have been drilled to further exploit the area's considerable potential. Four of the wells encountered gas-bearing horizons on acreage dedicated to the Progas contract. The drilling of four additional wells is anticipated in 1986. Westmin's interest in producing wells and prospective lands averages approximately 25 per cent.

Wayne-Rosedale

During 1985 Westmin's share of production from the Wayne-Rosedale field averaged 188 barrels per day of oil and natural gas liquids and 420 mcf/day of solution gas.

Six infill wells were drilled during 1985 as part of the phase-one infill program. The remaining twelve wells are scheduled to be drilled in 1986. Regulatory approval for the proposed waterflood scheme was received late in 1985. As a result of the foregoing, unitization proceedings were initiated near year-end.



Lindbergh

The Lindbergh area continues to be a major factor in Westmin's Petroleum Division growth, as production increased 34 per cent to account for approximately one-half of total crude output. Production from Lindbergh area wells averaged 3,446 barrels per day during the year and increased steadily to 3,673 bopd for the final quarter.

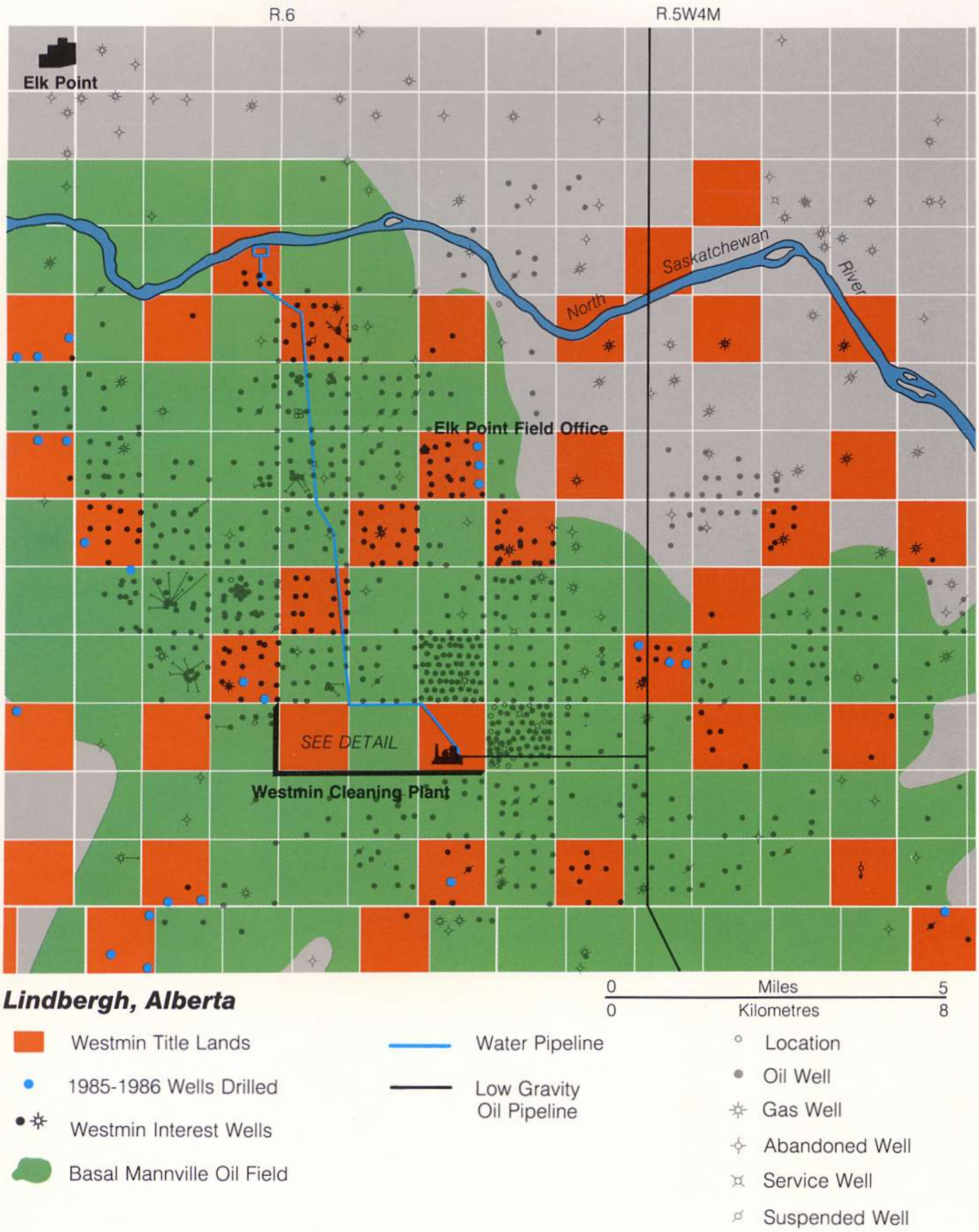
This trend should continue, as a result of the original 1985 42-well development program and the $22.5 million 72-well accelerated infill development program initiated during the final quarter of the year. The latter development was launched in order to qualify for Petroleum Incentive Program (PIP) payments before expiry on March 31, 1986. All of the above wells have been drilled, bringing the total wells capable of production in the Lindbergh area to approximately 350, as of the end of the first quarter of 1986.

It is estimated that the accelerated program itself will add approximately 2,500 bopd to Westmin's 1986 production and four million barrels to proven reserves.

Westmin holds 75 sections (square miles) in the general Lindbergh area. Independent consultants have estimated that there are approximately 1.4 billion barrels of oil in place underlying 34 of these sections.

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.

Primary production can recover three-to-six per cent of the oil in place. However, Westmin has developed a wealth of experience in tertiary, steam stimulation techniques, which can increase recoveries to 15-30 per cent or more.



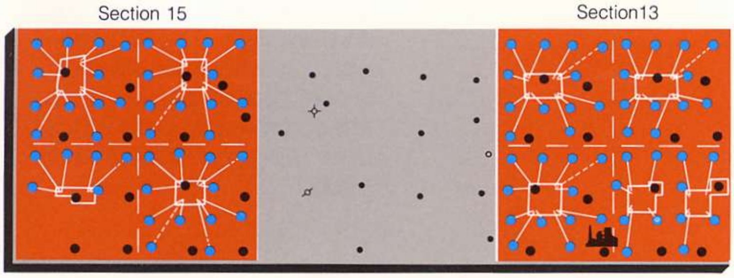
Lindbergh, Alberta

Much of the above activity centres around a more intensive development, on ten-acre spacing, of sections 13 and 15-55-6-W4 (see illustration). It all started two years ago with a pilot project on the southeast quarter of section 13 where 12 wells were directionally drilled from two central pads. Subsequently, the wells have been producing on primary to create voidage for a steam stimulation (huff and puff) program. That program was initiated towards the end of the first quarter of 1986, with production being pumped directly to the cleaning plant.

The infill program has been so successful that 10-acre spacing was expanded to the entire section and all of section 15, using only one pad per quarter. This means that much less farmland is tied up and there is less downtime since the rigs don't have to be moved as much. The northwest quarter of section 13 is to be used for an experimental steam flood program to eventually enhance recoveries.

Steam stimulation or "huff and puff" consists of injecting steam (huff) . . . a soaking period to allow the steam to spread into the formation and thin the oil . . . and production (puff) of the hot oil. Steam flooding means that steam is injected into central wells to reduce the viscosity of the oil and cause it to flow to adjacent production wells.

A big new 50 million BTU/hr steam generator has been delivered to the area but scheduling of enhanced recovery programs is yet to be finalized, since primary production from these new areas is being maintained at better than expected rates.



Truck delivering Lindbergh production to expanded cleaning plant.

The accelerated activity in the Lindbergh area necessitated the expansion of various related facilities. By the end of the first quarter of 1986, the capacity of the oil cleaning plant was doubled to 6,000 bopd. In addition, the capacity of the eight-mile, eight-inch water pipeline from the North Saskatchewan River has also been doubled to 34,000 barrels per day. This is significantly in excess of Westmin's immediate steam generating needs but the sale of water to other area operators will provide early payback on this project.

Exploration

During 1985, geological and geophysical evaluation brought certain existing exploratory prospects to the drilling stage, resulting in a number of potentially significant discoveries in Alberta and Southeastern Saskatchewan. In addition, several new plays were pursued and prospective acreage was successfully acquired, providing the company with a longer-term (four-to-nine year) high working interest position in areas having potential for major hydrocarbon accumulations.

Although Westmin has now focused more attention on consolidation and exploitation of existing properties (including those acquired from Sundance in early 1985) the company will, after careful scrutiny, continue to pursue positions in longer term hydrocarbon prospects as an additional facet to the lower risk, cash-flow-oriented program currently being emphasized.

Western Canada

In addition to highly successful multiwell programs aimed at the generation and acceleration of cash flow from the company's traditional gas and heavy oil producing areas in East-Central Alberta (111 shallow wells drilled in 1985 resulting in 85 potential oil wells, 17 potential gas wells and nine dry holes), encouraging results were encountered with the drilling of potentially significant oil discoveries in five distinct Alberta and Saskatchewan prospect areas.

Alberta

At **Ardley-Mikwan**, along the Central Alberta reef trend, encouraging production testing results, following a 1984 Westmin oil discovery, led the company to undertake a four-well program to evaluate comparable seismically-delineated hydrocarbon targets. Drilling in 1985 resulted in two potential oil wells, a triple-zone high deliverability gas well and a dry hole. A 20 mile seismic program is slated for 1986 in order to firm up additional prospect leads. Westmin has interests varying from 25 per cent to 50 per cent in the producing wells and 25 per cent to 100 per cent in undrilled prospective acreage along the reef trend.

On the **Peace River Arch** of Northwestern Alberta, Westmin and partners identified and successfully drilled a light oil prospect. The discovery well encountered high quality light oil in the Doe Creek formation and continues to produce steadily at commercial rates. Offsetting Crown acreage has been acquired since the discovery. Westmin has a 25 per cent interest in the producing well and interests ranging from $16^2/_3$ to $33^1/_3$ per cent in over 10,000 acres offsetting the discovery. Several development locations have been defined with additional drilling planned for mid-1986.

At **Dizzy Creek** in Northern Alberta, technical studies completed in 1985 have led to plans for the drilling of a wildcat well during the first quarter of 1986. Westmin will pay $33^1/_3$ per cent of well costs and will retain a $66^2/_3$ per cent interest (after payout) with two industry partners paying the balance on a farm-in basis. Westmin has interests of $66^2/_3$ to 100 per cent in 13,000 acres on trend with a significant 1984 discovery by Canterra which had flow rates of over 350 bopd.

At **Windfall**, another company has agreed to drill a deep exploratory well on Westmin 100 per cent acreage at no cost to Westmin in order to earn a 50 per cent interest in the well and certain offsetting acreage. The location, which is within six miles of recent prolific gas/condensate discoveries, commenced drilling in the first quarter of 1986.

Exploration for low cost, high deliverability gas reserves, with near-term marketability, continued at **Monitor/Misty** in South-Central Alberta. A four well drilling commitment (three gas wells, one dry hole) enabled Westmin to earn an interest in a large gas-prone acreage block offsetting two earlier Westmin discoveries. The construction of a gas plant and gathering system is in the planning stage, with additional drilling planned for 1986.

During 1985 the company acquired high working interest positions in twelve new prospects in Alberta with modest but successful bids on regionally prospective trend acreage. Additions to Westmin's prospect inventory include land at **Chin Coulee, Hays, Drumheller** and **Connors** in South Central Alberta, **Little Smoky, Crooked Creek** and **Roche** in Northern Alberta and **Amber** and **Fire Creek** in the northwestern part of the province.

Saskatchewan

Westmin continued with an aggressive exploration program in Saskatchewan in 1985 with significant seismic and drilling activity (participation in 31 wells) and numerous bids at Crown Land Sales. The next twelve months will see a more modest program, aimed at consolidation of existing properties.

In the gas-prone **Beacon Hill** area, eight gas wells were drilled in 1985, primarily to validate expiring acreage. Drilling in early 1986 resulted in four additional successes, considerably enlarging the boundaries of an extensive gas area which is felt to be the primary candidate for a second Beacon Hill gas contract. Westmin has interests ranging from 50 to 75 per cent in 230,000 acres and 29 gas wells in this prolific area.

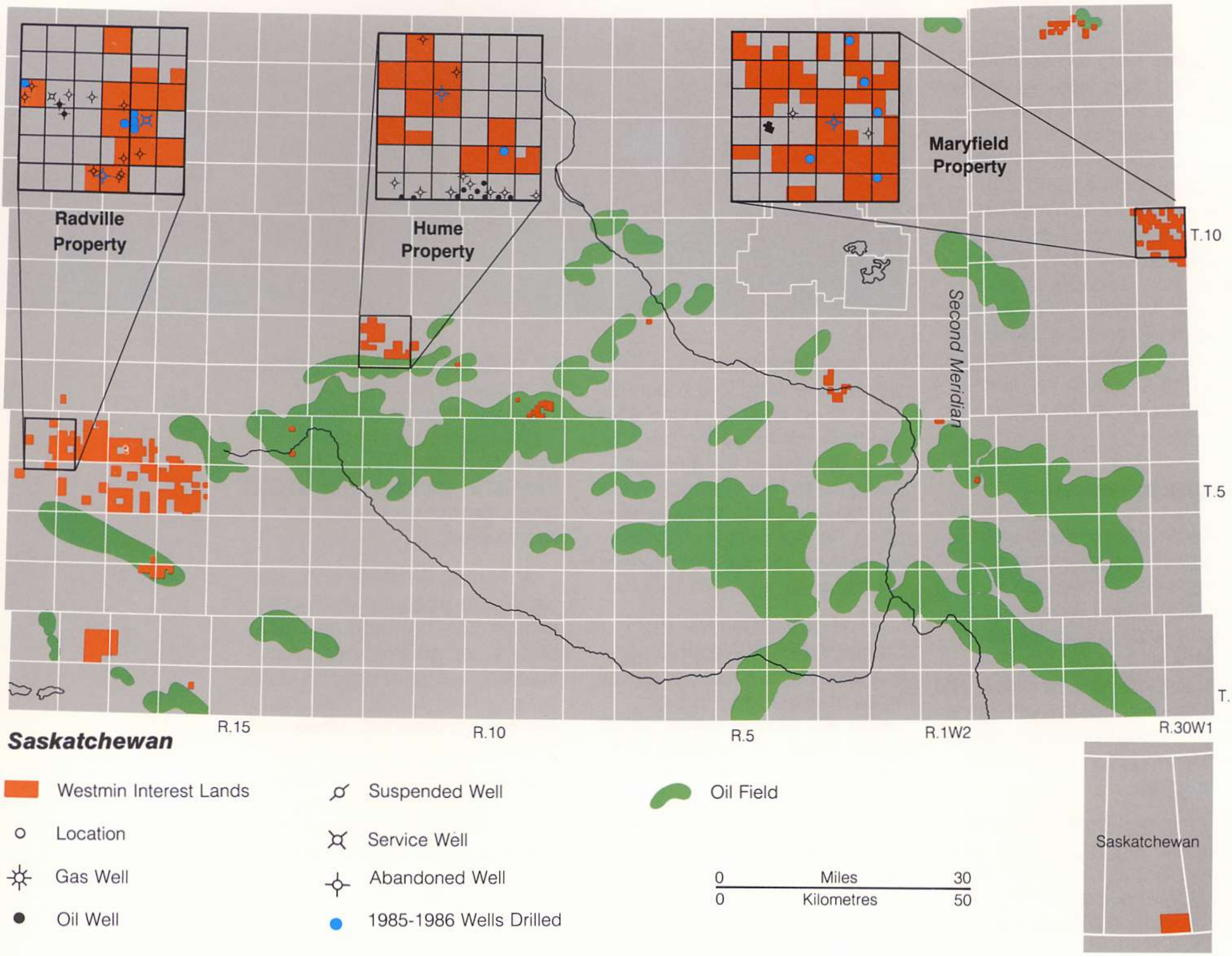
In oil-prone Southeastern Saskatchewan, Westmin participated in the drilling of eleven wells in three main project areas, resulting in seven potential oil wells. At **Radville,** a follow-up well to the 12-7-6-18 W2M discovery, continues to produce at stabilized rates of 125 bopd (Westmin 50 per cent). Two additional development wells have been cased for oil potential, while a saltwater disposal well has been drilled to reduce operating costs for producing wells. Westmin has a 50 per cent interest in approximately 30,000 gross permit and lease acres in this area.

At **Hume,** Westmin and partners have acquired additional prospective acreage and have undertaken seismic evaluation following an encouraging discovery in mid-1985. Results are still confidential. However, a three-well exploration and development program is proposed for 1986, with Westmin maintaining interests varying from 40 to 65 per cent.

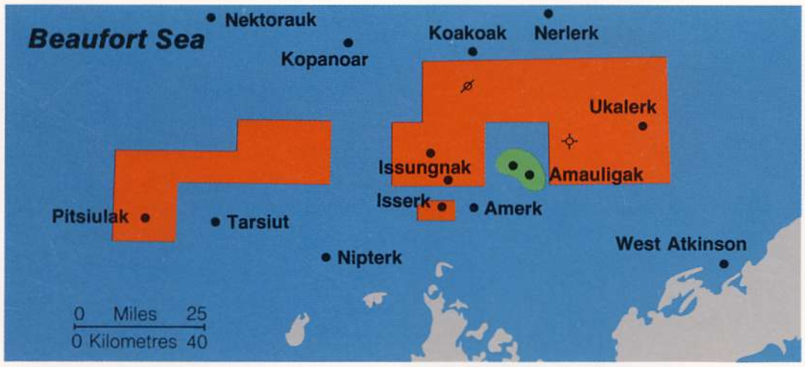
At **Maryfield,** along the Saskatchewan-Manitoba border, the drilling of three wells enabled Westmin to earn a 50 per cent interest in 4,800 acres. Two of the wells are cased awaiting production testing. In addition, another company drilled two potential oil discoveries on company-interest acreage at no cost to Westmin.

Successful bids at a late 1985 Crown Land Sale added another 4,100 acres (Westmin 50 per cent) to our existing position on this expanding Lodgepole oil prospect. Follow-up drilling is under review.

Successful bidding on a large acreage block at **Altana** in Southwestern Saskatchewan marked Westmin's entry into a new, longer-term gas play. The company acquired a 37½ per cent interest in 84,000 acres of gas-prone acreage in mid-1985. A reconnaissance seismic program has recently been completed, with drilling anticipated in late 1986 or early 1987.



Canada Lands



Interest Lands
Location
Discovery Areas
Dry and Abandoned
Oil Field

Beaufort Sea

In August, 1985 the exploratory Akpak P-35 well, drilled over two seasons on Westmin interest acreage, reached total depth of over 12,000 feet. The well, which was drilled at no cost to Westmin, was abandoned after encountering thick but water-bearing reservoir sands in the objective horizon. With the drilling of the well, the basic earning terms of the Gulf-operated Beaufort Sea Exploration Agreement area have been satisfied. Although Westmin does not anticipate 1986 expenditures on Frontier acreage, the company will continue to monitor development activity at the prolific Amauligak discovery area, located immediately to the west of Westmin-interest acreage.

Eagle Plains — Yukon

During 1985, the drilling of two wells on Westmin's southern acreage block resulted in a dry hole and a suspended well at North Parken and West Chance respectively. The two 6,000-foot tests were part of a farmout agreement which also entailed the shooting of 300 miles of seismic over Westmin's 600,000-acre block to the north. The entire drilling and seismic program was undertaken at no cost to the company. The farmout lands do not involve areas drilled by Westmin in prior years where proven and probable reserves of 1.5 million barrels of oil and 100 billion cubic feet of gas have been established in close proximity to the Dempster Highway and the planned extension of the Mackenzie Valley pipeline.

International

California

In the Sacramento Delta area of California, Westmin is participating at a 65 per cent interest in a natural gas exploration program. The first well in the program, Webb #1, was drilled and abandoned in 1985. However, results of seismic interpretation in conjunction with recent discoveries offsetting Westmin-interest leases have encouraged our Delta group to consider the drilling of up to three prospects in 1986. The project area is strategically located in an area of high gas demand and near-term marketability.

Abu Dhabi

During 1985 the second exploratory well drilled on the Abu Dhabi concession (Westmin 13 per cent) reached total depth and was abandoned. Al Taff #1, drilled on the western edge of the block, reached a depth of 12,856 feet but failed to encounter significant oil shows. In October, 1985 a second acreage relinquishment reduced the existing 1,500,000 acre concession by one-third to approximately one million acres. The revised concession boundaries, however, encompass all established leads, including a 13,000 foot prospect which may be drilled in 1987. The 1986 plan calls for only a modest concession maintenance program.

Abu Dhabi
Oil Field
Abandoned Well

Typical battery with pumper and storage tank.

Westmin Land

Westmin focused its 1985 land acquisition program on Alberta and Saskatchewan. During the year the company spent approximately $6.3 million at Crown Sales to acquire varying interests in about 211,000 acres. The Sundance acquisition added approximately 450,000 acres and an interest in an additional 35,000 acres of land was acquired through farmins from other companies. On the other hand, considerable lands were relinquished through normal expiries and selective surrenders.

The net effect was an approximate 10 per cent increase in leased and mineral title acreage and a slight decrease in other categories. This resulted in a four per cent decrease in total gross acreage and a similar increase in total net.

Most acquisitions were of an exploratory nature, with the view of obtaining a position in new prospective areas or of maintaining or increasing Westmin's position in areas in which the company was previously represented. As noted above, new acquisitions were almost exclusively in Alberta and Saskatchewan, with minor selective acquisitions in British Columbia and California.

Westmin continued its policy of farming out certain lands where economics precluded further expenditures.

We intend to remain competitive in 1986 but will tend to be more selective.

Land Holdings *(in Acres)*

(as of December 31, 1985)

	Leases and Mineral Title		Licences, Permits, Reservations, Concessions and Exploration Agreements		Total	
	Gross	Net	Gross	Net	Gross (1)	Net (2)
Alberta	2,282,114	915,619	285,233	119,600	2,567,347	1,035,219
British Columbia	380,831	49,411	—	—	380,831	49,411
Saskatchewan	318,953	180,166	139,713	72,640	458,666	252,806
Manitoba	12,504	6,207	—	—	12,504	6,207
Yukon Territory	—	—	1,303,603	1,032,637	1,303,603	1,032,637
Arctic Islands & Offshore (3)	—	—	217,013	—	217,013	—
Beaufort Sea	—	—	1,950,687	162,657	1,950,687	162,657
Labrador Offshore	—	—	381,894	30,707	381,894	30,707
United States	40,856	14,931	—	—	40,856	14,931
Abu Dhabi	—	—	964,500	125,385	964,500	125,385
Total: December 31, 1985	**3,035,258**	**1,166,334**	**5,242,643**	**1,543,626**	**8,277,901**	**2,709,960**
December 31, 1984	2,790,488	1,060,475	5,804,143	1,550,205	8,594,631	2,610,680

(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.

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

Reserves

Westmin's reserves of crude oil and natural gas rose significantly during 1985 but due to the freefall of oil prices during the first quarter of 1986, there is considerable difficulty in defining present values.

According to estimates prepared by McDaniel and Associates Consultants Ltd., and Sproule Associates Limited, Westmin's reserves of proven crude oil and natural gas liquids increased 15.3 per cent to 21.1 million barrels, while the combined total of 100.2 million barrels proven and probable is 11.2 per cent above year-ago levels.

All figures include reserves from the Sundance Oil Company property acquisition, which became official as of March 29, 1985.

Natural gas reserves showed a similar trend as proven reserves increased slightly to 530.3 billion cubic feet while proven and probable reserves rose 27 per cent to 631 bcf.

McDaniel places a present worth of $345,800,000 on Westmin's pre-Sundance reserves calculated on a before-tax, 15 per cent discount basis and using constant prices as of December 31, 1985. This compares with approximately $299,500,000 on the same basis last year.

Sproule Associates Limited has used its own price forecasts to value the Sundance reserves at $154,300,000 ($158,600,000 last year) on a pre-tax, 15 per cent discount basis.

Proven Reserves

The following table shows the status of Westmin's proven reserves from January 1, 1985 to January 1, 1986.

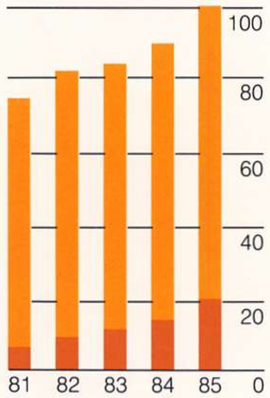
	Crude Oil and Natural Gas Liquids	Sales Gas
	Barrels (Millions)	Cubic Feet (Billions)
Reserves Status		
° January 1, 1985	18.3	526.0
° Additions — 1985	5.2	21.6
° Sales — 1985	2.4	17.3
Reserves Status		
° January 1, 1986	21.1	530.3

Proven & Probable Reserves

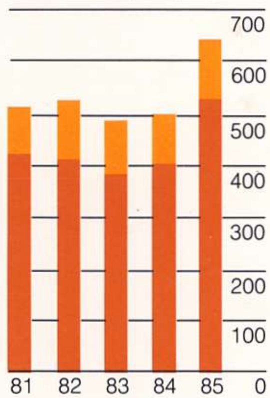
	Crude Oil and Natural Gas Liquids	Sales Gas
	Barrels (Millions)	Cubic Feet (Billions)
1985	**100.2**	**631**
1984	90.1	496
1983	83.9	492
1982	82.6	522
1981	74.5	501
1980	11.7	439
1979	11.7	384
1978	5.9	328
1977	4.1	325
1976	4.1	291

Reserves*

Crude Oil and Natural Gas Liquids (MMBBLS)



Natural Gas (BCF)



■ Proven ■ Probable

* Includes Sundance reserves.

Mining Division

With the official opening of the H-W mine/mill complex at Myra Falls on September 19, 1985, Westmin Resources marked the successful completion of a five-year expansion project, tripling production and creating 150 new jobs at the mine, with further spin-off opportunities in the Campbell River area. The event caps almost 20 years of achievement for the Myra Falls site. It has produced steadily since the Lynx and Myra Mines began operations in 1967, launching one of the most successful mines in Canada.

The multi-million dollar expansion at Myra Falls included the new 3,000 ton (2,700 tonnes) per day mill; development of the H-W orebody; a new headframe and hoistroom; a warehouse, shops and office complex; a mile long overland conveyor system to carry ore from the H-W mine to the new mill; surface tailings disposal and waste water treatment systems; an 8.5 megawatt hydroelectric plant on Thelwood Creek; a new Tennent Lake dam; an overall water and power supply system; and an upgrading of the deep-sea ship and barge-loading facilities at Tyee Spit in Campbell River.

Overlooking the Myra Falls complex with H-W headframe in foregoing and mile-long conveyor taking ore to the mill.

The highlight of the year at the Myra Falls, Vancouver Island minesite, was the commissioning of the new H-W mine and mill complex. Start-up of the new mill commenced in early May with all circuits fully operational by August. The official opening was September 19th and by year-end throughput was above rated capacity of 3,000 tons (2 700 tonnes) per day. Ore grades are proving to be well above initial expectations.

Despite generally favorable economic conditions, metal prices were still disappointing. However, completion of the H-W expansion, combined with introduction of more efficient mechanized bulk mining methods, a modern mill and equipment, and new terminal facilities, has sharply reduced unit costs. As a result, the complex is now a highly efficient, cost competitive operation, and should be profitable despite low metal prices. Any price improvements will result in exponential increases in profitability.

Production

Commissioning of the new H-W mill was the major factor in reaching record production levels at the Myra Falls minesite in 1985. Operation of the old concentrator was discontinued in May to coincide with start-up of the first circuit of the new H-W facility. With the new mill fully operational by August 1985, throughput for the year increased nearly twofold to 645,590 tons (585,670 tonnes).

Concentrate production also reflected the impact of the new mill, with zinc concentrate totalling 59,502 tons (53,979 tonnes), copper concentrate 36,423 tons (33,042) and lead concentrate 3,301 tons (2,995). With achievement of throughput above rated design capacity, efforts are now being directed towards on-going improvements in concentrate grades and recoveries.

Underground at HW: Scooptram transporting ore from draw point to orepass.

West Coast Activity

● Areas of Activity

Production

	1985		1984*	
Ore Milled				
— tons (tonnes)	645,590	(585,670)	224,470	(203,639)
Daily Average				
— tons (tonnes)	1,783	(1,618)	905	(821)
Source of ore (%)				
— Lynx	40		72	
— Myra	4		28	
— H-W	56		—	
Head Grades				
— Gold: oz/ton (g/tonne)..........	.06	(2.09)	.07	(2.26)
— Silver: oz/ton (g/tonne	1.73	(59.40)	3.08	(105.60)
— Copper (%)	1.64		1.02	
— Lead (%)	0.55		1.03	
— Zinc (%)	6.18		7.42	
Mill Recovery				
— Copper (%)	83.5		78.4	
— Lead (%)	32.6		77.9	
— Zinc (%)	79.4		84.2	
Concentrate Production:				
— Copper: tons (tonnes)	36,423	(33,042)	6,544	(5,937)
— Lead: tons (tonnes)	3,301	(2,995)	4,424	(4,013)
— Zinc: tons (tonnes)	59,502	(53,979)	26,122	(23,693)

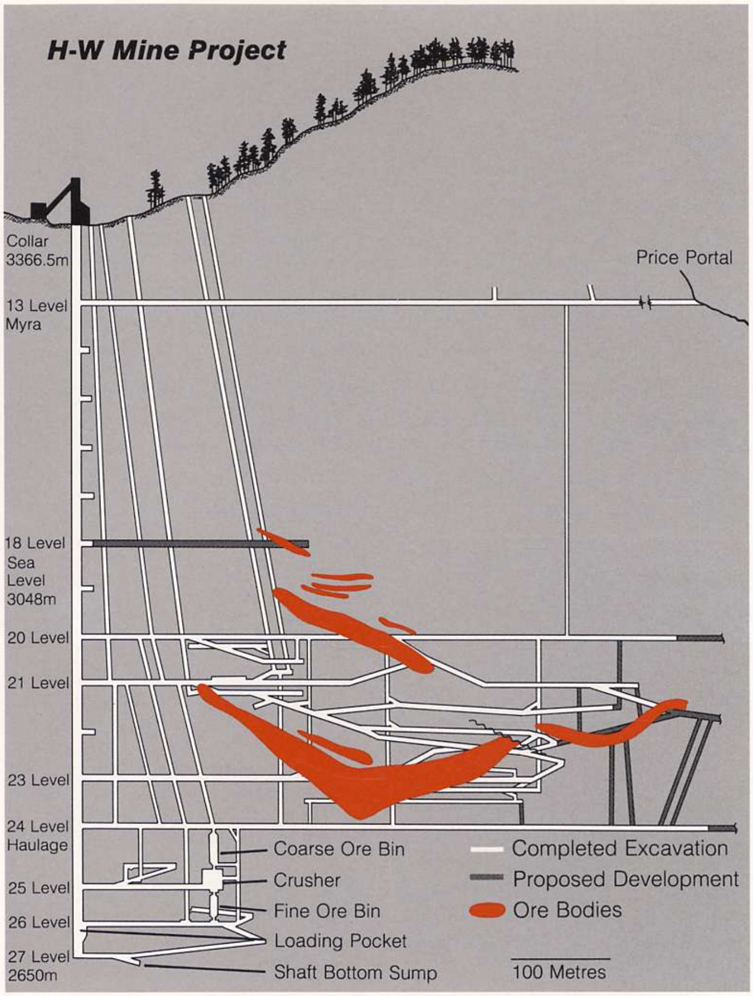
* Reflects effects of strike which eliminated production for entire first quarter.

H-W Mine Operations

The new H-W mine produced 360,313 tons (326,871 tonnes) of ore during the year. Approximately 67 per cent of the ore milled was lower than mine average grade development ore.

Company mining crews were phased into the operation in June and assumed total operating responsibility in November, upon completion of the development contract. The underground maintenance shop facilities and ventilation system were completed during the first quarter of 1986.

Now that the mine is in full operation, with substantial production from bulk mining methods, unit mining costs are expected to decrease from 1985 levels.



Myra-Lynx Mine Operations

The Myra-Lynx mines produced 285,277 tons (258,799 tonnes) of ore during 1985. At the Lynx mine, efforts continued toward the phasing in of mechanized bulk mining methods to replace the less efficient cut and fill stoping method. Upgrading of the ventilation system for the West "G" Zone and the 15 Level ore haulage system was completed during the year. Mining at the Myra mine was discontinued in October as ore reserves were depleted.

Myra Falls Exploration and Development

At the Lynx mine, emphasis continued on the West "G" Zone. Detailed drilling in this area resulted in the transfer of 143,962 tons (130,600 tonnes) of ore from the possible to the proven and probable classification. Exploration drilling on the east and west extensions of the zone added 135,033 tons (122,500) to the possible classification. Other areas of attention in 1985 were the "G" Zone crest structure and the Main East "G" Zone lenses.

An extensive ore definition diamond drill program was carried out at the H-W mine in 1985. The program resulted in the addition of 4,774,105 tons (4,331,000) of ore to the proven and probable category with 4,141,379 tons (3,757,000) of this reclassified from the possible category.

H-W mine proven and probable reserves now stand at 12,556,083 tons (11,390,700 tonnes) with another 2,954,081 tons (2,679,900) in the possible category for a total of 15,510,164 tons (14,070,600). This compares with a total of 15,232,000 tons (13,815,000 tonnes) of drill indicated geological reserves as of January 1, 1985.

Environment and Safety

Commissioning of a number of new environmental facilities took place in 1985. The on-land tailings disposal system established in 1984 was expanded to the second stage in June 1985. The system is performing well and has eliminated tailings deposition into Buttle Lake. The reclamation of treated water from the Lynx settling ponds for production purposes commenced in July and will result in a decrease in the volume of treated water released into Myra Creek. The new water management system continues to operate effectively and meets the requirements specified in government permits.

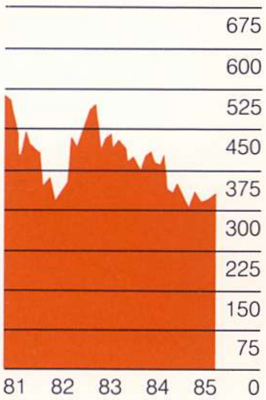
To insure a smooth transition to the larger and more complex operations now in place, the company continues to emphasize accident prevention within staff training programs. This was instrumental in maintaining Westmin's position as having the lowest level of lost time accidents per employee hours for underground mines in British Columbia.

Total reserves

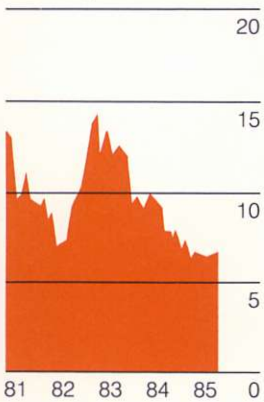
as of January 1, 1986:

	Proven and Probable Reserves	Grade				
		Gold	Silver	Coper	Lead	Zinc
	Tons (Tonnes)	oz/ton (g/tonnes)	oz/ton (g/tonnes)	% Cu	% Pb	% Zn
H-W Mine	12,556,083 (11,390,700)	.070 (2.40)	1.13 (38.74)	2.63	0.34	5.32
Lynx Mine	383,824 (348,200)	.071 (2.43)	2.09 (71.66)	1.02	0.84	7.51
Price Mine	230,934 (209,500)	.036 (1.23)	1.55 (53.14)	1.10	1.07	8.31
Total Proven and Probable	13,170,841 (11,948,400)	.069 (2.37)	1.16 (39.77)	2.56	0.37	5.44
	Possible Reserves					
H-W Mine	2,954,081 (2,679,900)	.078 (2.67)	1.23 (42.17)	1.66	0.29	6.34
Lynx Mine	310,962 (282,100)	.079 (2.71)	2.74 (93.94)	0.90	0.87	7.74
Total Possible	3,265,043 (2,962,000)	.078 (2.67)	1.37 (46.97)	1.59	0.34	6.47
Combined Total: Proven, Probable and Possible	16,435,884 (14,910,400)	.071 (2.43)	1.20 (41.20)	2.37	0.36	5.65

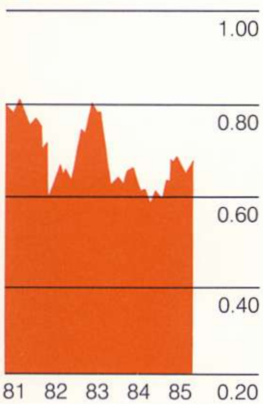
Gold (U.S. $/Troy oz.)
■ London p.m. fix



Silver (U.S. $/Troy oz.)
■ Handy & Harman



Copper (U.S. $/lb.)
■ L.M.E.



Marketing

Despite modest economic growth in major OECD countries, metal prices in U.S. dollars remained depressed in 1985. This was largely attributable to excess production capacity for most commodities, combined with generally weaker demand. However, demand for concentrates remained steady, with Westmin selling its full production in North America and Japan.

Gold and Silver

With attention focussed on financial markets, investment interest in gold and silver remained lacklustre in 1985, negating the small gains achieved in industrial demand. The average price of gold dropped to U.S.$317.27 per ounce in 1985 from U.S.$360.45 per ounce in 1984.

The average price of silver dropped 25 per cent, to U.S. $6.14 per ounce in 1985 from U.S.$8.14 in 1984. Following the year-end, some speculative interest returned to the markets. Gold prices reached an intra-day high of U.S.$376 per ounce on January 20th, with London silver rising to U.S.$6.26 per ounce on January 27th.

Copper

Following a record increase in 1984, copper consumption declined about 3.5 per cent to 7.3 million tonnes. Refined stocks declined an estimated 140,000 tonnes, with a large portion of the reduction occurring early in the year. With the exception of a brief increase to U.S. 70 cents per pound in April, prices remained relatively stable with the LME High Grade price averaging U.S. 64.9 cents per pound in 1985 versus U.S. 62.5 cents in 1984.

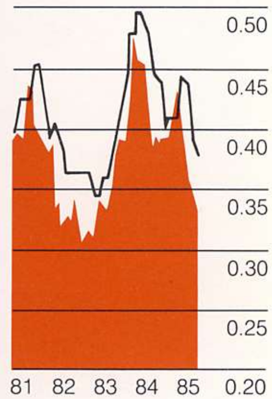
Zinc

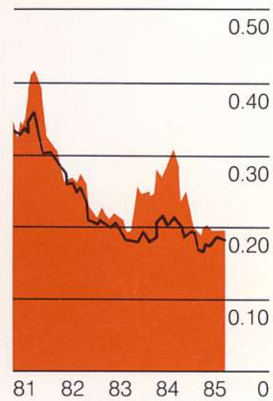
Characterized by weakening demand and a surplus of mine capacity, the zinc market deteriorated in 1985. The European Producer price which had risen to U.S. 44 cents per pound in April declined dramatically during the balance of the year to reach a low U.S. 30.4 cents in October. In an effort to correct the oversupply situation, several companies reduced production levels by extending vacation shut-downs. However, this was largely offset by increased production from several other mines. As a result, prices still remained weak at year-end.

Lead

Ample supply and decreasing consumption adversely affected prices in 1985. The U.S. Producer price and the LME price averaged U.S. 19.1 and 17.9 cents per pound, respectively. With lead from secondary sources accounting for about 40 per cent of total supplies, the upcoming EPA ruling in the United States may result in the closure of a number of secondary lead smelters, thus alleviating some of the excess capacity in the market.

Truck and trailer of concentrate leaving mill for tidewater shipping facilities at Campbell River.

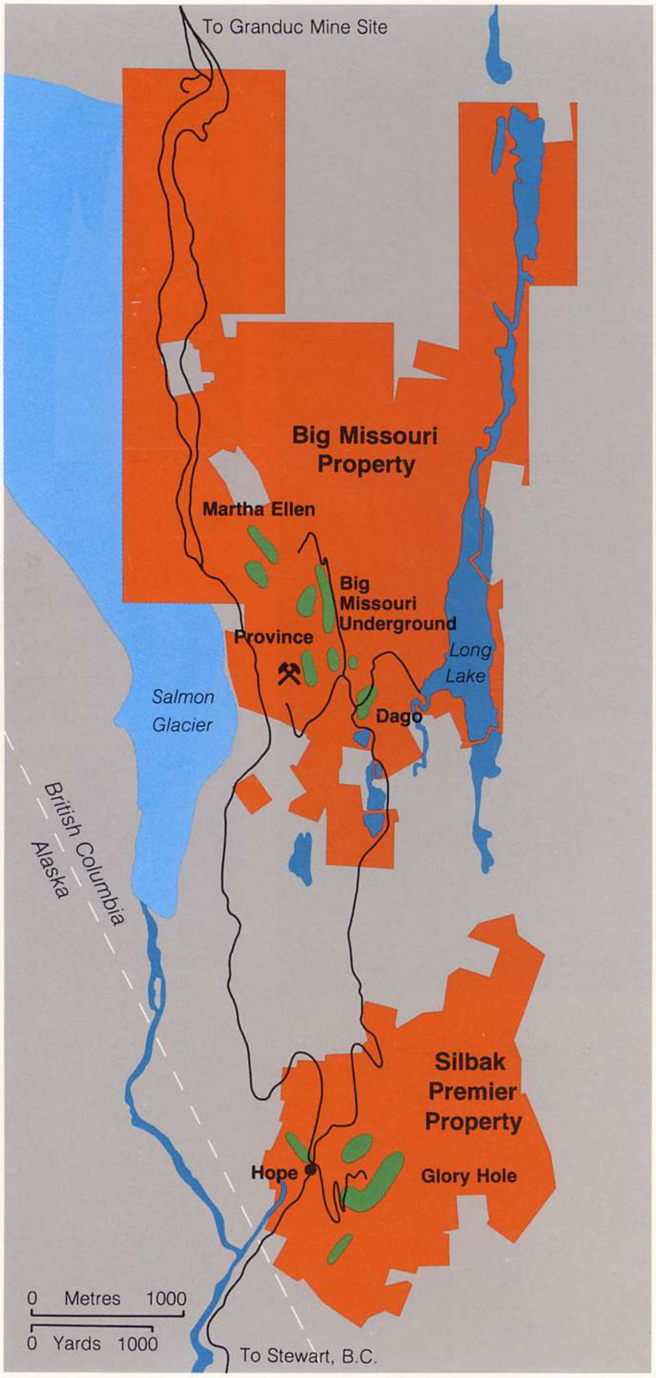




Payable Metals

(000's)	1985		1984*	
Gold — ozs (g)	**23**	(720)	12	(373)
Silver — ozs (kg)	**707**	(22.0)	542	(16.9)
Copper — lb (tonnes)	**17,088**	(7.75)	3,610	(1.64)
Lead — lb (tonnes)	**2,648**	(1.20)	3,273	(1.48)
Zinc — lb (tonnes)	**54,165**	(24.57)	24,373	(11.06)

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



Stewart Area, B.C.

Mineral Deposits

Exploration

Continuing exploration programs on a number of prominent prospects have brought the properties to a more advanced stage of evaluation.

Silbak Premier Project, British Columbia

Exploration on the Silbak Premier property, under terms of a joint venture agreement with British Silbak Premier Mines Limited, concentrated on further definition of the Glory Hole area. Diamond drilling expanded the open-pit geological reserves as tabulated below.

Additional drilling in 1986 will be designed to increase the confidence level of the reserves in the Glory Hole area and to test other showings and target areas on the property.

Big Missouri Project, British Columbia

Little physical work was conducted on the property in 1985. In June 1985, Westmin furnished Tournigan Mining Explorations Limited with a feasibility study which summarized results of work to date on the property. Reserves as presently defined, are insufficient to warrant a production decision. However, studies are continuing, based upon possible developments on the nearby Silbak Premier property.

		oz/ton (g/tonne)	
Reserve Category	Tons (Tonnes)	Gold	Silver
Probable	2,668,100 (2,420,450)	0.063 (2.160)	2.80 (96.00)
Possible	3,698,300 (3,355,605)	0.057 (1.970)	2.31 (79.24)
TOTAL	6,366,400 (5,776,055)	0.060 (2.057)	2.52 (86.40)

In February 1986, Westmin announced the formation of a new subsidiary, Westmin Exploration Limited, to acquire the parent company's interests in 48 metallic mineral properties and an exploration data bank accumulated over the past 35 years.

A preliminary prospectus has been filed with regulatory authorities in regard to a proposed public offering of shares in the new subsidiary. Westmin Exploration is to acquire virtually all of the parent's metallic mineral exploration interests, exclusive of the Myra Falls mining operation and surrounding properties.

Blue Moon Project, California

Westmin is exploring a volcanogenic massive sulphide system on the Blue Moon-American Eagle property under terms of an agreement with Colony Pacific Resources. Terms of the agreement allow Westmin to earn a minimum 50 per cent interest in the property in return for total exploration expenditures of U.S.$5 million by 1988. During 1985, Westmin completed approximately 10,000 feet (3,046 metres) of diamond drilling to test the two parallel zones of massive sulphide mineralization. Following are the geological reserves based on 1985 and prior years' diamond drilling. More drilling is planned for 1986.

Reserve Category	Tons (Tonnes)	oz/ton (g/tonne)		Per Cent		
		Gold	Silver	Copper	Lead	Zinc
Probable	1,826,000 (1,656,500)	0.043 (1.47)	2.34 (80.23)	1.37	0.32	8.55
Possible.....	1,125,000 (1,020,600)	at similar grades				

Clearwater Project, Quebec

The Clearwater gold property, in the James Bay area of Quebec, is held under a joint venture agreement in which Westmin has a two-thirds interest and Eastmain Resources Inc. has the remaining one-third. The property is 31 miles (50 km) east of the Eastmain River dam which is serviced by road access.

The three known gold occurrences on the property occur within cherty, sulphide-bearing tuff layers and have been partially tested with diamond drilling by former owners. Results of this drilling, as reported in the Quebec assessment files, are summarized below.

Electromagnetic and geochemical surveys have identified possible extensions of occurrences.

Gold Occurrence	Hole No.	Intersection ft	Intersection (m)	Gold oz/ton	Gold (g/tonne)
Natel	75-25-1	7.00	(2.13)	0.083	(2.86)
		8.69	(2.65)	0.259	(8.89)
	76-25-2	5.90	(1.80)	0.090	(3.08)
L'eau Claire	76-7-2	5.90	(1.80)	0.088	(3.02)
Cannard	76-8-3	3.30	(1.00)	0.100	(3.43)

Spotting locations for detailed diamond drilling on Silbak Premier property near Stewart, B.C.

Utik Project, Manitoba

The Utik property, located 75 miles (120 km) southeast of Thompson, Manitoba is an equally shared venture with Barringer Magenta Limited. Five gold occurrences in Archean iron formations have been discovered during the course of exploration on the property.

A 6.6-foot (2m) wide trench sample at the Burnt Island gold showing assayed 0.303 oz/ton gold (10.39 g/tonne). This prospective horizon has been traced along strike by geological, geophysical and geochemical surveys for about four miles (7 km).

A poorly exposed iron formation near Kay Lake has yielded assays as high as 0.86 oz/ton gold (29.49 g/tonne) over 1.6 feet (0.5m) of trench.

Coal and Industrial Minerals

Westmin's coal revenues increased slightly over 1984 to approximately $5,360,000 with a forecast of $5,800,000 for 1986. Coal royalties will continue into the next century, with per tonne rates increasing at a rate greater than inflation under terms of the various lease agreements.

Present royalties are obtained from lands which the company has leased to TransAlta Utilities in the Highvale and Whitewood mine areas near Lake Wabamun, Alberta. Westmin also has undeveloped coal lands which include a southern extension area to the Highvale Mine which should be required for future expansion of the Keephills thermal power plant. This is part of some 507,000 acres of mineral title lands, which include the coal rights in central Alberta. Additional Crown coal lands are held in Alberta and Saskatchewan.

During 1985, the company converted its 12½ per cent working interest in the Sukunka Coal Project in Northeastern British Columbia to a three per cent net profits interest.

The depressed state of world coal markets has significantly curtailed current coal exploration and development. Westmin's activities will be restricted to modest exploration on the company's Crown holdings in Alberta and an appraisal of some near-surface coal lands in the north-central part of the province for use as possible feedstock for steam production in Westmin's "huff and puff" low gravity oil areas.

The company will continue to selectively evaluate high quality coal prospects in Western Canada.

Westmin's royalty revenue from its sodium sulphate leases to Alberta Sulphate Limited totalled approximately $257,000 in 1985. During 1985, the new owners of the plant, Francana Minerals Limited, introduced some changes in operation which, it is hoped, will lead to long-term benefits to both companies.

During the early part of 1985, Westmin entered into a royalty agreement with Fish Creek Excavating to operate the company's Nordegg limestone quarry on a year-round basis. Fish Creek constructed a road into the quarry and are actively pursuing markets for various rock products.

Westmin's Mount Palsson limestone project in Northeastern British Columbia is still waiting for adequate markets before development proceeds.

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

Lacana Mining Corporation

Westmin Resources continues to hold a 28% interest in Lacana Mining Corporation, an expanding Canadian-based resource company, whose shares are listed on the Toronto Stook Exchange and on the NASDAQ National Market System in the U.S.

Lacana is an important North American low cost producer of precious metals, and is actively expanding its reserves of hydrocarbons. In late December, Lacana's wholly-owned subsidiary, Lacana Petroleum Limited, acquired a high grade mica deposit and dry processing plant in the Province of Quebec. The plant produces various grades of mica products, which are sold under the trade name, Suzorite Mica, to industrial customers throughout North America, Europe and Japan. Lacana continues to look at other opportunities to enlarge upon this new industrial mineral base.

Gold production (through Lacana's 75 per cent owned U.S. subsidiary) increased over 100 per cent in 1985 to 45,023 ounces from 20,270 ounces produced in 1984. The various holdings include a 26.25 per cent interest in the Pinson gold mine and the Preble heap leach operation; a 29.3 per cent interest in the Dee gold mine and a 100 per cent interest in the Relief Canyon heap leach operation . . . all located in the State of Nevada.

Pinson's milling rate continues at about 1,450 tons per day at an average grade of 0.104 ounces gold per ton. Heap leaching of lower grade Pinson ore in 1985 recovered 15,205 ounces of gold compared to 14,028 ounces in 1984. Ore reserves at Pinson increased substantially during the year and now total five million tons or approximately 10 years' reserves at current milling rates. Heap leaching of the Preble ore started up in May 1985 and produced 10,704 ounces of gold compared to 2,213 ounces in 1984 when operations commenced late in the year. The Dee gold operation, which began production in October 1984, milled approximately 900 tons per day at an average grade of 0.143 ounces gold per ton.

Heap leaching of lower grade material at Dee commenced in 1985, a year ahead of schedule, and produced 7,019 ounces by year-end. The Dee operation had an excellent year and is reducing its bank debt at an accelerated rate. Mining operations at Relief Canyon were suspended in August 1985 due to prevailing gold prices and the need to conduct additional leaching tests.

Lacana's wholly-owned oil and gas subsidiary had another exceptionally good year in 1985, producing a daily average of 750 net barrels of oil and over four million cubic feet of natural gas . . . increases of 17 per cent and 25 per cent respectively over 1984. By year-end, oil production had increased further to 1,000 net bopd.

Audited figures are not yet available but earnings in 1985 will be somewhat lower than in 1984 due to lower precious metal prices and anticipated write-downs of U.S. projects that are not considered viable at this time. Oil and gas prices were also lower but were offset by higher production.

Lacana continues to report a strong working capital position of about $26 million as of December 31, 1985, compared to $21 million a year earlier. Net cash dividends from Mexico in 1985 totalled $2,137,000 compared to dividends received of $2,540,000 a year earlier. It is expected that dividends in 1986 from this source will be lower as a result of continuing depressed silver prices. Lacana's 1985 share of production from the Mexican mines totalled approximately 1.6 million ounces of silver, 14,000 of gold, and 2.3 million pounds of lead.

Approximately $4.6 million has been spent on oil and gas exploration and development in 1985. Lacana Petroleum participated in the drilling of 46 wells, resulting in six oil wells and 13 gas wells, for a success ratio of 41 per cent. In addition, seven wells (two oil and five dry) were drilled at no cost to Lacana under farm-out arrangements with third parties. The average working interest in this program was 35 per cent. Lacana Petroleum's net proven reserves, as evaluated by independent consultants, stand at 3.1 million barrels of oil and 25.5 billion cubic feet of natural gas as of December 31, 1985, an increase of 22 per cent and 6 per cent respectively over year-end 1984.

Lacana Mining operates or participates in several advanced exploration projects in Canada.

During the past six years, it has operated two Canada-wide joint ventures, and has made a significant gold discovery in North-eastern New Brunswick in 1985. The Company will be managing expenditures of about $1 million in this area during 1986.

In North-western Ontario, Lacana continues to participate in the Musselwhite gold project (Lacana 17.1 per cent) operated by Dome Mines Limited. Approximately $1 million will be spent on the 1986 program by the syndicate.

The Sulphurets gold-silver project in North-western British Columbia, a 50:50 joint venture between Lacana and Newhawk Mines Limited, produced encouraging results from a 1985 drill program. A minimum project expenditure of $750,000 has been approved for 1986 to conduct delineation drilling and prepare for possible underground exploration.

Elsewhere in Canada, Lacana has a number of ongoing grass roots mineral exploration projects in progress in Saskatchewan, Ontario and Quebec.

Financial Review

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

Earnings

Westmin's net earnings for the year ended December 31, 1985 were $30.5 million versus $33.9 million in 1984. After provision for dividends on preferred shares, earnings per common share were 40 cents in 1985 compared to 47 cents the previous year. Earnings were down from the previous year due primarily to increased charges for depreciation and depletion, interest, and income and resource taxes.

Revenues

Revenues for 1985 were $169.8 million, an increase of 27 per cent from 1984 revenues of $133.4 million. This increase was almost entirely in the oil and gas sector and attributable in large part to the Sundance acquisition which became effective as of March 29, 1985 and to an increase of 34 per cent in heavy oil sales over last year. Mining Division revenues from the Lynx and Myra mines were up in 1985 due to increased production. Revenues and expenditures associated with the new H-W mine were capitalized throughout 1985 pending transition to commercial operations as of January 1, 1986.

Sales of natural gas increased 25 per cent to $57.5 million from $46.1 million in 1984. Production volumes increased 29 per cent to 57 million cubic feet per day compared to a production rate of 44 million cubic feet per day in 1984. The average wellhead price received declined from $2.83 per mcf received in 1984 to $2.75 per mcf in 1985. This decline is the result of lower export rebates to producers from U.S. sales, offset partially by a lower cost of service.

Sales for oil and natural gas liquids increased 44 per cent to $74.1 million in 1985 from $51.6 million in 1984. This increase is attributable to the Sundance property purchase and to increased heavy oil production from the Lindbergh area. Daily production volumes were up by 45 per cent to average 6,450 barrels per day of oil and natural gas liquids versus 4,462 barrels per day in 1984. Average wellhead price received in 1985 was $31.49 per barrel down slightly from the 1984 average of $31.62 per barrel.

Net smelter returns from the Company's mining operations on Vancouver Island increased to $21.4 million in 1985 from $17.5 million the previous year. Low metal prices combined with higher depreciation and depletion charges on new facilities currently in use resulted in low returns for the Mining Division. The volume of ore milled from the Lynx and Myra mines was up 27 per cent to 285,000 tons when compared to 1984 when production was lower due to the labour strike during the first quarter.

Royalty and other revenues from coal and industrial minerals have increased to $6.2 million from $5.6 million the previous year due to higher prices and production from the Whitewood mine.

Investment income, generated primarily by investing in after-tax instruments, decreased to $7.9 million in 1985 from $10.1 million in 1984. This decrease is attributable to generally lower interest rates in 1985 and a reduction in investment balances. The Company continues to maintain a significant balance of cash and short term investments pending appropriate alternate investment opportunities.

Expenses

Royalties paid on the Company's working interest production increased to $21.2 million in 1985 from $15.1 million the year before. Despite the increase in oil production and the Sundance property purchase, the Company has maintained its effective royalty rate at a very low 16.9 per cent.

Oil and gas production expenses increased by 25 per cent to $27.6 million in 1985 from $22.1 million in 1984. This change is consistent, as a percentage of working interest gross revenue, with the higher revenues (sales) and the increased production volumes experienced in 1985.

Operating costs for the Mining Division were $21.2 million in 1985, up slightly from $20.6 million in 1984. The average operating cost per ton milled was $73.85 in 1985 down from $91.03 per ton in 1984. Despite low metal prices, the Mining Division generated a positive cash flow for 1985 and with commercial production from the H-W mine officially commencing in January of 1986, further substantial gains are anticipated.

The Company continued to maintain an active mineral exploration program on select properties which have produced encouraging results or which exhibit good potential based on current geological evaluations and studies. Costs of mineral exploration in 1985 were $3.6 million, down slightly from the 1984 level of $4.0 million. All costs associated with the H-W deposit at the mine site have been capitalized and will be depleted based on the unit of production method upon the commencement of commercial production.

General and administrative costs increased to $4.6 million in 1985 from $3.9 million in 1984. This 18 per cent increase was the result of additional staffing requirements due to the Sundance acquisition and an increase in general corporate overhead. Joint venture recoveries have increased significantly with the addition of the Sundance properties.

Interest expense for the year totalled $8.9 million in 1985 compared to $0.1 million in 1984. This increase is attributable to the Sundance purchase ($7.4 million) and the Company's additional financing requirements related to the aggressive capital expenditure programs undertaken during 1985.

Depreciation and depletion charges increased to $25.5 million for 1985, up 84 per cent from $13.9 million in 1984. This increase is attributable to the Sundance acquisition; the increase in heavy oil production; some new H-W Project facilities currently being used for existing production, and the effect of additional capital expenditures on heavy oil projects. In addition, during 1985 the Company reverted to the unit of production method of depletion and depreciation for oil and gas properties which it believes, as does industry generally, is more appropriate in a deregulated environment and results in a better matching of revenues and expenses.

Income and resource taxes have increased by approximately 28 per cent to $24.8 million in 1985 (see note 9 to the financial statements). Income taxes are $15.2 million up from $12.3 million in 1984. The increase in the tax provision is due to increased sales, a required change in the accounting for investment tax credits from the flow through method (a reduction in the rate of tax) to the cost reduction approach (reduction in the cost of the expenditures) and a reduction in the income from tax free dividends due to lower dividend rates and lower principal amounts invested. These factors were offset by slightly higher claims for resource allowance and earned depletion.

Provincial mining taxes were not a factor due to the low levels of Mining Division revenues. Consistent with our increased oil and gas revenue, the Petroleum and Gas Revenue Tax (PGRT) increased 28 per cent to $9.6 million from $7.5 million the year before. Under the provisions of the Western Accord, approximately $1.9 million of the $9.6 million due is deferred based on the offset provision. Under the dismantling of the National Energy Program (NEP), PGRT is being phased out and should in future be reflected directly as an improvement in net earnings.

Current taxes paid or payable on the year's operation are the PGRT of $7.7 million less the Alberta royalty tax credit (ARTC) of $2.0 million. Federal income taxes, provincial income taxes and provincial mining taxes have all been deferred due to available deductions generated by expenditures on exploration and development programs.

Changes in Financial Position

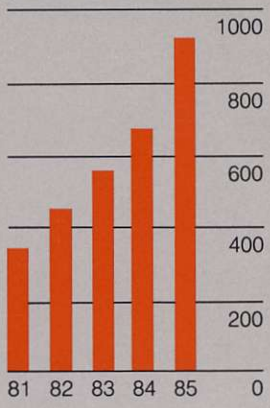
Funds provided from operations before mineral exploration expense amounted to $80.0 million, an increase of 20 per cent from $66.9 million in 1984. The substantial increase attributable to the oil and gas sector due to the Sundance acquisition and the increase in heavy oil production and the increase in cash flow from the mining operation is offset by reduced cash flow from the investment area.

By agreement dated August 15, 1984, the Company entered into a financing agreement with several Canadian chartered banks providing a $200 million facility for the development of the H-W mine/mill complex. The Company has also entered into a financing agreement with certain Canadian chartered banks providing $100 million for the purchase of the Sundance properties. The Company's existing $150 million revolving credit facility has been extended to November 14, 1986 or such later date as may be mutually agreed upon. In addition the Company has short term operating lines of credit with certain Canadian chartered banks amounting to $35 million. Cash from drawings under these agreements in 1985 totalled $209.7 million (see note 5 to the financial statements).

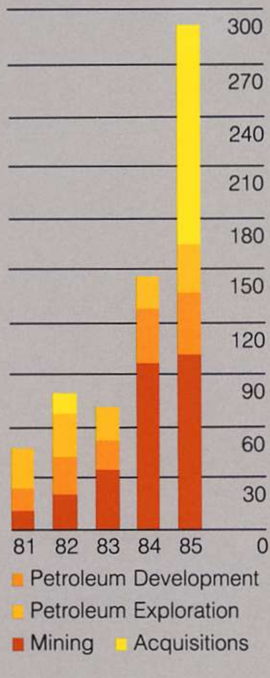
Capital expenditures were $289 million for 1985 as compared to $145 million for 1984. Expenditures in the Petroleum Division totalled $186.5 million, $134.1 million expended for the Sundance acquisition and $52.4 million for exploration and development after provisions for Petroleum Incentive Program (PIP) receivables of $8.3 million. Expenditures in the Mining Division, which were predominantly development costs and capitalized interest on the H-W project, were $101.9 million in 1985 compared to $95.6 million in 1984.

Working capital, which includes $94.7 million of cash and short term investment, was $87.6 million at December 31, 1985 compared to $114.9 million at year end 1984.

Assets
(Millions of dollars)



Capital Expenditures
(Millions of dollars)



Management's Responsibility

This Annual Report to the shareholders of Westmin Resources Limited, including the financial statements on pages 29 to 39, 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 32 and 33) which we believe to be appropriate for the operations of the Company.

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

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

Auditors' Report

To the Shareholders of Westmin Resources Limited

We have examined the consolidated balance sheet of Westmin Resources Limited as at December 31, 1985 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, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants

Calgary, Alberta
February 7, 1986

Consolidated Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
	(in thousands)	
Revenue		
Oil and gas	$131,669	$ 97,736
Mining	27,588	23,032
Investment income	7,851	10,075
Other	2,675	2,535
	169,783	133,378
Expenses		
Royalty expense	21,215	15,072
Cost of production		
Oil and gas	27,642	22,087
Mining	21,242	20,607
Mineral exploration	3,564	3,995
Interest	8,900	119
General and administrative	4,628	3,941
Depletion and depreciation	25,522	13,921
	112,713	79,742
Earnings From Operations	57,070	53,636
Income and Resource Taxes (note 9)	24,792	19,385
Share of Loss of Lacana Mining Corporation	1,826	380
Net Earnings for the Year	$ 30,452	$ 33,871
Earnings Per Common Share (note 10)	$ .40	$ .47

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
	(in thousands)	
Balance at Beginning of Year	$ 95,917	$ 85,685
Net Earnings for the Year	30,452	33,871
	126,369	119,556
Dividends (note 8)	22,996	23,639
Balance at End of Year	$103,373	$ 95,917

WESTMIN

Consolidated Balance Sheet

DECEMBER 31, 1985

	1985	1984
	(in thousands)	
Assets		
Current Assets		
Cash and short-term investments	$ 94,679	$122,396
Accounts receivable (note 1)	35,588	27,996
Inventories (note 2)	15,004	7,593
	145,271	157,985
Investments (note 3)	41,836	44,234
Property, Plant and Equipment (note 4)		
Oil and gas	533,805	347,267
Mining	297,073	195,142
Other	3,948	3,453
	834,826	545,862
Accumulated depletion and depreciation	102,022	76,504
	732,804	469,358
	$919,911	$671,577
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 46,126	$ 41,474
Income and resource taxes payable	1,562	1,576
Current portion of long-term debt	10,000	
	57,688	43,050
Long-Term Debt (note 5)	339,707	140,000
Deferred Production Revenue (note 6)	5,375	1,549
Deferred Income and Resource Taxes	118,389	99,246
	521,159	283,845
Shareholders' Equity		
Share capital (note 7)	295,379	291,815
Retained earnings	103,373	95,917
	398,752	387,732
	$919,911	$671,577

Approved by the Directors

Director

Director

Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1985

	1985	1984
	(in thousands)	
Cash provided by (used in) operating activities		
Net earnings for the year	$ 30,452	$ 33,871
Add charges to operations not requiring a current cash payment —		
Depletion and depreciation	25,522	13,921
Deferred income taxes	19,143	15,255
Other	1,326	(169)
Cash provided by operating activities	76,443	62,878
Mineral exploration expenditures	3,564	3,995
Cash provided by operating activities before mineral exploration	80,007	66,873
Cash provided by (used in) financing activities		
Long-term debt	209,707	77,000
Current portion of long-term debt	(10,000)	
Common share capital, net of issue costs	3,564	1,778
Dividends	(22,996)	(23,639)
Net change in working capital balances other than cash	(365)	15,303
Other	4,922	737
	184,832	71,179
	264,839	138,052
Cash used in investment activities		
Investments	24	782
Property, plant and equipment	288,968	145,038
Mineral exploration	3,564	3,995
	292,556	149,815
Net decrease in cash during the year	27,717	11,763
Cash position at beginning of year	122,396	134,159
Cash position at end of year	$ 94,679	$122,396
Cash position comprises cash and short-term investments		
Net change in working capital balances other than cash		
Accounts receivable	$ (7,592)	$ (3,466)
Inventories	(7,411)	(2,035)
Accounts payable	4,652	19,708
Income and resource taxes payable	(14)	1,096
Current portion of long-term debt	10,000	
	$ (365)	$ 15,303

WESTMIN

Summary of Accounting Policies

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

Basis of Consolidation

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

Investments

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

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

Joint Venture Accounting

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

Translation of Foreign Currencies

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

> Cash and short-term investments, accounts receivable and accounts payable at the rates of exchange prevailing at the balance sheet date.
>
> Other assets and liabilities at rates prevailing when they are acquired or incurred.
>
> Revenues and expenses at 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 by cost centre until commencement of production.

Costs include land acquisition, geological and geophysical expenditures, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells, overhead expenses related to exploration and development activities and plant and equipment. Proceeds from the disposal of properties and grants received from petroleum incentives programs are credited against costs. The company employs a ceiling test annually whereby capitalized costs would be written off should they exceed the present value of future net revenues from estimated production of proven reserves. Costs attributable to non-producing centres which prove unsuccessful and abandoned are written off.

Cost centres are:

Producing: North America (excluding Arctic)
Non-Producing: Arctic, Overseas

Costs in producing cost centres are amortized using the unit of production method under which natural gas production and reserves are converted to equivalent units of crude oil based on the relative energy content of each commodity. In 1985, the company reverted to this method as a result of government legislation which deregulated the pricing of oil and gas in Canada. Previously, under regulated pricing, the company calculated depletion and depreciation using the revenue method.

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) are capitalized until a commercial production level is deemed to have been reached, at which time the costs are amortized on the unit of production method based upon the estimated life of the ore reserves.

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

Coal and Industrial Minerals

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

Interest Costs

Interest costs attributable to major capital expansion and development projects are capitalized until commercial production has been 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.

WESTMIN

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1985

1. Accounts Receivable

	1985	1984
	(in thousands)	
Oil and gas	$28,146	$20,950
Concentrate settlements	2,440	1,953
Other accounts receivable	5,002	5,093
	$35,588	$27,996

2. Inventories

	1985	1984
Concentrate	$ 6,746	$ 3,457
Materials and supplies	8,258	4,136
	$15,004	$ 7,593

3. Investments

	1985	1984
Lacana Mining Corporation, at equity (quoted value, December 31, 1985 — $30,722,000)	$31,903	$34,201
Long-term receivable	7,502	7,603
Other	2,431	2,430
	$41,836	$44,234

Long-Term Receivable

This receivable, amounting to $15,500,000, is due in annual instalments ranging from $650,000 to $800,000 to July 1, 2005. Interest is not applicable providing the instalments are paid when due. Under the terms of the agreement 50% of any instalment, in aggregate not exceeding $1,000,000, may be postponed up to July 1, 2005 subject to an 8% per annum interest payment. This option has been fully utilized. With the exception of the current portion of $650,000 which is included in current assets, the remaining instalments are carried at a discounted value of $7,502,000 (1984 — $7,603,000) based on an assumed interest rate of 8%.

Other Investments

This amount includes housing and stock purchase loans of $188,000 to certain employees, some of whom are officers and directors of the company.

4. Property, Plant and Equipment

	1985			1984
	Cost	Accumulated depletion and depreciation	Net	Net
		(in thousands)		
Oil and Gas				
Properties				
North America	$394,045	$ 65,376	$328,669	$201,754
Arctic	14,483		14,483	14,264
Overseas	13,925		13,925	12,890
Plant and equipment	111,352	15,876	95,476	59,856
	533,805	81,252	452,553	288,764
Mining				
Metals				
Properties and development	127,211	2,413	124,798	3,498
Plant and equipment	164,115	15,005	149,110	8,429
Construction in progress				162,337
Coal and industrial minerals	5,747	1,242	4,505	4,604
	297,073	18,660	278,413	178,868
Leasehold improvements and other equipment	3,948	2,110	1,838	1,726
	$834,826	$102,022	$732,804	$469,358

4. Property, Plant and Equipment (continued)

Interest in the amount of $18,777,000 (1984 — $10,785,000) was capitalized during 1985 in connection with the construction and development of the H-W mine at Myra Falls. In addition, the company has capitalized as part of the development costs, the initial start-up operations (after deducting production revenues) to December 31, 1985. The operations of the mine will be accounted for on a full operating basis commencing January 1, 1986.

Under the provisions of the Petroleum Incentives Program, the company has accrued $8,000,000 in 1985 (1984 — $9,500,000). This amount has been shown as a reduction to the appropriate property, plant and equipment accounts.

5. Long-Term Debt

	1985	1984
	(in thousands)	
H-W Mine/Mill Complex (i)	$200,438	$140,000
Sundance Properties (ii)	94,500	
Revolving Credit Facility (iii)	54,769	
	349,707	140,000
Current Portion	10,000	
	$339,707	$140,000

(i) By agreement dated August 15, 1984 the company has entered into a financing facility with certain Canadian chartered banks for the construction of the H-W Mine/Mill Complex. The company may borrow up to $200,000,000 Canadian or U.S. equivalent during the construction period on a revolving credit basis until the earlier of project bank completion or June 30, 1986 at which time the credit will be repayable over a seven year period subject to earlier repayment based on a portion of surplus available cash flows from the project. Interest rates are floating. The loan is secured, on a non-recourse basis, by the project assets following satisfaction of certain completion tests, but is a full obligation to the company until such completion has been attained. At December 31, 1985 the full amount of the facility had been drawn. Scheduled minimum mandatory principal repayments are as follows: 1986 — $10,000,000, 1987 — $20,000,000, 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) By letter agreement dated March 18, 1985 the company has entered into a financing facility with certain Canadian chartered banks for the purpose of acquiring certain oil and gas properties (Sundance Properties). The company may borrow up to $100,000,000 Canadian or U.S. equivalent with repayment made from the cash flows of the Sundance Properties and final maturity date of January 1, 1993. Interest rates are floating. The loan is secured, on a non-recourse basis, by the Sundance Properties once security has been put in place and upon certain conditions in the letter agreement being satisfied. Until that time it is a full obligation of the company. At December 31, 1985 the facility had been fully drawn and principal repayments of $5,500,000 had been made.

(iii) By agreement with certain Canadian chartered banks the company may borrow under a revolving credit facility up to $150,000,000 Canadian or U.S. equivalent during the period to November 14, 1986 (or such later date as may be mutually agreed upon), the Revolving Loan Maturity Date, at varying interest rates depending upon the nature of the loans. On or prior to the Revolving Loan Maturity Date, the company may convert its indebtedness to a five-year term basis. The credit facility is unsecured but the company is restricted from creating security on any of its assets (except for the H-W Mine/Mill Complex and Sundance Properties) without providing security on a pari passu basis to the lenders under this agreement.

(iv) In addition the company has available unsecured short-term operating lines of credit with certain Canadian chartered banks amounting to $35,000,000.

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

	1985	1984
	(in thousands)	
Authorized		
An unlimited number of		
Class A Preferred Shares issued in series		
Class B Preferred Shares issued in series		
Common shares without par value		
Issued and fully paid		
Class A Preferred Shares, Series 1 ($100 par value)	$100,000	$100,000
Class B Preferred Shares, Series 1 ($25 par value)	99,982	99,982
Common Shares	95,397	91,833
	$295,379	$291,815

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, Series 1

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

(i) the right to receive cumulative dividends of $2.125 per annum per share payable quarterly on the last day of each calendar quarter.

(ii) the right of the holders to convert the shares into common shares at any time prior to May 2, 1988 at the rate of 1.695 common shares for each preferred share.

(iii) purchase, 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.

Common Shares	Number of shares	Amount (in thousands)
As at December 31, 1984	38,033,515	$91,833
Issued for cash		
Private placement	33,875	457
Employee stock options	453,038	3,107
As at December 31, 1985	38,520,428	$95,397

Under the terms of the company's employee stock option plan, options of 634,938 shares were outstanding as at December 31, 1985, exercisable at varying dates to 1988 at prices ranging from $5.97 to $15.75 per share.

8. Dividends

	1985	1984
	(in thousands)	
Class A Preferred	$ 6,800	$ 7,546
Class B Preferred	8,499	8,499
Common	7,697	7,594
	$22,996	$23,639

9. Income and Resource Taxes

	1985	1984
	(in thousands)	
Income taxes		
Deferred	$17,228	$15,455
Alberta royalty tax credit	(2,000)	(2,000)
Investment tax credit		(1,179)
	15,228	12,276
Resources taxes		
Provincial mining — current		(200)
— deferred		(200)
Petroleum and gas revenue — current	7,664	7,509
— deferred	1,900	
	9,564	7,109
Total income and resource taxes	$24,792	$19,385

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

	1985	1984
Federal tax rate	46.0%	46.0%
Federal surtax	.9	
Provincial abatement	(10.0)	(10.0)
Provincial tax rates	13.3	13.1
Expected tax rate	50.2%	49.1%

	1985		1984	
	in thousands	% of pre-tax income	in thousands	% of pre-tax income
Expected tax expense	$28,649	50.2	$26.335	49.1
Effect on taxes from:				
Crown royalty and rental disallowance	6,155	10.8	4,677	8.7
Resource allowance	(9,872)	(17.3)	(6,840)	(12.7)
Depletion allowance	(5,243)	(9.2)	(4,980)	(9.3)
Alberta royalty tax credit	(2,000)	(3.5)	(2,000)	(3.7)
Tax exempt dividends	(2,814)	(4.9)	(4,490)	(8.4)
Investment tax credit			(1,179)	(2.2)
Other	353	.6	753	1.4
Income tax provision	$15,228	26.7	$12,276	22.9

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:

	1985	1984
	(in thousands)	
Exploration and development expenses	$11,039	$ 5,442
Depreciable property, plant and equipment	16,762	11,973
Resource and earned depletion allowances	(11,245)	(6,016)
Other	672	462
Deferred income taxes	$17,228	$15,455

10. Earnings Per Common Share

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

11. Other Information

Commitments

The company has various commitments and contingencies relating to joint ventures and other agreements which are in the ordinary course of business.

Pension plans exist for all employees. Based on the most recent actuarial evaluation of the plans no unfunded past service liability existed as at December 31, 1985.

Related Party Transactions

In the normal course of business, the company engages professional services of various engineering and geological consulting firms. During 1985, $1,069,000 (1984 — $1,735,000) was paid to such a company in which a director holds a majority interest. Terms of these transactions are the same as with unrelated parties.

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

Segmented Information

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

WESTMIN RESOURCES LIMITED

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Statement of Quarterly Consolidated Earnings During 1985

(unaudited)

	First	Second	Third	Fourth	Total
			(in thousands)		
Earnings by segment before unallocated expenses:					
Oil and gas	$15,937	$19,026	$12,968	$14,807	$62,738
Mining	1,548	193	1,910	310	3,961
	17,485	19,219	14,878	15,117	66,699
Equity in loss of Lacana Mining	(386)	(220)	(312)	(908)	(1,826)
Investment income	2,513	1,865	1,818	1,655	7,851
	19,612	20,864	16,384	15,864	72,724
Unallocated expenses:					
Mineral exploration	1,302	860	836	625	3,623
General and administrative	1,435	1,142	895	1,485	4,957
Interest	48	2,747	2,574	3,531	8,900
Income and resource taxes	7,489	7,732	5,281	4,290	24,792
	10,274	12,481	9,586	9,931	42,272
Net earnings	$ 9,338	$ 8,383	$ 6,798	$ 5,933	$30,452
Earnings per common share	$ .14	$ .12	$ .08	$ .06	$ .40

Note: Quarterly results have been restated to reflect capitalization throughout 1985 of the initial start-up operations of the H-W mine.

Consolidated Statement of Segmented Information

	1985				1984			
	Oil and Gas	Mining	Other and Unallocated	Consolidated Total	Oil and Gas	Mining	Other and Unallocated	Consolidated Total
	(in thousands)				(in thousands)			
Revenue								
Domestic	$130,457	15,393		145,850	$ 96,444	14,324		110,768
Other	1,212	12,195		13,407	1,292	8,708		10,000
	131,669	27,588		159,257	97,736	23,032		120,768
Investment income			7,851	7,851			10,075	10,075
Other	2,675			2,675	2,535			2,535
	134,344	27,588	7,851	169,783	100,271	23,032	10,075	133,378
Expenses								
Royalty expense	21,215			21,215	15,072			15,072
Cost of production	27,642	21,242		48,884	22,087	20,607		42,694
Mineral exploration		3,564		3,564		3,995		3,995
Interest	7,375		1,525	8,900			119	119
General and administrative			4,628	4,628			3,941	3,941
Depletion and depreciation	22,749	2,385	388	25,522	12,567	1,063	291	13,921
Earnings from operations	55,363	397	1,310	57,070	50,545	(2,633)	5,724	53,636
Income and resource taxes	26,005	(104)	(1,109)	24,792	22,303	(2,631)	(287)	19,385
Share of Loss of Lacana Mining Corporation			1,826	1,826			380	380
Net earnings	$ 29,358	501	593	30,452	$ 28,242	(2)	5,631	33,871
Current assets	$ 33,686	16,978	94,607	145,271	$ 23,425	12,164	122,396	157,985
Investments	754	9,179	31,903	41,836	637	9,396	34,201	44,234
Property, plant, and equipment	452,553	278,413	1,838	732,804	288,764	178,868	1,726	469,358
Total assets	$486,993	304,570	128,348	919,911	$312,826	200,428	158,323	671,577
Capital expenditures	$186,538	101,930	500	288,968	$ 49,100	95,607	331	145,038

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Ten Year Summary of Changes in Cash Position

For the years ended December 31

	1985	1984	1983
Funds Provided:	$	$	$
Operations before mineral exploration	80,007	66,873	70,453
Mineral exploration expense	3,564	3,995	3,383
Net from operations	76,443	62,878	67,070
Reduction in long-term receivable	650	250	250
Bank loan	205,207	77,000	39,000
Advances			
Share capital, net of issue costs	3,564	1,778	52,412
Changes in other working capital	(365)	15,303	6,823
Other	4,272	487	373
	289,771	157,696	165,928
Funds Used:			
Investments	24	782	3,812
Property, plant and equipment	288,968	145,038	68,054
Bank loan repaid	5,500		
Advances repaid			
Dividends	22,996	23,639	23,151
	317,488	169,459	95,017
Increase (Decrease) in Cash and Short-Term Investments	(27,717)	(11,763)	70,911
Cash and Short-Term Investments at Beginning of Year	122,396	134,159	63,248
Cash and Short-Term Investments at End of Year	94,679	122,396	134,159

WESTMIN

Operations Summary

Production		1985	1984	1983
Crude oil and natural gas liquids	barrels	2,354,250	1,633,100	1,227,100
Daily average	barrels	6,450	4,462	3,362
Natural gas	MMcf	20,944	16,285	16,036
Daily average	MMcf	57	44	44
Ore delivered to the mill*	tons	645,590	224,470	273,787
Payable metal (000's)				
Gold (oz.)		23	12	17
Silver (oz.)		707	542	781
Copper (lbs.)		17,088	3,610	4,814
Lead (lbs.)		2,648	3,273	4,195
Zinc (lbs.)		54,165	24,373	28,317
Reserves — Gross Proven				
Crude oil & natural gas liquids	million barrels	21.1	12.8	10.8
Natural gas	Bcf	530.1	403	386
Ore	Thousand tons	13,171†	9,525†	883

* Includes H-W Production
† Includes H-W Proven and Probable

(in thousands)

1982	1981	1980	1979	1978	1977	1976
$	$	$	$	$	$	$
72,183	63,415	60,082	47,272	27,614	20,790	13,065
4,283	5,199	4,007	4,319	1,640	2,239	3,038
67,900	58,216	56,075	42,953	25,974	18,551	10,027
250	250	500	400	400	400	400
24,000		22,000				
			5,000	2,000		20,814
717	95,932	64	50	67	49	49
6,541	(13,623)	14,236	6,796	(12,699)	(7,678)	(12,291)
460	313	579	1,118	2,193	5,731	7,446
99,868	141,088	93,454	56,317	17,935	17,053	26,445
1,435	2,801	23,784	108	107	7	8
77,152	49,388	49,719	48,577	15,906	8,866	12,766
	22,000					
					5,504	
21,376	16,923	28,554	3,141	267	267	264
99,963	91,112	102,057	51,826	16,280	14,644	13,038
(95)	49,976	(8,603)	4,491	1,655	2,409	13,407
63,343	13,367	21,970	17,479	15,824	13,415	8
63,248	63,343	13,367	21,970	17,479	15,824	13,415

1982	1981	1980	1979	1978	1977	1976
961,045	770,200	695,362	409,900	327,600	257,000	260,000
2,633	2,100	1,900	1,123	898	704	712
15,144	15,422	15,374	13,570	14,800	14,797	10,561
41	42	42	37	41	41	29
317,002	271,334	306,712	294,181	296,560	296,598	296,846
20	17	19	20	18	16	18
959	783	786	791	841	914	1,068
5,344	4,824	5,941	6,296	5,923	5,322	5,187
4,801	4,305	5,125	5,425	5,409	5,353	5,948
33,488	29,212	33,656	36,509	35,868	33,318	32,010
9.7	6.7	6.1	4.9	3.2	2.7	2.9
411	410	364	324	275	276	254
1,021	1,057	1,092	1,144	1,273	1,460	1,704

WESTMIN

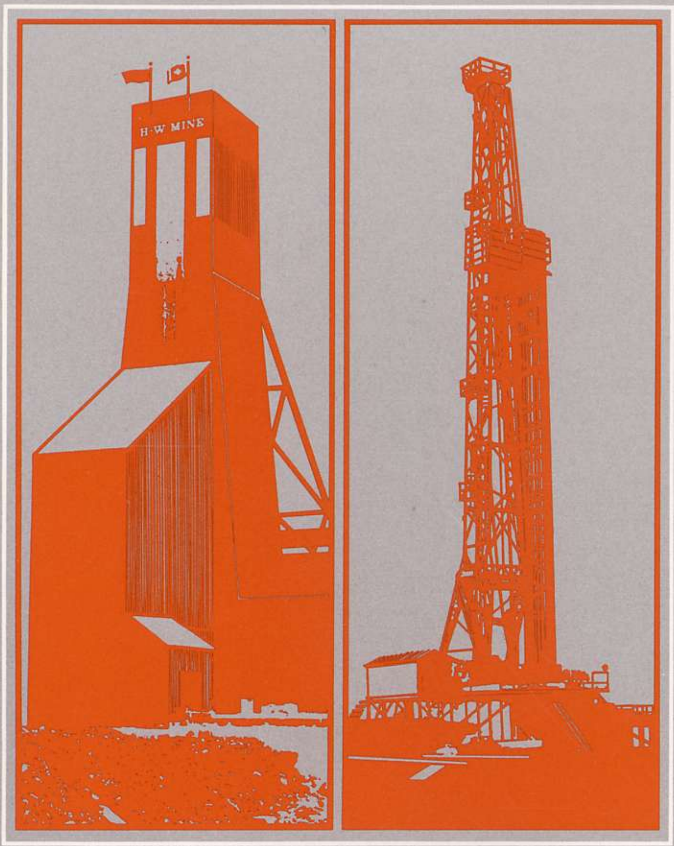
Ten Year Financial Summary

	1985	1984	1983
	$	$	$
Revenue			
Oil and gas	131,669	97,736	83,429
Mining	27,588	23,032	34,025
Investment income	7,851	10,075	9,572
Other	2,675	2,535	1,661
	169,783	133,378	128,687
Expenses			
Royalty expense	21,215	15,072	15,794
Cost of production			
Oil and gas	27,642	22,087	14,366
Mining	21,242	20,607	22,492
Mineral exploration	3,564	3,995	3,383
General and administrative	4,628	3,941	4,558
Depletion and depreciation	25,522	13,921	10,599
Interest	8,900	119	
Currence translation adjustments			
Other			
	112,713	79,742	71,192
Earnings From Operations	57,070	53,636	57,495
Resource Revenue Taxes	9,564	7,109	7,042
Income and Mining Taxes			
Current	(2,000)	(3,179)	(4,300)
Deferred	17,228	15,455	17,410
	24,792	19,385	20,152
Earnings Before the Following	32,278	34,251	37,343
Share of earnings (loss) of Lacana Mining Corporation	(1,826)	(380)	2,683
Write down of deferred development expenditures, net of income taxes			
Extraordinary items			
Net Earnings (Loss) for the Year	30,452	33,871	40,026
Earnings (Loss) per Common Share	.40	.47	.66
Cash Flow (Before mineral exploration expense)	80,007	66,873	70,453
Capital Expenditures			
Oil and gas			
Exploration	19,478	16,837	10,782
Development	32,956	32,264	22,140
Properties purchased (sold)	134,104		
Mining development	101,930	95,607	34,557
Other	500	330	575
Total capital expenditures	288,968	145,038	68,054
Working Capital	87,583	114,935	140,452
Long Term Debt	339,707	140,000	63,000

(in thousands except per share amounts)

1982	1981	1980	1979	1978	1977	1976
$	$	$	$	$	$	$
69,039	53,845	48,555	29,148	26,689	21,610	13,038
47,504	42,760	42,071	43,639	21,230	15,647	16,344
6,918	8,690	3,633	7,152	2,577	1,156	541
1,413	788	427	267	89	28	113
124,874	106,083	94,686	80,206	50,485	38,441	30,036
11,128	10,823	9,113	5,064	4,315	3,624	2,514
11,984	8,204	5,958	2,954	2,165	1,817	1,228
22,740	16,161	14,741	12,890	10,915	11,112	10,256
4,283	5,199	4,007	4,319	1,640	2,239	3,038
3,949	3,167	3,089	2,022	1,278	1,465	1,617
8,051	8,670	7,924	5,466	4,895	4,968	4,189
	1,443	1,162	83			406
	187	(288)	215	(507)	(642)	46
					213	504
62,135	53,854	45,706	33,013	24,701	24,796	23,798
62,739	52,229	48,980	47,193	25,784	13,645	6,238
6,317	3,500					
(3,837)	(442)	1,600	6,596	988	(413)	497
21,120	17,260	15,800	13,471	8,421	4,335	1,757
23,600	20,318	17,400	20.067	9,409	3,922	2,254
39,139	31,911	31,580	27,126	16,375	9,723	3,984
673	1,035	350				
						(9,800)
			835	688	4,203	
39,812	32,946	31,930	27,961	17,063	13,926	(5,816)
.65	.58	.71	.60	.32	.24	(.37)
72,183	63,415	60,082	47,272	27,614	20,790	13,065
11,500	24,339	23,135	19,148	10,924	6,687	5,520
30,516	14,005	12,888	7,842	4,724	2,955	3,681
11,200		2,686	20,171		(1,410)	
23,411	10,248	10,782	1,063	230	552	579
525	796	228	353	28	82	63
77,152	49,388	49,719	48,577	15,906	8,866	9,843
76,364	83,000	19,401	42,240	44,545	30,191	20,104
24,000		22,000				

Corporate Information



Canadian Ownership Rate

On March 28, 1985 the Federal and Western Provincial Governments signed the Western Accord . . . rationalizing and restoring equity to the fiscal and regulatory regime applying to Canada's oil and gas industry.

This included termination of PIP (Petroleum Incentive Program) payments by March 31, 1986. These incentive payments were part of the now defunct National Energy Program and were based on a company's Canadian Ownership Rate (COR). Westmin had maintained a Level 4 COR, which provided maximum benefits to the company.

In the near term, it is anticipated that the loss of PIP payments will be roughly offset by the staged phasing-out and final elimination of the Petroleum Gas & Revenue Tax (PGRT) by 1989.

Trading Range 1985 *($ per share)*

	Common Shares			Class B Convertible Preferred Shares		
	High	Low	Close	High	Low	Close
Q1	14¾	11¼	14¾	28¼	26	28¼
Q2	15⅝	13	13⅜	29⅜	26⅛	26½
Q3	14⅝	11¾	13½	28	26¼	26½
Q4	14	11¼	11½	27⅞	25⅝	26¼

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Eastern Exploration Office
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Mine Office
P.O. Box 8000
Campbell River,
British Columbia
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Solicitors

Burnet, Duckworth & Palmer
Lawrence & Shaw

Auditors

Touche Ross & Co.

Registrar and Transfer Agent

The Royal Trust Company

Shares Listed

Toronto Stock Exchange
Montreal Exchange
Vancouver Stock Exchange

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Winnipeg, Manitoba
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The Winnipeg Supply & Fuel Company Limited

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Toronto, Ontario
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Saint-Bruno, Quebec
Consulting Geologist

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Toronto, Ontario
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Private Investor

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Vancouver, B.C.
Executive Vice-President and General Manager
Mining Division

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

† Member, Executive Committee
* Member, Audit Committee

Company Officers and Senior Personnel

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Petroleum Division

John B. Killick
Vice-President
Corporate Development

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Executive Vice-President and President
Mining Division

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Corporate Secretary

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Assistant Corporate Secretary

Donald D. Webster
Executive Vice-President
Finance and Administration

Ross A. Mitchell
Treasurer

H. William Verveda
Controller

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Vice-President, Exploration

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Executive Vice-President and General Manager

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