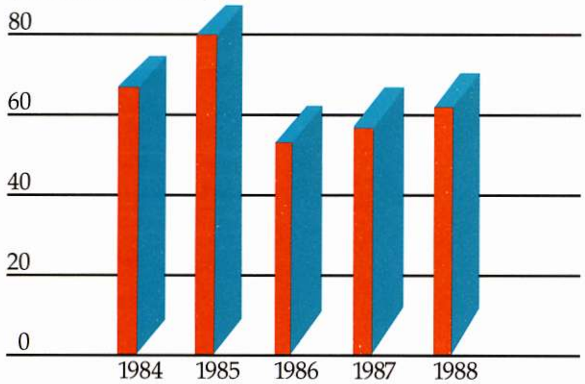
WESTMIN

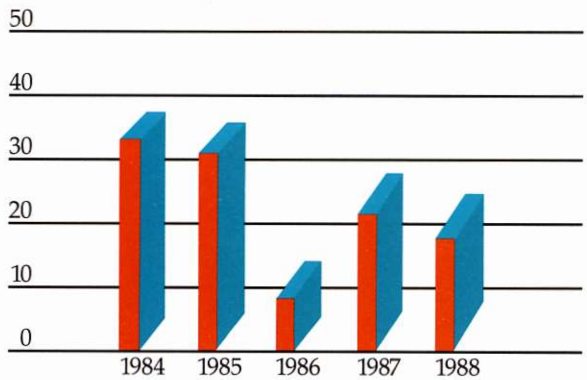
Annual Report 1988

CORPORATE HIGHLIGHTS

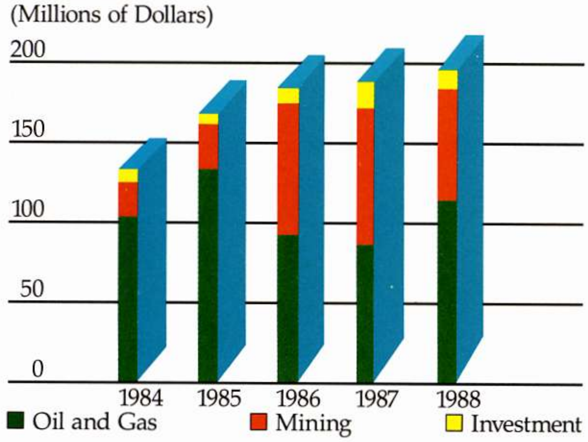
Cash Flow
(Millions of Dollars)



Net Earnings
(Millions of Dollars)



Revenue
(Millions of Dollars)



		1988	1987

FINANCIAL HIGHLIGHTS

($000's except per share data)

	1988	1987
Gross Revenue	**$ 197,295**	$ 190,475
– oil and gas	**71,872**	90,578
– mining	**114,342**	86,471
– investment and other income	**11,081**	13,426
Cash flow	**60,833**	56,840
Net Earnings	**17,843**	21,821
Net Earnings per share	**.02**	.12
Working Capital	**103,262**	102,683
Long-Term Debt	**277,932**	268,070
Capital Expenditures	**76,476**	37,460
– oil and gas	**34,813**	14,553
– mining	**41,035**	22,484
Total Assets	**853,597**	824,845
Shareholders' Equity	**382,691**	395,836
Common Shares Outstanding	**39,101,077**	38,942,495

OPERATING HIGHLIGHTS

		1988	1987
Gross Production			
Crude oil	– bbls	**2,617,200**	3,090,060
	– bbls/d	**7,151**	8,465
Natural Gas	– mmcf	**25,307**	21,853
	– mmcf/d	**69**	60
Minerals	– tons	**1,383,537**	1,201,294
	– average daily tons	**3,822**	3,327
Gold	– troy oz.	**43,870**	36,749
Silver	– troy oz.	**812,903**	771,645
Copper	– thousand lb.	**57,470**	49,185
Zinc	– thousand lb.	**88,067**	80,393
Lead	– thousand lb.	**82**	340
Gross Reserves			
Crude Oil	– mmbbls		
	– proven	**29.7**	28.3
	– probable	**63.8**	72.1
	– total	**93.4**	100.4
Natural Gas	– bcf		
	– proven	**563.3**	556.5
	– probable	**78.9**	77.7
	– total	**642.2**	634.2
Minerals	– tons (Myra Falls Operations)		
	– proven and probable	**12,423,300**	12,423,000
	– possible	**916,500**	1,376,000
	– total	**13,339,800**	13,799,000
Land Holdings			
Gross acres		**7,346,284**	8,080,000
Net acres		**1,820,279**	1,835,000

CORPORATE PROFILE




Westmin Resources Limited is a diversified natural resource exploration and development company.

History

In June 1980, the merged assets of Western Mines Limited and Brascan Resources Limited were officially brought together as a new company, which became Westmin Resources Limited in March 1981. Western Mines Limited was originally incorporated in 1951 to explore and develop a lead-zinc property in the Kootenay region of British Columbia. In 1961 it commenced operations at Myra Falls on Vancouver Island. Brascan Resources came into being with the purchase of Mikas Oil Limited in 1970 by Brascan Limited, and was further strengthened in 1972 with the purchase of Western Minerals Limited (no relation to Western Mines Limited).

Sale of Oil and Gas Assets

As of publication, subject to the receipt of favourable tax rulings and the approval by the voting shareholders of Westmin Resources Limited, Norcen Energy Resources Limited will purchase substantially all of the oil and gas assets of Westmin Resources and $56 million in working capital, for approximately $528 million. Westmin Resources Limited will seek the approval of shareholders at its annual meeting on June 12, 1989 in Vancouver, British Columbia.

Properties

The Petroleum Division owns the title to the mineral rights on significant blocks of property in both the Lindbergh heavy oil field and in areas located north, east and west of Edmonton. Along with its strong Alberta land position, Westmin's Petroleum Division also has interests in Saskatchewan, British Columbia, The Yukon, Beaufort Sea, in the Arctic Islands, offshore Labrador, California, and Abu Dhabi.

The Mining Division, wholly owns the Myra Falls Operations on Vancouver Island and holds a 50.1 per cent joint venture interest, in the Premier Gold Project near Stewart, British Columbia. Currently Westmin has active joint venture exploration projects underway on Vancouver Island, B.C, in Manitoba, and in Quebec. It also has a substantial equity interest in Colony Pacific Explorations Ltd., which holds the Blue Moon project and other significant polymetallic exploration projects in California. In addition, Westmin receives substantial annual royalties from coal production used in power generation in Alberta.

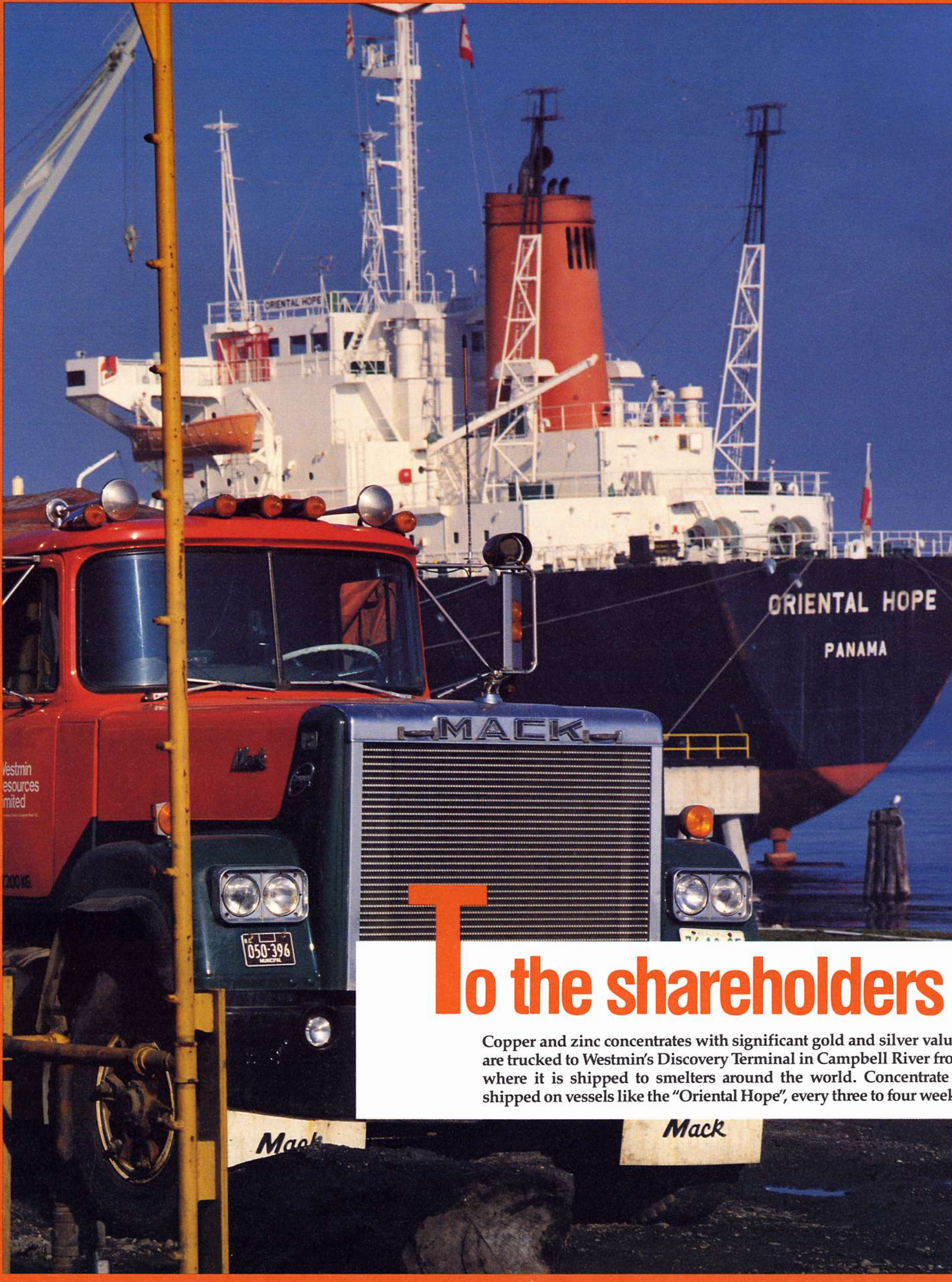
Annual General Meeting

The Annual General Meeting of Westmin Resources Limited will be held on Monday, June 12, 1989 at 2:00 p.m. in the Four Seasons Hotel, Vancouver, British Columbia.

Table of Contents

(Mining report is in metric measurement and Petroleum is reported in imperial measurement.)

Photos above (left) Pumpjack and tank located in Westmin's Lindbergh field; Dwayne Romansky, Production Engineer, Eastern Region on field visit; Myra Falls site with H-W Headframe in foreground; Paul Anderson, Assayer at the Myra Falls Operations.



To the shareholders

Copper and zinc concentrates with significant gold and silver values are trucked to Westmin's Discovery Terminal in Campbell River from where it is shipped to smelters around the world. Concentrate is shipped on vessels like the "Oriental Hope", every three to four weeks.

On February 14, 1989, Westmin Resources Limited agreed in principle, subject to certain conditions and closing adjustments, to sell substantially all of its oil and gas assets together with working capital of approximately $56 million, to Norcen Energy Resources Limited for approximately $528 million. The transaction, subject to approvals from regulatory authorities and Westmin's shareholders, will give the Company $250 million in 8 per cent debentures, exchangeable into multi-voting, common shares of Norcen; and $65 million in unsecured 11 per cent debentures; and a 28 per cent equity in the M.A. Hanna Company, with a value of $213 million. Westmin has assigned to Brascade Resources Inc. the right to acquire the position in Hanna for $213 million on the closing date of the transaction.

Completion of the deal will enable Westmin to reduce its debt substantially, provide a sizeable investment income, and allow it to concentrate on the exploration and development of existing mining assets as well as provide for additional growth through acquisitions.

The 1989 information circular contains complete disclosure details on this proposed sale and company re-structuring.

During the past year, exploration programs in the Mining Division provided Westmin with a sound base from which to grow and take advantage of the highly volatile price fluctuations characteristic to the mining industry. While 1988 was not generally a good year for the oil industry, copper and zinc prices rose well above industry projections and Westmin is in a good position to benefit from the stronger markets in the future.

In 1988, Westmin had net earnings of $17.8 million on revenues of $197.3 million compared to $21.8 on $190.5 respectively in 1987. Earnings per common share, after provision for preferred dividends, dropped from 12 cents in 1987 to 2 cents in 1988. The major drop in earnings came in the third and fourth quarters when sagging oil prices bottomed out at $12.60 per barrel at the wellhead for conventional crude, and $5.49 for heavy oil.

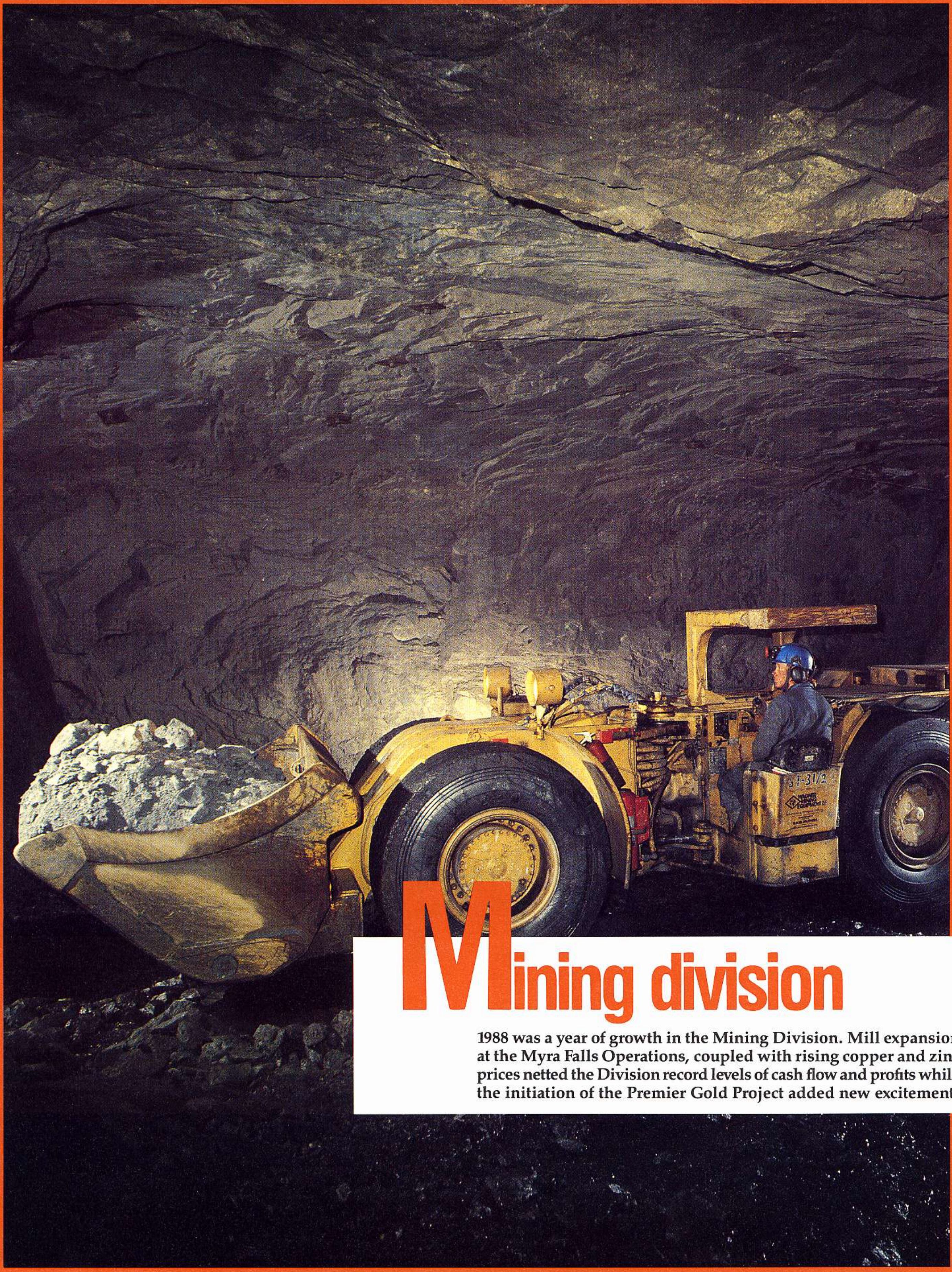
Although earnings were lower, cash flow improved by seven per cent in 1988 rising from $56.8 million in 1987 to $60.8 million. At year-end, current assets stood at $160.2 million including $110.2 million in cash and short-term investments. Current liabilities totalled $56.9 million including the $20.0 million current portion of long-term debt.

Capital expenditures increased substantially in 1988 to $76.5 million from $37.5 million in 1987. Significant expenditures were incurred by the Mining Division for completion of the H-W Mine/Mill expansion at Myra Falls and Westmin's portion of the development costs for the Premier Gold Project.

Mining Division

Westmin plans to spend over $11 million on exploration work this year at the Myra Falls Operations, Premier Gold Project and a number of joint venture exploration projects such as the Debbie/Yellow on Vancouver Island and Little Stull in northern Manitoba.

Construction of the mill and related facilities for the Premier Gold Project, located near Stewart, British Columbia, started early in 1988 and continued throughout the year and into 1989. Production is expected to commence by mid-year. Premier is comprised of the former Silbak Premier and Big Missouri properties. In addition, early results from underground exploration in the area are favourable and indicate an expanded mine life expectancy beyond



Mining division

1988 was a year of growth in the Mining Division. Mill expansion at the Myra Falls Operations, coupled with rising copper and zinc prices netted the Division record levels of cash flow and profits while the initiation of the Premier Gold Project added new excitement.

YEAR IN SUMMARY

Construction of the Premier Gold Project, including a mill and related facilities, was started early in 1988 and continued throughout the year. Gold and silver production started in the spring of 1989.

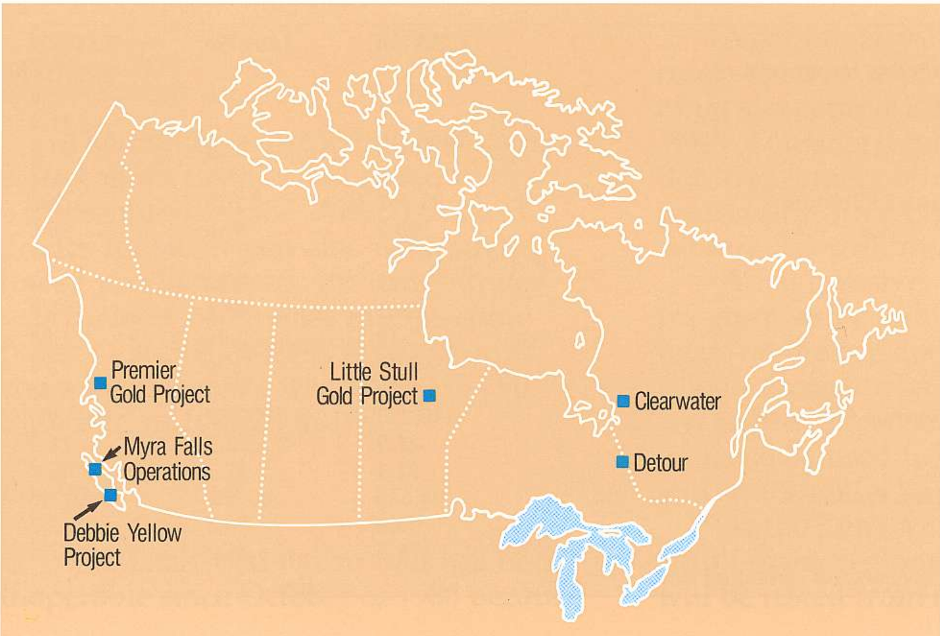
Westmin and its joint venture partners have also continued an active exploration program at this new project to expand the ore reserve base beyond the original 10.5 year mine life. Plans for 1989 call for a continuing high level of exploration activity, with an approved budget of $3.2 million.

The Premier Gold Project is expected to cost approximately $92 million including working capital and the cost of ore stockpiling. During 1988 Westmin secured a low interest gold loan of $44 million which will fund substantially all of its share of the capital and development costs.

Mill expansion at the Myra Falls Operations was completed mid-year, and mine development continued to progress towards full utilization of the new 4,000-tonne production capacity. However, the mine expansion has proved to be a challenge and the development schedule has not progressed as rapidly as planned. This resulted in deficiences in the number of workplaces and shortfalls in the grades and production levels. Despite these problems, there was a 26 per cent increase in the milling rate in 1988 compared to 1987, and together with higher prices for zinc and copper, the Myra Falls Operations enjoyed record levels of revenue and cash flow.

Mining Division revenues for 1988 increased to $114.3 million in 1988, a 32 per cent increase above $86.5 million in 1987. Myra Falls revenues escalated sharply from $80.4 million to $98.9 million in 1988. Operating profit from coal and industrial minerals went up to $11.3 million compared to $6.1 million in 1987.

Cash flow from the Myra Falls Operations was up substantially to $34.8 million in 1988 from $26.5 million in 1987 while mine operating profit rose to $15.3 million from $10.3 million in 1987.



Mining Properties in Canada

MYRA FALLS OPERATIONS

The Myra Falls Operations are located near the south end of Buttle Lake in Strathcona Park. A 90 km highway provides access from Campbell River, British Columbia.

4000-Tonne-Per-Day Expansion Program

The 4,000-tonne-per-day Mine, Mill and Plant Expansion Program, initiated in April of 1987, neared completion in 1988. Several mining delays affected production during the last half of the year. Although tonnages in excess of 4,000 tonnes per day were reached, this rate of production could not be sustained during the third and fourth quarters. Production is expected to average approximately 3,800 tonnes per day in 1989.

H-W Mine Operation

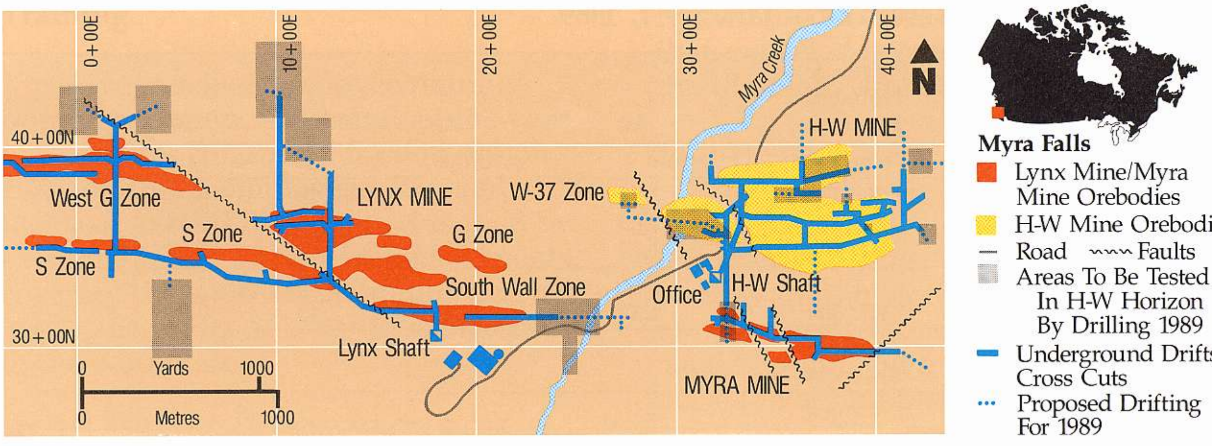
The H-W Mine produced 1,135,619 tonnes of ore during 1988 as compared to 898,242 tonnes in 1987; an increase of 26 per cent. However, underground development fell behind schedule during the summer and with fewer working areas available, zinc and silver grades suffered and insufficient ore was available to support the mill's new 4,000 tonne capacity.

Several production-oriented improvements are in progress including the adoption of a revamped preventative maintenance system to curb unscheduled equipment problems. An intensive exploration and stope development program is to be implemented in 1989 to meet production targets and increase ore reserves.

Myra Falls Operations

Mining and Milling Activities	1988	1987	Since Start-up
Concentrator			
Tonnes Milled	**1,255,124**	**1,089,796**	**9,170,609**
Source of Ore of Concentrator in per cent			
% from Lynx	**9.5**	17.6	53.8
% from Myra	—	—	11.4
% from H-W	**90.5**	82.4	34.8
No. of Operating Days	**362**	361	7,417
Average Daily Throughput in Tonnes	**3,467**	3,019	1,236
Percent Operating time*	**90.0**	89.8	96.6
Grade of Ore			
g/t Au	**2.33**	2.20	2.16
g/t Ag	**39.2**	40.1	81.0
% Cu	**2.49**	2.46	1.83
% Pb	**0.31**	0.36	0.78
% Zn	**4.79**	4.91	6.58
Tonnes of Copper Concentrate Produced	**118,790**	100,222	584,760
Percent Cu Grade	**22.9**	23.3	24.3
Percent Cu Recovery	**87.1**	87.1	85.0
Tonnes of Zinc Concentrate Produced	**96,640**	86,508	943,148
Percent Zn Grade	**49.4**	50.3	52.2
Percent Zn Recovery	**79.4**	81.2	81.5

*Percent operating time is based on operating days.



Lynx Mine Operations

Production during 1988 was 119,505 tonnes as compared to 191,554 tonnes in 1987. The decline reflects the decreasing number of production workings at the Lynx Mine. The ramp access for the "S" Zone orebody below the 15 Level workings is progressing and ore entry is expected by June. The Lynx Mine is scheduled to produce 124,800 tonnes of ore during 1989.

Horizontal development will continue at an accelerated pace to ensure the timely availability of diamond drill stations throughout 1989.

Milling

The milling rate for 1988 averaged 3,467 tonnes per day compared with 3,019 tonnes for 1987. Although head grades for silver and zinc were slightly lower, production of zinc concentrates was up to 96,640 tonnes in 1988 compared to 86,508 in 1987. Production of copper concentrate was up to 118,790 tonnes from 100,222 in 1987.

Power

The Thelwood hydro unit has been inoperable since October of 1988 because of a cave-in in the penstock tunnel. Restoration of the tunnel, which includes approximately 240 m of underground ramps, shotcreting and the installation of two concrete plugs, was completed. The unit was back in operation by March, 1989. The Tennent hydro complex operated satisfactorily throughout the year. During the temporary shut-down of the Thelwood hydro plant, additional diesel units were brought in to supplement the power supply for the Myra Falls Operations.

Mine Exploration

As of January 1, 1989, total ore reserves show a net loss of 419,800 tonnes in comparison with January 1, 1988. Tonnage depletion due to production was largely offset by additions to reserves through ore definition and exploration drilling.

An aggressive, diamond drilling program will continue in 1989. It will focus on the ore definition of the H-W Mine's north ore lenses and projected westerly extensions. Diamond drilling will also be used to explore to the east and south of the known H-W orebodies.

At the Lynx Mine the North and South Flank regions of the H-W Horizon will be tested from at least six major drill

Total Geological Reserves as of January 1, 1989

Mine	Proven & Probable Reserves Tonnes	Au g/tonne	Ag g/tonne	Cu %	Pb %	Zn %
H-W Mine	10,799,200	2.33	33.90	2.48	0.34	5.03
Lynx Mine	261,600	2.63	77.01	1.37	0.78	7.61
Price Mine	209,500	1.23	53.14	1.10	1.07	8.31
Total Proven & Probable	**11,270,300**	**2.32**	**35.26**	2.43	0.36	5.15
Mine	Possible Reserves Tonnes					
H-W Mine	798,400	1.95	21.51	1.16	0.20	5.64
Lynx Mine	33,000	2.58	75.05	1.35	0.78	7.60
Total Possible	**831,400**	**1.98**	**23.64**	1.17	0.22	5.72
Combined Total: Proven, Probable & Possible (January 1, 1989)	**12,101,700**	**2.30**	**34.46**	2.34	0.35	5.19
Combined Total: Proven, Probable & Possible (January 1, 1988)	**12,521,500**	**2.40**	**37.68**	2.40	0.36	5.28

locations. Drilling will also be carried out on the westerly extension of the high-grade zinc ore of the "S" zone type.

Environment

Water quality monitoring for the Buttle Lake Drainage System indicated a "levelling off" in the rate of improvement during 1988. The quality consistently met the Federal guidelines for the protection of fresh-water aquatic life established in 1987.

A laboratory developed process to reduce or eliminate acid generation of sulphide bearing waste rock was field tested in 1988. Tests included the monitoring of waste rock test piles and the compiling of geochemical and hydrological information from the open pit waste dump. Continued monitoring and additional trial applications are planned during 1989.

Reclamation of several previously disturbed areas continued with surface recontouring and seeding.

An external audit, conducted for Westmin by an independent international environmental consultant, confirmed compliance with all pollution control permits and environmental legislation.

Health and Safety

Westmin continues to place major emphasis on safety and numerous safety-related improvements were implemented in 1988. In June, a Company-Union administered Employee and Family Assistance Program was initiated. Results, to date, have been extremely encouraging.

Training

A very active employee training program continued throughout the year with courses conducted for both union and non-union employees. It included the basic WHMIS program, designed by the Federal and Provincial governments, covering the latest regulations concerning the handling of hazardous materials in the workplace.

PREMIER GOLD PROJECT

The decision to start the Premier Gold Project, near Stewart, British Columbia, was announced in January 1988 after completion of comprehensive feasibility studies and negotiations with the other joint venture participants, B. C. Hydro and the Province of British Columbia. In addition, successful negotiations were held with Tournigan Mining Explorations Ltd. to restructure the 30 per cent Net Profits Interest held by Tournigan in the Big Missouri property into a 5 per cent Net Profits Interest after payback of pre-production costs in the combined Silbak Premier/Big Missouri project now known as the Premier Gold Project.

Final engineering, tendering and construction proceeded at a rapid pace throughout 1988 and substantial progress was made. Mill production is expected to start in the late spring of 1989.

The current estimate of cost to complete the project is now $92 million compared with an original estimate of $88 million made in late 1987. Additional costs are due to the approximately $2 million dollars spent on the temporary diesel power plant required until British Columbia Hydro's transmission line is completed to the nearby community of Stewart, B. C. The remaining $2 million is attributed to greater general inflation than expected in construction costs over the 18 month construction period.

Mill Development

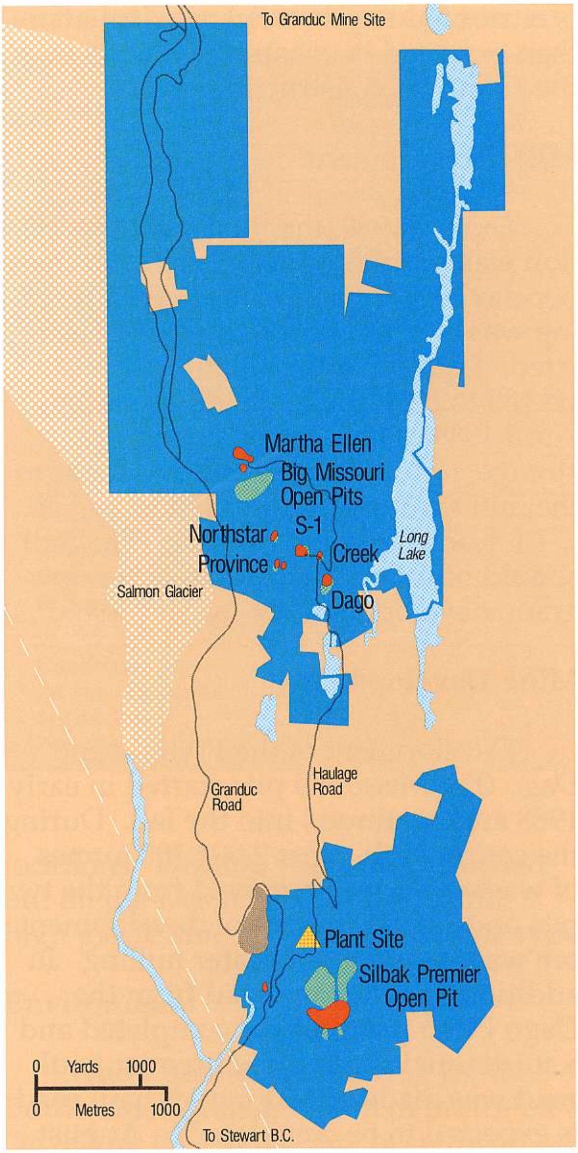
During 1988, the final site preparation was completed and the 2000-tonne-per-day mill/maintenance/office building was erected, clad, roofed and insulated. Equipment installation is expected to be completed and tested by April 1989. The crusher, coarse ore storage, reclaim tunnel and conveyor to the mill are nearing completion and all C-I-L leach tanks are in place. The mill should be available for tune-up on low-grade development ore by May 1989.

Mine Development

Development of the Premier and Dago (Big Missouri) pits started in early 1988 and continued into the fall. During the course of the year 2,001,200 tonnes of waste rock was removed from the two pits and 335,600 tonnes of development ore was stockpiled for later milling. In addition, the haulage road from the Dago Pit to the mill was completed and a substantial start on the Premier haul road was made. The Premier haul road is expected to be completed in August 1989 although mining will re-commence in late spring.

Ancillary Facilities

The tailings dam, tailings pipeline, and preparation of the tailings area was completed. The fresh water supply and water reclaim system is also ready. The powerline to connect with B. C. Hydro's grid at Stewart has been virtually completed and temporary generators to provide power on an interim basis until



Premier Gold Project (Silbak Premier/Big Missouri)

- Westmin Claims
- Waste Dump
- Gold Deposits
- Tailings Disposal Area
- Roads

the B. C. Hydro line is completed, have been purchased and installed on site.

Exploration and Reserves

Exploration continued throughout 1988 and into 1989 at the Premier Gold Project. Results of the exploration program are included in the following section of this report.

MINERAL EXPLORATION

Mineral exploration in 1988 successfully expanded gold reserves at the Premier Gold Project and considerably enhanced the Debbie/Yellow, Little Stull and Clearwater Projects. Exploration, largely through joint ventures, was conducted on 22 properties. Thirteen properties were diamond drilled, all but two of which warrant additional drilling. Geological, geophysical and geochemical surveys have also identified drill targets on an additional six properties.

Premier Gold Project, British Columbia (Westmin 50.1%)

Exploration in 1988 continued to expand the ore reserve base on the Premier Gold properties with expansion of the open pit reserves in the S1, Martha Ellen and Northstar zones at Big Missouri (March, 1988). Geological reserves at Big Missouri of 3,685,000 tonnes, grading 2.5 g/tonne gold and 21.3 g/tonne silver, are expected to increase slightly; whereas mineable reserves (March 1988) of 1,685,200 tonnes grading 3.1 g/tonne gold and 23 g/tonne silver are expected to increase by approximately 30 percent. Diamond drilling confirmed the depth extension of the S1 Zone. A new zone, the Day Zone, provided moderate grades over widths suitable for underground mining.

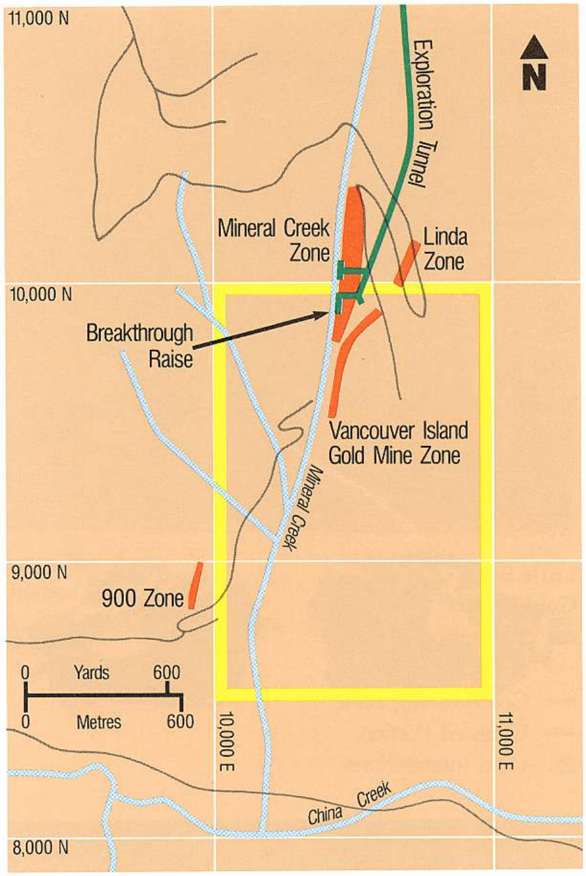
Evaluation of underground reserves at Silbak Premier began in earnest in 1988 and met with considerable success with reserves defined in the 4G stope area situated approximately 30 metres below the West Zone part of the planned Silbak Premier open pit, and in the 609-602 areas downplunge of the west end of the pit. Both areas are within the former underground mine, although the 609 and 602 areas are on the lowest level (6 Level) in the mine and have undergone only minor stope development. The estimate of reserves in the 4G stope area is 181,000 tonnes grading 10.9 g/tonne gold and 47.7 g/tonne silver. Evaluation of the Northern Light area commenced in 1988 with moderate success in defining targets of the previous reserve base.

Drilling in the Power Zone and on the High Ore-Ruby Silver Joint Venture property met with moderate encouragement. A small, moderate-grade reserve of approximately 26,000 tonnes, grading 12.0 g/tonne gold and 34.3 g/tonne silver, was defined in the core of the extensively mineralized Power Zone. Several other small zones of mineralization were evaluated in 1988.

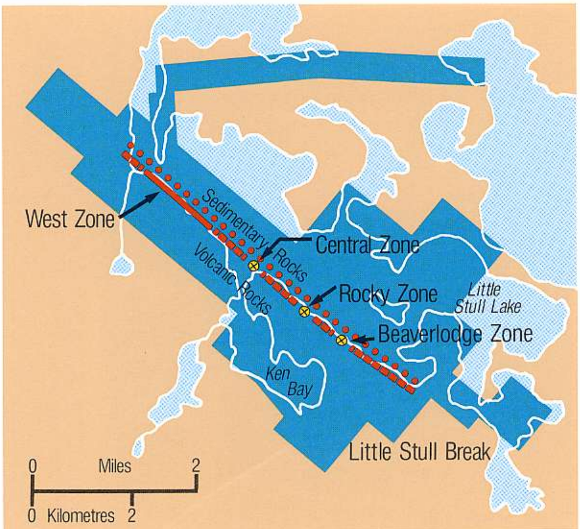
A total of $5.3 million was spent on exploration in 1988, and an expenditure of $3.2 million is planned for 1989. Continuing exploration will focus on development of underground reserves and will focus on the Day Zone at Big Missouri and 4G, 609-602 and Northern Light zones at Silbak Premier.

Debbie/Yellow Project British Columbia (Debbie-Westmin 50% and Yellow-Westmin 24.5%)

A 4 x 3 metre-trackless exploration tunnel contracted to Mainstreet Mining



Debbie Yellow Project
Yellow Claim
Gold Zones
Roads
Rivers
Exploration Tunnel



Little Stull Gold Project

- Westmin Claims
- Iron Formation
- Gold-bearing Zone
- Untested Portion
- Gold Intersections

Core samples are laid out in the sunshine at the Little Stull exploration camp in northern Manitoba.

was started in June and progressed on schedule and on budget in 1988. This tunnel was advanced on the Debbie property in 1988 and was completed to a breakthrough on the Yellow property on budget and on schedule in late February 1989. It will provide an exploration drill platform on Debbie and Yellow, as well as provide access to the currently known Mineral Creek Zone on both Debbie and Yellow for evaluation of mineralization, including bulk sampling for metallurgical testing. Drilling from one station near the middle of the tunnel commenced in December. The tunnel will also provide access for evaluation of the Linda Zone in 1989.

Geological mapping, surface trenching, and geophysical surveys concentrated on the Mineral Creek and 900 zones, with additional work on other areas of interest. Several adits developed in the 1890s and early 1900s have been relocated, surveyed, rehabilitated, and sampled. Data obtained from these old adits have been valuable in the interpretation of the current drill core data.

The 1989 program will concentrate on completion of crosscuts and bulk sampling of the Mineral Creek Zone from the tunnel followed by proposed underground diamond drilling (28,000 metres) to test the Mineral Creek Zone and the favourable structure north of the Mineral Creek gold zone. In addition, approximately 20,000 metres of surface drilling is proposed to test the 900 and Linda zones as well as other gold targets.

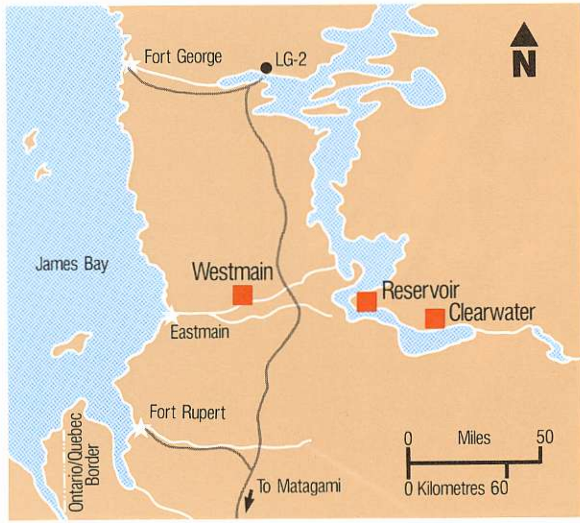
Little Stull Project, Manitoba (Westmin 53.3%)

Diamond drilling on the Little Stull Project has continued the evaluation of three gold-bearing shoots along a 2,000-

metre strike length in the West Zone. The gold-bearing zones occur near a volcanic-sediment contact - The Little Stull Break - which extends for a distance of six kilometres across the claims. Three other gold-bearing zones: Rocky, Central and Beaverlodge zones are located along the break at about one kilometre intervals and have received only cursory attention to date. Additional drilling of these zones is planned for 1989.

The West Zone is developing into a significant gold-bearing zone. In 1988 a total of 75 holes were drilled into the zone - 29 of these holes intersected gold grades, in excess of 8 g/tonne. Those holes which intersected grades in excess of 15 g/tonne are listed below.

Hole (location)	Length (m)	Gold Assays (g/tonne)
42 (1200E/180N)	1.0	18.50
46 (1120E/185N)	1.0	68.70
47 (1075E/170N)	1.0	124.80
55 (600E/200N)	1.0	15.80
70 (1120E/224N)	1.0	330.0
71 (1100E/224N)	1.0	17.30
73 (1100E/170N)	1.0	72.80
82 (300E/205N)	1.0	191.90
83 (250E/150N)	1.0	42.20
86 (1680E/150N)	1.0	76.30
94 (360E/170N)	1.1	23.60
105 (240E/165N)	1.0	20.90
114 (1740E/170N)	1.0	43.20
122 (AAE/155N)	1.0	42.40
123 (1240E/140N)	1.0	62.80



James Bay Area, Quebec

Gold/Base Metal Zones

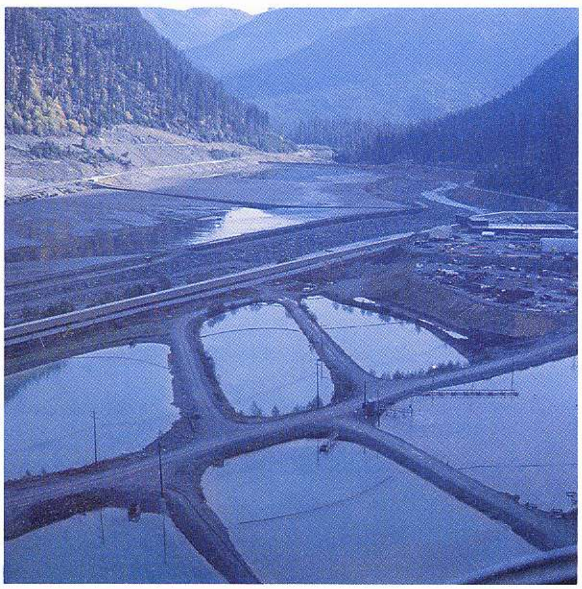
Roads

Orientation of the individual "ore" shoots in the West Zone has not been established, but there is some suggestion that they may coalesce at depth. The 1989 drill program of 10,000 metres is designed to test the strike and depth extension of this zone.

Clearwater, Quebec

A diamond drill program on the Clearwater and adjacent Lichteneger properties in northern Quebec intersected significant gold mineralization in seven of sixteen drill holes in the L'Eau Claire area. The drilling was a follow-up to a 1987 drill program in which five holes in the same area intersected gold. A 1989 drill program will identify controlling geological features and will test

In order to remove or add to the more than 100 pieces of equipment used underground in the H-W Mine, the equipment has to be taken apart and raised or lowered down the shaft under the cage. Here Terry Ryan and Rick Schultz bring a truck to surface.



Settling ponds at the Myra Falls Operations. The quality of water tested before leaving the Myra Falls site meets the 1987 Federal guidelines for the protection of fresh-water aquatic life.

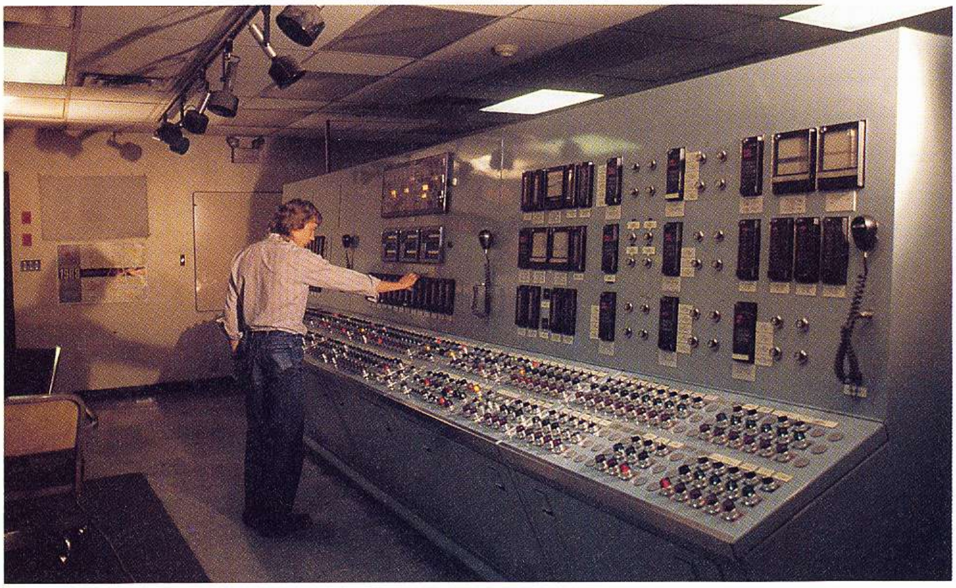
extensions of the gold zones. Significant 1988 drill intersections are listed below.

Hole (location)	**Length** (m)	**Gold Assays** (g/tonne)
Clearwater		
L-20 (100E/50S)	1.0	18.90
L-21 (200E/125S)	1.0	4.80
L-28	1.5	10.49
(50W/210S)	1.0	4.25
L-31	0.5	15.91
(150W/240S)	0.95	4.74
L-32	0.75	11.11
(150W/160S)		
L-33	0.1	34.2
(200W/240S)		
Lichteneger		
L-03 (300W/160S)	4.0	4.78

Blue Moon
Mariposa County, California

Early in 1988, Westmin converted its working interest in the Blue Moon precious-metal-rich, massive sulphide property in Mariposa County, California, into an equity interest in Colony Pacific Explorations Ltd. and retained a 10 per cent net profits royalty interest on the Blue Moon property. At year end, Westmin owned approximately 29.1 per cent of the issued shares of Colony Pacific. Colony Pacific is a Vancouver-based junior resource company having mineral and oil and gas interests in the United States and Canada. Westmin continues to manage exploration work on the property.

During 1988, Colony Pacific completed 5200 metres of diamond drilling in ten holes and expanded the mineralized zones. Geological reserves are estimated at 2,028,500 tonnes, grading 1.10 per cent copper, 0.46 per cent lead, 9.39 per cent zinc, 2.16



Wayne Schram checks over panel in the mill control room at the Myra Falls Operations.

g/tonne gold and 90.9 g/tonne silver. Environmental and engineering studies were completed in support of a permit application to undertake an underground exploration program, including sinking a 730 metre shaft, lateral development work and underground diamond drilling. Recent metallurgical test work indicates improved recoveries and concentrate quality. A final decision on the underground program will be made when suitable financing arrangements are in place.

MARKETING

Production of copper and zinc concentrates from the Myra Falls operation is sold primarily to smelters in the Far East. The principal payable metals are copper, zinc, silver and gold.

Strength in the economies of the major industrial countries during 1988 led to improved demand for base metals including copper and zinc. Prices for these two metals responded accordingly, reaching record highs in the last quarter of the year.

Economic growth in 1989 is widely expected to moderate due to capacity constraints and higher interest rates. This could cause a fallback in the prices of metals. However, copper and zinc prices should maintain higher averages than in recent years.

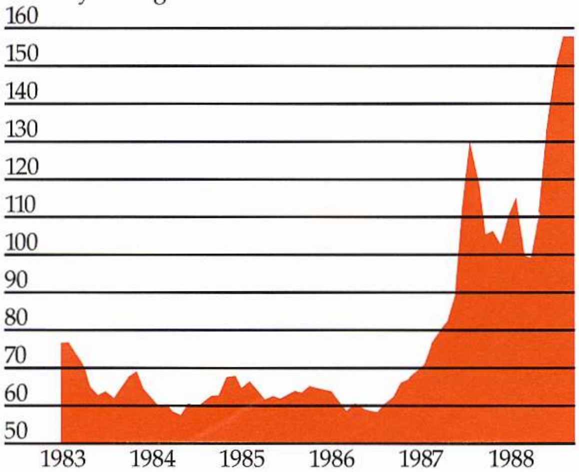
Copper

The copper price on the London Metal Exchange averaged US $1.18 per pound in 1988; significantly higher than an average of US $0.80 per pound in 1987. Demand for metal from the construction, automobile and consumer product industries remained at healthy levels. Supply problems in several of the world's largest copper producing areas led to lower than expected availability of metal, especially in the fourth quarter of 1988. As a result, copper stocks continued to decline over the year and prices moved steadily upward.

Metal demand continues to be strong and inventories are still at low levels. Significant mine production increases are forecast for 1989, and the price outlook for copper remains excellent.

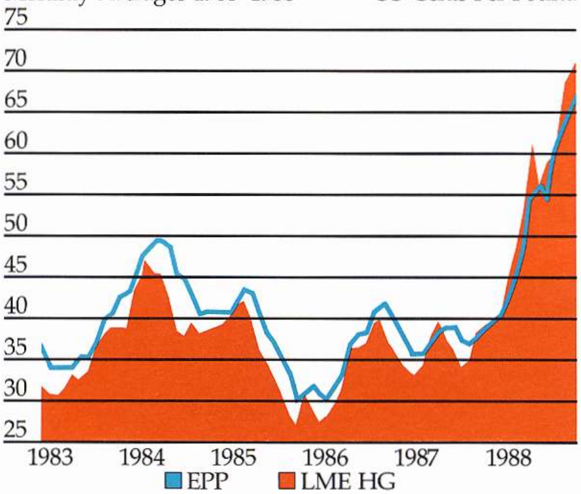
London Copper Price

Monthly Averages 1983–1988 US Cents Per Pound



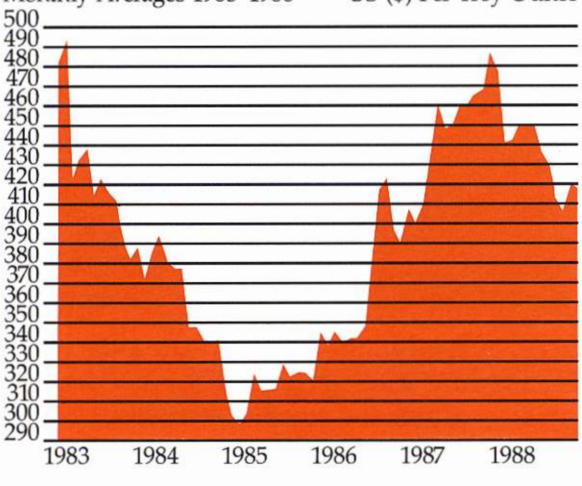
Zinc Metal Price

Monthly Averages 1983–1988 US Cents Per Pound



London Gold Price

Monthly Averages 1983–1988 US ($) Per Troy Ounce



Construction of the crusher at the Premier Gold Project near Stewart, British Columbia. Production starts in late spring 1989.

Zinc

1988 also marked an excellent year for the zinc market. Prices rose throughout the year as a result of greater demand for zinc metal combined with tightness in supply. The average European Producer price in 1988 was US $0.53 per pound which compares with US $0.37 per pound in 1987. This producer price ceased being published at the end of 1988 and zinc is now being priced on the basis of the London Metal Exchange Special High Grade Contract.

Zinc is mainly used for galvanizing in the automobile and construction sectors. These two sectors of the economy continue to be strong and the outlook for zinc consumption and prices in 1989 is good.

Gold and Silver

Despite significant investment demand for bullion in the Far East, gold traded in a downward trend for most of 1988. Low inflation, rising interest rates and concerns of a potential oversupply of gold in the near future pushed the average price of gold in 1988 down to $437 per ounce compared with US $447 per ounce in 1987.

The silver market mirrored the performance of gold in 1988, averaging US $6.53 per ounce in the London markets, down US $0.50 per ounce from 1987. Total available supplies of silver from primary and secondary sources more than offset a good level of industrial demand. Investment demand, however, declined over the year. The volume of stocks remains high. Reaction to the potential for a sharp reduction in Peruvian silver exports only provided a short-lived rally at mid-year.

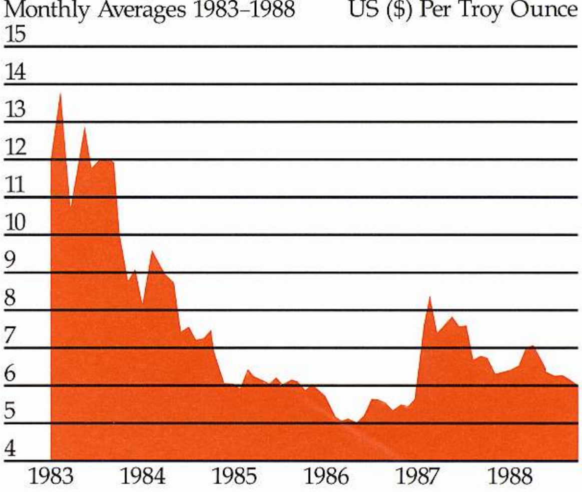
The outlook for the precious metals in 1989 is mixed. Positive factors for the gold and silver markets would include higher oil prices, higher labour costs, and capacity constraints which could apply inflationary pressure to the economy. On the other side, higher interest rates and moderating economic growth in 1989 would take much of the upside potential out of the bullion markets.

Myra Falls Operations

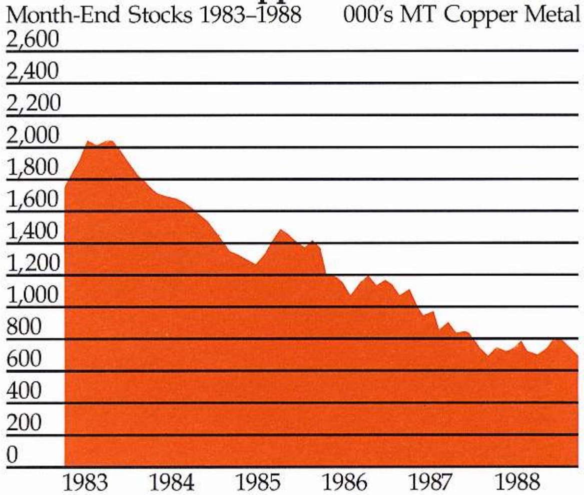
1 tonne = 2,204.6 lbs.
1 oz. = 31.1035 g

Payable metal content of concentrates—1988		
Copper	26,068 tonnes	57,470 (lbs. × 1000)
Zinc	39,947 tonnes	88,067 (lbs. × 1000)
Lead	37 tonnes	82 (lbs. × 1000)
Gold	1,364,450 grams	43,870 ounces
Silver	25,283 kg	812,903 ounces

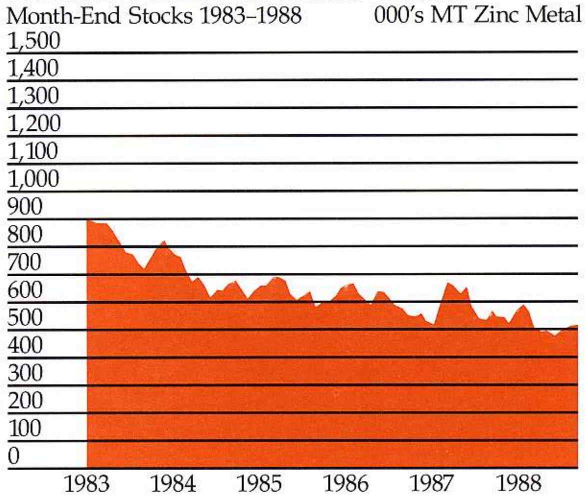
London Spot Silver Price

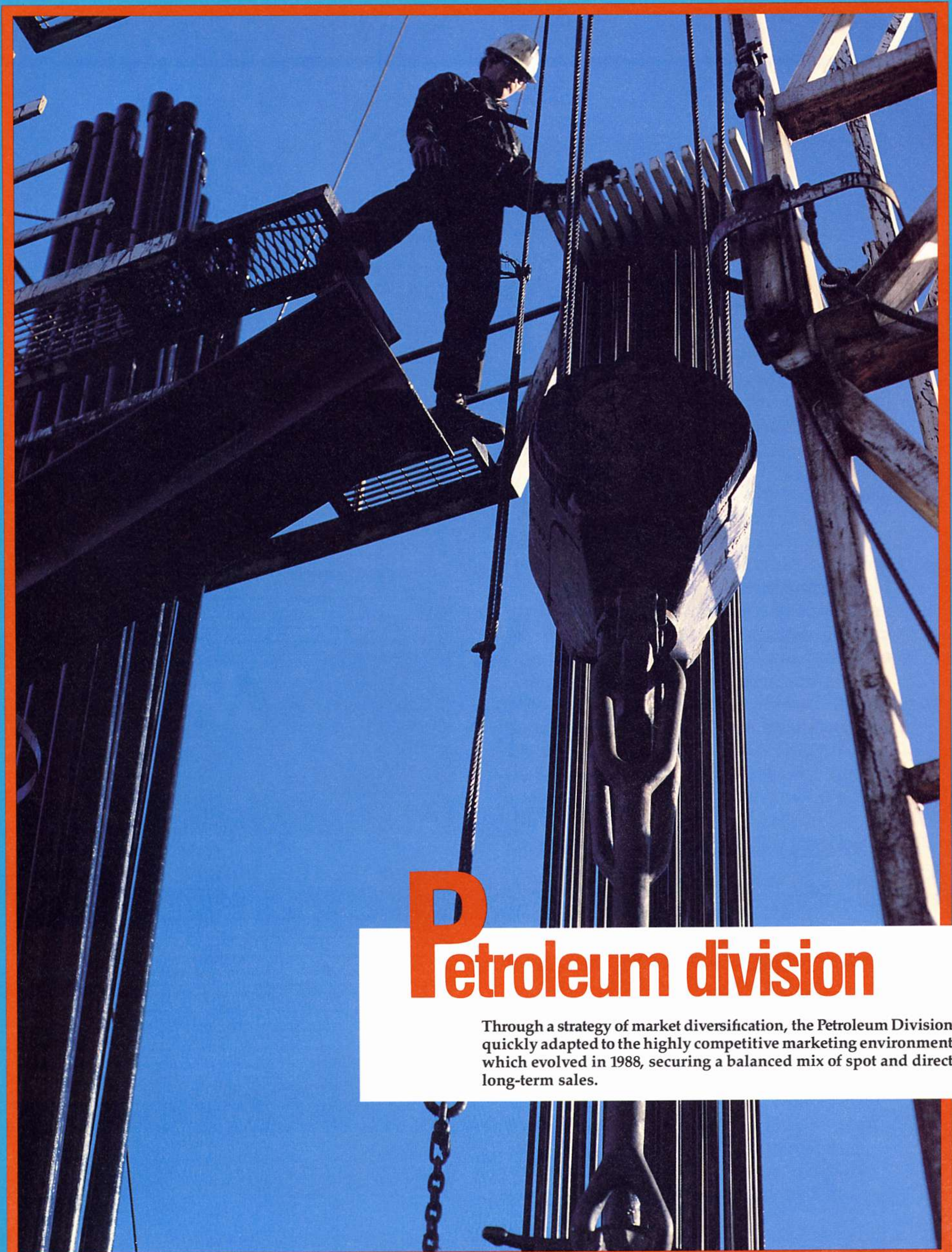


Western World Copper Metal Stocks



Western World Zinc Metal Stocks





Petroleum division

Through a strategy of market diversification, the Petroleum Division quickly adapted to the highly competitive marketing environment which evolved in 1988, securing a balanced mix of spot and direct long-term sales.

YEAR IN SUMMARY

In 1988, as deregulation of the natural gas industry went into its final stages, Westmin took an aggressive approach to restructuring its existing sales contracts and targeting new markets which will generate the highest netback prices at the wellhead. This resulted in a number of contracts in both Canada and the United States.

In western Canada, Westmin was one of the most active industry operators in 1988, participating in the drilling of 131 working interest wells, up from 74 in 1987. With a 78 per cent success ratio, this resulted in 61 oilwells and 42 gaswells.

Exploratory drilling resulted in several new finds. These will likely be explored further under Norcen Energy Resources Limited which, on February 14, 1989, made an offer to purchase essentially all of Westmin's oil and gas assets.

Two new gas plants were opened in 1988, at Misty in southeastern Alberta and Beacon Hill Southeast in west-central Saskatchewan. It is the second Westmin-operated gas plant in the Beacon Hill field.

Westmin acquired mineral rights in 80,000 net acres in 1988 for $4.6 million. The purchases, which were mainly in Alberta, included significant acquisitions in the Deep Plains Project Area in west-central Alberta and shallow gas properties in the eastern part of the province.

Although activity has slowed at Westmin's Lindbergh Heavy Oil area, two new thermal research projects, originally scheduled for 1989, are expected to be continued by the new ownership.

Safety has continued to play an important part in Westmin's operations. The Company fully supported new policy guidelines set out by the Alberta Occupational Health and Safety Department, and showed industry leadership in developing an up-graded policy on flame resistant workwear.

Petroleum Division revenues for 1988 decreased to $71.9 million from $90.6 million in 1987. The decrease has been attributed to lower oil prices, especially in the heavy oil area, and the resulting shut-in of some of Westmin's production until prices improve. The downturn in revenues was offset somewhat by an increase in gas sales and production.

Cash flow was also affected by lower prices, dropping from $47 million in 1987 to $32.2 million in 1988.

EXPLORATION

A more confident energy sector emerged in 1988 following a 24 month period of caution. Rejuvenated exploration and development programs supported by increased capital budgets were the industry norm.

Early in the year, accelerated levels of activity were evident as seismic companies, drilling contractors and the service sector responded to a new wave of industry spending. Land sale bonus bids rebounded to higher levels as explorers reacted to an attractive environment offering drilling incentives, royalty holidays and a perception of predictable product prices.

This momentum continued until early autumn, when a combination of factors, including a phase-out of incentives, and an OPEC-triggered volatility in oil prices, resulted in a sudden deferral of activity. This "wait and see" posture has persisted into the early part of 1989, despite apparent oil price recovery in March to U.S. $20.00 per barrel for West Texas Intermediate marker crude.

Westmin's experience paralleled that of the industry. Maintaining the momentum established in late 1987, the Petroleum Division continued a rebuilding phase with a mandate to maximize established oil and gas accumulations, bring new prospects to the drilling phase, and add inventory of prospective acreage in hydrocarbon-prone areas to its land base.

In 1988, Westmin drilled 131 working interest wells with a success ratio of 78 per cent resulting in 61 oilwells, 42 gaswells and 28 dry holes. The Company was listed as one of the most active operators in Western Canada.

A diverse program of reserve development and the pursuit of new exploratory prospects led to accelerated drilling activity and the acquisition of promising acreage in both new and traditional project areas. Exploratory drilling resulted in several new finds, with the most significant new pool discoveries occurring at Ferrier, David Lake, Grand Forks and Misty in Alberta and at Beacon Hill in Saskatchewan.

Production and Revenue*

Year Ended December 31

	1988	1987	1986
Crude oil and NGLs			
Per year – bbls	**2,617,200**	3,090,060	2,955,100
Daily average – bbls	**7,151**	8,465	8,096
Natural Gas			
Per year – mmcf	**25,307**	21,853	21,520
Daily average – mmcf	**69**	60	59
Gross Revenue ($000s)			
Natural Gas	**$ 38,875**	$ 36,104	$ 49,250
Crude oil and NGLs	**31,077**	53,611	41,556
Other	**1,920**	863	3,032
Total	**$ 71,872**	$ 90,578	$ 93,838

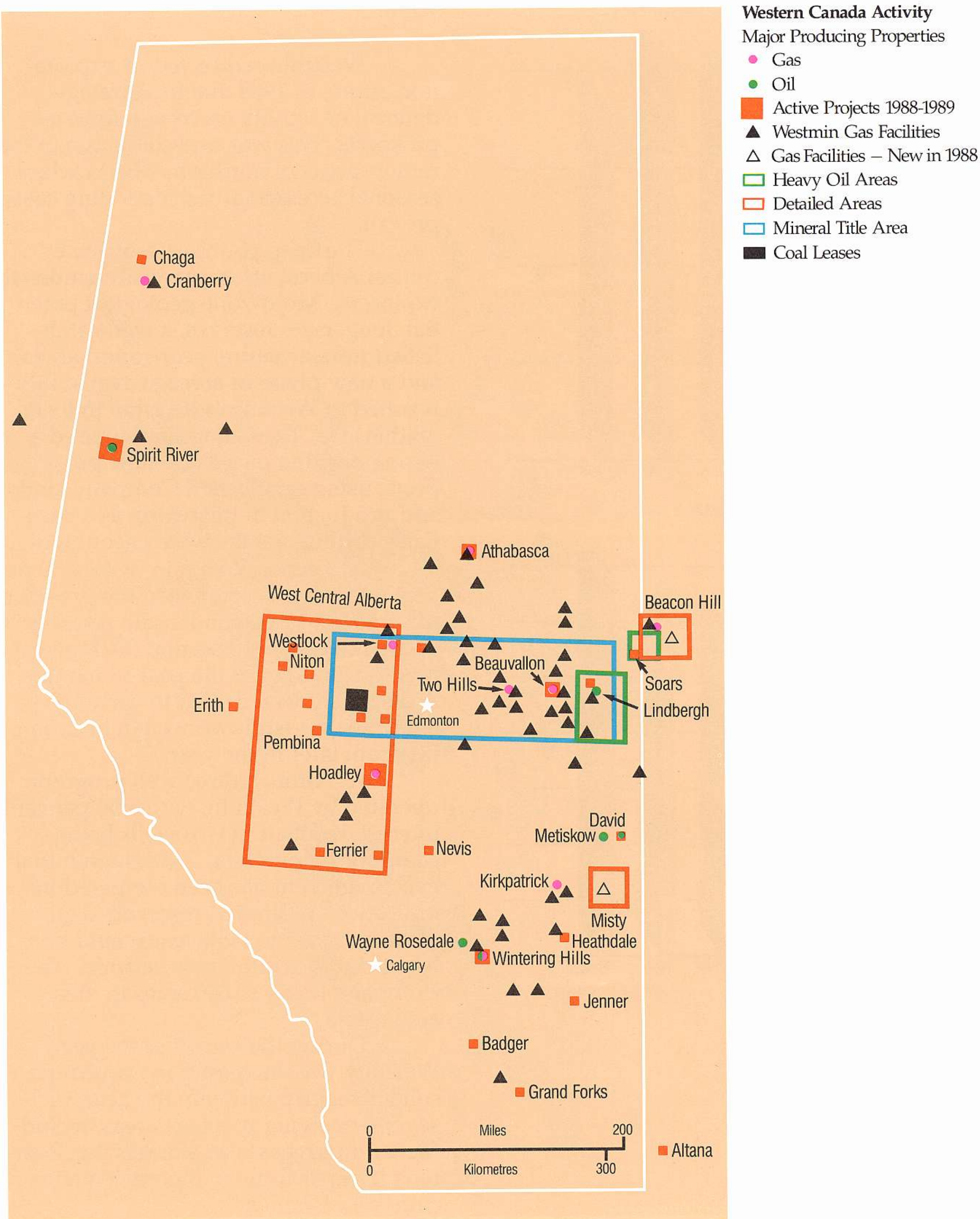
* includes royalty production and income accruing to Westmin but before deducting royalty interests accruing to other parties.

Drilling Activity – 1988

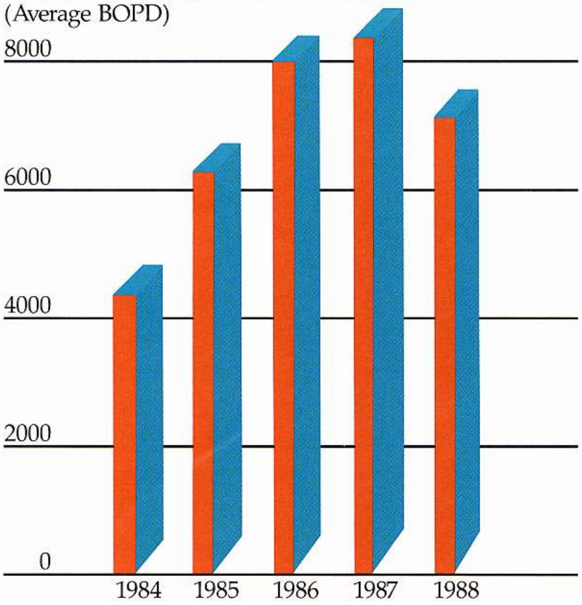
	Gas	Oil	Dry	Gross	Net
Working Interest					
Exploratory	18	9	20	47	25
Development	24	52	8	84	57
Total	42	61	28	131	82
Royalty Interest (1)	9	3	9	21	*

(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.

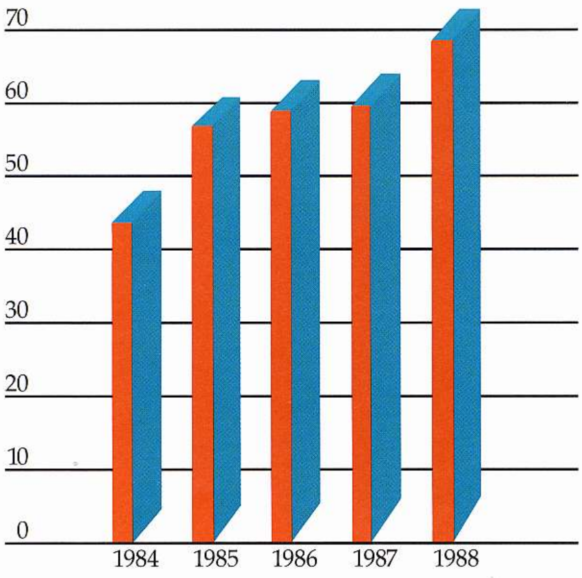
*Variable, depending on contractual arrangements.


Western Canada Activity
Major Producing Properties
Gas
Oil
Active Projects 1988-1989
Westmin Gas Facilities
Gas Facilities – New in 1988
Heavy Oil Areas
Detailed Areas
Mineral Title Area
Coal Leases
Chaga
Cranberry
Spirit River
Athabasca
West Central Alberta
Beacon Hill
Westlock
Niton
Beauvallon
Two Hills
Soars
Erith
Edmonton
Lindbergh
Pembina
Hoadley
David
Metiskow
Ferrier
Nevis
Kirkpatrick
Misty
Heathdale
Wayne Rosedale
Wintering Hills
Calgary
Jenner
Badger
Grand Forks
0
Miles
200
0
Kilometres
300
Altana

Crude Oil and NGL Production
(Average BOPD)



Natural Gas Production
(Average MMCF/D)



Alberta

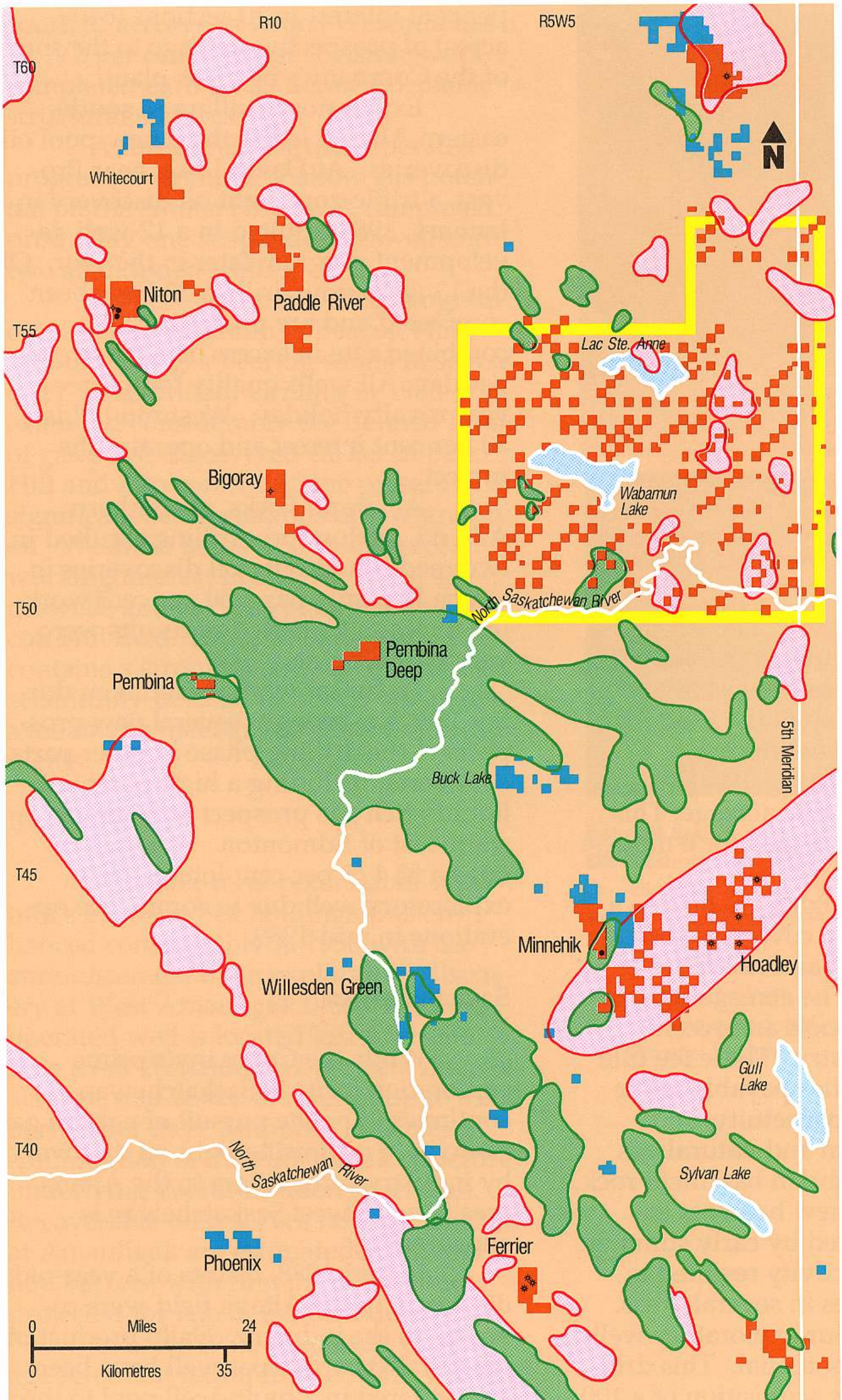
Westmin redirected its exploration efforts in 1988 due to a strategic deferral of activity on certain light oil prospects. This was especially true in the remote areas of northern Alberta where seasonal access and high operating costs prevail.

The deep plains area of west-central Alberta offers many attractions to explorers. Multi-zone geological potential, longer-life reserves, a well-established infrastructure, year-round access and a new phase of acreage availability resulted in Westmin's decision to focus on this area. The Company acquired a strong position on several new prospects, using established Company lands and production in the region as a base. Early drilling results were encouraging.

At Ferrier, Westmin, with a 50 per cent interest, has confirmed the presence of significant gas/condensate reserves. These underlie a 10-section (6400 acres) lease acquired over the past 18 months. A discovery well drilled in early 1988 led to a successful two well delineation program later in the year.

At Niton, a three well program operated by Westmin, with a 50 per cent interest, resulted in two wells being cased for oil potential. Although initial encouragement has been tempered by indications of limited reservoir size, there is reason to believe it would be beneficial to acquire new seismic. The Company holds 10,000 acres in this active area.

During the course of the year, Westmin was successful in acquiring a solid acreage position in the heart of several evolving prospect areas, including land purchases at Markerville, Pembina (Deeper Rights), Bigoray, Whitecourt and Leaman.


R10
R5W5
T60
T55
T50
T45
T40
Whitecourt
Niton
Paddle River
Bigoray
Lac Ste. Anne
Wabamun Lake
North Saskatchewan River
Pembina
Pembina Deep
Buck Lake
5th Meridian
Minnehik
Hoadley
Willesden Green
Gull Lake
Sylvan Lake
Ferrier
Phoenix
0 Miles 24
0 Kilometres 35
N

West-Central Alberta
Deep Plains Project Area
Westmin Interest Lands
Active Westmin Prospects 1988-89
Major Gas Pool
Major Oil Pool
1988 Drilling
Gaswell
Oilwell
Dry Hole
Westmin Fee Title Lands

During the development of the Beacon Hill Southeast Gas Plant, officially opened December 3, 1988, Rick Lazzarotto, Senior Draftsman, points out some interesting data on the plans to Tom Hong (centre), Engineer and Dave Oliphant, Manager, Project Engineering.

The restructuring of an earlier lease agreement will result in Westmin re-acquiring a significant working interest (66 2/3% to the top of the Devonian horizon, 33 1/3% below the top of Devonian) on approximately 190,000 acres of Westmin mineral title acreage. This land was previously leased for a modest royalty.

The mineral rights are held in a checkerboard pattern covering a broad area to the east, west and north of the City of Edmonton. The acreage offsets several producing pools and recent discoveries by industry. These fee title lands have no royalties payable to the Crown, are held in perpetuity, and contain all petroleum and natural gas rights to the Precambrian basement rock. Finalization of this new business arrangement is expected by early summer.

Other 1988 activity resulted in new-pool discoveries in several areas. At Misty, three of four exploratory wells were cased for gas potential. This drilling led to Westmin's acquisition of a 100 per cent interest in 10 sections (6400 acres) of prospective acreage to the south of the Company's new gas plant.

Exploratory drilling in southeastern Alberta led to three new-pool oil discoveries. At David Lake, near Provost, a triple-zone light oil discovery in January, 1988 resulted in a 12-well development program later in the year. Of the 13 wells now drilled, 12 have been completed and are producing, at a combined rate in excess of 400 barrels per day. All wells qualify for a three year royalty holiday. Westmin holds a 50 per cent interest and operates the project.

At Grand Forks, in southern Alberta, exploratory drilling resulted in two medium-gravity oil discoveries in which Westmin has a 50 per cent working interest. Completion results were very encouraging.

Technical work undertaken during 1988 has brought several new prospects to the drilling phase in other parts of Alberta, including a high-potential, liquids-rich gas prospect at Pembina, southeast of Edmonton. Westmin retains a 33 1/3 per cent interest in an exploratory well due to commence operations in mid-1989.

Saskatchewan

While the Company's prime exploration focus in Saskatchewan continues to be the pursuit of natural gas reserves, a promising light oil discovery by industry competitors in the Altana area of southwest Saskatchewan is encouraging.

In mid-1988, results of a year-old discovery in the Altana field were revealed to the industry. Daily production rates of 250 barrels per well have been encountered in a multi-well pool to the south of acreage in which Westmin has a 37 1/2 per cent interest. Seismic work completed earlier has defined drillable structural features.

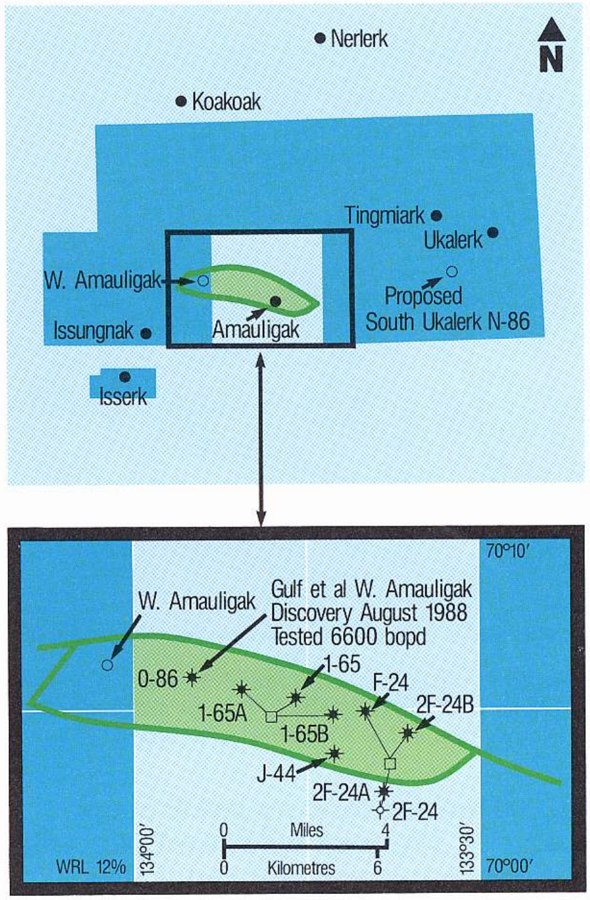
A three-well, partner-operated program to evaluate shallow gas potential on the Altana block was completed, producing one suspended gaswell and two abandoned wells.

A successful multi-well program operated by Westmin at Beacon Hill encountered gas-bearing sands in seven of 11 wells drilled. Drilling in 1988 extended considerably the defined limits of gas pools discovered earlier at Beacon Hill and also confirmed the presence of significant accumulations of low gravity oil. Westmin holds a 50 to 75 percent working interest in 150,000 acres, 48 gaswells and two gas plants in the Beacon Hill field. The Company's acreage contains a strong inventory of drillable, seismically-defined locations which are available to meet gas contract requirements.

Beaufort Sea

The long-term potential of Westmin's Beaufort Sea holdings was enhanced considerably in 1988 with the announcement of an exploratory discovery at West Amauligak 0-86. The Gulf-operated well is located just over one mile from Westmin's 12 per cent interest acreage, and tested at rates of up to 6,600 barrels per day. Mapping indicates a continuation of the Amauligak structure underlying Westmin-interest acreage. Recoverable oil reserves now established at Amauligak are estimated at 500 million barrels, with first production now projected for late in the next decade.

In early 1989, as a result of acreage retention requirements, Gulf Canada Resources proposed the drilling of a



Beaufort Sea

- Westmin Interest Lands
- Discovery Areas
- Structure Postulated/ Defined
- Berm Location
- Oil and Gas Well
- Dry and Abandoned
- Potential Location

Practising fire safety at Spirit River, Brent McMillan, Operator (left) and Cam Wlad go through drill with instructor from S.O.S. Fire Extinguisher School.

10,000 foot exploratory test at South Ukalerk. Westmin holds a 6.1 per cent interest in this prospect and is reviewing its alternatives. Well costs in the Beaufort Sea typically range from $60 million to $100 million.

Eagle Plains, Yukon Territory

During 1988, a final relinquishment of undrilled acreage reduced Westmin's land holding to 31,000 acres (25,000 net). The Company holds this acreage in the form of significant discovery areas at Blackie, Chance and Birch which contain net proven and probable reserves of 95 billion cubic feet of gas and 1.5 million barrels of oil. The acreage is located in close proximity to the Dempster Highway and the proposed extension of the Mackenzie Valley pipeline. In 1988, Westmin's Marketing Group investigated opportunities for possible gas sales into local Yukon markets.

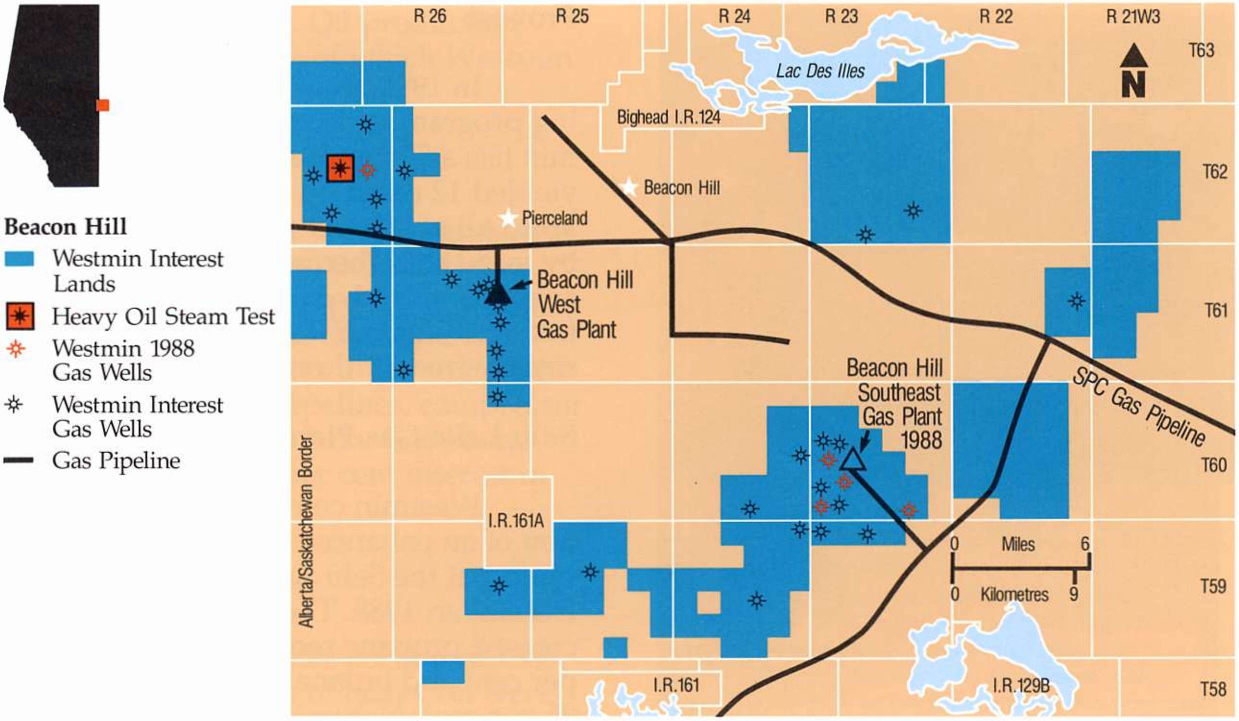
Abu Dhabi, United Arab Emirates

Drilling activity on the 965,000 acre, Sceptre-operated, Block A concession, in which Westmin owns a 13 per cent interest, resulted in an exploratory abandonment in early 1988. The Samhah-1 well tested non-commercial quantities of light crude and was abandoned after reaching a total depth of 13,400 feet at a cost of approximately U.S. $5 million. All partners have agreed to attempt a farm-out of the block. Three major international explorers are currently reviewing technical data prior to reaching a decision on whether to proceed with a farm-in proposal.

PRODUCTION AND DEVELOPMENT

Westmin's active 1988 drilling program included several multi-well programs which capitalized on established reserves on Westmin properties. Related production facilities were also constructed in certain areas.

Two new Westmin-operated gas plants were constructed and production commenced in 1988 at both Misty, in southeastern Alberta, and Beacon Hill Southeast, in west-central Saskatchewan. Significant development drilling was undertaken at Lindbergh (21 oilwells, Westmin 100%), David Lake (12 oilwells, Westmin 50%), Progress/Spirit River (9 oilwells, Westmin average 50%), Beauvallon (9 gaswells, Westmin 100%), Athabasca (4 gaswells, Westmin average 90%) and Hoadley (3 gaswells, Westmin average 37%).



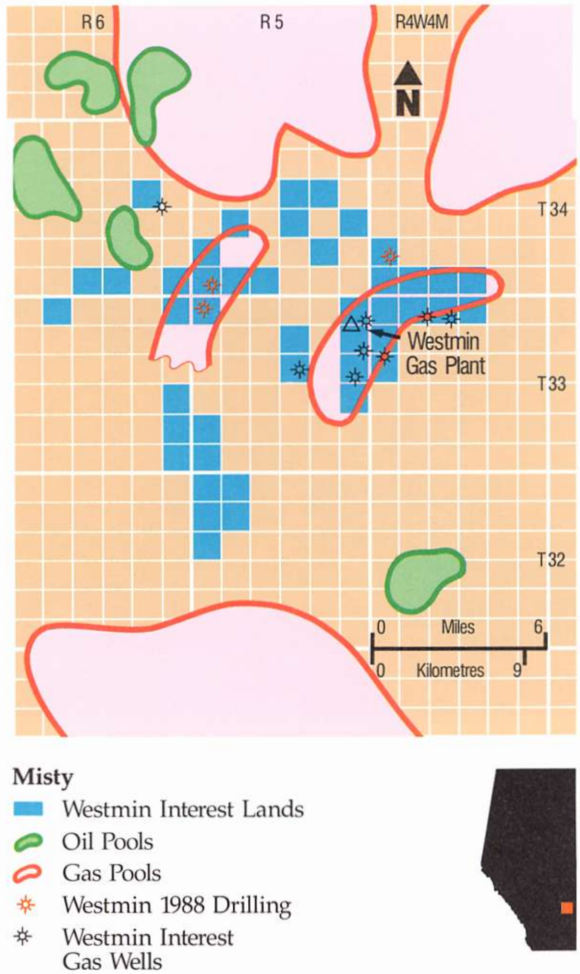
1988 Production Highlights

Beacon Hill Southeast

In the latter part of the year, Westmin completed construction of an 8 million cubic feet per day (mmcf/d), 1100 h.p. gas plant along with the tie-in of seven gaswells. It is the second Westmin-operated gas plant in the Beacon Hill field. The plant started selling gas in mid-November and was officially opened on December 3 by the Honourable Pat Smith, Saskatchewan Minister of Energy and Mines. Westmin's net interest in the project is $66^{2/3}$ per cent on gas sales averaging 6.8 mmcf/d.

Hoadley

Westmin continued to aggressively develop and market its Hoadley gas reserves. Three gaswells were drilled in 1988, and one previously cased oilwell was completed as a Glauconite gaswell. It is expected a second field compressor station will be required to accommodate a number of strategic well tie-ins.



Misty

Five gas wells were tied-in to a new 5.5 mmcf/d gas plant at Misty from which gas sales of 3.2 mmcf/d began in mid-September. Westmin has a 95 per cent working interest in this project.

Progress/Spirit River

Westmin drilled nine development wells to expand its operated well count in this area to 50. Gross production of 875 bbls/d was realized from two Doe Creek light oil pools. Westmin holds an average of 46 per cent working interest in this project.

Provost

In 1988, a successful 13-well drilling program at Provost, in which Westmin has a 50 per cent working interest, yielded 12 cased oil wells and one dry hole. All of the wells were on production by mid-December with well rates averaging 33 bbls/d. All of these wells qualified for C.E.D.I.P. incentives and are royalty free for three years.

Seiu Lake Gas Plant Modification

Westmin completed the installation of an enhanced liquid recovery project at the Seiu Lake Gas Plant in December, 1988. These facilities increased propane recovery from 33 to 89 per cent and butane recovery from 70 to 95 per cent. Natural Gas Liquids (NGL) production increased by 350 bbls/d at the design rate of 33 mmcf/d of gas. Westmin is the first company in Alberta to use new technology developed by Gas Pro Ltd.

Soars

Four wells were completed and tested in the Soars area in 1988. In early 1989, Westmin commenced a multi-well delineation program with the drilling of three more gaswells with estimated reserves of 7 billion cubic feet that may support construction of a future gas plant. The company holds a working interest of 81. 25 per cent in these new wells.

Wayne Rosedale

In September, Westmin assumed operatorship of the Wayne Rosedale oil field comprised of 35 pumping oil wells, a centralized battery and a 4.3 mmcf/d capacity compressor. Oil production averaged 510 bbls/d, of which Westmin owns a 23.5 per cent interest.

Wintering Hills Gas Field

On November 1, 1988, agreement was reached to unitize the Wintering Hills gas field. The proposed unit consists of 124 sections of land, and is expected to lead to better utilization of in-place gas reserves, pipelines, compressor stations and the Seiu Lake Gas Plant. Westmin has a 27.8 per cent interest in the unit.

John Leuck, Production Foreman, Wintering Hills District, explains a point to visitors from the University of Calgary Business School Japanese Executive Development Program. Don Tchir (right), Operator, also assisted with the tour. Westmin was one of two companies chosen to take part in this special program. The visitors met with representatives from several other areas of the company including Corporate Relations, Employee Relations, Corporate Development, Finance, and Petroleum Exploration prior to the field trip.

HEAVY OIL

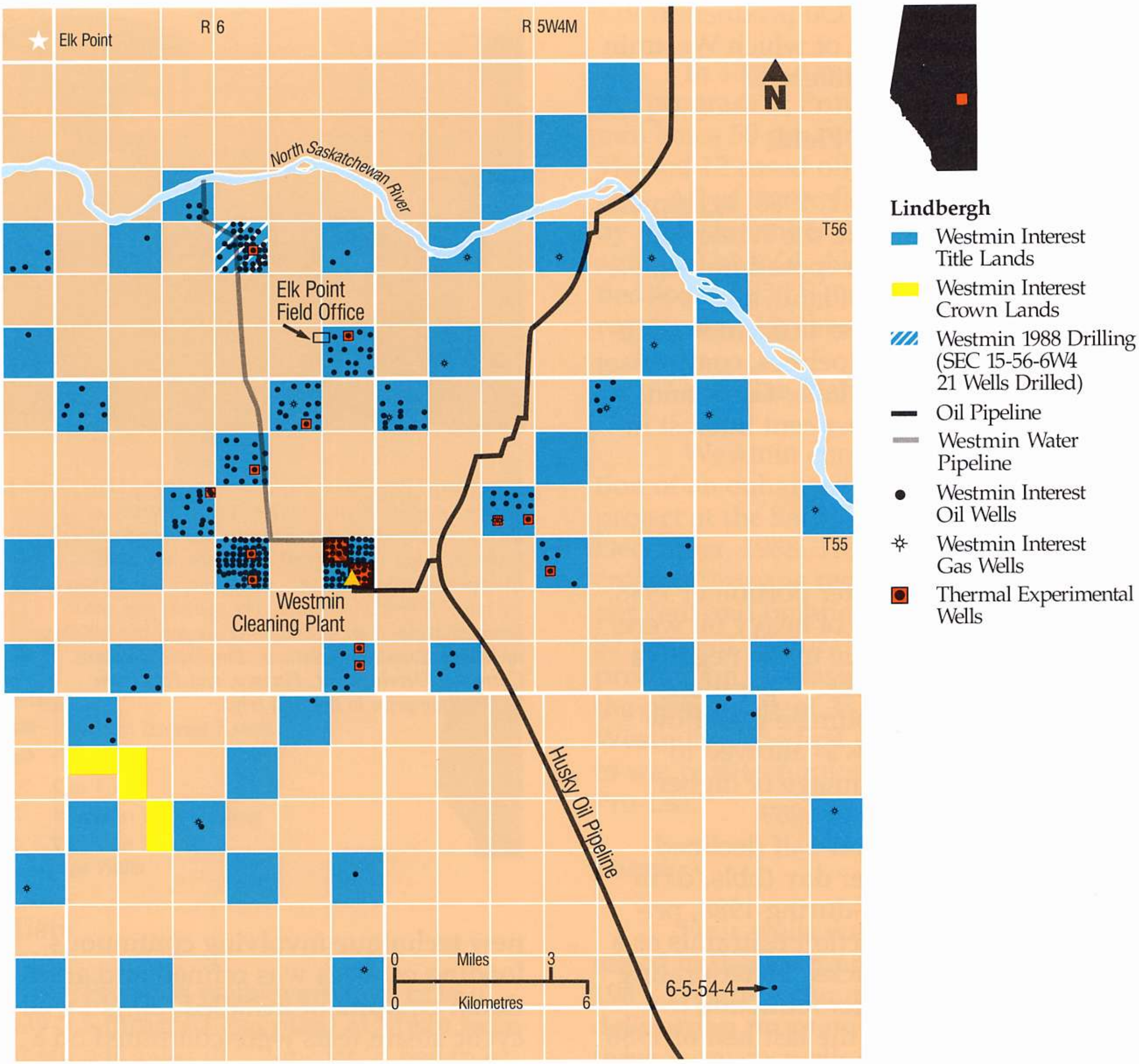
During the latter portion of 1988, production and sales of heavy oil were severely restricted due to the negative impact of falling prices. Operations were reviewed to optimize cash flow and field inventory was allowed to increase to take advantage of higher prices expected during 1989.

Sales in the first half declined from 4,954 barrels per day (bbls/d) in 1987 to 3,956 bbls/d during 1988, primarily due to production restraints as a result of lower netbacks. Deteriorating prices caused a further reduction to 3,002 bbls/d during the last half of 1988 compared to 4,926 bbls/d during the corresponding period of 1987.

Although experimental activities were reduced, a number of promising prospects were pursued.

Steam injection continued on Westmin's cyclic steam pilot with emphasis focused on operational efficiencies and improvements to facilities. Many of these may be incorporated when full-scale commercial development is initiated. Injection was suspended at the steam flood pilot while a new technique involving continuous loading of wells was refined and additional equipment installed. Single-well cyclic steam tests were continued on a reduced number of wells. Particularly encouraging were results obtained when previously marginal producers were stimulated under the program.

Westmin's first thermal activity outside of the Lindbergh area was initiated during 1988 when a Beacon Hill well was steam-stimulated. Results of the test are currently being evaluated. It is estimated that this pool contains in excess of 450 million barrels of oil-in-place. Westmin has a 75 per cent working interest and is operator of the project.



Lindbergh primary production potential was enhanced when oil was discovered at a gas exploration well in section 5-54-4W4. Since coming on-stream in July production has averaged in excess of 30 bbls/d. Results such as this bode well for future exploration and development on fee title lands located adjacent to Westmin's traditional Lindbergh "core" area.

During 1988, 21 infill wells were drilled at Lindbergh. Log analysis indicated good Dina potential in a number of these wells. Basal Mannville sands, which are predominant at Lindbergh, were present in all wells. Due to exceptionally low prices received in late 1988, it was decided to defer completion of these wells until 1989. It is expected they will be brought into production during the second quarter. Sales will commence during June, when seasonal variations in the price of heavy oil are more favourable.

Westmin is discussing a number of projects with the proposed new owner of its oil and gas assets, Norcen Energy Resources Limited which could lead to major developments. These include one well to be drilled to test a computer simulation model involving heat transfer between sands. Should field tests verify simulated results obtained in 1988, both increased recoveries and decreased operating costs could be expected over the long term from the Lindbergh operations.

Simultaneous to these experiments, Westmin will recommend restarting steam injection at the Company's steam flood pilot. The effect of closer well spacings, along with continuous loading procedures, are expected to significantly improve project economics.

Due to the experimental nature of the two preceding projects, an application was submitted to the Alberta Oil Sands and Technology Research Authority for funding assistance prior to Norcen's proposed purchase. Under terms currently proposed, the Authority would contribute an equal share of project costs in return for the rights to market any new technology developed. The Company would be entitled to use any new methods on its own properties.

In addition to A.O.S.T.R.A. funded projects, continuous loading may be extended to cyclic steam wells. Trials with chemicals which improve productivity through viscosity modifications are also expected to continue.

MARKETING

Westmin gas sales increased from 60 million cubic feet per day (mmcf/d) for 1987, to 69 mmcf/d in 1988, reflecting improved system gas sales and aggressive direct marketing activities. Concurrently, sales of natural gas liquids and condensate increased from 1,347 barrels per day (bbls/d) to 1,398 bbls/d.

Conventional oil production increased from 2,180 bbls/d in 1987 to 2,276 bbls/d in 1988. Heavy oil sales were restricted from 4,938 bbls/d in 1987 to 3,477 bbls/d in 1988 due to reduced prices.

Eastern Canada

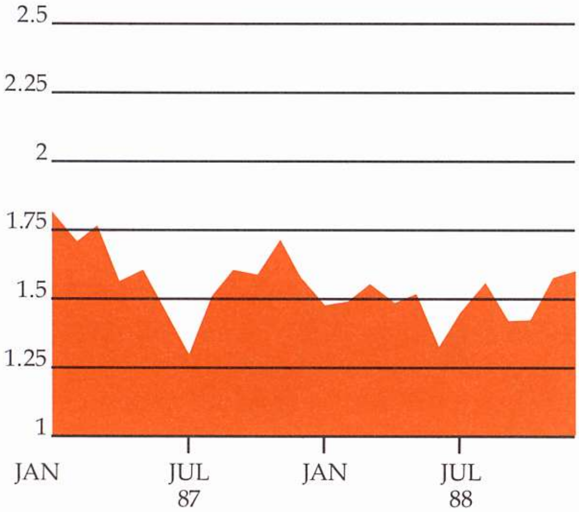
In mid-year, deliveries from the Beacon Hill project in Saskatchewan began on a 4.5 million cubic feet per day (mmcf/d) contract with an Ontario residential/commercial market. Later in the year, Westmin delivered an additional 2 mmcf/d from two properties in Alberta to the Consumer's Gas Utility. Both contracts are long-term with high load factors and have annual price redetermination provisions.

Exports to U.S.

Westmin has a higher than average exposure to export markets in the U.S., both through existing system buyers and more recently direct sales. Increased production to cover these contracts will be offset by declining production in older fields.

In 1988, approximately 25 per cent of Westmin's sales were with PanAlberta. P.A.G. sales to the U.S.

Natural Gas Price History
TCPL Wellhead Price
$ Cdn/mcf



increased dramatically by some 45 per cent. In early 1988, three inactive P.A.G. contracts were transferred to the new Misty Gas Plant, boosting sales by an additional 3.5 mmcf/d.

Westmin's gas sales to ProGas Ltd. nearly doubled in 1988 and currently account for 14 per cent of annual sales. This is viewed as a definite sign of the strengthening sales in the U.S. export market.

The Company maintained its lucrative direct sales to northern California during the summer of 1988 through a close association with Bonus Gas Processors Corporation. Letters of intent have been signed with customers for long-term contracts that will dramatically increase sales to 50 mmcf/d or more. Westmin retains the option to acquire up to 50 per cent of this market. Interventions have been filed with the U. S. Federal Energy Regulatory Commission to acquire firm transportation capacity in Pacific Gas Transmission's proposed pipeline expansion.

A second area of marketing focused on the northeastern U.S. where two significant contracts have been signed.

Westmin and six other Canadian producers will supply up to 35 mmcf/d to the Altresco Co-generation Project in Pittsfield, Mass. which will be built on the site of a major General Electric Manufacturing facility. Westmin's share of this contract is 6 mmcf/d. Transportation is already assured for deliveries which are slated to start in early 1990.

Westmin will deliver 5 mmcf/d to Kanngaz Producers Ltd. through a consortium sale to a major U.S. pipeline. Deliveries will commence upon acquisition of firm transportation service on the NOVA Alberta Gathering System.

Both contracts in the northeastern U.S. are for 20 years and will be assumed by Norcen within the pending purchase agreement. Prices will be adjusted against a basket of fossil fuels on a monthly basis.

Natural Gas Strategy

The lengthy transition to total deregulation of the Natural Gas industry appears to be in its final stages in both Canada and the U.S. Contract restructuring, net back pricing to burner tip, increasing access to pipeline capacity, and the elimination of take-or-pay, and the National Energy Board's export volume surplus test, have become the norm. Ratification of the Free Trade Agreement will further assure access to desirable U.S. gas markets. Although several hurdles remain, the future shape of the marketing environment has essentially been defined.

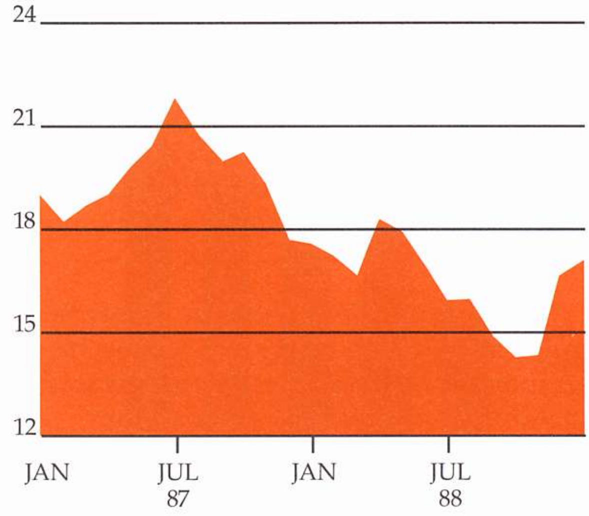
Westmin quickly adapted to this emerging, highly competitive environment and implemented a broad-based marketing strategy. In 1988, Westmin diversified its current dependence on its traditional system gas sellers such as Pan Alberta Gas., Northwestern Utilities Ltd., and Western Gas Marketing Ltd., into a balanced mix of system, spot and direct long-term sales with end-users. This will provide a broader base of end-users in both Canada and the U.S. and will minimize future marketing risks.

During the year, Westmin began restructuring its existing contracts to longer-term arrangements for netback pricing (from burner tip to wellhead), allowing for annual price reviews and providing optimum flexibility for delivery to meet contract volume obligations.

It was also aggressive in targeting markets which generate the highest netback prices to the wellhead through careful analysis of pipeline transportation alternatives, contract terms, and market characteristics. Westmin endeavoured to secure capacity in the necessary pipeline systems delivering to the targeted market areas.

The Company also optimized cash flow by using spot sales at prices which provided acceptable return on its investment during 1988.

Crude Oil Price History
West Texas Intermediate at Chicago
US$ Per Barrel



Crude Oil Marketing

Westmin markets its conventional crude through Canpet Marketing Ltd. of which Westmin is a founding member and shareholder. This has enabled Westmin to achieve competitive pricing with no restrictions on sales due to pipeline apportionment. Westmin's close association with Canpet has significantly improved its revenue by optimizing transportation and logistics of its crude oil movements.

Proven and Probable Reserves

	Crude Oil and Natural Gas Liquids Barrels — (Millions)	Sales Gas Cubic Feet (Billions)
1988	93.5	642
1987	100.4	634
1986	77.9	664
1985	100.2	631
1984	90.1	496
1983	83.9	492
1982	82.6	522
1981	74.5	501
1980	11.7	439
1979	11.7	384

Reserve Reconciliation 1987 and 1988 Reserve Reports

	Oil and Natural Gas Liquids – mmbls	Natural Gas – bcf
Proven Reserves as of 1987-12-31	28.3	556.5
1988 Production	2.6	25.3
1988 Drilling and Reserve Adjustments	4.0	32.1
Proven Reserves as of 1988-12-31	29.7	563.3
Probable Reserves as of 1988-12-31	63.8	78.9
Total Reserves as of 1988-12-31	93.5	642.2

LAND

During 1988, Westmin spent $4.6 million at Crown land sales to purchase an interest in 80,000 net acres, primarily in Alberta. Significant acquisitions included large P&NG licences in the Deep Plains Project Area in west-central Alberta and shallow gas properties in the eastern part of the province.

In early 1989, a significant new business arrangement with an industry partner resulted in Westmin acquiring a working interest, subject to closing documentation, in approximately 190,000 acres of highly prospective mineral title acreage. Under an earlier lease agreement, Westmin had retained only a nine per cent royalty in the subject lands, which are located east, north and west of Edmonton. Westmin will re-acquire a 66 2/3 per cent interest in all horizons to the top of the Devonian System and a 33 1/3 per cent interest in deeper zones. Numerous drillable prospects are evident on the acreage.

Land Holdings (acres)

(as of December 31, 1988)

	Leases and Mineral Title		Licences, Permits Reservations, Concessions and Exploration Agreements		Total	
	Gross	Net	Gross	Net	Gross(1)	Net(2)
Alberta	2,037,389	954,521	173,060	116,287	2,210,449	1,070,808
British Columbia	197,595	20,504	16,831	7,534	214,426	28,038
Saskatchewan	199,286	118,744	175,339	83,709	374,625	202,453
Manitoba	12,285	6,382	–	–	12,285	6,382
Yukon Territory	–	–	31,582	25,167	31,582	25,167
Arctic Islands & Offshore	–	–	2,563,424	263,502	2,563,424	263,502
Beaufort Sea	–	–	951,857	92,509(3)	951,857	92,509(3)
Labrador Offshore	–	–	7,250	1,182	7,250	1,182
United States	15,886	4,853	–	–	15,886	4,853
Abu Dhabi	–	–	964,500	125,385	964,500	125,385
Total:	**2,462,441**	**1,105,004**	**4,883,843**	**715,275**	**7,346,284**	**1,820,279**

Notes: (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) Adjusted for prior clerical errors.

With the exception of exploratory drilling in Abu Dhabi, Westmin's foreign and frontier acreage saw little activity in 1988. The Company holds extensive proven and prospective land in the Beaufort Sea, Arctic Islands, Lancaster Sound, offshore Labrador and at Eagle Plains in the Yukon Territories.

RESERVES

Activity in the past year brought the volume of proven reserves up in 1988. Proven oil and natural gas liquids reserves rose by 1.4 million barrels (bbls) to 29.7 million bbls in 1988. Proven natural gas reserves also increased by 6.8 billion cubic feet (bcf) to 563.3 bcf.

Westmin's total proven and probable oil reserves are down slightly at 93.5 million bbls compared to 100.4 million bbls in 1987. In contrast, proven and probable natural gas reserves are up at 642 bcf compared to 634 bcf in 1987 reflecting the Company's increasing emphasis on natural gas due to favourable markets.

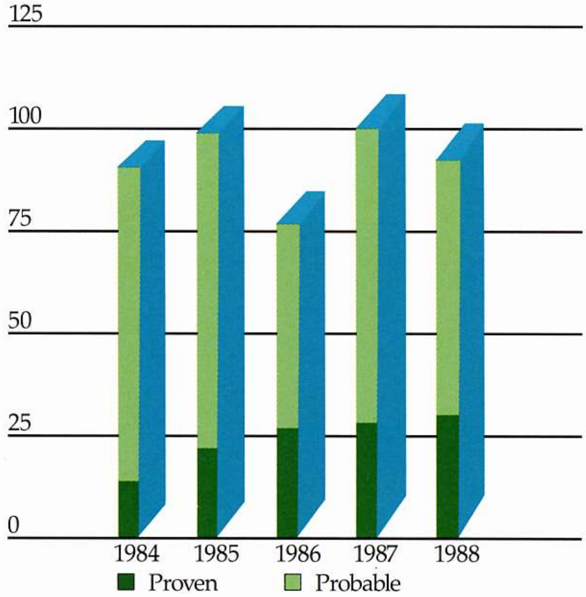
Approximately 40 per cent of Westmin's proven gas reserves are producing, and 37 per cent have already been dedicated to gas sales contracts but are shut-in. The remaining 23 per cent are shut-in and undedicated.

Accounting for the major portion of the 725 (470 net) wells which were capped or suspended, were 498 (288 net) gaswells.

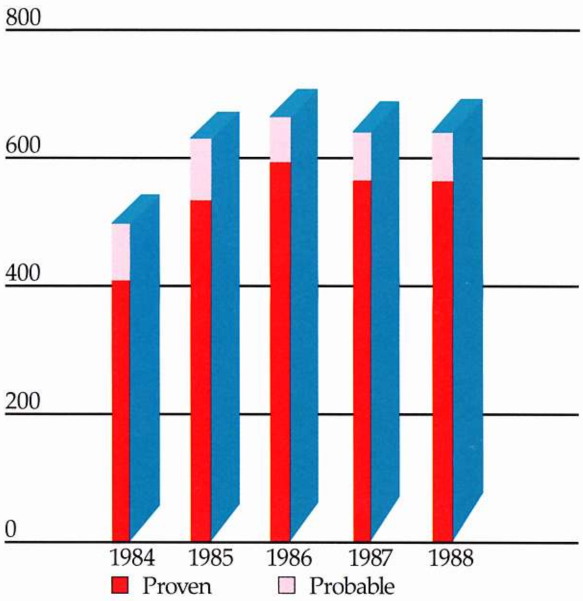
At the end of 1988, Westmin had a working interest in 1,863 wells (1,231 net) with royalty interests in another 808. In 1988, Westmin was operator of 1,486 wells (1,146 net) of the working interest wells.

As of December 31, 1988, Westmin had interests in 604 (465 net) producing oilwells in Canada, 12 (2.5 net)

Crude Oil and BGL Reserves (MMBBLS)



Natural Gas Reserves (BCF)



producing oilwells in the U. S., 517 (294 net) producing gaswells in Canada and 5 (1 net) producing gaswells in the U.S. Westmin also retained producing well royalty interests in 356 oilwells and 267 gaswells in Canada.

Financial review

The Premier Gold Project mill site is nestled in the scenic mountains near Stewart, British Columbia. Gold and silver production starts in the late spring of 1989.

Overview

Total revenues generated in 1988 were $197.3 million, a 4 per cent increase over 1987 revenues of $190.5 million. Mining revenues increased due to higher base metal prices and expanded production, but were partially offset by lower oil and gas revenues resulting from reduced prices.

Cash flow provided from operating activities before mineral exploration increased by 7 per cent to $60.8 million in 1988 from $56.8 million in 1987.

Net earnings for 1988 were $17.8 million, compared to $21.8 million in 1987. After provision for dividends on preferred shares, the Company's earnings decreased to 2 cents per common share in 1988, down from 12 cents per common share in 1987.

Working capital at the end of 1988 was $103.3 million.

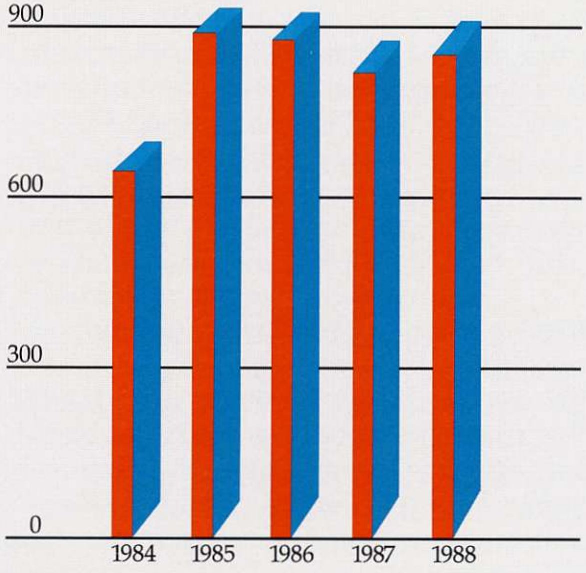
Petroleum

Revenues from the Petroleum Division totalled $71.9 million in 1988 versus $90.6 million in 1987. The decline was largely due to a decrease in production resulting from uneconomic oil prices, especially for heavy oil. Strong gas sales and an aggressive marketing approach helped to offset the negative affects of low oil and gas prices.

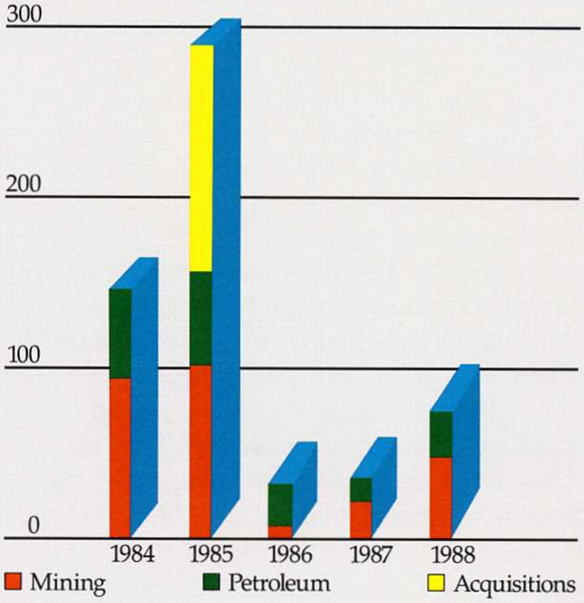
Cash flow from oil and gas operations, before interest and taxes, decreased 31 per cent from $47.0 million in 1987 to $32.2 million in 1988. Cash flow from conventional oil and gas dropped 4 per cent to approximately $36.2 million. Cash flow from heavy oil declined $13.4 million or 27 per cent from 1987 levels.

Operating profit, before interest and taxes, was $7.1 million, down from $25.3 million in 1987.

Assets
(Millions of Dollars)



Capital Expenditures
(Millions of Dollars)



Revenue from the sale of conventional crude oil and natural gas liquids decreased 23 per cent in 1988 to $19.2 million. The decrease was primarily due to a 26 per cent drop in conventional oil prices from $19.25 per barrel in 1987 to $14.25 per barrel in 1988. Production of conventional oil and natural gas liquids increased 4 per cent to 3,674 bbls/d from 3,527 bbls/d in 1987.

Natural gas revenues rose from $36.1 million in 1987 to $38.9 million even though the average price of natural gas declined to $1.54 per thousand cubic feet from $1.65 per thousand cubic feet in 1987. The improvement in revenues stems from the Company's aggressive, and most successful, marketing efforts in an increasingly deregulated and competitive environment. Natural gas production increased 15 per cent to 69 mmcf/d in 1988 from 60 mmcf/d in 1987.

Heavy oil production was reduced by 30 per cent to an average of 3,477 bbls/d in 1988 due to the 42 per cent drop in average heavy oil prices from $16.00 per barrel in 1987 to $9.36 per barrel in 1988. Correspondingly, revenues from the sale of heavy oil were decreased 55 per cent to $12.9 million in 1988 from $28.7 million in 1987.

Royalties paid on the Company's working interest production, net of Alberta Royalty Tax Credit of $3.0 million, averaged 12 per cent in 1988 compared to 10 per cent a year earlier. The increase can be attributed to a decrease in revenues from Westmin's heavy oil reserves located on mineral title acreage.

Oil and gas operating and administrative expenses decreased in 1988 to $31.6 million from $35.1 million in 1987. Operating expenses for heavy oil were down because of the decision to shut-in a number of high cost heavy oil wells, rather than produce high volumes at uneconomic prices.

Depreciation and depletion expenses went up to $25.1 million in 1988 from $21.7 million in 1987. The increase is generally attributed to a higher provision for write-offs in the Company's Abu Dhabi cost centre.

Mining

Revenues from the Mining Division increased 32 per cent to $114.3 million in 1988 compared to $86.5 million in 1987. Revenues from coal operations climbed 86 per cent to $11.3 million from $6.1 million the previous year, a result of both the sale of some reserves and increased production. At Myra Falls revenues improved 23 per cent to $98.9 million from $80.4 million in 1987. This outcome was based on both higher base metal prices and enhanced production following the H-W mine expansion. The stronger Canadian dollar partially offset some of the potential positive effects of the higher base metal prices.

Cash flow from the Mining Division, before interest, mineral exploration and taxes, was up substantially to $49.6 million from $31.9 million in 1987. Operating profit, before interest, mineral exploration and taxes, totalled $30.3 million, an increase of 90 per cent over $16.0 million in 1987.

Production from the Myra Falls Operations increased 15 per cent in 1988 to average 3,822 tons per operating day compared to the 3,327 tons per operating day in 1987.

Operating and administrative costs for the Myra Falls Operations increased to $64.1 million in 1988 from $54.0 million in 1987 due to higher maintenance costs and a larger workforce required for post-expansion operations.

Westmin's Calgary employees at 1988 Mayor's Day Challenge. The cities of Calgary and Edmonton vie to see which have the greatest number of citizens participating in at least 15 minutes of exercise on the challenge day. Calgary won the challenge in 1987 and 1988. Calgary employees also got involved in the 1988 Winter Olympics by participating with Team Petroleum.

Depreciation and depletion expenses for the Mining Division increased to $19.7 million in 1988 from $16.4 million in 1987. This increase is primarily attributable to the increase in mining production and the additional costs of the expansion.

Drilling programs on promising prospects continued, and exploration funds were expanded to $5.9 million in 1988 from $1.0 million in 1987.

Corporate Activities

Investment and other income decreased to $11.1 million from $13.4 million in 1987 (See note 3 to the financial statements). Investments earning tax free dividends yielded $7.8 million in 1988 compared to $7.7 million in 1987.

Interest expense decreased 4 per cent in 1988 to $27.7 million from $28.8 million in 1987. The Company's average effective borrowing rate escalated from 8.9 per cent in 1987 to 10 per cent in 1988. The increased borrowing rate was offset by a lower average debt level. (See note 9 to the financial statements).

Income and resource taxes reflected a tax recovery of $7.7 million in 1988, up from $0.9 million in 1987 (See note 10 to the financial statements).

Capital Resources and Liquidity

Capital expenditures grew by 104 per cent to $76.5 million from $37.5 million in 1987. Expenditures in the Petroleum Division totalled $34.8 million, of which $21.1 million was spent on exploration, $13.7 million on development and approximately $5.6 million was recovered through various government programs. Expenditures in the Mining Division totalled $41.0 million, of which $10.3 million was spent on the Myra Falls Operations and $30.7 million was expended on the Premier Gold Project.

The Company completed negotiations for a $44 million bullion loan to finance its 50.1 per cent interest in the Premier Gold Project. At year-end, 70,000 ounces of gold had been drawn down on this revolving-term credit facility. Other financial agreements (See note 4 to the financial statements) include: a non-recourse loan on the H-W mine/mill complex of $200.0 million on which payments have commenced, leaving $145.0 million outstanding at year-end; a non-recourse loan on the Sundance Properties of $100.0 million on which payments have commenced, leaving $46.8 million outstanding at year-end; an unsecured revolving credit facility of up to $150.0 million of which $98.4 million has been drawn at year-end; and unsecured short-term operating lines amounting to $68.0 million, of which $7.7 million has been drawn by advances and $8.4 million was utilized under letters of credit at year-end. Each facility has various drawing options including bankers acceptances and loans of either Canadian or U.S. dollars.

Outlook

Subsequent Event

On February 14, 1989, Westmin Resources Limited agreed in principle, subject to certain conditions and closing adjustments, to sell substantially all of its oil and gas assets, to Norcen Energy Resources Limited for approximately $528 million, including $56 million in working capital. The transaction, subject to approvals from regulatory authorities and Westmin's shareholders, will give the Company $250 million in 8 per cent debentures, exchangeable into multi-voting common shares of Norcen; $65 million in unsecured 11 per cent debentures; and a 28 per cent equity in the M.A. Hanna Company, with a value of $213 million. Westmin has assigned to Brascade Resources Inc., the right to acquire the position in Hanna for $213 million on the closing date of the transaction.

Completion of the transaction will give Westmin Resources Limited a sizeable investment income, and will allow it to concentrate on the exploration and development of existing mining assets, and to provide for additional growth through acquisitions.

Additional information materials are being circulated on this proposed sale and company re-structuring.

If favourable base metal prices are maintained well into 1989, Westmin anticipates profits from the Myra Falls Operations will increase once the daily production rate stabilizes at 4,400 tons, and copper and zinc concentrate grades are sustained.

Gold and silver production at the Premier Gold Project is expected to start in the second quarter. Although gold and silver values are not expected to be constant during initial production, the Company will be working towards consistently better grades during the last half of 1989.

Caution, due to volatile pricing, is still central to plans in the Petroleum Division. Prior to the proposed sale of its oil and gas assets, the Company had relatively conservative expansion plans. There was a strong emphasis on gas exploration to significantly increase production in order to take maximum advantage of the more deregulated market.

Capital expenditures for 1989 are estimated at $30.2 million, which includes proposed Mining Division expenditures and those attributed to the Petroleum Division prior to the close of the Norcen transaction.

1989 capital expenditures slated for the Mining Division total $20.9 million. This will be used for capital replacements and an acceleration of exploration and development at both the Myra Falls Operations and the Premier Gold Project. In addition, $5.4 million will be used to fund Westmin's share in the joint venture exploration projects at Debbie/Yellow, Little Stull, Opinaca and South Detour properties.

MANAGEMENT'S RESPONSIBILITY

This Annual Report to the shareholders of Westmin Resources Limited, including the financial statements on pages 44 to 55, 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 47 and 48) 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 reports as auditors is set forth below.

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

AUDITORS' REPORT

The Shareholders
Westmin Resources Limited

We have examined the consolidated balance sheet of Westmin Resources Limited as at December 31, 1988 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, 1988 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 15, 1989

CONSOLIDATED STATEMENT OF EARNINGS

For The Years Ended December 31

	1988	1987
	(in thousands)	
Revenue		
Oil and gas	**$ 71,872**	$ 90,578
Mining	**114,342**	86,471
Investment and other income	**11,081**	13,426
	197,295	190,475
Expenses		
Royalty expense	**7,980**	8,470
Operating and administrative	**100,297**	92,850
Mineral exploration	**5,864**	993
Depletion and depreciation	**45,379**	38,457
	159,520	140,770
Earnings Before Financing and Taxes	**37,775**	49,705
Interest (note 9)	**27,656**	28,754
Income and Resource Taxes (note 10)	**(7,724)**	(870)
Net Earnings for the Year	**$ 17,843**	$ 21,821
Earnings Per Common Share (note 11)	**$ .02**	$ .12

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For The Years Ended December 31

	1988	1987
	(in thousands)	
Balance at Beginning of Year	**$70,149**	$73,123
Net earnings for the year	**17,843**	21,821
	87,992	94,944
Dividends (note 8)	**24,957**	24,795
Balance at End of Year	**$63,035**	$70,149

see accompanying accounting policies and notes

CONSOLIDATED BALANCE SHEET

December 31
(See Subsequent Event, note 13)

	1988	1987
	(in thousands)	
ASSETS		
Current assets		
Cash and short-term investments	**$110,173**	$114,300
Accounts receivable (note 1)	**32,865**	37,577
Inventories (note 2)	**17,121**	11,356
	160,159	163,233
Investments (note 3)	**13,532**	12,746
Property, plant and equipment (note 5)	**679,906**	648,866
	$853,597	$824,845
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	**$ 36,897**	$ 40,550
Current portion of long term debt	**20,000**	20,000
	56,897	60,550
Long-term debt (note 4)	**277,932**	268,070
Deferred revenue (note 6)	**47,126**	3,715
Deferred income and resource taxes	**88,951**	96,674
	470,906	429,009
Shareholders' equity		
Share capital (note 7)	**319,396**	325,687
Contributed surplus	**260**	
Retained earnings	**63,035**	70,149
	382,691	395,836
	$853,597	$824,845

On behalf of the board

Director

Director

see accompanying accounting policies and notes

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended December 31

	1988	1987
	(in thousands)	
Operating activities		
Net earnings	**$ 17,843**	$ 21,821
Charges to earnings that do not reduce cash		
Depletion and depreciation	**45,379**	38,457
Deferred income and resource taxes	**(7,724)**	(870)
Other	**(529)**	(3,561)
Cash provided from operations	**54,969**	55,847
Mineral exploration expenditures	**5,864**	993
Cash provided from operations before mineral exploration	**60,833**	56,840
Financing activities		
Long-term debt	**9,862**	(42,592)
Share capital	**(6,032)**	2,119
Dividends	**(24,957)**	(24,795)
Changes in non-cash working capital	**(4,706)**	(25,300)
Deferred revenue	**44,184**	
Other	**(128)**	(44)
Cash provided from (used for) financing activities	**18,223**	(90,612)
Investment activities		
Proceeds from sale of investments		34,927
Investments	**(843)**	(2,325)
Property, plant and equipment	**(76,476)**	(37,460)
Mineral exploration	**(5,864)**	(993)
Cash used for investment activities	**(83,183)**	(5,851)
Cash and short-term investments		
Net decrease	**(4,127)**	(39,623)
Balance		
At beginning of year	**114,300**	153,923
At end of year	**$110,173**	$114,300

Changes in non-cash working capital		
Accounts receivable	**$ 4,712**	$ (9,273)
Inventories	**(5,765)**	2,775
Accounts payable	**(3,653)**	16,198
Current portion of long-term debt		(35,000)
	$ (4,706)	$ (25,300)

see accompanying accounting policies and notes

SUMMARY OF ACCOUNTING POLICIES

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

Principles of Consolidation

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

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

Investments

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

Translation of Foreign Currencies

Monetary assets and liabilities are translated at the exchange rate prevailing at the year end and revenues and expenses (other than depreciation) at average rates of exchange during the year. Non-monetary assets and liabilities are translated at historical rates of exchange. Long-term debt payable in foreign currencies is translated at the exchange rate prevailing at the year end or at the exchange rate of the hedge, if applicable. Exchange gains and losses arising on the translation of the accounts are included in consolidated earnings.

Concentrate Settlements Receivable and Concentrate Inventory

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

Materials and Supplies

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

Property, Plant and Equipment

Oil and Gas

The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas reserves are capitalized. Capitalized costs include land acquisition, geological and geophysical expenditures, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells, overhead expenses related to exploration and development activities and costs related to plant and equipment. These costs are accumulated in cost centres established on a country-by-country basis. Proceeds from disposal of properties are normally deducted from the capitalized costs without recognition of gain or loss. Capitalized costs are limited to the value of future net revenues from estimated production of proved reserves and the costs of unproved properties. Future net revenue is calculated using year-end prices and costs with reductions for applicable administrative, financing and income tax expenses.

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

Mining

Metals

Mineral exploration costs (including acquisition, exploration and development expenditures and related overhead) pertaining to individual mineral prospects are charged to income as incurred until an economic orebody is defined. Development costs and initial start-up operations (including applicable production revenues and interest costs) are capitalized until a commercial production level is deemed to have been reached, at which time the costs are amortized using the unit of production method based upon estimated ore reserves to be recovered.

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

Coal and Industrial Minerals

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

Interest Costs

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

Income and Resource Taxes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31

1. Accounts Receivable

	1988	1987
	(in thousands)	
Oil and gas	**$13,455**	$18,035
Concentrate settlements	**9,886**	13,131
Other accounts receivable	**9,524**	6,411
	$32,865	$37,577

2. Inventories

Concentrate	**$ 8,647**	$ 2,325
Materials and supplies	**8,474**	9,031
	$17,121	$11,356

3. Investments

Long-term receivable	**$ 7,169**	$ 7,289
Other	**6,363**	5,457
	$13,532	$12,746

Long-Term Receivable

This receivable, amounting to $13,550,000 (1987 – $14,200,000) is due in annual instalments ranging from $650,000 to $800,000 to July 1, 2005. With the exception of the current portion of $650,000 (1987 – $650,000) which is included in current assets, the remaining instalments are carried at a discounted value of $7,169,000 (1987–$7,289,000) based on an assumed interest rate of 8%.

Other Investments

This amount includes stock purchase plan loans of $1,053,000 (1987–$1,053,000) to officers and directors of the company.

4. Long-Term Debt

	1988	1987
	(in thousands)	
H-W Mine/Mill Complex (i)	**$145,032**	$167,520
Sundance Properties (ii)	**46,800**	54,000
Revolving/Term Credit Facility (iii)	**98,400**	52,500
Other (iv)	**7,700**	14,050
	297,932	288,070
Current Portion	**20,000**	20,000
	$277,932	$268,070

(i) The H-W Mine/Mill Complex financing is repayable over a remaining five year term subject to earlier repayment based on available cash flows from the project. The loan is secured on a non-recourse basis by the project assets. Scheduled principal repayments are as follows: 1989–$20,000,000; 1990– $25,000,000; 1991–$30,000,000; 1992–$45,000,000; 1993–$30,000,000 (See also note 12–Related Party Transactions).

(ii) The loan is repayable over a remaining seven year period from the cash flows of the Sundance Properties and is secured on a non-recourse basis by these Properties.

(iii) Under the Revolving/Term Facility the company may borrow up to $150,000,000. On or prior to the Revolving Loan Maturity Date (June 30, 1989) the company may convert its indebtedness to a four and a half year term loan with annual principal repayments commencing November 15,

1989. 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, the Sundance Properties and the Premier Gold Project) without providing security on a pari passu basis to the lenders under this agreement.

(iv) The company has unsecured short-term operating lines of credit amounting to $68,000,000 (1987 – $33,000,000). At December 31, 1988 $7,700,000 (1987 – $14,050,000) was drawn by advances and $8,417,000 (1987 – $4,877,000) was utilized under letters of credit.

(v) Each facility has various drawing options including banker's acceptances and Canadian and US dollar loans. The company has entered into interest rate swaps to convert $35,000,000 of debt to a fixed rate of 10.7% with the balance of the debt on a floating rate basis. The weighted average interest rate on all debt was 10% during 1988 (1987–8.9%).

5. Property, Plant and Equipment

	1988			1987
	Cost	Accumulated depletion and depreciation	**Net**	Net
		(in thousands)		
Oil and gas				
Properties				
Canada	**$441,683**	**$116,130**	**$325,553**	$317,082
U.S.A.	**14,239**	**13,539**	**700**	789
Abu Dhabi	**15,166**	**14,550**	**616**	1,523
Plant and equipment	**97,388**	**35,475**	**61,913**	59,360
	568,476	**179,694**	**388,782**	378,754
Mining				
Metals				
Properties and development	**141,793**	**26,120**	**115,673**	118,604
Plant and equipment	**178,480**	**43,293**	**135,187**	141,518
Construction in progress	**34,317**		**34,317**	3,700
Coal and industrial minerals	**5,747**	**1,803**	**3,944**	4,129
	360,337	**71,216**	**289,121**	267,951
Leasehold improvements and other equipment	**4,308**	**2,305**	**2,003**	2,161
	$933,121	**$253,215**	**$679,906**	$648,866

Unproved properties not subject to depletion total $29,600,000 as at December 31, 1988 (1987–$32,200,000).

Under the provisions of various government sponsored incentive programs, the company became entitled to $5,598,000 of incentive grants in 1988 (1987–$1,300,000). This amount has been shown as a reduction of the related expenditure.

6. Deferred Revenue

	1988	1987
	(in thousands)	
Take or Pay Gas	**$ 2,942**	$3,715
Gold Loan	**44,184**	
	$47,126	$3,715

Take or Pay Gas

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

Gold Loan

In July 1988 the company entered into a gold, silver, multi-currency revolving term credit facility, with a maximum of $44,000,000, to finance the development of the company's 50.1% interest in the Premier Gold Project. At December 31, 1988, the company had borrowed 70,000 ounces of gold which the company sold for proceeds of $37,000,000. Prior to completion of the financing agreement the company arranged certain forward contracts under which gains totalling $7,000,000 were realized. Both the loan proceeds and the gains realized under the forward contracts are also being accounted for as deferred revenue and will be taken into income as production from the Project is used to repay the loan.

At Project completion, the credit facility is to be converted to a term basis repayable over a five year period. The interest rate under the credit facility varies depending on the various borrowing options selected by the company. The loan is secured by the Project assets with a subordination against the general unsecured assets of the company.

7. Share Capital

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

Issued and fully paid	1988		1987	
	Number of Shares	**Amount**	Number of Shares	Amount
		(in thousands)		(in thousands)
Class A Preferred Shares				
Series 1	**950,000**	**$ 95,000**	1,000,000	$100,000
Class B Preferred Shares				
Series 1	**3,873,950**	**$ 96,849**	3,999,200	99,980
Series 3	**2,812,500**	**26,850**	2,812,500	26,850
Common Shares	**39,101,077**	**100,697**	38,942,495	98,857
		$319,396		$325,687

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 was waived by the preferred shareholders until December 31, 1987. 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 of the shares which are then outstanding at a price of $100 per share plus accrued and unpaid dividends.

Class B Preferred Shares

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

Series 1

The first series of the Class B Preferred Shares have attached thereto certain provisions which include:

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

(ii) the right of the holders to convert the shares into common shares at any time prior to May 2, 1988 at the rate of 1.695 common shares for each preferred share. Under this option, 46,190 preferred shares were tendered during 1988 (1987 – nil).

(iii) purchase by the company, during each calendar quarter commencing July 1, 1988 at a price not exceeding the $25 issue price per share plus accrued and unpaid dividends and costs of purchase, 1% of the number of preferred shares outstanding as at May 1, 1988. During 1988 the company purchased 79,060 preferred shares at an average cost of $21.71 per share. The difference between the issue price and the repurchase cost has been recorded as contributed surplus.

Series 3

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

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

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

Common Shares	Number of Shares	Amount
		(in thousands)
As at December 31, 1987	38,942,495	$ 98,857
Issued under a flow-through share agreement	41,300	398
Issued under employee stock options	39,000	287
Issued on conversion of Class B Preferred Shares, Series 1	78,282	1,155
As at December 31, 1988	39,101,077	$100,697

Under the terms of the company's employee stock option plan, options of 767,340 shares were outstanding as at December 31, 1988, exercisable at varying dates to 1993 at prices ranging from $7.25 to $10.50 per share.

8. Dividends

	1988	1987
	(in thousands)	
Class A Preferred	**$ 6,526**	$ 6,277
Class B Preferred		
Series 1	**8,364**	8,498
Series 3	**2,250**	2,250
Common	**7,817**	7,770
	$24,957	$24,795

9. Interest

	1988	1987
	(in thousands)	
Details of interest incurred on debt are as follows:		
H-W Mine/Mill Complex	**$15,091**	$15,466
Sundance Properties	**4,844**	7,273
Revolving Credit Facility	**7,183**	4,519
Other	**1,940**	2,012
	29,058	29,270
Interest capitalized	**1,402**	516
Interest expensed	**$27,656**	$28,754

10. Income and Resource Taxes

	1988	1987
	(in thousands)	
Deferred Income Taxes	**$ (9,202)**	$ (1,412)
Resource taxes—Provincial mining	**1,478**	542
Total income and resource taxes	**$ (7,724)**	$ (870)

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

	1988	1987
Corporate Tax Rate	**46.8%**	52.0%
	(in thousands)	
Calculated income tax provision	**$ 4,741**	$10,897
Effect on taxes from		
Crown royalty and rental disallowance	**2,147**	2,580
Resource allowance	**(10,248)**	(9,589)
Depletion allowance	**(1,329)**	(996)
Tax exempt dividends	**(3,635)**	(4,006)
Non-taxable portion of capital gain	**(468)**	(596)
Other	**(410)**	568
Income tax recovery	**$ (9,202)**	$ (1,412)

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

	1988	1987
	(in thousands)	
Exploration and development expenses	**$ (6,049)**	$ 530
Depreciation of property, plant and equipment	**(468)**	617
Resource and earned depletion allowances	**(2,053)**	(996)
Other	**(632)**	(1,563)
	$ (9,202)	$ (1,412)

11. Earnings Per Common Share

The weighted average number of common shares outstanding during 1988 was 39,028,099 (1987–38,761,506).

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

12. Other Information

Pension Plan

Defined benefit pension plans exist for substantially all permanent employees. As at December 31, 1988 the present value of total accrued benefits as estimated by management was $15,333,000 and the market value of pension fund assets was $14,432,000. Pension expense for 1988 was $1,642,000 (1987–$1,430,000).

Commitments

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

Under an equipment lease agreement, the company is committed to monthly payments of $331,000 over an 11½ year period.

Related Party Transactions

In the normal course of business, the company engages professional services of various engineering and geological consulting firms. During 1988, $1,138,000 (1987–$297,000) was paid to such a company in which a director holds an interest. Terms of these transactions are the same as with unrelated parties.

From time to time the company arranges investment transactions in conjunction with certain affiliates. These transactions are carried out without cost and at normal market terms. At December 31, 1988 cash and short-term investments included $13,000,000 (1987–$38,000,000) of securities of an affiliate from which the company earned $2,380,000 (1987–$2,945,000) of dividends.

Half of the H-W Mine/Mill Complex debt is due to an affiliated company. Terms are the same as with the share held by the unrelated parties. As at December 31, 1988 $72,516,000 was outstanding under this indebtedness on which the company incurred interest expense of $4,220,000 during 1988 (1987–nil).

Segmented Information

The directors have determined the company's principal class 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.

13. Subsequent Event

On February 14, 1989 the company agreed in principle, subject to certain conditions and closing adjustments, to sell for a consideration of $528 million substantially all of its oil and gas assets, including working capital of approximately $56 million, to Norcen Energy Resources Limited. The sale consideration is to be satisfied by the issue of $65 million 11% unsecured debentures of Norcen due 2004, the issue of $250 million 8% subordinated exchangeable debentures of Norcen, exchangeable at the holder's option at any time prior to maturity in 1999 into Norcen multiple voting ordinary shares at a conversion price of $25 per share and a 28% equity position in M.A. Hanna Company with a value of $213 million. The Company has assigned Brascade Resources Inc. the right to acquire the position in Hanna for $213 million on the closing date of the transaction. Completion of the transaction is subject to receipt of favourable income tax rulings and certain other conditions including approval of the transaction by the voting shareholders of Westmin.

STATEMENT OF QUARTERLY CONSOLIDATED EARNINGS DURING 1988

(unaudited)

	First	Second	Third	Fourth	Total
			(in thousands)		
Revenue					
Oil and gas	$20,983	$ 18,612	$16,533	$15,744	$ 71,872
Mining	32,056	29,838	26,037	26,411	114,342
Investment and other income	1,956	1,996	5,091	2,038	11,081
	54,995	50,446	47,661	44,193	197,295
Expenses					
Royalty expense	2,705	1,768	1,896	1,611	7,980
Operating and administrative	24,451	26,123	24,230	25,493	100,297
Mineral exploration	1,251	1,014	1,662	1,937	5,864
Depletion and depreciation	13,093	10,870	10,713	10,703	45,379
Interest	6,443	6,535	6,577	8,101	27,656
Income and resource taxes	410	(1,194)	(1,511)	(5,429)	(7,724)
	48,353	45,116	43,567	42,416	179,452
Net earnings	$ 6,642	$ 5,330	$ 4,094	$ 1,777	$ 17,843
Earnings per common share after preferred dividends	$0.06	$0.03	$ –	($0.07)	$0.02

CONSOLIDATED STATEMENT OF SEGMENTED INFORMATION

	1988				1987			
	Oil and Gas	**Mining**	**Corporate**	**Total**	Oil and Gas	Mining	Corporate	Total
		(in thousands)				(in thousands)		
Revenue								
Domestic	**$ 71,872**	**6,731**		**78,603**	$ 90,578	10,664		101,242
Export		**107,611**		**107,611**		75,807		75,807
Investment and other income			**11,081**	**11,081**			13,426	13,426
	71,872	**114,342**	**11,081**	**197,295**	90,578	86,471	13,426	190,475
Expenses								
Royalty expense	**7,980**			**7,980**	8,470			8,470
Operating and administration	**31,627**	**64,200**	**4,470**	**100,297**	35,151	54,051	3,648	92,850
Mineral exploration		**5,864**		**5,864**		993		993
Depletion and depreciation	**25,141**	**19,833**	**405**	**45,379**	21,674	16,462	321	38,457
Earnings before financing and taxes	**$ 7,124**	**24,445**	**6,206**	**37,775**	$ 25,283	14,965	9,457	49,705
Interest				**27,656**				28,754
Income and resource taxes				**(7,724)**				(870)
Net earnings				**17,843**				21,821
Current assets	**$ 16,674**	**32,348**	**111,137**	**160,159**	$ 22,076	25,561	115,596	163,233
Investments	**171**	**9,807**	**3,554**	**13,532**	171	9,083	3,492	12,746
Property, plant and equipment	**388,782**	**289,121**	**2,003**	**679,906**	378,754	267,926	2,186	648,866
Total assets	**$405,627**	**331,276**	**116,694**	**853,597**	$401,001	302,570	121,274	824,845
Capital expenditures	**$ 34,830**	**41,018**	**628**	**76,476**	$ 14,553	22,484	423	37,460
Funds generated from operations before financing and taxes	**$ 32,237**	**49,611**	**6,641**	**88,489**	$ 46,959	31,881	6,754	85,594
Funds used for interest				**(27,656)**				(28,754)
Funds generated from operations				**60,833**				56,840

TEN YEAR OPERATIONS SUMMARY

For the years ended December 31

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Production										
Crude oil and NGLs – bbls	**2,617,200**	3,090,660	2,955,100	2,354,250	1,633,100	1,227,100	961,045	770,200	695,362	409,900
Daily average – bbls	**7,151**	8,465	8,096	6,450	4,462	3,362	2,633	2,100	1,900	1,123
Natural gas – mmcf	**25,307**	21,853	21,520	20,944	16,285	16,036	15,144	15,422	16,374	13,570
Daily average – mmcf	**69**	60	59	57	44	44	41	42	42	37
Ore delivered to the mill – tons	**1,383,537**	1,201,294	1,175,794	645,590	224,400	273,787	317,002	271,334	306,712	294,181
Payable metal (000's)										
Gold (oz.)	**44**	37	44	23	12	17	20	17	19	20
Silver (oz.)	**813**	772	966	707	542	781	959	783	786	791
Copper (lbs.)	**57,470**	49,185	45,492	17,088	3,610	4,814	5,344	4,824	5,941	6,296
Lead (lbs.)	**82**	340	770	2,648	3,273	4,195	4,801	4,305	5,125	5,425
Zinc (lbs.)	**88,067**	80,393	96,238	54,165	24,373	28,317	33,488	29,212	33,656	36,509
Reserves – Gross Proven										
Crude oil and NGLs – mmbls	**29.7**	28.3	27.1	21.1	12.8	10.8	9.7	6.7	6.1	4.9
Natural gas – bcf	**563.3**	556	588	530	403	386	411	410	364	324
Ore – Thousand ton	**12,423**	12,423	12,698	13,171	9,525	883	1,021	1,057	1,092	1,144
Land Holdings (000's acres)										
Gross	**7,346**	8,080	8,571	8,278	8,595	8,704	8,315	8,389	8,550	6,756
Net	**1,820**	1,835	2,145	2,710	2,611	2,476	1,761	1,760	1,836	1,130
Drilling Activity										
Gas	**42**	14	13	33	22	31	41	83	58	47
Oil	**61**	44	64	110	114	75	58	34	31	29
Dry	**28**	16	9	38	30	31	29	51	28	29
Total	**131**	74	86	181	166	137	128	168	117	105
Net	**82**	30	63	132	126	84	81	78	61	68
Success ratio %	**78**	78	90	79	82	77	77	70	76	72
Employees	**1,019**	970	870	857	667	626	593	532	462	412

TEN YEAR OPERATIONS SUMMARY
For the years ended December 31

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Production										
Crude oil and NGLs – bbls	**2,617,200**	3,090,660	2,955,100	2,354,250	1,633,100	1,227,100	961,045	770,200	695,362	409,900
Daily average – bbls	**7,151**	8,465	8,096	6,450	4,462	3,362	2,633	2,100	1,900	1,123
Natural gas – mmcf	**25,307**	21,853	21,520	20,944	16,285	16,036	15,144	15,422	16,374	13,570
Daily average – mmcf	**69**	60	59	57	44	44	41	42	42	37
Ore delivered to the mill – tons	**1,383,537**	1,201,294	1,175,794	645,590	224,400	273,787	317,002	271,334	306,712	294,181
Payable metal (000's)										
Gold (oz.)	**44**	37	44	23	12	17	20	17	19	20
Silver (oz.)	**813**	772	966	707	542	781	959	783	786	791
Copper (lbs.)	**57,470**	49,185	45,492	17,088	3,610	4,814	5,344	4,824	5,941	6,296
Lead (lbs.)	**82**	340	770	2,648	3,273	4,195	4,801	4,305	5,125	5,425
Zinc (lbs.)	**88,067**	80,393	96,238	54,165	24,373	28,317	33,488	29,212	33,656	36,509
Reserves – Gross Proven										
Crude oil and NGLs – mmbls	**29.7**	28.3	27.1	21.1	12.8	10.8	9.7	6.7	6.1	4.9
Natural gas – bcf	**563.3**	556	588	530	403	386	411	410	364	324
Ore – Thousand ton	**12,423**	12,423	12,698	13,171	9,525	883	1,021	1,057	1,092	1,144
Land Holdings (000's acres)										
Gross	**7,346**	8,080	8,571	8,278	8,595	8,704	8,315	8,389	8,550	6,756
Net	**1,820**	1,835	2,145	2,710	2,611	2,476	1,761	1,760	1,836	1,130
Drilling Activity										
Gas	**42**	14	13	33	22	31	41	83	58	47
Oil	**61**	44	64	110	114	75	58	34	31	29
Dry	**28**	16	9	38	30	31	29	51	28	29
Total	**131**	74	86	181	166	137	128	168	117	105
Net	**82**	30	63	132	126	84	81	78	61	68
Success ratio %	**78**	78	90	79	82	77	77	70	76	72
Employees	**1,019**	970	870	857	667	626	593	532	462	412

TEN YEAR FINANCIAL SUMMARY

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

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
	$	$	$	$	$	$	$	$	$	$
Statement of Earnings										
Revenue										
Oil and gas	**71,872**	90,578	93,838	134,344	100,271	85,090	70,452	54,633	48,982	29,415
Mining	**114,342**	86,471	86,396	27,588	23,032	34,025	47,504	42,760	42,071	43,639
Investment and other income	**11,081**	13,426	9,329	7,851	10,075	9,572	6,918	8,690	3,633	7,152
	197,295	190,475	189,563	169,783	133,378	128,687	124,874	106,083	94,686	80,206
Expenses										
Royalty expense	**7,980**	8,470	11,698	19,215	13,072	11,794	6,459	9,504	7,558	4,162
Operating and administrative	**100,297**	92,850	90,627	53,512	46,635	41,416	38,673	27,719	23,500	18,081
Mineral exploration	**5,864**	993	3,637	3,564	3,995	3,383	4,283	5,199	4,007	4,319
Depletion and depreciation	**45,379**	38,457	42,593	25,522	13,921	10,599	8,051	8,670	7,924	5,466
Interest	**27,656**	28,754	36,567	8,900	119			1,443	1,162	83
Income and resource taxes	**(7,724)**	(870)	(4,207)	26,792	21,385	24,152	28,269	21,637	18,955	20,969
	179,452	168,654	180,915	137,505	99,127	91,344	85,735	74,172	63,106	53,080
Earnings before the following	**17,843**	21,821	8,648	32,278	34,251	37,343	39,139	31,911	31,580	27,126
Equity earnings and extraordinary items				(1,826)	(380)	2,683	673	1,035	350	835
Net earnings (loss) for the year	**17,843**	21,821	8,648	30,452	33,871	40,026	39,812	32,946	31,930	27,961
Dividends on preferred shares	**17,140**	17,025	16,774	15,299	16,045	15,606	17,994	13,554		
Net earnings attributable to common shares	**703**	4,796	(8,126)	15,153	17,826	24,420	21,818	19,392		
Average common shares outstanding	**39,028**	38,762	38,550	38,343	37,903	36,980	33,717	33,691		
Earnings (loss) per common share	**.02**	.12	(.21)	.40	.47	.66	.65	.58	.71	.60
Dividends paid per common share	**.20**	.20	.20	.20	.20	.20	.10	.10	.10	.10
Common share trading range ($ per share)										
High	**11.50**	14.88	13.00	15.63	17.50	18.50	12.25	14.00	13.50	7.00
Low	**8.50**	8.00	6.38	11.25	10.13	11.63	5.88	6.63	6.25	2.45
Balance Sheet										
Working capital	**103,262**	102,683	117,006	87,583	113,386	140,452	76,364	83,000	19,401	42,240
Investments	**13,532**	12,746	42,497	41,836	44,234	44,017	37,597	35,442	31,575	7,491
Property, plant and equipment	**679,906**	648,866	649,889	707,700	469,358	338,244	280,792	211,909	171,241	129,446
Long-term debt	**277,932**	268,070	310,662	339,707	140,000	63,000	24,000		22,000	
Deferred revenue and taxes	**136,077**	100,389	102,039	113,065	99,246	83,991	64,318	43,069	26,928	9,828
Shareholders' equity										
Preferred shares	**218,699**	226,830	226,830	199,982	199,982	199,982	200,000	200,000	100,000	100,000
Common shares and retained earnings	**163,992**	169,006	169,861	184,365	187,750	175,740	106,436	87,282	73,289	69,349
Funds From Operations	**60,833**	56,840	52,125	80,007	66,873	70,453	72,183	63,415	60,082	47,272
Capital Expenditures										
Oil and gas – land and exploration	**21,095**	6,280	3,979	19,478	16,837	10,782	11,500	24,339	23,135	19,148
– development	**13,718**	8,273	26,571	32,956	32,264	22,140	30,516	14,005	12,888	7,842
– properties purchased				134,104			11,200		2,686	20,171
Mining development	**41,035**	22,484	5,622	101,930	95,607	34,557	23,411	10,248	10,782	1,063
Other	**628**	423	693	500	330	575	525	796	228	353
Total capital expenditures	**76,476**	37,460	36,865	288,968	145,038	68,054	77,152	49,388	49,719	48,577

CORPORATE INFORMATION

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Lawrence & Shaw

Auditors
Touche Ross & Co.

Registrar and Transfer Agent
The Royal Trust Company

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Toronto Stock Exchange
Montreal Exchange
Vancouver Stock Exchange

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Investment Corporation

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Officer, Enerplus Energy
Services Limited

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

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

+Member, Executive Committee
*Member, Audit Committee

Trading Range 1988 *($ per share)*

	Common Shares			*Class B Convertible Preferred Shares*		
	High	*Low*	*Close*	*High*	*Low*	*Close*
Q1	*9.75*	*8.50*	*9.00*	*22.00*	*19.13*	*20.00*
Q2	*11.50*	*8.88*	*10.63*	*22.50*	*19.00*	*20.88*
Q3	*10.75*	*9.50*	*9.50*	*22.50*	*21.00*	*21.38*
Q4	*10.00*	*9.00*	*9.50*	*22.25*	*20.50*	*21.38*

Company Officers and Senior

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

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

John B. Killick
Vice-President, Corporate Development

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

Raymond O. Hampton
Corporate Secretary

Donald A. Repka
Assistant Corporate Secretary

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

Ross A. Mitchell
Treasurer

H. William Verveda
Corporate Controller

Principal Officers Petroleum Division

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President

Dennis W. Miller
Vice-President, Heavy Oil

Ronald R. Talbot
Vice-President, Exploration

Cameron G. Troyer
Vice-President, Engineering and Planning

Wayne K. Watmough
Vice-President, Conventional Production

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, while Petroleum Division results remain in Imperial units. For those wishing to convert, we provide the table below.

To convert from	*To*	*Multiply by*
Thousand cubic feet (mcf) gas	*Cubic metres (m3)*	*28.174*
Cubic metres	*Cubic feet*	*35.315*
Barrels (bbls) oil	*Cubic metres (m3)*	*0.159*
Cubic metres (m3)	*Barrels (bbls) oil*	*6.290*
Feet	*Metres*	*0.305*
Metres	*Feet*	*3.281*
Miles	*Kilometres*	*1.609*
Kilometres	*Miles*	*0.621*
Acres	*Hectares*	*0.405*
Hectares	*Acres*	*2.471*
Tons	*Tonnes*	*0.907*
Tonnes	*Tons*	*1.102*
Troy Ounces	*Grams*	*31.1035*
Grams	*Troy ounces*	*0.0322*
Troy ounce/ton	*Gram/tonne*	*34.2856*
Gram/tonne	*Troy ounce/ton*	*0.0292*
Pounds	*Kilograms*	*0.4536*
Kilograms	*Pounds*	*2.2046*
Tons	*Pounds*	*2000*
Tonnes	*Pounds*	*2204.62*

Principal Officers Mining Division

Richard H. Ostrosser
President

George W. Flumerfelt
Vice-President, Operations

Bruce K. McKnight
Vice-President, Business Development

Neil S. Seldon
Vice-President, Marketing

Dr. Arthur E. Soregaroli
Vice-President, Exploration

William C. Skrlac
Controller, Mining Division

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