TOTAL Energold Corporation

020070

ANNUAL REPORT 1989

We believe we can
accomplish our main goal
of increasing the real,
long-term value of
the Company for the benefit
of our shareholders.

1989 Highlights

CORPORATE

- The Company's oil and gas subsidiaries, Ranchmen's Resources Ltd. and Consolidated Trans-Canada Resources Ltd., combined in September, 1989 to form a more efficient and profitable company with TOTAL Energold Corporation retaining a 56 percent interest.
- Subsequent to year-end, the Company acquired 12.5 percent of VenturesTrident II Limited Partnership which has an interest in over 12 companies and projects involved in gold exploration and production.
- The Dome Mountain dispute was resolved, resulting in the retention of a 15% NPI in the property and approximately 19% of the shares of each of the remaining joint venture partners.

MINERAL EXPLORATION

- At the Erickson Gold Mine, suspension of the drift permitted funds to be redirected towards accelerated exploration of the Heather and Bain Veins.
- The Company continued aggressive exploration and acquisition activity in the Casa Berardi district in Eastern Canada and in the Western U.S.A.
- The Tundra Joint Venture completed its initial assessment of the underground exploration results. Current indications of grade, tonnage and costs suggest that further development on this project will be deferred.

FINANCIAL

- Operating earnings increased significantly from $8.5 million in 1988 to $21.8 million in 1989.
- The Company received a common share dividend of $0.17 per share from its subsidiary, Ranchmen's Resources Ltd.
- While assets (after write-down) were $195.0 million, the Company had no long term debt.
- The Company invested in $32.6 million of capital expenditures ($23.8 million in 1988).

	1989	1988
FINANCIAL (In Millions)		
Mining sales	$ 0	$ 10.6
Oil and gas sales	32.4	17.3
Funds generated from operations	14.2	2.4
Income (loss) before other expenses	(4.8)	(14.9)
Loss for the year	(22.9)	(47.2)
Assets		
Mining and mineral exploration	45.4	47.9
Oil and gas	123.1	119.5
Investments	2.4	4.7
Cash and current assets	23.6	37.9
Long-term debt	0.0	0.0
PRODUCTION		
Gold (ounces to TOTAL Energold's account)	0	21,996
Oil (barrels per day)	4,336	3,617
Natural Gas (million cubic feet per day)	20.3	21.0
RESERVES (Proven and Probable)		
Oil (barrels, in millions)	14.5	14.2
Natural Gas (cubic feet, in billions)	121.3	127.6

Report to Shareholders

We are pleased to present to you this annual report of TOTAL Energold Corporation.

The Company has undergone many changes over the past few years, and this has resulted in somewhat confused market perceptions: We are perceived either as a gold exploration company with investments in oil and gas, or as an oil and gas holding company with interests in gold exploration.

> **Our stock price attributes little value to our mineral exploration properties, some of which we believe have significant worth.**

This investor uncertainty has adversely affected the price of our stock, which over the past several months has approximated little more than the market value of our investment in Ranchmen's Resources Ltd. plus the cash the Company holds in its bank accounts.

Clearly, our stock price attributes little value to our mineral and exploration properties, some of which we believe have significant worth. We recognize that we must clarify the market perception of our Company during 1990 in order to achieve a stock price that more accurately reflects the full value of TOTAL Energold Corporation.

A CREDIBLE MINING COMPANY

It is your management's intention to increase TOTAL Energold Corporation's credibility as a mining company. To do this, TOTAL Energold must focus on mineral production and produce positive cash flow and profits. By pursuing this course, we believe we can accomplish our main goal of increasing the real, long-term value of the Company for the benefit of our shareholders.

The future growth of the Company clearly has solid foundations. We have interests in more than 50 mineral properties, many of which are very promising. With another exploration season at the Erickson Gold Camp as successful as that of 1989—and all indications are that it could well be—we believe we should have identified sufficient reserves to re-open the mill in 1991 and operate it for several years, during which time other targets, already identified, will be explored.

EXPLORATION ACTIVITY

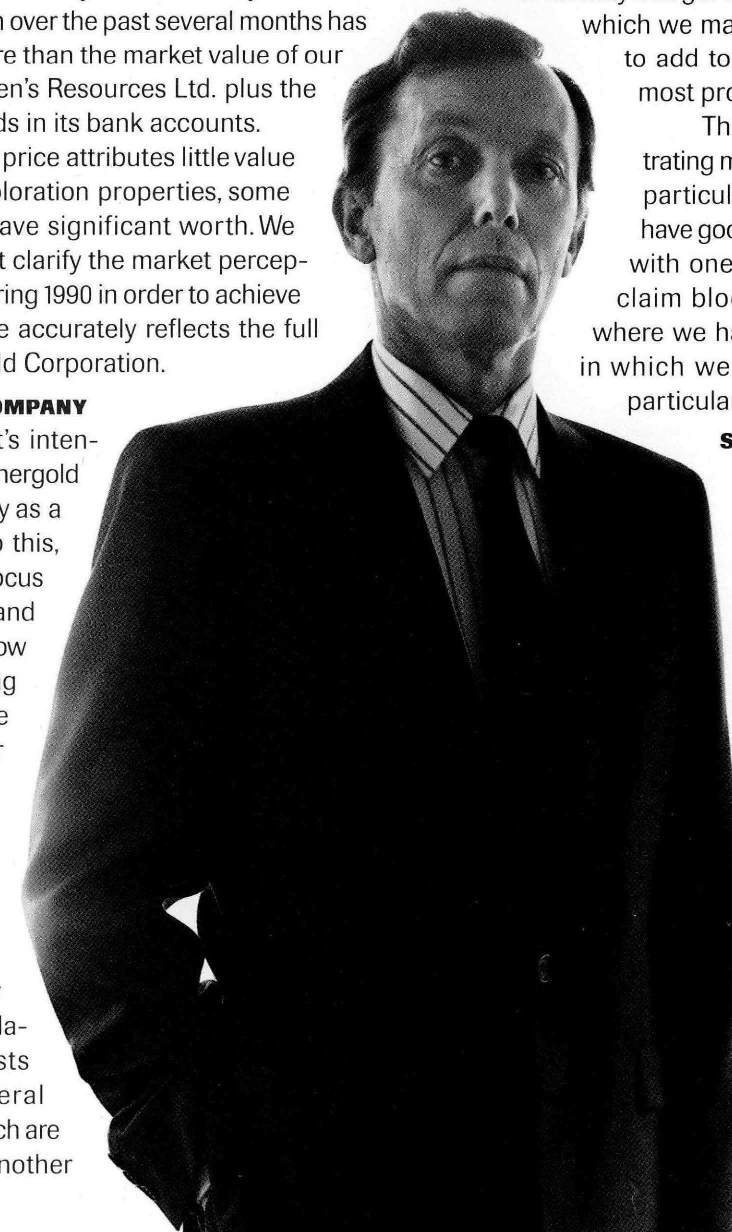
We are continuing our efforts to expand our exploration activities to diversify the Company away from small, vein-type mines, such as Erickson. TOTAL Energold has been exploring more closely those areas in eastern Canada and the United States where the probability of finding large low-cost gold reserves is higher. Recently, we concluded an agreement with Morrison Minerals Limited and Morrison Petroleums Limited whereby we can use, and eventually own a 50% interest in very high-definition aerial surveys in the Casa Berardi region on the Ontario/Quebec border. The information obtained under this agreement will enable us to identify a larger number of potential mineral targets which we may then stake, or otherwise acquire, to add to our growing land position in this most promising area of Canada.

The Company has also been concentrating more of its efforts in the United States, particularly in Nevada and Idaho. We now have good land positions in both these states, with one property in Idaho—the Navarre claim block, a few miles west of Mackay, where we have staked nearly 500 claims, and in which we have a 100% interest—looking particularly promising.

STRATEGIC ACQUISITIONS

While we could wait for one or more of these properties to develop into full-scale mining operations, we need more than future potential to be a credible mining company. Accordingly, we are looking to acquire properties that are either in, or very close to, production. As we have recently announced, we have entered into provisional agreements to acquire over 50% of Plexus Resources Corporation, and a 12.5% interest in VenturesTrident II Limited Partnership.

These acquisitions will go some way towards achieving our corporate goals, and the Plexus relationship in particular will give us production



Raymond C.F. Leeks
President and Chief Executive Officer

and cash flow. Although vendors' expectations are usually unrealistically high, we believe it is possible to acquire additional reserves/production at economical prices.

As we look for other acquisitions, we will continue to explore our existing properties, to develop new exploration opportunities both in Canada and the United States, and seek improved efficiencies in the financing and the administration of your Company.

OIL AND GAS OPERATIONS

Our oil and gas subsidiaries, Ranchmen's Resources Ltd. and Consolidated Trans-Canada Resources Ltd., combined in September, 1989 to form a more efficient and profitable company as Ranchmen's Resources Ltd. The proven and probable reserves of the new company at year-end exceeded 14.0 million barrels of oil and 121 billion cubic feet of natural gas. Funds generated from operations amounted to $18.4 million in 1989, and net earnings were $4.6 million. Ranchmen's balance sheet continues to be debt free.

TOTAL Energold received $1.5 million as its share of the dividend paid by Ranchmen's in December, 1989. Ranchmen's 1989 results are reflected in the consolidated operating accounts and balance sheet of your Company in this annual report.

FINANCIAL RESULTS

In preparing our financial statements, we have continued to pursue a conservative financial policy where cost or market value exceeds book value. If in doubt, we have written down or written off the asset. The accounts for 1989 reflect these reductions to the extent of $18.4 million, resulting in a net loss on a consolidated basis of $22.9 million compared with a loss of $47.2 million in 1988.

In spite of these recent losses, your Company has no bank debt, and only $0.5 million remains outstanding from a $14 million convertible debenture issued in 1985. The Company has $12 million in cash, and aggregate bank lines of credit totalling $45 million still in place.

Our major shareholder, TOTAL Compagnie Française des Pétroles, held an equity position of 65% as at December 31, 1989. Given the financial strength of this group behind us, our own strong financial position, and the enthusiasm and dedication of a well qualified and professional staff, we should be able to successfully pursue and accomplish the plans for the future outlined in this report.

BOARD OF DIRECTORS

We would like to mention those directors who left the Board of Directors during 1989. Two directors, Messrs. Louis Deny and Pierre Gely retired from the parent company and consequently left our board. Mr. Jean-Pierre Januard, who was President and Chief Executive Officer from July 1985 to June 1989, retired from the board at the end of the year.

On your behalf, and on behalf of the directors of TOTAL Energold Corporation, we would like to thank them for their contribution and the dedication they have shown on behalf of the Company, and to wish them well.

On behalf of the Board,

Phillip de Boos-Smith
Chairman of the Board

Raymond C.F. Leeks
President and Chief Executive Officer

March 22, 1990

Mineral Exploration

Prior to 1987, TOTAL Energold Corporation was a small gold mining company with little exploration activity other than on its two properties, Erickson and Mount Skukum.

In 1987, company management decided to acquire or earn into exploration projects to broaden the Company's reserve base and accordingly permit the opportunity for future growth. Timing was crucial due to the availability of flow-through share financing and rising gold prices. In addition, the Company was experiencing one of its best years—81,000 ounces of gold production from Erickson and Mount Skukum.

TOTAL Energold Corporation continued an energetic search for new deposits throughout Canada and the western United States in 1989.

Exploration efforts in 1987 were focused mainly on small gold deposits in British Columbia, the Yukon and the western United States.

As a shortage of reserves became apparent at both operating mines, management refocused its strategy in late 1987 and early 1988. The acquisition of Getty Resources Limited, consummated in 1988, gave the Company one major exploration target, Tundra, which appeared to have the potential to become a major producing property. The Getty acquisition also gave TOTAL Energold numerous exploration opportunities which had large potential gold and base metal reserves as their targets.

In addition, the Company redirected its exploration efforts towards targets which would provide large, long-life/low-cost production reserves and stable, long-term cash flow vital to future growth for the Company.

This refocusing has largely been completed by the end of 1989. The Company is engaged in active exploration in eastern Canada in the Timmins-Casa Berardi-Detour Lake areas, as well as in Nevada and Idaho. The Company is in the process of farming out many of its small-vein properties such as O'Brien, Engineer and Tisdale, and has sold others such as Dome Mountain and Mystic. In addition, TOTAL Energold is actively pursuing joint ventures for base metal properties such as Logan, Porphyry Creek, Clear Lake and Dawes Pond.

EXPLORATION STRATEGY

The Company can achieve its objective of creating long-term/low-cost, stable reserves in several ways. Plans to conduct exploration for large-tonnage gold and base metal gold deposits in areas of relatively good access—mainly in eastern Canada, and specifically in the Abitibi and other greenstone belts in Ontario and Quebec—are already in place.

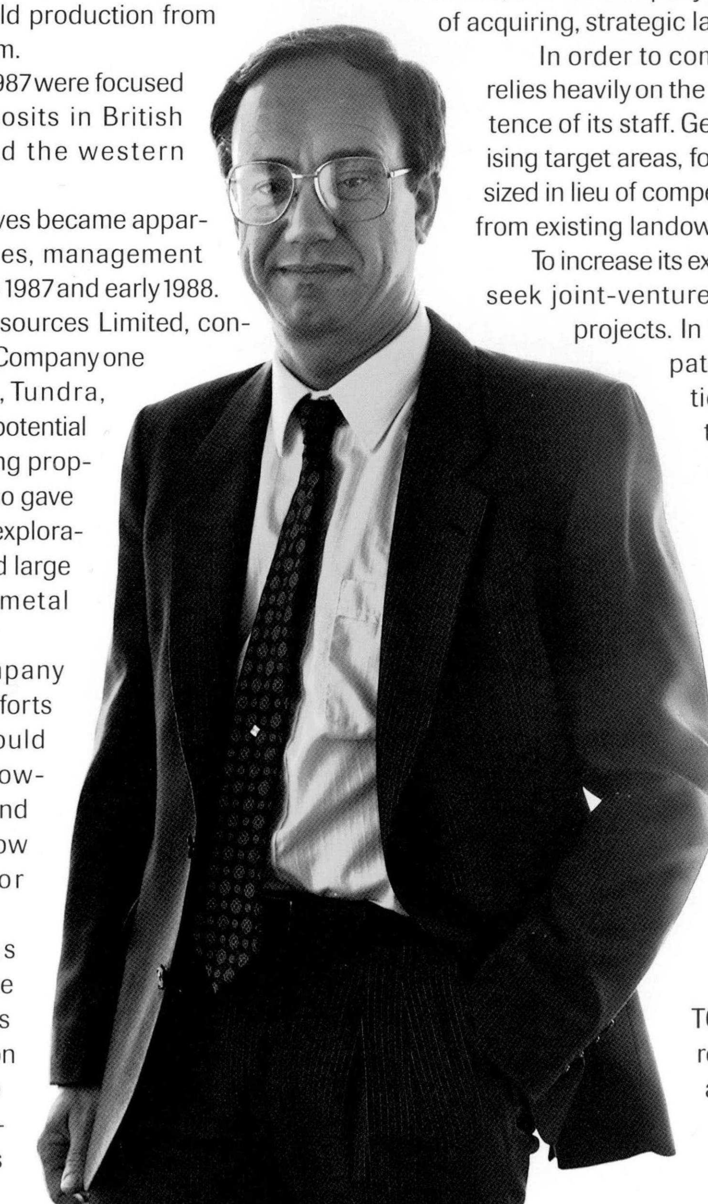
Exploration for Carlin-type, epithermal and volcanic-hosted epithermal deposits in the western U.S., specifically in selected areas of Nevada and Idaho, is also currently underway. Several high-potential target areas have been identified, and the Company has acquired, or is in the process of acquiring, strategic land deposits by staking.

In order to compete effectively, the Company relies heavily on the high degree of technical competence of its staff. Generative work in selected, promising target areas, followed by staking, will be emphasized in lieu of competitive bidding to secure positions from existing landowners wherever practical.

To increase its exposure, the Company will actively seek joint-venture participation in a number of projects. In 1990-91, for example, it is anticipated that joint-venture contributions or farm-outs will increase total exposure by 30%, or $4 million, in exploration funding.

While the Company continues to place emphasis on gold, base metals—specifically copper, zinc and lead—are part of TOTAL Energold's exploration strategy. Silver is expected to be an important by-product of these deposits, as well as in volcanic-associated epithermal deposits.

The Company plans to spend approximately $10 million annually on exploration for the next several years to achieve its overall objectives. TOTAL Energold is prepared to ready 10-20 properties for drilling annually, and to drill 10 or more using its own and joint-venture partner contributed funds.



H.Walter Sellmer

MINERAL EXPLORATION PROPERTIES

1989 EXPLORATION ACTIVITY

TOTAL Energold Corporation continued an energetic search for new deposits throughout Canada and the western United States in 1989. An exploration staff of 15 individuals operating from offices in Vancouver, Toronto, Timmins, Whitehorse and Reno, managed expenditures of $17.8 million, of which $6.8 million was dedicated to the Tundra project, and $1.4 and $1.0 million to Erickson and Mount Skukum respectively.

TOTAL Energold carried out active exploration on 18 projects with drilling on 8. Landholdings at year-end totalled 4,547 claims or 1,808 sq. km in 10 different jurisdictions.

Western Canada

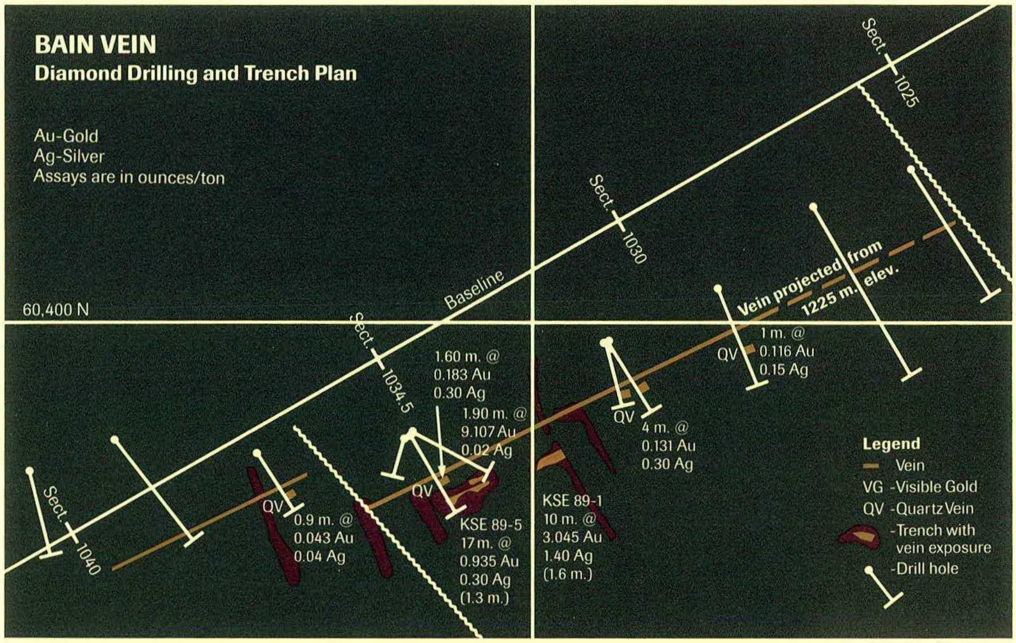
The Company's mining operations at Erickson near Cassiar, B.C. and at Mount Skukum near Whitehorse, Yukon remained closed, while exploration for additional reserves continued in 1989.

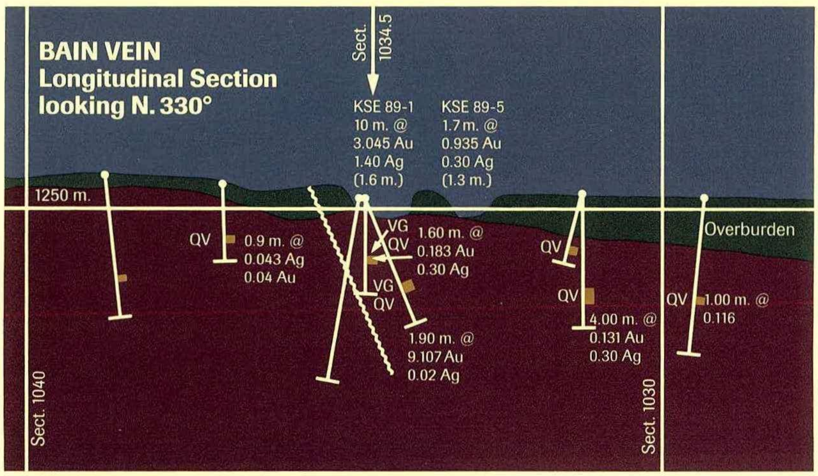
MOUNT SKUKUM

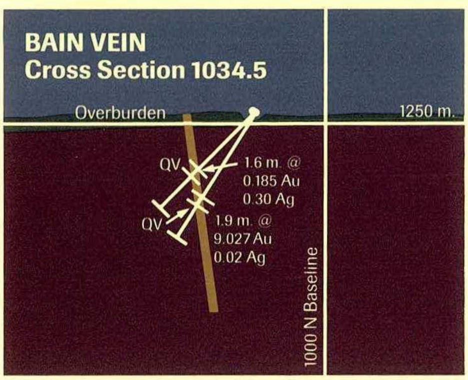
The Mount Skukum property covers some 145.3 sq. km. of prospective ground, which is 37%-owned by TOTAL Energold, the project operator, and 63% by AGIP. Exploration in 1989 involved drilling in three relatively untested major structures, the Tango, Goat and Ocean Veins, with unencouraging results. Prospecting, sampling and mapping have identified several targets on the property that merit further exploration. In addition, the camp, mill facility and tailings disposal site are valuable assets to surrounding properties in the Wheaton River district. AGIP and TOTAL Energold are currently seeking to determine the value of these assets.

ERICKSON

At the Erickson property, which totals 242 claims (306.9 sq. km.) and is located 15 km. south of Cassiar, B.C., the driving of the 10 Level drift towards the Michelle high-grade vein continued until September 1, 1989. The drift was temporarily halted 900 m. from its destination to allow funds







to be diverted towards exploration of two nearby surface discoveries, the Heather and Bain Veins. As well, exploration east of the Erickson Creek structure continued to lend encouragement that major vein structures similar to the Jennie and Maura Vein systems may exist in this previously underexplored part of the property. The 1990 exploration program will further test the area east of Erickson Creek, the vicinity of the Heather and Bain Veins, and their extensions, as well as additional targets elsewhere on the property. It is expected that the objective of 200,000 tons of drill-indicated reserves grading 0.5 ounces gold per ton may be attained by mid-1991 so production at Erickson can recommence.

TOTAL Energold has redirected its exploration efforts towards targets which have the opportunity to provide large, long-life/ low/cost production reserves that will provide us with stable, long-term cash flow vital to future growth.

DOME MOUNTAIN

In keeping with the Company's intention to refocus its objectives towards the acquisition and development of major gold reserves, and to resolve outstanding legal issues, TOTAL Energold sold its rights in the Dome Mountain properties for 3 million shares (approximately 18% of issued stock) in Teeshin Resources Ltd., and 1.8 million shares (approximately 19% of issued stock) in Canadian-United Minerals Inc. TOTAL Energold continues to hold a 15% net profits interest in Dome Mountain purchasable by Teeshin or Canadian-United for $1.4 million.

O'BRIEN

The O'Brien properties, under option from Cody Hawk Resources Ltd. and Kim Hudson, total 233 claims (48.7 sq. km.) and are located 65 km. north east of Dawson, Yukon. TOTAL Energold has the right to earn a 60% interest by expending $1.5 million on exploration before December 31, 1993, and paying $170,000 to Cody Hawk and Hudson.

In 1989, the Company spent $570,000 on exploration of these claims, including an airborne EM/Magnetic survey, surface geophysics, trenching, mapping, soil sampling and 765 m. of diamond drilling in 6 holes on a major vein structure. Mineralization on the AJ vein, although locally very high grade, was found to be discontinuous. Several attractive exploration targets remain to be explored in 1990.

LOGAN

TOTAL Energold earned a 50% interest and purchased a further 10% interest from Fairfield Minerals Ltd., as well as becoming operator of this project in early 1989. The property, located 114 km. northwest of Watson Lake, Yukon hosts a zinc stock-work zone with a mineral inventory estimated by Cordilleran Engineering to be 13.5 million tons, grading 6.17% zinc and 0.77 ounces of silver per ton. TOTAL Energold and Fairfield are seeking to sell, or joint venture, their interest in this mineral resource to a base metals producer with the necessary financial and operating capability.

CLEAR LAKE

Clear Lake, located at the confluence of the Pelly and MacMillan Rivers 110 km. north west of Faro, Yukon, was restaked by TOTAL Energold with 505 claims covering 105.3 sq. km. and at least eight as yet undrilled geophysical targets. 40 holes drilled by Conwest and Getty in 1980-83 outlined a resource of 6.14 million tons, grading 11.35% zinc, 2.00% lead and 1.11 ounces silver per ton in a steeply dipping lens which remains open at depth, and may be repeated in the Devono-Mississippian, sedimentary-volcanic stratigraphy. In late 1989, the Company purchased a 5% NSR (on a 51% interest held by TEC) from Conwest for 200,000 shares. USX holds a 20.4% interest and TOTAL Energold, the operator, 79.6%.

The Company plans to conduct definition drilling and metallurgical testing on the Clear Lake Zone and its extensions, as well as initial drill testing of the remaining targets on the property in conjunction with a joint-venture partner with technical expertise in the exploration and development of this type of deposit.

Eastern Canada

In order to focus its exploration activity in Ontario and Quebec more cost-effectively, the Company decided to close its Toronto office in early 1990, thereby substantially reducing exploration overhead. The Timmins, Ontario office will serve as the organizational base for TOTAL Energold's eastern Canadian exploration effort, with an expanded staff including a district manager and two senior project geologists.

TUNDRA

The underground exploration program begun in July, 1988 at the Tundra project (TOTAL Energold: 49%) was completed in December 1989 by Noranda, the project operator. A 472 m. two-compartment shaft was sunk. 767.4 m. of drill drift, 359.7 m. of cross-cuts, 629.2 m. of ore drifts and six raises totalling 131.3 m. were driven. 125 underground diamond drill holes (26,664.9 m.) and 36 bazooka holes (582.18 m.) were drilled and a 1,283 tonne bulk sample was prepared. Results from this work, coupled with extensive metallurgical testwork and a pre-feasibility study prepared under the direction of Wright Engineers Ltd., indicates that the deposit, although a large inventory of gold, is too low grade and discontinuous to be economic at current gold prices. The potential remains for high-grade, non-refractory reserves on the large, 165.62 sq. km. land holding. Noranda has proposed an exploration program to test nearby targets in 1990.

The Company plans to spend approximately $10 million annually on exploration for the next several years to achieve its overall objectives.

COLLET

In late 1989, TOTAL Energold entered into option agreements with Glen Auden Resources Limited, Golden Dragon Resources Ltd., Goldrock Resources Inc. and Tarzan Gold Inc., giving the Company the right to earn up to a 70% interest in 522 claims located in Dieppe and Casa Berardi Townships, Quebec. In return, the Company must make expenditures aggregating $1.8 million, along with $61,000 in cash payments, over six years. These properties straddle favourable mafic-felsic volcanics and sediments, in an area indicated to contain alteration and massive sulphide mineralization, along a major structure with strong gold anomalies in basal tills. Ground I.P. surveys commenced in late 1989, with initial drilling slated for March, 1990.

ST. LAURENT

TOTAL Energold has staked 60 claims in St. Laurent Township, Ontario on the projected extension of the Casa Berardi structure in an area of favourable, volcano-sedimentary stratigraphy and numerous geophysical conductors, with excellent potential for an Inco-Golden Knight type of discovery. The property will be prepared for drilling in 1990.

CASA BERARDI

The Company has entered into an agreement with Morrison Minerals Ltd. and Morrison Petroleums Limited giving it the right, in return for spending $1.5 million over three years, to earn a 50% interest in a high-resolution Aerodat airborne EM/Magnetic Survey of the Casa Berardi area, and in any properties jointly acquired on the basis of this data.

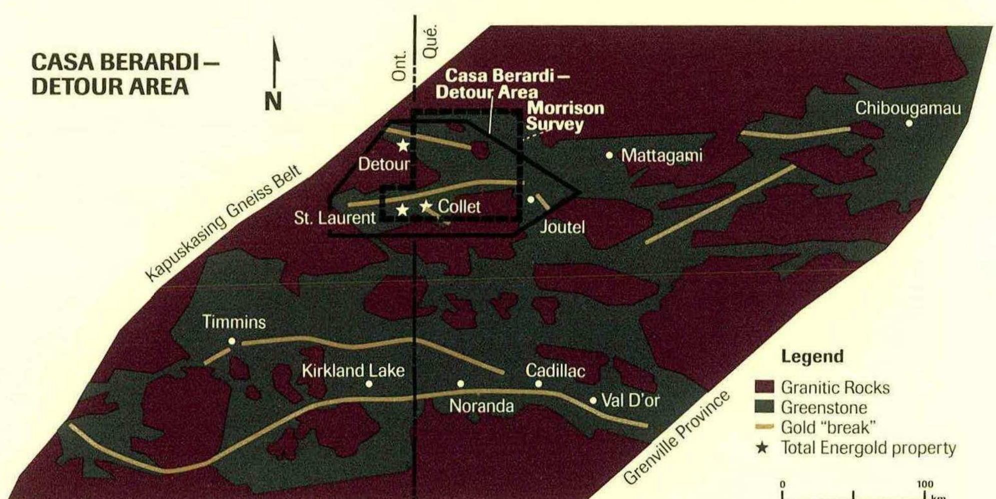
It is anticipated that the data coupled with available geological maps, previous drill results and computer-assisted interpretative techniques will provide enhanced exploration targets for acquisition and drill testing in an area which has demonstrated the presence of major gold deposits. TOTAL Energold will identify, conduct surface evaluation and drill between 5 and 10 such targets annually over the next two to three years.

DETOUR LAKE

This property, consisting of 44 claims located 35 km. south of the Detour deposit currently in production, is projected to lie on a favourable structure in an area of felsic volcanics and sediments, which are intruded by a granitic stock. Extensive geophysical surveys, both airborne and ground, were completed in 1981-86 in search of iron formation-hosted gold mineralization. Only limited drilling on certain conductors was carried out. Results indicate a greater potential for Hemlo-style gold mineralization associated with sedimentary-felsic-intrusive lithologies near major structures. In addition to increasing its land position to a total of 180 claims, TOTAL Energold will conduct mapping and ground surveys to delineate drill targets in 1990.

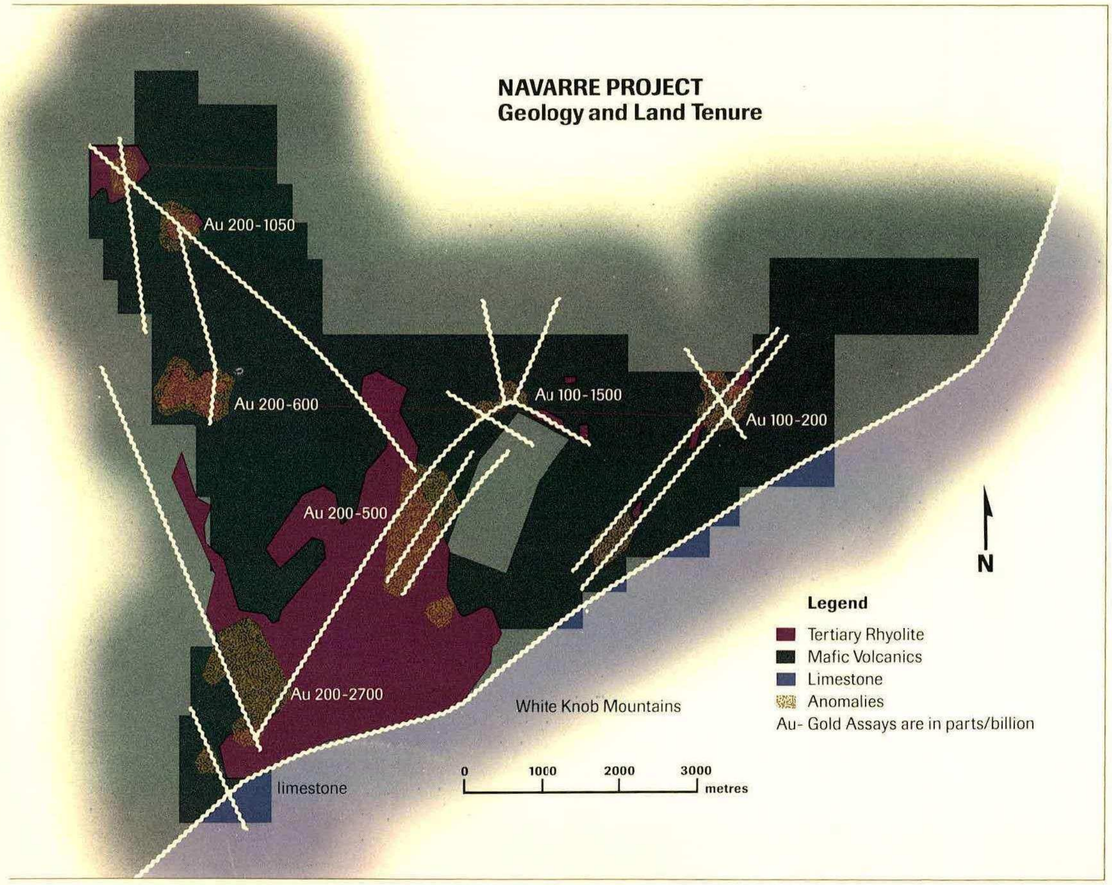
Western United States

TOTAL Energold, through its wholly owned subsidiary Sovereign Explorations Inc., maintains an exploration office in Reno, Nevada. The Company's policy is to identify, through careful geological work, superior exploration targets in less competitive areas to enable it to achieve a strong land position at relatively low cost wherever possible, and to focus on targets with potential for major gold deposits of either skarn-associated, volcanic epithermal or Carlin-type. Thus TOTAL Energold maintains a strong generative presence in both Idaho, Nevada and adjoining states.



ROCK CREEK RANCH

During 1989, the Company substantially renegotiated its agreement with Getchell Resources Inc. by virtue of which both companies entered into an earn-in, joint-venture agreement with FMC Corp., giving FMC the right to earn a 51% interest in the project by spending $2.3 million over the next three years. At this point, Getchell and TOTAL Energold would each retain a 24.5% interest in the Rock Creek Ranch Project. To earn its 50% interest (or 24.5% if FMC earns in), TOTAL Energold has purchased 233,333 Getchell shares and must purchase a further 200,000 shares on October 30, 1990, at a price of US$1.50 per share, and has paid Getchell US$235,000.



The Rock Creek Ranch property encompasses almost 78 sq. km. of lands favourable for Carlin-type, epithermal gold deposits at the intersection of north-south trending range faults, co-extensive with the Pinson-Prebble trend and the Battle Mountain trend. Pinson Mining Company has recently indicated that it will mine the Kramer Hill deposit which adjoins the property to the north. FMC completed an airborne EM/Magnetic survey of the property in December 1989, and plans to carry out a major surface exploration and drilling program in 1990.

CAMECO JOINT VENTURE

TOTAL Energold entered into earn-in, joint-venture agreements on three of its Idaho properties, (Waddoups Canyon, Lava Creek and Whiskey Road) totalling 132 claims with Cameco Resources Inc. of Saskatoon, Saskatchewan. Cameco funded a program of surface exploration and reverse circulation drilling on two of the properties (3,226 m in 25 holes).

NAVARRE

Generative work by the Company in the Mackay, Idaho area identified the Lehman Basin Caldera Complex as a highly prospective area for volcanic-hosted, epithermal deposits similar to Paradise Peak and the Sunbeam-Grouse Creek deposits in Central Idaho. Accordingly, the Company has staked a total of 463 claims to cover at least 5 specific target areas containing extensive argillic alteration, silicification, sinter and jasperoid with highly anomalous gold, silver, and associated metal values. During 1990, the Company will conduct an airborne EM/Magnetic survey and detailed mapping, sampling and I.P. surveys to delineate targets for reverse circulation drilling.

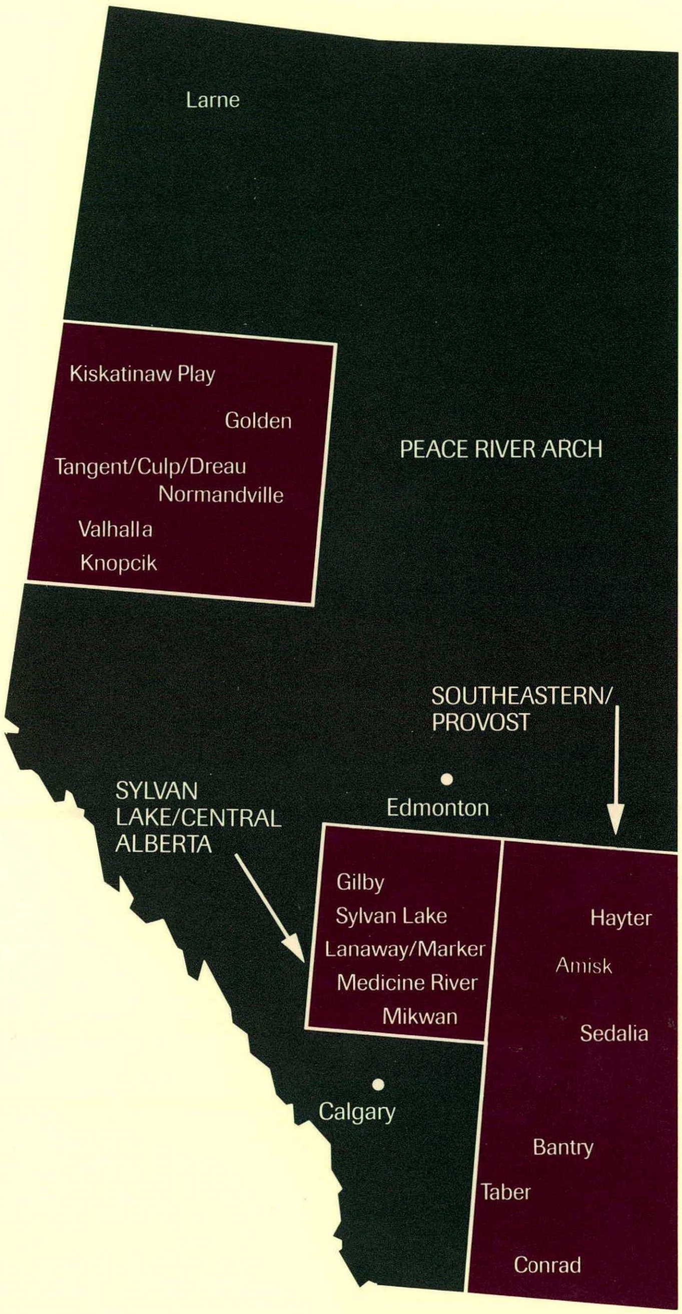
GARDEN VALLEY

This property (TOTAL Energold: 100%) of 367 claims is located north of Eureka, Nevada. It is a well located, shallow pediment play in search of a Carlin-type epithermal gold deposit. In late 1989, the Company entered into negotiations whereby Billiton Minerals USA Inc. could earn a 60% interest in the property by spending $1 million over 5 years.

Oil and Gas Operations

TOTAL Energold Corporation is the controlling shareholder of Ranchmen's Resources Ltd., which emerged during 1989 as one of the top 30 publicly traded oil and gas companies in Canada. TOTAL Energold holds 8,556,766 common voting shares or 56.4% of Ranchmen's. At current share prices ($8.50), the market value of the company's interest in Ranchmen's exceeds $72 million or $2.45 per TOTAL Energold share. During 1989, the market value of TOTAL Energold's oil and gas investment increased by $36 million.

On September 28, 1989, the shareholders of Ranchmen's Resources Ltd. and Consolidated Trans-Canada Resources Ltd. approved the merger of the two companies. TOTAL Energold has provided financial assistance and management advice to both companies, resulting in a simplification of Ranchmen's capitalization and elimination of Trans-Canada's previous debt. The merger has produced a well financed exploration and development company, led by a dedicated management team.



MAJOR OIL AND GAS PRODUCTION AREAS

1989 OIL AND GAS RESULTS

During 1989, funds generated from operations increased 44% to $18.4 million from $12.8 million in 1988. Production of crude oil and natural gas liquids increased 20% from 3,617 barrels per day in 1988 to 4,336 barrels per day in 1989, due mainly to successful drilling at the Amisk and Sylvan Lake properties in Alberta. Increased oil revenues were further supplemented by a 27% increase in the average wellhead price to $18.92 per barrel, reflecting a global strengthening of oil markets. During 1989, gas revenues were unchanged relative to 1988, with gas production averaging 20.3 million cubic feet per day at a wellhead price of $1.43 per thousand cubic feet.

The merger between Ranchmen's and Trans-Canada has produced a well financed exploration and development company, led by a dedicated management team.

Net earnings increased 254% from $1.3 million to $4.6 million, due principally to improved operating results, but also to the synergy resulting from the merger of Ranchmen's and Trans-Canada. It is estimated that the deferred tax charge against the earnings of the combined company can be sheltered by the surplus of Trans-Canada's tax pools over the carrying value of its assets for over 3 years. Combined tax pools of $143 million should shelter Ranchmen's from current tax over the same period.

EXPLORATION AND DEVELOPMENT

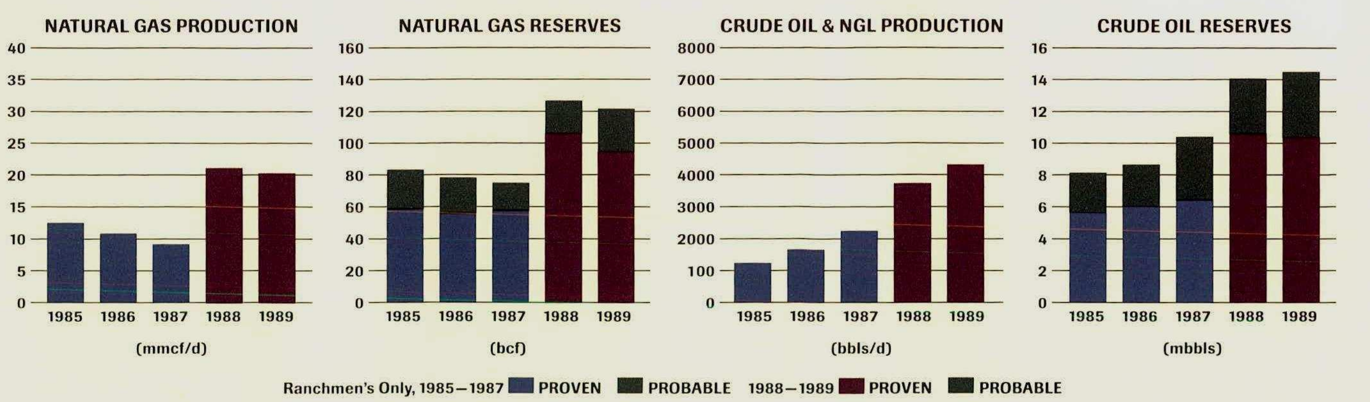
Ranchmen's has an average 30% interest in 680,000 non-producing acres of land in western Canada, 95% of which is in Alberta. Activity is focused in three areas, mainly in low-risk Cretaceous oil plays in east-central Alberta (such as Amisk, Hayter and Taber); in medium-risk Cretaceous and Mississippian oil and gas plays in central Alberta (such as Sylvan Lake and Lanaway); and in high-risk/high-reward Mississippian and Devonian oil and gas plays in northern Alberta (such as Eaglesham, Golden and Knopcick).

During 1989, capital expenditures were $18.6 million, 45% of which was spent on drilling. A total of 60 wells, with an average working interest of 45%, were drilled with a success rate of 70%. New pool discoveries at Taber, Hayter and Golden have identified the potential for up to 25 development locations for drilling in 1990. A capital spending program of $23 million has been approved for 1990.

At year-end, proven reserves were 10.7 million barrels of oil and natural gas liquids, plus 96.3 billion cubic feet of gas. Proven plus probable reserves were estimated to be 14.5 million barrels and 121.3 billion cubic feet respectively.

Gas facility construction in 1989 at Lanaway and Whitecourt will increase gas production by four million cubic feet per day in 1990. A $1.0 million gas plant expansion at Rosalind during 1990 may add a further 3.0 million cubic feet per day of production in 1991.

Engineering studies indicate that significant production and reserve increases may be achieved from Ranchmen's Dina reservoirs (mainly Amisk, Hayter and Bellshill Lake). Results from pilot testing in the field, which commenced late in 1989, have been encouraging. Through a $1.5 million investment in larger pumping equipment, and larger oil and water handling facilities, Ranchmen's is forecasting production increases from the Dina of 1,000 barrels of oil per day from existing wells beginning in the second half of 1990.



3. ACQUISITION OF ADDITIONAL INTEREST IN CONSOLIDATED TRANS-CANADA RESOURCES LTD.

During the year ended December 31, 1988, Consolidated Trans-Canada issued shares pursuant to a rights offering. The Company exercised its rights and in addition, the Company acquired all shares that were not purchased by other rights holders. In aggregate, the Company acquired 1,913,840 common shares (11.7%) for a net consideration of $3,116,138, bringing its total ownership of Consolidated Trans-Canada to 4,139,559 common shares (63.2%). Net assets acquired are summarized as follows:

Current assets	$ 469,033
Oil and gas properties and equipment	3,120,168
Other assets	79,814
	3,669,015
Current liabilities	242,346
Long-term debt	216,450
Deferred production income	94,081
	552,877
	$ 3,116,138

As described in Note 4, Ranchmen's acquired all of the issued and outstanding shares of Consolidated Trans-Canada on a share exchange, thereby reducing the Company's effective interest from 63.2% to 56.4%.

4. ACQUISITION OF RANCHMEN'S RESOURCES LTD.

Effective June 30, 1988, the Company through the conversion of its debenture, acquired 3,336,190 common shares of Ranchmen's Resources Ltd. ("Ranchmen's"), a company engaged in oil and gas exploration and production. As a result of this acquisition the Company's aggregate holdings in Ranchmen's increased to 4,505,890 common shares (53.4%). The Company had previously held a 23.5% equity interest in the common shares of Ranchmen's which was accounted for on the equity basis. The acquisition has been accounted for by the purchase method, and accordingly, the consolidated statement of operations includes the operating results of Ranchmen's for the period from July 1, 1988 to December 31, 1988. Consideration given and net assets acquired are summarized as follows:

Consideration given:	
Cash	$ 4,950,000
Carrying value of debentures converted to common shares	35,683,215
	40,633,215
Carrying value of Ranchmen's shares previously acquired	(1,913,987)
	$ 38,719,228
Net assets acquired:	
Current assets	$ 5,609,759
Oil and gas properties and equipment	87,257,133
Other assets	1,092,105
	93,958,997
Current liabilities	4,035,568
Deferred revenue and taxes	3,909,775
Minority interest	47,294,426
	55,239,769
	$ 38,719,228

Management Discussion and Analysis

TOTAL Energold Corporation has evolved significantly over the last three years through a series of complicated corporate transactions. In October, 1987, Total Erickson Resources Ltd. acquired 51% control of Consolidated Trans-Canada Resources Ltd., a junior Canadian oil and gas producer. In the spring of 1988, Total Erickson increased its equity interest in Trans-Canada to 63% through a rights offering.

TOTAL Energold Corporation has evolved significantly over the last three years through a series of complicated corporate transactions.

In June, 1988, Total Erickson acquired 100% of Canadian Oil and Gas Funds Ltd. (COGF), a company that had minor oil and gas holdings, and coincidentally represented the second largest shareholder of another Total Erickson subsidiary, Ranchmen's Resources Ltd. As a result of this and other transactions, Total Erickson held over 50% of the common voting stock of Ranchmen's, and fully consolidated its operations from that period onward in its group results.

In September, 1988, Total Erickson merged with Getty Resources Ltd., an affiliated company with a large mineral exploration portfolio, to form TOTAL Energold Corporation.

In October, 1988, COGF was acquired by Ranchmen's. The Company's two energy subsidiaries, Ranchmen's and Trans-Canada, were formally merged October 1, 1989 under the name Ranchmen's Resources Ltd., with TOTAL Energold holding over 56% of the outstanding common shares.

Frederick W. Davidson
Vice President and Chief Financial Officer

TOTAL ENERGOLD TODAY

At the end of 1989, the consolidated statements of TOTAL Energold reflected the following financial condition:

- The company had approximately $195 million in assets, after write-downs of mineral properties and long-term investments of $18.4 million in 1989 and $38.1 million in 1988.
- Cash flow from operations before changes in working capital components was $14.2 million compared to $2.4 million in 1988. Capital expenditures, including exploration costs, were $32.6 million compared to $23.8 million in 1988.
- Opèrating earnings increased significantly from $8.5 million in 1988 to $21.8 million in 1989.
- The Company received a common share dividend of $0.17 per share from it's subsidiary Ranchmen's Resources.
- The Company, through its investment in Ranchmen's, produced over 4,336 barrels per day of oil and 20.3 million cubic feet per day of natural gas during 1989.

In 1988, the Company shut down its milling operations at both the Erickson Mine in northern British Columbia, and at Mount Skukum in the Yukon Territory, in order to rebuild depleted reserves at both sites through exploration. Subsequent exploration results indicate that Mount Skukum will not be re-opened, while the results at Erickson are more positive. Exploration will be continued at the Erickson site in 1990 to add additional reserves.

During 1989 the initial assessment of underground exploration results at the Tundra Gold Venture project in the Northwest Territories, in which the company holds a 49% interest, was completed. Current indications of grade, tonnage and costs suggest that further development on this project will be deferred. The Company's other mineral activities include a portfolio of properties in precious and base metals throughout North America.

During the year it also increased its already significant land positions in geologically favourable areas of Ontario, Quebec and the western United States with the objective of increasing its exploration exposure through the encouragement of farm-ins by other mineral companies.

TOTAL Energold is heavily committed to continuing expansion of its mineral exploration program. Mineral-related expenditures exceeded $18 million in 1989, and are anticipated to be in excess of $10 million in 1990. Through a series of joint ventures and option agreements, a further $10 million was spent by third parties on the Company's properties, including Tundra, during 1989.

FINANCIAL REVIEW

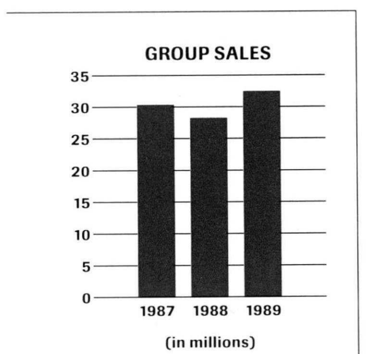
Certain comparative figures for 1988 have been reclassified to conform with the financial presentation adopted as at December 31, 1989. In accordance with the January 1990 recommendations of the Canadian Institute of Chartered Accountants (CICA), the Company has retroactively categorized write-downs due to the significant impairment of certain mineral properties and investments as other items rather than unusual items. In 1988, these amounted to $38.1 million versus $18.4 million in 1989.

Ranchmen's was fully consolidated for accounting purposes for the first time as at July 1, 1988, on a purchase basis, while the merger of TOTAL Energold's predecessor companies, Getty Resources Limited and Total Erickson Resources Ltd., occurred effective September 14, 1988. The latter transaction was treated as a pooling of interest.

Comparative consolidated figures for 1988 include results of Trans-Canada for the entire year, and Ranchmen's for the period beginning July 1, 1988, when control of that company was acquired.

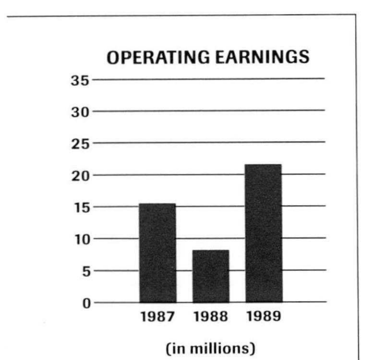
RESULTS OF OPERATIONS

TOTAL Energold's income statement includes the fully consolidated results of energy subsidiary Ranchmen's Resources. Sales in 1989, which were composed entirely of energy revenues, totalled $32.4 million compared to $27.9 million in 1988. The 1988 figure included $10.6 million for precious metals and $17.3 million for oil and gas.



Consolidated cost of sales of $10.6 million represents only those costs related to oil and gas production; in 1988, the comparative figure of $19.5 million includes $12.3 million related to metal production, with the balance of $7.2 million related to oil and gas production.

Operating earnings were $21.8 million, up from $8.5 million in 1988, due primarily to the different nature of operating revenues from mining.



Other revenues of $3.1 million include investment income earned on the Company's liquid assets. The comparative figure for 1988 was $6.2 million, a reflection of higher cash balances at that time.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs of $9 million remained the same as in 1988, in spite of the addition of an entire year of Ranchmen's operations; this brought total energy-related costs to $5.7 million. Mineral-related general and administrative expenditures were $3.3 million, down from $5.7 million in 1988.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense of $14.4 million related almost entirely to energy properties, down from the comparative figure of $16.5 million in 1988. This latter figure included $7.8 million for the mineral sector and $8.7 million for energy.

EXPLORATION

Total mineral exploration expensed was $2.3 million for the year, the balance was capitalized.

MINORITY INTEREST

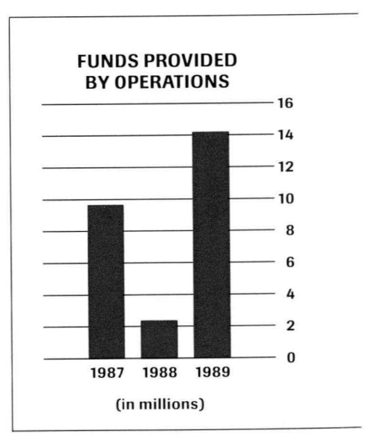
Minority interest expense was $3.2 million, $2.4 million higher than in 1988, when the statements included Ranchmen's on a consolidated basis for only part of the year. This calculation reflects the preferred and minority common shareholders' interest in the earnings of Ranchmen's.

OTHER

Other items, previously classified as unusual items, consisted of additional write-downs on investments and properties that the Company held. The Company wrote off an additional $3 million on its investment in Pioneer Metals Ltd., a provision of $4 million already having been made in 1988. The Company also wrote down an additional $15.2 million in mineral properties (related mainly to $4.9 million for the Mount Skukum mine, and a $6 million provision for the Tundra project). In 1988, this write-down amounted to $34.1 million.

NET RESULT

The Company's net result after other items for 1989 was a loss of $22.9 million or $0.83 per share, down from $47.2 million or $1.82 per share for the comparable period in 1988. Funds generated from operations exceeded $14.2 million for the year, up significantly from $2.4 million in 1988.



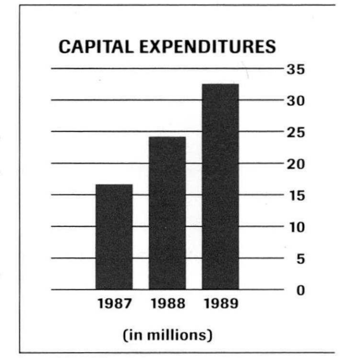
EQUITY ISSUE

During 1989, TOTAL Energold issued 2,382,646 treasury shares on a tax flow-through basis at an average price of $4.25 per share. These shares were recorded at $3.32 per share, the deemed net-of-tax benefit price totalling $7.9 million. In 1989, the Company also acquired, in return for 200,000 treasury shares, a net smelter return on Clear Lake, one of its principal lead-zinc deposits in northern Canada.

During 1988, shares issued included 3,017,687 shares as the result of the exercise of outstanding warrants, 573,714 shares from the exercise of outstanding stock options, 886,031 shares related to flow-through expenditures, and 238,743 shares from the conversion of convertible debentures.

CAPITAL EXPENDITURES AND INVESTMENTS

Capital expenditures during the period included $15.1 million in mineral exploration and development, and $17.5 million in energy-related projects.



Proceeds from the sale of property, plant and equipment consisted mainly of the exchange of property interests at the Dome Mountain project for equity interests in the remaining joint-venture partners, and a net profit interest of 15% in the property itself, all of which were recorded as additions to long-term investments at cost.

FINANCIAL POSITION

The Company's mineral operations are in an exploratory mode, as expenditures are being made to locate and determine mineral reserves. Such expenditures are currently being financed through joint ventures with third parties; the issuance of flow-through shares, which pass on to the subscribers the tax benefits of Canadian Exploration Expenditures; and revenues derived from the Company's investments in other marketable securities, including dividends from the Company's oil and gas subsidiary. In 1989, Ranchmen's paid a dividend of $0.17 per share.

The Company's energy subsidiary is self-financing, and its exploration activities are funded in the main by cash flow from current oil and gas operations. In 1989, capital expenditures by Ranchmen's exceeded $17.5 million, and $19.0 million is budgeted for 1990. A further $4 million has been allocated to small acquisitions of reserves.

The Consolidated Statement of Changes in Financial Position includes transactions which reflect only the interests of the minority shareholders in the company's consolidated subsidiaries.

During the year Ranchmen's made a rights offering to its shareholders, the minority subscription for which exceeded $3.9 million. In the same period that company also paid dividends to both its preferred and common shareholders, of which the minority portion was $3.1 million. In 1988 the company recorded the minority portion of a rights subscription in Consolidated Trans-Canada of $0.9 million and $1.1 million the amount paid to preferred shareholders only after Ranchmen's consolidation.

At the end of 1989, the Company had cash and short-term investments of $12 million. In addition to a $20 million credit facility held by the Company, Ranchmen's has a similar facility for $25 million. These revolving facilities were established to assist the group in the acquisition of production from both mineral and oil and gas properties.

SUBSEQUENT EVENTS

Subsequent to the current year end, the Company proposes to enter into an agreement with CMP 1990 Resource Partnership Ltd. (CMP) for the private placement of flow-through common shares. Under the agreement, the Company will receive up to $7 million from CMP and a further $3 million in grants under the CEIP program for expenditures incurred from February 1 to December 31, 1990.

The Company, subject to regulatory approval, also intends to acquire a 12-1/2% interest in VenturesTrident II Limited Partnership for approximately 4,400,000 shares.

As part of the strategy to acquire mineral production in the near future, the company made an offer to Plexus Resources Corporation to acquire by private placement 6,000,000 common shares, approximately 51%, of that company for $16.5 million in cash and the transfer of the ownership of Sovereign Explorations Inc., TOTAL Energold's U.S. exploration company. Subject to certain conditions and approvals, the acquisition would provide revenues and cash flow from one of Plexus's United States properties in late summer that would assist the financing of the company's U.S. exploration.

Consolidated Balance Sheets

AS AT DECEMBER 31, 1989 AND 1988

ASSETS	**1989**	1988
Current Assets		
Cash and short-term investments	$ 11,969,609	$ 25,799,276
Accounts receivable	11,241,534	11,385,449
Inventories	254,462	601,355
Receivable from related companies	122,708	66,687
Prepaid expenses	58,669	83,757
	23,646,982	37,936,524
Long-Term Investments	2,419,946	4,668,788
Property, Plant and Equipment (note 5)	168,621,753	167,416,263
	$194,688,681	$210,021,575
LIABILITIES		
Current Liabilities		
Bank indebtedness (note 6)	$ –	$ 3,947,000
Accounts payable and accrued liabilities	10,810,384	10,859,618
Convertible debentures (note 7)	477,947	–
	11,288,331	14,806,618
Deferred Production Income	3,630,120	4,204,226
Convertible Debentures (note 7)	–	1,299,687
Deferred Income Taxes	875,323	2,692
Minority Interest	60,097,998	56,158,254
	75,891,772	76,471,477
SHAREHOLDERS' EQUITY		
Capital Stock (note 8)	142,592,683	186,868,274
Deficit (note 8)	(23,184,163)	(52,706,565)
	119,408,520	134,161,709
Less cost of 58,799 shares held by the Company and its subsidiaries	(611,611)	(611,611)
	118,796,909	133,550,098
	$194,688,681	$210,021,575

Commitments and Contingent Liabilities (note 10)
Subsequent Events (note 13)

Approved by the Directors

Director

Director

Consolidated Statements of Operations and Deficit

FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988

	1989	1988
Sales		
Mining	$ –	$ 10,616,460
Oil and gas (note 4)	32,387,640	17,331,434
	32,387,640	27,947,894
Cost of sales		
Mining	–	12,297,307
Oil and gas (note 4)	10,551,516	7,150,829
Operating earnings	21,836,124	8,499,758
Investment and other income	3,110,553	6,187,552
Share of loss of Ranchmen's Resources Ltd.	–	(163,631)
	24,946,677	14,523,679
Expenses		
Administration and general	9,046,124	8,662,061
Depreciation, depletion and amortization	14,418,802	16,476,712
Interest	835,433	1,255,688
Exploration	2,282,883	2,184,337
Net profit interests and minority interests	3,151,188	839,445
	29,734,430	29,418,243
	(4,787,753)	(14,894,564)
Other		
Mineral properties written down	(15,172,261)	(34,073,763)
Long-term investments written down	(3,200,000)	(4,000,000)
Expenditures incurred as a result of takeover bid	–	(650,256)
Loss before income taxes	(23,160,014)	(53,618,583)
Income tax recovery (note 9)	244,551	6,423,773
Loss for the year	$ (22,915,463)	$ (47,194,810)
Deficit at beginning of year	(52,706,565)	(3,840,866)
Application of December 31, 1988 deficit to capital stock (note 8)	52,706,565	–
Amalgamation and reorganization costs	(268,700)	(1,670,889)
Deficit at end of year	$ (23,184,163)	$ (52,706,565)
Loss per share	$ (0.83)	$ (1.82)

Consolidated Statements of Changes in Financial Position

FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988

	1989	1988
Cash Resources Provided by (Used in) Operating Activities		
Loss for the year	**$(22,915,463)**	$(47,194,810)
Items not involving cash		
Depreciation, depletion and amortization	**14,418,802**	16,476,712
Deferred income taxes (reduction)	**872,631**	(6,057,171)
Mineral properties written down	**15,172,261**	34,073,763
Long-term investments written down	**3,200,000**	4,000,000
Minority interest	**2,776,126**	913,278
Other	**657,700**	226,566
Funds generated from operations	**14,182,057**	2,438,338
Working capital changes	**410,641**	2,795,910
	14,592,698	5,234,248
Cash Resources Provided by (Used in) Financing Activities		
Issue of common shares	**8,430,974**	45,275,283
Proceeds on share issue by subsidiary	**4,309,947**	882,166
Dividends paid by subsidiary to minority shareholders	**(3,146,329)**	(1,010,782)
Decrease in long-term debt	**—**	(7,963,155)
Reduction of convertible debenture	**(879,418)**	(3,417,018)
Reduction of deferred income	**(574,106)**	(435,018)
	8,141,068	33,331,476
Cash Resources Provided by (Used in) Investing Activities		
Purchase of property, plant and equipment	**(32,557,481)**	(23,811,935)
Proceeds from sale of property, plant and equipment	**1,760,928**	1,297,155
Purchase of long-term investments	**(1,667,549)**	(8,792,688)
Proceeds from sale of long-term investments	**116,369**	—
Amalgamation and reorganization costs	**(268,700)**	(1,670,889)
Acquisition of net assets of Ranchmen's Resources Ltd. (note 4)	**—**	(40,543,454)
Conversion of Ranchmen's Resources Ltd. debentures	**—**	35,683,215
Acquisition of net assets of Consolidated Trans-Canada Resources Ltd. (note 3)	**—**	(3,116,138)
	(32,616,433)	(40,954,734)
Decrease in Cash Position	**(9,882,667)**	(2,389,010)
Cash Position at Beginning of Year	**21,852,276**	24,241,286
Cash Position at End of Year	**$ 11,969,609**	$ 21,852,276
Cash Position Comprises:		
Cash and short-term investments	**$ 11,969,609**	$ 25,799,276
Bank Indebtedness	**—**	(3,947,000)
	$ 11,969,609	$ 21,852,276

Notes to Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 1989 AND 1988

1. SIGNIFICANT ACCOUNTING PRINCIPLES

These consolidated financial statements of TOTAL Energold Corporation ("the Company") and subsidiary companies have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:

(a) Basis of Consolidation

The Company results from the amalgamation under the Canada Business Corporations Act of Total Erickson Resources Ltd. ("Total Erickson") and 121359 Canada Ltd., a wholly-owned subsidiary of TOTAL Energold Corporation (formerly Getty Resources Limited). The accounts of the companies have been combined using the pooling of interest basis of accounting. Accordingly, the carrying values of the assets, liabilities, shareholders' equity and results of operations have been combined for periods prior to the amalgamation. The consolidated financial statements include the accounts of the Company and its subsidiaries. As at December 31, 1989, the Company's principal subsidiaries and its percentage equity interest in each is as follows:

Total Erickson Resources Ltd. (formerly 121359 Canada Ltd.)	100.0%
Total Eastcan Exploration Ltd.	100.0%
Erickson Gold Mining Corp.	100.0%
Mount Skukum Gold Mining Corporation	100.0%
Sovereign Explorations, Inc.	100.0%
AJM Metals Ltd.	100.0%
Getty Resources, Inc.	100.0%
Table Mountain Mines Limited	94.7%
Ranchmen's Resources Ltd. (note 4)	56.4%

(b) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year end exchange rates. All other assets, liabilities, revenues and expenses are translated at the exchange rates prevailing at the dates of the transactions. Gains or losses on translation are not significant, and are included in operations.

(c) Inventories

Gold inventory and ore stockpiles are valued at the lower of production cost and net realizable value. Spare parts and supplies are valued at cost.

(d) Long-term Investments

Investments over which effective control is exercised are accounted for by the equity method. Other investments are recorded at cost less a provision for permanent impairment in value.

(e) Plant and Equipment

Plant and equipment are recorded at cost. Depreciation is provided during periods of operation over the estimated useful lives of the assets on the following basis:

Mining	
Buildings and machinery	– 8.3% to 12.5% straight-line basis
Computer and other equipment	– 10% to 30% straight-line basis
Mobile equipment	– 30% declining balance basis
Furniture and fixtures	– 30% declining balance basis
Oil and Gas	
Non-production assets	– 20% declining balance basis

(f) Mineral Properties and Development

The Company capitalizes and defers all costs incurred in connection with the acquisition, exploration and development of mineral properties, less provisions for permanent impairment in value, until such time as commercial production commences or the property is abandoned. The carrying value of any abandoned property is charged to operations at the time of abandonment. General exploration expenses, consisting of costs incurred to carry out the evaluation of mineral prospects, which do not result in the acquisition of properties are charged to operations.

Following commencement of commercial production, amortization of these costs is provided on a straight-line basis over the estimated life of the orebody. Current exploration expenditures related to the mine are charged to operations.

The Company charges depletion and amortization of the cost of its mining property interests, related deferred exploration and administrative costs, and development costs incurred during the preproduction period using the unit of production method based on estimated recoverable reserves. The depletion and amortization of mineral properties and development ceased with the suspension of the Company's two mining operations.

(g) Oil and Gas Interests

The Company's oil and gas subsidiary follows the full-cost method of accounting for oil and gas interests under which all costs related to the exploration for and development of petroleum and natural gas properties are capitalized and accumulated in separate cost centres for Canada and the United States. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges of nonproducing wells, and overhead charges directly related to exploration and development activities. Grants and incentive payments reduce the capitalized costs.

The costs related to each cost centre, including costs of production equipment, are depleted and depreciated on the unit of production method based on the estimated gross proven reserves in each country as determined by the Company's subsidiary.

The capitalized costs less accumulated depletion and depreciation in each cost centre are limited to an amount ("the ceiling test amount") equal to the undiscounted and unescalated estimated future net revenues from proven reserves plus the lower of cost or fair market value of unproved properties less estimated future general and administrative expenses, financing costs and income taxes.

Sales of oil and gas properties are accounted for as adjustments of capitalized costs, with no gain or loss recognized, unless such adjustments would significantly alter the rate of depletion and depreciation on a country by country basis.

(h) Mining Sales

Net revenue from mining sales comprises revenue from such sales less marketing and refining costs. Mining sales for which prices have not been finalized at year end are recorded at prices estimated to be in effect on the finalization dates. Future contracts for sales of metals and currencies are entered into for maturities based upon estimated future production or receipt of currencies. These contracts are liquidated at the time of production or receipt of currencies and the realized gains or losses are included in revenue from mining.

(i) Income Taxes

Income taxes are accounted for by the tax allocation method. Under this method, income taxes reflect the deferral of such taxes to future years. The deferral results from timing differences which arise when certain costs, principally depreciation, exploration and administration expenses, are claimed for tax purposes in different time periods than the related amounts are amortized in the accounts.

(j) Loss Per Share

The loss per share is computed using the monthly weighted average number of common shares outstanding during the year.

(k) Comparative Figures

Certain 1988 figures have been restated to conform to 1989 financial statement presentation.

2. AMALGAMATION OF GETTY RESOURCES LIMITED AND TOTAL ERICKSON RESOURCES LTD.

Effective September 14, 1988, Getty Resources Limited ("Getty") and Total Erickson combined their business operations. Getty is primarily engaged in the exploration and development of mineral resources. Total Erickson is primarily engaged in the mining and exploration of gold and silver and production and exploration of oil and gas.

The combination was effected by an amalgamation of Total Erickson with 121359 Canada Ltd., a wholly-owned subsidiary of Getty, the shareholders of Total Erickson receiving shares of Getty in exchange for their Total Erickson shares. The combination has been accounted for using the pooling of interests method. At the time of combination, Getty changed its name to TOTAL Energold Corporation and changed its year end to December 31, effective in 1988.

The following table sets forth certain supplementary information concerning operating results of Total Erickson and Getty from January 1, 1988 to September 14, 1988:

	Total Erickson	Getty	Elimination	Consolidated
Revenue	$ 27,604,431	$ 2,492,995	$ (2,754,078)	$ 27,343,348
Loss	$ 7,809,865	$ 1,760,487	$ 2,582,178	$ 12,152,530

The following table sets forth certain information concerning the financial position of Total Erickson and Getty as of September 14, 1988:

	Total Erickson	Getty	Elimination	Consolidated
Total assets	$174,058,744	$ 61,057,647	—	$235,116,391
Total liabilities	$ 24,491,807	$ 495,896	—	$ 24,987,703
Minority interests	44,767,038	—	—	44,767,038
Shareholders' equity	104,799,899	60,561,751	—	165,361,650
	$174,058,744	$ 61,057,647	—	$235,116,391

The number of outstanding common shares of Total Erickson and Getty on the date of the amalgamation and the basis of their conversion into common shares are as follows:

	Pre-amalgamation common shares	Exchange ratio	Post-amalgamation common shares	
Total Erickson	35,939,990	.357	12,830,576	48.3%
Getty	13,706,754	1.000	13,706,754	51.7%
			26,537,330	100.0%

3. ACQUISITION OF ADDITIONAL INTEREST IN CONSOLIDATED TRANS-CANADA RESOURCES LTD.

During the year ended December 31, 1988, Consolidated Trans-Canada issued shares pursuant to a rights offering. The Company exercised its rights and in addition, the Company acquired all shares that were not purchased by other rights holders. In aggregate, the Company acquired 1,913,840 common shares (11.7%) for a net consideration of $3,116,138, bringing its total ownership of Consolidated Trans-Canada to 4,139,559 common shares (63.2%). Net assets acquired are summarized as follows:

Current assets	$ 469,033
Oil and gas properties and equipment	3,120,168
Other assets	79,814
	3,669,015
Current liabilities	242,346
Long-term debt	216,450
Deferred production income	94,081
	552,877
	$ 3,116,138

As described in Note 4, Ranchmen's acquired all of the issued and outstanding shares of Consolidated Trans-Canada on a share exchange, thereby reducing the Company's effective interest from 63.2% to 56.4%.

4. ACQUISITION OF RANCHMEN'S RESOURCES LTD.

Effective June 30, 1988, the Company through the conversion of its debenture, acquired 3,336,190 common shares of Ranchmen's Resources Ltd. ("Ranchmen's"), a company engaged in oil and gas exploration and production. As a result of this acquisition the Company's aggregate holdings in Ranchmen's increased to 4,505,890 common shares (53.4%). The Company had previously held a 23.5% equity interest in the common shares of Ranchmen's which was accounted for on the equity basis. The acquisition has been accounted for by the purchase method, and accordingly, the consolidated statement of operations includes the operating results of Ranchmen's for the period from July 1, 1988 to December 31, 1988. Consideration given and net assets acquired are summarized as follows:

Consideration given:	
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Current assets	$ 5,609,759
Oil and gas properties and equipment	87,257,133
Other assets	1,092,105
	93,958,997
Current liabilities	4,035,568
Deferred revenue and taxes	3,909,775
Minority interest	47,294,426
	55,239,769
	$ 38,719,228

The purchase price of the Company's interest exceeded the net book value of the assets acquired by $9,166,903. This excess has been allocated to oil and gas properties and is being amortized on the unit of production basis.

On January 16, 1989, the Company's subsidiary, Ranchmen's Resources Ltd. ("Ranchmen's") issued shares pursuant to a rights offering. The Company exercised its rights and, in addition, acquired all shares that were not purchased by other rights holders. In aggregate, the Company acquired 1,189,474 common shares (0.5%) for net consideration of $5,053,265 bringing its total ownership of Ranchmen's to 5,695,364 common shares (53.9%).

Effective September 30, 1989, Ranchmen's acquired all of the outstanding shares of Consolidated Trans-Canada Resources Ltd. ("Consolidated Trans-Canada"), a 63.2% owned subsidiary of the Company, with all shares of Consolidated Trans-Canada being exchanged for shares of Ranchmen's. The Company's interest in Ranchmen's increased by 2.5% to 56.4% bringing its total ownership of Ranchmen's to 8,556,766 Common Shares, and in Consolidated Trans-Canada decreased by 6.8% to 56.4%. The transaction was recorded at carrying value and accordingly resulted in no gain or loss.

5. PROPERTY, PLANT AND EQUIPMENT

	1989		1988	
	Cost	Net Book Value	Cost	Net Book Value
Mine plant and equipment	$ 15,494,115	$ 8,422,106	$ 16,864,827	$ 9,679,319
Mineral properties and development	45,772,617	37,019,345	42,505,851	38,210,241
Oil and gas plant and equipment	46,469,027	24,987,069	41,350,244	23,229,829
Oil and gas properties and development	196,539,381	98,193,233	184,173,995	96,296,874
	$304,275,140	$168,621,753	$284,894,917	$167,416,263

6. BANK INDEBTEDNESS

The Company has an unutilized line of credit in the amount of $20,000,000 with interest at the lender's prime rate, secured by a first floating charge over the assets of Total Erickson.

Ranchmen's has arranged an unutilized line of credit in the amount of $25,000,000 with interest at the lender's prime rate, secured by a general assignment of debts, an assignment of certain oil and gas properties and production revenues, and an undertaking to provide the assignment of further oil and gas properties.

7. CONVERTIBLE DEBENTURES

	1989	1988
8% Floating charge convertible sinking fund debentures, due July, 1990, convertible into common shares at $14.00.	$ 3,837,000	$ 3,837,000
Less:		
Sinking fund provision	3,325,408	2,445,990
Related deferred financing charges	33,645	91,323
	$ 477,947	$ 1,299,687
Less current portion included in current liabilities	(477,947)	–
	$ –	$ 1,299,687

8. CAPITAL STOCK

(a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

(b) The Company has issued common shares to December 31, 1989 as follows:

	Shares	Amount
Balance as at December 31, 1987	22,068,300	$151,745,013
Issued during the year:		
On conversion of convertible debenture	238,743	2,675,000
On issue of flow-through shares (net of premium)	886,031	7,019,084
On exercise of share purchase warrants	3,017,697	18,105,799
On exercise of employees' share options	573,714	3,095,388
On exercise of share purchase rights	6,863	67,767
	26,791,348	$182,708,051
Surplus resulting from amalgamation	–	2,582,178
Issued subsequent to the year end for flow-through expenditures made during 1988	183,187	1,578,045
Balance as at December 31, 1988	26,974,535	$186,868,274
Issued during the year:		
Reduction on elimination of deficit (note 8 (c))	–	(52,706,565)
On issue of flow-through shares (net of premium)	2,382,646	7,920,974
On issue for interest in mineral property	200,000	510,000
Balance as at December 31, 1989	29,557,181	$142,592,683

The number of shares and amount of share capital at December 31, 1987 are calculated assuming the share conversion ratio on amalgamation was applied to the actual amounts reported each year by the Company and Total Erickson.

(c) Elimination of Accumulated Deficit

On May 4, 1989, the shareholders of the Company approved elimination of the deficit of $52,706,565 at December 31, 1988, by a corresponding reduction of capital stock.

(d) Common shares are reserved as follows at December 31, 1989:

For issue under employee stock options at:	
$2.75 per share	9,000
$2.80 per share	268,800
$3.10 per share	4,500
$3.50 per share	69,000
$5.25 per share	47,928
For issue under other stock options at $5.25 per share	14,280
For issue upon conversion of convertible debenture (note 7)	274,071
	687,579

The employee stock options are exercisable as to 33-1/3% in each year on a cumulative basis. Other stock options expire August 1, 1990.

9. INCOME TAXES

The Company's income tax provision is determined as follows:

	1989	1988
Loss before income taxes	**$(23,160,014)**	$(53,618,583)
Non-deductible depletion and property writedowns	**8,468,522**	27,272,507
Losses not tax-effected	**16,182,855**	12,014,075
Recovery on application of prior years' losses	**(3,048,619)**	—
Share of loss of Ranchmen's Resources Ltd.	**—**	163,631
Other	**985,876**	353,804
Loss subject to taxation	**$ (571,380)**	$(13,814,566)
Effective income tax rate	**42.8%**	46.5%
Income tax recovery	**$ 244,551**	$ 6,423,773

The effective income tax rate is determined as follows:

Federal statutory rate	28.8%	32.5%
Provincial statutory rate	14.0%	14.0%
	42.8%	46.5%

The Company has accumulated the following losses which have not been tax-effected in the accounts:

	Total Energold Corporation and Mining Subsidiaries	Ranchmen's Resources Ltd.
Losses carried forward for income tax purposes available until:		
1996	$ 3,250,000	$ —
1995	7,800,000	—
1991—1994	3,150,000	19,000,000
	14,200,000	19,000,000
Excess of amounts deducted for book purposes over amounts deducted for income tax purposes	27,000,000	11,000,000
	$41,200,000	$30,000,000

The benefit of these losses will be recorded in future years as they are utilized to reduce income taxes in those years at the tax rate applicable.

Included in the book value of mineral properties and development is an amount of $16,100,000 relating to flow-through shares which is not deductible for income tax purposes.

10. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The Company and its subsidiaries have commitments relating to various option agreements to acquire or earn interests in certain mineral claims. These agreements generally require periodic cash payments or other consideration to maintain the options and provide for further payments based on production should the properties be developed. The agreements also provide for cancellation of the options in the event of default in payments or on thirty days' notice by the optionee. At December 31, 1989, the Company had minimum annual payments under agreements of approximately $700,000.

(b) Cusac Industries Ltd. ("Cusac") has disputed the amount to which it is entitled, claiming a 100% interest in the first 12,000 tons of ore milled, under their interpretation of an agreement for development of a property. The Company believes that Cusac is entitled to only 40% of the net profits and has engaged legal counsel to defend its position.

On November 18, 1988 the Supreme Court of the Province of British Columbia ruled against the Company and a $2,800,000 judgement was awarded to Cusac. The Company has filed a Notice of Appeal and intends to vigorously defend its position. By agreement with Cusac, the Company advanced $1,300,000 to Cusac which will be returned to the Company, with interest, if the Company is successful at the appeal hearing scheduled for March 1990.

In view of the nature of the advance and the arguments supporting its defence of the lawsuit, the Company has classified the advance as mineral properties and development.

11. RELATED PARTY TRANSACTIONS

Included in general and administration expenses is a fee paid to the controlling shareholder of the Company of $600,000 (1988 - $400,000) for services rendered and costs incurred.

12. SEGMENTED INFORMATION

The Company and its subsidiaries operate predominantly in the mining and oil and gas industries in Canada. The major products produced are gold, silver, oil and natural gas.

(a) Year ended December 31, 1989

	Mining	Oil and Gas	Total
Operating earnings	$ —	$ 21,836,124	$ 21,836,124
Depreciation, depletion and amortization	(588,234)	(13,830,568)	(14,418,802)
Other	(2,362,265)	(3,071,806)	(5,434,071)
Segment operating income (loss)	$ (2,950,499)	$ 4,933,750	1,983,251
Investment and other income			3,110,553
General and administrative expenses			(9,046,124)
Interest			(835,433)
Other			(18,372,261)
Income taxes			244,551
Loss for the year			$ (22,915,463)
Capital expenditures	$15,073,312	$ 17,484,169	$ 32,557,481
Current assets	$13,898,944	$ 9,748,038	$ 23,646,982
Property, plant and equipment	45,441,451	123,180,302	168,621,753
Investments	2,419,946	—	2,419,946
Total assets	$61,760,341	$132,928,340	$194,688,681

(b) Year ended December 31, 1988

	Mining	Oil and Gas	Total
Operating earnings	$ (1,680,847)	$ 10,180,605	$ 8,499,758
Depreciation, depletion and amortization	(7,761,295)	(8,715,417)	(16,476,712)
Other	(2,205,119)	(982,294)	(3,187,413)
Segment operating income (loss)	$(11,647,261)	$ 482,894	(11,164,367)
Investment and other income			6,187,552
General and administrative expenses			(8,662,061)
Interest			(1,255,688)
Other			(38,724,019)
Income taxes			6,423,773
Loss for the year			$ (47,194,810)
Capital expenditures	$ 16,035,702	$ 7,776,233	$ 23,811,935
Current assets	$ 29,718,373	$ 8,218,151	$ 37,936,524
Property, plant and equipment	47,889,560	119,526,703	167,416,263
Investments	4,668,788	—	4,668,788
Total assets	$ 82,276,721	$127,744,854	$210,021,575

13. SUBSEQUENT EVENTS

(a) On February 14, 1990, the Company entered into an agreement with CMP 1990 Resource Partnership and Company, Limited ("CMP") for the private placement of flow-through common shares. Under the agreement, the Company, will expend up to $10.0 million in Canadian exploration expenditures, $7.0 million of which CMP has agreed to finance in return for flow-through shares, issued at a premium to current market prices, with the remaining $3.0 million to be financed by grants available under the Canadian Exploration Incentive Program. The agreement is subject to regulatory and board approvals.

(b) On February 15, 1990, the Company entered into an agreement with its controlling shareholder for a private placement of 4,394,397 common shares for an aggregate price of U.S. $10.0 million, the proceeds of which are to be used to acquire, from another affiliate, 12 1/2% interest in VenturesTrident II L.P., a limited partnership which holds share positions in a number of junior gold mining companies. The agreement is subject to regulatory and board approvals.

(c) On February 23, 1990, the Company entered into an agreement to acquire by private placement 6.0 million treasury shares of Plexus Resources Corporation at $3.00 per share. The subscription price is payable by $2.75 per share in cash and $0.25 per share by the transfer to Plexus of TOTAL Energold's wholly-owned exploration subsidiary, Sovereign Explorations, Inc. Plexus Resources Corporation is a company engaged in mineral exploration and development in the United States. The acquisition would represent approximately 51% of the outstanding shares of Plexus. The agreement is subject to the satisfaction of certain conditions including regulatory and board approvals.

Auditors' Report

To the Shareholders of TOTAL Energold Corporation

We have examined the consolidated balance sheets of TOTAL Energold Corporation as at December 31, 1989 and 1988 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. Our examinations were 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, 1989 and 1988 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Peat Marwick Thorne

Vancouver, Canada
February 9, 1990
(March 2, 1990 as to Note 13)

Chartered Accountants

Summary of Oil and Gas Activities

The following unaudited supplementary information is disclosed in accordance with the Statement of Financial Accounting Standards No. 69.

Results of operations for oil and gas producing activities (in thousands):

	1989	1988	1987
Net production revenue	**$ 32,388**	$ 25,885	$ 30,533
Production expenses	**(10,552)**	(8,917)	(9,878)
Depletion and depreciation	**(12,926)**	(11,403)	(12,651)
	8,910	5,565	8,004
Income tax	**76**	468	(164)
Results of operations	**$ 8,986**	$ 6,033	$ 7,840

Costs incurred in oil and gas property acquisition, exploration and development activities (in thousands):

	1989	1988	1987
Land Acquisition and Lease Rentals	**$ 1,872**	$ 3,098	$ 1,067
Exploration	**6,020**	6,455	3,128
Development	**8,686**	9,562	9,203
Property Acquisitions	**1,380**	1,143	167
Overhead Capitalized	**625**	490	480
	18,583	20,748	14,045
Less: Incentives	**(532)**	(3,195)	(2,049)
Total	**$ 18,051**	$ 17,553	$ 11,996

Capitalized costs at December 31 related to the Company's oil and gas activities (in thousands):

	1989	1988
Proved properties	**$220,460**	$203,365
Unproved properties	**9,952**	9,005
Total capitalized costs	**230,412**	212,370
Accumulated depreciation, depletion and amortization	**(117,636)**	(105,054)
Net capitalized costs	**$112,776**	$107,316

Estimated Canadian net quantities after royalties of proven oil and gas reserves:

	(Thousands of Barrels)
Crude Oil and Natural Gas Liquids	
Proven reserves at December 31, 1986	7,977
Acquisitions	—
Revisions of previous estimates	845
Extensions, discoveries and other additions	1,109
Production	(1,074)
Proven reserves at December 31, 1987	8,857
Acquisitions	271
Revisions of previous estimates	(416)
Extensions, discoveries and other additions	1,453
Production	(1,166)
Proven reserves at December 31, 1988	8,999
Acquisitions	25
Revisions of previous estimates	431
Extensions, discoveries and other additions	777
Production	(1,340)
Proven reserves at December 31, 1989	8,892

	(Millions of Cubic Feet)
Natural Gas	
Proven reserves at December 31, 1986	76,968
Acquisitions	—
Revisions of previous estimates	(3,044)
Extensions, discoveries and other additions	5,320
Production	(5,147)
Proven reserves at December 31, 1987	74,097
Acquisitions	1,239
Revisions of previous estimates	8,055
Extensions, discoveries and other additions	9,593
Production	(6,640)
Proven reserves at December 31, 1988	86,344
Acquisitions	2,223
Revisions of previous estimates	(7,598)
Extensions, discoveries and other additions	3,708
Production	(6,199)
Proven reserves at December 31, 1989	78,478

Proven oil and gas reserves are estimated quantities of crude oil, natural gas and natural gas liquids which have been demonstrated with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

As at December 31, 1989, the reserves are based on estimates of D.L. Paddock & Associates Ltd., independent petroleum consultants, contained in their reports dated January 1, 1990.

The estimates are based on judgements and interpretations of data dependent upon uncertainties including market conditions, government actions and the environment itself. As a result, it is possible that the ultimate recovery from proven reserves will be different from those reported.

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proven Oil and Gas Reserves (in thousands)

The future net cash flow information should be interpreted with considerable caution. Reserve estimates, by their very nature, are inexact and are subject to constant changes and revisions. Also, the future production streams and future developments and production expenditures are unpredictable for numerous reasons including government regulations and are, therefore, subject to significant changes.

It should not be assumed that the estimates of the standardized measure of future net cash flows represent fair market value of the reserves or of the oil and gas properties. Also, because of the year end price assumptions, a standardized measure does not represent the present value of future cash flows.

	1989	1988	1987
Future cash inflows	**$ 304,371**	$ 305,902	$ 327,014
Deduct			
Future production and development costs	**(145,330)**	(167,501)	(175,931)
Future income taxes	**(674)**	450	(541)
	(146,004)	(167,051)	(176,472)
Future net cash flows	**158,367**	138,851	150,542
Deduct			
10% annual discount for estimated timing of cash flows	**(62,366)**	(44,349)	(50,691)
Standardized measure of discounted future net cash flows	**$ 96,001**	$ 94,502	$ 99,851

The following are the principal sources of the changes in the standardized measure of discounted future net cash flows (in thousands):

Balance December 31, 1986	**$109,087**
Sales of oil and gas production net of related costs	(22,706)
Net change in prices and production costs	(3,510)
Net change in estimated future development costs	(437)
Previously estimated development costs incurred during the year	(848)
Extensions and discoveries net of related costs	12,292
Acquisitions	—
Revisions of previous quantity estimates	(1,772)
Accretion of discount	10,909
Net change in income taxes	(3,164)
Balance December 31, 1987	**99,851**
Sales of oil and gas production net of related costs	(16,968)
Net change in prices and production costs	(13,533)
Net change in estimated future development costs	(1,110)
Previously estimated development costs incurred during the year	(2,358)
Extensions and discoveries net of related costs	12,410
Acquisitions	1,200
Revisions of previous quantity estimates	4,352
Accretion of discount	9,985
Net change in income taxes	673
Balance December 31, 1988	**94,502**
Sales of oil and gas production net of related costs	(21,836)
Net change in prices and production costs	11,735
Net change in estimated future development costs	(1,218)
Previously estimated development costs incurred during the year	(2,074)
Extensions and discoveries net of related costs	9,233
Acquisitions	723
Revisions of previous quantity estimates	(3,832)
Accretion of discount	9,479
Net change in income taxes	(711)
Balance December 31, 1989	**$ 96,001**

Corporate Information

DIRECTORS

Phillip de Boos-Smith
Paris, France
Director, Precious Metals,
TOTAL Compagnie Française des Pétroles
Chairman of the Board,
TOTAL Energold Corporation
Served since January, 1988

Claude Beaumont
Paris, France
Manager, TOTAL Mining and Nuclear,
TOTAL Compagnie Française des Pétroles
Appointed Director March 2, 1990

Howard E. Cadinha*
Vancouver, Canada
President, Chief Executive Officer,
Independence Petroleums Inc.
Served since August, 1986

Jacques Le Chevalier
Paris, France
Served since January, 1988

James H. Coleman
Calgary, Canada
Partner, Macleod Dixon
Served since February, 1988

K. Gordon Green*
Toronto, Canada
Vice President and Director,
RBC Dominion Securities Inc.
Served since September, 1988

Raymond C.F. Leeks
Vancouver, Canada
President and Chief Executive Officer,
TOTAL Energold Corporation
Served since July, 1989

Bruce A. Macdonald
Calgary, Canada
Chairman of the Board,
Ranchmen's Resources Ltd.
Served since September, 1988

Alain P. Le Menestrel*
Neuilly, France
Corporate Treasurer,
TOTAL Compagnie Française des Pétroles
Served since September, 1988

Jean-Paul Nicolet
Calgary, Canada
President,
Minatco Limited
Served since May, 1989

Alexander C. Ritchie*
Vancouver, Canada
Served since September, 1988

Kristian M. Ross
West Vancouver, Canada
Served since September, 1988

*Member of the Audit Committee

OFFICERS

Phillip de Boos-Smith
Chairman of the Board

Raymond C.F. Leeks
President and Chief Executive Officer

Frederick W. Davidson
Vice President and Chief Financial Officer

H. Walter Sellmer
Vice President, Exploration

John D. Fitzgerald
Corporate Secretary

Patrick E. Jamet
Chief Geologist

EXECUTIVE OFFICE

Suite 1500 – 700 West Pender Street
Vancouver, British Columbia
Canada V6C 1G8
Telephone (604) 681-9501
Telecopier (604) 681-6813

EXPLORATION OFFICES

Suite 1500 – 700 West Pender Street
Vancouver, British Columbia
V6C 1G8
Telephone (604) 681-9501

Suite 21 – 1114 First Avenue
Whitehorse, Yukon
Y1A 1A3
Telephone (403) 668-6121

68 Bruce Avenue
South Porcupine, Ontario
P0N 1H0
Telephone (705) 235-2233

Sovereign Explorations, Inc.
Suite 162 – 1755 East Plumb Lane
Reno, Nevada 89502
Telephone (702) 786-9919

SOLICITORS

Davis & Company
Vancouver, Canada

Macleod Dixon
Calgary, Canada

AUDITORS

Peat Marwick Thorne
Vancouver, Canada

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange: TGD
NASDAQ: TGDGF

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company of Canada
Vancouver, Calgary, Regina, Winnipeg, Toronto, Halifax

CAPITALIZATION

(as at December 31, 1989)

Common shares issued: 29,557,181

ANNUAL GENERAL MEETING

Four Seasons Hotel
Vancouver, British Columbia
May 7, 1990
at 10:00 a.m.

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