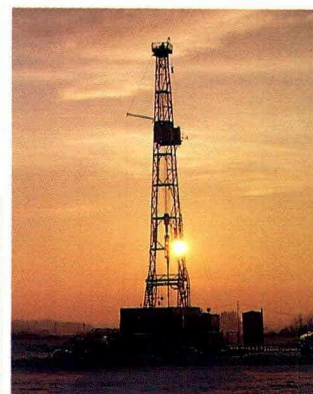




TOTAL Energold Corporation is active in gold exploration, and oil and gas exploration and production. In mineral exploration, the company operates in Canada and the United States through five exploration offices and is planning a 1989 exploration budget of \$17.7 million. The company's major exploration asset is its 49 percent interest in the Tundra Gold Venture in the Northwest Territories. The Tundra deposit's potential in situ gold inventory is 6.5 million ounces.

TOTAL Energold is also a growing producer of oil and natural gas in Canada through its two subsidiaries, Ranchmen's Resources Ltd. and Consolidated Trans-Canada Resources Ltd. Their combined exploration and development budgets for 1989 are \$18.0 million.

Common shares of TOTAL Energold trade on the Toronto Stock Exchange and through the facilities of NASDAQ.



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**CORPORATE**

- The company completed the amalgamation of Total Erickson Resources Ltd. with Getty Resources Limited to form TOTAL Energold Corporation.
- Ranchmen's simplified its capital structure and conferred voting rights on all shareholders. TOTAL Energold's equity position increased to 53.4 percent as a result of the restructuring.

**MINERAL EXPLORATION**

- Shaft sinking at the Tundra Gold Venture in the Northwest Territories approached the target depth of 1,500 feet.
- At the Erickson Gold Mine, a 2.5 km adit was commenced to access high grade, drill-indicated reserves.
- Additional drilling at the Logan zinc-silver project in the southern Yukon was successful in expanding the geological inventory to 13.5 million tons grading 6.17 percent zinc.
- Regional reconnaissance in Idaho led to staking seven new gold prospects.

**FINANCIAL**

- TOTAL Energold's financial statements reflect the consolidation of Ranchmen's since July 1, 1988.
- Consolidated Trans-Canada raised \$7.4 million through a rights offering. TOTAL Energold increased its interest in the company to 63 percent.
- Ranchmen's raised \$8.9 million through a rights offering completed in January 1989. TOTAL Energold increased its equity interest in Ranchmen's to 53.9 percent.
- Group debt is negligible and aggregate unused lines of credit total \$46.0 million.

	1988	1987
<b>FINANCIAL (In Millions)</b>		
Mining sales	\$ 10.6	\$ 28.6
Oil and gas sales	17.3	1.7
Funds generated from operations	1.4	9.8
Income (loss) before unusual items	(14.9)	3.5
Loss for the year	(47.2)	(7.1)
Assets		
Mining and mineral exploration	47.9	74.2
Oil and gas	119.5	30.0
Cash	25.8	24.9
Long-term debt	0.0	8.0
<b>PRODUCTION</b>		
Gold (ounces to TOTAL Energold's account)	21,996	53,245
Oil (barrels per day)	3,617	3,492
Natural Gas (million cubic feet per day)	21.1	18.1
<b>RESERVES (Proven and Probable)</b>		
Oil (barrels, in millions)	14.2	18.8
Natural Gas (cubic feet, in billions)	127.6	116.2

We are pleased to present the first annual report of TOTAL Energold Corporation which resulted from the shareholder and court-approved restructuring of Getty Resources Limited with Total Erickson Resources Ltd. in September 1988. The attached financial statements also include, for the first time, full consolidation of our two oil and gas subsidiaries, Ranchmen's Resources Ltd., since July 1, 1988, and Consolidated Trans-Canada Resources Ltd., for the full year.

Major steps were taken in 1988 toward the construction of a sizeable resource company. Just four years ago, our predecessor company, Erickson Gold Mines Ltd., operated a single small, high-grade, vein-type gold mine in northern British Columbia, and was experiencing financial difficulties. Today, TOTAL Energold controls two successful and growing oil and gas companies, holds a major interest in the Tundra deposit which is among the largest gold inventories in North America, and manages a diverse portfolio of exploration prospects. The company's balance sheet shows a sound industrial substance and strong financial structure.

Since 1985, considerable effort has been made to diversify our exploration activities in order to reduce the vulnerability associated with the operation of small, vein-type mines, where continuous production hinges on the successes achieved during the short exploration seasons of northern Canada.

The acquisition of Getty Resources by our parent company, Total Resources (Canada) Ltd., in January 1988, and the subsequent merger of Getty Resources and Total Erickson seven months later, were decisive steps in this strategy. Getty Resources' principal asset was its 49 percent interest in the Tundra Gold Venture in the Northwest Territories. The company's share of the drill-indicated geological reserve, estimated at 32.5 million tons grading 0.20 ounces gold per ton, provides the group with long-term reserves it has needed. Shaft-sinking at Tundra is approaching the target depth of 1,500 feet. Underground drifting, crosscutting, and diamond drilling will continue through 1989, resulting in a feasibility study in 1990.

In May 1988, the shareholders of Ranchmen's Resources Ltd. approved a capital restructuring which enabled all shareholders to hold voting rights. After conversion of its convertible debenture, TOTAL Energold became the largest holder of Ranchmen's shares with a 53.5 percent equity interest.

The financial statements of the company at December 31, 1988, reflect these structural consolidations, as well as the operations for the year.

Gold production to the company's account was less than half the record production of 1987. As mentioned in our May 12, 1988, and August 2, 1988, news releases, as well as the joint management information circular published in August 1988, and in the company's quarterly report, it became increasingly evident during the year that the economic profitability of our two mines was impaired, and that their available accessible reserves were sharply declining. The company suspended milling operations at the Mount Skukum Gold Mine in early August while continuing with exploration, and suspended milling operations at the Erickson Gold Mine three months later after starting a 2.5 km adit to access the high-grade Michelle Zone.

Our two oil and gas subsidiaries continued to develop successfully production and reserves of hydrocarbons. Combined production exceeded 3,600 barrels of oil and 21.0 million cubic feet of gas per day during 1988. Combined proven and probable reserves surpassed 14.0 million barrels of oil and 127 billion cubic feet of gas.

However, because of regulatory and technical delays, the full impact of 1988's drilling activities did not materialize on production performances until January 1989. Moreover, a 27 percent decline in the average wellhead price of oil and a five percent decline in the price of gas reduced profitability.

In December 1988, Ranchmen's proceeded with an issue of shares pursuant to a rights offering in order to maintain the level of its 1989 exploration programs, despite reduced internal cash flow. This successful issue, underwritten by TOTAL Energold, provided the subsidiary with approximately \$8.9 million that will enable it to take advantage of new opportunities for growth.

Consolidated Trans-Canada continued its financial recovery. This company generated working capital from operations of \$3.9 million, as well as positive net earnings, and closed the year without any bank debt. As a result of an issue of shares pursuant to a rights offering underwritten by TOTAL Energold, the company's interest in its subsidiary rose to 63.1 percent.

These changes are reflected in our operating results for 1988. In addition, all balance sheet entries related to our mining and mineral exploration properties have been carefully reviewed, and reassessed accordingly.

The company's consolidated balance sheet, after mining and mineral exploration property write-downs and elimination of all debatable items, reflects a sound financial situation and a solid core of assets with conservative carrying values. In particular, our interest in the Tundra Gold Venture has a book value of \$10.7 million while our share of the geological inventory is estimated at 3.2 million ounces of gold.

At the beginning of 1989, the group has no bank debt, and only \$1.3 million remains outstanding from a \$14.0 million convertible debenture that was issued in 1985. The company has \$25.8 million in cash, as well as an aggregate bank line of credit totalling \$46.0 million. Shareholders' equity is \$133.6 million, or \$4.95 per share.

This strong financial position allows the group to pursue substantial and diverse exploration programs in energy and in precious metals. We are confident that these investments are laying the foundations for increased reserves and, ultimately, production beyond 1989 into the 1990s.

Phillip de Boos-Smith  
Chairman of the Board

Jean-Pierre Januard  
President and Chief Executive Officer

February 28, 1989

**TOTAL ENERGOLD CORPORATION**

**Oil and Gas**

Ranchmen's Resources Ltd. (53.4%)\*

Consolidated Trans-Canada Resources Ltd. (63.1%)

**Mines and Mineral Exploration**

Erickson Gold Mine (100%)

Mount Skukum Gold Mine (37%)

Tundra Gold Venture (49%)

Dome Mountain Gold Project

Logan Zinc-Silver Project (50%)\*

\*as at December 31, 1988

*Drill rig near the summit of Table Mountain at Erickson Gold Mine*



In 1988, TOTAL Energold continued to operate its two gold mines in Western Canada. The Erickson Gold Mine, located at Cassiar in northern British Columbia, and the Mount Skukum Gold Mine, located approximately 50 miles southwest of Whitehorse, Yukon, produced 18,714 ounces of gold for the company's account, compared to record production of 53,245 ounces in 1987. An additional 3,282 ounces of gold was produced for the company's account by the Tisdale joint venture's gold property near Timmins, Ontario.

Both operations were adversely affected by declining economic reserves and reduced ore grades. Mining and milling operations were suspended at the two mines in the latter half of 1988.

**Erickson Gold Mine**

The Erickson Mine is wholly-owned by TOTAL Energold. It is a classic mesothermal, volcanic-hosted, multi-vein type underground gold mine, situated within an 80 square mile property package whose

exploration potential remains largely untested. Since commencement of production in 1979, the mine has yielded over 230,000 ounces of gold.

In 1988, 79,247 tons of ore grading 0.224 ounces gold per ton were milled, and 16,709 ounces of gold were produced. This compares with 95,179 tons with an average mill feed grade of 0.42 ounces gold per ton in 1987 when the mine produced 36,847 ounces of gold. On November 7, 1988, the company announced the temporary suspension of production at this mine due to the limited availability of economic ore reserves required for continuous and profitable mining.

In October 1988, work on a 2.5 km exploration adit commenced. The target of the adit - the Michelle Extension Vein - is an area of drill-indicated ore reserves estimated to hold 25,000 tons with a cut grade of one ounce gold per ton. This new adit will also provide access to an area highly prospective for additional high-grade reserves. The adit and associated underground drilling are expected to be completed by early 1990.

**CONSOLIDATED MINE OPERATING STATISTICS  
For the Year Ended December 31**

	1988	1987	1986	1985	1984
<b>Ore milled</b>					
tons	101,109	202,138	112,767	68,835	91,660
daily average	302	554	309	189	251
<b>Average mill feed grade</b>					
gold - ounces/ton	0.21	0.43	0.52	0.37	0.31
silver - ounces/ton (estimated)	0.28	0.30	0.33	0.14	0.26
<b>Metal recovery</b>					
gold - percent	93	93	91	93	88
silver - percent (estimated)	85	87	75	85	74
<b>Metal produced</b>					
gold - ounces	22,128	81,167	54,265	19,363	25,076
silver - ounces (estimated)	26,082	52,470	31,080	15,461	15,291
<b>Metal produced - to TOTAL Energold's Account</b>					
gold - ounces	18,714 <sup>(1)</sup>	53,245	35,363	19,363	25,076
silver - ounces (estimated)	23,305	30,840	16,598	15,461	15,291
Operating cost/ton of ore, CDNS	\$135.63	\$104.65	\$102.43	\$ 78.13	\$ 96.22
Operating cost/ounce of gold, CDNS	\$658.53	\$264.85	\$170.43	\$277.75	\$33.18
<b>Average price of gold during period</b>					
per troy ounce, CDNS	\$537.95	\$553.72	\$548.63	\$433.14	\$466.70
per troy ounce, US\$	\$437.05	\$415.99	\$396.45	\$317.27	\$360.44

<sup>(1)</sup>Figures do not include production from Tisdale Joint Venture.

**Mount Skukum Gold Mine**

The Mount Skukum Gold Mine is 37 percent-owned by TOTAL Energold which is also the operator. Reserves that have been mined to date at Mount Skukum were located in epithermal veins associated with mineralized structures related to a collapsed caldera system. The mine and mill are surrounded by 45 square miles of prospective ground. Since production commenced in 1986, the mine has yielded over 29,500 ounces of gold to TOTAL Energold's account, out of a total production approximately 79,750 ounces.

In 1988, 30,863 tons grading 0.192 ounces gold per ton were milled and 5,419 ounces of gold were produced. This compares with 106,959 tons with an average mill feed grade of 0.45 ounces gold per ton in 1987 when the mine produced a total of 44,320 ounces of gold.

On August 2, 1988, the company and its joint venture partner, AGIP Resources Ltd., announced a temporary suspension of produc-

tion pending evaluation of an underground and surface exploration program on several targets on the property. The production suspension followed underground development work which was unable to confirm drill-indicated reserve estimates in the Lake Zone.

It is anticipated that exploration over several seasons will be required to develop sufficient reserves to warrant resumption of production.

**Tisdale Joint Venture**

TOTAL Energold holds a 50 percent interest in the Tisdale joint venture's gold property near Timmins, Ontario. Contract mining, clean-up, orderly shut-down and sale of salvageable equipment were completed during 1988. Processing of concentrate is still continuing.

The property has been optioned to Midas Minerals Inc. which may earn up to a 60 percent interest in the joint venture through staged work commitments totalling \$2.0 million through 1993. Midas is testing the depth potential of the property's mineralized structures. TOTAL Energold remains the project operator.



*Miners drift toward a drill-indicated target at Erickson*

**MINES, MINERAL EXPLORATION OFFICES AND MAJOR PROPERTIES**

During 1988, TOTAL Energold's predecessor companies, Getty Resources and Total Erickson, continued their respective exploration programs based on commitments made during 1987. Total expenditures were approximately \$15.0 million, with most of the funds dedicated to the Tundra Gold Venture in the Northwest Territories, the Erickson and Mount Skukum Gold Mines, and the Logan zinc-silver project.

**Tundra Gold Venture**

TOTAL Energold Corporation holds a 49 percent interest in the Tundra Gold Venture, a 24,515 acre, north-south trending series of mineral claims located approximately 130 miles northeast of Yellowknife, N.W.T. Noranda Exploration Company, Limited (NPL), the project operator, holds a 25.5 percent interest in the joint venture; Hemlo Gold Mines Inc. holds the remaining 25.5 percent.

Mineralization consists of zones of gold-bearing disseminated arsenopyrite, pyrite and pyrrhotite in a block measuring 4,900 feet in length, 3,800 feet in depth and 590 feet in width. Seventeen (17) individual zones have been identified, ranging from 10 to 60 feet in true width, with a minimum of 0.12 ounces gold per ton. The horizons occur as a series of parallel, nearly vertical shear zones roughly conformable to the enclosing stratigraphy. The deposit is open along strike and to depth.

**TUNDRA MAIN ZONE**

**Potential In Situ Mineral Inventory (May 1988)**

Cut-off Grade (ounces Au/ton)	Tons	Grade (ounces Au/ton)	Contained Ounces
.12	32,500,000	.20	6,500,000
.18	16,000,000	.26	4,160,000
.23	8,500,000	.32	2,720,000
.29	4,000,000	.40	1,600,000

In December 1987, TOTAL Energold (formerly Getty Resources Limited) and Norex announced a \$35 million underground exploration program for the Tundra deposit. The exploration program includes a 1,500-foot vertical shaft, a 2,525 foot-long drill drift, two crosscuts, 100,000 feet of underground diamond drilling and assaying, and drifting and raising on mineralized horizons for bulk sampling and metallurgical testing. The exploration program is scheduled for completion in December 1989 and will include initial environmental, permitting, and metallurgical testwork.

Sinking of the shaft commenced on July 3, 1988. At February 28, 1989, a depth of approximately 1,390 feet was reached. Ground conditions are considered very good. Completion of the shaft and stations is anticipated by mid-April, 1989.

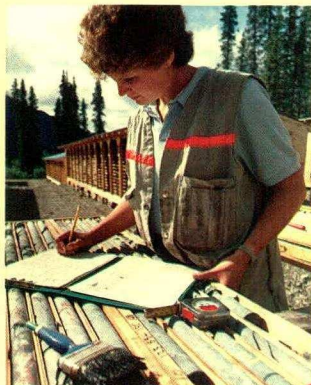
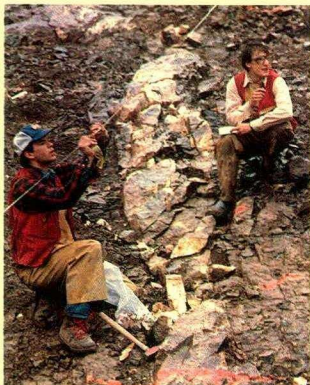
The rest of the 1989 underground exploration program is designed to drill test the Tundra deposit for a vertical distance of 1,150 feet over a strike length of 3,300 feet. Maximum drill hole spacing will be 165 feet. The program will include:

- (1) completion of a 2,525 foot-long drill drift on the hangingwall side of the mineralized zone;
- (2) establishment of drill stations every 165 feet along the drill drift from which 100,000 feet of drilling will be completed;
- (3) two crosscuts through the mineralized zone in the main areas of interest where significant gold intersections were recorded from surface drilling;
- (4) drifting and raising in mineralized areas identified in drilling.

Underground lateral work is expected to total 7,350 feet. Four electric drills will complete 136 holes through the entire mineralized zone. Each hole will average 780 feet; the longest hole is expected to be 1,115 feet. An assay lab will be set up on-site for quick turnaround of results to guide the underground work.

Within the mineralized areas scheduled for bulk sampling, ore zone definition will be based on drill holes spaced at 80-foot intervals. This will be accomplished by fanning the holes in both a vertical and horizontal plane.

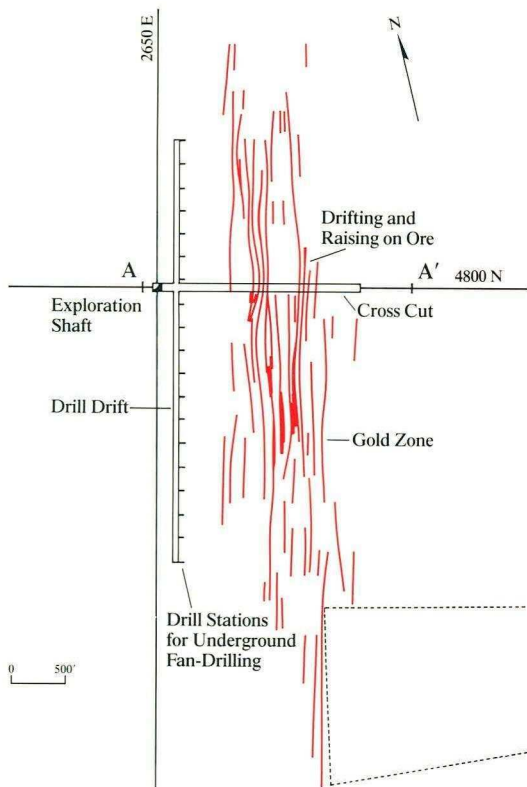
Following completion of the underground exploration program, it is anticipated that the joint venture partners will complete a feasibility study. This study should be complete by mid-1990.



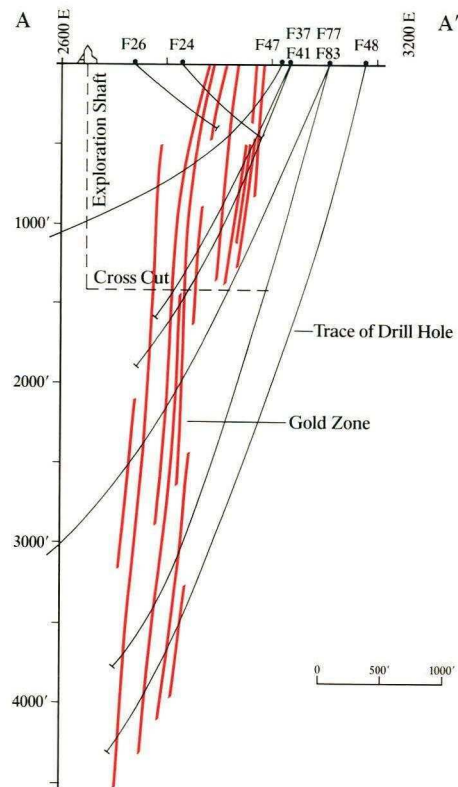
*Up to 13 of the company's 30 exploration projects will be drilled in 1989*

*Geologists map a mineralized quartz vein discovered near surface at Erickson*

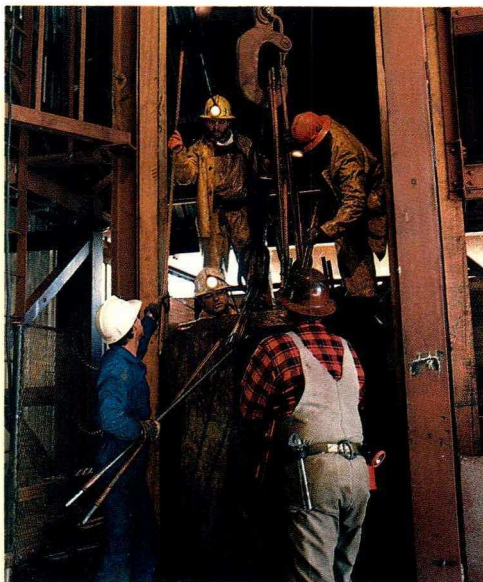
**SURFACE PROJECTION OF GOLD-ENRICHED ZONES**  
 Underground Workings at 1400' Level  
 Tundra Gold Venture



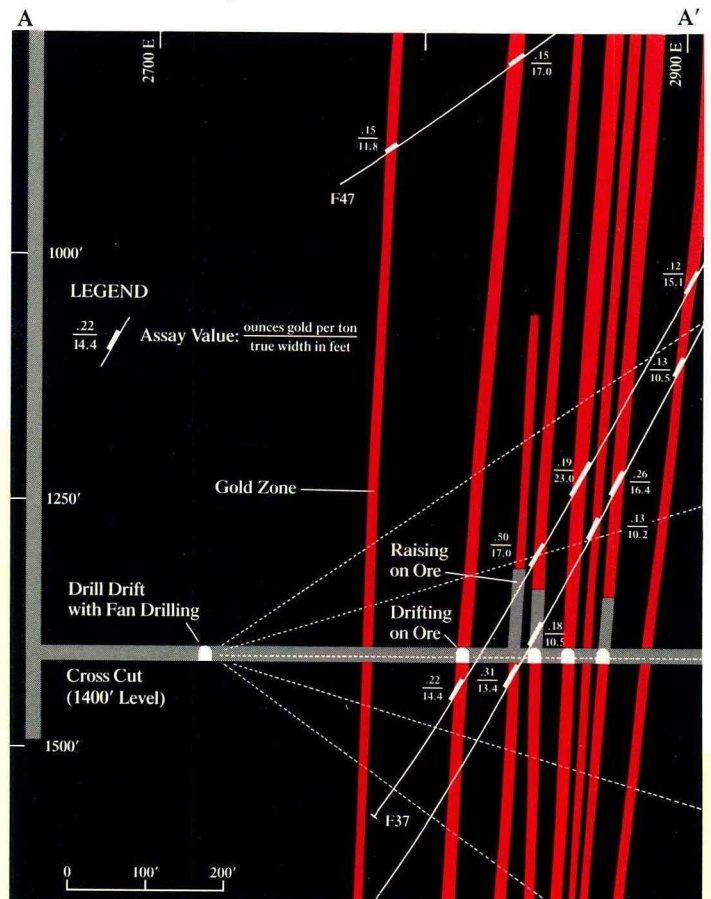
**COMPOSITE DIAMOND DRILL HOLE CROSS SECTION**  
 Looking North  
 Tundra Gold Venture



**EXPLORATION SHAFT DETAIL**  
 Cross Cut and Fan Drilling at 1400' Level



*Crews worked around the clock sinking the shaft at Tundra*



### **Dome Mountain Gold Project**

TOTAL Energold's interest in this project, located 25 miles east of Smithers in north central British Columbia, was acquired in 1986. Since then, exploration has been carried out on the property, and updated reserve estimates and economic evaluation of the project under current gold price assumptions is required. Negotiations are ongoing among the parties involved in the project with a view to resolving legal issues.

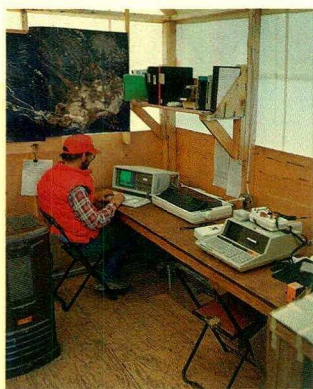
### **Logan Zinc-Silver Project**

The Logan property, located 65 miles northwest of Watson Lake in the southern Yukon, hosts a large stockwork vein zinc-silver deposit. As a result of work completed through 1987, the project operator, Cordilleran Engineering Limited, estimated a geological inventory in the Main Zone of 7.5 million tons grading 7.24 per cent zinc and 0.75 ounces silver per ton. The upper portions of the deposit are considered mineable by open pit methods.

The 1988 program consisted of 21,000 feet of diamond drilling, backhoe trenching, and geochemical and geophysical surveys designed to test targets on strike from the Main Zone and at greater depths. The program was successful in developing additional reserves at depth. A revised estimate yields a geological inventory of 13.5 million tons grading 6.17 percent zinc and 0.77 ounces silver per ton using a modified cross-sectional method and a 2.0 percent zinc cut-off. The company has earned a 50 percent interest, and is now project operator. A preliminary economic evaluation of this project is underway.

### **Banbury Gold Mines Ltd.**

TOTAL Energold acquired an option on Banbury's gold property near Hedley, B.C. from Noranda Exploration Company, Limited (NPL). After completing surface and underground drilling in order to explore for a potential massive sulphide skarn gold deposit, and to better define reserves on an existing vein deposit, the company decided not to continue exploration work on the property.



*Exploration generates great amounts of data; technology in the field helps to organize it*

### **Rock Creek Ranch Gold Project**

The Rock Creek Ranch project is located in north central Nevada near the juncture of the Pinson-Preble and Battle Mountain-Eureka Trends. These structurally-controlled belts contain a number of Carlin-type, sediment-hosted, epithermal gold-silver mines and prospects. The Rock Creek Ranch project area encompasses almost 30 square miles, of which almost 26 are patented.

During 1987 and 1988, considerable mapping, geochemical and geophysical sampling, trenching and reverse circulation and diamond drilling were completed on favourable targets. Weak disseminated gold mineralization has been encountered over significant intersections, but a mineable resource has not been identified. Additional mapping, sampling, and drilling is planned for 1989.

### **Western U.S. Reconnaissance Programs**

After opening an exploration office in Reno, Nevada in late 1987, the company moved quickly to establish a presence in the fastest-growing gold production area in North America. In 1988, the company's wholly-owned subsidiary, Sovereign Explorations, Inc., initiated grass roots exploration programs in Nevada, Idaho, and Montana in areas which are geologically permissive for epithermal gold deposits and which have not received major attention from other mining and exploration companies. At least eight projects were staked or acquired, and limited work on two of these—the Gold Star and Pine Creek projects in Idaho—has led to very promising, high-grade surface sampling results. Follow-up work, including drilling, will continue through 1989.

### **1989 Exploration Program**

TOTAL Energold plans to increase its exploration budget in 1989 to \$17.7 million with contributions from the company's partners expected to add \$10.5 million to joint venture programs. Approximately \$12.3 million of the company's funds are dedicated to the Tundra Gold Venture and to the Erickson Gold Mine on advanced underground exploration.

The increased level of exploration funding reflects the company's commitment to becoming a viable long-term gold producer by discovering, through exploration, additional reserves at competitive production costs in key gold producing areas. The type of target for which the company is exploring will have potential to host in-ground reserves of 250,000 ounces or more with cash production costs of less than US\$230 per ounce.

The company will have 30 active projects in 1989. Of these, 12 are in the United States, five in each of Western Canada and the Yukon, and the remaining eight in Eastern Canada. At the proposed expenditure levels, 21 projects will be prepared for drilling and up to 13 will be drilled, several with funding from joint venture partners.

*Drill pads at Logan mark the favourable structure that hosts zinc-silver mineralization*



Two subsidiaries of TOTAL Energold Corporation explore for, develop and produce oil and natural gas in Alberta, Saskatchewan and Manitoba. The two Calgary-based companies, Ranchmen's Resources Ltd. and Consolidated Trans-Canada Resources Ltd., reported higher production of oil and natural gas in 1988, and reduced revenues due to oil price instability during the year.

The combined production of the two companies during 1988 averaged 3,617 barrels of oil and 21.1 million cubic feet of natural gas per day, compared to 3,492 barrels of oil and 18.1 million cubic feet of gas in 1987.

Combined proven reserves of the companies at December 31, 1988, are 11.1 million barrels of oil and 106.6 billion cubic feet of gas. Including probable reserves, which have less technical certainty with respect to ultimate recovery, combined proven plus probable reserves are 14.2 million barrels of oil and 127.5 billion cubic feet of gas.

The property, plant and equipment of the oil and gas companies are consolidated into the assets of TOTAL Energold with a book value of \$119.0 million. The oil and gas companies have determined that, at December 31, 1988, these assets had a value of \$140 million. This figure is based on the value of future cash flow from the properties at a reference price of US\$17.00 per barrel of West Texas Intermediate oil, using the proven plus one half the probable reserves, discounted at 15 percent, including the value for undeveloped land.

#### Ranchmen's Resources Ltd.

In 1988, revenues were \$19.1 million, down 19 percent from revenues of \$23.6 million reported in 1987. Working capital provided by operations was \$8.9 million or 93 cents per share in 1988, compared to \$13.8 million or \$1.43 per share in 1987. Capital expenditures increased 23 percent in 1988 to \$16.4 million, compared to \$12.6 million in 1987. Earnings were \$500,000 in 1988, compared to \$4.1 million in 1987, and after payout of preferred dividends, the loss per share in 1988 was 20 cents, compared to earnings of 46 cents per share in 1987.

The average wellhead price for crude oil earned by Ranchmen's during 1988 was \$15.36, down 26 percent from \$20.90 in 1987. Natural gas prices in 1988 were \$1.47 per thousand cubic feet, compared to \$1.55 during 1987.

Production of crude oil and natural gas liquids remained flat during most of the year. The company produced 2,272 barrels of oil per day, compared to 2,269 barrels per day in 1987. The most significant areas for Ranchmen's oil production remained Sylvan Lake and Amisk, followed by Deer Mountain and Bashaw. Drilling during the last half of 1988 increased oil production to over 2,800 barrels per day in January 1989, and production for the year is forecast to average 3,100 barrels per day.

Gas production increased 27 percent during 1988 to 12.1 million cubic feet per day, compared to 9.5 million cubic feet per day in 1987. A further increase to 15 million cubic feet per day is anticipated for 1989.

Additions to reserves through drilling exceeded twice oil production and three times gas production. After revisions in previous estimates, proven plus probable reserves of oil declined 14 percent from 10.5 million barrels in 1987 to 9.0 million barrels in 1988. Proven plus probable gas reserves increased 20 percent to 91.9 billion cubic feet in 1988, compared to 76.5 billion cubic feet in 1987.

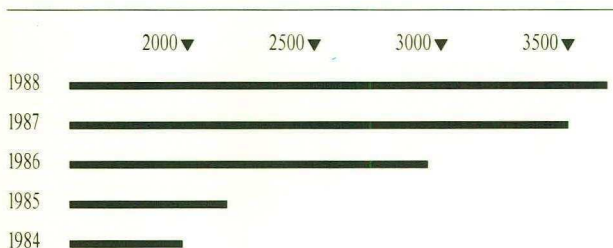
In May 1988, Ranchmen's shareholders voted to simplify the company's capital structure and to provide voting rights to all shareholders. As a result, and following conversion of its \$35.7 million debenture, TOTAL Energold at year-end held a 53.4 percent equity interest in

Ranchmen's. The operating results of Ranchmen's have been consolidated with those of the company since July 1, 1988.

Subsequent to year-round, TOTAL Energold increased its interest to 53.9 percent after the successful completion of a rights offering underwritten by TOTAL Energold. The rights offering provided Ranchmen's with approximately \$8.9 million of additional working capital, enabling the company to remain debt-free, and ensuring that its planned exploration and development budget will be maintained through 1989 despite price fluctuations.

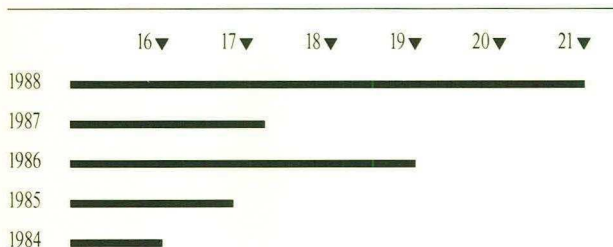
#### GROUP OIL PRODUCTION

Barrels per day



#### GROUP GAS PRODUCTION

Millions of cubic feet per day



#### Consolidated Trans-Canada Resources Ltd.

In the 12 months ended December 31, 1988, Consolidated Trans-Canada Resources Ltd. (Trans-Canada) reported revenues of \$13.6 million, compared with \$14.7 million in the 12 months ended October 31, 1987. Working capital provided by continuing operations increased significantly from \$1.9 million in the 1987 period to \$3.9 million in 1988. Capital expenditures also increased significantly during 1988 to \$4.9 million, compared to \$1.4 million in the 1987 period. Net earnings from continuing operations were \$200,000 or three cents per share in 1988, compared to a loss of \$13.6 million or \$8.70 per share, after extraordinary write-down, in the 1987 period. Improved results reflected the financial restructuring undertaken by Trans-Canada in October 1987.

Production of crude oil and natural gas liquids increased 10 percent in 1988 to 1,345 barrels per day, compared to 1,223 barrels per day in the 1987 period. The principal areas for Trans-Canada's oil production are Wainwright and Hayter in Alberta. A further increase is expected during 1989 from ongoing exploration programs.

Production of natural gas was 9.0 million cubic feet per day, compared to 8.6 million cubic feet per day in the 1987 period. The main gas production areas are Rochester, Rumsey-Big Valley, Chederville and Warwick, all in Alberta.

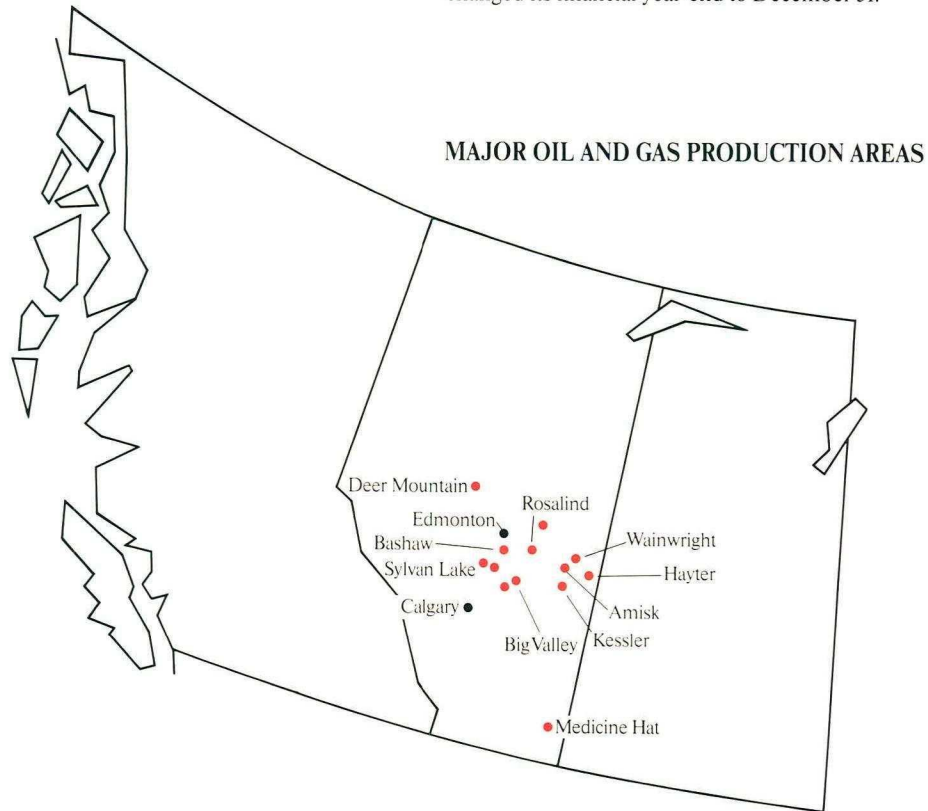
Proven plus probable reserves of oil declined 36 percent in 1988 to

5.1 million barrels, compared to 8.3 million barrels in the 1987 period. Proven plus probable gas reserves were 35.9 billion cubic feet at the end of 1988, compared to 39.7 million cubic feet at the end of the 1987 period. Downward revision of estimates of probable reserves was due mostly to reduction in anticipated future prices.

During 1988, Trans-Canada continued its financial recovery following the financial restructuring undertaken by TOTAL Energold and

its subsidiaries in late 1987. In August 1988, Trans-Canada completed a rights offering which resulted in net proceeds of approximately \$7.4 million. The funds enabled the company to eliminate its long-term debt, and to concentrate cash flow on acquisitions, and exploration and development of additional oil and gas production. As a result of its underwriting of the rights offering, TOTAL Energold increased its equity interest in the company to 63.1 percent.

In September 1988, shareholders approved a one for 10 common share consolidation and the company's name was accordingly changed to Consolidated Trans-Canada Resources Ltd. The company also changed its financial year-end to December 31.





Loss before unusual items for the 12 months ended December 31, 1988, was \$14.9 million, or 58 cents per share, compared with income of \$3.5 million, or 18 cents per share during the 1987 period. Final loss for 1988 was \$47.2 million, or \$1.82 per share, compared with a loss of \$7.1 million, or 36 cents per share in 1987. Sales of gold, oil and natural gas during 1988 were \$28.0 million, compared to \$30.3 million in 1987.

Operating earnings in 1988 were \$7.3 million, comprised of a \$9.0 million profit from oil and gas operations, and a loss of \$1.7 million from mining operations. Operating earnings in 1987 were \$15.3 million, comprised of an \$800,000 profit from oil and gas operations and \$14.5 million profit from mining operations.

The 1988 results were adversely affected by the suspension of milling operations at the company's two gold mines due to sharply reduced mineable reserves, and by reduced energy prices during the second half of the year.

In September 1988, the company completed the amalgamation of its two predecessors, Getty Resources Limited and Total Erickson Resources Ltd., to form TOTAL Energold Corporation. Together with an increased position in Consolidated Trans-Canada Resources Ltd. and the acquisition of Ranchmen's Resources Ltd., the company's magnitude and focus of operations has changed considerably.

The amalgamation of Getty Resources and Total Erickson was treated for accounting purposes as a pooling of interest. Under this method of accounting, assets and liabilities of both companies retained their historical costs. Furthermore, the merged company is treated

as if it had always been combined and, as a result, comparative figures for prior years, including the Statement of Operations, have been restated.

The acquisition of the oil and gas subsidiaries was treated on the purchase method of accounting. Under this method, Consolidated Trans-Canada and Ranchmen's have been consolidated in TOTAL Energold's statements since the date of acquisition of control. Consequently, the accounts of the company reflect the consolidation of Ranchmen's since July 1, 1988, and of Consolidated Trans-Canada since November 1, 1987.

#### Consolidated Statement of Operations

Mining revenues of \$10.6 million in 1988 were sharply lower than record revenues of \$28.6 million in 1987 due to suspension of milling operations at the company's two mines, lower ore grades, and lower average gold and silver prices during 1988. Additional costs were incurred in recovering some remaining ore zones and in the shut-down of some mining activities. As a result, the company incurred an operating loss in mining operations, before general and administrative expenses, of \$1.7 million, compared to an operating profit of \$14.4 million 1987.

Oil and gas production revenues increased to \$17.3 million in 1988, compared to \$1.7 million in 1987. The 1988 revenues reflected six months of operations from Ranchmen's (\$8.3 million) and 12 months of operations from Consolidated Trans-Canada (\$9.0 million). The 1987 revenues reflect two months of operations from the latter company. Total operating earnings accruing to TOTAL Energold for the 1988 period from its two energy subsidiaries was \$9.0 million before minority interests, \$8.2 million higher than 1987 oil and gas operating earnings.

Interest and other income were \$7.3 million, compared to \$4.4 million in 1987. Much of this increase represented interest earned on short-term investments.

Administrative costs rose from \$5.0 million in 1987 to \$8.7 million in 1988, primarily due to consolidation of Ranchmen's cost (\$1.3 million) and Consolidated Trans-Canada (\$1.6 million) and the merger of Getty Resources and Total Erickson. Depreciation and amortization increased to \$16.5 million in 1988, compared to \$6.7 million in 1987.

*Much of the Erickson and Mount Skukum gold properties have yet to be explored in detail*



*Tons of rock were mined and crushed to yield the gold on this shaker table*

The 1988 figures include \$7.6 million for depreciation and amortization of mining assets and \$8.9 million for oil and gas operations. Mining depreciation and amortization increased \$1.7 million over 1987 as a result of the decision to reduce the remaining life of several of the Erickson mine assets.

Mineral and exploration costs increased to \$2.2 million in 1988 from \$1.6 million in 1987, reflecting acceleration of exploration activities during 1988. Oil and gas exploration expenditures are capitalized and therefore not recorded in the Statement of Operations.

Net profits interests declined to a nominal amount from an expense of \$2.0 million in 1987 as a result of the suspension of milling operations at the Erickson Mine. Minority interests were approximately \$800,000 in 1988, a decrease of \$1.7 million from 1987. The lower figure reflects consolidation of both energy subsidiaries in 1989.

The company recorded unusual items totalling \$38.1 million in 1988, compared to \$8.7 million in 1987. Of the 1988 amount, approximately \$33.8 million was related to writedowns of mining and mineral exploration assets.

As reported earlier, the company's two mining operations experienced declining availability of economic ore as well as increased operating costs. The company concluded that, at the Erickson Mine, capitalized expenditures related to the Vollaug Vein structure in particular were impaired. This resulted in a \$7.9 writedown of the carrying value of the Erickson Mine camp assets.

Production ceased at the Mount Skukum Mine, in which the company holds a 37 percent interest, after underground development during 1988 determined lack of continuity of drill-indicated mineralization at the Lake Zone. The company adjusted its investment in the mine by \$4.3 million.

Because of reduced expectations for the two mining properties, the company reviewed the goodwill that occurred as a result of the 1985 merger of Erickson Gold Mines Ltd. with Total Eastcan Exploration Ltd. The unamortized amounts, a total of \$12.9 million, were written off, resulting in a total adjustment to the income statement of \$25.1 million.

At year-end 1988, the company also reviewed other properties in its exploration portfolio and, in light of its objective to seek larger and more significant exploration targets, recorded an additional writedown of \$8.7 million.

### Financial Position, Liquidity, and Capital Reserves

As a result of the corporate restructuring of Total Erickson with Getty Resources, the company acquired a cash position of \$25.0 million at December 31, 1987. The company raised an additional \$21.0 million through the exercise of common share purchase warrants and employee stock options. Other common share issues included \$8.6 million in flow-through common shares, net of premium, and \$2.7 million in upon-conversion of convertible debentures.

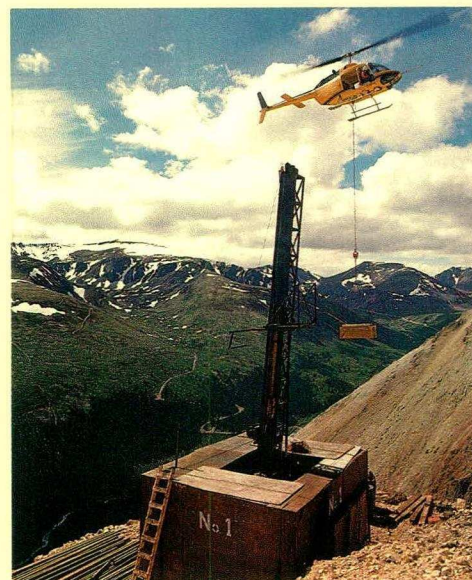
The company during 1988 subscribed to a rights offering by Consolidated Trans-Canada Resources Ltd. which enabled that company to eliminate its long-term debt. Third party subscriptions are reflected under financing activities in the Statement of Changes in Financial Position.

The company expended approximately \$15.0 million in capitalized mining exploration and development, and \$9.3 million in energy-related capital expenditures, including the acquisition of all the shares of Canadian Oil & Gas Fund Ltd., which was subsequently amalgamated with Ranchmen's. Subsequent to year-end, TOTAL Energold underwrote an offering of shares of Ranchmen's pursuant to a right offering, and acquired shares of Ranchmen's for \$5.5 million. Its interest in Ranchmen's increased to 53.9%.

TOTAL Energold concluded 1988 with cash and short-term investments of \$21.9 million. The company has liquidity as a result of cash flow from its oil and gas subsidiaries and interest from its investments. In addition to a \$20.0 million credit facility held by the company, its subsidiaries hold credit facilities of \$26.0 million.

Subsequent to year-end, TOTAL Energold entered into an agreement with CMP 1989 Resource Partnership and Company, Limited, for the private placement of flow-through common shares. Under the agreement, the company will receive up to \$7.0 million from CMP and a further \$3.0 million in grants under the Canadian Exploration Incentive Program for Canadian exploration expenditures incurred from Feb. 1, 1989 to December 31, 1989.

*Helicopters are often the most efficient means to move and supply drill rigs*





**CONSOLIDATED BALANCE SHEET**

As at December 31, 1988

	1988	1987
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and short-term investments	\$ 25,799,276	\$ 24,921,286
Marketable securities	—	249,444
Accounts receivable	11,385,449	10,540,310
Receivable from related companies	66,687	141,735
Inventories (note 5)	601,355	1,009,964
Prepaid expenses	83,757	726,693
	<hr/>	<hr/>
	37,936,524	37,589,432
<b>Long-Term Investments (note 6)</b>	4,668,788	33,837,523
<b>Property, Plant and Equipment (note 7)</b>	167,416,263	104,232,124
	<hr/>	<hr/>
	<b>\$210,021,575</b>	<b>\$175,659,079</b>
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ 3,947,000	\$ 680,000
Accounts payable and accrued liabilities	10,836,334	9,892,650
Income taxes payable	23,284	20,754
Current portion of long-term debt (note 8)	—	15,101
	<hr/>	<hr/>
	14,806,618	10,608,505
<b>Deferred Production Income</b>	4,204,226	959,540
<b>Long-Term Debt (note 8)</b>	—	7,963,155
<b>Convertible Debentures (note 9)</b>	1,299,687	4,659,028
<b>Deferred Income Taxes</b>	2,692	6,249,171
<b>Minority Interest</b>	56,158,254	8,079,166
	<hr/>	<hr/>
	76,471,477	38,518,565
 <b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock (note 10)</b>	186,868,274	151,745,013
<b>Deficit</b>	(52,706,565)	(3,840,866)
	<hr/>	<hr/>
	134,161,709	147,904,147
Less cost of 58,799 (1987-1,189,804) shares held by the Company and its subsidiaries	(611,611)	(10,763,633)
	<hr/>	<hr/>
	133,550,098	137,140,514
	<hr/>	<hr/>
	<b>\$210,021,575</b>	<b>\$175,659,079</b>

Commitments and Contingent Liabilities (note 13)

Subsequent Event (note 16)

Approved by the Directors



Director



Director

**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

For the Year Ended December 31

	1988	1987
<b>Sales</b>		
Mining	\$ 10,616,460	\$28,599,864
Oil and gas (note 3)	17,331,434	1,684,755
	<u>27,947,894</u>	<u>30,284,619</u>
<b>Cost of sales</b>		
Mining	12,297,307	14,102,375
Oil and gas (note 3)	8,302,829	860,823
	<u>20,600,136</u>	<u>14,963,200</u>
<b>Operating earnings</b>	7,347,758	15,321,421
<b>Investment and other income</b>	7,339,552	4,390,195
<b>Share of income (loss) of Ranchmen's Resources Ltd.</b>	(163,631)	820,621
	<u>14,523,679</u>	<u>20,532,237</u>
<b>Expenses</b>		
Administration and general	8,662,061	4,960,834
Depreciation, depletion and amortization	16,476,712	6,746,884
Interest	1,255,688	1,083,069
Exploration	2,184,337	1,635,043
Net profit interests and minority interests	839,445	2,620,641
	<u>29,418,243</u>	<u>17,046,471</u>
<b>Income (loss) before unusual items</b>	(14,894,564)	3,485,766
<b>Unusual items</b>		
Mineral properties written down (note 11)	(34,073,763)	(8,434,758)
Write-down of long-term investments	(4,000,000)	(216,900)
Expenditures incurred as a result of takeover bid	(650,256)	-
	<u>(38,724,019)</u>	<u>(8,651,658)</u>
<b>Loss before income taxes</b>	(53,618,583)	(5,165,892)
<b>Income taxes (note 12)</b>	(6,423,773)	1,907,615
<b>Loss for the year</b>	\$ (47,194,810)	\$ (7,073,507)
<b>Retained earnings (deficit) at beginning of year</b>	(3,840,866)	3,232,641
<b>Amalgamation costs</b>	(1,670,889)	-
<b>Deficit at end of year</b>	<u>\$ (52,706,565)</u>	<u>\$ (3,840,866)</u>
<b>Income (loss) per share</b>		
Income (loss) before unusual items	<u>\$ (0.58)</u>	<u>\$ 0.18</u>
Net Loss	<u>\$ (1.82)</u>	<u>\$ (0.36)</u>

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

For the Year Ended December 31

	1988	1987
<b>Cash Resources Provided by (Used in) Operating Activities</b>		
Loss for the year	\$ (47,194,810)	\$ (7,073,507)
Items not involving cash		
Depreciation, depletion and amortization	16,476,712	6,746,884
Deferred income taxes (reduction)	(6,057,171)	1,740,000
Mineral properties written down or abandoned	34,073,763	8,434,758
Write-down of long-term investments	4,000,000	216,900
Other	129,062	(268,285)
Funds generated from operations	1,427,556	9,796,750
Other working capital changes	2,795,910	8,958,778
	<u>4,223,466</u>	<u>18,755,528</u>
<b>Cash Resources Provided by (Used in) Financing Activities</b>		
Issue of common shares	45,275,283	36,951,683
Proceeds of tax refund	—	1,110,694
Decrease in long-term debt	(7,963,155)	(12,135,000)
Reduction of convertible debenture	(3,417,018)	(8,402,601)
Proceeds on share issue of subsidiary	882,166	—
Reduction of deferred income	(435,018)	—
	<u>34,342,258</u>	<u>17,524,776</u>
<b>Cash Resources Provided by (Used in) Investing Activities</b>		
Purchase of long-term investments	(8,792,688)	(127,354)
Acquisition of net assets of Ranchmen's Resources Ltd. (note 3)	(40,543,454)	—
Conversion of Ranchmen's Resources Ltd. debentures	35,683,215	—
Acquisition of net assets of Consolidated Trans-Canada Resources Ltd. (note 4)	(3,116,138)	(8,650,760)
Purchase of property, plant and equipment	(23,811,935)	(16,614,248)
Proceeds from sale of property, plant and equipment	1,297,155	4,410,128
Amalgamation costs	(1,670,889)	—
	<u>(40,954,734)</u>	<u>(20,982,234)</u>
<b>Increase (Decrease) in Cash Position</b>	<b>(2,389,010)</b>	<b>15,298,070</b>
<b>Cash Position at Beginning of Year</b>	<b>24,241,286</b>	<b>8,943,216</b>
<b>Cash Position at End of Year</b>	<b>\$ 21,852,276</b>	<b>\$ 24,241,286</b>
<b>Cash Position Comprises:</b>		
Cash and short term investments	\$ 25,799,276	\$ 24,921,286
Bank Indebtedness	(3,947,000)	(680,000)
	<u>\$ 21,852,276</u>	<u>\$ 24,241,286</u>

For the Year Ended December 31, 1988

**1. SIGNIFICANT ACCOUNTING PRINCIPLES**

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:

**(a) Principles of Consolidation**

TOTAL Energold Corporation, formerly Getty Resources Limited, ("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 the Company, with the common shares of Total Erickson being converted into common shares of the Company on the basis of 0.357 shares in the Company for each Total Erickson share. The accounts of the companies have been combined using the pooling of interest basis of accounting. Accordingly, the carrying values of the assets, liabilities and shareholders' equity in the accounts of each of the companies have been combined (note 2). The results of operations of the companies have been similarly combined for periods prior to the amalgamation.

The consolidated accounts of TOTAL Energold Corporation and its wholly-owned subsidiary Getty Resources, Inc. for the years ending December 31, 1987 and prior were audited by other Chartered Accountants.

The consolidated financial statements include the accounts of the Company and its subsidiaries. As at December 31, 1988, the Company's principal subsidiaries and its percentage equity interest in each is as follows:

Getty Resources, Inc.	100.0%
Total Erickson Resources Ltd.	100.0%
Total Eastcan Exploration Ltd.	100.0%
AJM Metals Ltd.	100.0%
Erickson Gold Mining Corp.	100.0%
Mount Skukum Gold Mining Corporation	100.0%
Sovereign Explorations, Inc.	100.0%
Table Mountain Mines Limited	94.7%
Consolidated Trans-Canada Resources Ltd. (note 4)	63.1%
Ranchmen's Resources Ltd. (note 3)	53.4%

The Company carries out a significant portion of its activities through joint ventures. These interests are accounted for on a proportionate consolidation basis.

**(b) Foreign Exchange**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year end exchange rates. All other assets and liabilities, and 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) Marketable Securities**

Marketable securities are valued at the lower of cost and market value.

**(d) Inventories**

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

**(e) Property, Plant and Equipment**

Depreciation is provided during periods of operation on the cost of the assets over their estimated useful lives 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
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**(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.

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 administration costs, and development costs incurred during the pre-production period over a six year period for the Erickson Mine expenditures and a six and one half year period for the Mount Skukum expenditures. The depletion and amortization of mineral properties and development ceased with the shutdown of the Company's two mining operations.

**(g) 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, deferred exploration, and administration expenses, are claimed for tax purposes in different time periods than the related amounts are amortized in the accounts.

**(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) Long-term Investments**

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

**(j) Oil and Gas Interests**

The Company's subsidiaries follow the full-cost method of accounting 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 non-producing 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 of each country as determined by each of the Company's subsidiaries.

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.

#### (k) Interest and Financing Charges

Interest is charged to operations except for interest on funds applied to major expenditures for fixed assets, which is capitalized during the construction period.

Financing costs related to the convertible debentures have been deferred and are being amortized on a straight-line basis over five years. Upon conversion, a portion of the financing costs are charged to share capital.

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

### (a) Nature of transaction

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.

### (b) Supplementary information

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	1.00	13,706,754	51.7%
			26,537,330	100.0%

### 3. ACQUISITION OF RANCHMEN'S RESOURCES LTD.

Effective June 30, 1988, the company through the conversion of its debenture had 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
	<u>40,633,215</u>
Carrying value of Ranchmen's shares previously acquired	(1,913,987)
	<u>\$38,719,228</u>

#### Net assets acquired:

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

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.

The following pro-forma statement of operations summarizes the operating results of the Company as if the acquisition of Ranchmen's had occurred on January 1, 1988.

**PRO-FORMA STATEMENT OF OPERATIONS—For the Year Ended December 31, 1988**

<b>Sales</b>	
Mining	\$ 10,616,460
Oil and gas	<u>25,796,876</u>
	36,413,336
<b>Cost of sales</b>	
Mining	12,297,307
Oil and gas	<u>10,361,334</u>
	22,658,641
<b>Operating earnings</b>	13,754,695
<b>Investment and other income</b>	<u>7,545,580</u>
	21,300,275
<b>Expenses</b>	
Administration and general	10,780,087
Depreciation, depletion and amortization	20,316,274
Interest	1,411,769
Exploration	2,184,337
Net profits and minority interest	<u>1,710,179</u>
	36,402,646
	(15,102,371)
<b>Unusual items</b>	<u>(38,724,019)</u>
	(53,826,390)
<b>Loss before income taxes</b>	(53,826,390)
<b>Income taxes</b>	<u>6,378,869</u>
	(47,447,521)
<b>Loss for the year</b>	<u><u>\$(47,447,521)</u></u>

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

During the year the Company's subsidiary, Consolidated Trans-Canada Resources Ltd. ("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 (63.1%). Net assets acquired are summarized as follows:

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

## 5. INVENTORIES

	1988	1987
Ore stockpiles	\$133,770	\$ 513,563
Gold	8,618	258,398
Spare parts and supplies	458,967	238,003
	<b>\$601,355</b>	<b>\$1,009,964</b>

## 6. LONG-TERM INVESTMENTS

	1988	1987
Ranchmen's Resources Ltd. (note 3)	\$ —	\$33,459,069
Other	4,668,788	378,454
	<b>\$4,668,788</b>	<b>\$33,837,523</b>

## 7. PROPERTY, PLANT AND EQUIPMENT

	1988		1987	
	Cost	Accumulated depletion, depreciation and amortization	Net Book Value	Net Book Value
Mine plant and equipment	\$ 16,190,145	\$ 6,967,881	\$ 9,222,264	\$ 9,688,445
Mineral properties and development	42,962,906	4,295,610	38,667,296	64,547,850
Oil and gas plant and equipment	41,350,244	18,120,415	23,229,829	5,704,863
Oil and gas properties and development	184,173,995	87,877,121	96,296,874	24,290,966
	<b>\$284,677,290</b>	<b>\$117,261,027</b>	<b>\$167,416,263</b>	<b>\$104,232,124</b>

## 8. LONG-TERM DEBT

	1988	1987
<b>Bank Loans</b>		
A committed line of credit due 1990 with Consolidated Trans-Canada's principal bank in the amount of \$10,000,000 with interest at the lender's prime rate, secured by certain oil and gas properties, a general assignment of book debts and floating and fixed charge debentures of \$10,000,000. The facility may be drawn down or repaid in whole or in part at anytime.	\$ —	\$4,065,155
A committed line of credit due 1989 with Consolidated Trans-Canada's subsidiary's bank in the amount of \$1,000,000 with interest at the lender's prime rate, secured by certain oil and gas properties, a general assignment of book debts and a floating charge debenture.	—	3,898,000
<b>Other Debt</b>	—	15,101
	—	7,978,256
Less current portion included in current liabilities	—	(15,101)
	<b>\$ —</b>	<b>\$7,963,155</b>

The Company has available an additional committed line of credit totalling \$20,000,000 secured by a first floating charge over the assets of Total Erickson. The facility bears interest at the lender's prime rate.

## 9. CONVERTIBLE DEBENTURES

	1988	1987
8% Floating charge convertible sinking fund debentures, due July, 1990, convertible into common shares at \$14.00.	\$3,837,000	\$6,512,000
Less:		
Sinking fund provision	2,445,990	1,703,972
Related deferred financing charges	91,323	149,000
	<u>\$1,299,687</u>	<u>\$4,659,028</u>

The estimated amounts of sinking fund contributions for each of the two years subsequent to December 31, 1988, are: 1989, \$575,550; 1990, \$815,460.

## 10. 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, 1988 as follows:

	Shares	Amount
<b>Balance as at December 31, 1987, as restated</b>	22,068,300	\$151,745,013
<b>Issued for cash during the year:</b>		
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
	<u>26,791,348</u>	<u>182,708,051</u>
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
	<u>26,974,535</u>	<u>\$186,868,274</u>

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

Common shares are reserved as follows at December 31, 1988:

For issue under employee stock options at:	
\$3.50 per share	91,500
\$5.25 per share	100,564
For issue upon conversion of convertible debenture (note 9)	274,071
For exercise of share purchase warrants	982,303
For issue on flow-through expenditures	12,397
	<u>1,460,835</u>

The employee stock options are exercisable as to 33 1/3% in each year on a cumulative basis.

At December 31, 1988 1,964,606 common share purchase warrants were outstanding. Two common share purchase warrants entitle the holder to purchase one common share of the Company at a price of \$6.00 until October 23, 1989.

## II. MINERAL PROPERTIES WRITTEN DOWN

During 1988, the accessible economic ore reserves at the company's two mining operations declined sharply and operating losses were incurred. Accordingly, the operations were shut down. Development continues at the Erickson Gold Mine in order to access additional high grade reserves and the Company has budgeted additional 1989 exploration at both the Erickson Gold Mine and the Mount Skukum Gold Mine. Nevertheless the Company has determined that the

value of these two mines have become impaired and has reduced their aggregate carrying value by \$25,058,000. In addition, a write-down of deferred expenditures on exploration properties totalling \$9,016,000 has been recorded.

In 1987, the Company wrote down exploration properties in the amount of \$8,435,000.

## 12. INCOME TAXES

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

	1988	1987
Loss before income taxes and extraordinary item	\$(53,618,583)	\$(5,165,892)
Non-deductible depletion and property write-downs	27,272,507	2,752,174
Non-taxable portion of capital gains	—	(829,140)
Equity in Loss (Income) of Ranchmen's Resources Ltd.	163,631	(820,621)
Losses not tax effected	12,014,075	9,093,106
Other	353,804	269,303
Income (loss) subject to taxation	(13,814,566)	5,298,930
Effective Income tax rate	46.5%	36.0%
Income tax provision	\$ (6,423,773)	\$ 1,907,615

The effective income tax rate is determined as follows:

	1988	1987
Combined federal and provincial statutory rate	46.5%	52.0%
Federal resource and depletion allowances	—	(16.0)%
	46.5%	36.0%

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

	TOTAL Energold Corporation and Mining Subsidiaries	Consolidated Trans-Canada Resources Ltd.
Losses carried forward for income tax purposes available until:		
1995	\$ 6,092,030	\$ —
1994	5,913,981	—
	12,006,011	—
Excess of amounts deducted for book purpose over amounts deducted for income tax purposes:	18,348,805	39,000,000
	\$30,354,816	\$39,000,000

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 \$15,080,374 relating to flow-through shares which is not deductible for income tax purposes.

### 13. 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, 1988, the Company had minimum annual payments under agreements of approximately \$895,600.

(b) Cusac Industries Ltd. 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. The Company has filed a Notice of Appeal and intends to vigorously defend its position. No amount has been provided for in these financial statements as the outcome of the matter is not determinable at this time. The amount of the claim is approximately \$2,800,000.

(c) Cusac Industries Ltd. has, as a separate action, disputed the accounting for certain expenditures under the same agreement. Further, Cusac has claimed an interest in the insurance proceeds resulting from a loss sustained by the Company when its Erickson mill was destroyed by fire in 1987. The Company believes that Cusac's claim is without substance and has engaged legal counsel to defend its position.

(d) The Company has been named as a co-defendant in a lawsuit relating to its participation in the development of the Dome Mountain Gold Project. Management is unable to quantify the amount of damages claimed at this time. The Company has been advised by counsel that the claim has no apparent merit. An evaluation will be made after pleadings have been closed and examinations for discovery have been held.

(e) A lawsuit has been initiated against one of Consolidated Trans-Canada's U.S. subsidiaries and certain other parties seeking damages of approximately (U.S.) \$990,000 plus interest and attorney's fees. Management has been advised by its legal counsel, and is of the opinion, that there are substantial arguments supporting its defence of the lawsuit.

### 14. RELATED PARTY TRANSACTIONS

Included in general and administration expenses is a fee payable to the parent company of \$400,000 (1987-\$260,000) for services rendered and costs incurred.

### 15. 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.

	Mining	Oil and Gas	Total
Operating earnings	\$ (1,680,847)	\$ 9,028,605	\$ 7,347,758
Depreciation, depletion and amortization	(7,761,295)	(8,715,417)	(16,476,712)
Other	(2,205,119)	(982,294)	(3,187,413)
Segment operating loss	<u>\$(11,647,261)</u>	<u>\$ (669,106)</u>	(12,316,367)
Investment and other income			7,339,552
General and administrative expenses			(8,662,061)
Interest			(1,255,688)
Unusual items			(38,724,019)
Income taxes			6,423,773
Loss for the year			<u>\$ (47,194,810)</u>
Capital expenditures	<u>\$ 16,035,702</u>	<u>\$ 7,776,233</u>	<u>\$ 23,811,935</u>
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	<u>\$ 82,276,721</u>	<u>\$127,744,854</u>	<u>\$210,021,575</u>

### 16. SUBSEQUENT EVENT

On February 1, 1989, the Company entered into an agreement with CMP 1989 Resource Partnership and Company, Limited ("CMP") for the private placement of up to 2,370,229 flow-through common shares. Under the agreement, the Company is entitled to receive up to \$7.0 million from CMP and a further \$3.0 million in grants under the Canadian Exploration Incentive Program to finance Canadian exploration expenditures incurred from February 1, 1989, to December 31, 1989. The agreement is subject to regulatory and board approvals.

## AUDITORS' REPORT

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### To the Shareholders of TOTAL Energold Corporation

We have examined the consolidated balance sheet of TOTAL Energold Corporation as at December 31, 1988 and December 31, 1987 and the consolidated statements of operations and deficit and changes in financial position for each of the years in the two year period ended December 31, 1988. 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 December 31, 1987 and the results of its operations and the changes in its financial position for each of the years in the two year period ended December 31, 1988 in accordance with generally accepted accounting principles applied on a consistent basis.

*Thorne Ernst & Whinney*

Vancouver, Canada  
February 13, 1989

Chartered Accountants

STATISTICAL SUMMARY  
RANCHMEN'S RESOURCES LTD.  
For the Year Ended December 31

	1988	1987	1986	1985	1984
<b>FINANCIAL (In Thousands)</b>					<b>(restated)</b>
Revenues (after royalties)	17,101	20,664	15,588	19,662	18,566
<b>Expenses</b>					
Operating costs	4,834	4,719	4,422	3,744	2,971
General and administrative costs	3,803	3,149	2,784	2,509	2,614
Interest expense	216	413	428	571	814
Petroleum and Gas Revenue Tax offset	—	—	(880)	(580)	—
Current income taxes net of Alberta Royalty Tax Credit	(621)	(1,400)	(1,436)	(1,650)	(1,834)
	8,232	6,881	5,538	4,594	4,565
Working Capital Provided by Operations	8,869	3,783	10,058	15,068	14,001
<b>Net Earnings (Loss)</b>					
From continuing operations	542	4,149	1,700	4,309	4,689
After write-down of offshore	542	4,149	1,700	(13,979)	(997)
<b>Balance Sheet</b>					
Working capital	(3,636)	4,308	2,612	3,150	4,311
Total assets	89,044	84,596	80,249	84,444	108,176
Property and equipment (after write-down)	82,387	73,672	89,459	66,752	95,697
Income debentures	—	—	—	—	2,000
1% convertible debenture	—	33,483	37,068	37,068	40,176
2% convertible debenture	—	2,200	2,200	2,200	2,200
Bank Indebtedness	—	—	—	—	—
Capital Expenditures (after grants)	13,908	10,640	8,441	10,787	6,959
<b>OPERATING</b>					
<b>Production</b>					
Crude oil and NGL (bbls per day)	2,272	2,269	1,614	1,189	1,030
Average oil price per bbl (\$)	15.36	20.80	17.99	34.94	34.36
Natural gas (mmcf per day)	12.1	9.5	10.8	11.7	12.6
Average price per mcf (\$)	1.47	1.55	2.07	2.43	2.67
<b>Reserves – proven and probable</b>					
Crude oil (mmbbls)	9.0	10.5	9.0	8.2	6.3
Natural gas (bcf)	21.9	76.5	78.9	83.0	86.0
<b>Acreage (thousands of acres)</b>					
Western Canada					
Gross	678	628	604	590	580
Net	200	166	150	141	129
Offshore Labrador					
Gross	62	62	62	8,882	8,882
Net	7	7	7	1,040	1,040
<b>Drilling activity (gross wells)</b>					
Total wells	38	37	53	68	49
Crude oil	14	22	36	34	19
Natural gas	11	4	2	19	15

STATISTICAL SUMMARY  
CONSOLIDATED TRANS-CANADA RESOURCES LTD.  
For the Year Ended October 31\*

	1988**	1988	1987	1986	1985
<b>FINANCIAL (In Thousands)</b>					
Revenues (after royalties)	11,082	11,376	11,920	13,825	14,444
<b>Expenses</b>					
Operating costs	5,527	5,461	5,159	5,811	4,610
General and administrative	1,549	1,499	3,143	2,419	2,217
Interest expense	606	802	2,864	2,969	1,953
Current income taxes net of Alberta Royalty Tax Credit	(517)	(390)	(902)	(778)	(921)
Other	(8)	(14)	(283)	63	414
Working capital provided by continuing operations	3,925	4,018	1,939	3,341	6,171
<b>Net Earnings (Loss)</b>					
From continuing operations before extraordinary item	169	40	(13,618)	(25,986)	1,545
Net earnings (loss) for period	797	573	(12,568)	(36,929)	2,084
<b>Balance Sheet</b>					
Working capital	339	(197)	3,695	(2,651)	4,350
Property and equipment	24,920	25,122	25,464	40,723	65,368
Other assets	388	435	994	19	9,420
Long-term debt	—	—	12,698	20,245	21,852
Shareholders' equity	24,909	24,556	16,468	16,259	54,038
<b>OPERATING</b>					
<b>Production</b>					
Crude oil (bbls per day)	1,345		1,221	1,314	987
Average price per bbl (\$)	14.33		19.87	19.63	32.06
Natural gas (mmcf per day)	8.9		7.8	8.2	5.2
Average price per mcf (\$)	1.31		1.55	2.12	2.39
<b>Reserves – proven and probable</b>					
Crude oil (mmbbls)	5,131		8,302	7,871	7,930
Natural gas (bcf)	35.7		39.7	44.0	71.0
<b>Acreage (thousands of acres)</b>					
Western Canada					
Gross	825.7		681.5	700.3	715.7
Net	171.5		129.3	140.0	142.3
Other Canada					
Gross	367.8		367.8	642.3	945.3
Net	3.0		3.0	5.3	19.3
U.S. properties					
Gross	—		9.5	20.2	1,540.0
Net	—		1.8	3.9	67.0
<b>Drilling activity (gross wells)</b>					
Total wells	41		25	67	66
Crude oil	24		14	43	41
Natural gas	4		2	6	14
Service/Dry	13		9	18	11

\*Continued Operations

\*\*Year ended December 31

**DIRECTORS**

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

Jacques Le Chevalier  
Paris, France

Howard E. Cadinha  
Vancouver, Canada  
President, Chief Executive Officer,  
Independence Petroleums Inc.

James H. Coleman  
Calgary, Canada  
Partner, Macleod Dixon

Louis Deny\*  
Paris, France  
Vice-Chairman,  
TOTAL Compagnie Française des Pétroles

Pierre Gely  
Paris, France  
Executive Vice-President,  
TOTAL Compagnie Minière

K. Gordon Green\*  
Toronto, Canada  
Vice-President and Director,  
RBC Dominion Securities Inc.

Jean-Pierre Januard  
Vancouver, Canada  
President, Chief Executive Officer,  
TOTAL Energold Corporation

Bruce A. MacDonald  
Calgary, Canada  
President, Chief Executive Officer,  
Consolidated Trans-Canada Resources Ltd.

Alain Le Menestrel\*  
Paris, France  
Treasurer,  
TOTAL Compagnie Française des Pétroles

Alexander C. Ritchie  
Vancouver, Canada

Kristian M. Ross  
Vancouver, Canada

\*Member of the Audit Committee

**OFFICERS**

Phillip de Boos-Smith  
Chairman of the Board

Jean-Pierre Januard  
President, Chief Executive Officer

Frederick Davidson  
Vice-President, Finance

Visco Jutronich  
Vice-President, Mining

H. Walter Sellmer  
Vice-President, Exploration

Kerry E. Sully  
Vice-President,  
Corporate Development

John Fitzgerald  
Corporate Secretary

**EXECUTIVE OFFICE**

Suite 1500-700 W. 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

Suite 400-25 Adelaide Street East  
Toronto, Ontario  
M5C 1YC  
Telephone: (416) 863-0487

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

Fried, Frank, Harris,  
Shriver & Jacobson  
New York, N.Y.

**AUDITORS**

Thorne Ernst & Whinney  
Vancouver, Canada

**STOCK EXCHANGE LISTINGS**

Toronto Stock Exchange: TGD, TGD.WT  
NASDAQ: TGDGF

**TRANSFER AGENT  
AND REGISTRAR**

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

**CAPITALIZATION**

(as at December 31, 1988)

Common shares issued: 26,974,535  
Common share purchase warrants outstanding:  
1,964,606

**INVESTOR RELATIONS CONTACT**

Paul LaFontaine  
Manager, Investor Relations  
Telephone: (604) 681-9501

**ANNUAL GENERAL MEETING**

Hotel Vancouver  
Vancouver, British Columbia  
May 4, 1989  
at 10:00 a.m.