

Wright-Hargreaves Mines, Limited
1983
Annual Report

President's Report

Earnings for the year ended December 31, 1983, before an extraordinary item, were \$3,669,000 or 37 cents per share, and \$10,350,000 or \$1.04 per share after an extraordinary item. In 1982 earnings were \$2,674,000 or 27 cents per share and there was no extraordinary item. Revenues, including equity interest in Lac Minerals Ltd., were \$4,319,000 in 1983 compared with \$3,239,000 in 1982.

Wright-Hargreaves earnings are derived primarily from its equity interest in the earnings of Lac Minerals Ltd.

Enclosed with this annual report is a copy of Lac Minerals Ltd.'s annual report for 1983.

On Behalf of the Board of Directors,



D. C. Webster
President

March 27, 1984

Statement of Financial Position

	December 31,	
	1983	1982
	(000's)	
Current Assets		
Cash and short-term investments	\$ 1,914	\$ 365
Accounts receivable	23	10
Due from Lac Group companies	—	282
	<u>1,937</u>	<u>657</u>
Current Liabilities		
Accounts payable and accrued liabilities	59	66
Due to Lac Group companies	18	54
	<u>77</u>	<u>120</u>
Working Capital	1,860	537
Investments (note 3)	25,434	16,091
Mining Interests (note 4)	1,432	1,367
Oil and Gas Interests (note 5)	219	712
Capital Employed	28,945	18,707
Deduct:		
Deferred Income Tax	432	544
Shareholders' Investment	<u>\$28,513</u>	<u>\$18,163</u>
Shareholders' Investment Represented By		
Capital Stock		
Authorized — 15,000,000 shares		
Issued — 9,962,877 shares	\$10,277	\$10,277
Contributed Surplus	5	5
Retained Earnings	<u>18,231</u>	<u>7,881</u>
	<u>\$28,513</u>	<u>\$18,163</u>

Approved by the Board



Director



Director

Statements of Earnings and Retained Earnings

	Year ended December 31,	
	1983	1982
	(000's)	
Statement of Earnings		
Revenues		
Investment and other income	\$ 494	\$ 672
Oil and gas sales	72	134
	<u>566</u>	<u>806</u>
Expenses		
Operating and administrative	154	350
Depreciation, depletion and amortization	218	47
Oil and gas exploration	273	2
Mineral exploration	117	6
	<u>762</u>	<u>405</u>
Earnings (loss) before income taxes and other items	(196)	401
Income tax provision (credit)	(112)	160
Earnings (loss) after income taxes before other items	(84)	241
Equity in earnings of Lac Minerals Ltd.	<u>3,753</u>	<u>2,433</u>
Earnings before extraordinary item	3,669	2,674
Gain arising from issue of shares by Lac Minerals Ltd. (note 2)	6,681	—
Earnings for the year	<u>\$10,350</u>	<u>\$ 2,674</u>
Earnings per Share		
Before extraordinary item	<u>\$0.37</u>	<u>\$0.27</u>
After extraordinary item	<u>\$1.04</u>	<u>\$0.27</u>
 Statement of Retained Earnings		
Retained Earnings, Beginning of Year	\$ 7,881	\$ 5,207
Earnings for the year	10,350	2,674
Retained Earnings, End of Year	<u>\$18,231</u>	<u>\$ 7,881</u>

Statement of Changes in Financial Position

	Year ended December 31,	
	1983	1982
	(000's)	
Working Capital Derived from		
Operations		
Earnings before extraordinary item	\$ 3,669	\$ 2,674
Items not affecting working capital		
Equity in earnings of Lac Minerals Ltd.	(3,753)	(2,433)
Gain on sale of investments and mining and oil and gas interests	(4)	—
Depreciation, depletion and amortization	218	47
Deferred income tax provision (credit)	(112)	160
Dry holes and abandonments	273	2
Total from operations	291	450
Dividends from Lac Minerals Ltd.	1,102	965
Proceeds from sale of investments and mining and oil and gas interests	12	—
Deferred exploration and development costs recovered	—	84
Total derived from all sources	1,405	1,499
Working Capital Applied to		
Mining interests	71	286
Purchase of investments in other Lac Group companies	11	—
Advances to Lac Minerals Ltd.	—	3,500
Purchase of shares in Lac Minerals Ltd.	—	1,539
Oil and gas interests	—	13
Total applications	82	5,338
Increase (Decrease) in Working Capital	1,323	(3,839)
Working Capital, Beginning of Year	537	4,376
Working Capital, End of Year	\$ 1,860	\$ 537

Notes to Financial Statements

Wright-Hargreaves Mines, Limited (the Company) is a member of a group of companies collectively known as the Lac Group. Other companies in this group are Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited and Lac Minerals Ltd. (Lac Minerals).

1. Significant Accounting Policies

(a) **Investments** — The Company accounts on an equity basis for its investment in Lac Minerals, 13% owned (1982 — 14%) over which it has significant influence.

Investments in other Lac Group companies where the Company does not have significant influence are recorded at cost.

All other investments are recorded at cost.

(b) **Mining interests** — Plant and equipment are stated at cost. Depreciation has not been recorded on buildings, machinery and equipment which are not currently in use.

Mining properties are stated at cost less amounts written off.

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings; further costs are capitalized and then amortized on the unit-of-production method based on proven reserves.

Costs related to mining properties which are abandoned are charged to earnings.

(c) **Oil and gas interests** — All costs of acquiring leases and rights, exploring for and developing oil and gas reserves thereon are capitalized by area of interest. If it is subsequently determined that the wells drilled are dry, or the property is subsequently abandoned, the related capitalized costs are charged to earnings.

Depletion of costs accumulated on producing properties is provided on the unit-of-production method based on proven reserves.

2. Extraordinary Item

During 1983 Lac Minerals issued common shares for net proceeds of \$60,991,000. The Company did not purchase any of these shares and accordingly its

percentage ownership of Lac Minerals was diluted; however, the Company's equity interest in Lac Minerals increased shareholders' equity, after including the proceeds from the share issues, resulted in an extraordinary gain.

3. Investments

	1983	1982
	(000's)	
Investments in Lac Minerals accounted for on an equity basis (quoted market value 1983 — \$120,266,000; 1982 — \$78,035,000)	\$20,333	\$11,001
Advances to Lac Minerals	3,500	3,500
	<u>23,833</u>	<u>14,501</u>
Investments in other Lac Group companies accounted for on a cost basis (quoted market value 1983 — \$19,265,000; 1982 — \$17,413,000)	1,582	1,571
Other investments accounted for on a cost basis	19	19
	<u>\$25,434</u>	<u>\$16,091</u>

Because of the large number of Lac Group company shares owned by the Company, the amounts that would be realized if these investments were sold may be more or less than their quoted market value.

4. Mining Interests

	1983	1982
	(000's)	
Plant and equipment	\$ 118	\$ 124
Mining properties	34	34
Deferred exploration and development	1,280	1,209
	<u>\$ 1,432</u>	<u>\$ 1,367</u>

In 1982 the Company had optioned, to Lac Minerals, the right to retreat its tailings deposited in the bed of Kirkland Lake, Ontario as a result of operations formerly carried on by the Company. In exchange the Company received \$84,000 being its exploration, research and development costs incurred on the project and will receive an advance minimum royalty of 2% of net smelter return,

payable until Lac Minerals has recouped its costs of placing the operation into commercial production and thereafter a royalty equal to the greater of 2% of the net smelter return or 20% of net profit.

The Company has granted Lac Minerals the right to explore and mine the crown pillar of the Company's former gold mine at Kirkland Lake and to treat ore from the pillar, subject to a royalty interest payable to the Company of 50% of the net

profits from operations after the recovery by the Company and Lac Minerals of their costs.

The Company has also granted Lac Minerals the right to mine the crown pillar of the former Wasamac Mine at Arntfield, Québec subject to a royalty interest payable to the Company of 25% of the net profits from the operations after the recovery by the Company and Lac Minerals of their costs.

5. Oil and Gas Interests

	1983			1982		
	Cost	Accumulated depletion	Net	Cost	Accumulated depletion	Net
	(000's)					
Petroleum and natural gas leases and rights including development thereon						
Producing	\$447	\$264	\$183	\$426	\$46	\$380
Non-producing	36	—	36	332	—	332
	<u>\$483</u>	<u>\$264</u>	<u>\$219</u>	<u>\$758</u>	<u>\$46</u>	<u>\$712</u>

6. Related Party Transactions

From time to time advances are made between the Company and certain Lac Group companies. Interest on such advances is calculated at bank prime rate. Interest income from amounts loaned is \$410,000 (1982 — \$386,000). See also note 4 for details of other related party transactions.

7. Segmented Data

Investing in mining and exploration companies is the principal business of the Company and accordingly information segmented by industry is not applicable.

Auditor's report

To the Shareholders of
Wright-Hargreaves Mines, Limited

We have examined the statement of financial position of Wright-Hargreaves Mines, Limited as at December 31, 1983 and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 23, 1984

Thorne Riddell
Chartered Accountants

Officers

D.C. Webster
President

I.T.H. Hamilton
Senior Vice President and
General Counsel

H.L. Rodrigues
Secretary

R.C. Francisco
Treasurer

Directors

*P.A. Allen

F. Cochrane

*R.C. Stanley, Jr.

*D.C. Webster

*Members of Audit Committee

Executive Offices

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Transfer Agents

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Montreal and Toronto

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20 Eglinton Avenue West
Toronto, Ontario M4R 2E2

Corporate Services Department
600 Dorchester Blvd. West
Montreal, Quebec H3B 1N6

Auditors

Thorne Riddell
Box 262, Toronto-Dominion Centre
Toronto, Ontario M5K 1J9

Stock Exchange Listings

The Toronto Stock Exchange,
the Montreal Exchange and
the American Stock Exchange
(unlisted trading privileges)

