



President's Report

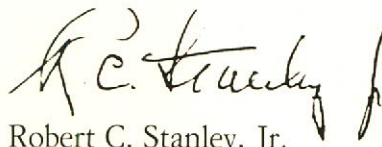
Consolidated earnings for the year ended December 31, 1983, before extraordinary items, were \$13,556,000 or \$3.20 per share, and \$38,935,000 or \$9.19 per share after extraordinary items. In 1982, earnings were \$11,166,000 or \$2.58 per share, before an extraordinary item, and \$11,766,000 or \$2.72 per share after an extraordinary item. Consolidated revenues were \$157,304,000 in 1983 compared with consolidated revenues of \$126,549,000 in 1982.

Development and initial profitable mining of the crown pillar of Lake Shore's former mine which was started in 1983, and yielded 6,458 ounces of gold, is expected to be completed early in 1985. Initial underground inspection of Lake Shore's former mine workings was carried out in 1983 as part of a detailed feasibility study to determine if the mine can be kept open on a continuous basis.

Lake Shore's earnings are derived primarily from its subsidiary 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,



Robert C. Stanley, Jr.
President

March 27, 1984

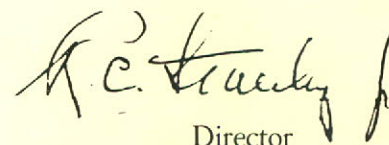
Consolidated Statement of Financial Position

	December 31,	
	1983	1982
	(000's)	
Current Assets		
Cash and short-term investments	\$ 62,523	\$ 9,210
Bullion and other product inventories	9,932	7,041
Accounts receivable	5,280	4,351
Due from Lac Group companies	30	369
Supplies and other assets	5,347	5,275
	<u>83,112</u>	<u>26,246</u>
Current Liabilities		
Bank indebtedness	—	1,990
Accounts payable and accrued liabilities	12,057	12,431
Due to Lac Group companies	10	2
Income and mining taxes payable	330	8,723
Long-term debt maturing within one year	835	513
	<u>13,232</u>	<u>23,659</u>
Working Capital	69,880	2,587
Investments (note 3)	25,529	18,431
Mining Interests (note 5)	96,201	71,276
Oil and Gas Interests (note 5)	37,599	35,651
Other Assets	1,780	243
Capital Employed	<u>230,989</u>	<u>128,188</u>
Deduct:		
Long-Term Debt (note 4)	5,185	7,404
Deferred Taxes	43,279	22,652
Minority Interest	86,442	40,666
	<u>134,906</u>	<u>70,722</u>
Shareholders' Investment	<u>\$ 96,083</u>	<u>\$ 57,466</u>
Shareholders' Investment Represented By		
Capital Stock		
Authorized — 6,000,000 shares		
Issued — 5,104,499 shares	\$ 5,105	\$ 5,105
Contributed Surplus	9,668	9,668
Retained Earnings	85,840	46,905
	<u>100,613</u>	<u>61,678</u>
Deduct the Company's pro rata interest in the cost to Lac Group companies of their investments in shares of the Company	4,530	4,212
	<u>\$ 96,083</u>	<u>\$ 57,466</u>
Commitments and Contingencies (note 10)		

Approved by the Board



Director



Director

Consolidated Statements of Earnings and Retained Earnings

	Year ended December 31,	
	1983	1982
	(000's)	
Consolidated Statement of Earnings		
Revenues	<u>\$ 157,304</u>	<u>\$ 126,549</u>
Expenses		
Operating and administrative	78,263	59,744
Depreciation, depletion and amortization	14,771	12,006
Mineral exploration	7,824	5,002
Oil and gas exploration	3,822	4,913
Research and development	856	335
Interest	1,302	1,058
	<u>106,838</u>	<u>83,058</u>
Earnings from operations	<u>50,466</u>	<u>43,491</u>
Other income (expense)		
Investment and other income	4,723	1,126
Loss and write-off of mining and oil and gas interests	(234)	—
Loss on investments, net	(145)	(1,239)
	<u>4,344</u>	<u>(113)</u>
Earnings before income and mining taxes and other items	54,810	43,378
Income and mining taxes	26,660	21,735
Earnings after income and mining taxes before other items	28,150	21,643
Equity in earnings (loss) of Lac Group companies	(267)	29
Earnings before minority interest and extraordinary items	27,883	21,672
Minority interest in Lac Minerals Ltd.	14,327	10,506
Earnings before extraordinary items	13,556	11,166
Gain arising from issue of shares by Lac Minerals Ltd. (note 2)	25,249	—
Reduction in income taxes as a result of the application of losses carried forward	130	600
Earnings for the year	<u>\$ 38,935</u>	<u>\$ 11,766</u>
Earnings per share (note 6)		
Before extraordinary items	<u>\$3.20</u>	<u>\$2.58</u>
After extraordinary items	<u>\$9.19</u>	<u>\$2.72</u>

Consolidated Statement of Retained Earnings

Retained Earnings, Beginning of Year	\$ 46,905	\$ 35,139
Earnings for the year	<u>38,935</u>	<u>11,766</u>
Retained Earnings, End of Year	<u>\$ 85,840</u>	<u>\$ 46,905</u>

Consolidated Statement of Changes in Financial Position

	Year ended December 31,	
	1983	1982
	(000's)	
Working Capital Derived from		
Operations		
Earnings before extraordinary items	\$ 13,556	\$ 11,166
Items not affecting working capital		
Equity in loss (earnings) of Lac Group companies	267	(29)
Depreciation, depletion and amortization	14,771	12,006
Deferred income and mining taxes	20,627	11,935
Minority interest	14,327	10,506
Dry holes and abandonments written-off	3,810	4,913
Loss on investments, net.	145	1,239
Loss on sale and write-off of mining and oil and gas interests	234	319
Write-off of other assets	243	7
Total from operations	67,980	52,062
Proceeds from sale of investments	438	50
Proceeds from sale of mining and oil and gas interests	916	1,215
Capital leases	1,326	2,300
Issue of capital stock by Lac Minerals Ltd.	60,991	9,127
Advances from Lac Group companies	1,000	3,500
Reduction in income taxes as a result of the application of losses carried forward	130	600
Working capital of a predecessor company of Lac Minerals Ltd.	—	7,341
Term bank loan	—	2,500
Total derived from all sources	132,781	78,695
Working Capital Applied to		
Mining interests	37,675	38,335
Oil and gas interests	8,576	14,895
Purchase of shares in Lac Group companies	8,773	8,099
Dividends to the minority shareholders of Lac Minerals Ltd.	4,710	4,563
Other assets	2,209	243
Repayment of long-term debt	3,545	896
Purchase of other investments	—	177
Advances to Little Long Lac Gold Mines Limited	—	1,000
Total applications	65,488	68,208
Increase in Working Capital	67,293	10,487
Working Capital (Deficiency), Beginning of Year	2,587	(7,900)
Working Capital, End of Year	<u>\$ 69,880</u>	<u>\$ 2,587</u>

Notes to Consolidated Financial Statements

Lake Shore 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 (Little Long Lac), Wright-Hargreaves Mines, Limited (Wright) and Lac Minerals Ltd. (Lac Minerals).

1. Significant Accounting Policies

- (a) **Basis of presentation** — The consolidated financial statements include the accounts of the Company and its subsidiary Lac Minerals.
- (b) **Revenue** — Bullion revenue is recognized when the bullion is delivered and accounted for net of royalties where the amount of the royalty is based on the quantity of production.
- (c) **Bullion and other product inventories** — Inventories are valued at the lower of cost (determined on the first-in, first-out basis) and estimated net realizable value.
- (d) **Supplies** — Supplies are valued at the lower of average cost of acquisition and replacement cost.
- (e) **Investments** — The Company accounts on an equity basis for its investments in Little Long Lac, 38% owned (1982 — 34%) and Wright, 38% owned (1982 — 38%) over which it has significant influence.

Little Long Lac owns 46% and Lac Minerals owns 4% of the shares of the Company. These reciprocal shareholdings result in the Company having an interest in its own shares. Therefore, the investment in Lac Group companies and shareholder's investment are reduced by the Company's 17% pro rata interest in the cost of such shares. In addition, equity in the earnings of Lac Group companies excludes Little Long Lac's share of earnings of the Company.

All other investments are recorded at cost.

- (f) **Mining interests** — Plant and equipment, including equipment under capital leases, are stated at cost. Expenditures for additions, major improvements and replacements are capitalized; repairs and maintenance are charged to earnings as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Mining properties are stated at cost. Depletion is provided on the unit-of-production method based on proven reserves.

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.

Deferred mine development includes deferred waste removal costs related to the Lac Minerals Doyon joint venture open pit operations to the extent that the waste-to-ore ratio exceeds the estimated average ratio for the life of the pit. Other expenditures incurred to bring a project into production and major development expenditures for producing mines are capitalized. All deferred mine development costs are amortized by the unit-of-production method based on proven reserves.

Upon sale or abandonment, the cost of mining interests and the related accumulated depreciation, depletion and amortization are removed from the accounts. Any gains or losses thereon are taken into earnings.

- (g) **Oil and gas interests** — Expenditures for petroleum and natural gas plants are capitalized.

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 costs previously capitalized are charged to earnings.

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

2. Extraordinary Item

During the year 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 Little Long Lac and Wright accounted for on an equity basis (quoted market value 1983 — \$98,703,000; 1982 — \$84,130,000)		
Cost	\$27,225	\$18,109
Interest in undistributed earnings	1,341	1,781
Advance to Little Long Lac . . .	—	1,000
	<u>28,566</u>	<u>20,890</u>
Less the Company's pro rata interest in the cost to Little Long Lac and Wright of their investments in shares of the Company	4,530	4,212
	<u>24,036</u>	<u>16,678</u>
Other investments, accounted for on a cost basis less provision for losses:		
With a quoted market value (1983 — \$1,129,000; 1982 — \$892,000)	1,289	1,521
Other	204	232
	<u>1,493</u>	<u>1,753</u>
	<u>\$25,529</u>	<u>\$18,431</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. Long-Term Debt

	1983	1982
	(000's)	
Advance from Wright	\$ 3,500	\$ 3,500
Obligations under capital leases	2,520	1,917
Term bank loan	—	2,500
	<u>6,020</u>	<u>7,917</u>
Less amount maturing within one year	835	513
	<u>\$ 5,185</u>	<u>\$ 7,404</u>

The advance from Wright which bears interest at the bank prime rate is repayable on January 1, 1986. Lac Minerals has the option to repay any amount prior to the maturity date without penalty.

The capital leases entered into by Lac Minerals contain options to purchase exercisable in 1985 and 1986. The obligations under such capital leases, which mature in 1987, represent the total present value of future minimum lease payments discounted at the interest rate implicit in each lease as at the inception of the lease. These rates range from 11% to 19%. The following is a schedule by year of future minimum lease payments together with the balance of the obligations under capital leases:

	1983	1982
	(000's)	
1983	\$ —	\$ 717
1984	1,110	717
1985	1,345	983
1986	530	—
Total minimum lease payments	2,985	2,417
Less amount representing interest	465	500
	<u>2,520</u>	<u>1,917</u>
Less amount maturing within one year	835	513
Obligations included with long-term debt	<u>\$ 1,685</u>	<u>\$ 1,404</u>

Interest and related expenses on long-term debt amounted to \$852,000 in 1983 (1982 — \$231,000).

5. Mining and Oil and Gas interests

	1983			1982		
	Cost	Accumulated depreciation, depletion and amortization	Net	Cost	Accumulated depreciation, depletion and amortization	Net
	(000's)					
Mining Interests —						
Plant and equipment	\$ 50,584	\$22,684	\$27,900	\$ 41,617	\$15,340	\$26,277
Equipment under capital leases	3,633	855	2,778	2,300	220	2,080
Mining properties	15,383	7,985	7,398	15,299	6,116	9,183
*Deferred mine development .	45,135	13,832	31,303	35,523	7,470	28,053
	<u>114,735</u>	<u>45,356</u>	<u>69,379</u>	<u>94,739</u>	<u>29,146</u>	<u>65,593</u>
**Major development and construction in progress .	26,863	41	26,822	5,696	13	5,683
	<u>\$141,598</u>	<u>\$45,397</u>	<u>\$96,201</u>	<u>\$100,435</u>	<u>\$29,159</u>	<u>\$71,276</u>
Oil and Gas Interests —						
Gas gathering system and processing plant	\$ 3,833	\$ 266	\$ 3,567	\$ 1,836	\$ 108	\$ 1,728
Petroleum and natural gas leases and rights including development thereon						
Producing	31,965	6,509	25,456	25,567	3,832	21,735
Non-producing	8,576	—	8,576	12,188	—	12,188
	<u>\$ 44,374</u>	<u>\$ 6,775</u>	<u>\$37,599</u>	<u>\$ 39,591</u>	<u>\$ 3,940</u>	<u>\$35,651</u>

* Includes \$13,267,000 Lac Minerals Doyon joint venture waste removal costs to the end of 1983, which, commencing in January 1984, will be amortized by the unit-of-production method based on the open pit proven ore reserves.

** Includes Lac Minerals Macassa Number 3 shaft — \$12,508,000 (1982 — \$5,171,000); and Hemlo Project — \$14,314,000 (1982 — \$512,000).

6. Earnings per share

Earnings per share are based on the shares outstanding during the year excluding the Company's pro rata interest in its own shares held by Lac Group companies (1983 — 4,236,734 shares; 1982 — 4,338,824 shares).

7. Joint Venture Agreement

In 1972 Lac Minerals entered into a joint venture with SOQUEM (Société Québécoise d'Exploration Minière) to develop and operate La Mine Doyon (Doyon) which commenced commercial operations in March 1980. The parties participate equally in the operations, which are carried out under the supervision of Lac Minerals.

The consolidated financial statements include Lac Minerals interest in Doyon as follows:

	1983	1982
	(000's)	
Assets	\$37,541	\$31,925
Liabilities	4,855	4,642
Equity and advances	<u>\$32,686</u>	<u>\$27,283</u>
Revenues	\$44,250	\$42,632
Expenses	22,855	16,323
Earnings before income and mining taxes	<u>\$21,395</u>	<u>\$26,309</u>

8. Segmented Data

	1983			1982		
	Mining	Oil and gas	Total	Mining	Oil and gas	Total
	(000's)					
Revenues						
Canada	\$150,659	\$ 3,204	\$153,863	\$121,186	\$ 2,656	\$123,842
U.S.A.	—	3,441	3,441	—	2,707	2,707
	<u>150,659</u>	<u>6,645</u>	<u>157,304</u>	<u>121,186</u>	<u>5,363</u>	<u>126,549</u>
Operating, administrative and interest expenses	77,901	2,520	80,421	58,874	2,263	61,137
Depreciation, depletion and amortization	11,938	2,833	14,771	8,594	3,412	12,006
Exploration	7,824	3,822	11,646	5,002	4,913	9,915
	<u>97,663</u>	<u>9,175</u>	<u>106,838</u>	<u>72,470</u>	<u>10,588</u>	<u>83,058</u>
Earnings (loss) from operations						
Canada	54,126	(272)	53,854	49,476	(2,159)	47,317
U.S.A.	(1,130)	(2,258)	(3,388)	(760)	(3,066)	(3,826)
	<u>\$ 52,996</u>	<u>\$ (2,530)</u>	<u>\$ 50,466</u>	<u>\$ 48,716</u>	<u>\$ (5,225)</u>	<u>\$ 43,491</u>
Identifiable assets						
Canada	\$204,365	\$29,794	\$234,159	\$114,126	\$23,348	\$137,474
U.S.A.	160	9,902	10,062	80	14,293	14,373
	<u>\$204,525</u>	<u>\$39,696</u>	<u>\$244,221</u>	<u>\$114,206</u>	<u>\$37,641</u>	<u>\$151,847</u>

9. Related Party Transactions

(a) 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. Included in investment and other income is \$107,000 (1982 — \$323,000) of interest earned on amounts loaned. Interest expense for amounts borrowed is \$414,000 (1982 — \$379,000).

(b) During the year Lac Minerals paid \$1,032,000 for salaries and expenses and consulting services, pursuant to oil and gas joint venture agreements, to companies in which two directors of Lac Minerals are officers. In 1982, \$306,000 was paid for salaries and expenses, pursuant to an oil and gas joint venture agreement, to a company in which a director of Lac Minerals is an officer.

(c) Lac Minerals has obtained from Wright the right to retreat tailings deposited in the bed of Kirkland Lake, Ontario as a result of operations formerly carried on by Wright. Wright 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.

(d) Wright has granted to Lac Minerals the right to explore and mine the crown pillar of the former Wright gold mine at Kirkland Lake and to treat ore from the pillar, subject to a royalty interest payable to Wright of 50% of the net profits from the operations after the recovery by Wright and Lac Minerals of their costs. In addition Wright has granted to Lac Minerals the right to mine the crown pillar of the former Wasamac Mine at Arntfield, Québec subject to a royalty interest payable to Wright of 25% of the net profits from the operations after the recovery by Wright and Lac Minerals of their costs.

10. Commitments and Contingencies

(a) In October of 1981 International Corona Resources (Corona) commenced an action against, among others, a predecessor of Lac Minerals in which it now claims general damages of \$500,000,000 for breach of a confidential relationship which precluded the acquisition of certain patented mining claims in the Hemlo area of Ontario, a declaration that Lac Minerals interests in the subject mining claims are held in trust for Corona and an order directing their transfer to Corona, an injunction to prevent the Company from dealing with the claims and an accounting for profits from the claims. Based on evidence provided by Lac Minerals and subject to any evidence revealed by further examinations for discovery that must be conducted, counsel for Lac Minerals is of the opinion that Corona should not succeed in its claim.

(b) From time to time Lac Minerals sells gold for future delivery at set dates and prices. These transactions are not reflected in Lac Minerals accounts until the delivery date. At December 31, 1983 Lac Minerals had agreed to sell 216,050 ounces of gold at prices averaging U.S. \$437 per ounce. At March 1, 1984 the amount sold is 100,810 ounces of gold at prices averaging U.S.\$431 per ounce.

11. Subsequent Event

On March 13, 1984 Lac Minerals entered into a subscription agreement providing for the sale of 50,000 units. Each unit consists of one U.S.\$1,000 8% debenture due April 15, 1989 and four gold purchase warrants; each warrant entitles the holder to purchase 0.5 troy ounces of gold from Lac Minerals for U.S.\$230, which is equal to U.S.\$460 per ounce. The units will be issued at a price of U.S.\$1,000 for gross proceeds of U.S.\$50,000,000.

Auditors' Report

To the Shareholders of
Lake Shore Mines, Limited

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

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 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
(March 13, 1984 as to notes 10(b) and 11)


Chartered Accountants

Directors and Officers

Other Corporate Information

Officers

R.C. Stanley, Jr.
President

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

H.L. Rodrigues
Secretary

R.C. Francisco
Treasurer

Directors

*P.A. Allen

*J.C.L. Allen

*F. Cochrane

D.G. Sheehan

R.C. Stanley, Jr.

*Members of Audit Committee

Executive Offices

Suite 2105, North Tower,
Royal Bank Plaza
P.O. Box 156,
Toronto, Ontario, Canada M5J 2J4
Tel: (416) 865-0722,
Telex No. 06-22145

Transfer Agents

Canada Permanent Trust Company
Montreal and Toronto

Corporate Services Department
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)

