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HOWARD BOSS LIBRARY  
OF MANAGEMENT  
JUN 15 1983  
MCGILL UNIVERSITY



## President's Report

Consolidated net earnings in 1982 amounted to \$11,766,000 or \$2.72 a share, compared to \$24,185,000 or \$5.54 a share in 1981.

Consolidated production revenues in 1982 declined to \$126,549,000 from \$136,709,000 in 1981, largely due to lower prices of gold realized during the year by its subsidiary company, Lac Minerals Ltd.

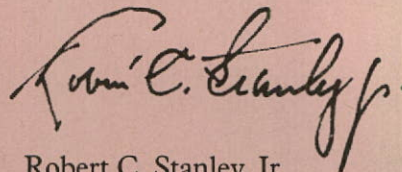
Following two years of detailed technical and engineering studies, Lac Minerals Ltd. and the Company have reached an agreement providing for the mining of the Lake Shore crown pillar. Lac Minerals has acquired the right to mine the pillar until January 1, 1987 in exchange for the granting to the Company of a royalty interest of 50% of the net profit. The royalty payment is to be payable only after Lac Minerals and Lake Shore have recouped, on a pro rata basis, their respective exploration costs and capital expenditures incurred to place the property into production. A contract will be awarded for 3,700 feet of development which includes a new trackless access ramp from surface to the 200 foot level. The crown pillar is estimated to contain 87,000 tons of proven ore with an average grade of 0.5 ounces of gold per ton.

The Company, Wright-Hargreaves Mines, Limited and Lac Minerals Ltd. have entered into an agreement for the treatment of the tailings near Kirkland Lake owned by Lake Shore and Wright-Hargreaves. Lac Minerals Ltd. has paid the Company \$402,000 and \$84,000 to Wright-Hargreaves representing their respective costs of exploration, research and development to January 18, 1983 for the right to treat the tailings. Lake Shore and Wright-Hargreaves will, after the commencement of production and after Lac Minerals has recovered its costs, be entitled to a royalty equal to the greater of 2% of the net smelter return or 20% of the net profit derived from the mining and retreatment of the tailings. The royalties are to be divided between Lake Shore as to 81% and Wright-Hargreaves as to 19% pro rata in accordance with the tonnages of the tailings calculated to be owned by them. A production decision is in the entire discretion of Lac Minerals. On the abandonment of any of the claims, they will be returned to their respective owners. The combined tailings are estimated to contain 3,740,000 tons of material with an average grade of 0.077 ounces of gold per ton.

A reorganization of some of the Lac Group of Companies, which began in November, 1981, was completed in December, 1982. As a result, all producing and most of the non-producing assets in the Group have been moved to the newly formed operating company, Lac Minerals Ltd.

Accompanying this annual report is a copy of Lac Minerals Ltd.'s annual report for 1982.

On Behalf of the Board of Directors



Robert C. Stanley, Jr.  
President

March 31, 1983

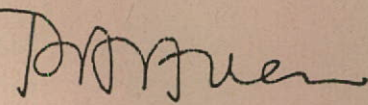


**Consolidated Statement of Financial Position**

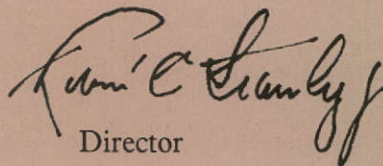
December 31, 1982

	1982	1981
<b>Current Assets</b>		
Cash and short-term deposits	\$ 9,210,000	\$27,931,000
Bullion	7,041,000	5,640,000
Accounts receivable	4,351,000	3,926,000
Due from Lac Group companies	369,000	1,286,000
Supplies and other assets	5,275,000	4,001,000
	<b>26,246,000</b>	<b>42,784,000</b>
<b>Current Liabilities</b>		
Bank indebtedness	1,990,000	2,637,000
Accounts payable and accrued liabilities	12,431,000	7,172,000
Due to Lac Group companies	2,000	3,741,000
Income and mining taxes payable	8,723,000	37,134,000
Current portion of long-term debt	513,000	
	<b>23,659,000</b>	<b>50,684,000</b>
<b>Working Capital (Deficiency)</b>	<b>2,587,000</b>	<b>(7,900,000)</b>
<b>Investments</b> (note 3)	<b>18,431,000</b>	<b>17,941,000</b>
<b>Mining Interests</b> (note 4)	<b>71,519,000</b>	<b>39,457,000</b>
<b>Oil and Gas Interests</b> (note 5)	<b>35,651,000</b>	<b>29,423,000</b>
<b>Capital Employed</b>	<b>128,188,000</b>	<b>78,921,000</b>
Deduct		
<b>Long-Term Debt</b> (note 6)	<b>7,404,000</b>	
<b>Deferred Taxes</b>	<b>22,652,000</b>	10,206,000
<b>Minority Interest</b>	<b>40,666,000</b>	20,483,000
	<b>70,722,000</b>	<b>30,689,000</b>
<b>Shareholders' Investment</b>	<b>\$ 57,466,000</b>	<b>\$48,232,000</b>
<b>Investment Represented by</b>		
<b>Capital Stock</b>		
Authorized—6,000,000 shares with a par value of \$1 each		
Issued —5,104,499 shares	\$ 5,105,000	\$ 5,105,000
<b>Contributed Surplus</b>	<b>9,668,000</b>	9,668,000
<b>Retained Earnings</b>	<b>46,905,000</b>	35,139,000
	<b>61,678,000</b>	49,912,000
Deduct the company's pro rata interest in the cost to Lac Group companies of their investments in shares of Lake Shore Mines, Limited	<b>4,212,000</b>	1,680,000
	<b>\$ 57,466,000</b>	<b>\$48,232,000</b>

Approved by the Board



Director



Director



**Consolidated Statement of Earnings**

Year Ended December 31, 1982

	1982	1981
Production revenue	<b>\$126,549,000</b>	\$136,709,000
Expenses		
Operating and administrative	<b>60,079,000</b>	46,784,000
Depreciation, depletion and amortization	<b>12,006,000</b>	8,108,000
Mineral exploration	<b>5,002,000</b>	2,840,000
Oil and gas exploration	<b>4,913,000</b>	5,337,000
Interest	<b>1,058,000</b>	1,782,000
	<b>83,058,000</b>	64,851,000
Earnings from operations	<b>43,491,000</b>	71,858,000
Other income (expense)		
Investment and other income	<b>1,126,000</b>	3,651,000
Gain on sale of investments	<b>50,000</b>	8,223,000
Provision for loss on investments	<b>(1,289,000)</b>	
	<b>(113,000)</b>	11,874,000
Earnings before income and mining taxes	<b>43,378,000</b> †	83,732,000
Income and mining taxes	<b>21,735,000</b>	47,456,000
Earnings before equity in earnings of Lac Group companies	<b>21,643,000</b>	36,276,000
Equity in earnings of Lac Group companies	<b>29,000</b>	2,121,000
Earnings before minority interest	<b>21,672,000</b>	38,397,000
Minority interest	<b>10,506,000</b>	14,551,000
Earnings before extraordinary item	<b>11,166,000</b>	23,846,000
Reduction in income taxes as a result of the application of losses carried forward	<b>600,000</b>	339,000
<b>Net Earnings</b>	<b>\$ 11,766,000</b>	<b>\$ 24,185,000</b>
<b>Earnings per Share</b>		
Before extraordinary item	<b>\$2.58</b>	\$5.50
After extraordinary item	<b>\$2.72</b>	\$5.54

**Consolidated Statement of Retained Earnings**

Year Ended December 31, 1982

	1982	1981
<b>Retained Earnings, Beginning of Year</b>		
As previously reported	<b>\$36,150,000</b>	\$13,882,000
Adjustment to mining taxes of a Lac Group company (note 2)	<b>(1,011,000)</b>	(2,928,000)
As restated	<b>35,139,000</b>	10,954,000
Net earnings	<b>11,766,000</b>	24,185,000
<b>Retained Earnings, End of Year</b>	<b>\$46,905,000</b>	\$35,139,000



**Consolidated Statement of Changes in Financial Position**

Year Ended December 31, 1982

	1982	1981
<b>Working Capital Derived from</b>		
Earnings before extraordinary item	<b>\$11,166,000</b>	\$23,846,000
Items not affecting working capital		
Equity in earnings of Lac Group companies	<b>(29,000)</b>	(2,121,000)
Depreciation, depletion and amortization	<b>12,006,000</b>	8,108,000
Deferred income and mining taxes	<b>11,935,000</b>	5,289,000
Minority interest	<b>10,506,000</b>	14,551,000
Dry holes and abandonments written off	<b>4,913,000</b>	4,835,000
Gain on sale of investments	<b>(50,000)</b>	(8,223,000)
Provision for loss on investments	<b>1,289,000</b>	
Loss on sale of mining and oil and gas interests	<b>319,000</b>	
Other	<b>7,000</b>	(670,000)
	<b>52,062,000</b>	45,615,000
Proceeds on sale of investments	<b>50,000</b>	18,388,000
Proceeds on sale of mining and oil and gas interests	<b>1,215,000</b>	486,000
Term bank loans	<b>2,500,000</b>	2,500,000
Obligations under capital leases	<b>2,300,000</b>	
Issue of capital stock by a subsidiary company	<b>9,127,000</b>	20,000
Advances from a Lac Group company	<b>3,500,000</b>	
Reduction in income taxes as a result of the application of losses carried forward	<b>600,000</b>	339,000
Working capital of a predecessor company of Lac Minerals Ltd. (note 1(a))	<b>7,341,000</b>	
	<b>78,695,000</b>	67,348,000
<b>Working Capital Applied to</b>		
Purchase of shares in a subsidiary company	<b>4,335,000</b>	4,260,000
Purchase of investments	<b>3,941,000</b>	3,339,000
Advances to a Lac Group company	<b>1,000,000</b>	
Mining interests	<b>38,578,000</b>	17,424,000
Oil and gas interests	<b>14,895,000</b>	15,091,000
Dividends to minority shareholders	<b>4,563,000</b>	5,302,000
Repayment of long-term debt	<b>896,000</b>	21,667,000
	<b>68,208,000</b>	67,083,000
<b>Increase in Working Capital</b>	<b>10,487,000</b>	265,000
<b>Working Capital (Deficiency), Beginning of Year</b>		
As previously reported	<b>(5,900,000)</b>	(2,315,000)
Adjustment to mining taxes (note 2)	<b>(2,000,000)</b>	(5,850,000)
As restated	<b>(7,900,000)</b>	(8,165,000)
<b>Working Capital (Deficiency), End of Year</b>	<b>\$ 2,587,000</b>	(\$7,900,000)



**Notes to Consolidated Financial Statements**

December 31, 1982

**1. Significant Accounting Policies****(a) BASIS OF CONSOLIDATION**

The consolidated financial statements include the accounts of Lake Shore Mines, Limited, and its 50.5% effectively owned subsidiary, Lac Minerals Ltd.

Lac Minerals Ltd. was formed effective December 31, 1982 as a result of a reorganization of Long Lac Minerals Ltd. (No Personal Liability), Willroy Mines Limited, Les Terrains Aurifères Malartic (Québec) Limitée (Libre de responsabilité personnelle), Long Lac Mineral Exploration Limited and certain other companies in the Lac Group and Les Mines Est-Malartic Ltée (Libre de responsabilité personnelle), a company previously accounted for by the equity method.

Long Lac Minerals Ltd. (No Personal Liability) was formed effective November 1, 1981 as a result of a reorganization of Silverstack Mines Ltd. (No Personal Liability), Les Mines d'Or Thompson-Bousquet Ltée (Libre de responsabilité personnelle), Copper Giant Mining Corporation Limited (Non-Personal Liability) and the acquisition of certain assets of Long Lac Mineral Exploration Limited. By transactions effective May 31, 1982 and November 19, 1982 Lac Minerals Ltd. acquired all operating assets of the aforementioned companies.

**(b) REVENUE**

Bullion revenue is accounted for net of royalties where the amount of the royalty is based on the value of production.

**(c) BULLION**

Bullion inventory is valued at the lower of cost and estimated net realizable value; cost is determined on the first-in, first-out basis.

**(d) SUPPLIES**

Supplies are valued at average cost less amounts written off.

**(e) INVESTMENTS**

The company accounts for its investments in Lac Group companies, over which it has significant influence but not majority ownership of their issued and outstanding capital, on an equity basis:

	Percentage ownership	
	1982	1981
Little Long Lac Gold Mines Limited	34%	28%
Wright-Hargreaves Mines, Limited	38%	38%
Les Mines Est-Malartic Ltée (Libre de responsabilité personnelle)		43%

Little Long Lac Gold Mines Limited owns 46% and Lac Minerals Ltd. 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 15% pro rata interest in the cost of such shares. In addition, equity in the earnings of Lac Group companies excludes Little Long Lac Gold Mines Limited's share of earnings of the company.

All other investments are recorded at cost.

The cost of investments is written down to net realizable value if any loss in value is deemed to be permanent in nature.



(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 operations as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Mining properties are stated at cost. Exploration and acquisition costs related to properties with recoverable mineral reserves are capitalized; other mineral exploration costs are charged to operations as incurred.

Depletion is provided by the unit-of-production method based on proven reserves.

Deferred mine development—Waste removal costs related to open pit operations are deferred 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 on producing mines are capitalized. All deferred mine development costs are amortized by the unit-of-production method based on proven reserves.

Upon disposition, the cost of mining interests and any related accumulated depreciation, depletion and amortization to the date of disposal are removed from the accounts and any gain or loss is taken into income.

Costs related to mining properties considered to be permanently uneconomic are written off.

(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. Such costs include property acquisition costs, geological and geophysical expenses, carrying charges and drilling costs. 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 income.

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

(h) EARNINGS PER SHARE

Earnings per share are based on the number of shares outstanding during the year. This number has been reduced by the company's pro rata interest in its own shares held by Lac Group companies (1982, 765,675 shares; 1981, 741,704 shares).

(i) LAC GROUP COMPANIES

The company is a member of a group of companies collectively known as the Lac Group. The principal members of this group are Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited, Wright-Hargreaves Mines, Limited and Lac Minerals Ltd.

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**2. Adjustment of Prior Years' Mining Taxes**

Comparative figures have been restated to reflect proposed reassessments of mining taxes for the years 1979 to 1981. \$1,917,000 is applicable to 1981 and has been reflected as a reduction to mining tax expense of \$3,850,000 and an increase to minority interest of \$1,933,000. The cumulative effect for the years 1979 to 1981 is a charge to retained earnings of \$1,011,000.



<b>3. Investments</b>	<b>1982</b>	1981
Lac Group companies, at equity (quoted market value 1982, \$84,130,000; 1981, \$28,705,000)		
Shares	<b>\$18,109,000</b>	\$11,615,000
Equity	<b>1,781,000</b>	5,104,000
Advances	<b>1,000,000</b>	
	<b>20,890,000</b>	16,719,000
Less Lake Shore Mines, Limited's pro rata interest in the cost to Lac Group companies of their investments in shares of Lake Shore Mines, Limited	<b>4,212,000</b>	1,680,000
	<b>16,678,000</b>	15,039,000
Other investments, at cost less provision for losses		
Listed (quoted market value 1982, \$892,000; 1981, \$854,000)	<b>1,521,000</b>	1,518,000
Advances, less provision for losses		1,289,000
Other	<b>232,000</b>	95,000
	<b>1,753,000</b>	2,902,000
	<b>\$18,431,000</b>	\$17,941,000

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

<b>4. Mining Interests</b>	<b>1982</b>		1981	
	Cost	Accumulated depreciation, depletion and amortization	Net	Net
Plant and equipment	<b>\$ 41,733,000</b>	<b>\$15,353,000</b>	<b>\$26,380,000</b>	\$13,285,000
Equipment under capital leases	<b>2,300,000</b>	<b>220,000</b>	<b>2,080,000</b>	
Mining properties	<b>15,708,000</b>	<b>6,116,000</b>	<b>9,592,000</b>	9,937,000
Deferred mine development	<b>35,766,000</b>	<b>7,470,000</b>	<b>28,296,000</b>	13,525,000
	<b>95,507,000</b>	<b>29,159,000</b>	<b>66,348,000</b>	36,747,000
Major development and construction in progress	<b>5,171,000</b>		<b>5,171,000</b>	2,710,000
	<b>\$100,678,000</b>	<b>\$29,159,000</b>	<b>\$71,519,000</b>	\$39,457,000

<b>5. Oil and Gas Interests</b>	<b>1982</b>		1981	
	Cost	Accumulated depletion	Net	Net
Gas gathering system and processing plant	<b>\$ 1,836,000</b>	<b>\$ 108,000</b>	<b>\$ 1,728,000</b>	\$ 1,069,000
Petroleum and natural gas leases and rights including development thereon				
Producing	<b>25,567,000</b>	<b>3,832,000</b>	<b>21,735,000</b>	12,161,000
Non-producing	<b>12,188,000</b>		<b>12,188,000</b>	16,193,000
	<b>\$ 39,591,000</b>	<b>\$ 3,940,000</b>	<b>\$35,651,000</b>	\$29,423,000



**6. Long Term Debt**

Advances from Lac Group companies	<b>\$ 3,500,000</b>
Obligations under capital leases	<b>1,917,000</b>
Term bank loans	<b>2,500,000</b>
	<b>7,917,000</b>
Less portion included in current liabilities	<b>513,000</b>
	<b>\$ 7,404,000</b>

Advances from Lac Group companies which bear interest at bank prime rate are repayable on January 1, 1986. The borrower has the option to prepay any amount prior to the maturity date without penalty.

The obligations under capital leases, which mature in 1985 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 13% to 17%. The following is a schedule by year of future minimum lease payments together with the balance of the obligations under capital leases:

1983	<b>\$ 717,000</b>
1984	<b>717,000</b>
1985	<b>983,000</b>
Total minimum lease payments	<b>2,417,000</b>
Less amount representing interest	<b>500,000</b>
	<b>1,917,000</b>
Less portion included in current liabilities	<b>513,000</b>
Balance of obligations	<b>\$1,404,000</b>

Term bank loans are unsecured and are due January 1, 1985. Interest is payable at prime plus 1/4%.

Interest and related expenses on long-term debt for the year ended December 31, 1982 amounted to \$231,000.

**7. Joint Venture Agreement**

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

The consolidated financial statements include the company's interest in the La Mine Doyon joint venture as follows:

	<b>1982</b>	1981
Assets	<b>\$31,925,000</b>	\$14,470,000
Liabilities	<b>4,642,000</b>	1,312,000
Equity and advances	<b>\$27,283,000</b>	\$13,158,000
Revenues	<b>\$42,632,000</b>	\$40,200,000
Expenses	<b>16,323,000</b>	9,661,000
Earnings before income and mining taxes	<b>\$26,309,000</b>	\$30,539,000



8. Segmented Data	1982			1981		
	Mining	Oil and gas	Total	Mining	Oil and gas	Total
Revenues						
Canada	\$121,186,000	\$ 2,656,000	\$123,842,000	\$134,943,000	\$ 552,000	\$135,495,000
U.S.A.		2,707,000	2,707,000		1,214,000	1,214,000
	<b>121,186,000</b>	<b>5,363,000</b>	<b>126,549,000</b>	134,943,000	1,766,000	136,709,000
Operating and administrative expenses	<b>58,874,000</b>	<b>2,263,000</b>	<b>61,137,000</b>	46,930,000	1,636,000	48,566,000
Depreciation, depletion and amortization	<b>8,594,000</b>	<b>3,412,000</b>	<b>12,006,000</b>	7,465,000	643,000	8,108,000
Exploration	<b>5,002,000</b>	<b>4,913,000</b>	<b>9,915,000</b>	2,840,000	5,337,000	8,177,000
	<b>72,470,000</b>	<b>10,588,000</b>	<b>83,058,000</b>	57,235,000	7,616,000	64,851,000
Earnings (loss) from operations						
Canada	<b>49,476,000</b>	<b>(2,159,000)</b>	<b>47,317,000</b>	77,708,000	(3,261,000)	74,447,000
U.S.A.	<b>(760,000)</b>	<b>(3,066,000)</b>	<b>(3,826,000)</b>		(2,589,000)	(2,589,000)
	<b>\$ 48,716,000</b>	<b>\$(5,225,000)</b>	<b>\$ 43,491,000</b>	\$ 77,708,000	\$(5,850,000)	\$ 71,858,000
Identifiable assets						
Canada	<b>\$114,126,000</b>	<b>\$23,348,000</b>	<b>\$137,474,000</b>	\$ 97,382,000	\$18,456,000	\$115,838,000
U.S.A.	<b>80,000</b>	<b>14,293,000</b>	<b>14,373,000</b>		13,767,000	13,767,000
	<b>\$114,206,000</b>	<b>\$37,641,000</b>	<b>\$151,847,000</b>	\$ 97,382,000	\$32,223,000	\$129,605,000

### 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 for the year ended December 31, 1982 is \$323,000 and in interest expense is \$379,000 from these advances.
- (b) During the year a subsidiary company paid \$306,000 for salaries and expenses pursuant to a joint venture agreement to a company in which a director of a subsidiary company is an officer.

### 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, 1982 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, 1982 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 28, 1983

*Thorne Riddell*  
Chartered Accountants



## Directors and Officers

### OFFICERS

---

R. C. Stanley, Jr.  
President  
E. J. Wade  
Senior Vice President  
D. G. Sheehan  
Senior Vice President  
Exploration  
H. E. Rutetzki  
Vice President  
Operations  
I. T. H. Hamilton  
Vice President &  
General Counsel  
H. Rodrigues  
Secretary  
R. C. Francisco  
Treasurer  
G. R. Dallaire  
Controller

### DIRECTORS

---

P. A. Allen  
J. C. L. Allen  
F. Cochrane  
D. G. Sheehan  
R. C. Stanley, Jr.

### AUDIT COMMITTEE

---

P. A. Allen  
J. C. L. Allen  
F. Cochrane



