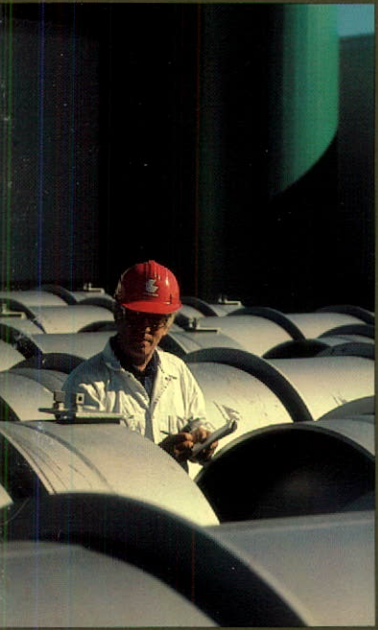
ELDORADO'S ANNUAL REPORT



1985

eldorado

ELDORADO'S OPERATIONS

The Eldorado group mines and processes uranium for use by utilities in the generation of electricity. The parent company is a federal Crown corporation and is an agent of Her Majesty in Right of Canada. Eldorado's operations and investments are held by wholly-owned subsidiaries, which are not agents of the Crown.

Eldorado Resources Limited, the major operating subsidiary, has three divisions — Eldor Mines operates the uranium properties and mill in the Rabbit Lake region of northern Saskatchewan; Fuel Services operates a uranium refinery at Blind River, Ontario and uranium conversion plants at Port Hope, Ontario; Specialty Metals produces uranium metal and metal alloys, also at Port Hope. Administrative services and research and development support, all based in Ottawa, are also provided by this subsidiary.

A second subsidiary, Eldor Resources Limited, owns a one-sixth interest in the Key Lake mine and related properties in northern Saskatchewan. Eldor Resources also holds uranium and other mineral exploration interests with programs conducted from offices in Ottawa and Saskatoon.

Eldorado is a subsidiary of the Canada Development Investment Corporation, which was established in 1982 to consolidate the ownership of some of the federal government's commercial investments.

HIGHLIGHTS

Financial ($ in thousands)	1985	1984
Sales	$219,792	$208,139
Earnings (loss) before taxes	$ (28,424)	$ 13,141
Net earnings (loss)	$ (57,204)	$ 4,427
Return on capital employed	(6.8)%	0.5%
Capital expenditures	$ 50,177	$ 77,325
Cash provided from operations	$174,679	$ 79,310
Long-term debt	$513,471	$577,360
Shareholder's equity	$205,004	$262,208
Production (tonnes U.)		
Uranium produced	1,536	2,029
Uranium processed	6,833	4,399
Employees at year end		
Total	1,111	1,199
Payroll and benefits ($ in thousands)	$ 44,266	$ 49,805

During 1985, Eldorado Nuclear Limited achieved record sales revenues for the fourth consecutive year. However, the Company also incurred record financing costs and royalty payments. These factors, combined with continuing low prices for uranium, resulted in a net loss of $57.2 million for the year ended December 31.

Eldorado's aggressive sales efforts generated $220 million in revenues, a six percent gain from the previous year. Earnings from operations amounted to $64 million, unchanged from 1984. This profit represents 29 percent of total revenues which, by any reasonable measure of commercial success, places Eldorado among the more efficient companies in the Canadian minerals industry. Nonetheless, the Company had to report its second loss in the last 12 years, primarily because of financing costs, mineral royalties and market conditions.

Eldorado is among the most highly leveraged resource companies in Canada, carrying 2.9 times more debt than shareholder equity capital. The Company's five-year, $500 million capital expansion program has been financed without access to new cash equity. Now that this capital spending program is virtually complete, significantly enhancing Eldorado's position in the industry, the Company's earnings statement is fully reflecting its high level of indebtedness. Net financing costs charged against income jumped from $52.3 million in 1984 to $73.1 million in 1985. This cost is equal to one-third of Eldorado's revenues.

In choosing to implement its ambitious expansion program financed solely with additional borrowings, the Shareholder and management recognized that, depending on market conditions, losses could be incurred in the early years until internally generated cash could reduce the debt.

A second major influence on the 1985 results was the $24.4 million of mineral royalties paid to the Government of Saskatchewan, up 47 percent from the previous year. Royalties consumed 11 percent of the Company's total revenues and 38 percent of operating profits, high proportions for any mining company.

The third influence on earnings was the depressed prices for uranium and conversion services. In 1985, spot prices were at their lowest levels since 1975, but they showed modest improvement during the second half. Most of Eldorado's revenue is derived from long-term sales contracts; however, most of the growth in revenue in recent years has come from spot sales. Depressed spot prices have therefore restrained revenue growth and eroded profitability. It would appear that spot prices have bottomed out but the extent and duration of the current recovery are uncertain. Industry-wide, 1985 was the first year since the advent of commercial nuclear power in the early 1970s that nuclear reactors around the world consumed more uranium than the mining industry produced. However, the level of surplus inventory remains a concern.

I am pleased to report a number of significant events which occurred during 1985.

Late in the year, the Shareholder appointed 12 new outside directors to Eldorado's Board and re-appointed four directors. In addition to the broad experience in industry, commerce and public service which they share with the former directors, the new Board members bring a fresh outlook to the consideration of Eldorado's future and the inevitable changes which lie ahead.

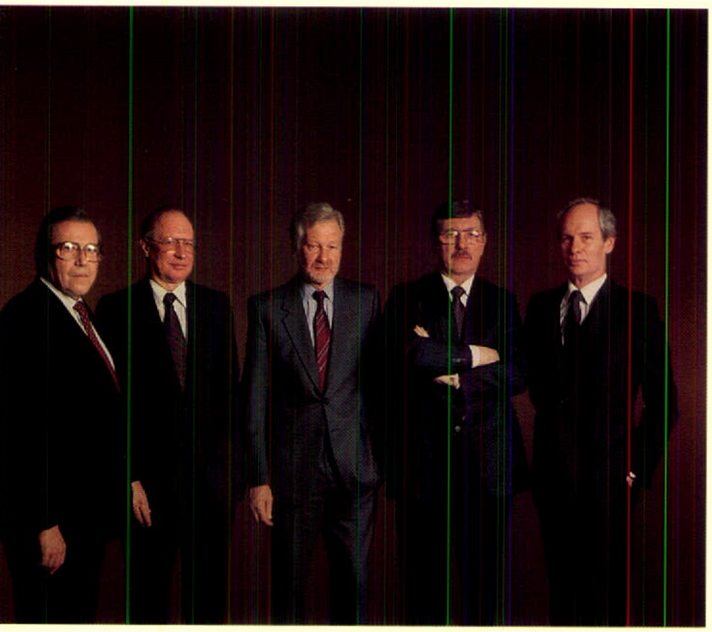
The Company's Board and management continued to work closely with the Shareholder, Canada Development Investment Corporation, and its advisors regarding the Government of Canada's intent to sell Eldorado to private investors. The Company is confident that investors will recognize the fundamental strength of its assets and its growth potential.

In September, the Government of Canada reaffirmed its long-standing policy that uranium should be processed in Canada prior to export, provided this does not penalize foreign utility customers.

Eldor Mines began commissioning its $100 million Collins Bay "B" mine and renovated mill, while continuing production, albeit at a reduced rate.

Production increased at the Key Lake mine, in which Eldorado has a one-sixth interest, and the mill was operating at close to capacity in only its second full year of operation.

The Fuel Services division processed a record volume of uranium and increased its share of total sales revenue from 25 percent in 1984 to 32 percent.



The senior officers of Eldorado Nuclear Limited (l-r): N.M. Ediger, Chairman and Chief Executive Officer; K.M. Haapanen, Vice-President Mining; R.G. Dakers, Vice-President Fuel Services; George Boyce, Vice-President Marketing; and T.J. Gorman, Vice-President Finance.

In terms of both mining and processing, Eldorado was able to significantly reduce inventories last year.

The search for gold and selected base metals in Ontario and Quebec, accounted for 46 percent of the $5.8 million spent on exploration in 1985. Although mineralization outlined to date is insufficient to support production, drilling will continue.

Eldorado's exploration program substantially increased the Company's uranium resource base, ensuring sufficient reserves to feed the Rabbit Lake mill into the next century.

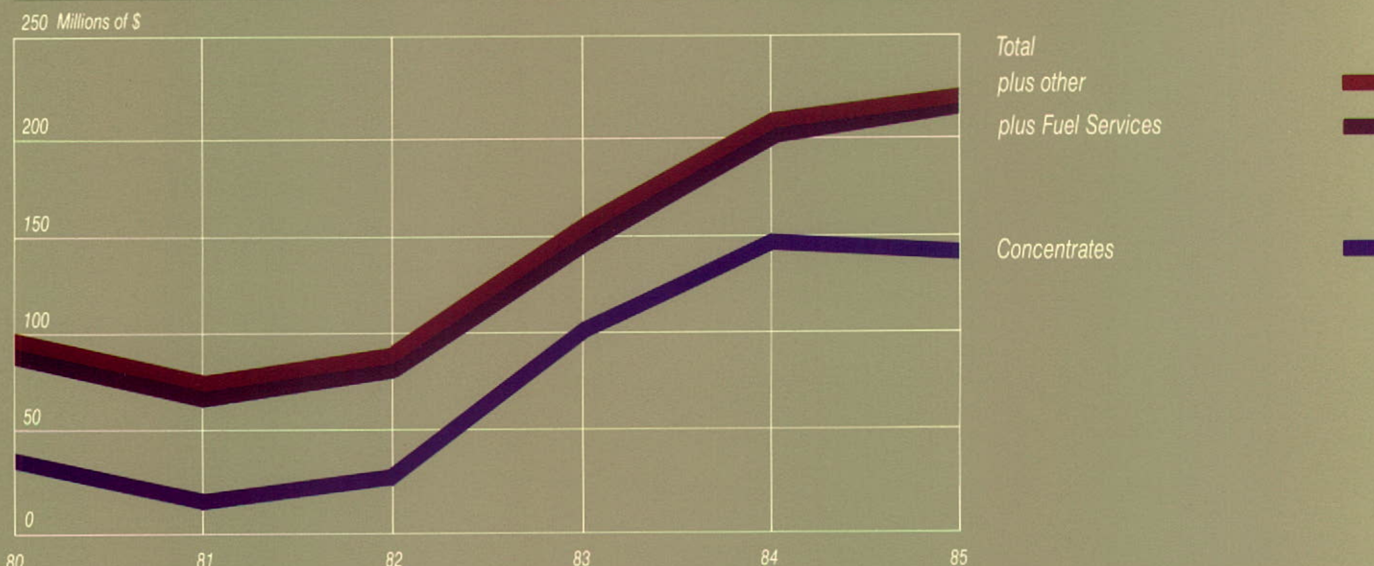
With the completion of the current capital expansion program, increasing effort will be directed to the development of additional uranium reserves near Rabbit Lake, particularly those being discovered at Eagle Point. These reserves consist of two properties — Eagle South, wholly-owned by Eldorado, and Eagle North, an Eldorado- operated joint venture. Geologic reserves identified to date at the two deposits exceed 50,000 tonnes U, four times those at Collins "B".

The Eagle Point ore features high grades and simple mineralogy in stable host rock, indicating that conventional mining methods are generally feasible. A single mining operation at Eagle Point may prove to be the most efficient and orderly development plan. The ore lends itself to processing in the new milling circuit at Rabbit Lake. The identification of substantial additional quantities of high-quality uranium reserves in 1985 has consolidated Eldorado's position as a world-scale Canadian supplier beyond the year 2000.

In closing, I would like to express Eldorado's appreciation to its long-standing and new electric utility customers. Despite lower prices, sales revenue has increased 150 percent since 1980 and the number of our customers has doubled to 48 utilities in 12 countries. Their confidence and our employees' continuing commitment to customer service are essential to Eldorado's future.

N.M. Ediger, Chairman and Chief Executive Officer

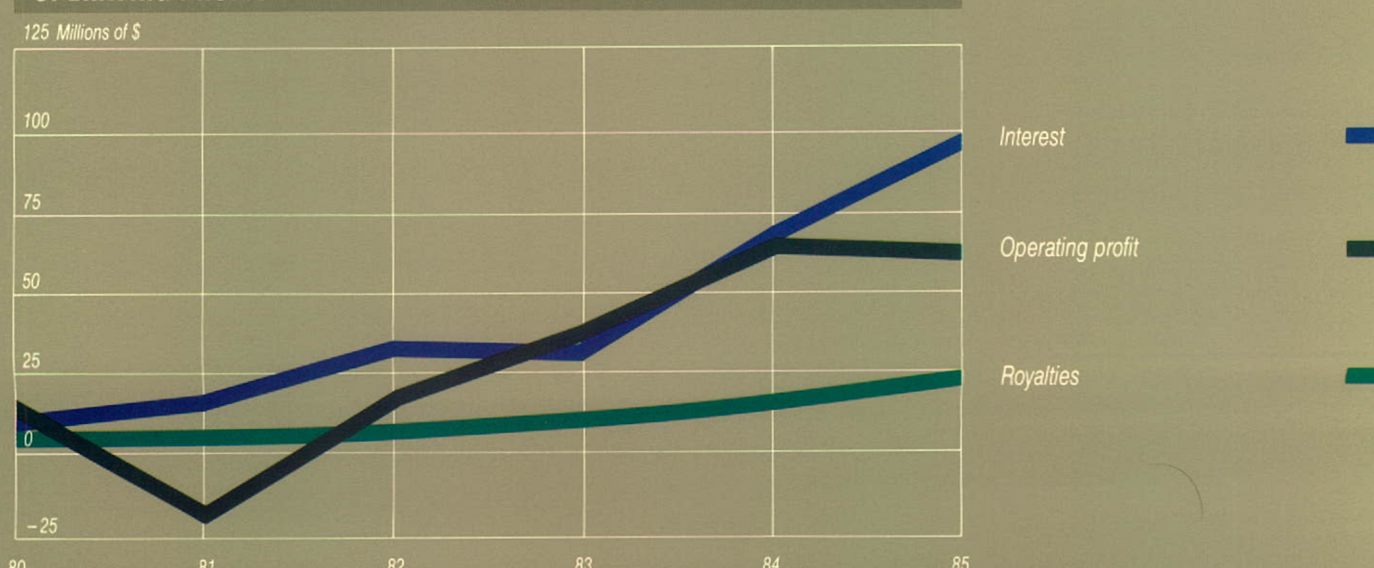
REVENUE BY SOURCE



At a record $220 million, Eldorado's 1985 revenues are 150 percent above those in 1980. This year's gain resulted from increased Fuel Services sales.

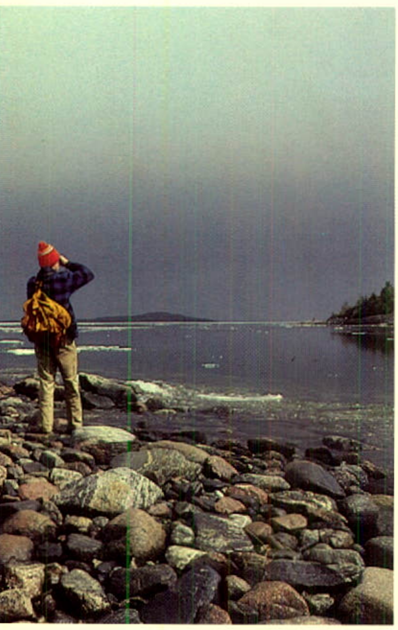
Operating profit has grown significantly since 1981. However, higher interest and royalty costs in 1985 exceeded the $64 million profit from operations.

OPERATING PROFIT



During 1985, the Eldor Mines division essentially completed a $100 million development and expansion program. Development of an open-pit mine at the Collins Bay "B" zone, which has a reserve of 12,000 tonnes U, required the installation of new circuitry at the nearby Rabbit Lake mill. Commissioning of the circuit commenced during the fourth quarter. Milling of the Collins Bay ore on a commercial basis will begin in 1986.

Eldor Mines produced 824 tonnes U at the Rabbit Lake mill during the year compared with 1,361 tonnes U in 1984. The reduction resulted from several factors, including a decision to reduce inventories by closing the mill for a six-week period, less throughput during commissioning of the new mill circuit, and the use of stockpiled Rabbit Lake ore with lower grades and higher acid consumption than in previous years. Eldorado also received 712 tonnes U — up six percent from 1984 — as its share of production from the Key Lake mine, in which the Company holds a one-sixth interest. Therefore, total production of uranium concentrates from both Eldor and Key Lake declined by 24 percent to 1,536 tonnes U.



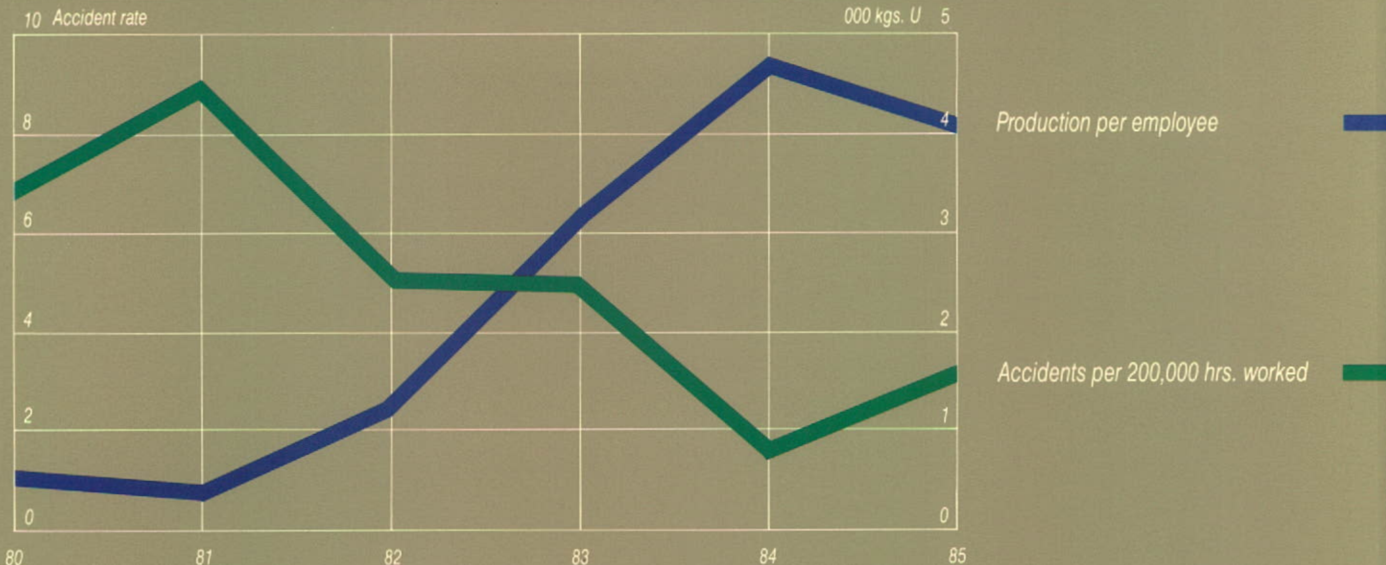
Eldorado's exploration division added significantly to the Company's uranium resource base, ensuring sufficient reserves to feed the Rabbit Lake mill into the next century. The reserves wholly-owned by Eldorado now total more than 50,000 tonnes U. The division is also continuing exploration for gold and selected base metals.

Eldor Mine's development program will return Rabbit Lake mill production capacity to a minimum of 2,000 tonnes U per year. The Collins Bay "B" reserves are sufficient to ensure production at such volumes into the 1990s. Eldorado will bring its other wholly-owned reserves, containing more than 40,000 tonnes U, into production at a rate sufficient to supply market opportunities.

Eldorado's uranium reserves were increased substantially during 1985, primarily as a result of successful drilling on two projects at Eagle Point, 12 kilometres north of the Rabbit Lake mill. Definition drilling on the Eagle North deposit — held by an equal-share joint venture of Eldorado, Noranda Exploration Company and Saskatchewan Mining Development Corporation — provided a three-dimensional geologic reserve estimate, based on a cut-off grade of 0.42 percent U, in excess of 20,000 tonnes U averaging 2.2 percent U. Drilling during 1985 on the Eagle South deposit, wholly-owned by Eldorado, has increased the two-dimensional geologic reserve estimate from 13,000 to more than 30,000 tonnes U. Further definition drilling and reserve evaluation will be carried out on these deposits in 1986. Exploration drilling will continue in the surrounding area.

During 1985, Eldorado completed the decommissioning of its former Beaverlodge mine, which closed in mid-1982. This is the first uranium mine in Canada to be fully decommissioned. All buildings have been removed, open-pit mine sites restored and underground shafts sealed. Extensive work has been carried out to reclaim areas used for disposal of mill tailings. The Government of Saskatchewan has agreed to assume long-term responsibility for the property after Eldorado successfully completes a five-year monitoring program which commenced in mid-1985.

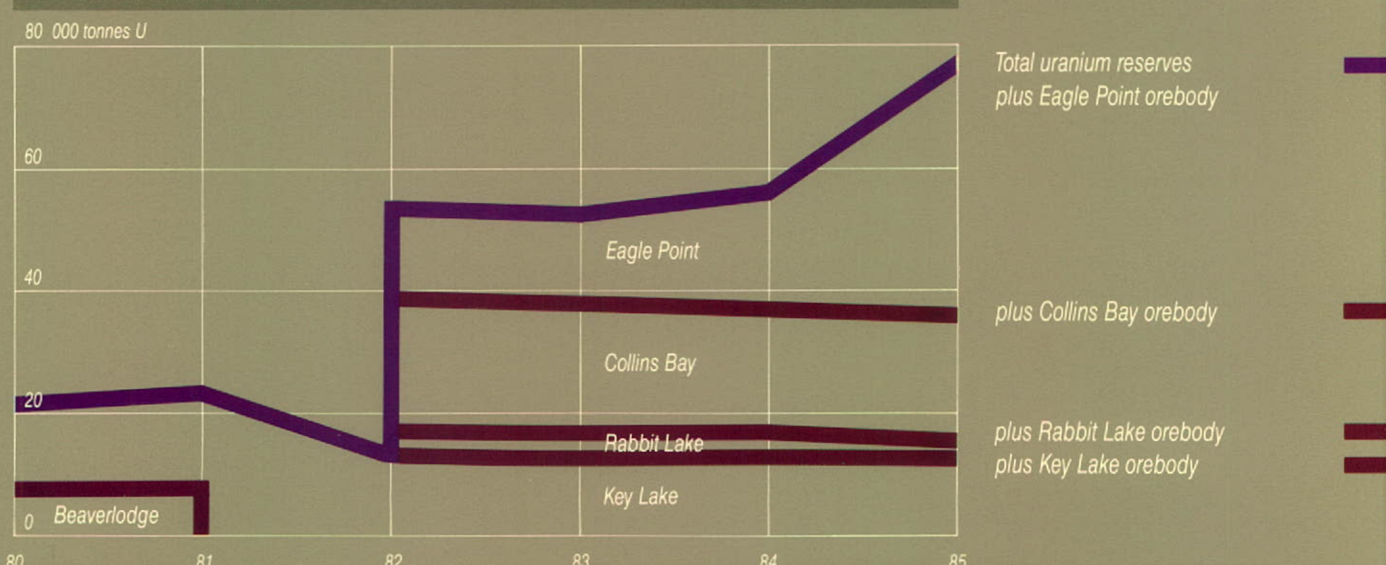
MINE SAFETY AND PRODUCTION



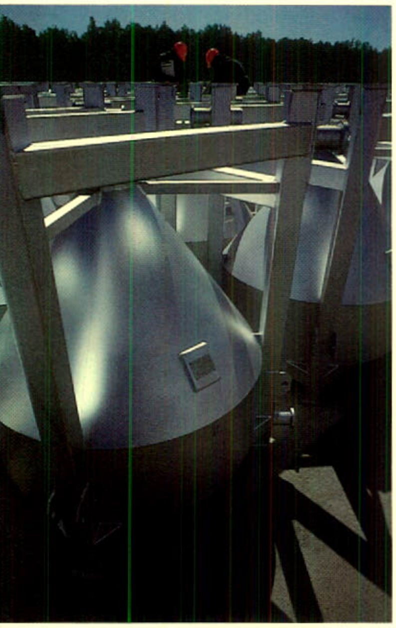
Production per mine employee declined this year as a result of lower output. Accident rates rose slightly following three years of improvement.

Eldorado's uranium reserves continued to increase with the discovery of additional ore at Eagle Point near the existing Rabbit Lake mill.

URANIUM RESERVES



The Fuel Services division, which consists of two processing operations in Ontario, completed its most successful year on record. Although geographically separate, the plants are commercially inseparable. The refinery at Blind River provides feedstock for the conversion operations at Port Hope and their services are sold as one. The Blind River refinery significantly increased production of UO_3 during 1985 to meet the Port Hope requirements and were successful in reducing unit costs. The Fuel Services division processed 6,833 tonnes of uranium, an increase of 55 percent compared with 1984 when the Port Hope facilities were in the midst of an expansion program. Last year's record production was an eight percent increase over the previous record of 6,339 tonnes U attained in 1982.



The Fuel Services division has completed the construction and commissioning of two new processing plants. Here, tote bins containing uranium refined at Blind River are prepared for shipment to the Eldorado plants at Port Hope for conversion into fuel for nuclear electricity generating stations.

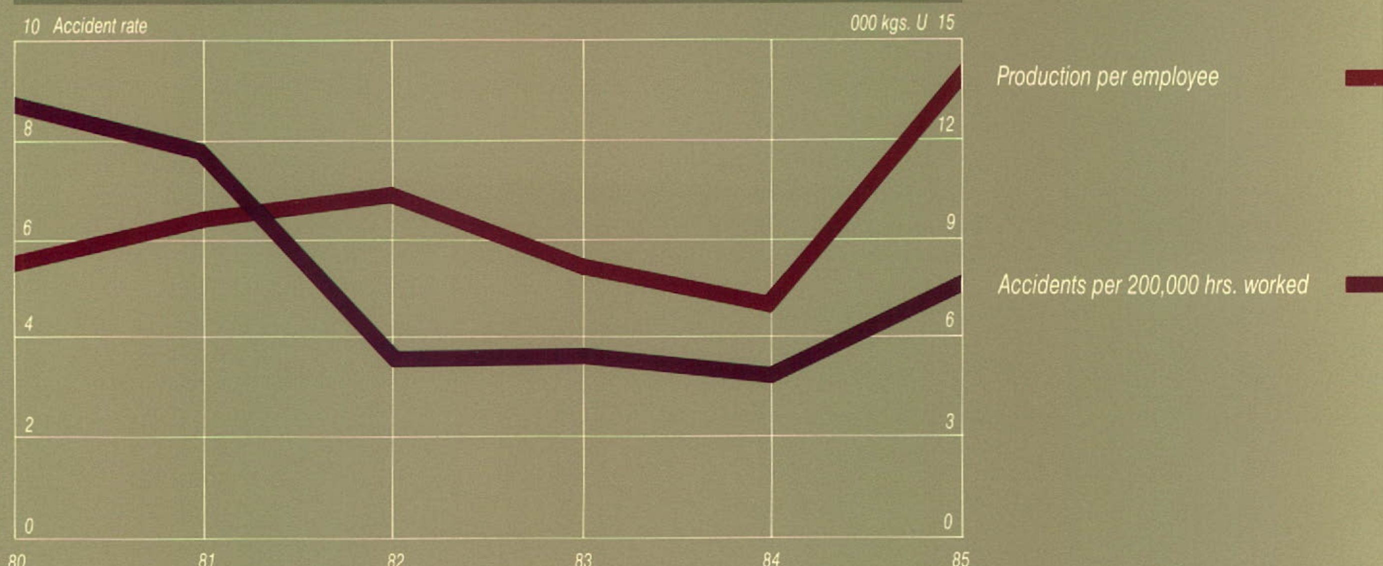
Most of this increase resulted from additional sales of uranium hexafluoride, which is now being produced from a new UF_6 conversion plant at Port Hope. Production of ceramic-grade uranium dioxide, used in CANDU reactors, returned to more normal levels. Sales of UO_2 had declined in 1984 as a result of the temporary shutdown of two Ontario Hydro reactors at Pickering. With the completion of the new conversion plant, the Company closed its original UF_6 facility. This plant will remain available for use in future as the UF_6 conversion market grows.

Production per employee at the Fuel Services plants rose sharply in 1985 compared with the previous five years. This was achieved through a combination of increased production and an orderly reduction of the Port Hope workforce. Employment at Port Hope declined by 82 to 337 during the year. The major portion of this reduction was achieved through an early retirement program. Higher plant efficiencies and increased throughput will contribute to further productivity gains.

In addition to its Fuel Services division, Eldorado produces a variety of alloys of depleted uranium and other metals. The Specialty Metals division at Port Hope continued to operate profitably in 1985, even though weak market conditions persisted. Sales totalled $9 million, an increase from $8.2 million in 1984.

The research and development group in Ottawa provided continuing technical support to Eldorado's operating divisions. During 1985, the group provided both on-site and laboratory support in the start-up of the new Collins Bay "B" mine. As part of the Company's diversification strategy, the group continued research on potential new products with particular attention to areas which may utilize Eldorado's expertise in fluorine metallurgy.

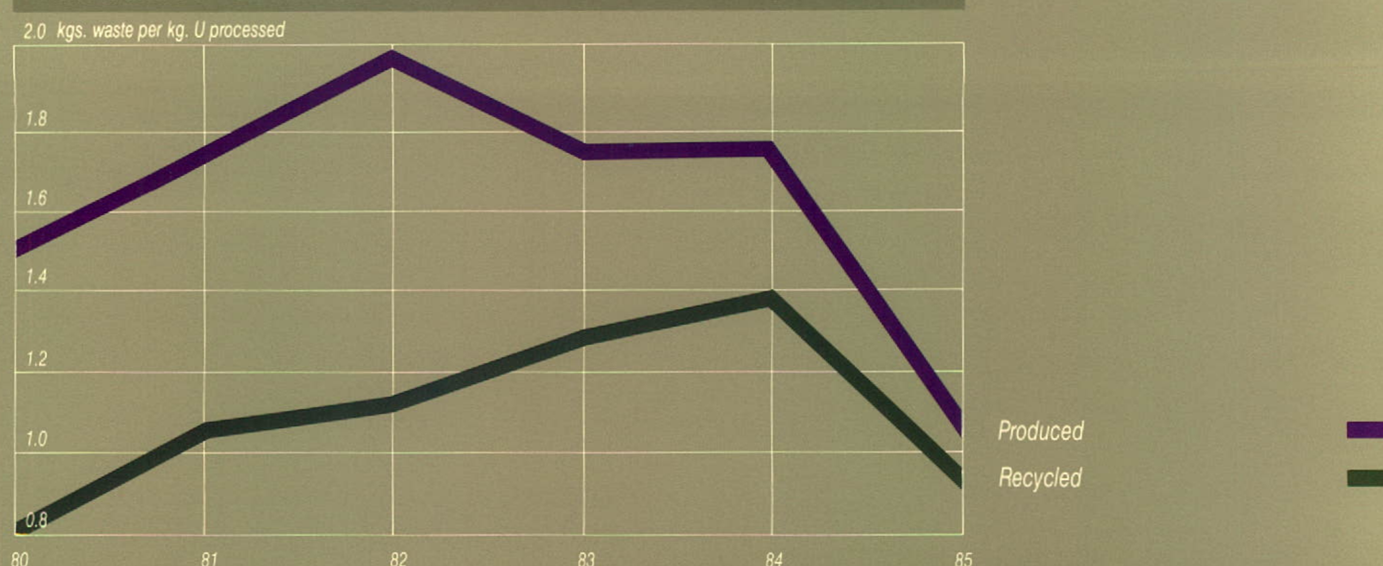
PROCESSING SAFETY AND PRODUCTION



***F**uel Services productivity increased significantly in 1985. While safety performance worsened, the accident rate remained well below previous levels.*

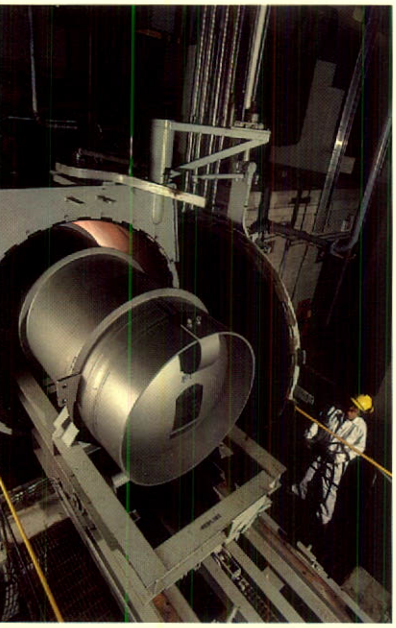
***F**uel Services reduced the generation of wastes this year. Recycled wastes were 82 percent of total wastes vs. 53 percent in 1980.*

WASTE REDUCTION AND RECYCLE



The trend toward a better balance of world-wide uranium supply and demand continued in 1985. Although competition among producers did not diminish, competition from utilities, which in recent years had been selling surplus inventories, has eased considerably. Mine concentrates sold by Eldorado in 1985 declined 4.5 percent in volume from the previous year. For the longer term, the order book at December 31 for future delivery was almost 50 percent higher than a year earlier. Eldorado's average selling price for concentrates was maintained, despite competitive pressures.

In conversion markets, Eldorado increased its sales volume of UF_6 services by 32 percent over 1984. The increase reflects a general improvement in the UF_6 conversion market after several years of depressed sales. Industry-wide, conversion prices remained historically low through most of the year, although some modest improvement was evident toward year-end. Eldorado's UF_6 order book at December 31 was higher than 12 months earlier. Sales of ceramic-grade uranium dioxide conversion services were higher in contrast to 1984 when volumes were affected by the temporary shutdown of two Ontario Hydro reactors.



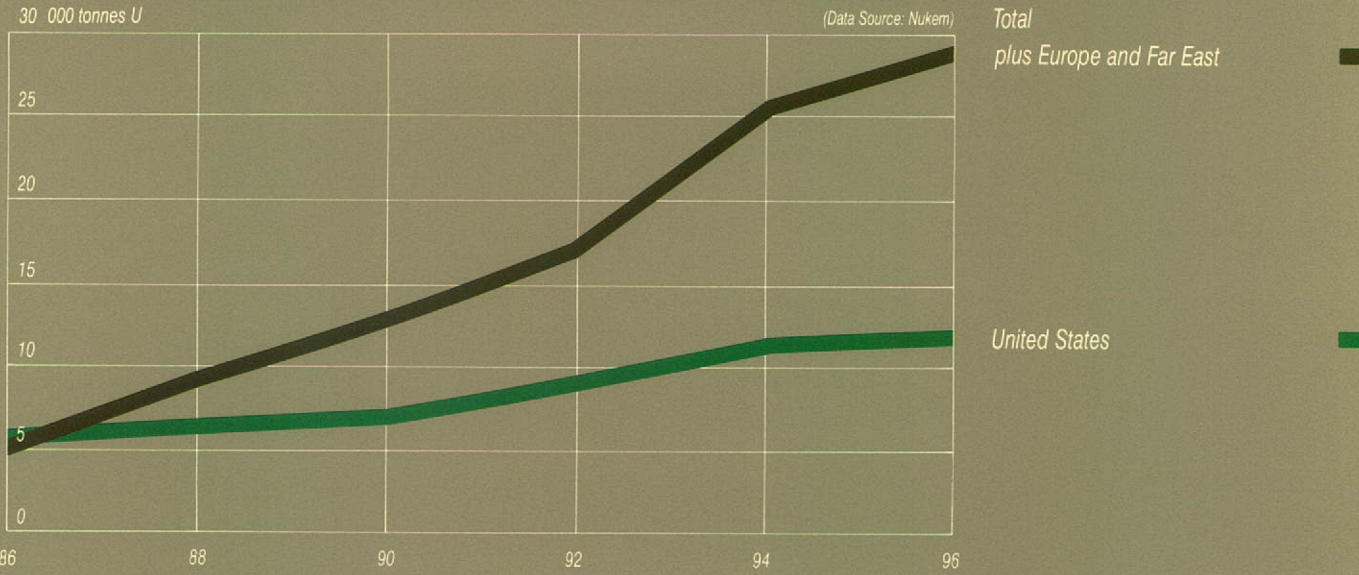
A cylinder of uranium hexafluoride is moved into an autoclave for sampling before shipment, ensuring strict quality control. Increased production and sales of uranium hexafluoride on world markets and uranium dioxide for CANDU reactors made 1985 a record year for the Fuel Services division at Port Hope.

As noted in Eldorado's 1984 annual report, uranium demand is firming with the increasing number of reactors in operation. The estimated growth rates in reactor generating capacity have shown little change during the year. The actual generating capacity of reactors in the Western world in 1984 was 171 Gigawatts electric. This capacity is now forecast to increase 67 percent by 1990 and a further 23 percent in the next decade. Some of this growing capacity has been covered by uranium supply contracts, but there is a substantial quantity of uncontracted utility demand in the next 10 years, as shown on the facing page.

The degree of contracted coverage varies substantially among utilities and particularly from region to region. For example, most Japanese utilities are fully contracted with substantial inventory positions. This is considered to be a conservative investment in security of supply. In contrast, regulators do not encourage U.S. utilities to carry large inventories and existing supply contracts are expiring. As a result, there is a large uncommitted demand for uranium in the U.S., particularly during the next five years when reactor generating capacity is expected to grow by 62 percent.

Given the quality of its uranium reserves, production facilities and workforce, Eldorado is well positioned to realize its share of the concentrates and conversion markets implicit in this uncontracted demand.

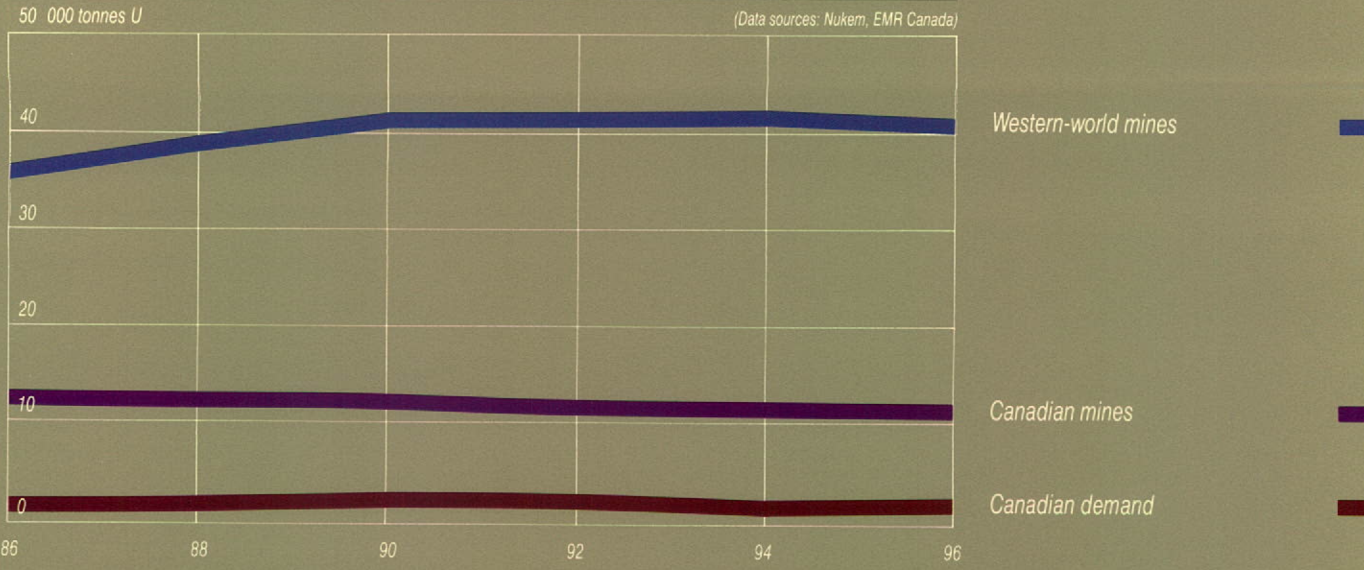
UNCONTRACTED URANIUM DEMAND



Most of the uncontracted demand for uranium into the early 1990s is in the U.S. Beyond then, substantial growth continues in Europe and the Far East.

Canada accounts for some 30 percent of the world's mine production capability. The Canadian industry will continue to rely largely on export sales.

URANIUM MINE CAPABILITY



Eldorado achieved increased sales revenue for the fourth consecutive year with a record $220 million generated in 1985. Revenue from Fuel Services rose 32 percent, and Specialty Metals improved nine percent but concentrates showed a decline of four percent as a result of slightly lower volumes sold.

Earnings from operations did not change from the $64 million achieved last year as lower profit Fuel Services revenue accounted for an increased share of total revenue. However, this level of profitability could not support substantially higher financing costs of $89 million, including a provision for future foreign exchange losses, and increased royalties of $24 million. The Company, therefore, is reporting a loss of $57.2 million, only the second loss in the last 12 years.

Uranium mine concentrates received from mines throughout the world are chemically treated at the Blind River refinery to produce uranium trioxide for shipment to Port Hope and conversion into fuel for electric utilities. The plant significantly increased its production and reduced unit costs in 1985.

In contrast to the accounting loss – much of it based on non-cash charges – a positive cash flow of $55 million was achieved before a $20 million repayment of bank debt, thus ending 1985 with an increase of $35 million from the previous year-end.

Cash Flow

Eldorado operated through the first half of 1985 under severe cash constraints. Cash constraints eased in the second half of the year as proceeds from spot sales were received. In November, Eldorado was able to increase its cash flow by selling its rights under a future sale and delivery contract. This transaction generated $52.5 million cash, although the associated revenue and inventory costs will be recognized in future earnings statements as deliveries take place. Including this $52.5 million, Eldorado generated a record $175 million in net cash from operations in 1985, compared with $79.3 million in 1984.

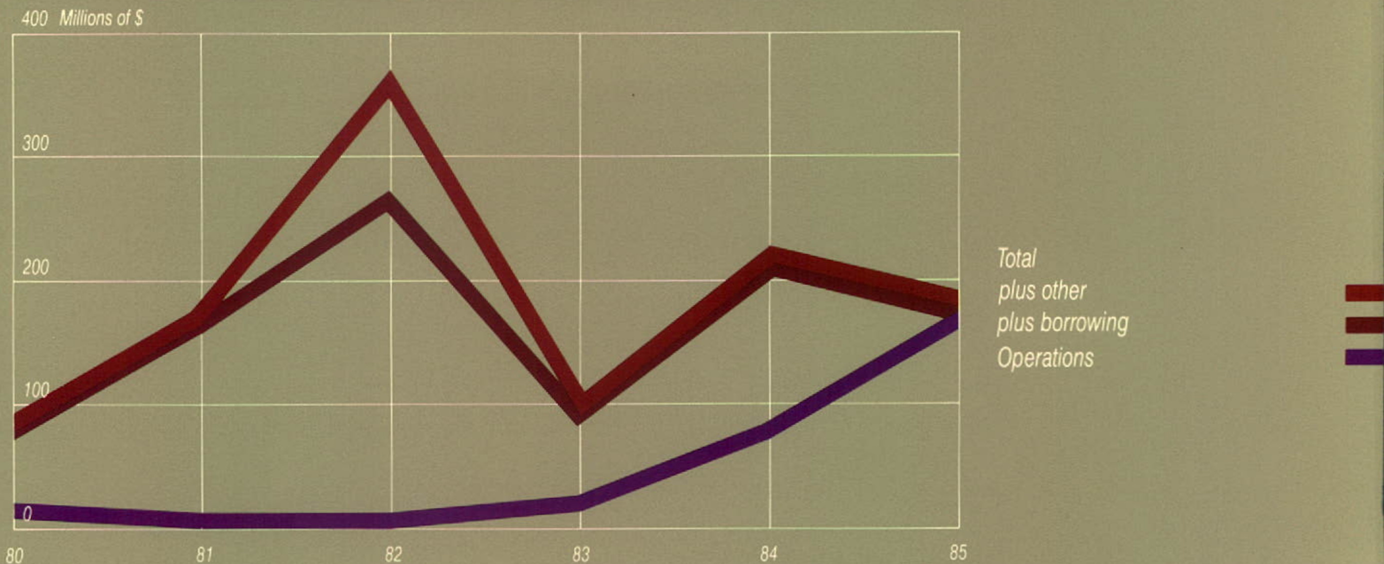
After applying the cash generated from operations against the Company's financing requirements, including a $19.9 million reduction of short-term debt, Eldorado had sufficient cash to fund $40.2 million of investing activities and to yield a cash balance of $40.5 million, up $34.7 million from the 1984 closing position. Cash required for investments declined from $49.6 million in 1984, as investing activities were directed primarily towards completion of Collins Bay "B" mine and the related modifications to the Rabbit Lake mill.

Operating Results

Sales revenue during the year rose $11.7 million to a record $219.8 million. The higher revenue is attributed to a substantial increase in UF_6 sales volume and to foreign exchange gains realized in converting U.S. dollar revenues to Canadian dollars. Selling prices of mine concentrates were maintained at levels similar to the previous year while volumes were down 4.5 percent. Both UF_6 and concentrate sales volumes exceeded production levels, resulting in reduced inventory levels.

Costs of products sold increased 9.9 percent over 1984, reflecting increased UF_6 sales volumes. When combined with a decrease in Exploration, Research and Development and Administration costs, operating expenses increased only 8.2 percent and the resultant earnings from operations remained unchanged from 1984 at $64 million.

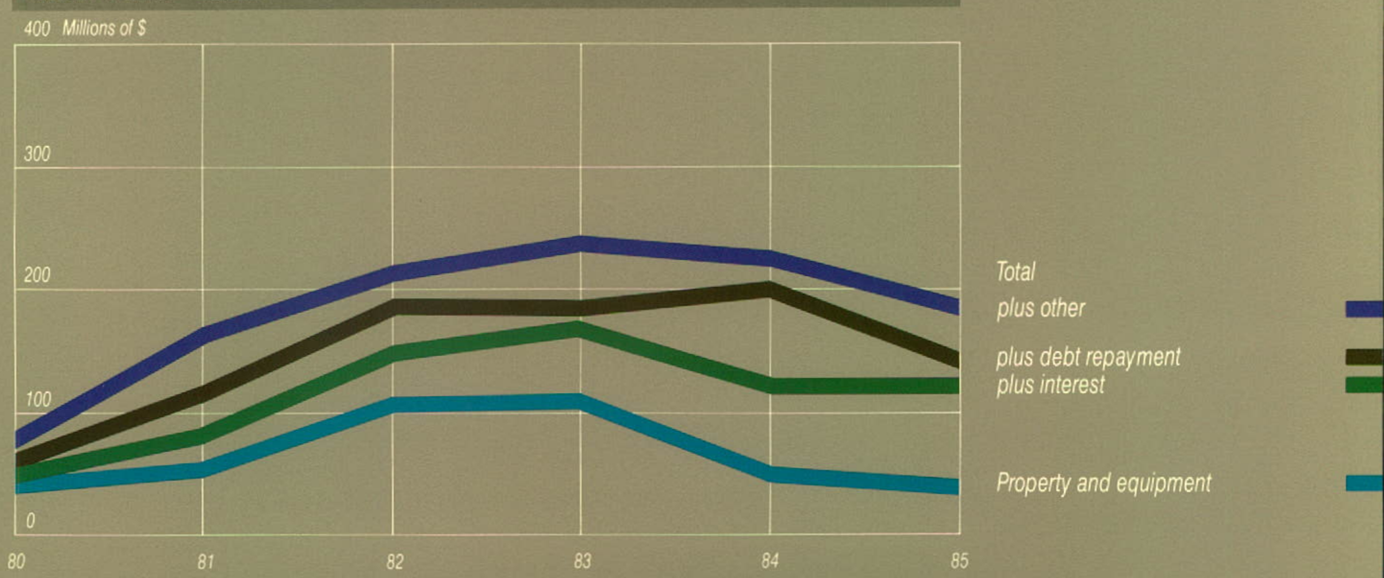
CASH FLOW – SOURCES



Cash from operations continued to increase in 1985. Borrowing, which had financed the recent capital expansion, was not required this year.

Investment in property and equipment dropped in 1985 while financing costs rose as new processing facilities went into production.

CASH FLOW – USES



Financing expenses rose to $73.1 million from $52.3 million in 1984 due to higher interest costs resulting from the decline in value of the Canadian dollar and to reduced capitalization of interest. While Eldorado's processing plant expansion was under way, interest costs on money borrowed for construction were added to the capital costs to be charged against future earnings generated from the facility. Now that these projects are completed, the interest costs are charged directly against earnings for the current period.

In addition, Eldorado established a $16.1 million provision for future foreign exchange losses on debt repayment and a $6.2 million provision for the write-down of certain under-utilized assets.

Although concentrate sales volumes were slightly lower than in 1984, royalty expenses payable to the Saskatchewan government increased 47.2 percent to $24.4 million because of the exhaustion in 1984 of lower-royalty Beaverlodge inventories. Consequently, Eldorado reports a net loss for 1985 of $57.2 million, compared with the 1984 net profit of $4.4 million after an extraordinary credit to income of $11 million.

Capital Expenditures

Capital expenditures declined to $50.2 million from $77.3 million in 1984 and $137.1 million in 1983. The only major capital projects active during the year were the new UF_6 conversion plant at Port Hope and development of the Collins Bay "B" mine, including related changes to the Rabbit Lake mill. The new Port Hope facility attained commercial production in April 1985. Mining of Collins Bay ore commenced in October and the modified mill was started up in November 1985. Commercial production at the mine/mill complex should be achieved in 1986. Company-wide capital expenditures in 1986 are expected to drop to $28 million.

Eldorado's five-year $500 million capital expansion program has been completed. Although some preliminary development work is scheduled for other ore bodies in the Rabbit Lake/Collins Bay area, capital spending in the near term will be primarily related to increased efficiencies at existing operations.

Financing

The Company's working capital declined $107.0 million as the increased cash position was more than offset by the declines in accounts receivable and inventories, and by the reclassification of $80 million of long-term debt to debt due within one year. The reclassified long-term debt represents the US $50 million note and the $10.1 million Government of Canada loan that are due in 1986. This reduces Eldorado's long-term indebtedness to $513.5 million at December 31, 1985.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1985

The accompanying consolidated financial statements have been prepared by management in accordance with Generally Accepted Accounting Principles, applied on a basis consistent with the prior year.

Management is responsible for ensuring that these statements, which include some amounts based upon estimates and judgments, are consistent with other information and operating data contained in the Annual Report and that they reflect the Company's business transactions and financial position.

The integrity and reliability of Eldorado's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. Internal accounting controls are monitored by an internal audit staff. Eldorado's Code of Business Conduct Policy, which is communicated to all levels in the organization, requires employees to maintain high ethical standards in their conduct of the Company's affairs.

Clarkson Gordon, Chartered Accountants, the shareholder's auditors, have performed an independent examination and attested to the fairness of presentation of financial data contained in these statements in accordance with generally accepted accounting principles. Their examination was made in accordance with generally accepted auditing standards and accordingly included an evaluation of the Company's system of internal control to determine audit scope and such tests of the accounting systems and records and other audit procedures as they deemed necessary. Their report appears on page 24.

The Board of Directors annually appoints an Audit Committee comprised solely of directors who are not employees of the Company. This Committee meets regularly with management, the internal auditor and the Shareholder's auditors to review significant accounting, reporting and internal control matters. Both the internal and Shareholder's auditors have unrestricted access to the Audit Committee. Following its review of the financial statements and the report of the shareholder's auditors, the Audit Committee submits its report to the Board of Directors for formal approval of the financial statements.

For the year ended December 31st	1985	1984
	(Thousands of dollars)	
Operating activities		
Cash received from sales	$252,674	$205,623
Advances under long-term contracts	52,490	—
	305,164	*205,623*
Cash applied to:		
Production costs	91,754	93,738
R&D, exploration & administration	15,357	15,980
Mineral royalties	23,374	16,595
	130,485	*126,313*
Cash provided from operations	174,679	79,310
Financing activities		
Cash received from:		
Income on investments	1,025	630
New long-term debt	—	125,071
Sale of royalty interest	—	5,000
Sale of R&D tax credits	—	2,485
	1,025	*133,186*
Cash applied to:		
Repayment of long-term debt	—	70,000
Net change in short-term debt	19,894	18,108
Interest on debt	76,582	65,925
Distribution to preferred shareholders	4,350	3,119
	100,826	*157,152*
Cash required for financing	99,801	23,966
Total cash provided from operations and external financing	74,878	55,344
Investing activities		
Cash received from:		
Prior year income tax overpayment	8,312	14,299
Sale of equipment	782	1,582
	9,094	*15,881*
Cash applied to:		
Additions to property and equipment	38,962	49,785
Additions to deferred charges	6,754	7,137
Mine shutdown	3,555	3,533
Purchase of net profits interest	—	5,000
	49,271	*65,455*
Cash required for investment	40,177	49,574
Increase during the year	34,701	5,770
Cash and short-term investments at beginning of year	5,779	9
Cash and short-term investments at end of year	$ 40,480	$ 5,779

(See accompanying notes)

For the year ended December 31st	1985	1984
	(Thousands of dollars)	
Revenue		
Sales of products and services	$219,792	$208,139
Expenses		
Cost of products and services sold	139,781	127,168
Exploration	5,796	5,779
Research and development	2,649	2,822
Administration	7,520	8,209
Total operating expenses	155,746	143,978
Earnings from operations	64,046	64,161
Financing expense	73,126	52,316
Other expense (income)	19,344	(1,296)
Earnings (loss) before taxes and other items	(28,424)	13,141
Income taxes and mineral royalties	24,430	16,595
Distribution to preferred shareholders of a subsidiary	4,350	3,119
Earnings (loss) before extraordinary item	(57,204)	(6,573)
Reduction of provision for mine shutdown	—	11,000
Net earnings (loss)	(57,204)	4,427
Retained earnings (deficit) beginning of year	(34,378)	(38,805)
Retained earnings (deficit) end of year	$(91,582)	$(34,378)

(See accompanying notes)

As at December 31st	1985	1984
	(Thousands of dollars)	
Current assets		
Cash and short-term investments	$ 40,480	$ 5,779
Accounts receivable	12,855	44,017
Income taxes receivable	6,435	11,872
Inventories	55,284	103,497
Supplies and prepaid expenses	11,872	11,321
	126,926	*176,486*
Current liabilities		
Bank loans and short-term debt	106	20,000
Accounts payable	64,526	67,161
Long-term debt due within one year	79,968	—
	144,600	*87,161*
Working capital (deficiency)	(17,674)	89,325
Non-current assets		
Property and equipment	798,428	795,141
Deferred charges	28,597	23,267
Inventory committed under long-term contracts	29,306	—
Other assets	3,349	3,471
	859,680	*821,879*
Capital employed	$842,006	$911,204
Represented by:		
Long-term debt	$513,471	$577,360
Advances under long-term contracts	52,490	—
Other liabilities	3,510	5,551
Provision for reclamation	24,031	22,585
Minority shareholding in a subsidiary	43,500	43,500
	637,002	*648,996*
Shareholder's equity		
Share capital	296,586	296,586
Retained earnings (deficit)	(91,582)	(34,378)
	205,004	*262,208*
Total financing of capital	$842,006	$911,204

(See accompanying notes)

Approved by the Board of Directors.

Marcel Bélanger

for the year ended December 31st, 1985

1. Eldorado Nuclear Limited

Eldorado Nuclear Limited is incorporated under the Canada Business Corporations Act, is subject to the Financial Administration Act, the Government Companies Operations Act, is an agent of Her Majesty in Right of Canada, and is wholly-owned by Canada Development Investment Corporation (CDIC).

The Company is primarily engaged in the mining, refining and conversion of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries.

2. Accounting Policies

A statement of significant accounting policies of the Company is provided on page 23.

3. Other Expense (Income)

For the year ended December 31st *(Thousands of dollars)*	1985	1984
Loss on foreign exchange	$ 14,110	$ 2,241
Write-down of fixed assets	6,226	—
Interest on investments	(459)	(630)
Other	(533)	(422)
Sale of R&D tax credits	—	(2,485)
Total	$ 19,344	$ (1,296)

4. Income Taxes and Mineral Royalties

The provisions for income taxes and mineral royalties are as follows:

For the year ended December 31st *(Thousands of dollars)*	1985	1984
Income taxes	$ —	$ —
Mineral royalties	24,430	16,595
Total	$ 24,430	$ 16,595

The reconciliation between the statutory income tax rate and the company's effective rate of income tax is as follows:

Percentage of pre-tax earnings	1985	1984
Statutory income tax (recovery) rate	(51.9)%	50.9%
Resource and depletion allowances	(18.9)	(68.7)
Adjusted income tax (recovery) rate	(70.8)	(17.8)
Inventory allowance	(5.7)	(13.3)
Increase in unrecorded income tax debits	76.5	31.1
Effective income tax rate	0.0	0.0

Provincial mineral royalties, which are not deductible for federal income tax purposes, are calculated in part as a percentage of revenues. Consequently, they can fluctuate significantly from year to year.

At December 31, 1985, the Company had tax loss carry-forwards, investment tax credits and timing differences aggregating $133.2 million for which no accounting benefit has been recognized. This amount includes $107.8 milion which will expire at various dates up to 1992. The balance may be carried forward indefinitely.

5. *Inventories*

As at December 31st *(Thousands of dollars)*	1985	1984
Mine concentrates	$ 39,412	$ 78,515
Fuel services	14,231	23,084
Specialty metals	1,641	1,898
Total	$ 55,284	$ 103,497

6. *Property and Equipment*

As at December 31st *(Thousands of dollars)*	1985	1984
Mining		
Plant and equipment	$ 176,700	$ 174,799
Mine development	47,612	46,485
Mineral properties	156,460	156,460
Under development	98,004	66,534
Fuel services		
Plant and equipment	407,584	428,431
Other	15,050	16,509
Total property and equipment	901,410	889,218
Less: accumulated depreciation and amortization	102,982	94,077
Net property and equipment	$ 798,428	$ 795,141
Depreciation and amortization for year	$ 30,714	$ 29,064

7. *Joint Venture Activities*

Through a wholly-owned subsidiary, the Company is a one-sixth partner in a joint venture mining operation at Key Lake, Saskatchewan. In accordance with the joint venture agreement, Eldorado is obligated to meet its proportionate share of the commitments of the joint venture. Other than normal operating expenditures, the Company has no outstanding commitments as at December 31, 1985.

The following amounts are included in the financial statements and represent the Company's proportionate share of the assets, liabilities, and operating expenses of the Key Lake mining joint venture:

For the year ended December 31st *(Thousands of dollars)*	1985	1984
Assets	$ 93,582	$ 92,254
Liabilities	1,814	1,629
Net Assets	$ 91,768	$ 90,625
Expenses	$ 8,469	$ 9,126

8. Deferred Charges

As at December 31st *(Thousands of dollars)*	1985	1984
Preproduction	$ 25,431	$ 19,185
Financing costs	3,166	4,082
Total	$ 28,597	$ 23,267
Amortization for year	$ 2,354	$ 2,037

9. Long-Term Sales Contracts

Eldorado has entered into contracts which provide for the future sale and delivery of uranium in the form of UF_6 at flexible dates over the eight-year term of the contracts. The Company has sold the future sales contract to interested financing parties and has retained certain rights and obligations under all of the contracts. On the Statement of Consolidated Financial Position, the Company has segregated the inventory committed and the advances under long-term contracts which will be satisfied out of the future revenues associated with these transactions. The impact on the Statement of Consolidated Earnings and Retained Earnings will be recognized as deliveries take place.

10. Minority Shareholding in a Subsidiary

In April, 1984, an Eldorado subsidiary acquired all rights to and benefits in the 1970 New Continental Oil royalty agreement from Aberford Resources Ltd., Hacienda Oil & Minerals Ltd. and Oak Ridge Oil & Minerals Ltd. This agreement gives the holder a 20 percent interest in the profits derived from certain Athabasca basin properties held by the Eldor Mines division and others. Consideration was $5 million cash and $43.5 million redeemable preferred shares of the subsidiary company. The shares, with certain restrictions, can be redeemed between 1988 and 1994 and bear a 10 percent annual dividend.

As security, the three companies hold a lien on certain uranium inventory. At Eldorado's option, the lien can also be satisfied from time to time by a letter of credit. The lien covers the value of the subsidiary's redeemable preferred shares plus future dividends, through to the shares' designated redemption dates. Each payment of a dividend or redemption of a share reduces the lien by a similar amount. At December 31, 1985, the Company had inventories in excess of the prescribed value.

For consideration of $5.0 million cash, Aberford Resources Limited, Hacienda Oil & Minerals Ltd. and Oak Ridge Oil & Minerals Ltd. acquired from Eldorado a royalty interest on uranium sales from certain designated properties. The royalty covers that portion of such sales in excess of a designated base selling price which is adjusted annually for inflation. During 1985, sales did not exceed the adjusted base price and no royalty was paid.

11. Long-Term Debt

The long-term debt payments due in each of the next five years are as follows: 1986 – $80.0 million; 1987 – $1.4 million; 1988 – $110.4 million; 1989 – $149.5 million; 1990 – $9.8 million. Interest on long-term debt amounted to $74.9 million (1984 $68.3 million).

As at December 31st *(Thousands of dollars)*	1985	1984
i) From Canada		
11.875% notes due 1986	$ 10,093	$ 10,093
ii) Other		
Notes due 1986, at 13.25% ($50 million U.S.)	69,875	66,070
Loan due 1991, at 7% (100 million Swiss francs)	67,860	50,800
Notes due 1988, at 9.19% (10.108 billion Japanese yen)	70,594	53,097
Loan due 1987-1992, at 8.8% (2 billion Japanese yen)	13,968	10,506
Notes due 1992, at 14.5% ($100 million U.S.)	139,750	132,140
Loan due 1992, at 14.25% ($44.7 million U.S.)	62,399	59,002
Bonds due 1992, at 8.5% (10 billion Japanese yen), with 10% of principal due in each of years 1988-1991	69,840	52,530
Debenture due 1988, at 11%	30,000	30,000
Euro notes, due 1989 to be set semi-annually at LIBOR rate ($100 million U.S.)	139,750	132,140
Sub-total	674,129	596,378
Less: Current portion of long-term debt listed above	79,968	—
Deferred loss on foreign exchange	80,690	19,018
Total	$ 513,471	$ 577,360

12. Share Capital

As at December 31st	1985	1984
Authorized:		
Common shares	Unlimited number, no par value	
Preference shares	1,600,000	1,600,000
(Thousands of dollars)		
Issued and fully paid:		
Common – 3,852,880 shares (1984 – 3,852,880)	$ 201,586	$ 201,586
Preference – 800,000 shares (1984 – 800,000)	95,000	95,000
	$ 296,586	$ 296,586

Each preference share is redeemable at the option of either party at a value of $118.75 per share and carries a non-cumulative dividend of $7.125 per annum.

13. Commitments and Contingencies

a) The Company has entered into long-term leases on certain properties up to 1987 with annual rental payments averaging $385,000.

b) The Company has defined benefit pension plans covering all of its regular full-time employees.

The pension funds, which are administered by independent trustees, are valued at least every three years by consulting actuaries. Based on the latest actuarial valuations at June 30, 1985 and November 1, 1984, the plans have a surplus of $14.5 million.

c) The Company maintains two sites, licensed by the Atomic Energy Control Board, for the temporary storage of waste material containing low levels of radioactivity and other materials. The final disposition of this material is the subject of active discussions among Government agencies. The Company will continue to expense the ongoing maintenance costs of these sites, but will make no provision for additional costs until the responsibility for such costs are determined and can be reasonably estimated.

d) In connection with its operations, the Company is the defendant in certain litigation. While the amount of any ultimate liability cannot yet be determined, the Company, after discussion with legal counsel, is of the opinion that there will be no material adverse effect on its financial position.

14. Supplementary Information

a) During 1985, the Company paid sales commissions to Marubeni Corporation, Toyomenka Canada Ltd., and Uranerzbergbau-GmbH.

b) Interest costs of $4.6 million paid in 1985 have been capitalized under property and equipment (1984 – $18.0 million).

c) During 1985, the total remuneration paid to the Company's outside directors was $93,709 (1984 – $95,500). The Company's officers received remuneration totalling $607,500 (1984 – $650,129). One officer is also a director but is not compensated for service as a member of the Board or its committees.

d) A management fee of $286,000 (1984 – $534,000) was paid to Canada Development Investment Corporation.

15. Segmented Information

a) Industry Segment:

The Company is of the opinion that virtually all its sales revenues are in the industry segment identified as the nuclear fuel industry.

b) Sales:

Sales revenues, which are derived primarily from sales to foreign and domestic electric utilities, are as follows:

For the year ended December 31st *(Thousands of dollars)*	1985	1984
Export sales	$ 164,806	$ 159,297
Domestic sales	54,986	48,842
Total Sales	$ 219,792	$ 208,139

16. Provision for Mine Shutdown

Established in 1981, the provision for the Beaverlodge mine shutdown represented the expected remaining cost of decommissioning and reclaiming the Beaverlodge mine site. Since then, costs related to the shutdown have been applied against the provision. The shutdown work has been completed. As a result, in 1984 the provision was reappraised with the excess, $11.0 million, being recorded as extraordinary income while the remaining liability has been added to accounts payable. The related income tax of $5.6 million was set off against available income tax debits.

17. Sale of R&D Tax Credits

In 1984 the Company sold Scientific Research Tax Credits to an outside investor by issuing to that investor a $5.0 million debenture carrying a redemption price of approximately one-half its purchase price. The debenture was redeemed, resulting in a gain of $2.5 million.

The accompanying consolidated financial statements were prepared by management in conformance with Canadian generally accepted accounting principles considered to be appropriate in the circumstances, and have been applied on a basis consistent with that of the preceding year. A summary of significant accounting policies of the Company is presented to assist the reader in interpreting the statements contained herein.

Consolidation

The consolidated financial statements include the accounts of Eldorado Nuclear Limited, its wholly-owned subsidiaries, and the Company's proportionate interest in the accounts of the Key Lake mine joint venture.

Inventories

Inventories of mine concentrates, refined and converted products are valued at the lower of weighted average cost or net realizable value. Cost for customer-owned products is the cost of the refining and conversion processes only.

Inventories of mine concentrates are initially measured and accounted for in the financial statements when the material is sealed in containers upon completion of the milling process.

Supplies

Operating and general supplies are carried at lower of cost or market.

Property and Equipment

Assets are carried at cost. Costs of additions, betterments, and renewals are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings.

Maintenance and repair expenditures are charged to cost of production.

Depreciation and Amortization

Fuel Services and Mining buildings and equipment, mine development and mineral properties are depreciated or amortized according to the unit-of-production method. This method allocates the cost of these assets to each accounting period. For Fuel Services, the amount is equal to the portion of the facilities' total estimated lifetime production produced in that period. For Mining, the amount is equal to the portion of the mines' total recoverable ore reserves recovered in that period.

Mobile mining equipment and other assets, including R & D, Exploration, Specialty Metals, and Corporate assets, are depreciated according to the composite straight-line method based on the estimated useful lives of these assets, which range from three to 10 years.

Fuel Services and certain mining facility costs associated with capacity additions are deferred until a commercial level of production is achieved. These costs are then amortized over 10 years in the case of Fuel Services assets, and according to the unit-of-production method in the case of Mining assets. Other costs are charged to production as incurred.

Amortization of Financing Costs

Debt discounts and issue expenses associated with long-term financing are deferred and amortized over the term of the debt.

Capitalization of Interest

Interest costs on funds borrowed to finance the development and construction of major assets are capitalized during the development and construction period until such time as a commercial level of production is achieved.

Provision for Reclamation

The estimated costs of decommissioning and reclaiming producing resource properties are accrued and charged to operations according to the unit-of-production method. Actual costs of decommissioning and reclamation are applied to this accrual.

Research and Development and Exploration Costs

Expenditures for applied research and development relative to the products and processes of the Company and expenditures for geological exploration programs are charged against earnings as incurred.

Sales of Products and Services

In accordance with normal industry practices, the Company contracts for future delivery of mine concentrates and conversion services. Sales revenue is recorded in the fiscal year that title passes or, with customer-owned material, when delivery is effected.

Foreign Exchange

Cash and short-term investments, accounts receivable, accounts payable and long-term debt denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at year-end. Income and expenses are translated at rates in effect at the time of the transaction.

Except for certain U.S. dollar-denominated long-term debt that is hedged against future U.S. dollar revenue, the change in value in Canadian funds over the year of long-term debt denominated in a foreign currency is amortized evenly over the remaining life of the debt. For all other accounts, gains or losses resulting from foreign currency translation are reflected in the statement of consolidated earnings and retained earnings.

To the Shareholder:

We have examined the statement of consolidated financial position of Eldorado Nuclear Limited as at December 31, 1985 and the statements of consolidated earnings and retained earnings and changes in consolidated 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, 1985 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.

Further, in our opinion, the transactions of the Company that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, and the charters and by-laws of the Company.

The financial statements of the preceding year were examined by other Chartered Accountants.

Clarkson Gordon

Chartered Accountants
Ottawa, Canada
February 5, 1986

DIRECTION AND MANAGEMENT

Board of Directors

Marcel Bélanger, O.C., F.C.A.
President
Gagnon et Bélanger Inc.
Québec City, Québec

W.J. Bennett
Consultant
The Iron Ore Company of Canada
Montréal, Québec

Dr. R.A. Blais, O.C., Eng.
Liaison Officer
École Polytechnique
Montréal, Québec

Jean Bruneau, Q.C.
Lawyer
Poliquin, Coutu, Bernier
Montréal, Québec

Michael F.K. Carter
Vice-President Finance
Canada Development Investment Corporation
Toronto, Ontario

N.M. Ediger
Chairman and Chief Executive Officer
Eldorado Nuclear Limited
Ottawa, Ontario

E. Lynn Hollingsworth
Vice-President
Soo Mill & Lumber Company Limited
Sault Ste. Marie, Ontario

George W. Hungerford
Lawyer
Hungerford Simon
Vancouver, British Columbia

F.C. Lendrum, P.Eng.
President
F. Clyde Lendrum Consulting Limited
King City, Ontario

Jeffery S. Lyons
Lawyer
Lyons, Arbus & Goodman
Toronto, Ontario

Israel S. Mass
Lawyer
Worsoff, Mass
Montréal, Québec

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President
National Baby Formula Service Limited
Scarborough, Ontario

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Saskatchewan Oil & Gas Corporation
Saskatoon, Saskatchewan

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Head of the Department and Professor of Geology
St. Francis Xavier University
Antigonish, Nova Scotia

A. Gordon Slade
Retired Mining Executive
Sudbury, Ontario

F. William Woodward
Executive Vice-President
Reed Stenhouse Limited
Regina, Saskatchewan

Officers

Nicholas M. Ediger
Chairman, President and Chief Executive Officer

George Boyce
Vice-President, Marketing

Ronald G. Dakers
Vice-President, Fuel Services

Thomas J. Gorman
Vice-President, Finance

Kenneth M. Haapanen
Vice-President, Mining

Louis R. Kohn
Corporate Secretary and Legal Advisor

Amortization
Application of a deferred charge to the expense of a business proportionately over a fixed period.

Asset*
Anything of value owned by a company or individual.

Capital*
(1) What is owned by a company or individual minus what is owed at a specified time.

(2) Total investments of owners (shareholders) of a business at a given time, which may be calculated by subtracting from the total assets all the liabilities of those other than the owners.

Capital Employed
All non-current assets of a business plus working capital.

Capital Expenditure**
An expenditure to acquire or add to a capital asset; an expenditure yielding enduring benefits.

Capitalized Interest
A cost of financing charged to a capital asset or project during construction, when funding was raised from external sources specifically for that project.

Commitment
An anticipated expenditure, evidenced by a contract or purchase order given to an outsider, or a definite intention to assume a financial obligation at a future date.

Consolidation*
A parent plus one or more subsidiary companies which present financial reports for the group as a whole, not as separate entities.

Contingent Liability**
A legal obligation that may arise in the future out of past and/or present circumstances provided certain developments occur.

Corporation*
Legal entity or corporate person with authority to operate under provincial or federal statutes, usually formed to make a profit. Owners are liable for the debts only up to the amount of their investment.

Current Asset**
Unrestricted cash or other asset that, in the normal course of operations, is expected to be converted into cash or consumed in the production of income within one year or within the normal operating cycle where that is longer than a year.

Current Liability**
A liability whose regular and ordinary liquidation is expected to occur within one year or within the normal operating cycle where that is longer than a year. A liability otherwise classified as current but for which provision has been made for payment from other than current resources should be excluded.

Debt to Equity Ratio
The ratio of long-term debt to Shareholders' equity.

Deferred Charge**
(1) A long-term expense prepayment; an expenditure, other than a capital expenditure, the benefit of which will extend over a period of years from the time of incurrence and meanwhile is carried forward to be charged to expense over a period of years.

(2) Balance of amounts paid for goods or services received for which the payee has no further obligation and meanwhile is carried forward to be charged to expense in future years.

Deferred Taxes**
The accumulated amounts by which income taxes charged in the accounts have been increased (accumulated tax allocation credit) or decreased (accumulated tax allocation debit) as a result of timing differences.

Depreciation*
Gradual reduction of the cost of a fixed asset and gradual application of this cost to the expense of a business over the useful life of the asset.

Earnings
Total revenue less total expenditures for a period of time calculated in accordance with generally accepted accounting principles. Net earnings refers to earnings after deduction of related income taxes.

Equity*
(1) A right or claim to the assets of a company. Both owners and creditors have equity in a business.

(2) Amount that a business is worth beyond what it owes.

Extraordinary item**
A gain, loss or provision for loss which results from occurrences, the underlying nature of which is not typical of the normal business activities of the enterprise, is not expected to occur regularly over a period of years, and is not considered as a recurring factor in any evaluation of the ordinary operations of the enterprise.

Financial Position**
The state of affairs of an organization represented by the assets, liabilities and owners' equity at any specified time.

Funds
Funds provided for or used in the company's operations as they relate to the net impact on the company's operating cash position.

Gross Profit**
The difference between cost and selling price; excess of net sales over the cost of goods sold.

Gross Profit Margin**
The ratio of gross profit to revenue

Interest Coverage Ratio**
The ratio of net income before interest on long-term liabilities and income taxes to interest on long-term liabilities.

Inventory**
(1) An itemized list of goods; the annual or other periodic account of stock taken in a business; the articles that are inventoried.

(2) Items of tangible property which are held for sale in the ordinary course of business, or are in the process of production for such sale, or are to be currently consumed in the production of goods or services to be available for sale.

Investment*
Funds committed to something tangible or intangible in order to receive a return either in income or use.

Liability*
(1) An amount owed to another, not necessarily due to be paid immediately.

(2) An obligation to remit money or services at a future date.

Long-Term Liability**
A liability which, in the ordinary course of business, will not be liquidated within one year or within the normal operating cycle where that is longer than a year.

Operating Profit
The excess of the revenues of a business enterprise over the expenses pertaining thereto, excluding "other" income and expense since they are derived from sources other than its regular activities.

Operating Profit Margin
The ratio of operating profit to revenue.

Prepaid Expense**
(1) A short-term expense prepayment; an expenditure, other than an outlay for inventory or a capital expenditure, which is expected to yield its benefits in the near future and meanwhile is carried forward to be charged to expense in the near future.

(2) Balance of amounts paid for services not yet received from the payee and which meanwhile is carried to be charged to expense in future years.

1981	1980	1979	1978	1977	1976
$ 71,888	$ 91,116	$111,498	$124,046	$ 68,623	$ 47,708
(5,029)	24,259	22,229	38,718	27,460	12,612
(18,632)	10,920	7,800	28,105	15,662	5,113
1,003	2,070	4,200	3,218	3,779	
(128,817)	2,668	674	17,618	6,933	3,073
$ (31,725)	$ 6,590				
(33,301)	(8,310)	$ 18,376	$ 8,381	$ 66,941	$ 57,639
163,304	170,232	132,778	85,013	54,940	41,113
620,530	360,557	326,241	314,882	183,775	125,613
265,923	204,990	183,093	130,366	96,414	59,272
254,231	83,048	80,380	79,706	62,088	55,155
$ 75,111	$ 53,949	$ 56,296	$ 38,196	$ 20,063	$ 16,201
8,501	2,790				
16,881	14,331	9,702	8,400	6,040	5,813
(7.0%)	26.6%	19.9%	31.2%	40.0%	26.4%
(25.9%)	12.0%	7.0%	22.7%	22.8%	10.7%
(24.7%)	0.9%	0.2%	7.8%	4.2%	2.6%
1.0	2.5	2.3	1.6	.6	.5
0.6	1.5	1.3	5.0	2.7	1.8
0.7	0.9	1.4	1.1	4.4	9.7
1,653	1,737	1,610	1,499	1,288	1,105
375	423	387	493	456	457
5,990	5,211	5,810	4,185	4,708	3,830

Property and Equipment
Property or equipment of a tangible nature owned by a business for use in its operations (not for sale), which is expected to have a useful life of several fiscal periods. Property and equipment, net, refers to property and equipment at cost less accumulated depreciation.

Ratio*
Relative size, expressed as the number of times one quantity is contained in another.

Retained Earnings*
Portion of a company's aggregate income since incorporation which remains invested in the operation after distribution of dividends to shareholders.

Return on Capital Employed
The ratio of net earnings to capital employed.

Revenue*
Inflow of cash or receivables from customers or clients in return for goods, services, or interest on investments.

Share Capital**
Authorized Capital – The number and par value, if any, of shares of each class of capital stock that a company may issue in accordance with its instrument of incorporation.

Issued Capital – The portion of authorized capital stock for which shares have been subscribed, allotted and entered in the share register.

Subsidiary*
Company which is controlled by another company usually through its ownership of the majority of shares.

Supplies
Materials which are consumed in the operations of a business but do not become part of the physical content of any finished product and are not held for sale in the ordinary course of business.

Working Capital**
The excess of current assets over current liabilities.

Working Capital Ratio**
The ratio of current assets to current liabilities.

* *Terms reprinted with permission from the booklet "ABC's of Accounting" published by the Certified General Accountants Association of Ontario.*

** *Terms reprinted with permission from the booklet "Terminology for Accountants" published by the Canadian Institute of Chartered Accountants.*

10 YEAR SUMMARY OF OPERATIONS

	1985	1984	1983	1982
Income and Expenses ($000)				
Revenue	$219,792	$208,139	$154,047	$ 88,818
Gross profit (loss)	80,011	80,971	51,244	31,008
Operating profit (loss)	64,046	64,161	36,709	16,452
Provincial royalties	24,430	16,595	8,419	3,886
Net earnings (loss)	(57,204)	4,427	9,958	3,592
Financial Position at Year End ($000)				
Cash provided from operations	$174,679	$ 79,310	$ 17,084	$ (1,407)
Working capital (deficiency)	(17,674)	89,325	(6,883)	184,035
Net property and equipment	798,428	795,141	504,715	376,843
Total assets	986,606	998,365	915,204	878,556
Long-term debt	513,471	577,360	439,956	460,201
Shareholder's equity	205,004	262,208	257,781	257,823
Capital Outlays ($000)				
Capital expenditures	$ 50,177	$ 77,325	$137,115	$239,862
Of which capitalized interest is	4,568	17,982	30,304	18,379
Depreciation and amortization	32,152	30,209	15,657	9,895
Significant Financial Ratios				
Gross profit margin	36.4%	38.9%	33.3%	34.0%
Operating profit margin	29.1%	30.8%	23.8%	18.5%
Return on capital employed	(6.8)%	0.5%	1.4%	0.5%
Debt to equity ratio	2.5	2.2	1.7	1.8
Interest coverage ratio	0.5	0.9	1.5	1.1
Current ratio	0.9	2.0	1.0	2.4
Selected Operating Statistics				
Number of employees at year-end	1,111	1,199	1,323	1,334
Uranium produced (tonnes U.)	1,536	2,029	1,316	555
Uranium processed (tonnes U.)	6,833	4,399	5,564	6,339

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