

The Company

Eldorado Nuclear Limited is a commercial Crown corporation. Through its subsidiaries, the Company is active in mineral exploration and mines, refines and converts uranium for use in the generation of electricity.

Eldorado Resources Limited, the operating subsidiary, mines and mills uranium at Rabbit Lake in northern Saskatchewan and operates a processing plant at Port Hope, Ontario to refine and convert uranium for domestic and foreign electrical utilities.

Eldor Resources Limited, another subsidiary, is participating in the development of the Key Lake uranium deposits in northern Saskatchewan and operates uranium and other mineral exploration programs from offices in Ottawa and Saskatoon.

Eldorado's corporate head office, administrative support for the Eldorado subsidiaries, and the research and development facilities are located in Ottawa.

Eldorado is one of the companies held by the Canada Development Investment Corporation, a new company formed in 1982 to hold and manage some of the federal government's commercial assets and enterprises.

Acquisition of Rabbit Lake mill and nearby deposits increase uranium production capacity 500%.

Uranium processing records set in Port Hope.

Expansion of refining and conversion capacity nears completion.

Key Lake mine start-up scheduled for 1983

Assets increase by 40%

Highlights

Financial (\$ in thousands)	1982	1981	1980
Sales	\$ 88,818	\$ 71,888	\$ 91,116
Earnings (loss) before taxes and extraordinary item	\$ 7,886	\$ (1,891)	\$ 5,440
Net earnings (loss)	\$ 4,000	\$(129,147)	\$ 1,506
Return on capital employed	0.5%	(24.7%)	0.5%
Capital expenditures	\$239,862	\$ 75,111	\$ 53,949
Working capital (deficiency)	\$184,386	\$ (33,301)	\$ (8,310)
Long-term debt	\$458,630	\$ 265,923	\$204,990
Shareholder's equity	\$256,463	\$ 252,463	\$ 81,610
Production (in thousands)			
Uranium oxide (kilograms U ₃ O ₈)	655	442	499
Uranium hexafluoride (kilograms U)	4,762	4,652	4,246
Uranium dioxide (kilograms U)	1,577	1,338	965
Employees at year end			
Total	1,334	1,653	1,737
Payroll and benefits (\$ in thousands)	\$ 47,345	\$ 52,606	\$ 47,906

Chairman's Message

On behalf of the Board of Directors, I hereby present the annual report of Eldorado Nuclear Limited and its wholly-owned subsidiaries for the year ended December 31, 1982.

The past 12 months constitute a year of substantial progress for Eldorado. The Company:

- Acquired important new sources of uranium in the Wollaston Lake area of northern Saskatchewan through the purchase of the two companies which owned and operated the Rabbit Lake mine;
- Set production records at its uranium processing plant in Port Hope, Ontario;
- Closed the uneconomic Beaverlodge mine in northern Saskatchewan on June 30, 1982, as scheduled, and began implementing the shutdown and decommissioning program;
- Continued the expansion of its uranium processing capacity, both at the existing Port Hope operation and at the new Blind River site;
- Participated in the Key Lake project in northern Saskatchewan, which will begin producing uranium concentrates from a high-grade, open pit mine in 1983;
- Increased its assets to \$875.6 million from \$618.4 million in 1981;
- Re-organized its corporate structure to integrate the newly-acquired operations;
- Became one of the companies held by the Canada Development Investment Corporation, a new company formed to hold and manage some of the federal government's commercial assets and enterprises.

On October 1, 1982, Eldorado acquired all of the shares of Gulf Minerals Canada Limited and Uranerz Canada Limited in exchange for 4.7 million kilograms of uranium concentrates held in inventory. As a result, Eldorado is now the sole owner of the Rabbit Lake properties in Saskatchewan and has acquired ore reserves containing more than 30 million kilograms of U_3O_8 and a modern mill with a capacity of 2.5 million kilograms annually.

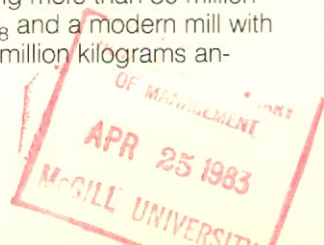
As a result of these acquisitions, the Company re-organized its corporate structure to facilitate the integration of the new operations and to prepare for the growth which is expected to occur during the remainder of the decade. Eldorado Nuclear Limited remains the parent company. All mining and processing operations have been consolidated under one subsidiary, Eldorado Resources Limited, formerly Gulf Minerals Canada Limited. The Rabbit Lake properties are now operated by the Eldor Mines division of Eldorado Resources. The Company's investments in the Key Lake project and exploration lands are consolidated under a second subsidiary, Eldor Resources Limited. Mr. M.J. Moreau, Executive Vice-President of the parent company, has been appointed President and Chief Operating Officer of the Eldorado subsidiaries.

In 1982 Eldorado Nuclear's consolidated gross revenue amounted to \$88.8 million, an increase of 24 percent over 1981. In addition, the Company realized non-recurring income of \$12 million on the sale of inventory in return for Gulf's working capital. This revenue and non-recurring income, combined with increased margins in processing operations, resulted in earnings of \$4.0 million compared with a loss, before an extraordinary item, of \$1.5 million in 1981.

Without the earnings attributable to the acquisitions, Eldorado would have incurred a substantial loss in 1982. The Company expects to achieve only marginal earnings during the next two years. Facilities now under development are expected to be in production during a period of rising demand and should increase earnings substantially in future years.

Future Prospects

Although the uranium market remained depressed in 1982, there were hopeful signs by year-end. The spot-market for uranium increased in the last three months of the year, the first sign of recovery since prices started to weaken in



January of 1979. Although this market accounts for only 10 percent of the industry's sales, it does affect prices negotiated under the long-term contracts by which most uranium is sold.

The installed reactor capacity world-wide will more than double by 1990. While the demand for uranium will be increasing, the number of producing mines has been declining as a result of low prices. High-cost mining operations, principally in the United States but also in Canada, have curtailed or ceased production. Several new projects have also been cancelled or indefinitely deferred. Market prices are expected to respond gradually to this increased demand and declining supply.

The major achievement in 1982 was the five-fold increase in Eldorado's capacity to produce uranium concentrates. In addition, the Company will soon become one of the largest suppliers of refining and conversion services. The high quality of the assets acquired and under development, combined with the productivity improvements now in progress, offer Eldorado's customers a higher degree of supply assurance and continuity than ever before possible.

In closing, I would like to welcome 300 new employees in the Eldor Mines division and to thank all employees for the substantial effort made to increase productivity during 1982. Continuing productivity improvements will be necessary to enable the Company to participate profitably in world uranium markets.



N.M. Ediger,
Chairman and Chief Executive Officer

Report on Operations

Eldorado Resources Limited set new production records in the uranium processing operations at Port Hope in 1982. The Company processed 6.3 million kilograms of uranium, an increase of six percent over 1981. Of this, 4.7 million kilograms was converted into uranium hexafluoride (UF₆) for foreign light-water reactors, a two percent gain over 1981. A larger increase was achieved in the conversion of uranium into uranium dioxide (UO₂) for use in the CANDU heavy-water reactors. Production rose by 18 percent to 1.6 million kilograms, by far the largest annual UO₂ output in Eldorado's history.

In addition to refining and converting uranium for use as a fuel in electricity generating reactors, Eldorado also oper-

ates a specialty metals plant at Port Hope. Sales revenue from this division increased to \$13.5 million.

As announced on December 3, 1981, the Beaverlodge mine was shut down as scheduled on June 30, 1982. Production from Beaverlodge in 1982 amounted to 332,477 kilograms of uranium concentrates. Production from the Eldor Mines division during the fourth quarter was 323,065 kilograms.

Most of the 800 people who were employed at the Beaverlodge mine moved to other communities during the first seven months of the year. About 110 employees will remain until June 30, 1983 to decommission and reclaim the site.

Eldorado provided severance pay,

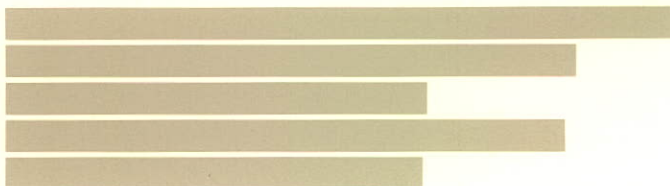
UF₆ Production (kilograms U)

1982	4,762,000
1981	4,652,000
1980	4,246,000
1979	4,486,000
1978	3,219,000



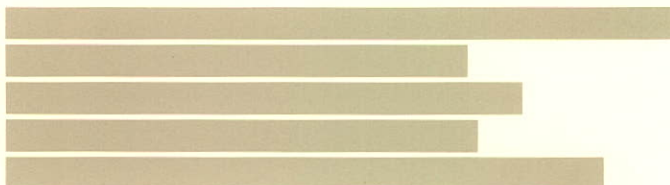
UO₂ Production (kilograms U)

1982	1,577,000
1981	1,338,000
1980	965,000
1979	1,324,000
1978	966,000



U₃O₈ Production (kilograms)

1982	655,000
1981	442,000
1980	499,000
1979	456,000
1978	582,000



early retirement and, in conjunction with the federal government, relocation assistance to its employees. Grants in lieu of municipal taxes were continued until June 30, 1983 and Uranium City municipal bonds held by the Company were written off. The cost of these programs is estimated at more than \$10 million, of which \$7.8 million went directly to employees.

The closure of the Beaverlodge operation marked a turning point in the history of Eldorado Aviation Limited, the wholly-owned subsidiary which has provided essential air transportation service to and from Eldorado's mines for more than 40 years. Because Eldor Mines is serviced year-round by an all-weather road and will not require the same volume of air service, the future of Eldorado Aviation is uncertain.

Development

In December, Eldor Mines received prompt environmental approval from the new Government of Saskatchewan for development of the Collins Bay B deposit, located nine kilometres northeast of the existing Rabbit Lake mine and mill. Development of this deposit will maintain mill production beyond 1985. Negotiation of a surface lease, which is required before development can commence, began early in 1983.

A total of \$114.2 million was spent during 1982 on expansion of processing facilities, which will almost triple capacity by the end of 1983. Spending on the Blind River refinery project totalled \$68.1 million during the year, bringing the plant to 77 percent completion. It is scheduled to be in service by mid-1983. Approvals were received in the second quarter for the construction of a second UF₆ conversion facility at Port Hope. Some \$46.1 million was spent during 1982, bringing the plant to 30 percent completion by year-end. The facility is scheduled for service in the fourth quarter of 1983.

The Key Lake mine and mill, in which Eldor Resources has a one-sixth interest, is expected to commence operations by mid-1983, with the first commercial pro-

duction in the fourth quarter. The Key Lake project has reserves containing more than 80 million kilograms of U₃O₈ and will have a production capacity of 5.4 million kilograms annually. The Company's share of Key Lake development costs totalled \$31.4 million during 1982 and a further \$32 million will be required to complete the project.

Eldor Resources continued its exploration program for new deposits of uranium, principally in the Athabasca Basin of northern Saskatchewan. However, for the first time a concerted effort was made to locate other minerals and 31 percent of the \$5.5 million exploration budget was committed to non-uranium projects, especially precious metals.

The Company's expansion program is being financed primarily through borrowings in international capital markets. A total of \$238.8 million was raised during 1982 on financial markets in Japan, the United States and Switzerland. Further borrowings will be required in 1983.

Employees

As a result of general economic conditions and poor uranium markets, cost-cutting measures were implemented throughout all operations during 1982. Wage increases for union employees were consistent with the federal government's two-year program to restrain incomes to increases of six and five percent. Increases for salaried employees for 1983 will be held within these guidelines and salaries for senior officers have been frozen.

Radiation exposure for employees in the operating divisions continued to be well below the maximum acceptable levels set by the regulatory agencies. A marked improvement in industrial safety was achieved in 1982. At Port Hope, the reduction in the number of lost-time accidents, their severity and frequency exceeded 50 percent. Continuing improvement in industrial safety remains an important goal for Eldorado and its employees.

Financial Review and Consolidated Statements

for the year ended December 31, 1982

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Financial Review

The most significant event in 1982 affecting Eldorado Nuclear Limited's financial position and performance was the acquisition on October 1 of all of the shares of Gulf Minerals Canada Limited and Uranerz Canada Limited. As a result, the Company acquired an operating mine and mill at Rabbit Lake, Saskatchewan, which together with other undeveloped properties contain more than 30 million kilograms of uranium concentrates. Eldorado paid approximately 4.7 million kilograms of mine concentrates from its inventory for the shares of the two companies.

Operating Results

Eldorado's 1982 revenue was favourably affected by sales contracts acquired from Gulf Minerals. Revenue increased by 24 percent during the year to \$88.8 million from \$71.8 million in 1981. In addition, the Company realized non-recurring other income of \$12 million on the sale of inventory in return for Gulf's working capital.

The higher revenue and the other

income accounted for 1982 earnings of \$4.0 million, which compared with a loss the previous year of \$1.5 million before the extraordinary item. The other major factor in the profit performance was higher profit margins in all operating divisions. In particular, the margin on uranium sales rose substantially in 1982 as a result of reduced cost of inventories arising from the 1981 write-down to market value.

Exploration and research and development programs were reduced in 1982. This was combined with restraints in all administrative sections and enabled the Company to limit growth in overhead expenses.

However, the cost of financing increased from \$15.6 million in 1981 to \$27.8 million. This resulted from the higher level of long-term debt required for capital expenditures (other than those projects on which interest is capitalized) and for the decommissioning of Beaverlodge.

Financial Position

The Company's asset base was increased

Revenue

		Concentrates	Refinery Services	Other
1982	\$ 88,818,000			
1981	\$ 71,888,000			
1980	\$ 91,116,000			
1979	\$111,498,000			
1978	\$124,046,000			

Net Earnings (before extraordinary item)

1982	\$ 4,000,000	
1981	\$ (1,529,000)	
1980	\$ 1,506,000	
1979	\$ 398,000	
1978	\$ 17,618,000	

42 percent during the year to \$875.6 million. Upon completion in 1983 of projects currently in progress, total assets will exceed \$1 billion.

Of the total assets at year-end, 44 percent was in existing production and support facilities, and current assets other than inventory; 43 percent in new assets being brought into production within one year; and 13 percent in uranium inventory. This represents a major change from 1981 when 47 percent was in inventories and

only 16 percent in existing facilities. The change reflects the acquisition of the Rabbit Lake and related interests.

The Company's 1982 capital expenditures, including capitalized interest charges, on construction of the new Blind River refining and Port Hope conversion facilities totalled \$114.2 million. The processing expansion projects are expected to be completed within their budgets with no significant delays from the original schedules. The other major capital ex-

Assets

		Uranium Inventories	Developing Assets	Other
1982	\$875,625,000			
1981	\$618,377,000			
1980	\$359,119,000			
1979	\$325,965,000			
1978	\$314,882,000			

Equity and Long-Term Debt

	% Equity	Equity and Debt	Government Equity	Government Debt	Other Debt
1982	36	\$715,093,000			
1981	49	\$518,386,000			
1980	28	\$286,600,000			
1979	30	\$263,197,000			
1978	38	\$210,072,000			

Capital Expenditures

		Mining/Milling	Refining/Conversion	Other
1982	\$239,862,000			
1981	\$ 75,111,000			
1980	\$ 53,949,000			
1979	\$ 56,296,000			
1978	\$ 38,196,000			

penditure was the \$122 million purchase of property and equipment as part of the Rabbit Lake acquisition.

Eldorado's share of the development costs of the Key Lake mine and mill, in which the Company has a one-sixth interest, amounted to \$31.4 million.

The expansion program has continued to be financed primarily with long-term debt raised in various international capital markets. During 1982, \$238.8 million of debt was entered into as follows:

— A long-term line of credit of 5 billion Japanese yen (of which 2 billion yen had been drawn down by December 31, 1982), repayable in 10 equal semi-annual installments, commencing 66 months from the date of negotiation, with an interest rate fixed at 0.2 percent above the Japanese long-term prime rate prevailing at the date of drawdown.

— A U.S. public bond issue of \$100 million, repayable in 1992, at 14½ percent interest payable semi-annually.

— A public issue listed on the Tokyo Stock Exchange of 10 billion Japanese yen bonds, repayable in 1992 at 8½ percent interest payable semi-annually.

— A public issue in Switzerland of 100 million Swiss francs, repayable in 1992. This debt was immediately swapped into

a \$U.S. denominated liability with the same repayment terms, and bearing interest in 14.25 percent compounded semi-annually. This transaction enabled the Company to raise \$U.S. funds at a cost below the prevailing U.S. interest rates.

Income Tax

Eldorado is subject to the full provisions of the Income Tax Act and does not enjoy any special privileges because of its ownership by the Crown.

Saskatchewan Uranium Royalties

The Company is subject to the full provisions of the Saskatchewan Mineral Resources Act for the payment of uranium royalties. Provincial mineral royalty payments are not deductible from income for determining the federal income taxes payable.

Interim Reports

During 1981, the Company continued the practice of issuing interim reports. The following table sets out the unaudited results of operations by quarter for 1982. Eldorado's business cycle is such that the results of any interim period are not necessarily indicative of results for a full year.

Interim Reports (Millions of dollars)

	Q1	Q2	Q3	Q4	Year
1982 Revenue	\$21.0	\$20.1	\$16.1	\$31.6	\$88.8
Gross Profit	6.6	6.4	6.1	11.1	30.2
Net Earnings	(1.2)	(1.0)	(5.2)	11.4	4.0

Report of Management's Accountability

The accompanying financial statements and all information in the Annual Report are the responsibility of management and the Board of Directors of the Company. The financial statements were prepared by management in conformity with generally accepted accounting principles considered to be appropriate in the circumstances.

Eldorado maintains internal accounting controls which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that reliable financial information is produced. The Company has also established a "Code of Ethics" for employees to prevent conflicts of interest on the part of employees and to ensure that there is no unauthorized disclosure by employees of confidential information. The Company has established an internal auditing department, whose functions include reviewing the systems of control to ensure that they are adequate and functioning properly.

Annually, the financial statements are examined by the Company's external auditors. Their examination is made in accordance with generally accepted auditing standards and includes a review and evaluation of the Company's system of internal accounting controls and such tests and other procedures as they deem necessary to provide reasonable assurance as to the fairness of the financial statements.

The Board of Directors, through its Audit Committee consisting solely of outside directors, is responsible for reviewing and monitoring the Company's accounting and reporting practices. The Audit Committee meets with management and both the internal and external auditors to satisfy itself that their responsibilities are properly discharged. Both the internal and external auditors have free access to this Committee to discuss the results of their work and their opinions on the adequacy of the internal accounting controls and the quality of financial reporting.

Statement of Accounting Policies

The accompanying consolidated financial statements were prepared by management in conformity with 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 and its wholly-owned subsidiaries.

Inventories

Inventories of mine concentrates and 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 cost.

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.

Investment in Joint Venture

The investment in joint venture, which consists of exploration, development and financing costs of the one-sixth interest in the Key Lake orebodies, is carried at cost until such time as a commercial level of production is achieved.

Depreciation

Mining buildings and equipment are depreciated according to the unit-of-production method. This method allocates the cost of these assets to each accounting period according to the portion of total estimated ore reserves recovered in that period.

Mobile mining equipment, refinery assets and other assets are depreciated according to the composite straight-line method based on the estimated useful lives of these assets, which ranges from 3 to 10 years.

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.

Mine Development and Preproduction Costs

Certain mine development and refinery 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 refining assets, and according to the unit-of-production method in the case of mining assets. Other costs are charged to production as incurred.

Unamortized Financing Costs

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

Provision for Reclamation

The estimated costs of decommissioning and reclaiming producing resource properties are charged to operations according to the unit-of-production method.

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 refinery conversion services. Sales revenue is recorded in the fiscal year that title passes or, with customer-owned material, when delivery is effected.

Foreign Exchange

Short-term investments, accounts receivable and accounts payable denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at year-end; income and expenses at rates in effect at the time of the transaction; long-term debt at rates in effect when the debt was incurred. Gains or losses resulting from such translation practices are reflected in the statement of consolidated earnings and retained earnings.

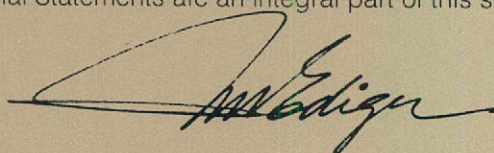
Income Tax

The Company follows the tax allocation method of providing for income taxes. Taxable income may be different from reported earnings before taxes because certain items of income and expense are recorded in time periods different for tax purposes from those for financial reporting purposes. The difference between the taxes calculated as payable each year and those charged against earnings on the tax allocation method is accumulated and carried forward in the statement of consolidated financial position under the caption Deferred Taxes.

Statement of Consolidated Financial Position

As at December 31st	1982	1981	1980
	(Thousands of dollars)		
Current assets			
Cash and short-term investments	\$148,791	\$ 3,717	\$ —
Accounts receivable	20,081	14,658	13,591
Income taxes receivable	25,434	—	—
Mine concentrates on loan	1,572	5,038	9,052
Inventories	114,197	28,471	8,815
Supplies	9,800	10,390	15,295
Prepaid expenses	200	478	462
	320,075	62,752	47,215
Current liabilities			
Bank loans and advances	—	—	23,322
Accounts payable	55,585	32,162	23,850
Long-term debt due within one year	47,167	12,400	8,353
Provision for mine shutdown	32,937	51,491	—
	135,689	96,053	55,525
Working capital (deficiency)	184,386	(33,301)	(8,310)
Non-current assets			
Inventories	—	255,545	—
Investment in joint venture	162,603	131,207	120,977
Mine concentrates on loan	—	—	10,950
Property and equipment	373,561	160,932	168,794
Deferred charges	6,525	5,150	6,552
Accounts receivable	—	1,267	2,533
Other assets	12,861	1,524	2,098
	555,550	555,625	311,904
Capital employed	\$739,936	\$522,324	\$303,594
Represented by:			
Long-term debt	\$458,630	\$265,923	\$204,990
Other liabilities	3,938	3,938	6,286
Provision for reclamation	20,905	—	—
Deferred taxes	—	—	10,708
	483,473	269,861	221,984
Shareholder's equity			
Share capital	306,586	306,586	6,586
Retained earnings (deficit)	(50,123)	(54,123)	75,024
	256,463	252,463	81,610
	\$739,936	\$522,324	\$303,594

The accompanying notes to Consolidated Financial Statements are an integral part of this statement.
Approved by the Board of Directors.

Marcel Bélanger 

Statement of Changes in Consolidated Financial Position

For the year ended December 31st	1982	1981	1980
	(Thousands of dollars)		
Source of working capital			
From operations:			
Earnings (loss) before extraordinary item	\$ 4,000	\$ (1,529)	\$ 1,506
Items not affecting working capital:			
Depreciation and amortization	11,446	18,100	15,493
Reclamation	905	—	—
Deferred taxes	—	(1,365)	1,864
Gain on disposition of non-current inventory	(12,036)	—	—
	4,315	15,206	18,863
Non-current inventories exchanged for the 1982 acquisitions	214,227	—	—
Non-current inventories reclassified as current	53,354	—	—
Increase in long-term debt	268,845	168,062	55,776
Mine concentrates repaid and due within one year	—	10,044	8,819
Non-current receivables decrease (increase)	1,267	1,266	(2,533)
Issue of share capital	—	300,000	—
	542,008	494,578	80,925
Use of working capital			
Decrease (increase) in other liabilities	—	2,348	(1,209)
Increase (decrease) in carrying value of mine concentrates on loan	—	(906)	9,091
Additions to property and equipment	111,132	74,732	49,483
Property and equipment acquired in the 1982 acquisitions	102,013	—	—
Investment in joint venture	31,396	10,230	13,626
Repayment of long-term debt	28,971	94,729	25,527
Long-term debt due within one year	47,167	12,400	8,353
Extraordinary item: loss on shutdown of Beaverlodge operations	—	62,188	—
Acquisition of non-current inventories	—	255,545	—
Additions to deferred charges	3,642	8,303	2,740
	324,321	519,569	107,611
Increase (decrease) in working capital	217,687	(24,991)	(26,686)
Working capital (deficiency) at beginning of year	(33,301)	(8,310)	18,376
Working capital (deficiency) at end of year	\$184,386	\$ (33,301)	\$ (8,310)

The accompanying notes to Consolidated Financial Statements are an integral part of this statement.

Statement of Consolidated Earnings and Retained Earnings

For the year ended December 31st	1982	1981	1980
	(Thousands of dollars)		
Revenue			
Sales of products and services	\$ 88,818	\$ 71,888	\$ 91,116
Expenses			
Cost of products and services sold	58,588	77,632	68,019
Exploration	5,495	4,927	5,286
Research and development	2,780	2,683	2,904
Administration	6,281	5,608	5,149
Financing expense	27,757	15,621	6,856
Other income	(19,969)	(32,692)	(2,538)
Total expenses	80,932	73,779	85,676
Earnings (loss) before taxes and extraordinary items	7,886	(1,891)	5,440
Income taxes and mineral royalties	3,886	(362)	3,934
Earnings (loss) before extraordinary items	4,000	(1,529)	1,506
Loss on shutdown of Beaverlodge operations	—	127,618	—
Net earnings (loss)	4,000	(129,147)	1,506
Retained earnings (deficit) at beginning of year	\$(54,123)	\$ 75,024	\$ 73,518
Retained earnings (deficit) at end of year	\$(50,123)	\$(54,123)	\$ 75,024

The accompanying notes to Consolidated Financial Statements are an integral part of this statement.

Notes to Consolidated Financial Statements

for the year ended December 31st, 1982

1. Eldorado Nuclear Limited

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

The Company is primarily engaged in mineral exploration and 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 12.

3. The 1982 Acquisitions

On October 1, 1982 the Company acquired all of the outstanding shares of Gulf Minerals Canada Limited and Uranerz Canada Limited. These two companies were joint owners of the Rabbit Lake mining operation in northern Saskatchewan. In addition, Gulf was the owner of various undeveloped orebodies in the region.

Consideration given for the purchase of the two companies' shares consisted of approximately 4.7 million kilograms of uranium mine concentrates.

These acquisitions are accounted for by the purchase method. The net non-current assets acquired, totalling \$102,013,030, consist of property and equipment of \$122,013,030 less a non-current liability of \$20,000,000. Working capital of \$85,616,562 was also acquired.

The value assigned to the property and equipment is the estimated fair value of such assets after reorganization and recovery of income taxes. No amounts were allocated to goodwill.

The results of the Rabbit Lake operations since the date of acquisition have been included in the Consolidated Financial Statements for 1982.

4. Provision for Mine Shutdown

The provision for the Beaverlodge mine shutdown was established in 1981 when the shutdown decision was taken. An extraordinary loss was recorded in that year to reflect this decision. Actual shutdown occurred during 1982. Accordingly, this provision represents the expected remaining cost of decommissioning and reclaiming the Beaverlodge mine.

5. Property and Equipment

	1982	1981	1980
		(Thousands of dollars)	
Land	\$ 4,942	\$ 3,725	\$ 3,642
Buildings	72,042	15,875	69,731
Equipment	138,383	72,239	143,896
Construction in progress	210,800	96,582	33,711
Aircraft under capital lease	—	16,729	15,927
	426,167	205,150	266,907
Less accumulated depreciation	52,606	44,218	98,113
	\$373,561	\$160,932	\$168,794
Depreciation for year	\$ 10,491	\$ 15,269	\$ 13,191

6. Deferred Charges

	1982	1981	1980
	(Thousands of dollars)		
Mine development	—	—	\$4,500
Refinery preproduction	\$1,485	\$1,773	2,052
Unamortized financing costs	5,040	3,377	—
	\$6,525	\$5,150	\$6,552
Amortization for year	\$ 955	\$2,831	\$2,302

7. Other Assets

The aircraft under capital lease, previously classified as property and equipment, has been reclassified under other assets, as it is currently held for sale. The aircraft has been valued at its estimated fair market value. The difference of approximately \$5.7 million has been charged to the provision for mine shutdown.

8. Long-Term Debt

	1982	1981	1980
	(Thousands of dollars)		
i) From Canada			
4 $\frac{1}{4}$ % notes due 1981	\$ —	\$ —	\$ 7,762
6 $\frac{1}{2}$ % notes due 1982	—	10,062	10,062
5 $\frac{7}{8}$ % notes due 1983	5,082	5,082	5,082
6 $\frac{3}{8}$ % notes due 1984	10,093	10,093	10,093
ii) Other			
Income debentures due 1983 at floating rate approximately one-half of prime lending rate	40,000	40,000	40,000
Promissory notes due 1985, at floating rate $\frac{3}{8}$ % below prime lending rate	—	30,000	30,000
Capitalized lease expiring 1992, with floating monthly payments 2%-4% below prime lending rate	14,024	15,333	15,615
Notes due 1986, at 13 $\frac{1}{4}$ % (\$U.S.-50 mln.)	59,428	59,428	—
Loan due 1991, at 7% (100 mln. Swiss francs)	56,763	56,763	—
Notes due 1988, at interest rate to yield 9.19% (10.108 bln. Japanese yen)	51,562	51,562	—
Loan due 1987-1992, at 8.8% (2 bln. Japanese yen)	10,556	—	—
Notes due 1992, at 14.5% (\$U.S.-100 mln.)	125,108	—	—
Loan due 1992, at an interest rate to yield 14.25% (\$U.S.-44.7 mln.)	55,371	—	—
Bonds due 1992, at 8 $\frac{1}{2}$ % (10 bln. Japanese yen), with 10% of principal due in each of years 1987-1991	47,810	—	—
Promissory note due 1984, at floating rate $\frac{3}{8}$ % above 90-day Treasury Bill rate	30,000	—	—
iii) Mine concentrates borrowed (UCAN)	—	—	94,729
Sub-total	\$505,797	\$278,323	\$213,343
Less: Current portion of long-term debt listed above	47,167	12,400	8,353
Total	\$458,630	\$265,923	\$204,990

8. a) Foreign Currency Translation

If translated into Canadian dollars at year-end rates of exchange, long-term debt would increase by \$9,704,000 in 1982 (1981-\$12,445,000 and 1980-nil). This is not necessarily indicative of the amounts which will be repaid when the obligations are retired.

8. b) Long-Term Debt Payments

The long-term debt payments due in each of the next five years are as follows: 1983-\$47,167,000; 1984-\$42,243,000; 1985-\$2,200,000; 1986-\$61,678,000; 1987-\$8,136,000.

8. c) Mine Concentrates Borrowed

Mine concentrates originally borrowed from Uranium Canada, Limited (UCAN) were repaid in 1981 as part of the transaction in which the entire Government of Canada uranium stockpile was transferred to the Company in exchange for the issuance of common and preferred shares.

9. Share Capital

	1982	1981	1980
Authorized:			
An unlimited number of common shares of no par value			
1,600,000 preferred shares (1981—1,600,000 shares; 1980—nil)			
Issued and fully paid:			
Common—1,452,880 shares to Canada (1980—70,500 shares)	\$106,586	\$106,586	\$6,586
Preferred—1,600,000 shares to Canada (1980—nil)	200,000	200,000	—
	<u>\$306,586</u>	<u>\$306,586</u>	<u>\$6,586</u>

The preferred shares have an assigned value of \$125 per share. No dividends are payable until March 31, 1986. At that date cumulative dividends, if declared, are payable at \$25 per share. At March 31, 1987 cumulative dividends, if declared, are payable at \$50 per share. Thereafter, the preferred shares bear a cumulative dividend rate of \$12.50.

10. Other Income and Expenses

	1982	1981	1980
	(Thousands of dollars)		
Income —			
Interest on investments	\$ 7,945	\$ 714	\$ 465
Gain on disposition on non-current inventory	12,036	—	—
Gain on settlement of UCAN concentrate loan	—	31,581	5,763
Other non-operating items	2,231	723	999
Expenses —			
New refinery site selection costs	—	—	(4,141)
Other non-operating items	(2,243)	(326)	(548)
	\$19,969	\$32,692	\$2,538

11. Income Taxes and Mineral Royalties

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

	1982	1981	1980
	(Thousands of dollars)		
Income taxes — deferred	\$ —	\$ (1,365)	\$ 1,864
Mineral royalties	3,886	1,003	2,070
	\$3,886	\$ (362)	\$3,934

The reconciliation between the statutory income tax rate and the Company's effective rate of income tax (before extraordinary item) and mineral royalties is as follows:

Percentage of Pre-tax Earnings	1982	1981	1980
Statutory income tax (recovery) rate	51.8	(48.3)	48.3
Resource and depletion allowances	(56.2)	(110.5)	(33.2)
Adjusted income tax (recovery) rate	(4.4)	(158.8)	15.1
Inventory allowance	(53.6)	(22.1)	(9.5)
Research allowance	—	—	(3.7)
Non-deductibility of income debenture interest	21.4	104.5	27.4
Other	36.6	4.3	4.9
Effective income tax (recovery) rate	—	(72.1)	34.2
Mineral royalties	49.3	53.0	38.1
Net effective tax (recovery) rate	49.3	(19.1)	72.3

Provincial mineral royalties, which are not deductible for federal income tax purposes, are calculated in part as a percentage of revenues and consequently the effective rate can fluctuate drastically from year to year.

At December 31, 1982 the Company had unrecorded income tax debits of approximately \$85 million to be applied against future taxable earnings.

These debits arise from depreciation costs exceeding capital cost allowance claims and from expenditures on assets qualifying for an earned depletion tax deduction.

12. Sales Contracts

At December 31, 1982 the Company had commitments for the delivery of 10,243,000 kilograms of uranium mine concentrates from 1983 to 1991.

13. Commitments and Contingencies

a) The Company has entered into long-term leases on certain properties up to 1987 with annual rental payments averaging \$619,000.

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

The pension funds are revaluated at least every three years by the consulting actuaries. Assets in the pension funds, which are administered by independent trustees, are essentially valued at book values. In the case of bonds, any premium or discount from par is amortized over the lifetime of the bond.

The majority of the liabilities and funding requirements are determined by the consulting actuaries on the Entry Age Normal Cost method. Under this method, the normal cost to the Company is calculated as a level annual percentage of payroll which, when taken together with the members' required contributions and the assumed earnings rate thereon, would be sufficient to fund the expected benefits for each member. The assumed annual rate of return used in determining the actuarial present values of the majority of accumulated plan benefits is 5 percent.

The last actuarial valuations of the plans as of June 30, 1982 revealed that the plans had a total surplus of \$5,006,000 as of that date.

c) Through a wholly-owned subsidiary, the Company is a one-sixth partner in a joint venture that discovered and has commenced developing the orebodies near Key Lake, Saskatchewan. In accordance with the joint venture agreement, the subsidiary is obligated to meet its proportionate share of the commitments of the joint venture. At December 31, 1982, the subsidiary's share of the estimated cost to commence production is approximately \$32 million.

d) The Company is expanding its refining and conversion capacity. The capital cost of the program to be incurred from 1982 is projected at approximately \$99 million. The new plants are expected to be ready for commercial operation by late 1983 and early 1984.

The Company has entered into contracts in connection with its expansion program and as at December 31, 1982 has outstanding commitments of approximately \$29 million.

e) In connection with its operation, the Company is the defendant in certain litigation. It is the opinion of management, based on legal counsel, that this will not result in any material liabilities to the Company.

14. Supplementary Information

a) During 1982 the Company paid sales commissions to Marubeni Corporation, who have been retained as exclusive Japanese sales agents since 1960.

b) Interest costs of \$27.1 million paid in 1982 have been capitalized under property and equipment and investment in joint venture (1981-\$8.5 million; 1980-\$2.8 million). No deferred interest has been incurred or capitalized in 1982 under investment in joint venture (1981-\$2.1 million; 1980-\$10.2 million).

c) Certain account descriptions have been reclassified from prior years for comparative purposes.

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 of the Company are derived primarily from sales to foreign and domestic electric utilities as follows:

	1982	1981	1980
	(Thousands of dollars)		
Export Sales	\$66,143	\$55,135	\$77,738
Domestic Sales	22,675	16,753	13,378
Total Sales	\$88,818	\$71,888	\$91,116

Auditor's Report

The Honourable Jack Austin,
P.C., Q.C., Senator,
Minister of State,
Ottawa, Ontario

We have examined the statement of consolidated financial position of Eldorado Nuclear Limited as at December 31, 1982 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 give a true and fair view of 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.

We further report that, in our opinion, proper books of account have been kept

by the Company, the financial statements are in agreement therewith and the transactions that have come under our notice have been within its statutory powers.

Coopers & Lybrand

Ottawa, Canada
February 1, 1983

Direction and Management

Board of Directors

Marcel Bélanger, O.C., C.A.

President
Gagnon et Bélanger Inc.
Quebec City, Quebec

W.J. Bennett

Consultant
The Iron Ore Company of Canada
Montréal, Quebec

Dr. Roger A. Blais, Eng.

Managing Director
Industrial Innovation Centre (Montréal)
Montréal, Quebec

L.C. Bonnycastle, B.A., F.S.A.

Consultant
Canadian Corporate Management Co. Ltd.
Toronto, Ontario

Kevin P. Boyle

Vice-President
The H.A. Roberts Group Limited
Regina, Saskatchewan

N.M. Ediger

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

J. Gerald Godsoe, Jr.

Partner
Stewart, MacKeen & Covert
Halifax, N.S.

Maurice A.A.C. Swertz, Sr.

President
Swertz Bros. Construction Limited
Weyburn, Saskatchewan

N.G. Van Nest

President
Heritage Securities Corporation
Toronto, Ontario

Board Committees

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L.C. Bonnycastle
J.G. Godsoe, Jr.
Kevin P. Boyle

Finance Committee

N.G. Van Nest, Chairman

W.J. Bennett

N.M. Ediger

Executive Development and
Compensation Committee

W.J. Bennett, Chairman
R.A. Blais
L.C. Bonnycastle
M.A.A.C. Swertz, Sr.

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and Chief Executive Officer

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Executive Vice-President
and Chief Operating Officer

George Boyce

Vice-President, Marketing

Ronald G. Dakers

Vice-President, Refining

Thomas J. Gorman

Vice-President, Finance

Kenneth M. Haapanen

Vice-President, Mining

Sandy Mackay-Smith

General Counsel
and Corporate Secretary

5-Year Summary of Operations

	1982	1981	1980	1979	1978
Income and Expenses (\$000)					
Revenue	\$ 88,818	\$ 71,888	\$ 91,116	\$111,498	\$124,046
Gross Profit (loss)	30,230	(5,744)	23,097	21,953	38,718
Operating Profit (loss)	15,674	(18,962)	9,758	7,524	28,105
Net earnings (loss)	4,000	(129,147)	1,506	398	17,618
Net earnings (loss) per common share*(\$)	2.75	(88.89)	21.36	5.66	249.90

Financial Position at Year End (\$000)

Working capital (deficiency)	\$184,386	\$ (33,301)	\$ (8,310)	\$ 18,376	\$ 8,381
Net property and equipment	373,561	160,932	168,794	132,502	85,013
Total assets	875,625	618,377	359,119	325,965	314,882
Long-term debt	458,630	265,923	204,990	183,093	130,366
Shareholder's equity	256,463	252,463	81,610	80,104	79,706
Shareholder's equity per common share*(\$)	176.52	173.77	1,157.59	1,136.23	880.68

Capital Outlays (\$000)

Capital expenditures	\$239,862	\$ 75,111	\$ 53,949	\$ 56,296	\$ 38,196
Depreciation and amortization	11,446	18,100	15,493	9,978	8,400

Significant Financial Ratios

Gross profit margin	34.0%	(8.0%)	25.3%	19.7%	31.2%
Operating profit margin	17.6%	(26.4%)	10.7%	6.7%	22.7%
Return on equity	1.6%	(51.2%)	1.8%	0.5%	22.1%
Return on capital employed	0.5%	(24.7%)	0.5%	0.1%	7.8%
Debt to equity ratio	1.8	1.1	2.5	2.3	1.6
Interest coverage ratio	1.1	0.6	1.5	1.3	5.0
Working capital ratio	2.4	0.7	0.9	1.4	1.1

Selected Operating Statistics

Number of employees at year-end	1,334	1,653	1,737	1,610	1,499
U ₃ O ₈ produced (000 Kgs. U ₃ O ₈)	655	442	499	456	582
UF ₆ processed (000 Kgs. U in UF ₆)	4,762	4,652	4,246	4,486	3,219
UO ₂ processed (000 Kgs. U in UO ₂)	1,577	1,338	965	1,324	966

*Based on 1,452,880 common shares in 1982 and 1981, and 70,500 shares in all other years.

Glossary of Financial Terms

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.

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.

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.

Earnings Per Share**

The portion of earnings for a period attributable to a share of issued capital of a corporation. The calculation of earnings per share is relevant only with respect to shares whose rights to participate in the earnings have no upper limit.

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.

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

Glossary of Financial Terms

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.

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 Equity

The ratio of net earnings to shareholder's equity.

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.

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Pour se procurer le rapport annuel d'Eldorado Nucléaire Limitée en version française, s'adresser par écrit au siège social de la Compagnie: Suite 400, 255 rue Albert, Ottawa, Ontario, K1P 6A9.

Head Office

Suite 400
255 Albert Street
Ottawa, Canada
K1P 6A9

Telephone:
613-238-5222

Telex:
053-3382