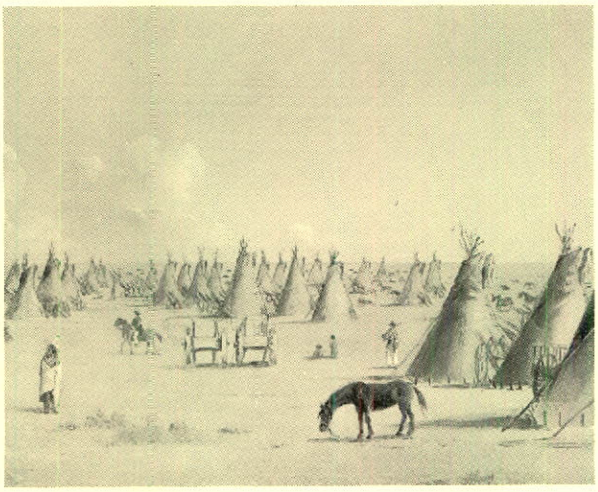
Hollinger Argus Limited
Hollinger Argus Limitée

Annual Report
1983



"A METIS ENCAMPMENT" C. 1846
by
Paul Kane (1810-1871)
Oil on paper 8¼"x 13¾"

This was a painting originally owned by Governor George Simpson of the Hudson's Bay Company. It depicts dozens of buffalo-skin teepees pitched on flat terrain arranged by Kane in an eye pleasing geometric pattern.

Hollinger Argus Limited
Incorporated under the laws of Ontario

Hollinger Argus Limitée
Constituée en vertu des lois de l'Ontario

Annual Report
1983

Contents

Highlights	**1983**	1982
Net income	**$17,183,648**	$13,114,391
Earnings per share	**$2.92**	$2.23
Regular dividends paid per share	**$1.60**	$2.20
Cash and Short-term Deposits	**$10,419,923**	$25,899,388
Shares held in Canada	**98.74%**	98.49%

Annual Meeting
Thursday, May 10, 1984
11:00 a.m. (Eastern Daylight Time), Territories Room, Royal York Hotel, 100 Front Street West, Toronto

Hollinger Argus Limited/Hollinger Argus Limitée

Directors, Officers and other information as at December 31, 1983

Directors

Douglas G. Bassett
Toronto

Edward G. Battle
Toronto

***Conrad M. Black**
Toronto

***G. Montegu Black**
Toronto

Thomas G. Bolton
Toronto

***Edmund C. Bovey**
Toronto

Dixon S. Chant
Toronto

***Charles G. Cowan**
Toronto

****Glen W. Davis**
Toronto

Fredrik S. Eaton
Toronto

****John R. Finlay**
Toronto

***P. C. Finlay**
Toronto

H. T. McCurdy
Toronto

D. A. McIntosh
Toronto

F. David Radler
Vancouver

****Ronald T. Riley**
Montreal

C. B. Ross
Toronto

Trumbull Warren
Hamilton

Lorne C. Webster
Montreal

****Peter G. White**
London

Officers

P. C. Finlay
Chairman

Conrad M. Black
Vice-Chairman of the Board and Chief Executive Officer

G. Montegu Black
President

C. B. Ross
Executive Vice-President

Dixon S. Chant
Executive Vice-President

Charles G. Cowan
Secretary

W. F. White
Treasurer

Allen A. McMartin
Honorary Director

Head office
Suite 6100, P.O. Box 80
1 First Canadian Place
Toronto, Ontario M5X 1B1

Transfer Agents and Registrars
Crown Trust Company
Toronto and Montreal

Morgan Guaranty Trust
Company of New York
New York

Bankers
Bank of Montreal
Toronto

General Counsel and Solicitors
Holden, Murdoch & Finlay
Toronto

Auditors
Thorne Riddell
Toronto

*Member of the Executive Committee
**Member of the Audit Committee

P. C. Finlay

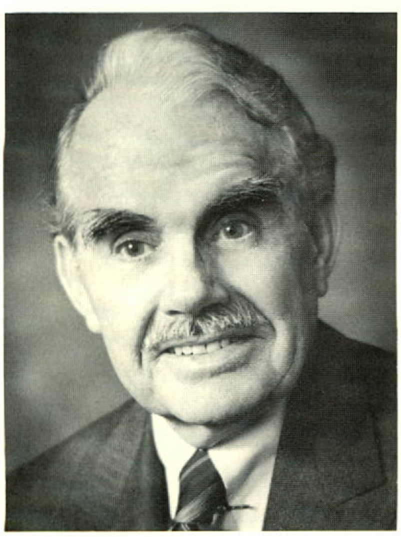
Chairman and
Member of the
Executive Committee

G. Montegu Black

President and
Member of the
Executive Committee

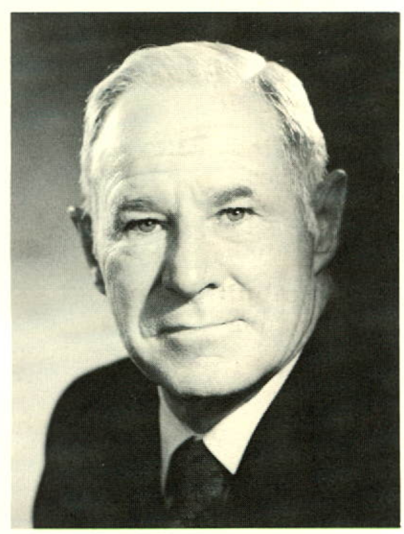
Conrad M. Black

Vice-Chairman and
Chief Executive Officer and
Chairman of the
Executive Committee



Dixon S. Chant

Executive Vice-President



C. B. Ross

Executive Vice-President

Directors' Report to the Shareholders:

We are submitting herewith the Annual Report of the Directors of Hollinger Argus Limited for the year ended December 31, 1983, being the company's 73rd year of operation. Hollinger Argus' financial statements are consolidated with those of its then subsidiaries Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Inc. to July 28, 1983, and with those of its subsidiary, Labmin Resources Limited, from the date of its incorporation on May 5, 1983 to December 31, 1983. The consolidated net earnings of Hollinger Argus in 1983 were $17,183,648, equal to $2.92 per share, compared with net earnings for 1982 of $13,114,391, or $2.23 per share.

Included in the net earnings of $17,183,648 for the year 1983, and $13,114,391 for the year 1982, are the equity earnings in Norcen Energy Resources Limited of $20,051,414 for the year 1983 and $14,133,000 for the year 1982, computed as follows:

	1983	1982
Company's interest in Norcen's earnings	$27,707,000	$25,646,000
Amortization of excess of cost over underlying book value	(12,096,000)	(9,473,000)
Adjustment of carrying value of investment as a result of Norcen issuing additional ordinary shares	(4,420,000)	(2,040,000)
Realization of portion of deferred gain on transfer of company's mineral resource assets to Norcen	8,860,414	
	$20,051,414	$14,133,000

Also included in the net earnings of $17,183,648 are its equity earnings in Standard Broadcasting Corporation Limited of $1,194,106 for the period March 8, 1983, to August 31, 1983, the fiscal year end of Standard Broadcasting. There were no equity earnings in Standard Broadcasting in 1982 as Standard Broadcasting's shares were only acquired on March 7, 1983.

Minority interests in earnings in 1983 amounted to $4,545,345 as compared to minority interests in earnings in 1982 of $4,132,500.

Income taxes in 1983 amounted to $172,000 as compared to income taxes in 1982 of $1,255,000.

The significant investments of Hollinger Argus at December 31, 1983, were as follows:

Company	Shares	% Interest
Standard Broadcasting Corporation Limited	2,885,975	49.4
Labmin Resources Limited	3,561,075	85.4

Restructuring of the Corporation, Labrador Mining and Norcen Energy Resources Limited

Pursuant to an Arrangement under The Companies Act of Newfoundland, which became effective on June 28, 1983, the holders of the ordinary shares of Labrador Mining and Exploration Company Limited automatically became holders of an equivalent number of shares without par value of Labmin and ceased to be shareholders of Labrador Mining, which thereupon became a wholly owned subsidiary of Labmin and on such date Hollinger Argus held 2,677,677 ordinary shares of Labrador Mining, representing 66.9% of the outstanding shares of Labrador Mining. As a result of the Arrangement, Hollinger Argus became the holder of an equivalent number of shares without par value of Labmin.

On July 28, 1983, as part of the restructuring of Hollinger Argus, Labrador Mining and Norcen, Norcen in effect, acquired certain resource and related assets of Hollinger Argus (excluding the Hollinger Argus then share interest in Labmin), to be held by a newly-incorporated corporation, Hollmin Resources Limited, ("Hollmin"), and all the assets of Labrador Mining (except Labrador Mining's then common share interest in Norcen). Hollinger Argus transferred to Hollmin, a wholly-owned subsidiary of Labrador Mining, a 7.146% share interest in Iron Ore Company of Canada, a 60% share interest in Hollinger North Shore Exploration Inc., a 50% share interest in Hollinger-Hanna Limited, an interest in a joint oil and gas exploration program with Sulpetro Limited, a gold royalty interest in the former Hollinger mining properties at Timmins and Ramore respectively, shares of Sugra Limited, shares of New Kelore Mines Limited and certain other mining properties and miscellaneous assets. Hollinger Argus received for these assets transferred to Hollmin a total of $49,030,000. The restructuring also resulted in the elimination of all of Labrador Mining's long term debt from the Consolidated Balance Sheet of Hollinger Argus. Such long term debt had stood at $263,775,140 in the Consolidated Balance Sheet as at December 31, 1982, and at $277,275,140 immediately prior to July 28, 1983.

Hollinger Argus made an offer dated August 3, 1983, to purchase all of the issued and outstanding shares without par value of Labmin not then owned by Hollinger Argus for $38.55 (U.S.), or the Canadian dollar equivalent, for each such share of Labmin tendered in acceptance of the offer. Pursuant to the offer, Hollinger Argus, on August 26th, acquired an additional 819,693 shares of Labmin.

Pursuant to the provisions of the Hollinger Argus offer, each of the other shareholders of Labmin was entitled to participate in the acquisition of a portion of the 819,693 shares of Labmin acquired by Hollinger Argus. On September 16, 1983, holders of record of the shares of Labmin (other than Hollinger Argus) at the close of business on September 1, 1983, were granted the right by Hollinger Argus to acquire one additional share of Labmin for every 4.0848 shares of Labmin held on September 1, 1983, at the price of $38.70 (U.S.) or $47.69 (Canadian funds) for each share of Labmin. In pursuance of such subsequent offer, an aggregate of 104,298 shares of Labmin were acquired from Hollinger Argus by the shareholders of Labmin.

When the above-mentioned Hollinger Argus offer and subsequent offer were announced on June 24, 1983, Hollinger Argus also announced a "Final Offer" which would be made to the shareholders of Labmin for their shares within four years from June 28, 1983, at a formula price related to the quoted market value of Labmin's assets, principally its share interest in Norcen. Since the "Final Offer" was announced, a potential capital gains tax liability amount in the formula has been determined and each common share of Norcen has become one voting ordinary and one non-voting ordinary share of Norcen. Accordingly, the terms of the "Final Offer", which is an outstanding commitment of Hollinger Argus, would now be as follows:

On a date not later than June 28, 1987, Hollinger Argus will make, or cause to be made, the Final Offer to all shareholders of Labmin other than Hollinger Argus or any company affiliated with Hollinger Argus (as the term is construed under the Securities Act of Ontario), to purchase their common shares of Labmin for cash, within 30 days of the date of the Final Offer, at a price per share determined as follows:

Share Information

The common stock of Hollinger Argus Limited was traded on The Toronto Stock Exchange and The Montreal Exchange during the year 1983.

	Sale price per share				Dividends per share	
	1983		1982		1983	1982
Quarter	High	Low	High	Low		
1	$28.83	$27.00	$28.58	$26.16	$ .55	$ .55
2	30.92	29.46	27.00	26.42	.55	.55
3	28.54	25.58	25.71	24.00	.25	.55
4	25.88	25.00	29.50	27.35	.25	.55

During 1982, 650 shares valued at $18,000 were issued as stock dividends. During 1983, 436 shares valued at $11,463 were issued as stock dividends. Shareholders who received stock dividends did not receive cash dividends except in lieu of fractional shares. As very few shares were being purchased under the Stock Dividend Plan, it has been discontinued as of January 1, 1984.

(a) each of –
the number of Norcen voting ordinary shares equal to the lesser of:
(i) 9,643,250, and
(ii) the number of Norcen voting ordinary shares owned by Labmin at the time of the Final Offer,

and

the number of Norcen non-voting ordinary shares equal to the lesser of:
(i) 9,643,250, and
(ii) the number of Norcen non-voting ordinary shares owned by Labmin at the time of the Final Offer,

will be multiplied by the weighted average price of Norcen voting ordinary shares and non-voting ordinary shares, as the case may be, on The Toronto Stock Exchange for the 30 trading days immediately prior to the date which is 20 days preceding the date of the Final Offer or, failing the existence of such figure, will be multiplied by the market value of the Norcen voting ordinary shares and non-voting ordinary shares, as the case may be, as determined by the Auditors of Hollinger Argus in accordance with generally accepted valuation principles within 30 days of the date of the Final Offer;

(b) from the aggregate of the amounts determined pursuant to (a) will be deducted $67,405,111, being an amount in respect of potential capital gains tax liability attributable to Labmin's aforesaid share interest in Norcen at the time that interest was acquired by Labmin;

(c) 90% of the amount determined pursuant to (a) and (b) will then be calculated;

(d) to the amount calculated pursuant to (a), (b) and (c) will be added the market value of all other assets of Labmin at a date not more than 60 days prior to the date of the Final Offer (including any shares of Norcen acquired after July 28, 1983) as determined by available market quotations or, failing such, book values unless the book value and market value of any asset is considered to be substantially different, in which case the value for that asset shall be determined by the Auditors of Hollinger Argus in accordance with generally accepted valuation principles; and

(e) the amount determined pursuant to (a), (b), (c) and (d) will then be divided by the number of common shares of Labmin issued and outstanding at the date of the Final Offer. (There are 4,168,003 common shares of Labmin outstanding at present.)

Reference to Norcen shares in clause (a) of the formula for the Final Offer set forth above would include any shares or securities into which such

Shareholders of Record
as at December 31, 1974 and 1983

Residence	Shareholders 1974	Shareholders 1983	Percentage 1974	Percentage 1983	Shares Held 1974	Shares Held 1983	Percentage 1974	Percentage 1983
Canada	3,608	1,040	79.11	67.14	4,356,119	5,810,603	88.54	98.74
United States	837	442	18.35	28.53	183,100	59,221	3.72	1.01
United Kingdom	47	23	1.03	1.49	23,711	2,976	0.48	0.05
Other Countries	69	44	1.51	2.84	357,070	11,653	7.26	0.20
Total:	4,561	1,549	100.00	100.00	4,920,000	5,884,453	100.00	100.00

shares may be changed, divided, subdivided, consolidated, redesignated or reclassified and, in any such event, the formula would be adjusted accordingly.

Dividends

Cash dividends were paid quarterly during the year 1983 at the rate of 55¢ per share, for the first and second quarters, and at the rate of 25¢ per share for the third and fourth quarters, totalling in all $9,402,514. Also, during the year, 436 shares, valued at $11,460, were issued as stock dividends.

Directors

You will note from the Management Information Circular enclosed herewith that ten nominees are proposed for election as Directors at the Annual and Special Meeting of Shareholders to be held on the 10th May.

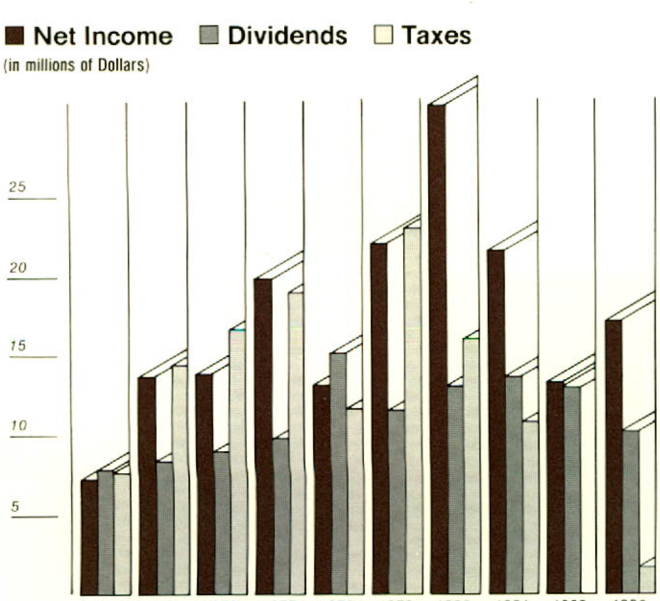
The following Directors are not standing for election at the Annual and Special Meeting, namely, Douglas G. Bassett, Edward G. Battle, Thomas G. Bolton, Glen W. Davis, H.T. McCurdy, D.A. McIntosh, Ronald T. Riley, C. Bruce Ross, Trumbull Warren, Lorne C. Webster and Peter G. White.

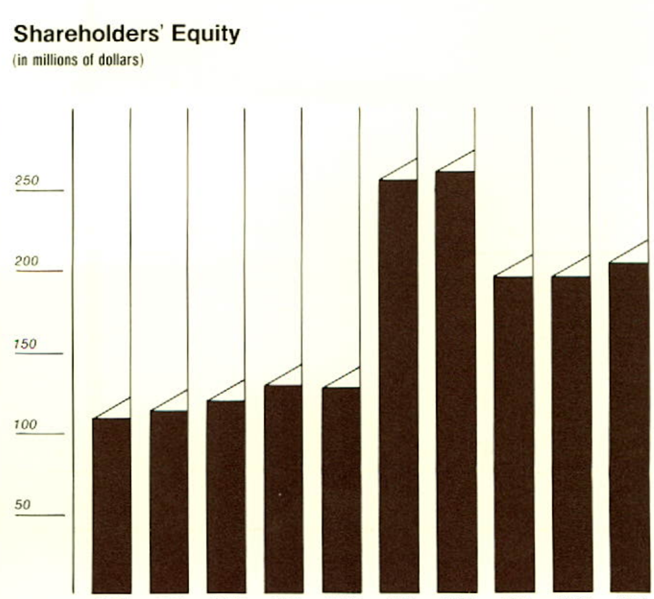
Their good services and advice in the past are gratefully acknowledged and, in particular, we wish to thank C. Bruce Ross, who has rendered excellent services to Hollinger Argus for many years and particularly as General Manager from 1965, and more latterly as Executive Vice President and General Manager. Mr. Ross is continuing as President and Chief Executive Officer of Labrador Mining and Exploration Company Limited and recently also has been appointed as a Vice-President of Norcen Energy Resources Limited.

General Remarks

In the Annual Report for the year 1982, we emphasized that the year 1982 was a bad one. In a great many respects we do not know that 1983 was much better. We do not wish to get into any criticism of any political party, particularly in what may be an election year, so, accordingly, our remarks will be general in nature and refer to federal and provincial policies and the way that we have been drifting for a number of years.

Our view is that governments are not capable of running a business. We do not like governments incorporating one Crown corporation after another to carry on business in competition with private industry. Without naming any Crown corporations, we think all you have to do is to read the results of their operations. If private industry fails to meet their liabilities, they go under. If Crown corporations do the same thing, they are furnished with your money and our money to keep them going. Politicians, of course, must do what they can to be elected. They are not adverse to continuing busi-





nesses that do not pay. The theme seems to be how they are going to get support in the ballot box. Also, political appointments to run these Crown corporations are generally not based on business experience but on political expediency.

Last year, we were extremely critical of the National Energy Policy and FIRA. We do believe that there has been some improvement in the FIRA decisions. The National Energy Policy was and is basically unsound. We feel reasonably certain that it will be a long time before there is a payoff from the energy business equal to the expenditures that have and will be made. Governments should give assistance to oil, gas and mineral operations, much in the way they did in the early 1950s and 1960s and not continue the present policy of assistance by way of cash payments and participation by the government in the profits, or as the case will be, in the losses.

Also, we disapprove very much of the treatment that has been afforded to non-resident investors. We need all the foreign investment we can get and not have same driven away. As you can see, we are extremely critical of the way our affairs have been managed by governments and we should be very careful about accepting political promises in the future.

On behalf of the Board

P. Finlay

Chairman of the Board

Vice-Chairman of the Board
and Chief Executive Officer

April 4, 1984

Consolidated Statement of Earnings
Year ended December 31, 1983

		1983	1982
Revenue	Interest	**$ 1,195,122**	$ 3,531,326
	Other	**52,318**	268,101
		1,247,440	3,799,427
Expenses	Administrative	**683,920**	1,187,493
	Interest	**118,476**	
		802,396	1,187,493
Earnings before income taxes, equity earnings and minority interests		**445,044**	2,611,934
Income taxes		**172,000**	1,255,000
Earnings before equity earnings and minority interests		**273,044**	1,356,934
Equity earnings	Company's interest in Norcen's earnings	**27,707,000**	25,646,000
	Amortization of excess of cost over underlying book value	**(12,096,000)**	(9,473,000)
	Adjustment of carrying value of investment as a result of Norcen issuing additional ordinary shares	**(4,420,000)**	(2,040,000)
	Realization of portion of deferred gain (Note 7)	**8,860,414**	
		20,051,414	14,133,000
	Company's interest in Standard Broadcasting's earnings	**1,194,106**	
		21,245,520	14,133,000
Minority interests		**4,545,345**	4,132,500
Earnings from continuing operations		**16,973,219**	11,357,434
Earnings from discontinued operations (Note 10)		**210,429**	1,756,957
Net earnings		**$17,183,648**	$13,114,391
Earnings per share		**$ 2.92**	$ 2.23

Consolidated Balance Sheet
December 31, 1983

Assets		1983	1982
Current Assets	Cash and short-term deposits	**$ 10,419,923**	$ 25,899,388
	Accounts receivable	**1,020,549**	12,096,810
		11,440,472	37,996,198
Brascan indebtedness (Note 4)			61,785,530
Investments (Notes 2, 3, 5 and 8)		**373,695,202**	438,782,109
Oil and gas properties			9,376,264
Fixed assets — net		**200,000**	116,997
Mining rights and concessions — at cost			2,217,740
Deferred capital gains tax (Note 8)		**67,405,111**	
		$452,740,785	$550,274,838

Auditors' Report

To the Shareholders of
Hollinger Argus Limited:

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

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

Toronto, Canada
February 14, 1984

Thorne Riddell
Chartered Accountants.

Liabilities

		1983	1982
Current Liabilities	Bank loan	**$ 4,000,000**	
	Accounts payable and accrued charges	**167,228**	$ 2,466,656
	Income taxes payable	**122,764**	1,078,739
		4,289,992	3,545,395
Long term debt (Note 6)			263,775,140
Deferred gain (Note 7)		**212,144,104**	
Minority interests		**32,161,981**	64,803,558
Deferred income taxes			21,789,970
		248,596,077	353,914,063

Shareholders' Equity

Share capital (Note 9) Authorized — 7,000,000 Common shares Issued and fully paid — 5,884,453 shares (1982 — 5,883,917 shares)	**115,608,041**	115,593,779
Retained earnings	**88,536,667**	80,766,996
	204,144,708	196,360,775
	$452,740,785	$550,274,838

Approved by the Board:

P. C. Finlay

P. C. FINLAY
Director

C. M. Black

C. M. BLACK
Director

Consolidated Statement of Retained Earnings

Year ended December 31, 1983

		1983	1982
Retained earnings at beginning of year		**$80,766,996**	$80,595,997
Net earnings		**17,183,648**	13,114,391
		97,950,644	93,710,388
Dividends	Cash	**9,402,514**	12,925,604
	Stock	**11,463**	17,788
		9,413,977	12,943,392
Retained earnings at end of year		**$88,536,667**	$80,766,996

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1983

		1983	1982
Working capital derived from	Operations — including dividends in 1983 of $10,725,490 (1982 — $9,643,250)	**$ 8,511,840**	$ 13,891,000
	Proceeds on sale of investments	**160,422,350**	243,430
	Proceeds from sale of assets	**4,065,852**	
	Deferred gain	**221,004,518**	
	Proceeds from long term debt	**13,500,000**	
	Decrease in Brascan indebtedness		107,000,000
	Other	**2,800**	12,000
		407,507,360	121,146,430
Working capital applied to	Purchase of investments	**416,007,032**	6,858,000
	Less minority interest therein	**(67,891,740)**	
		348,115,292	6,858,000
	Reduction in working capital on disposition of investments in Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Inc. (Note 2)	**9,339,441**	
	Deferred capital gains tax	**67,405,111**	
	Expenditures on oil and gas properties	**(9,454)**	856,779
	Cash dividends paid by Parent company	**9,402,514**	12,925,604
	Subsidiaries to minority shareholders	**554,779**	3,438,040
	Repayment of long term debt		106,839,860
		434,807,683	130,918,283
Decrease in working capital		**27,300,323**	9,771,853
Working capital at beginning of year		**34,450,803**	44,222,656
Working capital at end of year		**$ 7,150,480**	$ 34,450,803

Notes to Consolidated Financial Statements
December 31, 1983

1. Significant Accounting Policies

Principles of consolidation
The financial statements consolidate the accounts of Hollinger Argus Limited and its 85.4% owned subsidiary Labmin Resources Limited (Labmin). In 1982 the company was consolidated with 66.94% owned Labrador Mining and Exploration Company Limited (Labrador) and 60% owned Hollinger North Shore Exploration Inc. (Hollinger North Shore) both of which were sold to Norcen Energy Resources Limited (Norcen) in 1983, (See Note 2).

Investments
The investment in Norcen has been accounted for by the equity method. The excess of the cost of the company's investment in Norcen over its underlying book value has been ascribed to Norcen's oil and gas reserves and exploratory acreage. The amount ascribed to exploratory acreage is being brought into the amortization calculation over six years, which is the estimated period of development of such acreage. The excess of cost of the investment over its underlying book value is amortized on the production revenue method based on total estimated future production revenues from estimated proven recoverable reserves.

The investment in 49.4% owned Standard Broadcasting Corporation Limited (Standard Broadcasting) has been accounted for by the equity method from March 7, 1983, the date of acquisition, to August 31, 1983 its fiscal year end (See Note 3).

The investment in the Iron Ore Company of Canada was carried at the value at which it was carried at December 31, 1977 when the equity method of accounting for this investment was discontinued.

Other investments reflected in the consolidated financial statements are accounted for by the cost method.

Oil and gas properties
Oil and gas exploration costs were capitalized on an area of interest basis and were to be depleted using the production revenue method, based on total estimated recoverable reserves as and when discovered, or to be written off if exploration is proven unsuccessful.

Income taxes
Income taxes are provided for in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes. Deferred income taxes are provided for on the portion of the recorded unrealized gain on investments which would be taxable if the gains were realized. Timing differences giving rise to deferred income taxes relate primarily to oil and gas exploration costs which are capitalized on the balance sheet but deducted for income tax purposes.

Foreign currency translation
Transactions in foreign currencies are translated at the rates which prevailed at the dates of the transactions; foreign currency current assets and current liabilities are translated at the currency exchange rate prevailing at the end of the year and any gains or losses are taken into income.

Earnings per share
Earnings per common share have been calculated using the weighted average number of common shares outstanding during 1983 of 5,884,453 shares (1982 — 5,883,580 shares).

2. Reorganization
On July 28, 1983 the company, through a series of transactions, transferred all of its natural resource assets including the shares of Labrador and Hollinger North Shore to Norcen in exchange for 9,643,250 common shares of Norcen and cash of $9,213,833. The principal transactions were:

(i) A newly incorporated company, Labmin, entered into an arrangement with the shareholders of Labrador including the company whereby each Labrador shareholder exchanged his shares of Labrador for an equal number of shares of Labmin;

(ii) The mineral resource assets of the company, excluding its investment in Labmin, were transferred to Labrador for a consideration of cash and shares aggregating $49,030,000;

(iii) Labmin transferred to Norcen all of the shares of Labrador in exchange for 9,643,250 shares of Norcen and cash of $9,213,833. The 9,643,250 shares of Norcen previously owned by Labrador were cancelled as part of this transaction. The value ascribed to the Norcen shares acquired by Labmin was the equity value of the Norcen investment in the accounts of Labrador at July 28, 1983 since there was no effective change in the ownership of the Norcen shares.

The transfers of the company's mineral resource assets and the Labrador shares were done on a tax-free rollover basis resulting in no gain or loss for income tax purposes. However, there was a gain for accounting purposes which has been deferred as more fully described in Note 7.

3. Acquisition
(a) On March 7, 1983 the company acquired 49.4% of Standard Broadcasting for $30,302,738 in cash. The excess of the cost of the investment over underlying book value of $10,396,430 has been ascribed to Standard Broadcasting's licences and is not being amortized. The company's equity in the earnings of Standard Broadcasting have been included from date of acquisition to August 31, 1983 its fiscal year-end.

(b) Pursuant to an offer made in August 1983 the company acquired an additional 819,693 common shares of Labmin at a price of $38.55 (U.S.). Included in this purchase were 800,000 shares acquired from Norcen.

Under the provisions of the company's offer, each of the other shareholders of Labmin remaining after completion of the offer was entitled to purchase from the company one additional common share of Labmin for every 4.0848 common shares held at a price of $38.70 (U.S.). 104,298 shares were purchased pursuant to this offer the net effect of which was to reduce the company's interest in Labmin to 85.4%.

4. Brascan Indebtedness

The 1982 receivable from Brascan Limited was due October 15, 1989 and could be called in whole or in part of any time with 90 days notice. Interest was payable semi-annually at a rate equal to the 90 day bank term deposit rate on October 15, 1979 and on each successive ninetieth day thereafter.

5. Investments

	1983	1982
Norcen 10,012,250 Voting ordinary shares (35.7% interest) 9,643,250 Non-voting ordinary shares (34.4% interest)	**$343,262,396**	$401,367,040
Standard Broadcasting 2,885,975 Shares (49.4% interest)	**30,414,603**	
Iron Ore Company of Canada (10.45% interest)		34,039,699
Others	**18,203**	3,375,370
	$373,695,202	$438,782,109

On November 4, 1983 Norcen changed each outstanding common share into one voting ordinary share and one non-voting ordinary share. On December 15, 1983 the company acquired an additional 369,000 voting ordinary shares.

6. Long term Debt

The company had established with its bankers a line of credit aggregating $283,100,000, expiring December 31, 1986. The company could obtain advances by borrowing in Canadian or United States dollars, by borrowing (with certain limitations) in Eurodollars and certain other Eurocurrencies by way of LIBOR advances, and accommodation (with certain limitations) by way of bankers' Canadian dollar loans at the bank prime rate and on U.S. dollar loans at the U.S. base rate for commercial loans in U.S. dollars made in Canada. LIBOR advances bear interest in the currency of the LIBOR advance at the LIBOR rate plus ⅜ of 1% per annum. The shares of Norcen were hypothecated as security for the long term debt.

7. Deferred Gain

The transfer of the company's mineral resource assets including the shares of Labrador to Norcen resulted in a gain of $221,004,518. This gain is being deferred as it arose in a related party transaction. This gain is represented in Norcen by the excess of the cost of their investment in Labrador over the net book value of the assets acquired and is being amortized by Norcen over forty years. The company will transfer this deferred gain to income over forty years on the same basis as Norcen is amortizing its excess cost. In addition the company will transfer to income that portion of the gain that is realized through any dilution of the company's investment in Norcen.

8. Potential Capital Gains Tax

As a result of the values elected for income tax purposes on its Norcen shares, any future disposition of these shares by the company will result in a larger gain for income tax purposes than for accounting purposes. The potential capital gains tax liability of $67,405,111 the company would have incurred as of July 28, 1983 has been recorded in the accounts as a reduction of the carrying value of the Norcen shares and as a deferred capital gains tax charge which will be charged to earnings on disposition of the Norcen shares.

9. Share Capital

During the year 436 shares (1982 — 650 shares) valued at $11,463 (1982 — $18,000) were issued as stock dividends.

10. Discontinued Operations

The results of operations from the company's mineral resource assets including Labrador, exclusive of its investment in Norcen, for the period from January 1, 1983 to July 28, 1983, the date of transfer to Norcen, have been shown separately in the statement of earnings as earnings from discontinued operations. The results are as follows:

	1983	1982
Revenue	**$18,422,154**	$55,294,690
Expenses	**18,211,725**	53,537,733
Net earnings	**210,429**	1,756,957

11. Commitment

The company announced on June 24, 1983 it will make, or cause to be made, not later than June 28, 1987, an offer ("final offer") to all minority shareholders of Labmin to purchase their common shares of Labmin for cash at a price per share determined under a formula announced on June 24, 1983.

The formula relates the price to be paid by the company for each Labmin share to the market value of Labmin's assets, principally its share interest in Norcen, at or about the time the final offer is made. The formula also provides for a reduction of $67,405,111 in the market value of Labmin's share interest in Norcen being the potential capital gains tax liability attributable to this interest.

12. Comparative Figures

Certain 1982 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1983.

The 1982 figures were based on financial statements reported upon by other auditors.

Consolidated Financial Review 1974-83

(in thousands of dollars)	1983***	1982	1981	1980	1979	1978**	1977	1976*	1975	1974
Income from royalties	**14,700**	$30,433	$45,665	$ 42,493	$44,123	$25,459	$34,028	$29,171	$25,748	$19,736
Interest	**4,157**	21,328	35,071	25,399	11,626	4,833	4,043	3,674	3,381	2,901
Dividends	**150**	6,754	15,287	16,594	7,925	4,207	4,930	4,500	6,521	5,221
Other income	**663**	579	687	2,439	1,290	1,669	1,797	1,373	890	503
Gold and silver production	—	—	—	—	—	—	—	616	2,651	2,718
Total revenue	**19,670**	59,094	96,710	86,925	64,964	36,168	44,798	39,334	39,191	31,079
Expense — Interest	**14,146**	42,971	59,688	37,120	687	—	—	—	—	—
— Administration & Exploration	**3,630**	15,560	6,011	6,143	9,365	6,619	2,587	4,803	5,625	4,660
Earnings before taxes, equity earnings, minority interest and extraordinary item	**1,894**	563	31,011	43,662	54,912	29,549	42,211	34,531	33,566	26,419
Income taxes	**(1,224)**	(8,251)	1,713	8,292	15,013	6,520	12,840	11,670	9,750	7,425
Newfoundland royalty taxes	**2,634**	5,700	8,873	7,500	7,900	4,529	5,959	4,930	4,550	—
Earnings before equity earnings, minority interest and extraordinary item	**484**	3,114	20,425	27,870	31,999	18,500	23,412	17,931	19,266	18,994
Share of equity earnings Norcen Energy Resources Limited	**20,051**	14,133	7,104	14,110	—	—	—	—	—	—
Standard Broadcasting Corporation Limited	**1,194**	—	—	—	—	—	—	—	—	—
Iron Ore Company of Canada	—	—	—	—	—	—	4,070	2,270	30	(7,041)
Minority interests	**4,345**	(4,133)	(6,125)	(11,569)	(10,176)	(5,490)	(7,816)	(6,482)	(5,841)	(4,824)
Earnings before extraordinary item	**17,184**	13,114	21,404	30,411	21,823	13,010	19,666	13,719	13,455	7,129
Extraordinary item	—	—	(12,709)	—	85,629	829	—	—	—	—
Net earnings for the period	**$17,184**	$13,114	$ 8,695	$ 30,411	$107,452	$13,839	$19,666	$13,719	$13,455	$ 7,129
Earnings per share before extraordinary item	**$2.92**	$2.23	$3.64	$5.19	$4.07	$2.64	$4.00	$2.79	$2.73	$1.45
Regular dividends paid per share	**$1.60**	$2.20	$2.20	$2.20	$2.20	$2.06	$1.944	$1.80	$1.65	$1.60

* *Restated in 1977 to reflect Hollinger's equity share of a prior period adjustment by Iron Ore Company of Canada for the capitalization of leases.*

** *In 1971 the company adopted the policy of including in income its proportionate share of the changes in its equity in Iron Ore Company of Canada instead of dividends received. In 1978 the company reverted to the practice of taking into income dividends as received.*

*** *The 1983 consolidated earnings figures include the accounts of Labrador Mining and Exploration Company Limited and Hollinger North Shore Exploration Inc. for the seven months ended July 28, 1983, and the accounts of Labmin Resources Limited from July 28, 1983 to December 31, 1983.*

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