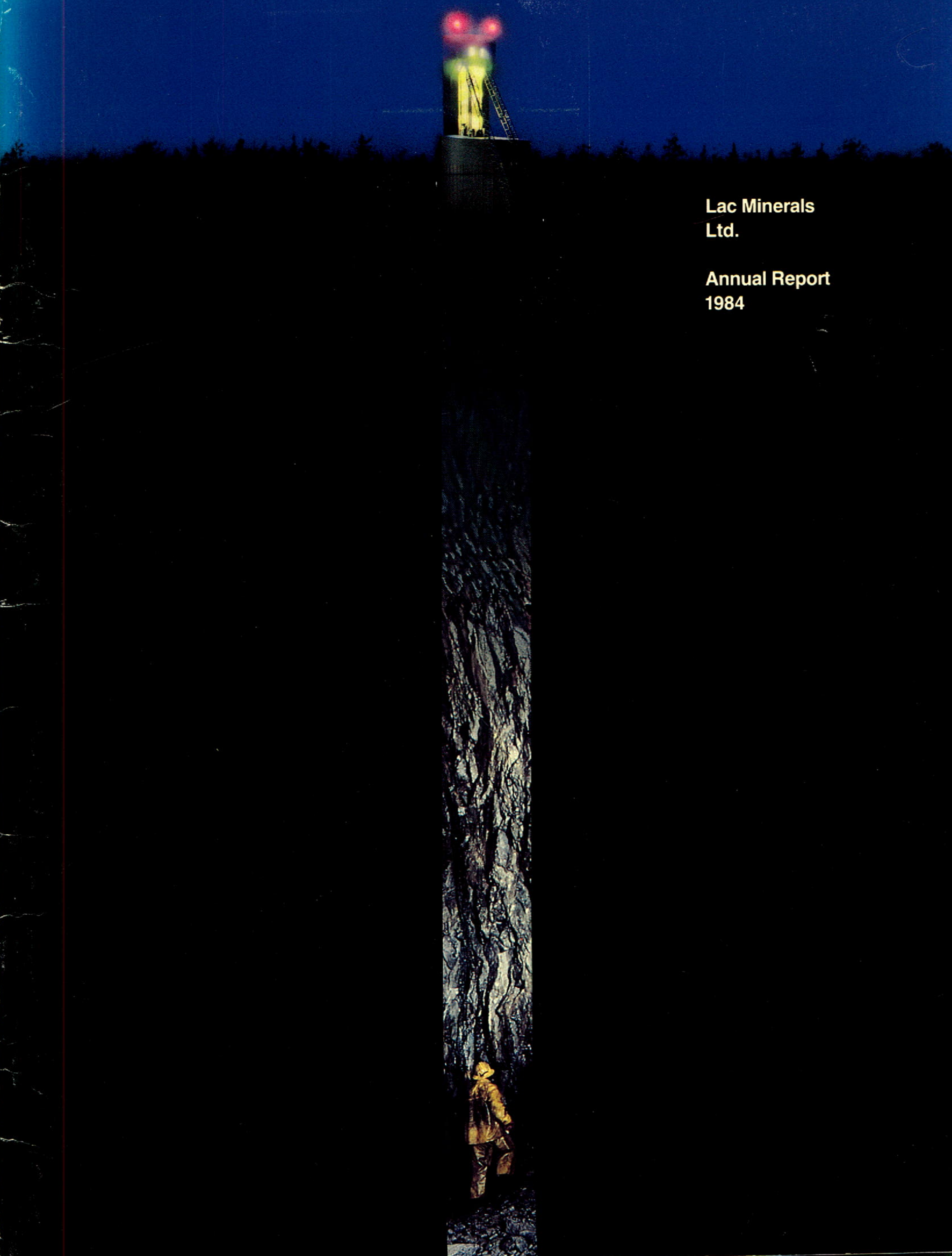


Lac Minerals Ltd.

Annual Report 1984

Corporate Profile

For more than 50 years, the Lac Group of companies has been a major Canadian gold producer. In 1981 and 1982, a number of companies in this group were amalgamated to form Lac Minerals Ltd. Today, Lac Minerals is the second largest gold producing company in Canada, with gold production of 299,571 ounces during 1984.

Lac's principal operations are three gold mines; the Mine Doyon Joint Venture with Société Québecoise d'Exploration Minière (SOQUEM), the Mine de Bousquet, both in Quebec, and the Macassa Mine in Ontario. The Company is also in the midst of a $390 million capital expenditure program which includes the simultaneous development of five new gold mine shafts on four properties in Ontario and Quebec.

Most of the spending will be on Lac's gold property at Hemlo, Ontario, where the Company is sinking two shafts and building what will be the largest gold mill in Canada.

The Company conducts business through three divisions: the Mining Division, which operates Lac's mines; the Exploration Division, which conducts the Company's active mineral exploration program in North America and Australia; and the Oil and Gas Division, which handles Lac's oil and gas exploration and development activities in Canada and the U.S.

Shares of the Company are listed on the Toronto and Montreal stock exchanges, and trade under the ticker symbol LLC.

Hemlo B-Zone

Hemlo A-Zone

Doyon

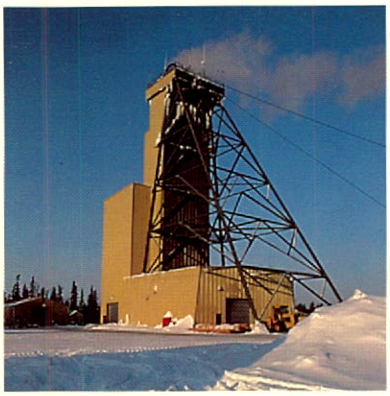
Annual Meeting of Shareholders
Monday, April 29, 1985
11:30 am. (Toronto Time)
Room 205 B,
Metro Toronto Convention Centre
Toronto, Ontario

Cover: A-Zone–Headframe at Hemlo and shaft sinking depiction.

Financial Highlights

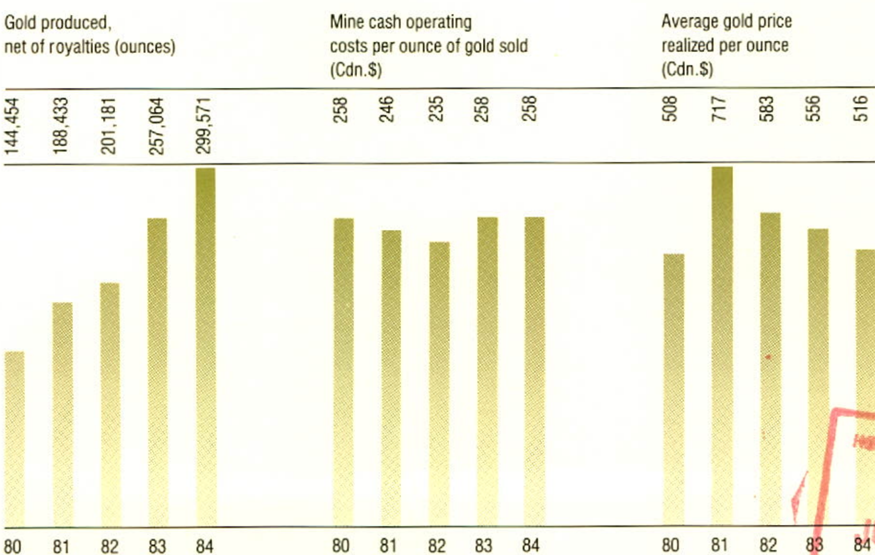
(millions of dollars
except per share amounts)

	1984	1983	% Change
Operations			
Revenues	**$ 169.7**	$ 157.2	+ 7.9
Earnings	**$ 29.3**	$ 28.0	+ 4.8
Cash flow from operations	**$ 70.9**	$ 67.1	+ 5.6
Financial Position			
Working capital	**$ 120.1**	$ 70.3	+ 70.8
Shareholders' equity	**$ 219.1**	$ 162.9	+ 34.5
Total assets	**$ 397.8**	$ 234.2	+ 69.9
Capital expenditures	**$ 91.5**	$ 46.3	+ 97.6
Per Share			
Earnings	**$ 1.14**	$ 1.17	− 2.6
Dividends	**$ 0.30**	$ 0.30	
Shareholders' equity	**$ 8.42**	$ 6.47	+ 30.1
Production Statistics			
Ounces of gold produced (net of royalties)	**299,571**	257,064	+ 16.5
Average gold price realized per ounce	**US$ 402**	US$ 449	− 10.5



Macassa

Lake Shore



President's Report

Supported by strong internal cash flow and a major increase in working capital, Lac Minerals Ltd. made substantial progress during 1984 on its extensive exploration and mine development program. At the same time, the Company was able to maintain its mine cash operating costs at $258 per ounce of gold sold, as a result of a 16.5% increase in gold production during the year.

This increase in production helped to offset the decline in world gold prices. Revenues increased by 7.9% from the previous year to $169.7 million. Despite higher total operating costs due to increased production levels, and 35.1% higher exploration expenses, earnings for 1984 were up 4.8% from the previous year. Also contributing to 1984 earnings was an increase in the interest income on cash and short-term investments, which resulted from financings over the last two years. Due to the increase in the number of shares outstanding during the year, earnings per share were slightly lower at $1.14 per share, compared to $1.17 per share in 1983.

Higher production levels contributed to a 5.6% increase in cash flow from operations.

Financial Position

In addition to capital expenditures of $91.5 million during 1984, Lac plans to spend $300 million during the next five years on existing operations. The largest share of this will be used on Lac's Hemlo Project, which has a total budget, including spending to date, of $275 million. While increased cash flow provided some support for this spending, Lac also turned to investors during 1984 to increase working capital.

In March 1984, Lac sold 50,000 units, in Europe, each consisting of one US$1,000 8% Debenture and four gold purchase warrants, for net proceeds of US$48.8 million. In April, Lac sold one million shares through a public issue with net proceeds to the Company of $33.4 million.

At the end of 1984, working capital was $120.1 million, a 70.8% increase from $70.3 million a year earlier. Cash and short-term investments at year end were $137.5 million, 34.6% of total assets, compared with $62.6 million at the end of 1983.

The strong working capital position and high level of liquidity are the results of conservative financial management in preparation for Lac's capital spending requirements.

Exploration and Mine Development

Of the $85.1 million spent during 1984 on deferred exploration and mine development, $61 million was used on the Hemlo Project. With drill indicated reserves in excess of 50 million tons with an average grade of 0.17 ounces of gold per ton, Lac's find at Hemlo is expected to become the largest gold mine in Canada by 1989.

Lac began clearing trees on the site in February 1984 and started construction in April. By the end of 1984, two headframes had been constructed on the property and shaft sinking had begun at each. Lac also laid footings during 1984 for the mill, which will initially have a capacity of 3,300 tons a day and later of 6,600 tons a day making it the largest gold mill in Canada. A further $123 million has been budgeted in 1985 for Hemlo, which is expected to produce a small amount of poured gold by the end of the year.

Lac is also in the process of developing three other shafts. A headframe was completed late in the year at the Mine Doyon Joint Venture near the existing open pit mine, and shaft sinking will begin early in 1985.

A headframe was also built in 1984 at the site of the Lake Shore Mine's old No. 5 shaft and rehabilitation of the shaft has been started. Shaft sinking at the new Macassa deep shaft continued during the year, and the one mile mark was passed early in 1985. Development ramps to provide early access to underground mining progressed at both Hemlo and Doyon.

Total expenditures by Lac's Exploration group during 1984 were $10.6 million. About $1.0 million of this was spent on Lac's Hemlo area properties. Considerable diamond drilling was done during the year on the Hemlo Project. Mapping and geophysical work were also done during the year on the massive White River Project claim group, located southwest of the Hemlo Project, and a number of areas were identified for drilling during 1985.


Shaft Sinking crew at Hemlo

Gold Sales

As part of its budgeting process, Lac sells a portion of its gold production under commercial contracts for delivery at selected future dates and at set prices. By establishing a predictable cash flow, the Company is able to plan its capital expenditures and cover anticipated operating costs with a greater degree of certainty. The average price realized for gold delivered in 1984 was $516 per ounce (US$402), compared with an average world gold price during the year of $467 (US$360).

At February 25, 1985, Lac had agreed to sell forward 355,670 ounces of future gold production at prices averaging US$352 per ounce. Included in this are 145,000 ounces of gold sold against future production from Hemlo. These forward sales are a conservative measure intended to assist Lac's ability to recover its investment in the Hemlo Project.

Outlook

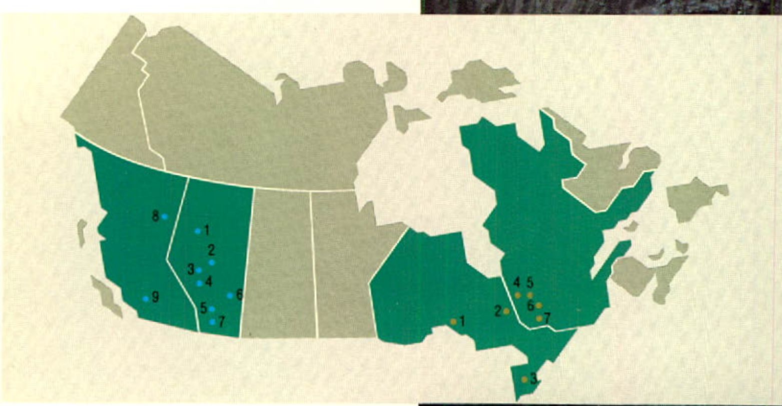
Lac's first priority over the next few years is to complete the various development projects currently underway. The financial strengths of the Company will support this investment program. Upon completion of current development projects, Lac will have higher production levels.

To maintain the growth trend followed by Lac since 1976, the Company constantly searches for new investment opportunities. Grassroots mineral exploration by Lac's Exploration group, which has been responsible for finding Hemlo, Doyon and Bousquet, is a major part of this search.

Lac also is in a position to consider acquiring additional mining interests ranging from exploration properties to operating mines.

P. A. Allen
President

March 7, 1985



1 Dunvegan
2 McLeod River
3 Edson South
4 Minnehik-Buck Lake
5 Caroline
6 Scapa
7 Westward Ho
8 Wilder
9 Copper Giant

1 Hemlo
2 Macassa
3 Milton
4 Doyon
5 Bousquet
6 Est-Malartic
7 Terrains Auriferes

Shaft sinking of main shaft, Hemlo

Operating Section

Lac Minerals operates through three main divisions; Mining, Exploration, and Oil and Gas. Each division operates quite separately within the Company due to the different technical and managerial skills required.

Mining Division

The Mining Division is responsible for developing and operating Lac's mines and custom mills.

Lac operates four gold mills which treat ore from the Company's various mines. During 1984, the Macassa mine site mill treated ore from both Macassa and Lake Shore. The Doyon Joint Venture mill treats Doyon ore. The Est-Malartic custom mill, located 31 miles east of Doyon, treats ore principally from Doyon and Bousquet. The Terrains Auriferes custom mill, 31 miles east of Bousquet, primarily mills Bousquet ore but could treat Lake Shore ore in the future.

Exploration Division

Lac's Exploration Division has responsibility for finding potential mining properties, either through grassroots exploration or acquisition. The Exploration Division employes 62 permanent staff, of which 29 are geologists, in six regional offices in Canada and the United States.

Oil & Gas Division

Since 1977, Lac has acquired a number of interests in oil and natural gas properties in Canada and the United States through joint ventures and direct participation with other operating companies. Lac's Oil and Gas Division is managed from an office in Calgary.

Summary of Ore Reserves and Production

Definitions

Crown Pillar–a solid block of ore left at the surface of an underground mine to provide a roof.

Development and Production Ore–ore mined during shaft sinking and tunnelling to bring a mine into operation is known as development ore; once a mine is fully operational, ore is known as production ore.

Drift–an underground mining tunnel, used for exploration purposes or to provide access to ore.

Reserves–Proven ore–material for which: (1) tonnage is computed from dimensions revealed in outcrops or trenches or underground workings or drill holes, (2) the grade is computed from the results of adequate sampling, and (3) the sites for inspection, sampling and measurement are so spaced and the geological character so well defined that the size, shape and mineral content are established and for which the computed tonnage and grade are judged to be accurate within certain limits.

Probable ore–material for which tonnage and grade are computed from: (1) specific measurements, (2) either or both sample data or production data, and (3) projection for a reasonable distance on geological evidence, and for which the sites available for inspection, measurement and sampling are too widely or otherwise inappropriately spaced to outline the material completely or to establish its grade throughout.

Possible ore–material for which: (1) quantitative estimates are based largely on broad knowledge of the geological character of the deposit, (2) there are few, if any, samples or measurements, and (3) the estimates are based on an assumed continuity or repetition for which there are reasonable geological indications.

Cutting practices–various cutting practices of high assays and dilution factors are applied to the calculations of reserves for greater accuracy; these are established as experience dictates at each mine.

Summary of Ore Reserves and Production

Ore Reserves		December 31, 1984 Tons (000's)	December 31, 1984 Ounces of gold per ton	December 31, 1983 Tons (000's)	December 31, 1983 Ounces of gold per ton
Macassa	Proven	**1,067**	**0.525**	988	0.510
	Probable	**377**	**0.442**	405	0.440
Doyon	Open Pit (1)				
	Proven	**1,940**	**0.137**	2,402	0.131
	Underground				
	Probable	**2,895**	**0.184**	1,973	0.181
	Stockpile				
	High Grade	**22**	**0.145**	55	0.120
	Low Grade	**635**	**0.051**	635	0.051
Bousquet	Proven				
	High Grade	**4,637**	**0.140**	1,179	0.150
	Low Grade (2)	**4,914**	**0.060**	5,010	0.056
	Probable				
	High Grade	**1,770**	**0.140**	3,809	0.145
	Low Grade (2)	**1,354**	**0.070**	1,354	0.066
	Possible				
	High Grade	**1,153**	**0.170**		
Lake Shore	Proven				
	Crown Pillar	**77**	**0.370**	82	0.540
	Underground	**312**	**0.360**		
Hemlo Project	Probable (A-Zone)	**4,200**	**0.170**	3,700	0.180
	Possible (B-Zone)	**43,300**	**0.170**	39,600	0.170
	Possible (C-Zone) (to 300 feet)	**2,100**	**0.130**		

Production	1984 Tons milled (000's)	1984 Ounces of gold produced	1983 Tons milled (000's)	1983 Ounces of gold produced
Mine de Bousquet	**589**	**99,425**	514	95,068
La Mine Doyon (3)	**634**	**93,135**	572	78,946
Macassa Mine	**122**	**58,472**	122	59,230
Est-Malartic	**147**	**10,595**	196	17,362
Lake Shore	**65**	**37,944**	15	6,458
	1,492	**299,571**	1,419	257,064

(1) The Company's share of joint ventures ore reserves.
(2) The Zone 5 low grade reserves are processed only when mill capacity is available.
(3) The Company's joint venture interest net of royalty of 322 ounces of gold in 1984 (1983–428 ounces).

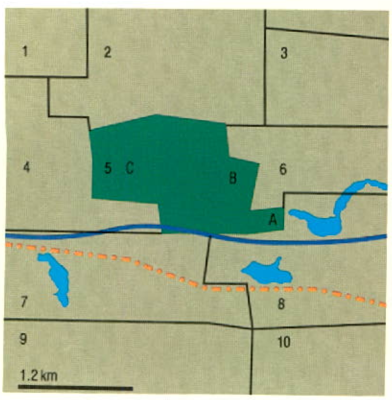
Five-Year Financial Review

(unaudited) (1)

	1984	1983	1982	1981	1980
Operating Results (000's)					
Revenues	**$ 169,673**	157,232	130,398	139,084	73,427
Earnings before mining and income taxes	**$ 51,757**	54,169	43,223	85,175	27,368
Earnings before extraordinary items	**$ 29,307**	27,969	21,928	37,427	8,735
Earnings (loss) after extraordinary items	**$ 29,307**	27,969	21,928	37,427	(11,069)
Financial Position (000's)					
Total assets	**$ 397,751**	234,207	146,687	125,805	109,637
Working capital (deficiency)	**$ 120,144**	70,318	1,609	(9,512)	(1,292)
Long-term debt	**$ 80,246**	15,185	17,404		19,167
Cash flow from operations	**$ 70,887**	67,139	51,741	48,417	20,096
Capital expenditures	**$ 91,455**	46,252	53,036	33,178	24,286
Shareholders' equity	**$ 219,135**	162,904	82,205	62,103	34,765
Per Share Data					
Earnings (loss) Before extraordinary items	**$ 1.14**	1.17	1.01	1.84	0.42
After extraordinary items	**$ 1.14**	1.17	1.01	1.84	(0.54)
Shareholders' equity per share(2)	**$ 8.42**	6.47	3.67	3.07	
Dividends paid per share(3)	**$ 0.30**	0.30			
Shareholders' Data					
Number of shares outstanding (000's)	**29,613**	28,516	26,054	23,501	
Number of shareholders	**8,528**	9,134			
Toronto Stock Exchange–High	**$ 38.00**	38.50	21.00	9.87	
($ per share) (4) –Low	**$ 23.75**	19.00	3.15	7.25	
–Close	**$ 26.25**	32.75	20.50	8.25	
Debt-equity ratio	**1 to 2.7**	1 to 10.2	1 to 4.6		
Operating Statistical Data					
Tons of ore milled (000's)	**1,492**	1,419	1,027	909	629
Gold produced, (ounces) (net of royalties)	**299,571**	257,064	201,181	188,433	144,454
Average gold price realized, per ounce of gold sold	**$Cdn. 516**	556	583	717	508
Average gold price realized, per ounce of gold sold	**$U.S. 402**	449	473	598	435

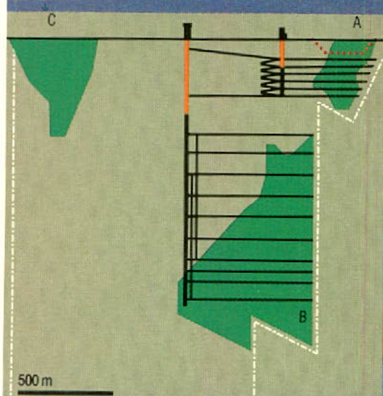
(1) The Company was formed on December 31, 1982 as the result of the reorganization of a number of companies. As there was no change in the ownership of the Company, the 1980 to 1982 comparative data reflects the combined results of the predecessor companies where readily available.
(2) Excluding the Company's pro rata interest in its own shares held by Lac Group companies.

(3) Prior to the reorganization which was completed on December 31, 1982, the predecessor companies did not have formal dividend policies, but dividends were declared and paid where funds surplus to such companies' needs were available for distribution to shareholders.
(4) The 1981 and 1982 share prices are those of Long Lac Minerals Ltd. the Company's significant predecessor.



Land Holdings

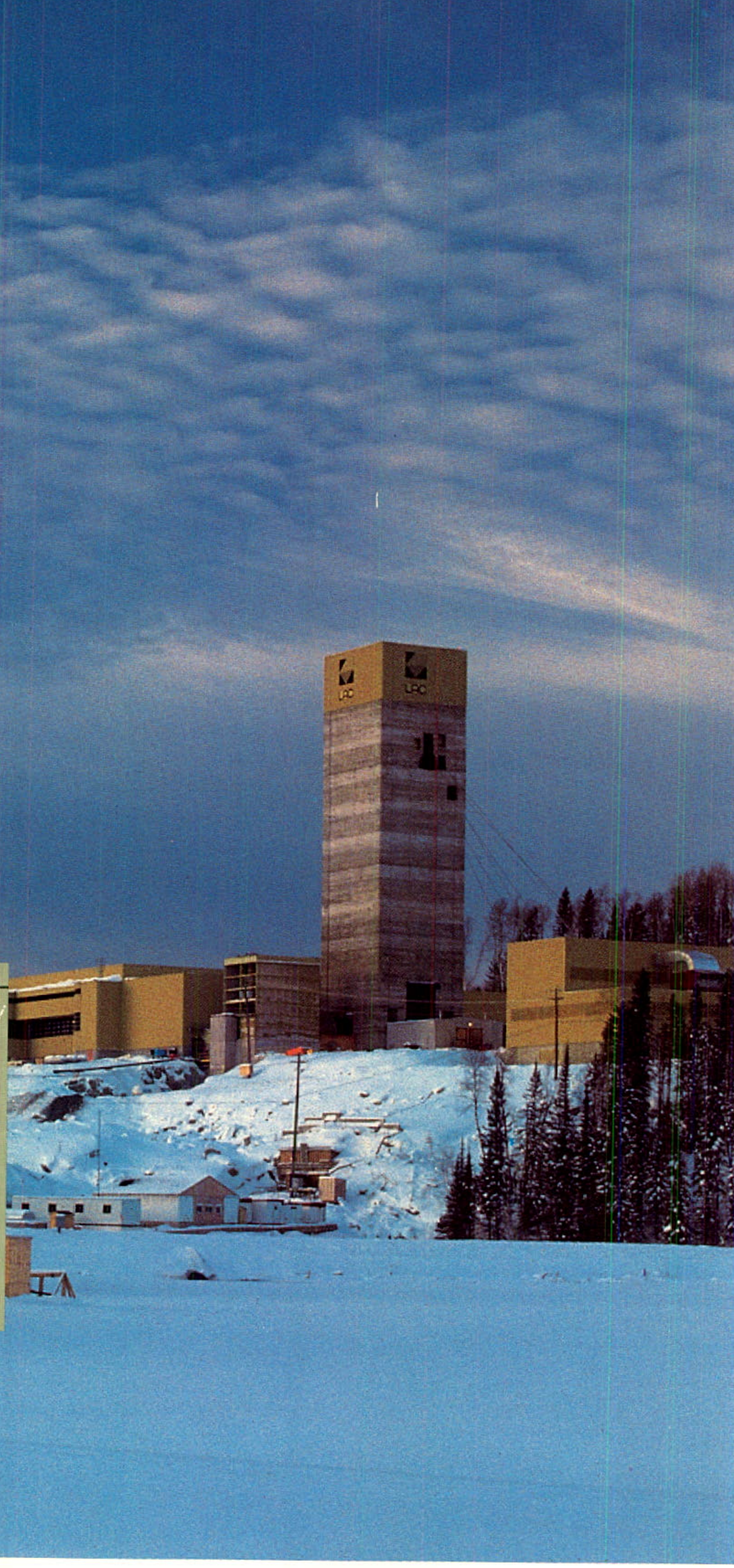
- C.P. Railway
- Trans-Canada Hwy.
- 1 Lac Minerals
- 2 Interlake Development
- 3 Brigade Resources
- 4 Golden Sceptre Mines
- 5 Hemlo Project (Williams Property)
- 6 Goliath Gold Mines
- 7 Harlin Resources
- 8 Teck-Corona
- 9 Golden Sceptre Mines
- 10 Pricemore Resources



Cross Section

- Ore Zone
- Depth (February 28, 1985)
- Plan
- Open Pit.

This section shows property boundaries



B-Zone main shaft headframe, Hemlo

Hemlo Project

Background

Gold prospecting has been conducted in the Hemlo, Ontario area on a sporadic basis since the 1920s, but it was not until recently that economic gold values were discovered. The Hemlo Project, which Lac is currently developing, consists of 11 patented claims first staked in 1945 and owned by the family of the original staker, Dr. J. K. Williams. Exploration work conducted between 1945 and 1947 missed finding the surface expression of the orebody by only a few feet. In July 1981, Lac negotiated an option agreement to explore and develop a mine on the patented claims, and a significant gold find was made in March 1982. Following an extensive diamond drilling program in 1983 and early 1984, Lac began construction of what will be one of the largest gold mines and mills in North America.

Hemlo Ore Body

Diamond drilling done during 1983 established that two zones of mineralization (the A and B-Zones) on the Hemlo Project contained 4.2 million tons of probable ore in the A-Zone grading 0.17 ounces of gold per tone, and 43 million tons of probable ore in the B-Zone grading 0.17 ounces of gold per ton. Exploration work during 1984 and early 1985 on a third area of mineralization (the C-Zone) resulted in the previously reported possible reserves of 5.7 million tons with a grade of 0.14 ounces of gold per ton down to 600 feet. A further 61 holes totalling 28,871 feet were drilled in 1985. Possible reserves down to 300 feet have been calculated to be 2.1 million tons with an average grade of 0.13 ounces of gold per ton. Further detailed drilling will be carried out to sample the portion of these reserves suitable for open-pit mining. The C-Zone continues below the drilling carried out to-date. There are no plans to mine this area at this time.

Mine Development Plans

Lac's plans for the Hemlo Project call for a mine and mill complex with a peak production level of 6,600 tons per day by 1989. This production level will be achieved in stages. The total budget for the project is $275 million.

The first stage will be the construction of a 3,300 ton per day mill, due for completion in late 1985. Preliminary ore production will originate from a 750,000-ton open-pit mine and from a small shaft to mine the A-Zone of the ore body from underground, both of which are expected to yield production ore during 1985.

Lac is sinking a second, larger shaft to mine the B-Zone of the ore body, which will produce ore by 1988. Expansion of the mill to 6,600 tons a day is being timed to coincide with the availability of production ore from the B-Zone shaft.

Project Progress in 1984

Lac moved quickly on the Hemlo Project during 1984, spending $61 million by the end of the year to complete 20% of the project. Headframes and supporting structures for both A-Zone and B-Zone shafts were completed, the mill foundations laid, and structural work had been finished on the mine's service buildings and surface complex.

Work on a declined access ramp to mine the A-Zone was started in May, and 6,890 feet of development (60% of final planned length) was completed by the end of the year. Sinking of the A-Zone shaft began in October, and a depth of 538 feet (51% of final planned depth) had been attained by February 28, 1985. Sinking of the B-Zone four compartment shaft began in October and by the end of February 1985, the shaft was 1,089 feet deep (about 26% of planned depth).

View of Hemlo Mine Site
looking West on
Trans Canada Highway.
Shown are the
A-Zone (right) and
B-Zone (left) headframes

During the year, Lac also took initial steps to provide housing in the area for its employees. The housing construction sponsored by Lac has been in the town of Marathon, 25 miles west of the Hemlo Project. In Marathon, Lac built 46 houses for sale to employees under its housing purchase assistance program and a 44-apartment complex built by the Company during 1964 in Manitouwadge located 37 miles north of the mine site was made available.

Project Plans for 1985

Construction and development expenditures at the Hemlo Project during 1985 are budgeted at $123 million. Completion of the A-Zone ramp is scheduled for April 1985, with breakthrough into the shaft planned for July. Development ore is expected from the A-Zone shaft early in the year as drifting is begun. The shaft is expected to reach its planned depth of 1,148 feet in June, and will commence limited production by late 1985.

Design of the A-Zone open-pit was almost complete at the end of 1984, and Lac expects to begin clearing the site in March 1985. Mining of the pit, which is expected to produce about 1,000 tons of ore per day, is scheduled to begin in August. Development and production ore extracted from the open pit and A-Zone shaft will be stockpiled until the mill is completed.

Completion of the mill is scheduled for late fall of 1985, and commissioning is expected to take six to eight weeks. Lac expects that a small amount of gold will be poured at the Hemlo Project before the end of 1985.

Lac will also continue sinking the B-Zone shaft during 1985, with 3,609 feet planned for the year. The main hoist will be installed in August. Little development or exploration work is planned beyond shaft sinking in the B-Zone during the year.

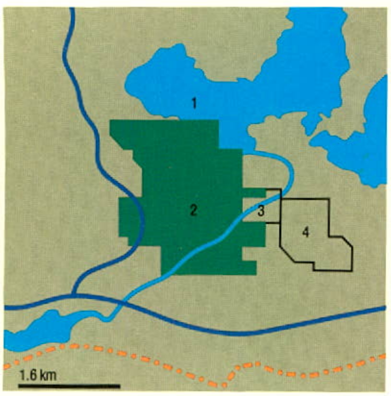
Responsibility for exploration of the A and B-Zones was transferred from Lac's Exploration Division to the mine geologists late in 1984, who are designing the mining plan. Exploration of the C-Zone, is still jointly handled by the Exploration Division and mine geologists, but it will be taken over entirely by the Mining Division during 1985.

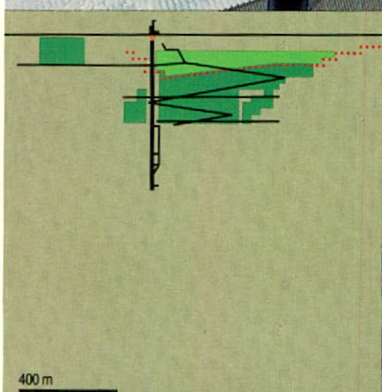
Hiring of employees at Hemlo will begin in May, 1985. At the end of 1984, a total of about 300 people, including Lac employees and subcontractors, were on site. This number is expected to increase to about 600 by mid-1985. Lac also plans to build two apartment buildings with 100 units in Marathon during 1985 which will be rented to employees.

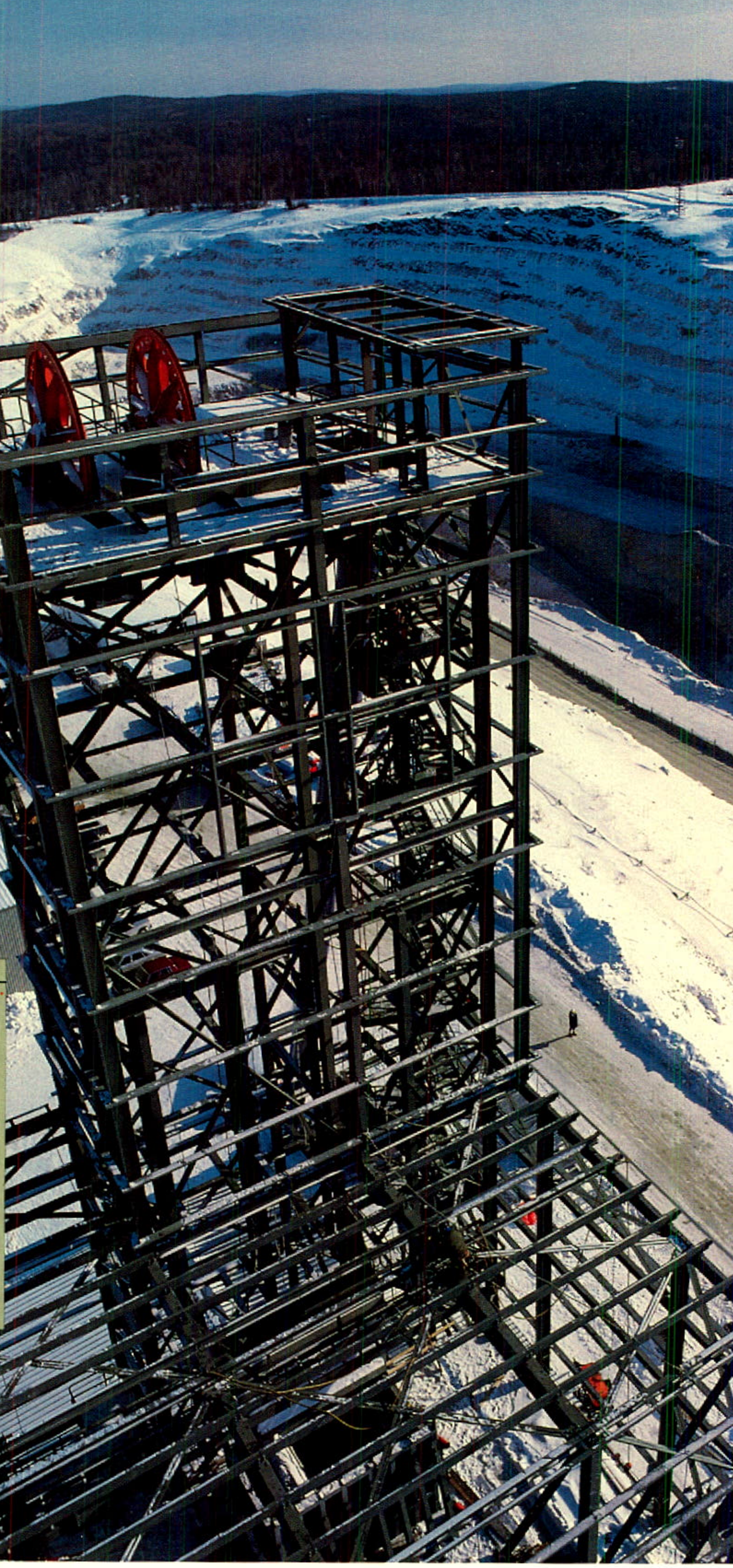
Hemlo Mining Methods

The width of the Hemlo ore body, coupled with the good ground conditions in the area, make the mine well-suited to economical, bulk mining methods. Lac intends to use a long-hole open stope method to mine the ore body. In this method, drifts are driven above and below the desired ore at 115 foot intervals. Holes are drilled from above, the ore is blasted, and broken ore is removed from below. The process is then repeated on the ore above the blasted area. The open area, or stope, is later back-filled with waste rock and cement.

The ore will be partially crushed underground prior to conveyance to the surface mill. The mill will use a carbon-in-pulp process to extract gold.







Land Holdings

Railway
Hwy. 117
1 Lake Chassignolle
2 Doyon
3 Hinse
4 Bousquet

Cross Section

Ore Zone
Depth (February 28, 1985)
Excavated Zone
Plan
Open Pit.

This map does not show property boundaries

Doyon Joint Venture headframe construction

La Mine Doyon Joint Venture

Background

The Company operates and shares a 50% interest in La Mine Doyon Joint Venture with SOQUEM (Société Québecoise d'Exploration Minière). The operation began production as an open-pit gold mine in March 1980. In 1983, a declined access ramp was started to allow underground exploration to determine the possibility of underground mining.

In late 1983, a north-west south-east trending vein structure was discovered west of the open-pit, initially estimated to contain possible ore reserves of 400,000 tons with an average grade of 0.33 ounces of gold per ton.

During 1984, the decision was made to examine the possibility of underground mining.

Operating Results

A total of 1,268,000 tons of Doyon ore were milled during the year at the on-site mill, the Est-Malartic mill and the Noranda smelter in Noranda, Quebec. This was a 10.8% increase in production from the previous year. Total gold produced, however, was up considerably during 1984 maintaining the Joint Venture's position as the second largest gold mine in Canada. The Company's share of 1984 production was 93,457 ounces, compared with 79,374 ounces in the previous year.

The increased gold production during 1984 was attributable to better grades, a higher rate of recovery, and a higher milling rate. Higher production levels also contributed to a substantial reduction in cash operating costs.

Lac's portion of capital expenditures made during the year on new pit equipment and improvements to the mill's crushing plant and ventilation system totalled $1.3 million.

Under the current pit design, the end of pit operations is planned for 1988. The possibility of mining the surface of the recently discovered West Zone using open-pit methods is being studied.

As the open-pit reserves are exhausted, the Joint Venture intends to bring underground reserves into production. To ensure minimal disruption for its employees, the Joint Venture has introduced an underground mining skills training program for interested Doyon open-pit miners.

Underground Development

The first phase of development of an underground mine at the Doyon Joint Venture was started during the second half of 1984 and completed in February 1985. Budgeted at $8.2 million for Lac's portion, of which $6.5 million was spent during 1984, this phase included construction of a headframe and surface complex, and some initial underground development work. Shaft sinking and underground development work were started in February 1985. The shaft is planned to be completed to a depth of 2,100 feet.

During 1984, work continued on the underground access ramp, which was driven 7,925 feet during the year. Of this, 4,125 feet were in the main zone and 3,800 feet were in the west zone. About 13,250 tons of development ore at an average grade of 0.26 ounces of gold per ton were mined during 1984 in the west zone using the ramp. This development work also allowed the Joint Venture to conduct extensive underground exploration, primarily in the main zone. A total of $3.8 million was spent on underground exploration during 1984.

Outlook

Total capital expenditures during 1985 for the Doyon Joint Venture underground project, including completion of the first phase, are expected to be approximately $10 million, of which $5 million would be Lac's share. Exploration during 1985 will concentrate on the main ore zone and to examine whether there is deeper continuation of the west zone.

Doyon Joint Venture
Background
Doyon mill and headframe complex
Foreground
50-ton off-highway pit truck

Production Statistics

Year ended December 31,

The following is a comparison of the Company's joint venture interest in production since the commencement of operations in March 1980.	**1984**	1983	1982	1981	1980
Tons of ore milled (000's)					
On-Site	**287**	228	21		
Est-Malartic	**255**	288	291	194	86
Noranda	**92**	56	109	96	104
Terrains			26		
Total	**634**	572	447	290	190
Average grade of ore milled (ounces of gold per ton)					
On-Site	**0.166**	0.154	0.128		
Est-Malartic	**0.151**	0.141	0.170	0.192	0.158
Noranda	**0.137**	0.153	0.219	0.233	0.207
Terrains			0.125		
Average gold recovery rate (%)					
On-Site	**95.86**	95.40	93.43		
Est-Malartic	**94.57**	94.30	92.39	90.42	92.96
Noranda	**91.92**	90.81	93.22	93.57	94.00
Terrains			90.43		
Production of gold (ounces)(1)					
On-Site	**45,639**	33,382	2,518		
Est-Malartic	**36,269**	38,231	48,406	33,696	13,668
Noranda	**11,549**	7,761	22,300	20,857	21,394
Terrains			2,887		
Total	**93,457**	79,374	76,111	54,553	35,062
Average cash operating cost per ounce of gold produced (2)	**$ 214**	$ 283	$ 254	$ 215	$ 161

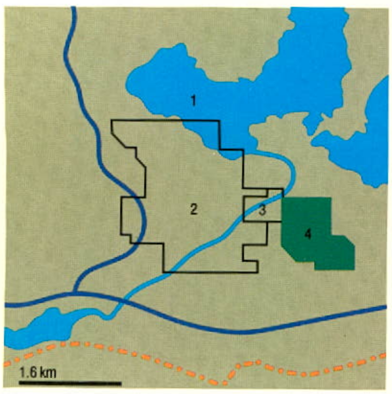
(1) Before deduction of 1% royalty paid with respect to ore from Odyno claims.

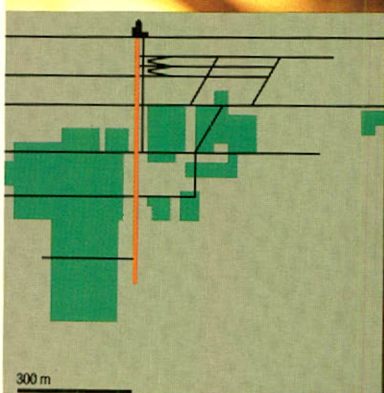
(2) Including cost of waste and overburden removal but excluding non-cash items.

Ore Reserves

Comparative ore reserves based on the Company's share of the reserves at Doyon at year end are set out below.	**1984** Tons (000's)	**1984** Ounces of gold per ton	1983 Tons (000's)	1983 Ounces of gold per ton
Open Pit				
Proven	**1,940**	**0.137**	2,402	0.131
Underground Probable	**2,895**	**0.184**	1,973	0.181
Stockpile High Grade	**22**	**0.145**	55	0.120
Low Grade	**635**	**0.051**	635	0.051

Open pit reserves have been calculated assuming dilution of 10%. Underground reserves have been calculated without a dilution factor.





Land Holdings

Railway
Hwy. 117
1 Lake Chassignolle
2 Doyon
3 Hinse
4 Bousquet

Cross Section

Ore Zone
Depth (February 28, 1985)
Plan

This map does not show property boundaries

Scoop Tram operating underground at Bousquet

Mine De Bousquet

Background

Located 25 miles west of Malartic in Northwestern Quebec, the Bousquet gold mine was discovered by Lac's Exploration Division in 1977. The operation which consists of an underground and a low-grade open-pit mine, began production in 1979.

Operating Results

Gold production increased in 1984 by 4.6% from the previous year, and tons milled increased by 15%, primarily due to an increase in production from the low-grade, No. 5 zone open-pit operation. The amount of ore milled from the higher grade underground No. 1 and No. 3 Zones remained virtually the same.

Capital expenditures made at Bousquet during 1984 totalled $1.4 million, and included the purchase of new mobile equipment to increase productivity. Lac is also conducting a study to determine if selective mining of the No. 5 Zone can improve grades.

Outlook

Capital expenditures at Bousquet during 1985 will be about $4 million, and will include an improved ventilation system, new mobile equipment and plant improvements. Production from No. 1 and No. 3 ore Zones should be increased by a small margin during 1985.

Production Statistics

Year ended December 31,

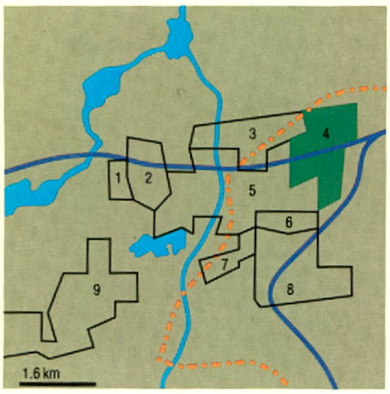
The following is a comparison of production statistics for the Bousquet Mine for the periods indicated	**1984**	1983	1982	1981	1980
Tons of ore milled (000's)	**589**	514	433	423	285
Average grade of ore milled (ounces of gold per ton)	**0.182**	0.197	0.163	0.180	0.200
Average gold recovery Rate (%)	**92.90**	93.57	94.57	95.78	95.22
Production of gold (ounces)	**99,425**	95,068	70,500	76,945	57,054
Average cash operating cost per ounce of gold produced	**$ 289**	$ 280	$ 299	$ 239	$ 241

Ore Reserves

Comparative ore reserves for Bousquet at year end are set out below. The limits of the ore body have not yet been fully defined.	**1984** Tons (000's)	**1984** Ounces of gold per ton	1983 Tons (000's)	1983 Ounces of gold per ton
Proven				
Zones 1 and 3	**4,637**	**0.140**	1,179	0.150
Zone 5 (1)	**4,914**	**0.060**	5,010	0.056
Probable				
Zones 1 and 3	**1,770**	**0.140**	3,809	0.145
Zone 5 (1)	**1,354**	**0.070**	1,354	0.066
Possible				
Zones 1 and 3	**1,153**	**0.170**		

(1) Zone 5 reserves are processed only when mill capacity is available.

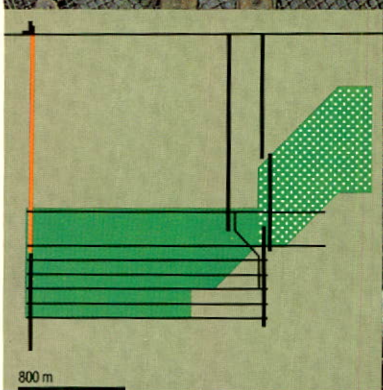
A dilution factor of 20% grading 0.02 ounces of gold per ton has been included in the calculation of proven reserves.



Land Holdings

- ONR
- Hwy. 66 Hwy. 112

1 Tegren
2 Mc Ivor
3 Spark Gold
4 Macassa
5 Tegren
6 Gracie-Park
7 Boisvert
8 Spark Gold Mines
9 West Gracie Group Mc Ivor



Cross Section

- Ore Zone
- Largely Mined Out
- Depth (February 28, 1985)
- Plan

This map does not show property boundaries

Shaft sinking at No. 3 shaft at Macassa Mine

Macassa Mine

Background

Located near Kirkland Lake, the Macassa mine began operations in October 1933 under the control of a company that was a predecessor to Lac. To the end of 1984, the mine has produced 5.9 million tons of ore averaging 0.44 ounces of gold per ton, yielding 2.6 million ounces of gold from the Macassa mill complex.

Today, Lac is mining Macassa from the original shaft system between the 5,000 foot and 6,400 foot levels, about one mile west of the headframe. Despite the age of the Macassa mine, and the fact it is the longest operating gold mine in the Kirkland Lake area, the mine continues to offer substantial reserves and exploration potential. To provide more economical access to the present workings, and a base for exploration and development further west on the property, Lac began sinking the No. 3 shaft one mile west of the old shaft system during 1983.

Operating Results

Ore production during 1984 was virtually the same as in the previous year. Because the main workings are increasingly further from the No. 1 shaft, it was an accomplishment to maintain the same rate of production.

Macassa, which had no serious lost time injuries during 1984, continues to have difficulty with ground conditions. However, Lac is working on a variety of measures to provide more stable conditions, including new support systems, backfill techniques and seismology testing of high stress areas. The mine also encountered water problems during the year, caused in part by water entering the old abandoned mine shafts in the area. In early 1985 Lac temporarily stopped work on the No. 3 shaft to install a new 650 gallon per minute pumping system. This has resulted in a gradual lowering of water levels.

Production Statistics — Year ended December 31,

The following is a comparison of production statistics for the Macassa Mine for the periods indicated	**1984**	1983	1982	1981	1980
Tons of ore milled (000's)	**122**	122	118	115	111
Average grade of ore milled (ounces of gold per ton)	**0.478**	0.504	0.468	0.461	0.466
Average gold recovery rate (%)	**96.70**	96.25	97.01	96.50	96.70
Production of gold (ounces)	**58,472**	59,230	53,357	51,190	50,000
Average cash operating cost per ounce of gold produced	**$ 320**	$ 294	$ 296	$ 279	$ 246

Ore Reserves

Comparative ore reserves at Macassa at year end are set out below. The limits of the ore body have not yet been fully defined.	**1984** Tons (000's)	**1984** Ounces of gold per ton	1983 Tons (000's)	1983 Ounces of gold per ton
Proven	**1,067**	**0.525**	988	0.510
Probable	**377**	**0.442**	405	0.440

Dilution factors are added of between 10% to 50% depending on the difficulty in mining and the rock-ore environment.

Lake Shore Mine

In addition to Macassa mine ore, the mill treated ore from the Lake Shore mine crown pillar, achieving a record average daily milling rate of 461 tons per day. By year end 1984, the mill was operating consistently at about 500 tons per day.

Proven and probable ore reserves were increased during 1984, primarily in the areas west of the main workings.

No. 3 Shaft Project
During 1984, Lac advanced the No. 3 shaft by 3,097 feet to the 5,040 foot level. The shaft reached the one-mile depth mark in February 1985, and is expected to reach its target depth of 7,275 feet in late 1985. Upon completion, it will be the deepest single lift shaft in the Western Hemisphere, and the third deepest in the world.

Lac spent $9 million on the project during 1984, and total project expenditures have been $22 million to date.

The No. 3 shaft will open up an area of exploration and known ore between the 6,450 foot and 7,000 foot levels. The No. 3 shaft hoisting capacity of 500 tons a day will allow Macassa to increase ore production, lowering the unit cash operating costs.

The existing shaft system has supplied the Macassa mill with an average of 334 tons of ore per day during the last two years. The addition of the No. 3 shaft ore will increase production to current mill capacity. As a result, Lake Shore mine ore will probably be treated at another Lac mill.

Outlook
Total capital expenditures during 1985 for the No. 3 Shaft Project are expected to be about $9 million.

The Macassa mill is expected to run at about 500 tons per day during 1985, and it will treat Lake Shore mine ore until the No. 3 shaft is producing ore.

Background
Lac was granted the right by Lake Shore Mines, Limited in 1982 to mine the crown pillar at the former Lake Shore mine at Kirkland Lake. Closed in 1965 due to difficult ground conditions, the Lake Shore mine had been one of the richest gold mines in Northern Ontario.

Lac pays a royalty to Lake Shore of 50% of the net profits. Encouraged by its success with the crown pillar project during 1984, Lac decided to explore the possibility of mining the Lake Shore underground.

To mine the crown pillar, Lac is using an underhand-cut and fill method. Starting from just below the surface, ore is mined in 30-foot sections and replaced with concrete. This process is repeated as mining activity goes deeper. As of the date of this report, there have been no lost time injuries on the project.

Lake Shore Underground Project
In the spring of 1984, Lac set up a temporary hoist and conveyance on the old mine's No. 5 shaft collar. This allowed Lac, on behalf of Lake Shore, to conduct a geological study to identify exploration possibilities at various levels in the mine to determine if the mine can be kept open on a continuous basis.

The shaft steel was examined to a depth of 2,200 feet and found to be in good condition, as were the working areas inspected. By the end of 1984 Lac had virtually completed construction of a new headframe, shaft house, hoist and ore bins. The Lake Shore mine project was made an operating unit within Lac's Mining Division during 1984.

During 1984, Lac completed 9,815 feet of diamond drilling on the Lake Shore property and sampled and plotted all accessible headings in the mine above the 1,400 foot level. In addition, the Company examined historical data from the Lake Shore mine.

Mining plans include removal of old pillars and pockets of ore that had been missed, as well as development work on new areas of gold mineralization.

Milling Operations

Est-Malartic
Total ore treated at the Est-Malartic mill during 1984 totalled 685,000 tons, compared with production during 1983 of 680,000 tons. Mill feed was supplied by the Doyon Joint Venture, Bousquet and Est-Malartic's own salvage mining operations from the 1-20 Stope Project, completed in 1984.

Capital expenditures during the year totalled $2.8 million. This included partial conversion of the mill to 60 cycle power, construction of a new refinery and tailings rehabilitation.

Terrains Auriferes
In addition to Bousquet ore, which was the predominant mill feed during 1983, Terrains milled ore during 1984 from the Lake Shore mine and the Est-Malartic 1-20 Stope project. The nature of the Lake Shore ore, treated during July and August, requires that longer milling cycles be used. As a result, the mill operated at 1,586 tons per day, compared with 1,707 tons per day in 1983. However, because Lake Shore ore has a much higher grade than Bousquet ore, the ounces of gold produced were higher.

Milton Limestone

Milton Limestone had a successful year in 1984, sales volume in 1984 was greater than in 1983 although average selling price of material changed very little.

The favourable results attained by this operation can be attributed to an increased demand for aggregates in the last half of 1984 combined with improved productivity.

In 1984, the operating profit was $2.1 million on revenue of $5 million, compared with $1 million operating profit on revenue of $3.5 million in 1983.

Exploration Division

The Exploration Division operates from five regional offices in Canada, located in Malartic, Quebec, Toronto, Kirkland Lake and Hemlo, Ontario; Vancouver, British Columbia, and one in the United States, located in Reno, Nevada. The Division is responsible for finding and exploring mining properties for Lac. The Exploration Division had expenditures of $10.6 million in 1984 and plans to spend $8.5 million in 1985.

Hemlo Project
The Division has drilled 274 holes totalling 283,000 feet on the Hemlo Project. In the early part of the year, work was done on the A and B-Zones of gold mineralization on the property to further delineate ore. Responsibility for further exploration of these zones was turned over to the mine geologists later in the year. For most of 1984, the Exploration Division concentrated on defining the C-Zone on the property.

The drilling resulted in the previously reported possible reserves of 5.7 million tons with a grade of 0.14 ounces of gold per ton down to 600 feet. A further 61 holes totalling 28,871 feet were drilled in 1985. Possible reserves down to 300 feet have been calculated to be 2.1 million tons with an average grade of 0.13 ounces of gold per ton. Further detailed drilling will be carried out to sample the portion of these reserves suitable for open pit mining. The C-Zone continues below the drilling carried out to-date. Deeper exploration work will be done underground from the B-Zone shaft.


Geologist in the field

White River Project
Located southeast of the Hemlo Project, the White River Project is 42 square miles in size and Lac expects it will take five to seven years to do a full assessment. During 1984, the Division conducted mapping, sampling, geophysical and geochemical work on the property, and established target areas for further work. During the winter of 1985, a 20 hole diamond drill program will be completed on one of these target areas. Zinc, lead and gold mineralization occurrences have been found on the property, but no significant finds have been made to date.

Est-Malartic
The Division has been reinterpreting the geology of the Malartic gold mining camp to add to its understanding of the deposition of gold mineralization and new ways to recognize it elsewhere. It was a similar reinterpretation that led to the discovery of the Bousquet mine, which in turn gave Lac the geological expertise to find Hemlo.

Lac is examining whether low grade gold mineralization might be amenable to a heap leaching recovery method, a process by which crushed low grade ore is piled in heaps and soaked in a diluted cyanide solution to leach out gold. This is a less efficient gold recovery method but it is economically efficient for treatment of low grade ore because of the low costs involved.

Kirkland Lake
In conjunction with Lac's mine geologists at Macassa, the Division is currently remapping the geology of the Kirkland Lake area. Lac is doing the first full-scale reinterpretation of this old gold mining camp in about 40 years.

Other Exploration Projects
During 1984 exploration activities were carried out on several additional properties, primarily in Canada and the United States. Lac also entered into a joint venture during the year to explore properties in Western Australia, Lac's first exploration endeavour in that country. Lac can earn a 50% interest in the venture by spending up to $2.6 million (Australian) in stages.

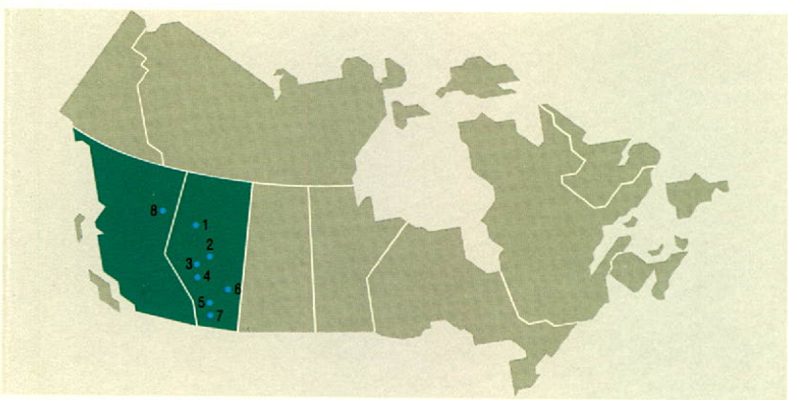
Oil & Gas Division

Cash flow from operations in 1984 was $3.3 million from revenues of $6.8 million in 1984 compared with a cash flow of $4.1 million from revenues of $6.6 million in 1983.

Properties in the United States contributed $2.5 million and properties in Canada contributed $0.8 million to the cash flow.

Capital expenditures in 1984 were $6.4 million on oil and gas exploration and development compared to $8.6 million in 1983. Of this total $5.2 million was spent in Alberta and the remainder in the United States. The Company participated in drilling nine wells in Alberta of which three were oil wells, three were gas wells, two were dry holes and one was a suspended well. Lac Minerals also participated in ten wells in the United States of which seven were gas wells and three were dry holes. The Company's average working interest in these wells is 25% in Canada and 15% in the United States.

The oil and gas reserves on properties in which the Company has interests were estimated by Coles Nikiforuk Pennell and Associates Ltd. as of December 31, 1984; and their estimate of the proven and probable net oil reserves is shown on the accompanying table. The decrease in the oil and gas reserves from 1983 to 1984 is mainly due to the production performance of the Westward Ho Field which has had a depletion problem during the year.



1 Dunvegan
2 McLeod River
3 Edson South
4 Minnehik-Buck Lake
5 Caroline
6 Scapa
7 Westward Ho
8 Wilder

Net Oil & Gas Reserves (after all royalties)	Oil & Condensate		Natural Gas	
	1984	1983	**1984**	1983
Proven and Probable	(Millions of Barrels)		(Billions of Cubic Feet)	
Canada	**0.891**	1.762	**22.59**	37.37
United States	**0.161**	0.177	**4.34**	5.85
	1.052	1.939	**26.93**	43.22

Oil and Gas Production	Oil & Condensate		Natural Gas	
	1984	1983	**1984**	1983
	(Barrels)		(Billions of Cubic Feet)	
Canada	**45,151**	33,424	**0.814**	0.547
United States	**13,359**	30,242	**0.812**	0.680
	58,510	63,666	**1.626**	1.227

Financial Review

Analysis of Operating Results

Gold production, net of royalties, was increased during 1984 by 16.5% to 299,571 ounces, compared to 257,064 ounces in the previous year. Growth in revenues, however, was somewhat lower at 7.9% during the year due to a lower realized average gold price of $516 per ounce compared to $556 in 1983.

Earnings for the year were $29.3 million, up from $28.0 million in the previous year. The increase was primarily due to higher production levels, a lower overall tax rate of 43.4% compared to 48.4% in 1983, and a substantial increase in interest received on cash and short-term investments to $17.2 million from $4.1 million in 1983, which resulted from the Company's strong cash position. Lower gold prices were also offset by a more favorable U.S. currency exchange rate.

At the same time operating expenses increased to $127.7 million from $104.8 million in 1983. About half of increased expenses are attributable to higher production levels during the year– although the unit cash costs per ounce of gold sold remained the same. As well, depreciation, depletion and amortization costs increased to $20.3 million in 1984 from $14.4 million due to the amortization of the Doyon waste removal costs and a write-down of certain oil and gas assets. Mineral exploration expenditures of $10.6 million during the year, compared to $7.8 million in 1983, reflected Lac's increased activity in the Hemlo area and other North American exploration properties.

Due to the increase in the number of shares outstanding through the public issue during the year, earnings per share were slightly lower at $1.14 per share, compared to $1.17 per share in 1983.

Public Offerings

During 1984, Lac completed two public issues. In April, 50,000 units were sold, each consisting of one U.S. $1,000 8% debenture due April 15, 1989 and four gold purchase warrants. Each warrant entitles the holder to purchase from Lac 0.5 troy ounces of gold at US$230. Gross proceeds of the issue were US$50 million. During the same month, Lac sold one million shares for gross proceeds of $34.5 million.

These funds will be applied to the Company's current capital expenditures program, with the maturity date on the debentures set to coincide with Hemlo reaching full production levels.

Long-term debt interest expense increased to $5.4 million during the year from $2.0 million in 1983, primarily due to the debenture issue.

Liquidity and Capital Resources
Lac ended 1984 in a highly liquid, strong financial position. At year-end, cash and short-term investments were $137.5 million, up from $62.6 million in 1983, and represented 34.6% of total assets. This increase reflects the sale of shares, debentures and gold purchase warrants during the year, from which the Company received gross proceeds of $100.6 million. Lac has built this substantial cash position in anticipation of future capital spending requirements at Hemlo and its other mine development projects.

Capital expenditures during 1984 were $91.5 million, exceeding cash flow from operations of $70.9 million by $20.6 million. During 1983, capital expenditures were $46.3 million, less than funds from operations of $67.1 million by $20.8 million.

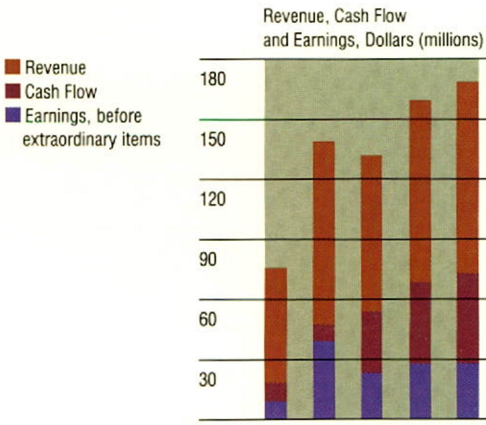
Working capital increased by $49.8 million during 1984 to $120.1 million, from $70.3 million a year earlier. This increase is directly attributable to the public issues done during the year.

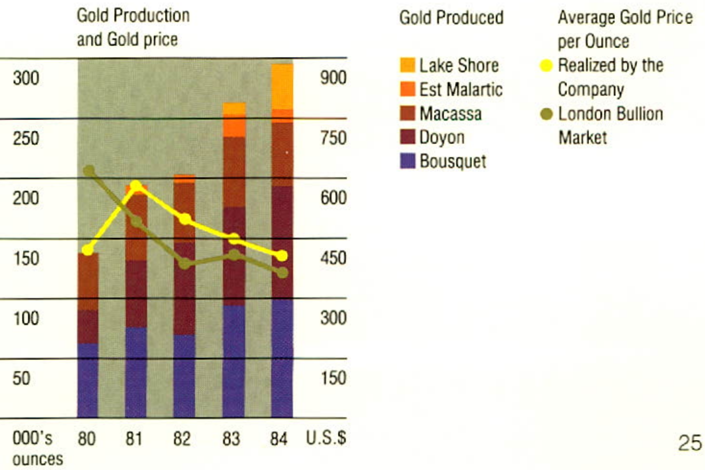
Shareholders' equity increased to $219.1 million during 1984 from $162.9 million. Due to the debenture issue, which raised debt to $80.2 million from $15.2 million in 1983, shareholders' equity was 62.1% of total capital employed at year-end 1984 compared to 73.6% a year earlier.

Gold and Foreign Exchange Transactions
Lac delivered 297,789 ounces of gold during 1984 at an average price of US$402 per ounce, compared with 254,999 ounces of gold at an average price of US$449 in 1983.

In addition, Lac held US dollars throughout 1984, converting portions of the proceeds from gold sales and the public offerings only when Canadian dollars were required to cover payables.

Lac has continued following both policies during 1985. At February 25, 1985, the Company had sold 355,670 ounces of gold for delivery from future production at prices averaging US$352 an ounce.





Consolidated Statement of Financial Position

Lac Minerals Ltd.

	As at December 31, 1984	1983
	(000's)	
Current Assets		
Cash and short-term investments	**$ 137,489**	$ 62,602
Bullion inventory	**10,180**	9,175
Other inventories	**106**	757
Accounts receivable	**7,435**	5,238
Due from Lac Group companies	**28**	38
Supplies and other assets	**9,953**	5,347
	165,191	83,157
Current Liabilities		
Accounts payable and accrued liabilities	**28,259**	11,994
Mining taxes payable	**900**	
Due to Lac Group companies	**1,686**	10
Long-term debt maturing within one year	**1,420**	835
Deferred revenue on gold purchase warrants (note 2)	**12,782**	
	45,047	12,839
Working Capital	**120,144**	70,318
Investments (note 3)	**18,347**	17,843
Mining Interests (note 4)	**164,753**	94,047
Oil and Gas Interests (note 4)	**35,370**	37,380
Deferred Financing Costs	**12,814**	
Other Assets	**1,276**	1,780
Capital Employed	**352,704**	221,368
Deduct		
Long-Term Debt (note 5)	**80,246**	15,185
Deferred Taxes	**53,323**	43,279
	133,569	58,464
Shareholders' Investment	**$ 219,135**	$ 162,904
Shareholders' Investment Represented by		
Capital Stock (note 6) Authorized–50,000,000 shares (1983–49,998,421 shares)		
Issued–29,612,689 shares (1983–28,516,494 shares)	**$ 137,371**	$ 101,964
Retained Earnings	**85,158**	64,334
	222,529	166,298
Deduct the Company's pro rata interest in the cost to Lac Group companies of their investments in shares of the Company	**3,394**	3,394
	$ 219,135	$ 162,904

Commitments and Contingencies (note 11)

Approved by the Board

Director

Director

Consolidated Statements of Earnings and Retained Earnings

	Year ended December 31, 1984	1983
Consolidated Statement of Earnings	(000's)	
Revenues		
Bullion	**$ 153,090**	$ 142,199
Oil and gas	**6,815**	6,573
Other	**9,768**	8,460
	169,673	157,232
Expenses		
Operating		
Mining	**76,866**	65,849
Oil and gas	**3,532**	2,497
Other	**6,976**	4,557
	87,374	72,903
Corporate administrative	**5,932**	5,211
Depreciation, depletion and amortization	**20,343**	14,434
Mineral exploration	**10,574**	7,824
Oil and gas dry holes and abandonments	**2,777**	3,549
Research and development	**735**	856
	127,735	104,777
Earnings from operations	**41,938**	52,455
Other income (expense)		
Investment and other income	**17,228**	4,105
Gain on sale of mining and oil and gas interests	**179**	19
Interest expense		
Long-term debt	**(5,356)**	(1,972)
Other	**(2,232)**	(438)
	9,819	1,714
Earnings before income and mining taxes	**51,757**	54,169
Income and mining taxes (note 7)	**22,450**	26,200
Earnings for the year	**$ 29,307**	$ 27,969
Earnings per share (note 6(c))	**$1.14**	$1.17
Consolidated Statement of Retained Earnings		
Retained earnings, beginning of year	**$ 64,334**	$ 45,220
Earnings for the year	**29,307**	27,969
	93,641	73,189
Dividends	**8,868**	8,148
Less the Company's pro rata interest in its own dividends paid to Lac Group companies	**(1,078)**	(1,057)
	7,790	7,091
Share issue expenses net of deferred income taxes of $435,000 (1983–$1,608,000)	**693**	1,764
	8,483	8,855
Retained earnings, end of year	**$ 85,158**	$ 64,334

Consolidated Statement of Changes in Financial Position

	Year ended December 31,	
	1984	1983
Working Capital Derived from	(000's)	
Operations Earnings for the year	**$ 29,307**	$ 27,969
Items not affecting working capital Depreciation, depletion and amortization	**20,343**	14,434
Amortization of deferred financing costs	**1,255**	
Deferred income and mining taxes	**17,355**	20,627
Dry holes and abandonments written-off	**2,777**	3,549
(Gain) loss on sale of mining and oil and gas interests	**(179)**	236
Other	**29**	324
Total from operations	**70,887**	67,139
Proceeds from sale of investments	**564**	91
Proceeds from sale of mining and oil and gas interests	**1,398**	413
Issue of capital stock, net	**34,279**	60,991
Issue of 8% debentures	**66,070**	
Capital leases	**510**	1,326
Total derived from all sources	**173,708**	129,960
Working Capital Applied to		
Mining interests	**85,069**	37,675
Oil and gas interests	**6,386**	8,577
Other assets	**235**	2,209
Dividend payments to shareholders	**8,868**	8,148
Purchase of shares in Lac Group companies		1,097
Repayment of term bank loan		2,500
Repayment of capital leases	**1,519**	1,045
Deferred financing costs	**14,929**	
Payment of mining tax reassessments for prior years	**6,876**	
Total applications	**123,882**	61,251
Increase in Working Capital	**49,826**	68,709
Working Capital, beginning of year	**70,318**	1,609
Working Capital, end of year	**$ 120,144**	$ 70,318

Notes to Consolidated Financial Statements

Year ended December 31, 1984

Lac Minerals Ltd. (the Company) is a member of a group of companies collectively known as the Lac Group. Other companies in this group are Little Long Lac Gold Mines Limited (Little Long Lac), Lake Shore Mines, Limited (Lake Shore) and Wright-Hargreaves Mines, Limited (Wright-Hargreaves).

1. Significant Accounting Policies

(a) Basis of presentation

The consolidated financial statements include the accounts of the Company and its subsidiary companies.

(b) Revenue

Bullion revenue is recognized when the bullion is delivered and accounted for net of royalties where the amount of the royalty is based on the quantity of production.

(c) Bullion and other inventories

Inventories are valued at the lower of cost (determined on the first-in, first-out basis) and estimated net realizable value.

(d) Supplies

Supplies are valued at the lower of average cost of acquisition and replacement cost.

(e) Investments

The Company has a 22% interest in Little Long Lac. Because Little Long Lac's principal asset is its direct and indirect interest in the Company, the investment has been recorded at cost.

All other investments are recorded at cost.

(f) Mining interests

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

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

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings; further costs are capitalized and then amortized on the unit-of-production method based on proven reserves.

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

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

(g) Oil and gas interests

Expenditures for petroleum and natural gas plants are capitalized.

All costs of acquiring leases and rights, exploring for and developing oil and gas reserves thereon are capitalized by area of interest. If it is subsequently determined that the wells drilled are dry or the property is subsequently abandoned, the related capitalized costs are charged to earnings.

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

(h) Capitalization of interest

A portion of the interest costs, including the amortization of deferred financing costs and related foreign currency translation adjustments, associated with the 8% debentures that are incurred during the development, construction and start-up phases of the Hemlo Project are capitalized as construction in progress Hemlo.

Once commercial production commences, interest and associated costs will be charged to earnings.

(i) Deferred financing costs

Deferred financing costs which include debenture discount and issue expenses are amortized on a straight-line basis over the period to maturity of the debentures.

(j) Foreign currency translation

The Company considers its foreign operations to be integrated. Foreign currency transactions and account balances have been translated using the temporal method. Under this method, current assets and liabilities, excluding inventory, are translated at the exchange rate in effect at the balance sheet date. All other items, with the exception of long-term debt, and depreciation and depletion are translated using the rate of exchange prevailing when they are acquired. Long-term debt is translated using the current exchange rate. Depreciation and depletion are translated at the same rates as the related assets. Exchange gains and losses from translation except those capitalized as construction in progress Hemlo are included in earnings in the current year.

2. Deferred Revenue on Gold Purchase Warrants

During the year, the Company issued 200,000 gold purchase warrants. Each warrant entitles the holder to purchase 0.5 ounces of gold from the Company at a purchase price which is equivalent to U.S. $460 per ounce. Such warrants expire on April 15, 1989.

The value ascribed to the warrants has been accounted for as deferred revenue and will be taken into earnings on a pro rata basis as the warrants are exercised, or when they expire on April 15, 1989.

Pursuant to the terms of the warrant indenture the Company has covenanted that the gold production from its mines during the twelve month calendar period ending each month shall be at least equal to or greater than 1.5 times the amount of gold necessary to honour the then number of warrants outstanding. During the year ended December 31, 1984, the Company was in compliance with this gold production ratio.

3. Investments

	1984	1983
	(000's)	
Investments in Lac Group companies accounted for on a cost basis (quoted market value 1984–$36,560,000; 1983–$52,353,000)	**$ 16,233**	$ 16,233
The Company's pro rata interest in its own dividends paid to Lac Group companies	**4,949**	3,871
	21,182	20,104
Less the Company's pro rata interest in the cost to Lac Group companies of their investments in shares of the Company	**3,394**	3,394
	17,788	16,710
Other investments, accounted for on a cost basis less provision for losses (quoted market value 1984–$203,000; 1983–$658,000)	**446**	951
Other	**113**	182
	559	1,133
	$ 18,347	$ 17,843

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

4. Mining and Oil and Gas Interests

	1984			1983		
	Cost	**Accumulated depreciation, depletion and amortization**	**Net**	Cost	Accumulated depreciation, depletion and amortization	Net
			(000's)			
Mining Interests						
Plant and equipment	**$ 56,615**	**$ 27,317**	**$ 29,298**	$ 50,921	$ 22,725	$ 28,196
Equipment under capital leases	**3,337**	**1,410**	**1,927**	3,633	855	2,778
Mining properties	**13,481**	**8,889**	**4,592**	13,525	7,890	5,635
Deferred mine development	**45,459**	**22,719**	**22,740**	44,652	13,740	30,912
	118,892	**60,335**	**58,557**	112,731	45,210	67,521
Major development and construction in progress						
Hemlo	**75,464**		**75,464**	14,018		14,018
Macassa No. 3 shaft	**21,983**		**21,983**	12,508		12,508
La Mine Doyon underground	**6,122**		**6,122**			
Lake Shore underground	**2,627**		**2,627**			
	106,196		**106,196**	26,526		26,526
	$ 225,088	**$ 60,335**	**$ 164,753**	$ 139,257	$ 45,210	$ 94,047
Oil and Gas Interests						
Gas gathering systems and processing plants	**$ 4,232**	**$ 756**	**$ 3,476**	$ 3,833	$ 266	$ 3,567
Petroleum and natural gas leases and rights including development thereon						
Producing	**33,081**	**10,318**	**22,763**	31,518	6,245	25,273
Non-producing	**9,131**		**9,131**	8,540		8,540
	$ 46,444	**$ 11,074**	**$ 35,370**	$ 43,891	$ 6,511	$ 37,380

5. Long-Term Debt

	1984	1983
	(000's)	
Advances from Lac Group companies		
Lake Shore	**$ 10,000**	$ 10,000
Wright-Hargreaves	**3,500**	3,500
	13,500	13,500
8% Debentures due April 15, 1989 (U.S. $50,000,000)	**66,070**	
Obligations under capital leases	**2,096**	2,520
	81,666	16,020
Less amount maturing within one year	**1,420**	835
	$ 80,246	$ 15,185

Advances from Lac Group companies, which are unsecured and bear interest at the prime rate of a Canadian chartered bank, are repayable on January 1, 1989. The Company has the option to repay any amount prior to the maturity date without penalty.

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

	1984	1983
	(000's)	
1984		$ 1,110
1985	**$ 1,618**	1,345
1986	**639**	530
Total minimum lease payments	**2,257**	2,985
Less amount representing interest	**161**	465
	2,096	2,520
Less amount maturing within one year	**1,420**	835
Obligations included with long-term debt	**$ 676**	$ 1,685

Interest and related expenses on long-term debt amounted to $5,356,000 in 1984 (1983–$1,972,000). During 1984 $1,565,000 was capitalized.

6. Capital Stock and Earnings Per Share

(a) Changes in capital stock	1984		1983	
	Shares	**Amount**	Shares	Amount
		(000's)		(000's)
Balance, January 1	**28,516,494**	**$ 101,964**	26,054,198	$ 39,209
Public sale of shares	**1,000,000**	**34,500**	2,000,000	54,500
Exercise of stock options	**96,700**	**908**	171,900	562
Cancellation due to a prior year amalgamation	**(505)**	**(1)**	(1,579)	(67)
Issued to acquire royalty interest in the Hemlo Project			256,610	6,673
Issued for shares of Little Long Lac			35,365	1,087
Balance, December 31	**29,612,689**	**$ 137,371**	28,516,494	$ 101,964

(b) Stock option plan

Under the Company's Stock Option Plan 700,000 (1983–500,000) unissued shares were reserved for issuance to employees. No options were granted in 1984. Options for 9,000 shares at $21.35 per share and options for 28,000 shares at $28.71 per share were granted in 1983. During the year, options for 96,700 shares were exercised (1983–171,900) for which the Company received $908,000 (1983–$562,000). Options for 6,000 shares expired. As at December 31, 1984, options for 115,500 shares (1983–218,200 shares) were outstanding and options for 201,000 shares were available for future grants.

(c) Earnings per share

Earnings per share are based on the weighted average number of shares outstanding during the year excluding the Company's pro rata interest in its own shares held by Lac Group companies (1984–25,702,141 shares; 1983–23,918,270 shares).

7. Income and Mining Taxes

The provisions for income and mining taxes are	**1984**	1983
	(000's)	
Current taxes		
Federal and provincial income	**$ 1,595**	$ 9,200
Provincial mining	**3,500**	3,100
	5,095	12,300
Deferred taxes		
Federal and provincial income	**14,405**	10,900
Provincial mining	**2,950**	3,000
	17,355	13,900
Total	**$ 22,450**	$ 26,200

Deferred taxes result from timing differences arising from transactions which enter into the determination of earnings and taxable income in different reporting periods. The sources of material timing differences, and the tax effect of each were as follows

Depreciation, depletion and amortization	**$ 2,819**	$ 1,185
Deferred development expenditures	**4,401**	5,651
Exploration expenditures	**10,202**	6,891
Other	**(67)**	173
Total	**$ 17,355**	$ 13,900

The reconciliation of the combined Canadian federal and provincial statutory tax rates and the Company's consolidated effective income and mining tax rates is as follows

	Percentage of pretax earnings	
Combined Canadian federal and provincial statutory income tax rate	**48.0**	45.5
Deduct resource and depletion allowances	**23.2**	17.4
Adjusted income tax rate	**24.8**	28.1
Add mining tax rate	**15.2**	16.0
Applicable statutory income and mining tax rate	**40.0**	44.1
Adjust for permanent differences		
Disallowed expenses	**2.4**	2.2
Non-taxable income for mining tax purposes	**(4.3)**	(3.0)
Losses of subsidiaries not tax effected	**4.7**	1.9
Other	**.6**	3.2
Effective income and mining tax rate	**43.4**	48.4

8. Joint Venture Agreement

The Company is in a joint venture with SOQUEM (Société Québecoise d'Exploration Minière) to operate La Mine Doyon (Doyon). The parties participate equally in the operations, which are carried out under the supervision of the Company.

The consolidated financial statements include the Company's interest in Doyon as follows

	1984	1983
	(000's)	
Assets	**$ 38,247**	$ 37,541
Liabilities	**3,601**	4,855
Equity and advances	**$ 34,646**	$ 32,686
Revenues	**$ 48,852**	$ 44,250
Expenses	**26,996**	22,855
Earnings before income and mining taxes	**$ 21,856**	$ 21,395

9. Segmented Data

	1984				1983			
	Mining	**Oil & gas**	**Other**	**Total**	Mining	Oil & gas	Other	Total
				(000's)				
Revenues								
Canada	**$ 153,090**	**$ 3,845**	**$ 9,768**	**$ 166,703**	$ 142,199	$ 3,204	$ 8,460	$ 153,863
U.S.A.		**2,970**		**2,970**		3,369		3,369
	153,090	**6,815**	**9,768**	**169,673**	142,199	6,573	8,460	157,232
Operating and administrative expenses	**83,533**	**3,532**	**6,976**	**94,041**	71,916	2,497	4,557	78,970
Depreciation, depletion and amortization	**13,975**	**5,367**	**1,001**	**20,343**	10,832	2,697	905	14,434
Mineral exploration and oil and gas dry holes and abandonments	**10,574**	**2,777**		**13,351**	7,824	3,549		11,373
	108,082	**11,676**	**7,977**	**127,735**	90,572	8,743	5,462	104,777
Earnings (loss) from operations								
Canada	**49,426**	**(3,656)**	**1,791**	**47,561**	52,757	(272)	2,998	55,483
U.S.A.	**(4,418)**	**(1,205)**		**(5,623)**	(1,130)	(1,898)		(3,028)
	$ 45,008	**$ (4,861)**	**$ 1,791**	**$ 41,938**	$ 51,627	$ (2,170)	$ 2,998	$ 52,455
Identifiable assets								
Canada	**$ 334,496**	**$ 29,712**	**$ 7,410**	**$ 371,618**	$ 169,860	$ 29,794	$ 6,883	$ 206,537
U.S.A.	**966**	**6,820**		**7,786**	160	9,667		9,827
	$ 335,462	**$ 36,532**	**$ 7,410**	**379,404**	$ 170,020	$ 39,461	$ 6,883	216,364
Corporate assets				**18,347**				17,843
				$ 397,751				$ 234,207

10. Related Party Transactions

(a) From time to time advances are made between the Company and certain Lac Group companies. Interest on such advances is calculated at the prime rate of a Canadian chartered bank. Interest expense for amounts borrowed is $1,638,000 (1983–$1,537,000).

(b) During the year the Company paid $258,000 (1983–$1,032,000) for salaries and expenses and consulting services, pursuant to oil and gas joint venture agreements, to companies in which two directors of the Company are officers.

(c) Lake Shore has granted to the Company the right to mine the crown pillar above 300 feet and the ore below 300 feet of the former Lake Shore mine at Kirkland Lake, Ontario and to treat ore from the pillar, subject to a royalty interest payable to Lake Shore of 50% of the net profits from the operations after the pro rata recovery by Lake Shore and the Company of their costs with respect to the development of ore above 300 feet and below 300 feet. In 1984, $3,085,000 of royalties were paid.

(d) In 1982, the Company obtained from Lake Shore and Wright-Hargreaves the right to retreat tailings deposited in the bed of Kirkland Lake as a result of operations formerly carried on by Lake Shore and Wright-Hargreaves. Lake Shore and Wright-Hargreaves will receive an advance minimum royalty of 2% of net smelter return payable until the Company has recouped its costs of placing the operation into commercial production and thereafter a royalty equal to the greater of 2% of the net smelter return or 20% of net profits.

(e) In 1983, Wright-Hargreaves granted to the Company the right to explore and mine the crown pillar of the old Wright-Hargreaves gold mine at Kirkland Lake and to treat ore from the pillar, subject to a royalty interest payable to Wright-Hargreaves of 50% of the net profits from the operations after the recovery by Wright-Hargreaves and the Company of their costs. In addition, Wright-Hargreaves has granted to the Company the right to mine the crown pillar of the old Wasamac Mine at Arntfield, Québec subject to a royalty interest payable to Wright-Hargreaves of 25% of the net profits from the operations after the recovery by Wright-Hargreaves and the Company of their costs.

11. Commitments and Contingencies

(a) In October of 1981 International Corona Resources Limited (Corona) commenced an action against, among others, a predecessor of the Company in which it now claims general damages of $3 billion for breach of a confidential relationship which precluded the acquisition of certain patented mining claims in the Hemlo area of Ontario, a declaration that the Company's interests in the subject mining claims are held in trust for Corona and an order directing their transfer to Corona, an injunction to prevent the Company from dealing with the claims and an accounting for profits from the claims. Based on evidence provided by the Company and subject to any evidence revealed by further examinations for discovery that must be conducted, counsel for the Company is of the opinion that Corona should not succeed in its claim.

(b) From time to time the Company sells gold for future delivery at set dates and prices. These transactions are not reflected in the accounts until the deliveries are made. At December 31, 1984 the Company agreed to sell 207,960 ounces of gold at prices averaging U.S. $366 per ounce. At February 25, 1985 the amount sold is 355,670 ounces of gold at prices averaging U.S. $352 per ounce.

(c) The Company has committed to sell U.S. currency at set dates and prices. These transactions are not reflected in the accounts until the maturity dates of the contracts. At December 31, 1984 the Company had agreed to sell a total of U.S. $45 million at various dates between January 31, 1985 and December 31, 1988 at exchange rates averaging 1.28.

Auditors' Report

To the Shareholders of
Lac Minerals Ltd.

We have examined the consolidated statement of financial position of Lac Minerals Ltd. as at December 31, 1984 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, 1984 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.

Thorne Riddell
Chartered Accountants

Toronto, Canada
January 31, 1985
(February 25, 1985
as to note 11 (b))

Employee Relations

The Company has collective agreements in force at each of its operations with the unions, expiry dates and affecting the number of hourly paid employees set out below:

Location	Union and Local	Expiry Date	Number of hourly paid employees as at Dec. 31, 1984
Macassa	United Steel Workers of America Local 4584	May 31, 1985	240
Lake Shore	United Steel Workers of America Local 4584	May 31, 1985	14
Doyon	United Steel Workers of America Local 9019	November 30, 1986	159
Bousquet	United Steel Workers of America Local 4796	November 15, 1985	171
Est-Malartic Custom Mill	United Steel Workers of America Local 4796	November 15, 1985	53
Terrains Custom Mill	United Steel Workers of America Local 4796	November 15, 1985	41
Milton Limestone Aggregates			
Hourly paid employees	Energy and Chemical Workers Union Local 266	October 22, 1985	23
Truckers	United Cement, Lime and Gypsum Workers International Union, Local 566	April 30, 1986	9

In addition to the hourly paid employees, the Company employs 316 salaried employees.

Management believes that relations with its employees are satisfactory.

Directors and Officers

Officers

Peter A. Allen
President & Chief
Executive Officer

Dennis G. Sheehan
Senior Vice President,
Exploration

Harrison E. Rutetzki
Senior Vice President,
Operations

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

D. Paul Moffat
Senior Vice President,
Finance

J. MacIntosh Gibbs
Vice President,
Hemlo Development

Rolando C. Francisco
Treasurer

Hazel L. Rodrigues
Corporate Secretary

Divisions

J.F. Cook
General Manager

Bousquet Division
R. Devin, Manager

Doyon Division
C. Mongeau, Manager
Senior Mine Manager
Quebec Operations

Macassa Division
D. Bruce, Manager
Senior Mine Manager
Eastern Ontario

Hemlo Division
G. Gauthier, Manager

Lake Shore Mine Division
P. Thomson, Manager

Est-Malartic Division
J. McMullen,
General Superintendent

Milton Limestone Division
W. Griffiths, Manager

Oil & Gas Division
R.E. Smith, Exploration
R.L. Ball, Administration
Managers

Exploration Division

Eastern Region
R. Doucet, Manager

Western Region
J.W. Hogan, Manager

Kirkland Lake
C. Pegg, Manager

Toronto Exploration
Dr. R. Valliant, Manager

U.S. Operations
P. Kirwin, Manager

Resource Division
B. Morrison, Manager

Directors

Peter A. Allen
President, Chief Executive Officer
& Director, Lac Minerals Ltd.
Toronto

John C.L. Allen
Retired Stockbroker and
Director, Little Long Lac Gold
Mines Limited (mining company)
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John A. Downing*
President, Sunburst Resources
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Calgary

Paul Fortin
Associate, Stikeman, Elliot
(barristers & solicitors)
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Robert C. Stanley, Jr.
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Limited (mining company)
Red Bank, New Jersey

Barton A. Thomson*
President, Barton A. Thomson
& Associates Ltd. (consulting
mining engineers)
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Donald C. Webster
President, Helix Investments
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*Members of Audit Committee

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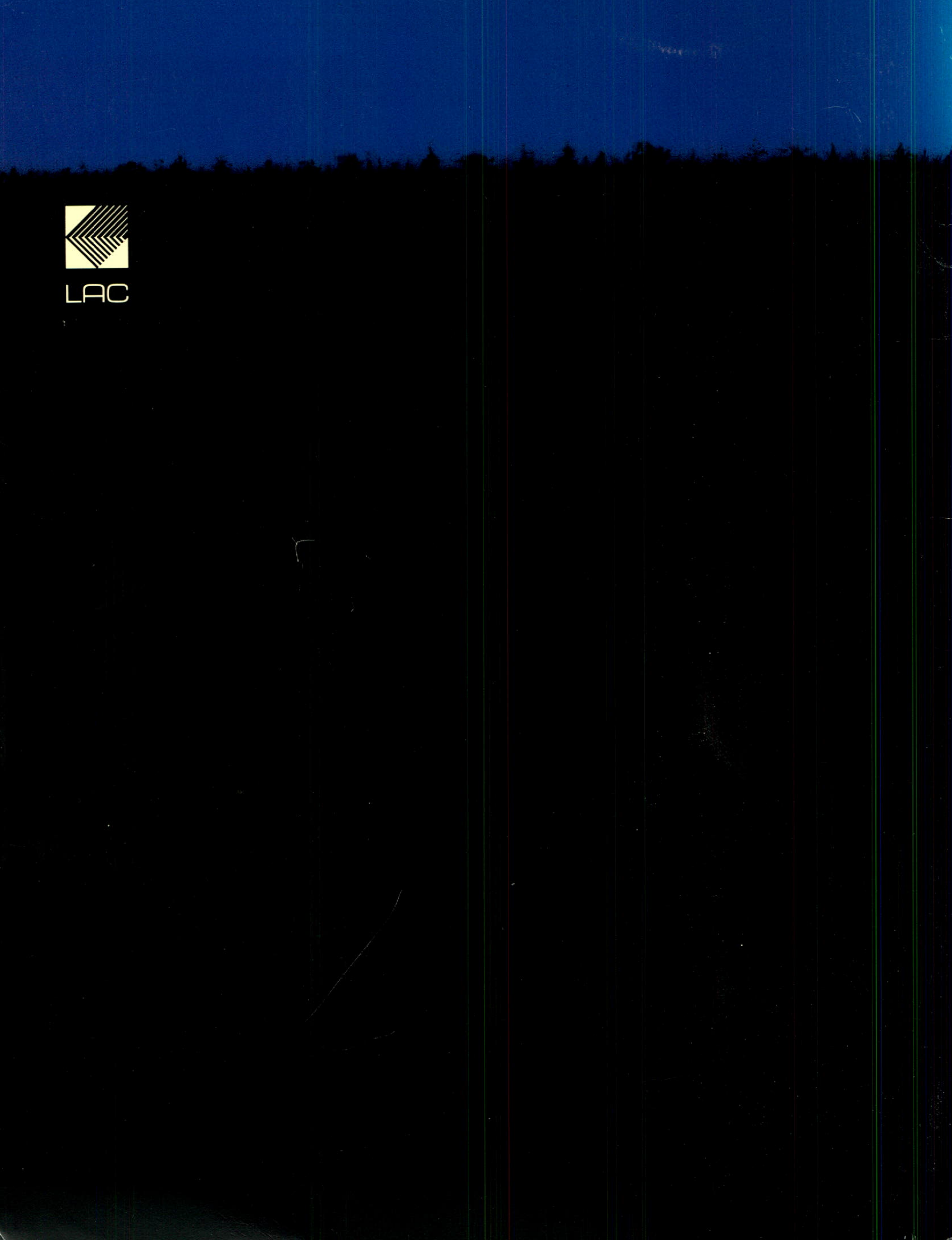
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