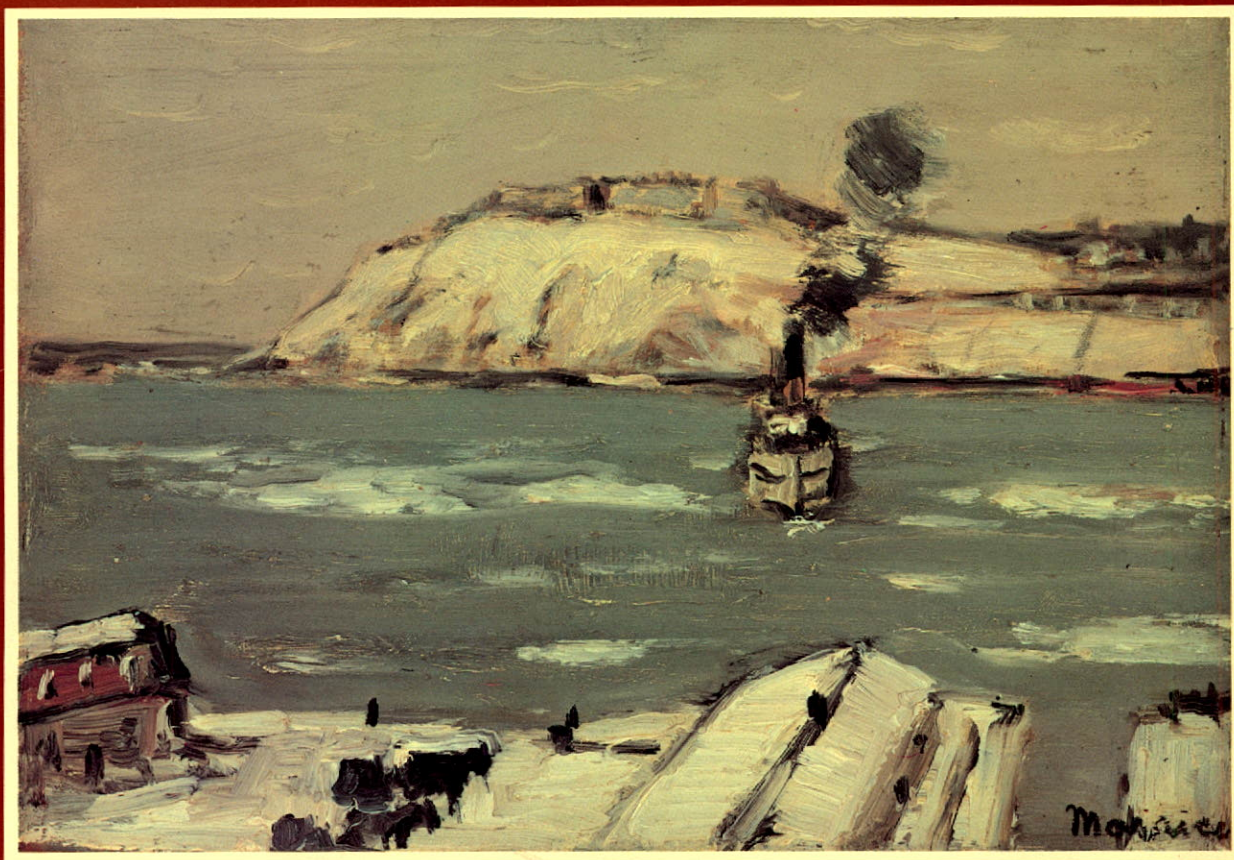
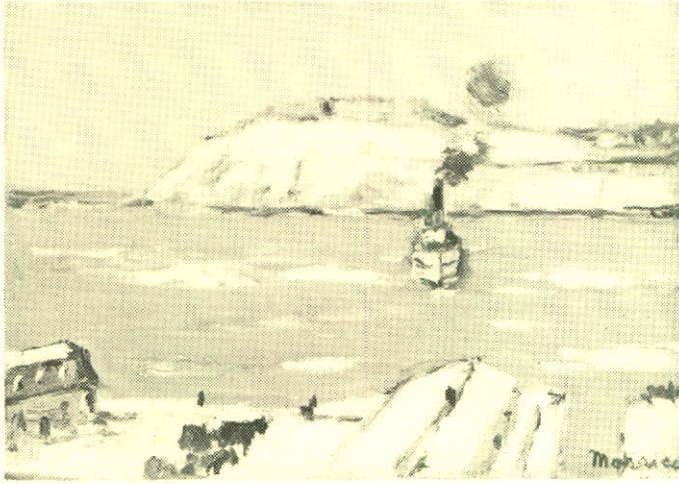


Labrador  
Mining and Exploration  
Company Limited

797 C  
Annual Report  
1982







"THE FERRY, QUEBEC" C. 1909

by  
James W. Morrice

Preliminary Sketch of one of Canada's  
most famous paintings.

Oil on panel 7'' x 10''

# Labrador Mining and Exploration Company Limited

Incorporated under the laws  
of Newfoundland

## Annual Report

for the year ended December 31, 1982

Highlights	1982	1981
Earnings per share	\$3.12	\$3.48
Dividends — regular per share	\$2.60	\$ 2.60
Working capital	(\$2.42)	\$8.55
	millions	millions
Investments	\$413.43	\$402.15
	millions	millions

## Contents

Directors' Report	3
Financial Pages	7
Financial Review	12

## Annual Meeting

Wednesday, June 15, 1983, 10:00 a.m.  
(Eastern Daylight Time), Manitoba Room,  
Royal York Hotel, 100 Front Street West,  
Toronto.



## **Directors**

**\*Maurice Archer**, Montreal

**Lewis H. M. Ayre**, St. John's, Nfld.

**Edward G. Battle**, Toronto

**Conrad M. Black**, Toronto

**G. Montegu Black**, Toronto

**\*Edmund C. Bovey**, Toronto

**Dixon S. Chant**, Toronto

**Charles G. Cowan**, Toronto

**\*John R. Finlay**, Toronto

**P. C. Finlay**, Toronto

**Richard Geren**, Sept-Iles

**C. B. Ross**, Toronto

\*Member of the Audit Committee

### **Registered Office**

240 Water Street, St. John's, Nfld.

### **Executive Office**

Suite 601, P.O. Box 221, Commerce Court East,  
Toronto, Ontario M5L 1E8

### **Transfer Agents and Registrars**

Crown Trust Company, Toronto and Montreal  
Canada Permanent Trust Company,  
St. John's, Nfld.

### **Bankers**

Canadian Imperial Bank of Commerce, Toronto

### **General Counsel and Solicitors**

Holden, Murdoch & Finlay, Toronto

### **Auditors**

Thorne Riddell, Toronto

## **Officers**

**P. C. Finlay**,

Chairman of the Board

**Conrad M. Black**,

Vice-Chairman of the Board

**C. B. Ross**,

President and Chief Executive Officer

**G. Montegu Black**,

Executive Vice-President

**Dixon S. Chant**,

Executive Vice-President

**W. F. White**,

Vice-President and Treasurer

**Charles G. Cowan**,

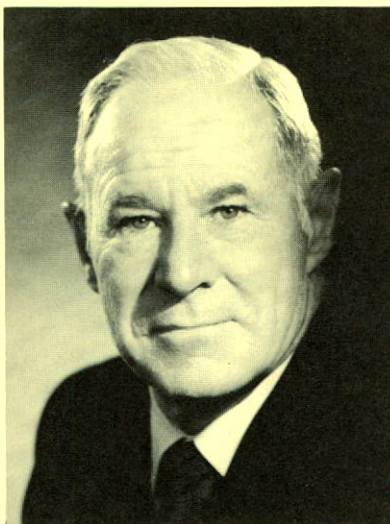
Secretary



## Directors' Report



*P. C. Finlay*



*C. B. Ross*

To the Members:

We are submitting herewith the report of the Directors for the 47th year of operations of Labrador Mining and Exploration Company Limited. The report includes the Balance Sheet, Statement of Earnings and Retained Earnings and Statement of Changes in Financial Position for the year ended December 31, 1982, with comparative figures for 1981.

Earnings of Labrador Mining in 1982 were \$12,462,796, equal to \$3.12 a share, compared to 1981 earnings of \$13,922,611, equal to \$3.48 a share.

Revenue from royalties from iron ore in 1982 was \$30,345,416 as compared to \$45,238,074 in 1981. Income from interest amounted to \$17,712,049 in 1982 as compared to \$30,033,537 in 1981. Dividends received amounted to \$2,032,662 in 1982 as compared to \$3,676,808 in 1981. Other revenue in 1982 amounted to \$308,232 as compared to \$49,327 in 1981.

Expense in 1982 was \$53,086,630, including interest expense of \$44,515,430, net of amounts capitalized, compared to expense of \$63,480,977 in 1981.

Newfoundland royalty taxes amounted to \$5,700,000 in 1982, compared to \$8,873,000 in 1981.

Net earnings in 1982 included Labrador Mining's share of equity earnings in Norcen Energy Resources Limited amounting to

\$14,133,000 as compared to \$7,104,000 in 1981.

### Investments

The significant investments of Labrador Mining at December 31, 1982, were as follows:

Company	Shares	% Interest
Iron Ore Company	340,565	3.32
Norcen Energy Resources Limited	9,643,250	36.1
Brascan Limited indebtedness	\$61,785,530.00	

### Dividends

Regular quarterly dividends of 65¢ per share were paid on the issued capital of 4,000,000 shares, totalling in all, \$10,400,000.

### Iron Ore Company of Canada

Iron Ore Company of Canada incurred a loss of \$37,614,656 (U.S. Funds) during 1982. This loss is after accounting for expenses of \$47,571,400 incurred for closing costs of the Schefferville operations and \$13,346,000 for idle expense in connection with the Sept-Iles pellet plant.

Iron Ore Company paid a dividend of \$5.00 U.S. per share in January, 1982. Labrador Mining received \$1,702,805 U.S., the Canadian equivalent being \$2,032,622.



It is difficult to forecast the production and results for the year 1983 of the Iron Ore Company. The present forecasts are that the pellet production will be approximately 6,000,000 tonnes, concentrates production will be down slightly from last year at 5,000,000 tonnes and direct shipping ore will be reduced to approximately 1,000,000 tonnes. Having in mind the estimate of production, as set out above, the best we can hope for is that profits will be at a break-even point during the year 1983.

It is hoped that the lower interest rates and slightly increased motor car production will have a beneficial effect on the steel industry as the industry is still faced with the problem of steel imports and whether there will be any relief in this regard is unknown at the present time.

## Production and Sales of Iron Ore

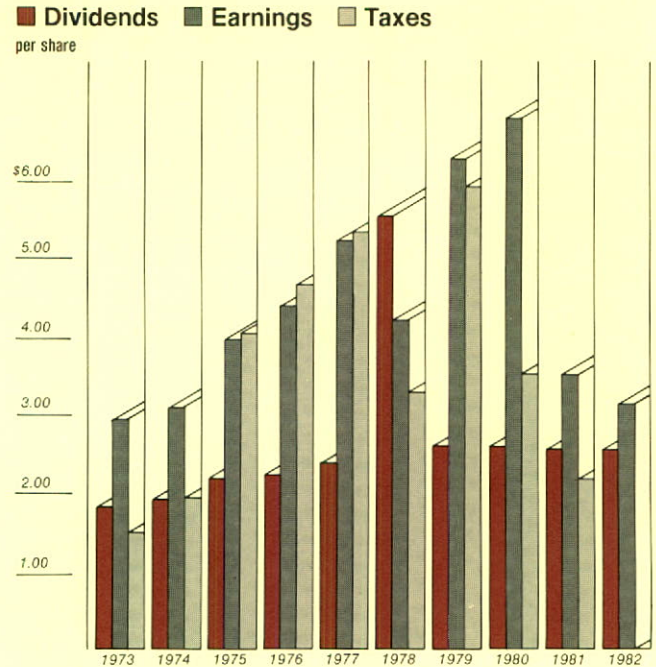
Iron Ore Company of Canada mined 32.1 tons of crude ore from Labrador Mining Company's lands in the Labrador City and Schefferville districts. A decision was made in December to terminate mining operations at Schefferville because of declining markets for direct shipping ore. Iron Ore Company has stockpiled a substantial amount of direct shipping ore at Sept-Iles from which shipments will be made during the next two or three years to satisfy existing contracts.

Processing crude ore to produce pellets and concentrate results in a reduction of volume and weight. Total sales by source and product during 1982 were:

	Millions of tonnes	
	1982	1981
Direct shipping ore	1.7	2.5
Concentrate	5.6	7.1
Pellets — Labrador City	6.1	10.7
— Sept-Iles	—	0.7
	13.4	21.0

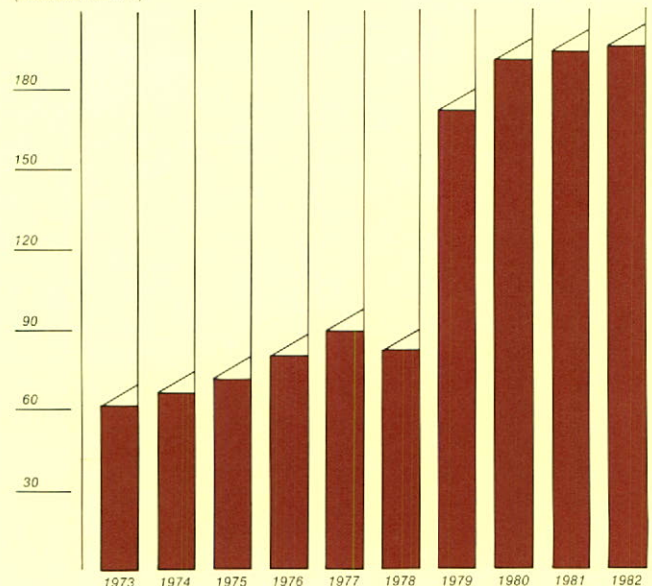
## Mineral Exploration

Exploration expenditures during 1982 amounted to \$2,121,430, approximately 25%

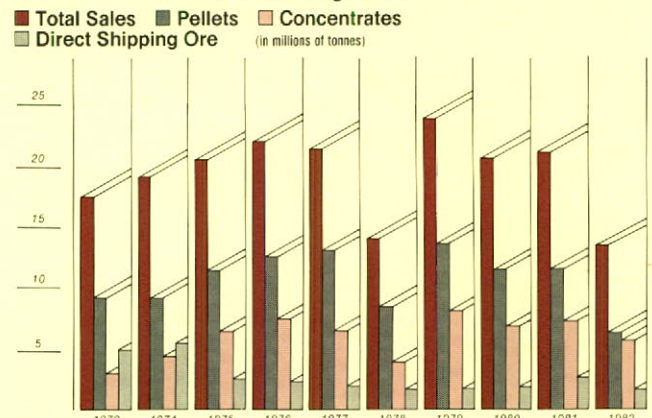


## Members' Equity

(in millions of dollars)



## Product Sales from Labrador Mining Lands





higher than the previous year. Work was continued in Newfoundland, Labrador, Quebec, Ontario, British Columbia and Nevada.

Sampling on a prospect in Newfoundland indicated the presence of gold. A drilling program is planned during 1983. Work on the lands held in Labrador consisted of drilling to evaluate iron ore occurrences and prospecting for base metal occurrences.

Several holes were drilled on the Laberada property (owned 75% by Labrador Mining) near Kirkland Lake. The drilling failed to locate any significant gold values and no further work is planned.

The results of drilling on a gold prospect in Nevada were disappointing and the property will be abandoned. Field work on two other gold prospects indicated the presence of gold and both prospects will be drilled during 1983.

The results of geochemical and geophysical work on two optioned properties in British Columbia were encouraging and it is planned to drill some anomalies on both properties during 1983.

### Oil and Gas Exploration

The joint venture managed by Sulpetro Limited in which Hollinger Argus and Labrador Mining share equally a 75% interest continues to hold lands in Alberta amounting to 100,772 gross acres. No wells were drilled on the lands during 1982. A small amount of income was received from one producing oil well. There are two capped gas wells on one of the interests.

The oil and gas properties were written down by \$5,220,137 after a re-assessment of the value thereof at the year-end.

### David M. Dunlap

David M. Dunlap served as a Director of your Corporation from his appointment on June 23, 1965, to his retirement as a Director on September 1, 1982. During this period of time he participated actively in the affairs of your Corporation. He served on many committees and, in more recent years, he was a member of the Resource Committee and a member and Chairman of the Audit Committee. On behalf of your Directors and Shareholders we wish to record their appreciation to him for the many services that he rendered.

### Proposed Restructuring of Labrador Mining, Hollinger Argus Limited and Norcen Energy Resources Limited

The Companies' Boards of Directors have approved proposals under which certain natural resource and related assets of Hollinger Argus will be transferred to Labrador Mining and Labrador Mining will then become a wholly-owned subsidiary of Norcen Energy Resources Limited. At present, Hollinger Argus owns 67% of Labrador Mining which owns 35% of Norcen.

The proposals are to be implemented through a series of transactions which include "an Arrangement", to be approved

**Members of Record**  
as at December 31, 1973 and 1982

Residence	Members		Percentage		Shares Held		Percentage	
	1973	1982	1973	1982	1973	1982	1973	1982
Canada	1,881	1,143	79.30%	78.10%	2,480,079	3,949,874	75.15%	98.75%
United States	461	295	19.44	20.10	814,685	47,760	24.70	1.19
United Kingdom	13	11	.54	.80	1,082	667	.03	.02
Elsewhere	17	15	.72	1.00	4,154	1,699	.12	.04
Total:	2,372	1,464	100.00%	100.00%	3,300,000	4,000,000	100.00%	100.00%



by Labrador Mining shareholders (members) and the Supreme Court of Newfoundland, whereby each shareholder of Labrador Mining would exchange his shares of Labrador Mining on a one-for-one basis for shares of a newly-incorporated company, Labmin Resources Limited. The present 35% interest of Labrador Mining in Norcen would be acquired by Labmin. Certain natural resources and related assets of Hollinger Argus, principally its 7.146% interest in Iron Ore Company of Canada, would be transferred down to Labrador Mining in consideration for \$49 million comprised of \$33 million in cash and shares in Labmin. All of the shares of Labrador Mining would then be transferred to Norcen in consideration for \$313 million, comprised of \$16 million in cash and \$297 million of Labrador Mining debt assumed by Norcen.

As a result of the above steps, Hollinger Argus would own 68% of Labmin which would own 35% of Norcen which would own 100% of Labrador Mining. The asset values used in the proposals have been based on independent valuations and all amounts given above are approximations. Upon completion of the above steps, Hollinger Argus will make an offer to purchase all of the shares of Labmin not then owned by Hollinger Argus at \$38.55 U.S. or the Canadian dollar equivalent per Labmin share.

The parties to the transactions are to complete definitive agreements covering the proposals and it is expected that the transactions will be concluded by the end of June, 1983.

More complete details of the proposed Restructuring are set out in the Information Circular accompanying the Notice of the Ordinary General Meeting of Shareholders (Members).

## General Comments

It is very difficult to find and to bring into production and to operate mines in the north country. As we all know, it is a hard life living in the remote areas. Employees are reluctant to go there to work and more reluctant to stay there unless there are some benefits given to them. Companies have to furnish and/or

subsidize housing, have to subsidize meals and have to subsidize travelling expenses, etc. Nothing can be more counter productive than the decision of the federal government to tax these benefits.

## Appreciation

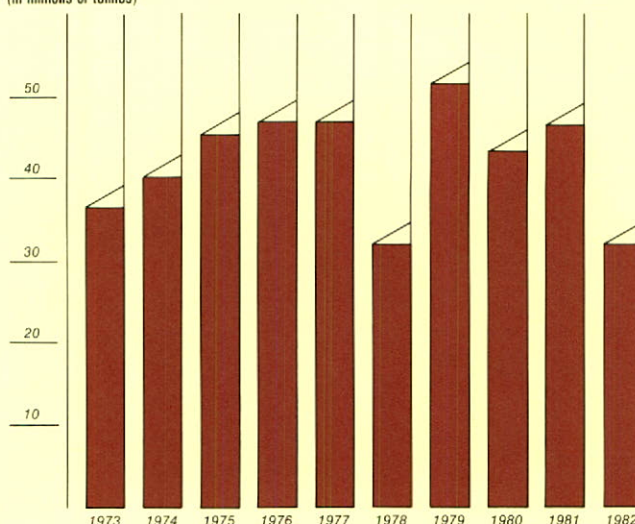
We wish to thank the management and staff for their excellent services during the past year.

**P. C. Finlay,**  
Chairman of the Board

**C. B. Ross,**  
President and  
Chief Executive  
Officer

May 16, 1983

**Crude Ore Mined from Labrador Mining Lands**  
(in millions of tonnes)



## Share Information

The common stock of Labrador Mining and Exploration Company Limited is listed on the Toronto and Montreal Stock Exchanges. The following tabulation indicates, on a quarterly basis, the price range and the dividends paid per share during the past two years.

Quarter	Sale Price Per Share				Dividends Per Share	
	1982		1981		1982	1981
	High	Low	High	Low		
1	\$40.71	\$37.92	\$51.00	\$48.92	\$ .65	\$ .65
2	41.16	38.33	52.80	49.50	.65	.65
3	48.83	43.38	50.08	45.50	.65	.65
4	50.95	47.42	40.17	34.50	.65	.65



# Labrador Mining and Exploration Company Limited

## Statement of Earnings and Retained Earnings

Year ended December 31, 1982

		1982	1981
<b>Revenue</b>	Royalties on iron ore	\$ 30,345,416	\$ 45,238,074
	Interest	17,712,049	30,033,537
	Dividends	2,032,662	3,676,808
	Other	308,232	49,327
		50,398,359	78,997,746
<b>Expense</b>	Exploration	2,121,430	1,613,590
	Write down of oil and gas properties	5,220,137	
	Administrative	1,211,147	1,060,842
	Interest, net of amounts capitalized of \$6,783,236 (1981 — \$10,925,000) (note 5)	44,515,430	60,791,973
	Depreciation	18,486	14,572
		53,086,630	63,480,977
<b>Earnings (loss) before taxes and equity earnings</b>		(2,688,271)	15,516,769
<b>Taxes</b>	Newfoundland royalty	5,700,000	8,873,000
	Income — current recovery		(253,842)
	— deferred (reduction)	(6,718,067)	79,000
		(1,018,067)	8,698,158
<b>Earnings (loss) before equity earnings</b>		(1,670,204)	6,818,611
<b>Equity in earnings of Norcen</b>	Company's interest in Norcen's earnings	25,646,000	15,715,000
	Amortization of excess of cost of investment over underlying book value	(9,473,000)	(7,741,000)
	Adjustment of carrying value of investment as a result of Norcen issuing additional common shares	(2,040,000)	(870,000)
		14,133,000	7,104,000
<b>Net earnings</b>		12,462,796	13,922,611
<b>Retained earnings at beginning of year</b>		139,574,486	136,051,875
		152,037,282	149,974,486
<b>Dividends</b>		10,400,000	10,400,000
<b>Retained earnings at end of year</b>		\$ 141,637,282	\$ 139,574,486
<b>Earnings per share</b>		\$ 3.12	\$ 3.48



**Labrador Mining and Exploration Company Limited**  
(Incorporated under the laws of Newfoundland)

## Balance Sheet as at December 31, 1982

<b>Assets</b>		<b>1982</b>	<b>1981</b>
<b>Current Assets</b>	Cash and short-term deposits	\$ 2,551,970	\$ 332,664
	Accounts receivable	8,838,919	19,480,468
	Income taxes recoverable	25,972	25,972
		<b>11,416,861</b>	<b>19,839,104</b>
<b>Brascan indebtedness</b>	(notes 2 and 4)	<b>61,785,530</b>	<b>168,785,530</b>
<b>Investments</b>	(note 3)	<b>413,428,334</b>	<b>402,155,348</b>
<b>Oil and Gas properties</b>		<b>4,688,132</b>	<b>9,479,833</b>
<b>Fixed Assets, at cost</b>	Mining ore cars	<b>1,829,282</b>	<b>1,829,282</b>
	Other	<b>585,120</b>	<b>570,543</b>
		<b>2,414,402</b>	<b>2,399,825</b>
	Less accumulated depreciation	<b>2,392,741</b>	<b>2,374,255</b>
		<b>21,661</b>	<b>25,570</b>
<b>Mining rights and concessions, at cost</b>		<b>1,885,767</b>	<b>1,885,767</b>
		<b>\$ 493,226,285</b>	<b>\$ 602,171,152</b>

## Auditors' Report

To the Members of  
Labrador Mining and Exploration  
Company Limited

We have examined the balance sheet of Labrador Mining and Exploration Company Limited as at December 31, 1982 and the statements of earnings and retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. 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, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
January 28, 1983

Thorne Riddell  
Chartered Accountants



<b>Liabilities</b>		1982	1981
<b>Current Liabilities</b>	Accounts payable	\$ 2,345,149	\$ 1,292,127
	Due to parent company	10,985,900	7,972,847
	Newfoundland royalty taxes payable	508,844	2,024,655
		13,839,893	11,289,629
<b>Long term debt</b>	(note 4)	263,775,140	370,615,000
<b>Deferred income taxes</b>		20,848,970	27,567,037

### **Members' Equity**

<b>Capital stock</b>	Authorized and Issued 4,000,000 Shares	23,800,000	23,800,000
<b>Contributed Surplus</b>		29,325,000	29,325,000
<b>Retained Earnings</b>		141,637,282	139,574,486
		194,762,282	192,699,486
		\$ 493,226,285	\$ 602,171,152

Approved by the Board

P. C. FINLAY  
Director

C. B. ROSS  
Director



# **Labrador Mining and Exploration Company Limited**

## **Statement of Changes in Financial Position**

Year ended December 31, 1982

	1982	1981
<b>Working capital derived from</b>		
Operations		
Earnings before equity earnings	\$ 6,818,611	
Items not involving working capital		
Deferred income taxes		79,000
Depreciation		14,572
		6,912,183
Repayment of Brascan indebtedness	\$107,000,000	
Dividends on Norcen shares	9,643,250	9,643,250
	116,643,250	16,555,433
<b>Working capital applied to</b>		
Operations		
Loss before equity earnings	1,670,204	
Items not involving working capital		
Deferred income tax reduction	6,718,067	
Write down of oil and gas properties	(5,220,137)	
Depreciation	(18,486)	
	3,149,648	
Repayment of long term debt	106,839,860	
Dividends	10,400,000	10,400,000
Investments	6,783,236	11,902,000
Expenditures on oil and gas properties	428,436	1,029,179
Purchase of fixed assets	14,577	
	127,615,757	23,331,179
<b>Decrease in working capital position</b>	<b>10,972,507</b>	<b>6,775,746</b>
<b>Working capital at beginning of year</b>	<b>8,549,475</b>	<b>15,325,221</b>
<b>Working capital (deficiency) at end of year</b>	<b>\$( 2,423,032)</b>	<b>\$ 8,549,475</b>



# Labrador Mining and Exploration Company Limited

## Notes to Financial Statements

December 31, 1982

### 1. Significant Accounting Policies

#### Investments

The investment in Norcen Energy Resources Limited (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 together with interest capitalized thereon 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 investment over underlying book value is amortized on the production revenue method based on total estimated future production revenues from estimated proven recoverable reserves.

All other investments are carried at cost.

#### Oil and gas properties

The company follows the policy of capitalizing all exploration costs as incurred on an area of interest basis. These costs will be depleted on the production revenue method based on total estimated recoverable reserves as and when discovered or will be written off if exploration is proven unsuccessful.

#### 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 rate prevailing at the end of the year and any gains or losses are taken into income.

#### Mining exploration costs

All mining exploration costs are written off in the year incurred. If a property is determined to be economic, then all subsequent costs are deferred and amortized against related production.

#### Income taxes

The company follows the tax allocation method of accounting whereby the provision for income taxes is based on the income reported in the accounts.

#### Earnings per share

Earnings per share have been calculated using the weighted average number of shares outstanding during the year.

### 2. Brascan Indebtedness

This indebtedness, which is due October 15, 1989, can be called in total or in part at any time with 90 days notice. Interest is 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.

### 3. Investments

	1982	1981
Norcen 9,643,250 Shares, at equity (36.1% interest)	\$401,367,040	\$390,094,054
Iron Ore Company of Canada (3.32% interest), at cost	10,804,294	10,804,294
Other, at cost	1,257,000	1,257,000
	<b>\$413,428,334</b>	<b>\$402,155,348</b>

### 4. Long Term Debt

The company has established with its bankers a line of credit aggregating \$283,100,000, expiring December 31, 1986. The company may 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' acceptances in Canadian or United States dollars. Interest is payable on Canadian dollar loans at the prime rate and on United States 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  $\frac{3}{8}$  of 1% per annum. The company has hypothecated its 9,643,250 shares of Norcen as security for the long term debt. The loan agreements require that principal payments received by the company under the Brascan indebtedness be applied to retire its long term debt, unless otherwise agreed with its bankers.

At December 31, 1982, the company had LIBOR advances of U.S. \$133,200,000. Repayment of these advances at year end currency exchange rate would result in additional obligations of \$4,301,020.

### 5. Interest Expense

Interest expense includes interest paid to the parent company amounting to \$1,544,251 (1981 - \$1,103,758) and interest on long term debt in the amount of \$39,700,579 (1981 - \$59,688,215).



# Labrador Mining and Exploration Company Limited

## Financial Review 1973-1982

(in thousands of dollars)	1982	1981	1980	1979	1978**	1977	1976*	1975	1974	1973
Income from royalties	\$30,345	\$45,238	\$40,923	\$41,072	\$22,973	\$30,262	\$25,954	\$23,007	\$16,367	\$12,199
Dividends	2,033	3,677	3,687	1,467	1,315	1,218	1,338	1,918	1,468	1,141
Interest	17,712	30,034	22,448	8,021	3,306	2,729	2,332	2,219	1,770	1,521
Share of increase (decrease) in equity earnings: Norcen Energy Resources Limited	14,133	7,104	14,110	—	—	—	—	—	—	—
Iron Ore Company of Canada	—	—	—	—	—	1,291	720	10	(2,235)	536
Other income	308	49	181	160	543	907	803	442	155	173
<b>Total revenue</b>	<b>64,531</b>	<b>86,102</b>	<b>81,349</b>	<b>50,720</b>	<b>28,137</b>	<b>36,407</b>	<b>31,147</b>	<b>27,596</b>	<b>17,525</b>	<b>15,570</b>
<b>Expense — Interest</b>	<b>44,515</b>	<b>60,792</b>	<b>37,670</b>	<b>651</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
— Administration & Exploration	8,571	2,689	2,456	6,777	5,227	1,334	1,151	1,026	1,030	907
Earnings before taxes	11,445	22,621	41,223	43,292	22,910	35,073	29,996	26,570	14,695	14,663
<b>Taxes:</b>										
Income taxes	(6,718)	(175)	6,468	13,030	5,903	11,710	10,500	8,900	6,400	4,960
Newfoundland Royalty taxes	5,700	8,873	7,500	7,900	4,529	5,959	4,930	4,550	—	—
Earnings before extraordinary item	12,463	13,923	27,255	22,362	12,478	17,404	14,566	13,120	10,095	9,703
Extraordinary item	—	—	—	46,040	1,377	—	—	—	—	—
<b>Net earnings for the period</b>	<b>\$12,463</b>	<b>\$13,923</b>	<b>\$27,255</b>	<b>\$68,402</b>	<b>\$13,855</b>	<b>\$17,404</b>	<b>\$14,566</b>	<b>\$13,120</b>	<b>\$10,095</b>	<b>\$ 9,703</b>
Earnings per share before extraordinary item	\$3.12	\$3.48	\$6.81	\$6.28	\$3.78	\$5.27	\$4.41	\$3.98	\$3.06	\$2.94
Regular dividends paid per share	\$2.60	\$2.60	\$2.60	\$2.60	\$2.518	\$2.20	\$2.20	\$2.20	\$1.80	\$1.90
Special dividend	—	—	—	—	\$3.00	—	—	—	—	—

\*Restated in 1977 to reflect Labrador Mining's equity share of 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.







