Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the fiscal year ended December 31, 1985 **Commission file number 1-8936**

LAC Minerals Ltd.

(Exact name of registrant as specified in its charter)

Ontario, Canada
(State or other jurisdiction of incorporation or organization)

98-0069116
(I.R.S. Employer Identification No.)

Suite 2105, North Tower, Royal Bank Plaza, P.O. Box 156, Toronto, Canada M5J 2J4
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (416) 865-0722
Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered
Common Shares	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ✓ No ____

Aggregate market value as of March 21, 1986 of the voting stock held by non-affiliates of the registrant: $621,426,344

Number of shares outstanding of each of the registrant's classes of common stock, as of March 21, 1986: 28,246,642

Documents Incorporated by Reference

Portions of the Company's Annual Report to Shareholders for the year ended December 31, 1985 are incorporated by reference into Parts I, II and IV.

Portions of the Company's definitive Management Information Circular and Proxy Statement for the 1986 Annual and Special Meeting of Shareholders are incorporated by reference into Part III.

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In this Report, reference to "dollars" or "$" are to Canadian dollars and references to "U.S.$" are to United States dollars. The United States dollar exchange rate for Canadian dollars, based on the noon buying rate in New York City for cable transfers payable in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on March 21, 1986, was U.S.$.7154 = $1.00 Canadian. The following table sets forth, for the periods and dates indicated, certain information concerning the Noon Buying Rate.

Fiscal Year ended December 31	At December 31	Average Rate (1)	High	Low
	(U.S.$ per $1.00)			
1981	0.8430	0.8338	0.8499	0.8048
1982	0.8132	0.8088	0.8430	0.7691
1983	0.8035	0.8108	0.8201	0.7993
1984	0.7566	0.7710	0.8054	0.7492
1985	0.7151	0.7308	0.7575	0.7130

(1) The average of the Noon Buying Rates on the last business day of each month during the period.

Part I

Items 1 and 2. Business and Properties.
LAC Minerals Ltd. ("LAC" or the "Company") was formed by articles of amalgamation under the laws of the Province of Ontario on July 29, 1985 as a result of the amalgamation (the "Amalgamation") of Lac Minerals Ltd. ("Lac Minerals"), Little Long Lac Gold Mines Limited ("Little Long Lac"), Lake Shore Mines, Limited ("Lake Shore"), Wright-Hargreaves Mines, Limited ("Wright") (collectively, the "Amalgamating Corporations") and two wholly-owned subsidiaries of certain of such corporations. Lac Minerals was formed by articles of amalgamation under the laws of the Province of Ontario on December 31, 1982 as part of the reorganization of several companies effectively controlled by Little Long Lac. The principal business of the Company is the exploration for and development of natural resources in Canada and the United States, chiefly gold, and to a lesser extent other minerals and hydrocarbons. These activities are conducted in Canada by the Company and in the United States through Long Lac Mineral Exploration (Texas), Inc., which is a wholly-owned subsidiary of the Company. In this report reference to LAC or the Company includes LAC, its subsidiaries and all predecessor companies unless the context otherwise requires.

Unless otherwise indicated, the financial information for the Company contained or incorporated by reference in this report reflects the combined operations of the predecessor companies to give effect to the Amalgamation and the earlier reorganization.

The Amalgamation resulted in the continuation of LAC, the amalgamated corporation, with 100% of its shares being owned by shareholders other than the Amalgamating Corporations. Upon the Amalgamation becoming effective, all the issued and outstanding shares of each of the Amalgamating Corporations which were held by any of the other Amalgamating Corporations were cancelled without any repayment of capital in respect thereof.

The business and properties of the Company are described at pages 7 through 30 of the Company's 1985 Annual Report to Shareholders and the business segment and geographic area information for the three years ended December 31, 1985 are set forth in note 12 of the Notes to Consolidated Financial Statements contained therein, and such information is incorporated by reference herein with the exception of (i) the bottom line item in the table captioned "Ore Reserves" on page 21; (ii) the fifth line item under the caption "Page-Williams," and the third line item under the caption "Bousquet" in the Ore Reserves and Production table on page 26; and (iii) the second line item under the caption "United States" in the Net Oil and Gas Reserves table on page 30.

Competition
The mining and oil and gas industries are highly competitive in the acquisition of exploration prospects, the development of new sources of production and the sale of oil and natural gas. Many of the Company's competitors possess greater financial resources and technical facilities than the Company.

Additional Oil and Gas Disclosure
Reference is made to note 12 of the Notes to the Consolidated Financial Statements and to Supplemental Information (unaudited), which is incorporated by reference herein.

Drilling Activity
The Company drilled or participated in drilling exploratory and development wells during the periods indicated as shown below. The wells listed as "Natural gas" or "Oil" comprise all wells capable of production, whether producing or capped, in which the Company had an interest during the periods indicated.

	Exploratory Wells				Development Wells			
Year ended	Canada		United States		Canada		United States	
December 31,	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1983								
Natural gas	1	.2500	1	.0833	10	2.7001	7	1.5334
Oil	3	1.0334						
Dry	5	1.0001	1	.2000				
	9	2.2835	2	.2833	10	2.7001	7	1.5334
1984								
Natural gas	3	1.1250	2	.1421			5	.9691
Oil	1	.3000			2	.1622		
Dry	3	1.4600	1	.0648			2	.3500
	7	2.8850	3	.2069	2	.1622	7	1.3191
1985								
Natural gas	**1**	**.3750**			**3**	**.6000**		
Oil					**1**	**.1667**		
Dry	**2**	**.6657**						
	3	**1.0407**			**4**	**.7667**		
Total (1983-1985)	**19**	**6.2092**	**5**	**.4902**	**16**	**3.6290**	**14**	**2.8525**

Note:
"Gross wells" refers to the number of wells in which the Company has an interest. "Net wells" refers to the aggregate of the numbers obtained by multiplying each gross well by the Company's percentage interest therein.

As of December 31, 1985, the Company was participating in no gross or net wells in Canada or in the United States.

Expenditures on Drilling and Exploration Activities

The following table shows expenditures by the Company for property acquisition, drilling, gas processing plant and other activities in Canada and the United States for the periods indicated:

Year ended December 31,	**1985**	1984	1983
(dollars in thousands)			
Property acquisition	**$1,333**	$1,051	$ 689
Drilling	**3,502**	4,777	5,971
Gas Processing Plant	**1,404**	399	1,928
Total	**$6,239**	$6,227	$8,588

Oil and Gas Land Holdings

The following table sets out the Company's holdings of developed and undeveloped acreage as at December 31, 1985:

	Undeveloped		Developed		Total	
	Gross Acres	Net Acres	Gross Acres	Net Acres	Gross Acres	Net Acres
Canada						
Alberta	313,825	123,079	66,945	10,712	380,770	133,791
B.C.	12,240	887	2,400	693	14,640	1,580
Total	326,065	123,966	69,345	11,405	395,410	135,371
United States	30,010	11,310	27,832	3,802	57,842	15,112
Total	356,075	135,276	97,177	15,207	453,252	150,483

Note: "Gross acres" refers to the number of acres in which the Company has an interest. "Net Acres" refers to the aggregate of the numbers obtained by multiplying each gross acre by the Company's percentage interest therein.

Oil and Gas Reserves

The Company has North American proven reserves of natural gas, crude oil, natural gas liquids and sulphur. At December 31, 1985, 48% of the Company's proven natural gas reserves in Canada, 86% of the Company's proven petroleum reserves in Canada and 100% of the Company's proven natural gas and petroleum reserves in the United States were in production.

The following tables summarize the Company's reserves on a constant price basis. All evaluations of the present worth of estimated future net production revenue are stated prior to provisions for income taxes and indirect costs and do not necessarily represent the fair market value of the reserves.

Petroleum and Natural Gas reserves based on constant price assumptions (3)(4)

Net Reserves (1)

	Natural Gas (BCF)	Oil (MBBLS)	Natural Gas Liquids (MBBLS)	Sulphur (MLT)
Canada				
Proven Producing	8.194	125.1	203.3	1.5
Total Proven	17.113	144.0	511.4	1.9
United States				
Proven Producing	2.631	52.1	28.3	
Total Proven	2.699	52.1	28.3	
Total Proven (Canada and United States)	19.812	196.1	539.7	1.9

Present worth of estimated net production revenue based on constant price assumptions (3)(4)

	Discounted at the Rate of 0%	10%	15%	20%
(dollars in thousands)				
Proven Reserves (2)				
Proven Producing	$30,965	$18,492	$15,571	$13,531
Total Producing	$57,531	$30,643	$24,734	$20,746

Notes:

(1) Net reserves means gross reserves less all royalties payable to others. Gross reserves means the total working and royalty interest share of recoverable reserves of the Company before the deduction of royalties payable to others.

(2) Total proven reserves means those reserves estimated as recoverable with reasonable certainty under current technology and existing economic conditions, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data. Proven producing reserves are those proven reserves that are actually in production or, if not producing, that could be recovered from existing wells or facilities and where the reasons for the current nonproducing status are the choice of the owner rather than the lack of markets for some other reasons beyond the owner's control. Proven nonproducing reserves are those proven reserves that are not currently producing either due to lack of facilities and/or markets.

(3) The constant price assumptions used assume the continuance of current laws and regulations. Product prices were held constant at the levels as of January 1, 1986, but adjusted for oil quality. Operating costs were estimated for 1986 and held constant thereafter on a dollar per barrel, dollar per Mcf and dollar per well per month basis.

(4) Constant price assumptions assume prices effective January 1, 1986, as follows:

(i) Canada – Oil* = $34.50/Bbl
– Natural Gas** = $2.94/Mmbtu

*38° API, 0.5% sulphur content

**Alberta Border Price. This price subject to gas purchase cost of service and the export rebate.

(ii) United States – Oil* = U.S.$26.00/Bbl

*34° API, 1.7% sulphur content

– Natural Gas = U.S.$2.65/Mmbtu

To March 27, 1986, the oil prices have declined as follows:

(i) Canada – Oil = $25.00/Bbl
(ii) United States – Oil* = U.S. $18.00/Bbl

(5) The following table sets out the undiscounted estimated capital costs necessary to achieve the cash flows which result in the present worth of estimated net production revenue set forth above.

	Capital Costs to be Incurred	Capital Costs to be Incurred in Next Two Years
(dollars in thousands)		
Canada		
Proven Producing	$ 179	$ 71
Total Proven	1,924	1,214
United States		
Proven Producing	–	–
Total Proven	–	–
Total		
Proven Producing	179	71
Total Proven	$1,924	$1,214

Since January 1, 1985, the Company has not filed estimates of its oil and gas reserves with any authority or agency of the United States Securities and Exchange Commission.

Sales and Production of Oil and Gas

Reference is made to "Results of Operations for Oil and Gas Producing Activities" at page 52 of the Annual Report to Shareholders, which is incorporated herein by reference.

Oil and condensate production is generally sold to the Alberta Petroleum Marketing Commission at varying prices depending on the Alberta border price. Gas is sold under a number of contracts to various commercial suppliers of natural gas. The Company is not the operator of any of its oil and gas wells in the United States, and the operators of such wells make their own marketing and distribution arrangements. In 1985, the Company signed a long term reserves-based contract and two best efforts agreements.

The following table summarizes sales and production data in respect of the Company's net interest in oil and natural gas production (after the deduction of royalties) for the periods indicated: Average Sales Price Per Unit:

Year ended December 31,	**1985**	1984	1983
Canada			
Natural gas (per Mcf)	**$ 2.30**	$ 2.59	$ 2.80
Oil and natural gas liquids (per Bbl)	**$39.10**	$40.53	$31.23
United States			
Natural gas (per Mcf)	**$ 3.89**	$ 3.91	$ 4.04
Oil and natural gas liquids (per Bbl)	**$35.98**	$38.53	$32.83
Average Production Cost Per Unit (2)			
Canada	**$13.85**	$18.55	$13.38
United States	**$ 5.25**	$ 6.59	$5.70

Notes:

(1) The revenues in the table above include sulphur sales and revenue from custom processing.

(2) Average production costs per unit of production were computed after converting natural gas into equivalent barrels of oil based on relative energy content (6 Mcf of natural gas = 1 barrel of oil).

(3) Reference is made to note 4 appearing on page 9 of this report with regard to certain declines in certain average sales prices per unit of oil.

Capital and Exploration Expenditures
Capital and exploration expenditures, which also include deferred mine development costs, capitalized preproduction expenditures and capitalized oil and gas expenditures, for the periods indicated were as follows:

Year ended December 31,	**1985**	1984	1983
(dollars in thousands)			
Macassa Mine			
Property, plant and equipment	**$ 833**	$ 319	$ 419
Development	**10,976**	9,474	7,337
	11,809	9,793	7,756
Bousquet Mine			
Property, plant and equipment	**1,004**	1,429	1,055
Development and preproduction	**2,267**		
	3,271	1,429	1,055
Doyon Mine			
Property, plant and equipment	**1,328**	1,305	2,414
Development and preproduction			
Open Pit			2,721
Underground	**6,953**	4,817	1,332
	8,281	6,122	6,467
Est-Malartic Mine			
Development and preproduction	**47**	206	
	47	206	
Lake Shore Mine			
Property, plant and equipment	**83**	516	1,253
Development and preproduction	**4,144**	2,642	2,251
	4,227	3,158	3,504
Page-Williams Mine			
Property, plant and equipment	**43,238**	21,559	8,579
Exploration	**588**	3,782	7,130
Development	**73,655**	35,262	
	117,481	60,603	15,709
Partnership interest in Stillwater Mining Company	**21,617**		
Est-Malartic Mill	**936**	2,593	1,207
Terrains Mill	**226**	176	239
Exploration Division	**12,525**	10,988	7,227
Oil and Gas Division	**6,239**	6,227	8,588
Other	**2,633**	596	2,580
	$189,292	$101,891	$54,332

Capital and exploration expenditures, including expenditures in respect of the Stillwater property, totaled $189,292,000 during 1985, including $117,481,000 for the development of the Page-Williams Mine (see "Legal Proceedings"), $12,525,000 for mineral exploration, $9,664,000 for the Macassa No. 3 Shaft, $4,147,000 for the development of Lake Shore underground, $6,239,000 for oil and gas exploration and development, $6,953,000 for the development of Doyon underground, $21,617,000 for the partnership interest in the Stillwater Mining Company and $10,666,000 for the other ongoing capital expenditures. These expenditures were funded with existing cash and short-term investments and cash flow from operations. Cash and short-term investments amounted to $55,929,000 at December 31, 1985. There are no anticipated increased expenditures or commitments which would result in material capital or other expenditures for environmental control facilities during the current year or any succeeding periods.

Government Regulations

LAC's operations are subject to various levels of extensive government controls and regulations. These controls and regulations are amended from time to time. Current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be proposed that affect the mining industry or when any such proposals, if enacted, might become effective.

Province of Quebec

The operation of Doyon, Bousquet, the Est-Malartic and Terrains custom mills and the mill at Doyon are governed by the provisions of mining leases and mining concessions issued by the Province of Quebec, the Mining Act, the Occupational Health and Safety Act and the Environment Quality Act of the Province of Quebec and the regulations passed thereunder and, in the case of Doyon, Bousquet, the Terrains custom mill and the mill at Doyon, the Certificates of Authorization issued to the Company and its 50% joint venturer in the Doyon mine, La Société Québecoise d'Exploration Minière ("SOQUEM") in the case of Doyon and the mill at Doyon, and to the Company in the case of Bousquet and the Terrains custom mill, under the Environment Quality Act. The rejected material management system of the mill at Doyon is not presently operated in compliance with the conditions of the related Certificate of Authorization and an application is pending under the Environment Quality Act for amendments to the Certificate in order to ensure compliance. Applications are also pending under the Mining Act for the approval of modifications to the rejected material management systems of the Est-Malartic and Terrains custom mills. Management knows of no reasons why these applications should not be approved. Failure to comply with the conditions of the mining leases or mining concessions may entail cancellation thereof. Failure to comply with the rejected material management system of the mills, as approved, the Environment Quality Act and the regulations passed thereunder, the conditions of the Certificates of Authorization or the Occupational Health and Safety Act and the regulations passed thereunder may result in orders being issued by the Minister of Energy and Resources, the Minister of Environment or an inspector appointed under the Occupational Health and Safety Act, which orders may cause operations to cease or be curtailed. Subject to the above-described applications, the Company and SOQUEM in the case of Doyon and the mill at Doyon, and the Company in the case of the other operations, are complying in all material respects with the provisions of the mining leases and the mining concessions, the Certificates of Authorization, the Mining Act, the Occupational Health and Safety Act, the Environment Quality Act and the regulations passed thereunder.

Province of Ontario

The operations of Macassa, Page-Williams, Lake Shore and the Milton Limestone Aggregates quarry are governed by the provisions of the Mining Act, the Occupational Health and Safety Act, the Environmental Protection Act, the Environmental Assessment Act and in addition, in the case of the Milton Limestone Aggregates quarry, the Pits and Quarries Control Act, all statutes of the Province of Ontario, and the regulations passed thereunder. Failure to comply with such statutes and regulations may result in orders being issued under any one or more of such statutes which may cause operations to cease or be curtailed or may require installation of additional equipment. The Company is complying in all material respects with the applicable mining, health, safety and environmental statutes and regulations passed thereunder.

* * *

As of December 31, 1985, the Company employed 1279 persons.

Item 3. Legal Proceedings.

In October 1981 International Corona Resources Ltd. ("Corona") commenced an action in the Supreme Court of Ontario against Long Lac Mineral Exploration Limited, a predecessor company of LAC, with respect to certain patented mining claims in the Hemlo area. Corona amended its claim three times, alleging breaches of unwritten agreements and breach of a duty of good faith by the Company and that the Company misused confidential information given to it by Corona in obtaining the said mining claims for itself. Corona claimed damages of $3 billion, a declaration that the Company's interests in the subject mining claims are held in trust for Corona, an order directing their transfer to Corona, an injunction and an accounting for profits from the claims. The trial of this action began in October 1985 and was heard before a Justice of the Supreme Court of Ontario. On March 7, 1986 such Justice rendered a decision in favour of Corona, whereby LAC has been ordered to (1) transfer its Hemlo properties to Corona and (2) turn over profits on the project to Corona. Corona was ordered to pay $153,978,000 to LAC as compensation for improvements on the property. The Company disagrees with the findings and legal conclusions of the judgment and has appealed to the Ontario Court of Appeal. A preliminary date of November 12, 1986 has been set for the hearing of the appeal. On March 20, 1986 LAC secured an order from the Ontario Court of Appeal staying execution of judgment and allowing it to continue operations and essential capital improvements at Hemlo, financing them out of cash flow from the mine subject to a monitoring procedure agreed to by the court.

On June 19, 1985, LAC Minerals agreed with New Cinch Uranium Ltd. ("New Cinch") and other defendants to accept $4 million in settlement of lawsuits arising from the purchase by a predecessor of the Company of shares and warrants of New Cinch that were later sold at a loss.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders of the registrant during the fourth quarter of the fiscal year ended December 31, 1985.

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters.
Information with respect to the market for the Company's common shares, dividend payments and related shareholder matters is incorporated by reference herein from page 49 of the Company's 1985 Annual Report to Shareholders.

Item 6. Selected Financial Data.
Certain information required by this item is incorporated by reference herein from page 48 of the Company's 1985 Annual Report to Shareholders.

See note 14(c) of the Notes to the Consolidated Financial Statements reflecting the current status of certain litigation. Reference is made to note 15 of the Notes to the Consolidated Financial Statements for information as to "United States Accounting Principles" which is included in the Company's 1985 annual report to shareholders. The effect of the application of the United States accounting principles on Selected Financial Data would be as follows:

	1985	1984	1983	1982	1981
(dollars in thousands, except per share amounts)					
Financial information in accordance with U.S. GAAP					
Earnings before extraordinary items	**$ 3,508**	$ 28,760	$ 27,839	$ 20,815	$ 36,737
Earnings after extraordinary items	**8,009**	28,760	27,969	21,415	37,169
Earnings (loss) per share before extraordinary items	**0.14**	1.12	1.16	0.96	1.82
Total long-term debt	**66,303**	55,775	1,685	3,904	
Total assets	**454,166**	383,641	226,385	139,115	128,965

Dividends paid during 1985, 1984 and 1983, respectively, were equivalent to U.S.$0.23, U.S.$0.23 and U.S.$0.24 respectively, based on the Noon Buying Rate on the dates of payment. Dividends paid in 1983 and 1981 were U.S.$0.34 and U.S.$0.34, respectively, based on Average Noon Buying Rates for each year.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
The information required by this item is incorporated by reference herein from pages 31 through 33 of the Company's 1985 Annual Report to Shareholders.

Item 8. Financial Statements and Supplementary Data.
Financial statements, the Notes thereto and the report of independent chartered accountants meeting the requirements of Regulation S-X are incorporated by reference herein from pages 34 through 47 of the Company's 1985 Annual Report to Shareholders. Financial Statement Schedules and the report of independent chartered accountants thereon are included at pages F-1 through F-6 of this report.

Supplementary financial information specified by Item 302 of Regulation S-K is incorporated by reference herein from pages 50 through 53 of the Company's 1985 Annual Report to Shareholders.

Item 9. Disagreements on Accounting and Financial Disclosure.
There have been no events which require disclosure under Item 304 of Regulation S-K.

Part III

Item 10. Directors and Executive Officers of the Registrant.
Information with respect to the Company's Directors and Executive Officers is incorporated by reference herein from pages 3 and 4 of the Company's definitive Management Information Circular and Proxy Statement for the 1986 Annual and Special Meeting of Shareholders.

Item 11. Executive Compensation.
Information with respect to the Company's Executive Compensation is incorporated by reference herein from pages 5 through 8 of the Company's definitive Management Information Circular and Proxy Statement for the 1986 Annual and Special Meeting of Shareholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management.
Information with respect to the holdings of certain persons in the Company's securities is incorporated by reference herein from page 9 of the Company's definitive Management Information Circular and Proxy Statement for the 1986 Annual and Special Meeting of Shareholders.

Item 13. Certain Relationships and Related Transactions.
Information with respect to the interests of management and others in material transactions with the Company is incorporated by reference herein from page 9 of the Company's definitive Management Information Circular and Proxy Statement for the 1986 Annual and Special Meeting of Shareholders.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Documents filed as part of this report.

1. The following financial statements of the Company and Notes thereto are incorporated by reference from the pages of the Company's 1985 Annual Report to Shareholders indicated below:

	Page
Report of Independent Chartered Accountants and Comments on Differences in Canadian-United States Reporting Standards	37
Consolidated Balance Sheets – December 31, 1985 and 1984 (Audited)	34
Consolidated Statements of Earnings and Retained Earnings – Three Years Ended December 31, 1985 (Audited)	35
Consolidated Statements of Changes in Cash Resources – Three Years Ended December 31, 1985 (Audited)	36
Notes to Consolidated Financial Statements	37
Supplemental Information (Unaudited) filed herewith Selected Quarterly Data – Two Years Ended December 31, 1985	50
Disclosures About Oil and Gas Producing Activities	50

2. The following financial statement schedules are filed herewith. The Report of Independent Chartered Accountants on Consolidated Financial Schedules is included on page F-1 of this report.

Schedule Number	Description
V	Property, Plant and Equipment for the years ended December 31, 1985, 1984 and 1983.
VI	Accumulated Depreciation, Depletion and Amortization for the years ended December 31, 1985, 1984 and 1983.
X	Supplementary Income Statement Information for the years ended December 31, 1985, 1984 and 1983.

Financial statement schedules not listed above have been omitted because they are inapplicable, are not required under relevant rules of Regulation S-X, or the information is contained in the Company's Consolidated Financial Statements or accompanying notes.

LAC Minerals Ltd.

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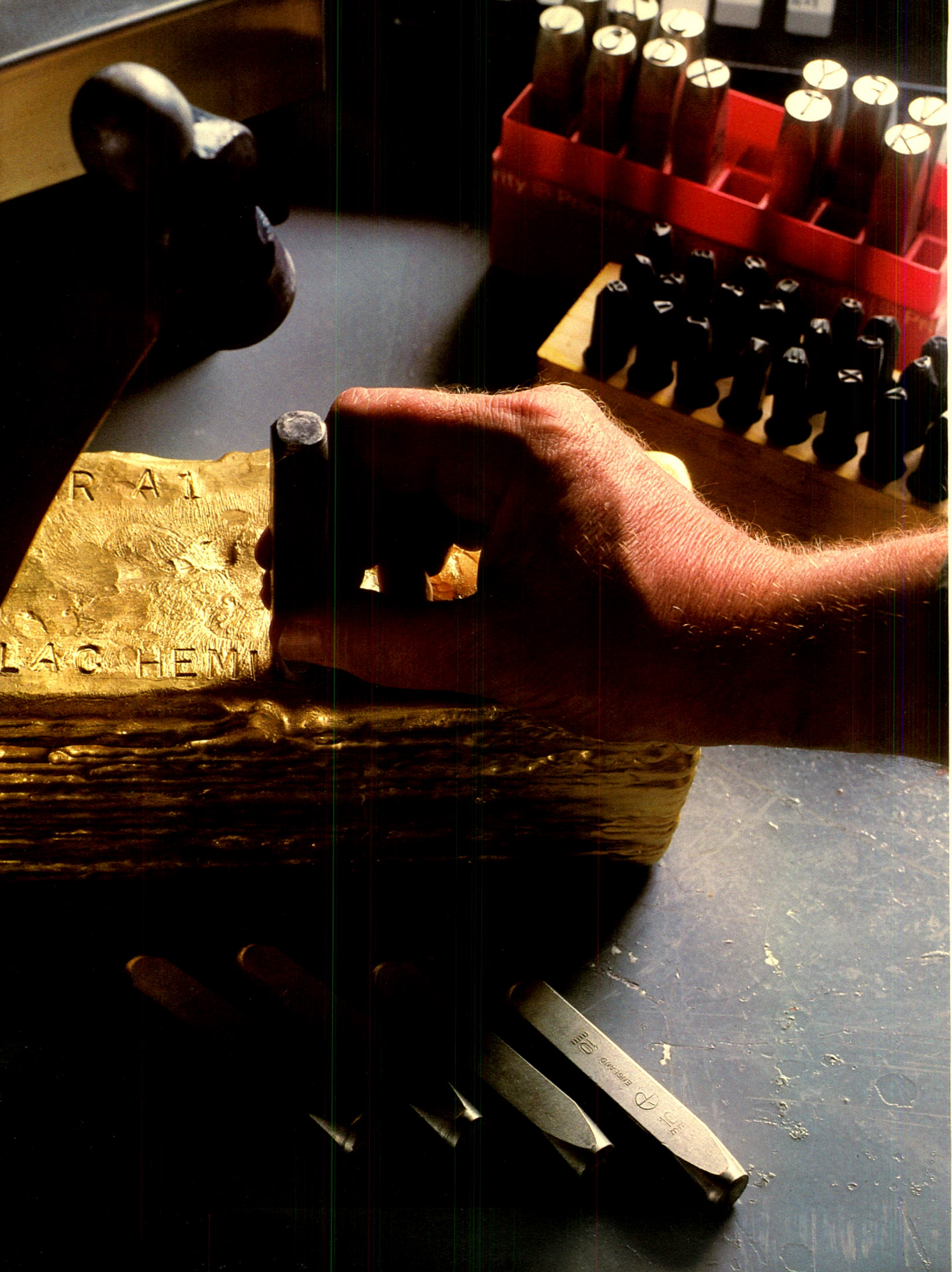
1985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LAC HEMI

In 1985, LAC produced 255,556 ounces of gold at its four existing gold mines: the Macassa Mine and Lake Shore Mine in Ontario and, in Quebec, La Mine Doyon, which it owns jointly with La Société Québecoise d'Exploration Minière (SOQUEM), and La Mine de Bousquet.

LAC's large expenditure program of the last few years, which is nearing completion, includes the further development of the four existing gold mines as well as the Page-Williams Mine at Hemlo, Ontario. This development includes four new gold mine shafts, the rehabilitation of one shaft, and the construction of a mill.

LAC also is working on the development of high quality mines in other minerals besides gold. In 1985, LAC through joint ventures became involved in the first platinum-palladium and diamond projects in North America, and in a promising tin project in New Brunswick.

The marketability and liquidity of LAC's shares were significantly enhanced in 1985 with an amalgamation that simplified its structure. To facilitate growing worldwide interest in the Company, LAC's shares in 1985 were listed on the New York, Paris, Brussels and Antwerp stock exchanges. In Canada, the shares are listed on the Toronto Stock Exchange and the Montreal Exchange.

Cover: A gold pour at the Page-Williams Mine refinery. The furnace is tipped and molten gold is poured into a mold to form a gold bar.

At left, a gold bar is stamped, to provide identification before it is shipped to the Royal Canadian Mint.

President's Letter

Earnings for the year ended December 31, 1985 were $6.1 million or 23 cents per share and $10.6 million or 39 cents per share after extraordinary items. Earnings for 1984 were $31.8 million or $1.21 per share. Cash flow from operations was $43.7 million or $1.61 per share compared with $74.1 million or $2.82 per share in 1984. Revenues declined to $142.3 million from $169.8 million in the previous year because of lower gold prices and temporarily reduced production. Earnings were affected by heavy exploration and property write-offs of $23.9 million versus $13.4 million in 1984. These mineral and hydrocarbon charges underscore LAC's very active exploration emphasis and conservative accounting policies.

LAC completed with distinction the biggest expansion year in its history. Capital outlays of $189 million were efficiently and competently deployed on exploration and development. The Page-Williams mine-mill complex was successfully brought into production four months ahead of schedule and on budget. The 3,300 ton per day carbon-in-pulp mill performed well from the outset. Project and operating teams were formed and integrated two and a half years ago, a concept greatly facilitating design, scheduling and smooth transition to production.

Ontario Premier David R. Peterson (left) and LAC President Peter A. Allen (right) pour the first gold bar at the opening of the Page-Williams Mine.

The $37.4 million Macassa shaft, the deepest single-lift in the Western Hemisphere is now within a month of completion. Improved production and efficiencies will result, and long-term easy access to reserves will be provided.

La Mine Doyon is Canada's largest open pit gold mine. Since start-up in 1980, LAC has excavated 52 million tons of ore and waste yielding 860,000 ounces of gold from this mine. In April, the development of the underground shaft at Doyon will be completed. By the end of 1986, it will provide production access to the main and west underground reserves. Development ore from the west zone grades 0.35 ounces of gold per ton to date. During 1986, 70,000 tons grading 0.34 ounces per ton from the west zone underground and a further 25,000 tons grading 0.18 ounces per ton from a new surface pit are planned for development.

Innovative projects by management at Mine de Bousquet to reduce dilution, improve production and hold costs are yielding good results.

In September 1985, LAC acquired a one-third interest in the Stillwater Mining Company platinum-palladium property in Montana. Reserve delineation at the Stillwater platinum-palladium mine will be given priority and could lead to a production decision by year-end.

In October 1985, LAC acquired a 50% interest in a high-potential tin deposit in New Brunswick from Billiton Metals Canada Inc. Development of a ramp to provide rapid access to this deposit is underway. Drill information for feasibility will be available by September.

Milton Limestone completed its best year on record and is acquiring an additional adjacent property with 20 years' reserves in early 1986.

Shareholders will continue to benefit over the long term from a few corporate moves during the year. The amalgamation of four companies into a strong, single entity gives LAC a much simpler structure with greatly enhanced share marketability and liquidity. LAC was listed on the New York, Paris, Brussels and Antwerp stock exchanges. This will accommodate the sharply increased worldwide interest in LAC's shares, trading in which exceeded $900 million in 1985. A September equity issue of 1.5 million shares raised $49.7 million and helped to maintain healthy working capital and debt-equity ratios during the year. A number of corporate improvements were instituted concurrent with the amalgamation, including a well-received stock ownership plan available to all of LAC's 1,200 employees. Forward gold sales improved revenues by $16 million in 1985 and at February 26, 1986, 536,000 ounces were sold forward at US $351.

It is with sadness we report the death of our longstanding director and friend, Robert C. Stanley, Jr.

These and many other significant projects were realized with enthusiasm and competency by LAC's many men and women. Their dedicated effort and achievement have been truly outstanding.

On behalf of the Board of Directors,

Peter A. Allen
President and Chief Executive Officer

February 26, 1986

Mrs. Trevor Page, wife of the geologist after whom the Page-Williams Mine is named, and George Hope, LAC's Manager, Minerals Processing, stamp a gold bar at the mine opening.

At left, gold is poured weekly at the Page-Williams Mine refinery, producing bars that weigh an average of approximately 1,000 ounces each.

On December 6, 1985, senior LAC employees and guests travelled to the Hemlo, Ontario area for the opening of the first phase of the new Page-Williams Mine – one of the largest gold mines in Canada, with an initial designed capacity of 3,300 tons of ore per day, and an estimated 220,000 ounces of gold per year.

The historic occasion was commemorated with Ontario Premier David R. Peterson and LAC President Peter A. Allen pouring the first gold bar together.

One guest, Mrs. Trevor Page, had flown from Malawi, Africa to represent her late husband, the geologist who between 1945 and 1947 wrote the first reports about the gold potential in the area. Mr. Page had maintained that one day there would be a significant gold find at Hemlo.

The mine is named after the late Mr. Page and the late Dr. Jack K. Williams, who staked the area in 1945 and prospected it during succeeding summers. Dr. Williams was a physician who had studied at McGill University and later resided in Maryland. During one of his prospecting summers, he trenched one part of the property to within eight feet of where the ore breaks the surface.

After Dr. Williams died in 1953, his family paid the annual taxes to keep the claims in good standing. In July 1981, LAC negotiated an option agreement on the property with Mrs. Williams.

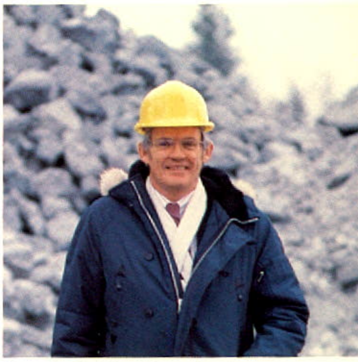
Diamond drilling for core samples. Above, the shack that houses the mechanics and, at right, the tripod that provides support for removing the sample from the ground.

Page-Williams Mine site before development. The first phase of the mine was developed between April 1984 and December 1985.

Dimensions

The dimensions of the Page-Williams Mine are large. The total development cost is estimated to be $295 million, of which $194 million had been spent to the end of 1985, including $34 million of financing costs, land acquisition costs, feasibility studies and deferred exploration costs. Reserves defined so far should keep the mill running at full capacity for more than 20 years.

From the initial exploration in 1981, to the beginning of development in April 1984, to the start of the first production phase in December 1985, the project moved ahead with speed and cost efficiency. The expeditious development of this project is a tribute to the experience, knowledge and entrepreneurial nature of LAC's senior employees.



Dennis G. Sheehan, Senior Vice President, Exploration, recognized that the geology was similar to LAC's Quebec mines.

Discovery and Exploration

When the first drilling results came from the Hemlo area early in 1981, LAC's Kirkland Lake Exploration Manager, Christopher Pegg, called Dennis G. Sheehan, Senior Vice President of Exploration, and suggested he take a look. Mr. Sheehan was already familiar with the geology and exploration work in the area as he previously had worked at the Willroy Mines in Manitouwadge. Following a survey of outcrops in the area, he recognized that the geology was similar to LAC's Bousquet and Doyon Mines in Quebec.

Like Bousquet, the Hemlo area is characterized by low concentrations of iron sulphides in volcanic rock in stratabound formations. This mineralization had been correlated with the presence of gold by Trevor Page in his early reports on exploration in the area. At Bousquet in the early 1970s, Mr. Sheehan had discovered occurrences of gold within similar formations by using theories about the deposition of gold he had developed with Dr. Richard Hutchinson, then a professor of geology at the University of Western Ontario.

To define iron sulphide levels at Hemlo, LAC conducted an induced polarization (IP) survey. With an IP survey, it was possible to define the most promising drill target areas and, in March 1982, LAC geologists hit the main orebody with the first drill hole. The discovery was in the eastern portion of the Williams property, in the continuation of a trench made by Dr. Williams. That first drill was followed by many more, interrupted by periods of evaluation as the exploration team defined the position and size of the ore deposit. In 1983, they were able to delineate two principal zones of mineralization, the A zone and the B zone. At the end of 1985, the A zone had 3.3 million tons of proven ore reserves with an average grade of 0.181 ounces of gold per ton, and the B zone had 44.4 million tons of probable ore reserves with an average grade of 0.188 ounces of gold per ton.

Subsequent drilling discovered a third zone of mineralization to the west, the C zone which extends to the surface. At the end of 1985, this zone was estimated to have 4.3 million tons of probable reserves with an average grade of 0.116 ounces of gold per ton.

Early in 1985, the Exploration Division had completed its task of finding and defining reserves at the mine and transferred responsibility for development of those deposits to the Mining Division.

J. MacIntosh Gibbs, Vice President, Mine Development, brought the mine into production ahead of schedule.

Development

Under the direction of J.MacIntosh Gibbs, Vice President for Mine Development, the first phase of the mine and mill was brought into production four months ahead of schedule and on budget.

In the months between February 1984 and December 1985, the mine site was transformed from a stand of birch and spruce trees to a mining complex, with headframes, a mill and other structures on the surface and two mine shafts underground. The project to the end of 1985 involved close to 80 contractors, and 1.6 million manhours of work.

Mr. Gibbs' first task when he joined LAC in August 1983 was to prepare a feasibility study, detailing how the mine should be developed. He hired a number of consultants who, together with LAC engineers and geologists, determined the size of the mining shafts and of the open pit for the A zone; what the project would cost and the time it would take to build; the milling process and mining method to be used, and the design for the mill. The feasibility study was approved in April 1984 and construction began immediately. In anticipation of the go-ahead, site clearing began in February 1984.

Fortunately, the geometry of the orebody has allowed the mine to be developed in two phases. The advantage is that cash flow can be realized relatively early, offsetting some of the development costs. Also, what LAC learns from the first development phase can be applied to assist in the development of the second phase.

Because the A zone orebody reaches the surface, it was developed first. The A zone consists of two orebodies: a small open pit mine with proven reserves of 630,000 tons which, at a rate of 1,000 tons per day, will be mined out by the summer of 1986; and an underground mine, which will produce ore at a rate of more than 2,000 tons per day until the end of 1988.

Mr. Gibbs kept on schedule in a number of ways. One of these was the involvement of LAC's own people at the beginning. This allowed a more tightly controlled project, and a smooth transition to the operating stage. Gerald Gauthier was appointed Mine Manager because of his underground mining experience as manager at Bousquet. George Hope, LAC's Manager, Minerals Processing, moved into the offices of the mill design firm, and other key people were hired.

Mill thickener where water is removed from ore slurry.

At left, underground shaft sinking. The B zone shaft was seven months ahead of schedule at year-end 1985.

In addition, the project was generally managed from the mine site, rather than from head office, and therefore decisions could be made quickly.

There were many exceptional efforts shown in the development of the Page-Williams Mine. Particularly noteworthy, J.S. Redpath Ltd. was seven months ahead of schedule with the sinking of the B zone shaft at the end of 1985. It was because of this that the first phase was able to be accelerated. The A zone was readied to start production three years before the B zone shaft, because that is how long the A zone can provide the ore to feed the mill. The B zone shaft was nine months ahead of schedule until late 1985, when a hoisting problem caused by broken bearings set the completion date back two months, to May 1986. While the bearings were being fixed, considerable drifting was accomplished.

At any one time, work crews were simultaneously working on a number of projects. Construction and development expenditures of $118.6 million in 1985 represent 40% of the project total, and included completion of the A zone open pit mine, of the 7,576 foot declined access ramp to the A zone and the 1,148 foot A zone underground shaft. It included completion of the mill and related structures, and the sinking of the B zone shaft to 3,200 feet below collar.

There also was some development work underground, including installation of ventilation systems, and drifting. Drifts, or horizontal passages, are used by mine geologists to define the orebody and by miners to extract the ore.

The A zone and B zone headframes and A zone open pit mine.

Gerald Gauthier (left), Manager of the Page-Williams Mine and Chan Patel, Mill Superintendent, inside the grinding mill.

At right, the B zone headframe. The B zone shaft is expected to be completed in May 1986, several months ahead of schedule.

In 1986, all development work will be underground. It will include completion of the B zone shaft to 4,300 feet below collar in May, and further underground drifting and other development work.

The design and construction of phase two of the mill will begin late in 1987, for completion in 1988.

"First we crawled, now we are walking, and when the B zone starts up we will be running," says Mr. Gibbs. In December, he handed over responsibility for the Page-Williams Mine to Harrison E. Rutetzki, Senior Vice President, Operations.

Operations

After start-up in December, the mill reached full capacity much faster than anticipated, and with only a few minor problems. In December, as part of the mill test, it processed 149,000 tons of ore to produce 10,369 ounces of gold. The mill was fed with ore from the open pit, which had been stockpiled since the pit went into production in August. By late February 1986, the mill was processing ore ahead of its 3,300 ton per day designed capacity.

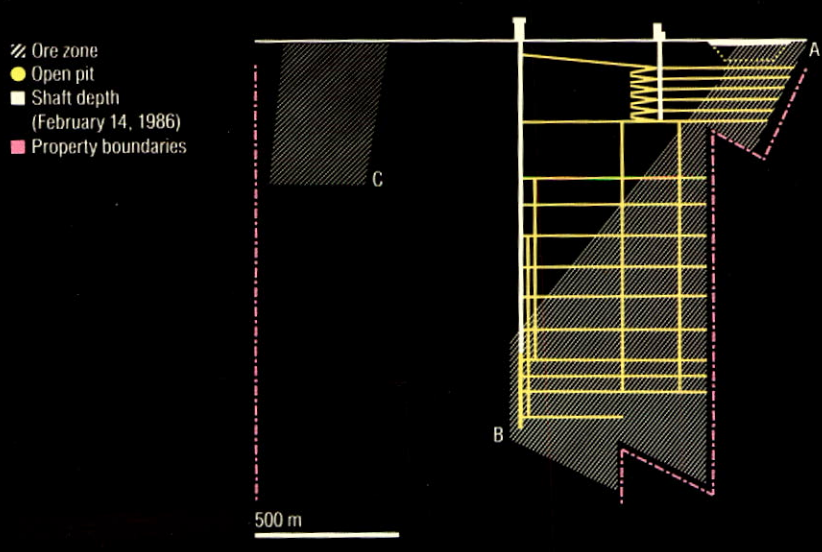
The mining method used at the Page-Williams Mine is bulk mining. This economical method is possible because the ore stratum is wide. LAC is using a long hole open stope method, by which drifts are driven above and below the desired ore at 115 foot intervals. Holes are drilled from above, the ore is blasted and broken, and is then removed from below. The open area, or stope, is later back-filled with waste rock and cement.

For the milling process, the ore is ground into very fine particles called pulp. Dilute cyanide is then added to the pulp to leach out the gold. When sufficient gold is dissolved, the pulp is treated with activated charcoal. The dissolved gold coats the surface of the charcoal which is then screened out of the pulp. Gold is recovered from the charcoal by washing with a hot solution of caustic and cyanide, then plated from the solution by electrolysis onto cathodes. The gold coated cathodes are smelted and refined to produce gold bullion bars, called doré bars.

At present, there are 280 LAC employees on the site, including about 110 in the mine and 50 in the mill. There is also a contractual work force of about 150, working on construction and on mining the A zone open pit.

For information concerning a lawsuit affecting the property see note 14(c) to the notes to the consolidated financial statements found on page 45.

The first phase of the Page-Williams Mine was developed between April 1984 and December 1985. Within two months, the mill was operating ahead of designed capacity.



LAC 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.

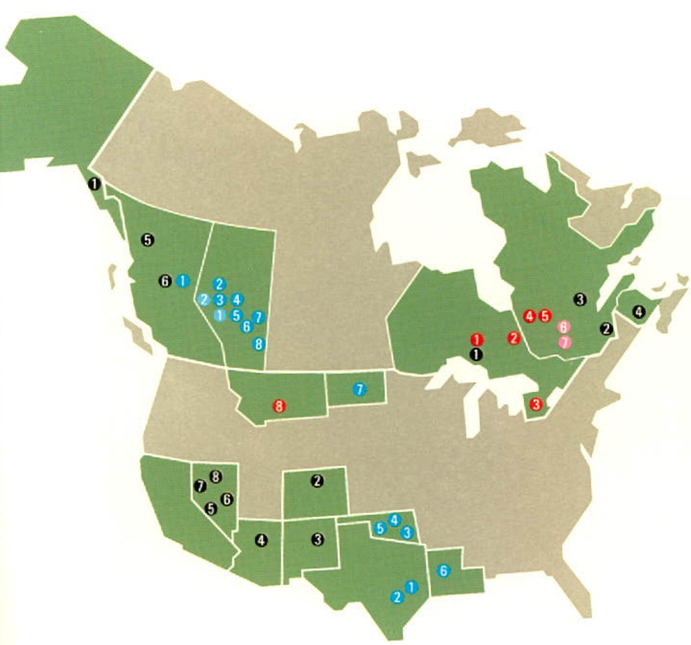
Mining Division
The Mining Division is responsible for developing and operating LAC's mines and custom mills.

LAC operates five gold mills which treat ore from the Company's various mines. During 1985, 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. The Terrain Aurifères custom mill, 31 miles east of Bousquet, primarily mills Bousquet ore but could treat Lake Shore ore in the future. The Page-Williams mill treats ore from the new Page-Williams Mine.

Exploration Division
LAC's Exploration Division has responsibility for finding potential mining properties through grassroots exploration, joint ventures or acquisitions. The Division employs 58 permanent staff, of which 31 are geologists, in five regional offices in Canada and the United States.

Oil and 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. The Division is managed from an office in Calgary.

Mining and Oil and Gas Properties



Mining Operations

Canada
Ontario
1 Page-Williams
2 Macassa and Lake Shore
3 Milton
Quebec
4 Doyon
5 Bousquet

Milling Operations
6 Est Malartic
7 Terrains Aurifères

United States
Montana
8 Stillwater

Exploration

Canada
Ontario
1 White River
Quebec
2 Stoke
3 Bârraute
New Brunswick
4 LAC Billiton
British Columbia
5 Hank Project
6 Bob Project

United States
Alaska
1 Niblack
Colorado
2 State Line
New Mexico
3 Ortiz
Arizona
4 Big Bug
Nevada
5 Elizabeth
6 Fandango
7 Jessup
8 Jackson

Australia
Glengarry Joint Venture

Oil and Gas

Canada
Producing
British Columbia
1 Wilder
Alberta
2 Dunvegan
3 McLeod River
4 Minnehik Buck Lake
5 Caroline Cardium E Pool
6 Westward Ho
7 Chigwell
8 Cessford

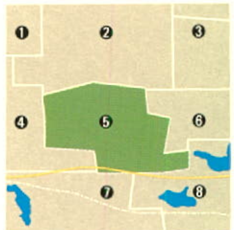
Exploration
1 Edson South
2 Edson West

United States
Producing
Texas
1 Seabourne
2 Dial
Oklahoma
3 Project 400
4 Camargo
5 Putnam
Louisiana
6 Mt. Sinai
North Dakota
7 S. Dickinson

At left, a drill core sample of kimberlite, the source rock for diamonds (left) and samples of cassiterite, a tin bearing mineral (right) and of platinum-palladium mineralization (foreground). These samples are from LAC's exploration projects.

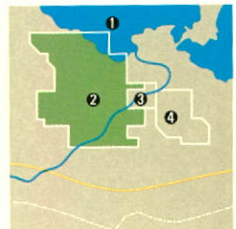
Principal Operating Mines

Properties in the vicinity of LAC's principal mines.



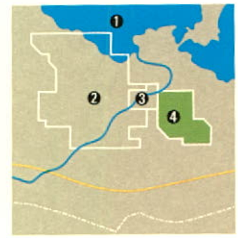
Page-Williams

- C.P. Railway
- Trans-Canada Hwy.
1. Nabigon (LAC)
2. Interlake Dev.
3. Brigade Resources
4. Golden Sceptre Mines
5. Page-Williams Mine
6. Goliath Gold Mines
7. Harlin Resources
8. Teck-Corona



Doyon

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



Bousquet

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

Macassa

- ONR
- Hwy. 66 Hwy. 112
1. Spark Gold Mines
2. Macassa
3. Tegren
4. Gracie-Park
5. Pearl Williams
6. Boisvert
7. Thompson-Pollock
8. Davis
9. Kirkland Lake

At right, an underground scooptram (left) used in underground development and production, and a large ore haulage truck (right) used for open pit mining.

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 – a horizontal underground mining tunnel, used for exploration purposes or to provide access to ore.

Proven ore reserves – 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. The computed tonnage and grade are judged to be accurate within certain limits.

Probable ore reserves – 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. 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 reserves – 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.

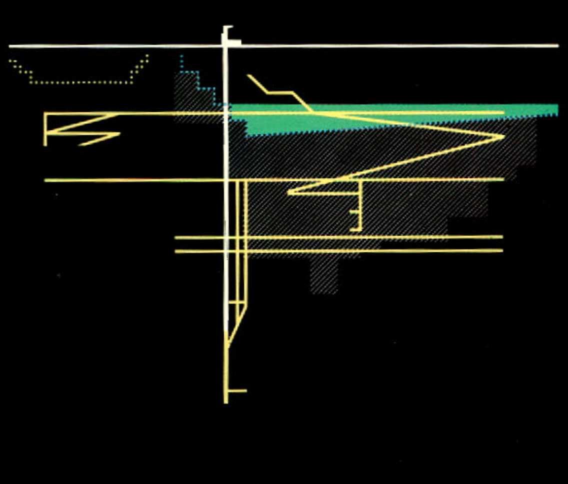
Cutting practices – various cutting practices of high assays and dilution factors are applied to the calculations of reserves for greater accuracy; these are established as experience dictates at each mine.

Mining Claim – that portion of public mineral lands which a prospector has staked or marked out in accordance with provincial or state mining laws to acquire the right to explore for and exploit the minerals under the surface.

Raise – a vertical tunnel used to provide access to ore, to provide ventilation, to store ore or waste, or for other purposes in a mine.

Stope – an excavation or working place in a mine from which ore is extracted.

La Mine Doyon Joint Venture



- Ore zone
- Excavated zone
- Open pit
- Proposed open pit
- Shaft depth (February 14, 1986)

This map does not show property boundaries

400 m

Left to right, Marquis Gagnon, Doyon Pit Superintendent, Claude Mongeau, Senior Mine Manager, Quebec Operations and Henri Authier, Mechanical Superintendent.

Background

The Company owns a 50% joint venture interest in La Mine Doyon, the largest open pit gold mine in Canada located in Bousquet Township, Quebec. The remaining interest is held by SOQUEM (La Société Québecoise d'Exploration Minière). LAC and SOQUEM share equally in the production from Doyon, subject to a royalty equal to 1% of gold production from certain claims. Commercial production began at Doyon in March 1980.

As the result of further drilling, a north-west south-east trending vein structure was discovered in late 1983, west of the main open pit. The structure at the end of 1985 was estimated to contain 1,550,000 tons of reserves, grading 0.283 ounces of gold per ton.

In 1984, LAC decided to examine the possibility of underground mining. The first phase of development under the existing open pit was started in the second half of the year and completed in February 1985, when shaft sinking and underground development work started.

The year 1985 marked the start of the transition for La Mine Doyon from an open pit mine to an underground mine. As the open pit reserves are exhausted, the underground reserves will be brought into production. The open pit is expected to be depleted in 1988.

Operating Results

During 1985, 1,236,000 tons of ore were milled from the Doyon open pit, representing a 3% decrease from 1984. The ore was milled at the on-site mill, the Est-Malartic mill and the Noranda smelter in Noranda, Quebec, producing 169,420 ounces of gold, compared with 186,914 ounces in 1984. In 1985, LAC's share was 84,710 ounces.

Gold production declined in 1985, primarily because the ore was of a lower grade. In addition, the underground ore was harder and therefore took longer to process at the mill. Also, mining at the open pit was at the north wall, where the dilution (ratio of waste to ore) is higher.

A feasibility study in 1985 confirmed the viability of mining some of the newly discovered west zone ore by a small open pit mine. The open pit is being developed in 1986 at a cost of $5 million and will begin producing ore in the latter half of 1986.

However, most of the ore in the west zone will be mined by underground method. A declined access ramp is being constructed which, at the end of 1985, had extended 4,807 feet from the surface to the bottom. In addition, an access ramp to the west zone had been extended 2,460 feet by trackless drive from the main access ramp.

Beginning in 1987, the new four compartment shaft will be used to mine the main zone and west zone underground. The shaft is scheduled to reach its final depth of 2,050 feet below collar in March 1986. It will have a lifting capacity of 2,700 tons of ore per day but will start at a rate of about 500 tons and increase the rate as the open pit mine is phased out.

The total capital expenditures to December 31, 1985 on the development of the underground project including the sinking of the shaft, access ramp and related expenditures was $16.2 million, of which one half was LAC's share.

In preparation for underground mining, an underground skills training program was introduced. Experienced underground miners were brought in to train certain miners from the open pit.

Outlook

The estimated capital expenditures during 1986 for the underground project, including completion of the shaft, are expected to be approximately $17.6 million, of which LAC will pay half. LAC will spend about $1 million on a plant which will improve the method of degrading cyanide for environmental reasons.

Production Statistics

The following is a comparison of the Company's joint venture interest in production at Doyon	**1985**	1984	1983	1982	1981
Tons of ore milled (000's)					
On-Site	**276**	287	228	21	
Est-Malartic	**302**	255	288	291	194
Noranda	**40**	92	56	109	96
Terrains				26	
Total	**618**	634	572	447	290
Average recovered grade of ore milled (ounces of gold per ton)					
On-Site	**0.149**	0.166	0.154	0.128	
Est-Malartic	**0.147**	0.151	0.141	0.170	0.192
Noranda	**0.134**	0.137	0.153	0.219	0.233
Terrains				0.125	
Average gold recovery rate (%)					
On-Site	**94.63**	95.86	95.40	93.43	
Est-Malartic	**93.40**	94.57	94.30	92.39	90.42
Noranda	**91.35**	91.92	90.81	93.22	93.57
Terrains				90.43	
Production of gold (ounces) (1)					
On-Site	**38,767**	45,639	33,382	2,518	
Est-Malartic	**41,193**	36,269	38,231	48,406	33,696
Noranda	**4,750**	11,549	7,761	22,300	20,857
Terrains				2,887	
Total	**84,710**	93,457	79,374	76,111	54,553
Operating cost per ounce of gold produced					
Production cost	**$ 235**	$ 214	$ 249	$ 162	$ 135
Depreciation and amortization	**77**	70	35	43	39
	$ 312	$ 284	$ 284	$ 205	$ 174

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

Ore Reserves

Comparative ore reserves based on the Company's share of the reserves at Doyon at year-end are set out below.	**1985**		1984	
	Tons (000's)	**Ounces of gold per ton**	Tons (000's)	Ounces of gold per ton
Proven				
Main open pit (1)	**1,339**	**0.140**	1,940	0.137
West zone underground (2)	**62**	**0.340**		
Probable				
West zone open pit (1)	**277**	**0.180**		
Main zone underground (3)	**2,930**	**0.190**	2,895	0.184
West zone underground (2)	**437**	**0.340**		
Stockpile	**47**	**0.144**	22	0.145

(1) Includes dilution factor of 10%.
(2) Includes dilution factor of 20%.
(3) Includes no dilution factor.

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 has an underground mine, which went into production in 1979, and has the capacity to produce 1,500 tons of ore a day. It also has a low-grade open pit mine which began production on a selective, grade-controlled basis in April 1985.

Operating Results

In 1985, ore milled at Bousquet increased by 19% to 702,000 tons, and gold production amounted to 99,057 ounces compared with 99,425 ounces in 1984. The average grade was 0.141 ounces per ton compared with 0.182 ounces in 1984. The average grade declined because ore was mined from the lower grade No. 5 zone open pit operation as well as from the higher grade underground No. 1 and No. 3 zones.

New mining techniques and equipment are being reviewed constantly to improve mine safety and productivity. Initiatives to improve operations include the introduction of the Avoca cut and fill mining method. This method is safer, increases ore recovery and lowers dilution factors.

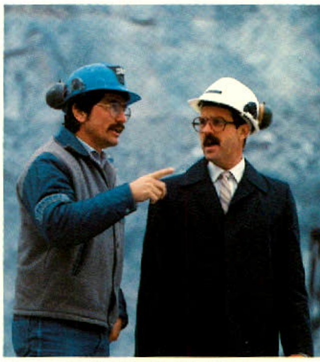
Capital expenditures totalled $3.3 million in 1985. These included the expansion of the administration building and preparation work for a new ventilation system for the underground operations.

Exploration

The underground exploration program defined two potential mining zones, zones 3-1 and zone 4, and is studying whether selective mining of zone 4 underground can produce higher ore grades.

Outlook

In 1986, the mill is expected to operate at a rate of 1,750 tons of ore per day. Of this, approximately 80% will be supplied from the underground mine and the balance from the No. 5 zone open pit. Capital expenditures of $5.4 million are budgeted for 1986.



François Allaire (left), Mine Technician and Paul Bédard (right), Bousquet Mine Manager.

At left, jumbo operators Jean Paul Gosselin and Michel Dubuc drill holes in preparation for explosives, used to blast the rock.

Production Statistics

The following is a comparison of production statistics for the Bousquet Mine	**1985**	1984	1983	1982	1981
Tons of ore milled (000's)	**702**	589	514	433	423
Average recovered grade of ore milled (ounces of gold per ton)	**0.141**	0.182	0.197	0.163	0.180
Average gold recovery rate (%)	**92.79**	92.90	93.57	94.57	95.78
Production of gold (ounces)	**99,057**	99,425	95,068	70,500	76,945
Operating cost per ounce of gold produced					
Production cost	**$ 335**	$ 289	$ 280	$ 299	$ 239
Depreciation and amortization	**13**	29	27	41	34
	$ 348	$ 318	$ 307	$ 340	$ 273

Ore Reserves (1)

Comparative ore reserves at Bousquet at year-end are set out below. The limits of the orebody have not yet been fully defined.	**1985 Tons (000's)**	**1985 Ounces of gold per ton**	1984 Tons (000's)	1984 Ounces of gold per ton
Proven				
Zones 1 and 3 (2)	**3,959**	**0.141**	4,637	0.140
Probable				
Zones 1 and 3 (2)	**634**	**0.160**	1,770	0.140
Zone 4	**79**	**0.160**		
Possible				
Zones 1 and 3 (3)	**1,281**	**0.166**	1.153	0.170

(1) Ore reserves at December 31, 1985 do not include the low grade material from Zone 5 which is estimated to contain proven ore of 4,414,000 tons with an average grade of 0.061 ounces of gold per ton; and probable ore of 6,265,000 tons with an average grade of 0.062 ounces of gold per ton.
(2) Includes dilution factor of 20%.
(3) Includes no dilution factor.

Macassa Mine

Background

Located near Kirkland Lake, Ontario, the Macassa Mine began operations in October 1933 under the control of a company that was a predecessor to LAC. From 1933 to 1985, the mine produced over 6 million tons of ore and recovered 2.68 million ounces of gold for an average grade of 0.44 ounces per ton.

Over the years, ore extraction has moved progressively further from the original two shafts, following the gold deposit that trends to the west and at an increasing depth. Approximately 61% of the known reserves are more than 4,000 feet to the west of shaft No. 1.

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. That shaft is scheduled to be completed at a depth of 7,275 feet below collar, in mid-1986. When completed, it will be the deepest of its kind in North America and the third deepest single lift shaft worldwide. It will have an initial hoisting capacity of 630 tons per day, and ultimately could reach 840 tons per day.

Operating Results

Ore production during 1985 was 119,000 tons, compared with 122,000 tons in 1984. A total of 54,390 ounces of gold were recovered, down from 58,472 ounces in 1984.

The estimated total completion cost of No. 3 shaft has been increased to $37.4 million from $31 million. The increase results from the cost of dealing with difficult ground conditions, the purchase of mining equipment and the construction of additional plant facilities to improve production.

During 1985, capital expenditures totalled $11.8 million, directed primarily towards commissioning of the No. 3 shaft. The No. 3 shaft was advanced to a depth of 6,760 feet. Excavation also included 12 level stations plus two loading pocket stations and two chairing stations. The shaft sinking progressed slowly, as great care was taken to install considerable ground support material.

Other capital projects included 80% completion of office and locker facilities at the new site, 90% completion of a haulage road to the Macassa mill, and 75% completion of new screening and crushing plant facilities at the mill.

Donald Bruce (left), Macassa Mine Manager and William Glover, Technical Superintendent.

At left, drift miners Herb Boudreau (left) and Ron Pitt (right) drive five-foot bolts into rock to secure it as the drift is advanced to Macassa No. 3 shaft.

Production Statistics

The following is a comparison of production statistics for the Macassa Mine	**1985**	1984	1983	1982	1981
Tons of ore milled (000's)	**119**	122	122	118	115
Average recovered grade of ore milled (ounces of gold per ton)	**0.455**	0.478	0.504	0.468	0.461
Average gold recovery rate (%)	**96.10**	96.70	96.25	97.01	96.50
Production of gold (ounces)	**54,390**	58,472	59,230	53,357	51,190
Operating cost per ounce of gold produced					
Production cost	**$ 343**	$ 320	$ 294	$ 296	$ 279
Depreciation and amortization	**13**	12	8	9	11
	$ 356	$ 332	$ 302	$ 305	$ 290

Ore Reserves

Comparative ore reserves at Macassa at year-end are set out below. The limits of the orebody have not yet been fully defined.	**1985** Tons (000's)	**1985** Ounces of gold per ton	1984 Tons (000's)	1984 Ounces of gold per ton
Proven	**1,025**	**0.540**	1,067	0.525
Probable	**277**	**0.460**	377	0.442

Including dilution factors of between 10% to 50% depending on the difficulty in mining and the rock-ore environment.

As a result of these projects, the area between the 6,450 foot and 7,000 foot horizon will be opened for exploration, mining, power and ventilation. Also underground transportation services will be improved. The overall effect will be a reduction in unit gold production costs.

Steps also were taken in 1985 to better control Macassa's difficult ground conditions, and drainage problems. As an extra safeguard, a second pumping system was installed in the No. 3 shaft in 1985. There was some improvement in Macassa's safety record.

To improve ground support, cable bolts were drilled into the rock in the underground drifts. The mine also began experimenting with some success with the use of concrete as a backfill in underground stopes. In addition, seismology continues to be used to trace areas of high stress, which need additional ground support.


Paul Thomson (right), Lake Shore Mine Manager, and Baxter Leduc, Mine Captain.

Outlook

With the start-up of the No. 3 shaft at mid-year, approximately 134,000 tons of ore are expected to be milled at Macassa in 1986, producing more than 60,000 ounces of gold at a reduced unit cost. The full benefit of the new shaft will be realized in 1987, when gold production will be higher.

The Macassa mill will be able to take the increased tonnage in 1986, as deliveries from Lake Shore will be down. A study is being conducted to examine the feasibility of increasing mill capacity to 750 tons per day from the current 500 tons per day. Expansion costs are estimated at $7 million.

Continuing exploration should prove up more gold reserves, extending the life of the mine beyond the current estimate of ten years.

Background

LAC began in 1982 to mine the crown pillar at the former Lake Shore Mine at Kirkland Lake, Ontario. The mine had been closed in 1965 because of difficult ground conditions and low prices for gold. Before that, it had operated for more than 40 years as one of the richest gold mines in Northern Ontario.

By the end of 1985, LAC had completed mining the main crown pillar and began mining secondary targets below the crown pillar area. From mid-1983 to December 1985, the crown pillar produced 134,000 tons of ore with an average recovered grade of .451 ounces of gold per ton, resulting in gold production of 60,469 ounces. The secondary targets are expected to be mined out by the end of 1986.

Encouraged by its success with the crown pillar project, LAC in 1984 decided to explore the possibility of mining the ore deposits underground. Rehabilitation of the original shaft was completed in 1985, in preparation for exploration in 1986. At the end of 1985, Lake Shore had underground reserves of 367,000 tons grading an average of 0.324 ounces of gold per ton.

Crown Pillar

In 1985, gold production totalled 16,067 ounces compared with 37,944 ounces in 1984. The decline was the result of reduced tonnage because of a narrowing of the ore vein, and reduced grades, particularly in the second half of the year.

Lake Shore Underground Project

The No. 5 shaft surface facilities were completed early in 1985, allowing inspection of the shaft down to the 3,950 foot level.

During 1985, 5,300 feet of new drifting, raise work and drift rehabilitation were completed. The rehabilitation, servicing and equipping of the No. 5 shaft for the upcoming exploration program cost more than $4 million.

A new three-year labour contract was ratified in July 1985 and overall labour relations are good.

Outlook

The Lake Shore Mine has had rich grades, and the exploration program will endeavour to discover enough additional mineable ore to warrant putting the underground mine into production.

Est-Malartic

Total ore treated at the Est-Malartic mill during 1985 was 690,000 tons, compared with 685,000 tons in 1984. The major ore source was the Doyon joint venture. The balance of ore came from the Bousquet open pit No. 5 zone. The actual cost of milling declined by 6% to $12.63 per ton from $13.49 per ton in 1984, as a result of improved efficiencies.

During the year, management reviewed the mill's planning procedures with the objective of further reducing production costs and achieving a constant rate of production. As a result of a better understanding of the ore, the consumption of cyanide, lime and lead nitrates was reduced for a saving of close to $500,000.

Capital expenditures during the year amounted to $936,000. This included further progress toward converting the mill to 60 cycle power and completion and start-up of a new refinery.

Terrains Aurifères

A total of 642,000 tons of ore was milled at Terrains' Aurifères mill, compared with 579,000 in 1984.

The major ore source was the Bousquet underground and open pit operations. Some of the ore from Est-Malartic's 1-20 stope salvage project also was processed.

The actual cost of milling during 1985 declined by 12% to $11.28 per ton from $12.83 per ton in 1984, as a result of reduced maintenance costs and increased productivity. In addition, the mill adopted a new, more cost efficient method of damming the tailing area, where tailings rather than sand and gravel were used.

The mill's labour contract expired on November 15, 1985 and a new two-year collective agreement was ratified in December.

Milton Limestone

Sales of limestone aggregate by Milton Limestone continued to improve in 1985, as demand by the construction industry was strong. Demand exceeded Milton's production capacity in November and December.

In response to heavy demand, the division took measures to increase production. It operated the plant which produces crushed stone on a double shift basis for the full year, and hired an outside contractor to crush additional stone.

As a result of the sales increase, and firm prices, operating profits were $2.5 million on revenues of $5.9 million in 1985, compared with $2.1 million on revenues of $5 million in 1984.

Outlook

In 1986, it is expected that sales again will exceed one million tons. The major capital expenditure will be directed toward expanding reserves.

William Griffiths (left), Milton Limestone Division Manager and Michael Murdy, Plant Superintendent.

LAC Minerals Summary of Ore Reserves and Production

Ore Reserves		December 31, 1985 Tons (000's)	Ounces of gold per ton	December 31, 1984 Tons (000's)	Ounces of gold per ton
Page-Williams	Proven A Zone	**3,317**	**0.181**		
	Probable A Zone			4,100	0.180
	B Zone	**44,363**	**0.188**		
	C Zone	**4,296**	**0.116**		
	Possible B Zone			43,300	0.170
	C Zone (to 300 feet)			2,100	0.130
Macassa	Proven	**1,025**	**0.540**	1,067	0.525
	Probable	**277**	**0.460**	377	0.442
Doyon (1)	Proven				
	Open Pit	**1,339**	**0.140**	1,940	0.137
	Underground	**62**	**0.340**		
	Stockpile	**47**	**0.144**	22	0.145
	Probable Open Pit	**277**	**0.180**		
	Underground	**3,367**	**0.210**	2,895	0.184
Bousquet	Proven	**3,959**	**0.141**	4,637	0.140
	Probable	**713**	**0.160**	1,770	0.140
	Possible	**1,281**	**0.166**	1,153	0.170
Lake Shore	Proven				
	Crown Pillar			77	0.370
	Underground	**53**	**0.290**	312	0.360
	Probable Underground	**314**	**0.330**		

Production	1985 Tons milled (000's)	Ounces of gold produced	1984 Tons milled (000's)	Ounces of gold produced
Page-Williams Mine	**149**	**10,369**		
Macassa Mine	**119**	**54,390**	122	58,472
La Mine Doyon (2)	**618**	**84,404**	634	93,135
Mine de Bousquet	**702**	**99,057**	589	99,425
Lake Shore Mine	**54**	**16,067**	65	37,944
Est-Malartic Mine	**26**	**1,638**	147	10,595
	1,668	**265,925**	1,557	299,571

1) The Company's share of joint venture ore reserves.
2) The Company's joint venture interest net of royalty of 306 ounces of gold in 1985 (1984 – 322 ounces).

The Exploration Division maintains five regional offices located in Malartic, Quebec; Toronto and Kirkland Lake, Ontario; Vancouver, British Columbia; and Reno, Nevada in the United States.

LAC has a permanent exploration staff of 58 of which 31 are employed as geologists. Under the direction of Dennis G. Sheehan, Senior Vice President, LAC's Exploration Division in the past decade has been among the most successful in North America. Its successes can be attributed to its thoroughness of analysis, its experience at recognizing geological patterns, and its ability to act decisively.

During 1985, exploration was carried out in New Brunswick, Quebec, Ontario, British Columbia, the Western United States, Alaska, and Australia.

In addition to gold-oriented programs, significant new tin, platinum-palladium and diamond projects were commenced as part of LAC's strategy of looking for non-gold properties which potentially represent excellent economic deposits.

Exploration expenditures in 1985 totalled $12.4 million. In addition, a $2.2 million write-down of the investment in Great Whale Iron Mines Company Limited and a $3.5 million write-down of the Copper Giant property were taken. A budget of $12.0 million has been set for 1986 which includes $3.4 million on advanced exploration of the tin project in New Brunswick.

Planned expenditures elsewhere are heavily weighted towards drilling on many of the Company's exploration properties. These drillings should increase the probability for economic mineral discoveries.

Gold Projects

At White River, intensive long-term exploration continued on this 42-square-mile property located in the Hemlo area. Surface surveys and drilling are again planned during the current year to test gold and base metal targets on this high potential property. Zinc mineralization intersected during the 1984-85 winter drilling program will be followed up with additional drilling. However, no economic discoveries have been made to date.

On the Barraute property in Quebec, two small zones of gold mineralization were outlined by drilling in 1985. Overburden stripping, mapping, sampling and additional drilling will be carried out in 1986 to assess these zones. Possible reserves on the North and South zones include 342,000 tons grading 0.11 ounces of gold per ton and 555,000 tons grading 0.12 ounces of gold per ton, respectively. Mineralization is open to depth.

LAC continued its 50% participation in the Glengarry joint venture in Western Australia. During the year, the owners of the Horseshoe Lights Mine in the general area bought out the 25% interest of two minority partners in the project for $680,000 Australian. This new partner operates a producing gold mine in the area and represents a welcome addition to the joint venture. In 1986, exploration will concentrate on drilling to test anomalous targets located during 1985 exploration surveys.

Tin Project

In 1985, LAC acquired an option to earn a 50% interest in Billiton Metals' tin property in New Brunswick.

As project manager, LAC has begun drilling and developing an underground exploration ramp to evaluate drill indicated reserves of 6.5 million tons grading 0.79% tin established by earlier surface drilling by Billiton.

At year-end, 28% of the planned 3,937 foot ramp was completed and surface drilling in the area between the Fire Tower tungsten-molybdenum deposit and the North tin zone intersected new zones of tin mineralization. These new zones are significant, indicating other areas of potential tin mineralization in the area.

A $3.4 million exploration program for 1986 is planned. This includes detailed drilling, bulk sampling, metallurgical studies and pilot plant testing to provide additional information necessary for a feasibility study.

Platinum-Palladium

On September 11, 1985, LAC agreed to proceed with the acquisition of Anaconda Minerals Company's one-third interest in the Stillwater Mining Company, which owns a platinum-palladium property in Montana. The Stillwater Mining Company is a joint venture comprising three partners – Chevron U.S.A. Inc. as operator, Manville Products Corp. and LAC. LAC and Chevron together will spend about US $17 million to bring the mine into production at a rate of 500 tons of ore per day by 1987, and an additional US $23 million to double that production rate in 1991. Manville Products Corp. is awaiting court approval of its participation. In the interim Chevron and LAC will share costs equally.

Drilling to date has outlined reserves of approximately 400,000 tons of proven and probable ore with an average grade of 0.79 ounces of platinum-palladium per ton, and about 1.6 million tons of possible ore with an average grade of 0.93 ounces per ton. The ratio of platinum to palladium is estimated at 1:3. On this basis, the mine operating at a rate of 500 tons of ore per day is expected to produce 26,000 ounces of platinum and 78,000 ounces of palladium annually. The ore can be accessed by horizontal tunnels into the mountain side.

The project continues in a development phase, with work that precedes mill and surface construction. Diamond drilling, underground stope development and actual test mining are anticipated in 1986. The objective is to define, with predictability, the ore continuity and mining dilution, and to resolve the mining method and mining width. It is anticipated that a decision regarding full-scale production will be made in 1987.

If the property becomes a mine, it will be the only producing platinum-palladium property outside the Soviet Union and South Africa.

Platinum and palladium are used as catalysts in the production of many manufactured goods. They are used in most petroleum refining techniques and in the production of fertilizers. They also are used in the defense, transportation, communications and medical industries.

Diamond Projects

In 1985, LAC took over management of the Stateline diamond exploration joint venture from Superior Oil (now Mobil Corp.).

An initial 500 carat sample of diamonds recovered from this Colorado project proved to be uneconomic. At least three new high potential areas will be tested by trenching and bulk sampling in 1986.

Encouraging results were obtained in Northern Ontario with the discovery of kimberlite – a host rock for diamonds. Follow-up studies and drilling on this occurrence along with additional land acquisition in the area have been completed.

LAC Minerals
Current Exploration Projects

Location	Project	Mineral	LAC Interest (%)	Program
Canada				
New Brunswick	LAC-Billiton	Tin	50	Surface drilling, underground reserve evaluation
Quebec	Barraute	Gold	100	Overburden stripping, mapping, drilling
	Chicobi	Gold	51	Drilling
	Colonie	Gold	100	Mapping, drilling
	Est-Malartic	Gold	100	Drilling
	Ligneris	Gold	49	Drilling
	Marban	Gold	100	Drilling
	Powell Rouyn	Gold	100	Drilling
	Radium	Gold	100	Drilling
	Project 93599	Gold	100	Drilling
	Stoke	Gold, Base Metals	100	Mapping, geochemistry, geophysics
	Terrain Aurifères	Gold	100	Drilling
	Trecesson-Dalquier	Gold, Base Metals	100	Drilling
	Val D'or	Gold	100	Drilling
Ontario	White River	Gold, Base Metals	100	Mapping, geochemistry, drilling
	Uchi	Gold	100	Mapping, geochemistry, drilling
	Meunier	Gold, Base Metals	100	Geophysics, drilling
	McVittie	Gold, Base Metals	100	Mapping, geochemistry, drilling
	Northern Ontario	Diamonds	100	Mapping, geophysics, drilling
	Garrison	Gold, Base Metals	100	Compilation, geophysics, drilling
	General	Gold, Base Metals	100	Compilation, property re-evaluation and examination in Red Lake, Pickle Lake, Geraldton-Beardmore, Wawa, Hemlo and Southern Ontario areas
B.C.	Hank	Gold	100	Mapping, geophysics, road trenching
	Bob	Gold	100	Geophysics, road, drilling
	General	Precious Metals	100	Compilation, property examination, minor surface exploration on other LAC properties
U.S.A.				
Alaska	Niblack	Base, Precious Metals	51	Drilling
New Mexico	Ortiz	Gold	100	Geochemistry, mapping
Arizona	Big Bug	Precious, Base Metals	100	Surface surveys, drilling
	Victor/Swindler	Gold	100	Surface surveys, drilling
Nevada	Elizabeth	Gold	100	Surface surveys, drilling
	Jessop/Jackson	Gold	100	Surface surveys
Western U.S.	General	Precious Metals	100	Compilation, property examination, preliminary reconnaissance surveys
Colorado	Stateline	Diamonds	50	Surface surveys, bulk sampling of kimberlite host rock
Montana	Stillwater	Platinum-Palladium	33⅓	Underground development and ore reserve evaluation
Australia				
Western Australia	Glengarry	Precious Metals	50	Surface surveys, drilling

Background

Through a one-third working interest in a joint venture and through direct participation with other operating companies, LAC has interests in a number of oil and gas properties in Canada and the United States. Exploration and development on these properties have resulted in oil and natural gas production, reserves and landholdings in Alberta, British Columbia, Texas, Oklahoma, Montana, Louisiana, and North Dakota. In 1985, oil and gas produced 5% of LAC's revenues, and represented 7% of its assets.

Operating Results

Cash flow from operations in 1985 was $3 million from revenues of $6.6 million compared with a cash flow of $3.4 million from revenues of $6.9 million in 1984.

Properties in the United States contributed $1.9 million and properties in Canada contributed $1.1 million to the cash flow during 1985.

During each of the years ended December 31, 1985 and 1984, the capital expenditures on exploration and development were $6.2 million.

In late 1985, construction began on the McLeod River gas plant and gathering system located in central Alberta. The plant and gathering system will be owned one third by LAC and will cost the Company approximately $1.2 million.

The Company participated in drilling seven wells in Alberta of which one was an oil well, three were gas wells, two were dry holes and one was a suspended well.

The oil and gas properties in which the Company has interests were estimated by Coles Nikiforuk Pennell and Associates Ltd. as of December 31, 1985, and their estimate of the proven and probable net oil reserves is shown on the accompanying table. The increase in the oil and gas reserves from 1984 to 1985 is mainly due to additional drilling of Garrington, McBride and McLeod prospects.

Outlook

As a result of deregulation, spot and new contract prices of natural gas are expected to decline in Canada in 1986. To increase sales volumes, LAC in 1985 signed a long term reserves-based contract and two best efforts agreements.

Crude oil prices declined in 1985 as a result of deregulation and the collapse of cooperation between the OPEC nations. However, reduced prices have little impact on LAC's overall revenues because of the small percentage they represent.

Roy Smith (left), Manager of Exploration and Roger Ball, Manager of Administration, Oil and Gas Division.

Net Oil and Gas Reserves (net of royalties)

	Oil and Natural Gas Liquids (thousands of barrels)		Natural Gas (billions of cubic feet)	
	1985	1984	**1985**	1984
Canada				
Proved	**655.4**	607.8	**17.1**	16.3
Probable	**360.6**	283.2	**8.0**	6.3
	1,016.0	891.0	**25.1**	22.6
United States				
Proved	**80.4**	89.8	**2.7**	3.1
Probable	**70.6**	71.2	**1.1**	1.2
	151.0	161.0	**3.8**	4.3
Total Reserves	**1,167.0**	1,052.0	**28.9**	26.9

Oil and Gas Production

Canada	**33.6**	37.2	**0.9**	0.6
United States	**10.6**	14.0	**0.8**	0.7
Total Production	**44.2**	51.2	**1.7**	1.3

Management's Discussion of Operating Results

On July 29, 1985, Lac Minerals Ltd. amalgamated with three other companies to become LAC Minerals Ltd. The financial statements of the Company for 1984 and preceding years have been restated to reflect the amalgamation. Details of this amalgamation are found in note 1(a) of the notes to consolidated financial statements appearing on page 37.

The earnings of the Company have been derived largely from its gold mining operations and its revenues and earnings are therefore subject to fluctuations in the price of gold. The price of gold has fluctuated widely, particularly in recent years. The price of gold is affected by numerous factors, including anticipated changes in the rate of inflation, which are beyond the Company's control.

Review of Operations

1985 compared with 1984

Revenues of LAC declined 16% in 1985, to $142.4 million, from $169.8 million in 1984. The reasons for the decline were a lower realized average gold price and reduced gold production. LAC's average selling price for gold was $485 (US $359) per ounce, compared with $516 (US $402) per ounce in 1984. This compares with an average world price for gold of US $317 per ounce in 1985, and US $360 per ounce in 1984.

Total gold production, net of royalties, declined 11% to 265,925 ounces primarily because of reduced grades and throughput at La Mine Doyon, which had record levels in 1984, and at the Lake Shore Mine, where the crown pillar was largely depleted at year-end and secondary targets began to be mined.

Earnings in 1985 declined to $6.1 million or $0.23 per share before extraordinary items, from $31.8 million or $1.21 a share in 1984. After extraordinary items, earnings were $10.6 million or $0.39 per share.

The extraordinary items of $4.5 million resulted primarily from an out-of-court settlement on a mining investment previously written-off.

The decline in earnings was also affected by higher mineral exploration expenses, write-downs of mineral and oil and gas properties, and lower interest income.

Mining operating expenses increased by 6% to $78.1 million as a result of regular labour and material cost increases.

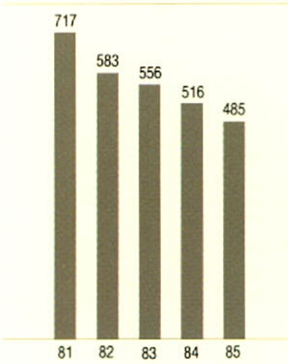
Mineral exploration costs experienced a large increase of $7.5 million to $18.1 million from $10.6 million. These exploration expenses increased primarily because of a $2.2 million write-down of LAC's investment in Great Whale Iron Mines Company Limited and a $3.5 million write-down of the Copper Giant property.

Oil and gas dry holes and abandonments increased substantially to $5.9 million in 1985 from $2.9 million in 1984 due to the write-down in the book value of various properties to meet an independent ceiling test appraisal.

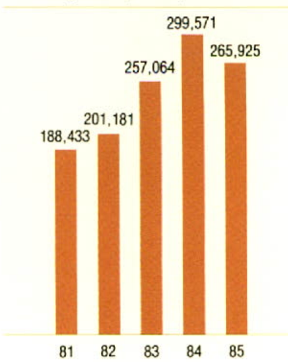
The after-tax effect of these write-downs included in exploration expenses and of oil and gas dry holes and abandonments was equivalent to $0.28 per share in 1985, compared with $0.05 per share in 1984.

Interest income declined by $4.8 million to $10.6 million, as the cash and short-term investments which had been built up in 1984 in anticipation of the planned heavy capital spending program were utilized on the following major projects: the completion of the first phase of the Page-Williams Mine at Hemlo; the new Macassa No. 3

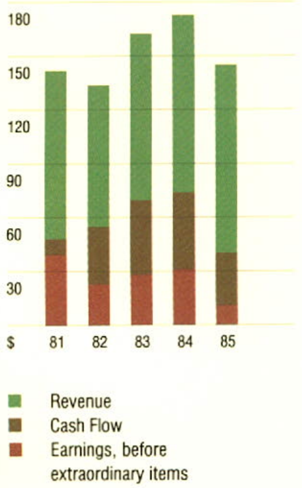
Average gold price realized per ounce (Cdn $)



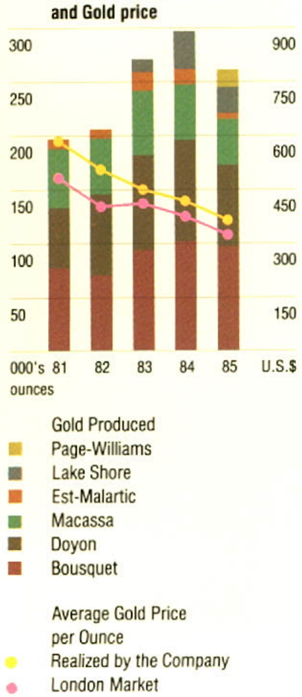
Gold produced, net of royalties (ounces)



Revenue, Cash Flow and Earnings, (millions of Can $)



Gold Production and Gold price



shaft; the underground development for La Mine Doyon; and the Stillwater Mining platinum-palladium project in Montana.

Contributing to earnings was a gain on foreign exchange of $3.2 million, resulting from the stronger United States dollar. This compares with a foreign exchange gain of $2.9 million in 1984.

Also contributing to earnings was a 21% decline in depreciation, depletion and amortization to $16.4 million due primarily to the amortization of the deferred preproduction costs of the Lake Shore crown pillar in 1984.

The Company's effective income and mining tax rate increased from 43% in 1984 to 69% in 1985 because the Canadian operations were profitable and losses of the wholly-owned United States subsidiary are not deductible for Canadian tax purposes.

The cash provided by operations for the year ended December 31, 1985 was $43.7 million or $1.61 per share, compared with $74.1 million or $2.82 per share.

1984 Compared with 1983

The earnings in 1984 were $31.8 million on revenues of $169.8 million, compared with earnings of $27.8 million on revenues of $157.4 million for 1983. The revenues in 1984 increased by $12.4 million, or 8%, over 1983 because of increased gold deliveries. Higher interest income from cash investments contributed to the earnings improvement.

During 1984, the Company delivered 297,789 ounces of gold, an increase of 42,790 ounces, or 17%, over 1983. The realized average price per ounce of gold delivered was $516, a decrease of $40, or 7%, from 1983. However, the lower gold price was offset by a more favourable United States currency exchange rate.

Mining operating expenses increased by $8 million to $73.8 million in 1984 reflecting the higher gold production.

Interest income increased to $15.4 million in 1984 from $4.4 million in 1983 which reflected the Company's investment of funds prior to their utilization in the Page-Williams Mine and other capital projects in 1984.

The interest expense in 1984 totalled $7.2 million compared with $0.9 million in 1983. The increase in 1984 was due to borrowings to finance development and capital projects, and payments of interest on mining tax reassessments in respect of prior years.

Liquidity and Capital Resources

1985 Compared with 1984

In October 1985, LAC issued 1.5 million common shares at a price of $33.75 per share. This issue netted the company $49.7 million and was used to finance property acquisitions and development, including the US $15 million acquisition of a one-third interest in the Stillwater Mining Company.

LAC ended 1985 in a strong financial position and with the liquidity it needs for its exploration and capital development program. In 1984, LAC had raised gross proceeds of $100.6 million through the sale of shares, debentures and gold purchase warrants, in anticipation of heavy development expenditures required in 1984 and 1985.

During 1985, exploration and development expenditures totalled $189 million, resulting in a decline in cash and short-term investments from an unusually high opening balance of $145.9 million, to $55.9 million at year-end. Even at the reduced level, cash and short-term investments represented a healthy 62% of current assets. The ratio of current assets to current liabilities was 2.0 to 1 at year-end 1985, compared with 3.9 to 1 the previous year. Working capital of $44.3 million was down from the high $129.1 million of 1984.

The existing cash and short-term investments and cash flow from operations are sufficient to meet the estimated capital, exploration, and development expenditures of $45 million during 1986.

Shareholders' equity increased to $280.8 million in 1985 from $227.2 million, which was the result of share issues to the public and of the employee share option plan, and a $2.3 million increase in retained earnings. The ratio of shareholders' equity to long-term debt at December 31, 1985 was 3.8 to 1, compared with 3.4 to 1 at December 31, 1984.

The Company has arranged operating lines of credit with certain Canadian chartered banks amounting to $56.5 million, or the equivalent amount in United States dollars, and an additional line of credit of US $2 million. No commitment fees are payable for these lines of credit, which were unused at December 31, 1985.

1984 Compared with 1983
Working capital increased by $57 million during 1984 to $129.1 million. This increase is directly attributable to the public issues done during 1984. Capital expenditures during 1984 were $91.3 million, of which $74.1 million were financed by cash flow from operations. The corresponding amounts for 1983 were $46.3 million and $68.3 million, respectively.

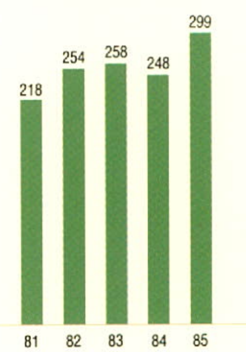
Cash and short-term investments of $145.9 million was 84% of current assets (37% of total assets) at the end of 1984. This reflects the public issue of shares, debentures and gold purchase warrants during 1984 for which the Company received gross proceeds of $100.6 million.

Gold and Foreign Exchange Transactions
LAC delivered 263,039 ounces of gold during 1985 at an average price of US $359 per ounce, compared with 297,789 ounces of gold at an average price of US $402 per ounce in 1984. The Company sells forward its future gold production and this policy in the past several years has resulted in prices higher than the market price.

In addition, LAC held United States dollars throughout 1985, converting portions of the proceeds from gold sales only when Canadian dollars were required to cover payables.

LAC has continued both policies during 1986. At February 26, 1986, the company had sold 536,000 ounces of gold for delivery from future production at prices averaging US $351 per ounce.

Mine cash operating cost per ounce of gold sold (Cdn $)



Consolidated Balance Sheets

(In thousands of Canadian dollars)

	As at December 31,	
Assets	**1985**	1984
Current Assets		
Cash and short-term investments	**$ 55,929**	$ 145,940
Bullion inventory	**13,126**	10,180
Accounts receivable	**7,159**	7,548
Income and mining taxes recoverable	**5,336**	
Supplies	**8,200**	5,962
Other	**974**	4,097
	90,724	173,727
Mining Interests (note 2)	**133,744**	91,684
Page-Williams Mine (note 14(c))	**194,077**	75,464
Oil and Gas Interests (note 2)	**31,264**	35,370
Deferred Financing Costs (net of accumulated amortization – $5,101,000; 1984 – $2,115,000)	**9,829**	12,814
Investments and Other Assets (note 3)	**4,121**	4,984
	$ 463,759	$ 394,043
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 31,476**	$ 28,369
Income and mining taxes payable		2,035
Long-term debt maturing within one year	**2,157**	1,420
Deferred revenue on gold purchase warrants (note 4)	**12,782**	12,782
	46,415	44,606
Long-Term Debt (note 6)	**74,718**	66,746
Deferred Taxes	**61,792**	55,533
Shareholders' Equity		
Capital Stock (note 7)		
Authorized – Unlimited preferred shares – issuable in series		
Unlimited common shares		
Issued – 28,230,752 common shares (1984 – 26,652,080) common shares	**162,248**	110,846
Retained Earnings	**118,586**	116,312
	280,834	227,158
	$ 463,759	$ 394,043

Commitments and Contingencies (note 14)

Approved by the Board

Director

Director

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Earnings and Retained Earnings

(In thousands of Canadian dollars except per share amounts)

	Year ended December 31,		
Consolidated Statements of Earnings	**1985**	1984	1983
Revenues			
Bullion	**$ 125,508**	$ 153,090	$ 142,199
Oil and gas	**6,558**	6,925	6,717
Other	**10,297**	9,768	8,460
	142,363	169,783	157,376
Expenses			
Operating			
Mining	**78,087**	73,781	65,825
Oil and gas	**2,863**	3,572	2,509
Other	**6,574**	6,976	4,557
	87,524	84,329	72,891
Corporate administrative	**7,866**	6,337	5,580
Depreciation, depletion and amortization	**16,366**	20,683	14,894
Mineral exploration	**18,087**	10,595	7,998
Oil and gas dry holes and abandonments written-off	**5,859**	2,849	4,104
Research and development	**401**	735	856
	136,103	125,528	106,323
Earnings from operations	**6,260**	44,255	51,053
Other income (expense)			
Interest income	**10,635**	15,435	4,412
Gain (loss) on sale of mining and oil and gas interests	**180**	(100)	(555)
Gain on foreign exchange	**3,219**	2,892	
Other income	**1,154**	650	232
Interest expense			
Long-term debt	**(291)**	(3,733)	(439)
Other	**(1,513)**	(3,428)	(453)
	13,384	11,716	3,197
Earnings before income and mining taxes and extraordinary items	**19,644**	55,971	54,250
Income and mining taxes (note 8)	**13,516**	24,180	26,548
Earnings before extraordinary items	**6,128**	31,791	27,702
Extraordinary items (note 9)	**4,501**		130
Earnings for the year	**$ 10,629**	$ 31,791	$ 27,832
Earnings per share (note 10)			
Before extraordinary items	**$ 0.23**	$ 1.21	$ 1.14
After extraordinary items	**$ 0.39**	$ 1.21	$ 1.15

Consolidated Statements of Retained Earnings			
Retained earnings, beginning of year	**$ 116,312**	$ 89,719	$ 65,967
Earnings for the year	**10,629**	31,791	27,832
	126,941	121,510	93,799
Dividends	**5,956**	4,505	2,316
Share issue expenses, net of deferred income taxes of $991,000 (1984 – $435,000; 1983 – $1,608,000)	**951**	693	1,764
Reorganization costs, net of current income taxes of $448,000 and deferred income taxes of $480,000	**1,448**		
	8,355	5,198	4,080
Retained earnings, end of year	**$ 118,586**	$ 116,312	$ 89,719

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Cash Resources

(In thousands of Canadian dollars)

	Year ended December 31,		
	1985	1984	1983
Cash provided by (used in) operations			
Earnings before extraordinary items	**$ 6,128**	$ 31,791	$ 27,702
Items not involving cash			
Depreciation, depletion and amortization	**16,366**	20,683	14,894
Amortization of deferred financing costs	**18**	1,327	
Deferred income and mining taxes	**9,600**	17,433	20,515
Dry holes and abandonments written-off	**5,859**	2,849	4,104
Loss on sale and write-off of mining and oil and gas interests	**5,539**	100	772
Gain on investments	**(273)**	(127)	(31)
Write-off of other assets			243
Reduction of income taxes as a result of the application of losses carried forward	**455**		130
	43,692	74,056	68,329
Change in non-cash working capital items			
Decrease (increase) in current assets			
Bullion inventory	**(2,946)**	(1,005)	(2,134)
Accounts receivable	**389**	(2,215)	(601)
Income and mining taxes recoverable	**(5,336)**		
Supplies	**(2,238)**	(1,263)	576
Other	**3,123**	(2,692)	(1,396)
Increase (decrease) in current liabilities			
Accounts payable and accrued liabilities	**3,107**	16,209	159
Income and mining taxes payable	**(2,035)**	1,705	(8,393)
Long-term debt maturing within one year	**737**	585	322
Deferred revenue on gold purchase warrants		12,782	
	38,493	98,162	56,862
Cash provided by (used in) financing			
Issue of 8% Debentures		66,070	
Capital leases	**7,320**	510	1,326
Repayment of capital leases	**(3,153)**	(1,519)	(1,045)
Deferred financing costs		(14,929)	
Common shares issued net of share issue expenses	**49,460**	34,482	61,140
Dividends	**(5,956)**	(4,505)	(2,316)
Repayment of term bank loans			(2,500)
	47,671	80,109	56,605
Cash used in capital expenditures			
Mining interests	**(170,684)**	(85,069)	(37,746)
Oil and gas interests	**(6,239)**	(6,227)	(8,588)
Other assets	**(2,347)**	(328)	(2,529)
Proceeds from dispositions	**977**	2,536	1,038
	(178,293)	(89,088)	(47,825)
Other			
Recovery from litigation	**4,046**		
Payment of mining tax assessments for prior years		(6,876)	
Purchase of shares in predecessor companies cancelled		(1,178)	(8,765)
Reorganization costs, net of income taxes	**(1,928)**		
	2,118	(8,054)	(8,765)
Increase (decrease) in cash and short-term investments	**(90,011)**	81,129	56,877
Cash and short-term investments, beginning of year	**145,940**	64,811	7,934
Cash and short-term investments, end of year	**$ 55,929**	$ 145,940	$ 64,811

The accompanying notes are an integral part of these financial statements.

Auditors' Report

To the Shareholders of
LAC Minerals Ltd.

We have examined the consolidated balance sheets of LAC Minerals Ltd. as at December 31, 1985 and 1984 and the consolidated statements of earnings, retained earnings and changes in cash resources for each of the years in the three year period ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1985 and 1984 and the results of its operations and the changes in its cash resources for each of the years in the three year period ended December 31, 1985 in accordance with accounting principles generally accepted in Canada applied on a consistent basis.

Thorne Riddell

Toronto, Canada
February 6, 1986
(February 26, 1986 as to note 14(a) and (b) and March 11, 1986 as to note 14(c))

Chartered Accountants

Comments on differences in Canadian-United States Reporting Standards

In the United States, reporting standards for auditors require the expression of an opinion qualified as being subject to the outcome of significant uncertainties affecting the consolidated financial statements such as those referred to in the accompanying consolidated balance sheet as at December 31, 1985 and as described in note 14(c) to the consolidated financial statements. The above opinion is expressed in accordance with Canadian standards and is not qualified with respect to, and provides no reference to, this uncertainty since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainty is adequately disclosed in the consolidated financial statements.

Thorne Riddell

Toronto, Canada
February 6, 1986
(February 26, 1986 as to note 14(a) and (b) and March 11, 1986 as to note 14(c))

Chartered Accountants

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

1. Significant Accounting Policies

LAC Minerals Ltd. (the "Company") was amalgamated under the Business Corporations Act, 1982 (Ontario). These consolidated financial statements are presented in accordance with accounting principles generally accepted in Canada and comply with United States disclosure requirements in all material respects. The Company's operations are organized into two classes of business, principally, mining and secondarily oil and gas.

(a) **Basis of Presentation**
The consolidated financial statements include the results of the Company and its subsidiary companies.

The Company was continued on July 29, 1985 as a result of an amalgamation of Lac Minerals Ltd., Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited and Wright-Hargreaves Mines, Limited (the "Amalgamating Corporations").

Pursuant to the terms of the amalgamation agreement all the issued and outstanding shares of each of the Amalgamating Corporations which were held by any of the other Amalgamating Corporations were cancelled without any repayment of capital in respect thereof and the remaining shareholders of each of the Amalgamating Corporations received common shares of the Company on the following basis:

For each share of	Number of common shares
Lac Minerals Ltd.	1
Little Long Lac Gold Mines Limited	2.377
Lake Shore Mines, Limited	2.871
Wright-Hargreaves Mines, Limited	0.498

This amalgamation has been accounted for as a pooling of interests because the Amalgamating Corporations were under common control. These consolidated financial statements present the combined financial position and results of operations as if the Amalgamating Corporations had always been combined.

The following is the summarized balance sheet of each of the Amalgamating Corporations and the amalgamation adjustments made as at December 31, 1984:

	Lac Minerals Ltd.	Little Long Lac Gold Mines Limited	Lake Shore Mines, Limited	Wright-Hargreaves Mines, Limited	Amalgamation adjustments	LAC Minerals Ltd.
Assets						
Current assets	$ 165,191	$ 1,450	$ 169,203	$ 3,103	$ (165,191) (i) (29) (ii)	$ 173,727
Investments and other assets	19,623	73,074	27,488	31,501	(146,702) (ii) and (iii)	4,984
Mining interests	89,289	8	91,076	1,432	(90,121) (i)	91,684
Page Williams Mine (note 14c)	75,464		75,464		(75,464) (i)	75,464
Oil and gas interests	35,370		35,370		(35,370) (i)	35,370
Deferred financing costs	12,814		12,814		(12,814) (i)	12,814
	$ 397,751	$ 74,532	$ 411,415	$ 36,036	$ (525,691)	$ 394,043
Liabilities						
Current liabilities	$ 45,047	$ 24	$ 44,469	$ 142	$ (45,047) (i) (29) (ii)	$ 44,606
Long-term debt	80,246		70,246		(70,246) (i) (13,500) (ii)	66,746
Deferred taxes	53,323		53,383	450	(53,323) (i) 1,700 (iv)	55,533
Minority interest			119,307		(119,307) (i)	
	178,616	24	287,405	592	(299,752)	166,885
Shareholders' equity	219,135	74,508	124,010	35,444	(225,939)	227,158
	$ 397,751	$ 74,532	$ 411,415	$ 36,036	$ (525,691)	$ 394,043

(i) To reflect the elimination of the accounts of Lac Minerals Ltd. which were consolidated with Lake Shore Mines, Limited.
(ii) To reflect the elimination of intercompany receivables and payables.
(iii) To eliminate the equity value, including each Amalgamating Corporation's pro rata interest in its own dividends paid to other Amalgamating Corporations and the cost of its investments in shares of other Amalgamating Corporations, as at December 31, 1984 arising from the intercompany investments in common shares occurring in prior years and to assign the excess of the purchase price over the interest in the underlying net book value acquired as at the date of acquisition to capital stock.
(iv) To adjust deferred taxes related to the restriction of certain deductions for income tax purposes.

The following is the earnings (loss) for each of the Amalgamating Corporations and the amalgamation adjustments made to reflect the amalgamation:

	1984	1983
Earnings of Lac Minerals Ltd. for the year as reported	$ 29,307	$ 27,969
Add (deduct) corporate earnings of Little Long Lac Gold Mines Limited		
Earnings for the year as reported	18,918	24,327
To eliminate equity in earnings of Amalgamating Corporations	(10,344)	(8,827)
To eliminate gain arising from issue of shares by Lac Minerals Ltd.	(2,749)	(4,514)
To eliminate equity in extraordinary items of Lake Shore Mines, Limited	(5,776)	(11,619)
	49	(633)
Lake Shore Mines, Limited		
Earnings for the year as reported	28,574	38,935
To eliminate post acquisition earnings of Lac Minerals Ltd. consolidated in Lake Shore Mines, Limited	(29,307)	(27,969)
To eliminate minority interest in Lac Minerals Ltd.	15,882	14,327
To eliminate equity in (earnings) loss of Amalgamating Corporations recorded by Lake Shore Mines, Limited	(99)	267
To eliminate gain arising on issue of shares of Lac Minerals Ltd.	(12,619)	(25,379)
To eliminate adjustments relating to elimination of intercompany transactions in consolidation	(256)	399
	2,175	580
Wright-Hargreaves Mines, Limited		
Earnings for the year as reported	7,429	10,350
To eliminate equity in earnings of Amalgamating Corporations	(3,698)	(3,753)
To eliminate gain arising on issue of shares by Lac Minerals Ltd.	(3,471)	(6,681)
	260	(84)
Earnings of LAC Minerals Ltd.	$ 31,791	$ 27,832

(b) **Revenue**
Bullion revenue is recognized when the bullion is delivered.

(c) **Bullion Inventory**
Inventory is 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) **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. Depreciation is not provided on major additions until the commencement of commercial production.

Mining properties are stated at cost. Exploration costs incurred to the date of establishing that a property has ore reserves which have the potential of being economically recoverable are charged against earnings; further costs are capitalized. Additional expenditures incurred to develop the mine and major development expenditures for producing mines are capitalized.

For all mines that are in production, the applicable cost of mining properties and related exploration and development costs deferred are depleted and amortized by the unit-of-production method based on proven ore reserves. For mineral deposits that are brought into production after January 1, 1986, the Company intends to deplete and amortize these costs on a unit-of-production method basis over the estimated economic life of the applicable mineral deposit.

The Company's 33⅓% interest in the Stillwater Mining Company is accounted for by the equity method. The excess of the cost of the partnership interest over the net book value of the assets acquired amounts to $9,942,000, and will be amortized on the unit-of-production method based on estimated reserves, when commercial production commences.

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.

(f) **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, the property is subsequently abandoned, or if an impairment of value is apparent, the related capitalized costs are charged to earnings.

Depletion of costs accumulated for producing properties is provided on a property by property basis using the unit-of-production method based on proven reserves.

(g) **Capitalization of Interest**
A portion of the interest cost, 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 Page-Williams Mine have been capitalized as construction in progress.

Effective January 1, 1986, commercial production at the Page-Williams Mine commenced and interest and associated costs will be charged to earnings.

(h) **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.

(i) **Income and Mining Taxes**
Income and mining taxes are recorded on the tax allocation basis whereby the amount expensed during the year is based on earnings that are recorded in the accounts. Deferred taxes arise as a result of recognizing costs in different periods for accounting and tax purposes.

(j) **Foreign Currency Translation**
The Company considers its foreign operations to be financially and operationally dependent (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 were 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 are included in earnings in the current year.

Subsequent to December 31, 1985, exchange gains and losses arising on the translation of long-term debt will be deferred and amortized on a straight-line basis over the remaining term to maturity.

2. Mining and Oil and Gas Interests		**1985**			1984	
	Cost	**Accumulated depreciation, depletion and amortization**	**Net**	Cost	Accumulated depreciation, depletion and amortization	Net
Mining Interests						
Plant and equipment	**$ 59,661**	**$ 33,022**	**$ 26,639**	$ 55,555	$ 26,139	$ 29,416
Equipment under capital leases	**8,732**	**281**	**8,451**	3,337	1,410	1,927
Mining properties	**15,376**	**10,234**	**5,142**	14,615	9,076	5,539
Deferred mine development	**48,016**	**27,639**	**20,377**	47,222	23,152	24,070
	131,785	**71,176**	**60,609**	120,729	59,777	60,952
Major development and construction in progress						
Macassa No. 3 shaft	**31,647**		**31,647**	21,983		21,983
La Mine Doyon underground	**13,100**		**13,100**	6,122		6,122
Lake Shore underground	**6,771**		**6,771**	2,627		2,627
	51,518		**51,518**	30,732		30,732
Partnership interest in Stillwater Mining Company	**21,617**		**21,617**			
	$ 204,920	**$ 71,176**	**$ 133,744**	$ 151,461	$ 59,777	$ 91,684
Oil and Gas Interests						
Gas gathering systems and processing plants	**$ 5,635**	**$ 1,212**	**$ 4,423**	$ 4,232	$ 756	$ 3,476
Petroleum and natural gas leases and rights including development thereon						
Producing	**33,038**	**14,348**	**18,690**	33,081	10,318	22,763
Non-producing	**8,151**		**8,151**	9,131		9,131
	$ 46,824	**$ 15,560**	**$ 31,264**	$ 46,444	$ 11,074	$ 35,370

3. Investments and Other Assets	1985	1984
Investments, at cost (quoted market value–$710,000; 1984–$823,000)	**$ 1,324**	$ 3,700
Deferred pension costs (net of accumulated amortization of $1,914,000; 1984–$1,163,000)	**319**	1,070
Other	**2,478**	214
	$ 4,121	$ 4,984

4. Deferred Revenue on Gold Purchase Warrants

During the year ended December 31, 1984, the Company issued 200,000 gold purchase warrants. Each warrant entitles the holder, at any time prior to April 15, 1989, 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 was based upon their fair market value at the date of issue. It 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 if the gold production from its mines during the twelve month period ending each month falls below 1.5 times the amount of gold necessary to honour the number of warrants then outstanding, the Company shall deposit an amount of gold such that the gold production for the previous twelve months together with the gold on deposit will equal 1.5 times the amount of gold necessary to honour the warrants outstanding. During the years ended December 31, 1985, and 1984, the Company was in compliance with this gold production ratio.

5. Lines of Credit

As at December 31, 1985, the Company had arranged lines of credit amounting to $56,500,000 (1984–$31,500,000), or the equivalent in U.S. dollars, and an additional line of U.S. $2,000,000. No commitment fees are payable. These lines of credit are unused.

6. Long-Term Debt	1985	1984
Long-term debt consists of		
8% Debentures due April 15, 1989 (U.S. $50,000,000)	**$ 69,875**	$ 66,070
Obligations under capital leases	**7,000**	2,096
	76,875	68,166
Less amount maturing within one year	**2,157**	1,420
	$ 74,718	$ 66,746

Obligations under capital leases

The Company has leased heavy mining equipment and mobile camp equipment. These leases, which are accounted for as capital leases, contain options to purchase which are exercisable at varying dates between 1986 and 1988. The obligations under such capital leases 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 9.75% to 12% (1984–11% to 19%). The following is a schedule by year of future minimum lease payments together with the balance of the obligations under capital leases.

	1985	1984
1985		$ 1,618
1986	**$ 2,727**	639
1987	**2,026**	
1988	**3,512**	
Total minimum lease payments	**8,265**	2,257
Less amount representing interest	**1,265**	161
	7,000	2,096
Less amount maturing within one year	**2,157**	1,420
Obligations included with long-term debt	**$ 4,843**	$ 676

Interest Expense

Interest and related expenses on long-term debt amounted to $291,000 in 1985 (1984–$3,733,000; 1983–$439,000). During 1985, $5,570,000 was capitalized (1984–$1,565,000; 1983–nil).

7. Capital Stock

(a) Changes in capital stock	1985 Shares	1985 Amount	1984 Shares	1984 Amount	1983 Shares	1983 Amount
Balance, beginning of year (Note 1(a))	**26,652,080**	**$ 110,846**	25,565,124	$ 77,945	23,464,709	$ 24,893
Public sale of shares	**1,500,000**	**50,625**	1,000,000	34,500	2,000,000	54,500
Exercise of stock options	**68,231**	**446**	163,256	1,111	220,628	711
Purchase of shares in predecessor companies cancelled			(76,300)	(2,710)	(587,510)	(8,832)
Issued to an employee	**10,000**	**306**				
Issued to acquire a royalty interest in the Page-Williams Mine					467,297	6,673
Cancellation due to amalgamation	**(3,747)**	**(128)**				
Issued to shareholders of predecessor companies	**4,188**	**153**				
Balance, end of year	**28,230,752**	**$ 162,248**	26,652,080	$ 110,846	25,565,124	$ 77,945

(b) LAC Employee Incentive Plan

During the year, the Company reserved 2,000,000 common shares (1984–937,700, share option plan only; 1983–737,700 share option plan only) for issuance under the LAC Employee Incentive Plan which consists of the Share Purchase Plan, the Share Option Plan and the Share Bonus Plan.

The Share Purchase Plan which commenced on January 1, 1986, calls for Company contributions of an amount equal to 50% of the employees' contributions, which can amount to a maximum of 5% of their basic annual salaries. The common shares will be issued on a quarterly basis having a value equal to the amounts contributed.

Details of the Share Option Plan are as follows:

	Share options			Average option price per share		
	1985	1984	1983	**1985**	1984	1983
Options outstanding, beginning of year	**193,941**	363,197	576,022	**$ 3.28**	$ 5.28	$ 2.99
Granted	**91,000**		37,000	**24.80**		26.92
Exercised	**(68,231)**	(163,256)	(220,628)	**6.54**	6.81	3.22
Cancelled or expired	**(6,000)**	(6,000)	(29,197)	**24.80**	28.71	2.99
Options outstanding, end of year	**210,710**	193,941	363,197	**$ 10.89**	$ 3.28	$ 5.28

As at December 31, 1985, options for 112,377 shares were available for future grants (1984–203,377 shares; 1983–3,377 shares).

Under the Share Bonus Plan, shares can be issued to full-time salaried employees as a bonus in recognition of services as determined by the employee compensation committee of the Board of Directors of the Company.

8. Income and Mining Taxes

	1985	1984	1983
The provisions for income and mining taxes are			
Current taxes			
Federal and provincial income	**$ 896**	$ 3,247	$ 9,530
Provincial mining	**3,020**	3,500	3,100
	3,916	6,747	12,630
Deferred taxes			
Federal and provincial income	**8,400**	14,483	10,918
Provincial mining	**1,200**	2,950	3,000
	9,600	17,433	13,918
Total	**$ 13,516**	$ 24,180	$ 26,548

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:

	1985	1984	1983
Depreciation, depletion and amortization	**$ 8,206**	$ 2,952	$ 1,306
Deferred development expenditures	**(4,495)**	4,401	5,651
Exploration expenditures	**5,624**	10,171	6,788
Other	**265**	(91)	173
Total	**$ 9,600**	$ 17,433	$ 13,918

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		
	1985	1984	1983
Combined Canadian federal and provincial statutory income tax rate	**46.0**	48.6	46.4
Deduct resource and depletion allowances	**21.3**	22.3	17.5
Adjusted income tax rate	**24.7**	26.3	28.9
Add mining tax rate	**18.9**	14.0	16.0
Applicable statutory income and mining tax rate	**43.6**	40.3	44.9
Adjust for permanent differences			
Disallowed expenses	**14.3**	2.1	1.9
Non-taxable income for mining tax purposes	**(7.5)**	(4.0)	(3.0)
Losses of subsidiaries not tax effected	**15.6**	4.3	1.9
Other	**2.8**	.5	3.2
Effective income and mining tax rate	**68.8**	43.2	48.9

The Company has $9, 568,000 (1984 – $3,032,000) in investment tax credits available which have not been reflected in the accounts.

9. Extraordinary Items	**1985**	1984	1983
Recovery from litigation	**$ 4,046**		
Reduction in current income taxes as a result of the application of losses carried forward	**455**		$ 130
	$ 4,501		$ 130

10. Earnings Per Share

Earnings per share are based on the weighted average number of shares outstanding during the year (1985 – 27,079,414 shares; 1984 – 26,246,648 shares; 1983 – 24,219,258 shares).

11. Joint Venture Agreement

The Company is in a joint venture with SOQUEM (La 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 50% proportionate interest in Doyon as follows:

	1985	1984
Assets	**$ 40,009**	$ 38,247
Liabilities	**3,227**	3,601
Equity and advances	**$ 36,782**	$ 34,646

	1985	1984	1983
Revenues	**$ 40,708**	$ 48,852	$ 44,250
Expenses	**26,234**	26,996	22,855
Earnings before income and mining taxes	**$ 14,474**	$ 21,856	$ 21,395

12. Segmented Data

				1985
	Mining	Oil and gas	Other	Total
Revenues				
Canada	$125,508	$ 3,860	$ 10,297	$139,665
U.S.A.		2,698		2,698
	125,508	6,558	10,297	142,363
Operating and administrative expenses	85,070	3,527	7,194	95,791
Depreciation, depletion and amortization	10,820	4,486	1,060	16,366
Mineral exploration and oil and gas dry holes and abandonments	18,087	5,859		23,946
	113,977	13,872	8,254	136,103
Earnings (loss) from operations				
Canada	17,549	(6,692)	2,043	12,900
U.S.A.	(6,018)	(622)		(6,640)
	$ 11,531	$ (7,314)	$ 2,043	$ 6,260
Identifiable assets				
Canada				
Operating	$ 65,358	$ 21,515	$ 9,278	$ 96,151
Undeveloped	256,576	8,137		264,713
	321,934	29,652	9,278	360,864
U.S.A.				
Operating		4,589		4,589
Undeveloped	21,263	14		21,277
	21,263	4,603		25,866
	$343,197	$ 34,255	$ 9,278	386,730
Corporate assets				77,029
				$463,759
Capital expenditures	$169,473	$ 6,239	$ 1,211	$176,923

13. Pension Plans

The Company has a number of pension plans covering substantially all employees.

Such pension plans include both defined contribution and defined benefit plans with the benefits of one defined benefit plan being guaranteed and purchased by an insurance company. Pension costs are calculated and funded based on actuarial estimates. As at December 31, 1985, there were no unfunded past service obligations.

Pension expense is as follows:	Amount
1985	$1,850
1984	$1,672
1983	$1,415

Amortization of past service costs with respect to certain defined benefit plans is computed over three years.

14. Commitments and Contingencies

(a) 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 settlements are made. At December 31, 1985, the Company agreed to sell 495,000 ounces of gold averaging U.S.$348 per ounce (1984 – 207,960 ounces averaging U.S. $366 per ounce). At February 26, 1986, the amount sold was 536,000 ounces of gold at prices averaging U.S. $351 per ounce.

(b) The Company has committed to sell U.S. currency at set dates and prices. These transactions are not reflected in the accounts until the settlement dates of the contracts. At December 31, 1985, the Company had agreed to sell a total of U.S.$74 million at various dates between January 31, 1986 and December 31, 1988 at exchange rates averaging 1.34 (1984 – $45 million at exchange rates averaging 1.28). At February 26, 1986, the Company had agreed to sell a total of U.S. $69 million at various dates between March 3, 1986 and December 31, 1988 at exchange rates averaging 1.34.

			1984				1983
Mining	Oil and gas	Other	Total	Mining	Oil and gas	Other	Total
$153,090	$ 3,845	$ 9,768	$166,703	$142,199	$ 3,204	$ 8,460	$153,863
	3,080		3,080		3,513		3,513
153,090	6,925	9,768	169,783	142,199	6,717	8,460	157,376
80,853	3,572	6,976	91,401	72,255	2,515	4,557	79,327
14,315	5,367	1,001	20,683	10,832	3,157	905	14,894
10,595	2,849		13,444	7,998	4,104		12,102
105,763	11,788	7,977	125,528	91,085	9,776	5,462	106,323
51,745	(3,656)	1,791	49,880	52,244	(272)	2,998	54,970
(4,418)	(1,207)		(5,625)	(1,130)	(2,787)		(3,917)
$ 47,327	$ (4,863)	$ 1,791	$ 44,255	$ 51,114	$ (3,059)	$ 2,998	$ 51,053
$ 74,154	$ 21,017	$ 7,410	$102,581	$ 77,517	$ 22,460	$ 6,883	$106,860
107,824	8,695		116,519	26,855	7,334		34,189
181,978	29,712	7,410	219,100	104,372	29,794	6,883	141,049
	6,384		6,384		8,828		8,828
966	436		1,402	160	1,278		1,438
966	6,820		7,786	160	10,106		10,266
$182,944	$ 36,532	$ 7,410	226,886	$104,532	$ 39,900	$ 6,883	151,315
			167,157				75,070
			$394,043				$226,385
$ 85,007	$ 6,227	$ 62	$ 91,296	$ 37,523	$ 8,588	$ 223	$ 46,334

(c) Judgment was rendered by the Supreme Court of Ontario on Friday, March 7, 1986 in the action brought against LAC by International Corona Resources Ltd. ("Corona") with respect to certain patented mining claims in the Hemlo area of Ontario owned by LAC now the location of the Page-Williams Mine.

The Court held that in acquiring the claims on which the mine is now located, LAC had breached a fiduciary duty it owed to Corona and had used confidential information it had acquired from Corona.

The Court ordered that the Page-Williams Mine be transferred by LAC to Corona upon payment by Corona to LAC of $153,978,000 plus interest on such amount from the date of the judgment until payment, together with all sums, other than royalties, paid by LAC to the vendor of the property. The Court also gave judgment in favour of Corona for the amount of profits, if any, obtained by LAC from the operation of the Page-Williams Mine from the date on which the production of gold commenced, and its cost of the action.

LAC has reviewed the judgment and completely disagrees with the findings and considers them to be contrary to the evidence at trial. It therefore has filed an appeal of the judgment to the Ontario Court of Appeal.

It is believed that the appeal could be heard as early as September, 1986.

Any adjustments arising from the resolution of this matter will be recorded in the year the case is finally determined.

15. Generally Accepted Accounting Principles in Canada and the United States

The Company follows Canadian accounting principles which are different in some respects from those applicable in the United States and from practices prescribed by the United States Securities and Exchange Commission. The effect on the consolidated financial statements of such differences is outlined below.

(a) Under United States accounting principles the amalgamation causing LAC Minerals Ltd. would be accounted for as a purchase with Lac Minerals Ltd., one of the Amalgamating Corporations, identified as the acquiring company. Because the fair values of the net assets of the acquired companies are not significantly different from their net book values the consolidated balance sheet under United States accounting principles would be substantially equivalent to that under Canadian accounting principles except that retained earnings would be equal to the retained earnings of Lac Minerals Ltd. adjusted for the elimination of the pro rata interest in dividends paid to Amalgamating Corporations. Also capital stock would reflect the value ascribed to shares issued by the Company at the date of acquisition. The Company's earnings prior to the date of acquisition would be equal to the earnings of Lac Minerals Ltd. and would exclude the earnings of each of the other Amalgamating Corporations. Accordingly, earnings for the year would be increased by $150,000 or $0.01 per share (1984 – reduced by $2,484,000 or $0.09 per share; 1983 – increased by $137,000 or $0.01 per share).

(b) Costs of the aforementioned amalgamation amounting to $1,448,000, net of income taxes of $928,000, have been accounted for under Canadian accounting principles as a reduction to retained earnings. Under United States accounting principles $1,326,000 being the direct costs of the purchase would be accounted for as other assets and would be amortized over a three-year period, and $122,000 being the direct costs of share registration would be accounted for as a reduction to capital stock. Earnings would be reduced by $258,000 or $0.01 per share.

(c) Foreign currency exchange losses from translation of long-term debt have been capitalized as construction in progress. United States accounting principles require that such amounts be charged to earnings. Earnings would be reduced by $3,994,000 or $0.15 per share (1984 – $547,000 or $0.02 per share; 1983 – nil).

(d) Debenture discount net of accumulated amortization amounting to $8,415,000 at December 31, 1985 (1984 – $10,971,000) has been accounted for as deferred financing costs. Under United States accounting principles such amounts would be reported in the consolidated balance sheet as a direct deduction from long-term debt.

(e) Share issue expenses, net of deferred income taxes, have been written-off to retained earnings. Under United States accounting practices such costs would be reported in the consolidated balance sheet as a reduction of capital stock.

(f) The amortization of past service pension costs with respect to certain defined benefit pension plans is computed over three years. Under United States accounting principles such amounts would be calculated over ten years. Earnings would be increased by $525,000 or $0.02 per share (1984 – $513,000 or $0.02 per share; 1983 – $300,000 or $0.01 per share).

(g) Under United States accounting principles the Company is required to account for investment tax credits on eligible expenditures as a reduction of mining and oil and gas interests. In Canada, such amounts are recorded only to the extent that there is reasonable assurance they will be realized. Accordingly, mining interests would be reduced by $9,568, 000 (1984 – $3,032,000). Earnings would be increased by $957,000 or $0.04 per share (1984 – $303,000 or $0.01 per share).

If the Company's consolidated financial statements had been presented on the basis of United States accounting principles earnings and earnings per share would have been

	1985	1984	1983
Earnings in accordance with accounting principles generally accepted in Canada	**$ 10,629**	$ 31,791	$ 27,832
Adjustment accounting for the amalgamation as a purchase	**150**	(2,484)	137
Amortization of amalgamation costs treated as other assets in the United States	**(258)**		
Foreign currency exchange losses on translation of 8% Debentures	**(3,994)**	(547)	
Amortization of past service pension costs	**525**	513	300
Amortization of investment tax credits	**957**	303	
Earnings in accordance with generally accepted accounting principles in the United States	**$ 8,009**	$ 29,576	$ 28,269
Earnings per share in accordance with generally accepted accounting principles in the United States			
Before extraordinary items	**$ 0.13**	$ 1.13	1.16
After extraordinary items	**$ 0.30**	$ 1.13	1.17

The cumulative effect of the application of the above noted United States accounting principles on retained earnings would be as follows:

	1985	1984	1983
Retained earnings in accordance with accounting principles generally accepted in Canada	**$ 118,586**	$116,312	$ 89,719
Adjustment accounting for the amalgamation as a purchase	**(38,678)**	(36,103)	(29,256)
Adjustments for costs of the amalgamation	**1,448**		
Amortization of amalgamation costs treated as other assets in the United States	**(258)**		
Foreign currency exchange losses on translation of 8% Debentures	**(4,541)**	(547)	
Share issue expenses	**3,408**	2,457	1,764
Amortization of past service pension costs	**1,338**	813	300
Amortization of investment tax credits	**1,260**	303	
Retained earnings in accordance with United States accounting principles	**$ 82,563**	$ 83,235	$ 62,527

The cumulative effect on capital stock would be as follows:

	1985	1984
Capital stock in accordance with Canadian accounting principles	**$162,248**	$ 110,846
Adjustment accounting for the amalgamation as a purchase	**38,678**	26,525
Share issue expenses	**(3,408)**	(2,457)
Adjustment for costs of amalgamation	**(122)**	
Capital stock in accordance with United States accounting principles	**$197,396**	$ 134,914

Six-Year Financial Review [1]

(unaudited)

	1985	1984	1983	1982	1981	1980
Operating Results (000's)						
Revenues	**$ 142,363**	169,783	157,376	130,666	139,084	73,427
Earnings before mining and income taxes	**$ 19,644**	55,971	54,250	44,287	90,769	27,968
Earnings before extraordinary items	**$ 6,128**	31,791	27,702	22,232	42,205	9,335
Earnings (loss) after extraordinary items	**$ 10,629**	31,791	27,832	22,832	42,637	(10,458)
Financial Position (000's)						
Total assets	**$ 463,759**	394,043	226,385	139,115	128,965	107,875
Working capital	**$ 44,309**	129,121	72,098	3,754	4,301	974
Long-term debt	**$ 74,718**	66,746	1,685	3,904		19,167
Cash flow from operations	**$ 43,692**	74,056	68,199	52,454	49,095	19,770
Capital expenditures	**$ 176,923**	91,296	46,334	54,419	35,474	25,452
Shareholders' equity	**$ 280,834**	227,158	167,664	91,537	72,779	47,803
Per Share Data						
Earnings (loss)						
Before extraordinary items	**$ 0.23**	1.21	1.14	0.98	1.87	0.41
After extraordinary items	**$ 0.39**	1.21	1.15	1.01	1.88	(0.46)
Shareholders' equity per share	**$ 9.95**	8.52	6.56	3.90	3.22	2.11
Dividends paid per share (2)	**$ 0.30**	0.33	0.33	0.48	0.47	0.04
Shareholders' Data						
Number of shares outstanding (000's)	**28,231**	26,652	25,565	23,465	22,602	22,655
Number of shareholders	**23,824**	20,800	21,100	22,060	30,800	32,400
Toronto Stock Exchange – High	**$ 40.00**	38.00	38.50	21.00	9.87	
($ per share) (3) – Low	**$ 24.00**	23.75	19.00	3.15	7.25	
– Close	**$ 36.50**	26.25	32.75	20.50	8.25	
Debt-equity ratio	**1 to 3.8**	1 to 3.4	1 to 99.5	1 to 23.5		1 to 2.5
Operating Statistical Data						
Tons of ore milled (000's)	**1,668**	1,557	1,419	1,027	909	629
Gold produced (ounces) (net of royalties)	**265,925**	299,571	257,064	201,181	188,433	144,454
Gold sold (ounces)	**263,039**	297,789	254,999	200,941	185,918	140,322
Average cash operating cost per ounce of gold sold	**Cdn $299**	248	258	254	218	223
Average gold price realized per ounce of gold sold	**Cdn $485**	516	556	583	717	508
Average gold price realized per ounce of gold sold	**US $ 359**	402	449	473	598	435

1) The Company was formed on July 29, 1985 as a result of an amalgamation of Lac Minerals Ltd., Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited, and Wright-Hargreaves Mines, Limited. The Six-Year Financial Review was presented above as if the amalgamation occurred on January 1, 1980.

2) The dividends per share are based on the outstanding number and of shares of the Company. Such dividends consist solely of dividends paid by LAC and Lac Minerals Ltd.

3) The share prices are those of LAC and Lac Minerals Ltd., LAC's significant predecessor.

Market for the Company's Common Shares and Related Shareholder Matters

The Company's common shares are listed on the Toronto, Montreal, Brussels, Antwerp and New York stock exchanges and La Bourse de Paris. The Toronto Stock Exchange and the New York Stock Exchange are the principal markets in Canada and the United States, respectively, on which such shares are traded. As of December 31, 1985, there were 23,824 holders of record of the Company's common shares. The following table sets forth the high and low prices of the common shares of Lac Minerals Ltd., the Company's significant predecessor, and the volume traded on The Toronto Stock Exchange from January 1, 1984 to July 29, 1985 and the high and low prices of the Company's common shares and the volume traded on The Toronto Stock Exchange since July 30, 1985.

Lac Minerals Ltd.

Period	High	Low	Share Volume
1984			
First Quarter	$ 28⅜	$ 24	1,332,400
Second Quarter	37⅜	30⅞	1,401,800
Third Quarter	33¾	23¾	1,511,500
Fourth Quarter	33¾	24	937,100
1985			
First Quarter	32½	24	1,347,800
April 1 to July 29, 1985	36½	26⅞	3,906,000
LAC			
July 30, 1985 to September 30, 1985	40	30⅞	4,923,571
Fourth Quarter	37¼	34⅜	2,814,325

The following table sets forth the high and low prices of the Company's common shares and the volume traded on the New York Stock Exchange since July 30, 1985, when the common shares began trading. There was no established public trading market for the common shares of Lac Minerals Ltd. in the United States.

Period	High	Low	Share Volume
July 30, 1985 to September 30, 1985	US $ 29⅜	US $ 22¾	2,424,500
Fourth Quarter	27	22⅞	2,153,600

The closing price on December 31, 1985 of the Company's common shares on The Toronto Stock Exchange was $35⅞ and on the New York Stock Exchange was US $25⅛.

In May 1985, Lac Minerals Ltd. declared a dividend totalling 30 cents per share in two equal instalments, which was paid by Lac Minerals Ltd. on June 3, 1985 and by LAC on December 6, 1985. In each of 1983 and 1984, Lac Minerals Ltd. paid dividends totalling 30 cents per share in two equal instalments.

The following table shows dividends paid by LAC and Lac Minerals Ltd.:

	1985	1984	1983	1982	1981
Dividends per share	$0.30	$0.33	$0.33	$0.48	$0.47

Dividends per share are based on the outstanding number of shares of the Company after giving effect to the Amalgamation and a previous reorganization.

The Company does not have a formal dividend policy but dividends will be declared and paid where, in the judgment of the Board of Directors, funds surplus to the Company's needs are available for distribution to shareholders.

Employee Relations

Location	Expiry date of agreement, if any	Number of hourly paid employees affected as at December 31, 1985
Bousquet	November 13, 1987	162
Doyon	November 30, 1986	183
Est-Malartic and Terrains Custom Mills	November 13, 1987	85
Lake Shore	July 4, 1988	41
Macassa	July 4, 1988	241
Milton Limestone	April 30, 1987	22
Milton Limestone Truckers	April 30, 1986	10
Page-Williams		132

The hourly employees at Milton were on strike from August 1 to August 30, 1985. In addition to the hourly paid employees, LAC had approximately 403 salaried employees at December 31, 1985.

Management believes that relations with its employees are satisfactory.

Supplemental Information (Unaudited)

(Tabular amounts in thousands of Canadian dollars except per share amounts)

Selected Quarterly Data

	Revenues	Earnings (loss) from operations	Earnings (loss)	Earnings (loss) per share
1985				
First Quarter	$ 39,982	$ 5,792[1]	$ 7,109	$ 0.27
Second Quarter	35,412	6,337	4,677	0.17
Third Quarter	34,445	(1,235)	4,086	0.15
Fourth Quarter	32,524	(4,634)	(5,243)	(0.20)
	$142,363	$ 6,260	$ 10,629	$ 0.39
1984				
First Quarter	$ 41,592	$ 14,400	$ 9,510	$ 0.37
Second Quarter	43,291	13,049	6,903	0.26
Third Quarter	41,647	10,592	9,403	0.36
Fourth Quarter	43,253	6,214	5,975	0.22
	$169,783	$ 44,255	$ 31,791	$ 1.21

[1] Restated in the third quarter of 1985 to reflect the reclassification of certain write-downs.

Disclosures About Oil and Gas Producing Activities

The following unaudited information about the Company's oil and gas producing activities has been prepared in accordance with the Statement of Financial Accounting Standards No. 69, Disclosures About Oil and Gas Producing Activities.

Oil and Gas Reserves

The following tables set forth the Company's proved and proved developed oil and gas reserves as at December 31, 1985, 1984 and 1983.

(a) Oil and Natural Gas Liquids (thousands of barrels)

	Canada	United States	Total
Proved Reserves, December 31, 1982	1,546.3	156.2	1,702.5
Revisions of previous estimates	(54.7)	(.8)	(55.5)
Extensions and discoveries	413.9		413.9
Production	(33.4)	(30.2)	(63.6)
Proved Reserves, December 31, 1983	1,872.1	125.2	1,997.3
Revisions of previous estimates	(1,253.5)	(36.6)	(1,290.1)
Extensions and discoveries	26.4	44.5	70.9
Sale of reserves		(29.3)	(29.3)
Production	(37.2)	(14.0)	(51.2)
Proved Reserves, December 31, 1984	607.8	89.8	697.6
Revisions of previous estimates	46.9	1.2	48.1
Extensions and discoveries	34.3		34.3
Production	(33.6)	(10.6)	(44.2)
Proved Reserves, December 31, 1985	655.4	80.4	735.8
Proved Developed Reserves			
December 31, 1983	1,128.0	125.2	1,253.2
December 31, 1984	298.0	89.8	387.8
December 31, 1985	328.4	80.4	408.8

(b) Natural Gas (billions of cubic feet)

	Canada	United States	Total
Proved Reserves, December 31, 1982	31.1	4.0	35.1
Revisions of previous estimates	(1.7)	.4	(1.3)
Extensions and discoveries	13.0		13.0
Production	(.5)	(.7)	(1.2)
Proved Reserves, December 31, 1983	41.9	3.7	45.6
Revisions of previous estimates	(25.3)	(.1)	(25.4)
Extensions and discoveries	.3	.2	.5
Production	(.6)	(.7)	(1.3)
Proved Reserves, December 31, 1984	16.3	3.1	19.4
Revisions of previous estimates	.7	.3	1.0
Extensions and discoveries	1.0	.1	1.1
Production	(.9)	(.8)	(1.7)
Proved Reserves, December 31, 1985	17.1	2.7	19.8
Proved Developed Reserves			
December 31, 1983	23.7	3.7	27.4
December 31, 1984	6.6	3.0	9.6
December 31, 1985	8.2	2.6	10.8

Total proved reserves means those reserves estimated as recoverable with reasonable certainty under current technology and existing economic conditions, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data.

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Costs Incurred in Oil and Gas Property Acquisition Exploration and Development Activities

	Canada	United States	Total
1985			
Property acquisition	$ 1,320	$ 13	$ 1,333
Exploration	2,339	43	2,382
Development	2,277	247	2,524
	$ 5,936	$ 303	$ 6,239
1984			
Property acquisition	$ 959	$ 92	$ 1,051
Exploration	2,247	390	2,637
Development	1,837	702	2,539
	$ 5,043	$ 1,184	$ 6,227
1983			
Property acquisition	$ 689		$ 689
Exploration	189	$ 165	354
Development	7,012	533	7,545
	$ 7,890	$ 698	$ 8,588

Results of Operations for Oil and Gas Producing Activities

	Canada	United States	Total
1985			
Oil and gas sales	$ 3,860	$ 2,698	$ 6,558
Production costs	(2,755)	(772)	(3,527)
Depletion, depreciation and amortization	(2,748)	(1,738)	(4,486)
Dry holes and abandonments	(5,049)	(810)	(5,859)
Loss from operations	(6,692)	(622)	(7,314)
Income taxes recovered	3,137		3,137
Results of operations from producing activities	$ (3,555)	$ (622)	$ (4,177)
1984			
Oil and gas sales	$ 3,845	$ 3,080	$ 6,925
Production costs	(2,566)	(1,006)	(3,572)
Depletion, depreciation and amortization	(2,710)	(2,657)	(5,367)
Dry holes and abandonments	(2,225)	(624)	(2,849)
Loss from operations	(3,656)	(1,207)	(4,863)
Income taxes recovered	1,230		1,230
Results of operations from producing activities	$ (2,426)	$ (1,207)	$ (3,633)
1983			
Oil and gas sales	$ 3,204	$ 3,513	$ 6,717
Production costs	(1,667)	(848)	(2,515)
Depletion, depreciation and amortization	(929)	(2,228)	(3,157)
Dry holes and abandonments	(880)	(3,224)	(4,104)
Loss from operations	(272)	(2,787)	(3,059)
Income taxes recovered	100		100
Results of operations from producing activities	$ (172)	$ (2,787)	$ (2,959)

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

(a) The following standardized measure of discounted future net cash flows relating to proved oil and gas reserves has been computed using year end prices and costs and year-end statutory tax rates. A mid-year discount factor of 10% has been applied in determining the standardized measure of discounted future net cash flows.

Future cash flows and future production and development costs have been based upon the estimates by independent petroleum consultants.

	Canada	United States	Total
1985			
Future cash flows	$ 67,377	$ 12,175	$ 79,552
Future production and development costs	(19,454)	(2,229)	(21,683)
Future income tax expense	(5,127)		(5,127)
	42,796	9,946	52,742
10% annual discount for timing of cash flows	(21,227)	(3,232)	(24,459)
Standardized measure of discounted future net cash flows	$ 21,569	$ 6,714	$ 28,283
1984			
Future cash flows	$ 73,285	$ 13,761	$ 87,046
Future production and development costs	(18,963)	(2,951)	(21,914)
Future income tax expense	(6,090)	(86)	(6,176)
	48,232	10,724	58,956
10% annual discount for timing of cash flows	(28,795)	(3,089)	(31,884)
Standardized measure of discounted future net cash flows	$ 19,437	$ 7,635	$ 27,072
1983			
Future cash flows	$191,201	$ 22,470	$213,671
Future production and development costs	(52,321)	(3,389)	(55,710)
Future income tax expense	(46,813)	(3,877)	(50,690)
	92,067	15,204	107,271
10% annual discount for timing of cash flows	(51,650)	(5,382)	(57,032)
Standardized measure of discounted future net cash flows	$ 40,417	$ 9,822	$ 50,239

(b) The following table sets out in aggregate the principal sources of change in the standardized measure of discounted future net cash flows for the periods indicated:

	1985	1984	1983
Sales of oil and gas net of production costs	$ (3,694)	$ (3,283)	$ (4,076)
Net changes in prices and future production and development costs	(1,246)	479	(16,466)
Extensions and discoveries	1,675	1,160	11,640
Sale of reserves		(741)	
Revisions of previous estimates	1,604	(42,293)	(2,079)
Accretion of discount	2,707	795	5,634
Net change in income taxes	165	20,716	(752)
Increase (decrease) during the year	1,211	(23,167)	(6,099)
Balance, beginning of year	27,072	50,239	56,338
Balance, end of year	$ 28,283	$ 27,072	$ 50,239

In 1984 poor reservoir performance in both Westward Ho and Scapa Fields in Alberta and Fields in Texas resulted in a reduction of calculated marketable reserves. The reserve values were further reduced due to a decrease in realized and projected gas prices.

Directors, Officers and Division Personnel

Directors

Peter A. Allen
President and
Chief Executive Officer
LAC Minerals Ltd.
Toronto, Ontario

John C.L. Allen
Retired Stockbroker
Toronto, Ontario

John A. Downing*
President, Sunburst Resources
Limited (resource company)
Calgary, Alberta

Paul Fortin
Associate, Boisvert, Fortin
& Surprenant (barristers
and solicitors)
Westmount, Quebec

Ian T.H. Hamilton
Senior Vice President and
General Counsel
LAC Minerals Ltd.
Toronto, Ontario

John E. Mockridge
Director, Loewen, Ondaatje,
McCutcheon & Company
Limited (investment dealers)
London, England

Harrison E. Rutetzki
Senior Vice President,
Operations, LAC Minerals Ltd.
Kirkland Lake, Ontario

Dennis G. Sheehan
Senior Vice President,
Exploration, LAC Minerals Ltd.
Toronto, Ontario

Richard P. Smith*
Corporate Counsel,
Interprovincial Pipeline Limited
(utility company)
Toronto, Ontario

Barton A. Thomson*
President, Barton A. Thomson
& Associates Ltd. (consulting
mining engineers)
Toronto, Ontario

*Members of Audit Committee

Officers

Peter A. Allen
President and
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,
Mine Development

Rolando C. Francisco
Vice President
and Treasurer

Hazel L. Rodrigues
Corporate Secretary

Division Personnel

J.F. Cook
General Manager

Bousquet Division
P. Bédard, Manager

Doyon Division
C. Mongeau,
Senior Mine Manager
Quebec Operations

Macassa Division
D. Bruce, Manager
Assistant General Manager
Eastern Ontario

Page-Williams Mine 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 and 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
Dr. R. Valliant, Manager

U.S. Operations
P. Kirwin, Manager

Group Executive Offices

Suite 2105, North Tower
Royal Bank Plaza
P.O. Box 156, Toronto
Ontario, Canada M5J 2J4
Tel: (416) 865-0722
Telex No. 06-22145
Telecopier No. (416) 865-9597

Transfer Agents

Canada Trust Company
Toronto, Winnipeg, Regina, Montreal, Calgary and Vancouver

Corporate Services Department
20 Eglinton Avenue West
Toronto, Ontario M4R 2E2

Corporate Services Department
433 Portage Avenue
Winnipeg, Manitoba
R3B 2E1

Corporate Services Department
1778 Scarth Street
Regina, Saskatchewan
S4P 2G1

Corporate Services Department
600 Dorchester Blvd. West
Montreal, Quebec H3B 1N6

Corporate Services Department
311 6th Avenue S.W.
Calgary, Alberta T2P 0R6

Corporate Services Department
701 West Georgia Street
P.O. Box 10152
Vancouver, British Columbia
V7Y 1E5

Canadian Imperial Bank of Commerce Trust Company
20 Exchange Place
New York, N.Y. 10005

Auditors

Thorne Riddell
Box 262
Toronto-Dominion Centre
Toronto, Ontario M5K 1J9

Stock Exchange Listings

The New York Stock Exchange
The Toronto Stock Exchange
The Montreal Exchange
La Bourse De Paris
Brussels Stock Exchange
Antwerp Stock Exchange

Division Offices

Page-Williams Mine Division
P.O. Box 500
Marathon, Ontario
P0T 2E0
Tel: (807) 238-1100
Telex No. 073-4500
Telecopier No.
(807) 238-1050

Bousquet Division
(La Mine de Bousquet)
P.O. Box 1180
Malartic, Quebec J0Y 1Z0
Tel: (819) 759-3631

Doyon Joint Venture Division
(La Mine Doyon Joint Venture)
P.O. Box 970
Rouyn, Quebec J9X 5C8
Tel: (819) 759-3611

Est-Malartic Division
P.O. Box 1150
Malartic, Quebec J0Y 1Z0
Tel: (819) 757-3691

Exploration Division
(Toronto Office)
146 Front Street
Suite 485
Toronto, Ontario M5J 2L7
Tel: (416) 598-2538

(Malartic Office)
P.O. Box 1090
Malartic, Quebec J0Y 1Z0
Tel: (819) 757-4371

(Vancouver Office)
Ste. 470,
1055 W. Hastings St.
Vancouver, British Columbia V6E 2E9
Tel: (604) 685-0531

(Kirkland Lake Office)
91 Duncan Ave. South
P.O. Box 1105
Kirkland Lake, Ontario
P2N 3L1
Tel: (705) 567-5656

(U.S. operations)
1475 Greg Street
Sparks, Nevada 89431
Tel: (702) 356-8058

Macassa Division
P.O. Box 550
Kirkland Lake, Ontario
P2N 3J7
Tel: (705) 567-5208

Milton Limestone Division
P.O. Box 7
Milton, Ontario L9T 2Y3
Tel: (416) 821-1117

Oil and Gas Division
400-708-11th Ave. S.W.
Calgary, Alberta T2R 0E4
Tel: (403) 237-7787

Terrains Aurifères Division
P.O. Box 1150
Malartic, Quebec J0Y 1Z0
Tel: (819) 759-3611

Lake Shore Mine Division
7 Al Wende Avenue
P.O. Box 730
Kirkland Lake, Ontario
P2N 3K1
Tel: (705) 567-4911
Telecopier No.
(705) 567-7326

Operations Management Office
6 Al Wende Avenue
P.O. Box 670
Kirkland Lake, Ontario
P2N 3K2
Tel: (705) 567-4911
Telecopier No.
(705) 567-7326

Annual Report on Form 10-K

A copy of the Company's 1985 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission may be obtained by the shareholders of the Company without charge upon written request to the Office of the Secretary, LAC Minerals Ltd., Royal Bank Plaza – North Tower, Suite 2105, Toronto, Canada M5J 2J4.

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LAC

3. The following is a complete list of Exhibits filed
or incorporated by reference as part of this report:

Exhibit Number	Description	Sequential Page Number
2.01	Amalgamation Agreement dated as of the 29th day of July, 1985 among Lac Minerals Ltd., Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited, Wright-Hargreaves Mines, Limited, 529068 Ontario Limited and 573776 Ontario Inc. (included in 3.01 below)	
2.02	Agreement, dated September 4, 1985, between Atlantic Richfield Company, acting through its Division, Anaconda Minerals Company and LAC Minerals Ltd. relating to the proposed acquisition of an interest in Stillwater Mining Company***	
2.03	Amendment, dated as of September 15, 1985, to the Exploration Development and Mining Agreement dated April 4, 1984, between The Superior Oil Company and Long Lac Mineral Exploration (Texas) Inc.***	
3.01	Articles of Amalgamation of LAC Minerals Ltd.**	
3.02	By-Laws of LAC Minerals Ltd. (including 3.01 above)	
4.01	Warrant Indenture made as of April 12, 1984, between Lac Minerals Ltd. and The Canada Trust Company*	
4.02	Trust Indenture dated as of April 12, 1984, between Lac Minerals Ltd. and Canada Permanent Trust Company*	
4.03	Gold Agreement dated as of April 12, 1984, between Lac Minerals Ltd. and The Bank of Nova Scotia and The Canada Trust Company*	
10.01	LAC Employee Incentive Plan*	
10.02	LAC Minerals Ltd. Geologists 1% Royalty Interest Plan*	
10.03	LAC Minerals Ltd. Executive Pension Plan*	
10.04	LAC Minerals Ltd. Life Insurance Plan*	
10.05	Mining lease No. 695 dated July 3, 1980, granted by the Province of Quebec to SOQUEM and Mines Silverstack Ltee*	
10.06	Mining lease No. 689 dated June 4, 1980, granted by the Province of Quebec to les mines d'or Thompson-Bousquet Ltee*	
10.07	Mining lease No. 698 dated June 4, 1980, granted by the Province of Quebec to Long Lac Mineral Exploration Limited with respect to the Thompson-Bousquet mine*	
10.08	Macassa Royalty Agreements*	
10.09	Further Royalty Agreements* – Lola Godfrey Williams dated August 25, 1981 – Homestake Mineral Development Company and Canadian Superior Exploration Limited dated August 15, 1979	
10.10	SOQUEM Joint Venture and Operating Agreement made as of January 1, 1979*	
10.11	Banking Documents – with the Canadian Imperial Bank of Commerce dated August 30, 1985 and July 2, 1985 for Canadian $50,000,000 and Canadian $3,000,000, respectively – with the Royal Bank of Canada dated August 14, 1985, for Canadian $5,000,000 and U.S.$150,000,000	

Exhibit Number	Description	Sequential Page Number
13.01	Annual Report to Shareholders. Such Annual Report is not deemed to be filed with the Commission as part of this Annual Report on Form 10-K, except for the portions thereof which are expressly incorporated by reference herein.	
22.01	Subsidiaries of the Registrant*	
24.01	Consent and report of Independent Chartered Accountants	
28.01	Notice of Appeal of Judgment filed with the Ontario Court of Appeal on March 11, 1986****	
28.02	Court order dated March 19, 1986 relating to operation of Page-Williams Mine	

(b) Reports on Form 8-K.
The Company did not file any Current Reports on Form 8-K during the last quarter of 1985.

*Previously filed with the Securities and Exchange Commission as part of the Registration Statement on Form S-14 of Lac Minerals Ltd., Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited and Wright-Hargreaves Mines, Limited (File No. 2-97884) and incorporated herein by reference.

**Previously filed with the Securities and Exchange Commission as part of the Registrant's Report on Form 10-Q for the three months ended June 30, 1985 (File No. 1-8936), and incorporated herein by reference.

***Previously filed with the Securities and Exchange Commission as part of the Company's Registration Statement on Form S-1 (File No. 2-99813) and incorporated herein by reference.

****Previously filed with the Securities and Exchange Commission as part of the Registrant's Current Report on Form 8-K dated March 13, 1986 and incorporated herein by reference.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAC Minerals Ltd.

March 27, 1986

By /s/ Peter A. Allen
Peter A. Allen
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Peter A. Allen (Peter A. Allen)	President, Chief Executive Officer and Director	March 27, 1986
/s/ D. Paul Moffat (D. Paul Moffat)	Senior Vice President, Finance (Principal Financial Officer)	March 27, 1986
/s/ Rolando C. Francisco (Rolando C. Francisco)	Vice President and Treasurer (Principal Accounting Officer)	March 27, 1986
/s/ John C. L. Allen (John C. L. Allen)	Director	March 27, 1986
/s/ John A. Downing (John A. Downing)	Director	March 27, 1986
/s/ John E. Mockridge (John E. Mockridge)	Director	March 27, 1986
/s/ Harrison E. Rutetzki (Harrison E. Rutetzki)	Senior Vice-President, Operations and Director	March 27, 1986
/s/ Dennis G. Sheehan (Dennis G. Sheehan)	Senior Vice-President, Exploration and Director	March 27, 1986
/s/ Richard P. Smith (Richard P. Smith)	Director	March 27, 1986
(Barton A. Thomson)	Director	
/s/ Paul Fortin (Paul Fortin)	Director	March 27, 1986
(Ian T. H. Hamilton)	Senior Vice President, General Counsel and Director	

Consent and Report of Independent Chartered Accountants

To LAC Minerals Ltd.

We consent to the incorporation of our report dated February 6, 1986 (February 26, 1986 as to Note 14(a) and (b), and March 11, 1986 as to Note 14(c)), included or incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statement (Commission File No. 33-2736) on Form S-8.

The examination referred to in the report mentioned above also included the related consolidated financial schedules for the three years ended December 31, 1985 listed in answer to Item 14 of the Form 10-K. In our opinion, these consolidated financial schedules present fairly the information required to be set forth therein.

Toronto, Canada	Thorne Riddell
March 27, 1986	Chartered Accountants

Property, Plant and Equipment

Schedule V

(in thousands of Canadian dollars)

	Balance at beginning of year	Additions at cost	Dispositions	Other	Balance at end of year
Year ended December 31, 1983					
Mining interests				(94)(a)	
Plant and equipment	$ 46,783	$ 6,065	$(1,656)	$ (59)(e)	$ 51,039
Equipment under capital leases	2,300	1,333			3,633
Mining properties	14,721		(249)	94(a)	14,566
Deferred mine development	36,897	9,518			46,415
Construction in progress					
Macassa No. 3 Shaft	5,171	7,337			12,508
	105,872	24,253	(1,905)	(59)	128,161
Page-Williams Mine	525	13,493			14,018
Oil and gas interests					
Gas gathering systems and processing plants	1,836	1,997			3,833
Producing properties	25,980	6,461		(20)(a)	32,421
				(4,104)(b)	
				20(a)	
Non-producing properties	12,520	130		46(b)	8,612
	40,336	8,588		(4,058)	44,866
	$ 146,733	$ 46,334	$(1,905)	$(4,117)	$187,405
Year ended December 31, 1984					
Mining interests				360(a)	
Plant and equipment	$ 51,039	$ 5,339	$(1,255)	$ 72(e)	$ 55,555
Equipment under capital leases	3,633			(296)(a)	3,337
Mining properties	14,566	113		(64)(a)	14,615
Deferred mine development	46,415	807			47,222
Construction in progress					
Macassa No. 3 Shaft	12,508	9,475			21,983
La Mine Doyon underground		6,846		(724)(d)	6,122
Lake Shore underground		2,627			2,627
	128,161	25,207	(1,255)	(652)	151,461
Page-Williams Mine	14,018	60,586		860(e)	75,464
Oil and gas interests					
Gas gathering systems and processing plants	3,833	399			4,232
Producing properties	32,421	2,460	(1,970)	170(e)	33,081
Non-producing properties	8,612	3,368		(2,849)(b)	9,131
	44,866	6,227	(1,970)	(2,679)	46,444
	$ 187,045	$ 92,020	$(3,225)	$(2,471)	$273,369

	Balance at beginning of year	Additions at cost	Dispositions	Other	Balance at end of year
Year ended December 31, 1985					
Mining interests					
Plant and equipment	$ 55,555	$ 2,293	$ (896)	$ 2,709(a)	$ 59,661
Equipment under capital leases	3,337	6,845		(1,450)(a)	8,732
Mining properties	14,615	724		(8)(f) 45(a)	15,376
Deferred mine development	47,222	4,329		(3,535)(f)	48,016
Construction in progress					
Macassa No. 3 Shaft	21,983	9,664			31,647
La Mine Doyon underground	6,122	8,568		25(a) (1,615)(d)	13,100
Lake Shore underground	2,627	4,144			6,771
Partnership interest in Stillwater Mining Company		21,617			21,617
	151,461	58,184	(896)	(3,829)	204,920
Page-Williams Mine	75,464	116,731		2,968(e) (593)(a) (4,487)(d) 3,994(g)	194,077
	75,464	116,731		1,882	194,077
Oil and gas interests					
Gas gathering systems and processing plants	4,232	1,403			5,635
Producing properties	33,081	1,413		(1,456)(a)	33,038
Non-producing properties	9,131	3,423		(5,859)(b) 1,456(a)	8,151
	46,444	6,239		(5,859)	46,824
	$ 273,369	$181,154	$ (896)	$(7,806)	$445,821

Notes to Schedule V
(a) Reclassification of certain account balances.
(b) Dry holes and abandonments.
(c) Amortization of deferred financing costs capitalized as mining interests.
(d) Preproduction revenues credited to mining interests.
(e) Sundry adjustments.
(f) Writedowns of certain properties.
(g) Loss on foreign exchange capitalized as mining interests.

Accumulated Depreciation, Depletion and Amortization

Schedule VI

(In thousands of Canadian dollars)

	Balance at beginning of year	Additions charged to costs and expenses	Dispositions	Other	Balance at end of year
Year ended December 31, 1983					
Mining interests					
Plant and equipment	$ 20,292	$ 2,536	$ (95)	$ (8)(b)	$22,725
Equipment under capital leases	220	635			855
Mining properties	6,116	1,774		95(b)	7,985
Deferred mine development	7,470	6,363		(1)(b)	13,832
	34,098	11,308	(95)	86	45,397
Oil and gas interests					
Gas gathering systems and processing plants	108	158			266
Producing properties	3,866	2,999		(92)(b)	6,773
	3,974	3,157		(92)	7,039
	$ 38,072	$14,465	$ (95)	$ (6)	$52,436
Year ended December 31, 1984					
Mining interests					
Plant and equipment	$ 22,725	$ 3,589	$ (293)	$ 118(a)	$26,139
Equipment under capital leases	855	673		(118)(a)	1,410
Mining properties	7,985	999		92(b)	9,076
Deferred mine development	13,832	9,319		1(b)	23,152
	45,397	14,580	(293)	93	59,777
Oil and gas interests					
Gas gathering systems and processing plants	266	490			756
Producing properties	6,773	4,877	(1,332)		10,318
	7,039	5,367	(1,332)		11,074
	$ 52,436	$19,947	$(1,625)	$ 93	$70,851
Year ended December 31, 1985					
Mining interests					
Plant and equipment	$ 26,139	$ 4,683	$ (656)	$ 2,856(a)	$33,022
Equipment under capital leases	1,410	617		(1,746)(a)	281
Mining properties	9,076	1,344		(186)(a)	10,234
Deferred mine development	23,152	4,487			27,639
	59,777	11,131	(656)	924	71,176
Oil and gas interests					
Gas gathering systems and processing plants	756	456			1,212
Producing properties	10,318	4,030			14,348
	11,074	4,486			15,560
	$ 70,851	$15,617	$ (656)	$ 924	$86,736

Notes to Schedule VI

(a) Reclassification of certain account balances.

(b) Sundry Adjustments.

Supplementary Income Statement Information

Schedule X

(In thousands of Canadian dollars)	Charged to cost and expenses		
Year ended December 31,	**1985**	1984	1983
Maintenance and repairs	**$15,370**	$13,731	$10,845
Amortization of deferred financing costs and other assets	**766**	1,991	429
Taxes other than payroll and income taxes	**1,876**	2,343	1,198

LAC Minerals Ltd.

Suite 2105, North Tower, Royal Bank Plaza
P.O. Box 156, Toronto, Canada M5J 2J4

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual and Special Meeting of Shareholders (the "Meeting") of LAC Minerals Ltd. (the "Corporation") will be held in Room 201 A-D, Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario, on Wednesday, May 7, 1986, at the hour of 9:30 o'clock in the forenoon (Toronto time), for the following purposes:

(i) To receive the consolidated statement of financial position of the Corporation as at December 31, 1985 and the consolidated statements of earnings, retained earnings and changes in financial position for the year ended December 31, 1985 together with the report of the auditors thereon;

(ii) To appoint auditors;

(iii) To authorize the directors to fix the remuneration of such auditors;

(iv) To consider and, if thought fit, to pass a special resolution fixing the number of directors at ten until the directors shall determine otherwise, determining the number of directors to be elected at the Meeting and authorizing the directors to determine from time to time the number of directors within the minimum and maximum numbers set forth in the articles of the Corporation;

(v) To elect three directors; and

(vi) To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

A copy of the financial statements to be submitted to the Meeting together with a management information circular and proxy statement with respect to matters to be dealt with at the Meeting are forwarded herewith. The full text of the resolution to be submitted to the Meeting with respect to the matter referred to in paragraph (iv) above is set forth in Schedule A to the management information circular and proxy statement.

DATED this 31st day of March, 1986.

By Order of the Board of Directors,

H. Rodrigues

H. L. Rodrigues
Secretary

Please note that a form of proxy for the use of shareholders is included with these documents. Shareholders who cannot be present at the Meeting are requested to sign and date the form of proxy and return it in the enclosed return envelope not later than the close of business on Monday, May 5, 1986.

LAC Minerals Ltd.

Suite 2105, North Tower, Royal Bank Plaza
P.O. Box 156, Toronto, Canada M5J 2J4

Management Information Circular and Proxy Statement

This management information circular and proxy statement (hereinafter called the "Circular") accompanies the Notice of the Annual and Special Meeting of Shareholders of LAC Minerals Ltd. (hereinafter called the "Corporation") to be held on May 7, 1986 (hereinafter called the "Meeting") and is furnished in connection with the solicitation by or on behalf of management of the Corporation of proxies for use at the Meeting. Except as otherwise stated, the information contained herein is given as of March 31, 1986. It is anticipated that copies of the Circular will be distributed to shareholders on or about April 7, 1986.

SOLICITATION OF PROXIES

The enclosed proxy is being solicited by or on behalf of the board of directors and management of the Corporation and the cost of such solicitation will be borne by the Corporation. The solicitation will be made primarily by mail, but regular employees of the Corporation may also solicit proxies by telephone or in person. Such employees will receive no additional compensasion for such services. In addition, the Corporation has retained The Proxy Solicitation Company Ltd. to assist in the solicitation of proxies in Canada for a fee of $9,600 and Georgeson and Company Inc. to assist in the solicitation of proxies in the United States for a fee of U.S. $10,000.

REVOCATION OF PROXIES

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 110(4) of the Business Corporations Act, 1982 (Ontario) sets out a procedure for revoking proxies by the deposit of an instrument in writing executed by the shareholder or by his attorney authorized in writing at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof or in any other manner permitted by law.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at March 31, 1986, the Corporation had outstanding 28,246,652 common shares without nominal or par value (hereinafter called "shares"), each carrying the right to one vote per share at the Meeting.

The Corporation has not fixed a record date for the purpose of determining shareholders entitled to receive notice of the Meeting. In accordance with the provisions of the Business Corporations Act, 1982 (Ontario) the Corporation will prepare a list of shareholders as at the close of business on the day immediately preceding the day on which notice of the Meeting is given. Each shareholder named in the list will be entitled to vote the shares shown opposite his name on the said list at the Meeting except to the extent that (a) the shareholder has transferred any of his shares after the date on which the list was prepared, and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns the shares and demands not later than 10 days before the Meeting that his name be included in the list before the Meeting, in which case the transferee is entitled to vote his shares at the Meeting.

To the knowledge of the directors and officers of the Corporation, no person beneficially owns, or exercises control or direction over, shares of the Corporation carrying more than 5 percent of the voting rights attached to all outstanding shares of the Corporation.

ELECTION OF DIRECTORS

The board of directors of the Corporation consists of a minimum of seven and a maximum of twenty-one directors. The articles of the Corporation provide that the board of directors is divided into three classes and the directors serve for staggered terms. It is proposed that a special resolution be passed, the text of which appears as Schedule A hereto, fixing the number of directors at ten until the directors determine otherwise, determining that the number of directors to be elected at the Meeting is three and empowering the directors to determine from time to time the number of directors within the minimum and maximum numbers and the number of directors to be elected at each annual meeting of shareholders. The special resolution is required to be passed by at least two-thirds of the votes cast at the Meeting.

The following table sets forth certain information concerning the present directors and executive officers of the Corporation, including those proposed as nominees for election as directors of the Corporation and for whom it is intended to vote the shares represented by the proxies solicited in respect of the Meeting, unless authority to do so is withheld. Messrs. Mockridge, Thomson and Fortin hold office for a term expiring at the Meeting (being the first annual meeting of shareholders of the Corporation since the issuance of a Certificate of Amalgamation to the Corporation on July 29, 1985), Messrs. John C. L. Allen, Downing and Hamilton hold office for a term expiring at the second annual meeting of shareholders of the Corporation and Messrs. Peter A. Allen, Rutetzki, Sheehan and Smith hold office for a term expiring at the third annual meeting of shareholders of the Corporation, in each case until their respective successors are duly elected or appointed. Commencing with the Meeting, one class of directors will be elected each year for a three-year term. Accordingly, if elected, Messrs. Fortin, Mockridge and Thomson will hold office for a term expiring at the annual meeting of shareholders to be held in 1989.

In the event that prior to the Meeting any vacancies occur in the nominees proposed for election at the Meeting, it is intended that discretionary authority shall be granted to vote proxies solicited for or on behalf of the management for the election of any person or persons as directors. The management is not presently aware that any of such nominees would be unwilling to serve as a director, if elected.

In the following table, reference to the Corporation means Little Long Lac Gold Mines Limited until June 1, 1982, Long Lac Minerals Ltd. (No Personal Liability) from June 1, 1982 until December 31, 1982, Lac Minerals Ltd. from January 1, 1983 to July 29, 1985 and the Corporation thereafter.

Name and age	Position with the Corporation	Principal Occupation During Past Five Years
PETER ACKERMAN ALLEN (46) Toronto, Ontario	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation.
JOHN CHARLES LEIGHTON ALLEN (75) Toronto, Ontario	Director	Retired. Prior to March 31, 1985, President of John C. L. Allen Limited (investment dealer).
JOHN ARTHUR DOWNING (70) Calgary, Alberta	Director	President of Sunburst Resources Ltd. (resource company).
*PAUL FORTIN (48) Westmount, Quebec	Director	Partner, Boisvert, Fortin, Surprenant (barristers and solicitors). Prior to April 15, 1985, Associate of Stikeman, Elliott (barristers and solicitors).
IAN THOMAS HOGG HAMILTON (46) Toronto, Ontario	Senior Vice President, General Counsel and Director	Senior Vice President and General Counsel of the Corporation. Prior to March 1984, Vice President and General Counsel of the Corporation.
*JOHN EWART MOCKRIDGE (47) London, England	Director	Director, Loewen, Ondaatje & Co. (U.K.) Ltd. (investment dealer). Prior to November 1985, Vice President and director of Midland Doherty Limited (investment dealer).
HARRISON EDWARD RUTETZKI (57) Kirkland Lake, Ontario	Senior Vice President, Operations and Director	Senior Vice President, Operations of the Corporation. Prior to May 1983, Vice President, Operations of the Corporation. Prior to November 1981, General Manager of Willroy Mines Limited and other predecessors of the Corporation.
DENNIS GERALD SHEEHAN (50) Mississauga, Ontario	Senior Vice President, Exploration and Director	Senior Vice President, Exploration of the Corporation. Prior to January 1983, Vice President, Exploration of the Corporation.
RICHARD PRICE SMITH(47) Toronto, Ontario	Director	Barrister and solicitor with Interprovincial Pipe Line Limited (utility).

* Nominee for election as a director at the Meeting.

Name and age	Position with the Corporation	Principal Occupation During Past Five Years
*BARTON ARTHUR THOMSON (55) Toronto, Ontario	Director	President of Barton A. Thomson & Associates, Ltd. (consulting mining engineer). Prior to November 1981, Senior Vice President, Production, Texasgulf Metals Company (mining company) and General Manager of its Kidd Creek Complex.
DONALD PAUL MOFFAT (47) Toronto, Ontario	Senior Vice President, Finance	Senior Vice President, Finance of the Corporation since January 1985. Prior thereto, Senior Financial Officer and a Partner of Bregman & Hamann, Architects & Engineers.
JAMES MACINTOSH GIBBS (51) Toronto, Ontario	Vice President, Mine Development	Vice President, Mine Development of the Corporation since January 1986. Prior to January 1986, Vice President, Hemlo Development of the Corporation. Prior to August 1983, independent consultant. Prior to July 1982, Manager, Mineral Production, Minerals Group, Shell Canada Resources Ltd.
ROLANDO CRUZ FRANCISCO (35) Toronto, Ontario	Vice President and Treasurer	Vice-President and Treasurer of the Corporation. Prior to October 1985, Treasurer of the Corporation. Prior to January 1982, Controller of the Corporation.
JOHN FRANCIS COOK (46) Kirkland Lake, Ontario	General Manager	General Manager of the Corporation. Prior to September 1984 Senior Project Manager of the Corporation. Prior to May 1983, Partner, Golder Associates (mine engineering consulting firm).

*Nominee for election as a director at the meeting

John C. L. Allen is Peter A. Allen's father. Each of the directors of the Corporation is paid directors' fees of $8,500 per annum, plus expenses incurred to attend meetings of the board of directors. Since July 29, 1985, the date of issuance of a Certificate of Amalgamation to the Corporation, the board has held 12 meetings. All directors attended 75% or more of such meetings and meetings of committees of the board on which such directors respectively serve held during the period for which they were directors except Robert C. Stanley, Jr.

Messrs. Downing, Smith and Thomson comprise the Corporation's audit committee. Under the Business Corporations Act, 1982 (Ontario), the audit committee must review the financial statements of the Corporation and report thereon to the board of directors before such financial statements are approved by the board. The audit committee has met three times since July 29, 1985, the date of issuance of a Certificate of Amalgamation to the Corporation, and all members thereof attended such meetings. Audit committee members are paid their expenses incurred to attend committee meetings.

Messrs. Fortin, Mockridge and Smith comprise the Corporation's compensation committee and its employee incentive plan committee. The compensation committee determines the compensation levels for all salaried employees and the employee incentive plan committee administers the LAC Employee Incentive Plan described below. Neither committee has met since July 29, 1985, the date of issuance of a Certificate of Amalgamation to the Corporation.

The board of directors of the Corporation does not have a nominating committee.

Officers are appointed annually by the board of directors.

All of the nominees listed above, other than Mr. Hamilton, have held office as directors of the Corporation since July 29, 1985, the date of the issuance of a Certificate of Amalgamation to the Corporation. Mr. Hamilton was appointed a director of the Corporation on February 26, 1986 to fill the vacancy caused by the death of Robert C. Stanley, Jr. in December 1985.

COMPENSATION OF EXECUTIVE OFFICERS

Executive Compensation

The following table sets forth information concerning the compensation of (1) each of the five most highly compensated executive officers of the Company and (2) all executive officers of the Company as a group, in each case for services in all capacities to the Company and its subsidiaries during the fiscal year ended December 31, 1985.

Name of Individual and Capacities in which Compensation Received	Cash Compensation	Other Compensation(1)
Peter A. Allen, President Chief Executive Officer and Director	$ 223,056	$ 2,529
Dennis G. Sheehan, Senior Vice President, Exploration and Director	159,172	8,140
Harrison E. Rutetzki, Senior Vice President, Operations and Director	149,295	6,028
Ian T. H. Hamilton, Senior Vice President, General Counsel and Director	169,684	8,246
J. MacIntosh Gibbs, Vice President, Mine Development	224,375	6,740
Total of the above	$ 925,582	$31,683
All executive officers as a group (eight including those named above)	$1,233,100	$53,033

NOTE:

(1) Includes taxable benefits required to be reported as income under the Income Tax Act (Canada) and which are not included under "Cash Compensation".

LAC Employee Incentive Plan

In July 1985, the board of directors and the shareholders of the Corporation approved an incentive plan known as the LAC Employee Incentive Plan (the "Plan"). Such Plan consists of an Employee Share Purchase Plan, an Employee Share Option Plan and an Employee Share Bonus Plan for the benefit of designated employees of the Corporation, including officers thereof, whether or not directors. The purpose of the LAC Employee Incentive Plan is to encourage equity participation in the Corporation by its full time employees and consultants through the acquisition of common shares of the Corporation. The Plan is administered by an employee incentive plan committee (the "Employee Incentive Plan Committee") of the board of directors of the Corporation which is composed entirely of directors who are not eligible to participate in the Plan. The Employee Incentive Plan Committee consists of Messrs. Fortin, Mockridge and Smith.

The number of common shares to be made available for the Share Purchase Plan, the Share Option Plan and the Share Bonus Plan, individually and collectively, is determined from time to time by the Employee Incentive Plan Committee but shall not exceed 10% of the total number of issued and outstanding LAC common shares on December 31 of the immediately preceding year or that number of LAC common shares permitted under the rules of any regulatory authority having jurisdiction over the securities of LAC, whichever is the lesser. As of March 31, 1986, an aggregate of 2,000,000 common shares were allocated for issuance under the Share Purchase Plan, the Share Option Plan and the Share Bonus Plan.

Share Purchase Plan

The Share Purchase Plan is designed to encourage and assist full-time employees of the Corporation to purchase common shares of the Corporation on a regular basis. Full-time employees of the Corporation who have been continuously employed by the Corporation or by the Corporation and one of its predecessor corporations, in each case, for at least one year (or less, at the option of the Employee Incentive Plan Committee) are eligible each January 1 to participate in the Share Purchase Plan. Each eligible employee may contribute up to 5% of his basic annual salary to the Share Purchase Plan through monthly deductions. On a quarterly basis, the Corporation will contribute an amount equal to 50% of the employee's contributions to such date and each participating employee will then be issued common shares having a value equal to the amounts contributed by such employee and the Corporation. It is estimated that approximately 1,000 persons are entitled to participate in the Share Purchase Plan.

Share Option Plan

The Share Option Plan is intended to promote the interests of the Corporation and its shareholders by making provision for stock options as an additional incentive to attract, retain and motivate full-time officers, salaried employees and consultants retained for a period in excess of two years, who will make important contributions to the success of the Corporation. The Employee Incentive Plan Committee may, in its discretion, determine which officers, employees or consultants will be granted options, the number of common shares to be the subject of each option, the purchase price of such shares and the duration of the option, which may not exceed five years provided that the same is permitted by all relevant regulatory authorities. The Employee Incentive Plan Committee may also impose other terms and conditions respecting any option granted as it may consider appropriate or necessary. It is estimated that approximately 385 persons are eligible to participate in the Share Option Plan.

Share Bonus Plan

The Share Bonus Plan is also intended to promote the interests of the Corporation and its shareholders by permitting the Employee Incentive Plan Committee, in its discretion, to issue common shares to full-time salaried employees of the Corporation as a bonus in recognition of services provided to the Corporation or one of its predecessor corporations by such employees. The issuance of common shares of the Corporation to such employees may be subject to such terms and conditions as are determined by the Employee Incentive Plan Committee. It is estimated that approximately 385 persons are eligible to participate in the Share Bonus Plan.

Outstanding Stock Options

In January 1982 the board of directors of Long Lac Minerals Ltd. (No Personal Liability) approved the terms of a stock option plan for key employees (the "Lac Minerals Plan"). On the amalgamation of such company and certain other companies in December 1982, such Plan was adopted by the amalgamated corporation, Lac Minerals Ltd. In January 1982 the board of directors of Little Long Lac approved the terms of a stock option plan for key employees (the "Little Long Lac Plan"). At the time of the amalgamation of Lac Minerals Ltd., Little Long Lac Gold Mines Limited and certain other corporations to form the Corporation on July 29, 1985 (the "Amalgamation"), such options became obligations of the Corporation, with appropriate adjustments to reflect the terms of such amalgamation.

As of March 31, 1986, options with respect to 194,810 common shares were outstanding with an average exercise price of $11.45 per share and expiry dates ranging from June 28, 1987 to March 7, 1988. Such options are held by 20 employees and all of such options were granted under the Lac Minerals and Little Long Lac Plans. An aggregate of 415,700 common shares of Lac Minerals Ltd. or its predecessors, 64,500 common shares of Little Long Lac Gold Mines Limited and 38,800 common shares of the Corporation have been issued in connection with the exercise of options since the inception of the Plans. Options with respect to 91,000 common shares of Lac Minerals Ltd. were granted on January 16, 1985.

The following table sets forth certain information pertaining to (i) options granted under the Lac Minerals Plan to the executive officers named in the Cash Compensation Table under "Compensation of Executive Officers" and to all executive officers as a group during the period from January 1, 1985 to the Amalgamation on July 29, 1985 and (ii) options exercised under the Lac Minerals Plan, the Little Long Lac Plan and the LAC Employee Incentive Plan by the executive officers named in the Cash Compensation Table and all executive officers as a group during the period from January 1, 1985 to December 31, 1985. Information with respect to options exercised under the Little Long Lac Plan has been adjusted to give effect to the terms of the Amalgamation. No options were granted under the Little Long Lac Plan from January 1, 1985 until the Amalgamation on July 29, 1985. No options have been granted under the LAC Employee Incentive Plan since the Amalgamation on July 29, 1985.

	P. A. Allen	D. G. Sheehan	H. E. Rutetzki	I. T. H. Hamilton	J. M. Gibbs	All Executive Officers as a Group
Options Granted						
January 1, 1985 to July 29, 1985						
Number of shares (1)	—	—	—	—	15,000	42,000
Options Exercised						
January 1, 1985 to December 31, 1985						
Number of Shares	—	—	11,131	—	—	19,431
Average Exercise Price	—	—	$ 3.014	—	—	$10.858
Net Value (market value less option price)	—	—	$342,000	—	—	$455,689

(1) These options were granted on January 16, 1985 and expire on January 15, 1988 and are exercisable at a subscription price of $24.80.

Pension Plan

The Corporation has a pension plan for executives. The Corporation will make all contributions to the plan and employees will receive at normal retirement age (age 65) 2% of average earnings during the best three consecutive years for each year of pensionable service not exceeding 35 years, to a maximum of $1,715 for each year of pensionable service. The plan vests after five years of service and early retirement is permitted after age 55, subject to reductions. At December 31, 1985, there were eight members in this plan. This plan has been fully funded by the Corporation.

As of December 31, 1985, each of the following individuals named in the Cash Compensation Table under "Compensation of Executive Officers" was a participant in both the pension plan for executive officers and life insurance plan and was credited with years of service and vested interest in the pension plan as set forth in the following table:

Name	1985 compensation upon which pension plan is based	Qualifying number of years of service	Vested interest at December 31, 1985: Which would provide the following monthly pension payable at age 65 for life(1)	Vested interest at December 31, 1985: Fully funded liabilities(2)
Peter A. Allen	$209,920	18	$2,573/month	$138,936
Dennis G. Sheehan	147,195	17	2,489/month	168,966
Harrison E. Rutetzki	140,795	24	3,573/month	397,190
Ian T. H. Hamilton	118,525	15	2,179/month	117,710
J. MacIntosh Gibbs	124,375	2	333/month	25,316
All executive officers as a a group (seven including those named above)				$886,928

(1) Total accumulated monthly pension payable at age 65. These monthly pension amounts shall continue to be payable while either the annuitant or his spouse, if any, lives and shall cease upon the death of the last survivor of the annuitant and his spouse.

(2) The fully funded liability is based upon the assumption that at retirement the spouse is not more than five years younger than the annuitant.

The estimated annual benefits payable upon retirement at various salary levels are set forth in the following table:

Remuneration	Estimated Annual Benefits Payable Upon Retirement — Years of Service: 10	15	20	25	30	35
$100,000	$17,150	$25,725	$34,300	$42,875	$51,450	$60,025
125,000	17,150	25,725	34,300	42,875	51,450	60,025
150,000	17,150	25,725	34,300	42,875	51,450	60,025

NOTE:

The estimated annual benefits are the maximum registered pension benefits available in accordance with guidelines issued by the Department of National Revenue in effect as at December 31, 1985.

Life Insurance and Health Benefit Program

The Corporation maintains a life insurance and health benefit program for executives. Under the program members are entitled to the following benefits: life insurance equal to 600% of basic annual earnings to a maximum of $500,000; accidential death and dismemberment insurance equal to 600% of basic annual earnings to a maximum of $250,000; dependant life insurance of $10,000 for spouses and $5,000 for each child; long term disability insurance equal to 75% of basic monthly earnings subject to a maximum of $5,000 per month; dental, drug and vision care benefits and membership in the Ontario Health Insurance Plan. All costs of such benefits are paid by the Corporation.

There were nine participants in the life insurance and health benefit program at March 31, 1986.

Deferred Compensation Plan

The Corporation has established a Deferred Compensation Plan for Harrison E. Rutetzki, one of its senior executives. The plan was fully funded by the Corporation in February, 1986 in the amount of $1,486,154. Such amount was paid to the custodians of the plan and has been used to purchase a 20 year annuity and a life insurance policy for the sole participant in the plan. Until the proceeds from the annuity otherwise become payable under the terms of the Plan, such proceeds will be used to pay premiums on the life insurance policy and to pay income tax liabilities of the participant with respect to the annuity payments and the purchase of the life insurance policy benefits.

The participant will receive proceeds under the Plan in the event of retirement (which he may elect at age 60), permanent disability, termination of employment or death. In the event of retirement, permanent disability or termination of employment, the proceeds payable to the participant annually should be equal to approximately 50% of such participant's estimated final year's salary. In the event of death of the participant, the proceeds of the life insurance policy will be payable to the participant's beneficiary and if such participant dies before the 20 year annuity purchased for him has expired, the remaining annuity income will also be payable to his beneficiary. The life insurance policy on the participant's life will have a cash surrender value which will be available to the participant in cash or for collateral purposes.

As of March 31, 1986, Harrison E. Rutetzki had a vested interest in the Deferred Compensation Plan. On retirement at age 60, he will be entitled to $93,310 annually which amount would continue to be payable for the remainder of the 20 year annuity or earlier in the event of his death at which time the remaining annuity income will be payable to his beneficiary. The life insurance proceeds under the life insurance policy purchased on his life will be $909,700 at age 60 and the cash surrender value of such policy will be $208,000 at such age.

Severance Policy for Executive Officers

The corporation has adopted a severance policy for its executive officers. The policy provides that on the termination of employment of any executive officer to whom the policy applies for any reason other than just cause, he will be entitled to severance payments based upon his years of continuous service with the Corporation (or its predecessors) and his annual salary at the date of termination as follows:

Years of Continuous Service	Severance Payments Based on Annual Salary at Termination
1 to 5 years	2 years' salary
6 to 10 years	3 years' salary
11 and more years	4 years' salary

The severance policy described above applied to eight executive officers at March 31, 1986.

Geologists' Royalty Plan

The Corporation has a royalty interest incentive plan (the "Royalty Plan") for the benefit of full-time employees of the Exploration Division, including the Senior Vice President, Exploration, employed as geologists, prospectors or mine-finders. Under the Royalty Plan, the board of directors is authorized to grant to one or more designated employees and apportion among such employees a maximum 1.25% royalty interest in the net proceeds, as defined in the Royalty Plan, received by the Corporation from commercial production of a mineral prospect in which the Corporation has acquired an interest. Employees eligible for such royalty interests are those employees designated by the board as the employees responsible for bringing the prospect to the attention of the Corporation. The Royalty Plan provides that royalty interests granted thereunder may not be assigned without first offering the interests to the Corporation for purchase and the interests are not affected by the subsequent termination of the grantee's employment.

SECURITY HOLDINGS OF CERTAIN PERSONS

The following table sets forth the numbers and percentages of the outstanding common shares of the Corporation beneficially owned, directly or indirectly, by the directors of the Corporation as at March 31, 1986, including options which are exercisable within sixty days of such date. Percentages of less than 0.1% are not indicated.

	Number of Common Shares and Options	
Peter A. Allen	1,174,646	(4.16%)
John C. L. Allen	Nil	
John A. Downing	5,426	
Paul Fortin	4,800	
Ian T. H. Hamilton	16,984	
John E. Mockridge	1,185	
Harrison E. Rutetzki	7,131	
Dennis G. Sheehan	463,515	(1.64%)
Richard P. Smith(1)	23,067	
Barton A. Thomson	Nil	
Directors and executive officers of the Corporation as a group	1,738,559	(6.15%)

(1) 248 shares held in trust for Mr. Smith's children.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

John A. Downing, of 28 Silvergrove Place N.W., Calgary, Alberta, a director, was paid $7,500 during 1985 for consulting and management services. Sunburst Resources Ltd., a corporation of which Mr. Downing is the President, was paid $75,000 during 1985 for consulting and management services.

Barton A. Thomson & Associates, Ltd., a corporation of which Barton A. Thomson, of 111 Lawton Blvd., Toronto, Ontario, a director of the Corporation, is the President, was paid $6,860 during 1985 for consulting services.

SPECIAL LEGAL MATTERS

An application was brought in September, 1984 by Carl Edgar Heyl and Angela Marion Heyl for an order against the Corporation, in part under section 247 of the Business Corporations Act, 1982. The applicants claim to have been shareholders of Silver Stack Mines Ltd. (no personal liability) ("Silver Stack"), a predecessor of the Corporation, and as such to be entitled to shares of the Corporation. The application was heard in December, 1984. At that time, the court ordered that various issues be referred for trial, including the issue of whether the applicants were shareholders of Silver Stack and, if so, whether they have a right to the relief sought in the application. The case will proceed to trial after pleadings have been exchanged and the discovery process is completed.

VOTING PROXIES

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and to act for and on behalf of the shareholder at the Meeting other than the persons designated in the form of proxy accompanying this Circular. To exercise this right, the shareholder may insert the name of the desired person in the blank space provided in the proxy and strike out the other names or may submit another appropriate proxy and, in either case, must deliver the completed proxy by postal or other delivery to the Corporation at its registered office or to the transfer agent for the shares of the Corporation, Canada Trust Company, 20 Eglinton Avenue West, Toronto, Canada M4R 2E2, not later than the close of business on Monday, May 5, 1986 or, in the case of an adjournment, on the second business day preceding the date to which the Meeting is adjourned.

The shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for. **If a choice is not specified by a shareholder with respect to the Special Resolution referred to in paragraph (iv) of the notice of the Meeting, such shares will be voted in favour of such matter. If a shareholder does not specify that the shares are to be withheld from voting with respect to the election of directors, the appointment of auditors and/or the authorization of the directors to fix the remuneration of the auditors, such shares will be voted in respect of such matters as set out herein.**

The form of proxy confers discretionary authority in respect of amendments or variations to matters identified in the notice of the Meeting or other matters which may properly come before the Meeting.

APPOINTMENT OF AUDITORS

It is intended to vote the shares represented by the proxies solicited, on any ballot that may be called for, unless authority to do so is withheld, to appoint the firm of Thorne Riddell, Chartered Accountants, as the auditors of the Corporation and to authorize the directors to fix the remuneration of the auditors. Representatives of Thorne Riddell are expected to be present at the Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

OTHER BUSINESS

The management of the Corporation knows of no matter to come before the Meeting other than the matters referred to in the notice of the Meeting. However, if matters not now known to management should come before the Meeting, shares represented by proxies solicited by management will be voted on each such matter in accordance with the best judgment of the person voting same. The receipt of the consolidated financial position of the Corporation as at December 31, 1985 and the consolidated statements of earnings, retained earnings and changes in financial position for the year ended December 31, 1985 together with the report of the auditors thereon does not constitute approval of the matters referred to therein.

1987 ANNUAL MEETING

Shareholder proposals must be received by December 2, 1986 to be considered for inclusion in the management information circular and proxy statement and form of proxy for the 1987 Annual Meeting of Shareholders, which is expected to be held in May 1987.

BOARD APPROVAL

The contents of this Circular and the sending thereof to the shareholders of the Corporation have been approved by the directors of the Corporation.

DATED the 31st day of March, 1986.

HRodrigues

H. L. Rodrigues
Secretary

SCHEDULE A

BE IT RESOLVED THAT

1. the number of directors of the Corporation within the minimum of seven and maximum of twenty-one provided for in the articles of the Corporation is hereby determined to be ten until the directors of the Corporation shall determine otherwise;

2. the number of directors of the Corporation to be elected at this annual meeting of shareholders is hereby determined to be three; and

3. hereafter the directors of the Corporation are empowered to determine from time to time the number of directors of the Corporation within the minimum and maximum numbers provided for in the articles of the Corporation, as the same may be amended from time to time, and the number of directors to be elected at each annual meeting of shareholders.

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