PROSPECTUS AND JOINT PROXY STATEMENT

LAC MINERALS LTD.
LITTLE LONG LAC GOLD MINES LIMITED
LAKE SHORE MINES, LIMITED
WRIGHT-HARGREAVES MINES, LIMITED

Suite 2105, North Tower, Royal Bank Plaza,
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26,692,280 common shares without par value of LAC Minerals Ltd., a corporation to be formed by the amalgamation of Lac Minerals Ltd., Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited, Wright-Hargreaves Mines, Limited and two wholly-owned subsidiaries of certain of such corporations

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This Prospectus and Joint Proxy Statement is being furnished to shareholders of Lac Minerals Ltd. ("Lac Minerals"), Little Long Lac Gold Mines Limited ("Little Long Lac"), Lake Shore Mines, Limited ("Lake Shore") and Wright-Hargreaves Mines, Limited ("Wright") (collectively the "Amalgamating Corporations") in connection with meetings of shareholders of such corporations called, in part, to consider the proposed amalgamation (the "Amalgamation") of such corporations and two wholly-owned subsidiaries of certain of such corporations to form a continuing corporation having the name LAC Minerals Ltd. ("LAC"), pursuant to an amalgamation agreement to be dated as of the 24th day of July, 1985 (the "Amalgamation Agreement"). Existing shareholders of the Amalgamating Corporations will be issued LAC common shares in exchange for their shares of such corporations on the basis described herein. See "The Amalgamation – Conversion Ratios". Based on the number of shares of the Amalgamating Corporations outstanding on June 20, 1985, 26,692,280 common shares is the maximum number of common shares to be issued pursuant to the Amalgamation. A lesser number may be issued because of the purchase by LAC of fractional shares. See "The Amalgamation – Exchange of Share Certificates and Fractional Interests". Such meetings are also being called to consider an incentive plan for certain employees of LAC (the "LAC Employee Incentive Plan"). See "LAC Employee Incentive Plan".

Until October 22, 1985 (90 days after the date of the meetings of shareholders relating to the Amalgamation) all dealers effecting transactions in the registered securities may be required to deliver a Prospectus and Joint Proxy Statement.

NEITHER THIS TRANSACTION NOR THESE SECURITIES HAVE BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS AND JOINT PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The date of this Prospectus and Joint Proxy Statement is June 24, 1985 and it is first being sent to shareholders of each Amalgamating Corporation on or about June 29, 1985.

Reference is made to the accompanying material for further information concerning the various outstanding securities of each of the Amalgamating Corporations and the securities of LAC which will be outstanding following completion of the Amalgamation.

Each of the Amalgamating Corporations is, and LAC will be, an Ontario corporation and a majority of their directors and officers and all of the experts referred to herein are citizens or residents of Canada. Substantially all of the assets of such corporations and of such persons are located outside the United States of America. Consequently, it may be difficult for United States shareholders to effect service of process within the United States upon such corporations or such persons or to realize in the United States upon judgments of courts of the United States predicated upon civil liability of such corporations or such persons under federal securities laws of the United States. The Amalgamating Corporations have been advised by their Canadian counsel, Fraser & Beatty, that there is doubt as to the enforceability against such corporations or persons in Canada, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated solely upon such securities laws.

The financial statements of the Amalgamating Corporations contained in this Prospectus and Joint Proxy Statement are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") which are not identical, in all respects, with United States generally accepted accounting principles ("U.S. GAAP"). The financial statements of, and the summaries of financial information concerning, each of the Amalgamating Corporations contained in this Prospectus and Joint Proxy Statement set forth certain amounts which would have been reported under U.S. GAAP and United States Securities and Exchange Commission ("SEC") requirements.

This Prospectus and Joint Proxy Statement is not required to be filed as a prospectus in Canada and does not contain all of the information required to be set forth in a prospectus filed with the provincial securities regulatory authorities in Canada. For purposes of Canadian law, this Prospectus and Joint Proxy Statement constitutes the management information circular of each of the Amalgamating Corporations in connection with the solicitation of proxies to be used at the meetings of shareholders of the Amalgamating Corporations described herein.

The Amalgamating Corporations publish their financial statements in Canadian dollars. In this Prospectus and Joint Proxy Statement, references 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 June 21, 1985, was U.S.$0.7320 = $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)		
1980	0.8372	0.8546	0.8754	0.8258
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 (through June 21, 1985)		0.7332(2)	0.7575	0.7130

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

(2) January to May only.

No dealer, salesman or other person is authorized to give any information or to make any representation not contained in this Prospectus and Joint Proxy Statement and, if given or made, such information or representation must not be relied upon as having been authorized by an Amalgamating Corporation or LAC. This Prospectus and Joint Proxy Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities other than those to which it relates or an offer of those to which it relates in any jurisdiction to any person to whom it is unlawful to make such offer. The delivery of this Prospectus and Joint Proxy Statement at any time does not imply that the information herein is correct as of any time subsequent to its date.

LAC MINERALS LTD.
LITTLE LONG LAC GOLD MINES LIMITED
LAKE SHORE MINES, LIMITED
WRIGHT-HARGREAVES MINES, LIMITED

PROSPECTUS AND JOINT PROXY STATEMENT

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SUMMARY

The following is a brief summary of certain information contained in this Prospectus and Joint Proxy Statement and is qualified in its entirety by the more detailed information appearing elsewhere herein, including the Appendices attached hereto.

The Meetings

Place, Date and Times of the Meetings

Special meetings of the shareholders of Lac Minerals, Lake Shore, Wright and Little Long Lac will be held in Room 201, Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario, on July 24, 1985 at the hours of 9:30, 10:30, 11:00 and 11:30 o'clock a.m. (Toronto time), respectively.

Record Date

Shareholders named in the lists of shareholders of the Amalgamating Corporations to be prepared as at the close of business on the day immediately preceding the day on which notice of the relevant meeting is given will be entitled to vote the shares shown opposite their names on the said lists at the relevant meeting, except to the extent that any of such shares are transferred before the meeting. See "General Proxy Information".

Purpose of Meetings

(i) To consider and, if thought fit, to approve the amalgamation agreement providing for the Amalgamation (See "The Amalgamation");

(ii) To consider and, if thought fit, to approve the LAC Employee Incentive Plan (See "LAC Employee Incentive Plan"); and

(iii) To transact such other business as may properly come before the meetings.

Votes Required

In the case of the Amalgamation, the affirmative vote of at least two-thirds of the votes cast at each of the meetings, and in the case of the LAC Employee Incentive Plan, the affirmative vote of at least a majority of the votes cast at each of the meetings will be required for approval. See "The Amalgamation – Approval and Effective Date of the Amalgamation" and "LAC Employee Incentive Plan".

The Amalgamation

General

When the Amalgamation becomes effective, the Amalgamating Corporations will continue as LAC and the shareholders of each of the Amalgamating Corporations will receive LAC common shares on the following basis:

For Shares of	Number of LAC Common Shares
Lac Minerals	1
Little Long Lac	2.377
Lake Shore	2.871
Wright	0.498

The Amalgamating Corporations' United States and Canadian financial advisors have rendered opinions that the conversion ratios are fair to the shareholders of the Amalgamating Corporations from a financial point of view. See "The Amalgamation – Conversion Ratios – Fairness Opinions".

Reasons for the Amalgamation

The Amalgamation will result in a simplification of the corporate structure, operations and administration of the Amalgamating Corporations. Following the Amalgamation it is expected that the market value of the LAC common shares will directly reflect LAC's assets and earnings. In addition, LAC will have a greater capability than the Amalgamating Corporations to undertake financing of future expansion.

Conditions to the Amalgamation

The Amalgamation is conditional upon the approval of the shareholders of each of the Amalgamating Corporations and any necessary approvals of the Toronto and Montreal stock exchanges. The latter condition may be waived, in whole or part, at any time prior to the Effective Date, by the boards of directors of all of the Amalgamating Corporations. See "The Amalgamation – Conditions to the Amalgamation".

Effective Date of the Amalgamation

The date upon which the Amalgamation is expected to become effective (the "Effective Date") is July 24, 1985. See "The Amalgamation – Approval and Effective Date of the Amalgamation".

Anti-takeover Provisions	LAC's articles and by-laws will contain the following provisions, none of which appear in the articles or by-laws of any of the Amalgamating Corporations, which will have the effect of making a takeover of LAC more difficult or more time-consuming and therefore less likely, even in a case where it is favourable to shareholders. LAC's articles will provide for the election of three classes of directors serving staggered terms. See "Description of LAC – Directors and Officers". LAC's by-laws will contain special notice and quorum provisions relating to, among other things, the removal and election of directors. See "Description of LAC – By-laws". LAC will have an authorized capital consisting of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. See "Description of LAC – Share Capital".
Stock Exchange Listings	Application has been made to list the common shares of LAC on the New York Stock Exchange, The Toronto Stock Exchange and The Montreal Exchange immediately following the Effective Date.
Post-Amalgamation Management	A majority of the present directors and the present officers of Lac Minerals will be the directors and officers of LAC. See "Description of LAC – Directors and Officers" and "Lac Minerals Ltd. – Management".
Right of Dissent	A shareholder of an Amalgamating Corporation is entitled to send to such corporation a written objection to the special resolution to be voted on by the shareholders of such corporation approving the Amalgamation and, upon strict compliance with certain technical requirements of Ontario law, such shareholder will be entitled to be paid the fair value of the shares held by such shareholder. See "The Amalgamation – Right of Dissent".
Income Tax Considerations	*Canada* For Canadian federal income tax purposes, shareholders of the Amalgamating Corporations who hold their shares as capital property will be entitled to a tax-free "rollover" in respect of the conversion of such shares to LAC common shares on the Amalgamation. See "The Amalgamation – Income Tax Considerations – Canada". *United States* For United States federal income tax purposes, subject to certain exceptions, a United States shareholder of an Amalgamating Corporation will recognize no gain or loss upon the conversion of shares of the Amalgamating Corporation to shares of LAC, except to the extent that a gain or loss is recognized in respect of any cash received in lieu of a fractional share interest in LAC. See "The Amalgamation – Income Tax Considerations – United States".
Treatment of Fractional Shares	No certificates for fractional shares will be issued. If a shareholder of an Amalgamating Corporation would otherwise be entitled to a fractional share as a result of the Amalgamation, such shareholder will be entitled to receive a cash payment for such fractional share interest on the basis set out under "The Amalgamation – Exchange of Share Certificates and Fractional Interests".
Termination of the Amalgamation	The Amalgamation Agreement may be terminated by the directors of any of the Amalgamating Corporations before the Amalgamation becomes effective notwithstanding the approval of the Amalgamation Agreement by the shareholders of such corporation. See "The Amalgamation – Terms of the Amalgamation Agreement".

The LAC Employee Incentive Plan

The LAC Employee Incentive Plan consists of an Employee Share Purchase Plan, an Employee Share Option Plan and an Employee Share Bonus Plan. The purpose of the LAC Employee Incentive Plan is to encourage equity participation in LAC by its full time employees through the acquisition of LAC common shares. If the resolution approving the LAC Employee Incentive Plan is passed by the shareholders of each of the Amalgamating Corporations and if the Amalgamation becomes effective, it is expected that the board of directors of LAC will adopt such Plan immediately after the Effective Date. See "LAC Employee Incentive Plan".

Business and Properties of the Amalgamating Corporations

The principal business of Lac Minerals is the exploration for and development of natural resources, chiefly gold, and to a lesser extent other minerals and hydrocarbons, in Canada and the United States. See "LAC Minerals Ltd. – Business and Properties". Little Long Lac, Lake Shore and Wright are primarily holding companies and their principal assets consist of their shareholdings, direct and indirect, in Lac Minerals. See "Little Long Lac Gold Mines Limited – The Company", "Lake Shore Mines, Limited – The Company" and "Wright-Hargreaves Mines, Limited – The Company".

SUMMARY FINANCIAL INFORMATION

Lac Minerals
Little Long Lac
Lake Shore
Wright
LAC

Selected Financial Data in Accordance with Canadian GAAP(1)
(dollars in thousands, except per share amounts)

	Year ended December 31, 1984				
	Historical (audited)				
	Lac Minerals	Little Long Lac	Lake Shore	Wright	Pro Forma LAC (unaudited)
Revenues	$169,673	$ 10,490	$169,728	$ 4,491	$169,783
Earnings before extraordinary items	29,307	10,393	15,955	3,958	31,791
Earnings after extraordinary items	29,307	18,918	28,574	7,429	31,791
Earnings per share before extraordinary items	1.14	3.08	3.76	0.40	1.21
Earnings per share after extraordinary items	1.14	5.62	6.74	0.75	1.21
Dividends per share	0.30	0.10	0.15	0.05	0.33

	Three months ended March 31, 1985				
	Historical (unaudited)				
	Lac Minerals	Little Long Lac	Lake Shore	Wright	Pro Forma LAC (unaudited)
Revenues	$39,982	$ 2,571	$ 39,982	$ 1,138	$ 39,982
Earnings before extraordinary item	7,799	2,130	3,486	577	7,109
Earnings after extraordinary item	7,799	2,130	3,486	577	7,109
Earnings per share before extraordinary item	0.30	0.63	0.82	0.06	0.27
Earnings per share after extraordinary item	0.30	0.63	0.82	0.06	0.27

	At December 31, 1984				
	Historical (audited)				
	Lac Minerals	Little Long Lac	Lake Shore	Wright	Pro Forma LAC (unaudited)
Current assets	$165,191	$ 1,450	$169,203	$ 3,103	$173,727
Current liabilities	45,047	24	44,469	142	44,606
Long-term debt	80,246		70,246		66,746
Total assets	397,751	74,532	411,415	36,036	394,043
Shareholders' equity	219,135	74,508	124,010	35,444	226,358
Book value per share	8.42	22.05	29.27	3.56	8.49

	At March 31, 1985				
	Historical (unaudited)				
	Lac Minerals	Little Long Lac	Lake Shore	Wright	Pro Forma LAC (unaudited)
Current assets	$155,484	$ 1,468	$160,285	$ 3,108	$164,828
Current liabilities	45,693	28	45,097	57	45,149
Long-term debt	82,202		72,202		68,702
Total assets	413,965	76,666	427,326	36,528	409,404
Shareholders' equity	227,272	76,638	127,496	36,021	234,605
Book value per share	8.73	22.68	30.09	3.62	8.80

(1) For reconciliation of these figures with U.S. GAAP, see "Summary Financial Information" for each of the Amalgamating Corporations, "Description of LAC – Pro Forma Financial Information", the financial statements of each of the Amalgamating Corporations and the pro forma financial statements for LAC contained herein.

RISK FACTORS

Mining and Milling Operations

LAC's operations will be subject to the risks normally encountered in the mining business. Hazards such as unusual or unexpected geological formations, rockbursts, cave-ins, flooding and other conditions are involved in drilling and removing material from underground or by open-pit mining methods. LAC's milling operations will be subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution. LAC will carry insurance to protect against certain risks of mining and milling in such amounts as it considers adequate. However, LAC may become subject to liability for pollution, cave-ins or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or for other reasons. The payment of such liabilities would reduce the funds available to LAC.

Mineral exploration and development involve significant financial risk and while the rewards if an ore body is discovered may be substantial, few properties which are explored are ultimately developed into producing mines. The mining industry is highly competitive in the acquisition of exploration prospects and the development of new prospects.

A substantial portion of LAC's earnings will be derived 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 also affected by numerous factors beyond the control of LAC. These factors include anticipated changes in the rate of price inflation, purchase or sale of gold by government entities, changes in international investment patterns and monetary systems, economic growth rates, political developments and shifts in public and private supply of and demand for gold.

Mining operations may be affected in varying degrees by government regulations as described below under "Lac Minerals Ltd. - Government Regulations".

Oil and Gas Operations

LAC's oil and gas operations will be subject to the risks normally encountered in the oil and gas industry. Hazards such as unusual or unexpected geological formations, high pressure or other conditions are involved in drilling and operating wells. LAC will carry insurance to protect against certain risks of oil and gas operations in such amounts as it considers adequate. However, LAC may become subject to liability for pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or for other reasons. The payment of such liabilities would reduce the funds available to LAC.

The oil and gas industry is 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 LAC's competitors possess greater financial resources and technical facilities.

Oil and gas exploration and development involve significant financial risks and while the rewards if a discovery is made may be substantial, few properties which are explored are ultimately developed into producing oil and gas wells. In addition, an excess supply of natural gas exists in western Canada at the present time and, accordingly, there may be some delay before natural gas sales contracts are obtained.

Oil and gas operations may be affected in varying degrees by government regulations and world oil prices.

GENERAL PROXY INFORMATION

This Prospectus and Joint Proxy Statement is furnished by the management and board of directors of each of the Amalgamating Corporations in connection with the solicitation of proxies to be voted at the special meetings of the shareholders of such corporations (the "Meetings") to be held on July 24, 1985. The purpose of each Meeting is (a) to consider, and if thought fit, to pass a special resolution approving the Amalgamation Agreement providing for the Amalgamation and (b) to consider and, if thought fit, to approve the LAC Employee Incentive Plan which is expected to be adopted by the board of directors of LAC immediately following the Amalgamation.

The persons named in each form of proxy are directors and/or officers of the corporation soliciting the proxy. **Each shareholder of an Amalgamating Corporation has the right to appoint a person (who need not be a shareholder of such corporation) to attend and to act for and on behalf of the shareholder at the Meeting of such corporation. 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 return the completed proxy.**

Each properly executed proxy, not theretofore revoked, will be voted on any poll taken at the Meeting to which such proxy relates in accordance with the instructions contained therein. **Proxies containing no instructions regarding the Amalgamation or the LAC Employee Incentive Plan will be voted in favour thereof.** In the event, not presently anticipated, that any other matter is brought before a Meeting and submitted to a vote, all proxies relating to such Meeting will be voted in accordance with the judgment of the persons named therein. **Each form of proxy also confers discretionary authority in respect of amendments or variations to matters identified in the notice of the Meeting to which it relates or other matters which may properly come before such Meeting.**

A shareholder of any of the Amalgamating Corporations who executes and returns a form of proxy has the power to revoke it at any time before it is exercised. Under the Business Corporations Act, 1982 (Ontario) (the "Ontario Act") a shareholder of any of the Amalgamating Corporations may revoke a proxy 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 Amalgamating Corporations at any time up to and including the last business day preceding the day of the Meeting to which the proxy relates 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.

None of the Amalgamating Corporations has fixed a record date for the purpose of determining shareholders entitled to receive notice of the Meeting of its shareholders. In accordance with the provisions of the Ontario Act, each of the Amalgamating Corporations will prepare a list of its shareholders as at the close of business on the day immediately preceding the day on which notice of the Meeting of shareholders of such corporation is given. Each shareholder named in any such list will be entitled to vote the shares shown opposite his name thereon 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 in question that his name be included in the list before such Meeting in which case the transferee is entitled to vote his shares at such Meeting.

Each of the Amalgamating Corporations will bear its own costs of soliciting proxies. In addition to the solicitation of proxies by mail, the directors, officers or regular employees of each of the Amalgamating Corporations may solicit proxies personally, by telephone or by telegraph. None of these individuals will receive any extra compensation for such efforts. In addition, one or more of the Amalgamating Corporations may retain a firm to assist in the solicitation of proxies. If such a firm is retained, the cost of solicitation thereby for any Amalgamating Corporation is not expected to exceed $33,000. Each of the Amalgamating Corporations will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for their reasonable expenses incurred in sending proxy material to the beneficial owners in the United States and Canada of its shares and requesting authority to execute proxies.

All information contained in this Prospectus and Joint Proxy Statement with respect to each of the Amalgamating Corporations has been supplied by such corporation.

GLOSSARY OF TERMS

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

Cut-off Grade – the grade of the lowest grade mineralized zones used in ore reserve calculations. As economic circumstances change, it may be reasonable to consider lower grade mineralizations as part of the ore reserves, giving a larger tonnage and lower grade reserve. Conversely, it may be necessary to raise the cut-off grade and consider only higher grade mineralization giving a lower tonnage and higher grade ore reserve. At the time of the ore reserve calculations as at December 31, 1984 the price of gold was U.S. $309.00 per ounce.

Gold Tailings – the portions of crushed, leached, washed and treated ore which at the time of milling are too low in grade to be treated further and are typically retained either in natural depressions or by retaining dams.

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.

Patented Mining Claim – a mining claim which grants surface and mineral rights in fee simple to the owner.

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

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

Stope – an excavation or working place from which ore is extracted in underground mining.

Winze – an internal shaft connecting underground levels in a mine.

The definitions of proven (measured) and probable (indicated) ore set forth above are those used in Canada by the provincial securities regulatory authorities. The definitions used in the United States by the SEC, which are based on definitions used by the United States Bureau of Mines and the United States Geological Survey are as follows:

Proven (Measured) Reserves: Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings, or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth, and mineral content of reserves are well-established.

Probable (Indicated) Reserves: Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

The proven and probable ore reserves set forth in this Prospectus and Joint Proxy Statement are compatible with both the Canadian and United States definitions.

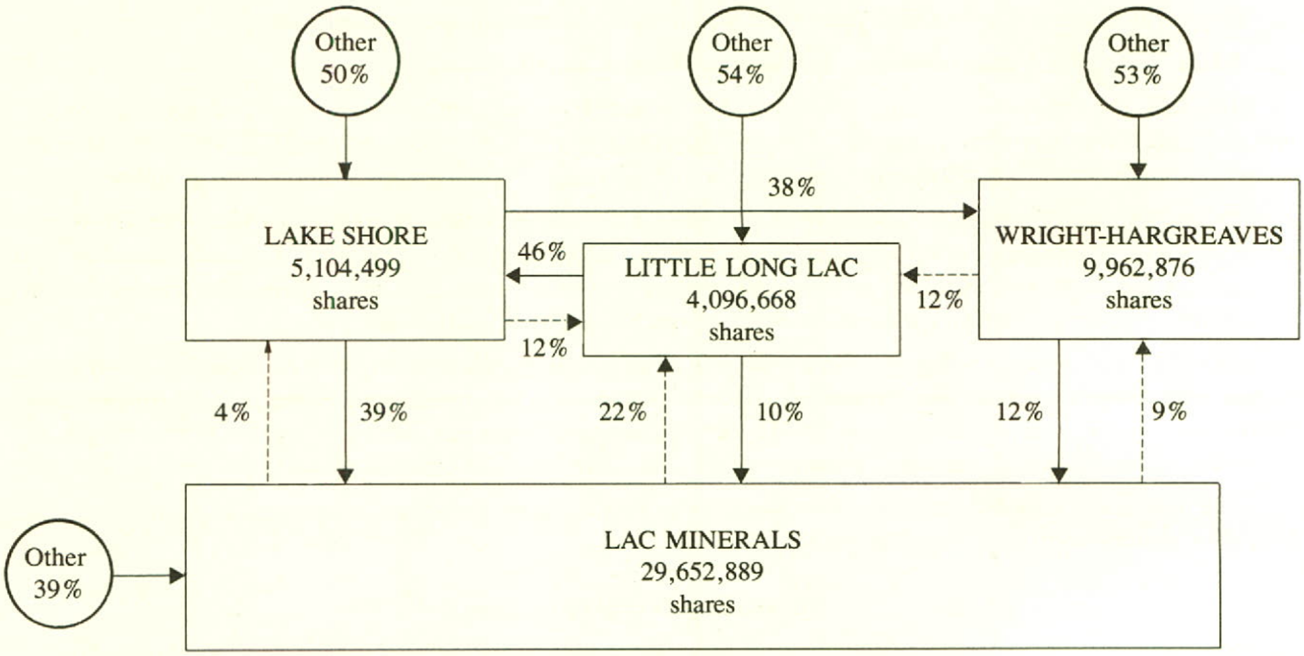
METRIC CONVERSION TABLE

To convert	To metric measurement units	Multiply by
Acres	Hectares	0.404686
Barrels (Bbls)	Cubic metres	0.158987
Billion cubic feet (Bcf)(1)	Billion cubic metres	0.028317
Long tons (lt)	Tonnes	1.01605
Miles	Kilometres	1.609344
Million cubic feet (Mmcf)(1)	Million cubic metres	0.028317
Ounces (troy)	Kilograms	0.0311035
Ounces (troy)	Grams	31.1035
Pounds	Tonnes	0.000454
Short tons	Tonnes	0.907185
Troy ounces/short tons	Grams/tonnes	34.2857
Yards	Metres	0.9144
Million British thermal units (Mmbtu)(1)	Gigajoules	1.054615

(1) Measured at 60° Fahrenheit (15.6° Celsius) at a pressure of 14.65 pounds per square inch (101 kilopascals).

THE AMALGAMATION

The following diagram illustrates the number of issued and outstanding shares of each of the Amalgamating Corporations as at June 20, 1985, the beneficial shareholdings among the Amalgamating Corporations before the Amalgamation and the ownership of other shareholders, principally the public.



The Amalgamation will result in the continuation of LAC, the amalgamated corporation, with 100% of its shares being owned by shareholders other than the Amalgamating Corporations.

Purpose and Effect

The management and boards of directors of each of the Amalgamating Corporations believe that it would be desirable to combine the operations of such corporations into a single public corporation. The Amalgamation will result in a simplification of the corporate structure, operations and administration of the Amalgamating Corporations. Following the Amalgamation it is expected that the market value of the LAC common shares will directly reflect LAC's assets and earnings. In addition, LAC will have a greater capability to undertake financing of future expansion and it is expected that its shares will have substantially greater liquidity than those of the Amalgamating Corporations.

Upon the Articles of Amalgamation becoming effective, the Amalgamating Corporations will be amalgamated and will continue as LAC under the terms and conditions prescribed in the Amalgamation Agreement. Under the Ontario Act, LAC will possess all the property, rights, privileges and franchises and will be subject to all liabilities, including civil, criminal and quasi-criminal, and all contracts, disabilities and debts of each of the Amalgamating Corporations.

Conversion Ratios

Lac Minerals is the principal operating corporation among the Amalgamating Corporations and has the largest public shareholding. The shareholdings of the other Amalgamating Corporations in Lac Minerals, both direct and indirect, constitute their principal assets. Accordingly, the number of LAC common shares to be issued upon the Amalgamation to the shareholders of the Amalgamating Corporations (other than the Amalgamating Corporations) have been determined on the basis of such shareholders' direct and indirect interests in Lac Minerals, with appropriate adjustments for the net book value of other assets and liabilities and with consideration given to other factors as described in Appendix 2. The shares of Little Long Lac, Lake Shore and Wright have traded at very substantial discounts from their hypothetical values based on their relative effective share interests in Lac Minerals. Based on the advice of their financial advisors, the boards of directors of the Amalgamating Corporations determined that the share exchange ratios for the shares of Little Long Lac, Lake Shore and Wright which would result based solely on such corporations' effective share interests in Lac Minerals in addition to the book value of other assets net of liabilities owned by them, should be discounted by 2.5% because of the relative advantages and disadvantages which would or may result from the proposed Amalgamation.

Upon the Amalgamation becoming effective, all the issued and outstanding shares of each of the Amalgamating Corporations which are held by any of the other Amalgamating Corporations will be cancelled without any repayment of capital in respect thereof and the remaining shareholders of each of the Amalgamating Corporations will receive, for each share held by them, LAC common shares on the following basis:

For shares of	Number of LAC Common Shares
Lac Minerals	1
Little Long Lac	2.377
Lake Shore	2.871
Wright	0.498

No certificates for fractional shares will be issued. See "Exchange of Share Certificates and Fractional Interests". A more detailed explanation of the manner in which the foregoing conversion ratios were calculated is provided in Appendix 2.

Fairness Opinions

Morgan Stanley & Co. Incorporated and Wood Gundy Inc., financial advisors to the Amalgamating Corporations, have each rendered an opinion that the above conversion ratios are fair to the shareholders of each of the Amalgamating Corporations from a financial point of view. Copies of such opinions appear as Appendix 3 and Appendix 4, respectively.

Right of Dissent

Pursuant to the Ontario Act, a holder of shares of an Amalgamating Corporation is entitled to send to such Amalgamating Corporation a written objection ("Notice of Dissent") to the special resolution relating to the Amalgamation which is presented to the shareholders of such corporation. In addition to any other rights which such a shareholder may have, upon the issuance of the Certificate of Amalgamation for LAC giving effect to the special resolutions, a holder of shares of an Amalgamating Corporation who strictly complies with the dissent procedures set forth in section 184 of the Ontario Act is entitled to be paid the fair value of the shares held for which a Notice of Dissent has been provided.

A shareholder of an Amalgamating Corporation may only claim under section 184 with respect to all shares of such corporation held by him on behalf of any one beneficial owner and which are registered in the name of the shareholder. A shareholder who wishes to invoke the provisions of section 184 must send a Notice of Dissent to the relevant corporation at or before the time fixed for the Meeting of such corporation. The filing of such Notice of Dissent does not deprive such shareholder of his right to vote on the special resolution. Neither a vote against the special resolution nor the exercise of a proxy by itself constitutes a Notice of Dissent for the purposes of section 184(b) of the Ontario Act. A vote in favour of the special resolution will deprive a shareholder of any further rights pursuant to section 184. A summary of the procedure to be followed by a shareholder of an Amalgamating Corporation who wishes to exercise his right to dissent against any such corporation is set forth in Appendix 6. It is recommended that shareholders who wish to pursue rights of dissent consult their own legal advisors with respect to the relevant statutory provisions.

Approval and Effective Date of the Amalgamation

Shareholders of each Amalgamating Corporation will vote on special resolutions at the Meetings, the form of which resolutions is set out in Appendix 7. The special resolutions authorize each of the Amalgamating Corporations to enter into the Amalgamation Agreement and each is required to be passed by at least two-thirds of the votes cast at each Meeting. If all of the special resolutions are passed, the Amalgamation will become effective once Articles of Amalgamation have been delivered and a Certificate of Amalgamation has been endorsed thereon in accordance with the Ontario Act. It is expected that the Amalgamation will become effective on July 24, 1985.

Conditions to the Amalgamation

The consummation of the Amalgamation is conditional upon any necessary approvals of the Toronto and Montreal stock exchanges. This condition may be waived, in whole or in part, at any time prior to the Effective Date, by the boards of directors of the Amalgamating Corporations.

Terms of the Amalgamation Agreement

The Amalgamation Agreement provides that each of the Amalgamating Corporations shall contribute all of their assets, subject to their liabilities, to LAC.

The Amalgamation Agreement may be terminated by the directors of an Amalgamating Corporation prior to the Effective Date notwithstanding the approval of the Amalgamation Agreement by the shareholders of such corporation. Such termination could occur if the board of directors of any of the Amalgamating Corporations determines that the Amalgamation is no longer in the best interests of such corporation or its shareholders for reasons which could include, for example, a material change in the business or affairs of any of the Amalgamating Corporations, a change in the anticipated tax consequences of the Amalgamation to such Amalgamating Corporation or its shareholders or failure to fulfill or satisfy any of the conditions precedent to the Amalgamation referred to under "Conditions to the Amalgamation". The Amalgamation will not occur if the Amalgamation Agreement is terminated by an Amalgamating Corporation prior to the Effective Date.

Conversion of Shares

At 5:00 p.m. (Toronto time) on the Effective Date, all of the issued and outstanding shares of the Amalgamating Corporations will be converted into issued and outstanding LAC common shares and fractional share interests on the basis set forth under "Conversion Ratios".

Exchange of Share Certificates and Fractional Interests

Following the Effective Date of the Amalgamation, certificates for LAC common shares will be issued to holders of shares of the Amalgamating Corporations, in accordance with the conversion ratios set out under "Conversion Ratios" against deposit of their certificates representing shares of the Amalgamating Corporations with, in the case of United States shareholders, Canadian Imperial Bank of Commerce Trust Company in New York City, and in the case of all other shareholders, Canada Permanent Trust Company at its offices in Toronto, Montreal or Vancouver. A letter of transmittal containing instructions with respect to the deposit of shares will be forwarded to the former shareholders of the Amalgamating Corporations for use in exchanging their certificates as soon as possible after the Effective Date. Upon return of a properly completed letter of transmittal together with certificates representing shares of an Amalgamating Corporation, certificates for the appropriate number of LAC common shares will be issued.

No certificates for fractional shares will be issued. If a shareholder of any of the Amalgamating Corporations would otherwise be entitled to a fractional share interest as a result of the Amalgamation, such shareholder will receive a cash payment from LAC for such fractional share interest on the basis that one LAC common share has a value equal to the average of the daily closing prices for such shares on The Toronto Stock Exchange for the first five days upon which such shares are traded on that exchange. Payments to Canadian shareholders for fractional share interests will be made in Canadian funds. Payments to United States shareholders for fractional share interests will be made in United States funds converted based upon the Noon Buying Rate on the Effective Date.

Stock Exchange Listings

Application has been made to list the LAC common shares on the New York Stock Exchange, The Toronto Stock Exchange and The Montreal Exchange.

Income Tax Considerations

Canada

Messrs. Fraser & Beatty, Canadian counsel to the Amalgamating Corporations, have advised that the following is a general summary of certain of the Canadian federal income tax consequences to shareholders of the Amalgamating Corporations with respect to the Amalgamation. The summary is based upon the present provisions of the Income Tax Act (Canada) (the "Act") and the regulations, administrative determinations of the Department of National Revenue, Taxation and judicial decisions relating thereto. In addition, an advance income tax ruling has been obtained from the Department of National Revenue, Taxation which confirms, among other things, various aspects of the discussion which follows. The summary assumes that each shareholder of an Amalgamating Corporation holds his shares in such corporation as capital property within the meaning of the Act.

The summary is not exhaustive of all possible Canadian federal income tax considerations and does not consider any provincial income tax legislation or tax legislation of jurisdictions other than Canada. All shareholders of the Amalgamating Corporations are urged to consult their own tax advisors for advice as to the effects of the Amalgamation in their individual circumstances.

On the Effective Date, each shareholder of an Amalgamating Corporation whose shares are converted into shares of LAC will be deemed to have disposed of his shares of the Amalgamating Corporation for proceeds equal to the adjusted cost base to him of those shares immediately before the Amalgamation and to have acquired his shares of LAC at a cost equal to such adjusted cost base. Accordingly, such shareholder will not recognize a capital gain or loss as a result of the Amalgamation. Where such shareholder also receives cash consideration in lieu of a fractional share of LAC, it is the administrative practice of the Department of National Revenue not to require the recognition of the capital gain or loss on the Amalgamation, but instead to permit the shareholder to reduce the adjusted cost base of his shares of LAC received on the Amalgamation by the amount of such cash. However, if such reduction would result in a negative adjusted cost base to such shareholder, the shareholder will be deemed to have realized a capital gain equal to the negative amount.

Where a shareholder of an Amalgamating Corporation receives cash consideration in lieu of a fractional share of LAC and does not receive any shares of LAC, the shareholder will be required to recognize a capital gain or loss in respect of the disposition of his shares of the Amalgamating Corporation on the Amalgamation.

Shareholders of Amalgamating Corporations who are not resident in Canada will generally not be subject to tax in respect of any capital gains (or entitled to claim any capital loss) resulting from the receipt of cash payments in lieu of fractional shares.

Where a shareholder would be permitted to use the "tax-free zone" method in determining the adjusted cost base to him of his shares of Lake Shore, Little Long Lac or Wright, such method may, depending upon the circumstances of acquisition of such shares, continue to be available to him in determining the adjusted cost base to him of the shares of LAC received therefor on the Amalgamation. However, it is the administrative position of the Department of National Revenue that such method will not continue to be available in determining the adjusted cost base of shares of any corporation which was formed by a tax-free amalgamation after 1971. This position may be applied to shares of LAC received for shares of Lac Minerals, which corporation was formed by an amalgamation in 1982.

In preparing the foregoing summary, consideration has also been given to the proposals contained in the Federal Budget of May 23, 1985 and to proposed amendments to the Act released by the Minister of Finance for Canada on May 9, 1985. If such proposals are enacted into law, individual shareholders (other than trusts) realizing capital gains may be entitled to benefit from the cumulative lifetime exemption of $500,000 of capital gains, in respect of which up to $20,000 of net capital gains may be claimed for 1985.

United States

Dividend Payments to Residents of the United States

Dividends paid or deemed to be paid on shares of LAC to non-residents of Canada will generally be subject to Canadian withholding tax, which is currently levied at the rate of 25 percent or such lower rate as is prescribed by any applicable tax treaty. In the case of shareholders entitled to the benefit of the Canada-United States Income Tax Convention (1980), the withholding rate will be 15 percent, unless the beneficial owner of the dividends is a United States company which owns at least 10 percent of the voting stock of LAC, in which case the withholding rate will be reduced to 10 percent. Subject to limitations set out in the Internal Revenue Code of 1954 (the "Code"), a United States shareholder would be entitled to a credit against the shareholder's United States federal income tax for the Canadian tax withheld on dividends paid or deemed to be paid on shares of LAC.

The Amalgamation

Messrs. Sullivan & Cromwell, United States counsel to the Amalgamating Corporations, have advised that, subject to the discussion below under "Section 367(b) Notice" and of dissenters' rights, the amalgamation pursuant to the Amalgamation Agreement of each of the Amalgamating Corporations into LAC will in each case be a reorganization within the meaning of Section 368(a)(1)(C) of the Code, with the consequence that for United States federal income tax purposes:

(a) A United States shareholder of an Amalgamating Corporation will recognize no gain or loss upon the conversion of shares of the Amalgamating Corporations to shares of LAC, except to the extent that gain or loss is recognized in respect of any cash received in lieu of a fractional share interest in LAC.

(b) The aggregate basis of the shares of LAC received by a United States shareholder of an Amalgamating Corporation in the conversion (including any basis allocated to a fractional share interest) will be the sum of the basis of the shares exchanged therefor.

(c) The holding period of the shares of LAC (including any fractional share interest) received by a United States shareholder of the Amalgamating Corporation will include the holding period of the shares of the Amalgamating Corporation converted thereto if such shares were capital assets in the hands of the converting shareholder.

(d) Cash received in lieu of a fractional share interest in LAC will be treated as received in payment for such interest. A United States shareholder will recognize a gain or loss equal to the difference between the cash received and the basis of the fractional share interest, and such gain or loss will be capital gain or loss if the converted shares were capital assets in the hands of the shareholder.

For the purpose of the foregoing, a United States shareholder includes a United States citizen or resident, a United States corporation or other person who would be subject to United States federal income tax if such person sold shares of an Amalgamating Corporation at a gain.

The foregoing opinion may not apply to any "U.S. shareholder" of any Amalgamating Corporation that is, or under certain circumstances was, controlled by United States persons, i.e., a United States person or entity who has owned directly or indirectly 10 percent or more of the voting power of an Amalgamating Corporation or any predecessor at a time when that shareholder and other such "U.S. shareholders" owned directly or indirectly in aggregate 50 percent or more of such voting power.

Section 367(b) Notice. Generally, the notice described in Treasury Regulation Section 7.367(b)-1(c) (the "Section 367(b) Notice") must be filed by a United States shareholder who is required to file a United States federal income tax return for the taxable year in which the Amalgamation occurs in order for the amalgamation of an Amalgamating Corporation to qualify as a reorganization with respect to the shareholder, unless the shareholder did not realize any gain or other income on the conversion of the shares of an Amalgamating Corporation to shares of LAC (i.e., unless the basis of the shares of an Amalgamating Corporation converted by the shareholder at least equals the value of the shares of LAC received). A separate Section 367(b) Notice must be filed with respect to each Amalgamating Corporation in which the shareholder owned shares converted in the Amalgamation. The Section 367(b) Notice must be filed on or before the last date for filing (including extensions) the federal income tax return for the shareholder's taxable year in which the Amalgamation occurs, either at the Internal Revenue Service Center where the shareholder files a return or with the District Director having jurisdiction over such return. LAC will provide a form of Section 367(b) Notice to each holder of record with a United States address who receives shares of LAC in the Amalgamation.

If a shareholder required to file the Section 367(b) Notice does not properly file the notice, the Internal Revenue Service may treat the conversion of shares of the Amalgamating Corporation as a taxable transaction with respect to such shareholder.

In addition, under a provision of the Tax Reform Act of 1984, Treasury regulations may be issued which will require a shareholder to provide the Internal Revenue Service with information concerning the Amalgamation, and a failure to comply may subject the shareholder to a penalty equal to 25 percent of the gain realized on the conversion of shares of an Amalgamating Corporation to shares of LAC.

The advice of Sullivan & Cromwell is based upon representations by certain executive officers of the Amalgamating Corporations with respect to the business, assets and shareholders of the Amalgamating Corporations and LAC and the continued ownership of shares of the shareholders of the Amalgamating Corporations. It is also based upon an assumption that dissenters' rights will be exercised with respect to less than that number of shares of an Amalgamating Corporation the fair market value of which equals 10 percent of its net worth. If more than that number of shares of an Amalgamating Corporation are exchanged for their fair value pursuant to the procedures described under "Right of Dissent", the conversion of shares in that Corporation to shares in LAC may not qualify as a reorganization with respect to the shareholders of such Amalgamating Corporation with the result that conversions of shares of that corporation may be taxable.

Because the tax consequences of the Amalgamation may vary depending upon the particular circumstances of each shareholder and other factors, shareholders of the Amalgamating Corporations are urged to consult with their own tax advisors to determine the particular tax consequences of the Amalgamation (including the application of federal income taxes and any Income Tax Convention to them and the application and effect of state and local income and other tax laws to them).

DESCRIPTION OF LAC

When the Amalgamation becomes effective, the Amalgamating Corporations will continue as one corporation having the name LAC Minerals Ltd. and will be governed by the Articles of Amalgamation to be filed in connection with the Amalgamation under the Ontario Act. The Amalgamation Agreement will form part of the Articles of Amalgamation. LAC will have all of the assets and be subject to all of the liabilities of the Amalgamating Corporations. See the descriptions of the Amalgamating Corporations and the consolidated or unconsolidated financial statements thereof in this Prospectus and Joint Proxy Statement. Set forth below is a description of certain material information respecting LAC.

Share Capital

LAC will be authorized to issue an unlimited number of common shares and an unlimited number of preferred shares without par value issuable in series. These common shares could be issued in connection with acquisitions by LAC, stock dividends or other general corporate purposes. Numerous common shares could be issued which could be used to dilute the stock ownership of persons seeking to obtain control of LAC, making a takeover of LAC more difficult and, therefore, less likely. Each of the Amalgamating Corporations is authorized to issue only a limited number of common shares and none of such corporations is authorized to issue preferred shares. The text of the rights, privileges, restrictions and conditions attaching to the common and preferred shares of LAC is set out in paragraph 6 of the Amalgamation Agreement. The following is a summary of the material rights, privileges, restrictions and conditions that will attach to the common shares and to the preferred shares as a class. The rights, privileges, restrictions and conditions to be attached to each series of preferred shares will be fixed by the directors without shareholder approval.

Common Shares

Each common share will rank equally with all other common shares. Holders of common shares will be entitled to one vote per share at all meetings of shareholders other than meetings of holders of a series or class of preferred shares. The common shares will be subject to the rights of the preferred shares with respect to the payment of dividends and distribution of assets in the event of the liquidation, dissolution or winding-up of LAC.

Preferred Shares

The preferred shares will be issuable in series. The preferred shares of each series will rank on a parity with the preferred shares of every other series and will be entitled to preference over the common shares and any other shares ranking junior to the preferred shares with respect to the payment of dividends and distribution of assets in the event of the liquidation, dissolution or winding-up of LAC. The directors will be empowered to fix the rights to be attached to the preferred shares of each series, including the amount of dividends, conversion rights, voting rights and redemption rights. The preferred shares will provide LAC with flexibility in raising capital for expansion, exploration and general corporate purposes.

Gold Purchase Warrants and 8% Debentures

In 1984, Lac Minerals issued U.S. $50,000,000 of 8% Debentures due April 15, 1989 (the "Debentures") and 200,000 Gold Purchase Warrants (the "Warrants"). LAC will assume the rights and obligations of Lac Minerals relating to the Debentures and the Warrants. See "Lac Minerals Ltd. - Share Capital, Gold Purchase Warrants and 8% Debentures". The claim of a Debenture or Warrant holder will rank on a parity with that of other unsecured creditors and prior to the rights of the holders of LAC common shares in the event of the liquidation, dissolution or winding-up of LAC.

Benefit Plans

Outstanding options granted under the stock option plans of Lac Minerals and Little Long Lac will continue to be exercisable after the Amalgamation has become effective. It is expected that the board of directors of LAC will adopt the pension and life insurance plans and the Geologists' Royalty Plan of Lac Minerals. See "Lac Minerals Ltd. - Management" and "Little Long Lac Gold Mines Limited - Management".

By-laws

The general and borrowing by-laws of LAC will be in the form set out in Appendix 5. Such by-laws provide, among other things, that the quorum at any meeting of shareholders where the shareholders are asked to consider any vote on the removal of any director or directors from office, the election or appointment of any person as a director of LAC not recommended by a majority of the directors then in office, the adding to the qualifications of a person to be a director of LAC and certain other related matters shall be persons present holding or representing not less than 75% of the total number of issued shares of LAC for the time being enjoying voting rights at the meeting. Such by-laws also provide that notice of any meeting requisitioned by the holders of not less than 5% of the issued shares of LAC must be given in the manner prescribed in the by-laws not less than 40 days but not more than 50 days before the date of the meeting. Such provisions will make it difficult for third parties to remove incumbent directors and simultaneously gain control of the board by filling these vacancies with their own nominees and thus increase the amount of time necessary for holders of a majority of voting shares to gain control of LAC. No similar provisions are contained in the by-laws of any of the Amalgamating Corporations.

Powers

There are no restrictions in the Amalgamation Agreement on the business that LAC may carry on or on the powers that LAC may exercise.

Directors and Officers

The Amalgamation Agreement provides that the board of directors of LAC will consist of between seven and twenty-one directors and also provides that the board of directors initially will consist of ten members, all of whom are presently directors of Lac Minerals, and that the officers of Lac Minerals will be the officers of LAC. The board of directors of Lac Minerals presently consists of twelve directors. For information concerning the remuneration of the directors and officers of Lac Minerals, see "Lac Minerals Ltd. - Management". It is not expected that the level of remuneration of officers or directors will change as a direct result of the Amalgamation.

The following table sets forth certain information concerning the individuals named in the Amalgamation Agreement as the directors and officers of LAC. Reference to Lac Minerals means Little Long Lac until June 1, 1982, Long Lac Minerals Ltd. (No Personal Liability) from June 1, 1982 until December 31, 1982 and Lac Minerals thereafter.

Name, Age and Position with LAC	Principal Occupation During Past Five Years
PETER ACKERMAN ALLEN (45) President, Chief Executive Officer and Director	President and Chief Executive Officer of Lac Minerals.
JOHN CHARLES LEIGHTON ALLEN (74) Director	Retired. Prior to March 31, 1985, President of John C. L. Allen Limited (investment dealer).
JOHN ARTHUR DOWNING (69) Director	President of Sunburst Resources Ltd. (resource company).
PAUL FORTIN (47) Director	Partner, Boisvert, Fortin, Surprenant (barristers and solicitors). Prior to April 15, 1985, Associate of Stikeman, Elliott (barristers and solicitors).
JOHN EWART MOCKRIDGE (46) Director	Vice President and director of Midland Doherty Limited (investment dealer).
HARRISON EDWARD RUTETZKI (56) Senior Vice President, Operations and Director	Senior Vice President, Operations of Lac Minerals. Prior to May 1983, Vice President, Operations of Lac Minerals. Prior to November 1981, General Manager of Willroy Mines Limited and other predecessors of Lac Minerals.
DENNIS GERALD SHEEHAN (49) Senior Vice President, Exploration and Director	Senior Vice President, Exploration of Lac Minerals. Prior to January 1983, Vice President, Exploration of Lac Minerals.
RICHARD PRICE SMITH (46) Director	Barrister and solicitor with Interprovincial Pipe Line Limited (utility). Prior to 1980, barrister and solicitor with the Ministry of the Attorney General (Ontario).
ROBERT CROOKS STANLEY, JR. (67) Director	President of Lake Shore.
BARTON ARTHUR THOMSON (55) Director	President of Barton A. Thomson & Associates, Ltd. (consulting mining engineers). Prior to November 1981, Senior Vice President, Production, Texasgulf Metals Company (mining company) and General Manager of its Kidd Creek Complex.
IAN THOMAS HOGG HAMILTON (45) Senior Vice President and General Counsel	Prior to March 1984, Vice President and General Counsel of Lac Minerals. Prior to January 1982, Corporate Secretary and General Counsel of Lac Minerals.
DONALD PAUL MOFFAT (47) Senior Vice President, Finance	Senior Vice President, Finance of Lac Minerals since January 1985. Prior thereto, Senior Financial Officer and a Partner of Bregman & Hamann, Architects & Engineers.
JAMES MCINTOSH GIBBS (51) Vice President, Hemlo Development	Vice President, Hemlo Development of Lac Minerals since August 1983. Prior to August 1983, independent consultant. Prior to July 1982, Manager, Mineral Production, Minerals Group, Shell Canada Resources Ltd.
ROLANDO CRUZ FRANCISCO (34) Treasurer	Treasurer of Lac Minerals. Prior to January 1982, Controller of Lac Minerals. Prior to January 1981, Assistant Treasurer and prior to January 1980, Chief Accountant of Lac Minerals.
HAZEL LEVITA RODRIGUES (46) Corporate Secretary	Corporate Secretary of Lac Minerals since January 1982. Prior to January 1982, Assistant Secretary of Lac Minerals.

Mr. Stanley is a director of Bay State Gas Co. John C. L. Allen is Peter A. Allen's father. Messrs. Downing, Smith and Thomson are expected to comprise LAC's audit committee. Under the Ontario Act, the audit committee must review the financial statements of LAC and report thereon to the board of directors before such financial statements are approved by the board. It is not expected that LAC will have a compensation committee or a nominating committee. It is expected that each of the directors of LAC will be paid directors' fees of $8,500 per annum, plus expenses incurred to attend meetings of the board of directors and that members of the audit committee will receive expenses incurred to attend committee meetings.

The Articles of Amalgamation provide for a classified board of directors. The directors will be divided into three classes, each class to be as nearly equal in number of directors as possible, and will serve staggered terms. Messrs. Mockridge, Thomson and Fortin will serve as directors for a one-year term expiring at the first annual meeting of shareholders, Messrs. John C. L. Allen, Downing and Stanley will serve as directors for a two-year term expiring at the second annual meeting of shareholders and Messrs. Peter A. Allen, Rutetzki, Sheehan and Smith will serve as directors for a three-year term expiring at the third annual meeting of shareholders, in each case until their respective successors are duly elected or appointed. Starting with the second annual meeting of shareholders, one class of directors will be elected each year for a three-year term. By providing that directors will serve staggered three year terms rather than one year terms, the continuity and stability of LAC's management and policies will be enhanced since a majority of the directors at any given time will have prior experience as directors of LAC. None of the Amalgamating Corporations has had a problem with respect to such continuity and stability in the past. None of the Amalgamating Corporations presently has a classified board of directors and accordingly all of their directors could be changed at one annual meeting. Under LAC's charter, at least two annual meetings will be necessary to change a majority of the board of directors. The existence of a staggered board of directors will make it more difficult to remove management or to change the majority of the board of directors even when the only reason for the change may be the performance of the present directors. Subject to certain limitations, the Ontario Act provides that a quorum of directors may fill a vacancy among the directors and that such newly appointed or elected director shall hold office for the unexpired term of his predecessor.

It is expected that officers will be appointed annually by the board of directors for one-year terms.

Dividend Policy

It is not expected that LAC will have a formal dividend policy but that dividends will be paid where, in the judgment of the board of directors, funds surplus to its needs are available for distribution to shareholders. The payment of dividends will be considered twice yearly for disbursement in June and December.

In May 1985, Lac Minerals declared a dividend totalling 30 cents per share payable in two equal instalments on June 3 and on a date in December 1985 to be announced. LAC will be liable for the payment of dividends declared but not paid by Lac Minerals prior to the Amalgamation. None of the other Amalgamating Corporations has declared any dividends which remain unpaid.

LAC Pro Forma Financial Information

The pro forma financial information below gives effect to the amalgamation of the Amalgamating Corporations accounted for as a pooling of interests. The financial information for the three months ended March 31, 1985 and 1984 reflects only normal recurring adjustments. See the pro forma condensed combined financial statements of LAC.

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(dollars in thousands, except per share amounts)						
Revenues	$ 39,982	$ 41,592	$ 169,783	$ 157,376	$ 130,666	$ 139,084	$ 73,427
Earnings before extraordinary items	7,109	9,510	31,791	27,702	22,232	42,205	9,335
Earnings (loss) after extraordinary items	7,109	9,510	31,791	27,832	22,832	42,637	(10,458)
Earnings per share before extraordinary items	0.27	0.37	1.21	1.14	0.98	1.87	0.41
Earnings (loss) per share after extraordinary items	0.27	0.37	1.21	1.15	1.01	1.88	(0.46)
Dividends per share(1)(2)			0.33	0.33	0.48	0.47	0.04
Number of shares outstanding for							
Earnings per share	26,672,780	25,506,889	26,246,648	24,219,258	22,670,051	22,620,498	22,620,498
Dividends per share			26,621,556	24,980,661	22,678,908	22,620,498	22,620,498
Pro forma financial information in accordance with U.S. GAAP							
Earnings	3,007		31,244				
Earnings per share	0.11		1.19				

(1) Dividends paid in 1984 and 1983 were U.S. $0.23 and U.S. $0.22, respectively, based on the average Noon Buying Rate on the respective dates of payment. Dividends paid in 1982, 1981 and 1980 were U.S.$0.39, U.S.$0.39 and U.S.$0.03, respectively, based on the average Noon Buying Rates for each year.

(2) Because Lac Minerals is the major source of dividends, pro forma dividends per share exclude dividends paid by Little Long Lac, Lake Shore and Wright.

(3) The book value per share at March 31, 1985 was $8.80 based upon 26,672,780 shares outstanding.

LAC Pro Forma Consolidated Capitalization

The following table sets forth the capitalization as at March 31, 1985 of each of the Amalgamating Corporations and the pro forma consolidated capitalization of LAC as at March 31, 1985 giving effect to the Amalgamation and should be read in conjunction with the Financial Statements and Notes thereto for each of the Amalgamating Corporations and the Pro Forma Condensed Combined Financial Statements and Notes thereto appearing elsewhere herein.

	Lac Minerals	Little Long Lac	Lake Shore	Wright	Pro Forma Adjustments(1)	LAC Pro Forma
			(dollars in thousands)			
Long-term debt						
Obligations under capital leases (excluding current portion)	$ 352		$ 352		$ (352)	352
8% Debentures due April 15, 1989 (U.S. $50,000,000)	68,350		68,350		(68,350)	68,350
Advances from Lac Group companies	13,500		3,500		(17,000)	
Total long-term debt	82,202		72,202		(85,702)	68,702
Shareholders' equity						
Capital stock						
Common shares	137,709 (29,633,389 shs.)	$ 15,468 (4,096,668 shs.)	5,105 (5,104,499 shs.)	$ 10,277 (9,962,876 shs.)	(57,375)	111,184 (26,692,280 shs.)
Contributed surplus		12	9,668	5	(9,685)	
Retained earnings	92,957	68,661	117,298	25,739	(181,234)	123,421
	230,666	84,141	132,071	36,021	(248,294)	234,605
Less: Pro rata interest in the cost to Lac Group companies of their investments in shares of the Company	3,394	7,503	4,575		(15,472)	
Total shareholders' equity	227,272	76,638	127,496	36,021	(232,822)	234,605
Total capitalization	$309,474	$ 76,638	$199,698	$ 36,021	$(318,524)	$303,307

NOTE:

(1) See Pro forma Condensed Combined Statement of Financial Position and Notes to Pro Forma Condensed Combined Financial Statements for detailed information relating to pro forma adjustments.

(2) Stock options with respect to 274,241 common shares were outstanding at March 31, 1985.

(3) Pro forma deferred taxes at March 31, 1985 amounted to $60,948,000.

For a discussion respecting liquidity and capital resources, see "Lac Minerals Ltd. – Liquidity and Capital Resources".

LAC EMPLOYEE INCENTIVE PLAN

The shareholders of each Amalgamating Corporation will be asked to approve the provisions of the LAC Employee Incentive Plan at the Meetings. Such Plan appears as Appendix 8 and 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 LAC, including officers thereof, whether or not directors. The purpose of the LAC Employee Incentive Plan is to encourage equity participation in LAC by its full time employees and consultants through the acquisition of LAC common shares. The Plan will be administered by an employee incentive plan committee (the "Employee Incentive Plan Committee") of the board of directors of LAC which will be composed entirely of directors who are not eligible to participate in the Plan. If the Amalgamation becomes effective and the Plan is approved by the shareholders of each of the Amalgamating Corporations, it is expected that the Plan will be adopted by the board of directors of LAC immediately after the

Effective Date. The resolution approving the Plan is required to be passed by a majority of the votes cast at each Meeting. Amendments to the Plan may be approved by the Employee Incentive Plan Committee and will be subject to any necessary approvals of any regulatory authority having jurisdiction over the securities of LAC provided that any amendment which would (i) materially increase the number of shares which might be issued, (ii) materially increase the benefits to participants or (iii) materially modify the requirements as to eligibility for participation shall also be approved by the affirmative votes of the holders of a majority of the shares present, or represented, and entitled to vote at a meeting of the shareholders of LAC before it becomes effective.

The number of LAC common shares to be made available for the Share Purchase Plan, the Share Option Plan and the Share Bonus Plan, individually and collectively, shall be 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, which ever is the lesser. Numerous common shares could be issued pursuant to the Plan which could make a takeover of LAC more difficult and, therefore, less likely.

Employees who participate in the LAC Employee Incentive Plan will be required to include in the computation of their income from employment for Canadian federal income tax purposes the amounts of any benefits received or deemed to be received thereunder. These benefits may include the contributions by LAC in respect of an employee participating in the Share Purchase Plan, the value of LAC common shares issued to an employee participating in the Share Bonus Plan and all or part of the difference between the value of LAC common shares at the date of their acquisition by an employee participating in the Share Purchase Plan or the Share Option Plan and the amount paid to LAC by him therefor.

LAC may not be entitled to any deductions for income tax purposes in respect of the benefits conferred upon its employees pursuant to the LAC Employee Incentive Plan.

Share Purchase Plan

The Share Purchase Plan is designed to encourage and assist full-time employees of LAC to purchase LAC common shares on a regular basis. Full-time employees of LAC who have been continuously employed by LAC or by LAC and one of the Amalgamating 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, LAC will contribute an amount equal to 50% of the employee's contributions to such date and each participating employee will then be issued LAC common shares having a value equal to the amounts contributed by such employee and LAC. It is estimated that approximately 1,000 persons will be entitled to participate in the Share Purchase Plan when the Amalgamation becomes effective.

Share Option Plan

The Share Option Plan is intended to promote the interests of LAC 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 LAC. The Employee Incentive Plan Committee may, in its discretion, determine which officers, employees or consultants will be granted options, the number of LAC 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 will be eligible to participate in the Share Option Plan when the Amalgamation becomes effective.

Share Bonus Plan

The Share Bonus Plan is also intended to promote the interests of LAC and its shareholders by permitting the Employee Incentive Plan Committee, in its discretion, to issue LAC common shares to full-time salaried employees of LAC as a bonus in recognition of services provided to LAC or one of the Amalgamating Corporations by such employees. The issuance of LAC common shares 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 will be eligible to participate in the Share Bonus Plan when the Amalgamation becomes effective.

FOREIGN INVESTMENT REVIEW ACT AND INVESTMENT CANADA ACT

The Foreign Investment Review Act (Canada) prohibits the acquisition of control of LAC by a 'non-eligible person' (as such term is defined in such Act) or a group of 'non-eligible persons' unless such acquisition has been approved by the federal government of Canada. New legislation to replace the Foreign Investment Review Act entitled the Investment Canada Act has recently been passed. The new Act, like its predecessor, will, upon proclamation, prohibit the acquisition of control of LAC by a 'non-Canadian' (as such term is defined in such Act) without the prior approval of the federal government of Canada. Both Acts contain rules as to what constitutes an acquisition of control which could arise on an acquisition of substantially less than a majority of the voting shares of LAC. The new Act provides that acquisitions in excess of $5 million of assets may be reviewed.

SECURITY HOLDINGS OF CERTAIN PERSONS

The following table sets forth the numbers and percentages of the outstanding shares of the Amalgamating Corporations beneficially owned, directly or indirectly, by the directors of the Amalgamating Corporations as at May 31, 1985. The table also sets forth the number and percentage of LAC common shares into which the shares of the Amalgamating Corporations will be converted as a consequence of the Amalgamation. Percentages of less than 0.1% are not indicated.

	Lac Minerals Shares	Little Long Lac Shares	Lake Shore Shares	Wright Shares	LAC Common Shares
Peter A. Allen(1)		455,759 (11.13%)			1,083,339 (4.06%)
John C. L. Allen(1)				5	2
John A. Downing(4)	10,426				10,426
Paul Fortin(4)					
Ian T. H. Hamilton(5)	2,366	6,150 (0.15%)			16,985
Mark Hoffman(4)	1,000	1,000			3,377
John E. Mockridge(4)	655	100			893
Harrison E. Rutetzki(4)					
Dennis G. Sheehan(2)		195,000 (4.76%)			463,515 (1.74%)
Richard P. Smith(2)	248(6)	9,600 (0.23%)			23,067
Robert C. Stanley, Jr.(1)	16,449	303,055 (7.4%)	8,025 (0.16%)	1,000	760,349 (2.85%)
Barton A. Thomson(4)					
Colin W. Webster(5)	5,894(7)	13,406(7) (0.32%)			37,760 (0.14%)
Donald C. Webster(3)		120,000(8) (2.93%)			285,240 (1.07%)
Directors and officers of the Amalgamating Corporations as a group	37,038 (0.12%)	1,104,070 (26.95%)	8,025 (0.16%)	1,005	2,684,953 (10.07%)

(1) Director of each of the Amalgamating Corporations.

(2) Director of Lac Minerals, Little Long Lac and Lake Shore.

(3) Director of Lac Minerals, Little Long Lac and Wright.

(4) Director of Lac Minerals.

(5) Director of Little Long Lac.

(6) Shares held in trust for Mr. Smith's children.

(7) Shares held by a holding company controlled by Mr. Colin W. Webster.

(8) Shares held by a holding company of which Mr. Donald C. Webster is the President and a director. The shares of such holding company are held by three trusts and Mr. Webster is the trustee of one of such trusts. The beneficiaries of such trusts are Mr. Webster's grandchildren.

EXPERTS

The audited consolidated financial statements of Lac Minerals and Lake Shore and the audited financial statements of Little Long Lac and Wright included in this Prospectus and Joint Proxy Statement have been examined by Thorne Riddell, independent chartered accountants, for the years and to the extent set forth in the auditors' reports in respect thereof. Such financial statements have been included herein in reliance upon such reports given upon the authority of such accountants as experts in accounting and auditing. It is expected that Thorne Riddell will act as auditors for LAC. Thorne Riddell have advised the Amalgamating Corporations that its representatives will be present at the Meetings, where such representatives will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

The references to reports of Glenn R. Clark, P.Eng., consulting engineer, as to Lac Minerals' ore reserves at Doyon, Bousquet and Macassa have been included herein in reliance upon the authority of such consulting engineer as an expert in the evaluation of ore reserves.

The reference to a report and letters of David S. Robertson & Associates, consulting geologists and mining engineers, as to Lac Minerals' ore reserves at the Hemlo Project has been included herein in reliance upon the authority of such consulting geologists and mining engineers as experts in the evaluation of ore reserves.

The references to a report of Coles Nikiforuk Pennell Associates Ltd., petroleum consultants, as to Lac Minerals' oil and gas reserves have been included herein in reliance upon the authority of such petroleum consultants as experts in the evaluation of oil and gas reserves.

None of the foregoing beneficially owns any shares of Lac Minerals, Little Long Lac, Lake Shore or Wright.

LEGAL MATTERS

The matters referred to under "The Amalgmation – Income Tax Considerations – Canada" and other legal matters relating to the Amalgamation, including the validity of the LAC common shares, will be passed upon by the law firm of Fraser & Beatty, Toronto, Ontario.

The United States tax matters refered to under "The Amalgamation – Income Tax Considerations – United States – The Amalgamation" will be passed upon by the law firm of Sullivan & Cromwell, New York, New York.

SHAREHOLDER PROPOSALS

Any shareholder of LAC who intends to present a proposal for inclusion in the Proxy Statement for action at the first meeting of shareholders of LAC must submit such proposal to the registered office of LAC at least 60 days before such Proxy Statement is mailed.

ADDITIONAL INFORMATION

The Amalgamating Corporations have filed with the SEC a registration statement (herein, together with all amendments thereto, referred to as the "Registration Statement") under the Securities Act of 1933 with respect to the LAC common shares to which this Prospectus and Joint Proxy Statement relates. As permitted by the rules and regulations of the SEC, this Prospectus and Joint Proxy Statement does not contain all of the information set forth in the Registration Statement. For further information, reference is made to the Registration Statement and the exhibits filed as part thereof, copies of which may be obtained from the Public Reference Section of the SEC, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 upon payment of the prescribed rates. Statements contained in this Prospectus and Joint Proxy Statement as to the contents of any agreement or other document referred to are not complete, and where such agreement or other document is an exhibit to the Registration Statement, each such statement is deemed to be qualified in all respects by the provisions of the exhibit.

LAC MINERALS LTD.

THE COMPANY

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 Lac Minerals 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 Lac Minerals and in the United States through Long Lac Mineral Exploration (Texas), Inc., which is a wholly-owned subsidiary of Lac Minerals. In this Prospectus and Joint Proxy Statement reference to Lac Minerals includes Lac Minerals, its subsidiary and all predecessor companies unless the context otherwise requires. Lac Minerals is a member of a group of companies known as the "Lac Group". The group consists of Little Long Lac and companies effectively controlled by it, being Lac Minerals, Lake Shore, Wright and wholly-owned subsidiaries of such corporations. For certain segmented data concerning the operations and assets of Lac Minerals, see Note 11 of the Notes to the Consolidated Financial Statements thereof.

THE LAC MINERALS MEETING

Voting Shares and Principal Holders Thereof

As at June 20, 1985, Lac Minerals had outstanding 29,652,889 common shares without nominal or par value, each carrying the right to one vote per share at the Lac Minerals Meeting. Such common shares are the only securities of Lac Minerals entitled to be voted at the Lac Minerals Meeting.

To the knowledge of the directors and officers of Lac Minerals, no person beneficially owns, or exercises control or direction over, more than five per cent of the outstanding Lac Minerals common shares except the following:

Name and Address	Number of Lac Minerals Common Shares	Percentage of Outstanding Lac Minerals Common Shares
Lake Shore Mines, Limited(1) Suite 2105, North Tower Royal Bank Plaza Toronto, Ontario	15,130,336	51.06
Little Long Lac Gold Mines Limited(2)(3) Suite 2105, North Tower Royal Bank Plaza Toronto, Ontario	3,034,936	10.24

(1) Of the 15,130,336 shares owned by Lake Shore, 8,651,283 shares are registered in the name of a nominee of 529068 Ontario Limited ("529068"), which is a 58% owned subsidiary of Lake Shore and 6,479,053 shares are owned of record and beneficially by Lake Shore. Lake Shore also effectively controls Wright which owns the balance of the outstanding shares of 529068.

(2) Little Long Lac owns these shares of record and beneficially and it effectively controls Lake Shore.

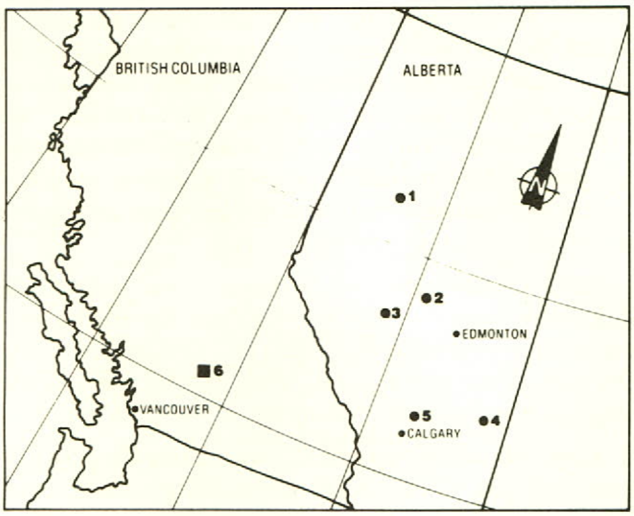
(3) Peter A. Allen owns or controls approximately 11% of the outstanding shares of Little Long Lac.

BUSINESS AND PROPERTIES

Lac Minerals conducts its business through three divisions: the Mining Division which consists primarily of Lac Minerals' three principal operating gold mines (La Mine Doyon, La Mine de Bousquet and the Macassa Mine), and which also includes the Lake Shore mine and the Hemlo Project; the Exploration Division which conducts all mineral exploration activities; and the Oil and Gas Division which conducts oil and gas exploration and development activities in Canada and the United States. The following is a description of the principal assets and operations of Lac Minerals.

Location Maps

Western Canada

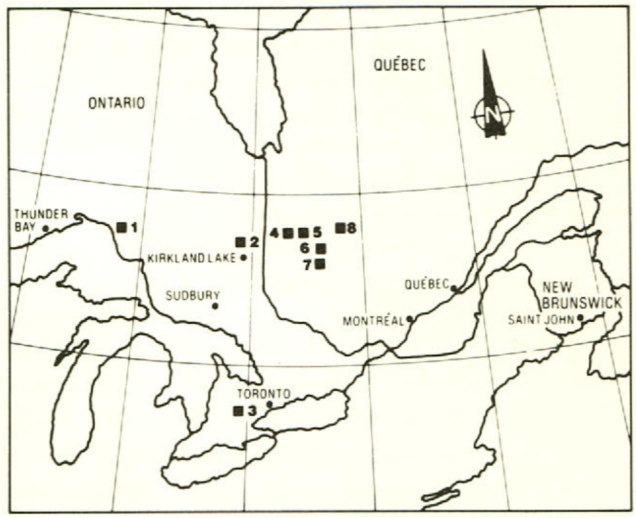


● Oil and Gas ■ Mineral Exploration Projects

Alberta Properties
1 Dunvegan
2 McLeod River
3 Edson South
4 Scapa
5 Westward Ho

British Columbia Property
6 Copper Giant

Eastern Canada



■ Mining Properties or Mineral Exploration Projects

Ontario Properties
1 Hemlo
2 Macassa
3 Milton

Québec Properties
4 Doyon
5 Bousquet
6 Est-Malartic
7 Terrains
8 Barraute

Mining Division

Doyon Joint Venture

Lac Minerals owns a 50% joint venture interest in La Mine Doyon ("Doyon"), an open pit gold mine located in Bousquet Township near the town of Cadillac, Quebec. Based on production, Doyon is the second-largest gold mine in Canada. The remaining interest in this mine is held by La Société Québecoise d'Exploration Minière ("SOQUEM"). Lac Minerals and SOQUEM share equally in the production from Doyon subject to a royalty payable to Odyno Minière Inc. ("Odyno") for gold produced from claims formerly owned by Odyno, which claims contain 81% of the currently known ore reserves. In satisfaction of its portion of this royalty, Lac Minerals delivers 1% of its share of the gold production from the Doyon claims to SOQUEM, which in turn pays Odyno.

Doyon consists of a mining lease and development licences covering approximately 4,350 acres. The facilities at Doyon consist of a mill, a refinery, a crushing and screening plant, maintenance shops, a head frame, a hoist room and surface facilities, a warehouse and an administration and mine office building. Doyon is operated by Lac Minerals at cost and Lac Minerals and SOQUEM contribute equally to capital and operating costs.

Regular production at Doyon began in March 1980 from an open pit at the rate of 1,375 tons per day, was expanded to 3,262 tons per day during 1983 and by the end of 1984 was operating at 3,474 tons per day. The operation uses conventional open pit mining methods, employing blast-hole drilling to break ore and waste. The ore and waste are transported from the pit to a nearby primary crusher. After primary crushing the ore is treated at one of three locations: the on-site mill, Lac Minerals' Est-Malartic custom mill and the smelter owned by Noranda Mines Limited ("Noranda") at Noranda, Quebec. From time to time ore may also be treated at Lac Minerals' Terrains custom mill. See "Milling Operations".

The on-site mill uses a conventional cyanidation treatment process and went into operation in December 1982. It is now operating at a rate of 1,570 tons per day or 40% of the current production from the mining operations at Doyon.

A total of 1,268,000 tons of Doyon ore were milled during 1984 at the on-site mill, the Est-Malartic mill and the Noranda smelter. This was a 10.8% increase in production from the previous year. Lac Minerals' share of 1984 production was 93,135 ounces, compared with 78,946 ounces in 1983, net of royalties.

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

The first phase of development of an underground mine at the Doyon Joint Venture was started during the second half of 1984 and completed in February 1985. Budgeted at $8,200,000 for Lac Minerals' portion of which $6,100,000 was spent during 1984, this phase included construction of a headframe and surface complex and some initial underground development work. Shaft sinking and underground development work were started in February 1985. The shaft is planned to be completed to a depth of 2,100 feet in 1985. The shaft will be a rectangular, four compartment timbered shaft and will have lifting capacity of 2,700 tons of ore per day. Underground mining will be carried out using trackless diesel equipment with tracked electric haulage equipment. It is planned that the ore will be mined principally by two methods, the Avoca sublevel cut and fill method and open stope mining with delayed fill.

Construction of a declined access ramp was begun in 1983 to provide access for further diamond drilling and evaluation of the potential for underground mining of the downward extension of the ore body under the existing pit. In late 1983, a north-west south-east trending vein structure was discovered west of the open pit. This new structure has been demonstrated by drilling to extend beyond the area of reserves reported and it is anticipated that the reserves will be increased with further work. The declined access ramp will also provide access to the new area.

During 1984, work continued on the underground access ramp, which was driven 7,925 feet during the year. Of this, 4,125 feet were in the main zone and 3,800 feet were in the west zone. About 13,250 tons of the development ore at an average grade of 0.26 ounces of gold per ton were mined during 1984 in the west zone using the ramp. This development work also permitted extensive underground exploration, primarily in the main zone. A total of $4,042,000 was spent on the underground exploration during 1984, of which Lac Minerals' portion was $2,021,000.

The size of the Doyon pit was expanded along the east and north walls in 1983. The daily removal of pit waste and overburden averaged 23,015 tons per day and ore was removed at an average of 3,281 tons per day in 1984. The stripping ratio in 1984 averaged 7.0 to 1 compared to 8.9 to 1 in 1983 and is expected to be 4.7 to 1 in 1985. When the open pit is mined out in 1988 according to the present pit design, it is estimated that the overall stripping ratio will have been 5.8 to 1 with 8,058,000 tons of the ore removed and 1,284,000 tons of stockpiled low grade ore (included in waste tonnage) grading 0.05 ounces of gold per ton. It is possible that the pit may be extended to the west.

As the open-pit reserves are exhausted, the underground reserves will be brought into production. To ensure minimal disruption for its employees, an underground mining skills training program has been introduced for interested Doyon open-pit miners.

Lac Minerals' portion of capital expenditures made during the year on new pit equipment and improvements to the mill's crushing plant and ventilation system totalled $1,300,000. Total capital expenditures during 1985 for the Doyon underground project are expected to be approximately $10,000,000 of which $5,000,000 would be Lac Minerals' share. Exploration during 1985 will concentrate on the main ore zone and will examine whether there is deeper continuation of the west zone.

Selected Operating Data

The tables below summarize the operating statistics for Doyon and Lac Minerals' joint venture interest therein for the periods indicated:

Total Operation at Doyon

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Tons of Ore Milled (000's)							
Est-Malartic	166	108	510	576	582	388	172
Noranda	33	48	184	112	218	192	208
On-Site	139	114	574	456	42		
Terrains					52		
Total	338	270	1,268	1,144	894	580	380
Average Recovered Grade of Ore Milled (ounces of gold per ton)							
Est-Malartic	0.137	0.147	0.151	0.141	0.170	0.192	0.158
Noranda	0.118	0.138	0.137	0.153	0.219	0.233	0.207
On-Site	0.126	0.199	0.166	0.154	0.128		
Terrains					0.125		
Average Gold Recovery Rate (%)							
Est-Malartic	93.34	94.85	94.57	94.30	92.39	90.42	92.96
Noranda	90.81	91.82	91.92	90.81	93.22	93.57	94.00
On-Site	95.55	96.01	95.86	95.40	93.43		
Terrains					90.43		
Production of Gold (ounces)(1)							
Est-Malartic	22,651	15,860	72,538	76,462	96,812	67,392	27,336
Noranda	3,948	6,715	23,098	15,522	44,600	41,714	42,788
On-Site	17,617	22,676	91,278	66,764	5,036		
Terrains					5,774		
Total	44,216	45,251	186,914	158,748	152,222	109,106	70,124

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

Lac Minerals' 50% Interest in Doyon

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Production of Gold (ounces)(1)							
Est-Malartic	11,326	7,930	36,269	38,231	48,406	33,696	13,668
Noranda	1,974	3,357	11,549	7,761	22,300	20,857	21,394
On-Site	8,808	11,338	45,639	33,382	2,518		
Terrains					2,887		
Total	22,108	22,625	93,457	79,374	76,111	54,553	35,062

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

Operating Cost per Ounce of Gold Produced							
Production cost	$ 239	$ 215	$ 214	$ 249	$ 162	$ 135	$ 150
Depreciation and amortization	75	66	70	35	43	39	28
	$ 314	$ 281	$ 284	$ 284	$ 205	$ 174	$ 178

Reserves

Ore reserves are calculated annually. The reserves at Doyon and Lac Minerals' share thereof as at December 31, 1984 and 1983 shown in the tables below were independently confirmed in reports dated February 27, 1984 and April 19, 1985 (collectively, the "Clark Report") prepared by Glenn R. Clark, P.Eng., consulting engineer. The limits of the ore body have not yet been fully defined.

	Total Operation at Doyon				Lac Minerals' 50% Interest in Doyon			
	1984		1983		1984		1983	
	Thousands of Tons	Ounces of Gold Per Ton	Thousands of Tons	Ounces of Gold Per Ton	Thousands of Tons	Ounces of Gold Per Ton	Thousands of Tons	Ounces of Gold Per Ton
Open Pit Proven	3,880	0.137	4,804	0.131	1,940	0.137	2,402	0.131
Underground Probable	5,790	0.184	3,946	0.181	2,895	0.184	1,973	0.181

In calculating the average grade of ore reserves a statistical analysis of assays is done to arrive at the average grade. Open pit reserves have been calculated assuming dilution of 10%. Experience at the adjacent Bousquet mine with similar types of ore zones indicates that the probable reserves based on the drilling information do not need to be diluted.

The cut-off grades for Doyon open-pit ore and Doyon underground are 0.05 and 0.08 ounces of gold per ton, respectively.

A low-grade stockpile is maintained at Doyon for processing when milling capacity is available or when the price of gold is such that processing is economic. At December 31, 1984, such stockpile consisted of 1,270,000 tons. (Lac Minerals' 50% interest being 635,000 tons) with a grade of 0.051 ounces of gold per ton. Such stockpile is made up of ore mined from low-grade zones (grading 0.02 to 0.08 ounces of gold per ton) that occurred within the pit but were considered too low-grade to process at the time of surveying. This material had to be moved and it was segregated from the waste rock for possible use at a later date. The low-grade stockpile is processed when milling capacity is available or the gold price is such that processing is economic. Ore from the stockpile can then be treated economically because the volume of ore being treated covers the costs of milling.

Bousquet

Lac Minerals owns La Mine de Bousquet ("Bousquet"), an underground gold mine located in Bousquet Township approximately 25 miles west of the town of Malartic in northwestern Québec. The property consists of two mining leases and eight development licences covering approximately 850 acres. The facilities at Bousquet consist of maintenance shops, a changehouse, a compressor room, a head frame, a hoist room, a warehouse, an administration and mine office and storage areas. Production from the mine began in July 1979. Ore mined from Bousquet is trucked principally to the Terrains custom mill. See "Milling Operations".

The Bousquet underground mine (Zones 1 and 3) uses trackless diesel-driven equipment for mining and tracked electric equipment for haulage and employs a retreat caving mining method with waste rock backfill being continually added from the surface. The mine is serviced by a four compartment shaft as well as an access ramp from the surface to the fifth level. The shaft was deepened during 1982 by 865 feet to 2,096 feet below the surface. The mine and shaft have sufficient equipment and capacity to produce 1,500 tons of ore a day. Lac Minerals is considering automating the hoist and adding a service hoist in the fourth compartment to increase production. The estimated cost of these improvements is $1,200,000.

A low grade open pit (Zone 5) has been developed 425 feet north of the main underground mine and the waste stripping provides rock backfill for the main underground operation. Production on a selective, grade-controlled basis from this pit began in April 1985. The pit will supply ore for milling when there is a shortfall from Lac Minerals' other operations. Ore from the stockpile can then be treated economically because the volume of ore being treated covers the costs of milling.

Gold production from Bousquet increased in 1984 by 4.6% from the previous year, and tons of ore milled increased by 14.6%, primarily due to an increase in production from the low-grade, No. 5 Zone open-pit operation. The amount of ore milled from the higher grade underground No. 1 and No. 3 Zones remained virtually the same. Capital expenditures made at Bousquet during 1984 totalled $1,429,000 and included the purchase of new mobile equipment to increase productivity. Capital expenditures at Bousquet during 1985 are budgeted at about $4,000,000 and will include an improved ventilation system, new mobile equipment and plant improvements. Production from No. 1 and No. 3 Zones is budgeted to increase by a small margin during 1985.

Since 1981, as ore has been mined at greater depths, the mine has experienced difficult ground conditions. Lac Minerals continues to work on a variety of measures to alleviate these conditions, including different mining methods, support systems and backfill techniques. The alleviation of these conditions has increased operating costs since 1981.

Selected Operating Data

The table below summarizes the operating statistics for Bousquet for the periods indicated:

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Tons of Ore Milled (000's)	132	189	589	514	433	423	285
Average Recovered Grade of Ore Milled (ounces of gold per ton)	0.182	0.149	0.182	0.197	0.163	0.180	0.200
Average Gold Recovery Rate (%)	92.94	93.00	92.90	93.57	94.57	95.78	95.22
Production of Gold (ounces)	24,072	28,246	99,425	95,068	70,500	76,945	57,054
Operating Cost per Ounce of Gold Produced							
Production cost	$290	$266	$289	$280	$299	$239	$241
Depreciation and amortization	14	26	29	27	41	34	26
	$ 304	$ 292	$ 318	$ 307	$ 340	$ 273	$ 267

Reserves

Ore reserves are calculated annually. The reserves at Bousquet as at December 31, 1984 and 1983 shown on the table below were independently confirmed in the Clark Report. The limits of the ore body have not yet been fully defined.

	1984		1983	
	Thousands of Tons	Ounces of Gold Per Ton	Thousands of Tons	Ounces of Gold Per Ton
Proven				
Zones 1 and 3	4,637	0.140	1,179	0.150
Zone 5(1)	4,914	0.060	5,010	0.056
Probable				
Zones 1 and 3	1,770	0.140	3,809	0.145
Zone 5(1)	1,354	0.070	1,354	0.066

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

In calculating the average grade of ore reserves all assays in excess of one ounce per ton are cut to one ounce and a dilution factor of 20% grading 0.02 ounces of gold per ton has been included in the calculation of reserves. The cut-off grade for Bousquet is 0.08 ounces of gold per ton.

Macassa

Lac Minerals owns the Macassa Mine ("Macassa"), an underground gold mine located in the Township of Teck near Kirkland Lake, Ontario, which commenced operations in October 1933. Macassa consists in part of 38 patented mining claims owned outright covering approximately 1,400 acres. The property also consists of 36 patented mining claims covering approximately 1,090 acres and 16 patented mining claims held under lease covering approximately 400 acres, all subject to varying royalty interests. Approximately 56% of the reserves at Macassa are subject to royalties. The facilities at Macassa consist of a mill, a refinery, a mine office, a machine shop, a changehouse, two compressor rooms, three headframes, three hoist rooms and a warehouse.

Macassa is an underground mine which uses tracked battery, electric and air-driven equipment and employs cut and fill mining methods with waste rock backfill being provided from development mining. Access to the mine is provided through shaft No. 1 sunk to 3,000 feet and two winzes, No. 1 from 3,000 feet to 4,600 feet and No. 2 from 4,600 feet to 6,950 feet. Shaft No. 2 sunk to 4,600 feet is used primarily for ventilation and material handling.

Approximately 61% of the known reserves are more than 4,000 feet to the west of shaft No. 1. As a result, the bulk of ore mined comes from areas serviced by the No. 2 winze and it is necessary that such ore be handled at least three times to bring it to the surface. The stoping areas with access to the No. 2 winze are approximately 5,500 feet from the winze. Ore mined must be trammed to the No. 2 winze to be hoisted to the 4,600 foot level and trammed another 1,100 feet to the No. 1 winze. Ore is then hoisted to the 3,000 foot level where it moves by conveyor to shaft No. 1 and is finally hoisted to the surface. The existing shaft system has supplied the Macassa mill with an average of 334 tons of ore per day during the last two years.

The distance of the bulk of the ore from the existing shaft and winzes as well as the multiple handling increases the costs of the operation and limits further exploration to the west or to a greater depth. Accordingly, at a location approximately one mile to the west of shaft No. 1, Lac Minerals is constructing shaft No. 3 which will be sunk to a depth of 7,275 feet to permit more economic exploitation of existing reserves, mining of deeper reserves and exploration to the west and at upper levels. Shaft No. 3 is a four compartment timbered shaft, with a lifting capacity from full depth of 500 tons of ore per day. Surface facilities for the shaft consist of a headframe, a hoist room, a hoist compressor room and a changehouse. The budgeted cost of the project is $31,000,000, of which $21,983,000 had been spent to December 31, 1984. $9,000,000 is budgeted for 1985, of which $2,456,000 was spent to March 31, 1985. Shaft sinking commenced on May 1, 1983 and the shaft intersected the mine's active level at 4,250 feet in the third quarter of 1984. The shaft reached the one-mile depth mark in February 1985, reached 5,965 feet in June 1985 and is expected to reach its target depth of 7,275 feet in late 1985. When completed at 7,275 feet, shaft No. 3 will be the deepest single-lift shaft in the western hemisphere. The No. 3 shaft will open up an area of exploration and known ore between the 6,450 foot and 7,000 foot levels. The No. 3 shaft hoisting capacity will allow Macassa to increase ore production, thereby lowering mining costs.

The on-site Macassa mill, which uses a conventional cyanidation process to extract gold, is currently operating at its capacity of about 500 tons per day. It has been treating ore from the Lake Shore mine and will continue to do so until the No. 3 shaft is producing ore, at which time ore from the Lake Shore mine will probably be treated at another mill of Lac Minerals. A study is being conducted to examine the feasibility of increasing mill capacity to 750 tons per day, which expansion Lac Minerals estimates will cost approximately $7,000,000.

Throughout its history, Macassa, like other mines in the area, has experienced difficult ground conditions. The alleviation of such conditions has resulted in increased operating costs. Lac Minerals continues to work on a variety of measures to provide stable mining conditions, including new support systems, backfill techniques and seismic testing of high stress areas. The mine also encountered water problems during the past year, caused in part by water entering the old abandoned mine shafts in the area. Recently, there has been a gradual lowering of water levels. In early 1985 Lac Minerals temporarily stopped work on the No. 3 shaft to install a new 650 gallon per minute pumping system. Installation of the new pumping system was completed in June 1985.

Selected Operating Data

The table below summarizes the operating statistics for Macassa for the periods indicated:

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Tons of Ore Milled (000's)	29	31	122	122	118	115	111
Average Recovered Grade of Ore Milled (ounces of gold per ton)	0.487	0.532	0.478	0.504	0.468	0.461	0.466
Average Gold Recovery Rate (%)	96.10	97.00	96.70	96.25	97.01	96.50	96.70
Production of Gold (ounces)	14,032	16,640	58,472	59,230	53,357	51,190	50,000
Operating Cost per Ounce of Gold Produced							
Production cost	$343	$297	$320	$294	$296	$279	$246
Depreciation and amortization	12	11	12	8	9	11	4
	$ 355	$ 308	$ 332	$ 302	$ 305	$ 290	$ 250

Reserves

Ore reserves are calculated annually. The reserves at Macassa as at December 31, 1984 and 1983 shown in the table below were independently confirmed in the Clark Report. The limits of the ore body have not yet been fully defined.

	1984		1983	
	Thousands of Tons	Ounces of Gold Per Ton	Thousands of Tons	Ounces of Gold Per Ton
Proven	1,067	0.525	988	0.510
Probable	377	0.442	405	0.440

Based on historic recoveries all grades are cut by 10% and all intersections from diamond drilling are taken out to a minimum mining width of 5 feet. Other dilution factors of between 10% and 50% are added depending on the difficulty in mining and the rock-ore environment.

The cut-off grade for Macassa is 0.3 ounces of gold per ton.

Lake Shore

Lake Shore has granted to Lac Minerals the right to mine and treat the ore in the crown pillar and to mine underground at the former Lake Shore mine at Kirkland Lake, Ontario, subject to a royalty interest payable to Lake Shore of 50% of the net profits from the operations after recovery by Lake Shore and Lac Minerals of their costs. The Lake Shore mine, which was in production for more than 40 years and was the largest gold producer of the mines in the Kirkland Lake area, ceased production in 1965 because of dangerous ground conditions and low prices for gold at the time. The Lake Shore property consists of seven patented mining claims covering approximately 158 acres in Teck Township located in the Town of Kirkland Lake, Ontario. In 1984, 65,200 tons of ore were milled at the Macassa and Terrains mills and 37,944 ounces of gold were recovered.

To mine the crown pillar, Lac Minerals is using an underhand-cut and fill method. Starting from just below the surface, ore is mined in sections and the mined-out areas are refilled with concrete. This process is repeated as mining activity goes deeper. It is expected that mining of the crown pillar will be completed early in 1986.

In the spring of 1984, Lac Minerals set up a temporary hoist and conveyance on the old mine's shaft No. 5 collar. This allowed Lac Minerals, on behalf of Lake Shore, to conduct a geological study to identify exploration possibilities at various levels in the mine to determine if the mine could be kept open on a continuous basis. The shaft steel was examined to a depth of 2,200 feet and found to be in good condition, as were the working areas. By April 30, 1985, Lac Minerals had completed construction of a new headframe, shaft house, hoist and ore bins. The shaft is a rectangular three-compartment shaft and the hoist has a lifting capacity of 300 tons of ore per day from full depth of 4,000 feet. The Lake Shore mine project was made an operating unit within the Lac Minerals Mining Division during 1984. Also during 1984, Lac Minerals completed 9,815 feet of diamond drilling on the Lake Shore property and sampled and plotted all accessible headings in the mine above the 1,400 foot level. In addition, an examination was made of historical data from the Lake Shore mine. Mining and exploration plans include further examination of the old workings and will initially concentrate on removal of old pillars and pockets of ore that had been missed, as well as development work on newly discovered areas of gold mineralization. Lac Minerals spent $2,627,000 on the Lake Shore underground project in 1984 and plans to spend $5,000,000 in 1985, of which $547,000 was spent by March 31, 1985.

Selected Operating Data

The table below summarizes the operating statistics for Lake Shore for the periods indicated:

	Three months ended March 31,		Year ended December 31,	
	1985	1984	1984	1983
Tons of Ore Milled (000's)	13	8	65	15
Average Recovered Grade of Ore Milled (ounces of gold per ton)	0.476	0.648	0.582	0.437
Average Gold Recovery Rate (%)	96.10	97.03	96.70	95.90
Production of Gold (ounces)	6,142	4,961	37,944	6,458
Operating Cost per Ounce of Gold Produced				
Production cost	$ 384	$ 229	$ 260	$ 346
Depreciation and amortization	18	56	44	70
	$ 402	$ 285	$ 304	$ 416

Reserves

Ore reserves are calculated annually. The reserves at Lake Shore as at December 1984 as shown in the table below were independently confirmed in the Clark Report. The limits of the ore body have not yet been fully defined.

	1984		1983	
	Thousands of Tons	**Ounces of Gold Per Ton**	**Thousands of Tons**	**Ounces of Gold Per Ton**
Proven				
Crown Pillar	77	0.370	82	0.540
Underground	312	0.360		

The lowest grade of ore used in the ore reserve calculations had a grade of 0.25 ounces of gold per ton.

Wright Crown Pillar Recovery Project

Wright has granted to Lac Minerals the right to explore and mine the crown pillar of the former Wright gold mine at Kirkland Lake, Ontario and to treat ore from the pillar, subject to a royalty interest payable to Wright of 50% of the net profits from the operations after recovery by Wright and Lac Minerals of their costs. The Wright property consists of four patented mining claims and four licences of occupation covering approximately 153 acres in Teck Township located in the Town of Kirkland Lake, Ontario. The purpose of the agreement is to allow Lac Minerals access to the Wright crown pillar through the Lake Shore crown pillar workings for the purposes of exploring for ore and recovering ore that is discovered. No estimates of ore reserves in the Wright crown pillar have been made. No capital expenditures are planned for this project at the present time.

In March 1985, Lac Minerals entered into Wright ground and limited mining of the Wright crown pillar is planned in 1985.

Milling Operations

Est-Malartic

The Est-Malartic custom mill is owned by Lac Minerals and is near the town of Malartic, Quebec, 31 miles east of Doyon, on the site of the former Est-Malartic mine which was closed in 1980 due to failing ground conditions. The mill has a rated capacity of 1,800 tons per day and employs a conventional cyanidation treatment process to extract gold. The mill complex consists of the mill and a refinery. The mill is operated under an arrangement which provides for the payment by the Doyon Joint Venture to Lac Minerals of all operating expenses of the mill plus a toll charge which is currently $3.00 per ton. Total ore treated at the Est-Malartic mill during 1984 totalled 685,000 tons, compared with production during 1983 of 680,000 tons. Mill feed was supplied by the Doyon Joint Venture, Bousquet and Est-Malartic's own salvage mining operations. Capital expenditures during 1984 totalled $2,600,000. This included partial conversion of the mill to 60 cycle power, construction of a new refinery and tailings rehabilitation.

Terrains Auriferes

The Terrains Auriferes custom mill is owned by Lac Minerals and is located near the town of Malartic, Quebec, 31 miles east of Bousquet on the site of the former Malartic Goldfields gold mine which was closed at the end of 1964 owing to exhaustion of ore. The mill uses a conventional cyanidation treatment process to extract gold and can treat up to 2,000 tons a day of Bousquet ore with a sustained average gold recovery rate of 94%. The mill complex consists of the mill and a refinery. Capital expenditures on the mill and refinery during 1984 totalled $175,000. In addition to Bousquet ore, which was the predominant mill feed during 1984, Terrains milled ore from the Lake Shore mine and the Est-Malartic salvage operations. The mill operated at 1,586 tons per day in 1984, compared with 1,707 tons per day in 1983. However, because Lake Shore ore has a much higher grade than Bousquet ore, the ounces of gold produced were higher.

Hemlo

Background

The Hemlo properties consist of three groups of mining claims covering approximately 26,900 acres located in the Hemlo area, 25 miles east of Marathon, Ontario: the Hemlo Project, which consists of 11 patented mining claims, the Nabigon property, which consists of four mining claims, and the White River property, which consists of 659 mining claims. Access to the Hemlo properties is excellent due to the proximity of the Trans-Canada Highway and the main line of the Canadian Pacific Railway.

Lac Minerals purchased the patented claims on March 25, 1985 for $165,000. The property is subject to a royalty payable to the vendor of the claims equal to 1.5% of the net smelter return from ore mined from these claims. Four claims within the White River property (the Carroll option) are subject to a royalty interest payable to the vendors of the claims equal to 1% of the net smelter return from ore mined from the claims. The Hemlo Project is the subject matter of a lawsuit. See "Legal Proceedings".

Gold prospecting has been carried out in the Hemlo area since the early 1920's. Between 1945 and 1947, exploration work, including trenching and diamond drilling, was carried out on the Hemlo Project. During such time, assay results from 15 shallow holes drilled in the western part of the Hemlo Project indicated uneconomic gold values. There is no record of further work on the Hemlo Project until it was optioned by Lac Minerals in 1981.

Exploration work on the Hemlo Project by Lac Minerals in 1981 and 1982 consisted of geophysical and geochemical surveys, detailed geological mapping, trenching and diamond drilling. Drilling recommenced in January 1982 and is continuing. A significant gold deposit was discovered in March 1982 near the east boundary of the Hemlo Project. The gold deposit has a strike length of about 800 feet at surface and dips downward from the surface at an angle of 65 degrees to the north property boundary. Diamond drilling done during 1983 established two principal zones of mineralization (the A and B Zones) on the Hemlo Project.

Results from 108 drill holes intersecting a further zone of mineralization to the west, known as the C Zone, indicate that significant gold mineralization occurs within three parallel bodies: the C-1, C-2 and C-3 bodies, all of which extend to surface and are open at depth. Further detailed drilling will be carried out to sample the portion of these reserves suitable for open-pit mining. The C Zone continues below the drilling carried out to date. There are currently no plans to mine this area.

The width of the Hemlo ore body, coupled with the good ground conditions expected in the area, should make the mine well suited to economical, bulk mining methods. The equipment used for both underground and open-pit mining operations will be trackless diesel equipment. Lac Minerals intends to use a long hole open stope method to mine the ore body. In this method, drifts (horizontal tunnels) are driven above and below the desired ore at 115 foot intervals. Holes are drilled from above, the ore is blasted and broken ore is removed from below. The process is then repeated on the ore above the blasted area. The open area, or stope, is later back-filled with waste rock and cement.

The ore will be partially crushed underground prior to conveyance to the surface mill. The mill will use a carbon-in-pulp process to extract gold. After gold has been extracted, the tailings will be pumped to a tailings disposal area located at a distance from the mine site. Water from the tailings disposal area will be recycled for use in the mill.

Lac Minerals has completed arrangements and agreements with surrounding property owners for the necessary easements and rights of way for electric power, water and tailings disposal and is in the process of acquiring the necessary consents, licences and permits required by regulatory authorities for the construction and operation of the mine and mill complex. All consents, permits and licences needed for the present level of construction have been acquired and those needed to commence operations have been applied for and are under review by the appropriate authorities. Lac Minerals does not anticipate any difficulty in the acquisition of the remaining consents, permits and licences and has not been the recipient of any orders or directions with respect to the Hemlo Project other than in the ordinary course of business.

Preliminary plans completed in April 1984 for the development of Hemlo called for initial production by mid-1986 at a capacity of 3,300 tons of ore per day with full production at 6,600 tons of ore per day by early 1989. These plans have now been revised to provide for initial production by December 1985. The capacity of 3,300 tons of ore per day should be reached by the first quarter of 1986.

The total estimated capital cost to bring the mine into production by December 1985 at a capacity of 3,300 tons per day is $185,000,000. This estimate excludes financing costs, land acquisition, feasibility studies, escalation and contingencies. Calculated on the same basis it is estimated that a further $90,000,000 will be spent to bring the mine up to full production at a rate of 6,600 tons of ore per day by the end of 1988.

Development: Phase One

The two ore zones, the A and B Zones, will be mined in two phases. Production in 1985 through 1988 will be concentrated in the smaller A Zone and open-pit areas. Gradually, production will be augmented when the much larger B Zone area is mined which will provide the bulk of later production.

The first stage calls for a production level of 3,300 tons per day by the first quarter of 1986. Preliminary ore production will originate from a 750,000-ton open-pit mine and from a small shaft to mine the A Zone of the ore body from underground. Both the open-pit and underground operations are expected to yield production ore during 1985.

Following completion of a preliminary feasibility study Lac Minerals began clearing trees on the site in February of 1984 and started construction of the mine and mill complex in April 1984.

The A Zone shaft will have a lifting capacity of 3,000 tons a day but will operate at a rate of 2,000 tons a day and will only be used for hoisting ore and waste. The shaft will be sunk to a depth of 1,148 feet and is expected to be operational by August 1985 to its full depth. A depth of 1,237 feet had been obtained by May 31, 1985. Development ore is expected from the A Zone shaft in mid 1985 as drifting is begun. Initial production of underground ore from the shaft is planned for November 1985.

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

Lac Minerals is sinking a second, larger shaft to mine the B Zone of the ore body, which is expected to produce ore by October 1988. The B Zone shaft will be a circular shaft with a diameter of 23 feet, lined in concrete and with steel supports. It will be sunk to a depth of 4,300 feet. In June, the B Zone shaft had been sunk to 2,405 feet and is expected to be completed by the Spring of 1986. The lifting capacity of the shaft will be 8,000 tons a day from full depth. The shaft will contain two 22-ton production skips and a service cage capable of carrying 55 people. An auxiliary cage, capable of carrying 10 people, will also be installed for emergency purposes and service trips.

Construction of the mill is underway and will be completed in late 1985. The mill will have an initial capacity of 3,300 tons of ore per day. Commissioning is expected to take six to eight weeks. Lac Minerals expects that a small amount of gold will be poured at the Hemlo Project before the end of 1985.

Work on a declined access ramp to mine the A Zone was started in May 1984 and was completed at a length of 7,576 feet in June 1985. Breakthrough into the A shaft is planned for July 1985.

During 1984, Lac Minerals took initial steps to provide housing in the area for its employees. The housing construction has been in the town of Marathon where 46 houses were built for sale to employees under a housing purchase assistance program. A 44-unit apartment complex built during 1964 in Manitowadge, located 37 miles north of the mine site, has also been made available. A 96-unit apartment complex will be constructed in Marathon in 1985 to provide rental accommodation for employees. In addition, temporary accommodation in trailers for a number of employees has been made available in Marathon.

By the end of May 1985, a total of 550 people, including 49 Lac Minerals employees and subcontractors, were on site. This number is expected to increase to about 600 by mid-1985 as the hiring program expands.

The cost of reaching the 3,300 tons of ore per day production goal by 1986 is estimated to be $185,000,000 of which $79,000,000 had already been spent by the end of March 1985. This figure includes the construction of the headframes and supporting structures for both A and B Zone shafts (which have been completed), the mill at 3,300 tons per day capacity, further development of the A Zone, service buildings and housing and equipment, but excludes financing costs, land acquisition, feasibility studies, escalation and contingencies.

Development: Phase Two

Phase two of the Hemlo Project calls for a production level of 6,600 tons of ore per day by October 1988. To complete the project, Lac Minerals anticipates spending an additional amount of approximately $90,000,000. This estimate includes the cost of deepening the shaft to mine the B Zone, expanding the mill to 6,600 tons of ore per day capacity, underground equipment and housing.

Lateral development of mine workings off the B Zone shaft is planned to begin in mid-1986. It is planned that ore will be produced from the B Zone in the second quarter of 1987. Expansion of the mill to 6,600 tons of ore a day is being timed to coincide with the availability of production ore from the B Zone shaft.

Reserves

The probable reserves of the Hemlo Project as at December 31, 1984 (A and B Zones) and at May 17, 1985 (C Zone) shown in the table below were independently confirmed by David S. Robertson & Associates, consulting geologists and mining engineers in a report dated February 1984 and a letter dated May 17, 1985 for the A Zone, a report dated September 1984 for the B Zone and a letter dated May 17, 1985 for the C Zone.

	1985		1984	
	Thousands of Tons	Ounces of Gold Per Ton	Thousands of Tons	Ounces of Gold Per Ton
Hemlo Project				
Probable (A Zone)	4,100	0.18	4,100	0.18
Probable (B Zone)	18,300	0.25	18,300	0.25
Probable (C Zone)	560	0.13		

The B Zone has been demonstrated by widely spaced drilling to extend well beyond the area of reserves reported above, and it is anticipated that the reserves will be increased with further work. The limits of the B Zone and C Zone have not yet been fully defined.

For the purposes of these calculations all assays for the C Zone in excess of one ounce of gold per ton have been cut to one ounce.

The cut-off grade for the Hemlo Project is 0.06 ounces of gold per ton.

Milton Limestone Aggregates

Lac Minerals owns a small limestone aggregate quarry located on the Niagara Escarpment near Milton, Ontario which has operated for more than 25 years. The quarry property covers 175 acres and operations are carried out under a quarry licence issued under the Pits and Quarries Control Act of Ontario. The plant was completely rebuilt during 1972 and 1973 and consists of an administrative office, repair shop, scale and scale house, primary and secondary crushing plant, tertiary screening plant and washing plant. The operation produces approximately 1,000,000 tons of limestone aggregates per year which is sufficient to meet the demand of the markets presently available. Rock is mined by open-pit mining methods employing blast-hole drilling. There are adequate reserves within the permit area to continue the operation into the 1990's at current production rates.

The market for limestone aggregates is extremely competitive. The Niagara Escarpment area around Milton contains five additional quarries, all of which are capable of much larger production than the Lac Minerals' quarry. Constant attention to quality and service are necessary to maintain customers and the size of the market is limited by the high costs of transportation of the product. The principal market for limestone aggregates is in and around the City of Toronto and sales volumes of aggregates are affected directly by activity in the construction industry. As a result of the competitive nature of the business, the net profit margin historically has been low and the operation does not account for a significant part of Lac Minerals' revenues. The operation had revenues of $5,000,000 in 1984 compared with revenues of $3,500,000 in 1983. Revenues increased in 1984 despite little change in average selling prices. Operating profit was $2,100,000 in 1984 compared with $1,000,000 in 1983. The favourable results attained in 1984 can be attributed to an increased demand for aggregates in the last half of 1984 combined with improved productivity.

Gold Sales

Processing

The gold that is treated at Lac Mineral's mills is processed into unrefined bars of bullion called doré bars. The doré bars are then shipped to the Royal Canadian Mint in Ottawa for further refining into marketable form. The standard marketable bars produced for Lac Minerals are 400 troy ounce bars with a purity of 99.99%. Gold ore processed at the Noranda Smelter in Rouyn, Quebec is processed by Noranda into marketable form and deposited to a chartered bank for the account of Lac Minerals. The marketable bars are sold by Lac Minerals to bullion dealers at prices based on the world market price of gold at the time of sale.

Gold Price

The following table shows the monthly and annual average of the London Bullion Market afternoon fixing price of gold per troy ounce from January 1980 to May 1985.

	1985	1984	1983	1982	1981	1980
January	U.S. $302.79	U.S. $370.89	U.S. $481.79	U.S. $384.13	U.S. $557.39	U.S. $675.31
February	299.10	385.92	491.11	374.13	499.76	665.32
March	303.94	394.26	419.68	330.25	498.76	553.58

	1985	1984	1983	1982	1981	1980
April	U.S. $325.27	U.S. $381.36	U.S. $432.88	U.S. $350.34	U.S. $495.80	U.S. $517.41
May	316.37	377.40	438.00	333.82	479.69	513.82
June		377.67	412.84	314.98	464.76	600.72
July		347.47	422.72	338.97	409.28	644.28
August		347.68	416.24	364.23	410.16	627.15
September		340.79	411.80	437.31	443.58	673.63
October		340.17	393.58	422.15	437.76	661.15
November		341.18	381.66	414.91	413.37	623.46
December		320.01	388.34	444.29	410.09	594.92
Annual		360.40	424.22	375.79	460.03	612.56

On June 21, 1985 the afternoon fixing price of gold on the London Bullion Market was U.S. $313.45.

Gold Marketing Policy

In order to assist in the planning of capital expenditures, to establish a predictable level of profit from its operations and to reduce business risks as much as possible, Lac Minerals sells its gold production from time to time under commercial contracts to bullion dealers for delivery at selected future dates and at set prices. In 1984, 297,789 ounces were delivered under such contracts compared with 254,999 ounces in 1983. At June 21, 1985, Lac Minerals had agreed to sell 387,900 ounces of gold for delivery from future production at set dates at an average price of U.S. $347.45 per ounce. Included in such amount are 145,000 ounces sold forward against future production from the Hemlo Project.

The table below sets forth the average gold prices per troy ounce realized by Lac Minerals in Canadian and United States dollars for sales priced in such currencies for the periods indicated.

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Canadian dollars	$499	$548	$516	$556	$583	$717	$508
United States dollars	U.S. $370	U.S. $438	U.S. $402	U.S. $449	U.S. $473	U.S. $598	U.S. $435

Lac Minerals is paid in U.S. currency for its sales of gold and from time to time it has committed to sell U.S. currency forward to safeguard against future movements of such currency against the Canadian dollar. These transactions are not reflected in Lac Minerals' accounts until the settlement dates of the forward sales contracts. At December 31, 1984, Lac Minerals had agreed to sell a total of U.S. $45,000,000 at various dates between January 31, 1985 and December 31, 1988 at exchange rates averaging 1.28. At June 21, 1985 the amount sold was U.S. $32,000,000 at exchange rates averaging 1.28.

Exploration Division

The Exploration Division currently employs 62 permanent staff, 29 of whom are geologists, operating out of six offices in Toronto, Kirkland Lake and Hemlo, Ontario, Malartic, Québec, Vancouver, British Columbia and Reno, Nevada. Lac Minerals is conducting 60 exploration programs throughout North America and Australia which involve exploring for minerals, principally gold and base metals, and has budgeted at least $8,500,000 for such programs in 1985 of which $100,000 in respect of the Hemlo Project will be deferred and $8,400,000 expensed in the following manner: $1,000,000 on 8 projects in British Columbia; $2,300,000 on 15 projects in Ontario (other than the Hemlo Project) the largest of which will be $470,000 on the White River Project; $1,500,000 on 20 projects in Québec; $30,000 on 3 projects in New Brunswick; $3,270,000 on 13 projects in the United States; and $300,000 on a project in Australia. The following are the most significant properties upon which Lac Minerals is carrying out exploration. Unless otherwise stated, the following properties do not contain known bodies of ore and are at an exploratory stage.

Hemlo Project

The Exploration Division has been concentrating on defining the C Zone since the beginning of 1984. Further detailed drilling will be carried out to sample the portion of these reserves suitable for open pit mining. The C Zone continues below the drilling carried out to date. Deeper exploration work will be done underground from the B Zone shaft.

White River Property

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

Est-Malartic

The Exploration Division has been reinterpreting the geology of the Malartic gold mining camp to add to its understanding of the deposition of gold mineralization and new ways to recognize it elsewhere. It was a similar reinterpretation that led to the discovery of the Bousquet mine, which in turn gave Lac Minerals the geological expertise to find Hemlo. Lac Minerals is examining whether low grade gold mineralization might be amenable to a heap leaching recovery method, a process by which crushed low grade ore is piled in heaps and soaked in a diluted cyanide solution to leach out gold. This is a less efficient gold recovery method but it is economically efficient for treatment of low grade ore because of the low costs involved.

Kirkland Lake

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

Other Properties and Projects

Lac Minerals owns an undeveloped copper, gold and molybdenum prospect known as Copper Giant which is located at Poison Mountain in British Columbia. Initial feasibility and metallurgical studies have been completed and no further work on the prospect is planned. At December 31, 1984, the prospect had a net book value of $3,525,000 and in the first quarter of 1985 it was written down to $1,763,000. The prospect was written down because it is unlikely to be developed until copper prices improve.

Lac Minerals owns a property known as Barraute which is located seven miles north of the Town of Barraute in northwestern Quebec. The property is a gold prospect which consists of 44 claims and a mining lease covering approximately 4,000 acres. An exploration program has been completed, a 1,000-ton bulk sample will be tested during the year and further diamond drilling is planned.

During 1984 exploration activities were carried out on several additional properties, primarily in Canada and the United States. Lac Minerals also entered into a joint venture during the year to explore properties in Western Australia, Lac Minerals' first exploration endeavour in that country. Lac Minerals can earn a 50% interest in the venture by spending up to $2,600,000 (Australian) in stages.

Oil and Gas Division

Lac Minerals has acquired interests in a number of oil and natural gas properties in Canada and the United States through a joint venture with Sunburst Resources Ltd., which was terminated on December 31, 1983 and through a one-third working interest in a joint venture (the "Citadel Joint Venture") operated by Citadel Resources Ltd. and through direct participation with other operating companies. 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. For the year ended December 31, 1984 the Oil and Gas Division accounted for 4% of the total revenues of Lac Minerals. At March 31, 1985, the Oil and Gas Division accounted for 9% of the total assets of Lac Minerals. See Segmented Data under Note 11 of the Notes to the Consolidated Financial Statements of Lac Minerals and Supplemental Financial Information to such Consolidated Financial Statements.

During the three months ended March 31, 1985, Lac Minerals participated in drilling 2 gross wells (.85 net wells) in Canada. During 1984, Lac Minerals participated in drilling 19 gross wells (4.6 net wells) in Canada and the United States. Of these wells, 3 gross wells (0.5 net wells) have been completed as oil wells, 10 gross wells (2.2 net wells) have been completed as gas wells and 6 gross wells (1.9 net wells) were dry and abandoned. In total, Lac Minerals has participated in drilling 375 gross wells (62.3 net wells) of which 67 gross wells (8.1 net wells) have been completed as oil wells, 139 gross wells (27.7 net wells) have been completed as gas wells, 8 gross wells (0.7 net wells) are in the process of being completed and 161 gross wells (25.8 net wells) are dry and abandoned. Of the gas wells, 43 gross wells (7.81 net wells) are shut-in and non producing.

During the three months ended March 31, 1985, expenditures of $871,000 were made on exploration and development of oil and gas properties and expenditures of approximately $4,630,000 have been budgeted to complete the 1985 program. During 1984, expenditures of $6,386,000 were made on exploration and development of oil and gas properties.

The Citadel Joint Venture terminated in respect of further exploration activities on March 31, 1983 but continues to apply in respect of the development of properties which were acquired prior to March 31, 1983. Lac Minerals, on behalf of the Citadel Joint Venture, is expected to become the operator at the McLeod River, Scapa and Westward Ho properties. The other properties in which Lac Minerals has an interest are operated by other companies.

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. Lac Minerals 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.

Production and Revenue History

The following table summarizes Lac Minerals' net interest in oil and natural gas production (after the deduction of royalties) for the periods indicated:

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Production:							
Canada							
Natural gas (Mmcf)	169	189	630	547	793	205	126
Oil and natural gas liquids (Bbls)	8,346	12,003	37,229	33,424	16,823	9,656	6,398
United States							
Natural gas (Mmcf)	152	241	699	680	543	203	112
Oil and natural gas liquids (Bbls)	2,870	6,744	14,042	30,242	27,760	20,009	5,998
Revenues (dollars in thousands):(1)							
Canada	$990	$1,158	$3,845	$3,204	$2,656	$1,214	$475
United States	$679	$1,038	$2,970	$3,369	$2,573	$ 552	$397
Average Sales Price Per Unit:							
Canada							
Natural gas (per Mcf)	$ 2.32	$ 2.78	$ 2.59	$ 2.80	$ 2.53	$ 2.72	$ 2.73
Oil and natural gas liquids (per Bbl)	$35.82	$36.00	$40.53	$31.23	$23.83	$19.36	$15.62
United States							
Natural gas (per Mcf)	$ 4.05	$ 4.39	$ 3.91	$ 4.04	$ 3.72	$ 2.34	$ 2.23
Oil and natural gas liquids (per Bbl)	$36.24	$36.33	$38.53	$32.83	$37.18	$40.95	$35.18
Average Production Cost Per Unit(2)							
Canada	$15.01	$12.75	$18.55	$13.38	$10.27	$25.05	$35.40
United States	$ 4.86	$ 5.84	$ 6.85	$ 5.78	$ 6.05	$10.01	$ 7.70

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).

Drilling Activity

Lac Minerals 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 Lac Minerals had an interest during the periods indicated.

	Exploratory Wells				Development Wells			
	Canada		United States		Canada		United States	
Year ended December 31,	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1980								
Natural gas	11	1.5974	5	.9770			7	1.2100
Oil	5	1.0193	5	.7307			2	.1250
Dry	15	2.3592	31	3.2483			—	—
	31	4.9759	41	4.9560			9	1.3350

Year ended December 31,	Exploratory Wells				Development Wells			
	Canada		United States		Canada		United States	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1981								
Natural gas	4	.9244	12	1.2846	9	2.9097	14	2.6246
Oil	1	.1250	4	.2500	14	.9325	9	.8061
Dry	20	3.3586	34	4.8941				
	25	4.4080	50	6.4287	23	3.8422	23	3.4307
1982								
Natural gas			2	.2856	6	1.9065	15	3.1230
Oil	2	.5500	3	.1680	3	.4334	2	.2925
Dry	7	1.6292	12	1.2725				
	9	2.1792	17	1.7261	9	2.3399	17	3.4155
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
Three months ended March 31, 1985								
Natural gas	2	.8521						
Oil								
Dry								
	2	.8521						
TOTAL	83	17.5837	113	13.6010	44	9.0444	63	11.0337

Note:

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

Expenditures on Drilling and Exploration Activities

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

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
			(dollars in thousands)				
Property acquisition	$ 42	$ 401	$ 1,141	$ 678	$ 2,303	$ 3,285	$ 4,518
Drilling	710	1,887	4,846	5,971	11,806	10,357	10,274
Gas Processing Plant	119	20	399	1,928	773	1,062	
Total	$ 871	$ 2,308	$ 6,386	$ 8,577	$14,882	$14,704	$14,792

Oil and Gas Land Holdings

The following table sets out Lac Minerals' holdings of developed and undeveloped acreage as at March 31, 1985:

	Undeveloped		Developed		Total	
	Gross Acres	Net Acres	Gross Acres	Net Acres	Gross Acres	Net Acres
Canada						
Alberta	352,865	132,075	63,857	10,195	416,722	142,270
B.C.	12,880	1,015	2,400	693	15,280	1,708
Total	365,745	133,090	66,257	10,888	432,002	143,978
United States	55,375	12,549	31,770	5,193	87,145	17,741
Total	421,120	145,639	98,027	16,081	519,147	161,719

Note:

"Gross acres" refers to the number of acres in which Lac Minerals has an interest. "Net acres" refers to the aggregate of the numbers obtained by multiplying each gross acre by Lac Minerals' percentage interest therein.

Oil and Gas Reserves

Lac Minerals' North American proven and probable reserves of natural gas, crude oil, natural gas liquids and sulphur have been confirmed by an independent petroleum consultant in a report (the "Coles Report") dated February 18, 1985, and effective December 31, 1984, prepared by Coles Nikiforuk Pennell Associates Ltd. ("Coles") of Calgary, Alberta.

The following tables summarize the Coles Report of Lac Minerals' reserves on a constant price basis. Probable reserve quantities were not reduced to reflect the risk attached to their recovery. Assumptions and qualifications relating to costs, prices for future production and other matters are included in the Coles Report.

Petroleum and Natural Gas Reserves
Based on Constant Price Assumptions(4)(5)

	Net Reserves (1)			
	Gas (BCF)	Natural Oil (MBBLS)	Natural Gas Liquids (MBBLS)	Sulphur (MLT)
Canada				
Proven Producing	6.638	146.3	151.8	1.5
Total Proven	16.339	146.3	461.5	1.9
Proven Plus Probable	23.561	238.4	679.5	6.6
United States				
Proven Producing	2.991	57.8	32.0	
Total Proven	3.070	57.8	32.0	
Proven Plus Probable	4.343	91.6	69.4	—
Total Proven Plus Probable (Canada and United States)	27.904	330.0	748.9	6.6

Present Worth of Estimated Net Production Revenue
Based on Constant Price Assumptions (4)(5)

	Discounted at the Rate of			
	0%	10%	15%	20%
	(dollars in thousands)			
Proven Reserves(2)				
Proven Producing	$ 33,523	$ 19,945	$ 16,789	$ 14,585
Total Proven	$ 65,132	$ 29,602	$ 22,770	$ 18,440
Proven Plus Probable Reserves(2)(3)	$ 99,064	$ 40,893	$ 30,774	$ 24,469

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 Lac Minerals 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 or 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) Probable additional reserves means those reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proven under current technology and existing economic conditions, but where such analysis suggests the likelihood of their existence and future recovery.

(4) The constant price assumptions used in the preparation of the Coles Report assume the continuance of current laws and regulations. Product prices were held constant at the levels as of January 1, 1985, but adjusted for oil quality. Operating costs were estimated for 1985 and held constant thereafter on a dollar per barrel, dollar per Mcf and dollar per well per month basis.

(5) Constant price assumptions assume prices effective January 1, 1985, as follows:

(i) Canada – Old Oil* = $34.00/Bbl
- NORP (New Oil Reference Price) Oil* = $37.00/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.$29.00/Bbl

*34° API, 1.7% sulphur content

- Natural Gas = U.S.$2.75/Mmbtu

(6) The Coles Report was based upon Coles' opinion of reasonable practice in the industry. Pertinent information such as well data, production information, the extent and character of ownership, and all other factual data supplied by Lac Minerals has been accepted by Coles as represented.

Investments

Lac Minerals holds the following interests in the outstanding shares of members of the Lac Group:

	Number of Shares Held	Approximate % of Outstanding Shares
Little Long Lac	902,957	22
Lake Shore	229,500	4
Wright	877,392	9

Segmented Data

For segmented data relating to the oil and gas operations of Lac Minerals, see Note 11 of the Notes to the Consolidated Financial Statements of Lac Minerals.

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:

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
			(dollars in thousands)				
Macassa							
Property, plant and equipment	$ 48	$ 80	$ 319	$ 419	$ 370	$ 1,216	$ 339
Development	2,652	2,212	9,474	7,337	5,688		
	2,700	2,292	9,793	7,756	6,058	1,216	339
Bousquet							
Property, plant and equipment	76	168	1,429	1,055	1,557	1,378	1,814
Development and preproduction	249				2,936	1,369	882
	325	168	1,429	1,055	4,493	2,747	2,696
Doyon							
Property, plant and equipment	155	728	1,305	2,414	12,791	4,395	1,588
Development and preproduction							
Open Pit				2,721	7,177	4,066	668
Underground	2,026	672	4,790	1,332			
	2,181	1,400	6,095	6,467	19,968	8,461	2,256
Est-Malartic							
Development and preproduction		317	206		3,222		
		317	206		3,222		
Lake Shore							
Property, plant and equipment	3	334	516	1,253			
Development and preproduction	547		2,642	2,251	100		
	550	334	3,158	3,504	100		
Hemlo							
Property, plant and equipment	7,553	158	21,559	8,579	47		
Exploration	483	2,470	3,782	7,130	960	271	
Development	15,890	1,305	35,262				
	23,926	3,933	60,603	15,709	1,007	271	
Est-Malartic Mill	235	217	2,593	1,207	1,120	915	86
Terrains Mill	30	47	176	239	828	1,275	1,646
Exploration Division	1,416	1,316	10,967	7,053	6,152	5,896	2,943
Oil and Gas Division	871	2,308	6,386	8,577	14,882	14,704	14,792
Other	103	560	623	2,509	459	774	795
	$32,337	$12,892	$102,029	$54,076	$58,289	$36,259	$25,553

For details of Lac Minerals' planned exploration expenditures for 1985, see "Exploration Division".

Lac Minerals estimates that capital and exploration expenditures will total approximately $170,000,000 during 1985, including $128,000,000 for the development of the Hemlo Project, $8,500,000 for mineral exploration, $9,000,000 for the Macassa No. 3 Shaft, $5,000,000 for the development of Lake Shore underground, $5,500,000 for oil and gas exploration and development, $5,000,000 for the development of Doyon underground and $9,000,000 for other ongoing capital expenditures. The Hemlo Project has been designed, and is being developed, in compliance with all relevant environmental laws, and such costs are reflected in the above figures. At Lac Minerals' other operations, 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. For details of the estimated total capital expenditures which will be required to place the Hemlo Project into full production, see "Hemlo Project".

SUMMARY FINANCIAL INFORMATION

As the amalgamation referred to above under "The Company" did not result in any change in the beneficial ownership of Lac Minerals, such amalgamation was accounted for as a pooling of interests. Accordingly, the following financial information for 1980 through 1982 reflects the combined operations of the predecessor companies as if the amalgamation occurred at the beginning of 1980. See the Consolidated Financial Statements of Lac Minerals.

The following table summarizes production statistics, revenues and earnings statistics, total assets, total long-term debt and dividends per common share for the periods indicated:

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(dollars in thousands, except per share amounts)						
Production							
Ounces of gold (net of royalties)	67,453	72,222	299,571	257,064	201,181	188,433	144,454
Barrels of oil and natural gas liquids (net of royalties)	11,216	18,747	51,271	63,666	44,583	29,665	12,396
Mmcf of natural gas (net of royalties)	321	430	1,329	1,227	1,336	408	238
Revenues							
Bullion	$ 36,087	$ 37,772	$153,090	$142,199	$116,903	$133,637	$ 69,332
Oil and gas	1,669	2,196	6,815	6,573	5,229	1,766	872
Other	2,226	1,602	9,768	8,460	8,266	3,681	3,223
	$ 39,982	$ 41,570	$169,673	$157,232	$130,398	$139,084	$ 73,427
Earnings (loss) from operations							
Mining	$ 7,857	$ 14,098	$ 45,008	$ 51,627	$ 48,171	$ 79,453	$ 27,884
Oil and gas	(140)	556	(4,861)	(2,170)	(5,152)	(5,850)	(3,711)
Other	292	(148)	1,791	2,998	2,527	275	852
Total earnings from operations	8,009	14,506	41,938	52,455	45,546	73,878	25,025
Other income (expense), net	5,890	2,377	9,819	1,714	(2,323)	11,297	2,343
Income and mining taxes	(6,100)	(7,598)	(22,450)	(26,200)	(21,295)	(47,748)	(18,633)
Earnings before extraordinary items	7,799	9,285	29,307	27,969	21,928	37,427	8,735
Extraordinary items							(19,804)
Earnings (loss)	$ 7,799	$ 9,285	$ 29,307	$ 27,969	$ 21,928	$ 37,427	$ (11,069)
Earnings (loss) per share[4]	$ 0.30	$ 0.37	$ 1.14	$ 1.17	$ 1.01	$ 1.84	$ (0.54)
Total assets	413,965	250,665	397,751	234,207	146,687	125,805	109,637
Total long-term debt	82,202	14,977	80,246	15,185	17,404		19,167
Dividends per share			0.30[1]	0.30[1]	0.42[2]	0.41[2]	0.03[2]
Financial information in accordance with U.S. GAAP							
Earnings before extraordinary items	5,397	9,285	28,760	27,969	21,415	37,169	8,735
Earnings (loss) after extraordinary items	5,397	9,285	28,760	27,969	21,415	37,169	(11,069)
Earnings (loss) per share[4]	0.21	0.37	1.12	1.17	0.99	1.83	(0.54)
Total long-term debt	71,870	14,977	69,275	15,185	17,404		19,167
Total assets	400,684	250,665	386,233	234,207	146,687	125,805	109,637

(1) The dividends were paid in two equal instalments in the years ended December 31, 1983 and 1984 of U.S. $0.23 and U.S. $0.24 respectively based on the Noon Buying Rate on the dates of payment. Dividends paid in 1982, 1981 and 1980 were U.S. $0.34, U.S. $0.34, and U.S. $0.03 respectively based on the average Noon Buying Rates for each year.

(2) The predecessor companies of Lac Minerals did not have formal dividend policies, but dividends were declared and paid where funds surplus to such companies' needs were available for distribution to shareholders.

(3) The book value per common share at March 31, 1985 was $8.73 based upon 26,044,848 shares outstanding and excluding Lac Minerals' pro rata interest in its own shares.

(4) See Note 7(c) of the Notes to the Consolidated Financial Statements of Lac Minerals.

The following table summarizes operating earnings, earnings and earnings per share for each of the last nine quarterly periods:

	Quarterly Period								
	1985	1984				1983			
	1st	4th	3rd	2nd	1st	4th	3rd	2nd	1st
	(dollars in thousands, except per share amounts)								
Revenues	$39,982	$43,223	$41,611	$43,269	$41,570	$42,322	$39,391	$40,167	$35,352
Earnings from operations	8,009	4,744	9,688	13,000	14,506	14,218	12,735	12,276	13,226
Earnings	7,799	5,071	8,272	6,679	9,285	10,022	6,536	5,113	6,298
Earnings per share	0.30	0.19	0.31	0.27	0.37	0.41	0.26	0.22	0.28

MANAGEMENT'S DISCUSSION

Review of Operations

Operating earnings in the Mining Division increased substantially during 1980 due primarily to the increase in the realized price of gold and the commencement of operations at Doyon in March 1980. The Oil and Gas Division incurred losses due to the write-off of dry hole costs. Other income consisted principally of interest income. The most significant extraordinary item in 1980 was the write-down of Lac Minerals' investment in New Cinch Uranium Ltd. of $20,776,000. See "Legal Proceedings".

The significant increase in operating income in 1981 reflected substantially higher realized gold prices and a full year of production from Doyon. Unit costs of gold production increased during 1981 due to increased costs of labour and materials. Other income included interest income and a substantial gain on the sale of securities. Losses in the Oil and Gas Division resulted from dry hole write-offs.

In 1983 the consolidated earnings were $27,969,000 on revenues of $157,232,000, compared with consolidated earnings of $21,928,000 on revenues of $130,398,000 in 1982. The consolidated earnings in 1983 increased by $6,041,000, or 28%, over 1982 because of increased gold deliveries and higher interest income from cash investments.

The above positive results were partially offset by a lower realized average price per ounce of gold delivered ($556 on 254,999 ounces in 1983 compared with $583 on 200,941 ounces in 1982) and higher mine operating expenses ($90,572,000 in 1983 compared with $68,732,000 in 1982).

The higher gold deliveries in 1983 resulted from an increase in gold production which totalled 257,064 ounces compared with 201,181 in 1982. The increase of 28%, or 55,883 ounces, in gold production is largely attributable to higher production volume from the Bousquet mine and to the reopening of the Lake Shore mine. Overall, the Mining Division contributed $51,627,000 to earnings from operations in 1983 compared with $48,171,000 in 1982.

In 1983, the loss from operations in the Oil and Gas Division declined to $2,170,000 from $5,152,000 in 1982. The reduced loss was due to lower depletion, dry holes and abandonments charges in 1983 as compared to 1982.

The consolidated earnings in 1984 were $29,307,000 on revenues of $169,673,000, compared with consolidated earnings of $27,969,000 on revenues of $157,232,000 for 1983. The consolidated revenues in 1984 increased by $12,441,000, or 8%, over 1983 because of increased gold deliveries. Higher interest income from cash investments contributed to the earnings improvement.

During 1984, Lac Minerals 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.

Interest income increased to $13,766,000 in 1984 from $4,085,000 in 1983 which reflected Lac Minerals' investment of funds prior to their utilization in the Hemlo project and other capital projects in 1985.

The operating expenses in the Mining Division increased by $17,510,000 to $108,082,000 in 1984 reflecting higher gold production of 299,571 ounces compared to 257,064 ounces in 1983. The Mining Division contributed $45,008,000 to Lac Minerals earnings from operations in 1984, compared with $51,627,000 in 1983.

The loss from operations in the Oil and Gas Division increased to $4,861,000, compared with $2,170,000 in 1983. The increase in the loss was due to the write-down in book value of certain oil and gas assets.

The interest expense in 1984 totalled $7,588,000, compared with $2,410,000 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.

During the three months ended March 31, 1985, the earnings from operations decreased to $8,009,000, compared with $14,506,000 for the same period in 1984. The decrease was due to declines in gold production, oil and gas production and the price of gold, as well as higher operating and mineral exploration expenses.

The other income (expense) during the three months ended March 31, 1985 totalled $5,890,000, compared with $2,377,000 for the same period in 1984. The increase was mostly due to higher interest income ($3,530,000 in 1985 compared with $1,712,000 in 1984) and the higher gain on foreign exchange ($4,601,000 in 1985 compared with $663,000 in 1984). However, this increase was partially offset by the write-down of an investment in an exploration company amounting to $1,416,000. This write-down reflected Lac Minerals' assessment that development of its iron property would not be economic in the foreseeable future.

Liquidity and Capital Resources

Lac Minerals' working capital deficiency was $1,292,000 at December 31, 1980. The working capital position deteriorated to a deficiency of $9,512,000 at December 31, 1981, due to a significant increase in capital expenditures, the repayment of term bank loans and the payment of dividends.

Funds provided from operations in 1982 amounted to $51,741,000 which financed substantially all of Lac Minerals' capital expenditures of $53,036,000. In order to enhance liquidity, borrowings from other Lac Group companies amounting to $13,500,000 were converted on December 31, 1982 from demand loans to term loans maturing on January 1, 1986. On November 28, 1984 the maturity date of these loans was extended to January 1, 1989 because the boards of directors of such companies considered it to be in the best interests of the companies concerned to make such use of the funds. All other terms of the loans remain the same. As a result of this refinancing, Lac Minerals had working capital at December 31, 1982 of $1,609,000. At December 31, 1983 working capital amounted to $70,318,000, an increase of $68,709,000 from that of a year earlier. Funds totalling $67,139,000 provided from operations in 1983 were $5,888,000 higher than required to finance capital expenditures of $46,252,000, dividend payments of $8,148,000 and other applications of $6,851,000. Additional cash totalling $53,298,000 was raised in 1983 from an offering of common shares to the public and the exercise of stock options. Lac Minerals received net proceeds of $52,736,000 after deducting the expense of the issue (net of income taxes) from the public sale of 2,000,000 such shares at $27.25 per share.

The ratio of current assets to current liabilities decreased to 3.7 to 1 at December 31, 1984 from 6.5 to 1 a year earlier principally as a result of the public issue of the Debentures in April 1984.

Consolidated cash and short-term investments of $137,489,000 was 83.2% of current assets (34.6% of total assets) at the end of 1984 compared with $62,602,000 or 75.3% of current assets (26.7% of total assets) at the end of the previous year. This increase reflects the public issue of shares, debentures and gold purchase warrants during 1984 for which Lac Minerals received gross proceeds of $100,570,000. These funds are being applied to Lac Minerals' capital expenditure program, with the maturity date on the debentures set to coincide with Hemlo reaching full production levels.

At December 31, 1984 consolidated shareholders' equity and long-term debt totalled $299,381,000. This represents an increase of $121,292,000 from $178,089,000 at December 31, 1983. The ratio of debt to equity at December 31, 1984 was 1 to 2.7 compared with 1 to 10.2 at the end of 1983.

Working capital increased by $49,826,000 during 1984 to $120,144,000, from $70,318,000 in 1983. This increase is directly attributable to the public issues done during the year. Capital expenditures during 1984 were $91,455,000, of which $70,887,000 were financed by the funds flow from operations. During 1983, capital expenditures were $46,252,000, all of which were financed by funds flow from operations. Lac Minerals estimates that its capital and exploration expenditures will approximate $170,000,000 in 1985. See "Capital and Exploration Expenditures".

Shareholders' equity increased to $219,135,000 during 1984 from $162,904,000 in 1983. Due to the debenture issue, which increased long-term debt to $80,246,000 from $15,185,000 in 1983, shareholders' equity was 62.1% of total capital employed at year-end 1984 compared to 73.6% a year earlier.

During the three months ended March 31, 1985, consolidated working capital decreased by $10,353,000 to $109,791,000 from $120,144,000 at December 31, 1984. The decrease resulted from Lac Minerals' simultaneous development of five new mine shafts in Ontario and Quebec. Funds flow from operations during the first quarter of 1985 was $20,648,000 compared with $20,840,000 for the same quarter in 1984. Consolidated cash and short-term investments at March 31, 1985 amounted to $127,963,000.

The ratio of current assets to current liabilities will continue to decrease during 1985 because of capital and development expenditure commitments. The ratio is expected to improve upon the completion of the programs.

Lac Minerals has arranged operating lines of credit with Canadian chartered banks amounting to $31,500,000 or the equivalent in United States dollars and an additional line of credit of U.S. $2,000,000. No commitment fees are payable for these lines of credit which were unused at March 31, 1985.

Capital Commitments and Inflation

For details of capital commitments, see "Business and Properties" and "Capital and Exploration Expenditures". As described under "Risk Factors" the price of gold is influenced by inflation, among other factors, and this has a direct impact on revenues and earnings.

EMPLOYEE RELATIONS

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

Location	Union and Local	Expiry Date	Number of hourly paid employees as at May 31, 1985
Macassa	United Steel Workers of America Local 4584	May 31, 1985	263
Lake Shore	United Steel Workers of America Local 4584	May 31, 1985	34
Doyon	United Steel Workers of America Local 9019	November 30, 1986	163
Bousquet	United Steel Workers of America Local 4796	November 15, 1985	167
Est-Malartic Custom Mill	United Steel Workers of America Local 4796	November 15, 1985	54
Terrains Custom Mill	United Steel Workers of America Local 4796	November 15, 1985	34
Milton Limestone Aggregates			
Hourly paid employees	Energy and Chemical Workers Union Local 266	Expired	21
Truckers	International Brotherhood of Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers and Helpers	April 30, 1986	10

In addition to the hourly paid employees, at May 31, 1985, Lac Minerals had 385 salaried employees.

On February 6, 1985, a 12 hour sit-in occurred underground at Bousquet. Negotiations resulted in the employees returning to work and the establishment of a production committee comprised of representatives of management and the union.

Negotiations are underway at Milton with respect to the hourly paid workers and at Macassa and Lake Shore but final agreements have not been reached.

Lac Minerals believes its relations with its employees are satisfactory.

RISK FACTORS

Lac Minerals' operations are subject to the risks normally encountered in the mining business and in the oil and gas industry. For a discussion of such risks see "Risk Factors" on page 7 hereof.

GOVERNMENT REGULATIONS

Lac Minerals' 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 Lac Minerals 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 Québec

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 Québec, the Mining Act, the Occupational Health and Safety Act and the Environment Quality Act of the Province of Québec 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 Lac Minerals and SOQUEM in the case of Doyon and the mill at Doyon, and to Lac Minerals 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, Lac Minerals and SOQUEM in the case of Doyon and the mill at Doyon, and Lac Minerals 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, Hemlo, 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. Lac Minerals is complying in all material respects with the applicable mining, health, safety and environmental statutes and regulations passed thereunder.

SHARE CAPITAL, GOLD PURCHASE WARRANTS AND 8% DEBENTURES

The authorized capital of Lac Minerals consists of 49,997,916 common shares without nominal or par value, of which 29,652,889 shares were issued and outstanding as at June 20, 1985. On April 29, 1985, the shareholders of Lac Minerals passed a special resolution approving an amendment to its articles to create a class of an unlimited number of preferred shares issuable in series and to remove the maximum number of common shares which it is authorized to issue. Prior to the endorsement of a Certificate of Amendment in respect thereof, such special resolution was revoked by the board of directors of Lac Minerals.

Common Shares

Each Lac Minerals common share ranks equally with all other common shares and shareholders are entitled to one vote per share at all meetings of shareholders. The Lac Minerals common shares are listed and posted for trading on the Toronto and Montreal stock exchanges.

Gold Purchase Warrants

Lac Minerals has outstanding 200,000 Gold Purchase Warrants. Each Warrant entitles the holder to purchase 0.5 troy ounces of gold from Lac Minerals at a purchase price of U.S. $230 (which is equal to a price of U.S. $460 per troy ounce) until April 15, 1989. Upon the exercise of a Warrant, the holder may elect to take delivery of the gold or a certificate representing the gold issued by a Canadian chartered bank or to instruct such bank to sell the gold on the holder's behalf. The purchase price under each Warrant will be due and payable by the holder upon the exercise of the Warrant. If the holder elects to take delivery of the gold, an amount equal to 1% of the Current Market Value (as defined in the indenture relating to the Warrants (the "Warrant Indenture")) on the date the Warrant is exercised of the gold purchased by the holder will be payable to Lac Minerals on delivery of the gold. The claim of a Warrant holder ranks on a parity with that of other unsecured creditors and prior to the rights of the holders of the Lac Minerals common shares in the event of the liquidation or dissolution of Lac Minerals.

Lac Minerals has covenanted in the Warrant Indenture that, so long as any of the Warrants are outstanding, if at the end of any month, production of its mines for the twelve calendar months ending on the last day of each month shall not be equal to or greater than 1.5 times the amount of gold necessary to honour all Warrants outstanding (the "Prescribed Gold Production Ratio"), Lac Minerals shall, within ten days after the end of such month, deposit with a depository chosen by Lac Minerals and satisfactory to The Canada Trust Company (the "Warrant Trustee"), free and clear of all encumbrances, an amount of gold or rights to gold such that the gold production of Lac Minerals' mines for the preceding twelve months together with the troy ounces of gold or rights to gold on deposit with the depository is at least equal to the Prescribed Gold Production Ratio. The gold or rights to gold shall be held by the depository as security for the exercise of Warrants until such time as Lac Minerals files with the Warrant Trustee a certificate indicating that the Prescribed Gold Production Ratio was met in the preceding twelve months to which such certificate relates, at which time the Warrant Trustee shall instruct the depository to return to Lac Minerals any gold or rights to gold not required to comply with the foregoing provisions.

8% Debentures

The 8% Debentures due April 15, 1989 are direct obligations of Lac Minerals which were created and issued pursuant to the provisions of a trust indenture (the "Indenture") between Lac Minerals and Canada Permanent Trust Company, as trustee. The Debentures are not secured by any mortgage, pledge or other charge and rank pari passu with other unsecured indebtedness of Lac Minerals. The Debentures are not redeemable except in certain limited circumstances relating to the imposition of tax on principal and interest payments. Lac Minerals has the right at any time to purchase Debentures at any price.

Lac Minerals has covenanted in the Indenture that, so long as any of the Debentures are outstanding and subject to certain exceptions, it will not create, assume or incur certain encumbrances on any of its assets to secure any indebtedness unless at the same time it shall secure, or cause to be secured, all of the Debentures then outstanding at least equally and rateably with such indebtedness.

DIVIDENDS

In May 1985, Lac Minerals declared a dividend totalling 30 cents per share payable in two equal instalments on June 3 and on a date in December 1985 to be announced. In each of 1983 and 1984, Lac Minerals paid dividends totalling 30 cents per share in two equal instalments. In 1982, Long Lac Minerals Ltd. (No Personal Liability) paid dividends aggregating 25 cents per share. Subsequent to May 31, 1982 and prior to December 31, 1982, such company and its subsidiaries owned substantially all of the operating assets which are now owned by Lac Minerals and may therefore be regarded as Lac Minerals' significant predecessor.

None of the predecessor companies of Lac Minerals had a formal dividend policy, but dividends have been declared and paid where funds surplus to their needs were available for distribution to shareholders. This practice has been continued by Lac Minerals.

PRICE RANGE AND VOLUME OF TRADING

The Lac Minerals common shares are listed on the Toronto and Montreal stock exchanges. The Toronto Stock Exchange is the principal market on which such shares are traded. There is no established public trading market for Lac Minerals common shares in the United States. As of June 20, 1985, there were 5,420 holders of record of Lac Minerals' common shares. The following table sets forth the high and low prices of the Lac Minerals common shares and the volume traded on The Toronto Stock Exchange since January 1, 1983.

Period	High	Low	Share Volume
1983			
First Quarter	$31⅛	$19	4,056,500
Second Quarter	30¼	22½	2,480,700
Third Quarter	38¾	29½	2,788,600
Fourth Quarter	33⅜	25	1,481,300
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			
January	28⅜	24	280,800
February	28⅞	24¾	361,700
March	32½	26½	705,300
April	36½	31¼	707,230
May	35⅜	28	1,220,587
June (to June 21)	28⅜	26⅞	667,814

On May 14, 1985, being the day preceding the date upon which the proposed Amalgamation was announced by the Amalgamating Corporations, the closing price of the Lac Minerals common shares on The Toronto Stock Exchange was $34⅞. On June 21, 1985 the closing price of the Lac Minerals common shares on The Toronto Stock Exchange was $27¾.

CONSOLIDATED CAPITALIZATION

	Outstanding as at March 31, 1985	Outstanding as at December 31, 1984
	(dollars in thousands)	
Long-term debt:(1)		
Advances from Lac Group companies	$ 13,500	$ 13,500
Obligations under capital leases (excluding current portion)	352	676
8% Debentures due April 15, 1989 (U.S.$50,000,000)	68,350	66,070
Total long-term debt	82,202	80,246
Shareholders' equity:		
Capital stock:		
Common shares(2)	137,709	137,371
	(29,633,389 shares)	(29,612,689 shares)
Retained earnings	92,957	85,158
	230,666	222,529
Less: Lac Minerals' pro rata interest in the cost to Lac Group companies of their investment in shares of Lac Minerals	3,394	3,394
Total shareholders' equity	227,272	219,135
Total capitalization	$309,474	$299,381

(1) Note 6 of the Notes to the Consolidated Financial Statements of Lac Minerals provides details of long-term debt.

(2) Stock options with respect to 115,500 common shares were outstanding at December 31, 1984 (195,800 shares at March 31, 1985). See "Lac Minerals Stock Option Plan".

(3) Deferred taxes as at December 31, 1984 amounted to $53,323,000 and as at March 31, 1985 amounted to $58,798,000.

MANAGEMENT

Directors and Officers

The directors and officers of Lac Minerals consist of the individuals described under "Description of LAC – Directors and Officers" together with Mark Hoffman (age 46) and Donald Colin Webster (age 55), who are presently directors of Lac Minerals. Mr. Hoffman's principal occupation is Chairman, International Financial Markets Trading Limited (financial consulting service company). Prior to January 1984, he was Managing Director, Guiness Peat Group P.L.C. (international financial services company), prior to September 1982, he was the President, Resource Group, George Weston Ltd. (the non-food division of a diversified manufacturing and distribution company) and prior to June 1981, he was the Senior Vice-President and Chief Financial Officer, George Weston Ltd. Mr. Webster has been the President of Helix Investments Limited (venture capital company) during the past five years. The dates upon which each director became a director of Lac Minerals are as follows: Peter A. Allen (1967), John C. L. Allen (1951), John A. Downing (1982), Paul Fortin (1982), Mark Hoffman (1984), John E. Mockridge (1982), Harrison E. Rutetzki (1985), Dennis G. Sheehan (1984), Richard P. Smith (1980), Robert C. Stanley, Jr. (1953), Barton A. Thomson (1982) and Donald C. Webster (1973). Ian T. H. Hamilton became an executive officer in 1971. For purposes of the foregoing, Lac Minerals means Little Long Lac until June 1, 1982, Long Lac Minerals Ltd. (No Personal Liability) from June 1, 1982 until December 31, 1982 and Lac Minerals thereafter. For information concerning such officers and directors, including the dates upon which the remaining executive officers were appointed as such, see "Description of LAC – Directors and Officers".

Each of the directors of Lac Minerals is paid directors' fees of $8,500 per annum, plus expenses incurred to attend meetings of the board of directors. During 1984, the board held twelve meetings. All directors attended 75% or more of such meetings held during the period for which they were directors except Messrs. J.C.L. Allen, Fortin, Mockridge and Webster.

Messrs. Downing, Smith and Thomson comprise Lac Minerals' audit committee. Under the Ontario Act, the audit committee must review the financial statements of Lac Minerals and report thereon to the board of directors before such financial statements are approved by the board. The audit committee met four times during 1984 and all members thereof attended such meetings. Audit Committee members are paid their expenses incurred to attend committee meetings. The board of directors of Lac Minerals does not have a compensation committee or a nominating committee.

Officers are appointed annually by the board of directors.

Remuneration of Directors and Officers

The following table sets forth the aggregate remuneration paid or payable and the estimated aggregate cost of all pension and other benefits to the directors and certain officers of Lac Minerals for the twelve months ended December 31, 1984.

	Nature of Remuneration Earned						
	Directors' Fees	Salaries	Bonuses	Stock Option	Cost of Pension Benefits(1)	Other(2)	Aggregate Remuneration
Directors (twelve)	$101,667	Nil	$ 8,000	Nil	Nil	$ 10,000	$ 119,667
Five senior officers(3)	Nil	$697,665	$ 48,500	$173,175	$ 42,556	$ 29,328	$ 991,224
Officers with aggregate remuneration over $50,000 including the five senior officers (nine)	Nil	$929,443	$ 58,500	$353,330	$ 53,377	$ 50,920	$1,445,570

NOTES:

(1) "Pension Benefits" means the estimated cost during the twelve months ended December 31, 1984 for all pension benefits proposed to be paid under the Lac Minerals' retirement plan in the event of retirement at normal age. See also "Pension Plan".

(2) Includes other taxable benefits required to be reported as income under the Income Tax Act (Canada).

(3) In addition, two officers received an aggregate of $300,000 in respect of the termination of their employment.

The following table sets forth information concerning the cash compensation of (1) each of the five most highly compensated executive officers of Lac Minerals whose total cash compensation exceeded $50,000 and (2) all executive officers of Lac Minerals as a group, in each case for services in all capacities to Lac Minerals and its subsidiaries during the fiscal year ended December 31, 1984.

Name of Individual and Capacities in which Compensation Received	Cash Compensation(1)(2)	Cost of Pension Benefits(3)
Peter A. Allen, President Chief Executive Officer and Director	$ 223,115	$12,195
Harrison E. Rutetzki, Senior Vice President, Operations	166,001	8,179
Dennis G. Sheehan, Senior Vice President, Exploration and Director	154,234	8,551
J. McIntosh Gibbs, Vice President, Hemlo Development	125,863	7,225
Ian T. H. Hamilton, Senior Vice President and General Counsel	120,447	6,406
Total of the above	$ 789,660	$42,556
All executive officers as a group (seven including those named above)	$ 1,227,820	$52,101
Directors only (twelve)(4)	$ 119,667	

NOTES:

(1) Includes salaries, bonuses, directors' fees and other taxable benefits, which comprise the total amount required to be reported as income under the Income Tax Act (Canada).

(2) Edward J. Wade, Senior Vice President until his resignation in October 1984, received cash compensation (as defined in Note (1)) of $99,901 during 1984 and $250,000 in respect of the termination of his employment.

(3) "Pension Benefits" means the estimated cost during the twelve months ended December 31, 1984 for all pension benefits proposed to be paid under the Lac Minerals retirement plan in the event of retirement at normal age. See also "Pension Plan".

(4) Directors receive no pension benefits for their services as such. Executive officers who are also directors, however, receive benefits as disclosed above.

Geologists' Royalty Plan

Lac Minerals has established 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 Lac Minerals from commercial production of a mineral prospect in which Lac Minerals 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 Lac Minerals. The Royalty Plan provides that royalty interests granted thereunder may not be assigned without first offering the interests to Lac Minerals for purchase and the interests are not affected by the subsequent termination of the grantee's employment.

Royalty interests, aggregating 1.25% of such net proceeds, were granted in 1982 with respect to the Hemlo Project to a geologist and to the Senior Vice President, Exploration, Dennis G. Sheehan. Mr. Sheehan's 1% royalty interest was purchased in December 1983 by Little Long Lac in exchange for 175,000 common shares of Little Long Lac and subsequently in December 1983 such interests were purchased by Lac Minerals from Little Long Lac and the geologist for an aggregate of 256,610 common shares of Lac Minerals.

Stock Option Plan

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 Lac Minerals.

The Lac Minerals Plan authorizes the board of directors to grant options to purchase Lac Minerals common shares to any officer, employee or consultant employed on a full-time basis. The board may grant the options subject to such additional terms and conditions not inconsistent with the express terms of the Lac Minerals Plan as the board may approve. The options must be exercised within five years from the date of grant and the exercise price is at least equal to 90% of the market price on the date of grant. "Market price" for the purposes of the Lac Minerals Plan is the average price for Lac Minerals common shares traded on The Toronto Stock Exchange on the last business day in which trading of a total of not less than 100 shares took place immediately preceding the date of grant.

The Lac Minerals Plan sets out certain restrictions on the number of shares subject to option which may be purchased in any one year and also provides that the aggregate number of shares made subject to options to any one person cannot exceed 300,000 shares in any 12 month period. Such Plan further provides that the options are not assignable and that any options granted to an employee who thereafter ceases to be employed by Lac Minerals shall, subject to certain exceptions in the case of the retirement, death, sickness or disability of the employee, terminate 30 days after the date of termination of employment.

700,000 Lac Minerals common shares are reserved for distribution under the Lac Minerals Plan and options with respect to 170,300 Lac Minerals common shares are currently outstanding and are held by 32 employees. An aggregate of 407,700 Lac Minerals common shares have been issued in connection with the exercise of options. Options with respect to 91,000 Lac Minerals common shares were granted on January 16, 1985.

Each option with respect to the purchase of Lac Minerals common shares which is currently outstanding will continue to be exercisable after the Amalgamation becomes effective and will entitle the holder to purchase the same number of LAC common shares at the exercise price applicable to such option.

The following table sets forth certain information pertaining to outstanding options granted under the Lac Minerals Plan as at June 21, 1985. See also Note 7(b) of the Notes to the Consolidated Financial Statements of Lac Minerals.

Description of grantees	Date of grant	Number of common shares	Exercise price per share	Date of expiry	Approximate market value per share at date of grant
Senior officers					
Peter A. Allen........	June 29, 1982	20,000	$ 2.95	June 28, 1987	$ 3.30
Harrison E. Rutetzki ..	June 29, 1982	4,000	$ 2.95	June 28, 1987	$ 3.30
Rolando C. Francisco..	June 29, 1982	1,300	$ 2.95	June 28, 1987	$ 3.30
D. Paul Moffat	January 16, 1985	15,000	$24.80	January 15, 1988	$26.11
J. McIntosh Gibbs	January 16, 1985	15,000	$24.80	January 15, 1988	$26.11
Other employees					
23 individuals	June 29, 1982	63,500	$ 2.95	June 28, 1987	$ 3.30
1 individual..........	March 8, 1983	1,500	$21.35	March 7, 1988	$23.75
3 individuals	January 16, 1985	50,000	$24.80	January 15, 1988	$26.11

The following table sets forth certain information pertaining to options exercised under the stock option plan during the twelve months ended May 31, 1985:

Description of grantees	Date of exercise	No. of common shares	Purchase price per share	Price range per share for 30 days preceding date of purchase(1)	
				High	Low
Senior officers	June 29, 1984	2,500	$ 2.95	$34⅞	$32¾
(3 individuals)	July 31, 1984	3,000	2.95	33¾	23¾
	September 25, 1984	3,000	2.95	30⅞	27½
Officers with remuneration	June 29, 1984	2,500	2.95	34⅞	32¾
over $50,000 (5 individuals,	July 31, 1984	3,000	2.95	33¾	23¾
including 3 senior officers	September 25, 1984	3,000	2.95	30⅞	27½
referred to above)	October 2, 1984	2,200	2.95	31½	27½
	November 23, 1984	10,000	28.71	33¾	29⅛

(1) Based on prices of Lac Minerals' shares on The Toronto Stock Exchange at the date of purchase. See "Other Employee Benefit Plans."

Pension Plan

On June 1, 1983, a new pension plan was established by the board of directors for senior officers of Lac Minerals. Lac Minerals will make all contributions to the plan and employees will receive at normal retirement (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 $60,000 a year. The plan vests after five years of service and early retirement is permitted after age 55, subject to reductions. At December 31, 1984, there were seven members in this plan and at March 31, 1985, there were nine members. This plan has been fully funded by Lac Minerals.

As of December 31, 1984, each of the following individuals named in the Cash Compensation Table under "Remuneration of Officers and Directors" was a participant in both the pension plan for senior 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	1984 Compensation upon which pension plan is based	Qualifying number of years of service	Vested interest at December 31, 1984: Which would provide the following monthly pension payable at age 65 for life(1)	Vested interest at December 31, 1984: Fully funded liabilities(2)
Peter A. Allen	$199,920	17	$2,430/month	$ 82,366
Harrison E. Rutetzki	134,090	23	3,430/month	234,492
Dennis G. Sheehan	140,185	16	2,346/month	100,289
J. McIntosh Gibbs	118,450	1	190/month	9,127
Ian T. H. Hamilton	105,020	14	2,037/month	69,042
Rolando C. Francisco	74,200	6	817/month	15,083

(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, 1984.

On June 1, 1979, a pension plan was established by the board of directors for all salaried employees of Lac Minerals and predecessor corporations. Lac Minerals will make all contributions to the plan and all employees will receive at normal retirement age (age 65) an annual pension equal to 2% of income purchased during each year of participation. The final pension will be the total of the yearly purchase. Both current service and past service pensionable amounts have been fully funded by Lac Minerals. The plan provides for vesting in varying percentages from five years of continuous service through nine years at which time amounts contributed become fully vested. There were about 240 members in this plan both at March 31, 1985 and December 31, 1984.

OTHER EMPLOYEE BENEFIT PLANS

On January 1, 1980, a pension plan was established by the board of directors for all hourly paid employees of Lac Minerals and predecessor corporations working in Québec. Under this plan, Lac Minerals will contribute 3% of the employee's salary, and employees will purchase at normal retirement age (age 65) an amount of pension based on the value of his account. The plan vests after five years of service, and the plan has been fully funded by Lac Minerals. There were about 450 members in this plan at March 31, 1985 and December 31, 1984.

In June 1974, a pension plan was established by the board of directors for all hourly paid employees of Lac Minerals and predecessor corporation working in Ontario. Under this plan, Lac Minerals will contribute all amounts required to fund the benefits, which are $10 per month for each year of credited service. The plan has been fully funded, and there were about 300 members in the plan at March 31, 1985 and December 31, 1984. If an employee leaves Lac Minerals and has completed 10 years of service, and has attained age 45, he is entitled upon termination to a deferred annuity commencing at normal retirement age (age 65) calculated as for the normal retirement benefit, allowing for credited service to the date of termination.

On June 1, 1983, a life insurance plan was established by the board of directors for senior officers whereby benefits equal to 600% of basic earnings, to a maximum of $500,000, are payable. Lac Minerals pays all premiums under the plan.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

John C. L. Allen, of 9 Deer Park Crescent, Toronto, Ontario, a director, was, until March 31, 1985, the President of John C. L. Allen Limited, investment dealers which during 1982 received $1,564 of commissions and $15,997 of lease payments for office space rented, during 1983 received $12,160 of commissions and $15,997 of lease payments and during 1984 received $3,539 of commissions and $15,997 of lease payments. John C. L. Allen also received $2,000 during each of 1982 and 1983 in consulting fees under a consulting contract with Lac Minerals and during 1984 received an honorarium of $10,000.

John A. Downing, of 28 Silvergrove Place N.W., Calgary, Alberta, a director, is the President of Sunburst Resources Ltd., a company which was a party to a joint venture agreement with Lac Minerals with respect to exploration for oil and gas, which agreement has been terminated. During 1982, Sunburst Resources Ltd. received $305,600 as payment for salaries and expenses pursuant to the joint venture agreement. In 1983 Sunburst Resources Ltd. received $50,000 in connection with the winding-up of the joint venture and in 1984 received $10,000 for consulting services. During 1985, John A. Downing is being paid $7,500 per month for consulting and management services under a verbal agreement terminable at any time. Lac Minerals does not expect that this agreement will extend beyond the end of 1985.

C. James Gilders, of R.R. #12, Rockyview, Alberta, who was a director from May 13, 1983 to December 31, 1984, was, until January 15, 1985, President of Citadel Resources Ltd. and Citadel Energy Ltd., which acted as the operators of certain oil and gas joint ventures entered into by Lac Minerals. On January 15, 1985, Lac Minerals purchased Citadel Resources for $20,000. In this capacity, Citadel Resources received $367,580 for salaries and administrative expenses in 1982. In addition, Mr. Gilders is President of Gildex Ltd., a firm of petroleum consultants which received $257,363 during 1982 for petroleum consulting services performed for Lac Minerals. For 1983 Citadel Resources and Citadel Energy received an aggregate of $675,952 for salaries and expenses and Gildex received $305,630 for consulting services. In 1984, Mr. Gilders received an aggregate of $135,000 from Lac Minerals for consulting fees including $45,000 upon termination of the consulting agreement and Gildex Ltd. received $158,176 for consulting services performed for Lac Minerals.

John E. Mockridge of Ballsdown Road, Chiddingfold Near Godalming, Surrey, England is a Vice President, director and shareholder of Midland Doherty Limited and is a director of Lac Minerals. Midland Doherty was one of the Managers with respect to the offering by Lac Minerals of Debentures and Warrants in April 1984. See "Share Capital, Gold Purchase Warrants and 8% Debentures".

Barton A. Thomson, of 80 Gloucester Street, Toronto, Ontario, a director, is the President of Barton A. Thomson & Associates, Ltd. Barton A. Thomson & Associates, Ltd. received $19,951 during 1982 in payment for engineering consulting services performed for Lac Minerals and for 1983 received $24,515.

Dennis G. Sheehan, of 1266 Old River Road, Mississauga, Ontario, a director since April 30, 1984 and the Senior Vice President, Exploration of Lac Minerals, received 175,000 common shares of Little Long Lac in December 1983 in exchange for a 1% interest in the net proceeds from the Hemlo Project which was granted to him by Lac Minerals under its Geologists' Royalty Plan. Subsequently Lac Minerals purchased the 1% interest from Little Long Lac for 205,288 common shares of Lac Minerals. See "Geologists' Royalty Plan".

Donald C. Webster, of 129 Dunvegan Road, Toronto, Ontario, a director, was paid $3,500 during each of 1982, 1983 and 1984 in consulting fees under a contract with Lac Minerals. In addition, in October 1983, 30,000 shares of Little Long Lac were acquired from companies related to Mr. Webster in exchange for 35,365 shares of Lac Minerals.

With the exception of the arrangement with John A. Downing, LAC will not be a party to any of the contracts or arrangements mentioned above.

MATERIAL TRANSACTIONS WITH RELATED CORPORATIONS

From time to time, advances are made between Lac Minerals and other members of the Lac Group. Demand loans to Lac Minerals aggregating $10,000,000 from Lake Shore and $3,500,000 from Wright were converted on December 31, 1982 into long-term debt maturing January 1, 1986. On November 28, 1984 the maturity date of these loans was extended to January 1, 1989. Interest on such loans is calculated at the prime rate of a Canadian chartered bank. In addition, Lac Minerals had net current payables to members of the Lac Group amounting to $1,658,000 as of December 31, 1984.

Lac Minerals has been granted the right by Lake Shore to mine the crown pillar above 300 feet and the ore below 300 feet at the former Lake Shore mine at Kirkland Lake, Ontario. Lac Minerals pays a royalty to Lake Shore of 50% of the net profits from such operations after the pro rata recovery by Lac Minerals and Lake Shore of their costs with respect to the development of ore. During the first three months of 1985, Lac Minerals paid an amount of $872,000, in 1984 paid an amount of $3,085,000 and in 1983 paid an amount of $52,000 in satisfaction of such royalty.

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

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

On December 31, 1984 Lac Minerals purchased the United States oil and gas properties of Lake Shore and Wright. Each of Lake Shore and Wright received $51,977 for such properties.

LEGAL PROCEEDINGS

During November and December of 1980 Willroy Mines Limited, one of the predecessor companies of Lac Minerals, purchased in reliance on previously published assay results a substantial number of common shares and Series A Warrants of New Cinch Uranium Ltd. ("New Cinch"). After independent assays were taken of a representative sample of drill holes, the common shares and Series A Warrants were sold at a loss. On February 13, 1981, Willroy commenced a lawsuit in the Supreme Court of Ontario claiming damages of $21,396,000 plus interest, costs and other relief. The suit was commenced against New Cinch, Harvey Idris Miller, Arthur Walter White, James Geddes, William McKenzie Gilchrist, David Andrew Graham, Kam-Kotia Mines Limited, Dickenson Mines Limited, R. Rodney Heard, Andrew M. Stroniak, Albert W. Applegath, Robert Simon, James Haag, Tripple S. Development Company, Inc. and the Vancouver Stock Exchange. By writ of summons issued July 20, 1984, a further action was commenced in the Supreme Court of British Columbia between Lac Minerals, as plaintiff, and the Vancouver Stock Exchange, Desmond E. Harrison, Jeremy L. Wise, Intercan Holdings Ltd., Continental, Carlisle, Douglas, McDermid, St. Lawrence Limited, Peter Brown and Angus MacPhail, as defendants. On June 19, 1985, Lac Minerals agreed with New Cinch and the other defendants to accept $4 million in settlement of the Ontario and British Columbia actions. The settlement terms are subject to certain approvals, including the approval of the shareholders of New Cinch.

In October 1981 International Corona Resources Ltd. ("Corona") commenced an action in the Supreme Court of Ontario against Long Lac Mineral Exploration Limited, one of the predecessor companies of Lac Minerals, with respect to certain patented mining claims in the Hemlo area. Corona alleged breaches of unwritten agreements and breach of a duty of good faith by Lac Minerals. Corona has amended its claim three times. It now alleges that Lac Minerals misused confidential information given to it by Corona in obtaining the said mining claims for itself and claims damages of $3 billion, a declaration that Lac Minerals' 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. Examinations for discovery have not yet been completed with respect to the issues raised in the claim filed by Corona. The trial of this action is scheduled to begin in October 1985. The pre-trial examinations for discovery of the parties to the litigation which have been held to date indicate that the evidence of Corona and that of Lac Minerals will diverge in several important areas. Only at the trial will the credibility of the witnesses and the significance, if any, of information given to Lac Minerals be determined. Based on the examinations for discovery to date and an assessment of evidence provided by Lac Minerals, and subject to any evidence revealed by the further examinations for discovery that must be conducted, Fraser & Beatty, Canadian counsel for Lac Minerals, is of the opinion that Corona should not succeed in its claim.

An application was brought in September 1984 by Carl Edgar Heyl and Angela Marion Heyl for an order against Lac Minerals, in part under section 247 of the Ontario Act. The applicants claim to have been shareholders of Silverstack Mines Ltd. (No Personal Liability) ("Silverstack"), a predecessor of Lac Minerals, and as such to be entitled to shares of Lac Minerals. 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 Silverstack and, if so, whether they have a right to the relief sought in the application. Lac Minerals does not believe that the outcome of this trial will have a material effect on its affairs.

MATERIAL CONTRACTS

Lac Minerals and its subsidiaries have not entered into any material contracts within the two years prior to the date hereof, other than contracts in the ordinary course of business and other than (a) a subscription agreement dated March 13, 1984 between Lac Minerals and Wood Gundy Limited (now Wood Gundy Inc.) and the other Managers named therein relating to the public offering of the Warrants and Debentures; (b) an underwriting agreement dated April 4, 1984 between Lac Minerals and Wood Gundy Limited (now Wood Gundy Inc.) relating to the public offering of 1,000,000 Lac Minerals common shares; (c) the Indenture relating to the Debentures; (d) the Warrant Indenture and (e) a gold agreement dated April 12, 1984 between a Canadian chartered bank, Lac Minerals and the Warrant Trustee relating to delivery of gold or certificates representing gold to or the sale of gold on behalf of holders of Warrants upon the exercise thereof.

MISCELLANEOUS

The Board of Directors of Lac Minerals has approved the contents of this Prospectus and Joint Proxy Statement, insofar as it relates to Lac Minerals, and has approved its being sent to the shareholders.

BY ORDER OF THE BOARD OF DIRECTORS

H. L. Rodrigues
Secretary

Toronto, Ontario
June 24, 1985

LITTLE LONG LAC GOLD MINES LIMITED

THE COMPANY

Little Long Lac was formed by articles of amalgamation under the laws of the Province of Ontario on December 31, 1970. Little Long Lac is primarily a holding company. Its principal assets are its 10.24% interest in Lac Minerals and its 45.77% interest in Lake Shore.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information concerning Little Long Lac for the three months ended March 31, 1985 and March 31, 1984 and for the five fiscal years ended December 31, 1984. See the Financial Statements of Little Long Lac.

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(dollars in thousands, except per share amounts)						
Revenues	$ 2,571	$ 2,959	$10,490	$ 8,974	$ 7,765	$15,371	$ 2,372
Expenses	441	24	97	780	541	206	356
Earnings before income taxes	2,130	2,935	10,393	8,194	7,224	15,165	2,016
Income taxes						112	
Earnings before extraordinary items	2,130	2,935	10,393	8,194	7,224	15,053	2,016
Extraordinary items			8,525	16,133		112	(4,235)
Earnings (loss)	$ 2,130	$ 2,935	$18,918	$24,327	$ 7,224	$15,165	$(2,219)
Earnings per share before extraordinary items(3)	$ 0.63	$ 0.87	$ 3.08	$ 2.55	$ 2.29	$ 4.78	$ 0.62
Earnings (loss) per share after extraordinary items(3)	0.63	0.87	5.62	7.56	2.29	4.82	(0.69)
Total assets	76,666	59,140	74,532	56,186	31,177	20,557	8,442
Total long-term debt					1,000		
Dividends per share			0.10(1)				
Financial information in accordance with U.S. GAAP							
Earnings (loss)	1,386	2,935	18,748	24,327	7,224	15,165	(2,219)
Earnings (loss) per share(3)	0.41	0.87	5.57	7.56	2.29	4.82	(0.69)
Total assets	75,752	59,140	74,362	56,186	31,177	20,557	8,442

(1) U.S. $0.076 based on the Noon Buying Rate on the date of payment.

(2) The book value per common share at March 31, 1985 was $22.68 based upon 3,379,751 shares outstanding and excluding Little Long Lac's pro rata interest in its own shares held by the Amalgamating Corporations.

(3) See Note 6(c) of the Notes to the Financial Statements of Little Long Lac.

The following table summarizes the earnings and earnings per share for each of the last nine quarterly periods:

	Quarterly Period								
	1985	1984				1983			
	1st	4th	3rd	2nd	1st	4th	3rd	2nd	1st
	(dollars in thousands, except per share amounts)								
Revenues	$2,571	$2,213	$3,049	$2,269	$2,959	$2,747	$2,375	$1,614	$2,238
Earnings before extraordinary items	2,130	2,209	3,011	2,238	2,935	2,132	2,307	1,558	2,197
Earnings after extraordinary items	2,130	2,209	3,011	10,763	2,935	3,709	2,307	16,114	2,197
Earnings per share before extraordinary items	0.63	0.65	0.89	0.67	0.87	0.73	0.69	0.46	0.67
Earnings per share after extraordinary items	0.63	0.65	0.89	3.21	0.87	1.34	0.69	4.86	0.67

THE LITTLE LONG LAC MEETING

Voting Shares and Principal Holders Thereof

As at June 20, 1985, Little Long Lac had outstanding 4,096,668 shares without nominal or par value ("Little Long Lac shares"), each carrying the right to one vote per share at the Little Long Lac Meeting.

To the knowledge of the directors and officers of Little Long Lac, no person beneficially owns, or exercises control or direction over, more than five percent of the outstanding Little Long Lac shares except the following:

Name and Address	Number of Little Long Lac Shares	Percentage of Outstanding Little Long Lac Shares
Lac Minerals Ltd. Suite 2105, North Tower Royal Bank Plaza Toronto, Ontario	902,957	22.04
Wright-Hargreaves Mines, Limited Suite 2105, North Tower Royal Bank Plaza Toronto, Ontario	493,997	12.06
Lake Shore Mines, Limited Suite 2105, North Tower Royal Bank Plaza Toronto, Ontario	484,760	11.83
Peter A. Allen Chairman and President Suite 2105, North Tower Royal Bank Plaza Toronto, Ontario	455,759	11.13
Robert C. Stanley, Jr. 578 Navesink River Road Red Bank, New Jersey	303,055	7.40

MANAGEMENT'S DISCUSSION

Results of Operations

Little Long Lac's revenue is derived primarily from its equity in the earnings of Lac Minerals in which it has significant ownership interests, both directly and indirectly through its investment in Lake Shore. See "Lac Minerals Ltd. – Management's Discussion" and "Lake Shore Mines, Limited – Management's Discussion".

In 1980, Little Long Lac recorded a loss of $2,219,000 which resulted from its equity interest in the extraordinary loss of Lake Shore. Such extraordinary loss arose from Lake Shore's writedown of an investment in New Cinch Uranium Mines Ltd. See "Lac Minerals Ltd. – Legal Proceedings".

Earnings in 1981 increased to $15,165,000 principally due to the higher equity in earnings of Lac Group companies. Earnings of $7,224,000 in 1982 were lower compared with 1981 because of the decline in the equity in earnings of Lac Group companies.

In 1983, earnings were $24,327,000 compared with $7,224,000 in 1982. The increase in 1983 was due to extraordinary items totalling $16,133,000 arising from the public issues of shares by Lac Minerals. Little Long Lac did not purchase any of those shares and accordingly its percentage ownership of Lac Minerals was diluted. However, Little Long Lac's equity interest in Lac Minerals increased shareholders' investment after including the proceeds from the share issue and resulted in an extraordinary gain.

In 1984, Little Long Lac's earnings were $18,912,000 after extraordinary items totalling $8,525,000 as the result of another public issue of shares by Lac Minerals in which Little Long Lac did not purchase any shares.

Earnings for the three months ended March 31, 1985 were lower compared to the same period in 1984 because of the decline in the equity in earnings of Lac Group companies and the write-off of Little Long Lac's investment in shares of an exploration company. The write-off reflected Little Long Lac's assessment that the development of its iron property would not be economic in the foreseeable future.

Liquidity and Capital Resources

Little Long Lac's working capital deficiency at December 31, 1980 was $1,489,000. The working capital deficiency was reduced to $282,000 at December 31, 1981 mainly as a result of the sale of investments in other companies.

In 1982, Little Long Lac issued 200,000 shares to Lac Minerals for cash consideration of $3,600,000, and a promissory note to Lake Shore for $1,000,000 payable on or before January 1, 1986. In the same year Little Long Lac purchased shares of Lac Minerals for a total amount of $3,760,000. Working capital at the end of 1982 was $629,000.

In 1983, Little Long Lac issued 175,000 shares to acquire a 1% royalty interest in the net proceeds from Lac Minerals' Hemlo Project which was subsequently sold to Lac Minerals for 205,288 of its shares. Working capital at the end of the year was $359,000.

At December 31, 1984, working capital was $1,426,000. The increase in 1984 was due principally to the higher amount of dividends received from Lac Minerals.

Little Long Lac has arranged an operating line of credit with a Canadian chartered bank amounting to $3,000,000. No commitment fees are payable for this line of credit which was unused at March 31, 1985, and Little Long Lac has made no material commitments for future capital expenditures.

DIVIDENDS

During the fiscal year ended December 31, 1984, Little Long Lac paid dividends totalling $410,000. No dividends were paid during the fiscal year ended December 31, 1983.

PRICE RANGE AND VOLUME OF TRADING

The Little Long Lac shares are listed on The Toronto Stock Exchange. As of June 20, 1985, there were 2,946 holders of record of the Little Long Lac shares. There is no established public trading market for such shares in the United States. The following table sets forth the high and low prices of the Little Long Lac shares and the volume traded on The Toronto Stock Exchange since January 1, 1983.

Period	High	Low	Share Volume
1983			
First Quarter	$41¼	$25¾	209,700
Second Quarter	39	27⅝	74,800
Third Quarter	44¼	35¼	94,700
Fourth Quarter	41	30	235,200
1984			
First Quarter	41½	36½	48,600
Second Quarter	40¼	35¼	39,200
Third Quarter	36¾	28	43,400
Fourth Quarter	36	25¾	49,800
1985			
January	30¼	26	10,400
February	30½	27⅞	13,700
March	35	28⅜	27,700
April	42	33⅝	23,500
May	71	39½	150,165
June (to June 21)	62	59½	18,394

On May 14, 1985, being the day preceding the date upon which the proposed Amalgamation was announced by the Amalgamating Corporations, the closing price of the Little Long Lac shares on The Toronto Stock Exchange was $52. On June 21, 1985 the closing price of the Little Long Lac shares on The Toronto Stock Exchange was $60½.

CAPITALIZATION

	Outstanding as at March 31, 1985	Outstanding as at December 31, 1984
	(dollars in thousands)	
Total long-term debt	NIL	NIL
Shareholders' equity:		
Capital stock:		
Common shares	$15,468 (4,096,668 shares)	$15,468 (4,096,668 shares)
Contributed surplus	12	12
Retained earnings	68,661	66,531
	84,141	82,011
Less: Little Long Lac's pro rata interest in the cost to Lac Group companies of their investments in shares of Little Long Lac	7,503	7,503
Total shareholders' equity	76,638	74,508
Total capitalization	$76,638	$74,508

(1) Stock options with respect to 33,000 Little Long Lac shares were outstanding at December 31, 1984 (33,000 shares at March 31, 1985). See "Stock Option Plan".

MANAGEMENT

Directors

The following table sets forth certain information concerning the directors of Little Long Lac. Unless otherwise indicated, reference to Lac Minerals means Little Long Lac until June 1, 1982, Long Lac Minerals Ltd. (No Personal Liability) from June 1, 1982 until December 31, 1982 and Lac Minerals thereafter. Directors are elected annually to hold office until the next annual meeting of Little Long Lac.

Name, Age and Position with Little Long Lac	Year Became a Director of Little Long Lac	Principal Occupation During Past Five Years
PETER ACKERMAN ALLEN (45) Chairman, President, Chief Executive Officer and Director	1967	President and Chief Executive Officer of Lac Minerals.
JOHN CHARLES LEIGHTON ALLEN (74) Director	1951	Retired. Prior to March 31, 1985, President of John C. L. Allen Limited (investment dealer).
IAN THOMAS HOGG HAMILTON (45) Senior Vice President, General Counsel and Director	1973	Prior to March 1984, Vice President and General Counsel of Lac Minerals. Prior to January 1982, Corporate Secretary and General Counsel of Lac Minerals.
DENNIS GERALD SHEEHAN (49) Senior Vice President, Exploration and Director	1984	Senior Vice President, Exploration of Lac Minerals. Prior to January 1983, Vice President, Exploration of Lac Minerals.
RICHARD PRICE SMITH (46) Director	1980	Barrister and solicitor with Interprovincial Pipe Line Limited (utility). Prior to 1980, barrister and solicitor with the Ministry of the Attorney General (Ontario).

Name, Age and Position with Little Long Lac	Year Became a Director of Little Long Lac	Principal Occupation During Past Five Years
ROBERT CROOKS STANLEY, JR. (67) Director	1953	President of Lake Shore.
COLIN WESLEY WEBSTER (80) Director	1973	Chairman of St. Lawrence Warehousing Limited (handlers of bulk tonnages).
DONALD COLIN WEBSTER (55) Director	1973	President of Helix Investments Limited (venture capital company).

Mr. Colin W. Webster is a director of Liquid Air Corporation.

Each of the directors of Little Long Lac is paid directors' fees of $2,000 per annum, plus expenses incurred to attend meetings of the board of directors. During 1984, the board held seven meetings. All directors attended 75% or more of such meetings held during the period for which they were directors except Messrs. John C. L. Allen, Colin W. Webster and Donald C. Webster.

John C. L. Allen is Peter A. Allen's father and Colin W. Webster is Donald C. Webster's father. Messrs. Peter A. Allen, Smith and Stanley comprise Little Long Lac's audit committee. Under the Ontario Act, the audit committee must review the financial statements of Little Long Lac and report thereon to the board of directors before such financial statements are approved by the board. The audit committee met once during 1984 and all members thereof attended such meeting. Audit committee members are paid their expenses incurred to attend committee meetings. The board of directors of Little Long Lac does not have a compensation committee or a nominating committee.

Officers

The following table sets forth certain information concerning the officers (who are not directors) of Little Long Lac. Unless otherwise indicated, reference to Lac Minerals means Little Long Lac until June 1, 1982, Long Lac Minerals Ltd. (No Personal Liability) from June 1, 1982 until December 31, 1982 and Lac Minerals thereafter.

Name, Age and Position with Little Long Lac	Principal Occupation During Past Five Years
DONALD PAUL MOFFAT (47) Senior Vice President, Finance	Senior Vice President, Finance of Lac Minerals since January 1985. Prior thereto, Senior Financial Officer and a Partner of Bregman & Hamann, Architects & Engineers, from 1974 to January 1985.
ROLANDO CRUZ FRANCISCO (34) Treasurer	Treasurer of Lac Minerals. Prior to January 1982, Controller of Lac Minerals. Prior to January 1981, Assistant Treasurer and prior to January 1980, Chief Accountant of Lac Minerals.
HAZEL LEVITA RODRIGUES (46) Corporate Secretary	Corporate Secretary of Lac Minerals since January 1982. Prior to January 1982, Assistant Secretary of Lac Minerals.

Officers are appointed annually by the board of directors.

Remuneration of Directors and Officers

The following table sets forth the aggregate remuneration paid or payable and the estimated aggregate cost of all pension and other benefits to the directors and certain officers of Little Long Lac for the twelve months ended December 31, 1984.

	Nature of Remuneration			
	From office, employment and employer contributions (aggregate)	Cost of pension benefits	Other (aggregate)	Aggregate remuneration
Directors (total number: 8)	$15,333	NIL	NIL	$15,333
Five senior officers	NIL	NIL	NIL	NIL

None of the executive officers of Little Long Lac received compensation for services rendered as such from Little Long Lac during the fiscal year ended December 31, 1984. Such executive officers as a group received cash compensation of $5,333 from Little Long Lac, which consisted of directors' fees.

Stock Option Plan

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").

The Little Long Lac Plan authorizes the board of directors to grant options to purchase Little Long Lac shares to any officer, employee or consultant of Little Long Lac employed on a full-time basis. The board may grant the options subject to such additional terms and conditions not inconsistent with the terms of the Little Long Lac Plan as the board may approve. The options must be exercised within five years from the date of grant and the exercise price is equal to 90% of the market price on the date of grant. "Market Price" for the purposes of the Little Long Lac Plan is the average price for Little Long Lac shares traded on The Toronto Stock Exchange on the last business day in which trading of a total of not less than 100 Little Long Lac shares took place immediately preceding the date of grant.

100,000 Little Long Lac shares are reserved for distribution under the Little Long Lac Plan and options with respect to 33,000 Little Long Lac shares are currently outstanding and are held by two employees and options with respect to 4,500 shares have been cancelled. An aggregate of 61,500 Little Long Lac shares have been issued in connection with the exercise of options.

Each option with respect to the purchase of Little Long Lac shares which is currently outstanding will continue to be exercisable after the Amalgamation becomes effective and will entitle the holder to purchase, at the exercise price applicable to such option, such whole number of LAC common shares as is obtained by multiplying the number of Little Long Lac shares subject to the option by 2.377. Fractional interests will be cancelled without any payment in respect thereof.

The following table sets forth certain information pertaining to outstanding options granted under the Little Long Lac Plan.

Description of grantee	Date of grant	Number of shares	Exercise price per share	Date of expiry	Approximate market value per share at date of grant
Senior officers					
Peter A. Allen......	June 29, 1982	30,000	$7.25	June 28, 1987	$8.02
Harrison E. Rutetzki	June 29, 1982	3,000	$7.25	June 28, 1987	$8.02

The following table sets forth certain information pertaining to options exercised under the stock option plan during the twelve months ended May 31, 1985:

Description of grantee	Date of exercise	No. of shares purchased	Purchase price per share	Price range per share for 30 days preceding date of purchase(1) High	Low
Senior officers of the corporation (4 individuals)	January 23, 1984	2,500	$7.25	$41	$36½
	June 29, 1984	3,000	7.25	37¼	35¼
	July 31, 1984	20,000	7.25	36¾	28
	October 1, 1984	2,500	7.25	34	30⅝

(1) Based on closing prices of Little Long Lac's shares on The Toronto Stock Exchange.

MISCELLANEOUS

The Board of Directors of Little Long Lac has approved the contents of this Prospectus and Joint Proxy Statement, insofar as it relates to Little Long Lac, and has approved its being sent to shareholders.

BY ORDER OF THE BOARD OF DIRECTORS

H. L. Rodrigues
Secretary

Toronto, Ontario
June 24, 1985

LAKE SHORE MINES, LIMITED

THE COMPANY

Lake Shore was formed by letters patent under the laws of the Province of Ontario on February 25, 1914. Lake Shore is primarily a holding company. Its principal assets are its 38.67% direct interest in Lac Minerals, its 37.74% interest in Wright and its 11.83% interest in Little Long Lac. In addition, Lake Shore owns several gold properties in Ontario and Quebec. The principal property is the Lake Shore mine in Kirkland Lake, Ontario. Lac Minerals and Lake Shore have entered into agreements relating to the mining of the Lake Shore crown pillar and the Lake Shore underground workings. See "Lac Minerals Ltd. - Business and Properties - Lake Shore". For information concerning transactions between Lake Shore and Lac Minerals, see "Lac Minerals Ltd. - Material Transactions with Related Corporations".

SUMMARY FINANCIAL INFORMATION

Prior to November 30, 1980, Lake Shore accounted for its investments in certain Lac Group companies on an equity basis. See Note 7 of the Notes to the Consolidated Financial Statements of Lake Shore.

The following table sets forth summary consolidated financial information concerning Lake Shore for the three months ended March 31, 1985 and March 31, 1984 and the five fiscal years ended December 31, 1984. See the Consolidated Financial Statements of Lake Shore.

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(dollars in thousands, except per share amounts)						
Revenues							
Bullion	$ 36,087	$ 37,772	$153,090	$142,199	$112,920	$131,262	$ 9,557
Oil and gas	1,669	2,207	6,870	6,645	5,363	1,766	
Other	2,226	1,602	9,768	8,460	8,266	3,681	
	$ 39,982	$ 41,581	$169,728	$157,304	$126,549	$136,709	$ 9,557
Earnings (loss) from operations							
Mining	$ 7,862	$ 14,004	$ 47,661	$ 51,300	$ 47,247	$ 79,215	$ 4,822
Oil and gas	(140)	564	(5,158)	(2,530)	(5,225)	(5,850)	(309)
Other	292	(148)	1,791	2,998	2,527	275	
Total earnings from operations	8,014	14,420	44,294	51,768	44,549	73,640	4,513
Other income (expense), net	6,432	2,706	11,404	3,042	(1,171)	10,092	990
Income and mining taxes	(6,419)	(7,690)	(23,960)	(26,660)	(21,735)	(47,456)	(3,285)
Earnings before other items	8,027	9,436	31,738	28,150	21,643	36,276	2,218
Equity in earnings (loss) of Lac Group companies	(301)	18	99	(267)	29	2,121	5,248
Earnings before minority interest	7,726	9,454	31,837	27,883	21,672	38,397	7,466
Minority interest in Lac Minerals Ltd.	(4,240)	(4,942)	(15,882)	(14,327)	(10,506)	(14,551)	(1,002)
Earnings before extraordinary items	3,486	4,512	15,955	13,556	11,166	23,846	6,464
Extraordinary items			12,619	25,379	600	339	(9,433)
Earnings (loss)	$ 3,486	$ 4,512	$ 28,574	$ 38,935	$ 11,766	$ 24,185	$ (2,969)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(dollars in thousands, except per share amounts)						
Earnings per share before extraordinary item(3)	$ 0.82	$ 1.06	$ 3.76	$ 3.20	$ 2.58	$ 5.47	$ 1.44
Earnings (loss) per share after extraordinary item(3)	0.82	1.06	6.74	9.19	2.72	5.54	(0.66)
Total assets	427,326	260,957	411,415	244,221	151,847	129,605	95,579
Total long-term debt	72,202	4,977	70,246	5,185	7,404		19,167
Dividends per share			0.15(1)				
Financial information in accordance with U.S. GAAP							
Earnings before extraordinary items	2,390	4,512	28,323	38,935	11,166	23,846	6,464
Earnings (loss) after extraordinary items	2,390	4,512	28,323	38,935	11,766	24,185	(2,969)
Earnings (loss) per share(3)	0.56	1.06	6.69	9.19	2.72	5.54	(0.66)
Total long-term debt	61,870	4,977	59,275	5,185	7,404		19,167
Total assets	414,045	260,957	399,897	244,221	151,847	129,605	95,579

(1) U.S. $0.11 based on the Noon Buying Rate on the date of payment.

(2) The book value per common share at March 31, 1985 was $30.09 based upon 4,236,734 shares outstanding and excluding Lake Shore's pro rata interest in its own shares held by the Amalgamating Corporations.

(3) See Note 10 of the Notes to the Consolidated Financial Statements of Lake Shore.

The following table summarizes the earnings from operations, earnings and earnings per share for each of the last nine quarterly periods:

	Quarterly Period								
	1985	1984				1983			
	1st	4th	3rd	2nd	1st	4th	3rd	2nd	1st
	(dollars in thousands, except per share amounts)								
Revenues	$39,982	$43,238	$41,629	$43,280	$41,581	$42,338	$39,392	$40,197	$35,377
Earnings from operations	8,014	6,086	10,690	13,098	14,420	14,023	12,632	11,960	13,153
Earnings before extra-ordinary items	3,486	3,341	4,730	3,372	4,512	4,295	3,675	2,261	3,325
Earnings after extra-ordinary items	3,486	3,341	4,730	15,991	4,512	7,749	3,675	24,186	3,325
Earnings per share before extraordinary items	0.82	0.78	1.12	0.80	1.06	1.08	0.84	0.51	0.77
Earnings per share after extraordinary items	0.82	0.78	1.12	3.78	1.06	2.07	0.84	5.51	0.77

THE LAKE SHORE MEETING

Voting Shares and Principal Holders Thereof

As at June 20, 1985, Lake Shore had outstanding 5,104,499 shares without nominal or par value ("Lake Shore shares"), each carrying the right to one vote per share at the Lake Shore Meeting.

To the knowledge of the directors and officers of Lake Shore, no person beneficially owns, or exercises direction or control over, more than five per cent of the outstanding Lake Shore shares except the following:

Name and Address	Number of Lake Shore Shares	Percentage of Outstanding Lake Shore Shares
Little Long Lac Gold Mines Limited Suite 2105 North Tower Royal Bank Plaza Toronto, Ontario	2,336,652	45.78

MANAGEMENT'S DISCUSSION

Almost all of the operations of Lake Shore are conducted through its partially-owned subsidiary, Lac Minerals. Reference is made to "Lac Minerals Ltd. – Business and Properties – Capital and Exploration Expenditures and Management's Discussion" included elsewhere herein.

In 1982, Lac Minerals' earnings declined and Lake Shore's earnings declined accordingly to $11,766,000 .

In 1983, Lake Shore reported earnings of $38,935,000 after an extraordinary gain of $25,379,000. The extraordinary gain was due to the public issue of shares by Lac Minerals. Lake Shore did not purchase any of those shares and accordingly its percentage ownership of Lac Minerals was diluted. However, its equity interest in Lac Minerals increased shareholders' investment after including the proceeds from the share issue and resulted in an extraordinary gain.

In 1984, Lake Shore's earnings were $28,574,000 after an extraordinary gain of $12,619,000. The extraordinary gain was due to the additional public issue of shares by Lac Minerals in which Lake Shore did not participate.

In the quarter ended March 31, 1985, the loss on investments of $1,424,000 was largely due to the write-off of an investment in an exploration company because development of its iron property was not considered to be economic in the foreseeable future.

DIVIDENDS

During the fiscal year ended December 31, 1984, Lake Shore paid dividends totalling $732,000. No dividends were paid during the fiscal year ended December 31, 1983.

PRICE RANGE AND VOLUME OF TRADING

The Lake Shore shares are listed on The Toronto Stock Exchange and The Montreal Exchange and have unlisted trading privileges on the American Stock Exchange. The Toronto Stock Exchange and the American Stock Exchange are the principal Canadian and United States markets, respectively, on which such shares are traded. As of June 20, 1985, there were 3,901 holders of record of the Lake Shore shares. The following table sets forth the high and low prices and the volume traded on The Toronto Stock Exchange since January 1, 1983.

Period	High	Low	Share Volume
1983			
First Quarter	$58¾	$33¼	512,900
Second Quarter	51¼	36½	231,200
Third Quarter	56¾	42⅛	174,600
Fourth Quarter	46¾	35¼	275,400
1984			
First Quarter	52½	42¾	213,500
Second Quarter	50½	41¾	182,100
Third Quarter	41⅝	31¼	145,500
Fourth Quarter	44⅞	33¼	194,900
1985			
January	39½	32½	24,200
February	41½	36¼	34,400
March	47¾	37¾	33,800
April	56	46¼	67,100
May	85	49	383,208
June (to June 21)	75	70	115,002

On May 14, 1985, being the day preceding the date upon which the proposed Amalgamation was announced by the Amalgamating Corporations, the closing price of the Lake Shore shares on The Toronto Stock Exchange was $58½. On June 21, 1985 the closing price of the Lake Shore shares on The Toronto Stock Exchange was $73⅜.

The following table sets forth the high and low prices and the volume traded on the American Stock Exchange since January 1, 1983.

Period	High	Low	Volume
1983			
First Quarter	U.S.$47½	U.S.$27	735,600
Second Quarter	41½	29⅜	389,300
Third Quarter	46⅝	34	226,800
Fourth Quarter	37⅜	28½	188,300
1984			
First Quarter	41⅝	34	216,400
Second Quarter	39⅝	31½	179,400
Third Quarter	31⅜	23⅝	157,000
Fourth Quarter	34	24¾	235,900
1985			
January	30¼	24½	46,000
February	31⅜	26	94,600
March	34¾	27	138,700
April	41½	33¾	116,700
May	62	35¼	295,600
June (to June 21)	54	51	107,900

On May 14, 1985, being the day preceding the date upon which the proposed Amalgamation was announced by the Amalgamating Corporations, the closing price of the Lake Shore shares on the American Stock Exchange was U.S.$42¾. On June 21, 1985 the closing price of the Lake Shore shares on the American Stock Exchange was U.S.$54.

CONSOLIDATED CAPITALIZATION

	Outstanding as at March 31, 1985	Outstanding as at December 31, 1984
	(dollars in thousands)	
Long-term debt:(1)		
Advance from Wright	$ 3,500	$ 3,500
Obligations under capital leases (excluding current portion)	352	676
8% Debentures due April 15, 1989 (U.S. $50,000,000)	68,350	66,070
Total long-term debt	72,202	70,246
Shareholders' equity		
Capital stock:		
Common shares	5,105 (5,104,499 shares)	5,105 (5,104,499 shares)
Contributed surplus	9,668	9,668
Retained earnings	117,298	113,812
	132,071	128,585
Less: Lake Shore's pro rata interest in the cost to Lac Group companies of their investments in shares of Lake Shore	4,575	4,575
Total shareholders' equity	127,496	124,010
Total capitalization	$199,698	$194,256

(1) Note 6 of the Notes to the Consolidated Financial Statements of Lake Shore provides details of Lake Shore's long-term debt.

(2) Deferred taxes as at December 31, 1984 amounted to $53,383,000 and as at March 31, 1985 amounted to $58,798,000.

(3) The interest of minority shareholders at December 31, 1984 amounted to $119,307,000 and as at March 31, 1985 amounted to $123,733,000.

MANAGEMENT

Directors

The following table sets forth certain information concerning the directors of Lake Shore. Unless otherwise indicated, references to Lac Minerals means Little Long Lac until June 1, 1982, Long Lac Minerals Ltd. (No Personal Liability) from June 1, 1982 to December 31, 1982 and Lac Minerals thereafter. Directors are elected annually to hold office until the next annual meeting of Lake Shore.

Name, Age and Position with Lake Shore	Year Became a Director of Lake Shore	Principal Occupation During Past Five Years
PETER ACKERMAN ALLEN (45) Director	1966	President and Chief Executive Officer of Lac Minerals.
JOHN CHARLES LEIGHTON ALLEN (74) Director	1956	Retired. Prior to March 31, 1985, President of John C. L. Allen Limited (investment dealer).
RICHARD PRICE SMITH (46) Director	1985	Barrister and solicitor with Interprovincial Pipe Line Limited (utility). Prior to 1980, barrister and solicitor with the Ministry of the Attorney General (Ontario).
DENNIS GERALD SHEEHAN (49) Senior Vice President, Exploration and Director	1980	Senior Vice President, Exploration of Lac Minerals. Prior to January 1983, Vice President, Exploration of Lac Minerals.
ROBERT CROOKS STANLEY, Jr. (67) President and Director	1956	President of Lake Shore.

Each of the directors of Lake Shore is paid directors' fees of $4,000 per annum, plus expenses incurred to attend meetings of the board of directors. During 1984, the board held four meetings. All directors attended 75% or more of such meetings held during the period for which they were directors except Mr. John C. L. Allen.

John C. L. Allen is Peter A. Allen's father. Messrs. Peter A. Allen, John C. L. Allen and Sheehan comprise Lake Shore's audit committee. Under the Ontario Act, the audit committee must review the financial statements of Lake Shore and report thereon to the board of directors before such financial statements are approved by the board. The audit committee met once during 1984 and all members thereof attended such meeting. Audit committee members are paid their expenses incurred to attend committee meetings. Lake Shore does not have a compensation committee or a nominating committee.

Officers

The following table sets forth certain information concerning the officers (who are not directors) of Lake Shore. Unless otherwise indicated, reference to Lac Minerals means Little Long Lac until June 1, 1982, Long Lac Minerals Ltd. (No Personal Liability) from June 1, 1982 until December 31, 1982 and Lac Minerals thereafter.

Name, Age and Position with Lake Shore	Principal Occupation During Past Five Years
IAN THOMAS HOGG HAMILTON (45) Senior Vice President and General Counsel	Prior to March 1984, Vice President and General Counsel of Lac Minerals. Prior to January 1982, Corporate Secretary and General Counsel of Lac Minerals.
DONALD PAUL MOFFAT (47) Senior Vice President, Finance	Senior Vice President, Finance of Lac Minerals since January 1985. Prior thereto Senior Financial Officer and a Partner of Bregman & Hamann, Architects & Engineers, from January 1974 to January 1985.
ROLANDO CRUZ FRANCISCO (34) Treasurer	Treasurer of Lac Minerals. Prior to January 1982, Controller of Lac Minerals. Prior to January 1981, Assistant Treasurer and prior to January 1980, Chief Accountant of Lac Minerals.
HAZEL LEVITA RODRIGUES (46) Corporate Secretary	Corporate Secretary of Lac Minerals since January 1982. Prior to January 1982, Assistant Secretary of Lac Minerals.

Officers are appointed annually by the board of directors.

Remuneration of Directors and Officers

The following table sets forth the aggregate remuneration paid or payable and the estimated aggregate cost of all pension and other benefits to the directors and certain officers of Lake Shore and its partially-owned subsidiary, Lac Minerals, for the twelve months ended December 31, 1984.

	Nature of Remuneration						
	Directors' fees	Salaries	Bonuses	Stock option	Cost of pension benefits	Other	Aggregate remuneration
Remuneration of Directors:							
(a) Five directors of Lake Shore	$ 17,500	Nil	Nil	Nil	Nil	Nil	$ 17,500
(b) Body corporate incurring the expense Lac Minerals	101,667	Nil	$ 8,000	Nil	Nil	$ 10,000	119,667
Remuneration of Officers:							
Body corporate incurring the expense Lac Minerals	Nil	929,443	58,500	353,330	53,377	50,920	1,445,570
	$119,167	$929,443	$ 66,500	$353,330	$ 53,377	$ 60,920	$1,582,737

None of the executive officers of Lake Shore received compensation for services rendered as such from Lake Shore during the fiscal year ended December 31, 1984. Such executive officers as a group received cash compensation of $8,000 from Lake Shore, which consisted of directors' fees. For information concerning the cash compensation received by such executive officers from Lac Minerals, which is a partially-owned subsidiary of Lake Shore, see "Lac Minerals Ltd.- Management - Remuneration of Directors and Officers".

MISCELLANEOUS

The Board of Directors of Lake Shore has approved the contents of this Prospectus and Joint Proxy Statement, insofar as it relates to Lake Shore, and has approved its being sent to shareholders.

BY ORDER OF THE BOARD OF DIRECTORS

H. L. Rodrigues
Secretary

Toronto, Ontario
June 24, 1985

WRIGHT-HARGREAVES MINES, LIMITED

THE COMPANY

Wright was formed by letters patent under the laws of the Province of Ontario on June 16, 1916. Wright is primarily a holding company. Its principal assets are its 12.39% interest in Lac Minerals and its 12.06% interest in Little Long Lac. In addition, Wright owns several gold properties in Ontario and Quebec. The principal property is the Wright mine in Kirkland Lake, Ontario. Lac Minerals and Wright have entered into an agreement relating to the mining of the Wright crown pillar. See "Lac Minerals Ltd. – Business and Properties – Wright Crown Pillar Recovery Project". For details concerning transactions between Wright and Lac Minerals, see "Lac Minerals Ltd. – Material Transactions with Related Corporations".

SUMMARY FINANCIAL INFORMATION

The following table sets forth summary financial information concerning Wright for the three months ended March 31, 1985 and March 31, 1984 and the five fiscal years ended December 31, 1984. See the financial statements of Wright.

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(dollars in thousands, except per share amounts)						
Revenues	$ 1,138	$ 1,350	$ 4,491	$ 4,319	$ 3,239	$ 6,872	$ 297
Expenses	513	31	313	762	405	189	179
Earnings before income taxes	625	1,319	4,178	3,557	2,834	6,683	118
Income taxes (credit)	48	64	220	(112)	160	514	
Earnings before extraordinary items	577	1,255	3,958	3,669	2,674	6,169	118
Extraordinary items			3,471	6,681		130	
Earnings	$ 577	$ 1,255	$ 7,429	$10,350	$ 2,674	$ 6,299	$ 118
Earnings per share before extraordinary items(3)	$ 0.06	$ 0.13	$ 0.40	$ 0.37	$ 0.27	$ 0.62	$ 0.01
Earnings per share after extraordinary items(3)	0.06	0.13	0.75	1.04	0.27	0.63	0.01
Total assets	36,528	30,316	36,036	29,022	18,827	15,901	9,237
Dividends per share			0.05(1)				
Financial information in accordance with U.S. GAAP							
Earnings	289	1,255	7,363	10,350	2,674	6,299	118
Earnings per share(3)	0.03	0.13	0.74	1.04	0.27	0.63	0.01
Total assets	36,174	30,316	35,970	29,022	18,827	15,901	9,237

(1) U.S. $0.38 based on the Noon Buying Rate on the date of payment.

(2) The book value per common share at March 31, 1985 was $3.62.(3)

(3) The number of shares used in the above calculations was 9,962,876.

The following table summarizes the earnings and earnings per share for each of the last nine quarterly periods:

	Quarterly Period								
	1985	1984				1983			
	1st	4th	3rd	2nd	1st	4th	3rd	2nd	1st
	(dollars in thousands, except per share amounts)								
Revenues	$1,138	$ 881	$1,241	$1,019	$1,350	$1,451	$ 978	$ 843	$1,047
Earnings before extraordinary items	577	680	1,119	904	1,255	1,387	817	520	945
Earnings after extraordinary items	577	680	1,119	4,375	1,255	2,182	817	6,406	945
Earnings per share before extraordinary items	0.06	0.07	0.11	0.09	0.13	0.14	0.08	0.06	0.09
Earnings per share after extraordinary items	0.06	0.07	0.11	0.44	0.13	0.22	0.08	0.65	0.09

THE WRIGHT MEETING

Voting Shares and Principal Holders Thereof

As at June 20, 1985, Wright had outstanding 9,962,876 shares without nominal or par value ("Wright shares"), each carrying the right to one vote per share at the Wright Meeting.

To the knowledge of the directors and officers of Wright, no person beneficially owns, or exercises direction or control over, more than five per cent of the outstanding Wright shares except the following:

Name and Address	Number of Wright Shares	Percentage of Outstanding Wright Shares
Lake Shore Mines, Limited Suite 2105 North Tower Royal Bank Plaza Toronto, Ontario	3,759,936	37.74
Lac Minerals Ltd. Suite 2105 North Tower Royal Bank Plaza Toronto, Ontario	877,392	8.81

MANAGEMENT'S DISCUSSION

Results of Operations

In 1980, Wright started to account for its investment in Lac Minerals on an equity basis.

Earnings in 1981 increased to $6,299,000 from $118,000 in 1980 largely due to higher earnings of Lac Minerals and to a gain on the sale of investments in other companies. Earnings of $2,674,000 in 1982 were lower compared with 1981 because of the decline in earnings of Lac Minerals.

In 1983, earnings were $10,350,000 compared with $2,674,000 in 1982. The increase in 1983 was due to the extraordinary gain of $6,681,000 arising from a public issue of shares by Lac Minerals. Wright did not purchase any of those shares and accordingly its percentage ownership of Lac Minerals was diluted. However, its equity interest in Lac Minerals increased shareholders' investment after proceeds from the share issue were included, and this resulted in an extraordinary gain.

In 1984, Wright's earnings were $7,429,000 after an extraordinary gain of $3,471,000. As was the case in 1983, the extraordinary gain was the result of a public issue of shares by Lac Minerals in which Wright did not purchase any such shares.

Earnings for the three months ended March 31, 1985 were lower compared to the same period in 1984 because of the write-down of Wright's investment in an exploration company. The write-down of the investment reflected Wright's assessment that development of its iron property would not be economic in the foreseeable future.

Liquidity and Capital Resources

Wright's working capital at December 31, 1980 was $2,091,000. Working capital increased to $4,376,000 at December 31, 1981 due to the sale of investments in other companies.

At December 31, 1982, working capital had declined to $537,000 principally due to the purchase of shares in Lac Group companies amounting to $1,539,000, and to long-term advances of $3,500,000 to Lac Minerals.

Working capital at December 31, 1983 was $1,860,000 as a result of higher amounts of dividends received from Lac Minerals during the year.

At December 31, 1984, working capital was $2,961,000 because of higher investment income during the year.

Wright has arranged an operating line of credit with a Canadian chartered bank amounting to $3,000,000. No commitment fees are payable for this line of credit which was unused at March 31, 1985. Wright has no outstanding commitments to make capital expenditures.

DIVIDENDS

During the fiscal year ended December 31, 1984, Wright paid dividends totalling $498,000. No dividends were paid during the fiscal year ended December 31, 1983.

PRICE RANGE AND VOLUME OF TRADING

The Wright shares are listed on The Toronto Stock Exchange and The Montreal Exchange and have unlisted trading privileges on the American Stock Exchange. The Toronto Stock Exchange and the American Stock Exchange are the principal Canadian and United States markets, respectively, on which such shares are traded. As of June 20, 1985, there were 8,024 holders of record of the Wright shares. The following table sets forth the high and low prices and the volume traded on The Toronto Stock Exchange since January 1, 1983.

Period	High	Low	Share Volume
1983			
First Quarter	$11⅝	$6½	858,000
Second Quarter	10½	7¾	296,800
Third Quarter	10½	8⅛	388,200
Fourth Quarter	8¾	6¼	215,000
1984			
First Quarter	9⅝	7⅜	310,500
Second Quarter	9⅜	7⅝	155,700
Third Quarter	7⅝	6⅛	42,100
Fourth Quarter	7¾	4⅝	111,200
1985			
January	6⅜	5⅛	34,100
February	6¾	6	41,700
March	8½	6	41,300
April	10⅞	8	147,175
May	15¼	9⅜	942,603
June (to June 21)	13	12¼	94,398

On May 14, 1985, being the day preceding the date upon which the proposed Amalgamation was announced by the Amalgamating Corporations, the closing price of the Wright shares on The Toronto Stock Exchange was $12⅜. On June 21, 1985 the closing price of the Wright shares on The Toronto Stock Exchange was $12¾.

The following table sets forth the high and low prices and the volume traded on the American Stock Exchange since January 1, 1983.

Period	High	Low	Volume
1983			
First Quarter	U.S.\$9½	U.S.\$5¼	2,862,700
Second Quarter	8⅝	6¼	953,800
Third Quarter	8⅝	6⅜	900,900
Fourth Quarter	7	5	663,500
1984			
First Quarter	7⅝	5⅞	615,400
Second Quarter	7⅜	5⅞	367,000
Third Quarter	6	4½	409,100
Fourth Quarter	6	3½	448,900
1985			
January	4¾	3⅞	136,500
February	5⅛	4¼	99,200
March	6⅜	4½	195,600
April	7⅞	5¾	263,300
May	11	6¾	942,600
June (to June 21)	9⅝	8⅞	116,500

On May 14, 1985, being the day preceding the date upon which the proposed Amalgamation was announced by the Amalgamating Corporations, the closing price of the Wright shares on the American Stock Exchange was U.S.\$8⅞. On June 21, 1985 the closing price of the Wright shares on the American Stock Exchange was U.S.\$9⅜.

CAPITALIZATION

	Outstanding as at March 31, 1985	Outstanding as at December 31, 1984
	(dollars in thousands)	
Total long-term debt	NIL	NIL
Shareholders' equity		
Capital stock:		
Common shares	\$10,277 (9,962,876 shares)	\$10,277 (9,962,876 shares)
Contributed surplus	5	5
Retained earnings	25,739	25,162
Total shareholders' equity	36,021	35,444
Total capitalization	\$36,021	\$35,444

(1) Deferred taxes as at December 31, 1984 and March 31, 1985 amounted to \$450,000.

MANAGEMENT

Directors

The following table sets forth certain information concerning the directors of Wright. Unless otherwise indicated, references to Lac Minerals means Little Long Lac until June 1, 1982, Long Lac Minerals Ltd. (No Personal Liability) from June 1, 1982 to December 31, 1982 and Lac Minerals thereafter. Directors are elected annually to hold office until the next annual meeting of Wright.

Name, Age and Position with Wright	Year Became a Director of Wright	Principal Occupation During Past Five Years
PETER ACKERMAN ALLEN (45) Director	1966	President and Chief Executive Officer of Lac Minerals.
JOHN CHARLES LEIGHTON ALLEN (74) Director	1985	Retired. Prior to March 31, 1985, President of John C.L. Allen Limited (investment dealer).
ROBERT CROOKS STANLEY, JR. (67) President and Director	1982	President of Lake Shore.
DONALD COLIN WEBSTER (55) Director	1972	President of Helix Investments Limited (venture capital company).

Each of the directors of Wright is paid directors' fees of $2,000 per annum, plus expenses incurred to attend meetings of the board of directors. During 1984, the board held four meetings. All directors attended 75% or more of such meetings held during the period for which they were directors except Mr. Webster.

Mr. Stanley is an executive officer. John C. L. Allen is Peter A. Allen's father. Messrs. Peter A. Allen, Stanley and Webster comprise Wright's audit committee. Under the Ontario Act, the audit committee must review the financial statements of Wright and report thereon to the board of directors before such financial statements are approved by the board. The audit committee met once during 1984 and all members thereof attended such meeting. Audit committee members are paid their expenses incurred to attend committee meetings. Wright does not have a compensation committee or a nominating committee.

Officers

The following table sets forth certain information concerning the officers (who are not directors) of Wright. Unless otherwise indicated, reference to Lac Minerals means Little Long Lac until June 1, 1982, Long Lac Minerals Ltd. (No Personal Liability) from June 1, 1982 until December 31, 1982 and Lac Minerals thereafter.

Name, Age and Position with Wright	Principal Occupation During Past Five Years
IAN THOMAS HOGG HAMILTON (45) Senior Vice-President and General Counsel	Prior to March 1984, Vice-President and General Counsel of Lac Minerals. Prior to January 1982, Corporate Secretary and General Counsel of Lac Minerals.
DONALD PAUL MOFFAT (47) Senior Vice President, Finance	Senior Vice President, Finance of Lac Minerals since January 1985. Prior thereto, Senior Financial Officer and a Partner of Bregman & Hamann, Architects & Engineers, from January 1974 to January 1985.
ROLANDO CRUZ FRANCISCO (34) Treasurer	Treasurer of Lac Minerals. Prior to January 1982, Controller of Lac Minerals. Prior to January 1981, Assistant Treasurer and prior to January 1980, Chief Accountant of Lac Minerals.
HAZEL LEVITA RODRIGUES (46) Corporate Secretary	Corporate Secretary of Lac Minerals since January 1982. Prior to January 1982, Assistant Secretary of Lac Minerals.

Officers are appointed annually by the board of directors.

Remuneration of Directors and Officers

The following table sets forth the aggregate remuneration paid or payable and the estimated aggregate cost of all pension and other benefits to the directors and certain officers of Wright for the twelve months ended December 31, 1984.

	Nature of Remuneration			
	From office, employment and employer contributions (aggregate)	Cost of pension benefits	Other (aggregate)	Aggregate remuneration
Directors (4) of Wright	$6,750	NIL	NIL	$6,750
Five senior officers of Wright	NIL	NIL	NIL	NIL

None of the executive officers of Wright received compensation for services rendered as such from Wright during the fiscal year ended December 31, 1984. Such executive officers as a group received cash compensation of $2,000 from Wright which consisted of directors' fees.

MISCELLANEOUS

The Board of Directors of Wright has approved the contents of this Prospectus and Joint Proxy Statement, insofar as it relates to Wright, and has approved its being sent to shareholders.

BY ORDER OF THE BOARD OF DIRECTORS

H. L. RODRIGUES
Secretary

Toronto, Ontario
June 24, 1985

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA

COMPILATION REPORT

To The Directors of

Lac Minerals Ltd.
Little Long Lac Gold Mines Limited
Lake Shore Mines, Limited
Wright-Hargreaves Mines, Limited

We have reviewed, as to compilation only, the accompanying pro-forma condensed combined statement of financial position of LAC Minerals Ltd. as at March 31, 1985 and the pro-forma condensed combined statement of earnings for the three months ended March 31, 1985 with comparative figures for the corresponding period in the immediately preceding year and for each of the years in the five year period ended December 31, 1984 which have been prepared for inclusion in this Prospectus and Joint Proxy Statement. In our opinion, the pro-forma condensed combined financial statements have been properly compiled to give effect to the proposed transaction and the assumptions described in the notes thereto.

Toronto, Canada
June 21, 1985

THORNE RIDDELL
Chartered Accountants

LAC Minerals Ltd.

Pro Forma Condensed Combined Financial Statements

(Unaudited)

The following pro forma condensed combined statement of financial position as at March 31, 1985 and the pro forma condensed combined statement of earnings for the three months ended March 31, 1985 and 1984 and for each of the years in the five year period ended December 31, 1984 give effect to the amalgamation of Lac Minerals Ltd., Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited and Wright-Hargreaves Mines, Limited. The pro forma information is based on the historical financial statements and adjustments in the accompanying notes to the pro forma financial statements. Because the amalgamation is among companies under common control it has been accounted for as a pooling of interests. Under United States accounting principles this amalgamation would be accounted for as a purchase with Lac Minerals Ltd. being considered as the acquiring company.

The pro forma financial statements have been prepared by management based upon the historical financial statements included elsewhere herein. These pro forma financial statements may not be indicative of the results that actually would have occurred if the combination had been in effect on the dates indicated or which may be obtained in the future. The pro forma financial statements should be read in conjunction with the audited financial statements and notes contained elsewhere herein.

LAC Minerals Ltd.

Pro Forma Condensed Combined Statement of Financial Position (h)

March 31, 1985

(In thousands of Canadian dollars)

	Lac Minerals Ltd.	Little Long Lac Gold Mines Limited	Lake Shore Mines, Limited	Wright-Hargreaves Mines, Limited	Pro forma adjustments	Pro forma combined
CURRENT ASSETS						
Cash and short-term investments	$127,963	$ 1,457	$132,742	$ 3,065	$(127,963)(a)	$137,264
Bullion inventory	8,178		8,178		(8,178)(a)	8,178
Other inventories	118		118		(118)(a)	118
Accounts receivable	5,836	11	5,858	10	(5,835)(a)	5,880
Due from Lac Group companies	1		1	33	(1)(a) (34)(b)	
Supplies	6,246		6,246		(6,246)(a)	6,246
Other	7,142		7,142		(7,142)(a)	7,142
	155,484	1,468	160,285	3,108	(155,517)	164,828
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	29,965	28	30,019	30	(29,965)(a)	30,077
Income and mining taxes payable	483		803	27	(483)(a)	830
Due to Lac Group companies	1,003		33		(1,036)(b)	
Long-term debt maturing within one year	1,460		1,460		(1,460)(a)	1,460
Deferred revenue on gold purchase warrants	12,782		12,782		(12,782)(a)	12,782
	45,693	28	45,097	57	(45,726)	45,149
WORKING CAPITAL	109,791	1,440	115,188	3,051	(109,791)(a)	119,679
INVESTMENTS	16,931	75,196	24,487	31,988	(16,931)(a) (3,500)(b) (137,095)(c) (5,151)(d) 15,472(e)	1,397
MINING INTERESTS	193,211	1	194,215	1,432	(194,020)(a)	194,839
OIL AND GAS INTERESTS	35,116		35,116		(35,116)(a)	35,116
DEFERRED FINANCING COSTS	12,068		12,068		(12,068)(a)	12,068
OTHER ASSETS	1,155	1	1,155		(1,155)(a)	1,156
CAPITAL EMPLOYED	368,272	76,638	382,229	36,471	(499,355)	364,255
DEDUCT:						
LONG-TERM DEBT	82,202		72,202		(82,202)(a) (3,500)(b)	68,702
DEFERRED TAXES	58,798		58,798	450	(58,798)(a) 1,700(f)	60,948
MINORITY INTEREST			123,733		(123,733)(a)	
	141,000		254,733	450	(266,533)	129,650
SHAREHOLDERS' INVESTMENT	$227,272	$ 76,638	$127,496	$ 36,021	$(232,822)	$234,605
SHAREHOLDERS' INVESTMENT REPRESENTED BY:						
CAPITAL STOCK AND CONTRIBUTED SURPLUS	$137,709	$ 15,480	$ 14,773	$ 10,282	$ (67,060)(c)	$111,184
RETAINED EARNINGS	92,957	68,661	117,298	25,739	(83,094)(a) (91,289)(c) (5,151)(d) (1,700)(f)	123,421
	230,666	84,141	132,071	36,021	(248,294)	234,605
Deduct the Company's interest in the cost to Lac Group companies of their investments in shares of the Company	3,394	7,503	4,575		(15,472)(e)	
	$227,272	$ 76,638	$127,496	$ 36,021	$(232,822)	$234,605

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

LAC Minerals Ltd.

Pro Forma Condensed Combined Statement of Earnings (g) (h)

(In thousands of Canadian dollars except per share amounts)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Revenues	$ 39,982	$ 41,592	$169,783	$157,376	$130,666	$139,084	$ 73,427
Expenses							
Operating	22,352	20,485	84,329	72,891	58,228	45,230	34,528
Corporate administrative	1,523	1,447	6,337	5,580	4,920	3,603	3,494
Depreciation, depletion and amortization	4,746	3,778	20,683	14,894	12,267	8,542	6,570
Mineral exploration	3,126	1,179	10,595	7,998	5,327	3,094	1,306
Oil and gas dry holes and abandonments	187	261	2,849	4,104	4,931	5,338	3,136
Research and development	72	42	735	856	335		
	32,006	27,192	125,528	106,323	86,008	65,807	49,034
Earnings from operations	7,976	14,400	44,255	51,053	44,658	73,277	24,393
Other income (expense)							
Interest income	3,756	1,769	14,274	4,412	1,805	6,198	3,309
Gain (loss) on investments, net	(2,309)	124	127	31	(1,239)	13,163	1,627
Gain (loss) on sale of mining and oil and gas interests	5	3	(100)	(555)	(397)	38	438
Gain on foreign exchange	4,601	663	2,892				
Other income (expense)	93	496	523	201	159	(287)	139
Interest expense							
Long-term debt	(87)	(42)	(3,733)	(439)	(231)		(1,372)
Other	(459)	(149)	(2,267)	(453)	(468)	(1,620)	(566)
	5,600	2,864	11,716	3,197	(371)	17,492	3,575
Earnings before income and mining taxes	13,576	17,264	55,971	54,250	44,287	90,769	27,968
Income and mining taxes	6,467	7,754	24,180	26,548	22,055	48,564	18,633
Earnings before extraordinary items	7,109	9,510	31,791	27,702	22,232	42,205	9,335
Extraordinary items				130	600	432	(19,793)
EARNINGS (LOSS) FOR THE PERIOD	$ 7,109	$ 9,510	$ 31,791	$ 27,832	$ 22,832	$ 42,637	$ (10,458)
EARNINGS (LOSS) PER SHARE							
Before extraordinary items	$ 0.27	$ 0.37	$ 1.21	$ 1.14	$ 0.98	$ 1.87	$ 0.41
After extraordinary items	$ 0.27	$ 0.37	$ 1.21	$ 1.15	$ 1.01	$ 1.88	$ (0.46)
Weighted average number of common shares for purposes of computing earnings per share	26,672,780	25,506,889	26,246,648	24,219,258	22,670,051	22,620,498	22,620,498

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

LAC Minerals Ltd.

Notes to Pro Forma Condensed Combined Financial Statements

(Unaudited)

It is proposed that Lac Minerals Ltd., Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited and Wright-Hargreaves Mines, Limited ("Amalgamating Corporations") amalgamate to form LAC Minerals Ltd.

These pro forma financial statements assume that the present shareholders of the Amalgamating Corporations will receive common shares of LAC Minerals Ltd. as follows:

(i) Lac Minerals Ltd. – 1 common share of LAC Minerals Ltd. for each share owned.

(ii) Little Long Lac Gold Mines Limited – 2.377 common shares of LAC Minerals Ltd. for each share owned.

(iii) Lake Shore Mines, Limited – 2.871 common shares of LAC Minerals Ltd. for each share owned.

(iv) Wright-Hargreaves Mines, Limited – 0.498 common shares of LAC Minerals Ltd. for each share owned.

Shareholdings among the Amalgamating Corporations have been cancelled.

Because the amalgamation is among companies under common control it has been accounted for as if it was a pooling of interests. In combining the entities the following pro forma adjustments have been made:

(a) To reflect the elimination of the accounts of Lac Minerals Ltd. which are consolidated with Lake Shore Mines, Limited.

(b) To reflect the elimination of intercompany receivables and payables.

(c) To eliminate the equity value as at March 31, 1985 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.

(d) To eliminate each Amalgamating Corporation's pro rata interest in its own dividends paid to other Amalgamating Corporations.

(e) To eliminate the pro rata interest in the cost to Lac Group companies of their investments in shares of the Amalgamating Corporations.

(f) To adjust deferred taxes related to the restriction of certain deductions for income tax purposes.

(g) The pro forma condensed combined statement of earnings reflects the elimination of intercompany revenues, intercompany expenses and the equity in earnings (loss) in the Amalgamating Corporations for each respective period.

(h) The pro forma condensed combined statement of financial position as at March 31, 1985 and the pro forma condensed combined statement of earnings for the three months ended March 31, 1985 and 1984 is based on financial information that is unaudited. The pro forma financial statements have not been adjusted for non-recurring charges that are expected to be incurred within the ensuing year. Such non-recurring items omitted represent the costs of this amalgamation estimated to be $1,800,000.

The following schedule summarizes the computation of pro forma combined shareholders' investment as at March 31, 1985:

	Lac Minerals Ltd.	Little Long Lac Gold Mines Limited	Lake Shore Mines, Limited	Wright-Hargreaves Mines, Limited	LAC Minerals Ltd. Pro Forma Combined
		(In Thousands of Canadian Dollars)			
Shareholders' investment as at March 31, 1985	$227,272	$76,638	$127,496	$36,021	$467,427
Pro forma adjustments					
To eliminate the company's interest in the cost to Lac Group companies of their investments in shares of the Company	3,394	7,503	4,575		15,472
	230,666	84,141	132,071	36,021	482,899
To reflect the elimination of post acquisition retained earnings of Lac Minerals Ltd. consolidated by Lake Shore Mines, Limited			(83,094)		(83,094)
To eliminate the equity value of intercompany investments in common shares	(14,818)	(79,292)	(36,734)	(27,505)	(158,349)
To eliminate the pro rata interest in dividends paid to Lac Group companies	(4,949)	(72)	(130)		(5,151)
Shareholders' investment net of intercompany eliminations	$210,899	$ 4,777	$ 12,113	$ 8,516	236,305
To adjust deferred taxes related to the restriction of certain deductions for income tax purposes					(1,700)
					$234,605

Under United States accounting principles the amalgamation would be accounted for as a purchase. Under the purchase method of accounting Lac Minerals Ltd., being the principal operating company, would be considered as the acquiring company. Because the fair market value of the net assets of the acquired companies are not significantly different from the amounts reflected in the historical financial statements, the pro forma condensed combined statement of financial position and shareholders' investment under United States accounting principles would be substantially equivalent to that prepared under Canadian accounting principles. Pro forma retained earnings, when the amalgamation is accounted for as if it was a pooling of interests, is the sum of the retained earnings of the respective Amalgamating Corporations net of the elimination of intercompany transactions. Under the purchase method of accounting pro forma retained earnings would be the retained earnings of Lac Minerals Ltd. net of the elimination of Lac Minerals Ltd. pro rata interest in dividends paid to Lac Group companies. Accordingly pro forma retained earnings as at March 31, 1985 would be reduced by $35,413,000 and capital stock increased by an equivalent amount to account for the difference between Canada and United States accounting principles. Costs of the amalgamation are estimated to be $1,800,000. Under United States accounting principles $1,600,000, being the estimated direct costs of the purchase, would be accounted for as other assets and $200,000, being the estimated costs of share registration, would be accounted for as a reduction to capital stock. In addition, the pro forma condensed combined statement of earnings would be limited to the year ended December 31, 1984 and the three months ended March 31, 1985.

The pro forma effect on pro forma condensed combined earnings of differences between Canadian and United States accounting principles is as follows:

	Three months ended March 31, 1985	Year ended December 31, 1984
	(In thousands of Canadian dollars except per share amounts)	
Earnings as reported	$7,109	$31,791
Foreign currency exchange losses	(2,402)	(547)
Adjustment to deferred taxes resulting from amalgamation (f)	(1,700)	
Earnings in accordance with generally accepted accounting principles in the United States	$3,007	$31,244
Earnings per share in accordance with generally accepted accounting principles in the United States	$ 0.11	$ 1.19

The pro forma effect on retained earnings between Canadian and United States accounting principles is as follows:

	March 31, 1985
	(In thousands of Canadian dollars)
Retained earnings as reported	$123,421
Adjustment to retained earnings as a result of accounting for the amalgamation as a purchase	35,413
Retained earnings in accordance with generally accepted accounting principles in the United States	$ 88,008

The following is the equivalent share information in accordance with Canadian accounting principles for each of the Amalgamating Corporations:

	March 31, 1985				December 31, 1984			
	LAC Minerals Pro Forma	Share exchange Ratio	Equivalent share Amount	Historical Amount	LAC Minerals Pro Forma	Share exchange Ratio	Equivalent exchange Amount(1)	Historical Amount
Lac Minerals Ltd.								
Earnings per share before extraordinary items	$0.27	1	$ 0.27	$ 0.30	$1.21	1	$ 1.21	$ 1.14
Earnings per share after extraordinary items	0.27	1	0.27	0.30	1.21	1	1.21	1.14
Dividends per share					0.33	1	0.30	0.30
Book value per share	8.80	1	8.80	8.73	8.49	1	8.49	8.42
Little Long Lac Gold Mines Limited								
Earnings per share before extraordinary items	0.27	2.377	0.64	0.63	1.21	2.377	2.88	3.08
Earnings per share after extraordinary items	0.27	2.377	0.64	0.63	1.21	2.377	2.88	5.62
Dividends per share					0.33	2.377	0.71	0.10
Book value per share	8.80	2.377	20.92	22.68	8.49	2.377	20.18	22.05
Lake Shore Mines, Limited								
Earnings per share before extraordinary items	0.27	2.871	0.78	0.82	1.21	2.871	3.47	3.76
Earnings per share after extraordinary items	0.27	2.871	0.78	0.82	1.21	2.871	3.47	6.74
Dividends per share					0.33	2.871	0.86	0.15
Book value per share	8.80	2.871	25.26	30.09	8.49	2.871	24.37	29.27
Wright-Hargreaves Mines, Limited								
Earnings per share before extraordinary items	0.27	0.498	0.13	0.06	1.21	0.498	0.60	0.40
Earnings per share after extraordinary items	0.27	0.498	0.13	0.06	1.21	0.498	0.60	0.75
Dividends per share					0.33	0.498	0.15	0.05
Book value per share	8.80	0.498	4.38	3.62	8.49	0.498	4.23	3.56

(1) The historical dividend of $0.30 per share has been used for purposes of calculating the equivalent exchange amount for dividends per share.

The following is a reconciliation of pro forma condensed combined earnings of LAC Minerals Ltd. in accordance with accounting principles generally accepted in Canada to historical earnings of Lac Minerals Ltd. in accordance with Unites States accounting principles for the periods indicated:

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
			(In thousands of Canadian dollars)				
Pro forma condensed combined earnings (loss) of LAC Minerals Ltd. if the amalgamation is accounted for as a pooling of interests	$ 7,109	$ 9,510	$ 31,791	$ 27,832	$ 22,832	$ 42,637	$ (10,458)
Add (deduct) corporate (earnings) loss of Little Long Lac Gold Mines Limited							
(Earnings) loss for the period as reported	(2,130)	(2,935)	(18,918)	(24,327)	(7,224)	(15,165)	2,219
To eliminate equity in earnings of Lac Group companies	2,530	2,944	10,344	8,827	7,694	14,583	2,291
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			(4,235)
Corporate (earnings) loss for the period	400	9	(49)	633	470	(582)	275
Lake Shore Mines, Limited							
(Earnings) loss for the period as reported	(3,486)	(4,512)	(28,574)	(38,935)	(11,766)	(24,185)	2,969
To eliminate post acquisition earnings of Lac Minerals Ltd. consolidated in Lake Shore Mines, Limited	7,799	9,285	29,307	27,969	21,928	34,674	1,689
To eliminate minority interest in Lac Minerals Ltd.	(4,240)	(4,942)	(15,882)	(14,327)	(10,506)	(14,551)	(1,002)
To eliminate equity in earnings (loss) of Lac Group companies recorded by Lake Shore Mines, Limited	(301)	18	99	(267)	29	2,121	5,248
To eliminate gain arising on issue of shares of Lac Minerals Ltd.			12,619	25,379			
To eliminate extraordinary items of Lac Minerals Ltd. consolidated by Lake Shore Mines, Limited							(9,433)
To eliminate adjustments relating to elimination of inter-company transactions in consolidation	129	(24)	256	(399)	(818)	(612)	154
Corporate (earnings) loss for the period	(99)	(175)	(2,175)	(580)	(1,133)	(2,553)	(375)
Wright-Hargreaves Mines, Limited							
Earnings for the period as reported	(577)	(1,255)	(7,429)	(10,350)	(2,674)	(6,299)	(118)
To eliminate equity in earnings (loss) of Lac Group companies	966	1,196	3,698	3,753	2,433	4,224	(393)
To eliminate gain arising on issue of shares by Lac Minerals Ltd.			3,471	6,681			
Corporate earnings for the period	389	(59)	(260)	84	(241)	(2,075)	(511)
Pro forma combined earnings (loss) of LAC Minerals Ltd. if the amalgamation is accounted for as a purchase	7,799	9,285	29,307	27,969	21,928	37,427	(11,069)
Adjustment for re-organization costs					(513)	(258)	
Foreign currency losses	(2,402)		(547)				
Historical earnings (loss) of Lac Minerals Ltd. in accordance with United States accounting principles	$ 5,397	$ 9,285	$ 28,760	$ 27,969	$ 21,415	$ 37,169	$ (11,069)

Report of Independent Chartered Accountants

To the Directors of
LAC MINERALS LTD.

We have examined the consolidated statement of financial position of Lac Minerals Ltd. as at December 31, 1984 and 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for each of the years in the five year period ended December 31, 1984. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the years in the five year period ended December 31, 1984 in accordance with accounting principles generally accepted in Canada applied on a consistent basis. Canadian generally accepted accounting principles differ in some respects from United States generally accepted accounting principles, see note 15.

Toronto, Canada
January 31, 1985
(May 14, 1985 as to note 13(b))
(June 21, 1985 as to note 14)

THORNE RIDDELL
Chartered Accountants

Lac Minerals Ltd.

Consolidated Statement of Financial Position

(In thousands of Canadian dollars)

	March 31, 1985	December 31, 1984	December 31, 1983
	(Unaudited)		
CURRENT ASSETS			
Cash and short-term investments	$127,963	$137,489	$ 62,602
Bullion inventory	8,178	10,180	9,175
Other inventories	118	106	757
Accounts receivable	5,836	7,435	5,238
Due from Lac Group companies	1	28	38
Supplies	6,246	5,962	4,699
Other	7,142	3,991	648
	155,484	165,191	83,157
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	29,965	28,259	11,994
Mining taxes payable	483	900	
Due to Lac Group companies	1,003	1,686	10
Long-term debt maturing within one year	1,460	1,420	835
Deferred revenue on gold purchase warrants (note 2)	12,782	12,782	
	45,693	45,047	12,839
WORKING CAPITAL	109,791	120,144	70,318
INVESTMENTS (note 3)	16,931	18,347	17,843
MINING INTERESTS (note 4)	193,211	164,753	94,047
OIL AND GAS INTERESTS (note 4)	35,116	35,370	37,380
DEFERRED FINANCING COSTS (net of accumulated amortization $2,861,000; December 31, 1984 - $2,115,000)	12,068	12,814	
OTHER ASSETS (net of accumulated amortization $1,352,000; December 31, 1984 - $1,163,000; December 31, 1983 - $429,000)	1,155	1,276	1,780
CAPITAL EMPLOYED	368,272	352,704	221,368
Deduct:			
LONG-TERM DEBT (note 6)	82,202	80,246	15,185
DEFERRED TAXES	58,798	53,323	43,279
	141,000	133,569	58,464
SHAREHOLDERS' INVESTMENT	$227,272	$219,135	$162,904
SHAREHOLDERS' INVESTMENT REPRESENTED BY			
CAPITAL STOCK (note 7)			
Authorized - 49,997,916 shares (1983 - 49,998,421 shares)			
Issued - 29,633,389 shares (1984 - 29,612,689 shares; 1983 - 28,516,494 shares)	$137,709	$137,371	$101,964
RETAINED EARNINGS	92,957	85,158	64,334
	230,666	222,529	166,298
Deduct the Company's pro rata interest in the cost to Lac Group companies of their investments in shares of the Company	3,394	3,394	3,394
	$227,272	$219,135	$162,904

COMMITMENTS AND CONTINGENCIES (note 13)

Approved by the Board

(Signed) P. A. ALLEN, Director (Signed) D. G. SHEEHAN, Director

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

Lac Minerals Ltd.

Consolidated Statements of Earnings and Retained Earnings

(In thousands of Canadian dollars except per share amounts)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(Unaudited)						
CONSOLIDATED STATEMENT OF EARNINGS							
Revenues							
Bullion	$ 36,087	$ 37,772	$153,090	$142,199	$116,903	$133,637	$ 69,332
Oil and gas	1,669	2,196	6,815	6,573	5,229	1,766	872
Other	2,226	1,602	9,768	8,460	8,266	3,681	3,223
	39,982	41,570	169,673	157,232	130,398	139,084	73,427
Expenses							
Operating							
Mining	20,888	18,496	76,866	65,849	51,195	40,582	31,327
Oil and gas	685	830	3,532	2,497	2,246	1,637	1,160
Other	1,651	1,170	6,976	4,557	5,001	2,993	1,915
	23,224	20,496	87,374	72,903	58,442	45,212	34,402
Corporate administrative	1,377	1,348	5,932	5,211	3,885	3,043	3,085
Depreciation, depletion and amortization	3,987	3,738	20,343	14,434	12,039	8,534	6,563
Mineral exploration	3,126	1,179	10,574	7,824	5,253	3,081	1,267
Oil and gas dry holes and abandonments written-off	187	261	2,777	3,549	4,898	5,336	3,085
Research and development	72	42	735	856	335		
	31,973	27,064	127,735	104,777	84,852	65,206	48,402
Earnings from operations	8,009	14,506	41,938	52,455	45,546	73,878	25,025
Other income (expense)							
Interest income	3,530	1,712	13,766	4,085	1,640	4,734	2,857
Gain (loss) on sale of mining and oil and gas interests	5	3	179	19	(397)	38	438
Gain (loss) on investments, net	(1,416)	56	(10)	(81)	(1,239)	8,570	723
Gain on foreign exchange	4,601	663	2,892				
Miscellaneous other income (expense)	91	492	580	101	145	(341)	59
Interest expense							
Long-term debt	(462)	(415)	(5,356)	(1,972)	(231)		(1,372)
Other	(459)	(134)	(2,232)	(438)	(2,241)	(1,704)	(362)
	5,890	2,377	9,819	1,714	(2,323)	11,297	2,343
Earnings before income and mining taxes	13,899	16,883	51,757	54,169	43,223	85,175	27,368
Income and mining taxes (note 8)	6,100	7,598	22,450	26,200	21,295	47,748	18,633
Earnings before extraordinary items	7,799	9,285	29,307	27,969	21,928	37,427	8,735
Extraordinary items (note 9)							(19,804)
EARNINGS (LOSS) FOR THE PERIOD	$ 7,799	$ 9,285	$ 29,307	$ 27,969	$ 21,928	$ 37,427	$ (11,069)
EARNINGS (LOSS) PER SHARE (note 7(c))							
Before extraordinary items	$ 0.30	$ 0.37	$ 1.14	$ 1.17	$ 1.01	$ 1.84	$ 0.42
After extraordinary items	$ 0.30	$ 0.37	$ 1.14	$ 1.17	$ 1.01	$ 1.84	$ (0.54)

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

Lac Minerals Ltd.

Consolidated Statements of Earnings and Retained Earnings (continued)

(In thousands of Canadian dollars)

	Three months ended March 31, 1985	1984	Year ended December 31, 1984	1983	1982	1981	1980
	(Unaudited)						
CONSOLIDATED STATEMENT OF RETAINED EARNINGS							
RETAINED EARNINGS, BEGINNING OF PERIOD	$ 85,158	$ 64,334	$ 64,334	$ 45,220	$ 33,157	$ 5,410	$ 17,252
Earnings (loss) for the period	7,799	9,285	29,307	27,969	21,928	37,427	(11,069)
	92,957	73,619	93,641	73,189	55,085	42,837	6,183
Dividends			8,868	8,148	10,822	10,666	873
Less the Company's pro rata interest in its own dividends paid to Lac Group companies			(1,078)	(1,057)	(1,470)	(1,244)	(100)
			7,790	7,091	9,352	9,422	773
Share issue expenses, net of deferred income taxes of $435,000 (1983 – $1,608,000)			693	1,764			
Reorganization costs, net of income taxes of $484,000 in 1982 and $201,000 in 1981					513	258	
			8,483	8,855	9,865	9,680	773
RETAINED EARNINGS, END OF PERIOD	$ 92,957	$ 73,619	$ 85,158	$ 64,334	$ 45,220	$ 33,157	$ 5,410

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

Lac Minerals Ltd.

Consolidated Statement of Changes in Financial Position

(In thousands of Canadian dollars)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(Unaudited)						
WORKING CAPITAL DERIVED FROM							
Operations							
Earnings before extraordinary items	$ 7,799	$ 9,285	$ 29,307	$ 27,969	$ 21,928	$ 37,427	$ 8,735
Items not affecting working capital							
Depreciation, depletion and amortization	3,987	3,738	20,343	14,434	12,039	8,534	6,563
Amortization of deferred financing costs	17		1,255				
Deferred income and mining taxes	5,475	7,615	17,355	20,627	11,235	6,306	2,977
Dry holes and abandonments written-off	187	261	2,777	3,549	4,898	4,828	2,943
(Gain) loss on sale and write-off of mining and oil and gas interests	1,767	(3)	(179)	236	397	(38)	(438)
Loss on investments	1,416		10	81	1,289		
Write-off of other assets				243			
Gain on sale of investments		(56)			(50)	(8,570)	(723)
Other			19		5	(70)	39
Total from operations	20,648	20,840	70,887	67,139	51,741	48,417	20,096
Proceeds from sale of investments		75	564	91	50	19,248	1,278
Proceeds from sale of mining and oil and gas interests	36	27	1,398	413	1,354	595	1,026
Term bank loans					2,500	2,500	24,058
Issue of 8% debentures			66,070				
Issue of capital stock, net	338	34	34,279	60,991	9,127	1	695
Advances from Lac Group companies					13,500		
Capital leases			510	1,326	2,300		
Reduction in income taxes as a result of the application of losses carried forward							972
Total derived from all sources	21,022	20,976	173,708	129,960	80,572	70,761	48,125
WORKING CAPITAL APPLIED TO							
Mining interests	30,112	9,405	85,069	37,675	38,154	18,474	9,494
Oil and gas interests	871	2,308	6,386	8,577	14,882	14,704	14,792
Other assets	68		235	2,209	243		
Dividend payments to shareholders			8,868	8,148	10,822	10,666	873
Reorganization costs					513	258	
Purchase of shares in Lac Group companies				1,097	3,764	6,505	1,082
Purchase of other investments					177	233	28,143
Payment of term bank loans				2,500		21,667	9,266
Repayment of capital leases	324	208	1,519	1,045	896		
Deferred financing costs			14,929				
Payment of mining tax reassessments for prior years			6,876				
Advances to Lac Group companies						1,794	2,096
Purchase of shares in predecessor companies cancelled						4,680	2,368
Total applications	31,375	11,921	123,882	61,251	69,451	78,981	68,114
INCREASE (DECREASE) IN WORKING CAPITAL	$(10,353)	$ 9,055	$ 49,826	$ 68,709	$ 11,121	$ (8,220)	$(19,989)

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

Lac Minerals Ltd.

Consolidated Statement of Changes in Financial Position (continued)

(In thousands of Canadian dollars)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(Unaudited)						
CHANGES IN WORKING CAPITAL							
Increase (decrease) in current assets							
Cash and short-term investments	$ (9,526)	$ 11,015	$ 74,887	$ 53,582	$ (17,025)	$ 6,590	$ (2,553)
Bullion inventory	(2,002)	(893)	1,005	2,891	1,007	1,400	(923)
Other inventories	12		(651)				
Accounts receivable	(1,599)	(1,875)	2,197	908	206	1,710	457
Due from Lac Group companies	(27)	(142)	(10)	(331)	(762)	(5,652)	5,239
Supplies	284	696	1,263	72	(164)	1,616	1,131
Other	3,151		3,343				
	(9,707)	8,801	82,034	57,122	(16,738)	5,664	3,351
Increase (decrease) in current liabilities							
Bank indebtedness				(1,991)	(960)	(4,935)	5,359
Accounts payable and accrued liabilities	1,706	(906)	16,265	(366)	4,396	(1,847)	3,776
Income and mining taxes payable	(417)	639	900	(8,723)	(28,776)	25,008	10,066
Due to Lac Group companies	(683)		1,676	(829)	(3,032)	(1,009)	3,306
Long-term debt maturing within one year	40	13	585	322	513	(3,333)	833
Deferred revenue on gold purchase warrants			12,782				
	646	(254)	32,208	(11,587)	(27,859)	13,884	23,340
INCREASE (DECREASE) IN WORKING CAPITAL	(10,353)	9,055	49,826	68,709	11,121	(8,220)	(19,989)
WORKING CAPITAL (DEFICIENCY), BEGINNING OF PERIOD	120,144	70,318	70,318	1,609	(9,512)	(1,292)	18,697
WORKING CAPITAL (DEFICIENCY), END OF PERIOD	$109,791	$ 79,373	$120,144	$ 70,318	$ 1,609	$ (9,512)	$ (1,292)

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

Lac Minerals Ltd.

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

(Information as at March 31, 1985 and 1984 and for the three months ended March 31, 1985 and 1984 is unaudited)

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

1. **Significant Accounting Policies**

The Company is incorporated under the Business Corporations Act, 1982 (Ontario). The 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 principal classes of business, namely, mining (chiefly gold) and oil and gas.

(a) *Basis of presentation*

The consolidated financial statements include the accounts of the Company and its subsidiary companies. All intercompany balances and transactions have been eliminated in consolidation.

The Company was formed effective December 31, 1982 as a result of a reorganization of Long Lac Minerals Ltd. (No Personal Liability), Willroy Mines Limited, Les Terrains Aurifères Malartic (Québec) Limitée (Libre de responsabilité personnelle), Les Mines Est-Malartic Ltée. (Libre de responsabilité personnelle), Long Lac Mineral Exploration Limited and certain other companies in the Lac Group.

26,054,198 shares of the Company were issued to the shareholders of the predecessor companies. As part of the reorganization 1,785,981 shares representing intercorporate shareholdings among the predecessor companies were cancelled.

Long Lac Minerals Ltd. (No Personal Liability) was formed effective November 1, 1981 as a result of a reorganization of Silverstack Mines Ltd. (No Personal Liability), Les Mines d'Or Thompson-Bousquet Ltée. (Libre de responsabilité personnelle), Copper Giant Mining Corporation Limited (Non-Personal Liability) and the acquisition of certain assets of Long Lac Mineral Exploration Limited. By transactions effective May 31, 1982 and November 19, 1982 the Company acquired all operating assets of the aforementioned companies.

As there has been no change in the beneficial ownership of the Company, the reorganizations described above have been accounted for as a pooling of interests and accordingly, the consolidated financial statements reflect the combined operations of the predecessor companies as if the reorganizations occurred at the beginning of 1980.

Previously reported retained earnings of the predecessor companies have been adjusted to reflect the effects of the reorganizations.

(b) *Revenue*

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

(c) *Bullion and other inventories*

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

(d) *Supplies*

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

(e) *Investments*

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

All other investments are recorded at cost.

(f) *Mining interests*

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

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

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

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

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

(g) *Oil and gas interests*

Expenditures for petroleum and natural gas plants are capitalized.

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

(h) *Capitalization of interest*

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

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

(i) *Deferred financing costs*

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

(j) *Income and mining taxes*

Income and mining taxes are recorded on the tax allocation basis whereby the amount expensed during the period 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.

(k) *Foreign currency translation*

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

2. Deferred Revenue on Gold Purchase Warrants

During the year ended December 31, 1984, the Company issued 200,000 gold purchase warrants. Each warrant entitles the holder to purchase 0.5 ounces of gold from the Company at a purchase price which is equivalent to U.S. $460 per ounce. Such warrants expire on April 15, 1989.

The value ascribed to the warrants is 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 calendar 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 three months ended March 31, 1985 and the year ended December 31, 1984, the Company was in compliance with this gold production ratio.

3. Investments

	March 31, 1985	December 31, 1984	December 31, 1983
Investments in Lac Group companies accounted for on a cost basis (quoted market value March 31, 1985 – $38,661,000; December 31, 1984 – $36,560,000; December 31, 1983 – $52,353,000)	$14,817	$16,233	$16,233
The Company's pro rata interest in its own dividends paid to Lac Group companies	4,949	4,949	3,871
	19,766	21,182	20,104
Less the Company's pro rata interest in the cost to Lac Group companies of their investments in shares of the Company	3,394	3,394	3,394
	16,372	17,788	16,710
Other investments, accounted for on a cost basis less provision for losses (quoted market value March 31, 1985 – $220,000; December 31,1984 – $203,000; December 31, 1983 – $658,000)	446	446	951
Other	113	113	182
	559	559	1,133
	$16,931	$18,347	$17,843

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

4. Mining and Oil and Gas Interests

	March 31, 1985			December 31, 1984			December 31, 1983		
	Cost	Accumulated depreciation, depletion and amortization	Net	Cost	Accumulated depreciation, depletion and amortization	Net	Cost	Accumulated depreciation, depletion and amortization	Net
MINING INTERESTS									
Plant and equipment	$ 56,851	$28,294	$ 28,557	$ 56,615	$27,317	$ 29,298	$ 50,921	$22,725	$28,196
Equipment under capital leases	3,337	1,577	1,760	3,337	1,410	1,927	3,633	855	2,778
Mining properties	13,716	9,048	4,668	13,481	8,889	4,592	13,525	7,890	5,635
Deferred mine development	44,156	24,092	20,064	45,459	22,719	22,740	44,652	13,740	30,912
	118,060	63,011	55,049	118,892	60,335	58,557	112,731	45,210	67,521
Major development and construction in progress									
Hemlo	102,401		102,401	75,464		75,464	14,018		14,018
Macassa No. 3 shaft	24,439		24,439	21,983		21,983	12,508		12,508
La Mine Doyon underground	8,148		8,148	6,122		6,122			
Lake Shore underground	3,174		3,174	2,627		2,627			
	138,162		138,162	106,196		106,196	26,526		26,526
	$256,222	$63,011	$193,211	$225,088	$60,335	$164,753	$139,257	$45,210	$94,047
OIL AND GAS INTERESTS									
Gas gathering systems and processing plants	$ 4,351	$ 1,331	$ 3,020	$ 4,232	$ 756	$ 3,476	$ 3,833	$ 266	$ 3,567
Petroleum and natural gas leases and rights including development thereon									
Producing	34,053	10,680	23,373	33,081	10,318	22,763	31,518	6,245	25,273
Non-producing	8,723		8,723	9,131		9,131	8,540		8,540
	$ 47,127	$12,011	$ 35,116	$ 46,444	$11,074	$ 35,370	$ 43,891	$ 6,511	$37,380

5. Lines of Credit

The Company has arranged lines of credit amounting to $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

Long-term debt consists of

	March 31, 1985	December 31, 1984	December 31, 1983
Advances from Lac Group companies			
Lake Shore	$ 10,000	$ 10,000	$ 10,000
Wright	3,500	3,500	3,500
	13,500	13,500	13,500
8% Debentures due April 15, 1989 (U.S. $50,000,000)	68,350	66,070	
Obligations under capital leases	1,812	2,096	2,520
	83,662	81,666	16,020
Less amount maturing within one year	1,460	1,420	835
	$ 82,202	$ 80,246	$ 15,185

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

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

	March 31, 1985	December 31, 1984	December 31, 1983
1984			$ 1,110
1985	$ 1,270	$ 1,618	1,345
1986	639	639	530
Total minimum lease payments	1,909	2,257	2,985
Less amount representing interest	97	161	465
	1,812	2,096	2,520
Less amount maturing within one year	1,460	1,420	835
Obligations included with long-term debt	$ 352	$ 676	$ 1,685

Interest expense

Interest and related expenses on long-term debt amounted to $462,000 for the three months ended March 31, 1985 ($415,000 for March 31, 1984) and $5,356,000 for the year ended December 31, 1984 (1983 – $1,972,000; 1982 – $231,000; 1981 – nil; 1980 – $1,372,000). During the three months ended March 31, 1985 $1,312,000 (1984 – nil) and for the year ended December 31, 1984 $1,565,000 was capitalized (1983, 1982, 1981, and 1980 – nil).

7. Capital Stock and Earnings Per Share

(a) *Changes in capital stock*

	Three months ended March 31, 1985		Year ended December 31, 1984		Year ended December 31, 1983	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, beginning of period (note 1(a))	29,612,689	$137,371	28,516,494	$101,964	26,054,198	$ 39,209
Public sale of shares			1,000,000	34,500	2,000,000	54,500
Exercise of stock options	10,700	32	96,700	908	171,900	562
Cancellation due to a prior year amalgamation			(505)	(1)	(1,579)	(67)
Issued to an employee (note 12 (g))	10,000	306				
Issued to acquire royalty interest in the Hemlo Project					256,610	6,673
Issued for shares of Little Long Lac					35,365	1,087
Balance, end of period	29,633,389	$137,709	29,612,689	$137,371	28,516,494	$101,964

(b) *Stock option plan*

Under the Company's Stock Option Plan 700,000 (1983 – 500,000) unissued shares were reserved for issuance to employees. No options were granted in 1984. Options for 9,000 shares at $21.35 per share and options for 28,000 shares at $28.71 per share were granted in 1983. During the year ended December 31, 1984, options for 96,700 shares were exercised (1983 – 171,900) for which the Company received $908,000 (1983 – $562,000). Options for 6,000 shares expired. As at December 31, 1984, options for 115,500 shares (1983 – 218,200 shares) were outstanding and options for 201,000 (1983 – 1,000) shares were available for future grants. On January 16, 1985 options for 91,000 shares were granted at $24.80 per share. During the three months ended March 31, 1985 options for 10,700 shares were exercised for which the Company received $32,000.

As at March 31, 1985 options for 195,800 shares were outstanding and options for 110,000 shares were available for future grants.

(c) *Earnings per share*

Earnings per share are based on the weighted average number of shares outstanding during the year excluding the Company's pro rata interest in its own shares held by Lac Group companies (March 31, 1985 – 26,044,848 shares; March 31, 1984 – 24,918,155 shares; December 31, 1984 – 25,702,141 shares; December 31, 1983 – 23,918,270 shares; December 31, 1982 – 21,733,919 shares; December 31, 1981 – 20,303,695 shares; December 31, 1980 – 20,618,357 shares).

8. Income and Mining Taxes

The provisions for income and mining taxes are

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Current taxes							
Federal and provincial income....			$ 1,595	$ 9,200	$ 5,920	$27,442	$ 6,525
Provincial mining	$ 625	$1,363	3,500	3,100	4,140	14,000	9,131
	625	1,363	5,095	12,300	10,060	41,442	15,656
Deferred taxes							
Federal and provincial income....	4,900	5,301	14,405	10,900	8,975	5,696	2,067
Provincial mining	575	934	2,950	3,000	2,260	610	910
	5,475	6,235	17,355	13,900	11,235	6,306	2,977
Total	$6,100	$7,598	$22,450	$26,200	$21,295	$47,748	$18,633

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:

	Year ended December 31,				
	1984	1983	1982	1981	1980
Depreciation, depletion and amortization	$ 2,819	$ 1,185	$ 3,003	$ (1,889)	$ (55)
Deferred development expenditures	4,401	5,651	4,298	3,656	139
Exploration expenditures	10,202	6,891	2,816	4,281	3,091
Other	(67)	173	1,118	258	(198)
Total	$17,355	$13,900	$11,235	$ 6,306	$ 2,977

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:

	Year ended December 31,				
	1984	1983	1982	1981	1980
	(Percentage of pretax earnings)				
Combined Canadian federal and provincial statutory income tax rate	48.0	45.5	46.1	49.2	49.3
Deduct resource and depletion allowances	23.2	17.4	23.0	14.9	13.7
Adjusted income tax rate	24.8	28.1	23.1	34.3	35.6
Add mining tax rate	15.2	16.0	24.2	24.2	8.3
Applicable statutory income and mining tax rate	40.0	44.1	47.3	58.5	43.9
Adjust for permanent differences					
Disallowed expenses	2.4	2.2	4.1		0.4
(Non-taxable) Imputed income for mining tax purposes	(4.3)	(3.0)	(9.3)	(4.5)	21.4
Losses of subsidiaries not tax effected	4.7	1.9	4.2	1.5	0.4
Other	.6	3.2	3.0	.6	2.0
Effective income and mining tax rate	43.4	48.4	49.3	56.1	68.1

The sources and the tax effect of material timing differences, resource and depletion allowances, and permanent differences for the three months ended March 31, 1985 and March 31, 1984 are not significantly different from those for the year ended December 31, 1984.

9. Extraordinary Items

	Year ended December 31, 1980
Write down of investment in New Cinch Uranium Ltd., net of deferred taxes of $604,000	$(20,776)
Reduction in current income taxes as a result of the application of losses carried forward	972
	$(19,804)

10. Joint Venture Agreement

The Company is in a joint venture with SOQUEM (Société Québecoise d'Exploration Minière) to operate La Mine Doyon (Doyon) which commenced commercial operations in March 1980. 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

	March 31, 1985	December 31, 1984	December 31, 1983
Assets	$38,059	$38,247	$37,541
Liabilities	3,054	3,601	4,855
Equity and advances	$35,005	$34,646	$32,686

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Revenues	$10,833	$11,685	$48,852	$44,250	$42,632	$40,200	$12,205
Expenses	7,294	6,045	26,996	22,855	16,323	9,661	3,707
Earnings before income and mining taxes	$ 3,539	$ 5,640	$21,856	$21,395	$26,309	$30,539	$ 8,498

11. Segmented Data

	Year ended December 31,							
	1984				1983			
	Mining	Oil and gas	Other	Total	Mining	Oil and gas	Other	Total
Revenues								
Canada	$153,090	$ 3,845	$ 9,768	$166,703	$142,199	$ 3,204	$ 8,460	$153,863
U.S.A.		2,970		2,970		3,369		3,369
	153,090	6,815	9,768	169,673	142,199	6,573	8,460	157,232
Operating and administrative expenses	83,533	3,532	6,976	94,041	71,916	2,497	4,557	78,970
Depreciation, depletion and amortization	13,975	5,367	1,001	20,343	10,832	2,697	905	14,434
Mineral exploration and oil and gas dry holes and abandonments	10,574	2,777		13,351	7,824	3,549		11,373
	108,082	11,676	7,977	127,735	90,572	8,743	5,462	104,777
Earnings (loss) from operations								
Canada	49,426	(3,656)	1,791	47,561	52,757	(272)	2,998	55,483
U.S.A.	(4,418)	(1,205)		(5,623)	(1,130)	(1,898)		(3,028)
	$ 45,008	$ (4,861)	$ 1,791	$ 41,938	$ 51,627	$ (2,170)	$ 2,998	$ 52,455
Identifiable assets								
Canada	$334,496	$ 29,712	$ 7,410	$371,618	$169,860	$ 29,794	$ 6,883	$206,537
U.S.A.	966	6,820		7,786	160	9,667		9,827
	$335,462	$ 36,532	$ 7,410	379,404	$170,020	$ 39,461	$ 6,883	216,364
Corporate assets				18,347				17,843
				$397,751				$234,207
Capital expenditures	$ 85,007	$ 6,386	$ 62	$ 91,455	$ 37,452	$ 8,577	$ 223	$ 46,252

	Year ended December 31,							
	1982				1981			
	Mining	Oil and gas	Other	Total	Mining	Oil and gas	Other	Total
Revenues								
Canada	$116,903	$ 2,656	$ 8,266	$127,825	$133,637	$ 1,214	$ 3,681	$138,532
U.S.A.		2,573		2,573		552		552
	116,903	5,229	8,266	130,398	133,637	1,766	3,681	139,084
Operating and administrative expenses	55,415	2,246	5,001	62,662	43,625	1,637	2,993	48,255
Depreciation, depletion and amortization	8,064	3,237	738	12,039	7,478	643	413	8,534
Mineral exploration and oil and gas dry holes and abandonments	5,253	4,898		10,151	3,081	5,336		8,417
	68,732	10,381	5,739	84,852	54,184	7,616	3,406	65,206
Earnings (loss) from operations								
Canada	48,931	(2,159)	2,527	49,299	79,581	(3,261)	275	76,595
U.S.A.	(760)	(2,993)		(3,753)	(128)	(2,589)		(2,717)
	$ 48,171	$ (5,152)	$ 2,527	$ 45,546	$ 79,453	$ (5,850)	$ 275	$ 73,878
Identifiable assets								
Canada	$ 89,966	$ 23,348	$ 2,596	$115,910	$ 77,101	$ 18,456	$ 3,232	$ 98,789
U.S.A.	80	13,666		13,746		13,019		13,019
Corporate assets	$ 90,046	$ 37,014	$ 2,596	129,656	$ 77,101	$ 31,475	$ 3,232	111,808
				17,031				13,997
				$146,687				$125,805
Capital expenditures	$ 37,784	$ 14,882	$ 390	$ 53,056	$ 18,184	$ 14,704	$ 290	$ 33,178

	Year ended December 31, 1980			
	Mining	Oil and gas	Other	Total
Revenues				
Canada	$69,332	$ 475	$ 3,223	$ 73,030
U.S.A.		397		397
	69,332	872	3,223	73,427
Operating and administrative expenses	34,412	1,160	1,915	37,487
Depreciation, depletion and amortization	5,769	338	456	6,563
Mineral exploration and oil and gas dry holes and abandonments	1,267	3,085		4,352
	41,448	4,583	2,371	48,402
Earnings (loss) from operations				
Canada	27,884	(3,109)	852	25,627
U.S.A.		(602)		(602)
	$27,884	$(3,711)	$ 852	$ 25,025
Identifiable assets				
Canada	$70,501	$11,834	$ 2,627	$ 84,962
U.S.A.		7,982		7,982
	$70,501	$19,816	$ 2,627	92,944
Corporate assets				16,693
				$109,637
Capital expenditures	$ 9,308	$14,792	$ 186	$ 24,286

12. Related Party Transactions

(a) From time to time advances are made between the Company and certain Lac Group companies. Interest on such advances is calculated at bank prime rate. Interest expense for amounts borrowed is $376,000 for the three months ended March 31, 1985 (1984 – $373,000) and $1,638,000 for the year ended December 31, 1984 (1983 – $1,537,000; 1982 – $1,818,000; 1981 – $51,000; 1980 – $129,000). Included in interest income for the year ended December 31, 1982 is $446,000 (1981 – $828,000; 1980 – nil) for amounts lent.

(b) During the three months ended March 31, 1985 and 1984 the Company paid $22,500 respectively and during the year ended December 31, 1984 the Company paid $303,000 (1983 – $1,032,000) for salaries and expenses and consulting services, pursuant to oil and gas joint venture agreements, to companies in which a director and a former director of the Company are officers. In 1982 $306,000 (1981 – $210,000; 1980 – $127,000) was paid for salaries and expenses, pursuant to an oil and gas joint venture agreement, to a company in which a director of the Company was an officer.

(c) Lake Shore has granted to the Company the right to mine the crown pillar above 300 feet and the ore below 300 feet of the former Lake Shore mine at Kirkland Lake, Ontario and to treat ore from the pillar, subject to a royalty interest payable to Lake Shore of 50% of the net profits from the operations after the pro rata recovery by Lake Shore and the Company of their costs with respect to the development of ore above 300 feet and below 300 feet. During the year ended December 31, 1984, $3,085,000 of royalties were paid (1983 – $52,000; 1982, 1981 and 1980 – nil). During the three months ended March 31, 1985, $872,000 (1984 – $17,000) was paid.

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

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

(f) In 1983, the Company issued 51,322 of its shares to an employee to acquire a 0.25% interest in the net proceeds from the Hemlo Project and another 205,288 of its shares to Little Long Lac to acquire another 1% interest in the same property. Both interests had been granted to employees under the Company's Geologists' Royalty Plan, one royalty interest having been transferred by the recipient to Little Long Lac for shares in that company. A further 30,000 shares in Little Long Lac were acquired from companies related to a Director of the Company in exchange for 35,365 shares of the Company.

(g) Subsequent to December 31, 1984 the Company issued 10,000 shares to an employee in recognition of the outstanding geological work performed by him (note 7(a)).

13. Commitments and Contingencies

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

(b) From time to time the Company sells gold for future delivery at set dates and prices. These transactions are not reflected in the accounts until the deliveries are made. At December 31, 1984 the Company agreed to sell 207,960 ounces of gold at prices averaging U.S. $366 per ounce. At May 14, 1985 the amount sold was 325,000 ounces of gold at prices averaging U.S. $348.50 per ounce.

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

14. Subsequent Event

Subsequent to December 31, 1984, the Company has announced that it is considering an amalgamation with Little Long Lac, Lake Shore and Wright (the "Amalgamating Corporations") to form LAC Minerals Ltd. ("LAC"). Pursuant to the terms of the amalgamation agreement all the issued and outstanding shares of each of the Amalgamating Corporations which are held by any of the other Amalgamating Corporations will be cancelled without any repayment of capital in respect thereof and the remaining shareholders of each of the Amalgamating Corporations will receive common shares of LAC on the following basis:

For each share of	Number of LAC common shares
Lac Minerals Ltd.	1
Little Long Lac	2.377
Lake Shore	2.871
Wright	0.498

This amalgamation will be accounted for as a pooling of interests.

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 (SEC). The effect on the consolidated financial statements of such differences is outlined below:

(a) In 1981 and 1982 reorganization costs, net of income taxes, were written-off to retained earnings. Under United States accounting practices such costs would be charged to earnings. Accordingly earnings would have been reduced by $513,000 ($.02 per share) in 1982 and $258,000 ($.01 per share) in 1981.

(b) Foreign currency exchange losses from translation of long-term debt have been capitalized as construction in progress Hemlo. United States accounting principles required that such amounts be charged to earnings. Earnings for the year ended December 31, 1984 would be reduced by $547,000 ($.02 per share) and $2,402,000 ($.09 per share) for the three months ended March 31, 1985.

(c) Debenture discount net of accumulated amortization amounting to $10,971,000 as at December 31, 1984 ($10,332,000 as at March 31, 1985) has been accounted for as deferred financing costs. Under United States accounting principles such amounts would be reported in the consolidated statement of financial position as a direct deduction from long-term debt.

(d) In 1984 and 1983 share issue expenses, net of deferred income taxes, were written-off to retained earnings. Under United States accounting practices such costs would be reported in the consolidated statement of financial position as a reduction of capital stock.

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

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Earnings (loss), as reported	$ 7,799	$ 9,285	$29,307	$27,969	$21,928	$37,427	$(11,069)
Adjustment for reorganization costs					(513)	(258)	
Foreign currency exchange losses	(2,402)		(547)				
Earnings (loss) in accordance with generally accepted accounting principles in the United States	$ 5,397	$ 9,285	$28,760	$27,969	$21,415	$37,169	$(11,069)
Earnings (loss) per share in accordance with generally accepted accounting principles in the United States							
Before extraordinary items	$ 0.21	$ 0.37	$ 1.12	$ 1.17	$ 0.99	$ 1.83	$ 0.42
After extraordinary items	$ 0.21	$ 0.37	$ 1.12	$ 1.17	$ 0.99	$ 1.83	$ (0.54)

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

	March 31,		December 31,				
	1985	1984	1984	1983	1982	1981	1980
Retained earnings in accordance with Canadian accounting principles	$92,957	$73,619	$85,158	$64,334	$45,220	$33,157	$ 5,410
Foreign currency exchange losses	(2,949)		(547)				
Share issue expenses	2,457	1,764	2,457	1,764			
Retained earnings in accordance with United States accounting principles	$92,465	$75,383	$87,068	$66,098	$45,220	$33,157	$ 5,410

The cumulative effect on capital stock would be as follows:

	March 31	December 31,	
	1985	1984	1983
Capital stock in accordance with Canadian accounting principles	$137,709	$137,371	$101,964
Share issue expenses	(2,457)	(2,457)	(1,764)
Capital stock in accordance with United States accounting principles	$135,252	$134,914	$100,200

16. Unaudited Interim Financial Information

The financial information as at March 31, 1985 and for the three months ended March 31, 1985 and 1984 included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary to a fair presentation of the results for the interim periods.

Supplemental Information (Unaudited)

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

Selected Quarterly Data

	Revenues	Earnings from operations	Earnings	Earnings per share
1985				
First Quarter	$ 39,982	$ 8,009	$ 7,799	$ 0.30
1984				
First Quarter	$ 41,570	$ 14,506	$ 9,285	$ 0.37
Second Quarter	43,269	13,000	6,679	0.27
Third Quarter	41,611	9,688	8,272	0.31
Fourth Quarter	43,223	4,744	5,071	0.19
	$169,673	$ 41,938	$ 29,307	$ 1.14
1983				
First Quarter	$ 35,352	$ 13,226	$ 6,298	$ 0.28
Second Quarter	40,167	12,276	5,113	0.22
Third Quarter	39,391	12,735	6,536	0.26
Fourth Quarter	42,322	14,218	10,022	0.41
	$157,232	$ 52,455	$ 27,969	$ 1.17

Lac Minerals Ltd.

Supplemental Information

(Unaudited)

(tabular dollar amounts in thousands of Canadian dollars)

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, 1984, 1983, 1982, 1981 and 1980.

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

	Canada	United States	Total
Proved Reserves, December 31, 1979	57.7	56.8	114.5
Revisions of previous estimates	6.3	6.0	12.3
Extensions and discoveries	14.7	14.1	28.8
Production	(6.3)	(6.0)	(12.3)
Proved Reserves, December 31, 1980	72.4	70.9	143.3
Revisions of previous estimates	(4.1)	17.4	13.3
Extensions and discoveries	19.8	38.0	57.8
Production	(9.6)	(20.0)	(29.6)
Proved Reserves, December 31, 1981	78.5	106.3	184.8
Revisions of previous estimates	17.2	6.8	24.0
Extensions and discoveries	1,467.4	70.9	1,538.3
Production	(16.8)	(27.8)	(44.6)
Proved Reserves, December 31, 1982	1,546.3	156.2	1,702.5
Revisions of previous estimates	(54.7)	(0.8)	(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
Proved Developed Reserves			
December 31, 1980	64.0	71.0	135.0
December 31, 1981	70.0	106.0	176.0
December 31, 1982	877.0	156.2	1,033.2
December 31, 1983	1,128.0	125.2	1,253.2
December 31, 1984	298.0	89.8	387.8

(b) Natural Gas (billions of cubic feet)

	Canada	United States	Total
Proved Reserves, December 31, 1979	5.0	1.0	6.0
Revisions of previous estimates	.1	.1	.2
Extensions and discoveries	1.8	1.3	3.1
Production	(.1)	(.1)	(.2)
Proved Reserves, December 31, 1980	6.8	2.3	9.1
Revisions of previous estimates	(.3)	.2	(.1)
Extensions and discoveries	.9	1.1	2.0
Production	(.2)	(.2)	(.4)
Proved Reserves, December 31, 1981	7.2	3.4	10.6
Revisions of previous estimates	1.0	(1.0)	
Extensions and discoveries	23.7	2.1	25.8
Production	(.8)	(.5)	(1.3)
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
Proved Developed Reserves:			
December 31, 1980	4.0	2.3	6.3
December 31, 1981	4.6	3.4	8.0
December 31, 1982	16.1	4.0	20.1
December 31, 1983	23.7	3.7	27.4
December 31, 1984	6.6	3.0	9.6

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
1984			
Property acquisition	$ 1,049	$ 92	$ 1,141
Exploration	2,316	390	2,706
Development	1,837	702	2,539
	$ 5,202	$ 1,184	$ 6,386
1983			
Property acquisition	$ 678		$ 678
Exploration	189	$ 165	354
Development	7,012	533	7,545
	$ 7,879	$ 698	$ 8,577
1982			
Property acquisition	$ 1,569	$ 734	$ 2,303
Exploration	5,710	2,205	7,915
Development	1,714	2,950	4,664
	$ 8,993	$ 5,889	$ 14,882
1981			
Property acquisition	$ 2,034	$ 1,251	$ 3,285
Exploration	5,196	4,805	10,001
Development	300	1,118	1,418
	$ 7,530	$ 7,174	$ 14,704
1980			
Property acquisition	$ 4,518		$ 4,518
Exploration	2,546	$ 3,280	5,826
Development	2,926	1,522	4,448
	$ 9,990	$ 4,802	$ 14,792

Results of Operations for Oil and Gas Producing Activities

	Canada	United States	Total
1984			
Oil and gas sales	$ 3,845	$ 2,970	$ 6,815
Production costs	2,638	894	3,532
Depletion, depreciation and amortization	2,710	2,657	5,367
Dry holes and abandonments	2,153	624	2,777
Loss from operations	(3,656)	(1,205)	(4,861)
Income taxes recovered	1,230		1,230
Results of operations from producing activities	$ (2,426)	$ (1,205)	$ (3,631)
1983			
Oil and gas sales	$ 3,204	$ 3,369	$ 6,573
Production costs	1,667	830	2,497
Depletion, depreciation and amortization	929	1,768	2,697
Dry holes and abandonments	880	2,669	3,549
Loss from operations	(272)	(1,898)	(2,170)
Income taxes recovered	100		100
Results of operations from producing activities	$ (172)	$ (1,898)	$ (2,070)
1982			
Oil and gas sales	$ 2,656	$ 2,573	$ 5,229
Production costs	1,531	715	2,246
Depletion, depreciation and amortization	1,188	2,049	3,237
Dry holes and abandonments	2,096	2,802	4,898
Loss from operations	(2,159)	(2,993)	(5,152)
Income taxes recovered	715		715
Results of operations from producing activities	$ (1,444)	$ (2,993)	$ (4,437)
1981			
Oil and gas sales	$ 1,214	$ 552	$ 1,766
Production costs	1,098	539	1,637
Depletion, depreciation and amortization	561	82	643
Dry holes and abandonments	2,816	2,520	5,336
Loss from operations	(3,261)	(2,589)	(5,850)
Income taxes recovered	1,139		1,139
Results of operations from producing activities	$ (2,122)	$ (2,589)	$ (4,711)
1980			
Oil and gas sales	$ 475	$ 397	$ 872
Production costs	970	190	1,160
Depletion, depreciation and amortization	273	65	338
Dry holes and abandonments	2,341	744	3,085
Loss from operations	(3,109)	(602)	(3,711)
Income taxes recovered	994		994
Results of operations from producing activities	$ (2,115)	$ (602)	$ (2,717)

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

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.

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

	Canada	United States	Total
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
1982			
Future cash flows	$191,518	$ 21,533	$213,051
Future production and development costs	53,332	3,273	56,605
Future income tax expense	43,367	3,946	47,313
	94,819	14,314	109,133
10% annual discount for timing of cash flows	48,358	4,437	52,795
Standardized measure of discounted future net cash flows	$ 46,461	$ 9,877	$ 56,338
1981			
Future cash flows	$ 19,636	$ 12,502	$ 32,138
Future production and development costs	6,686	962	7,648
Future income tax expense	2,118	3,610	5,728
	10,832	7,930	18,762
10% annual discount for timing of cash flows	4,701	2,664	7,365
Standardized measure of discounted future net cash flows	$ 6,131	$ 5,266	$ 11,397
1980			
Future cash flows	$ 11,420	$ 8,562	$ 19,982
Future production and development costs	3,610	1,182	4,792
Future income tax expense		3,255	3,255
	7,810	4,125	11,935
10% annual discount for timing of cash flows	3,468	1,444	4,912
Standardized measure of discounted future net cash flows	$ 4,342	$ 2,681	$ 7,023

(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:

	Year ended December 31,				
	1984	**1983**	**1982**	**1981**	**1980**
Sales of oil and gas net of production costs	$ (3,283)	$ (4,076)	$ (2,983)	$ (129)	$ 288
Net changes in prices and future production and development costs	479	(16,466)	9,747	3,387	716
Extensions and discoveries	1,160	11,640	57,548	1,993	1,987
Sale of reserves	(741)				
Revisions of previous estimates	(42,293)	(2,079)	255	(26)	250
Accretion of discount	795	5,634	1,140	702	416
Net change in income taxes	20,716	(752)	(20,766)	(1,553)	(796)
Increase (decrease) during the year	(23,167)	(6,099)	44,941	4,374	2,861
Balance at beginning of year	50,239	56,338	11,397	7,023	4,162
Balance at end of year	$ 27,072	$ 50,239	$ 56,338	$ 11,397	$ 7,023

During 1982 reserves increased substantially based upon development drilling in the Westward Ho Field in Alberta and Fields in Texas.

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.

Report of Independent Chartered Accountants

To the Directors of
LITTLE LONG LAC GOLD MINES LIMITED

We have examined the statement of financial position of Little Long Lac Gold Mines Limited as at December 31, 1984 and 1983 and the statements of earnings, retained earnings and changes in financial position for each of the years in the five year period ended December 31, 1984. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the years in the five year period ended December 31, 1984 in accordance with accounting principles generally accepted in Canada applied on a consistent basis. Canadian generally accepted accounting principles differ in some respects from United States generally accepted accounting principles, see note 10.

Toronto, Canada
January 31, 1985
(June 21, 1985 as to note 9)

THORNE RIDDELL
Chartered Accountants

Little Long Lac Gold Mines Limited

Statement of Financial Position
(In thousands of Canadian dollars)

	March 31, 1985 (Unaudited)	December 31, 1984	December 31, 1983
CURRENT ASSETS			
Cash and short-term investments	$ 1,457	$ 1,450	$ 374
Accounts receivable	11		
Due from Lac Group companies			20
	1,468	1,450	394
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	28	24	35
WORKING CAPITAL	1,440	1,426	359
INVESTMENTS (note 3)	75,196	73,066	55,776
MINING INTERESTS (note 4)	1	8	8
OTHER ASSETS	1	8	8
SHAREHOLDERS' INVESTMENT	$76,638	$74,508	$56,151
SHAREHOLDERS' INVESTMENT REPRESENTED BY			
CAPITAL STOCK (note 6)			
Authorized – 5,000,000 shares			
Issued – 4,096,668 shares (1983 – 4,068,668 shares)	$15,468	$15,468	$15,265
CONTRIBUTED SURPLUS	12	12	12
RETAINED EARNINGS	68,661	66,531	47,951
	84,141	82,011	63,228
Deduct the Company's pro rata interest in the cost to Lac Group companies of their investments in shares of the Company	7,503	7,503	7,077
	$76,638	$74,508	$56,151

Approved by the Board

(Signed) P. A. ALLEN, Director

(Signed) D. G. SHEEHAN, Director

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

Little Long Lac Gold Mines Limited

Statement of Earnings

(In thousands of Canadian dollars except per share amounts)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(Unaudited)						
Revenues							
Equity in earnings of Lac Group companies	$ 2,530	$ 2,944	$ 10,344	$ 8,827	$ 7,694	$ 14,583	$ 2,291
Investment and other income	41	15	89	81	23	14	23
Royalty income			57	53	49	47	47
Gain (loss) on sale of investments and mining interests				13	(1)	727	11
	2,571	2,959	10,490	8,974	7,765	15,371	2,372
Expenses							
Administrative	27	24	83	78	166	120	108
Interest				107	347	70	204
Mineral exploration			14	21	22	10	38
Write-off of investments, mining interests and other assets	414			574			
Depreciation					6	6	6
	441	24	97	780	541	206	356
Earnings before income taxes and extraordinary items	2,130	2,935	10,393	8,194	7,224	15,165	2,016
Income taxes						112	
Earnings before extraordinary items	2,130	2,935	10,393	8,194	7,224	15,053	2,016
Gain arising from issue of shares by Lac Minerals Ltd. (note 2)			2,749	4,514			
Equity in extraordinary items of Lake Shore Mines, Limited			5,776	11,619			(4,235)
Reduction in income taxes as a result of the application of losses carried forward						112	
EARNINGS (LOSS) FOR THE PERIOD	$ 2,130	$ 2,935	$ 18,918	$ 24,327	$ 7,224	$ 15,165	$ (2,219)
EARNINGS (LOSS) PER SHARE (note 6(c))							
Before extraordinary items	$0.63	$0.87	$3.08	$2.55	$2.29	$4.78	$ 0.62
After extraordinary items	$0.63	$0.87	$5.62	$7.56	$2.29	$4.82	$(0.69)

Statement of Retained Earnings

(In thousands of Canadian dollars)

	1985	1984	1984	1983	1982	1981	1980
RETAINED EARNINGS, BEGINNING OF PERIOD	$ 66,531	$ 47,951	$ 47,951	$ 23,624	$ 16,400	$ 1,235	$ 3,454
Earnings (loss) for the period	2,130	2,935	18,918	24,327	7,224	15,165	(2,219)
	68,661	50,886	66,869	47,951	23,624	16,400	1,235
Dividends			410				
Less the Company's pro rata interest in its own dividends paid to Lac Group companies			(72)				
RETAINED EARNINGS, END OF PERIOD	$ 68,661	$ 50,886	$ 66,531	$ 47,951	$ 23,624	$ 16,400	$ 1,235

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

Little Long Lac Gold Mines Limited

Statement of Changes in Financial Position

(In thousands of Canadian dollars)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(Unaudited)						
WORKING CAPITAL DERIVED FROM							
Operations							
Earnings before extraordinary items	$ 2,130	$ 2,935	$10,393	$ 8,194	$ 7,224	$15,053	$ 2,016
Items not affecting working capital							
Equity in earnings of Lac Group companies	(2,530)	(2,944)	(10,344)	(8,827)	(7,694)	(14,583)	(2,291)
Depreciation					6	6	6
Loss (gain) on sale of investments and mining interests				(13)	1	(727)	(11)
Write-off of investments, mining interests and other assets	414			574			
Other							(27)
	14	(9)	49	(72)	(463)	(251)	(307)
Dividends from Lac Group companies			1,261	849	618		
Proceeds from sale of investments and mining interests				115	4	1,120	40
Advances from Lac Group companies				263	1,000	682	304
Issue of capital stock		18	203	5,486	3,694		
Reduction in income taxes as a result of the application of losses carried forward						112	
Total derived from all sources	14	9	1,513	6,641	4,853	1,663	37
WORKING CAPITAL APPLIED TO							
Purchase of investments in Lac Group companies			1	5,688	3,760		
Dividends payments to shareholders			410				
Advances to a Lac Group company			35	1,223			
Purchase of other investments						6	373
Mining interests					182	450	24
Total applications			446	6,911	3,942	456	397
INCREASE (DECREASE) IN WORKING CAPITAL	$ 14	$ 9	$ 1,067	$ (270)	$ 911	$ 1,207	$ (360)
CHANGES IN WORKING CAPITAL							
Increase (decrease) in current assets							
Cash and short-term investments	$ 7	$ 28	$ 1,076	$ 24	$ 222	$ 128	$ 6
Accounts receivable	11	2		(11)	9	(6)	78
Due from Lac Group companies		(20)	(20)	(414)	29	168	
Prepaid expenses						(15)	15
	18	10	1,056	(401)	260	275	99
Increase (decrease) in current liabilities							
Bank indebtedness						(1,662)	419
Accounts payable and accrued liabilities	4	1	(11)	(31)	(134)	116	37
Due to Lac Group companies				(100)	(517)	614	3
	4	1	(11)	(131)	(651)	(932)	459
INCREASE (DECREASE) IN WORKING CAPITAL	14	9	1,067	(270)	911	1,207	(360)
WORKING CAPITAL (DEFICIENCY), BEGINNING OF PERIOD	1,426	359	359	629	(282)	(1,489)	(1,129)
WORKING CAPITAL (DEFICIENCY), END OF PERIOD	$ 1,440	$ 368	$ 1,426	$ 359	$ 629	$ (282)	$ (1,489)

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

Little Long Lac Gold Mines Limited

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars)
(Information as at March 31, 1985 and for the three months ended March 31, 1985 and 1984 is unaudited)

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

1. Significant Accounting Policies

The Company is incorporated under the Business Corporations Act, 1982 (Ontario). The financial statements are presented in accordance with accounting principles generally accepted in Canada and comply with United States disclosure requirements in all material respects.

(a) *Investments*

The Company accounts on an equity basis for its investments in Lake Shore, 46% directly owned (1983 and 1982 - 46%; 1981 and 1980 - 45%), and Lac Minerals, 10% directly owned (1983 and prior - 11%) over which it has significant influence. Because Lake Shore consolidates Lac Minerals, the Company has an additional 18% indirect interest in Lac Minerals.

Lac Minerals was formed effective December 31, 1982, as a result of a reorganization of Long Lac Minerals Ltd. (No Personal Liability), Willroy Mines Limited, Les Terrains Aurifères Malartic (Québec) Limitée (Libre de responsabilité personnelle), Les Mines Est-Malartic Ltée. (Libre de responsabilité personnelle), Long Lac Mineral Exploration Limited and certain other companies in the Lac Group.

Long Lac Minerals Ltd. (No Personal Liability) was formed effective November 1, 1981 as a result of a reorganization of Silverstack Mines Ltd. (No Personal Liability), Les Mines d'Or Thompson-Bousquet Ltée. (Libre de responsabilité personnelle), Copper Giant Mining Corporation Limited (Non-Personal Liability) and the acquisition of certain assets of Long Lac Mineral Exploration Limited. By transactions effective May 31, 1982 and November 19, 1982 Lac Minerals acquired all operating assets of the aforementioned companies.

Lake Shore owns 12% (1983 - 11%; 1982, 1981 and 1980 - 6%) and Lac Minerals owns 22% (1983 and 1982 - 22%; 1981 - 18%; 1980 - 14%) of the shares of the Company. These reciprocal shareholdings result in the Company having an interest in its own shares. Therefore, the investments in Lac Group companies and shareholders' investment are reduced by the Company's 18% (1983 and 1982 - 18%; 1981 - 14%; 1980 - 12%) pro rata interest in the cost of such shares.

Investments in other Lac Group companies where the Company does not have significant influence are recorded at cost.

All other investments are recorded at cost.

(b) *Mining properties*

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings; further costs are capitalized.

2. Extraordinary Items

During 1984 Lac Minerals issued 1,096,195 shares (1983 - 2,462,296 shares) for net proceeds of $34,279,000 (1983 - $60,991,000). The Company did not purchase any of these shares and accordingly its percentage ownership of Lac Minerals was diluted; however, the Company's equity interest in Lac Minerals' increased shareholders' investment, after including the proceeds from the share issues, resulted in an extraordinary gain.

3. Investments

	March 31, 1985	December 31, 1984	December 31, 1983
Investments in Lac Group companies accounted for on an equity basis			
Lake Shore (quoted market value March 31, 1985 $110,699,000; December 31, 1984 - $77,110,000; December 31, 1983 - $107,486,000)			
Shares	$ 6,316	$ 6,316	$ 6,316
Equity in undistributed earnings			
Balance, beginning of period	47,435	34,723	16,790
Equity in earnings for the period	1,731	7,287	6,314
Dividends		(351)	
Gain arising on issue of shares by Lac Minerals Ltd. (Note 2)		5,776	11,619
Balance, end of period	49,166	47,435	34,723
	55,482	53,751	41,039
Lac Minerals (quoted market value March 31, 1985 - $97,877,000; December 31, 1984 - $79,288,000; December 31, 1983 - $98,635,000)			
Shares	9,546	9,546	9,546
Equity in undistributed earnings			
Balance, beginning of period	15,995	11,099	4,921
Equity in earnings for the period	799	3,057	2,513
Dividends		(910)	(849)
Gain arising on issue of shares by Lac Minerals Ltd. (Note 2)		2,749	4,514
Balance, end of period	16,794	15,995	11,099
	26,340	25,541	20,645
	81,822	79,292	61,684
The Company's pro rata interest in its own dividends paid to Lac Group companies	72	72	
	81,894	79,364	61,684
Less the Company's interest in the cost to Lac Group companies of their investments in shares of the Company	7,503	7,503	7,077
	74,391	71,861	54,607
Investments in Lac Group companies accounted for on a cost basis	743	1,034	1,033
Advances to a Lac Group company	35	35	
Other investments	27	136	136
	$75,196	$73,066	$55,776

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

Reference is made to the consolidated financial statements for Lake Shore and Lac Minerals included herein.

4. Mining Interests

Options to lease mining properties

(a) The Company has granted a ninety-nine year lease on its property at Geraldton, Ontario. If the property comes into production, additional future royalty payments will be received as set out in the agreement.

(b) On September 1, 1978 the Company granted to another company a ten-year option on its property in Preissac Township, Québec for $10,000. In addition, the property may be placed into commercial production by the optionee prior to expiry of the option by payment of $15,000 and the granting of a royalty to the Company.

5. Lines of Credit

The Company has arranged lines of credit amounting to $3,000,000. No commitment fees are payable. These lines of credit are unused.

6. Capital Stock and Earnings Per Share

(a) Changes in the Company's capital stock are as follows:

	Three months ended March 31, 1985		Year ended December 31, 1984		1983		1982		1981		1980	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance at beginning of period	4,096,668	$15,468	4,068,668	$15,265	3,873,168	$ 9,779	3,660,168	$ 6,085	3,660,168	$ 6,085	3,660,168	$ 6,085
Issued to Lac Minerals for cash							200,000	3,600				
Issued for a mining interest					175,000	5,337						
Exercise of stock options			28,000	203	20,500	149	13,000	94				
Balance at end of period	4,096,668	$15,468	4,096,668	$15,468	4,068,668	$15,265	3,873,168	$ 9,779	3,660,168	$ 6,085	3,660,168	$ 6,085

(b) Under the Company's Stock Option Plan 100,000 unissued shares were reserved for issuance to employees. As at March 31, 1985 and December 31, 1984 options for 33,000 shares (1983-61,000 shares) were outstanding, and 1,000 shares were available for future grants. During the year ended December 31, 1983 options with respect to 4,500 shares were cancelled.

(c) Earnings per share are based on the weighted average number of shares outstanding during the period excluding the Company's pro rata interest in its own shares held by Lac Group companies (March 31, 1985 – 3,379,751; March 31, 1984 – 3,356,678; December 31, 1984 – 3,368,515 shares; December 31, 1983 – 3,216,994 shares; December 31, 1982 – 3,155,280 shares; December 31, 1981 – 3,148,575 shares; December 31, 1980 – 3,233,924 shares).

(d) During the year ended December 31, 1983 the Company issued 175,000 shares to acquire an interest in the net proceeds from the Lac Minerals Hemlo Project. This interest was subsequently sold to Lac Minerals for 205,288 of its shares.

7. Income Taxes

A provision for the recovery of income taxes has not been recorded for periods during which earnings before income taxes, reduced by permanent differences (the most significant one being equity in earnings of Lac Group companies) has resulted in a loss for income tax purposes.

At December 31, 1984 the Company has the following Losses carried forward on a tax filing basis available until	
1985	$ 234
1987	448
1990	144
	826
Excess of deferred exploration expenditures over their related net book value	541
	$ 1,367

8. Segmented Data

Investing in mining and exploration companies is the principal business of the Company and accordingly information segmented by industry is not applicable.

9. Subsequent Event

Subsequent to December 31, 1984, the Company has announced that it is considering an amalgamation with Lac Minerals, Lake Shore, and Wright-Hargreaves Mines, Limited ("The Amalgamating Corporations") to form LAC Minerals Ltd. ("LAC"). Pursuant to the terms of the amalgamation agreement all the issued and outstanding shares of each of the Amalgamating Corporations which are held by any of the other Amalgamating Corporations will be cancelled without any repayment of capital in respect thereof and the remaining shareholders of each of the Amalgamating Corporations will receive common shares of LAC on the following basis:

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

This amalgamation will be accounted for as a pooling of interests.

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

Lac Minerals and Lake Shore follow 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 (SEC). The effect on the financial statements of such differences is outlined below:

(a) The Company's earnings would be reduced by $504,000 ($0.15 per share) for the three months ended March 31, 1985 and $115,000 ($0.03 per share) for the year ended December 31, 1984 representing the Company's equity in such differences for Lake Shore, and the Company's earnings would be reduced by $240,000 ($0.07 per share) for the three months ended March 31, 1985 and $55,000 ($0.02 per share) for the year ended December 31, 1984 representing the Company's equity in such differences for Lac Minerals.

(b) Under Canadian accounting principles the gain arising from the issue of shares by Lac Minerals recorded both by the Company and Lake Shore have been accounted for as extraordinary items. Under United States accounting principles such amounts would be disclosed in earnings before extraordinary items as other income.

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

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Earnings (loss) as reported	$2,130	$2,935	$18,918	$24,327	$7,224	$15,165	$(2,219)
Equity in the effect of differences between Canada and United States accounting principles							
Lake Shore	(504)		(115)				
Lac Minerals	(240)		(55)				
Earnings (loss) in accordance with generally accepted accounting principles in the United States	$1,386	$2,935	$18,748	$24,327	$7,224	$15,165	$(2,219)
Earnings (loss) per share in accordance with generally accepted accounting principles in the United States							
Before extraordinary items	$0.41	$0.87	$5.57	$7.56	$2.29	$4.78	$ 0.62
After extraordinary items	$0.41	$0.87	$5.57	$7.56	$2.29	$4.82	$(0.69)

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

	March 31		December 31				
	1985	1984	1984	1983	1982	1981	1980
Retained earnings based on Canadian accounting principles	$68,661	$50,886	$66,531	$47,951	$23,624	$16,400	$ 1,235
Equity in the effect of differences between Canada and United States accounting principles							
Lake Shore	(619)		(115)				
Lac Minerals	(295)		(55)				
Retained earnings based on United States accounting principles	$67,747	$50,886	$66,361	$47,951	$23,624	$16,400	$ 1,235

11. Unaudited Interim Financial Information

The financial information as at March 31, 1985 and for the three months ended March 31, 1985 and 1984 included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary to a fair presentation of the results for the interim periods.

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)

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

Selected Quarterly Data

	Revenues	Earnings before extraordinary items	Earnings	Earnings per share: Before extraordinary items	Earnings per share: After extraordinary items
1985					
First Quarter	$ 2,571	$ 2,130	$ 2,130	$ 0.63	$ 0.63
1984					
First Quarter	$ 2,959	$ 2,935	$ 2,935	$ 0.87	$ 0.87
Second Quarter	2,269	2,238	10,763	0.67	3.21
Third Quarter	3,049	3,011	3,011	0.89	0.89
Fourth Quarter	2,213	2,209	2,209	0.65	0.65
	$10,490	$10,393	$18,918	$ 3.08	$ 5.62
1983					
First Quarter	$ 2,238	$ 2,197	$ 2,197	$ 0.67	$ 0.67
Second Quarter	1,614	1,558	16,114	0.46	4.86
Third Quarter	2,375	2,307	2,307	0.69	0.69
Fourth Quarter	2,747	2,132	3,709	0.73	1.34
	$ 8,974	$ 8,194	$24,327	$ 2.55	$ 7.56

Report of Independent Chartered Accountants

To the Directors of
LAKE SHORE MINES, LIMITED

We have examined the consolidated statement of financial position of Lake Shore Mines, Limited as at December 31, 1984 and 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for each of the years in the five year period ended December 31, 1984. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the years in the five year period ended December 31, 1984 in accordance with accounting principles generally accepted in Canada applied on a consistent basis. Canadian generally accepted accounting principles differ in some respects from United States generally accepted accounting principles, see note 16.

Toronto, Canada
January 31, 1985
(May 14, 1985 as to note 14(b))
(June 21, 1985 as to note 15)

THORNE RIDDELL
Chartered Accountants

Lake Shore Mines, Limited

Consolidated Statement of Financial Position

(In thousands of Canadian dollars)

	March 31, 1985 (Unaudited)	December 31, 1984	December 31, 1983
CURRENT ASSETS			
Cash and short-term investments	$132,742	$141,451	$ 62,523
Bullion inventory	8,178	10,180	9,175
Other inventories	118	106	757
Accounts receivable	5,858	7,485	5,280
Due from Lac Group companies	1	28	30
Supplies	6,246	5,962	4,699
Other	7,142	3,991	648
	160,285	169,203	83,112
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	30,019	28,310	12,057
Income and mining taxes payable	803	1,929	10
Due to Lac Group companies	33	28	330
Long-term debt maturing within one year	1,460	1,420	835
Deferred revenue on gold purchase warrants (note 2)	12,782	12,782	
	45,097	44,469	13,232
WORKING CAPITAL	115,188	124,734	69,880
INVESTMENTS (note 3)	24,487	26,212	25,529
MINING INTERESTS (note 4)	194,215	166,540	96,201
OIL AND GAS INTERESTS (note 4)	35,116	35,370	37,599
DEFERRED FINANCING COSTS (net of accumulated amortization $2,861,000; December 31, 1984 – $2,115,000)	12,068	12,814	
OTHER ASSETS (net of accumulated amortization $1,352,000; December 31, 1984 – $1,163,000; December 31, 1983 $429,000)	1,155	1,276	1,780
CAPITAL EMPLOYED	382,229	366,946	230,989
Deduct			
LONG-TERM DEBT (note 6)	72,202	70,246	5,185
DEFERRED TAXES	58,798	53,383	43,279
MINORITY INTEREST	123,733	119,307	86,442
	254,733	242,936	134,906
SHAREHOLDERS' INVESTMENT	$127,496	$124,010	$ 96,083
SHAREHOLDERS' INVESTMENT REPRESENTED BY			
CAPITAL STOCK			
Authorized – 6,000,000 shares			
Issued – 5,104,499 shares	$ 5,105	$ 5,105	$ 5,105
CONTRIBUTED SURPLUS	9,668	9,668	9,668
RETAINED EARNINGS	117,298	113,812	85,840
	132,071	128,585	100,613
Deduct the Company's pro rata interest in the cost to Lac Group companies of their investments in shares of the Company	4,575	4,575	4,530
	$127,496	$124,010	$ 96,083

COMMITMENTS AND CONTINGENCIES (note 14)

Approved by the board

(Signed) P. A. ALLEN, Director (Signed) D. G. SHEEHAN, Director

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

Lake Shore Mines, Limited

Consolidated Statement of Earnings

(In thousands of Canadian dollars, except per share amounts)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(Unaudited)						
Revenues							
Bullion	$ 36,087	$ 37,772	$153,090	$142,199	$112,920	$131,262	$ 9,557
Oil and gas	1,669	2,207	6,870	6,645	5,363	1,766	
Other	2,226	1,602	9,768	8,460	8,266	3,681	
	39,982	41,581	169,728	157,304	126,549	136,709	9,557
Expenses							
Operating							
Mining	20,016	18,479	73,781	65,819	48,166	38,855	
Oil and gas	685	833	3,552	2,520	2,263	1,638	309
Other	1,651	1,170	6,976	4,557	5,001	2,993	
	22,352	20,482	84,309	72,896	55,430	43,486	309
Corporate administrative	1,462	1,395	6,089	5,367	4,314	3,298	3,606
Depreciation, depletion and amortization	4,769	3,802	20,915	14,771	12,006	8,108	1,129
Mineral exploration	3,126	1,179	10,574	7,824	5,002	2,840	
Oil and gas dry holes and abandonments	187	261	2,812	3,822	4,913	5,337	
Research and development	72	42	735	856	335		
	31,968	27,161	125,434	105,536	82,000	63,069	5,044
Earnings from operations	8,014	14,420	44,294	51,768	44,549	73,640	4,513
Other income (expense)							
Interest income	3,643	1,712	14,123	4,250	323	3,464	
Write down of investments	(1,424)						
Gain (loss) on sale of investments, mining and oil and gas interests, net	5	127	179	(379)	(1,558)	8,223	1,161
Gain on foreign exchange	4,601	663	2,892				
Miscellaneous other income	250	492	620	473	1,122	187	141
Interest expense							
Long-term debt	(184)	(138)	(4,142)	(852)	(231)		(312)
Other	(459)	(150)	(2,268)	(450)	(827)	(1,782)	
	6,432	2,706	11,404	3,042	(1,171)	10,092	990
Earnings before income and mining taxes	14,446	17,126	55,698	54,810	43,378	83,732	5,503
Income and mining taxes (note 8)	6,419	7,690	23,960	26,660	21,735	47,456	3,285
Earnings before other items	8,027	9,436	31,738	28,150	21,643	36,276	2,218
Equity in earnings (loss) of Lac Group companies	(301)	18	99	(267)	29	2,121	5,248
Earnings before minority interest and extraordinary items	7,726	9,454	31,837	27,883	21,672	38,397	7,466
Minority interest in Lac Minerals Ltd.	4,240	4,942	15,882	14,327	10,506	14,551	1,002
Earnings before extraordinary items	3,486	4,512	15,955	13,556	11,166	23,846	6,464
Extraordinary items (note 9)			12,619	25,379	600	339	(9,433)
EARNINGS (LOSS) FOR THE PERIOD	$ 3,486	$ 4,512	$ 28,574	$ 38,935	$ 11,766	$ 24,185	$ (2,969)
EARNINGS PER SHARE (note 10)							
Before extraordinary items	$ 0.82	$ 1.06	$ 3.76	$ 3.20	$ 2.58	$ 5.47	$ 1.44
After extraordinary items	$ 0.82	$ 1.06	$ 6.74	$ 9.19	$ 2.72	$ 5.54	$ (0.66)

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

Lake Shore Mines, Limited

Consolidated Statement of Retained Earnings

(In thousands of Canadian dollars)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(Unaudited)						
RETAINED EARNINGS, BEGINNING OF PERIOD	$113,812	$ 85,840	$ 85,840	$ 46,905	$ 35,139	$ 10,954	$ 13,923
Earnings (loss) for the period	3,486	4,512	28,574	38,935	11,766	24,185	(2,969)
	117,298	90,352	114,414	85,840	46,905	35,139	10,954
Dividends			732				
Less the Company's pro rata interest in its own dividends paid to Lac Group companies			130				
			602				
RETAINED EARNINGS, END OF PERIOD	$117,298	$ 90,352	$113,812	$ 85,840	$ 46,905	$ 35,139	$ 10,954

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

Lake Shore Mines, Limited

Consolidated Statement of Changes in Financial Position

(In thousands of Canadian dollars)

	Three months ended March 31, 1985	Three months ended March 31, 1984	Year ended December 31, 1984	1983	1982	1981	1980
	(Unaudited)						
WORKING CAPITAL DERIVED FROM							
Operations							
Earnings before extraordinary items	$ 3,486	$ 4,512	$ 15,955	$ 13,556	$ 11,166	$ 23,846	$ 6,464
Items not affecting working capital							
Equity in loss (earnings) of Lac Group companies	301	(18)	(99)	267	(29)	(2,121)	(5,248)
Depreciation, depletion and amortization	4,769	3,802	20,915	14,771	12,006	8,108	1,129
Amortization of deferred financing costs	17		1,255				
Deferred income and mining taxes	5,415	7,688	17,415	20,627	11,935	5,289	721
Minority interest	4,240	4,942	15,882	14,327	10,506	14,551	1,002
Write down of mining interests	1,772						
Dry holes and abandonments written-off	187	261	2,812	3,810	4,913	4,835	
(Gain) loss on investments, net	1,424			234	1,239	(8,223)	1,161
(Gain) loss on sale of mining and oil and gas interests	(5)	(127)	(179)	145	319		
Other	(151)	3	(455)	243	7	(670)	(565)
Total from operations	21,455	21,063	73,501	67,980	52,062	45,615	4,664
Dividends from Lac Group companies			371				
Proceeds from sale of investments			1,036	438	50	18,388	1,099
Proceeds from sale of mining and oil and gas interests	36	383	1,398	916	1,215	486	355
Issue of capital stock by Lac Minerals Ltd.	338	34	34,279	60,991	9,127	20	
Term bank loan					2,500	2,500	5,564
Repayment of advances from a Lac Group company				1,000	3,500		
Reduction in income taxes as a result of the application of losses carried forward				130	600	339	
Working capital of a predecessor company of Lac Minerals Ltd.					7,341		
Issue of 8% debentures			66,070				
Capital leases			510	1,326	2,300		
Total derived from all sources	21,829	21,480	177,165	132,781	78,695	67,348	11,682
WORKING CAPITAL APPLIED TO							
Working capital deficiency of predecessor companies of Lac Minerals Ltd. net of intercompany advances eliminated							10,284
Mining interests	30,112	9,405	85,069	37,675	38,335	17,424	3,184
Oil and gas interests	871	2,309	6,341	8,576	14,895	15,091	1,279
Purchase of shares in Lac Group companies		945	1,179	8,773	8,099	4,260	935
Advances to Little Long Lac Gold Mines Limited					1,000		
Dividends							
Common shares			767				
Minority shareholders of Lac Minerals Ltd.			5,396	4,710	4,563	5,302	
Deferred financing costs			14,929				
Purchase of other investments	68				177	3,339	3,687
Other assets			235	2,209	243		
Repayment of long-term debt	324	208	1,519	3,545	896	21,667	
Payment of mining tax reassessments for prior years			6,876				
Total applications	31,375	12,867	122,311	65,488	68,208	67,083	19,369
INCREASE (DECREASE) IN WORKING CAPITAL	$ (9,546)	$ 8,613	$ 54,854	$ 67,293	$ 10,487	$ 265	$ (7,687)

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

Lake Shore Mines, Limited

Consolidated Statement of Changes in Financial Position (continued)

(In thousands of Canadian dollars)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(Unaudited)						
CHANGES IN WORKING CAPITAL							
Increase (decrease) in current assets							
Cash and short-term investments	$ (8,709)	$ 10,434	$ 78,928	$ 53,313	$(18,721)	$ 13,044	$ 13,550
Bullion inventory	(2,002)	(893)	1,005	2,891	1,401	729	4,911
Other inventories	12		(651)				
Accounts receivable	(1,627)	(1,838)	2,205	929	425	1,380	2,525
Due from Lac Group companies	(27)	(2)	(2)	(339)	(917)	981	(336)
Supplies	284	696	1,263	72	(164)	1,616	1,131
Other	3,151		3,343		1,438	(346)	1,263
	(8,918)	8,397	86,091	56,866	(16,538)	17,404	23,044
Increase (decrease) in current liabilities							
Bank indebtedness				(1,990)	(647)	(5,206)	5,450
Accounts payable and accrued liabilities	1,709	(904)	16,253	(374)	5,259	(1,527)	8,322
Income and mining taxes payable	(1,126)	654	1,919	(8,393)	(28,411)	25,128	12,006
Due to Lac Group companies	5	21	(302)	8	(3,739)	2,077	1,620
Long-term debt maturing within one year	40	13	585	322	513	(3,333)	3,333
Deferred revenue on gold purchase warrants			12,782				
	628	(216)	31,237	(10,427)	(27,025)	17,139	30,731
INCREASE (DECREASE) IN WORKING CAPITAL	(9,546)	8,613	54,854	67,293	10,487	265	(7,687)
WORKING CAPITAL (DEFICIENCY), BEGINNING OF PERIOD	124,734	69,880	69,880	2,587	(7,900)	(8,165)	(478)
WORKING CAPITAL (DEFICIENCY), END OF PERIOD	$115,188	$ 78,493	$124,734	$ 69,880	$ 2,587	$ (7,900)	$ (8,165)

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

Lake Shore Mines, Limited

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars)

(Information as at March 31, 1985 and 1984 and for the three months ended March 31, 1985 and 1984 is unaudited)

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

1. Significant Accounting Policies

The Company is incorporated under the Business Corporations Act, 1982 (Ontario). The 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, through its subsidiary Lac Minerals, has organized its operations into two principal classes of business, namely, mining (chiefly gold), and oil and gas.

(a) *Basis of presentation*

The consolidated financial statements include the accounts of the Company and its subsidiary companies. The Company has a 22% (1983 - 23%) direct interest in Lac Minerals and an additional 29% (1983 - 30%) indirect interest in Lac Minerals through its 58% interest in an investment holding company which has no operations, 529068 Ontario Limited. All intercompany balances and transactions have been eliminated in consolidation.

Lac Minerals was formed effective December 31, 1982 as a result of a reorganization of Long Lac Minerals Ltd. (No Personal Liability), Willroy Mines Limited, Les Terrains Aurifères Malartic (Québec) Limitée (Libre de responsabilité personnelle), Les Mines Est-Malartic Ltée. (Libre de responsabilité personnelle), Long Lac Mineral Exploration Limited and certain other companies in the Lac Group.

Long Lac Minerals Ltd. (No Personal Liability) was formed effective November 1, 1981 as a result of a reorganization of Silverstack Mines Ltd. (No Personal Liability), Les Mines d'Or Thompson-Bousquet Ltée. (Libre de responsabilité personnelle), Copper Giant Mining Corporation Limited (Non-Personal Liability) and the acquisition of certain assets of Long Lac Mineral Exploration Limited. By transactions effective May 31, 1982 and November 19, 1982 Lac Minerals acquired all operating assets of the aforementioned companies.

(b) *Revenue*

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

(c) *Bullion and other inventories*

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

(d) *Supplies*

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

(e) *Investments*

The Company accounts on an equity basis for its 38% direct and indirect investment in each of Little Long Lac (1983 - 38%; 1982 - 34%; 1981 - 28%; 1980 - 20%) and Wright over which it has significant influence.

Little Long Lac owns 46% (1983 and 1982 - 46%; 1981 and 1980 - 45%) and Lac Minerals owns 4% of the shares of the Company. These reciprocal shareholdings result in the Company having an interest in its own shares. Therefore, the investment in Lac Group companies and shareholders' investment are reduced by the Company's 17% (1983 - 17%; 1982 and 1981 - 15%; 1980 - 12%) pro rata interest in the cost of such shares. In addition, equity in the earnings of Lac Group companies excludes Little Long Lac's share of earnings of the Company.

(f) *Mining interests*

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

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

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

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

(g) *Oil and gas interests*

Expenditures for petroleum and natural gas plants are capitalized.

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

(h) *Capitalization of interest*

A portion of the interest costs, including the amortization of deferred financing costs and related foreign currency translation adjustments, associated with the 8% debentures that are incurred during the development, construction and start-up phases of the Hemlo project are capitalized as construction in progress Hemlo. Once commercial production commences, interest and associated costs will be charged to earnings.

(i) *Deferred financing costs*

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

(j) *Income and mining taxes*

Income and mining taxes are recorded on the tax allocation basis whereby the amount expensed during the period 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.

(k) *Foreign currency translation*

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

2. Deferred Revenue on Gold Purchase Warrants

During the year ended December 31, 1984, Lac Minerals issued 200,000 gold purchase warrants. Each warrant entitles the holder to purchase 0.5 ounces of gold from Lac Minerals 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 is 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 Lac Minerals has covenanted that if the gold production from its mines during the twelve month calendar 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 three months ended March 31, 1985 and the year ended December 31, 1984, Lac Minerals was in compliance with this gold production ratio.

3. Investments

	March 31, 1985	December 31, 1984	December 31, 1983
Investments in Lac Group companies accounted for on an equity basis (quoted market value March 31, 1985 – $86,134,000; December 31, 1984 – $69,388,000; December 31, 1983 – $98,703,000)			
Shares	$27,589	$27,589	$25,812
Equity in undistributed earnings			
Balance, beginning of period	1,069	1,341	1,608
Equity in earnings (loss) for the period	(301)	99	(267)
Dividends		(371)	
Balance, end of period	768	1,069	1,341
	28,357	28,658	27,153
The Company's pro rata interest in its own dividends paid to Lac Group companies	130	130	
	28,487	28,788	27,153
Less the Company's pro rata interest in the cost to Little Long Lac and Wright of their investments in shares of the Company	4,575	4,575	4,530
	23,912	24,213	22,623
Investments in Lac Group companies accounted for on a cost basis		1,415	1,413
Other investments, accounted for on a cost basis less provision for losses			
(Quoted market value March 31, 1985 – $287,000; December 31, 1984 – $244,000; December 31, 1983 – $1,129,000)	446	446	1,289
Other	129	138	204
	575	584	1,493
	$24,487	$26,212	$25,529

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

4. Mining and Oil and Gas Interests

	March 31, 1985			December 31, 1984			December 31, 1983		
	Cost	Accumulated depreciation, depletion and amortization	Net	Cost	Accumulated depreciation, depletion and amortization	Net	Cost	Accumulated depreciation, depletion and amortization	Net
MINING INTERESTS									
Plant and equipment	$ 56,851	$ 28,294	$ 28,557	$ 56,615	$ 27,317	$ 29,298	$ 50,921	$ 22,725	$28,196
Equipment under capital leases	3,337	1,577	1,760	3,337	1,410	1,927	3,633	855	2,778
Mining properties	15,639	10,012	5,627	15,405	9,076	6,329	15,383	7,985	7,398
Deferred mine development	44,639	24,530	20,109	45,942	23,152	22,790	45,135	13,832	31,303
	120,466	64,413	56,053	121,299	60,955	60,344	115,072	45,397	69,675
Major development and construction in progress Hemlo	102,401		102,401	75,464		75,464	14,018		14,018
Macassa No. 3 shaft	24,439		24,439	21,983		21,983	12,508		12,508
La Mine Doyon underground	8,148		8,148	6,122		6,122			
Lake Shore underground	3,174		3,174	2,627		2,627			
	138,162		138,162	106,196		106,196	26,526		26,526
	$258,628	$ 64,413	$194,215	$227,495	$ 60,955	$166,540	$141,598	$ 45,397	$96,201

	March 31, 1985			December 31,					
				1984			1983		
	Cost	Accumulated depreciation, depletion and amortization	Net	Cost	Accumulated depreciation, depletion and amortization	Net	Cost	Accumulated depreciation, depletion and amortization	Net
OIL AND GAS INTERESTS									
Gas gathering systems and processing plants..	$ 4,351	$ 1,331	$ 3,020	$ 4,232	$ 756	$ 3,476	$ 3,833	$ 266	$ 3,567
Petroleum and natural gas leases and rights including development thereon									
Producing	34,053	10,680	23,373	33,081	10,318	22,763	31,965	6,509	25,456
Non-Producing .	8,723		8,723	9,131		9,131	8,576		8,576
	$ 47,127	$ 12,011	$ 35,116	$ 46,444	$ 11,074	$ 35,370	$ 44,374	$ 6,775	$37,599

5. Lines of Credit

The Company has arranged lines of credit amounting to $34,500,000 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

Long-term debt consists of

	March 31, 1985	December 31, 1984	December 31, 1983
8% Debentures due April 15, 1989 (U.S. $50,000,000).............	$68,350	$66,070	
Advance from Wright..	3,500	3,500	$ 3,500
Obligations under capital leases................................	1,812	2,096	2,520
	73,662	71,666	6,020
Less amount maturing within one year..........................	1,460	1,420	835
	$72,202	$70,246	$ 5,185

The advance from Wright, which is unsecured and bears interest at the prime rate of a Canadian chartered bank, is repayable on January 1, 1989. Lac Minerals has the option to repay any amount prior to the maturity date without penalty.

Obligations under capital leases

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

	March 31,	December 31,	
	1985	1984	1983
1984			$1,110
1985	$1,270	$1,618	1,345
1986	639	639	530
Total minimum lease payments	1,909	2,257	2,985
Less amount representing interest	97	161	465
	1,812	2,096	2,520
Less amount maturing within one year	1,460	1,420	835
Obligations included with long-term debt	$ 352	$ 676	$1,685

Interest Expense

Interest and related expenses on long-term debt for the three months ended March 31, 1985 amounted to $184,000 (1984 - $138,000) and $4,142,000 for the year ended December 31, 1984 (1983 - $852,000; 1982 - $231,000; 1981 - nil; 1980 - $312,000). During the three months ended March 31, 1985 $1,312,000 was capitalized (1984 - nil) and for the year ended December 31, 1984 $1,565,000 (1983, 1982, 1981 and 1980 - nil) was capitalized.

7. Acquisitions

Effective December 1, 1980 the Company acquired an additional interest in Willroy Mines Limited, a predecessor corporation of Lac Minerals (note 1(a)), to bring its percentage ownership over 50%. As a result of this acquisition a second predecessor corporation of Lac Minerals, Long Lac Mineral Exploration Limited, also became a subsidiary company. This transaction has been accounted for by the purchase method with the accounts included in these financial statements from December 1, 1980.

The purchase consideration has been assigned as follows:

Current assets		$37,513
Investments		32,339
Mining interests		24,627
Oil and gas interests		18,551
		113,030
Less		
Current liabilities	$47,797	
Long-term debt	13,603	
Deferred taxes	6,000	67,400
Net assets acquired		45,630
Less		
Minority interests	26,478	
Equity in earnings at December 1, 1980	18,357	44,835
Purchase consideration, being cash		$ 795

Prior to December 1, 1980 these investments were accounted for by the equity method.

8. Income and Mining Taxes

The provisions for income and mining taxes are

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Current taxes							
Federal and provincial income	$ 379	$ 15	$ 3,045	$ 9,530	$ 5,660	$28,167	$ 1,673
Provincial mining	625	1,363	3,500	3,100	4,140	14,000	891
	1,004	1,378	6,545	12,630	9,800	42,167	2,564
Deferred taxes							
Federal and provincial income	4,840	5,378	14,465	11,030	9,675	4,679	496
Provincial mining	575	934	2,950	3,000	2,260	610	225
	5,415	6,312	17,415	14,030	11,935	5,289	721
Total	$6,419	$7,690	$23,960	$26,660	$21,735	$47,456	$ 3,285

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

	Year ended December 31,				
	1984	1983	1982	1981	1980
Depreciation, depletion and amortization	$ 2,850	$ 1,306	$ 3,707	$ (1,889)	$ 33
Deferred development expenditures	4,401	5,651	4,052	3,656	(88)
Exploration expenditures	10,255	6,900	2,960	3,264	809
Other	(91)	173	1,216	258	(33)
Total	$17,415	$14,030	$11,935	$ 5,289	$ 721

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

	Year ended December 31,				
	1984	1983	1982	1981	1980
	Percentage of pretax earnings				
Combined Canadian federal and provincial statutory income tax rate	48.4	46.1	47.3	49.2	47.5
Deduct resource and depletion allowances	22.4	17.3	22.4	14.8	11.0
Adjusted income tax rate	26.0	28.8	24.9	34.4	36.5
Add mining tax rate	14.1	15.8	23.5	24.1	6.9
Applicable statutory income and mining tax rate	40.1	44.6	48.4	58.5	43.4
Adjust for permanent differences					
Disallowed expenses	2.1	1.9	4.0		(.3)
(Non-taxable) Imputed income for mining tax purposes	(4.0)	(3.0)	(9.0)	(5.7)	17.9
Losses of subsidiaries not tax effected	4.3	1.9	4.1	1.5	.3
Other	.5	3.2	2.6	2.4	(1.6)
Effective income and mining tax rate	43.0	48.6	50.1	56.7	59.7

The sources and the tax effect of material timing differences, resource and depletion allowances, and permanent differences for the three months ended March 31, 1985 and March 31, 1984 are not significantly different from those for the year ended December 31, 1984.

9. Extraordinary Items

	Year ended December 31,				
	1984	1983	1982	1981	1980
Gain arising from the issue of shares by Lac Minerals*	$12,169	$25,379			
Reduction in income taxes as a result of the application of losses carried forward			$600	$339	
Writedown of investment in New Cinch Uranium Ltd., net of deferred taxes of $604,000 and minority interest of $10,386,000					$ (10,390)
Other, net of minority interest of $391,000					957
	$12,169	$25,379	$600	$339	$ (9,433)

*During the year ended December 31, 1984 Lac Minerals issued 1,096,195 (1983 – 2,462,296) shares for net proceeds of $34,279,000 (1983 – $60,991,000). The Company did not purchase any of these shares and accordingly its percentage ownership of Lac Minerals was diluted; however, the Company's equity interest in Lac Minerals increased shareholders' investment after including the proceeds from the share issues, resulted in an extraordinary gain.

10. Earnings Per Share

Earnings per share are based on 4,236,734 shares outstanding during the three months ended March 31, 1985 and 1984 and during the year ended December 31, 1984 (1983 – 4,236,734 shares; 1982 – 4,338,824 shares; 1981 – 4,362,795 shares; 1980 – 4,488,947 shares), excluding the Company's pro rata interest in its own shares held by Lac Group companies.

11. Joint Venture Agreement

Lac Minerals is in a joint venture with SOQUEM (Société Québecoise d'Exploration Minière) to operate La Mine Doyon (Doyon) which commenced commercial operations in March 1980. The parties participate equally in the operations, which are carried out under the supervision of Lac Minerals.

The consolidated financial statements include Lac Minerals' 50% proportionate interest in Doyon as follows

	March 31,	December 31,	
	1985	1984	1983
Assets	$ 38,059	$38,247	$37,541
Liabilities	3,054	3,601	4,855
Equity and advances	$ 35,005	$34,646	$32,686

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Revenues	$10,833	$11,685	$48,852	$44,250	$42,632	$40,200	$12,205
Expenses	7,294	6,045	26,996	22,855	16,323	9,661	3,707
Earnings before income and mining taxes	$ 3,539	$ 5,640	$21,856	$21,395	$26,309	$30,539	$ 8,498

12. Segmented Data

	1984				1983			
	Mining	Oil and gas	Other	Total	Mining	Oil and gas	Other	Total
Revenues								
Canada	$153,090	$ 3,845	$ 9,768	$166,703	$142,199	$ 3,204	$ 8,460	$153,863
U.S.A.		3,025		3,025		3,441		3,441
	153,090	6,870	9,768	169,728	142,199	6,645	8,460	157,304
Operating and administrative expenses	80,448	3,709	6,976	91,133	72,042	2,520	4,557	79,119
Depreciation, depletion and amortization	14,407	5,507	1,001	20,915	11,033	2,833	905	14,771
Exploration	10,574	2,812		13,386	7,824	3,822		11,646
	105,429	12,028	7,977	125,434	90,899	9,175	5,462	105,536
Earnings (loss) from operations								
Canada	52,079	(3,656)	1,791	50,214	52,430	(272)	2,998	55,156
U.S.A.	(4,418)	(1,502)		(5,920)	(1,130)	(2,258)		(3,388)
	$ 47,661	$ (5,158)	$ 1,791	$ 44,294	$ 51,300	$ (2,530)	$ 2,998	$ 51,768
Identifiable assets								
Canada	$340,295	$29,712	$ 7,410	$377,417	$171,953	$29,794	$ 6,883	$208,630
U.S.A.	966	6,820		7,786	160	9,902		10,062
	$341,261	$36,532	$ 7,410	385,203	$172,113	$39,696	$ 6,883	218,692
Corporate assets				26,212				25,529
				$411,415				$244,221
Capital expenditures	$ 85,007	$ 6,341	$ 62	$ 91,410	$ 37,452	$ 8,576	$ 223	$ 46,251

	1982				1981			
	Mining	Oil and gas	Other	Total	Mining	Oil and gas	Other	Total
Revenues								
Canada	$112,920	$ 2,656	$ 8,266	$123,842	$131,262	$ 1,214	$ 3,681	$136,157
U.S.A.		2,707		2,707		552		552
	112,920	5,363	8,266	126,549	131,262	1,766	3,681	136,709
Operating and administrative expenses	52,815	2,263	5,001	60,079	42,155	1,636	2,993	46,784
Depreciation, depletion and amortization	7,856	3,412	738	12,006	7,052	643	413	8,108
Exploration	5,002	4,913		9,915	2,840	5,337		8,177
	65,673	10,588	5,739	82,000	52,047	7,616	3,406	63,069
Earnings (loss) from operations								
Canada	48,007	(2,159)	2,527	48,375	79,343	(3,261)	275	76,357
U.S.A.	(760)	(3,066)		(3,826)	(128)	(2,589)		(2,717)
	$ 47,247	$ (5,225)	$ 2,527	$ 44,549	$ 79,215	$ (5,850)	$ 275	$ 73,640
Identifiable assets								
Canada	$ 93,068	$23,348	$ 2,627	$119,043	$ 76,209	$18,456	$ 3,232	$ 97,897
U.S.A.	80	14,293		14,373		13,767		13,767
	$ 93,148	$37,641	$ 2,627	133,416	$ 76,209	$32,223	$ 3,232	111,664
Corporate assets				18,431				17,941
				$151,847				$129,605
Capital expenditures	$ 37,945	$14,895	$ 390	$ 53,230	$ 17,134	$15,091	$ 290	$ 32,515

	1980*			
	Mining	Oil and gas	Other	Total
Revenues				
Canada	$ 65,574	$ 472	$ 3,223	$ 69,269
U.S.A.		400		400
	65,574	872	3,223	69,669
Operating and administrative expenses	30,713	1,160	1,915	33,788
Depreciation, depletion and amortization	5,353	338	456	6,147
Exploration	1,288	3,089		4,377
	37,354	4,587	2,371	44,312
Earnings (loss) from operations				
Canada	28,220	(3,110)	852	25,962
U.S.A.		(605)		(605)
	$ 28,220	$ (3,715)	$ 852	$ 25,357
Identifiable assets				
Canada	$ 49,016	$12,765	$ 2,627	$ 64,408
U.S.A.		7,781		7,781
	$ 49,016	$20,546	$ 2,627	72,189
Corporate assets				23,390
				$ 95,579
Capital expenditures	$ 9,310	$15,236	$ 186	$ 24,732

*For the year ended December 31, 1980 the segmented data has been prepared on a basis as if the acquisition referred to in note 6 occurred on January 1, 1980.

13. Related Party Transactions

(a) From time to time advances are made between the Company and certain Lac Group companies. Interest on such advances is calculated at bank prime rate. Interest expense for amounts borrowed is $98,000 for the three months ended March 31, 1985 (1984 – $97,000) and $424,000 for the year ended December 31, 1984 (1983 – $414,000; 1982 – $379,000; 1981 and 1980 – nil). Included in interest income for the year ended December 31, 1983 is $107,000 (1982 – $323,000; 1981 and 1980 – nil); for amounts lent.

(b) During each of the three months ended March 31, 1985 and 1984 Lac Minerals paid $22,500 and during the year ended December 31, 1984 Lac Minerals paid $303,000 (1983 – $1,032,000) for salaries and expenses and consulting services, pursuant to oil and gas joint venture agreements, to companies in which a director and a former director of Lac Minerals are officers. In 1982 $306,000 (1981 – $210,000; 1980 – $127,000) was paid for salaries and expenses, pursuant to an oil and gas joint venture agreement, to a company in which a director of Lac Minerals was an officer.

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

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

(e) In 1983, Lac Minerals issued 51,322 of its shares to an employee to acquire a 0.25% interest in the net proceeds from the Hemlo Project and another 205,288 of its shares to Little Long Lac to acquire another 1% interest in the same property. Both interests had been granted to employees under the Lac Minerals Geologists' Royalty Plan, one royalty interest having been transferred by the recipient to Little Long Lac for shares in that company. A further 30,000 shares in Little Long Lac were acquired from companies related to a Director of Lac Minerals in exchange for 35,365 shares of the Company.

(f) Subsequent to December 31, 1984 Lac Minerals issued 10,000 shares to an employee in recognition of outstanding geological work performed by him.

14. Commitments and Contingencies

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

(b) From time to time Lac Minerals sells gold for future delivery at set dates and prices. These transactions are not reflected in the accounts until the deliveries are made. At December 31, 1984 the Company agreed to sell 207,960 ounces of gold at prices averaging U.S. $366 per ounce. At May 14, 1985 the amount sold is 325,000 ounces of gold at prices averaging U.S. $348.50 per ounce.

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

15. Subsequent Event

Subsequent to December 31, 1984, the Company has announced that it is considering an amalgamation with Lac Minerals, Little Long Lac, and Wright (the "Amalgamating Corporations") to form LAC Minerals Ltd. ("LAC"). Pursuant to the terms of the amalgamation agreement all the issued and outstanding shares of each of the Amalgamating Corporations which are held by any of the other Amalgamating Corporations will be cancelled without any repayment of capital in respect thereof and the remaining shareholders of each of the Amalgamating Corporations will receive common shares of LAC on the following basis:

For each share of	Number of LAC common shares
Lac Minerals	1
Little Long Lac	2.377
Lake Shore Mines, Limited	2.871
Wright	0.498

This amalgamation will be accounted for as a pooling of interests.

16. 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 (SEC). The effect on the consolidated financial statements of such differences is outlined below:

(a) Foreign currency exchange losses from translation of long-term debt have been capitalized as construction in progress Hemlo. United States accounting principles require that such amounts be charged to earnings. Earnings for the year ended December 31, 1984 would be reduced by $251,000 ($0.05 per share) and $1,096,000 ($0.26 per share) for the three months ended March 31, 1985.

(b) Debenture discount net of accumulated amortization amounting to $10,971,000 as at December 31, 1984 ($10,332,000 as at March 31, 1985) has been accounted for as deferred financing costs. Under United States accounting principles such amounts would be reported in the consolidated statement of financial position as a direct deduction from long-term debt.

(c) Under Canadian accounting principles the gain arising from the issue of shares by Lac Minerals recorded by the Company has been accounted for as an extraordinary item. Under United States accounting principles such amounts would be disclosed in earnings before extraordinary items as other income.

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

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Earnings (loss), as reported....	$ 3,486	$ 4,512	$ 28,574	$38,935	$11,766	$24,185	$ (2,969)
Foreign currency exchange losses net of minority interest......	(1,096)		(251)				
Earnings (loss) in accordance with generally accepted accounting principles in the United States	$ 2,390	$ 4,512	$ 28,323	$38,935	$11,766	$24,185	$ (2,969)
Earnings (loss) per share in accordance with generally accepted accounting principles in the United States							
Before extraordinary items.	$ 0.56	$ 1.06	$ 6.69	$ 9.19	$ 2.58	$ 5.47	$ 1.44
After extraordinary items..	$ 0.56	$ 1.06	$ 6.69	$ 9.19	$ 2.72	$ 5.54	$ (0.66)

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

	March 31,		December 31,				
	1985	1984	1984	1983	1982	1981	1980
Retained earnings based on Canadian accounting principles.................	$117,298	$90,352	$113,812	$85,840	$46,905	$35,139	$10,954
Foreign currency exchange losses net of minority interest......	(1,347)		(251)				
Retained earnings based on United States accounting principles................	$115,951	$90,352	$113,561	$85,840	$46,905	$35,139	$10,954

17. Unaudited Interim Financial Information

The financial information as at March 31, 1985 and for the three months ended March 31, 1985 and 1984 included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management necessary to a fair presentation of the results for the interim periods.

Supplemental Information (Unaudited)

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

Selected Quarterly Data

	Revenues	Earnings from operations	Earnings before extraordinary items	Earnings	Earnings per share: Before extraordinary items	Earnings per share: After extraordinary items
1985						
First quarter	$ 39,982	$ 8,014	$ 3,486	$ 3,486	$0.82	$0.82
1984						
First quarter	$ 41,581	$ 14,420	$ 4,512	$ 4,512	$1.06	$1.06
Second quarter	43,280	13,098	3,372	15,991	0.80	3.78
Third quarter	41,629	10,690	4,730	4,730	1.12	1.12
Fourth quarter	43,238	6,086	3,341	3,341	0.78	0.78
	$169,728	$ 44,294	$15,955	$28,574	$3.76	$6.74
1983						
First quarter	$ 35,377	$ 13,153	$ 3,325	$ 3,325	$0.77	$0.77
Second quarter	40,197	11,960	2,261	24,186	0.51	5.51
Third quarter	39,392	12,632	3,675	3,675	0.84	0.84
Fourth quarter	42,338	14,023	4,295	7,749	1.08	2.07
	$157,304	$ 51,768	$13,556	$38,935	$3.20	$9.19

Disclosures about oil and gas producing activities for Lac Minerals

Reference is made to the disclosures about oil and gas producing activities of Lac Minerals included elsewhere herein, which comprise substantially all of the oil and gas producing activities of the Company.

Report of Independent Chartered Accountants

To the Directors of
WRIGHT-HARGREAVES MINES, LIMITED

We have examined the statement of financial position of Wright-Hargreaves Mines, Limited as at December 31, 1984 and 1983 and the statements of earnings, retained earnings (deficit) and changes in financial position for each of the years in the five year period ended December 31, 1984. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the years in the five year period ended December 31, 1984 in accordance with accounting principles generally accepted in Canada applied on a consistent basis. Canadian generally accepted accounting principles differ in some respects from United States generally accepted accounting principles, see note 9.

Toronto, Canada
January 31, 1985
(June 21, 1985 as to note 8)

THORNE RIDDELL
Chartered Accountants

Wright-Hargreaves Mines, Limited

Statement of Financial Position

(In thousands of Canadian dollars)

	March 31, 1985 (unaudited)	December 31, 1984	December 31, 1983
CURRENT ASSETS			
Cash and short-term investments	$ 3,065	$ 3,039	$ 1,914
Accounts receivable	10	36	23
Due from Lac Group companies	33	28	
	3,108	3,103	1,937
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	30	35	59
Due to Lac Group companies			18
Income taxes payable	27	107	
	57	142	77
WORKING CAPITAL	3,051	2,961	1,860
INVESTMENTS (note 3)	31,988	31,501	25,434
MINING INTERESTS (note 4)	1,432	1,432	1,432
OIL AND GAS INTERESTS			219
CAPITAL EMPLOYED	36,471	35,894	28,945
DEDUCT			
DEFERRED TAXES	450	450	432
SHAREHOLDERS' INVESTMENT	$ 36,021	$ 35,444	$ 28,513
SHAREHOLDERS' INVESTMENT REPRESENTED BY			
CAPITAL STOCK			
Authorized – 15,000,000 shares			
Issued – 9,962,876 shares	$ 10,277	$ 10,277	$ 10,277
CONTRIBUTED SURPLUS	5	5	5
RETAINED EARNINGS	25,739	25,162	18,231
	$ 36,021	$ 35,444	$ 28,513

Approved by the Board

(Signed) P. A. ALLEN, Director

(Signed) J. C. L. ALLEN, Director

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

Wright-Hargreaves Mines, Limited

Statement of Earnings

(In thousands of Canadian dollars except per share amounts)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(unaudited)						
Revenues							
Equity in earnings (loss) of Lac Minerals Ltd.	$ 966	$ 1,196	$ 3,698	$ 3,753	$ 2,433	$ 4,224	$ (393)
Oil and gas sales		11	55	72	134		
Interest income	172	143	688	488	661	659	268
Gain on sale of investments						1,889	267
Other income			50	6	11	100	155
	1,138	1,350	4,491	4,319	3,239	6,872	297
Expenses							
Operating and administrative	34	31	131	154	350	185	154
Depreciation, depletion and amortization				218	47		
Oil and gas dry holes and abandonments			36	273	2	1	25
Mineral exploration			7	117	6	3	
Loss on sale of oil and gas interests			139				
Write-down of investments	479						
	513	31	313	762	405	189	179
Earnings before income taxes and extraordinary items	625	1,319	4,178	3,557	2,834	6,683	118
Income taxes (credit)	48	64	220	(112)	160	514	
Earnings before extraordinary items	577	1,255	3,958	3,669	2,674	6,169	118
Gain arising from issue of shares by Lac Minerals Ltd. (note 2)			3,471	6,681			
Reduction in income taxes as a result of the application of losses carried forward						130	
EARNINGS FOR THE PERIOD	$ 577	$ 1,255	$ 7,429	$10,350	$ 2,674	$ 6,299	$ 118
EARNINGS PER SHARE							
Before extraordinary items	$ 0.06	$ 0.13	$ 0.40	$ 0.37	$ 0.27	$ 0.62	$ 0.01
After extraordinary items	$ 0.06	$ 0.13	$ 0.75	$ 1.04	$ 0.27	$ 0.63	$ 0.01

Statement of Retained Earnings (Deficit)

(In thousands of Canadian dollars)

	1985	1984	1984	1983	1982	1981	1980
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	$25,162	$18,231	$18,231	$ 7,881	$ 5,207	$(1,092)	$(1,210)
Earnings for period	577	1,255	7,429	10,350	2,674	6,299	118
	25,739	19,486	25,660	18,231	7,881	5,207	(1,092)
Dividends			498				
RETAINED EARNINGS (DEFICIT), END OF PERIOD	$25,739	$19,486	$25,162	$18,231	$ 7,881	$ 5,207	$(1,092)

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

Wright-Hargreaves Mines, Limited

Statement of Changes in Financial Position

(In thousands of Canadian dollars)

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
	(unaudited)						
WORKING CAPITAL DERIVED FROM							
Operations							
Earnings before extraordinary items	$ 577	$ 1,255	$ 3,958	$ 3,669	$ 2,674	$ 6,169	$ 118
Items not affecting working capital							
Equity in (earnings) loss of Lac Minerals Ltd.	(966)	(1,196)	(3,698)	(3,753)	(2,433)	(4,224)	393
Loss (gain) on investments, net	479					(1,889)	(267)
Loss (gain) on sale of mining and oil and gas interests			139	(4)			
Depreciation, depletion and amortization				218	47		
Deferred income taxes (credit)		49	18	(112)	160	384	
Dry holes and abandonments written-off			36	273	2		25
Other							(38)
Total from operations	90	108	453	291	450	440	231
Reduction in advance to Lac Minerals Ltd.						341	29
Dividends from Lac Minerals Ltd.			1,102	1,102	965	778	
Proceeds from sale of investments						2,619	364
Proceeds from sale of mining and oil and gas interests			50	12			
Deferred exploration and development costs recovered					84		
Reduction in income taxes as a result of the application of losses carried forward						130	
Total derived from all sources	90	108	1,605	1,405	1,499	4,308	624
WORKING CAPITAL APPLIED TO							
Dividend payments to shareholders			498				
Mining interests				71	286	848	278
Oil and gas interests			6	11	13	18	418
Purchase of investment in a Lac Group company					1,539	1,157	13
Advances to Lac Minerals Ltd.					3,500		
Total applications			504	82	5,338	2,023	709
INCREASE (DECREASE) IN WORKING CAPITAL	$ 90	$ 108	$ 1,101	$ 1,323	$ (3,839)	$ 2,285	$ (85)
CHANGES IN WORKING CAPITAL:							
Increase (decrease) in current assets							
Cash and short-term investments	$ 26	$ 70	$ 1,125	$ 1,549	$ (2,209)	$ 443	$ 40
Accounts receivable	(26)	(3)	13	13	(44)	48	(21)
Due from Lac Group companies	5	30	28	(282)	(1,494)	1,775	(67)
	5	97	1,166	1,280	(3,747)	$ 2,266	$ (48)
Increase (decrease) in current liabilities							
Accounts payable and accrued liabilities	(5)	(6)	(24)	(7)	48	(7)	15
Due to Lac Group companies	(80)	(18)	(18)	(36)	44	(12)	22
Income taxes payable		13	107				
	(85)	(11)	65	(43)	92	(19)	37
INCREASE (DECREASE) IN WORKING CAPITAL	90	108	1,101	1,323	(3,839)	2,285	(85)
WORKING CAPITAL, BEGINNING OF PERIOD	2,961	1,860	1,860	537	4,376	2,091	2,176
WORKING CAPITAL, END OF PERIOD	$ 3,051	$ 1,968	$ 2,961	$ 1,860	$ 537	$ 4,376	$ 2,091

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

Wright-Hargreaves Mines, Limited

Notes to Financial Statements

(Tabular amounts in thousands of Canadian dollars)

(Information as at March 31, 1985 and for the three months ended March 31, 1985 and 1984 is unaudited)

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

1. Significant Accounting Policies

The Company is incorporated under the Business Corporations Act, 1982 (Ontario). The financial statements are presented in accordance with accounting principles generally accepted in Canada and comply with United States disclosure requirements in all material respects.

(a) *Investments*

The Company has a 42% direct interest in 529068 Ontario Limited which in turn has a 29% (1983 - 30%) interest in Lac Minerals. Accordingly the Company accounts on an equity basis for its indirect investment in Lac Minerals, 12% owned (1983 - 13%; 1982 - 14%; 1981 - 11%; 1980 - 4%) over which it has significant influence.

Lac Minerals was formed effective December 31, 1982 as a result of a reorganization of Long Lac Minerals Ltd. (No Personal Liability), Willroy Mines Limited, Les Terrains Aurifères Malartic (Québec) Limitée (Libre de responsabilité personnelle), Les Mines Est-Malartic Ltée. (Libre de responsabilité personnelle), Long Lac Mineral Exploration Limited and certain other companies in the Lac Group.

Long Lac Minerals Ltd. (No Personal Liability) was formed effective November 1, 1981 as a result of a reorganization of Silverstack Mines Ltd. (No Personal Liability), Les Mines d'Or Thompson-Bousquet Ltée. (Libre de responsabilité personnelle), Copper Giant Mining Corporation Limited (Non-Personal Liability) and the acquisition of certain assets of Long Lac Mineral Exploration Limited. By transactions effective May 31, 1982 and November 19, 1982 Lac Minerals acquired all operating assets of the aforementioned companies.

Investments in other Lac Group companies where the Company does not have significant influence are recorded at cost.

All other investments are recorded at cost.

(b) *Mining interests*

Plant and equipment are stated at cost. Depreciation has not been recorded on buildings, machinery and equipment which are not currently in use.

Mining properties are stated at cost less amounts written-off.

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

Costs related to mining properties which are abandoned are charged to earnings.

(c) *Income taxes*

Income taxes are recorded on the tax allocation basis whereby the amount expensed during the period 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.

2. Extraordinary Item

During the year ended December 31, 1984 Lac Minerals issued 1,096,195 shares (1983 - 2,462,296 shares) for net proceeds of $34,279,000 (1983 - $60,991,000). The Company did not purchase any of these shares and accordingly its percentage ownership of Lac Minerals was diluted; however, the Company's equity interest in Lac Minerals increased shareholders' investment, after including the proceeds from the share issues, resulted in an extraordinary gain.

3. Investments

	March 31, 1985	December 31, 1984	December 31, 1983
Investment in Lac Minerals accounted for on an equity basis (quoted market value March 31, 1985 – $118,000,000; December 31, 1984 – $95,937,000; December 31, 1983 – $120,266,000)			
Shares	$ 6,479	$ 6,479	$ 6,479
Equity in undistributed earnings			
Balance, beginning of period	19,921	13,854	4,522
Equity in earnings for the period	966	3,698	3,753
Dividends		(1,102)	(1,102)
Gain arising on issue of shares by Lac Minerals Ltd. (note 2)		3,471	6,681
Balance, end of period	20,887	19,921	13,854
Advances	3,500	3,500	3,500
	30,866	29,900	23,833
Investments in other Lac Group companies accounted for on a cost basis (quoted market value March 31, 1985 – $17,000,000; December 31, 1984 – $13,338,000; December 31, 1983 – $19,265,000)	1,105	1,582	1,582
Other investments accounted for on a cost basis	17	19	19
	$ 31,988	$31,501	$25,434

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

Reference is made to the consolidated financial statements for Lac Minerals included herein.

4. Mining Interests

	March 31, 1985	December 31, 1984	December 31, 1983
Plant and equipment	$ 118	$ 118	$ 118
Mining properties	34	34	34
Deferred exploration and development	1,280	1,280	1,280
	$ 1,432	$ 1,432	$ 1,432

In 1982, the Company optioned, to Lac Minerals, the right to retreat its tailings deposited in the bed of Kirkland Lake, Ontario as a result of operations formerly carried on by the Company. The Company will receive an advance minimum royalty of 2% of net smelter return, payable until Lac Minerals has recouped its costs of placing the operation into commercial production and thereafter a royalty equal to the greater of 2% of the net smelter return or 20% of net profits.

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

5. Lines of Credit

The Company has arranged lines of credit amounting to $3,000,000. No commitment fees are payable. These lines of credit are unused.

6. Related Party Transactions

(a) From time to time advances are made between the Company and certain Lac Group companies. Interest on such advances is calculated at the prime rate of a Canadian chartered bank. Interest income from amounts loaned is $98,000 for the three months ended March 31, 1985 ($97,000 for 1984) and $425,000 for the year ended December 31, 1984 (1983 - $410,000; 1982 - $386,000; 1981 - $69,000; 1980 - nil).

(b) During the year ended December 31, 1984 the Company sold its oil and gas interests to a wholly owned subsidiary of Lac Minerals for cash.

7. Segmented Data

Investing in mining and exploration companies is the principal business of the Company and accordingly information segmented by industry is not applicable.

8. Subsequent Event

Subsequent to December 31, 1984, the Company has announced that it is considering an amalgamation with Lac Minerals, Little Long Lac Gold Mines Limited, and Lake Shore Mines, Limited (the "Amalgamating Corporations") to form LAC Minerals Ltd. ("LAC"). Pursuant to the terms of the amalgamation agreement all the issued and outstanding shares of each of the Amalgamating Corporations which are held by any of the other Amalgamating Corporations will be cancelled without any repayment of capital in respect thereof and the remaining shareholders of each of the Amalgamating Corporations will receive common shares of LAC on the following basis:

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

This amalgamation will be accounted for as a pooling of interests.

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

Lac Minerals 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 (SEC). The effect on the financial statements of such differences is outlined below:

(a) Earnings would be reduced by $288,000 ($0.03 per share) for the three months ended March 31, 1985 and $66,000 ($0.01 per share) for the year ended December 31, 1984 representing the Company's equity in such differences.

(b) Under Canadian accounting principles the gain arising from the issue of shares by Lac Minerals recorded by the Company has been accounted for as an extraordinary item. Under United States accounting principles such amounts would be disclosed in earnings before extraordinary items as other income.

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

	Three months ended March 31,		Year ended December 31,				
	1985	1984	1984	1983	1982	1981	1980
Earnings as reported	$ 577	$ 1,255	$ 7,429	$10,350	$ 2,674	$ 6,299	$ 118
Equity in the effect of differences between Canada and United States accounting principles	(288)		(66)				
Earnings in accordance with generally accepted accounting principles in the United States	$ 289	$ 1,255	$ 7,363	$10,350	$ 2,674	$ 6,299	$ 118
Earnings per share in accordance with generally accepted accounting principles in the United States							
Before extraordinary items	$ 0.03	$ 0.13	$ 0.74	$ 1.04	$ 0.27	$ 0.62	$ 0.01
After extraordinary items	$ 0.03	$ 0.13	$ 0.74	$ 1.04	$ 0.27	$ 0.63	$ 0.01

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

	March 31,		December 31,				
	1985	1984	1984	1983	1982	1981	1980
Retained earnings (deficit) in accordance with Canadian accounting principles	$25,739	$19,486	$25,162	$18,231	$7,881	$5,207	$(1,092)
Equity in the effect of differences between Canadian and United States accounting principles	(354)		(66)				
Retained earnings (deficit) in accordance with United States accounting principles	$25,385	$19,486	$25,096	$18,231	$7,881	$5,207	$(1,092)

10. Unaudited Interim Financial Information

The financial information as at March 31, 1985 and for the three months ended March 31, 1985 and 1984 included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary to a fair presentation of the results for the interim period.

Supplemental Information (Unaudited)

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

Selected Quarterly Data

	Revenues	Earnings before extraordinary items	Earnings	Earnings per share: Before extraordinary items	Earnings per share: After extraordinary items
1985					
First quarter	$ 1,138	$ 577	$ 577	$0.06	$0.06
1984					
First quarter	$ 1,350	$1,255	$ 1,255	$0.13	$0.13
Second quarter	1,019	904	4,375	0.09	0.44
Third quarter	1,241	1,119	1,119	0.11	0.11
Fourth quarter	881	680	680	0.07	0.07
	$ 4,491	$3,958	$ 7,429	$0.40	$0.75
1983					
First quarter	$ 1,047	$ 945	$ 945	$0.09	$0.09
Second quarter	843	520	6,406	0.06	0.65
Third quarter	978	817	817	0.08	0.08
Fourth quarter	1,451	1,387	2,182	0.14	0.22
	$ 4,319	$3,669	$10,350	$0.37	$1.04

TABLE OF APPENDICES

APPENDIX 1

AMALGAMATION AGREEMENT

THIS AGREEMENT made as of the 24th day of July, 1985.

BETWEEN:

LAC MINERALS LTD., a corporation incorporated under the laws of the Province of Ontario
(hereinafter called "Lac Minerals")

OF THE FIRST PART

– and –

LITTLE LONG LAC GOLD MINES LIMITED, a corporation incorporated under the laws of the Province of Ontario
(hereinafter called "Little Long Lac")

OF THE SECOND PART

– and –

LAKE SHORE MINES, LIMITED, a corporation incorporated under the laws of the Province of Ontario
(hereinafter called "Lake Shore")

OF THE THIRD PART

– and –

WRIGHT-HARGREAVES MINES, LIMITED, a corporation incorporated under the laws of the Province of Ontario
(hereinafter called "Wright")

OF THE FOURTH PART

– and –

529068 ONTARIO LIMITED, a corporation incorporated under the laws of the Province of Ontario
(hereinafter called "529068")

OF THE FIFTH PART

– and –

573776 ONTARIO INC., a corporation incorporated under the laws of the Province of Ontario
(hereinafter called "573776")

OF THE SIXTH PART

WHEREAS the parties hereto, acting under the authority contained in the Business Corporations Act, 1982 (the "Act"), propose to amalgamate upon the terms and conditions hereinafter set out;

AND WHEREAS each party hereto has made full and complete disclosure to the other parties hereto of its assets and liabilities;

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. In this Agreement the term "Amalgamated Corporation" shall mean the corporation continuing from the amalgamation of Lac Minerals, Little Long Lac, Lake Shore, Wright, 529068 and 573776, and the term "Amalgamating Corporations" shall collectively mean Lac Minerals, Little Long Lac, Lake Shore, Wright, 529068 and 573776.

2. Each of the Amalgamating Corporations hereby agrees to amalgamate under the provisions of the Act as of 5:00 p.m. Toronto time (the "Effective Time") on July 24, 1985 (the "Effective Date") and to continue as one corporation under the terms and conditions hereinafter set out.

3. The name of the Amalgamated Corporation shall be:

LAC Minerals Ltd.

4. The place in Ontario where the registered office of the Amalgamated Corporation is to be situated is in the Municipality of Metropolitan Toronto at the City of Toronto until changed in accordance with the Act.

5. The Amalgamated Corporation shall be authorized to issue an unlimited number of common shares ("Common Shares") and an unlimited number of preferred shares issuable in series ("Preferred Shares").

6. The rights, privileges, restrictions and conditions attaching to the Common Shares of the Amalgamated Corporation and the Preferred Shares of the Amalgamated Corporation as a class are as follows (in paragraph 6 of this Agreement the Amalgamated Corporation is referred to as the "Corporation"):

1. Directors' Rights to Issue in One or More Series

The Preferred Shares may at any time or from time to time be issued in one or more series. Before any shares of a particular series are issued the directors of the Corporation shall determine the number of shares that will form such series and shall, subject to the limitations set out herein, by resolution fix the designation, rights, privileges, restrictions and conditions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate, amount or method of calculation of dividends thereon (which rate, amount or method of calculation may be subject to changes or adjustments), the time and place of payment of dividends, the consideration and the terms and conditions of any purchase for cancellation, retraction or redemption thereof, conversion rights (if any), the voting rights (if any) attached thereto, and the terms and conditions of any share purchase plan or sinking fund, the whole subject to the filing with the Director (as defined in the Business Corporations Act, 1982) of articles of amendment containing a description of such series including the rights, restrictions and conditions fixed by the directors.

2. Ranking of Preferred Shares

The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to accumulated dividends and return of capital, and shall be entitled to a preference over the Common Shares of the Corporation and over any other shares ranking junior to the Preferred Shares with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs. When any dividends or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulations, if any, in accordance with the sums that would be payable on such shares if all such dividends were declared and paid in full, and in respect of any repayment of capital in accordance with the sums that would be payable on such repayment of capital if all sums so payable were paid in full; provided, however, that in the event of there being insufficient assets to satisfy in full all such claims as aforesaid, the claims of the holders of the Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining thereafter shall be applied towards the payment and satisfaction of claims in respect of dividends. The Preferred Shares of any series may also be given such other preference not inconsistent with paragraphs 1 to 4 hereof over the Common Shares of the Corporation and over any other shares ranking junior to the Preferred Shares as may be determined in the case of such series of Preferred Shares.

3. Amendment with Approval of Holders of Preferred Shares

The rights, privileges, restrictions and conditions attaching to the Preferred Shares as a class may be added to, changed or removed but only with the approval of holders of Preferred Shares given as hereinafter specified.

4. **Approval of Holders of Preferred Shares**

The approval of the holders of Preferred Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Preferred Shares as a class or of any other matters requiring the consent of the holders of the Preferred Shares may be given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of Preferred Shares or passed by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the Preferred Shares duly called for that purpose.

The formalities to be observed in respect of the giving of notice of any such meeting or any adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Corporation with respect to meetings of shareholders. On every poll taken at every meeting of holders of Preferred Shares as a class, or at any joint meeting of the holders of two or more series of Preferred Shares, each holder of Preferred Shares entitled to vote thereat shall have one vote for each Preferred Share held.

5. **Common Shares**

(a) Subject to the prior rights of the holders of the Preferred Shares (i) the board of directors may declare and cause to be paid dividends to the holders of the Common Shares from any assets at the time properly applicable to the payment of dividends; and (ii) the holders of the Common Shares shall, in the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among shareholders for the purpose of winding-up its affairs, be entitled to receive the remaining assets of the Corporation.

(b) Each Common Share is equal to every other Common Share and the holders of the Common Shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Corporation and shall be entitled to one vote in respect of each Common Share held at such meetings, except meetings at which the holders of a particular class of shares other than the Common Shares are entitled to vote separately as a class.

7. The minimum number of directors of the Amalgamated Corporation shall be seven and the maximum number of directors of the Amalgamated Corporation shall be twenty-one. The name, address and resident Canadian status of the first directors of the Amalgamated Corporation are as follows:

Name	Residence Address	Resident Canadian
PETER A. ALLEN	18 Thornwood Rd. Toronto, Ontario M4W 2R9	Yes
JOHN C. L. ALLEN	9 Deer Park Crescent Apt. 1001 Toronto, Ontario M4V 2C4	Yes
JOHN E. MOCKRIDGE	"Greenhill", Ballsdown Road Chiddingfold Near Godalming Surrey, England GU84 XJ	No
BARTON A. THOMSON	80 Gloucester Street Toronto, Ontario M4Y 1L9	Yes
PAUL FORTIN	782 Upper Landsdowne Avenue Westmount, Quebec H3Y 1J8	Yes
HARRISON E. RUTETZKI	1 Chateau Drive Kirkland Lake, Ontario P2N 3M7	Yes
JOHN A. DOWNING	28 Silvergrove Place N.W. Calgary, Alberta T2B 4R3	Yes
DENNIS G. SHEEHAN	1266 Old River Road Mississauga, Ontario L5G 3G4	Yes
RICHARD P. SMITH	156 Clendenan Avenue Toronto, Ontario M6P 2X1	Yes
ROBERT C. STANLEY, JR.	578 Navesink River Road Red Bank, New Jersey USA 07701	No

Messrs. Mockridge, Thomson and Fortin shall hold office for a one year term expiring at the first annual meeting of the shareholders of the Amalgamated Corporation, Messrs. J. C. L. Allen, Downing and Stanley shall hold office for a two year term expiring at the second annual meeting of the shareholders of the Amalgamated Corporation and Messrs. P. A. Allen, Rutetzki, Sheehan and Smith shall hold office for a three year term expiring at the third annual meeting of the shareholders of the Amalgamated Corporation (in each case, until their respective successors are elected or appointed in accordance with the Act). No such first director shall be permitted to resign unless at the time the resignation is to become effective a successor is elected or appointed.

8. There shall be no restrictions on the business that the Amalgamated Corporation may carry on or on the powers that the Amalgamated Corporation may exercise.

9. The following other provisions shall apply to the Amalgamated Corporation (in paragraph 9 of this Agreement the Amalgamated Corporation is referred to as the "Corporation"):

1. The directors of the Corporation shall be classified, with respect to the time for which they severally hold office, into three classes, which classes shall be as nearly equal in number as possible, one class to hold office for a stated term expiring at the close of the first annual meeting of the shareholders of the Corporation; a second class to hold office for a stated term expiring at the close of the second annual meeting of the shareholders of the Corporation; and a third class to hold office for a stated term expiring at the close of the third annual meeting of the shareholders of the Corporation with the directors in each class to hold office until their respective successors are elected or appointed. At each annual meeting of the shareholders of the Corporation, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.
2. Whenever the number of directors within the minimum and maximum number of directors is changed, any newly created directorships or any decrease in directorships shall be so assigned among the classes of the directors then in office as to make all classes as nearly equal in number as may be. To the extent of any inequality within the limits of the foregoing, the class or classes then having the last date or the later dates for the expiration of its or their terms shall be the class or classes with the greatest or greater number of directorships.
3. Notwithstanding any provision of the articles or by-laws of the Corporation (and notwithstanding the fact that a lesser approval may be required by law), the provisions of paragraphs 1 and 2 hereof and the provisions of this paragraph shall not be amended, altered or repealed, and the Corporation shall not add to its articles or by-laws any provisions which are inconsistent with the provisions hereof, unless a resolution with respect thereto is submitted to a meeting of shareholders of the Corporation duly called and held in accordance with the provisions of the by-laws of the Corporation for the purpose of considering the same, and such resolution shall be passed, with or without amendment, by at least 75% of the votes cast thereon at such meeting.
4. In addition to, and without limiting such other powers which the Corporation may by law possess, the directors of the Corporation may, without authorization of the shareholders, by authentic deed, in particular but without limitation, for the purpose of securing any bonds, debentures or debenture stock which it is by law entitled to issue, hypothecate, mortgage, pledge, cede or transfer any property, moveable or immoveable, present or future which it may own.
5. The Corporation shall be permitted to set out its name in any language and the Corporation may be legally designated by that name.

10. At the Effective Time all the issued and outstanding shares of each of the Amalgamating Corporations which are held by any of the other Amalgamating Corporations shall be cancelled without any repayment of capital in respect thereof.

11. At the Effective Time the issued and outstanding shares of each of the Amalgamating Corporations shall be converted into issued and outstanding Common Shares of the Amalgamated Corporation as follows:

(a) all issued common shares of Lac Minerals which are held by shareholders other than the Amalgamating Corporations shall be converted, share for share, into Common Shares of the Amalgamated Corporation;

(b) all issued common shares of Little Long Lac which are held by shareholders other than the Amalgamating Corporations shall be converted into Common Shares of the Amalgamated Corporation on the basis of 2.377 Common Shares of the Amalgamated Corporation for each of such issued common shares of Little Long Lac;

(c) all issued shares of Lake Shore which are held by shareholders other than the Amalgamating Corporations shall be converted into Common Shares of the Amalgamated Corporation on the basis of 2.871 Common Shares of the Amalgamated Corporation for each of such issued shares of Lake Shore; and

(d) all issued shares of Wright which are held by shareholders other than the Amalgamating Corporations shall be converted into Common Shares of the Amalgamated Corporation on the basis of 0.498 Common Shares of the Amalgamated Corporation for each of such issued shares of Wright.

12. No share certificates for fractional interests in Common Shares of the Amalgamated Corporation will be issued pursuant to paragraph 13 hereof. Former holders of shares of any of the Amalgamating Corporations who would otherwise be entitled to a fractional common share pursuant to this Agreement will receive a cash payment from the Amalgamated Corporation for such fractional share interest on the basis that one Common Share of the Amalgamated Corporation has a value equal to the average of the daily closing prices for such shares on The Toronto Stock Exchange for the first five days upon which such shares are traded on that exchange. Payments to Canadian shareholders for fractional share interests will be made in Canadian funds. Payments to United States shareholders for fractional share interests will be made in United States funds converted at 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 on the Effective Date.

13. Following the Effective Time, certificates for Common Shares of the Amalgamated Corporation will be issued to former holders of shares of the Amalgamating Corporations in accordance with paragraph 11 hereof against deposit of their certificates representing shares of the Amalgamating Corporations with, in the case of United States shareholders, Canadian Imperial Bank of Commerce Trust Company, New York City, United States of America and in the case of all other shareholders, Canada Permanent Trust Company at its offices in Toronto, Montreal or Vancouver, Canada.

14. The officers of the Amalgamated Corporation shall, until changed by the directors, be as follows:

Name	Office
Peter A. Allen	President and Chief Executive Officer
Harrison E. Rutetzki	Senior Vice-President, Operations
Dennis G. Sheehan	Senior Vice-President, Exploration
Ian T. H. Hamilton	Senior Vice-President and General Counsel
D. Paul Moffat	Senior Vice-President, Finance
J. McIntosh Gibbs	Vice-President, Hemlo Development
Rolando C. Francisco	Treasurer
Hazel L. Rodrigues	Corporate Secretary

15. The by-laws of the Amalgamated Corporation are, to the extent not inconsistent with this Agreement, to be those of 529068 until repealed, amended, altered or added to.

16. Each of the Amalgamating Corporations shall contribute to the Amalgamated Corporation all of its assets, subject to its liabilities.

17. The stated capital account for the Common Shares of the Amalgamated Corporation shall be equal to the aggregate of the stated capital accounts for the shares of each of the Amalgamating Corporations immediately prior to the Effective Time, less the amounts thereof attributable to any shares, or any portion thereof, of the Amalgamating Corporations which are cancelled pursuant to paragraph 10 hereof or which are converted into fractional share interests in the Amalgamated Corporation.

18. Upon and subject to the shareholders of Lac Minerals, Little Long Lac, Lake Shore, Wright, 529068 and 573776 respectively approving the amalgamation of the Amalgamating Corporations and adopting this Agreement and subject to paragraphs 18 and 19 hereof, articles of amalgamation in prescribed form shall be sent to the Director under the Act together with the documents required by Section 177 of the Act.

19. The consummation of the amalgamation contemplated hereby is conditional upon the receipt of any necessary approvals by The Toronto Stock Exchange and The Montreal Exchange of the listing of the Amalgamated Corporation's Common Shares, provided that the said condition may be waived, in whole or in part, at any time prior to the Effective Date, by the boards of directors of all of the Amalgamating Corporations.

20. At any time before the endorsement of a certificate of amalgamation effecting the amalgamation of the Amalgamating Corporations, this Agreement may be terminated by the directors of any of the Amalgamating Corporations, notwithstanding the approval of this Agreement by the shareholders of such corporations.

IN WITNESS WHEREOF this Agreement has been duly executed by the parties hereto.

LAC MINERALS LTD.

By:______________________________

LITTLE LONG LAC GOLD MINES LIMITED

By:______________________________

LAKE SHORE MINES, LIMITED

By:______________________________

WRIGHT-HARGREAVES MINES, LIMITED

By:______________________________

529068 ONTARIO LIMITED

By:______________________________

573776 ONTARIO INC.

By:______________________________

APPENDIX 2

CALCULATION OF CONVERSION RATIOS

The primary assets of each of Little Long Lac, Wright and Lake Shore are their respective shareholdings, both direct and indirect, in Lac Minerals. Therefore, the methodology used to calculate the share conversion ratios for the public shareholders of each of the Amalgamating Corporations was based primarily on the relative effective share interests in Lac Minerals held by each public shareholder group of such Amalgamating Corporations (after the elimination of intercorporate shareholdings). In addition, consideration was given to the ownership by the three holding companies of their other respective assets, net of liabilities. Based on the advice of their financial advisors, the boards of directors of the Amalgamating Corporations determined that the share exchange ratios for the shareholders of Little Long Lac, Wright and Lake Shore which would result based solely on their relative effective share interests in Lac Minerals in addition to the book value of other assets net of liabilities owned by the three holding companies(1), should be discounted by 2.5% because of the relative advantages and disadvantages to such shareholders which would or may result from the proposed Amalgamation. Consideration of such relative advantages and disadvantages included: (i) a comparison of the share prices of each of the three holding companies since 1982 with their hypothetical share values, assuming they directly reflected the share price of their effective ownership in Lac Minerals, (ii) a review of the share liquidity of each of the Amalgamating Corporations since 1982, (iii) a comparison of the recent dividends, earnings and book value per share of each of the Amalgamating Corporations versus the pro forma dividends, earnings and book value of the LAC shares to be received in exchange, (iv) a comparison of the results of the elimination of the estimated potential unrealized tax liabilities of each of the four companies (and, indirectly, of their shareholders) by reason of the elimination of intercorporate holdings, (v) the potential loss of control over Lac Minerals by the three holding companies due to the elimination of the intercorporate holdings and (vi) the overall advantages of the Amalgamation as described in the Prospectus and Joint Proxy Statement.

The results of the foregoing considerations as at March 31, 1985 are as follows:

Shareholder Group	Percentage Interest in LAC	Total Shares Outstanding	Shares Cancelled Upon Amalgamation	Number of Shares to be Converted into LAC shares	Share Exchange Ratios (rounded to three decimal places)	Number of LAC Common Shares to be issued upon Amalgamation
Lac Minerals....	42.9969%	29,633,389	18,165,272	11,468,117	1:1	11,468,117
Little Long Lac..	19.7381%	4,096,668	1,881,714	2,214,954	2.377:1	5,264,946
Lake Shore	27.3230%	5,104,499	2,566,152	2,538,347	2.871:1	7,287,594
Wright	9.9420%	9,962,877	4,637,329	5,325,548	0.498:1	2,652,123
						26,672,780

(1) Based on the average trading price of Lac Minerals on The Toronto Stock Exchange for the 30 trading days immediately preceeding May 15, 1985, the date of the public announcement of the proposed Amalgamation, which price was $34.40 per share, and the net book value of the other assets, net of liabilities, owned by the three holding companies, the share exchange ratios for the Amalgamating Corporations without allowing for the 2.5% discount would be as follows: (new shares: old shares)

Lac Minerals	1:1
Little Long Lac	2.438:1
Lake Shore	2.945:1
Wright	0.511:1

APPENDIX 3

FAIRNESS OPINION

MORGAN STANLEY

MORGAN STANLEY & CO.
INCORPORATED
1251 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10020

The Boards of Directors of:
Lac Minerals Ltd.
Little Long Lac Gold Mines Limited
Lake Shore Mines, Limited
Wright-Hargreaves Mines, Limited

June 7, 1985

Dear Sirs:

We understand that Lac Minerals Ltd. ("Lac Minerals"), Little Long Lac Gold Mines Limited ("Little Long Lac"), Lake Shore Mines, Limited ("Lake Shore") and Wright-Hargreaves Mines, Limited ("Wright"), (the "Amalgamating Corporations") propose to amalgamate under the provisions of the Business Corporations Act, 1982 (Ontario) continuing as one corporation (the "Amalgamated Corporation"). We understand that the effect of the proposed amalgamation (the "Amalgamation") will be that:

(a) each common shareholder of Lac Minerals will receive 1.0 common share of the Amalgamated Corporation for each common share of Lac Minerals;

(b) each common shareholder of Little Long Lac will receive 2.377 common shares of the Amalgamated Corporation for each common share of Little Long Lac;

(c) each common shareholder of Lake Shore will receive 2.871 common shares of the Amalgamated Corporation for each common share of Lake Shore; and

(d) each common shareholder of Wright will receive .498 common shares of the Amalgamated Corporation for each common share of Wright.

In connection with the Amalgamation, you have requested our opinion as to whether the share exchange ratios in the Amalgamation are fair to the shareholders of each of the Amalgamating Corporations from a financial point of view.

For purposes of our opinion, we have, among other things,

(a) studied certain publicly available data with respect to the Amalgamating Corporations, including consolidated financial statements for recent years and interim periods to date;

(b) discussed the current operations and prospects of the Amalgamating Corporations with certain senior management;

(c) reviewed reported market prices and trading volumes of the common stock of the Amalgamating Corporations from 1982 to date;

(d) reviewed the pro forma financial effects of the Amalgamation;

(e) compared the financial performance of the Amalgamating Corporations with that of certain other publicly-traded companies;

(f) reviewed the terms, to the extent publicly available, of certain recent acquisition transactions;

(g) reviewed the drafts of the Registration Statement, Prospectus and Joint Proxy Statement pertaining to the Amalgamation;

(h) reviewed the terms of other amalgamations of companies with intercorporate holdings;

(i) visited the Lac Minerals Hemlo Project and discussed its operations and prospects with the Hemlo Project Manager as well as certain senior management of Lac Minerals; and

(j) made such other analyses as we have deemed appropriate.

We have assumed and relied upon the accuracy and completeness of publicly available information relating to the Amalgamating Corporations, on the information contained in the Registration Statement, Prospectus and Joint Proxy Statement and on other information and material provided to us by, and through discussions with, the management of the Amalgamating Corporations. We have not independently verified the accuracy or completeness of any of the information or data, including, without limitation the information contained in the Registration Statement, Prospectus and Joint Proxy Statement. In addition, we have not independently verified the legal effectiveness of the Amalgamation or other matters of Canadian law applicable thereto, nor the income tax consequences resulting therefrom and have relied solely upon the description of such matters in the Registration Statement, Prospectus and Joint Proxy Statement as being complete and accurate in all material respects.

Based upon our analysis and subject to the foregoing limitations, we are of the opinion at the date hereof that the above share exchange ratios are fair to the shareholders of the Amalgamating Corporations from a financial point of view.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

By: /s/ JOHN H. T. WILSON

John H. T. Wilson
Managing Director

APPENDIX 4

FAIRNESS OPINION

WOOD GUNDY INC. P.O. Box 274, Royal Trust Tower, Toronto-Dominion Centre
Toronto, Ontario, M5K 1M7 Telephone (416) 869-8100

To the Boards of Directors of:
Lac Minerals Ltd.
Little Long Lac Gold Mines Limited
Lake Shore Mines, Limited
Wright-Hargreaves Mines, Limited

June 10, 1985

Dear Sirs:

We understand that Lac Minerals Ltd. ("Lac Minerals"), Little Long Lac Gold Mines Limited ("Little Long Lac"), Lake Shore Mines, Limited ("Lake Shore") and Wright-Hargreaves Mines, Limited ("Wright"), (the "Amalgamating Corporations") propose to amalgamate under the provisions of the Business Corporations Act, 1982 (Ontario) continuing as one corporation (the "Amalgamated Corporation"). We understand that the effect of the proposed amalgamation (the "Amalgamation") will be that:

(a) each common shareholder of Lac Minerals will receive 1.0 common share of the Amalgamated Corporation for each common share of Lac Minerals;

(b) each common shareholder of Little Long Lac will receive 2.377 common shares of the Amalgamated Corporation for each common share of Little Long Lac;

(c) each common shareholder of Lake Shore will receive 2.871 common shares of the Amalgamated Corporation for each common share of Lake Shore; and

(d) each common shareholder of Wright will receive 0.498 common shares of the Amalgamated Corporation for each common share of Wright.

In connection with the Amalgamation, you have requested our opinion as to whether the conversion ratios in the Amalgamation are fair to the shareholders of each of the Amalgamating Corporations from a financial point of view.

In forming our opinion, we have reviewed, among other things, the financial position of the Amalgamating Corporations, had consultations with and made inquiries of senior management thereof, reviewed the Registration Statement, Prospectus and Joint Proxy Statement of the Amalgamating Corporations pertaining to the Amalgamation (the "Registration Statement, Prospectus and Joint Proxy Statement") and conducted such other investigations as we determined appropriate or necessary in the circumstances.

We have relied upon publicly available information relating to the Amalgamating Corporations and their respective financial positions, on the information contained in the Registration Statement, Prospectus and Joint Proxy Statement and on other information and material provided to us by, and through discussions with, the management of the Amalgamating Corporations. We have not independently verified the accuracy or completeness of any of the foregoing information or data, including, without limitation, the information contained in the Registration Statement, Prospectus and Joint Proxy Statement. We have not independently verified the legal effectiveness of the Amalgamation nor the income tax consequences resulting therefrom and have relied upon the description of such matters in the Registration Statement, Prospectus and Joint Proxy Statement being complete and accurate in all material respects.

Based upon our analysis and subject to the foregoing limitations, we are of the opinion at the date hereof that the conversion ratios in the Amalgamation are fair to the shareholders of the Amalgamating Corporations from a financial point of view.

Yours very truly,

WOOD GUNDY INC.

By /s/ R. D. FALCONER

R. D. Falconer
Vice-President and Director

APPENDIX 5

LAC MINERALS LTD.

BY-LAW NO. 1

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LAC Minerals Ltd.

BY-LAW NO. 1

A by-law relating generally to the conduct of the affairs of the Corporation.

INTERPRETATION

1. In this by-law and all other by-laws of the Corporation, unless the context otherwise specifies or requires:
   (a) "Act" means the Business Corporations Act, S.O. 1982, c. 4 as from time to time amended and every statute that may be substituted therefor and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Act shall be read as references to the substituted provisions therefor in the new statute or statutes;
   (b) "Regulations" means the Regulations made under the Act as from time to time amended and every regulation that may be substituted therefor and, in the case of such substitution, any references in the by-laws of the Corporation to provisions of the Regulations shall be read as references to the substituted provisions therefor in the new regulations;
   (c) "by-law" means any by-law of the Corporation from time to time in force and effect;
   (d) all terms which are contained in the by-laws of the Corporation and which are defined in the Act or the Regulations shall have the meanings given to such terms in the Act or the Regulations; and
   (e) the singular shall include the plural and the plural shall include the singular; the masculine shall include the feminine; and the word "person" shall include bodies corporate, corporations, companies, partnerships, syndicates, trusts and any number or aggregate of persons.

SEAL

2. The Corporation may but need not have a corporate seal. Any corporate seal adopted for the Corporation shall be such as the board of directors may by resolution from time to time approve.

MEETINGS OF DIRECTORS

3. *Place of Meeting.* Meetings of the board of directors and of the committee of directors, if any, may be held within or outside Ontario and in any financial year of the Corporation a majority of the meetings of the board of directors need not be held at a place within Canada.

4. *Notice.* A meeting of directors may be convened by the President if he is a director, a Vice-President who is a director or the board of directors at any time and the Secretary, when directed or authorized by any of such officers or the board of directors, shall convene a meeting of directors. Subject to subsection 126(8) of the Act the notice of any such meeting need not specify the purpose of or the business to be transacted at the meeting. Notice of any such meeting shall be served in the manner specified in paragraph 21 of this by-law not less than two days (exclusive of the day on which the notice is delivered or sent but inclusive of the day for which notice is given) before the meeting is to take place; provided always that a director may in any manner and at any time waive notice of a meeting of directors and attendance of a director at a meeting of directors shall constitute a waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

If the first meeting of the board of directors following the election of directors by the shareholders is held immediately thereafter, then for such meeting or for a meeting of the board of directors at which a director is appointed to fill a vacancy in the board, no notice shall be necessary to the newly elected or appointed directors or director in order to legally constitute the meeting, provided that a quorum of the directors is present.

5. *Quorum.* Two-fifths (⅖) of the directors shall form a quorum for the transaction of business and, notwithstanding any vacancy among the directors, a quorum of directors may exercise all the powers of directors. No business shall be transacted at a meeting of directors unless a quorum of the board is present and, except as otherwise permitted by the Act, a majority of directors present are resident Canadians.

6. *Chairman and Voting.* If he is a director, the President shall, when present, preside at all meetings of the directors. If the President is not a director or is absent from any meeting, a director designated by the board of directors or by the directors present at the meeting shall preside at such meeting.

Questions arising at any meeting of the board of directors shall be decided by a majority of votes. In case of an equality of votes the chairman of the meeting in addition to his original vote shall have a second or casting vote.

SUBMISSION OF CONTRACTS OR TRANSACTIONS TO SHAREHOLDERS FOR APPROVAL

7. The board of directors in its discretion may submit any contract, act or transaction for approval or ratification at any annual meeting of the shareholders or at any special meeting of the shareholders called for the purpose of considering the same and, subject to the provisions of section 132 of the Act, any such contract, act or transaction that shall be approved or ratified or confirmed by a resolution passed by a majority of the votes cast at any such meeting (unless any different or additional requirement is imposed by the Act or by the Corporation's articles or any other by-law) shall be as valid and as binding upon the Corporation and upon all the shareholders as though it had been approved, ratified or confirmed by every shareholder of the Corporation.

FOR THE PROTECTION OF DIRECTORS AND OFFICERS

8. *Interests of Directors.* In supplement of and not by way of limitation upon any rights conferred upon directors by section 132 of the Act, it is declared that no director shall be disqualified by his office from, or vacate his office by reason of, holding any office or place of profit under the Corporation or under any body corporate in which the Corporation shall be a shareholder or by reason of being otherwise in any way directly or indirectly interested or contracting with the Corporation either as vendor, purchaser or otherwise or being concerned in any contract or arrangement made or proposed to be entered into with the Corporation in which he is in any way directly or indirectly interested either as vendor, purchaser or otherwise nor shall any director be liable to account to the Corporation or any of its shareholders or creditors for any profit arising from any such office or place of profit; and, subject to the provisions of section 132 of the Act, no contract or arrangement entered into by or on behalf of the Corporation in which any director shall be in any way directly or indirectly interested shall be avoided or voidable and no director shall be liable to account to the Corporation or any of its shareholders or creditors for any profit realized by or from any such contract or arrangement by reason of any fiduciary relationship. Notwithstanding the provisions of the Act, every director and officer shall declare any material interest in respect of a material transaction, material contract, proposed material contract or proposed material transaction with the Corporation or an affiliate of the Corporation in which such director or officer is in any way directly or indirectly interested and any director shall refrain from voting in respect of such contract, proposed contract or transaction.

9. *Liability of Directors.* Except as otherwise provided in the Act, no director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation including any person, firm or corporation with whom or which any moneys, securities or effects shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto unless the same shall happen by or through his failure to exercise the powers and to discharge the duties of his office honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The directors for the time being of the Corporation shall not be under any duty or responsibility in respect of any contract, act or transaction whether or not made, done or entered into in the name or on behalf of the Corporation, except such as shall have been submitted to and authorized or approved by the board of directors. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a company which is employed by or performs services for the Corporation, the fact of his being a director or officer of the Corporation shall not disentitle such director or officer or such firm or company, as the case may be, from receiving proper remuneration for such services.

INDEMNITIES TO DIRECTORS AND OFFICERS

10. Subject to the provisions of section 136 of the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful. The Corporation shall also indemnify any such person in such other circumstances as the Act or law permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law to the extent permitted by the Act or law.

SHAREHOLDERS' MEETINGS

11. *Annual Meeting.* Subject to the provisions of section 94 of the Act, the annual meeting of the shareholders shall be held on such day in each year and at such time as the directors may by resolution determine and shall be held at any place in or outside Ontario as the directors determine or, in the absence of such determination, at the place where the registered office of the Corporation is located.

12. *Special Meetings.* Special meetings of the shareholders may be convened by order of the President if he is a director, a Vice-President who is a director or by the board of directors at any date and time and shall be held at any place in or outside Ontario as the directors determine or, in the absence of such determination, at the place where the registered office of the Corporation is located.

13. *Notice.*

(a) Subject to the provisions of subparagraph (b) hereof, a printed, written or typewritten notice stating the day, hour and place of an annual meeting or any special meeting shall be given by serving such notice on each shareholder entitled to vote at such meeting, on each director and on the auditor of the Corporation in the manner specified in paragraph 21 of this by-law, not less than twenty-one days but not more than fifty days (in each case, subject to clause 1(1)13 of the Act, exclusive of the day on which the notice is delivered or sent and of the day for which notice is given) before the date of the meeting.

(b) Notwithstanding the provisions of subparagraph (a) hereof, a printed, written or typewritten notice stating the day, hour and place of any meeting requisitioned by the holders of not less than 5 percent of the issued shares of the Corporation that carry the right to vote at a requisitioned meeting shall be given by serving such notice on each shareholder entitled to vote at such meeting, on each director and on the auditor of the Corporation in the manner specified in paragraph 21 of this by-law, not less than forty days but not more than fifty days (in each case, subject to clause 1(1) 13 of the Act, exclusive of the day on which the notice is delivered or sent and of the day for which notice is given) before the date of the meeting.

14. *Omission of Notice.* The accidental omission to give notice of any meeting or any irregularity in the notice of any meeting or the non-receipt of any notice by any shareholder or shareholders, director or directors or the auditor of the Corporation shall not invalidate any resolution passed or any proceedings taken at any meeting of shareholders.

15. *Chairman.* If he is a director, the President shall, when present, preside at all meetings of the shareholders. In the event that the President is absent or is not a director, the persons who are present and entitled to vote shall choose another director as chairman of the meeting and if no director is present or if all the directors present decline to take the chair then the persons who are present and entitled to vote shall choose one of their number to be chairman.

16. *Votes.* Every question submitted to any meeting of shareholders shall be decided in the first instance by a show of hands unless a person entitled to vote at the meeting has demanded a ballot and in the case of an equality of votes the chairman of the meeting shall both on a show of hands and on a ballot have a second or casting vote in addition to the vote or votes to which he may be otherwise entitled.

At any meeting unless a ballot is demanded a declaration by the chairman of the meeting that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

A ballot may be demanded either before or after any vote by show of hands by any person entitled to vote at the meeting. If at any meeting a ballot is demanded on the election of a chairman or on the question of adjournment it shall be taken forthwith without adjournment. If at any meeting a ballot is demanded on any other question or as to the election of directors, the vote shall be taken by ballot in such manner and either at once, later in the meeting or after adjournment as the chairman of the meeting directs. The result of a ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded. A demand for a ballot may be withdrawn.

Where two or more persons hold the same share or shares jointly one of those holders present at a meeting of shareholders may, in the absence of the other or others, vote the share or shares but if two or more of those persons who are present, in person or by proxy, vote, they shall vote as one on the share or shares jointly held by them.

17. *Proxies.* The directors may from time to time make regulations regarding the lodging of proxies at some place or places other than the place at which a meeting or adjourned meeting of shareholders is to be held and for particulars of such proxies to be cabled or telegraphed or sent by telex or in writing before the meeting or adjourned meeting to the Corporation or any agent of the Corporation for the purpose of receiving such particulars and providing that proxies so lodged may be voted upon as though the proxies themselves were produced at the meeting or adjourned meeting and votes given in accordance with such regulations shall be valid and shall be counted. The chairman of any meeting of shareholders may, subject to any regulations made as aforesaid, in his discretion accept telegraphic or cable or telex or written communication as to the authority of any person claiming to vote on behalf of and to represent a shareholder notwithstanding that no proxy conferring such authority has been lodged with the Corporation, and any votes given in accordance with such telegraphic or cable or telex or written communication accepted by the chairman of the meeting shall be valid and shall be counted.

18. *Adjournment.* The chairman of any meeting may with the consent of the meeting adjourn the same from time to time to a fixed time and place and no notice of such adjournment need be given to the shareholders unless the meeting is adjourned by one or more adjournments for an aggregate of thirty days or more in which case subject to subsection 96(4) of the Act notice of the adjourned meeting shall be given as for an original meeting. Any business may be brought before or dealt with at any adjourned meeting for which no notice is required which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

19. *Quorum.*

(a) Subject to the provisions of subparagraph (b) hereof, a quorum at any meeting of shareholders (unless a greater number of persons are required to be present or a greater number of shares are required to be represented by the Act or by the articles or any other by-law) shall be persons present not being less than two in number and holding or representing not less than twenty per cent of the total number of the issued shares of the Corporation for the time being enjoying voting rights at such meeting.

(b) Notwithstanding the provisions of subparagraph (a) hereof, where at any meeting of shareholders, the shareholders are asked to consider and vote on any of

(i) the removal of any director or directors of the Corporation from office;

(ii) the election or appointment of any person as a director of the Corporation not recommended by a majority of the directors then in office;

(iii) the adding to the qualifications of a person to be a director of the Corporation;

(iv) any confirmation of any by-law or resolution amending, repealing, replacing or otherwise dealing with any of the matters provided for in this paragraph 19; or

(v) any amendment to the articles of the Corporation which in any manner amends, repeals or otherwise relates to or deals with any of the provisions of this paragraph 19;

the quorum with respect to such matters only (unless a greater number of persons are required to be present or a greater number of shares are required to be represented by the Act or by the articles or any other by-law) shall be persons present not being less than two in number and holding or representing not less than seventy-five per cent of the total number of the issued shares of the Corporation for the time being enjoying voting rights at such meeting.

(c) No business shall be transacted at any meeting unless the requisite quorum be present at the time of the transaction of such business. If a quorum is not present at the time appointed for a meeting of shareholders or within such reasonable time thereafter as the shareholders present may determine, the persons present and entitled to vote may adjourn the meeting to a fixed time and place but may not transact any other business and the provisions of paragraph 18 with regard to notice shall apply to such adjournment.

SHARES

20. *Certificates.* Share certificates and the form of stock transfer power on the reverse side thereof shall (subject to section 56 of the Act) be in such form as the board of directors may by resolution approve and such certificates shall be signed by the President or a Vice-President and the Secretary or an Assistant Secretary holding office at the time of signing.

The signature of the President or a Vice-President may be printed, engraved, lithographed or otherwise mechanically reproduced upon certificates for shares of the Corporation. Certificates so signed shall be deemed to have been manually signed by the President or the Vice-President whose signature is so printed, engraved, lithographed or otherwise mechanically reproduced thereon and shall be as valid for all intents and purposes as if they had been signed manually. Where the Corporation has appointed a registrar, transfer agent or branch transfer agent or other authenticating agent for the shares (or for the shares of any class or classes) of the Corporation the signature of the Secretary or Assistant Secretary may also be printed, engraved, lithographed or otherwise mechanically reproduced on certificates representing the shares (or the shares of the class or classes in respect of which any such appointment has been made) of the Corporation and when countersigned by or on behalf of a registrar, transfer agent, branch transfer agent or other authenticating agent such certificates so signed shall be as valid for all intents and purposes as if they had been signed manually. A share certificate containing the signature of a person which is printed, engraved, lithographed or otherwise mechanically reproduced thereon may be issued notwithstanding that the person has ceased to be an officer of the Corporation and shall be as valid as if he were an officer at the date of its issue.

NOTICES

21. *Service.* Any notice or other document required by the Act, the Regulations, the articles or the by-laws to be sent to any shareholder or director or to the auditor shall be delivered personally or sent by prepaid mail or by telegram or cable or telex to any such shareholder at his latest address as shown in the records of the Corporation or its transfer agent and to any such director at his latest address as shown in the records of the Corporation or the most recent notice filed under the Corporations Information Act, whichever is the most current and to the auditor at his business address; provided always that notice may be waived or the time for the notice may be waived or abridged at any time with the consent in writing of the person entitled thereto. If a notice or document is sent to a shareholder by prepaid mail in accordance with this paragraph and the notice or document is returned on three consecutive occasions because the shareholder cannot be found, it shall not be necessary to send any further notices or documents to the shareholder until he informs the Corporation in writing of his new address.

22. *Shares Registered in More Than One Name.* All notices or other documents with respect to any shares registered in more than one name shall be given to whichever of such persons is named first in the records of the Corporation and any notice or other document so given shall be sufficiently given to all the holders of such shares.

23. *Persons Becoming Entitled by Operation of Law.* Subject to section 67 of the Act every person who by operation of law, transfer or any other means whatsoever shall become entitled to any share or shares shall be bound by every notice or other document in respect of such share or shares which, previous to his name and address being entered in the records of the Corporation, shall be duly given to the person or persons from whom he derives his title to such share or shares.

24. *Deceased Shareholders.* Subject to section 67 of the Act any notice or other document delivered or sent by post, telegram or telex or left at the address of any shareholder as the same appears in the records of the Corporation shall, notwithstanding that such shareholder be then deceased, and whether or not the Corporation has notice of his decease, be deemed to have been duly served in respect of the shares held by such shareholder (whether held solely or with any other person or persons) until some other person be entered in his stead in the records of the Corporation as the holder or one of the holders thereof and such service shall for all purposes be deemed a sufficient service of such notice or document on his heirs, executors or administrators and on all persons, if any, interested through him or with him in such shares.

25. *Signature to Notices.* The signature of any director or officer of the Corporation to any notice or document to be given by the Corporation may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

26. *Computation of Time.* Where a given number of days' notice or notice extending over a period is required to be given under any provisions of the articles or by-laws of the Corporation the day of service or posting of the notice or document shall not, unless it is otherwise provided, be counted in such number of days or other period.

27. *Proof of Service.* With respect to every notice or other document sent by post it shall be sufficient to prove that the envelope or wrapper containing the notice or other document was properly addressed as provided in paragraph 21 of this by-law and put into a Post Office or into a letter box. A certificate of an officer of the Corporation in office at the time of the making of the certificate or of a transfer officer of any transfer agent or branch transfer agent of shares of any class of the Corporation as to facts in relation to the sending or delivery of any notice or other document to any shareholder, director, officer or auditor or publication of any notice or other document shall be conclusive evidence thereof and shall be binding on every shareholder, director, officer or auditor of the Corporation as the case may be.

CHEQUES, DRAFTS AND NOTES

28. All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by such officer or officers or person or persons, whether or not officers of the Corporation, and in such manner as the board of directors may from time to time designate by resolution.

EXECUTION OF INSTRUMENTS

29. Contracts, documents or instruments in writing requiring the signature of the Corporation may be signed by

(a) any two of the President, a Vice-President, the Secretary and the Treasurer;

(b) any two directors; or

(c) any one of the aforementioned officers together with any one director;

and all contracts, documents and instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board of directors shall have power from time to time by resolution to appoint any officer or officers, or any person or persons, on behalf of the Corporation either to sign contracts, documents and instruments in writing generally or to sign specific contracts, documents or instruments in writing.

The corporate seal of the Corporation, if any, may be affixed to contracts, documents and instruments in writing signed as aforesaid or by any officer or officers, person or persons, appointed as aforesaid by resolution of the board of directors but any such contract, document or instrument is not invalid merely because the corporate seal, if any, is not affixed thereto.

The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, immovable or movable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, share warrants, stocks, bonds, debentures or other securities and all paper writings.

In particular without limiting the generality of the foregoing

(a) any two of the President, a Vice-President, the Secretary and the Treasurer;

(b) any two directors; or

(c) any one of the aforementioned officers together with any one director;

shall have authority to sell, assign, transfer, exchange, convert or convey any and all shares, stocks, bonds, debentures, rights, warrants or other securities owned by or registered in the name of the Corporation and to sign and execute (under the seal of the Corporation or otherwise) all assignments, transfers, conveyances, powers of attorney and other instruments that may be necessary for the purpose of selling, assigning, transferring, exchanging, converting or conveying any such shares, stocks, bonds, debentures, rights, warrants or other securities.

The signature or signatures of the President, a Vice-President, the Secretary, the Treasurer, or any director or directors of the Corporation and/or of any other officer or officers, person or persons, appointed as aforesaid by resolution of the board of directors may, if specifically authorized by resolution of the directors, be printed, engraved, lithographed or otherwise mechanically reproduced upon any contracts, documents or instruments in writing or bonds, debentures or other securities of the Corporation executed or issued by or on behalf of the Corporation and all contracts, documents or instruments in writing or bonds, debentures or other securities of the Corporation on which the signature or signatures of any one or more of the foregoing officers or directors or the officers or persons authorized as aforesaid shall be so reproduced pursuant to special authorization by resolution of the directors shall be deemed to have been manually signed by each such officer, director or person whose signature is so reproduced and shall be as valid to all intents and purposes as if they had been signed manually and notwithstanding that any such officer, director or person whose signature is so reproduced may have ceased to hold office at the date of the delivery or issue of such contracts, documents or instruments in writing or bonds, debentures or other securities of the Corporation.

FINANCIAL YEAR

30. The financial year of the Corporation shall terminate on such date in each year as the directors may from time to time by resolution determine.

ENACTED this 24th day of July, 1985.

____
President

____
Secretary

LAC MINERALS LTD.

BY-LAW NO. 2

A by-law respecting the borrowing of money by the Corporation.

1. In addition to, and without limiting such other powers which the Corporation may by law possess, the directors of the Corporation may, without authorization of the shareholders,

(a) borrow money upon the credit of the Corporation;

(b) issue, reissue, sell or pledge debt obligations of the Corporation; and

(c) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

The words "debt obligation" as used in this paragraph mean a bond, debenture, note or other similar obligation or guarantee of such an obligation of the Corporation, whether secured or unsecured.

2. The directors may from time to time by resolution delegate the powers conferred on them by paragraph 1 of this by-law to a director, a committee of directors or an officer of the Corporation.

3. The powers hereby conferred shall be deemed to be in supplement of and not in substitution for any powers to borrow money for the purposes of the Corporation possessed by its directors or officers independently of a borrowing by-law.

ENACTED this 24th day of July, 1985.

President

Secretary

APPENDIX 6

RIGHT OF DISSENT

A holder of Lac Minerals common shares, Little Long Lac shares, Lake Shore shares or Wright shares (each of which is hereinafter referred to as "Shares") who has sent a written objection ("Notice of Dissent") to Lac Minerals, Little Long Lac, Lake Shore or Wright, as the case may be (each of which is hereinafter referred to as a "Corporation"), no later than the termination of the Lac Minerals Meeting, the Little Long Lac Meeting, the Lake Shore Meeting or the Wright Meeting, respectively, and who has not voted for the special resolution of the shareholders of such corporations set out in Appendix 7 hereto (the "Special Resolution") may exercise his right of dissent by conforming to the procedures set forth in section 184 of the Business Corporations Act, 1982 (the "Ontario Act"). The provisions of section 184 are summarized below.

Within ten (10) days following the adoption of the Special Resolution by shareholders, the Corporation is required to notify in writing each holder of Shares (a "Dissenting Shareholder") who has duly filed a Notice of Dissent and has neither voted for the Special Resolution nor withdrawn his objection that the Special Resolution has been adopted. A Dissenting Shareholder must, within twenty (20) days after he receives notice of adoption of the Special Resolution, or, if he does not receive such notice, within twenty (20) days after he learns that the Special Resolution has been adopted, send to the Corporation a written notice (the "Demand for Payment") containing his name and address, the number of Shares of the Corporation in respect of which he dissents (the "Dissenting Shares") and a demand for payment of the fair value of such Dissenting Shares. A Dissenting Shareholder may only send a Demand for Payment in respect of all Shares held by him. Within thirty (30) days of the sending of his Demand for Payment, the Dissenting Shareholder must send the certificates representing the Dissenting Shares to the Corporation or to its Transfer Agent. The Corporation or the Transfer Agent will endorse on the share certificates representing the Dissenting Shares a notice that the holder thereof is a Dissenting Shareholder and will forthwith return such share certificates to the Dissenting Shareholder. If the Dissenting Shareholder fails to comply with any of the foregoing requirements he has no right to make a claim under section 184.

On sending a Demand for Payment to the Corporation, a Dissenting Shareholder ceases to have any rights as a holder of the Dissenting Shares except the right to be paid the fair value of the Dissenting Shares, unless:

(i) the Dissenting Shareholder withdraws his Demand for Payment before the Corporation makes a written offer to pay (the "Offer to Pay"),

(ii) the Corporation fails to send an Offer to Pay to the Dissenting Shareholder within the time period hereinafter specified and the Dissenting Shareholder withdraws his Demand for Payment, or

(iii) the directors of the Corporation revoke the Special Resolution,

in which case the Dissenting Shareholder's rights as a holder of the Dissenting Shares are reinstated as of the date he sent the Demand for Payment.

Not later than seven (7) days following the later of the date of the Certificate of Amalgamation giving effect to the Special Resolution or the date on which the Corporation received a Demand for Payment, the Corporation must send to each Dissenting Shareholder who has sent a Demand for Payment an Offer to Pay for the Dissenting Shares held by him in an amount considered by the board of directors of the Corporation to be the fair value thereof accompanied by a statement showing the manner of determination of such fair value. Every Offer to Pay for Dissenting Shares must be on the same terms. The amount specified in an Offer to Pay accepted by a Dissenting Shareholder must be paid by the Corporation within ten (10) days of the acceptance thereof but any Offer to Pay will lapse if the Corporation does not receive an acceptance thereof within thirty (30) days after making such an Offer to Pay.

If an Offer to Pay is not made by the Corporation or if a Dissenting Shareholder fails to accept an Offer to Pay, the Corporation may, within fifty (50) days after the date of the Certificate of Amalgamation giving effect to the Special Resolution or within such further period as the court may allow, apply to the court to fix a fair value for the Dissenting Shares of any Dissenting Shareholder. If the Corporation fails to so apply to the court, the Dissenting Shareholder may apply to the court for the same purpose within a further period of twenty (20) days or within such further period as the court may allow. Any such application shall be made to the High Court of Justice of the Province of Ontario.

A Dissenting Shareholder is not required to give security for costs in any such application to the court and all Dissenting Shareholders whose Dissenting Shares have not been purchased by the Corporation will be joined as parties and bound by the decision of the court. If the Corporation fails to make an Offer to Pay within the time period hereinbefore specified, the costs of such application are to be borne by the Corporation unless the court otherwise directs. The Corporation will be required to notify each affected Dissenting Shareholder of the date, place and consequence of any application and of the rights of a Dissenting Shareholder to appear and be heard in person or by counsel. Upon such an application to the court, the court may determine whether any person is a Dissenting Shareholder who should be joined as a party and the court will fix a fair value for the Dissenting Shares of all Dissenting Shareholders. As well, the court may in its discretion allow a reasonable rate of interest on the amount paid to each Dissenting Shareholder from the date of the Certificate of Amalgamation giving effect to the Special Resolution until the date of payment of the amount ordered by the court.

Dissenting Shareholders will not have any other right under the Ontario Act to have their Shares appraised and to receive the fair value thereof.

The above is only a summary of the dissenting shareholder provisions of the Ontario Act which are technical and complex. It is suggested that any holder of Shares who wishes to avail himself of such right of dissent seek his own legal advice as failure to comply strictly with the statutory provisions may prejudice his right of dissent. Holders of Shares are also recommended to consult with their tax advisors as to the income tax consequences of the exercise of the right of dissent.

APPENDIX 7

SPECIAL RESOLUTION APPROVING THE AMALGAMATION

AMALGAMATION

BE IT RESOLVED THAT

1. the amalgamation of Lac Minerals Ltd., Little Long Lac Gold Mines Limited, Lake Shore Mines, Limited, Wright-Hargreaves Mines, Limited, 529068 Ontario Limited and 573776 Ontario Inc. upon the terms and conditions set out in the amalgamation agreement (the "Amalgamation Agreement") dated as of the 24th day of July, 1985, which Amalgamation Agreement has been submitted to the shareholders of the Corporation, is hereby approved and the said Amalgamation Agreement is hereby approved and adopted;

2. any officer or director of the Corporation is hereby authorized and directed on behalf of the Corporation to execute and deliver the Amalgamation Agreement and to execute and deliver to the Director under the Business Corporations Act, 1982 (Ontario) articles of amalgamation in duplicate and to execute and deliver all such other documents and do all such acts and things as may be necessary or advisable in connection with the foregoing; and

3. the board of directors of the Corporation is hereby authorized to revoke this special resolution without further approval of the shareholders of the Corporation at any time prior to the endorsement by the Director under the Business Corporations Act, 1982 (Ontario) of a certificate of amalgamation.

APPENDIX 8

LAC EMPLOYEE INCENTIVE PLAN

Part 1 – Introduction:

1.1 **Purpose:** The purpose of the LAC Employee Incentive Plan (the "Plan") is to establish a plan to encourage equity participation in LAC Minerals Ltd. (the "Corporation") by its employees through the acquisition of common shares of the Corporation (the "Shares"). The Plan will consist of an employee share purchase plan (the "Share Purchase Plan"), an employee share option plan (the "Share Option Plan") and an employee share bonus plan (the "Share Bonus Plan") for certain full-time employees of the Corporation.

Part 2 – Share Purchase Plan:

2.1 **Participants:** Full-time employees of the Corporation (including officers thereof, whether or not directors) who have been continuously employed by the Corporation or by the Corporation and any predecessor corporation of the Corporation, in each case, for at least 12 consecutive months may participate in the Share Purchase Plan (the "Share Purchase Participants").

For purposes hereof, the term "predecessor corporation" shall include Lac Minerals Ltd., Lake Shore Mines, Limited, Little Long Lac Gold Mines Limited and Wright-Hargreaves Mines, Limited. The Employee Incentive Plan Committee of the Corporation shall have the right, in its absolute discretion, to waive such 12 month period or refuse any employee or group of employees the right of participation or continued participation in the Share Purchase Plan.

2.2 **Election to Participate in the Share Purchase Plan and Participant's Contribution:** Prior to December 1 of each calendar year, Share Purchase Participants may elect to participate in the Share Purchase Plan in the following calendar year by delivering to the Corporation a written direction in form and substance satisfactory to the Corporation authorizing the Corporation to deduct an amount (the "Participant's Contribution") from the Share Purchase Participant's basic annual salary from the Corporation (before deductions and exclusive of any overtime pay, bonuses or allowances of any kind whatsoever) (the "Basic Annual Salary") in 12 equal instalments for the purchase of Shares pursuant to this Share Purchase Plan.

The Participant's Contribution shall not exceed 5% of the Share Purchase Participant's Basic Annual Salary in each calendar year. No adjustment shall be made to the Participant's Contribution until the next succeeding calendar year and then only if a new written direction has been delivered to the Corporation for such calendar year. The Participant's Contribution shall be held by the Corporation in trust for the purposes of the Share Purchase Plan.

2.3 **Corporation's Contribution:** Immediately prior to the date any Shares are issued to a Share Purchase Participant in accordance with Section 2.5, the Corporation will credit the Share Purchase Participant with and thereafter hold in trust for the Share Purchase Participant an amount (the "Corporation's Contribution") equal to 50% of the Participant's Contribution then held in trust by the Corporation.

2.4 **Aggregate Contribution:** The Participant's Contribution plus the Corporation's Contribution shall be the "Aggregate Contribution". The Corporation shall not be required to segregate the Aggregate Contribution from its own corporate funds or to pay interest thereon.

2.5 **Issue of Shares:** On March 31, June 30, September 30 and December 31 in each calendar year, or if any such day is not a business day then on the next business day immediately thereafter, the Corporation will issue to each Share Purchase Participant fully paid and non-assessable Shares equal, as nearly as may be, in value to the Aggregate Contribution held in trust on such date by the Corporation for each such Share Purchase Participant converted into Shares at the Issue Price on such dates. If such conversion would otherwise result in the issue to a Share Purchase Participant of a fraction of a Share, the Corporation will issue only such whole Shares as are issuable. "Issue Price" means the closing price for Shares of the Corporation traded on The Toronto Stock Exchange, or on such other recognized stock exchange in lieu thereof as the Employee Incentive Plan Committee may hereafter determine, on the last business day immediately preceding the date of issue on which at least 100 Shares of the Corporation traded on The Toronto Stock Exchange or on such other recognized exchange in lieu thereof, as the case may be.

The Corporation shall hold any unused balance of the Aggregate Contribution in trust for a Share Purchase Participant until used in accordance with the Share Purchase Plan.

2.6 **Withdrawal from the Share Purchase Plan:** In the event that a Share Purchase Participant ceases to be employed by the Corporation for any reason or in the event of the death of a Share Purchase Participant while participating in the Share Purchase Plan, no further purchases of Shares will be made and the Participant's Contribution then held in trust by the Corporation for the Share Purchase Participant shall be paid to the Share Purchase Participant or his estate or successor, as the case may be, and the Corporation's Contribution then held in trust for the Share Purchase Participant shall be paid to the Corporation. A Share Purchase Participant shall not be entitled to withdraw from the Share Purchase Plan under any other circumstances during any calendar year for which he has elected to participate.

2.7 **Termination of the Share Purchase Plan:** Termination of the Share Purchase Plan shall not affect the rights of the Share Purchase Participants to the Shares purchased by them pursuant to the Share Purchase Plan. In the event of termination of the Share Purchase Plan, the Corporation shall pay to each Share Purchase Participant the Participant's Contributions then held in trust by the Corporation for such Share Purchase Participant.

Part 3 – Share Option Plan:

3.1 **Optionees:** The Employee Incentive Plan Committee of the Corporation may, from time to time, in its discretion, grant to any officer, salaried employee of the Corporation who is employed on a full-time basis or any consultant who is retained for a period in excess of two years by the Corporation (the "Optionees") rights ("options") to purchase from the Corporation Shares during such period as the Employee Incentive Plan Committee may in each case fix, not exceeding five years, and otherwise upon and subject to such terms, conditions, limitations, prohibitions and restrictions as are herein contained and as the Employee Incentive Plan Committee may from time to time impose in the option and by any rules or regulations which may be adopted by the Employee Incentive Plan Committee with respect to the operation or administration of the Share Option Plan.

3.2 **Purchase Price:** The purchase price of the Shares under options granted under the Share Option Plan from time to time shall be set by the Employee Incentive Plan Committee in its discretion and may be the Market Price or a price at or between the Market Price and the maximum discounts from Market Price permissible under the policy statements and the regulations of any applicable regulatory authority for stock options. Subject to the foregoing limitation, the said purchase price may differ between options granted under the Share Option Plan.

"Market Price" for the purposes of this Share Option Plan shall be the closing price for Shares of the Corporation traded on The Toronto Stock Exchange, or on such other recognized stock exchange in lieu thereof as the Employee Incentive Plan Committee may hereafter determine, on the last business day immediately preceding the date of the grant of an option on which at least 100 shares of the Corporation traded on The Toronto Stock Exchange or on such other recognized exchange in lieu thereof, as the case may be.

3.3 **Issuances of Shares:** If, as and when any Shares have been duly purchased and paid for in cash under the terms of an option granted under the Share Option Plan and in accordance with the terms of such option and any rules or regulations adopted by the Employee Incentive Plan Committee in respect thereof, such Shares shall be issued to the Optionee as fully paid and non-assessable Shares at the price paid therefor. No Optionee shall have any rights as a shareholder in respect of Shares subject to an option granted to him until such Shares have been paid for in full and issued to the said Optionee.

3.4 **Termination of Employment or Death:** No option may be exercised after the employment of an Optionee ceases with the Corporation except that:

(a) if such employment ceases by reason of total or permanent disability of the Optionee or the death of the Optionee, any option granted to the Optionee may be exercised in full by the Optionee or by his legal representatives as if such employment had not ceased provided that all options held by the Optionee or his legal representatives must be exercised on or before one (1) year after the employment so ceased and thereafter any portion of any option which remains unexercised shall terminate and be of no force or effect;

(b) if such employment ceases for any other reason, any portion of any option which is exercisable at the time the Optionee's employment ceases is terminated immediately and the Optionee shall have no rights or claim against the Corporation in respect of the options or in respect of any Shares subject to options which have not been purchased prior to such date pursuant to the option; and

(c) in special circumstances, the Employee Incentive Plan Committee may give its express consent to the exercise, within three (3) months after the effective date of the Optionee ceasing to be employed by the Corporation, of any options which are exercisable at the time the Optionee's employment ceases.

3.5 **Termination of the Stock Option Plan:** Termination of the Plan shall not affect the rights of an Optionee holding an option at the time of the termination without his consent.

Part 4 – Share Bonus Plan:

4.1 ***Share* Bonus Participants:** The Employee Incentive Plan Committee of the Corporation may from time to time, in its discretion, issue for no cash consideration to any full-time salaried employees of the Corporation (including officers thereof, whether or not directors) (the "Share Bonus Participants") any number of Shares (subject to Sections 5.5 and 5.6) as a discretionary bonus in consideration of the past services of such Share Bonus Participant to the Corporation or a predecessor corporation, subject to such terms, conditions, limitations, prohibitions and restrictions as the Employee Incentive Plan Committee may determine.

Part 5 – General:

5.1 **Transferability:** All benefits, rights and options accruing to any Share Purchase Participant, Optionee or Share Bonus Participant (collectively the "Participants") in accordance with the terms and conditions of the Plan shall not be transferable unless specifically provided herein. During the lifetime of a Participant all benefits, rights and options may only be exercised by the Participant.

5.2 **Employment:** Nothing contained in the Plan or in any benefit, right or option granted hereunder shall confer upon any Participant any right with respect to employment or continuance of employment with the Corporation, or interfere in any way with the right of the Corporation to terminate the Participant's employment at any time. Participation in the Plan by a Participant is voluntary.

5.3 **Record Keeping:** The Corporation shall maintain a register in which shall be recorded:

(a) the name and address of each Participant;

(b) the Plan in which the Participant participates;

(c) any Participant's Contributions; and

(d) the number of options granted to an Optionee and the number of options outstanding.

5.4 **Necessary Approvals:** The Plan and the obligation of the Corporation to issue and deliver any Shares in accordance with the Plan is subject to the approval of any regulatory authority having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason the obligation of the Corporation to issue such Shares shall terminate and any Participant's Contribution held in trust for a Participant and any purchase price paid under an option to the Corporation will be returned to the Participant.

5.5 **Employee Incentive Plan Committee:** The Employee Incentive Plan Committee shall be a committee of the Board of Directors of the Corporation comprised entirely of directors who are not, and have not been for at least one year prior to the date they first became a member of the Committee, eligible to participate in the Share Purchase Plan, Share Option Plan or Share Bonus Plan.

5.6 **Shares:** The number of Shares made available for the Share Purchase Plan, Share Option Plan and Share Bonus Plan, individually and collectively, shall be determined from time to time by the Employee Incentive Plan Committee but shall not exceed 10% of the total number of issued and outstanding shares on December 31 of the immediately preceding year or that number of Shares permitted under the rules of any regulatory authority having jurisdiction over the securities of the Corporation, which ever is the lesser.

5.7 **Adjustment in Case of Changes Affecting the Shares:**

(a) In the event of a subdivision, consolidation or reclassification of outstanding Shares or other capital adjustment, or the payment of a stock dividend thereon, the number of Shares reserved or authorized to be reserved under the Plan and the purchase prices thereof shall be increased or reduced proportionately and such other adjustments shall be made as may be deemed necessary or equitable by the Employee Incentive Plan Committee;

(b) If the Corporation amalgamates, consolidates with or merges with or into another corporation, any Shares receivable on the exercise of an option granted under the Share Option Plan shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, consolidation or merger if the Optionee had exercised his option immediately prior to the record date applicable to such amalgamation, consolidation or merger, and the purchase price shall be adjusted appropriately by the Employee Incentive Plan Committee and such adjustment shall be binding for all purposes of the Share Option Plan; and

(c) In the event of a change in the Corporation's presently authorized Shares which is limited to a change in the designation thereof, the Shares resulting from any such change shall be deemed to be Shares within the meaning of this Plan. In the event of any other change affecting the Shares, such adjustment shall be made as may be deemed equitable by the Employee Incentive Plan Committee to give proper effect to such event.

5.8 **Administration and Amendment of the Plan:** The Plan will be administered by the Employee Incentive Plan Committee of the Corporation. The Employee Incentive Plan Committee shall have authority to adopt, amend or rescind rules and regulations as in its opinion may be advisable or required in the administration or operation of the Plan. The Employee Incentive Plan Committee shall also have authority to interpret and construe the Plan and the rules, regulations and documentation utilized under the Plan and may make any and all determinations deemed necessary or advisable for the administration of the Plan. Any interpretation or construction of any provision of the Plan, the rules, regulations or documentation utilized under the Plan shall be final and conclusive and binding on the Participants. All administrative costs of the Plan shall be paid by the Corporation. The senior officers of the Corporation are authorized and directed to do all things and execute and deliver all instruments, undertakings and applications and writings as they in their absolute discretion consider necessary for the implementation of the rules and regulations established for administering the Plan.

The Employee Incentive Plan Committee reserves the right to amend, modify, suspend or terminate the Plan at any time if and when it is advisable in the absolute discretion of the Committee provided that any amendment which would (i) materially increase the number of Shares which might be issued under the Plan, (ii) materially increase the benefits to Participants under the Plan, or (iii) materially modify the requirements as to eligibility for participation in the Plan shall also be approved by the affirmative votes of the holders of a majority of the Shares present, or represented, and entitled to vote at a meeting of the holders of the Shares before it becomes effective.

Any amendment to any provision of the Plan shall also be subject to the approval, if required, of any regulatory body having jurisdiction over the securities of the Corporation.

5.9 **No Representation or Warranty:** The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

5.10 **Interpretation:** The Plan will be governed by and construed in accordance with the laws of the Province of Ontario.

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