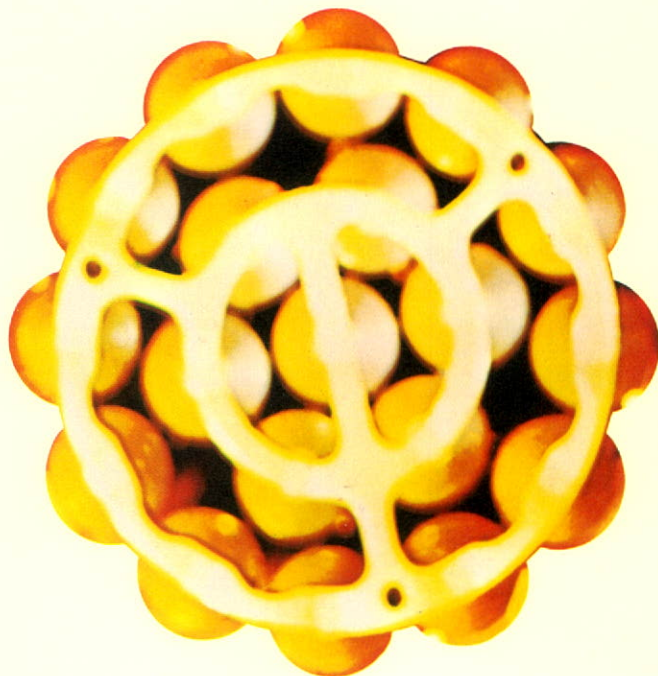


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ELDORADO

Nuclear Limited

1971 Annual Report

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ELDORADO NUCLEAR LIMITED

HEAD OFFICE: Suite 800, 151 Slater St., Ottawa, Canada, K1P 5H3
General Administration Office: Port Hope, Ontario, Canada

DIRECTORS

Marcel Bélanger W. J. Bennett Roger Blais W. M. Gilchrist*
W. F. James* W. S. Kirkpatrick Gordon Lawson*

*Members of Executive Committee

OFFICERS

President: W. M. Gilchrist

Vice-President, Marketing — J. C. Burger

Vice-President, Administration and Finance — C. Baschenis

Secretary: R. C. Powell Treasurer: J. C. Orr

Asst. Treasurer: G. A. Frost

DIVISIONAL MANAGERS

Mining and Exploration Division: C. F. Smith

Refining and Research: G. F. Colborne

DISTRICT OFFICES

Refining and Sales: Port Hope, Ontario

Metallurgical Laboratories: Tunney's Pasture, Ottawa, Ontario

Beaverlodge Mine: P.O. Box 7010, Eldorado, Saskatchewan

Western Purchasing and Employment Office: 10040 - 105th Street, Edmonton, Alberta

Sales Agencies Abroad

Europe: N.V. Internationale Ertshandel "Wambesco", P.O. Box 1439, Westerkade 2, Rotterdam, Netherlands
Japan: Marubeni Corporation, P.O. Box Central 595, Tokyo

ELDORADO AVIATION LIMITED

HEAD OFFICE: Suite 800, 151 Slater St., Ottawa, Canada, K1P 5H3
OPERATIONS OFFICE: No. 11 Hangar, Municipal Airport, Edmonton, Alberta

DIRECTORS

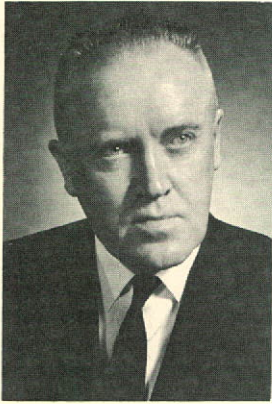
A. B. Caywood W. M. Gilchrist P. L. P. Macdonnell
L. R. Montpetit R. C. Powell

OFFICERS

President: W. M. Gilchrist

Secretary: R. C. Powell Treasurer: J. C. Orr

- - - - -
General Manager: G. F. Frank



W. M. Gilchrist

PRESIDENT'S LETTER

The Honourable Donald S. Macdonald,
Minister of Energy, Mines and Resources,
Ottawa, Ontario.

Sir,

On behalf of the Board of Directors, and in accordance with Section 75 (3) of The Financial Administration Act, I have the honour to submit the Annual Report of Eldorado Nuclear Limited and of its subsidiary company, Eldorado Aviation Limited, for the year ended December 31, 1971.

Production of uranium in Canada for 1971 totalled 9,952,000 pounds (4,976 tons) of U_3O_8 , about 8% above 1970 production. This rate of production, involving three mines, is more than sufficient to meet current contractual obligations, and the excess is held in company or government stockpiles. Mines in the Western world in each of the years 1969 and 1970 produced approximately 23,000 tons U_3O_8 , and the information available to date would indicate that this figure was not exceeded in 1971. Moreover, it is probable that this level of activity will not increase significantly in 1972 or the near future. Published figures for the Western world indicate consumption of 10,200, 13,400 and 14,300 tons of U_3O_8 in the years 1969, 1970 and 1971 respectively, and an estimate of 18,500 tons for 1972, surpassing 35,000 tons in 1975.

With the exception of the joint venture agreement between Denison Mines Ltd. and the Canadian government agency Uranium Canada Limited covering the production of 3,234 tons U_3O_8 through 1974, no significant sales of concentrates were made by Canadian producers during 1971. At year end, outstanding contracts for Canadian mine production for delivery into the early 1980's totalled just over 61,000 tons U_3O_8 , of which 85% is for export. These commitments far exceed the tonnages in existing stockpiles

held by Canadian producers and the Canadian government.

Nuclear Power

Solid progress was made in the growth of nuclear power in 1971. Forty-five reactors with a combined output of 42,000 megawatts were ordered in the Western world, more than in any previous year. Of these, 23 reactors with a total capacity slightly in excess of 23,000 megawatts were ordered in the United States, giving that country 129 power reactors with a total generating capacity of approximately 107,000 megawatts of nuclear power — operating, under construction or ordered. The 22 reactors ordered by the other Western nations in 1971 have a designed capacity of 19,000 megawatts. Preliminary indications are that this pace of ordering will be exceeded in 1972, and should this pace continue the Western world's current estimate of 300,000 megawatts of nuclear power by 1980 will be surpassed.

In Canada, nuclear power took a major step forward in 1971. With the commissioning of the Gentilly plant, the province of Quebec generated its first nuclear energy, and in Ontario the first two units of the Pickering complex became fully operational. The success achieved to date, particularly with respect to the Pickering plants, indicates that Canadians can take pride in the fact that there has been developed within their country a low-cost nuclear power system which can be completely independent of all support from outside Canada.

However, in spite of major technical improvements in the construction and operation of nuclear power plants, some projects continue to be hampered by public apprehension regarding environmental and siting considerations, particularly in the United States. These concerns will gradually subside as people become more

knowledgeable about the nature of nuclear power and more aware of the rigid safety standards that are conscientiously built into each nuclear station, and the extent to which the ecological impact is considered and dealt with in the design. The reorganization of licencing procedures now under way in the United States, where this problem has caused a great deal more difficulty than elsewhere, should eventually permit the utilities in that country to plan their construction schedules with greater assurance of meeting target dates.

Uranium Exploration and Development

Exploration for uranium in Canada remains minimal. While this may be partially a reflection of the general malaise currently afflicting all mineral exploration in the country, it is largely due to a lack of incentive to spend money looking for a commodity which has little or no immediate market.

Enthusiasm for uranium exploration has also been further dampened by the existence of substantial stockpiles, the embargo by the United States on uranium imports, and the recently declared intention of the United States Atomic Energy Commission to dispose of its large stockpile on the world market.

The announcement in late 1970 of the discovery in Australia of interesting deposits of high grade uranium caused some concern among established uranium producers until details of the potential of these occurrences became known. Furthermore, a desire on the part of the mining companies involved and of the Australian Government to develop these deposits in an orderly fashion, indicates that Australian uranium will not likely enter world markets until the last half of the decade, at which time demand will have accelerated to the point where additional sources of supply will be required.

The current recession in uranium exploration stands in sharp contrast to the clear portent of the strong future awaiting the uranium mining industry, as evidenced by the acceleration in the ordering of nuclear power stations.

Summation

In conclusion, Canada, with its excellent potential for developing additional and substantial reserves of uranium, its growing fuel processing and manufacturing facilities, and its proven capability in the fields of reactor design and construction, will continue to play a major role in the advancement and growth of nuclear power generation.

At the risk of being repetitious, I would again warn that any utility or nation which bases an appreciable and expanding portion of its electrical power generating capacity on nuclear energy should make sure that it has firm sources of supply for a major part of the reactor fuel required for the life span of each reactor in its power complex. I would also like to again stress that the price paid for a pound of uranium must be high enough to cover not only production and profit, but also to compensate for the cost of finding and developing the orebody which contained that pound. The prices prevalent today cannot possibly satisfy this condition for the uranium mining industry as a whole.

Eldorado Operations

Although your company again sustained a loss in 1971, despite higher revenues, the loss was smaller than in the previous year. The annexed general report discusses the company's 1971 operations and financial results in detail.

The Board again takes pleasure in expressing to all personnel its sincere thanks for their constructive and effective efforts during the past year.

For the Directors,

W. M. Gilchrist

President

Ottawa, Canada
March 7, 1972

ELDORADO NUCLEAR LIMITED
and its wholly-owned subsidiary

ELDORADO AVIATION LIMITED

GENERAL REPORT

for the year ended December 31, 1971

This general report deals with the operations of both Eldorado Nuclear Limited and its wholly-owned subsidiary Eldorado Aviation Limited, for the year ended December 31, 1971.

Income

A net loss of \$2,329,355 was incurred in 1971, compared with a net loss of \$2,608,493 in 1970. This improvement of \$279,138 was achieved despite the fact that financing charges were \$535,564 greater than in 1970. The upswing in performance, as evidenced by the drop in operating loss from \$1,827,691 in 1970 to \$1,344,751 in 1971, is largely attributable to a 97% increase in revenue from deliveries while the related increase in cost was only 76%.

Capital Expenditures

Expenditures on new plant and equipment amounted to \$1,420,000 in the period under review, the smallest capital program in recent years. At the Beaverlodge mine, the Fay internal shaft project was advanced with the purchase of the hoist and related winze equipment. The Port Hope refinery program was limited to preliminary outlays related to expansion of the uranium hexafluoride plant, and to essential production and service requirements. It is planned to maintain capital expenditures during 1972 at about the same level as undertaken in 1971.

Mining and Exploration Division, Saskatchewan

Mining

The year under review was the third year of the company's planned program of curtailed production of U₃O₈. It will be recalled that the program is aimed at maintaining unit costs within forecast price ranges in the 5-year period ending in 1973, while minimizing cash requirements and maintaining the mine in condition to move quickly to higher output should circumstances warrant.

In 1971, however, the first strike in the history

of the mine caused a suspension of production for 58 days, and as a result, unit costs were 6.8% above estimate, while production of U₃O₈ in concentrates was 23.6% below target.

During the year a very marked improvement was achieved in the extraction of uranium from ore, following the conversion of pachucas to mechanical agitation.

The improved production per ton of ore treated in 1971, as indicated in the table below, was also attributable to a higher mine grade.

Comparative production statistics to date, not including custom ore treated are as follows:

	Tons of Ore Treated	Pounds of U ₃ O ₈ Recovered	Average Recovery Pounds Per Ton
1971*	219,391	1,204,406	5.49
1970*	333,906	1,531,893	4.59
1969	456,156	1,562,357	3.43
1968	626,615	2,001,648	3.19
1967	561,434	2,003,369	3.57
1966	511,446	1,687,501	3.30
1965	536,132	1,800,467	3.36
1964	522,148	1,837,029	3.52
1963	544,177	1,855,212	3.41
1962	563,580	1,959,788	3.48
1961	542,157	2,214,894	4.09
1960	625,127	2,454,400	3.93
1959	657,521	2,392,770	3.64
1958	676,354	2,507,663	3.71
1953-57	1,206,309	5,071,265	4.20
1953-71 inclusive	8,582,453	32,084,662	3.74

*Includes Hab mine

Ore reserves in the Beaverlodge and Hab mines declined slightly from 3,915,300 tons containing 0.24% U₃O₈ at year-end 1970 to 3,508,400 tons of the same grade as of December 31, 1971. This is a consequence of the current program of reduced development, which has slowed reserve replenishment, as well as the deletion from reserves of several small isolated blocks of ore which do not lend themselves to extraction under present conditions.

Projects carried out in 1971 included a start, at mid-year, on the winze sinking, but progress was severely disrupted due to the strike. Plan-

ning and design work proceeded for a new Fay mine heating plant, and for new effluent treatment facilities required to comply with more stringent regulations. Necessary maintenance work was carried out at the Waterloo hydro plant and on transmission lines.

Exploration

Again, because of the unavailability of adequate funds, the year's exploration activity was confined to prospecting, mapping and limited drilling on properties previously staked. No discoveries of significance were made, but results were encouraging in the Mic Lake and Eagle-Ato areas where further work is indicated.

The Operations at Port Hope, Ontario

Operation of the company's new UF_6 plant, started up in the fall of 1970, continued throughout 1971 producing natural uranium hexafluoride, the gaseous form which then goes to enrichment facilities. The original design capacity of the plant, about 2,120 tons U per year, was increased in mid-year to 2,750 tons by the addition of six fluorine cells at a cost of just over \$200,000.

Many operating problems were encountered and solved during the year. In spite of this, all delivery commitments were satisfied and all material shipped was on specification. At year end, operations were relatively smooth and production targets were being met.

Late in the year, revised sales projections for 1972 indicated that delivery requirements of UF_6 would be less than previously forecast, due to slippage in customers' reactor programs, so the operation was changed in November from a continuous 7-day basis to one involving a 10-day operating period (3 shifts/day) followed by a 4-day rest period. This new schedule has necessitated a reduction of 25% in the workforce required to operate the plant.

Production of natural ceramic UO_2 fuel continued in support of the highly successful Canadian-designed natural uranium reactors operated by the Ontario and Quebec Hydro Electric Power Commissions. The continuous processing equipment for UO_2 installed in late 1970 performed well throughout the year.

Production of enriched UO_2 from enriched UF_6 brought in from the United States, reached an all-time high in 1971, with all of the work being done on behalf of Atomic Energy of Canada Ltd.

Development work continued in the field of high density nuclear fuel, particularly uranium carbide, and important advances were made. Sufficient fuel was produced to supply the needs of ACEL's research reactors.

A major development program involving the production of high resistance nickel-chrome al-

loys was undertaken with the co-operation and financial assistance of the Department of Industry, Trade and Commerce. Results to date indicate a high probability of a viable commercial enterprise to produce a product not now made in Canada.

The solvent extraction processing plant, for the conversion of mine concentrates to nuclear pure UO_3 , remained shut down throughout 1971 as planned.

Markets for zirconium remained at a very low level and no zirconium was produced. The plant has been maintained in a state of readiness should the market situation improve.

Investigations into liquid effluent treatment methods, carried out in 1970, bore fruit in 1971. All refinery waste streams were monitored and those requiring special treatment were accommodated in the idle UO_3 plant.

Sales and Promotion

The attention of the marketing staff and the company's sales agents abroad was again directed towards the development of markets in all product fields. Although the total nuclear power reactor capacity ordered during 1971 was the highest of any year in the history of the industry, an over-supply of uranium concentrates and excess of capacity for UF_6 conversion services is still evident resulting in a buyer's market.

The dollar volume of sales of ceramic grade UO_2 for the year recorded a further increase and reached an all time high in 1971. Sales were made to both domestic and export markets and in the natural, enriched and depleted forms. Deliveries on UF_6 contracts were made to customers in Japan, United States, Germany and Sweden, utilizing both Eldorado-produced concentrates and customers' concentrates. World-wide marketing efforts during 1971 brought in new contracts in excess of \$20,000,000 for conversion of yellowcake to UF_6 and UO_2 . Most of these contracts are long-term and cover periods ending as late as 1978.

Aggressive marketing efforts continued in the field of spent fuel casks and, considering the large volume of spent fuel that must be removed from reactors in the near future, requirements for such casks will inevitably increase. Container design and acceptance for licencing should be completed early in 1972.

While the total sales revenue in 1972 is projected as slightly less than in 1971, a substantial up-turn in sales, particularly in conversion services, in part already assured by contractual commitments, is forecast for 1973 onwards.

General Report Continued on Page 12

ELDORADO NUCLEAR LIMITED

Statement of Income and Expense

for the year ended December 31, 1971

(with comparative figures for the year ended December 31, 1970)

	1971	1970
Income:		
Sales — Company's products and services	\$ 11,095,320	\$ 5,637,284
Expense:		
Cost of products and services sold	10,885,816	6,180,593
Scientific research	728,866	623,199
Administration	361,964	331,711
Exploration	67,478	62,477
Marketing	398,251	266,995
	<u>12,442,375</u>	<u>7,464,975</u>
Net loss from operations	1,347,055	1,827,691
Other Income and Expense:		
Income arising from the ore procurement program	937,439	655,709
Interest and other non-operating income	110,710	104,545
	<u>1,048,149</u>	<u>760,254</u>
Less:		
Interest on loans from Canada	2,009,231	1,473,667
Other non-operating expense	21,218	67,389
	<u>2,030,449</u>	<u>1,541,056</u>
Net other expense	982,300	780,802
Net Loss	<u>\$ 2,329,355</u>	<u>\$ 2,608,493</u>

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

Eldorado Nuclear

(Incorporated under the Companies Act)

BALANCE SHEET

at December 31, 1971

(with comparative figures for 1970)

ASSETS

	1971	1970
Current Assets:		
Cash	\$ 222,851	\$ 235,914
Short-term bank deposits	1,900,000	2,000,000
Accounts receivable	3,268,109	3,557,119
Concentrates and refinery products valued at lower of cost or realizable value	40,364,589	35,092,117
Operating and general supplies, at cost	3,805,652	3,169,629
Prepaid expenses	213,546	223,013
	<u>49,774,747</u>	<u>44,277,792</u>
Deferred accounts receivable in respect of concentrates delivered (Note 1)	3,434,674	4,999,396
Investments and Loans:		
Investments in wholly-owned subsidiary companies, at cost (Note 2)	187,153	187,153
Employees' housing loans	44,350	89,282
Municipal Corporation of Uranium City and District, 5% to 8¼% debentures, maturing 1975-88	675,864	753,815
	<u>907,367</u>	<u>1,030,250</u>
Unamortized Expense:		
Pre-production and mine development costs	8,281,497	7,742,342
Excess of costs and expenses over sales of concentrates procured from other producers (Note 3)	109,957	622,938
	<u>8,391,454</u>	<u>8,365,280</u>
Capital Assets:		
Property, plant and equipment, at cost	76,450,577	75,122,282
Less: Accumulated depreciation	49,568,849	47,789,419
	<u>26,881,728</u>	<u>27,332,863</u>
	<u>\$ 89,389,970</u>	<u>\$ 86,005,581</u>

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

Approved on behalf of the Board

W. M. GILCHRIST, Director

M. A. BÉLANGER, Director

Clear Limited

(Canada Corporations Act)

Balance Sheet

As at December 31, 1971

(As at December 31, 1970)

LIABILITIES

	1971	1970
Current Liabilities:		
Accounts payable	\$ 5,996,067	\$ 6,873,343
Loans from Canada due within one year (Note 4)	5,516,145	4,392,314
Advance payments in respect of concentrates to be delivered	251,050	1,570,972
	<u>11,763,262</u>	<u>12,836,629</u>
Advance payments in respect of concentrates to be delivered in later years	2,635,400	2,886,444
Deferred accounts in respect of purchase and development programs	1,097,963	1,048,914
Loans from Canada (Note 4)	<u>27,838,870</u>	<u>20,849,764</u>
Capital:		
Capital Stock:		
Authorized — 110,000 shares of no par value		
Issued — 70,500 shares, fully paid	6,586,080	6,586,080
Retained earnings	39,468,395	41,797,750
	<u>46,054,475</u>	<u>48,383,830</u>
	<u>\$ 89,389,970</u>	<u>\$ 86,005,581</u>

I have examined the above Balance Sheet and the related Statement of Income and Expense and have reported thereon under date of March 16, 1972 to the Minister of Energy, Mines and Resources.

A. M. HENDERSON,

Auditor General of Canada

Eldorado Nuclear Limited

Notes to Financial Statements

1. Deferred Accounts Receivable

These are receivable under a contract which provides for payment to be made following shipment of products as required during the period 1973-1975.

2. Subsidiary Companies

The assets, liabilities, income and expense of the Company's two wholly-owned subsidiaries, Northern Transportation Company Limited and Eldorado Aviation Limited, have not been included in the financial statements of Eldorado Nuclear Limited as each company is a Crown corporation as defined in the Financial Administration Act and is required under that Act to report annually to the appropriate Minister. Northern Transportation Company Limited incurred a loss of \$1,221,820 for the year 1971. The net expense of Eldorado Aviation Limited totalling \$914,561 for the year 1971 was recovered from Eldorado Nuclear Limited and Northern Transportation Company Limited. The aggregate undistributed profits earned by the two subsidiaries since acquisition by Eldorado Nuclear Limited amount to \$7,348,386.

3. Excess of Costs and Expenses over Sales of Concentrates procured from other Producers

The balance of \$109,957 will be amortized over the remaining deliveries of concentrates to be made to the United Kingdom Atomic Energy Authority, scheduled for completion in 1972.

4. Loans from Canada

The Company has borrowed \$37,200,000, subject to terms and conditions prescribed by the Governor in Council. Outstanding principal and interest at December 31, 1971 amounted to \$33,355,015, of which \$5,516,145 is due to be repaid within one year and the balance of \$27,838,870 is repayable by December 31, 1975.

5. Government of Canada Stockpile Program

The Treasury Board, with the approval of the Governor in Council, has granted authority for Eldorado Nuclear Limited to purchase and stockpile uranium-bearing concentrates for the Government of Canada. At December 31, 1971 the Company was the custodian of concentrates thus acquired at a cost of \$101,197,132. The cost of these concentrates, being chargeable to parliamentary appropriations, is therefore not included in the accounts of the Company.

6. Depreciation

Depreciation included in the accounts amounted to \$1,820,714 based on rates which, at capacity output, ensure complete write-off of fixed assets over not more than ten years. This amount included \$39,415 in respect of certain production facilities at the refinery which operated at less than full capacity.

7. Supplementary Information

The accounts for 1971 include the following: amortization of pre-production and mine development costs, \$262,671; remuneration of directors as directors, \$6,000; and remuneration of officers as officers, \$170,500. The Company has seven directors and six officers; one officer is also a director.

Northern Transportation Company Limited has nine directors and five officers; three officers are also directors. Remuneration of directors as directors was \$1,800 and remuneration of officers as officers, \$73,000. Eldorado Aviation Limited has five directors and three officers, two of whom are also directors. No compensation was paid.

ELDORADO NUCLEAR LIMITED

Statement of Sales and Costs of Uranium Concentrates procured from other Producers

for the year ended December 31, 1971
(with comparative figures for the year ended December 31, 1970)

	1971	1970
Sales of concentrates	\$ 12,730,607	\$ 15,522,831
Cost of concentrates sold	11,280,187	14,208,556
	<u>1,450,420</u>	<u>1,314,275</u>
Amortization of excess of costs and expenses over sales of concentrates procured from other producers	512,981	658,566
Net income to Company operations	<u>\$ 937,439</u>	<u>\$ 655,709</u>

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

Statement of Retained Earnings

for the year ended December 31, 1971
(with comparative figures for the year ended December 31, 1970)

	1971	1970
Balance at January 1	\$ 41,797,750	\$ 44,406,243
Net loss for the year	2,329,355	2,608,493
Balance at December 31	<u>\$ 39,468,395</u>	<u>\$ 41,797,750</u>

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

Statement of Source and Application of Funds

for the year ended December 31, 1971
(with comparative figures for the year ended December 31, 1970)

	1971	1970
Source of Working Capital:		
Net loss for the year	(\$ 2,329,355)	(\$ 2,608,493)
Depreciation and other charges to operations not requiring the outlay of funds	4,520,397	3,092,999
Deferred accounts receivable	1,564,722	1,883,576
Advance in respect of future deliveries	—	767,340
Debentures and housing loans	122,883	102,690
Loans from Canada	11,000,000	15,200,000
	<u>14,878,647</u>	<u>18,438,112</u>
Application of Working Capital:		
Property, plant and equipment	1,355,455	3,230,836
Pre-production and mine development costs	801,826	1,708,457
Long-term advances and purchase ..	951,044	2,271,136
Loans from Canada	5,200,000	4,300,000
	<u>8,308,325</u>	<u>11,510,429</u>
Increase in Working Capital	<u>\$ 6,570,322</u>	<u>\$ 6,927,683</u>

AUDITOR GENERAL OF CANADA

Ottawa, March 16, 1972

The Honourable
Donald S. Macdonald,
Minister of Energy, Mines and
Resources, Ottawa.

Sir,

I have examined the accounts and financial statements of Eldorado Nuclear Limited for the year ended December 31, 1971. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In compliance with the requirements of section 77 of the Financial Administration Act, I report that, in my opinion:

- (a) proper books of account have been kept by the Company;
- (b) the financial statements of the Company
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) in the case of the balance sheet, give a true and fair view of the state of the Company's affairs as at the end of the financial year, and
 - (iii) in the case of the statement of income and expense, give a true and fair view of the income and expense of the Company of the financial year; and
- (c) the transactions of the Company that have come under my notice have been within the powers of the Company under the Financial Administration Act and any other Act applicable to the Company.

Yours faithfully,
A. M. HENDERSON,
Auditor General of Canada.

ELDORADO AVIATION LIMITED

(Incorporated under the Canada Corporations Act)

Balance Sheet

at December 31, 1971

(with comparative figures at December 31, 1970)

ASSETS			LIABILITIES		
	1971	1970		1971	1970
Current Assets:			Current Liabilities:		
Cash	\$ 18,658	\$ 45,828	Accounts payable	\$ 14,239	\$ 25,190
Accounts receivable:					
Northern Transportation Company Limited	39,495	17,906			
Eldorado Nuclear Limited	7,360	29,476			
Other	5,596	10,031			
	<u>52,451</u>	<u>57,413</u>			
Operating supplies, at cost ..	74,986	77,167			
Prepaid insurance	26,965	31,957			
	<u>173,060</u>	<u>212,365</u>			
Capital Assets, at cost:			Capital:		
Aircraft, including major spare parts	1,020,226	999,947	Capital Stock:		
Shop, hangar and loading equipment, etc.	46,695	46,521	Authorized — 50,000 shares at \$1 each		
Office furniture and equipment	9,752	9,752	Issued — 28,006 shares fully paid	28,006	28,006
	<u>1,076,673</u>	<u>1,056,220</u>	Surplus		
Less: Accumulated depreciation	950,449	958,350	Balance at January 1	257,039	254,391
	<u>126,224</u>	<u>97,870</u>	Profit on sale of capital assets	—	2,648
	<u>\$ 299,284</u>	<u>\$ 310,235</u>	Balance at December 31	<u>257,039</u>	<u>257,039</u>
				<u>\$ 299,284</u>	<u>\$ 310,235</u>

Approved on behalf of the Board

W. M. GILCHRIST, Director

R. C. POWELL, Director

I have examined the above Balance Sheet and the related Statement of Recoverable Expense and have reported thereon under date of March 16, 1972 to the Minister of Energy, Mines and Resources.

A. M. Henderson
Auditor General of Canada

ELDORADO AVIATION LIMITED

Statement of Recoverable Expense

for the year ended December 31, 1971
(with comparative figures for the year ended December 31, 1970)

	1971	1970
Salaries and wages	\$ 420,329	\$ 407,315
Employee benefits	44,956	43,901
Repairs	175,139	163,797
Supplies	158,988	176,165
Insurance	47,732	37,607
Hangar expense	45,463	47,309
Depreciation	19,241	30,171
Landing fees	12,862	14,788
Travel	1,861	2,202
Miscellaneous	13,048	13,191
	<u>939,619</u>	<u>936,446</u>
Miscellaneous income	25,058	34,087
Net expense	<u>\$ 914,561</u>	<u>\$ 902,359</u>
Net expense recovered from:		
Eldorado Nuclear Limited	\$ 672,084	\$ 716,140
Northern Transportation Company Limited	242,477	186,219
	<u>\$ 914,561</u>	<u>\$ 902,359</u>

NOTE: The Company has five directors and three officers, two of whom are also directors. No compensation was paid.

**AUDITOR GENERAL
OF CANADA**

Ottawa, march 16, 1972

The Honourable
Donald S. Macdonald,
Minister of Energy, Mines and
Resources, Ottawa,

Sir,

I have examined the accounts and financial statements of Eldorado Aviation Limited for the year ended December 31, 1971. In compliance with the requirements of section 77 of the Financial Administration Act, I report that in my opinion:

- (a) proper books of account have been kept by the Company;
- (b) the financial statements of the Company
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) in the case of the balance sheet, give a true and fair view of the state of the Company's affairs as at the end of the financial year, and
 - (iii) in the case of the statement of recoverable expense, give a true and fair view of the expense of the Company for the financial year; and
- (c) the transactions of the Company that have come under my notice have been within the powers of the Company under the Financial Administration Act and any other Act applicable to the Company.

Yours faithfully,
A. M. HENDERSON
Auditor General of Canada.

GENERAL REPORT

Continued from Page 4

Research and Development Division

The research program initiated in 1970, directed to a modification of the alkaline leaching process to adapt it for treatment of refractory ores from the Fay mine zone, resulted in 1971 in the very significant improvement in extraction in the Beaverlodge mill earlier referred to, and the Division's work in this area of research was accordingly cut back. However, further investigations were carried on with respect to chemical reagents and equipment. During the year a survey was completed and recommendations were made on the control of radium levels in mill effluent streams.

The major thrust of the Division during the year was towards problems associated with operations at the Refinery. A development program was carried out for the UF₆ plant, resulting in the adoption of a briquetting step in the UO₃ feed preparation to replace the casting belt method which was generating unexpectedly high costs in operation and maintenance. Further assistance was provided to the Refinery in the collection of effluent and UF₆ operating data. During this first year of full scale operation of the UF₆ plant, chemical studies included projects to improve the quality of intermediate products and to reduce reagent consumption. Eliminating the use of nitric acid was investigated as a possible means of solving nitrate effluent problems in the longer term.

The volume of research and development work for outside companies was somewhat higher than in the previous year. The long-standing policy of offering services to industry and government on a contract basis is being continued, with special emphasis on projects relating to the quality of environment and pollution control.

Uranium Procurement

Of the commitments by Canadian uranium producers to the United Kingdom Atomic Energy Authority, under contracts negotiated and administered by Eldorado, only some 200 tons remained to be delivered at year-end.

The company continues to be the custodian of the Canadian Government's uranium stockpiles, which now include the yellowcake being delivered under an agreement between Denison Mines Limited and Uranium Canada Limited, deliveries having begun in June 1971.

Organization and Manpower

As already noted, the company's long record of uninterrupted production was unfortunately

marred in 1971 by a prolonged strike at the Beaverlodge mine lasting from August 30 to November 5.

The company's total work force was reduced by 11% during the year, from 806 to 718, as shown in the following table:

	Hourly		Totals	
	Rated	Salaried	1971	1970
Beaverlodge Operation	236	145	381	442
Port Hope Refinery	177	86	263	289
Research & Development	—	35	35	38
Marketing	—	7	7	7
Edmonton Office	—	9	9	8
Head Office	—	23	23	22
	<hr/>	<hr/>	<hr/>	<hr/>
	413	305	718	806

Total payroll in 1971 amounted to \$7,385,663 as compared with \$7,632,526 in 1970. Contributions to pension, employee group insurance and medical insurance plans totalled \$551,404. Because of changes in the Unemployment Insurance Act, which now provides benefits for non-occupational sickness and accident, the company's long-standing weekly indemnity insurance program was integrated with the Unemployment Insurance Commission plan, resulting in improved benefits, both in terms of income and the period for which benefits are payable.

Eldorado Aviation Limited

This wholly-owned subsidiary again provided the necessary contract air service to the parent company and to Northern Transportation Company Limited. Due largely to the strike at the Beaverlodge mine, the number of hours of fixed wing aircraft operation and the mileage flown, were some 13% less than in 1970. Ton-mile costs increased by 23%, reflecting higher costs common to the industry, as well as the reduction in ton-miles.

The one DC-4 aircraft operated most of the year to provide "mainline" passenger and freight service between Edmonton and the Beaverlodge mine. The needs of the agencies of Northern Transportation Company were serviced by one DC-3, and the second was used as back up when required and was also dry-leased for a short period. The company's four helicopters were employed by the associated companies in the servicing of hydro lines and plants and prospecting parties, and for Arctic ice reconnaissance, search and rescue standby, and ship-to-shore duties.

At the end of 1971, the staff numbered 36, including 2 working part-time. Salaries and wages amounted to \$412,550, and company contributions to group insurance, medical insurance and pension plans were \$44,956.

