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THE
RIO TINTO
MINING COMPANY
OF CANADA LIMITED

1961

ANNUAL
REPORT

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THE RIO TINTO MINING COMPANY OF CANADA LIMITED

DIRECTORS

J. N. V. DUNCAN, O.B.E., *Chairman of the Board*

HON. ROBERT H. WINTERS, *President*

DR. E. B. GILLANDERS, *Executive Vice-President*

W. B. MALONE, *Vice-President and Treasurer*

G. BAKER, *Secretary*

H. BLAISE

HENRY BORDEN, C.M.G., Q.C.

W. H. BOUCK, Q.C.

SAM HARRIS

HON. SALTER A. HAYDEN, Q.C.

B. R. P. MACKENZIE, Q.C.

LEO MODEL

F. PETITO

SIR MARK TURNER

BANKERS

THE CANADIAN IMPERIAL BANK OF COMMERCE, *Toronto*

SOLICITORS

FASKEN, CALVIN, MACKENZIE, WILLISTON & SWACKHAMER,
Toronto

AUDITORS

COOPER BROTHERS & Co., *Chartered Accountants,*
Toronto

TRANSFER AGENTS

CANADA PERMANENT TORONTO GENERAL TRUST COMPANY,
Toronto

THE CORPORATION TRUST COMPANY,
Jersey City, New Jersey, U.S.A.

HEAD OFFICE

335 BAY STREET, *Toronto*

THE GENERAL AND ANNUAL MEETING

THE RIO TINTO MINING COMPANY OF CANADA LIMITED will hold a General and Annual Meeting of Shareholders on Thursday, April 5, 1962 at 11:00 a.m., Toronto time, in the Board Room, 11th floor, 335 Bay Street, Toronto, Canada.

Pres. Rio Tinto Mining Co. June 8/62

THE RIO TINTO MINING COMPANY OF CANADA LIMITED

DIRECTORS' REPORT TO SHAREHOLDERS

The affairs of the Company underwent marked changes during 1961. Shareholders have been kept fully informed through the material which was sent out prior to the General Meeting of shareholders held in Toronto on October 27, 1961 and adjourned to November 15, 1961.

The steps which were taken in 1961 seemed to your Directors to be a logical outcome of the Company's activities in Canada since 1955 and were accepted as such by the shareholders. During these years the diverse portfolio of investments and interests acquired from Mr. J. H. Hirshhorn in May 1956 were consolidated and streamlined at the same time as the uranium properties were brought to a satisfactory state of operating efficiency and financial liquidity.

At the beginning of 1961, the Company's main assets were:

1. The uranium operations represented by investments in Rio Algom Mines Limited and Preston Mines Limited;
2. A portfolio of investments in properties in Canada and Africa, many of which had been developed through the activities of the Rio Tinto organization, and most of which represented prospects for the longer term; and
3. The management and exploration organizations and personnel which had been assembled and proved through all the exceptionally testing circumstances of the previous five years.

By the end of May, Rio Algom had paid off its bond indebtedness and established its operational programme against current uranium contracts through to the end of 1966, so that it was ready to diversify its activities and put its earnings to good use. To this end, Rio Algom needed to expand its exploration and management facilities to search for and develop new opportunities. A team to meet these needs was available in the staff and organization of your Company.

It was in the light of these circumstances that your Company and Rio Algom negotiated the Purchase Agreement of September 26, 1961 between the Company, Rio Algom Mines Limited, Tinto Holdings Limited and Rio Tinto Canadian Exploration Limited. The terms of this and other allied agreements were approved by large majorities of the shareholders of the companies concerned at meetings held in October and November, 1961.

The practical results for shareholders of the Company of their approval of the transactions were as follows:

- (a) The Company's portfolio of investments and interests in such companies as Anglo-Rouyn Mines Limited, Oceanic Iron Ore of Canada Limited, Rio Tinto Dow Limited, Rix-Athabasca Uranium Mines Limited, Palabora Holdings Limited, and the Rio Tinto Rhodesian companies, as well as its fixed assets, were converted into cash by sale to Rio Algom Mines Limited;
- (b) Certain other investments were sold or liquidated at fair values;
- (c) Rio Algom acquired the management and exploration organizations and personnel of the Company and assumed certain of its obligations;
- (d) Rio Algom, which had thus become the principal vehicle for activities in Canada of the Rio Tinto organization, also received from The Rio Tinto Company, Limited, of London, England, a covenant that for a period of fifteen years it will not, without the consent of Rio Algom, engage in business in Canada and will refer to Rio Algom all business opportunities in Canada coming to its knowledge. Rio Algom also gave a similar reciprocal covenant in respect of business in the United Kingdom; and

THE RIO TINTO MINING COMPANY OF CANADA LIMITED

- (e) The assets of the Company thereafter consisted of cash, shares of Rio Algom Mines Limited in its new position as principal vehicle for Rio Tinto in Canada, and common and preference shares of Preston Mines Limited, the largest shareholder of Rio Algom.

At this stage a General Meeting in November approved a Special Resolution reducing the capital of the Company to \$2,000,000 and authorizing the pro-rata distribution to shareholders of \$15,093,114 in cash and all its shares of Rio Algom and common shares of Preston. As a result, on December 6, 1961 this substantial distribution of assets was made to shareholders of record as at November 30, 1961, on the basis of \$140 in cash, 8 shares of Rio Algom and 35 common shares of Preston for every 500 shares of your Company.

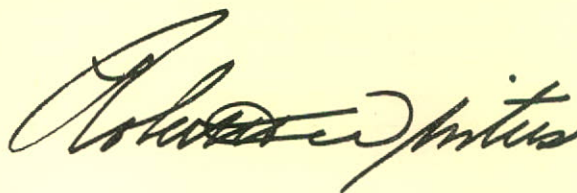
Concurrently, an offer to purchase shares of the Company at 95 cents (Canadian) per share was made by Tinto Holdings Limited, a wholly-owned Canadian subsidiary of The Rio Tinto Company, Limited, London. This offer, which terminated on November 30, 1961, enabled shareholders who so wished to receive all cash for their equity. Holders of 2,426,970 shares accepted.

Certain contingencies, described in detail in the Notes to Financial Statements, made it impossible to carry out a complete distribution of the Company's assets to shareholders in 1961. It is anticipated that the small remaining balance of equity

will be distributed as soon as these impediments are removed. The assets as at December 31, 1961, as shown in the attached balance sheet, consist of 3,411,958 preference shares of Preston Mines Limited with a redemption value of \$1,705,979, Government of Canada and other bonds with a market value of \$297,750, and net current assets amounting to \$158,889. The total value per share, which may be reduced by the contingencies mentioned above, is not more than a few cents. The maximum amount per share which shareholders can anticipate receiving at the time of the final distribution of assets and winding up of the Company is therefore small.

In view of the very considerably reduced size of the Company, and its future operations, which will be largely of a routine nature, shareholders will be asked at the Annual and General Meeting to approve a Special Resolution reducing the number of directors from fifteen to seven.

On behalf of the Board



President.

February 23, 1962.

THE RIO TINTO MINING COMPANY OF CANADA LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

AS AT DECEMBER 31, 1961

ASSETS

CURRENT ASSETS

Cash	\$174,453
Dividend receivable — associated company	34,120
Accounts receivable	20,366

INVESTMENTS—at cost (Note 2)	\$ 228,939
	2,004,422
	<u>\$2,233,361</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 54,980
Due to parent company	15,070

\$ 70,050

SHAREHOLDERS' EQUITY

Capital stock (Note 3)	
Authorized	
80,000,000 common shares without par value	
Issued and fully paid	
53,903,978 shares	\$2,000,000
Contributed surplus	131,246
Earned surplus	32,065

2,163,311

Approved on behalf of the Board,

ROBERT H. WINTERS, Director

W. B. MALONE, Director

\$2,233,361

The accompanying notes are an integral part of these statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of The Rio Tinto Mining Company of Canada Limited as at December 31, 1961 and the statements of profit and loss and surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of profit and loss and surplus present fairly the financial position of the company as at December 31, 1961 and the results of its operations for the year ended on that date in accordance with generally accepted accounting principles.

March 1, 1962

COOPER BROTHERS & CO.
Chartered Accountants

THE RIO TINTO MINING COMPANY OF CANADA LIMITED

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE MONTH ENDED DECEMBER 31, 1961

REVENUE

Dividend — associated company	\$ 34,120
Miscellaneous	418
	<hr/>
	34,538

EXPENDITURE

Administrative and general	2,473
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NET PROFIT FOR THE PERIOD AND EARNED SURPLUS

AT DECEMBER 31, 1961	<hr/>
	\$ 32,065

STATEMENT OF CONTRIBUTED SURPLUS

FOR THE MONTH ENDED DECEMBER 31, 1961

BALANCE AT BEGINNING OF PERIOD (<i>Note 3</i>)	\$104,517
Provisions made at November 30, 1961, in excess of requirements	26,729
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BALANCE AT END OF PERIOD	\$131,246

The accompanying notes are an integral part of these statements.

THE RIO TINTO MINING COMPANY OF CANADA LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 1961

REVENUE		
Dividend		
Subsidiary company		\$ 56,929
Interest		
Subsidiary company		261,075
Associated companies		41,028
Sundry income		164,394
		523,426

EXPENDITURE		
Administrative and general expenses	\$1,706,556	
Less — recovered from managed companies	1,532,308	174,248
		251,605
Debenture interest		82,250
Premium on redemption of debentures		404,517
Exploration and development		46,074
Depreciation of fixed assets		958,694

NET LOSS FOR THE PERIOD		\$435,268

STATEMENT OF DEFICIT FOR THE ELEVEN MONTHS ENDED NOVEMBER 30, 1961

SURPLUS AT BEGINNING OF YEAR <i>(Note 1)</i>		\$ 644,490
Provisions made in prior years, no longer required		17,503
		661,993
Net loss for the period		435,268
		226,725

Net loss on disposal of investments, fixed assets and exploration programme (after deducting the provision of \$939,803 <i>(Note 1)</i> for depletion of investments)		3,189,541
Provisions for expenses in connection with reducing capital and making a pro-rata repayment to shareholders		139,948
		3,329,489

DEFICIT AT NOVEMBER 30, 1961, WRITTEN OFF AGAINST SHARE CAPITAL <i>(Note 3)</i>		\$3,102,764

The accompanying notes are an integral part of these statements.

THE RIO TINTO MINING COMPANY OF CANADA LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1961

1. REORGANIZATION OF THE COMPANY

An agreement was made as of September 26, 1961 between the Company, Rio Algom Mines Limited, Tinto Holdings Limited and Rio Tinto Canadian Exploration Limited, wherein substantially the whole of the Company's assets and undertaking was to be sold to Rio Algom and Tinto Holdings. The agreement was approved by the shareholders of the Company on October 27, 1961, and the transactions were consummated on October 31, 1961.

Co-incident with the sale agreement referred to above, application was made to the Lieutenant-Governor of the Province of Ontario for Supplementary Letters Patent decreasing the issued capital of the Company to \$2,000,000 and authorizing a pro-rata repayment to shareholders. The application was approved effective November 30, 1961.

As a result of the changes referred to above, the Company now has no subsidiaries and the financial statements show the operations and financial position of the Company only. The earned surplus of the Company and its consolidated subsidiaries, shown at \$393,335 in the 1960 annual report included accumulated deficits of \$251,155 in respect of consolidated subsidiaries. Similarly the provision for depletion shown at \$1,108,517 in the 1960 annual report included \$168,714 provided by consolidated subsidiaries.

The operations of the Company for 1961 fall, therefore, into two parts and the financial statements on page 6 show the results of operations for the eleven months ended November 30, 1961, whilst the statements on pages 5 and 4 show the operations for the month of December and the financial position of the Company at December 31, 1961.

2. INVESTMENTS

At December 31, 1961 the Company held the following investments—

	Number of shares or principal amount of bonds	Cost	Market Value
Preston Mines Limited—preference	3,411,958	\$1,705,979	\$1,705,979 (See Note)
Government of Canada 2¾ % bonds June 1, 1963	\$ 250,000	247,750	247,750
Rio Prado Consolidated Oils Limited 5½ % bonds March 1, 1964	\$ 50,000	50,000	50,000
Other holdings		693	—
		<u>\$2,004,422</u>	<u>\$2,003,729</u>

Note:

On or before September 29, 1966, the Company may, at its option, request Tinto Holdings Canada Limited (successor to Tinto Holdings Limited) to purchase up to 3,411,958 preference shares of Preston Mines Limited at a price of 50 cents per share.

THE RIO TINTO MINING COMPANY OF CANADA LIMITED

3. SHAREHOLDERS' EQUITY

<u>Number of shares</u>		<u>Amount paid</u>
53,903,978	Issued capital at December 31, 1960— shares	\$56,425,608
	Deficit at November 30, 1961, written off against capital	3,102,764
	Pro-rata repayment to shareholders of record November 30, 1961, comprising:	
	Cash	\$15,093,114
	862,464 shares of Rio Algom Mines Limited (market value at date of repayment \$9,055,872)	14,234,209
	3,773,280 common shares of Preston Mines Limited (market value at date of repayment \$26,601,624)	21,891,004
	Allocation to contributed surplus	104,517
		54,425,608
<u>53,903,978</u>	Issued capital at December 31, 1961— shares	<u>\$ 2,000,000</u>
327,945	unissued common shares are reserved against the exercise of share purchase warrants outstanding entitling the holders thereof to pur- chase common shares at \$2 per share up to and including May 1, 1962.	
130,000	unissued common shares are reserved against the exercise of options granted to executive officers and directors at \$1 per share exercis- able as to 10,000 shares up to June 26, 1963 and the balance up to December 31, 1964.	

4. CONTINGENT LIABILITIES

Actions have been commenced in the Supreme Court of Ontario by two builders against the Company and certain associated companies, in which claims for damages and extras have been made for alleged breaches of contracts relating to the construction of certain houses in Elliot Lake. The companies have taken the position that the claims have no justification.

