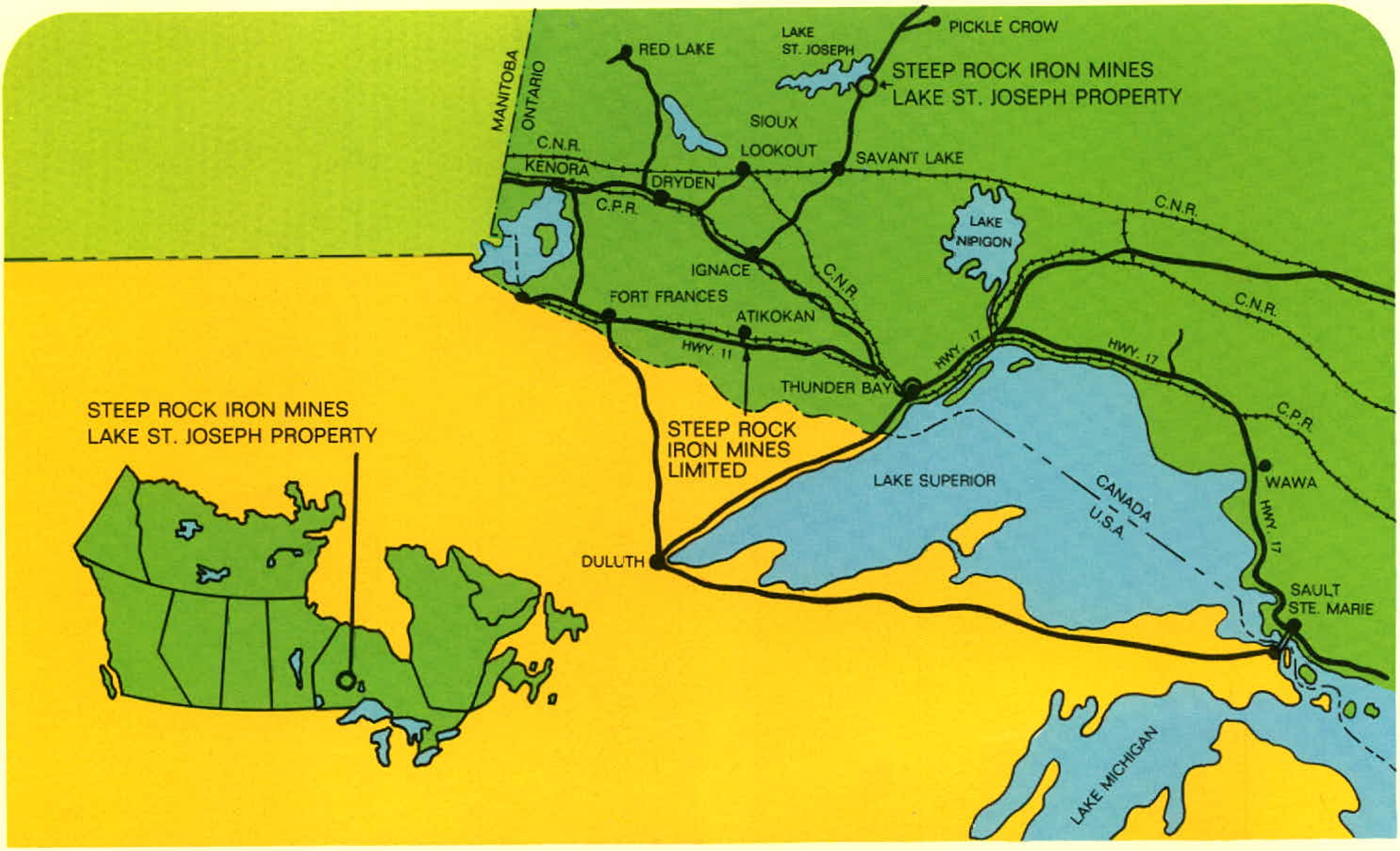
Annual Report

FOR THE YEAR ENDED DECEMBER 31, 1973

STEEP ROCK IRON MINES LIMITED


PICKLE CROW
RED LAKE
LAKE ST. JOSEPH
STEEP ROCK IRON MINES
LAKE ST. JOSEPH PROPERTY
MANITOBA
ONTARIO
SIOUX
LOOKOUT
SAVANT LAKE
C.N.R.
KENORA
DRYDEN
C.P.R.
LAKE NIPIGON
C.N.R.
IGNACE
C.N.R.
C.N.R.
FORT FRANCES
ATIKOKAN
HWY. 11
HWY. 17
HWY. 17
THUNDER BAY
C.P.R.
STEEP ROCK IRON MINES
LAKE ST. JOSEPH PROPERTY
STEEP ROCK
IRON MINES
LIMITED
LAKE SUPERIOR
CANADA
U.S.A.
WAWA
HWY. 17
DULUTH
SAULT
STE. MARIE
LAKE MICHIGAN

FRONT COVER
Looking eastward across the Lake St. Joseph ore deposits with Lake St. Joseph in the background.

INSIDE FRONT COVER
Top: Area map
Bottom: Ore samples from the crosscut across the north orezone at Lake St. Joseph.
— Photos by Vic Wagner

BOARD OF DIRECTORS

HON. W. M. BENIDICKSON, P.C.	*Ottawa, Ontario*
*NEIL EDMONSTONE, F.C.I.S.	*Barrie, Ontario*
*A. R. GALE	*Greenwich, Connecticut*
G. R. HEFFERNAN	*Whitby, Ontario*
*R. M. HOGARTH	*Toronto, Ontario*
*F. RAYMOND JONES, P.Eng.	*Atikokan, Ontario*
ROBERT L. KAISER	*Grosse Pte. Farms, Michigan*
LAURENCE J. LAMB, P.Eng.	*Atikokan, Ontario*
MARK T. McKEE	*Oxford, Connecticut*
JOHN N. PATERSON	*Thunder Bay, Ontario*
CLARE E. WHITE, P.Eng.	*Victoria, British Columbia*

**Member of the Audit Committee*

OFFICERS

JOHN N. PATERSON	*Chairman of the Board*
F. RAYMOND JONES, P.Eng.	*President & Chief Executive Officer*
LAURENCE J. LAMB, P.Eng.	*Vice President & General Manager*
JOHN A. CAMPBELL, Q.C.	*Secretary*
LOUIS ZUCCHIATTI, R.I.A.	*Treasurer & Controller*
JOHN P. DUGGAN, C.A., R.I.A.	*Assistant Treasurer*

AUDITORS

CLARKSON, GORDON & CO. — *Thunder Bay, Ontario*

TRANSFER AGENTS

CROWN TRUST COMPANY — *Toronto, Ontario*
and
CENTRAL NATIONAL BANK OF CLEVELAND — *Cleveland, Ohio*

GENERAL COUNSEL

JOHN A. CAMPBELL, Q.C. — *Toronto, Ontario*

CONSULTING GEOLOGIST

M. W. BARTLEY, PhD. — *Thunder Bay, Ontario*

DIVISION MANAGERS

A. K. BAYLES	*Metallurgical*
G. K. EOLL	*Employee Relations*
C. F. MacIVER	*Maintenance & Services*
B. W. TAYLOR	*Mine*
L. ZUCCHIATTI	*Accounting*

ASSISTANT TO THE PRESIDENT

S. G. HANCOCK

OPERATIONS AND EXECUTIVE OFFICES

Atikokan, Ontario

ANNUAL MEETING

The Annual General Meeting of the Shareholders of Steep Rock Iron Mines Limited will be held at the Head Office of the Company at Atikokan, Ontario, on the 29th day of April, 1974, at the hour of 10:00 o'clock in the forenoon.

J. P. DUGGAN
Assistant Treasurer

L. ZUCCHIATTI
Treasurer and Controller

L. J. LAMB
Vice President and General Manager

F. R. JONES
President

J. A. CAMPBELL
Secretary

J. N. PATERSON
Chairman of the Board

PRESIDENT'S LETTER TO THE SHAREHOLDERS

You will notice a new look to our report booklet this year. Much progress was made in 1973 in moving your Lake St. Joseph property toward production. The exciting significance of this project in Steep Rock's future is the reason for highlighting the green bush instead of the red pits of our home property.

NET EARNINGS for 1973 were $781,432. A small price increase at the beginning of the year did little to offset increases in labor and supply costs.

TOTAL FUNDS FROM OPERATIONS were $3.98 million. Other income, including receipt of $339 thousand representing a return of accelerated debt retirement charges incorporated in prior years' electric power rates, and sales of fixed assets in the amount of $254 thousand, increased funds generated to $4.67 million, compared with $4.48 million for 1972.

WORKING CAPITAL at year-end was $10.55 million, increased $549 thousand from the previous year.

PELLET PRODUCTION of 1,414,110 tons was 31,000 tons less than in 1972, but greater than for any other prior year. Shipments totalled 1,430,704 tons, of which pellets comprised 1,421,496 tons and red ore 9,208 tons.

ORE RESERVES available to Steep Rock in the Hogarth, Roberts and "C" orezones, and extractable by open pit mining total 38.4 million tons, of which 31.3 million tons are in the "assured" and "reasonably assured" categories. The small underground operation which was terminated late in 1973 demonstrated that the underground reserves are not economic under current conditions.

LAKE ST. JOSEPH

Following the favorable result of a preliminary feasibility study and market survey, independent consultants are proceeding with a complete engineering study. The proposed operation envisages production of 4.0 million tons per year of superconcentrates grading 70.5% iron, and reduction of most of this material to sponge iron, grading about 92% iron. The estimated project cost is in the order of $400 million. The continuing scarcity and high cost of scrap steel, combined with great advances in confidence in direct reduction technology, have resulted in a strong up-surge of demand for our proposed product. Current indications are that the scale of the operation under design will not come close to satisfying the growing market, so it is easy to visualize an early doubling of initial design capacity.

The engineering study is expected to produce the detailed capital cost budget in early May. Our bankers, together with our investment dealers, are collaborating with Steep Rock and our engineering consultants on financing arrangements. We are working with various levels of government on such matters as railway transportation, townsites and environmental studies.

Dividends

As stated in a news release dated December 5, 1973, dividend payments are expected to be withheld to provide working capital for the Lake St. Joseph project.

Appreciation and outlook

Because of the co-operative effort that has been necessary to cope with Steep Rock's continuing problems, it is difficult to single out persons for special mention. In extending his heartfelt thanks to all who have contributed, from the newest employee to the oldest Board member, the President would like to mention two groups who have made an unusual contribution: the employees who have worked together since 1972 to formulate and implement a "philosophy of management", and the officers and directors who have worked with the President in the complicated task of bringing your Lake St. Joseph project closer to reality.

The continuing unrealistically low ore prices, coupled with the again increasingly unfavorable U.S. dollar value, continue to make the economics of the Steep Rock Lake operation difficult. The greatly enhanced position of the Lake St. Joseph project brings an improved future much closer.

Earnings prospects for this year will be greatly affected by the magnitude of the expected increase in pellet prices following the anticipated removal of the U.S. "Phase 4" price restrictions. Unless the price improvement is greater than expected, or the Canadian dollar finds a lower level in relation to the U.S. dollar, our earnings for 1974 cannot be expected to improve over 1973.

On behalf of the Board
F. R. JONES
PRESIDENT

March 11, 1974

B. W. TAYLOR
Mine Manager

A. K. BAYLES
Metallurgical Manager

S. G. HANCOCK
Assistant to the President

G. K. EOLL
Employee Relations Manager

C. F. MacIVER
Maintenance and Services Manager

STEEP ROCK IRON MINES LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1973

(WITH COMPARATIVE FIGURES AS AT DECEMBER 31, 1972)

ASSETS

	1973	1972
CURRENT		
Cash and deposit certificates	$ 999,513	$ 64,583
Short term investments, at cost which approximates market value	4,921,563	4,561,365
Accounts receivable	3,929,972	4,728,232
Ore (finished and in process), at the lower of cost or net realizable value	4,304,632	3,847,664
Supplies at average cost	1,530,692	1,190,584
Prepaid expenses	163,930	175,521
Total current assets	15,850,302	14,567,949
FIXED ASSETS AND HOUSING		
Mining properties (Note 3)	5,244,368	4,953,464
Less accumulated depletion	2,725,439	2,525,064
	2,518,929	2,428,400
Plant, buildings and equipment, at cost	53,223,677	52,989,812
Less accumulated depreciation	28,797,268	27,084,441
	24,426,409	25,905,371
Housing		
Properties owned, at less than cost and less accumulated depreciation (1973 – $387,278; 1972 – $340,062)	752,279	823,382
Mortgages and sale agreements receivable	347,198	366,933
	1,099,477	1,190,315
	28,044,815	29,524,086
OTHER ASSETS AND DEFERRED CHARGES		
Shares in and advances to other mining companies, at cost (Note 4)	596,784	596,784
Deferred development expenditures (unamortized portion)	7,973,890	9,088,623
Deferred overburden removal (stripping) costs	7,326,700	7,170,225
Sundry	111,474	95,603
	16,008,848	16,951,235
	$59,903,965	$61,043,270

(See accompanying notes to consolidated financial statements)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1973	1972
CURRENT		
Accounts payable and accrued liabilities	$ 2,661,262	$ 1,915,156
Accrued interest	99,017	111,774
Mortgage bond principal due within one year	2,537,298	2,536,852
Total current liabilities	5,297,577	4,563,782
DEFERRED		
Advance payments received on sale of interest in mining properties (Note 3)	250,770	225,770
LONG TERM DEBT		
6% First mortgage sinking fund bonds, Series A, due December 1, 1981 - U.S. $17,339,000 (excluding 1974 principal instalment of U.S. $2,548,000 included in current liabilities) (Notes 1(c) and 5)	17,772,225	20,402,500
Mortgages payable on employee housing	235,282	284,539
	18,007,507	20,687,039
SHAREHOLDERS' EQUITY		
Capital		
Authorized		
10,000 preference shares of $100 each		
10,666,666 common shares of $1 each		
Issued		
8,063,652 common shares	8,063,652	8,063,652
Contributed surplus	3,674,675	3,674,675
Retained earnings (Notes 3 and 5)	24,609,784	23,828,352
	36,348,111	35,566,679
On behalf of the Board N. Edmonstone, Director L. J. Lamb, Director	$59,903,965	$61,043,270

STEEP ROCK IRON MINES LIMITED
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31, 1973
(WITH COMPARATIVE FIGURES FOR 1972)

	1973	1972
INCOME		
Gross operating revenues	$19,619,598	$18,729,647
Royalty income (Note 2(a))	3,335,008	2,968,169
Investment income	563,216	422,871
Gain on disposal of fixed assets	76,507	—
	23,594,329	22,120,687
COSTS AND EXPENSES		
Operating costs, other than those shown below	17,533,958	15,642,984
Administrative and corporate expenses	746,784	695,851
Interest on bonds	1,331,473	1,473,554
Depreciation	2,296,040	2,263,282
Depletion	200,375	193,586
Amortization of deferred development expenditures	1,095,277	1,121,674
Sundry exchange gains	(51,892)	(85,990)
	23,152,015	21,304,941
EARNINGS before income taxes and extraordinary items	442,314	815,746
Income taxes (Note 6)	—	78,000
EARNINGS before extraordinary items	442,314	737,746
EXTRAORDINARY ITEMS		
Special payment received from Ontario Hydro Electric Power Commission (less applicable income taxes of $48,000) (Notes 2(b) and 6)	291,118	—
Income tax credit arising from carry forward of prior years' write-offs (Note 6)	48,000	78,000
	339,118	78,000
NET EARNINGS FOR THE YEAR	$ 781,432	$ 815,746
PER SHARE		
Earnings before extraordinary items	$0.05	$0.09
Net earnings for the year	$0.10	$0.10

(See accompanying notes to consolidated financial statements)

STEEP ROCK IRON MINES LIMITED
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1973
(WITH COMPARATIVE FIGURES FOR 1972)

	1973	1972
Balance at beginning of year	$23,828,352	$24,222,154
Add net earnings for the year	781,432	815,746
	24,609,784	25,037,900
Deduct dividend of 15¢ per share	–	1,209,548
Balance at end of year	$24,609,784	$23,828,352

(See accompanying notes to consolidated financial statements)

Hogarth Open Pit – stripping benches on hanging wall – main office in background.
– Photo by Vic Wagner

STEEP ROCK IRON MINES LIMITED
AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1973
(WITH COMPARATIVE FIGURES FOR 1972)

	1973	1972
SOURCE OF FUNDS		
From operations		
Earnings before income taxes and extraordinary items	$ 442,314	$ 815,746
Add expenses not requiring an outlay of working capital during the year		
Depreciation	2,296,040	2,263,282
Depletion	200,375	193,586
Amortization of deferred development expenditures	1,095,277	1,121,674
Gain on disposal of fixed assets	(76,507)	—
Other	19,456	4,818
Total funds from operations	3,976,955	4,399,106
Special payment received from Ontario Hydro Electric Power Commission	339,118	—
Sale of fixed assets	254,204	19,300
Payment received on sale of interest in mining properties	50,000	50,000
Decrease in mortgages and sale agreements receivable	49,441	11,609
	4,669,718	4,480,015
APPLICATION OF FUNDS		
Additions to mining properties	315,904	140,741
Additions to fixed assets and housing	953,378	226,650
Net addition to deferred overburden removal costs	156,475	524,877
Long term debt paid or included in current liabilities		
Mortgage bonds	2,630,275	2,898,700
Mortgages payable	49,257	51,849
Dividends	—	1,209,548
Other	15,871	35,171
	4,121,160	5,087,536
Increase (decrease) in working capital	548,558	(607,521)
Working capital at beginning of year	10,004,167	10,611,688
WORKING CAPITAL at end of year	$10,552,725	$10,004,167
Changes in components of working capital		
Increase (decrease) in current assets		
Cash	$ 934,930	$ (3,094,214)
Short term investments	360,198	1,911,365
Accounts receivable	(798,260)	454,200
Ore	456,968	360,584
Supplies	340,108	38,937
Prepaid expenses	(11,591)	135,737
	1,282,353	(193,391)
Decrease (increase) in current liabilities		
Accounts payable and accrued liabilities	(746,106)	(445,918)
Accrued interest	12,757	15,066
Mortgage bond principal due within one year	(446)	16,722
	(733,795)	(414,130)
INCREASE (DECREASE) IN WORKING CAPITAL	$ 548,558	$ (607,521)

(See accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1973

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The accompanying statements are drawn up on a consolidated basis to include the accounts of the Company and its subsidiaries, Steerola Explorations Limited, Sanjo Iron Mines Limited and Don Park Homesites Limited (all of which are wholly owned).

(b) Statement presentation of joint venture operations

Under agreements entered into in 1965 (covering a period of 22 years) certain of the Company's open pit ore reserves at Steep Rock Lake were leased to a joint venture participant, and the Company was appointed operator to mine and process the ore on the participant's behalf. As in prior years, the 1973 financial statements have been drawn up to reflect in "gross operating revenues" the value of the ore produced (less the profit allocation to the joint venture participant), and in "costs and expenses" the full costs of mining and processing the ore.

(c) Exchange translation

U.S. dollar current assets and current liabilities (including long term debt maturing within one year) are translated to Canadian dollars on the basis of year-end exchange rates (U.S. \$1 = Can. \$.9958 at December 31, 1973). Long term debt (mortgage bonds) has been translated on the basis of U.S. \$1 = Can. \$1.025, this being the rate adopted following the unpegging of the Canadian dollar on May 31, 1970.

(d) Depreciation, depletion and amortization

Depreciation is provided on the straight-line basis at rates designed to write-off the cost (less salvage value) of the related assets over their estimated useful lives. The pellet plant, which constitutes the Company's major fixed asset, is being depreciated on the straight-line basis over the term of the joint venture agreement referred to in Note 1(b). Depletion of mining properties, and amortization of deferred development expenditures, are provided on the basis of tons of ore mined or shipped in relation to the estimated assured or reasonably assured ore reserves of presently developed mines.

Deferred overburden removal (stripping) costs are charged to operations on the basis of tons of ore mined.

2. NOTE RE 1973 OPERATIONS

(a) Royalty income

The Company's "C" orezone is leased to Caland Ore Company Limited in consideration for the payment of annual royalties by Caland based on a percentage of the market value of ore produced. For 1972 and later years the lease agreement specifies a minimum of 2,000,000 tons annually on which royalties shall be payable, and this was the basis for the amount of royalty received in 1972 and 1973. This minimum tonnage is subject to further downward adjustment under certain circumstances as specified in the agreement.

The lease may be terminated by Caland on December 31st in any year upon giving at least one year's advance notice. While no such legal notification has been received as yet, Caland has announced that they expect to terminate mining operations in 1976. If official notice of such termination were to be given by December 31, 1974, the minimum royalty tonnage for the final year of operations (i.e. 1976) would be reduced to 1,000,000 tons.

(b) Special payment received from Ontario Hydro Electric Power Commission

During 1973 the Company received a special payment of \$339,118 from the Ontario Hydro Electric Power Commission, representing a return of accelerated debt retirement charges incorporated in prior years' electric power rates. This is shown as an extraordinary item in the 1973 statement of earnings.

(c) Cost of ore

In addition to the joint venture operation referred to in Note 1(b), the Company supplies pellets to another customer under a contract which runs to 1977. Up to December 31, 1971 this contract (which accounts for approximately 17% of the Company's pellet output) had been filled from low cost stockpiles of ore. During 1972 and 1973 a major portion of this contract was filled from higher cost ore derived from underground mining. In November 1973 the Company terminated its underground mining operation due to excessive costs, and part of the ore required for this contract had to be purchased. It is expected that for the remaining period of the contract ore requirements will similarly be covered by purchases (or from the "C" orezone in 1977 — see Note 2(a)) and that, subject to changes in the present relationship between selling prices and costs, the Company will continue to incur some loss in fulfilling the contract.

3. MINING PROPERTIES

This asset is made up as follows:

Properties at Steep Rock Lake (purchase cost of \$2,459,456 plus a valuation adjustment made in 1943 of \$1,926,937)		\$4,386,393
Properties at Lake St. Joseph (purchase cost of \$276,711 plus deferred exploration and development expenditures of \$780,494)	\$1,057,205	
Less payment received for interest acquired by joint venture participant in certain of such properties to December 31, 1973 (see below)	199,230	857,975
		\$5,244,368

Under the joint venture arrangements referred to in Note 1(b) the joint venture participant is entitled to acquire an increasing proportion of certain of the Company's Lake St. Joseph claims, the rate of acquisition being related to the volume of ore shipped under the main contract.

Further development of the properties at Lake St. Joseph is dependent upon completion of arrangements for production, sale and financing. The directors have decided to forego dividend payments in order to conserve working capital required for the Lake St. Joseph project.

4. SHARES IN, AND ADVANCES TO, OTHER MINING COMPANIES

The amount of $596,784 shown under this balance sheet classification represents the cost of the Company's shareholding in, and advances to, Champlain Mining Corporation and International Iron Ores Limited. Through these investments the Company has an interest in certain iron ore deposits on the west side of Ungava Bay. While no substantial development work at the properties has been carried out for some years, it is expected that some additional exploration work will be carried out in 1974. The recovery of the Company's investment is dependent upon the successful future development of an economic mining operation and the obtaining of adequate financing.

5. MORTGAGE BONDS AND RELATED DIVIDEND RESTRICTIONS

The trust indenture relating to the first mortgage sinking fund bonds (as amended in 1971) requires fixed principal repayments of U.S. $2,548,000 on December 1 of each year, together with additional principal payments (calculated at the rate of U.S. $1.41 per ton) to the extent that shipments of pellets to the joint venture participant in any twelve month period ending September 30 exceed 1,100,000 tons.

Under the terms of the indenture the Company may not effect any reduction of, or redeem any of its capital stock or declare any dividends on any shares of its capital stock where (A) consolidated working capital (which is defined to exclude a deduction for bond sinking fund instalments due within one year, but to include a deduction for one year's interest), is less than, or would thereby be reduced below the following amounts: 1973-1978 inclusive – U.S. $10,000,000; 1979 – U.S. $7,500,000; 1980 – U.S. $5,000,000; or (B) the cumulative amounts applied to capital stock reduction or dividend declaration subsequent to January 1, 1970 exceed the sum of (i) consolidated net income (as defined) since that date and (ii) a specified amount related to the period in which the capital reduction or dividend declaration takes place. The specified amount is U.S. $2,000,000 during the period 1970-1978, U.S. $4,000,000 during 1979, U.S. $6,000,000 during 1980, and U.S. $8,000,000 thereafter.

6. INCOME TAXES

For tax purposes the Company is entitled to a depletion deduction of 25% in respect of royalty income. As a result, no taxes are payable in respect of 1973 earnings before extraordinary items and the tax applicable to the special payment received from the Ontario Hydro Electric Power Commission is reduced to $48,000. This latter amount, in turn, is offset by tax credits arising from the carry forward of prior years' write-offs not previously claimed for tax purposes, so that there is no current liability for income taxes for the year 1973. At December 31, 1973 the amount of prior years' write-offs remaining for carry forward against future years' income is estimated at approximately $3,750,000.

7. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The unfunded past service pension liability of the Company is estimated at $1,728,000 at December 31, 1973. The present liability will be paid, and charged to income, over periods ranging up to 16 years.

(b) Under an agreement dated March 15, 1949 relating to the diversion of the Seine River, the Company is committed to make payments to the Ontario Hydro Electric Power Commission of $92,357 annually until November 1, 1989.

(c) The contingent liability with respect to guarantees of mortgages on employees' housing is estimated at approximately $100,000. The Company is also committed under certain outstanding sale agreements to repurchase houses in the event of employee termination; the maximum commitment at December 31, 1973 being estimated at approximately $336,000.

(d) Annual rentals under equipment leases presently in effect amount to $331,620 in 1974, $315,775 in each of the years 1975 to 1978 and $186,666 in 1979. There are no lease commitments extending beyond 1979. In addition, the Company leases its data processing equipment at an annual cost of approximately $37,000. This lease can be terminated upon 90 days notice by either party.

The total leasing costs charged against 1973 operations amounted to $423,913 ($439,620 in 1972).

Prior to the year-end the Company ordered a new shovel (for delivery in 1974) for use in its open pit operations. The total cost of the shovel, including installation and provincial sales tax, is estimated at approximately $775,000. The Company is presently negotiating an arrangement under which the shovel would be leased rather than purchased. It is anticipated that such lease will run for 129 months and that the annual cost will approximate $106,500, including provincial sales tax.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration of directors and senior officers amounted to $292,900 in 1973 ($236,181 in 1972).

AUDITORS' REPORT

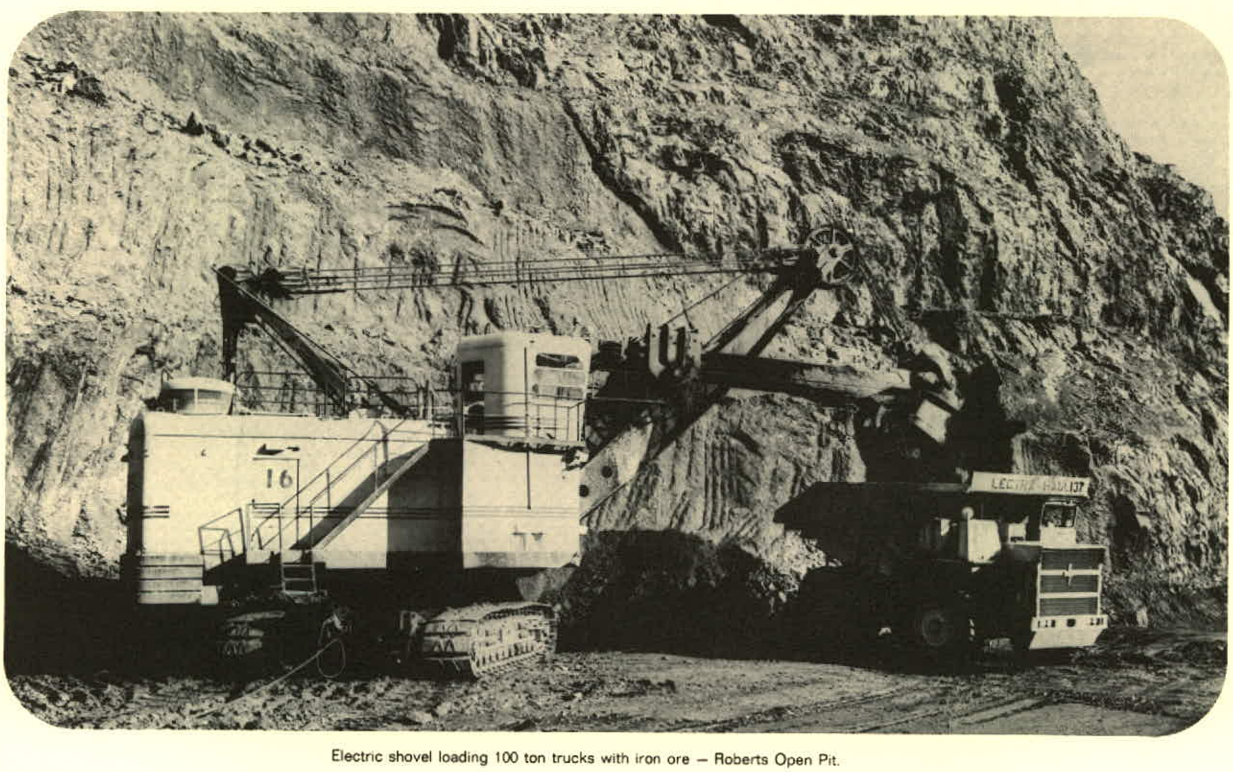
TO THE SHAREHOLDERS OF STEEP ROCK IRON MINES LIMITED

We have examined the consolidated balance sheet of Steep Rock Iron Mines Limited and its subsidiary companies as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. 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 these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THUNDER BAY, ONTARIO
February 21, 1974

CLARKSON, GORDON & CO.
CHARTERED ACCOUNTANTS



Electric shovel loading 100 ton trucks with iron ore — Roberts Open Pit.

— Photo by George Hunter

10 YEARS IN REVIEW*

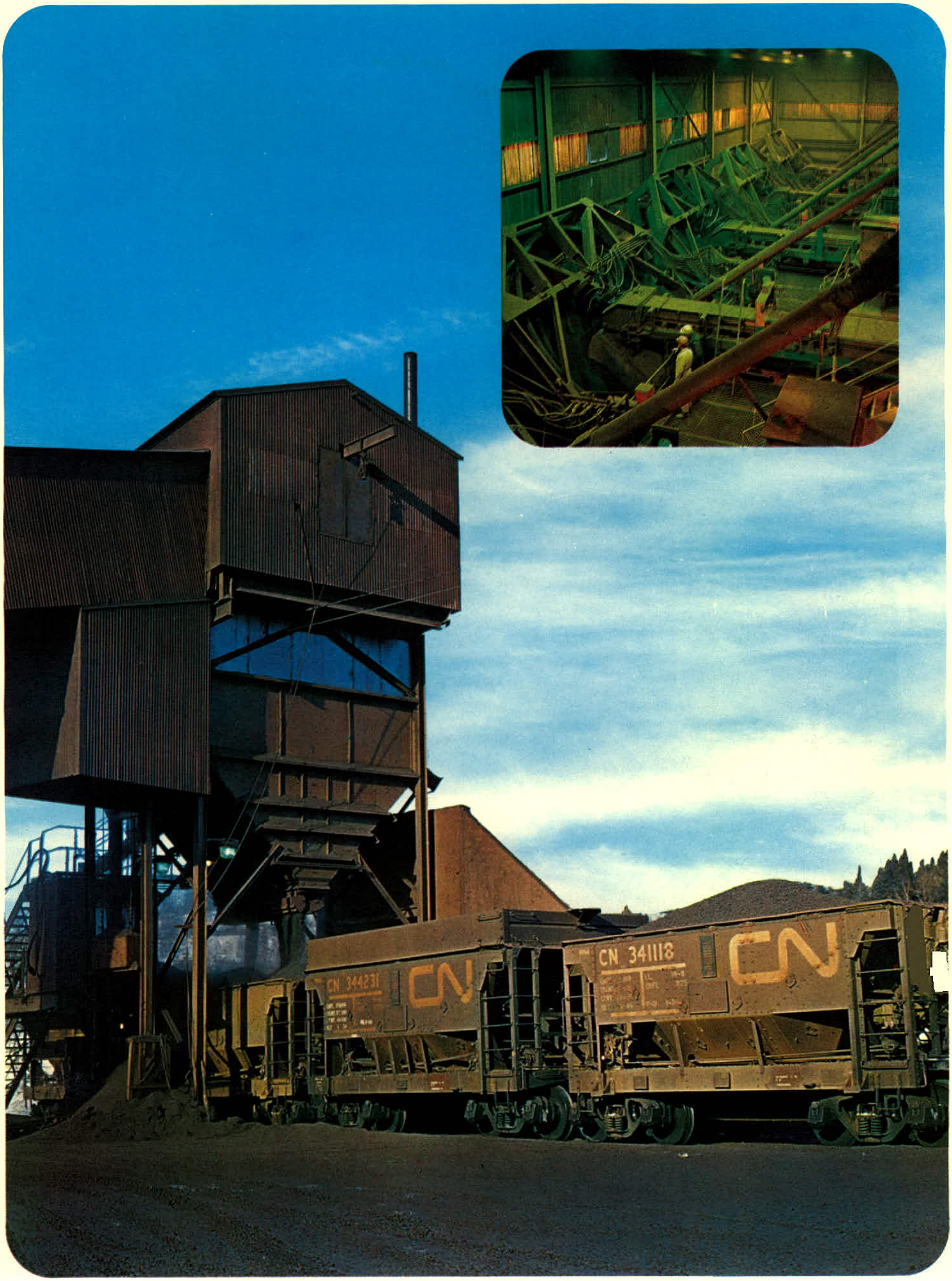
	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
					(Thousands of Dollars)					
Income										
Gross operating revenues	19,620	18,730	18,330	17,967	17,624	15,100	8,801	9,150	10,325	10,519
Royalty and other income	3,898	3,391	5,371	5,415	4,397	4,712	4,202	4,053	4,491	3,883
Gain on fixed asset disposals	76				80					
	23,594	22,121	23,701	23,382	22,101	19,812	13,003	13,203	14,816	14,402
Costs and expenses										
Operating costs, etc.	18,229	16,247	14,991	14,597	12,554	9,651	6,288	7,361	8,648	7,023
Interest	1,331	1,474	1,707	1,888	2,066	2,168	932	448	511	662
Depreciation, depletion and amortizations	3,592	3,584	3,789	4,096	4,311	2,685	3,012	2,461	2,068	1,955
	23,152	21,305	20,487	20,581	18,931	14,504	10,232	10,270	11,227	9,640
Earnings before income taxes and extraordinary items	442	816	3,214	2,801	3,170	5,308	2,771	2,933	3,589	4,762
Income taxes	–	78	1,145	990	1,304	2,382	1,024	1,111	1,407	1,142
Earnings before extraordinary items	442	738	2,069	1,811	1,866	2,926	1,747	1,822	2,182	3,620
Extraordinary items										
Income tax credit arising from carry forward of prior years' write-offs	48	78	1,145	372	–	–	–	–	–	–
Exchange credits less exchange losses (net of related tax)	–	–	–	1,300	–	–	–	–	–	–
Gain (provision for loss) on sale of investments	–	–	–	545	(452)	–	400	(400)	–	–
Write-off of land and plant facilities no longer required (net of related tax)	–	–	–	(483)	–	(217)	–	–	–	–
Write-off of deferred development expenditures (net of related tax)	–	–	–	–	(35,448)	–	–	–	–	–
Financing costs	–	–	–	–	–	–	–	(583)	–	–
Special payment received from Ontario Hydro Electric Power Commission (net of related tax)	291	–	–	–	–	–	–	–	–	–
	339	78	1,145	1,734	(35,900)	(217)	400	(983)	–	–
Net earnings (loss) for the year	781	816	3,214	3,545	(34,034)	2,709	2,147	839	2,182	3,620
Per share										
Earnings before extraordinary items	0.05	0.09	0.26	0.22	0.23	0.36	0.22	0.23	0.27	0.45
Net earnings for the year	0.10	0.10	0.40	0.44	(4.22)	0.34	0.27	0.10	0.27	0.45
Dividends	–	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.25
Iron ore and pellets										
Tons (000)										
Sales	1,442	1,469	1,415	1,501	1,563	1,440	1,004	1,095	1,264	1,241
Royalty ore	2,000	1,922	3,000	3,000	2,225	2,500	2,326	2,083	2,446	2,001
Total tons	3,442	3,391	4,415	4,501	3,788	3,940	3,330	3,178	3,710	3,242

* 1969 and prior years' results have been restated to give effect to retroactive changes in depletion, depreciation and deferred income taxes and to certain changes in revenue and expense classifications.

INSIDE BACK COVER
Loading iron ore cars with pellets from Steep Rock's pellet plant.

INSET
The pellet discs of Steep Rock's pellet plant.

— Photos by George Hunter


CN 344231
CN
CN 341118
CN

SRIM
LIMITED

PRINTED IN CANADA ALEX WILSON PUBLICATIONS LTD. DRYDEN, ONT.