Rio Algom

Annual Report 1982

The Corporation

Rio Algom and its subsidiaries are engaged in two principal lines of business: mining operations and steel operations.

Rio Algom's mining operations consist of the exploration for and mining of ores and minerals and its principal products are uranium oxide, copper and molybdenum. Uranium oxide in concentrates is produced from the Quirke and Panel mines at Elliot Lake, Ontario and, through a wholly owned subsidiary, the Lisbon mine near Moab, Utah. Copper and molybdenum in concentrates are produced from the Lornex Mining Corporation Ltd. (68.1% owned by Rio Algom) mine located in the Highland Valley area of British Columbia. Lornex also has a 39% joint venture interest in the Bullmoose metallurgical coal project under construction in British Columbia. Exploration is conducted by subsidiaries in Canada, the United States, South America and Europe.

The steel operations consist of the production and marketing of stainless and specialty steels. Production is carried on at the Atlas Steels plants in Welland, Ontario and Tracy, Quebec. Marketing of these products is undertaken directly by the Atlas Steels mill sales group and through the Atlas Alloys metals service centre network with facilities across Canada and in the United States, Mexico and Australia. Atlas Alloys also markets a broad range of other metal products.

Annual Meeting
An Annual and General Meeting of Shareholders of Rio Algom Limited will be held on Tuesday, April 19, 1983 at 10:00 a.m. (Toronto time) in the Ontario Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada

Cover:
Nearing completion, the Stanleigh uranium facilities at Elliot Lake, Ontario. The mine and mill complex, shut-down for more than two decades, is scheduled to go into production in mid-1983 to fill long term contract requirements extending until approximately 2020.

Rio Algom Limited

Highlights of 1982 Consolidated Operations

(Thousands of dollars except per share data)	1982		1981	
Revenue:				
Uranium	**$281,668**	37%	$281,865	31%
Copper-molybdenum	**126,893**	17	150,929	16
Steel	**351,599**	46	485,490	53
Consolidated revenue	**$760,160**	100%	$918,284	100%
Operating profit (loss):				
Uranium	**$ 60,256**		$ 69,235	
Copper-molybdenum	**(16,577)**		38,681	
Steel	**(16,433)**		34,752	
Total operating profit	**$ 27,246**		$142,668	
Net earnings	**$ 17,813**		$ 65,832	
Per share of common stock	**$ 0.98**		$ 4.36	
Dividends paid on common stock	**$ 21,332**		$ 21,332	
Per share of common stock	**$ 1.50**		$ 1.50	
Working capital, year end	**$323,768**		$315,928	
Ratio of current assets to current liabilities	**3.1 to 1**		2.7 to 1	
Common shareholders' equity	**$481,713**		$488,795	
Return on average common shareholders' equity	**2.89%**		13.23%	
Total common shares outstanding at December 31	**14,221**		14,221	
Equity per share of common stock outstanding	**$ 33.87**		$ 34.37	

All dollar amounts set out in this Report refer to Canadian dollars unless otherwise stated. At February 25, 1983 C$1.00 = U.S.$0.8142.

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Directors' Report to the Shareholders

The Canadian economy experienced a major deterioration that began in mid-1981 and persisted with increasing severity throughout 1982. Gross National Product declined in real terms by approximately 5% and the base metal mining and steel manufacturing industries experienced exceptional weakness.

The Corporation's revenue and earnings were adversely affected by these circumstances and declined by 17% and 73%, respectively, compared to 1981. Uranium earnings were lower than those of the previous year. The copper/molybdenum operation of Lornex Mining Corporation Ltd. (68.1% owned by Rio Algom), and the combined steel manufacturing and metals distribution activities operated at a loss. In view of the difficult economic environment in 1982, stringent measures were taken to conserve cash and maintain earnings at the maximum level attainable in the circumstances.

New longer term growth projects were pursued during the year. These included the joint venture participation by Lornex in the Bullmoose coal project in northeastern British Columbia; continuing work on the promising Cerro Colorado copper prospect in northern Chile; the initial drilling program on the Corner Bay copper property near Chibougamau, Quebec; and, the acquisition of a major tin property in Nova Scotia. Collectively, these activities reflect a strategy aimed at acquiring new long term assets to be brought into production as circumstances warrant and upon which Rio Algom can build for the future.

Financial Position

Consolidated revenue in 1982 was $760.2 million compared to $918.3 million in 1981. Consolidated net earnings for 1982 were $17.8 million ($0.98 per common share) compared to $65.8 million ($4.36 per common share) in 1981. Dividends of $1.50 per share of common stock were paid in 1982, the same level as the previous year. Common shareholders' equity at December 31, 1982 was $481.7 million ($33.87 per share), compared to $488.8 million ($34.37 per share), at December 31, 1981.

A strong liquid position was maintained. Cash and short-term deposits at December 31, 1982 were $61.1 million compared to $65.4 million a year earlier. In addition, receivables include $72.4 million of realizable promissory notes — an increase of $40.4 million over the comparable value at the end of 1981.

Capital expenditures in 1982 totalled $160.8 million, the major program being the construction and development of the Stanleigh mine and related facilities at Elliot Lake, with financing provided by Ontario Hydro and by mortgages on the associated housing. In addition, $34.8 million was invested by Lornex in the Bullmoose coal project in British Columbia.

Summary of Operations and Outlook for 1983

The loss incurred by Lornex in 1982 was the result of severely depressed prices for copper, molybdenum and silver, which were 14%, 36% and 18%, respectively, below the levels realized in 1981. This more than offset the measures taken to reduce costs and increase productivity. A return by Lornex to profitable operation is primarily dependent on improved prices — particularly for copper. The somewhat higher copper price currently prevailing is a positive sign, although further improvement is necessary if acceptable earnings levels are to be achieved.

Uranium operations at Elliot Lake resulted in 1982 earnings that were lower than in the previous year. The impact of lower production and increasing costs exceeded the effects of productivity improvements and tight cost controls. All uranium deliveries were made under long term contracts at prices unrelated to spot market prices which declined further during 1982. In 1983 production will begin at the Stanleigh mine at Elliot Lake, construction of which is proceeding on schedule and within budget.

The Atlas Steels stainless and specialty steel operation was severely affected by the business downturn in 1982; strict cost reduction and cash conservation measures were taken. Key customer industries — automotive, construction, agricultural equipment and mining — were depressed to a much greater degree than the economy as a whole. This market weakness was aggravated by a high level of imports; recent findings by Canadian Federal authorities have established that dumping of certain products, also produced by Atlas, occurred from a number of foreign sources.

Atlas Alloys fared better than most of its competitors in Canada; however it was necessary to reduce employment and to restrain both capital and operational expenditures. Intense competition prevailed in its operations in the United States and Mexico, and in Australia economic activity declined in the latter part of the year.

While Rio Algom's prospects for profit improvement in 1983 will rest partly on the cost restraint and productivity measures initiated in 1981 and intensified in 1982, they are ultimately dependent on improved economic conditions in Canada and internationally. If there is improvement in 1983 we believe it will be modest and gradual.

Directors and Organization

At the Annual and General Meeting you will be asked to authorize an increase in the Board of Directors from twelve to thirteen members. Mr. Arthur F. Earle, an economic and management consultant, has been nominated to fill the vacancy on the Board.

During the year Mr. J. D. French was appointed Vice-President, Controller. At Atlas Alloys Mr. K. Collyer was promoted to Vice-President, General Manager to succeed Mr. W. D. Dobbin who joined the corporate staff as a Vice-President, and Mr. W. I. Pollock assumed additional duties as Vice-President, Marketing and Business Development. At Atlas Steels Mr. G. Feucht was promoted to Vice-President, Operations.

Appreciation

A sound financial condition was preserved in 1982 and further steps were taken to support future growth. The fact that these accomplishments occurred in a year of trying business conditions is a tribute to the efforts of our people to whom the Directors express their appreciation.

On behalf of the Board of Directors

G. R. Albino
Chairman and Chief Executive Officer

Toronto, Canada
February 25, 1983

Review of Operations

Uranium

(in thousands)	1982	1981
Revenue	**$281,668**	$281,865
Operating profit	**$ 60,256**	$ 69,235

The Quirke and Panel mining and milling facilities operated at expected levels during the year. 3.41 million tons of ore were processed through the mills in 1982 at an average recovery rate of 94.2% to recover 6.62 million pounds of uranium oxide. In 1981, 3.43 million tons of ore were processed at an average recovery rate of 94.1% to recover 6.91 million pounds of uranium oxide. During 1982, 6.27 million pounds of uranium oxide were delivered compared to 6.94 million pounds in the previous year.

Late in the year a plan was implemented to reduce uranium produced at Quirke to more closely match production with deliveries to be made under existing contracts. At December 31, 1982 contracts were held to deliver during the 1983-1995 period approximately 50 million pounds of uranium oxide from the Quirke and Panel operations.

The Panel operation had its best year since it commenced production in 1980. Uranium production at the Quirke mine was lower than last year as mining in one of the high-grade stoping sections of the mine was curtailed because of increased rock pressures in a worked out area of the mine. Studies showed that operations could be safely carried out in this section and mining resumed later in the year.

Efforts to improve cost efficiency were intensified and, in spite of increases in labour rates and energy and material costs, a significant reduction of operating costs from planned levels was achieved. Mine closures in the Sudbury area forced the close-down of related acid production facilities, significantly increasing the cost of sulphuric acid, an essential agent used in the uranium recovery process.

For the first time in many years experienced miners and tradesmen were available because of the depressed conditions in the mining industry. As a result turnover declined, training and recruiting programs were reduced and miners employed by contractors were replaced by company employees. When economic conditions in the mining industry improve there may again be a shortage of skilled people. The present availability of skilled miners and tradesmen is a great help in building the work force for the Stanleigh mine and mill.

During the year construction and development work on the Stanleigh mine and mill, which began in 1979, continued on schedule and within budget. At the end of 1982 there were approximately 400 construction workers employed on the Stanleigh site and 416 company staff and unionized employees at the mine. Engineering was virtually completed, surface facilities were approximately 90% completed and most major items of equipment for surface and underground had been delivered, installed, or were on order at the end of the year. Production is scheduled to commence in mid-1983 and by March, 1984 to reach a rate of about 4,250 tons of ore per milling day currently planned to satisfy contracted quantities over the next few years. Total deliveries to Ontario Hydro beginning in 1983 until approximately 2020 will be approximately 72 million pounds of uranium oxide.

A total of 457 housing units for Stanleigh employees had been completed by year end, of which 315 units were constructed in 1982.

No work was done on the Milliken, Lacnor, Nordic and Spanish American mines, which were shut down during the 1960's. These properties contain substantial uranium deposits which may be commercially recoverable depending upon the course of future economic conditions. General studies regarding the most effective means of developing these properties are complete.

The overall safety of the Elliot Lake operations showed continued improvement during the year. Higher marks were awarded in the 1982 safety audit conducted by a committee consisting of representatives of Rio Algom, the United Steelworkers of America, the bargaining agent for hourly rated employees at Elliot Lake, and the Ontario Ministry of Labour. This improvement is attributed to the increased efforts of management, supervisors and employees.

At the Lisbon uranium mine in Utah, 454,000 pounds of uranium oxide were produced and stockpiled in 1982. Production from the mine was at approximately the fifty percent rate implemented in October 1981. In addition to the milling of ore from the Lisbon mine, contracts have been obtained to toll mill ore produced by other companies and as a result the Lisbon mill operated at a relatively high rate of capacity utilization during the year. Safety performance was good, there being no lost-time or compensable accidents in 1982.

Autogenous grinding mill is installed at the Stanleigh uranium mill at Elliot Lake. The 26-foot-diameter unit was the largest single piece of equipment to go into the mammoth construction project which began in 1979 and is to be completed in mid-1983.

Copper-Molybdenum

(in thousands)	1982	1981
Revenue	$126,893	$150,929
Operating profit (loss)	$(16,577)	$ 38,681

Lornex Mining Corporation Ltd., 68.1% owned by Rio Algom, incurred a net loss of $11.1 million in 1982, its first loss for a full fiscal year. The major reasons for the significant decline in revenue and earnings were the very low metal prices for copper and molybdenum throughout the year.

Comparative operating data are as follows:

	1982	1981
Tons of ore milled (000's)	30,692	22,861
Average tons milled per operating day	84,086	62,634
Average mill head grade (%)		
copper	0.364	0.415
molybdenum	0.015	0.015
Average mill recovery (%)		
copper	90.1	89.8
molybdenum	70.1	72.5
Payable metal in concentrate produced (000's)		
copper (pounds)	194,582	164,730
molybdenum (pounds)	6,347	4,790
silver (ounces)	739	590
Payable metal in concentrate delivered (000's)		
copper (pounds)	219,074	141,669
molybdenum (pounds)	4,650	3,821

1982 was the first full year of operation of the expanded Lornex mine and mill facilities, from which full production was achieved in August, 1981. Virtually all costs associated with the expansion have been settled; the actual cost was $150 million compared with the budget of $160 million.

The expanded facilities performed up to expectations. Increased production together with cost reduction and productivity improvement programs implemented during the year partially offset the effects of lower metal prices and cost escalation.

The Canadian dollar gross revenue price realized per payable pound of copper averaged $0.81 in 1982 compared to $0.94 in 1981 and for molybdenum averaged $4.28 in 1982 compared to $6.71 in the previous year. Silver averaged $8.74 per ounce in 1982 and $10.60 in 1981.

A number of measures were instituted in 1982 to reduce costs, improve labour utilization and increase productivity. A revised mining plan directed at lowering costs, and thus the cash break-even level, by reducing stripping of the orebody and increasing productivity, was implemented in late June; copper head grade was marginally decreased as a result. This plan, which postpones some stripping from 1982 and 1983 to future years, does not materially affect the long term ability of the mine to deliver ore to the concentrator. During the year the work force was reduced. The average operating cost per ton of ore milled decreased to $3.43 in 1982 from $3.59 in 1981.

As a result of continued attention to safety, accident frequency has been reduced. A new safety program was implemented in November, 1982 and is intended to result in further improvements.

Exploration expenditures during the year were $714,000. Two of five projects in British Columbia in which Lornex participated will be further investigated in 1983 to fully evaluate their potential. More than fifty other mineral properties in western Canada were examined and some of these are currently being considered for acquisition.

A significant event in 1982 was an agreement reached between Lornex and Teck Corporation under which Teck holds a 51% interest, Lornex a 39% interest and Nissho Iwai Coal Development (Canada) Ltd. a 10% interest as joint venturers in the Bullmoose metallurgical coal project. This project, part of the Northeast Coal Development in British Columbia, has the strong support of the Federal and British Columbia governments.

The Project facilities, currently under construction, will be operated by Teck. The investment by Lornex for its 39% interest in the project is estimated at $135 million of which $34.8 million had been expended at December 31, 1982.

The Bullmoose Project is scheduled to be in operation by December, 1983. Long term contracts have been signed with a consortium of Japanese steel mills for the sale of 1.7 million tonnes of metallurgical coal annually for 15 years. Additional contracts are being sought for the sale of approximately 0.6 million tonnes per year.

Financing for Lornex's investment in the project will include recourse and non-recourse loans from Canadian and Japanese banks. The recourse loan agreement has been completed and the proceeds are presently being used to fund Lornex's share of project costs. Arrangements for the non-recourse loans are nearing completion.

Snow-capped mountains provide dramatic backdrop for the Bullmoose metallurgical coal property in which Lornex has a 39% joint venture interest. Located in northeastern British Columbia, the Bullmoose project is now under construction and scheduled to begin production in late 1983.

Exploration expenditures by Rio Algom and its subsidiaries, including expenditures related to the Sage Creek Coal property in British Columbia and to the Cerro Colorado copper project in Chile, were $9.9 million compared to $12.7 million in 1981.

Riocanex Inc., the Canadian exploration arm of Rio Algom, reduced its efforts in primary exploration during 1982 and increased its examination of known mineral deposits. A great many known deposits owned by other companies were examined during the year and this process continues. In October, 1982, Rio Algom purchased the promising East Kemptville tin prospect located near Yarmouth in southwestern Nova Scotia. Work and studies underway will determine the potential of the property.

As a result of the decrease in primary exploration and the need for spending restraint, the Canadian exploration staff and number of offices were substantially reduced. At year end there were some fifteen active exploration projects in Canada being handled from regional offices in Toronto and Vancouver and district offices in Montreal and Fredericton. An exploration presence was re-established in the United States with the opening of an office in Denver, Colorado. No further work was done on the Cape Ray gold property in Newfoundland nor on the Pidgeon molybdenum property in Ontario; both require improved metal prices. Geological research projects totalling $102,000 were sponsored at four Canadian universities.

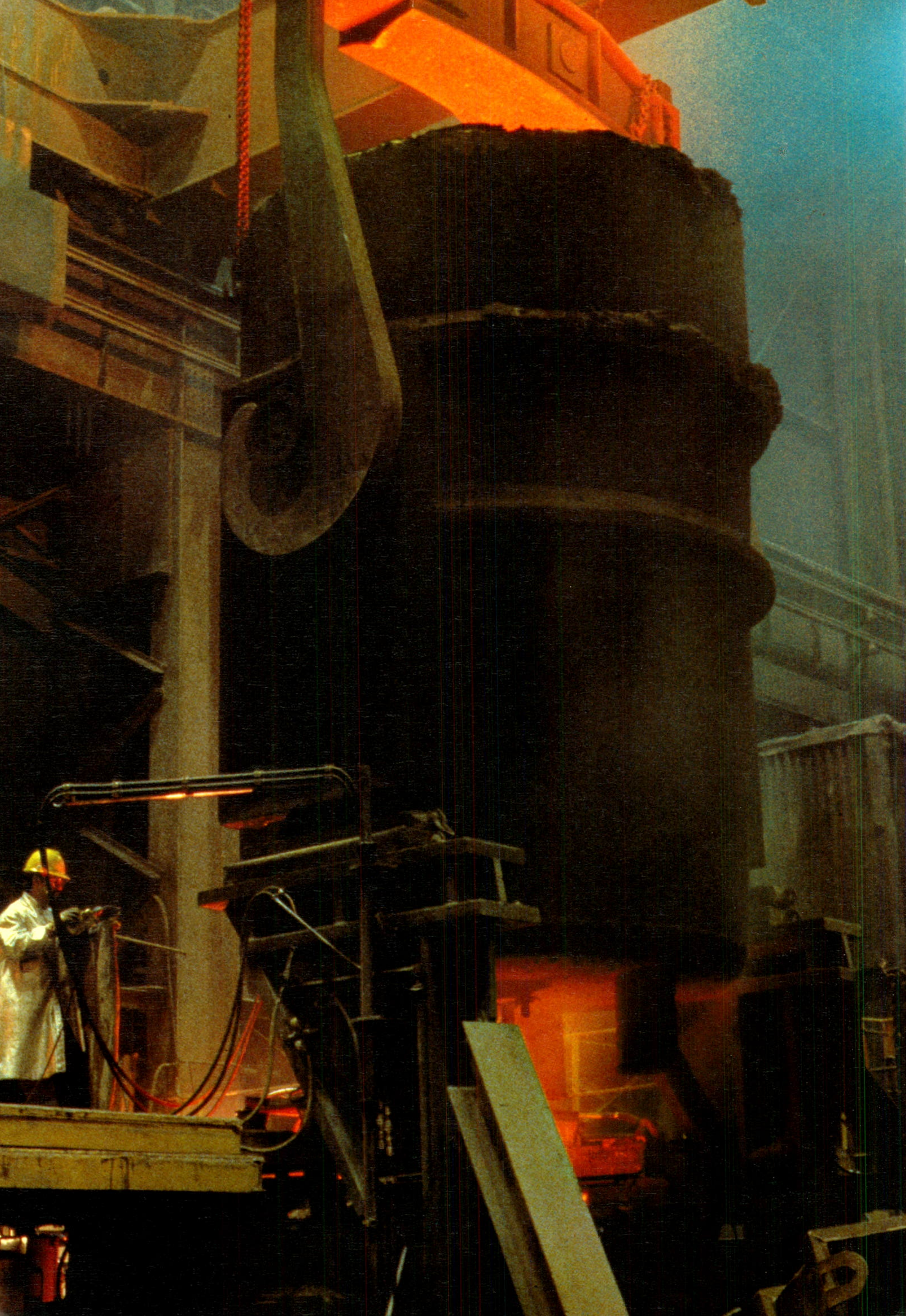
Geologist prepares to unload supplies lowered from helicopter. In 1982 efforts in primary exploration were reduced and increased emphasis was placed on examination of known mineral deposits owned by other companies.

A significant copper deposit was discovered in the Chibougamau area of Quebec through a joint venture with Corner Bay Explorations Limited, the owner of the property. Twenty-five holes totalling 8,222 metres were drilled, the majority being at approximately 100 metre centres in the main zone. To year end, indicated in situ reserves to a 450 metre depth are 1,770,000 metric tons grading 4.25% copper, 0.01 ounces of gold and 0.41 ounces of silver per ton over an average thickness of 4.1 metres. Preliminary metallurgical tests have indicated copper, gold and silver recoveries of 97%, 55% and 85%, respectively. The deposit is open at depth. There are other signs of mineralization and a number of untested electromagnetic anomalies on the large property. Riocanex can earn a 55% direct interest in the Corner Bay property by spending $800,000 by July 1, 1983; almost all of that amount had been spent by year end. Corner Bay Explorations Limited, 32%-owned by Riocanex, may retain a 45% participating interest or can take a royalty of 25% of net profits.

During 1982 emphasis on the Sage Creek steam coal project, in which Rio Algom has a 60% interest, was centred on obtaining required environmental approvals. The environmental assessment report was submitted to the British Columbia government in January, 1982, additional material has been provided as requested and a decision is being awaited. While the markets for both metallurgical and steam coal are presently depressed, marketing efforts for Sage Creek will be resumed when environmental approval for the project is received.

More work is planned for two optioned tin properties in Spain, one of which has accessory tantalum. Exploration activities in Argentina and Australia were terminated.

An exploration presence is being maintained in Chile where technical studies for the Cerro Colorado copper prospect in northern Chile, under option to a Chilean subsidiary, were completed during the year. These studies indicate that a 14,000 tonnes of ore per day operation producing about 60,000 tonnes per year of contained copper would be feasible. The project requires a higher price for copper than the present market provides, which is true for virtually every potential new copper or any other new base metal project. Compared with other potential new copper projects, the Cerro Colorado project appears to be quite competitive.



Steel

(in thousands)	1982	1981
Revenue	**$351,599**	$485,490
Operating profit (loss)	**$ (16,433)**	$ 34,752

Revenue from sales of specialty and stainless steel products manufactured by Atlas Steels and metal products marketed by Atlas Alloys declined sharply in 1982. The operating loss was incurred primarily because of weak markets, depressed prices and higher costs.

Atlas Steels

Atlas Steels, like most other steel producers in Canada, found 1982 to be a most difficult year. Sales decreased sharply for most product groups. The depressed Canadian economy, customer inventory reduction programs and the impact of dumping of certain products, also produced by Atlas Steels, from a number of foreign sources, all had a major effect in reducing sales of both Welland and Tracy plant products.

In March, 1982 Atlas Steels filed anti-dumping complaints with the Canadian Federal government in respect of a wide range of stainless and specialty steel products. The government commenced its final investigation in June, 1982, and in January, 1983 the Federal Minister of Revenue brought down preliminary determinations of dumping of certain imports which had originated in eleven countries. A decision by the Canadian Anti-Dumping Tribunal with respect to material injury to Atlas Steels is expected during April, 1983.

Canadian sales of higher alloyed Welland plant products, which were weak in 1981, continued to decline in 1982. Sales to the United States market were particularly hard hit; dumped and subsidized imports from other countries had a major effect in depressing market price levels for these products. The United States International Trade Commission is currently conducting a detailed investigation into the threat of imports to United States specialty steel production. The Commission's findings are expected during May, 1983 and it is anticipated that specialty steel import quotas or alternate forms of import restrictions could be imposed. It is believed that this will not have a material adverse effect on Atlas Steels in the United States market.

Welland plant low alloy bar sales were also greatly reduced in 1982 in both Canada and the United States. In addition to the economic and inventory factors affecting other Atlas products, sales of low alloy products were adversely impacted by the very low demand from important end use markets, including the automotive, agricultural, construction equipment and oil service markets. A decline in the sales of these products was experienced mainly in the second half of the year after the high order backlog, especially for products for the oil service market, on hand at the end of 1981, had been filled. Sales of low alloy and specialty steels to United States manufacturers of defense products were substantially curtailed by virtue of United States legislated restrictions imposed in late 1981. These restrictions will continue throughout 1983.

As a result of depressed market conditions of unprecedented dimensions during 1982, the Welland and Tracy plants operated at very low levels of capacity. In the last half of the year operating levels at the Welland plant fell to approximately 40% of production capacity; the order backlog at the Tracy plant was at a record low for most of the year. In recognition of these conditions major emphasis was placed on further cost reductions and productivity programs. Significant reductions were made in the number of both staff and hourly employees. The Welland plant was closed for seven one-week periods during the year. Production at the Tracy plant was reduced by one shift per day. Increased efforts were made to conserve energy and substantial savings were achieved. Strict cash conservation measures were taken; inventories were reduced and capital spending restrained. Expenditures for non-critical maintenance and other programs were deferred.

Safety performance continued at a high level. Based on lost-time injury frequency, the Welland plant remains the safest steel plant in Ontario.

In 1982 good progress was made in developing new product lines. At the Welland plant emphasis was placed on producing special high quality alloy bars, primarily for the automotive industry and by year end volume orders were received from existing and new customers. For the first time the Tracy plant produced and was shipping significant tonnages of straight chromium products at year end.

Glow of molten steel is seen as 60 tons of stainless is poured in continuous casting process at Atlas Steels' plant in Tracy, Quebec. In 1982 good progress was made in developing new product lines at both the Tracy and Welland plants.

Atlas Alloys

Sales by the Atlas Alloys metal service centre group declined during the year because of weak markets in a depressed economy. Severe price competition had a detrimental effect on profit margins, particularly of the North American operations, and adverse currency movements contributed to lower earnings in Mexico and Australia.

In Canada the metal service centre industry experienced greatly reduced demand which was compounded by the high level of inventories held by customers at the beginning of the year. This resulted in an extremely competitive market and a deterioration in profit margins. The business of Atlas Alloys was most seriously affected in British Columbia because of the low level of activity in the forest industry which normally accounts for the major share of demand for materials stocked and distributed by Atlas Alloys in that province. Production cutbacks in manufacturing industries in central Ontario and Quebec had a significant adverse impact on the business of the major Atlas Alloys outlets in those regions. Warehouses in other parts of the country operated at moderately good levels. Continued capital expenditures by the chemical and petro-chemical industries in Alberta and in the Sarnia region of Ontario provided satisfactory business opportunities for the fluids handling product lines. In response to the decline in business, stringent measures were taken to reduce costs, the level of employment and working capital.

The United States operation had another difficult year and sales and earnings declined. Demand for tool steels and alloy steels in the Great Lakes market region continued at extremely low levels as a result of the reduced operating rates in the automotive, agricultural machinery and machine tool industries. Action was taken to reduce operating costs and inventories to levels appropriate to current business conditions.

The Australian company had a relatively good first half year but sales and earnings for 1982 did not match the record levels attained in 1981. The wire-drawing plant and the metal service centres in Australia both operated at satisfactory levels throughout the year. The Australian economy as related to the company's product group appeared relatively immune to the effects of the world-wide recession for the first three quarters of the year. However, during the last three months the rate of incoming orders declined because of significant deferrals and cancellations of resource development projects along with cutbacks in the automotive industry.

The Mexican company operated profitably and successfully in a difficult economic climate. However, the value of the Corporation's investment in Mexico was significantly reduced because of devaluations of the Mexican peso during the year.

As reported last year, operations in the United Kingdom had not been satisfactory because of depressed market conditions and the subsidiary was sold early in 1982.

Gleaming handrails on the ramps and stairways of Toronto's new, ultra-modern Roy Thomson Hall were fashioned from polished stainless steel tubing supplied by the Atlas Alloys metals service centre group. Atlas also provided stainless for balcony handrails and the concert hall's spectacular chandelier stage lighting.


Skylon
Amusement
Park

Employees

The approximate number of persons employed at December 31, 1982 and 1981 by Rio Algom and its subsidiaries by major operations was as follows:

	1982	1981
Uranium	**2,822**	2,789
Steel	**2,546**	3,764
Copper/molybdenum	**917**	1,092
Exploration	**36**	50
Corporate	**102**	116
Total	**6,423**	7,811

The 18% reduction in employment levels reflects the severe downturn in business conditions.

Staff hiring, except for the Stanleigh project, was frozen with only the most essential replacements being authorized. Where practical, short operation shutdown periods and/or work sharing arrangements were utilized as a means of lowering production without further reducing employment and early retirement incentives were offered to senior, long service personnel.

These and other actions were necessary to maintain a strong financial position. However, steps were taken to ensure that competent staff remains available for an economic upturn. Further productivity improvement programs are planned for 1983 with more aggressive goals and increased participation by all employees.

Labour contracts in respect of mining operations are in effect in the Elliot Lake area for production, maintenance, office and technical employees until September 1, 1984 and at the Lornex mine for production, maintenance, office and technical employees until June 30, 1984. At the Lisbon mine the contract with production and maintenance employees is in effect until February 28, 1984. Labour contracts in respect of steel operations are in effect at the Welland plant for production and maintenance employees until February 16, 1985 and for office and technical employees until April 30, 1985; at the Tracy plant for production and maintenance employees until November 30, 1984 and for office and technical employees until January 31, 1985.

The safety record of the Corporation, as measured by industry standards, is considered to be good. Steps are being taken continually to improve safety in the work place and these efforts are commented upon elsewhere in this Report.

Four-year-old Katharine Boutin hangs on tightly during the Atlas Steels annual Christmas party for the children of Welland plant employees. Katharine's father, Danny, is a melt shop employee and her grandmother is on the telephone switchboard.

The principal accounting policies followed by Rio Algom Limited and its subsidiaries are summarized hereunder to facilitate a comprehensive review of the consolidated financial statements contained in this report.

Basis of Consolidation
The consolidated financial statements include the accounts of all significant subsidiary corporations.

Translation of Foreign Currency Accounts into Canadian Dollars
The accounts in foreign currencies are stated in Canadian dollars on the following basis:

Current assets and current liabilities at year-end exchange rates; all other assets and any related depreciation and long-term liabilities at rates in effect at time of transactions; and revenues and expenses (other than depreciation) at average rates for the year.

Valuation of Inventories and Concentrates Awaiting Shipment
Inventories of steel, other metals, raw materials and supplies are valued at the lower of cost and market. Cost is determined generally at average or standard costs which approximate actual. Market for steel and other metals is net realizable value and for raw materials and supplies is replacement cost. Intercompany profits have been excluded from these inventories.

Concentrates awaiting shipment are valued at estimated realizable metal prices.

Investment in Bullmoose Project
The Corporation's subsidiary, Lornex Mining Corporation Ltd., has a 39% interest in the Bullmoose joint venture metallurgical coal project and follows the equity method of accounting for its investment. The project was under construction at December 31, 1982 and accordingly the investment's book value is equal to original cost.

Depreciation and Amortization
The Corporation charges depreciation and amortization on the following basis:

(i) Mining fixed assets:
Fixed assets are depreciated on the basis of the shorter of physical life or economic life, as estimated for each mining unit; economic life is adjusted from time to time as conditions warrant.

(ii) Steel fixed assets:
Fixed assets are depreciated on the straight line method based on engineering estimates of the lives of the assets at the following rates:

Buildings	4% per annum
Plant and equipment	6⅔% per annum

Mining properties and preproduction expenditures are amortized on the same basis as mining fixed assets are depreciated.

Capitalization of Interest
The Corporation follows the policy of capitalizing net interest costs during construction or development only on those projects for which funds have been borrowed; this would normally apply only to such major new projects from beginning of construction or development up to the commencement of commercial operations. In these cases interest earned on borrowed funds during the development and construction period is applied against the interest expense to reduce the amount of interest costs capitalized. Such net interest costs are capitalized because it is considered that they would not have been incurred if the project had not been undertaken and therefore are properly part of the capital cost of the total project.

Mineral Exploration and Development Costs
Exploration costs are written off as incurred. Expenditures on development projects are capitalized while the projects are considered to be of value to the Corporation.

Income and Mining Taxes
The Corporation provides for deferred income and mining taxes on all significant timing differences which represent the tax effects of revenue and expense items reported for tax purposes in periods different than for accounting purposes. Investment tax credits claimed for federal income tax purposes are treated as a reduction of the current year's income tax expense.

Earnings per Common Share
Earnings per common share are stated after provisions for dividends on preference shares and are based on the weighted average number of shares outstanding during each year.

Consolidated Statement of Earnings
(Thousands of dollars)

Rio Algom Limited
(Incorporated under the laws of Ontario)

Years Ended December 31	**1982**	1981	1980
Revenue:			
Revenue from mine production and sales of steel and other products	**$760,160**	$918,284	$847,491
Expenses:			
Cost of mine production and steel sales	**614,081**	654,170	568,695
Selling, general and administration	**67,677**	73,973	63,323
Interest (net) (note 14)	**(6,322)**	109	(7,837)
Depreciation and amortization (note 15)	**58,736**	55,387	50,983
Exploration	**9,850**	12,722	10,710
	744,022	796,361	685,874
Earnings before taxes and minority interests	**16,138**	121,923	161,617
Income and mining taxes (note 16)			
Current	**(7,677)**	12,510	18,705
Deferred	**9,556**	36,165	44,653
	1,879	48,675	63,358
Earnings before adjustment for minority interests in subsidiary corporation	**14,259**	73,248	98,259
Minority interests in net earnings (loss) of subsidiary corporation	**(3,554)**	7,416	20,771
Net earnings for the year (note 13)	**$ 17,813**	$ 65,832	$ 77,488
Earnings per common share	**$ 0.98**	$ 4.36	$ 5.20

Consolidated Statement of Retained Earnings
(Thousands of dollars)

Years Ended December 31	**1982**	1981	1980
Balance, beginning of year	**$402,598**	$361,954	$310,017
Add net earnings for the year	**17,813**	65,832	77,488
	420,411	427,786	387,505
Deduct:			
Dividends on preference shares	**3,801**	3,856	3,547
Dividends on common shares	**21,332**	21,332	21,332
Amalgamation expenses (net of tax)	**—**	—	672
	25,133	25,188	25,551
Balance, end of year	**$395,278**	$402,598	$361,954

Consolidated Balance Sheet

(Thousands of dollars)

December 31	1982	1981
Assets		
Current:		
Cash and short term deposits	**$ 61,114**	$ 65,357
Receivables and prepaid expenses (note 3)	**156,304**	139,047
Inventories and concentrates awaiting shipment (note 4)	**263,329**	298,291
	480,747	502,695
Plant and equipment (note 5)	**450,809**	459,319
Construction in progress, at cost	**302,456**	196,361
Mining properties and preproduction expenditures (note 6)	**67,202**	74,433
Investment in Bullmoose Project (notes 8 and 12)	**34,805**	—
Other assets (note 7)	**19,731**	8,006
	$1,355,750	$1,240,814

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Rio Algom Limited as at December 31, 1982 and 1981, and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial position for each of the three years in the period ended December 31, 1982. 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 Corporation as at December 31, 1982 and 1981, and the results of its operations and changes in its financial position for each of the three years in the period ended December 31, 1982, in accordance with generally accepted accounting principles in Canada applied on a consistent basis.

Toronto, Canada
February 23, 1983

Coopers & Lybrand
Chartered Accountants

	1982	1981
Liabilities		
Current:		
Bank loans and overdrafts	$ 29,720	$ 26,178
Accounts payable and accrued liabilities	117,360	133,573
Income and mining taxes	9,899	27,016
	156,979	186,767
Long term debt (note 8)	149,621	98,834
Advances from Ontario Hydro (note 9)	259,544	162,237
Deferred income and mining taxes	207,987	198,431
Minority shareholders' interests in subsidiary corporation	54,421	57,975
Capital Stock and Retained Earnings		
First preference shares (note 10)	8,549	8,549
Second preference shares (note 10)	36,936	39,226
Common shares (note 10)	49,179	49,179
Contributed surplus	37,256	37,018
Retained earnings	395,278	402,598
	$1,355,750	$1,240,814

Approved on behalf of the Board:
W. Moodie, Director
G. R. Albino, Director

Consolidated Statement of Contributed Surplus

(Thousands of dollars)

Years Ended December 31	1982	1981	1980
Balance, beginning of year	$ 37,018	$ 36,841	$ 36,468
Profit on purchase of preference shares for cancellation	238	177	373
Balance, end of year	$ 37,256	$ 37,018	$ 36,841

Consolidated Statement of Changes in Financial Position

(Thousands of dollars)

Years Ended December 31	1982	1981	1980
Source of Funds:			
Earnings before adjustment for minority interests in subsidiary corporation	$ 14,259	$ 73,248	$ 98,259
Add items included in earnings not involving current outlay of funds:			
Depreciation, amortization and other charges (net)	58,736	55,938	50,540
Deferred income and mining taxes	9,556	36,165	44,653
Funds provided by operations	82,551	165,351	193,452
Advances received from Ontario Hydro	97,307	79,496	54,141
Bullmoose Project bank loans	34,800	—	—
Housing loans and mortgages (net)	21,231	(173)	15,915
Repayment of advances to affiliated corporation	—	—	5,932
Reinstatement of working capital of U.S. subsidiaries not consolidated in 1979	—	—	19,468
	235,889	244,674	288,908
Disposition of Funds:			
Expenditures (net) for plant and equipment, construction in progress, mining properties, preproduction and development projects	160,815	176,276	182,200
Investment in Bullmoose Project	34,805	—	—
Dividends on common shares	21,332	21,332	21,332
Dividends on preference shares	3,801	3,856	3,547
Payment of Lornex dividends to minority shareholders	—	5,275	10,551
Purchase of preference shares for cancellation	2,052	749	3,880
Reduction of long term debt in Rio Algom Limited debentures	5,244	6,476	3,518
	228,049	213,964	225,028
Increase in Working Capital	7,840	30,710	63,880
Working Capital, beginning of year	315,928	285,218	221,338
Working Capital, end of year	$323,768	$315,928	$285,218

1 Accounting Policies

The information on page 16 presents a summary of the principal accounting policies and is an integral part of these consolidated financial statements.

2 Amalgamation

On January 30, 1980 the shareholders of Rio Algom Limited and Preston Mines Limited approved an amalgamation agreement between Rio Algom and Preston, dated as of December 17, 1979, which prescribed the terms and conditions under which the two corporations were amalgamated effective at the close of business on January 30, 1980; the amalgamated corporation operates under the name of Rio Algom Limited. Since the amalgamation was a combination of two corporations under common control it was accounted for in a manner similar to a pooling of interests.

3 Receivables and Prepaid Expenses

Receivables and prepaid expenses include guaranteed non-interest bearing bank drafts maturing on various dates between April 1, 1983 and December 31, 1985. These drafts amounted to $72.4 million at December 31, 1982 ($32.0 million at December 31, 1981) after deducting a discount of $16.0 million ($4.3 million at December 31, 1981), based on imputed interest rates varying between 11½% and 16%; these drafts are currently realizable at these amounts.

4 Inventories and Concentrates Awaiting Shipment

	1982	1981
	(in thousands)	
Mining operations —		
Concentrates awaiting shipment	**$133,995**	$123,074
Mine supplies	**32,428**	36,429
	166,423	159,503
Steel operations —		
Steel, other metals, raw materials and supplies	**96,906**	138,788
	$263,329	$298,291

5 Plant and Equipment

	1982	1981
	(in thousands)	
Buildings, at cost	**$347,494**	$327,049
Machinery and equipment, at cost	**496,309**	476,488
	843,803	803,537
Less accumulated depreciation	**395,366**	346,590
	448,437	456,947
Land, at cost	**2,372**	2,372
	$450,809	$459,319

Plant and equipment includes $35,652,000 in respect of assets of mines presently idle which have been fully depreciated.

6 Mining Properties and Preproduction Expenditures

	1982	1981
	(in thousands)	
Mining properties, at cost	**$ 10,007**	$ 9,996
Less accumulated amortization	**9,103**	9,025
	904	971
Preproduction expenditures, at cost	**180,769**	180,769
Less accumulated amortization	**114,471**	107,307
	66,298	73,462
	$ 67,202	$ 74,433

7 Other Assets

	1982	1981
	(in thousands)	
Investment in affiliated corporation at cost [note 12 (e)]	**$ 6,966**	$ 6,966
Development projects, at cost	**12,765**	—
Excess of acquisition cost over adjusted book value of Atlas Steels assets, less amortization	**—**	1,040
	$ 19,731	$ 8,006

8 Long Term Debt

	1982	1981
	(in thousands)	
Rio Algom Limited Sinking Fund Debentures (a)		
—6¾% Series A maturing on April 1, 1983	**$ 3,970**	$ 6,030
Less portion included in current liabilities	**3,970**	2,030
	—	4,000
—11½% Series B maturing on July 15, 1995	**42,279**	43,523
Lornex Mining Corporation Ltd. — Bullmoose Project bank loans (b)	**34,800**	—
Housing loans and mortgages payable (c)	**73,371**	52,099
Less portion included in current liabilities	**829**	788
	72,542	51,311
	$149,621	$ 98,834

(a) The Corporation is required to make sinking fund payments for the retirement of the Series B Sinking Fund Debentures in principal amounts of $2,500,000 on July 15, 1983 to 1994 inclusive.

The Sinking Fund Debentures are secured under a trust deed by a first floating charge upon the property and assets, present and future, of the Corporation, except for the Stanleigh Project.

(b) In December, 1982 Lornex established a recourse credit facility of $79.3 million to partially finance its investment in the Bullmoose Project. The credit facility is available by way of Canadian and/or U.S. dollar loans and bankers' acceptances at floating interest rates. The loans outstanding at December 31, 1982 carry an average interest rate of 12.2% and are repayable in semi-annual instalments from July 15, 1985 through July 15, 1992.

Prior to March 15, 1983 Lornex is required to issue to the recourse lenders a mortgage and charge over its 39% undivided interest in the Bullmoose Project and the Project's assets. Such mortgage and charge will be subordinated to security to be given in connection with the non-recourse loans, arrangements for which are nearing completion.

(c) The housing loans and mortgages payable carry interest rates varying from 8¾% to 18½%.

(d) Sinking fund and repayment requirements, after allowing for prepayments, over the next five years amount to $4,799,000 in 1983, $3,907,000 in 1984, $4,760,000 in 1985, $7,956,000 in 1986 and $9,107,000 in 1987.

9 Advances from Ontario Hydro

	1982	1981
	(in thousands)	
Balance owing at December 31 . .	**$259,544**	$162,237

Under an agreement concluded in January 1978, Ontario Hydro has agreed to make interest-free advances of the funds required to bring the Stanleigh Project into production, and the funds necessary for the working and sustaining capital requirements of the Stanleigh Project. The funds advanced are to be repaid to Ontario Hydro over the delivery period, estimated to begin in mid-1983, in amounts approximately equal to the amortization allowance included in the base price, as defined in the agreement, of uranium delivered. The advances are secured by a non-recourse first charge against the Stanleigh Project assets.

10 Capital Stock

Authorized:

435,487 First Preference Shares of the par value of $100 each, issuable in series.

23,556,670 Second Preference Shares of the par value of $5 each, issuable in series.

25,000,000 common shares without par value.

	First Preference Shares[a]		Second Preference Shares[a]		Common Shares	
Issued:	Number	Amount	Number	Amount	Number	Amount
		(000's)		(000's)		(000's)
Balance, December 31, 1979	88,016	$ 8,802	—	$ —	13,517,194	$99,351
Issued in January, 1980[b]	—	—	—	—	1,500	37
Balance, January 30, 1980	88,016	8,802	—	—	13,518,694	99,388
Shares owned by Preston cancelled on amalgamation[d]	—	—	—	—	(5,920,640)	(6,057)
Issued on conversion of Preston common shares[d]	—	—	8,830,499	44,152	6,622,875	(44,152)
Purchased for cancellation subsequent to amalgamation[c] [d]	(976)	(98)	(831,081)	(4,155)	—	—
Balance, December 31, 1980	87,040	8,704	7,999,418	39,997	14,220,929	49,179
Purchased for cancellation in 1981[c] [d]	(1,553)	(155)	(154,218)	(771)	—	—
Balance, December 31, 1981	85,487	8,549	7,845,200	39,226	14,220,929	49,179
Purchased for cancellation in 1982[d]	—	—	(458,031)	(2,290)	—	—
Balance, December 31, 1982	85,487	$ 8,549	7,387,169	$36,936	14,220,929	$49,179

(a) The issued preference shares are comprised as follows:
(i) $5.80 Cumulative Redeemable First Preference Shares Series A (redeemable at a premium of 1%); and
(ii) 8.5% Cumulative Redeemable Second Preference Shares Series A (redeemable at premiums ranging from 1.5% to 0.5%).

(b) 1,500 common shares were issued for $37,000 cash in 1980 under a Stock Option Plan.

(c) 1,553 First Preference Shares were purchased for cancellation in 1981 and 976 shares were purchased in 1980 at costs of $85,000 and $59,000 respectively. The Corporation's obligations for the years 1983 and 1984 referred to in note 12 (c) (i) have been fulfilled.

(d) (i) In order to effect the amalgamation with Preston (see note 2) 8,830,499 Second Preference Shares and 6,622,875 common shares were issued to the Preston common shareholders and 5,920,640 Rio Algom common shares owned by Preston were cancelled.
(ii) 458,031 Second Preference Shares were purchased for cancellation in 1982, 154,218 shares were purchased for cancellation in 1981 and 831,081 shares were purchased subsequent to the amalgamation in 1980 at costs of $2,052,000, $664,000 and $3,822,000 respectively. The Corporation's obligation due February 28, 1982 referred to in note 12 (c) (ii) below has been fulfilled except for $85,000 which has been set aside to the credit of a retirement fund account.

(e) There are restrictions on the payment of common share dividends in the provisions attaching to the Preference Shares and the Corporation's trust indentures relating to the Series A and Series B Debentures.

11 Pension Plans

Most employees are covered by either contributory or non-contributory pension plans. The funds of each of the various pension plans are administered by a corporate trustee or an insurance company. Total pension expense is charged against earnings in the year of payment to the trustee or insurance company and amounted to $13,010,000 in 1982, $10,567,000 in 1981 and $9,688,000 in 1980. A comparison of uninsured accumulated plan benefits and plan net assets as at the respective valuation dates, varying from September 1, 1979 to December 31, 1981, for the Corporation's defined benefit plans is represented below:

Actuarial value of uninsured accumulated plan benefits:

	1982	1981
	(in thousands)	
(i) Pension plans:		
Vested	$ 75,132	$ 59,423
Nonvested	16,278	17,972
(ii) Plans for which above information has not been segregated:		
Vested and nonvested	20,642	9,055
	$112,052	$ 86,450
Net assets at valuation date available for uninsured benefits	$ 76,505	$ 60,982

The weighted average assumed rate of return used in determining the above actuarial value of accumulated plan benefits was 6% per year.
Additional pension benefits are also provided for certain groups of employees through group annuity contracts. Such benefits are fully funded.
The unfunded liability for pension funds at December 31, 1982 is estimated at $33,365,000 ($28,267,000 at December 31, 1981). This is presently being funded over a period of 15 years expiring in 1997.

12 Commitments and Contingencies

(a) Estimated total cost to complete Lornex's investment in the Bullmoose Project as at December 31, 1982, was approximately $100 million (committed $13.7 million); other capital projects, excluding the Stanleigh Project, have an estimated cost to complete of approximately $8 million.

(b) The Corporation is committed to total minimum rentals in the amount of $19,023,000 under operating leases for land and buildings which expire from 1983 to 1999. Commitments are $1,971,000 in 1983, $1,962,000 in 1984, $1,607,000 in 1985, $1,504,000 in 1986 and $1,428,000 in 1987.

(c) So long as Preference Shares are outstanding, the Corporation is obligated to set aside each year, on the dates indicated, the following amounts as a retirement fund to be used to purchase or redeem Preference Shares:
(i) First Preference Shares — $300,000 on April 1; and
(ii) Second Preference Shares — $2,207,625 on February 28.

(d) At December 31, 1982 the Corporation was committed to repurchase from Ontario Hydro, during 1984 and 1985, 1.3 million pounds of U_3O_8. The purchase price will be essentially equal to the price paid by Ontario Hydro for advance deliveries of U_3O_8 in 1980 and 1981, adjusted for inflation in accordance with applicable price indices.

(e) The shares representing the Corporation's investment in an affiliated corporation have been pledged as security for debt owing by that affiliated corporation.

(f) The Corporation had the following contingent liabilities as at December 31, 1982:
(i) A contingent liability to buy back houses and mobile home lots at Lornex's Logan Lake townsite for $2,897,000; the cost of the buyback declines by 5% per annum from January 1, 1983;
(ii) Mortgage guarantees of $4,977,000 on certain housing also in Logan Lake; and
(iii) As provided for in certain agreements and contracts, Lornex has assumed minimum annual operating and payment commitments for port, rail and hydro facilities to the extent of its 39% interest in the Bullmoose Project.
The Project's obligation to the Province of British Columbia to complete the mine has been secured by the issue of a debenture of $100 million. In addition loan guarantees of $7.2 million, subject to escalation from December, 1981, have been provided to the

District of Tumbler Ridge, also secured by a debenture. These debentures are secured by a floating charge on all assets of the Project but are subordinated to any other lien issued for any indebtedness incurred to finance the construction of the Project. Lornex's obligations under these debentures are limited to the extent of its 39% interest in the Bullmoose Project.

(g) In July 1981 the Corporation was served with a summons alleging that between September 1, 1970 and April 1, 1978 it unlawfully conspired with other named persons to lessen unduly competition in the production, manufacture, purchase, sale or supply in Canada of uranium, uranium oxide and other uranium substances contrary to Section 32(1) (c) of the Combines Investigation Act. Counsel has advised that the maximum penalty, if found guilty, would not likely be more than one million dollars. The date for commencement of the preliminary hearing in the Provincial Court of the Judicial District of York has not yet been set but will not likely take place prior to September, 1983. The Corporation intends to defend vigorously against the prosecution of this charge.

(h) In December 1981 Washington Public Power Supply System (WPPSS), a municipal corporation and a joint operating agency of The State of Washington, commenced an action in the United States District Court for the Western District of Washington in which ten defendants were named including Rio Algom Limited. The complaint alleges that the defendants and their co-conspirators have combined, conspired and contracted together to, amongst other things, restrain trade and commerce in mining, milling and sale of uranium among the several states and foreign nations in violation of Section 1 of the United States Sherman Anti Trust Act. WPPSS is seeking termination of an uranium supply contract with one of the named defendants and treble damages against all defendants in an unstated amount. The Corporation has filed an appearance in the action and intends to contest the plaintiff's claim vigorously. Motions based on subject matter jurisdiction and on time limitation period for commencement of this litigation have been filed with the court. Neither of these motions has been decided by the court but a favourable decision on either would, subject to appeal to a higher court, effectively dispose of the case with respect to the Corporation. Until such time as further proceedings are taken the Corporation is unable to estimate the amount of damages being sought.

13 The Effect of Applying United States Generally Accepted Accounting Principles

Generally accepted accounting principles in the United States require: (1) the recording of investment tax credits as they arise, (2) the restatement of earnings of prior periods to include the results of unconsolidated subsidiaries when a change occurs in the consolidated entity and (3) amalgamation expenses to be charged to earnings. The effect of applying U.S. generally accepted accounting principles on consolidated net earnings is as follows:

	1982	1981	1980
			(in thousands)
Net earnings for the year, as reported	**$ 17,813**	$ 65,832	$ 77,488
Add (deduct):			
Investment tax credits	**13,400**	9,000	12,600
Net earnings of United States subsidiaries	—	—	(3,520)
Amalgamation expenses (net of tax)	—	—	(672)
Net earnings for the year (adjusted on a U.S. basis)	**$ 31,213**	$ 74,832	$ 85,896

14 Interest (net)

	1982	1981	1980
			(in thousands)
Interest on demand bank loans	**$ 3,674**	$ 4,349	$ 1,678
Interest on long term debt	**15,237**	12,498	11,111
Interest capitalized	**(2,968)**	(543)	(329)
Investment and other income	**(22,265)**	(16,195)	(20,297)
Net interest expense (income)	**$ (6,322)**	$ 109	$ (7,837)

15 Depreciation and Amortization

	1982	1981	1980
			(in thousands)
Plant and equipment	**$ 50,455**	$ 46,573	$ 44,184
Mining properties and preproduction expenditures	**7,241**	7,767	5,752
Excess of acquisition cost over adjusted book value of Atlas Steels assets acquired	**1,040**	1,047	1,047
	$ 58,736	$ 55,387	$ 50,983

16 Income Taxes

Earnings (loss) before taxes and minority interests consisted of:

	1982	1981	1980
			(in thousands)
Canadian	**$ 16,743**	$114,708	$150,577
Foreign	**(605)**	7,215	11,040
	$ 16,138	$121,923	$161,617

The timing differences giving rise to deferred taxes principally relate to depreciation and preproduction expenses and it is not practical to determine these amounts separately. A reconciliation of the weighted average Canadian income tax rates and the effective rate of income and mining taxes is as follows (different rates of income tax apply to income from mining, manufacturing and other sources):

	1982	1981	1980
Weighted average	%	%	%
Canadian income tax rates	**45.2**	49.0	49.2
Increase (decrease) resulting from:			
Provincial mining taxes	**11.0**	7.9	9.5
Depletion allowances	**(16.4)**	(6.3)	(6.3)
Resource allowances	**(29.6)**	(7.7)	(6.5)
Inventory allowances	**(20.7)**	(1.7)	(1.1)
Investment tax credits	**12.1**	(1.7)	(3.3)
Exempt income*	**(20.1)**	(1.3)	(0.8)
Amalgamation tax adjustment**	**—**	—	(2.0)
Non-allowable expenses	**9.7**	.9	.6
Foreign taxes	**21.7**	.5	(.5)
Sundry	**(1.3)**	.3	.4
Effective rate of income and mining taxes	**11.6**	39.9	39.2

*Exempt income principally relates to the non-taxable portion of capital gains.

**The amalgamation tax adjustment relates to an unrecorded tax debit of Preston Mines Limited. The debit arose from loss carry forwards and unclaimed tax depreciation in Preston prior to amalgamation. Because of the amalgamation the appropriate part of this adjustment was recorded in the accounts in 1980.

At December 31, 1982, the Corporation has $35.0 million (1981 — $21.6 million) of investment tax credit carry forwards which are available for offset against future taxable income. Such carry forwards, if unused, will expire between the years 1983 and 1987. No recognition has been given in these financial statements to the potential future tax benefit which may result from the application of these investment tax credits.

17 Business Segment Data

The operations of the Corporation and its subsidiaries may be grouped into segments. The primary operations of each segment are as follows:

Business Segment	Operations
Uranium	Underground mining and milling of uranium ore and sale of uranium concentrates.
Copper-molybdenum	Open pit mining and milling of copper and molybdenum ore and sale of concentrates.
Steel	Manufacture and/or distribution of stainless steels, machinery and other steels and other metal products.

Revenue from mine production and sales of steel and other products, by segment, are as follows (all are to customers outside the Corporation):

	Year Ended December 31		
	1982	1981	1980
			(in thousands)
Uranium	**$ 281,668**	$ 281,865	$ 225,855
Copper-molybdenum	**126,893**	150,929	173,738
Steel	**351,599**	485,490	447,898
Consolidated	**$ 760,160**	$ 918,284	$ 847,491

The operating profit (loss) of each segment is as follows:

	Year Ended December 31		
	1982	1981	1980
			(in thousands)
Uranium	**$ 60,256**	$ 69,235	$ 26,404
Copper-molybdenum	**(16,577)**	38,681	96,904
Steel	**(16,433)**	34,752	49,387
	27,246	142,668	172,695
Deduct:			
Exploration	**9,850**	12,722	10,710
Corporate expenses	**7,580**	7,914	8,205
Interest (net)	**(6,322)**	109	(7,837)
	11,108	20,745	11,078
Earnings before taxes and minority interests	**$ 16,138**	$ 121,923	$ 161,617

Operating profit is revenue less applicable operating expenses. In computing operating profit none of the following items has been deducted: exploration, general corporate expenses, interest expense (net of investment and other income) and minority interests in net earnings of a subsidiary.

During the last three years the following products contributed to consolidated revenue in the percentages shown:

	Year Ended December 31		
	1982	1981	1980
Uranium	**37%**	31%	27%
Copper-molybdenum	**17**	16	20
Stainless steels	**17**	20	23
Machinery steels	**9**	12	9
Other metal products	**20**	21	21
	100%	100%	100%

Identifiable assets of each segment are as follows:

	December 31		
	1982	1981	1980
			(in thousands)
Uranium	**$ 427,814**	$ 372,081	$ 346,358
Copper-molybdenum	**310,082**	332,989	212,146
Steel	**226,937**	290,270	263,572
Segment identifiable assets	**964,833**	995,340	822,076
General corporate assets	**390,917**	245,474	239,183
Total assets	**$1,355,750**	$1,240,814	$1,061,259

Segment identifiable assets are those assets that are used in the operations of each segment. General corporate assets are principally cash and short term deposits, construction in progress, investment in and advances to an affiliated corporation, investment in Bullmoose Project and development projects.

Depreciation, depletion and amortization expense of each segment is as follows:

	Year Ended December 31		
	1982	1981	1980
			(in thousands)
Uranium	$ **28,091**	$ 30,706	$ 32,616
Copper-molybdenum	**20,510**	15,027	9,601
Steel	**9,863**	9,578	8,621
Segment depreciation, depletion and amortization expense	**58,464**	55,311	50,838
General corporate depreciation	**272**	76	145
Total depreciation, depletion and amortization expense	$ **58,736**	$ 55,387	$ 50,983

Net capital expenditures of each segment including capitalized interest are as follows:

	Year Ended December 31		
	1982	1981	1980
			(in thousands)
Uranium (a)	$ **13,702**	$ 17,283	$ 19,530
Copper-molybdenum (a)	**6,721**	57,085	95,814
Steel (a)	**10,126**	14,352	11,829
Segment capital expenditures	**30,549**	88,720	127,173
Stanleigh uranium project (a)	**114,586**	87,371	54,862
General corporate capital expenditures	**15,680**	185	165
Total capital expenditures (net)	$ **160,815**	$ 176,276	$ 182,200

(a) Includes expenditures on construction in progress.

Rio Algom's domestic operations make export sales to various parts of the world and foreign operations are conducted by subsidiaries in three countries. Details of foreign and domestic revenue are as follows:

	Year Ended December 31		
	1982	1981	1980
			(in thousands)
Domestic operations (Canada) (a) (b)	$ **691,585**	$ 812,508	$ 744,605
Foreign operations — United States, Australia and Mexico	**68,575**	105,776	102,886
Consolidated revenue	$ **760,160**	$ 918,284	$ 847,491

(a) Includes export revenue from sales to customers outside the Corporation of approximately $382,438,000, $391,440,000 and $327,089,000 in 1982, 1981 and 1980 respectively, as follows:

	Year Ended December 31		
	1982	1981	1980
			(in thousands)
Japan	$ **104,915**	$ 116,397	$ 108,502
United States	**162,110**	185,526	67,534
United Kingdom	**71,498**	33,937	85,719
Other countries	**43,915**	55,580	65,334
	$ **382,438**	$ 391,440	$ 327,089

(b) Does not include revenue from inter-company sales to foreign operations of $3,754,000 in 1982, $4,671,000 in 1981 and $7,816,000 in 1980.

Operating profit by domestic and foreign operations is as follows:

	Year Ended December 31		
	1982	1981	1980
			(in thousands)
Domestic (Canada)	$ **26,807**	$ 133,816	$ 160,021
Foreign	**439**	8,852	12,674
Operating profit of segments	$ **27,246**	$ 142,668	$ 172,695

Identifiable assets of Rio Algom's foreign operations totalled $69,274,000, $78,417,000 and $78,073,000 at December 31, 1982, 1981 and 1980 respectively.

18 Related Party Transactions

During the year ended December 31, 1982 the Corporation participated in the following transactions with related parties:

(a) On March 17, 1981, the Corporation as a defendant in a civil antitrust action relating to the marketing of uranium commenced by Westinghouse Electric Corporation ("Westinghouse"), together with several defendants in such action (including The Rio Tinto-Zinc Corporation PLC (RTZ), the beneficial owner of 52.75% of the Corporation's common shares, and RTZ's subsidiary R.T.Z. Services Limited), entered into an agreement with Westinghouse providing for the settlement of such action. The terms of the settlement as applicable to the Corporation included the sale and delivery to Westinghouse, at a firm price, subject to escalation provisions, of 4 million pounds of uranium oxide. Under a separate agreement between R.T.Z. Services Limited and the Corporation, R.T.Z. Services Limited agreed to contribute to the settlement by paying the Corporation an additional firm amount per pound in respect of a substantial portion of the 4 million pounds to be delivered by the Corporation to Westinghouse. During 1982 such amounts aggregated U.S. $10 million (included in 1982 revenue) of which $2.3 million remained unpaid at December 31, 1982.

(b) The Corporation sold to an affiliated corporation, at competitive prices and terms, a quantity of uranium in concentrates for U.S.$15.4 million of which U.S.$0.7 million remained unpaid at December 31, 1982.

(c) The Corporation purchased for cancellation 252,280 Second Preference Shares from an affiliated corporation for a cash payment of $1.2 million.

Quarterly Financial Data

The quarterly revenue, gross profit, net earnings and earnings per share as previously reported in unaudited quarterly reports to shareholders are set forth in the following table (millions of dollars, except per share amounts):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
1982					
Revenue	$219.1	$199.6	$163.8	$177.7	$760.2
Gross Profit	51.1	34.9	25.9	34.2	146.1
Net Earnings	9.1	5.0	0.1	3.6	17.8
Earnings (Loss) Per Share	0.58	0.28	(0.06)	0.18	0.98
1981					
Revenue	$226.7	$234.2	$216.8	$240.6	$918.3
Gross Profit	70.8	68.3	58.1	66.9	264.1
Net Earnings	19.2	19.6	12.3	14.7	65.8
Earnings Per Share	1.27	1.31	0.81	0.97	4.36

Market Price Range of Common Shares and Dividends Paid

The following table shows the high and low prices for Rio Algom common shares on The Toronto Stock Exchange:

	1982	1981
First Quarter	**C$40 6/8-32**	C$39 1/8-30 6/8
Second Quarter	**35 2/8-26 6/8**	41 -37 6/8
Third Quarter	**35 4/8-27 4/8**	39 6/8-32 6/8
Fourth Quarter	**39 -32 4/8**	41 7/8-33 2/8

The following table shows the high and low prices for Rio Algom common shares on The American Stock Exchange:

	1982	1981
First Quarter	**U.S.$34 5/8-26 4/8**	U.S.$32 7/8-25 6/8
Second Quarter	**28 4/8-20 7/8**	34 -31 2/8
Third Quarter	**28 7/8-21 5/8**	33 -27 4/8
Fourth Quarter	**31 3/8-26 2/8**	35 3/8-28

Dividends paid per share during 1982 and 1981:

November 30, 1982	C$0.75
May 31, 1982	C$0.75
November 30, 1981	C$0.75
June 1, 1981	C$0.75

At December 31, 1982 there were approximately 10,100 holders of record of the common shares of the Corporation. In recent years, Rio Algom has paid common share dividends on a semi-annual basis. The payment of such dividends in future years must necessarily be determined by the board of directors of the Corporation in the light of future earnings, financial requirements and other relevant factors.

Restrictions on the payment of dividends are contained in the provisions of the Rio Algom First Preference Shares Series A, Rio Algom Second Preference Shares Series A and the trust indenture dated April 1, 1963, as supplemented, covering the issue of the Corporation's Series A and Series B Sinking Fund Debentures. These documents have been filed at the offices of the Securities & Exchange Commission in Washington, D.C.

All non-residents receiving dividends from Rio Algom are subject at the source to 25% Canadian Non-Resident Withholding Tax unless the rate is reduced by tax treaty (e.g. U.S.A. rate is 15%).

Exchange Rates

The following table shows the exchange rate of Canadian currency into United States currency at year end on December 31, the average rate and the range of high and low rates for the years ended on that date:

		Year		
	At Year End	Average	High	Low
1982	$0.8132	$0.8088	$0.8430	$0.7691
1981	$0.8430	$0.8338	$0.8499	$0.8048
1980	$0.8372	$0.8546	$0.8754	$0.8258
1979	$0.8559	$0.8543	$0.8771	$0.8326
1978	$0.8427	$0.8743	$0.9159	$0.8404

Ten Year Review

	1982	1981
Earnings (millions of dollars)		
Revenue	$ 760.2	$ 918.3
Investment and other income	22.3	16.2
	782.5	934.5
Cost of mine production and steel sales	614.1	654.2
Selling, general and administration	67.7	74.0
Interest expense	16.0	16.3
Depreciation and amortization	58.7	55.4
Exploration	9.9	12.7
	766.4	812.6
Earnings before taxes and minority interests	16.1	121.9
Income and mining taxes	1.9	48.7
	14.2	73.2
Minority interests in net earnings (loss) of subsidiaries	(3.6)	7.4
Net earnings[ii]	$ 17.8	$ 65.8
Production Data (millions except steel)		
Uranium in concentrate (pounds)	7.1	7.8
Copper in concentrate (pounds)	194.6	164.7[iii]
Molybdenum in concentrate (pounds)	6.3	4.8
Steel (thousands of tons)	133	212
Financial Data (millions of dollars except per share data)		
Per share of common stock		
Net earnings[ii]	$ 0.98	$ 4.36
Dividends	1.50	1.50
Equity	33.87	34.37
Working capital	323.8	315.9
Plant and equipment	450.8	459.3
Total assets	1,355.7	1,240.8
Return on average total assets	1.37%	5.72%
Redeemable preference shares	45.5	47.8
Long term debt	149.6	98.8
Advances from Ontario Hydro	259.5	162.2
Capital expenditures	160.8	176.3
Common shareholders' equity	481.7	488.8
Return on average common shareholders' equity	2.89%	13.23%
Other Data		
Common shares outstanding (millions)	14.2	14.2
Number of common shareholders (thousands)	10.1	10.6
Number of employees	6,425	7,811
Price range of common shares — high	$40⅝	$41⅞
— low	$26⅝	$30⅝

Notes

(i) The accounts of the United States subsidiaries are not included in the data for 1979 and earnings of those subsidiaries amounting to $3,520,000 for that year have been included in the net earnings for 1980.

1980[i]	1979[i]	1978	1977	1976	1975	1974	1973
$ 847.5	$ 710.7	$ 576.1	$ 486.6	$ 401.6	$ 367.4	$ 390.6	$ 314.9
20.3	7.5	8.5	10.2	10.9	4.3	5.9	2.7
867.8	718.2	584.6	496.8	412.5	371.7	396.5	317.6
568.7	433.5	385.2	332.8	271.6	239.4	219.8	172.5
63.3	47.1	45.5	39.6	36.2	31.8	37.2	30.4
12.5	11.7	10.7	9.4	8.5	8.0	8.9	11.8
51.0	38.1	32.3	25.6	20.7	20.4	21.0	20.9
10.7	9.1	6.0	6.4	6.8	6.2	5.1	3.1
706.2	539.5	479.7	413.8	343.8	305.8	292.0	238.7
161.6	178.7	104.9	83.0	68.7	65.9	104.5	78.9
63.3	84.6	38.7	37.7	31.9	35.7	50.6	12.4
98.3	94.1	66.2	45.3	36.8	30.2	53.9	66.5
20.8	18.4	4.6	2.6	5.3	.2	9.8	14.3
$ 77.5	$ 75.7	$ 61.6	$ 42.7	$ 31.5	$ 30.0	$ 44.1	$ 52.2
7.9[iii]	5.5	6.0	5.5	5.5	5.8	6.2	6.2
126.3	134.2	135.4	141.1	145.7	116.8[iii]	144.2	129.8
4.8	4.4	4.0	3.8	3.8	3.1	4.0	3.5
180	193	208	195	161	161	189	182
$ 5.20	$ 5.02	$ 4.03	$ 2.70	$ 1.91	$ 1.91	$ 3.13	$ 3.77
1.50	1.50	1.29	1.08	1.00	1.00	1.00	0.70
31.50	27.82	23.89	20.77	18.80	17.93	16.77	14.33
285.2	221.3	232.0	227.7	261.8	216.1	156.5	134.8
343.8	347.5	249.0	193.8	143.6	151.6	153.4	158.6
1,061.3	898.8	760.5	684.1	631.3	542.2	474.5	418.7
7.91%	9.34%	8.53%	6.49%	5.37%	5.90%	9.87%	13.03%
48.7	53.0	53.7	54.5	55.7	51.0	51.3	52.0
105.5	93.1	114.7	122.0	134.0	88.5	63.1	104.2
82.7	28.6	1.9	—	—	—	—	—
182.2	121.0	89.3	96.1	61.0	29.5	14.3	9.3
448.0	395.6	339.6	295.2	267.1	254.4	214.1	182.9
17.53%	19.43%	18.06%	13.63%	10.39%	11.01%	20.57%	29.85%
14.2	14.2	14.2	14.2	14.2	14.2	12.8	12.8
11.5	12.8	13.5	14.3	14.9	16.1	16.4	17.0
7,378	6,878	6,658	5,922	5,544	5,144	5,362	5,450
$41 6/8	$40	$39 2/8	$29 6/8	$36 4/8	$34 4/8	$37 4/8	$36 6/8
$25 6/8	$25 6/8	$24 6/8	$22 5/8	$26	$19	$18 7/8	$19

(ii) Net earnings and net earnings per share of common stock (in parenthesis) as reported adjusted to reflect the application of U.S. generally accepted accounting principles are: 1982 — $31.2 ($1.93); 1981 — $74.8 ($4.99); 1980 — $85.9 ($5.79); 1979 — $82.7 ($5.52); and 1978 — $62.0 ($4.05). See note 13 to consolidated financial statements.

(iii) (a) The Poirier copper mine ceased operations June 27, 1975;
(b) The Panel uranium mine commenced operations November 1, 1979.
(c) The expanded Lornex facilities commenced operation August, 1981.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Liquidity and Capital Resources

During 1982, a period of major economic weakness and financial uncertainty, concerted efforts were made to maintain the financial condition of the Corporation on a sound basis. The healthy cash balance and strong working capital position are evidence that these efforts have been successful.

While working capital and cash of $324 million and $61 million respectively at December 31, 1982 have not changed significantly from their levels at the prior year-end, the ratio of current assets to current liabilities has increased to 3.1 to 1 from 2.7 to 1 and the amount of guaranteed bank drafts included in receivables and readily convertible into cash increased to $72 million from $32 million.

The Corporation and Lornex have access to short term financing through operating bank credit lines of $160 million. At year-end Lornex had loans of $18 million under these credit lines. In addition, subsidiaries located outside of Canada have bank credit lines of less than $10 million.

Capital expenditures in 1982 totalled $160.8 million mainly for the Stanleigh project; in addition, Lornex invested $34.8 million in the Bullmoose coal project. The Stanleigh project, which is being funded by Ontario Hydro and through mortgages on associated housing properties, is proceeding as planned. Construction of the Bullmoose project, which commenced this year, is also proceeding on schedule and within budget. Bank financing consisting of recourse and non-recourse loans, has been arranged or committed to finance Lornex's 39% participation in the Bullmoose joint venture.

In 1982, funds from operations were more than sufficient to meet capital expenditures (other than expenditures on the Stanleigh and Bullmoose projects), dividend payments and preference share and debenture purchases. The latter three items totalled $32.4 million in 1982, a reduction of $5.3 million from the prior year due to the omission of dividends by Lornex in 1982. In 1982 common share dividends of $1.50 per share exceeded the earnings attributed to common shares of $0.98 per share.

At December 31, 1982 long term debt, as a percentage of shareholders' equity, was 28% compared to 18% a year earlier. This increase was largely a result of new indebtedness incurred in 1982 for expenditures on the Bullmoose project by Lornex and on employee housing in Elliot Lake.

Projections for 1983 indicate that the expected levels of internally generated funds, existing operating bank credit lines, and the funding arrangements for the Stanleigh and Bullmoose projects should provide the resources required to finance capital expenditure, dividend and working capital requirements.

Results of Operations

Summary

The following table summarizes the Corporation's consolidated revenue and operating profit by business segment and net earnings for each of the three years in the period ended December 31, 1982 (in millions of dollars):

	1982	1981	1980
Revenue:			
Uranium	**$281.7**	$281.9	$225.9
Copper-molybdenum	**126.9**	150.9	173.7
Steel	**351.6**	485.5	447.9
	$760.2	$918.3	$847.5
Operating profit (loss) by segment:			
Uranium	**$ 60.2**	$ 69.2	$ 26.4
Copper-molybdenum	**(16.6)**	38.7	96.9
Steel	**(16.4)**	34.8	49.4
	$ 27.2	$142.7	$172.7
Consolidated net earnings	**$ 17.8**	$ 65.8	$ 77.5

For further business segment information see note 17 to the consolidated financial statements.

Revenue

1982 revenue from uranium operations increased by $55.8 million or 25% over the 1980 level; the increase is entirely attributable to higher prices with 1982 production declining by 10% compared to 1980. The price increases occurred largely in 1981 and continued to a lesser extent in 1982, primarily because of a more favourable contract mix. The decrease in production occurred entirely in 1982 and is attributable to declining grades at the Quirke mine in Elliot Lake and at the Lisbon mine in Utah combined with a lower level of operations at Lisbon.

Net production revenue from the Lornex copper-molybdenum mine decreased by $46.8 million or 27% from 1980 to 1982 with the decline spread evenly over 1981 and 1982, due to lower prices for copper, molybdenum and silver, partly offset by increased production of all three metals. Due to the expanded operations which commenced in August, 1981, production has increased each year from 1980 through 1982.

After increasing by $37.6 million or 8% from 1980 to 1981 steel revenue declined drastically by $133.9 million or 28% between 1981 and 1982, primarily because of weak markets and depressed selling prices. In Canada the depressed economy, customer inventory reduction programs and the impact of dumping of certain products, also produced by Rio Algom, from a number of foreign sources all had a major effect in reducing 1982 sales. The level of business of the steel operations is closely related to the state of the Canadian economy; although it recovered during the first half of 1981 from the latter part of 1980 it declined again in the balance of 1981 and through 1982.

Operating Profit by Segment
Uranium operating profits declined by $9.0 million or 13% from 1981 to 1982; lower production and increasing costs more than offset the effects of productivity improvements and tight cost control. The significant increase in uranium operating profits from 1980 to 1981, $42.8 million or 162%, was due primarily to a more favourable sales contract mix and to improved operating efficiencies, particularly at the Panel facility in Elliot Lake which had start-up problems in the first half of 1980.

The copper-molybdenum operation incurred an operating loss of $16.6 million in 1982 as compared with operating profits of $38.7 million in 1981 and $96.9 million in 1980. The severe decline in operating profits during the three years was due primarily to the substantial decrease in net revenue from production referred to above. Additional contributing factors were higher costs for labour, power, fuel, materials and services as well as costs associated with the start-up of the Lornex plant expansion in 1981.

The steel operations incurred an operating loss of $16.4 million in 1982 as compared with operating profits of $34.8 million in 1981 and $49.4 million in 1980. The sharp drop in steel operating profits was due primarily to reduced demand, depressed prices and higher costs. The steel operation was severely affected by the business downturn in 1982; key customer industries — automotive, construction, agricultural equipment and mining — were depressed to a much greater degree than the economy as a whole.

Consolidated Net Earnings
Operating profits of the business segments declined by $115.5 million or 81% from 1981 to 1982; the decrease in consolidated net earnings was $48 million (73%). Income and mining taxes were lower by $46.8 million, minority interests in Lornex's earnings by $11.0 million and net interest, corporate and exploration expenses by $9.7 million.

Operating profits of the business segments decreased by $30.0 million or 17% from 1980 to 1981; the reduction in consolidated net earnings was $11.7 million. Income and mining taxes, together with minority interests in Lornex's earnings, were lower by $28.0 million partly offsetting increased net interest and exploration costs of $9.7 million.

The effect on net earnings of applying U.S. generally accepted accounting principles is shown in note 13 to the consolidated financial statements.

Impact of Inflation and Changing Prices
At the uranium mining operations the major effect of inflation during the three years was on operating costs, particularly for labour; in 1982 mine closures in the Sudbury area forced the close-down of related acid-production facilities and significantly increased the cost of sulphuric acid, an essential agent used in the uranium recovery process. To a certain extent those effects were ameliorated by the fact that a significant part of production is for delivery under contracts which contain protective mechanisms designed to substantially offset such increases.

The effect of inflation on Lornex revenues in the years 1980 to 1982 inclusive was minimal because realization prices are based on world market prices for copper and molybdenum and those prices in fact declined in both nominal and real terms. In addition, during 1980 and 1981 operating costs rose more than average inflation rates, partly due to increased costs arising from the labour wage contract that became effective in mid-1980. In contrast the 1982 increase in operating costs was lower than average inflation rates because of a new labour wage contract that became effective in mid-1982 and lower costs of materials attributable to increased competition among suppliers as a result of the depressed economy.

With respect to steel operations selling price increases were almost non-existent in 1982 because of the depressed business climate and very competitive markets; during the preceding two years the rate of growth in selling prices had also been on a declining trend each year. At Atlas Steels' manufacturing plants labour and utility costs escalated significantly over the period, especially in 1982, and were only partly offset by lower prices for certain key raw materials. In Atlas Alloys' service centre operations the impact of inflation on costs and expenses showed a moderating trend in 1982, particularly in the latter part of the year; the effects on 1981 costs had been less severe than in 1980. In 1980, inflation had a significant favourable impact on the Tracy manufacturing plant of Atlas Steels because the costs of inventories processed early in that year were at pre-strike levels, well below replacement costs; the Tracy plant had endured a nine-month strike in 1979.

Rio Algom Limited

Operations

Canada

Mining Operations
Head Office: Toronto, Ontario
Uranium: Panel, Quirke and Stanleigh mines at Elliot Lake, Ontario
Copper-molybdenum: Lornex Mining Corporation Ltd., Vancouver, B.C.
Lornex mine at Logan Lake, B.C.

Exploration
Riocanex Inc.
Head Office: Toronto, Ontario
Eastern Canada Office: Toronto, Ontario
Western Canada Office: Vancouver, B.C.
District Offices: Montreal, P.Q. and Fredericton, N.B.

Steel
Atlas Steels
Head Office: Welland, Ontario
Plants: Welland, Ontario and Tracy, Quebec

Metals Distribution
Atlas Alloys
Head Office: Etobicoke, Ontario
Service Centres: Etobicoke, Montreal, Saint John, N.B. and St. John's, Nfld., Windsor, Sarnia, Sudbury, Thunder Bay, Winnipeg, Saskatoon, Edmonton, Calgary, Vancouver and Prince George

United States

Mining
Rio Algom Corporation
Registered Office: Wilmington, Delaware
Uranium: Lisbon mine at Moab, Utah

Exploration
Rioamex Inc., Denver, Colorado

Metals Distribution
Atlas Alloys Inc.
Head Office: Valley View, Ohio
Service Centres: Valley View, Ohio; Detroit, Michigan; Rockford and Chicago, Illinois; Rochester, N.Y.
Atlas Mill Sales Division, Orchard Park, N.Y.

International

Exploration
Compania Minera Cerro Colorado S.A., Santiago, Chile
Rio Algom International Inc. (Chile), Santiago, Chile
Rioibex S.R.C., Madrid, Spain

Metals Distribution
Atlas Steels (Australia) Pty. Limited, Melbourne, Australia
Aceromex-Atlas S.A., Mexico City, Mexico
Agents or Distributors in other countries

Corporate Information

Head Office
120 Adelaide Street West, Toronto, Ontario, Canada
M5H 1W5

Auditors
Coopers & Lybrand, Chartered Accountants, Toronto

Registrars and Transfer Agents
Common Shares
Canada Permanent Trust Company,
Toronto, Montreal, Winnipeg, Regina, Calgary and Vancouver
The Canadian Imperial Bank of Commerce Trust Company, New York

First and Second Preference Shares
Canada Permanent Trust Company,
Toronto, Montreal, Halifax, Winnipeg and Vancouver

Shares Listed (Symbol ROM)
Common Shares
Toronto Stock Exchange, Toronto
Montreal Stock Exchange, Montreal
American Stock Exchange, New York

First and Second Preference Shares
Toronto Stock Exchange, Toronto
Montreal Stock Exchange, Montreal

Form 10-K Annual Report
Rio Algom's Form 10-K annual report for 1982 to the United States Securities and Exchange Commission will be available to shareholders on written request to the Secretary of the Corporation.

Directors

George R. Albino
Chairman and Chief Executive Officer of the Corporation

Ray W. Ballmer
President and Chief Operating Officer of the Corporation

James T. Black
President and Chief Executive Officer, The Molson Companies Limited, a brewing, retail distribution and chemical specialties company, Rexdale, Ontario

Sir Alistair Frame
Deputy Chairman and Chief Executive, The Rio Tinto-Zinc Corporation PLC, London, England

Gordon C. Gray
Chairman and Chief Executive Officer, A. E. LePage Limited, Realtors, Toronto

Robert S. Hurlbut
Chairman and President, General Foods Limited, a manufacturer of packaged grocery products, Toronto

David S. R. Leighton
Chairman of the Board, Nabisco Brands Ltd., a manufacturer of packaged grocery products, Toronto

William Moodie
Consultant, Sutton West, Ontario

J. Keith Reynolds
President, Alafin Consultants Limited, public policy advisers to business and government, Toronto

John D. Taylor
President and Chief Operating Officer, Simpsons-Sears Limited, a retail enterprise, Toronto

Sir Anthony Tuke
Chairman, The Rio Tinto-Zinc Corporation PLC, London, England

Ross J. Turner
Chairman and Chief Executive Officer, Genstar Corporation, a diversified Canadian company, Vancouver

Officers

Executive

George R. Albino
Chairman and Chief Executive Officer

Ray W. Ballmer
President and Chief Operating Officer

Corporate

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Senior Vice-President, Finance and Corporate Relations

Robert G. Connochie
Vice-President, Corporate Development

William D. Dobbin
Vice-President

J. Douglas French
Vice-President, Controller

J. Gordon Littlejohn
Vice-President, General Counsel

Alan F. Lowell
Vice-President, Minerals Marketing

Herbert A. Pakrul
Vice-President

Archie C. Turner
Vice-President, Secretary

John Van Netten
Vice-President, Treasurer

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Paul A. Carloss
Vice-President, General Manager, Elliot Lake

Lorne H. Hunter
Vice-President, Western Mining Operations

Paul M. Kavanagh
Vice-President, Exploration

J. Edward Moyle
Vice-President, Technical Development

Atlas Steels

Allan V. Orr
Vice-President, General Manager

Guenter Feucht
Vice-President, Operations

Carl E. Ohlson
Vice-President, Sales and Marketing

Gerald L. Sandler
Vice-President, Finance

Atlas Alloys

Kenneth Collyer
Vice-President, General Manager

John B. Dunn
Vice-President, Controller

William I. Pollock
Vice-President, Marketing and Business Development

Rio Algom

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