Rio Algom

Annual Report 1983

The Corporation

The business of Rio Algom and its subsidiaries consists of four principal activities: the mining and milling of uranium ore, the mining and milling of copper-molybdenum ore, the manufacture of stainless and specialty steels and the marketing of stainless and specialty steels and other metal products.

- Uranium oxide in concentrates is produced and sold from the Quirke, Panel and Stanleigh mines at Elliot Lake, Ontario and, through a wholly-owned United States subsidiary, from the Lisbon mine near Moab, Utah.
- Copper and molybdenum is produced and sold by Lornex Mining Corporation Ltd. (68.1% owned by Rio Algom) from its mine at Logan Lake in the Highland Valley area of British Columbia.
- Stainless and specialty steels are manufactured and sold by Atlas Steels from plants in Welland, Ontario and Tracy, Quebec.
- Stainless and specialty steels and other metal products are marketed by Atlas Alloys through metal service centres across Canada and in the United States, Australia and Mexico.

Lornex Mining Corporation Ltd. holds a 39% joint venture interest in the Bullmoose metallurgical coal property in northeast British Columbia on which construction was virtually completed in December 1983. Construction and development of the large East Kemptville tin property of Rio Algom located near Yarmouth, Nova Scotia will commence in April 1984.

Rio Algom also conducts mineral exploration activities in Canada, the United States, South America and Europe.

Annual Meeting

An Annual and Special Meeting of Shareholders of Rio Algom Limited will be held on Wednesday, April 25, 1984 at 10:00 a.m. (Toronto time) in the Territories Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada

Cover: Underground at the Stanleigh uranium mine at Elliot Lake, Ontario. After blasting, the roof is scaled and bolted to prevent rock falls. The start of production at Stanleigh in July 1983 marked the end of the major expansion, begun eight years earlier, of Elliot Lake operations.

Contents

Rio Algom Limited

Highlights of 1983 Consolidated Operations

(In thousands, except per share data)

	1983		1982	
Revenue:				
Uranium	**$297,559**	38%	$281,668	37%
Copper-molybdenum	**148,507**	19	126,893	17
Steel manufacture	**149,700**	19	140,795	18
Metals distribution	**183,886**	24	210,804	28
Consolidated revenue	**$779,652**	100%	$760,160	100%
Operating profit (loss):				
Uranium	**$ 76,130**		$ 60,256	
Copper-molybdenum	**5,992**		(16,577)	
Steel manufacture	**(4,884)**		(21,860)	
Metals distribution	**6,505**		2,029	
Consolidation adjustment	**(191)**		3,398	
Total operating profit	**$ 83,552**		$ 27,246	
Net earnings	**$ 51,140**		$ 17,813	
Per share of common stock(ii)	**$ 1.11**		$ 0.33	
Dividends paid on common stock	**$ 21,332**		$ 21,332	
Per share of common stock(ii)	**$ 0.50**		$ 0.50	
Working capital, year end	**$424,514**		$323,768	
Ratio of current assets to current liabilities	**3.3 to 1**		3.1 to 1	
Common shareholders' equity	**$507,621**		$481,713	
Return on average common shareholders' equity	**9.60%**		2.89%	
Total common shares outstanding at December 31	**42,663**		42,663	
Equity per share of common stock outstanding(ii)	**$ 11.90**		$ 11.29	

Quarterly Financial Data

(Unaudited, in millions except per share data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
1983					
Revenue	$178.9	$205.5	$184.3	$211.0	$779.7
Gross Profit	36.4	59.8	45.6	51.9	193.7
Net Earnings	6.0	18.1	11.1	15.9	51.1
Earnings Per Share	0.12(ii)	0.40(ii)	0.24	0.35	1.11
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(ii)	0.20	0.09	(0.02)	0.06	0.33

(i) All dollar amounts set out in this Report refer to Canadian dollars unless otherwise stated. At March 2, 1984 C$1.00 = U.S.$0.7993.

(ii) Adjusted to reflect 3-for-1 stock split which became effective October 11, 1983.

Directors' Report to the Shareholders

George R. Albino
Chairman and
Chief Executive Officer

A year ago the Report to the Shareholders suggested that improved economic conditions were in prospect for 1983 and such has, in fact, proved to be the case. In real terms, the Canadian economy grew by approximately 3.0% over the 1982 level. However, the capital spending sector of the economy, which is of major significance to both the mining and steel industries, did not participate in the recovery.

Accordingly, given its position in these industries, it was gratifying that Rio Algom's consolidated earnings for 1983 increased substantially over 1982. This reflected improved operating performance in all four business segments. Many steps were taken in 1982 and 1983 to improve efficiency at all operations and we intend to maintain the leaner structure that has been achieved. In particular, continuing emphasis is being placed on cost control, asset management and further productivity improvement.

The Corporation believes that favourable opportunities for profitable growth exist in the mining and industrial segments of the domestic and international economies and these opportunities are being pursued actively through exploration and other means. The objective is to seek geographical and product diversity with each prospect judged solely on its capacity to increase the return to shareholders. In this context, the tin property in Nova Scotia, acquired in 1982, was approved for development in 1983, and is scheduled to be in production in late 1985. This is a major new development for Rio Algom which will expand its mineral commodity base.

Financial Position

Consolidated revenue increased to $779.7 million in 1983, compared to $760.2 million in 1982, while consolidated net earnings were $51.1 million ($1.11 per common share) compared to $17.8 million ($0.33 per common share). Common share dividends of $0.50 per share were paid in 1983, maintaining 1982's level. Common shareholders' equity at the end of 1983 was $507.6 million ($11.90 per common share), an increase of 5% over $481.7 million ($11.29 per common share) at December 31, 1982. The references to per-share data reflect the three-for-one stock split approved by the common shareholders on September 14, 1983.

Working capital at December 31, 1983 was $424.5 million, an increase of $100.7 million over the level at the end of the previous year and included cash and short-term deposits of $159.6 million and $54.9 million of realizable promissory notes (the latter included in receivables). A strong liquid position was again maintained in 1983.

Capital expenditures during 1983 of $165.7 million were mainly for two major programs, the construction of the Stanleigh mine at Elliot Lake and the Lornex investment in the Bullmoose metallurgical coal project in British Columbia. Other capital outlays were modest and related to essential replacements, rapid pay-back opportunities and satisfying regulatory requirements.

Summary of Operations and Outlook for 1984

Lornex achieved a small profit in 1983 despite the rapid deterioration in the price of copper during the last half of the year. Increased world inventory levels of refined copper had the inevitable effect of depressing prices significantly in recent months. Based on the average monthly London Metal Exchange prices, copper in 1983 averaged U.S. $0.72 per pound compared with U.S. $0.67 in 1982. A significant increase in copper price is needed if satisfactory earnings are to be achieved in 1984; even the acknowledged efficiency of Lornex's operations is not enough to offset the effects of present low copper prices.

Construction of the Bullmoose coal project in British Columbia, in which Lornex holds a 39% interest, was virtually completed in December 1983, as scheduled, and under budget. The first coal was shipped to Japan in January of this year. Bullmoose is part of the Northeast Coal Development, a large and complex operation involving both the public and private sectors in the development of two major mines and significant associated infrastructure.

The highlight of the year's uranium activities was the start-up of operations at the Stanleigh mine in Elliot Lake in July. This major project was completed on schedule and under budget and the planned production rate averaging 4,250 tons per day will be achieved within the next month. The completion of Stanleigh, further improvements in efficiency at the Quirke and Panel mines, and the securing of a medium-term supply contract for the Lisbon, Utah uranium facility all contributed to the increase in 1983 earnings over those of the previous year.

The stainless and specialty steel manufacturing operation of Atlas Steels, with plants in Welland, Ontario and Tracy, Quebec, had a difficult year, in common with most of North America's steel industry. Operating losses were, however, significantly lower in 1983 than in 1982 and reflected intensified cost control measures. In the last few months there has been some recovery from the extremely depressed business levels of 1982 and early 1983 and there is reasonable confidence that this trend will continue, particularly if the capital spending sector of the economy improves.

Atlas Alloys metals distribution business in Canada recorded lower sales but improved earnings in 1983, compared to 1982. This was also true of its operations in the United States, but in Australia and Mexico earnings were lower. Competition was intense in all markets and the generally improved operating profits were accomplished by continued pressure to reduce costs combined with a reduced adverse impact from foreign currency fluctuations. Some improvement in trading conditions has occurred recently and this should continue, in keeping with the expected growth in capital outlays.

In total the prospect of further economic growth, especially in the capital goods sector, the benefits to be derived from the new facilities that will be fully operational in 1984, and the continuing emphasis on cost containment and asset management add to Rio Algom's strength and its potential for increased profitability in 1984.

Appreciation

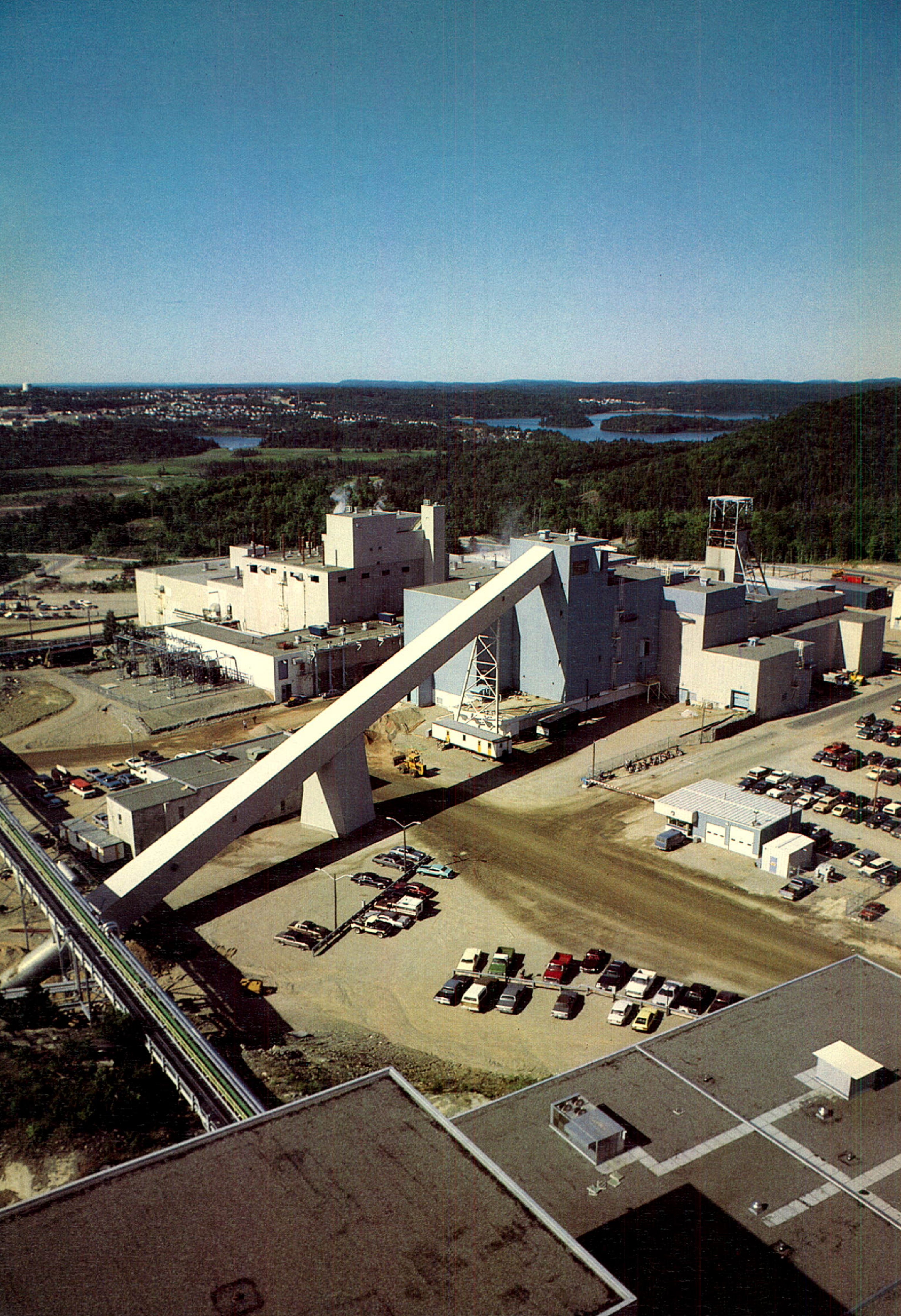
The effective and dedicated efforts of our employees were a major factor in the improved results achieved last year and in the project planning and execution upon which future growth will largely depend. The Directors wish to express their appreciation to all those whose work made these accomplishments possible.

On behalf of the Board of Directors

George R Albino

George R. Albino
Chairman and Chief Executive Officer

Toronto, Canada
March 2, 1984



Review of Operations

Uranium

(in thousands)	1983	1982
Revenue	$297,559	$281,668
Operating profit	$ 76,130	$ 60,256

Higher revenue and operating profit from uranium operations were achieved as a result of securing a contract for the delivery of uranium oxide from the Lisbon mine in Utah in the 1983-1986 period, the commencement of production of the Stanleigh facility in Elliot Lake and improvements in operating efficiencies.

The completion of the Stanleigh mine and mill in 1983 marks the end of the major expansion and reactivation of facilities in the Elliot Lake area which commenced in 1975. Rio Algom now has three major mines and mills in the Elliot Lake area, Quirke, Panel and Stanleigh. Expansion of the Quirke facilities was finished in April 1978. Reactivation of the closed down Panel mine and mill began in 1976 and production commenced in November 1979. Development of the Stanleigh mine and mill which started in 1979 was completed on time and under budget in July 1983. It is expected that the planned milling rate at Stanleigh will be reached in March 1984. All of the production from Stanleigh will be delivered to Ontario Hydro under a contract to the year 2020.

As a result of the expansion of facilities at Elliot Lake the work force has increased from 865 employees at the beginning of 1975 to 2,837 at the end of 1983. In order to provide suitable accommodation in Elliot Lake for the additional employees, a major housing program was initiated in 1975 to build a mixture of detached, semi-detached and apartment units. At the end of 1983 there were 2,105 housing units which were being rented to employees. With the completion of the expansion program Rio Algom will offer employees the opportunity to purchase detached and semi-detached housing units.

A total of 3.4 million tons of ore was processed through the three Elliot Lake mills in 1983 to recover 6.4 million pounds of uranium oxide.

Rio Algom's newest uranium producer, the Stanleigh mine, with the town of Elliot Lake in the background. The mine went into production at mid-year after being shut down for more than two decades.

Comparable figures for 1982 were 3.4 million tons of ore to recover 6.6 million pounds of uranium oxide. The 93.7% recovery rate in 1983 was slightly less than the 94.2% rate in 1982 primarily because of low recoveries obtained during the start-up of the Stanleigh mill.

During the year deliveries of uranium oxide totalled 6.5 million pounds compared to 6.3 million pounds in 1982. At December 31, 1983 contracts were held to deliver approximately 64.6 million pounds of uranium oxide from the Quirke, Panel and Stanleigh operations in the 1984-1995 period and a further 49.6 million pounds from the Stanleigh operation from 1996 to 2020.

Intensive efforts to reduce costs continued during 1983. At Quirke and Panel per pound costs of uranium oxide produced were held below those in 1982 despite significant increases in labour and material costs and a lower production rate implemented at Quirke late in 1982 to more closely match production with deliveries to be made under existing export contracts.

The cost of sulphuric acid, an essential and expensive agent used in the uranium recovery process, remained at a high level for the first eight months of the year. The required quantities of acid could not be obtained from the usual source, the mines in the nearby Sudbury area where the acid is produced as a by-product in smelting operations, because of reduced production levels at those mines. The additional quantities needed were obtained from more distant sources at higher than normal prices.

No work was done on the Milliken, Lacnor, Nordic and Spanish American properties which were shut down in the 1960's. These properties contain substantial uranium deposits which may be commercially recoverable depending upon the course of future economic conditions both in general and in the nuclear power industry.

At the Lisbon uranium mine in Utah, 334,000 pounds of uranium oxide were produced and 300,000 pounds were delivered under a contract secured for the period 1983-1986 and production from the mine continued at the approximately fifty percent rate implemented in 1981. In addition, ore and uranium bearing material produced by other companies was toll milled or treated, small quantities of ore were purchased and, further, since September ore has been mined from a small leased property. As a result the mill operated at capacity for the last two months of the year. Effective cost control programs were continued at the Lisbon operation and further operating efficiencies were achieved.

Copper-Molybdenum

(in thousands)	1983	1982
Revenue	**$148,507**	$126,893
Operating profit (loss)	**$ 5,992**	$ (16,577)

The improvement in revenue and operating profit of Lornex Mining Corporation Ltd., 68.1% owned by Rio Algom, was largely due to higher prices for copper and silver and increased production of molybdenum, partly offset by lower copper grades. Lornex had net earnings of $2.7 million in 1983 compared to a net loss of $11.1 million in the previous year.

Comparative operating data are as follows:

	1983	1982
Tons of ore milled (000's)	**31,710**	30,692
Average tons milled per operating day	**86,877**	84,086
Average mill head grade (%)		
copper	**0.337**	0.364
molybdenum	**0.016**	0.015
Average mill recovery (%)		
copper	**88.2**	90.1
molybdenum	**73.5**	70.1
Payable metal in concentrate produced (000's)		
copper (pounds)	**181,682**	194,582
molybdenum (pounds)	**7,506**	6,347
silver (ounces)	**710**	739
Payable metal in concentrate delivered (000's)		
copper (pounds)	**186,031**	219,074
molybdenum (pounds)	**6,103**	4,650

A high mill throughput rate was maintained during the year. The daily average of tons of ore milled represents an improvement of 3% over 1982. In the month of February a record average of 92,021 tons of ore per day were milled.

The Canadian dollar gross revenue price realized per payable pound of copper averaged $0.90 in 1983 compared to $0.81 in 1982 and for molybdenum averaged $4.18 per pound in 1983 compared to $4.28 in the previous year. Silver averaged $14.10 per ounce in 1983 and $8.74 in 1982. Comparable 1981 average revenue prices were $0.94 for copper, $6.71 for molybdenum and $10.60 for silver.

The average operating cost per ton of ore milled decreased to $3.51 in 1983 from $3.63 in 1982. Measures instituted in 1982 to reduce costs, improve labour utilization and increase productivity were continued and expanded in 1983. The mining plan adopted in 1982 under which some stripping of waste material is being postponed to future years was followed during the year and has resulted in lower current operating costs.

A new copper concentrate regrind circuit came into production in December 1983. The higher copper grade in concentrates produced from this circuit will result in net savings in freight and smelter treatment charges per pound of copper produced.

Exploration expenditures by Lornex during the year were $435,000 with more than 100 properties being considered. Work was carried out on five mineral exploration projects in British Columbia; further work is planned on two of these projects. Precious metals and massive deposits containing zinc, lead, copper, gold and silver continue to be the main areas of interest but tungsten, tin and platinum group metals are also being considered. Efforts will continue to acquire projects, in western Canada and the United States, which are at an advanced exploration or development stage.

Under a 1982 agreement between Lornex and Teck Corporation a 39% joint venture interest is held by Lornex in the Bullmoose metallurgical coal mine, part of the Northeast Coal Development project in British Columbia. The joint venture is managed by Teck, which holds a 51% interest. A Japanese company, Nissho Iwai Coal Development (Canada) Ltd. holds the remaining 10% interest. The Northeast Coal Development project is a complex and major undertaking, involving the construction of two major coal mines and associated infrastructure, new railway lines and roads, a townsite and a port for the export of coal to Japanese customers.

Construction of the Bullmoose facilities was virtually completed in December 1983, on time and under budget, a commendable performance. In the last quarter of 1983 coal was processed through the Bullmoose plant and by the end of December coal was being shipped on a regular basis from the mine to the coal loading port at Ridley Island near Prince Rupert. The first shipment to customers in Japan from that facility was on January 10, 1984. It is estimated that Lornex's total investment in the project will be approximately $120.0 million, of which $111.1 million had been expended at December 31, 1983; bank loans for the project were $106.3 million at that date, including $65.0 million borrowed under a limited recourse loan agreement.

Construction of the Bullmoose mine, located in northeast British Columbia, was virtually completed on time and under budget in December. Coal is being shipped on a regular basis.

Minerals Exploration and Development

Exploration and development expenditures by Rio Algom and its subsidiaries, including expenditures on the Sage Creek coal property in British Columbia and the Cerro Colorado copper project in Chile, were $7.0 million compared to $9.9 million in 1982.

Exploration activities in Canada are carried on from regional offices in Toronto and Vancouver and from district offices in Montreal and Fredericton. Offices are also maintained in Denver, Colorado, Santiago, Chile and Madrid, Spain.

The Corporation's policy of spending restraint initiated in 1982 was continued in 1983. While several new primary exploration projects were undertaken in Canada exploration efforts were focused on the acquisition of known mineral deposits in Canada, the United States and in selected countries in other parts of the world.

At the end of 1983 there were seven active exploration projects in Canada which will warrant further work. Through a primary exploration program designed to discover silver mineralization a potential major zone of classic porphyry-type molybdenum mineralization was discovered in central British Columbia. Several precious metal properties in the western United States are under active consideration. Drilling on a project in northwestern Spain indicated some 20 million tonnes of open-pittable, low grade tin tantalum mineralization; however, the metallurgical recovery from this material appears to be difficult. Late in the year a silver-copper property was optioned in Chile.

It was announced on October 28 that the Corporation will proceed with the development of its large East Kemptville tin property located near Yarmouth, Nova Scotia. Detailed engineering began immediately and construction and development are planned to begin in the spring of 1984 with production of concentrates scheduled for the end of 1985. Total cost of the project is expected to be approximately $150 million. Mineable ore reserves are estimated at 56 million tonnes and, at the planned production rate, the property should be operational for about 17 years. The mill will process some 9,000 tonnes of ore per day to yield 4,500 tonnes of tin in concentrate and by-products of 1,500 tonnes of copper in concentrates and 2,400 tonnes of zinc in concentrate annually. Non-recourse financing has been arranged for a substantial portion of the project cost.

During the year Rio Algom increased its direct interest in the Corner Bay project in the Chibougamau area of Quebec, from 55% to 69% in exchange for its 32% holding of the shares of Corner Bay Explorations Limited. Further drilling of the deposit discovered in 1982 did not enlarge the indicated reserves as had been anticipated. The indicated mineable reserves to a depth of 450 metres are 1.5 million tonnes grading approximately 4% copper, 0.01 ounces of gold and 0.4 ounces of silver per tonne. The work during the year did indicate that there is still potential for additional reserves at depth.

On February 21, 1984 the Environment and Land Use Committee of the government of British Columbia granted stage II approval-in-principle to develop the Sage Creek steam coal project, in which Rio Algom has a 60% interest. However, the markets for both metallurgical and steam coal continue to be depressed.

Marketing and financing activities were initiated in 1983 in respect of the development of the Cerro Colorado copper property in northern Chile. This property is held under option by a Chilean subsidiary. Technical studies completed in 1982 indicated that a 14,000 tonnes of ore per day operation, producing about 60,000 tonnes of copper in concentrates per year, could be feasible.

There is an indicated demand for long term supplies of copper concentrates in the late 1980's when this project could be coming on stream. For the project to be viable the price of copper must be higher than the current price which is at an historically low level. While this is true in respect of virtually all known potential new copper projects, the Cerro Colorado project appears to be quite competitive. A number of alternatives for financing the development of the project are being considered but it may be some time before a decision in this regard can be expected.

Geologist examines outcrop above a lake in northern Newfoundland. Rio Algom conducts mineral exploration activities in Canada, the United States, South America and Europe.

Steel Manufacture

(in thousands)	1983	1982
Revenue	$185,629	$176,420
Operating loss	$ (4,884)	$ (21,860)

1983, like 1982, was characterized by poor global demand and low prices for steel products. For Atlas Steels it was another unsatisfactory year for the stainless and specialty steels which it produces. Late in the year, however, there was some improvement in certain end use markets. The operating loss incurred in 1983 was significantly below that of 1982.

During the year most of the industries which are the primary consumers of the range of steels produced by Atlas for the capital goods sector of the economy operated at low levels of capacity. As the year progressed it became clear that the automotive, housing and consumer durable goods industries, which are sensitive to interest rates, were recovering and late in the year sales to these industries improved. In addition there was steady improvement in sales to the important metal service centre industry reflecting some inventory build-up to support their improved business.

The production capacity utilization of the Welland plant in 1983 was 57% compared to a low of 40% in the second half of the previous year. However, cost efficiencies continued to be adversely affected by these low levels of production. Planned cost reduction and cost avoidance programs were achieved. Adjustments to the work force continued and a further reduction in salaried staff was initiated.

The Tracy plant level of production increased significantly in 1983 and during the second half of the year some key units were operated at full capacity. This was attributable to increased demand for standard chrome/nickel sheet products, the transfer of production of light gauge strip products from the Welland plant to achieve a lower cost of production, and the development and production of a straight chromium sheet product for automotive exhaust end use. The number of hourly and staff employees at the Tracy plant was increased as a result of the higher production activity.

Capital expenditures at both plants were kept to a minimum and efforts were directed to cost reduction programs which require high levels of technical input combined with low capital expenditures.

Anti-dumping investigations by the Government of Canada and subsequent findings of material injury by the Canadian Anti-Dumping Tribunal led to relief in the form of additional import duties on some, but not all, of the Atlas products adversely affected by dumped imported stainless and specialty steels. Unfortunately, the Tribunal found that material injury did not occur with regard to certain stainless flat rolled products imported into and sold in Canada.

In 1983 the United States imposed quotas on alloy tool and stainless steel bars and additional duty on stainless flat rolled products imported into the United States. The Canadian government has taken counter measures and effective January 1, 1984 imposed a surtax on certain stainless sheet and strip products imported into Canada from the United States.

In respect to future trading in specialty steels between Canada and the United States, discussions are taking place between the respective governments concerning bilateral free trade in these products. Atlas is evaluating the potential effect on its business in the event that bilateral free trade in specialty steels between Canada and the United States becomes a reality.

In Canada four additional distributors for flat rolled stainless products and two additional distributors for alloy tool steels were appointed. It is anticipated that this action will assist Atlas in meeting market share objectives for these important products.

Product development, quality and technological advances made in 1983 resulted in increased business opportunities. At the Welland plant a statistical process control was instituted which will ensure greater product quality consistency and reliability. A new nickel-chromium grade of stainless steel was developed at the Tracy plant for use in the manufacture of skin panels and structural members for light weight, energy efficient railcars which are now being produced in Canada. Further development of a straight chromium sheet product, used extensively in automotive exhaust applications, has seen the Atlas product set new higher standards of quality expectation and performance with customers.

Gleaming stainless steel and glass are the hallmarks of the award-winning Nova Building in downtown Calgary. Some 500 tons of Atlas Steels' Imperial Finish stainless was used to sheath the 37-storey structure's outer walls.

Metals Distribution

(in thousands)	1983	1982
Revenue	$183,886	$210,804
Operating profit	$ 6,505	$ 2,029

1983 operating profit of the Atlas Alloys metal service centre operations improved substantially from the depressed levels of 1982 as a result of higher margins, lower operating expenses and a reduced adverse impact from foreign currency fluctuations. This improvement was achieved in spite of the fact that the economic recovery, which began in the United States and Canada in 1983, did not translate into a corresponding increase in demand for many of the products distributed by Atlas Alloys for the capital goods sector.

The metal service centre industry in Canada recovered somewhat from the extreme difficulties experienced in 1982. There was a better balance between supply and demand because competitors closed a significant number of metal service centres and during the first half of the year most of the excess inventories which overhung the market in 1982 were eliminated. Atlas Alloys was able to show a steady month by month improvement in operations during 1983.

The recovery in the Canadian economy was largely consumer-led and had little immediate impact on the demand for those Atlas Alloys products which find their way into major capital projects. There was virtually no new investment in the chemical and petrochemical industries. This had a significant effect on new business available to the Atlas Alloys service centres in Edmonton, Calgary and Sarnia. Similarly, the lack of major investments by the pulp and paper industry had an effect on the available business in British Columbia, Quebec and the Maritimes.

As a result of further delays in the development of the Hibernia oil field off the coast of Newfoundland, the St. John's warehouse was closed at the end of the year; a sales office was opened in Halifax, Nova Scotia in order to maintain local contact with East Coast oilfield developments.

The United States operations of Atlas Alloys began to benefit from improved business conditions during the third quarter. By the end of the year there was good evidence of a sustained improvement in demand for specialty steel products. Import quotas, imposed in mid year on the entry of tool steels and other specialty steel products into the United States, will eventually have a strengthening effect on prices and profit margins but in the short term will require some changes in sourcing of product.

Overall, the effect of the world wide recession on the business of the Australian operation was considerably less than that experienced in Canada and the United States. Sales did decline, but profit margins were maintained and expenses were reduced. By year end it appeared that the Australian economy was in a recovery phase. During the course of the year, a number of actions were taken by the Australian government to protect Australian steel producers. It is expected that these measures will not have a major effect on the trading abilities of the Australian operation.

The Mexican operation has adapted successfully to operating under difficult economic conditions. Although volume was down considerably, that operation reported satisfactory earnings.

Octopus duct system, seen being adjusted, removes chemical dust in pharmaceutical packaging operations. Metal pipes and casing are made of stainless steel supplied by Atlas Alloys.

Employees

Employment by the Corporation and its subsidiaries by major operations at December 31, 1983 and 1982 was approximately as follows:

	1983	1982
Uranium	**2,995**	2,822
Steel manufacture	**2,000**	1,748
Metals distribution	**778**	806
Copper/molybdenum	**941**	917
Tin	**4**	0
Exploration	**33**	36
Corporate	**96**	102
Total	**6,847**	6,431

The cost reduction measures begun in 1982 resulted in a further reduction in the number of staff employees. The increase in the total number of employees is almost entirely attributable to additions necessary to sustain higher production volumes. The current availability of experienced miners and tradesmen facilitated recruitment of the workforce to operate the Stanleigh uranium mine and mill and the replacement of personnel transferred to Stanleigh from the Quirke and Panel operations; it also allowed for the reduction of training programs.

A number of senior staff appointments were made for the East Kemptville tin project in Nova Scotia which is scheduled for start-up late in 1985. Construction and development work on that project will begin in the spring of 1984 and will require a peak workforce of about 300. Recruitment of most of the permanent complement of approximately 250 employees will occur in 1985.

The salary freeze imposed in 1982 for employees above the secretarial/clerical support level was lifted in March 1983. Currently modest salary programs generally in line with Federal Government guidelines are being followed.

In 1983 the employee safety record at each of the operations generally compared favourably with other employers in their industry. Injury frequency, the measurement of lost time injuries compared to total time worked, improved at Lornex, Atlas Alloys and the Welland plant but increased at the other operations except at the Lisbon mine where there were no lost time injuries in 1983 or in 1982. Safety in the work place is an ongoing priority which can only be achieved by the co-operation and efforts of all employees.

No labour contracts expired in 1983. However, proposals were made to the unions at Atlas Steels and at Lornex to adjust the impact of contracts reached in 1982; these proposals were not accepted.

Labour contracts 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, 1987. Labour contracts in respect of steel manufacturing 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.

Driller Pat Kelly takes a moment to check a bit on his jumbo drill at the Stanleigh mine. Mr. Kelly is one of 2,837 Rio Algom employees in the Elliot Lake operations.

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 and the Corporation's proportionate interests in the assets and liabilities of an unincorporated joint venture which was under construction at December 31, 1983.

Translation of Foreign Currency Accounts into Canadian Dollars
The Corporation's foreign operations are generally of a self-sustaining nature. The related assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at average exchange rates for the year. Gains or losses on translation are shown as a separate component in capital stock and retained earnings.

Foreign currency transactions undertaken by the Corporation and its Canadian subsidiaries are translated into Canadian dollars using the temporal method. At the transaction date each asset, liability, revenue and expense is translated at the exchange rate in effect at that date. At each balance sheet date monetary assets and liabilities and non-monetary items carried at market values are translated using exchange rates in effect on that date. Foreign exchange gains and losses are included in earnings as they arise.

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. Inter-company profits have been excluded from these inventories.

Concentrates awaiting shipment and coal inventories are valued at estimated realizable prices.

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 after the 3 for 1 stock split which took effect October 11, 1983; the 1982 and 1981 earnings per share have been restated for comparative purposes.

Consolidated Statement of Earnings

(Thousands of dollars)

Rio Algom Limited
(Incorporated under the laws of Ontario)

Years Ended December 31	1983	1982	1981
Revenue:			
Revenue from mine production and sales of steel and other products	$779,652	$760,160	$918,284
Expenses:			
Cost of mine production and steel sales	585,948	614,081	654,170
Selling, general and administration	58,994	67,677	73,973
Interest (net) (note 14)	(10,265)	(6,322)	109
Depreciation and amortization (note 15)	58,833	58,736	55,387
Exploration	7,013	9,850	12,722
	700,523	744,022	796,361
Earnings before taxes and minority interests	79,129	16,138	121,923
Income and mining taxes (note 16)			
Current	14,488	(7,677)	12,510
Deferred	12,645	9,556	36,165
	27,133	1,879	48,675
Earnings before adjustment for minority interests in subsidiary corporation	51,996	14,259	73,248
Minority interests in net earnings (loss) of subsidiary corporation	856	(3,554)	7,416
Net earnings for the year (note 13)	$ 51,140	$ 17,813	$ 65,832
Earnings per common share (note 1)	$ 1.11	$ 0.33	$ 1.45

Consolidated Statement of Retained Earnings

(Thousands of dollars)

Years Ended December 31	1983	1982	1981
Balance, beginning of year	$395,278	$402,598	$361,954
Add net earnings for the year	51,140	17,813	65,832
	446,418	420,411	427,786
Deduct:			
Dividends on preference shares	3,629	3,801	3,856
Dividends on common shares	21,332	21,332	21,332
	24,961	25,133	25,188
Balance, end of year	$421,457	$395,278	$402,598

Consolidated Balance Sheet

(Thousands of dollars)

December 31	1983	1982
Assets		
Current:		
Cash and short term deposits	$ 159,577	$ 61,114
Receivables and prepaid expenses (note 3)	143,975	156,304
Inventories and concentrates awaiting shipment (note 4)	302,471	263,329
	606,023	480,747
Plant and equipment (note 5)	677,935	450,809
Construction in progress, at cost	104,942	337,261
Mining properties and preproduction expenditures (note 6)	175,817	67,202
Other assets (note 7)	22,832	19,731
	$1,587,549	$1,355,750

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Rio Algom Limited as at December 31, 1983 and 1982, 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, 1983. 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, 1983 and 1982, and the results of its operations and changes in its financial position for each of the three years in the period ended December 31, 1983, in accordance with generally accepted accounting principles in Canada applied, except for the change in accounting policies as explained in note 2, on a consistent basis.

Toronto, Canada
February 29, 1984

Coopers & Lybrand
Chartered Accountants

	1983	1982
Liabilities		
Current:		
Bank loans and overdrafts	**$ 9,068**	$ 29,720
Accounts payable and accrued liabilities	**156,708**	117,360
Income and mining taxes	**15,733**	9,899
	181,509	156,979
Long term debt (note 8)	**225,724**	149,621
Advances from Ontario Hydro (note 9)	**351,458**	259,544
Deferred income and mining taxes	**220,632**	207,987
Minority shareholders' interests in subsidiary corporation	**55,277**	54,421
Capital Stock and Retained Earnings		
First preference shares (note 10)	**8,450**	8,549
Second preference shares (note 10)	**36,878**	36,936
Common shares (note 10)	**49,179**	49,179
Contributed surplus	**37,302**	37,256
Cumulative translation adjustment (note 2(a))	**(317)**	—
Retained earnings	**421,457**	395,278
	$1,587,549	$1,355,750

Approved on behalf of the Board:

William Moodie, Director

George R. Albino, Director

Consolidated Statement of Contributed Surplus

Rio Algom Limited

(Thousands of dollars)

Years Ended December 31	1983	1982	1981
Balance, beginning of year	$ 37,256	$ 37,018	$ 36,841
Profit on purchase and cancellation of preference shares	46	238	177
Balance, end of year	$ 37,302	$ 37,256	$ 37,018

Consolidated Statement of Changes in Financial Position

(Thousands of dollars)

Years Ended December 31	1983	1982	1981
Source of Funds:			
Earnings before adjustment for minority interests in subsidiary corporation	$ 51,996	$ 14,259	$ 73,248
Add items included in earnings not involving current outlay of funds:			
Depreciation, amortization and other charges (net)	58,833	58,736	55,938
Deferred income and mining taxes	12,645	9,556	36,165
Funds provided by operations	123,474	82,551	165,351
Advances received from Ontario Hydro (net)	91,914	97,307	79,496
Bullmoose Project bank loans	71,502	34,800	—
Housing loans and mortgages (net)	15,192	21,231	(173)
	302,082	235,889	244,674
Disposition of Funds:			
Expenditures (net) for plant and equipment, construction in progress, mining properties, preproduction and development projects	165,673	195,620	176,276
Dividends on common shares	21,332	21,332	21,332
Dividends on preference shares	3,629	3,801	3,856
Purchase and cancellation of preference shares	111	2,052	749
Reduction of long term debt in Rio Algom Limited debentures	10,591	5,244	6,476
Payment of Lornex dividends to minority shareholders	—	—	5,275
	201,336	228,049	213,964
Increase in Working Capital	100,746	7,840	30,710
Working Capital, beginning of year	323,768	315,928	285,218
Working Capital, end of year	$424,514	$323,768	$315,928

Notes to Consolidated Financial Statements

December 31, 1983, 1982 and 1981

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 Change in Accounting Policies

(a) Effective January 1, 1983 the Corporation adopted prospectively the recommendations of the Canadian Institute of Chartered Accountants with respect to foreign currency translation. In prior years the Corporation translated current assets and current liabilities at year-end exchange rates; all other assets including 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. The effect of the change in method of translation has resulted in an increase of $629,000 in consolidated net earnings for the year.

The cumulative translation adjustment for foreign currencies included in capital stock and retained earnings represents the net loss on translation of the accounts of the Corporation's foreign subsidiaries for the year; the opening balance adjustment was a net gain of $530,000.

(b) In 1982 the Corporation followed the equity method of accounting for its investment in the Bullmoose joint venture metallurgical coal project. In 1983 the Corporation adopted retroactively the proportionate consolidation method of accounting for that investment. As a result of this change the investment in the Bullmoose Project of $34,805,000 as at December 31, 1982 has been reclassified to construction in progress in the comparative figures shown on the consolidated balance sheet. As the Bullmoose Project was under construction during 1982 and 1983 the change in accounting policy had no effect on the reported net earnings of the Corporation for either year.

3 Receivables and Prepaid Expenses

Receivables and prepaid expenses include guaranteed non-interest bearing bank drafts maturing on various dates between April 1, 1984 and December 31, 1985. These drafts amounted to $54.9 million at December 31, 1983 ($72.4 million at December 31, 1982) after deducting a discount of $7.1 million ($16.0 million at December 31, 1982), based on imputed interest rates varying between 11½% and 16%; these drafts are currently realizable at these amounts.

4 Inventories and Concentrates Awaiting Shipment

	1983	1982
	(in thousands)	
Mining operations —		
Concentrates awaiting shipment and coal inventories	**$161,023**	$133,995
Mine supplies	**37,045**	32,428
	198,068	166,423
Steel operations —		
Steel, other metals, raw materials and supplies	**104,403**	96,906
	$302,471	$263,329

5 Plant and Equipment

	1983	1982
	(in thousands)	
Buildings, at cost	**$ 452,098**	$347,494
Machinery and equipment, at cost	**672,069**	496,309
	1,124,167	843,803
Less accumulated depreciation	**448,632**	395,366
	675,535	448,437
Land, at cost	**2,400**	2,372
	$ 677,935	$450,809

Plant and equipment includes $43,615,000 in respect of assets of mines presently idle which have been fully depreciated.

6 Mining Properties and Preproduction Expenditures

	1983	1982
	(in thousands)	
Mining properties, at cost	**$ 10,480**	$ 10,007
Less accumulated amortization	**9,613**	9,103
	867	904
Preproduction expenditures, at cost	**299,030**	180,769
Less accumulated amortization	**124,080**	114,471
	174,950	66,298
	$175,817	$ 67,202

7 Other Assets

	1983	1982
	(in thousands)	
Investment in affiliated corporation, at cost	**$ 6,966**	$ 6,966
Development projects, at cost	**15,866**	12,765
	$ 22,832	$ 19,731

8 Long Term Debt

	1983	1982
	(in thousands)	
Rio Algom Limited Sinking Fund Debentures (a) — 11½% Series B maturing on July 15, 1995	$ 31,688	$ 42,279
Lornex Mining Corporation Ltd. Bullmoose Project bank loans (b)		
— Recourse	41,302	34,800
— Limited recourse	65,000	—
	106,302	34,800
Housing loans and mortgages payable (c)	89,145	73,371
Less portion included in current liabilities	1,411	829
	87,734	72,542
	$225,724	$149,621

(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, 1984 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 excepting for the Stanleigh Project and permitted encumbrances on certain other assets.

(b) Financing for Lornex's Bullmoose Project includes recourse and limited recourse loans. The recourse credit facility is for $79.3 million of which loans of $33.1 million are repayable in semi-annual instalments from July 15, 1985 through July 15, 1992. The balance of the facility remains available until July 15, 1992 on a revolving basis subject to annual reductions. The limited recourse credit facility is for $90.0 million and the loans outstanding at the end of the drawdown period will be repayable in semi-annual instalments from July 30, 1985 through January 30, 1995. The loans and acceptances outstanding at December 31, 1983 carry average interest rates of 10.9% on the recourse loans and 11.6% on the limited recourse loans.

The limited recourse loans are secured by a mortgage and charge on Lornex's 39% undivided interest in the Bullmoose Project's assets. On or before March 31, 1984 the recourse loans are to be secured by a mortgage and charge on the aforesaid undivided interest subordinated to the security given in connection with the limited recourse loans.

(c) The housing loans and mortgages payable carry interest rates varying from 8¾% to 15½%.

(d) Sinking fund and repayment requirements, after allowing for prepayments, over the next five years amount to $1,411,000 in 1984, $4,263,000 in 1985, $8,403,000 in 1986, $11,576,000 in 1987 and $15,158,000 in 1988.

9 Advances from Ontario Hydro

	1983	1982
	(in thousands)	
Balance at December 31	$351,458	$259,544

Under an agreement concluded in January 1978, Ontario Hydro 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 being repaid to Ontario Hydro over the delivery period, beginning 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

Under the terms of the new Business Corporations Act for Ontario, which became effective July 29, 1983, all classes of the Corporation's shares are without nominal or par value.

Authorized:
434,497 First Preference Shares, issuable in series.
23,545,003 Second Preference Shares, issuable in series.
Unlimited Common Shares.

	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, 1980	87,040	$ 8,704	7,999,418	$39,997	14,220,929	$49,179
Purchased and cancelled 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 and cancelled 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
Purchased and cancelled in 1983 [b][c][d]	(990)	(99)	(11,667)	(58)	(33)	—
Issued re stock split [b]	—	—	—	—	28,441,792	—
Balance, December 31, 1983	84,497	$ 8,450	7,375,502	$36,878	42,662,688	$49,179

(a) The issued preference shares are comprised as follows:
(i) $5.80 Cumulative Redeemable First Preference Shares Series A (redeemable at $101 per share); and
(ii) 8.5% Cumulative Redeemable Second Preference Shares Series A (redeemable at $5.05 to $5.00 per share).

(b) 28,441,792 common shares were issued as a result of the 3 for 1 stock split which took effect October 11, 1983; 33 common shares had previously been purchased from dissenting shareholders and cancelled.

(c) 990 First Preference Shares were purchased and cancelled in 1983 and 1,553 shares were purchased and cancelled in 1981 at costs of $62,000 and $85,000 respectively. The Corporation's obligation for 1984 referred to in note 12 (c) (i) has been fulfilled.

(d) 11,667 Second Preference Shares were purchased and cancelled in 1983, 458,031 shares were purchased and cancelled in 1982 and 154,218 shares were purchased and cancelled in 1981 at costs of $49,000, $2,052,000 and $664,000 respectively. The Corporation has set aside $2,244,000 in a retirement fund account to be used to redeem 448,703 Second Preference Shares at $5.00 per share on January 31, 1984, thereby fulfilling the Corporation's obligation due February 28, 1983 referred to in note 12 (c) (ii) below.

(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 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 $9,302,000 in 1983, $13,010,000 in 1982 and $10,567,000 in 1981. A comparison of uninsured accumulated plan benefits and plan net assets as at the respective valuation dates, varying from December 31, 1981 to July 1, 1983, for the Corporation's defined benefit plans is presented herewith:

Actuarial value of uninsured accumulated plan benefits:

	1983	1982
	(in thousands)	
(i) Pension plans:		
Vested	**$107,056**	$ 75,132
Nonvested	**15,091**	16,278
(ii) Plans for which above information has not been segregated:		
Vested and nonvested	**16,982**	20,642
	$139,129	$112,052
Net assets at valuation date available for uninsured benefits	**$122,263**	$ 76,505

The weighted average assumed rate of return used in determining the above actuarial value of accumulated plan benefits was 6.33% per year as at December 31, 1983 (6.0% at December 31, 1982).
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, 1983 is estimated at $20,916,000 ($33,365,000 at December 31, 1982). This is presently being funded over a period of years expiring in 1997.

12 Commitments and Contingencies

(a) Estimated total cost to complete capital projects, including East Kemptville, as at December 31, 1983 was approximately $165.9 million (committed $6.9 million).

(b) The Corporation is committed to total minimum rentals in the amount of $17,485,000 under operating leases for land and buildings which expire from 1984 to 1999. Commitments are $2,042,000 in 1984, $1,772,000 in 1985, $1,615,000 in 1986, $1,538,000 in 1987 and $1,544,000 in 1988.

(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, 1983 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 Corporation had the following contingent liabilities as at December 31, 1983:

(i) A contingent liability to buy back houses and mobile home lots at Lornex's Logan Lake townsite for $2,280,000; the cost of the buyback declines by 5% per annum;

(ii) Mortgage guarantees of $4,691,000 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.

Loan guarantees, secured by a $13 million debenture, have been provided to the District of Tumbler Ridge by the co-owners of the Bullmoose Project. The debenture is secured by a floating charge on all assets of the Project and the charge is subordinated to any other liens issued on the assets of the Project. Lornex's obligations under the debenture are limited to its 39% interest in the Bullmoose Project.

(f) 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 the recording of the future tax benefits of investment tax credits under certain conditions as they arise. The effect of applying U.S. generally accepted accounting principles on consolidated net earnings is as follows:

	1983	1982	1981
			(in thousands)
Net earnings for the year, as reported . . .	**$ 51,140**	$ 17,813	$ 65,832
Add (deduct):			
Investment tax credits	**(630)**	13,400	9,000
Adjustments of prior year's tax credits .	**(12,900)**	—	—
Net earnings for the year (adjusted on a U.S. basis)	**$ 37,610**	$ 31,213	$ 74,832

In addition, generally accepted accounting principles in the United States would require the Corporation to follow the equity method of accounting for its investment in the Bullmoose joint venture coal project; however, the equity method would not result in any change in the Corporation's net earnings as reported.

14 Interest (net)

	1983	1982	1981
		(in thousands)	
Interest on demand bank loans	**$ 1,787**	$ 3,674	$ 4,349
Interest on long term debt	**23,768**	15,237	12,498
Interest capitalized . . .	**(10,784)**	(2,968)	(543)
Investment and other income	**(25,036)**	(22,265)	(16,195)
Net interest expense (income)	**$(10,265)**	$ (6,322)	$ 109

15 Depreciation and Amortization

	1983	1982	1981
		(in thousands)	
Plant and equipment . .	**$ 51,598**	$ 50,455	$ 46,573
Mining properties and preproduction expenditures	**7,235**	7,241	7,767
Excess of acquisition cost over adjusted book value of Atlas Steels assets acquired	**–**	1,040	1,047
	$ 58,833	$ 58,736	$ 55,387

16 Income Taxes

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

	1983	1982	1981
		(in thousands)	
Canadian	**$ 69,568**	$ 16,743	$114,708
Foreign	**9,561**	(605)	7,215
	$ 79,129	$ 16,138	$121,923

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):

	1983	1982	1981
Weighted average Canadian income tax rates	**49.4%**	45.2%	49.0%
Increase (decrease) resulting from:			
Provincial mining taxes	**7.4**	11.0	7.9
Depletion allowances	**(7.9)**	(16.4)	(6.3)
Resource allowances	**(9.7)**	(29.6)	(7.7)
Inventory allowances	**(3.6)**	(20.7)	(1.7)
Investment tax credits	**–**	12.1	(1.7)
Exempt income* . . .	**(3.6)**	(20.1)	(1.3)
Non-allowable expenses	**1.0**	9.7	.9
Foreign taxes	**1.0**	21.7	.5
Sundry	**.3**	(1.3)	.3
Effective rate of income and mining taxes . . .	**34.3%**	11.6%	39.9%

*Exempt income principally relates to non-taxable dividends and capital gains.

At December 31, 1983, the Corporation has $34.0 million (1982 — $35.0 million) of investment tax credit carry forwards which are available for offset against future years' taxes otherwise payable. Such carry forwards, if unused, will expire between the years 1984 and 1990. 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	Manufacture of stainless and specialty steels.
Metals distribution	Marketing through service centres of stainless and specialty 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 except for steel manufacture inter-segment sales):

	Year Ended December 31		
	1983	1982	1981
			(in thousands)
Uranium	**$ 297,559**	$ 281,668	$ 281,865
Copper-molybdenum	**148,507**	126,893	150,929
Steel manufacture	**149,700**	140,795	216,843
Steel manufacture inter-segment (a)	**35,929**	35,625	64,008
Metals distribution	**183,886**	210,804	268,647
	815,581	795,785	982,292
Inter-segment sales elimination	**(35,929)**	(35,625)	(64,008)
Consolidated	**$ 779,652**	$ 760,160	$ 918,284

(a) Inter-segment sales are accounted for at prices comparable to open market prices for similar products.

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

	Year Ended December 31		
	1983	1982	1981
			(in thousands)
Uranium	**$ 76,130**	$ 60,256	$ 69,235
Copper-molybdenum	**5,992**	(16,577)	38,681
Steel manufacture	**(4,884)**	(21,860)	23,502
Metals distribution	**6,505**	2,029	13,014
Consolidation adjustment	**(191)**	3,398	(1,764)
	83,552	27,246	142,668
Deduct:			
Exploration	**7,013**	9,850	12,722
Corporate expenses	**7,675**	7,580	7,914
Interest (net)	**(10,265)**	(6,322)	109
	4,423	11,108	20,745
Earnings before taxes and minority interests	**$ 79,129**	$ 16,138	$ 121,923

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		
	1983	1982	1981
Uranium	**38%**	37%	31%
Copper-molybdenum	**19**	17	16
Stainless steels	**17**	17	20
Machinery steels	**8**	9	12
Other	**18**	20	21
	100%	100%	100%

Identifiable assets of each segment are as follows:

	December 31		
	1983	1982	1981
			(in thousands)
Uranium	**$ 752,899**	$ 427,814	$ 372,081
Copper-molybdenum	**294,898**	310,082	332,989
Steel manufacture	**147,061**	127,622	167,380
Metals distribution	**100,105**	103,103	131,515
Consolidation adjustment	**(3,762)**	(3,788)	(8,625)
Segment identifiable assets	**1,291,201**	964,833	995,340
General corporate assets	**296,348**	390,917	245,474
Total assets	**$1,587,549**	$1,355,750	$1,240,814

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 an affiliated corporation and development projects.

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

	Year Ended December 31		
	1983	1982	1981
			(in thousands)
Uranium	**$ 29,945**	$ 28,091	$ 30,706
Copper-molybdenum	**20,216**	20,510	15,027
Steel manufacture	**7,080**	7,393	7,080
Metals distribution	**1,262**	1,430	1,454
Consolidation adjustment	**—**	1,040	1,044
Segment depreciation, depletion and amortization expense	**58,503**	58,464	55,311
General corporate depreciation	**330**	272	76
Total depreciation, depletion and amortization expense	**$ 58,833**	$ 58,736	$ 55,387

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

	Year Ended December 31		
	1983	1982	1981
		(in thousands)	
Uranium (a) (b)	$ **87,806**	$ 13,702	$ 17,283
Copper-molybdenum (a)	**3,564**	6,721	57,085
Steel manufacture (a)	**1,661**	8,517	9,841
Metals distribution (a)	**301**	1,609	4,511
Segment capital expenditures	**93,332**	30,549	88,720
Bullmoose coal project (a)	**69,097**	34,805	–
Stanleigh uranium project (a) (b)	–	114,586	87,371
General corporate capital expenditures	**3,244**	15,680	185
Total capital expenditures (net)	$ **165,673**	$ 195,620	$ 176,276

(a) Includes expenditures on construction in progress.

(b) Stanleigh uranium project commenced operations in July, 1983 and 1983 project capital expenditures are included in the uranium segment.

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		
	1983	1982	1981
		(in thousands)	
Domestic operations (Canada)			
Revenue — Canadian customers	$ **326,782**	$ 309,147	$ 421,068
Export revenue			
— customers (a)	**370,499**	382,438	391,440
— inter-segment	**12,198**	15,781	4,671
— total	**382,697**	398,219	396,111
	709,479	707,366	817,179
Foreign operations — United States, Australia and Mexico	**82,371**	68,575	105,776
	791,850	775,941	922,955
Inter-segment sales elimination	**(12,198)**	(15,781)	(4,671)
Consolidated revenue	$ **779,652**	$ 760,160	$ 918,284

(a) Export revenues from sales to customers outside the Corporation are as follows:

	Year Ended December 31		
	1983	1982	1981
		(in thousands)	
Japan	$ **117,108**	$ 104,915	$ 116,397
United States	**109,345**	162,110	185,526
United Kingdom	**89,097**	71,498	33,937
Other countries	**54,949**	43,915	55,580
	$ **370,499**	$ 382,438	$ 391,440

Operating profit by domestic and foreign operations is as follows:

	Year Ended December 31		
	1983	1982	1981
		(in thousands)	
Domestic (Canada)	$ **71,994**	$ 26,807	$ 133,816
Foreign	**11,558**	439	8,852
Operating profit of segments	$ **83,552**	$ 27,246	$ 142,668

Identifiable assets of Rio Algom's foreign operations totalled $88,183,000, $69,274,000 and $78,417,000 at December 31, 1983, 1982 and 1981 respectively.

18 Related Party Transactions

During the year ended December 31, 1983 the Corporation participated in the following transactions with related parties:

(a) The Corporation sold to an affiliated corporation, at competitive prices and terms, a quantity of uranium in concentrates for U.S.$23.4 million of which U.S.$7.8 million remained unpaid at December 31, 1983.

(b) A wholly-owned subsidiary of the Corporation has contracted to purchase for resale 1,180 tons of uranium oxide from an affiliated corporation; any profits or losses in respect of the sale of the uranium oxide will accrue to that affiliate. In 1983 the amount of uranium oxide so purchased for resale was U.S. $20.3 million of which U.S. $5.3 million remained unpaid at December 31, 1983.

19 Subsequent Event

On February 24, 1984 the Corporation and National Distillers and Chemical Corporation of New York announced that an agreement is being negotiated for the sale by National Distillers to the Corporation of the metal service centre business of Vincent Brass and Aluminum Co. These negotiations are taking place under the terms of a conditional agreement which is subject to approval by the Boards of Directors of the Corporation and National Distillers.

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

Financial Condition

Liquidity and Capital Resources

A strong liquid position was maintained in 1983. Working capital increased by $100.7 million to $424.5 million and cash increased by $98.5 million to $159.6 million. Realizable bank drafts included in accounts receivable decreased by $17.5 million to $54.9 million.

The Corporation and Lornex have access to additional financing through operating bank credit lines of $160 million which were unused at year end. This compares favourably to $18 million borrowed under such lines of credit a year earlier.

Capital expenditures in 1983 totalled $165.7 million, mainly for the Stanleigh project, completed in July, and the Bullmoose project which was virtually completed in December, both on schedule and under budget. Dividends and preference share and debenture purchases totalled $35.7 million in 1983, an increase of $3.3 million from 1982 as a result of increased debenture purchases.

Planned future capital outlays include the development of the large East Kemptville tin property during 1984-85 at an estimated cost of $150 million including preproduction interest. Non-recourse financing has been arranged for about 80% of the total estimated cost, the balance to be provided by the Corporation.

At year end long term debt was 41% of shareholders' equity. Excluding the limited recourse loans for the Bullmoose project the percentage is 29% compared to 28% a year earlier.

It is expected that in 1984 internally generated funds, existing cash balances, operating credit facilities and bank loans for East Kemptville should adequately provide for expected levels of capital expenditures, dividends and working capital.

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, 1983 (in millions of dollars):

	1983	1982	1981
Revenue:			
Uranium	**$297.6**	$281.7	$281.9
Copper-molybdenum	**148.5**	126.9	150.9
Steel manufacture	**185.6**	176.4	280.9
Metals distribution	**183.9**	210.8	268.6
Inter-segment elimination	**(35.9)**	(35.6)	(64.0)
	$779.7	$760.2	$918.3
Operating profit (loss) by segment:			
Uranium	**$ 76.2**	$ 60.2	$ 69.2
Copper-molybdenum	**6.0**	(16.6)	38.7
Steel manufacture	**(4.9)**	(21.8)	23.5
Metals distribution	**6.5**	2.0	13.0
Consolidation adjustments	**(.2)**	3.4	(1.7)
	$ 83.6	$ 27.2	$142.7
Consolidated net earnings	**$ 51.1**	$ 17.8	$ 65.8

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

Revenue

1983 revenue from uranium operations increased by $15.7 million or 6% over the 1981 level; the increase is attributable to a more favourable contract mix and signing of a contract for delivery of U_3O_8 from the Lisbon mine partially offset by reduced production. Between 1981 and 1982 the decrease in production was largely due to lower grades at the Quirke mine in Elliot Lake and at the Lisbon mine in Utah combined with a lower level of operations at Lisbon. Production in 1983 also decreased further because of a reduced level of operations at Quirke, to more closely match production with deliveries, and the aforementioned factors at Lisbon, partly offset by the commencement of production in July, 1983 from the Stanleigh mine in Elliot Lake.

1983 net revenue from the Lornex copper-molybdenum mine increased by $21.6 million or 17% over 1982, but was $2.4 million or 2% lower than the 1981 level. The increase from 1982 to 1983 was due to higher prices for copper and silver and increased production of molybdenum, partly offset by lower copper grades. However, 1983 copper and molybdenum prices remained below the 1981 levels, resulting in lower net revenue than in 1981 in spite of a significant increase in production of all three metals which is largely attributable to the expanded facilities which were brought into production in August, 1981.

1983 steel manufacturing revenue increased by $9.2 million or 5% from 1982 but this gain fell far short of overcoming the decline of $104.5 million (37%) which occurred between 1981 and 1982. The

Canadian specialty steel industry recovered only slightly from the extremely depressed 1982 business levels; in particular the capital goods sector of the economy remained at a very depressed level throughout 1983. While 1983 average prices remained below those of 1982, 1983 sales volumes increased over 1982 levels. 1983 sales volumes and average selling prices remained well below those of 1981.

1983 sales from metals distribution declined by $26.9 million or 13% from 1982 following a $57.8 million (22%) decrease from 1981 to 1982. Most of the decrease in revenues from 1982 to 1983 occurred in the Canadian operations primarily because of intense competition and weak markets in a depressed economy. The economic recovery, which began in the United States and Canada in 1983, did not result in a corresponding increase in demand for many of the products distributed by Atlas Alloys for the capital goods sector.

Operating Profit
Uranium operating profit increased by $16.0 million or 27% from 1982 to 1983 primarily because of the increase in net revenue referred to above. Between 1981 and 1982 uranium profit declined by $9.0 million or 13%; lower production and increasing costs more than offset the effects of productivity improvements and tight cost control.

The copper-molybdenum operation had a modest operating profit of $6.0 million in 1983 compared to an operating loss of $16.6 million in 1982 and a profit of $38.7 million in 1981. The wide fluctuations in operating results are primarily due to the factors affecting revenue referred to above.

Steel manufacturing operations had operating losses of $4.9 million in 1983 and $21.8 million in 1982 as compared with an operating profit of $23.5 million in 1981. The reduction in operating losses between 1982 and 1983 reflects strict cost control measures combined with a slight increase in revenue and improved profit margins at the Tracy plant. The $45.3 million change in operating profit from 1981 to 1982 was due primarily to reduced demand, depressed prices and higher costs.

Despite the decline in net revenue referred to above, operating profit from metals distribution increased to $6.5 million in 1983 from $2.0 million in 1982 as a result of higher margins, lower operating expenses and a reduced adverse impact from foreign currency fluctuations. The decline in operating profits from $13.0 million in 1981 to $2.0 million in 1982 related largely to the lower revenue, severe price competition which had a detrimental effect on profit margins, particularly in North America, and adverse currency movements in Mexico and Australia.

Consolidated Net Earnings
1983 operating profits increased by $56.4 million to $83.6 million, more than three times the depressed level of 1982; the increase in consolidated net earnings was $33.3 million. Income and mining taxes increased by $25.3 million and minority interests in Lornex's earnings by $4.4 million but net interest, corporate and exploration expenses were $6.6 million lower.

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 expense by $9.7 million.

The effect on consolidated 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
In the uranium mining operations the major effect of inflation during the last three years was on operating costs, particularly for labour in 1981 and 1982; 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. The effects of these cost increases were lessened 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 1981 to 1983 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 1981 operating costs rose more than average inflation rates, partly due to increased labour costs. However, the 1982 and 1983 increases in operating costs were lower than average inflation rates because of the labour agreement that became effective in mid-1982 and lower costs of materials attributable to increased competition among suppliers as a result of the depressed economy.

In Atlas Steels' manufacturing operations there have been virtually no selling price increases in the last two years because of depressed business conditions and market competition. However, labour and utility costs have escalated significantly over the last three years, particularly in 1982 and 1983, and were only partly offset by lower prices for certain key raw materials.

In Atlas Alloys' metals distribution operations selling prices have remained essentially static in 1982 and 1983 because of the same factors noted above for the steel manufacturing operations. Since the middle of 1982 increases in costs and expenses have generally been held within the level of inflation.

Ten Year Review

	1983	1982
Earnings (millions of dollars)		
Revenue	$ 779.7	$ 760.2
Investment and other income	25.0	22.3
	804.7	782.5
Cost of mine production and steel sales	586.0	614.1
Selling, general and administration	59.0	67.7
Interest expense	14.8	16.0
Depreciation and amortization	58.8	58.7
Exploration	7.0	9.9
	725.6	766.4
Earnings before taxes and minority interests	79.1	16.1
Income and mining taxes	27.1	1.9
	52.0	14.2
Minority interests in net earnings (loss) of subsidiaries	.9	(3.6)
Net earnings[ii]	$ 51.1	$ 17.8
Production Data (millions except steel)		
Uranium in concentrate (pounds)	6.8[iv]	7.1
Copper in concentrate (pounds)	181.7	194.6
Molybdenum in concentrate (pounds)	7.5	6.3
Steel (thousands of tons)	144	133
Financial Data (millions of dollars except per share data)		
Per share of common stock		
Net earnings[ii][iii]	$ 1.11	$ 0.33
Dividends:[iii]	0.50	0.50
Equity[iii]	11.90	11.29
Working capital	424.5	323.8
Plant and equipment	677.9	450.8
Total assets	1,587.5	1,355.7
Return on average total assets	3.48%	1.37%
Redeemable preference shares	45.3	45.5
Long term debt	225.7	149.6
Advances from Ontario Hydro	351.5	259.5
Capital expenditures	165.7	195.6
Common shareholders' equity	507.6	481.7
Return on average common shareholders' equity	9.60%	2.89%
Other Data		
Common shares outstanding (millions)[iii]	42.6	42.6
Number of common shareholders (thousands)	8.8	10.1
Number of employees	6,847	6,431
Price range of common shares — high[iii]	$ 20.66	$ 13.58
— low[iii]	$ 12.50	$ 8.92

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.

1981	1980[i]	1979[i]	1978	1977	1976	1975	1974
$ 918.3	$ 847.5	$ 710.7	$ 576.1	$ 486.6	$ 401.6	$ 367.4	$ 390.6
16.2	20.3	7.5	8.5	10.2	10.9	4.3	5.9
934.5	867.8	718.2	584.6	496.8	412.5	371.7	396.5
654.2	568.7	433.5	385.2	332.8	271.6	239.4	219.8
74.0	63.3	47.1	45.5	39.6	36.2	31.8	37.2
16.3	12.5	11.7	10.7	9.4	8.5	8.0	8.9
55.4	51.0	38.1	32.3	25.6	20.7	20.4	21.0
12.7	10.7	9.1	6.0	6.4	6.8	6.2	5.1
812.6	706.2	539.5	479.7	413.8	343.8	305.8	292.0
121.9	161.6	178.7	104.9	83.0	68.7	65.9	104.5
48.7	63.3	84.6	38.7	37.7	31.9	35.7	50.6
73.2	98.3	94.1	66.2	45.3	36.8	30.2	53.9
7.4	20.8	18.4	4.6	2.6	5.3	.2	9.8
$ 65.8	$ 77.5	$ 75.7	$ 61.6	$ 42.7	$ 31.5	$ 30.0	$ 44.1
7.8	7.9[iv]	5.5	6.0	5.5	5.5	5.8	6.2
164.7[iv]	126.3	134.2	135.4	141.1	145.7	116.8[iv]	144.2
4.8	4.8	4.4	4.0	3.8	3.8	3.1	4.0
212	180	193	208	195	161	161	189
$ 1.45	$ 1.73	$ 1.67	$ 1.34	$ 0.90	$ 0.64	$ 0.64	$ 1.04
0.50	0.50	0.50	0.43	0.36	0.33	0.33	0.33
11.46	10.50	9.27	7.96	6.92	6.27	5.98	5.59
315.9	285.2	221.3	232.0	227.7	261.8	216.1	156.5
459.3	343.8	347.5	249.0	193.8	143.6	151.6	153.4
1,240.8	1,061.3	898.8	760.5	684.1	631.3	542.2	474.5
5.72%	7.91%	9.34%	8.53%	6.49%	5.37%	5.90%	9.87%
47.8	48.7	53.0	53.7	54.5	55.7	51.0	51.3
98.8	105.5	93.1	114.7	122.0	134.0	88.5	63.1
162.2	82.7	28.6	1.9	—	—	—	—
176.3	182.2	121.0	89.3	96.1	61.0	29.5	14.3
488.8	448.0	395.6	339.6	295.2	267.1	254.4	214.1
13.23%	17.53%	19.43%	18.06%	13.63%	10.39%	11.01%	20.57%
42.6	42.6	42.6	42.6	42.6	42.6	42.6	38.4
10.6	11.5	12.8	13.5	14.3	14.9	16.1	16.4
7,811	7,378	6,878	6,658	5,922	5,544	5,144	5,362
$ 13.96	$ 13.92	$ 13.33	$ 13.08	$ 9.92	$ 12.17	$ 11.50	$ 12.50
$ 10.25	$ 8.58	$ 8.58	$ 8.25	$ 7.54	$ 8.67	$ 6.33	$ 6.29

(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: 1983 — $37.6 ($0.80); 1982 — $31.2 ($0.64); 1981 — $74.8 ($1.66); 1980 — $85.9 ($1.93); 1979 — $82.7 ($1.84) and 1978 — $62.0 ($1.35). See note 13 to consolidated financial statements.

(iii) Adjusted for 3-for-1 stock split of the common shares which became effective October 11, 1983.

(iv) (a) The Poirier copper mine ceased operations in June 1975.
(b) The Panel uranium mine commenced operations in November 1979.
(c) The expanded Lornex facilities commenced operations in August 1981.
(d) The Stanleigh uranium mine commenced operations in July 1983.

Market Price Range of Common Shares and Dividends Paid

The following tables show the high and low prices (adjusted for the 1983 3-for-1 stock split) for Rio Algom on:

The Toronto Stock Exchange

	1983	1982
First Quarter	**C$15.83-12.50**	C$13.58 -10.66
Second Quarter	**16.75-14.75**	11.75 - 8.92
Third Quarter	**20.66-16.42**	11.83 - 9.17
Fourth Quarter	**20.50-13.37**	13.00 -10.83

The American Stock Exchange

	1983	1982
First Quarter	**US$12.83-10.42**	US$11.54 - 8.83
Second Quarter	**13.75-12.08**	9.50 - 6.96
Third Quarter	**16.83-13.29**	9.62 - 7.21
Fourth Quarter	**16.25-12.75**	10.46 - 8.75

Dividends paid per common share during 1983 and 1982 (adjusted for the 1983 3-for-1 stock split):

November 30, 1983	C$0.25
May 31, 1983	C$0.25
November 30, 1982	C$0.25
May 31, 1982	C$0.25

At December 31, 1983 there were approximately 8,800 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 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
1983	$0.8035	$0.8108	$0.8201	$0.7993
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

Corporate Information

Registered 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 Exchange, Montreal
American Stock Exchange, New York

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

Form 10-K Annual Report

Rio Algom's Form 10-K annual report for 1983 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
Chairman and Chief Executive Officer, The Molson Companies Limited, a brewing, retail distribution and chemical specialties company, Rexdale, Ontario

Arthur F. Earle
Advisor to the President, Canada Development Investment Corporation, Toronto

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, a diversified real estate services company, 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
Partner, Alafin Consultants Limited, public policy advisers to business and government, Toronto

John D. Taylor
Retired, Toronto

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

Ross J. Turner
President 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

Stanley B. Kerr
Senior Vice-President, Finance and Corporate Relations

Robert G. Connochie
Vice-President, Corporate Development

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

Mining

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, Assistant General Manager

William I. Pollock
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

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

Rio Algom Exploration 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 Manufacturing

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., 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

Rio Algom Exploration Inc., Denver, Colorado

Metals Distribution

Atlas Alloys Inc.
Head Office: Valley View, Ohio
Service Centres: Valley View, Ohio; Detroit, Michigan; Rockford and Chicago, Illinois;
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.A., Madrid, Spain

Metals Distribution

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

Rio Algom

Printed in Canada.