Rio Algom

Annual
Report
1984

The Corporation

The business of Rio Algom and its subsidiaries consists of four principal activities: the underground mining and milling of uranium ore, the open pit mining and milling of copper-molybdenum ore and the open pit mining and treatment of metallurgical coal, the manufacture of stainless and specialty steels and the marketing through service centres 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 and metallurgical coal is produced and sold from the Bullmoose mine in northeast British Columbia in which Lornex holds a 39% joint venture interest.
- 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 and by Vincent Metals through metal service centres in the United States.

Construction and development of the large East Kemptville tin property of Rio Algom located near Yarmouth, Nova Scotia is scheduled for completion in the last half of 1985. 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 Thursday, April 25, 1985 at 10:30 a.m. (Toronto time) in the Commerce Hall, Concourse Level, Commerce Court West, King and Bay Streets, Toronto, Ontario, Canada

Cover: Construction at North America's first primary tin mine — Rio Algom's East Kemptville mine in Nova Scotia — continued through the winter.

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Rio Algom Limited

Highlights of 1984 Consolidated Operations

(In thousands, except per share data)

	1984		1983	
Revenue:				
Uranium	**$ 368,146**	**32%**	$297,559	38%
Copper/coal	**195,725**	**17**	148,507	19
Steel manufacture	**202,985**	**18**	149,700	19
Metals distribution	**374,918**	**33**	183,886	24
Consolidated revenue	**$1,141,774**	**100%**	$779,652	100%
Operating profit (loss):				
Uranium	**$ 86,863**		$ 76,130	
Copper/coal	**6,234**		5,992	
Steel manufacture	**11,777**		(4,884)	
Metals distribution	**19,285**		6,505	
Consolidation adjustment	**(792)**		(191)	
Total operating profit	**$ 123,367**		$ 83,552	
Net earnings	**$ 73,887**		$ 51,140	
Per share of common stock	**$ 1.65**		$ 1.11	
Dividends paid on common stock	**$ 23,452**		$ 21,332	
Per share of common stock	**$ 0.55**		$ 0.50	
Working capital, year end	**$ 526,115**		$424,514	
Ratio of current assets to current liabilities	**3.4 to 1**		3.3 to 1	
Common shareholders' equity	**$ 558,143**		$507,621	
Return on average common shareholders' equity	**13.22%**		9.60%	
Total common shares outstanding at December 31	**42,640**		42,663	
Equity per share of common stock outstanding	**$ 13.09**		$ 11.90	

Quarterly Financial Data

(Unaudited, in millions except per share data)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
1984					
Revenue	$248.0	$322.8	$274.8	$296.2	$1,141.8
Gross Profit	58.4	81.2	64.5	70.6	274.7
Net Earnings	16.0	21.2	15.1	21.6	73.9
Earnings Per Share	0.36	0.47	0.34	0.48	1.65
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	0.40	0.24	0.35	1.11

All dollar amounts set out in this Report refer to Canadian dollars unless otherwise stated. At March 1, 1985 C$1.00 = U.S.$0.7202.

Directors' Report to the Shareholders

George R. Albino
Chairman and
Chief Executive Officer

The improvement in economic conditions which began in 1983 continued during 1984. The Canadian economy grew by 4.7% in real terms, influenced by the strong recovery in the United States. This favourable trend affected various sectors of our economy differently, but the mining industry in general experienced another difficult year.

In Rio Algom's case, however, the nature and blend of its business components, its diversification and expansion activities and improved operating efficiencies, contributed to a significant increase in consolidated earnings.

Further developments are in process to augment the profitable growth of the Corporation. These include the construction of the East Kemptville tin mine in Nova Scotia which is scheduled for completion in the last half of 1985. Exploration efforts in Canada, the United States and elsewhere continue, as does the search for acquisitions in existing or related businesses. In this latter connection, we welcome the recent initiatives of the Federal Government to encourage investment in Canada although it remains to be seen whether the proposed Investment Canada Act goes far enough in meeting national economic objectives of new wealth and job creation. We remain concerned that Rio Algom and other Canadian companies may be denied the opportunity to make their contribution to this vital purpose solely because of their level of non-Canadian ownership.

Financial Position

Consolidated revenues increased by 46% to $1,142 million in 1984, compared to $780 million in 1983. Consolidated net earnings were $73.9 million ($1.65 per common share), considerably higher than the 1983 level of $51.1 million ($1.11 per common share). This improvement was reflected in an increase in the common share dividends paid in 1984 to $0.55 per share from the $0.50 paid in 1983.

Working Capital of $526.1 million increased by $101.6 million over the previous year's level. Cash, short term deposits and realizable promissory note components at the end of 1984 totalled $159.8 million, compared to $214.5 million at December 1983. This reduction primarily reflects the acquisition of Vincent Metals in the United States and further investment in the East Kemptville tin mine.

Capital expenditures totalled $46.3 million in 1984. Excluding expenditures on development of the East Kemptville tin mine and the Vincent Metals acquisition, capital expenditures were devoted mainly to achieving cost-efficient operations at our various facilities.

Summary of Operations and Outlook for 1985

The mainstay of the Corporation's earnings in 1984 was again its uranium operations. Operating profit increased over 1983 mainly due to the inclusion of a full year's production from the Stanleigh mine at Elliot Lake.

Although spot prices for uranium are at their lowest level in many years, only about 10% of world trade in this commodity takes place at such prices. Through long-term contracts, the majority of which were entered into in the 1970's, Rio Algom is well placed to earn satisfactory profits from its uranium mining operations.

Atlas Steels, with its two manufacturing facilities in Welland, Ontario and Tracy, Quebec, was profitable in 1984, following losses in the two prior years. While this was a welcome improvement, several of Atlas's traditional markets in Canada remained weak, especially the capital goods sector. Despite the expectation of market improvement in 1985, there remains a need in the long term for wider market access, and we are working with governments to develop a more open trading environment in stainless and specialty steels with the United States.

With the acquisition of Vincent Metals in April 1984, Atlas Alloys, with its Canadian, United States, Australian and Mexican operations, now constitutes a major metals distribution business. Improved profitability in 1984 reflected a recovery in its traditional product and market areas, and more significantly, the addition of the Vincent Metals business in the United States. With the prospect of continuing economic growth in both Canada and the United States in 1985 and the benefit of a full year's contribution from Vincent Metals, the outlook for the current year is encouraging.

Lornex Mining Corporation Ltd. (68.1% owned by Rio Algom) incurred a net loss of $3.3 million in 1984. This comprised a loss of $7.1 million from its copper-molybdenum operations at the Lornex mine, primarily because of lower copper and silver prices, partially offset by a profit of $3.8 million from its 39% interest in the Bullmoose metallurgical coal mine which commenced operations on January 1, 1984. In 1985 the price of copper should strengthen and, with the excellent cost position of the Lornex mine, a return to profitability is expected.

The East Kemptville mine in Nova Scotia will not contribute to earnings in 1985 but is expected to be a meaningful contributor in 1986 and later years.

In summary, it is expected that the Corporation will achieve further growth in revenue and earnings in 1985, particularly if the price of copper is significantly higher than in 1984.

Directors and Organization

Mr. William Moodie, a director since 1976, and Sir Anthony Tuke, a director since 1981, will not present themselves for re-election as directors. Mr. Moodie has reached retirement age under the Corporation's policy and Sir Anthony will retire as Chairman of The Rio Tinto-Zinc Corporation PLC at the end of March 1985. Their fellow directors wish to thank them for their dedication and contributions to the Corporation.

The number of directors to be elected at the Annual Meeting will be twelve, a reduction of one from the present number. Mr. J. Derek Birkin, who is to be appointed Chief Executive and Deputy Chairman of The Rio Tinto-Zinc Corporation PLC at the end of March 1985, has been nominated for election as a director of Rio Algom.

During the year Mr. J. Edward Moyle, Vice-President, Technical Development and Mr. John Van Netten, Vice-President, Treasurer, retired. Their years of dedicated service are most appreciated.

Appreciation

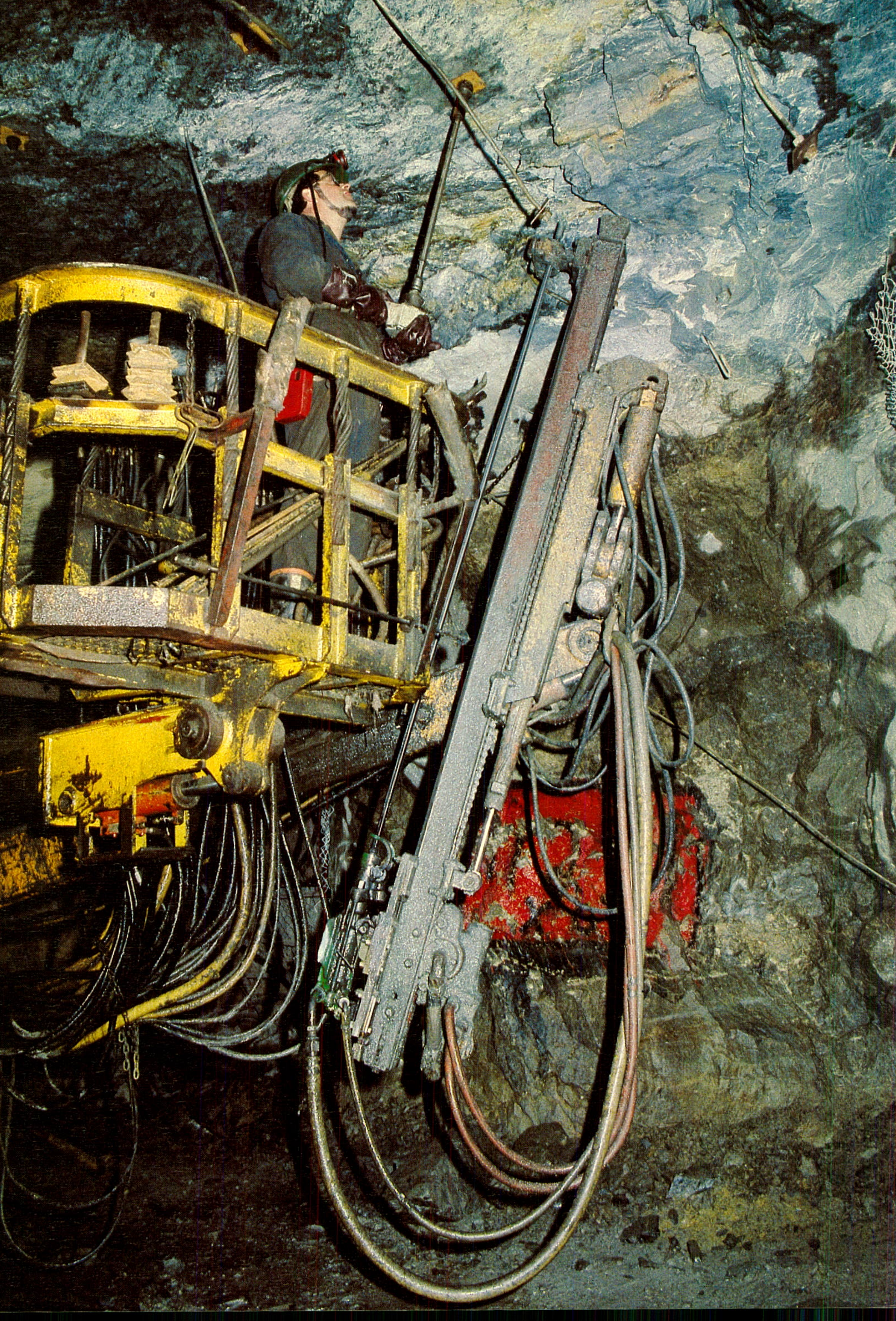
The directors wish to express their thanks and appreciation to all employees whose loyalty and contributions made possible the achievements of 1984.

On behalf of the Board of Directors

George R Albino

George R. Albino
Chairman and Chief Executive Officer

Toronto, Canada
March 1, 1985



Review of Operations

Uranium

(in thousands)	1984	1983
Revenue	**$368,146**	$297,559
Operating profit	**$ 86,863**	$ 76,130

1984 revenue and operating profit from uranium operations increased over 1983 mainly due to the inclusion of a full year's production from the Stanleigh mine, which commenced production in July, 1983. Other factors were a more favourable sales contract mix, a stronger United States dollar and the effect of continued intensive efforts to reduce costs.

A total of 4.3 million tons of ore from the Quirke, Panel and Stanleigh mines was processed in 1984 to recover 7.6 million pounds of uranium oxide. Comparable figures for 1983, which include only six months' operations at Stanleigh, were 3.4 million tons of ore to recover 6.4 million pounds of uranium oxide. The 1984 recovery rate of 93.4% was slightly less than the previous year's 93.7% rate, mainly because of the influence of lower recoveries at Stanleigh, primarily during the first part of the year.

In 1984 deliveries of uranium oxide totalled 6.3 million pounds compared to 6.5 million pounds in the previous year. At December 31, 1984 contracts were held to deliver approximately 58 million pounds of uranium oxide from the Quirke, Panel and Stanleigh mines in the 1985-1995 period and a further 50 million pounds from the Stanleigh mine from 1996 to 2020.

Efforts to reduce or contain operating costs continue to be a top priority at Elliot Lake. At Quirke and Panel the production costs were again held below those of 1982 despite a significant rise in labour and material costs. At these operations efforts are being directed to further instrumentation of the mills to increase productivity. The supply and price of sulphuric acid, an essential and expensive reagent used in the recovery process, have stabilized with the finalization of a long term supply contract for acid produced in the nearby Sudbury area.

Roof of newly-blasted underground working at the Elliot Lake operations is secured by miner using an electric hydraulic rockbolter.

Operating costs have been favourably affected by a decrease in labour turnover at the Elliot Lake operations. This is a result of the continuing depressed state of the mining industry in Canada. Skilled personnel are readily available to replace the few employees who leave.

At the Elliot Lake operations, a formal energy management program has been initiated. The program involves the introduction of energy conservation measures in respect of bunker oil, diesel oil, gasoline, propane and electricity. A meaningful reduction in the cost of energy was achieved in 1984 and further savings are expected in future years. In addition, natural gas will be available to the Elliot Lake area following the completion of a natural gas pipeline late in 1985. Natural gas will largely displace oil and propane for steam generation and mine air heating and is expected to reduce fuel costs.

The Corporation has been a leader in the use of bacterial leaching technology to augment uranium production from in-place uranium bearing material. For many years increasing amounts of uranium have been economically recovered as the result of bacterial leaching action induced by spraying re-cycled mine water on low grade uranium mineralization remaining in-place in worked out areas of the mines. Studies are currently underway to determine the economic feasibility of further increasing the recovery of uranium from lower grade material remaining in the mines through the use of this technology.

Under a program initiated in 1984 rental housing units owned by Rio Algom were offered for sale to employees and 234 units were sold. At the end of the year 1,871 housing units, including townhouses and apartment units, were being rented to employees. It is expected that some of these units will be sold in 1985.

At the Lisbon uranium mine in Utah 622,000 pounds of uranium oxide were produced, a portion of which is scheduled for subsequent delivery under a sales contract in effect until 1986. While production from the mine continued close to the 50% rate implemented in 1981 the mill operated at or near capacity during the year. This was achieved by toll milling ore and uranium bearing material produced by others, milling ore from a small leased property and milling ore obtained from other sources. Cost control and containment programs continue to be effective.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Lornex Mining Corporation Ltd.

(in thousands)	1984	1983
Revenue	$195,725	$148,507
Operating profit	$ 6,234	$ 5,992

Lornex Mining Corporation Ltd., 68.1% owned by Rio Algom, incurred a net loss of $3.3 million in 1984 compared to net earnings of $2.7 million in the previous year. The 1984 financial results for Lornex include, on a proportionate consolidation basis, its 39% joint venture interest in the earnings of the Bullmoose metallurgical coal mine, which commenced operations on January 1, 1984.

The increase in net revenue to $195.7 million is attributable to the addition of revenue from the Bullmoose mine. The deterioration in net earnings was mainly due to lower revenue from copper and silver because of substantially lower metal prices partly offset by net earnings of $3.8 million from the Bullmoose mine.

The Canadian dollar gross revenue price realized per payable pound of copper averaged $0.79 in 1984 compared to $0.90 in 1983 and molybdenum averaged $4.40 per pound in 1984 compared to $4.18 in the previous year. Silver averaged $9.35 per ounce in 1984 and $14.10 in 1983. The 1982 average prices were $0.81 for copper, $4.28 for molybdenum and $8.74 for silver.

Lornex Mine

Comparative operating data for the Lornex copper-molybdenum mine are as follows:

	1984	1983
Tons of ore milled (000's)	31,044	31,710
Average tons milled per operating day	84,821	86,877
Average mill head grade (%)		
Copper	0.356	0.337
Molybdenum	0.017	0.016
Average mill recovery (%)		
Copper	87.3	88.2
Molybdenum	70.1	73.5
Payable metal in concentrate produced (000's)		
Copper (pounds)	186,210	181,682
Molybdenum (pounds)	7,448	7,506
Silver (ounces)	726	710
Payable metal in concentrate delivered (000's)		
Copper (pounds)	165,399	186,031
Molybdenum (pounds)	6,796	6,103

First shipload of Bullmoose coal is loaded into the mammoth hold of the Shoryu Maru for delivery to Japan.

Tons of ore milled were 2% lower than in 1983 because of the shut down of the largest of the three autogenous mills early in 1984 to change a ring gear. Copper production was, however, 2.5% higher in 1984 compared to the previous year due to a slight improvement in mill head grades. Production of molybdenum was virtually the same in both years.

Efforts to reduce costs and to improve efficiencies and productivity were continued in 1984. Important reductions in mining costs were realized through the installation of a new computer-assisted haulage truck dispatch system; modifications which increased diesel engine efficiency of a major portion of the 170-ton truck fleet; the conversion of light vehicles to utilize compressed natural gas in place of gasoline as well as revisions in tailings dam construction methods and in the waste disposal system. The higher copper content in concentrates produced from the copper regrind circuit, brought into production in December, 1983, resulted in expected net savings in freight and treatment charges. Modifications to the molybdenum leach facility increased productivity of that plant and installation of a new type of flotation equipment in the concentrator has reduced consumption of reagents.

Bullmoose Mine

The Bullmoose coal mine, owned by Lornex (39%), Teck Corporation (51%) and Nissho Iwai Coal Development (Canada) Ltd. (10%), commenced operations January 1, 1984 and, after an efficient start up, has operated well. Lornex's share of the year's production was approximately 666,000 tonnes (734,000 short tons) of metallurgical coal and 26,000 tonnes (29,000 short tons) of thermal coal and its share of deliveries totalled 695,000 tonnes of metallurgical coal and 23,000 tonnes of thermal coal. The operating cost per tonne of clean coal produced was slightly lower than expected.

In October the Bullmoose owners agreed to reduce the contract price for metallurgical coal by $10 per tonne for a two year period ending March 31, 1986. Agreement was also reached for additional coal sales which will virtually offset the impact of the price reduction on the Bullmoose earnings.

Exploration

Exploration expenditures by Lornex during the year were $632,000. Of some 90 mineral properties submitted to the Corporation for consideration more than half were precious metal targets in British Columbia and about one third were United States projects. Drilling was conducted on two British Columbia properties and additional work is planned on one of these in 1985. Exploration activities continued to focus on gold and polymetallic deposits containing zinc, lead, copper, silver and gold.

New Mine Development

Development of the large East Kemptville tin property located near Yarmouth, Nova Scotia, is proceeding well. Engineering is virtually complete, all major contracts have been let and construction of essential buildings has been completed or is well underway. Development of the open pit will begin in March, 1985.

It is expected that the total cost of the East Kemptville facility, including capitalized interest, will be below the budget of $170 million. Production of concentrates was originally scheduled for the end of 1985. However, in view of the favourable progress being made, it is expected that concentrates will be produced well before that time. Average annual production for the first decade is expected to be 4,400 tonnes of tin in concentrates. By-products of 1,500 tonnes of copper and 2,400 tonnes of zinc in concentrates are also expected to be produced annually. All tin in concentrates produced to the end of 1995 has been contracted for at prices based on London Metal Exchange prices less deductions for treatment charges. Copper and zinc in concentrates will be sold on the spot market.

Minerals Exploration

Rio Algom and its subsidiaries conduct exploration activities in Canada, the United States, South America and Europe. Emphasis is placed on the acquisition of mineral properties which are at relatively advanced stages of development. Exploration expenditures, including expenditures on the Cerro Colorado copper project in Chile, were $5.6 million compared to $7.0 million in 1983.

Exploration activities in Canada were carried on from offices in Toronto, Vancouver, Montreal and Fredericton. Internationally, offices are maintained in Denver, Colorado, Santiago, Chile and Madrid, Spain; an office was recently opened in Reno, Nevada.

In Canada, at the end of 1984 there were eight exploration projects under active investigation. These included a tin prospect in Newfoundland and a gold prospect in British Columbia. Further geophysical surveying on the porphyry-type molybdenum prospect discovered in 1983 in central British Columbia enhanced its potential; no further investigations will be made until there is a significant improvement in the price of molybdenum.

At the Corner Bay copper property joint venture in Quebec, the manager, Preussag Canada Ltd., did further drilling without enlarging the known 1.5 million tonne deposit. At the Cape Ray gold property in Newfoundland, under a farm out agreement through which Rio Algom is entitled to a gross royalty from any production, New Venture Equities Limited carried out an underground test and at the end of the year was studying the economic feasibility of the property.

No further work was done in 1984 on the 60% owned Sage Creek steam coal project in British Columbia because of depressed markets for both metallurgical and steam coal. The governments of Canada and the United States have asked the International Joint Commission to study the potential impact of the project on the waters of the Flathead River which flows into Montana.

Internationally, option agreements have been entered into for the purchase of two producing open pit tungsten-tin mines in Spain, including La Parrilla, the largest Spanish producer of both tungsten and tin. Drilling and metallurgical testing programs are scheduled for both properties. Further investigations will be carried out on a gold property in Oregon.

During 1984 further technical studies of the Cerro Colorado copper property in Chile were continued confirming a 14,000 tonnes per day open pit operation producing 60,000 tonnes of copper in concentrates annually could be feasible. A plan to finance the project and market the product has been developed. Under the plan a large portion of the financing would be tied to concentrate sales and, in addition to equity, the balance of financing would be obtained through export credits and Chilean loans. Discussions being held are aimed at finalizing key elements of the plan.

Cerro Colorado would be cost competitive but the economic viability of the project is dependent upon an increase in copper prices from the current historically low levels.

Exploration. Bagged ore samples from adit at the Cerro Colorado copper property in Chile await removal for analysis.

Steel Manufacture

(in thousands)	1984	1983
Revenue	**$249,151**	$185,629
Operating profit (loss)	**$ 11,777**	$ (4,884)

Sales and shipments from both the Welland and Tracy plants increased over the previous year. As the level of business improved the benefits of ongoing cost reduction programs resulted in a significant contribution to operating results. Sales to the automotive, housing and consumer durable industries continued to improve through the first half of 1984. Rebuilding of inventories by customers to support their increased level of sales also played a major role in increasing sales, especially in the first half of the year. Expected improvement in sales to the capital goods sector, however, has not materialized. Sales and shipments in the second half of the year, reflecting a slower rate of business expansion, were lower than in the first half.

At the Tracy plant there was a substantial increase in sales of flat rolled products to the important service centre market as a result of improved business levels and the appointment of additional distributors early in 1984. After a lengthy development program a high quality straight chrome stainless sheet is being produced at the Tracy plant for automotive exhaust end use. Sales of this new product together with increased sales of stainless steel strip to the automotive parts, consumer goods and tubing markets contributed to the improved performance of the Tracy plant.

An agreement has been entered into with a French producer of stainless flat rolled products to provide technical assistance at the Tracy plant. It is expected that this assistance will improve yields and productivity and increase the capacity of the cold rolling operation.

Sales of Welland plant products to the automotive and other transportation markets remained strong. However, with the relatively small increase in spending in the capital goods sector the demand for stainless steel bars and machinery steels remained soft. Weak demand for steels used by the mining industry continued, reflecting depressed metal prices. Sales of alloy bar products were adversely affected by the low level of activity in the oil industry. Further improvement in the profitability of the Welland plant is dependent upon aggressive sales efforts and cost reductions until there is a more extensive improvement in demand for that plant's products. During the year a project aimed at further reducing the labour component of product cost was implemented and significant progress has been made.

Gleaming roofs and walls of Sudbury's new science centre, Science North, are made of stainless sheet produced by Atlas Steels.

Product development activities at the Tracy plant were concentrated on additional grades of chromium stainless steels for automotive and appliance decorative trim as well as for heat resisting applications. An additional grade of stainless steel, used in the manufacture of tubes for heat exchangers, was introduced in 1984. At the Welland plant, new products introduced include tool steel plate for further processing by distributors, superior quality alloy steel grinding rods for the mining industry and bottom poured ingots for use in certain forging applications.

Worldwide steelmaking capacity for both specialty and stainless steels remains excessive and Atlas Steels continues to face strong competition from low priced foreign steels in its traditional domestic and export markets. This competition intensified during 1984 with the strengthening of the Canadian and United States dollars relative to the currencies of most offshore competitors.

United States import quotas on alloy tool and stainless steel bars and additional duties on stainless flat rolled products imposed in 1983 on imports from all countries remained in effect through 1984. However, the surtax imposed by Canada on stainless steel sheet and strip product of United States origin as a counter measure was lifted in 1984. No exclusion was obtained for the Canadian stainless steel products affected by such U.S. quotas and duties. While the business of Atlas Steels has not been significantly affected in the short term by these United States measures, Rio Algom continues to advocate sectoral free trade in specialty steels between Canada and the United States.

Canada was excluded from the United States decision to require negotiated bilateral export restraint agreements from several countries in respect of exports of special quality carbon and alloy bar products to the United States. However, nations which are forced to reduce their exports of such products to the U.S. market may increase their exports of such products to Canada, one of the few remaining unrestricted steel markets, thereby adversely affecting the business of Atlas Steels.

In 1984, following complaints by Atlas Steels, an investigation was initiated by Canadian authorities with respect to imports of stainless steel bars from Italy as well as alloy tool steel bars, plate and forgings from Austria, Sweden, South Korea and the United Kingdom. In December, 1984 a preliminary determination of dumping was issued for stainless bars; a decision on alloy tool steel bars is pending.


Vincent Metals
A Division of Rio Algom Inc.
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Metals Distribution

(in thousands)	1984	1983
Revenue	**$374,918**	$183,886
Operating profit	**$ 19,285**	$ 6,505

Revenue and operating profit of the Atlas Alloys metal service centres showed a continuation of the improvement which began in the previous year. The 1984 figures include nine months' operations of Vincent Metals, which was acquired in April, 1984.

In Canada demand increased for many of the products distributed by Atlas Alloys. Consumer product industries, particularly automotive, were much more active in 1984 and provided good sales opportunities in Ontario and Quebec. It was also a year of recovery for the road transportation industry, an important user of products stocked and distributed by Atlas Alloys.

The absence of significant new investment in major resource-based projects continued to affect sales of pipe, valves and fittings reducing business in Western Canada and in Sarnia, Ontario. Towards the end of the year, particularly in Alberta, there were signs of renewed investment in oil and gas projects. The warehouse in Prince George was closed at the end of September as a result of the continuing low level of activity in the forest industry in central British Columbia.

Continued pressure from imported materials, some fairly priced and some the object of dumping investigations, prevented sales price increases that had been anticipated. Gross margin objectives were achieved in spite of the fact that many products were sold at prices close to those of 1982.

In the United States, the business of the Atlas Alloys warehouses generally improved over the previous year, particularly in the Detroit area because of a strong automotive market. The demand from the market serviced by the Cleveland warehouse has not returned to pre-recession levels.

The acquisition of Vincent Metals significantly increased the Corporation's metal distribution business in the United States. The Vincent head office and largest service centre is in Minneapolis, Minnesota. That location and nine others, mainly in the mid-western and south-eastern United States, are well situated and equipped to service the divers product and processing requirements of Vincent's customers. Products warehoused and distributed include a wide range of aluminum, stainless steel, copper, brass and fasteners.

A program to integrate the United States business of Atlas Alloys and Vincent Metals is being implemented. The products of each group are being introduced into warehouse locations of the other and administrative functions are being combined.

The Australian operation had another good sales and profit year. The wire drawing business was substantially better than in the previous year. In spite of a sluggish Australian economy the level of business was aided by a lower rate of inflation and fewer industrial disputes.

The Mexican operation was able to achieve satisfactory sales and profits in spite of high inflation, high interest rates and a devaluing currency, mainly as a result of good management of working capital and appropriate pricing strategies.

Acquisition of Vincent Metals has expanded the Corporation's metals distribution business in the United States.


RIO PEOPLE
RIO PEOPLE

Employees

At December 31, 1984 the Corporation and its subsidiaries employed 7,408 people in its operations. The increase of 561 people from the end of 1983 was primarily attributable to the acquisition of Vincent Metals.

During the year employment levels were closely monitored. Production increases were achieved without corresponding increases in personnel mainly as a result of improvements in productivity.

By year end many of the supervisory staff for the East Kemptville tin project had been recruited. This group is actively participating in the selection and training of operating personnel.

At Lornex, after revisions to the mining plan aimed at reducing losses were completed, there was a reduction in the salaried and union work force and a staff hiring freeze was imposed. Where possible transfers of staff to the East Kemptville tin project were arranged.

Management and employees throughout the Rio Algom organization continue to place a high priority on safety. The 1984 safety results of each of Rio Algom's businesses compare favourably with the record of other employers in similar industries. Overall safety at the Elliot Lake mines, the Lornex mine and the Welland steel manufacturing plant improved in 1984 compared to the previous year.

The Lisbon mine continued its excellent record with no lost time injuries for over three years; the safety record at Vincent Metals continued at a favourable level. The safety performance of the Atlas Alloys metals distribution operations and the Tracy steel manufacturing plant were not as good as in the previous year.

Collective agreements are in effect at the Elliot Lake mines until September 1, 1987 and at the Lisbon mine until February 28, 1987. The Lornex mine collective agreement is in effect until June 30, 1986. In view of continued depressed metal prices a proposal to reduce wage rates was made to the union at Lornex; this proposal was not accepted.

New collective agreements are being negotiated in respect of steel manufacturing operations. At the Welland plant the agreement for production and maintenance employees expired on February 16, 1985 and the agreement for office and technical employees is in effect until April 30, 1985. At the Tracy plant agreements expired for production and maintenance employees on November 30, 1984 and for office and technical employees on January 31, 1985. All employees have remained at work since the agreements expired.

East Kemptville tin mine staff played host to 5,000 area residents who visited the Nova Scotia property during two open houses held in November.

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 accounts of an unincorporated joint venture.

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 except for inventories of a United States subsidiary acquired during 1984 (note 3) for which costs are determined on the last-in, first-out basis. 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 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.

Consolidated Statement of Earnings

Rio Algom Limited
(Incorporated under
the laws of Ontario)

(Thousands of dollars)

Years Ended December 31	1984	1983	1982
Revenue:			
Revenue from mine production and sales of steel and other products	$1,141,774	$779,652	$760,160
Expenses:			
Cost of mine production and steel sales	867,138	585,948	614,081
Selling, general and administration	88,507	58,994	67,677
Interest (net) (note 15)	7,600	(10,265)	(6,322)
Depreciation and amortization (note 16)	71,791	58,833	58,736
Exploration	5,563	7,013	9,850
	1,040,599	700,523	744,022
Earnings before taxes and minority interests	101,175	79,129	16,138
Income and mining taxes (note 17)			
Current	15,933	14,488	(7,677)
Deferred	12,396	12,645	9,556
	28,329	27,133	1,879
Earnings before adjustment for minority interests in subsidiary corporation	72,846	51,996	14,259
Minority interests in net earnings (loss) of subsidiary corporation	(1,041)	856	(3,554)
Net earnings for the year (note 14)	$ 73,887	$ 51,140	$ 17,813
Earnings per common share (note 1)	$ 1.65	$ 1.11	$ 0.33

Consolidated Statement of Retained Earnings

(Thousands of dollars)

Years Ended December 31	1984	1983	1982
Balance, beginning of year	$ 421,457	$395,278	$402,598
Add net earnings for the year	73,887	51,140	17,813
	495,344	446,418	420,411
Deduct:			
Dividends on preference shares	3,451	3,629	3,801
Dividends on common shares	23,452	21,332	21,332
	26,903	24,961	25,133
Balance, end of year	$ 468,441	$421,457	$395,278

Consolidated Balance Sheet
(Thousands of dollars)

December 31	1984	1983
Assets		
Current:		
Cash and short term deposits	**$ 129,573**	$ 159,577
Receivables and prepaid expenses (note 4)	**166,874**	143,975
Inventories and concentrates awaiting shipment (note 5)	**445,044**	302,471
	741,491	606,023
Plant and equipment (note 6)	**689,669**	677,935
Construction in progress, at cost	**54,712**	104,942
Mining properties and preproduction expenditures (note 7)	**204,659**	175,817
Other assets (note 8)	**6,966**	22,832
	$1,697,497	$1,587,549

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Rio Algom Limited as at December 31, 1984 and 1983, 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, 1984. 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, 1984 and 1983, and the results of its operations and changes in its financial position for each of the three years in the period ended December 31, 1984, in accordance with generally accepted accounting principles in Canada applied, except for the change in accounting policy as explained in note 2, on a consistent basis.

Toronto, Canada
February 27, 1985

Coopers & Lybrand
Chartered Accountants

	1984	1983
Liabilities		
Current:		
Bank loans and overdrafts	$ 14,032	$ 9,068
Accounts payable and accrued liabilities	183,592	156,708
Income and mining taxes	17,752	15,733
	215,376	181,509
Long term debt (note 9)	240,318	225,724
Advances from Ontario Hydro (note 10)	353,444	351,458
Deferred income and mining taxes	233,028	220,632
Minority shareholders' interests in subsidiary corporation	54,236	55,277
Capital Stock and Retained Earnings		
First preference shares (note 11)	8,319	8,450
Second preference shares (note 11)	10,390	36,878
Common shares (note 11)	49,152	49,179
Contributed surplus	61,177	37,302
Cumulative translation adjustment (note 2)	3,616	(317)
Retained earnings	468,441	421,457
	$1,697,497	$1,587,549

Approved on behalf of the Board:

William Moodie, Director

George R. Albino, Director

Consolidated Statement of Contributed Surplus

(Thousands of dollars)

Years Ended December 31	1984	1983	1982
Balance, beginning of year	$ 37,302	$ 37,256	$ 37,018
Add (deduct):			
Amount arising on reduction in stated capital of Second Preference Shares (note 11(e))	24,243	—	—
Profit on purchase and cancellation of preference shares	51	46	238
Premium on purchase and cancellation of common shares (note 11(b))	(419)	—	—
Balance, end of year	$ 61,177	$ 37,302	$ 37,256

Consolidated Statement of Changes in Financial Position

(Thousands of dollars)

Years Ended December 31	1984	1983	1982
Source of Funds:			
Earnings before adjustment for minority interests in subsidiary corporation	$ 72,846	$ 51,996	$ 14,259
Add items included in earnings not involving current outlay of funds:			
Depreciation and amortization	71,791	58,833	58,736
Deferred income and mining taxes	12,396	12,645	9,556
Funds provided by operations	157,033	123,474	82,551
East Kemptville Tin Project bank loans	30,000	—	—
Foreign currency translation gains	3,933	—	—
Advances received from Ontario Hydro (net)	1,986	91,914	97,307
Bullmoose bank loans	—	71,502	34,800
Housing loans and mortgages (net)	—	15,192	21,231
	192,952	302,082	235,889
Disposition of Funds:			
Acquisition of Vincent Metals (note 3)	59,460	—	—
Less working capital acquired	55,687	—	—
	3,773	—	—
Expenditures (net) for plant and equipment, construction in progress, mining properties, preproduction and development projects	42,498	165,673	195,620
Dividends on common shares	23,452	21,332	21,332
Dividends on preference shares	3,451	3,629	3,801
Purchase and cancellation of preference and common shares	2,771	111	2,052
Reduction of long term debt	15,406	10,591	5,244
	91,351	201,336	228,049
Increase in Working Capital	101,601	100,746	7,840
Working Capital, beginning of year	424,514	323,768	315,928
Working Capital, end of year	$526,115	$424,514	$323,768

Notes to Consolidated Financial Statements

December 31, 1984, 1983 and 1982

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 Policy

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 following is an analysis of the cumulative translation adjustment for foreign currencies included in capital stock and retained earnings:

	1984	1983
	(in thousands)	
Balance, beginning of year	**$ (317)**	$ 530
Foreign currency translation gains (losses)	**3,933**	(847)
Balance, end of year	**$3,616**	$(317)

3 Acquisition

Effective April 1, 1984 the Corporation purchased all of the outstanding shares of Vincent Brass and Aluminum Co. Inc., a corporation operating ten metal service centres mainly in the mid-western and south-eastern United States (now trading as Vincent Metals), for a total consideration of $59.5 million in cash. This acquisition has been accounted for by the purchase method with the results of operations included from the date of acquisition. The cost of the purchase has been allocated to the acquired net assets based on their fair values at date of acquisition. The excess of the aggregate book value of the acquired net assets over the acquisition cost was $13,215,000 and this has been applied to reduce the value of the property, plant and equipment acquired.

The net assets acquired are as follows:

	(in thousands)
Current assets	**$76,710**
Current liabilities	**21,023**
Working capital	**55,687**
Property, plant and equipment	**3,773**
Total acquisition cost	**$59,460**

4 Receivables and Prepaid Expenses

Receivables and prepaid expenses include guaranteed non-interest bearing bank drafts maturing on various dates in 1985. These drafts amounted to $30.2 million at December 31, 1984 ($54.9 million at December 31, 1983) after deducting a discount of $2.2 million ($7.1 million at December 31, 1983), based on imputed interest rates varying between 8.8% and 10%.

5 Inventories and Concentrates Awaiting Shipment

	1984	1983
	(in thousands)	
Mining operations		
Concentrates awaiting shipment and coal inventories	**$240,482**	$161,023
Mine supplies	**39,422**	37,045
	279,904	198,068
Steel and other metals operations (a)		
Steel, other metals, raw materials and supplies	**165,140**	104,403
	$445,044	$302,471

(a) Includes inventories, valued on a LIFO basis at December 31, 1984, of $47.7 million which have a replacement cost of $62.6 million.

6 Plant and Equipment

	1984	1983
	(in thousands)	
Buildings, at cost	**$ 449,953**	$ 452,098
Machinery and equipment, at cost	**741,653**	672,069
	1,191,606	1,124,167
Less accumulated depreciation	**504,657**	448,632
	686,949	675,535
Land, at cost	**2,720**	2,400
	$ 689,669	$ 677,935

Plant and equipment includes $43,506,000 in respect of assets of mines presently idle which have been fully depreciated.

7 Mining Properties and Preproduction Expenditures

	1984	1983
	(in thousands)	
Mining properties, at cost	**$ 10,676**	$ 10,480
Less accumulated amortization	**9,843**	9,613
	833	867
Preproduction expenditures, at cost	**339,971**	299,030
Less accumulated amortization	**136,145**	124,080
	203,826	174,950
	$204,659	$175,817

8 Other Assets

	1984	1983
	(in thousands)	
Investment in affiliated corporation, at cost	**$ 6,966**	$ 6,966
Development projects, at cost (transferred to construction in progress in 1984)	**–**	15,866
	$ 6,966	$ 22,832

9 Long Term Debt

	1984	1983
	(in thousands)	
Rio Algom Limited		
11½% Sinking Fund Debentures Series B maturing on July 15, 1995 (a)	**$ 29,214**	$ 31,688
East Kemptville Tin Project limited recourse bank loans (b)	**30,000**	–
Lornex Mining Corporation Ltd.		
Bullmoose bank loans (c)		
Recourse	**41,302**	41,302
Limited recourse	**65,000**	65,000
Housing loans and mortgages (d)	**78,685**	89,145
	244,201	227,135
Less portion included in current liabilities	**3,883**	1,411
	$240,318	$225,724

(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, 1985 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 the Stanleigh Project and permitted encumbrances on certain other assets.

(b) The Corporation's financing for the East Kemptville Tin Project comprises a $154.6 million limited recourse facility. The loans and acceptances outstanding at December 31, 1984 carry an average interest rate of 11.27% and are repayable in instalments from June, 1986 to December, 1995. These loans are secured by a mortgage and charge on the assets of the project.

(c) Lornex's Bullmoose bank loans are repayable in increasing instalments commencing July, 1985 and continuing through July, 1992 on the recourse loans and January, 1995 on the limited recourse loans. The loans and acceptances outstanding at December 31, 1984 carry average interest rates of 10.9% on the recourse loans and 11.4% on the limited recourse loans.

The limited recourse and recourse loans are secured by a first charge on Lornex's 39% interest in the assets of the Bullmoose mine.

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

(e) Long term debt repayment requirements, after allowing for prepayments, over the next five years amount to $3.9 million in 1985, $9.9 million in 1986, $13.1 million in 1987, $15.1 million in 1988 and $15.6 million in 1989.

10 Advances from Ontario Hydro

	1984	1983
	(in thousands)	
Balance at December 31	**$353,444**	$351,458

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 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.

11 Capital Stock

Authorized:

433,187	First Preference Shares, issuable in series.
23,096,000	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, 1981	85,487	$ 8,549	7,845,200	$39,226	14,220,929	$49,179
Purchased and cancelled in 1982 (d)	—	—	(458,031)	(2,290)	—	—
Balance, December 31, 1982	85,487	8,549	7,387,169	36,936	14,220,929	49,179
Purchased and cancelled in 1983 (b) (c) (d)	(990)	(99)	(11,667)	(58)	(33)	—
Issued re stock split (b)	—	—	—	—	28,441,792	—
Balance, December 31, 1983	84,497	8,450	7,375,502	36,878	42,662,688	49,179
Purchased and cancelled in 1984 (b) (c) (d)	(1,310)	(131)	(449,003)	(2,245)	(22,828)	(27)
Reduction in stated capital (e)	—	—	—	(24,243)	—	—
Balance, December 31, 1984	**83,187**	**$ 8,319**	**6,926,499**	**$10,390**	**42,639,860**	**$49,152**

(a) The issued preference shares are comprised as follows: (i) $5.80 Cumulative Redeemable First Preference Shares Series A (redeemable at $101 to $100 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. 22,828 common shares were purchased and cancelled in 1984 at a cost of $446,000 pursuant to an offer made to shareholders with aggregate holdings of 50 or fewer common shares.

(c) 1,310 First Preference Shares were purchased and cancelled in 1984 and 990 shares were purchased and cancelled in 1983 at costs of $80,000 and $62,000 respectively. The Corporation's obligation for 1985 referred to in note 13 (c) (i) has been fulfilled except for $12,000.

(d) 449,003 Second Preference Shares were purchased and cancelled in 1984, 11,667 shares were purchased and cancelled in 1983 and 458,031 shares were purchased and cancelled in 1982 at costs of $2,245,000, $49,000 and $2,052,000 respectively. The Corporation has set aside $2,206,000 in a retirement fund account to be used to redeem 441,225 Second Preference Shares at $5.00 per share on January 31, 1985, thereby fulfilling the Corporation's obligation due February 28, 1984 referred to in note 13 (c) (ii) below.

(e) Effective July 12, 1984 the stated capital of the Second Preference Shares was reduced by $3.50 per share to $1.50 per share for each such Second Preference Share issued and outstanding on that date and the resultant reduction of $24,243,000 has been credited to Contributed Surplus. The reduction in the stated capital does not change the total amount of $34,632,000 which may be required to satisfy the mandatory retirement fund obligations in respect of the Second Preference Shares outstanding as of December 31, 1984.

(f) 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.

12 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 $8,458,000 in 1984, $9,302,000 in 1983 and $13,010,000 in 1982. A comparison of uninsured accumulated plan benefits and plan net assets as at the respective valuation dates, varying from December 31, 1981 to June 1, 1984, for the Corporation's defined benefit plans is presented below:

Actuarial value of uninsured accumulated plan benefits:

	1984	1983
	(in thousands)	
(i) Pension plans:		
Vested	**$109,965**	$107,056
Nonvested	**16,111**	15,091
(ii) Plans for which above information has not been segregated:		
Vested and nonvested	**16,982**	16,982
	$143,058	$139,129
Net assets at valuation date available for uninsured benefits	**$129,938**	$122,263

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, 1984 and 1983.

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, 1984 is estimated at $19.5 million ($20.9 million at December 31, 1983). This is presently being funded over a period of years expiring in 1997.

13 Commitments and Contingencies

(a) Estimated total cost to complete capital projects, including East Kemptville, as at December 31, 1984 was approximately $113.1 million (committed $34.2 million).

(b) The Corporation is committed to total minimum rentals in the amount of $17.2 million under operating leases for land and buildings which expire from 1985 to 1999. Commitments are $2.5 million in 1985, $2.0 million in 1986, $1.9 million in 1987, $1.8 million in 1988 and $1.8 million in 1989.

(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) The Corporation had the following contingent liabilities as at December 31, 1984:

(i) A contingent liability to buy back houses and mobile home lots at Lornex's Logan Lake townsite for $2.1 million; the cost of the buyback declines by 5% per annum;

(ii) Mortgage guarantees of $13.6 million on certain housing in Elliot Lake and 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 mine.

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

14 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:

	1984	1983	1982
		(in thousands)	
Net earnings for the year, as reported	**$ 73,887**	$ 51,140	$ 17,813
Add (deduct):			
Investment tax credits	**3,100**	(630)	13,400
Adjustments of prior years' tax credits	—	(12,900)	—
Net earnings for the year (adjusted on a U.S. basis)	**$ 76,987**	$ 37,610	$ 31,213

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 mine; however, the equity method would not result in any change in the Corporation's net earnings as reported.

15 Interest (net)

	1984	1983	1982
		(in thousands)	
Interest on demand bank loans	**$ 2,927**	$ 1,787	$ 3,674
Interest on long term debt	**28,554**	23,768	15,237
Interest capitalized	**(1,085)**	(10,784)	(2,968)
Investment and other income	**(22,796)**	(25,036)	(22,265)
Net interest expense (income)	**$ 7,600**	$ (10,265)	$ (6,322)

16 Depreciation and Amortization

	1984	1983	1982
		(in thousands)	
Plant and equipment	**$ 60,637**	$ 51,598	$ 50,455
Mining properties and preproduction expenditures	**11,154**	7,235	7,241
Excess of acquisition cost over adjusted book value of Atlas Steels assets acquired	—	—	1,040
	$ 71,791	$ 58,833	$ 58,736

17 Income Taxes

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

	1984	1983	1982
		(in thousands)	
Canadian	**$ 85,334**	$ 69,568	$ 16,743
Foreign	**15,841**	9,561	(605)
	$101,175	$ 79,129	$ 16,138

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):

	1984	1983	1982
Weighted average Canadian income tax rates	**49.4%**	49.4%	45.2%
Increase (decrease) resulting from:			
Resource and depletion allowances net of provincial mining taxes	**(10.4)**	(10.2)	(35.0)
Inventory allowances	**(2.4)**	(3.6)	(20.7)
Investment tax credits	**(1.5)**	—	12.1
Exempt income*	**(3.0)**	(3.6)	(20.1)
Non-allowable expenses	**1.6**	1.0	9.7
Foreign taxes	**(1.8)**	1.0	21.7
Sundry	**(3.9)**	.3	(1.3)
Effective rate of income and mining taxes	**28.0%**	34.3%	11.6%

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

At December 31, 1984, the Corporation has $39.0 million (1983 — $34.0 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 1985 and 1991. 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.

18 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.
Copper/coal	Open pit mining and milling of copper-molybdenum ore and joint venture interest in open pit mining and treatment of metallurgical coal.
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		
	1984	1983	1982
			(in thousands)
Uranium	**$ 368,146**	$297,559	$281,668
Copper/coal	**195,725**	148,507	126,893
Steel manufacture	**202,985**	149,700	140,795
Steel manufacture inter-segment (a)	**46,166**	35,929	35,625
Metals distribution	**374,918**	183,886	210,804
	1,187,940	815,581	795,785
Inter-segment sales elimination	**(46,166)**	(35,929)	(35,625)
Consolidated	**$1,141,774**	$779,652	$760,160

(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		
	1984	1983	1982
			(in thousands)
Uranium	**$ 86,863**	$76,130	$ 60,256
Copper/coal	**6,234**	5,992	(16,577)
Steel manufacture	**11,777**	(4,884)	(21,860)
Metals distribution	**19,285**	6,505	2,029
Consolidation adjustment	**(792)**	(191)	3,398
	123,367	83,552	27,246
Deduct:			
Exploration	**5,563**	7,013	9,850
Corporate expenses	**9,029**	7,675	7,580
Interest (net)	**7,600**	(10,265)	(6,322)
	22,192	4,423	11,108
Earnings before taxes and minority interests	**$101,175**	$79,129	$16,138

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		
	1984	1983	1982
Uranium	**32%**	38%	37%
Stainless steels	**18**	17	17
Copper	**9**	14	13
Other	**41**	31	33
	100%	100%	100%

Identifiable assets of each segment are as follows:

	December 31		
	1984	1983	1982
			(in thousands)
Uranium	**$ 774,002**	$ 752,899	$ 427,814
Copper/coal	**407,812**	294,898	310,082
Steel manufacture	**164,564**	147,061	127,622
Metals distribution	**190,938**	100,105	103,103
Consolidation adjustment	**(6,227)**	(3,762)	(3,788)
Segment identifiable assets	**1,531,089**	1,291,201	964,833
General corporate assets	**166,408**	296,348	390,917
Total assets	**$1,697,497**	$1,587,549	$1,355,750

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		
	1984	1983	1982
			(in thousands)
Uranium	**$ 37,614**	$ 29,945	$ 28,091
Copper/coal	**25,286**	20,216	20,510
Steel manufacture	**6,911**	7,080	7,393
Metals distribution	**1,676**	1,262	1,430
Consolidation adjustment	**—**	—	1,040
Segment depreciation, depletion and amortization expense	**71,487**	58,503	58,464
General corporate depreciation	**304**	330	272
Total depreciation, depletion and amortization expense	**$ 71,791**	$ 58,833	$ 58,736

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

	Year Ended December 31		
	1984	1983	1982
			(in thousands)
Uranium (a) (b) (d)	**$ (2,051)**	$ 87,806	$ 13,702
Copper/coal (c)	**3,316**	3,564	6,721
Steel manufacture (a)	**2,557**	1,661	8,517
Metals distribution	**1,700**	301	1,609
Segment capital expenditures	**5,522**	93,332	30,549
General corporate capital expenditures (d)	**36,976**	3,244	15,680
Bullmoose coal mine (a) (c)	**—**	69,097	34,805
Stanleigh uranium mine (a) (b)	**—**	—	114,586
Total capital expenditures (net)	**$ 42,498**	$ 165,673	$ 195,620

(a) Includes expenditures on construction in progress.

(b) Stanleigh uranium mine commenced operations in July, 1983 and 1983 and 1984 expenditures are included in uranium segment.

(c) Bullmoose coal mine commenced operations in January, 1984 and 1984 expenditures are included in copper/coal segment.

(d) 1984 corporate capital expenditures include construction in progress for the East Kemptville tin project. Uranium capital expenditures in 1984 are net of sales of housing units at Elliot Lake.

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		
	1984	1983	1982
			(in thousands)
Domestic operations (Canada)			
Revenue — Canadian customers	**$ 399,854**	$ 326,782	$ 309,147
Export revenue —			
customers (a)	**475,928**	370,499	382,438
inter-segment	**23,784**	12,198	15,781
total	**499,712**	382,697	398,219
	899,566	709,479	707,366
Foreign operations — United States, Australia and Mexico	**265,992**	82,371	68,575
	1,165,558	791,850	775,941
Inter-segment sales elimination	**(23,784)**	(12,198)	(15,781)
Consolidated revenue	**$1,141,774**	$ 779,652	$ 760,160

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

	Year Ended December 31		
	1984	1983	1982
			(in thousands)
Japan	**$ 230,231**	$ 117,108	$ 104,915
United States	**83,693**	109,345	162,110
United Kingdom	**113,615**	89,097	71,498
Other countries	**48,389**	54,949	43,915
	$ 475,928	$ 370,499	$ 382,438

Operating profit by domestic and foreign operations is as follows:

	Year Ended December 31		
	1984	1983	1982
			(in thousands)
Domestic (Canada)	**$ 106,743**	$ 71,994	$ 26,807
Foreign	**16,624**	11,558	439
Operating profit of segments	**$ 123,367**	$ 83,552	$ 27,246

Identifiable assets of Rio Algom's foreign operations totalled $172.6 million, $88.2 million and $69.3 million at December 31, 1984, 1983 and 1982 respectively.

19 Related Party Transactions

During the year ended December 31, 1984 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. $27.3 million of which U.S. $3.1 million remained unpaid at December 31, 1984.

(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 1984 the amount of uranium oxide so purchased for resale was U.S. $19.4 million of which U.S. $243,000 remained unpaid at December 31, 1984.

Financial Condition

Liquidity and Capital Resources

The Corporation maintained a strong balance sheet in 1984, evidenced by higher liquidity and a somewhat lower debt:equity ratio. This was accomplished while making an acquisition and developing a new mine.

Working capital increased by $101.6 million in 1984 to $526.1 million; the current ratio improved slightly to 3.4:1 from 3.3:1. The Corporation and Lornex have operating bank credit lines of $160 million which were largely unused at year end.

A total of $102 million was expended for the acquisition of the Vincent Metals service centre business, the development of the East Kemptville tin property and capital expenditures for existing operations. Dividends, purchases of preference and common shares and reduction of long term debt accounted for an additional $45.1 million.

The net increase in long term debt was $14.6 million, comprising a $30 million increase for financing the East Kemptville project, partly offset by a net reduction in housing loans and mortgages, arising out of the sales of Elliot Lake housing units to employees, and other reductions in long term debt. Excluding limited recourse loans for East Kemptville and Bullmoose and Stanleigh housing mortgages, long term debt as a percentage of shareholders' equity declined from 23% in 1983 to 19% in 1984. Additional limited recourse borrowings under an existing loan facility will be made in 1985 to complete the East Kemptville project which is currently ahead of schedule and under budget.

The Corporation's strong financial position, internally generated cash and existing credit facilities are expected to provide sufficient funds to finance capital expenditures, dividends and working capital requirements currently anticipated for 1985 as well as sufficient financial capacity to invest in new ventures.

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, 1984 (in millions of dollars):

	1984	1983	1982
Revenue:			
Uranium	**$ 368.2**	$297.6	$281.7
Copper/coal	**195.7**	148.5	126.9
Steel manufacture	**249.2**	185.6	176.4
Metals distribution	**374.9**	183.9	210.8
Inter-segment elimination	**(46.2)**	(35.9)	(35.6)
	$1,141.8	$779.7	$760.2
Operating profit (loss) by segment:			
Uranium	**$ 86.9**	$76.2	$ 60.2
Copper/coal	**6.2**	6.0	(16.6)
Steel manufacture	**11.8**	(4.9)	(21.8)
Metals distribution	**19.3**	6.5	2.0
Consolidation adjustments	**(.8)**	(.2)	3.4
	$123.4	$83.6	$ 27.2
Consolidated net earnings	**$ 73.9**	$51.1	$ 17.8

For further business segment information see note 18 to the consolidated financial statements.

Revenue

1984 revenue from uranium operations increased by $70.5 million or 24% over the 1983 level; the increase was largely attributable to higher production resulting mainly from the inclusion of a full year's production in 1984 from the Stanleigh operation which commenced production in July, 1983. A slight increase in average prices, resulting from a more favourable sales contract mix and a stronger United States dollar, accounted for the remaining increase in revenue. Between 1982 and 1983 the 6% increase in revenue was entirely attributable to a 10% increase in average prices due primarily to a more favourable contract mix; 1983 production was 4% lower than the previous year because of a reduced level of operations at Quirke to more closely match production with deliveries, partly offset by the aforementioned commencement of production at Stanleigh in July, 1983.

Net revenue from the copper/coal operations increased by $47.2 million or 32% in 1984 as compared to 1983 mainly because of the addition of Lornex's 39% interest in the revenue of the Bullmoose metallurgical coal mine which commenced operations January 1, 1984. Revenue from the Lornex copper-molybdenum mine was lower in 1984 than in the previous year because of substantially lower prices for copper and silver which more than offset the effects of a slight increase in copper production. The 17% increase in revenue from 1982 to 1983 was due to higher prices for copper and silver and increased production of molybdenum, partly offset by lower copper grades.

The Canadian specialty steel industry continued its recovery from extremely depressed 1982 business levels and steel manufacturing revenue increased by $63.6 million in 1984 or 34% over 1983's level. This was a significant improvement over the $9.2 million (5%) increase which occurred between 1982 and 1983. Tonnage sold increased 23% in 1984 due to an improved economy led by strengthening automotive demand. Only modest selling price increases were achieved in 1984 in the face of severe international competition arising in part from world overcapacity and the weakening of many international currencies against the United States and Canadian dollars.

Revenue from metals distribution in 1984 was $191 million higher, more than double that of 1983, primarily due to the inclusion of nine months' operations of Vincent Metals, a United States service centre operation acquired in April, 1984. Increases occurred in all geographical areas in 1984 with most of the increase in Canadian metal service centre sales resulting from improved demand in the consumer product sector, particularly automotive, as well as the road transportation industry. However, these increases were only approximately equal to the 1983 decreases in revenue which had resulted from weak markets in a depressed economy and intense competition.

Operating Profit by Segment

Uranium operating profit increased by $10.7 million or 14% from 1983 to 1984 after increasing by $16.0 million or 27% from 1982 to 1983, primarily because of the increases in net revenue referred to above together with lower operating costs at the Quirke and Panel facilities in Elliot Lake.

Copper/coal operating profit in 1984 was $0.2 million higher than in the previous year mainly because of the inclusion of operating profits from the Bullmoose mine. The improvement from an operating loss of $16.6 million in 1982 to operating earnings of $6.0 million in 1983 relates primarily to the increase in net revenue referred to above.

Steel manufacturing recorded an operating profit of $11.8 million in 1984 as compared with operating losses of $4.9 million in 1983 and $21.8 million in 1982. The $16.7 million improvement from 1983 is the result of volume increases as noted above, improved margins, product rationalization and the continuance of strict cost control measures. The significant reduction in operating losses between 1982 and 1983 reflected strict cost control measures combined with a slight increase in revenue and improved profit margins at the Tracy plant.

Operating profit from metals distribution increased significantly to $19.3 million in 1984 from $6.5 million in 1983 due to the increase in revenue, principally as a result of the acquisition of Vincent Metals. The 1983 operating profits increased by $4.5 million over 1982 despite the decline in net revenue referred to above as a result of higher margins, lower operating expenses and a reduced adverse impact from foreign currency fluctuations.

Consolidated Net Earnings

Operating profits of the business segments increased by $39.8 million or 48% over those of the preceding year; the increase in consolidated net earnings was $22.8 million. Net interest expense was $7.6 million in 1984 compared to net interest income of $10.2 million in 1983, an unfavourable change of $17.8 million largely relating to higher interest charges at Lornex, primarily on the loans incurred to finance the Bullmoose mine, and to reduced investment income resulting from lower funds available for investment. Income and mining taxes increased by $1.2 million while minority interests in Lornex's earnings decreased by $1.9 million and corporate and exploration expenses were $0.1 million lower.

Operating profits of the business segments in 1983 were more than triple the depressed level of 1982, an improvement of $56.4 million; 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 while net interest, corporate and exploration expenses were $6.6 million lower.

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 1982. In 1982 mine closures in the Sudbury area forced the shut-down of related acid-production facilities and significantly increased the cost of sulphuric acid, an essential reagent used in the uranium recovery process; in 1984 the supply and price of such acid stabilized with the finalization of a long term supply contract. To a large extent the effects of inflation were ameliorated by the fact that a significant part of uranium production is for delivery under contracts which contain protective mechanisms designed to substantially offset such increases.

The effect of inflation on copper/coal revenues in the years 1982 to 1984 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. However increases in operating and other costs have been lower than average inflation rates over the three year period due to strict cost control measures and lower prices for materials and services as a result of competition among suppliers.

At the Atlas Steels manufacturing operations only modest selling price increases were achieved in 1984 after two years of virtually no increases in selling prices because of a depressed business climate and competition. Labour and utility costs continued to increase in 1984 but more moderately than was experienced in 1982 and 1983. After declining in 1983, unit costs of several key raw materials increased in 1984. Overall, inflation did not have as significant an impact in 1984 as in 1983 and in 1982.

At the Atlas Alloys metals distribution operations, as in Atlas Steels, modest selling price increases occurred in 1984 after virtually no increases in the preceding two years. In 1984, as in 1983 and the latter part of 1982, costs and expenses were generally held within the level of inflation.

Ten Year Review

	1984(i)	1983
Earnings (millions of dollars)		
Revenue	**$1,141.8**	$ 779.7
Investment and other income	**22.8**	25.0
	1,164.6	804.7
Cost of mine production and steel sales	**867.1**	586.0
Selling, general and administration	**88.5**	59.0
Interest expense	**30.4**	14.8
Depreciation and amortization	**71.8**	58.8
Exploration	**5.6**	7.0
	1,063.4	725.6
Earnings before taxes and minority interests	**101.2**	79.1
Income and mining taxes	**28.3**	27.1
	72.9	52.0
Minority interests in net earnings (loss) of subsidiaries	**(1.0)**	.9
Net earnings(iii)	**$ 73.9**	$ 51.1
Production Data (millions except steel)		
Uranium in concentrate (pounds)	**8.2**	6.8(iv)
Copper in concentrate (pounds)	**186.2**	181.7
Molybdenum in concentrate (pounds)	**7.5**	7.5
Coal (thousands of tons)	**763**(iv)	—
Steel (thousands of tons)	**188**	144
Financial Data (millions of dollars except per share data)		
Per share of common stock		
Net earnings(iii)	**$ 1.65**	$ 1.11
Dividends	**0.55**	0.50
Equity	**13.09**	11.90
Working capital	**526.1**	424.5
Plant and equipment	**689.7**	677.9
Total assets	**1,697.5**	1,587.5
Return on average total assets	**4.28%**	3.48%
Redeemable preference shares	**18.7**	45.3
Long term debt	**240.3**	225.7
Advances from Ontario Hydro	**353.4**	351.5
Capital expenditures	**42.5**	165.7
Common shareholders' equity	**558.1**	507.6
Return on average common shareholders' equity	**13.22%**	9.60%
Other Data		
Common shares outstanding (millions)	**42.6**	42.6
Number of common shareholders (thousands)	**7.7**	8.8
Number of employees	**7,408**	6,847
Price range of common shares — high	**$ 22.75**	$ 20.66
— low	**$ 14.00**	$ 12.50

Notes

(i) Includes 9 months' operations of Vincent Metals, a United States service centre business.

(ii) 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.

(iii) Net earnings (in millions of dollars) 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: 1984 — $76.9 ($1.72); 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 14 to consolidated financial statements.

1982	1981	1980[ii]	1979[ii]	1978	1977	1976	1975
$ 760.2	$ 918.3	$ 847.5	$ 710.7	$ 576.1	$ 486.6	$ 401.6	$ 367.4
22.3	16.2	20.3	7.5	8.5	10.2	10.9	4.3
782.5	934.5	867.8	718.2	584.6	496.8	412.5	371.7
614.1	654.2	568.7	433.5	385.2	332.8	271.6	239.4
67.7	74.0	63.3	47.1	45.5	39.6	36.2	31.8
16.0	16.3	12.5	11.7	10.7	9.4	8.5	8.0
58.7	55.4	51.0	38.1	32.3	25.6	20.7	20.4
9.9	12.7	10.7	9.1	6.0	6.4	6.8	6.2
766.4	812.6	706.2	539.5	479.7	413.8	343.8	305.8
16.1	121.9	161.6	178.7	104.9	83.0	68.7	65.9
1.9	48.7	63.3	84.6	38.7	37.7	31.9	35.7
14.2	73.2	98.3	94.1	66.2	45.3	36.8	30.2
(3.6)	7.4	20.8	18.4	4.6	2.6	5.3	.2
$ 17.8	$ 65.8	$ 77.5	$ 75.7	$ 61.6	$ 42.7	$ 31.5	$ 30.0
7.1	7.8	7.9[iv]	5.5	6.0	5.5	5.5	5.8
194.6	164.7[iv]	126.3	134.2	135.4	141.1	145.7	116.8
6.3	4.8	4.8	4.4	4.0	3.8	3.8	3.1
—	—	—	—	—	—	—	—
133	212	180	193	208	195	161	161
$ 0.33	$ 1.45	$ 1.73	$ 1.67	$ 1.34	$ 0.90	$ 0.64	$ 0.64
0.50	0.50	0.50	0.50	0.43	0.36	0.33	0.33
11.29	11.46	10.50	9.27	7.96	6.92	6.27	5.98
323.8	315.9	285.2	221.3	232.0	227.7	261.8	216.1
450.8	459.3	343.8	347.5	249.0	193.8	143.6	151.6
1,355.7	1,240.8	1,061.3	898.8	760.5	684.1	631.3	542.2
1.37%	5.72%	7.91%	9.34%	8.53%	6.49%	5.37%	5.90%
45.5	47.8	48.7	53.0	53.7	54.5	55.7	51.0
149.6	98.8	105.5	93.1	114.7	122.0	134.0	88.5
259.5	162.2	82.7	28.6	1.9	—	—	—
195.6	176.3	182.2	121.0	89.3	96.1	61.0	29.5
481.7	488.8	448.0	395.6	339.6	295.2	267.1	254.4
2.89%	13.23%	17.53%	19.43%	18.06%	13.63%	10.39%	11.01%
42.6	42.6	42.6	42.6	42.6	42.6	42.6	42.6
10.1	10.6	11.5	12.8	13.5	14.3	14.9	16.1
6,431	7,811	7,378	6,878	6,658	5,922	5,544	5,144
$ 13.58	$ 13.96	$ 13.92	$ 13.33	$ 13.08	$ 9.92	$ 12.17	$ 11.50
$ 8.92	$ 10.25	$ 8.58	$ 8.58	$ 8.25	$ 7.54	$ 8.67	$ 6.33

(iv) (a) The Panel uranium mine commenced operations in November 1979.
(b) The expanded Lornex facilities commenced operations in August 1981.
(c) The Stanleigh uranium mine commenced operations in July 1983.
(d) The Bullmoose metallurgical coal mine, in which Lornex has a 39% joint venture interest, commenced operations in January 1984.

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

	1984	1983
First Quarter	**C$19.75 -15.75**	C$15.83-12.50
Second Quarter	**19.125-14.375**	16.75-14.75
Third Quarter	**19.75 -14.00**	20.66-16.42
Fourth Quarter	**22.75 -19.00**	20.50-13.37

The American Stock Exchange

	1984	1983
First Quarter	**US$15.50 -12.625**	US$12.83-10.42
Second Quarter	**14.875-11.50**	13.75-12.08
Third Quarter	**15.125-10.50**	16.83-13.29
Fourth Quarter	**17.00 -14.375**	16.25-12.75

Dividends paid per common share during 1984 and 1983 (adjusted for the 1983 3-for-1 stock split):

November 30, 1984	C$0.2750
May 31, 1984	C$0.2750
November 30, 1983	C$0.25
May 31, 1983	C$0.25

At December 31, 1984 there were approximately 7,700 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% unless recipient owns at least 10% of the voting stock of the company when the rate is 10%).

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
1984	$0.7566	$0.7710	$0.8054	$0.7492
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

Operations

Canada

Mining
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.
Coal: through Lornex's 39% joint venture interest in the Bullmoose mine in northeast 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 and Vancouver

United States

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

Exploration
Rio Algom Exploration Inc., Denver, Colorado and Reno, Nevada

Metals Distribution
Rio Algom Inc.
Registered Office: Wilmington, Delaware
Atlas Alloys Division
Head Office: Valley View, Ohio
Service Centres: Valley View, Ohio; Detroit, Michigan; Rockford and Chicago, Illinois; Atlas Mill Sales Division: Orchard Park, N.Y.
Vincent Metals Division
Head Office: Minneapolis, Minnesota
Service Centres: Minneapolis, Minnesota; Augusta, Georgia; Baltimore, Maryland; Cedar Rapids, Iowa; Charlotte, North Carolina; Green Bay, Wisconsin; Indianapolis, Indiana; Little Rock, Arkansas; Omaha, Nebraska; St. Louis, Missouri.

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

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, Royal LePage Limited, a diversified real estate services company, Toronto

Robert S. Hurlbut
Chairman, General Foods Inc., a manufacturer of packaged grocery products, Toronto

David S. R. Leighton
Vice-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
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
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 G. Hood
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

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

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 1984 to the United States Securities and Exchange Commission will be available to shareholders on written request to the Secretary of the Corporation.

Rio Algom

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