Rio Algom Mines Limited Annual Report 1967

Rio Algom
Rio Tinto

RIO ALGOM MINES LIMITED

120 Adelaide Street West,
Toronto 1, Canada

Index

Highlights of the Year's Consolidated Operations

YEAR ENDED DECEMBER 31, 1967
($000's omitted)

	1967	*1966*
Sales	$ 149,848	*$ 147,080*
Net earnings	$ 11,259	*$ 9,352*
Earnings:		
Per dollar of sales	7.5%	*6.4%*
Per share of common stock	94¢	*82¢*
Dividends paid per share of common stock	40¢	*40¢*
Current assets	$ 124,473	*$ 103,827*
Current liabilities	$ 48,732	*$ 57,658*
Working capital	$ 75,741	*$ 46,169*
Common shareholders' equity	$ 135,879	*$ 88,436*
Total common shares outstanding at December 31	12,249,159	*10,716,422*
Equity per share of common stock outstanding	$11.09	*$8.25*
Production:		
Uranium oxide (pounds)	2,576,865	*2,843,855*
Copper in concentrate (pounds)	32,788,267	*26,884,130*
Zinc in concentrate (pounds)	19,980,149	*23,375,880*
Specialty steel (tons)	135,352	*141,875*
Number of employees at December 31	5,215	*5,256*

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RIO ALGOM MINES LIMITED

Officers

Val Duncan	Chairman
R. D. Armstrong	President
W. P. Arnold	Vice-President and General Manager of Operations, Mining Division
O. S. Leslie	Vice-President and General Manager of Operations, Steel Division
G. R. Albino	Vice-President and Executive Assistant to the President
E. J. Tanner	Vice-President, Finance
G. Baker	Vice-President, Administration; and Secretary
K. L. Perry	Counsel
A. G. Goodeve	Treasurer
A. C. Turner	Controller

Directors

W. A. Arbuckle	Montreal	President, Arbuckle, Govett & Co.
* R. D. Armstrong	Toronto	President of the Company
W. P. Arnold	Toronto	Vice-President of the Company
* Henry Borden, CMG, QC.	Toronto	Chairman, British Newfoundland Corporation Limited
J. Ian Crookston	Toronto	Senior Vice-President, Nesbitt, Thomson and Company Limited
* Val Duncan, OBE.	London, England	Chairman of the Company and Chairman, The Rio Tinto-Zinc Corporation Limited
J. G. Edison, QC.	Toronto	Partner, Edison, Aird and Berlis
Donald Gordon, CMG.	Montreal	President, British Newfoundland Corporation Limited
* Sam Harris	New York, U.S.A.	Partner, Strasser, Spiegelberg, Fried and Frank
L. A. Lapointe, QC.	Montreal	President, Miron Company Ltd.
O. S. Leslie	St. Catharines	Vice-President of the Company
* B. R. MacKenzie, QC.	Toronto	Partner, Fasken & Calvin
W. B. Malone	Toronto	Former First Vice-President of the Company
D. J. McParland	Montreal	President, Churchill Falls (Labrador) Corporation Limited
Leo Model	New York, U.S.A.	Chairman and President, Model, Roland & Co. Inc.
F. A. Petito	New York, U.S.A.	Partner, Morgan, Stanley & Co.
* J. Herbert Smith	Toronto	President, Canadian General Electric Company Limited
Sir Mark Turner	London, England	Deputy Chairman, Kleinwort, Benson Ltd.
* R. W. Wright	London, England	Deputy Chairman, The Rio Tinto-Zinc Corporation Limited

*Member of the Executive Committee

The Annual Meeting

The Company will hold an Annual and General Meeting on Tuesday, April 2, 1968 at 10:30 a.m. Eastern Standard Time, in the Ontario Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada.

Directors' Report

Your directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1967.

Financial

The Company's consolidated net earnings for 1967 amounted to $11,259,000 as compared with $9,352,000 for the previous year. The net earnings for 1966 are after allowing for a non-recurring charge against income of $1,075,000 representing start-up costs of the Tracy plant incurred prior to December 31, 1964. Net earnings per share on the average number of common shares outstanding during 1967 were 94¢ as compared with 82¢ per share in 1966, in both cases after providing for dividends on preference shares issued in April, 1966.

Comparative net earnings from operations before deduction of the non-recurring charge in 1966 referred to above, increased by $832,000. This improvement is in large measure the result of an increase of $1,111,000 in steel division operating profits. Mining division profit declined by $182,000. Net interest costs, corporate expenses and taxes, as a group, increased by $97,000.

The Company successfully completed a rights issue in October, 1967. Shareholders were given the right to subscribe for one additional common share for each seven shares then held at a subscription price of $28.50 (Cdn.) or of $26.50 (U.S.) per share. The total number of additional shares issued was 1,531,116; the proceeds of $43,674,000 were added to the Company's working capital and the total expenses of issue, including underwriting commission, of $1,463,000 were charged to retained earnings.

During 1967 preference and common dividends of $5,463,000 were paid, comprising preference dividends of $870,000 and dividends on common shares of $4,593,000. Dividends on common shares were paid at the same rate of 40¢ per share as in 1966, although the total amounts paid out in 1967 on both classes of stock were somewhat higher than in 1966. The reasons are that a full year's preference dividend payment of $5.80 per share was required in 1967 and the common dividend paid in December, 1967 applied to the increased number of such shares outstanding as the result of the rights issue.

Bank loans were reduced during the year from $17,318,000 to $14,382,000. Of the reduction, $1,950,000 relates to term loans for Anglo-Rouyn and Poirier.

The Company's working capital increased by $29,572,000 during 1967, due primarily to the proceeds from the common share rights issue, and totalled $75,741,000 at the end of the year. The net excess of assets over liabilities increased by $47,443,000 to a total of $150,879,000.

Under the terms of its uranium sales contract with Eldorado Mining and Refining Limited, net advance payments of $16,200,000 became due in 1967 and were applied against uranium deliveries made in 1967. Advance payments of $13,263,000 remain to be repaid, of which a net amount of $11,138,000 will be paid by application against deliveries to be made in 1968.

Uranium

At Elliot Lake, the rehabilitation of the old Quirke mine, the preparation of the new Quirke mine for operation and the rehabilitation of the Quirke mill are proceeding on schedule. The transfer of operations from Nordic to Quirke is thus expected to take place in mid-1968 without interruption. The Company is also developing plans which will place it in a position to re-open certain of its idle mines in the most efficient and economic manner when market requirements warrant.

As previously announced, a letter of intent was received in September, 1967 from a group of eight Japanese utilities for the purchase of 10 million pounds of uranium oxide (U_3O_8) concentrate to be delivered in equal annual quantities over the period 1969-1978. The formal contracts were signed in January, 1968. These new contracts, together with agreements negotiated in 1966 and those carried forward from prior years, increased the Company's total future delivery position to more than 50 million pounds of U_3O_8. This provides assurance of uninterrupted continuity of uranium production for many years.

In accordance with the terms of the master Eldorado contract, deliveries of the lower priced parcels will commence in the second half of 1968 and will be completed in 1971. An amount of one million pounds will be delivered to the Japanese utilities beginning in 1969; small initial deliveries will be made under the Ontario Hydro contract in 1970 and will gradually increase thereafter. Deliveries under the 1966 contract with the United Kingdom Atomic Energy Authority will begin in 1973, or, at

New Quirke uranium mine head frame, hoist building,
and related facilities
under construction at Elliot Lake.

the Company's option, in 1972, at an annual rate of 2.0 million pounds per year.

The resurgence in uranium demand is now firmly established. The rate of new orders for nuclear reactors around the world accelerated in 1967 and it appears from current plans of the electrical utilities industry that this demand will continue. The Company has had discussions with potential customers overseas and in the United States although the current policy of the U.S. Atomic Energy Commission prohibits the enrichment of imported uranium in the United States for domestic (U.S.) consumption. In view of the rapidly expanding requirements in the United States, it has become difficult to understand the AEC policy in this regard. In discussions with United States utilities, Rio Algom has stated that under these circumstances the established uranium producers with large ore reserves in Canada may well have committed their production before the American embargo is lifted to such an extent that American consumers will not be able to obtain a desired portion of their large requirements from Canadian sources.

Exploration

The 1967 programme centred on the search for uranium and base metals in the United States and Canada. Several long term programmes were initiated in 1967 and it is expected that the level of exploration activity and of expenses in 1968 will be about the same as in 1967.

The Company's uranium exploration programme in the United States has resulted in the discovery of a promising uranium prospect in the Big Indian area in San Juan County, Utah. While the property is small compared with the Elliot Lake uranium mines, it is high grade. A decision will be taken within the next several months as to the development of this prospect. Production from a U.S. mine would not be subject to embargo restrictions and could be enriched in the United States for U.S. customers.

The Company owns 36.4% of the shares of Lornex Mining Corporation Ltd. The Lornex property is located in the Highland Valley area of British Columbia and contains a large low grade copper deposit together with minor molybdenum values. The second stage exploration programme started in 1967 to determine whether the deposit is commercially mineable is expected to be completed in 1968.

The Company's exploration expenditures, exclusive of exploratory development work at Lornex and Utah, were $1,026,000, compared with $627,000 in 1966.

Steel

The significant increase in the steel division earnings is attributable in large measure to improved operating results of the Tracy plant. Provided that general economic conditions are favourable, further improvement is expected for the division in 1968.

The construction programme at the Tracy plant is now virtually complete, with the exception of the installation of a vacuum degassing unit which will be completed during 1968.

Steel technology has experienced major and rapid changes and the requirement for higher quality products to meet increasingly stringent specifications has become an accepted part of the specialty steel industry. Because of the need to maintain totally competitive technological capability and of the economic benefits which can be derived by upgrading the Company's product line, increased capital expenditures for new equipment and processes are planned for the Welland plant over the next several years.

Other Interests

The Company continued to provide supervisory management and other services to British Newfoundland Corporation Limited (Brinco) and Churchill Falls (Labrador) Corporation Limited during 1967. In accordance with the terms of the agreement signed in February, 1967, payment of the management fee, which will be retroactive to November 1, 1966, will resume at such time as Churchill Falls receives proceeds of long term debt financing relative to the power project in Labrador. Churchill Falls did not undertake such financing in 1967. Pursuant to its agreement the Company was reimbursed for its out of pocket expenses incurred in providing the stipulated services.

During the year, Churchill Falls reorganized its capital structure by subdividing each common share into two common shares. It also converted to shares certain loans from shareholders and issued to existing shareholders on a pro rata basis a further 2,500,000 common shares at $15.00 per share. The Company subscribed for the 262,200 shares to which it was entitled. These shares were paid up to the extent of 10%; the balance of 90% of the total subscription price of these shares, amounting to $3,539,700, was advanced to Churchill Falls in the form of an interest-bearing loan.

As a result of these transactions, the Company now owns 632,446 common shares of Churchill Falls, representing an interest of approximately 10.4%. Brinco owns approximately 63.3% of the shares of Churchill Falls and the Company owns 6.1% of Brinco.

Work on the development of the 5,225,000 kilowatt hydro electric generating plant on the upper Churchill River in Labrador is progressing satisfactorily in accordance with a schedule designed to enable initial deliveries of power to be made in 1972.

Hot planetary mill at Atlas Steels' Tracy plant where 5-inch thick stainless steel slab is reduced to ⅛-inch thickness.

Earnings Trend

The impact of lower average selling prices of certain uranium poundage which will be produced for delivery under the Master Eldorado contract commencing in 1968 will be offset in part by the commencement of deliveries of uranium to the Japanese utilities in late 1969, and to a lesser extent by the commencement of deliveries to Ontario Hydro.

Average copper prices in 1967 were lower than in 1966, although current prices are higher than at the beginning of last year. It is difficult to predict copper prices for 1968 and subsequent years because they are subject to a wide variety of diverse and unpredictable factors.

Major improvements have been achieved in Steel Division operations as evidenced by the improvement of slightly over 40% in Steel Division operating results in 1967. It is expected that these earnings will continue to improve at a satisfactory rate if economic conditions are favourable.

On balance, the combination of these factors is expected to lessen but not completely offset the short term impact on Mining Division earnings of the lower priced uranium parcels to be produced for delivery to Eldorado in the second half of 1968.

The long term outlook for uranium operations continues to be promising. The Company has developed a satisfactory forward commitment base; it has substantial uncommitted reserves and long term production capacity and it has a reasonable amount of short term capacity available for sale if market conditions present opportunities consistent with the Company's marketing policies.

Carter Report

At the last annual meeting reference was made to what are considered to be the principal fallacies in the Carter Commission report and to the detrimental impact on the natural resources industry and the nation's economic position if the report were adopted. Since that time the balance of responsible statements has been overwhelmingly against the recommendations contained in the report. As Canadians, we should be most concerned about any action that would seriously reduce the incentive for investing in natural resource industries, which have always been a cornerstone of the country's economy. It has been made abundantly clear during the past year that the adoption of the Carter recommendations relating to the mining industry would result in a serious curtailment of exploration and development.

Organization

Reference was made in the Chairman's letter last year to the retirement of Mr. W. B. Malone as First Vice-President on March 31, 1967. Mr. Malone made a most valuable contribution to the Company's progress as an officer and a director throughout the long period of his association with Rio Algom and its predecessor companies. Mr. Malone does not plan to stand for re-election as a Director of the Company.

It is intended that the vacancy on the Board of Directors created by Mr. Malone's retirement will be filled by Mr. George R. Albino, who is Vice-President and Executive Assistant to the President.

The Company owns or controls natural resources and specialty steel manufacturing and distribution facilities of major current and potential value. It has organized itself to develop and utilize these resources and facilities by orderly, responsible and profitable means. As a result of this activity it now has an organization comprising some 5,000 people possessing a wide variety of skills. This combination of assets and people has been effective and successful and your Directors particularly wish to express their appreciation to all the members of the Company's organization for their effective efforts during the past year.

On behalf of the Board
R. D. ARMSTRONG
President

Toronto, February 23, 1968

Auditors' Report

To the Shareholders of Rio Algom Mines Limited:

We have examined the consolidated statement of financial position of Rio Algom Mines Limited as at December 31, 1967 and the consolidated statements of earnings, retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and disposition of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 19, 1968

COOPERS & LYBRAND
Chartered Accountants

RIO ALGOM MINES LIMITED

(Incorporated under the laws of Ontario)

Consolidated Statement of Financial Position

DECEMBER 31, 1967

($000's omitted)

	1967	*1966*
CURRENT ASSETS:		
Cash	$ 1,103	*$ 3,043*
Short term investments, at cost, and deposits	38,501	*16,791*
Marketable securities, at cost less reserve of $600,000 (note 7) (market value, 1967—$442,000; 1966—$2,818,000)	442	*3,032*
Receivables	28,220	*29,364*
Due from affiliated and associated companies	318	*64*
Inventories and concentrates awaiting shipment (note 2)	54,322	*49,810*
Prepaid expenses	1,567	*1,723*
Total	124,473	*103,827*
Less:		
CURRENT LIABILITIES:		
Bank loans (note 3)	14,382	*17,318*
Accounts payable and accrued liabilities	18,595	*20,065*
Provision for income taxes including Provincial mining taxes	2,176	*1,858*
Preference share dividend payable January 1	217	*217*
Long term debt due within one year (note 6)	13,362	*18,200*
Total	48,732	*57,658*
WORKING CAPITAL	75,741	*46,169*
Shares in and advances to associated companies—		
Shares, at cost less provision for losses	6,057	*3,722*
Advances	3,540	*110*
Plant and equipment, less depreciation and amortization (note 4)	74,163	*76,507*
Costs applicable to future periods (note 5)	34,345	*33,417*
TOTAL ASSETS LESS CURRENT LIABILITIES	193,846	*159,925*
Deduct:		
Long term debt (note 6)	42,125	*55,754*
Minority shareholders' interests in subsidiary companies	842	*735*
	42,967	*56,489*
EXCESS OF ASSETS OVER LIABILITIES	$150,879	*$103,436*
OWNERSHIP EVIDENCED BY (note 7)		
Capital stock	$ 87,427	*$ 43,717*
Contributed surplus	19,381	*19,381*
Retained earnings	44,071	*40,338*
Total	$150,879	*$103,436*

Approved on behalf of the Board:

Val Duncan, Director R. D. Armstrong, Director

Consolidated Statement of Earnings

YEAR ENDED DECEMBER 31, 1967
($000's omitted)

	1967		*1966*	
REVENUE:				
Revenue from mine production, sales of steel and other products	$149,848		*$147,080*	
Investment and other income	1,118		*918*	
	150,966		*147,998*	
EXPENSES:				
Cost of production, selling, general and administrative expenses	119,625		*119,388*	
Interest and amortization of discount and financing expenses (note 5)	3,548		*3,595*	
Depreciation and amortization (notes 4 and 11)	14,058		*12,977*	
Exploration expenditures	1,026		*627*	
	138,257		*136,587*	
	12,709		*11,411*	
Provision for income taxes including Provincial mining taxes (note 9)	1,227		*927*	
Earnings before adjustment for minority interest in subsidiary company	11,482		*10,484*	
Minority interest in profits of subsidiary	223		*57*	
NET EARNINGS FROM OPERATIONS	11,259		*10,427*	
Earnings per common share before extraordinary item		94¢		*92¢*
Deduct extraordinary item:				
Write-off of start up expenses of Quebec steel plant	—		*1,075*	
NET EARNINGS FOR THE YEAR	$ 11,259		*$ 9,352*	
Net earnings per common share		94¢		*82¢*

Consolidated Statement of Retained Earnings

YEAR ENDED DECEMBER 31, 1967
($000's omitted)

	1967	*1966*
BALANCE, beginning of year	$ 40,338	*$ 36,498*
Net earnings for the year	11,259	*9,352*
	51,597	*45,850*
DEDUCT:		
Dividends on preference shares	870	*624*
Dividends on common shares	4,593	*4,247*
Transfer to reserve for marketable securities (note 7)	600	—
Expense of common share capital issue	1,463	—
Expense of preference share capital issue	—	*641*
	7,526	*5,512*
BALANCE, end of year	$ 44,071	*$ 40,338*

Consolidated Statement of Source and Disposition of Funds

YEAR ENDED DECEMBER 31, 1967
($000's omitted)

	1967	*1966*
SOURCE OF FUNDS:		
Net earnings for the year	$ 11,259	*$ 9,352*
Add depreciation, amortization and other charges (net) to operations not involving current outlay of funds	14,369	*14,218*
Total from operations	25,628	*23,570*
Transfer to reserve for marketable securities	(600)	—
Issue of common shares (net of issue expense)	42,247	*2,437*
Issue of preference shares (net of issue expense)	—	*14,359*
	67,275	*40,366*
DISPOSITION OF FUNDS:		
Expenditures (net) for fixed assets, preproduction and development	9,440	*8,356*
Increase in development projects (net)	3,406	*1,400*
Shares in and advances to associated companies	5,765	—
Dividends on preference shares	870	*624*
Dividends on common shares	4,593	*4,247*
Reduction of long term advances (net)	11,138	*16,100*
Reduction of long term debt	2,491	*2,509*
	37,703	*33,236*
INCREASE in working capital	$ 29,572	*$ 7,130*

Notes to Consolidated Financial Statements

December 31, 1967

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies except the following:

(i) Wholly-owned housing companies which have been excluded because the investment is of doubtful value. The unamortized balance of the investment in the housing companies at December 31, 1967 was $99,693 and is being amortized as explained in note 5 (i). The losses of these companies in the year 1967 amounted to $5,791.

(ii) Partially owned companies which have been excluded because the companies are inactive or are in the exploration and development stage and have had no profits or losses since acquisition.

The accounts of Mines de Poirier Inc., wholly owned by the company, and Anglo-Rouyn Mines Limited, 58% owned by the company, were first consolidated in 1966 and the consolidated earnings for the year ended December 31, 1966 include the earnings of these two companies from April 1, 1966, the date on which these mines were brought into commercial production.

The accounts of consolidated foreign companies are stated in Canadian dollars on the following basis:

Fixed assets and related depreciation at exchange rates in effect at date of acquisition;

Long term advances and capital stock at rates in effect at time of transactions;

Other assets and liabilities at year end rates; and

Revenues and expenses (other than depreciation) at average rates in effect during the year.

2. INVENTORIES AND CONCENTRATES AWAITING SHIPMENT

This consists of:	1967	1966
Inventories—		
Steel, other metals, raw materials and supplies	$44,647,692	$42,244,293
Mine supplies	2,763,415	2,163,654
Total inventories	47,411,107	44,407,947
Concentrates awaiting shipment	6,910,542	5,402,296
	$54,321,649	$49,810,243

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 finished steel and steel in process is net realizable value and for raw materials and supplies is replacement cost. Intercompany profits have been excluded from these inventories. Mine supplies are valued at cost less provision for loss on disposal of surplus supplies.

Concentrates awaiting shipment are valued at selling price.

3. BANK LOANS

Mines de Poirier Inc., consolidated and wholly owned by the company, had a bank loan outstanding of $7,450,000 at December 31, 1967 secured by a pledge of a debenture issued under a trust deed of hypothec, mortgage and pledge charging the undertaking and all the assets of that company.

Anglo-Rouyn Mines Limited, consolidated and 58% owned by the company, had a bank loan outstanding of $3,600,000 at December 31, 1967 secured by way of assignment of ore concentrates, supplies, etc., under Section 88 of the Bank Act, a registered general assignment of accounts receivable and a first mortgage bond of $4,100,000.

4. PLANT AND EQUIPMENT

Plant and equipment, at cost, consists of:

	1967	1966
Buildings, machinery and equipment and construction in progress	$235,041,953	$229,070,153
Less accumulated depreciation	162,726,797	154,827,454
	72,315,156	74,242,699
Land	1,481,790	1,369,741
Mining properties (after accumulated amortization, 1967—$5,602,159; 1966—$5,088,963)	365,759	894,953
	$ 74,162,705	$ 76,507,393

The following accounting policies are being followed in connection with the depreciation and amortization charges of the company:

(i) Fixed assets of the Mining Division:

(a) The unamortized cost, at July 1, 1960, of uranium plant and equipment, mining properties and an estimate of capital expenditures to July 30, 1968, insofar as such expenditures relate to facilities necessary to produce the poundage to be delivered under Eldorado contracts referred to below, are being amortized on the basis of the total poundage of uranium oxide to be delivered under Eldorado contracts (excluding the Eldorado-British contract received in 1962 and the Government stock-pile contracts received in 1963 and 1965); and

(b) Depreciation and amortization have been provided on the fixed assets and mining properties of Mines de Poirier Inc. and Anglo-Rouyn Mines Limited from April 1, 1966, the date on which these mines were brought into commercial production, on the basis of the shorter of physical life or economic life, as estimated for the related mining unit, the economic life to be adjusted from time to time as conditions warrant.

(ii) Fixed assets of the Steel Division:

Fixed assets are being 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	6-2/3% per annum

5. COSTS APPLICABLE TO FUTURE PERIODS

This includes the following:	1967	1966
Preproduction and development expenditure, right to deliver under sales contract and housing costs, at cost less amortization	$11,303,617	$12,531,111
Development projects, at cost	5,018,040	1,612,056
Discount and financing expenses, at cost less amortization	2,322,945	2,526,625
Excess of acquisition cost over adjusted book value of Atlas Steels assets, less amortization	15,700,392	16,747,492
	$34,344,994	$33,417,284

The following accounting policies are being followed in connection with amortization of costs applicable to future periods:

(i) The preproduction and development expenditure, right to deliver under sales contract and housing costs are being amortized on the same basis as described in note 4 (i) (a) and (b);

(ii) Development projects are carried forward as assets while the projects are considered to be of value to the company. All exploration expenditures have been written off;

(iii) Discount and financing expenses are being amortized on a straight line basis over the life of the Sinking Fund Debentures of the company, which expire on April 1, 1983; and

(iv) Excess of acquisition cost over adjusted book value of Atlas Steels assets is being amortized on a straight line basis over a 20 year period which commenced January 1, 1963.

6. LONG TERM DEBT

	1967	1966
Advances on future deliveries of uranium concentrates	$13,262,500	$29,462,500
Less portion included in current liabilities	11,137,500	16,200,000
	2,125,000	13,262,500
5½% Serial Debentures Series A, $2,000,000 maturing on October 1, 1968	$ 2,000,000	$ 4,000,000
5¾% Sinking Fund Debentures Series A, maturing on April 1, 1983	40,224,000	40,491,000
	42,224,000	44,491,000
Less portion included in current liabilities	2,224,000	2,000,000
	40,000,000	42,491,000
	$42,125,000	$55,753,500

At December 31, 1967 the advance payments received from Eldorado Mining and Refining Limited on the account of future deliveries of uranium concentrates, after net repayment of $16,200,000 in 1967, totalled $13,262,500 collaterally secured by $16,812,178 issued and outstanding Non-Interest-Bearing Performance Bonds due March 31, 1974. The Performance Bonds are secured by a charge on the uranium assets of the company located at Elliot Lake and uranium concentrates produced but not delivered. As the deferred poundage is delivered the Bonds are being surrendered to the company. $11,137,500 (net) of these advances is repayable in 1968. The company has agreed to make sinking fund payments for the retirement of the Sinking Fund Debentures as follows:

$ 500,000 on October 1, 1968;
$2,000,000 on October 1 in each of the years 1969 to 1978; and
$2,500,000 on October 1 in each of the years 1979 to 1982.

At December 31, 1967, $276,000 principal amount had been purchased to meet the sinking fund requirements in 1968.

7. OWNERSHIP

Ownership was evidenced by:	1967	1966
Capital stock		
Authorized:		
500,000 First Preference Shares with a par value of $100 each, issuable in series		
15,000,000 Common Shares without par value		
Issued:		
150,000 $5.80 Cumulative Redeemable First Preference Shares Series A (redeemable at premiums ranging from 5¾% to 1%)	$ 15,000,000	$ 15,000,000
12,249,159 Common Shares (10,716,422 at December 31, 1966)	72,427,092	28,717,187
	87,427,092	43,717,187

Contributed surplus	$ 19,381,472	$ 19,381,472
Retained earnings	44,071,068	40,337,691
Total	$150,879,632	$103,436,350

During the year:

(a) Supplementary letters patent dated July 21, 1967 were issued to the company increasing the authorized Common Shares without par value to 15,000,000 shares;

(b) 1,531,116 Common Shares were issued for $43,673,837 cash under the terms of a rights offering; and

(c) 1,621 Common Shares were issued for $36,068 cash on the exercise of 1,621 Series C Warrants.

At December 31, 1967 the following Common Shares were reserved for issuance:

(a) 75,000 shares under a Stock Option Plan of which options had been granted to employees to purchase 20,500 shares at a price of Can. $24.64 per share on or before March 30, 1973; and

(b) 148,254 shares to holders of Series C Warrants at Can. $22.25 per share on or before April 1, 1971.

In 1967 an amount of $600,000 was appropriated from retained earnings as a reserve to reduce the carrying value of marketable securities to approximate market value at December 31, 1967. The reserve will be restored to retained earnings when such marketable securities are sold at which time any gain or loss will be recorded in earnings.

There are restrictions on the payment of dividends in the provisions attaching to the $5.80 Cumulative Redeemable First Preference Shares Series A and the company's trust indenture relating to the Series A Debentures contains certain covenants which limit the payment of any dividends as well as the assumption of additional long term liabilities.

8. COMMITMENTS AND CONTINGENT LIABILITIES

The following commitments and contingent liabilities were outstanding at December 31, 1967:

(i) Estimated total cost to complete capital projects was approximately $10,700,000 (committed approximately $3,000,000);

(ii) Unfunded liability for pension funds at January 1, 1966 was estimated at approximately $2,422,723 which is presently being funded over a period of 24 years at a rate of $155,802 per annum. Total pension expense (including the annual payment with respect to the unfunded liability) is charged against earnings in the year of payment;

(iii) An action has been commenced against the company in connection with the alleged infringement of a patent. The company has taken the position that it has good defences to the action;

(iv) Minimum annual rentals upon real property leased to the company and/or its subsidiaries with original terms extending beyond December 31, 1970, exclusive of certain expenses such as real estate taxes, insurance, etc. amounted to approximately $556,000. The leases are for varying periods, the longest lease extending to 1990 and include options for renewal; and

(v) The company is obligated in each year commencing April 1, 1969 to set aside as a retirement fund, subject to certain limitations, an amount equal to 2% of the outstanding Preference Shares Series A. The retirement fund will be used to purchase or redeem Preference Shares Series A subject to certain limitations.

9. INCOME TAXES

Because the company did not claim depreciation or mine development expenses during the tax exempt periods of its mines, it has available sufficient of such expenses to eliminate taxable income for the year. A balance of unclaimed expenses is available which can be used to reduce future years taxes, although the amount cannot be determined at the present time. The company does not intend to provide for income taxes so long as the accumulated amount of these expenses claimed for tax purposes is less than the accumulated amount recorded in its accounts.

Full provision has been made for Provincial mining taxes and the income taxes of certain subsidiary companies.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year ended December 31, 1967 the aggregate direct remuneration paid or payable by the company and its consolidated subsidiaries to the directors and senior officers of the company was $512,033.

11. DEPRECIATION AND AMORTIZATION

Provisions for depreciation and amortization relating to plant and equipment and costs applicable to future periods were:

	1967	1966
Fixed assets and mining properties	$ 8,480,196	$ 7,903,129
Preproduction and other assets	4,530,893	4,026,323
	13,011,089	11,929,452
Excess of cost over adjusted book value of assets acquired	1,047,100	1,047,100
	$14,058,189	$12,976,552

Comparative Consolidated Earnings by Divisions

YEAR ENDED DECEMBER 31, 1967

($000's omitted)

	1967	*1966*
MINING DIVISION		
Revenue from mine production	$ 44,823	*$ 42,094*
Expenses:		
Cost of production, and administration	20,201	*18,621*
Depreciation and amortization	9,726	*8,960*
Exploration expenditures	1,026	*627*
Minority interest in profits of subsidiary	223	*57*
Total expenses	31,176	*28,265*
Net earnings from operations before tax	13,647	*13,829*
STEEL DIVISION		
Revenue from sales of steel and other products	105,025	*104,986*
Expenses:		
Cost of production, selling and administration	96,968	*98,324*
Depreciation	3,225	*2,941*
Amortization of excess of cost over adjusted book value of assets acquired	1,047	*1,047*
Total expenses	101,240	*102,312*
Net earnings from operations before tax	3,785	*2,674*
CORPORATE DIVISION		
Expenses:		
Costs of administration	2,456	*2,443*
Interest	3,386	*3,433*
Amortization of discount and financing expenses	162	*162*
Depreciation	60	*29*
Total expenses	6,064	*6,067*
Less investment and other income	1,118	*918*
Net expense for the year	(4,946)	*(5,149)*
NET EARNINGS FROM OPERATIONS BEFORE PROVISION FOR TAXES	12,486	*11,354*
Provision for taxes:		
Provincial mining tax	990	*752*
Income taxes	237	*175*
	1,227	*927*
NET EARNINGS FROM OPERATIONS	11,259	*10,427*
Deduct extraordinary item	—	*1,075*
NET EARNINGS FOR THE YEAR	$ 11,259	*$ 9,352*

Report on Operations

Finance

Earnings

Consolidated net earnings for 1967 were $11,259,000 as compared with $9,352,000 in 1966 after deduction of a non-recurring charge of $1,075,000. Net earnings per common share were 94¢ compared with 82¢ in 1966; both are stated after allowing for dividend requirements on preference shares.

Dividends

Dividends were paid on common shares outstanding at the rate of 20¢ per share on each of June 26 and December 27; the same rate as in the previous year. The total paid out as common share dividends in 1967 was $4,593,-000 and represents 44.2% of consolidated net earnings after allowing for dividends on preference shares, compared with $4,247,000 and 48.7% in 1966.

Preference share dividends for the full 1967 year were $870,000 compared with $624,000 required from the date of issue in 1966.

Shareholders' Investment

Shareholders' investment increased by $47,443,000 to $150,879,000 at December 31, 1967. Common shareholders' equity amounts to $11.09 per share compared with $8.25 at the end of the previous year. Details of shareholders' investment are shown in note 7 of the consolidated financial statements.

Revenue and Expenses

Revenue from mine production and steel sales of $149,-848,000 and investment and other income of $1,118,000 were both slightly higher than in the previous year. Improvements in operating methods and efficiencies substantially offset rising material and employment costs.

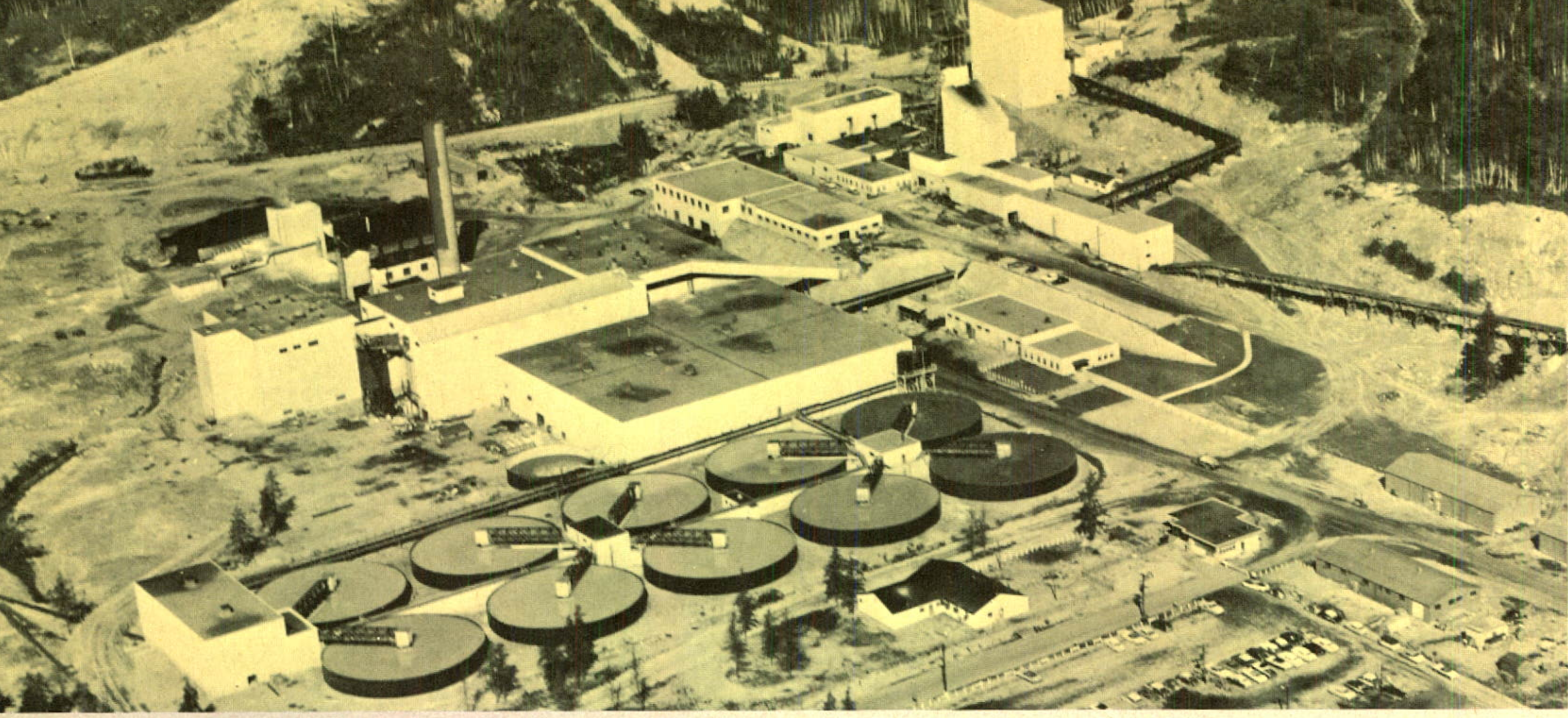
The revenue and expense items which gave rise to the increase in consolidated net earnings of $1,907,000 are set out in the financial statements section of this report and the factors which caused the net increase are explained in the Mining Division and Steel Division sections of this Report.

Working Capital

Working capital was $75,741,000 at December 31, 1967, an increase of $29,572,000 during the year. Details of working capital are set forth in the consolidated statement of financial position and the net increase for the year is summarized in the consolidated statement of source and disposition of funds.

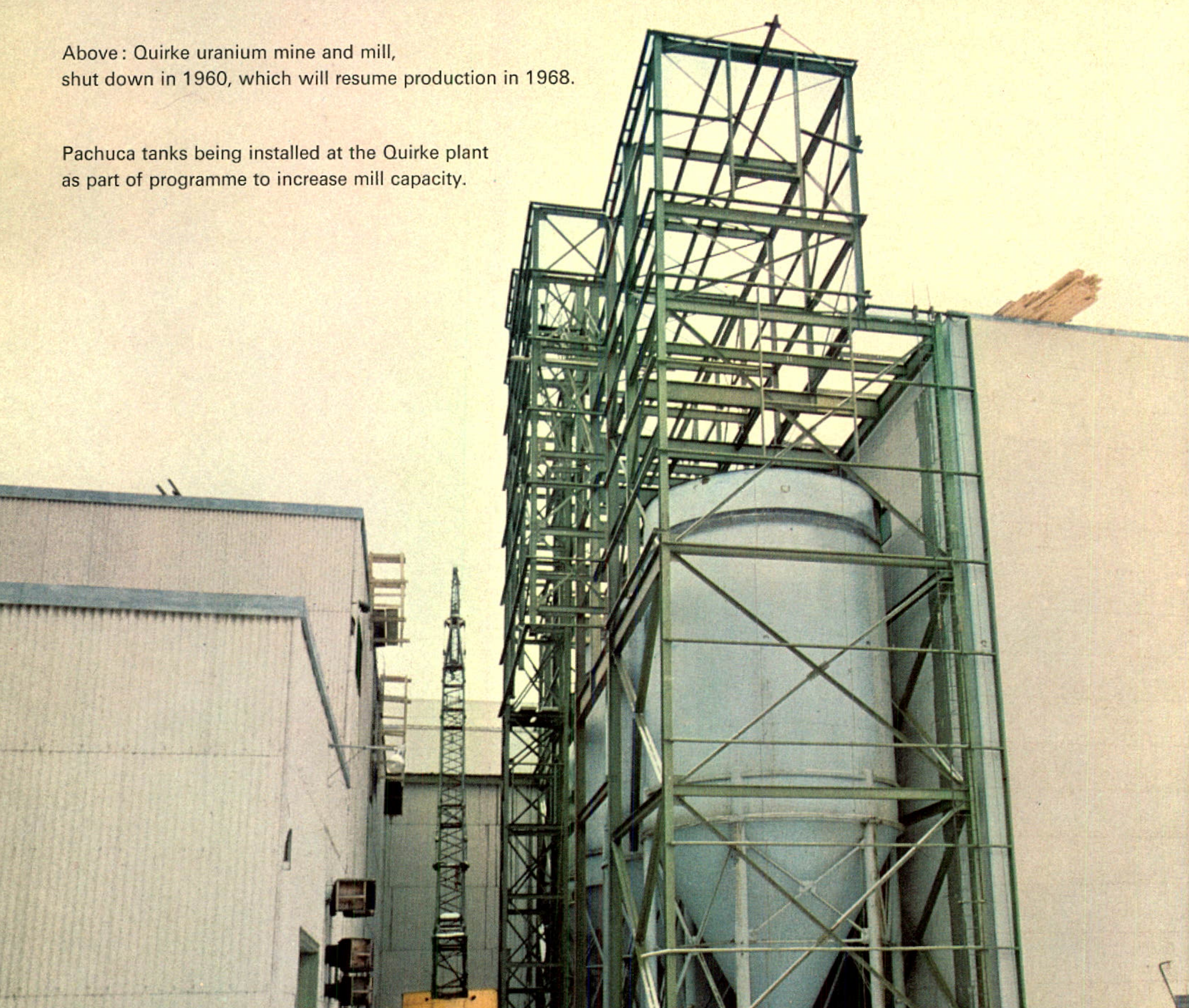
The Company offered to the holders of its outstanding common shares the right to subscribe for one additional common share for each seven common shares held at a subscription price of Can. $28.50 or U.S. $26.50 per share. On the successful completion of this offering the company received $43,674,000 on the issue of 1,531,116 common shares. Underwriting commissions and other expenses of issue amounted to $1,463,000 which were charged to retained earnings.

Bank loans were reduced by $2,936,000 during the year



Above: Quirke uranium mine and mill, shut down in 1960, which will resume production in 1968.

Pachuca tanks being installed at the Quirke plant as part of programme to increase mill capacity.



and totalled $14,382,000 at the end of 1967. This amount includes term loans of $7,450,000 for Mines de Poirier Inc. and $3,600,000 for Anglo-Rouyn Mines Limited secured as described in note 3 to the consolidated financial statements.

During the year net repayments to Eldorado were $16,200,000 relating to advances made to the Company in prior years in respect of deferred deliveries of U_3O_8. The cash advances are repaid on delivery of the deferred poundage and were not taken into income when received; they are recorded as income when the U_3O_8 to which they relate is produced. In 1968 a net amount of $11,138,000 is repayable.

The composition and the basis of valuation of inventories and concentrates awaiting shipment which amounted to $54,322,000, an increase of $4,512,000 during the year, is shown in note 2 to the consolidated financial statements. Receivables arising from mine production and sales of steel and other products were reduced during the year by $1,144,000 to a total of $28,220,000.

Shares in and Advances to Associated Companies

During the year the investment in and advances to British Newfoundland Corporation Limited and its subsidiary amounted to $5,765,000 and totalled $9,555,800 at year end. Further information as to these companies is contained in the Directors' Report.

Plant and Equipment

The Company's gross investment in plant and equipment was $242,492,000 at December 31, 1967, an increase of $6,068,000 during the year. Major expenditures were for the rehabilitation of the Quirke uranium assets of the Mining Division and for Canadian warehousing facilities and manufacturing plant modernization and expansion of the Steel Division.

A summary of net plant and equipment and the accounting policies followed in connection with depreciation and amortization charges are shown in note 4 to the consolidated financial statements.

Costs Applicable to Future Periods

Note 5 to the consolidated financial statements provides a breakdown of these assets, which totalled $34,345,000 at December 31, 1967, together with the accounting policies being followed in connection with depreciation and amortization of costs. Expenditures in the year of $6,668,000 were for the preparation of the Quirke uranium property for operation, acquisition of shares of Lornex Mining Corporation Ltd. in connection with the exploratory development programme to determine whether that company's copper deposit is commercially mineable and the exploratory development of a uranium deposit in the United States.

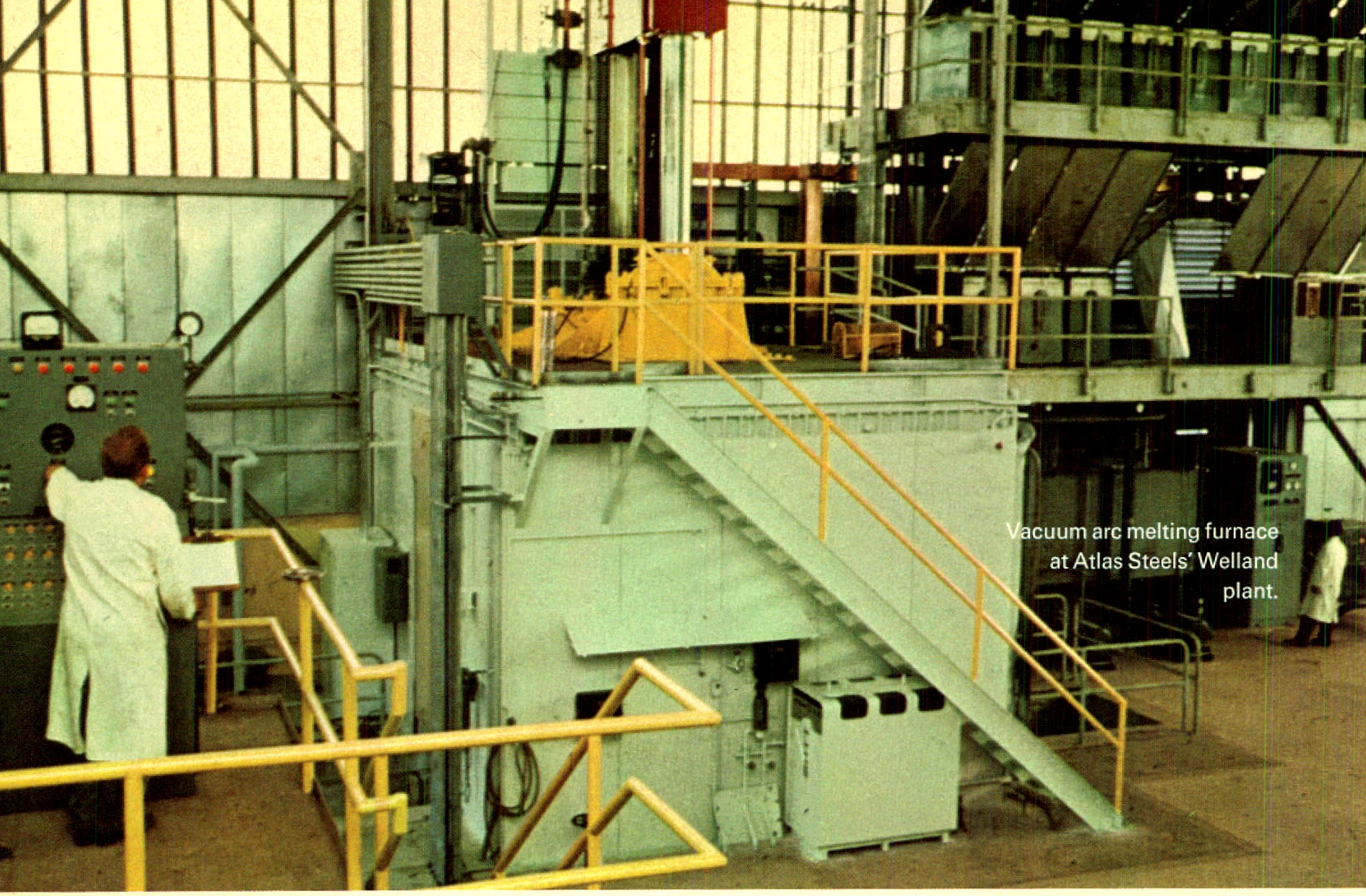
Long Term Debt

A breakdown of this debt which stood at $42,125,000 at December 31, 1967 and the details of the reduction of $13,629,000 during the year are shown in note 6 to the consolidated financial statements.

Mining Division

The Mining Division profit before providing for mining taxes was $13,647,000 in 1967 which was slightly less than the profit of $13,829,000 in 1966. Total revenue of $44,823,000 represented a 6.5% increase over the 1966 revenue of $42,094,000.

Uranium production was lower than for the previous year but the average price per pound was higher because of the particular contracts to which production was related. Copper deliveries increased because of the inclusion in 1967 of a full year's production from the Anglo-Rouyn and Poirier mines, which commenced production April 1, 1966.



Vacuum arc melting furnace at Atlas Steels' Welland plant.

Average realized copper prices were lower than in 1966 but were somewhat higher at the end of 1967 than at the end of the previous year.

Uranium

The Nordic mine and mill continued to operate at capacity and milled 1,288,000 tons, which was approximately equal to the 1966 volume. As mining progressed into the fringe areas down to the 14th level, recovered grade, as expected, was slightly lower than previously, averaging 1.99 pounds per ton uranium oxide. Notwithstanding the high treatment rate, which averaged 3,744 tons per day, mill recovery was slightly better than the previous year, averaging 94.2%.

Production of uranium was 2,577,000 pounds including 85,000 pounds produced from underground leaching at Nordic and 13,000 pounds from underground leaching at the Quirke mine.

Deliveries totalled 2,393,000 pounds of U_3O_8, almost all of which were shipped under the Master contract with Eldorado Mining & Refining Limited. No deliveries were made under the stockpile contract with the Canadian Government entered into in 1965 because of improving markets for uranium.

Negotiations were completed in Japan at the end of 1967 for the sale to a group of eight Japanese utilities of 10 million pounds of U_3O_8. The uranium is to be delivered in equal annual quantities over the period of 1969-1978. The Company's total forward delivery commitment is now in excess of 50 million pounds of U_3O_8, and the annual rate of deliveries under current contracts will require the operation of two mines and two mills by the early 1970's. Certain other shut-down mines will be reactivated as market conditions warrant.

In May, 1967, the U.K.A.E.A. exercised in part its option to increase the quantity of 16,000,000 pounds to be delivered under its contract, this figure being raised to 20,000,000 pounds.

The redevelopment of the old Quirke mine and the preparation of the Quirke mill to take over production from Nordic, scheduled for mid-1968, proceeded as planned. In addition to plant rehabilitation, modifications have been made in the Quirke plant to provide for an increase in production capacity from its originally rated 3,000 tons per day to a planned capacity of 3,700 tons per day and to incorporate improved processing methods.

The shaft for the new Quirke mine had been sunk to a depth of 2,000 feet of the total planned depth of 2,260 feet by the year-end and construction of the necessary supporting surface facilities is well advanced.

Base Metal Operations

The Company's copper and zinc properties operated at capacity throughout the year. Production for all properties combined amounted to 32,788,000 pounds of payable copper and 19,980,000 pounds of payable zinc. The Pronto mine in the Elliot Lake area completed development of its copper ore body down to the 4,000 foot level and a decision was taken during the year not to deepen the mine further. Mines de Poirier in northwestern Quebec had a full year's production from its copper and zinc concentrator, and also brought into operation an extension to its copper recovery plant constructed to carry out custom milling for the neighbouring Joutel Copper Mines Limited. Anglo-Rouyn Mines in northern Saskatchewan, in which the Company has a 58% interest, also operated at mill capacity, toll smelting its concentrates at the Hudson Bay Mining & Smelting facility at Flin Flon, Manitoba.

Pronto Mine

This mine produced copper concentrates containing 8,489,000 pounds of payable copper in concentrate in 1967. A total of 243,000 tons of ore was milled, which was approximately the same as in the previous year. The head grade averaged 1.93% and mill recovery was 96.4%. The decline in net recovered grade, which was expected as this mine approaches the depletion of its reserves at presently developed levels, resulted in a decrease of 476,000 pounds of payable copper produced in concentrate. This also caused an increase in production cost per pound which occurred despite a reduction in cost per ton of ore milled.

Mines de Poirier Inc.

Concentrates containing 13,647,000 payable pounds of copper and 19,980,000 payable pounds of zinc were produced from the milling of 631,000 tons of ore. The mill head grade averaged 1.25% copper and 2.72% zinc; mill recoveries were 92.0% and 69.1%, respectively. Net revenue per payable pound of metal was virtually unchanged as between 1967 and 1966; the increase in copper recovered per ton of ore was sufficient to offset an increase in operating cost per ton of ore milled.

Preparations were completed for the planned deepening of the shaft to open up seven new levels and deepening commenced in January, 1968.

Anglo-Rouyn Mines Limited

The Anglo-Rouyn mine produced 10,652,000 payable pounds of copper in concentrate from a total of 309,000 tons of ore milled. The average mill head grade was 1.88% and mill recovery was 95.7%. Approximately 8,000 payable ounces of gold and 45,000 payable ounces of silver were produced.

Operating costs per ton of ore milled were reduced by the resolution of equipment problems and improvement in operating efficiency. A change in mining method from blast hole to shrinkage was effected in response to a change in the configuration of ore under development in the mine.

Nuclear Products Department

Production and sales of yttrium oxide and of thorium oxide increased during 1967 and, although total sales of this department were slightly down for the year, more than compensatory reductions were achieved in operating expenses through process improvements.

Exploration

Exploration expenditures in 1967 were $1,026,000, exclusive of amounts spent on development projects mentioned below. The Company's programme continued to be directed towards uranium and base metals in Canada and towards uranium and, to a lesser extent, base metals in the United States.

Diamond drilling was carried out on uranium claims in the Elliot Lake area and property examinations were carried out in various parts of Ontario, Saskatchewan, the Northwest Territories and Quebec.

In northern Quebec, the Company has undertaken a major exploration project in the search for uranium in sediments similar to those of Elliot Lake. The project is being carried out in association with Soquem, the Quebec government-sponsored exploration company. Large blocks of prospective ground have been acquired and a fairly extensive exploration programme is planned for 1968.

In the United States geological investigations and drilling were carried out in prospective uranium areas in Wyoming in association with Mitsubishi Metal Mining Company. Work was also carried out on uranium prospects in Colorado and New Mexico.

Geological and geophysical work was carried out in a search for base metals in northern Saskatchewan, western Ontario, Quebec, the Maritime Provinces and, to a lesser extent, in Colorado and the south western United States. A long-term general reconnaissance programme directed primarily towards the identification of copper mineralization was initiated in three large areas of British Columbia. In some cases the results of the geological and geophysical investigations were sufficiently encouraging to warrant drilling. Several of the areas examined are considered to be promising and work will continue during 1968.

Work continued on two exploratory development projects during the year.

Drilling was completed on the uranium prospect in the Big Indian area near Moab, Utah. It has been established that this, although small when compared with the Elliot Lake mines, is a high-grade uranium deposit. Detailed feasibility studies are being carried out in association with consultants and it is expected that a decision will be taken during the early part of 1968 as to development of this deposit.

The detailed investigation of the Lornex prospect in the Highland Valley area of British Columbia continued during 1967. The underground programme was extended to include the cutting of drives and underground drilling to provide more precise and detailed information as to grade. Metallurgical testing was carried out during the year in the 100-ton per day pilot mill which was constructed for this purpose. The objective of the testing was to develop information as to grinding methods and copper and molybdenum recoveries and to provide a factual basis for the computation of capital and operating costs of a commercial scale operation. Geological, metallurgical and financial analyses are continuing in association with consultants. It is expected that a decision will be reached during 1968 as to whether this deposit can be developed on a profitable basis.

Research and Development

The Mining Division metallurgical research facilities, located at Elliot Lake, provided supporting analytical services to the various operating departments during 1967 and a substantial research effort was applied to improving extraction processes for uranium. This assumes particular importance in relation to the projected reactivation of idle mills in the Elliot Lake area.

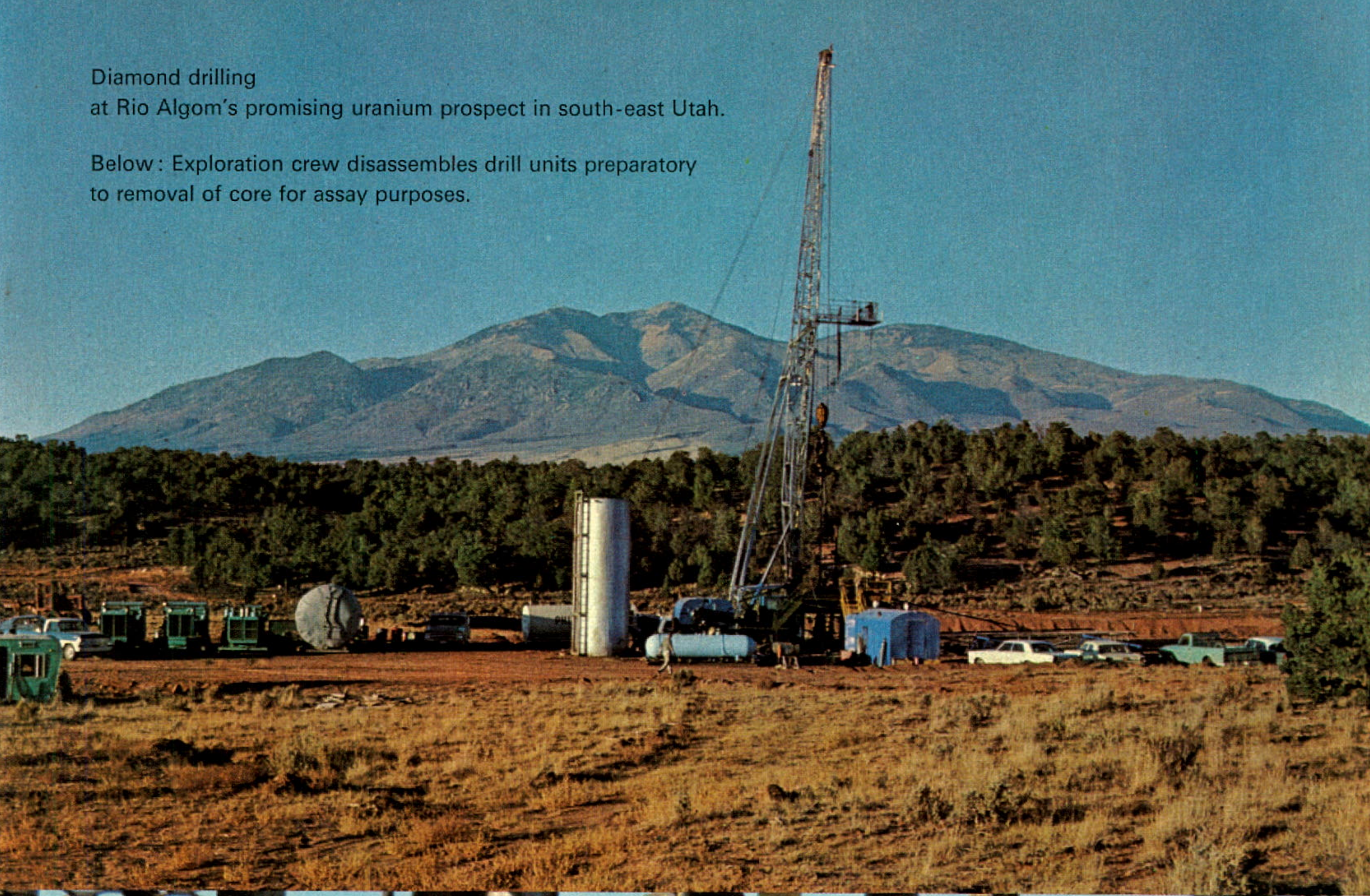
Employee Relations

At the year-end, there were 1,774 employees in the Mining Division (including all consolidated subsidiaries) of whom 1,286 were production workers and 488 were engaged in executive, administrative and clerical functions.

Hourly wage rates were increased by 4½% at the Nordic and Quirke mines during the year. The Pronto hourly

Diamond drilling
at Rio Algom's promising uranium prospect in south-east Utah.

Below: Exploration crew disassembles drill units preparatory to removal of core for assay purposes.



Main test area at Lornex copper-molybdenum prospect in British Columbia. In centre are shaft head frame and open pit which provide test material. In the background is the crushing-sampling plant.

wage rates were increased by approximately 4% and those at Mines de Poirier by 6% as a result of contracts negotiated in 1966.

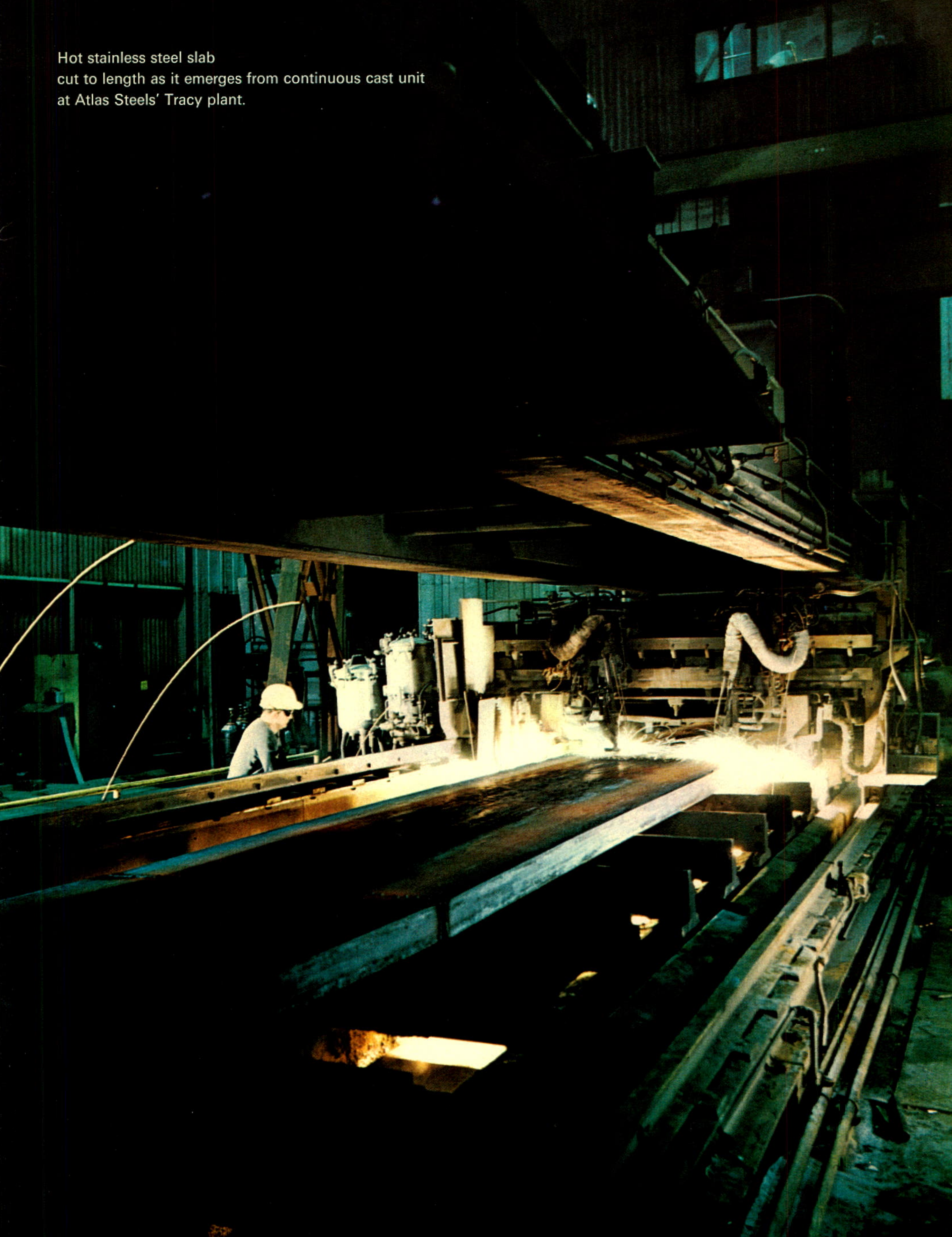
Labour relations were generally good although there were strikes of short duration at the Nordic, Quirke and Pronto mines. No collective agreements were negotiated during the past year. The current agreements covering the Company's uranium mines at Elliot Lake and the copper-zinc operation at Mines de Poirier expire in 1968.

Labour supply was adequate in most instances although periodic shortages of skilled miners and tradesmen were encountered.

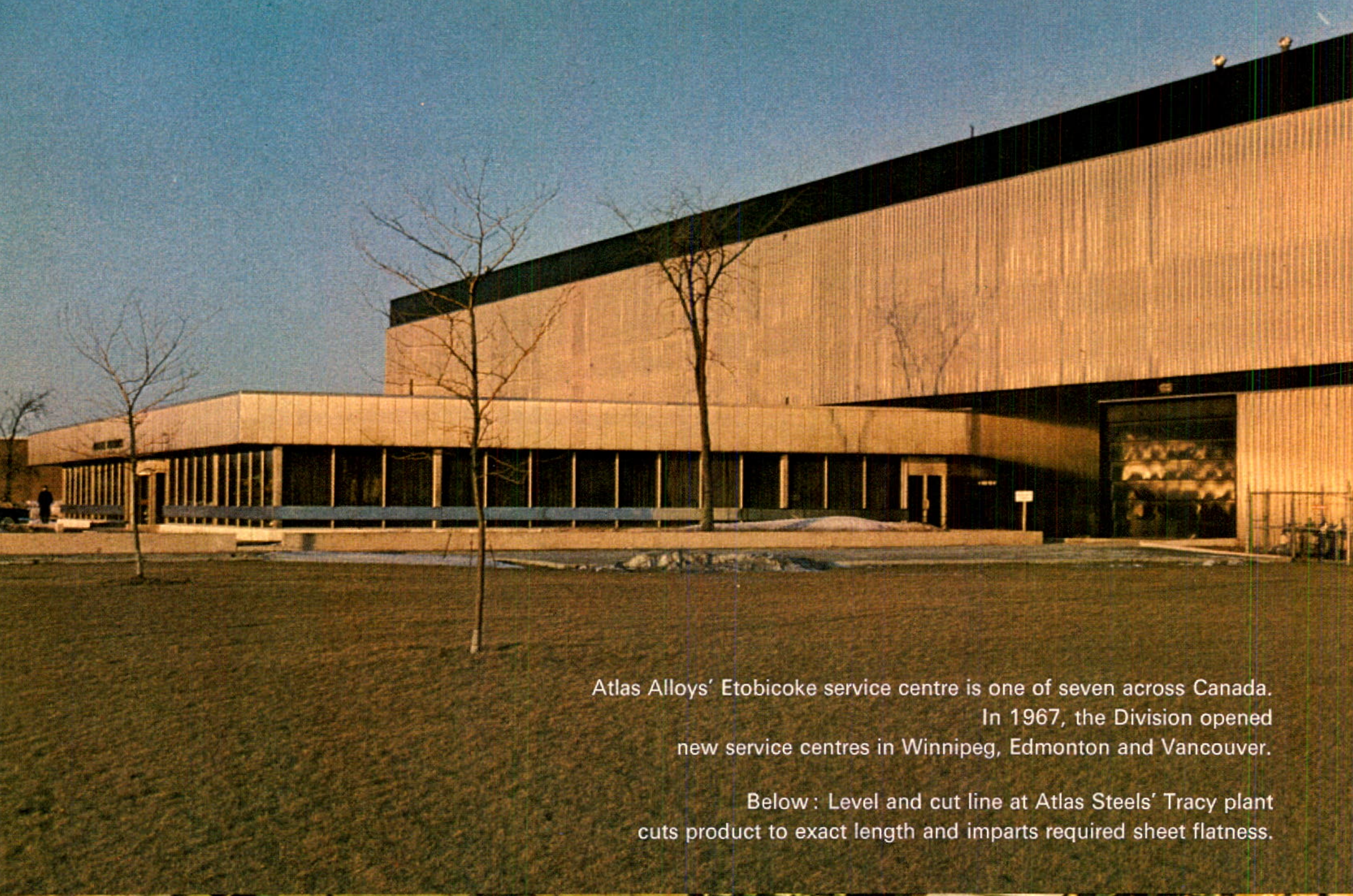
Steel Division

The Steel Division profit before income taxes for 1967 was \$3,785,000, as compared with \$2,674,000 in 1966, an increase of \$1,111,000. The profits in each year are stated after deduction of amortization of \$1,047,000 in each year, representing the annual charge for the excess of acquisition cost over adjusted book value of the Atlas Steels assets purchased as at December 31, 1962.

Total sales of all products, including metal products purchased by warehousing subsidiaries for re-sale, were \$105,025,000 in 1967, which were approximately the same as in 1966. Shipment of flat rolled products from the Tracy mill increased substantially and the product mix

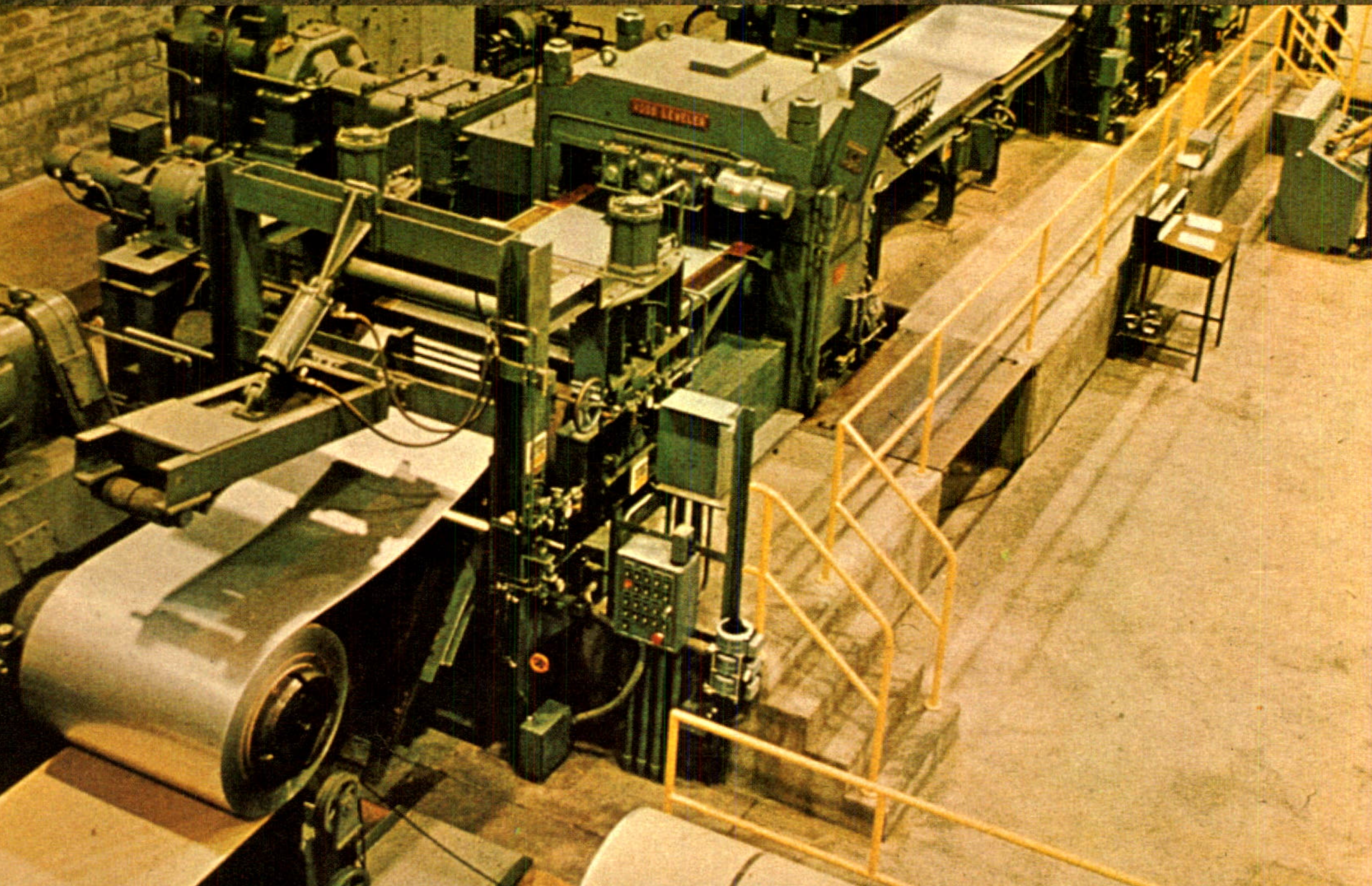


Hot stainless steel slab
cut to length as it emerges from continuous cast unit
at Atlas Steels' Tracy plant.



Atlas Alloys' Etobicoke service centre is one of seven across Canada. In 1967, the Division opened new service centres in Winnipeg, Edmonton and Vancouver.

Below: Level and cut line at Atlas Steels' Tracy plant cuts product to exact length and imparts required sheet flatness.



improved at the Welland mill. These gains offset a decline in tonnage shipped from Welland and somewhat lower sales from the warehousing subsidiaries.

The net increase in Steel Division operating profit is attributable in large measure to the increased output and operating improvements of the Tracy plant. This improvement was partly offset by a reduction in the profits of the warehousing subsidiaries as a group.

Manufacturing

The Welland plant operated at high capacity for the first eight months of the year. For the balance of the year, production was somewhat curtailed due to a softening in the market and a drop in the rate of incoming orders. Net sales value per ton was higher as a result of continuing progress towards development of a richer product mix in this plant. Unit costs of labour and materials increased but these increases were modified by cost reduction programmes. Improved production control procedures have resulted in better scheduling and delivery performance together with higher plant efficiency and better balance of in-process inventories.

At the Tracy plant, manufacturing costs per ton were reduced over a wide range of plant operations; tonnage manufactured and sold increased; and a selective approach both to product range and market area resulted in slightly higher net sales revenue per ton. Improvement in over-all operating results was, therefore, substantial.

All units and equipment presently installed at the Tracy mill are performing as scheduled. The only unit not yet scheduled for full production is the hot planetary mill which is now performing well mechanically and is operating regularly on trial rollings which are being carried out for quality evaluation and development of rolling technique. This unit will be employed in the production stream on a progressively increased basis during 1968, and will be brought into full production as rapidly as the orderly refinement of rolling techniques permits.

An open house was held at Tracy in November, 1967 at which several hundred distributors, customers and other guests were present and were shown the mill in full commercial production.

Marketing

Further progress has been made in the integration of the Canadian warehousing system under the management of Atlas Alloys. New warehouses have been opened in Winnipeg, Edmonton and Vancouver, replacing smaller and inadequate warehouses. In addition to these new facilities, Atlas Alloys operates warehouses in Toronto, Montreal and Windsor.

Sales of this Division decreased by approximately 6% from 1966, which reflected the slowdown in the level of business activity in Canada, and earnings were consequently lower.

Earnings of the foreign warehousing companies improved in the aggregate as compared to 1966. Economic conditions in many of the countries in which the Steel Division operates were unsettled in 1967. Some decline in overall sales volume took place, but the effect of this was more than offset by reductions in operating costs of the foreign subsidiaries.

Devaluation of the pound sterling in November, 1967, and the devaluations of other currencies which this brought about are too recent to have had an impact on the Steel Division operations as yet. However, British steel mills may become more competitive and aggressive in many of the markets in which Atlas operates.

Atlas Titanium

This division recorded another substantial gain in sales volume and earnings. Sales include titanium metal and super-alloys converted by Atlas for other manufacturers. The bulk of the business is with the aircraft and aerospace industries in the United States, although promising new business is being developed in Canada, the United Kingdom and Australia. The future for this division continues to look promising.

Research and Development

Research undertaken during the year included preliminary work on the development of superior high temperature steel, and examinations of alternative methods of melting to select for further study those which, in the long term, might be appropriate for Atlas Steels.

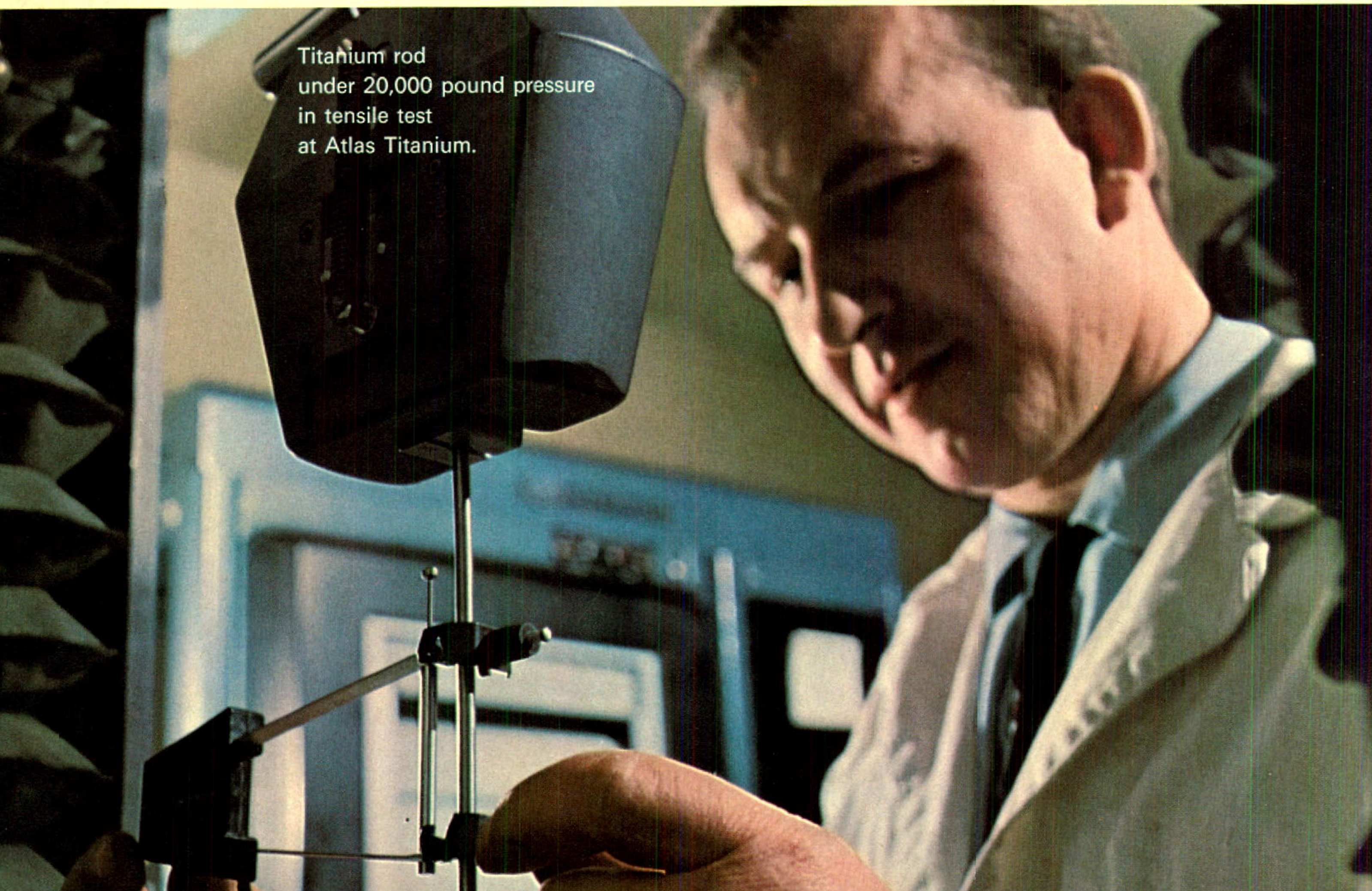
Metallurgical emphasis was directed towards supporting the programme to upgrade the product mix at the Welland plant and ensuring that quality standards remained competitive throughout the entire range of Atlas products.

Employee Relations

The Steel Division employed 3,347 people at December 31, 1967, of whom 2,051 were engaged in production activities, 622 were in sales and marketing, and 674 were performing executive, administrative or clerical functions.

The labour contract covering hourly rated employees at the Tracy plant, who are members of the United Steelworkers of America, expired in 1967. As a result of an initial disagreement over contract terms, there was a work stoppage which lasted approximately two weeks. Negotiations were resumed and a new contract was signed covering a period of two and a half years, providing increases of approximately 54 cents per hour per employee over the contract period.

The agreement between the Company and the Canadian Steelworkers' Union representing the Welland plant hourly-rated employees expired on February 17, 1968. Contract negotiations with the Canadian Steelworkers' Union were in progress at year-end and are continuing.



Titanium rod
under 20,000 pound pressure
in tensile test
at Atlas Titanium.

Miscellaneous Corporate Information

Head Office	120 Adelaide St. West, Toronto 1, Ontario, Canada
Principal Bankers	Canadian Imperial Bank of Commerce, Toronto
Solicitors	Fasken & Calvin, Toronto Strasser, Spiegelberg, Fried & Frank, New York
Auditors	Coopers & Lybrand, Chartered Accountants, Toronto
Registrars and Transfer Agents	Common Shares Canada Permanent Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver The Canadian Bank of Commerce Trust Company, New York Preference Shares and Series "C" Warrants Canada Permanent Trust Company, Toronto, Montreal, Halifax, Winnipeg and Vancouver
Shares Listed	Toronto Stock Exchange, Toronto Montreal Stock Exchange, Montreal American Stock Exchange, New York

Principal Overseas Associates

United Kingdom

The Rio Tinto-Zinc Corporation Limited
6 St. James's Square, London, S.W.1
Imperial Smelting Corporation Limited
1 Redcliffe Street, Bristol
RTZ Metals Limited
6 St. James's Square, London, S.W.1
Capper Pass & Son Limited
Melton Works, North Ferriby, Yorkshire
Borax (Holdings) Limited
Borax House, Carlisle Place, London, S.W.1

Commonwealth of Australia

Conzinc Riotinto of Australia Limited
The Zinc Corporation Limited
New Broken Hill Consolidated Limited
The Broken Hill Associated Smelters Pty. Limited
Sulphide Corporation Pty. Limited
Comalco Industries Pty. Limited
Hamersley Iron Pty. Limited
Mary Kathleen Uranium Limited
CRA Engineering Pty. Limited
95 Collins Street, Melbourne, C.1

Republic of South Africa

The Rio Tinto Mining Company of South Africa Limited
Palabora Mining Company Limited
50 Commissioner Street, Johannesburg

Rhodesia

Rio Tinto (Rhodesia) Limited
Pearl Assurance House
Jameson Avenue, Salisbury

United States of America

The Pyrites Company, Inc.
P.O. Box 1188, Christina Avenue
Wilmington, Delaware 19899

Alloys and Chemicals Corporation
4365 Bradley Road, South West
Cleveland 9, Ohio 44109

Ireco Chemicals
870 West 2600 South
Salt Lake City, Utah 84119

United States Borax & Chemical Corporation
3075 Wilshire Boulevard, Los Angeles
California 90005

Spain

Compania Espanola de Minas de Rio Tinto, S.A.
Alcala 95, Madrid 9

Rio Tinto Patino, S.A.
Zurbano 76, Madrid 3

Rio Algom

Rio Tinto

Cover illustrates three of Rio Algom's
principal areas of operation.
Clockwise from upper right—exploration, mining,
and production of stainless steels and
specialty metals.

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