Rio Algom
Rio Tinto

RIO ALGOM MINES LIMITED

Annual Report 1973

Rio Algom Mines Limited

120 Adelaide Street West
Toronto, Canada
M5H 1W5

DIRECTORS

D. S. Affleck
Partner, Fasken & Calvin, Toronto

G. R. Albino
Executive Vice-President and Chief Operating Officer of the Company, Toronto

W. A. Arbuckle
Chairman, Canadian Board of The Standard Life Assurance Company, Montreal

*R. D. Armstrong
President of the Company, Toronto

J. Ian Crookston
Chairman, Nesbitt, Thomson and Company, Limited, Toronto

*Sir Val Duncan, OBE
Chairman of the Company and Chairman, The Rio Tinto-Zinc Corporation Limited, London, England

J. G. Edison, QC
Counsel to Aird, Zimmerman and Berlis, Toronto

*Sam Harris
Senior Partner, Fried, Frank, Harris, Shriver and Jacobson, New York, U.S.A.

L. A. Lapointe, QC
Chairman and President, Miron Company Ltd., Montreal

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Chairman, Model, Roland & Co., Inc., New York, U.S.A.

F. A. Petito
Partner, Morgan Stanley & Co., New York, U.S.A.

*J. Herbert Smith
Consulting Engineer, Toronto

Sir Mark Turner
Deputy Chairman, The Rio Tinto-Zinc Corporation Limited, London, England

R. W. Wright, CBE
Deputy Chairman, The Rio Tinto-Zinc Corporation Limited, London, England

*Members of the Executive Committee

OFFICERS

EXECUTIVE

Sir Val Duncan
Chairman

R. D. Armstrong
President and Chief Executive Officer

G. R. Albino
Executive Vice-President and Chief Operating Officer

CORPORATE

E. W. Cheeseman
Vice-President, Underground Mining Operations

R. D. Lord
Vice-President, Mining Research and Development

A. F. Lowell
Vice-President, Minerals Marketing

H. A. Pakrul
Vice-President, Controller

J. A. Sadler
Vice-President, Exploration

A. C. Turner
Vice-President, Secretary

J. Van Netten
Vice-President, Treasurer

ATLAS STEELS

A. V. Orr
Vice-President, General Manager

W. A. Thomas
Senior Vice-President

C. E. Ohlson
Vice-President, Marketing

D. V. Roland
Vice-President, Manufacturing

G. L. Sandler
Vice-President, Finance

W. V. Vincent
Vice-President, Sales

ATLAS ALLOYS

W. D. Dobbin
Vice-President, General Manager

LORNEX MINING CORPORATION LTD.

C. W. Reno
Vice-President, General Manager

Annual and General Meeting

The Company will hold an Annual and General Meeting on Friday, April 26, 1974 at 10:00 a.m. Eastern Standard Time, in the Essex Room, Four Seasons Sheraton Hotel, 123 Queen Street West, Toronto, Ontario, Canada.

HIGHLIGHTS
OF 1973 CONSOLIDATED OPERATIONS

($000's omitted)

	1973	1972
Sales	**$ 314,920**	$ 196,165
Net earnings	**$ 52,060**	$ 16,308
Per share of common stock	**$ 4.19**	$ 1.27
Dividends paid on common stock	**$ 8,577**	$ 4,900
Per share of common stock	**70¢**	40¢
Working capital, year end	**$ 133,429**	$ 67,305
Ratio of current assets to current liabilities	**3.4 to 1**	2.0 to 1
Common shareholders' equity	**$ 219,662**	$ 176,547
Total common shares outstanding at December 31	**12,258,639**	12,249,584
Equity per share of common stock outstanding	**$ 17.92**	$ 14.41
Production		
Uranium oxide (Pounds)	**6,165,841**	5,397,047
Copper in concentrate (Pounds)	**129,799,717**	52,680,433
Steel (Tons)	**182,361**	159,439
Number of employees at December 31	**5,450**	5,302

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Directors' Report

TO THE SHAREHOLDERS:

The year 1973 was the most successful in Rio Algom's history in terms of sales and earnings; it was even more significant in terms of progress towards the Company's longer-term objectives of broadening its base as a natural resource developer and increasing the competitive strength of its steel operations.

The improvement in earnings for the year over 1972 was mainly due to the contribution of the Lornex Mining Corporation Ltd. copper-molybdenum mine which was not in production in the first three quarters of 1972, to improved earnings from steel operations and to higher copper and uranium prices. These improvements were partially offset by increased provisions for mining and income taxes substantially attributable to the increased earnings. These factors as they relate to 1973 are described in some detail in the Review of Operations. An appraisal of the Company's current position relative to its objectives and to the future follows in this Directors' Report.

The wholly-owned New Quirke uranium mine and mill in the Elliot Lake area is an efficient and competitive operation. Firm contracts for the delivery of 36,163,000 pounds of uranium oxide assure continuity of its operation at current production levels into the early 1980's. These contracts are well balanced in relation to currently developed production capabilities. The long-term uranium market has strengthened dramatically and in addition the indicated intention of United States authorities to modify laws governing the use of foreign produced uranium in the United States is expected to make this major market available in stages to producers outside of the United States, possibly beginning in the latter part of the 1970's. The Company's multi-mine capabilities at Elliot Lake together with its established contractual position provide a base for expansion as market requirements develop.

The wholly-owned Lisbon uranium mine in Utah is operating slightly in excess of its designed average milling rate of 500 tons of ore per day and is being expanded to a rate of 700 tons per day. Costs have escalated more than anticipated, but the milling capacity expansion, which is being carried out at a modest incremental cost, and other programs are expected to improve the profitability of this operation. The Company holds firm contracts for the delivery of 6,800,000 pounds of uranium oxide from this mine.

The Company further strengthened its position in the international uranium market early in 1974 when it exercised its option to acquire a 10% equity position in the Rossing uranium deposit in South West Africa. This mine, which is scheduled to commence production in 1976, will be a large, low cost open pit operation supported by major long term uranium sales contracts.

The Lornex copper-molybdenum mine in British Columbia, 55.18% owned by Rio Algom, reached its designed average milling rate of 38,000 tons per day in March 1973, and averaged slightly in excess of this rate for the year. Ore grades, recoveries and operating costs were satisfactory. Copper prices began to increase in the early part of 1973 and were at a high level for the remainder of the year. As a consequence, Lornex sales and earnings were at a high level in 1973 and significant progress was made in reducing its debt. This mine was subject to Provincial mining taxes in 1973 but did not become subject to Federal income taxes until January 1, 1974.

The Lornex ore reserves delineated at the time the decision was made to bring the mine into production were 293 million tons of ore having an average grade of 0.427% copper and 0.014% molybdenum. Lornex has undertaken a comprehensive program to define the total ore reserves contained in its property and to determine the optimum mining rate for extraction. As of this date the indication is that significant additional ore reserves contiguous to and beneath the presently planned open pit mine will be identified. It is expected that this program will be completed during 1974.

Rio Algom several years ago initiated an aggressive exploration program for new orebodies. A number of interesting prospects have been identified and will be further examined by drilling and other work in 1974. Preliminary feasibility studies of the Sage Creek coking coal prospect in south-eastern British Columbia and the Lac Roberge asbestos prospect in north-western Quebec will be completed in 1974. If the results continue to be positive, comprehensive and definitive feasibility investigations will be undertaken. It is expected that in the normal course two or more years will be required before a production decision can be taken on either or both of these properties. Expenditures on these activities in 1974 and on an enlarged exploration program in Canada and the United States are planned to be about $6.0 million or approximately double the amount incurred in 1973.

The Atlas stainless and specialty steel operations at the Welland and Tracy plants and the Atlas Alloys metal service centre distribution network achieved record earnings in 1973. The market environment improved and world-wide demand resulted in increased volume for virtually all products. Price increases were instituted on a wide range of products and currency conditions in foreign markets were more favourable than in previous years. These market factors coupled with the continued effects of the profit improvement and product rationalization programs, and continued tight control of expenses, made it possible to improve most unit profit margins.

As described in the Review of Operations section of this report Atlas will commence construction in 1974 of a new steel melting facility at the Welland plant scheduled for completion late in 1976 at a capital cost of approximately $20 million. This modern and flexible facility will replace the existing melt shop. It will be a key factor in improving the long-term profitability of the Welland plant by reducing production costs and providing a basis for increasing plant capacity. The new melt shop will include a highly effective pollution control system costing an additional $2.5 million which will be an important part of the Company's environmental improvement program.

In summary, Rio Algom has reached a mature and reasonably diversified position in respect of its mining and steel operations. The mining operations are based on the Elliot Lake uranium and Lornex copper mines which in current scale are among the foremost in the world and in addition have indicated long-life reserves and potential for expansion. At the long-term uranium price levels now predicted, Rio Algom believes that its Elliot Lake uranium reserves together with those of its associated company, Preston Mines Limited, are as large or larger than those held by any company in North America. The smaller scale Lisbon uranium mine and Poirier copper mine have medium-life reserves. The steel operation has demonstrated that it is efficient and competitive and can be expected to produce satisfactory operating results under reasonable market, currency and regulatory conditions. In addition, the new manufacturing facilities which are presently installed and those which are planned will provide a solid base on which to improve long-term profitability.

The Company's financial position is strong, its debt is relatively low and an adequate cash flow has been developed. These considerations together with an aggressive exploration program, proven operating competence in underground and open pit mining, and in the manufacture and marketing of stainless and specialty steels, place the Company in a position to continue its growth and expansion.

For the future it is reasonable to expect that the uranium market will continue to strengthen. In the case of copper there is no reliable means of forecasting the world price of this metal in 1974 or subsequent years and it should be noted that earnings of Lornex are highly sensitive to the world price of copper. The earnings of the Poirier mine are determined largely by the North American copper price which tends to fluctuate less than the world price. Order backlogs for stainless and specialty steels are at record levels and provide a solid base for successful operations well into 1974.

Bill No. 31, a Mineral Royalties Act, recently introduced by the Government of the Province of British Columbia will, if enacted in its present form, have the direct and immediate effect on Lornex of reducing its earnings substantially in 1974 and subsequent years, curtailing its rate of debt repayment significantly, and reducing the return to its shareholders.

Rio Algom has followed the policy of not providing for income taxes so long as the accumulated amount of depreciation or mine development expenses claimed for tax purposes did not exceed the accumulated amount of such expenses recorded in its accounts. In accordance with this policy, provision was made for deferred income taxes in the amount of $2,800,000 in the third and fourth quarters of 1973. It is expected that a significantly larger provision will be required for the full year 1974. As explained in the Accounting Policies included in the financial section of this report the Company's position with respect to the tax status of the New Quirke mine has not yet been determined.

Among the other factors, the impact of which cannot yet be assessed, that may well bear on the Company's normal activities are the effects of proposed legislation with regard to foreign ownership and Government policy on the Canadian uranium industry.

On February 15, 1974 the following appointments were announced:

Mr. E. W. Cheeseman, formerly Manager, Underground Mining Operations, appointed Vice-President, Underground Mining Operations;

Mr. A. V. Orr, formerly Vice-President and Assistant General Manager of Atlas Steels, appointed Vice-President, General Manager of Atlas Steels;

Mr. C. E. Ohlson, formerly Marketing Manager of Atlas Steels, appointed Vice-President, Marketing of Atlas Steels; and

Mr. W. V. Vincent, formerly General Sales Manager of Atlas Steels, appointed Vice-President, Sales of Atlas Steels.

The year 1973 was successful in terms of operating results, the improvement in operating efficiencies and in the strengthening of the Company's base for long-term growth. The Directors wish to extend their appreciation to the management and employees of Rio Algom and associated companies whose loyal and diligent efforts made this progress possible.

On behalf of the Board,

Toronto, Ontario,
March 1, 1974.

R. D. Armstrong,
President.

Review of Operations

MINING

As reported in the Accounting Policies section of this report the accounts of Lornex Mining Corporation Ltd., which commenced commercial operations on October 1, 1972 and which is 55.18% owned by Rio Algom, are included on a fully consolidated basis in 1973. The 1972 accounts, in which the Lornex operating results were included on the equity accounting basis, have been restated for comparative purposes; net earnings for 1972 are unchanged.

Earnings from the Company's mining operations before providing for interest costs, mining and income taxes and earnings attributable to minority interests were $78,274,000 compared to $22,507,000 in 1972. Total net revenue from mining operations was $151,528,000 compared to $63,576,000 last year. Lornex revenue included therein was $81,829,000 and $8,947,000 respectively.

Revenue and earnings from uranium operations increased over 1972. Although the tons milled at Elliot Lake were slightly lower, the Lisbon mine was in operation for all of 1973 compared to three months in the previous year. The uranium grades were higher at both mines. The impact on copper operations of a full year's production at the large scale Lornex mine and the higher copper prices realized in 1973 were both of major significance. Revenues and earnings from the Poirier mine were also substantially higher as a result of the high copper prices.

URANIUM

Elliot Lake

At the uranium operations at Elliot Lake the tons of ore milled and average tons milled per day in 1973 were lower than in the previous year because of work slowdowns in the mine in March and April while union negotiations were in progress. A shortage of ore available to the mill on April 11 necessitated the temporary shut down of all operations until April 19 when mining and milling operations were resumed. The improvement in mill head ore grade occurred in the course of normal mining operations. A decline is being driven and a conveyor haulage system is to be installed to develop and mine the New Quirke orebody below the eighth level which is serviced by the existing shaft.

Lisbon Mine

At the Lisbon uranium mine in Utah, which commenced commercial operations on October 1, 1972, the milling rate increased steadily during the year and exceeded the designed average rate of 500 tons of ore per day for the last three quarters of the year. The milling rate is being expanded to 700 tons of ore per day at a modest capital cost. Mine ore grade improved during the year but was lower than anticipated.

Operating costs have been higher than expected despite improvement in efficiencies as the operation was brought into balance. The cost of materials and supplies has escalated more than anticipated, particularly for fuel and energy in the latter part of the year. The increased milling rate coupled with profit improvement programs are expected to improve the efficiency of this operation.

Since June 7, 1972 operations have been conducted under a Provisional Permit for Raw Material issued by the United States Atomic Energy Commission. It has been indicated that a normal milling license will be issued in due course.

Comparative production from uranium operations in 1973 and 1972 was as follows:

	Total		Elliot Lake		Lisbon (1)	
	1973	*1972*	1973	*1972*	1973	*1972*
Tons of ore milled (thousands)	1,621	*1,592*	1,419	*1,551*	202	*41*
Average tons milled per day	—	—	4,260	*4,630*	564	*460*
Average recovered grade per ton (lbs.)	—	—	3.4	*3.3*	6.6	*5.4*
Average mill recovery	—	—	95.5%	*95.4%*	92.3%	*90.4%*
Pounds of uranium oxide produced (thousands)	6,166	*5,508*	4,818	*5,158*	1,348	*350(2)*
Pounds of uranium oxide delivered (thousands)	5,463	*4,721*	4,112	*4,471*	1,352	*250*

(1) Commenced operations on October 1, 1972.

(2) Produced during start up period and after commencement of operations.

COPPER

Comparative production from copper operations in 1973 and 1972 was as follows:

	Total		Lornex		Poirier		Anglo-Rouyn
	1973	*1972*	1973	*1972(1)*	1973	*1972*	*1972(2)*
Tons of ore milled (thousands)	14,626	*3,686*	13,987	*2,852*	639	*652*	*182*
Average tons milled per day	—	—	38,320	*30,998*	1,805	*1,836*	*813*
Average mill head grade — copper	—	—	0.422%	*0.429%*	2.4%	*2.2%*	*1.9%*
Average mill head grade — molybdenum	—	—	0.017%	*0.019%*	—	—	—
Average mill recovery — copper	—	—	89.5%	*87.9%*	94.1%	*92.8%*	*97.1%*
— molybdenum	—	—	71.9%	*57.0%*	—	—	—
Pounds of payable copper in concentrate produced (thousands)	129,800	*52,680*	102,180	*20,910*	27,620	*25,558*	*6,212*
Pounds of payable molybdenum in concentrate produced (thousands)	3,481	*581*	3,481	*581*	—	—	—
Ounces of silver produced (thousands)	464	*146*	431	*80*	33	*35*	*31*
Gold produced (ounces)	763	*8,382*	763	—	—	—	*8,382*

(1) Commercial production commenced October 1, 1972

(2) Mining operations were terminated on August 16, 1972

Lornex added another mammoth electric shovel and a 200-ton-capacity dump truck to its array of heavy equipment. The truck is one of the few of that size in the world. Fully loaded it weighs more than 350 tons and is powered by a locomotive diesel engine. Lornex has 22 other haulage trucks carrying ore from the open pit to the crusher. They have a capacity of 120 tons each. The new shovel's capacity is 15 cubic yards (about 15 tons), the same as that of the four other shovels at the mine.

New Quirke uranium mine at night.

Lornex

The copper-molybdenum mine of Lornex Mining Corporation Ltd., which commenced commercial operations on October 1, 1972, reached its designed average milling rate of 38,000 tons per day in March 1973. The results of operations for the year ended December 31, 1973 and the financial position as at that date with comparative figures for 1972, included in Rio Algom's figures on a fully consolidated basis are summarized as follows:

Results of Operations ($000's):

	1973	1972 (note)
Net revenue from production	$ 81,829	$ 8,947
Operating expenses	25,867	5,632
Amortization and depreciation	8,366	1,781
	34,233	7,413
Earnings before interest and taxes	47,596	1,534
Interest costs (net)	10,506	2,749
Earnings (loss) before taxes	37,090	(1,215)
Provincial mining taxes (deferred and current)	5,192	—
Net earnings (loss) for year	$ 31,898	$ (1,215)
Minority shareholders interests in above earnings (loss)	$ 14,293	$ (543)

Note: Commercial production commenced October 1, 1972.

Summary of Financial Position ($000's):

	1973	1972
Cash and receivables	$ 10,009	$ 8,069
Inventories	24,280	7,181
Current assets	34,289	15,250
Current liabilities	13,164	13,149
Working capital	21,125	2,101
Fixed and other assets (net)	135,811	140,887
Long term debt	(112,373)	(133,147)
Deferred mining taxes	(2,715)	—
Net assets	$ 41,848	$ 9,841
Minority shareholders' interest in net assets	$ 18,752	$ 4,400

Lornex earnings were exempt from Federal income taxes until December 31, 1973; provision for such taxes will be made in 1974 on a deferred and/or current basis as applicable.

During the year principal repayments and interest payments on long term debt totalled $26,658,000 and $8,487,000 respectively. In January and February 1974 additional bank loan repayments of $9,306,000 were made, which reduced the principal amount of the original $60,000,000 loans to $24,289,000. Net capital expenditures in 1973 totalled $3,290,000.

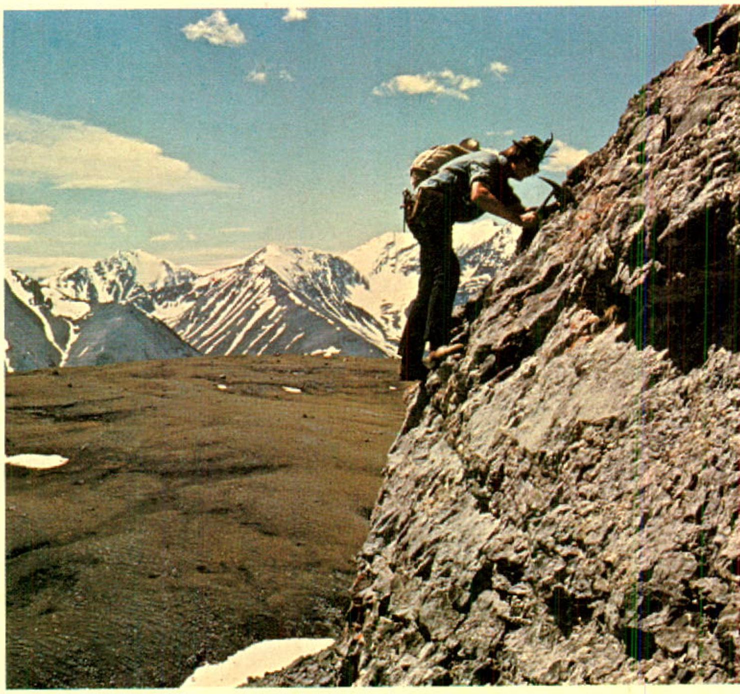
The program initiated in 1973 with regard to determination of ore reserves and the optimum mining rate is described in the Directors' Report.

Mines de Poirier

The improvement of average mill head grade occurred in the course of normal mining operations. The higher mill recovery reflects a full year's operation of the regrind mill which was installed in the latter part of the previous year. Drilling from underground over the past several years has not resulted in the discovery of extensions to the known orebodies.

Mountain climbing is part of a day's work in geological mapping in Western Canada.

A lady geologist logs core samples in Nova Scotia.



EXPLORATION

Exploration expenditures by Rio Algom and its subsidiaries were $3,125,000 compared with $2,447,000 in the previous year. The level of expenditure reflects the continuation of the long-term exploration programs initiated several years ago in the search for new orebodies in Canada and the United States. Under these programs a number of interesting prospects warranting more detailed investigation have been identified and expenditures for examination of these prospects have increased.

Rio Algom exploration crews were active across Canada and the United States in 1973. Here supplies are air lifted to a field team in north-east British Columbia.

Bulk sampling underway at the Sage Creek coal prospect.

The long-term program initiated in 1967 directed primarily at identification of porphyry copper deposits was continued and the search has been extended northward into the Yukon and the Northwest Territories in Canada and to Alaska in the United States. This program has also been enlarged to include exploration for zinc and other minerals. During the year the search for uranium prospects in the United States was continued.

Plans for carrying out preliminary feasibility studies of the Sage Creek coking coal prospect and the Lac Roberge asbestos prospect and the level of expenditures related to these projects and for general exploration in 1974 are set forth in the Directors' Report.

RESEARCH AND DEVELOPMENT

In 1973 research and development work continued to be directed toward reducing mining and milling costs. The main efforts involved studies with regard to preconcentration of uranium ore and uranium recovery from waste water and tailings solution as well as projects related to protection of the environment.

EMPLOYEE RELATIONS

At December 31, 1973 there were 2,012 employees engaged in mining operations of whom 1,512 were engaged in production and 500 were engaged in executive, technical, administrative or clerical functions.

Other than a work slow down at Elliot Lake, a work stoppage for one and one half days in July and an eight day work stoppage in October at Lornex, there were no other strikes or work stoppages during the year. It is considered that employee relations continue to be good.

An agreement with the majority of the hourly rated employees at the Elliot Lake uranium operation, replacing the agreement which expired on January 15, 1973, was concluded on June 14, 1973 and will be in effect until January 15, 1976. Agreements with the employees of Lornex and the hourly rated employees of Mines de Poirier are in effect until June 30, 1974 and December 21, 1974 respectively. The first collective agreement with employees of the Lisbon mine is being negotiated.

In order to help remedy the current shortage of underground miners at the New Quirke uranium mine in Elliot Lake a course to train miners was established in co-operation with Canada Manpower. The new course was started in mid-August with 36 trainees. At mid-January 8 trainees had completed the course and 37 more trainees were participating in the program which is designed to be completed in about 20 weeks.

Rio Algom is concerned about maintaining the quality of the natural environment at all its operations. Four years ago, the Company embarked on a program to grow vegetation on abandoned mine tailings dumps at Elliot Lake. At first, the program met with indifferent success because of high acidity and lack of any nutrients in the tailings. Tailings are the pulverized barren rock left after the extraction of the uranium mineral. With the liberal use of fertilizer and lime and the seeding of a variety of grass and leguminous plants, the situation began to improve in 1972 and showed further improvement in 1973. Top photo shows Pronto tailings area being prepared for seeding. Bottom photo shows engineers examining results at Nordic mine where much of the revegetation work has been concentrated.

STEEL

Earnings from steel operations before interest and taxes were $14,208,000 compared with $3,447,000 in 1972, an increase of $10,761,000. The earnings in each year are stated after deduction of $1,047,000 representing the annual charge for amortization of the excess of acquisition cost over adjusted book value of the Atlas Steels assets purchased as at December 31, 1962. Total sales, including metal products purchased from others by the Atlas Alloys metal service centres for resale, amounted to $163,392,000, an increase of $30,803,000.

The substantial increases in sales and earnings achieved in 1973 were due mainly to operational improvements that have been made, to strong world-wide demand throughout the year for stainless and specialty steels in both domestic and export markets and to increases in selling prices which were instituted during the year on a broad range of products.

ATLAS STEELS

Marketing and Distribution

World-wide demand for stainless, specialty and low alloy steels strengthened during the year and sales volume for virtually all products reached record levels. The demand for products at times outstripped manufacturing capacity and equitable distribution allocation was required. Product rationalization programs initiated in prior years resulted in an improved product mix.

Although the Federal Government found that stainless flat rolled steel from Sweden and alloy tool steel bars from Sweden and Austria were being dumped into Canada during the year ended March 31, 1972, as alleged, an anti-dumping Tribunal ruled on September 18, 1973 that injury was not being caused to Canadian producers of like goods at the time of the ruling, the decision being influenced by the current buoyant market conditions. However, the Tribunal undertook to monitor all stainless flat rolled steel imports, to review the matter within 16 months, and to review at any time dumping conditions in certain tool steels that may be prejudicial to Canadian production.

During the year price increases were instituted on a wide range of products. As a result of these increases and more favourable currency conditions in foreign markets it was possible to improve most unit profit margins despite rising costs. Steel scrap costs rose steadily through the year and effective November 15 a $20 per ton surcharge was instituted on some grades of steel to recover a portion of these increases.

At the end of the year order backlogs were at record levels.

Manufacturing

Both the Welland and Tracy plants operated virtually at capacity during the year. Ongoing profit improvement programs instituted in 1973 and prior years resulted in significant manufacturing cost reductions but did not offset cost increases.

The level of production at the Welland plant increased during the early part of the year and, following a sixteen day strike in the latter part of April, the plant operated at capacity for the remainder of the year. This level of activity permitted a high utilization of basic facilities and manpower and this, together with improvements in quality and yield, favourably affected the plant's operating performance.

Production at the Tracy stainless steel sheet plant during the year was also at capacity level. Yields were significantly increased and the ongoing improvement program is expected to result in further yield increases in 1974.

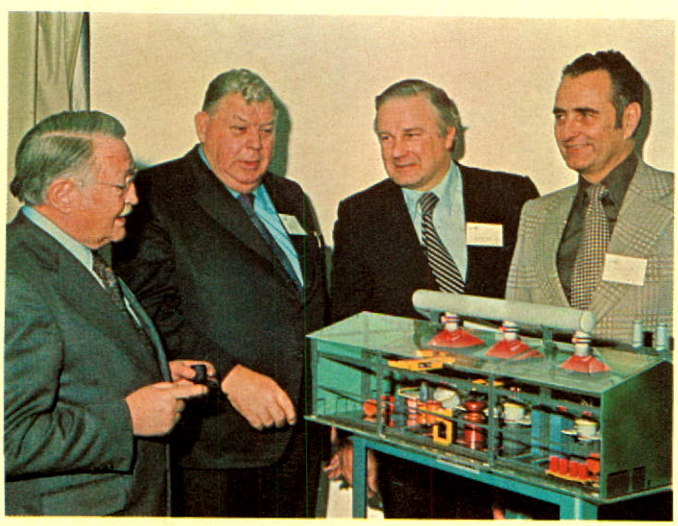
Plans for new capital facilities which will supplement profit improvement and cost reduction plans at both plants are outlined in the Planning section of this report.

Research and Development

The main effort of the research and development group in 1973 continued to be directed to process improvements, operating cost reductions, improved product yield and utilization of lower cost materials.

Planning

The analysis of options available for further rehabilitation and modernization of the Welland plant was continued during the year. As a result of this work, as



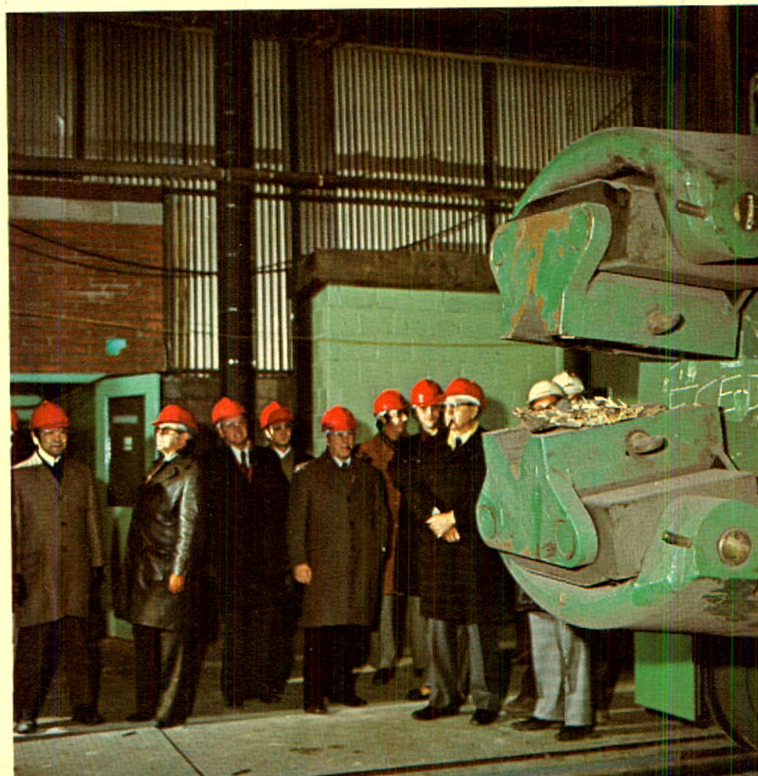
Scale model of Atlas Steel's new $20-million melt shop was a centre of attention when Atlas announced its plans in Welland. An additional $2.5 million will be spent on a pollution control system that will "vacuum clean" virtually all dust particles out of the air exhausted from the furnaces. From the left are Welland Federal Member of Parliament Dr. S. V. Railton, Member of Provincial Parliament Ellis Morningstar, Atlas Vice-President A. V. Orr and Mayor Allan Pietz.

previously announced, a capital program for new production facilities at the Welland and Tracy plants is underway.

The largest expenditure will be for a new steel melting facility, which will replace the existing unit at the Welland plant, scheduled for start-up in late 1976 at a cost of approximately $20 million. The major units will be two 60 ton and one 25 ton high powered electric furnaces and a 65 ton vacuum refining vessel, all of proven design. The facility will provide additional capacity to enable Atlas to keep pace with growing Canadian and world market needs, will reduce production costs and will be a key factor in increasing long-term profitability of the Welland plant. The major portion of the increased capacity is for special quality, low alloy and carbon steels required for automotive, agricultural, mining and construction markets. To protect the environment the melting facility will be equipped with a highly effective pollution control system which will cost an additional $2.5 million.

The capital expansion program also includes installation of a 2,000 ton forging press and a third Sendzimir cold rolling mill and related facilities at Welland. The 2,000 ton forging press which will form steel blocks used for plastic molding and die-casting products was brought into production in February 1974 at a cost of $1.5 million. This press will increase forging capacity well beyond the limits of the existing 1,000 ton unit. The Sendzimir cold rolling mill scheduled for start-up in September 1974 will cost $2.5 million. The installation of this mill will increase the Welland plant stainless strip capacity by some 50 percent.

A vacuum oxygen degassing unit is being installed at the Tracy plant at a cost of $1.3 million. This unit, which will commence operation late in 1974, will increase melting capacity and reduce raw material costs.



After announcement of Atlas' plans for a new Welland melt shop and other equipment, the guests, including representatives of federal, provincial and municipal governments and unions, toured the Welland plant. Here they watch the newly-installed 2,000-ton forge go into operation for the first time. The unit forges ingots weighing up to 15 tons into large bars, slabs, blocks and other shapes. A single operator, housed in an air conditioned control station (top), runs both the forge (middle) and the ingot manipulator (bottom).

ATLAS ALLOYS

During the year the Atlas Alloys metal service centre distribution network was expanded and record earnings were achieved from higher sales of steel products and metal products purchased from others.

In Canada the service centre type business and warehouse processing services were at a high level for the year. Profit margins were improved in a strong market. The Etobicoke service centre in Toronto was expanded and in mid-year the operations of the Toronto Lakeshore centre were moved to and combined with the operations at Etobicoke. The Lakeshore property was sold.

In the United States moderate increases in sales volume and profit margins were achieved in the face of severe competition. It is planned to move the Cleveland service centre operation to larger facilities.

United Kingdom sales were severely hampered by availability of product which limited sales volume to last year's levels. Increases in profit margins were accomplished primarily through the re-direction of effort towards service centre type business and by expansion of capabilities in warehouse service. The effect of the energy problem and corresponding economic uncertainty had begun to affect business levels at year end. During the year a slitter was installed which improved the capability to provide stainless steel flat rolled products in a variety of widths required in this market.

Australian operations continued at a high level throughout the year and increases were achieved in sales volume and profit margins in a relatively strong market. The wire-drawing facilities operated at full capacity, sourcing problems were largely overcome, and some non-repetitive gains were experienced through international currency revaluations. The Melbourne facility is being expanded to provide additional wire drawing capacity and improve general efficiency.

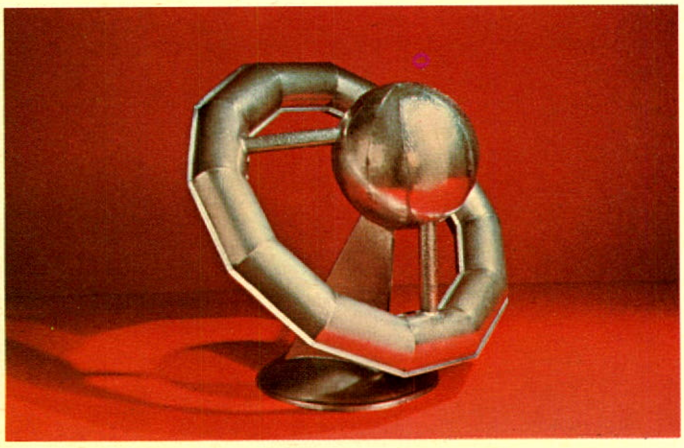
In Mexico sales volume was increased substantially and profit margins improved in a strong market. Market conditions improved in Europe and South America but sales were limited by availability of product.

Sales orders were at record levels at the end of the year.

EMPLOYEE RELATIONS

As of December 31, 1973 there were 3,266 employees engaged in steel operations of whom 1,995 were engaged in production, 602 in sales and marketing and 669 in executive, administrative or clerical functions. Employee relations continued to be good and apart from the strike referred to below there were no other strikes or work stoppages.

A collective agreement with the Welland plant hourly rated employees, expired on February 17, 1973 and, after a sixteen day strike which began on April 16, a new agreement was concluded on May 2, 1973 to be effective until February 17, 1976. A collective agreement with the Welland office and technical employees expired on August 31, 1973; a new agreement was concluded on November 12, 1973 to be effective until August 31, 1976. At the Tracy plant the agreement with hourly rated employees is in effect until November 30, 1975; the agreement with the office and technical employees expired on February 1, 1974 and the employees have applied for conciliation.



An unusual application for Atlas' Ezeform stainless: Globe and Orbital Ring was the winning entry in a nationwide contest sponsored by Atlas Steels and the International Nickel Company of Canada. Wayne Sarman, of J. K. Campbell Associates, Edmonton, won in the competition conducted among 250 firms engaged in the fabrication and installation of sheet metal roofing components. Contestants were required to fabricate their entries from two 16-inch by 36-inch pieces of Atlas Ezeform, a pliable, random patterned stainless product widely used for sheet metal and roofing applications.

FINANCIAL

As previously stated the accounts of Lornex Mining Corporation Ltd., which commenced commercial operations on October 1, 1972 and which is 55.18% owned by Rio Algom, are included on a fully consolidated basis in 1973 and the 1972 accounts, in which the Lornex operating results were recorded on the equity accounting method, have been restated for comparative purposes. The Lornex Trust Deeds and Indentures prohibit the payment of dividends by Lornex until all loans and accrued interest have been paid in full.

Consolidated net earnings for 1973 were $52,060,000 as compared with net earnings of $16,308,000 for 1972. The net earnings are after providing for the minority interest of $14,293,000 in Lornex net earnings for 1973 and after adjusting for the minority interest of $543,000 in the net loss incurred by Lornex from operations in the three months ended December 31, 1972. Net earnings per common share were $4.19 in 1973 and $1.27 in 1972; in both cases the earnings per share are stated after provision for dividends on preference shares and are based on the weighted average number of shares outstanding during the year.

During 1973 dividends of $753,000 on preference shares and $8,577,000 on common shares were paid. Total dividends paid on common shares in 1973 were 70¢ per share comprising dividends of 20¢ and of 50¢ per common share paid on June 28, 1973 and December 27, 1973 respectively. In 1972 total dividends paid on common shares was 40¢ per share.

During the year principal repayments and interest payments on bank loans and long term debt totalled $32,258,000 and $12,708,000 respectively. Principal repayments include an amount of U.S. $5,600,000 repaid on the U.S. $19,600,000 borrowed to finance the construction of the Lisbon uranium mine in Utah; the balance of U.S. $14,000,000 was converted from a current to a term loan basis. In addition the Company purchased $3,440,000 principal amount of 5¾% debentures for cancellation. During the year net expenditures on capital projects were $9,251,000. The net excess of assets over liabilities increased to $232,409,000 from $190,031,000.

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, 1973 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with the requirements of Section 212 of the Companies' Act of British Columbia in our opinion due provision has been made for minority interests.

Toronto, Canada,
February 22, 1974.

COOPERS & LYBRAND
Chartered Accountants

ACCOUNTING POLICIES

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Lornex Mining Corporation Ltd. and all other significant subsidiary companies. Prior to 1973 the investment in Lornex was recorded on the equity accounting method. While the consolidated net earnings are unchanged the 1972 figures as previously reported have been adjusted to the 1973 consolidation basis for comparative purposes.

The accounts in foreign currencies are stated in Canadian dollars on the following basis:

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

VALUATION OF INVENTORIES AND CONCENTRATES AWAITING SHIPMENT

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

Concentrates awaiting shipment are valued at estimated realizable metal prices.

DEPRECIATION AND AMORTIZATION

The following accounting policies are being followed in connection with the depreciation charges of the Company:

(i) Mining fixed assets:
Depreciation is being provided on fixed assets on the basis of the shorter of physical life or economic life, as estimated for the individual mining units, the economic life to be adjusted from time to time as conditions warrant.

(ii) Steel fixed assets:
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	6⅔% per annum

Mining properties and preproduction expenditures are being amortized on the same basis as depreciation is provided on mining fixed assets.

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 will end in 1982.

DEVELOPMENT PROJECTS AND EXPLORATION

Development projects are carried forward as assets while the projects are considered to be of value to the Company. All exploration expenses have been written off.

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. However, deferred income taxes have been provided for by the Company in 1973, since to the end of the year the accumulated amounts of depreciation and mine development expenses claimed for income tax purposes exceeded the accumulated amounts recorded in the accounts. Deferred tax accounting procedures are also being followed by the Company's subsidiary, Lornex Mining Corporation Ltd.

Under applicable Canadian income tax legislation, income from new mines was tax exempt for a period of three years from the date of commencement of commercial production; accordingly, the Company has applied for a tax free period for its Quirke II mine. The application has not yet been ruled on by the Federal Income Tax authorities. The Company's tax advisers are of the opinion that the circumstances of the application are such that the Company should expect a tax free period to be granted in respect of the Quirke II mine. In the event that the tax free period is not granted the Company would have been subject to income taxes payable of $4.2 million in respect of 1973 and the provision for deferred income taxes would have been increased by $7.5 million, of which $4.0 million relates to 1972 and $3.5 million relates to 1973.

A recent decision of the Federal Court of Appeal in the case of another taxpayer (presently under appeal in the Supreme Court of Canada) raises the possibility that a material portion of the income previously reported by the Company and Lornex as being exempt under the provisions of the Income Tax Act may be subjected to tax. There is no satisfactory precedent upon which to base an estimate of any additional income taxes in the event the Supreme Court establishes a different method of calculation of the tax exempt income.

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

RIO ALGOM MINES LIMITED

Consolidated Statement of Financial Position

DECEMBER 31, 1973

($000's omitted)

	1973	1972
CURRENT ASSETS:		
Cash and short term deposits	**$ 20,098**	$ 16,239
Receivables and prepaid expenses	**57,466**	36,989
Due from affiliated companies	**2,750**	51
Inventories and concentrates awaiting shipment (note 2)	**108,798**	79,655
Total	**189,112**	132,934
Less:		
CURRENT LIABILITIES:		
Bank loans	**7,232**	26,418
Accounts payable and accrued liabilities	**31,325**	27,543
Mining and income taxes	**9,103**	4,363
Long term debt due within one year (note 5)	**8,023**	7,305
Total	**55,683**	65,629
WORKING CAPITAL	**133,429**	67,305
Plant and equipment, less depreciation (note 3)	**162,052**	168,946
Mining properties and preproduction expenditures, less amortization (note 4)	**56,038**	61,379
Excess of acquisition cost over adjusted book value of Atlas Steels assets, less amortization	**9,418**	10,465
Settlements receivable — 1974	**—**	6,903
TOTAL ASSETS LESS CURRENT LIABILITIES	**360,937**	314,998
Deduct:		
Long term debt (note 5)		
Rio Algom Mines Limited	**27,712**	30,000
Subsidiary companies	**76,458**	90,503
Deferred mining and income taxes	**5,515**	—
Minority shareholders' interests in subsidiary companies	**18,843**	4,464
	128,528	124,967
EXCESS OF ASSETS OVER LIABILITIES	**$ 232,409**	$ 190,031
OWNERSHIP EVIDENCED BY:		
Capital stock (note 6)	**$ 85,427**	$ 85,921
Contributed surplus	**19,797**	19,655
Retained earnings	**127,185**	84,455
Total	**$ 232,409**	$ 190,031

Approved on behalf of the Board:

J. H. SMITH, Director   R. D. ARMSTRONG, Director

Consolidated Statement of Earnings

YEAR ENDED DECEMBER 31, 1973

($000's omitted)

	1973	1972 (note)
REVENUE:		
Revenue from mine production and sales of steel and other products	**$ 314,920**	$ 196,165
Investment and other income	**2,438**	683
	317,358	196,848
EXPENSES:		
Cost of mine production and steel sales	**172,475**	136,168
Selling, general and administration	**30,332**	21,743
Interest	**11,840**	4,733
Depreciation and amortization (note 9)	**20,853**	12,943
Exploration	**3,125**	2,447
	238,625	178,034
	78,733	18,814
MINING AND INCOME TAXES:		
Current	**6,838**	2,935
Deferred	**5,515**	—
	12,353	2,935
Earnings before adjustment for minority interests in subsidiary companies	**66,380**	15,879
Minority interests in profits (losses) of subsidiaries	**14,320**	(429)
NET EARNINGS FOR THE YEAR	**$ 52,060**	$ 16,308
EARNINGS PER COMMON SHARE	**$ 4.19**	$ 1.27

NOTE:

In 1972 the Lornex and Lisbon mines were in operation for only the last three months.

Consolidated Statement of Retained Earnings

YEAR ENDED DECEMBER 31, 1973

($000's omitted)

	1973	1972
BALANCE, beginning of year	**$ 84,455**	$ 73,843
Add:		
Net earnings for the year	**52,060**	16,308
	136,515	90,151
Deduct:		
Dividends on preference shares	**753**	796
Dividends on common shares	**8,577**	4,900
	9,330	5,696
BALANCE, end of year	**$ 127,185**	$ 84,455

Consolidated Statement of Contributed Surplus

YEAR ENDED DECEMBER 31, 1973

($000's omitted)

	1973	1972
BALANCE, beginning of year	**$ 19,655**	$ 19,581
Profit on purchase of preference shares for cancellation	**142**	74
BALANCE, end of year	**$ 19,797**	$ 19,655

Consolidated Statement of Changes in Financial Position

YEAR ENDED DECEMBER 31, 1973

($000's omitted)

SOURCE OF FUNDS:	1973	1972
Earnings before adjustment for minority interests in subsidiary companies	**$ 66,380**	$ 15,879
Add (deduct) items included in earnings not involving current outlay (receipt) of funds:		
Depreciation, amortization and other charges (net)	**21,714**	14,721
Deferred mining and income taxes	**5,515**	—
Profit on sale of properties	**(505)**	—
	93,104	30,600
Proceeds on sale of properties	**2,186**	—
Reduction in settlements receivable — 1974	**6,903**	—
Bank loans of subsidiaries	**10,500**	24,000
Sale of subsidiary's 8½% Series A Income Debentures	**—**	1,197
Housing loans of subsidiary (net)	**—**	408
Issue of common shares	**242**	—
	112,935	56,205
DISPOSITION OF FUNDS:		
Expenditures (net) for plant and equipment, mining properties and preproduction	**9,251**	33,218
Dividends on preference shares	**753**	796
Dividends on common shares	**8,577**	4,900
Increase in settlements receivable — 1974	**—**	6,903
Purchase of preference shares for cancellation	**595**	342
Reduction of long term debt:		
Rio Algom Mines Limited debentures	**2,288**	2,000
Bank loans of subsidiary	**24,775**	5,900
8¾% Notes of subsidiary	**253**	253
Housing loans of subsidiary (net)	**319**	—
	46,811	54,312
Increase in working capital before the following:	**66,124**	1,893
Reduction in consolidated working capital due to sale of company's interest in Anglo-Rouyn Mines Limited	**—**	1,390
INCREASE IN WORKING CAPITAL	**66,124**	503
Working Capital December 31, 1972	**67,305**	66,802
Working Capital December 31, 1973	**$ 133,429**	$ 67,305

Notes to Consolidated Financial Statements
DECEMBER 31, 1973

1. ACCOUNTING POLICIES

The information on page 15 presents a summary of certain accounting policies and is an integral part of these financial statements.

2. INVENTORIES AND CONCENTRATES AWAITING SHIPMENT

	1973	1972
Mining operations —		
Mine supplies	**$ 7,893,810**	$ 6,663,291
Concentrates awaiting shipment	**53,016,251**	29,465,481
	60,910,061	36,128,772
Steel operations —		
Steel, other metals, raw materials and supplies	**47,888,019**	43,526,260
	$108,798,080	$ 79,655,032

3. PLANT AND EQUIPMENT

	1973	1972
Buildings, machinery and equipment and construction in progress, at cost	**$308,968,297**	$303,251,395
Less accumulated depreciation	**147,972,557**	136,354,031
	160,995,740	166,897,364
Land, at cost	**1,055,783**	2,048,511
	$162,051,523	$168,945,875

Plant and equipment includes $61,139,947 in respect of assets of mines presently idle which have been fully depreciated.

4. MINING PROPERTIES AND PREPRODUCTION EXPENDITURES

	1973	1972
Mining properties, at cost	**$ 9,165,603**	$ 9,145,603
Less accumulated amortization	**6,310,168**	5,956,122
	2,855,435	3,189,481
Preproduction expenditures, at cost less amortization	**53,182,721**	58,189,615
	$ 56,038,156	$ 61,379,096

5. LONG TERM DEBT

(a) Rio Algom Mines Limited:	1973	1972
5¾% Sinking Fund Debentures Series A, maturing on April 1, 1983	**$ 27,712,000**	$ 31,152,000
Less portion included in current liabilities	**—**	1,152,000
	$ 27,712,000	$ 30,000,000

The Company is required to make sinking fund payments for the retirement of the Sinking Fund Debentures in principal amounts as follows:

$2,000,000 on October 1, 1974 to 1978 inclusive; and
2,500,000 on October 1, 1979 to 1982 inclusive.

During the year $3,440,000 principal amount was purchased for cancellation; the 1974 sinking fund requirements have thus been satisfied and $288,000 has been purchased on account of the 1975 requirement.

(b) Subsidiary companies

	1973	1972
(i) Lornex Mining Corporation Ltd.		
Bank loans	**$ 33,595,000**	$ 60,000,000
Less portion included in current liabilities	**4,270,000**	5,900,000
Long term portion (including Can. $5,375,000 payable in U.S. dollars)	**29,325,000**	54,100,000
8¾% Notes	**26,583,233**	26,836,406
Less portion included in current liabilities ($250,000 U.S.)	**253,173**	253,173
Long term portion (1973 — $26,000,000 U.S.; 1972 — $26,250,000 U.S.)	**26,330,060**	26,583,233
8½% Series A Income Debentures due December 31, 1985	**7,996,000**	7,996,000
Housing loans	**358,648**	677,737
Accrued interest on Income Debentures	**1,948,004**	1,145,826
	65,957,712	90,502,796
(ii) Rio Algom Corporation bank loans ($14,000,000 U.S.)	**14,000,000**	—
Less portion included in current liabilities ($3,500,000 U.S.)	**3,500,000**	—
Long term portion ($10,500,000 U.S.)	**10,500,000**	—
Total — subsidiary companies	**$ 76,457,712**	$ 90,502,796

The interest rate on the Lornex bank loans is 1¼% above the minimum commercial lending rate adjustable from time to time by each bank independently; the December 31, 1973 rate was 10¾% per annum.

Under the terms of the Lornex financing agreements 90% of the Lornex net operating profit as defined is to be applied to repayment of the Lornex bank loans until repaid in full and thereafter to repayment of the 8¾% Notes. The cumulative minimum repayments of principal required to be made are as follows:

	Cumulative Minimum Repayments of Principal	
Due in	Lornex Bank Loans	8¾% Notes
1974	$16,300,000	$ 500,000 U.S.
1975	29,300,000	750,000 U.S.
1976	42,300,000	1,000,000 U.S.
1977	54,400,000	1,250,000 U.S.
1978	60,000,000	8,350,000 U.S.
1979	—	21,650,000 U.S.
1980	—	26,500,000 U.S.

To December 31, 1973 repayments totalling $23,904,000 and $250,000 U.S. have been made on the Lornex bank loans and 8¾% Notes respectively, thereby reducing the cumulative minimum repayments shown above by these amounts; the cumulative bank loan repayments of $16,300,000 due in 1974 have thus been more than satisfied. In addition a further prepayment of $2,501,000 was made against the Lornex bank loans bringing the total bank loan repayments during 1973 to $26,405,000.

The 8½% Lornex Income Debentures and the accrued interest thereon may not be paid until the required interest and principal repayments have been made and certain other conditions have been met with respect to the Lornex bank loans and 8¾% Notes. The principal amount of the Income Debentures is to be repaid by way of annual sinking fund payments after all other forms of Lornex long term debt have been paid in full.

The Rio Algom Corporation bank loans are repayable in four consecutive quarterly installments of $875,000 U.S. each due March 31, 1974 through December 31, 1974, eleven consecutive quarterly installments of $312,500 U.S. each due March 31, 1975 through September 30, 1977, and one final installment of $7,062,500 U.S. due December 31, 1977. The interest rate shall be the First National City Bank base rate plus ¾% on amounts due through September 30, 1977 and base rate plus 1% on amounts due December 31, 1977; at December 31, 1973 that base rate was 10%.

6. CAPITAL STOCK

Authorized:

477,473 First Preference Shares with a par value of $100 each, issuable in series

15,000,000 Common Shares without par value

Issued:	1973	1972
127,473 $5.80 Cumulative Redeemable First Preference Shares Series A (134,838 at December 31, 1972) (redeemable at premiums ranging from 4½% to 1%)	**$ 12,747,300**	$ 13,483,800
12,258,639 Common Shares (12,249,584 at December 31, 1972)	**72,679,744**	72,437,504
	$ 85,427,044	$ 85,921,304

(i) During the year:

(a) 9,055 Common Shares were issued for $242,240 cash under a Stock Option Plan; and

(b) 7,365 First Preference Shares were purchased for cancellation; the Company's 1973 and 1974 obligations referred to in Note 7 (iii) below have been fulfilled.

(ii) At December 31, 1973, 90,545 Common Shares were reserved under a Stock Option Plan. Outstanding options have been granted to employees to purchase 65,795 common shares at prices varying from $24.64 to $28.35 per share; these options expire on varying dates from March 30, 1977 to April 13, 1983.

(iii) There are restrictions on the payment of dividends in the provisions attaching to the Preference Shares and the Company's trust indenture relating to the Series A Debentures.

7. COMMITMENTS AND CONTINGENT LIABILITIES

The following commitments and contingent liabilities were outstanding at December 31, 1973:

(i) Estimated total cost to complete capital projects was approximately $10,762,000 (committed $2,465,000). Subsequent to December 31, 1973 a decision has been taken to construct a new melting facility at the Welland steel plant at a cost of $20,000,000;

(ii) Minimum annual rentals upon real property with original lease terms extending beyond December 31, 1976, amounted to approximately $865,000;

(iii) The Company is obligated on April 1 in each year to set aside $300,000 as a retirement fund, to be used to purchase or redeem Preference Shares; and

(iv) Unfunded liability for pension funds at December 31, 1973 was estimated at $3,147,000. This is presently being funded over a period of 15 years as follows:

(i) $384,900 per annum for 1974 and 1975

(ii) $294,800 per annum for 1976 and 1977, and

(iii) $265,700 per annum for 1978 to 1988 inclusive.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year ended December 31, 1973 the aggregate direct remuneration paid or payable by the Company and its consolidated subsidiaries to the Directors and Senior Officers of the Company was $513,670.

9. DEPRECIATION AND AMORTIZATION

This consists of the following provisions:	1973	1972
Plant and equipment	**$ 14,427,197**	$ 9,684,879
Mining properties and preproduction expenditures	**5,378,761**	2,210,619
Excess of acquisition cost over adjusted book value of Atlas Steels assets acquired	**1,047,100**	1,047,100
	$ 20,853,058	$ 12,942,598

Comparative Consolidated Earnings by Operation

YEAR ENDED DECEMBER 31, 1973

($000's omitted)

	1973	1972
MINING (note):		
Revenue from production	**$ 151,528**	$ 63,576
Expenses:		
Cost of production and administration	**55,843**	32,223
Depreciation and amortization	**14,286**	6,399
Exploration expenditures	**3,125**	2,447
Total expenses	**73,254**	41,069
Net earnings from operations before interest and taxes	**78,274**	22,507
STEEL:		
Revenue from sales of steel and other products	**163,392**	132,589
Expenses:		
Cost of sales, selling and administration	**142,703**	122,679
Depreciation and amortization	**6,481**	6,463
Total expenses	**149,184**	129,142
Net earnings from operations before interest and taxes	**14,208**	3,447
CORPORATE:		
Expenses:		
Cost of administration	**4,261**	3,009
Interest	**11,840**	4,733
Depreciation and amortization	**86**	81
	16,187	7,823
Less investment and other income	**2,438**	683
Net expense for the year	**(13,749)**	(7,140)
NET EARNINGS BEFORE MINORITY INTERESTS AND TAXES	**78,733**	18,814
Provision for Mining and Income Taxes:		
Current	**6,838**	2,935
Deferred	**5,515**	—
	12,353	2,935
EARNINGS BEFORE MINORITY INTERESTS	**66,380**	15,879
Minority interests in profits (losses) of subsidiaries	**14,320**	(429)
NET EARNINGS FOR THE YEAR	**$ 52,060**	$ 16,308

NOTE:

In 1972 the Lornex and Lisbon mines were in operation for only the last three months.

Rio Algom Operations and Affiliates

Canada

MINING

Head Office—Toronto, Ontario
New Quirke, Elliot Lake, Ont.
Mines de Poirier, Joutel, Quebec
Lornex Mining Corporation Ltd., Vancouver, B.C., Property at Logan Lake, B.C.

EXPLORATION

Rio Tinto Canadian Exploration Limited, (Riocanex)
Head Office—Toronto, Ontario
Branch Offices—Vancouver, B.C., Noranda, P.Q.

STEEL

Atlas Steels Company, Head Office—Welland, Ontario
Plants at Welland, Ontario and Tracy, Quebec

METAL DISTRIBUTION

Atlas Alloys, Head Office—Toronto, Ontario
Service Centres at Etobicoke, Winnipeg, Montreal, Windsor, Edmonton, Vancouver

United States

MINING

Rio Algom Corporation, Wilmington, Delaware
Property at Moab, Utah

EXPLORATION

Rioamex, Division of Atlas Alloys, Inc., Denver, Colo.

METAL DISTRIBUTION

Atlas Alloys Inc., Head Office—Cleveland, Ohio
Service Centres at Cleveland, Ohio and Detroit, Mich.

Overseas

METAL DISTRIBUTION

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

Principal Associates

Canada

Brinco Limited
Churchill Falls (Labrador) Corporation Limited
One Westmount Square, Montreal, Quebec
Indal Canada Limited
52 Arrow Road, Weston, Ontario

United Kingdom

The Rio Tinto-Zinc Corporation Limited
Anglesey Aluminium Limited
6 St. James's Square, London, SW1Y 4LD
R.T.Z. Europe Limited
R.T.Z. Pillar Limited
Cleveland House, 19 St. James's Square, London, SW1Y 4JG
A. M. & S. Europe Limited
1 Redcliff Street, Bristol, BS99 7JS
Capper Pass & Son Limited
Melton Works, North Ferriby, Yorkshire
R.T.Z. Borax Limited
Borax House, Carlisle Place, London, SW1P 1HT

Commonwealth of Australia

Conzinc Riotinto of Australia Limited
Australian Mining & Smelting Company Limited
The Zinc Corporation Limited
The Broken Hill Associated Smelters Pty. Limited
Sulphide Corporation Pty. Limited
Queensland Alumina Limited
Comalco Limited
Hamersley Iron Pty. Limited
Mary Kathleen Uranium Ltd.
Bougainville Mining Limited
95 Collins Street, Melbourne, 3001, Victoria

Republic of South Africa

Rio Tinto Holdings Limited
Palabora Mining Company Limited
Rossing Uranium Limited
70 Marshall Street, Johannesburg

United States of America

Rio Tinto-Zinc Corporation of America
P.O. Box 1188, Christina Avenue
Wilmington, Delaware 19899
Ireco Chemicals
Suite 726, Kennecott Bldg.,
East South Temple Street,
Salt Lake City, Utah 84111
United States Borax & Chemical Corporation
3075 Wilshire Boulevard, Los Angeles
California 90005

Spain

Union Explosivos Rio Tinto S.A.
Paseo De La Castellana, 20 Madrid 1

Japan

Rio Tinto-Zinc (Japan) Limited
Shin Tokyo Building,
3-1 Marunouchi, 3 Chome, Chiyoda-Ku,
Tokyo 100

Miscellaneous Corporate Information

Head Office	120 Adelaide St. West, Toronto, Ontario, Canada M5H 1W5
Principal Bankers	Canadian Imperial Bank of Commerce, Toronto The Toronto-Dominion Bank, Toronto First National City Bank, New York
Solicitors	Fasken & Calvin, Toronto Fried, Frank, Harris, Shriver and Jacobson, 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 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

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