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ALGOMA STEEL CORPORATION, LIMITED

TWELFTH
ANNUAL REPORT



FOR THE YEAR ENDED
APRIL 30th, 1947



ALGOMA STEEL CORPORATION, LIMITED



DIRECTORS

SIR JAMES DUNN, Bart.	- - - - -	Bathurst, N.B.
HON. T. A. CRERAR	- - - - -	Winnipeg, Manitoba
J. GORDON FOGO, K.C.	- - - - -	Ottawa, Ontario
HARRY S. HAMILTON, K.C.	- - - - -	Sault Ste. Marie, Ontario
JOHN W. HOBBS	- - - - -	Toronto, Ontario
JOHN L. LANG, B.A.Sc., M.E.I.C.	- - - - -	Sault Ste. Marie, Ontario
E. GORDON McMILLAN, K.C.	- - - - -	Toronto, Ontario
JOHN A. McPHAIL, K.C.	- - - - -	Sault Ste. Marie, Ontario
JOSEPH SIMARD, O.B.E.	- - - - -	Montreal, Quebec
LEO H. TIMMINS, M.E.	- - - - -	Montreal Quebec

EXECUTIVE COMMITTEE

SIR JAMES DUNN, Bart.	JOHN A. McPHAIL, K.C.
JOHN L. LANG, B.A.Sc., M.E.I.C.	E. GORDON McMILLAN, K.C.
LEO H. TIMMINS, M.E.	

OFFICERS

SIR JAMES DUNN, Bart.	- - - - -	Chairman and President
JOHN A. McPHAIL, K.C.	- - - - -	Vice-Chairman and Vice-President
J. GORDON FOGO, K.C.	- - - - -	Vice-President
DAVID S. HOLBROOK	- - - - -	Vice-President
TOM GOULD	- - - - -	Executive Assistant to the President
WILLIAM JEFFREY	- - - - -	Secretary
ERNEST W. SHELL	- - - - -	Treasurer
JOHN B. BARBER	- - - - -	Comptroller
LOUIS H. DERRER	- - - - -	General Manager - Steel Works

PRESIDENT'S REPORT

Sault Ste. Marie, Ontario.
November 15th, 1947

To the Shareholders,

ALGOMA STEEL CORPORATION, LIMITED

The Directors herewith submit your Company's audited Balance Sheet and Profit and Loss Account for the year ended April 30th, 1947.

Net Profit for the year amounted to \$1,255,531.86 as against \$1,009,715.88 last year, an increase of \$245,815.98. Profit from operations amounted to \$3,222,859.45 as against \$2,778,157.71 last year, an increase of \$444,701.74 and profit before taxes to \$2,066,839.32 as against \$1,650,913.36 last year, an increase of \$415,925.96.

From the Net Profit of \$1,255,531.86 dividends amounting to \$85,760.00 were paid on Preference Stock leaving a balance of \$1,169,771.86 which has been transferred to Earned Surplus now amounting to \$8,375,448.47.

The Balance Sheet shows working capital of \$10,695,730.42 being \$23,058.57 less than last year. This reduction is after paying \$250,000.00 on account of the liability on Plant Extension, capital expenditures amounting to \$1,033,228.66 and providing \$1,379,655.00 for the redemption of outstanding First Mortgage Bonds on May 1st, 1947 but before providing for the redemption of the outstanding 5% Cumulative Redeemable Preference Stock which was called for redemption on July 1st last. The sum of \$1,758,080.00 for the payment of the principal and accrued dividends of these outstanding shares was duly paid into the Chartered Trust and Executor Company of Toronto for this redemption.

For some years past your Company has operated an efficient Bus Service at Sault Ste. Marie, which now extends 50 miles East and 80 miles North of the City. Recently your Company acquired the bus service of Sault Ste. Marie, Michigan, with the right to operate buses as well as special vehicles to the Kinross Airport where Canadian as well as American Customs are established. Our service to Kinross permits the citizens of the two Sault Ste. Marie cities to take full advantage of this splendid Airport where our own Canadian T. C. A. as well as many American airlines has put the two Sault Ste. Marie cities in air contact with the world and shortened distance from days to hours. For Canada to obtain

Customs privileges at Kinross in the United States of America, 18 miles from the Canadian border, is an achievement of co-operation between two nations deserving the tribute of our people to the Governments who brought it about.

The above developments give our City a new importance which fact decided your Company in July last to acquire the Windsor Hotel which will undergo improvements and extensions.

Your Company's subsidiary Algoma Ore Properties Limited is now in its ninth year of operation and its product "Algoma Sinter" is sold among other centres, in Chicago, Detroit, Cleveland, Pittsburgh, Youngstown and Buffalo. "Algoma Sinter" has made its way from a low to a high classification and the demand for it exceeds capacity. The financial returns are satisfactory.

Just here we wish to express recognition of the services of our friends the M. A. Hanna Company in building up the market for "Algoma Sinter" and for the services of this Company and of Cleveland Cliffs in engineering assistance in the early days of our mining and treatment development, which period presented the usual difficulties of a new undertaking. These two organizations are almost the sole suppliers of the United States ores Algoma Steel purchases in the proportions of approximately 70% from the M. A. Hanna Company and 30% from Cleveland Cliffs. Algoma Ore Properties Limited disposes of its "Algoma Sinter" in the United States through these two organizations in the proportions in which they supply Algoma Steel with ore. This arrangement came into effect in this present year.

We have decided on extensions and underground development at the Helen and the work is now under way having begun in January last. The shaft is down within the period estimated. A fourth sintering unit will be installed and will give us daily sintering capacity in excess of 3,000 tons of sinter. We are also providing increased storage facilities for our sinter during the period of closed navigation. The expenditures will aggregate \$3,000,000 for which no special provision is considered necessary.

Up to now our mining has been open pit at the Helen and Victoria and it is our intention to continue open pit mining at the Victoria for some time to come. From now on increasing tonnage of ore will come from underground operations. The present underground plan is the development of two levels aggregating in depth 656 feet. These two levels are just below the open pit operation which had a depth of 250 feet from the surface. These two levels at the Helen together with a similar underground development at the Victoria and the open pit operation at the Victoria are expected to furnish 22,000,000 tons of ore in the next 25 years. Below these two levels remains 1,294 feet of ore down to the lowest point so far

drilled. It is the opinion of our Vice-President and General Manager, Mr. George MacLeod, as also of the eminent geologists Doctors Tanton and Moore respectively Dominion and Provincial Government geologists that the ore body extends to a considerably greater depth than the 2,200 feet to which it has been drilled. Drilling over the last two years has established the prolongation of the Helen ore body to about double its length at higher levels. The prolongation takes place about 900 feet below surface. The extended ore body is as wide and as rich as the rest of the Helen ore.

Exploration work at our property known as the Bartlett has been under way since June of 1946. For a length of 4,000 feet it has been drilled at two levels 150 feet below surface and 450 feet below surface, the drill-holes being spaced 150 feet apart. For the whole length of 4,000 feet the iron and manganese values average somewhat higher than the Helen itself although the whole ore body is narrower than the Helen. As the ore body proved wider at 450 feet than at the higher drilling we decided two months ago to put down a deep hole about the centre of the property aiming to cut the ore body at a depth of between 1,800 and 2,000 feet if it went that deep. At 2,000 feet we had not reached the ore body and I had begun to wonder whether we had passed under it but our mining authorities assured me we had not done so. On Monday morning last, the 10th November, I was told we were in the ore and we are now in it 92 feet at a vertical depth of 2,400 feet. The analysis of the core so far drawn (68.5 feet) shows it to be substantially richer than any ore we have drilled either in the Helen or the Victoria in iron and manganese. From the fact that it was wider at 450 feet than at 150 feet and much wider in this new hole it would appear that it is a wedge-shaped body of ore and that we are justified in believing it proceeds to a much greater depth. This deep drilling about the centre of the ore body taken in conjunction with the drilling at 150 feet and at 450 feet along the whole 4,000 feet, indicates a vast deposit of the richest siderite iron ore so far discovered in our iron country.

Our property known as the Johnson Location lying a few miles east of the Helen and consisting of 1,153 acres has not been drilled or trenched. From natural outcrops the following samples were taken. When drills are available exploratory drilling will be done. The samples are:

Iron	Silica	Sulphur	Phosphorus	Manganese
39.51	5.07	0.47	.012	2.79
38.47	6.72	1.06	.014	2.48
38.86	9.14	0.46	.016	2.58

The Goulais deposits of Algoma Ore Properties Limited were drilled over a period of years and show more than 150,000,000 tons of magnetite iron ore of desirable quality.

The exhausting iron ore reserves tributary to the Great Lakes Waterways and to 85% of the steel mills of North America demand the working of our Goulais deposits as well as the Helen and Victoria.

I have been authorized by our Vice-President and General Manager, Mr. George MacLeod to say it is his opinion that in the districts which include the Helen and Goulais will be found in excess of one billion tons of iron ore.

In our report of a year ago we stated that Algoma Ore Properties Limited had contracted with Michipicoten Iron Mines Limited to take the latter's production of lump ore and concentrate for a period of seven years. This contract is not presently being fulfilled by the Michipicoten Company.

Your Company's subsidiaries Cannelton Coal & Coke Company and Lake Superior Coal Company—the first in the High Volatile and the second in the Pocahontas field—both fields in West Virginia, have performed throughout the war and during the difficult conditions since prevailing, very important services, procuring for and supplying from their own mines the coal requirements of your Company. These coal properties have in the past dozen years modernized their equipment, enlarged their operations and increased their output, until today they are among the important properties in their respective districts.

They have no fixed charges and have funds in hand to equip an important new property lately acquired as soon as deliveries of material for such equipment can be obtained and labour found to install the same.

It is the purpose of your Company to add to its coal properties as opportunity offers as it is the opinion of your Directors that some control of essential raw materials both coal and ore is vital to a successful iron and steel enterprise.

I must take this opportunity to refer to the splendid organization conducting the business of your two coal companies under the leadership of Mr. Frank O. Harris who has been associated with these companies for more than 35 years.

Your Directors wish to express appreciation and tender their thanks to the officers and employees at the Steel Works, the Mines and the Sintering Plant and the over-all organization centring in the Cornwall Building at Sault Ste. Marie, Ontario for loyal and efficient service.

JAMES DUNN,
President and Chairman,
Board of Directors.

ALGOMA STEEL CORPORATION, LIMITED

BALANCE SHEET as at APRIL 30th, 1947

ASSETS

CURRENT			
Cash	\$ 2,778,198.15		
Bills and Accounts Receivable:			
Employees' Canada Savings Bonds - per contra.....	\$ 186,431.08		
Sundry Debtors	\$ 4,871,381.89		
Subsidiary Companies	10,221.97	4,881,603.86	5,068,034.94
Inventories:			
As determined by the management valued at the lower of cost or market:			
Raw materials, semi-finished products and supplies	6,747,650.55		
Saleable products	478,307.73		
	7,225,958.28		
Advance Payments on Contracts.....	172,694.52	7,398,652.80	\$15,244,885.89
INVESTMENTS			
Subsidiary Companies	1,065,424.01		
Other	36,171.48	1,101,595.49	
PROPERTY AND EQUIPMENT			
Land, Buildings and Equipment	29,040,247.94		
Less: Reserve for Depreciation	12,752,539.97	16,287,707.97	
PREPAYMENTS AND DEFERRED CHARGES			
			218,593.37
FUNDS ON DEPOSIT WITH MONTREAL TRUST COMPANY			
For redemption of First Mortgage Bonds—per contra.			1,379,655.00

\$34,232,437.72

LIABILITIES

CURRENT			
Bank Loan—Secured by Employees' Canada Savings Bonds—per contra	\$ 186,800.00		
Accrued Wages and Salaries.....	465,653.17		
Accounts Payable and Accrued Liabilities:			
Sundry Creditors	\$ 2,419,658.67		
Subsidiary Companies	746,807.37	3,166,466.04	
Current Liability re Plant Extension...		250,000.00	
Unclaimed Dividends		622.81	
Income and Excess Profits Taxes		479,613.45	\$ 4,549,155.47
DEFERRED LIABILITY RE PLANT EXTENSION			
			989,312.93
RESERVES			
For Rebuilding and Relining Furnaces and other Operating Reserves		3,968,429.41	
For Excess Profits Tax		112,063.84	
For Contingencies		35,949.98	4,116,443.23
FUNDED DEBT—per contra			
First Mortgage Bonds—Series "A"..... (Called for Redemption May 1st, 1947)		1,333,000.00	
Interest First Mortgage Bonds—Due May 1st, 1947		33,325.00	
Premium on Redemption of First Mortgage Bonds— Due May 1st, 1947		13,330.00	1,379,655.00
CAPITAL STOCK AND SURPLUS			
* 5% Cumulative Redeemable Preference Stock			
Authorized 27,000 shares of \$100.00 par value			
Issued		26,390 shares	
Less: Purchased and Redeemed 7,078			
Converted into Common Stock 2,160	9,238	"	
Outstanding		17,152	" 1,715,200.00
Common Stock—No par value			
Authorized—1,000,000 shares			
Issued — 412,700 "		10,274,500.00	
		11,989,700.00	
Distributable Surplus		2,832,722.62	
Earned Surplus		8,375,448.47	23,197,871.09

NOTE: Under the provisions of Section 6 (1) (b) of the Excess Profits Tax Act the effect of an inventory reserve has been applied in calculating the current tax liability.

* NOTE: 5% Cumulative Redeemable Preference Stock called for redemption July 1st, 1947.

\$34,232,437.72

Submitted in accordance with attached report dated October 15th, 1947.
BARROW, WADE, GUTHRIE & CO.,
Chartered Accountants.

ALGOMA STEEL CORPORATION, LIMITED

Profit and Loss Account

For the Year Ended April 30th, 1947

PROFIT FROM OPERATIONS		\$ 3,222,859.45
OTHER INCOME		
Interest Earned		1,408.96
		<u>3,224,268.41</u>
INTEREST CHARGES		
On Loans	\$ 25,934.19	
On First Mortgage Bonds	72,978.41	
	<u>98,912.60</u>	
PREMIUM ON BONDS REDEEMED	1,905.00	100,817.60
		<u>3,123,450.81</u>
PROFIT BEFORE DEPRECIATION		3,123,450.81
DEPRECIATION		
Plant and Equipment		1,056,611.49
		<u>2,066,639.32</u>
PROFIT FOR YEAR before providing for Income and Excess Profits Taxes		2,066,639.32
PROVISION FOR INCOME AND EXCESS PROFITS TAXES		811,307.46
		<u>1,255,531.86</u>
NET PROFIT FOR THE YEAR		<u>\$ 1,255,531.86</u>

Earned Surplus Account

Balance at credit April 30th, 1946		\$ 7,205,676.61
Net Profit for the year ended April 30th, 1947	\$ 1,255,531.86	
Less: Dividends on Preference Stock	85,760.00	1,169,771.86
		<u>8,375,448.47</u>
Balance at credit April 30th, 1947		<u>\$ 8,375,448.47</u>

AUDITORS' REPORT



To the Shareholders,
Algoma Steel Corporation, Limited,
Sault Ste. Marie, Ontario, Canada.

We have examined the books and accounts of Algoma Steel Corporation, Limited for the year ended April 30th, 1947, and report that we have received all the information and explanations which we have required.

In our opinion, the attached Balance Sheet and relative Profit and Loss Account are properly drawn up so as to exhibit a true and correct view of the state of the corporation's affairs as at April 30th, 1947, and the result of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

BARROW, WADE, GUTHRIE & CO.,
Chartered Accountants.

Toronto, Ontario, October 15th, 1947.



ALGOMA STEEL CORPORATION, LIMITED

Subsidiary Companies



ALGOMA ORE PROPERTIES, LIMITED (An Ontario Corporation).

ALGOMA STEEL PRODUCTS COMPANY LIMITED (A Manitoba Corporation).

ALGOMA TRAMWAYS LIMITED (An Ontario Corporation).

CANNELTON COAL AND COKE COMPANY (A West Virginia Corporation).

FIBORN LIMESTONE COMPANY (A Michigan Corporation).

LAKE SUPERIOR COAL COMPANY (A West Virginia Corporation).

THE SOUTHERN ALGOMA RAILWAY COMPANY (An Ontario Corporation).

