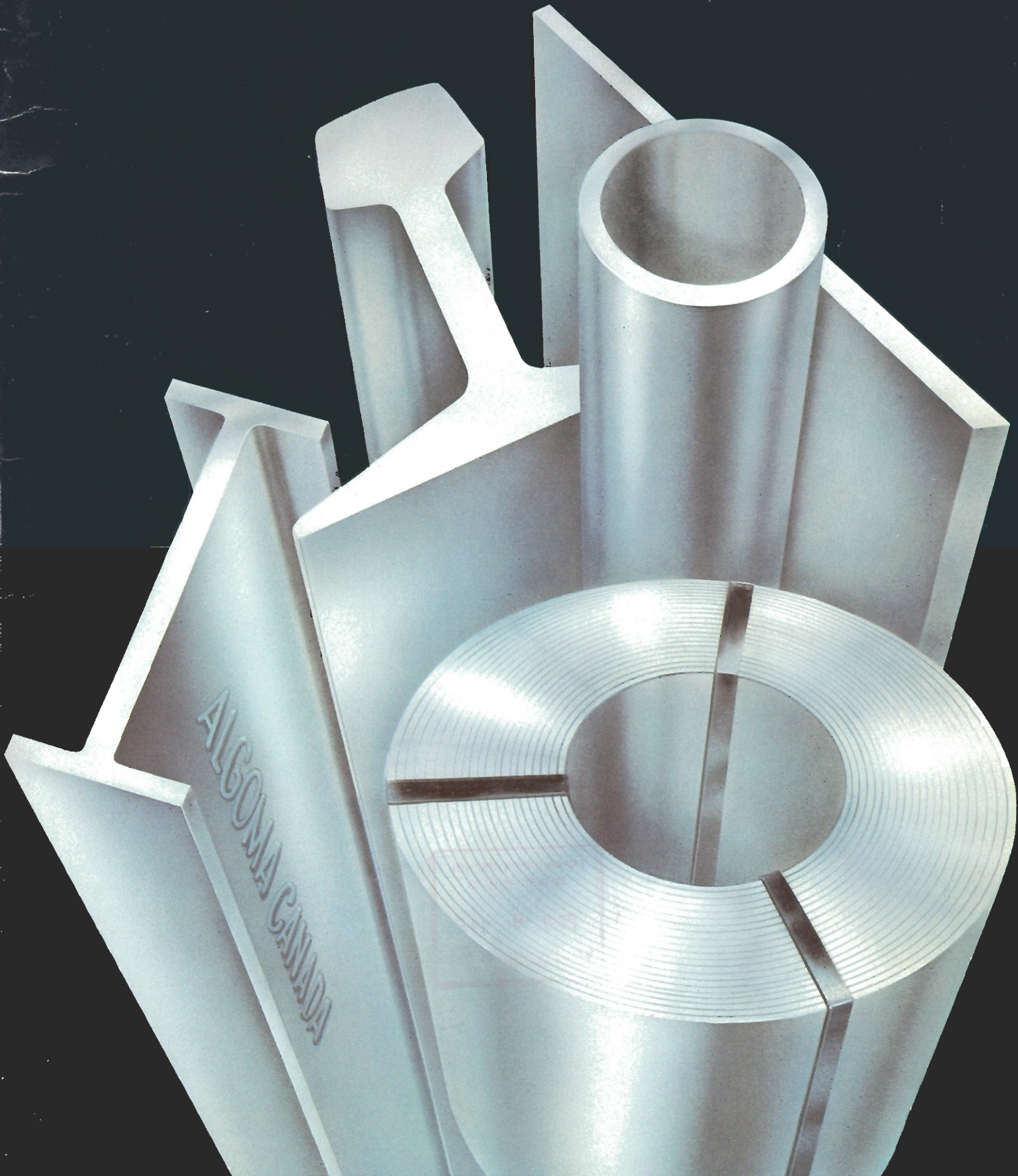


ALGOMA STEEL

ANNUAL REPORT 1984



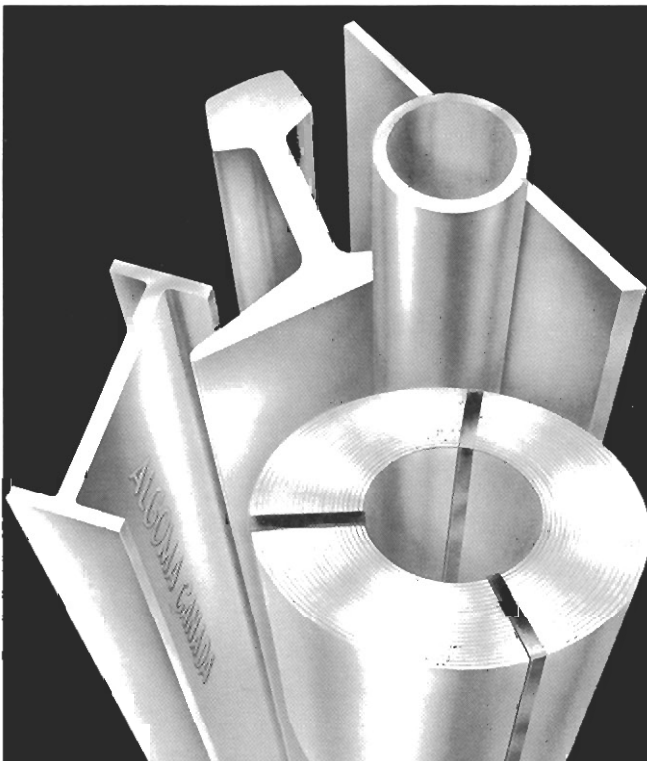
Corporate Profile

Algoma Steel was formed in 1901 as a rail producer supplying the rapidly expanding Canadian and United States railroads. The Corporation was reorganized by Sir James Dunn in 1935 and began to expand its range of products. Today, Algoma is a fully integrated steel producer with five principal product lines consisting of sheet and strip, plate, seamless tubulars, structural shapes and rails. Algoma employs directly and through its United States subsidiaries approximately 9,000 employees.

The Corporation's steelworks and head office are located in Sault Ste. Marie, Ontario. It has regional sales offices in two United States locations and six centres across Canada. Through direct ownership, Algoma can satisfy all its iron ore and the majority of its coal requirements. Iron ore is obtained from mines in Wawa, Ontario and Ishpeming, Michigan and coal from four mining locations in West Virginia. The United States mining operations and tubular sales are conducted through Algoma's principal subsidiary, Cannelton Industries, Inc.

Algoma owns 34 percent of AMCA International Limited, a world-wide producer of a broad range of industrial products and machine tools, construction equipment, and engineering and construction services.

Canadian ownership of Algoma Steel exceeds 98 percent. Canadian Pacific Enterprises Limited, with a 61 percent interest, is the principal shareholder of Algoma.



The cover depicts Algoma's five major product lines consisting of sheet and strip, plate, seamless tubulars, structural shapes and rails.

Highlights

Tons and dollars in millions except per share data	1984	1983
Shipments of steel products (tons)	1,951	1,757
Sales	\$1,104.3	\$ 859.5
Earnings (loss) from operations	\$ 14.9	\$(123.9)
Earnings (loss) before income taxes and equity in earnings of AMCA International Limited	\$ (61.8)	\$(186.4)
Net earnings (loss)	\$ (45.7)	\$(126.6)
- from integrated steel operations	\$ (40.2)	\$(106.9)
- from AMCA International Limited	\$ (5.5)	\$ (19.7)
Per common share		
Net earnings (loss)	\$ (4.37)	\$ (9.50)
Dividends paid in cash	\$ —	\$ —
Book value	\$ 42.28	\$ 46.65
Cash provided from (used for) operations	\$ 73.6	\$ (56.7)
Long term debt as a percent of capitalization	41%	38%
Return on average total investment	(1.4)%	(5.7)%
Return on common shareholders' equity	(9.8)%	(18.4)%
Closing market price		
- 8% tax deferred preference share	\$ 24.50	\$ 24.50
- class B convertible preference share	\$ 23.75	\$ —
- common share	\$ 18.75	\$ 28.25

Annual Meeting

The Annual Meeting of Shareholders will be held at the Algoma Steel Club, 89 Foster Drive, Sault Ste. Marie, Ontario, Wednesday, April 17, 1985 at 2:15 p.m. Eastern Standard Time. Notice of Meeting, an Information Circular and Proxy will be mailed separately to each Shareholder.

Les actionnaires qui désirent recevoir ce rapport en français sont priés d'en faire la demande au Secrétaire, Aciers Algoma Limitée, Sault-Sainte Marie, Ontario.

Executive Offices

503 Queen Street East
Sault Ste. Marie, Ontario
P6A 5P2
(705) 945-2762

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Report to Shareholders

1984 will be remembered as a year of change. Employees will remember the more demanding corporate work ethic and the intensified efforts to achieve new levels of cost and quality improvement. Customers will recall the progressive change to a more reactive and competitive Algoma. The financial community and our shareholders will look back on 1984 as the year in which the Corporation stopped the downward trend and began its recovery.

1984 earnings from operations of \$15 million were the first positive results since 1981 and represented a \$139 million turnaround from the \$124 million operating loss in 1983. After including financial expense and the exchange loss on foreign currency translation, the 1984 pretax loss was \$62 million, an improvement of \$124 million from 1983. The net loss of \$46 million, after including \$5.5 million as Algoma's equity in the loss of AMCA International Limited, was \$81 million lower than in the previous year.

Higher volume, an improved product mix, more effective cost control and greater third-party coal sales were favourable 1984 factors. Sales were up 28 percent and exceeded \$1 billion for the first time since 1981, despite only slight recovery in depressed product prices.

Principal objectives in 1984 were to stop the cash drain, eliminate operating losses, implement new customer service and quality initiatives that would further enhance Algoma's image in the market-place and find a way to complete the new seamless tube mill without impairing the Corporation's financial position.

A comprehensive Plan for Profitability, introduced in mid-1984, provided new momentum to the ongoing effort to cut losses and improve Algoma's cash position. Every area of spending was re-examined and subjected to

more stringent cost reduction objectives against which results were measured. Parallel programs addressed the need for higher productivity, increased volume and an improved product mix. By year-end real achievement was evident and the outlook was positive for a return to profitability. The 1984 net increase in debt was limited to \$14 million compared with \$48 million in 1983 when there was a \$95 million preference share issue.

The requirement to further improve customer service and product quality led to the 1984 introduction of statistical process control (SPC) which will ultimately apply in all areas of the Corporation. A marketing effectiveness study identified new opportunities for increased market penetration through more effective marketing techniques and a better understanding of customer needs. Both initiatives are expected to enhance Algoma's market responsiveness and improve commercial performance.

A systematic review of financing alternatives led to the February, 1985 announcement of an arrangement that will be advantageous to the Corporation. The existing seamless tube mill and the uncompleted new tube mill will be transferred to a partnership which will spend the \$150 million required to complete the new mill and will make technological improvements to the existing mill. As general partner, Algoma will manage the partnership. Canadian Pacific Limited will be the sole limited partner.

1984 also saw further refinement of Algoma's planning capability. A comprehensive computer model, commissioned in 1983, has proven to be a powerful tool in assessing alternate business, facility or marketing strategies and quickly quantifying the impact of any proposed change. We have concluded that Algoma can become a highly cost efficient and quality competitive steel producer by limiting annual raw steel production

to approximately 3 million tons and concentrating on higher value-added products. We have also established an order of priority for undertaking identified steelmaking and rolling mill capital projects.

Although our strategy is clear, we do not discount the difficult challenges facing the North American steel industry. Intense competition, both domestic and offshore, is going to remain a reality. We will need more continuous casting, still higher operating efficiency, lower cost raw materials and less waste.

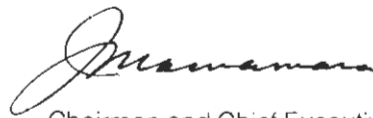
The protection of North American markets from unfairly traded offshore steel imports will be an ongoing responsibility of the Canadian and United States governments. During 1984 the United States reacted to perceived unfair competition by enacting protectionist legislation designed to limit steel imports from various countries. Fortunately, through co-ordinated industry/government action, Canada was able to avoid any quantitative restriction on steel shipments to the United States by defending its position as a fair trader in steel and demonstrating the mutual benefits of two-way trade in steel and raw materials used to produce steel.

As we move into 1985 there are welcome indications that North American markets for our major steel products are improving. Order receipts are up and our backlog is increasing, particularly for sheet and strip and tubular products. The recovery pattern in plate and structural shapes is less apparent but these products too are seeing some upward movement. The market for rails is reasonably steady, but customers are now demanding more wear-resistant, longer rails. Algoma intends to respond to that demand.

The steady progress during 1984 has been encouraging but it has not been achieved without

hardship for many of our employees. Hourly and salary work forces have been reduced and traditional work practices have changed. While there has been unavoidable apprehension and misunderstanding, responsible leadership by both union and management has kept communication open and helped solve or prevent problems. Mutual understanding and a co-operative approach will continue to be necessary as we implement the further changes that will be required to assure Algoma's future.

In acknowledging the support and outstanding effort of our employees we also recognize the contribution of customers and suppliers in this difficult year. On behalf of the Board of Directors we thank everyone who helped us prove that Algoma is well along the road to recovery. We believe that with continued effort and determination 1985 can be our first profitable year since 1981. We enthusiastically look forward to that challenge.



Chairman and Chief Executive Officer



President and Chief Operating Officer

Sault Ste. Marie, Ontario

February 15, 1985

MARKETING AND SALES

Sales of \$1.1 billion were up 28 percent from 1983. Shipments of finished prime rolled steel products increased 30 percent and there was an improvement in product mix. Severe North American and offshore competition contributed to price weakness throughout the year in both Canada and the United States.

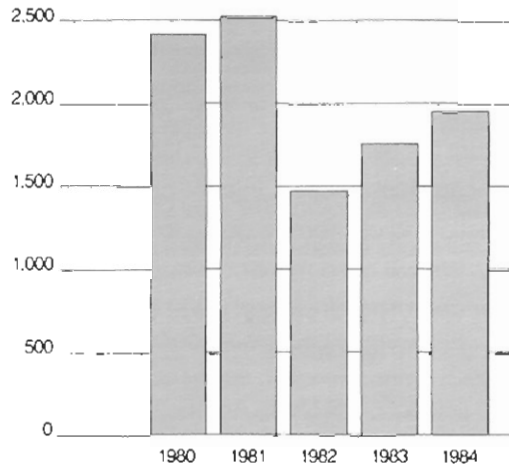
During 1984, the sales organization was restructured into market-sector groups to respond to the increasingly specialized customer needs. This change, plus extensive use of inter-departmental sales teams, will assist in a renewed effort to further improve service to customers and increase sales.

Algoma's Finished Steel Product Shipments by Product Classification

	1984	1983
Plate and sheet	64%	66%
Structural shapes	14%	17%
Seamless tubulars and skelp	15%	8%
Rails and fastenings	7%	9%
Total	100%	100%

Near record levels of 1984 automobile production and a healthy consumer goods market created strong demand for Algoma's sheet products. Hot and cold rolled sales to Ferrum Inc. (formerly Sonco), made pursuant to the Corporation's sales agreement with Ferrum, contributed additional strip mill volume. Demand for sheet and strip is expected to remain strong in 1985 but markets will be highly price-competitive and quality-driven.

Algoma's Steel Product Shipments (thousands of tons)



Shipments of seamless tubulars increased 67 percent over 1983. Canadian oil and gas drilling was close to the record high 1980 footage despite a noticeable decline in East Coast activity. Drilling in the United States also improved and 1984 was the third highest footage year recorded. However, low-priced tubular imports adversely affected the Corporation's sales volume and margins in both Canada and the United States. A strong Canadian drilling program, a modest increase in United States drilling, reduced inventories and some price recovery should improve tubular sales and margins in 1985.

Non-residential construction remained generally weak in 1984 but aggressive pursuit of available projects helped Algoma increase shipments of both plate and structural shapes.

1984 automobile production created strong demand for Algoma's sheet products.



Shipments of seamless tubulars increased 67 percent over 1983.

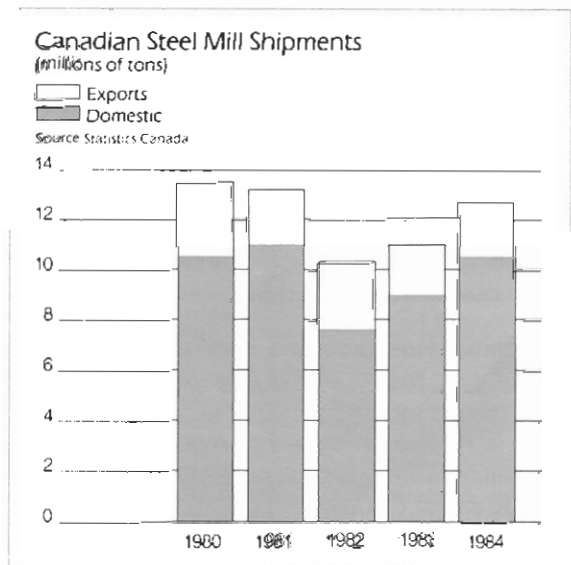
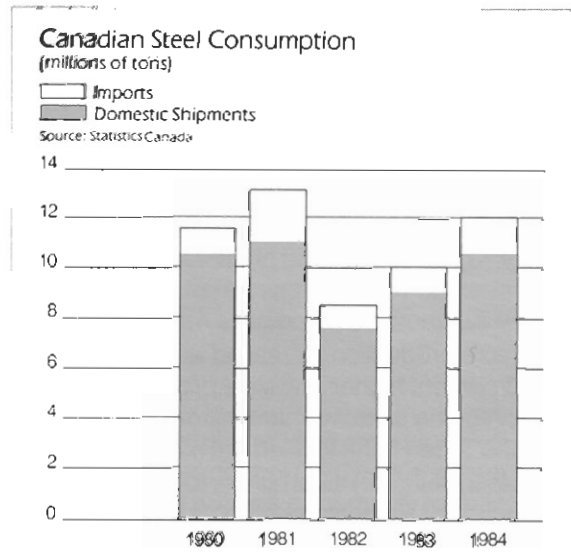


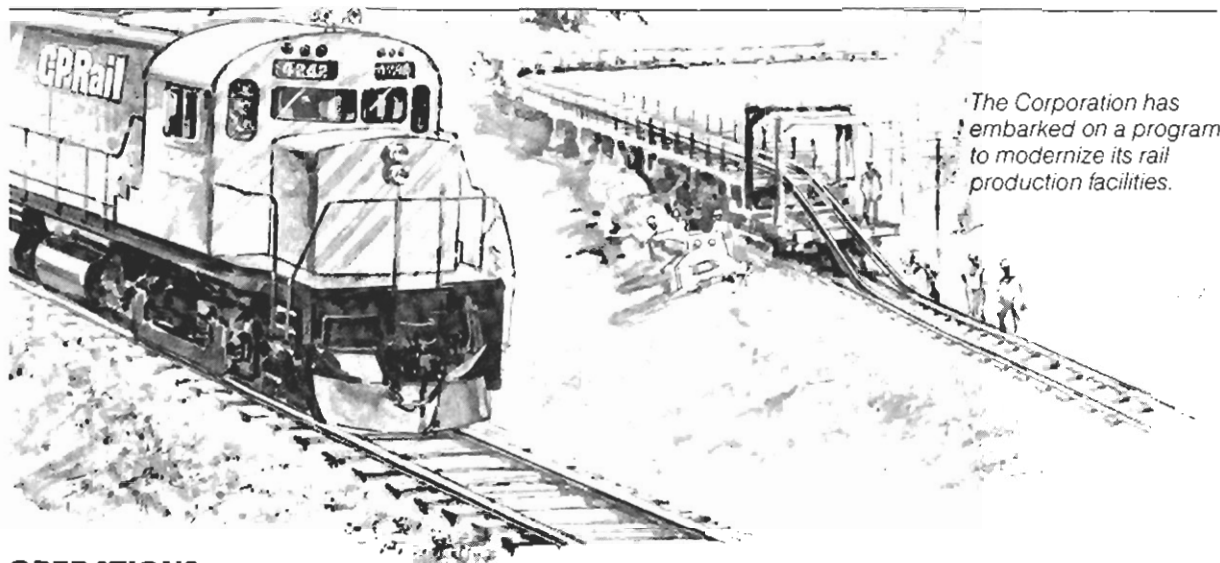
The strong Canadian dollar relative to most world currencies contributed to the pressure from offshore imports which drove down prices. Algoma is meeting the import challenge by competitive pricing, improved service and insistence on vigorous enforcement of Canadian trade laws. Markets for plate and structural shapes are projected to remain depressed in 1985 unless there is a significant improvement in North American capital spending.

In contrast to the difficult outlook for as-rolled plate, the increased sales and market penetration of Algoma's high quality quenched and tempered plate has been encouraging. High strength plate is used in a variety of demanding applications for shipbuilding, construction equipment and materials handling.

Rail shipments in 1984 were unchanged from 1983 due to restricted purchases by the major railways. In order to compete with the improving offshore rail products, the Corporation has embarked on a program to modernize its rail production facilities. On completion, Algoma expects to market 78-foot premium rails of world-class quality.

The challenges of highly competitive markets, import pressure, depressed pricing and increasing quality and service demands are expected to continue in 1985 and beyond. Innovative marketing, quality assurance and cost reduction will remain important commercial priorities. There will also be ongoing reinforcement of the Corporation's dedication to continuously improve its ability to understand, and react to, the needs of customers.





OPERATIONS

In response to the Corporation's need for greater competitiveness, the operating areas made significant gains in productivity, cost reduction and quality. These improvements were accomplished despite operating levels which remained well below production capability throughout the year.

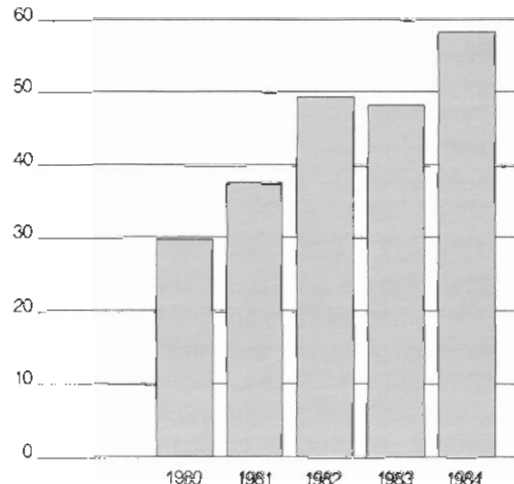
Mining

Iron ore production increased to accommodate the 10 percent higher raw steel production in 1984. Algoma's equity share in iron ore pellets from the Tilden Mine totalled 1.6 million gross tons compared with 1.2 million gross tons in 1983. Production of sinter at the Algoma Ore Division increased to 1.3 million gross tons from the previous year's 1.2 million gross tons.

At Cannelton Industries, metallurgical coal production increased slightly to 2.0 million tons. Sales of metallurgical coal were 0.7 million tons and 0.4 million tons were purchased. Steam coal sales were a record 1.1 million tons which was double the 1983 volume. The river loading terminal on the Kanawha River will be expanded in 1985 to handle a projected further increase in steam coal sales to United States utility companies.

Canamax Resources Inc. encountered encouraging results in its gold exploration on lands owned by Kremzar Gold Mines Limited which is 79 percent owned by Algoma. This exploration work is being conducted pursuant to a 1983 Kremzar/Canamax agreement which provides Canamax with the right to earn an interest in the property through certain exploration expenditures. Canamax plans additional drilling,

Percentage of Raw Steel Continuously Cast



metallurgical testing and a preliminary feasibility study in 1985.

Manufacturing

In response to limited steelmaking demand and emphasis on cost reduction, ironmaking was reduced to a two blast furnace operation at mid-1984 and cokemaking was scaled back accordingly. Two other blast furnaces remain available for operation as required.

Steel continuously cast reached 1.5 million tons being 58 percent of total steel production, an increase from 48 percent in 1983. A growing number of customers have recognized the attributes of continuously cast steel and more casting capacity and other steelmaking improvements are required to reduce costs and satisfy critical customer specifications. A current

study will provide preliminary engineering and assess the benefits of adapting ladle steelmaking technology and a new bloom/round caster to the existing No. 2 basic oxygen steelmaking shop.

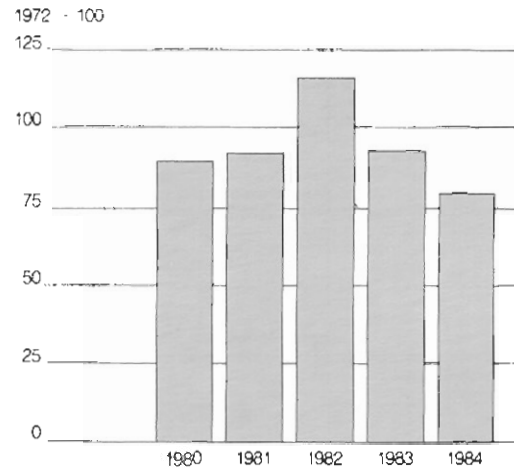
During the year, a program was initiated to upgrade the rail mill production facilities. The plan involves the eventual production of 78-foot, premium-quality rails which will be roller straightened and fully ultrasonic and magnetic particle tested. A new roller straightener and complete testing equipment will be installed in 1985 for commercial production in early 1986.

Algoma also plans to incorporate its patented technology for in-line production of head-hardened rails. Rails have been produced on prototype equipment and in-track testing began in fourth quarter 1984. The Corporation intends to continue to develop this technology and license it to others on a selective basis.

Production of seamless tubulars was up sharply in 1984 and the tube mill operated at capacity during most of the fourth quarter. Installation of new ultrasonic inspection equipment and carbide threaders is underway to meet the more stringent quality demands of customers.

On February 15, 1985, it was announced that construction of the new No. 2 seamless tube mill would recommence. The mill is scheduled to start up in first quarter 1987. It is of similar design to other modern seamless mills and will be fully competitive with the one new United States mill and with other modern offshore mills commissioned since 1983. The product size capability will be 1.9 inches to 7 inches outside diameter which will complement and expand the 4½ inch to 12¾ inch size range of the existing mill.

Index of Man-Hours Per Ton of Finished Steel Product



The Corporation's Plan for Profitability set new productivity objectives which necessitated changes in work methods and reductions in personnel. As the year progressed, productivity was improved to beyond the record levels that had been established in prior years when operating rates were much higher. Further improvements are anticipated as production volumes increase.

Additional quality assurance and cost reduction is expected through the 1984 introduction of statistical process control (SPC). This system will provide Algoma with the opportunity to improve the utilization of existing facilities, identify and rectify problems more quickly and accurately, and reliably produce quality products with less waste. These benefits will assist in the determined effort to build on the achievements of 1984 and provide an even stronger operating capability in 1985 and beyond.



High strength plate is used in a variety of demanding applications.



Aggressive pursuit of available projects helped Algoma increase shipments of structural shapes.

EMPLOYEE RELATIONS

1984 saw further progress in the reorganizing and restructuring of the Corporation's mining, manufacturing, commercial and staff functions. Communications with employees emphasized the competitive threats facing the Corporation and explained proposed changes in practices and methods required to meet the challenge. By year-end there was a greater awareness among all employees of the absolute need for cost- and quality-competitive products and reliable service to customers.

Reorganization during the year created redundancies in management, staff and hourly positions. Early retirement incentives and other special programs were offered to minimize the hardship associated with the required reduction of personnel.

Negotiations with the United Steelworkers of America Local 2251, representing maintenance and production workers at the Steelworks Division, began on February 20th and a new three-year labour agreement was ratified on May 22nd, well in advance of the July 31st expiry date of the existing contract. It was the aim of both parties to avoid disruption to operations and ensure continuity of supply to customers. The pattern that emerged from these negotiations was translated into early settlements with other USWA locals in Sault Ste. Marie and Wawa and with the Bricklayer and Transportation Unions. One remaining USWA contract, with employees at the Welded Beam Division, was settled in January, 1985.

A new 40-month contract effective October 1, 1984 was ratified by the United Mineworkers of America, representing Cannelton's union employees, without a work stoppage. This was the first UMW contract negotiated without a strike since 1966.

The favourable trend in safety performance which began at the Corporation's Canadian operations in 1981 did not continue in 1984. The Industrial Accident Prevention Association reported a similar deteriorating trend across the province.

Management personnel and union representatives have reaffirmed their commitment to continually strive to maintain a safe and healthy work-place. New emphasis has been placed on reducing injuries and a high level of industrial hygiene activity will continue in 1985. There will also be ongoing development of an assistance program for employees with alcohol- and drug-related problems.

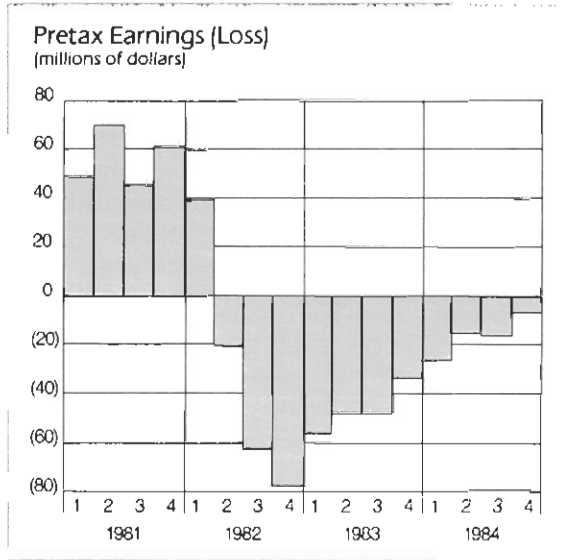
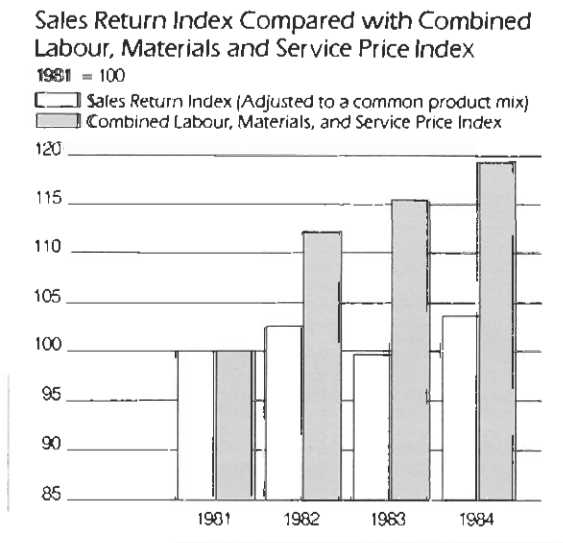
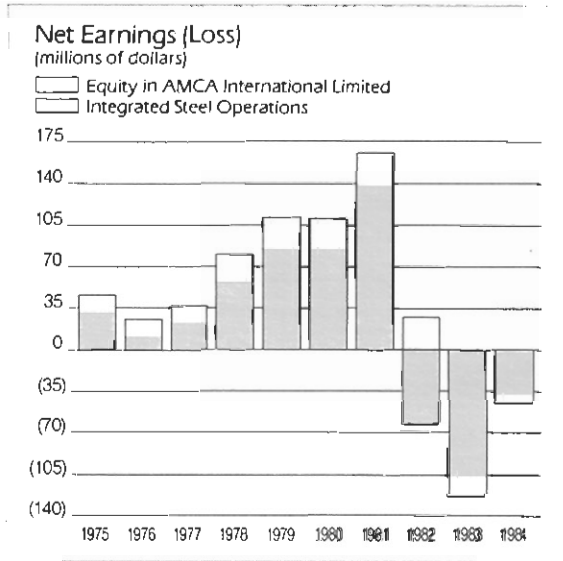
Major Employment Cost Elements

(millions of dollars)	1984	1983
Wages and Salaries		
For time worked	\$256	\$245
For vacation and statutory holidays	37	34
Supplementary Employment Costs		
Company pension plans	40	39
Group insurance plans and other benefits	28	25
Unemployment insurance	6	5
Workers' compensation	12	8
Total	\$379	\$356

FINANCE

The 1984 net loss of \$46 million was \$81 million lower than in the previous year. The net loss applicable to common shareholders was \$63 million or \$4.37 per share, compared with a loss of \$137 million, or \$9.50 per share, in 1983.

Cost reduction programs were implemented in 1984 to lower the breakeven point and permit profitability at reduced levels of operation. By year-end the breakeven point was 25 percent lower than in mid-1982. Further cost reductions are expected in 1985.



Quarterly pretax results from integrated steel operations have improved steadily since fourth quarter 1982 when the Corporation recorded the largest quarterly loss in its history.

AMCA International Limited reported a 1984 net loss of U.S. \$1.7 million which was down from the U.S. \$39.3 million loss in 1983. Algoma's share of these losses in Canadian funds, after taking into account preference share dividends, amounted to \$5.5 million and \$19.7 million respectively.

Equity Earnings (loss) in AMCA

(millions of dollars)	1984	1983	1982
Quarter			
1	\$.5	\$.7	\$ 10.6
2	3.5	(3.6)	15.7
3	(4.5)	(5.6)	(1.4)
4	(5.0)	(11.2)	.8
Year	\$ (5.5)	\$ (19.7)	\$ 25.7

Although AMCA's revenues of U.S. \$1.4 billion were 18 percent ahead of 1983, a net loss was sustained for the second successive year due to unattractive price levels when the business was booked. New 1984 orders reached a record U.S. \$1.5 billion and the backlog at year-end was U.S. \$555 million compared with U.S. \$538 million at the end of 1983. It is expected that economic recovery will continue in 1985 and demand for AMCA's products and services will strengthen, particularly in its United States market.

Earnings from operations were \$15 million in 1984 compared with a loss of \$124 million in 1983. This significant turnaround contributed to a \$130 million year over year improvement in cash provided from operations which reduced the Corporation's external financing requirements from \$147 million in 1983 to \$36 million in 1984. Working capital of \$323 million at year-end was virtually unchanged from the previous year.

Long term debt of \$577 million at December 31, 1984 was 41 percent of total capitalization compared with 38 percent in 1983. Interest on debt was \$67 million for the year. The Corporation's unused lines of credit were \$333 million at year-end.

Capital spending declined from \$32 million in 1983 to \$24 million in 1984. As in 1983, spending was restricted primarily to projects which provided short term cost savings or quality improvements. Estimated expenditures to complete projects authorized by the Board of Directors and committed to by the Corporation stood at \$77 million at year-end. A further \$238 million of capital expenditures has been authorized but not yet committed.

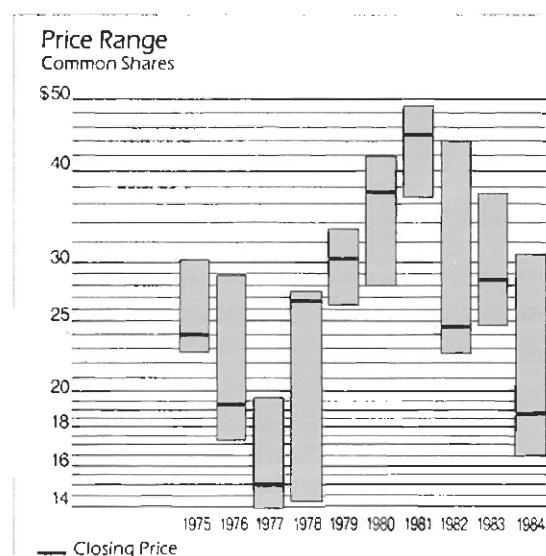
Note 14 to the Financial Statements on page 21 describes a business arrangement through which a limited partnership will undertake to complete construction of the new seamless tube mill with funds provided principally by the sole limited partner, Canadian Pacific Limited, and will make technological improvements to the existing tube mill. Algoma will be the general partner and will manage the partnership.

Dividends paid to preference shareholders during the year amounted to \$17 million. No common share cash dividends were paid in 1984 although there was a stock dividend, equivalent to \$.27 per common share, in the fourth quarter.

On January 1, 1984, the Corporation prospectively adopted the Canadian Institute of Chartered Accountants' new accounting recommendations for foreign currency translation. This new policy is outlined in the Summary of Significant Accounting Policies on page 12 and in Note 1 to the Financial Statements on page 16.

Common Share Price Range – 1984

(dollars)	High	Low
Quarter		
1	\$ 31	\$24 ⁹ / ₈
2	26 ¹ / ₂	20 ⁷ / ₈
3	22 ¹ / ₂	19 ¹ / ₂
4	22 ¹ / ₈	16 ¹ / ₂



The consolidated financial statements of The Algoma Steel Corporation, Limited have been prepared in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for foreign currency translation as explained in Note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year and necessarily include some amounts based upon management's estimates and judgements. Algoma's management is responsible to ensure that these statements reasonably reflect the Corporation's business transactions and financial position.

The integrity and reliability of Algoma's reporting systems is achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. Internal accounting controls are continually monitored by an internal audit staff through ongoing reviews and comprehensive audit programs. Algoma's Code of Business Conduct policy, which is regularly communicated throughout the organization, requires employees to maintain high ethical standards in their conduct of the Corporation's affairs.

Peat, Marwick, Mitchell & Co., Chartered Accountants, the shareholders' auditors, have performed an independent examination and attested to the fairness of presentation of financial data contained in these statements in accordance with generally accepted accounting principles. Their examination was made in accordance with generally accepted auditing standards and accordingly included an evaluation of the Corporation's system of internal control to determine audit scope and such tests of the accounting systems and records and other audit procedures as they deemed necessary. Their report appears below.

The Board of Directors annually appoints an Audit Committee comprised solely of directors who are neither employees of the Corporation nor of companies related to the Corporation. This Committee meets regularly with management, the internal auditor and the shareholders' auditors to review significant accounting, reporting and internal control matters. Both the internal and shareholders' auditors have unrestricted access to the Audit Committee. Following its review of the financial statements and discussions with the shareholders' auditors, the Audit Committee submits its report to the Board of Directors for formal approval of the financial statements.



Vice President –
Finance and Accounting

February 15, 1985

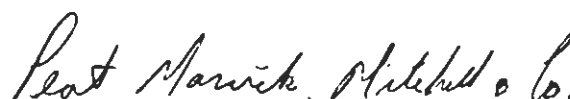


Auditors' Report to the Shareh

We have examined the consolidated statement of financial position of The Algoma Steel Corporation, Limited as at December 31, 1984 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for foreign currency translation as explained in Note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Sault Ste. Marie, Canada
February 15, 1985



Chartered Accountants

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies and inter-company transactions are eliminated. The investments in the associated company, AMCA International Limited, and in the cost sharing Tilden Mine joint venture producing iron ore pellets are accounted for by the equity method.

Translation of Foreign Currencies

The financial statements of foreign subsidiaries and the joint venture and foreign currency denominated balances of domestic operations are translated using closing exchange rates for cash and short term investments, accounts receivable, current liabilities, long term debt and accrued past service pension cost. Historic exchange rates are used to translate inventories, prepaid expenses, fixed assets and deferred income taxes. Exchange rates in effect at the date of transaction are used to translate revenues and expenses, other than depreciation and amortization which are translated using the same historic rates applied in the translation of the related assets.

Exchange gains and losses on translation of long term debt are deferred and amortized to earnings over the remaining life of the debt. Exchange gains and losses from the translation of other balances together with gains and losses on transactions are included in the statement of Earnings.

The financial position of the associated company, a self-sustaining entity, is translated using closing exchange rates and revenues and expenses are translated using exchange rates in effect at the date of transaction.

Inventories

Finished products and work in process are valued at the lower of cost and net realizable value. Raw materials and supplies are valued at the lower of cost and replacement cost.

Fixed Assets

Property, plant and equipment are recorded at cost. Expenditures for improvements and renewals which extend economic life and for mine development are capitalized. Maintenance and repairs are charged to earnings as incurred excepting expenditures for periodic relines of blast furnaces which are accrued for in advance on a unit of production basis.

Depreciation of manufacturing plant and equipment, which comprises over 80 percent of fixed assets, is provided using the straight-line method applied to the cost of the assets based on their estimated useful composite life of approximately 20 years and beginning when they commence operation.

Plant and equipment at raw material properties and mine development costs are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Interest incurred on funds borrowed to directly finance the development of new raw material properties and the construction of new manufacturing facilities is capitalized during the period of construction and initial development.

Exploration, Research and Start Up Expenses

Expenses in exploring for raw materials, investigating and holding raw material properties and costs of research and start up of new production facilities are charged to earnings as incurred.

Income Taxes

Income taxes are provided for on the deferred tax allocation basis. Since regulations in Canada and the United States permit the deduction of expenses in calculating taxable income which may not coincide with amounts recorded for financial reporting purposes, such differences, principally relating to depreciation, give rise to deferred income taxes in the financial statements.

Investment tax credits are recorded in the accounts in the year for which they are claimed for tax purposes. Since these tax credits increase taxable income of future years by lowering the value of depreciable assets for taxation purposes by the amount thereof, a portion, determined at the current tax rate, is set aside as deferred income taxes. The balance is applied to reduce income taxes charged to earnings.

For the years ended December 31

Thousands of Dollars	1984	1983
Income		
Sales	\$1,104,292	\$ 859,541
Expenses		
Cost of products sold	1,010,035	905,584
Administrative and selling	23,903	22,503
Depreciation and amortization	55,489	55,372
	1,089,427	983,459
Earnings (loss) from operations	14,865	(123,918)
Financial Expense (Income)		
Interest and expense on long term debt	66,809	63,446
Interest on short term loans	581	257
Interest and other income	(2,692)	(1,258)
Exchange loss on foreign currencies (note 1)	11,938	—
	76,636	62,445
Earnings (loss) before income taxes and equity earnings	(61,771)	(186,363)
Income taxes – deferred (credit) (note 6)	(21,590)	(79,400)
Earnings (loss) before equity earnings	(40,181)	(106,963)
Equity in earnings (loss) of associated company	(5,525)	(19,683)
Net Earnings (Loss)	\$ (45,706)	\$ (126,646)
Provision for dividends on preference shares	\$ 17,162	\$ 10,113
Net earnings (loss) applicable to common shares	\$ (62,868)	\$ (136,759)
Per common share	\$ (4.37)	\$ (9.50)*

* Restated to reflect shares issued as stock dividend in December, 1984.

Retained Earnings

Balance at beginning of year	\$ 578,587	\$ 721,510
Net earnings (loss)	(45,706)	(126,646)
Dividends declared (note 11)	(20,561)	(14,197)
Expenses relating to issue of preference shares, net of income taxes of \$1,562	—	(2,080)
Balance at end of year	\$ 512,320	\$ 578,587

See summary of significant accounting policies and notes to consolidated financial statements.

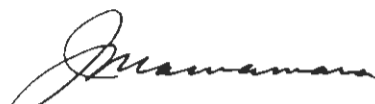
Financial Position

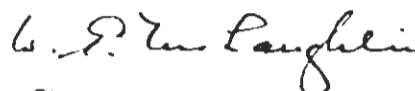
As at December 31

Thousands of Dollars	1984	1983
Current Assets		
Cash	\$ 832	\$ 9,614
Accounts receivable	179,549	154,893
Inventories (note 2)	349,299	343,439
Prepaid expenses	5,773	6,667
	535,453	514,613
Current Liabilities		
Accounts payable and accrued liabilities	195,028	174,031
Taxes payable	8,316	9,393
Long term debt due within one year	8,967	11,300
	212,311	194,724
Working Capital		
Current assets less current liabilities	323,142	319,889
Other Assets		
Long term investments (note 3)	190,472	205,664
Net fixed assets (note 4)	895,325	944,674
Unamortized exchange loss on foreign currencies	22,644	—
Unamortized debenture expense	2,932	3,266
	1,111,373	1,153,604
Total Investment		
Working capital plus other assets	1,434,515	1,473,493
Other Liabilities		
Long term debt (note 5)	576,832	533,814
Accrued past service pension cost	14,628	12,799
Deferred income taxes	13,606	31,834
	605,066	578,447
Excess of total investment over other liabilities	\$ 829,449	\$ 895,046
Commitments (notes 7, 8 and 9)		
Shareholders' Equity		
Capital stock (note 10)		
Preference shares	\$ 219,608	\$ 222,725
Common shares	97,521	93,734
Retained earnings	512,320	578,587
	\$ 829,449	\$ 895,046

See summary of significant accounting policies and notes to consolidated financial statements.

On behalf of the Board:


Director


Director

Changes in Financial Position

For the years ended December 31

Thousands of Dollars	1984	1983
Cash Provided From (Used For)		
Operations		
Earnings (loss) from operations	\$ 14,865	\$ (123,918)
Items included in earnings not resulting in an outlay of cash	68,388	79,542
Decrease (increase) in operating working capital	(9,702)	(12,281)
	73,551	(56,657)
Investment Activities		
Fixed assets - manufacturing plants	(12,006)	(25,150)
- raw material properties	(12,407)	(6,492)
	(24,413)	(31,642)
Long term investments	(6,482)	2,689
Dividends from associated company	14,909	14,169
Interest and other income	2,692	1,258
	(13,294)	(13,526)
Dividends	(16,772)	(10,002)
Financing Activities		
Interest on debt	(67,056)	(63,369)
Reduction of long term debt	(22,296)	(7,899)
Preference shares purchased for cancellation	(3,117)	(2,805)
Other	3,764	150
Additional financing		
Proceeds from issue of preference shares	—	91,357
Proceeds from long term loans	36,438	55,699
	(52,267)	73,133
Cash Position		
Increase (decrease) during year	(8,782)	(7,052)
Balance at beginning of year	9,614	16,666
Balance at end of year	\$ 832	\$ 9,614
Changes in Operating Working Capital		
Decrease (increase) in accounts receivable	\$ (24,656)	\$ (57,265)
Decrease (increase) in inventories	(5,860)	24,846
Decrease (increase) in prepaid expenses	894	(679)
Increase (decrease) in accounts payable and accrued liabilities	20,997	19,894
Increase (decrease) in taxes payable	(1,077)	923
Decrease (increase) in operating working capital	\$ (9,702)	\$ (12,281)

See summary of significant accounting policies and notes to consolidated financial statements.

1. Change in Accounting Policy

Effective January 1, 1984, the Corporation prospectively changed its accounting policy respecting foreign currency translation to adopt the new recommendations of the Canadian Institute of Chartered Accountants. Details of the new policy are provided in the Summary of Significant Accounting Policies preceding the financial statements. Since the new standards were adopted prospectively, 1983 figures have not been restated.

Under its previous policy the consolidated financial statements of the Corporation included assets, liabilities and results of operations of United States subsidiaries assuming \$1 Canadian equivalent to \$1 United States.

On implementation of the new policy, the carrying values of the Corporation's long term foreign currency debt were restated to reflect December 31, 1983 exchange rates and the resulting exchange losses were deferred for amortization against future earnings. In 1984 the net exchange loss of \$11.9 million reported in the statement of Earnings includes amortization of deferred losses totalling \$11.2 million of which \$7.2 million relates to joint venture indebtedness. Assets and liabilities of United States operations and the investment in the associated company were also restated at January 1, 1984 using the appropriate exchange rates.

2. Inventories

Thousands of Dollars	1984	1983
Finished products	\$ 90,292	\$ 87,496
Work in process	78,913	75,447
Raw materials and supplies	180,094	180,496
	\$349,299	\$343,439

3. Long Term Investments

Thousands of Dollars	1984	1983
Associated company	\$139,311	\$159,369
Joint venture	47,664	44,429
Other	3,497	1,866
	\$190,472	\$205,664

4. Net Fixed Assets

Thousands of Dollars	1984	1983
Property, plant and equipment:		
Manufacturing plants	\$1,375,633	\$1,389,009
Raw material properties	228,388	216,150
	1,604,021	1,605,159
Accumulated depreciation and amortization	708,696	660,485
	\$ 895,325	\$ 944,674

5. Long Term Debt

Thousands of Dollars	1984	1983
Debentures (a)		
7 ³ / ₈ % series C maturing 1987	\$ 13,200	\$ 14,400
8 ³ / ₄ % series D maturing 1991	24,400	28,800
10 ³ / ₈ % series E maturing 1994	35,000	41,000
11 % series F maturing 1995	49,400	57,600
17 ³ / ₈ % series L maturing 1997	50,000	50,000
Floating rate series G maturing 1999 (b)	60,000	60,000
Floating rate series I maturing 1994 (b)	52,868	46,880
14.27% series M maturing 1990 (c)	132,170	122,134
9.65% note maturing 2000 (d)	42,295	34,000
Bankers acceptances (e)	90,000	90,000
Bank loans (e)	21,466	—
Short term promissory notes (e)	15,000	—
Total amount outstanding	585,799	545,114
Less due within one year	8,967	11,300
	\$576,832	\$533,814

Sinking fund and other repayment requirements for each of the next five years, commencing in 1985, are (in millions of dollars) \$9.0, \$22.8, \$35.0, \$34.6 and \$43.7.

- (a) The debentures rank pari passu and are secured by a Trust Indenture containing a first floating charge on all assets of the Corporation in Ontario.
- (b) Series G are income debentures and bear non-taxable interest at 1¹/₈% over one-half of the prime lending rate of a Canadian chartered bank. The Corporation is permitted to convert this obligation into series H debentures bearing taxable interest which varies from 1¹/₄% to 3¹/₄% over the prime lending rate of the bank.
- Series I are income debentures in the principal amount of \$40 million payable in United States currency and bear non-taxable interest which varies from 1¹/₄% to 1¹/₂% over one-half of the London Interbank Offering Rate (LIBOR) or, at the option of the Corporation, from 1% to 1¹/₄% over one-half of the prime lending rate of a Canadian chartered bank on United States dollar demand loans to commercial customers resident in Canada. The debentures are convertible, at the option of the Corporation, into a Canadian currency obligation bearing interest which varies from 1% to 1¹/₄% over one-half of the prime lending rate of the bank. The Corporation is permitted to convert this obligation into series J debentures bearing taxable interest at various rates and, at the option of the Corporation, may be in either United States or Canadian currency. A United States currency loan would bear interest which varies from 3¹/₄% to 1% over LIBOR or, at the option of the Corporation, from .30% to .55% over the prime lending rate of the bank on United States dollar demand loans to commercial customers resident in Canada. A Canadian currency loan would bear interest which varies from .30% to .55% over the prime lending rate of the bank.
- (c) Series M debentures in the principal amount of \$100 million payable in United States currency bear interest based on the London Interbank Offering Rate (LIBOR). Concurrent with this borrowing, the Corporation entered into an Exchange Agreement with a foreign financial institution thus enabling the Corporation to convert its floating rate liability into an effective annualized fixed rate obligation of 14.27%. The debentures mature in November, 1990 but are repayable prior to maturity in whole or in part at the option of the Corporation.
- (d) The 9.65% note, an obligation of a United States subsidiary, is in United States currency and is repayable in annual instalments of U.S. \$2.0 million.

(e) An agreement with three Canadian chartered banks provides for an aggregate borrowing of up to \$250 million over a drawdown period ending December 30, 1985 to finance construction of a new seamless tube mill. The Corporation is permitted to borrow in Canadian dollars and/or United States dollars and to convert such borrowings into long term debt maturing in 1993. Accordingly, drawdowns under this line of credit of \$90.0 million together with bank loans of \$21.5 million (including U.S. \$13.2 million) and short term promissory notes of \$15.0 million have been classified as long term debt. Borrowings under this agreement are secured by Series K debentures.

6. Income Taxes

The effective income tax rate for the Corporation is lower than the composite income tax rate of the various taxing jurisdictions in which it operates. A reconciliation between these rates follows:

	1984	1983
Composite income tax rate	(49.3)%	(49.5)%
Increase (decrease) resulting from:		
Loss of United States subsidiaries not tax effected	9.0	1.0
Interest expense on income debentures	6.3	2.2
Manufacturing and processing allowance	3.8	5.5
Federal and provincial resource allowances	(1.3)	.2
Inventory allowance	(2.6)	(1.9)
Other	(.9)	(.1)
Effective income tax rate	(35.0)%	(42.6)%

7. Commitments

(a) The Corporation, as a participant in the Tilden Mine joint venture, is entitled to receive its 30% share of production and is committed to pay its share of costs including minimum charges for principal and interest to cover the servicing of long term debt. The Corporation's share of such minimum charges was \$27.2 million in 1984 and will average approximately \$23.7 million annually during the next five years.

(b) The estimated amount required to complete approved capital projects is \$315 million which includes \$134 million for the construction of a new seamless tube mill and \$126 million for a new coke oven battery. At December 31, 1984 contractual commitments amounted to \$63 million for the coke oven battery, construction of which has been deferred, and \$14 million in respect of other projects.

8. Long Term Leases

Rentals under long term leases amounted to \$11.3 million in 1984. Future minimum rentals will aggregate \$52.8 million and in each of the next five years will be (in millions of dollars) \$8.5, \$7.7, \$5.6, \$5.3 and \$3.5. These rentals are payable principally under leases of steel processing plant and equipment which contain options to purchase and under leases of raw material properties.

9. Pensions

The unfunded liability for pensions in respect of past service is \$169.8 million, as estimated by independent actuaries, of which \$40.3 million is recorded in the statement of Financial Position. It is expected that planned payments will discharge this liability by the year 2000. Pension costs charged to earnings were \$41.5 million in 1984 (\$39.1 million in 1983).

10. Capital Stock

(a) Preference shares

Authorized

7,384,300 Preference Shares, which rank prior to Class B Preference Shares and are issuable in series, of which 1,784,300 shares are reserved for conversion of series A shares into series B shares.

12,000,000 Class B Preference Shares, issuable in series.

Thousands of Dollars	1984	1984	1983
	Number of Shares	Stated Capital	
Issued at December 31			
Preference Shares			
8% cumulative redeemable tax deferred series A	1,784,300	\$ 44,608	\$ 47,725
Floating rate cumulative redeemable retractable series C	2,000,000	50,000	50,000
Floating rate cumulative redeemable retractable series D	1,200,000	30,000	30,000
Class B Preference Shares			
\$2.00 cumulative redeemable convertible series 1	3,800,000	95,000	95,000
		\$219,608	\$222,725

Series A shares are entitled to annual dividends of \$2.00 per share payable quarterly; commencing with the quarterly payment December 1, 1988, dividends received on that and future quarterly dates will be taxable. They are redeemable at the option of the Corporation at \$25.00 per share and a premium of \$.50 which reduces annually and are exchangeable after September 1, 1988 on a share for share basis at the option of the holder into 9³/₄% cumulative redeemable Preference Shares series B on which dividends will be taxable. The Corporation is obligated to purchase in each twelve-month period ending May 31 up to 120,000 series A or B shares to the extent that they are available at market prices not exceeding \$25.00 per share. The Corporation purchased for cancellation 124,700 shares in 1984 at prices averaging \$24.03 per share.

Series C shares are entitled to quarterly dividends at a rate equal to 1¹/₂% over one-half of the mean prime lending rate of five Canadian chartered banks. They are redeemable at the option of the Corporation at \$25.00 per share. The shares have a retractable feature which requires the Corporation to invite tenders for the purchase of all such shares and to purchase at May 31, 1987 at \$25.00 per share plus accrued and unpaid dividends all shares deposited with the Corporation pursuant to the invitation. Not less than 45 days prior to this date the Corporation is permitted to offer an increased dividend rate or to create additional retraction privileges for the benefit of shares not so purchased.

Series D shares are similar to series C except that they are entitled to quarterly dividends at a rate equal to 1³/₈% over one-half of the mean prime lending rate of five Canadian chartered banks. The Corporation is similarly required to invite tenders for the purchase of these shares and to purchase shares so tendered at December 31, 1987.

Class B series 1 shares are entitled to annual dividends of \$2.00 per share payable quarterly. Subject to certain conditions, they are redeemable after December 1, 1986 at the option of the Corporation at \$25.00 per share and a premium of \$1.50 which reduces annually. They are convertible at the option of the holder into .8225 of a common share at any time up to December 1, 1990. Commencing January 1, 1991 the Corporation is obligated to purchase annually 4% of the balance of Class B series 1 shares outstanding at December 2, 1990, to the extent that they are available at market prices not exceeding \$25.00 per share.

(b) Common shares

Authorized – 30,186,632 shares of which 3,125,500 are reserved for conversion of Class B preference shares series 1 into common shares.

Issued – 14,392,474 shares at December 31, 1984 of which 224,533 shares, valued at \$16.875 per share, were issued in December 1984 as a stock dividend.

11. Dividends

Dividends were declared as follows:

Thousands of Dollars	1984	1983
Cash dividends		
Preference Shares		
Series A		
\$2.00 per share in 1984 and 1983	\$ 3,701	\$ 3,933
Series C		
\$1.83 per share in 1984 and \$1.91 in 1983	3,652	3,824
Series D		
\$1.82 per share in 1984 and \$1.83 in 1983	2,180	2,196
Class B Preference Shares		
Series 1		
\$1.90 per share in 1984	7,203	—
Common Shares	36*	49*
	\$16,772	\$10,002
Stock dividend		
Common Shares		
For each 100 shares held, one and six-tenths shares equivalent to \$.27 per share in 1984 and, one share equivalent to \$.3025 in 1983	3,789	4,195
	\$20,561	\$14,197

*Cash in lieu of fractional shares arising from stock dividend.

12. Related Party Transactions

The Corporation is a subsidiary of Canadian Pacific Enterprises Limited which at December 31, 1984 held approximately 61.2% of the Corporation's outstanding common shares. Canadian Pacific Enterprises Limited is a subsidiary of Canadian Pacific Limited, a diversified corporation with its head office in Montreal, Quebec, and consequently the Corporation is related to the numerous companies in the Canadian Pacific group. The Corporation owns 34.5% of the common shares of the associated company, AMCA International Limited (AMCA), and a 30% interest in the Tilden Mine joint venture. In the normal course of business, the Corporation sells its products at prevailing market prices and credit terms to Canadian Pacific Limited and AMCA International Limited and their subsidiary companies. Similarly, the Corporation regularly purchases transportation and other services, capital goods and iron ore pellets from the related parties. The Corporation has a revolving operating line of credit at competitive rates with Canadian Pacific Securities Limited, a wholly-owned subsidiary of Canadian Pacific Enterprises Limited, in the amount of \$40 million under which there was \$15.0 million outstanding at December 31, 1984.

Transactions with related parties and balances at year-end are as follows:

Thousands of Dollars	1984	1983
Transactions during year		
Sales of product	\$ 84,775	\$72,171
Purchases, principally transportation, capital goods and iron ore pellets	117,485	80,529
Interest income from short term investments	14	8
Interest expense on long term debt	1,774	3,661
Balances at December 31		
Accounts receivable	15,397	12,406
Accounts payable	1,506	624
Short term promissory notes	15,000	—

13. Business Segments Information

LINES OF BUSINESS

The Corporation is a vertically integrated steel producer which obtains most of its iron ore and coal requirements from properties which it owns, leases or in which it has an interest in Canada and the United States. The Corporation's revenue is derived almost entirely from the sale of rolled steel products, coal, cokemaking by-products and raw materials that may be surplus to steelmaking requirements from time to time. Virtually all of the Corporation's assets, except the investment in the associated company, are related to integrated steelmaking activities.

OPERATIONS BY GEOGRAPHIC AREA

Thousands of Dollars	1984	1983	1984	1983	1984	1983
	Consolidated		Canada		United States	
Sales						
External	\$ 1,104,292	\$ 859,541	\$ 947,424	\$ 820,368	\$ 156,868	\$ 39,173
Intra-enterprise sales between geographic areas	282,508	139,655	95,821	13,378	186,687	126,277
	1,386,800	999,196	1,043,245	833,746	343,555	165,450
Eliminations	(282,508)	(139,655)	(95,821)	(13,378)	(186,687)	(126,277)
Total	\$ 1,104,292	\$ 859,541	\$ 947,424	\$ 820,368	\$ 156,868	\$ 39,173
Earnings (loss)						
From operations	\$ 16,846	\$ (132,069)	\$ 4,880	\$ (122,941)	\$ 11,966	\$ (9,128)
Eliminations	(1,981)	8,151	(3,699)	2,295	1,718	5,856
	14,865	(123,918)	\$ 1,181	\$ (120,646)	\$ 13,684	\$ (3,272)
Other income	2,692	1,258				
Interest expense	(67,390)	(63,703)				
Exchange loss on foreign currencies	(11,938)	—				
Income taxes - credit	21,590	79,400				
Equity in earnings (loss) of associated company	(5,525)	(19,683)				
Net earnings (loss)	\$ (45,706)	\$ (126,646)				
Assets at December 31						
Identifiable	\$ 1,507,515	\$ 1,508,848	\$ 1,344,580	\$ 1,376,943	\$ 162,935	\$ 131,905
Investment in associated company	139,311	159,369				
	\$ 1,646,826	\$ 1,668,217				

Intra-enterprise sales between geographic areas are at market prices for similar products. Canadian operations include export sales of approximately \$246 million in 1984 (\$184 million in 1983).

14. Subsequent Event

In February, 1985 the Corporation undertook to enter into an arrangement with respect to a partnership - The Superior Limited Partnership, in which the Corporation is the general partner and Canadian Pacific Limited will become the sole limited partner.

The Corporation will transfer to the partnership ownership of its Tube Division equipment independently appraised at \$316 million and will acquire interest-bearing notes of Canadian Pacific Limited and of the partnership.

The partnership will complete construction of the new seamless tube mill with funds provided principally by the limited partner, make technological improvements to the existing tube mill facilities, and operate the existing and new tube mills to process the Corporation's tube rounds into finished seamless tubular products for subsequent sale by the Corporation. As general partner, the Corporation will manage the partnership.

Canadian Pacific Limited may terminate its participation in this arrangement effective January 1, 1988 whereupon the Corporation would acquire Canadian Pacific Limited's equity in the partnership and Canadian Pacific Limited's note would be discharged.

Ten-Year Summary of Operating and Financial Data

Tons in thousands and dollars in millions excepting per share data		1984	1983	1982
Operations				
Production - Iron Ore (1)	G.T.	2,866	2,424	1,983
- Coal (2)	N.T.	2,918	2,490	2,488
- Coke	N.T.	1,246	1,042	1,009
- Iron	N.T.	2,307	2,155	1,809
- Raw Steel	N.T.	2,528	2,306	1,899
Shipments - Steel Products	N.T.	1,951	1,757	1,472
Earnings and Related Statistics				
Sales	\$	1,104.3	859.5	874.2
Earnings Before Income Taxes and Equity Earnings	\$	(61.8)	(186.4)	(123.8)
Income Taxes	\$	(21.6)	(79.4)	(57.7)
Equity in Earnings of Associated Company	\$	(5.5)	(19.7)	25.7
Net Earnings	\$	(45.7)	(126.6)	(40.4)
- Applicable to Preference Shares	\$	17.2	10.1	12.3
- Applicable to Common Shares	\$	(62.9)	(136.8)	(52.7)
Dividends Paid in Cash				
- On Preference Shares, and Related Taxes	\$	16.8	10.0	12.5
- On Common Shares	\$			14.0
Earnings Retained in Business	\$	(66.3)	(140.8)	(66.9)
Cash Provided From Operations	\$	73.6	(56.7)	59.6
Cash Flow From Earnings	\$	33.8	(92.3)	(33.6)
Per Common Share - Net Earnings (3)(4)	\$	(4.37)	(9.50)	(3.66)
- Cash Flow From Earnings (3)(4)	\$	1.15	(7.12)	(3.19)
- Dividends Paid in Cash	\$			1.00
Net Earnings as percent of				
- Sales	%	(4.1)	(14.7)	(4.6)
- Average Common Shareholders' Equity (5)	%	(9.8)	(18.4)	(6.2)
- Average Total Investment (6)	%	(1.4)	(5.7)	(0.9)
Cost of Products Sold as percent of Sales	%	91.5	105.4	100.5
Depreciation and Amortization	\$	55.5	55.4	53.5
Capital Expenditures				
Manufacturing Facilities	\$	12.0	25.1	175.5
Mining Properties	\$	12.4	6.5	9.9
Total	\$	24.4	31.6	185.4
Long Term Debt				
Borrowings - Debentures	\$			172.4
- Other	\$	36.4	55.7	34.3
- Total	\$	36.4	55.7	206.7
Repayments	\$	22.3	7.9	
Interest and Expense	\$	67.1	63.4	40.2
Financial Position at Year-End				
Current Assets	\$	535.4	514.6	492.1
Current Liabilities	\$	212.3	194.7	173.9
Working Capital	\$	323.1	319.9	318.2
Operating Working Capital (7)	\$	331.3	321.6	309.3
Long Term Investments	\$	190.5	205.7	242.2
Net Fixed Assets	\$	895.3	944.7	990.8
Total Assets	\$	1,646.8	1,668.2	1,728.7
Total Investment (8)	\$	1,434.5	1,473.5	1,554.8
Long Term Debt (9)	\$	576.8	533.8	409.6
Preference Shares	\$	219.6	222.7	130.5
Common Shareholders' Equity	\$	609.8	672.3	811.0
Number of Common Shares Issued (000) (10)	No.	14,393	14,393	14,393
Common Shareholders' Equity Per Share (11)	\$	42.28	46.65	56.30
Number of Common Shareholders	No.	5,188	5,701	6,489

Notes:

- (1) Includes mines operated by the Corporation and its share of production from joint ventures.
- (2) Metallurgical and steam coal.
- (3) After provision for dividends on preference shares.
- (4) Based on weighted average number of common shares outstanding during the year restated for stock dividends declared in 1983 and 1984.
- (5) Net earnings are after deduction of amount applicable to preference shares.
- (6) Net earnings are before deduction of interest on long term debt net of income taxes, and total investment is before deduction of current portion of long term debt.
- (7) Includes accounts receivable, inventories and prepaid

1981	1980	1979	1978	1977	1976	1975
3,643	3,732	4,125	4,109	3,839	4,089	3,478
2,732	2,907	2,868	2,069	1,929	2,235	2,425
1,411	1,470	1,546	1,424	1,371	1,539	1,294
2,907	3,039	3,374	3,148	2,848	2,806	2,624
3,017	3,179	3,528	3,317	2,974	2,888	2,748
2,519	2,415	2,597	2,456	2,201	2,036	1,968
1,426.4	1,149.1	1,081.2	864.2	687.8	584.8	541.5
225.8	121.2	120.2	57.7	5.5	(14.3)	16.3
87.6	38.8	35.3	10.7	(15.8)	(25.6)	(10.6)
26.8	26.8	27.0	22.6	16.0	12.5	13.1
165.0	109.2	111.9	77.1(12)	37.3	23.8	43.5(13)
12.8	11.6	10.7	9.5	6.9	4.0	
152.2	97.6	101.2	67.6(12)	30.4	19.8	43.5(13)
12.6	11.6	10.6	9.4	6.8	3.5	
15.4	12.3	8.2		2.3	12.9	16.3
137.0	85.3	93.1	67.7	28.2	7.4	27.2
207.2	155.0	154.9	93.0	35.2	6.7	10.2
269.4	181.4	180.7	109.5	41.2	19.2	49.6
10.58	8.01	8.44	5.65(12)	2.54	1.65	3.63(13)
17.83	13.93	14.17	8.35	2.86	1.27	4.14
1.10	1.00	.70		.20	1.10	1.40
11.6	9.5	10.4	8.9	5.4	4.1	8.0
18.8	14.8	19.0	15.0	7.5	5.1	11.7
13.6	11.0	13.2	10.5	6.2	4.9	8.1
78.2	81.2	80.9	84.1	88.2	89.8	85.1
49.7	47.3	39.9	35.7	33.6	33.0	29.3
246.6	82.4	65.2	24.2	15.1	33.5	84.1
18.1	24.8	24.1	15.0	14.5	17.0	18.6
264.7	107.2	89.3	39.2	29.6	50.5	102.7
		106.9				65.0
	35.0	3	3.5	3.5	10.7	31.4
	35.0	107.2	3.5	3.5	10.7	96.4
3.2	39.9	62.7	17.1	5.9	3.9	1.9
29.8	27.5	27.6	24.8	22.5	23.1	19.2
608.6	562.1	435.5	362.4	298.4	264.5	220.0
235.8	157.2	150.9	155.5	145.2	175.2	141.7
372.8	405.0	284.6	206.9	153.2	89.3	78.3
377.0	319.8	279.8	238.5	201.4	172.0	136.6
227.3	212.1	197.2	134.2	110.1	92.7	82.6
879.5	644.8	587.0	549.8	557.9	560.4	539.7
1,718.2	1,422.1	1,224.1	1,050.8	973.1	924.4	849.4
1,482.4	1,264.9	1,073.2	895.3	827.9	749.2	707.7
290.6	293.7	298.6	248.7	251.3	264.2	260.2
133.5	136.5	139.8	140.0	140.0	60.0	
878.0	741.0	578.8	485.4	417.7	389.7	384.0
14,393	12,196	11,991	11,974	11,974	11,973	11,972
60.94	60.70	48.20	40.50	35.03	32.69	32.17
7,142	7,812	8,748	9,369	10,393	10,542	11,536

expenses, less accounts payable and accrued liabilities, and taxes payable.

(8) Total assets less current liabilities.

(9) Excludes long term debt due within one year.

(10) Average number of outstanding shares restated for stock dividends declared in 1983 and 1984.

(11) Based on average number of common shares outstanding.

(12) Includes an extraordinary credit of \$7.5 million amounting to 63¢ per common share.

(13) Includes an extraordinary gain of \$3.5 million amounting to 29¢ per common share.

Directors**#Russell S. Allison**

Montreal, Quebec
President
CP Rail

***Robert W. Campbell**

Calgary, Alberta
Chairman and Chief
Executive Officer
Canadian Pacific
Enterprises Limited

#Stuart E. Eagles

Calgary, Alberta
President, Canadian
Pacific Enterprises Limited

John Macnamara

Sault Ste. Marie, Ontario
Chairman and Chief
Executive Officer
The Algoma Steel
Corporation, Limited

***W. Earle McLaughlin**

Montreal, Quebec
Former Chairman
The Royal Bank of Canada

†Arthur H. Mingay

Toronto, Ontario
Chairman, Canada Trust

† Paul A. Nepveu

Montreal, Quebec
Corporate Director

***Peter M. Nixon**

Sault Ste. Marie, Ontario
President and Chief
Operating Officer
The Algoma Steel
Corporation, Limited

#Leonard N. Savoie

Sault Ste. Marie, Ontario
President and Chief
Executive Officer
Algoma Central Railway

†Robert J. Theis

Syracuse, New York
Chairman, Canadian
Pacific Enterprises
(U.S.) Inc.

***Walter G. Ward**

Toronto, Ontario
Former Chairman
The Algoma Steel
Corporation, Limited

†Adam H. Zimmerman

Toronto, Ontario
President and Chief
Operating Officer
Noranda Inc.

* Member of Executive Committee

† Member of Compensation Committee

† Member of Audit Committee

Member of Nominating Committee

Principal Officers**John Macnamara**

Chairman and Chief
Executive Officer

Peter M. Nixon

President and Chief
Operating Officer

Robert N. Robertson

Senior Vice President -
Commercial

Ross H. Cutmore

Vice President -
Finance and Accounting

Samuel H. Ellens

Vice President -
Administration

R. Gordon Paterson

Vice President -
Engineering

Gary S. Lucenti

Vice President -
Operations

Henry C. Winters

Vice President -
Sales

James T. Melville

Secretary

J. Kenneth Morano

Treasurer

William J. Reed

Controller - Steel and
Iron Ore Operations

Corporate Information**Executive Offices**

Sault Ste. Marie, Ontario

Manufacturing and Mining Facilities**Canada**

Sault Ste. Marie, Ontario
The Algoma Steel Corporation,
Limited
Steelworks Division
Tube Division *
Marine Division
Welded Beam Division
Wawa, Ontario
Algoma Ore Division

United States

West Virginia
Cannelton Industries, Inc.
Kanawha Division, Cannelton
Pocahontas Division, Superior
Indian Creek Division, Peytona
Maple Meadow Mining Company,
Fairdale
Michigan
Cannelton Iron Ore Company
Tilden Mine Joint Venture,
Ishpeming

Algoma Tube Corporation, Dufferin

Incorporation

Under the laws of the Province of
Ontario

Share Transfer Agents and Registrars

Montreal Trust Company,
Halifax, Saint John, Montreal,
Toronto, Winnipeg, Regina,
Calgary and Vancouver

The Royal Bank of Canada Trust
Company, New York

Shares Listed

Montreal, Toronto and Vancouver
Stock Exchanges

Trustee for Debentures

Montreal Trust Company,
Toronto, Ontario

Registrar for Debentures

Montreal Trust Company, Halifax,
Montreal, Toronto, Winnipeg,
Regina, Calgary and Vancouver

Valuation Day Values

(for Canadian Income Tax
Purposes)

Series C Debenture	\$ 94.00
Series D Debenture	\$103.50
Common Share	\$ 13.38

* Facilities to be transferred to
Superior Limited Partnership
effective March 1, 1985.

Products and Sales Office Locations**Products**

Seamless Tubular Products
Casing
Line Pipe
Standard Pipe
Mechanical Tubing
Couplings and Coupling Stock
Plate
Sheared and Gas Cut
Normalized
Quenched and Tempered
Floor
Hot and Cold Rolled Sheet
Coils and Cut to Length
Cold Rolled Sheet for Motor Laminations
Wide Flange Shapes
Welded Wide Flange Shapes
Welded Special Shapes
Bearing Pile Shapes
Standard Angles, Channels and Beams
Heavy Rails
Tie Plates
Ingots, Blooms, Billets and Slabs
Sinter
Coal
Coke
Coal Tar Chemicals

Sales Offices

Sault Ste. Marie, Ontario
Dartmouth, Nova Scotia
Montreal, Quebec
Mississauga, Ontario
Windsor, Ontario
Calgary, Alberta
Vancouver, British Columbia
Houston, Texas *
Denver, Colorado *

* Algoma Tube Corporation



THE ALGOMA STEEL CORPORATION, LIMITED · SAULT STE. MARIE, ONTARIO, CANADA