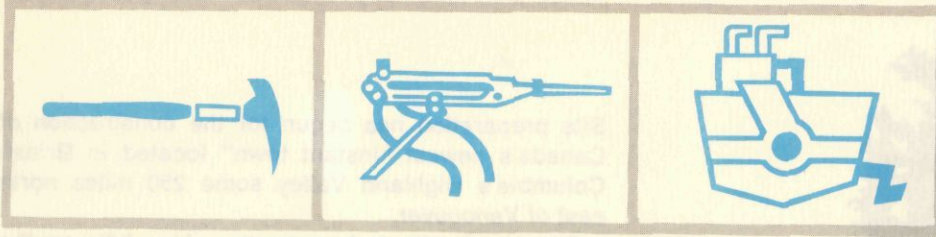


Lornex  
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# TORONTO NEWSLETTER

RIO ALGOM MINES LIMITED

Vol. 6 No. 8 September 1970

**Lornex receives final go-ahead • "Instant" town being built by Lornex • Rio Algom earnings rise again**





## Lornex starts work on "instant town"

Site preparation has begun for the construction of Canada's newest "instant town" located in British Columbia's Highland Valley some 250 miles north east of Vancouver.

The site is situated on gently rolling hills on the north side of half-mile-long Logan Lake. Bulldozers are preparing 40 acres for the start of road construction and the building of the first 100 homes.

These houses will be completed by early next summer and a second group will be finished by mid-1972.

Although the community is being built by Lornex Mining Corporation Ltd. to house employees of its Highland Valley open pit copper-molybdenum mine, it will not be a company town, but will be incorporated under the B.C. Municipal Act. The town, still unnamed, is located 11 miles east of the property, 40 miles from Kamloops and 35 miles from Merritt.

Lornex decided to build the town because existing major communities are situated more than 25 miles from the mine. The company considered this too far for workers to travel each day. The company, however, stressed it will not be mandatory for employees to live in the town.

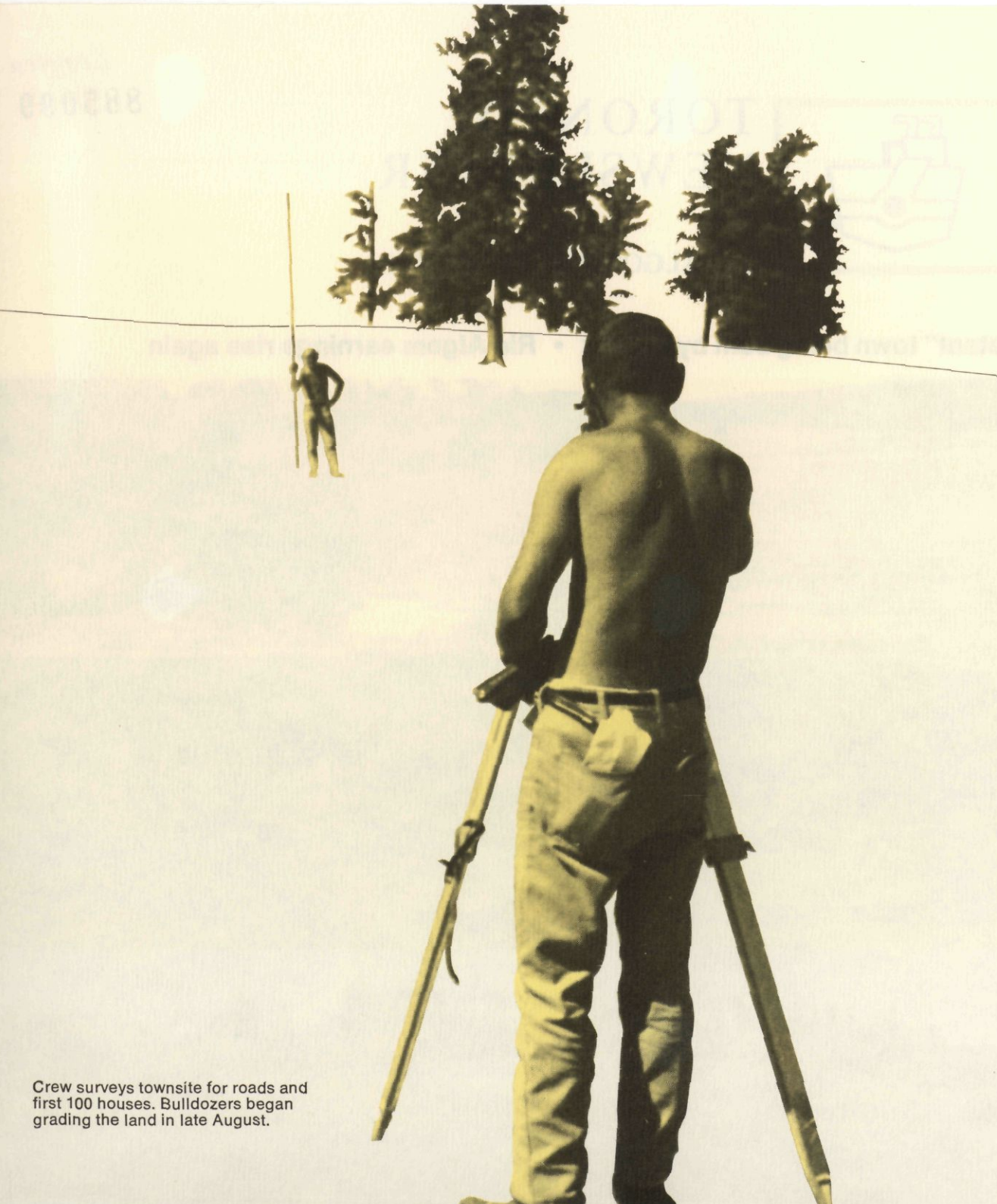
Other mining companies in the Highland Valley have expressed interest in locating their employees at the Logan Lake site, assuring a large enough community to support necessary school and commercial facilities.

The town will have full services including an elementary school, sewage treatment plant, telephone service, small-item shopping, cable TV and fire protection.

The homes, in a number of different designs, will be located on serviced, city-size lots. They will have three bedrooms and full basements. The houses will be individually owned. Mortgages have been arranged with CMHC and Canadian banks.

John G. Aldrich, town development supervisor, said Lornex will assist employees in arranging down payments as part of its housing policy.

Grading for the first 100 homes and roads is being



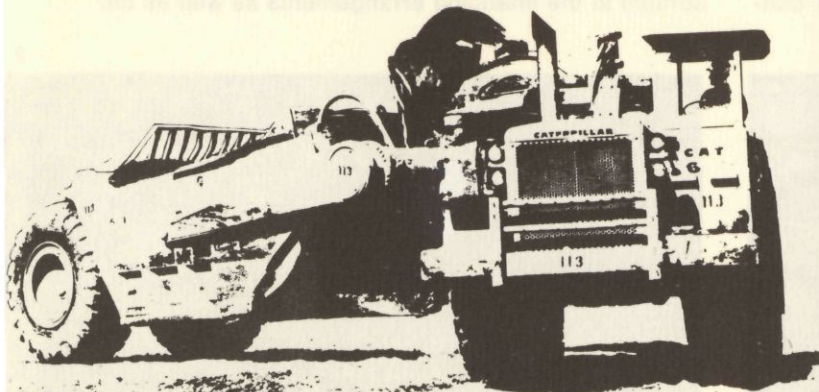
Crew surveys townsite for roads and first 100 houses. Bulldozers began grading the land in late August.



done by View Construction Company Ltd., of Kamloops. The work is scheduled for completion in September.

The townsite is located on parkland-like rolling hills rising north of Logan Lake. Mr. Aldrich described the setting as magnificent. "It can match anything in the interior", he said.

The area, he said, provides excellent recreation including trout fishing, big game hunting, skiing and



tobogganing. It is close to the year-round Okanagan resort area.

"We hope the community will become a miner's dream town", said Mr. Aldrich. "It will have all necessary services. It will be close to the mine, near the Trans-Canada Highway and within easy driving distance of shopping and medical facilities at Kamloops and Merritt."

Logan Lake townsite as seen from the air. The town will be situated on gently rolling hills to the left of the lake.





## Lornex shareholders approve agreements, mine development commences immediately

A meeting of shareholders of Lornex Mining Corporation Ltd. last month approved financing arrangements for the development of the company's copper-molybdenum mine in the Highland Valley area of British Columbia. Full scale mine development and construction will begin immediately. Plans call for mine production to begin early in 1972.

The shareholders approved a reorganized share capital structure for the company, a loan agreement with three Canadian chartered banks, financial participation in the project by a group of Japanese smelters and trading companies, and a stock option plan.

centrate (110 million pounds of contained copper) and 2.5 million pounds of contained molybdenum.

The Lornex orebody is calculated at 293 million tons with an average copper grade of .427 percent and average molybdenum grade of .014 percent.

Rio Algom and The Yukon Consolidated Gold Corporation Limited of Vancouver will contribute \$23.6 million to the mine development cost on a first in, last out basis by purchasing units comprising income debentures and Lornex shares. Rio Algom's part of this financing will be \$21,240,000 and its equity interest in Lornex will increase from 36 percent to fractionally more than 50 percent. Yukon will con-

tribute a total of \$26,500,000 in U.S. funds, on a second in, second out basis, receiving in exchange units comprising 150,000 Lornex common shares and promissory notes of the company collaterally secured by second mortgage bonds. The nine companies are The Dowa Mining Co. Ltd., Furukawa Mining Co. Ltd., Mitsubishi Metal Mining Co. Ltd., Mitsui Mining and Smelting Co. Ltd., Nippon Mining Co. Ltd., Sumitomo Metal Mining Co. Ltd., Mitsubishi Shoji Kaisha Ltd., Mitsui and Co. Ltd., and Sumitomo Shoji Kaisha Ltd.

The company was advised that the Japanese government approved this participation of the consortium in the financing arrangements as well as the



Approval of the financing arrangements by the shareholders cleared the way for an immediate start on the mine, expected to be the largest base metal mine in Canada. Rio Algom will manage the development and operation of the mine.

In production, the Lornex mine and plant will provide employment for approximately 500 people. Up to 900 will also be employed during development and construction.

On the basis of a design capacity of 38,000 tons of ore per day, Lornex will be the largest single base metal mine in Canada. Annual output is expected to be approximately 162,000 short tons of copper con-

tribute \$2,360,000 and its equity interest will decrease from 24 to 19 percent. Under certain conditions Rio Algom may purchase additional income debenture units to an amount not exceeding \$30 million. Rio Algom has agreed to sell Yukon 17.5 percent of all such additional units and has granted Yukon an option to purchase an additional 10 percent of such units under certain conditions.

The three banks, The Canadian Imperial Bank of Commerce, The Toronto-Dominion Bank and The Bank of Montreal, will provide a total of \$60 million first mortgage loans on a last in, first out basis.

Nine Japanese smelter and trading companies will

sales agreement for the purchase of copper concentrate on July 27, 1970. The entire copper concentrate output of the mine has been committed to Japan for twelve years. The sales agreement takes into account provisions of the British Columbia Minerals Processing Act and regulations made under it, and the sales agreement has been approved by the British Columbia government. Under these regulations, producing mines in British Columbia may be required to make available up to 12.5 percent of their concentrate output for processing in the province.





1. Old test pit looks like a small pond at the eastern end of the giant open pit being developed at the Lornex mine. The production pit will be some 5,000 feet by 3,000 feet in contrast to the few hundred-foot dimensions of the preliminary open cast.



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2. Electric shovel with a big bite, it is one of three being readied for use at Lornex. The shovel removes 15 cubic yards of earth at a time.

3. Aerial view of Lornex. Open pit area is in upper left. Below it will be the primary crusher plant, concentrator, offices and related facilities.



## Rio tries to make grey tailings at Elliot Lake green with grass

For the first time in Canada, an attempt is being made to grow grass and other greenery on the grey, acidic tailings areas of uranium mines.

The attempt is being made by Rio Algom at the tailings areas of some of its shut-down mines. If it is successful, the seeding program will be extended to other tailings.

First step in the revegetation plan was taken last fall. At that time a trial tract of 13 acres of tailings of the shut-down Milliken and Stanleigh mines was levelled, limed, fertilized and seeded.

The effort, according to Peter F. Pullen, chief environmental engineer, met with some success, but was far from total. Growth of grass and other green plants was limited because of the ground's high acidity. Some 75 per cent of the area was reseeded this year.

In addition, 25 acres of tailings of the temporarily closed Nordic mine have been seeded with grass, legumes and native trees such as birch and poplar. It is still too soon, said Mr. Pullen, to know if this revegetation attempt will be successful.

Purpose of the program is the prevention of wind erosion and seepage of chemical-carrying water, and the restoration of the areas in question to their natural condition.

Carrying out the seeding is Erocon Ltd., of Don Mills. They are operating on several important premises. Grass seed grows quickly, holding the fine particles of mine waste. Legumes, other seeded greenery, provide further adhesion for the surface of the area which would otherwise be susceptible to wind and water erosion.

The legumes also provide the soil with nitrogen which promotes continued foliation. Once the grass and legumes are established, the soil can support the growth of larger plants and trees.

"We are running into a few difficulties, since we are dealing with highly-acidic tailings," said Mr. Pullen, "but we are taking appropriate counter-measures and are optimistic that the program will be successful."



Fertilizer and seed are dumped into tractor-spreader of tractor at Nordic tailings area. Nordic tailings being seeded.





## Interim Reports

### Rio Algom earnings, sales jump in first half of 1970

Rio Algom announced net earnings for the first six months of \$8,764,000 compared with \$6,214,000 for the similar period in 1969. The comparative net earnings per common share were 68¢ and 47¢ respectively. Sales totalled \$95,420,000, about 17 percent higher than in the 1969 period.

Both mining and steel divisions achieved substantial increases in sales and operating earnings for the first half as compared with the same period in 1969. Provision for income and provincial mining taxes was \$1,659,000 greater than in the first half of 1969 as a result of higher earnings of subsidiary companies and a wholly-owned domestic subsidiary, Mines de Poirier, Inc., becoming subject to income tax in 1970. The assets, property and business of Mines de Poirier, Inc. were sold to Rio Algom as at February 28, 1970 and Poirier's earnings are no longer being taxed as those of a subsidiary company.

Increases in mining division sales and earnings were primarily due to increased production of uranium, improvement in ore grade at Poirier and higher copper prices. Uranium production increased as a result of both a higher milling rate and a better average grade obtained from the New Quirke mine. Total copper production decreased slightly from 1969 due to the shutdown of the Pronto mine in April, 1970. However, the effect of the decline in production at Pronto was largely offset by increased production at Mines de Poirier as a result of continued improvement in grades.

Steel division sales and earnings were substantially higher than in 1969 primarily due to improved profitability at the Tracy plant and in the distribution companies. A slight weakness in North American automotive demand was offset by increased sales in attractive offshore markets.

Construction of the new uranium mine in Utah continues to progress on schedule. At June 30 the ventilation shaft had reached a depth of 2,038 feet

while the production shaft had reached 1,752 feet; eventual depth of these shafts will be 2,650 feet.

On March 19, 1970 a policy statement was made in the House of Commons concerning the federal government's position with regard to limiting by regulation foreign ownership in the Canadian uranium industry. Since the proposed regulations could have an adverse effect on the Company, we have made representations to the federal government. The matter is still under review by the government.

The federal government also has stated publicly that it is prepared to consider some form of assistance to uranium producers in established uranium communities to replace its current stockpiling program which expired June 30, 1970. Rio Algom has made very limited use of the current program, shipping 625,374 pounds in 1965 and 1966. No shipments have been made since 1966. Therefore the continuation of the stockpiling program is not of direct consequence to the Company and will not adversely affect the level of operations of Rio Algom in Elliot Lake if it is not continued.

In regard to the Company's investment in Lornex Mining Corporation Ltd., regulations were passed on April 23, 1970 under the British Columbia Minerals Processing Act authorizing the Minister of Mines to direct that a producing mine, under which definition Lornex would fall, deliver to a British Columbia copper smelter a tonnage of its production equal to 12½ percent of the tonnage produced and committed under a contractual sales arrangement approved by the Minister.

Because of these regulations and the cessation of the copper pricing basis used by virtually all producers in British Columbia, it became necessary to re-negotiate with the Japanese and bank consortia certain conditions of the financing and copper concentrate sales agreements which had previously been successfully concluded. Required amendments have now been negotiated and signed. The minister of mines and mineral resources for British Columbia has approved the sales contract and we are informed

that the Japanese government has approved the Japanese financing agreement and sales contract. Subject to Lornex shareholder approval, to be requested at a shareholders' meeting on August 14, 1970, Lornex is ready to proceed with the development of its large, low-grade copper deposit in British Columbia's Highland Valley.

Key staff have been retained at Lornex, key equipment ordered and a minimal amount of preparatory work carried out so that construction will begin in an orderly manner. Production is scheduled to begin in the early part of 1972.

Primarily because of delays in the start-up date from that envisioned in the October, 1968 Bechtel project evaluation and certain other factors, the financial requirements of Lornex are presently expected to exceed the original estimates of \$123,600,000 by approximately 6 to 8 percent. These excess requirements may be provided, in whole or in part, by Rio Algom under its construction and management agreement with Lornex.

### Anglo-Rouyn earnings lower, good progress on new inclines

Net earnings for the six months ended June 30 were \$499,000 as compared with \$800,000 for the same period in 1969.

Copper prices were higher than in 1969 but grade was somewhat lower than that achieved in the first half of 1969, resulting in fewer payable pounds of copper. Revenue was slightly higher in 1970 because of copper price but this was more than offset by increased operating expenses. A further contributing factor to lower earnings in 1970 was a provision of \$80,000 for provincial mining taxes, no provision having been required in the first half of 1969.

Good progress continues to be made on the inclines being driven to the ore reserves west of the present workings and ore encountered is up to expectations. These inclines are expected to be completed on schedule in the fall of 1970.



Anglo-Rouyn (continued)

A total of 157,519 tons of ore was milled during the six month period of which 48,454 tons was supplied from the stockpiled open pit ore. Production totalled 4,907,422 payable pounds of copper, 6,370 ounces of gold and 24,649 ounces of silver. Average millhead grade was 1.68 percent as compared with 1.98 percent in 1969. The lower grade results from the open pit ore; however, a partially offsetting factor is that such ore costs less per ton to mine. The mill operated at an average of 875 tons per day compared to 821 tons per day in the first half of 1969. Average mill recovery was 96.4 percent in 1970 and 96.5 percent in 1969.

During the first half of 1970 the bank loan was paid off in full, repayments totalling \$550,000 having been made during the period. In addition, a payment

## GROUP NEWS

### Australian company signs uranium contracts

Mary Kathleen Uranium Limited, Australian member of the RTZ Group, has signed two contracts for the sale of approximately 2,700 short tons of uranium oxide in concentrate, deliveries to commence late 1974 and continuing until 1979.

The contracts were made with an American utility and with RTZ Mineral Services Limited, a wholly owned subsidiary of RTZ, and were dependent upon satisfactory financing being arranged.

The contract with RTZ Mineral Services covers part of the uranium oxide ( $U_3O_8$ ) requirements of RTZ Mineral Services for its previously concluded contract with Kernkraftwerk Brunsbüttel GmbH (in which the Hamburgische Electricitäts Werke has a 66⅔ percent interest and the Nord West Deutsche Kraftwerke 33½ percent interest). RTZ Mineral Services has arranged with the United Kingdom Atomic Energy Authority for conversion from  $U_3O_8$

of  $U_3O_8$  for ultimate delivery to KKB, without cost to MKU.

### Preston earnings up

Net earnings for the six months ended June 30 were \$1,197,000 compared with \$1,150,000 for the same period in 1969. Investment and other income of \$1,145,000 includes dividend income of \$1,076,480 received in June from Rio Algom Mines Limited. A dividend of 14¢ per share, amounting to \$1,098,907, was declared by your directors on May 29, 1970 and paid on June 30, 1970.

The Company's major asset continues to be its investment in Rio Algom Mines Limited.

The export of  $U_3O_8$  from Australia is subject to International Atomic Energy Agency safeguards or equivalent safeguards satisfactory to the Australian Government which ensure that the end product is used only for peaceful purposes.

Blake Pelly, Mary Kathleen chairman, warned shareholders that these present contracts do no more than justify the recommissioning of the mine with adequate cover to service the additional loan capital involved. The profitability from the shareholders' point of view is dependent upon additional contracts which it is hoped will be entered into in the future, though there is at present no guarantee of this. He stated further that the ability of M.K.U. to enter into additional contracts was dependent upon the ability to recommission the mine which, subject to finance, is likely to start around mid-1972 in order to fulfil the present contracts.

## Now Elliot Lake area has a yacht club

Flag is raised by President R. D. Armstrong during official opening of the North Channel Yacht Club at Spragge, near Elliot Lake. The club's formation was spearheaded by Commodore Paul Carloss, an avid sailor recently transferred to Elliot Lake from the Toronto office. The club is adjacent to the shut-down Pater mine. Buildings were donated by Rio Algom and converted by club members. Membership stands at 35, with others awaiting approval.

