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KAISER RESOURCES LTD.

INFORMATION KIT

TABLE OF CONTENTS

Kaiser Resources Ltd. has prepared this updated (December 1973) facts booklet as a reference manual.

We ask that you keep it on file and trust that it will be of assistance to you.

If you require further information at any time, please contact:

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KAISER RESOURCES LTD.

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Operations Office	P.O. Box 2000 SPARWOOD, B. C. VOB 2GO Telephone (604) 425-8221
Port Facility	Westshore Terminals Ltd. Roberts Bank DELTA, B. C. Telephone (604) 946-4491

DIRECTORS

Jack J. Carlson*	President and Chief Executive Officer, Kaiser Steel Corporation
Graham R. Dawson*	Vice-Chairman, Kaiser Resources Ltd. President, Dawson Construction Ltd., Vancouver, B. C.
Paul G. Desmarais	Chairman and Chief Executive Officer, Power Corporation of Canada Limited, Montreal, Quebec
Stephen A. Girard*	Chairman of the Executive Committee, Kaiser Resources Ltd. Senior Vice-President, Kaiser Industries Corporation
Roger T. Hager*	Chairman, The Canadian Fishing Company Ltd., Vancouver, B. C.
Enji Haseo	Director and General Manager, Ferrous Raw Materials Department, Mitsubishi Corporation, Tokyo, Japan
Edgar F. Kaiser*	Chairman, Kaiser Resources Ltd. Chairman, Kaiser Steel Corporation Chairman, Kaiser Industries Corporation
Edgar F. Kaiser, Jr.*	President and Chief Executive Officer, Kaiser Resources Ltd.
R. A. Kjelland	Vice-President, Finance and Planning, Kaiser Steel Corporation
William B. Macdonald	Former President, A. E. Ames & Co. Ltd. Toronto, Ontario
Ian N. McKinnon	Chairman and President, Consolidated Natural Gas Ltd., Calgary, Alberta
Eugene E. Trefethen, Jr.*	Vice-Chairman, Kaiser Industries Corporation
E. D. H. Wilkinson, Q.C.	Partner, Russell & DuMoulin, Barristers and Solicitors, Vancouver, B. C.

* Member, Executive Committee
  Kaiser Resources Ltd.

PRINCIPAL OFFICERS

Edgar F. Kaiser	Chairman of the Board
Graham R. Dawson	Vice-Chairman of the Board
Stephen A. Girard	Chairman of the Executive Committee
Edgar F. Kaiser, Jr.	President and Chief Executive Officer
Howard E. Cadinha	Vice-President, Finance and Planning, Controller
Robert W. MacPhail	Vice-President, General Manager
Walter J. Riva	Vice-President, Mining Operations
Ward P. Popenoe	Vice-President, Administration
John H. Harvie	Vice-President, Marketing
Bernard E. Olsen	Vice-President, Sales and Transporation
Gordon M. Edgar	Vice-President, Westshore Terminals Ltd.
Robert H. Gronotte	Vice-President, Engineering
Christopher H. Hebb	Counsel and Secretary
Peter M. Bradbury	Treasurer

KAISER RESOURCES LTD.

OFFICERS' BIOGRAPHIES

EDGAR F. KAISER, Chairman of the Board

Mr. Kaiser was born July 29, 1908, at Spokane, Washington, two years after his father, Henry J. Kaiser, left his native New York for the western areas of the United States and Canada. (The Henry J. Kaiser Company Ltd., the forerunner of today's Kaiser organization, was organized in Vancouver, B.C., in 1914 as a road paving company.)

Edgar Kaiser attended the University of California, majoring in economics. He married the former Sue Mead in 1932. They are the parents of three sons and three daughters. Mr. Kaiser is the Chairman of Kaiser Industries Corporation, the parent company of an organization which has plants and facilities in 25 countries, employs approximately 70,000 persons, has assets of $3.4 billion and total sales of about $2.1 billion. The organization's headquarters are in the Kaiser Centre, Oakland, California.

GRAHAM R. DAWSON, Vice-Chairman of the Board

Mr. Dawson was born November 18, 1925, in Vancouver, B. C. He was educated at schools in Vancouver and graduated from Royal Roads Naval College, Victoria, in 1945 and the University of British Columbia in 1949, the same year he married the former Dorothy Williams. A civil engineer by profession, Mr. Dawson is Chairman of Daon Development Corporation, President of Dawson Construction Ltd., and director of a number of Canadian companies.

STEPHEN A. GIRARD, Chairman of the Executive Committee

Mr. Girard was born in Hoquiam, Washington, in 1913. After attending the University of Washington, he joined the Kaiser organization in 1938 as a construction superintendent on the Grand Coulee Dam in the State of Washington. In his career with the Kaiser organization, he has held key management positions in heavy construction, shipbuilding, manufacturing and international business development. He was President of Kaiser Jeep Corporation from 1959 to 1970. A director and senior Vice-President of Kaiser Industries Corporation, the parent firm in the Kaiser industrial organization, Mr. Girard was President and Chief Executive Officer of Kaiser Resources Ltd. from March of 1972 to August, 1973.

EDGAR F. KAISER, JR., President and Chief Executive Officer

Mr. Kaiser was born in Portland, Oregon, in 1942. After graduation from Stanford University with majors in history and political science, he received his M.B.A. from Harvard Business School in 1967 where he specialized in international finance and labor relations. He was selected as a White House Fellow and served as an assistant to President Johnson before joining Kaiser Resources Ltd. in 1969. Mr. Kaiser has served as Director of Corporate Planning, Manager of Resources Development, Vice-President and Treasurer, and Executive Vice-President, Operations. A director of Kaiser Resources, Kaiser Industries Corporation and Kaiser Steel Corporation, he is also a trustee of the Henry J. Kaiser Family Foundation. A resident of Vancouver, Mr. Kaiser is a member of the boards of the Canadian Arthritis and Rheumatism Society and the Vancouver Symphony.

<u>HOWARD E. CADINHA</u>, Vice-President, Finance and Planning, Controller

Mr. Cadinha was born in Honolulu in 1935. A graduate of the University of Hawaii, he joined the Kaiser organization in 1963 and has served with Kaiser Industries Corporation, Kaiser Jeep and Kaiser Steel. He joined Kaiser Resources in early 1972 as Manager of Corporate Planning and late the same year was made Vice-President, Corporate Planning. A member of the American Institute of Certified Public Accountants, he was appointed to his present position on August 29, 1973.

ROBERT W. MacPHAIL, Vice-President, General Manager

Mr. MacPhail was born in Pittsburgh, Pennsylvania in 1923 and was raised in Leamington, Ontario. An engineering graduate of the University of Michigan, he first joined the Kaiser organization with Kaiser-Frazer Corporation in 1947. After serving in various engineering capacities, he was appointed a Plant Manager of Kaiser Jeep Corporation in 1964. He joined Kaiser Resources as Maintenance Superintendent at Harmer Ridge, in the East Kootenay area of southeastern British Columbia, and was appointed Vice-President and General Manager in 1972.

WALTER J. RIVA, Vice-President, Mining Operations

Mr. Riva was born in Canmore, Alta., in 1922. A mining engineering graduate of the University of Alberta, he joined Kaiser Resources in late 1973 after 28 years' experience in the coal mining industry, most recently as Vice-President of Coal Operations for Denison Mines at Calgary. Prior to joining Denison Mines, he served with Canmore Mines Limited for 22 years, rising to General Manager and Executive Vice-President. A past President of The Coal Association of Canada, he is the author of several technical and non-technical papers and was awarded the Selwyn G. Blaylock Medal in 1973 for "distinguished service to the Canadian coal industry."

<u>WARD P. POPENOE</u>, Vice-President, Administration

Mr. Popenoe was born in Topeka, Kansas in 1924. A graduate of Pomona (California) College where he majored in economics, he joined the Kaiser organization in 1950 as a staff auditor and subsequently worked in various levels of responsibility with Kaiser Steel Corporation. Before joining Kaiser Resources in 1970 as Administrative Manager, he was Assistant Controller of Myers Drum Company of Oakland, a subsidiary of Kaiser Steel. A member of the American Institute of Certified Public Accountants, he was appointed to his present position in 1971.

JOHN H. HARVIE, Vice-President, Marketing

Mr. Harvie was born in London, England, in 1923. A graduate of the Royal Naval College of Holbrook, England, he joined the Kaiser organization in 1956 as Assistant to the Vice-President and General Manager of Kaiser Jeep International Corporation in Ohio. He served in various management capacities with Kaiser Jeep around the world, including four years as Vice-President, before joining Kaiser Resources Ltd., in 1973.

BERNARD E. OLSEN, Vice-President, Sales and Transportation

Mr. Olsen was born in Burns, Oregon, in 1923. A graduate of Stanford University, he also attended the University of Santa Clara and the American Institute for Foreign Trade in Phoenix, Arizona. He joined the Kaiser organization in 1952 as Export Sales Service Supervisor and has served in a sales capacity with broad responsibilities in various export markets since that time. He joined Kaiser Resources in 1968.

GORDON M. EDGAR, Vice-President, Westshore Terminals Ltd.

Mr. Edgar was born in Winnipeg. He attended the University of Minnesota, Duluth branch. He joined Kaiser Resources as Manager of Westshore Terminals Ltd. of Delta, B. C. in May, 1969, after 17 years of supervisory experience at bulkloading ports on the Great Lakes and Gulf of St. Lawrence. He was appointed Vice-President of Westshore Terminals in 1972.

<u>ROBERT H. GRONOTTE</u>, Vice-President, Engineering

Mr. Gronotte was born in Detroit, Michigan, in 1925. An electrical engineering graduate of the University of Dayton, Ohio, he joined the Kaiser organization in 1957 as a senior plant engineer for Kaiser Steel Corporation. He joined Kaiser Resources Ltd. in 1971 as Chief Engineer and was named a Vice-President in 1973.

<u>CHRISTOPHER H. HEBB</u>, Counsel and Secretary

Mr. Hebb was born in Halifax, N.S., in 1942. After graduating from the University of Alberta with a major in history, he received his law degree (LL.B.) from the University of Toronto in 1966. Mr. Hebb, a member of both the British Columbia and Alberta Bars, joined Kaiser Resources as Counsel in 1970 and assumed the secretarial responsibilities in 1973.

PETER M. BRADBURY, Treasurer

Mr. Bradbury was born in Buenos Aires, Argentina, in 1938. He is a business graduate of Stanford University and a member of the Institute of Chartered Accountants of British Columbia. He joined Kaiser Resources as Treasurer in 1973 after 14 years' experience, most of which was in the management consulting field.

GENERAL BACKGROUND

Kaiser Resources Ltd. was incorporated in British Columbia in 1967 under the name Kaiser Coal Ltd. In 1969, the name was changed to Kaiser Resources Ltd. and the Company became a public company with participation by Canadian investors.

Kaiser Resources is developing coal deposits near Sparwood, in the East Kootenay area of southeastern British Columbia. This includes a large volume of coking coal for Japanese steel mills as well as smaller amounts of other coal and coke products for customers in Canada, the United States and Europe.

The Company has approximately 1,700 employees in British Columbia. Coal is mined by three methods -- a large open-pit operation (Harmer Ridge), a hydraulic underground operation, and a conventional underground operation (Balmer North mine).

From the mining operations, the coal is transported to a preparation plant where it is cleaned and dried before being stored in silos. From these silos, unit trains of approximately 88 cars each transport the coal 700 miles to the Company's bulk-loading deepwater port facilities at Roberts Bank, 18 miles south of Vancouver, where it is stockpiled prior to ship-loading. There are no Government subsidies now being paid to Kaiser Resources for coal shipments to Japan.

CONTRACTS

In 1968, Kaiser Resources Ltd. entered into contracts with Mitsubishi Corporation for the sale to Japanese steel mills of approximately 75,000,000 long tons of coking coal, meeting certain specifications, at a rate of approximately 5,000,000 long tons annually for 15 years commencing in 1970. The original contract set the base price at $12.85 per long ton. Under interim agreements signed in 1971 and 1972, ash specification and contract tonnage were revised.

On July 1, 1973, a new sales agreement between Kaiser Resources and its Japanese customers went into effect. Prior to that date, a one-year interim agreement provided for annual delivery of 4.5 million long tons at $18.73 per long ton with ash specification of 9.5%, subject to 0.5% tolerance.

Under the revised sales contract, effective through March 31, 1985, the annual tonnage and ash specification remain unchanged from the last one-year interim agreement. The main points of the new agreement are:

* The price for coal was increased from $18.73 per long to the U.S. dollar equivalent of $19.85 (Canadian) per long ton through March 31, 1975.

* Upon request by Kaiser Resources, the price will increase up to 50 cents per long ton effective April 1, 1975.

* Prices are subject to escalation for certain labor, material and other cost increases up to a maximum of U.S. 80 cents per long ton for the period July 1, 1973 through March 31, 1975.

* Escalation also will be allowed at a maximum rate of 2 cents per short ton every two years for increased costs at the Roberts Bank port facilities, and for increased rail freight costs for moving coal from the mine to the port. Escalation to cover increased costs after March 31, 1975 and government implementation of mineral land taxes will be subject to further negotiations.

* Contract price reviews are provided for on April 1, 1976 and 1980. If the parties are unable to reach agreement on price, the matter will be submitted to binding arbitration. Previously either party could terminate the contract failing agreement on price revisions in 1975 and 1980.

In addition to these main price provisions, Kaiser Resources is released from its obligations to compensate Mitsubishi for all costs (including fluctuation in the yen-U.S. dollar exchange rate) incurred by Mitsubishi with respect to special cost assistance provided to Kaiser Resources in 1971 and 1972. Kaiser Resources received U.S. $8,750,000 on account of that special cost assistance.

Kaiser Resources has a contract with CP Rail to deliver coking coal to Roberts Bank under the terms of Kaiser's agreement with Mitsubishi. This agreement currently provides for an average price of $4.01 per net ton to CP Rail for the period April 1, 1973 to March 31, 1974.

Kaiser Resources also has several short-term contracts and spot sales involving various coal and coke products to customers in Canada, the United States and Europe. In 1972, the Company shipped approximately 244,000 long tons under these contracts and spot sales; in the first nine months of 1973, the amount was approximately 169,000 long tons.

THE COMPANY AND ITS SHAREHOLDERS

Kaiser Resources Ltd. is a public company with offices and operations in British Columbia, whose shares are listed on the Vancouver, Toronto and Montreal stock exchanges.

Prior to a financial restructuring program carried out in 1973, Kaiser Steel Corporation of Oakland, California, held 75 per cent of the outstanding common shares of Kaiser Resources Ltd., and the public owned 25 per cent.

At the Company's annual general meeting in Fernie, B.C., June 25, 1973, shareholders approved an increase in the Company's authorized share capital of $15 million divided into 15 million shares to $28 million divided into 28 million shares. This marked the first step in a financial restructuring program designed to reduce the Company's heavy debt load by bringing in new equity capital.

The second step in the restructuring program was completed nine days later with an additional equity investment of $27,503,199 by Kaiser Steel Corporation. Kaiser Steel purchased 4,606,105 shares at $3.80 per share in cash and 2,105,263 shares at $4.75 per share through conversion of a $10 million loan. Kaiser Steel then held 14,211,368 shares of Kaiser Resources.

The third step was taken on August 29, 1973, when Kaiser Resources Ltd. received a $27,496,800 equity investment from its Japanese coking coal customers, $27,259,154 of which was applied to further reduce the Company's debt. Ten Japanese firms purchased 7,236,000 shares of Kaiser Resources at $3.80 per share.

As a fourth step, the equity program provides that public shareholders of Kaiser Resources will receive one warrant for each share held. These warrants will be transferable and will be exercisable at $2.85 per share until December 31, 1976. (At this writing, December, 1973, the warrants were expected to be issued in about 60 days, once securities regulations requirements had been met.)

Prior to any warrants being exercised, Kaiser Steel owned 59.4% of Kaiser Resources outstanding shares, Japanese interests owned 30.2% and the public owned 10.4%. If all the public warrants are exercised, Kaiser Steel's ownership will be reduced to 53.7%, public ownership will be increased to 18.9% and the Japanese interests will own 27.4%.

Of $55 million involved in the equity program exclusive of the public warrants, approximately $51 million was used to reduce debt.

COMMUNITY OF SPARWOOD

In 1965, a government-sponsored urban renewal program was instituted for the village of Natal, a coal mining community in the East Kootenay area of southeastern British Columbia. The program involved relocation of the residents of Natal to a new community, Sparwood.

In 1968, Kaiser Resources acquired nearby coal mining properties from Crows Nest Industries, including Michel (a townsite adjacent to Natal). The Company participated in the urban renewal program through relocation of the residents at Michel to Sparwood.

Kaiser Resources constructed a modern shopping centre at Sparwood and instituted a housing construction and home purchasing program for its employees. Accommodation in the community includes town houses, apartments and single family homes. Sparwood, which also has schools, a community centre and other facilities, has a current population of about 4,000.

ENVIRONMENTAL PROGRAMS

Kaiser Resources has two departments that have responsibility for environmental matters.

The Environmental Control Department is responsible for helping the Company maintain governmental standards involving water, air pollutants and coarse refuse storage. This includes monitoring of streams for signs of silting as a result of mining operations; sampling of both surface runoff and ground water to determine the amount of solids, suspended solids, acids and metals; the recycling of water used in hydraulic mining operations and in the coke oven; monitoring of emissions from plant stacks; and dust control monitoring both in the community of Sparwood and at the Roberts Bank port.

The Reclamation Department is responsible for programs to rehabilitate the landscape as a result of mining in the past as well as current mining by Kaiser Resources. Experimental work involving high-altitude growing of trees, shrubs and grasses in old mining areas to determine suitability of soils and vegetation is continuing. As part of this experimental program, Kaiser Resources operates its own nursery and greenhouse in which trees and shrubs are grown from seeds and cuttings. In addition, the Company sponsors a $5,000 annual reclamation fellowship at the University of British Columbia in which a student studying for his Ph.D or Masters is able to do research work on any form of reclamation. Information from such research is available to Kaiser Resources and to any other company or organization in British Columbia.

(For more on the Company's reclamation program see pages 32 - 41.)

WESTSHORE TERMINALS LTD.

Westshore Terminals Ltd. is a wholly-owned subsidiary of Kaiser Resources Ltd.

Westshore leases 50 acres of land at the deepsea port of Roberts Bank, 18 miles south of Vancouver, at an annual rental fee in excess of $260,000 paid to the National Harbours Board.

The National Harbours Board constructed the port at an approximate cost of $5 million. Westshore Terminals Ltd. constructed all bulk-loading and berthing facilities at the port at a cost to Westshore of approximately $15 million.

In accordance with terms of the lease rental agreement, the Company also handles bulk coal for other shippers. Currently, export shipments from Westshore Terminals include coking coal from Kaiser Resources and Fording Coal Ltd. and petroleum coke from Atlantic Richfield Corporation.

The facilities constructed by Westshore at Roberts Bank include equipment to handle unloading of unit trains, storage for approximately one million long tons of coal, and other facilities capable of accommodating ships of up to 150,000 tons deadweight.

CAPITAL INVESTMENT (at September 30, 1973)

Plant, property, equipment at Sparwood operations	$137,600,000
Westshore Terminals Ltd. at Roberts Bank	14,600,000
Housing development Sparwood and related facilities	4,200,000
TOTAL	$156,400,000

SHIPMENTS (LONG TONS)

	First 9 months of 1973
Coking Coal	3,529,000
Coke	99,000

	1969	1970	1971	1972
Coking Coal	532,000	1,927,000	3,634,000	4,046,000
Coke	145,000	153,000	121,000	127,000

REVENUE AND NET EARNINGS (LOSS)

	1969
Revenue	$ 10,883,000
Net Earnings (loss)	$(303,000)
	1970
Revenue	$ 10,375,000
Net Earnings (loss)	$(4,699,000)
	1971
Revenue	$ 70,299,000
Net Earnings (loss)	$(15,348,000)
	1972
Revenue	$ 82,879,000
Net Earnings (loss) before extraordinary items	$(5,657,000)
Net Earnings (loss)	$(13,020,000)
First nine months only	**1973**
Revenue	$ 72,771,000
Net Earnings*	$ 1,172,000

* Includes foreign exchange gains of $1,460,000 and extraordinary income of $778,000.

LAND TAXES

1971 TAXES PAID

	General	School	Hospital	*R.D.E.K. Urban Renewal and others	Total
	$	$	$	$	$
Provincial Property Tax	147,905	304,399	19,193	29,723	501,220
City of Fernie	7,868	7,545	481	220	16,114
District of Sparwood	36,510	80,853	5,228	-	122,591
Municipality of Delta	55,912	104,604	2,938	-	163,454
TOTAL (to nearest dollar)	248,195	497,401	27,840	29,943	803,379

1972 TAXES PAID

	General	School	Hospital	*R.D.E.K. Urban Renewal and others	Total
	$	$	$	$	$
Provincial Property Tax	418,104	657,608	39,695	61,471	1,176,878
City of Fernie	8,534	5,669	563	-	14,766
District of Sparwood	77,773	105,793	6,792	-	190,358
Municipality of Delta	75,501	155,425	7,237	-	238,163
TOTAL (to nearest dollar)	579,912	924,495	54,287	61,471	1,620,165

1973 TAXES PAID

	General	School	Hospital	*R.D.E.K. Urban Renewal and others	Total
	$	$	$	$	$
Provincial Property Tax	459,015	699,582	41,926	72,415	1,272,938
City of Fernie	9,866	6,043	-	-	15,909
District of Sparwood	98,807	114,842	7,038	-	220,687
Municipality of Delta	85,218	159,399	-	7,974	252,591
TOTAL (to nearest dollar)	652,906	979,866	48,964	80,389	1,762,125

*R.D.E.K. -- Regional District of East Kootenay

EMPLOYEES (AT DECEMBER 1, 1973)

Sparwood Operations	1,638
Westshore Terminals Ltd.	61
Vancouver Corporate	17
TOTAL	1,716

PAYROLL

Kaiser Resources Ltd. and its subsidiary companies have an annual payroll in British Columbia exceeding $15,000,000.

KAISER RESOURCES LTD.

RECLAMATION PROGRAM

DECEMBER 1973

INTRODUCTION

In 1967 Kaiser Steel Corp., Oakland, Calif., acquired mining rights to a selected two-thirds of the 110,000 acres of coal lands held by Crows Nest Industries. To develop this resource, Kaiser Coal was incorporated with a B. C. charter in February, 1968, and in 1969 the company name was changed to Kaiser Resources Ltd. The properties are near Sparwood, B. C., 12 miles from the B. C.-Alberta border and 50 miles due north of the international boundary.

The move of Kaiser Resources to develop a large open pit coal mining operation at Sparwood led to a storm of controversy unprecedented in the history of natural resources use in the province.

The concept of large scale rehabilitation of land in B. C. disturbed by mining itself was unprecedented. Kaiser Resources stood alone in this field. The rugged Rocky Mountain terrain of the mining area, with altitudes up to 7,000 feet and their severe climatic conditions, posed problems not encountered in rehabilitation programs elsewhere.

Thus, Kaiser Resources became a pioneer in reclamation, doing basic research in soils, plant species, propogation and growth, site preparation, planting and seeding methods, and in the development of native plant stocks from seeds and cuttings.

Results of these studies and their application in the field have been encouraging.

Rehabilitation measures are being taken progressively, and of course, are being co-ordinated with the method and rate of mining.

Kaiser Resources' open pit mining method is a shovel and truck operation employing exceptionally large equipment to remove overburden and expose the coal seams. Several small and some large pits have been developed by this method. The Company has also mined out eight pits worked by the previous mining operation.

After drilling and blasting, the overburden is excavated by shovel and transported to disposal areas by truck. Work starts at the highest point of the pit area and overburden is extracted on benches 60 feet high. The resulting cut walls are 60 foot steps and pitch at 40^{o} to 55^{o} depending on local conditions. The slope of the footwall differs between pits depending upon the pitch of the coal seam. For this reason both the amount of soil left on the footwall and the amount of backfilling possible against the cut walls varies between pits. The spoil dumps generally form 60 foot high benches. In some cases, however, the interval between terraces is increased and in at least two instances only single dumps are possible.

ACCESS ROADS

Land is also excavated or disturbed by the construction of haul and access roads in the active mining areas and for exploration work.

Each separate exploration area is serviced by a 4-wheel drive access road. At approximately 1,500 foot intervals along secondary roads 22 ft. x 100 ft. trenches are excavated through, and at right-angles to, the coal seam. In some cases the system of roads and trenches is supplemented with test pits, usually of about 4,500 feet in surface area.

The basic objective of the reclamation program is the rehabilitation of lands in the Sparwood area industrially disturbed by past and present mining activity. In recognition of the watershed function of the land, and to protect the sport-fish resource, this rehabilitation will have two main goals: (i) To re-establish watershed values as soon as possible. (ii) To accomplish watershed restoration in a way that is compatable with the potential prime use of the land.

LAND USE

The C.L.I., Land Capability Analysis, will be used as the surface land-use objective for reclamation.

Downstream water values during mining will be protected by sedimentation dams on the two creeks, Harmer and Erickson, which drain the mining area.

Uncertainties during the initial stages of surface mine operations make reclamation planning difficult. Some pit areas and spoil dumps of the current three year mining program will be extended in subsequent years. New pits will be opened and some of these will encompass the old. Portions of the old pits will receive spoil from the new. This means that, for a number of years, only small areas of the pit workings will become permanently dormant and ready for reclamation. This is the situation at Kaiser Resources; hence, activities are focused on reclaiming the present mining areas which are available and on the rehabilitation of lands disturbed in the past. These areas include eight abandoned surface mines operated by the former mining company, the Natal and Michel townsites, land adjacent to the coal processing complex, and several refuse dumps in the Michel Valley. A hydroseeding program is in operation to revegetate road cuts and embankments, and other accessible denuded slopes.

SPECIES SELECTION

The selection of suitable plant species is one of the important parts of the reclamation program. Wherever possible revegetation is to be accomplished with plant species indigenous to the East Kootenays. To this end, continuing programs of seed collection, and research on vegetative propogation of native trees and shrubs were started in 1971.

Because of the difficulties of seed collection, the use of native grass and forbs on a large scale is, as yet, impractical. The B. C. Forest Service, the University of British Columbia Faculty of Agriculture, and various seed companies have been approached for advice on forage crop species suitable for this area.

Extensive seed collections were made during the late summer and autumn of 1971 and 1972. From 1971 to 1973, collections were made from twenty-three varieties of tree and shrub species. Extraction and cleaning of conifer seed is contracted to a local company specializing in this type of work.

Each seed lot is fully documented. Tests will be made to determine the optimum dormance-breaking treatments for the various shrub species.

The addition of a greenhouse significantly increased the reclamation department's capacity for plant propagation. It allows the production of coniferous planting stock in containers in one year instead of the usual two for nursery practice, and overhead-mist irrigation is suited for the propagation of broadleaf trees and shrubs from softwood cuttings.

A two-acre tree nursery has been in operation since 1970 for the production of bare root seedlings. Though nearly half of the nursery currently contains coniferous stock, these will be phased out over the next few years and the nursery will eventually be used only for the reproduction of broad-leaf species.

SITE PREPARATION

Site preparation is the most expensive and also an important operation in the reclamation process. Unless alleviated, surface compaction caused by heavy equipment, and the long steep slopes of spoil dumps can hinder or prevent the establishment of vegetation.

On the Kaiser Resources' operation, the treatment of surface compaction presents few problems because of the relative accessibility of the areas on which this occurs, i.e. roads, dump platforms, equipment assembly and maintenance areas. Compacted areas will be ripped to a suitable depth before revegetation.

Overburden dumps are likely to be the most difficult mining features to reclaim as the long unbroken slopes are subject to rapid surface erosion. Some form of surface preparation is necessary at least on the more severe areas. To this end, the Company this year purchased a D-9 Cat for the use of the reclamation department and will purchase another unit in 1974.

Field scale trials are being undertaken in 1973 to determine the optimum method of site preparation on overburden dumps.

A start was made re-sloping portions of the Harmer Knob overburden dumps. This was continued in 1973. The Erickson Pit, of approximately 30 acres, was resloped in 1973.

SEEDING

Four methods of seeding have been used thus far in the program; agricultural preparation, hydroseeding, helicopter seeding and hand seeding.

Since the planting program began, a total of 212 acres have been planted of Douglas fir, Engelmann spruce, and European birch. In 1973, 80 acres of poplar, birch and Douglas fir were planted; all the seedling stock has been grown from seed or cuttings from the Company nursery.

Planting techniques have changed significantly since the planting program began. In general, the survival of Douglas fir seedlings on southerly aspects has been poor. Since most of the planting to date has been done on the south-west slopes of Harmer and Natal ridges, seedling mortality has been as high as 50-60% in some areas. The standard forestry practice of planting trees at 6-foot x 6-foot spacing with little regard to site conditions has compounded the problem.

Even on an area of generally southerly aspect topographic variation is usually such that all aspects are present. With respect to conifers, the direct south and south-west aspects are now avoided and seedlings are planted on other aspects: in the shade of hummocks, rocks, and in depressions where runoff waters collect. The number of trees planted per acre by this method is about 60% of that planted at the 6-foot x 6-foot spacing method. However, indications are that survival will exceed 85%. If this success is due to the new planting technique, it seems likely then that the same number of vigorous trees can be obtained with about two-thirds the number of seedlings.

RESULTS

Though results have been seen as being good on many areas, failures have occurred. Three main factors accounted for most of these failures:

(a) Slope instability: hand seeding on steeply-sloping light-textured soils, and hydroseeding on some of the steeper road cuts, have failed because of slope-wash. On these and similar areas mechanical slope stabilization by terracing and contouring is necessary before successful establishment of grass.

(b) Fall planting of bare-rooted trees resulted in a very high mortality, especially on more exposed sites. This pactice has been discontinued. The technique of planting conifer seedlings on northern aspects and in sheltered areas has produced very encouraging results.

(c) Species selection: attempts to establish conifers on south and south-west aspects has been generally unsuccessful. Future planting and seeding will aim to duplicate the grass-shrub communities that occur naturally on these areas in the southern Rocky Mountains.

The program for 1974 includes seeding, reseeding and planting of about 130 acres and site preparation of another 152 acres. Trees available for planting in the spring include several native species propogated from seed in the company's nursery and 43,000 poplar grown from cuttings.

A quantitative assessment of all reclamation areas, measuring percentage survival and ground cover, should eventually provide valuable information on levels of expenditure, and reclamation techniques necessary to achieve a particular level of revegetation over a wide range of site conditions.

KAISER RESOURCES LTD.

1972 ANNUAL REPORT

KAISER RESOURCES LTD.

Box 2000
Sparwood, B.C.

1401 Board of Trade Tower
1177 West Hastings Street
Vancouver, B.C.

Westshore Terminals Ltd.
Roberts Bank
Delta, B.C.

AUDITORS
TOUCHE ROSS & CO.
Vancouver

TRANSFER AGENT
CANADA PERMANENT TRUST CO.
Vancouver, Calgary, Winnipeg, Toronto, Montreal

REGISTRAR
NATIONAL TRUST COMPANY LIMITED
Vancouver, Calgary, Winnipeg, Toronto, Montreal

SHARES LISTED
Vancouver, Toronto, and Montreal Stock Exchanges

ANNUAL GENERAL MEETING
FERNIE HIGH SCHOOL, FERNIE, B.C., JUNE 19, 1973.

KAISER
RESOURCES

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Sparwood, B.C.

Westshore Terminals Ltd.
Roberts Bank
Delta, B.C.

1401 Board of Trade Tower
1177 West Hastings Street
Vancouver, B.C.

1972 AT A GLANCE

		Year Ended December 31		
		1972	1971	1970**
Shipments (Long tons)		**4,289,000**	4,014,000	2,274,000
Sales		**$81,657,000**	68,934,000	10,274,000
Other Revenue		**$ 1,222,000**	1,365,000	101,000
Costs & Expenses		***$95,899,000**	85,647,000	15,074,000
Net Loss	*Before Extraordinary Charge*	**$ 5,657,000**	—	—
	After Extraordinary Charge	***$13,020,000**	15,348,000	4,699,000
Loss Per Share	*Before Extraordinary Charge*	**.56**	—	—
	After Extraordinary Charge	**$ 1.30**	1.53	.47
Depreciation & Depletion		**$12,582,000**	10,559,000	835,000
Capital Expenditures		**$ 6,660,000**	21,987,000	18,834,000
Long-term Debt		**$83,650,000**	99,811,000	77,277,000
Shareholders' Equity		**$36,955,000**	49,975,000	65,323,000
Average Number of Employees		**1,517**	1,497	1,389

*Includes extraordinary charge of $7,363,000.

**Certain figures are not directly comparable with succeeding years because of operations start-up provisions in 1970.

DIRECTORS

*EDGAR F. KAISER, Chairman

*GRAHAM R. DAWSON, Vice-Chairman

*STEPHEN A. GIRARD, Chairman, Executive Committee

JACK J. CARLSON, President and Chief Executive Officer, Kaiser Steel Corporation

PAUL G. DESMARAIS, Chairman and Chief Executive Officer, Power Corporation of Canada Limited, Montreal

*ROGER T. HAGER, Chairman, The Canadian Fishing Company Limited, Vancouver

EDGAR F. KAISER, Jr., Executive Vice-President Operations, Kaiser Resources Ltd.

ROLAND A. KJELLAND, Executive Vice-President Finance and Administration, Kaiser Resources Ltd.

W. B. MacDONALD, Former President, A. E. Ames & Co., Toronto

IAN N. McKINNON, Chairman and President, Consolidated Natural Gas Limited, Calgary

*E. E. TREFETHEN, Jr., President, Kaiser Industries Corporation

E. D. H. WILKINSON, Q.C., Partner, Russell & DuMoulin, Barristers and Solicitors, Vancouver

*Member, Executive Committee

IN MEMORIAM

Directors were saddened by the death of their colleague, J. Leonard Walker, who passed away on February 3, 1973, in Montreal. A prominent Canadian businessman, Mr. Walker had served on the Board of Kaiser Resources for three years.

Edgar F. Kaiser was elected Chairman of the Board to succeed Jack Ashby, who retired. Stephen A. Girard, President and Chief Executive Officer, was appointed a Director and Chairman of the Executive Committee. Also appointed to the Board were Edgar F. Kaiser Jr., Executive Vice-President, Operations, and R. A. Kjelland, Executive Vice-President, Finance and Administration. Other Directors who retired from the Board were C. F. Borden, C. Lee Emerson, R. G. Heers, C. A. MacIlvaine and William Marks.

OFFICERS

EDGAR F. KAISER, Chairman of the Board

GRAHAM R. DAWSON, Vice-Chairman of the Board

STEPHEN A. GIRARD, Chairman of the Executive Committee, President and Chief Executive Officer

EDGAR F. KAISER, JR., Executive Vice-President, Operations

ROLAND A. KJELLAND, Executive Vice-President, Finance and Administration, and Treasurer

ROBERT W. MacPHAIL, Vice-President and General Manager

B. E. OLSEN, Vice-President, Sales

W. P. POPENOE, Vice-President, Administration Controller, and Assistant Secretary

HOWARD E. CADINHA, Vice-President, Corporate Planning

JOHN W. FEIST, Acting Secretary

WILLIAM S. BARNUM, Assistant Secretary and Assistant Treasurer

TO OUR SHAREHOLDERS

During 1972, interim price increases negotiated with Japanese coal customers and the results of management's program for improving coal production enabled Kaiser Resources to reduce its operating loss. The Company's loss from operations was $5,657,000, or $.56 per share, on sales of $81,657,000. These results compare with a net loss of $15,348,000 or $1.53 per share, on sales of $68,934,000 in 1971. A 1972 extraordinary loss of $7,363,000, or $.74 per share, resulting from writedowns in values of certain plant and equipment, increased the year's net loss to $13,020,000, or $1.30 per share.

Since last year's Report, the Company's capital and other programs for overcoming major operating difficulties have achieved these improvements:

. . . The modified Elkview coal preparation plant is producing finished coal at tonnage rates and quality specifications meeting the current interim agreement with Japanese customers.

. . . Modifications to the 25-yard shovels and the 200-ton trucks, together with revisions in the ongoing preventive maintenance program, are increasing the availability of mining equipment.

. . . Training programs and housing assistance for employees at the mine and the coal processing facilities are helping to achieve gains in productivity and to reduce the employee turnover rates.

. . . As a safeguard against interruptions of rail service on the 700-mile haul between the mine and the port, the Company has built up its stockpiles of coking coal at its Westshore Terminals port facilities. At January 31, 1973, there were 409,000 long tons stockpiled at the port, enough coking coal to meet normal shipping schedules for about four weeks.

Looking to the immediate future, significant further improvement in the Company's operating results cannot be anticipated for the first half of 1973. Beyond June 30 of this year, Kaiser Resources' prospects depend on the outcome of current negotiations relative to its long-term coal sales contract and its financial restructuring, including a program for additional capital investment. (For further details relating to the sales contract and the Company's financial position, please see the Financial Summary and Notes to the Financial Statements included in this Report.)

In Japan, negotiations with our Japanese customers are continuing with respect to revisions in the sales contract. At the same time, we are intensively pursuing all the many facets to the Company's financial restructuring. These financial discussions include a possible equity position by the Japanese; potential additional investment by Kaiser Steel Corporation; rescheduling of the Company's long-term debt commitments; and obtaining the consents required from Kaiser Resources' and Kaiser Steel's lending institutions in order to finalize a refinancing program. With respect to the discussions about a possible equity program, we have asked our financial advisors to give consideration to the Company's Canadian and other public shareholders for the purpose of offering them an opportunity to participate on a fair and reasonable basis.

Results of these vital negotiations on contract revisions and refinancing will be announced promptly as definitive conclusions are reached. Every effort is being exerted to conclude these intensive discussions by June 30, 1973. Meanwhile, it would be inappropriate and premature to speculate on the results.

We are convinced that our Japanese customers are confident of the Company's coal production capabilities and that they are looking to Kaiser Resources as a long-term source for coking coal. The support of our shareholders, the confidence and assistance of our customers and our suppliers, and the performance of our 1,500 employees have been essential factors in enabling management to make progress toward solving the Company's difficulties.

Sincerely,

Edgar F. Kaiser, Chairman

S. A. Girard, President
and Chief Executive Officer

April 16, 1973.

OPERATING REVIEW

MINE OPERATIONS

At the Sparwood operations in the East Kootenay region of British Columbia, the ongoing program to overcome major operational problems has resulted in the achievement of stabilized production tonnage and specifications. Current contract commitments are now being met. Revised mining plans based upon production at an annual rate of approximately 4.6 million long tons of coal have been implemented.

At the Elkview coal preparation plant, modifications started in 1971 were completed. This included installation of a new 5,000-horsepower dryer fan motor, which enabled the plant to meet contract moisture specifications. The $10 million modification program has converted the plant from a wet-and-dry processing facility to an all-wet facility and has increased the capacity of the plant to approximately 5.5 million long tons at 9.5 percent ash specifications with 0.5 percent tolerance.

At the underground operations, a total of 896,000 long tons of coal was produced during the year compared with 793,000 long tons in 1971. Of this, approximately 586,000 long tons were produced at the hydraulic mine, which utilizes a proprietary technique of Mitsui Mining Company and Kaiser Resources using high-pressure water to extract coal deposits. In 1971, hydraulic mine production was 542,000 long tons.

At the surface mining operations, further modifications were made to shovel and truck equipment. This program has been a continuation of equipment modifications begun in 1971. Modifications involved the shovel booms and sticks on the 25-yard shovels and corrections to the truck braking systems and frames on the 200-ton trucks. Further performance testing is proceeding to determine whether additional modifications may be necessary to the shovel booms and sticks in order to assure full performance.

Larger tires were installed on part of the fleet of 200-ton trucks and complete conversion to the new tires is expected to be completed this year. This program is expected to improve operating availability and reduce overall tire costs.

A revised preventive maintenance program for truck and shovel equipment was introduced in 1972. This program is expected to contribute to long-term improvement in equipment availability.

A decision was made in late 1972 to offer the 54 cubic yard dragline for sale because its performance in mountainous terrain did not meet original expectations. The dragline will be replaced by a more flexible truck and shovel operation.

WESTSHORE TERMINALS LTD.

At Westshore Terminals Ltd., the Company's bulk-loading port facilities at Roberts Bank south of Vancouver, 4,085,000 long tons of Kaiser Resources' coal and 766,000 long tons of coal and petroleum coke from other companies were loaded aboard ships for export markets. The volume from other producers in 1972 was less than had been originally anticipated. In 1971, a total of 3,814,000 long tons of Kaiser Resources' coal was shipped by Westshore Terminals.

Early in 1973, Westshore Terminals reached agreement with the International Longshoremen and Warehousemen's Union for a new two-year labor contract which extends to January 31, 1975.

In view of the Company's experience in January and February of 1972 with severe winter storm conditions which affected train transport of coal to Roberts Bank by CP Rail, Kaiser Resources undertook to build up its inventory at the port.

At January 31, 1973, the stockpile of Kaiser Resources' coal at Roberts Bank was 409,000 long tons, which was sufficient to meet anticipated shipping schedules for a total of approximately one month should there be interruptions to rail service from the mine to Roberts Bank.

Negotiations are currently being conducted with CP Rail to combine two separate contracts covering rail delivery of coal from Elkview. The contracts now cover 5-million long tons annually to 1974 and 3-million longs tons annually to 1985.

ENVIRONMENTAL PROGRAMS

Approximately $1 million was spent in 1972 to construct facilities to dispose of refuse from the coal preparation plant. The Company estimates that additional capital expenditures of $5 million will be required by 1976 under this program.

Further research and development work was carried out by the staff of the Company's Reclamation Department at Sparwood. This has included experimentation with growing trees, grasses and clovers on a total of 283 acres, composed largely of old pits, refuse dumps and fine coal refuse lagoons. The Reclamation Department also completed a three-year land reclamation plan for the years 1973 through 1975 which has been submitted for Government approval.

To control coal dust from CP Rail trains between Sparwood and Roberts Bank, a binding agent in water is being sprayed over loaded cars at Sparwood as weather conditions require.

A water spray system has also been installed at Roberts Bank to wash down empty cars leaving the port terminal. The Company is currently discussing with CP Rail further possible improvements in controlling dust from rail trains.

COMMUNITY DEVELOPMENT

During the year the Company completed construction of a residential housing subdivision in Fernie, issued additional second mortgages under its employee home ownership program and took over a group of duplex units in Sparwood as additional properties for rental to employees. By year-end home ownership assistance had been extended to 347 employees and their families and a total of 236 rental units were under Company management. A shopping centre was completed at Sparwood and now provides a variety of commercial facilities for the community.

FINANCIAL SUMMARY

SALES

Sales revenue in 1972 amounted to $81,657,000 on coal and coke shipments of 4,289,000 long tons. Of this total, 4,045,000 long tons were metallurgical coking coal shipped under contract to Japanese steel mill customers. All other shipments amounted to 103,000 long tons of coal and 141,000 long tons of coke and related products. In 1971, 4,014,000 long tons of coal and coke were shipped of which 3,634,000 long tons were metallurgical coking coal. All other 1971 shipments amounted to 246,000 long tons of coal and 134,000 long tons of coke and related products.

OPERATING RESULTS

Operations resulted in a loss of $5,657,000 or $.56 per common share excluding an extraordinary charge of $7,363,000 or $.74 per share attributable to writedowns of $4,734,000 related to the Company's 54-cubic-yard dragline and $2,629,000 to certain equipment and facilities no longer in use at the modified Elkview coal preparation plant. The total loss for 1972 was $13,020,000 or $1.30 per common share. In 1971, operations resulted in a net loss of $15,348,000 or $1.53 per common share. The 1972 results reflect favorable year-end adjustments of $2,269,000 related principally to revaluation of inventories and to revisions in certain cost provisions applicable to operations throughout 1972. Of these adjustments, $1,495,000 is applicable to the first nine months of 1972.

SALES CONTRACTS

During 1972 interim contract price adjustments were in effect on all metallurgical coking coal shipments made to our Japanese customers. The interim agreements in effect until June 30, 1972 provided for a price increase of $2.80 per long ton and special cost assistance of US $2.07 per long ton for an approximate total price of $19.18 per long ton. This price also applied to 380,000 long tons carried over from the second quarter and shipped in the month of July. Under this pricing arrangement U.S. $8,750,483 of special cost assistance was received of which U.S. $4,506,674 was recorded as revenue in 1971 and U.S. $4,243,809 in 1972. The Company has agreed to adjust the price of coal delivered after June 30, 1973 in such a manner that Mitsubishi would be compensated for all costs incurred by Mitsubishi in respect of the special cost assistance, including costs attributed to fluctuations in the Yen-U.S. dollar exchange rate. Significant adverse fluctuations in the exchange rate have occurred since that pricing arrangement came into effect.

The price in effect from July 1, 1972 to June 30, 1973 provides for a contract base price of $16.88 and an interim price increase of $1.85 bringing the aggregate price per long ton to $18.73. There is no obligation to compensate Mitsubishi in respect of any payments under the current interim price agreement. Efforts are being made to reach agreement on contract revisions modifying the price applicable after June 30, 1973.

If no agreement can be reached, the base contract quantities of 5,000,000 long tons per year, plus or minus 10 per cent at the buyer's option, at a base price of $16.88 per long ton with ash specifications of 8.75 percent with 0.5 percent tolerance, would apply until March 31, 1975 (the contract price reopener date). At that time either party can seek a price adjustment and in the event mutual agreement is not reached with respect to repricing, the contract would terminate one year after the respective reopening date (see Note 1 of the Financial Statements).

(7)

INSURANCE SETTLEMENT

In 1972 a settlement was reached with the Company's insurers for a business interruption insurance claim submitted as a result of a fire in December, 1971 in the preparation plant dryer facilities. Of the total final settlement amount of $1,509,000 (a reduction of $109,000 from the anticipated settlement amount reported in the third quarter) $534,000 was included in 1972 earnings, $813,000 was recorded in December, 1971 and $162,000 constituted deductible amounts and reimbursements for costs incurred to reduce claimable losses.

CAPITAL PROGRAMS

Capital expenditures for facilities and equipment totalled $6.7 million in 1972. These expenditures involved the purchase of additional auxiliary mining equipment, one 200-tone truck and one 100-ton truck, dryer modifications, normal replacement and improvement expenditures and approximately $1 million for refuse disposal facilities. Of the above amount, approximately $500,000 was expended by the Company's port subsidiary, Westshore Terminals Ltd. to complete a facility program begun in 1971 to accommodate coal movements from Fording Coal Limited to Japanese customers. At December 31, 1972, investment in plant, property and equipment at cost totalled $148.2 million, including $14.5 million for Westshore Terminals.

Current estimates indicate that capital expenditure commitments for 1973 will aggregate approximately $9,000,000 which includes a more flexible truck and shovel operation having an initial capital cost of approximately $2,000,000 to replace the dragline.

LONG-TERM DEBT

At December 31, 1972, consolidated long-term debt totalled $109.4 million including $25.7 million of installments due at various times in 1973. During the year payments were made to the Canadian banks in the amount of $1.4 million reducing the outstanding amount under the $35 million bank credit to $29.4 million. The full amounts are outstanding under the Canadian Bank $15 million credit agreement and the Japanese advances of U.S. $35 million. A total of $14.5 million was outstanding under a Westshore Terminals Ltd. financing agreement with two U.S. banks.

In June, maturities of approximately $11.1 million of long-term debt which otherwise would have become due during the twelve months beginning June 30, 1972 were extended until June 30, 1973. In connection with this extension, Kaiser Steel Corporation and Kaiser Industries Corporation have agreed jointly and severally to purchase $10.6 million of these amounts to the extent they are unpaid at June 30, 1973.

In December, 1972, the Company reached agreement with its Canadian banks whereby a $5 million line of credit was made available to June 30, 1973. At December 31 this credit was fully utilized. By March 31, 1973, the amount utilized had been reduced to $4 million. This credit is secured by inventories and receivables other than receivables due under the Company's long-term contract with Mitsubishi.

Also in December, the effective date of certain working capital requirements provided for in the bank credit agreements were postponed from December 31, 1972 to July 1, 1973. These provisions require that current assets must equal not less than two times current liabilities as defined in those agreements with working capital as defined of at least $10 million. At December 31, working capital as defined was approximately $797,000.

Under the terms of Kaiser Steel's bond indenture and the terms of its current bank credit agreement, until Kaiser Resources' debt guaranteed by Kaiser Steel is repaid ($96.8 million at December 31, 1972), Kaiser Steel is prohibited, without consent from its lenders, from making further investments in, advances to, or guarantees on behalf of Kaiser Resources. Kaiser Steel may make unsubordinated advances to Kaiser Resources of up to $5 million which must be repaid within 90 days (subject to consent of Kaiser Resources' Canadian banks), and cannot be reloaned until 30 days after payment. At March 31, 1973, none of these funds were borrowed by Kaiser Resources.

KAISER RESOURCES LTD.
and Subsidiaries

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
Sales	**$81,657,329**	$68,934,005
Other Revenue	**1,222,369**	1,364,990
	82,879,698	70,298,995
Costs and expenses:		
Cost of products sold	**58,318,328**	58,188,686
Selling, administrative and general	**7,474,441**	7,260,488
Interest on long-term debt	**8,622,496**	7,872,337
Depreciation and depletion	**12,581,869**	10,559,233
Amortization of preproduction and development costs	**1,539,832**	1,766,519
	88,536,966	85,647,263
Loss before extraordinary items	**5,657,268**	15,348,268
Extraordinary items — Note 11	**7,362,523**	—
Loss for the year	**13,019,791**	15,348,268
Deficit at beginning of year	**20,024,753**	4,676,485
Deficit at end of year	**$33,044,544**	$20,024,753
Loss per share of common stock		
Loss before extraordinary items	**$ .56**	$1.53
Extraordinary items	**.74**	—
Loss for the year	**$1.30**	$1.53

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
Source of funds:		
Operations		
Loss before extraordinary items	$ 5,657,268	$15,348,268
Items not requiring an outlay of funds		
Amortization of preproduction and development costs and other deferred charges	1,588,041	1,941,980
Depreciation and depletion	12,581,869	10,559,233
	14,169,910	12,501,213
Funds provided by (used in) operations for the year	8,512,642	(2,847,055)
Long-term debt	2,373,068	34,318,762
	10,885,710	31,471,707
Application of funds:		
Purchase of property, plant and equipment and other assets — net	6,237,977	23,217,201
Reduction in long-term debt		
Repayment	4,004,141	7,573,684
Reclassification to current liabilities	14,530,113	4,211,589
	24,772,231	35,002,474
Decrease in working capital	13,886,521	3,530,767
Working capital deficiency at beginning of year	7,199,782	3,669,015
Working capital deficiency at end of year	$21,086,303	$ 7,199,782
Elements of working capital changed as follows — increase (decrease):		
Current assets:		
Cash	$ 404,464	$ 1,291,759
Trade accounts receivable	705,111	(1,300,102)
Insurance claims receivable	(258,329)	969,327
Inventories	4,227,108	(2,168,025)
Prepaid expense	59,023	50,678
	5,137,377	(1,156,363)
Current liabilities:		
Accounts payable	413,870	3,658,567
Employment costs and amounts withheld from employees	209,192	(721,195)
Accrued interest payable — parent company	—	(588,693)
Other accrued liabilities	(116,847)	(511,494)
Short term bank loans	(5,000,000)	—
Instalments due within one year on long-term debt	(14,530,113)	(4,211,589)
	(19,023,898)	(2,374,404)
(Decrease) in working capital	($13,886,521)	($ 3,530,767)

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1972

ASSETS

	1972	1971
Current:		
Cash	$ 2,769,818	$ 2,365,354
Trade accounts receivable	1,708,116	1,003,005
Insurance claims receivable	710,998	969,327
Inventories — Note 3	13,194,541	8,967,433
Prepaid expenses	209,759	150,736
	18,593,232	13,455,855
Other assets	2,923,108	3,345,531
Property, plant and equipment — at cost:		
Land	17,178,271	17,108,271
Buildings and land improvements	45,984,993	42,971,107
Machinery and equipment	84,899,410	82,261,371
Construction work in process	108,834	2,129,903
	148,171,508	144,470,652
Less: Accumulated depreciation and depletion — Note 4	29,475,006	12,490,158
	118,696,502	131,980,494
Deferred preproduction and development costs less amounts amortized — Note 4	19,398,661	20,905,633
Other deferred charges	673,249	754,318
	$160,284,752	$170,441,831

On behalf of the Board:

S. A. Girard, Director

R. A. Kjelland, Director

(7)

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1972

LIABILITIES

	1972	1971
Current:		
Accounts payable	$3,986,495	$ 4,400,365
Employment costs and amounts withheld from employees	1,996,982	2,206,174
Accrued interest payable — parent company	1,263,355	1,263,355
Other accrued liabilities	1,715,557	1,598,710
Short term bank loans	5,000,000	—
Instalments due within one year on long-term debt	25,717,146	11,187,033
	39,679,535	20,655,637
Long-term debt — Note 5	83,649,761	99,810,947

SHAREHOLDERS' EQUITY

	1972	1971
Capital stock — Notes 7 and 8:		
Authorized		
15,000,000 common shares of par value $1 each		
Issued and fully paid		
10,000,000 shares	10,000,000	10,000,000
Contributed surplus	60,000,000	60,000,000
Deficit	(33,044,544)	(20,024,753)
	36,955,456	49,975,247
Commitments and contingencies — Note 9		
	$160,284,752	$170,441,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1972

Note 1 — General

In 1968, Kaiser Resources entered into contracts with Mitsubishi Corporation ("MSK") for the sale to Japanese customers of approximately 75,000,000 long tons of coking coal meeting certain specifications at the rate of approximately 5,000,000 long tons annually for 15 years commencing in 1970. These contracts provide for price reopenings at the end of the fifth (March 31, 1975) and tenth contract years, and for cancellation one year after the respective reopening dates in the event mutual agreement is not reached with respect to repricing at those times.

Unforeseen problems in the initial years resulting principally from the inability to achieve contemplated low stripping ratios and the inability to produce metallurgical coking coal meeting the sales contract specifications, resulted in the failure to meet quantity and specification requirements and necessitated substantial revisions in the original plan of operations.

During 1971 revised plans including the accelerated acquisition of certain mining equipment were developed and implemented, and certain modifications to the processing plant were completed. In addition, the company obtained during 1971 under amendatory agreements with MSK, an interim price increase of $2.80 per long ton, an amended annual delivery rate of coal, less stringent ash specifications and a special price increase in the form of a special cost assistance of U.S. $2.07 per long ton for the period June 11, 1971, through June 30, 1972. These prices also applied to 380,000 long tons carried over from the second quarter of 1972 and shipped during July.

The foregoing amendatory agreements anticipated that negotiations for permanent price adjustments would take place toward the end of the period ending June 30, 1972; and, with respect to the above special price increase, Kaiser Resources agreed to adjust the price for coal delivered after June 30, 1972 (changed to June 30, 1973 by the below referenced letter agreement of July 7, 1972), in such manner that MSK would be compensated for all costs incurred by MSK relative thereto, including fluctuations in the exchange rate between the Yen and the U.S. dollar. The company has received and included in revenue a total of U.S. $8,750,483 as payment of the special price increase of which U.S. $4,243,809 was received and included in revenue during 1972.

The Company was unable to conclude negotiations for a permanent price increase during 1972 and in the absence of such an agreement entered into a letter agreement dated July 7, 1972 effective July 1, 1972 providing for (a) a "Base Price" of $16.88 per long ton (b) an interim price increase of $1.85 per long ton on coal sold and delivered during the period July 1, 1972 to June 30, 1973 (c) ash specification of 9.50% during the same period and (d) a total quantity of 4,500,000 long tons during the same period.

The company has had continuing discussions with the Japanese relative to the establishment of a satisfactory permanent price agreement. As well, extensive discussions have taken place relative to an equity programme of additional capital investment by Kaiser Steel Corporation, capital investment by the Japanese and the re-scheduling of its long-term financing commitments.

Further discussions and meetings are scheduled to be held with the Japanese commencing in the latter part of the first quarter of 1973 with every effort being exerted by both parties to conclude such negotiations by June 30, 1973.

Under the present pricing provisions of the coking coal contracts as amended in 1971 and 1972 and as presently financed the company will continue to incur substantial losses and will be unable to meet its financing commitments in either 1973 or subsequent years.

While no firm assurance can be given at this time, the company believes that the on-going negotiations with the Japanese during 1973 will provide a solution to its financial problems within its capabilities as supported by its parent, Kaiser Steel Corporation.

In addition to any performance as guarantor with respect to the loans set forth in Note 5, Kaiser Steel Corporation without any required consents from financial institutions may make additional unsubordinated advances of up to $5,000,00 for periods up to 90 days. The consent of Kaiser Resources Ltd. bankers would be required for any such unsubordinated advances by Kaiser Steel Corporation.

Note 2 — Basis of Consolidation and Accounting Presentation

The accompanying statements consolidate the accounts of the company and its wholly-owned subsidiaries, Balmer Mine Limited, Westshore Terminals Ltd., Kootenay Coal Contractors Ltd., and Mountain Veiw Realty Limited.

Current assets and current liabilities where applicable, have been translated from U.S. dollars at the rate of exchange prevailing at December 31, 1972. All other amounts have been translated at rates of exchange at the date of each transaction.

Note 3 — Inventories

Inventories are summarized as follows:

	1972	1971
Clean coal and coke at the lower of cost and market	**$ 6,634,942**	$ 1,180,772
Raw coal at the lower of cost and market	**305,201**	2,943,249
Operating supplies at average cost	**6,254,398**	4,843,412
	$13,194,541	$ 8,967,433

Note 4 — Amortization, Depreciation and Depletion

Deferred preproduction and development costs are amortized on a straight line basis over a 15 year period being the term of the original sales contract.

Depreciation of plant and equipment is on a straight line basis over the estimated useful life of the assets or 15 years whichever is the lesser.

Depletion is taken at a rate of 10c per ton of raw coal mined.

Note 5 — Long-term Debt	**Amounts outstanding at December 31, 1972 Classified as**	
	Current	**Long-term**
(a) Term loans under Bank Credit Agreements	$13,550,000	$30,850,000
(b) Kaiser Steel Corporation	—	10,000,000
(c) Mitsubishi Canada Limited	8,333,300	26,945,450
(d) Bank of America National Trust and Savings Association and the United California Bank	2,414,446	12,072,231
(e) Crows Nest Industries Limited	309,421	—
(f) The Royal Trust Company	41,739	2,212,213
(g) Other long-term obligations	1,068,240	1,569,867
	$25,717,146	$83,649,761

(a) Bank credit agreements provide for term loans aggregating $50,000,000, repayable as to $35,000,000 in 25 equal quarterly instalments of $1,400,000 beginning June 30, 1971 and repayable as to $15,000,000 in 12 equal quarterly instalments of $1,250,000 beginning June 30, 1973.

The quarterly payments due from June 30, 1972 to March 31, 1973 totalling $5,600,000 have been deferred until June 30, 1973. Kaiser Steel Corporation and Kaiser Industries

Corporation have agreed to purchase these deferred amounts to the extent they are unpaid at June 30, 1973.

As at December 31, 1972 $7,350,000 of the loans is repayable in equivalent U.S. dollars. However, the company may at its option convert the U.S. dollar loans to Canadian funds.

Interest is payable at 1½% in excess of the Canadian prime commercial rate with a minimum rate of 8½% as to $37,050,000 of loan principal and at 1% in excess of Euro-dollar inter-bank rate as to $7,350,000 of loan principal.

Kaiser Steel Corporation is guarantor of the loans.

(b) Repayment is subordinated to the extent of $5,000,000 under the $15,000,000 Bank credit agreement with subsequent payments applying equally to the reduction of the Kaiser Steel Corporation loan and the balance of $10,000,000 under the Bank credit agreement. Interest is payable at the prime commercial rate of the Bank of Montreal.

(c) Mitsubishi Canada Limited has advanced U.S. $35,000,000. Of this amount $25,000,000 is repayable at a rate of $1.00 per long ton of coal delivered commencing July 1, 1972 with minimum quarterly repayments of $1,250,000 thereafter plus a $500,000 repayment on June 30, 1972. The repayments due June 30, 1972 to June 30, 1973 totalling $5,500,000 have been deferred until June 30, 1973. Kaiser Steel Corporation and Kaiser Industries Corporation have agreed to purchase $5,000,000 of the deferred minimum quarterly repayments to the extent they are unpaid at June 30, 1973. The remaining $10,000,000 is repayable at a rate of 50c per long ton of coal delivered commencing January 1, 1974 with minimum quarterly repayments of $625,000 thereafter plus a $250,000 repayment on December 31, 1973.

Interest is payable quarterly at 3% in excess of the prime U.S. bank rate.

Kaiser Steel Corporation is guarantor of the loan.

(d) An obligation of Westshore Terminals Ltd. repayable in equal quarterly instalments of $575,000 U.S. beginning March 31, 1973, with interest payable quarterly at ½ of 1% in excess of the prime U.S. bank rate on 90 day loans.

Kaiser Steel Corporation is guarantor of the loan.

(e) Payable at $309,421 semi-annually February 1st and August 1st to and including February 1, 1973.

(f) Mortgages of Mountain View Realty Limited repayable in equal monthly instalments of $22,649 including interest at 10% to 11%.

(g) Payable in U.S. dollars at varying interest rates based on prime U.S. bank rate and Euro-dollar inter-bank rates.

Kaiser Steel Corporation is guarantor of these loans.

Note 6 — Deferred Income Taxes

The company has included in its 1972 Financial Statements depreciation of fixed assets and amortization of preproduction and development costs of approximately $12,000,000 which have not been claimed as an expense for tax purposes and will be available to claim against future taxable income.

The future income tax deduction resulting therefrom will approximate $6,000,000 and the accumulated future income tax deduction as at December 31, 1972 amounts to $11,400,000. Pending a determination of the matters outlined in Note 1, the company has chosen not to recognize this potential future tax reduction in the financial statements.

Note 7 — Capital Stock

As at December 31, 1972 Kaiser Steel Corporation holds 75% of the total issued common shares.

Note 8 — Restrictions on Payment of Dividends

The declaration and payment of dividends is presently prohibited under the terms of various long-term debt agreements.

Note 9 — Commitments and Contingencies

(a) The company has entered into a service contract with Mitsubishi Canada Limited for the period from December 9, 1970 to the end of the Japanese Sales contracts. The remuneration is payable in the amount of 10c per long ton of coal shipped pursuant to the Sales contracts.

(b) The company is committed to a production payment of 50c per ton to Crows Nest Industries Limited beginning January 1, 1977 to a maximum of $34,000,000.

(c) Effective February 1, 1971 an interim agreement was entered into committing the company to a royalty of $.15 U.S. per long ton of coal processed using the hydraulic mining technique. Upon termination of this agreement it is contemplated that the underground hydraulic coal mining operation will be conducted as a joint venture whereby the company will maintain a 70% interest.

(d) The company, through its wholly-owned subsidiary Westshore Terminals Ltd., has entered into a lease with the National Harbours Board terminating March 31, 1985 with two 15 year renewal options for the lease of land at Roberts Bank. The annual payments are approximately $285,000.

(e) The Bank credit agreements provide that the company must maintain net current assets equal to not less than two times current liabilities with net current assets of at least $10,000,000. The effective date of this covenant has recently been extended to July 1, 1973.

Note 10 — Remuneration of Directors and Officers

During 1972 eight directors received compensation as directors of $61,683 (1971; $47,750) and eleven directors who are officers of the corporation or its parent company served without compensation. Eleven officers, three of whom are directors, received a total compensation as officers of $407,135 (1971; $247,292), and eight officers who were also officers of the parent company served without compensation.

Note 11 — Extraordinary Items

Extraordinary items consist of a provision for the estimated loss on sale and abandonment of certain equipment and facilities.

AUDITORS' REPORT

To The Shareholders,
Kaiser Resources Ltd.

We have examined the consolidated balance sheet of Kaiser Resources Ltd. and its subsidiaries as at December 31, 1972, and the consolidated statements of loss and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As set forth in Note 1, the company will continue to incur substantial losses under the coking coal contracts as amended and will be unable to meet its financing commitments in either 1973 or subsequent years.

In our opinion, subject to the satisfactory resolution of the matters referred to in Note 1, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
January 16, 1973.

TOUCHE ROSS & CO.
Chartered Accountants.

K-SR-23(10)A

S. A. Girard

President and Chief Executive Officer

Remarks to Shareholders

Annual Meeting
Kaiser Resources Ltd.
June 25, 1973
Fernie, B.C.

Thank you Mr. Chairman.

I would also like to welcome all of you to our Annual Meeting. We hope that you will take the opportunity to tour the coal mining operations today. We believe you will find them most interesting.

I want to introduce some of the people in our organization who have contributed so much to the Company's progress. Recognizing the start-up difficulties encountered by Kaiser Resources – it is a great credit to the loyalty and dedication of Kaiser Resources' supervision and to all the personnel whose efforts have built a foundation for a profitable future.

Our Japanese customers have been very instrumental in bringing us to this turnaround point. Their patience during trying times, and their financial and other assistance to us, have been outstanding. I need only mention their assistance in coal specifications' revisions, price increases and loans, along with technical assistance at the mine to indicate some of the support put forward by our Japanese customers to ensure the viability of our mining operations. We are indeed pleased that they are about to become partners in this enterprise.

One year ago almost to the day, we signed a second one-year interim contract with our Japanese customers calling for delivery of 4.5 million long tons of coking coal. We are pleased to note that - with a few days left in the contract term - we have met that commitment. By the end of this month we will have shipped a total of 4.8 million long tons of coking coal to Japan since last June 30. That includes a carryover of about 300,000 long tons from the previous contract.

We were able to meet this commitment because of stabilized production achieved in the open pit and underground operations. As you know, we have been converting to a complete truck-and-shovel operation in the pit, following our decision to place the dragline in limited service pending its sale. This changeover to full truck-and-shovel operation gives us more flexibility and better reliability of production.

We also continued our program of modifying our large truck-and-shovel equipment – a program that began in 1971. Although some further refinements may be necessary in the time ahead, this modification program resulted in improved equipment performance.

From a production and shipment standpoint, therefore, we are on target. And we fully expect to continue that way.

Although the notices sent to you earlier detail the agreements reached in Tokyo, I would like to highlight the main items of those agreements.

First, we have negotiated a price increase of $1.12 per long ton. Thus, the base price for our coking coal sold to our Japanese customers effective this July 1 will be $19.85 per long ton. Contract shipments will be 4.5 million long tons per year. The base price for coal will be increased by 50 cents per long ton at our request on April 1, 1975.

The revised contract calls for price reviews on April 1, 1976 and again in 1980. If we are unable to reach agreement on price at those times, the issue will then be submitted to arbitration. This means that an independent panel reviews the issue in depth and arrives at a binding settlement. Under the old agreement, either party could terminate the contract if we failed to agree on future price revisions.

In addition to these main provisions, our customers agreed to cost escalation allowances to April 1, 1975 of up to 80 cents per long ton. It was also agreed during the negotiations that Kaiser Resources is released completely from all obligations under the 1971 special cost assistance arrangement.

During our negotiations, our discussions were conducted in an atmosphere of mutual respect. Both our Japanese customers and we were satisfied with the outcome of these negotiations.

We also had to resolve the problem of our heavy debt load. The only effective and practical means of reducing this debt was to bring new equity capital into the Company.

We therefore reached agreement on an equity program involving a further equity investment of $55 million. Under this agreement, Mitsubishi Corporation and nine Japanese coal customers will invest $27.5 million to purchase 7.2 million shares at $3.80 per share. We believe this investment clearly indicates the strong interest of the Japanese in Kaiser Resources and western Canada as long-term sources of competitive quality coking coal. Kaiser Steel, which has provided continuous financial support, will invest a further $27.5 million to purchase an additional 6.7 million shares. This will be done through conversion of a $10 million loan into Kaiser Resources shares at $4.75 and cash purchase of shares at $3.80.

It was important to us and our Japanese customers that we make proper provision in this equity program for our public shareholders, who have stood by us while this Company struggled with start-up production problems and losses.

Beginning with our first announcement of discussions of an equity program, we stated that our independent financial advisors were addressing themselves to developing an opportunity for you, our public shareholders, to participate on a fair and reasonable basis. The proposal which you voted on today meets those criteria.

The warrants entitle public shareholders to purchase one additional share for each share held at a price of $2.85. These warrants are transferable, and you will have the right to exercise them any time over a three year period. We decided on a warrant expiration date of December 31, 1976, because it would provide the public shareholders the opportunity of evaluating our performance and enable you to know the results of the first price review in April 1976.

The new equity funds from Kaiser Steel and our Japanese customers will be used to reduce our debt. Kaiser Steel has advised that its equity input is expected to be made on Thursday (June 28). The immediate result of this will be to reduce debt by $24 million. Our Japanese customers will make their equity investment of $27.5 million by August 31, as stipulated in the agreements. The entire Japanese investment will be used to further reduce debt.

The repayment of the balance of our debt to the Canadian banks and Mitsubishi Canada Limited will be rescheduled under new terms expected to be concluded by June 27. The new terms envision repayment over a five-year period beginning March 31, 1974. Debt repayments concerning Westshore Terminals Ltd. will remain as previously structured. This debt reduction of $51.5 million will materially reduce the Company's interest expense. This is especially important since interest rates have recently been increasing.

In terms of our current results, we do have some encouraging news. As you know, we had a loss of $516,000 in the first quarter of this year. This was a substantial improvement over the loss in the same quarter of last year. For the second quarter of this year with record shipments of 1.5 million long tons, we anticipate reporting a modest profit from operations. In addition, significant foreign exchange gains from debt retirement this month are expected to be realized which will result in recording a profit for the first half of 1973.

We expect the various programs discussed today to form the basis for future profitable operations. While it is our policy not to forecast results, we believe the second half results should further improve due to the new coal price and reduced interest expense.

Thank you.

K-SR-73(10)A

KAISER RESOURCES

KAISER RESOURCES LTD.
1401 BOARD OF TRADE TOWER
1177 WEST HASTINGS STREET
VANCOUVER 1, BRITISH COLUMBIA.
604 / 681 9211

May 10, 1973

To Our Shareholders:

We are pleased to inform you that Kaiser Resources Ltd. has reached agreements in principle on higher coking coal prices under our sales contract with our Japanese customers and a program for additional equity investments in the Company.

The agreements are subject to final preparation and execution of definitive contracts and to the receipt of certain approvals and consents, including the approval of the Ministry of Finance of Japan, consents from institutional lenders of Kaiser Steel Corporation and Kaiser Resources, and approval of Kaiser Resources' shareholders.

The current interim coal contract, effective until June 30, 1973, provides for annual delivery of 4.5 million long tons at $18.73 per long ton with an ash specification of 9.5%, subject to 0.5% tolerance. The Company is currently meeting these tonnage and ash specification requirements.

The revised sales contract will be effective from July 1, 1973 through March 31, 1985. The annual tonnage and ash specification remain unchanged. The price is to be the U.S. dollar equivalent of $19.85 (Canadian) per long ton through March 31, 1975. Upon request by Kaiser Resources, the price will increase up to 50 cents per long ton effective April 1, 1975. These prices will be subject to escalation for certain labor, material and other cost increases up to a maximum of U.S. 80 cents per long ton for the period July 1, 1973 through March 31, 1975. In addition, escalation will be allowed at a maximum rate of 2 cents per short ton every two years for increased costs at the Roberts Bank port facilities, and also will be allowed for increased rail freight costs for hauling coal from the mine to the port. Escalation to cover increased costs after March 31, 1975 and the recently enacted British Columbia Mineral Land tax will be subject to further negotiation.

The revised coal contract will provide for price reviews April 1, 1976 and 1980. If the parties are unable to reach agreement on price, the matter will be submitted to binding arbitration. Previously either party could terminate the contract failing agreement on price revisions in 1975 and 1980.

Additionally, the Japanese have agreed that Kaiser Resources will be released from its obligations to compensate Mitsubishi for all costs (including fluctuation in the yen-U.S. dollar exchange rate) incurred by Mitsubishi with respect to special cost assistance provided to Kaiser Resources in 1971 and 1972. Kaiser Resources received U.S. $8,750,000 on account of that special cost assistance.

The equity investment program for Kaiser Resources contemplates an increase in authorized shares from the present 15 million to 28 million. Mitsubishi Corporation and its Japanese coal customers will invest $27.5 million to purchase 7,236,842 shares of Kaiser Resources at $3.80 per share. Kaiser Steel will make a further investment of $27.5 million to purchase an additional 6,710,526 shares, increasing Kaiser Steel's ownership to 14,210,526 shares. Kaiser Steel's investment will be made by conversion of $10 million of Kaiser Resources' debt held by Kaiser Steel into common shares at $4.75 per share and by a cash payment of $17.5 million for shares at $3.80 per share. The bulk of the equity financing proceeds will be used to reduce the Company's debt.

The equity program also provides that public shareholders of Kaiser Resources will receive one warrant for each share held. These warrants will be transferable and will be exercisable at $2.85 per share until December 31, 1976. The warrant record date and date of issuance of the warrants are expected to be in the fall of 1973 after compliance with securities regulations requirements. Kaiser Resources' public shareholders now hold 2,500,000 shares, or 25% of Kaiser Resources' outstanding shares.

Before the exercise of any of the public warrants Kaiser Steel would own 59.4%, the Japanese interests would own 30.2% and the public would own 10.4%. If all the public warrants are exercised, Kaiser Steel's ownership in Kaiser Resources would be reduced from 75% to 53.7%, public ownership would be reduced from 25% to 18.9%, and the Japanese interests would own 27.4%.

Kaiser Steel is willing to agree that, until 1985, it will obtain Japanese consent before selling shares held by it after completion of the equity program if the sale would reduce its ownership in Kaiser Resources below 50%.

The result of the equity program combined with revisions to the sales contract will provide a sound basis for Kaiser Resources becoming a profitable Canadian mining operation. We have had a long and valued association with our Japanese customers. We have particularly appreciated the assistance they have given us on this project. We welcome them as shareholders of Kaiser Resources.

Sincerely,

S. A. Girard
President and Chief Executive Officer

KAISER RESOURCES LTD.

CONSOLIDATED EARNINGS STATEMENT

	Three Months Ended March 31	
	1973	1972*
Sales	$21,755,000	$17,484,000
Other revenue (net)	144,000	84,000
	$21,899,000	$17,568,000
Cost of sales	14,954,000	13,178,000
Total administrative, general and selling expenses	1,884,000	1,857,000
Interest	2,215,000	2,089,000
Depreciation, depletion and amortization of preproduction	3,362,000	3,383,000
Net earnings (loss)	$ (516,000)	$ (2,939,000)
Net earnings (loss) per share	$ (0.05)	$ (0.29)

CONSOLIDATED STATEMENT OF FUNDS

	Three Months Ended March 31	
	1973	1972*
Funds Provided		
Net earnings (loss)	$ (516,000)	$ (2,939,000)
Items not requiring an outlay of funds:		
Amortization of mine development	377,000	410,000
Depreciation and depletion	2,985,000	2,974,000
Funds provided from operations	$ 2,846,000	$ 445,000
Long term debt		2,859,000
Decrease in working capital	4,188,000	2,445,000
Total funds provided	$ 7,034,000	$ 5,749,000
Funds Applied		
Purchase of property, plant and equipment	$ 997,000	$ 1,174,000
Other assets	41,000	84,000
Reduction of long term debt:		
Total repayments	1,793,000	2,260,000
Less repayments of current debt	(336,000)	(284,000)
Reclassification to current	4,539,000	2,515,000
Total funds applied	$7,034,000	$ 5,749,000

**NOTE: 1972 results restated to reflect coal inventory valuations and cost provisions on bases comparable to 1973.*

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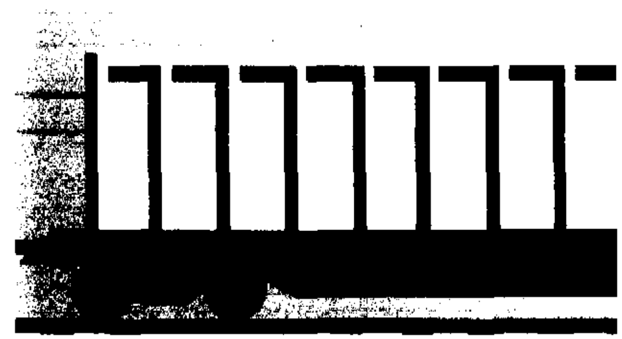
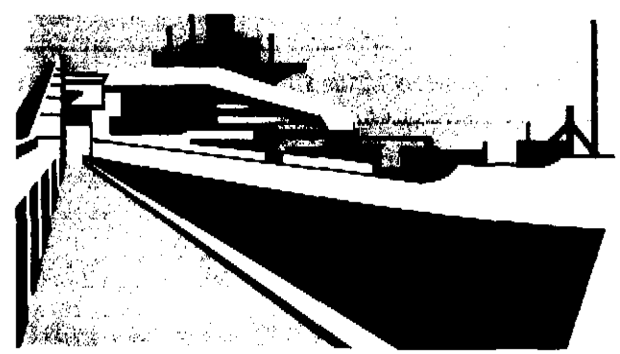
KAISER RESOURCES

Report to Shareholders





TO OUR SHAREHOLDERS:

In the first quarter of 1973 the Company had a consolidated net loss of $516,000 or $0.05 per share on sales of $21,755,000 compared with a restated net loss of $2,939,000 or $0.29 per share on sales of $17,484,000 in the same quarter of 1972. This first quarter improvement was due mainly to sustained coal production and continued cost reductions as well as better weather conditions.

The 1972 first quarter results were restated from a net loss of $3,771,000 to a net loss of $2,939,000 because of previously-announced year-end accounting adjustments. These adjustments involved revaluation of stockpiled coal inventories and revisions to certain cost provisions made earlier in the year. However, previously reported earnings for the year 1972 are not affected by this statement.

The 1972 first quarter results were adversely affected by severe winter weather that disrupted rail hauls for finished coal from the production plant in the East Kootenays to the port at Roberts Bank. Coal shipments from the harbour in that quarter were 862,500 long tons.

During the past quarter, a total of 1,080,000 long tons of coking coal was shipped to our Japanese customers, 142,000 long tons below contract schedules. This reduction was due to delayed arrivals of ships for loading, adverse weather conditions at the port, and mechanical difficulties involving coal-loading equipment at Roberts Bank.

At our Sparwood operations, production from the conventional and hydraulic mines established a new quarterly underground mining record of 326,000 long tons. The preparation plant processed a total of 1,155,000 long tons of coal during the quarter, well within targets necessary to meet contract commitments.

At Roberts Bank, Westshore Terminals Ltd. handled shipments of 1,080,000 long tons of Kaiser Resources coal and 601,000 long tons of coal and petroleum coke from other companies. At March 31, the Kaiser Resources coal stockpile at Roberts Bank totalled 554,000 long tons. The operation of the port's stacker-reclaimer, used in stockpiling and shiploading coal, was affected as a result of a main bearing failure which will take approximately six months for procurement and installation. In the meantime, the stacker-reclaimer is being used in limited stockpiling operations and back-up equipment is on location to provide a reliable loading operation during the repair period of the main stacker-reclaimer.

As a result of negotiations with our Japanese customers, an agreement in principle was reached in May on higher coking coal prices and a refinancing program for additional equity investments in the Company. Details of these agreements are included in the enclosed letter. These agreements will provide a basis for Kaiser Resources becoming a sound and profitable operation.

May 17, 1973

Edgar F. Kaiser
Chairman

S. A. Girard
President and
Chief Executive Officer

BOARD OF DIRECTORS

E. F. KAISER*
Chairman, Kaiser Resources Ltd.
Chairman, Kaiser Industries Corporation

G. R. DAWSON*
Vice-Chairman, Kaiser Resources Ltd.
President, Dawson Construction Ltd.
Vancouver, B.C.

S. A. GIRARD*
Chairman, Executive Committee
President & Chief Executive Officer
Kaiser Resources Ltd.

J. J. CARLSON
President & Chief Executive Officer
Kaiser Steel Corporation

P. G. DESMARAIS
Chairman & Chief Executive Officer
Power Corporation of Canada Limited
Montreal, Quebec

R. T. HAGER*
Chairman, The Canadian Fishing Company Limited
Vancouver, B.C.

E. F. KAISER, Jr.
Executive Vice-President, Operations
Kaiser Resources Ltd.

R. A. KJELLAND
Executive Vice-President, Finance and Administration, and Treasurer
Kaiser Resources Ltd.

W. B. MACDONALD
Former President, A. E. Ames & Co. Limited
Toronto, Ontario

I. N. McKINNON
Chairman and President, Consolidated Natural Gas Limited
Calgary, Alberta

E. E. TREFETHEN, Jr.*
President, Kaiser Industries Corporation

E. D. H. WILKINSON, Q.C.
Partner, Russell & DuMoulin
Barristers and Solicitors
Vancouver, B.C.

**Member, Executive Committee*

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Box 2000
Sparwood, B.C.

Kaiser Resources Ltd.
1401 Board of Trade Tower
1177 West Hastings Street
Vancouver, B.C.

Westshore Terminals Ltd.
Roberts Bank
Delta, B.C.

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KAISER RESOURCES LTD.
CONSOLIDATED EARNINGS STATEMENT

(In Thousands of Dollars)

	Three Months Ended June 30, 1973	Three Months Ended June 30, 1972*	Six Months Ended June 30, 1973	Six Months Ended June 30, 1972*
Sales	$ 28,560	$ 17,585	$ 50,315	$ 35,069
Other revenue	64	292	140	347
	$ 28,624	$ 17,877	$ 50,455	$ 35,416
Cost of sales	20,651	12,729	35,605	25,907
Total administrative, general and selling expenses	1,916	1,997	3,800	3,854
Interest	2,415	2,090	4,630	4,179
Depreciation, depletion and amortization of preproduction	3,367	3,352	6,729	6,736
Earnings (loss) from operations	$ 275	$(2,291)	$(309)	$(5,260)
Foreign exchange gain	963	21	1,031	50
Earnings (loss) before provision for income taxes and extraordinary item	$ 1,238	$(2,270)	$ 722	$(5,210)
Provision for income taxes	400	-	802	-
Earnings (loss) before extraordinary item	$ 838	$(2,270)	$(80)	$(5,210)
Extraordinary income tax credit due to loss-carry-forward	400	-	802	-
Net earnings (loss)	$ 1,238	$(2,270)	$ 722	$(5,210)
Per share before extraordinary item	$ .08	$(.23)	$(.01)	$(.52)
Per share after extraordinary item	$ .12	$(.23)	$ .07	$(.52)
Weighted average number of shares outstanding (in thousands)	10,221	10,000	10,111	10,000

* NOTE: 1972 results restated to reflect coal inventory valuations and cost provisions on bases comparable to 1973.

KAISER RESOURCES LTD.
CONSOLIDATED STATEMENT OF FUNDS

(In Thousands of Dollars)

	Six Months Ended June 30, 1973	Six Months Ended June 30, 1972*
Funds Provided		
Net earnings (loss)	$ 722	$(5,210)
Items not requiring an outlay of funds:		
Amortization of mine development costs	753	787
Depreciation and depletion	5,976	5,949
Funds provided from operations	$ 7,451	$ 1,526
Issuance of capital stock	17,503	-
Long-term borrowing	3,885	7,068
Total funds provided	$ 28,839	$ 8,594
Funds Applied		
Purchase of property, plant and equipment and other assets	$ 6,848	$ 3,225
Reduction of long-term debt	26,498	2,861
Less conversion to capital stock	10,000	-
Total repayments	$ 16,498	$ 2,861
Less payments of current debt	(11,493)	(420)
Reclassification to current	7,251	12,567
Increase (decrease) in working capital	9,735	(9,639)
Total funds applied	$ 28,839	$ 8,594

*NOTE: 1972 results restated to reflect coal inventory valuations and cost provisions on bases comparable to 1973.

KAISER
RESOURCES

Report to Shareholders
The First Half of 1973

TO OUR SHAREHOLDERS:

We are pleased to report that the Company had second quarter consolidated net earnings of $1,238,000 on record sales of $28,560,000. These earnings included $963,000 from foreign exchange gains realized on debt reduction and extraordinary income of $400,000 from application of tax loss carried forward to income of subsidiary companies. Pretax earnings from operations were $275,000. The consolidated net earnings are equivalent to $0.12 per share, based on 10,221,000 shares, the weighted average number outstanding during the quarter. Before the extraordinary income, the Company had consolidated net earnings of $838,000 or $0.08 per share.

For the second quarter of 1972, the Company had a restated consolidated net loss of $2,270,000 or $0.23 per share on sales of $17,585,000.

For the first six months of this year, the Company had consolidated net earnings of $722,000, including extraordinary income of $802,000, on sales of $50,315,000 or $0.07 per share, based on 10,111,000 shares, the weighted average number outstanding during the half. Before extraordinary income, the Company had a consolidated net loss of $80,000 or $0.01 per share. Pretax loss from operations was $309,000. In the comparable period of 1972, the Company had a restated consolidated net loss of $5,210,000 or $0.52 per share on sales of $35,069,000.

The Company had record shipments of 1,430,000 long tons of coking coal to Japan during the past quarter, compared with 842,000 long tons in the same quarter of 1972 when shipments were adversely affected by a Japanese seamen's strike. With this record volume of shipments, the Company fulfilled the tonnage requirements of the interim agreement with our Japanese customers which expired on June 30. As reported to you earlier, a new coal contract became effective July 1 under which we are now receiving a base price of $19.85 per long ton compared with the previous price of $18.73.

At our mine operations in Sparwood, the preparation plant produced 1,112,000 long tons of coal during the second quarter. At our port facilities at Roberts Bank, Westshore Terminals Ltd. shipped 1,430,000 long tons of Kaiser Resources coking coal and 637,000 long tons of coking coal and petroleum coke from other companies.

On June 28, under the financial restructuring program outlined to, and approved by, shareholders earlier, Kaiser Steel Corporation purchased 4,606,105 shares of Kaiser Resources at $3.80 per share in cash and 2,105,263 shares at $4.75 per share by conversion of a $10 million indebtedness. As part of the next step in this program, necessary approvals have now been obtained from appropriate Japanese governmental authorities as required to permit an investment in the Company by our Japanese customers. The $27.5 million purchase of Kaiser Resource shares at $3.80 per share by 10 Japanese firms is scheduled to be made by August 31 and will be applied toward further reduction of Kaiser Resources debt. The total reduction program will have a significant impact on the Company's debt expenses. The per share earnings figures for the second quarter and first half are based on the weighted average number of shares outstanding during the period. This weighted average includes the new shares issued to Kaiser Steel on June 28, but does not include those soon to be issued to the Japanese investors.

Details of these programs and their impact on the Company were outlined at the Annual Meeting on June 25 by Mr. Girard. A copy of his remarks is enclosed with this Report.

As a result of these successful contract and financial restructuring negotiations, the Company has now formed the basis from which to attain improved profitability. Accordingly, we are anticipating further improvement in results in the second half of this year.

July 25, 1973

Edgar F. Kaiser,
Chairman.

S.A. Girard,
President and Chief Executive Officer

KAISER RESOURCES

Kaiser Resources Ltd.
Box 2000
Sparwood, B.C.

Kaiser Resources Ltd.
1401 Board of Trade Tower
1177 West Hastings Street
Vancouver, B.C.

Westshore Terminals Ltd.
Roberts Bank
Delta, B.C.

KAISER RESOURCES LTD.
CONSOLIDATED EARNINGS STATEMENT

(In Thousands of Dollars)

	1973		1972(A)	
	3rd Quarter	Nine Months	3rd Quarter	Nine Months
Sales	$ 22,159	$ 72,474	$ 25,239	$ 60,309
Other revenue — net	157	297	658(B)	922(B)
	$ 22,316	$ 72,771	$ 25,897	$ 61,231
Cost of sales	14,644	50,249	17,500	43,408
Total administrative, general and selling expenses	2,144	5,943	2,201	5,972
Interest	1,966	6,597	2,236	6,415
Depreciation, depletion and amortization of preproduction	3,500	10,229	3,357	10,092
Earnings (loss) from operations	$ 62	$(247)	$ 603	$(4,656)
Foreign exchange gains	429	1,460	8	58
Earnings (loss) before provision for income taxes and extra-ordinary item	491	1,213	611	(4,598)
Provision for income taxes	17	819	-	-
Earnings (loss) before extra-ordinary item	$ 474	$ 394	$ 611	$(4,598)
Extraordinary income tax credit due to loss-carry-forward	(24)	778	-	-
Net earnings (loss)	$ 450	$ 1,172	$ 611	$ (4,598)
Net earnings (loss) per share before extraordinary item	$ .02	$ .03	$ .06	$(.46)
Net earnings (loss) per share	$ .02	$ .09	$ .06	$(.46)
Weighted average number of shares outstanding (in thousands)	19,307	13,210	10,000	10,000

NOTES: (A) 1972 results were restated to reflect coal inventory valuations and cost provisions on a comparable basis to 1973.

(B) Includes $643,000 of income from business interruption insurance claim.

KAISER RESOURCES LTD.
CONSOLIDATED STATEMENT OF FUNDS

(In Thousands of Dollars)

	Nine Months Ended September 30,	
	1973	1972*
Funds Provided		
Net earnings (loss)	$ 1,172	$(4,599)
Items not requiring an outlay of funds:		
Amortization of mine development costs	1,130	1,163
Depreciation and depletion	9,100	9,040
Funds provided from operations	$ 11,402	$ 5,604
Issuance of capital stock	45,000	-
Long-term borrowing	3,895	2,037
Total funds provided	$ 60,297	$ 7,641
Funds Applied		
Purchase of property, plant and equipment and other assets	$ 8,038	$ 5,603
Reduction of long-term debt	54,003	3,644
Less conversion to capital stock	10,000	-
Total repayments	$44,003	$ 3,644
Less payments of current debt	(30,038)	(3,644)
Reclassification to current	14,434	13,396
Increase (decrease) in working capital	23,860	(11,358)
Total funds applied	$ 60,297	$ 7,641

* **NOTE:** 1972 results restated to reflect coal inventory valuations and cost provisions on bases comparable to 1973.

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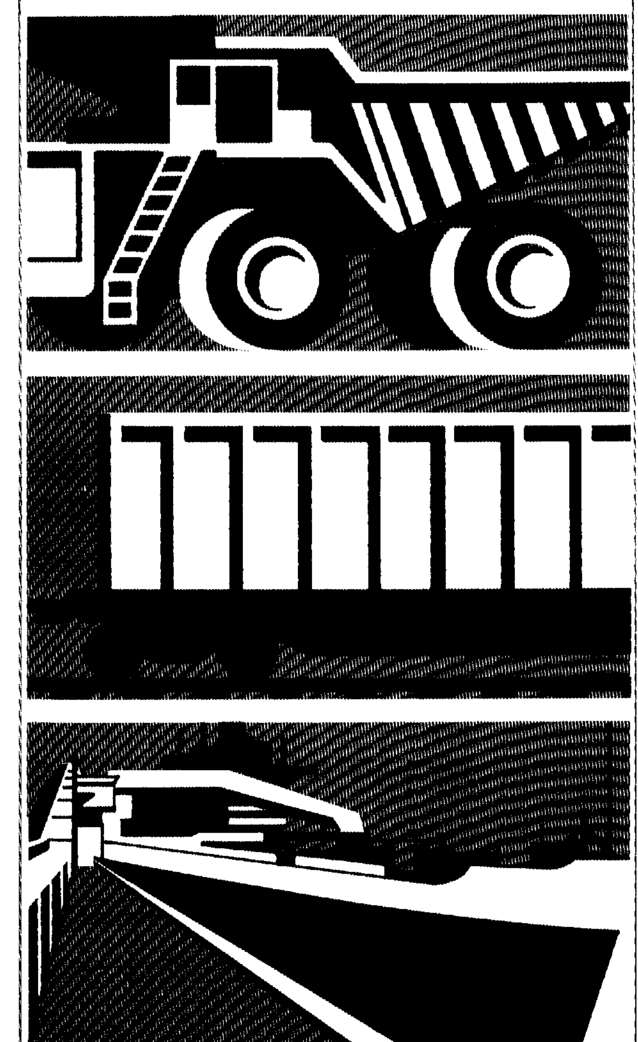
KAISER RESOURCES

331

Report to Shareholders The Third Quarter of 1973



KAISER RESOURCES ELECTIONS

At a meeting in Vancouver August 29, the Board of Directors of Kaiser Resources Ltd. elected Enji Haseo, general manager of the steelmaking raw materials department of Mitsubishi Corporation in Tokyo, as a director and Edgar F. Kaiser, Jr. as president and chief executive officer and a member of the executive committee.

Mr. Haseo, a graduate of the Tokyo University of Commerce, joined the Mitsubishi organization in 1940. In 1967, he was appointed president of Mitsubishi Canada Limited with headquarters in Vancouver. He was appointed general manager of the ferrous raw materials department of Mitsubishi Corporation in 1970 and the following year was elected a director of Mitsubishi Corporation.

Mr. Haseo's election as a director follows the purchase of 7,236,000 shares of Kaiser Resources by Mitsubishi Corporation and nine Japanese coking coal customers under a financial restructuring program. Mr. Haseo was the nominee of the Japanese shareholders. Under the agreement, the Japanese have the right to nominate a second director to the board of Kaiser Resources.

Mr. Kaiser, a director and previously executive vice-president, operations, joined the Company in 1969 and served as director of corporate planning, manager of resources development, and vice-president and treasurer. A director of both Kaiser Industries Corporation and Kaiser Resources Ltd., he is also a trustee of the Henry J. Kaiser Family Foundation.

As president and chief executive officer, Mr. Kaiser succeeds Stephen A. Girard who has assumed new responsibilities with the Kaiser organization in Oakland, California. Mr. Girard, a director and senior vice-president of Kaiser Industries Corporation, remains chairman of the executive committee and a director of Kaiser Resources.

The Board of Directors also filled two vacancies created by the appointment of Roland Kjelland to new responsibilities in Oakland as vice-president, finance and planning, of Kaiser Steel Corporation. Mr. Kjelland was executive vice-president, finance and administration, of Kaiser Resources.

The Board named Howard E. Cadinha, previously vice-president of corporate planning, as vice-president, finance and planning, controller. Ward P. Popenoe, previously vice-president, administration and controller, was appointed vice-president, administration, assuming new responsibilities in the administration area. Robert W. MacPhail, vice-president, general manager, has assumed the additional responsibility for the engineering division and the Company's port operations at Roberts Bank.

TO OUR SHAREHOLDERS:

The Company had consolidated net earnings of $450,000 or $0.02 per share for the third quarter of 1973 on sales of $22,159,000. The results included a favourable coal inventory adjustment of $456,000 at the Company's Roberts Bank port and foreign exchange gains of $429,000 resulting primarily from the retirement of U.S. dollar debt obligations.

Results for the period compare with restated net earnings of $611,000 or $0.06 per share for the third quarter of 1972. The 1972 results included an insurance settlement of $643,000.

For the nine-month period of 1973, the Company had consolidated net earnings of $1,172,000 or $0.09 per share compared with a restated net loss of $4,598,000 or $0.46 per share in the first nine months of 1972. The nine-month earnings for 1973 include foreign exchange gains of $1,460,000 and extraordinary income of $778,000, the latter resulting from application of tax loss carried forward to income of subsidiary companies.

Sales for the quarter were reduced substantially as a result of railway strikes in British Columbia which interrupted shipments of coking coal from the mining operation at Sparwood to Roberts Bank. During the course of the strikes, clean coal storage capacity at Sparwood was fully utilized and it was necessary to shut down the coal preparation plant for a total of 28 days during August and September. Coal shipments to Japan were curtailed when the coal stockpile at Roberts Bank was depleted in early September as a result of the rail strikes.

The coal preparation plant produced 887,000 long tons of coal during the quarter compared with 1,128,000 long tons in the third quarter of 1972. During the quarter, the Company shipped 1,020,000 long tons of coking coal to its Japanese customers. In the same quarter of 1972, the Company shipped 1,276,000 long tons to Japan.

The Company will be replenishing the coal stockpile at Roberts Bank during the fourth quarter so that an adequate supply will be available for shipment in the event of rail service disruptions during the winter. As a result of stockpile building, fourth quarter coal shipments to Japan are expected to be adversely affected. The annual contract commitment with the Company's Japanese customers calls for shipments of 4.5 million long tons, plus or minus five per cent.

The Company and the Office and Technical Employees' Union at Sparwood recently negotiated a collective agreement covering wages and fringe benefits, expiring December 31, 1975. Negotiations are underway between the Company and the United Mine Workers of America, Local 7292, to renew a collective agreement which expires on December 31, 1973.

On August 29, the Company completed its financial restructuring program with the sale of 7,236,000 shares to its Japanese customers at $3.80 per share. Including a $27.5 million equity investment by Kaiser Steel Corporation in June through a $17.5 million cash purchase of shares and a $10 million debt conversion, the restructuring program has resulted in a reduction of Kaiser Resources' debt by a total of $51 million. In conjunction with this program, the Company has reached new credit agreements with Canadian bank lenders and Mitusbishi Canada Limited which became effective August 29, 1973. These agreements provide for the payment of the Company's debt in equal quarterly instalments beginning in March, 1974 and ending in December, 1978.

The agreements also prohibit the declaration or payment of dividends before July 1, 1974. After that date, dividends may be declared providing certain restrictions on aggregate shareholders' investment and working capital are met.

As previously announced, the issuance of warrants to our public shareholders is expected to take place around the end of the year. The warrants will be offered by means of a prospectus filed with appropriate Canadian and United States regulatory agencies. These warrants will entitle our public shareholders to purchase one additional share at $2.85 for each share held until December 31, 1976. The Company recently obtained a ruling from the Canadian Department of National Revenue that, for Canadian tax purposes, the warrants will not be considered taxable to the shareholder by reason of issuance. The Company has received a similar ruling from the U.S. Internal Revenue Service.

November 9, 1973

Edgar F. Kaiser,
Chairman.

Edgar F. Kaiser, Jr.,
President and Chief
Executive Officer

BOARD OF DIRECTORS

E. F. KAISER*
Chairman, Kaiser Resources Ltd.
Chairman, Kaiser Industries Corporation

G. R. DAWSON*
Vice-Chairman, Kaiser Resources Ltd.
President, Dawson Construction Ltd.
Vancouver, B.C.

S. A. GIRARD*
Chairman, Executive Committee
Kaiser Resources Ltd.
Senior Vice-President,
Kaiser Industries Corporation

E. F. KAISER, Jr.*
President & Chief Executive Officer
Kaiser Resources Ltd.

J. J. CARLSON*
President & Chief Executive Officer
Kaiser Steel Corporation

P. G. DESMARAIS
Chairman & Chief Executive Officer
Power Corporation of Canada Limited
Montreal, Quebec

R. T. HAGER*
Chairman, The Canadian Fishing Company Limited
Vancouver, B.C.

ENJI HASEO
General Manager, Steelmaking Raw Materials
Mitsubishi Corporation
Tokyo, Japan

R. A. KJELLAND
Vice-President, Finance & Planning
Kaiser Steel Corporation

W. B. MACDONALD
Former President, A.E. Ames & Co. Limited
Toronto, Ontario

I. N. McKINNON
Chairman & President
Consolidated Natural Gas Limited
Calgary, Alberta

E. E. TREFETHEN, Jr.*
President, Kaiser Industries Corporation

E. D. H. WILKINSON, Q.C.
Partner, Russell & DuMoulin
Barristers and Solicitors
Vancouver, B.C.

**Member, Executive Committee*

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Roberts Bank
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