

# Rio Algom Mining Corp.

Marvin D. Freeman  
Vice President

Certified Mail  
Return Receipt Requested P 144 785 070

June 24, 1997

Mr. Joe Holonich  
Uranium Recovery Branch  
Division of Low Level Waste Management & Decommissioning  
U.S. Nuclear Regulatory Commission, Mail Stop T7J9  
11555 Rockville Pike  
Rockville, MD 20850

Re: Lisbon Facility  
License SUA-1119, Docket No. 40-8084  
License Condition #27, Annual Surety Update

Dear Mr. Holonich:

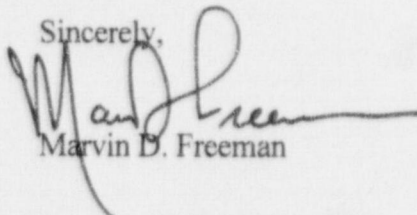
Rio Algom Mining Corp. submits the following 1997 annual surety update to the source material license referenced above. Rio Algom proposes a new reclamation surety of \$2.642 million. The new surety uses the 1996 NRC approved surety as the cost basis and updates the surety for completed work items subsequent to last year's approved surety. The proposed surety contained in Appendix A, has been updated to account for inilation through March 1997.

Contained in Appendix B pursuant to requirements in license condition #27, are the documents necessary to continue the Parent Company Guarantee. These include:

- (1) Letter from the Chief Financial Officer of Rio Algom Limited (Proposed);
- (2) Coopers & Lybrand (Auditor) Special Report and attached schedule (Proposed);
- (3) Rio Algom Limited Parent Company Guarantee (Proposed);
- (4) Rio Algom Limited Annual Report of Financial Statements For Year Ending December 31, 1996 (audited by Coopers & Lybrand).

Signed originals of items (1), (2) and (3) will be submitted to NRC within 90 days of NRC approval of the new proposed surety. Should you have any questions in regards to this submittal, please contact me at (405) 848-1187.

Sincerely,



Marvin D. Freeman

9707020236 970624  
PDR ADOCK 04008084  
C PDR

Attachments: As stated

xc: L. Axtell w/attachments (Lisbon)  
F. Fossey w/attachments (Lisbon)  
D. Kavanagh w/attachments (Toronto)  
Division of Radiation Safety (NRC/Arlington, TX)  
file



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**APPENDIX A**

**RECLAMATION COST BREAK-DOWN**

**RIO ALGOM MINING CORP.**  
**ANNUAL ADJUSTMENT OF RECLAMATION SURETY - 1997**

Shown below is the 1997 proposed annual surety adjustment for the Lisbon facility. The 1997 annual surety adjustment uses the previous year's approved reclamation surety as a basis for this year's revised surety.

During the review period there were no amendment changes to the reclamation plan affecting the surety basis. The 1997 proposed surety accounts for the completion of distinct, reclamation work units and where applicable, utilizes the inflation rate of 7.3% from 1994 through March 1997. The proposed 1997 reclamation surety amount is \$2.642 million. The table below indicates the basis for the proposed 1997 surety.

**NRC RECLAMATION SURETY**  
**LISBON, UTAH**  
**RIO ALGOM MINING CORP.**

WORK UNIT	PROPOSED NRC 1997-98 BOND AMOUNT
<b>Surface Facilities Decommissioning (1994\$)</b>	
Office Building	10,385
Lab Building & Storage	Complete
Shop/Warehouse	55,400
Equipment Storage Building	Complete
Mill Buildings & Tanks	Complete
<b>SUB-TOTAL</b>	<b>65,785</b>
<b>Surface Contouring</b>	
Upstream of Bisco Dam	13,650
North Flood Control Channel	9,455
Main Channel to Sandstone	81,520
Main Channel in Sandstone Cut	97,485
Main Channel Below Sandstone	8,998
LPT Outlet Channel	9,608
UTP Outslope to 5:1 Grade	174,935
<b>SUB-TOTAL</b>	<b>395,651</b>



WORK UNIT	PROPOSED NRC 1997-98 BOND AMOUNT
<b>Erosion Control &amp; Protection (Rock)</b>	
Upper Tailings Pond Outside Cell	118,758
Lower Tailings Pond Outside Cell	93,857
Upper Tailings Pond Cell Area	65,125
Lower Tailings Pond Cell Area	84,281
Lower Tailings Dam Outslope (Below 6640' MSL)	114,926
Lower Tailings Dam Outslope (Above 6640' MSL)	27,582
Upper Tailings Dam Outslope	53,632
Flood Control Channels	49,037
Apron for Flow Onto Tailings	4,309
LTD Riprap Toe Protection	9,500
Energy Dissipation Units Above Tails	7,600
<b>SUB-TOTAL</b>	<b>628,607</b>
<b>Revegetation</b>	
Mill Site Area (20 acres)	6,700
Borrow & Contour Area (25 acres)	Complete
<b>SUB-TOTAL</b>	<b>6,700</b>
<b>Groundwater Remediation</b>	
Annual Operating Cost (5 year @ \$63,978/yr)	319,890
Close UTP Evaporation Cell	49,992
Close LTP Evaporation Cell	62,250
Plug 17 Monitoring Wells	6,750
Plug 34 Water Level Wells	8,500
<b>SUB-TOTAL</b>	<b>447,382</b>
<b>SUB-TOTAL OF ALL ABOVE</b>	<b>1,544,125</b>

WORK UNIT	PROPOSED NRC 1997-98 BOND AMOUNT
Overhead and Profit at 10%	154,413
Contingency at 15%	231,619
<b>SUB-TOTAL OF ALL ABOVE</b>	<b>1,930,157</b>
Inflation 1994 - 1997 (7.3%) <sup>(2)</sup>	140,901
NRC Long-Term Fee 1994 - 1997 (7.3%)	570,840 <sup>(1)</sup>
<b>TOTAL</b>	<b>\$2,641,898</b>

<sup>1</sup>From Approved NRC 1994 Surety dated 12/29/93 and updated by (GNP-IPD) to 1997\$ (\$ 532K \* 1.073 = \$ 570.84K).

<sup>2</sup>Inflation 1994-1997 (GNP-IPD) =  $110.95 \div 103.4 = 1.073$  or 7.3%

**APPENDIX B**

**SURETY DOCUMENTS**



# Rio Algom Limited

June 30, 1997

Mr. Joe Holonich, Branch Chief  
Uranium Recovery Branch  
Division of Low-Level Waste Management  
and Decommissioning, NMSS (5 E2)  
Nuclear Regulatory Commission  
11555 Rockville Pike  
Rockville, MD 20850

Proposed Letter

**Re: Chief Financial Officer Letter  
Parent Company Guarantee  
Lisbon Facility, SUA-1119, Docket 40-8084**

Dear Mr. Holonich:

I am the chief financial officer of Rio Algom Limited (Rio Algom), 120 Adelaide Street West, Suite 2600, Toronto, Ontario M5H 1W5, Canada, an Ontario Corporation. This letter is in support of Rio Algom's use of the financial test to demonstrate financial assurance, as specified in 10 CFR Part 40, Appendix A.

Rio Algom guarantees, through the parent guarantee submitted to demonstrate compliance under 10 CFR Part 40, Appendix A, the decommissioning of the following facility owned by its subsidiary, Rio Algom Mining Corp. The current cost estimate for the reclamation, decommissioning, and long term surveillance and control of the facility is as follows:

NAME OF FACILITY	LOCATION OF FACILITY	CURRENT COST ESTIMATE
Rio Algom Mining Corp. Lisbon Facility NRC License SUA-1119 Docket No. 40-8084	LaSal Route Moab, Utah	\$2.642 million

Rio Algom is required to file a Form 40-F with the Securities and Exchange Commission for the latest fiscal year. The fiscal year of Rio Algom ends on December 31. The figures for the items marked with an asterisk on the attached Alternative I summary are derived from Rio Algom's independently audited, year end financial statements and footnotes for the fiscal year that ended December 31, 1996.

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

Sincerely,

Michael S. Parrett  
Vice-President and  
Chief Financial Officer

Attachments: As Stated

**RIO ALGOM LIMITED**  
**PARENT COMPANY GUARANTEE**  
**FOR**  
**RIO ALGOM MINING CORP. & QUIVIRA MINING COMPANY**  
**ALTERNATIVE I**

		Millions of Dollars	
		CDN \$'s	U.S. \$'s <sup>(1)</sup>
1.	Decommissioning cost estimate (includes Ambrosia Lake/SUA-1473, Lisbon/SUA-1119 & Smith Ranch/SUA-1548)	\$ 29	\$ 21
2.	Total Liabilities	\$ 946 <sup>(*)</sup>	\$ 691
3.	Tangible Net Worth (excluding Rio Algom Mining Corp. and its subsidiary Quivira Mining Company, at cost)	\$ 1049	\$ 766
4.	Net Worth	\$ 1142 <sup>(*)</sup>	\$ 834
5.	Current Assets	\$ 895 <sup>(*)</sup>	\$ 653
6.	Current Liabilities	\$ 341 <sup>(*)</sup>	\$ 249
7.	Net Working Capital [line 5 minus line 6]	\$ 554	\$ 404
8.	Net income (before extraordinary items) plus depreciation and amortization	\$ 159 <sup>(*)</sup>	\$ 116
9.	Total assets in U.S.	\$ 645 <sup>(*)</sup>	\$ 471
		YES	NO
10.	Is line 3 at least \$20 million?	X	
11.	Is line 3 at least 6 times line 1?	X	
12.	Is line 7 at least 6 times line 1?	X	
13.	Are at least 90 percent of the firm's assets located in the U.S.? If not, complete line 14.		X
14.	Is line 9 at least 6 times line 1?	X	
15.	Is line 2 divided by line 4 less than 2.0?	X	
16.	Is line 8 divided by line 2 greater than 0.1?	X	
17.	Is line 5 divided by line 6 greater than 1.5?	X	

<sup>(\*)</sup> Denotes figures derived from audited financial statement.

<sup>(1)</sup> Year end exchange rate of \$0.7301 US\$/CDN\$

I hereby certify that the content of this letter is true and correct to the best of my knowledge.

MICHAEL S. PARRETT  
Vice-President  
Chief Financial Officer  
June 30, 1997



June 30, 1997

Proposed Letter

Mr. Joe Holonich, Branch Chief  
Uranium Recovery Branch  
Division and Low Level Waste Management  
and Decommissioning, NMSS (5 E2)  
Nuclear Regulatory Commission  
11155 Rockville Pike  
Rockville, MD 20850

**Re: Auditor's Special Report  
Parent Company Guarantee  
Lisbon Facility, SUA-1119, Docket 40-8084**

Dear Mr. Holonich:

We have examined the financial statements of Rio Algom Limited ("the Corporation") for the year ended December 31, 1996, and our opinion on these consolidated financial statement is included in the Corporation's Annual Report (Page 45). We conducted our audit in accordance with generally accepted auditing standards.

Our audit of the consolidated financial statements for the year ended December 31, 1996 comprised audit tests and procedures deemed necessary for the purposes of expressing an opinion on such financial statements taken as a whole. We did not perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of transactions.

We understand that Rio Algom Limited has prepared documents to demonstrate its financial responsibility under the NRC's financial assurance regulations, in compliance with Appendix A, of 10 CFR Part 40. This letter is furnished solely to assist the licensee, Rio Algom Mining Corp., NRC License SUA-1119, in complying with these regulations and should not be used for other purposes.

The attached schedule reconciles the specified information furnished in the chief financial officer's (CFO's) letter dated June 30, 1997 with the Corporation's consolidated financial statements. In connection therewith, we have:

Mr. Joe Holonich  
June 30, 1997  
Page 2

1. Compared the amounts in the column "per Financial Statements" with amounts contained in the Corporation's consolidated financial statements for the year ended December 31, 1996 and found them to be in agreement;
2. Compared the amount in the column "per CFO's Letter" with the letter prepared in response to the NRC's request (Mr. Michael S. Parrett letter dated June 30, 1997) and found them to be in agreement;
3. Compared the amounts in the column "Reconciling Items" with analyses prepared by the Corporation setting forth the indicated items and found them to be in agreement; and
4. Re-performed the arithmetic calculations in the schedule and found them to be correctly calculated.

Because the procedures in 1-4 above do not constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on the manner in which the amounts were derived in the items referred to above.

We make no representations as to questions of legal interpretation or as to the sufficiency for your purposes of the procedures enumerated above.

Yours very truly,

Coopers & Lybrand

**RIO ALGOM LIMITED**  
**YEAR ENDED DECEMBER 31, 1996**

Line Number in attached Alternative I summary to CFO's Letter		Thousands - Canadian \$'s		
		Per Financial Statements	Reconciling Items	Per CFO's Letter
2	Total Liabilities (Page 47)	945,824	NONE	945,824
4	Net worth (Page 47)	1,141,565		
	Goodwill (Page 57 - Footnote 10)		(14,979)	
	Investment in Rio Algom Mining Corp. at cost		(77,757)*	
3	Tangible Net Worth (Net worth excluding goodwill and investment in Rio Algom Mining Corp. at cost)			1,048,829
5	Current Assets (Page 47)	895,440	NONE	895,440
6	Current Liabilities (Page 47)	341,464	NONE	341,464
8	Net Earnings before extraordinary items (Page 46)	100,438		
	Depreciation and Amortization (Page 46)		58,500	
	Net Earnings before extraordinary items plus depreciation and amortization			158,938

\* US \$56,770,226 ÷ 0.7301 (December 31, 1996 rate)



# Rio Algom Limited

June 30, 1997

## Proposed Letter

Mr. Joe Holonich, Branch Chief  
Uranium Recovery Branch  
Division of Low-Level Waste Management  
and Decommissioning, NMSS (5 E2)  
Nuclear Regulatory Commission  
11555 Rockville Pike  
Rockville, MD 20850

**Re: Rio Algom Mining Corp.  
Parent Company Guarantee  
Lisbon Facility, SUA-1119, Docket No. 40-8084**

Dear Mr. Holonich:

Guarantee made this 30<sup>th</sup> day of June, 1997 by Rio Algom Limited, a corporation organized under the laws of the Province of Ontario, herein referred to as "guarantor", to the United States Nuclear Regulatory Commission (NRC), "obligee" on behalf of our subsidiary Rio Algom Mining Corp. (RAMC) of 6305 Waterford Blvd., Suite 325, Oklahoma City, Oklahoma, 73118, NRC License Number SUA-1119.

### Recitals

1. Guarantor has full authority and capacity to enter into this guarantee under its bylaws, articles of incorporation, and the laws of the Province of Ontario, its Province of incorporation. Guarantor has approval from its Board of Directors to enter into this guarantee.
2. This guarantee is being issued to comply with regulations issued by the NRC, an agency of the United States Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974. NRC has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 40, Appendix A, Criteria 9 and 10. These regulations require that a holder of a materials license issued pursuant to 10 CFR Part 40 provide assurance that funds will be available when needed for required decommissioning activities.
3. The Guarantee is issued to provide financial assurance for decommissioning activities for RAMC's Lisbon Facility NRC License No. SUA-1119 as required by 10 CFR Part 40. The decommissioning cost estimate for this facility is \$2.642 million.
4. Guarantor meets or exceeds the following financial test criteria under Alternative I and agrees to comply with all notification requirements as specified in 10 CFR Part 40, Appendix A:
  - (a) Guarantor's tangible net worth is at least \$20 million dollars.
  - (b) Guarantor's tangible net worth and net working capital are each equal to or greater than six times the sum of the current decommissioning cost estimates;

- (c) Guarantor's assets located in the United States amount to at least six times the sum of the current decommissioning cost estimates; and
  - (d) Guarantor meets the following financial test ratios: a ratio of total liabilities to net worth less than 2.0 and a ratio of current assets to current liabilities greater than 1.5.
5. Guarantor, through subsidiaries, owns 100 percent of the voting stock of the licensee covered by this guarantee (Rio Algom Mining Corp., Lisbon Facility, License SUA-1119). Guarantor also certifies that the licensee for which this guarantee is being made has a positive tangible net worth.
  6. Decommissioning activities as used below refers to activities as required by 10 CFR Part 40, Appendix A, for decommissioning of facilities identified above.
  7. For value received and pursuant to the authority conferred upon the guarantor by resolution of its directors, a certified copy of which is attached, guarantor guarantees to NRC that if the licensee fails to perform the decommissioning activities required by License No. SUA-1119, the guarantor shall:
    - (a) Carry out the required activities, or
    - (b) Set up a trust fund in favor of the above identified beneficiary in the amount of the current NRC-approved cost estimates for these activities.
  8. Guarantor agrees to submit revised financial statements, financial test data, and a special auditor's report and reconciling schedule annually, within 90 days of completion of the Auditor's report on the parent company guarantor's fiscal year or as required by license condition.
  9. Guarantor agrees that if, at the end of any fiscal year before termination of this guarantee, the guarantor fails to meet the financial test criteria, the licensee shall send within 90 days of the end of the fiscal year, by certified mail, notice to the NRC that the licensee intends to provide alternate financial assurance as specified in Appendix A of 10 CFR Part 40. Within 120 days after the end of the fiscal year, the guarantor shall establish such financial assurance if RAMC has not done so.
  10. The Guarantor also agrees to notify the beneficiary promptly if the ownership of the licensee or the parent firm is transferred and to maintain this guarantee until the new parent firm or the licensee provides alternate financial assurance acceptable to the beneficiary.
  11. Guarantor agrees that within 30 days after it determines that it no longer meets the financial test criteria or that it is disallowed from continuing as a guarantor for the facility under License Number SUA-1119, it shall establish an alternate financial assurance, as specified in 10 CFR Part 40, Appendix A, as applicable in the name of RAMC, unless RAMC has done so.
  12. Guarantor as well as its successors and assigns agree to remain bound jointly and severally under this guarantee notwithstanding any or all of the following: amendment or modification of license or NRC-approved decommissioning plan for that facility, the extension or reduction

of the time of performance of required activities or any other modification or alternation of an obligation of the licensee pursuant to 10 CFR Part 40.

13. Guarantor agrees to remain bound under this guarantee for so long as RAMC must comply with the applicable financial assurance requirements of 10 CFR Part 40, Appendix A, for the previously listed facility, except that guarantor may cancel this guarantee by sending notice by certified mail to the NRC and to RAMC, such cancellation to become effective no earlier than 120 days after receipt of such notice by both NRC and RAMC, as evidenced by the return receipts.
14. Guarantor agrees that if RAMC fails to provide alternate financial assurance as specified in 10 CFR Part 40, Appendix A as applicable, and to obtain written approval of such assurance from the NRC within 90 days after a notice of cancellation by the guarantor is received by the NRC and RAMC from the guarantor, guarantor shall provide such alternate financial assurance in the name of RAMC or make full payment under the guarantee.
15. Guarantor agrees to be jointly and severally liable for all litigation costs incurred by the NRC in any successful effort to enforce the agreement against the guarantor.
16. Guarantor expressly waives notice of acceptance of this guarantee by the NRC or by RAMC. Guarantor also expressly waives notice of amendments or modification of the decommissioning requirements and of amendments or modifications of the license.
17. If the guarantor files Financial Reports with the U.S. Securities and Exchange Commission, then it shall promptly submit them to the NRC during each year in which this guarantee is in effect.

I hereby certify that this guarantee is true and correct to the best of my knowledge.

Attest:

**RIO ALGOM LIMITED**

\_\_\_\_\_  
David J. Kavanagh  
Assistant Secretary

\_\_\_\_\_  
Patrick M. James  
President & CEO

Attest:

c/s

\_\_\_\_\_  
David J. Kavanagh  
Assistant Secretary

\_\_\_\_\_  
John A. H. Bush  
Vice-President