

Lake Superior Corporation.

Following are extracts from the report of the directors for the year ended June 30, 1907, presented at the annual meeting recently:

INCOME ACCOUNT.

*Interest and dividends received on securities of subsidiary companies..	\$ 527,982.79
Interest received and accrued on loans and bank balances, together with sundry rentals.....	150,029.13
	\$ 678,011.92
LESS: Interest paid on loans, general expenses, taxes and balances of organization charges, and accounts written off.....	148,381.52
	\$529,630.40
DEDUCT: Interest on corporation first mortgage bonds.....	500,000.00
Surplus for period.....	\$29,630.40
UNDIVIDED SURPLUS: June 30, 1906..	\$591,682.62
Surplus for year ended June 30, 1907	29,630.40
	\$621,313.02
LESS: Paid 5% on income bonds, Oct., 1906.....	150,000.00
UNDIVIDED SURPLUS, June 30, 1907..	\$471,313.02

*In addition to interest and dividends paid, as stated, the subsidiary companies have reserved \$342,000 from net earnings for the year for extensions and working capital.

ASSETS.

Investments and securities of subsidiary companies.....	\$50,937,591.23
Loans to subsidiary companies.....	1,954,362.57
Loans and accounts secured by bonds, etc.....	177,000.00
Treasury bonds with accrued interest	1,114,270.83
Suspense and other items.....	5,135.16
Cash on hand.....	31,850.24
Cash provided for unpaid coupons (see Contra).....	43,150.00
	\$54,263,360.03
In addition to the bonds in the treasury, and cash on hand, there is held for the account of the Algoma Central and Hudson Bay Ry. Co., to be used in the extension of its line, cash	\$76,336.66
First mortgage bonds of the Lake Superior Corporation.....	345,000.00

LIABILITIES.

Capital stock.....	\$40,000,000.00
First mortgage 5% bonds.....	10,000,000.00
Income bonds.....	3,000,000.00
Accrued interest on bonds and loans.	42,865.65
Outstanding coupons due (See Contra)	43,150.00
Bills and accounts payable.....	662,640.99
Suspense account.....	43,390.37
Undivided surplus, June 30, 1907.....	471,313.02
	\$54,263,360.03

The general business of the several subsidiary companies has been satisfactory. Most of the plants have been in operation throughout the year.

ALGOMA STEEL COMPANY, LTD.—The output of this company for the past year has been: pig iron, 129,442 tons; steel ingots, 222,705 tons; blooms, 193,985 tons; standard steel rails, 178,624 tons. The rail production for the year ended June 30, 1907, was 178,624 tons, compared with 98,822 for the year ended June 30, 1905, and 159,740 tons for the year ended June 30, 1906. The unfilled contracts for the supply of rails on June 30, 1907, amounted to 74,378 tons, as compared with 35,013 on June 30, 1905, and 89,330 on June 30, 1906. The demand for rails continues good, and the construction of several transcontinental railways assures that the rail mill will be continuously employed. The Dominion Government in Nov., 1906, passed an act extending the period within which bounties will be paid on pig iron and steel ingots manufactured in Canada, and the Algoma Steel Co. will be entitled to the benefit of the provisions of this act. The payments by the Dominion Government under this act will substantially increase the company's income. The larger of the blast furnaces was overhauled and relined during the year at a considerable expense, and is now in good condition. The output of the blast furnaces is not nearly sufficient to supply the rail mill with pig iron, and the balance required to keep the mill in continuous operation

must be purchased in the open market. During the year the extraordinary increase in the price of pig iron, without a corresponding increase in the selling price of rails, has materially reduced the profits of the company. An increase in blast furnace capacity of about 500 tons a day is urgently needed and must be provided if the best results are to be obtained in the company's operation. This will involve a capital expenditure of about \$1,000,000. Since June 30, 1907, blast furnace 1 has been enlarged and its capacity increased nearly 100 tons a day, and the directors have decided, so soon as the necessary financial arrangements can be made, to erect an additional blast furnace of sufficient capacity to make the company independent of the outside market. The benefits of the enlargement already made will appear in the earnings for the ensuing year.

THE LAKE SUPERIOR IRON AND STEEL CO., LTD., was incorporated during the past year for the purpose of owning and operating the open hearth furnaces referred to in the second annual report. All the issued stock of the company is held by the Lake Superior Corporation. The open hearth furnaces have been completed after a capital expenditure of \$284,000. These furnaces are now working satisfactorily, and their product during the ensuing year should very materially add to the income of the corporation.

THE LAKE SUPERIOR POWER CO.—Practically all the power at present developed on the Canadian side of the river is required for the operation of the various subsidiary companies of the corporation, and the Power Company has during the year supplied all the companies with power. Much development work has been done on the Helen Mine during the year, as well as working the mine itself. A substantial part of the output of the mine is used in the Steel Co.'s operations. A good market is available for all surplus ore as rapidly as it can be mined at prices profitable to the company. The unfilled contracts for ore on June 30, 1907, amounted to 154,576 tons, as compared with 120,612 on June 30, 1905, and 95,081 on June 30, 1906. Pyrites in quantity continues to be found in the mine, and a steady market for same is being supplied as fast as the pyrites is mined.

ALGOMA CENTRAL AND HUDSON BAY RY.—Manitoulin and North Shore Ry., and British-America Express Co.—The freight of the different subsidiary companies continues to be the principal source of revenue of these railways, particularly the Algoma Central and Hudson Bay Ry., constituting 76% thereof. Until these railways are extended so as to make connections with trunk lines, we cannot hope to secure either reasonable or adequate returns on the capital invested. At the last session of the Ontario legislature the land grant to the A.C. & H.B. Ry. of 7,400 acres per mile, for 225 miles, was renewed for two years from Sept. 1, 1907, so as to enable the company to complete construction and thereby earn the land grant. The extension of this railway to connections with the transcontinental railways to the north would open up a very extensive and valuable timber and mineral territory, and not only would the opening up of this territory be of very material advantage to the operating companies, but it should insure a large and profitable passenger and freight business for the railway. The loss of the Theano, one of the company's steamships, with a cargo of 2,000 tons rails (insured), and the delay of the contractors in the reconstruction of the barge Agawa into a steamship, thus laying it up for a part of the navigation season, have diminished the earnings of the fleet for the year.

INTERNATIONAL TRANSIT CO. AND TRANS-ST. MARY'S TRACTION CO.—The business done and the operating results of the street railways on the Canadian side and on the U.S. side of the St. Mary's River, and the ferry between, show an improvement over the preceding year.

CAPITAL EXPENDITURES.—The necessary expenditures on capital account of the different subsidiary companies for property, extensions and construction have been unusually heavy during the year. Over \$450,000 has been expended for these purposes, as follows:

Manitoulin & North Shore Ry. Co.....	\$ 42,025.36
Trans-St. Mary's Traction Co.....	8,186.90
Tagona Water & Light Co.....	17,390.18
Sault Ste. Marie Pulp & Paper Co.....	13,293.43
Lake Superior Power Co.....	34,507.27
Algoma Commercial Co.....	7,791.59
Algoma Steel Co.....	43,006.70
Lake Superior Iron & Steel Co.....	284,829.88
International Transit Co.....	469.34
	\$451,500.65

In order to secure the best results from the operations of the different plants, further extensions are absolutely necessary. To make partial provision for such extensions and for working capital, the subsidiary companies have set aside, out of their net earnings of the past year, the sum of \$342,000.

W. N. Sawyer, General Manager, retired from the employ of the company on Dec. 31, 1906, and the General Auditor, J. S. Wynn, has been acting Manager, pending the appointment of a new general manager. Efforts are being made to secure a general manager in all respects qualified for so important and responsible a position. Under all the circumstances the results of the year's operations have been reasonably satisfactory, but it is to be regretted that the earnings of the corporation have not warranted paying interest on the income bonds. When the extensions contemplated by the subsidiary companies are completed, the directors confidently expect that the earnings of the corporation will justify the resumption and continued payment of the interest on the income bonds.

Great Northern Ry. Lines in Canada.

The report of the directors for the year ended June 30, 1907, contains a large amount of information relative to construction being carried on in Canada, and upon the branch lines running up to the International Boundary.

Nothing appears to have been done according to the report upon the projected extension of the branch line now terminating at Greenbush, Minn., from that point to Warroad, where a junction would be effected with the Canadian Northern Ry., which runs through Minnesota, round the angle of the Lake of the Woods in that state. An extension of the branch from near York, N.D., was opened Nov. 6, 1906, from Thorne, north-west to Dunseith, near the International Boundary, 7.61 miles, just south of Turtle Mountains. The extension from Berthold north-west to Crosby, 89.09 miles, was expected to be completed by Dec. 1, 1906, but the work has been considerably delayed. On June 30, 1907, there had been laid 55.50 miles of track, and it was expected to have the line completed by Nov. This branch line runs very close to the Minneapolis, St. Paul and Sault Ste. Marie Ry., for about half its distance, and then bears away to the west, terminating at present at Crosby, just south of the International Boundary, near where the Long Creek River runs into Montana from Saskatchewan. The branch was opened from Lignite to Crosby, 34 miles, Dec. 1, the section from Berthold to Lignite having been opened earlier.

THE BRANDON, SASKATCHEWAN AND HUDSON'S BAY RY.—From the International