



## Australian Associated Smelters Pty. Limited

### THE BUSINESS UNIT

Australian Associated Smelters (AAS) is the CRA Business Unit which manages CRA's Australian non-ferrous smelting operations.

AAS encompasses three principal operating companies:



Broken Hill Associated Smelters (BHAS) Port Pirie, South Australia



Electrolytic Refining and Smelting Company of Australia (ER&S) Port Kembla, New South Wales



Sulphide Corporation (SC) Cockle Creek, New South Wales

Until the end of 1986, AAS was also responsible for the US based Pacific Smelting Company (PASCO) which operates plants in Los Angeles and Memphis USA. From 1st January, 1987, AM&S Europe assumed the management control of all Pasco operations.

Total assets employed in the Business Unit at end 1986 (excluding Pasco) totalled \$515 million (\$490 million at end 1985).

The summary of 1986 results (Results in Brief) relates only to AAS's Australian based operations.

### RESULTS IN BRIEF

		Earnings (after tax)	
		1986/\$M	1985/\$M
CRA's share of earnings		8.1	4.4
		Tonnes	
		000	000
Production			
BHAS	- Lead	156.2	200.1
	- Zinc	39.0	37.5
SC	- Zinc	74.4	60.5
	- Lead Bullion	31.4	25.4
ER&S	- Copper	33.8	35.0
Employees at year end		2652	2696

### A PERSPECTIVE ON OUR SMELTING ACTIVITIES

#### The Environment

For the total non-ferrous industry in general, and the AAS Group in particular, 1986 was, in many ways, no different from 1985.

Our industry continues to be plagued by stagnant demand and low price levels which have no regard to the costs of producing our products. The continued decline in traditional uses and the inroads of substitutes have had significant effects on our marketing results.

Add to this the pressures within the Australian economy and we have an extremely demanding and competitive arena in which to operate.

### Our Performance

The 1986 net earnings figure shows a modest improvement over the prior year, yet still represents less than 2 per cent return on total assets. Output from the operations provided variable results compared with 1985.

Because of disruption to raw material supply lead production at BHAS was substantially lower. Plant failures at ER&S resulted in marginally lower copper output for the year. Sulphide Corporation achieved a record zinc production during 1986 despite difficulties associated with major furnace modifications.

World demand for group products remained poor and prices continued at historically low levels. The continued decline in the value of the Australian dollar over the year, however, assisted by offsetting the effect of low metal prices.

The results achieved during 1986 reflect the positive approach adopted by all in dealing with the problems we face. I am appreciative of the commitment displayed by everybody in our group.

### The Challenge

It is clear that external factors will continue to influence our future performance. To remain a competitive participant in the extremely difficult world non-ferrous industry will involve a strenuous examination of ways to improve our technical, cost and marketing performance.

I believe that each person working in AAS has the responsibility to make a constructive contribution to this work.

The depressed market outlook for our group products, both demand and price, combined with the dull economic expectations for Australia generally, mean that the substantial economic achievements of recent years will need to continue into the future.

To meet these challenges, our smelter operations need to be in world-class condition so they remain competitive. Therefore, studies are underway at each operation to consider all available options and to determine the appropriate future investment approach.

BHAS is proceeding with the development of an Environment and Economic Improvement Plan (EEIP). This will guarantee the operations of BHAS for an extended period at current production levels and achieve a staged and positive improvement in environmental and industrial hygiene conditions.

The EEIP is likely to involve a programme of works in excess of \$50 million over a four year period. Final decisions and commitments on the plan are expected to be made around mid 1987.



ER&S has, for many years, been a major processor of non-ferrous scrap in Australia. Studies are continuing into future directions for ER&S.



GEOFF BILLARD

Geoff Billard took over the AAS reins on 10th November, 1986. Geoff, 42, was born in Queensland and after graduating in economics and commerce at the University of Queensland worked for the State Electricity Commission of Queensland.

Geoff has been with the CRA Group for 18 years and has held senior commercial positions with Bougainville Copper and Argyle Diamond Mines. With BCL, Geoff and his family spent 4 1/2 years at Bougainville. More recently Geoff was Managing Director of Group Financial Services (now FIS).

The wide experience gained within the CRA Group, plus his knowledge of the metals industry, have made Geoff aware of the scope and significance of AAS and the challenges facing its people.

The options are to install new technology, upgrade the existing plant, or dispose of the assets. Approval has recently been given to spend one million dollars on a detailed study into the redevelopment of the operation.

A final decision on the future direction is expected around the end of 1987.

At Sulphide Corporation, major modifications to furnace operations during 1986, resulted in increased capacity. More recently, approval has been given to a major expansion and re-arrangement of smelter and refinery ventilation facilities. This will result in significant improvement in environmental performance in areas both within and adjacent to the plant.

Plans are also being developed to increase the total zinc capacity of the operation in stages, as economic conditions permit, over the coming years.

These studies indicate that 1987 will be an important year for our business unit. I am confident that with the continued support of everybody working in the business unit, the AAS Group will successfully meet the challenges before us.

*Geoff Billard*

Geoff Billard, Managing Director, Australian Associated Smelters, April, 1987