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**Abitibi
Asbestos
Mining
Company
Limited**

ANNUAL REPORT 1973

HOWARD ROSS LIBRARY OF MANAGEMENT
MCGILL UNIVERSITY.

HOWARD ROSS LIBRARY
OF MANAGEMENT

DEC 12 1975

MCGILL UNIVERSITY

The Annual and Special General Meeting of Shareholders
will be held in the Salon Matepedia of The Queen Elizabeth
Hotel, Montreal, Quebec at 10.30 A.M. (Montreal Time)
on Thursday, October 10th, 1974.

TO: THE SHAREHOLDERS OF ABITIBI ASBESTOS MINING COMPANY LIMITED

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31ST, 1973

The Board of Directors of your Company encloses with this Annual Report, the audited financial statements as at December 31st, 1973, unaudited statements for the six-month period ended June 30th, 1974, and a Proxy statement and Information Circular together with a proxy form and notice calling the Annual and Special General Meeting of Shareholders for the 10th day of October, 1974.

As you will notice from the enclosed material, there have been several changes in the management of your Company since last year. Mr. Raynerd B. Carson who has served as President since August of 1970 has resigned that position, and Mr. Gordon B. Langille has resigned as Vice-President and Secretary. Subject to shareholder approval, Mr. Carson will continue to serve the Company as a Director and as a mining and exploration consultant. Mr. Langille and Mr. Marcel Piché, Q.C., have resigned as directors and are not candidates for re-election.

Brinco Limited by private purchases from other shareholders, a purchase from the Company of 100,000 treasury shares in July, and by reason of expenditures made on the Company's main asbestos property for which, pursuant to agreement, treasury shares have been issued, has increased its shareholdings to 49.76% of the issued and outstanding shares. Brinco expects to acquire imminently another 25,000 shares.

MAIZERETS "A" ASBESTOS DEPOSIT

THE FOLLOWING REPORT HAS BEEN RECEIVED FROM BRINCO CONCERNING THE WORK UNDERTAKEN ON THE MAIZERETS "A" ASBESTOS DEPOSIT.

Summary of Previous Work (1966 to 1971)

(Under the direct management of Abitibi Asbestos Mining Co. Ltd.)

Prior to the execution of the Agreement ("Exploration Agreement") dated as of April 11, 1972, made between Brinco Limited, Abitibi Asbestos Mining Company Limited, Dydar Holdings Limited and R. B. Carson, an aggregate of approximately \$2,000,000* had been spent by Abitibi and other parties in investigations on the "A" asbestos deposit in Maizerets Township, principally for exploration.

This exploration work included 79 surface diamond drill holes in 101 acres of the property to depths of up to 1,450 ft. on a grid of approximately 200 x 250 ft. In addition, a 200 ft. shaft was sunk and approximately 600 tons of asbestos-bearing rock was bulk sampled from the eastern area of the deposit at the - 200 ft. level. On the basis of test milling and analysis of the bulk samples by the Quebec Department of Natural Resources and an evaluation of the property by an independent firm of engineers, Abitibi announced in 1971 that it believed the asbestos deposit to contain approximately 105 million tons of cross-fibre chrysotile asbestos bearing rock containing approximately 4% recoverable asbestos fibre comprised of Groups 4, 5 and 6 (although the information was insufficient to permit accurate estimates as to the percentage of each grade individually).

* All references to dollars herein are in Canadian dollars.

Abitibi estimated in 1971 that the overall capital cost of placing the deposit into production at an annual capacity of 150,000 tons of fibre would be approximately \$60,000,000, which figure is understood to have included an allowance for initial working capital requirements.

1972-74 Evaluation Programme

(Under the management of Brinco Limited)

Between April 11, 1972 and June 30, 1974, an aggregate of approximately \$3,200,000 had been spent by Brinco in carrying out evaluation work pursuant to the "Exploration Agreement". During this period Brinco has pursued a comprehensive evaluation programme to assess the viability of developing the "A" deposit.

Exploratory Development

Brinco considered it essential to carry out a large scale underground bulk sampling programme in order to assess the quality and magnitude of the Abitibi asbestos deposit. This programme was considered necessary as a basis for its feasibility study of the Abitibi project. Site development to facilitate this investigation was initiated in July 1972.

By March of 1973, a pilot plant had been constructed at the site capable of treating up to 30 tons of fibre-bearing rock per day. The pilot plant utilises commercial scale equipment while permitting a range of process design alternatives. A quality control laboratory was also established on the property.

During 1972, the shaft and underground workings at the -200 ft. level were rehabilitated. Underground development was extended over 1570 ft. into the central and western zones of the deposit. Further underground development is being extended approximately 500 ft. into the eastern zone during 1974.

Drilling programmes have been carried out to investigate the physical properties and extent of the unconsolidated overburden overlying the deposit. Diamond drilling during 1974, amounting to approximately 10,000 ft., will explore certain zones of the "A" deposit and those adjacent areas necessary for production facilities.

Evaluation of the Deposit

Between March and December 1973, twenty-six bulk samples were mined over 1570 ft. of mineralized cross-cuts in the central and western zones of the deposit. Pilot plant milling yielded 120 tons of fibre and analysis of the results enabled a determination of the extent to which the bulk samples correlated with the values indicated by diamond drilling in adjacent areas.

Brinco at the same time developed a computerised model of the deposit based on data obtained over approximately 80,000 ft. of surface diamond drilling. By comparing the mined bulk sample results to the model, an accurate assessment may be made of the potential tonnage and recoverable value of the asbestos-bearing rock throughout the deposit as a whole.

On this basis, Brinco currently estimates the deposit to contain 100 million tons containing 3.5% recoverable asbestos fibre. To develop this deposit, it would be necessary to excavate approximately 38 million cubic yards of unconsolidated overburden and, in addition, to mine approximately 120 million tons of waste rock. This estimate of mineralized rock is less than the earlier estimate calculated by consultants to Abitibi Asbestos in 1971 of 105 million tons with 4.0% recoverable fibre, which provided for the mining of approximately 178 million tons of waste rock and the excavation of 45 million cubic yards of overburden. However, while Brinco is not yet in a position to finalise the potential tonnage of the deposit until completion of feasibility studies, it should be noted that the lower estimate stems in part from a different approach to fibre evaluation and in part from a slightly smaller open pit design.

Fibre Quality and Marketing

Of the total of 160 tons of fibre produced during 1973, a considerable amount of this volume has been distributed to potential customers throughout the world. The greater proportion of the fibre produced was Groups 4 and 5, with lesser quantities of Groups 6 and 7 fibre. Both laboratory and commercial scale tests have confirmed that the Abitibi fibre is of superior quality with filtering and strength properties well suited to the requirements of the asbestos cement industry.

A tightening supply situation for chrysotile asbestos has developed in 1974 and is projected to persist into the foreseeable future. It would appear that substantial volumes of high quality fibre could be readily absorbed by current world demand.

In June 1974, Brinco and Marubeni Corporation, a Japanese trading corporation (Marubeni), entered into a letter of intent. The letter of intent contemplates that subject to Brinco making a production decision with regard to Abitibi's asbestos properties and to confirmation of availability of asbestos fibre in the grades and quantities desired, Brinco would cause Abitibi to enter into a contract with Marubeni. Under the contract, Marubeni would act as the exclusive distributor in certain areas of Asia for asbestos fibre produced by Abitibi and would purchase substantial tonnage on terms attractive to the Company. The agreement is subject to approval by the Board of Directors of both corporations.

Feasibility

Brinco is currently working towards completion of a detailed study of the feasibility of developing the Abitibi deposit. Mine planning with the aid of a computerised model of the deposit is currently being carried out by RTZ Consultants Ltd. to establish the optimum mining strategy and production capacities. Further pilot plant test work is being carried out to determine a process design that will maximise the recovery of fibre. Bulk sampling and diamond drilling is continuing to more accurately outline the asbestos deposit.

The joint venture consulting organization of SNC Services Limited and Canadian Bechtel Limited will provide Brinco with detailed capital construction cost estimates. As a result of Brinco adding to such estimates its estimates of project costs, owners costs during construction, interest during construction, start-up costs, working capital and other costs, a total capital cost will be available for financial analysis. While Brinco is not yet in a position to make a reliable estimate of such total cost, it is expected that the total cost will be significantly higher than the 1971 Abitibi estimate due, in part, to inflationary trends.

Brinco's preliminary financial analyses indicate that the potential viability of the project is sufficiently encouraging for Brinco to continue its feasibility and pre-production programs during the balance of 1974.

OTHER PROJECTS

McArthur Township Claims

The Company's option on these asbestos claims has been extended to May 1975, and a diamond drilling program is planned by the Company for this fall. These claims are no longer subject to the Agreement dated as of April 11, 1972 between Brinco, the Company, Dydar Holdings Ltd. and R. B. Carson.

Properties in the Area of the Main Deposit

The Company has maintained in good standing and acquired additional asbestos claims in Maizerets, Soissons and Chaste Townships, Abitibi District, Quebec. Diamond drilling is presently planned to be carried out by Brinco this fall on a magnetic anomaly situated approximately a mile to the south of the existing "A" deposit.

Non-Asbestos Prospects

The Company has transferred its 26% interest in twelve mining claims in the Skeena Mining Division of British Columbia to Nordore Mining Co. Ltd., which agreed to spend in 1974 at least \$500,000 on such claims. If such amount is expended, Nordore may elect on or before March 31, 1975 to bring such claims to production on or before December 31, 1975. If such \$500,000 is not expended in 1974, or Nordore fails to make such production election or to bring such claims to production by the end of 1975, the Company will reacquire its assigned 26% interest. Abitibi is entitled initially to receive 2% of the net profits from the sale of mineral products derived from such claims after commercial production until Nordore recovers its capital expenditures and thereafter 10% of any net profits. Nordore has commenced the exploration and development of these claims.

Respectfully submitted on behalf of the Board of Directors.

Montreal, September 10, 1974

W. D. Mulholland
President

R. B. Carson
Director

(UNE VERSION FRANÇAISE DU RAPPORT ANNUEL DE LA COMPAGNIE SERA BIENTÔT DISPONIBLE AUX BUREAUX DE LA DIRECTION GÉNÉRALE, UN WESTMOUNT SQUARE, MONTRÉAL.)

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS

P.O. Box 431, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1L1

AUDITORS' REPORT

To The Shareholders
Abitibi Asbestos Mining Company Limited

We have examined the balance sheet of Abitibi Asbestos Mining Company Limited as at December 31, 1973 and the statements of administrative expenses and deficit, deferred exploration and development expenditures and source and application of funds for the year then ended and have obtained all the information and explanations we have required. 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.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of affairs of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 1, 1974

Riddell, Stead & Co.

ABITIBI ASBESTOS MINING COMPANY LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1973

ASSETS

	<u>1973</u>	<u>1972</u>
CURRENT ASSETS		
Cash	\$ 103,210	278,318
Share subscription receivable	-	205,449
Accounts receivable	<u>48,600</u>	<u>13,058</u>
	<u>151,810</u>	<u>496,825</u>
MINING PROPERTIES		
97 mining claims in the Townships of Maizerets and Soisson in the Province of Quebec, at cost (Note 1)	127,872	127,872
Other properties, at cost	<u>21,856</u>	<u>23,057</u>
	<u>149,728</u>	<u>150,929</u>
DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES, at cost (Note 2)	<u>5,042,295</u>	<u>3,623,253</u>
FIXED ASSETS, at cost less accumulated depreciation of \$27,721 (1972 - \$18,794)	8,588	13,616
	<u>\$ 5,352,421</u>	<u>4,284,623</u>

ABITIBI ASBESTOS MINING COMPANY LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1973

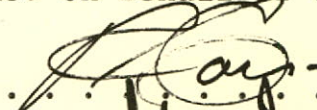
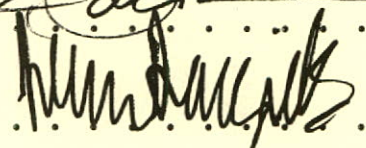
LIABILITIES

	<u>1973</u>	<u>1972</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>125,625</u>	<u>147,685</u>
DUE TO BRINCO LIMITED (Note 1)	<u>86,948</u>	<u>-</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 1)		
Authorized		
10,000,000 shares, par value \$1 each		
Issued and to be issued		
4,874,447 shares (1972 - 4,425,010)	4,874,447	4,425,010
Discount	<u>1,512,500</u>	<u>1,512,500</u>
	3,361,947	2,912,510
CONTRIBUTED SURPLUS (Note 3)	2,425,862	1,751,707
DEFICIT	(<u>647,961</u>)	(<u>527,279</u>)
	<u>5,139,848</u>	<u>4,136,938</u>
	<u>\$ 5,352,421</u>	<u>4,284,623</u>

Signed on behalf of the Board:


 Director.

 Director.

ABITIBI ASBESTOS MINING COMPANY LIMITED
STATEMENT OF ADMINISTRATIVE EXPENSES AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1973

	<u>1973</u>	<u>1972</u>
ADMINISTRATIVE EXPENSE		
Depreciation	\$ 2,214	1,636
Legal and audit	42,526	45,763
Management fees	10,000	10,000
Consultants' fees	20,000	-
Office and general expenses	12,968	9,643
Salaries	4,700	3,420
Shareholders' information	2,383	22,102
Telephone	4,439	7,080
Transfer agents' fees and expenses	5,187	8,190
Travel	<u>6,071</u>	<u>7,121</u>
	110,488	114,955
Interest income	<u>5,321</u>	<u>8,592</u>
	105,167	106,363
General exploration expenditures, including cost of properties abandoned during the year and related expenditures	<u>15,515</u>	<u>34,733</u>
	120,682	141,096
Deficit at beginning of year	<u>527,279</u>	<u>386,183</u>
DEFICIT AT END OF YEAR	<u>\$ 647,961</u>	<u>527,279</u>

ABITIBI ASBESTOS MINING COMPANY LIMITED

STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 1973

	<u>1973</u>	<u>1972</u> (Note 2)
EXPENDITURES DURING YEAR		
Mining	\$ 339,068	186,779
Pilot plant	583,453	801,311
Camp construction and operation	100,503	232,811
Salaries, travel and management fees	255,541	161,923
Marketing and feasibility studies	<u>154,792</u>	<u>9,932</u>
	1,433,357	1,442,756
Balance at beginning of year (Note 2)	<u>3,623,253</u>	<u>2,186,713</u>
	5,056,610	3,629,469
Deduct		
Expenditures on properties abandoned during the year	<u>14,315</u>	<u>6,216</u>
BALANCE AT END OF YEAR	<u>\$ 5,042,295</u>	<u>3,623,253</u>

ABITIBI ASBESTOS MINING COMPANY LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1973

	<u>1973</u>	<u>1972</u> (Note 2)
SOURCE OF FUNDS		
Issue of capital stock	\$ 1,123,592	2,000,000
Advanced by Brinco Limited	86,948	-
Other	<u>-</u>	<u>8,567</u>
	<u>1,210,540</u>	<u>2,008,567</u>
APPLICATION OF FUNDS		
Administrative expenses less non-cash charge	102,953	104,727
Deferred exploration and development expenditures less non-cash charges	1,426,643	1,441,910
Acquisition of mining properties	-	17,385
Purchase of fixed assets, net	3,899	5,635
General exploration	<u>-</u>	<u>18,175</u>
	<u>1,533,495</u>	<u>1,587,832</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(322,955)	420,735
Working capital (deficiency) at beginning of year	<u>349,140</u>	(<u>71,595</u>)
WORKING CAPITAL AT END OF YEAR	\$ <u>26,185</u>	<u>349,140</u>

ABITIBI ASBESTOS MINING COMPANY LIMITED

NOTES TO 1973 FINANCIAL STATEMENTS

1. AGREEMENT WITH BRINCO LIMITED

By an agreement dated April 11, 1972 Brinco Limited ("Brinco") purchased 800,000 treasury shares of the company at \$2.50 per share. Brinco paid \$500,000 in cash and the balance by way of exploration and development expenditures on the company's asbestos properties.

Under the terms of the agreement, Brinco at its sole discretion is entitled to expend additional amounts on the properties for which the company, at its option, can allot and issue additional shares at \$2.50 each or make payment in cash.

During 1973 Brinco expended \$1,210,540 on additional exploration and development in consideration for which the company issued 211,999 shares and agreed to issue an additional 237,438 shares at \$2.50 per share. These financial statements reflect the issue of the 237,438 shares. The balance due of \$86,948 is included on the balance sheet under the caption, "Due to Brinco Limited".

Prior to July 14, 1976 Brinco may make a production decision in respect of the properties, whereupon the company would be obligated to issue to Brinco, at \$2.50 per share, a sufficient number of treasury shares to place Brinco in ownership of 51% of all of the shares of the company then outstanding. In the event the production decision is made, Brinco, as may be required by lenders who provide senior financing, will undertake certain obligations including giving completion guarantees and guaranteeing any additional funds needed in the event of project over-runs. In addition, if required for the purpose of arranging senior financing, Brinco will undertake to lend additional moneys up to \$1.5 million against the receipt of subordinated debentures of the company.

2. STATEMENT RECLASSIFICATION

The company has, with retroactive effect, reclassified a loan payable of \$100,000 (U.S.\$93,063) as a reduction of deferred exploration and development expenditures since the loan, the proceeds of which were used for exploration and development, is repayable (without interest) only out of profits derived from the mining claims in the Province of Quebec or from the proceeds of sale of the said mining claims.

3. CONTRIBUTED SURPLUS

The excess of the proceeds over the par value of the shares issued and agreed to be issued to Brinco, which amounted to \$674,155, has been credited to contributed surplus.

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS

P.O. Box 431, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1L1

To The Shareholders
Abitibi Asbestos Mining Company Limited

The accompanying balance sheet as at June 30, 1974 and statements of administrative expenses and deficit, deferred exploration and development expenditures and source and application of funds for the six months then ended have been prepared by us from the books and records of Abitibi Asbestos Mining Company Limited and from other information given to us. In accordance with the terms of our engagement we did not perform an audit of the accounts and accordingly are not in a position to express an opinion on the financial statements.

Riddell, Stead & Co.

August 14, 1974

ABITIBI ASBESTOS MINING COMPANY LIMITED

BALANCE SHEET AS AT JUNE 30, 1974

(Unaudited)

		<u>1974</u>	<u>1973</u>
CURRENT ASSETS			
Cash	\$	79,101	97,738
Accounts receivable		6,525	66,504
Prepaid expenses		900	2,941
		<u>86,526</u>	<u>167,183</u>
INVESTMENT IN AND ADVANCES TO SUBSIDIARY		<u>-</u>	<u>290</u>
MINING PROPERTIES			
97 mining claims in the Townships of Maizerets and Soisson in the Province of Quebec, at cost		127,872	127,872
Other properties, at cost		<u>31,856</u>	<u>23,094</u>
		<u>159,728</u>	<u>150,966</u>
DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES, at cost		<u>5,633,644</u>	<u>4,512,469</u>
FIXED ASSETS, at cost less accumulated depreciation of \$32,221 (1973 - \$20,294)		<u>4,856</u>	<u>14,557</u>
	\$	<u><u>5,884,754</u></u>	<u><u>4,845,465</u></u>

ABITIBI ASBESTOS MINING COMPANY LIMITED

BALANCE SHEET AS AT JUNE 30, 1974

(Unaudited)

LIABILITIES		
	<u>1974</u>	<u>1973</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>107,459</u>	<u>63,352</u>
DUE TO BRINCO LIMITED (Note)	<u>310,811</u>	<u>563,766</u>
LOAN PAYABLE	<u>-</u>	<u>100,000</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note)		
Authorized		
10,000,000 shares, par value \$1 each		
Issued		
5,011,985 shares (1973 - 4,425,010)	5,011,985	4,425,010
Discount	<u>1,512,500</u>	<u>1,512,500</u>
	3,499,485	2,912,510
CONTRIBUTED SURPLUS	2,632,169	1,751,707
DEFICIT	(<u>665,170</u>)	(<u>545,870</u>)
	<u>5,466,484</u>	<u>4,118,347</u>
	\$ <u>5,884,754</u>	<u>4,845,465</u>

ABITIBI ASBESTOS MINING COMPANY LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES AND DEFICIT

FOR THE SIX MONTHS ENDED JUNE 30, 1974

(Unaudited)

	Six Months Ended June 30,	
	<u>1974</u>	<u>1973</u>
ADMINISTRATIVE EXPENSES		
Depreciation	\$ 1,100	800
Legal and audit	2,642	2,822
Management fees	5,000	5,000
Office and general expenses	3,582	7,310
Salaries	2,005	1,472
Shareholders' information	414	(2,130)
Telephone	1,294	2,474
Transfer agent's fees and expenses	2,358	2,160
Travel	<u>1,672</u>	<u>1,765</u>
	20,067	21,673
Less interest income	<u>2,858</u>	<u>3,082</u>
	17,209	18,591
Deficit at beginning of period	<u>647,961</u>	<u>527,279</u>
DEFICIT AT END OF PERIOD	<u>\$ 665,170</u>	<u>545,870</u>

ABITIBI ASBESTOS MINING COMPANY LIMITED

STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

FOR THE SIX MONTHS ENDED JUNE 30, 1974

(Unaudited)

	Six Months Ended June 30,	
	<u>1974</u>	<u>1973</u>
Mining	\$ 80,820	215,751
Pilot plant	31,377	346,674
Camp construction and operation	46,606	72,757
Salaries, travel and management fees	129,638	105,949
Marketing and feasibility studies	<u>302,908</u>	<u>48,085</u>
	591,349	789,216
Balance at beginning of period	<u>5,042,295</u>	<u>3,723,253</u>
BALANCE AT END OF PERIOD	<u><u>\$ 5,633,644</u></u>	<u><u>4,512,469</u></u>

ABITIBI ASBESTOS MINING COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED JUNE 30, 1974

(Unaudited)

	Six Months Ended June 30,	
	<u>1974</u>	<u>1973</u>
SOURCE OF FUNDS		
Issue of capital stock	\$ 343,845	-
Advanced by Brinco Limited	<u>223,863</u>	<u>563,766</u>
	<u>567,708</u>	<u>563,766</u>
APPLICATION OF FUNDS		
Administrative expenses less non-cash charges	16,109	17,791
Acquisition of mining properties	10,000	37
Deferred exploration and development expenditures less non-cash charges	587,949	788,516
Purchase of fixed assets	<u>768</u>	<u>2,441</u>
	<u>614,826</u>	<u>808,785</u>
DECREASE IN WORKING CAPITAL	47,118	245,019
Working capital at beginning of period	<u>26,185</u>	<u>348,850</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD	<u><u>\$ (20,933)</u></u>	<u><u>103,831</u></u>

ABITIBI ASBESTOS MINING COMPANY LIMITED

NOTE TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 1974

(Unaudited)

AGREEMENTS WITH BRINCO LIMITED

- (a) By an agreement dated April 11, 1972 Brinco Limited ("Brinco") purchased 800,000 treasury shares of the company at \$2.50 per share. Brinco paid \$500,000 in cash and the balance by way of exploration and development expenditures on the company's asbestos properties.

The agreement, as amended in May, 1973, provides for conversion of expenditures by Brinco in excess of the \$1,500,000 into additional shares of the company on the basis of one share for each \$2.50 of such excess, or under certain conditions, reimbursement may be made to Brinco in cash.

As at June 30, 1974 Brinco had expended \$1,751,760 on additional exploration and development in consideration for which the company has issued 586,975 shares at \$2.50 per share. The balance due of \$284,323 is included on the balance sheet under the caption, "Due to Brinco Limited".

Prior to July 14, 1976 Brinco may make a production decision in respect of the properties, whereupon Brinco has agreed to acquire sufficient additional treasury shares at \$2.50 per share so that the total number of shares purchased under this agreement, as amended, will represent 51% of the then outstanding shares of the company. In the event the production decision is made, Brinco, as may be required by lenders who provide senior financing, will undertake certain obligations including giving completion guarantees and guaranteeing any additional funds needed in the event of project over-runs. In addition, if required for the purpose of arranging senior financing, Brinco will undertake to lend additional moneys up to \$1.5 million against the receipt of subordinated debentures of the company.

- (b) By an agreement dated June 25, 1974 Brinco agreed to purchase 100,000 shares at \$1.50 per share. The proceeds of this share issue are to be used as follows:

- (i) to reduce accounts payable,
- (ii) to make payments on properties currently held or under option and
- (iii) for general corporate purposes.

The shares were issued July 11, 1974.

