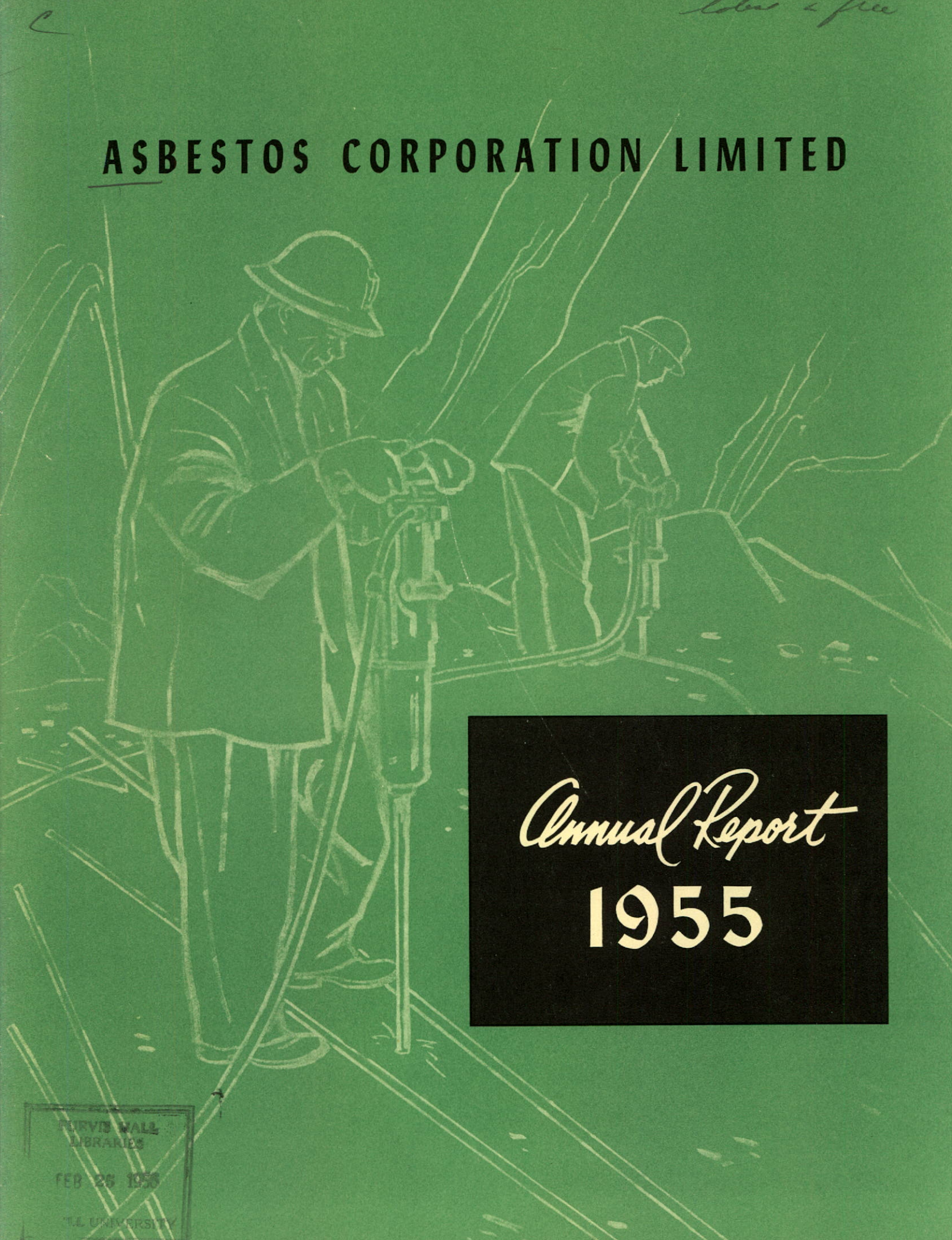


Robert L. Price

ASBESTOS CORPORATION LIMITED



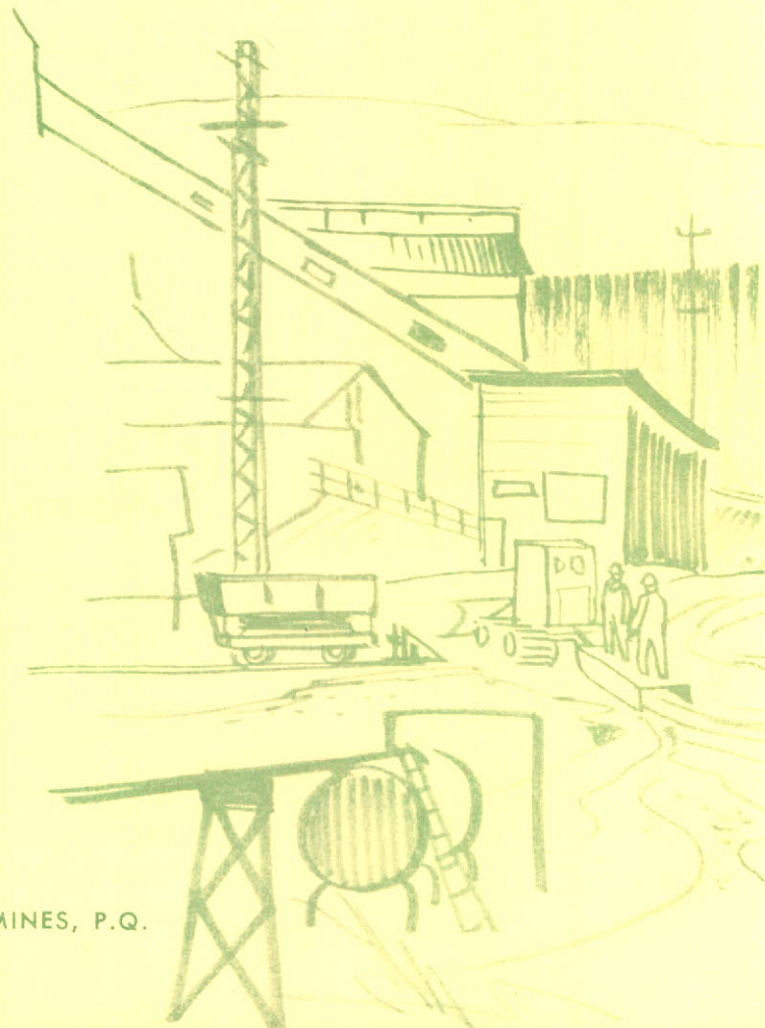
Annual Report
1955

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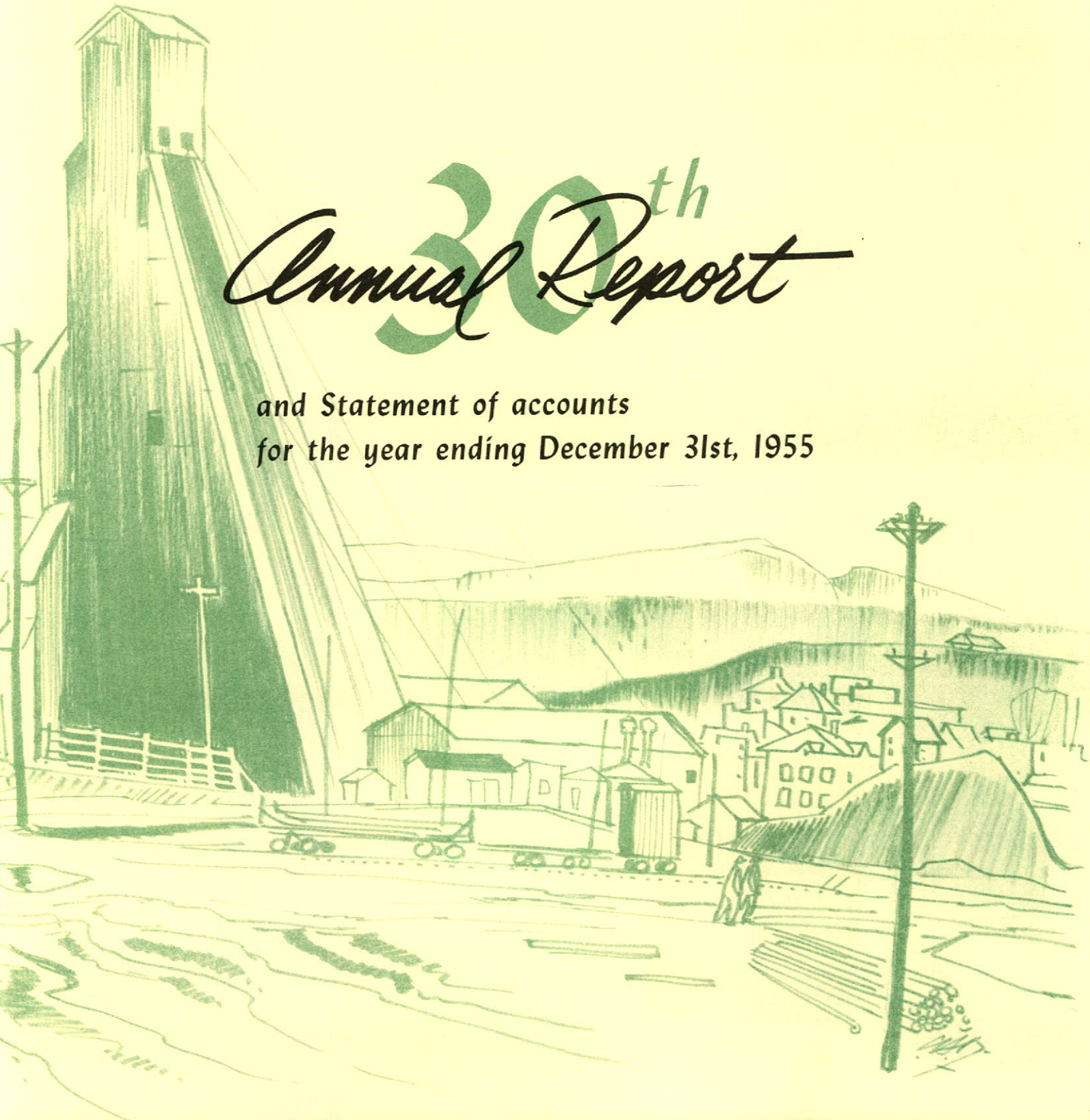


KING MINE, THETFORD MINES, P.Q.

Corporation Limited

30th
Annual Report

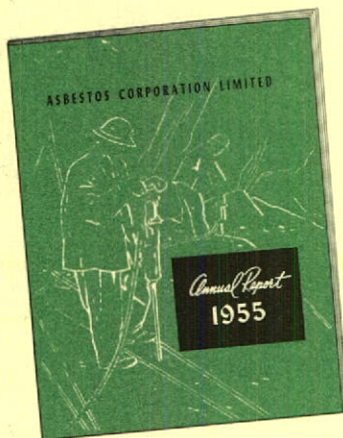
and Statement of accounts
for the year ending December 31st, 1955



YEAR AT A GLANCE

	1955	1954
Income before taxes	\$6,756,169	\$6,541,918
Federal, Provincial and Municipal taxes	2,241,707	2,342,049
Earnings per share	2.79	2.42
Paid to shareholders as dividends		
(a) Total amount	2,880,000	2,250,000
(b) Amount per share	1.60	1.25
Paid to employees during the year	8,437,911	7,652,092
Re-invested in the business	2,260,288	2,116,918
Depreciation	966,666	1,000,000
Number of employees	2,087	2,088
Number of shareholders	4,778	4,234

THIS YEAR'S COVER



THIS YEAR'S COVER: The cover and the design of this year's report are the work of Lorne Bouchard, A.R.C.A.

ASBESTOS CORPORATION LIMITED

Directors

W. A. ARBUCKLE

J. A. D. MARCOTTE

PAUL BIENVENU

F. E. NOTEBAERT

KENNETH T. DAWES

A. L. PENHALE

J. E. L. DUQUET, Q.C.

LT.-COL. J. G. ROSS

G. F. JENKINS

H. P. THORNHILL

Officers of the Corporation

A. L. PENHALE

President and Managing Director

K. T. DAWES

Vice-President

G. F. JENKINS

General Manager

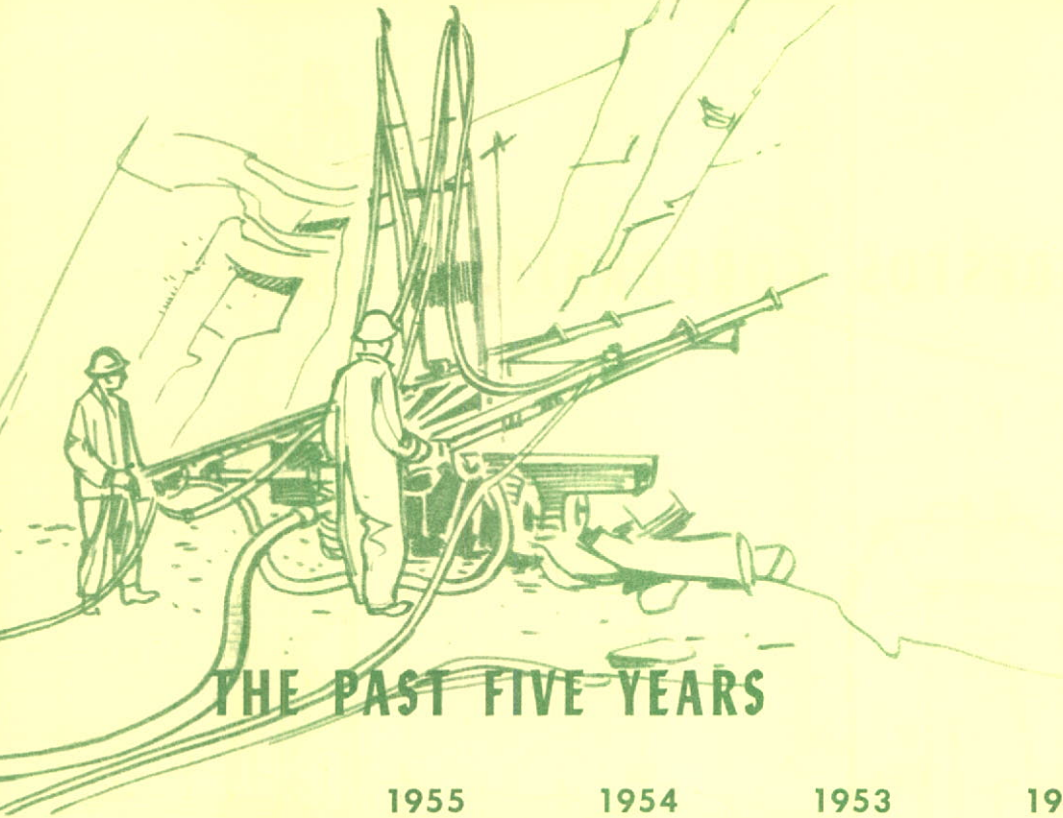
J. A. D. MARCOTTE

Secretary and General Sales Manager

P. PAYEUR

Treasurer

Head Office: Room 522, Canada Cement Building,
610 Cathcart Street,
Montreal, Que.



THE PAST FIVE YEARS

	1955	1954	1953	1952	1951
NET INCOME BEFORE TAXES					
	\$6,756,169	\$6,541,918	\$7,330,656	\$6,747,698	\$6,091,094
FEDERAL, PROVINCIAL & MUNICIPAL TAXES					
	2,241,707	2,342,049	2,658,232	2,644,149	2,331,832
PAID TO EMPLOYEES DURING THE YEAR					
	8,437,911	7,652,092	7,243,105	6,970,975	6,132,072
PAID TO SHAREHOLDERS AS DIVIDENDS					
	2,880,000	2,250,000	2,250,000	2,250,000	1,830,000
RE-INVESTED IN THE BUSINESS					
	2,260,288	2,116,918	2,560,656	1,997,698	2,071,094
EARNINGS PER SHARE					
	2.79	2.42	2.67	2.36	2.16



Report of the Directors

TO THE SHAREHOLDERS

Montreal, February 22nd, 1956.

Your directors submit the thirtieth annual report of the Company with Balance Sheet and Statement of Income and Earned Surplus for the year ending December 31st, 1955, as certified by your auditors, Messrs. Price Waterhouse & Co.

Income for the year after all expenses, including amortization of pre-production and development expenses, but before providing for depreciation or income taxes including deferred tax credit, amounted to \$7,722,835. From this amount \$966,666 was set aside for depreciation and \$1,717,000 was provided for taxes on income including deferred tax credit, leaving net income of \$5,039,169.

A total of \$2,880,000 was paid in dividends and the balance was added to surplus account.

Workmen's Compensation Equalization Reserve has been restored to Earned Surplus and concurrently a transfer of \$3,000,000 has been made to General Reserve.

Consistent with the policy followed last year, and as explained in Note 1 to the Statement of Income and Earned Surplus, full capital cost allowances on the new Normandie Mine plant have been claimed for tax purposes and the tax savings which result, together with those which result from claiming for the net pre-production and development expenditure have been added to tax credits applicable to future years.

The balance of pre-production and development expenditure Normandie Mine now amounts to \$2,517,722 as compared with a balance of \$3,235,541 last year. As a result of a review of these expenditures \$1,052,452 has been transferred to Properties. Net pre-production expenditures during the year after crediting the proceeds of shipments during the break-in period, amounted to \$482,733 and amortization during the period when the mill was deemed to be in commercial production, amounted to \$148,100. This period, subject to confirmation by the taxation authorities, has been determined as commencing on November 1st, 1955, and it is expected that earnings from the Normandie Mine will be free of Federal Income Tax for a period of thirty-six months from that date.

Inventories at the year end were valued at \$3,101,419, an increase of \$575,376 compared to the previous year. Of this increase \$439,470 was attributable to asbestos inventories and the balance to materials and supplies.

Funds set aside for special corporate purposes have been consolidated under the heading "Special Funds".

A change will be noted in the description of the item "Buildings Plant and Equipment" which is shown this year "at cost". For several years past this item has been shown "at values determined by the Management and approved by special meeting of shareholders on January 18, 1944, plus the cost of subsequent additions (net)". The value determined by the Management was, in fact, the actual cost, and it is felt that no purpose is being served in continuing to use the longer and perhaps confusing description.

In the past year a new record for sales, both in volume and value was achieved. Total tons shipped were up 9% over last year and the net value of sales increased by close to 11%.

Throughout the year just past, the demand for all grades of asbestos fibre remained strong and any shortage in supply of certain grades which occurred during the year proved to be temporary. The slight decline in sales to the asbestos textile industry noted in last year's report did not continue during 1955, and requirements for spinning fibre were at a normal level again. The demand for medium-length fibre and for shorts was strong throughout the year.

From a geographic point of view, markets for your Company's product did not change significantly, although shipments to South America declined in view of increased hard currency problems prevailing in the majority of the countries there. In the European countries, particularly Western Germany, requirements for Canadian asbestos were at a comparable level to 1954 though competition from other areas was keen. In the United States, the major market, the high level of business activity more than sustained the normal demand for all grades of fibre, and this situation is expected to continue throughout 1956.

At the King, Beaver and British Canadian Mines production was at maximum capacity. On February 12th, the Vimy Ridge Mine was closed down. At the Normandie Mine the "run-in" stage was commenced in the spring but full-scale operations were not achieved until the autumn. Although the over-all tonnage of rock milled at all mines declined, the total production of fibre was up to 8% in volume and 6% in value over the previous year. The comparative table below shows the total volume of materials handled at all your Company's mines for the past two years:

	<u>1955</u>	<u>1954</u>
Stripping	1,812,782 cu. yds.	3,876,545 cu. yds.
Barren Rock Mined	3,938,390 tons	2,344,265 tons
Ore Milled	3,779,450 tons	4,017,634 tons
Average Daily Tonnage of Rock Mined	34,097 tons	23,537 tons
Average Daily Tonnage of Rock Milled	16,289 tons	14,209 tons

The decrease in stripping and the increase in barren rock mined are, of course, attributable to the changed nature of the Normandie Mine operations this year, where the stripping programme gave way to actual mining and development. As a result of the reduced stripping programme, the average daily tonnage of materials transported at all mines declined from the all-time high of 49,000 tons recorded in 1954 to 45,000 this year.

All plant and equipment was maintained in good repair. The Vimy Ridge plant was stripped during the year and serviceable machinery and equipment were transferred to other mines. Outside of the Normandie plant construction, improvements on your Company's properties were confined to minor changes in the milling circuits designed to improve the quality of production.

At the Normandie Mine, construction of the plant and installation of the machinery though not fully complete at the commencement of "tune-up" operations in February, were completed in the fall. During this phase, somewhat more prolonged than originally expected, numerous adjustments were made in the plant and some additions were made to the fibre-screening section and to the air system in the mill. Operations did not reach a scale which we considered to be "commercial" as defined in the Income Tax Act until the fall.

At the British-Canadian Mine, an installation of additional dust-filtering units in the mill was undertaken in the fall and will be completed in the spring.

This, along with other improvements, is expected to increase both the quality and quantity of fibre from that mine.

The first stage of the stripping programme on the new ore body at the Beaver Mine, originally started in 1953, was finished during the year. Further development of this project will be taking place in the coming year.

Underground operations at the King Mine provided 81% of the mill feed at that mine; the balance came from the open-pit operations resulting from the Relocation Project referred to in last year's report. Drifting and cross-cutting for the year amounted to 4,810 feet and raising to 2,786 feet.

Diamond drilling during the year was confined to the Company's operating properties but shows an over-all increase over the previous year. More extensive drilling is planned for the coming year.

	1955	1954
British-Canadian Mine	11,353 feet	Nil
All Other Mines	2,755 feet	6,551 feet
Outside Properties	Nil	2,478 feet
	14,108 feet	9,029 feet

Further work on the mapping of the economic geology of your Company's properties was accomplished at the King Mine and, as a result, ore reserves at that property have been increased. Ore reserves remaining at the Vimy Ridge Mine, which will eventually be handled by one of the other mills, have been added to those shown under "Other Properties" in the table below. Similarly other reserves from the old Bennett-Martin property, formerly attributed to Beaver Mine reserves, have been transferred to the same category. After allowing for consumption of ore in 1955, reserves are now calculated as follows:

King Mine	7,300,000 tons	5,200,000 tons
Beaver Mine	7,400,000 tons	8,400,000 tons
British-Canadian Mine	58,400,000 tons	60,000,000 tons
Normandie Mine	34,400,000 tons	35,000,000 tons
Other Properties	15,400,000 tons	9,200,000 tons
	122,900,000 tons	117,800,000 tons

Exploratory reconnaissance of favourable areas in other localities continued throughout the year.

Relations with your Company's employees were on the usual excellent footing and at the time of writing, negotiations for a new labour agreement were in progress. Earnings per hour during 1955 were at a high level and our employees continue to be amongst the best paid in the Province of Quebec.

During the year your Company's Board of Directors suffered the grievous loss of two of its valued members. Charles W. Colby, M.A., Ph.D., Vice-President of your Company, and a director of this Company and of its predecessor, Asbestos Corporation of Canada Limited, since 1912, passed away on December 10th after forty-three years of devoted service. J. C. H. Dussault, Q.C., revered member of the legal profession in Montreal and an active member of the Board since 1937, died on March 14th. Their presence and wise counsel will be sadly missed. Mr. Paul Bienvenu, of Montreal, and Mr. J. A. Marcotte, of Thetford Mines, were appointed to fill these vacancies on the Board. Mr. Bienvenu is President of Catelli Food Products Limited and is a director of several other important companies. Mr. Marcotte has been associated with your Company for many years and has for some years past been Secretary and General Sales Manager.

Your Directors wish to record their appreciation of the loyalty, efficiency and industry of the officers, staff and employees throughout the year.

On behalf of the Board of Directors,

A. L. PENHALE,
President.

ASSETS

	1955	1954
CURRENT ASSETS:		
Cash	\$ 503,705	\$ 474,278
Government of Canada securities (Market value \$3,340,425)	3,400,000	2,400,000
Accounts and bills receivable, less allowance for doubtful accounts	1,584,844	1,558,825
Inventories of stocks on hand—		
Asbestos, valued at the lower of cost or market	1,442,344	1,002,874
Materials and supplies, at laid down cost	1,659,075	1,523,169
Prepaid taxes, insurance, etc.	154,878	279,843
	<u>\$ 8,744,846</u>	<u>\$ 7,238,989</u>
SPECIAL FUNDS:		
Cash, Canada and provincial government securities set aside for special corporate purposes	\$ 1,322,783	\$ 1,150,074
PRE-PRODUCTION AND DEVELOPMENT EXPENDITURE—		
Normandie Mine (Notes 1 and 2)	\$ 2,517,722	\$ 3,235,541
PROPERTIES, at cost:		
Land and mineral areas	\$ 2,122,668	\$ 2,111,844
Less: Accumulated depletion	1,917,847	1,917,847
	<u>\$ 204,821</u>	<u>\$ 193,997</u>
Buildings, plant and equipment	\$28,955,407	\$26,261,792
Less: Accumulated depreciation	13,085,474	12,118,808
	<u>\$15,869,933</u>	<u>\$14,142,984</u>
	<u>\$16,074,754</u>	<u>\$14,336,981</u>
	<u>\$28,660,105</u>	<u>\$25,961,585</u>

SIGNED ON BEHALF OF THE BOARD:
A. L. Penhale *Director*
Kenneth T. Dawes *Director*

Sheet

DECEMBER 31 1955

(with 1954 figures shown as a basis for comparison)

LIABILITIES

	1955	1954
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,292,103	\$ 1,767,165
Income and other taxes	682,002	395,708
	<u>\$ 1,974,105</u>	<u>\$ 2,162,873</u>
WORKMEN'S COMPENSATION EQUALIZATION RESERVE	<u>\$ —</u>	<u>\$ 650,074</u>
GENERAL RESERVE	<u>\$13,000,000</u>	<u>\$10,000,000</u>
DEFERRED CREDIT—tax credits applicable to future years (Note 1)	<u>\$ 2,807,000</u>	<u>\$ 2,180,000</u>
CAPITAL STOCK:		
Represented by 1,800,000 shares of no par value out of a total authorized issue of 3,600,000 shares	<u>\$ 5,512,714</u>	<u>\$ 5,512,714</u>
SURPLUS:		
Distributable surplus	\$ 1,000,000	\$ 1,000,000
Earned surplus, per statement attached	4,366,286	4,455,924
	<u>\$ 5,366,286</u>	<u>\$ 5,455,924</u>
	<u>\$28,660,105</u>	<u>\$25,961,585</u>

**AUDITORS' REPORT TO THE SHAREHOLDERS,
ASBESTOS CORPORATION LIMITED:**

We have examined the balance sheet of Asbestos Corporation Limited as at December 31 1955 and the statement of income and earned surplus for the year ended on that date 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, the above balance sheet and the related statement of income and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31 1955 and the result of operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

MONTREAL, January 24 1956

PRICE WATERHOUSE & CO.
Chartered Accountants

Statement OF INCOME AND EARNED SURPLUS

YEAR ENDED DECEMBER 31 1955

(with 1954 figures shown as a basis for comparison)

	1955	1954
Income from operations before taking into account the items undernoted	\$ 7,832,770	\$7,398,248
Interest on investments	76,605	136,121
Miscellaneous revenue	131,809	151,316
	<u>\$ 8,041,184</u>	<u>\$7,685,685</u>
Executive salaries	\$ 107,607	\$ 91,870
Legal fees	42,485	35,224
Directors' fees	9,350	9,650
Exploration and prospecting expenses	10,807	7,023
Provision for depreciation	966,666	1,000,000
Amortization of pre-production and development expenses	148,100	—
	<u>1,285,015</u>	<u>1,143,767</u>
	<u>\$ 6,756,169</u>	<u>\$6,541,918</u>
Provision for taxes on income	\$ 882,000	\$ 707,000
Tax credits applicable to future years (Note 1)	835,000	1,468,000
	<u>1,717,000</u>	<u>2,175,000</u>
Net income	\$ 5,039,169	\$4,366,918
Earned surplus, January 1	4,455,924	4,339,006
Transfer from Workmen's Compensation Equalization Reserve—		
Balance January 1, 1955	\$ 650,074	
Adjustment applicable to prior year, less income tax thereon	101,119	—
	<u>751,193</u>	
	<u>\$10,246,286</u>	<u>\$8,705,924</u>
Dividends:		
Regular	\$1,800,000	\$1,800,000
Extra	1,080,000	450,000
	<u>2,880,000</u>	<u>2,250,000</u>
	<u>\$ 7,366,286</u>	<u>\$6,455,924</u>
Transfer to general reserve	3,000,000	2,000,000
Earned surplus, December 31	<u>\$ 4,366,286</u>	<u>\$4,455,924</u>

Note 1: In computing 1955 income for tax purposes, Capital Cost Allowances of \$2,830,000 in excess of depreciation recorded in the accounts and 1955 Pre-Production and Development Expenditure—Normandie Mine \$482,733 (net) have been claimed as deductions; the net tax saving \$835,000 has been deferred.

Note 2: In accordance with the terms of Section 83(5) of the Income Tax Act, the Normandie Mine, subject to confirmation by the taxation authorities, is deemed to be a new mine in commercial production as of November 1 1955.

Statement OF SOURCE AND APPLICATION OF FUNDS

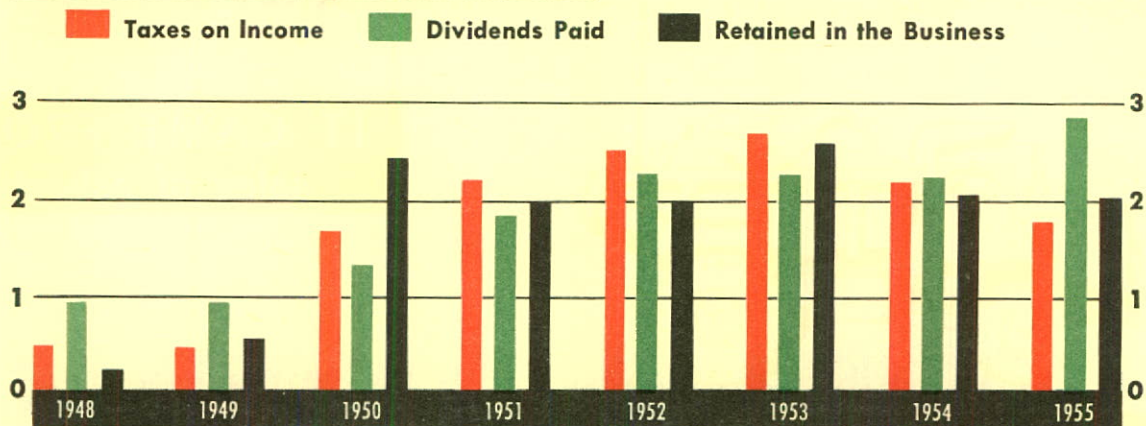
YEAR ENDED DECEMBER 31 1955

Provided from operations—			
Net income for the year		\$5,039,169	
Depreciation for the year, not representing cash outlay		966,666	
Amortization of pre-production expenditure		148,100	
Tax credits applicable to future years		835,000	\$6,988,935
Adjustment applicable to prior year, less income tax thereon			101,119
Sale of Government of Canada securities			500,000
Total to be accounted for			<u>\$7,590,054</u>
Expended as follows—			
Land purchases		\$ 10,824	
Additions to buildings, plant and equipment		1,641,163	
Dividends paid		2,880,000	
Net pre-production and development expenditure—Normandie Mine		482,733	
Transferred from deferred to current income taxes		208,000	
Transferred to funds set aside for special corporate purposes		672,709	
			<u>\$5,895,429</u>
Increase in working capital			1,694,625
Total accounted for			<u>\$7,590,054</u>



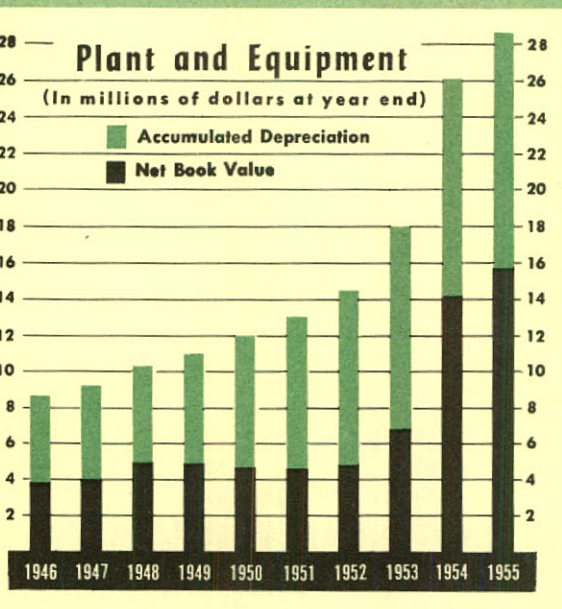
DISTRIBUTION OF NET EARNINGS

(In millions of dollars)



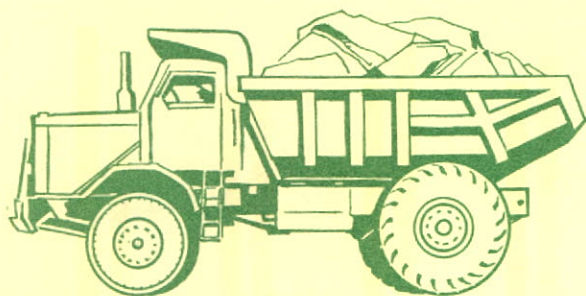
It will be noted from the chart that the proportion of your Company's earnings paid out in dividends this year has increased substantially while the provision for taxes on income has declined reflecting the tax savings on account of the Normandie Mine. The amount of earnings retained in the business was almost identical with last year's figure.

PLANT and EQUIPMENT



Buildings, plant and equipment at cost totalled \$28,955,047 at the end of 1955. This is an increase of \$2,693,615 over the previous year which is almost entirely attributable to the Normandie Mine Plant. Depreciation of \$966,666 taken this year was slightly below last year's figure of one million and brings accumulated depreciation to a total of \$13 million. After taking this depreciation into account the net book value of such assets amounted to almost 16 million dollars. Total fixed assets of this category have increased 227% in the past 10 years.

Distribution OF INCOME DOLLAR



IT CAME FROM
sales of asbestos fibre

IT WAS SPENT ON—



38.0¢
Wages
and
Salaries



13.0¢
Materials
and
Supplies



5.0¢
Fuel
and
Power



10.2¢
Taxes
and
Insurance



12.7¢
Dividends



10.0¢
Re-invested
in
Business



4.2¢
Depreciation

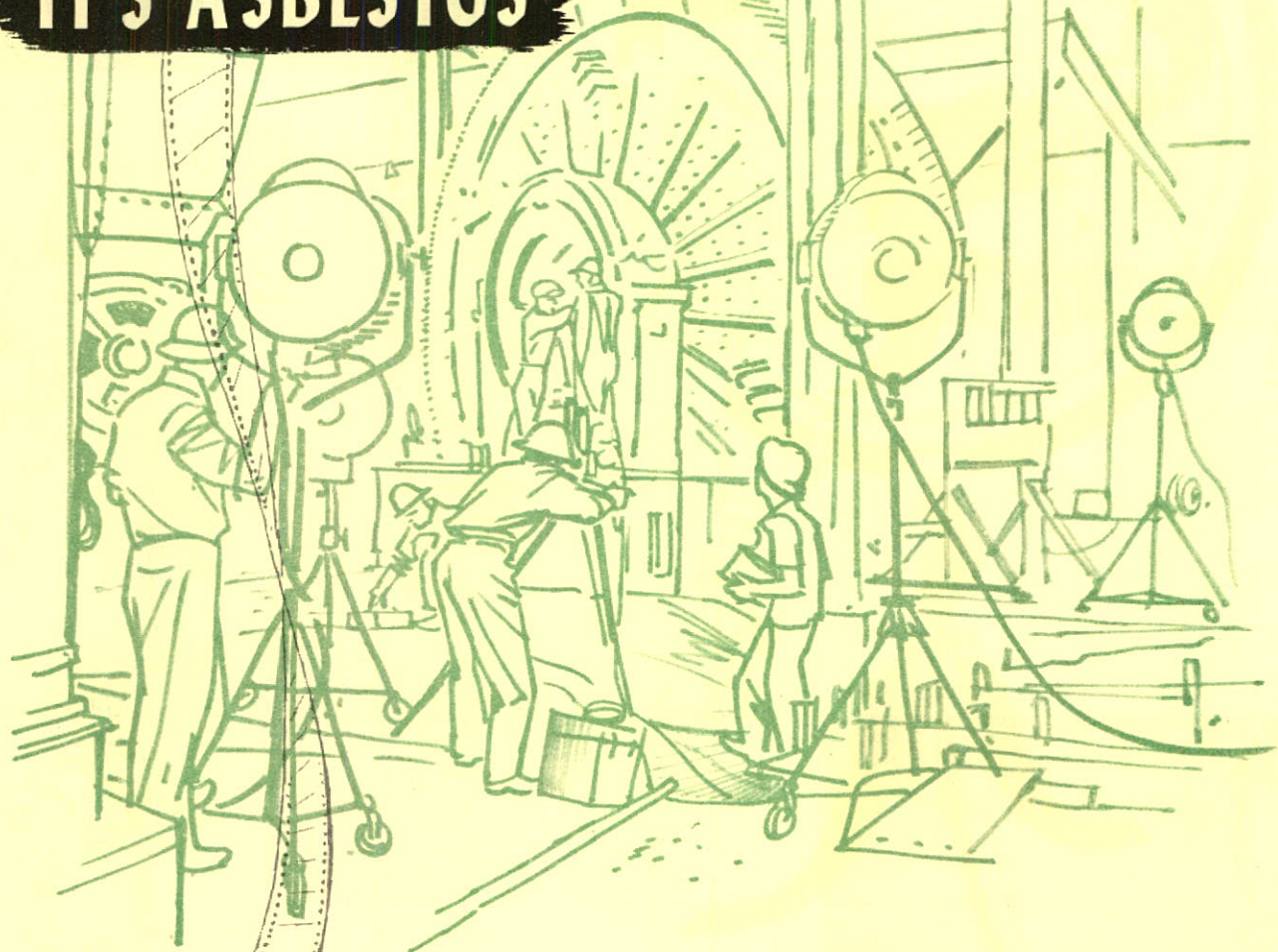


6.9¢
Other
Requirements

	1955	1954	1953	1952	1951
WAGES & SALARIES	38.0	37.9	34.6	35.0	34.0
MATERIALS & SUPPLIES	13.0	15.1	14.1	16.5	16.0
FUEL & POWER	5.0	4.9	4.6	4.3	4.7
TAXES & INSURANCE	10.2	13.0	14.2	14.5	14.2
DIVIDENDS	12.7	11.1	10.8	11.2	10.1
RE-INVESTED IN THE BUSINESS	10.0	10.5	12.2	10.0	11.2
DEPRECIATION	4.2	5.0	5.7	6.0	6.7
OTHER REQUIREMENTS	6.9	2.5	3.8	2.5	3.1
	100.0¢	100.0¢	100.0¢	100.0¢	100.0¢

The method of showing the proportionate distribution of your Company's income dollar has been slightly modified this year. Transfers from surplus account to General Reserve shown under the item "Other Requirements" in previous years, are now included in a new item "Re-invested in the business". The corresponding adjustments have been made in the comparative figures for prior years. As in the past, by far the largest proportion of your Company's income went for Wages and Salaries, almost 81½ million dollars or 38 cents out of every dollar taken in.

"IT'S ASBESTOS"



In cooperation with Associated Screen News Ltd. your company produced a 16 mm. film in English and French in full colour depicting asbestos mining and milling operations, entitled "It's Asbestos". This film which runs for twenty-seven minutes had its première in Thetford Mines in July. It has proved to be very popular and has been widely shown both here and abroad and also on the CBC television networks in both languages. A third version in Spanish has now been made in response to demand.



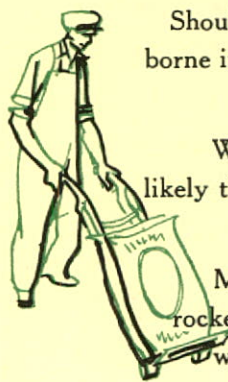
ASBESTOS — *World Traveller*

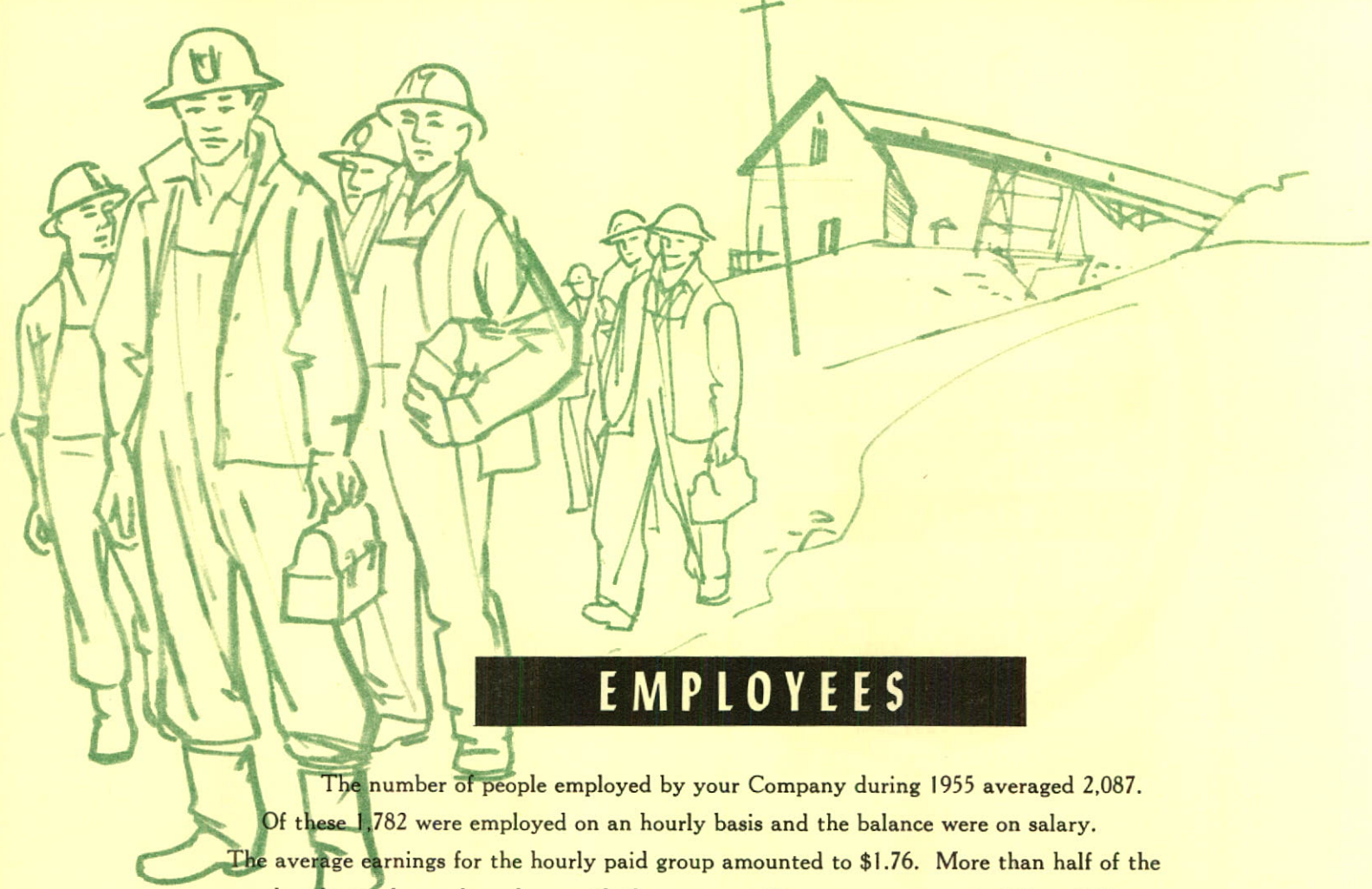
Irrigation pipe lines in Egypt, low cost housing in Chile, chemical filters in Japan, in all these things you will find asbestos. Floor tiles in Germany, theatre curtains in New York, fire-fighting suits in Arabian oil fields, all contain asbestos fibre.

Should you want to travel to any of these places to see such products, you will be borne in aeroplanes, ships, trains or automobiles which will have incorporated in them somewhere, some product made from asbestos.

With the widespread markets for your Company's asbestos it is more than likely that these and many other products in many other places will have Asbestos Corporation fibre in them.

Miles above the sands of New Mexico, at the U.S. Air Force proving grounds, rockets soar—rockets which too have asbestos in them—asbestos insulation. If and when interplanetary travel becomes a reality, asbestos will be travelling too looking for new markets.





EMPLOYEES

The number of people employed by your Company during 1955 averaged 2,087. Of these 1,782 were employed on an hourly basis and the balance were on salary.

The average earnings for the hourly paid group amounted to \$1.76. More than half of the hourly employees have been with the company 10 years or more and of these 331 or 18% have 20 or more years' service. The labour turnover rate was a low 6%, an indication of the stability of employment with your Company.

Group Life Insurance and Group Sickness and Non-Occupational Accident Insurance policies are carried for all employees on a joint contributory basis. Vacation privileges start with one week after one year, increasing to two weeks after three years and up to three weeks after 20 years' service. Nine holidays are observed of which eight are paid. Premium rates are paid for night shift work.

Next year will mark the 20th anniversary of the signature of the first labour contract with your employees' union, Le Syndicat National des Travailleurs de l'Amiante. It is to be hoped that the cordial relations now existing with this group will continue for another 20 years.

Your Company, along with the other asbestos producers in the area, is now participating in the publication of an employees' paper "The Asbestos Producer—Le Producteur d'Amiante" which deals with the industry, its news and accomplishments. This publication now has a distribution of 8,000 copies and is apparently well received by everybody.

BANKERS

THE ROYAL BANK OF CANADA

TRANSFER AGENTS

THE ROYAL TRUST COMPANY,
Montreal, Toronto

REGISTRAR

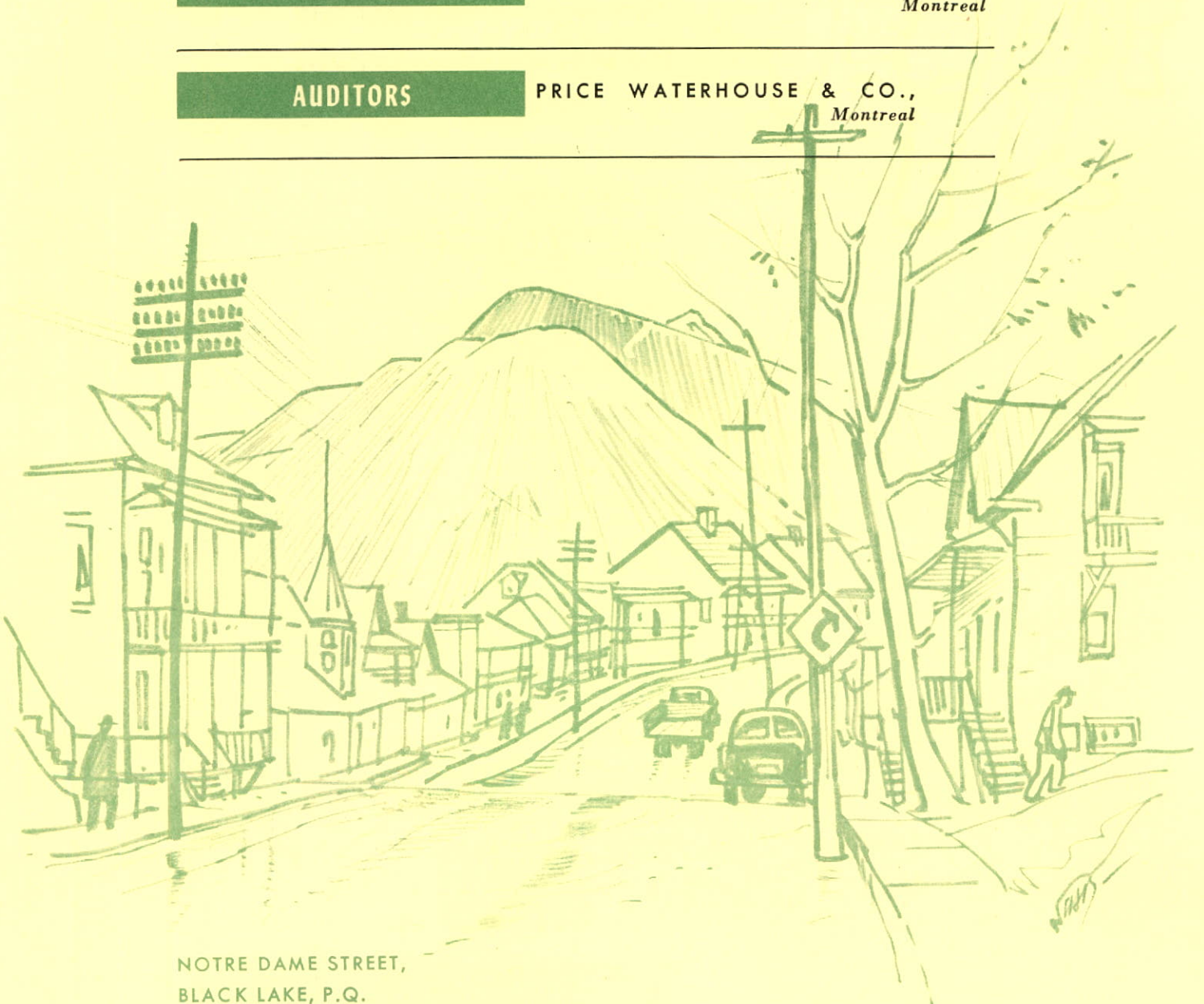
CROWN TRUST COMPANY,
Montreal, Toronto

GENERAL COUNSEL

DUQUET, MACKAY, WELDON & TETRAULT,
Montreal

AUDITORS

PRICE WATERHOUSE & CO.,
Montreal



NOTRE DAME STREET,
BLACK LAKE, P.Q.

ASBESTOS