

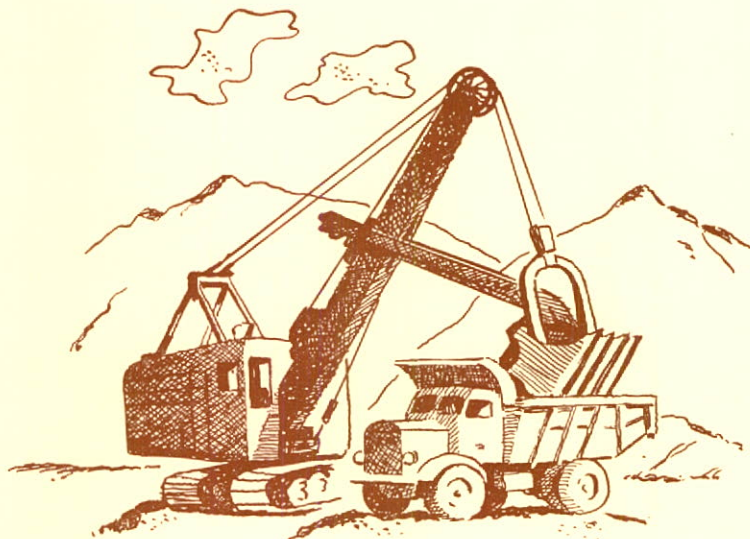
Asbestos Corporation Limited



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Annual Report **1954**

Asbestos Corporation



© Cover Photo by George Hunter.

ion Limited

29th

*Annual Report
and
Statement of accounts
for the year ending
December 31st, 1954*

DIRECTORS

W. A. ARBUCKLE

C. W. COLBY, M.A., Ph.D.

KENNETH T. DAWES

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

J. C. H. DUSSAULT, Q.C.

G. F. JENKINS

F. E. NOTEBAERT

A. L. PENHALE

LT.-COL. J. G. ROSS

H. P. THORNHILL

OFFICERS OF THE CORPORATION

A. L. PENHALE

President and Managing Director

C. W. COLBY, M.A., Ph.D.

Vice-President

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.



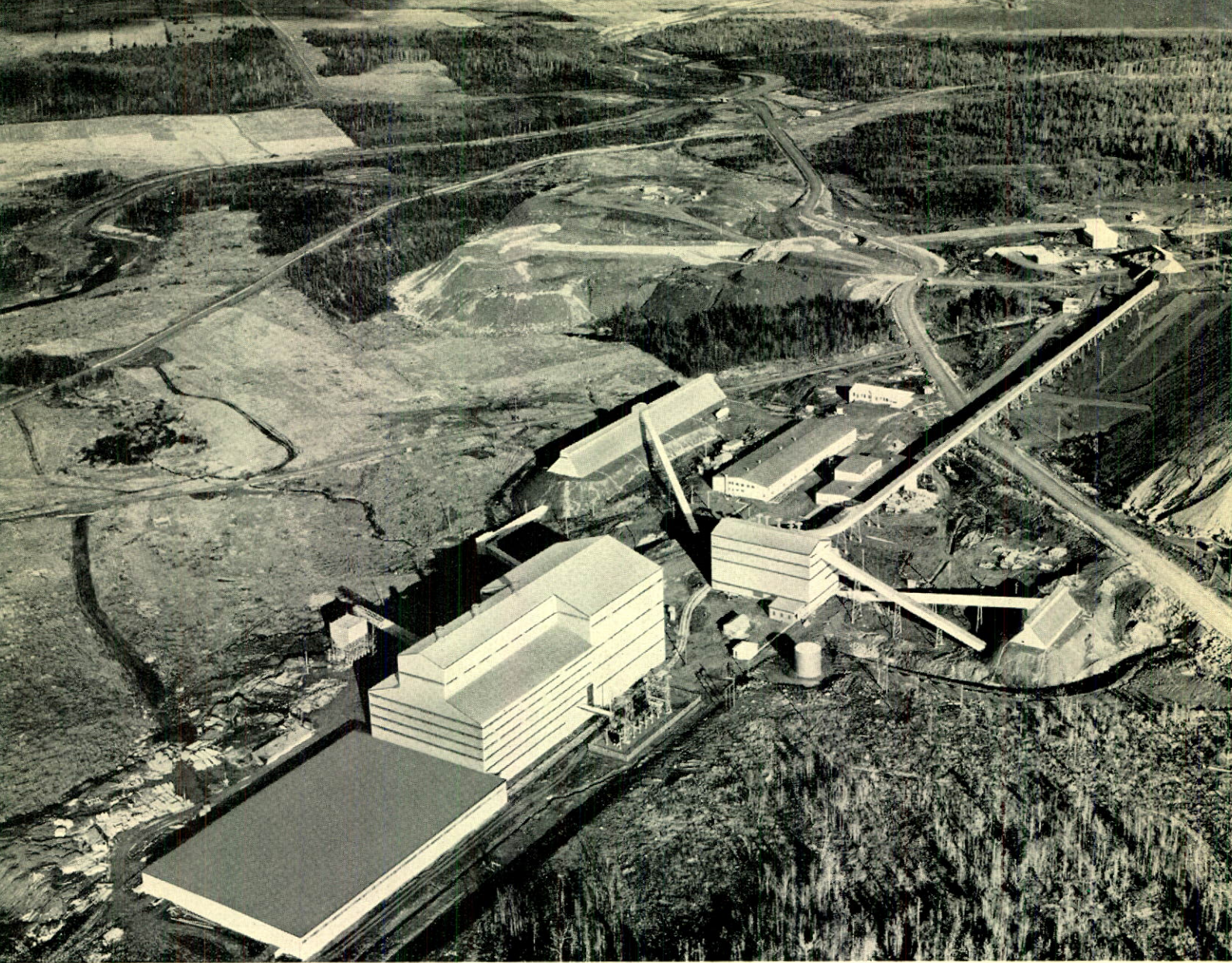
HAULING ORE AT THE BEAVER MINE

© Photo by George Hunter.

The Year in Brief

| | 1954 | 1953 |
|---|-------------|--------------|
| Income before taxes | \$6,541,918 | \$7,330,656* |
| Federal, Provincial and Municipal taxes | 2,342,049 | 2,658,232* |
| Earnings per share | 2.42 | 2.67* |
| Paid to Shareholders as dividends: | | |
| (a) Total amount | 2,250,000 | 2,250,000 |
| (b) Amount per share | 1.25 | 1.25 |
| Paid to employees during the year | 7,652,092 | 7,243,105 |
| Re-invested in the business | 2,116,918 | 2,560,656* |
| Depreciation | 1,000,000 | 1,200,000 |
| Number of employees | 2,088 | 2,046 |
| Number of Shareholders | 4,234 | 4,224 |

*1953 comparative figures have been adjusted to give effect to Note 1 to the Statement of Income and Earned Surplus.



AERIAL VIEW OF THE NEW NORMANDIE MINE PLANT

© Photographic Surveys.

Report of the Directors

to the Shareholders

Montreal, February 11th, 1955

Your directors submit the twenty-ninth annual report of the Company with Balance Sheet and statement of Income and Earned Surplus for the year ending December 31st, 1954 as certified by your auditors, Messrs. Price Waterhouse & Co.

Income for the year after charging all expenses including provision for taxes and deferred tax credit but before providing for depreciation amounted to \$5,366,918.

From this amount a sum of \$1,000,000 was set aside for depreciation leaving \$4,366,918. A total of \$2,250,000 was paid in dividends and the balance added to surplus account. A transfer of \$2,000,000 was made to General Reserve bringing this to \$10,000,000.

During the year the income tax regulations governing depreciation were amended and the requirement that capital cost allowances deductible for tax purposes be restricted to the amounts recorded in the accounts was rescinded. Therefore your directors decided to provide normal annual depreciation on plant in operation and at the same time to claim for tax purposes the maximum capital cost allowances on all new facilities. In this way, by taking full advantage of the new tax regulations, a substantial tax credit is achieved, resulting in an important reduction of current cash outlay for taxes. This tax credit will subsequently be reduced as capital cost allowances previously claimed for tax purposes are charged off in the accounts.

Consistent with this policy, as Note 1 to the Profit and Loss statement explains, the 1953 income account has been adjusted to restore to Earned Surplus the amount of \$1,100,000 charged in that year as "Capital cost allowances in respect of plant under construction" and tax savings of \$712,000 relating to these allowances, and to pre-production and development expenditures have been transferred to the item "Deferred Credit—Tax Credits applicable to future years". These changes have the effect of increasing the stated net income for that year by \$388,000 to \$4,810,656.

Note 2 explains that full capital cost allowances on the new Normandie Mine plant (which will come into operation in 1955) have been claimed for tax purposes and the tax credit thus achieved has been deferred to subsequent years. Pre-production and development expenditure in 1954 on the Normandie property has also been claimed for tax purposes.

It is anticipated that under Section 83 of the Income Tax Act, income from the Normandie Mine will be exempt from federal income taxes for a period of three years from the date on which it comes into commercial production.

The value of total inventories at the year end stood at \$2,526,043, an increase of \$300,815 from the previous year. Inventory of materials and supplies continued to decline, while asbestos inventories were higher, mainly attributable to a larger stock of long staple asbestos fibre.

The total tonnage of asbestos shipped by your Company during the year was 4% higher than in 1953 but the gross value was just under 3% less. This slight drop was attributable to a moderate decline in the sales of spinning fibre to the United States and to a somewhat greater loss on U.S. dollar exchange.

The demand for all grades throughout the year was consistent with expectations, though as indicated above there was some falling off in the shipments of long fibre. However, there was evidence of renewed activity in the asbestos textile industry towards the end of the year.

Geographically speaking the markets for your Company's product did not change from their traditional pattern. The United States, Western Europe, the United Kingdom and Australasia remained as the most important sales areas. South American countries, particularly Argentina, were not able to take their full requirements owing to monetary exchange difficulties. Competition from Russian fibre and from Rhodesia was being felt in Western Europe. All Canadian government restrictions on the export of asbestos fibre were lifted during the year.

All four producing mines operated at maximum capacity throughout the year and the development of the new Normandie Mine and construction of the plant were nearing completion at the end of the period under review.

The tabulation which follows shows the volume of materials handled at all your Company's properties during the past two years:

| | <u>1954</u> | <u>1953</u> |
|---|--------------------|--------------------|
| Stripping | 3,876,545 cu. yds. | 2,830,066 cu. yds. |
| Barren Rock Mined | 2,344,265 tons | 1,742,971 tons |
| Rock Milled | 4,017,634 tons | 4,047,614 tons |
| Average Daily Tonnage Rock Mined. | 23,537 tons | 23,355 tons |
| Average Daily Tonnage Rock Milled | 14,209 tons | 14,330 tons |

Transportation of overburden, ore and waste averaged 49,000 tons each working day as compared with 40,250 tons last year. The larger tonnages shown for stripping and for barren rock mined in 1954 are the result of the stepped-up stripping programme at the Normandie Mine.

Production of all grades of asbestos showed an increase of 7% by volume and 8% by value over the previous year. Operating results at all producing mines except Vimy Ridge showed an improvement and though overall costs were substantially higher, the unit cost per ton of finished product was reduced. All plant and equipment was maintained in good repair.

Development work at the Normandie Mine was carried out at a high rate during the year, and only a relatively small proportion of the pre-production development was unfinished at the end of the year. The large total of 5,311,350 cubic yards, equivalent to about 8,000,000 tons, of earth and barren rock has so far been removed from the mine, practically all within a two-year period.

Construction of the plant, while slightly behind schedule, was also near completion. All buildings except the mine dry house were finished and all major equipment was installed.

Experimental runs with ore being fed to the mill are now in progress and the "run-in" stage preparatory to full scale operations has been reached.

The financing of this project, a large one for your Company, will be accomplished without recourse to outside funds. At the year end there remained an estimated amount of \$1,100,000 of expenditure still to be taken into the accounts. It seems likely that the total cost of the project will be about 11% more than the estimated amount of \$14,500,000 mentioned two years ago at the Annual Meeting of the shareholders in April, 1953. Much of this increase is due to the fact that the facilities which have been provided are more extensive than those contemplated when the estimate was made, especially with respect to the newly designed dryers which have been erected. It was also decided that it would be advisable to complete more than 1,500,000 cubic yards of additional stripping.

At the King Mine where operations are underground for the most part, the modifications to the crusher house commenced in 1953 have been completed, and a pre-fabricated garage

has been erected to house the trucks being used to transport the ore made available by reason of the joint arrangements described in last year's report whereby certain hitherto unavailable ore has been freed by the relocation of the railway and of some of the surface facilities in part of the city of Thetford Mines.

The development of the new ore body at Beaver progressed satisfactorily and 5,840 feet of new haulageway were completed. Stripping operations were well advanced at the year's end.

At the British-Canadian Mine improvements were confined to the extension of haulageways and minor alterations to the conveying, screening, and other apparatus in the mill.

Dwindling accessible ore reserves at the Vimy Ridge Mine discouraged further improvements at that property, and it is anticipated that operations at that mine will cease shortly after the commencement of full scale operations at the Normandie Mine, at which time the working force presently employed at Vimy Ridge will for the most part be transferred to the new property.

With your Company's resources mainly directed towards the completion of the Normandie project, other activities were held to a minimum. As indicated in the table below, diamond drilling declined during 1954.

| | <u>1954</u> | <u>1953</u> |
|---|-------------------|--------------------|
| King Mine Underground | 6,347 feet | 8,039 feet |
| Other Company-owned properties in the Thetford Mines area | 204 feet | 12,006 feet |
| Outside properties | 2,478 feet | 4,268 feet |
| | <u>9,029 feet</u> | <u>24,313 feet</u> |

During the year the mapping of the economic geology of the Company's properties, referred to briefly in last year's report, was carried a further step forward, and the Company's geologist assisted by other members of the staff, completed plans and sections of the British-Canadian orebody and re-calculated in detail the grades and values throughout the orebody to the depth to which systematic diamond drilling has been carried. As a result a substantial volume of ore has been added to the British-Canadian reserves. Total ore reserves are now calculated as follows:

| | <u>1954</u> | <u>1953</u> |
|---------------------------------|-------------------------|-------------------------|
| King Mine | 5,200,000 tons | 5,975,000 tons |
| Beaver Mine | 8,400,000 tons | 10,000,000 tons |
| British Canadian Mine | 60,000,000 tons | 43,375,000 tons |
| Vimy Ridge Mine | 1,900,000 tons | 3,000,000 tons |
| Normandie Mine | 35,000,000 tons | 35,000,000 tons |
| Other properties | 7,300,000 tons | 7,300,000 tons |
| | <u>117,800,000 tons</u> | <u>104,650,000 tons</u> |

At the last Annual Meeting mention was made of the fact that though relations with your Company's employees remained excellent, no collective labour agreement had been concluded. The matter was taken to arbitration and it was not until the middle of December that the terms of a new contract were agreed upon after the publication of an arbitration award. The new agreement, which is effective until December 31st, 1955, provides for increased wages and other benefits for employees which have the effect of maintaining their position amongst the best paid workers in the Province of Quebec.

The loyalty, industry, and competence of the officers, the staff and all employees is warmly acknowledged by your Directors.

On behalf of the Board of Directors,

A. L. PENHALE,
President.

Asbestos Corporation Limited

Balance

Assets

| | 1954 | 1953 |
|---|---------------------|---------------------|
| CURRENT ASSETS: | | |
| Cash on hand and in bank | \$ 474,278 | \$ 325,756 |
| Government of Canada securities (Market value \$2,428,500) | 2,400,000 | 2,400,000 |
| Accounts and bills receivable, less \$34,868 allowance for bad and doubtful accounts | 1,558,825 | 1,609,202 |
| Inventories of stocks on hand— | | |
| Asbestos, valued at the lower of cost or market | 1,002,874 | 615,053 |
| Materials and supplies, at laid down cost | 1,523,169 | 1,600,175 |
| Prepaid taxes, insurance, etc. | 279,843 | 119,952 |
| | <u>\$ 7,238,989</u> | <u>\$ 6,670,138</u> |
| SPECIAL FUNDS: | | |
| Workmen's Compensation equalization fund | \$ 650,074 | \$ 515,673 |
| Government of Canada securities set aside for capital expenditure programme (Market value \$502,800) | 500,000 | 6,000,000 |
| | <u>\$ 1,150,074</u> | <u>\$ 6,515,673</u> |
| PRE-PRODUCTION AND DEVELOPMENT EXPENDITURE— | | |
| NORMANDIE MINE (Note 2) | \$ 3,235,541 | \$ 1,329,970 |
| PROPERTIES at values determined by the Management and approved by special meeting of shareholders on January 18 1944, plus the cost of subsequent addi- tions (net)— | | |
| Land and mineral areas | \$ 2,111,844 | \$ 2,105,597 |
| Less: Accumulated depletion | 1,917,847 | 1,917,847 |
| | <u>\$ 193,997</u> | <u>\$ 187,750</u> |
| Buildings, plant and equipment | \$26,261,792 | \$18,100,924 |
| Less: Accumulated depreciation | 12,118,808 | 11,118,808 |
| | <u>\$14,142,984</u> | <u>\$ 6,982,116</u> |
| | <u>\$14,336,981</u> | <u>\$ 7,169,866</u> |
| | <u>\$25,961,585</u> | <u>\$21,685,647</u> |

SIGNED ON BEHALF OF THE BOARD:

A. L. Penhale *Director*
Kenneth T. Dawes *Director*

Sheet AS OF DECEMBER 31, 1954
 (with 1953 figures (adjusted) shown as a basis for comparison)

Liabilities

| | 1954 | 1953 |
|--|----------------------------|----------------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued liabilities | \$ 1,767,165 | \$ 1,330,594 |
| Income and other taxes | 395,708 | 275,660 |
| | <u>\$ 2,162,873</u> | <u>\$ 1,606,254</u> |
| | | |
| WORKMEN'S COMPENSATION EQUALIZATION RESERVE | <u>\$ 650,074</u> | <u>\$ 515,673</u> |
| | | |
| GENERAL RESERVE | <u>\$10,000,000</u> | <u>\$ 8,000,000</u> |
| | | |
| DEFERRED CREDIT—Tax credits applicable to future years (Notes 1 and 2) | <u>\$ 2,180,000</u> | <u>\$ 712,000</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 (Note 1) | 4,455,924 | 4,339,006 |
| | <u>\$ 5,455,924</u> | <u>\$ 5,339,006</u> |
| | | |
| | <u><u>\$25,961,585</u></u> | <u><u>\$21,685,647</u></u> |

TO THE SHAREHOLDERS,
 ASBESTOS CORPORATION LIMITED:

We have examined the balance sheet of Asbestos Corporation Limited as at December 31 1954 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 1954 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.

PRICE WATERHOUSE & CO.
 Auditors

MONTREAL, January 19 1955

Statement of Income and Earned Surplus

YEAR ENDED DECEMBER 31, 1954
(with 1953 figures (adjusted) shown as a basis for comparison)

| | 1954 | | 1953 |
|--|---------------------------|-------------|---------------------------|
| Income from operations before taking into account the items undernoted | \$7,398,248 | | \$8,341,486 |
| Interest on investments | 136,121 | | 212,113 |
| Miscellaneous revenue | 151,316 | | 167,168 |
| | <u>\$7,685,685</u> | | <u>\$8,720,767</u> |
| Executive salaries \$ 91,870 | | \$ 90,686 | |
| Legal fees 35,224 | | 44,997 | |
| Directors' fees 9,650 | | 10,400 | |
| Exploration and prospecting expenses 7,023 | | 44,028 | |
| Provision for depreciation 1,000,000 | 1,143,767 | 1,200,000 | 1,390,111 |
| | <u>\$6,541,918</u> | | <u>\$7,330,656</u> |
| Provision for taxes on income \$ 707,000 | | \$1,808,000 | |
| Tax credits applicable to future years (Notes 1 and 2) 1,468,000 | 2,175,000 | 712,000 | 2,520,000 |
| Net income | <u>\$4,366,918</u> | | <u>\$4,810,656</u> |
| Earned surplus, January 1 | 4,339,006 | | 3,278,350 |
| | <u>\$8,705,924</u> | | <u>\$8,089,006</u> |
| Dividends: | | | |
| Regular \$1,800,000 | | \$1,800,000 | |
| Extra 450,000 | 2,250,000 | 450,000 | 2,250,000 |
| | <u>\$6,455,924</u> | | <u>\$5,839,006</u> |
| Transfer to general reserve | 2,000,000 | | 1,500,000 |
| Earned surplus, December 31. | <u><u>\$4,455,924</u></u> | | <u><u>\$4,339,006</u></u> |

Note 1: 1953 net income has been adjusted to reflect the following changes:

| | |
|--|-------------------|
| Capital cost allowances transferred to Earned Surplus | \$1,100,000 |
| Tax saving transferred to "Tax credits applicable to Future Years" | 712,000 |
| Increase in Earned Surplus, December 31 1953 | <u>\$ 388,000</u> |

Note 2: In computing 1954 income for tax purposes, Capital Cost Allowances on plant under construction \$3,100,000 and Pre-Production and Development Expenditure—Normandie Mine \$1,905,571, have been claimed as deductions; the tax saving \$1,468,000 has been deferred.

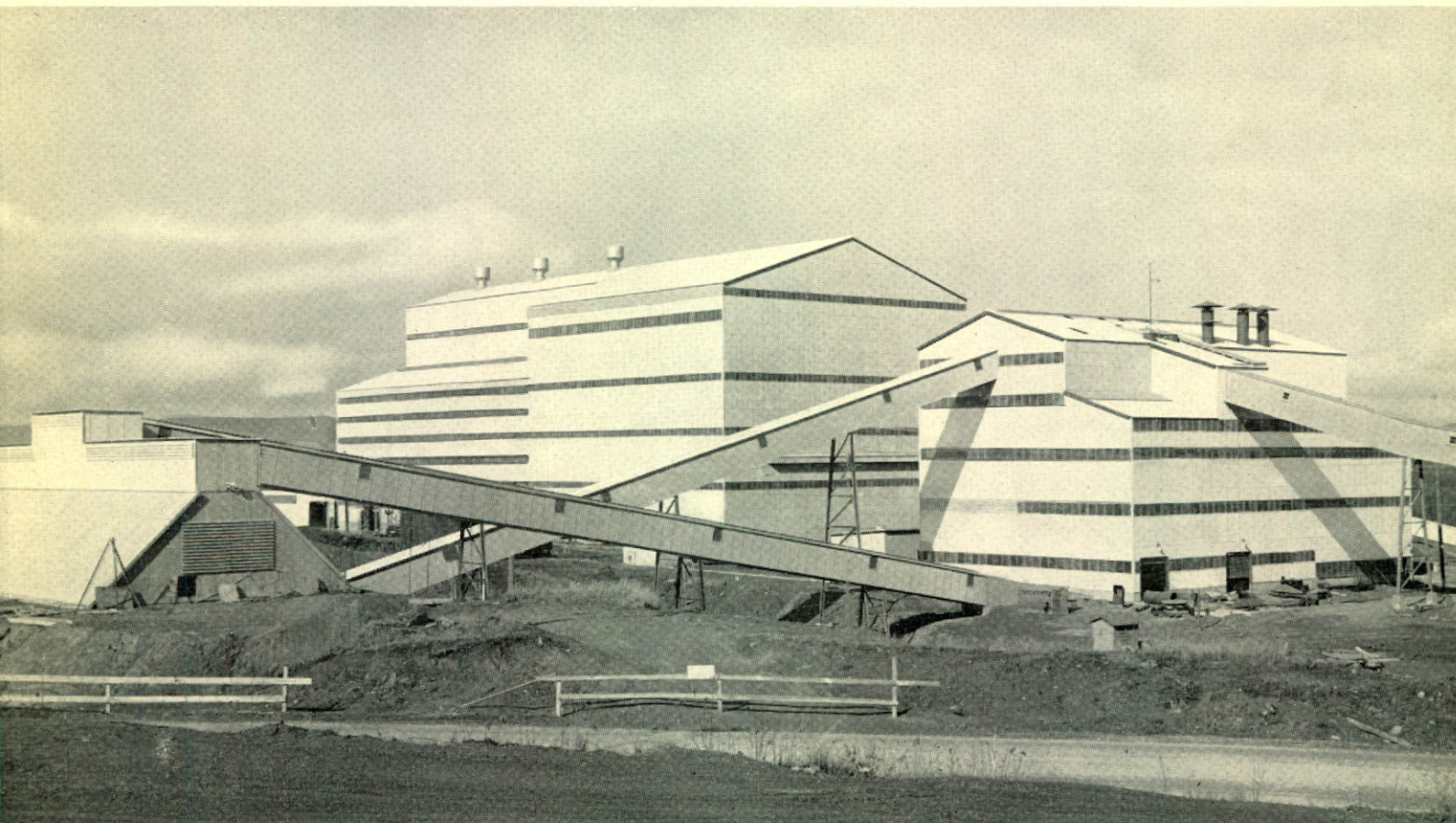
Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1954

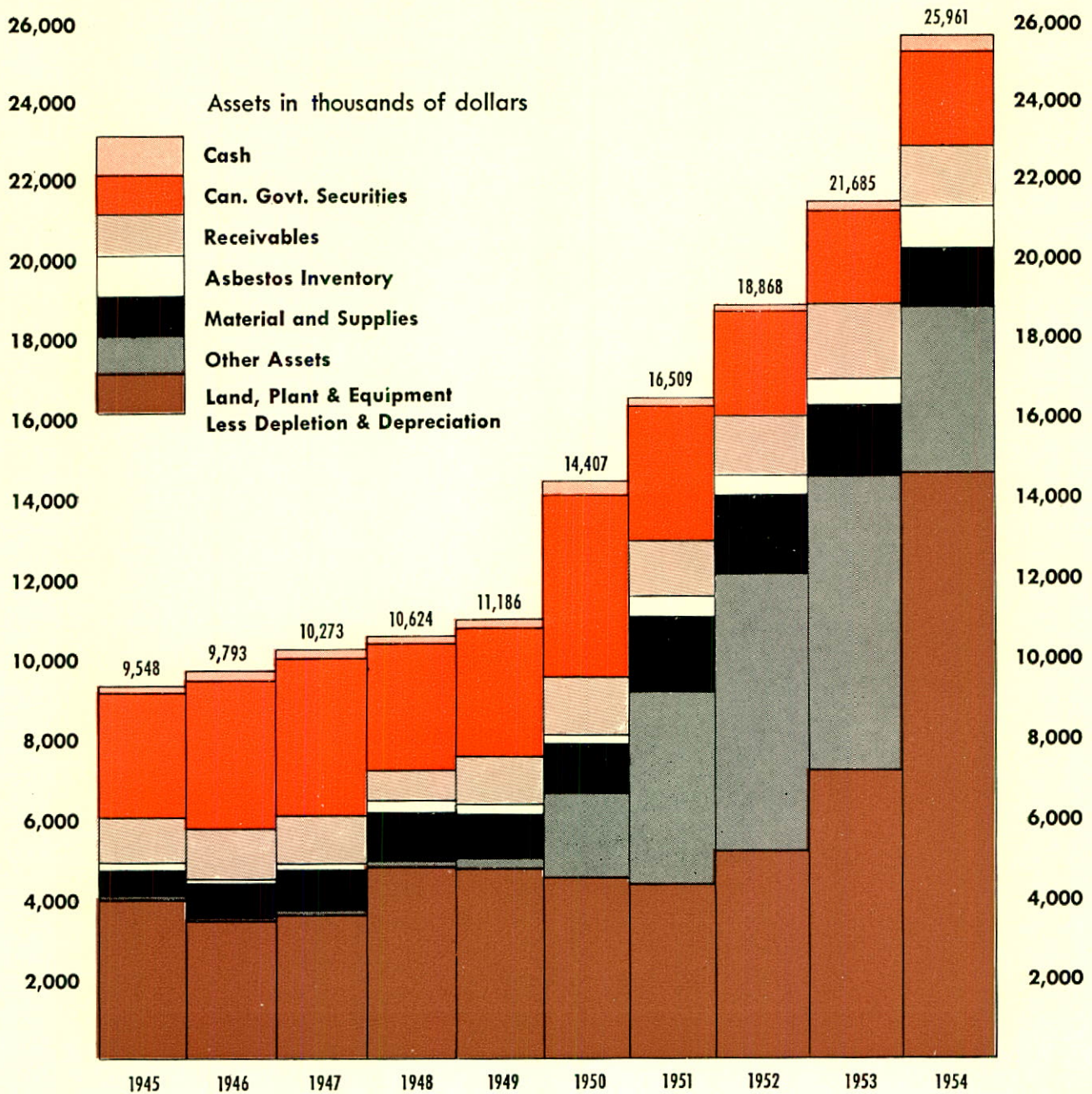
| | | | |
|---|--|-------------|---------------------|
| Provided from operations— | | | |
| Net income for the year | | \$4,366,918 | |
| Depreciation for the year, not representing cash outlay | | 1,000,000 | |
| Tax credits applicable to future years | | 1,468,000 | \$ 6,834,918 |
| Sale of Government of Canada securities | | | 5,500,000 |
| Total to be accounted for | | | <u>\$12,334,918</u> |
| Expended as follows— | | | |
| Land purchases | | | \$ 6,247 |
| Additions to buildings, plant and equipment | | | 8,160,868 |
| Dividends paid | | | 2,250,000 |
| Pre-production and development expenditure—Normandie Mine | | | 1,905,571 |
| | | | <u>\$12,322,686</u> |
| Increase in working capital | | | 12,232 |
| Total accounted for | | | <u>\$12,334,918</u> |

ANOTHER VIEW OF THE NORMANDIE MINE PLANT SHOWING THE MILL
WITH THE COMBINED CRUSHER AND DRYER BUILDING IN THE RIGHT FOREGROUND

© Editorial Associates.



Ten Years' Growth

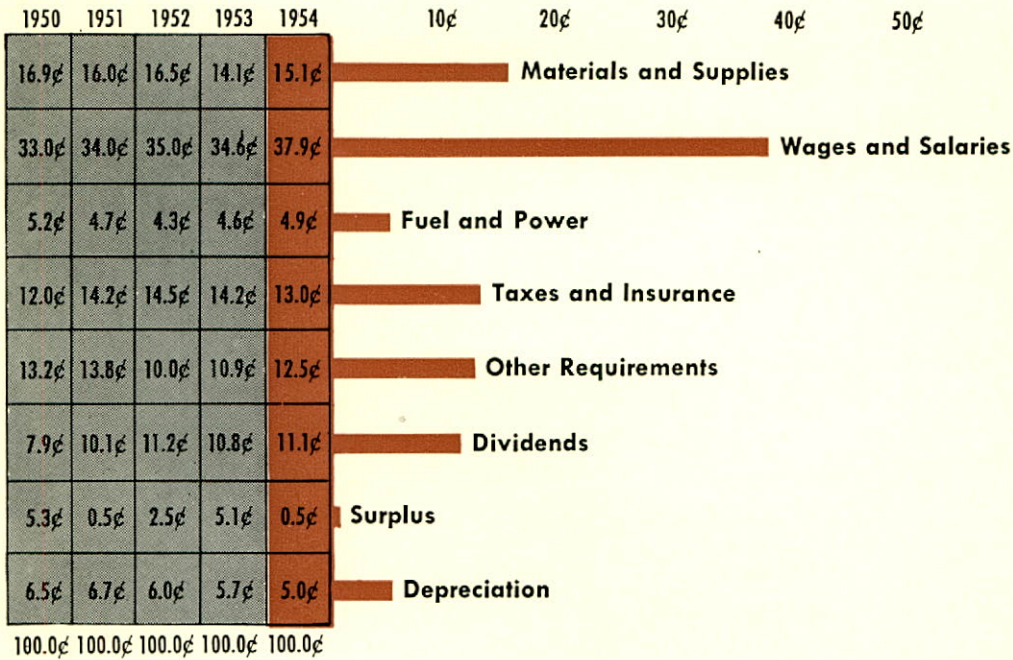


The above chart reflects at a glance the extent of your company's expansion in the post-war period.

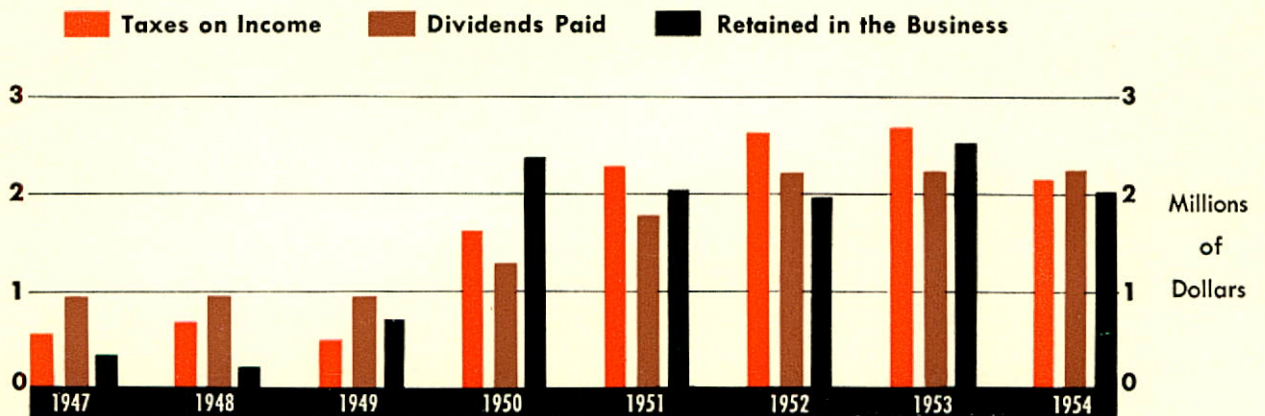
It is a graphic presentation of the major items on the assets side of your company's balance sheet for the past ten years from which can be seen that, aside from minor fluctuations in the Current Assets, the changes have been in the items of "Other Assets" and "Land, Plant & Equipment".

The item "Other Assets", which prior to 1954 accounted for such a large proportion of assets, consisted mainly of a fund set aside for capital expenditures. In 1954 the major portion of this fund has been converted into new productive plant and equipment.

Distribution of Income Dollar



Distribution of Net Earnings





Asbestos

THE VERSATILE MINERAL

There are many adjectives which can be applied to asbestos as a mineral. It is certainly unique—it is virtually indispensable—in many of its applications it is unseen—in most, it is protective; but of any description perhaps the word versatile is the most accurate.

In automobiles or ash trays, in airplanes or aprons, in pipe lines or pot holders, you may find asbestos. In industry or in the home, asbestos is an important component of many manufactured products.

In the home, asbestos is frequently found in one or more of the many building materials used in its construction—such as asbestos cement shingles, asbestos roofing materials, plaster, wallboard, asphalt and plastic tiles, insulation for the heating system and the hot water supply. For the housewife, asbestos is useful too; many of the domestic electrical appliances commonly employed in the modern home rely on asbestos insulation for safe and economical operation. Pot holders—yes—but also pot handles and ironing board covers as well as the electric iron itself usually contain asbestos—even superior dish towels are now being made with a proportion of asbestos blended into the cloth.

Industrially, its uses are equally varied, whether it be for inexpensive durable construction as in asbestos cement flat and corrugated sheets, for the insulation of high temperature furnaces, boilers and pipe lines, in packings for machinery or special greasing compounds for their lubrication, you will find asbestos playing an important part.

It is generally known that there are asbestos brake linings on all the millions of automobiles, trucks and buses on the road but perhaps not realized that clutch facings, gaskets and the undercoating on these vehicles also have asbestos in them.

The advantages of asbestos cement high pressure pipe for carrying urban water supplies are widely recognized but the fact that hundreds of miles of oil pipe lines are wrapped with asbestos paper for their protection against corrosion is not common knowledge.

The use of asbestos textiles in making fireproof theatre curtains and fire-fighting suits is universally accepted but their extensive use in marine insulation is perhaps not suspected.

Moreover, the majority of the hundreds of asbestos products in use to-day have been developed within the past half century and new applications for this truly remarkable material are confidently expected in the future, further to justify the description—the versatile mineral.

The Past Five Years

| | 1954 | 1953 | 1952 | 1951 | 1950 |
|--|-------------|--------------|-------------|-------------|-------------|
| NET INCOME BEFORE TAXES | \$6,541,918 | \$7,330,656* | \$6,747,698 | \$6,091,094 | \$5,045,235 |
| FEDERAL, PROVINCIAL & MUNICIPAL TAXES | 2,342,049 | 2,658,232* | 2,644,149 | 2,331,832 | 1,687,268 |
| PAID TO EMPLOYEES DURING THE YEAR | 7,652,092 | 7,243,105 | 6,970,975 | 6,132,072 | 5,201,123 |
| PAID TO SHAREHOLDERS AS DIVIDENDS | 2,250,000 | 2,250,000 | 2,250,000 | 1,830,000 | 1,320,000 |
| RE-INVESTED IN THE BUSINESS | 2,116,918 | 2,560,656* | 1,997,698 | 2,071,094 | 2,407,143 |
| EARNINGS PER SHARE | \$2.42 | \$2.67* | \$2.36 | \$2.16 | \$1.94 |

*1953 comparative figures have been adjusted to give effect to Note 1 to the Statement of Income and Earned Surplus.

Asbestos Corporation Limited

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

ASBESTOS