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ASBESTOS CORPORATION LIMITED

(INCORPORATED 1925)

DIRECTORS:

R. W. STEELE, *President and Managing Director*
C. W. COLBY, M.A., PH.D., *Vice-President* KENNETH T. DAWES, *Vice-President*
G. R. COTTRELLE A. H. PARADIS
LIEUT.-COL. J. G. ROSS J. C. H. DUSSAULT, K.C.
H. P. THORNHILL W. A. ARBUCKLE

FOURTEENTH ANNUAL REPORT
For the Period of Twelve Months
Ending 31st December, 1939

MONTREAL, January 31st, 1940

To the Shareholders of
ASBESTOS CORPORATION LIMITED:

Your Directors submit the Fourteenth Annual Report of the Company with Balance Sheet, Profit and Loss and Surplus Accounts for the year ending December 31st, 1939, as certified by your auditors, Messrs. Price, Waterhouse and Company.

The profit for the year after charging all expenses including bond interest and provision for taxes of \$260,000 but before depreciation and depletion amounted to \$1,701,316.50. From this there has been deducted \$421,507.56 for depreciation and depletion and the sum of \$350,000 has been transferred to General Reserve account. After making these deductions there remained a balance \$929,808.94 from which dividends were paid amounting to \$810,000, leaving a balance of \$119,808.94 to be added to surplus account.

Four mines were operated throughout the year. Total sales for the year 1939 showed a small increase over those of 1938. During the year the large inventory of short fibre mentioned in the last annual report was materially reduced and the total value of fibre on hand at December 31st, 1939, was \$723,366 compared to \$923,354 at the beginning of the year. The increased sales of less profitable grades referred to above and a lower fibre content in the rock mined have contributed to a reduction in profit.

The balance of \$500,000 of bonds outstanding was reduced by sinking fund payments and your Directors decided to call the remaining balance thereby freeing the company of all bonded debt. At the last Annual Meeting the Shareholders approved the action of the Directors in dividing the shares of the Company four for one, and capital now consists solely of 1,200,000 authorized shares of no par value common stock of which 600,000 shares have been issued.

The sum of \$25,000 was added to the Pension Trust Fund.

The development at the King Mine mentioned in the two previous reports was completed and brought into operation at the beginning of June. The new plant has proven eminently satisfactory and the work of the engineering staff in this connection merits special mention and commendation.

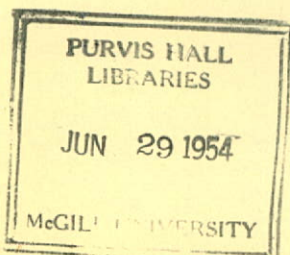
The Company's methods of doing business have undergone considerable readjustment to conform with Government war regulations. Collections, which were formerly in Canadian funds, have now to be made in U.S.A. dollars except for goods sold in the British Empire. All export shipments of asbestos have to be licensed under an order-in-council, passed at Ottawa. The Government officials in charge of the administration of the regulations have shown a splendid spirit of cooperation and have facilitated the requisite changes in every way possible.

As 98% of our business is with foreign markets we can hardly be expected to make any forecasts for 1940.

During the year the Honourable J. L. Ralston, K.C., became Minister of Finance and resigned from your Board. The vacancy was filled by the appointment of Lieutenant-Colonel James G. Ross.

The Directors wish to record their appreciation of the loyal and efficient support rendered by the officers, staff and employees of the Corporation throughout the year.

R. W. STEELE,
President.



ASBESTOS CORP

BALANCE SHEET, D

ASSETS

CURRENT ASSETS:

Dominion of Canada Bonds \$500,000.00 par value (Quoted Value \$506,250.00).....	\$	500,000.00
Dominion of Canada Treasury Bills \$250,000.00 at market.....		249,737.27
Inventories of Stocks on hand, as determined by responsible officials of the Company, valued as to Asbestos at standard rates, which are lower than market price, and as to Materials and Supplies at laid down cost—		
Asbestos.....	\$723,366.31	
Materials and Supplies.....	261,131.59	984,497.90
Accounts and Bills Receivable.....	\$848,120.97	
LESS: Reserve for Bad and Doubtful Accounts.....	33,379.45	814,741.52
Cash on hand and in banks.....		146,724.48
		\$2,695,701.17

DEFERRED CHARGES TO OPERATIONS:

Prepaid Taxes and Insurance, etc.....	\$	51,484.57
Mine Development Work.....	\$241,936.36	
LESS: Amount written off.....	96,774.54	145,161.82
		196,646.39

PROPERTIES:

Mineral Areas and Development, Real Estate, Plant and Equipment stated at the written down value as determined by the management on the reorganization of the Company in 1932, plus subsequent additions at cost.....	\$7,612,914.33	
LESS: Reserve for Depreciation and Depletion.....	4,446,104.78	3,166,809.55
		\$6,059,157.11

APPROVED ON BEHALF OF THE BOARD:

R. W. STEELE, Director
CHARLES W. COLBY, Director

STATEMENT OF PROFIT & LOSS AND EARNED SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1939

Profit from Operations for the year ending December 31, 1939, before providing for the items undernoted.....		\$2,029,030.22
Interest on Investments.....	\$12,000.00	
Miscellaneous Revenue.....	36,928.39	48,928.39
		\$2,077,958.61
Executive Salaries.....	\$57,000.00	
Legal Fees.....	10,308.78	
Directors' Fees.....	9,210.00	
Provision for Depreciation and Depletion.....	421,507.56	
Contribution to Pension Fund.....	25,000.00	523,026.34
		\$1,554,932.27
Provision for Dominion and Provincial Taxes.....		260,000.00
		\$1,294,932.27
Interest on First Mortgage Bonds.....		15,123.33
Profit for the year ending December 31, 1939.....		\$1,279,808.94
Transferred to General Reserve.....		350,000.00
		\$ 929,808.94
Quarterly dividends equivalent to 57½c on the new shares.....	\$345,000.00	
Extra dividends equivalent to 77½c on the new shares.....	465,000.00	810,000.00
		\$119,808.94
Balance of Profits for the year.....		443,741.18
ADD: Earned Surplus, December 31, 1938.....		\$563,550.12
Earned Surplus, December 31, 1939.....		\$563,550.12

RATION LIMITED

DECEMBER 31st, 1939

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable and Accrued Liabilities.....	\$ 319,073.05	
Provision for Dominion, Provincial and Other Taxes.....	287,391.94	\$586,464.99

GENERAL RESERVE:..... 1,000,000.00

CAPITAL STOCK:

Represented by 600,000 Shares of No Par Value issued out of a total authorized issue of 1,200,000 shares— 2,909,142.00

NOTE: Under Supplementary Letters Patent dated April 4, 1939, the authorized capital of the Corporation was stated at 1,200,000 shares of no par value and the issued capital at 600,000 shares of no par value. This issued capital stock was exchangeable for the 150,000 shares no par value stock then outstanding on the basis of four new shares for one old share. At December 31, 1939, 149,274 24/40 old no par value shares had been so exchanged.

SURPLUS:

Distributable Surplus.....	\$1,000,000.00	
Earned Surplus, per statement attached.....	563,550.12	1,563,550.12

\$6,059,157.11

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of Asbestos Corporation Limited for the year ending December 31, 1939, and have obtained all the information and explanations which we have required; and we report that, in our opinion, the above Balance Sheet at December 31, 1939, is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs, according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

PRICE, WATERHOUSE & Co.

Auditors.

MONTREAL, January 24, 1940.

January 31st, 1940.

To the President and Directors,
Asbestos Corporation Limited.

I submit the following summary report of operations on the properties of your Company in 1939.

OPERATING TIME

Mills at the King, Beaver, Vimy and British-Canadian Mines were operated at capacity throughout the year.

The tonnage of rock milled showed an increase of 6% over 1938. The reduction in cost per ton rock milled was 3%.

MINING—

King

No. 3 Shaft with crushing plant and dryers was put in operation in June, hoisting then being discontinued from No. 2 shaft and incline. The peak capacity of the new crushing plant is 400 tons per hour. Since June, the Mine has been operating 16 hours per day only, to supply mill rock for 24 hours per day.

Beaver

Stripping was done on Bennett-Martin ground, and a second glory-hole opened to supply additional ore for the Beaver Mill.

British-Canadian

Stripping was done to uncover a supply of ore for a year, and the diamond drilling programme completed. A sprinkler system was installed through the mill.

Vimy

The usual programme of stripping and diamond drilling was done. In November, an electric shovel was installed to replace the Deisel shovel. The primary jaw crusher was replaced by one of larger capacity in December. A sprinkler system was installed in the mill.

STAFF CHANGES

In May, Mr. Telesphore Roy retired to pension after fifty-one years service with the Company. He was replaced as Superintendent at the Vimy Mine by Mr. C. H. McNaughton, formerly engineer at the King Mine.

Mr. McNaughton was replaced by Mr. O. H. Adams, formerly of the Vimy Mine.

Messrs. G. F. Brink, engineer, and J. C. Parres, geologist, in September accepted commissions in the 5th Field Company, Royal Canadian Engineers, C.A.S.F.

Mr. Jack Bateman, Chief Tester, and several workmen, also enlisted with the Engineers.

I wish to commend to you the support of the Staff and Employees throughout the year.

Respectfully submitted,

J. G. ROSS,
Manager.

**ASBESTOS CORPORATION
LIMITED**

FOURTEENTH ANNUAL REPORT

AND

STATEMENT OF ACCOUNTS

FOR THE PERIOD OF TWELVE MONTHS ENDING

31st DECEMBER, 1939

DIRECTORS:

R. W. STEELE, *President and Managing Director*

C. W. COLBY, M.A., PH.D., *Vice-President*

KENNETH T. DAWES, *Vice-President*

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W. A. ARBUCKLE

H. P. THORNHILL

J. C. H. DUSSAULT, K.C.

LIEUT.-COL. J. G. ROSS - *Manager*

J. T. MCCALLUM - *Secretary-Treasurer*

PURVIS HALL
LIBRARIES

Head Office:

MONTREAL JUN 28 1954 THETFORD MINES, P.Q.

Mines Office:

McGILL UNIVERSITY