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1948

ASBESTOS CORPORATION LIMITED

iii

Twenty third Annual Report

iii



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ASBESTOS CORPORATION LIMITED

Twenty-Third Annual Report

AND

Statement of Accounts

FOR THE PERIOD OF TWELVE MONTHS ENDING

31st of December, 1948

ASBESTOS



AIRVIEW OF THETFORD MINES QUEBEC

C. P. AIRLINES PHOTO

ASBESTOS CORPORATION LIMITED

BOARD OF DIRECTORS

W. A. ARBUCKLE

A. H. PARADIS

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

A. L. PENHALE

KENNETH T. DAWES

LT. COL. J. G. ROSS

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

R. W. STEELE

F. E. NOTEBAERT

H. P. THORNHILL

OFFICERS OF THE CORPORATION

R. W. STEELE

Chairman of the Board

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, P.Q.

Five Year Summary

1948

1947

1946

1945

1944

NET INCOME BEFORE TAXES

\$1,745,912.12	\$1,740,754.88	\$1,521,181.38	\$1,686,517.58	\$ 939,529.22
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ALL TAXES PAID

696,071.73	586,137.09	681,160.26	679,846.56	375,846.71
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PAID TO EMPLOYEES DURING THE YEAR

4,607,259.97	3,497,913.10	3,086,022.37	2,738,564.27	2,722,035.00
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PAID TO SHAREHOLDERS AS DIVIDENDS

960,000.00	960,000.00	840,000.00	840,000.00	600,000.00
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RETAINED IN THE BUSINESS TO PROVIDE FOR EXPANSION

232,566.93	310,513.11	233,622.92	246,517.58	39,529.22
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EARNINGS PER SHARE

1.93	2.08	1.59	1.81	1.07
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Report of the Directors to the Shareholders

Montreal, January 31, 1949.

To the Shareholders of
Asbestos Corporation Limited:

Your Directors submit the twenty-third Annual Report of the Company, with Balance Sheet and Profit and Loss Account for the year ending December 31, 1948, as certified by your Auditors, Messrs. Price, Waterhouse & Co.

The profit for the year after charging all expenses including taxes, but before depreciation, amounted to \$1,708,941.44. From this amount a sum of \$474,029.32 was set aside for depreciation, leaving \$1,234,912.12 out of which dividends of \$960,000 were paid and \$75,000 was transferred to the Pension Trust Fund. The balance was added to surplus account.

In our balance sheet for the year there appears an item entitled "Workmen's Compensation Equalization Reserve". This consists of a Trust Fund set up by the Workmen's Compensation Commission for the credit of your Company out of assessments accumulated over a period of years through a plan of merit rating.

The market for asbestos continued to be strong throughout the whole of 1948, with the demand exceeding the supply for practically all grades of fibre. Towards the end of the year, however, there was some evidence of a moderating demand for some of the extremely short grades. The shortage of United States dollars, acute in some countries, has resulted in the contraction of exports of asbestos to the areas affected, notably in South America. On the other hand, financing through the "Marshall Plan" has tended to alleviate this situation, particularly in Europe. Business trends in general suggest that there may be some decrease in the demand for asbestos during 1949, but with the medium and longer grades less affected than the short fibres.

The problem of mounting costs continues to be a serious factor. The amount paid for salaries and wages in 1948 increased \$1,110,346.87 over the previous year to \$4,607,259.97, while the cost of materials and supplies rose \$112,997.08 to \$2,184,224.84. To meet these higher costs it was found necessary once more to increase asbestos fibre prices.

It may be mentioned here that asbestos fibre prices, along with all other commodities, have increased substantially since 1939. The increase has been greater than that of many commodities utilized in the construction and other industries, though less than some. Your Company's product comes into direct competition with the output of the Rhodesian and South African asbestos mines, and it is also vulnerable in some fields to competition from substitutes. Care must therefore be exercised to avoid pricing the fibre out of its market.

The programme for improving and extending your Company's production facilities, referred to in the last Annual Report, has progressed during the year. The diversion of over two miles of the main line of the Quebec Central Railway where it traverses the Beaver property was accomplished. This was necessary to permit an extension of the mining operations at that property, and the cost of this diversion has been charged to the operations of the year. A filtration unit to remove dust from the large volume of air discharged from the Beaver mill was installed. A new primary crushing plant, together with an increased drying capacity and new rock conveying systems, were completed at the British Canadian mill as part of the expansion programme under way at that property. The ore transportation system in the open pit at the British Canadian Mine was completely changed over from rail haulage to modern, heavy duty trucks. Notable improvements were made in the mills at Vimy Ridge and at King Mines, and in the dryers at Beaver and at Vimy Ridge.

Production totals taken collectively for the four operating mines show a drop in tonnage of the shortest fibres but a slight increase in the amount of the longer grades produced. There were nine fewer days worked in 1948 compared with the previous year due principally to an added week of vacation shut-down. Materials handled during the year in stripping and mining operations for all mines were:

Stripping.....	601,152 cu. yds.
Barren Rock.....	685,432 tons
Mill Rock.....	3,145,326 tons

The stripping programme at all mines is now up to schedule. All stripping costs have been charged to operations in accordance with the Company's practice for many years.

The production at the King Mine was from ore mined by the block caving method, with 55% being drawn from blocks of the 500 foot level and 45% from the 900 foot level. At the other mines, all ore came from open pit workings with the exception of 22% of the Beaver mill feed which was mined by the glory-hole method.

Underground development work consisted of:

	Drifting	Raising
King Mine.....	3,615 feet	2,750 feet
Beaver Mine.....	35	150
	<u>3,650 feet</u>	<u>2,900 feet</u>

Exploratory diamond drilling for the year exceeded previous footages reported for a similar period. A large part of this was done by the Company's own drills and crews.

	Diamond Drilling
King Mine (Underground).....	15,748 feet
Beaver Mine.....	1,839
British Canadian Mine.....	7,409
Vimy Ridge Mine.....	29,275
Other Properties.....	64,371
	<u>118,642 feet</u>

The total of ore reserve figures shows a considerable increase, although much of the added tonnage is in bodies somewhat removed from those being mined at present. Ore reserve estimates as of December 31st, 1948, are:

King Mine.....	10,024,000 tons
Beaver Mine.....	12,410,000
British Canadian Mine.....	38,988,000
Vimy Ridge Mine—	
Present Workings.....	7,105,000
New Body.....	12,000,000*
Other Properties.....	7,300,000
	<u>87,827,000 tons</u>

*... This body is indicated by diamond drilling to contain over 35,000,000 tons. Further work is required to confirm this figure.

Further exploration is being carried on at the King Mine to determine what further ore may exist at greater depth, and at other properties to delimit known ore bodies and to explore for new ones. Geological studies were carried on in the Thetford Mines and Black Lake areas by the Company's geologist throughout the summer months.

Your Directors record with great regret the death on January 7th, 1949, of William Cooling, Treasurer of the Company since 1943. In his death the Company has suffered the loss of an employee who served its interests faithfully and well for a period of over thirty years.

Following amendments to the By-Laws approved by the Shareholders of the Company at a Special General Meeting held on December 2nd, 1948, and authorized by Supplementary Letters Patent issued by the Secretary of State, the number of Directors was increased to ten. Mr. R. W. Steele was subsequently appointed Chairman of the Board, and Mr. A. L. Penhale was appointed a Director and named President and Managing-Director. Mr. G. F. Jenkins was appointed General-Manager, Mr. J. A. Marcotte was named Secretary and Mr. P. Payeur was appointed Treasurer. All of these men have been associated with the Company for many years.

Your Directors once again commend the loyal and efficient support of the officers, staff and employees throughout the year.

On behalf of the Board of Directors,

R. W. STEELE
Chairman

A. L. PENHALE
President

Statement of Profit and Loss and Earned Surplus

FOR THE YEAR ENDING 31ST DECEMBER 1948

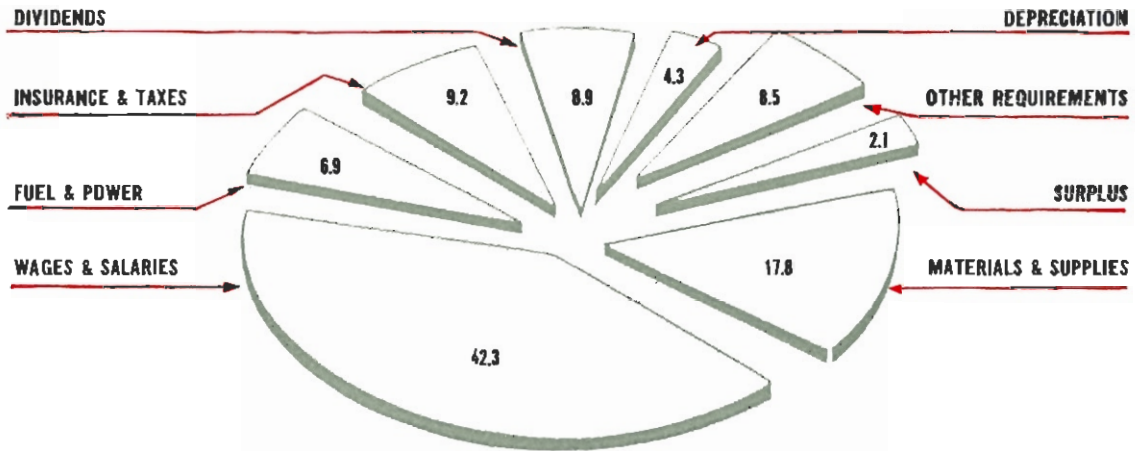
1947		1948
\$2,254,462.04	Profit from operations for the year ending December 31 1948, before taking into account the items undernoted	\$2,221,571.26
\$ 73,804.24	Interest on investments	\$ 71,183.36
48,989.70	Miscellaneous revenue	92,496.36
\$ 122,793.94		163,679.72
\$2,377,255.98		\$2,385,250.98
\$ 55,299.88	Executive salaries	\$ 61,900.00
3,960.87	Legal fees	4,078.20
8,300.00	Directors' fees	8,060.00
125,241.90	Exploration and prospecting expenses	16,971.34
368,698.45	Provision for depreciation	474,029.39
75,000.00	Contribution to pension trust fund	75,000.00
\$ 636,501.10		639,338.86
\$1,740,754.88	Provision for Dominion and Provincial taxes	\$1,745,912.12
491,100.00		586,000.00
\$1,249,654.88	Appropriation for extensions and improvements	\$1,159,912.12
250,000.00		—
\$ 999,654.88		\$1,159,912.12
\$1,309,480.50	Earned surplus, December 31 1947	\$1,369,993.61
20,858.23	Recovery on foreign accounts receivable, previously written off, less income taxes thereon	32,654.81
\$1,330,338.73		1,402,648.42
\$2,329,993.61		\$2,562,560.54
	Dividends —	
\$ 510,000.00	Regular	\$ 630,000.00
450,000.00	Extra	330,000.00
\$ 960,000.00		960,000.00
\$1,369,993.61	Earned surplus, December 31 1948	\$1,602,560.54



AIRVIEW OF BEAVER MILL

C.P. AIRLINES PHOTO

DISTRIBUTION OF THE COMPANY INCOME DOLLAR








	1948	1947	1946	1945
MATERIALS & SUPPLIES	17.8	20.6	16.6	14.9
WAGES & SALARIES	42.3	39.3	39.5	35.0
FUEL & POWER	6.9	8.5	8.9	8.9
INSURANCE & TAXES	9.2	9.1	11.3	11.1
OTHER REQUIREMENTS	8.5	6.9	6.0	12.1
DEPRECIATION	4.3	4.1	4.0	4.0
DIVIDENDS	8.9	10.8	10.8	10.8
SURPLUS	2.1	.7	2.9	3.2
	100.0%	100.0%	100.0%	100.0%



EUCLID 22 TON TRUCKS AT BRITISH CANADIAN MINE



	CANADA	U.S.A.	UNITED KINGDOM	NEW-FOUNDLAND	OTHER COUNTRIES	TOTAL
GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS	 3,395 91.6	 168 4.5	 78 2.2	 11 0.3	 51 1.4	3,703 100%

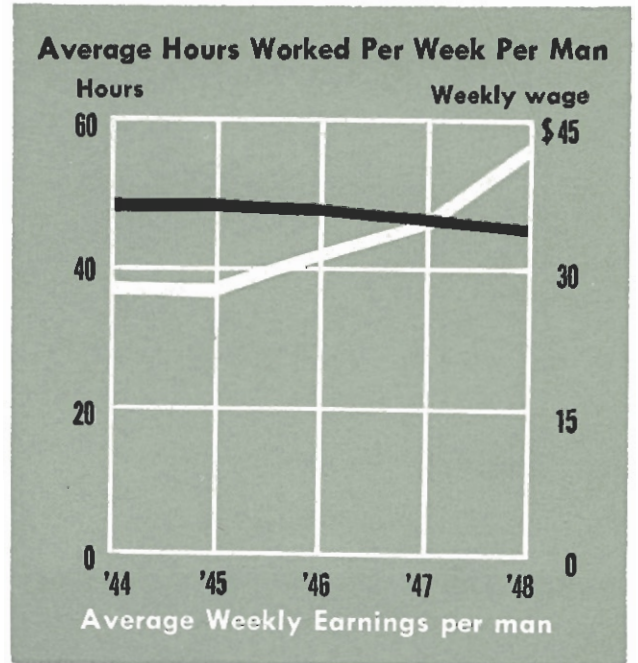
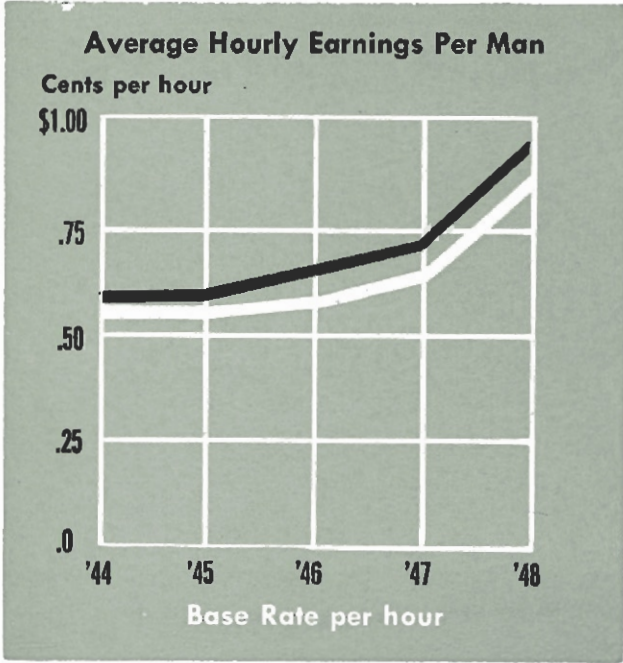
	NUMBER	PERCENTAGE
INDIVIDUAL HOLDERS	 3,362	90.8
CORPORATE AND OTHER GROUP HOLDERS	 341	9.2
	3,703	100%

Shareholders... WHO OWNS THE COMPANY?

Your Company, as the largest independent producer of asbestos fibre in the world, is a Canadian-owned company; approximately 86% of the issued stock is registered in Canada, and the remaining 14% is split amongst other countries.

The owners of Asbestos Corporation Limited, like those of many other companies, are a large and diverse group numbering many individuals as well as various companies and investment institutions. Most of these institutions in turn represent smaller groups of shareholders who are the actual owners of the stock. The average holding is 162 shares, or less than .03% of the total shares issued.

EMPLOYEES



DRILLING IN THE KING MINE

C. P. R. PHOTO





LOADING ASBESTOS FIBRE FOR EXPORT SHIPMENT

A WORD ABOUT THE COMPANY'S PRODUCT

The name "asbestos" is applied indiscriminately to several classes of fibrous minerals by far the most important of which is Chrysotile, the fine, white, silky fibre produced from our mines.

Ninety percent of the world's asbestos used in industry is of the Chrysotile variety and of this approximately seventy percent is produced in Canada. Chrysotile asbestos normally occurs in Serpentine rock and is usually seen in the form of irregular veins in the rock varying in thickness from as much as 2 or 3 inches, down to microscopic threads. The fibre runs across the vein at right angles to it from wall to wall and generally, therefore, the length of the fibre is governed by the width of the vein. The longer the fibre, the greater value it has.

Asbestos mining is ordinarily an open pit operation and at three of our mines, the Beaver, the British-Canadian and Vimy Ridge, this method is used. At our King mine, however, an underground system of mining known as block caving was pioneered some 15 years ago and proved so successful that other producers employ it to-day.

The characteristics of Chrysotile Asbestos — its fibrous structure, its resistance to fire, its strength, its imperviousness to weather and its virtual chemical inertness — lend themselves to a great variety of commercial applications.

In the automotive industry, it is used in brake lining, clutch facings and gaskets; in the construction industry, in combination with cement and other materials it helps to form a great variety of fireproof and heat insulating products ranging from fireproof shingles and sidings for roofs and walls to such commonplace articles as pipe and boiler coverings. Asbestos-cement high pressure pipe is widely used in many industries. In the field of plastics the short grades of asbestos are employed extensively as fillers and in the manufacture of composition floor tiles, asbestos plays an important part.

Asbestos is sold by the short ton and is shipped in jute or paper bags. There is scarcely an industrial country to which we have not shipped asbestos at one time or another. Your company is first and foremost an exporter and proud of the part it plays in helping Canada maintain a favourable balance of trade with the other nations of the world.

Bankers

THE ROYAL BANK OF CANADA

Transfer Agent

THE ROYAL TRUST COMPANY,
MONTREAL, TORONTO

Registrar

CROWN TRUST COMPANY,
MONTREAL, TORONTO

General Counsel

ILSLEY, DUQUET & MACKAY,
MONTREAL

Auditors

PRICE, WATERHOUSE & COMPANY,
MONTREAL

