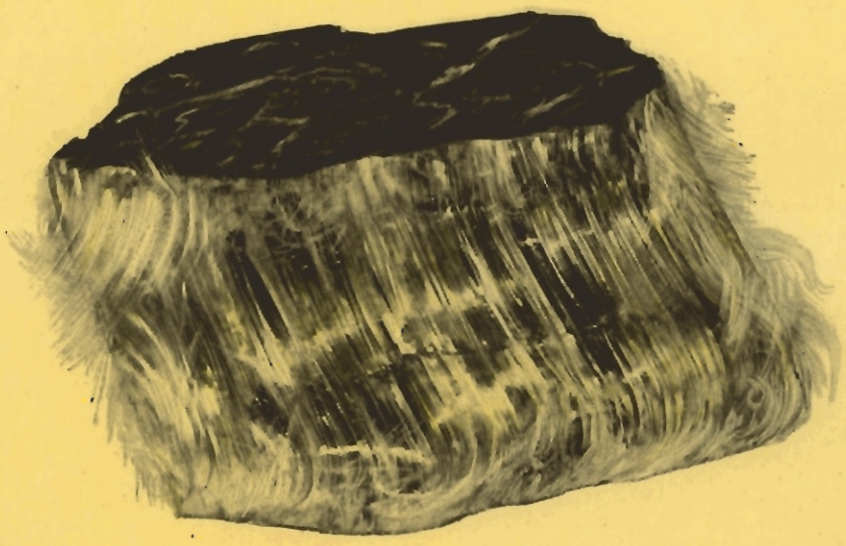


1949

Asbestos Corporation Limited



Twenty-Fourth

ANNUAL REPORT

iii

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Asbestos
Corporation
Limited

Twenty-fourth

ANNUAL REPORT

and

Statement of Accounts

FOR THE PERIOD OF TWELVE MONTHS ENDING

31st of December, 1949



AERIAL VIEW OF THE COMPANY'S MAIN PROPERTIES.
FOREGROUND: VIMY RIDGE MINE.
CENTRE: BLACK LAKE, BRITISH CANADIAN MINE.
BACKGROUND: THETFORD MINES, KING & BEAVER MINES.



Asbestos Corporation Limited

BOARD OF DIRECTORS

W. A. ARBUCKLE

F. E. NOTEBAERT

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

A. H. PARADIS

KENNETH T. DAWES

A. L. PENHALE

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

LT. COL. J. G. ROSS

G. F. JENKINS

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, P.Q.

FIVE YEAR SUMMARY

	1949	1948	1947	1946	1945
NET INCOME BEFORE TAXES	\$1,592,233.76	\$1,745,912.12	\$1,740,754.88	\$1,521,181.38	\$1,686,517.58
ALL TAXES PAID	615,076.75	696,071.73	586,137.09	681,160.26	679,846.56
PAID TO EMPLOYEES DURING THE YEAR	3,624,131.30	4,607,259.97	3,497,913.10	3,086,022.37	2,738,564.27
PAID TO SHAREHOLDERS AS DIVIDENDS	960,000.00	960,000.00	960,000.00	840,000.00	840,000.00
RETAINED IN THE BUSINESS TO PROVIDE FOR EXPANSION	299,854.45	232,566.93	310,513.11	233,622.92	246,517.58
EARNINGS PER SHARE	1.89	1.93	2.08	1.59	1.81

Montreal, February 6, 1950.

To the Shareholders of
Asbestos Corporation Limited.

REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS

Your Directors submit the twenty-fourth Annual Report of the Company, with Balance Sheet and Profit and Loss Account for the year ending December 31, 1949, as certified by your auditors, Messrs. Price, Waterhouse & Co.

The profit for the year after charging all expenses including taxes, and after transferring \$75,000 to the Pension Trust Fund, but before depreciation, amounted to \$1,888,233.76. From this amount a sum of \$750,000 was set aside for depreciation, leaving \$1,138,233.76, out of which dividends of \$960,000 were paid. The balance was added to surplus account. Also added to surplus account was an item of \$120,862.74 resulting from an adjustment of Workmen's Compensation charges for 1948 through the merit rating plan. The provision for extensions and improvements amounting to \$250,000, heretofore carried in current liabilities, was transferred to surplus account. An amount of \$350,000 was transferred from surplus account to general reserve to be available for future needs of the Company.

Under the new regulations dealing with depreciation, it would appear that the Company is entitled to claim substantially more than in past years. Your Directors concluded to set up \$750,000, having in mind the considerable additions to capital account in plant and equipment during the year. A study is to be made during 1950 as to the classes of the assets with a view to determining future policy.

The amount of retroactive wages payable on account of 1949 as a result of an arbitration award rendered during December was charged against the accounts for the year and the greater portion of the amount was withdrawn from the Company's general bank account prior to the year end.

Operations were interrupted at all your Company's mines by a prolonged strike, affecting five of the seven asbestos producers, which broke out on February 14th, and operations were not resumed until June 28th when the union finally agreed to submit the dispute to arbitration. After a lengthy hearing during which much evidence was submitted by both sides, the majority decision of the Arbitration Board awarded an increase of 10c per hour retroactive to January 1st, 1949, together with two additional paid holidays and expanded vacation privileges. The Company accepted the award in full as did the union for the year 1949. An agreement covering 1950 was eventually signed on the basis of the majority award with the addition of a cost-of-living bonus clause based on the federal cost-of-living index.

The overall demand for all grades of asbestos fibre continued to be strong throughout the year. The recession which affected business generally in the United States during the first half of 1949 coincided with the period during which the mines were strike-bound, undoubtedly this fact offset the effects of the recession which would otherwise have reduced demand. By the time the mines re-opened most customers were in need of asbestos fibre.

Overseas export sales continued to be hampered by the dollar exchange difficulties everywhere apparent in international trade. This situation was particularly noticeable in South America where few customers were able to import their full quotas. The devaluation of the pound in September had a further adverse effect on sterling area sales, already reduced by the import restrictions imposed upon British customers by the United Kingdom government in July. However, sizeable tonnages were shipped to Western Europe under the Marshall Plan and demand from other sources more than disposed of any surplus asbestos.

Prices remained firm throughout the year and since the devaluation of the Canadian dollar during September, your Company has benefited by the U.S. dollar premium on its sales in that area.

As pointed out in previous reports, the Company's product comes into direct competition, not only with the output of other domestic producers, but also with that of Rhodesian and South African mines, and with respect to the latter, which are in the sterling area, Canadian asbestos is placed at a disadvantage where sales to sterling countries are concerned.

It is, of course, difficult to forecast with any accuracy the precise effect of these factors upon your Company's business during 1950. On the whole, the outlook seems promising.

Operations at your Company's four producing mines, King, Beaver, British Canadian and Vimy Ridge, were carried on at capacity throughout the year except during the period of the strike referred to above. All plants were maintained in good repair and improvements made during the previous year in machinery and equipment favorably influenced the operating results.

Construction of the new primary mill at the British Canadian Mine was completed and one unit was placed in operation in October. The remodelling of the old mill was then commenced and is proceeding, together with the installation of the second unit of the primary mill. This work is being carried out without interrupting production. Extensive dust filtering equipment has been installed and will handle all exhaust air from the mills. When this costly equipment for the elimination of dust is in full operation, it will constitute a distinct civic improvement for the community of Black Lake, as the dust filters at the King and Beaver Mines have already proven in the city of Thetford Mines.

Other major construction consisted of a large fireproof garage and repair shop for the heavy trucks, road grader and bulldozers at the British Canadian Mine, as well as for the maintenance and repair of similar trucks recently purchased for the Beaver Mine. At the latter mine a new shop building was constructed and equipped to accommodate machinists, blacksmiths, carpenters and tinsmiths. The relocation of these shops, together with the demolition or moving of other buildings, was necessary so that this area, released by the diversion of the Quebec Central Railway, could be made available for mining. As the mining program at the Beaver Mine will entail the use of trucks for ore transportation, certain modifications to the primary crusher sluices were started and a ramp made to the top of the existing car dumping trestle.

The overall rate of asbestos production increased 6.7%, due partly to better-than-average ore being treated in some months at the King and Beaver Mines and to improvements in the recovery of short fibres at King.

Materials handled during the year in stripping and mining operations for all mines were:—

Stripping	205,909	cu. yds.
Barren Rock	775,610	tons
Mill Rock (Milled)	2,094,258	tons

The production at the King Mine was from ore mined by the block caving method, with 48% being drawn from blocks of the 500-foot level and 52% from the 900-foot level. At the other mines, all ore extraction was from open pit workings with the exception of 9% of the Beaver Mill feed which was mined by the glory-hole method.

Underground development work--all at the King mine-- consisted of:

Drifting and crosscutting	3,395 feet
Raising	2,836 feet
	<u>6,231 feet</u>

A large amount of exploration work was done on the company properties. A program of geophysical prospecting by the magnetometer method, which was started at the end of 1948, was completed early in the year. This involved cutting and chaining 142 miles of traverse line and covered an area of 4,805 acres. Some diamond drilling has been done on most of the anomalies located by this geomagnetic work and has demonstrated the usefulness of the method as a preliminary step in the search for asbestos-bearing serpentine.

Exploratory diamond drilling for the year amounted to:

King Mine (Underground)	7,811 feet
Vimy Ridge Mine	12,944 feet
Other Properties	29,604 feet
	<u>50,359 feet</u>

The only major addition to ore reserves during the year was at Vimy Ridge Mine, where further drilling on the new ore body confirms an additional 7,000,000 tons. Ore reserve estimates as of December 31st, 1949, are:

King Mine	9,384,000 tons
Beaver Mine	11,955,000 tons
British Canadian Mine	37,072,000 tons
Vimy Ridge Mine:	
Present Workings	6,672,000 tons
New Body	19,750,000 tons
Other Properties	7,300,000 tons
	<u>92,133,000 tons</u>

Exploration continues on the Company's present holdings and increased efforts are being made in various other areas. Geological studies were carried on by the Company's geologist throughout the summer months.

Your Directors record with sorrow the death on August 13th, 1949, of R. W. Steele, Chairman of the Board since December 1948, and prior thereto President for thirteen years. His devotion to duty was outstanding and to the Company's service he brought an ability well proved in other fields. To all who knew him his passing means a great and lasting loss.

During the month of October, Mr. George F. Jenkins, the General Manager, was appointed a director.

The loyal and efficient support of the officers and staff throughout the year is once again commended.

On behalf of the Board of Directors,

A. L. PENHALE,
President.

STATEMENT OF PROFIT
AND LOSS AND EARNED
SURPLUS

1948		1949
\$2,221,571.26	Profit from operations, including premium on U.S. funds, for the year ending December 31 1949, before taking into account the items undernoted	\$2,383,833.28
\$ 71,183.36	Interest on investments	\$ 63,387.33
92,496.36	Miscellaneous revenue	75,339.82
\$ 163,679.72		138,727.15
\$2,385,250.98		\$2,522,560.43
\$ 61,900.00	Executive salaries	\$ 70,300.00
4,078.20	Legal fees	26,131.71
8,060.00	Directors' fees	8,610.00
16,271.34	Exploration and prospecting expenses (net)	284.96
474,029.32	Provision for depreciation	750,000.00
75,000.00	Contribution to pension trust fund	75,000.00
\$ 639,338.86		930,326.67
\$1,745,912.12		\$1,592,233.76
586,000.00	Provision for Dominion and Provincial taxes	454,000.00
\$1,159,912.12	Net profit for the year	\$1,138,233.76
\$1,369,993.61	Earned surplus, December 31 1948	\$1,602,560.54
32,654.81	Recovery on foreign accounts receivable, previously written off, less income taxes thereon	757.95
	Provision for extensions and improvements—transferred	250,000.00
	Workmen's Compensation credit in respect of 1948, less income taxes thereon	120,862.74
\$1,402,648.42		1,974,181.23
\$2,562,560.54		\$3,112,414.99
	Dividends—	
\$ 630,000.00	Regular	\$720,000.00
330,000.00	Extra	240,000.00
\$ 960,000.00		\$ 960,000.00
	Transfer to general reserve	350,000.00
\$ 960,000.00		1,310,000.00
<u>\$1,602,560.54</u>	Earned surplus, December 31 1949	<u>\$1,802,414.99</u>



C. P. AIRLINE

**AIR VIEW OF KING
MINE SHOWING
OLD PIT NOW
PARTLY BACKFILLED
WITH TAILINGS**

DISTRIBUTION OF THE COMPANY INCOME DOLLAR



	1949	1948	1947	1946
MATERIALS & SUPPLIES	16.4	17.8	20.6	16.6
WAGES & SALARIES	40.8	42.3	39.3	39.5
FUEL & POWER	5.5	6.9	8.5	8.9
INSURANCE & TAXES	9.6	9.2	9.1	11.3
OTHER REQUIREMENTS	5.2	8.5	6.9	6.0
DEPRECIATION	8.4	4.3	4.1	4.0
DIVIDENDS	10.8	8.9	10.8	10.8
SURPLUS	3.3	2.1	.7	2.9
	100.0%	100.0%	100.0%	100.0%

Reduction in revenues received and a decrease in the amount of wages disbursed during 1949 has had the effect of somewhat changing the normal pattern of the distribution of your Company's income.

For example, dividend payments which have been identical for the past three years at a figure of \$960,000, though they represent a larger percentage of income this year than last, are in exactly the same proportion as for the years 1945-46-47. On the other hand, wages and salaries though reduced from last year, due to the shorter working year, to a figure of \$3,624,131.30, still absorbed 40.8% of income and are thus by far the largest item of your Company's expenditures.

The proportion of income allotted for depreciation has increased this year, due partly to very substantial additions to plant and equipment during the year and partly as a result of the effect of the new regulations recently announced by the Department of National Revenue.



**ELECTRIC ORE TRAIN DUMPING
INTO ORE PASS ON THE
500' UNDERGROUND LEVEL, KING MINE**

Your Company has approximately 1900 employees, 1700 of whom are hourly paid. Of these 1700, 670 or 39% will have completed ten or more years' service during 1950;



104 of this latter group will have worked for your company or its predecessors for 25 or more years. The over-all average number of years' service is nine. Labour turnover is less than 10% indicating the relative stability of employment with the Company. Your company

has enjoyed good relations with its employees for more than twenty years. It negotiated its first labour contract in 1937 and has usually

E M P L O Y E E S

been on the most amicable terms with its employees' union, Le Syndicat National des Travailleurs de l'Amiante. A new agreement for 1950 has recently been completed with the same Syndicate whereby the minimum rate has been raised to 95 cents an hour. A cost-of-living bonus has also been incorporated into the present contract and it is anticipated that the average hourly earnings per man for 1950 will be in excess of \$1.06.

Bankers

THE ROYAL BANK OF CANADA

Transfer Agent

THE ROYAL TRUST COMPANY, MONTREAL, TORONTO

Registrar

CROWN TRUST COMPANY, MONTREAL, TORONTO

General Counsel

DUQUET & MACKAY, MONTREAL

Auditors

PRICE, WATERHOUSE & COMPANY, MONTREAL

ASBESTOS