

MINES D'AMIANTE UNITED INC.
UNITED ASBESTOS INC.
Annual Report 1982



The cover:

Close-up view of
Asbestos cement grade ore.

CORPORATE PROFILE

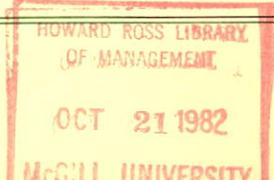
Under a joint venture agreement with Lac D'Amiante du Québec Ltée., a wholly owned subsidiary of Asarco Inc., United Asbestos Inc. receives between 50% and 60% of the net proceeds from the operation of the Black Lake asbestos mine situated in the Province of Quebec. Ore reserves of 91,000,000 tons are adequate for approximately 25 years of production at the present rate and contain an estimated 3,500,000 tons of quality asbestos.

United Asbestos owns 100% of the Midlothian Mine in the Province of Ontario, estimated to contain 150,000,000 tons of ore of which 25,000,000 tons is considered suitable for cement grade processing. There is no current production at this mine although a program of product development is continuing. Resumption of full scale activity is dependant upon improvement in economic conditions world wide as well as clarification by the Province of Ontario of standards for worker exposure to asbestos.

It is the current estimate of management that a further capital and start-up requirement in the magnitude of \$40,000,000 may be necessary to achieve production at Midlothian.

FINANCIAL HIGHLIGHTS

For the years ended March 31	1982	1981	1980	1979	1978
(000's of Canadian dollars, except per share data)					
Revenues from operations	\$ 24,554	\$ 26,075	\$ 26,581	\$ 20,510	\$ 20,714
Income before income taxes	11,430	14,378	13,733	9,398	10,038
Income taxes	3,711	4,408	4,462	2,636	2,900
Net income	7,719	9,970	9,271	6,762	7,138
Net income per share	\$1.09	\$1.41	\$1.31	\$0.96	\$1.01
Retained earnings	61,527	53,808	43,838	34,567	27,805
Cash dividends	Nil	Nil	Nil	Nil	Nil
Net Assets	133,890	124,976	112,990	100,427	97,249
Working capital (deficiency)	14,210	13,718	10,383	(3,718)	(645)
Long term debt	33,750	35,000	35,000	36,615	42,056
Common shares outstanding	7,074,913	7,074,913	7,074,913	7,074,913	7,074,913



TO OUR STOCKHOLDERS

In the several years preceding fiscal 1982, our producing associate in the Black Lake joint venture, Lac D'Amiante du Québec Ltée, has focused its efforts on developing markets and improving cost effectiveness at the mine. In this very difficult economic environment, these efforts have resulted in Lac D'Amiante, and therefore United Asbestos, faring in a much better fashion than our competition.

The asbestos market has been severely impacted by the current recession. It is estimated that at some time during this past fiscal year, free world asbestos production has been as low as 60 percent of rated mine operating capacity. Many of the mines have temporarily curtailed output while others have been closed permanently. It is in this environment that we view 1982 earnings of \$1.09 per share as compared to the previous year's earnings of \$1.41 per share.

On the positive side, United Asbestos closed out the year with a stronger balance sheet than in the previous year. The working capital position improved substantially. With no indication of relief from high interest rates and with substantial debt repayments coming due, there could be some potential pressure on liquidity. United Asbestos has adequate cash reserves to deal with its obligations, although the need to adhere to a conservative spending policy remains mandatory.

The Midlothian operations continue to be idle; product development is continuing at this time to ensure the company will be prepared in the event that a favourable decision is received from the governing environmental boards. If that should occur, the company will be in a position to reassess its corporate strategy regarding the Midlothian property.

During the year the Company has been brought under part 1A of the Québec Companies Act, and, in conformity with the Québec law requiring Québec chartered companies to have a name expressed in the French language, the French name Mines D'Amiante United Inc. was added.

Preliminary merger talks between the Company and Les Ressources Camchib Inc. have taken place. The objective is the creation of a corporate entity best able to capitalize on the strengths inherent in each party.

The outlook for fiscal 1983 is sobering; inflation has not been controlled and the prospect for economic recovery seems even more delayed than earlier estimated. Markets remain weak and unsold asbestos fibre inventories of record dimensions overhang the market. However, our inherent strength remains intact. We expect to continue to outperform the industry, and the company is well-positioned for the anticipated improvement in the economy.

I am pleased to announce the election of Frank K. McGuire as Vice President and General Manager of your company. Mr. McGuire has been active with United Asbestos for ten years and a director since 1977.

Richard L. Lister
Chairman

July 19, 1982

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company's sole source of income is its share of revenues derived from the production and sale of asbestos fibres at the mine located in Black Lake, Quebec. The mine is operated under agreement by Lac D'Amiante du Québec Ltée, a subsidiary of Asarco Inc. of New York, which reports financial and operating details on a quarterly basis.

In fiscal 1982 the Company's current working capital position was improved by \$492,000 on a \$3,051,000 increase in current assets, offset by a \$2,559,000 increase in current liabilities. Compared to fiscal 1980, there was a working capital increase of \$6,544,000.

Cash and cash equivalents at the end of fiscal 1982 were up by \$1,533,000 as compared to the 1981 fiscal year, and up \$7,456,000 when compared to fiscal 1980. The other significant contributor to the increased current assets was the growth in the Company's share of the value of Black Lake unsold production, which rose to \$4,098,000 from \$944,000 in fiscal 1981, and \$914,000 in fiscal 1980. This was largely caused by more inventory tonnage on hand and higher unit costs period by period.

Increases in unsold production has caused the Company's cash share of net proceeds to shrink; thus current accounts receivable were down by \$1,291,000 compared to fiscal 1981 and down by \$2,122,000 compared to fiscal 1980.

The interest bearing deposit as described in Note 3 to the Financial Statements and carried as a current asset on the balance sheet as a prepaid interest deposit amounted to \$3,150,000 at the end of fiscal 1982 compared to \$3,500,000 at the end of fiscal 1981, and \$3,000,000 at the end of fiscal 1980. There was a slight current reduction in interest rates, and the principal outstanding lower due to a repayment made late in fiscal 1982. A balance of \$33,750,000 remains on the long term debt; down from \$35,000,000 a year ago.

When compared to the balance at the end of fiscal 1981, accounts payable are lower by \$591,000 in fiscal 1982, and were lower by \$152,000 compared to fiscal 1980. A \$518,000 liability, since paid off, for vested pension benefits was included in the 1981 balance.

Income taxes payable were \$120,000, \$720,000 and \$66,000 in fiscal 1982, 1981 and 1980 respectively. Revenue Canada has audited the taxation years 1976 through 1981. Certain revenue and expenditure items have been brought into question although no notice of re-assessment has been received to date. The Company's current liquidity would not be materially affected by such an eventuality.

The current portion of long term debt rose to its maximum of \$5,000,000 representing the \$1,250,000 due in each of the four next fiscal quarters (see Note 3 to Financial Statements). This amounted to \$1,250,000 at the end of fiscal 1981, which amount was actually paid in March of 1982. No part of the long term debt was current in fiscal 1980.

If, as is likely, the immediate outlook is for a continuing recession or at best a mild recovery, we can expect little or no relief from the current pressure on cash income; at a time when we must face growing demands on our cash resources. Interest costs and loan repayments will be in the order of \$11,000,000 in fiscal 1982; the interest portion governed by the direction taken by interest rates and cash available for investment short term. The \$5,000,000 loan repayments are fixed by the terms of the loan agreement. These demands can be met from the combination of resources at hand and cash income.

Results of Operations

The current year's income before amortization to be shared by the Company and Lac D'Amiante amounted to \$42,816,000 of which \$24,554,000 accrued to the Company. This compared to \$44,521,000 and \$26,075,000 in fiscal 1981 and \$42,646,000 and \$26,581,000 in fiscal 1980.

The opposing influences of recession and inflation, typical of the 1981-82 economies, left their imprint on the Black Lake results although management feels that Lac D'Amiante is weathering the storm in a much better fashion than any of its competitors.

Operating costs were noticeably higher due to inflation. Sales tonnages were maintained and net value per tonne was unchanged. The combination of rising costs and static revenues put pressure on both income before amortization, which, in fiscal 1982, dropped by 4%, and the Company's share, governed by net proceeds per ton of ore milled, which dropped from 59% to 57%. Comparing fiscal 1982 to fiscal 1980 there was a slight current increase in income, while the Company's share was down from 62% to 57%. That the reductions were not greater is the measure of Lac D'Amiante's success in dealing with and working in an adverse economic climate. So called "addbacks"; which are deductions made in the calculation of the cash portion of the Company's revenue share, and which deductions are actually part of its revenue, were \$794,000 higher in fiscal 1982 than in fiscal 1981, and higher by \$3,895,000 than in fiscal 1980, largely due to greater deferred development.

The Company's own operating expenses were 12% higher in fiscal 1982 than in fiscal 1981; a not unexpected increase, considering the prevailing inflationary factors at large.

Administration expenses were up by \$711,000 due to higher legal and consulting costs and the necessity to hold two shareholder meetings. In specific terms, and in order of magnitude, the items of higher expenditure were, professional

services, up \$276,000; cost of shareholder listing and meetings, up \$207,000; pension plan (first time cost) \$126,000; salaries and wages, up \$41,000.

Compared to fiscal 1980, 1982 administration expenses were up \$1,084,000; professional fees up \$345,000; shareholder listing and meetings, up \$236,000; pension plan, \$126,000; amortization of deferred refinancing costs (first full year) up \$103,000.

Amortization of mining assets was 6% higher in fiscal 1982 than in fiscal 1981 and 3% higher than in fiscal 1980. Amortization of deferred stripping is the major item, which in each of the fiscal years 1982, 1981 and 1980 amounted to \$5,828,000, \$5,539,000 and \$5,781,000 respectively.

At \$5,110,000, net interest costs were \$549,000 greater than in fiscal 1981 and \$409,000 greater than in fiscal 1980. Interest earned was also greater in each of the three periods; not only because of rate increases but also because there was more cash available for investment (appearing on the balance sheet as Short Term Investments and Prepaid Interest Deposit); \$13,769,000 at the end of fiscal 1982; \$12,608,000 at the end of fiscal 1981 and \$6,186,000 at the end of fiscal 1980.

The combination of reduced revenues and higher costs brought current pre-tax earnings \$2,948,000 below fiscal 1981 and \$2,303,000 below fiscal 1980.

The effective tax rates in each of the three years were 32.47%, 30.66% and 32.49%. That rates were higher in fiscal 1982 is due to the relative importance of permanent differences added to book to come to taxable income. Permanent differences were 20% of taxable income in fiscal 1982; 16% in 1981 and 21% in 1980.

At \$1.09 earnings per share in fiscal 1982 were lower than in fiscal 1981 and 1980; \$1.41 and \$1.31 respectively.

MARKET DATA FOR THE COMPANY'S COMMON STOCK

The Company's common stock is traded on the American Stock Exchange in the United States and on the Toronto and Montreal Stock Exchanges in Canada. The high and low sales prices for the Company's common stock for the past two years have been as follows:

	American Stock Exchange*		Toronto and Montreal Stock Exchanges**	
Fiscal 1982	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>
First Quarter	11 1/4	8 7/8	13 1/4	10 1/2
Second Quarter	9 1/4	4 7/8	10 7/8	6
Third Quarter	7 7/8	5 5/8	9 3/4	6 3/8
Fourth Quarter	6 3/4	3 3/8	7 5/8	4
Fiscal 1981				
First Quarter	5 1/8	4	9 1/8	4 3/4
Second Quarter	6 3/4	4 3/4	7 1/2	5 3/8
Third Quarter	7	4 7/8	8	5 3/8
Fourth Quarter	9 1/4	5 1/4	10 3/4	6 3/4

*U.S. Currency

**Canadian Currency

As of June 1, 1982 there were approximately 7,862 holders of record of the Company's common stock. 7,074,913 common shares were issued and outstanding as of that date.

**MINES D'AMIANTE UNITED INC.
UNITED ASBESTOS INC.**

(Incorporated under the laws of Quebec)

BALANCE SHEETS

As at March 31, 1982 and 1981
(thousands of Canadian dollars)

	1982	1981
ASSETS		
Current Assets		
Cash	\$ 35	\$ 13
Short term investments	10,619	9,108
Accounts receivable	2,016	3,307
Share of unsold production, Black Lake	4,098	944
Prepaid interest deposit	3,150	3,500
Prepaid expenses	61	56
	19,979	16,928
Mining Assets		
Black Lake	48,720	43,632
Midlothian	63,894	62,943
	112,614	106,575
Other		
Deferred refinancing costs, net of amortization	831	955
Deferred pension costs	466	518
	1,297	1,473
	\$133,890	\$124,976

On behalf of the Board

Richard L. Lister
Director

Frank K. McGuire
Director

	1982	1981
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 649	\$ 1,240
Income taxes payable	120	720
Current portion of long term debt	5,000	1,250
	5,769	3,210
Long Term Debt	28,750	33,750
Deferred Income Taxes	28,136	24,500

SHAREHOLDERS' EQUITY

Capital Stock

Authorized

Unlimited common shares without par value

Issued		
7,074,913 shares	8,882	8,882
Contributed Surplus	826	826
Retained Earnings	61,527	53,808
	71,235	63,516
	\$133,890	\$124,976

The accompanying notes are an integral part of the financial statements.

AUDITORS' REPORT

To the Shareholders of Mines d'Amiante United Inc. — United Asbestos Inc.

We have examined the balance sheets of Mines d'Amiante United Inc. — United Asbestos Inc. as at March 31, 1982 and 1981 and the statements of income, retained earnings and changes in financial position for each of the three years ended March 31, 1982 and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at March 31, 1982 and 1981 and the results of its operations and the changes in its financial position for each of the three years ended March 31, 1982 in accordance with generally accepted accounting principles applied on a consistent basis.

Montreal, Canada
June 7, 1982

THORNE RIDDELL
Chartered Accountants

MINES D'AMIANTE UNITED INC. UNITED ASBESTOS INC.

STATEMENT OF INCOME

Years ended March 31, 1982, 1981 and 1980
(thousands of Canadian dollars)

	1982	1981	1980
Revenues*			
Net proceeds from operation of Black Lake property	\$22,991	\$20,961	\$26,717
Add items deducted in arriving at net proceeds			
Capital expenditures and deferred development	19,797	18,878	15,695
Supplies inventory	28	153	234
Settlement of prior years' legal claims		4,529	
Income before amortization	42,816	44,521	42,646
Less share accruing to Lac d'Amiante du Québec, Ltée	18,262	18,446	16,065
Share to United Asbestos from operations, before amortization	24,554	26,075	26,581
Operating Expenses			
Administration	1,558	847	474
Amortization of mining assets	6,778	6,405	6,602
Carrying costs, Midlothian property			1,073
Interest on secured debt, net	5,110	4,561	4,701
Less interest capitalized	(322)	(116)	(2)
	13,124	11,697	12,848
Income before income taxes	11,430	14,378	13,733
Income taxes			
Current	75	768	66
Deferred	3,636	3,640	4,396
	3,711	4,408	4,462
Net Income	\$ 7,719	\$ 9,970	\$ 9,271
Earnings per Share	\$1.09	\$1.41	\$1.31

* Revenues were derived solely from the Company's share of revenues realized from the production and sale of asbestos fibres at the Black Lake, Quebec mine operated under agreement by Lac d'Amiante du Québec, Ltée.

The accompanying notes are an integral part of the financial statements.

**MINES D'AMIANTE UNITED INC.
UNITED ASBESTOS INC.**

STATEMENT OF RETAINED EARNINGS

Years ended March 31, 1982, 1981 and 1980
(thousands of Canadian dollars)

	1982	1981	1980
Retained earnings at beginning of year	\$53,808		
As previously reported		\$45,726	\$36,455
Company's portion of legal claims applicable to years prior to 1977			
deducted in determining Net Proceeds, net of deferred income taxes			
of \$829,577		(1,888)	(1,888)
As restated		43,838	34,567
Net income	7,719	9,970	9,271
Retained Earnings at end of year	\$61,527	\$53,808	\$43,838

The accompanying notes are an integral part of the financial statements.

**MINES D'AMIANTE UNITED INC.
UNITED ASBESTOS INC.**

STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended March 31, 1982, 1981 and 1980
(thousands of Canadian dollars)

	1982	1981	1980
Working Capital derived from			
Operations			
Net income	\$ 7,719	\$ 9,970	\$ 9,271
Add (deduct) items not involving working capital			
Deferred income taxes	3,636	3,640	4,396
Amortization of mining assets	6,778	6,405	6,602
Amortization of refinancing costs	124	123	20
Amortization of deferred pension costs	52		
Company's share of capital expenditures, deferred development and supplies inventory, Black Lake	(11,812)	(11,365)	(10,359)
	6,497	8,773	9,930
Proceeds of bank term loan			35,000
	6,497	8,773	44,930
Working Capital applied to			
Additions to Midlothian assets, net	1,005	946	122
Deferred refinancing costs		7	1,092
Deferred pension costs		518	
Repayment of deferred debt payable			36,615
Repayment of long term debt	1,250		
Increase (decrease) in current portion of long term debt payable	3,750	1,250	(7,000)
	6,005	2,721	30,829
Increase in Working Capital	\$ 492	\$ 6,052	\$14,101
Changes in components of Working Capital			
Cash and short term investments	\$ 1,533	\$ 5,923	\$ 3,155
Accounts receivable	(1,291)	(831)	1,689
Share of unsold production, Black Lake	3,154	30	(231)
Prepaid interest deposit and expenses	(345)	556	3,000
Accounts payable and accrued liabilities	591	(439)	(446)
Legal claims		2,717	
Income taxes payable	600	(654)	(66)
Current portion of long term debt	(3,750)	(1,250)	7,000
Increase in Working Capital	\$ 492	\$ 6,052	\$14,101

The accompanying notes are an integral part of the financial statements.

MINES D'AMIANTE UNITED INC. UNITED ASBESTOS INC.

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Share of unsold production, Black Lake

Net proceeds represent revenues from the Black Lake property which, under agreement, is operated by the company's joint venture partner, Lac d'Amiante du Québec, Ltée. The share of unsold production is the amount withheld by Lac d'Amiante from the company's share of net proceeds pending sale of inventory.

Mining assets

(a) Black Lake:

Black Lake mining assets represent the unamortized balances of the following deferred charges:

- (1) the capitalization of the company's interest in the cost of certain fixed assets which by agreement are deductible in the determination of net proceeds from operations
- (2) the capitalization of amounts contributed by the company out of its share of net proceeds for the fixed assets and preproduction expenditures originally paid for by Lac d'Amiante
- (3) the capitalization of the company's interest in deferred development, consisting of the costs of waste tonnage removal (stripping) and dredging which have been charged by Lac d'Amiante against current operations of the respective years in which they were incurred, the benefits of which will, however, in the opinion of the directors of United, accrue over the life of the mine
- (4) the company's own expenditures of the preproduction period.

Amortization charges have been provided in the statement of income in respect of those items capitalized as referred to above based on the life of mining operations estimated to terminate in 2003. The amortization policy is based on projections of the company's engineers who have placed their own interpretation, which is believed to be reasonable and conservative, upon figures made available to the company by Lac d'Amiante as to ore reserves, waste tonnages and yield. Preproduction expenditures and stripping and dredging costs are being amortized at average costs on the basis of tons of fibre shipped. Capital expenditures charged against United's share of net proceeds are amortized on a straight-line basis over the estimated useful lives of the assets.

(b) Midlothian

All preproduction and tune-up costs, less revenue from fibre sales, incurred in the exploration and development of this mine up to March 2, 1977 (the date of closure) have been capitalized, including interest and a portion of administrative expenses. During the period beginning March 2, 1977 and ending January 31, 1980 (the date debt was refinanced) all such costs were charged against income. Costs incurred subsequent to the refinancing of debt and applicable interest thereon have been capitalized. The amortization of capitalized net costs on the unit-of-production method based on total estimated ore reserves will commence at such time as the mine comes into commercial production, which is the point at which production reaches 60% of rated milling capacity. Buildings, machinery and equipment located on the mine site are recorded at cost and, when operations are resumed, they will be depreciated on a straight-line basis over their useful lives commencing at the date the mine comes into commercial production. Certain items of automotive and office equipment, currently being utilized, are being depreciated on a straight-line basis over their expected useful life.

Deferred refinancing costs

These include financing agency, legal and other fees associated with the \$35,000,000 refinancing of debt on January 31, 1980 and are being amortized on a straight-line basis over the term of the loan.

Pension costs

Pension costs in 1982, including funding current and unvested past service, the purchase of final annuities for retirees, and the amortization of costs deferred in 1981, amounted to \$174,512. There are no unfunded pension liabilities. Deferred pension costs are being amortized on a straight-line basis over a ten year period ending March 31, 1991.

2. MINING ASSETS

	Black Lake	Midlothian
	(thousands of Canadian dollars)	
Unamortized costs, March 31, 1979	\$34,915	\$61,875
Additions	10,359	122
	45,274	61,997
Amortization	6,602	
Unamortized costs, March 31, 1980	38,672	61,997
Additions	11,365	946
	50,037	62,943
Amortization	6,405	
Unamortized costs, March 31, 1981	43,632	62,943
Additions	11,812	1,005
	55,444	63,948
Amortization	6,724	54
Unamortized costs, March 31, 1982	\$48,720	63,894

Details of amounts comprising the above balances are shown in Supplementary Information.

3. LONG TERM DEBT

	1982	1981
	(thousands of Canadian dollars)	
Long term loan, Toronto-Dominion Bank		
Balance at beginning of year	\$35,000	\$35,000
Repayment of debt during year	1,250	
	33,750	35,000
Less estimated repayments within one year included in current liabilities	5,000	1,250
Balance at end of year	\$28,750	\$33,750

The first of the mandatory repayments, each amounting to \$1,250,000 of the term loan principal was made on schedule in the quarter ended March 31, 1982. A similar repayment must be made in each of the following quarters not exceeding 27. This period may be shortened by repayments made out of 50% of excess cash flow as defined in the loan agreement. These will serve to reduce the amount and, if large enough, the number of mandatory repayments in inverse order of their occurrence. The loan bore interest at the rate of prime plus 1 3/4% until December 31, 1981 whereupon the rate chargeable became prime plus 1 1/2% and is secured by a charge on the assets of the Company. Under the loan agreement the Company must maintain with the bank an interest earning deposit in an amount sufficient to assure payment of the next 6 months' loan interest (1982 — \$3,150,000; 1981 — \$3,500,000). Dividend payments may only be made out of 50% of excess cash as defined in the loan agreement.

Principal payments on long term debt during the succeeding five years are estimated to be as follows:

Year ending March 31,

1983	\$5,000,000
1984	5,000,000
1985	5,000,000
1986	5,000,000
1987	5,000,000

4. INCOME TAXES

Deferred income taxes are provided in recognition of differences between amounts claimed for income tax purposes and amounts recorded in the accounts where such differences are offset by corresponding amounts in other periods. The sources of these differences and the tax effect of each are as follows:

	1982	1981	1980
	(thousands of Canadian dollars)		
Credits to income arising from capitalization of interest in capital expenditures, development costs, etc., at Black Lake property, less related amortization	\$2,625	\$2,563	\$1,867
Excess of mine development costs expensed in tax calculations over related amounts expended in the accounts	1,011	1,077	2,529
Deferred income tax expense	3,636	3,640	4,396
Current income tax expense	75	768	66
Tax expense	\$3,711	\$4,408	\$4,462

The ratio of applicable taxes to income before income taxes is less than the statutory Federal and Provincial income tax rates. The reasons for the differences, and their effect on the tax ratio, are as follows:

	1982	1981	1980
	%	%	%
Statutory tax rates	51.0	51.1	48.9
Increase (reduction) in taxes resulting from:			
Depletion	(10.8)	(11.6)	(12.3)
Mining taxes	12.0	9.0	11.7
Resource allowance	(20.5)	(17.9)	(16.8)
Receivership legal expenses			.9
Other items	.8	.1	.1
Tax expense	32.5%	30.7%	32.5%

It is anticipated that subsequent to March 31, 1982 the ratio of applicable taxes to income before income taxes will increase to approximately 40% due to the virtual exhaustion of earned depletion available in the determination of taxes.

5. PRIOR PERIODS' ADJUSTMENT

The accounts for the year ended March 31, 1981 were affected by the settlement of approximately 70% of the pending legal claims for alleged health damage due to exposure to asbestos of employees of purchasers of the material. The total involved was \$4,528,755 of which the Company's portion was \$2,717,253. As these claims related to periods prior to 1977, prior periods' earnings, net of income taxes of \$829,577, were reduced by \$1,887,676. It is not possible to estimate the amount of any remaining claims but such settlements, if significant, will be treated as prior periods' adjustments. The total of settlements made in the current year was immaterial.

6. UNITED STATES ACCOUNTING PRINCIPLES

The Company follows Canadian accounting principles which are different from those applicable in the United States with respect to the prior period adjustment. Under United States principles income would have been affected as follows.

	1982	1981	1980
(thousands of Canadian dollars)			
Net income based on Canadian accounting principles	\$ 7,719	\$ 9,970	\$ 9,271
Legal claims, net of income tax		(1,888)	
Net income based on United States accounting principles			
	\$ 7,719	\$ 8,082	\$ 9,271
Earnings per share			
Canadian	\$ 1.09	\$ 1.41	\$ 1.31
United States	\$ 1.09	\$ 1.14	\$ 1.31

The cumulative effect of the application of United States accounting principles on retained earnings would be as follows:

	1982	1981	1980
(thousands of Canadian dollars)			
Retained earnings based on Canadian accounting principles	\$61,527	\$53,808	\$43,838
Legal claims, net of income tax			1,888
Retained earnings based on United States accounting principles			
	\$61,527	\$53,808	\$45,726

The effect of the application of United States accounting principles on working capital would be as follows:

	1982	1981	1980
(thousands of Canadian dollars)			
Increase in working capital based on Canadian accounting principles	\$ 492	\$ 6,052	\$14,101
Legal claims		(2,717)	
Increase in working capital based on United States accounting principles			
	\$ 492	\$ 3,335	\$14,101

7. QUARTERLY DATA

Quarters **unaudited**

	Revenues	Net income	Earnings per share
Quarter ended	(thousands of Canadian dollars)		
June 30, 1981	\$ 5,727	\$ 1,860	\$.26
September 30, 1981	6,479	2,056	.29
December 31, 1981	7,221	2,371	.34
March 31, 1982	5,127	1,432	.20
Year ended March 31, 1982	\$24,554	\$ 7,719	\$1.09

Quarter ended

June 30, 1980	\$ 6,764	\$ 2,643	\$.37
September 30, 1980	7,571	3,168	.45
December 31, 1980	6,508	2,572	.36
March 31, 1981	5,232	1,587	.23
Year ended March 31, 1981	\$26,075	\$ 9,970	\$1.41

8. SHAREHOLDERS' EQUITY

	1982	1981	1980
(thousands of Canadian dollars)			
Retained earnings at beginning of year	\$53,808		
As previously reported		\$45,726	\$36,455
Company's portion of legal claims applicable to years prior to 1977 deducted in determining Net Proceeds, net of deferred income taxes of \$829,577		(1,888)	(1,888)
As restated		43,838	34,567
Net income	7,719	9,970	9,271
Retained earnings at end of year	61,527	53,808	43,838
Contributed surplus	826	826	826
Capital stock			
Authorized — unlimited common shares without par value			
Issued — 7,074,913 shares	8,882	8,882	8,882
	\$71,235	\$63,516	\$53,546

9. LEGAL PROCEEDINGS

On December 18, 1981 an alleged shareholder commenced a derivative and class action in the United States District Court for the Southern District of New York against the Company, among others, and certain of its directors and officers. It is alleged that the proxy statement dated August 28, 1981 was materially false and misleading and that the defendant directors and officers breached their fiduciary duties when they sold their shares of stock to Les Ressources Camchib Inc. in violation of Sections 10(b) and 14 of the Securities Exchange Act of 1934 and the Common Law. The Company does not believe there is any merit to the claims and counsel has moved for dismissal.

On June 4, 1982 a second suit was launched in the United States District Court for the Southern District of New York against the Company, seeking among other remedies an injunction to prevent the merger of the company and Les Ressources Camchib Inc. In the opinion of counsel there is no merit to the claim and counsel will move for dismissal.

10. CONTINUANCE AND CHANGE OF NAME

During the year the company applied to continue the company under Part 1A of the Quebec Companies Act, including authorization of unlimited common share capital. Also, the name "Mines d'Amiante United Inc." was authorized as the French name of the company in compliance with the laws of the Province of Quebec .

11. RECLASSIFICATIONS

Certain prior years' figures have been reclassified to conform with the 1982 presentation.

12. SUPPLEMENTARY INFORMATION

Mining assets	<i>Balance at beginning of year</i>	<i>Additions (Deductions)</i>	<i>Amortization</i>	<i>Balance at end of year</i>
Year ended March 31, 1982				
Black Lake				
Interest in preproduction expenditures, fixed assets and development costs, net of amortization				(thousands of Canadian dollars)
Fixed assets charged against net proceeds	\$ 2,148	\$ 441	\$ 387	\$ 2,202
Amounts contributed to fixed assets and preproduction expenditures originally paid for by Lac d'Amiate	10,670	444	430	10,684
Stripping costs	28,337	10,913	5,828	33,422
Dredging costs	427		22	405
United Asbestos' preproduction expenditures recoverable out of net proceeds	794		41	753
Supplies inventory charged against net proceeds	930	14		944
	43,306	11,812	6,708	48,410
United Asbestos' administrative and other expenses of preproduction period, net of amortization	326		16	310
	43,632	11,812	6,724	48,720
Midlothian				
Mining claims, buildings, machinery and equipment, at cost	29,753	(69)	54	29,630
Preproduction and tune-up costs, net of amortization, and net of sales to March 2, 1977 of \$2,974,831	22,245	812		23,057
Mine project financing costs	7,286	322		7,608
Employees' housing, at cost	3,458	(60)		3,398
Supplies inventory, at lower of cost and estimated net realizable value	201			201
	62,943	1,005	54	63,894
	\$106,575	\$12,817	\$6,778	\$112,614
Year ended March 31, 1981	<i>Balance at beginning of year</i>	<i>Additions (Deductions)</i>	<i>Amortization</i>	<i>Balance at end of year</i>
Black Lake				
Interest in preproduction expenditures, fixed assets and development costs, net of amortization				(thousands of Canadian dollars)
Fixed assets charged against net proceeds	\$ 1,529	\$ 977	\$ 358	\$ 2,148
Amounts contributed to fixed assets and preproduction expenditures originally paid for by Lac d'Amiate	10,695	402	427	10,670
Stripping costs	23,796	10,080	5,539	28,337
Dredging costs	450		23	427
United Asbestos' preproduction expenditures recoverable out of net proceeds	835		41	794
Supplies inventory charged against net proceeds	1,024	(94)		930
	38,329	11,365	6,388	43,306
United Asbestos' administrative and other expenses of preproduction period, net of amortization	343		17	326
	38,672	11,365	6,405	43,632
Midlothian				
Mining claims, buildings, machinery and equipment, at cost	29,753			29,753
Preproduction and tune-up costs, net of amortization, and net of sales to March 2, 1977 of \$2,974,831	21,385	860		22,245
Mine project financing costs	7,170	116		7,286
Employees' housing, at cost	3,488	(30)		3,458
Supplies inventory, at lower of cost and estimated net realizable value	201			201
	61,997	946		62,943
	\$100,669	\$12,311	\$6,405	\$106,575

12. SUPPLEMENTARY INFORMATION (Continued)

Mining assets (Continued)	<i>Balance at beginning of year</i>			<i>Balance at end of year</i>
Year ended March 31, 1980		<i>Additions</i>	<i>Amortization</i>	
Black Lake				
Interest in preproduction expenditures, fixed assets and development costs, net of amortization				(thousands of Canadian dollars)
Fixed assets charged against net proceeds	\$ 1,317	\$ 491	\$ 279	\$ 1,529
Amounts contributed to fixed assets and preproduction expenditures originally paid for by Lac d'Amiante	10,861	288	454	10,695
Stripping costs	20,285	9,292	5,781	23,796
Dredging costs	474		24	450
United Asbestos' preproduction expenditures recoverable out of net proceeds	880		45	835
Supplies inventory charged against net proceeds	736	288		1,024
	34,553	10,359	6,583	38,329
United Asbestos' administrative and other expenses of preproduction period, net of amortization	362		19	343
	34,915	10,359	6,602	38,672
Midlothian				
Mining claims, buildings, machinery and equipment, at cost	29,753			29,753
Preproduction and tune-up costs, net of amortization, and net of sales to March 2, 1977 of \$2,974,831	21,265	120		21,385
Mine project financing costs	7,168	2		7,170
Employees' housing, at cost	3,488			3,488
Supplies inventory, at lower of cost and estimated net realizable value	201			201
	61,875	122		61,997
	\$96,790	\$10,481	\$6,602	\$100,669

MINES D'AMIANTE UNITED INC. UNITED ASBESTOS INC.

Directors

ROGER E. BAKER
Secretary of United Asbestos Inc.
Partner of Baker, Nudleman,
Lamontagne & Dupont,
barristers & solicitors,
Montréal, Québec

JAMES D. BEATTY
President, Trinity Capital Corporation;
previously associated with Gardiner,
Watson Ltd., Toronto, Ontario

NED GOODMAN
Vice-President & Director of Beutel,
Goodman & Company Ltd.
Toronto, Ontario. Chairman of the
Board, Campbell Resources Inc.
Director of Les Ressources Camchib Inc.

ALFRED HAMEL
President of Quebecair
Montréal, Québec

WARREN G. HAMER
Associated with
Corporate Property Investors
New York, N.Y.

HUBERT MARLEAU
Executive Vice-President and Director of
Levesque, Beaubien Inc.
Montréal, Québec

DR. RICHARD L. LISTER
President, Chairman and Chief Executive
Officer of United Asbestos Inc.
Montréal, Québec
President and Chief Executive Officer
and Director of Les Ressources Camchib
Inc. and of Campbell Resources Inc.
Toronto, Ontario

FRANK K. McGUIRE
Vice-President and General Manager
of United Asbestos Inc.

GEORGE ROSS
Retired. Previously Vice-President and
Director of IMASCO Ltd.,
Montréal, Québec

Officers

RICHARD L. LISTER
Chairman of the Board
President and Chief Executive Officer

FRANK K. McGUIRE
Vice-President and General Manager

ROGER E. BAKER
Secretary

Corporate Information

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Suite 1434, 800 Dorchester Blvd. West,
Montréal, Québec H3B 1X9

Mine Office:
Matachewan, Ontario

Auditors:
Thorne Riddell,
Montréal, Canada

Transfer Agents and Registrars:
Canada Permanent Trust Co.,
Montréal, Canada
The Toronto-Dominion Bank Trust Co.,
New York, U.S.A.

Stock Exchange Listings: (Symbol UAS)
American, Montréal and Toronto
Stock Exchanges

