United Asbestos Inc.

ANNUAL REPORT

FOR THE YEAR

ENDED

MARCH 31, 1980

Directors

RICHARD F. DOOLEY
Vice-President, United Asbestos Inc.
Honorary Vice-President,
Bethlehem Copper Corp.,
Chicago, Illinois

ENID D. HERVEY
Accountant
Montreal, Quebec

HAROLD E. JOHNSON
Executive Vice-President of
The Continental Corp.
New York, N.Y.

PETER J. MALOUF
Secretary-Treasurer of
United Asbestos Inc.
Montreal, Quebec

PHILIP M. MALOUF
Chairman of the Board,
United Asbestos Inc.
Montreal, Quebec

FRANK K. McGUIRE
Controller of
United Asbestos Inc.
Montreal, Quebec

DAVID WALSH
Vice-President of
Midland Doherty Ltd.
Montreal, Quebec

Officers

PHILIP M. MALOUF
Chairman of the Board and
Chief Executive Officer

RICHARD F. DOOLEY
Vice-President

PETER J. MALOUF
Secretary-Treasurer

FRANK K. McGUIRE
Controller

Corporate Information

Head Office and Executive Office:
Suite 1434, 800 Dorchester Blvd. West,
Montreal, Quebec H3B 1X9

Mine Office:
Matachewan, Ontario

Counsel:
Kaye, Scholer, Fierman, Hays & Handler,
New York, U.S.A.
Baker, Nudleman, Lamontagne & Dupont,
Montreal, Canada

Auditors:
Thorne Riddell,
Montreal, Canada

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

Stock Exchanges: (Symbol UAS)
American Stock Exchange,
U.S.A.
Montreal and Toronto Stock Exchanges,
Canada

TO THE SHAREHOLDERS OF
UNITED ASBESTOS INC.

A Year of Improvements

The highlight of the fiscal year here under review was of course the successful refinancing of our Company's indebtedness and the recovery of control of its assets. Having re-established ourselves on a firm financial footing we can now proceed to develop our potential as a factor in the asbestos industry and to bring the full weight of our efforts to bear on its exploitation. The support of our fiscal agent, Gardiner Watson Limited, for whose efforts we are grateful and to whom we tender our appreciation, and the willingness of The Toronto-Dominion Bank to advance funds attest not only to their positive assessment of the long term outlook of the asbestos industry but also their confidence that our Company will play a successful role in it.

The sterling performance of Lac D'Amiante du Québec Ltée. ("LAQ"), our joint venture partner in the operation at Black Lake, Quebec, was also an important factor in our successful refinancing. The joint venture continues to prosper and the 1980 results both in terms of cash flow and earnings per share were at a record high. A summary of the Company's financial highlights are tabulated below:

Year Ended March 31:	**1980**	**1979**	**1978**	**1977**
		($'000)		
Total Assets	$ 112,990	$ 100,427	$ 97,249	$ 90,712
Long Term Debt	35,000	—	—	—
Deferred Debt[1]	—	29,615	38,056	42,408
Net Worth	55,434	46,162	39,400	32,262
Net Proceeds of Joint Venture Operations with Asarco	26,717	19,842	19,477	16,433
United's share of Net Proceeds or Cash Flow	16,500	11,320	11,420	8,430

Note (1) excluding current portion of estimated repayment as shown on balance sheet.

Joint Venture with LAQ

Lac D'Amiante continues to demonstrate its capabilities both as a producer and a marketing organization. Their long term on-property development program in calendar 1979 realized a net gain of 1,772,000 tons of ore. For the year ended March 31, 1980, operations resulted in shipments of 162,685 tons and production of 160,057 tons as compared with 164,129 tons and 162,010 tons respectively for the comparable previous twelve month period. The gross value of shipments was $86.3 million as compared with $74.9 million in the previous year. They are entering new markets and are pursuing a vigorous program designed to increase sales of cement grade fibres as an assurance against volume losses due to the current downturn in economic activity in the U.S. and the possible adverse effects of new environmental and health regulations. The joint venture is well positioned to meet current challenges and we are therefore looking forward to its having another good year.

The matter of Asarco's decision to use joint venture monies for pension and product liability insurance funding to which, as we reported last year, we objected, is still under study. We are concerned not only with the manner in which the funds were used but also with the principle involved. Though no quick resolution is anticipated, because of our close relationship we are certain that a satisfactory conclusion can be reached.

Midlothian

The Midlothian property was returned to us on January 31, 1980. Since then we have been conducting engineering studies on the start-up costs. Early expectations are that the outlays required will be substantial. Any plan for resumption of operations must be governed by current consumption trends which are clearly moving in the direction of cement grades and away from shorter fibres. The mill flow sheet and equipment deployment must be altered accordingly.

We intend to move ahead, but with deliberation and care our watchwords. Under the loan agreement with The Toronto-Dominion Bank we can, over the first 2 years, devote up to $20,000,000 of our cash flow to Midlothian. This accumulates only as profits are earned; we have no claim on any part of that amount until it is actually in our coffers and spending schedules must be tailored accordingly. We intend to avoid any action that might give rise to undue strain on our financial resources.

There are two other factors which must be considered. The outlook for world economy in general, and that of the U.S. in particular, is such that we can see no advantage in undue haste. Then there remains the matter of the politicization of environmental problems both at home and in the U.S., more properly treated on their technical merits and deserving much more detached scientific study and analysis. The outcome will have an influence on our planning, though we should make clear we believe that the result will be the establishment of necessary safeguards for the welfare of the public at large and those engaged in our industry and that over time asbestos, with its many useful characteristics, will maintain its place in the service of the community. Meanwhile we are gathering our financial strength. The potential of Midlothian is real and exploitable and its development need only be properly synchronized.

Envoi to a Staunch Friend

In closing we want to pay tribute to the memory of Max Margolis, a Director of the Company since 1973, who passed away early in 1980. He served our Company long and well and his devotion and timely advice will be sorely missed.

On behalf of the Board of Directors

Philip M. Malouf
Chairman & Chief Executive Officer

Montreal, July 17th, 1980

UNITED ASBESTOS INC.

(Incorporated under the laws of Quebec)

BALANCE SHEETS

As at March 31, 1980 and 1979

	1980	1979
ASSETS		
Current Assets		
Cash	$ 11,648	$ 43,148
Short term investments	3,186,213	
Accounts receivable	4,137,933	2,449,205
Share of unsold production, Black Lake	913,751	1,144,208
Prepaid interest deposit *(note 4)*	3,000,000	
	11,249,545	3,636,561
Mining Assets *(note 3)*		
Black Lake	38,671,801	34,914,687
Midlothian	61,997,468	61,875,295
	100,669,269	96,789,982
Other		
Deferred refinancing cost, net of amortization	1,071,262	
	$112,990,076	$100,426,543

Approved by the Board

Philip M. Malouf, Director

Peter J. Malouf, Director

	1980	1979
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 800,580	$ 354,843
Income taxes payable	66,000	
Estimated repayment of long term debt *(note 4)*		7,000,000
	866,580	7,354,843
Long Term Debt *(note 4)*	35,000,000	29,615,075
Deferred Income Taxes	21,690,000	17,294,000
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized		
10,000,000 shares without par value		
Issued		
7,074,913 shares	8,881,638	8,881,638
Contributed Surplus	825,732	825,732
Retained Earnings	45,726,126	36,455,255
	55,433,496	46,162,625
	$112,990,076	$100,426,543

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

AUDITORS' REPORT

To the Shareholders of United Asbestos Inc.

We have examined the balance sheets of United Asbestos Inc. as at March 31, 1980 and 1979 and the statements of income and retained earnings and changes in financial position for the years then ended 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 report dated June 15, 1979 our opinion on the 1979 financial statements was qualified as being subject to the ability of the company to obtain new long term financing which would make it possible for the company to continue as a going concern. This financing was arranged in the current year and the company regained control of its assets. Accordingly, we no longer qualify our opinion on the 1979 financial statements as presented herein.

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, 1980 and 1979 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Montreal, Canada
May 28, 1980

THORNE RIDDELL
Chartered Accountants

UNITED ASBESTOS INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended March 31, 1980 and 1979

	1980	1979
Revenues		
Net proceeds from operation of Black Lake property	$26,717,033	$19,841,619
Add (deduct) items deducted (added) in arriving at net proceeds		
Capital expenditures and deferred development	15,694,757	16,384,537
Supplies inventory	234,611	(355,695)
Income before amortization	42,646,401	35,870,461
Less share accruing to Lac d'Amiante du Québec, Ltée	16,065,260	15,360,056
Share to United Asbestos from operations, before amortization	26,581,141	20,510,405
Operating Expenses		
Administration	474,649	279,223
Amortization of mining assets *(note 3)*	6,601,864	5,666,754
Carrying costs, Midlothian property *(note 2(b))*	1,072,742	995,177
Interest on secured debt *(note 2(b))*	4,700,707	4,170,547
Less interest capitalized	(1,692)	
	12,848,270	11,111,701
Income before income taxes	13,732,871	9,398,704
Income taxes		
Current	66,000	
Deferred	4,396,000	2,636,000
	4,462,000	2,636,000
Net Income	9,270,871	6,762,704
Retained Earnings at beginning of year	36,455,255	29,692,551
Retained Earnings at end of year	$45,726,126	$36,455,255
Earnings per Share	$1.31	$0.96

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

UNITED ASBESTOS INC.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended March 31, 1980 and 1979

	1980	1979
Working Capital derived from		
Operations		
Net income	**$ 9,270,871**	$ 6,762,704
Add (deduct) items not involving working capital		
Deferred income taxes	**4,396,000**	2,636,000
Amortization of mining assets	**6,601,864**	5,666,754
Amortization of refinancing costs	**20,405**	
Company's share of capital expenditures, deferred development and supplies inventory, Black Lake	**(10,358,978)**	(9,496,543)
	9,930,162	5,568,915
Proceeds of bank term loan	**35,000,000**	
	44,930,162	5,568,915
Working Capital applied to		
Additions to Midlothian assets	**122,173**	
Deferred refinancing costs	**1,091,667**	
Repayment of deferred debt payable	**36,615,075**	5,441,326
Increase (decrease) in current portion of long-term debt payable	**(7,000,000)**	3,000,000
	30,828,915	8,441,326
Increase (decrease) in Working Capital	**14,101,247**	(2,872,411)
Working Capital deficiency at beginning of year		
As previously reported	**(3,517,282)**	(644,871)
Midlothian supplies inventory transferred to Mining Assets	**(201,000)**	(201,000)
As restated	**(3,718,282)**	(845,871)
Working Capital (deficiency) at end of year	**$10,382,965**	$ (3,718,282)

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

UNITED ASBESTOS INC.

NOTES TO FINANCIAL STATEMENTS

Years ended March 31, 1980 and 1979

1. STATUS OF COMPANY

As a result of action initiated under the terms of a Trust Deed (issued in conjunction with Collateral Mortgage Bonds) held on behalf of two major creditors, the company lost possession and control, but not ownership, of its assets on March 2, 1977, which until Jaunary 31, 1980 were under the control and management of an Agent appointed by the principal secured creditor.

On March 4, 1977 the company made a Proposal to its creditors which after several amendments was accepted by them and then ratified by the Court on December 14, 1977. Under this Proposal all indebtedness was to have been paid out of the company's share of the net proceeds of the joint venture operation at Black Lake.

On January 16, 1980 a formal loan agreement for $35,000,000 (note 4) was executed between The Toronto-Dominion Bank and the company and on January 31, 1980 the proceeds of the loan were advanced to the company and all existing creditors, secured, unsecured and others were paid in full. Simultaneously, the above-mentioned Proposal was terminated and the company regained complete recovery, possession and control of all its assets.

2. SIGNIFICANT ACCOUNTING POLICIES

Share of unsold production, Black Lake

Net proceeds represents 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 (note 3)

(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.

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.

Income taxes

The company records deferred income taxes which arise from claiming depreciation and other items for tax purposes in amounts differing from amounts recorded in the accounts.

3. MINING ASSETS

Year ended March 31, 1980	*Balance at beginning of year*	*Additions*	*Amortization*	*Balance at end of year*
Black Lake				
Interest in preproduction expenditures, fixed assets and development costs, net of amortization				
Fixed assets charged against net proceeds	$ 1,316,569	$ 490,896	$ 279,222	**$ 1,528,243**
Amounts contributed to fixed assets and preproduction expenditures originally paid for by Lac d'Amiante	10,861,147	288,506	454,260	**10,695,393**
Stripping costs	20,285,432	9,291,647	5,781,209	**23,795,870**
Dredging costs	473,790		24,073	**449,717**
United Asbestos' preproduction expenditures recoverable out of net proceeds	880,038		44,713	**835,325**
Supplies inventory charged against net proceeds	735,814	287,929		**1,023,743**
	34,552,790	10,358,978	6,583,477	**38,328,291**
United Asbestos' administrative and other expenses of preproduction period, net of amortization	361,897		18,387	**343,510**
	34,914,687	10,358,978	6,601,864	**38,671,801**
Midlothian				
Mining claims, buildings, machinery and equipment, at cost	35,066,626			**35,066,626**
Preproduction and tune-up costs, net of amortization, and net of sales to March 2, 1977 of $2,974,831	15,951,466	120,481		**16,071,947**
Mine project financing costs	7,167,608	1,692		**7,169,300**
Employees' housing, at cost	3,488,595			**3,488,595**
Supplies inventory, at lower of cost and estimated net realizable value	201,000			**201,000**
	61,875,295	122,173		**61,997,468**
	$96,789,982	$10,481,151	$6,601,864	**$100,669,269**

Year ended March 31, 1979	*Balance at beginning of year*	*Additions (Deductions)*	*Amortization*	*Balance at end of year*
Black Lake				
Interest in preproduction expenditures, fixed assets and development costs, net of amortization				
Fixed assets charged against net proceeds	$ 1,382,256	$ 180,435	$ 246,122	$ 1,316,569
Amounts contributed to fixed assets and preproduction expenditures originally paid for by Lac d'Amiante	10,994,948	305,713	439,514	10,861,147
Stripping costs	15,992,812	9,188,243	4,895,623	20,285,432
Dredging costs	497,399		23,609	473,790
United Asbestos' preproduction expenditures recoverable out of net proceeds	923,890		43,852	880,038
Supplies inventory charged against net proceeds	913,662	(177,848)		735,814
	30,704,967	9,496,543	5,648,720	34,552,790
United Asbestos' administrative and other expenses of preproduction period, net of amortization	379,931		18,034	361,897
	31,084,898	9,496,543	5,666,754	34,914,687
Midlothian				
Mining, claims, buildings, machinery and equipment, at cost	35,066,626			35,066,626
Preproduction and tune-up costs, net of amortization, and net of sales to March 2, 1977 of $2,974, 831	15,951,466			15,951,466
Mine project financing costs	7,167,608			7,167,608
Employees' housing, at cost	3,488,595			3,488,595
Supplies inventory, at lower of cost and estimated net realizable value	201,000			201,000
	61,875,295			61,875,295
	$92,960,193	$9,496,543	$5,666,754	$96,789,982

4. LONG-TERM DEBT

	1980	1979
Obligations arising out of secured debt default on March 2, 1977:		
Balance at beginning of year	**$36,615,075**	$42,056,401
Repayment of debt during year, net	**36,615,075**	5,441,326
	Nil	36,615,075
Long-term loan	**35,000,000**	
	35,000,000	36,615,075
Less estimated repayments within one year included in current liabilities		7,000,000
Balance at end of year	**$35,000,000**	$29,615,075
Consisting of:		
Term loan from The Toronto-Dominion Bank	**$35,000,000**	
Secured creditors' loans		$29,467,182
Other creditors net of funds held on their behalf by the trustee		7,147,893
	35,000,000	36,615,075
Less estimated repayments within one year included in current liabilities		7,000,000
	$35,000,000	$29,615,075

The loan from The Toronto-Dominion Bank has a nine year term and repayments on principal will begin in the quarter following that in which the company has accumulated $20,000,000 for the reactivation of the Midlothian mine, or December 31, 1981, whichever is earlier. Principal repayments are to be made in not more than 28 equal quarterly instalments, but the number of instalments may be reduced in inverse order by the application of 50% of excess cash as defined in the loan agreement. The rates of interest are prime plus 1¾% until December 31, 1981 and prime plus 1½% thereafter. The loan is secured by a charge on all the assets of the company and it is a condition of the loan that the company must maintain with the bank an interest-earning deposit in an amount to assure payment of the next six months' loan interest (1980, $3,000,000).

5. QUARTERLY DATA

(Quarters unaudited)	*Revenues*	*Net income*	*Earnings per share*
Quarter ended			
June 30, 1979	$ 6,569,448	$2,462,638	$ .35
September 30, 1979	6,772,820	2,592,963	.36
December 31, 1979	6,187,466	1,654,643	.24
March 31, 1980	7,051,407	2,560,627	.36
Year ended March 31, 1980	$26,581,141	$9,270,871	$1.31
Quarter ended			
June 30, 1978	$ 5,353,286	$1,919,701	$ .27
September 30, 1978	6,502,582	2,708,863	.38
December 31, 1978	3,975,554	805,184	.11
March 31, 1979	4,678,983	1,328,956	.20
Year ended March 31, 1979	$20,510,405	$6,762,704	$ .96

6. OTHER INFORMATION

Expenses of the Agent during his control of the company's assets are as follows:	*March 2, 1977 to March 31, 1978*	*April 1, 1978 to March 31, 1979*	*April 1, 1979 to January 31, 1980*	*March 2, 1977 to January 31, 1980*
Professional fess and expenses	$ 435,651	$331,951	$238,456	$1,006,058
Mine maintenance, etc.	560,544	391,985	218,407	1,170,936
Engineering, diamond drilling and testing for mine evaluation	266,821	16,844	2,564	286,229
Personnel termination costs	234,058	1,482		235,540
Insurance	553,264	137,372	110,945	801,581
Selling costs of fibre, etc.	121,572			121,572
Administrative expenses	156,339	405	2,173	158,917
Interest	105,911	42,716	1,421	150,048
Townsite costs	32,871	72,422	51,760	157,053
	$2,467,031	$995,177	$625,726	$4,087,934

7. RECLASSIFICATIONS

Certain 1979 figures have been reclassified to conform with the 1980 presentation.

SUMMARY OF OPERATIONS AND STATEMENT OF RETAINED EARNINGS

Five years ended March 31, 1980

	1976	1977	1978	1979	1980
REVENUES*					
Net proceeds from operation of Black Lake property	$ 4,279,917	$16,432,529	$19,477,421	$19,841,619	$26,717,033
Add (deduct) items deducted (added) in arriving at net proceeds					
Capital expenditures and deferred development	3,866,320	12,073,818	14,499,108	16,384,537	15,694,757
Supplies inventory			1,827,323	(355,695)	234,611
Income before amortization	8,146,237	28,506,347	35,803,852	35,870,461	42,646,401
Less share accruing to Lac d'Amiante du Québec, Ltée	4,073,118	13,883,355	15,089,850	15,360,056	16,065,260
Share to United Asbestos from operations, before amortization	4,073,119	14,622,992	20,714,002	20,510,405	26,581,141
OPERATING EXPENSES					
Administration	590,163	638,165	290,026	279,223	474,649
Mining assets					
Amortization	1,613,235	4,016,353	4,644,511	5,666,754	6,601,864
Exploration expenditures		490,443	1,924,239	995,177	1,072,742
Carrying costs, Midlothian property					
Interest on secured debt	2,787,082	4,149,064	3,817,157	4,170,547	4,700,707
Less interest capitalized	(2,787,082)	(3,844,557)			(1,692)
	2,203,398	5,449,468	10,675,933	11,111,701	12,848,270
Income before income taxes	1,869,721	9,173,524	10,038,069	9,398,704	13,732,871
Income taxes					
Current					66,000
Deferred	463,000	2,466,000	2,900,000	2,636,000	4,396,000
	463,000	2,466,000	2,900,000	2,636,000	4,462,000
NET INCOME	1,406,721	6,707,524	7,138,069	6,762,704	9,270,871
Retained earnings at beginning of year	14,440,237	15,846,958	22,554,482	29,692,551	36,455,255
RETAINED EARNINGS AT END OF YEAR	$15,846,958	$22,554,482	$29,692,551	$36,455,255	$45,726,126
Earnings per share					
Number of shares outstanding	7,074,913	7,074,913	7,074,913	7,074,913	7,074,913
Net income	20¢	95¢	$1.01	96¢	$1.31

*Revenues, other than investment income, derived solely from production and sale of asbestos fibre at Black Lake property under agreement with Lac d'Amiante du Québec, Ltée.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

1980 versus 1979

Total revenues for 1980 increased by $6,070,736 (30%) as compared to 1979 due to increases of $5,191,094 (46%) in the Company's share of Black Lake net proceeds and $879,642 (10%) in its share of add-backs to revenue for capital expenditures, deferred development and supplies inventory adjustment entering into the determination of net proceeds.

The increase of $5,191,094 in the Company's share of net proceeds is mainly due to the effect on 1979 results for a one-time charge in that year of $4,875,500 for retroactive costs of product liability insurance and past service pension funding. The increase of $879,642 in the add-backs to revenue is comprised of an adjustment of $465,777 (262%) in supplies inventory and increases of $310,461 (172%) and $103,404 (1%) in capital expenditures and deferred development, respectively.

Operating expenses for 1980 increased by $1,736,569 (16%) comprised of the following increases; administration $195,426 (70%), amortization of mining assets $935,110 (16%), Midlothian property carrying costs $77,565 (8%) and interest on secured debt $528,468 (13%). The increase of $195,426 in administration is due to increases in salaries, professional fees, office rent, cost of shareholders' meetings, etc., all of which are being normalized subsequent to management's regaining control of the corporate assets on January 31, 1980. The increase in amortization of $935,110 is mainly due to a $0.0956 (17%) increase in the average unit cost of waste tons amortized although the increase in the number of waste tons amortized was immaterial. The increase of $528,468 in interest on secured debt was due to higher interest rates.

Current income taxes increased by $66,000 (100%) in 1980 as compared to no current income taxes payable for the 1979 year. Deferred income taxes for 1980 increased by 1,760,000 (67%) due to the increase in pre-tax income.

1979 versus 1978

Total revenues for the year ended March 31, 1979 decreased by $203,597 or 1%. Although fibre tons sold increased by 9%, mine operations were adversely affected by costs of $4,875,500 incurred by the joint-venture partner for three-year retroactive product liability insurance and for past service pension funding.

Operating expenses increased by $435,768 or 4%, of which increases of $1,022,242 (22%) in amortization charges and $353,390 (9%) in interest costs were offset by decreases of $929,062 (48%) in Midlothian carrying costs and $10,803 in administration expenses. Amortization increased due to the 9% increase in fibre tons sold and an increase of 7% in the average waste ton unit cost. Interest increased due to substantial interest rate increases during the year.

Deferred income taxes decreased by $264,000 or 9%.

MARKET PRICE FOR COMPANY'S SHARES

	1980		1979		1978	
Quarter Ending:	*High*	*Low*	*High*	*Low*	*High*	*Low*
March	9.25	5.00	3.40	2.45	1.40	.80
June	6.38	4.75	3.60	2.80	1.75	1.25
September	—	—	3.70	2.90	2.25	1.50
December	—	—	6.70	3.40	2.70	1.75

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