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A S B E S T O S

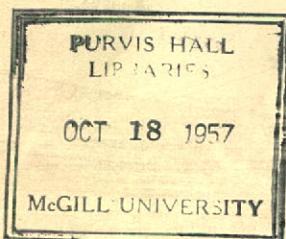
C O R P O R A T I O N

L I M I T E D

(*No Personal Liability*)

Financial Statements

TWELVE MONTHS' PERIOD ENDED JUNE 30, 1957



UNITED ASBESTOS CORPORATION LIMITED

(*No Personal Liability*)

| | |
|---|---|
| <i>Directors</i> | A. B. DAVIDSON, <i>Toronto, Ont.</i> P. M. MALOUF, <i>Montreal, P.Q.</i> R. F. DOOLEY, <i>Chicago, Ill.</i> O. J. TAYLOR, <i>Chicago, Ill.</i> THE HONOURABLE GASPARD FAUTEUX, P.C., LL.D., D.D.S., L.D.S., <i>Quebec, P.Q.</i> W. R. SALTER, Q.C., <i>Toronto, Ont.</i> C. R. SCHULTZ, <i>Toronto, Ont.</i> |
| <i>Officers</i> | A. B. DAVIDSON, <i>President</i> P. M. MALOUF, <i>Vice-President</i> W. R. SALTER, Q.C., <i>Vice-President and Secretary</i> C. R. SCHULTZ, <i>Treasurer</i> |
| <i>Head Office</i> | 132 St. James Street West, <i>Montreal, P.Q.</i> |
| <i>Executive Office</i> | 320 Bay Street, <i>Toronto, Ont.</i> |
| <i>Transfer Agents & Registrars</i> | GUARANTY TRUST CO. OF CANADA, <i>Toronto and Montreal</i> THE BANK OF NEW YORK, <i>New York, N.Y.</i> |
| <i>Consulting Engineers</i> | CLYDE H. SHOEMAKER, B.S.C., E.M., <i>New York, N.Y.</i> PHILIP M. MALOUF, P.ENG., <i>Montreal, P.Q.</i> |

UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Report to the Shareholders:

Your Directors present herewith the Balance Sheet of your Company as at June 30th, 1957; also the related Statement of Administration and Preproduction Expenses, Exploration and Development, together with your Auditors' report thereon.

Preproduction development and mill construction at Black Lake, Quebec, have proceeded substantially as scheduled during the past year.

Your Company's engineers report that mill construction and development of the open pit are continuing to advance on schedule and they now predict that work will be completed by the target date previously established and the mill should commence operating on a tune-up basis, using development ore, by July 1958.

The vast hydraulic system of diverting the Bécancour River, drainage canals, etc., was severely tested by a recent record storm that dumped several inches of rain on the Thetford district in a little over three hours. The diversion channel, dykes, dams and other structures withstood this onslaught of water satisfactorily. As this was the most severe flood ever recorded in the district, it is concrete proof that the project of diversion and drainage has been well engineered and constructed.

The dredge has continued to operate satisfactorily and, to September 1st, has removed approximately 22,000,000 cubic yards of solids covering the ore bodies which lay under the lake bed. It will continue to operate for about one year after the mine is in production. Ore for the mill will be initially taken from the upper benches of the ore body.

Simultaneously with the dredging, stripping operations by large electric shovels and trucks are proceeding at the rate of some 300,000 cubic yards per month. To September 1st, 3,000,000 cubic yards have been moved by this method and an estimated 3,000,000 cubic yards remain to be moved before mining of the underlying ore for production commences.

The new mill, incorporating a compact and efficient layout, is designed for ready extension of capacity and will contain the most modern production equipment with quality control facilities. It will provide users of ASARCO asbestos with assurance of fibre of standard quality at all times. American Smelting and Refining Company has established an asbestos research group at its Central Research Laboratories at South Plainfield, N.J. This group, working directly with asbestos users, is concerned with providing technical research service to customers. Thus ASARCO is attacking the problem of marketing the output of the new mill scientifically with emphasis on customer satisfaction. This approach, and ASARCO's world-wide sales outlets give reason for expecting that the production from the new mill will prove unusually desirable and meet a ready demand from asbestos fabricators throughout the world.

Now that the company's major engineering project is within sight of successful completion, your Directors look forward to the time when the mine and mill are in production. They are confident that the enterprise will enjoy a particularly favourable competitive position in the asbestos industry since the ore is high grade in comparison with the average for the industry and the fibre is of such fine quality; also the ore reserves assure a very long life for the mine during a large portion of which mining will be conducted from relatively low cost open pit operations.

A new price schedule of Canadian asbestos producers is effective as of October 1st, 1957; the first change since January 1st, 1956. It calls for a 5% average increase in prices, which will henceforth be quoted in Canadian dollars.

Your Directors record with sincere regret the untimely death on October 3rd, 1956, of Mr. C. Glenn Hunter, a Director and Officer of the Company almost since its inception.

Mr. W. R. Salter, Q.C., a Director, was appointed Vice-President and Secretary of the Company. Mr. C. R. Schultz, formerly Assistant-Secretary, was appointed Treasurer and also Director to fill the vacancy on the Board.

Respectfully submitted,

On behalf of the Board,

A. B. DAVIDSON,

President.

September 30, 1957.

UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Incorporated under the Quebec Mining Companies Act

Balance Sheet

JUNE 30, 1957

Assets

CURRENT ASSETS:

| | |
|-------------------------------|----------------------------|
| Cash - - - - - | \$ 98,146.33 |
| Accounts receivable - - - - - | 832.15 |
| Returnable deposit - - - - - | <u>425.00</u> \$ 99,403.48 |

| | |
|---------------------------------|----------|
| HEAD OFFICE EQUIPMENT - - - - - | 3,314.41 |
|---------------------------------|----------|

**EXPENDITURES RECOVERABLE FROM LAKE ASBESTOS OF
QUEBEC LTD. out of net proceeds of production (See
notes 1 and 2):**

| | |
|--|--------------------------------|
| Buildings - - - - - | \$ 42,873.25 |
| Plant and equipment - - - - - | 322,936.87 |
| Mining claims and concessions - - - - - | 285,792.64 |
| Deferred charges to operations: | |
| Preproduction expenses, exploration and development - - - - - | \$1,297,261.71 |
| Administration - - - - - | <u>159,335.73</u> 1,456,597.44 |
| | 2,108,200.20 |

OTHER EXPENDITURES:

| | |
|--|------------------------------|
| Mining claims still held by company (see note 2) - - - | \$ 20,000.00 |
| Deferred charges to operations: | |
| Preproduction expenses, exploration and development - - - - - | \$ 92,439.13 |
| Administration - - - - - | <u>465,078.41</u> 557,517.54 |
| | 577,517.54 |
| | <u>\$2,788,435.63</u> |

Liabilities

CURRENT LIABILITIES:

| | |
|---|-------------|
| Accounts payable and accrued expenses - - - - - | \$ 5,931.33 |
|---|-------------|

CAPITAL STOCK:

Authorized:

5,000,000 shares of \$1.00 par value

Issued and fully paid (see note 3):

| | |
|-----------------------------------|------------------------------------|
| 3,775,000 shares - - - - - | \$3,775,000.00 |
| Less Discount on shares - - - - - | 2,092,495.70 |
| | <u>\$1,682,504.30</u> |
| Add Premium on shares - - - - - | <u>1,100,000.00</u> \$2,782,504.30 |
| | <u>\$2,788,435.63</u> |

The accompanying notes are an integral part of this balance sheet and should be read in conjunction therewith.

Approved on behalf of the Board.

RICHARD F. DOOLEY, *Director.* A. B. DAVIDSON, *Director.*

UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Auditors' Report

To the Shareholders,

UNITED ASBESTOS CORPORATION LIMITED (No Personal Liability)

We have examined the above balance sheet of United Asbestos Corporation Limited (No Personal Liability) as at June 30, 1957 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the above balance sheet, supplemented by the notes thereto, is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at June 30, 1957, according to the best of our information and the explanations given us, and as shown by the books of the company.

TORONTO, CANADA,

August 13, 1957.

THORNE, MULHOLLAND, HOWSON & MCPHERSON

Chartered Accountants.

Notes to Balance Sheet as at June 30, 1957

1. Under an agreement dated September 17, 1952 and the supplemental agreements thereto between United Asbestos Corporation Limited and Lake Asbestos of Quebec, Ltd., referred to therein as Asarco, to which American Smelting & Refining Company is also a party, Asarco undertakes to equip and operate the company's property at Black Lake, Quebec, and the agreement sets out the basis for the distribution of net proceeds of operations as defined therein. In general, until such time as the respective companies shall have received a share of the net proceeds equal to their respective preproduction and other expenditures referred to in the agreement, seventy-five per cent of the net proceeds is to be distributed between them in the proportion that their respective preproduction and other expenditures bear to the total of such expenditures of both companies. The remaining twenty-five per cent of net proceeds of operations is distributed on a different formula which also applies to the distribution of one hundred per cent of the net proceeds of operations after the respective companies have received a portion of net proceeds equal to their total preproduction and other expenditures as referred to above. The above mentioned agreement contains provisions relating to termination upon notice.

2. Pursuant to the above mentioned agreement, title to the company's principal lands, mining concessions and other rights relating thereto as set out and described in Article 1 thereof, and all buildings and improvements thereon, together with all the machinery, equipment, tools and other supplies, etc., owned by United and located on the properties, have been conveyed to Lake Asbestos of Quebec, Ltd.

3. Options extending to September 28, 1959 are outstanding to certain directors and others to purchase a total of 225,000 shares of the company's capital stock at \$4.00 per share.

4. Legal action has been instituted against the company by a third party, claiming the sum of \$1,000,000.00 alleged to be owing as a commission. This claim is not admitted by the company.

UNITED ASBESTOS CORPORATION LIMITED
 (No Personal Liability)

Statement of Preproduction Expenses, Exploration and Development

TWELVE MONTHS' PERIOD ENDED JUNE 30, 1957

| | Recoverable from Lake Asbestos of Quebec Ltd. | Other | Total |
|---|--|--------------------|-----------------------|
| Balance, June 30, 1956 - - - - - | \$1,297,261.71 | \$64,508.01 | \$1,361,769.72 |
| Expenditures during period: | | | |
| Engineering and consultants' fees and expenses - - - - - | | 23,750.93 | |
| Mining licences and taxes - - - - - | | 4,153.97 | |
| Uncollectible account written off - - - - - | | 26.22 | 27,931.12 |
| Balance, June 30, 1957 - - - - - | <u>\$1,297,261.71</u> | <u>\$92,439.13</u> | <u>\$1,389,700.84</u> |

UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Statement of Administration

TWELVE MONTHS' PERIOD ENDED JUNE 30, 1957

| | Recoverable from Lake Asbestos of Quebec Ltd. | Other | Total |
|---|--|---------------------|---------------------|
| Balance, June 30, 1956 | \$159,335.73 | \$396,782.90 | \$556,118.63 |
| Expenditures during period: | | | |
| Public relations, advertising, and reports to shareholders | 14,410.93 | | |
| Office rent, taxes and lighting | 4,495.18 | | |
| Executive salaries and fees | 13,500.00 | | |
| Office salaries | 3,777.36 | | |
| Office supplies and expenses | 1,279.85 | | |
| Travelling | 6,994.82 | | |
| Legal fees | 7,045.19 | | |
| Audit fees | 875.00 | | |
| Telephone and telegraph | 1,082.85 | | |
| Business taxes | 79.33 | | |
| Loss on disposal of office equipment | 84.50 | | |
| Transfer agents' fees and expenses | 10,495.34 | | |
| Directors' fees | 5,000.00 | | |
| Expenses of directors' and shareholders' meetings | 2,702.31 | | 71,822.66 |
| | <u>\$159,335.73</u> | <u>\$468,605.56</u> | <u>\$627,941.29</u> |
| Less Interest and discounts received | | 3,527.15 | 3,527.15 |
| Balance, June 30, 1957 | <u>\$159,335.73</u> | <u>\$465,078.41</u> | <u>\$624,414.14</u> |

UNITED ASBESTOS CORPORATION LIMITED

132 ST. JAMES STREET, WEST
MONTREAL, QUEBEC