

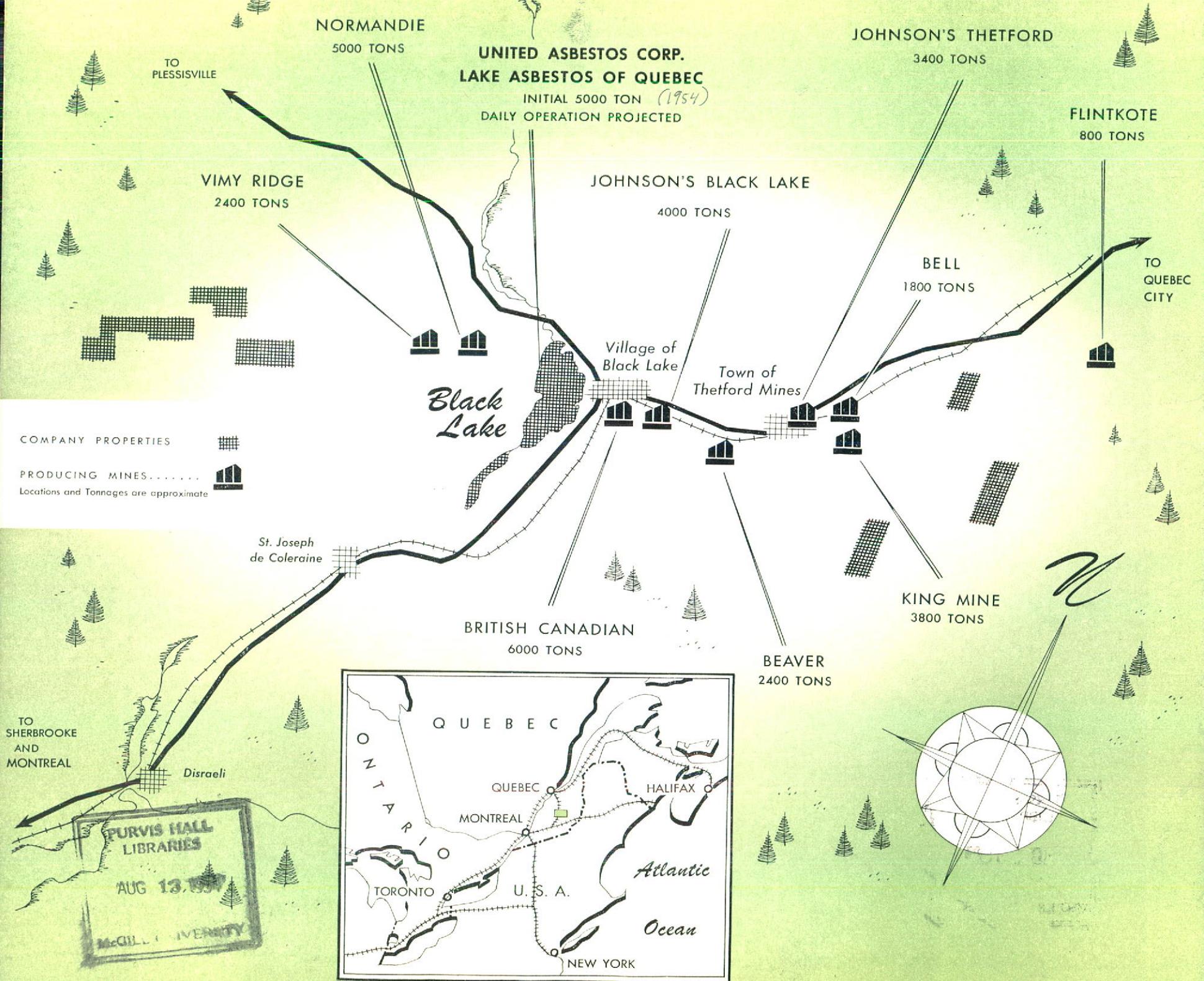
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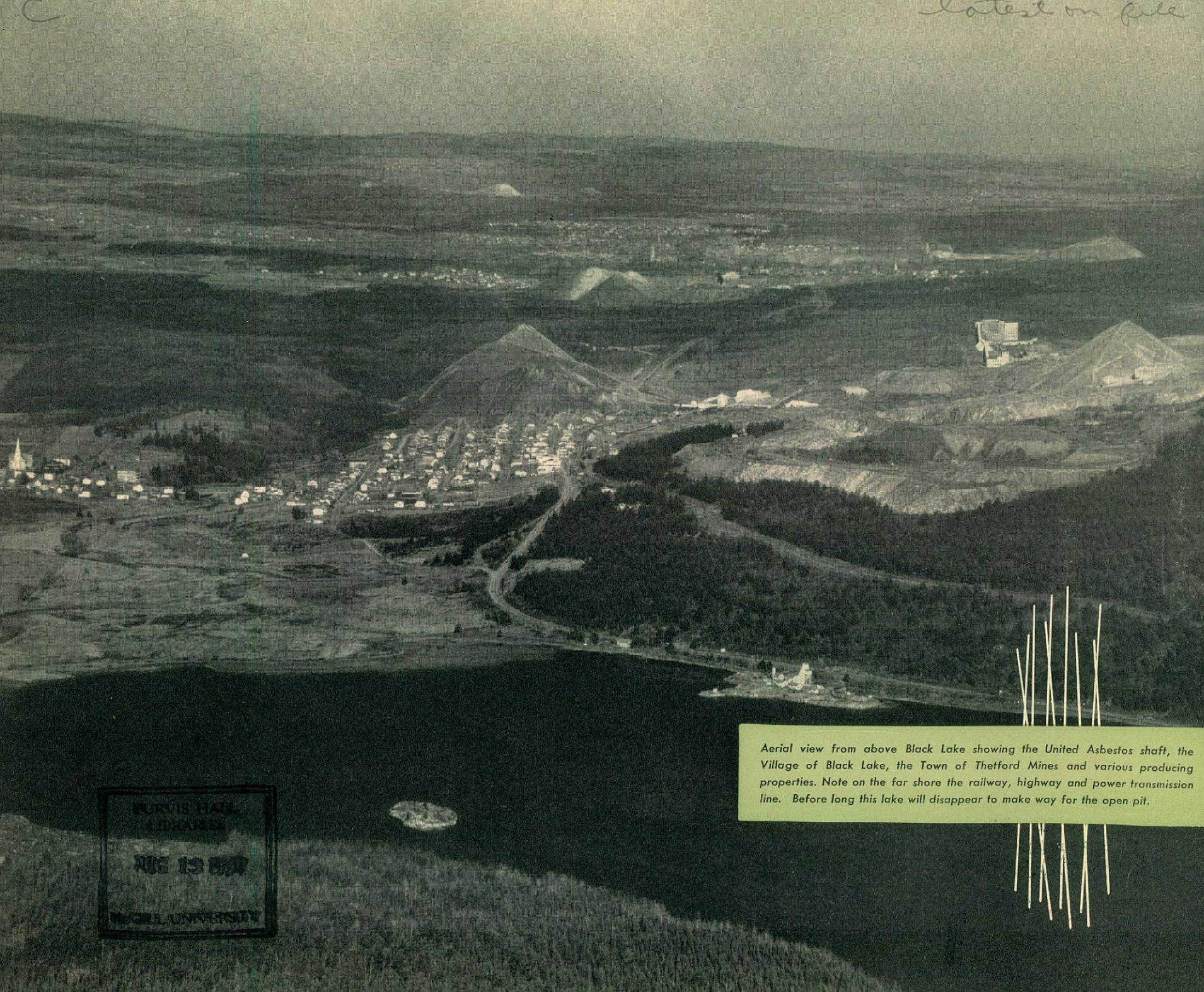
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UNITED ASBESTOS CORPORATION LIMITED

(NO PERSONAL LIABILITY)

Report to Shareholders 1954





latest on file

Aerial view from above Black Lake showing the United Asbestos shaft, the Village of Black Lake, the Town of Thetford Mines and various producing properties. Note on the far shore the railway, highway and power transmission line. Before long this lake will disappear to make way for the open pit.

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McGILL UNIVERSITY

directors

A. B. DAVIDSON	- - - - -	Toronto, Ont.
MAURICE DESY, Q.C.	- - - - -	Quebec, P.Q.
R. F. DOOLEY	- - - - -	Chicago, Ill.
E. M. FREEMAN	- - - - -	Montreal, P.Q.
C. GLENN HUNTER	- - - - -	Toronto, Ont.
P. M. MALOUF	- - - - -	Montreal, P.Q.
W. R. SALTER, Q.C.	- - - - -	Toronto, Ont.

officers

UNITED ASBESTOS CORPORATION

L I M I T E D

consulting engineers

CLYDE H. SHOEMAKER, B.Sc., E.M. - - - - - New York, N.Y.
PHILIP M. MALOUF, P. ENG. - - - - - Montreal, P.Q.

head office

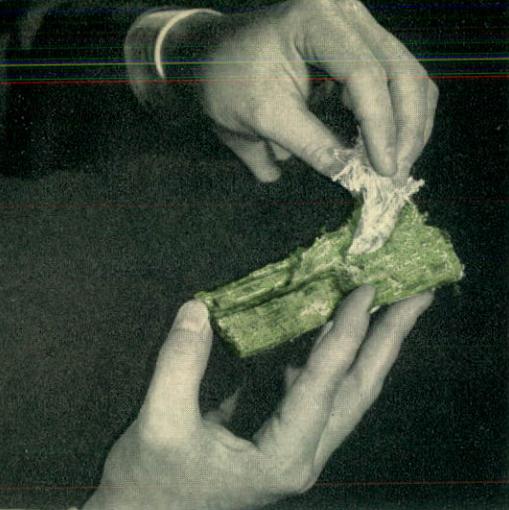
executive office

registrant

GUARANTY TRUST CO. OF CANADA - - - - - Toronto and Montreal

transfer agents

CANADA - - - - - Guaranty Trust Co. of Canada
UNITED STATES - - - - - The Bank of New York—New York



Selected sample of crude asbestos fibre.

Directors' Report

T O T H E S H A R E H O L D E R S

Your directors present herewith the Balance Sheet of your company as at February 28th, 1954, with Statements of Exploration and Development Expenditures and Administrative Expenditures, together with your auditors' report thereon.

In September 1952 registered shareholders were mailed a printed copy of the basic agreement made with American Smelting and Refining Company and its subsidiary, Lake Asbestos of Quebec, Ltd. Your directors believe that the agreement is fair and equitable for the parties concerned and should meet all conditions in the long operating future that lies ahead of the Black Lake enterprise.

On May 6th, 1954, documents were exchanged between the two companies, giving final effect to the agreement whereby United Asbestos transferred its Black Lake

properties to Lake Asbestos of Quebec, Ltd. and American Smelting and Refining Company became fully committed, in accordance with the terms of the agreement, to provide the necessary capital to bring the asbestos deposits into production and thereafter to manage and operate the same.

It would be well to bear in mind that the Black Lake asbestos enterprise is something more than an ordinary mining development in that it is an undertaking of great magnitude, involving the draining of Black Lake, diversion of the Becancour River, construction of dams, spillways, drainage channels and the installation of a plant capable of handling a million five hundred thousand tons of ore per year. It is estimated that some \$20,000,000 will be needed to put the property into operation.



During the twenty months intervening between the signing of the basic agreement and final commitment under the contract, Lake Asbestos spent several hundreds of thousands of dollars in evaluating the asbestos deposits at Black Lake, including underground drifting, raising, diamond drilling and mill testing, and in undertaking extensive engineering and hydraulic studies. While awaiting the necessary Orders-in-Council from the Quebec Government prior to finalizing the transaction, Lake Asbestos prepared specifications and conducted negotiations for some major portions of the engineering and construction work, including power requirements, with the result that Lake Asbestos was able to commence physical work on the project almost immediately the transfer of properties to them was completed.

The first phase preparatory to draining Black Lake and exposing the ore bodies has now been initiated.

The size of the known ore bodies under Black Lake makes it almost superfluous to talk of ore reserves for any specific number of years ahead. Even to the relatively shallow depth of 500 feet, ore reserves are so great that our engineers, in discussing the subject, speak in terms of a life of at least 50 to 75 years at the initial projected operating rate. Their statements are based on the knowledge of miles of underground work and diamond drilling.

The proven ore reserves are contained in three major ore bodies. The grade of ore within each ore body

varies and it is impossible for engineers and/or other asbestos technicians to give within fine limits the over-all grade of the mine. The engineers' reports give fibre and ore values which, in the aggregate, show over-all grade higher than the average for the industry. From extensive mill testing approximately 70% in value of fibre recovered in such tests were "milled fibres" chiefly in the shingle stock which is universally in demand. The grade of ore milled will vary in accordance with the policy of the operating management, but in this mine, with its preponderance of excellent ore, there is ample scope on the upside for a generous earnings record.

Ore reserves even to the relatively shallow depth of 500 feet within the perimeter of the planned open pit would permit increasing the daily tonnage treated substantially beyond the initially planned rate. Increases in tonnage treated will be a matter of operating management policy.

The major capital expenditure in creating the open pit to mine the ore will have been made prior to commencement of production since the lake will have been drained, diversion channels completed, etc. Therefore, when and if conditions warrant, expansion of production beyond the initial rate may be effected at a relatively small capital expenditure.

Mining and milling costs are further items that only time will definitely determine, but the open pit, being created to mine these ore bodies, will be among the largest asbestos pits in the world and should permit

*An underground face at the 540-foot level of the United
Asbestos mine showing a maze of asbestos veins.*



low mining costs. The mill will be designed to take full advantage of the most modern equipment and methods available in the industry, and should be an efficient and low-cost unit.

Therefore, with ore reserves of higher grade than the average in the industry in eastern Canada; with a modern and efficient plant; and with low-cost open-pit mining, the operation should have a sound position in the industry with an excellent outlook.

Your directors are confident that the future of this enterprise, under the management and responsibility of American Smelting and Refining Company, holds assurance of a valuable operation for a great many years to come.

On behalf of the Board,

President.

June, 1954.

*Mucking asbestos ore at the United Asbestos
mine. Note the richness of ore as can be seen
from the fluffiness in the upper
left-hand corner caused by loosened fibre.*

LAKE ASBESTOS OF QUEBEC, LTD.
120 Broadway
New York 5, N. Y.

May 5, 1954.

United Asbestos Corporation Limited
204 Transportation Building
Montreal, Quebec
Canada

Gentlemen:

We refer to the agreement between our Companies dated September 17, 1952 and the supplemental agreements thereto. The Quebec Orders in Council #359 dated April 7, 1954, and #415 dated April 29, 1954, are satisfactory to our Company, and a certified copy of a resolution to that effect by the directors of our Company is delivered herewith.

We also hereby give notice to you that we are satisfied with our investigation of all matters and that we intend to, and will proceed to equip the Property mentioned in the aforesaid agreement, place the same on an operating basis and operate the same, in accordance with the terms of the aforesaid agreement.

We therefore request that a transfer in proper form of all items of property covered by the said agreement be made to our Company as soon as practicable.

Very truly yours,

LAKE ASBESTOS OF QUEBEC, LTD.
By *Chas S. Prior*
President.

Reproduction of official letter advising the Company that the Black Lake deposits will be brought into production.

Balance Sheet

AS AT 28th FEBRUARY 1954

UNITED ASBESTOS CORPORATION LIMITED

(NO PERSONAL LIABILITY)

assets

CURRENT

Cash on Hand and in Banks -	-	-	-	-	-	-	\$ 2,492.27
Deposits with Trust Companies -	-	-	-	-	-	-	320,000.00
Accounts Receivable -	-	-	-	-	-	-	16,140.16
							<u>\$338,632.43</u>
Deposits -	-	-	-	-	-	-	425.00
Supplies on Hand -	-	-	-	-	-	-	97,573.66
Prepaid Insurance -	-	-	-	-	-	-	2,014.40
Mortgage Receivable -	-	-	-	-	-	-	4,500.00
Advances to Purchase Properties -	-	-	-	-	-	-	2,000.00

FIXED (At Cost)

Buildings -	-	-	-	-	-	\$ 42,873.25
Plant and Equipment -	-	-	-	-	-	318,639.95
Office Equipment -	-	-	-	-	-	8,204.98
						<u>369,718.18</u>
Mining Claims, Concessions and Properties -	-	-	-	-	-	376,050.19

PRE-PRODUCTION EXPENDITURES

Exploration and Development Expenditures to 31 Dec. 1952 -	-	-	\$ 1,028,891.23
Expenditures to 28 Feb. 1954 per Schedule -	-	-	182,948.42
Administrative Expenditures to 31 Dec. 1952 -	-	-	\$ 214,838.05
Expenditures to 28 Feb. 1954 per Schedule -	-	-	81,775.31
			<u>296,613.36</u>
Incorporation Expense -	-	-	1,508,453.01
			3,424.95
			<u>\$2,702,791.82</u>

liabilities

CURRENT

Accounts Payable and Accrued Charges -	-	-	\$ 19,358.07
Accrued Payroll -	-	-	929.45

CAPITAL STOCK

Authorized:

5,000,000 Shares of \$1.00 Par Value -	-	-	<u>\$5,000,000.00</u>
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Issued and Fully Paid:

3,750,000 Shares -	-	-	\$3,750,000.00
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Less: Discount on Shares -	-	-	2,092,495.70
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	-	-	<u>\$1,657,504.30</u>
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Plus: Premium on Shares -	-	-	1,025,000.00
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	-	-	<u>2,682,504.30</u>
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	-	-	<u>\$2,702,791.82</u>
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Approved on Behalf of the Board

Directors (A. B. DAVIDSON
C. GLENN HUNTER

NOTE: 250,000 Shares are under option at \$4.00 per Share in accordance with a resolution of the Board of Directors dated 25th August 1952.

expenditures

Exploration and Development Expenditures for the period ended 28th February 1954

Engineering and Consulting Fees	-	-	-	-	\$74,071.03
Engineering Supplies and Expenses	-	-	-	-	3,807.61
Trucking Expense	-	-	-	-	3,044.43
Mining Licences and Taxes	-	-	-	-	2,237.28
Mine Office Salaries	-	-	-	-	10,928.48
Mine Office Expense	-	-	-	-	4,258.80
Mine Office Telephone and Telegraph	-	-	-	-	1,311.77
Roads	-	-	-	-	268.99
Maintenance Machinery	-	-	-	-	7,383.48
Insurance	-	-	-	-	4,695.26
Watchman	-	-	-	-	9,457.30
General Mine Maintenance	-	-	-	-	53,860.90
Milling Tests	-	-	-	-	1,122.20
Prior Years' Adjustment—Sales Tax	-	-	-	-	176,447.53
					6,500.89
					<u>182,948.42</u>

Administrative Expenditures for the period ended 28th February 1954

Public Relations and Reports to Shareholders	-	-	-	-	\$ 8,790.60
Office Rent	-	-	-	-	2,664.01
Office Salaries	-	-	-	-	7,060.71
Office Supplies and Expenses	-	-	-	-	3,807.91
Travelling	-	-	-	-	11,872.74
Legal and Audit Fees	-	-	-	-	44,476.20
Telephone and Telegraph	-	-	-	-	4,275.95
Business Taxes	-	-	-	-	271.05
Transfer Agents' Fees and Expenses	-	-	-	-	8,832.55
					\$92,051.72
<i>Less: Call Loan Interest and Cash Discounts Received</i>	-	-	-	-	10,276.41
					<u>\$81,775.31</u>

auditors' report

To the Shareholders,
UNITED ASBESTOS CORPORATION LIMITED,
(No Personal Liability),
Montreal, P.Q.

We have examined the Balance Sheet of United Asbestos Corporation Limited (No Personal Liability) as at 28th February 1954 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 accompanying Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at 28th February 1954, according to the best of our information, the explanations given to us and as shown by the books of the Company.
June 8, 1954

SUMNER, MELLOR & Co., Chartered Accountants, 637 Craig St. West, Montreal 3.

Asbestos

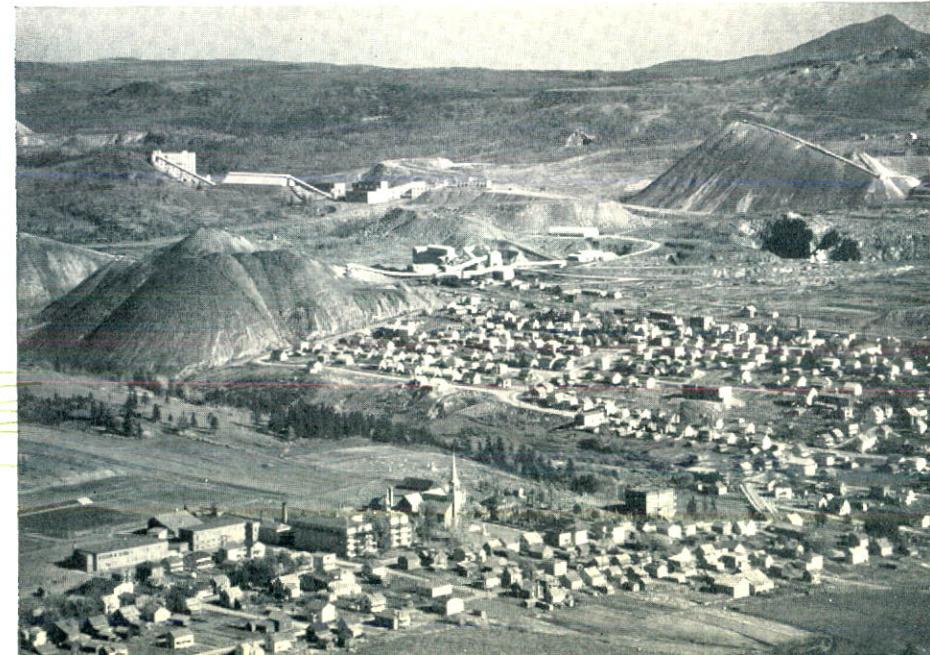
Asbestos, the unique mineral fibre which fascinated people in ancient times because of its magical, fire-resistant property, only came into general use at the turn of this Century. A product almost without substitutes, the multitudinous uses of asbestos are attributable to certain important characteristics and properties which have made possible its exclusive use in a steadily increasing number of applications in manufactured products essential to our modern way of life. The unique combination of properties of asbestos include its fibrous structure, its indestructibility by reason of its resistance to fire, water, chemical action, corrosion and decay, its insulation against heat, cold and electricity, its strength and its resistance to abrasion and wear. It can be carded, made into yarn, woven or knitted like any other natural fibre, and can be manufactured into paper and board.

Chrysotile asbestos is found in the belt of serpentine rocks, so named because they are mottled with yellows and greens resembling the markings of a reptile, which extend through the Eastern Townships of the Province of Quebec for over 50 miles. While serpentine rocks are

of common occurrence in many parts of the world, this particular belt is of very special economic importance since metamorphism of these rocks through the ages caused much of this worthless rock to assume a valuable fibrous or threadlike form and to concentrate in the largest deposits discovered in the world. Most of the chrysotile asbestos is found to occur as packed fibres in veins varying from razor-edge to several inches in thickness, the fibres running at right angle across the vein, the width of which governs the length of the fibre.

Unlike the filaments of cotton, wool and silk, asbestos fibres are capable of infinite subdivision into finer fibres. These fine, white, silk-like mineral fibres have a flexibility and strength comparable to silk filaments, will withstand moderately high temperatures without dis-

*Part of the nearby Village of Black Lake where
most of the resident staff and employees live.*



the product - its uses and markets

integration and will not burn. Asbestos fibres $\frac{3}{8}$ of an inch or greater in length are known as "crudes" being hand-cobbed, and are the highest grades of fibre adapted primarily for textiles. The shorter fibres under $\frac{3}{8}$ of an inch, which comprise all but a fraction of 1% of Canadian asbestos production, are known as "milled fibres", being separated from the host rock by mechanical milling methods. Milled fibres are graded numerically according to average length and grouped according to the principal uses, namely, spinning, shingle, paper and cement stock and shorts which are little more than asbestos particles.

Long used for the manufacture of fire-resistant clothing and for insulation against loss of heat in locomotives, steamships, steam-turbine power stations, gas plants, steel mills, smelters, etc., asbestos is essential for brake linings, clutch facings and gaskets for automobiles and trucks and is used for fireproofing and insulation of homes, office buildings and factories. One of the important new and growing uses for asbestos is in the manufacture of asbestos cement pipe which is displacing iron pipe used underground for water supply and drainage purposes. A host of new uses for moulded or compressed products composed of resins or plastics with asbestos fibre as a binder or filler have been developed in recent years, opening a large new market for shorts. Underground oil and gas pipelines are pro-

tected against corrosion with asbestos coverings. Fire-proof asbestos-cement shingles and sidings are widely used in the building industry and these may be weather-proofed with asphalt-asbestos paint. Rock wool, made from asbestos, is gaining increasing acceptance as a home insulator. A wide range of asbestos products have also been developed for use in the home and in home equipment, including tile flooring, refrigerator linings, etc. Indeed, the uses of asbestos are now legion, numbered in the thousands, and steadily growing as research by industry develops new applications.

Asbestos fibre is consumed almost exclusively by the highly industrialized countries, the United States being by far the largest consumer, followed by England and Canada. Prior to the last war, Germany and Japan ranked immediately after the United States in consumption of asbestos and both are again becoming large importers of asbestos as their economy recovers. Singularly, none of the large asbestos consuming countries, with the exception of Russia and Canada, are important producers of the fibre. Canada has more than doubled its production of asbestos fibre since 1945, the rate of output now exceeding 900,000 tons annually, and supplies nearly 70% of the world's requirements of chrysotile asbestos with British countries in Africa contributing nearly 15% and Russia about 10%. Canada normally exports nearly 95% of its fibre pro-

duction, retaining only 5% for domestic asbestos-consuming industries. Since the early years of the Second World War, the United States has taken from 80% to over 90% of our asbestos exports.

Canada's asbestos manufacturing industry is steadily growing, but it is estimated that it meets only 75% of the domestic requirements of products manufactured in whole or in part from asbestos fibre.

The asbestos industry of Canada dates from the discovery of large deposits of high-grade chrysotile asbestos in Thetford and Coleraine Townships, Quebec, in 1878. The discovery of these large, rich asbestos deposits in the Eastern Townships, combined with the introduction of low-cost open-pit mining and perfection of mechanical milling methods, permitted the mass production of high-quality asbestos fibre for the first time at a great reduction in cost, thus encouraging rapid growth of the industry as demand for the fibre grew with progressive development of new uses.

There are to-day only eight companies producing asbestos fibre in Canada, all of the mines and mills being located in the Eastern Townships with the exception of the 2000-ton mill at Matheson, Ontario, brought into operation a few years ago by Canadian Johns-

Manville Company, the largest asbestos producer in Canada, and the Cassiar asbestos operation in British Columbia which commenced milling last year. Of the seven Quebec producers, only two, Asbestos Corporation and Johnson's Company, are Canadian-owned and are the only ones which are not captive mines (that is owned by asbestos consuming companies). The independent Canadian-owned mines and the foreign-owned captive mines each mine about an equal tonnage of asbestos ore. Lake Asbestos of Quebec, Limited, when it joins the ranks of the independent asbestos producers, will have an output of over 100,000 tons of fibre annually, which is equal to an estimated 20%-25% of the current output of the independent mines.

*Underground exploration work at the United Asbestos mine.
This evaluation phase has been completed and mining for production
will be done by open-pit operation.*





