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Second Annual Report

CASSIAR ASBESTOS CORPORATION LIMITED

As at September 30, 1953

Second Annual Report

of

CASSIAR ASBESTOS CORPORATION LIMITED

DIRECTORS

F. M. CONNELL, O.B.E. - - - - - - - - Toronto, Ontario
W. H. CONNELL - - - - - - - - - Spencerville, Ontario
A. B. MORTIMER - - - - - - - - - - Toronto, Ontario
K. A. CREERY - - - - - - - - - - - Montreal, Quebec
J. M. CONNELL - - - - - - - - - - - Toronto, Ontario
J. E. KENNEDY - - - - - - - - - - - Toronto, Ontario
S. R. ZIMMERMAN, JR. - - - - - - - - - - Manheim, Pa.
G. W. SMITH - - - - - - - - - - Thetford Mines, P.Q.
C. R. ELLIOTT - - - - - - - - - - - Toronto, Ontario

OFFICERS

F. M. CONNELL, O.B.E. - - - - - - - - - - President
W. H. CONNELL - - - - - - - - - - - Vice-President
C. R. ELLIOTT, C.A. - - - - - - - - - - Secretary-Treasurer
J. D. CHRISTIAN, C.B.E., B.A.Sc. - - - - - Consulting Engineer
ROBERT DEVLIN, B.A.Sc. - - - - - - - - - - Mine Manager

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY - - - - - - - Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO. - - - - - - Toronto, Ontario

ADMINISTRATIVE OFFICE

SUITE 1001, 85 RICHMOND STREET WEST - - Toronto, Ontario

MINE OFFICE

- - - - - - - - - - - - - - - - - - - Cassiar, B.C.

Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
Cassiar Asbestos Corporation Limited.

Your directors submit herewith the Second Annual Report on the operations of your Company, including financial statements prepared as at September 30, 1953, your auditors' report thereon and a report by Mr. Robert Devlin, Mine Manager.

At the last General Meeting of the Shareholders, By-law No. 87, increasing the capital of the Company from 2,500,000 shares without nominal or par value to 4,000,000 shares without nominal or par value, by the creation and addition of 1,500,000 shares without nominal or par value, was duly ratified and immediately thereafter the plan outlined in the last Annual Report, whereby Shareholders were given rights to purchase 500,000 shares at the price of $4.00 per share, was carried out and subscriptions were received for 500,000 shares of the capital stock of the Company at this price. In addition the arrangements made to sell 600,000 shares to Bell Asbestos Mines Limited, a member of Messrs. Turner-Newall Limited group, and to Raybestos-Manhattan, Inc. at $4.00 per share, were completed. As shown on the Balance Sheet, a total of $4,400,000.00 was paid into the Treasury of the Company, being the issue price of 1,100,000 shares of the capital stock issued during the year. These funds are being utilized to put into effect the plan for placing the Company in production during 1954, at a rate of 500 tons per day, as outlined in Mr. J. D. Christian's Report submitted in the First Annual Report of the Company.

As outlined in the Manager's Report, construction has proceeded satisfactorily throughout the past summer and costs have been maintained within the estimates. It is expected that mill construction will be completed and the necessary equipment installed in sufficient time to place the 500-ton milling unit in operation by June, 1954, at the commencement of the mining season. The mill has been designed to permit expansion to a larger capacity with a relatively small additional capital expenditure.

An aerial tramway, to provide transportation between the mine and the mill, has been placed on order and it is expected that this will be in operation by the end of September, 1954. The tramline will have a capacity of 100 tons of ore per hour and it is expected that this installation will materially extend the effective mining season.

Your attention is directed to the report on the Development, Ore Reserves, Transportation, Construction and Townsite, submitted by the Mine Manager, Mr. Robert Devlin. You will note under "Development" that the adit was advanced a further 272 feet. This makes a total width of continuous ore in the adit of 523 feet with good ore in the face. Ore reserves have been increased from 5,892,000 tons to 7,232,625 tons with a value of

approximately $30.00 per ton of 3K and 4K fibre. At the presently planned rate of production of 550 tons per day, this is sufficient to supply the mill for forty years. The consumers' reaction to the Company's product has been most favourable.

Bell Asbestos Mines Limited have been appointed Sales Agents for your Company and have made available to your Company the services of the sales organization of itself and its associates throughout the world.

During the year, your Company has received the fullest co-operation of the Industrial Minerals Division, Department of Mines and Technical Surveys, Ottawa; the laboratories of Raybestos-Manhattan, Inc. and the technical staff of Bell Asbestos Mines Limited in testing fibre and advising on technical procedures.

The road from the mine and mill site to the Alcan Highway has been rebuilt, the major cost of which has been borne by the Government of British Columbia. Your Company has contributed to the cost of the mine roads; built a bridge across the Blue River; and has constructed two miles of the main road to the Alaska Highway where it traverses Yukon Territory.

Your Company and United Keno Hill Mines Limited have, since the end of the Company's fiscal year, negotiated a lease of the wharf known as the West Indies Wharf, together with adjacent buildings, situated on Vancouver Harbour and owned by the National Harbour Board. The wharf gives excellent facilities for handling ocean shipping and has good railway connections for inland shipping. Suitable storage for the Company's products is available at this site and will greatly facilitate compliance with customers' shipping requirements.

The Board expresses its appreciation of the loyal and efficient services rendered the Company by the Manager and his staff.

On behalf of the Board,

F. M. CONNELL,

President.

MONTREAL, TORONTO, HAMILTON
LONDON, WINNIPEG, REGINA
CALGARY, VANCOUVER

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST
Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the balance sheet of Cassiar Asbestos Corporation Limited as at September 30, 1953 and the statement of exploration and development for the year ended on that date 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 and statement of exploration and development are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at September 30, 1953 and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

Clarkson, Gordon & Co.

Toronto, Canada,
December 11, 1953.

Chartered Accountants.

Cassiar Asbestos Corporation Limited

(Incorporated under The Companies Act, Canada)

Balance Sheet as at September 30, 1953

ASSETS

Current:			
Cash on hand and in banks			$ 94,570.80
Investments in Government of Canada and other short term bonds and notes — at cost (market value $1,241,361)			1,237,611.30
Accounts receivable			87,672.68
Asbestos fibre in transit at value realized upon delivery to customers			185,618.21
Ore stockpiled at mine at cost as determined and certified by the management			156,119.74
Prepaid insurance and other charges			31,636.29
			$ 1,793,229.02
Inventory of construction materials and supplies as determined and certified by the management and valued at laid-down cost			484,198.30
Fixed:			
Plant and equipment at cost		$ 2,844,963.66	
Automotive equipment at cost	$554,241.86		
Less accumulated depreciation	66,146.64	488,095.22	
Roads at cost		119,244.46	
		$ 3,452,303.34	
Mining claims and properties acquired for the issue of 925,000 shares and the payment of $141,559.20		234,059.20	3,686,362.54
Incorporation expenses			4,217.57
Cost of exploration and development — deferred			488,022.22
			$ 6,456,029.65

LIABILITIES

Current:			
Accounts payable and accrued charges			$ 467,284.90
Capital:			
Authorized—4,000,000 shares without nominal or par value			
Issued — 925,000 shares for mineral claims		$ 92,500.00	
2,675,000 shares for cash (including 1,100,000 shares issued during the year for $4,400,000)		5,896,244.75	5,988,744.75
3,600,000			
			$ 6,456,029.65

On behalf of the Board:

F. M. CONNELL, Director.

K. A. CREERY, Director.

Cassiar Asbestos Corporation Limited

STATEMENT OF EXPLORATION AND DEVELOPMENT — DEFERRED
FOR THE YEAR ENDED SEPTEMBER 30, 1953

Balance October 1, 1952			$337,607.74
Add:			
Exploration, development and other preproduction expenditures		$291,849.04	
General and administrative expenses—			
Directors' fees	$ 850.00		
Legal fees	1,825.00		
Remuneration of executive officers	4,125.00		
Administrative expenses	21,500.81	28,300.81	320,149.85
			$657,757.59
Deduct:			
Sales of fibre (note 1)		$652,239.48	
Less:			
Cost of production	$395,726.02		
Shipping and marketing costs	105,235.08	500,961.10	
		$151,278.38	
Interest earned and miscellaneous income (net)		18,456.99	169,735.37
Balance September 30, 1953			$488,022.22

NOTES:

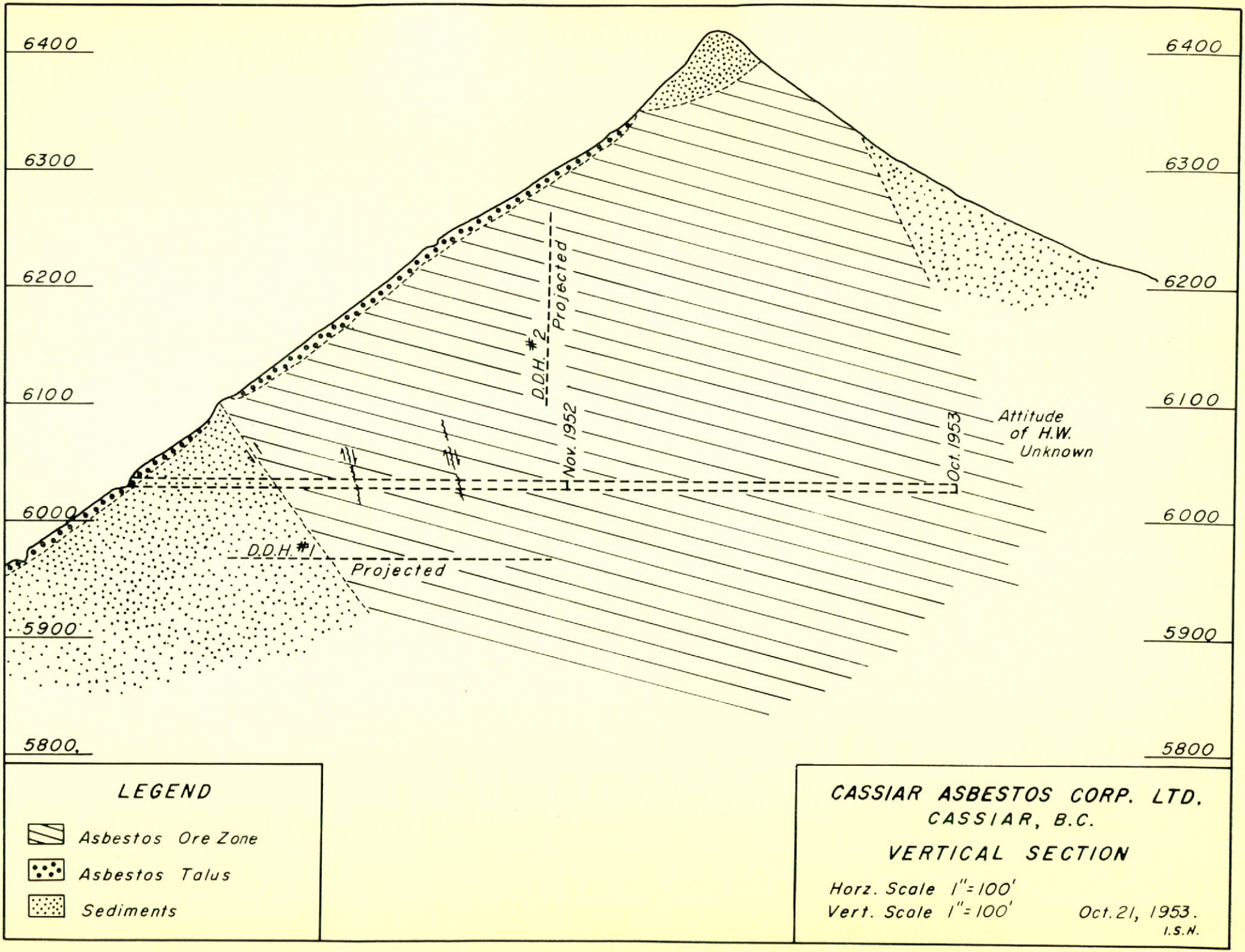
(1) During the year, in addition to the major construction, a section of the mill building was utilized to mill ore for experimental purposes and to obtain sufficient fibre for test purposes in customers' plants. This operation produced fibre to a value of $652,239.48.

(2) No provision has been made in the accompanying statements for depreciation of plant and equipment. Provision for depreciation of $66,146.64 has been made on transport vehicles.

Single Men's Residence
"Pan-Abode" Construction.

Stockpile of 80,000 tons of Ore
at Mill.

Benches being prepared for mining.


6400
6300
6200
6100
6000
5900
5800
D.D.H. #2 Projected
Nov. 1952
Oct. 1953
Attitude of H.W. Unknown
D.D.H. #1 Projected
LEGEND
Asbestos Ore Zone
Asbestos Talus
Sediments
CASSIAR ASBESTOS CORP. LTD.
CASSIAR, B.C.
VERTICAL SECTION
Horz. Scale 1"=100'
Vert. Scale 1"=100'
Oct. 21, 1953.
I.S.N.

Cassiar Asbestos Corporation Limited

Report of Manager

Mr. F. M. Connell, President,
Cassiar Asbestos Corporation Limited,
1001 - 85 Richmond Street West,
TORONTO 1, Ontario.

Dear Sir:

Following is my report on operations during the fiscal year ending September 30, 1953. In addition to the construction program, the operations for the year have been directed toward the preparation of the mine for full-scale production and to experimental and development work in milling procedures pending the completion of the full mill circuit which will be in operation early next summer. An experimental mill was completed in January and 3,552 tons of the ore that had been stockpiled last year at the mill site were milled to recover 221.4 tons 3K fibre, 74.2 tons 4K fibre and 39.1 tons No. 1 and No. 2 crude fibre, all of which was shipped to customers for spinning and other tests. On the strength of these results, some additional equipment was added, and this referred to as the "talus mill", was placed in operation on July 1, 1953 and 22,486 tons of ore have been milled since to produce 766 tons 3K fibre and 783 tons 4K fibre.

It should be pointed out that this temporary talus mill operated without any crushing equipment and was capable of only a partial recovery of the fibre.

The fibre that has been produced since July 1st has reached the market and consumer reaction to this early production has been most favourable. As will be noted in the paragraph covering construction, plans are well ahead for the completion of the 500 ton mill, and with the ore available in the present stockpile, this mill should be tuned up and ready for commercial production with the opening of the mining season next July.

Development

Dr. Wm. V. Smitheringale's geological report, which appeared in the 1952 Annual report, covered developments in the adit to the close of operations in November of last year. At that time, 251 ft. of continuous ore had been encountered. Up to October 21, 1953 (the closing date for operations on the hill for the 1953 season) the adit was advanced a further 272 ft., giving a total width of continuous ore of 523 ft. The hanging wall had not been reached, and based on Dr. Smitheringale's observations, there still remains a further 50 ft. or more to the contact.

From visual readings, the grade appears to be considerably higher than last year's average of 7% of 3K and 5% of 4K.

Preparation of working places for full scale open pit mining next year was commenced at the beginning of the 1953 mining season and 22,857 tons of ore were broken. The rock was found to break easily and economically, although its high fibre content retarded drilling.

In addition to the ore broken, 50,400 tons of talus were removed from the benches and were trucked to the stockpile at the mill. A feature of removing this talus was the sun's action in freeing frozen ore in unexpected quantities.

All the ore moved in 1953, with the exception of crude, was delivered to an ore bin at the base of the hill by means of a flight conveyor system, operating in a semi-circular steel chute 2,602.2 ft. in length, and at an average angle of 32 degrees between elevations of 6,184 and 4,850 ft. The ore was moved from the working place to the head of the chute using two bulldozers and one Drot bullclam shovel mounted on International Harvester crawler tractors. Dump trucks delivered the ore to a stockpile adjacent to the mill site, 3.4 miles distant. To the end of the year 73,257 tons of ore had been trucked to the stockpile at the mill.

Orders have been placed for an aerial tramway, a distance of 14,950 ft. in length from the mine site to the mill. This will have a capacity of 100 tons per hour. It is hoped that this equipment will be delivered and installed by September 30th, next year, allowing us to extend our mining season.

Ore Reserves

Ore exposed in the adit and in open pit work provide grounds for classifying appreciable tonnages as positive ore. Conservative extensions to these positive blocks provide a means of measuring probable ore, whereas surface exposures and limited drilling support estimates of reasonably assured ore. It must be emphasized that the economic limits of the deposit are not delimited. True width may well average 450 ft. over a length of at least 1,200 ft., and asbestos bearing outcrops have been mapped along a length of approximately 3,000 ft. For these reasons the estimate tabulated below is indicative only of what may be expected as a result of the limited exploratory work achieved to date.

Positive ore	3,139,055 tons
Probable Ore	2,748,930 tons
Reasonably assured Ore	1,144,640 tons
	7,032,625 tons

Transportation

During the year, the fleet of vehicles was increased to include six bulldozers, two overhead loaders, two road graders, ten heavy-duty ore trucks, six trailer tractors with seven 34-foot semi-trailer vans, eight second-hand covered trucks, a small bus, a car, and six miscellaneous small trucks. The company's transport division now provides transportation for fibre from the mill to Whitehorse, with a return haul of coal and other supplies.

The Government of British Columbia undertook major reconstruction of the road from the mill-site to the B.C. border and your company rebuilt the remaining two miles to the junction with the Alcan Highway near Watson Lake. The company constructed a 160 ft. Bailey bridge across the Blue River and contributed to the general road program.

Construction

(1) **Mill**

As noted above, an experimental mill was completed in January and this was subsequently expanded into a temporary unit which is referred to as the "talus mill" by the

addition of more equipment. On the basis of the experience gained in this temporary and experimental plant, the permanent milling plant was designed and is now under construction. The original mill structure is being enlarged to provide housing for a mill circuit with a capacity of 500 tons per day. This construction was 60% completed at the year end and the additional equipment needed was on hand or on order.

A crushing plant with a rated capacity of 2,000 tons per day has been installed and housed adjoining the mill building.

A fireproof dryer building was completed and one rotary dryer with accessories has been installed. A second dryer, temporarily installed in the mill, will be transferred to the dryer building.

A dry rock storage building, having a capacity of 40,000 tons, was brought to 90% completion.

Conveyor galleries, connecting the crusher, dryer, and dry rock storage, in a two-way circuit, were well advanced to the point where a one-way circuit to the dry rock storage was put into operation on the second day after the fiscal year end.

(2) **Services**

A second diesel unit was added to the power plant early in 1953, and a third was delivered late this year. These three machines will provide a total of 950 H.P. A fourth 450 H.P. standby unit has been placed on order. A machine shop was constructed and equipped, and construction of a coal bunker was begun.

A sprinkler system to protect all vital plant and mill buildings was brought close to completion.

(3) **Mine**

A steel chute, 2,602.2 ft. in length, equipped with flight conveyors, was constructed from the top of the deposit to the truck loading bin. A combined workshop and man shelter was built adjacent to the deposit. Housing was provided for a portable compressor.

(4) **Townsite**

A permanent townsite area was established one half mile west of the plant. Nineteen buildings were completed including six bunkhouses, staff quarters, eight homes, a recreation hall, laundry, freezer and cooler and heating plant. All are centrally heated and provided with modern services.

Acknowledgment

It is a pleasure to record my appreciation of the support of the President and Board of Directors and of the Corporations' Consulting Engineer. Grateful acknowledgment is made of the loyal and efficient services of staff and employees.

ROBERT DEVLIN,

Manager.

Upper portion of steel chute used to transfer ore from the mine to the truck loading bins.

Forty thousand ton capacity dry rock storage building illustrating type of construction.

Completed dry rock storage and dryer buildings.

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