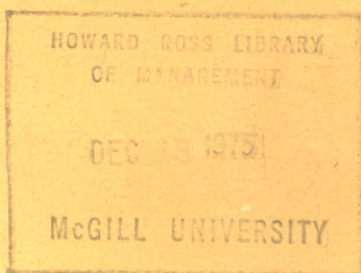


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**Abitibi Asbestos
Mining Company
Limited**

ANNUAL REPORT 1974



HOWARD ROSS LIBRARY OF MANAGEMENT
McGILL UNIVERSITY

Abitibi Asbestos Mining Company Limited

OFFICERS

President:
H. W. Macdonell, Q.C.,
President and Chief Executive
Officer, Brinco Limited

Vice President:
J. P. Rixon, C.A.,
Vice-President and Chief
Financial Officer,
Brinco Limited

Secretary:
William J. Mandzia,
Assistant General Counsel,
Brinco Limited

HEAD OFFICE

One Westmount Square,
Montreal, Quebec,
H3Z 2X5

REGISTRAR

Guaranty Trust Company of Canada,
Toronto, Ontario

TRANSFER AGENTS

Guaranty Trust Company of Canada,
Montreal, P.Q. and Toronto, Ontario

*Registrar and Transfer Company,
Jersey City, New Jersey

SHARES LISTED

Montreal Stock Exchange

DIRECTORS

Richard D. Boivin,
Montreal, Quebec,
General Manager,
Spino Construction Co. Ltd.

Raynerd B. Carson,
Val d'Or, Quebec,
President,
Nordore Mining Co. Ltd.

E. Jacques Courtois, Q.C.,
Montreal, Quebec,
Partner,
Laing, Weldon, Courtois,
Clarkson, Parsons & Tétrault

Harry W. Macdonell, Q.C.,
Montreal, Quebec,
President and Chief Executive
Officer,
Brinco Limited

J. P. Rixon, C.A.,
Montreal, Quebec,
Vice-President and Chief
Financial Officer,
Brinco Limited

Harold L. Snyder, B. Eng.,
St. John's, Newfoundland,
Director,
Centre for Cold Ocean
Resources Engineering

Fraizer M. Stewart,
Darien, Connecticut,
President,
Natural Resources Consultants, Inc.

*for shareholders resident in the United States of America

On peut obtenir le texte français de ce rapport auprès du
service des Relations Publiques de la Compagnie à Un
Westmount Square, Montréal

TO: THE SHAREHOLDERS OF ABITIBI ASBESTOS MINING COMPANY LIMITED

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1974

The Board of Directors of your Company encloses with this Annual Report, the audited financial statements as at December 31st, 1974, and a Proxy Statement and Information Circular together with a proxy form and notice calling the Annual General Meeting of Shareholders for the 30th day of April, 1975.

As you will notice from the enclosed material, there have been several changes in the management of your Company since the last shareholders' meeting which was held on October 10, 1974. Mr. William D. Mulholland resigned as President and Director on January 9, 1975 and Mr. Richard D. Boivin has resigned as Vice-President while agreeing to continue to serve as a Director until the forthcoming Annual Meeting. Mr. Harry W. Macdonell, a Director of the Company and the President and Chief Executive Officer of the principal shareholder of your Company (Brinco Limited), was appointed President and Mr. J.P. Rixon, formerly Comptroller, was appointed Vice-President (Finance) and became a Director.

As of December 31, 1974, Brinco Limited (Brinco) had expended \$5.2 million pursuant to the April 11, 1972 agreement as amended between the Company and Brinco, and had acquired or was entitled to acquire under the agreement a total of 2,059,160 shares. Apart from the agreement, Brinco has also purchased an additional 100,000 shares from the Company and 1,024,500 shares from other shareholders. Accordingly, by December 31, 1974, Brinco owned or was entitled to acquire for expenditures already incurred 55% of the shares of Abitibi. If Brinco were to acquire the balance of the shares to which it may become entitled under the agreement, it would own approximately 65% of the outstanding shares.

The proposed merger of Brinco and Rio Algom Mines Limited was terminated on December 10, 1974 due to market conditions.

Until January 19, 1975, Brinco had the exclusive right to conduct exploration and other activities on the Maizerets "A" asbestos deposit. During the 18-month period subsequent to January 19, 1975, Brinco will have the non-exclusive right to conduct such activities. As of this date, preproduction and economic evaluation studies and analysis of marketing and financing arrangements are in progress.

On the basis of work done to date, Brinco's previous

estimate that the deposit contained 100 million tons of asbestos bearing rock containing 3.5% recoverable asbestos fibre, may be modified. Brinco advises that on the basis of its present knowledge a small reduction in these estimates may be warranted.

Expressions of interest have been received by Brinco from potential customers throughout the world. A tightening supply situation for chrysotile asbestos which developed in 1974 should persist into the foreseeable future.

Pilot plant test work was carried out to determine a process design that will maximize the recovery of fibre. Bulk sampling and diamond drilling to outline the deposit more accurately were completed in October 1974.

Mine planning studies to establish optimum open pit mining strategy and production capacities have been carried out by RTZ Consultants Limited and a report was submitted in late January of 1975 to Brinco. This report is being reviewed at the present time by Brinco. Detailed construction cost estimates have been provided to Brinco by the joint venture consulting organization of SNC Services Limited and Canadian Bechtel Limited and are currently being evaluated by Brinco. Estimates of other construction period and start-up costs will be made by Brinco itself. Brinco has indicated that it is not yet in a position to make a reliable estimate of total costs of mine development and plant construction, and will continue its program with a view to determining whether or not to undertake the commercial development of the deposit. Brinco's feasibility studies are not expected to be completed any earlier than mid-1975. If a decision is made to mine the deposit, it is not expected that commercial mining operations would be scheduled to commence earlier than 36 months after the date of such a decision.

The shares of the Company are traded principally through the facilities of the Montreal Stock Exchange (M.S.E.). The high and low trading prices for the Company's shares on the M.S.E. where the Company's shares are listed, and the Canadian Stock Exchange (now merged with the M.S.E.) where the Company had an earlier listing, were for 1974, \$2.10 and \$0.75, and for 1973, \$3.15 and \$0.85. The Company has not paid any dividends to date.

Summary of Operations

The following statements of Administrative Expenses and Deficit and of Deferred Exploration and Development Expenses represent a summary of the principal expenditures incurred in the operation of the Company for the five-year period ended December 31, 1974.

Summary Statement of Administrative Expenses and Deficit

	<u>Year Ended December 31</u>				
	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>
	\$	\$	\$	\$	\$
Salaries	4,351	4,700	3,420	11,268	---
Office and General Management and Consulting Fees	18,827	28,665	32,034	27,093	3,655
Legal and Audit	21,686	30,000	10,000	25,170	40,580
Shareholders' Information	30,632	42,526	45,763	79,788	16,477
Depreciation	7,146	2,383	22,102	4,133	3,607
	<u>2,341</u>	<u>2,214</u>	<u>1,636</u>	<u>2,031</u>	<u>---</u>
	84,983	110,488	114,955	149,483	64,319
Less Interest Income	<u>9,165</u>	<u>5,321</u>	<u>8,592</u>	<u>4,529</u>	<u>6,426</u>
	75,818	105,167	106,363	144,954	57,893
Loss incurred by Subsidiary *(see below) --	---	---	---	20,632	---
General Exploration Expenditures including Cost of Properties Abandoned	<u>79,070</u>	<u>15,515</u>	<u>34,733</u>	<u>10,998</u>	<u>8,675</u>
	154,888	120,682	141,096	176,584	66,568
Deficit at Beginning of Year	<u>647,961</u>	<u>527,279</u>	<u>386,183</u>	<u>209,599</u>	<u>143,031</u>
Deficit at End of Year	<u>802,849</u>	<u>647,961</u>	<u>527,279</u>	<u>386,183</u>	<u>209,599</u>

* The Company's inactive U.S. subsidiary, Abitibi Asbestos Corporation, was dissolved in 1974

Summary Statement of Deferred Exploration and Development Expenditures

	<u>Year Ended December 31</u>				
	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>
	\$	\$	\$	\$	\$
Mining	311,108	339,068	186,779	37,539	*(see below)
Pilot Plant	171,774	583,453	801,311	---	---
Camp Construction and Operation	79,924	100,503	282,811	---	---
Management Fees and Travel	389,699	255,541	161,923	---	---
Marketing and Feasibility Studies	<u>985,687</u>	<u>154,792</u>	<u>9,932</u>	<u>37,950</u>	<u>---</u>
	1,938,192	1,433,357	1,442,756	75,489	---
Deduct Expenditures on Properties Abandoned	<u>50,597</u>	<u>14,315</u>	<u>6,216</u>	<u>---</u>	<u>---</u>
	1,887,595	1,419,042	1,436,540	75,489	---
Transfer from Limited Partnership *(see below)	<u>---</u>	<u>---</u>	<u>---</u>	<u>2,211,224</u>	<u>---</u>
Net Additions in year	<u><u>1,887,595</u></u>	<u><u>1,419,042</u></u>	<u><u>1,436,540</u></u>	<u><u>2,286,713</u></u>	<u><u>---</u></u>

* From 1968 to July 1971 the Company participated in a Limited Partnership with Minbanco Corporation ("Minbanco") for the purpose of exploring and developing mining claims owned by the Company in the Province of Quebec. On July 20, 1971 the Company acquired substantially all of the assets of Minbanco in exchange for 1,812,505 shares of the Company. The principal asset of Minbanco was its 50% interest in the mining partnership. In 1970 all expenditures were incurred by the Limited Partnership.

Management Discussion and Analysis

The Company is primarily engaged in exploration and preproduction studies with respect to its main asbestos deposit and its only revenue in the period of 1970-1975 has been from interest earned on idle funds. The reduction in office and general expenses was primarily due to Brinco Limited assuming the management of the Company in August of 1974. In 1973, the Company incurred a charge of \$20,000 for investment advisory services whereas in 1974 the cost of consulting services was only \$10,000. The 1974 charge was for consulting services of a director of the Company rendered pursuant to an oral contract and a written agreement which was approved by the shareholders in October 1974. The 1973 legal costs include an amount of approximately \$8,800 for services performed in 1972. The extensive 1971 and 1972 legal expenses were due to expenditures with respect to the purchase of substantially all of the assets of Minbanco Corporation and the agreement with Brinco Limited respectively.

The increased cost of shareholder information in 1974 was mainly due to issuing the annual report of the Company in both English and French. The 1972 shareholder information costs arose from expenditures related to shareholder approval of the Brinco agreement. Interest income rose in 1974 mainly due to an increase in short-term interest rates. As outlined below, the Company has terminated its option agreement with respect to asbestos mining claims in McArthur Township with the consequent result being the major portion of the write-off of deferred exploration and development expenditures of \$79,070 made in 1974.

Other Projects

McArthur Township

The Company has notified the prospectors from whom it optioned a number of asbestos mining claims in McArthur Township, approximately 26 miles south of Timmins, Ontario, that it is terminating its agreement with the prospectors. The Company decided on the basis of drilling completed in the fall of 1974 that the results did not warrant the Company continuing to hold the asbestos claims it optioned from the prospectors as well as those it had staked in the area.

Properties in area of Main Deposit

Diamond drilling results on a magnetic anomaly south of the existing main deposit showed only minor occurrences of fibre. No further work is planned at this time.

Non-Asbestos Properties

The Company reported in its last annual report to shareholders that it had transferred to Nordore Mining Co. Ltd. (Nordore), its

26% interest to 12 mining claims in the Skeena Mining Division of British Columbia. Nordore has advised the Company that it spent \$150,000 more than the \$500,000 it agreed to spend in 1974 on these claims for silver and gold exploration. Nordore has indicated its intention to bring such claims to production on or before December 31, 1975.

During 1974, Nordore enlarged certain of the underground storage areas located at the 3900 ft. elevation at the claims site and carried out additional underground exploration work at higher elevations. Facilities were installed or existing facilities improved to enable working at such elevations. Additional work is needed to complete some of the facilities.

If Nordore places the claims into commercial production, Abitibi would be entitled to initially receive 2% of net profits derived from the sale of mineral products until Nordore recovers the cost of its capital expenditures and 10% of net profits thereafter.

Respectfully submitted on behalf of the Board of Directors.

Montreal, February 28, 1975.

H.W. Macdonell
President

R.B. Carson
Director

The Company will furnish without charge a copy of its Annual Report on Form 10-K to be filed pursuant to the United States Securities Exchange Act of 1934 for the fiscal year ended December 31, 1974, on the written request of any shareholder of record on March 31, 1975 or of any other person who represents in good faith that he was the beneficial owner of shares of the Company on March 31, 1975. Such request should be directed to the Secretary of the Company, One Westmount Square, Montreal, Quebec, H3Z 2X5. The copy of Form 10-K furnished will include all financial statements and schedules, but not exhibits. A copy of any such exhibit will be provided upon written request and subject to the payment of the Company's reasonable expenses in furnishing such exhibit.

Abitibi Asbestos Mining Company Limited

FINANCIAL STATEMENTS

ABITIBI ASBESTOS MINING COMPANY LIMITED

Balance Sheet
December 31, 1974
(with comparative figures for 1973)

	<u>ASSETS</u>	<u>1974</u>	<u>1973</u>
Current assets:			
Cash and short-term deposits	\$	109,156	\$ 103,210
Accounts receivable		6,424	48,600
Due from Brinco Limited		<u>6,789</u>	<u>-</u>
Total current assets		122,369	151,810
Mining properties, at cost		135,334	149,728
Deferred exploration and development expenses, at cost		6,929,890	5,042,295
Fixed assets, at cost less accumulated depreciation of \$31,904 (1973 - \$27,721)		<u>7,129</u>	<u>8,588</u>
	\$	<u><u>7,194,722</u></u>	\$ <u><u>5,352,421</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Accounts payable and accrued liabilities	\$	35,452	\$ 125,625
Due to Brinco Limited (note 2)		1,396,146	86,948
Shareholders' equity (note 3)			
Common shares of \$1 par value per share.			
Authorized 10,000,000 shares; issued			
5,225,712 shares (1973 - 4,874,447)		5,225,712	4,874,447
Less discount		<u>1,512,500</u>	<u>1,512,500</u>
		3,713,212	3,361,947
Contributed surplus		2,852,761	2,425,862
Deficit		<u>(802,849)</u>	<u>(647,961)</u>
Total shareholders' equity		<u>5,763,124</u>	<u>5,139,848</u>
	\$	<u><u>7,194,722</u></u>	\$ <u><u>5,352,421</u></u>

See accompanying notes to financial statements.

On behalf of the Board:

H.W. Macdonell, Director

J.P. Rixon, Director

ABITIBI ASBESTOS MINING COMPANY LIMITED

Statement of Administrative Expenses and Deficit
Year ended December 31, 1974
(with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
Administrative expenses:		
Legal and audit fees	\$ 30,632	\$ 42,526
Management fees	11,686	10,000
Consulting fees	10,000	20,000
Office and general expenses	7,352	12,968
Salaries	4,351	4,700
Annual report, annual meeting and shareholder relations	7,146	2,383
Transfer agents' fees and expenses	6,285	5,187
Telephone	2,524	4,439
Travel	2,666	6,071
Depreciation	<u>2,341</u>	<u>2,214</u>
	84,983	110,488
Less interest income	<u>9,165</u>	<u>5,321</u>
	75,818	105,167
Accumulated exploration expenses and costs of properties abandoned during the year	<u>79,070</u>	<u>15,515</u>
	154,888	120,682
Deficit at beginning of year	<u>647,961</u>	<u>527,279</u>
Deficit at end of year	<u>\$ 802,849</u>	<u>\$ 647,961</u>

See accompanying notes to financial statements.

ABITIBI ASBESTOS MINING COMPANY LIMITED

Statement of Deferred Exploration and Development Expenses
Year ended December 31, 1974
(with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
Expenses during the year:		
Mining	\$ 311,108	\$ 339,068
Pilot plant	171,774	583,453
Camp construction and operation	79,924	100,503
Salaries, travel and management fees	389,699	255,541
Marketing and feasibility studies	<u>985,687</u>	<u>154,792</u>
	1,938,192	1,433,357
Balance at beginning of year	<u>5,042,295</u>	<u>3,623,253</u>
	6,980,487	5,056,610
Less accumulated expenses on properties abandoned during the year	<u>50,597</u>	<u>14,315</u>
Balance at end of year	<u><u>\$ 6,929,890</u></u>	<u><u>\$ 5,042,295</u></u>

See accompanying notes to financial statements.

ABITIBI ASBESTOS MINING COMPANY LIMITED

Statement of Changes in Financial Position
Year ended December 31, 1974
(with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
Source of funds:		
Issue of capital stock:		
For conversion of Brinco Limited advances	\$ 628,164	\$ 1,123,592
For cash	<u>150,000</u>	<u>-</u>
	778,164	1,123,592
Increase in advances from Brinco Limited	<u>1,309,198</u>	<u>86,948</u>
Total funds provided	<u>2,087,362</u>	<u>1,210,540</u>
Use of funds:		
Administrative expenses less items not affecting working capital	73,477	102,953
Deferred exploration and development expenses less items not affecting working capital	1,934,530	1,426,643
Acquisition of mining properties	14,079	-
Purchase of fixed assets - net	<u>4,544</u>	<u>3,899</u>
Total funds used	<u>2,026,630</u>	<u>1,533,495</u>
Increase (decrease) in working capital	60,732	(322,955)
Working capital at beginning of year	<u>26,185</u>	<u>349,140</u>
Working capital at end of year	<u>\$ 86,917</u>	<u>\$ 26,185</u>

See accompanying notes to financial statements.

ABITIBI ASBESTOS MINING COMPANY LIMITED

Notes to Financial Statements December 31, 1974

1. ACCOUNTING POLICIES

The principal accounting policies followed by the Company are summarized hereunder.

Mining properties and exploration and development expenses:

The costs of acquisition of mining properties, including option payments, and exploration and development expenses are deferred until the properties are put into production. At that time, the accumulated costs are subject to depreciation and amortization over the economic life of the mine. When a property is abandoned or an option has lapsed, the accumulated costs related to the property are charged to expense.

Fixed assets:

Depreciation of fixed assets is provided generally on the straight line basis over the estimated service lives of the assets, at the following rates:

Vehicles	30% per annum
Office furniture, equipment and improvements	20% per annum
Field buildings, and equipment	10% to 20% per annum

Depreciation of vehicles and field buildings and equipment is included in deferred exploration and development expenses. The costs of fixed assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts and the resulting gain or loss reflected in the statement of expenses or deferred exploration and development expenses, as appropriate.

Income taxes:

Tax allocation procedures are followed, except that no recognition is given in the accounts to the possible future tax benefit which may be realized through the deduction in determining taxable income in future years of unclaimed amounts of depreciation, exploration and preproduction expenditures and losses available for carryforward. The reduction in income taxes resulting from the application of such unclaimed deductions and losses carried forward is reflected as an extraordinary item in the years in which the tax benefit is realized.

Foreign exchange:

Current assets and liabilities arising in currencies other than Canadian dollars are translated at exchange rates in effect at balance sheet dates: all other assets, liabilities,

revenues and expenses are translated at rates in effect at dates of transactions.

2. AGREEMENT WITH BRINCO LIMITED

Under the terms of an agreement entered into in 1972 and amended in 1973, Brinco Limited ("Brinco") purchased 800,000 shares of the Company for \$500,000 in cash and a commitment to spend \$1,500,000 on the construction of a pilot plant and related preproduction studies on the Company's asbestos properties. The agreement provides for conversion of expenditures by Brinco in excess of the \$1,500,000 into additional shares on the basis of one share for each \$2.50 of such excess, or, under certain conditions, reimbursement to Brinco in cash.

During 1974, Brinco expended \$1,937,365 on additional exploration and development of which \$541,219 was converted into 216,487 shares at \$2.50 per share and the balance of \$1,396,146 is included on the balance sheet under the caption "Due to Brinco Limited".

The agreement referred to above provides that if a production decision is made by Brinco prior to July 14, 1976, Brinco will acquire sufficient additional treasury shares at \$2.50 per share so that the total number of shares purchased under the agreement, (exclusive of shares acquired by Brinco other than under the agreement) will represent 51% of the then outstanding shares of the Company. Brinco may also be obligated, as required by lenders who provide senior financing, to give completion guarantees and to provide additional funds in the event of an over-run in relation to project cost estimates. In addition, if required for purposes of senior financing, Brinco will undertake to advance up to \$1,500,000.

3. SHAREHOLDERS' EQUITY

During 1974, 351,265 common shares were issued, 100,000 shares for cash consideration of \$150,000 and 251,265 shares on conversion of expenditures by Brinco at \$2.50 per share. The excess of the consideration over the par value of the shares issued, \$426,899 (1973 - \$674,155), has been credited to contributed surplus.

Reference is made to note 2 above with respect to the Company's commitments to issue treasury shares to Brinco at \$2.50 per share.

At December 31, 1974, Brinco was the registered owner of 50.2% of the outstanding share capital of the Company.

4. INCOME TAXES

Exploration and development expenditures incurred by Brinco for which Brinco has received or will receive shares of the Company are not available to the Company as a deduction for income tax purposes. Such expenditures amounted to \$4,672,316 as at December 31, 1974.

5. CONTINGENT LIABILITY AND COMMITMENTS

- (a) The Company is contingently liable to repay a loan of \$100,000 out of profits derived from mining claims in Quebec or from the proceeds of sale of the mining claims. The proceeds of the loan were used for exploration and development and have been deducted from deferred exploration and development expenses.
 - (b) The Company has entered into an agreement with a director for consulting services for a period of five years ending in 1979 at an annual fee of \$30,000.
 - (c) By an agreement entered into in 1974, Brinco will provide until July 1976 at the latest, administrative and management services to the Company at an annual charge of \$45,000.
-

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Abitibi Asbestos Mining Company Limited as of December 31, 1974 and the statements of administrative expenses and deficit, deferred exploration and development expenses and changes in financial position for the year then ended. 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, these financial statements present fairly the financial position of the company at December 31, 1974 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The figures for 1973, included for comparative purposes, are based on the financial statements of that year which were reported upon by other chartered accountants.

(signed) PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

