LAKE ASBESTOS OF QUEBEC, LTD.

1975

Gaston Verreault

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Black Lake, Quebec

CONFIDENTIAL

February 11, 1976

TO: Mr. R.L. Hennebach

LAKE ASBESTOS OF QUEBEC, LTD.

REPORT ON OPERATIONS - YEAR 1975

Submitted herewith is a review of Operations, Sales and Research for L.A.Q. for the year 1975. Lake Asbestos was shut down at both mines by a seven-month labor strike in the Thetford Mines area so comparisons are difficult to make.

Included are the following tabulations and reports:

(1) Details of 1975 production, costs and market value of production.

(2) Forecast of production costs, sales and outcome for 1976.

(3) Production of fibre grades and breakdown of ore values.

(4) Details of tons sold and net revenues received by grades.

(5) Shipments by companies as reported by QAMA - 1975.

(6) Summary report on National Mines Division for 1975 with Forecast of Outcome for 1976.

(7) Report of Sales department and market conditions.

(8) Report by Asarco Research department on their work pertaining to asbestos during 1975.

(9) Some comments on Capco for 1975 and Forecast for 1976.

Financial totals and summaries of production cost details with comments on each section are as follows as reflected in our books.

Estimated sales from the two mines for 1976 is 271,020 tons sold with net profit before taxes of $10,577,000.

O U T C O M E

Outcome for the year was a profit of $1,266,803 after allowance for depreciation and depletion of $228,691. Outcome before D & D was a profit of $1,495,494 which included allowance for depreciation of mobile equipment of $466,053.

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Net proceeds due United Asbestos for 1975 were $1,537,629 making a total to date of $13,660,988, United now being entitled to 50% of the profits.

Operating costs decreased by $6,732,547 from 1974 due to the seven-month strike so many meaningful costs comparisons cannot be made in this report. The strike cost expense is estimated at $2,700,312 but a lot of useful dust control work was done during that time.

The labor cost settlement on October 13, 1975 was 31% without COLA and with the percentage COLA based on Cost of Living Index it was 39.9%. Another 5% increase was granted on February 1, 1976 so as to keep in line with Canadian Johns-Manville. The contract was for two years and ends in October 1977.

It will be a few months before we can assess the exact cost effect of the labor settlement, increase in cost of oil and other materials on our cost per ton of fibre but our estimates are $15 to $20 per ton of fibre for 1976.

During 1975 asbestos price increases of between 30 to 35% were announced and discounts were reduced considerably.

Now we have the anti-inflation program and just how it will be applied and its effect on profits is difficult to assess at this time until the governments come out with some definite regulations, and we can establish the base of the past 5 years to work from.

The fibre demand, especially for A-C fibres, remains strong in all grades - our only concern will be group 7 towards the end of the year.

The relocation work is in progress and we hope to have the railroad and highway relocated this year - this will add to our cost from 2 to 2.5 million dollars. This will permit us to mine better grade ore.

The Quebec Government has named the Beaudry Commission to study environmental problems and establish the number of fibres per c.c. over a time weighed average. The QAMA as an industry is asking 5-fibre per c.c. by 1978. Should the standard be lower, many of the mines and mills could have serious and costly problems. The hearings are continuing and are very time consuming with the final report to be submitted in October 1977.

The Workmen's Compensation Board has enacted Bill 52 which will give much higher awards for asbestosis cases especially if they are over 25%. While we have presently only 2 known cases (employees

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who formerly worked for Asbestos Corp.) it could be a costly problem for the industry with a possible 140 cases at C.J.M., 120 at A.C.L. and 20 at Bell.

REPAYMENTS

Total drawing to date, in U.S. currency are now:

	Year	Total to Date
L.A.Q. Ltd	$1,131,800 Cr.	$6,166,100 Cr.
Asarco Int'l	1,112,800 Cr.	1,784,200 Cr.
	$2,244,600 Cr.	$7,950,300 Cr.

CAPITAL EXPENDITURES

Total capital expenditures: Year $289,409 (of which $134,348 was for replacements).

OPERATIONS

Summary of production costs (Cdn Cy) are given hereunder - for the record, as the 7-month strike distorted the cost and comparison figures:

Operating Costs	Tons	Total Cost	Unit Cost	Ore Milled
Stripping & Waste	4,072,018	$ 1,850,450	$0.45	$1.09
Mining Ore	1,696,334	1,067,190	0.63	0.62
	6,768,352			
Mine Overhead		1,331,989	0.23	0.78
Ore Milling	1,709,359	3,806,265	2.23	2.23
Adm. & Overhead		5,236,851		3.06
Total		$13,292,745		$7.78

FIBRE PRODUCTION

The mill operated on a 6-day week though some production days were lost prior to the strike and men refused to work overtime.

Production - Fibre Net	58,387 tons
Fibre yield/Ton ore milled prior to concentration	3.42%
List value net per ton	$10.02
Fibre yield after concentration	5.53%
Value per ton after concentration	$16.22

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FIBRE PRODUCTION (Cont'd)

	Total	Per Ton Fibre
List Value - Net Fibre Produced	$17,133,558	$293.45
Estimated Market Value 92%	$15,762,900	$269.97
Production Costs	$13,292,700	$227.66
Fibre Inventory	2,912 tons	
Estimated Value of Inventory	$ 991,930	$340.61
Gross Billing Shipments	$17,784,100	$288.60
Sales Expenses, Commissions, discounts	$ 1,357,700	$ 7.62

O P E R A T I O N S

HYDRAULICS

All major hydraulics structures and pumping stations operated satisfactorily during the year. A total of 928,918,000 gallons were pumped. Precipitation was 33.46 inches compared to 43.16 in 1974.

We are having some water problems in the North East Extension (the old Becancour river bed) and may have to put in some drainage wells.

We are still trying to acquire approximately 164 acres from Asbestos Corporation for a South dump, but this is being delayed as they want a haulage road along the dyke from the B.C. Mine to Normandie to haul concentrates from the King-Beaver mine. This will require A.C.L. to build a tunnel under the railroad and the relocated highway and could delay our relocation work.

We are also about to acquire approximately 346 acres from Allied Chemical for $15,000 which will adjoin the land we are trying to get from A.C.L. for the South Waste Dump, to have a shorter haul for waste from the East and North East Extension areas.

MINING & STRIPPING

Total ore and waste removed in 1975 was 5,768,352 tons at an average cost of 78.3¢ per ton. The waste to ore ratio was 2.61 : 1.

The strike put us behind schedule in waste removal and relocation work which we must push during 1976 to have access to better ore along the East wall. So far, the North East Extension has been better than expected and has been carrying us for blending.

Total mine output for 1976 is estimated at 15,300,000 tons of which

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MINING & STRIPPING (Cont'd)

4,843,000 tons will be ore. The ore value for 1976 is estimated at $10.59 with a fibre production of 163,000 to 170,000 tons.

Relocation costs expenditures for 1976 are estimated at 2 to 2.5 million dollars which will affect our costs.

The new mine garage and shop are in use and are getting better work efficiency.

We also plan to install a radio truck dispatching system for more efficient truck use.

At present we have the following major mine equipment:

Power Shovels

2 - Marion 111M - 4 cu. yd.
4 - P&H 1400 4½ " "
1 - P&H 1900 11 " "

Trucks

5 - Sicard - 85-ton
4 - Euclid - 50-ton
17 - Sicard - 50-ton
5 - Sicard - 48-ton
3 - Euclid - 35-ton

Dozers

1 - D7 Caterpillar
5 - D8 Caterpillar
1 - Michigan 280 - Rubber Tired
1 - Caterpillar 824 " "

Loaders

1 - Caterpillar 10 cu. yd.
1 - Michigan 6 cu. yd.

2 - Road Graders

Drills

2 - C.I.R. Down-the-Hole
1 - 45R Bucyrus Rotary
1 - Travel Drill (soon to be replaced)
1 - Air Track Drill

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Major Mine Equipment (Cont'd)

Misc. Equipment

1 - 93M Marion Shovel - Backhoe
1 - P&H Excavator 3/4 cu. yd.
1 - Water Tank - Euclid 65-TD
1 - Float Tractor - Euclid 65-TD
1 - 50-ton Float
1 - 100-ton Float
1 - P&H Truck Crane - 25-ton capacity
1 - Road Sander - Euclid 65-TD

The cost of diesel oil at present is 36.6¢ per gallon plus 25¢ tax = 61.6¢. Total tax paid in 1975, $200,000.

PIT DEVELOPMENT - 1975 - Lowest Level 150

	Tons Ore	% Ore	Tons Waste
"B" Pit	1,099,204	68.9	2,913,314
"C" Pit	---	-	---
East Extension	---	-	554,574
North East Extension	496,810	31.1	704,450
	1,596,014		4,172,338

Balance of ore and waste comes from low grade stockpiles which still contain 1,899,410 tons.

Haulage distances increased by about 984 feet and average pit depth was 34 feet lower.

For 1976, the mining and blending of ore will be more difficult until the relocation is completed and benches established.

Ore reserves at end of 1975 were approximately 100,000,000 tons.

Tons of ore from present pit layout in 1976	3,400,000 tons
Tons of ore from North East Extension	1,200,000 "
Ore gained by mining	200,000 "
	4,800,000 tons

Drilling Equipment

The Bucyrus 45-R-9" Rotary drill is handling most of the primary drilling. During the year 96,268 of 9" holes were drilled with a penetration rate of 52 feet per hour.

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MINING & STRIPPING (Cont'd)

Since the ore to be mined in 1976 will be of variable length and quality with good ore (about 2,200,000 tons) coming mostly from the North East Extension and the B-190 level, selective mining will be required for proper blending. So the ore will come from several places namely the 510, 470, 350, 310, 270, 230 and 190 benches of "B" pit with the bulk from the 270, 230 and 190 benches. In addition, ore will come from the 710, 670 and 630 benches of North East Extension with the bulk from the 670 bench.

Average working force in 1975)
Mine employees/day/3 shifts) 209.93

Tons per man shift: 284.76

During 1975 we averaged 46,716 tons per day from the "B" pit, North East Extension and East Extension and 827 tons from the Low Grade Stockpiles for a total of 47,543 tons per day. Our objective for 1976 is 50,607 tons per day from the same sources.

Exploration Drilling

No diamond drilling took place in 1975 on account of the strike. The program scheduled for 1975 has been mostly postponed until 1976.

Proposed Drilling for 1976

Some 17,500 feet of drilling are scheduled, distributed as follows, to better define the ore distribution and values:

North East Extension	-	7,500 ft.
East Extension	-	7,000 "
Horse Back between "B" and "C" Pits	-	3,000 "

Wall Control

Careful studies will have to be seriously started on wall control work as the mine gets deeper especially on the East wall and horizontal water drains may be necessary.

MILLING OPERATIONS

There were 1,709,395 tons of ore milled during the year with the cost of drying and processing being $3,806,300 or $2.23 per ton milled, an increase of 59¢ over 1974. The mill operated 2,734 hours. The cost per ton of fibre was $222.66 on a volume of

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MILLING OPERATIONS (Cont'd)

58,387 tons compared to $123.68 on a volume of 160,361 tons in 1974. The schedule for 1976 is 163,000 to 170,000 tons.

CRUSHING PLANT

This operated efficiently on a 3-shift basis for 2,293 hours with an average throughput of 758 tons. Dust control equipment worked satisfactorily.

DRYING PLANT

The plant operated 2,755 hours at a rate of 614 tons per hour using 0.42 gallon of fuel oil per ton.

During winter months we do not have sufficient drying capacity and have to operate on overtime on Sundays. With dust control this could involve expenditures close to $500,000.

MAGNETIC CONCENTRATION

The Magnetic Concentration continues to operate satisfactorily. Since May 1974, Lake has paid Asarco $544,060 in royalty.

The only other company using this on an agreement basis is A.C.L. Others have looked at it but none have requested to use it.

It might be well to write another letter to all asbestos mines when we have patents telling them of our success with it and that it can be licensed.

From the 1,709,359 tons milled, 653,033 tons (38.8%) were rejected. This increased the mill yield from 3.42% to 5.53% and ore value from $10.02 to $16.22 for the mill feed.

Further use of primary Magnetic Concentration is under study, but with increased fibre prices much of the low grade stockpiles can be digested in the present flowsheet.

PROJECTS

The major anticipated milling changes for 1976 and 1977 are as follows after detailed studies:

(a) Complete automatic bag placers on J.M. Packers.

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PROJECTS (Cont'd)

(b) Research making 9" x 12" x 16" hard pressed blocks of asbestos that require no bags but can be palletized and shrink-wrapped.

(c) Additional fan and air capacity for dust control.

(d) Install bag palletizer to reduce number of men in bagging department.

(e) Changes in screening and grading circuits to produce more uniform grades.

(f) Remove or cover all high dust creating equipment.

(g) Install more push pull air separators.

(h) Cover conveyors and dust control at transfer points.

(i) Add special crew of 10 to 15 maintenance men to speed up dust control work and see that it is properly maintained.

Such tradesmen are hard to get and I again recommend we look at local machinery shops.

(j) Install more vacuum cleaning systems.

A lot of dust control work was done by the staff during the strike, but a lot remains to be done, much of which will have to be on Sundays at double pay. With the mill being pushed to full capacity due to strong demand, many of the jobs have to be done under difficult conditions resulting in a lot of pressure on our Maintenance department.

Q.A.M.A.

The cost of belonging to Q.A.M.A. was $107,000 for the Black Lake and National divisions, half of which was I.O.E.H. (Health Institute). The cost for 1976 is estimated at $116,000. However, our Public Relations have been rather poor and the press has been a serious problem of incorrect reporting, etc.

The Clinic is functioning much better under Dr. Lambert and has been upgraded and new equipment added. Copies of all reports must now be forwarded to the Quebec Government and everyone (including me) has to have Miner's Certificate. If you don't get a certificate it means you cannot work at a mine or else go on Compensation at 90% of your pay less any other earnings you may get.

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We have had to establish our own Hygiene Environmental department with 2 men to do dust counts.

The total capital expenditures for 1975 were $289,409 and for 1976 are estimated at $1,335,000 including dryer expansion and environmental improvements.

The Engineering department has been especially busy with the relocations of highway and railroad, permits, deeds and title searches, etc. with a lot of legal work involved. However, we are having some problems due to poor cooperation from some staff of Asbestos Corp.

WORKING FORCE & LABOR RELATIONS

The statistics here are being omitted this year due to the strike.

On December 31, 1975 the working force was 102 salaried and 573 hourly including some temporary employees.

I won't go back to the 7 months of frustration with 3 different unions fighting for a position in the asbestos industry. Only Canadian Johns-Manville operated at Asbestos with the C.S.D. union and got a 2-year contract - February 1, 1975 to February 1, 1977.

In the Thetford area, the C.S.N. at A.C.L., Carey and at National Mines Division and the Steelworkers at Black Lake Division and Bell formed a common front to their disadvantage. Finally with the Anti-Inflation Act coming in on October 14 which limited wage increase to 10 - 12% the first year, 8% the second year and 6% the third, the Unions were in a hurry to sign. The best we could get was a 2-year contract, October 13, 1975 to October 13, 1977 or 9 months past Canadian Johns-Manville's contract, for about 10¢ per hour more than C.J.M. settled for with the same percentage COLA formula. The same settlement was made money wise for the 32 members of the C.S.N. office union at Black Lake.

What will happen in 1977 is difficult to predict - will the inter-union rivalry continue? But C.J.M. no doubt will set the pattern in February 1977. The end to inter-union rivalry is probably more to be hoped for than to be expected.

Labor turnover during 1975 was 6% and we lost a few skilled tradesmen during the strike.

SAFETY

The result here were again disappointing due in good part to the

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attitude of the unions and workers - many refuse to attend safety meetings. The unions give a lot of publicity to safe work practices and legislation but do not give the cooperation to attain this.

During the year there were 25 first-aid cases, 21 doctor cases and 10 compensable accidents with a loss of 327 days.

ASBESTOS - GENERAL

World production of all types of asbestos for 1975 is estimated at approximately 4,000,000 tons. Of this quantity, Canada produced approximately 1,136,000 tons of which 881,420 tons were from Quebec with a value of approximately $205,414,000.

The 7-month strike that closed the mines in the Thetford Mines area greatly aggravated the short supply situation especially in the A-C fibre grades and much of the business went to South Africa and Russia. Many A-C plants around the world had to operate on a curtailed basis and some had to shut down. Many new A-C plants are being built in underdeveloped countries especially in the Middle East and the Far East.

Unless new mines are developed in the Free World, the A-C fibre situation will remain tight for the next few years or else much of the potential business will go to Russia who are said to be developing new deposits. The Russians have also raised their prices about the same amount as Canadian producers.

The Clinton mine of Cassiar in the Yukon will close in 1977 and this will take 100,000 tons of good A-C fibre off the market.

The Reeves mine of C.J.M. in Ontario (40,000 tons) has been closed due to environmental problems of 2 fibres per c.c.

Status of New or Proposed Asbestos Production

UNITED ASBESTOS - Midlothian, Ontario (Allied Mining)

They have constructed a mine and mill at a cost of $33,000,000 (with a $30,000,000 loan) to produce approximately 100,000 tons of fibre per year mostly in groups 6 and 7 with some group 5. They are having many start-up problems and probably won't get into production until May or June of 1976. No doubt additional expenditures may be necessary to make it an operating mine and they are now trying to re-arrange their financing on a long term basis. I mentioned to

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UNITED ASBESTOS (Cont'd)

Mr. Malouf about us buying his Lake contract and he told me at present he needs all the money he can get from Lake.

ASBESTOS CORP. - Ungava - Mill at Nordenham, Germany

This operation is going much better and was not affected by the strike. In 1975 they produced close to 125,000 tons of fibre with profits estimated at close to $12,000,000. They have a serious dust control problem at Ungava and also will have to go underground in the next 2 to 3 years.

ASBESTOS CORP . - King-Beaver

T hey will not rebuild the mill that was destroyed by fire late in 1973. They plan to build a concentrator and send the concentrate to British-Canadian and Normandie mills but it will reduce their overall production in the Thetford area by about 50,000 tons per year.

No doubt A.C.L. still has many problems but with the fibre price increases they are on a reasonably good profitable basis again and have started to pay $1.00 yearly dividend on their stock which has climbed from $16 to $25 per share.

ABITIBI ASBESTOS (Brinco) - near Amos, Quebec

This, for the present, seems to be the deposit with most potential to get into production in the future. Brinco now has 54% of the shares and is looking for a partner for this rather huge undertaking and Asarco is studying the data that Brinco with S.N.C. - Bechtel have developed.

The present known orebody is 105 to 108 million tons with a yield of 2.88% and a ore value of $9.31 (Dec. 1975 prices) and fibre value of $323 per ton.

The capital cost is estimated at 265 to 310 million dollars, for a plant to produce approximately 250,000 tons of fibre per year.

No doubt with 120 feet of overburden cover the cost will be high but we feel that the plant has been over designed. Our thought would be to design a mill for 200,000 tons per year and then push it up to 250,000 tons with small additional cost. To really assess this would involve a lot of work on our part and before doing this we need some

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ABITIBI ASBESTOS (Cont'd)

indication of what kind of a deal and management fee we might be able to negotiate and the return on the investment.

I suggest they mine 10,000 tons of ore and put through the Lake mill and this will answer a lot of questions about flow sheet, recoveries and production costs.

I think we should have a good hard look at the project but Brinco will have to lay its cards on the table now if they want the benefit of our advice and knowledge. Brinco have about $6,500,000 invested in the project to date on field work, pilot testing and acquisition of shares.

Mr. De LaPorte, the president, said we could manage the project and they are looking for partners - he was to talk to Sir Mark Turner of R.T.Z.

CERRO - Greece (50 to 60,000 tons fibre)

They are trying to dispose of their interest in this 30 million dollars project and Texas Gulf is presently looking at it but no definite decision.

ETERNIT - Columbia

It has taken over the Nicolet interest and is planning a mill for 15,000 tons production in 1977.

CANA BRAVA - Brazil (Pont-à-Mousson - Eternit)

They produced 40,000 tons in 1975 and are proceeding with a mill expansion to 70,000 tons in 1976 - most of the equipment has been ordered from Fournier Steel in Thetford.

WOODSREEF - Australia

They produced about 35,000 tons in 1975 and are opening up a new ore zone, changing and expanding their mill hoping for production of 70,000 tons at the end of 1976 or 1977. While still in receivership, they are making some progress towards break-even operations helped by the short supply and increased fibre prices.

NEW ZEALAND - Kennecott

Cassiar had an option on this and dropped it I believe due to lack of

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NEW ZEALAND (Cont'd)

funds. I understand Asarco is now negotiating for a preliminary look at this under more favorable terms. In fact it is a large new area difficult of access but has never been properly explored.

MINERA PEGASO - Mexico

This is a large slip fibre deposit mostly group 6 fibre but I have not heard of any progress towards production.

McADAM - Chibougamau

This is a large slip fibre deposit held by Rio Algom (60% owned by R.T.Z.) but no decision has been made as to any production.

RHODESIA - South Africa

There have been some small new deposits in the development stage especially in Blue fibre but really no major increase in production. Prices in some cases have increased as much as 40% for Blue and Amosite.

EAGLE - Alaska

I understand Asarco is working on an agreement for exploration of this prospect with the Indian Council.

I haven't heard of any major new discoveries of asbestos in the Free World during the past year. Only thing we should consider and it might help Capco for fibre is to purchase the shares of Newmont held by Cassiar. I believe they hold about 13.2% but the other shareholders may have first option, however, it's worth checking.

RUSSIA

No doubt due to the strike in Thetford, Russia increased its exports from about 450,000 tons to 600,000 tons in 1975. They talk about developing new deposits but there is no definite information except they are expanding their asbestos-cement plants and building new ones.

Another trip to Russia by Q.A.M.A. members might well be in order to assess the situation there.

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Mr. R.L. Hennebach February 11, 1976

Fibre inventory for Q.A.M.A. at the end of 1975 was 29,890 tons compared to 72,870 tons in 1974.

Lake, along with other asbestos producers, has been named in 2 or 3 class action suits by workers in various companies who have used our product. Mr. Gillespie can give you more details.

At Lake and National the outlook for 1976 is good and we are sold out but a lot depends on world economic conditions and the rate of recovery, especially in the U.S.A.

The past year was a difficult one and 1976 will have its problems. With business good and demand strong, we will work under a cloud of harassment from the unions, environmental commission, federal and provincial regulations, Compensation Board changes in policy and awards, the Anti-Inflation rules and regulations (if we ever get to know them), possible strikes in the province, but in spite of all this we should have a profitable year. The old affluent days are over and to face reality we must stress productivity and efficiency to salvage as much profitability as possible.

The continued support, understanding and cooperation from our Executive Officers, Legal, Research, Sales, Traffic, Purchasing, Industrial Relations and Financial Departments have been most helpful. Lionel Piuze has done an outstanding job on the Environmental hearings as he did during the strike and all the staff remained loyal and did their share to avoid incidents at picket lines. I must pay tribute to all the good staff we have here.

Michael J. Messel

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LAKE ASBESTOS OF QUEBEC, LTD.

Black Lake Division

PRODUCTION OPERATIONS - YEAR 1975

Period	MINING		MILLING	Fibre Yield	FIBRE PRODUCTION		
	Tons Waste	Tons Ore	Tons	Percent	Net Tons	Re-Run	Total Tons
January	1,013,634	335,942	327,724	3.07	10,057	--	10,057
February	822,512	320,480	313,544	3.24	10,151	--	10,151
March	295,758	193,884	202,729	3.97	8,048	12	8,060
April	---	---	---	--	---	--	---
May	---	---	---	--	---	--	---
June	---	---	---	--	---	--	---
July	---	---	---	--	---	--	---
August	---	---	---	--	---	--	---
September	---	---	---	--	---	--	---
October	---	---	---	--	---	--	---
November	1,117,546	535,350	521,001	3.60	18,731	--	18,731
December	822,568	310,678	344,361	3.31	11,400	53	11,454
	4,072,018	1,696,334	1,709,359	3.42	58,387	65	58,453

PRODUCTION COSTS - YEAR 1975 (Can Cy)

	Mining & Stripping Cost		Milling Cost		Adm. & O'head Cost		Total Production Cost			Market Value Net Fibre List Less 15%	
	Total	Per Ton Milled	Total	Per Ton Milled	Total	Per Ton Milled	Total	Per Ton Milled	Per Ton Fibre	Total	Per Ton
January	$ 883,282	$2.70	$ 755,360	$2.31	$ 459,773	$1.40	$ 2,098,415	$6.40	$208.65	$ 2,332,073	$231.89
February	840,005	2.68	642,244	2.05	448,945	1.43	1,931,194	6.16	190.25	2,627,109	258.80
March) April)	551,180	2.72	528,264	2.61	948,913	4.68	2,028,357	10.00	252.04	1,984,287	246.19
May	---	--	---	--	518,884	--	518,884	--	--	---	--
June	---	--	---	--	462,840	--	462,840	--	--	---	--
July	---	--	---	--	474,885	--	474,885	--	--	---	--
August	---	--	---	--	420,324	--	420,324	--	--	---	--
September	---	--	---	--	375,052	--	375,052	--	--	---	--
October	---	--	---	--	677,468	--	677,468	--	--	---	--
Novembre	1,087,744	2.09	1,063,709	2.04	214,871	0.41	2,366,324	4.54	126.33	4,456,595	237.93
Decembre	887,418	2.58	816,688	2.37	234,896	0.68	1,939,002	5.63	170.08	3,175,499	277.25
	$4,249,629	$2.49	$3,806,265	$2.23	$5,236,851	$3.06	$13,292,745	$7.78	$227.66	$14,579,473	$249.21

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LAKE ASBESTOS OF QUEBEC, LTD.

Black Lake & National Mines Divisions Combined

SUMMARY OF EARNINGS & CASH FORECAST

January 1, 1976 to December 31, 1976

	1st Quarter 1976	2nd Quarter 1976	3rd Quarter 1976	4th Quarter 1976	Totals 1976
Sales Proceeds Gross	$15,843,000	$15,800,000	$16,414,000	$16,147,000	$64,204,000
Commissions & Discounts	$ 1,346,000	$ 1,344,000	$ 1,382,000	$ 1,355,000	$ 5,427,000
Sales Proceeds Net	$14,497,000	$14,456,000	$15,032,000	$14,792,000	$58,777,000
Cost of Sales	$ 7,583,000	$ 7,729,000	$ 7,937,000	$ 7,799,000	$31,048,000
Profit on Sales	$ 6,914,000	$ 6,727,000	$ 7,095,000	$ 6,993,000	$27,729,000
Overhead	$ 870,000	$ 870,000	$ 870,000	$ 1,100,000	$ 3,710,000
Mining Tax	$ 1,050,000	$ 1,050,000	$ 950,000	$ 950,000	$ 4,000,000
Profit	$ 4,994,000	$ 4,807,000	$ 5,275,000	$ 4,943,000	$20,019,000
Interest on Promissory Notes	$ 56,000	$ 56,000	$ 56,000	$ 56,000	$ 224,000
United Asbestos	$ 1,843,000	$ 1,700,000	$ 2,137,000	$ 2,005,000	$ 7,685,000
Net	$ 3,095,000	$ 3,051,000	$ 3,082,000	$ 2,882,000	$12,110,000
Depreciation Mobile Equipment	$ 157,000	$ 157,000	$ 157,000	$ 157,000	$ 628,000
Depreciation and Depletion	$ 220,000	$ 230,000	$ 230,000	$ 225,000	$ 905,000
Net Profit before Federal Income Taxes & N.Y.O. Charges	$ 2,718,000	$ 2,664,000	$ 2,695,000	$ 2,500,000	$10,577,000
Property Expenditures	$ 738,000	$ 501,000	$ 589,000	$ 465,000	$ 2,193,000
Promissory Note Repaid	$ ---	$ ---	$ ---	$ ---	$ ---
Working Capital (Increase) Decrease	$ 1,100,000	$ 400,000	$ 100,000	$ (300,000)	$ 1,300,000
Cash Receipts	$ 3,457,000	$ 2,950,000	$ 2,693,000	$ 2,117,000	$11,217,000

GENERAL NOTE

It has been difficult to arrive at an estimate for costs after the seven-month strike with no historical data to follow. A careful study will be made in the first quarter to see if a reassessment of the costs as estimated above is required.

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LAKE ASBESTOS OF QUEBEC, LTD.

Black Lake Division

SUMMARY OF EARNINGS & CASH FORECAST

January 1, 1976 to December 31, 1976

	1st Quarter 1976	2nd Quarter 1976	3rd Quarter 1976	4th Quarter 1976	Totals 1976
Tons of Ore Milled	1,217,000	1,173,000	1,228,000	1,225,000	4,843,000
Tons of Fibre Produced & Sold	41,000	40,000	41,000	41,000	163,000
Sales Proceeds Gross	$12,900,000	$12,400,000	$13,000,000	$13,000,000	$51,300,000
Commissions & Discounts	$ 1,032,000	$ 992,000	$ 1,040,000	$ 1,040,000	$ 4,104,000
Sales Proceeds Net	$11,868,000	$11,408,000	$11,960,000	$11,960,000	$47,196,000
Cost of Sales	$ 6,000,000	$ 5,900,000	$ 6,100,000	$ 6,100,000	$24,100,000
Profit on Sales	$ 5,868,000	$ 5,508,000	$ 5,860,000	$ 5,860,000	$23,096,000
Overhead	$ 700,000	$ 700,000	$ 700,000	$ 900,000	$ 3,000,000
Mining Tax	$ 850,000	$ 850,000	$ 750,000	$ 750,000	$ 3,200,000
Profit	$ 4,318,000	$ 3,958,000	$ 4,410,000	$ 4,210,000	$16,896,000
United Asbestos	$ 1,843,000	$ 1,700,000	$ 2,137,000	$ 2,005,000	$ 7,685,000
Net	$ 2,475,000	$ 2,258,000	$ 2,273,000	$ 2,205,000	$ 9,211,000
Depreciation Mobile Equipment	$ 130,000	$ 130,000	$ 130,000	$ 130,000	$ 520,000
Depreciation & Depletion	$ 180,000	$ 180,000	$ 180,000	$ 180,000	$ 720,000
Net Profit before Federal Income Taxes & N.Y.O. Charges	$ 2,165,000	$ 1,948,000	$ 1,963,000	$ 1,895,000	$ 7,971,000
Property Expenditures	$ 460,000	$ 380,000	$ 370,000	$ 185,000	$ 1,395,000
Working Capital (Increase) Decrease	$ 1,000,000	$ 300,000	$ ---	$ ---	$ 1,300,000
Cash Receipts	$ 3,015,000	$ 2,178,000	$ 1,903,000	$ 2,020,000	$ 9,116,000

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LAKE ASBESTOS OF QUEBEC, LTD.

Black Lake Division

ANALYSIS OF FIBRE PRODUCTION - 1975

SUMMARY BY GROUP

Group	Tons Fibre Produced	Lb. Fibre Per Ton Ore	% of Total	Value Per Ton Ore	% of Total
3	953	1.10	1.63	.50	4.94
4	23,475	27.45	40.16	5.87	58.56
5	5,609	6.56	9.60	.95	9.49
6	12,329	14.42	21.09	1.49	14.87
7	16,087	18.78	27.52	1.22	12.14
	58,453	68.31	100.00	10.03	100.00

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LAKE ASBESTOS OF QUEBEC, LTD.

Black Lake Division

ANALYSIS OF FIBRE PRODUCTION - 12 months to December - 1975

Grade	Tons Fibre Produced	Tons Fibre Re-Run	Production	Tons Ore Milled	Lb. Fibre Per Ton Ore	Value Per Ton	Gross Value	Value Per Ton Ore
3F	9.00	--	9.00		.01		$ 12,345	--
3K	166.00	--	166.00		.19		179,560	.11
3R	337.80	.50	337.30		.39		319,753	.19
3T	232.25	.80	231.45		.27		187,686	.11
3Z	119.00	--	119.00		.14		87,538	.05
4A	89.30	.30	89.00		.10		60,752	.04
4D	590.80	6.00	584.80		.68		270,907	.16
4K	474.80	8.60	466.20		.55		213,307	.12
4M	101.00	--	101.00		.12		45,882	.03
4T	22,307.90	5.60	22,302.30		26.10		9,510,472	5.56
5D	333.20	--	333.20		.39		108,847	.06
5K	236.00	1.50	234.50		.27		79,484	.05
5M	--	2.00	(2.00)		--		--	--
5R	5,039.75	--	5,039.75		5.90		1,439,398	.84
6D	12,329.10	4.35	12,324.75		14.42		2,549,464	1.49
7D	2,798.70	3.15	2,795.55		3.27		456,224	.27
7D-5	5,341.00	4.75	5,336.25		6.24		779,927	.46
7F	448.25	9.00	439.25		.51		65,021	.04
7H	2,957.95	1.90	2,956.05		3.46		362,954	.21
7K	128.00	1.30	126.70		.15		12,928	--
7M	4,048.30	14.75	4,033.55		4.72		375,490	.22
7T	348.60	.85	347.75		.41		28,934	.02
8S	16.00	--	16.00		.02		848	--
	58,452.70	65.35	58,387.35	1,709,359	68.31		$17,147,721	10.03

Due to price increases during the year, it is not possible to show a "Value Per Ton"

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NET SALES BY GRADE - 1975 - BLACK LAKE DIVISION

Grade	Tons	Amount	Per Ton	Percentage of List*
3K	60.00	$ 64,237.76	$1,070.63	95.39
3R	811.70	689,068.15	848.92	91.16
3T	433.10	322,085.78	743.68	93.24
3Z	150.00	100,259.25	668.40	92.32
4A	89.00	57,826.40	649.73	94.61
4D	609.00	268,961.95	441.65	94.38
4K	493.40	216,555.56	438.90	97.49
4M	101.00	42,192.20	417.74	91.96
4T	21,623.30	8,490,890.12	392.67	92.08
4Z	--	35.00	--	--
5D	375.70	118,517.53	315.46	94.24
5K	270.90	85,224.42	314.60	94.39
5M	--	106.04	--	--
5R	5,244.90	1,404,722.02	267.83	94.29
6D	12,421.85	2,391,401.39	192.54	93.37
7D-5	5,527.50	799,665.55	144.67	98.57
7D	3,777.95	545,243.74	144.32	89.27
7F	420.00	54,397.50	129.52	90.81
7H	2,699.55	293,334.75	108.66	89.63
7K	231.40	20,414.10	88.22	87.10
7M	5,710.60	460,486.42	80.64	87.62
7R	104.10	6,456.24	62.02	72.96
7T	385.85	25,444.67	65.94	81.40
17R	3.00	148.20	49.40	58.81
17T	62.00	2,654.01	42.81	50.96
8S	16.00	802.95	50.18	94.69
	61,621.80	$16,461,131.70	$267.13	92.58

Charges for Rent & Insurance, Gains & Losses on delivery ex Overseas Whses., Marine Insurance & Consular Charges absorbed	16,311.30
Special Commission re. Loss of Revenue due to Strike ...	(51,000.00)
Net Sales Revenue per P&L	$16,426,443.00

*This includes deductions for Agents' Commission, Cash Discount and Quantity or other Discount that may be allowed, and value of samples which is included in allowance.

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COMPARISON BY COMPANIES OF Q.A.M.A. SHIPMENTS - 1966-1975

	Year	Crude	Gr. 3	Group 4	Group 5	Group 6	Group 7	Gr. 8	Total Tons	EST. VALUE
LAKE	1966	3	2,338	36,149	24,890	17,494	33,102	1,004	115,020	$15,244,089
	1967	10	2,511	36,148	20,905	24,862	38,989	1,041	124,466	$16,365,146
Black Lake Division	1968	-	2,523	51,584	26,097	18,445	46,055	549	145,253	$20,376,196
	1969	1	2,100	42,335	23,185	17,551	47,459	-	132,631	$18,879,996
	1970	-	1,712	46,901	24,367	22,032	42,229	-	137,241	$20,446,248
	1971	-	1,802	47,234	23,805	15,306	40,914	-	129,061	$20,093,246
	1972	-	2,179	54,294	26,664	15,031	51,863	-	150,031	$23,587,672
	1973	-	2,878	55,597	29,040	24,061	55,268	30	166,874	$26,631,065
	1974	-	5,149	53,051	22,475	34,421	45,900	-	160,996	$35,647,431
	1975	-	1,543	22,825	5,892	12,423	18,921	18	61,622	$17,784,133
National Mines Division	1973	(3 months)	332	639	1,679	3,957	11,266	-	17,873	$ 1,772,352
	1974	-	1,071	2,729	5,018	13,489	46,993	-	69,300	$ 8,279,839
	1975	-	457	1,297	5,097	7,153	19,664	-	33,668	$ 5,521,740
NATIONAL MINES LIMITED	1966	-	694	3,936	5,060	9,313	26,958	-	45,961	$ 3,861,740
	1967	-	682	4,116	2,386	10,901	25,039	-	43,124	$ 3,660,521
	1968	-	1,179	3,596	4,453	9,353	34,435	-	53,016	$ 4,433,713
	1969	-	571	3,087	3,967	14,532	30,400	-	52,557	$ 4,640,237
	1970	-	726	4,420	3,284	18,252	33,839	-	60,521	$ 5,635,792
	1971	-	616	2,264	3,330	9,519	35,208	-	50,937	$ 4,262,195
	1972	-	492	2,568	3,489	9,298	35,780	-	51,627	$ 4,420,714
	1973	(9 months)	616	2,227	3,722	10,395	24,850	-	41,810	$ 4,168,131
ASBESTOS CORPORATION LTD.	1966	71	12,872	93,912	82,231	29,819	36,506	530	255,941	$40,421,387
	1967	160	10,805	85,898	87,601	34,088	34,376	204	253,132	$40,621,673
	1968	218	17,180	92,435	83,351	35,570	43,589	118	272,461	$46,428,603
	1969	74	16,039	109,166	88,318	38,478	53,127	110	305,312	$56,399,064
	1970	89	12,545	111,152	103,619	30,916	59,005	159	317,485	$59,220,090
	1971	32	10,122	107,387	93,352	38,018	66,889	128	315,928	$56,700,198
	1972	10	9,238	100,155	82,449	49,430	74,775	360	316,417	$57,648,105
	1973	20	12,121	123,614	95,329	47,214	84,797	245	363,340	$68,572,888
	1974	9	17,196	123,747	97,517	63,045	80,020	150	381,684	$94,061,411
	1975	2	4,813	38,005	16,559	16,400	11,475	18	87,354	$32,787,060
NICOLET INDUSTRIES	1966	-	-	-	3,015	988	19,812	-	23,815	$ 2,057,115
	1967	-	-	-	577	3,513	16,517	318	20,925	$ 1,660,991
	1968	-	-	-	10	2,338	20,757	-	23,105	$ 1,831,215

	Year	Crude	Gr. 3	Group 4	Group 5	Group 6	Group 7	Gr. 8	Total Tons	EST. VALUE
CANADIAN JOHNS-MANVILLE	1966	81	5,149	218,263	47,168	144,188	170,815	2,895	613,524	$75,684,361
	1967	42	4,640	194,502	48,807	139,998	165,698	6,071	584,952	$72,201,888
	1968	37	4,376	174,192	54,576	155,722	168,529	5,605	594,008	$73,283,018
	1969	29	4,308	159,239	57,727	134,002	177,545	4,456	574,100	$75,307,579
	1970	7	2,812	167,722	64,228	142,477	162,347	111	576,296	$79,064,207
	1971	36	3,186	151,015	54,794	134,710	180,568	100	569,515	$75,317,345
	1972	36	3,033	157,876	48,611	117,417	198,924	60	601,395	$80,003,851
	1973	10	3,309	149,209	47,428	137,765	206,877	64	633,937	$85,211,227
	1974	-	4,065	157,187	44,537	140,268	286,697	648	633,402	$111,418,208
	1975	-	1,811	139,716	40,290	118,705	304,918	-	605,440	$134,712,424
BELL ASBESTOS MINES LTD.	1966	53	6,731	11,234	14,702	12,160	16,524	-	61,404	$ 9,401,104
	1967	49	6,103	6,780	14,144	10,985	16,916	-	54,977	$ 8,118,124
	1968	11	6,715	4,114	11,496	13,257	16,690	-	52,283	$ 7,897,569
	1969	10	5,465	2,184	12,277	18,212	18,235	-	56,383	$ 8,204,642
	1970	10	6,033	3,290	13,042	24,748	12,745	-	59,868	$ 9,443,954
	1971	27	5,170	5,682	11,012	19,903	12,461	-	54,255	$ 8,933,566
	1972	10	5,986	3,680	9,961	8,748	11,863	-	40,248	$ 7,367,339
	1973	1	4,677	8,291	19,333	15,489	18,456	-	66,247	$11,443,984
	1974	-	5,090	13,600	10,646	13,966	20,733	-	64,039	$14,563,984
	1975		1,495	3,793	2,078	3,005	6,104	-	16,475	$ 5,171,464
CAREY-CANADIAN MINES LTD.	1966	-	598	4,987	8,208	8,055	164,086	6	185,970	$10,639,672
	1967	-	503	3,589	8,339	11,346	153,245	16	177,038	$10,232,825
	1968	-	647	4,322	12,292	12,934	168,544	113	198,852	$11,997,346
	1969	-	497	4,267	12,796	14,148	165,341	910	200,548	$13,456,210
	1970	-	622	4,554	13,877	14,686	154,372	7	192,773	$13,833,281
	1971	-	239	2,989	12,591	10,611	171,331	17	205,452	$13,986,030
	1972	-	371	3,604	14,727	12,255	182,782	69	220,494	$15,488,630
	1973	-	422	5,196	16,294	13,015	187,739	17	234,767	$17,770,631
	1974	-	308	7,489	15,698	9,187	194,330	37	227,049	$22,048,747
	1975	-	22	3,300	4,759	4,848	63,932	--	76,861	$ 9,437,266
FLINTKOTE MINES LTD.	1966	-	-	3,201	2,332	7,505	22,182	4,743	39,963	$ 2,914,148
	1967	-	-	5,620	2,001	8,297	17,546	3,155	36,619	$ 3,129,497
	1968	-	-	6,085	1,364	8,030	16,804	2,141	34,424	$ 3,121,023
	1969	-	-	4,083	1,703	8,148	16,447	1,696	32,077	$ 2,898,089
	1970	-	-	6,104	1,259	8,535	13,244	1,493	30,635	$ 3,234,223
	1971	-	-	3,605	680	5,878	11,341	1,269	22,773	$ 2,236,868

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COMPARISON BY COMPANIES OF Q.A.M.A. SHIPMENTS - 1966-1975

	Year	Crude	Gr. 3	Group 4	Group 5	Group 6	Group 7	Gr. 8	Total Tons	EST. VALUE
TOTAL ALL COMPANIES	1966	208	28,382	371,682	187,606	229,552	489,985	9,218	1,341,598	$160,223,616
	1967	261	25,244	336,653	184,760	243,990	468,326	10,805	1,295,233	$155,989,665
	1968	266	32,620	336,328	193,639	255,649	515,403	8,526	1,373,402	$169,368,683
	1969	114	28,980	324,361	199,973	245,071	508,554	7,172	1,353,608	$179,785,817
	1970	106	24,450	344,143	223,676	261,646	477,781	1,770	1,374,819	$190,877,795
	1971	95	21,135	320,176	199,564	233,945	518,712	1,514	1,347,921	$181,559,448
	1972	56	21,299	322,177	185,901	212,179	555,987	489	1,380,212	$188,516,311
	1973	31	24,355	344,773	212,825	251,896	589,253	356	1,524,848	$215,570,278
	1974	13	32,879	357,803	195,891	274,376	674,673	835	1,536,470	$286,019,620
	1975	2	10,141	208,936	74,675	162,534	425,014	118	881,420	$205,414,087

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COMPARISON BY COMPANIES OF Q.A.M.A. SHIPMENTS - 1966-1975

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Canadian JOHNS-MANVILLE	613,524	584,952	594,008	574,100	576,296	569,515	601,395	633,937	633,402	605,440
ASBESTOS CORP. LTD.	255,941	253,132	272,461	305,312	317,485	315,928	316,417	363,340	381,684	87,354
LAKE - Black Lake Div.	115,020	124,463	145,253	132,631	137,241	129,061	150,031	166,874	160,996	61,622
National Mines Div.	-	-	-	-	-	-	-	17,873*	69,300	33,668
NATIONAL MINES LTD.	45,961	43,124	53,016	52,557	60,521	50,937	51,627	41,810**	---	---
BELL ASBESTOS MINES	61,404	54,977	52,283	56,383	59,868	54,255	40,248	66,247	64,039	16,475
CAREY-CANADIAN	185,970	177,038	198,852	200,548	192,773	205,452	220,494	234,767	227,049	76,861
FLINTKOTE MINES LTD.	39,863	36,619	34,424	32,077	30,635	22,773	---	---	---	---
NICOLET ASBESTOS	23,815	20,925	23,105	---	---	---	---	---	---	---
	1,341,598	1,295,233	1,373,402	1,353,608	1,374,819	1,347,921	1,380,212	1,524,848	1,536,470	881,420

*3 months

**9 months

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The above operation which was acquired in October 1973 was also involved in the 7-month strike (C.S.N. Union) but managed to show a profit of $219,694 for the year.

The interest paid on notes was $335,799. There remains to be paid to National Gypsum the sum of $2,850,000 (U.S. Cy) plus interest.

Production was 31,941 tons with sales of 36,244 tons.

During the strike work by the staff was concentrated on dust control, magnetic concentration and mill changes to produce fibre grades more in demand in the market and with better profitability.

For 1976, production is estimated at 82,000 tons with a profit of $2,606,000 or better.

However, now with the mill improvements and better efficiency, this mine is proving to be a good profit earner and a good investment but is still dependent on the group 7 market though we are producing a lot of group 5R and 6D going into A-C products.

Mining operated on a 3-shift, 6-day basis

Ore Mined	593,403	tons
Waste Mined	693,316	"
TOTAL	1,286,719	"

Of the ore mined, 226,638 tons were from A.C.L. ground for which we paid a royalty of 48.7¢ per ton. We are studying the possible purchase of this ore within the present pit limits but with the Anti-Inflation program and establishment of a base period we have not as yet decided what is the best thing to do. There are about 5,500,000 tons involved to be mined over the next 15 to 20 years. At present value, discounted 15%, this land is worth about $1,000,000. Other adjoining properties are being studied for future acquisition.

With the mill throughput increased we will have to accelerate our mining and this will require additional trucks and a drill to keep up with waste removal and have ore available for the mill.

The mining program for 1976 is 2,000,000 tons of ore and 1,785,000 tons of waste for a total of 3,785,000 tons - on a 6-day basis.

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National Mines Division - 1975

At present we have the following major mine equipment:

2 - B.E. 100 shovels 4½ cu. yd.
1 - Cat 988 Loader 6 cu. yd.

Trucks

1 - Euclid R 50-ton
5 - Euclid R 45/Terex 45-ton

Dozers

2 - Caterpillar D-7

Grader

1 - Road Grader

Drills

1 - C.I.R. Down-the-Hole DM3 - 6½"
1 - Gardner-Denver PR-143 - 5"

Miscellaneous

1 - P&H Crane with drop ball
1 - Autocar Crane - 8-ton hydra-lift.

Explosives

Consumption for the year was 372,672 lbs. of which 92.8% was slurries. Our estimated requirements from Dupont for 1976 will be over 1,000,000 pounds.

Crushing & Drying - 5 and 6-day operation as required.

Tons crushed and dried	593,403
Tons per hour	272.3
Oil consumed	364,729 gallons
Gallon oil/ton dried	0.61 gallon

Dust collecting equipment has been installed and is in operation for stack emissions at the dryers and dry rock storage but a lot of inside work still remains to be done and two dust filters are being installed.

We plan to install a Pulvomatic crusher and upgrade the crushing and

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National Mines Division - 1975

drying section and an additional dryer could be required to keep up with the increased mill throughput. This is a 2-year program but is a necessity.

Magnetic Concentration was installed in the dryer and mill circuits.

Milling - 3 shifts - 6 days (5 months only)

Tons Milled	593,100
Tons per Hour	211
Fibre Produced - Tons	31,941
Net Value of Production	$5,447,974
Total Cost of Production	$4,270,140
Yield	5.39%
Ore Value	$9.19
Value per Ton Fibre	$170.56
Year End Inventory - Tons	2,553

Projects in Progress

Two additional Pressure Packers are being installed, two fluid bed classifiers and many mill modifications and dust control projects are under way including more air capacity but here again we are hampered by the shortage of qualified maintenance men.

Mill Projects under Active Study

Recover more fibre from tailings, upgrade tailings disposal conveyors, mill shop facilities inadequate, better fire protection is required, additional packers may be necessary, central vacuum cleaning system (the dust counts here are in many places above our objective of 5-fibre per c.c. and this will have to be corrected).

Some additional land has been acquired for future tailings disposal and some additional acquisition is necessary from A.C.L.

Eventually we will have to turn our tailings disposal away from the main highway and residential area to avoid dust claims. Two claims are presently pending and we feel they are the former owner's responsibility. Dust from tailings disposal is a real problem when there are high winds.

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National Mines Division - 1975

Marketing & Sales (5 months)

Sales - Tons	36,245	
Sales - Amount	$5,063,244	
Cost of Sales	$2,742,752	
Profit on Sales	$2,320,292	
Cost of Fibre Re-Run	$ 2,761	
Mining Tax	$ 99,663	
Overhead	$1,556,235	
Other Income	$ 4,381	
Interest on Notes	$ 335,799	(in costs)
Balance	$ 330,215	
Deduct:		
Depreciation (excl. Mobile Equip.)	$ 51,323	
Depletion	$ 49,298	
Provincial Tax	$ 9,900	
BALANCE	$ 219,694	

The program for 1976 is shown on the attached Forecast sheet - much will depend on how long and how well group 7 sales hold up in the U.S.A. where we are giving more market coverage.

Capital Expenditures

Expenditures for 1975 were $665,544 and estimated for 1976 at $798,000. However a lot of progress is being made at National and it is not the same place as when Lake took over.

Labor & Staff

Establishment is 30 salaried and 174 hourly normal plus 12 temporary and replacements.

Much of the Accounting work is being done at Black Lake where we have a computer and costs are being apportioned.

André Gauthier and Mr. Bolduc did an outstanding job with the C.S.N. Unit in re-modelling the old National Mine contract into one that embodies many Asarco basics. This was difficult due to A.C.L., who are with C.S.N., having old established ideas and practices and are the predominant union group in the Thetford area. The contract was the same as at Black Lake, for 2 years from October 13, 1975.

Otherwise labor relations have been good at National.

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National Mines Division - 1975

Safety

During the year there were 16 accidents without lost time and 3 with lost time for a total of 49 days lost.

The safety program and attitude here have been much better than at Black Lake.

Lately at National which started operations in 1958 also, there have been a lot more asbestosis and hearing loss claims prompted no doubt by the Union officials of C.S.N. from Montreal as was well reflected in the submission to the Beaudry Commission on environmental problems.

GENERAL

The improvements at National have been good and should continue with improved profitability in spite of a lot of up-grading work that has yet to be done. Eventually it will be a mine capable of producing 100,000 tons of fibre annually. With ore reserves of 25,000,000 to 40,000,000 tons, some further diamond drilling will be required to delimit the ore zones and fibre values.

Michael J. Messel

February 12, 1976

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LAKE ASBESTOS OF QUEBEC, LTD.

National Mines Division

PRODUCTION OPERATIONS - YEAR 1975

Period	MINING		MILLING	Fibre Yield	FIBRE PRODUCTION		
	Tons Waste	Tons Ore	Tons	Percent	Net Tons	Re-Run	Total Tons
January	160,032	108,137	105,405	6.11	6,440	4	6,444
February	149,172	102,600	103,100	6.03	6,218	20	6,238
March	67,712	54,221	54,608	6.12	3,340	-	3,340
April	---	---	---	--	---	-	---
May	---	---	---	--	---	-	---
June	---	---	---	--	---	-	---
July	---	---	---	--	---	-	---
August	---	---	---	--	---	-	---
September	---	---	---	--	---	-	---
October	---	---	---	--	---	-	---
November	181,340	180,137	178,409	4.85	8,648	-	8,648
December	127,900	148,308	151,578	4.81	7,295	1	7,296
	686,156	593,403	593,100	5.38	31,941	25	31,966

PRODUCTION COSTS - YEAR 1975 (Can. Cy)

	Mining & Stripping Cost		Milling Cost		Adm. & O'head Cost		Total Production Cost			Market Value Net Fibre List Less 15%	
	Total	Per Ton Milled	Total	Per Ton Milled	Total	Per Ton Milled	Total	Per Ton Milled	Per Ton Fibre	Total	Per Ton
January	$ 219,492	$2.08	$ 346,677	$3.29	$ 108,280	$1.03	$ 674,449	$6.40	$104.73	$ 809,909	$125.76
February	204,386	1.98	262,233	2.54	110,877	1.08	577,496	5.60	92.87	792,902	127.52
March) April)	152,037	2.78	189,122	3.47	290,062	5.31	631,221	11.56	188.99	457,250	136.90
May	---	--	---	--	195,238	--	195,238	--	--	---	--
June	---	--	---	--	138,537	--	138,537	--	--	---	--
July	---	--	---	--	190,746	--	190,746	--	--	---	--
August	---	--	---	--	140,709	--	140,709	--	--	---	--
September	---	--	---	--	142,763	--	142,763	--	--	---	--
October	---	--	---	--	257,466	--	257,466	--	--	---	--
November	294,246	1.65	427,196	2.40	67,157	.37	788,599	4.42	91.19	1,299,668	150.29
December	183,534	1.21	335,319	2.21	14,063	.09	532,916	3.51	73.05	1,271,049	174.24
	$1,053,695	$1.78	$1,560,547	$2.63	$1,655,898	$2.79	$4,270,140	$7.20	$133.69	$4,630,778	$144.98

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LAKE ASBESTOS OF QUEBEC, LTD.

National Mines Division

SUMMARY OF EARNINGS & CASH FORECAST

January 1, 1976 to December 31, 1976

	1st Quarter 1976	2nd Quarter 1976	3rd Quarter 1976	4th Quarter 1976	Totals 1976
Tons of Ore Milled	322,000	366,000	369,000	343,000	1,400,000
Tons of Fibre Produced & Sold	18,700	21,600	21,700	20,000	82,000
Sales Proceeds Gross	$2,943,000	$3,400,000	$3,414,000	$3,147,000	$12,904,000
Commissions & Discounts	$ 314,000	$ 352,000	$ 342,000	$ 315,000	$ 1,323,000
Sales Proceeds Net	$2,629,000	$3,048,000	$3,072,000	$2,832,000	$11,581,000
Cost of Sales	$1,583,000	$1,829,000	$1,837,000	$1,699,000	$ 6,948,000
Profit on Sales	$1,046,000	$1,219,000	$1,235,000	$1,133,000	$ 4,633,000
Overhead	$ 170,000	$ 170,000	$ 170,000	$ 200,000	$ 710,000
Mining Tax	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 800,000
Profit	$ 676,000	$ 849,000	$ 865,000	$ 733,000	$ 3,123,000
Interest on Promissory Notes	$ 56,000	$ 56,000	$ 56,000	$ 56,000	$ 224,000
Net	$ 620,000	$ 793,000	$ 809,000	$ 677,000	$ 2,899,000
Depreciation Mobile Equipment	$ 27,000	$ 27,000	$ 27,000	$ 27,000	$ 108,000
Depreciation & Depletion	$ 40,000	$ 50,000	$ 50,000	$ 45,000	$ 185,000
Net Profit before Federal Income Taxes & N.Y.O. Charges	$ 553,000	$ 716,000	$ 732,000	$ 605,000	$ 2,606,000
Property Expenditures	$ 278,000	$ 121,000	$ 119,000	$ 280,000	$ 798,000
Promissory Note Repaid	$ ---	$ ---	$ ---	$ ---	$ ---
Working Capital (Increase) Decrease	$ 100,000	$ 100,000	$ 100,000	$ (300,000)	$ ---
Cash Receipts	$ 442,000	$ 772,000	$ 790,000	$ 97,000	$ 2,101,000

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LAKE ASBESTOS OF QUEBEC, LTD.

National Mines Division

ANALYSIS OF FIBRE PRODUCTION - 1975

SUMMARY BY GROUP

Group	Tons Fibre Produced	Lb. Fibre Per Ton Ore	% of Total	Value Per Ton Ore	% of Total
3	561	1.89	1.76	.78	8.41
4	1,283	4.32	4.02	.94	10.27
5	4,589	15.48	14.37	2.16	23.45
6	7,647	25.79	23.94	2.79	30.27
7	17,338	58.47	54.28	2.46	26.77
17	523	1.76	1.63	.07	.83
	31,941	107.71	100.00	9.20	100.00

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LAKE ASBESTOS OF QUEBEC, LTD.

National Mines Division

ANALYSIS OF FIBRE PRODUCTION - 12 months to December - 1975

Grade	Tons Fibre Produced	Tons Fibre Re-Run	Production	Tons Ore Milled	Lb. Fibre Per Ton Ore	Value Per Ton	Gross Value	Value Per Ton Ore
3K	--	.05	(.05)		--		---	--
3R	7.00	--	7.00		.02		$ 6,006	.01
3T	235.50	(.45)	235.95		.80		195,225	.33
3Z	296.20	.05	296.15		1.00		240,563	.41
4A	21.50	--	21.50		.07		17,175	.03
4D	18.00	--	18.00		.06		8,748	.01
4T	1,269.90	5.10	1,264.80		4.26		551,514	.93
5D	--	.80	(.80)		--		---	--
5R	4,579.05	(11.20)	4,590.25		15.48		1,279,316	2.16
6D	7,667.35	19.95	7,647.40		25.79		1,651,379	2.79
7D	444.85	6.00	438.85		1.48		71,621	.13
7H	1,652.55	35.90	1,616.65		5.45		198,334	.33
7K	20.05	.05	20.00		.07		2,025	--
7M	1,520.00	(10.85)	1,530.85		5.16		144,668	.24
7R	2,455.80	(110.85)	2,566.65		8.65		212,804	.36
7T	3,912.65	(31.85)	3,944.50		13.30		326,368	.55
7RS	3,071.45	136.85	2,934.60		9.90		207,827	.35
7TS	4,274.05	(11.50)	4,285.55		14.46		296,889	.50
17R	145.10	8.00	137.10		.46		12,328	.02
17T	375.30	(11.15)	386.45		1.30		31,526	.05
	31,966.30	24.90	31,941.40	593,100	107.71		$5,454,316	9.20

Due to price increases during the year, it is not possible to show a "Value Per Ton"

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NET SALES BY GRADE - 1975 - NATIONAL MINES DIVISION

Grade	Tons	Amount	Per Ton	Percentage of List*
3R	9.00	$ 7,265.51	$807.28	94.09
3T	274.25	191,044.98	696.61	87.82
3Z	70.10	53,968.45	769.88	95.39
4D	52.00	28,149.84	541.34	101.43
4T	1,235.55	500,291.66	404.91	92.93
5R	4,554.50	1,229,669.99	269.99	94.96
6D	7,140.35	1,413,886.18	198.01	94.21
7D	599.00	90,652.66	151.34	94.00
7H	1,567.00	165,961.77	105.91	89.10
7K	20.00	1,939.81	96.99	96.03
7M	1,877.75	154,744.56	82.41	87.97
7R	3,003.50	223,297.50	74.35	88.02
7RS	5,842.55	344,918.22	59.04	86.82
7T	4,877.45	345,589.65	70.85	85.67
7TS	4,627.60	275,114.69	59.45	85.60
17R	132.65	9,595.91	72.34	86.05
17T	361.45	26,995.88	74.69	89.58
	36,244.70	$5,063,087.26	$139.70	91.70

Charges for Rent & Insurance, Gains & Losses on Delivery ex Overseas Whses., Marine Insurance & Consular Charges absorbed.	156.74
Net Sales Revenue per P&L	$5,063,244.00

*This includes deductions for Agents' Commission, Cash Discount and Quantity or other Discount that may be allowed, and value of samples which is included in allowance.

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I N D E X

Pages 1-5	-	Sales Report
6	-	Sales
7	-	Gross and Net Sales Revenue
8	-	Sales by Group
9	-	Sales by Grade
10	-	Consolidated Summary

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SALES REPORT

Hereunder is a comparison of the quantities of asbestos fibres sold over the last five years. The tons sold in 1975 reflect a five-month operation, whereas the prior years indicate a full-year operation.

1975	1974	1973	1972	1971
* 97,866	230,293	166,875	150,031	129,062 S/T

* Note: 7-month strike

BLACK LAKE:	61,622 S/T	(63%)
NATIONAL:	36,244 S/T	(37%)
	97,866	

V A L U E

BLACK LAKE:	$17,784,132	(76%)
NATIONAL:	$ 5,521,348	(24%)
	$23,305,480	

Total commissions and discounts allowed on sales in 1975 were as follows:

NATIONAL $458,104 or 8.29% compared with 16.4% in 1974;
BLACK LAKE $1,357,689 or 7.63% compared with 12% in 1974.

The average for both mines was 7.79% down from 13.33% in 1974 for an improvement of 5.64%.

If we consider that these allowances include one percent (1%) cash discount, the agents' commission of five percent (5%) and at times ten percent (10%) on Group 7, it was a substantial reduction from 1974 and one that should improve our net sales revenue in 1976.

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During 1975, all grades except Group 7 were in heavy demand enabling us to firm up prices and standardizing our grades at both mines.

We were able to reduce the number of grades we were producing and direct our sales efforts towards grades that were most profitable.

1975 was our second year of operation at National and we were able during the course of the year to correct most of the errors in marketing made by the previous owners. It became evident that we were too dependent on the floor tile market and that such production gave us our lowest return and, at the same time, putting severe restrictions on production because of the colour specs required by most customers.

We have therefore started to lower our sales to the floor tile industry and direct our efforts towards the asbestos paper market. We are in the process of developping and increasing the production of asbestos paper grades, a move that should bring long-term dividends.

This program was started in 1975 and offers great potential. Our fibre at National is ideal for these products and we should have no difficulty selling our entire output of these grades in 1976.

Our estimated sales for 1976 of these grades are 63,000 tons while our floor tile sales are not expected to exceed 20,000 tons and we hope to further decrease our sales of floor tile grades in 1977 not to exceed 10,000 tons.

Demand for asbestos fibres was such that even without the strike in the Canadian mines, a severe shortage would have prevailed. It was interesting to note this change in the supply/demand pattern which had been heretofore a buyer's market.

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This shortage was somewhat alleviated by the sudden availability of Russian fibre. It seems that they chose to supply the Western countries while short-shipping to their sattelite countries. This resulted in an unusual number of enquiries from the Eastern countries.

During that time, our major markets were facing substantial reductions in their fibre consumption because of depressed economies combined with various measures taken to curtail inflation and improve their unusually high unemployment rate. However, the Middle East and the underdevelopped countries continued to experience heavy demand for asbestos based products. Many new plants ready to start in those areas could not operate for lack of asbestos and we believe this situation will not see much improvement in 1976.

The market for asbestos cement grades should remain firm considering that no new mines are coming into operation. With the exception of United Asbestos, which should come on the market in 1976, we see no new production before another four or five years.

Unless Russia decides to substantially increase its sales to the Western world, this situation could have serious effects on the growth of our industry. We cannot see any expansion unless people are assured of supply of raw material.

The strike, the fire at the King Beaver mill, the landslide at Canadian Johns-Manville, all contributed to worsen a situation already quite serious. No signs of improvement are indicated for the near future and the closing of Cassiar's Clinton mine in 1978 will compound the problem. It is therefore most urgent that new asbestos deposits are found and put in operation quickly.

During 1975, asbestos prices were increased by 39%. This added revenue should bring our total sales value to approximately $62 million or 270,000 tons.

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For 1976, we have eliminated most of our sales discounts and will not allow the usual one percent (1%) cash discounts on our overseas sales. It was kept in the United States hoping it would induce customers to pay promptly and improve our cash flow.

Our efforts to assist both the Federal and Provincial governments to have asbestos finishing plants installed in Quebec has paid dividends. We were instrumental in having the Garlock Co., of Rochester, N.Y., build an asbestos textile plant in Sherbrooke, Que. This plant has started its operation on January 5, 1976 and employ 60 men at the start. It is expected that eventually this plant will also be making Garlock gaskets.

During 1975, we experienced unprecedented bad press coverage as to the effect of asbestos on health. It was a source of great concern for both the producers and their customers. It has become a worldwide problem and everyone associated with our industry are taking measures to reduce the dust level in their plants.

As a result of this bad publicity, customers request that we print our warning label on our bags in their language. Added care must be given to the handling of asbestos at both the shipping and receiving ends.

The United Kingdom and Japan have been experimenting with fibreglass as a replacement for asbestos in sheets. A small scale operation is expected to start in Japan at the end of 1976. Most operations are now working under license with the Pilkington of the United Kingdom and Owens Corning of the United States.

Prices for such products are at the moment prohibitive; however, the Japanese feel that with large scale operations prices will be reduced to a level slightly higher than a/c sheets. It seems that amosite producers could be the first affected by such a move. However, we do not expect this move to make much inroads into the asbestos cement industry.

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Despite an unusual year, we feel that we have made several changes that should improve our net sales return in the years ahead.

The present shortage has made it possible to reassess our pricing policy and our grade mix. A move which had not been possible heretofore due to the surplus of fibre on the market.

In closing, I would like to thank Mr. Messel for his guidance and leadership, which enabled us to make the progress we have made.

My thanks also to Messrs. Piuze, Gauthier and Verreault, whose understanding of sales problems enabled us to direct our efforts where we thought we could maximize our return.

The advice and support from the New York Research, Sales, Legal, Public Relations, Traffic and Audit Departments have been to us a tremendous asset.

Finally, to my associates, Messrs. Farrell, Stiefken, Buchholz, Webster, Roy, Power and Auger my appreciation for their loyal support and hard work.

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S A L E S

BLACK LAKE

GROUP 3	ON HAND 12/31/74	SALES FORECAST	ACTUAL SALES	ON HAND 12/31/75	
3F	37	65	-	6	
3K	46	430	60	192	
3R	470	580	811	16	
3T	258	2,090	433	34	
3Z	47	770	150	18	
4A	1	210	89	1	
SUB TOTAL	859	4,145	1,543	267	
GROUP 4					
4D	40	510	609	15	
4K	28	3,190	473	1	
4M	1	320	101	1	
4T	174	49,555	21,623	873	
SUB TOTAL	243	53,575	22,806	890	
GROUP 5					
5D	71	1,575	375	7	
5K	41	650	270	5	
5M	2	500	-	-	
5R	450	20,375	5,244	244	
SUB TOTAL	564	23,100	5,889	256	
GROUP 6					
6D	543	35,870	12,421	446	
7D	1,293	9,425	3,777	310	
GROUP 7					
7D5	192	14,000	5,527	1	(7D5)
7F	-	-	420	19	(7F)
7H	25	6,900	2,699	281	(7H)
7K	106	1,200	231	2	(7K)
7M	2,055	18,615	5,710	427	(7M)
7R	104	-	104	-	(7R)
7T	47	400	385	9	(7T)
17R	3	-	3	-	(17R)
17T	62	-	62	-	(17T)
8S	-	-	16	-	(8S)
SUB TOTAL	2,594	41,115	15,157	739	
GRAND TOTAL	6,096	167,230	61,593	2,908	

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TABLE II

GROSS AND NET SALES REVENUE BY YEARS

	1975 TOTAL	1975 BLACK LAKE	1975 NATIONAL	1974 BLACK LAKE	1974 NATIONAL
SHORT TONS	97,865	61,621	36,244	160,996	69,297
LIST VALUE	$ 23,305,480	$ 17,784,132	$ 5,521,348	$ 35,647,431	$ 8,284,872
LIST VALUE PER TON	$ 238.13	$ 288.60	$ 152.34	$ 221.41	$ 119.55
NET SALES VALUE	$ 21,489,687	$ 16,426,443	$ 5,063,244	$ 31,155,769	$ 6,919,936
NET SALES VALUE PER TON	$ 219.58	$ 266.57	$ 139.70	$ 193.52	$ 99.86
TOTAL COMMISSION AND DISCOUNT	7.79%	7.63%	8.29%	12%	16.4%

	1973 BLACK LAKE	1973 NATIONAL	1972 BLACK LAKE	1971 BLACK LAKE	1970 BLACK LAKE
SHORT TONS	166,875	59,683	150,031	129,062	137,240
LIST VALUE	$ 26,631,064	$ 5,940,483	$ 23,587,672	$ 20,093,244	$ 20,446,248
LIST VALUE PER TON	$ 159.59	$ 99.53	$ 157.22	$ 155.69	$ 148.98
NET SALES VALUE	$ 23,390,603		$ 21,151,456	$ 18,448,828	$ 18,778,811
NET SALES VALUE PER TON	$ 140.17		$ 140.98	$ 142.95	$ 136.83
TOTAL COMMISSION AND DISCOUNT	12%		8.97%	8.18%	8.16%

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TABLE III

SALES BY GROUP - ANNUAL (SHORT TONS)

GROUPS	TOTAL 1975	(BL) 1975	(NAT) 1975	(BL) 1974	(NAT) 1974	1973	1972	1971
3	1,896	1,543	353	4,696	1,071	3,656	2,796	2,535
4	24,113	22,826	1,287	47,066	2,728	54,818	55,264	46,502
5	10,443	5,889	4,554	28,917	5,017	29,039	25,044	23,806
6	19,561	12,421	7,140	34,421	13,490	24,064	15,031	15,306
7D	4,376	3,777	599	28,656	2,268	29,545	24,969	18,993
SHORTS 7's	37,463	15,157	22,306	17,240	44,723	25,753	26,927	21,920
	97,852	61,613	36,239	160,996	69,297	166,875	150,031	129,062

TABLE IV

I N V E N T O R Y

		SHORT TONS	COST	MARKET VALUE
	December 31, 1971	14,527	$ 1,787,317 (123.03)	$ 2,915,020 (200.66)
	December 31, 1972	9,138	1,213,374 (132.78)	2,015,650 (220.56)
	December 31, 1973	6,731	1,023,621 (152.07)	1,461,945 (217.19)
BL	December 31, 1974	6,096	1,365,769 (224.02)	1,160,904 (190.42)
NAT	December 31, 1974	6,856	678,947 (99.03)	577,105 (84.17)
NAT	December 31, 1975	2,552	737,063 (288.72)	626,504 (245.41)
BL	December 31, 1975	2,912	1,078,185 (370.22)	916,458 (315.69)

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SALES BY GRADE

(IN SHORT TONS)

1 9 7 5

	BLACK LAKE	NATIONAL	TOTAL
3F	-	-	-
3K	60	-	60
3R	811	9	820
3T	433	274	707
3Z	150	70	220
4A	89	-	89
4D	609	52	661
4K	493	-	493
4M	101	-	101
4T	21,623	1,235	22,858
5D	375	-	375
5K	270	-	270
5M	-	-	-
5R	5,244	4,554	9,798
6D	12,421	7,140	19,561
7D5	5,527	-	5,527
7D	3,777	599	4,376
7F	420	-	420
7H	2,699	1,567	4,266
7K	231	20	251
7M	5,710	1,877	7,587
7R	104	3,003	3,107
7T	385	4,877	5,262
17R	3	132	135
17T	62	361	423
8S	16	-	16
7RS	-	5,842	5,842
7TS	-	4,627	4,627
TOTAL	61,613	36,239	97,852 Short Tons

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CONSOLIDATED SUMMARY

1976 SALES FORECAST (In Tons)

GRADE	BLACK LAKE	NATIONAL	TOTAL
3T	2,850	-	2,850
3Z	-	1,200	1,200
4A	150	-	150
4T	60,000	2,000	62,000
5D5	5,000	-	5,000
5R	12,000	22,000	34,000
6D3-4-5	42,000	4,000	46,000
7D3-4	8,000	-	8,000
7D5	17,000	-	17,000
7F	120	-	120
7H	8,500	8,000	16,500
7K	1,000	-	1,000
7M2	9,500	-	9,500
7M4	5,000	1,000	6,000
7M5	7,000	10,000	17,000
7R3	-	1,100	1,100
7R4	-	3,500	3,500
7R5	-	4,500	4,500
7RF3	-	500	500
7RS1	-	12,000	12,000
7T2	-	200	200
7T4	-	1,200	1,200
7T5	-	10,000	10,000
7T6	-	2,000	2,000
7TS1	-	8,700	8,700
7TF2	-	400	400
7TF3	-	600	600
TOTAL	178,120	92,900	271,020

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ASARCO

Central Research Laboratories
William P. Roe
Vice President
Val Kudryk
Manager
H. E. Howe
Manager, Metals Research

December 18, 1975

Mr. M. J. Messel
President
LAKE ASBESTOS OF QUEBEC, LTD.

1975 Central Research Asbestos Activities

Research programs were undertaken in several areas during the year and progress is highlighted in the attached memorandum. Investigation of ore samples from the shear zones in the National mine and evaluation of National's fiber properties had to be postponed because of the prolonged strike. The Capco operations were reviewed and discussions held with respect to equipment, processing and control tests to improve quality and consistency in production. Major emphasis was placed on technical sales support to help in introducing National fiber into the U.S. market.

In the coming year it is planned to resume the studies on National's ore and products. Investigations on wet processing will be reactivated both on tailings for increased fiber recovery and on ore as an alternative for producing more fiber. Surface chemistry study of the fiber surfaces will be initiated to determine whether through use of activating agents surfaces can be altered to make asbestos amenable for other applications. Technical sales support effort will be continued.

V. Kudryk

VK/lk

cc: Dr. W. P. Roe

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ASARCO

Central Research Laboratories
William P. Roe
Vice President
Val Kudryk
Manager
H. E. Howe
Manager, Metals Research

December 8, 1975
Re: 695

Dr. V. Kudryk
B U I L D I N G

Summary of Asbestos Research Activities for 1975

I. Recovery of Magnesia from Asbestos Mill Tailings

An approximate 50% recovery of the magnesia content of slats reject asbestos mill tailings was achieved using a modification of a 1946 Bureau of Mines Technical Paper process for the production of magnesium oxide from dolomite ores. The current work consisted of calcination of tailings followed by carbonic acid leaching to produce a soluble magnesium bicarbonate. The leach solution, after separation from the solids, was heated to expel CO_2 and to precipitate magnesium carbonate and MgO was recovered by calcination of the dried precipitate. Details of the test work have been reported in Research Report No. 4726.

Because the MgO product contained contaminants in the form of SiO_2 and $MgCO_3$, further work was indicated and will be carried out as time permits.

II. Capco

Continuing discussions were held during the year on the progress of new fiberizing equipment particularly at the Ragland plant. Reviews were held on optimum fiber treatment and choice of fiber grades. The use of the asbestos cement sag test was discussed and copies of the test were issued to both pipe plants. Discussions were also held with Bill Bond and Bert Alpine in a visit to the Birmingham Corporate offices.

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Some probing tests were performed to determine if concentration of fiber in the center portion of a laminated asbestos cement cross section would enhance the flexural strength. It was found that random fibre distribution in the form of a homogenous cross section produced higher strength than using layers of unequal fiber content.

Asbestos cement pats were also made using chopped copper hair wire strands as replacement for 4T3 fiber. Results showed poor sag and low flexural strength of the cured pats.

III. Asbestos Fiber Reference Paper

An asbestos fiber review in the form of an information paper was written on the origin, varieties, applications and testing of asbestos fibers. Particular attention was given to reference information on Lake and National fiber grades for use by Lake customers and sales agents.

IV. United Asbestos Mines Sample

A sample of an unidentified grade of United Asbestos Mines fiber was received through a customer, having been submitted as a potential equivalent to Lake floats or 7R4.

The sample was shown to be very short, with relatively low wet bulk (100 cc), low surface area (3000 cm^2/gm), low kerosene absorption (210 cc), but good color (64.5).

The material contained a large amount of fine grit and was non-fibrous in the range of -65 mesh, which fraction was 50% of the total weight.

Chemical analysis showed that the country rock appeared to be predominantly calcite. Magnetite was present in a very low to trace amount.

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V. Viscosity Tests for Drilling Mud Fibers

The highest bulking standard short fibers available at Lake and National have been found to be not competitive with the Atlas AS Coalinga, California fibers for use in oil well drilling muds.

Vigorous fiberizing treatments by extended high speed fan processing of Lake 7R5 and floats showed bulking increases but did not sufficiently increase viscosities to an extent that we could be competitive with the Atlas material.

VI. Dust Elimination

Tests were run to determine the effect on fiber dusting using both a teflon powder and solution, Teflon K, produced by the Harshaw Chemical Co. Preliminary results were not encouraging. However, additional test work will be carried out with tailings to determine whether dust control can be effected.

VII. OSHA

In view of the impending lowering of the allowable dust levels from an average of 2 asbestos particles to 0.5 particles per cubic centimeter of air, various sources were contacted to increase our information on methods to measure asbestos dust content of air in and around asbestos applications.

Data were also obtained on an ASTM filter membrane method, now tentatively accepted as the standard dust collecting method for asbestos fibers. This method is, however, subject to considerable controversy, especially as pertains to the identification and counting of the individual dust particles.

We have gathered information on equipment that is required for us to participate in a round robin study of the standard method with several other fiber producers and consumers of asbestos fibers.

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VIII. Sales Service

(a) Domestic

Because of the prolonged industry strike, fewer extended technical service visits to agents and customers were made during the period as compared to previous years. Contact was retained, however, with all agents and most of our major customers by letter and by telephone.

The following services were performed during the year:

1. Palmer Asphalt Co., Bayonne, N. J.

   Complaint on fiber loading, shipping and palletizing of National 7T6. (Jan.)

2. Karnak Chemical Co., Clark, N. J.

   Complaint over unopened fiber balls in shipments. Discussions with National mill and with Karnak on fiberizing equipment. National 7T6. (Jan.)

3. Capco, Van Buren, Arkansas

   Arranged for series of fiberizing tests to compare action of willow mill and African mill on opening of blue and chrysotile fibers. (Jan.)

4. Inland Mfg. Co., Dayton, Ohio

   Discussion on brake lining fibers. Sample of low grit 7M-2 submitted. (Feb.)

5. Dow Chemical Co., Plaquemine, La.

   Discussion on fiber requirements for chlorine cells. (Feb.)

6. Nicolet Industries Inc., Ambler, Pa.

   Technical service call. Discussions on specifications for paper making fiber grades. (Feb.)

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7. Camco, Automotive Specialties, Co., Tappahannock, Va.

Discussions over complaint on shipment of 7M-2 for brake lining. (Feb.)

8. Karnak Chemical Co., Clark, N. J.

Discussion on changing grade from National 7TS5 to Lake 7T5. (Feb.)

9. Auto Friction Co., Haverhill, Mass.

Discussions on use of Lake 6D in brake lining. Sample of 6D4 cement grade submitted. (Feb.)

10. Camco, Tappahannock, Va.

Technical service call. Complaint on grit content and bulkiness of 7M2 and 7M4. Arranged for special 7M2 sample to be sent. (March)

11. Karnak Chemical Co., Clark, N. J.

Three service calls made. Continuing complaints over poor packaging due to packers at National. Lake 7T5 not as good as National 7TS5. (March)

12. Monsey Products Co., Kimberton, Pa.

Discussions on use of short fiber in airless spray undercoating. Sample of 7RF3 sent. (March)

13. Nicolet Industries, Ambler, Pa.

Technical service call. Roping of Lake 7D5 in asbestos vinyl backing. Problem due to faulty grading equipment - corrected. (March)

14. Nicolet Industries, Hamilton, Ohio

Technical service call. Complaint over packaging and car loading, National 7H2. (March)

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15. Capco, Birmingham, Ala.

Discussions on fiberizing equipment. (March)

16. Texas Refinery Corp., Ft. Worth, Texas

Complaint over pressure packing of 7M5. Car rejected, resold to Parr Inc., Ft. Worth. (April)

17. Inmont Corp., St. Louis, Mo.

Physical property review of National 7R5 for use in caulking and sealants. (April)

18. Abex Corp. Winchester, Va.

New specification, Lake 4K in brake lining. (April)

19. Raybestos Manhattan Corp., Stratford, Conn.

Discussion of balling of 4T5 in bag due to excessive pressurizing. Fiberizing suggested. (April)

20. Karnak Corp., Clark, N. J.

Assistance in setting up fiberizing equipment. (April)

21. Milwhite Corp., Houston, Texas

Viscosity testing of National floats and 7R in comparison to Atlas AZ Coalinga fiber.

22. Standco Industries, Houston, Texas

New customer, introduction of Lake 5R4 for brake lining use. (May)

23. Emulsified Asphalt Co., Chicago, Ill.

Discussion on use of Lake 6D4 in asphalt saturated felts. (May)

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24. Congoleum Nairn Co., Cedarhurst, Md.

Complaint on spicules and bundles on surface of asbestos latex sheets using Nat. 7M5. (May)

25. Chevron Asphalt Co., San Francisco, Calif.

Discussions on properties of samples of National 7M5 and 7R5 for roofcoating use. (May)

26. Abex Inc., Winchester, Va.

New specifications, Lake 5R4, 7D4 for brake lining. (June)

27. Atlantic Casting & Engineering Co., Clifton, N. J.

Technical service call. National 7R in casting molds. Discussions on plant dust control. (June)

28. Fabric Filters Co., Tempe, Ariz.

Discussions on fiber properties for use in making asbestos filter bags. (July)

29. Inland Mfg. Co., Dayton, Ohio

New specifications submitted for 6 grade fibers for brake lining use. (Aug.)

30. Raybestos Manhattan Inc., Stratford, Conn.

Fiber requirements for disc brake application. (Aug.)

31. U. S. Plywood Co., Algoma, Wisc.

Discussion on fiberizing equipment. (Sept.)

32. Suprador Corp., New York City

Discussion on complaint over first shipment of Lake 6D4 cement grade concerning length on 6 mesh by Ro-tap. Will lower specs. (Nov.)

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33. Bendix Corp., Southfield, Mich.

Discussion on talc content of fibers. (Nov.)

34. U. S. Plywood Co., Algoma, Wisc.

Review of calcium silicate process for production of low density thermal insulation. (Dec.)

(b) Foreign:

1. Robbins Co., Argentina, S. A.

Discussions on floor tile fiber requirements. (Jan.)

2. Amalgamet, Ltd., Toronto, Canada

Review of pipe insulation manufacturing processes. (Feb.)

3. Guildford Asbestos Co. Ltd., Surrey, England

Information on paper making processes and machinery. (Feb.)

4. Atlanta Bauer Co., Bremen, Germany

Report on chloride and iron content of Lake 4T, 5R and National 7R fibers. (July)

5. Power Industrial Co., Rizal, Philippines

Information on brake lining production and equipment. (Sept.)

6. Asbestos Textile and Asbestos Monterey, Mexico City, Mexico

Development of fiber grades for both plants involving textile and asbestos cement applications. (Nov.)

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IX. Professional Societies

The Asbestos Research Laboratory continues to be engaged in the following committee activities:

(a) AIME American Institute of Mining, Metallurgical, and Petroleum Engineers.
(b) ASTM C-17 Asbestos Cement Products.
(c) ASTM D-30 High Modulus and Inorganic Fibers.
(d) ATI Asbestos Textile Institute.
(e) QAMA Quebec Asbestos Mining Association.

X. Society Meetings

(1) ASTM C-17 Atlanta, Ga. Jan. 7-9
(2) ATI Philadelphia, Pa. Feb. 6-7.
(3) ASTM D-30 Boston, Mass. April 14.
(4) ATI Atlanta, Ga. June 4-6.
(5) Third International Conference on the Physics and Chemistry of Asbestos Minerals. Quebec City, Canada. Aug. 17-21.
(6) ATI Jacksonville, Fla. Oct. 1-3.

XI. Major Trips:

(1) Capco, Birmingham, Ala., Ragland, Ala., and Van Buren, Ark. April 7-10.
(2) Montreal, Canada. June 10-12.

XII. Visitors

(1) Mr. A. E. Alpine, Capco, Birmingham. Feb. 18.
(2) Mr. M. S. Badollet, Johns Manville (retired). Feb. 19.
(3) Dr. E. M. Sauter, Klinger Co., Zurich, Switzerland. Aug. 22.
(4) Mr. H. Kuroda, C. Itoh & Co., Tokyo, Japan. Nov. 3.

C. E. Stiefken

CES:rg

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CEMENT ASBESTOS PRODUCTS COMPANY - 1975

(Acquired on October 1, 1974)

This was a poor and difficult year for Capco with gross loss of $2,203,283 due to the recession in construction, price cutting, fibre shortages and the write-off of the P.V.C. plant at Van Buren and some poor quality pipe in inventory.

An agreement was made with Robintech to manufacture P.V.C. pipe for Capco as we could not compete with our plant and the high cost of P.V.C. from CONICO.

The main plus was that the quality of our A-C pipe has improved, rejects and claims have been reduced and we have a new manager (Mr. Klomfas) at Van Buren who came from Certain-Teed with good pipe experience and organizational ability.

Due to other problems here I have not had the time to devote to Capco that was required at such a difficult time. Mr. Bert Alpine, formerly with J.M. and Certain-Teed was made V.P. of Operations during 1975 and has done a good job in A-C pipe and training our people at both plants, while Mr. Bond has been steering the ship with all its problems during the past year.

What we need at Capco is to build up a good operating and quality control organization at both plants and Mr. Alpine is working on this. However, people with A-C pipe knowledge are not easy to find as there are only 3 other companies in the business.

The outlook for 1976 is apparently much better with net sales of 67,250 tons of A-C pipe and 20,000,000 lbs. of P.V.C. for a total of $23,737,000 and an estimated profit before taxes of $1,805,000 if the Forecast can be achieved (a copy of which is attached but I think is rather optimistic).

This year they will consume about 8,500 tons of 4T3 from Lake.

We have had enough A-C pipe business to run both plants on 5 days during the first 3 months of 1976 which are usually slow months but prices are still very competitive and a lost of discounting goes on. Finished product prices have not kept up with the increased price of labor and raw materials. We must have closer and better management of costs, inventories and money.

A lot of engineering and improvement work remains to be done - the environmental problems being the most urgent at an estimated immediate cost of $200,000.

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CAPCO - 1975

The total capital expenditures for 1975 were $714,028 and for 1976 and 1977 are being estimated at $2,000,000.

Everyone at Capco feels that the most profitable market for A-C pipe is on the West Coast, especially in California, and to have full market coverage and less freight absorption we should consider a West Coast plant with one 5-meter pipe machine which would cost about $8,000,000. Capco now ships about $3,000,000 of pipe in this area with a $40 per ton freight absorption.

Marketing

Approximate production capacity A-C pipe:

Johns-Manville - 6 plants	610,000 tons
Certain-Teed - 5 plants	300,000 "
Flintkote - 1 Plant	60,000 "
Capco - 2 plants	70,000 "

Most plants, except those on the West Coast, ran about 70% of capacity during 1975.

Capco will have to diversify into sewer and water transmission pipes to get a better share of the market. The tendency is also to larger diameter A-C pipe such as 16" - 18" - 24". This requires more fast filtering fibre such as Blue from Africa, Cassiar's or C & G 4 from Rhodesia.

We have U.S. coverage with a sales force of 16 people and a number of distributors. The sales force is good - probably a bit too high for the volume.

An incentive system is being studied for the sales people and then another for the production group.

Due to many problems 1975 was a difficult year to measure the potential of Capco but I hope we can get many of these behind us in 1976 and with the predicted upturn in business it should help the company turn around to a profitable basis.

Attached is the Capco Forecast for 1976 and the Year-End report by Mr. Bond.

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CAPCO - 1975

Mead Corporation certainly let Capco run down more than was originally evident - there were practically no spare parts and necessary improvements were deferred so a lot of work still remains to be done.

Michael J. Messel

January 16, 1976

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capco

CEMENT ASBESTOS PRODUCTS COMPANY—a subsidiary of ASARCO Incorporated
2144 Highland Avenue, South • P. O. Box 3435 / Birmingham, Alabama 35205 • Phone 205 • 933-7281

January 20, 1976

WILLIAM R. BOND
Chairman of the Board

C O N F I D E N T I A L

Memorandum For: Messrs. M. J. Messel and R. L. Hennebach

CAPCO OPERATIONS REPORT FOR DECEMBER PERIOD 1975

PROFIT AND LOSS

		December	Per Ton/Lb.	Year to Date	Per Ton/Lb.
Sales	- A/C Tons	2,909		45,162	
	- PVC M-Lbs.	943		5,665	
Sales Amount	- A/C	$ 649,372	$223.23	$10,820,113	$239.58
	- PVC	243,663	.258	1,809,047	.319
Cost of Sales	- A/C	680,788	234.03	9,851,444	218.14
	- PVC	700,617	.743	2,734,493	.483
Profit on Sales	- A/C	$ (31,416)	$(10.80)	$ 968,669	$ 21.45
	- PVC	(456,954)	(.485)	(925,446)	(.163)
	- Total	$(488,370)		$ 43,223	
Deductions:					
Marketing Expense		$ 85,316		$ 1,040,218	
Administrative Expense		51,112		631,260	
New York Administrative		(6,250)		239,160	
Other Income & (Expense)		(222,852)		(335,867)	
Gross Income (Loss)		$(841,399)		$(2,203,283)	

Note: Included in Cost of Sales:

1.	Depreciation	$ 44,860	$ 536,483	
2.	Idle Plant Expense	64,123	1,100,824	
3.	Adjustments to Inventory	420,091	458,028	

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	December	Year-to-Date
Note: Included in Misc. Expense		
1. Abandonment of PVC Equipment	$221,384	$218,941

Explanation of extraordinary adjustments that affected current period P&L:

Adjustments to inventory were for rejected PVC pipe - $236,664, PVC inventory value adjustment down to market value - $99,099, and expensing of PVC capital equipment appropriation that was not closed - $87,343.

Abandonment of PVC equipment due to the closing of our PVC operation - $221,384.

Amount needed to replenish reserve for claims account - $70,000.

Total Loss for December (BT)	$841,399
Less Extraordinary Adjustment	714,490
December Normal Operating Loss	$126,909

CAPITAL COSTS

Capco capital expenditures were as follows:

December	$ 32,325
Year-to-Date	$714,028

INTERCOMPANY CASH TRANSFER

	December	Year-to-Date Net
Cash From/(To) Asarco	-0-	$200,000

OPERATIONS

	Ragland (A/C Tons)	Van Buren (A/C Tons)	Van Buren (PVC Lbs.)
Days Operated	15	15	-0-
December Production Tons/Lbs.	1,810	2,550	-0-
Year-to-Date Production Tons/Lbs.	12,070	30,209	2,243,115
December Yield Percent	82%	87%	---
Year-to-Date Yield Percent	75%	85%	99%
December Unit Cost	$210.24	$203.34	---
Year-to-Date Unit Cost	$230.37	$198.12	$.414
Inventory - Units	3,845	6,294	354,570
Inventory - Value	$225.18	$206.55	$.2696

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PROJECTS REPORT

Plant	Capco No.	Description	Amount	Amounts Expended To-Date	Planned Completion Date	Status of Project
Ragland	CA-198	High Pressure Shower & Vac. Sys.	$54,000	$ 8,141		
Van Buren	CA-195	8" IPS PVC Mold	7,000	5,700		
Van Buren	CA-194	Hoist Rail & Support Structure	7,500	6,400	2-1-76	
Van Buren	CA-193	Used Vacuum Pump	30,000	9,000	3-31-76	
Ragland	CA-190	Coupling Cutoff Handling System	12,000	-0-	2-1-76	50%
Van Buren	CA-185	Autoclave Modification	9,300	-0-		80%
Van Buren	CA-183	Accumulator Tank	3,444	347		60%
Ragland	CA-182	Automatic Felt Guide	3,100	-0-	2-1-76	25%
Ragland	CA-181	Accumulator Tank	4,700	1,000		25%
Ragland	CA-180	Mandrel System	43,000	35,000	12-31-75	95%
Van Buren	CA-179	Vacuum Boxes	5,400	-0-	3-31-76	35%
Van Buren	CA-177	Automatic Felt Guide	3,100	3,000	2-1-76	50%
Ragland	CA-175	Settling Basin Pumping Station	19,600	22,000		95%
Van Buren	CA-171	High Pressure Shower Pump	8,200	9,000	3-31-76	50%
Ragland	CA-168	Vacuum Box & Equipment	14,000	7,000	3-31-76	60%
Ragland	CA-167	Rocker Jaw	1,600	1,000		90%

PERSONNEL AND WORKING FORCE

Working Force	Adm.	Sales	Ragland On Roll	Ragland Worked	Van Buren On Roll	Van Buren Worked
A. Plant Payroll			113	111	114	112
B. Salary	18	29	19	19	28	28
Totals	18	29	132	130	142	140

Personnel Comments:

Bill Fleming was released as of the end of December. He was the last of the PVC salaried employees.

ENVIRONMENTAL AND SAFETY

Environmental:	Noise	Air	Water	Waste Disposal
A. Ragland Expenditures:				
Capital	-0-	-0-	-0-	-0-
Operating	-0-	$102.29	$ 90.00	$ 600.00
B. Van Buren Expenditures:				
Capital	-0-	-0-	-0-	-0-
Operating	-0-	-0-	20.00	572.00
Totals	-0-	$102.29	$110.00	$1,172.00

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Environmental and Safety (Continued)

Safety:		Ragland	Van Buren
A.	Number First Aid Cases	10	-0-
B.	Number Doctor Cases	3	5
C.	Number Compensation Cases	0	5
D.	Number Days Lost This Period	35	14
E.	Number Days Lost Year-to-Date	370	197

SALES AND MARKET CONDITIONS

Sales efforts during December were directed as planned towards gaining what business was available by being competitive price wise. This to assure running time for the plants during the slow season. Incoming orders for A/C amounted to 6,127 tons. Shipments were 2,909 tons with the holiday season and weather being a factor. A/C backlog at month end amounts to 14,611 tons. Booking of PVC during December amounted to 1.4 M lbs. Shipments were .94 M lbs. The backlog of PVC at month end is 1.6 M lbs. Inventory of PVC at Van Buren was reduced by approximately 1.0 M lbs., this figure includes the write-off of about .5 M lbs. This write-off pipe will be sold for limited service usage and some of the loss will be recovered. The sales forecast in units for December was A/C 3,100 tons and PVC .7 M lbs.

GENERAL COMMENTS

In reviewing 1975 results I can only say that from a business standpoint I'm glad it's over.

To begin with, in late 1974 and early 1975, an effort was made by Capco to stabilize prices. This was a mistake as competition took advantage and acquired what business was available. This has been their normal procedure in the past and they continue the practice as of now. This situation left Capco six to eight months away from any major bid work.

Next came the asbestos strike. This created an uncertain condition for Capco from the standpoint of delivery of pipe and the risk of taking business and then not performing.

If we did anything right it was recognizing the problems associated with PVC and doing something about it. First, getting released from the resin contract and its liability and, second, establishing a relationship as we did from the standpoint of competitiveness and supply of pipe. The timing was off; it took ten weeks to work out the contract.

A sales and working force was held together under trying conditions.

Housing is estimated at 1.5 for 1976. Though not as good as 1974, it is much better than 1975. We enter 1976 certainly with a better backlog of business. Price increases amounting to 8% on current list have been announced; it remains to be seen how firmly they hold. At present, the market is about 20% below the old list.

Sales and operations have a determination to meet the 1976 goal.

Please note the attached cost increase analysis by Horace Beasley and the importance of volume.

H A Bond

Attachment

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CEMENT ASBESTOS PRODUCTS COMPANY

COST INCREASES

January 1, 1975 to January 1, 1976

Raw Materials Formula:

	% Per Ton	Cost 1-1-75	Cost Per Ton	Cost 1-1-76	Cost Per Ton	Amount Increase	% Increase
4T3 Asbestos	15.20%	$444.00	$ 67.49	$536.00	$ 81.47	$13.98	20.7
Blue Asbestos	3.80	460.00	17.48	645.00	24.51	7.03	40.2
Cement	48.60	32.00	15.55	35.00	17.01	1.46	9.4
Silica	32.40	17.00	5.51	20.00	6.48	.97	17.6
	100.00%		$106.03		$129.47	$23.44	22.1%

Material and Supply Sampling:

	1-1-75	1-1-76	Amount Increase	% Increase
Steel Strapping 3/4" x 25	$ 30.37	$34.75	$ 4.38	14.42%
Lumber - M Board Feet	120.00	90.00	(30.00)	(25.00)
Gaskets - 6"	39.77	40.30	.53	1.30
Felts - Top - Pound	6.89	6.89	-0-	-0-
Lube - 1-1/2 qt. Cans	1.66	1.64	(.02)	(1.20)

Note: The sampling of M & S indicates a negative 1.48% weighted average decrease, but I am sure other items did increase, therefore, I estimate an overall 5% increase.

Labor:

	Average Rate 1975	Average Rate 1976	Amount Increase	% Increase
Ragland	$4.07	$4.37	$.30	7.37%
Van Buren	3.30	3.67	.37	11.21

Average Increase of 9.10%

Fixed:

	Increase %
Depreciation, Insurance, Taxes, etc.	-0-

There may actually be a small decrease since a lot of the original equipment at Ragland is fully depreciated and we have some savings on insurance through Asarco. I am considering a zero increase since there will be new capital expenditures at both plants in 1976.

Effects of Cost Increases on A/C Pipe:

	% of Cost	% Increase	Weighted Average %
Raw Material	63%	22.1%	13.92%
Material & Supplies	14	5.0	.70
Labor	18	9.1	1.64
Fixed	5	0.0	.00
	100%		16.26%

By using the increased volume capabilities of both plants, my standard cost per ton calculations averaged about 12% above January 1, 1975. We are all aware of the fact that cost per ton decreases for fixed and semi-fixed expenses when volume increases.

WHB:mf

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CEMENT ASBESTOS PRODUCTS COMPANY
EARNINGS FORECAST - JANUARY, 1976 THROUGH DECEMBER, 1976
($ Thousands)

	Jan.	Feb.	Mar.	1st Qtr.	Apr.	May	June	2nd Qtr.	July	Aug.	Sept.	3rd Qtr.	Oct.	Nov.	Dec.	4th Qtr.	Four Quarters Total
Tons Sold Rag.-A/C	1,875	1,875	2,656	6,406	3,281	3,125	2,970	9,376	3,281	2,500	2,500	8,281	3,125	2,188	1,874	7,187	31,250
Tons Sold V.B.-A/C	2,160	2,160	3,060	7,380	3,780	3,600	3,420	10,800	3,780	2,880	2,880	9,540	3,600	2,520	2,160	8,280	36,000
M-Lbs. Sold-PVC	1,000	1,000	1,500	3,500	1,800	1,800	1,800	5,400	2,000	2,000	1,800	5,800	1,900	1,800	1,600	5,300	20,000
SALES:																	
Ragland A/C	469	469	677	1,615	869	828	787	2,484	869	662	663	2,194	828	580	496	1,904	8,197
Van Buren A/C	540	540	780	1,860	1,002	954	906	2,862	1,002	763	763	2,528	954	668	572	2,194	9,444
Van Buren PVC	300	300	450	1,050	576	576	576	1,728	680	680	612	1,972	646	612	544	1,802	6,552
Total	1,309	1,309	1,907	4,525	2,447	2,358	2,269	7,074	2,551	2,105	2,038	6,694	2,428	1,860	1,612	5,900	24,193
Ret. & Allow.	12	12	12	36	12	12	12	36	12	12	12	36	12	12	12	36	144
Discounts on A/C	20	20	26	66	30	30	30	90	30	27	27	84	30	22	20	72	312
NET SALES	1,277	1,277	1,869	4,423	2,405	2,316	2,227	6,948	2,509	2,066	1,999	6,574	2,386	1,826	1,580	5,792	23,737
COST OF SALES:																	
Ragland A/C	416	409	568	1,393	695	663	627	1,985	689	525	525	1,739	656	459	393	1,508	6,625
Van Buren A/C	441	438	618	1,497	760	724	687	2,171	756	576	576	1,908	720	504	432	1,656	7,232
Van Buren PVC	260	260	390	910	504	504	504	1,512	580	580	522	1,682	551	522	464	1,537	5,641
Idle Expense	100	50	-0-	150	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	50	50	100	250
TOTAL	1,217	1,157	1,576	3,950	1,959	1,891	1,818	5,668	2,025	1,681	1,623	5,329	1,927	1,535	1,339	4,801	19,748
GROSS PROFIT	60	120	293	473	446	425	409	1,280	484	385	376	1,245	459	291	241	991	3,989
Marketing Expense	100	85	85	270	100	85	85	270	100	85	85	270	100	85	85	270	1,080
Administrative Exp.	65	50	50	165	65	50	50	165	65	50	50	165	65	50	50	165	660
General & Adm.-N.Y.	20	20	20	60	20	20	20	60	20	20	20	60	20	20	20	60	240
TOTAL	185	155	155	495	185	155	155	495	185	155	155	495	185	155	155	495	1,980
OPERATING PROFIT	(125)	(35)	138	(22)	261	270	254	785	299	230	221	750	274	136	86	496	2,009
OTHER INC. & (EXP.):																	
Purchase Discount	1	1	1	3	1	1	1	3	1	1	1	3	1	1	1	3	12
Interest Expense	(14)	(11)	(11)	(36)	(14)	(11)	(11)	(36)	(14)	(11)	(11)	(36)	(14)	(11)	(11)	(36)	(144)
Prov. for D.A.	(6)	(6)	(6)	(18)	(6)	(6)	(6)	(18)	(6)	(6)	(6)	(18)	(6)	(6)	(6)	(18)	(72)
TOTAL	(19)	(16)	(16)	(51)	(19)	(16)	(16)	(51)	(19)	(16)	(16)	(51)	(19)	(16)	(16)	(51)	(204)
GROSS INCOME	(144)	(51)	122	(73)	242	254	238	734	280	214	205	699	255	120	70	445	1,805
INCOME TAXES	(72)	(25)	61	(36)	121	127	119	367	140	107	103	350	127	60	35	222	903
NET PROFIT	(72)	(26)	61	(37)	121	127	119	367	140	107	102	349	128	60	35	223	902

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CEMENT ASBESTOS PRODUCTS COMPANY
BLANCE SHEET
FORECAST - JANUARY 1976 THROUGH DECEMBER 1976
($ Thousands)

	Dec. 1975	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
ASSETS													
CURRENT ASSETS:													
Cash	350	300	375	150	50	75	80	50	100	50	50	50	100
Customer Accts. Receivables	2100	2080	2080	2740	3340	3240	3140	3460	2970	2890	3320	2690	2420
Other Receivables	15	15	15	15	15	15	15	15	15	15	15	15	15
Inventories:													
Raw Materials	970	970	955	955	955	955	955	955	955	955	955	955	955
Finished & Semi-Finished	2475	2478	2512	2533	2612	2459	2373	2276	2404	2531	2690	2645	2672
Supplies	420	420	420	420	420	420	420	420	420	420	420	420	420
Used Equip. & Scrap Prop.	543	543	543	543	543	543	543	543	543	543	543	543	543
Total Inventories	4408	4411	4430	4451	4530	4377	4291	4194	4322	4449	4608	4563	4590
Prepaids	49	159	149	139	129	119	109	99	89	79	69	59	49
Deferred Charges	22	21	20	19	18	17	16	15	14	13	12	11	10
TOTAL CURRENT ASSETS	6944	6986	7069	7514	8082	7843	7651	7833	7510	7496	8074	7388	7184
PROPERTY & EQUIPMENT:													
Construction in Progress	326	331	334	382	429	542	784	1168	1439	1004	608	573	431
Land	177	177	177	177	177	177	177	177	177	177	177	177	177
Bldg.	837	837	837	837	837	837	837	847	867	895	895	895	895
Equipment	6242	6242	6263	6268	6271	6319	6366	6517	6786	7298	7838	7973	8117
Property Abandoned	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
Total Property & Equip.	6782	6787	6811	6864	6914	7075	7364	7909	8469	8574	8718	8818	8820
Less: Res. for Depr.	3133	3190	3235	3280	3337	3382	3427	3484	3529	3574	3631	3676	3721
NET P P & E	3649	3597	3576	3584	3577	3693	3937	4425	4940	5000	5087	5142	5099
TOTAL ASSETS	10593	10583	10645	11098	11659	11536	11588	12258	12450	12496	13161	12530	12283
LIABILITIES & EQUITY													
CURRENT LIABILITIES:													
Accounts Payable	534	603	653	712	716	527	529	704	870	700	895	569	740
Current Mat. L.T. Debit	437	437	437	437	437	437	437	437	437	437	437	-	400
Int. Taxes, Wages Payable	200	214	225	236	250	261	272	286	297	308	322	333	344
Accrued Income Taxes	(600)	(672)	(697)	(636)	(515)	(388)	(269)	(129)	(22)	80	207	267	302
Deferred Income	17	18	19	20	21	22	23	24	25	26	27	28	29
Total Current	588	600	637	769	909	859	992	1322	1607	1551	1888	1197	1815
Advance from Parent	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Inter-company - Asarco	3300	3350	3400	3660	3960	3760	3560	3760	3560	3560	3760	3760	3260
VB Bonds	1127	1127	1127	1127	1127	1127	1127	1127	1127	1127	1127	1127	727
Equity													
Common Shares	810	810	810	810	810	810	810	810	810	810	810	810	810
Retained Earnings	(232)	(304)	(329)	(268)	(147)	(20)	99	239	346	448	576	636	671
Total Equity	578	506	481	542	663	790	909	1049	1156	1258	1386	1446	1481
TOTAL LIABILITIES & EQUITY	10593	10583	10645	11098	11659	11536	11588	12258	12450	12496	13161	12530	12283

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CEMENT ASBESTOS PRODUCTS COMPANY

WORKING CAPITAL FORECAST - JANUARY 1976 THROUGH DECEMBER 1976

($ Thousands)

	Projected End Dec. 1975	End First Quarter	1st Qtr. Change Increase (Decrease)	End Second Quarter	2nd Qtr. Change Increase (Decrease)	End Third Quarter	3rd Qtr. Change Increase (Decrease)	End Fourth Quarter	4th Qtr. Change Increase (Decrease)
CURRENT ASSETS:									
Cash	350	150	(200)	80	(70)	50	(30)	100	50
Accts. Receivable	2115	2755	640	3155	400	2905	(250)	2435	(470)
Inventories:									
Finished Goods	2475	2533	58	2373	(160)	2531	158	2672	141
Manf. Supplies & Scrap Prop.	963	963	-	963	-	963	-	963	-
Raw Materials	970	955	(15)	955	-	955	-	955	-
Total Inventories	4408	4451	43	4291	(160)	4449	158	4590	141
Prepaids	71	158	87	125	(33)	92	(33)	59	(33)
Total Current Assets	6944	7514	570	7651	137	7496	(155)	7184	(312)
Less: Current Liabilities									
Intercompany-Asarco	3300	3660	360	3560	(100)	3560	-	3260	(300)
Accts. Payable	534	712	178	529	(183)	700	171	740	40
Interest, Taxes, Wages Payable	200	236	36	272	36	308	36	344	36
Federal & State Taxes Payable	(600)	(636)	(36)	(269)	367	80	349	302	222
Bond Maturities	437	437	-	437	-	437	-	400	(37)
Total Current Liabilities	3871	4409	538	4529	120	5085	556	5046	(39)
NET WORKING CAPITAL	3073	3105	32	3122	17	2411	(711)	2138	(273)

CASH FLOW ITEMS BY QUARTER:

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Earnings AT	(36)	367	349	223
Depreciation	147	147	147	147
Capital Expenditures	56	497	1210	246
Cash (To)/From Asarco	360	(100)	-	(300)
Bond Principal Payment	-	-	-	437

WHB:dp

CEMENT ASBESTOS PRODUCTS COMPANY

CASH FLOW - JANUARY 1976 THROUGH DECEMBER 1976

($ Thousands)

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
ADDITIONS:												
Earnings AT	(72)	(25)	61	121	127	119	140	107	102	127	60	35
Depreciation	57	45	45	57	45	45	57	45	45	57	45	45
Total Additions	(15)	20	106	178	172	164	197	152	147	184	105	80
DEDUCTIONS:												
Inc. (Dec.) Receivables	(20)	-	660	600	(100)	(100)	320	(490)	(80)	430	(630)	(270)
Inc. (Dec.) Inventories	3	19	21	79	(153)	(86)	(97)	128	127	159	(45)	27
Inc. (Dec.) Prepaids	110	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
(Inc.) Dec. Trade Payable	(69)	(50)	(59)	(4)	189	(2)	(175)	(166)	170	(195)	326	(171)
(Inc.) Dec. Int. Payable	(14)	(11)	(11)	(14)	(11)	(11)	(14)	(11)	(11)	(14)	(11)	(11)
(Inc.) Dec. Bond Payable	-	-	-	-	-	-	-	-	-	-	437	-
(Inc.) Dec. Accruals	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capital Expenditures	5	24	53	50	161	289	545	560	105	144	100	2
Inc. (Dec.) Other	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total Deductions	13	(30)	652	699	74	78	567	9	299	512	165	(335)
NET CASH FLOW	(28)	50	(546)	(521)	98	86	(370)	143	(152)	(328)	(60)	515
RECONCILIATION TO ACTUAL CASH BALANCE:												
Beginning Cash Balance	350	300	375	150	50	75	80	50	100	50	50	50
Net Cash Flow	(28)	50	(546)	(521)	98	86	(370)	143	(152)	(328)	(60)	515
Cash From/(To) Asarco	50	50	260	300	(200)	(200)	200	(200)	-	200	-	(500)
Federal & State Income Tax	(72)	(25)	61	121	127	119	140	107	102	128	60	35
Ending Cash Balance	300	375	150	50	75	80	50	100	50	50	50	100

WHB:dp

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CEMENT ASBESTOS PRODUCTS COMPANY

CAPITAL EXPENDITURES - JANUARY 1976 THROUGH DECEMBER 1976

($ Thousands)

LAND:

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Sewer Pipe Project	-	-	5	8	10	5	-	-	-	-	-	-	28
C. Equipment	-	-	-	1	-	-	-	-	-	-	-	-	1
ip to accelerate "set"	-	-	8	-	-	-	-	-	-	-	-	-	8
new couch roll	-	-	-	-	-	6	-	-	-	-	-	-	6
Felt Roll	-	-	1	-	-	-	-	1	-	-	-	-	2
inder mold wash area	-	-	-	-	-	-	10	-	-	-	-	-	10
Modify stripper	-	-	-	5	13	-	-	-	-	-	-	-	18
ify MOA lathe	-	-	-	-	-	-	-	1	1	1	-	-	3
Wet saw	-	-	-	-	-	-	-	1	2	12	-	-	15
Coupling cleaner & stencil	-	-	3	-	-	-	-	-	-	-	-	-	3
ring tapped bushings	1	1	-	-	-	-	-	-	-	-	-	-	2
omate Flex tester	-	-	-	-	1	1	-	-	-	-	-	-	2
mond drill for fittings	-	-	-	2	5	1	-	-	-	-	-	-	8
Improve fittings area	-	-	-	1	2	-	-	-	-	-	-	-	3
Hydrotester Heads	-	-	-	-	-	1	1	1	1	1	1	1	7
sprinklered Areas	-	-	-	-	-	15	-	-	-	-	-	-	15
Rubber ring area	-	-	-	-	-	-	-	2	1	1	-	-	4
Safety platforms for trucks	-	-	3	-	-	-	-	-	-	-	-	-	3
rds & bumper posts	1	-	1	-	1	1	-	-	-	-	-	-	4
Dry Mix System with add-on building	-	-	-	-	-	-	200	200	100	100	55	-	655*
feeder for #1 lathe	-	-	-	-	-	-	8	-	-	-	-	-	8
feeder for #1 hydrotester	-	-	-	-	-	-	-	8	-	-	-	-	8
plete unit load hoist #2	-	-	-	5	6	-	-	-	-	-	-	-	11
tomate #2 line Fin. End.	-	-	1	-	1	1	1	-	-	-	-	-	4
Autoclave	-	-	-	-	--	-	5	125	5	-	-	-	135
Boiler	-	-	-	-	-	-	-	45	-	-	-	-	45
20 new autoclave cars	-	-	-	-	-	-	20	20	-	-	-	-	40
ber ring storage	-	-	2	2	-	-	-	-	-	-	-	-	4
drel storage area	-	-	-	-	-	-	12	-	-	-	-	-	12

continued

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Ragland - continued	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total
New Air compressor	-	-	-	-	10	-	-	-	-	-	-	-	10
Air Receivers	-	-	-	-	2	-	-	-	-	-	-	-	2
New Coupling Tester	-	-	-	-	-	-	8	1	-	-	-	-	9
Feeder for coupling lathes	-	-	-	-	-	-	-	-	-	8	-	-	8
New tool grinder	-	-	-	-	5	-	-	-	-	-	-	-	5
Crane for Machine shop	-	-	-	-	-	10	-	-	-	-	-	-	10
Device to rotate pipe in primary oven	-	-	-	-	-	-	-	8	-	-	-	-	8
New platform truck	-	-	-	-	-	-	-	-	-	-	26	-	26
New return conveyor	-	-	-	-	-	10	12	-	-	-	-	-	22
Employee Plant Offices	-	-	-	-	12	-	-	-	-	-	-	-	12
New Automated water treatment plant	-	-	-	-	-	12	-	-	-	-	-	-	12
Improve Gypsum feeder	-	-	-	-	7	-	-	-	-	-	-	-	7
Electrical work	-	-	-	1	2	-	-	1	-	-	-	-	4
Ragland Total	2	1	24	25	77	63	277	414	110	123	82	1	1,199

If business is off and the plant is shutdown this project could be done for $470,000, while idle.

VAN BUREN:

One additional autoclave	-	-	-	-	-	5	125	5	-	-	-	-	135
New boiler	-	-	-	-	-	-	45	-	-	-	-	-	45
10 autoclave trays	-	-	-	-	20	20	-	-	-	-	5	-	45
Sewer Pipe project	-	-	-	5	8	10	5	5	-	-	-	-	33
Transmission Pipe project	-	-	-	-	20	20	5	-	-	-	-	-	45
P. C. equipment	-	-	-	1	-	-	-	-	-	-	-	-	1
Equip to accelerate "set"	-	-	8	-	-	-	-	-	-	-	-	-	8
1 new couch roll	-	-	-	-	6	-	-	-	-	-	-	-	6
New felt rolls	-	-	-	1	-	-	1	-	-	-	-	-	2
Cylinder wash area	-	-	-	-	-	10	-	-	-	-	-	-	10
Modify stripper	-	-	-	5	13	-	-	-	-	-	-	-	18
Automate calendar	-	-	-	-	-	-	-	-	20	-	1	1	22
15" & 21" Mandrels	-	-	-	-	-	87	-	76	-	-	-	-	163
Modify MOA lathe	-	-	-	-	-	-	1	1	1	-	-	-	3
New "wet" saw	-	-	-	-	-	-	-	1	2	12	-	-	15
Coupling Cleaner & Stencil	-	-	3	-	-	-	-	-	-	-	-	-	3
"O" ring bushing project	1	1	-	-	-	-	-	-	-	-	-	-	2
Automate Flex tester	-	-	1	-	1	-	-	-	-	-	-	-	2
Drilling Machine "wet"	-	-	-	2	5	1	-	-	-	-	-	-	8

continued

Van Buren - continued	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
New coupling tester	-	-	-	-	-	-	8	1	-	-	-	-	9
Improve fittings dept.	-	-	2	1	-	-	-	-	-	-	-	-	3
New hydrotester heads	-	-	-	-	1	1	1	1	1	1	1	-	7
Sprinklered areas	-	-	-	-	-	15	2	-	-	-	8	-	25
Rubber ring storage	-	-	-	-	3	1	1	-	-	-	-	-	5
Landfill appropriation	-	-	-	-	-	8	20	-	-	5	-	-	33
New office	-	-	-	-	-	10	20	28	-	-	-	-	58
(2 handle cylinder molds) - Modify large lathe	-	-	-	-	3	-	-	-	-	-	-	-	3
Provide oil storage area	-	-	-	4	-	-	-	-	-	-	-	-	4
Provide plant scale	-	-	-	-	-	18	-	-	-	-	-	-	18
Relocate shipping office	-	-	-	-	3	2	-	-	-	-	-	-	5
Drainage pipe & canals	-	-	-	-	-	-	8	7	-	-	-	-	15
Provide safety platforms for trailers	-	-	3	-	-	-	-	-	-	-	-	-	3
Guards & bumperposts	2	1	1	1	-	-	-	-	-	2	-	-	7
Plant heating	-	-	-	-	-	-	-	-	1	1	2	-	4
New locker rooms	-	-	-	-	-	12	13	-	-	-	-	-	25
Crane in machine shops	-	-	-	-	1	3	3	-	-	-	-	-	7
Additional lighting (shipping)	-	-	3	-	-	-	-	-	-	-	-	-	3
Monorail in Fin. End	-	-	-	1	-	-	-	1	-	-	-	-	2
Update electrical equipment	-	-	-	1	-	3	-	-	-	-	1	-	5
Safety catwalks on pipe machine	-	-	3	-	-	-	-	-	-	-	-	-	3
Van Buren Total	3	2	24	22	84	226	258	126	25	21	18	1	810
TOTAL EXPENDITURES	5	3	48	47	161	289	535	540	135	144	100	2	2009

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