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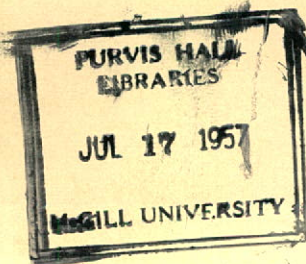
UNITED ASBESTOS

CORPORATION LIMITED

(No Personal Liability)

Financial Statements

EIGHTEEN MONTHS' PERIOD ENDED JUNE 30, 1956



UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Directors

A. B. DAVIDSON, *Toronto, Ont.*
R. F. DOOLEY, *Chicago, Ill.*
THE HONOURABLE GASPARD FAUTEUX,
P.C., LL.D., D.D.S., L.D.S.
C. GLENN HUNTER, *Toronto, Ont.*
P. M. MALOUF, *Montreal, P.Q.*
W. R. SALTER, *Toronto, Ont.*
ORVILLE TAYLOR, *Chicago, Ill.*

Officers

A. B. DAVIDSON, *President*
C. GLENN HUNTER, *Vice-President*
P. M. MALOUF, *Vice-President*
W. R. SALTER, Q.C., *Secretary-Treasurer*
C. R. SHULTZ, *Assistant Secretary*

Head Office

132 St. James Street West, Montreal, P.Q.

Executive Office

320 Bay Street, Toronto, Ont.

Transfer Agents & Registrars

GUARANTY TRUST CO. OF CANADA,
Toronto and Montreal
THE BANK OF NEW YORK, *New York, N.Y.*

Consulting Engineers

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

UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Report to the Shareholders,

UNITED ASBESTOS CORPORATION, LIMITED.

Your directors present herewith the Balance Sheet of your Company as at 30th June, 1956, with Statement of Administration and Pre-production Expenses, together with your auditors' report thereon. Enclosed herein is a proxy and notice of the Annual Meeting of Shareholders to be held on September 17th, 1956.

Shareholders who are unable to attend the meeting may sign and return the proxy in the enclosed envelope provided for that purpose.

The over-all picture of the developments at Black Lake leading to production is a satisfactory one. The dovetailing of the many engineering phases entering into the over-all scheme has been well conducted with the result that the programme is on schedule.

The past spring was the first test of the diversionary channels, dams, etc., constructed to replace nature's time-tested drainage system which had included Black Lake as a catch basin. Now, without Black Lake, the plan as engineered, was proven practical and functioned well with minor exceptions which have since been allowed for. Two main highways have been moved and bridges constructed to allow for mining of the ore bodies. Technical problems not found in the engineering books have been met and dealt with.

For all practical purposes the reporting of progress may now be broken down as follows:

Dredging

The dredging operations were commenced with a specially constructed dredge toward the end of June 1955. The estimated rate of silt removal was 900,000 cu. yds. per month. As of June 30th of this year, over 11,500,000 cu. yds. of solids have been removed.

Mill

The mill is expected to cost \$9,000,000. A contract was recently awarded to construct this unit and the foundations are currently being poured. The structural steel required for construction is arriving at the property ahead of requirements and the mill should be completely covered before winter weather conditions set in.

Mine Development

The designing of the open pit with its various benches, access roadways, etc., has been finalized and work on these benches will commence shortly. Some of the heavy, off-the-road equipment for operation in the open pit has arrived. The first large electric shovel, taking four cubic yards per dipper, is in operation, along with the first ten of a fleet of 22-ton load diesel trucks.

Target

As previously reported, the plans are to have ore available for delivery to the mill by mid-1958.

It is now expected that the total over-all cost to reach production will be about \$35,000,000. To date there has been in excess of \$12,500,000 spent.

Respectfully submitted,
On behalf of the Board,

A. B. DAVIDSON,
President.

August 31, 1956.

UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Incorporated under the Quebec Mining Companies Act

Balance Sheet

JUNE 30, 1956

Assets

CURRENT ASSETS:

Cash on hand and in banks - - - - -	\$ 15,952.46		
Deposits with trust companies - - - - -	169,819.80		
Accounts receivable - - - - -	1,328.60		
Returnable deposit - - - - -	425.00		
Prepaid expenses - - - - -	1,025.10	\$188,550.96	
MORTGAGE RECEIVABLE FROM EMPLOYEE - - - - -		4,500.00	
HEAD OFFICE EQUIPMENT - - - - -		3,548.91	
EXPENDITURES RECOVERABLE FROM LAKE ASBESTOS OF QUEBEC LTD. out of net proceeds of production (see notes 1 and 2):			
Buildings - - - - -	\$ 42,873.25		
Plant and equipment - - - - -	322,936.87		
Mining claims and concessions - - - - -	285,792.64		
Deferred charges to operations:			
Preproduction expenses, exploration and development - - - - -	\$1,297,261.71		
Administration - - - - -	159,335.73	1,456,597.44	2,108,200.20
OTHER EXPENDITURES:			
Mining claims still held by company (see note 2) - - -	\$20,000.00		
Deferred charges to operations:			
Preproduction expenses, exploration and development - - - - -	\$ 64,508.01		
Administration - - - - -	396,782.90	461,290.91	481,290.91
		\$2,786,090.98	

Liabilities

CURRENT LIABILITIES:

Accounts payable and accrued expenses - - - - -	3,586.68
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CAPITAL STOCK:

Authorized:

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

Issued and fully paid (see note 3):

3,775,000 shares - - - - -	\$3,775,000.00		
Less Discount on shares - - - - -	2,092,495.70		
	\$1,682,504.30		
Add Premium on shares - - - - -	1,100,000.00	2,782,504.30	
		\$2,786,090.98	

The accompanying notes are an integral part of the balance sheet.

Approved on behalf of the Board.

A. B. DAVIDSON, *Director*. C. G. HUNTER, *Director*.

UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Auditors' Report

To the Shareholders of

UNITED ASBESTOS CORPORATION LIMITED (No Personal Liability)

We have examined the above balance sheet of United Asbestos Corporation Limited (No Personal Liability) as at June 30, 1956 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that, in our opinion, the above balance sheet, subject to the notes thereto, is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at June 30, 1956, according to the best of our information and the explanations given us and as shown by the books of the company.

TORONTO, CANADA,
August 1, 1956.

THORNE, MULHOLLAND, HOWSON & MCPHERSON
Chartered Accountants

Notes to Balance Sheet as at June 30, 1956

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

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

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

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

UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Statement of Preproduction Expenses, Exploration and Development

EIGHTEEN MONTHS' PERIOD ENDED JUNE 30, 1956

	Recoverable from Lake Asbestos of Quebec Ltd.	Other	Total
Balance, December 31, 1954 - - - - -	\$1,294,761.71	\$26,311.75	\$1,321,073.46
Expenditures during period:			
Engineering and consultants' fees			
and expenses - - - - -	2,500.00	36,164.87	
Mining licences and taxes - - - - -		2,675.82	
Minimum wage levy adjustment re 1954 -		26.21	41,366.90
	<u>\$1,297,261.71</u>	<u>\$65,178.65</u>	<u>\$1,362,440.36</u>
Less Adjustments, expenses of prior years:			
Workmen's compensation - - - - -		527.41	
Pumping - - - - -		131.03	
Sales tax refund - - - - -		12.20	
		<u>\$670.64</u>	<u>670.64</u>
Balance, June 30, 1956 - - - - -	<u>\$1,297,261.71</u>	<u>\$64,508.01</u>	<u>\$1,361,769.72</u>

UNITED ASBESTOS CORPORATION LIMITED

(No Personal Liability)

Statement of Administration

EIGHTEEN MONTHS' PERIOD ENDED JUNE 30, 1956

	Recoverable from Lake Asbestos of Quebec Ltd.	Other	Total
Balance, December 31, 1954 - - - - -	\$159,335.73	\$290,405.22	\$449,740.95
Expenditures during period:			
Reports to shareholders, advertising and public relations - - - - -		34,056.66	
Office rent, taxes and lighting - - - - -		4,552.26	
Executive salaries - - - - -		27,000.00	
Office salaries - - - - -		7,465.77	
Office supplies and expenses - - - - -		5,580.56	
Travelling - - - - -		9,333.04	
Legal fees - - - - -		9,735.30	
Audit fees - - - - -		1,650.00	
Telephone and telegraph - - - - -		3,153.31	
Business taxes - - - - -		224.62	
Stock listing expense - - - - -		9,591.18	
Transfer agents' fees and expenses - - - - -		13,634.70	
Expenses of directors' and shareholders' meetings - - - - -		2,295.27	128,272.67
	\$159,335.73	\$418,677.89	\$578,013.62
Less Interest and cash discounts received - -		7,476.24	7,476.24
	\$159,335.73	\$411,201.65	\$570,537.38
Less Legal fees of prior year reimbursed by Lake Asbestos of Quebec Ltd. - - - - -		14,418.75	14,418.75
Balance, June 30, 1956 - - - - -	\$159,335.73	\$396,782.90	\$556,118.63

UNITED ASBESTOS CORPORATION LIMITED

132 ST. JAMES STREET, WEST
MONTREAL, QUEBEC