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AIRMAIL. P.No.42.

AUSTRALIAN BLUE ASBESTOS LIMITED

MANAGING AGENTS
THE COLONIAL SUGAR REFINING COMPANY LIMITED
1-7 O'CONNELL ST., SYDNEY, AUSTRALIA

PERTH. 26th March, 1946.

The Managing Director,

SYDNEY. N.S.W.

Dear Sir,

MANAGER'S MONTHLY REPORT (Your P.No.32) When I was in Sydney it was agreed to forward a report to you which wo give a clear picture of the result of operations during the particular period under review. This report was to be based on fibre mined and milled, but to date we have mined and mil no fibre.

Mining has been carried on under some difficulties and at a slightly reduced rate, but only rock has been remov by not lifting the ore body we cannot measure the length of fibre, nor can we give any figures, other than estimates, relative to yield, recovery or cost per ton of fibre mined o milled.

We can give tonnages of rock mined and costs, but those may be misleading because the rock removed from above ore requires approximately four times the number of holes wh are necessary to lift the ore body for a given advance, and the proportions of barren rock and ore are in the approximate ratio of 10:5.5. Consequently the cost per ton of barren r removed bears no direct relation to the cost per ton of fibr recovered, and it would be necessary to consider the area mi and then assume a yield and a cost of lifting the ore before a figure could be given for the cost per ton of fibre. The recent costs per ton of rock have been higher than those pri to the breakdown due primarily to poor steel sharpening, lac of power for the scrapers and poor labour, but a higher yiel due to the system of mining being adopted should offset this

All the more reason that we should have the figures.

The cost per ton of rock mined during four weeks ended 5th March was 23/-, all charges, but the cost of lifti the ore body should not exceed 6/- per ton, which would give an average cost of 17/- per ton of rock and probably £23 to £24 per ton fibre. These costs include the somewhat heavy expenses on development for the "long wall" drive and heavy

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The Managing Director,
SYDNEY.

During the four weeks prior to the above period costs were higher because of the change over to the present system of mining and to the lower tonnage mined.

I regret that no figures have been forwarded, but I wished to avoid sending any figures which could not be compared with those submitted when we are again in full opera and when the complete report can be compiled.

Until the mill is again operating a modified fortni report will be submitted giving total costs and as much infor mation as is possible along the lines discussed whilst in Sydney. Three reports covering the six weeks ended 19th inst will be forwarded as soon as further details are to hand.

ACCOUNTING - Half Yearly Accounts. We enclose the following returns for the half year ended 31st December. We very much regret the lateness in forwarding these out this we caused by a set of circumstances which is not likely to occur again.

(1) Direct Charges
(2) Indirect Charges
(3) Mining Account
(4) Milling Account
(5) Store Trading Account
(6) Labour Expenses
(7) Summary of Sales
(8) Perth Office Expenses
(9) Depreciation Reserve Account
(10) Trading and Profit & Loss Account
(11) Balance Sheet
(12) Sales Expenses
(13) General Charges
(14) Fibre Stocks

These accounts have been drawn up in accordance wit the instructions given and model accounts enclosed with your

Comment must be made on the Store Trading Account which for the first time shows a loss amounting to £333. 9. 3 An examination of goods paid for shows that £240 of purchases should properly have been chargeable to the half year ended 30th June 1945, being a payment for beer bought in May/June b not paid for until August. Deducting this amount from the lo shown it still gives a loss of £93. 9. 3. and a full investig ation shall be made at the Mine to discover the reason why th profits of previous half years have disappeared.

Mining Stores showed a difference of ...

compared with the book figure, and this amount has been deb:
to Trading Account.

Total costs show a downward trend and dividing the overall expenditure, including that for Mine Development, by tonnage of fibre produced gives a cost per long ton of £112.17.4.71.

<u>Sales Expenses</u> which is debited with both recovera and non-recoverable expenses showed a debit balance of £1989. 3.10 at 31st December. This balance included the cos of cartage on fibre from Wittenoom to Pt. Samson, but from 1st January 1946 such cartage will be debited to Fibre Carta account.

For the half year ended 31st December we estimated the cost of this cartage as £946 and showed it as a separate item in our Direct Expenses list. We now find that the actu expenditure was £1127. 5. 8. and the difference will be adjusted during the current period.

Recoverable expenses are, of course, determined by the selling terms, as f.o.b. Pt. Samson means a good proportion is recovered, whilst f.o.b. Fremantle means we bear the whole expense charged to this account.

With reference to the method of accounting it is suggested that in future all reference to "ore" be omitted the costs be calculated on "tons of rock" mined and "tons o fibre" bagged. The "rock mined" figure is much more accura than "ore sent to mill" and is the basis of all our mining economics. The "rock mined" from any section of the mine c be re-checked at any time from information on record, wherea the "ore to mill" depends on correct tallying of the trucks at time of mining, or by the correct measurement of thickne of ore body taken to the mill so that it may be calculated.

From the milling viewpoint the ratio of fibre to has little significance as it depends on the amount of barr rock sent to the mill, and this cannot be controlled within very fine limits.

The main considerations are the cost of mining a ton of rock and the number of tons mined for each ton of fi With these two figures available the true position could be more readily and more accurately computed and the figures w be of more value in comparing the merits of mining at diffe heights.

The Managing Director,
SYDNEY.

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be that entering the crusher end will be considerably less per ton of fibre than in the past. Consequently it is suggested that the change be made in the accounts covering current half year.

Rails. In the past any rails, points and sleepers underground (other than the section in main drives when the change was made from 18" to 24" gauge) have been charged against operating in the form of stores. As these items ha a long life and may be considered as part of the plant the as trucks and locomotives, it is suggested that in future purchase cost ex store Perth be placed to an asset account "Rails, Points and Steel Sleepers" and be depreciated in th usual manner. All freights and all labour in connection w laying the track would be charged against "Operating".

Whilst advancing prior to reaching the pillar robbing stage the cost of rails, points and steel sleepers (purchase cost only) is approximately 21/- per ton of fibre

Please let us know if you approve of this.

Yours very truly,

For AUSTRALIAN BLUE ASBESTOS LTD.

Manager.