FILE NAME: Cassiar Asbestos Corp (CASS)

DATE: 1966 July 22

DOC#: CASS002

DOCUMENT DESCRIPTION: Letter to Mr. Smith, Bell Asbestos Mines, from J.D. Christian, Cassiar Asbestos RE Financing Issues

July 22, 1966

PERSONAL & CONFIDENTIAL

Mr. G.W. Smith, President,
Bell Asbestos Mines Ltd.,
P.O. Box 99,
Thetford Mines, Quebec.

Dear George:

Further to our telephone conversation of this date concerning the alternative methods of raising the additional $8 Million approximately required for the Clinton Creek operation.

I have been talking to Mr. F.M. Connell and he now appears to favour the stock issue route. We have had several further discussions with the Royal Bank and the best they can do for us is a $4 Million loan plus $4 Million of Banker's Acceptance Notes. They estimate that the whole thing would run out at a little better than 6-1/2%. While this method is quite workable, both Charlie Elliott and I are in favour of the stock issue, in that we believe it is a much safer route for the company to take at this time.

I am somewhat disturbed about the general unrest in the labour market around the world, the dock workers strike in England; the possible strike of longshoremen on the West Coast of Canada; threatening rail strikes and so on. On top of this, we have quick moves by Governments controlling their imports and financing, and a host of other small things over which none of us have any control. I think we all feel quite certain that over the longer term these things are going to clarify themselves and that our forecasts for future business are quite sound, or certainly as sound as any forecast can be. An $8 Million debt hanging over our heads under these circumstances, could prove to be a little embarrassing. In addition, as an operator, you will realize the difficulty of raising even small additional amounts of money to meet changing conditions when we already have a debt over our heads.

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There seems to be very little advantage to the borrowing route, if any, as long as the major shareholders are all in a position to maintain their interest.

I have worked out an example of how the major shareholders would be effected if we were to issue one (1) share for each eight (8) shares presently held at $13.50. This would require 592,593 shares for $8 Million, say 593,000 shares. Total issued would become 4,775,000 + 593,000 = 5,368,000 shares. The additional shares and dollars involved for each of the major companies is set out below. Please note that these are slide rule figures.

	Present Holding		Additional Shares		
Bell	852,450	+	106,500	@ $13.50 =	$1,440,000
Hardie	142,450	+	17,800		240,000
Newmont	650,000	+	81,250		1,099,000
Raybestos	477,500	+	59,600		806,000
Conwest	654,000	+	81,750		1,100,000
Central Patricia	180,000	+	22,500		305,000
	2,957,400				$5,090,000

I am very anxious to get this matter of financing cleared up before the end of the month if I can. The next Board Meeting is not until September, but if I can get agreement in principle over the telephone, this should be sufficient. We have sufficient cash on hand to carry us through until towards the end of the year, but I am not at all anxious to commit myself for expenditures for heavy mining equipment, etc., that will come due in 1967 until I am reasonably certain of the source of funds.

As a major shareholder outside of the Conwest interests I would very much appreciate having your thoughts on this problem and if we can reach an agreement in principle between Conwest and Bell, I will then approach some of the others.

Yours sincerely,

J. D. Christian,
President and General Manager,
CASSIAR ASBESTOS CORP. LTD.

JDC:gjf