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July 1975



trends in Asbestos

features

ADVOCATE
ASBESTOS CORP.
CASSIAR
JOHNS-MANVILLE
UNITED ASBESTOS

GROWTH, SUSTAINED AND NON-CYCLICAL

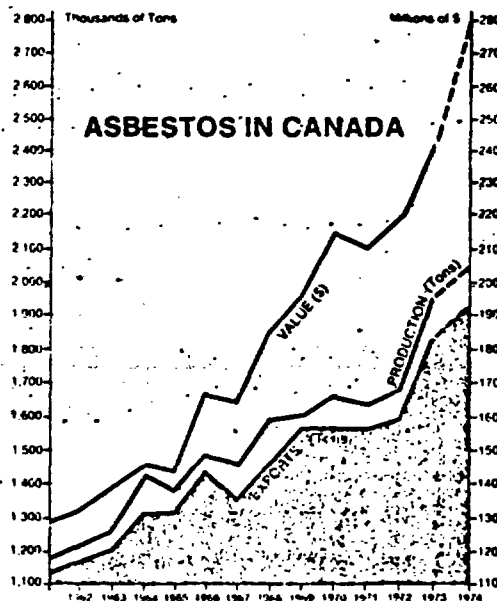
The industrial popularity of asbestos which in recent years raised its value twice as fast as its production is now, despite the recession, entering an even greater stage. Asbestos is increasingly essential to many aspects of building in basic ways to such an extent that its usage expands even when building slows down. Growth will now accelerate. Combined with cement and in certain other products connected with many kinds of construction, asbestos demand was very strong around the world prior to the sudden upsurge in energy costs. These have made it still more attractive because competitive materials such as plastics and glass fibres have a high quotient oil-gas costs in their expenses. Also the latter have become scarce at times and may be so again as politically induced energy shortages intermittently hit North America. The non-cement markets for asbestos such as insulation, tiles, gaskets, etc. are also likely to bloom. Insulation to conserve energy losses is being emphasized more and more. The spectacular failure of plastic insulation in the recent telephone fire in New York is another case in point, as is the concern of architects to design out any possibility of creating "towering infernos" when they build new sky-scrapers.

Paradoxically, the environmentalist movement which sometimes criticized the health risk in asbestos, has at the same time increased the demand for cement asbestos pipe in the U.S. It is up fully 50% since 1971 due to the need for better drainage of sewage and other liquids as well as the need for increased water supply.

The accompanying chart of the predominant world source, Canada, shows a gain since 1961 of 56% in production paralleled by one of 115% in value. The value curve is likely to go up even faster now since growing demand will impinge for a while on a shrinking supply. Investors might note that unlike many other mineral products, asbestos prices are not cyclical. They show stability or enhancements without intervening collapses, reflecting the constantly widening circle of uses and

geographical markets. For the past 25 years, price increases have been posted from time to time. Recently, from Jan. 1st, 1973, to Jan. 1st, 1975, the successive increases amounted to 75%.

	1950	1960	1970	1975
Grade 4	137	200	243	442
Grade 5	87	120	156	290
Grade 6	65	87	110	211
Grade 7	33	43	53	98



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where would we be without asbestos

In danger! Without asbestos, ships, for instance, could not be as thoroughly protected against fire as they are today. Incombustible asbestos is the life-saving material which shields ships' superstructures and passenger accommodation against fire at sea. In blazing buildings, asbestos keeps open the escape routes along which the occupants may reach safety. In hundreds of high-energy industrial processes, asbestos—and *only* asbestos—provides the unique combination of properties which contains fire and harnesses heat safely. Many essential fire regulations today could never be

met without the aid of asbestos. But the people who work with this material must themselves observe certain safety regulations, as with many other materials. Fortunately the asbestos industry, with its long experience of effective control measures, can give practical and authoritative advice. For further information on this, and on the technical advantages of this indispensable material, write to:

Asbestos Information Committee,
10 Wardour Street, London W.1. Telephone: 01-734 7617

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CANADIAN DOMINATION

Canada has led in production for a long time with 66% of the Free World output and 43% of the whole world in 1973, the latest year for world-wide figures. Despite its large output, Canada has been able to grow with world demand which it serves, consuming only about 5% itself.

	1960	1970	1973	1974
Canada	1,118,000	1,662,000	1,974,000	pl.810,000
World	1,940,000	3,846,000	4,597,000	pl.4,487,000

Notes: Figures in short tons. p-preliminary

U.S. production was only 14% of its needs last year, and due to decline further. The U.S. output was 112,533 tons in 1974, down from 150,116 in 1973. The U.S. is the world's leading consumer, taking 18% of the total, and is also Canada's main market, importing 735,150 tons in 1974, over 40% of the Canadian mine output. World needs are met in part by the export of about 448,000 tons of the Soviet production of 1,411,000, but this is mainly to satellites and not all of the qualities we require. The Soviet has some tonnage beyond the above figure, but it is "waste" good mostly for road building. Italy's output of 164,000 tons about matches its own needs. South Africa's output is mostly "blue" and amosite asbestos, not as suitable for U.S. purposes as the Canadian higher grade chrysotile. South Africa exported 294,829 tons in a recent year, only 17,798 to the U.S. with the U.K. and Japan the big customers. China has an output of 230,000 tons, but there is no indication of exports. The balance of world output is spread among small producers often unable to meet their own national demands.

Free World production is now entering a period of critical shortage. It will lose about 250,000 tons in the next three years during which time demand is expected to grow 550,000 tons. The sharp drop in output is due to the phasing out of marginal operations, final depletion of reserves and other causes. United Asbestos' new Midlothian mine of 110,000 tons annual output is the only major new production definitely scheduled. The environmentalist movement may be a deterrent to the rapid development of new reserves, even though at the same time, it is increasing the need for asbestos cement, as we pointed out before.

ASBESTOS, SILK OF MINERALS

Essential for safety, very useful in construction, vital to transportation on land, sea and air, asbestos expands its markets. The general public and investors too are not aware of the technical excellence of the silk of minerals. Mines sell fabricators who mix it in various end products. The industry does little advertising.

Asbestos was known and used in ancient Egypt, but it was not until Victorian times that H.W. Johns (Johns-Manville) attempted to develop a wide commercial market for it. Research by the industry and the more sophisticated needs of our highly technical age have broadened markets greatly in recent times. One of its latest uses is in the space capsules of lunar rockets where its resistance to fire, heat, friction and corrosion are essential.

So far 3000 uses have been found for a fibre which has many qualities, yet is comparatively inexpensive. The description of the Canadian Department of Energy, Mines and Resources catalogues officially the characteristics of asbestos with technical accuracy. "Asbestos is of use in industry because of its shape as a slender fibre, other physical characteristics and

chemical stability. Asbestos has durability and resists fungi-growth, weather, corrosion, heat, acids and vermin; it insulates against heat, vibration, electricity and sound, its fibrous form helps to bind fillers, rubber, asphalt and cement, the latter being a most important material in that more than 50 per cent of the world's asbestos production is used in asbestos cement products. Asbestos fibre is used for filtration of acids, alkalis and a great variety of liquids; it can be sprayed, moulded with plastics or glass, and dispersed in fluids, greases, adhesives and sealing compounds."

Asbestos is not only very strong, but it is by far the lightest of fibres and of course fireproof. The tensile strength of chrysotile asbestos is 80-100,000 lbs./sq. in. compared to 48,000 for wrought iron, 155,000 for carbon steel, 80,000 for cotton and 100-200,000 for glass fibres. Asbestos is extremely light with 130-220,000 sq. cm./gram of weight, far above nylon's 3100, acetate rayon's 3800, silk's 7600, wool's 9600 and viscose rayon's 9800. It is much finer than the human hair which runs 630 to the linear inch compared to 850,000-1,400,000 for chrysotile asbestos fibre. It can withstand 1800 degree heat (Fahrenheit) with a loss of only 13.7% of its bulk.

WORLD MARKETS' SCOPE

The diversification of the uses of asbestos is further advanced in the U.S. than abroad. It is likely that as other nations raise their standards of living they too will expand the use of asbestos into many more products. The tables below were compiled by Johns-Manville from 1973 data.

U.S. CONSUMPTION
(Table I)

Asbestos Cement Pipe	141,000 tons	17%
Asbestos Latex Sheet (sheet flooring underlayment)	134,000	16%
Asbestos Cement Sheets, shingles, etc.	50,000	6%
Floor Tile	125,000	15%
Asbestos Paper	84,000	10%
Friction Materials	51,000	6%
Roof Coatings	34,000	4%
Asbestos Textiles	12,000	1.4%
Plastics	18,000	2.1%
Joint Cements	13,000	1.6%
Miscellaneous (packings & gaskets, asphalt paving, caulking compound, sealants, sound deadeners, oil well drilling muds, filters, ceiling tile, acoustical plaster, automotive undercoatings, etc.)	170,000	20.4%

TOTAL 832,000

FREE WORLD CONSUMPTION
(Table II)

Asbestos Cement Products (pipe, sheets shingles, etc.)	2,400,000	70%
Friction Materials & Gaskets	110,000	3.2%
Asbestos Paper (asbestos felt, asbestos latex & other commercial paper)	270,000	8.9%
Floor Tile	250,000	7.3%
Paints, Roof Coatings, Caulks, Sealants	85,000	2.5%
Plastics	30,000	1%
Miscellaneous	267,000	7.8%

TOTAL 3,412,000 tons

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The U.S. takes fully a quarter of the total, it will be not above. Obviously the future potential for sales abroad is v. as per capita consumption begins to duplicate that in the U. Mere statistical projections may not reveal the extent of the potential. For example, the newly rich Mid-East is drawing up plans to build entire new cities and industrialize up to competitive levels within just a few years. Asbestos cement products are likely to be very suitable. The Arabs have the ingredients for cement, but must first build plants. Actually many developing countries have local cement industries, and need to import only a small bulk of asbestos (12%-25%) to make a strong fireproof, ratproof construction.

Europe has been much more concrete oriented than the U.S., possible because it plans more massive construction, and also it lacks wood. Incidentally, Florida and Arizona in the U.S. seem inclined the same way. The preceding table showed a foreign proportion of 70% in asbestos cement products. Highlights of European advances in the use of asbestos in 1971-73 were: Netherlands 64%, Spain 56%, Portugal 47%, West Germany 27%, Denmark 26%, France 23%, and the United Kingdom 16%, all above the U.S. figure for these years of 15%. Other parts of the world also exceeded our percentage. Brazil had an 82% gain, South Korea 68%, Mexico 34%, India 31%, Japan 17% and Turkey 17%.

CURRENT SHORTAGE EXTREME

While supply has been barely able to pace demand in recent years, several unusual factors have occurred since last December to wipe out the narrow margin and turn into an actual shortage. So severe is the shortage that it may take two years to overcome it and replenish inventories too. Meanwhile, posted prices may be exceeded in some short areas by special premiums. For example, in Australia, prices have gone up 18% over the landed import quotations.

Canadian production in 1975 has been cut down so far by almost one-quarter and may be reduced further. On December 8th, the King Beaver mill of Asbestos Corporation was completely destroyed by fire, reducing the capacity of the company about 145,000 tons/year. Mining was partially resumed toward the end of January with the ore shipped to another mill at Black Lake, but on March 18th, all asbestos mines in the province of Quebec were struck with the exception of Johns-Manville. Meanwhile, on January 21st a slide occurred at the Jeffrey Mine of Johns-Manville which will cost about 80,000 tons of fibres before full output can be resumed in October. Altogether, there is a deficit of about 400,000 tons to date.

Each month the strike persists will add approximately 75,000 tons to this deficit. Inventories are now exhausted.

While Johns-Manville settled without a strike on April 2nd for about a 20% wage increase over two years, plus a cost of living adjustment when necessary, the two different unions forming a common front at the other Quebec mines are demanding 47% plus a cost of living adjustment. Health considerations are not a basic point. If the strike will continue for a time, wages usually run around 25% of sales for the industry. We do not have a breakdown for each company. Obviously, an expensive settlement will have to be passed on - Johns-Manville raised its prices a month after the settlement 6%-7%.

INDUSTRY ADVANTAGES

Unlike many other minerals, asbestos is not mined by a large number of companies in many parts of the globe. There are only ten asbestos mining companies in Canada, and the relatively small foreign production is also limited to a few. Competition is keen, but not chaotic. These mines are usually large open pit and often operations amenable to very low cost per ton. Separation of the fibre from the ore is essentially a dry grinding process not requiring complex chemicals or smelting. Hence it avoids the risks and costs which the environmental criticisms of other mineral processing force them to overcome as atmospheric or water pollution.

The major Canadian operations in some cases have about the same mining costs per ton of ore, but final profits per ton of fibre vary substantially for reasons we shall develop. Reserves are ample except in one instance. While Johns-Manville is the largest mine (in the world as well as in Canada) the asbestos division apparently accounted for only 32% of pretax income of all divisions in 1974. We expect the proportion to rise.

The economically strong position of asbestos mining has provided an excellent base for the sales growth our table shows. It augurs well for the further expansion the industry must now undertake to the extent its ore reserves will permit.

ADVOCATE MINES

The company on the northeast coast of Newfoundland commenced operations in June, 1963, under an agreement with Canadian Johns-Manville and Amet Corporation. The groups had brought Advocate into production for an investment of \$17,900,000. In addition to J.M.'s 30.6% holding in the share capital of 6,000,000 shares, other corporations hold 47.1%, including Belgian cement interests. J.-M. and Amet receive 4% of gross revenues plus certain costs as a fee for management.

	Advocate	Asbestos Corp.	Cassiar	Johns-Man.	United*	
Ore Mined Tons	2,413,000	13,641,000	3,237,000	E.11,000,000	4,470,000	E.5,567,000
Grade	3.73%	3.23%	5.75%	E.6.23%	3.59%	E.4.65%
Cost	\$5.89/T	\$6.06/T	\$13.40/T	E.\$5.66/T	\$3.29/T	E.\$4.07/T
Fibre	79,983	430,137	183,982	E.680,000	74,846	E.174,846
Value	\$228/T	\$252/T	\$289/T	E.\$131/T	\$213/T	E.\$204/T
Write-off	\$24.40/T	\$33.70/T	\$50.00	E.\$18.50	\$34.40	E.\$31.00
Net Earnings	\$25.70/T	\$29.90/T	\$11.50	E.\$20.90	\$73.70	E.\$105.00
Waste Ratio	3.13:1	2.69:1	4.77:1	n.a.	3.21:1	E.2.65:1
E. p/share	23¢	\$4.17	(39¢)	\$2.72	78¢	E.\$2.50
Quote	1.70	16	5	20	4 5/8	E.4 5/8
P/E	7.4	3.8	-	7.4	5.8	E.1.5
Sales 1974/70	167%	203%	130%	113%	170%	n.a.
Reserve Life	30 yrs.	19 yrs.	9 yrs.	45 yrs.	22 yrs.	E.35 yrs.

Notes: *First column, present operation, second combined with new.

Write-off includes depreciation, depletion and amortization. Deferred tax charges also included.

N.A. Combined properties not in operation in 1974/70

E our estimate, no official figure

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The group has also agreed to buy 25,000 tons of fibre annually at the market with J.-M. taking 40% of this amount, or 10,000 tons.

Under the influence of a computer mining program initiated in 1971, results improved. The management reports more reliable mining sequence of operations and an elimination in fluctuations in the tonnages moved. The ratio of waste to ore has been brought down from 3.85:1 in 1970 to 3.13:1 last year. Shipments by water are usually possible nine months of the year, but the company has storage capacity equal to six months' output.

Measured ore reserves have been largely maintained from asbestos showings near the present mine. Advocate's deposit is rich in group 4 grade which accounts for its higher value per ton of fibre than J.-M.'s Jeffrey Mine. It is interesting to note that the mining leases also have showings of copper-gold-silver, lead-zinc and molybdenum.

Advocate paid its first common dividend, of 5 cents per share, in 1971. It is now 7½ cents. It is worth noting cash flow per common share in 1974 was 55 cents, or 2.4 times reported net earnings of 23 cents per share. Earnings were unchanged in the first quarter.

ASBESTOS CORPORATION

The longevity and profitability of asbestos mining are clearly shown in the history of Asbestos Corporation. The company was incorporated in 1925 to consolidate several mines already established. There has not been an unprofitable year since 1934, with net earnings in 1974 over 50 times more than then. By 1974 output had reached 430,100 tons including 79,580 from a recent extension.

Our table shows that Asbestos Corporation is the second largest in Canada. It has about one-third of its present output in the rich group 4 grade, thus giving its fibre a high value per ton. Capitalization is a modest 2,837,000 common shares, of which 54% is owned by General Dynamics. The company incurred a long term debt of \$47,813,000 to Dec. 31, 1973, in connection with the investment of about \$98,000,000 in the new Asbestos Hill complex. The gross value on the books of other properties was about \$68,000,000 at the end of 1974, so it may be seen how big a financial step has been taken. Debt is now down to \$40,102,000 and an \$8,671,000 bank loan has been repaid.

The main complex is at Thetford, Quebec, supplemented by mines and mills at Black Lake and Coleraine. These accounted for 350,557 tons in 1974, from ore averaging 2.8%. The main mill at the King Beaver mine was burned to the ground December 8th. Rated at 18,000 tons/day it represented 42% of the capacity there and 27% of the overall capability. By January 15th, the underground mine was reopened to send richer ores to mills at Black Lake, three miles away. Of the 147,000 tons of annual fibre production lost by the fire, some undisclosed portion may be recovered.

The major expansion of about 30% was first initiated in 1967 in the Arctic at Ungava, and called Asbestos Hill. After many delays, the new complex started to work smoothly in the autumn of 1974. Output at Asbestos Hill was about 79,500 tons of fibre in 1974 against a normal capacity of 100,000. In 1975 the shipments are officially expected to exceed 100,000 tons. Farther down the road, the shift of mining to underground may enable operations to exceed the limit of seven months now imposed by the rigorous climate. Last year, 228 days were worked compared to 289 at the main complex at Thetford-Black Lake. The ore is partially concentrated in Ungava, then shipped to Nordenham, West Germany, for

finishing in the company's \$79,000,000 mill there. The ore runs a high 6.6% which more than offsets the high Arctic costs.

With Asbestos Hill now really on stream, the financial outlook for Asbestos Corporation is very bright as soon as the problems of the King-Beaver fire are resolved. To replace the mill completely would cost approximately \$65,000,000 in the company's opinion. Insurance may cover only around \$20,000,000 although no final settlement of the claims has been made. The management inclines at the moment only to building a concentrator at King-Beaver, which would mean a recovery of perhaps 75-100,000 tons of the fibre capacity lost, giving Asbestos Corporation a total capability of about 400,000 tons per year. At the prices now to prevail for asbestos, the company could earn substantially more in the first strike-free year than ever before, and resume dividends. The latter were suspended in 1972 to accumulate cash for the expansion in Ungava. The first quarter yielded \$1.00 per share despite the fire, but with only minor effects of the March 18th strike. Ore reserves overall equal 19 years life plus another six years possible from other ore.

CASSIAR ASBESTOS CORPORATION

Cassiar shares have been strong despite coming difficulties with the company's ore reserve, because Cassiar is not shut down and will benefit from the higher prices of asbestos now coming into effect. For the first quarter, it earned 15 cents per share against a loss last year.

Cassiar produced 91,315 tons of fibre last year from its high grade mine of the same name, running 8.11%. Its Clinton mine did 92,667 tons from a lower grade of 4.37%. Results last year were penalized by a net charge of \$2,600,000 in anticipation of the closing of the Clinton mine due to exhaustion of the ore. Were it not for this charge and the cost of an affiliate's exploration, Cassiar would apparently have earned about 60 cents per share. It is worth noting also that write-offs, aside from the special charge, were \$1.04 per share. Our table shows such depreciation amounted to \$50 per ton of fibre, the highest write-off of any company listed there.

The Clinton ore reserve was reduced last year by removing 7,500,000 tons from the possible classification following the failure of testing to confirm. Clinton is now left with 7,285,000 tons of reserves, for an indicated life of some three and one-half years. At the Cassiar mine the probable ore represents a 20 year life. Exploration in New Zealand has not been encouraging. At Kutcho Creek, 60 miles southeast of Cassiar, the company has a substantial find, but it is not clear whether the grade is high enough to justify a large investment.

The mines are operated under the high cost conditions of Northern British Columbia and the Yukon where they are located. Transportation expenses are heavy, but it may be possible in 1977 to ship through Anchorage, Alaska, thereby saving \$10-\$12 per ton. In that year an agreement to use Canadian government facilities expires. It is worth noting that in its 21 years of operating, Cassiar has not had one case of asbestosis.

JOHN-MANVILLE CORPORATION

Johns-Manville has many divisions in addition to its asbestos mining. However, the Jeffrey mine in Quebec is the largest in the world and an important source of earnings. In 1974 the pretax profits from outside sales of asbestos were 23% of the total for the company. The total pretax gain from asbestos is not reported, but applying the same margins to all output including the 30% used internally by the other divisions of J.-M., we unofficially estimate asbestos at about 32% of all pretax profits. Furthermore, the margin in asbestos was much

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the best of any division in 1974. At 31%, it compared with 19% for all mining including asbestos, 11% for roofing, 10% for pipe and pipe products, 6% for industrial and other products, 5% for thermal insulation and 4% for general building products.

J.-M. completed a \$75,000,000 program of improvement at the Jeffrey in 1974, assuring an output of about 650,000 tons annually from reserves estimated at more than 40 years. The figures in our table are our own deductions for grade and costs. No official details are given. Two other small asbestos mines have been closed, one at Coalinga, California in 1974, with a capability of 20,000 tons of fibre annually, and one in Ontario in 1975, capable of 30,000 tons. We have not included J.-M.'s ownership of 30.6% of Advocate in our figures in the table.

J.-M. had done a good job in thermal insulation prior to the energy crisis. Now, of course, the outlook for this business is brilliant as saving heat energy is a necessity. J.-M. figures adequate insulation can save us 2,000,000 b/d of oil ultimately. Thermal insulation sales have grown from \$159,993,000 in 1970 to \$294,445,000 in 1974. As fiberglass becomes more expensive and occasionally scarce, it may be asbestos will take over some more insulating work. Fiberglass used in all the company's divisions amounted to \$240,418,000 in 1974, up from \$91,824,000 in 1970. Profits pretax in fiberglass were off in 1974 to \$19,386,000 from \$34,020,000 the preceding year. Asbestos sales in total we estimate last year at about \$90,000,000, earning \$28,000,000.

The outlook for J.-M. when building picks up, both domestically and industrially, is excellent. Meanwhile, the asbestos mine and insulation should be very helpful (as mentioned before, J.-M. is not struck). A slide in the open pit January 21st will cost about 80,000 tons of fibre this year and \$5,000,000 in earnings, but the mine will be back to capacity by October. By then we expect asbestos prices to be up again. Earnings in the first quarter were 26 cents per share on an overall drop in all divisions of 25%.

The platinum discovery in Montana has been rather overlooked by the market. The company reported early in 1975 it could be of "possible economic interest." Further work is being done on holdings on a mineralized zone 24 miles by four miles, which obviously could be a bonanza even if only partly mineralized. Some observers compare it to the famous Merensky Reef in South Africa, source of most of the Free World's platinum.

UNITED ASBESTOS, INCORPORATED

United Asbestos' imminent substantial growth is shown by the use of two columns of statistics in our table, one for the present joint venture at Black Lake, and the second for the enlarged company as it will operate by September, deriving income not only from the joint venture but also from its 100% owned large mine at Midlothian. The annualized figures are for the fiscal years ended March 31st, the first column being for the 12 months March, 1975, and the second column our unofficial estimate of a full 12 months of the enlarged company, i.e., the fiscal year March, 1977. From September on, this year, however, we expect annualized earning power to approximate the figures in our second column, and the quotation in the shares to react favorably to the great jump in earnings.

The addition of at least another 100,000 tons of fibre from Midlothian to the 74,840 last year from Black Lake should raise earnings by approximately 220% on a gain in tonnage of some 130%. The relative increase in earnings is due to the much higher grade of the ore and lower waste ratio at Midlothian. The recoverable grade is 9.65% compared to 3.59% at Black Lake and the waste ratio over the mine's life 1½:1 against

3.21:1. Actually the waste ratio in the early years at Midlothian may be only ½:1 and the fibre mix could be upped in value by the inclusion of more group four fibres which sell at very high prices. For example, group fours averaged \$442/ton in 1975 against \$290 for fiver and \$211 for sixes.

The opportunities for long term growth have been much enhanced for United by bringing the Midlothian ore body into production. The joint venture at Black Lake with Asarco operated since 1958, now has estimated ore reserves of 100,320,000 tons grading 3.1%, or 50,160,000 to United's interest. The Midlothian output will be based initially on about 32,000,000 tons of ore engineered for the mill, but the total of proven and probable exceeds 150,000,000 tons. United is not likely to hesitate to expand soon. Its Midlothian fibre has been well received in tests around the world. Some 70% of output is suitable for asbestos cement products. Orders to date are about 217,000 tons or twice initial capacity. Tentative offers to finance a doubling of the mill have already been received but the management will probably want to run the new operation for a time before a final decision to go ahead. Doubling the mill would not require as much investment as the initial installation, as many of the features of the complex would not have to be duplicated. The tax advantages of expansion soon may weigh in the decision as credits for the construction could be taken just as taxes bite.

A rising curve in United's earning power per share is clearly in prospect over the years. Soon Black Lake alone will mean \$1 per share after the settlement of the strike and compensatory price increases. Midlothian stage one should mean about \$1.50 more pretax, with no taxes likely in the first years. Then Midlothian, too, might add another \$1.50 per share at least, if asbestos prices display their usual tendency to rise fairly regularly. Incidentally, Midlothian in Ontario is not struck. This new production will certainly be eagerly awaited by the trade. All in all shareholders are looking at \$2.50 pretax in two years and over \$4 in less than five years. The stock is scarcely one times such probable future earning power. We expect the market to awaken to these values very soon. Management has been careful not to dilute the shareholders' interest, financing a \$30,000,000 expansion without dilution.

LIFE PRESERVERS VS. LAWSUITS

The criticism of asbestos as a health risk never did apply to the general public, according to the U.S. National Academy of Sciences. The danger to workers in asbestos plants has some foundation if exposure extends over decades with inadequate protection. However, the industry has been aware of the risk for years and has increased the safety measures to at least an adequate level. The criticism often seemed to single out asbestos as the most dangerous industrial material, yet actually fatalities occur in coal mines, natural gas is a deadly poison and so is chlorine. Polyvinyl chloride, the base of many plastics, has been connected apparently with cancer of the liver, yet there is no thought of banning it. Incidentally, a study started in 1966 by a group of Canadian doctors and scientist of 11,572 persons born between 1891 and 1920 who were or are employed in the intensive asbestos industry in Quebec, found a lower mortality rate than for the general population of Quebec. Also Cassiar Asbestos in the last 20 years of operation has not had one reported case of any of the three diseases claimed to be connected with asbestos. Actually, asbestos has saved thousands of lives from death by fire as a superb insulation in homes, factories, theatres and shops, not to mention those saved by its life preservers.

June 30, 1975

Robert A. Gilbert

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