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ANNUAL REPORT 2021

ASBESTOS

ASBESTOS CORPORATION LIMITED

ASBESTOS

ASBESTOS CORPORATION LIMITED

*(Incorporated under the laws of Canada,
October 6, 1925)*

Directors

GUY BÉRARD
DANIEL FRIGON
CLÉMENT GODBOUT
LAURENT LANGEVIN
JOHN LEBOUTILLIER, C.M.
Chairman of the Board
SERGE MONETTE

Executive Officers

GUY BÉRARD
President
MARIO SIMARD
Chief Financial Officer and Secretary
JACINTHE GAGNÉ
Controller

Members of the Audit Committee

DANIEL FRIGON
CLÉMENT GODBOUT
LAURENT LANGEVIN

Head Office

840, Ouellet Boulevard
Thetford Mines, Quebec
Canada G6G 7A5

Transfer Agent and Registrar

Computershare Investor Services Inc.
Montreal, Quebec

Auditor

PricewaterhouseCoopers LLP
Quebec, Quebec

Trading

TSX Venture Exchange on the
NEX Board Symbol: AB.H

ASBESTOS

— ASBESTOS CORPORATION LIMITED —

Message to shareholders,

The year 2022 marks the beginning of the post-asbestos era which will safely transform the mining liabilities of another time into a new source of wealth for future generations. Your company has therefore modernized its image and redefined the term asbestos mine tailings by ore reserves. This definition is more representative when we realize that these piles of ores already extracted contain, among other things, 20% magnesium, 0.22% nickel and a significant potential for CO₂ sequestration.

As mentioned last year, Asbestos Corporation defines itself as a promoter of strategic alliances based on the valorization of metals and minerals contained in serpentine piles while promoting the circular economy and the neutralization of these reserves of asbestos ores. Your Company has therefore created 3R Minéral Inc., a wholly-owned subsidiary, in order to promote and facilitate these alliances.

In July 2021, your Company, through 3R Mineral inc., signed long-term commercial agreements with ECO₂ Magnesia, a company manufacturing the world's greenest, high-purity magnesium oxide, including a service contract for the supply and neutralization of asbestos ore reserves, for the next 60 years.

In the early months of 2022, it also completed long-term commercial agreements with KSM Inc. for the lease of the former Carey mine plant and the supply from our mineral reserves. These two recovery projects use innovative manufacturing processes, promote the circular economy and have the lowest carbon footprint in the world for the production of their respective products.

Since your Company, through 3R Mineral Inc., has finalized these two important partnerships that represent more than \$210 million in direct investments and the creation of 100 well-paying jobs by ECO₂ Magnesia (phase 1) and KSM, we can confirm that our relations with the various departments of the Government of Quebec are more collaborative and constructive than ever. Following our requests, the Government also agreed to create an interdepartmental work group including the MEI, MERN, MELCC and Public Health in order to promote the safe and responsible implementation of these development projects benefitting from a high social acceptability in the region.

This collaboration with the various departments as well as these two partnerships should promote the Company's efforts, through 3R Mineral Inc., to materialize other valorization projects, whether for the extraction of magnesium and nickel, critical and strategic metals that have reached unprecedented values, or through the ability to transform our piles to significantly reduce the amount of carbon dioxide in the air.

We are also continuing our efforts to generate as much revenue as possible from all of our assets.

We have therefore entered into a partnership with a real estate development company in Thetford Mines for the residential development of several lots owned by your Company.

And, as part of our strategic plan, we have finalized an exclusivity agreement to evaluate the possibility of development of wind, solar and energy storage potential on our properties with Boralex.

On the other hand, the agreement reached in August 2021 with the Régie intermunicipale du parc industriel de Beauce-Amiante to complete the acquisition of the former Carey mine allowed an environmental services firm to revegetate piles of sterile stones at this mine, a new property of Asbestos Corporation, using rehabilitated soils and fertilizing residual materials. In this case, the Company receives royalties which enhance the agreement already signed in 2014 for the revegetation and reforestation of our other properties.

Your Company has followed all COVID-19 rules, as requested by public health, to ensure the protection of our employees, partners and suppliers. The global pandemic has not affected our operations or delayed our ongoing projects.

Messrs. Clément Godbout and Laurent Langevin, directors since 2003 and 2008 respectively, will not be seeking re-election at the annual meeting. They were members of the Audit Committee. We thank them for their great interest and their constant involvement during all those years.

John LeBoutillier

Guy Bérard

Chairman of the Board

President

Thetford Mines
April 22, 2022

Management's Discussion and Analysis for 2021

This Management's Discussion and Analysis ("MD&A") on the consolidated results of operations and cash flows of Asbestos Corporation Limited (the "Corporation") for the fiscal year ended December 31, 2021, as well as the Corporation's financial position as of this date, should be read in conjunction with the 2021 annual audited consolidated financial statements and accompanying notes. These consolidated financial statements, as well as additional information relating to the Corporation, are filed and can be accessed through SEDAR (the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval) at www.sedar.com.

Unless otherwise stated, all amounts included in this report are expressed in Canadian dollars.

The consolidated financial statements and accompanying notes as well as comparative information have been prepared by the Corporation's management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the *International Accounting Standards Board* ("IASB").

This MD&A, dated April 22, 2022, has been prepared in conformity with *National Instrument 51-102 respecting continuous disclosure obligations* of the Canadian Securities Administrators. It was submitted to the Audit Committee of the Corporation and was approved by the Board of Directors of the Corporation.

Forward-looking Information

This MD&A has been compiled to supply the reader with all the information that management considers necessary for a better comprehension of the Corporation's results of operations, financial position and outlook. Consequently, it could include forward-looking statements based on assumptions that management deemed reasonable at the time they were established and which proved to be inaccurate thereafter. These statements, given their nature, involve certain inherent risks and uncertainties, known or unknown, and future events could differ from those anticipated in these statements. Certain risks and uncertainties are derived from litigation and commitments and these are detailed in the Corporation's 2021 annual consolidated financial statements. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements.

The forward-looking statements in this MD&A reflect the Corporation's expectations as of April 22, 2022 and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Description of Activities

Asbestos Corporation Limited ("ACL") operated chrysotile mines for a period of more than one hundred years. This operation has produced millions of tons of serpentine tailings which contain several minerals, mainly magnesium and nickel, which are included in the list of critical minerals in Canada.

Management has adopted a strategic plan based primarily on the valorization of its mine tailings by developing strategic alliances in order to extract maximum value in a safe and responsible manner, all in accordance with the principles of the circular economy.

This plan also includes the sustainable development of its properties and the restoration of all its mining sites and buildings in agreement with the various regional stakeholders. The Corporation intends to promote innovation and the implementation of new energy sources, such as wind and solar power. The potential for CO₂ sequestration from the carbonation of its mine tailings is also part of this strategic development plan.

Going Concern

The Corporation is facing numerous litigation cases resulting from former activities related to chrysotile fiber, as described in note 19 to the 2021 consolidated financial statements, and settlement thereof could entail the use of the Corporation's liquid assets.

Furthermore, the Corporation is exposed to certain liquidity risks due to the operating costs and to the non-recurring nature of some of its revenue, thus casting significant doubt upon the validity of the going concern assumption. In fact, the Corporation presently settles its operating costs through revenue derived mostly from mining assets, more specifically, warehouse leasing as well as royalties originating from the exploitation of a granite quarry, the restoration of a mine site optimizing materials containing asbestos and its revegetation.

Management continues to study the various possibilities of raising revenue derived from mining assets in order to increase the Corporation's cash flows, namely through the setting-up of partnerships to develop its assets and the upgrading of the tailings. However, there is no assurance that management will be successful in these actions. All these factors indicate a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern.

Although the parent company renounced the repayment of notes payable (note 11 to the 2021 consolidated financial statements) for the next twelve months, no assurance can be given that the Corporation will have sufficient funds to repay these debts after the said period.

If the going concern basis proves not to be justified, significant adjustments may be necessary in the carrying amounts and classification of assets, liabilities and expenses in the Corporation's consolidated financial statements.

Summary of Quarterly Results

The following table summarizes the selected quarterly information for the last eight quarters.

(in thousands of \$, except per share data)	Q-1 2021	Q-2 2021	Q-3 2021	Q-4 2021
Revenue	921	918	1,167	2,297
Mining properties ownership and management expenses	205	306	202	273
Administrative expenses	163	192	181	227
Litigation management fees (recovery)	564	499	412	1,409
Interest on notes payable to the parent company	-	-	-	605
Operating expenses (recovery)	932	997	795	2,514
Income (loss) before income taxes	(11)	(79)	372	(217)
Income tax	-	-	-	6
Income (loss)	(11)	(79)	372	(223)
Net income (loss) per share	-	(0.03)	0.13	(0.08)

(in thousands of \$, except per share data)	Q-1 2020	Q-2 2020	Q-3 2020	Q-4 2020
Revenue	(1,091)	1,179	629	1,369
Mining properties ownership and management expenses	172	156	224	304
Administrative expenses	161	256	206	178
Litigation management fees (recovery)	(1,106)	1,783	338	1,110
Operating expenses (recovery)	(773)	2,195	768	1,592
Income (loss) before income taxes	(318)	(1,016)	(139)	(223)
Income tax (recovery)	-	(1,094)	(244)	(599)
Income (loss)	(318)	78	105	376
Net income (loss) per share	(0.11)	0.03	0.03	0.14

Summary of Annual Results for the Last Three Fiscal Years

The following table summarizes the selected annual information for the last three years.

(in thousands of \$, except share and per share data)	2021	2020	2019
Revenue	5,303	2,086	3,220
Mining properties ownership and management expenses	986	856	967
Administrative expenses	763	801	811
Litigation management fees (recovery)	2,884	2,125	(690)
Interest on notes payables to the parent company	605	-	747
Operating expenses	5,238	3,782	1,835
Income (loss) before income taxes	65	(1,696)	1,385
Income tax (recovery)	6	(1,937)	913
Income (loss)	59	241	472
Net income (loss) per share	0.02	0.09	0.17
Weighted average number of common shares outstanding	2,837,002	2,837,002	2,837,002
Total assets	33,442	28,729	30,701
Non-current liabilities	49,612	46,424	46,596

Details on the Financial Results for 2021

For the fiscal year ended December 31, 2021, the Corporation recorded an income of \$59,000 (\$0.02 per share) compared to an income of \$241,000 (\$0.09 per share) last year.

Income (loss)

Income (loss) consists mainly of:

- Revenue from mining properties, the redemption of insurance policy rights, investment income and other;
- Mining properties ownership and management expenses;
- Administrative expenses;
- Litigation management fees including any recovery.

According to management, the income (loss) is subject to a certain variability and volatility for the following reasons:

- Most of the leases in force have a term of less than five years, but are renewable. Moreover, in 2021, 36 % (34 % in 2020) of this revenue came from a sole lessee.
- The sale of land and mining equipment, together with the redemption of insurance policy rights, are not recurrent and vary from one period to another.
- Certain restricted investments are used only for the settlement of expenses arising from asbestos lawsuits. Their fluctuation causes a fluctuation in Litigation-related liabilities which affects the Corporation's income.

Revenue

Revenue amounted to \$5,303,000 in 2021 compared to \$2,086,000 in 2020. Details are provided hereafter:

Revenue (in thousands of \$)	2021	2020
Revenue from mining properties		
Building rental	544	513
Sale of land	460	80
Royalties	591	334
Recovery of metals and other revenue	480	440
	<u>2,075</u>	<u>1,367</u>
Investment Income		
Interest revenue	248	297
Dividends	329	447
Realized gains	575	1,695
Unrealized gain (loss) on investments	1,895	(1,791)
	<u>3,047</u>	<u>648</u>
Parent company's management fees	<u>66</u>	<u>25</u>
Other	<u>115</u>	<u>46</u>
Total	<u>5,303</u>	<u>2,086</u>

Revenue from Mining Properties

The Corporation's assets include several mining sites that have produced millions of tonnes of tailings rich in several minerals including magnesium and nickel. The Corporation's mission is to develop its assets, alone or in partnership.

Revenue from mining properties amounted to \$2,075,000 in 2021 compared to \$1,367,000 in 2020. This increase is attributable to the sale of land and various royalties, especially those resulting from the revegetation of mine sites.

The major sources of revenue result from:

- **Building rental**
The Corporation owns numerous mining buildings that can be used as warehouses or plants. Efforts are still made to increase rental revenue.
- **Royalties**
Royalties originating from the exploitation by an independent contractor of a granite quarry owned by the Corporation, the restoration of a mine site optimizing materials containing asbestos and its revegetation using rehabilitated soils and fertilizing residual materials.
- **Recovery of metals and other revenue.**
In September 2020, the Corporation began a program for dismantling buildings which are in disrepair and dangerous and which ended in March 2021. The recovery of metals generated revenue of about \$465,000 including \$165,000 in 2021 and \$300,000 in 2020.

Mining Properties Ownership and Management Expenses

The Corporation has to incur some expenses in order to maintain and develop the value of its mining properties. They amounted to \$986,000 in 2021 compared to \$856,000 in 2020. These expenses are usually stable from one quarter to another. Details are explained in note 16c) of the consolidated financial statements.

Administrative Expenses

Administrative expenses amounted to \$763,000 in compared to \$801,000 in 2020. These expenses are usually stable from one fiscal period to another. Details are explained in note 16d) of the consolidated financial statements.

Litigation Management Fees

Litigation management fees result from lawsuits and claims of persons alleging bodily injury attributable to their exposure to asbestos fibre, as described in this MD&A under "Litigation".

Provisions for litigation are accounted for in the litigation-related liabilities when the Corporation has a present, legal or constructive, obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated. Amounts recognized as provisions represent management's best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value where the effect is material.

If all or part of the amount required to settle a provision is expected to be reimbursed by a third party, the reimbursement will be recognized in accounts receivable when, and only when, it is virtually certain that, if the Corporation settles the obligation, the reimbursement will be received.

The majority of investments are used exclusively to settle the costs of asbestos litigation. Any change in the value of these investments affects the provision for litigation-related liabilities and thereby causes the results to vary. Thus, an increase in net investment income results in an increase in expenses related to the litigation management fees in the Statement of Income and in the Litigation-related liabilities in the Statement of Financial Position. This was the case in 2021 when net revenues were positive by \$2,884,000.

Interest on Notes Payable to the Parent Company

The Corporation's debt comprises notes payable to the parent company. These notes bear interest only if the Corporation achieves positive pre-tax income in its unconsolidated financial results. In such a case, the annual interest payable corresponds to the prime rate of a Canadian chartered bank, but cannot, in any case, exceed the Corporation's income before income taxes for a given year. Interest calculated on the prime rate was \$605,000 in 2021.

Results for the Fourth Quarter of 2021

The Corporation recorded a loss of \$223,000 (-\$0.08 per share) during the last quarter of 2021 compared to \$376,000 (\$0.14 per share) for the same period in 2020. The loss in the fourth quarter is attributable to interest of \$605,000 on notes payable to the parent company as described in the preceding paragraph.

Revenue

Revenue amounted to \$2,297,000 for the last quarter of 2021 compared to \$1,369,000 for the same period in 2020. Details are as follows:

Three Months ended December 31 (in thousands of \$)

	2021	2020
Revenue from mining properties		
Building rental	144	108
Sale of land	88	20
Royalties	236	137
Recovery of metals and other revenue	269	388
	<u>737</u>	<u>653</u>
Investment Income		
Interest revenue	108	106
Dividends	93	82
Realized gains	426	230
Unrealized gain on investments	847	287
	<u>1,474</u>	<u>705</u>
Parent company's management fees	<u>16</u>	<u>6</u>
Other	<u>70</u>	<u>5</u>
Total	<u>2,297</u>	<u>1,369</u>

Operating Expenses

Operating expenses amounted to \$2,514,000 for the fourth quarter of 2021 compared to \$1,592,000 for the same period in 2020.

Three Months ended December 31 (in thousand of \$)	2021	2020
Mining properties ownership and management expenses	273	304
Administrative expenses	227	178
Litigation management fees	1,409	1,110
Interest on notes payable to the parent company	605	-
	<u>2,514</u>	<u>1,592</u>

Mining Properties Ownership and Management Expenses

These expenses are usually stable from one period to another. Details are provided hereafter.

Three months ended December 31 (in thousands of \$)	2021	2020
Salaries, wages and employee benefits	21	28
Depreciation of property, plant and equipment	3	2
Property taxes	55	50
Maintenance and repairs	30	65
Mining site monitoring	32	56
Forest management activities	82	67
Other	50	36
	<u>273</u>	<u>304</u>

Administrative Expenses

Administrative expenses amounted to \$227,000 in the last quarter of 2021 compared to \$178,000 in 2020.

Three months ended December 31 (in thousands of \$)	2021	2020
Salaries, wages and employee benefits	97	86
Professional fees	115	63
Other	15	29
	<u>227</u>	<u>178</u>

Litigation Management Fees

Litigation management fees are mainly due to net income generated by investments dedicated exclusively for the settlement of costs arising from asbestos litigation. That had the impact of increasing respectively funds used only for Litigation management and Litigation-related liabilities respectively in an amount of \$1,409,000.

Capital Stock

As at April 22, 2022, the Corporation had 2,837,002 common shares outstanding. Those shares are without par value. The capital stock remained unchanged during the year.

Off-Balance Sheet Arrangements

The Corporation did not conclude any off-balance sheet arrangements during the year ended December 31, 2021.

Related Party Transactions

During the year, the Corporation billed a common control company litigation management fees of \$40,000 (\$40,000 in 2020). The Corporation also billed the parent company management fees of \$66,000 (\$25,000 in 2020). These transactions are in the normal course of operations.

Cash Position

Consolidated Statements of Cash Flows

Operating activities, after changes in non-cash working capital items, required funds in the amount of \$260,000 in 2021 which were fulfilled by the redemption of investments from trust accounts. They had also required funds of \$362,000 the previous year.

Purchase of Property, Plant and Equipment and its Financing

The Corporation acquired on March 9, 2021 the buildings and part of the serpentine tailings of the former Carey mine located in Tring-Jonction. As mentioned in the 2020 Annual Report, this acquisition was financed in part by a \$350,000 private loan that was received and paid out of the Corporation's cash resources during the second quarter.

A purchase option and a long-term lease option, both for a three-year period, were granted to KSM Inc. to locate its future fertilizer production plant there. The exercise of the purchase option or the long-term lease option, as the case may be, will be in consideration of an interest equivalent to \$1,100,000 in the shareholding of KSM Inc.

On August 13, 2021, ACL completed the acquisition of the Carey mine by purchasing from the Régie intermunicipale du parc industriel Beauce-Amiante the lands and serpentine ore deposits adjacent to the former Carey mine buildings already acquired.

Through its subsidiary 3R Minéral Inc, the Corporation signed a partnership agreement with ECO2 Magnesia Inc. in August 2021 to supply it with raw material to produce magnesium oxide from serpentine tailings using a new innovative process.

The total cost of acquisition of all these properties, including ancillary costs, remains the same as the one already announced, namely in the order of \$900,000.

Sources of Funds

The Corporation can rely on the following sources of funds:

- Since January 31, 2006, on a trust holding investments whose fair value is \$2,333,000 as at December 31, 2021. As per the existing agreement, this amount in trust may be used only for the following purposes:
 - Payment of expenses incurred in asbestos lawsuits, as described under "Litigation" hereunder; and

- Expenses incurred in maintaining the corporate status of the Corporation and its related companies. Under no circumstances shall this trust account be used for commercial or business development activities.
- Revenue from mining properties, such as building rental, the sale of land (non-mining) as well as royalties.

The Corporation, through the above sources of funds, meets the payment of its operating expenses.

Risks and Uncertainties

The Corporation is mainly exposed to risks and uncertainties resulting from asbestos lawsuits and illiquidity. Risks related to asbestos lawsuits are described in this MD&A under "Litigation" and liquidity risks are discussed under "Description of Activities and Going Concern".

Litigation

Asbestos Lawsuits

Persons claiming exposure to asbestos fibre or to asbestos-containing products have filed numerous actions in the United States for bodily injury against various suppliers of asbestos fibre and manufacturers of asbestos-containing products, including the Corporation, which operated asbestos mines.

The Corporation cannot reasonably estimate the extent of the lawsuits related to this litigation matter due to the absence of allegations in connection with damages claimed in these proceedings, and to the inability to assess the creditworthiness of co-defendants and their insurers, to estimate the number of potential claims and to predict the development of liability theories applicable to such proceedings. In management's opinion, even if they are partially reimbursed by the insurers, settlement-related expenses and defence fees for claims relating to asbestos litigation could have a material effect on the Corporation's results of operations and financial position over the next fiscal years.

Moreover, according to the opinion of legal advisers consulted, even if a default judgment was rendered against the Corporation in the United States, such judgment could not be enforced against the Corporation prior to its verification or recognition by a competent court in the Province of Quebec; this court could refuse such recognition due to certain statutory provisions of the Civil Code of Quebec.

Use of Judgments and Estimates

The preparation of financial statements requires management to make estimates and judgments that affect the amounts recorded as assets, liabilities, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates and judgments. The items whose actual results could differ significantly from those estimates are described below.

Estimates are based on historical experience, where applicable, and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from estimates.

The COVID-19 pandemic continues to create uncertainties that affect the judgments made and the material estimates and assumptions made by management for the purposes of preparing the financial statements. While these important estimates and assumptions are based on management's best knowledge of the amounts, events or actions, actual results could differ from these important estimates and assumptions.

Employee Future Benefits

The Corporation offers a defined benefit plan to some of its employees and former employees. It also offers a life insurance to some of its former employees. The cost of pension benefits and other retirement benefits earned by participants is actuarially determined using the projected benefit method prorated on service. This method is based on management's most probable assumptions regarding the rate of compensation increase and the retirement age of participants. The rate of return of plan assets is calculated by applying the discount rate used to measure post-employment benefit obligations. The rate of compensation increase is determined by taking into account the current salary structure as well as expected salary increases. The key assumptions are indicated in note 12 of the annual audited consolidated financial statements. All assumptions are reviewed at the end of each reporting period. The use of different assumptions could result in different carrying amounts for accrued benefit assets and thus affect the defined benefit expense.

Provisions for Lawsuits, Claims and Litigation Cases

A provision is recognized when there is a present (legal or constructive) obligation as a result of past events, it is likely that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. The application of these criteria requires the exercise of significant judgment based on the facts and circumstances specific to each situation.

In order to determine the amount necessary for provisions, the Corporation makes assumptions and estimates mainly with regard to expected costs, including professional and compensation fees, and the anticipated cost schedule. The estimation of this provision is based on internal analyses and consultations with independent experts and legal advisors. Actual amounts could differ from those estimates.

Income Taxes

Deferred tax assets and liabilities result from temporary differences between the tax bases of assets and liabilities and the carrying amounts indicated in the financial statements. Deferred tax assets also reflect the benefits relating to unused tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of judgment regarding the likelihood that the Corporation's deferred tax assets will be recovered from the estimated future taxable income, and consequently, that they can be recognized in the consolidated financial statements of the Corporation. This method also requires the use of estimates in determining the expected timing of the realization of tax assets and the settlement of tax liabilities, and the enacted or substantively enacted tax rates that will then be applicable.

The Corporation is periodically subject to tax return audits by tax authorities, which can involve questions regarding our tax positions. Settlement of any challenge resulting from these audits can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. The tax benefit from an uncertain tax position is only recognized if it is more likely than not that the tax position will be sustained based on its technical merits. The estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. Although the Corporation consider that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect our effective income tax rate and income tax provision.

Accounting standards to be adopted later

Amendments to liability classification

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* ("the amendments") to clarify the requirements for classifying liabilities as currents or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists;
- Management expectations about events after the consolidated statement of financial position date, for example, on whether a covenant will be breached, or whether early settlement will take place, are not relevant;
- The amendments clarify the situations that are considered settlements of a liability.

The amendments are applicable to annual periods beginning on or after January 1, 2023.

Guy Bérard
President

April 22, 2022

Asbestos Corporation Limited

Consolidated Financial Statements
December 31, 2021 and 2020
(in thousands of Canadian dollars)



Independent auditor's report

To the Shareholders of Asbestos Corporation Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Asbestos Corporation Limited and its subsidiaries (together, the Corporation) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is François Berthiaume.

PricewaterhouseCoopers LLP¹

Québec, Quebec
April 22, 2022

¹ CPA auditor, CA, public accountancy permit No. A125971

Asbestos Corporation Limited
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020

(in thousands of Canadian dollars)

	2021 \$	2020 \$
Assets		
Current assets		
Cash	369	7
Restricted cash (Note 4)	688	1,455
Accounts receivable (Note 6)	3,641	1,280
Income taxes recoverable	885	819
Prepaid expenses	94	73
Current portion of investments (Note 7)	1,685	1,565
Assets held for sale (Note 8)	809	-
	<u>8,171</u>	<u>5,199</u>
Non-current assets		
Investments (Note 7)	24,416	22,779
Note receivable from a company under common control, non-interest bearing and with no terms of repayment	516	468
Security deposits	9	9
Property, plant and equipment (Note 8)	330	274
	<u>25,271</u>	<u>23,530</u>
Total assets	<u>33,442</u>	<u>28,729</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	1,885	1,155
Income tax payable	6	-
Current portion of litigation-related liabilities (Note 10)	1,852	1,168
	<u>3,743</u>	<u>2,323</u>
Non-current liabilities		
Litigation-related liabilities (Note 10)	23,804	21,231
Notes payable to related companies (Note 11)	25,337	24,663
Post-employment benefit liabilities (Note 12)	471	530
	<u>49,612</u>	<u>46,424</u>
Total liabilities	<u>53,355</u>	<u>48,747</u>
Shareholders' equity		
Capital stock (Note 14)	33,312	33,312
Deficit	(53,225)	(53,330)
Total shareholders' equity	<u>(19,913)</u>	<u>(20,018)</u>
Total liabilities and shareholders' equity	<u>33,442</u>	<u>28,729</u>
Going concern (Note 2)		
Contingencies (Note 19)		

Approved by the Board of Directors

_____, Director _____, Director

The accompanying notes are an integral part of these consolidated financial statements.

Asbestos Corporation Limited
Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2021 and 2020

(in thousands of Canadian dollars, except share and per share data)

	2021	2020
	\$	\$
Revenue		
Revenue from mining properties (Note 16(a))	2,075	1,367
Investment income (Note 16(b))	3,047	648
Parent company's management fees	66	25
Other	115	46
	<u>5,303</u>	<u>2,086</u>
Operating expenses		
Mining properties' ownership and management expenses (Note 16(c))	986	856
Administrative expenses (Note 16(d))	763	801
Litigation management fees	2,884	2,125
Interest on notes payable to the parent company (Note 11)	605	-
	<u>5,238</u>	<u>3,782</u>
Income (loss) before income taxes	65	(1,696)
Income tax (recovery) expense (Note 13)	6	(1,937)
Net income for the year	59	241
Item that will not be reclassified subsequently to net income		
Post-employment benefit actuarial gains (Note 12)	46	14
Comprehensive income for the year	<u>105</u>	<u>255</u>
Net income per share (Note 14)	<u>0.02</u>	<u>0.09</u>

The accompanying notes are an integral part of these consolidated financial statements.

Asbestos Corporation Limited

Consolidated Statements of Changes in Shareholders' Equity For the years ended December 31, 2021 and 2020

(in thousands of Canadian dollars)

	Capital stock \$	Deficit \$	Total shareholders' equity \$
Balance as at January 1, 2020	33,312	(53,585)	(20,273)
Net income for the year	-	241	241
Post-employment benefit actuarial gains (Note 12)	-	14	14
Comprehensive income for the year	-	255	255
Balance as at December 31, 2020	33,312	(53,330)	(20,018)
Net income for the year	-	59	59
Post-employment benefit actuarial gains (Note 12)	-	46	46
Comprehensive income for the year	-	105	105
Balance as at December 31, 2021	33,312	(53,225)	(19,913)

The accompanying notes are an integral part of these consolidated financial statements.

Asbestos Corporation Limited
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020

(in thousands of Canadian dollars)

	2021 \$	2020 \$
Cash flows from		
Operating activities		
Net income for the year	59	241
Adjustments for		
Deferred tax (Note 13)	-	(324)
Post-employment benefits	(13)	6
Depreciation of property, plant and equipment	14	12
Gains on sale of investments	(575)	(1,695)
Net change in fair value of investments	(1,895)	1,791
Net change in litigation-related liabilities	3,257	996
Capitalized interest on the note payable to the parent company	605	-
	<u>1,452</u>	<u>1,027</u>
Changes in items of working capital		
Accounts receivable	(2,361)	1,277
Income tax recoverable	(66)	(819)
Prepaid expenses	(21)	(3)
Accounts payable and accrued liabilities	730	(899)
Income tax payable	6	(945)
	<u>(1,712)</u>	<u>(1,389)</u>
Net cash used in operating activities	<u>(260)</u>	<u>(362)</u>
Investing activities		
Net change in restricted cash	767	(476)
Purchase of investments	(3,844)	(17,235)
Proceeds from sale of investments	4,557	19,084
Purchase of property, plant and equipment	(879)	(2)
Proceeds from disposal of security deposits	-	33
Net change in the note receivable from a company under common control	(48)	(46)
Proceeds from sale of property, plant and equipment	-	21
	<u>553</u>	<u>1,379</u>
Financing activities		
Net change in notes payable to related companies	69	(1,047)
Private loan	350	-
Repayment of private loan	(350)	-
	<u>69</u>	<u>(1,047)</u>
Net cash generated by (used in) financing activities	<u>69</u>	<u>(1,047)</u>
Net change in cash during the year	<u>362</u>	<u>(30)</u>
Cash – Beginning of year	<u>7</u>	<u>37</u>
Cash – End of year	<u>369</u>	<u>7</u>
Supplementary information		
Interest received	241	169
Dividends received	328	438

The accompanying notes are an integral part of these consolidated financial statements.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Canadian dollars)

1 General information

Asbestos Corporation Limited (the Corporation) is governed by the *Canada Business Corporations Act* and is domiciled in Canada. The address of its head office is 840 Ouellet Boulevard, Thetford Mines, Quebec G6G 7A5. Its main mission consists in maintaining its mining assets and maximizing their value. The Corporation is also involved in the management of various litigation cases relating to asbestos, which arose from operations in the past. The parent company of the Corporation is Mazarin Inc.

These consolidated financial statements are management's responsibility and were approved by the Board of Directors on April 22, 2022.

2 Going concern

The Corporation is facing numerous litigation cases resulting from its previous asbestos-related operations, as described in Note 19, and settlement thereof could entail the use of the Corporation's liquid assets.

Furthermore, the Corporation is exposed to certain liquidity risks due to operating costs and to the non-recurring nature of some of its revenues, thus casting significant doubt on the validity of the going concern assumption. In fact, the Corporation presently settles its operating costs through revenues derived mostly from mining assets, more specifically, warehouse leasing and related royalties.

Management continues to study the various possibilities of raising its revenues derived from mining assets in order to increase the Corporation's cash flows, namely through the setting-up of partnerships to develop its assets and the upgrading of tailings. However, there is no assurance that management will be successful in these actions. All these factors indicate a material uncertainty that may cast significant doubt on the ability of the Corporation and its subsidiaries to continue as a going concern.

Although the parent company renounced the repayment of notes payable (Note 11) for the next 12 months, no assurance can be given that the Corporation will have sufficient funds to repay these debts after said period.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to a going concern. If the going concern assumption is not appropriate, significant adjustments may need to be made to the carrying amounts and classification of assets, liabilities and expenses in these consolidated financial statements.

3 Basis of preparation

The Corporation prepares its consolidated financial statements in accordance with IFRS, as issued by the International Accounting Standards Board (IASB).

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Canadian dollars)

4 Summary of significant accounting policies

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for investments classified at fair value through profit or loss.

Consolidation

The consolidated financial statements of Asbestos Corporation Limited include the accounts of the Corporation as well as those of all entities over which it has control or when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intercompany transactions and balances have been eliminated.

Subsidiaries

Subsidiaries are the entities (including special purpose entities) over which the Corporation has control, where control is defined as the power to govern the financial and operating policies of such entities. The effect of potential voting rights that the Corporation is currently in a position to exercise is considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are deconsolidated from the date that control ceases.

3R Minéral Inc. is a wholly owned subsidiary of the Corporation and the Corporation's main subsidiary.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each consolidated entity of the Corporation are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and its subsidiaries.

b) Transactions and balances

Foreign currency transactions are translated into the Corporation's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Corporation's functional currency are recognized in net income.

Cash

Cash consists of all balances with banks.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Canadian dollars)

Restricted cash

Restricted cash consists of all balances with banks and short-term highly liquid investments with original maturities of three months or less at the acquisition date and for which use is restricted to the settlement of expenses arising from asbestos lawsuits.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and when the Corporation has transferred substantially all the risks and rewards of ownership of the transferred asset. The Corporation's financial assets and financial liabilities comprise cash, restricted cash, accounts receivable, investments, note receivable from a company under common control, security deposits, accounts payable and accrued liabilities and notes payable to related companies.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The classification of financial assets and financial liabilities depends on the intention with which they were acquired and their characteristics.

Financial instruments and amortized cost

Financial instruments at amortized cost are accounted for at amortized cost using the effective interest rate method. They are discounted to present value where the effect of discounting is material. Cash, restricted cash, accounts receivable, note receivable from a company under common control, security deposits, accounts payable and accrued liabilities and notes payable to related companies are classified as amortized cost. These financial assets and financial liabilities are accounted for at amortized cost using the effective interest rate method.

Financial instruments at fair value through profit or loss

Financial assets and financial liabilities are classified into various categories based on their characteristics and the Corporation's intention upon their acquisition. Insurance recoveries received from insurers in the form of investments and certain strategic investments in entities operating in the same industry as the Corporation are classified at fair value through profit or loss. Those financial instruments are part of a portfolio that is managed in accordance with a documented investment management strategy and whose performance is evaluated on a fair value basis. In addition, information about the portfolio is provided internally on that basis to the Corporation's key management personnel.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Canadian dollars)

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed on in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and ask prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, after eliminating intra-group transactions. The Corporation's estimates are based on past experience, taking into consideration the specifics of a given transaction, among other things.

Revenue arising from the use of the Corporation's other assets is recognized when the following criteria are met:

- The parties to the contract have approved the contract and are committed to perform their respective obligations;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has a commercial substance; and
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

Apart from the general principles described above, the Corporation applies the following specific revenue recognition policies:

- Interest is recognized using the effective interest method;
- Dividends are recognized when the right to receive payment is established;
- Lease income from operating leases is recognized on a straight-line basis over the lease term; and
- Royalties are derived from three sources: the exploitation of a granite quarry, the restoration of a mine site optimizing materials containing asbestos, and the revegetation of the site. They are recognized when the risks of ownership have been transferred, which is generally on delivery of goods.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Canadian dollars)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

	Life
Truck scale	20 years
Equipment	3 years

Litigation-related liabilities

Litigation-related liabilities result from lawsuits and claims of persons alleging bodily injury attributable to their exposure to asbestos fibre, as described in Note 19.

Provisions for litigation are recognized when the Corporation has a present legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. Amounts recognized as provisions represent management's best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value where the effect is material.

According to the opinion of legal advisers consulted, if a default judgment were to be rendered against the Corporation in the United States, such judgment could not be enforced against the Corporation prior to its verification or recognition by a competent court in the province of Quebec; therefore, no provision has been established for those lawsuits. A provision is recognized when the estimated amount is based on an analysis of each claim and of the amounts that will probably be available to settle those claims. Subsequently, when an agreement is entered into with the counterparty, the provision is cancelled and the amount of the agreement is recorded in accounts payable and accrued liabilities.

Otherwise, provisions have been measured based on the fund balance intended specifically for the settlement of claims arising from asbestos lawsuits. The fund balance amounted to \$23,743 as at December 31, 2021 (\$21,376 as at December 31, 2020) (Note 7).

If all or part of the amount required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized in accounts receivable when, and only when, it is virtually certain that, should the Corporation settle the obligation, the reimbursement will be received. The reimbursement will be treated as a separate asset. The expense related to a provision is presented in net income, net of the amount recognized for the reimbursement.

Litigation settlements are included in operating expenses under litigation management fees and consist of costs related to lawsuits concerning asbestos and other issues, net of claim payments received from a third party.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Canadian dollars)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in net income (loss) unless it relates to items recognized directly in other comprehensive income or in shareholders' deficiency. In this case, the tax is also recognized directly in other comprehensive income or in shareholders' deficiency, respectively.

Current tax is the tax payable on the taxable profit for the year, using the tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous periods.

In general, deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated on an undiscounted basis using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the tax asset is realized or the tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are recognized for temporary differences arising on investments in subsidiaries, except when the Corporation can control the timing of the reversal of the temporary difference and it is probable that such temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are classified in non-current assets and liabilities.

Employee benefits

The Corporation recognizes its obligations under employee benefit plans and the related costs, net of plan assets. In this regard, the Corporation has adopted the following policies:

- The cost of pension and post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's most probable assumptions regarding salary escalation, the retirement age of employees and expected health-care costs, among other things;
- Plan assets are measured at fair value;
- Actuarial gains and losses are recognized immediately in comprehensive income as they arise and are accumulated in deficit; and
- The financing cost is calculated by applying the discount rate used to measure post-employment benefit obligations to the funded status of the plan.

Asset retirement obligations

Provisions for environmental restoration costs are accounted for when the Corporation has a present legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

Provisions are measured based on management's best estimate of the expenditure required to settle the obligations at the consolidated statement of financial position date, and are discounted to present value where the effect is material. The increase in the provision due to the passage of time is recognized as financial expenses. Changes in assumptions or estimates are reflected in the period during which they occur.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Canadian dollars)

Provisions for environmental restoration costs represent legal or constructive obligations associated with the possible closure of the Corporation's property, plant and equipment. These obligations include restoration costs as well as expenses relating to the follow-up of activities and tangible asset retirement. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted.

The Corporation's asset retirement obligations come from the restoration of its mining sites. This restoration is required by the provincial legislation when mining sites are permanently closed.

Impairment of non-current assets

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Net income per share

Basic net income per share is determined by dividing net income for the year attributable to the equity owners of the Corporation by the weighted average number of common shares outstanding at year-end. The Corporation did not issue any potentially dilutive instrument.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources to and assessing the performance of the operating segments, has been identified as the chief executive officer of the Corporation.

Recent accounting standards

To be adopted in 2022 or later

Amendments to liability classification

On January 23, 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* (the "amendments"), to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists;

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Canadian dollars)

- Management's expectations about events after the consolidated statements of financial position date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant; and
- The amendments clarify the situations that are considered settlement of a liability.

The amendments are applicable to annual periods beginning on or after January 1, 2023.

5 Use of judgments and estimates

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts recorded as assets, liabilities, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. The items whose actual results could differ significantly from those estimates are described below.

Estimates are based on historical experience, where applicable, and on various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates.

The COVID-19 pandemic continues to introduce sources of uncertainty that can affect the judgements and significant estimates and assumptions made by management in preparing the consolidated financial statements. Although these significant estimates and assumptions are based on management's best knowledge of amounts, events or actions, actual results could differ from these significant estimates and assumptions.

Employee future benefits

The Corporation offers a defined benefit plan to some of its employees and former employees. It also offers life insurance to some of its former employees. The cost of pension benefits and other retirement benefits earned by participants is actuarially determined using the projected benefit method prorated on service. This method is based on management's most probable assumptions regarding the rate of compensation increase and the retirement age of participants. The rate of return of plan assets is calculated by applying the discount rate used to measure post-employment benefit obligations. The rate of compensation increase is determined by taking into account the current salary structure as well as expected salary increases. The key assumptions are indicated in Note 12. All assumptions are reviewed at the end of each reporting period. The use of different assumptions could result in different carrying amounts for accrued benefit assets and thus affect the defined benefit liabilities.

Provisions for lawsuits, claims and litigation cases

A provision is recognized when there is a present legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. Application of these criteria requires the exercise of significant judgment based on the facts and circumstances specific to each situation. In order to determine the amount necessary for provisions, the Corporation makes assumptions and estimates mainly with regard to expected costs, including professional and compensation fees, and the anticipated cost schedule. The estimation of this provision is based on internal analyses and consultations with independent experts and legal advisers. Actual amounts could differ from those estimates.

Asbestos Corporation Limited
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of Canadian dollars)

Income taxes

Deferred tax assets and liabilities result from temporary differences between the tax bases of assets and liabilities and the carrying amounts indicated in the consolidated financial statements. Deferred tax assets also reflect the benefits relating to unused tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of judgment regarding the likelihood that the Corporation's deferred tax assets will be recovered from the estimated future taxable profit, and consequently, that they can be recognized in the consolidated financial statements of the Corporation. This method also requires the use of estimates in determining the expected timing of the realization of tax assets and the settlement of tax liabilities, and the enacted or substantively enacted tax rates that will then be applicable.

The Corporation is periodically subject to tax return audits by tax authorities, which can involve questions regarding its tax positions. Settlement of any challenge resulting from these audits can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. The tax benefit from an uncertain tax position is only recognized if it is more likely than not that the tax position will be sustained based on its technical merits. The estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. Although the Corporation believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect the effective income tax rate and the income tax provision.

6 Accounts receivable

	2021	2020
	\$	\$
Trade receivables	1,123	416
Amounts receivable from the government	146	40
Amounts receivable from insurers (Notes 10, 18 and 19)	2,372	824
	3,641	1,280

Asbestos Corporation Limited
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of Canadian dollars)

7 Investments

	2021	
	Cost	Fair value *
	\$	\$
Treasury bills	3,158	2,896
Government bonds	4,923	4,473
Shares	7,879	11,707
Mutual funds	6,584	7,025
	<u>22,544</u>	<u>26,101</u>
Less: Current portion		<u>1,685</u>
Non-current portion		<u>24,416</u>
	2020	
	Cost	Fair value *
	\$	\$
Treasury bills	3,427	3,238
Government bonds	5,201	4,887
Shares	7,080	9,021
Mutual funds	6,972	7,198
	<u>22,680</u>	<u>24,344</u>
Less: Current portion		<u>1,565</u>
Non-current portion		<u>22,779</u>

* As at December 31, 2021, the use of an amount of \$23,743, being US\$18,728 (\$21,376, being US\$16,789 as at December 31, 2020) is exclusively restricted to the settlement of expenses arising from asbestos lawsuits, as described in Note 19. Moreover, an amount of \$2,333 (\$2,925 as at December 31, 2020) shall be used only for the settlement of expenses arising from asbestos lawsuits, as described in Note 19, and for maintaining the commercial existence of the Corporation, companies under common control and the parent company.

Asbestos Corporation Limited
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of Canadian dollars)

8 Property, plant and equipment

	Land \$ *	Building \$	Truck scale \$	Equipment \$ **	Total \$
As at January 1, 2020					
Cost	105	-	96	175	376
Accumulated depreciation	-	-	(35)	(36)	(71)
Net carrying amount	105	-	61	139	305
Year ended December 31, 2020					
Opening carrying amount	105	-	61	139	305
Additions	-	-	-	2	2
Disposals	-	-	-	(21)	(21)
Depreciation for the year	-	-	(5)	(7)	(12)
Balance as at December 31, 2020	105	-	56	113	274
As at January 1, 2021					
Cost	105	-	96	156	357
Accumulated depreciation	-	-	(40)	(43)	(83)
Net carrying amount	105	-	56	113	274
Year ended December 31, 2021					
Opening carrying amount	105	-	56	113	274
Additions	219	659	-	1	879
Disposals	-	-	-	-	-
Depreciation for the year	-	-	(4)	(10)	(14)
Balance as at December 31, 2021	324	659	52	104	1,139 ***
As at December 31, 2021					
Cost	324	659	96	157	1,236
Accumulated depreciation	-	-	(44)	(53)	(97)
Net carrying amount	324	659	52	104	1,139 ***

* A purchase option and a lease option were granted to KSM Inc. on buildings and land owned by the Corporation with a net carrying amount of \$809. They expire on March 9, 2024. No depreciation was recognized on these assets during fiscal 2021. These assets are held for sale, given the agreement in principle with KSM Inc. for the acquisition of these assets. They are therefore presented as such in the statements of financial position.

** Equipment includes rolling stock, mining equipment and office equipment. The mining equipment was not yet in use as at December 31, 2021 and 2020, as installation was still in progress. Therefore, no depreciation of this asset was recognized during the years then ended.

*** The net carrying amount of property, plant and equipment presented in the statement of financial position consists of property, plant and equipment in an amount of \$330 and assets held for sale in an amount of \$809.

Asbestos Corporation Limited
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9 Accounts payable and accrued liabilities

	2021	2020
	\$	\$
Fees and compensation related to litigation payable	936	962
Trade payables and accrued expenses	949	193
	<u>1,885</u>	<u>1,155</u>

10 Litigation-related liabilities

	\$
Balance as at January 1, 2020	21,403
Additional provisions	4,886
Utilized during the year	<u>(3,890)</u>
Balance as at December 31, 2020	<u>22,399</u>
Current portion	1,168
Non-current portion	<u>21,231</u>
Balance as at December 31, 2020	<u>22,399</u>
Balance as at January 1, 2021	22,399
Additional provisions	3,776
Utilized during the year	<u>(519)</u>
Balance as at December 31, 2021	<u>25,656</u>
Current portion	1,852
Non-current portion	<u>23,804</u>
Balance as at December 31, 2021	<u>25,656</u>

Management believes that there is some uncertainty about the timing of the disbursements associated with litigation-related liabilities.

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11 Notes payable to related companies

	2021 \$	2020 \$
Parent company		
Notes payable, annual interest conditional and limited to income before income taxes for a given year, but shall not in any case exceed the prime rate of a Canadian chartered bank, terms of repayment based on cash flows generated by the Corporation ^{(a), (b)}	24,994	24,321
Companies under common control		
Demand notes, non-interest bearing and with no terms of repayment ^(b)	343	342
	<u>25,337</u>	<u>24,663</u>

(a) Notes payable to the parent company are secured by a first ranking hypothec on the Corporation's real estate, a floating hypothec and a conventional hypothec without delivery on all the Corporation's present and future movable and immovable, property, plant and equipment, tangible and intangible.

(b) The companies renounced the repayment of those notes for the next 12 months.

12 Post-employment benefits

The Corporation offers a defined benefit plan that guarantees the payment of post-retirement benefits to some of its employees and former employees. This defined benefit plan was closed to new members on December 29, 2003.

The Corporation also offers life insurance to some of its former employees.

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The following tables summarize the information relating to the plans offered by the Corporation:

	2021		2020	
	Pension benefit plan \$	Other benefit plans \$	Pension benefit plan \$	Other benefit plans \$
Accrued benefit obligations				
Balance – Beginning of year	1,267	530	1,166	538
Current service cost	9	-	6	-
Interest expense on accrued benefit obligations	29	7	35	14
Participants' contributions	2	-	2	-
Actuarial losses (gains) resulting from:				
Experience adjustments	(5)	(33)	1	(40)
Changes in financial assumptions	(69)	(12)	102	21
Benefits paid	(45)	(21)	(45)	(3)
Balance – End of year	1,188	471	1,267	530
Plan assets				
Market value – Beginning of year	1,390	-	1,304	-
Interest income on plan assets	32	-	39	-
Actuarial gains	132	-	80	-
Employer contributions	8	21	10	3
Participants' contributions	2	-	2	-
Benefits paid	(45)	(21)	(45)	(3)
Market value – End of year	1,519	-	1,390	-
Excess of obligations over assets (assets over obligations)	(331)	471	(123)	530
Impact of the asset ceiling	331	-	123	-
Post-employment benefit liabilities	-	471	-	530

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The net expense recognized for the Corporation's plans is included in administrative expenses and in litigation management fees in the consolidated statements of net income and comprehensive income and is detailed as follows:

	2021			2020		
	Pension benefit plan \$	Other benefit plans \$	Total \$	Pension benefit plan \$	Other benefit plans \$	Total \$
Current service cost	9	-	9	6	-	6
Interest expense on accrued benefit obligation	29	7	36	35	14	49
Interest income on plan assets	(32)	-	(32)	(39)	-	(39)
Interest on impact of the asset ceiling	3	-	3	4	-	4
	9	7	16	6	14	20

The amounts recognized in other comprehensive income are as follows:

	2021			2020		
	Pension benefit plan \$	Other benefit plans \$	Total \$	Pension benefit plan \$	Other benefit plans \$	Total \$
Actuarial gains (losses)	206	44	250	(23)	19	(4)
Impact of the asset ceiling	(204)	-	(204)	18	-	18
	2	44	46	(5)	19	14

The weighted average of the significant actuarial assumptions adopted by the Corporation in measuring its post-retirement benefit obligation is as follows:

	2021		2020	
	Pension benefit plan %	Other benefit plans %	Pension benefit plan %	Other benefit plans %
Discount rate applied at the end of the year to measure accrued benefit obligation	2.85	2.10	2.36	1.30
Discount rate applied at the end of the prior year to measure the expense for the year	2.36	1.30	3.07	2.60
Rate of compensation increase	3.00	N/A	3.00	N/A

Asbestos Corporation Limited
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The effect of a 1.0% change in the discount rate for the pension benefit plan and the other benefit plans is as follows:

	2021	2020
	\$	\$
Effect of an increase		
Change in the value of employee accrued benefit obligation	(137)	(156)
Effect of a decrease		
Change in the value of employee accrued benefit obligation	162	187

Actuarial valuations

The Corporation measures its benefit plans as at December 31 of each year. The most recent valuation was as at December 31, 2018 and the next one will be performed as at December 31, 2021. It had not yet been performed as at the date of these consolidated financial statements.

The following table presents the breakdown of pension plan assets:

	2021	2020
	%	%
Asset categories		
Canadian and foreign equity fund	62.5	55.7
Cash	3.0	1.4
Canadian bond fund	32.8	41.9
Other	1.7	1.0
	<u>100.0</u>	<u>100.0</u>

13 Income taxes

	2021	2020
	\$	\$
Current income tax (recovery)		
Income tax expense (recovery)	6	(1,613)
Deferred tax		
Origination and reversal of temporary differences	-	(324)
Income tax expense (recovery)	<u>6</u>	<u>(1,937)</u>

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The income tax expense differs from the amount that would have been calculated using the combined Canadian federal and provincial statutory income tax rate of 26.50% (26.50% in 2020) as follows:

	2021 \$	2020 \$
Income (loss) before income taxes	65	(1,696)
Combined Canadian statutory tax rate	26.50 %	26.50 %
Income tax expense (recovery) calculated using the statutory tax rate	17	(449)
Change in tax losses and other deductions for which no deferred tax assets are recognized	493	263
Non-taxable revenues	(488)	(94)
Current and deferred tax adjustments related to prior years	(7)	(1,657)
Use of unused tax benefits	(9)	-
	6	(1,937)

During the year ended December 31, 2020, the Corporation revised its estimate of the income tax expense resulting from a difference with the tax authorities over an interpretation. Following the Corporation's representations, they were favorably received by the tax authorities in the second quarter of 2020. The revised estimate of income tax expense affected the funds reserved for asbestos litigation claims, increasing litigation management fees and litigation-related liabilities by \$1,948. This increase is included in the adjustments to current and deferred income taxes in prior years in the above table.

Significant components of the Corporation's deferred tax assets and liabilities are as follows:

	2021 \$	2020 \$
Deferred tax assets		
Litigation-related liabilities	4,021	3,833
Deferred tax liabilities		
Investments in subsidiaries and other investments	(3,995)	(3,809)
Other	(26)	(24)
Deferred tax (net)	-	-

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The following table presents the change in deferred tax liabilities:

	2021	2020
	\$	\$
As at January 1	-	324
Income tax recovery	-	(324)
As at December 31	-	-

The following table presents the changes in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction:

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Unrecognized deferred tax assets

Deferred tax assets have been recognized to the extent that it is probable that the tax benefit relating to deferred taxable profits will be realized. Deferred tax assets have not been recognized in respect of the following items:

	2021	2020
	\$	\$
Tax losses carried forward	943	959
Property, plant and equipment and development expenses	3,215	3,392
Accrued benefit liability	125	141
Litigation-related liabilities	2,793	2,103
Investments	5	16
Other	5	-
	<u>7,086</u>	<u>6,611</u>

Tax losses carried forward

As at December 31, 2021, the Corporation has accumulated, for income tax purposes, non-capital losses totalling \$3,273 (\$3,323 as at December 31, 2020) at the federal level and no loss (nil as at December 31, 2020) at the provincial level. These losses can be carried forward against future years' taxable income and will expire in the following years:

	Federal	Provincial
	\$	\$
2032	590	-
2034	1,095	-
2035	858	-
2037	730	-
	<u>3,273</u>	<u>-</u>

14 Equity

Capital stock

Authorized

Unlimited number of shares, without par value, of the following classes:

Common shares

Preferred shares, rights, privileges and restrictions to be determined by the Board of Directors before their issuance

Asbestos Corporation Limited

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Issued and fully paid

2,837,002 Common shares as at December 31, 2021 and 2020 valued at \$33,312.

The parent company has established a share option plan whereby certain key employees, officers, directors and service suppliers may be granted share options for common shares of the parent company. Some of these share options were granted to employees and directors of the Corporation.

	2021	2020
Weighted average number of common shares outstanding	2,837,002	2,837,002

15 Capital disclosures

The Corporation's objectives when managing capital are to:

- Maintain a capital structure that allows the Corporation to favour the financing of its strategy for maintaining its mining assets and maximizing their value using cash flows from operating activities;
- Use the investments for the payment of expenses incurred in litigation management; and
- Use the portion of investments that is not restricted to the settlement of costs related to litigation for the payment of expenses incurred in maintaining its commercial status.

The Corporation's objectives, policies and procedures have not changed since the previous year. The Corporation defines its capital as its capital stock and its notes payable to related companies.

The Corporation's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and in order to respond to changes in economic conditions and the risk characteristics of underlying assets. In view of the nature of the Corporation's activities, the Board of Directors has not set any performance measurement criteria for capital management and relies on management's expertise to maintain its future economic development. The Corporation is not subject to any external requirements concerning its capital structure, except for appropriations.

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16 Additional disclosures on the consolidated statements of income

a) Revenue from mining properties

	2021	2020
	\$	\$
Building rental	544	513
Sale of land	460	80
Royalties	591	334
Other revenues from mining properties	480	440
	<u>2,075</u>	<u>1,367</u>

b) Investment income

	2021	2020
	\$	\$
Interest revenue	248	297
Dividends	329	447
Gain on sale of investments	575	1,695
Net change in fair value of investments	1,895	(1,791)
	<u>3,047</u>	<u>648</u>

c) Mining properties' ownership and management expenses

	2021	2020
	\$	\$
Salaries, wages and employee benefits	90	93
Depreciation of property, plant and equipment	12	11
Property taxes	209	202
Maintenance and repairs	284	178
Mining site monitoring	143	184
Other	248	188
	<u>986</u>	<u>856</u>

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d) Administrative expenses

	2021	2020
	\$	\$
Salaries, wages and employee benefits	386	239
Depreciation of property, plant and equipment	2	1
Professional fees	295	488
Other	80	73
	<u>763</u>	<u>801</u>

17 Related party transactions

Compensation of key management personnel

Key management includes personnel the Corporation's directors and members of the Corporation's management. Compensation awarded to key management personnel includes:

	2021	2020
	\$	\$
Salaries, wages and employee benefits	<u>289</u>	<u>163</u>

Other related party transactions

During the year, the Corporation carried out the following transactions with related parties:

	2021	2020
	\$	\$
Company under common control		
Litigations management fees	40	40
Parent Company		
Management fees	66	25

These transactions were carried out in the normal course of operations and were measured at the exchange amount.

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18 Financial instruments

Fair value

The carrying amount of cash, restricted cash, accounts receivable, security deposits, as well as accounts payable and accrued liabilities approximates their fair value due to their short-term maturity or current market rates. Investments are accounted for at fair value using bid prices.

The fair value of the note receivable from a company under common control and notes payable to related companies is not determinable due to the specific conditions negotiated between the related parties.

The following tables show the classification of the Corporation's financial instruments in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	2021			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets at fair value through profit or loss				
Treasury bills	2,896	-	-	2,896
Government bonds	4,473	-	-	4,473
Shares	11,705	-	2	11,707
Mutual funds	4,692	2,333	-	7,025
	23,766	2,333	2	26,101
	2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets at fair value through profit or loss				
Treasury bills	3,238	-	-	3,238
Government bonds	4,887	-	-	4,887
Shares	9,019	-	2	9,021
Mutual funds	4,273	2,925	-	7,198
	21,417	2,925	2	24,344

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For the years ended December 31, 2021 and 2020, no transfers were made between the levels of the fair value hierarchy.

Credit risk

Financial instruments which potentially subject the Corporation to credit risk consist principally of cash, restricted cash, accounts receivable, note receivable from a company under common control and security deposits.

The Corporation's cash and restricted cash are held with or issued by recognized financial institutions. Therefore, the Corporation considers the risk of non-performance on these instruments to be remote.

Generally, the Corporation does not require collateral security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Corporation performs ongoing credit reviews of all its customers and other third parties and establishes an allowance when accounts are determined to be uncollectible. As at December 31, 2021 and 2020, no provision for bad debts had been recorded on the Corporation's consolidated statements of financial position. For the years ended December 31, 2021 and 2020, no bad debt expense was recognized in the Corporation's net income.

The aging of delinquent trade receivables over 90 days was nil as at December 31, 2021 and 2020.

Concerning investments, credit risk mostly results from the bond issuers' potential inability to meet their commitments. The Corporation minimizes such risk by investing mainly in securities with high credit ratings and by entrusting its portfolio management to recognized investment advisers. In addition, an investment policy has been initiated by management, including investment diversification, and an investment committee is responsible for reporting periodically to the Board of Directors.

Liquidity risk

Liquidity risk is the risk arising from the Corporation's inability to meet its financial obligations as they fall due. The Corporation manages liquidity risk by regularly monitoring its cash to maintain a sufficient level of liquidity so as to be able to meet its financial obligations in the foreseeable future, such obligations resulting mainly from the settlement of litigation cases relating to asbestos. Although these settlement-related expenses are mostly reimbursed by its insurers, the Corporation uses trust funds for the payment of expenses incurred in litigation management as claims are filed. It also uses the portion of investments that is not restricted to the settlement of costs related to litigation for the payment of expenses incurred in maintaining its commercial status.

As at December 31, 2021, an amount of \$2,372 in amounts receivable from insurers (\$824 as at December 31, 2020) was allocated to the payment of accounts payable and accrued liabilities arising from litigation cases relating to asbestos.

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Foreign exchange risk

The Corporation is exposed to foreign exchange risk by its cash, restricted cash, accounts receivable and investments, which are partly denominated in US dollars. This risk is hedged by accounts payable and accrued liabilities and by a portion of its liabilities relating to litigation denominated in such foreign currency. The Corporation considers the exchange rate fluctuations to have no significant impact on its results. Consequently, no sensitivity analysis has been provided in this respect. The balances in US dollars are as follows:

	2021 US\$	2020 US\$
Cash	1	2
Restricted cash	136	808
Accounts receivable	1,871	647
Accounts payable and accrued liabilities	(637)	(769)
Litigation-related liabilities	(810)	(269)
Net balance	561	419

In 2021 and 2020, investments in foreign currency were not included in the sensitivity analysis because any fluctuations will be hedged by a change in litigation-related liabilities in the same amount.

Interest rate risk

As at December 31, 2021 and 2020, the Corporation's exposure to interest rate risk was as follows:

Cash	Variable interest rate
Restricted cash	Variable interest rate
Accounts receivable	Non-interest bearing
Note receivable from a company under common control	Non-interest bearing
Security deposits	From 0.00% to 0.90%
Accounts payable and accrued liabilities	Non-interest bearing
Notes payable to related companies	As described in Note 11

For the years ended December 31, 2021 and 2020, a hypothetical increase or decrease in interest rates would not have had a significant impact on the Corporation's net income (loss) or comprehensive income (loss) and shareholders' equity.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Canadian dollars)

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

Any variation in the fair value of investments is recognized in net income (loss). A $\pm 10\%$ variation in market prices as at December 31, 2021 would have had an approximate pre-tax impact of $\pm \$223$ ($\pm \$282$ as at December 31, 2020) on the Corporation's net income (loss).

19 Contingencies

Asbestos lawsuits

Persons claiming exposure to asbestos fibre or to asbestos-containing products have filed numerous actions in the United States for bodily injury against various suppliers of asbestos fibre and manufacturers of asbestos-containing products, including the Corporation, which operated asbestos mines.

The Corporation cannot reasonably estimate the extent of the lawsuits related to this litigation matter due to the absence of allegations in connection with damages claimed in these proceedings, and to the inability to assess the creditworthiness of co-defendants and their insurers, to estimate the number of potential claims and to predict the development of liability theories applicable to such proceedings. In management's opinion, even if they are partially reimbursed by the insurers, settlement-related expenses and defence fees for claims relating to asbestos litigation could have a material effect on the Corporation's results of operations and financial position over the coming fiscal years.

However, according to the opinion of legal advisers consulted, even if a default judgment were rendered against the Corporation in the United States, such judgment could not be enforced against the subsidiaries prior to its verification or recognition by a competent court in the province of Quebec; this court could refuse such recognition due to certain statutory provisions of the Civil Code of Quebec.

20 Segment information

The Corporation has only one operating segment.

All revenues received from the Corporation's customers are generated in Canada, and the Corporation's property, plant and equipment are all located in Canada.

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ANNUAL REPORT 2022

ASBESTOS

— ASBESTOS CORPORATION LIMITED —

ASBESTOS

— ASBESTOS CORPORATION LIMITED —

*(Incorporated under the laws of Canada,
October 6, 1925)*

Directors

GUY BÉRARD
JEAN-FRANÇOIS BOULET
DANIEL FRIGON
CHANTAL GRENIER
JOHN LEBOUTILLIER, C.M.
Chairman of the Board

Executive Officers

GUY BÉRARD
President
MARIO SIMARD
Chief Financial Officer and Secretary
JACINTHE GAGNÉ
Controller

Members of the Audit Committee

JEAN-FRANÇOIS BOULET
DANIEL FRIGON
CHANTAL GRENIER

Head Office

840, Ouellet Boulevard
Thetford Mines, Quebec
Canada G6G 7A5

Transfer Agent and Registrar

Computershare Investor Services Inc.
Montreal, Quebec

Auditor

PricewaterhouseCoopers LLP
Quebec, Quebec

Trading

TSX Venture Exchange on the
NEX Board Symbol: AB.H

ASBESTOS

ASBESTOS CORPORATION LIMITED

Message to shareholders,

This year has been marked by continuity in the search for strategic partnerships to develop our resources rich in critical and strategic minerals and by the progress of all our existing projects. In addition to contractual agreements with KSM and ECO₂ Magnésia, we have signed a letter of intent with Planetary Technologies that has developed a technology that converts our tailings into pure alkalinity to reduce the impacts of ocean acidification, capture and sequester several million tons of CO₂ while generating metals used in battery manufacturing and green hydrogen.

Your company's collaboration with the various government departments, through its subsidiary 3R Minéral Inc., has continued. We obtained a certificate of authorization from the Ministère des Ressources naturelles et des Forêts ("MRNF") for the restoration of the Carey mine related to the KSM project. Several meetings with representatives from the Ministère de l'Économie, de l'Innovation et de l'Énergie ("MEI"), MRNF, Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs ("MELCCFP") and from Santé publique were held during the year to define and propose the best practices for processing and handling our asbestos mineral resources and submit all studies, modelling and analysis required to obtain the required departmental environmental authorization certificates.

On June 16, 2022, the Government of Québec announced a contribution of \$38.5 million to fund the measures of its 2022 – 2025 action plan: *Asbestos and asbestos mine tailings in Québec: towards the transformation of a liability into a sustainable asset*. This plan, comprising 11 measures, responds to the recommendations of the Bureau d'audiences publiques sur l'environnement set out in the report *L'état des lieux et la gestion de l'amiante et des résidus miniers amiantés* and has two main objectives: to tackle asbestos-related liabilities and to create assets from asbestos mine tailings.

The key element of this plan is the creation of the Observatoire national de l'amiante (ONA) in Thetford Mines, funded by the government for the next five years, as requested by your company and all stakeholders in the region. The ONA's mandate will be primarily to inform and provide recommendations to decision-makers on the best decisions to make with respect to asbestos and the management of asbestos mine tailings. The objective is to develop know-how that will help Québec better frame future activities in this regard. The goal is also to seek solutions to the issues related to the presence of asbestos and to harmonize laws and regulations.

On March 13, 2023, the Government of Quebec also confirmed an initial investment of \$106M for the rehabilitation of the Québec Central Railway between Vallée-Jonction and Thetford Mines, aiming for commissioning in 2025. This infrastructure was critical to existing tailings transformation projects at the Carey Mine site and essential to attracting the most promising projects with serious partners in the future.

In 2022, we have resolutely entered the post-asbestos era and your company is strategically positioned to benefit from this new period. Indeed, few mine sites have as many advantages as we do. We have raw materials, rich in strategic and critical minerals, extracted and pre-crushed ready for use, an experienced local workforce in a historic mining community, no social acceptability issues, available road, rail, and energy infrastructure as well as government support to manage our activities responsibly and safely.

On December 2022, your company, through 3R Minéral inc., created, with ECO₂ Magnésia, KSM and Sigma Devtech, the Pôle économique vert de Chaudières-Appalaches ("PEVCA") to standardize the voice of the industry and contribute positively to the development of the new mining revalorization industry in the region. PEVCA now has seven active members, the majority of whom are partners of your company. They represent a new generation of entrepreneurs determined to minimize their ecological footprint with industrial operations based on science, innovation, and circular economy principles.

We are also continuing our efforts to optimize revenues across all our assets for our shareholders.

We now have four real estate projects involving the residential development of several lands owned by your company, in addition to contemplating a public-private industrial development project with the City of Thetford Mines.

In addition, the Corporation is drawing royalties from an environmental services firm to revegetate and reforest our waste rock piles, using rehabilitated soils and fertilizing residual materials, from a company that operates a granite deposit on our BC-2 mine site and another that will operate a gravel and sand pit on our Normandy mine site in 2023.

Finally, we were saddened to learn of the passing last December of Mr. Serge Monette. He was a member of our Board of Directors since 2018.

John LeBoutillier

Chairman of the Board

Guy Bérard

President

Thetford Mines
April 20, 2023

ASBESTOS

— ASBESTOS CORPORATION LIMITED —

Management's Discussion and Analysis for 2022

This Management's Discussion and Analysis ("MD&A") on the consolidated results of operations and cash flows of Asbestos Corporation Limited (the "Corporation") for the fiscal year ended December 31, 2022, as well as the Corporation's financial position as of this date, should be read in conjunction with the 2022 annual audited consolidated financial statements and accompanying notes. These consolidated financial statements, as well as additional information relating to the Corporation, are filed and can be accessed through SEDAR (the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval) at www.sedar.com.

Unless otherwise stated, all amounts included in this report are expressed in Canadian dollars.

The consolidated financial statements and accompanying notes as well as comparative information have been prepared by the Corporation's management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the *International Accounting Standards Board* ("IASB").

This MD&A, dated April 20, 2023, has been prepared in conformity with *National Instrument 51-102 respecting continuous disclosure obligations* of the Canadian Securities Administrators. It was submitted to the Audit Committee of the Corporation and was approved by the Board of Directors of the Corporation.

Forward-looking Information

This MD&A has been compiled to supply the reader with all the information that management considers necessary for a better comprehension of the Corporation's results of operations, financial position and outlook. Consequently, it could include forward-looking statements based on assumptions that management deemed reasonable at the time they were established and which proved to be inaccurate thereafter. These statements, given their nature, involve certain inherent risks and uncertainties, known or unknown, and future events could differ from those anticipated in these statements. Certain risks and uncertainties are derived from litigation and commitments and these are detailed in the Corporation's 2022 annual consolidated financial statements. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements.

The forward-looking statements in this MD&A reflect the Corporation's expectations as of April 20, 2023 and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Description of Activities

Asbestos Corporation Limited ("ACL") operated chrysotile mines for a period of more than one hundred years. This operation has produced millions of tons of serpentine tailings which contain several minerals, mainly magnesium and nickel, which are included in the list of critical minerals in Canada.

Management has adopted a strategic plan based primarily on the valorization of its mine tailings by developing strategic alliances in order to extract maximum value in a safe and responsible manner, all in accordance with the principles of the circular economy.

This plan also includes the sustainable development of its properties and the restoration of all its mining sites and buildings in agreement with the various regional stakeholders. The Corporation intends to promote innovation and the implementation of new energy sources, such as wind and solar power. The

potential for CO₂ sequestration from the carbonation of its mine tailings is also part of this strategic development plan.

Going Concern

The Corporation is facing numerous litigation cases resulting from former activities related to chrysotile fiber, as described in note 19 to the 2022 annual consolidated financial statements, and settlement thereof could entail the use of the Corporation's liquid assets.

Furthermore, the Corporation is exposed to certain liquidity risks due to the operating costs and to the non-recurring nature of some of its revenue, thus casting significant doubt upon the validity of the going concern assumption. In fact, the Corporation presently settles its operating costs through revenue derived mostly from mining assets, more specifically, warehouse leasing as well as royalties originating from the exploitation of a granite quarry, the restoration of a mine site optimizing materials containing asbestos and its revegetation.

Management continues to study the various possibilities of raising revenue derived from mining assets in order to increase the Corporation's cash flows, namely through the setting-up of partnerships to develop its assets and the upgrading of the tailings. However, there is no assurance that management will be successful in these actions. All these factors indicate a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern.

Although the parent company renounced the repayment of notes payable (note 11 to the 2022 annual consolidated financial statements) for the next twelve months, no assurance can be given that the Corporation will have sufficient funds to repay these debts after the said period.

If the going concern basis proves not to be justified, significant adjustments may be necessary in the carrying amounts and classification of assets, liabilities and expenses in the Corporation's consolidated financial statements.

Summary of Quarterly Results

The following table summarizes the selected quarterly information for the last eight quarters:

(in thousands of \$, except per share data)	Q-1 2022	Q-2 2022	Q-3 2022	Q-4 2022
Revenue	(79)	(847)	603	1 688
Mining properties ownership and management expenses	201	270	261	351
Administrative expenses	172	239	166	248
Litigation management fees (recovery)	(257)	(1 165)	163	1 015
Operating expenses	116	(656)	590	1 614
Income (loss) before income taxes	(195)	(191)	13	74
Income tax	-	-	-	38
Income (loss)	(195)	(191)	13	36
Basic and diluted net income (loss) per share	(0,07)	(0,07)	-	0,02

(in thousands of \$, except per share data)	Q-1 2021	Q-2 2021	Q-3 2021	Q-4 2021
Revenue	921	918	1 167	2 297
Mining properties ownership and management expenses	205	306	202	273
Administrative expenses	163	192	181	227
Litigation management fees	564	499	412	1 409
Interest on notes payable to the parent company	-	-	-	605
Operating expenses	932	997	795	2 514
Income (loss) before income taxes	(11)	(79)	372	(217)
Income tax (recovery)	-	-	-	6
Income (loss)	(11)	(79)	372	(223)
Basic and diluted net income (loss) per share	-	(0,03)	0,13	(0,08)

Summary of Annual Results for the Last Three Fiscal Years

The following table summarizes the selected annual information for the last three years,

(in thousands of \$, except share and per share data)	2022	2021	2020
Revenue	1 365	5 303	2 086
Mining properties ownership and management expenses	1 083	986	856
Administrative expenses	825	763	801
Litigation management fees (recovery)	(244)	2 884	2 125
Interest on notes payables to the parent company	-	605	-
Operating expenses	1 664	5 238	3 782
Income (loss) before income taxes	(299)	65	(1 696)
Income tax (recovery)	38	6	(1 937)
Income (loss)	(337)	59	241
Basic and diluted net income (loss) per share	(0,12)	0,02	0,09
Weighted average number of common shares outstanding	2 837 002	2 837 002	2 837 002
Total assets	32 667	33 442	28 729
Non-current liabilities	47 628	49 612	46 424

Details on the Financial Results for 2022

For the fiscal year ended December 31, 2022, the Corporation recorded a loss of \$337,000 (\$-0.12 per share) compared to an income of \$59,000 (\$0.02 per share) last year.

Income (loss)

Income (loss) consists mainly of:

- Revenue from mining properties, the redemption of insurance policy rights, investment income and other;
- Mining properties ownership and management expenses;
- Administrative expenses;
- Litigation management fees including any recovery.

According to management, the income (loss) is subject to a certain variability and volatility for the following reasons:

- Most of the leases in force have a term of less than five years, but are renewable. Moreover, in 2022, 32 % (36 % in 2021) of this revenue came from a sole lessee.
- The sale of land with the redemption of insurance policy rights, are not recurrent and vary from one period to another.
- Certain restricted investments are used only for the settlement of expenses arising from asbestos lawsuits. Their fluctuation causes a fluctuation in Litigation-related liabilities which affects the Corporation's income.

Revenue

Revenue amounted to \$1,365,000 in 2022 compared to \$5,303,000 in 2021. The decrease in the market value of investments in 2022, partially offset by the increase in the exchange rate, resulted in an unrealized loss on investments of \$2,167,000. This has had a significant impact on all products as can be seen in the following table:

Revenue (in thousands of \$)	2022	2021
Revenue from mining properties		
Building rental	668	544
Sale of land	159	460
Royalties	428	591
Recovery of metals and other revenue	306	480
	1 561	2 075
Investment Income		
Interest revenue	193	248
Dividends	476	329
Realized gains	1 216	575
Unrealized gain (loss) on investments	(2 167)	1 895
	(282)	3 047
Parent company's management fees	66	66
Other	20	115
Total	1 365	5 303

Revenue from Mining Properties

The Corporation's assets include several mining sites that have produced millions of tonnes of tailings rich in several minerals including magnesium and nickel. The Corporation's mission is to develop its assets, alone or in partnership.

Revenue from mining properties amounted to \$1,561,000 in 2022 compared to \$2,075,000 in 2021.

The major sources of revenue result from:

- **Building rental**
The Corporation owns numerous mining buildings that can be used as warehouses or plants. Efforts are still made to increase rental revenue.
- **Sale of lands**
The Corporation owns a lot of lands. Revenue from their sales varies from year to year.
- **Royalties**
Royalties originating from the exploitation by an independent contractor of a granite quarry owned by the Corporation, the restoration of a mine site optimizing materials containing asbestos and its revegetation using rehabilitated soils and fertilizing residual materials.
- **Recovery of metals and others**
The difference between the two years is due to higher metal recovery revenues of \$165,000 in 2021.

Mining Properties Ownership and Management Expenses

The Corporation has to incur some expenses in order to maintain and develop the value of its mining properties. These fees amounted to \$1,083,000 in 2022 compared to \$986,000 in 2021. The Corporation has devoted more resources on mine site maintenance to increase its rental revenue. Details of these costs are provided in Note 16(c) of the consolidated financial statements.

Administrative Expenses

Administrative expenses amounted to \$825,000 in 2022 compared to \$763,000 in 2021. It is generally stable from one fiscal year to another. Details are explained in note 16d) of the consolidated financial statements.

Litigation Management Fees

Litigation management fees result from lawsuits and claims of persons alleging bodily injury attributable to their exposure to asbestos fibre, as described in this MD&A under "Litigation".

Provisions for litigation are accounted for in the litigation-related liabilities when the Corporation has a present, legal or constructive, obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when the amount of the obligation can be reliably estimated. Amounts recognized as provisions represent management's best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value where the effect is material.

If all or part of the amount required to settle a provision is expected to be reimbursed by a third party, the reimbursement will be recognized in accounts receivable when, and only when, it is virtually certain that, if the Corporation settles the obligation, the reimbursement will be received.

The majority of investments are used exclusively to settle the costs of asbestos litigation. Any change in the value of these investments affects the provision for Litigation-related liabilities and thereby causes the results to vary. Net Investment income was negative in 2022 resulting in a litigation management recovery of \$244,000 in the Statement of Income.

Interest on Notes Payable to the Parent Company

The Corporation's debt comprises notes payable to the parent company. These notes bear interest only if the Corporation achieves positive pre-tax income in its unconsolidated financial results. In such a case, the annual interest payable corresponds to the prime rate of a Canadian chartered bank, but cannot, in any case, exceed the Corporation's income before income taxes for a given year. No interest is due for this fiscal year.

Results for the Fourth Quarter of 2022

The Corporation recorded an income of \$36,000 (\$0.02 per share) during the last quarter of 2022 compared to a loss of \$223,000 (-\$0.08 per share) for the same period in 2021. The loss in the fourth quarter of 2021 is attributable to interest of \$605,000 on notes payable to the parent company as described in the preceding paragraph.

Revenue

Revenue amounted to \$1,688,000 for the last quarter of 2022 compared to \$2,297,000 for the same period in 2021. Details are as follows:

Three Months ended December 31 (in thousands of \$)	2022	2021
Revenue from mining properties		
Building rental	178	144
Sale of land	111	88
Royalties	114	236
Recovery of metals and other revenue	186	269
	<u>589</u>	<u>737</u>
Investment Income		
Interest revenue	57	108
Dividends	181	93
Realized gains	1 000	426
Unrealized gain on investments	(160)	847
	<u>1 078</u>	<u>1 474</u>
Parent company's management fees	<u>16</u>	<u>16</u>
Other	<u>5</u>	<u>70</u>
Total	<u>1 688</u>	<u>2 297</u>

Operating Expenses

Operating expenses amounted to \$1,614,000 for the fourth quarter of 2022 compared to \$2,514,000 for the same period in 2021.

Three Months ended December 31 (in thousand of \$)	2022	2021
Mining properties ownership and management expenses	351	273
Administrative expenses	248	227
Litigation management fees	1 015	1 409
Interest on notes payable to the parent company	-	605
	<u>1 614</u>	<u>2 514</u>

Mining Properties Ownership and Management Expenses

These expenses are usually stable from one period to another. However, they were higher in the 2022 quarter as the Company devoted more resources to maintaining and improving its mine sites. Details are provided hereafter.

Three months ended December 31 (in thousands of \$)	2022	2021
Salaries, wages and employee benefits	24	21
Depreciation of property, plant and equipment	6	3
Property taxes	49	55
Maintenance and repairs	108	30
Mining site monitoring	37	32
Forest management activities	54	82
Other	73	50
	351	273

Administrative Expenses

Administrative expenses amounted to \$248,000 in the last quarter of 2022 compared to \$227,000 in 2021.

Three months ended December 31 (in thousands of \$)	2022	2021
Salaries, wages and employee benefits	123	97
Professional fees	98	115
Other	27	15
	248	227

Litigation Management Fees

Litigation management fees are mainly due to net income generated by investments dedicated exclusively for the settlement of costs arising from asbestos litigation. That had the impact of increasing respectively funds used only for Litigation management and Litigation-related liabilities respectively in an amount of \$1,015,000 for the last quarter of 2022.

Capital Stock

As at April 20, 2023, the Corporation had 2,837,002 common shares outstanding. Those shares are without par value. The capital stock remained unchanged during the year.

Off-Balance Sheet Arrangements

The Corporation did not conclude any off-balance sheet arrangements during the year ended December 31, 2022.

Related Party Transactions

During the year, the Corporation billed a common control company for litigation management fees of \$40,000 (\$40,000 in 2021). The Corporation also billed the parent company management fees of \$66,000 (\$66,000 in 2021). These transactions are in the normal course of operations.

Cash Position

Consolidated Statements of Cash Flows

Operating activities, after changes in non-cash working capital items, required cash of \$89,000 in 2022 and \$260,000 during the previous year.

Assets held for sale

The Corporation acquired on March 9, 2021 the buildings and part of the serpentine tailings of the former Carey mine located in Tring-Jonction for \$809,000. A purchase option and a long-term lease option expiring on March 31, 2024, were granted to KSM Inc. to locate its future fertilizer production plant there. The exercise of the purchase option or the long-term lease option, as the case may be, will be in consideration of an interest equivalent to \$1,100,000 in the shareholding of KSM Inc. No option had yet been exercised as of April 20, 2023.

Sources of Funds

The Corporation can rely on the following sources of funds:

- Since January 31, 2006, on a trust holding investments whose fair value is \$1,363,000 as at December 31, 2022. As per the existing agreement, this amount in trust may be used only for the following purposes:
 - Payment of expenses incurred in asbestos lawsuits, as described under "Litigation" hereunder; and
 - Expenses incurred in maintaining the corporate status of the Corporation and its related companies. Under no circumstances shall this trust account be used for commercial or business development activities.
- Revenue from mining properties, such as building rental, the sale of land (non-mining) as well as royalties.

The Corporation, through the above sources of funds, meets the payment of its operating expenses.

Risks and Uncertainties

The Corporation is mainly exposed to risks and uncertainties resulting from asbestos lawsuits and illiquidity. Risks related to asbestos lawsuits are described in this MD&A under "Litigation" and liquidity risks are discussed under "Description of Activities and Going Concern".

Litigation

Asbestos Lawsuits

Persons claiming exposure to asbestos fibre or to asbestos-containing products have filed numerous actions in the United States for bodily injury against various suppliers of asbestos fibre and manufacturers of asbestos-containing products, including the Corporation, which operated asbestos mines.

The Corporation cannot reasonably estimate the extent of the lawsuits related to this litigation matter due to the absence of allegations in connection with damages claimed in these proceedings, and to the inability to assess the creditworthiness of co-defendants and their insurers, to estimate the number of potential claims and to predict the development of liability theories applicable to such proceedings. In management's opinion, even if they are partially reimbursed by the insurers, settlement-related expenses and defence fees for claims relating to asbestos litigation could have a material effect on the Corporation's results of operations and financial position over the next fiscal years.

Moreover, according to the opinion of legal advisers consulted, even if a default judgment was rendered against the Corporation in the United States, such judgment could not be enforced against the Corporation prior to its verification or recognition by a competent court in the Province of Quebec; this court could refuse such recognition due to certain statutory provisions of the Civil Code of Quebec.

Use of Judgments and Estimates

The preparation of financial statements requires management to make estimates and judgments that affect the amounts recorded as assets, liabilities, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates and judgments. The items whose actual results could differ significantly from those estimates are described below.

Estimates are based on historical experience, where applicable, and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from estimates.

Employee Future Benefits

The Corporation offers a defined benefit plan to some of its employees and former employees. It also offers a life insurance to some of its former employees. The cost of pension benefits and other retirement benefits earned by participants is actuarially determined using the projected benefit method prorated on service. This method is based on management's most probable assumptions regarding the rate of compensation increase and the retirement age of participants. The rate of return of plan assets is calculated by applying the discount rate used to measure post-employment benefit obligations. The rate of compensation increase is determined by taking into account the current salary structure as well as expected salary increases. The key assumptions are indicated in note 12 of the annual audited consolidated financial statements. All assumptions are reviewed at the end of each reporting period. The use of different assumptions could result in different carrying amounts for accrued benefit assets and thus affect the defined benefit expense.

Provisions for Lawsuits, Claims and Litigation Cases

A provision is recognized when there is a present (legal or constructive) obligation as a result of past events, it is likely that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. The application of these criteria requires the exercise of significant judgment based on the facts and circumstances specific to each situation.

In order to determine the amount necessary for provisions, the Corporation makes assumptions and estimates mainly with regard to expected costs, including professional and compensation fees, and the anticipated cost schedule. The estimation of this provision is based on internal analyses and consultations with independent experts and legal advisors. Actual amounts could differ from those estimates.

Income Taxes

Deferred tax assets and liabilities result from temporary differences between the tax bases of assets and liabilities and the carrying amounts indicated in the financial statements. Deferred tax assets also reflect the benefits relating to unused tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of judgment regarding the likelihood that the Corporation's deferred tax assets will be recovered from the estimated future taxable income, and consequently, that they can be recognized in the consolidated financial statements of the Corporation. This method also requires the use of estimates in determining the expected timing of the realization of tax assets and the settlement of tax liabilities, and the enacted or substantively enacted tax rates that will then be applicable.

The Corporation is periodically subject to tax return audits by tax authorities, which can involve questions regarding our tax positions. Settlement of any challenge resulting from these audits can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. The tax benefit from an uncertain tax position is only recognized if it is more likely than not that the tax

position will be sustained based on its technical merits. The estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. Although the Corporation considers that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect our effective income tax rate and income tax provision.

Recent accounting standards

To be adopted in 2023 or later

Amendments to liability classification

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* ("the amendments") to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists;
- Management expectations about events after the consolidated statement of financial position date, for example, on whether a covenant will be breached, or whether early settlement will take place, are not relevant;
- The amendments clarify the situations that are considered settlements of a liability.

The amendments are applicable to annual periods beginning on or after January 1, 2023.

Guy Bérard
President

April 20, 2023

Asbestos Corporation Limited

Consolidated Financial Statements
December 31, 2022 and 2021
(in thousands of Canadian dollars)



Independent auditor's report

To the Shareholders of Asbestos Corporation Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Asbestos Corporation Limited and its subsidiaries (collectively, the Corporation) as at December 31, 2022 and 2021 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Material uncertainty related to going concern

We draw attention to note 2 of the consolidated financial statements, which describes events or conditions indicating the existence a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessment of litigation-related liabilities <i>See note 4, Summary of significant accounting policies, note 5, Use of judgments and estimates and note 19, Contingencies to the consolidated financial statements.</i> The Corporation is facing numerous claims arising from its past asbestos-related activities. The provisions for litigation are from individuals claiming exposure to asbestos fibre or to asbestos-containing products. In the United States, numerous actions for bodily injury have been filed against certain subsidiaries of the Corporation that either operated asbestos mines or manufactured asbestos-containing products. The amount of litigation-related liabilities was \$26 million at December 31, 2022.	Our approach to addressing the matter included the following procedures, among others: • Tested how management has estimated litigation-related liabilities, including the following: - Updated the understanding of the Corporation's process for assessing the amount of litigation-related liabilities. - Tested the underlying data on the new lawsuits and claims, settlements and withdrawals that occurred during the year.



Key audit matter

Provisions for litigation are recognized as litigation-related liabilities when the Corporation has a present legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated. The application of these criteria requires judgments to be made in light of the facts and circumstances of each situation.

In order to determine the amount necessary for provisions, the Corporation makes assumptions and estimates mainly with regard to expected costs, including professional and compensation fees, and the anticipated cost schedule. The estimation of this provision is based on internal analyses and consultations with independent experts and legal advisers. In addition, provisions have been measured based on the fund balance intended specifically for the settlement of claims arising from asbestos lawsuits.

We considered this to be a key audit matter because of (i) the materiality of the litigation-related liabilities, (ii) the amount of judgment exercised by management in estimating the expected costs, including professional and compensation fees, and the anticipated cost schedule, and (iii) the fact that the audit work involved the use of legal advisers with expertise, specialized knowledge, and experience related to the asbestos-related litigation.

How our audit addressed the key audit matter

- Evaluated whether the assumptions used to calculate the litigation-related liabilities are reasonable, with such liabilities including the expected costs, as well as professional and compensation fees and the expected timing of the costs, taking into account changes in facts and circumstances during the year in relation to developments in the litigation, including recent rulings, and considering the resolution of past uncertainties associated with comparable litigation.
- Relied on the Corporation's external legal advisers to obtain recent information on developments in the litigation to evaluate whether the estimate of litigation liabilities is reasonable.
- Evaluated the completeness of the litigation-related liabilities by considering the litigation management fees, which include the costs related to lawsuits concerning asbestos and other issues.
- Assessed the related disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditor's report is François Berthiaume.

PricewaterhouseCoopers LLP¹

Québec, Quebec
April 20, 2023

¹ CPA auditor, public accountancy permit No. A125971

Asbestos Corporation Limited
Consolidated Statements of Financial Position
As at December 31, 2022 and 2021

(in thousands of Canadian dollars)

	2022 \$	2021 \$
Assets		
Current assets		
Cash	169	369
Restricted cash (note 4)	1,328	688
Accounts receivable (note 6)	4,690	3,641
Income taxes recoverable	888	885
Prepaid expenses	111	94
Current portion of investments (note 7)	1,600	1,685
Assets held for sale (note 8)	809	809
	<u>9,595</u>	<u>8,171</u>
Non-current assets		
Investments (note 7)	22,155	24,416
Note receivable from a company under common control, non-interest bearing and with no terms of repayment	552	516
Security deposits	9	9
Property, plant and equipment (note 8)	356	330
	<u>23,072</u>	<u>25,271</u>
Total assets	<u>32,667</u>	<u>33,442</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	1,856	1,885
Income tax payable	38	6
Current portion of litigation-related liabilities (note 10)	3,329	1,852
	<u>5,223</u>	<u>3,743</u>
Non-current liabilities		
Litigation-related liabilities (note 10)	22,671	23,804
Notes payable to related companies (note 11)	24,553	25,337
Post-employment benefit liabilities (note 12)	404	471
	<u>47,628</u>	<u>49,612</u>
Total liabilities	<u>52,851</u>	<u>53,355</u>
Shareholders' equity		
Capital stock (note 14)	33,312	33,312
Deficit	(53,496)	(53,225)
Total shareholders' equity	<u>(20,184)</u>	<u>(19,913)</u>
Total liabilities and shareholders' equity	<u>32,667</u>	<u>33,442</u>
Going concern (note 2)		
Contingencies (note 19)		

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these consolidated financial statements.

Asbestos Corporation Limited

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2022 and 2021

(in thousands of Canadian dollars, except share and per share data)

	2022 \$	2021 \$
Revenue		
Revenue from mining properties (note 16(a))	1,561	2,075
Investment income (loss) (note 16(b))	(282)	3,047
Parent company's management fees	66	66
Other	20	115
	<u>1,365</u>	<u>5,303</u>
Operating expenses		
Mining properties' ownership and management expenses (note 16(c))	1,083	986
Administrative expenses (note 16(d))	825	763
Litigation management fees (recovery)	(244)	2,884
Interest on notes payable to the parent company (note 11)	-	605
	<u>1,664</u>	<u>5,238</u>
Income (loss) before income taxes	(299)	65
Income tax expense (note 13)	38	6
Net income (loss) for the year	(337)	59
Item that will not be reclassified subsequently to net income (loss)		
Post-employment benefit actuarial gains (note 12)	66	46
Comprehensive income (loss) for the year	<u>(271)</u>	<u>105</u>
Basic and diluted net income (loss) per share (note 14)	<u>(0.12)</u>	<u>0.02</u>

The accompanying notes are an integral part of these consolidated financial statements.

Asbestos Corporation Limited

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2022 and 2021

(in thousands of Canadian dollars)

	Capital stock \$	Deficit \$	Total shareholders' equity \$
Balance as at January 1, 2021	33,312	(53,330)	(20,018)
Net income for the year	-	59	59
Post-employment benefit actuarial gains (note 12)	-	46	46
Comprehensive income for the year	-	105	105
Balance as at December 31, 2021	33,312	(53,225)	(19,913)
Net loss for the year	-	(337)	(337)
Post-employment benefit actuarial gains (note 12)	-	66	66
Comprehensive loss for the year	-	(271)	(271)
Balance as at December 31, 2022	33,312	(53,496)	(20,184)

The accompanying notes are an integral part of these consolidated financial statements.

Asbestos Corporation Limited
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

(in thousands of Canadian dollars)

	2022	2021
	\$	\$
Cash flows from		
Operating activities		
Net income (loss) for the year	(337)	59
Adjustments for		
Post-employment benefits	(1)	(13)
Depreciation of property, plant and equipment	20	14
Gains on sale of investments	(1,216)	(575)
Net change in fair value of investments	2,167	(1,895)
Net change in litigation-related liabilities	344	3,257
Capitalized interest on the note payable to the parent company	-	605
	<u>977</u>	<u>1,452</u>
Changes in items of working capital		
Accounts receivable	(1,049)	(2,361)
Income tax recoverable	(3)	(66)
Prepaid expenses	(17)	(21)
Accounts payable and accrued liabilities	(29)	730
Income tax payable	32	6
	<u>(1,066)</u>	<u>(1,712)</u>
Net cash used in operating activities	<u>(89)</u>	<u>(260)</u>
Investing activities		
Net change in restricted cash	(640)	767
Purchase of investments	(4,840)	(3,844)
Proceeds from sale of investments	6,235	4,557
Purchase of property, plant and equipment	(46)	(879)
Net change in the note receivable from a company under common control	(36)	(48)
Net cash generated by investing activities	<u>673</u>	<u>553</u>
Financing activities		
Net change in notes payable to related companies	(784)	69
Private loan	-	350
Repayment of private loan	-	(350)
Net cash generated by (used in) financing activities	<u>(784)</u>	<u>69</u>
Net change in cash during the year	<u>(200)</u>	<u>362</u>
Cash – Beginning of year	<u>369</u>	<u>7</u>
Cash – End of year	<u>169</u>	<u>369</u>
Supplementary information		
Interest received	178	241
Dividends received	412	328

The accompanying notes are an integral part of these consolidated financial statements.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(in thousands of Canadian dollars)

1 General information

Asbestos Corporation Limited (the Corporation) is governed by the Canada Business Corporations Act and is domiciled in Canada. The address of its head office is 840 Ouellet Boulevard, Thetford Mines, Quebec G6G 7A5. Its main mission consists in maintaining its mining assets and maximizing their value. The Corporation is also involved in the management of various litigation cases relating to asbestos, which arose from operations in the past. The parent company of the Corporation is Mazarin Inc.

These consolidated financial statements are management's responsibility and were approved by the Board of Directors on April 20, 2023.

2 Going concern

The Corporation is facing numerous litigation cases resulting from its previous asbestos-related operations, as described in note 19, and settlement thereof could entail the use of the Corporation's liquid assets.

Furthermore, the Corporation is exposed to certain liquidity risks due to operating costs and to the non-recurring nature of some of its revenues, thus casting significant doubt on the validity of the going concern assumption. In fact, the Corporation presently settles its operating costs through revenues derived mostly from mining assets, more specifically, warehouse leasing, and related royalties.

Management continues to study the various possibilities of raising its revenues derived from mining assets in order to increase the Corporation's cash flows, namely through the setting-up of partnerships to develop its assets and the upgrading of tailings. However, there is no assurance that management will be successful in these actions. All these factors indicate a material uncertainty that may cast significant doubt on the ability of the Corporation and its subsidiaries to continue as a going concern.

Although the parent company renounced the repayment of notes payable (note 11) for the next 12 months, no assurance can be given that the Corporation will have sufficient funds to repay these debts after said period.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to a going concern. If the going concern assumption is not appropriate, significant adjustments may need to be made to the carrying amounts and classification of assets, liabilities and expenses in these consolidated financial statements.

3 Basis of preparation

The Corporation prepares its consolidated financial statements in accordance with IFRS, as issued by the International Accounting Standards Board (IASB).

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(in thousands of Canadian dollars)

4 Summary of significant accounting policies

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for investments classified at fair value through profit or loss.

Consolidation

The consolidated financial statements of Asbestos Corporation Limited include the accounts of the Corporation as well as those of all entities over which it has control or when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intercompany transactions and balances have been eliminated.

Subsidiaries

Subsidiaries are the entities (including special purpose entities) over which the Corporation has control, where control is defined as the power to govern the financial and operating policies of such entities. The effect of potential voting rights that the Corporation is currently in a position to exercise is considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are deconsolidated from the date that control ceases.

3R Mineral Inc. is a wholly owned subsidiary of the Corporation and the Corporation's main subsidiary.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each consolidated entity of the Corporation are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and its subsidiaries.

b) Transactions and balances

Foreign currency transactions are translated into the Corporation's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the Corporation's functional currency are recognized in net income (loss).

Cash

Cash consists of all balances with banks.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(in thousands of Canadian dollars)

Restricted cash

Restricted cash consists of all balances with banks and short-term highly liquid investments with original maturities of three months or less at the acquisition date and for which use is restricted to the settlement of expenses arising from asbestos lawsuits.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and when the Corporation has transferred substantially all the risks and rewards of ownership of the transferred asset. The Corporation's financial assets and financial liabilities comprise cash, restricted cash, accounts receivable, investments, note receivable from a company under common control, security deposits, accounts payable and accrued liabilities and notes payable to related companies.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The classification of financial assets and financial liabilities depends on the intention with which they were acquired and their characteristics.

Financial instruments and amortized cost

Financial instruments at amortized cost are accounted for at amortized cost using the effective interest rate method. They are discounted to present value where the effect of discounting is material. Cash, restricted cash, accounts receivable, note receivable from a company under common control, security deposits, accounts payable and accrued liabilities and notes payable to related companies are classified as amortized cost. These financial assets and financial liabilities are accounted for at amortized cost using the effective interest rate method.

Financial instruments at fair value through profit or loss

Financial assets and financial liabilities are classified into various categories based on their characteristics and the Corporation's intention upon their acquisition. Insurance recoveries received from insurers in the form of investments and certain strategic investments in entities operating in the same industry as the Corporation are classified at fair value through profit or loss. Those financial instruments are part of a portfolio that is managed in accordance with a documented investment management strategy and whose performance is evaluated on a fair value basis. In addition, information about the portfolio is provided internally on that basis to the Corporation's key management personnel.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(in thousands of Canadian dollars)

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed on in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and ask prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, after eliminating intra-group transactions. The Corporation's estimates are based on past experience, taking into consideration the specifics of a given transaction, among other things.

Revenue arising from the use of the Corporation's other assets is recognized when the following criteria are met:

- The parties to the contract have approved the contract and are committed to perform their respective obligations;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has a commercial substance; and
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

Apart from the general principles described above, the Corporation applies the following specific revenue recognition policies:

- Interest is recognized using the effective interest method;
- Dividends are recognized when the right to receive payment is established;
- Lease income from operating leases is recognized on a straight-line basis over the lease term; and
- Royalties are derived from three sources: the exploitation of a granite quarry, the restoration of a mine site optimizing materials containing asbestos, and the revegetation of the site. They are recognized when the risks of ownership have been transferred, which is generally on delivery of goods.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(in thousands of Canadian dollars)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

	Life
Truck scale	20 years
Equipment	3 years

Litigation-related liabilities

Litigation-related liabilities result from lawsuits and claims of persons alleging bodily injury attributable to their exposure to asbestos fibre, as described in note 19.

Provisions for litigation are recognized when the Corporation has a present legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. Amounts recognized as provisions represent management's best estimate of the expenditure required to settle the obligations at the end of the reporting period and are discounted to present value where the effect is material.

According to the opinion of legal advisers consulted, if a default judgment were to be rendered against the Corporation in the United States, such judgment could not be enforced against the Corporation prior to its verification or recognition by a competent court in the province of Quebec; therefore, no provision has been established for those lawsuits. A provision is recognized when the estimated amount is based on an analysis of each claim and of the amounts that will probably be available to settle those claims. Subsequently, when an agreement is entered into with the counterparty, the provision is cancelled, and the amount of the agreement is recorded in accounts payable and accrued liabilities.

Otherwise, provisions have been measured based on the fund balance intended specifically for the settlement of claims arising from asbestos lawsuits. The fund balance amounted to \$22,375 as at December 31, 2022 (\$23,743 as at December 31, 2021) (note 7).

If all or part of the amount required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized in accounts receivable when, and only when, it is virtually certain that, should the Corporation settle the obligation, the reimbursement will be received. The reimbursement will be treated as a separate asset. The expense related to a provision is presented in net income (loss), net of the amount recognized for the reimbursement.

Litigation settlements are included in operating expenses under litigation management fees and consist of costs related to lawsuits concerning asbestos and other issues, net of claim payments received from a third party.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(in thousands of Canadian dollars)

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in net income (loss) unless it relates to items recognized directly in other comprehensive income or in shareholders' deficiency. In this case, the tax is also recognized directly in other comprehensive income or in shareholders' deficiency, respectively.

Current tax is the tax payable on the taxable profit for the year, using the tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous periods.

In general, deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated on an undiscounted basis using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the tax asset is realized or the tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are recognized for temporary differences arising on investments in subsidiaries, except when the Corporation can control the timing of the reversal of the temporary difference and it is probable that such temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are classified in non-current assets and liabilities.

Employee benefits

The Corporation recognizes its obligations under employee benefit plans and the related costs, net of plan assets. In this regard, the Corporation has adopted the following policies:

- The cost of pension and post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's most probable assumptions regarding salary escalation, the retirement age of employees and expected health-care costs, among other things;
- Plan assets are measured at fair value;
- Actuarial gains and losses are recognized immediately in comprehensive income (loss) as they arise and are accumulated in deficit; and
- The financing cost is calculated by applying the discount rate used to measure post-employment benefit obligations to the funded status of the plan.

Asset retirement obligations

Provisions for environmental restoration costs are accounted for when the Corporation has a present legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(in thousands of Canadian dollars)

Provisions are measured based on management's best estimate of the expenditure required to settle the obligations at the consolidated statement of financial position date, and are discounted to present value where the effect is material. The increase in the provision due to the passage of time is recognized as financial expenses. Changes in assumptions or estimates are reflected in the period during which they occur.

Provisions for environmental restoration costs represent legal or constructive obligations associated with the possible closure of the Corporation's property, plant and equipment. These obligations include restoration costs as well as expenses relating to the follow-up of activities and tangible asset retirement. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted.

The Corporation's asset retirement obligations come from the restoration of its mining sites. This restoration is required by the provincial legislation when mining sites are permanently closed.

Impairment of non-current assets

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Net income (loss) per share

Basic net income (loss) per share is determined by dividing net income (loss) for the year attributable to the equity owners of the Corporation by the weighted average number of common shares outstanding at year-end. The Corporation did not issue any potentially dilutive instrument.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources to and assessing the performance of the operating segments, has been identified as the chief executive officer of the Corporation.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(in thousands of Canadian dollars)

Recent accounting standards

To be adopted in 2023 or later

Amendments to liability classification

On January 23, 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* (the amendments), to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists;
- Management's expectations about events after the consolidated statement of financial position date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant; and
- The amendments clarify the situations that are considered settlement of a liability.

The amendments are applicable to annual periods beginning on or after January 1, 2023.

5 Use of judgments and estimates

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts recorded as assets, liabilities, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. The items whose actual results could differ significantly from those estimates are described below.

Estimates are based on historical experience, where applicable, and on various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Employee future benefits

The Corporation offers a defined benefit plan to some of its employees and former employees. It also offers life insurance to some of its former employees. The cost of pension benefits and other retirement benefits earned by participants is actuarially determined using the projected benefit method prorated on service. This method is based on management's most probable assumptions regarding the rate of compensation increase and the retirement age of participants. The rate of return of plan assets is calculated by applying the discount rate used to measure post-employment benefit obligations. The rate of compensation increase is determined by taking into account the current salary structure as well as expected salary increases. The key assumptions are indicated in note 12. All assumptions are reviewed at the end of each reporting period. The use of different assumptions could result in different carrying amounts for accrued benefit assets and thus affect the defined benefit liabilities.

Asbestos Corporation Limited

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(in thousands of Canadian dollars)

Provisions for lawsuits, claims and litigation cases

A provision is recognized when there is a present legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. Application of these criteria requires the exercise of significant judgment based on the facts and circumstances specific to each situation. In order to determine the amount necessary for provisions, the Corporation makes assumptions and estimates mainly with regard to expected costs, including professional and compensation fees, and the anticipated cost schedule. The estimation of this provision is based on internal analyses and consultations with independent experts and legal advisers. Actual amounts could differ from those estimates.

Income taxes

Deferred tax assets and liabilities result from temporary differences between the tax bases of assets and liabilities and the carrying amounts indicated in the consolidated financial statements. Deferred tax assets also reflect the benefits relating to unused tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of judgment regarding the likelihood that the Corporation's deferred tax assets will be recovered from the estimated future taxable profit, and consequently, that they can be recognized in the consolidated financial statements of the Corporation. This method also requires the use of estimates in determining the expected timing of the realization of tax assets and the settlement of tax liabilities, and the enacted or substantively enacted tax rates that will then be applicable.

The Corporation is periodically subject to tax return audits by tax authorities, which can involve questions regarding its tax positions. Settlement of any challenge resulting from these audits can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. The tax benefit from an uncertain tax position is only recognized if it is more likely than not that the tax position will be sustained based on its technical merits. The estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. Although the Corporation believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect the effective income tax rate and the income tax provision.

6 Accounts receivable

	2022 \$	2021 \$
Trade receivables	623	1,123
Amounts receivable from the government	102	146
Amounts receivable from insurers (notes 10, 18 and 19)	3,965	2,372
	4,690	3,641

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7 Investments

	2022	
	Cost \$	Fair value * \$
Treasury bills	2,822	2,577
Government bonds	7,207	6,751
Shares	6,274	8,454
Mutual funds	6,062	5,973
	<u>22,365</u>	<u>23,755</u>
Less: Current portion		<u>1,600</u>
Non-current portion		<u>22,155</u>
	2021	
	Cost \$	Fair value * \$
Treasury bills	3,158	2,896
Government bonds	4,923	4,473
Shares	7,879	11,707
Mutual funds	6,584	7,025
	<u>22,544</u>	<u>26,101</u>
Less: Current portion		<u>1,685</u>
Non-current portion		<u>24,416</u>

* As at December 31, 2022, the use of an amount of \$22,375, being US\$16,521 (\$23,743, being US\$18,728 as at December 31, 2021) is exclusively restricted to the settlement of expenses arising from asbestos lawsuits, as described in note 19. Moreover, an amount of \$1,363 (\$2,333 as at December 31, 2021) shall be used only for the settlement of expenses arising from asbestos lawsuits, as described in note 19, and for maintaining the commercial existence of the Corporation, companies under common control and the parent company.

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8 Property, plant and equipment

	Land \$ *	Building \$ *	Truck scale \$	Equipment \$ **	Total \$ ***
Year ended December 31, 2021					
Opening net carrying amount	105	-	56	113	274
Additions	219	659	-	1	879
Depreciation for the year	-	-	(4)	(10)	(14)
Balance as at December 31, 2021	324	659	52	104	1,139
As at December 31, 2021					
Cost	324	659	96	157	1,236
Accumulated depreciation	-	-	(44)	(53)	(97)
Net carrying amount	324	659	52	104	1,139
Year ended December 31, 2022					
Opening net carrying amount	324	659	52	104	1,139
Additions	-	-	-	46	46
Depreciation for the year	-	-	(5)	(15)	(20)
Balance as at December 31, 2022	324	659	47	135	1,165
As at December 31, 2022					
Cost	324	659	96	203	1,282
Accumulated depreciation	-	-	(49)	(68)	(117)
Net carrying amount	324	659	47	135	1,165

* A purchase option and a long-term lease option were granted to KSM Inc. on buildings and land owned by the Corporation with a net carrying amount of \$809. They expire on March 9, 2024. No depreciation was recognized on these assets during the fiscal year. These assets are held for sale, given the agreement in principle with KSM Inc. for the long-term lease of these assets. They are therefore presented as such in the consolidated statements of financial position.

** Equipment includes rolling stock, mining equipment and office equipment. The mining equipment was not yet in use as at December 31, 2022 and 2021, as installation was still in progress. Therefore, no depreciation of this asset was recognized during the years then ended.

*** The net carrying amount of property, plant and equipment presented in the consolidated statements of financial position consists of property, plant and equipment in an amount of \$356 (\$330 as at December 31, 2021) and assets held for sale in an amount of \$809 (\$809 as at December 31, 2021).

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9 Accounts payable and accrued liabilities

	2022	2021
	\$	\$
Fees and compensation related to litigation payable	1,445	936
Trade payables and accrued expenses	411	949
	<u>1,856</u>	<u>1,885</u>

10 Litigation-related liabilities

	\$
Balance as at January 1, 2021	22,399
Additional provisions	3,776
Utilized during the year	<u>(519)</u>
Balance as at December 31, 2021	<u>25,656</u>
Current portion	1,852
Non-current portion	<u>23,804</u>
Balance as at December 31, 2021	<u>25,656</u>
Balance as at January 1, 2022	25,656
Additional provisions	3,741
Utilized during the year	<u>(3,397)</u>
Balance as at December 31, 2022	<u>26,000</u>
Current portion	3,329
Non-current portion	<u>22,671</u>
Balance as at December 31, 2022	<u>26,000</u>

Management believes that there is some uncertainty about the timing of the disbursements associated with litigation-related liabilities.

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11 Notes payable to related companies

	2022 \$	2021 \$
Parent company		
Notes payable, annual interest conditional and limited to income before income taxes for a given year, but shall not in any case exceed the prime rate of a Canadian chartered bank, terms of repayment based on cash flows generated by the Corporation ^{(a), (b)}	24,210	24,994
Companies under common control		
Demand Notes, non-interest bearing and with no terms of repayment ^(b)	343	343
	<u>24,553</u>	<u>25,337</u>

(a) Notes payable to the parent company are secured by a first ranking hypothec on the Corporation's real estate, a floating hypothec and a conventional hypothec without delivery on all the Corporation's present and future movable and immovable, property, plant and equipment, tangible and intangible.

(b) The companies renounced the repayment of those Notes for the next 12 months.

12 Post-employment benefits

The Corporation offers a defined benefit plan that guarantees the payment of post-retirement benefits to some of its employees and former employees. This defined benefit plan was closed to new members on December 29, 2003.

The Corporation also offers life insurance to some of its former employees.

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The following tables summarize the information relating to the plans offered by the Corporation:

	2022		2021	
	Pension benefit plan \$	Other benefit plans \$	Pension benefit plan \$	Other benefit plans \$
Accrued benefit obligations				
Balance – Beginning of year	1,188	471	1,267	530
Current service cost	10	-	9	-
Interest expense on accrued benefit obligations	33	10	29	7
Participants' contributions	1	-	2	-
Actuarial losses (gains) resulting from:				
Experience adjustments	(6)	(23)	(5)	(33)
Changes in financial assumptions	(235)	(33)	(69)	(12)
Changes in demographic assumptions	(50)	-	-	-
Benefits paid	(45)	(21)	(45)	(21)
Balance – End of year	896	404	1,188	471
Plan assets				
Market value – Beginning of year	1,519	-	1,390	-
Interest income on plan assets	43	-	32	-
Actuarial gains (losses)	(213)	-	132	-
Employer contributions	-	21	8	21
Participants' contributions	1	-	2	-
Benefits paid	(45)	(21)	(45)	(21)
Market value – End of year	1,305	-	1,519	-
Excess of obligations over assets (assets over obligations)	(409)	404	(331)	471
Impact of the asset ceiling	409	-	331	-
Post-employment benefit liabilities	-	404	-	471

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The net expense recognized for the Corporation's plans is included in administrative expenses and in litigation management fees in the consolidated statements of net income and comprehensive income and is detailed as follows:

	2022			2021		
	Pension benefit plan \$	Other benefit plans \$	Total \$	Pension benefit plan \$	Other benefit plans \$	Total \$
Current service cost	10	-	10	9	-	9
Interest expense on accrued benefit obligation	33	10	43	29	7	36
Interest income on plan assets	(43)	-	(43)	(32)	-	(32)
Interest on impact of the asset ceiling	9	-	9	3	-	3
	9	10	19	9	7	16

The amounts recognized in other comprehensive income (loss) are as follows:

	2022			2021		
	Pension benefit plan \$	Other benefit plans \$	Total \$	Pension benefit plan \$	Other benefit plans \$	Total \$
Actuarial gains (losses)	78	56	134	206	44	250
Impact of the asset ceiling	(68)	-	(68)	(204)	-	(204)
	10	56	66	2	44	46

The weighted average of the significant actuarial assumptions adopted by the Corporation in measuring its post-retirement benefit obligation is as follows:

	2022		2021	
	Pension benefit plan %	Other benefit plans %	Pension benefit plan %	Other benefit plans %
Discount rate applied at the end of the year to measure accrued benefit obligation	5.05	5.10	2.85	2.10
Discount rate applied at the end of the prior year to measure the expense for the year	2.85	2.10	2.36	1.30
Rate of compensation increase	3.00	N/A	3.00	N/A

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The effect of a 1.0% change in the discount rate for the pension benefit plan and the other benefit plans is as follows:

	2022 \$	2021 \$
Effect of an increase		
Change in the value of employee accrued benefit obligation	(81)	(137)
Effect of a decrease		
Change in the value of employee accrued benefit obligation	96	162

Actuarial valuations

The Corporation measures its benefit plans as at December 31 of each year. The most recent valuation was as at December 31, 2021 and the next one will be performed as at December 31, 2024.

The following table presents the breakdown of pension plan assets:

Asset categories	2022 %	2021 %
Canadian and foreign equity fund	54.2	62.5
Cash	3.7	3.0
Canadian bond fund	36.4	32.8
Other	5.7	1.7
	100.0	100.0

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13 Income taxes

The income tax expense differs from the amount that would have been calculated using the combined Canadian federal and provincial statutory income tax rate of 26.50% (26.50% in 2021) as follows:

	2022 \$	2021 \$
Income (loss) before income taxes	(299)	65
Combined Canadian statutory tax rate	26.50 %	26.50 %
Income tax expense (recovery) calculated using the statutory tax rate	(79)	17
Change in tax losses and other deductions for which no deferred tax assets are recognized	110	493
Non-deductible expenses (non-taxable income)	8	(488)
Current and deferred tax adjustments related to prior years	(1)	(7)
Use of unused tax benefits	-	(9)
	<u>38</u>	<u>6</u>

Significant components of the Corporation's deferred tax assets and liabilities are as follows:

	2022 \$	2021 \$
Deferred tax assets		
Investments in subsidiaries and other investments	3,718	4,021
Deferred tax liabilities		
Litigation-related liabilities	(3,703)	(3,995)
Other	(15)	(26)
Deferred tax (net)	<u>-</u>	<u>-</u>

The following table presents the changes in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction:

	Litigation- related liabilities \$
Deferred tax assets	
As at January 1, 2021	3833
Recovery tax expense	<u>188</u>
As at December 31, 2021	4,021
Income of income tax expense	<u>(303)</u>
As at December 31, 2022	<u>3,718</u>

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	Investment \$	Others \$
Deferred tax liabilities		
As at January 1, 2021	(3,809)	(24)
Income of income tax expense	(186)	(2)
	<u>(3,995)</u>	<u>(26)</u>
As at December 31, 2021	(3,995)	(26)
Recovery tax expense	292	11
	<u>(3,703)</u>	<u>(15)</u>
As at December 31, 2022	(3,703)	(15)

Unrecognized deferred tax assets

Deferred tax assets have been recognized to the extent that it is probable that the tax benefit relating to deferred taxable profits will be realized. Deferred tax assets have not been recognized in respect of the following items:

	2022 \$	2021 \$
Tax losses carried forward	1,006	943
Property, plant and equipment and development expenses	3,152	3,215
Accrued benefit liability	107	125
Litigation-related liabilities	2,901	2,793
Investments	8	5
Other	22	5
	<u>7,196</u>	<u>7,086</u>

Tax losses carried forward

As at December 31, 2022, the Corporation has accumulated, for income tax purposes, non-capital losses totalling approximately \$3,694 (\$3,273 as at December 31, 2021) at the federal level and no amount (nil in 2021) at the provincial level. These losses can be carried forward against future years' taxable income and will expire in the following years:

	Federal \$	Provincial \$
2032	629	-
2034	1,314	-
2035	1,019	-
2037	732	-
	<u>3,694</u>	<u>-</u>

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14 Shareholders' equity

Capital stock

Authorized

Unlimited number of shares, without par value, of the following classes:

Common shares

Preferred shares, rights, privileges and restrictions to be determined by the Board of Directors before their issuance

Issued and fully paid

2,837,002 Common shares as at December 31, 2022 and 2021 valued at \$33,312.

The parent company has established a share option plan whereby certain key employees, officers, directors and service suppliers may be granted share options for common shares of the parent company. Some of these share options were granted to employees and directors of the Corporation.

	2022	2021
Weighted average number of common shares outstanding	2,837,002	2,837,002

15 Capital disclosures

The Corporation's objectives when managing capital are to:

- Maintain a capital structure that allows the Corporation to favour the financing of its strategy for maintaining its mining assets and maximizing their value using cash flows from operating activities;
- Use the investments for the payment of expenses incurred in litigation management; and
- Use the portion of investments that is not restricted to the settlement of costs related to litigation for the payment of expenses incurred in maintaining its commercial status.

The Corporation's objectives, policies and procedures have not changed since the previous year.
The Corporation defines its capital as its capital stock and its notes payable to related companies.

The Corporation's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and in order to respond to changes in economic conditions and the risk characteristics of underlying assets. In view of the Corporation's nature of activities, the Board of Directors has not set any performance measurement criteria for capital management and relies on management's expertise to maintain its future economic development. The Corporation is not subject to any external requirements concerning its capital structure, except for appropriations.

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16 Additional disclosures on the consolidated statements of income

a) Revenue from mining properties

	2022	2021
	\$	\$
Building rental	668	544
Sale of land	159	460
Royalties	428	591
Other revenues from mining properties	306	480
	1,561	2,075

b) Investment income (loss)

	2022	2021
	\$	\$
Interest revenue	193	248
Dividends	476	329
Gain on sale of investments	1,216	575
Net change in fair value of investments	(2,167)	1,895
	(282)	3,047

c) Mining properties' ownership and management expenses

	2022	2021
	\$	\$
Salaries, wages and employee benefits	95	90
Depreciation of property, plant and equipment	17	12
Property taxes	217	209
Maintenance and repairs	357	284
Mining site monitoring	140	143
Other	257	248
	1,083	986

d) Administrative expenses

	2022	2021
	\$	\$
Salaries, wages and employee benefits	397	386
Depreciation of property, plant and equipment	3	2
Professional fees	315	295
Other	110	80
	825	763

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17 Related party transactions

Compensation of key management personnel

Key management personnel include the Corporation's directors and members of the Corporation's management. Compensation awarded to key management personnel includes:

	2022 \$	2021 \$
Salaries, wages and employee benefits	307	289

Other related party transactions

During the year, the Corporation carried out the following transactions with related parties:

	2022 \$	2021 \$
Company under common control		
Litigation management fees	40	40
Parent company		
Management fees	66	66

These transactions were carried out in the normal course of operations and were measured at the exchange amount.

18 Financial instruments

Fair value

The carrying amount of cash, restricted cash, accounts receivable, security deposits, as well as accounts payable and accrued liabilities approximates their fair value due to their short-term maturity or current market rates. Investments are accounted for at fair value using bid prices.

The fair value of the note receivable from a company under common control and notes payable to related companies is not determinable due to the specific conditions negotiated between the related parties.

(in thousands of Canadian dollars)

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

For the years ended December 31, 2022 and 2021, no transfers were made between the levels of the fair value hierarchy.

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Credit risk

Financial instruments which potentially subject the Corporation to credit risk consist principally of cash, restricted cash, accounts receivable, note receivable from a company under common control and security deposits.

The Corporation's cash and restricted cash are held with or issued by recognized financial institutions. Therefore, the Corporation considers the risk of non-performance on these instruments to be remote.

Generally, the Corporation does not require collateral security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Corporation performs ongoing credit reviews of all its customers and other third parties and establishes an allowance when accounts are determined to be uncollectible. As at December 31, 2022 and 2021, no provision for bad debts had been recorded on the Corporation's consolidated statements of financial position. For the years ended December 31, 2022 and 2021, no bad debt expense was recognized in the Corporation's net income (loss).

The aging of delinquent trade receivables over 90 days was nil as at December 31, 2022 and 2021.

Concerning investments, credit risk mostly results from the bond issuers' potential inability to meet their commitments. The Corporation minimizes such risk by investing mainly in securities with high credit ratings and by entrusting its portfolio management to recognized investment advisers. In addition, an investment policy has been initiated by management, including investment diversification, and an investment committee is responsible for reporting periodically to the Board of Directors.

Liquidity risk

Liquidity risk is the risk arising from the Corporation's inability to meet its financial obligations as they fall due. The Corporation manages liquidity risk by regularly monitoring its cash to maintain a sufficient level of liquidity so as to be able to meet its financial obligations in the foreseeable future, such obligations resulting mainly from the settlement of litigation cases relating to asbestos. Although these settlement-related expenses are mostly reimbursed by its insurers, the Corporation uses trust funds for the payment of expenses incurred in litigation management as claims are filed. It also uses the portion of investments that is not restricted to the settlement of costs related to litigation for the payment of expenses incurred in maintaining its commercial status.

As at December 31, 2022, an amount of \$3,965 in amounts receivable from insurers (\$2,372 as at December 31, 2021) is allocated to the payment of accounts payable and accrued liabilities arising from litigation cases relating to asbestos.

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Foreign exchange risk

The Corporation is exposed to foreign exchange risk by its cash, restricted cash, accounts receivable and investments, which are partly denominated in US dollars. This risk is hedged by accounts payable and accrued liabilities and by a portion of its liabilities relating to litigation denominated in such foreign currency. The Corporation considers the exchange rate fluctuations to have no significant impact on its results. Consequently, no sensitivity analysis has been provided in this respect. The balances in US dollars are as follows:

	2022 US\$	2021 US\$
Cash	1	1
Restricted cash	140	136
Accounts receivable	2,011	1,871
Accounts payable and accrued liabilities	(943)	(637)
Litigation-related liabilities	(780)	(810)
Net balance	429	561

In 2022 and 2021, investments in foreign currency were not included in the sensitivity analysis because any fluctuations will be hedged by a change in litigation-related liabilities in the same amount.

Interest rate risk

As at December 31, 2022 and 2021, the Corporation's exposure to interest rate risk was as follows:

Cash	Variable interest rate
Restricted cash	Variable interest rate
Accounts receivable	Non-interest bearing
Note receivable from a company under common control	Non-interest bearing
Security deposits	From 0% to 0.55%
Accounts payable and accrued liabilities	Non-interest bearing
Notes payable to related companies	As described in note 11

For the years ended December 31, 2022 and 2021, a hypothetical increase or decrease in interest rates would not have had a significant impact on the Corporation's net income (loss) or comprehensive income (loss) and shareholders' equity.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

Any variation in the fair value of investments is recognized in net income (loss). A $\pm 10\%$ variation in market prices as at December 31, 2022 would have had an approximate pre-tax impact of $\pm \$131$ ($\pm \$223$ as at December 31, 2021) on the Corporation's net income (loss).

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19 Contingencies

Asbestos lawsuits

Persons claiming exposure to asbestos fibre or to asbestos-containing products have filed numerous actions in the United States for bodily injury against various suppliers of asbestos fibre and manufacturers of asbestos-containing products, including the Corporation, which operated asbestos mines.

The Corporation cannot reasonably estimate the extent of the lawsuits related to this litigation matter due to the absence of allegations in connection with damages claimed in these proceedings, and to the inability to assess the creditworthiness of co-defendants and their insurers, to estimate the number of potential claims and to predict the development of liability theories applicable to such proceedings. In management's opinion, even if they are partially reimbursed by the insurers, settlement-related expenses and defence fees for claims relating to asbestos litigation could have a material effect on the Corporation's results of operations and financial position over the coming fiscal years.

However, according to the opinion of legal advisers consulted, even if a default judgment were rendered against the Corporation in the United States, such judgment could not be enforced against the subsidiaries prior to its verification or recognition by a competent court in the province of Quebec; this court could refuse such recognition due to certain statutory provisions of the Civil Code of Quebec.

20 Segment information

The Corporation has only one operating segment.

All revenues received from the Corporation's customers are generated in Canada, and the Corporation's property, plant and equipment are all located in Canada.