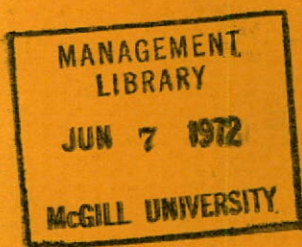


Francana Development
Corporation Limited

1969 Annual Report



Directors

- | | |
|-------------------|---|
| B. Lechartier | Vice-President and General Manager, Crédit Foncier Franco-Canadien
Director, Bank of Montreal |
| Gavin W. H. Relly | President, Anglo American Corporation of Canada Limited
Director, Hudson Bay Mining and Smelting Co. Limited |
| J. Debray | Assistant General Manager, Crédit Foncier Franco-Canadien
Executive Vice-President, Francana Oil & Gas Ltd. |
| G. J. Risby | Vice President-Treasurer, Anglo American Corporation of Canada Limited |
| M. B. Harding | Vice-President, Secretary-Treasurer, Francana Development Corporation Ltd. |

Officers

- | | |
|---------------|-------------------------------------|
| B. Lechartier | Chairman and President |
| J. Debray | Executive Vice-President |
| M. B. Harding | Vice-President, Secretary-Treasurer |

612 St. James Street, Montreal 101, Quebec
514 845-7114

Report of the Directors

The profit after taxes of Francana Development Corporation Ltd. and its wholly-owned subsidiaries, for the year ended December 31, 1969, amounted to \$962 524 compared to \$819 233 for 1968. During the year the Company paid dividends totalling \$450 000, an increase of \$50 000 over the previous year. Not included in normal earnings was an exceptional gain of \$287 896 realized on an investment holding. Total consolidated income for 1969 was \$1 279 945 compared with \$1 099 156 for the previous year. As in 1968, a major portion of revenue comprised dividends from Hudson Bay Mining and Smelting Co. Limited and Francana Oil & Gas Ltd.

At the year end the total shareholders' equity in the Company amounted to \$14 281 301 made up of working capital \$3 648 881, quoted investments \$7 780 030 (market value \$12 312 000), unquoted investments \$1 960 561, loans and fixed assets \$1 147 065, less a provision for writing down securities of

Hudson Bay Mining and Smelting Co. Limited

Francana Development Corporation Ltd.'s largest single investment, its holding in Hudson Bay Mining and Smelting Co. Limited, remained unchanged during the year at 152 000 shares, equal to approximately five percent of that company's issued stock. High prices for copper and zinc and the treatment of tax-free ore from the Osborne and Flexar mines resulted in record earnings for Hudson Bay Mining and Smelting Co. Limited during 1969 of \$29 698 514, which exceeded by forty percent the previous record of \$21 134 880 established in

\$255 236. The net asset value of the Company was estimated to be \$26 760 000 at year end by the directors.

The issued capital and the ownership of Francana Development Corporation Ltd. remained unchanged during the year with Crédit Foncier Franco-Canadien owning sixty percent and Anmercosa Investments Limited, a wholly-owned subsidiary of Anglo American Corporation of Canada Limited, holding the balance of forty percent of the outstanding shares.

During the year, Francana Development Corporation Ltd. (FDC) increased its investment in its wholly-owned subsidiaries by \$1 590 000 through the purchase of treasury stock of Frandevcor Ventures Ltd. (FVL), Frandevcor Investments Ltd. (FIL) and Frandevcor Explorations Ltd. (FEL). The investments by the Company in FVL and FEL were made in order to provide these subsidiaries with permanent capital with which to finance long-term investments.

1968. Earnings represented \$9.86 per share compared with \$7.42 in the previous year. A year-end extra dividend of \$1.00 per share was paid, making a total distribution of \$4.40 per share compared with \$4.00 per share in 1968.

Construction of Hudson Bay Mining and Smelting Co. Ltd.'s new \$70 million potash mine and mill progressed on schedule and the complex will come into production late in 1970. The company's strong financial position has permitted it to finance this project internally.

The company's exploration and development program resulted in the proving up of new reserves that more than offset production during the year and at year end reserves

totalled 18 048 600 tons averaging 3.0% Cu. and 3.5% Zn. compared to 17 612 300 tons averaging 3.0% Cu. and 3.8% Zn. at the end of 1968.

Francana Oil & Gas Ltd.

Francana Development Corporation Ltd. owned at year end forty percent of Francana Oil & Gas Ltd. (FO&G), an oil and gas exploration and production company active across Canada that is controlled by Hudson Bay Mining and Smelting Co. Limited. Francana Oil & Gas Ltd.'s net income after provision for current and deferred taxes for the year ended December 31, 1969, was \$758 639. The cash flow from operations was \$1 600 000 on a gross income of \$2 094 000 that resulted from the sale of 903 000 barrels of oil and 1 500 million cubic feet of gas. The company's proven recoverable oil and gas reserves at year end were estimated to be 12 500 000 barrels of oil and natural gas liquid and 28.4 billion cubic feet of natural gas.

In July 1969 the company moved its head office from Regina, Saskatchewan, to Calgary, Alberta. This move was in line with the company's policy of shifting the emphasis of its exploration from Saskatchewan

to Alberta and British Columbia. During the year the company expanded its land portfolio by the addition of rights in Alberta, British Columbia and offshore Nova Scotia and Newfoundland. These new land holdings, together with the existing holdings in the Arctic, Northwest Territories, the Western provinces and Quebec, give the company a good representation in a variety of sedimentary basins across Canada. At year end the company held working interests in 6 661 000 gross acres as compared to 3 155 000 gross acres at the end of the previous year.

An underwriting agreement entered into by Francana Oil & Gas Ltd. during the year provided for the sale to the public of 700 000 common shares from the treasury at \$5.00 per share. This sale of treasury stock was completed in January 1970 and, as a result, FDC's percentage ownership of the company has been reduced from forty percent to about thirty-four percent.

Hudcana Development Corporation Ltd.

Hudcana Development Corporation Ltd. is a holding company that owns sixty percent of the outstanding common shares of Francana Minerals Ltd., a company exploiting a sodium-sulphate deposit in Cabri, Saskatchewan, and thirty-eight percent of the outstanding shares of Tombill Mines Limited which owns the

remaining forty percent of Francana Minerals Ltd.

In December, Francana Development Corporation Ltd. accepted an offer from Hudson Bay Mining and Smelting Co. Limited to sell its 30% holding in Hudcana Development Corporation Ltd. The gain realized on the

disposal of this non-revenue producing investment amounted to \$287 896 and as a

result of this move, \$1 287 777 was made available for new investment.

Frاندevcor Investments Ltd.

Frاندevcor Investments Ltd. (FIL), a wholly-owned subsidiary of FDC, is engaged in investment in listed securities. During the year, FIL's portfolio was reduced from \$2 389 000 at the start of the year to \$1 829 000 at year end. The company had a net profit after tax of \$83 000 for year ended December 31, 1969, after a provision of \$192 000 for writ-

ing down securities to the lower of cost or market.

Francana Development Corporation Ltd. invested \$500 000 in FIL during the year by subscribing for treasury shares and at year end FDC's investment in FIL totalled \$501 000 and FIL's retained earnings amounted to \$340 000 at the same date.

Frاندevcor Ventures Ltd.

Frاندevcor Ventures Ltd. (FVL), a wholly-owned subsidiary of FDC, is involved in making long-term investments in areas other than that of natural resources. During the year, FDC invested \$800 000 in FVL by subscribing for treasury stock. This new investment raised FDC's total investment in FVL to \$1 million.

In December Frاندevcor Ventures Ltd. invested \$1 400 000 in the form of secured

debt and equity in a well-established Canadian bulk trucking company, Provost Cartage Inc., operating in Quebec, Ontario, the Maritimes and the Northeastern states of the United States. FVL also has a participation in two other Canadian industrial ventures, Sterisystems Ltd., Toronto, and Dad's Industries Ltd., Vancouver. The investments in these two companies totalled \$360 000 at year end.

Frاندevcor Explorations Ltd.

Frاندevcor Explorations Ltd. (FEL), a wholly-owned subsidiary of FDC, is engaged in making long-term investments in the natural resources field. In 1969, FDC increased its investment in FEL by \$290 000 by subscribing for treasury stock.

During the year FEL invested \$215 000 in a Denver-based company, Trend Exploration Limited, that is engaged in exploration for oil and gas in North America, Europe and the far East. In addition, FEL participated in a consortium that provided a private Cana-

dian oil and gas exploration and production company, Consumer's Oil Company Limited, based in Calgary, with the capital it required for further exploration and development work.

Francana Development Corporation Ltd., through a subsidiary, participated in a mining exploration syndicate that was active all year in British Columbia. Two groups of claims turned up by the syndicate were deemed to be of sufficient interest by the major syndicate partner, Nippon Mining Co. Ltd., to warrant the formation of a public company to

carry on work on the ground in question. To this end, a company, Nicanex Mines Ltd. (N.P.L.) was formed in December 1969 with

FDC as a shareholder acting through a subsidiary. Nicanex Mines Ltd. (N.P.L.) will be active in British Columbia in 1970.

New Investments

FDC, acting through its subsidiaries, is actively seeking new investment opportunities in both the natural resources and industrial fields. FDC is prepared to take minority or majority positions in established companies with potential. In particular, FDC is seeking oil and gas investments and mining situa-

tions where financing is required to bring projects to production.

B. Lechartier
Chairman and President

February 15, 1970

Consolidated balance sheet

as at December 31, 1969 (Note 1)

	Assets	1969	1968
Current Assets	Cash	\$ 177 033	\$ 27 333
	Accounts receivable	24 117	22 992
	Income taxes recoverable	22 269	
	Demand or short term deposits	1 700 000	1 142 000
	Trading securities, at cost (note 2)	1 829 205	2 388 987
		<u>3 752 624</u>	<u>3 581 312</u>
Loans	Loans receivable	1 143 790	150 000
Investments at cost	Quoted (note 3)	7 780 030	7 780 030
	Unquoted	1 960 561	2 220 485
		<u>9 740 591</u>	<u>10 000 515</u>
	Miscellaneous	3 275	2 544
	<u>\$14 640 280</u>	<u>\$13 734 371</u>	

Approved by the Board of Directors

B. Lechartier, Director

G. J. Risby, Director

	Liabilities	1969	1968
Current Liabilities	Accounts payable	\$ 103 743	\$ 46 583
	Provision for income taxes		142 798
		<u>103 743</u>	<u>189 381</u>
Provision	Provision for writing down value of trading securities (note 4)	255 236	62 919
Shareholders' Equity	Capital stock		
	Authorized 2 000 000 common shares without nominal value		
	Issued and fully paid 1 000 000 shares	12 800 000	12 800 000
	Retained earnings	1 481 301	682 071
		<u>14 281 301</u>	<u>13 482 071</u>
	<u>\$14 640 280</u>	<u>\$13 734 371</u>	

Consolidated statement of income and retained earnings

year ended December 31, 1969

		1969	1968
Income	Dividends	\$ 945 328	\$ 622 356
	Profit on sale of trading securities	191 686	253 560
	Interest	142 931	223 240
		<u>1 279 945</u>	<u>1 099 156</u>
Expense		<u>85 591</u>	<u>65 082</u>
	Income before provision for writing down value of trading securities and income taxes	1 194 354	1 034 074
	Provision for writing down value of trading securities	192 317	62 919
	Provision for income taxes	39 513	151 922
		<u>231 830</u>	<u>214 841</u>
Net Income		962 524	819 233
	Gain on realization of investments	287 896	
		<u>1 250 420</u>	<u>819 233</u>
Retained earnings	January 1	682 071	263 838
		<u>1 932 491</u>	<u>1 083 071</u>
	Less		
	Dividends	450 000	400 000
	Incorporation expenses	1 190	1 000
		<u>451 190</u>	<u>401 000</u>
	Retained earnings, December 31	<u>\$ 1 481 301</u>	<u>\$ 682 071</u>

Consolidated statement of source and application of funds

year ended December 31, 1969

		1969	1968
Source of Funds	Net income for the year	\$ 962 524	\$ 819 233
	Provision for writing down value of trading securities	192 317	62 919
	Depreciation on office equipment	448	330
		<u>1 155 289</u>	<u>882 482</u>
	Advances reimbursed	150 000	
	Investments realized – unquoted	1 112 280	741 866
	<u>2 417 569</u>	<u>1 624 348</u>	
Application of Funds	Loans and advances	1 143 790	150 000
	Investments made – quoted		3 652 405
	– unquoted	564 460	604 501
	Dividends paid	450 000	400 000
	Incorporation expenses, office equipment and other	2 369	3 874
		<u>2 160 619</u>	<u>4 810 780</u>
Working Capital	Increase (decrease) in working capital for the year	256 950	(3 186 432)
	Working capital at beginning of the year	3 391 931	6 578 363
	Working capital at end of the year	<u>\$ 3 648 881</u>	<u>\$ 3 391 931</u>

Notes to the consolidated financial statements

for the year 1969

- Note 1** In the accompanying consolidated financial statements, the accounts of Francana Development Corporation Ltd. have been consolidated with those of the following subsidiary companies, all of which are wholly-owned:
Frandedcor Investments Ltd.
Frandedcor Explorations Ltd.
Frandedcor Ventures Ltd.
- Note 2** **Trading Securities**
The market value of trading securities was \$1 606 600 as at December 31, 1969 and \$2 598 030 as at December 31, 1968.
- Note 3** **Quoted Investments**
The market value of these shares was \$12 312 000 as at December 31, 1969 and \$11 248 000 as at December 31, 1968.
- Note 4** **Provision for writing down value of trading securities**
A provision of \$255 236 has been taken to write down to market those securities whose market price was lower than cost as at December 31, 1969.

Auditors' report

To the Shareholders of
Francana Development
Corporation Ltd.

We have examined the consolidated balance sheet of Francana Development Corporation Ltd. and its subsidiaries as at December 31, 1969 and the consolidated statements of their income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1969, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Samson, Bélair, Côté, Lacroix et Associés
Chartered Accountants

Montreal, February 13, 1970

