



fraser

1982 Annual Report



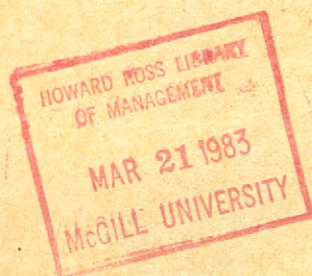
	1982	1981	1980
Sales	\$ 397,605,000	\$ 422,172,000	\$ 362,184,000
Earnings	\$ (4,761,000)	\$ 17,529,000	\$ 31,560,000
Return on Equity	(2.6)%	9.5%	18.8%
Addition to Fixed Assets	\$ 114,157,000	\$ 73,513,000	\$ 30,178,000
Fixed Assets per Employee	\$ 101,000	\$ 71,000	\$ 64,000

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Le texte français de ce rapport annuel est disponible en s'adressant au secrétariat de la corporation, 27 rue Rice, Edmundston, Nouveau-Brunswick E3V 1S9

The cover photos represent a cross section of Fraser employees who individually work at quite different occupations, but who, collectively, with all Fraser employees, are responsible for Fraser's success.



Financial Highlights

	1982	1981	1980
Operations			
Net sales	\$397,605,000	\$422,172,000	\$362,184,000
Net earnings (loss) from operations	(4,761,000)	17,529,000	31,560,000
Net earnings (loss) per share	(.67)	2.49	4.51
Dividends per share	.50	1.30	1.20
Cash flow	15,739,000	38,511,000	54,280,000
Cash flow per share	2.22	5.47	7.76
Financial Position			
Working capital	43,448,000	52,592,000	45,015,000
Total assets	527,618,000	447,881,000	378,657,000
Long-term debt	239,816,000	148,897,000	98,249,000
Shareholders' equity	182,735,000	189,543,000	180,132,000
Other			
Return on average shareholders' equity — %	(2.6)	9.5	18.8
Additions to plants and properties — net	114,157,000	73,513,000	30,178,000
Average number of employees	3,746	4,010	3,625
Shareholders' equity per share — year-end	25.57	26.84	25.68
Market price per share — year-end	12.00	17.50	23.00

An Annual and Special Meeting

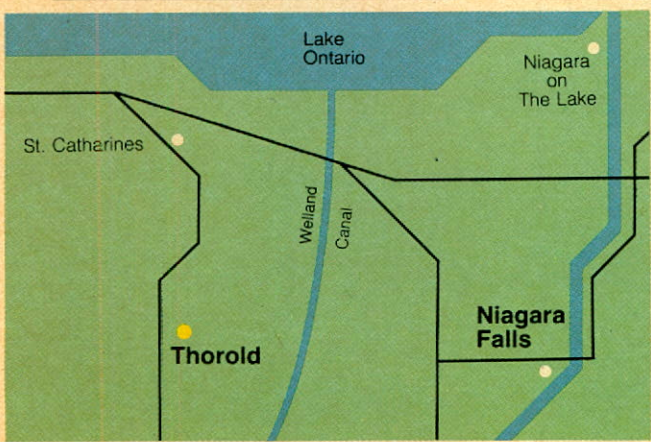
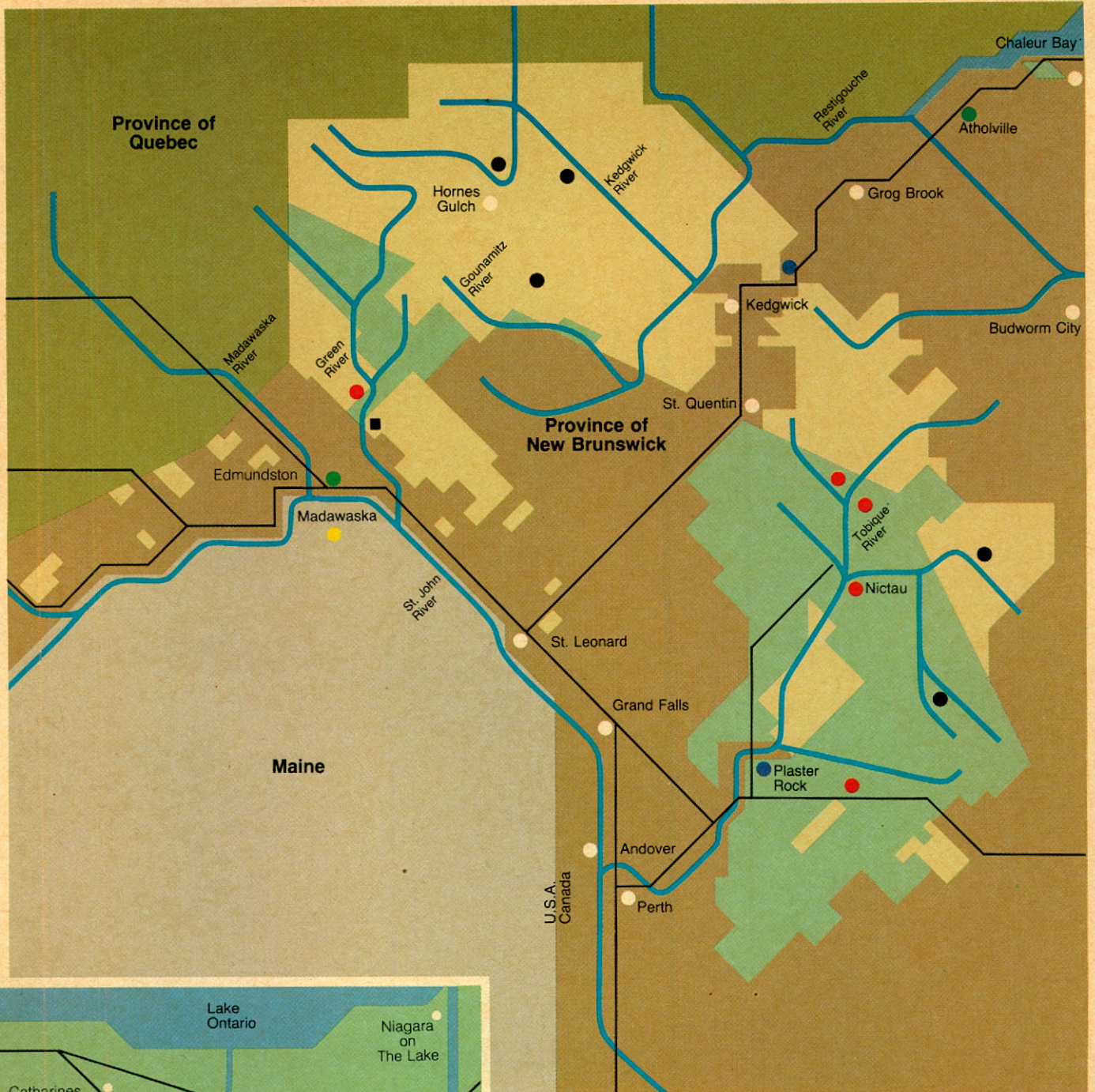
of the shareholders of Fraser Inc. will take place Thursday April 14, 1983, in the Republic Room, Conference Centre, Howard Johnson's Motor Lodge, Edmundston, N.B. at the hour of 11:00 o'clock in the forenoon, Atlantic Standard Time.

Stock Transfer Agent and Registrar

Montreal Trust Company
Montreal, Quebec
Toronto, Ontario
Vancouver, B.C.
Saint John, N.B.

Stock Listed

Montreal Stock Exchange
Toronto Stock Exchange



- Pulp mill
- Paper mill
- Commuter operation
- Nursery
- Saw mill
- Camp operations
- Highway
- River
- Crown land
- Private land

Report to Shareholders

The year 1982 was for Fraser, like most similar forest products companies, one of continuing depression. The good news is that the Company came through it quite well and as the year drew to an end the factors necessary for economic revival were beginning to fall into place. Inflation has subsided, followed by significant declines in interest rates and the all-important consumer is beginning to buy, all of which are giving some stimulus to general business activity. Fraser supplies markets that respond directly and quickly to general economic activity, which bodes well for the future, but also explains why volumes and profitability were seriously affected throughout 1982, resulting in net sales being down 6% and a net loss of \$4.8 million or 67¢ per share.

Overall shipments of Printing and Writing Paper and Boxboard products were at 80% of capacity, while excess capacity in the industry resulted in general product price declines, notwithstanding that costs of services, materials and employment continued to increase. A relatively modest reduction of Printing and Writing Paper production worldwide caused a sharp reduction in the demand for market pulp. The result was prices at the end of 1982 being significantly lower than at the start of the year. Because of this low demand and prices, the Atholville Pulp mill, using the technology of the 1930's, became uncompetitive and was shut down early in the year and will not restart until the modernization project is completed in late 1983. The Company's production of Wood Products also was reduced as a result of high interest rates and their impact on housing starts in North America.

In spite of a very difficult and challenging operating year, continued progress was made towards the Company's commitment to serve the Printing and Writing Paper markets of North America. The core of this policy is to be cost competitive. The Company has modernized most of its facilities, and all are operated by employees who are both well trained and motivated to operate profitably. The Company would have done a lot worse in 1982 without this commitment and even better results may be expected in future. Key areas of progress in 1982 can be summarized as:

1. Continuation of the modernization of the Atholville Pulp mill started in 1981 for completion in late 1983. The modernized mill will stand comparison with the most modern of competing mills and will provide pulp for both world markets and internal uses.
2. The purchase during the fourth quarter of a half interest in the Levesque Sawmill in Northern Maine. In addition to being an efficient sawmill that will prosper as the lumber markets improve, this facility provides a base in Maine to facilitate the supply of an increased volume of softwood fibre for the pulpmill in Edmundston.
3. Early in 1983, the company acquired from MacMillan Bloedel Limited, a 50% interest in Island Paper Mills Limited, which manufactures Printing and Writing Papers in New Westminster, B.C. Thus, Fraser becomes a credible supplier of fine papers across Canada and the northern tier of the United States.
4. In late 1982, a high pressure steam pipeline was completed across the International Border between the mills in Edmundston and Madawaska. This permits both mills to operate as a single energy unit, and will reduce total energy costs significantly. An associated project to convert an oil fired boiler at the Edmundston Mill to burn bark was deferred to conserve cash.
5. At mid-year, the Company was reorganized into Product Groups with individual profit responsibilities. The objective for this change is to better focus management attention on long-term profitability and reduce levels of management. It represents another step in Fraser's efforts to create an environment where individuals can participate in and better understand their individual contributions to the Company's efficiency and profitability.

Reduced operating levels and profitability in 1982 impacted on all employees with fewer hours of employment, hiring freezes, a six-month salary freeze for staff personnel, plus an early retirement program. The Company, like others in the industry, is struggling with the challenge to increase the understanding of all



The Fraser commitment — a healthy productive recreational forest

employees that their wages, salaries and fringe benefits are vitally dependent upon the future success of the Company. Every employee must understand that profits and dividends are not a luxury taken from what is left over after all other demands have been met, but rather an essential ingredient for corporate longevity, a must if a company is going to continue to provide attractive and secure employment. The facts are that nearly all Canadian pulp and paper companies have to sell a major part of their products in the United States. It is absolutely essential to remain competitive in that market, a condition which cannot be achieved if we have excessive wages and other costs in Canada. Improvements are still needed in the communications and education climate so that all employees will fully understand that it is in their own vital interests to be cost competitive.

Because of the capital requirements to continue the Atholville modernization program, the Company debt increased significantly during the year. Low earnings were also a factor by producing less cash than planned. Levels of debt will continue to increase during 1983 until the Atholville project is completed.

Late in 1982, the investment in Frenswick Holdings Limited, which represented an indirect investment in Noranda Mines, was converted to a direct investment in Kerr Addison Mines, plus some cash and marketable securities totalling approximately \$11 million. This change will facilitate an additional freeing up of approximately \$27 million at year-end market values, should circumstances indicate such action would be appropriate. With the completion of the Atholville project, all immediate major capital expenditure programs will be completed and emphasis will be placed on maximizing efficiencies, strengthening the balance sheet and the resumption of dividends.

In early 1983, with both inflation and interest rates headed down, conditions are in place for a slow but steady improvement in the economies of both Canada and the United States. Inventories in Fraser's paper grades are not excessive and new capacity coming on

stream is in relative balance with market growth. In light of these factors, we can look forward with some hope, but with no assurances, of an improved year for 1983.

It is worth making the point that Fraser is a unique forest products company in Canada, specializing in the manufacture and sale of Printing and Writing Papers, and serving both the Canadian and U.S. markets with these grades. These factors should favour a faster improvement in profitability than likely will be achieved by the industry on average.

At year-end, 45 staff employees retired as part of a special voluntary early retirement program to reduce staff levels and costs. These employees served the Company an average of 34 years, and their experience and guidance will be greatly missed, as will also the other 63 hourly and staff employees who retired under regular pension provisions. The Company has been exceptionally well served by its many long-term employees and we wish them all well as they enter a new stage of their lives.

At the Annual Meeting, Carl M. Frantz retired from the Board after eight years of valuable service. R. Timothy Kenny, President of James Maclaren Industries Inc. was appointed to the Board in his place.

John P. Fisher
Chairman

Knut Grotterod
President

February 11, 1983

Bank Statement

Date	Item	Withdrawal	Deposit	Balance
1/1/82				\$2,288,000 00
	Proceeds from sale of lumber, pulp, boxboard and paper		400,469,000 00	
	Received from Associated Corporations		6,086,000 00	
	Paid out for:			
	wood	39,808,000 00		
	wages	92,277,000 00		
	fringe benefits	26,657,000 00		
	wages and fringe benefits transferred to new machinery		8,548,000 00	
	fuel	35,218,000 00		
	power	22,077,000 00		
	purchase of pulps	73,746,000 00		
	chemicals	52,179,000 00		
	services and supplies	22,911,000 00		
	Paid to reduce debt	11,720,000 00		
	Paid interest on debt	17,761,000 00		
	Paid for new machinery and reforestation - net	114,157,000 00		
	Paid to federal, provincial, state and local governments for taxes	5,371,000 00		
	Received from sale of shares to employees		119,000 00	
	to others		74,000 00	
	Received from new borrowings		102,639,000 00	
	Dividends paid to shareholders	3,566,000 00		
31/12/82				\$2,775,000 00



The Fraser Nature Trail — this section recreates old corduroy roads built by our ancestors



Peter M. Belyea

Vice-President, Woodlands, 33 years with Fraser, he oversees all forest management activities on the company's forest base.

Woodlands

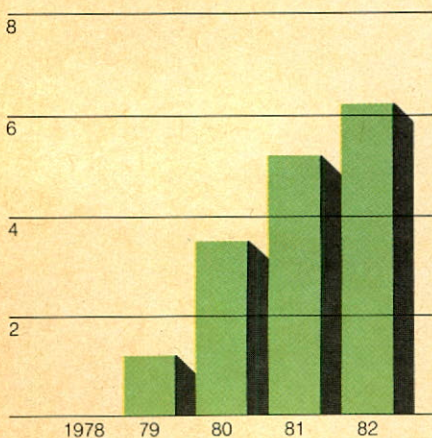
Resource management on Fraser limits, and the New Brunswick forests in general, took a major step forward with the formal implementation of the new Crown Lands and Forests Act in 1982.

Fraser officially signed its first Forest Management Agreement (FMA) as required under the Act with the Department of Natural Resources on March 18, 1982. Subsequently, we entered into our first Five-Year Operating Plan under the FMA, and are currently preparing our first 25-Year Resource Management Plan.

In response to the new Act and its requirements, Fraser completed the reorganization of its Woodlands Department in 1982, effectively integrating the wood production and silvicultural functions. This union paved the way for the orderly harvesting and follow-up forest management work on Fraser limits during the year, and will continue to improve these separate yet dependent functions in years to come.

As a phase-in agreement with the Department of Natural Resources in 1982, the Company, on its leased Crown Land sites, prepared 2,300 hectares, planted 300 ha. and spaced another 190 ha. In 1983 the Company will expand this effort to include all basic silvicultural work on these Crown-leased limits, which under the FMA calls for an area of 2,800 ha. annually.

Seedlings planted
(millions)



The Krabat, an effective skidder for small woodlot selective cut operations



In addition to work on Crown Lands, the Company in 1982 produced 6,000,000 seedlings at the Fraser Forest Tree Nursery; planted 6.2 million nursery seedlings on 3,130 ha. of Company freehold limits; spaced 233 ha. of young natural stands; and herbicide treated 2,000 ha. of young plantations.

Once again in 1982 the Company participated in financing the aerial spray program on N.B. forests. A total of 537,000 ha. of Company limits were treated under the program in early summer at a cost of \$1 million; however, the effects of inclement weather on the development of tree growth and the insect, plus the effects of last minute changes to the spray formulations to address public environmental and health concerns, combined to produce less than satisfactory results. Fraser, as does the provincial forest-based industry, firmly believes the on-going aerial protection program is an absolute necessity if current industry capacity and levels of employment are to be maintained in the long term.

High wood inventories caused by reduced operations due to weak markets in most forest product lines resulted in a total of 497,000 m³ of wood being harvested by our Woodlands Department in 1982, a reduction of 44% from the previous year. This situation caused a substantially reduced work season for some company employees; however, the Company was able to temper the economic impact on approximately half of these employees over a six-week period through participation in a federally sponsored Forest Improvement Job Creation Program.



Noël Francis
Supervisor of Extension Forestry,
19 years with Fraser .

Private woodlot manager of the year award winners Harold Skinner, Gerald Pelletier and Onil Cyr receive plaques from Fraser representatives





William H. Matthews
Vice-President and General Manager
Thorold Papers/Boxboard Group
Heads up the Thorold Fine Paper Mill
and Edmundston Boxboard Division.
Two years with Fraser.

Boxboard and Thorold Division

Boxboard

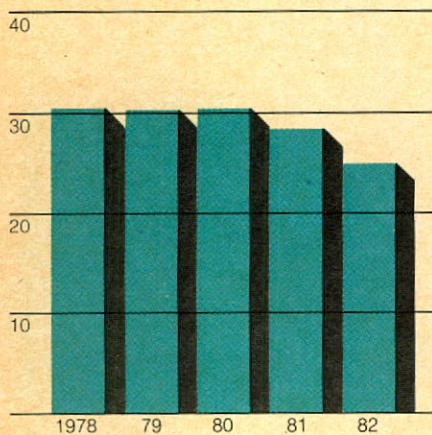
A soft demand picture and persistent operating problems caused this Division to perform at a less than satisfactory level in 1982. Shipments on the year were off 11% from 1981, totalling 25,428 tons.

The expected benefits of the recent modernization program within the Boxboard Mill failed to materialize for the better part of 1982. The last quarter of the year, however, did see consistent improvement in production rates. With a new operating structure in place in September, an action program was initiated, concentrating efforts on reducing downtime and improving product quality through sound mechanical and electrical maintenance.

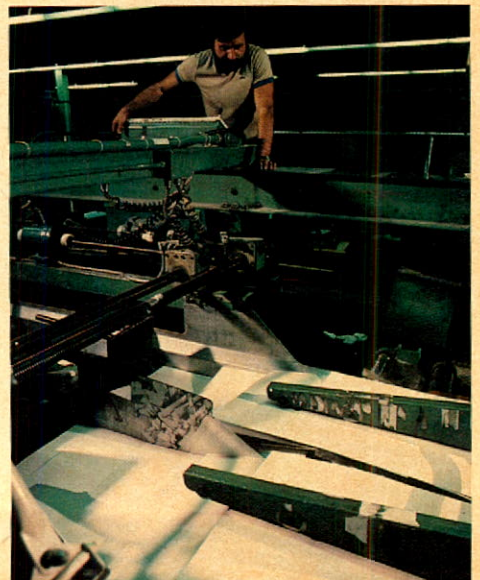
The new year will see work continue towards improving sheet quality, primarily through the on-going maintenance program and increased inspections, tests and refined operating techniques. To this end, the first quarter of 1983 will see the secondary fibre system upgraded to ensure a better bonded sheet and increased usage of less expensive fibre. A much improved coater operation is also anticipated to have marked improvement in sheet quality.

Given projections for another difficult marketing year, a positive note with this product line may have come from the heavier than anticipated sales volumes of roll stock during 1982, thus appearing to have vindicated the long-range necessity of the dry-end rebuild of the past two years.

Boxboard Units of Sales
(thousands of tons)



New boxboard sheeter has a capacity of approximately 85 tons/day





Robert Ouellette
Winder Helper, 7 years with Fraser



Shirley Chikofsky
Switchboard Receptionist, 2 years with Fraser

Boxboard and Thorold Division (continued)

Fine Papers — Thorold

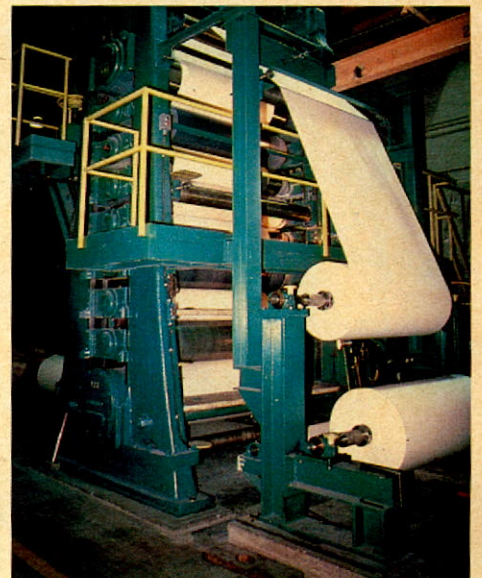
The Thorold Division of Fraser, although affected by generally weak markets and curtailed output, proved a profit centre for the Company in 1982, shipping a total of 73,958 tons of fine paper products on the year.

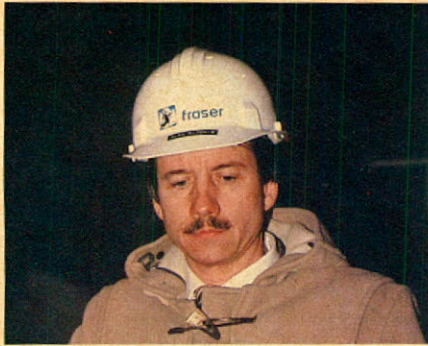
Higher operating efficiency combined with lower costs for raw materials to significantly reduce production costs during the year. The end result was improved productivity in all its forms, with these positive results expected to continue in the coming year.

Relatively weak demand for most of the Division's major paper grades cut into profit margins during the year, the one exception being grades supplying the business forms market. Another positive note was that pricing remained fairly firm for specialty grades such as wallpaper substrates, coated packaging and coated label paper, with sales of wallpaper showing strength in the latter part of the year and continuing into early 1983. This trend bodes well for the Company, which aims to expand wallpaper sales to the North American marketplace. The previous rebuild of No. 4 paper machine also benefited the Division in 1982 by making possible the production of lower basis weight packaging grades, thus allowing Fraser to participate in the profitable lightweight segment of this market.

Productivity is expected to be enhanced in 1983 through the installation of additional supercalendering capacity, as well as by the addition of an in-line mechanism in the specialty line to produce 8½ x 11 sheets which are three-hole punched. This latter capability is expected to strengthen the Company's position in the intelligent printer/copier market, thereby enabling Fraser to continue to participate in the development of specialty papers for the office of tomorrow.

New supercalender can handle fine paper rolls up to 75 inches in width





Alan A. Ritchie
 General Manager, Market Pulp and Wood Products Group. The company sawmills and market pulp mill are his responsibility. 9 years with Fraser.

Market Pulp and Wood Products

Market Pulp

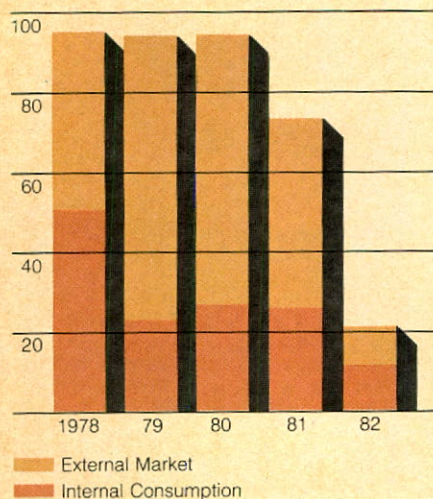
Weak demand, oversupply and depressed prices for sulphite pulp throughout the industrial world caused the Atholville Pulp mill to shut down in May, 1982, and remain out of production for the balance of the year.

With the continuing poor business climate for this product line, the company has decided to postpone start-up of the existing mill until the fourth quarter of 1983, at which time bisulphite pulp production will have commenced with completion of the Atholville Modernization Project.

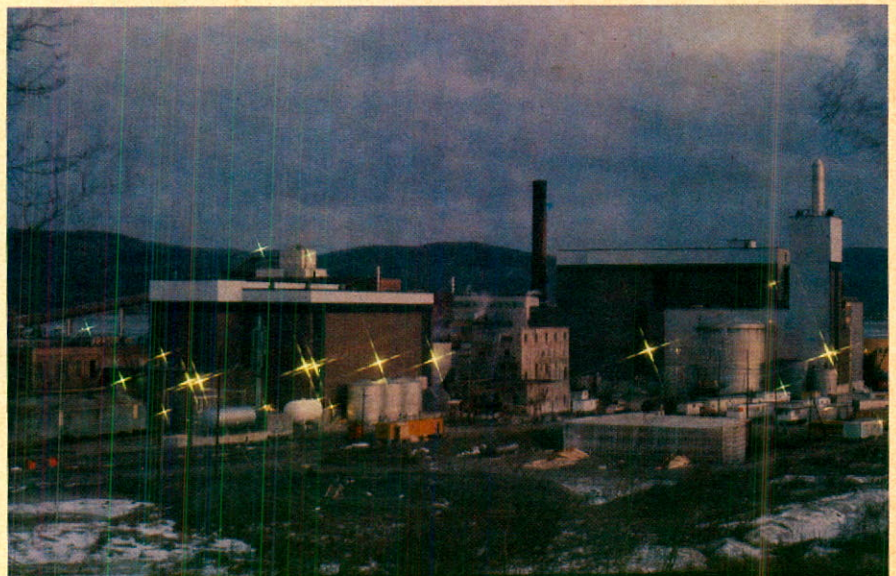
The modernization project progressed at a good pace in 1982, and at year end overall construction was better than 50%, with all major superstructures erected and enclosed and equipment installation proceeding on schedule. Project expenditures by December 31, 1982, were in the vicinity of \$115 million, with this amount offset to some degree by federal and provincial grants totalling \$23.6 million, 50% of which had been received by year end.

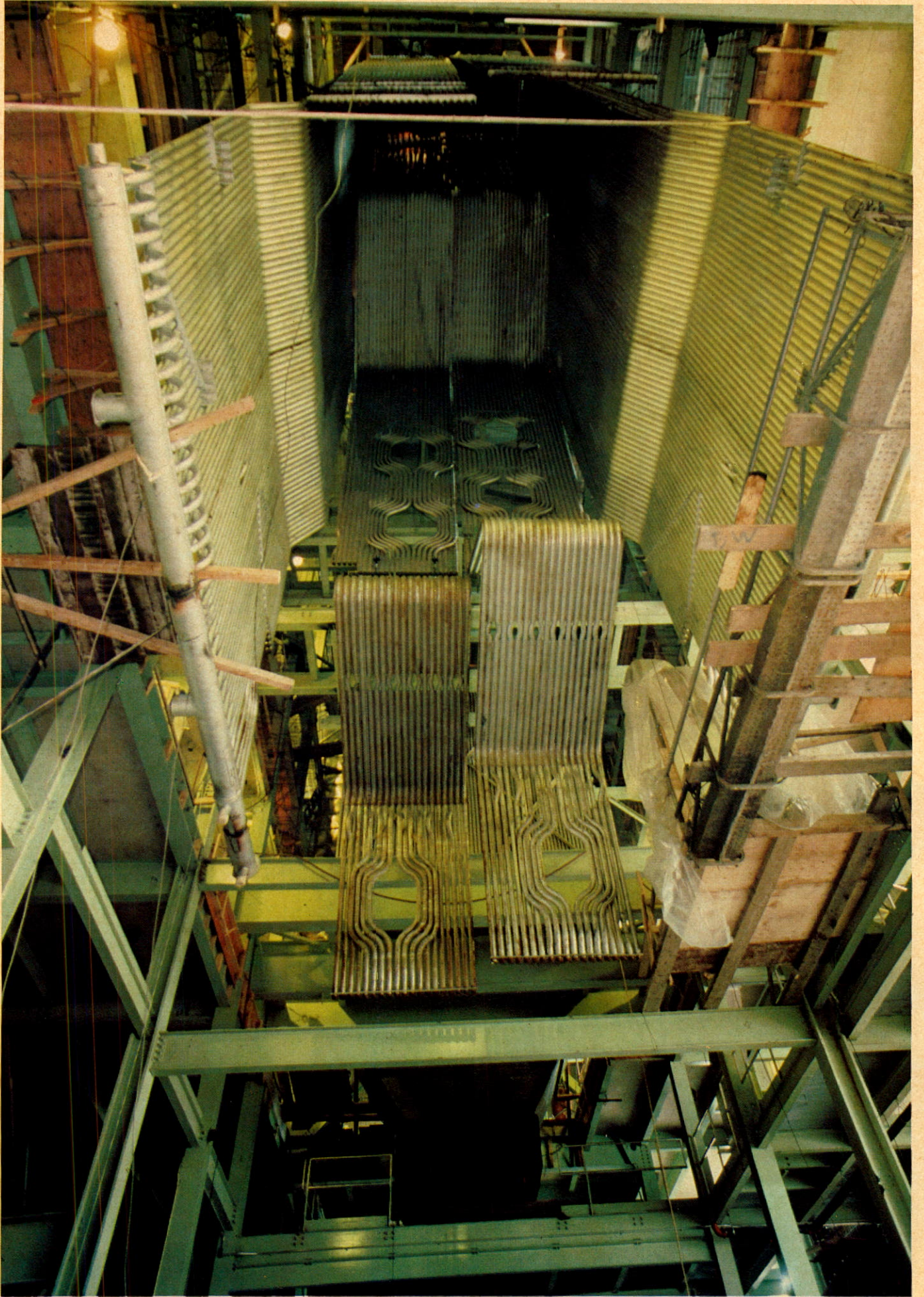
The modernized mill, targeted to come on line in the fall of 1983, by any standard will be one of the most cost competitive and energy efficient pulping operations in North America. It will feature red liquor recovery and bark boilers and is expected to be 85% energy self-sufficient through the replacement of 186,000 barrels of oil per annum.

Distribution of Market Pulp Units of Sales
 (thousands of tons)



All new major building structures are complete at Atholville as modernization continues





Almost 20 miles of tubing goes into the installation of the Atholville Recovery boiler



Jim Garrett
 Manager of Engineering and Construction, Atholville Modernization Project, 16 years with Fraser



Gerald Tardiff
 Filer, 19 years with Fraser - Plaster Rock

Market Pulp and Wood Products (Continued)

Wood Products

It was not a banner year for most producers of wood products in 1982, as high interest rates, depressed prices and weak markets all combined to create one of the most difficult marketing years on record.

The Fraser Wood Products Division was no exception, with production capacity at both the Plaster Rock and Kedgwick Sawmills running less than 50%. On the year, shipments totalled 32,695 M.f.b.m., off 57% from 1981.

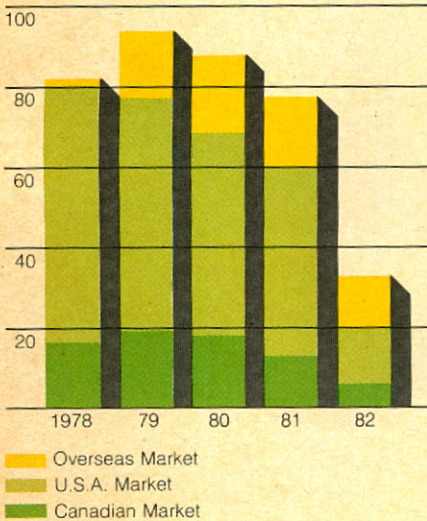
Notwithstanding these poor results, interest rates slowly but steadily declined, housing starts in the United States improved, and lumber prices continued to move upward by year end. With these conditions expected to persist in 1983, further improvement in all areas is forecast.

One market which did bring good net revenues on the year was the Middle East. This was a new market for the Company and our products were received very well.

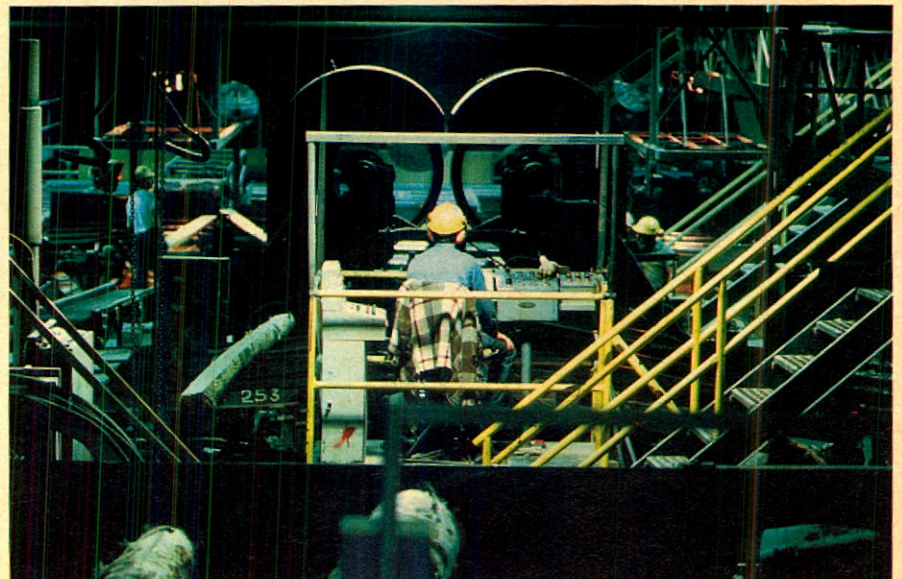
On October 1, 1982, Fraser acquired 50% ownership of the J. P. Levesque & Sons Inc. Sawmill in Ashland, Maine. Through this investment we were able to reach an agreement to obtain softwood fibre from Maine that would more than offset projected shortfalls when all Fraser operations are running at capacity.

The overall outlook for 1983 is for improved markets. With the proper economic environment and with projections for a significant increase in housing starts, the scene has been set to start up the long hill to recovery.

Distribution of Wood Products - Units of Sales (M.f.b.m.)



Twin band saw operation — Plaster Rock Mill





Niall P. O'Briain

Vice-president and General Manager, Edmundston/Madawaska Paper Group. The integrated pulp and paper Edmundston-Madawaska Complex, the company's largest profit centre, is his responsibility. 22 years with Fraser.

Edmundston Pulp and Madawaska Papers

Edmundston Mill

Streamlining operations and optimizing production capabilities were priorities at the Edmundston Mill during 1982, as this Division produced a total of 170,259 tons of magnesium bisulphite pulp and 109,721 tons of groundwood pulp on the year.

Chemical recovery efficiency did suffer in early 1982 with periodic plugging of the SO₂ scrubber which caused recurring disruptions in the recovery system; however, recent modifications to the scrubber's internal piping has alleviated the problem, with recovery efficiency showing considerable improvement in the latter part of the year and early 1983.

A highlight with this Division in 1982 was the commissioning in mid-October of the new steamline between Edmundston and Fraser Paper, Limited of Madawaska, which has henceforth made the burning of wood waste a much more lucrative operation.

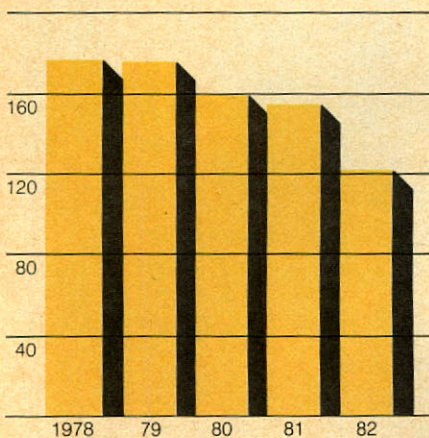
Fine Papers — Madawaska

Shipments in this product line were down appreciably from 1981, reflecting the weak business climate throughout North America. An operating rate of 78% resulted in sales of 120,922 tons, down 21% from 1981.

Low pricing combined with poor demand and market surpluses necessitated sales in the less profitable grades for most of the year, yet did permit the Company to operate the Edmundston Pulpmill at a sustainable rate. Another positive note with this Division was the continued development of lightweight book papers for bibles and dictionaries, which have received an enthusiastic response in the marketplace.

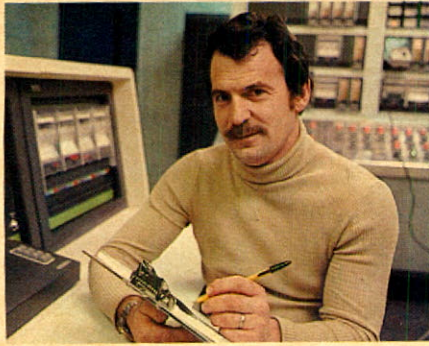
Product development work also continued on No. 3 machine's billblade coater with commercial runs being established for several specialty coating formulations. On the year, our coated products held up well and we look for more improvements in 1983 as the economy improves and Company efforts continue to concentrate on improving market share in what have been the high profit margin grades for this Division.

Fine Paper Units of Sales (Madawaska)
(thousands of tons)

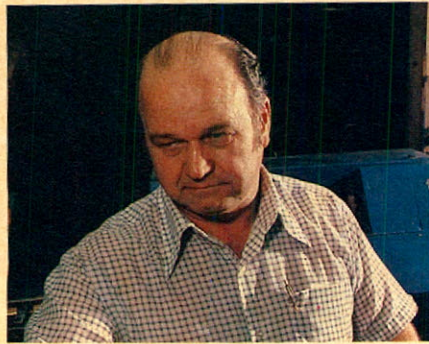


Madawaska mill new solid waste disposal site has a projected 25 year life span



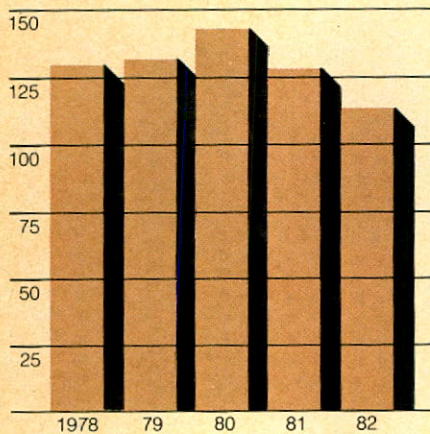


Alfie Levesque
Recovery 1st Assistant, 13 years with Fraser



Hervy Lavertu
Checker with Bond Wrapping and Shipping, 17 years with Fraser

Uncoated Groundwood Paper – Units of Sales
(thousands of tons)



Edmundston Pulp and Madawaska Papers

(Continued)

Uncoated Groundwood Papers

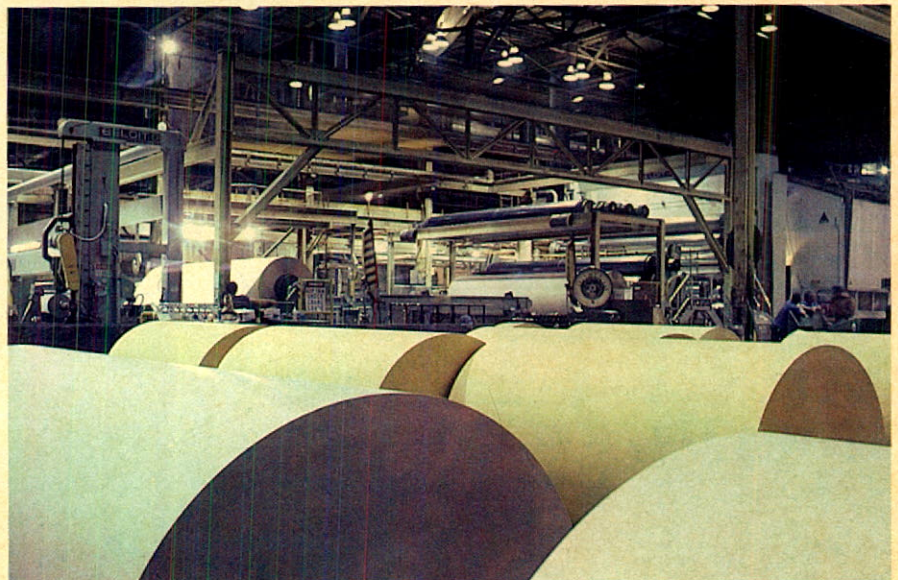
Demand for uncoated groundwood papers remained firm for the better part of 1982 as customers continued to take advantage of these cost-effective and versatile grades. On the year, shipments of 113,503 tons were down 11% from 1981; however, a product mix in the lower basis weight papers resulted in sales approximately equal to those of a year ago.

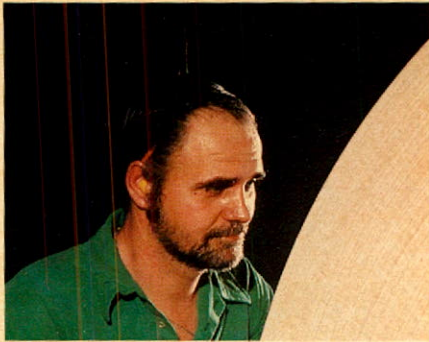
The product line was particularly bolstered during the year by an 8,000-ton order from the Mexican Government for lightweight telephone directory paper, and by the continuing customer shift towards the purchase of the lightweight grades. Consequently, the swing capability of No. 7 paper machine played a major role in groundwood production during the year, with the unit operating 54% of the time on these grades.

Customer preference for the cost-effective lower basis weights led Fraser to undertake successful trial runs of 18 lb. directory paper on No. 8 paper machine during the year. Plans are to enter the marketplace with this high-demand product in the very near future. Also, in a move to improve roll quality in these grades, the company in 1982 installed a new reel on No. 7 paper machine.

It is expected that increased competition from newsprint firms currently experiencing low operating rates will challenge our marketing efforts in 1983; however, given the versatility and economy of these papers, opportunities are there for Fraser to gain new markets and perform well.

Lightweight uncoated groundwood directory paper



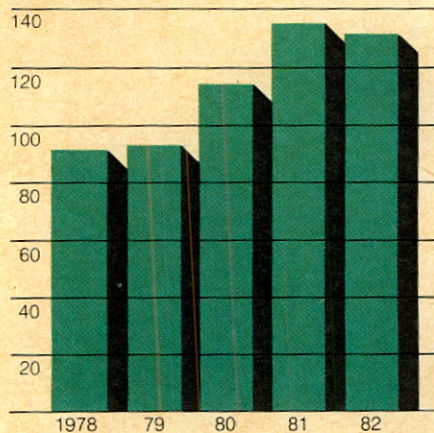


Armand Corriveau
Backtender, No. 8 Machine, 15 years
with Fraser



Marlene Koswan
Technical Assistant, Catalogue Mill,
5 years with Fraser

**Coated Groundwood
Paper – Units of Sales**
(thousands of tons)



Edmundston Pulp and Madawaska Papers

(Continued)

Coated Groundwood Papers

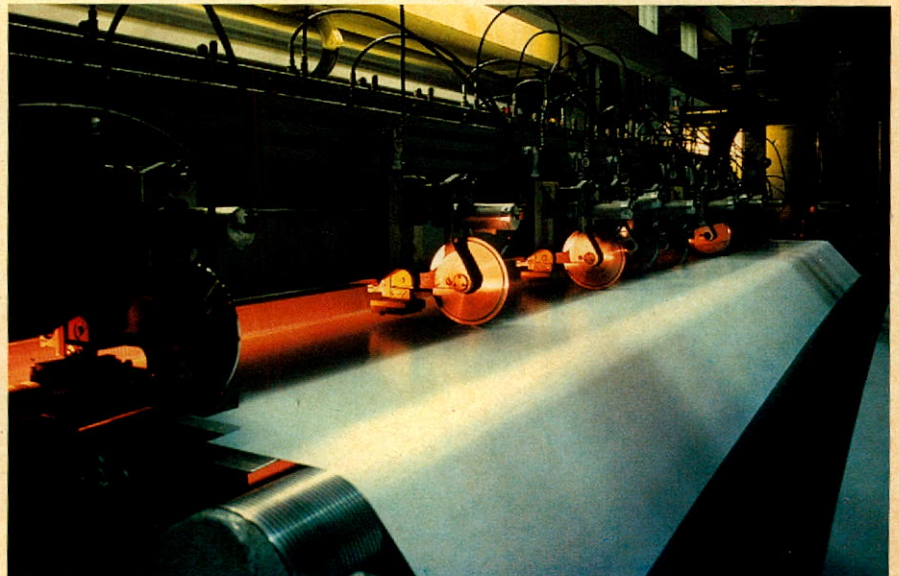
Firm demand by the catalogue industry and the smaller circulation magazines assured a good operating year for this product line in 1982, with shipments totalling 131,224 tons, off 2% from 1981.

For the first time a 32 lb. coated sheet was manufactured on a commercial basis, with significant shipments of this product being made during the year. In addition, this Division continued its work in the development of a 30 lb. coated sheet, which should be ready for the marketplace in early 1983.

Improved coater productivity and effective cost reductions were evident throughout 1982. A rebuild of the stock supply system to No. 6 paper machine combined with more efficient coater tension controls to improve operation on the C-3 coater. Costs were also reduced through further integration with Edmundston via higher usage of improved unbleached bisulphite pulps.

Although soft markets for these papers were evident through the last quarter of 1982, further concentration on the lightweight sector of the coated publication market should ensure full operations for this product line in 1983.

Coated, supercalendered stock being cut into rolls prior to roll wrapping and shipping



Fraser and the Public

A year of weak markets and depressed earnings saw Fraser continue to respect its social role in 1982 by actively supporting worthwhile causes and people in those areas where the Company maintains manufacturing operations. To this end, Donation Review Committees comprised of Company employees were again active at each plant location, recommending corporate financial assistance when and where necessary.

The Fraser Cup Provincial Cross Country Skiing Championships; a concert by Edith Butler during the Acadian Days festivities in Madawaska; the presentation of "Life with Father" by Theatre New Brunswick; the official opening of the Fraser Nature Trails adjacent to the Company's Forest Tree Nursery; the production of Company and Steamline audio-visual programs and a brochure on the Thorold Division; and the conveyance of a large parcel of land to the Village of Plaster Rock for the development of a community tourist park were only some of the major projects made possible by Company support during the year.

Fraser also assisted in the launching of a unique educational project entitled "People of the Forest" into the elementary school systems of Canada. The project, jointly sponsored by the CPPA and the University of Toronto, is currently tied into existing social studies programs and aims to provide teacher and student alike with a better understanding and appreciation of the forest industry and its people.

A special press day was held in late summer at the Atholville Modernization Project to provide local and provincial media with all news aspects relative to this major undertaking. Regularly scheduled meetings with elected representatives and government officials at federal, state, provincial and municipal levels concentrated on reviewing Company operating results, discussing issues of concern to both, and identifying areas of mutual interest and cooperation.

A service which perhaps best demonstrates our Company's commitment to its communities and people is the Fraser Air Medevac Program. Twice in 1982 Fraser aircraft were called upon in life and death situations to transport the seriously injured to major medical centres. In both cases the Medevac was a success, resulting in lives being saved.



Fraser President Knut Grotterod donates a parcel of land for the Plaster Rock Tourist Park Project



Winner of the Mini-Midget class in the second leg of the Fraser Cross-Country ski championship



Local elementary school teachers participating in People of the Forest project, tour Fraser facilities



Another contestant takes off. In sight, the Fraser-New Brunswick Cross-Country ski championship



Official opening of Fraser Nature trail by N.B. Cabinet Minister J.M. Simard and Chairman John Fisher cutting the ribbon



Medevac patient Marthe Plourde on the road to recovery visited by Hospital officials and Fraser Director of Aviation Alex Smith



Fraser sponsored Pee Wee Baseball team

End Products

In today's world of large corporations it is often difficult to measure a company's impact and worth. Yardsticks become all too illusive, both for the corporation and the individual.

Perhaps the best way, and maybe one of the few ways, to measure our public contribution as a corporation is to consider the uses people make of our products. To what extent do the products made from our paper, pulp and lumber enter into the lives of the general public? Opposite lies the answer.

To us at Fraser these end products represent more than consumer goods — they represent quality Fraser products, ones we as individuals have all had a hand in producing. For over 100 years, our products have signified quality in the marketplaces we supply.

If there is a yardstick to measure our success in the North American forest products industry, it can probably be found in the quality and service that have gone into these products, which have contributed to our persistent growth over the years.

Our sales personnel provide long term expertise with our product lines, while our technical and service representatives work with you, the customer, to improve converting and printing operations.

Quality and service — keys to success.

Our sales personnel working together to provide our customers with quality products and service



Copy machine papers



Telephone Directory papers



Book papers



Construction lumber



Label paper



Wallpaper



Boxboard



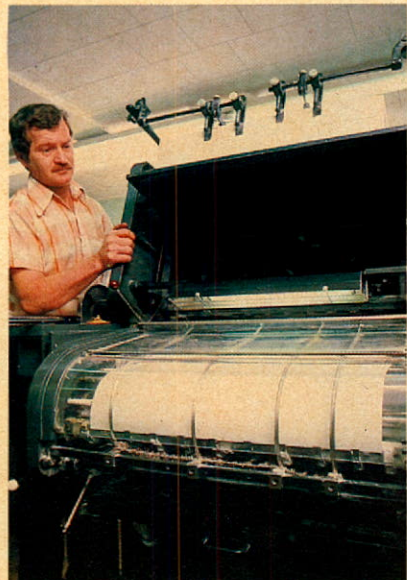
Market pulp



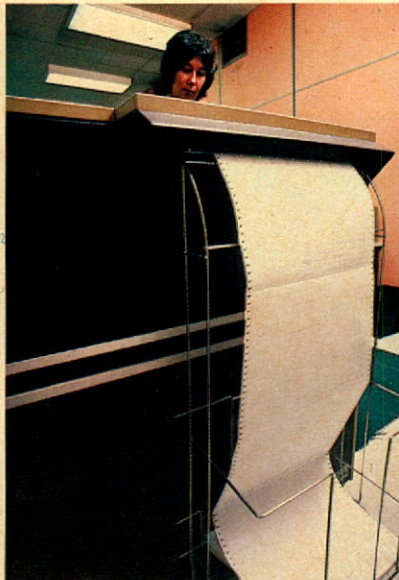
Writing paper



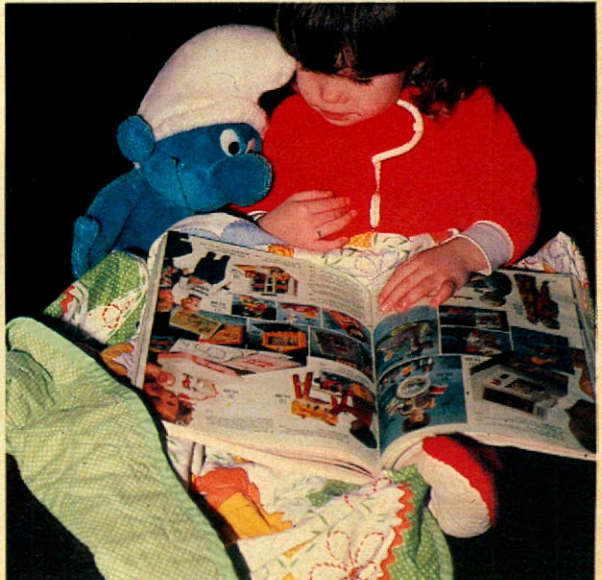
Magazines



Printing papers



Computer papers



Catalogues



Glendon Crozier
 Director of Engineering and Energy Conservation, 35 years with Fraser

Energy

The reduction of energy costs through the continuing use of residual wood fuels again contributed real savings to Fraser in 1982, with the Company generating approximately 24% or \$12.1 million of total energy consumed via renewable resources.

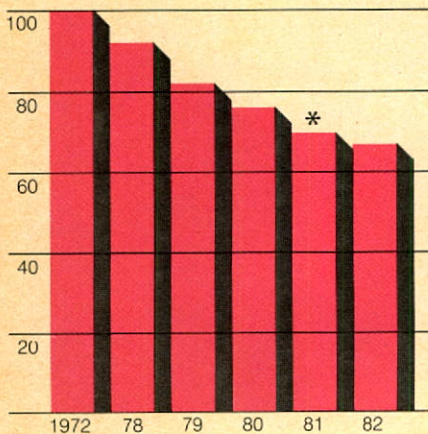
At year end, the Company was using 33% less purchased energy per unit of production than in 1972, the base year being used by Canadian Pulp and Paper Industry for measuring improvements in energy usage. These results are among the best in the business and are well ahead of the industry's goal of a 30% reduction in purchased energy consumed per unit of production by the end of 1984.

Principal contributors to the on-going cost reduction program were again the bark boilers at Edmundston, Plaster Rock and Kedgwick, and particularly the red liquor recovery boiler at Edmundston, which in 1982 replaced some 353,000 barrels of purchased oil.

The Company's newest acquisition, the Thorold Division, also benefited from the energy cost reduction program in 1982 with completion of a mill-wide energy audit. Current reduction programs outlined for this operation are expected to reduce energy consumed by over 20% from present usage levels.

Undoubtedly, the major highlight of the Company's purchased fuel replacement program in 1982 was the completion of the 7,000 ft. Steamline connecting the Edmundston Mill with Fraser Paper, Limited in Madawaska. This \$19 million project, completed under budget and ahead of schedule, went on stream in mid-October and is expected to reduce the Edmundston-Madawaska Complex's reliance on costly purchased fuel by an estimated 120,000 barrels of oil per year, primarily through the capacity operation of the existing hog fuel boiler at the Edmundston Steam Plant.

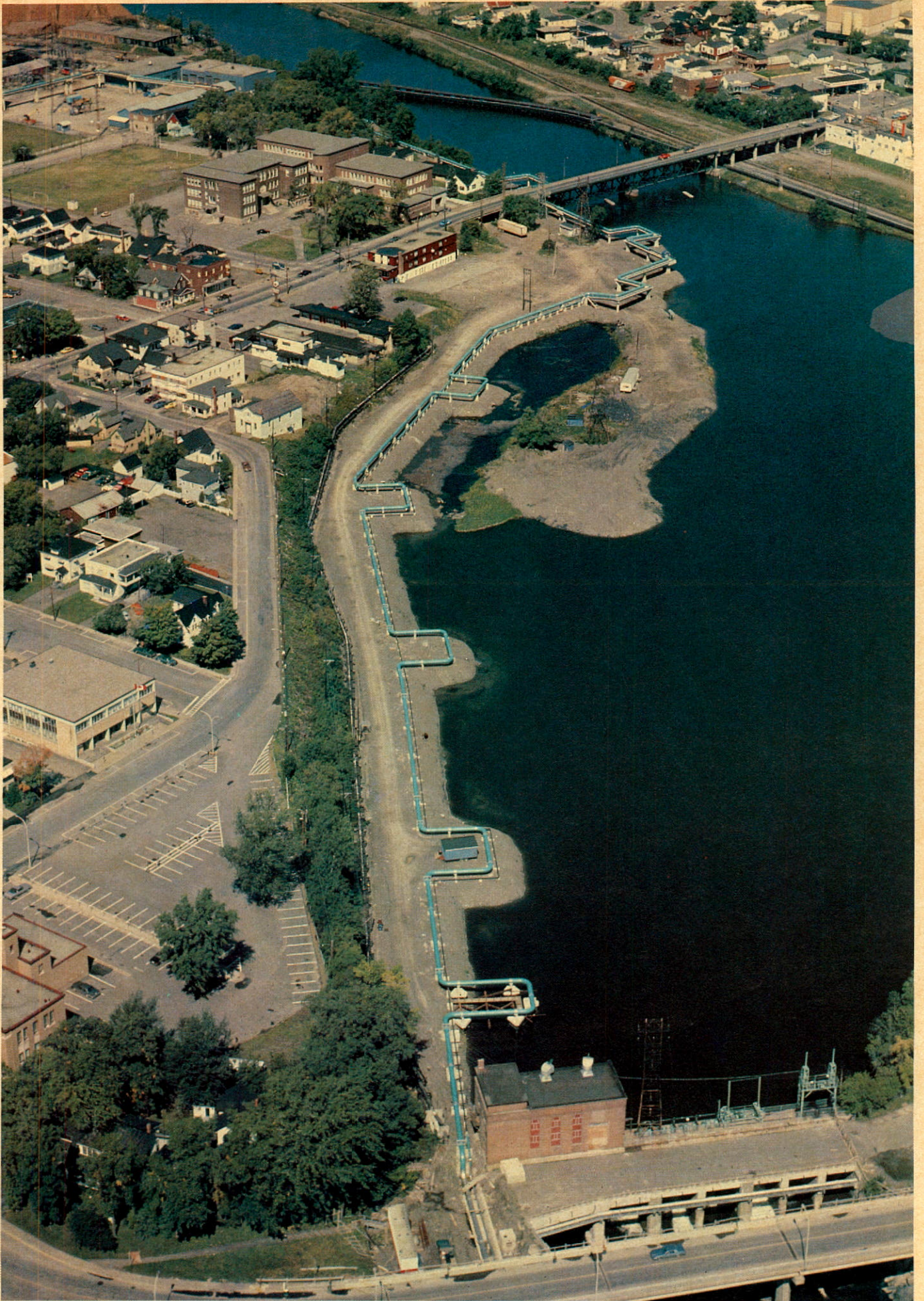
Reduction of Purchased Energy Consumed per Unit of Production



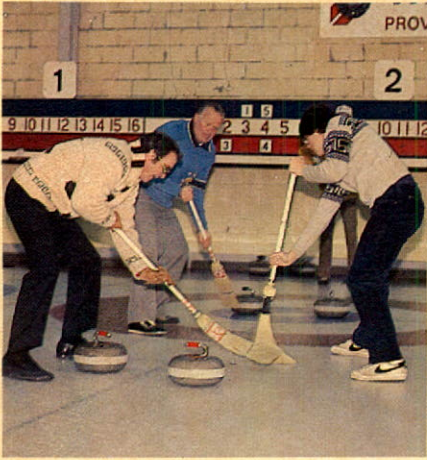
*Purchase of Thorold Mill

Steam pipeline being cleaned by blowing out at pressure prior to coming online





Aerial view of part of the 7000-ft. steam pipeline from the Edmundston Mill



Fraser curling Bonspiel participants in action



Boxboard employees meet to solve operating problems and improve efficiency



Three Madawaska girls, Stéphanie Picard, Debra Gervais and Danielle LeClair receive Fraser scholarships from Fraser president Knut Grotterod



Fraser Paper employees greet Maine Governor, Joseph Brennan at annual picnic

Fraser People

Nine labour agreements covering about 2,500 Fraser employees in Canada and the United States were successfully negotiated by the Company's Industrial Relations Department in 1982, with the settlements following closely the different wage patterns established in Eastern Canada and the United States. Considering the current economy, wages and fringe benefits in all cases were indeed substantial.

The latter part of 1982 saw the Company offer a special voluntary early retirement program to its management people who were 60 years of age and over and had a minimum of 10 years of service. In total, some 45 employees representing 1,527 years of dedicated service with the Company took advantage of the one-time offer. Consequently, early 1983 saw many management employees assume new and challenging responsibilities.

The ground work was also laid in 1982 for an Employee Assistance Program in the company's Canadian Operations. Similar to the very successful "FACE" program in Madawaska, this new program, called "Vision", will be launched officially in the first quarter of 1983.

The popular "Interfrase" group of young management people with the Company was very active during 1982, setting up a variety of activities designed to improve the quality of work and community life of all Fraser employees and their families.

In the vital area of safety, Fraser achieved an overall 12% reduction in accident frequency, attributable in large part to the fine work being done by the joint union-management committees at all locations.

Training and development in 1982 focused on effective management techniques at the first-line supervisory level, with Fraser trainers instructing employees on basic management principles and techniques.

Again in 1982, Quarterly and Annual Reviews of Company performance continued, as did special communication sessions involving employees and their unions as problems and opportunities arose. The Company newspaper, Fraser Voyageur, was published regularly through most of 1982, and in the new year will be supplemented by a corporate-wide, bi-weekly news bulletin.

Investments

Fraser remained committed in 1982 to its long-term viability and profitability in the highly competitive forest based industry of North America.

The Company in late September addressed itself to projected shortfalls in provincial wood supply by purchasing 50% ownership in the J. Paul Levesque & Sons Sawmill of Ashland, Maine. Through this equity position, Fraser will benefit from a five-year evergreen wood supply agreement with Seven Islands Land Company, thus establishing a firm source of wood fibre in ensuing years of peak operations.

A second acquisition was added in January, 1983, when the Company purchased 50% ownership in Island Paper Mills Limited on Annacis Island, a few miles southeast of Vancouver, British Columbia. Specializing in uncoated printing grades of fine papers, Island Paper employs about 220 people and is currently installing a second paper machine. Scheduled for completion in mid-83, the new machine is expected to increase mill capacity from 40,000 tons to 110,000 tons per year. Coupled with the Thorold Fine Paper Division in Southern Ontario, Island Paper will indeed enhance and consolidate Fraser's position in the Canadian fine paper marketplace.

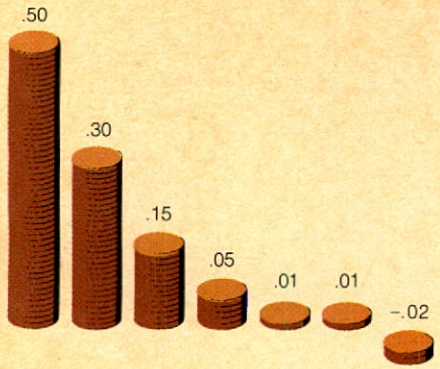
Island Paper Mills Limited plant on Annacis Island, B.C.



J. Paul Levesque & Sons Sawmill in Ashland, Maine



**Distribution of the 1982
Sales Dollar**



Suppliers, Materials and Services	.50
Wages, Salaries and Fringe Benefits	.30
Fuel and Power	.15
Depreciation, Depletion and Amortization	.05
Taxes	.01
To Shareholders	.01
Retained Earnings	(.02)
	<u>\$1.00</u>

Financial Review

The continuation of wide-spread recession adversely affected Fraser's markets and operations in 1982 resulting in declines in operating rates, shipments, sales revenues and earnings.

A net loss of \$4,761,000 or 67¢ per share was registered, down from 1981's restated net income of \$17,529,000 or \$2.49 per share. Shipments of 509,093 units were 16% below last year while sales revenues of \$397,605,000 were down 6%. Margins were also below 1981 levels. The impact of weakness in product pricing and lower operating rates more than offset the benefits of (a) reduced rates of cost increases for certain items such as oil, (b) decline in the costs of other items, most notably pulps, and (c) the Company's cost reduction and productivity improvement programs.

The results for 1982 were favourably affected by \$1,970,000 equal to 28¢ per share due to the following accounting policy changes:

- (1) Depreciation — the adoption of the "units-of-production" method for production machinery in lieu of the "straight-line" method contributed \$902,000 or 13¢ per share.
- (2) Reforestation costs — the decision to capitalize and subsequently amortize such costs rather than expense them as incurred helped 1982 results by \$748,000 equal to 11¢ per share. Applied retroactively, this accounting change also had the effect of increasing the previously reported net earnings for 1981 by \$753,000 or 11¢ per share and increasing retained earnings at January 1, 1981 by \$1,381,000 representing the adjustment applicable prior to 1981.
- (3) Investment tax credits — a change in method of accounting for investment tax credits improved the 1982 results by \$320,000, equal to 4¢ per share. Prior to 1982, such credits were recognized as a reduction in the provision for income taxes only in the years in which they were claimed for tax purposes. In 1982, this policy was changed to recognize these credits in determining the provision for income taxes to the extent that the credits would have been realized on the tax returns if taxes payable were based on reported earnings. The retroactive impact of this change was to increase the previously reported 1981 net earnings by \$593,000 (8¢ per share) and increase retained earnings at January 1, 1981 by \$6,930,000.

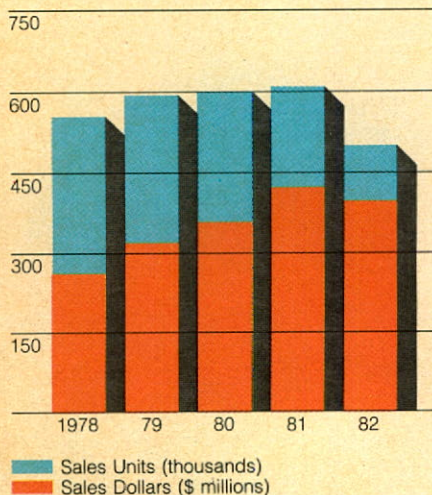
It is expected that these accounting changes will provide a better matching over time of revenues and costs.

The financial statements for 1981 have been restated to incorporate the effect of the retroactive accounting changes for reforestation costs and investment tax credits. This increased 1981 earnings to \$17,529,000 or \$2.49 per share from the previously reported \$16,183,000 or \$2.30 per share.

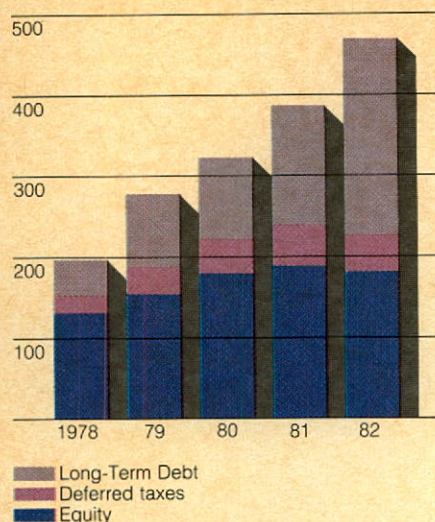
Administrative and selling expenses dropped by 2% from the 1981 level as a result of a concerted effort to trim costs.

Interest expensed on long-term indebtedness was \$17.8

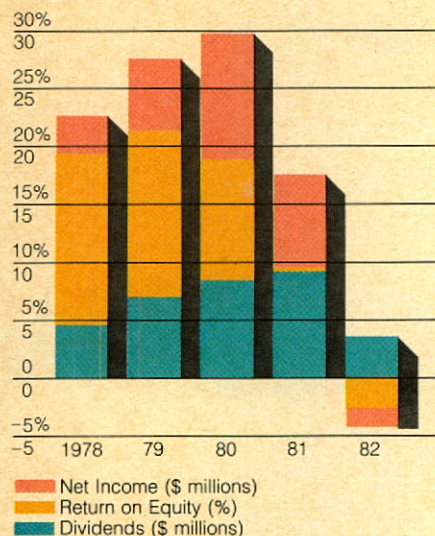
Sales Units and Dollars



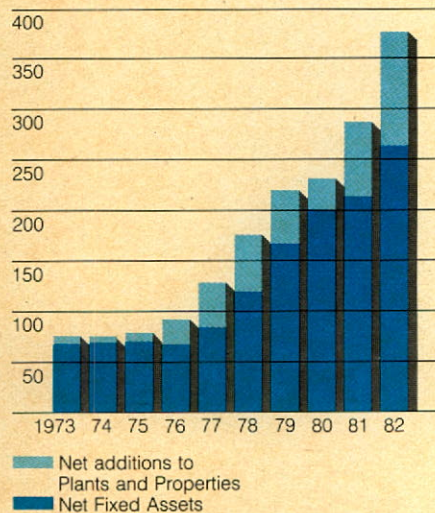
Capitalization
(\$ millions)



Income
Dividends - Profitability



Net Fixed Assets and Net Additions To Fixed Assets
(\$ millions)



million in 1982 representing a reduction of 4%. This decline was primarily due to the relatively rapid descent beginning at mid-year of interest rates applicable to floating rate debt. The Canadian bank prime rate at year-end was 12.5%, and averaged 16.0% during 1982 versus 19.4% in 1981.

Foreign exchange continued to contribute substantially in 1982 since the majority of sales were made in U.S. dollars.

Working capital at year-end was down by \$9.1 million to \$43.4 million and the current ratio decreased to 1.7 from 1.9 primarily as a result of stringent control of inventories.

Total assets grew by 18% to a value at year-end of \$527.6 million — this compares with \$200.3 million just five years ago, equivalent to a 21% average annual growth rate. It is important to note that the Company's 766,000 acres of freehold timberlands having a market value of approximately \$200 U.S. per acre are carried on the balance sheet at only \$7 per acre.

Record high capital expenditures, primarily for the Atholville Modernization and the Steam Pipeline Project, resulted in net additions to fixed assets of \$114.2 million. This massive spending program and a much lower level of funds provided from operations (\$15.7 million in 1982 versus \$38.5 million in 1981) were the major factors underlying the \$90.9 million or 61% rise in long-term indebtedness to \$239.8 million. At year-end, long-term debt represented 51% of capitalization, compared with 38% last year. Correspondingly, the ratio of long-term debt to equity rose to 1.31 from .79.

During the year, loan agreements were renegotiated in order to provide the latitude and flexibility necessary to accommodate the Company's borrowing requirements.

Late in 1982, Fraser exchanged its investment in Frenswick Holdings Limited for 1,712,042 common shares (approximately 10% ownership) of Kerr Addison Mines Limited plus 224,711 preferred shares of Brascade Resources Inc. and \$4.3 million cash and receivables. The Kerr Addison and Brascade shares are included in the balance sheet at values of \$38.2 million and \$6.1 million respectively. This new arrangement enhances liquidity and will facilitate redeployment of these funds to other uses should conditions warrant. In addition, the investment account includes \$2.6 million representing the purchase of a 50% equity interest in a Northern Maine sawmill and logging operation.

Year-end equity was \$9,657,000 higher than it otherwise would have been due to the retroactive effect of the accounting policy changes.

Dividends were discontinued after the second quarter. Payments in 1982 were 50¢ per share versus \$1.30 in 1981 which resulted in the retention in the business of an additional \$5.6 million.

Fraser recognizes the potential for inflation to distort the picture given by financial statements based on historical costs and, accordingly, continues to provide inflation adjusted supplementary information, as shown on page 33.

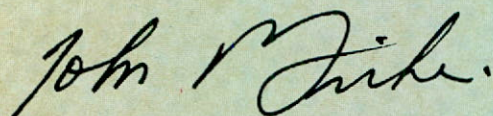
Consolidated Statement of Financial Position

As at December 31, 1982 with comparative figures for 1981 (as restated)
(in thousands of dollars)

	1982	1981
Current assets:		
Cash	\$ 2,775	\$ 2,288
Accounts receivable	37,050	39,988
Inventories (note 3)	56,379	64,083
Income taxes recoverable	4,576	4,300
Prepaid expenses	2,156	2,049
Total current assets	102,936	112,708
Current liabilities:		
Accounts payable and accruals	51,150	43,929
Bank loan	—	10,000
Income taxes payable	12	249
Long-term indebtedness due within one year	8,326	5,938
Total current liabilities	59,488	60,116
Working capital	43,448	52,592
Fixed assets (note 4)	376,838	283,799
Investment in associated corporations (note 5)	46,832	50,352
Other assets (note 6)	1,012	1,022
Working capital and other assets employed	\$ 468,130	\$ 387,765
Financed by:		
Long-term indebtedness (note 7)	\$ 239,816	\$ 148,897
Deferred income taxes	45,579	49,325
Shareholders' equity (note 8)	182,735	189,543
	\$ 468,130	\$ 387,765

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

Consolidated Statement of Earnings and Retained Earnings

Year ended December 31, 1982 with comparative figures for 1981 (as restated)

(in thousands of dollars)

	1982	1981
Earnings:		
Net sales	\$ 397,605	\$ 422,172
Costs and expenses:		
Cost of sales	342,075	344,644
Depreciation, depletion and amortization	21,118	20,640
Administrative and selling expenses	19,148	19,572
Interest on long-term indebtedness (note 9)	17,761	18,531
Other expenses and income — net	5,237	2,604
	405,339	405,991
Earnings (loss) before income taxes and equity in net earnings of associated corporation	(7,734)	16,181
Income taxes (recovery)	(4,593)	6,543
	(3,141)	9,638
Equity in net earnings (loss) of associated corporation	(1,620)	7,891
Net earnings (loss)	\$ (4,761)	\$ 17,529
Earnings (loss) per share	\$ (.67)	\$ 2.49
Retained earnings:		
Balance at beginning of year:		
as previously reported	\$ 173,585	\$ 166,556
Retroactive accounting changes (note 2)	9,657	8,311
As restated	183,242	174,867
Net earnings (loss)	(4,761)	17,529
	178,481	192,396
Dividends paid \$.50 (1981 — \$1.30) per share	3,534	9,154
Balance at end of year	\$ 174,947	\$ 183,242

See accompanying notes to consolidated financial statements.

Auditors' Report to the Shareholders

We have examined the consolidated statement of financial position of Fraser Inc. as at December 31, 1982 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally

accepted accounting principles applied, except for the change in the method of accounting for depreciation and after giving retroactive effect to the changes in the method of accounting for reforestation costs and investment tax credits as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Paul Marwick Mitchell & Co.

Chartered Accountants
Montreal, Canada
February 11, 1983

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1982 with comparative figures for 1981 (as restated)
(in thousands of dollars)

	1982	1981
Source of funds:		
Net earnings (loss)	\$ (4,761)	\$ 17,529
Items not involving funds:		
Depreciation, depletion and amortization	21,118	20,640
Deferred income taxes	(3,746)	5,831
Equity in net earnings of associated corporation net of dividends received	3,104	(5,519)
Amortization of financing expenses	24	30
Funds provided from operations	15,739	38,511
Proceeds from investment in associated corporation	4,284	—
Decrease in other assets — income taxes	—	664
Issue of common shares in lieu of cash dividend	74	225
Stock Purchase Plan	119	196
Long-term indebtedness	102,639	56,465
Total funds provided	122,855	96,061
Application of funds:		
Investment in associated corporation	2,556	—
Additions and improvements to fixed assets — net	114,157	73,513
Reduction of long-term indebtedness	11,720	5,817
Dividends	3,566	9,154
Total funds used	131,999	88,484
Increase (decrease) in working capital	(9,144)	7,577
Working capital at beginning of year	52,592	45,015
Working capital at end of year	\$ 43,448	\$ 52,592

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1982

Fraser Inc. is incorporated under the Canada Business Corporations Act. The Corporation and its wholly-owned subsidiary, Fraser Paper, Limited, which owns and operates a paper mill in Madawaska, Maine, is an integrated producer of forest products. Approximately 63% of the Corporation's outstanding capital stock is owned by Northwood Mills Limited, a wholly-owned subsidiary of Noranda Mines Limited.

(1) Accounting policies:

The accompanying financial statements are prepared on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects to International Accounting Standards.

A summary of significant accounting policies of the Corporation is set out below.

Foreign exchange:

Current assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at balance sheet dates. Long-term debt is carried at the Canadian dollar proceeds received and fixed assets at exchange rates in effect at the transaction dates. Income and expenses are translated at average rates prevailing during the year except for depreciation which is translated at the rates prevailing when fixed assets were acquired. Gains or losses on foreign exchange are reflected in the statement of earnings.

Inventories:

In general, pulpwood and logs, raw materials and supplies are carried at cost or replacement cost whichever is lower. Goods in process and finished products are valued at the lower of cost and net realizable value.

Fixed assets:

The costs of additions, betterments and renewals are capitalized and expenditures for maintenance and repairs are charged to expense.

Direct reforestation costs are capitalized. Timber costs are charged against income as timber is cut at rates based on the relationship of unamortized timber costs to the estimated volume of recoverable timber.

Government grants received in connection with the construction or expansion of production facilities are credited to the cost of such assets. At the time of disposal or retirement of plant and property, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the statement of earnings.

Effective January 1, 1982, the Corporation changed its method of providing for depreciation of production machinery from the straight-line basis to the units-of-production basis. Other assets continue to be depreciated on a straight-line basis.

The rates of depreciation are intended to fully amortize production machinery at normal production levels and other assets over the following periods:

Buildings	40 years
Production machinery	16 years
Automotive and mechanized woods equipment	4 to 10 years
Logging roads, bridges and camp facilities	10 years

In general, the equipment under capital leases is amortized on a straight-line basis over its economic life. Periods of amortization in use vary from 3 to 9 years.

Investment in associated corporation:

The Corporation's investment in Frenswick Holdings Limited, in which it had significant influence and a 23.6% interest in the outstanding share capital, was accounted for by the equity method to September 30, 1982.

Financing expenses:

Expenses relating to the issue of long-term indebtedness are amortized on a straight-line basis over the term of the debt.

Interest:

Interest expense is charged against income as incurred, except where it can be identified with a major capital expenditure program. Such interest is capitalized during the construction period, net of any related revenue from temporary investment of borrowed funds held for capital expenditures.

Investment tax credits:

Investment tax credits are accounted for as a rate reduction of income taxes and recognized in the determination of the

provision for income taxes to the extent that the credits would have been realized on the tax returns if taxes payable were based on reported earnings to shareholders.

(2) Accounting changes:**(a) Depreciation:**

Effective January 1, 1982 the Corporation changed its method of providing for depreciation of production machinery from the straight-line basis to the units-of-production basis. Had the straight-line method been used in 1982 the net loss would have been increased by \$902,000 (\$.13 per share).

(b) Reforestation costs:

In 1982 the Corporation changed its method of accounting for reforestation costs. Up to 1981 reforestation costs were expensed as incurred. Effective in 1982 direct reforestation costs were capitalized and amortized to income as timber is cut at rates based on the relationship of unamortized timber costs to the estimated volume of recoverable timber. This accounting change has been applied retroactively and had the effect of reducing the net loss for the year by \$748,000 (\$.11 per share). The 1981 net earnings previously reported have been increased by \$753,000 (\$.11 per share) and retained earnings at January 1, 1981 have been increased by \$1,381,000.

(c) Investment tax credits:

Prior to 1982 the Corporation recognized investment tax credits as a reduction in the provision for income taxes in the years in which such credits were claimed for tax purposes. In 1982, the Corporation retroactively changed its policy to recognize investment tax credits in determining the provision for income taxes to the extent that the credits would have been realized on the tax returns if taxes payable were based on reported earnings to shareholders. This change had the effect of reducing the 1982 net loss by \$320,000 (\$.04 per share), increasing the 1981 net earnings previously reported by \$593,000 (\$.08 per share) and increasing retained earnings at January 1, 1981 by \$6,930,000.

(3) Inventories:

	1982	1981
	(000's)	
Pulpwood and logs, including advances	\$ 17,335	\$ 24,442
Raw materials and supplies	28,485	30,435
Goods in process and finished products	10,559	9,206
	\$ 56,379	\$ 64,083

(4) Fixed assets:

	1982	1981
	(000's)	
Plants and properties	\$ 526,959	\$ 416,807
Less accumulated depreciation	162,131	146,259
	364,828	270,548
Freehold and leasehold properties	13,470	11,947
Less accumulated depletion	8,103	7,999
	5,367	3,948
Equipment under capital leases	12,674	13,929
Less accumulated amortization	6,031	4,626
	6,643	9,303
	\$ 376,838	\$ 283,799

(5) Investment in associated corporations:

	1982	1981
	(000's)	
Brascade Resources Limited (market value \$7,078,000)	\$ 6,067	\$ —
Kerr Addison Mines Limited (market value \$27,393,000)	38,209	—
Frenswick Holdings Limited Investment in 50% owned company, at cost	—	50,352
	2,556	—
	\$ 46,832	\$ 50,352

In 1982, through a series of transactions, the Corporation exchanged its investment in Frenswick Holdings Limited for 1,712,042 common shares of Kerr Addison Mines Limited, 224,711 preferred shares of Brascade Resources Limited and \$4,284,000 cash and receivables. The carrying value of the Frenswick Holdings Limited investment, net of the proceeds, was allocated as follows:

Brascade Resources Limited	\$ 6,067,000
Kerr Addison Mines Limited	38,209,000
	\$ 44,276,000

(6) Other assets:

	1982	1981
	(000's)	
Due under Stock Purchase Plan	\$ 711	\$ 697
Deferred financing expenses	301	325
	\$ 1,012	\$ 1,022

Pursuant to the provisions of the Stock Purchase Plan whereby shares may be issued for the account of certain employees, including officers, at the discretion of the directors, 12,300 shares were issued to the Trustee in 1982 for a consideration of \$134,000. Payment for shares issued under the Plan is made by employees in instalments so that the aggregate purchase price will be paid within ten years. At December 31, 1982 the Trustee held 54,856 shares as collateral for unpaid balances aggregating \$833,000 of which \$122,000 is due in 1983.

(7) Long-term indebtedness:

	1982	1981
	(000's)	
Sinking Fund Debentures:		
6½%, Series A due 1987		
— \$3,750,000 U.S.		
(1981 — \$4,500,000 U.S.)	\$ 4,050	\$ 4,860
10¾% Series B due 1992		
— \$30,340,000 U.S.		
(1981 — \$32,670,000 U.S.)	30,871	33,241
	34,921	38,101
Purchase money mortgage	20,000	24,000
Notes payable — \$600,000 U.S.	737	—
Bank revolving term loan		
— includes \$3,400,000 U.S.		
(1981 — nil)	184,263	82,335
Obligations related to leased assets	7,615	9,923
	247,536	154,359
Less amounts due within one year (converted to \$8,326,000 and \$5,938,000 at year-end exchange rates)	7,720	5,462
	\$ 239,816	\$ 148,897

Repayments over the next four years on the sinking fund debentures amount to \$3,080,000 U.S. per annum and in the fifth year the repayment amounts to \$4,250,000 U.S. The sinking fund debentures are secured by a floating charge on the assets of the Corporation.

The purchase money mortgage and the bank revolving term loan bear interest at a rate which fluctuates with the lender's prime commercial rate. The purchase money mortgage is repayable in semi-annual instalments of \$1 million from January 1983 through 1992. The bank loan has been made pursuant to arrangements whereby up to \$340 million will be made available as a long-term revolving line of credit until November 1985 at which time the balance outstanding, if any, will be converted into a term loan repayable in equal semi-annual instalments through 1997. The total loan is secured by an assignment of certain assets and a second floating charge on the remaining assets of the Corporation. At the Corporation's option, the purchase money mortgage and the bank loan may be financed by way of bankers' acceptances and may be denominated in Canadian or U.S. funds.

The shares of Kerr Addison Mines Limited owned by the Corporation are pledged as collateral security for the purchase money mortgage.

Minimum lease payments required under capital leases are as follows:

	(000's)
1983	\$ 3,083
1984	2,755
1985	1,962
1986	1,110
1987	162
After 1987	298
	9,370
Less interest included therein	1,755
Obligations related to leased assets	\$ 7,615

(8) Shareholders' equity:

	1982	1981
Capital stock — common shares:		
Shares	\$000's	
Issued at January 1, 1982	7,127,291	\$7,581
Issued in 1982 under the Stock Purchase Plan	12,300	133
Issued in 1982 to shareholders electing dividend in stock in lieu of cash	5,715	74
	7,145,306	\$ 7,581
Retained earnings	174,947	183,242
	182,735	190,823
Less Corporation's pro rata interest in its shares held by the parent company	—	1,280
	\$182,735	\$189,543

Earnings per share are calculated using the weighted average number of shares outstanding during the year of 7,090,825.

**(9) Statement of Earnings —
Supplementary Information:**

	1982	1981
	(000's)	
(i) Interest on long-term indebtedness:		
Total interest	\$ 28,035	\$ 19,966
Less charged to capital cost of expansion programs	10,274	1,435
	\$ 17,761	\$ 18,531
(ii) Research and development expenses	\$ 1,833	\$ 2,036

(10) Pension plans:

According to the most recent annual actuarial reports covering pension plans, the unfunded liabilities were \$28,230,000 which are being amortized and funded within the time limits imposed by government regulations. The assets of the plans exceeded the actuarially computed vested pension benefits by a net amount of \$1,871,000. Total pension expense charged against earnings aggregated \$4,215,000 (1981 — \$3,169,000).

(11) Commitments:

(i) The capital costs of the Corporation's programs to increase production capacity and efficiency and to meet prescribed environmental standards at its Atholville Mill and to construct a high pressure steam pipeline between its Edmundston and Madawaska Mills over the years to 1985, are estimated at \$220 million, excluding interest. Of this amount approximately \$148 million has been paid or provided for in the accounts at December 31, 1982 and there were contractual commitments for a further \$26 million at that date.

These programs are being financed by additional bank borrowings, government grants and internally generated funds.

(ii) At December 31, 1982, contractual commitments for capital expenditures not forming part of the above programs amounted to approximately \$1 million.

(iii) The Corporation has contracted to sell under forward exchange contracts U.S. \$210,000,000 at rates averaging approximately Canadian \$1.218 for each United States \$1.00.

(12) Related party transactions:

During the year, the Corporation had business transactions with Noranda Mines Limited and certain affiliates in the Noranda Group. The purchase and sale of materials and finished products were at market prices on normal trade terms. In addition; the Corporation made use of data processing facilities and certain management and other services of the Noranda Group for which the terms and conditions were generally set out in contractual agreements. It is expected that these business relationships will continue.

Details of balances and transactions are as follows:

	1982	1981
	(000's)	
Balances at end of year:		
Accounts receivable from affiliates	\$ 1,585	2,194
Accounts payable to affiliates	2,041	517
Transactions during the year:		
Sales of finished products	8,257	16,455
Purchases of pulp and other products	17,995	15,137
Charges for facilities and services	918	652

(13) Segmented information:

In view of the dominance of paper products in the Corporation's operations and the integration and interdependence of Canadian and U.S. manufacturing operations, presentation of segmented information by product line and geographic area is not considered meaningful. Sales to customers in the United States represented approximately 71 percent of consolidated net sales.

(14) Subsequent event:

On February 4, 1983 a newly-formed subsidiary of the Corporation acquired 50% of the shares of Island Paper Mills Limited for approximately \$26,000,000. The consideration was paid as to \$15,000,000 in cash and as to the balance by way of an unsecured promissory note payable in instalments from 1987 to 1989. The cash consideration was financed by the issuance of 150,000 preferred shares by the subsidiary to an affiliated corporation in the Noranda Group for \$15,000,000. The shares are entitled to a \$13 cumulative dividend, are retractable between 1986 and 1988 and are redeemable at \$100 per share by 1990.

Effects of Inflation

For 1982, Fraser continues to employ the "Ontario" method of presenting the impact of inflation. This approach relates the funds generated from operations, as reported on the financial statements, to the level of funds notionally required to ensure maintenance of productive capacity under inflationary conditions.

	(000's)
Funds generated from operations — per statement of changes in financial position	\$16,000
Deduct funds required to finance replacement of productive assets assuming no inflation — historical cost depreciation and amortization	21,000
Funds hypothetically available for expansion of distribution <i>before</i> considering inflation	\$ (5,000)

Deduct inflation adjustment —

Additional funds required to finance inflationary increase in the cost of maintaining present productive capacity:		
inventories	\$ 4,000	
plant, machinery and equipment	15,000	
	\$19,000	
less portion of additional funds which may be available through borrowings at the present debt-equity ratio	\$15,000	\$(4,000)

Funds hypothetically available for expansion or distribution *after* considering inflation

\$ (9,000)

Funds provided from operations totalled \$16 million. After an estimated cost of \$40 million to maintain production capability (including \$19 million due to inflation) and financing \$15 million of this by additional borrowings, there was a theoretical shortfall of \$9 million available for expansion and/or distribution.

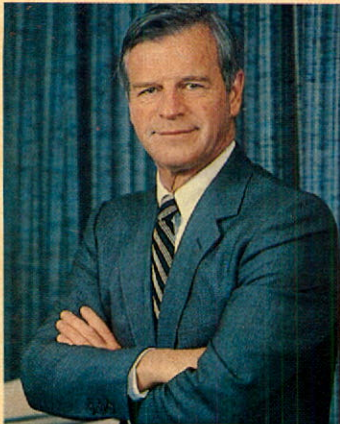
In fact, in 1982, \$17 million (net) was spent on plant and equipment to maintain the business, \$99 million (net) was spent for expansion and \$4 million was distributed to shareholders. Besides the \$16 million funds generated by operations, \$91 million was provided by new borrowings (net), \$9 million through reduction of working capital and \$4 million from the sale of investments.

Ten-Year Comparison

For the year	1982	1981	1980	1979
Sales and Earnings Data (\$000's)				
Net sales	\$ 397,605	\$ 422,172	\$ 362,184	\$ 321,038
Interest on long-term debt	17,761	18,531	12,166	3,590
Depreciation, depletion and amortization	21,118	20,640	18,263	12,239
Selling and administrative expenses	19,148	19,572	16,870	14,043
Taxes on income	(4,593)	6,543	8,334	15,175
Net earnings (loss) from operations	(4,761)	17,529	31,560	30,870
Extraordinary items (net)	—	—	—	—
Net earnings (loss) for the year	(4,761)	17,529	31,560	30,870
Financial position data (\$000's)				
Working capital	43,448	52,592	45,015	28,342
Cash flow from operations	15,739	38,511	54,280	54,899
Net additional plants and properties	114,157	73,513	30,178	54,095
Long-term indebtedness at end of year	239,816	148,897	98,249	89,405
Deferred taxes on income	45,579	49,325	43,494	33,235
Shareholders' equity at end of year	182,735	189,543	180,132	156,504
Per Share Data				
Net earnings (loss) from operations per share	(.67)	2.49	4.51	4.38
Extraordinary items (net) per share	—	—	—	—
Net earnings (loss) for the year per share	(.67)	2.49	4.51	4.38
Dividends per share	.50	1.30	1.20	1.00
Cash flow from operations per share	2.22	5.47	7.76	7.79
Common shareholders' equity per share	25.57	26.84	25.68	22.40
Other Data				
Common shares outstanding at end of year	7,145,306	7,127,291	7,095,837	7,067,130
Return of shareholders' average equity — %	(2.6)	9.5	18.8	21.3
Average number of employees	3,746	4,010	3,625	3,634
Salaries, wages and benefits (\$000's)	118,934	109,634	89,568	80,571
Net fixed assets per employee (\$000's)	101	71	64	60
Net sales per employee (\$000's)	106	105	100	88
Units of sales per employee	136	152	166	164
Units of Sales				
Fine Papers — tons	194,880	196,182	159,170	176,060
Uncoated Groundwood Papers — tons	113,503	127,230	141,325	130,543
Coated Groundwood Papers — tons	131,224	134,330	114,330	93,759
Boxboard — tons	25,428	28,421	30,502	30,643
Market Pulp — tons	11,363	46,278	67,635	71,936
Lumber — M.f.b.m.	32,695	76,205	87,309	92,634
Total	509,093	608,646	600,271	595,575

1978	1977	1976	1975	1974	1973
\$ 265,129	\$ 212,490	\$ 180,654	\$ 142,775	\$ 158,228	\$ 111,913
734	501	468	479	497	547
10,028	7,909	7,542	7,373	6,796	6,400
11,015	9,827	8,080	7,015	5,665	4,787
17,343	7,836	5,372	4,227	10,793	6,424
24,039	15,135	11,051	7,212	14,892	7,753
—	—	—	—	—	5,916
24,039	15,135	11,051	7,212	14,892	13,669
21,740	42,590	64,809	36,807	35,467	21,763
39,230	27,572	21,147	15,049	22,581	19,293
56,102	44,983	23,144	9,186	5,886	7,310
45,495	42,901	43,712	8,909	9,719	10,529
20,385	15,249	10,745	8,207	7,743	6,850
133,969	114,582	103,437	96,207	92,746	81,054
3.41	2.15	1.57	1.03	2.12	1.11
—	—	—	—	—	0.84
3.41	2.15	1.57	1.03	2.12	1.95
0.66	0.58	0.54	0.53	0.47	0.20
5.57	3.92	3.01	2.14	3.21	2.75
19.01	16.27	14.71	13.68	13.19	11.54
7,048,206	7,048,206	7,033,206	7,033,206	7,033,206	7,021,956
19.3	13.9	11.1	7.6	17.1	10.3
3,548	3,353	3,183	2,906	3,340	3,228
71,267	64,641	53,915	43,412	36,149	28,931
50	38	29	26	22	23
75	63	57	49	47	35
156	149	149	135	141	144
177,085	178,684	164,013	128,012	188,755	173,264
129,315	121,585	128,498	116,896	127,173	128,189
92,633	84,588	83,122	58,060	67,135	61,691
30,630	31,539	32,628	30,326	32,389	31,625
43,595	20,219	9,994	12,191	10,533	20,229
81,167	63,849	56,764	46,081	46,190	49,774
554,425	500,464	475,019	391,566	472,175	464,772

Directors and Officers



John P. Fisher

Chairman and Chief Executive Officer

Elected director 1976

Born Knowlton, Quebec, 1927. B.Eng. (McGill). Marketing manager, pulp and paper, Dominion Engineering Works 1971. Senior vice-president, development, Fraser Companies Limited 1975; executive vice-president 1975; president 1976; chairman 1982. Chairman, Island Paper Mills Limited. Director of Forintek Canada Corporation, MacMillan Bloedel Ltd., James Maclaren Industries Inc., Canadair Limited and Kerr Addison Mines Limited; Member of the Board of Governors, McGill University. Chairman of the Executive Board, Canadian Pulp and Paper Association (CPPA).



Adam H. Zimmerman

*Vice-Chairman of the Board
Elected director 1974*

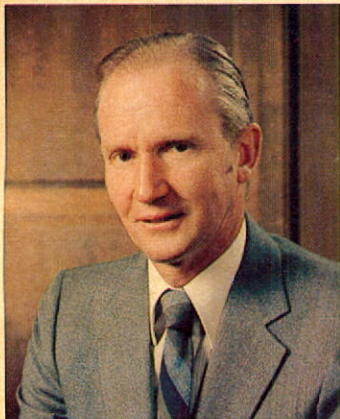
Born Toronto, 1927. BA (Toronto). Joined Noranda Mines Limited as assistant comptroller 1958; comptroller 1960; vice-president 1966; executive vice-president and director 1974; president and chief operating officer 1982. Chairman of Northwood Mills Limited, Maclaren Power and Paper Co., Noranda Aluminum Inc., and Noranda Metal Industries Limited, and vice-chairman of MacMillan Bloedel Limited. President of Northwood Pulp and Timber Limited. Director of all Noranda's manufacturing and forest product companies, plus a number of Canadian public companies. Past chairman of the Canadian Pulp and Paper Association. Canadian co-chairman of the Canadian-American Committee, and a trustee of the Hospital for Sick Children, Toronto.



Carl E. Beigie

Elected director 1975

Born Cleveland, Ohio, 1940. BA (Muskingham College). Assistant vice-president of Irving Trust Company 1968-71. Associate professor, Faculty of Management, McGill University 1977, and professor, Faculty of Management Studies at the University of Toronto 1981. Director and vice-president, Canadian Foundation for Economic Education; director, Industrial Bank of Japan (Canada), and a member of a number of Canadian Economics Associations and the American Economics Association.



R. Timothy Kenny

Elected Director 1982

Born Buckingham, Quebec, 1929. B.Sc. in Forestry Engineering (UNB). Director of Maclaren Power and Paper Company 1962. Manager of Wood Products Division, Thurso Pulp and Paper Company 1965. President of Maclaren Power and Paper Company 1979. President and director of James Maclaren Industries Inc., Maclaren Forest Products Inc. and Maclaren-Quebec Power Company. Director of Norpak Ltd., Lumonics Inc., Northwood Mills Ltd. and Normick Perron Inc.



Lars E. Londen

Elected director 1980

Born Helsinki, Finland, 1937. MBA (Helsinki Business School), LLB (Helsinki University) and PMD (Harvard Business School). Joined Finncell, Helsinki, 1960; senior vice-president 1971; executive vice-president 1973; president and chief executive officer 1974. President of Northwood Mills Limited 1980. Director of Northwood Mills Limited and Maclaren Power and Paper Company.



Rowland C. Frazee

Elected director 1979

Born Halifax, 1921. B.Comm. (Dalhousie). General manager, Canadian Districts, The Royal Bank of Canada 1968; vice-president, Toronto 1970; vice-president, Montreal, and chief general manager 1972; executive vice-president, chief general manager and director 1973; president 1977; chief executive officer 1979; chairman 1980. Director of The Conference Board, The Continental Corporation, Imasco Limited, Power Corporation of Canada and Royal Bank Realty Inc. Member of the Roosevelt International Park Commission and member of the Business Council on National Issues. Governor of McGill University, and a trustee of the Sports Fund for the Physically Disabled.



Knut Grotterod

President and Chief Operating Officer

Elected director 1976

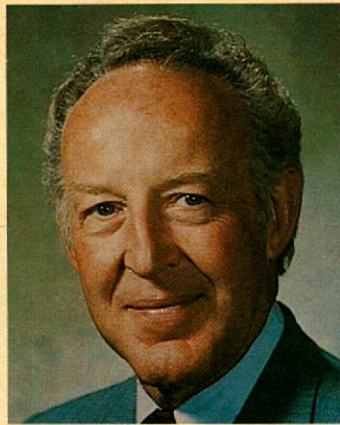
Born Sarpsborg, Norway, 1922. Served with Norwegian Underground Army 1941-45. B.Eng. (McGill). Various management positions with Consolidated Bathurst Inc. Vice-president, production, and general manager, Nova Scotia Forest Industries 1970. Vice-president, manufacturing, Fraser Companies, Limited 1973; senior vice-president, operations 1975; director 1976; executive vice-president 1980; president 1982. Director of Island Paper Mills Ltd., and Chairman of J.P. Levesque & Sóns Inc. Member of the Canadian Pulp and Paper Association, Technical Section, and a member and past president of the Canadian-Scandinavian Foundation.



David J. Hennigar

Elected director 1969

Born Windsor, N.S., 1939. B.Comm. (Mount Allison) and MBA (Queen's). Assistant manager of Burns Brothers and Denton Limited of Halifax 1966; manager 1967. Atlantic regional director of Burns Fry Limited 1971. Vice-chairman of Extencicare Ltd., and vice-president and treasurer of Caruscan Inc. Director of Datacrown Inc., Halifax Developments Limited, Crown Life Insurance Company, the Institute for Research on Public Policy, and a number of Canadian public companies.



William D. Eberle

Elected director 1980

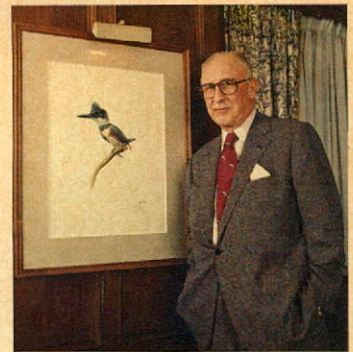
Born Boise, Idaho, 1923. BA (Stanford) and LLB (Harvard). Vice-president of Boise Cascade Corporation 1960-66. President and chief executive officer (CEO) of American Standard Inc. 1966-71. President's Special Representative for Trade Negotiations 1971-75. President and CEO of Motor Vehicle Manufacturers' Association 1975-77. Currently, chairman of EBCO Inc., Holders Capital Corporation, and Manchester Associates. Director of a number of public companies.



Kenneth V. Cox

Elected director 1969

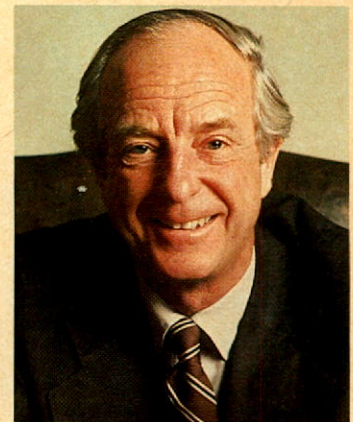
Born Allison, N.B., 1922. BSc (UNB). General Manager of The New Brunswick Telephone Company Limited 1958; executive vice-president, general manager and director 1959; president 1965; chairman and chief executive officer 1977. Also president and chief executive officer of Bruntel Holdings Limited and president and director of Allison Enterprises Limited. Director of Bank of Nova Scotia, Eastern Telephone and Telegraph Co. and a number of Canadian public companies. Chairman of the N.B. Research and Productivity Council.



H. Roy Crabtree

Elected director 1956

Born Montreal, 1918. BSc (McGill). Vice-president, operations, Woods Manufacturing Company Limited 1950; vice-president and general manager 1953; chairman and president Wabasso Limited 1956; chairman 1982. Director and member of executive committee of Bank of Montreal, plus director of a number of Canadian public companies. Also president of Treeform Limited and governor of Royal Edward Chest Hospital and Royal Victoria Hospital and Foundation.



W. Randolph Clerihue

Elected director 1974

Born Vancouver, 1923. B.Comm. (UBC) and C.A. Vice-president, finance, and treasurer, Celanese Canada Limited 1966. Vice-president, treasurer, Celanese Corporation 1969. Vice-president, finance, The Bendix Corporation 1970; director 1971. President, chief executive officer and director, Celanese Canada Limited 1972; chairman 1974. Executive vice-president, staff and administration, Celanese Corporation 1975; executive vice-president, corporate staff 1976; director 1979. President and chief executive officer of Wabasso Inc. 1982.

Other Officers



Kenneth L. Seely

Treasurer

Born Woodstock, N.B., 1929. Graduate of International Accountants Society of Chicago. Joined company in 1947; controller 1973; treasurer 1976. Member of the Guild of Industrial, Commercial and Institutional Accountants of Canada, and member of Canadian Pulp and Paper Association, Woodlands Section.



David G. McAlary

Controller

Born Edmundston, N.B., 1933. B.Comm. (Dalhousie) and C.A. Joined company in 1955. Appointed assistant controller 1973. Elected controller 1976. Member of the New Brunswick Institute of Chartered Accountants.



William H. Matthews

Vice-President and General Manager

Thorold Papers/Boxboard Group

Born Kamloops, British Columbia, 1925. BSc (University of Manitoba). Joined company in 1981. Elected vice-president, manufacturing, Thorold Division, 1981. Member of P.I.M.A. and member of the Canadian Pulp and Paper Association, Technical Section.



Edward R. Frisby

*Vice-President,
Industrial Relations*

Born Cincinnati, Ohio, 1918. BSc (Yale). Joined company in 1964. Elected vice-president, industrial relations, 1980. Past chairman of Industrial Relations Committee of American Pulp and Paper Association. Member of Executive Committee of Human Resources Section of Canadian Pulp and Paper Association and Industrial Relations Committee of the Canadian Manufacturers Association.



Niall P. O'Briain

Vice-President and General Manager

Edmundston/Madawaska Paper Group

Born Dublin, Ireland, 1935. BE (University of Dublin). Joined company in 1960. Elected vice-president, manufacturing 1978. President of National Paper Industry Management Association (1983-84), and member of Industry Development Committee of Canadian Pulp and Paper Association.



Bruce W. Hicks

Vice-President and Secretary
Born Fredericton, N. B., 1919. BCL (UNB). Joined company in 1949. Elected secretary 1965; vice-president and secretary 1970. Member of New Brunswick Barristers' Society, Canadian Bar Association, and fellow of the Institute of Chartered Secretaries.



Robert A. Knapp

*Vice-President,
Marketing and Sales*
Born Milwaukee, Wisconsin, 1926. BSc and MA (University of Wisconsin). Joined company in 1977. Elected vice-president, marketing and sales, 1977. Director Island Paper Mills Limited. Member of Executive Committee of Printing and Writing Papers Division of the American Paper Institute.



Peter M. Belyea

Vice-president, Woodlands
Born Rothesay, N.B., 1921. BSc in Forestry (UNB). Joined company in 1949. Elected vice-president, Woodlands, 1971. Chairman of Canadian Pulp and Paper Association, Woodlands Section, and member of New Brunswick Professional Foresters' Association.



Melvin B. Robinson

Vice-President, Finance
Born Greenville, Maine, 1931. Graduated Bentley College. Joined company in 1968. Elected vice-president, finance, 1976. Director, Island Paper Mills Limited. Member of Financial Executives Institute, American Management Association and Canadian Pulp and Paper Association, Financial Officers Section.

Offices, Plants and Products

Fraser Inc.

Corporate Offices:
27 Rice Street
Edmundston, N.B. E3V 1S9
Telephone: (506) 735-5551

Fraser Lumber

Mills:
Plaster Rock and Kedgwick,
New Brunswick
Product:
Eastern Canadian Spruce
End Use:
Residential and commercial buildings
Market:
Eastern Canada, Eastern United States
and overseas.
Sales Office:
Northwood Mills Limited,
55 Yonge Street,
Toronto, Ontario M5E 1S4
Telephone: (416) 365-0700

Associated companies (50% Ownership)

J. Paul Levesque & Sons Inc.
Ashland, Maine 04732
Tel.: (207) 435-6401

Island Paper Mills Limited
1010 Derwent Way
Annacis Island
British Columbia V3L 5A5
Tel.: (604) 526-5521

Fraser Boxboard

Mill:
Edmundston, New Brunswick
Products:
Coated and uncoated folding boxboard
End Uses:
Packaging for food, detergents, frozen
foods, pharmaceuticals, pet foods, etc.
Market:
Canada
Sales Offices:
1155 Dorchester Blvd. West,
Montreal, Québec H3B 3T6
Telephone: (514) 871-9283

703 Evans Avenue, Suite 404,
Etobicoke, Ontario M9C 5E9
Telephone: (416) 622-1533

Fraser Papers

Mills:
Fraser Paper, Limited
Madawaska, Maine
(a wholly-owned subsidiary); and
Thorold, Ontario
Fine Papers:
Seven paper machines, one
dual-purpose paper machine, and one
on-machine billblade coater
Groundwood Papers:
Three paper machines, two off-machine
blade coaters and two supercalenders
End Uses:
Papers for converting specialties,
commercial printing, coated and
uncoated publications, catalogues,
directories, business forms,
wall-coverings, coated labels, coated
specialty packaging, business papers
and envelopes
Market:
United States and Canada
Sales Offices:
2 Greenwich Plaza,
Greenwich, Conn. 06830
Telephone: (203) 661-3040

2300 East Devon Avenue,
Des Plaines, Illinois 60018
Telephone: (312) 298-4416

703 Evans Avenue, Suite 404
Etobicoke, Ontario M9C 5E9
Telephone: (416) 622-1533

Fraser Pulp

Mills:
Atholville and Edmundston,
New Brunswick
Products:
Bleached and unbleached softwood
sulphite, bisulphite and groundwood
pulp
Market:
North America and overseas
Sales Office:
Norfibre (a division of Northwood Mills
Limited)
55 Yonge Street,
Toronto, Ontario M5E 1S4
Telephone (416) 365-0710

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