



fraser

1983 Annual Report



	1983	1982	1981
Sales	\$ 435,913,000	\$ 397,605,000	\$ 422,172,000
Earnings	\$ 10,755,000	\$ (4,761,000)	\$ 17,529,000
Return on Equity	5.5%	(2.6)%	9.5%
Additions to Fixed Assets	\$ 89,545,000	\$ 114,157,000	\$ 73,513,000
Fixed Assets per Employee	\$ 117,000	\$ 101,000	\$ 71,000

Contents

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.

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Financial Highlights

	1983	1982	1981
Operations			
Net Sales	\$435,913,000	\$397,605,000	\$422,172,000
Net Earnings (loss) from operations	10,755,000	(4,761,000)	17,529,000
Net Earnings (loss) per common share	1.25	(.67)	2.49
Dividends per common share	.20	.50	1.30
Cash flow	38,388,000	15,739,000	38,511,000
Cash flow per common share	5.37	2.22	5.47
Financial Position			
Working capital	51,694,000	43,448,000	52,592,000
Total assets	622,693,000	527,618,000	447,881,000
Long-term debt	306,502,000	239,816,000	148,897,000
Shareholders' equity	207,088,000	182,735,000	189,543,000
Other			
Return on average shareholders' equity — %	5.5	(2.6)	9.5
Additions to plants and properties — net	89,545,000	114,157,000	73,513,000
Average number of employees	3,770	3,746	4,010
Shareholders' equity per common share — year-end	26.62	25.57	26.84
Market price per common share — year-end	22.00	12.00	17.50

The Annual Meeting

of the shareholders of Fraser Inc. will take place on Monday April 9, 1984 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

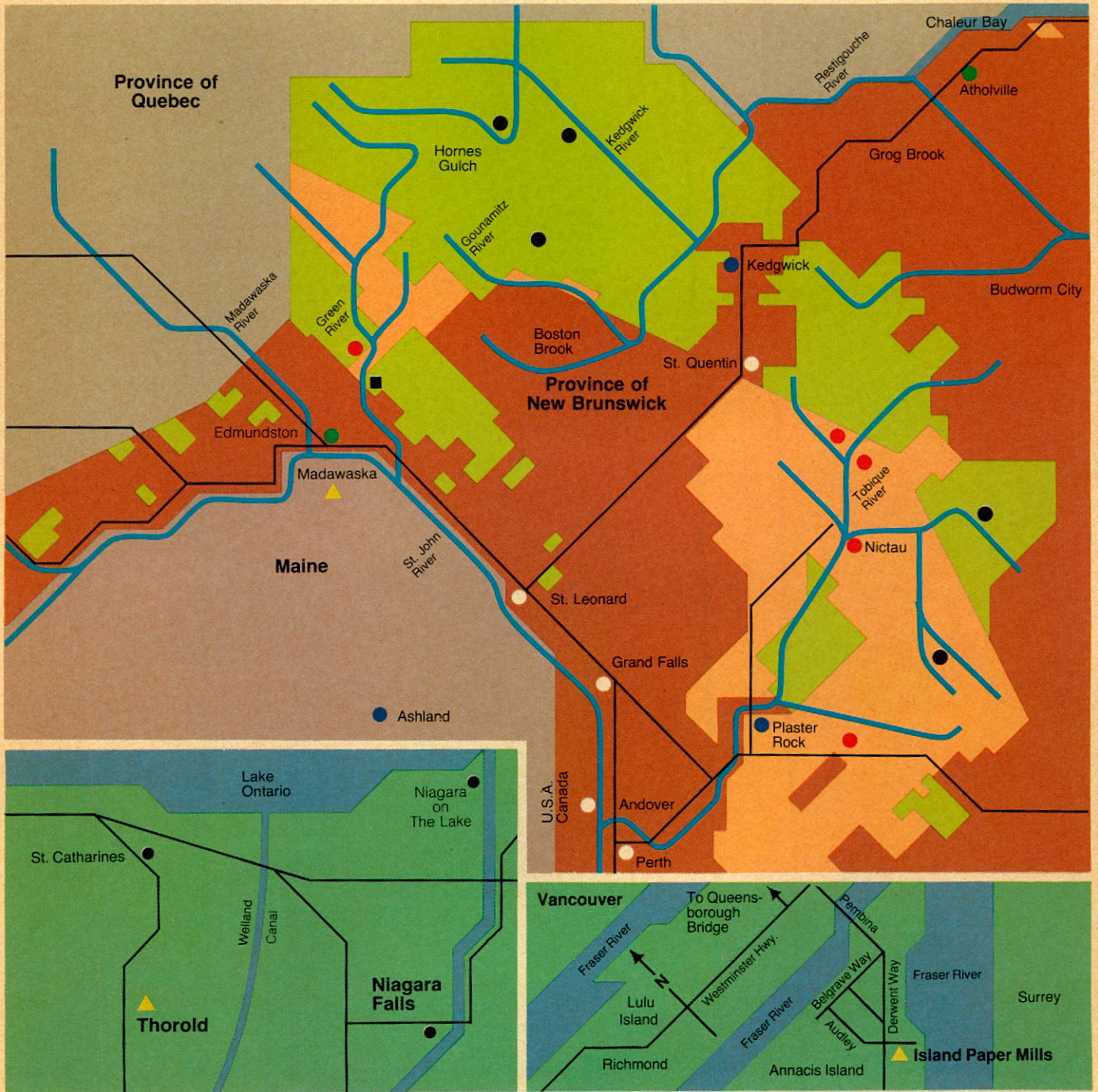
Montreal Trust Company
Montreal, Quebec
Toronto, Ontario
Vancouver, B.C.
Saint John, N.B.

Stock Listed

Montreal Stock Exchange
Toronto Stock Exchange

Maps of Fraser Forests Lands, Mills and Associated Companies

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



Report to Shareholders

A real improvement in the North American economy started during the first half of 1983 and proved to be better news for the paper industry than was generally expected. Printing and Writing Paper markets in particular represented approximately 90% of Fraser sales in 1983 and strengthened smartly as the year progressed. Overall demand in North America for these grades of paper increased by approximately 10% over 1982 resulting in producer operating rates increasing from approximately 87% in 1982 to 93% in 1983. Prices moved upward during the second half of the year, but by year-end were only approaching levels that prevailed before the recent recession.

Fraser's Atholville Mill was inoperative much of the year due to completion of the major modernization program. The new plant was in its startup phase at year-end. This shutdown reduced wood chip requirements for that mill so both the Company's Sawmills ran at less than 50% of capacity in order to maintain a balanced wood and chip inventory.

Net sales for the year of \$435,913,000, an increase of 9.6% over 1982, were a record high for the Company. Net earnings for 1983 amounted to \$10,755,000 as compared to a loss of \$(4,761,000) in the previous year. This was an encouraging performance compared to last year, albeit still inadequate representing as it does only a 4.8% return on Common Equity in the Company. With an investment return of approximately 9¼% on Canada Savings Bonds, it is obvious that there is still a considerable way to go to achieve earnings that will sustain the continuing long-term health of the Company and indeed the industry.

To this end Fraser has been able to achieve substantial reductions in manufacturing costs. Average unit revenues were approximately the same for 1983 as they were in 1982 so it can be said that a major part of profit came from reduced costs of manufacturing. This result has come from many areas and sources and has been achieved very substantially through the positive awareness of all employees of the Company of the need to produce cost competitive products. This is a fact of never-ending challenge but one that Fraser employees responded to well over the past year. No company has a guaranteed position of growth and no government or other authority can grant us success beyond that which we earn for ourselves by our own hard work.

The Company is committed to doing things to ensure that all employees know about the factors influencing their jobs both on a day-to-day basis and for the long term. This commitment also encompasses a management approach that encourages and permits every employee to contribute up to his individual capacity to the success of the Company. Significant changes in the philosophy and practice of management techniques do not take place quickly, but rather come about as part of an evolutionary process, and 1983 marks yet another year where steady, positive progress was made.

The Atholville Mill modernization project was completed reasonably on schedule and construction costs were on plan. Interest costs during the construction period were higher than anticipated due to high interest rates and the use of a larger component of debt financing as the result of lower corporate cash flows during the last two years. Even though the mill has been in production since year-end, it will be a while before it reaches designed capacity and produces the necessary quality of product. The startup costs plus the full impact of interest on the borrowed funds will impact unfavourably on our profitability during the first half of 1984.



Over seven hundred retired employees and their spouses enjoyed a family style reunion with entertainment by employees and their children.

The investment in a 50% ownership with MacMillan Bloedel in Island Paper Mills, Limited in New Westminster, British Columbia, was consummated early in the year. At mid-year, Island Paper successfully brought on line its new fine paper machine which in effect tripled the productive capacity of that mill. With the startup of the new machine, the older paper machine was taken out of production until markets adjust to this major capacity increase. This acquisition is another major step in moving Fraser into a position of being a national supplier of Printing and Writing Papers to the Canadian market, by complementing the capacity at the Company's Thorold mill in Ontario.

All of the major facilities of the Company have now been brought to a cost competitive condition and the overall capacity of the Company has been increased by 50% since 1978. Many opportunities do and will continue to exist for further smaller investments to achieve cost reductions, quality improvements, incremental capacity increases or changes in facilities to make more specialty products. While each of these projects is individually relatively small in size, in total they are significant. The Company puts a high priority on keeping its facilities cost competitive, and these programs will be continued as long as they can be prudently financed.

Looking at 1984, Fraser's commitment to the Printing and Writing Paper segment of the paper industry should show an excellent return. Total North American demand for these products is expected to increase further by approximately 5% while industry-wide capacity increases are forecast to be only 3.6%. These factors indicate a year of full operations for most product lines for a market that should afford firm prices. The challenge will be to blend strong markets with cost

effective production for maximum economic returns. A major part of improved cash flow must go toward debt reduction and to restore a reasonable level of dividends to the shareholders.

Late in the year, Mr. Edward R. Frisby, Senior Vice-President, Industrial Relations, retired after twenty years of distinguished service to both Fraser and the Canadian industry. He has played a major part in the good human relations that exist within the Company and will be greatly missed. Also, Mr. Lars Londen resigned after more than three years as a Director and will be replaced by Mr. John W. Bird.

The Company can be said to have weathered very challenging conditions during 1983 as it completed the last major step in modernization. Deficient facilities will certainly not be any reason for Fraser not to perform in future. With the commitment to excellence of operations that we strive for there is every reason to expect excellent performance in 1984 and beyond.

John P. Fisher
Chairman

Knut Grotterod
President

February 8, 1984

Bank Statement

Date	Item	Withdrawal	Deposit	Balance
1/1/83				\$ 2,775,000 00
	Proceeds from sale of lumber, pulp, boxboard and paper		426,536,000 00	
	Dividends received from associated companies		1,690,000 00	
	Sale of investment in Brascade Resources Ltd.		7,871,000 00	
	New investment in Island Paper Mills Ltd.	25,840,000 00		
	Paid out for:			
	wood	37,359,000 00		
	wages	110,295,000 00		
	fringe benefits	28,796,000 00		
	wages and fringe benefits transferred to new machinery		10,050,000 00	
	fuel	34,726,000 00		
	power	25,122,000 00		
	purchase of pulps	74,035,000 00		
	chemicals	59,277,000 00		
	services and supplies	18,694,000 00		
	Paid to reduce debt	14,483,000 00		
	Paid interest on debt	28,649,000 00		
	Interest transferred to new machinery		15,425,000 00	
	Paid for new machinery and reforestation - net	89,545,000 00		
	Paid to federal, provincial, state and local governments for taxes	6,317,000 00		
	Received from sale of common shares to employees and to others		108,000 00	
	Received from sale of preferred shares		15,000,000 00	
	Received from new borrowings		81,169,000 00	
	Common shares dividends	1,429,000 00		
31/12/83				\$ 6,057,000 00



The grafting of a scion from a plus tree to this young seedling will result in a seed producing tree for our seed orchard.

Woodlands



Residual hardwood biomass transformed into chips by a whole-tree chipper on the harvesting site.



Jeffrey R. Leach
Manager of all Fraser Woodlands Operations, 17 years with Fraser

Long term wood supply requirements were actively addressed in April of 1983 with submission of the Company's first 25-Year Forest Management Plan to the province of New Brunswick.

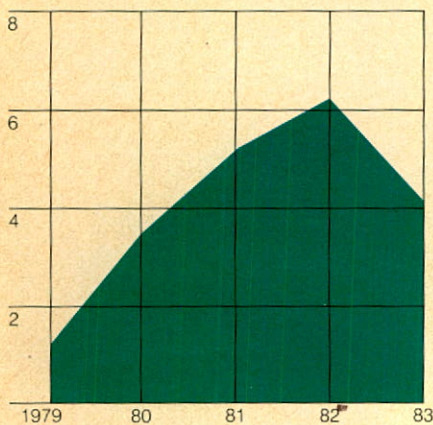
The plan covers all aspects of Company harvesting, forest management operations and anticipated fibre shortfall problems over the next quarter century, and responds effectively to ensure peak manufacturing activity at all Fraser forest operations during this time frame.

The second year of the Company's first Five-Year Forest Management Operating Plan saw the Woodlands Department meet all of the Company's fibre requirements through 800,000 m³ of harvested wood on Crown and Freehold lands and 742,000 m³ of purchased wood and chips.

Forest management activities initiated under the Five-Year Plan included a 2,058 hectare site preparation program for future seedling plantations; a 4,085 hectare weed control program to promote growth of planted seedlings; a 2,256 hectare seedling planting program; and a 401 hectare spacing program to encourage good tree growth. In addition, Fraser once again participated in the provincial government's effective Spruce Budworm Spray Program through the treatment of 54,000 hectares of Company Freehold limits in early summer.

As a phase-in agreement under the province's Crown Lands and Forest Act, Fraser assumed in 1983 the tree planting function on its Crown Licence, a task formerly the responsibility of the province. However, this operation and the planting program on Freehold limits were reduced to 55% of plan due to seedling shortages, brought on by severe winter kill conditions at Provincial Government and Company tree nurseries during the winter of 82-83.

Seedlings Planted
(millions)





Private woodlot owners get a demonstration of equipment for small operations as part of woodlot management seminars.



Over 2500 people visited our Forest Tree nursery during the summer.



Everett Deschenes
Nursery Supervisor,
7 years with Fraser

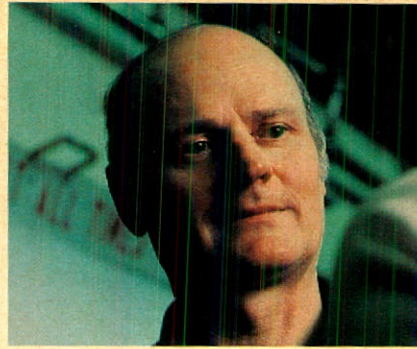
Woodlands (continued)

Special departmental undertakings in 1983 included the completion of a three-year aerial photography project covering Company Freehold and Crown limits, a first step in a major effort to remap and update inventory of all Fraser forest holdings; and a special project carried out with the assistance of the Federal-Provincial CREDA Program to chip harvest 4,800 tons of biomass fuel from hardwood trees removed from areas planned for softwood planting. This project subsequently saw all fuel transported to the Company's modernized Atholville Pulp Mill for use in that operation's new wood waste boiler.

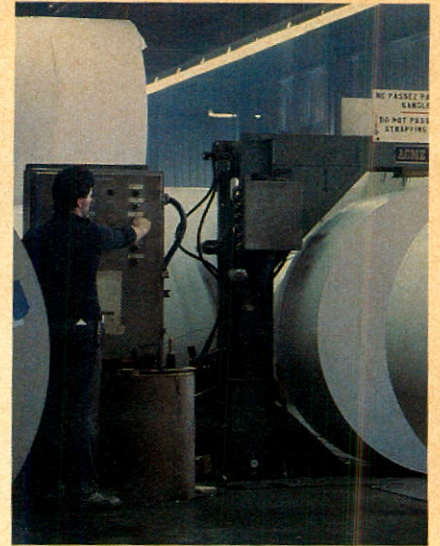
Fraser also continued efforts in 1983 to promote wise private woodlot management practices within Northern New Brunswick. Company officials played very active roles during several woodlot manager field days and silviculture equipment demonstrations, and the Company once again sponsored the Woodlot Manager of the Year Awards in those regions where Fraser purchases wood from private woodlot owners.

Safety in the work place and associated rising costs were both real issues of concern in 1983 when the Company effectively joined with other New Brunswick industries to form a task force to address threatened increases in Workmen's Compensation rates. To date the recommendations of this task force have been favourably received and an organized campaign is now underway to implement additional accident prevention programs within the provincial forest based industry.

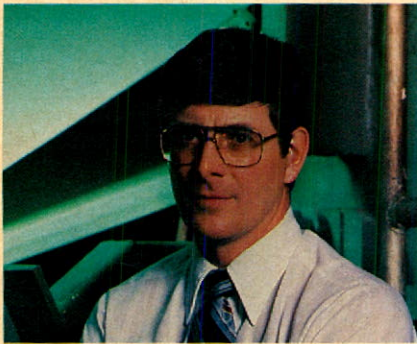
Boxboard and Thorold Division



Germain J. Gagné
Boxboard Tour Foreman,
29 years with Fraser



New strapping machine for large boxboard rolls.



James T. Archambault
Manager, Boxboard,
11 years with Fraser

Boxboard

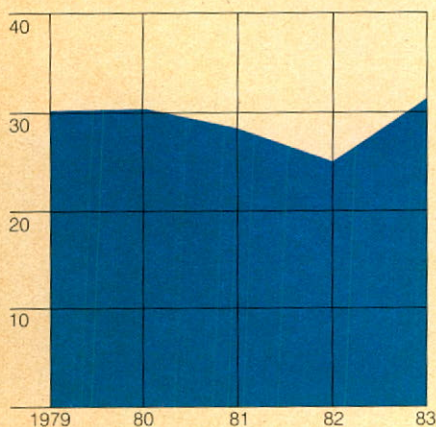
Firm markets throughout 1983 led to consistent order backlogs for this division, as the Company shipped 31,541 tons of this product line, an increase of 24% from the preceding year.

Improvements in efficiency, quality and product costs were noticeable through the first nine months of 1983. However, these benefits were tempered to some degree by production and quality problems encountered late in the year. With emphasis being placed on increased employee participation, quality control, on- and off-machine inspection using revised testing procedures, 1984 should prove to be a productive year for this operation.

Of positive note in 1983 was the Company's successful re-entry into the roll stock market after a 25-year absence. The decision in 1982 to re-enter this burgeoning market appears to have been a wise one, as roll production in 1983 accounted for approximately 30% of total shipments.

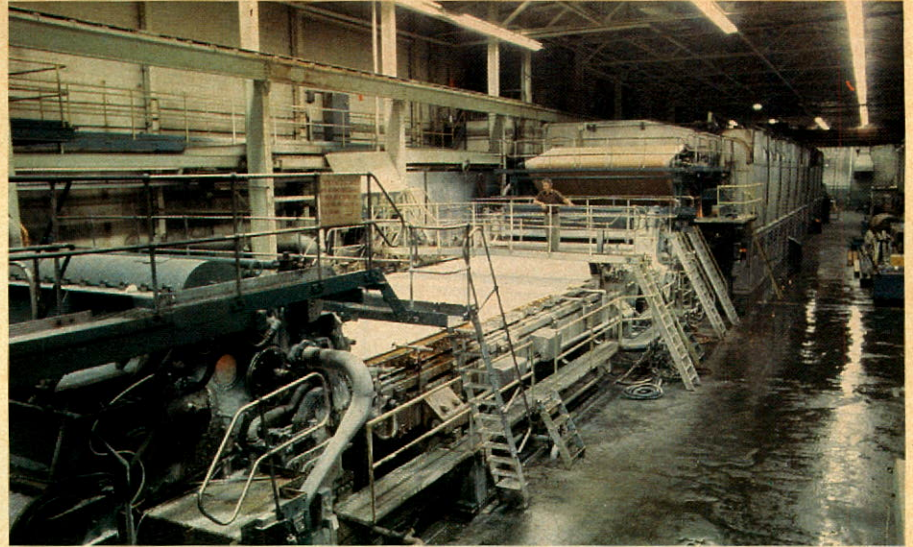
With sound markets and strong order backlogs again predicted for this product line throughout 1984, continued improvements in profitability, operating efficiencies and quality are anticipated.

Boxboard Units of Sales
(thousands of tons)





Joyce F. Sampson
Tow Motor Operator,
3 years with Fraser



Thorold's no. 7 paper machine, a premier producer of xerographic copy paper grades.



Edward W. Maki
Mill Manager, Thorold,
3 years with Fraser

Thorold Fine Papers

A strengthening demand resulted in improved operations for this division and pushed total shipments to 92,427 tons, up 25% from 1982 figures.

Fine paper markets were especially soft during the first half of the year, which forced downtime on some paper machines. However, close coordination between sales and manufacturing steered the operation through this difficult short order position and into full seven day operations on all paper machines in June. Capacity operations continued for the balance of the year, with the mill ending in a strong order position entering 1984.

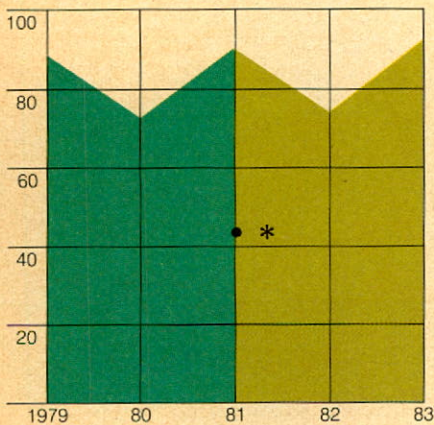
Notwithstanding continuing low net sales revenues caused primarily by lagging price increases in U.S. markets, a sustained effort by all employees in cost containment, increased shipments and lower raw materials costs in 1983 combined to maintain the Thorold Division in a profit position.

Research and development into new value-added products were a focal point of the Thorold thrust in 1983. Work continued in the development and merchandising of specialty wallcoverings, as well as in the production of other specialty coated papers. Both these efforts were given a boost in 1983 with the establishment of a new coating lab and associated equipment.

The past year also produced a manufacturing and sales strategy for the division over the next few years, which identifies products to be manufactured and the equipment to accomplish these goals. Expectations are for this strategy to be translated into action in early 1984.

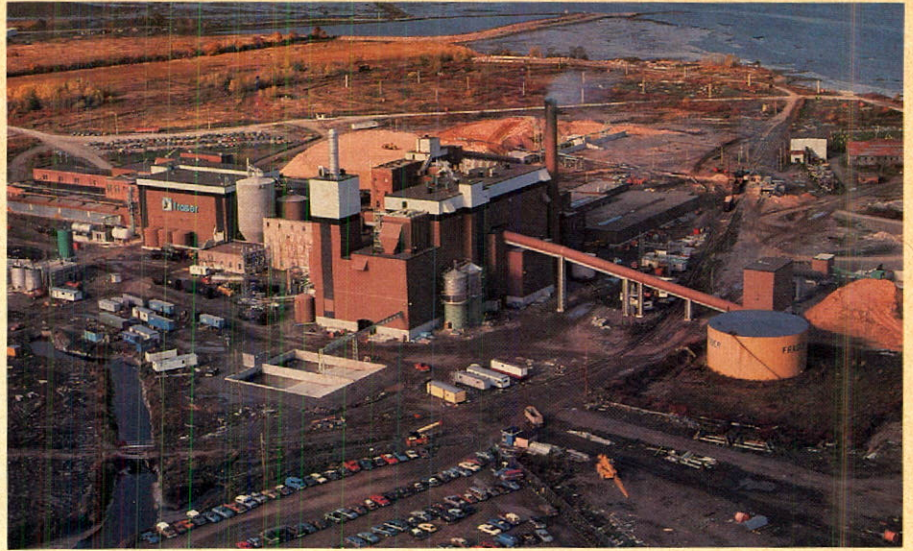
While prices are on the upswing, so also are raw materials costs; however the Company foresees this product line faring well in 1984, with markets remaining strong and order backlog firm.

**Fine Paper-Units of Sales
(Thorold Division)**
(thousands of tons)

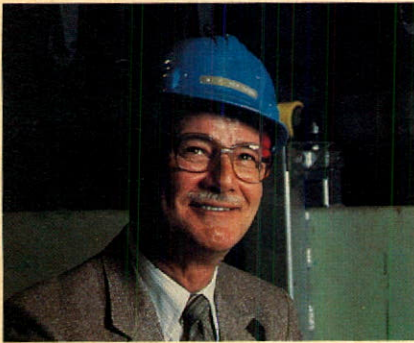


■ Former Ownership
■ Under Fraser Inc. Ownership
 * Portion of the production at Thorold in 1981 produced by Fraser

Market Pulp and Wood Products



The new look-Atholville Pulp Mill after \$180 million modernization.



W. Everett McKinnon
Mill Manager, Atholville,
37 years with Fraser

Market Pulp

All efforts within this division during 1983 were directed towards completion of the largest capital expenditure program in the history of the Company, the \$180 Million Atholville Pulp Mill Modernization Project.

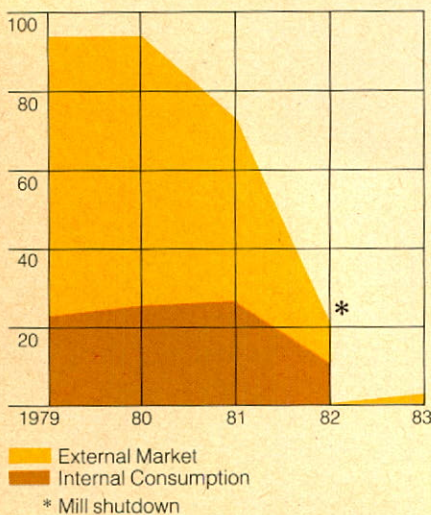
Weak demand and poor pricing for this product line through most of 1983 dictated the continuing closure of the former Atholville operation, yet did prove beneficial to the Company in other respects. The emphasis was placed on project completion and mill tie-ins and operator training programs for the new facility were correctly addressed and met.

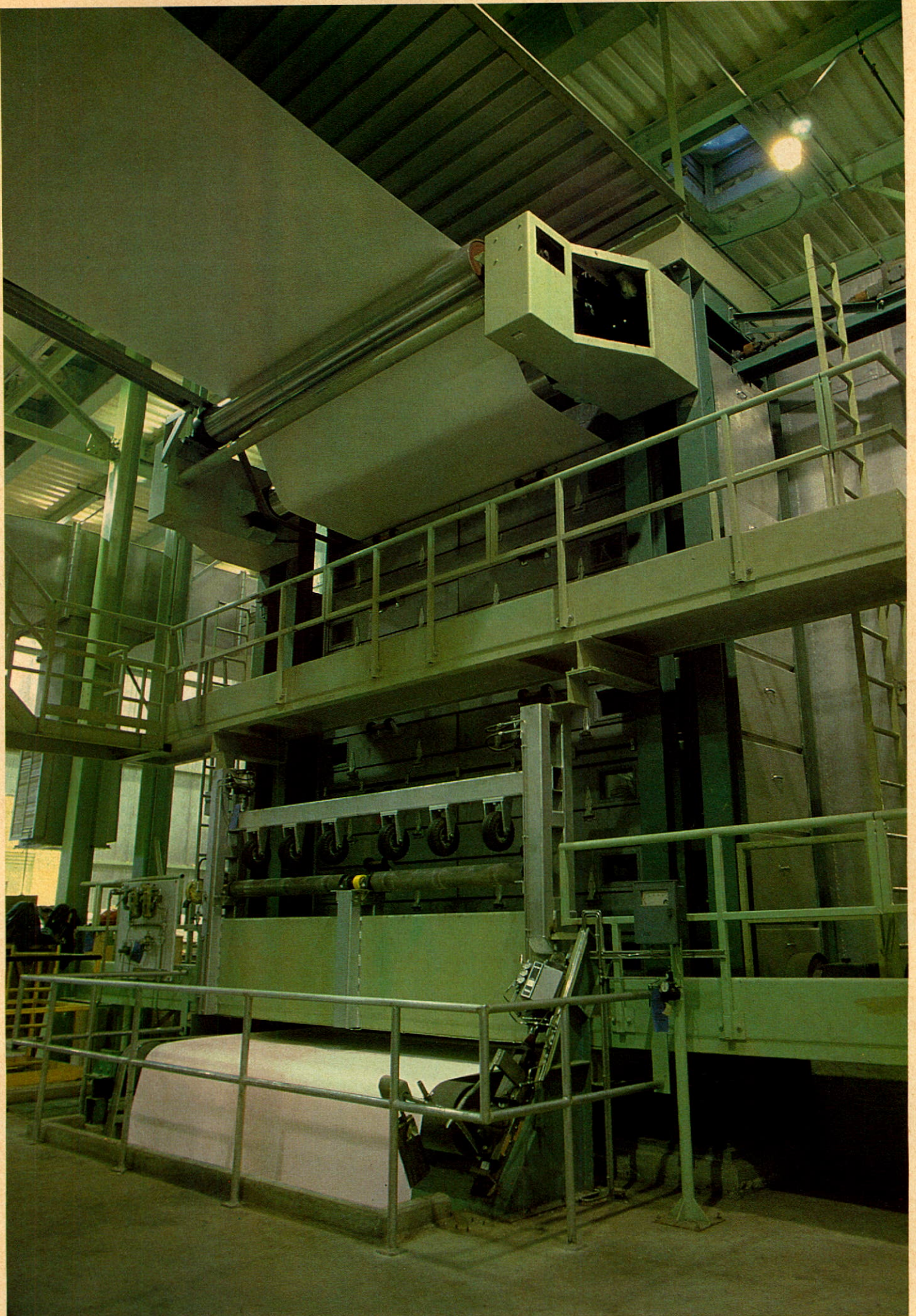
From late September to early January, 1984, various phases of the modernized complex went through tune up, commissioning and into production. Cooking of the first magnesium bisulphite pulp occurred on September 19, production of pulp on No. 1 Machine on October 20, start up of the new MgO Recovery System on November 19, production of pulp on revamped No. 2 Machine on December 29, and firing of the new hog fuel boiler on January 16.

Although normal startup problems were encountered at outset, progress remains continuous towards meeting this operation's twin objectives of quality and capacity production. Both these goals are expected to be achieved by mid-year.

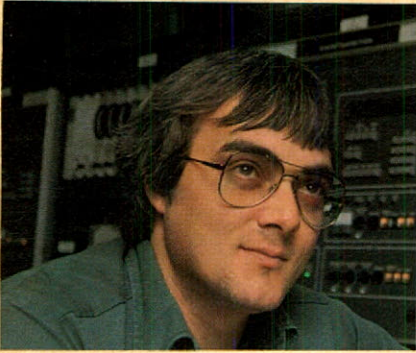
At capacity production, the modernized mill will be a 375 tons-per-day producer of fully bleached magnesium bisulphite softwood and hardwood pulps for world markets. This combination of wood utilization is unique to New Brunswick pulping circles and calls for virtually no increase in softwood fibre requirements relative to the mill's former demand.

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

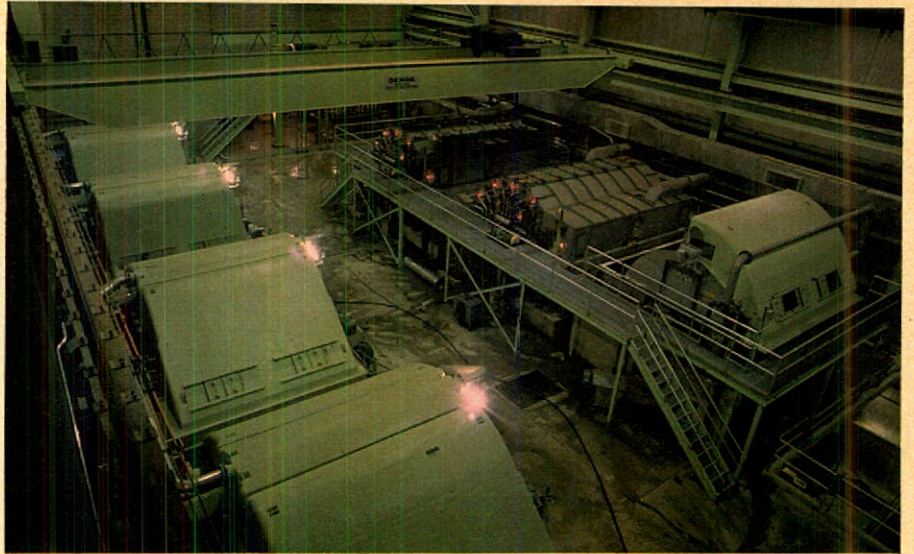




Additional drying capacity provided by this new Flakt dryer allowed speedup of no. 2 pulp machine.



Bernard LeBlanc
Operator 1, Steam & Recovery,
9 years with Fraser



Bleached stock and unbleached stock washers in the new washing and screening complex.

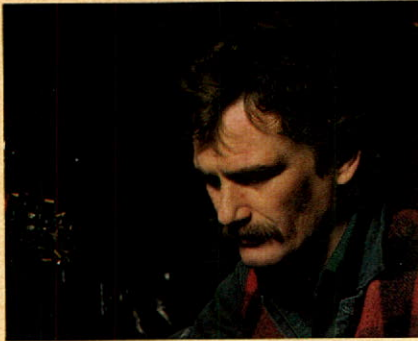
Market Pulp (continued)

In terms of energy cost savings, the converted mill is expected to be approximately 85% energy self-sufficient, with steam generated from the liquor recovery boiler and hog fuel boiler feeding the mill's new turbo-generator to produce most of the plant's power and process steam requirements. Fuel to power the new high pressure hog fuel boiler is obtained from the Company's Kedgwick Sawmill and regional sawmills.

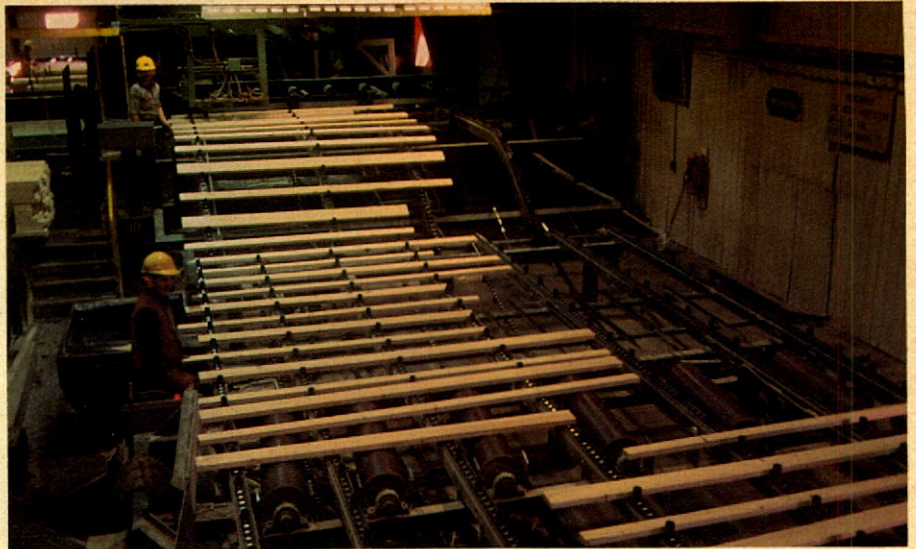
Plans are to market Atholville production in the North American and European marketplace, with a small percentage to be used internally at company papermaking operations. Norfibre, a division of Northwood Mills Limited of Toronto, will continue to oversee all marketing of this division's production.

Timing relative to bringing the new mill on stream appears to be excellent. A more stable economy has led to strengthening demand and recent price increases for this product line, and this market trend should hold up for the balance of the year.

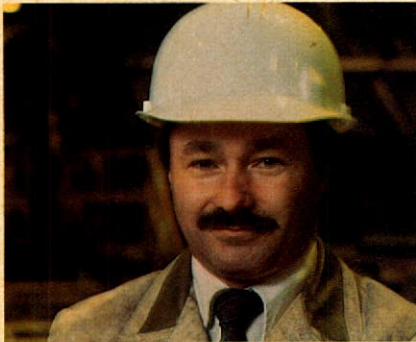
With markets remaining strong and order backlogs firm, the Company foresees this product line improving in profitability in 1984.



Jimmy R. Gallant
Electrician,
8 years with Fraser



Trim table at Kedgwick, sawmill.



Berthier Martin
Manager, Wood Products,
15 years with Fraser

Wood Products

Company sawmills at Kedgwick and Plaster Rock, New Brunswick, experienced an improved operating year in 1983, shipping a total of 52,914 Mfbm of lumber, a 61% increase over a disastrous 1982, yet representing only half of the operations' combined capacity.

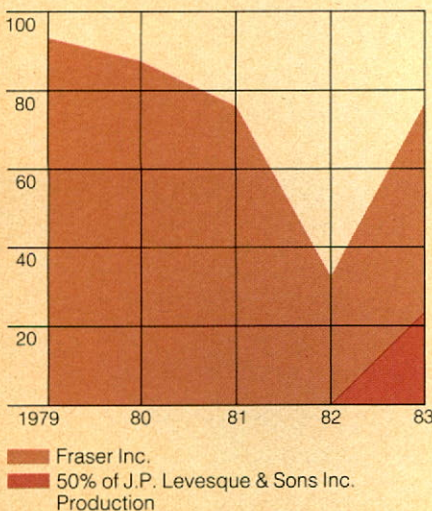
The first six months of 1983 saw North American housing starts grow dramatically, which resulted in lumber prices reaching breakeven levels for the Company. However, oversupplied markets during the second half of the year caused prices to again slip and remain depressed heading into early 1984.

A highlight during the year was the approval and start of the Kedgwick sawmill modernization, a \$1.6 million capital project to convert the operation into a short lumber mill. The project, scheduled for completion in the 1st Quarter of 1984, calls for improved wood fibre recovery from tree-length delivery and considerable improvements in productivity and efficiency, which will increase the mill's capacity by 51% to 80,000 Mfbm per year.

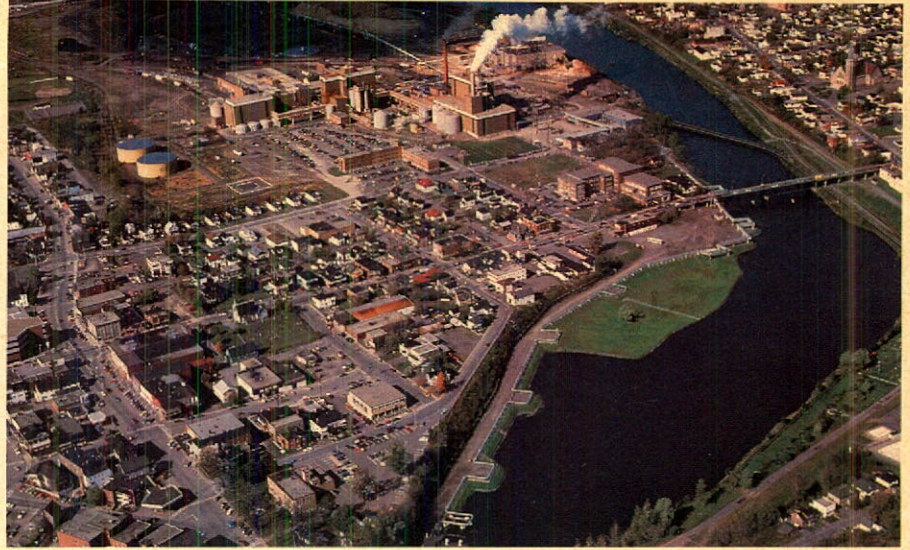
The Company's 50% investment in J.P. Levesque & Sons, Inc. sawmill at Ashland, ME., made the best of an improving U.S. economy in 1983 to ship heavy volumes of lumber totalling 47,807 Mfbm. Expectations are for 1984 to be another good operating year for this efficient sawmill.

Improved operating conditions are also predicted for the Company's New Brunswick plants in 1984. The converted Kedgwick sawmill will certainly improve upon its operating rate with the Atholville Pulp Mill on line and demanding a steady flow of softwood chips, and both sawmills will take advantage of an improving economic environment.

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



Edmundston Pulp and Madawaska Papers



Edmundston Pulp Mill showing recently landscaped steam pipeline in the foreground.



Barry K. Voss
Mill Manager, Edmundston,
3 years with Fraser

Edmundston Mill

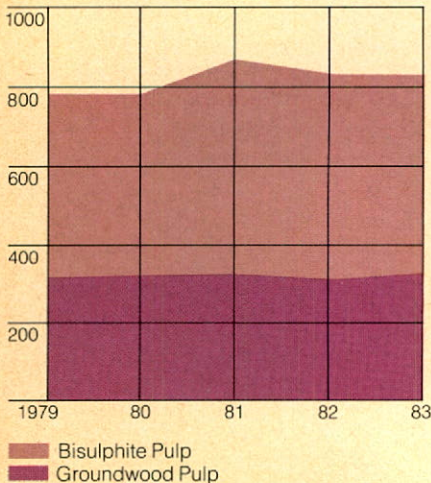
Satisfactory progress was made in 1983 towards further optimizing this division's production capabilities, with a total of 178,335 tons of magnesium bisulphite pulp and 113,571 tons of groundwood pulp produced, an increase of 4.7% and 3.5% respectively over 1982.

Chemical recovery efficiency improved substantially during the year, due in major part to revisions to the MgO scrubber tower in April. Savings on the year from reductions in sulphur and magnesium usage were 20% and 17% respectively better than last year. Additional improvements are anticipated in the first quarter of 1984 through further revisions to the liquor handling system.

Other improvements of note during the year included the November installation of a third Jonsson screen in the sulphite mill, which has achieved an 8 tons/day reduction in sewer losses; and the June startup of the new chlorine dioxide plant within the bleachery, which has improved overall pulp quality.

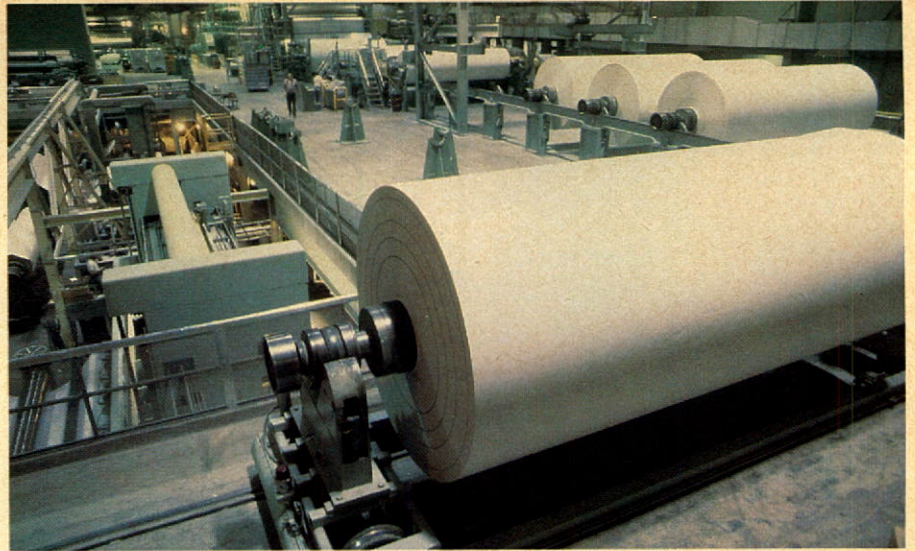
Cost savings were also realized in 1983 by more efficient burning of bark and hog fuel in the mill's wood waste boiler. Fuel oil reduction measured 121,039 barrels over 1982 experience, in spite of increased production and led directly to an 11% reduction in the usage of purchased energy per ton of production.

Edmundston Mill Pulp Production
(tons/operating day)

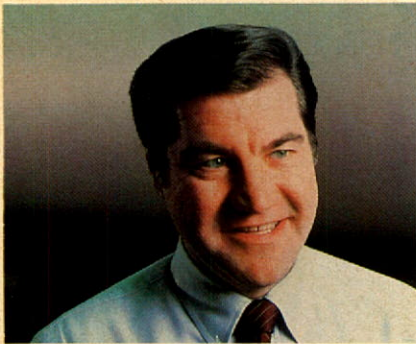




William R. Manzer
Technical Assistant, Bond Mill,
3 years with Fraser



Jumbo Rolls of coated groundwood papers coming off C-3 coater.



Clifford N. Ouellette
Mill Manager, Madawaska,
16 years with Fraser

Fine Papers — Madawaska

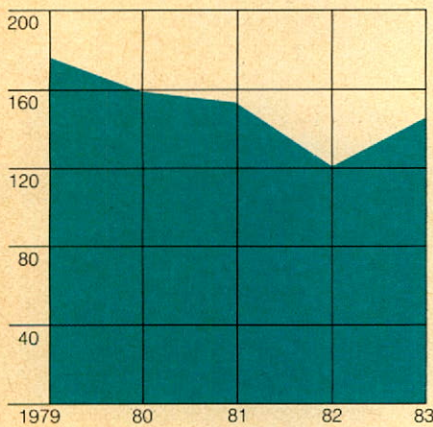
What began as a period seemingly at its lowest ebb with this product line turned around at mid-year, and by the 1st Quarter of 1984 both prices and product mix for these stable paper grades were on the mend.

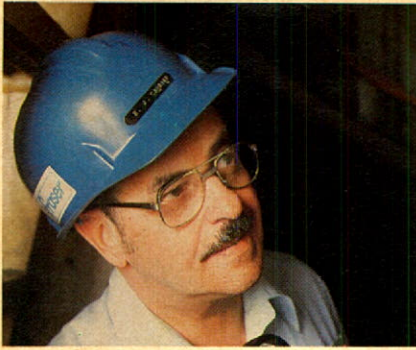
Shipments for the year totalled 145,927 tons or 21% higher than the preceding year. However, low profit grades were shipped through most of the first half of 1983, a necessary measure in order to maintain minimum continuous operation of the Edmundston Recovery Plant. Fortunately, this ominous situation reversed itself during July and market activity continued to pick up momentum through the end of the year.

Expansion of Fraser's customer base and diversified product mix improved our position, as this division shipped 22,741 tons of coated fine papers, an increase of 63% over 1982. Carbonizing bond, used in direct mailers, was a major part of this business, as were sales in coated front (CF) papers, which achieved commercial status in 1983. Both grades represent a key component of higher profit production which suits the capability of the billblade coater on No. 3 paper machine.

In the coming year, the company foresees improved margins in this product line, particularly in the value added products as the North American economy continues to improve.

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

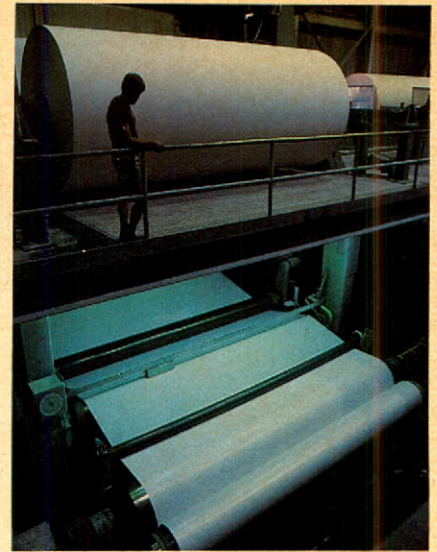




Edgar J. Carrier
Maintenance Superintendent,
35 years with Fraser

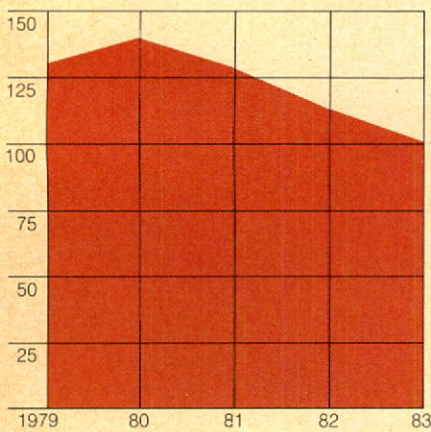


Jackie Rossignol
Typist-Clerk CRT/Fax,
21 years with Fraser



Coated groundwood paper shows high gloss as it comes out of no. 2 supercalender.

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



Madawaska Uncoated Groundwood Papers

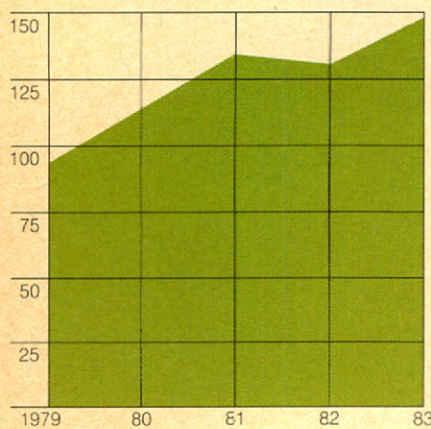
Poor market conditions and extremely soft demand for this product line during the first three quarters of 1983 caused shipments to fall to 100,915 tons, off 11% from 1982, and their lowest level in 10 years.

Full operation at the Madawaska Mill in these grades was realized in mid-July and continued through the end of 1983, due in major part to aggressive selling in a very competitive market, seasonal demand factors, some strengthening in catalog and directory markets, and a company strategy of product diversification initiated during the year.

In support of the latter, Fraser successfully developed and marketed a 33 lb. special rotogravure grade for a large and long-standing catalog customer, and by year end had added an 18 lb. directory stock and a higher brightness printing grade to the Company's product mix for 1984 markets.

The coming year will be a challenging one for this product line; however, with an expanded product mix and an overall improvement anticipated in customer demand, the Company is ready to take advantage of anticipated market opportunities.

Coated Groundwood Paper — Units of Sales
(thousands of tons)



Madawaska Coated Groundwood Papers

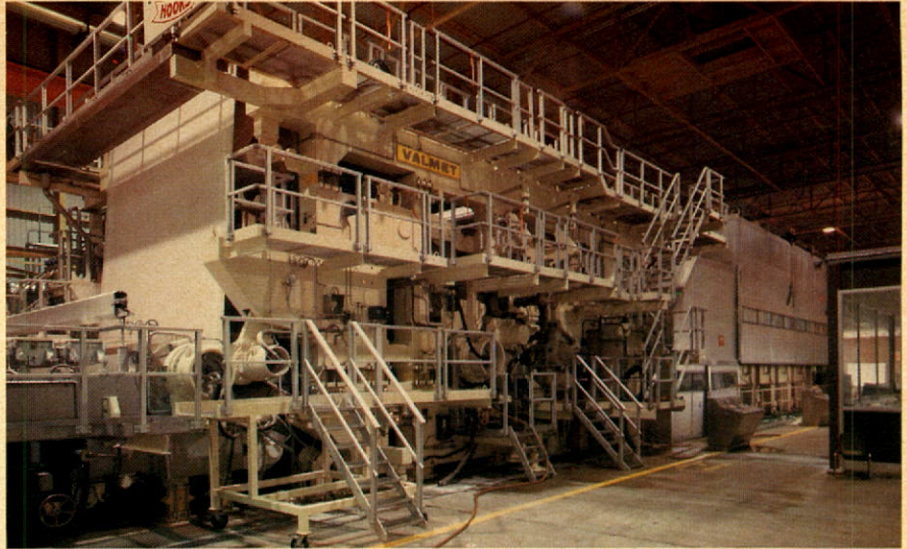
Unexpected strong demand for this product line during the second half of the year resulted in record shipments of 147,211 tons in 1983, an increase of 11.2% from 1982.

Soft markets due to increased supplier capacity were evident early in the year, and it was during this weak demand period that Fraser built up inventory in anticipation of strengthening markets. As a result of this successful tactic, the Company was able to provide good customer service when near-panic market conditions arose late in the third quarter.

In spite of lower unit sales revenues experienced for these grades through most of 1983, improved product profit was realized through two significant operational improvements — the reduction of broke losses, and the displacement of purchased softwood kraft pulp with unbleached sulphite pulp from Edmundston.

The year closed with revenues essentially recovered from early year discounting, and with strong customer demand predicted well into 1984.

Island Paper



Press section of the new paper machine which started up mid-year in 83.



William A. Adams
President and Chief Executive Officer,
Island Paper Mills Ltd.

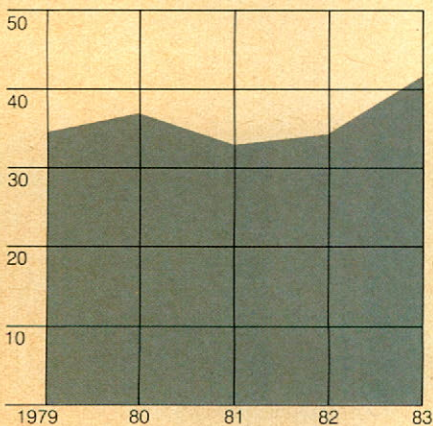
Fraser purchase of 50% ownership of Island Paper in 1983 was fortuitous indeed as the Company launched its new paper machine and aggressive marketing efforts which resulted in record shipments of 41,480 tons, an increase of 20% from the preceding year and a profit position at year end.

The successful July completion of the company's \$50 million expansion program included installation of a new No. 2 Valmet Fine Paper Machine and various support equipment and structures. Although anticipated startup problems were encountered for some months, notable improvements in quality and productivity were realized during the 4th Quarter and should continue in the new year. In response to strengthening markets, the 4th Quarter also saw resumption of production on the mill's smaller No. 1 paper machine which had been shut down when the new machine came on line.

With this operation's production capacity literally increasing over a very short period from 40,000 to 110,000 tons/year, it was necessary for Island Paper to strengthen its marketing efforts in 1983. The Company created a new regional sales office in Los Angeles, California, and received commitments from a number of independent West Coast U.S. distributors to promote Island merchant grades in 1984.

This operation's strategy through 1984, in the face of what appear to be firm markets, will be to develop new value added specialized paper grades, as well as continue to promote selected writing and printing papers.

Island Paper Mills Limited
units of sales
(thousands of tons)



Fraser and the Public

Committed to its employees and the communities in which they reside, Fraser continued to play a very active role in the social environment at all Company locales in 1983.

Special projects undertaken during the year, aimed both at enhancing corporate image and providing needed financial assistance, included:

— a Forestry Field Day, held in conjunction with the Canadian Forestry Association of New Brunswick, which brought together at the Fraser Tree Nursery a number of Northwestern New Brunswick forest user groups and some 1,200 interested field day participants. The day's objective was to create a better awareness and understanding of the forestry resource and the issues affecting it.

— a commitment late in the year to proceed with the establishment of a permanent facility for all pre-



Trade journal editors and company officials visit the modernized Atholville mill prior to startup.



Fraser officials present sculpted town seal to members of the Madawaska town council.



President Knut Grotterod presents a plaque of appreciation to one of the founders of the Madawaska Acadian Festival.

school handicapped children in the Madawaska area of Northern Maine. This facility, to be located within the Madawaska Mill Training Centre, is expected to be ready for occupancy in early 1984.

— and a special performance by the National Arts Centre of Canada Orchestra in May before a full house at Edmundston.

Corporate support, via both personnel and financial resources, was also evident in other areas

during the year. The Company again sponsored the Fraser Cup New Brunswick Cross-Country Skiing Championships, which continue to grow as a major winter sporting event across the province. Fraser also funded a special C.I.L. Art Exhibition of prominent Canadian Artists at Edmundston; and the Company successfully undertook a Fraser Information Program for the Kedgwick School System, whereby Company officials through school visitations and operation tours addressed a strong community desire for better understanding of the village's largest employer.

Good relationships with elected officials at all levels were also a priority in 1983, with regularly scheduled meetings always addressing areas of mutual interest and co-operation.

Communication materials produced during the year included a new colorful Nature Trail Guide, an information brochure on the modernized Atholville Pulp Mill, and several audio-visual programs, especially developed to better inform all employees of various Company operations.



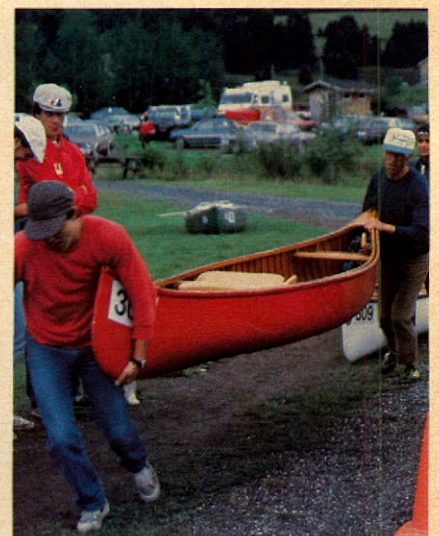
New Brunswick Cross Country Ski Championship-Fraser Cup series is now a major provincial winter sport event.



Fraser Paper Mill Manager visits pre-school center for handicapped.

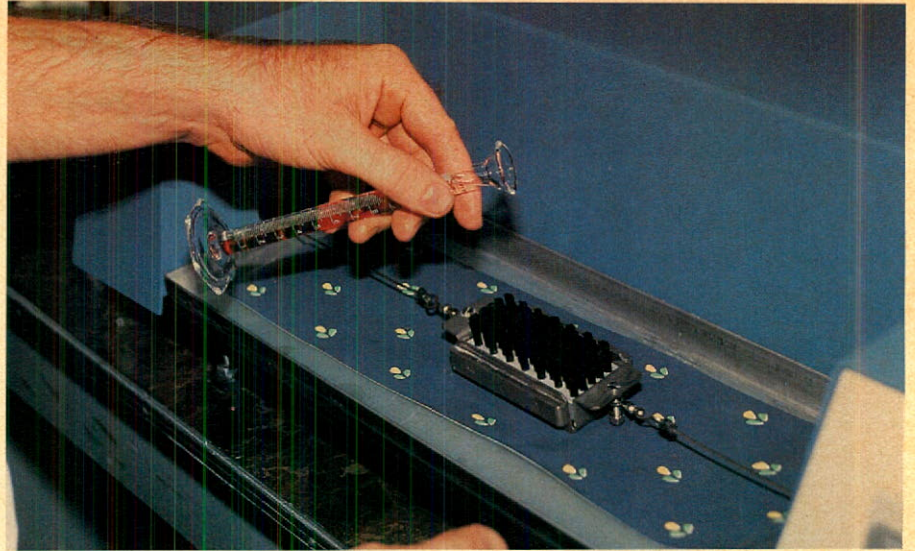


Smiling Edmundston Mayor receives land grant from Fraser for the city's waste water treatment facilities.



Fraser employee and son complete the popular Fraser Voyageur Canoe Race during Edmundston's "Foire Brayonne" festival.

Research, Development and Energy



A detergent solution is added to a brush that will test quality and durability of wallpaper made from Fraser paper.



W. David Kerr
V.P. Corporate Technical Services,
25 years with Fraser

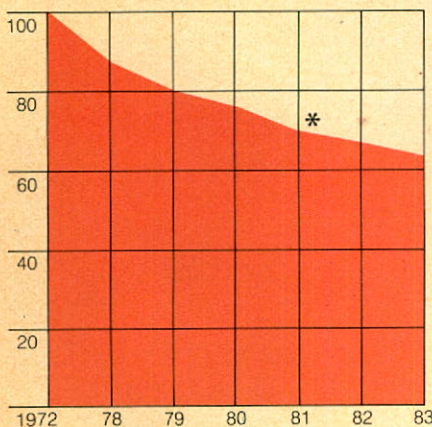
Corporate research efforts played a leading role in the pursuit of a major corporate goal in 1983 — the development of new paper products.

To this end new laboratory facilities were completed at the Thorold and Madawaska Mills, with both sites including versatile pilot coaters, coating preparation equipment and various test instruments basic to coated paper development. Since most products are also printed in their final form, many devices to assess graphic qualities were also acquired for both laboratories.

With the benefit of these facilities, research scientists and engineers have already produced several new commercial products for the carbonless forms, metallized base, label and packaging paper markets, which ensure Fraser's participation in new growth area for paper products. Another research project featured an extensive pilot pulping program on mixed hardwoods carried out at the Pulp & Paper Research Institute of Canada to provide groundwork for hardwood pulp production at Atholville.

In a unique project, Fraser research is collaborating with the Ontario Ministry of Agriculture to use sludge recovered from the Thorold Mill effluent as a soil enhancement material. Preliminary studies have been undertaken at the Vineland Research Station augmenting soils used in the production of grapes, mushrooms and corn. The success of this project could very well turn an expensive disposal problem into production of a useful by-product for Niagara Region farmers.

**Reduction of Purchased
Energy Consumed per Unit
of Production**



*Purchase of Thorold Mill

Energy

Startup and continuous operation of the Edmundston-Madawaska Steamline was a prime contributor to reduced energy costs in 1983, with the company generating approximately 28% or \$19.9 million worth of total energy consumed from renewable resources.

At year-end the Company was using 37% less purchased energy per unit of production than in 1972 (the base year used by the Canadian Pulp & Paper Industry for measuring improvements in energy usage). These results are among the best in the industry and of absolute necessity to ensure the Company's competitive position.

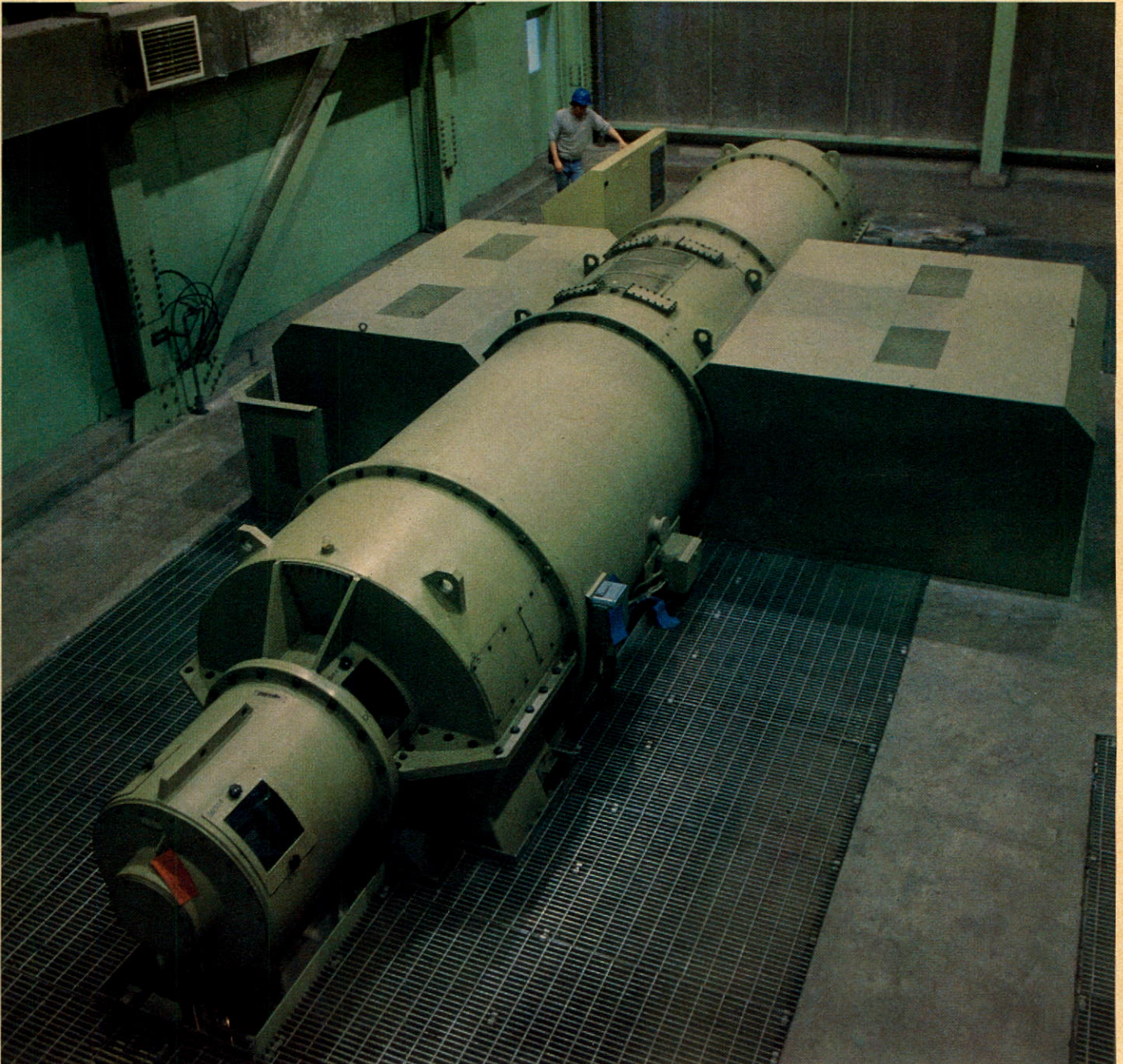
In the coming year Fraser can look forward to improved results in energy costs reduction as the modernized Atholville Pulp Mill goes into full production.



Edward T. McMahon
Specialty Papers Chemist,
3 years with Fraser

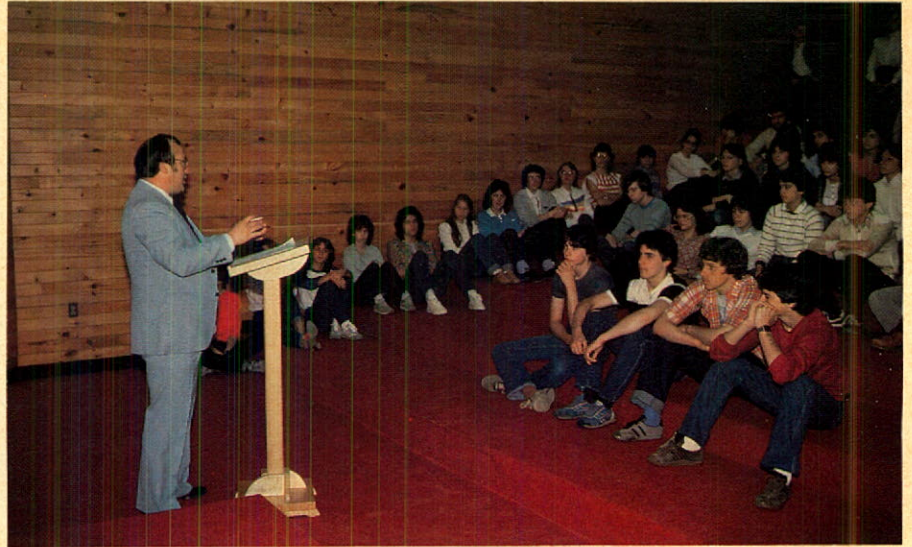


Two new mini-coaters with extensive testing capabilities will enhance our ability to produce more diversified coated products.



Asea radial flow type turbine generator can provide 85% of Atholville power needs.

Fraser People



Sawmill-manager Luc LeBrun explains Fraser operations to attentive Kedgwick students.



Fraser Paper Limited honoured by U.S. Legion as nation's leader in hiring veterans.



Edmundston Mill Golf Tournament. It never rains on a...



Sons of three Fraser employees in Edmundston built this working robot and won prizes in three science fairs.

The year 1983 saw renewed efforts by the Company towards creating a constructive, positive and participatory relationship with all Fraser employees.

— Employee Assistance Programs at Madawaska and Edmundston continued with positive benefits to employees and company.

— Annual and Quarterly Review Meetings, the Voyageur Newspaper and new Bi-Weekly Fraser Info News Bulletins kept all employees aware of Company news.

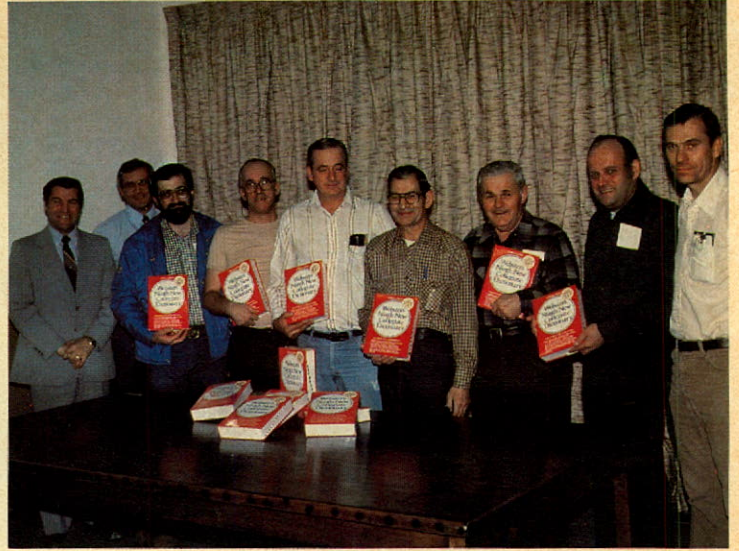
— And Company safety efforts were given a shot in the arm late in the year with a special corporate-wide safety conference which addressed safety in the workplace in general and followed through with recommended safety measures for all divisions.

Real strides in accident prevention, with accident rates down by as much as 75%, occurred at some locations, but these were largely offset by difficulties experienced in other divisions. However, a positive improvement corporate-wide was registered with total lost time accidents per million man hours of work down 3% from 1982. The excellent cooperation with the Joint Union Management Safety Committees bodes well for 1984 as all our efforts will be aimed at continued improvements in all divisions.

The year also saw a total of 6 labour agreements covering 950 company employees successfully negotiated, with competitive settlements addressing the needs of company and employees.



Company-wide safety meeting to establish new objectives and safety norms.



A pleased customer presented each operator with a copy of the finished product.



Fraser president with two winners of the Noranda U.S. Scholarships.



Thorold vice-president Bill Mathews presents a Fraser scholarship while proud Fraser employee mother looks on.



The kids really enjoy the Madawaska Mill field day events.

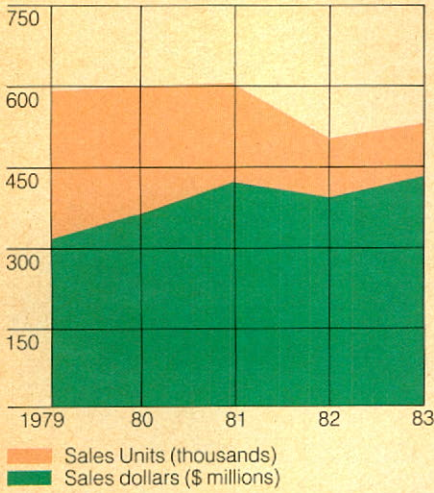
More than 700 Fraser retirees and their spouses enjoyed a special Retirees Banquet in early December, which featured an evening of fine food, live entertainment from fellow employees and their children, and renewed camaraderie. Fraser's intent is to continue with this very popular event, as well as with Company-employee picnics and field days at several locales and with special banquets in honor of long standing Company employees.

Management development and the training of personnel also remained a Company priority in 1983 with many programs being tailored to meet the needs of individuals and operations. Such programs will continue in force in 1984 as will Company Employee Assistance Programs, which in the new year calls for implementation at the modernized Atholville Mill.

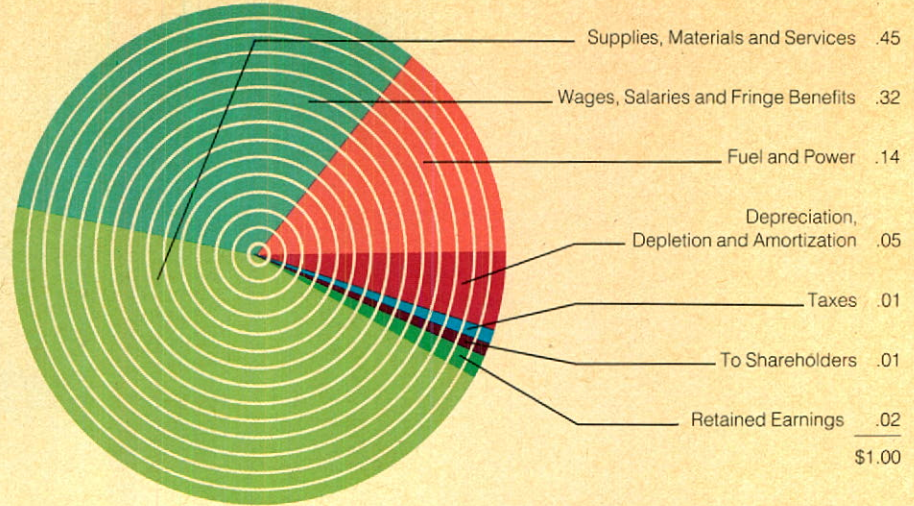
At year-end the company had reached an agreement with the St. Louis-Maillet Campus of the University of Moncton to provide for a French immersion course for Fraser employees and their spouses.

Of final note on the value the Company places on its most important resource, late in 1983 saw the creation of the Department of Human Resources under the direction of Regal D. McLean, Vice President, Human Resources.

Sales Units and Dollars



Distribution of the 1983 Sales Dollar



Financial Review

Economic recovery favourably impacted Fraser's markets in 1983, especially in the second half of the year. As a result, operating rates, shipments, sales revenues and earnings all showed marked improvements over 1982.

Shipments of 573,849 units were 13% above 1982. Net sales of \$435.9 million — a record high — were \$38.3 million or 10% above last year. Net income of \$10.8 million was \$15.6 million better than last year's loss of \$4.8 million. On a per common share basis, 1983 earnings were \$1.25 per share after allowing for preferred dividends equivalent to \$.26 per common share while 1982 registered a loss of \$.67 per share. There were no preferred shares in 1982. A gain on the sale of the investment in Brascade Resources Limited accounted for \$.13 per share of the 1983 earnings.

Cost performance improved during the year due to higher operating rates and continued emphasis on cost control. Although selling prices had recovered only to pre-recession levels by year end, cost of sales declined to 83% of net sales from 86% in 1982.

Profitability in 1983 was still well below necessary levels. Return on average common shareholders' equity was 4.8%. After excluding the Atholville pulping operation which only started up late in the year, the return on average net assets was 5.6%.

Depreciation, depletion and amortization of \$24.3 million was \$3.2 million higher than in 1982 primarily due to higher mill operating rates.

Interest expensed on long term debt was \$13.2 million or 26% below last year. Notwithstanding a large increase in debt, total interest increased by only 2% to \$28.6 million, thanks to lower interest rates. Interest of \$15.4 million was capitalized against major capital projects in 1983, up from \$10.3 million in the prior year.

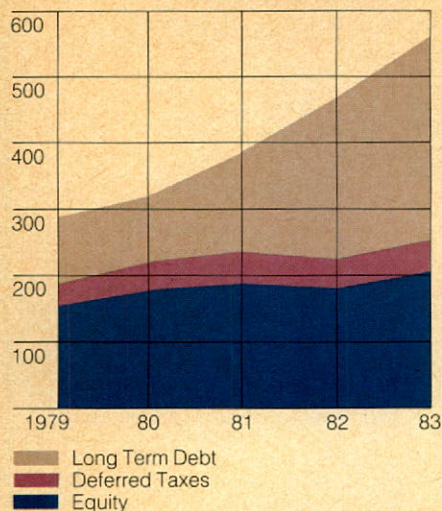
The effective income tax rate was 32.5% in 1983. Investment tax credits utilized consistent with the revised accounting policy adopted last year contributed \$.11 per share to net income. In 1982, a negative tax rate of 59.4% applied.

The Company's equity interest in the net earnings of associated corporations also reflected the improving business climate. It rose to \$.7 million from a \$1.6 million loss in 1982.

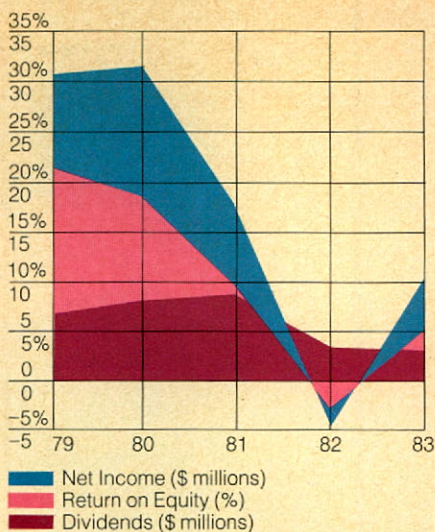
Funds generated by operations more than doubled to \$38.4 million from \$15.7 million last year. Other sources of funds in 1983, including preferred shares of \$16.8 million and new long-term debt of \$81.2 million, totalled \$109.5 million which was down from \$119.8 million in 1982.

Funds used for investment in associated corporations were much higher in 1983 principally due to the \$25.8 million paid for 50% ownership of Island Paper Mills Limited. Net additions and improvements to fixed assets continued their fast pace at \$95 million, including \$81.9 million for the Atholville Modernization, and were \$31.9 million below last year. Government assistance for capital projects of \$5.4 million was received in 1983 compared with \$12.7 million in 1982. Funds totalling \$14.5 million were applied to reduce long-term indebtedness which amount included the \$7.9 million proceeds from the sale of the shares of Brascade Resources Limited. Dividends of \$3.3 million were paid last year including \$.20 per share or \$1.4 million on common shares (\$.50 per share in 1982) and \$1.8 million on preferred shares. The latter was paid by issuing additional preferred shares.

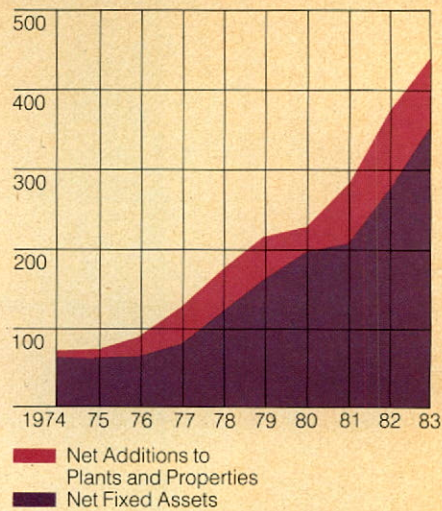
Capitalization
(\$ millions)



Income Dividends — Profitability



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



Working capital at year end increased by \$8.3 million to \$51.7 million. The rise was mainly a reflection of the increased business activity. A comprehensive inventory control program continues to improve inventory levels. The ratio of current assets to current liabilities increased to 1.9 from 1.7 last year.

Net fixed assets passed the \$400 million plateau to stand at \$442.1 million at year end, up by \$65.2 million during the year. The Company owns outright 773,200 acres (312,900 hectares) of timberlands having a market value of approximately \$200 US per acre and which are recorded in net fixed assets at only \$8 per acre. Approximately \$11 million of fully depreciated fixed assets which had been removed and scrapped, mostly at the Atholville pulp mill, were removed from the accounts.

Investments in associated corporations increased to \$67.8 million from \$46.8 million largely as a result of the purchase of a half ownership of Island Paper Mills Limited, reduced by the sale of the shares of Brascade Resources Limited. The \$25.8 million invested in Island Paper Mills Limited was paid by means of \$15 million in cash and an unsecured promissory note for the balance. The cash portion was financed by the issuance of preferred shares to an affiliated corporation.

The Atholville Modernization was the dominant factor in the \$66.7 million or 28% rise in long-term indebtedness to \$306.5 million at year end. This represented 54% of capitalization — 51% last year — and 148% of shareholders' equity — 131% last year. Now that the major modernizations are completed, the Company is committed to improving these ratios. The Company also maintains an opportunistic stance regarding the possibilities for fixing rate on a portion of its floating rate debt.

Shareholders' equity increased by \$24.4 million to pass the \$200 million mark and end the year at \$207.1 million. Of this amount, \$16.8 million was preferred shares issued by a subsidiary company.

Inflation has a weakening effect on the financial strength of individuals and companies. It is deceptive since its impact is not readily apparent and it is difficult to measure with confidence. Both the merits and methods of adjusting financial data for inflation are highly controversial as evidenced by the concerns being expressed about the 1982 recommendations of the Canadian Institute of Chartered Accountants (CICA). Fraser is not convinced that the subjective, complicated and expensive "current cost" treatment specified by the CICA is warranted in light of indications that published inflation adjusted data is seldom used, even by financial analysts. Pending further resolution of the issue, Fraser has chosen to continue use of the relatively straightforward "Ontario method" which uses the "constant dollar" approach in an attempt to convey a perspective on the effect of inflation.

The Ten Year Comparison has been revised this year to provide additional information.

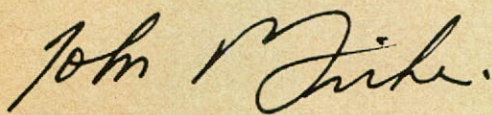
Consolidated Statement of Financial Position

As at December 31, 1983 with comparative figures for 1982
(in thousands of dollars)

	1983	1982
Current assets:		
Cash	\$ 6,057	\$ 2,775
Accounts receivable	46,655	37,050
Inventories (note 2)	58,278	56,379
Income taxes recoverable	—	4,576
Prepaid expenses	871	2,156
Total current assets	111,861	102,936
Current liabilities:		
Accounts payable and accruals	52,297	51,150
Income taxes payable	1,327	12
Long-term indebtedness due within one year	6,543	8,326
Total current liabilities	60,167	59,488
Working capital	51,694	43,448
Fixed assets (note 3)	442,062	376,838
Investment in associated corporations (note 4)	67,801	46,832
Other assets (note 5)	969	1,012
Working capital and other assets employed	\$ 562,526	\$ 468,130
Financed by:		
Long-term indebtedness (note 6)	\$ 306,502	\$ 239,816
Deferred income taxes	48,936	45,579
Shareholders' equity (note 7)	207,088	182,735
	\$ 562,526	\$ 468,130

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, 1983 with comparative figures for 1982
(in thousands of dollars)

	1983	1982
Earnings:		
Net sales	\$ 435,913	\$ 397,605
Costs and expenses:		
Cost of sales	362,335	342,075
Depreciation, depletion and amortization	24,321	21,118
Administrative and selling expenses	19,792	19,148
Interest on long-term indebtedness (note 8)	13,224	17,761
Other expenses and income — net	1,398	5,237
	421,070	405,339
Earnings (loss) before income taxes and equity in net earnings (loss) of associated corporations	14,843	(7,734)
Income taxes (recovery)	4,828	(4,593)
	10,015	(3,141)
Equity in net earnings (loss) of associated corporations	740	(1,620)
Net earnings (loss)	\$ 10,755	\$ (4,761)
Earnings (loss) per common share	\$ 1.25	\$ (.67)
Retained earnings:		
Balance at beginning of year	\$ 174,947	\$ 183,242
Net earnings (loss)	10,755	(4,761)
	185,702	178,481
Dividends paid:		
Preferred shares	1,840	—
Common shares — \$.20 (1982 — \$.50) per share	1,429	3,534
	3,269	3,534
Balance at end of year	\$ 182,433	\$ 174,947

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, 1983 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, 1983 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 on a basis consistent with that of the preceding year.

Leat, Marwick, Mitchell & Co

Chartered Accountants
Montreal, Canada
February 8, 1984

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1983 with comparative figures for 1982
(in thousands of dollars)

	1983	1982
Source of funds:		
Net earnings (loss)	\$ 10,755	\$ (4,761)
Items not involving funds:		
Depreciation, depletion and amortization	24,321	21,118
Deferred income taxes	3,357	(3,746)
Equity in net earnings of associated corporations net of dividends received	(77)	3,104
Amortization of financing expenses	32	24
Funds provided from operations	38,388	15,739
Reduction of investment in associated corporations	6,067	4,284
Government grants relating to capital expenditures	5,421	12,674
Issue of shares in lieu of cash dividends	1,867	74
Issue of preferred shares of subsidiary company	15,000	—
Decrease in other assets	11	119
Long-term indebtedness	81,169	102,639
Total funds provided	147,923	135,529
Application of funds:		
Investment in associated corporations	26,959	2,556
Additions and improvements to fixed assets — net	94,966	126,831
Reduction of long-term indebtedness	14,483	11,720
Dividends	3,269	3,566
Total funds used	139,677	144,673
Increase (decrease) in working capital	8,246	(9,144)
Working capital at beginning of year	43,448	52,592
Working capital at end of year	\$ 51,694	\$ 43,448

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1983

Fraser Inc. is incorporated under the Canada Business Corporations Act and 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.

Preproduction costs, start-up costs and interest on major projects are capitalized during the construction period and until the related facilities achieve sustained commercial production.

Government grants received in connection with the construction or expansion of production facilities are deducted from the costs of such assets.

Production machinery is depreciated on the units-of-production basis. All other assets are 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.

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.

Investment in associated corporations:

Investments in associated corporations in which the Corporation has significant influence but not majority share ownership are accounted for on the equity basis.

Financing expenses:

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

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) Inventories:	1983	1982
	(000's)	
Pulpwood and logs, including advances	\$ 19,969	\$ 17,335
Raw materials and supplies	29,361	28,485
Goods in process and finished products	8,948	10,559
	\$ 58,278	\$ 56,379

(3) Fixed assets:	1983	1982
	(000's)	
Plants and properties	\$ 602,658	\$ 526,959
Less accumulated depreciation	171,578	162,131
	431,080	364,828
Freehold and leasehold properties	13,780	13,470
Less accumulated depletion	7,612	8,103
	6,168	5,367
Equipment under capital leases	12,669	12,674
Less accumulated amortization	7,855	6,031
	4,814	6,643
	\$ 442,062	\$ 376,838

(4) Investment in associated corporations:	1983	1982
	(000's)	
Companies accounted for on the equity basis:		
Island Paper Mills Limited (50% owned) (a)	\$ 26,712	\$ —
J. Paul Levesque & Sons, Inc. (50% owned)	2,894	2,556
	29,606	2,556
Other investments, at cost:		
Brascade Resources Limited	—	6,067
Kerr Addison Mines Limited (b)	38,195	38,209
	\$ 67,801	\$ 46,832

(a) Effective February 4, 1983 a wholly-owned subsidiary of the Corporation acquired 50% of the shares of Island Paper Mills Limited at an aggregate price of \$25,840,000, payable as to \$15,000,000 in cash and as to the balance by way of a negotiable unsecured promissory note payable in instalments from 1987 to 1989.

(b) The Kerr Addison Mines Limited investment consists of 1,712,042 common shares with a market value at December 31, 1983 amounting to \$35,311,000 (1982—\$27,393,000).

(5) Other assets:	1983		1982
	(000's)		
Due under Stock Purchase Plan	\$ 630	\$	711
Deferred financing expenses	339		301
	\$ 969	\$	1,012

Pursuant to the provisions of the Stock Purchase Plan shares may be issued for the account of certain employees, including officers, at the discretion of the directors. 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, 1983 the Trustee held 48,700 shares as collateral for unpaid balances aggregating \$753,000 of which \$123,000 is due in 1984.

(6) Long-term indebtedness:	1983		1982
	(000's)		
Sinking Fund Debentures:			
6½% Series A due 1984-1987			
— \$3,000,000 U.S.			
(1982 — \$3,750,000 U.S.)	\$ 3,240	\$	4,050
10¾% Series B due 1984-1992			
— \$28,010,000 U.S.			
(1982 — \$30,340,000 U.S.)	28,500		30,871
	31,740		34,921
Notes payable, due 1987-1989,			
with interest at			
bank prime rate	11,987		—
Purchase money mortgage			
Notes payable due 1984-1985			
— \$400,000 U.S.			
(1982 — \$600,000 U.S.)	496		737
Bank revolving term loan			
— includes \$164,000,000 U.S.			
(1982 — \$3,400,000 U.S.)	262,189		184,263
Obligations related to			
leased assets	5,981		7,615
	312,393		247,536
Less amounts due within one year			
(converted to \$6,543,000 and			
\$8,326,000 at year-end			
exchange rates)	5,891		7,720
	\$ 306,502	\$	239,816

The sinking fund debentures are secured by a floating charge on the assets of the Corporation.

The bank revolving term loan bears interest at rates which fluctuate mainly with the lender's prime commercial rate. 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 1986 at which time the balance outstanding, if any, will be converted into a term loan repayable in equal semi-annual instalments through 1998. The loan is secured by an assignment of certain assets and a second floating charge on the remaining assets of the Corporation. The bank loan may be financed by way of various options and may be denominated in Canadian or U.S. funds. The average interest rate at December 31, 1983 was approximately 10.3%.

As at December 31, 1983 bank borrowings in U.S. dollars were fully hedged.

Debt repayments over the next five years, excluding the term bank loan, are as follows:

	(000's)
1984	\$ 6,543
1985	5,212
1986	4,309
1987	7,567
1988	7,796

(7) Shareholders' equity:	1983		1982
	Shares	\$000's	
Capital stock			
Common shares:			
Issued at			
January 1,			
1983	7,145,306	\$7,788	
Issued in 1983			
to shareholders			
electing dividend			
in stock in lieu of			
cash	1,437	27	\$ 7,815
	7,146,743		\$ 7,788
Preferred shares issued by			
subsidiary company:			
\$13 cumulative			
redeemable			
retractable			
preferred			
shares			
Series A	168,397	16,840	16,840
			—
Retained earnings		182,433	174,947
		\$ 207,088	\$ 182,735

The preferred shares were issued to an affiliated corporation in the Noranda Group and are retractable between 1986 and 1988 and redeemable at \$100 per share by 1990.

Earnings per common share are calculated using the weighted average number of shares outstanding during the year of 7,145,603 (1982 — 7,090,825) and are after preferred share dividends.

(8) Statement of Earnings — Supplementary Information:	1983		1982
	(000's)		
(i) Interest on long-term			
indebtedness:			
Total interest	\$ 28,649	\$	28,035
Less charged to capital cost of			
expansion programs	15,425		10,274
	\$ 13,224	\$	17,761
(ii) Research and development			
expenses	\$ 1,810	\$	1,833

(9) Pension plans:

According to the most recent annual actuarial reports covering pension plans, the unfunded liabilities were \$29,994,000 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 \$3,164,000.

Total pension expense charged against earnings aggregated \$4,591,000 (1982 — \$4,215,000).

(10) Commitments:

(i) At December 31, 1983, contractual commitments for capital expenditures, including the balance of the Atholville Mill project, amounted to approximately \$8 million.

(ii) The Corporation has contracted to sell under forward exchange contracts U.S. \$147,000,000 at rates averaging approximately Canadian \$1.229 for each United States \$1.00.

(11) 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:

	1983	1982
	(000's)	
Balances at end of year:		
Accounts receivable from affiliates	\$ 1,703	\$ 1,585
Accounts payable to affiliates	1,234	2,041
Transactions during the year:		
Sales of finished products	16,774	8,257
Purchases of pulp and other products	20,920	17,995
Charges for facilities and services	625	918

(12) 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 72 percent of consolidated net sales.

Effects of inflation (unaudited)

For 1983, 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	\$38,000
Deduct funds required to finance replacement of productive assets assuming no inflation — historical cost depreciation and amortization	24,000
Funds hypothetically available for expansion or distribution before considering inflation	\$14,000
Deduct inflation adjustment —	
Additional funds required to finance inflationary increase in the cost of maintaining present productive capacity:	
inventories	\$ 3,000
plant, machinery and equipment	16,000
	<u>\$19,000</u>
less portion of additional funds which may be available through borrowings at the present debt financing ratio	<u>\$10,000</u> <u>\$ 9,000</u>
Funds hypothetically available for expansion or distribution after considering inflation	<u>\$ 5,000</u>

Funds provided from operations totalled \$38 million. After an estimated cost of \$43 million to maintain production capability (including \$19 million due to inflation) and financing \$9 million of this by additional borrowings, there was a notional amount of \$5 million available for expansion and/or distribution.

In fact, in 1983 \$17 million (net) was spent on plant and working capital to maintain the business, \$107 million (net) was spent for expansion and investments and \$3 million was distributed to shareholders. Besides the \$38 million funds provided by operations, \$67 million (net) was provided by new borrowings, \$17 million by issuing equity and \$5 million from other sources.

Ten Year Comparison

(millions of dollars except per share amounts and statistical data)

			1983
Earnings	Sales	Net sales revenue	\$ 435.9
	Expenses	Cost of products sold	362.3
		Depreciation, depletion and amortization	24.3
		Selling and administration	19.8
		Interest on long-term debt	13.2
		Other	1.4
		Income taxes	4.8
	Earnings of assoc.	Equity in earnings (loss) of associates	.7
	Net earnings (loss)		10.8
Financial Position	Capital employed	Working capital	51.7
		Investments and other	68.7
		Fixed assets — net	442.1
			562.5
	Capital sources	Long-term debt	306.5
		Deferred income taxes	48.9
		Shareholders' equity	207.1
		562.5	
Changes in Financial Position	Sources	Funds flow from operations	38.4
		Long-term debt	81.2
		Other (net)	22.3
			141.9
	Application	Plants and properties — net	94.9
		Investment in associates — net	20.9
		Reduction of long-term debt	14.5
Dividends		3.3	
	Increase (decrease) in working capital	8.3	
		141.9	
Financial and Statistical Data	Per common share	Net earnings (loss)	1.25
		Dividends	.20
		Funds flow from operations	5.37
		Common shareholders' equity	26.62
		Market price range — high	22.00
		— low	12.13
		— close	22.00
	Ratios	Return on average shareholders' equity — %	5.5
		Long-term debt to equity — %	148.0
	Other	Common shares outstanding	7,146,743
		Average number of employees	3,770
		Salaries, wages and benefits (\$000)	139,091
		Net fixed assets per employee (\$000)	117
Units of sales per employee		152	
Net sales per employee (\$000)		116	
Operations	Units of sales	Fine papers	— tons 238,354
		Uncoated groundwood papers	— tons 100,915
		Coated groundwood papers	— tons 147,211
		Boxboard	— tons 31,541
		Market pulp	— tons 2,914
		Lumber	— M.f.b.m. 52,914
			Total

1982	1981	1980	1979	1978	1977	1976	1975	1974
\$ 397.6	\$ 422.2	\$ 362.2	\$ 321.0	\$ 265.1	\$ 212.5	\$ 180.7	\$ 142.8	\$ 158.2
342.1	344.7	284.9	247.3	202.8	172.9	149.5	119.3	121.1
21.1	20.7	18.3	12.2	10.0	7.9	7.5	7.4	6.8
19.2	19.6	16.9	14.0	11.0	9.8	8.1	7.0	5.6
17.8	18.5	12.2	3.6	.7	.5	.5	.5	.5
5.2	2.6	(1.8)	(.7)	(.7)	(1.5)	(1.4)	(2.8)	(1.5)
(4.6)	6.5	8.3	15.2	17.3	7.8	5.4	4.2	10.8
(1.6)	7.9	8.2	1.5	—	—	—	—	—
(4.8)	17.5	31.6	30.9	24.0	15.1	11.1	7.2	14.9
43.4	52.6	45.0	28.3	21.5	42.6	64.8	36.8	35.5
47.9	51.4	46.0	31.8	1.1	1.2	1.2	.3	.3
376.8	283.8	230.9	219.0	177.2	128.5	91.9	76.2	74.4
468.1	387.8	321.9	279.1	199.8	172.3	157.9	113.3	110.2
239.8	148.9	98.3	89.4	45.5	42.5	43.7	8.9	9.7
45.6	49.3	43.5	33.2	20.4	15.2	10.8	8.2	7.8
182.7	189.6	180.1	156.5	133.9	114.6	103.4	96.2	92.7
468.1	387.8	321.9	279.1	199.8	172.3	157.9	113.3	110.2
15.7	38.5	54.3	54.9	39.2	27.6	21.1	15.1	22.6
102.6	56.4	13.4	46.0	.9	—	—	—	1.0
12.9	6.8	.5	.4	.8	.2	35.0	—	1.2
131.2	101.7	68.2	101.3	40.9	27.8	56.1	15.1	24.8
126.8	79.2	30.4	54.3	56.6	45.1	23.5	9.2	7.0
(1.7)	—	8.1	31.0	—	—	—	—	—
11.7	5.8	4.6	2.1	.8	.8	.8	.8	.8
3.5	9.1	8.4	7.0	4.6	4.1	3.8	3.8	3.3
(9.1)	7.6	16.7	6.9	(21.1)	(22.2)	28.0	1.3	13.7
131.2	101.7	68.2	101.3	40.9	27.8	56.1	15.1	24.8
(.67)	2.49	4.51	4.38	3.41	2.15	1.57	1.03	2.12
.50	1.30	1.20	1.00	0.66	0.58	0.54	0.53	0.47
2.22	5.47	7.76	7.79	5.57	3.92	3.01	2.14	3.21
25.57	26.84	25.68	22.40	19.01	16.27	14.71	13.68	13.19
17.13	28.88	24.00	17.50	41.00	27.25	25.88	20.63	28.75
8.50	16.50	15.00	13.25	13.25	21.63	19.50	16.00	19.00
12.00	17.50	23.00	15.50	13.50	24.25	22.50	17.50	20.63
(2.6)	9.5	18.8	21.3	19.3	13.9	11.1	7.6	17.1
131.3	78.5	54.6	57.1	34.0	37.1	42.3	9.3	10.5
7,145,306	7,127,291	7,095,837	7,067,130	7,048,206	7,048,206	7,033,206	7,033,206	7,033,206
3,746	4,010	3,625	3,634	3,548	3,353	3,183	2,906	3,340
118,934	109,634	89,568	80,571	71,267	64,641	53,915	43,412	36,149
101	71	64	60	50	38	29	26	22
136	152	166	164	156	149	149	135	141
106	105	100	88	75	63	57	49	47
194,880	196,182	159,170	176,060	177,085	178,684	164,013	128,012	188,755
113,503	127,230	141,325	130,543	129,315	121,585	128,498	116,896	127,173
131,224	134,330	114,330	93,759	92,633	84,588	83,122	58,060	67,135
25,428	28,421	30,502	30,643	30,630	31,539	32,628	30,326	32,389
11,363	46,278	67,635	71,936	43,595	20,219	9,994	12,191	10,533
32,695	76,205	87,309	92,634	81,167	63,849	56,764	46,081	46,190
509,093	608,646	600,271	595,575	554,425	500,464	475,019	391,566	472,175

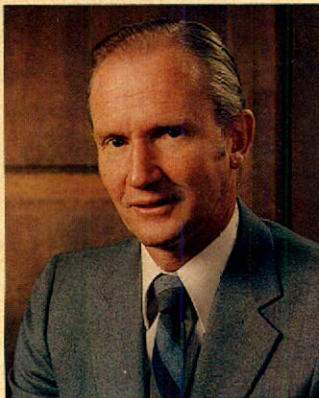
Directors and Officers



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; Northwood Mills Ltd. Member of the Board of Governors, McGill University. Chairman of the Executive Board, Canadian Pulp & Paper Association (CPPA).



R. Timothy Kenny

Elected director 1982

Born Buckingham, Quebec, 1929. BSc in Forestry Engineering (U.N.B.). 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 of Northwood Mills Limited 1983. 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 Limited, Northwood Pulp and Timber Limited, and Normick Perron Inc.



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 MacMillan Bloedel Limited, Northwood Mills Limited, Maclaren Power and Paper Co., Noranda Aluminum Inc., and Noranda Metal Industries Limited. President of Northwood Pulp and Timber Limited. Director of Noranda's manufacturing and forest product companies, plus a number of Canadian public companies. Past chairman of the Canadian Pulp & Paper Association. Canadian co-chairman of the Canadian-American Committee, and a trustee of the Hospital for Sick Children, Toronto.



Lars E. Londen

*Elected director 1980
Resigned December, 1983*

Born Helsinki, Finland, 1937. MBA (Helsinki Business School), LLB (Helsinki University) and PMD (Harvard Business School). Joined Finnecell, 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.



Carl E. Beigie

Elected director 1975

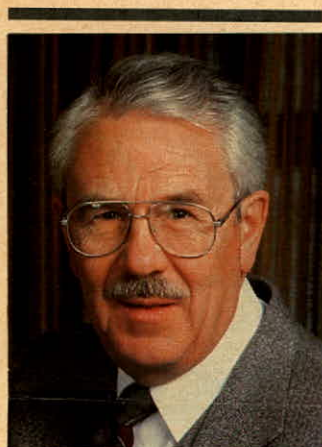
Born Cleveland, Ohio, 1940. BA (Muskingham College). Assistant vice-president of Irving Trust Company 1968-71. President of C.D. Howe Institute 1978-82. Vice-president and chief economist Dominion Securities Ames Limited, 1983. Associate professor, Faculty of Management, McGill University 1977, and professor, Faculty of Management Studies at the University of Toronto 1981. Chairman, Canadian Foundation for Economic Education. Director, Oakwood Petroleum Ltd. Member of a number of Canadian and American Economic Associations.



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 Continental Corporation, Imasco Limited, Power Corporation of Canada and Royal Bank Realty Inc. Member of the Roosevelt International Park Commission. Chairman of the Business Council on National Issues. Chairman of Junior Achievement of Canada. 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 & Sons Inc. Member of the Canadian Pulp & Paper Association, Technical Section, and a member and past president of the Canadian-Scandinavian Foundation.



William D. Eberle

Elected director 1980

Born Boise, Idaho, 1923. BA (Stanford) and LLB and MBA (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.



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 Inc. 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 Treeford Limited and governor of Royal Victoria Hospital and Foundation.



David J. Hennigar

Elected director 1969

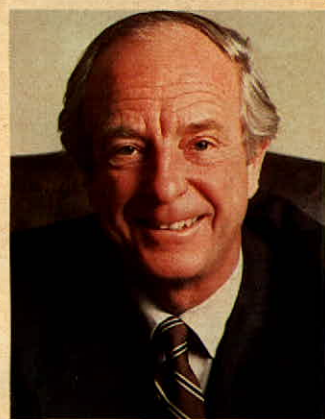
Born Windsor, N.S., 1939. B.Comm. (Mount Allison) and MBA (Queen's). Manager of Burns Brothers and Denton Limited of Halifax 1967. Atlantic regional director of Burns Fry Limited 1971. Vice-chairman and chairman of the Executive Committee of Crownx Inc., and vice-president and treasurer of Caruscan Inc. Director of Crowntek Inc., Halifax Developments Limited, Crown Life Insurance Company, Oakwood Petroleum Ltd., the Institute for Research on Public Policy, Governor of Dalhousie University, and a director of a number of Canadian 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 and chief executive officer (CEO) 1965; chairman and CEO 1977; chairman and president 1979. 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.



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 1977. Director of Wabasso Inc. 1978; president and chief executive officer 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. Treasurer of J.P. Levesque & Sons Inc. Fellow of the Guild of Industrial, Commercial and Institutional Accountants of Canada, and member of Canadian Pulp & Paper Association, Woodlands Section.



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 & Paper Association, Technical Section.



Niall P. O'Brian
*Senior 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; senior vice-president 1983. President of Paper Industry Management Association (1983-84), and member of Industry Development Committee of Canadian Pulp & Paper Association.



Edward S. Bailey
*Vice-President, Purchasing,
Transportation and Stores*

Born Fredericton, N.B., 1930. Graduate of Fredericton Business College. Joined company in 1950; manager of purchasing 1968; director purchasing, transportation and stores 1980; elected vice-president, purchasing, transportation and stores 1983. Member of Canadian Pulp & Paper Association, Purchasing Section. Member of Paper Industry Management Association, Purchasing Management Association of Canada, the Maine Purchasing Association, and Pulp and Paper Traffic League. Chairman of the Atlantic Provinces Transportation Commission.



W. David Kerr
Vice-President, Corporate Technical Services

Born Toronto, Ontario, 1928. B.A.Sc (University of Toronto). Joined company in 1958. Appointed technical director 1970; elected vice-president, corporate technical services 1983. Chairman of Canadian Pulp & Paper Association, Technical Section, and Chairman, Environmental Quality Committee, Canadian Manufacturers' Association. Member, T.A.P.P.I., British Paper & Board Industry Federation, and Environmental Council of New Brunswick.



Alan A. Ritchie
*Vice-President and General Manager
Market Pulp and Wood Products Group*

Born Edmundston, N.B., 1939. BSc (University of New Brunswick). Joined company in 1975; director, market pulp and wood products 1981; elected vice-president and general manager market pulp and wood products group 1983. Director of J.P. Levesque & Sons, Inc. Chairman of Madawaska Brick and Block Corp. Member of P.I.M.A., T.A.P.P.I. and of the Canadian Pulp & Paper Association, Technical Section.



Bruce W. Hicks

Senior Vice-President and Secretary

Born Fredericton, N.B., 1919. BCL (UNB). Joined company in 1949. Elected secretary 1965; vice-president and secretary 1970; senior vice-president 1983. Member of New Brunswick Barristers' Society, Canadian Bar Association, and fellow of the Institute of Chartered Secretaries.



Peter M. Belyea

Senior Vice-President, Woodlands

Born Rothesay, N.B., 1921. BSc in Forestry (UNB). Joined company in 1949. Elected vice-president, woodlands, 1971; senior vice-president 1983. Chairman of Canadian Pulp & Paper Association, Woodlands Section, and member of New Brunswick Professional Foresters' Association.



A. Michael Moloney

Vice-President, Sales

Born Boston, Massachusetts, 1941. BA (Boston College) and MBA (Northwestern University, Chicago). Joined company in 1965; sales manager, coated papers 1973; general sales manager 1981; elected vice-president, sales 1983. Past President, Sales Association of the Paper Industry. Past Chairman, Industrial Development Committee of Canadian Pulp & Paper Association. Member of Periodical Papers Group, American Paper Institute. Member of New York Paper Club.



Robert A. Knapp

Senior Vice-President, Marketing

Born Milwaukee, Wisconsin, 1926. BSc and MA (University of Wisconsin). Joined company in 1977. Elected vice-president, marketing and sales, 1977; senior vice-president 1983. Director Island Paper Mills Limited. Member of Executive Committee of Printing and Writing Papers Division of the American Paper Institute.



Melvin B. Robinson

Senior Vice-President, Finance

Born Greenville, Maine, 1931. Graduated Bentley College. Joined company in 1968. Elected vice-president, finance, 1976; senior vice-president 1983. Director Island Paper Mills Limited. Member of Financial Executives Institute, American Management Association and Canadian Pulp & Paper Association, Financial Officers Section. Member Advisory Board, Casco National Bank.



Regal D. McLean

Vice-President Human Resources

Born Barksdale Field, Louisiana, 1944. BA Social Science (Ricker College, Maine). Joined company in 1966. Manager of industrial relations, U.S. operations 1980; elected vice-president Human Resources 1983. Member of Human Resources Section of Canadian Pulp & Paper Association. Member of American Paper Institute.



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.



Paper bags for food products made from Fraser paper.



Fraser is a supplier of paper for the playing surface and the box surface of this popular trivia game.

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, Quebec 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:
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