



# fraser

## 1985 ANNUAL REPORT



	1985	1984	1983
Sales	\$548,304,000	\$529,538,000	\$435,913,000
Earnings (loss)	\$ (3,185,000)*	\$ 3,487,000	\$ 10,755,000
Return on Equity	(1.5)%	1.7%	5.5%
Additions to Fixed Assets	\$ 22,625,000	\$ 39,368,000	\$ 94,966,000
Fixed Assets per Employee	\$ 111,000	\$ 113,000	\$ 117,000

\*Before extraordinary loss of \$3,611,000



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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

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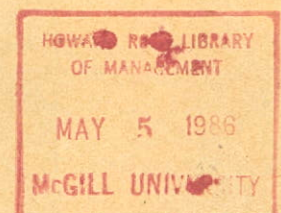
#### Front Cover

*Modern modular harvesting camp situated at Long Lake in the Plaster Rock District.*

#### Back Cover

*A similar installation on the South Branch of the Kedgwick River in the Edmundston Restigouche District.*

*Due to ease of access with improved roads these camps are slowly being phased out for commuter operations.*



# Financial Highlights

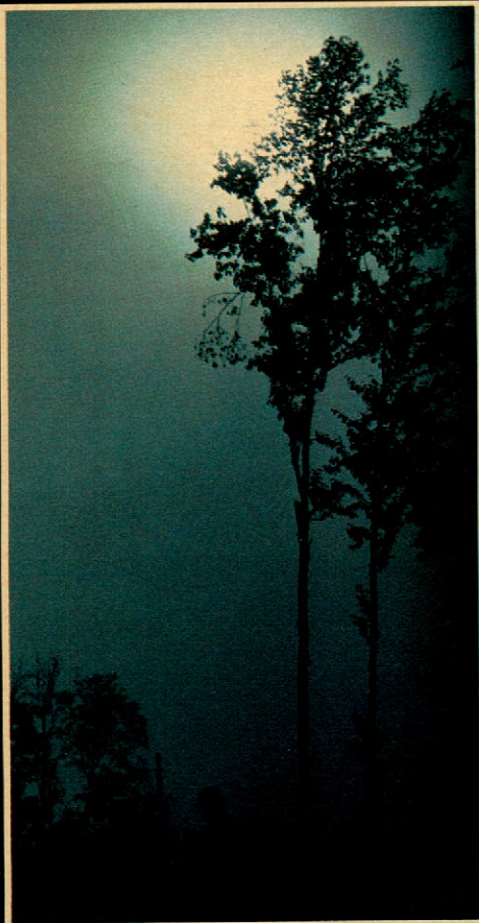
	1985 <sup>(1)</sup>	1984	1983
<b>Operations</b>			
Net sales	\$548,304,000	\$529,538,000	\$435,913,000
Net earnings (loss)	(3,185,000) <sup>(2)</sup>	3,487,000	10,755,000
Net earnings (loss) per common share	(.81)	.17	1.25
Dividends per common share	—	.40	.20
Net cash flow from operations	21,195,000	22,136,000	35,207,000
Net cash flow per common share	2.97	3.10	4.93
<b>Financial Position</b>			
Working capital	45,637,000	52,617,000	51,694,000
Total assets	591,522,000	654,030,000	622,693,000
Long-term debt	274,120,000	322,415,000	306,502,000
Shareholder's equity	212,266,000	207,907,000	207,088,000
<b>Other</b>			
Return on average shareholders' equity — %	(1.5)	1.7	5.5
Additions to plants and properties — net	22,625,000	39,368,000	94,966,000
Average number of employees	3,936	3,964	3,770
Shareholders' equity per common share — year-end	25.06	26.38	26.62

(1) Per common share data for 1985 is based on the combined results of Fraser Inc. and Fraser Paper, Limited and is included for comparison purposes only.

(2) Before extraordinary loss of \$3,611,000

**The Fraser Inc. Annual Meeting** will be held in the Republic Room, Conference Centre, Howard Johnson's Motor Lodge, Edmundston, New Brunswick, Canada, on Monday, April 21, 1986 at the hour of 11:00 o'clock in the forenoon, Atlantic Standard Time.

## Report of the Directors



Although the economies of the United States and Canada showed modest growth, the Forest Products Industry again suffered from over capacity and depressed prices in 1985.

In addition to competition from regular Scandinavian producers, pulp, and to a lesser extent, paper from new non-traditional sources throughout the world had a severe impact on volume and pricing. The strength of the United States and the Canadian dollars, in relation to Europe and Japan, also adversely affected the North American Forest Products Industry. The average North American operating rates for the forest products industry decreased from 92% in 1984 to 90% in 1985. Prices for most of our products increased during the first half of the year but fell off sharply during the third and fourth quarters.

On the other hand, the overall operating rate for Fraser was 83% in 1985 compared with 82% in 1984. Net sales for the year reached \$548,304,000, an increase of 3.5% over 1984 and was a new record. Fraser experienced a net loss of \$3,185,000 in 1985 before an extraordinary item. The extraordinary loss, brought about by the sale of Kerr Addison Mines Limited shares amounted to \$3,611,000, which brought the loss for 1985 to \$6,796,000 compared with the previous year's earnings of \$3,487,000.

On the brighter side, cash inflow from the sale of the Kerr Addison Mines Limited shares amounted to \$34.6 million, and this amount, together with internal cash flow from operations, allowed the Company to reduce its long-term debt by \$48.3 million; our debt decreased from \$322.4 million in 1984 to \$274.1 in 1985. No common share dividends were paid in 1985.

The amalgamation of Fraser Inc. and Noranda Inc. was approved by our shareholders at a special meeting on May 30, 1985.

The low overall operating rate of 83% added severe pressure on unit production costs. Our people responded with intensified cost reduction programmes throughout the corporation with the result that most unit costs were prevented from rising in excess of the rate of inflation.

Profitability of our fine paper operations fluctuated throughout the year with uncoated groundwood showing a steady positive performance. By the third quarter, demand for coated publication papers was falling and with continued availability of imports the operating rate and profit of this product was severely affected during the latter part of the year.

Markets for both woodpulp and lumber continued to suffer from over-supply, and our revenues from these products were well below profit-making levels throughout the year. Recent indicators point to some possible modest improvement in pulp pricing in 1986.

The Atholville operation showed good progress during the year as far as cost, productivity and quality are concerned. FraserBrite softwood bisulphite pulp from this division is widely acknowledged as having superior quality. A sales programme designed to familiarize potential customers with the unique characteristics of this pulp was launched in mid-year, and the positive response and steady growth in sales volumes are encouraging. During the summer of 1985, the Atholville Mill ran a successful production trial of hardwood bisulphite pulp; mill productivity and pulp quality were better than originally anticipated and additional hardwood runs will take place in 1986.

## Report of the Directors

continued

Following the rebuild of the Kedgwick Sawmill to a short lumber mill, a three-year labour contract was signed by mid-year. Productivity bonuses were accepted in lieu of traditional wage increases. Employee participation in optimizing the mill process has resulted in slow but steady progress in productivity. It is expected that design capacity will be reached late in 1986.

The planned modernization programme in Thorold was started during the first quarter. Extensive improvements were made to two of the three machines. This programme will direct the production capacity away from commodity papers to specialty papers that have a special niche in the market place. An extensive training programme was commenced which involved the cooperative effort of labour and management, with Federal Government training assistance; this programme is unique and has proven to be very successful. The modernization and training programmes will continue into the next year, and on completion will place Thorold in a position to supply specialty products to both Canadian and United States markets.

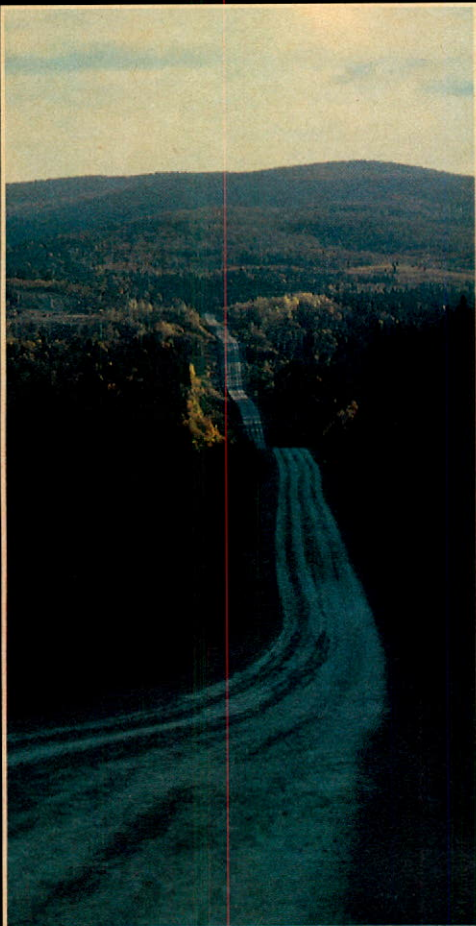
Island Paper Mills, which is fifty percent owned by Fraser continued to make good progress. Production volume was 41 percent higher than in 1984 and profits increased to \$3 million from a loss in 1984 as efficiency of the newly installed machine improved and the older machine was placed back into partial production. Crew selection and training will continue to enable the original machine to go into full operation early in 1986. Our advance indications are that markets will be available for the increased production from this mill.

J. Paul Levesque & Sons of Ashland, Maine, another fifty percent owned company had a successful year in spite of the difficult lumber market. Profits were forty nine percent higher than the previous year.

To conserve capital, net additions to assets in the form of capital projects were restricted to \$22.6 million in 1985. Intensive competition in nearly all markets will require modification and improvements to machines in 1986 and nearly all projected capital expenditures will be for product quality improvement, considered essential to maintain market share. The need to produce quality products was never greater, and continued major emphasis will be placed on this critical aspect of our operations.

It is one of our corporate objectives to encourage employee participation to achieve improved job satisfaction, results, and productivity. A most encouraging result in this regard was the turnaround of the boxboard operation in Edmundston after many years of losses to a profitable operation in 1985. This was only made possible by the cooperation and dedication of the total boxboard team. Although further challenges remain, we are confident that this progress will continue in 1986 and serve as a model to other groups in Fraser.

The Company has as a continuing goal, the elimination of accidents among its employees, and the approach to achieving this is recognized as involving everyone at Fraser. It is only by maximizing safe work surroundings, training and instruction in safe work practices, and every employee's concern for his fellow workers that continuing reduction in accidents can be achieved. In 1985, health and safety committees, safety audits, and innovative safety programs all assisted Fraser employees in improving their record of 20.63 accidents per million manhours worked in 1984 to 14.70 in 1985. This represents a marked



improvement but is only a step towards Fraser's goal of accident elimination. A major milestone was reached in mid-year when the Madawaska Mill reached in excess of two million manhours without a lost time accident.

During the latter part of the year Fraser joined a unique project designed to revive the operation of Northwood Panelboard in Chatham, N.B. A joint undertaking between Fraser, labour, management and wood producers formed Atlantic Waferboard Inc. Following extensive plant modifications, production of oriented waferboard is expected to begin during the third quarter of 1986.

It is with deep sorrow and regret that we remember the passing of D.G. (David) McAlary on August 20, 1985. At the time of his death Dave was Controller of the Company. His long and dedicated service will be remembered and he will truly be missed by his many friends and colleagues for his loyalty, friendly disposition and the outstanding knowledge of his profession.

On July 1, 1985, J.N. (Jim) Bowersock joined Fraser as Executive Vice President. Effective October 31, John Fisher resigned as Chairman and Director of Fraser to lead the Southam organization. On that date, Knut Grotterod assumed the office of Chairman and Jim Bowersock that of President and Director of the Corporation. Three company officers, Senior Vice-President Woodlands – Peter M. Belyea, Vice President Engineering and Energy – Glendon L. Crozier and Treasurer – Kenneth L. Seely retired in 1985, each with over thirty years of loyal service at Fraser. On behalf of the Board of Directors and all employees we wish to express our gratitude to Messrs. Fisher, Belyea, Crozier and Seely for their years of dedicated service and leadership while at Fraser and extend our warmest wishes for success in their future endeavours.

The year 1985 was a difficult one, affected primarily by over-capacity, unrealistic pricing and a heavy debt load with associated interest costs. Although good progress was made in productivity, debt reduction and cost control, there is not much encouragement that markets and pricing for our products will improve significantly during 1986. It is therefore essential that all efforts be directed toward cost control if the performance of our Company is to improve. We acknowledge with gratitude the participation and loyalty of all Fraser employees during 1985 and look forward to meeting the challenge of 1986 together as a Fraser team.

On behalf of the Board,



Knut Grotterod  
Chairman

March 7, 1986



# Bank Statement

Date	Item	Withdrawal	Deposit	Balance
				\$ 5,319,000 00
1/1/85				
	Proceeds from sale of lumber, pulp, boxboard and paper		550,024,000 00	
	Dividends received from associated companies		1,772,000 00	
	Proceeds from sale of Kerr Addison investment		34,584,000 00	
	Paid out for:			
	wood	48,784,000 00		
	wages	123,168,000 00		
	fringe benefits	35,849,000 00		
	wages and fringe benefits transferred to new machinery		3,371,000 00	
	fuel	40,020,000 00		
	power	28,672,000 00		
	purchase of pulps	60,501,000 00		
	chemicals	70,257,000 00		
	services and supplies	66,221,000 00		
	Paid to reduce debt	55,116,000 00		
	Paid interest on debt	32,833,000 00		
	Interest transferred to new machinery		207,000 00	
	Paid for new machinery and reforestation - net	*22,625,000 00		
	Paid to federal, provincial, state and local governments for taxes	16,760,000 00		
	Received from sale of common shares to employees and to others		347,000 00	
	Received from new borrowings.		2,815,000 00	
31/12/85				\$(2,367,000 00)

\*Includes wages, fringe benefits and interest capitalized





*The handmade suspension bridge is part of the Fraser Nature Trail that attracts hundreds of tourists and regional residents every year.*

# Woodlands

The Fraser forest resource base encompasses more than 700,000 hectares of Crown and Freehold lands that supply wood for our sawmills and pulp mills. It also provides wood for private forest products industries that operate in the area.

Fraser Woodlands people are responsible for the total management cycle of this resource base from regeneration to harvesting.

### Intensive Planning

The interpretation of new aerial photographs covering our woodlands limits was completed early in 1985 and by year-end our computerized mapping system had produced the first of a new series of maps. These maps, when combined with ground sampling (85% complete) will provide the basis for Fraser's 25-year Forest Resource Management Plan, which is a contractual requirement under our Forest Management Agreement for our Crown Land License.

### Forest Protection

Fraser-managed woodlands have been protected under the budworm spraying program which we launched in 1953 with the cooperation of the Federal and Provincial Governments and other forest product companies. In 1985, we extended this protection to another 194,000 hectares of Fraser-managed woodlands.

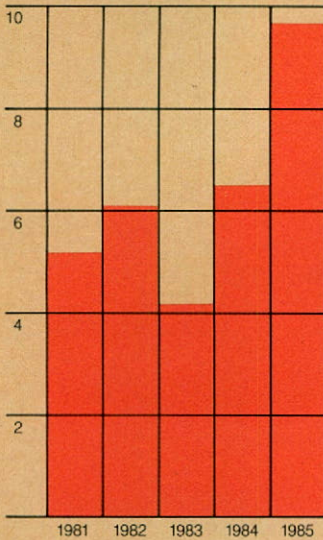
### Growth Enhancement

Fraser's Nursery, located at Second Falls within a 30-minute drive from Edmundston, has become a popular attraction for school children and summer tourists. In 1985, an estimated 1,800 visitors learned about our forests from guided tours of this operation.

In 1985 Fraser People produced 6,000,000 seedlings of genetically superior strains of black and white spruce including test batches of Red Pine and Tamarack, at our Nursery for planting in 1986. They also shipped 4.9 million seedlings from previous crops and sold an additional 700,000 seedlings to local private woodlot owners.

Our Woodlands People planted more than 9,700,000 of these superior seedlings on 3,648 hectares of Crown and Freehold lands. Since 1979, we have planted more than 11,400 hectares of Freehold land.

Seedlings Planted (millions)



Over 200 ft. long, this newly constructed two-span bridge over the Kedgwick River improves access to our forest resources.



Once a stand of trees has been harvested, Fraser Woodlands People evaluate the site to determine whether it is suitable for natural regeneration or whether site preparation work is required to give nature a hand. In 1985, Fraser Woodlands People completed site preparation on 2,905 hectares. Also, 435 hectares of young, natural stands were spaced to increase growth. Some 4,300 hectares of established plantations were treated with weed control.

### Improved Harvesting Methods

The Woodlands People harvested 853,000m<sup>3</sup> of spruce and fir for Fraser mills in 1985. A significant increase in mechanized delimiting contributed to a more efficient and safer operation.

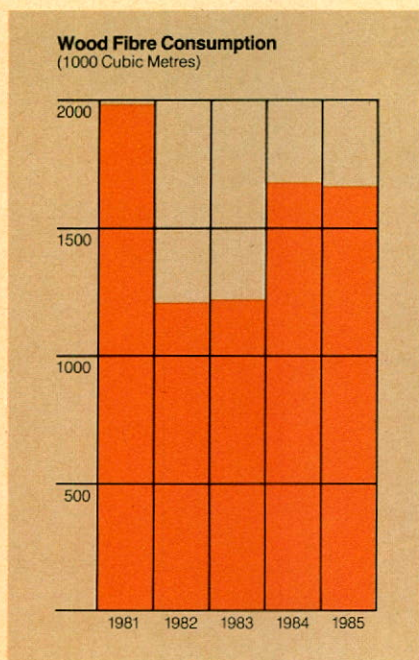
The much-coveted President's Award was presented to Donald Gagnon, Supervisor, Camp 28 and Robert Pelletier, Foreman, Camp 28. They were responsible for the successful introduction and acceptance of the full-tree method of operation by their fellow employees.

The full-tree harvesting system differs from the tree-length system in that the entire tree – including limbs – is hauled to a central site where delimiting can be performed more economically. The full-tree method improves productivity and earnings and enables Fraser to maintain a more efficient, competitive and economic position in wood harvesting and handling.

Mr. Gagnon and Mr. Pelletier also initiated another cost-reduction system by discontinuing the long-accepted practice of bulldozing areas for skidders to pile trees at roadside. They were convinced that reduction in bulldozing significantly reduces soil disturbance thus facilitating natural or artificial regeneration. Cost savings at Camp 28 alone are estimated at more than \$18,000 a year.

This practice is now being extended to other Fraser skidder operations which will reflect significantly reduced bulldozing costs.

We tested new operating equipment including a slash-piling rake, a mechanized tree planter, a prototype juvenile-tree spacing machine, and a spot scarifier. We also introduced operating procedures to reduce the amount of defective wood delivered to our sawmills.

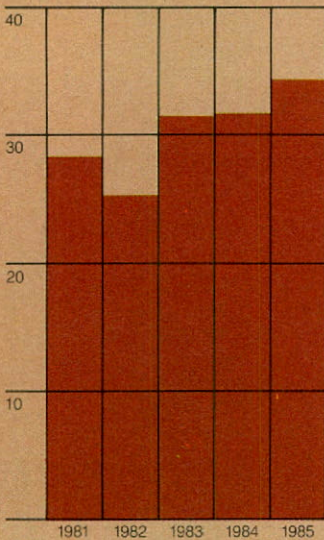


Woodlands President's Award winners Robert Pelletier (c.), Camp Foreman Camp 28, and Donald Gagnon (r.), Camp Supervisor Camp 28, received their award plaque from Jeff Leach (l.), Director of Woodlands.



## Boxboard and Thorold Division

**Boxboard – Units of Sales**  
(thousands of tons)



### Boxboard

The increased involvement of our employees, their dedication and commitment to their jobs, has been a major and significant factor in the improved performance of the Edmundston Boxboard operations which boasted a profit in 1985. A special "Presidential Citation" in December recognized this increased involvement by our Edmundston employees.

The improvements in our boxboard operations were also helped by other factors including a modernization program, continued upgrading, use of more economical fibre furnish, and quality improvements.

The Boxboard Mill produced 33,982 tons in 1985, compared to 32,058 tons in 1984. Our profit was \$428,082, and cash flow has been positive.

The product range capability of the machine will be expanded in the lower caliper range in 1986 to take advantage of available business. Cost reductions and quality improvements will consume capital funds available in 1986; projects are underway to realize major energy reductions. Some benefits will be evident by the end of the first quarter, 1986.

Employee participation and cooperation between people in Engineering & Process Control and the Boxboard Mill scored another success in developing and using a new trim optimization system. This resulted in a direct production increase of more than 3%, and our scheduling personnel boosted production another 2% by their own experiments.

### Thorold Fine Papers

While the second half of 1985 was difficult for marketing, sales and operations at our Thorold Fine Paper Mill, the initiation of the major modernization program has been timely and has fostered an attitude of optimism.

This modernization program represented an investment of \$12,000,000 by the end of 1985 and features extensive improvements to our papermaking facilities.

*Boxboard personnel celebrate their 'Presidential Citation' for exceptional performance in 1985 with Chairman Grotterod and President Bowersock.*



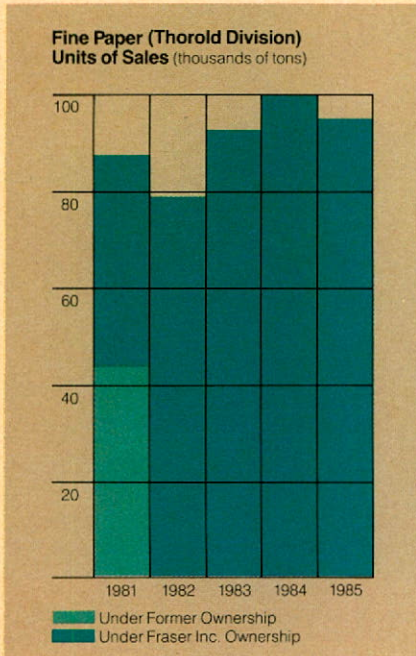
Competition increased in our traditional markets for coated and uncoated papers. The pressure on pricing, product quality and customer service has been unrelenting as demand lagged in both the United States and Canada in commodity paper markets which comprise about 70% of our sales. We also had to contend with growing offshore competition.

The selling price erosions that began in the third quarter, 1984, continued throughout 1985, and stiff competition is expected to continue in 1986. Further, the available supply has been of prime quality, and as a result, customer expectations for product quality have grown significantly. This growth in quality requirements for our grades will continue to put greater pressures on our capabilities.

The extensive testing of the Atholville Mill's FraserBrite Pulp at Thorold proved successful in highlighting the true qualities of this new pulp and was of invaluable assistance in marketing the Atholville product.

Employees at Fraser's Fine Paper Mill at Thorold, Ontario, distinguished themselves by their dedicated participation in the major modernization program underway, developing and writing their own training manuals. These programs are designed to upgrade the level of employee skills and provide an opportunity for all employees to get involved in our efforts to be more competitive.

The program received national attention when Prime Minister Brian Mulroney and Employment and Immigration Minister Flora MacDonald visited the Thorold operation to see firsthand the scope of the work being done through the training program.



*John Martin (right) received a President's Award from Senior Vice-President and General Manager Thorold Papers/Boxboard Group, W.H. Matthews, for cost-saving initiatives on a number of mill projects at Thorold.*

## Market Pulp and Wood Products

### Market Pulp

1985 was the year we concentrated on the marketing of our modernized Atholville mill product. As papermakers we have long known the benefits of sulphite pulp, but these benefits have been overshadowed by the dominance of sulphate (kraft) pulp which produces a strong, easily bleachable pulp. Kraft pulp, however, requires a costly chemical recovery system, and extensive air and water environmental equipment.

Our Research People believed that an improved sulphite pulping process, with some modifications of our own, could produce a pulp of quality comparable to northern bleached kraft pulp at lower costs.

By mid-1985, after extensive testing of this new pulp by the papermakers at Thorold, the consensus was that FraserFite was such an outstanding papermaking pulp that it could replace large proportions of northern bleached softwood kraft pulp in many grades of paper.

This new pulp was so much better than existing sulphite-type pulps that we gave it a new name: FraserBrite Pulp, and our marketing people launched a publicity and advertising program to tell the world papermakers the benefits of FraserBrite Pulp.

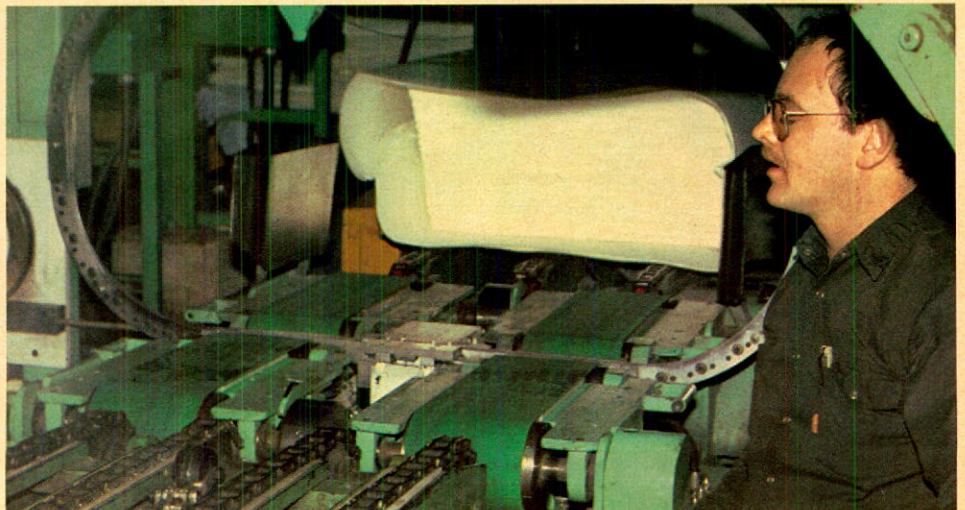
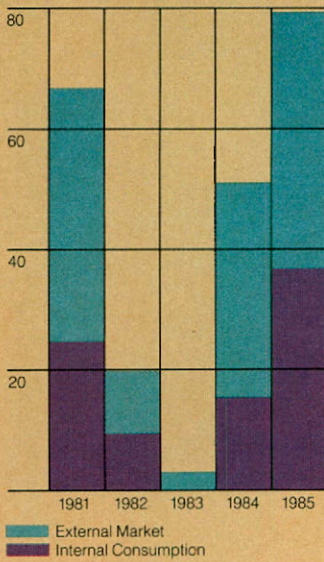
FraserBrite Pulp is an economical complement to northern bleached softwood kraft pulp. We are confident that once papermakers realize its outstanding papermaking qualities, it will be a much sought after pulp.

Our marketing efforts supported an aggressive sales program which, by year end, had expanded our customer base, a noteworthy achievement in a market plagued by extraordinarily high inventories and substantially weakened pulp prices.

As 1986 began, the outlook improved. Pulp inventories had receded to more manageable levels as many mills took downtime; one major producer announced a permanent closure, and most producers had announced price increases for the second quarter.

In addition to reaching the designed capacity of 340 metric tonnes per day for Atholville, the employees achieved an impressively high level of self-sufficiency in thermal and electrical efficiency.

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



Daryl Nichol,  
Millwright 1st Class,  
checks the baling  
operation at Atholville.



*The key to efficient sawing – well-maintained saws as checked by Plaster Rock Saw Filer, Gerald Tardif.*

# Market Pulp and Wood Products

(Continued)

## Wood Products

Fraser's Wood Products Group includes the employees of the Kedgwick and Plaster Rock sawmills. Meetings were held among employees, supervisors and management to exchange information on the Company's position in the lumber market and to solicit greater employee participation. As a result of negotiations, employees of the Wood Products Group agreed to work in the Company's production incentive program. This, combined with improved communications, has helped boost our productivity to unprecedented levels.

Employees operated the Kedgwick and Plaster Rock sawmills at 70% of plan in 1985 and sold 85 million board feet of lumber, an impressive gain of 33% in 1985. The two sawmills also produced 169,623 Bone-Dry tonnes of wood chips for pulp mill consumption.

The Plaster Rock sawmill started up a new 8-foot wood chip and stud line in late 1985. This operation will have a positive impact on Fraser and employees because it provides greater versatility.

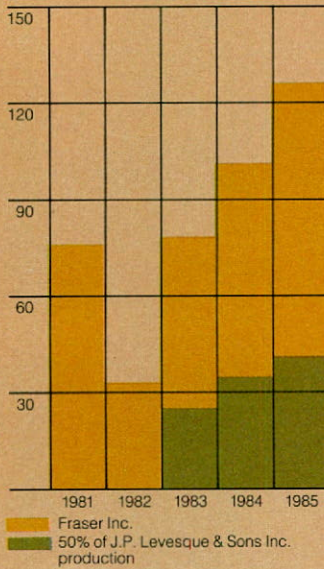
Lumber prices remained level in 1985 for Plaster Rock but dropped in Kedgwick because housing starts had averaged only 1.7 million units on an annual basis.

The outlook for 1986 is brighter because of improved demand in late 1985 and lowering mortgage rates in the U.S.

## Levesque Operation

The J.P. Levesque & Sons, Inc., sawmill in Ashland, Maine, in which Fraser owns a 50% interest, produced 97 million board feet of lumber in 1985, a 23% increase over 1984.

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



Jean-Guy Dugas, Feed Sorter at Kedgwick, monitors the automatic feed.





# Edmundston Pulp and Madawaska Papers

## Edmundston Mill

The Edmundston Mill crews were the starting points for meetings with management to exchange ideas on how we can all work together to benefit everyone. Fraser is placing a high priority on strengthening internal communications which allows operators to contribute valuable ideas on how to improve and operate the equipment more efficiently.

The weak paper market in the U.S. had a domino effect on the Edmundston Pulp mill; curtailing paper machine operations in the Madawaska mills, in turn caused pulp production in Edmundston to drop to its lowest level in seven years.

Major equipment failures which plagued the bisulphite pulp mill and recovery operations between January and July were corrected during the year. A major reorganization of the Maintenance Department, initiated in April, produced a steady improvement in maintenance effectiveness.

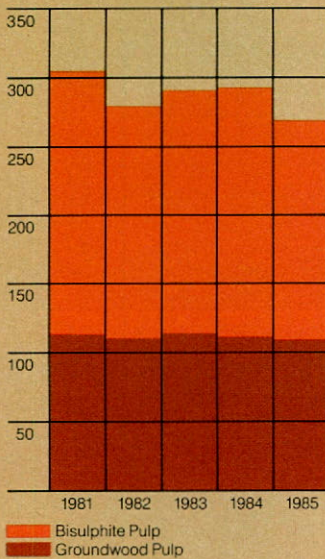
Beginning in the second quarter of 1985, the quality of bleached pulp was improved by adding chlorine dioxide to the first bleaching stage. Modernization of the old bleach plant is underway, and completion is scheduled in the third quarter of 1986.

## Fine Papers

Fine paper exports to the United States from Europe, Scandinavia and Brazil increased sharply in 1985 encouraged by firm demand and a strong U.S. dollar. The strong dollar allowed offshore mills to manufacture paper and ship it to U.S. printers at prices that were intensely competitive or substantially lower than these products could be manufactured in the United States.

Along with other U.S. paper mills, our Madawaska operations suffered 180 machines days of downtime; shipments reached only 130,802 tons, 6.1% lower than 1984. As a result, unit net sales revenue in 1985 averaged 7.1% lower than 1984.

**Edmundston Mill Pulp Production**  
(thousands of tons)



*Groundwood Utility Operator Rino Lavoie prepares to charge grinder pocket. Edmundston Groundwood Mill.*

# Edmundston Pulp and Madawaska Papers

(Continued)

Our Sales, Technical and Manufacturing people counteracted these setbacks by working together in the successful development and introduction of several new grades of book publishing papers, which experienced a good growth in the second half of 1985.

Carbonless paper stock shipments reached a record level confirming the significant penetration of the business forms market by the carbonless technology. Our shipments of business forms paper were steady.

Encouraged by the success in developing and marketing new products, we are intensifying our development of research-driven specialty products in new high technology markets such as impactless printing, thermal printing, dielectric base sheet and metalized base sheet. The prospects are encouraging.

## Coated Groundwood Papers

Fraser Coated Groundwood Papers are used for magazines, catalogs, mail order and for free-standing inserts in newspapers. Fraser papermakers excel in these markets because of their skills in producing lightweight coated papers.

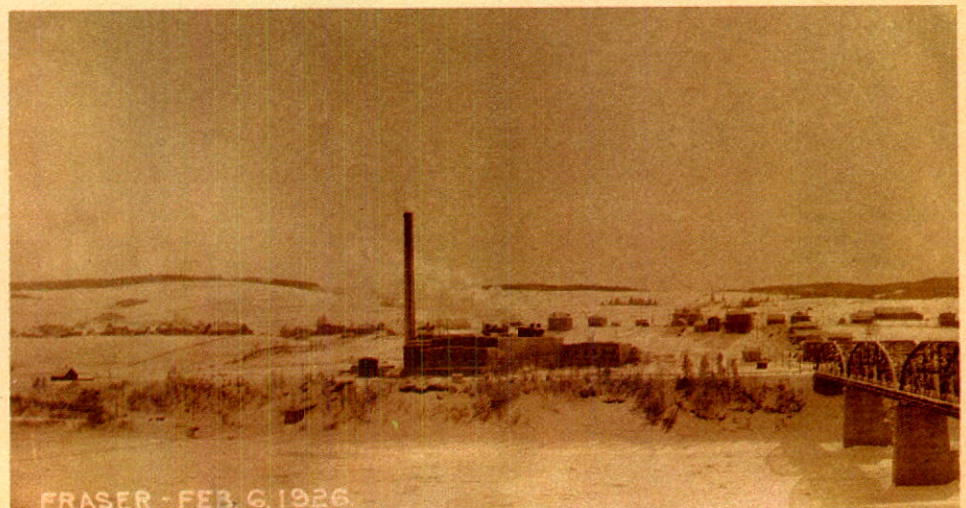
The demand for coated groundwood papers in the United States has been increasing at a 5% per year growth rate and by 1984 demand exceeded the industry's capacity. To insure continuity of operations, customers built their inventories to high levels, supplementing their domestic purchases with imports. In 1985, U.S. imports of coated groundwood papers had risen to more than 500,000 tons, a 23% increase over 1984. The market collapsed in September when customers began reducing their inventories. Our production was cut back by 50% for ten weeks between Labor Day and year-end because of the weakened market demand.

Major revisions were carried out on our C-2 winder in September and a centre wind assist was installed on No. 1 supercalender in December to solve some problems we had on press runnability.

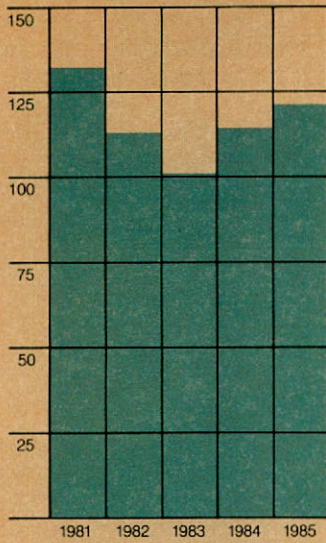
**Fine Paper (Madawaska)**  
Units of Sales (thousands of tons)



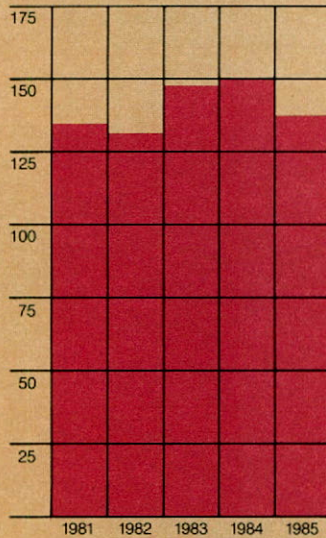
The Madawaska Paper Mill as it looked 60 years ago with two paper machines in operation.



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



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



Improved coating formulations were developed to overcome printed gloss problems. Work continues to improve our performance in these critical areas.

**Uncoated Groundwood Printing Papers**

Fraser people in Product Research, Manufacturing, Marketing, and Sales again contributed to improve operations. Major strides were achieved in improving press runnability and print quality of Fraser uncoated groundwood grades, which resulted in additional business in 1985.

We shipped 121,615 tons of uncoated groundwood printing paper, 6.3% higher than 1984.

More than \$2.0 million was invested in a major rebuild of the No. 8 paper machine and resulted in improved operating efficiency, higher speeds and better finished paper rolls. The machine achieved speeds of 3,000 ft./min. in the fourth quarter of 1985, a spectacular performance for a machine that is more than 15 years old.

With relatively minor capital expenditures, No. 7 paper machine attained a dramatic quality improvement and substantially higher speeds of 2,400 ft./min., a 14% increase. Although this machine is almost 30 years old, our capable machine crews produce a quality product that is competitive with papers produced on newer machines.

In 1985 Fraser Paper Limited celebrated its 60th year of operations. From a two-paper machine operation in 1925, Fraser Paper now boasts of 8 paper machines, 2 off-machine blade coaters, 2 supercalenders and one on-machine billblade coater.

*Today's huge industrial complex at Madawaska with twelve major machine operations.*



# Island Paper

## Island Paper Mills Limited

Island Paper Mills, located on Annacis Island, British Columbia, surpassed their profit objectives by shipping 86,785 tonnes in 1985, a 40% increase over 1984 levels. Sales increases were significantly higher in all grades, and our market share increased despite softening conditions in the second half of the year.

A major accomplishment in product quality improvement saw the employees develop and adopt a statement on quality which has led to a continuous upgrading of product quality as well as commitment to excellence by individual employees.

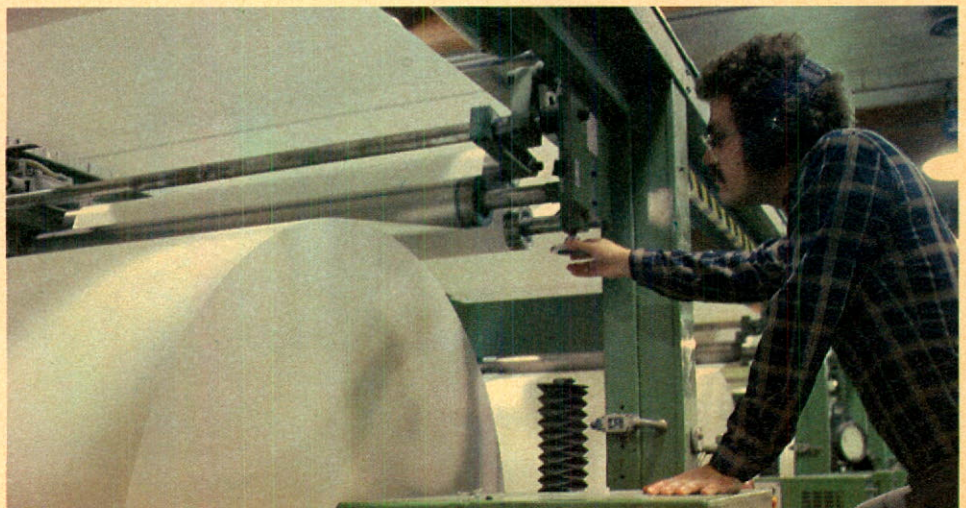
A \$12,700,000 major capital plan and modernization program is now underway. It includes the upgrading of No. 1 Paper Machine with emphasis on a new headbox and press section and improvements in the finishing room that will be highlighted by a new Folio Sheeter.

These investments are market driven and are focused at the Mill's strategic position as a high quality producer of merchant grades with particular emphasis on product development.

Safety continues to receive top priority at Island, and there is increased emphasis on safe working habits, particularly as they relate to an individual's job performance. A major objective is to continue to work in a safe and effective manner in 1986.

Maximum crewing on No. 1 Paper Machine was reached one year ahead of schedule when a fourth crew was added in the first quarter, 1986. Our No. 2 Valmet Paper Machine, one of the most modern in North America, continued to operate at full capacity. Both machines will benefit from productivity improvements throughout 1986.

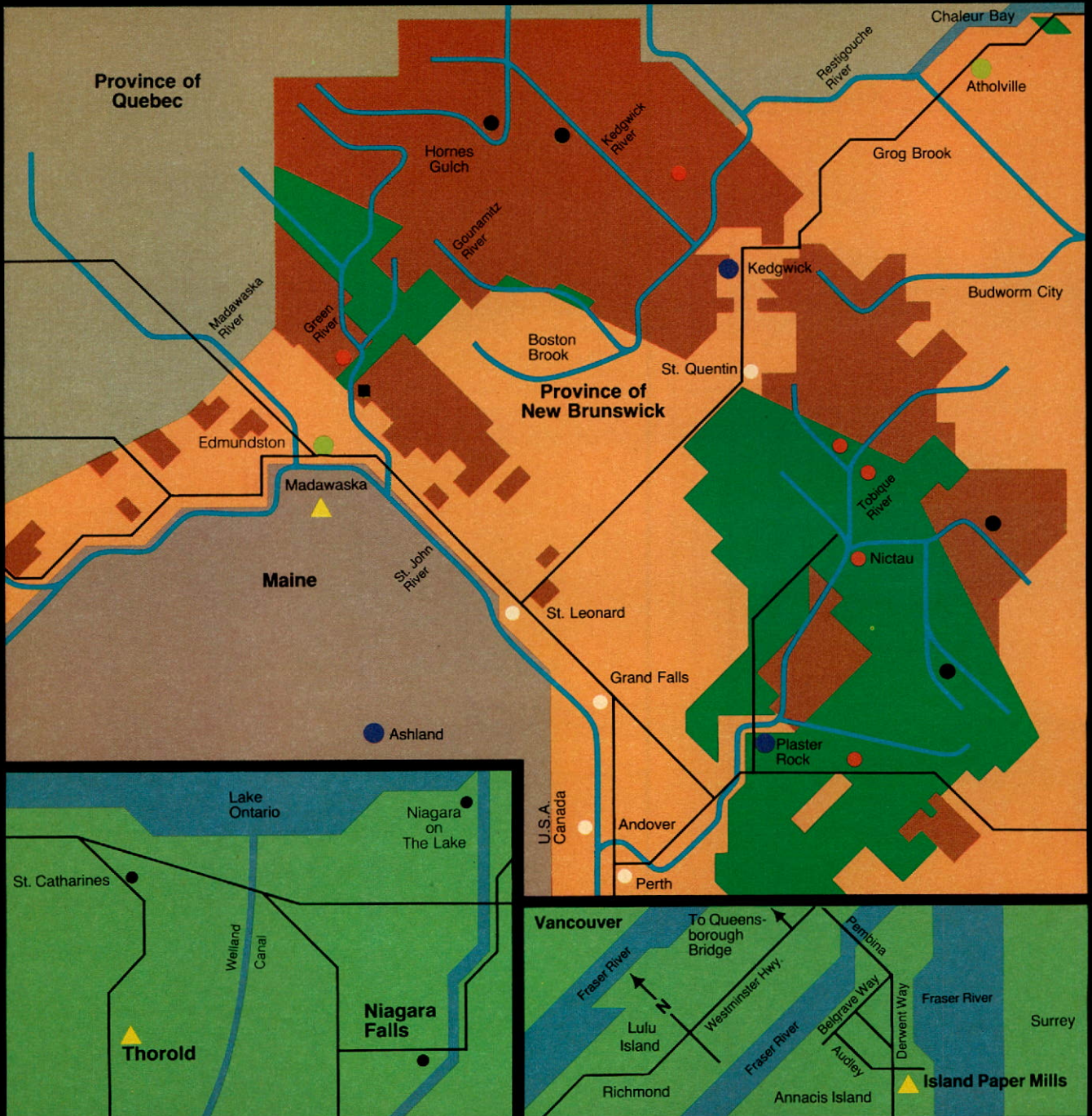
Island Paper Mills Limited –  
Units of sales (thousands of tons)



*Island employee attentively checks the finishing process to ensure roll quality.*

# Maps of Fraser Forest Lands, Mills and Associated Companies

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



# Research Development and Energy

## Research & Development

The work of Fraser's Product Development Group is of vital importance to our ability to compete successfully in the marketplace. New technologies constantly sweep across the markets we serve altering the specifications of a product or influencing its demand.

Our Product Development Group scored several successes in 1985 by redirecting our product mix to specialty papers. We can compete more vigorously in specialty papers because we have added experienced, skilled and innovative people who realize the importance of product evolution to the future of Fraser.

The Group supports our core grade lines by continuously monitoring and reporting on competitive products and by improving our products with new, innovative technology and process improvements.

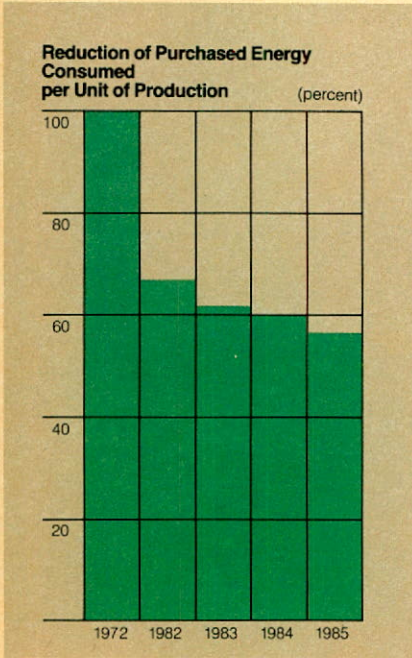
One notable success was the expansion of the grade line for the book publishing market. These new grades reflect the changing nature of the cost-sensitive book publishing industry.

A major effort in the growing high-technology communications papers market resulted in the development of new base papers for dielectric, thermal and ink jet technologies. These markets are characterized by rapidly changing technology and Fraser is responding with a commitment to meet these changes, quickly and competitively.

## Engineering & Process Control

A computer-aided drafting (CAD) system was installed in Central Engineering at Edmundston to improve productivity, accuracy and consistency in the preparation of engineering drawings and specifications.

Engineering, procurement and construction is underway on rebuilding the Edmundston bleach plant. Startup of the new chlorination and oxygen-extraction stages are scheduled for the third quarter, 1986.



*Part of the biomass operation used to attain over 85% self-sufficiency in energy and power at Atholville.*



We are studying and evaluating automatic control systems to reduce process and product variations. One such analysis resulted in the installation of a cross-machine basis weight, moisture and caliper control system with a unique cross-coupling method to help paper machine operators build better reels of paper. This system is now operating on No. 8 Machine in the Madawaska mill and roll quality is excellent.

### **Energy Conservation**

Fraser People continued to achieve success in reducing energy use. In 1985, we used 43.5% less purchased fossil fuel and purchased electricity than we did in 1972, the combined result of years of the energy conservation program we began in 1972.

In 1985, the Madawaska and Thorold paper mills used 35.5% and 14% less purchased energy respectively per ton of paper than in 1972. These improvements were accomplished entirely by energy conservation. The Edmundston pulp mill was 63% energy self-sufficient in 1985, and the Atholville pulp mill was 83%.

Atholville surpassed the designed self-sufficiency of 85% in five separate months in 1985. In the best month, June, it reached 90% self-sufficiency. All divisions are aggressively seeking new ways to conserve energy, and we expect continued savings.

### **Environmental Protection**

Fraser People continue their efforts toward better environmental protection. The most notable accomplishment was the construction of a new landfill site for the Edmundston mill, a cooperative effort by Fraser, Provincial and Municipal officials.

Fraser continues to work with the Ontario Ministry of Agriculture on the use of paper mill wastes in agriculture. We are also investigating recycling paper mill wastes: if successful, this could lead to substantially lower waste volumes with subsequent savings in raw materials and disposal costs.

Fraser and the Canadian Forest Service also established an acid rain monitoring programme to gauge the extent of the problem both from local sources and sources in the industrialized eastern United States.

Despite the unlikely event of a chemical emergency, we have formulated contingency plans to ensure the safety of all employees and our neighbors at all divisions.

*Lab Technician Alain Caron checks pulp strength with P.F.I. mill at Edmundston Lab.*



## Fraser and the Public

Today's modern industrial corporation must gain acceptance, cooperation and support from the community in which it operates, the various levels of government that regulate its existence and the media which can influence community and government attitudes. Fraser has recognized the importance of these factors in its corporate affairs program which keys in on those major relationships through structured yet open communications.

We met regularly with municipal councils to discuss mutual concerns. In 1985 the Edmundston City Council and various government agencies worked closely with Fraser to locate and approve a solid waste landfill site for the Edmundston Mill. The New Brunswick Minister for Municipal Affairs and Environment praised Fraser publicly for its cooperative approach to the situation. Fraser contributed significantly to the rebuilding of the Plaster Rock Golf and Curling Club after fire totally destroyed the previous establishment.

Fraser continued its community support for cultural activities with participation in Theatre New Brunswick, the Salmon Festival in Campbellton, La Foire Brayonne in Edmundston, Acadian Days in Madawaska, the Festival d'Automne in Kedgwick, the Lions' Fall Fair in Plaster Rock.

In education Fraser continues to fund three scholarships in addition to the Noranda scholarships that are also available to sons and daughters of Fraser employees.

Fraser is a major sponsor of the Edmundston High School Science Fair providing both funds and Fraser engineers as judges. Fraser personnel were also active in 'Career Day' presentations at various schools and provided conducted tours for some 650 grade 5 and 6 level school children at our Forest Tree Nursery.

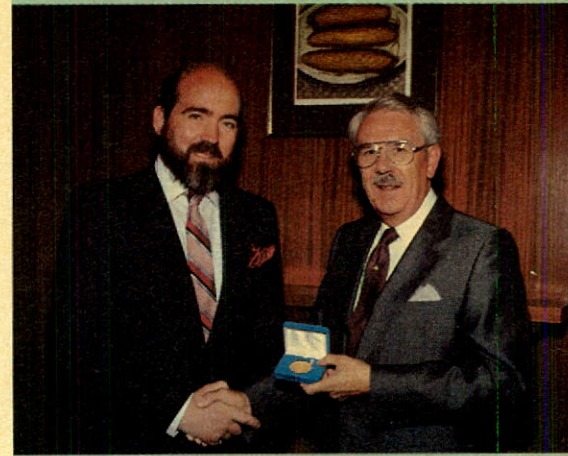
In 1985 we maintained our exclusive sponsorship of the New Brunswick Cross-Country Ski Championships and the Thorold Soccer Club league for children from 6 to 16.

Numerous representations to government agencies and commissions were prepared on subjects ranging from the Forest Management Agreement to technological change legislation and environmental concerns by Fraser representatives. The thrust of our efforts is to minimize the growth of regulatory legislation. This aspect of our efforts is becoming increasingly important to our ability to chart our destiny in the future. Executives of the Company have responded at every opportunity to transmit their concerns to both government and the public through speaking engagements and regular meetings with government representatives.

A Field Day was organized for the New Brunswick media, both written and visual, to better inform them on our operations and our concerns. As communities, governments and the media become better informed, controversial situations are dealt with more cooperatively, more realistically and with less sensationalism.



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1 The Madawaska Mill 'Acadian Days' float traced the evolution of the 'Fraser Voyageur' logo.

2 Dr. Brian Fryer, Science Professor at Memorial University in Newfoundland received the A.P.I.C.S./Fraser Gold Medal for outstanding scientific research in the Atlantic Provinces from Fraser Chairman Knut Grotterod.

3 Fraser employee Bill Brebner (3rd right) presented six binders of historical photos related to Fraser of Edmundston and Madawaska to the Regional Library.

4 Fraser Vice-Chairman Adam Zimmerman (left) received an honorary citizenship of the legendary 'Republique du Madawaska' from the Mayor of Edmundston and President of the Republique, Delbert Plourde (right), in appreciation of Noranda's commitment to the development of Fraser.

5 The Knut Grotterod Trophy designed by the N.B. Cross Country Ski Association for the Most Improved Club of the Year – Fraser circuit in appreciation for Fraser's continued sponsorship of the N.B. Cross Country Ski Championship.

6 Bangor Daily News reporter taps a tree to determine its age during the Press Day tour as other reporters and Fraser guides look on.

7 Welland M.P. Allan Pietz, Employment and Immigration Minister Flora MacDonald and Prime Minister Brian Mulroney discuss with Fraser employees involved in the modernization training program in Thorold.



5



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# Fraser People



Chief Pilot, Alex Smith presented a Flight Safety Program for frequent users of the Company plane.



Smokey the Bear was a star for these kids at the Edmundston Office picnic.



Lift truck driving contest was a popular event at the Madawaska M.I.B. Field Day.



Responsible for the coordination of the Retirees Banquet, Suzanne Daigle, chats with Chairman K. Grotterod and wife Isabel.



Members of Fraser Employee Assistance programs get together to exchange ideas and information.

## Human Resources

Fraser has long had a reputation as a fair and people oriented employer. A highly skilled workforce of approximately 3,950 with negligible employee turnover, good employee and labour relations, minimal labour disruption and harmony between the two national cultures in the workplace are all indications of Fraser's management philosophy in action.

This philosophy embraces the concept of a work environment that, as far as practical, is open in communications, supportive and participative, which stimulates development and growth and which expects and recognizes results from its employees.

## Safety

The Company acknowledges that the safety of its employees is a top priority. Joint Safety Committees are actively supported at all

locations. Safety audits and the enhancement of occupational safety and health programs including incentives continue to be fostered. Our strategy is to promote safe work habits and provide facilities that minimize, as far as practical, the risk of accidents.

The Company instituted an incentive program based upon the best frequency rate in the previous quarter along with recognition based upon zero lost time accidents. The Knut Grotterod Safety Trophy and Flag has alternated to date between Madawaska and the Thorold operation.

All divisions participated in Fraser's Third Annual Safety Conference with the theme being "Safety Is No Accident".



The whole family participated at the Atholville picnic.



The first presentation ever of the travelling Knut Grotterod Safety Trophy was made to Cliff Ouellette, Mill Manager at Madawaska.



Manager, Wood Products, Bert Martin, presented the winners' trophy for overall excellence in the Fire Fighting competitions to Marcel Geway of the Plaster Rock Brigade.



Madawaska Mill employees presented the Safest Operation Flag to the new winners at Thorold.

The Madawaska Mill achieved 2 million manhours without a lost-time accident on the 8-4 shift June 3, 1985. This significant milestone is a major accomplishment for that division and was achieved through the commitment and involvement of a great number of employees. The Madawaska Mill is viewed as one of the leaders in the State of Maine. As stated by the Maine Sunday Telegram in 1984, "Madawaska is No. 1". Recognition of this achievement was celebrated on Tuesday, June 11th. John Martin, Speaker of the House, Paul Violette, Majority Leader of the Maine Senate, along with local politicians, State officials and Union representatives, were present.

### Employee Relations

The Company continues to strive for a constructive, progressive and participatory relationship with all of its employees. Effective communication between and among all levels of the Company continues to be an important objective.

There were six (6) labour agreements successfully negotiated, involving 900 employees, with competitive settlements addressing the needs of employees and the Company. Major negotiations will not take place until 1987. The Plaster Rock Sawmill is the only contract expiring in 1986.

### Training and Development

The Company is continuing to develop its internal capabilities in the training and development area. Management, operator and trades training programs match the needs and objectives of the Company through careful selection of external expertise and greater utilization of internal resources.

# Financial Review

The financial statements for 1985 have been prepared on a combined basis rather than on a consolidated basis as in prior years to reflect the corporate restructuring done in June, 1985. Note 1 to the statements briefly explains the transaction and the basis of statement presentation. As the restructuring resulted in separate ownership of Fraser Inc.'s former subsidiary Fraser Paper, Limited, per common share information based on the combined results for 1985 is included in the Annual Report for comparison purposes only.

For the year, shipments of 646,180 units and net sales revenues of \$548.3 million were 2% and 4% respectively above 1984. The net loss of \$3.2 million before extraordinary items, or 81¢ per common share after preferred share dividends, compares with net earnings in 1984 of \$3.5 million or 17¢ per common share. An extraordinary item increased the net loss to \$6.8 million or \$1.31 per common share. Very significant foreign exchange benefits continued to be realized in 1985 due to the weakness of the Canadian dollar against the U.S. dollar. Return on net assets – a measure of performance before considering financing costs – was 3.2% versus 4.5% last year. Return on shareholders' equity was a negative 1.5% – before the extraordinary loss – compared with a positive return of 1.7% in 1984.

Earnings before interest and taxes were \$30.2 million or 5.5% of net sales which compares with \$37.1 million and 7.0% for last year. While the margin percentage at the operating level equalled the 1984 performance, the resulting earnings improvement was offset by increases in expense items. Depreciation was up over 1984 mainly due to the higher operating level at the Atholville pulp mill. Other expenses and income (net) increased primarily due to the rates on forward exchange contracts being lower than spot rates.

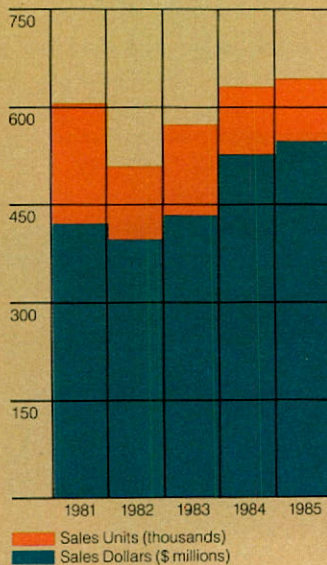
Interest expense on long-term debt increased slightly to \$32.6 million for the year. This increase was the net result of (a) a large drop in the amount of interest capitalized, (b) lower interest rates applicable to floating rate debt, and (c) lower average debt level during the year.

The positive income tax provision of \$2.6 million on a pre-tax loss of \$2.4 million results from the mix of pre-tax earnings and losses at different tax rates of Fraser Paper, Limited and Fraser Inc. Effective January 1, 1985, the new recommendations of the CICA requiring accounting for investment tax credits by the cost reduction method were adopted prospectively. This change from the flow through method formerly used did not have a material effect on the net loss for the year.

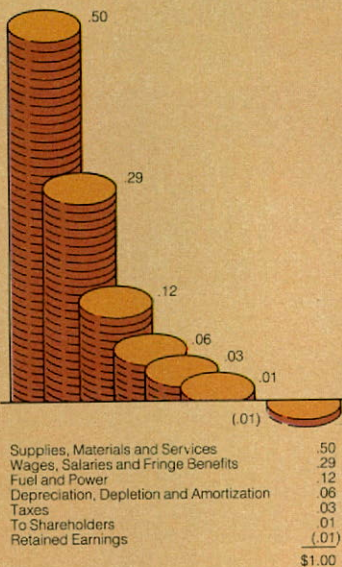
The extraordinary loss of \$3.6 million flowed from the sale by Fraser Inc. to Noranda Inc. of its investment in 1,712,042 common shares of Kerr Addison Mines Limited for which cash of \$34.6 million was received and used to reduce long-term debt.

Net cash flow from operations for the year was \$21.2 million, down only slightly from last year's \$22.1 million. Helping this year's performance was the decline of \$2.6 million in operating working capital whereas last year this item increased by \$11.1 million. Financing activities in 1985 resulted in a use of cash of \$40.8 million while last year this activity provided cash of \$19.3 million. This swing was mainly the result of a concerted effort in 1985 to reduce debt resulting in a net reduction in long-term indebtedness of \$48.3 million during the year. Investment activities provided cash of \$12.0 million versus last year's use of cash of \$39.4 million. This change was because of the sale of the Kerr Addison investment and restrained capital spending in 1985. Net additions to fixed assets of \$22.6 million was the lowest since 1975.

Sales Units and Dollars



Distribution of the 1985 Sales Dollar



No dividends were paid on common shares in 1985 while the \$2.6 million dividends on the Series A preferred shares were paid in additional preferred shares.

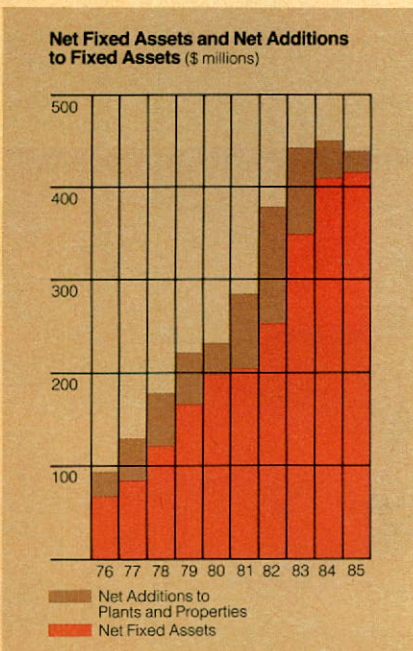
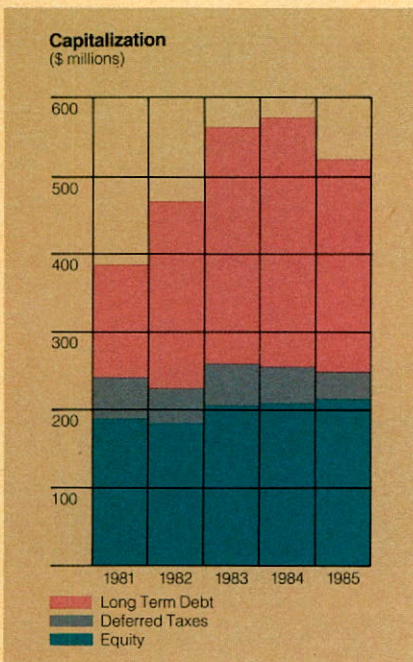
Total working capital and other assets employed at the end of the year was \$521.7 million or 10% below 1984 due to declines in working capital, net fixed assets and investments in associated corporations. The net fixed asset reduction resulted from the depreciation, depletion and amortization charges exceeding the net additions to fixed assets.

Long-term indebtedness of \$274.1 million at year-end was 15% below last year resulting in improved balance sheet ratios. Long-term debt was 53% of total capitalization and 129% of shareholders' equity at year-end compared with 56% and 155% respectively at the end of 1984. The high level of debt and associated interest cost continues to be of concern and efforts will be made to make further significant reductions. During 1985, \$20 million of floating rate debt was converted to a fixed rate basis for five years at an interest rate of 11.5%.

Shareholders' equity at year-end included \$11.1 million representing the amount received from an affiliated company as a subscription for a new series of preferred shares of Fraser Inc. to be issued in 1986.

With inflation continuing at low levels, inflation adjusted results are less important and, accordingly, no such information is included in this year's report.

The President's Award for 1985 was given to John MacDougall in recognition of his contribution to the Company. John is Manager of Taxation and is well known for his expertise in the corporate tax field.



*John MacDougall receives President's AWARD plaque from Fraser Vice-President and Controller, Doug Sheldrick.*



# Combined Statement of Financial Position

As At December 31, 1985  
With Comparative Figures For 1984

(in thousands of dollars)

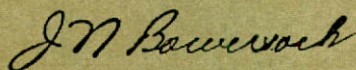
	1985	1984
<b>Current assets:</b>		
Cash	\$ —	\$ 5,319
Accounts receivable	50,547	52,361
Inventories (note 3)	63,492	70,423
Income taxes receivable	810	1,006
Prepaid expenses	627	658
Total current assets	<u>115,476</u>	<u>129,767</u>
<b>Current liabilities:</b>		
Bank overdraft	2,367	—
Notes payable	5,444	9,450
Accounts payable and accruals	54,780	61,198
Long-term indebtedness due within one year	7,248	6,502
Total current liabilities	<u>69,839</u>	<u>77,150</u>
Working capital	45,637	52,617
Fixed assets (note 4)	437,472	448,757
Investment in associated corporations (note 5)	29,708	67,048
Other assets (note 6)	8,866	8,458
Working capital and other assets employed	<u>\$521,683</u>	<u>\$576,880</u>
<b>Financed by:</b>		
Long-term indebtedness (note 7)	\$274,120	\$322,415
Deferred income taxes	35,297	46,558
Shareholders' equity (note 8)	212,266	207,907
	<u>\$521,683</u>	<u>\$576,880</u>

See accompanying notes to combined financial statements.

On behalf of the Boards:



Director



Director

## Combined Statement of Earnings and Retained Earnings

Year Ended December 31, 1985  
With Comparative Figures For 1984

(in thousands of dollars)

	1985	1984
<b>Earnings:</b>		
Net sales	<b>\$548,304</b>	\$529,538
Costs and expenses:		
Cost of sales	<b>446,777</b>	431,738
Depreciation, depletion and amortization	<b>33,910</b>	31,312
Administrative and selling expenses	<b>24,911</b>	22,945
Interest and long-term indebtedness (note 9)	<b>32,626</b>	31,332
Other expenses and income – net	<b>12,493</b>	6,397
	<b>550,717</b>	523,724
(Loss) earnings before income taxes, equity in net earnings (loss) of associated corporations and extraordinary item	<b>(2,413)</b>	5,814
Income taxes (note 10)	<b>2,630</b>	1,664
	<b>(5,043)</b>	4,150
Equity in net earnings (loss) of associated corporations	<b>1,858</b>	(663)
(Loss) earnings before extraordinary item	<b>(3,185)</b>	3,487
Extraordinary item – loss on sale of investment (note 5)	<b>(3,611)</b>	—
Net (loss) earnings	<b>\$ (6,796)</b>	\$ 3,487
<b>Retained earnings:</b>		
Balance at beginning of year	<b>\$180,761</b>	\$182,433
Net (loss) earnings	<b>(6,796)</b>	3,487
	<b>173,965</b>	185,920
Dividends paid:		
Preferred shares	<b>2,611</b>	2,298
Common shares	<b>—</b>	2,861
	<b>2,611</b>	5,159
Balance at end of year	<b>\$171,354</b>	\$180,761

See accompanying notes to combined financial statements.

### Auditors' report to the Shareholders

We have examined the combined statement of financial position of Fraser Inc. and Fraser Paper, Limited as at December 31, 1985 and the combined 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 financial statements present fairly the combined financial position of the corporations as at December 31, 1985 and the combined results of their operations and changes in their financial position for the

year then ended in accordance with the accounting principles described in note 1 applied, except for the change in the method of accounting for investment tax credits as explained in note 2, on a basis consistent with that of the preceding year.

*Peat, Marwick, Mitchell & Co.*

CHARTERED ACCOUNTANTS  
Montreal, Canada  
February 24, 1986

## Combined Statement of Changes in Financial Position

Year ended December 31, 1985  
With Comparative Figures For 1984

(in thousands of dollars)

	1985	1984
<b>Cash at beginning of year</b>	<b>\$ 5,319</b>	<b>\$ 6,057</b>
<b>Cash provided by (used for):</b>		
<b>Operations:</b>		
Earnings (loss) before extraordinary item	(3,185)	3,487
Depreciation, depletion and amortization	33,910	31,312
Deferred income taxes	(11,261)	(2,378)
Equity in net earnings of associated corporations net of dividends received	(855)	753
Amortization of financing expenses	32	32
	<b>18,641</b>	<b>33,206</b>
Decrease (increase) in operating working capital (working capital excluding cash and current debt)	<b>2,554</b>	<b>(11,070)</b>
Cash provided by operations	<b>21,195</b>	<b>22,136</b>
<b>Financing activities:</b>		
Increase in long-term indebtedness	2,815	13,465
Increase (decrease) in short-term notes payable	(4,006)	9,450
Government grants relating to capital expenditure	—	1,361
Repayment of long-term indebtedness	(51,110)	(5,119)
Subscription received for preferred shares	11,124	—
Other	337	139
Cash provided by (used for) financing activities	<b>(40,840)</b>	<b>19,296</b>
Cash available (required)	<b>(14,326)</b>	<b>47,489</b>
<b>Investment activities:</b>		
Proceeds on sale of investment in associated corporation	34,584	—
Additions and improvements to fixed assets – net	(22,625)	(39,368)
Cash provided by (used for) investment activities	<b>11,959</b>	<b>(39,368)</b>
<b>Dividends – cash dividends paid</b>	<b>—</b>	<b>(2,802)</b>
Cash provided by (used for) investment activities and dividends	<b>11,959</b>	<b>(42,170)</b>
<b>Cash (bank overdraft) at end of year</b>	<b>\$ (2,367)</b>	<b>\$ 5,319</b>
<b>Decrease in cash</b>	<b>\$ 7,686</b>	<b>\$ 738</b>

See accompanying notes to combined financial statements.



# Notes to Combined Financial Statements

December 31, 1985

Fraser Inc. is incorporated under the Canada Business Corporations Act. Fraser Paper, Limited is incorporated under the laws of the State of Maine. The two corporations are wholly-owned by Noranda Inc. and operate in the forest products business.

## (1) Accounting policies:

### Basis of presentation:

Up to May 31, 1985 Fraser Paper, Limited was a wholly-owned subsidiary of Fraser Inc. On June 1, the two corporations were amalgamated under the Canada Business Corporations Act and immediately thereafter the amalgamated company, Fraser Inc. sold the net assets, formerly owned by Fraser Paper, Limited to a corporation newly incorporated under the laws of the State of Maine, in exchange for common shares of that corporation also named Fraser Paper, Limited. All of the common shares of the new corporation were then exchanged for preferred shares of Noranda Manufacturing Inc.

As Fraser Inc. and Fraser Paper, Limited are under common control and are operationally integrated, these financial statements are prepared on a combined basis. Intercompany balances and transactions between the corporations have been eliminated and, in addition, Fraser Inc.'s investment in preferred shares of Noranda Manufacturing Inc. has been eliminated against the outstanding share capital of Fraser Paper, Limited.

The 1985 combined financial statements include the consolidated financial statements of Fraser Inc. up to the date of amalgamation (June 1, 1985) together with the financial statements of the amalgamated company and Fraser Paper, Limited for the seven-month period from June 1 to December 31, 1985. The comparative figures for 1984 are the consolidated financial statements of Fraser Inc.

In all other respects the accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

### Foreign exchange:

Current assets other than inventories, current liabilities and long-term monetary assets and liabilities are translated at the rates of exchange at balance sheet dates. Other balance sheet items are translated at the rates prevailing at the respective transaction dates. Income and expenses are translated at average rates prevailing during the year, except for depreciation and amortization which are translated at rates prevailing when the related assets were acquired. Gains or losses on foreign exchange are reflected in the statement of earnings except for unrealized gains and losses arising from the translation of long-term monetary assets and liabilities which are deferred and amortized over the remaining lives of the related items.

### 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.

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 combined corporations have 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:

Effective January 1, 1985, as a result of recommendations introduced by the Canadian Institute of Chartered Accountants, the corporations changed their method of accounting for investment tax credits from the flow through method to the cost reduction method under which the tax credits are deferred and amortized to income on a straight-line basis over the life of the related asset.

### (2) Change in accounting for investment tax credits:

The change in method of accounting for investment tax credits referred to in note 1 did not have a material effect on the net loss for the year.

### (3) Inventories

	1985	1984
	(000's)	
Pulpwood, chips, and logs	\$ 19,948	\$ 21,567
Raw materials and supplies	30,652	32,296
Goods in process and finished products	12,892	16,560
	<u>\$ 63,492</u>	<u>\$ 70,423</u>

# Notes to Combined Financial Statements

(continued)

December 31, 1985

#### (4) Fixed assets:

	1985		1984
	Cost	Net Value	Net Value
	(000's)		
Production buildings and equipment:			
Pulp and paper mills	\$610,929	\$404,406	\$418,281
Sawmills	20,824	12,002	12,013
Logging buildings and equipment	23,574	7,844	7,207
Woodlands	17,069	9,013	7,614
Other land, buildings and equipment	6,464	4,207	3,642
	<b>\$678,860</b>	<b>\$437,472</b>	<b>\$448,757</b>

#### (5) Investment in associated corporations:

	1985	1984
	(000's)	
Companies accounted for on the equity basis:		
Island Paper Mills Limited (50% owned)	\$ 26,141	\$ 25,698
J. Paul Levesque & Sons, Inc. (50% owned)	3,567	3,155
	<b>29,708</b>	<b>28,853</b>
Other investments, at cost:		
Kerr Addison Mines Limited (a)	—	38,195
	<b>\$ 29,708</b>	<b>\$ 67,048</b>

(a) During the year, Fraser Inc. sold its investment in 1,712,042 common shares of Kerr Addison Mines Limited to Noranda Inc. for a total cash consideration of \$34,584,000 which resulted in an extraordinary loss of \$3,611,000.

#### (6) Other assets:

	1985	1984
	(000's)	
Due under Stock Purchase Plan	\$ 309	\$ 625
Deferred financing expenses	275	307
Deferred charge-foreign exchange on long-term debt	8,282	7,526
	<b>\$ 8,866</b>	<b>\$ 8,458</b>

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, 2,000 shares of Fraser Inc. were issued to the Trustee in 1985 for a consideration of \$31,000. 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, 1985 the Trustee held 34,856 Series B preferred shares of Noranda Inc. as collateral for unpaid balances aggregating \$377,000 of which \$68,000 is due in 1986.

#### (7) Long-term indebtedness:

	1985	1984
	(000's)	
Sinking Fund Debentures:		
6½% Series A due 1986-1987		
– \$1,500,000 U.S. (1984 – \$2,250,000 U.S.)	\$ 2,097	\$ 2,974
10¾% Series B due 1986-1992		
– \$23,350,000 U.S.		
(1984 – \$25,680,000 U.S.)	<b>32,650</b>	33,941
	<b>34,747</b>	36,915
Notes payable due 1987-1989, with interest at bank prime rate	15,005	13,490
Notes payable due 1985	—	264
Note payable, due 1986, non-interest bearing	1,300	—
Bank revolving term loan		
– includes \$62,000,000 U.S. in 1984	<b>225,983</b>	272,751
Obligations related to leased assets	<b>4,333</b>	5,497
	<b>281,368</b>	328,917
Less: amounts due within one year	<b>7,248</b>	6,502
	<b>\$274,120</b>	<b>\$322,415</b>

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

The bank loan to Fraser Inc. has been made pursuant to arrangements whereby up to \$300 million Canadian or the equivalent amount in U.S. dollars will be made available as a long-term revolving line of credit. The commitment of the lender shall reduce by \$10 million on November 1 in each year commencing on November 1, 1986 so that the commitment shall not exceed \$250 million on November 1, 1990 and thereafter. The loan balance, if any, outstanding at November 1988 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 Fraser Inc. as well as by a guarantee of up to U.S. \$80 million by Fraser Paper, Limited. The bank loan may be financed by way of various options and bears interest at rates which fluctuate mainly with the lender's prime commercial rate except as to \$20 million on which the rate is fixed at 11½% until 1990.

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

	(000's)
1986	\$ 7,300
1987	9,800
1988	9,600
1989	13,600
1990	5,300

**(8) Shareholders' equity:**

	1985	1984
	(000's)	
Capital stock of Fraser Inc.:		
Preferred shares:		
Issued 217,491 Series A shares (1984 - 191,376) (a)	<b>\$ 21,749</b>	\$ 19,138
Subscriptions received for shares (1984 - Nil) (b)	<b>11,124</b>	
	<b>Shares (000's)</b>	
Common shares:		
Issued at January 1, 1985	<b>\$ 7,155,452</b>	\$ 8,008
Issued in 1985 under the Stock Purchase Plan	<b>2,000</b>	31
	<b>8,039</b>	8,008
	<b>7,157,452</b>	27,146
Retained earnings	<b>171,354</b>	180,761
	<b>\$212,266</b>	\$207,907

- (a) The issued Series A preferred shares are entitled to a \$13 cumulative dividend, are retractable between 1986 and 1988 and are redeemable at \$100 per share by 1990. In 1985 and 1984 dividends were paid in additional preferred shares in lieu of cash.
- (b) During the year Fraser Inc. received \$11,124,000 from an affiliated company in the Noranda Group as a subscription for Series B 9% non-cumulative, redeemable, retractable preferred shares. The preferred shares had not been issued as at December 31, 1985.

**(9) Statement of earnings - supplementary information:**

	1985	1984
	(000's)	
(i) Interest on long-term indebtedness:		
Total interest	<b>\$ 32,833</b>	\$ 37,416
Less charged to capital cost of expansion programs	<b>207</b>	6,084
	<b>\$ 32,626</b>	\$ 31,332
(ii) Research and development expenses	<b>\$ 3,370</b>	\$ 2,890

**(10) Income taxes:**

- (a) The provision for income taxes includes a charge of \$11,124,000 from Noranda Finance Inc., the parent company of Fraser Paper, Limited. The charge represents the U.S. federal and certain state income taxes which will not be required to be paid as a result of the inclusion of Fraser Paper, Limited in its parent company's consolidated tax returns.
- (b) As at December 31, 1985 Fraser Inc. had investment tax credits, including approximately \$7,000,000 earned between April 1983 and December 1984, the benefits of which have not been recorded.

**(11) Pension plans:**

The corporations maintain a number of pension plans for their employees. Costs under these plans are accrued and funded annually on the basis of actuarial recommendations. Costs include current service costs and the amortization of unfunded prior service costs within the time limits imposed by government regulations.

A comparison of accumulated plan benefits to net plan assets as at January 1, 1985, the date of the most recent actuarial valuation, is presented below:

	(000's)
Actuarial present value of accumulated plan benefits:	
Vested	\$110,576
Non-vested	5,503
Total	<b>\$116,079</b>
Net assets available for benefits, at market value	<b>\$121,138</b>

**(12) Commitments:**

- (i) At December 31, 1985, contractual commitments for capital expenditures amounted to approximately \$4 million.
- (ii) Fraser Inc. has contracted to sell under forward exchange contracts U.S. \$15,000,000 at rates averaging approximately Canadian \$1.411 for each United States \$1.00.

**(13) Related party transactions:**

During the year, the corporations had business transactions with Noranda Inc. 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 corporations 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:

	1985	1984
	(000's)	
Balances at end of year:		
Accounts receivable from affiliates	<b>\$ 1,322</b>	\$ 783
Accounts payable to affiliates	<b>2,700</b>	3,749
Transactions during the year:		
Commissions on sales of finished goods	<b>507</b>	407
Purchases of pulp and other products	<b>37,114</b>	34,954
Charges for facilities and services	<b>743</b>	902

**(14) Segmented information:**

In view of the dominance of paper products in the corporations' 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 combined net sales.

# Ten Year Comparison

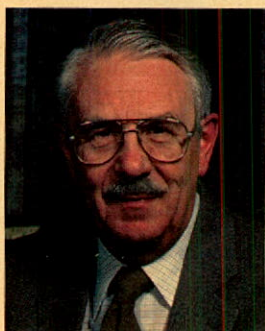
(millions of dollars except per share amounts and statistical data)

			1985	
<b>Earnings</b>	<b>Sales</b>	Net sales revenue	\$ 548.3	
	<b>Expenses</b>	Cost of products sold	446.8	
		Depreciation, depletion and amortization	33.9	
		Selling and administration	24.9	
		Interest on long-term debt	32.6	
		Other	12.5	
		Income taxes	2.6	
	<b>Earnings of assoc.</b>	Equity in earnings (loss) of associates	1.8	
	<b>Earnings (loss) before extraordinary items</b>		(3.2)	
	<b>Extraordinary items</b>		(3.6)	
	<b>Net earnings (loss)</b>		(6.8)	
<b>Financial Position</b>	<b>Capital employed</b>	Working capital	45.6	
		Investments and other	38.6	
		Fixed assets – net	437.5	
			521.7	
	<b>Capital sources</b>	Long-term debt	274.1	
		Deferred income taxes	35.3	
		Shareholders' equity	212.3	
			521.7	
	<b>Changes in Financial Position</b>	<b>Operations</b>	Cash flow from operations	18.6
			Dec. (inc.) in operating working capital	2.6
Net cash flow from operations			21.2	
<b>Financing</b>		Debt and equity financing	9.9	
		Repayment of debt	(51.1)	
		Other	.3	
<b>Investments</b>		Fixed assets – net	22.6	
		Investment in associates	(34.6)	
<b>Dividends</b>		Cash dividends paid	—	
		Increase (decrease) in cash	(7.7)	
<b>Financing and Statistical Data</b>	<b>Per common share<sup>(1)</sup></b>	Net earnings (loss) <sup>(2)</sup>	(.81)	
		Dividends	—	
		Net cash flow from operations	2.97	
		Common shareholders' equity	25.06	
	<b>Ratios</b>	Return on average shareholder's equity – % <sup>(2)</sup>	(1.5)	
		Long-term debt to equity – %	129.1	
	<b>Other</b>	Common shares outstanding	7,157,452	
		Average number of employees	3,936	
		Salaries, wages and benefits (\$000)	159,017	
		Net fixed assets per employee (\$000)	111	
Units of sales per employee		164		
Net sales per employee (\$000)		139		
<b>Operations</b>	<b>Units of sales</b>	Fine papers	– tons 225,615	
		Uncoated groundwood papers	– tons 121,615	
		Coated groundwood papers	– tons 136,940	
		Boxboard	– tons 34,390	
		Market Pulp	– tonnes 42,881	
		Lumber	– Mfbm 84,739	
		Total	646,180	

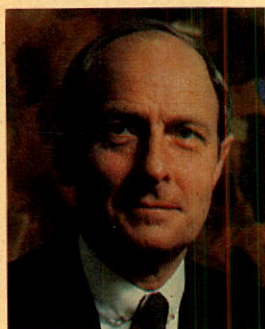
(1) Per common share data for 1985 is based on the combined results of Fraser Inc. and Fraser Paper, Limited and is included for comparison purposes only.  
(2) Before extraordinary items.

1984	1983	1982	1981	1980	1979	1978	1977	1976
\$ 529.5	\$ 435.9	\$ 397.6	\$ 422.2	\$ 362.2	\$ 321.0	\$ 265.1	\$ 212.5	\$ 180.7
431.7	362.3	342.1	344.7	284.9	247.3	202.8	172.9	149.5
31.3	24.3	21.1	20.7	18.3	12.2	10.0	7.9	7.5
22.9	19.8	19.2	19.6	16.9	14.0	11.0	9.8	8.1
31.3	13.2	17.8	18.5	12.2	3.6	.7	.5	.5
6.4	1.4	5.2	2.6	(1.8)	(.7)	(.7)	(1.5)	(1.4)
1.7	4.8	(4.6)	6.5	8.3	15.2	17.3	7.8	5.4
(.7)	.7	(1.6)	7.9	8.2	1.5	—	—	—
3.5	10.8	(4.8)	17.5	31.6	30.9	24.0	15.1	11.1
—	—	—	—	—	—	—	—	—
3.5	10.8	(4.8)	17.5	31.6	30.9	24.0	15.1	11.1
52.6	51.7	43.4	52.6	45.0	28.3	21.5	42.6	64.8
75.5	68.7	47.9	51.4	46.0	31.8	1.1	1.2	1.2
448.8	442.1	376.8	283.8	230.9	219.0	177.2	128.5	91.9
576.9	562.5	468.1	387.8	321.9	279.1	199.8	172.3	157.9
322.4	306.5	239.8	148.9	98.3	89.4	45.5	42.5	43.7
46.6	48.9	45.6	49.3	43.5	33.2	20.4	15.2	10.8
207.9	207.1	182.7	189.6	180.1	156.5	133.9	114.6	103.4
576.9	562.5	468.1	387.8	321.9	279.1	199.8	172.3	157.9
33.2	38.4	15.7	38.5	54.3	54.9	39.2	27.6	21.1
(11.0)	(3.2)	17.3	(11.6)	(9.7)	(26.0)	6.2	(3.6)	3.8
22.2	35.2	33.0	26.9	44.6	28.9	45.4	24.0	24.9
22.9	96.2	92.6	56.7	7.1	62.0	2.1	—	35.6
(5.1)	(16.3)	(9.3)	(4.8)	(1.7)	(1.6)	(.8)	(.8)	(.8)
1.5	5.4	12.8	6.5	.4	.3	.4	.2	(.6)
39.4	94.9	126.8	79.2	30.4	54.3	56.6	45.1	23.5
—	20.9	(1.7)	—	8.1	31.0	—	—	—
2.8	1.4	3.5	8.9	8.3	6.9	4.6	4.1	3.8
(.7)	3.3	.5	(2.8)	3.6	(2.6)	(14.1)	(25.8)	31.8
.17	1.25	(.67)	2.49	4.51	4.38	3.41	2.15	1.57
.40	.20	.50	1.30	1.20	1.00	0.66	0.58	0.54
3.10	4.93	4.65	3.81	6.30	4.09	6.45	3.40	3.55
26.38	26.62	25.57	26.84	25.68	22.40	19.01	16.27	14.71
1.7	5.5	(2.6)	9.5	18.8	21.3	19.3	13.9	11.1
155.1	148.0	131.3	78.5	54.6	57.1	34.0	37.1	42.3
7,155,452	7,146,743	7,145,306	7,127,291	7,095,837	7,067,130	7,048,206	7,048,206	7,033,206
3,964	3,770	3,746	4,010	3,625	3,634	3,548	3,353	3,183
147,550	139,091	118,934	109,634	89,568	80,571	71,267	64,641	53,915
113	117	101	71	64	60	50	38	29
160	152	136	151	164	162	155	149	149
134	116	106	105	100	88	75	63	57
239,089	238,354	194,880	196,182	159,170	176,060	177,085	178,684	164,013
114,379	100,915	113,503	127,230	141,325	130,543	129,315	121,585	128,498
150,028	147,211	131,224	134,330	114,330	93,759	92,633	84,588	83,122
31,754	31,541	25,428	28,421	30,502	30,643	30,630	31,539	32,628
35,585	2,644	10,308	41,983	61,358	65,260	39,549	18,343	9,066
63,565	52,914	32,695	76,205	87,309	92,634	81,167	63,849	56,764
634,400	573,579	508,038	604,351	593,994	588,899	550,379	498,588	474,091

## Directors and Officers



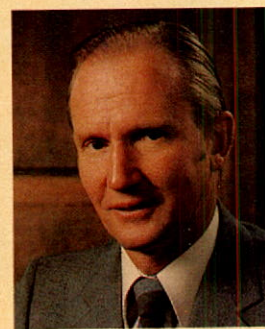
**Knut Grotterod**



**Adam H. Zimmerman**



**Rowland C. Frazee**



**R. Timothy Kenny**



**J.W. Bird**

### **Knut Grotterod**

*Chairman*

*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; chairman 1985. Chairman, Island Paper Mills Limited; J.P. Levesque and Sons, Inc.; and Atlantic Waferboard Inc. Director, Pulp and Paper Research Institute of Canada; Northwood Mills Ltd.; N.B. Science & Productivity Council; and President of the New Brunswick Forest Products Association. Member of the Board of Governors, University of New Brunswick. A member of the Canadian Pulp and Paper Association, Technical Section, and a member and past president of the Canadian-Scandinavian Foundation.

### **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. Director of 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.

### **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, International Minerals and Chemical Corporation, Power Corporation of Canada and Royal Bank Realty Inc. Member of the Roosevelt International Park Commission. Chairman of the Business Council on National Issues. Governor of McGill University, and a trustee of the Sports Fund for the Physically Disabled.

### **R. Timothy Kenny**

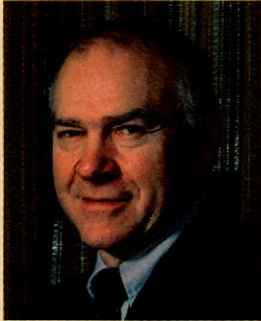
*Elected Director 1982*

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, Normick Perron Inc., and Noranda Enterprises Ltd. Vice-president and director, Northwood Pulp and Timber Ltd.

### **J.W. Bird**

*Elected Director 1984*

Born Fredericton, N.B., 1932. Served with R.C.M.P. 1949-51. M.L.A. and Minister of Natural Resources - New Brunswick Government 1978-82. Mayor, City of Fredericton 1967-74. President, Federation of Canadian Mayors and Municipalities 1973-74. President and major shareholder, J.W. Bird & Company Limited 1959-78, 1982. General Manager, Bird Holdings Ltd. 1970-78, 1982. Director of Noranda Mines Ltd., Hudson's Bay Company (formerly Director of Zellers), and the Atlantic Salmon Federation; regional advisor, Eastern Provincial Airways (CP Air), (formerly Director EPA).



**James N. Bowersock**



**Carl E. Beigie**



**William D. Eberle**



**H. Roy Crabtree**



**David J. Hennigar**

**James N. Bowersock**

*President*

*Elected director 1985*

Born Pincher Creek, Alberta, 1935. BSc (University of Alberta). Vice-president, pulp operations, Weyerhaeuser Canada 1971. Vice-president and general manager, St. Regis (Alberta) Ltd. 1976. Senior vice-president, pulp & paper operations, St. Regis Corp. (N.Y.) 1980. Executive vice-president, Fraser Inc., 1985; president and director 1985. Director, Island Paper Mills Limited. Member, Canadian Pulp & Paper Association, Technical Section.

**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. Chairman and chairman of the Executive Committee of Crownx Inc. Director of Crowntek Inc., Halifax Developments Limited, Crown Life Insurance Company, Scotia Investments Ltd., Oakwood Petroleum Ltd., L.E. Shaw Ltd., the Institute for Research on Public Policy, Governor of Dalhousie University, and a director of a number of Canadian public companies.

**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. Director and chief economist Dominion Securities Pitfield Limited, 1984. 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.

**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*

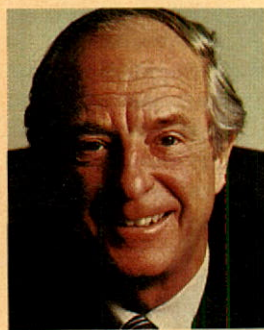
Born Montreal, 1918. BSc (McGill). Vice-president, operations, Woods Manufacturing Company Limited 1950; vice-president and general manager 1953; chairman and president Wabasso Inc. 1956; chairman 1982. President, The Harold Crabtree Foundation. Director and member of executive committee of Bank of Montreal,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

## Directors and Officers

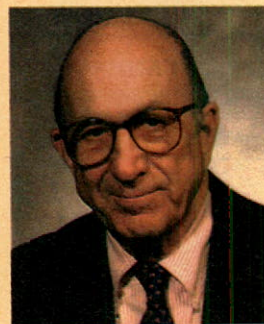
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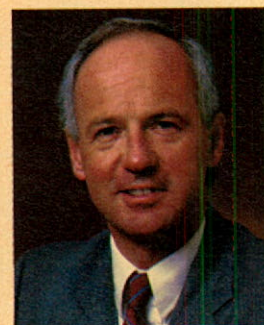
**Kenneth V. Cox**



**W. Randolph  
Clerihue**



**Joseph Sewall**



**Timothy R. Price**

### **Kenneth V. Cox**

*Elected director 1969*

Born Allison, N.B., 1922. BSc (UNB). Chairman of the Board and president of Bruncor Inc. and its principal subsidiary, The New Brunswick Telephone Company, Limited. 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 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; consultant and corporate director 1984.

### **Joseph Sewall**

*Elected director 1985*

Born Old Town, Maine 1921, BS (Bowdoin College). U.S. Naval Aviation 1942-46. President and CEO family consulting engineering and forestry business 1946 – present, with operations throughout Northeast U.S., Maritimes and Alaska. President, Maine State Senate 1975-82. President, Maine Maritime Academy Trustees and director, Merrill Bankshares Corporation and Sugarloaf Mountain Corporation as well as other charitable and business enterprises.

### **Timothy R. Price**

*Elected director 1985*

Born Reigate, England, 1943. BA (Victoria) and C.A. Vice-president, Edper Investments Ltd. 1970. Managing director, George W. Bennett Bryson & Co. Ltd., Antigua 1974-76. President, Mico Enterprises Ltd. 1974-80. President, Hees International Corporation 1980. Director of Astral Bellevue Pathe Inc. and First Choice Canadian Communications Corporation. Trustee of the Art Gallery of Ontario Foundation.

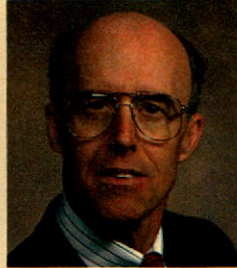


## Other Officers

### Financial Group



**Melvin B. Robinson**  
*Senior Vice-President,  
Finance and Treasurer*



**J. Douglas Sheldrick**  
*Vice-President  
Controller*



**J. Maxwell Legere**  
*Assistant-Treasurer*

### Operations Group



**Niall P. O'Briain**  
*Senior Vice-President  
and General Manager  
Edmundston/  
Madawaska  
Paper Group*



**William H. Matthews**  
*Senior Vice-President  
and General Manager  
Thorold Papers/  
Boxboard Group*



**W. David Kerr**  
*Vice-President,  
Technology*



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

### Sales & Planning Group



**Robert A. Knapp**  
*Senior Vice-President  
Marketing and Corporate  
Development*



**A. Michael Moloney**  
*Vice-President Sales  
Edmundston/  
Madawaska  
Paper Group*



**Ian Campbell**  
*Vice-President Sales  
Thorold/Boxboard  
Group*

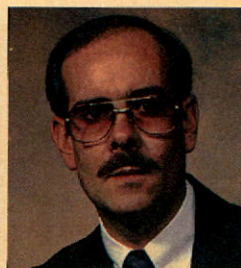
### Service Group



**Joseph D. Legris**  
*Vice-President and  
General Counsel*



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



**Regal D. McLean**  
*Vice-President Human  
Resources*

# 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:  
Noranda Forests Sales Inc.  
55 Yonge Street  
Toronto, Ontario M5E 1S4  
Telephone: (416) 365-0710

## Associated Companies (50% Ownership)

Atlantic Waferboard Inc.  
P.O. Box 419  
Chatham, N.B. E1N 3A8  
Telephone: (506) 773-5823

J. Paul Levesque & Sons Inc.  
Ashland, Maine 40732  
Telephone: (207) 435-6401

Island Paper Mills Limited  
1010 Derwent Way  
New Westminster  
British Columbia V3L 5A5  
Telephone: (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  
P.O. Box 160  
Madawaska, Maine 04756  
Telephone: (207) 728-3321

Fraser Inc. - Thorold Division  
P.O. Box 1046  
Thorold, Ontario L2V 3Z7  
Telephone: (416) 227-5271

Island Paper Mills Limited  
1010 Derwent Way  
New Westminster, B.C. V3L 5A5  
(50% ownership)

Fine Papers:  
Nine paper machines, one dual-  
purpose paper machine, and two  
on-machine coaters

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:

Fraser Paper Limited  
9 Broad Street West  
P.O. Box 10055  
Stamford, Conn. 06904  
Telephone: (203) 359-2544

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,  
bisulfite and groundwood pulp

Market:  
North America and overseas

Sales Office:  
Noranda Forest Sales Inc.  
55 Yonge Street  
Toronto, Ontario M5E 1S4  
Telephone: (416) 365-0710

The cover of this report is clay coated solid bleached FraPak Boxboard generally used for consumer goods packaging and is produced by FRASER INC. in Edmundston, New Brunswick.

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