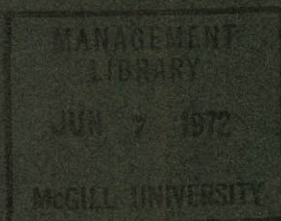


FRANCANA DEVELOPMENT  
CORPORATION LIMITED

ANNUAL  
REPORT

1967





## **DIRECTORS**

**B. LECHARTIER**

Vice President & General Manager, Crédit Foncier Franco-Canadien  
Director, Bank of Montreal

**M. W. RUSH**

Chairman, Hudson Bay Mining and Smelting Co., Limited  
President, Anglo American Corporation of Canada Limited

**J. DEBRAY**

Assistant General Manager, Crédit Foncier Franco-Canadien  
Executive Vice-President, Francana Oil & Gas Ltd.

**J. D. TAYLOR, Q.C.**

Partner, Fasken & Calvin  
Director, Anglo American Corporation of Canada Limited

**M. M. TOMILIN**

Vice-President (Exploration), Francana Oil & Gas Ltd.

## **OFFICERS**

**B. LECHARTIER**

Chairman and President

**J. DEBRAY**

Executive Vice-President

**M. B. HARDING**

Assistant to the President

**A. BINEAU**

Secretary-Treasurer

## DIRECTORS' REPORT

Francana Development Corporation Ltd., FDC, was established as a holding company and a fully owned subsidiary of Crédit Foncier Franco-Canadien in December 1966 with a subscribed capital of \$5,000,000. The purpose of the company was to hold the Francana Oil & Gas Ltd. common shares owned by Crédit Foncier and the Hudson Bay Mining and Smelting Co., Limited common shares that Crédit Foncier had received in 1966 as part payment from the sale of sixty percent of its interest in Francana Oil & Gas Ltd. In addition FDC was to invest in long term projects in which Crédit Foncier might become involved such as the new Saskatchewan potash project of Sylvite of Canada Ltd. or the new sodium sulphate venture of Francana Minerals Ltd.

In February 1967 Crédit Foncier subscribed for an additional 100,000 FDC common shares at \$10.00 per share thus providing the company with an additional \$1,000,000 to assist it in meeting the financial commitments that had been made to the Sylvite of Canada Ltd. project.

During the year FDC invested about \$1,200,000 in the Saskatchewan potash and sodium sulphate projects. This investment was made partly by subscribing for the common stock of a new holding company, Hudcana Development Corporation Ltd., and partly by subscribing directly for preferred stock of Francana Minerals Ltd.

At the end of the year, in November, an agreement was reached between Crédit

Foncier Franco-Canadien and Anglo American Corporation of Canada Limited whereby the latter company acquired a forty percent participation in FDC by purchasing 400,000 common shares from the treasury for a total consideration of \$6,800,000. The purpose of this move was to put FDC in a better position to meet its current investment commitments and to participate in additional natural resource projects.

### FRANCANA OIL & GAS LTD.

Francana Oil & Gas Ltd., of which FDC owns forty percent, carried out an active exploration and development program during the year. Additions to the company's oil reserves during the year more than replaced the oil produced during the period and land holdings were doubled. Net oil and gas income exceeded \$2,000,000 for the first time and the company's profit compared favourably with that of the previous year. During the year FDC received \$160,854 in dividends from Francana Oil & Gas Ltd.

### HUDCANA DEVELOPMENT CORPORATION LTD.

During the year Hudcana Development Corporation Ltd., was incorporated by Hudson Bay Mining and Smelting Co., Limited and Francana Development Corporation Ltd. with ownership on a 60:40 basis. The purpose of this new holding company was to acquire all the non-oil and gas interests held by Francana Oil & Gas Ltd. and to act as the corporate vehicle through which FDC and Hudson Bay Mining and Smelting Co., Limited would invest in Sylvite of Canada Ltd., Francana Minerals Ltd. and Tombill Mines Limited.

In November FDC agreed to reduce its participation in Hudcana to allow Anglo American Corporation of Canada Ltd. to take a ten percent position in the company.

#### **SYLVITE OF CANADA LTD.**

In July, after completion of feasibility studies on the Sylvite of Canada Ltd. Saskatchewan potash project, Hudson Bay Mining and Smelting Co., Limited and FDC announced that they had decided to proceed immediately with the development of the Sylvite deposit by constructing a mine and mill complex at a total cost of about \$70,000,000.

In September Sylvite of Canada Ltd. awarded a contract for the sinking of two shafts on the company's property and work on this phase of the project started in November. The shafts will be completed late in 1970. In December a further contract was awarded for the design and construction of the mill and other surface facilities. The completed Sylvite mine and mill complex is scheduled to be in operation by January 1971 with an annual capacity of 1,000,000 tons of potassium muriate.

#### **FRANCANA MINERALS LTD.**

In July an agreement was signed providing for the establishment of a new company, Francana Minerals Ltd., to be owned sixty percent by Hudcana Development Corporation Ltd. and forty percent by Tombill Mines Limited, to exploit two sodium sulphate deposits held under lease in Saskatchewan by Tombill Mines Limited. Hudcana Development Corporation Ltd. agreed to provide the \$2,500,000 required to construct a 100,000 ton per year sodium sulphate processing plant. This agreement provided for part of

this capital to be invested directly in Francana Minerals Ltd. and for part to be invested by subscribing for Tombill Mines Limited stock thereby enabling that company in turn to put up its forty percent share of the Francana Minerals Ltd. financing.

Late in the summer a contract was awarded for the design and construction of the sodium sulphate plant. By year end construction was well underway and the facility will be in production by late 1968.

#### **FRANDEVCOR INVESTMENTS LTD.**

At the end of the year, on December 22, FDC incorporated a fully owned subsidiary, Frandevcor Investments Ltd. This company will be responsible for investing on a short and medium term basis, pending its final placement in long term situations, the new capital received by Francana Development Corporation Ltd. at year end from the sale of treasury stock.

#### **FDC REVENUE & PROFITS**

The major part of the company's revenue during the year consisted of common stock dividends received from Hudson Bay Mining and Smelting Co., Limited and Francana Oil & Gas Ltd. After provision for taxes, the net profit for the year totaled \$447,924.

On Behalf of the Board of Directors

B. Lechartier, Chairman and President

# FRANCANA DEVELOPMENT CORPORATION LTD.

AND ITS WHOLLY OWNED SUBSIDIARY, (NOTE 1)

## CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 1967

<b>ASSETS</b>	<b>1967</b>	<b>1966</b>
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 973	196,043
Accrued Interest . . . . .	14,534	—
Demand or Short Term Deposits . . . . .	6,649,000	—
	<u>6,664,507</u>	<u>196,043</u>
 Quoted Investments at cost (Note 2) . . . . .	 4,374,411	 4,000,000
 Unquoted Investments at cost (Note 3) . . . . .	 2,357,850	 800,000
 Incorporation Expense . . . . .	 —	 3,957
	<u>\$13,396,768</u>	<u>5,000,000</u>

**LIABILITIES**

1967

1966

**CURRENT LIABILITIES**

Accounts Payable . . . . .	\$ 1,610	—
Provision for taxes . . . . .	11,320	—
Promissory Note . . . . .	320,000	—
	<u>332,930</u>	<u>—</u>

**SHAREHOLDERS' EQUITY****Capital Stock**

Authorized 2,000,000 common shares of no par value		
Issued and fully paid		
1,000,000 common shares (Note 4) . . . . .	12,800,000	—
500,000 common shares . . . . .	—	5,000,000
Retained earnings . . . . .	263,838	—
	<u>13,063,838</u>	<u>5,000,000</u>
	<u>\$13,396,768</u>	<u>5,000,000</u>

APPROVED BY THE BOARD

B. Lechartier, Director

M. W. Rush, Director

# FRANCANA DEVELOPMENT CORPORATION LTD.

AND ITS WHOLLY OWNED SUBSIDIARY

## CONSOLIDATED STATEMENT OF INCOME AND EXPENSE

FOR THE YEAR ENDING DECEMBER 31, 1967

INCOME	
Dividends . . . . .	\$ 412,404
Interest . . . . .	68,514
	<hr/>
Total Income . . . . .	480,918
EXPENSE	
	<hr/>
	5,674
	<hr/>
Income before income taxes . . . . .	475,244
Provision for income taxes . . . . .	27,320
	<hr/>
NET INCOME FOR THE YEAR . . . . .	<u>\$ 447,924</u>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDING DECEMBER 31, 1967

Net Income for the year . . . . .	447,924
Less:	
Dividends paid during the year . . . . .	\$ 180,000
Incorporation Expenses . . . . .	4,086
	<hr/>
	184,086
	<hr/>
Retained Earnings, December 31, 1967 . . . . .	<u>\$ 263,838</u>



## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR 1967**

### **NOTE 1**

Frandedcor Investments Ltd., a wholly-owned subsidiary of Francana Development Corporation Ltd., was incorporated on December 22, 1967. It had no revenue or expenditure for the fiscal period ended December 31, 1967.

### **NOTE 2**

#### **QUOTED INVESTMENTS**

The market value of these shares was \$3,896,750 on December 31, 1967 and \$3,992,187 on December 31, 1966.

### **NOTE 3**

#### **UNQUOTED INVESTMENTS**

The amount of \$2,357,850 represents the purchase price of shares of Francana Minerals Ltd., Francana Oil & Gas Ltd. and Hudcana Development Corporation Ltd. In the books of these companies the value of these shares is in excess of \$2,357,850.

Francana Development Corporation Ltd. is committed to subscribe, in 1968, to the capital stock of Hudcana Development Corporation Ltd. and of Francana Minerals Ltd. to the extent of \$3,254,000.

### **NOTE 4**

#### **CAPITAL STOCK**

In January 1967 Crédit Foncier Franco-Canadien subscribed to 100,000 shares for \$1,000,000. In November 1967 Anglo American Corporation of Canada Ltd. subscribed to 400,000 shares at a price of \$6,800,000.

## **AUDITORS' REPORT**

To the Shareholders of

### **Francana Development Corporation Ltd.**

We have examined the consolidated balance sheet of Francana Development Corporation Ltd. and its subsidiary as at December 31, 1967 and the consolidated statement of retained earnings and the statement of revenue and expenditure of Francana Development Corporation Ltd. for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company and its subsidiary as at December 31, 1967 and the results of the operations of Francana Development Corporation Ltd. for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**SAMSON, BÉLAIR, CÔTÉ,  
LACROIX ET ASSOCIÉS.**

Chartered Accountants

Montreal, February 2, 1968.





