CDC

canada development corporation

1983 annual report

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Other Annual reports

Some CDC companies produce annual reports that describe their operations in greater detail. If you would like to receive a free copy of the annual report produced by Canterra Energy, Kidd Creek Mines, Polysar, Savin or Connaught Laboratories, please write to CDC's Director of Public Affairs and Communications.

Executive Office

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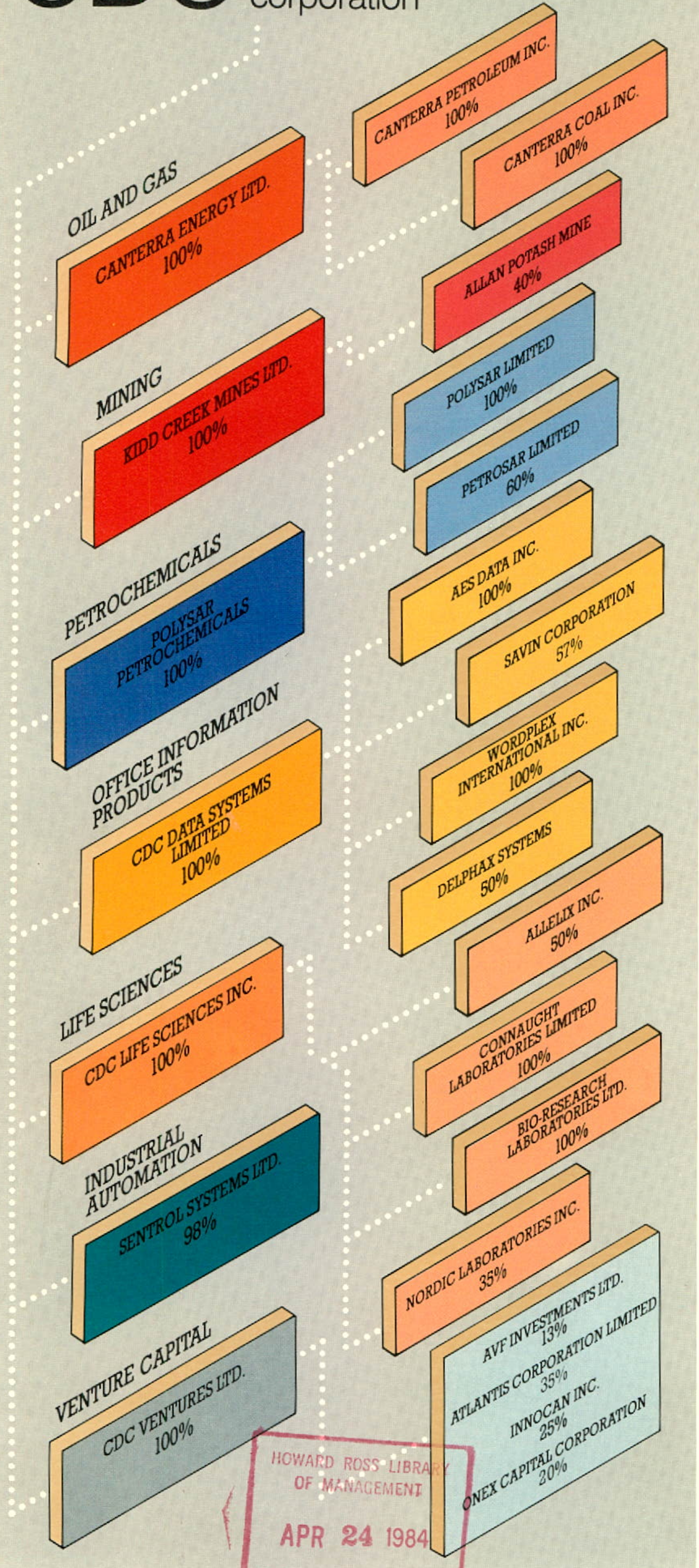
Version française

Pour obtenir la version française du présent rapport, prière d'écrire au Secrétaire, Corporation de développement du Canada.

HIGHLIGHTS

	1983	1982
	(millions except share amounts)	
Revenue	**$3,834.7**	$3,953.3
Net loss	**(45.0)**	(125.8)
Loss per common share	**(2.41)**	(4.52)
Cash flow before financing charges	**$ 755.2**	$ 642.9
Free cash flow	**161.3**	(158.3)
Free cash flow per common share	**4.52**	(4.47)
Working capital	**$ 554.4**	$ 659.6
Total assets	**7,558.6**	7,525.9
Long-term debt	**4,448.9**	4,540.9
Shareholders' equity	**1,151.7**	1,111.9

CDC canada development corporation



Canada Development Corporation, with assets of $7.6 billion, is the controlling shareholder in a number of companies active in oil and gas, mining, petrochemicals, office information products, life sciences, industrial automation and venture capital. The Corporation's four classes of shares are actively traded on the principal Canadian stock exchanges. CDC's initial share subscription came from the federal government but since 1974 all of its financial requirements have come from the private sector.

Today, more than 35,000 Canadians have chosen to invest some of their savings in CDC to develop vigorous and profitable enterprises. In keeping with the Corporation's distinct objectives, ownership of the voting shares is restricted by law to citizens or residents of Canada and to Canadian-owned companies. The largest single CDC shareholder–the federal government with 48% of the voting power–has announced that it will sell its CDC shares over time as market conditions permit.

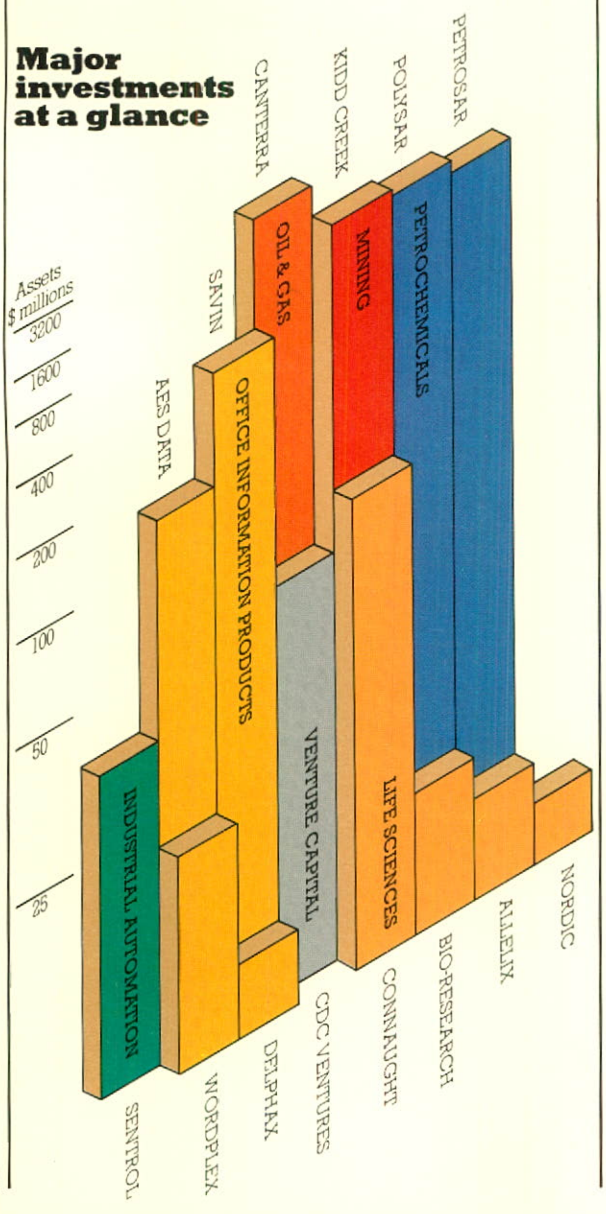
The positioning and relationships shown in the organization chart for the Allan Potash mine, Wordplex International Inc., Allelix Inc., and Innocan Inc. reflect management responsibilities for these investments rather than ownership.

BUSINESS OF THE CORPORATION

CDC's mandate, as outlined in the special Act of Parliament which established the Corporation, was:

- **to develop and maintain strong Canadian controlled companies in the private sector;**
- **to widen investment opportunities open to Canadians; and**
- **to operate profitably and in the best interests of all shareholders**

Major investments at a glance



Since CDC's inception in 1971 the federal government has invested $322.0 million in common shares, and all of that during the Corporation's early years. Three public share offerings in 1975, 1980 and 1983 raised another $570.0 million in equity capital. Today, this unique partnership between the public and private sectors has grown into one of Canada's largest companies, holding assets with a book value of $7.6 billion.

CDC is an equity investor and usually takes controlling positions in its investments. Special emphasis has been placed on large development projects, particularly those involving the upgrading of Canadian natural resources or developing high technology industries. CDC places emphasis on innovation through the development of strong research and development programs throughout the group and on building a presence for Canadian products in the international marketplace. The Corporation has also focused on longer term and higher risk ventures where the greatest ultimate returns are possible.

The Corporation employs 18,605 people in its seven largest companies. CDC itself operates with a relatively small staff, numbering less than 60 people. The Corporation is generally in a position to exercise effective control of its investments. CDC, however, does not normally participate in the day-to-day management of those companies, believing they should have their own skilled staffs and specialized operating personnel. Each CDC company has its own strong board of directors comprised of a mix of CDC directors and staff, outsiders and its own management. The Corporation sees its role as participating actively in business policy, strategy, development and long-range planning so that its companies will remain innovative, growth-oriented and able to increase their profitability. CDC's attention also centres on maintaining appropriate financial controls, good management development policies and broad research and innovation strategies.

Looking Ahead

During the past three years, the Corporation invested over $2.5 billion in its holdings in oil and gas, mining, petrochemicals and office information products. No further large-scale investments are being planned at this time. Management emphasis is being placed on obtaining the maximum productivity from the present asset base, with particular attention being placed on obtaining higher capacity utilization rates. A lower level of capital spending is being focused on making further productivity improvements and enhancing working conditions and environmental standards. The Corporation attaches great importance to research and development programs in all its subsidiaries and intends to remain one of Canada's largest investors in developing new products and processes.

As part of an agreement with the Corporation and approved by its shareholders, the federal government plans to sell its CDC shares when it can realize a satisfactory return. To facilitate this disposition, the government intends to transfer its CDC shares to the Canada Development Investment Corporation. Once necessary amendments to the CDC Act are passed by Parliament, CDC will adopt a new name and be governed by the general laws applying to any federally incorporated company.

REPORT OF DIRECTORS

To our Shareholders:

Our major objective for 1983 was to restore the Corporation to profitability. We accomplished this in the fourth quarter with a profit of $28.9 million but our efforts bore fruit later than we originally thought they would. As a result, CDC lost $45.0 million for the year as a whole instead of making a small profit as we had hoped. The main reason for this difference between expectations and results was twofold: the lagging impact of the economic recovery on our resource companies, particularly petrochemicals, and poor operating results at AES Data and Savin; the latter's combined losses more than offset the profits of our other companies.

While the loss in 1983 was reduced by $80.8 million from the previous year, the gain in free cash flow — cash flow after all financing charges and capitalized expenses which is available for capital expenditures and debt repayment — was even greater, moving to a surplus of $161.3 million from a deficit of $158.3 million a year ago, a change of $319.6 million. The gain in the three resource companies — Canterra, Kidd Creek and Polysar — was even more impressive, amounting to $423.4 million. In line with both improving economic conditions and the impact of earlier management actions, free cash flow showed substantial increases during each 1983 quarter.

These better results flowed from our continuing success in cutting costs, improving productivity and enhancing the effectiveness of marketing and sales activities throughout the group. We continued our efforts to slim our companies with the result that further staff reductions of 2,117 took place, in large measure through special early retirement programs and attrition. We believe that we have reached the end of this process, and that we can operate without large increases in staff as our business expands.

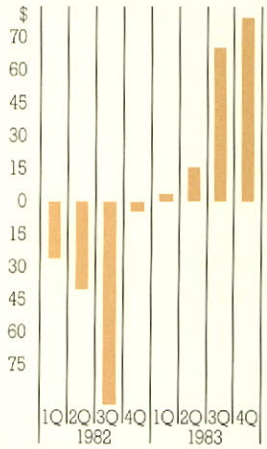
Just as important as our focus on cost cutting and productivity was our emphasis on innovation and creativity. We increased our efforts to make better use of our skilled people, modern facilities and underused capacity, and spent $76.2 million for research and development. R & D spending is tied closely to market needs to ensure that we create a culture throughout the group that values new ideas, products and processes, which are essential in a dynamic and rapidly evolving economy. We further upgraded personnel development and training, since skilled and imaginative people are vital in a highly competitive world. Capital spending was continued — but its level was reduced $167.8 to $311.5 million — reflecting the earlier completion of Kidd Creek's copper smelter, the startup in mid 1983 of Petrosar's vacuum tower and the virtual completion of a number of projects at Polysar.

Operations

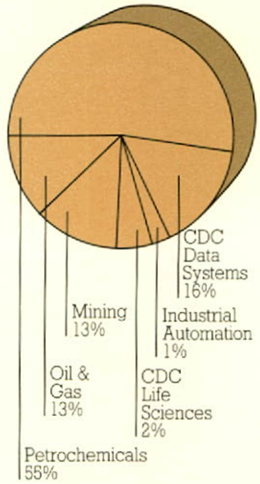
The details of the operations of each CDC company can be found in later sections of this report. The progress of our resource companies, despite low commodity prices and the lagged impact of the recovery, was heartening. Canterra's operations and exploration performance showed further gains. Kidd Creek lowered its operating costs further, commissioned a new zinc pressure leaching plant and enhanced the reliability of its copper smelter. Polysar showed a particularly significant turnaround with the greatest strength being in latex, styrenics and in rubber operations in Europe. Petrosar operated with reduced fuel losses and fixed costs, but margins deteriorated because of higher feedstock costs at a time of low market prices.

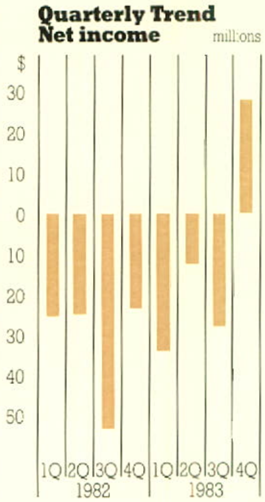
Polysar completed a $325.0 million addition to its butyl rubber manufacturing facilities during 1983.

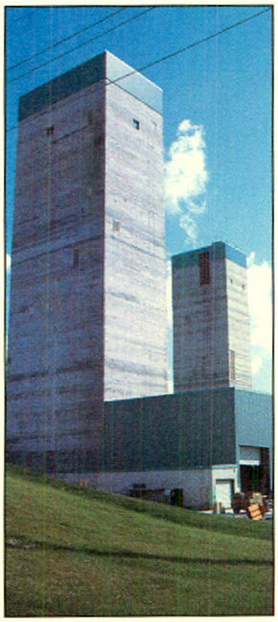
Quarterly Trend
Free cash flow millions



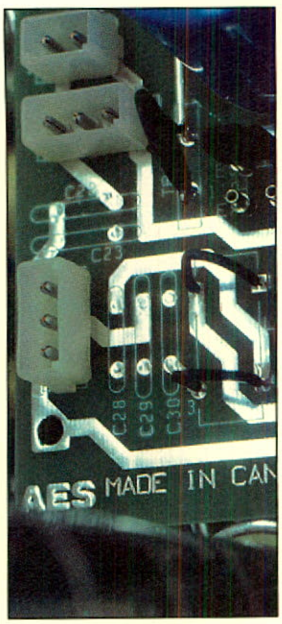
Revenues by Business
Total revenues $3.8 billion







About 91% of Kidd's 1983 revenue came from the giant Kidd Creek Mine located near Timmins, Ontario.



AES Data is a leading marketer and manufacturer of office automation equipment with its head office in Montreal.

In the Data Systems group, Wordplex increased its revenues and profits, while Delphax, our high-speed non-impact printer enterprise, penetrated important new markets. On the other hand, AES, which made gains in Canada and Europe, lost momentum in the United States because of a change in distributor, while Savin suffered from the late arrival of its new products — now very successfully introduced into the marketplace — and inadequate management and controls. The steps taken late last year to improve the results at Data Systems are only now beginning to be felt.

The Life Sciences companies — Connaught, Bio Research and Nordic — increased their profitability. Sentrol lowered its operating costs, greatly improved its product performance and returned to profitable operations at year end. We succeeded in producing a worthwhile operating profit at Fishery Products during the first part of 1983 — paying down debt by $3.0 million — but actions by governments and that company's banker made it impossible for us to remain in the business. Venture capital operations were satisfactory during the year and a number of dispositions led to a record contribution.

Financing

The Corporation reduced its unsubordinated debt by $193.7 million last year and strengthened its balance sheet in a number of ways. Focused asset management led to a reduction in working capital of $105.2 million. Dispositions — including a $30.0 million (U.S.) debenture in Lanier Business Products Inc., the sale of Dumex and venture capital dispositions — realized $88.4 million. Equity and quasi-equity financing in the form of $125.0 million of two-pay senior preferred shares and $74.8 million of subordinated debentures linked to silver at a substantial premium raised almost $200.0 million. Early in 1984, we received net proceeds of $43.0 million from the sale of research and development expenditures.

As a consequence of these measures and of subsidiaries converting certain demand credit facilities into long-term loans, the Corporation ended the year with cash resources and unused bank lines of about $500.0 million. Debt maturities in 1984 amount to $113.0 million (of which $74.7 million was paid in early 1984) and in 1985 to $259.2 million.

People

Dedicated workers, management and directors are the livelihood of any enterprise. We are fortunate in those serving CDC and its companies, and who again demonstrated that they can rise to the greatest of challenges — whether in doing things better, developing new products or finding new markets. We owe them all our special thanks and appreciation.

Our grateful thanks go to two CDC Directors — F.W. Sellers and D.N. Kendall. Mr. Sellers, a Director since inception and Chairman in the particularly trying times from early 1981 to early 1983, retired last year to devote more time to the affairs of Dome Petroleum. His common sense and unbending integrity served CDC well. Mr. Kendall will not be standing for reelection, as he will be 70 this year. Since the inception of the Corporation he has given us his unswerving dedication and loyalty, and always provided original ideas and wise advice, especially in the areas of venture capital and high technology.

We also wish to thank Serge Gouin for his seven years of loyal and hard working service to the Corporation as an Executive Vice President. His tough mindedness in adversity, his imagination and his management skills will continue to serve CDC's shareholders in his new position as President and Chief Operating Officer of Savin where he has been joined by Peter S. Gray, formerly a CDC Vice President and Controller.

The management group at CDC was further strengthened during the year with the addition of Kenneth Gibson — who has since become the Chief Executive Officer at AES — Daniel Owen and Roger Brownell, while the Board welcomed two new directors — J.I. Bell and L.R. Wilson.

Looking Ahead

The economic recovery in the United States and the rest of the industrial world is clearly broadening. We look for another year of moderate growth in Canada, led by strong exports. Canada, however, still has a long way to go before recapturing the competitive position that was lost in the late '70s and early '80s. We should not be satisfied with an inflation rate that is higher than our main customers and trading partners — the United States, Japan and West Germany. While inflation rates could pick up slightly with the business cycle in the next few months, we may soon be faced with living in a world where prices are no longer rising; Canadians do not seem ready to face this reality despite this country's dependence on foreign trade.

While we are not counting on the usual cyclical rise in commodity prices, we do think economic conditions facing CDC's companies should be relatively favorable. We intend to ensure that costs remain well under control, that there is no slackening in our attention to productivity, and that the focus of all our people remains on new and better ideas for making and marketing our many products.

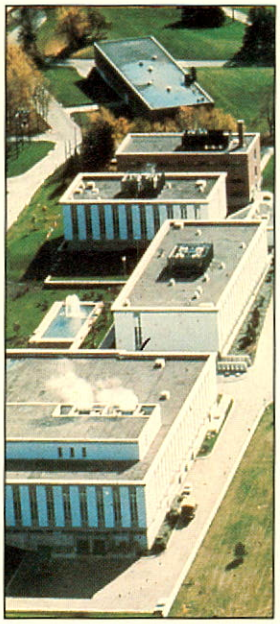
Our financial goals are essentially threefold: first, to continue and improve upon the earnings momentum already established; second, to reduce debt further as part of our goal of cutting liabilities substantially; and, third, to improve our ratio of equity to debt — not just by the build up of retained earnings but by careful asset management, continued disposal of marginal holdings and additions to our common share base. We intend to look carefully in 1984 at the possibility of selling shares in one or more of our companies as a means of raising additional equity for the Corporation and meeting our overriding goal of enhancing the value of our shareholders' investment.

Respectfully submitted on behalf of the Board,

Pierre Côté
Chairman of the Board

H. Anthony Hampson
President and Chief Executive Officer

March 22, 1984



Connaught, with office and laboratory facilities in Toronto, had a very successful year with record revenues.

Canterra continued to be one of the more significant explorers in the Canadian frontier during 1983.

OIL AND GAS

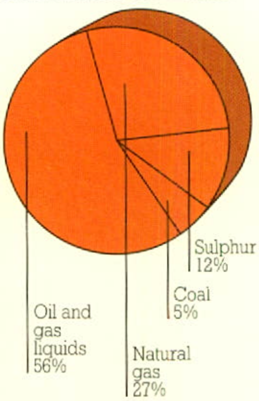
Canterra Energy Ltd., wholly owned by CDC, is a significant force in the Canadian oil and gas industry.

Canterra

Canterra has an important market position in the sulphur industry, having the largest supply capability of any Canadian company.

Revenues by Product*

Total revenues $691.4 million



*Before royalties and production taxes

Canterra Energy

Average Daily Production†	**1983**	1982	1981‡
Oil and natural gas liquids (cubic metres)	**3,686**	3,660	3,262
Natural gas (thousands of cubic metres)	**3,620**	3,458	3,091
Sulphur sales (tonnes)	**3,080**	3,836	2,676

†after royalty
‡figures for 1981 are for CDC Oil and Gas for 12 months and Canterra Energy for six months

Canterra Energy Ltd.

Canterra is the fourth largest Canadian-controlled oil and gas company. It has the largest supply capability for sulphur in Canada and is a major producer of crude oil, gas liquids and natural gas. Canterra has large land holdings in Western Canada, and is involved in exploration plays covering conventional oil, heavy oil and sweet and sour natural gas. In the Canadian frontier, the company is present in all major exploration plays, including the Beaufort, Arctic Islands and offshore Labrador, Newfoundland and Nova Scotia. Canterra explores for and produces oil and gas in the United States, and operates two coal mines in Pennsylvania.

Although revenue declined 6% during 1983, due mostly to lower sulphur volumes, Canterra's cash flow before interest was up 4% to $375.7 million. Lower interest rates resulted in free cash flow of $137.3 million compared with a deficit of $2.7 million during 1982. Canterra contributed $19.7 million to CDC's results in 1983, compared with a loss of $14.4 million a year ago. Latest results include a profit of $7.3 million from the company's reinsurance subsidiary.

Exploration

Canterra continues to be one of Canada's most aggressive explorers for new hydrocarbon resources. The company spent $326.3 million on exploration and land acquisition programs during 1983 which were financed by internal cash flow and government incentive payments. About 60% of net expenditures were directed to conventional areas in Western Canada with the remainder in the Canadian frontier.

Western Canada: Canterra is placing emphasis on exploring for new oil reserves in Western Canada. During 1983, the company had a 56% success rate with the 108 exploratory wells (51.41 net) that it drilled. Oil exploration activities were focused in the Skekilie-Zama, Rainbow, Peace River Arch and Grand Prairie regions of Alberta and at Coleville in Saskatchewan. Natural gas exploration is being undertaken to establish new reserves in areas covered by existing contracts or to maintain expiring leases.

Frontier: About four-fifths of 1983 frontier exploration spending was directed to the Canadian East Coast where discoveries made to date may allow for earlier production. The remainder of spending went to projects in the Beaufort Sea and Arctic Islands. During the year, the company concluded three farm-in agreements on the East Coast, one of which allowed Canterra to participate in the South Hibernia block immediately south of the Hebron discovery well. Canterra will operate two of the four wells in this farm-in beginning in 1984. The 1983 frontier exploration program resulted in one gas discovery with potential commercial significance at Glenelg on the Scotian Slope. Encouraging hydrocarbon shows were found in a number of other Canterra-interest wells, including Terra Nova on the Grand Banks and Uniacke on the Scotian Shelf.

Western Canada Production

Despite a number of negative industry trends, Canterra achieved good results from its oil and natural gas production activities during 1983.

Oil and Liquids: A production optimization program in existing fields, along with new capacity from recent exploration successes, allowed Canterra to maintain 1983 production of oil and gas liquids close to 1982 levels. Volumes after royalties for the Rainbow field, which accounted for 75% of Canterra's oil and gas liquids production, actually increased 2% over 1982. The proportion of Canterra's Canadian production that received the new oil reference price (NORP) increased from 4% in 1982 to 26% in 1983. The company expects that about 30% of its oil production will attract the NORP price during 1984.

Natural Gas: Although the industry experienced an overall 8% decline during 1983, Canterra's production of natural gas before royalties decreased only 1.3% to 4.8 million cubic metres a day. Production from new reserves allowed the company to avoid a more significant reduction in its volumes. The completion of Canterra's $45 million Blackstone-Stolberg pipeline permitted production to begin from the Hanlan and Brazeau areas of Alberta during 1983. This natural gas is being processed at the company's Ram River plant, one of the largest of its kind in Alberta.

Sulphur: Canterra's sulphur sales during 1983 totalled 1.2 million tonnes, down from 1.5 million tonnes a year ago. Although there was a modest increase in worldwide sulphur demand during 1983, competition for markets was intense, leading to price erosion during the early part of the year. The company expects improved sulphur volumes in 1984 as a result of a recovery during the year in demand for phosphate fertilizer.

Production capital spending: Canterra spent $25.0 million — representing more than half of its total capital spending on new production facilities — to complete the Blackstone-Stolberg pipeline. Development and infill drilling schemes in a number of fields added 250 cubic metres per day of new oil production during 1983. Canterra has developed significant expertise in enchanced oil recovery (EOR) techniques for mature fields. During 1983, the company initiated a five-well EOR scheme at Rainbow as part of a unique scheme, which, when fully implemented, could extend the life of this field by 40 years.

Heavy Oil and Tar Sands

Canterra operates two steam pilot projects — one in the Athabasca region of northeastern Alberta and the other in the vicinity of North Battleford, Saskatchewan. The Athabasca pilot plant produced 5,000 cubic metres of bitumen during 1983. The North Battleford plant produced 25,000 cubic metres of oil during 1983, up from 14,000 cubic metres in 1982 and 7,900 cubic metres in 1981. Preliminary work is underway on the feasibility of potential commercial projects in both areas.

United States

The company's U.S. subsidiary, Canterra Petroleum Inc., made several important discoveries in Wyoming and the Gulf Coast. A discovery in Cameron Parish in Louisiana increased natural gas reserves by over 40% during the year and will contribute to cash flow during 1984. The surplus of deliverable natural gas in the United States contributed to a 13% decline in production volumes from 1982.

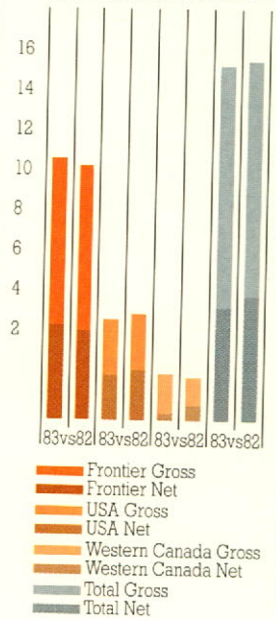
Canterra's U.S. coal subsidiary had 1983 sales of 804,000 tonnes, the lowest level in more than 10 years because of depressed markets. Coal prices were down, but stringent cost-control measures improved the company's already positive cash flow position and produced a net income of nearly $1.0 million.

Canterra Energy

Proven Reserves December 31, 1983	Proven Reserves at beginning of 1983	Net Additions	Proven Reserves at end of 1983
Western Canada			
Oil and liquids[1]			
gross	**14.732**	**1.442**	**16.174**
net	**10.084**	**1.761**	**11.845**
Natural gas[2]			
gross	**41.758**	**(4.078)**	**37.680**
net	**30.301**	**(2.553)**	**27.748**
Sulphur[3]			
gross	**16.108**	**(0.428)**	**15.680**
net	**15.031**	**(0.837)**	**14.194**
United States			
Oil and liquids[1]			
gross	**0.531**	**(0.098)**	**0.433**
net	**0.434**	**(0.087)**	**0.347**
Natural gas[2]			
gross	**0.745**	**0.515**	**1.260**
net	**0.557**	**0.347**	**0.904**

[1] millions of cubic metres
[2] billions of cubic metres
[3] millions of tonnes

Land Holdings 1983 and 1982 000 hectares



Canterra Energy

Financial Performance	1983	1982	1981*
		(millions)	
Revenues (net)	**$ 507.1**	$ 538.7	$ 245.8
Contribution to CDC	**19.7**	(14.4)	0.1
Cash flow before interest	**375.7**	361.0	174.5
Free cash flow	**137.3**	(2.7)	(2.2)
Capital spending			
–gross	**326.3**	337.9	231.0
–net	**172.9**	210.0	161.0
Total assets	**3,044.1**	2,936.0	2,570.1
Working capital	**59.2**	120.1	93.5

*1981 six-month results for Canterra and 12-month results for CDC Oil and Gas Limited

Canterra publishes its own annual report. For a copy, please write to CDC at the address shown on the inside front cover.

MINING

CDC owns a 100% interest in Kidd Creek Mines Ltd., one of Canada's largest integrated mining companies. Its principal products are zinc, copper, silver, gold and potash.

More than 30% of Kidd's 1983 revenue came from copper sales in Canada, the United States and Europe.

Kidd Creek Production

	1983	1982	1981
Ore milled	**4,154**	4,321	4,076
Zinc concentrates*	**178**	161	119
Zinc	**107**	106	109
Copper–Kidd Creek	**53**	25	6
–Tolled	**37**	42	55
Silver	**197**	167	145
Sulphuric acid	**336**	323	193
Owl Creek			
Ore milled	**242**	248	
Gold	**780**	778	
Allan Potash Mine**			
Ore milled	**1,081**	939	1,357
Muriate of potash	**385**	317	487

All volumes in thousands of tonnes except silver, which is in tonnes and gold which is in kilograms
*produced for sale **Kidd Creek portion

Kidd Creek Mines Ltd.

The company owns the giant Kidd Creek mine and metallurgical complex near Timmins Ontario and a producing gold mine at nearby Owl Creek. It has a 35% net profits interest in the Nanisivik mine on Baffin Island and owns 40% of the Allan potash mine in Saskatchewan.

During the past year Kidd Creek made important progress in improving its operating and financial performance as well as the productivity of its assets. The company had an active year exploring for new resources.

Operations

The company's most valuable asset is the Kidd Creek mine, which accounted for 91% of 1983 revenue. This copper-zinc-silver deposit ranks as one of the finest ore bodies in the world. With a highly skilled workforce, the company's mining and metallurgical operations are modern and efficient, using advanced technology to maintain high standards of production. Although 4% less ore was milled during the past year, the company successfully increased recoveries of all major metal products.

Aggressive sales programs for all products were successful in reducing inventories during 1983. This effort allowed Kidd Creek to cancel a planned July shutdown of its Timmins facilities. Zinc sales were particularly strong during the year as a result of a major recovery in automotive sales. Although prices and demand were weak for copper, Kidd Creek's modern mining techniques and its state-of-the-art smelter and refinery make the company one of the lowest cost producers which allows it to compete for sales in world markets. As a result of a successful forward selling program, the company realized silver prices well above market averages.

The 1983 marketing effort resulted in revenue of $476.9 million, a 47% increase over 1982. Despite generally depressed prices during the year, the company achieved a near breakeven level of profitability, compared with a loss of $37.3 million during 1982. Free cash flow showed a dramatic increase, rising to $135.4 million from a deficit of $79.0 million for 1982.

Productivity

Throughout its operations, Kidd Creek is placing strong emphasis on improving productivity. During 1983, operating costs at the Kidd Creek mine were reduced by about $10.0 million while maintaining production of metal products above 1982 levels. As part of this cost-cutting program, operating staff at the mine and metallurgical facilities was reduced 8% during the year. Improved dilution control and other measures resulted in higher grades of ore being mined during 1983. Other productivity gains have been made in conserving energy, salvaging and recycling materials and using ground slag as a substitute for cement in backfill.

Work by the company's research and development group helped achieve better optimization of processing facilities. A new electronic monitoring system for the concentrator produced substantial savings in reagent costs. In the copper smelter, a number of modifications were introduced to improve the reliability of the continuous furnace line and to control emissions. A modified heating system for the copper refinery has achieved significant natural gas savings. The installation of a new counter — current leach circuit in the zinc plant has improved zinc recoveries and upgraded silver-bearing residues.

Kidd Creek's employees have maintained their enviable record for safety. During 1983, an underground production crew reached a safety milestone by working 500,000 hours without a lost-time accident, a feat that took slightly more than 12 years to accomplish. Kidd Creek will continue to emphasize high safety, health and environmental standards.

Gold Mining: Kidd Creek operates an open-pit gold mine at Owl Creek which is about three miles west of the main metallurgical site. During the past year, about one quarter of the ore mined was processed in the company's concentrator. The remainder was custom milled and refined at nearby facilities owned by another company.

Potash: The Allan potash mine is located 50 kilometres east of Saskatoon and produces various grades of muriate of potash which is a major component of commerical fertilizers. Potash prices and demand were weak during the early part of the year due to poor market conditions for fertilizer, although a significant improvement occurred during the 1983 fourth quarter.

Nanisivik Mine: Kidd Creek's royalty interest in the Nanisivik lead-zinc mine, located at Strathcona Sound near the northern tip of Baffin Island, is expected to produce cash returns by 1986 after the full recovery of exploration and development costs.

Exploration

Kidd Creek's exploration effort during the past year provided some encouraging indications. Its exploration division carried out about 25 major projects searching for copper-zinc-silver, precious metals, and tin and tungsten deposits. Projects are limited to those with the potential to start production before 1990.

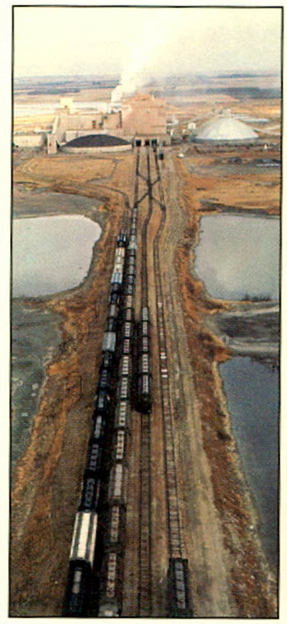
In order to find additional base metal reserves in the Timmins area, a significant portion of the exploration budget was allocated to northeastern Ontario. Partial delineation of a zinc-silver-lead deposit was undertaken on an optioned property near the Kidd Creek mine; further work on this property will take place during 1984. Construction began on an underground ramp at the Hoyle Pond gold prospect, located just west of the company's metallurgical site; the main gold bearing seams will be reached during 1984.

In British Columbia, the discovery of high-grade gold mineralization in the Toodoggone district in 1983 will be followed by extensive trenching and diamond drilling during 1984. Tungsten mineralization was discovered on a Newfoundland property during the past year, with further work being required to determine its significance. In Quebec, further drilling on the Lac Rouleau gold prospect will also be carried out during 1984.

Ore Reserves

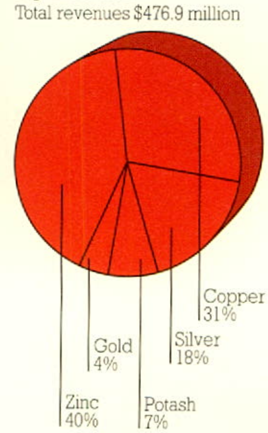
December 31, 1983	Kidd Creek Mine	Owl Creek	Allan Mine†
Zinc (%)	**4.91**		
Copper (%)	**3.09**		
Silver (grams/tonne)	**67.0**		
Lead (%)	**0.18**		
Gold (grams/tonne)		**4.1**	
Potash (%)			**23.8**
Total recoverable proven and probable (millions tonnes)	**74.0**	**1.0**	**42.8**

†Kidd Creek owns a 40% share.



Kidd Creek owns a 40% interest in the Allan Potash Mine, located near Saskatoon.

Revenues by Product
Total revenues $476.9 million



Kidd Creek Mines

Financial Performance	1983	1982	1981*
		(millions)	
Revenues (net)	**$ 476.9**	$ 324.3	$ 116.9
Contribution to CDC	**(1.2)**	(37.3)	(2.2)
Cash flow before interest	**223.7**	53.3	37.9
Free cash flow	**135.4**	(79.0)	9.8
Exploration	**8.2**	17.0	1.9
Capital expenditures	**17.7**	51.2	30.6
Total assets	**1,347.7**	1,427.3	1,302.0
Working capital	**124.4**	4.6	97.9

*CDC acquired 100% of the Canadian operations of Texasgulf Inc. on September 30, 1981.

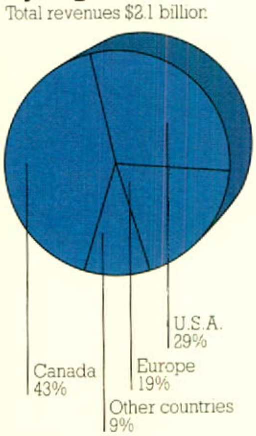
Kidd Creek publishes its own annual report. For a copy, please write to CDC at the address shown on the inside front cover.

PETROCHEMICALS

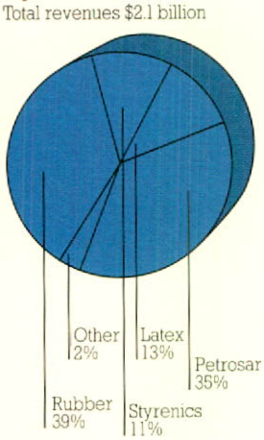
CDC owns a 100% interest in Polysar Limited, the largest producer of synthetic rubbers in the world, and a 60% interest in Petrosar Limited, an efficient manufacturer of a range of primary petrochemicals. Polysar Petrochemicals, which combines CDC's holdings, is one of Canada's major international enterprises.

Polysar is the world's second largest supplier of latex which is manufactured at six plants in four countries.

Revenues by Region
Total revenues $2.1 billion



Revenues by Product
Total revenues $2.1 billion



Polysar Limited

Polysar Limited, with headquarters in Sarnia, has 18 plants in six countries and sales representation in over 90 countries. Most of Polysar's products are used by other manufacturers to make many familiar consumer and industrial products, including automobile tires, masking tape, roofing membranes, foamrubber carpet backing, plastics packaging and foodware. Polysar stresses technical leadership to maintain its dominant position in a number of product segments for the international marketplace. In 1983, Polysar completed a new $325.0 million world-scale butyl plant in Sarnia ensuring its ongoing growth in this important rubber field. Polysar constantly works to improve the technical content of its products in order to reduce the amount of its output it must sell as lower margin commodities.

Polysar contributed $27.0 million to CDC in 1983 — a strong improvement from its loss of $31.5 million in 1982 — as a result of increased sales volumes, an improved product mix and cost-cutting programs. The turnaround began slowly in 1983 as most of Polysar's worldwide markets remained in the grip of recession; but by the third quarter substantial strengthening in all markets was evident and was maintained for the remainder of the year. Sales for the year reached $1.3 billion while volumes increased 2% to 818,000 tonnes. In 1983, fixed costs were reduced by about $30.0 million. By year end, total employment was down to less than 6,000 people from a peak of 7,100 in 1981.

Rubber: Rubber sales in 1983 accounted for more than 60% of Polysar's total revenues. While automotive markets, which consume a major portion of Polysar's rubber, were strong throughout the year, producers did not begin to benefit from this recovery until after mid-year. Up to that point, high industry inventories were sufficient to meet demand. The company's strong market position in specialty rubbers contributed substantially to total operating earnings in 1983. Polysar benefitted from increased worldwide demand for halobutyl, one of the company's specialty products, as manufacturers switch to this rubber from other materials to improve performance. To service the fast-growing Far East market, Polysar opened a Hong Kong office during the past year.

Latex: Polysar is the world's second largest supplier of latex. Produced in six plants in four countries, latexes accounted for 20% of 1983 revenues. Polysar's technically oriented latexes are sold primarily to the carpet, adhesives and paper coating industries. Latex sales improved significantly with the recovery of the North American housing industry. In addition, sales of carboxylated latex for paper coating improved sharply as print advertising increased with the economic recovery.

Styrenics: Styrene monomer is produced in Sarnia primarily for the company's North American rubber and latex businesses, as well as for further processing into polystyrene at four company-owned plants in Canada and the United States. Styrenics operations experienced a sharp turnaround in 1983. Volumes were up almost 8% and margins, which had been squeezed for almost two years, improved. Polysar is investigating several specialized applications for polystyrene that will provide growth opportunities and permit the company to gradually reduce it exposure to the highly competitive and price sensitive commodity plastics markets.

Formed products: From three plants in West Germany, Polysar produces and sells formed plastic products. These operations produce finished consumer products for the industrial catering, food packaging and horticultural markets. Through extensive research and market studies, several new specialized products have been developed.

Petrosar Limited

Petrosar's mission is to provide its shareholders, including Polysar, with a secure source of primary petrochemicals at competitive prices while maintaining a financially sound enterprise. Its world-scale petrochemical refinery near Sarnia, ensures this product availability. However, the company's ability to be both price competitive and profitable has been eroded in recent years by declining prices for its major products. Feedstock and fuel costs, which represent 86% of all costs, have continued to increase under Canada's regulated oil pricing regime. As with all Canadian petrochemical producers, Petrosar's feedstock costs have increased about 80% since 1980. At the same time, the market price of ethylene has been set by Petrosar's U.S. Gulf Coast competitors who have access to lower-priced feedstocks. This has resulted in prices for ethylene — Petrosar's major product — falling below 1980 levels during the past two years. For 1983, Petrosar had a loss of $52.7 million after all financing costs, of which CDC's share was $24.9 million.

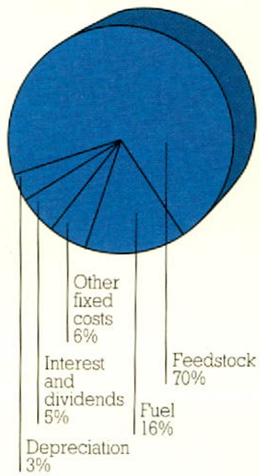
Despite these negative conditions, Petrosar had a number of important accomplishments during 1983. Despite its significant loss, the company successfully financed all its cash requirements from internal resources. Significant cost reductions were made in existing operations and process improvements were introduced to improve plant flexibility and enhance efficiency. The Petrosar plant produces primary petrochemicals — ethylene, propylene, benzene, butadiene and isobutylene — and a range of fuel products. Excess refining capacity combined with lower government regulated prices for natural gas relative to crude oil have reduced the profitability of fuel products. Petrosar has taken a number of steps to increase its output of petrochemicals from each barrel of crude oil that it refines. The new vacuum distillation plant completed in July now upgrades heavy fuel oil to vacuum gas oil, a more valuable product which is traded to other refineries for petrochemical feedstocks. With this modification, approximately 80% of a barrel of oil is refined into petrochemical products at Petrosar, compared with 38% in 1977 when the plant began commercial operations.

A new computerized process control system was installed. Combined with other actions to improve overall plant efficiency, this resulted in a $13.0 million reduction in hydrocarbon losses during 1983. Additional plant flexibility is still possible. Petrosar's Gulf Coast competitors are able to optimize their operations by varying their feedstock using naphtha, gas oil, and various natural gas liquids, depending on market prices. Plans have been developed for a project costing up to $100.0 million which would give Petrosar improved feedstock flexibility. However, a decision to proceed is dependent upon the Canadian petrochemical industry becoming better positioned relative to its foreign competitors. An industry task force initiated by the federal government has submitted a number of recommendations, which are seen by Petrosar and its shareholders as a realistic basis for improving conditions facing the Canadian petrochemical industry.

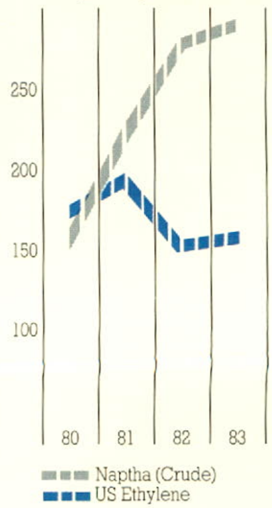
PETROSAR

Petrosar's new vacuum distillation plant upgrades heavy fuel oil into vacuum gas oil, a more valuable product.

Petrosar Cost Structure



Changes in Feedstock costs Ethylene prices 1980-83



Petrochemicals*

Financial Performance	1983	1982	1981
		(millions)	
Revenues	**$2,112.3**	$2,249.8	$2,320.5
Contribution to CDC	**2.1**	(38.6)	14.7
Cash flow before interest	**168.2**	132.7	236.7
Free cash flow	**11.5**	(57.5)	92.2
Research and development	**23.3**	27.1	22.9
Capital expenditures	**94.2**	195.3	253.5
Total assets	**2,308.7**	2,285.6	2,244.0
Working capital	**176.1**	186.6	283.9

*Includes 100% of Polysar Limited, and 60% of Petrosar Limited. Polysar publishes its own annual report. For a copy, please write to CDC at the address shown on the inside front cover.

OFFICE INFORMATION PRODUCTS

CDC's 100% owned subsidiary, CDC Data Systems Limited, has investments in four companies that develop and manufacture such electronic office products as word processors, photocopiers and printers.

AES

During 1983, AES Data launched two new products which feature high ergonomic standards and very competitive price-performance characteristics.

AES Data

Financial Performance	1983	1982	1981
		(millions)	
Revenues	**$134.0**	$188.2	$172.8
Contribution to CDC	**(14.9)**	(2.5)	1.6
Research and development	**17.0**	14.8	10.6
Total assets	**132.4**	131.3	117.0
Working capital	**34.6**	35.6	24.8

CDC Data Systems Limited

A number of steps were taken during the past year to restructure and streamline the operations of companies in the group. Two of the largest holdings — AES Data Inc. and Savin Corporation — experienced significant losses during 1983. Both companies took aggressive steps to reduce costs, improve productivity and restore profitability. CDC Data Systems provided AES and Savin with additional equity in order that both companies could continue work on new product developments. In addition, CDC Data Systems became the sole owner of AES by purchasing the minority interest held by Lanier Business Products Inc. Lanier, in turn, redeemed a $30.0 million (U.S.) 8 3/8% debenture held by a CDC subsidiary.

AES Data Inc.

AES Data Inc. is based in Montréal and is one of the world's largest suppliers of software-rich, network-oriented office automation systems that provide electronic job support to management, professional and administrative staff in the modern office. CDC Data Systems invested $15.0 million in the company during the past year.

During 1983, AES successfully launched two new products to meet expanding office system requirements. The 7100 is an intelligent workstation developed to handle a variety of information processing and personal computing tasks. The 7200 is a clustered system that supports up to four workstations linked to a central processing unit and can be interconnected into a network of several CPUs working simultaneously. These two products feature high ergonomic standards and very competitive price-performance characteristics.

AES has always been committed to providing its customers with the latest in office automation technology. One of the company's strengths is its ability to develop software that adds new functions and enhances the capabilities of its product lines. During the past year, AES committed itself to support industrywide standards of compatibility in order to allow different systems to interact with one another. AES Interchange Facility — the most recent element of this compatibility commitment — translates AES internal documents into the format used by one of the industry's largest data processing vendors. AES plans to introduce new hardware and software products to augment the networking capabilities of all systems, placing particular emphasis on data base management, communications and electronic mail and filing.

From an operations perspective, the past year was one with mixed results. AES consolidated its already strong position in the Canadian market by increasing shipments 15% over 1982. Sales in Europe were ahead 16% over 1982, aided in part by a strong push by the company's new direct sales force in Germany. However, sales in the United States, the largest and most important market, were down significantly and represented only 7.5% of total revenues compared with the more traditional 35%. As part of a broader strategy of building an organization that can maximize revenues in the United States during future periods, AES changed its U.S. distribution arrangements, beginning the process of developing a branch and dealer organization. Early emphasis is being given to those markets with the highest sales potential and where AES products have gained strong acceptance in the past.

AES will continue its evolution, responding to the changing marketplace. Buyers are no longer just interested in making hardware purchases: communications, compatibility and managerial support are important customer requirements in today's marketplace. AES will strive to serve the needs of its customers in all areas: hardware, software, support, training and service.

Savin Corporation

Stamford-based Savin Corporation, in which CDC Data Systems has a 57% interest, is one of the largest distributors of plain paper photocopiers in Canada and the United States. During the past year, Savin made considerable progress in strengthening its product line, marketing capabilities and management team. However, its financial performance continued to lag behind CDC's expectations, reflecting intense price and product competition for photocopiers, the costs of implementing its new programs and significant writeoffs associated with continued revaluation of the company's assets.

During 1983, Savin introduced five new photocopying machines, the first new products for the company in three years. The Savin 5030 and 5040 machines are the first to have factory-designed and installed Landa Process liquid toner technology which was developed by the company. These machines have been built to Savin's specifications by Ricoh Corporation Ltd. of Japan, and incorporate Savin's unique paper-feeding mechanism, the most reliable in the industry today. The Savin 5020, 5015 and 5015RE are the company's new dry process copiers, reflecting Savin's commitment to offer a broad line of copier products.

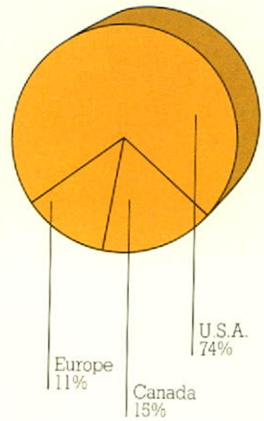
Market response to Savin's new copiers has been positive, reflecting their quality and the effectiveness of Savin's new marketing structure. Net unit placements — the number of copiers sold after returns — increased 50% during 1983. In June, Savin reorganized its U.S. field marketing into five regional operations, each with its own management and profit and loss responsibility. This regional approach has strengthened Savin's relationships with its 350 dealer locations and its major national accounts, as well as provided improved direction and control for its 35 branch sales and service offices.

Considerable progress was achieved in preparing to market the 8000 series of high-speed duplicators. The engineering designed into the machines has created important advances in copier technology.

Management at all levels was strengthened during 1983 through the recruitment of seasoned executives for key positions. The company also implemented a number of major cost control programs, including further manpower reductions, consolidation of facilities and improved accounts receivable and inventory management. The purpose of these and other measures under consideration is to improve operating margins which have been largely responsible for Savin's poor financial performance. The effects of these programs should become evident during 1984.

To improve Savin's financial strength, CDC Data Systems has agreed to provide the company with $30.0 million (U.S.) of additional equity financing, consisting of both common shares and purchase warrants for additional stock. Once the transaction is finalized, its interest will increase to 68% following purchase of the common shares and 72% if the warrants are exercised. Pending finalization of this transaction, CDC Data Systems has advanced the $30.0 million (U.S.) to Savin as a short-term demand loan.

CDC Data Systems Revenues by Region
Total revenues $627.8 million



savin

Savin introduced five photocopying machines during 1983. These new products have received good customer acceptance.

Savin

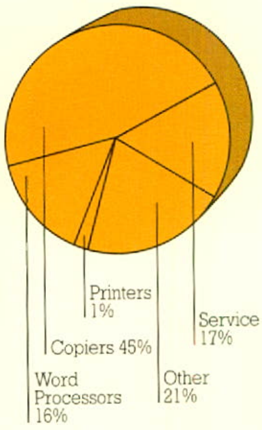
Financial Performance	1983	1982*
	(millions)	
Revenues	**$488.3**	$405.0
Net income (loss)	**(75.2)**	(9.8)
Contribution to CDC	**(43.8)**	(6.2)
Research and development	**12.6**	11.2
Total assets	**453.4**	504.0
Working capital	**81.9**	176.8

*Includes results from April 1, 1982 to Dec. 31, 1982
CDC acquired its position in Savin effective April, 1982

Savin publishes its own annual report. For a copy, please write to CDC at the address shown on the inside front cover.

CDC Data Systems Revenues by Product

Total revenues $627.8 million



delphax SYSTEMS

Delphax Systems, in which CDC has a 50% interest, manufactures a high-speed non-impact printer which uses a patented process.

WORDPLEX

CDC Data Systems

Financial Performance	1983*	1982**	1981
		(millions)	
Revenues	**$627.8**	$649.8	$218.5
Contribution to CDC	**(57.4)**	(10.3)	8.9
Cash flow before interest	**(42.2)**	59.2	29.6
Free cash flow	**(80.4)**	23.0	23.3
Research and development	**33.9**	34.8	16.9
Capital expenditures	**21.6**	27.7	14.3
Total assets	**692.4**	678.5	236.2
Working capital	**211.8**	171.2	28.7

*Results exclude Wordplex for the year.
**Results for 1982 include Savin for the period April 1 to December 31, 1982.

Delphax Systems

Delphax Systems is a joint venture between CDC Data Systems and the Dennison Manufacturing Company which was established to develop and commercialize a new non-impact printer technology. Its research, development and manufacturing facilities are located near Toronto. During the past two years, Delphax has made important strides in gaining acceptance for its patented ionography technology as a viable alternative to xerography in non-impact printers. Since its inception, the company has spent more than $20.0 million on research and development. During 1983, the company's main product, a 60-page per minute printer, was manufactured in commercial quantities and shipped to customers who incorporated the Delphax product into full systems. Present uses for the Delphax product include computer peripheral printers and off-line printing of security documents and cheques.

The Delphax technology combines high reliability and speed with a low cost of operation. A Delphax printer offers the flexibility of graphics, multiple print styles and form-generation capabilities, which are not possible with impact printers. The main technological breakthrough incorporated in the Delphax printer is in the simplicity of its paper path and the operational durability of its key components. The Delphax printer contains less than 300 parts compared with 3,000 in a laser xerographic printer. In 1984, Delphax plans to further exploit its technology by expanding its line of page printers. The Delphax partners believe that significant new opportunities exist for lower-cost office printers that can be linked to intelligent terminals and utilized in the automated office and in local area network environments. Early in 1984, Delphax announced that it had reached agreement with a large Japanese trading company that will, among other things, make a new printer product available to a number of new markets throughout the world.

Wordplex International Inc.

Wordplex International Inc., manufactures and sells a highly integrated range of word processing equipment. During 1983, the company expanded its product lines and market outlets as well as acquiring the business of its Australian distributor. Despite higher manufacturing costs associated with the strong U.S. dollar, the company improved upon its near breakeven performance in 1982 by achieving a profit of $1.6 million. Wordplex released the 8000 Multi Station Complex early in 1984 to replace its very successful Wordplex 7 shared logic system.

CDC plans to divest its interest in Wordplex. Consideration is being given to a variety of methods by which this may be accomplished during 1984.

CDC Life Sciences Inc.

CDC's corporate strategy for its life sciences investments is to continue building and strengthening existing areas of operation and expertise. The past year was extremely successful for the Life Sciences group. As it no longer held a strategic purpose, the 100% interest in Dumex Ltd., a Danish pharmaceutical company, purchased in 1973, was sold. The sale price of $33.2 million represented a $5.3 million gain over book value and a $15.8 million gain over original cost. This gain, along with much improved contributions from companies in the group resulted in a profit for the year of $17.0 million.

Connaught Laboratories Limited

Toronto-based Connaught Laboratories, in which CDC Life Sciences has a 100% equity interest, had a good year with record sales of $69.5 million. The company made important progress in improving its profit performance, strengthening its existing core businesses, investing in new biological products offering medium-term profit potential, and positioning itself to pursue new business opportunities, particularly in those areas where rapidly developing genetic engineering technologies can be utilized.

Connaught entered into two joint ventures during 1983 with prominent international companies. A collaboration with Novo Industri A/S of Denmark, one of the largest manufacturers of insulin in the world, will ensure that the highest quality and range of insulins are available to Canadian diabetics as well as assisting Connaught in maintaining its major market share in Canada. A joint venture with E.R. Squibb and Sons Inc, a well-known pharmaceutical company based in Princeton New Jersey, will provide Connaught with strengthened marketing resources and distribution channels for its products in the United States.

Two other agreements provide Connaught with access to important new technology and products. The company arranged with Integrated Genetics Inc. of Framingham, Mass., a major U.S. biotechnology company, to assist in developing and manufacturing a vaccine against Hepatitis B virus using genetic engineering technology. Another agreement with Teijin Ltd., a Japanese company, will allow for the development and manufacture of a vaccine against whooping cough that could replace existing products if clinical trials and licensing are completed successfully.

Connaught Research Institute, the company's R&D group, achieved a number of successes during the past year. In a project supported by the National Research Council, laboratory quantities of biosynthetic human insulin were produced in preparation for clinical trials in 1984. Microcapsules containing living islet cells of animal pancreas were successfully implanted into diabetic animals, producing insulin and controlling the diabetes in the animals for a period of over twelve months. A new vaccine to prevent meningitis in young infants and children was developed and is now showing excellent results in clinical trials.

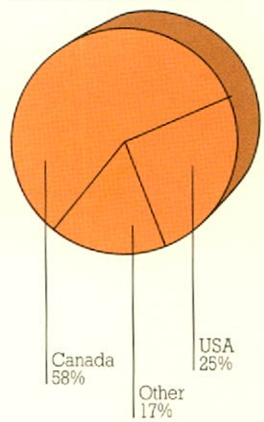
An inactivated polio vaccine was produced in human diploid cells; successful commercialization will eliminate the need to

LIFE SCIENCES

CDC Life Sciences Inc. is a wholly owned subsidiary with investments in companies that manufacture and market human biologicals and pharmaceuticals, provide contract scientific testing services to the food and drug industries and undertake research in the emerging biotechnology industry.

Connaught Laboratories manufactures human biological products, principally insulin, vaccines, blood fractions and diagnostic products.

Connaught Revenues by Region
Total revenues $69.5 million

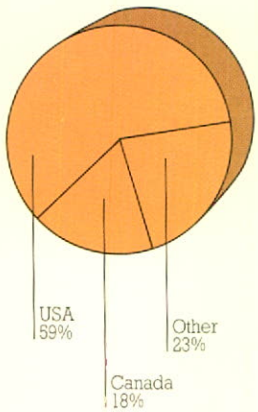


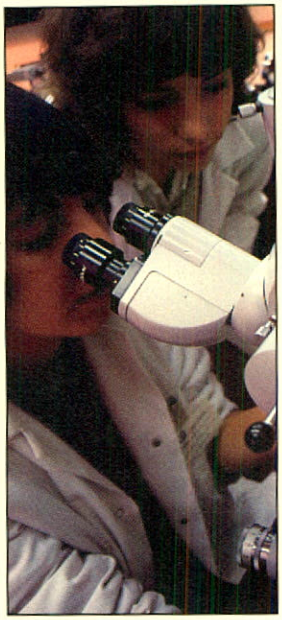
Connaught Laboratories

Financial Performance	**1983**	1982	1981
		(millions)	
Revenues	**$69.5**	$62.2	$58.2
Contribution to CDC	**3.0**	0.6	(0.7)
Research and development	**10.4**	8.6	9.7
Total assets	**78.0**	75.7	79.2
Working capital	**34.0**	34.8	38.9

Connaught Laboratories publishes its own annual report. For a copy, please write to CDC at the address shown on the inside front cover.

Bio-Research Revenues by Region
Total revenues $10.7 million





Bio-Research is one of the world's leading scientific testing companies with offices and laboratories in Montreal.

use kidney cells from monkeys in the production of this vital vaccine. A new human vaccine against rabies has been successfully tested which will require only two or three injections for rabies-exposed patients rather than the 23 now required using existing products.

Connaught anticipates reaching another new sales record during 1984 while at the same time continuing to strengthen its various business units and devoting a high proportion of its revenues to its research and development activities. Capital expenditures will be directed at improving the productivity and efficiency of both Canadian and U.S. manufacturing facilities.

Bio-Research Laboratories Ltd.

Bio-Research Laboratories Ltd. is a Montreal-based biological research company wholly owned by CDC Life Sciences. The company conducts clinical and bio-analytical tests on new drugs and chemical products for safety prior to their release for sale to the general public. Its customers are major pharmaceutical, chemical, petrochemical and pesticide companies in North America, Europe and Japan.

The company's excellent growth record — revenues doubled during the past two years — is the result of its commitment to producing high quality scientific output along with prompt delivery of final reports for all research projects undertaken. During 1983, over 80% of Bio-Research's business came from outside Canada, firmly establishing its position as one of the world's leading contract research laboratories in its field.

Bio-Research has two divisions. The toxicology division, which produces 75% of revenues, uses a variety of techniques to test on different animal species new products which are intended for human consumption or use. Research projects may, for example, be undertaken to determine if a new product affects such things as the reproductive system or has the ability to produce cancer, and may take as long as three years from start to completion. The scientific affairs division, a relatively new area of activity, conducts clinical research studies and a wide variety of bio-analytical testing.

The company has a number of active research programs designed to maintain its leadership position in biological testing. It currently has underway programs to develop shorter-term testing techniques to determine if a product will cause cancer, better measure the neuro-toxicological effects of compounds and find more sensitive ways of analyzing drugs in biological fluids.

During 1983, the company invested in a sophisticated scientific computer system to enhance the quality and precision of its scientific work. Because Bio-Research is now operating at capacity, a feasibility study is underway on expanding physical facilities.

Bio-Research Laboratories

Financial Performance	**1983**	1982	1981
		(millions)	
Revenues	**$10.7**	$ 8.1	$5.3
Contribution to CDC	**0.6**	0.2	(0.6)
Research and development	**0.5**	0.3	
Total assets	**11.3**	9.2	7.7
Working capital	**(0.2)**	(0.2)	0.7

Allelix Inc.

CDC has a 50% interest in Allelix Inc. whose head office and modern laboratory facilities are located near Toronto. The company is involved in basic and applied research in biotechnology, concentrating on agricultural and industrial applications with worldwide commercial potential. Allelix is a startup research and development venture which is expected to create profitable new business opportunities from the work it undertakes.

During 1983, Allelix began research operations with initial projects in the area of plant growth and genetics for such field crops as potatoes, corn and canola. Work will be expanded during 1984 into bacterial fungal systems as well on the production of high-value chemicals. In immunochemistry, Allelix has identified opportunities in the diagnostics area.

During the past year a number of leading scientists joined Allelix, filling key positions in plant and molecular biology and immunochemistry. The tempo of recruitment and scientific research increased significantly throughout 1983.

Allelix is a commercially oriented biotechnology company. It is staffed by some of the world's leading scientific researchers.

Allelix

Nordic Laboratories Inc.

CDC Life Sciences owns a 35% interest in Nordic Laboratories Inc., (formerly known as Omnimedic) which markets a range of pharmaceutical products. Marion Laboratories Inc. of Kansas City holds a 50% interest in the company. During 1983, strong sales of two prescription drug products — Cardizem and Sulcrate — largely accounted for a 48.5% increase in revenues over 1982. Cardizem is a new class of cardiovascular drug for the treatment of angina and represents the first advance in this therapeutic area in a number of years. Sulcrate is an anti-ulcer medication which is not absorbed by the body's digestive system and offers high growth potential.

In recent years, Nordic's management has invested heavily in marketing and sales training and this investment was largely responsible for its strong operating performance during 1983. The company believes that it is entering a period of significant growth, using as a base existing products as well as new offerings. As part of its new product development programs, Nordic provides financial support for basic and applied clinical programs at a number of Canadian research facilities.

Cardizem, which is sold in Canada by Nordic Laboratories, is a new class of cardiovascular drug for use in the treatment of angina.

CDC Life Sciences

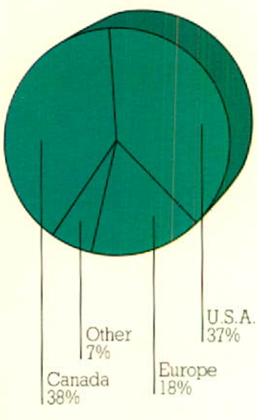
Financial Performance	1983	1982	1981
		(millions)	
Revenues	**$82.6**	$152.8	$170.0
Contribution to CDC	**17.0**	3.9	1.9
Cash flow before interest	**28.2**	16.9	16.4
Free cash flow	**25.0**	10.9	8.5
Research and development	**16.5**	14.9	15.9
Capital expenditures	**5.0**	5.1	5.9
Total assets	**90.9**	106.4	148.3
Working capital	**38.8**	28.1	48.5

INDUSTRIAL AUTOMATION

Toronto-based Sentrol Systems Ltd. is a CDC subsidiary engaged in the design, manufacture and marketing of computer-based control systems. Its products are sold and serviced in over 20 countries through 11 sales offices.

Sentrol Systems places emphasis on developing international markets for its industrial automation products.

Revenues by Region
Total revenues $24.9 million



Sentrol Systems

Financial Performance	1983	1982	1981*
		(millions)	
Revenues	**$24.9**	$30.2	$15.1
Contribution to CDC	**(3.2)**	(5.8)	(7.2)
Cash flow before interest	**(1.7)**	(6.8)	(7.0)
Free cash flow	**(2.7)**	(8.3)	(8.0)
Research and development	**1.0**	2.2	1.9
Capital expenditures	**0.1**	0.6	0.7
Total assets	**20.3**	23.4	29.2
Working capital	**4.0**	7.1	6.0

*CDC acquired an 85% interest in July 1981.

Sentrol Systems Ltd.

Process control systems help increase productivity, improve product quality and reduce the use of raw materials and energy. Sentrol's strength lies in its unique sensor technology and its expertise in finding applications in a variety of industrial operations. The company manufactures a number of sensors which can measure the physical properties of various materials. Through the use of microprocessors, Sentrol's products can control such industrial processes as papermaking, the flow of gas and liquids through a pipeline or the amount of lead being applied to a battery grid.

Sentrol's business has been affected by the curtailment of capital investment by the pulp and paper, steel and pipeline industries where much of its product line has been traditionally sold. A gradual improvement in spending became evident during late 1983, particularly in December which was the highest month for Sentrol sales in more than three years. Despite these adverse conditions, Sentrol's financial performance showed significant improvement, reflecting reduced expenditures, improved cost controls, streamlined operations and increased productivity. Sentrol's fixed costs for 1983 were about half of the total for 1981.

New Products

The company has positioned itself for a strong recovery in capital spending by making improvements to its major products. Its engineers have concentrated on improving existing products while at the same time making them easier to operate. As a result of these improvements, Sentrol's distributed process control — or SAGE — system is now three times more powerful than it was three years ago.

The company has developed a new cross directional weight control system for the papermaking process marketed under the name Optiprofile. Two new software packages were developed for the company's pipeline control system along with a new type of console which will allow an operator to control several pipelines from a single keyboard.

Sentrol's newest control product, which measures the application of lead paste to battery grids, was enhanced through the development of a closed-loop system, bringing on-line control to the pasting process for the first time.

Emphasis continued to be placed on developing international markets which accounted for 62% of revenues during 1983. After one year of operation, the company's Swedish office completed seven installations. A number of new orders were also booked in South America.

Sentrol continues to concentrate on improving its productivity and making its products more competitive. Stronger business conditions are expected to bring renewed vigor to capital spending. Sentrol's highly trained and efficient organization, its broader product offerings and a continued emphasis on marketing and service will bring about a better financial performance during 1984.

CDC Ventures Ltd.

Through CDC Ventures Ltd., CDC along with other investors, has a number of investments at the conceptual or early stages of their development. Over the years, CDC's venture capital investments have provided some excellent returns. At the end of 1983, CDC Ventures had invested a total of $60.8 million and has received in dividends and proceeds from dispositions a total of $43.7 million. The carrying value of the remaining investments is $49.1 million.

During the past few years, there has been a dramatic increase in the number of venture capitalists and the amount of financing they have available. Accordingly, CDC is gradually reducing its involvement in venture capital. As part of this strategy during 1983, CDC Ventures sold its position in TDC-Technology Development Corporation. The Vase Fund Inc. was reorganized and has resulted in CDC Ventures becoming a sole direct shareholder in a company that has developed a method of extracting minerals from fluid streams. Another holding, Merchant Bancorp Inc., is being dissolved.

CDC Ventures' largest investment has been its 40% interest in CanWest Capital Corporation. During the year, CanWest's shareholders decided to realize on their investments. In a transaction completed in early 1984, CDC Ventures received $35.0 million for the sale of its shares in CanWest and used $10.0 million of these proceeds as a seed investment in a new venture organized by one of CanWest's principals. Onex Capital Corporation will undertake leveraged buyouts of mature companies. It will also hold a 45% interest in Macleod-Stedman Inc., operators of a chain of retail stores, and NaChurs Plant Food Company, a liquid fertilizer manufacturer and distributor. Both were CanWest investments.

AVF Investments Ltd. CDC Ventures owns 13% of AVF Investments Ltd., which has made several investments in high technology businesses that are energy related. An oil and gas exploration subsidiary had an extremely successful program in 1983 which more than doubled its value. New investments during the year included a novel wind-powered water pump project and a geophysical services company.

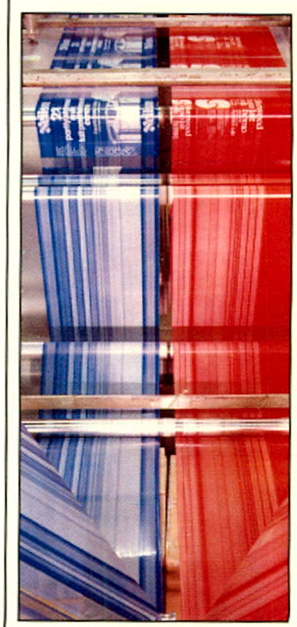
Atlantis Corporation Limited. CDC Ventures has a 35% interest in this Newfoundland-based fund. The fund was originally organized to become a participant in the offshore oil services industry. The slow progress being made in developing the frontier energy resources has left few opportunities for new entrants in the supply area. A crab processing plant, which Atlantis acquired two years ago, continues to operate profitably and Instrumar Limited, a company developing cold water electronics products, is showing promise.

Innocan Inc. Innocan (25% owned) is CDC Ventures' oldest venture capital investment and continues to operate profitably. During the year, Innocan acquired a major Canadian packaging company, Purity Packaging, which it grouped with its own packaging companies, Genpak Corporation, Montebello Metals Inc., and Coroplast Inc., to form a new company, Innopac. This company was later taken public and its shares were listed on the Toronto Stock Exchange with Innocan's equity interest being transferred to its shareholders. Prior to the year end, CDC Ventures sold its shares in Innopac at a profit. Remanco Systems Inc., the company marketing a computerized restaurant management system, made important progress during the year and operated profitably.

Innotech Aviation Ltd., owned by Innocan, provides a full range of sales, maintenance and servicing facilities for privately owned aircraft.

VENTURE CAPITAL

CDC was one of Canada's earliest sources of venture capital for small businesses.



Innopac, which manufactures a variety of plastic packaging products, was formed by Innocan during the past year through a grouping of three other companies. Shares in Innopac have been sold to the public.

VENTURES

Glossary

Financial terms

Amortization involves spreading the cost of a large expenditure proportionately over a fixed period of time. Usually, it is done by treating a portion of the total cost of an asset as an expense and deducting this from revenue in calculating profit for a particular fiscal period. Amortization expense is not a cash cost.

Book value is the amount of the net assets (after deducting depreciation expense) shown on the balance sheet.

Capital indicates the total investment of shareholders in a business at a given time. It can be calculated by subtracting from the total assets all liabilities other than those of the owners. Capital can also mean all types of capital invested in a business, including long-term loans, deferred taxes, equity and retained earnings.

Capital asset This can be either of a tangible or intangible nature. Normally, capital assets are expected to be used or held over several fiscal periods.

Capital expenditure is the amount paid to acquire or add to a capital asset.

Capitalized expenses Capital expenditures usually involve more than the cost of acquiring or constructing a capital asset. For example, the interest on money borrowed during the period when construction takes place is often considered a cost of the asset and added to it.

Cash flow is the sum of net income and non-cash charges, such as depreciation, depletion and amortization.

Deferred income tax The accumulated amounts by which income taxes charged in the accounts have been increased (accumulated tax allocation credit) or decreased (accumulated tax allocation debit) as a result of timing differences.

Depletion is a non-cash expense that is deducted from revenue during a period in order to compute net income. Depletion generally involves the gradual using up or consumption of a natural resource, such as oil or natural gas.

Depreciation The cost of a fixed asset is usually expensed by a company over a period of time that it contributes to operations. Depreciation expense does not involve a cash outlay but is an attempt to match the cost of an asset with the actual goods and services it produces.

Equity value is the carrying value of an intercorporate investment. It is calculated by recording the investment at its cost and adjusting it regularly for the Corporation's proportionate share of earnings computed on a consolidated basis.

Fully diluted earnings per share CDC has issued two types of preferred shares–the Class B and 1980s–that are convertible into common shares. Fully diluted earnings per share are calculated by assuming that these two classes of preferred shares are converted into common shares.

Free cash flow This is cash flow available for capital expenditures and debt repayment after deducting all financing charges, including dividends and capitalized expenses, paid by CDC and its subsidiaries.

Minority interest This is the equity of shareholders in subsidiary companies in which CDC does not hold a 100% interest. Petrosar, AES Data and Savin are examples of companies where shareholders, other than CDC, hold equity interests. CDC consolidates these companies in its financial statements and shows the minority interest portion as a claim on the balance sheet and as a deduction on the statement of income.

Retained earnings This is the portion of a company's net income which has been reinvested in the business. It is the accumulated profits since incorporation, less losses and dividends paid to shareholders.

Working capital This is the excess of current assets over current liabilities.

Write-off Write-off is the transfer of an item, which was considered an asset, to an expense account. For example, an account receivable–normally considered an asset–becomes a bad debt expense when determined uncollectable and is written-off.

Other terms used by CDC companies

Bitumen is an extremely tarry form of oil that coats individual particles of sand in an ore body. It is extracted from ore, freed of impurities and upgraded to form what is known as synthetic crude oil.

Butyl rubber is a synthetic rubber made from two oil-derived petrochemicals–isoprene and isobutylene. Butyl rubber retains air better than other rubbers and resists degradation very well. It is used in tires, industrial belting, shock absorbers, roofing and reservoir liners, caulks and sealants, glazing tapes, chewing gum.

Conventional old oil prices (COOP) is a scheduled price of oil under government energy policy. It is limited to 75% of the world oil price and is now $29.75 per barrel.

Enhanced oil recovery involves injection of water, natural gas, steam or chemicals into a depleted reservoir to force the remaining petroleum reserves into the well bore and to the surface.

Ethylene is a basic commodity in the petrochemical industry and is used for the manufacture of a wide spectrum of organic chemicals and polyethylene plastic.

Ion deposition technology is an electronic offset printing technique using a reusable dielectric medium. Ions charge this dielectric surface and create a non-visible image. A visible image is then developed using a dry ink.

Gross production is an oil company's portion of revenue or petroleum production before payment of royalties.

Latex is a milk-like emulsion of small particles of rubber suspended in water. It is used for carpet backings and underlay, mattresses and cushioning, paper coatings, and adhesives.

Naphtha is the general name for mixtures of hydrocarbons obtained from petroleum which are processed into several important petrochemicals such as ethylene, benzene, butadiene, propylene, isobutylene and isopentane.

Net production is a company's portion of revenue or petroleum production after payment of royalties.

New oil reference price (NORP) is the average of international prices for oil landed at Montreal. Oil qualifying for NORP is oil discovered after April 1, 1974, all enhanced recovery and experimental schemes, and any well not produced for three years or more. NORP is currently about $38.47 per bbl.

Nitrile rubber is a synthetic rubber made from acrylonitrile and butadiene. It is used when oil or heat resistance is required in a finished product. For example, oil seals and gaskets, hoses, cable jacketing, printing rollers and footwear use nitrile rubber.

Polystyrene is a thermoplastic made from styrene monomer. It is one of the most versatile of plastics and used in literally thousands of articles including toys, tape reels, food packaging and insulation sheeting.

Potash is a word that is derived from the old method of producing potassium carbonate by bleaching wood ashes and evaporating the solutions collected in large iron pots. The white residue left in the pot was called "pot ash." Today, it has become the term widely applied to naturally occurring potassium salts and the commercial products derived from them.

Proven reserves are the portion of a resource reserve that has been established by development drilling and that is economically producible with present technology.

Shared-logic word processor combines pieces of equipment that use one computer as a common data base. A shared system has several visual display terminals (VDT) connected to the computer. Each terminal is thus able to access the memory of the computer.

Sour gas is the term for natural gas that is contaminated with hydrogen sulphide or other sulphur compounds. These must be removed before gas can be used for commercial or domestic purposes.

Stand-alone word processor consists of a single station used by one person at a time. It is self-contained and is not hooked up to or does not share the processing power of a central computer.

Styrene is a petrochemical made from benzene and ethylene and used to make several large volume synthetic rubbers such as styrene-butadiene rubbers (SBR), as well as polystyrene resin.

Consolidated Financial Review

During 1983, the North American economy started to recover from the recessionary conditions that began late in 1981 and lasted throughout 1982. Thus CDC's consolidated financial results showed strong improvement during the past year with the loss being reduced by $80.8 million and free cash flow increasing by $319.6 million. The biggest improvements in both profits and free cash flow during 1983 came from CDC's three resource companies–Canterra Energy, Kidd Creek Mines and Polysar Petrochemicals–and from the Corporation's investments in life sciences and venture capital. The combined negative contributions of AES Data and Savin Corporation–two of CDC's investments in the field of office information products–was $58.7 million and larger than the Corporation's consolidated loss for 1983.

Economic Conditions and 1983 Results

Real output in Canada is estimated to have increased 6.3% from the fourth quarter of 1982 to the end of 1983, almost recovering the 6.5% decline experienced during the recession. In keeping with excess capacity conditions in most industries, a slowing in unit labor cost increases and stable prices for most commodities, the rate of inflation in Canada and the United States eased dramatically during the past year. In line with this as well as reduced credit demands, the level of interest rates moderated during 1983, although real rates remained at historically high levels, reflecting fears among investors of government deficits, a credit crunch and a resurgence of inflation. Despite these more positive conditions, most commodity prices remained weak, particularly for such important CDC products as copper, sulphur and ethylene.

In this environment, CDC's consolidated loss for 1983 before payment of preferred dividends was reduced to $45.0 million, an improvement from the 1982 loss of $125.8 million. After payment of preferred dividends, the 1983 loss amounted to $2.41 per common share, compared with a loss of $4.52 per common share for 1982. The 1983 results include unrealized foreign exchange losses of $13.4 million, compared with $1.1 million in 1982. Revenue for 1983 declined 3% to $3.8 billion as a result of lower volumes at Canterra and CDC Data Systems, as well as the sale of wholly owned Dumex Ltd. by CDC Life Sciences.

Contribution Summary (millions)	**Revenue**		**Net Income (Loss)**	
	1983	1982	**1983**	1982
Canterra Energy	**$ 507.1**	$ 538.7	**$ 19.7**	$ (14.4)
Kidd Creek Mines	**476.9**	324.3	**(1.2)**	(37.3)
Polysar Petrochemicals	**2,112.3**	2,249.8	**2.1**	(38.6)
CDC Data Systems	**627.8**	649.8	**(57.4)**	(10.3)
CDC Life Sciences	**82.6**	152.8	**17.0**	3.9
Sentrol Systems	**24.9**	30.2	**(3.2)**	(5.8)
CDC Ventures			**20.1**	
Corporate	**3.1**	7.7	**(42.1)***	(23.3)*
Totals	**$3,834.7**	$3,953.3	**$(45.0)**	$(125.8)

*Results for CDC Corporate include a net writeoff of $6.0 million relating to the Corporation's 40.8% investment in Fishery Products Ltd., which was sold during 1983, and compares with a negative contribution of $7.1 million in 1982.

By the 1983 fourth quarter, all major investments recorded profitable operations except CDC Data Systems. During the fourth quarter, CDC's resource companies experienced improved markets and prices for their major products, particularly for sulphur, zinc and rubber, although at levels well below previous highs. Included in the fourth quarter was a profit of $7.3 million from Canterra's reinsurance subsidiary.

Quarterly Revenues (millions)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Canterra Energy	$148.0	$140.9	$ 82.7	$135.5
Kidd Creek Mines	122.1	118.5	117.6	118.7
Polysar Petrochemicals	512.9	555.8	518.3	525.3
CDC Data Systems	162.8	155.1	155.2	154.7
CDC Life Sciences	15.9	19.4	26.6	20.7
Sentrol Systems	5.2	5.7	5.3	8.7
CDC Ventures				
Corporate	1.0		1.0	1.1
Totals	$967.9	$995.4	$906.7	$964.7

Quarterly Contributions (millions)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Canterra Energy	$ (2.6)	$ (3.7)	$ (9.6)	$ 35.6
Kidd Creek Mines	(3.6)	0.9	(2.1)	3.6
Polysar Petrochemicals	(10.5)		1.3	11.3
CDC Data Systems	(3.9)	(16.8)	(14.3)	(22.4)
CDC Life Sciences	(0.6)	0.6	8.3	8.7
Sentrol Systems	(0.8)	(0.9)	(1.1)	(0.4)
CDC Ventures	0.5	12.8	0.3	6.5
Corporate	(12.3)	(4.9)	(10.9)	(14.0)
Totals	$(33.8)	$(12.0)	$(28.1)	$ 28.9

For all of 1983, Canterra's crude oil production was at capacity, but weak markets and prices for natural gas and sulphur brought about declines in respective sales volumes from 1982. Approximately two thirds of Canterra's natural gas reserves were shut in, while sulphur sales volumes of 1.2 million tonnes were well below the 1981 and 1982 levels of 1.8 million tonnes and 1.5 million tonnes respectively.

While zinc prices and volumes showed a steady recovery during most of 1983, copper prices remained at depressed levels, reflecting prevailing oversupply conditions in world markets. Kidd Creek sold forward silver during the early part of the year, thereby receiving higher average prices for the period than it would have selling all its output into the spot market. Kidd Creek's results for 1983 included additional depreciation expense of $17.7 million for the copper smelter which had its first full year of commercial operation.

In petrochemicals, volumes for all products, including commodities, started to strengthen considerably during the third quarter; prior to that inventories were capable of satisfying demand. However, results in petrochemicals were negatively affected by unsatisfactory margins at Petrosar that result from high feedstock costs as well as depressed prices for ethylene, its primary product.

CDC Data Systems had a loss of $57.4 million during 1983 which was largely accounted for by AES Data and Savin Corporation. While sales increased significantly in Canada and Europe, lower volumes in the key U.S. market brought about a 30% reduction in AES' revenues during 1983. A number of new products were introduced by Savin during 1983; combined with strong management actions to reduce costs, Savin is now in a better position to improve its competitive position and margins for its core copier business. Other companies in the Data Systems group showed good results: Wordplex recorded its first annual profit since 1980 while Delphax entered its first full year of commercial operation, although volumes were well below the breakeven level.

Results in Life Sciences for 1983 reflected strong performances at Connaught and Bio Research, both of which had record revenues, and a $5.3 million gain from the sale of Dumex. The contribution to CDC by CDC Ventures came principally from the sale of investments held by CanWest Capital Corporation and Innocan Inc. Sentrol reduced its overheads–thereby cutting its loss–although the market for its products remained depressed during the past year.

Cash Flow

Results for 1983 showed a strong improvement in the amount of cash generated from operations. Cash flow before all financing charges increased 17% in 1983, rising to $755.2 million from $642.9 million during 1982. Free cash flow available for capital expenditures and debt repayment totalled $161.3 million, compared with a deficit of $158.3 million a year ago. CDC's quarterly cash flows continued to improve as 1983 progressed, reflecting better business conditions as the economic recovery took hold.

Consolidated interest payments were down 27% to $512.0 million as a result of lower rates and modestly reduced debt levels. The average interest rate on CDC's syndicated loan–representing about 52% of total debt–was 10.3% during 1983, compared with 15.6% during 1982.

Cash Flow (millions)	**Cash flow before financing charges**		**Free cash flow**	
	1983	1982	**1983**	1982
Canterra Energy	**$375.7**	$361.0	**$137.3**	$ (2.7)
Kidd Creek Mines	**223.7**	53.3	**135.4**	(79.0)
Polysar Petrochemicals	**168.2**	132.7	**11.5**	(57.5)
CDC Data Systems	**(42.2)**	59.2	**(80.4)**	23.0
CDC Life Sciences	**28.2**	16.9	**25.0**	10.9
Sentrol Systems	**(1.7)**	(6.8)	**(2.7)**	(8.3)
CDC Ventures	**2.2**		**2.2**	
Corporate	**1.1**	26.6	**(67.0)**	(44.7)
Totals	**$755.2**	$642.9	**$161.3**	$(158.3)

The most significant turnaround in cash flow came from CDC's resource investments which improved their free cash flow by $423.4 million over 1982 levels. Included in free cash flow are income tax recoveries of $83.2 million during 1983, including $74.0 million by Kidd Creek.

Cash flow trends during 1983 (millions)	**Cash flow before financing changes**	**Free cash flow**
First Quarter	$156.4	$ 3.3
Second Quarter	162.9	14.7
Third Quarter	225.0	66.9
Fourth Quarter	210.9	76.4

Capital Spending

During 1983, CDC companies spent an aggregate $311.5 million (excluding capitalized charges of $130.9 million) on additions to property, plant and equipment, as well as in exploring for new oil and gas resources. Spending during 1983 was down 35% from the 1982 level of $479.3 million (excluding capitalized expenses of $241.6 million). In addition, CDC companies invested another $76.2 million in research and development during 1983.

Investment Spending (millions)	**Net Capital Expenditures**		**Capitalized Expenses**		**Research and Development**	
	1983	1982	**1983**	1982	**1983**	1982
Canterra Energy	**$172.9**	$199.2	**$ 89.6**	$132.3		
Kidd Creek Mines	**17.7**	51.2		55.2		
Polysar Petrochemicals	**94.2**	195.3	**41.3**	53.9	**$23.3**	$27.1
CDC Data Systems	**21.6**	27.7		0.2	**35.4**	35.4
CDC Life Sciences	**5.0**	5.1			**16.5**	14.9
Sentrol Systems	**0.1**	0.6			**1.0**	2.2
CDC		0.2				
Totals	**$311.5**	$479.3	**$130.9**	$241.6	**$76.2**	$79.6

About 57% of consolidated capital spending (including amounts capitalized) was undertaken by Canterra during 1983 compared with 46% during 1982. About 83% of Canterra's 1983 capital expenditures of $326.3 ($172.9 million after receipt of Petroleum Incentive Payments and disposals) went to its exploration program in Western Canada and the frontier, while another 17% went to additions to its production facilities. Polysar completed its new butyl rubber plant in Sarnia late in the year, while Petrosar's vacuum tower at its Corunna facilities began operations in August. Capital spending at Kidd Creek was to maintain plant equipment during 1983 while 82% of spending in Data Systems was for additions to Savin's copier rental pool.

At year end, the Corporation had about $1.3 billion of assets which were not in production. This amount includes Canterra's frontier land holdings at $664.3 million, its western Canada land bank at $210.8 million and Polysar's butyl plant at $325.0 million.

For 1984, capital expenditures are expected to show another significant reduction. Canterra's investment program is expected to account for about one half of CDC's consolidated spending. No major capital projects are planned by any other CDC company during 1984, although a small provision has been made for the start of Petrosar's plant modification program. CDC plans to finance its capital spending in future periods from internally generated cash flow and from disposals of non-strategic assets.

Taxes

CDC incurred a pre-tax loss of $5.6 million for the year, on which income tax expense of $39.4 million was charged. There are a number of factors that cause such a high tax rate, the most important being the inability to deduct for tax purposes certain charges and expenses that are deducted in calculating income or loss for financial reporting purposes. Resource royalties, taxes related to production of oil and gas, and the amortization of purchase price discrepancy on acquisitions are not deductible. The non-deductibility of interest expense in computing income subject to mining tax also has a significant impact on tax expense and, consequently, on the tax rate.

Aside from the disparity between the rules for computing income for financial reporting and taxation purposes, in certain cases accounting conventions do not permit the recognition of tax benefits of losses, thus further distorting the tax rate on reported income.

The table below summarizes the before and after tax results of the major investments of the Corporation. While the total tax charge shown is $39.4 million, this has for the most part been deferred by accelerated deductions permitted under the Income Tax Act.

Taxes (millions)	**Income before tax**	**Taxes**	**Income after Tax**
Canterra Energy	$102.3	$82.6	$ 19.7
Kidd Creek Mines	18.9	20.1	(1.2)
Polysar	19.6	(7.4)	27.0
Petrosar	(28.9)	(4.0)	(24.9)
Resource companies	111.9	91.3	20.6
CDC Data Systems	(89.7)	(32.3)	(57.4)
Other	(27.8)	(19.6)	(8.2)
Non resource companies	(117.5)	(51.9)	(65.6)
Totals	$ (5.6)	$39.4	$(45.0)

Consolidated Capital Position

During 1983, CDC carried out two equity related financings. During April, the Corporation raised $125.0 million before expenses by issuing five million non-voting Senior preferred shares. Each share has a face value of $25 and entitles the holder to an annual dividend equal to the greater of $2.35 (Canadian) per share and the Canadian dollar equivalent of $1.92 (U.S.) per share. Holders of each share have the right to receive their dividends in either Canadian or U.S. currency. In addition, the Corporation raised almost $75 million through an issue of subordinated debentures maturing in 1994 which will allow holders to purchase various quantities of silver at specified prices, that were 25 to 33% higher than the prevailing market rates at the time pricing was completed. These debentures carry an annual interest rate of 7.5% until 1987, and 11% until maturity. A proposed common share financing late in 1983 was withdrawn because of unfavorable market conditions, but the Corporation received $43.0 million in early 1984 from the sale of research and development tax credits.

These two issues, combined with a reduction in working capital requirements, allowed the Corporation to reduce its unsubordinated indebtedness during 1983. By the end of 1983, CDC had long-term debt (excluding amounts maturing within one year) of $4.4 billion. Approximately $2.6 billion or 58% of the long-term debt is represented by a syndicated loan which financed the purchase of Canterra and Kidd Creek during 1981. Short-term debt of $314.9 million was down $119.6 million from 1982. At the 1983 year end, the Corporation had 82% of its debt at floating rates.

Consolidated Capitalization (millions)	**1983**	1984
Long-term debt	**$4,448.9**	$4,540.9
Minority interest		
Preferred shares	**591.1**	607.8
Common shares	**34.7**	74.1
Deferred income taxes	**329.5**	174.6
Shareholders' equity		
Preferred shares	**557.6**	432.6
Common shares	**341.2**	338.9
Retained earnings	**252.9**	340.4
Total capital employed	**$6,555.9**	$6,509.3

CDC has a modest schedule of debt maturities until 1987. At year end, the Corporation had cash or unused bank lines totalling about $500.0 million, which are sufficient to handle anticipated financial requirements for 1984. In addition to these maturities, $120.0 million of Petrosar's Class A preferred shares are redeemable on December 31, 1984. Unless this redemption is deferred by holders, Polysar may be required to fund up to 48% or $57.7 million of these maturities. As well an income debenture of $74.7 million was redeemed by CDC in early 1984.

Long-term debt maturities (millions)	1984	1985	1986	1987	1988
Canterra Energy	$ 1.3	$ 36.3	$ 57.7	$ 46.1	$ 21.5
Kidd Creek Mines	2.4	2.9	15.0		
Polysar Petrochemicals	21.8	48.6	147.4	101.4	132.2
CDC Data Systems	11.9	14.7	13.1	11.5	7.6
CDC Life Sciences	0.7	2.7	0.5	0.6	0.2
Sentrol Systems	0.2				
Corporate	74.7	154.0		510.4	510.4
Totals	$113.0	$259.2	$233.7	$670.0	$671.9

Employees

At December 31, 1983, CDC's major operating companies (excluding smaller entities in the life sciences and venture capital areas) employed 18,605 people, down from the 1982 and 1981 totals of 20,722 and 22,829 people. Reductions at all companies reflected closing of facilities, hiring freezes and productivity improvements.

Employees	**1983**	1982	1981
Canterra Energy	**1,362**	1,500	1,622
Kidd Creek Mines	**2,892**	3,190	3,243
Polysar Petrochemicals	**6,633**	7,331	8,077
AES Data	**1,700**	2,063	2,389
Savin Corporation	**4,774**	5,300	6,000
Connaught Laboratories	**901**	884	993
Sentrol Systems	**343**	454	505
Totals	**18,605**	20,722	22,829

Sensitivities

CDC's financial results are sensitive to a number of economic and business factors. Because of the large amount of floating-rate debt, changes in interest rates can have substantial effect on net income and free cash flow. A fluctuation in the average interest rate of 1% on CDC's debt changes pre-tax cash flow by $43.0 million. Changes in prices and volumes of commodities sold by CDC's resource companies could also have a substantial impact on performance.

Sensitivities (millions)	**Change**	**Impact on pre-tax cash flow**
Interest rates	1%	$43.0
Prices–copper	10¢/lb	18.0
–zinc	5¢/lb	11.8
–silver	$1/oz	6.7
–petrochemicals	1%	15.5
–sulphur	10%	7.5
–oil	1%	2.2
–gas	5%	6.9

Financial position at December 31, 1983

CDC ended 1983 with a strong and growing cash flow from operations, a significantly reduced cost base and surplus production capacity in its major resource holdings. The Corporation expects to benefit from the continuing recovery, showing profitable operations for 1984. No significant new investments are planned during 1984 as emphasis is placed on reducing the financial leverage, further reducing costs and improving the productivity of existing assets.

Summary of Significant Accounting Policies

This summary of the significant accounting policies of Canada Development Corporation is presented to assist the reader of the financial statements. These accounting policies are in conformity with accounting principles generally accepted in Canada which are also in conformity with the historical cost accounting standards of the International Accounting Standards Committee.

Principles of Consolidation

The consolidated financial statements incorporate the financial position, operating results and changes in financial position of the Corporation and its subsidiary companies.

Foreign Currency Translation

Non-Canadian current assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. All other assets and liabilities are translated at the rates prevailing when the assets were acquired or the liabilities incurred. Revenue and expenses, except depreciation, depletion and amortization, are translated at rates in effect during the year. Gains or losses resulting from such translation practices are reflected in the consolidated statement of operations.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Long-Term Investments

The Corporation accounts for investments in companies over which it has significant influence on an equity basis. Other long-term investments are accounted for by the cost method.

Property, Plant and Equipment

(a) **Cost**

Property, plant and equipment are recorded at cost. Fixed asset additions include related interest costs incurred during major plant construction.

The Corporation follows the full cost method of accounting for oil, gas, and sulphur operations, whereby all costs of acquiring properties, exploring for and developing oil, gas and sulphur and related reserves are capitalized and accumulated in country-by-country cost centres. Such costs include land acquisition, drilling both productive and non-productive wells, overhead expenses and financing costs.

Expenditures on mining exploration projects are expensed pending determination of commercially recoverable reserves. Upon such determination, further expenses will be capitalized.

(b) **Depreciation, Depletion and Amortization**

Depreciation of plant and equipment is based on the estimated useful life of the assets from commencement of commercial production and is calculated on the straight-line, diminishing balance or unit-of-production basis as considered most appropriate.

For oil, gas and sulphur operations, depletion of cost centres with producing oil and gas properties is provided by the unit-of-production basis based on the estimated proven recoverable reserves of each cost centre as determined by the Corporation. Costs of acquiring undeveloped properties in producing cost centres are included in the depletion calculation over their anticipated period of development. Costs of acquiring and evaluating the Canadian Frontier properties are excluded from capitalized costs to be depleted. These costs will be depleted upon the commencement of production or will be written off if it is determined that exploration efforts have not been successful.

For mining properties, depletion is provided on the unit-of-production basis based on the proven recoverable and probable reserves as determined by the Corporation.

Pre-Production Expenditures

Pre-production expenditures incurred in connection with major new production facilities are deferred and amortized from commencement of production on the straight-line basis over a period generally not exceeding ten years.

Goodwill

Goodwill arising on acquisitions is being amortized over the expected period of benefit, not to exceed forty years. If it becomes apparent that the expected value will not be realized it will be appropriately written down.

Consolidated Balance Sheet

	December 31 1983	1982
ASSETS	(millions)	
Current Assets		
Accounts receivable	**$ 739.0**	$ 780.7
Inventories (note 1)	**798.0**	866.5
Other current assets	**20.1**	29.0
	1,557.1	1,676.2
Long-Term Investments (note 2)	**172.5**	220.1
Property, Plant and Equipment (note 3)	**5,551.5**	5,359.7
Other Assets (note 4)	**277.5**	269.9
	$7,558.6	$7,525.9
LIABILITIES		
Current Liabilities		
Short-term loans	**$ 314.9**	$ 434.5
Accounts payable and accrued liabilities	**567.3**	555.3
Dividends payable	**7.5**	6.5
Long-term debt due within one year	**113.0**	20.3
	1,002.7	1,016.6
Long-Term Debt (note 5)	**4,448.9**	4,540.9
Deferred Income Taxes	**329.5**	174.6
Interests of Minority Shareholders (note 6)	**625.8**	681.9
	6,406.9	6,414.0
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)	**898.8**	771.5
Retained Earnings	**252.9**	340.4
	1,151.7	1,111.9
	$7,558.6	$7,525.9

Approved on behalf of the Board

M. J. Moreau
Director

Director

Consolidated Statement of Operations

	Year ended December 31 1983	1982
	(millions)	
Revenue	**$3,834.7**	$3,953.3
Expenses		
Cost of sales	**2,960.7**	3,033.7
Selling, administration and research	**534.4**	573.1
Interest on long-term debt	**333.2**	390.8
Other interest	**51.5**	82.7
	3,879.8	4,080.3
	(45.1)	(127.0)
Equity in earnings of other companies	**26.6**	7.9
Loss before the undernoted	**(18.5)**	(119.1)
Translation losses	**13.4**	1.1
Income taxes (recovery)	**39.4**	(37.6)
Minority interest	**(26.3)**	43.2
	26.5	6.7
Loss	**$ (45.0)**	$ (125.8)
Loss per common share after dividends on preferred shares	**$ (2.41)**	$ (4.52)

Consolidated Statement of Retained Earnings

	Year ended December 31 1983	1982
	(millions)	
Retained Earnings at Beginning of Year	**$ 340.4**	$ 500.7
Loss	**(45.0)**	(125.8)
	295.4	374.9
Dividends on preferred shares	**40.8**	33.3
Amortization of costs of preferred share issues	**1.7**	1.2
	42.5	34.5
Retained Earnings at End of Year	**$ 252.9**	$ 340.4

Consolidated Statement of Changes in Financial Position

	Year ended December 31 1983	1982
	(millions)	
Working Capital Derived from Operations		
Loss	**$ (45.0)**	$ (125.8)
Items not involving working capital		
Depreciation and depletion	**273.6**	264.2
Amortization	**32.2**	30.7
Increase in equity in other companies	**(18.7)**	(6.5)
Deferred income taxes (recovery)	**154.7**	(36.4)
Minority interest	**(26.3)**	43.2
Cash flow from operations	**370.5**	169.4
Issues of long-term debt	**213.6**	660.3
Issues of capital stock	**127.4**	2.1
Proceeds on sale of investments	**88.4**	
Working capital of subsidiary acquired net of investment of $93.0		111.1
	799.9	942.9
Working Capital Applied to		
Additions to property, plant and equipment	**465.9**	720.9
Investment in other companies	**21.9**	14.0
Reductions of long-term debt	**305.6**	167.0
Additions to other assets	**41.1**	55.2
Net (increase) decrease in investment by minority shareholders	**(7.7)**	24.3
Dividends on preferred shares	**40.8**	33.3
Dividends to minority shareholders	**37.5**	52.8
	905.1	1,067.5
Decrease in Working Capital	**(105.2)**	(124.6)
Working Capital at Beginning of Year	**659.6**	784.2
Working Capital at End of Year	**$ 554.4**	$ 659.6

Notes to Consolidated Financial Statements

1. Inventories

	1983	1982
	(millions)	
Finished goods	**$ 277.5**	$ 419.0
Raw materials and work in progress	**388.3**	312.6
Operating and maintenance supplies	**132.2**	134.9
	$ 798.0	$ 866.5

2. Long-Term Investments

	1983	1982
	(millions)	
Oil and gas	**$ 41.5**	$ 33.2
Petrochemicals	**42.4**	39.1
Office information products	**18.3**	52.0
Life sciences	**8.4**	32.4
Fisheries	**12.8**	24.6
Venture and expansion capital	**49.1**	38.8
	$ 172.5	$ 220.1

3. Property, Plant and Equipment

	1983			1982
	(millions)			
	Cost	**Accumulated depreciation and depletion**	**Net**	Net
Resource				
Oil and gas	**$3,128.1**	**$ 336.8**	**$2,791.3**	$2,657.6
Petrochemicals	**1,931.1**	**509.2**	**1,421.9**	1,343.5
Mining	**1,261.3**	**93.2**	**1,168.1**	1,171.6
	6,320.5	**939.2**	**5,381.3**	5,172.7
Non-resource	**324.4**	**154.2**	**170.2**	187.0
	$6,644.9	**$1,093.4**	**$5,551.5**	$5,359.7

Included in these assets are the Canadian Frontier properties which approximate $665.0 million (1982, $565.0 million), the Kidd Creek copper smelter costing approximately $445.0 million which commenced commercial production in November 1982 and petrochemical assets which were brought into operations in early 1984 of approximately $375.0 million (1982, $465.0 million).

Included in additions to property, plant and equipment is $130.9 million (1982, $241.6 million) of capitalized overhead and financing costs.

4. Other Assets

	1983	1982
	(millions)	
Pre-production and deferred expenses	**$ 165.0**	$ 142.7
Goodwill	**57.0**	59.1
Cost of long-term financings	**25.8**	22.2
Long-term receivables	**29.7**	45.9
	$ 277.5	$ 269.9

During the next five fiscal years, pre-production and deferred expenses and goodwill are expected to be amortized to income at the rate of $47.1 million annually.

5. Long-Term Debt

	1983	1982
	(millions)	
Canada Development Corporation		
Floating rate syndicated loan, secured, repayable in equal instalments 1987 through 1991 (United States dollars)	**$2,552.1**	$2,552.1
Income debentures, due 1984 (United States dollars)	**74.7**	61.3
4.375% Notes, due 1985 (Swiss francs)	**154.0**	154.0
Convertible subordinated debentures, due 1990	**2.1**	2.2
8% Notes, due 1992	**8.3**	5.2
Subordinated debentures, due 1993 (United States dollars)	**74.8**	
	2,866.0	2,774.8
CDC Data Systems Limited		
11.75% Mortgage, due 2004	**1.3**	1.4
Floating rate bank loans, due 1985 and 1989	**26.5**	11.0
Other	**0.3**	0.7
In United States dollars		
11.38% Subordinated debentures, due 1998	**72.1**	72.1
14% Subordinated debentures, due 2000	**45.4**	45.0
9.6% average rate, Industrial Development Bonds, repayable through 2001	**22.0**	22.2
4% to 13.3% Mortgages, repayable through 1999	**5.5**	7.2
16.7% average rate, capitalized lease obligations, expiry through 1987	**6.0**	8.5
Royalties payable	**11.9**	11.9
Customer prepayments	**2.4**	8.3
Long term payables	**23.6**	15.5
Other	**11.7**	13.2
	228.7	217.0
CDC Life Sciences Inc.		
8% Mortgages, repayable through 1997 (United States dollars)	**3.8**	4.1
9.25% Mortgage, repayable through 1985 (United States dollars)	**2.4**	2.6
Other	**2.4**	2.7
	8.6	9.4
Canterra Energy Ltd.		
Floating rate bank loans, due 1987 to 1991 (United States dollars)	**189.5**	158.6
Floating rate bank loans, due 1990 to 1992	**23.7**	67.0
11.25% Notes, due 1985 (United States dollars)	**36.0**	36.0
10.25% Mortgage, due 1995	**13.6**	13.8
Floating rate multi-currency revolving line of credit, due 1986 to 1992	**148.7**	144.6
5.75% Notes, due 1986 (Swiss francs)	**36.1**	36.1
Customer prepayments	**39.3**	37.3
Other	**2.0**	3.8
	488.9	497.2
Kidd Creek Mines Ltd.		
Floating rate bank loans, due 1987 to 1993 (United States dollars)	**167.4**	353.8
10% Debentures, due 1986	**17.0**	17.0
Other	**3.3**	5.0
	187.7	375.8
Petrosar Limited		
Floating rate bank loans, due 1985 to 1989	**100.0**	100.0
Polysar Limited		
Floating rate term loan, due 1992	**50.0**	50.0
Floating rate term loan, due 1986 through 1995	**20.0**	20.0
7.5% Sinking fund debentures, due 1987	**6.3**	6.4
9% Sinking fund debentures, due 1993	**27.4**	28.3
In United States dollars		
9.5% Debentures, due 1986	**50.6**	50.6
Floating rate term loans, repayable 1984 through 1988	**96.2**	100.0
6.95% average rate, Notes and mortgages, repayable through 2003	**10.1**	10.9
Capitalized lease obligations, expiring through 1985	**3.0**	4.1
In other currencies		
Floating rate term loan, repayable 1984 through 1993 (French francs)	**24.9**	20.9
Floating rate multi-currency term loan, due 1986 through 1992	**371.5**	276.5
13.5% Loan, due 1987 through 1991 (Dutch guilders)	**14.2**	14.2
Other	**7.8**	5.1
	682.0	587.0
	4,561.9	4,561.2
Less principal due within one year	**113.0**	20.3
	$4,448.9	$4,540.9

5. Long-Term Debt (cont'd)

(i) The floating rate syndicated loan of $2,552.1 million bears interest at a rate of one-half of one percent over the London Interbank Offered Rate (LIBOR) until July 30, 1986 and five-eighths of one percent over LIBOR thereafter. It is secured by shares and notes of the Corporation's oil and gas subsidiary.
The agreement relating to this loan requires the Corporation to maintain certain financial measurements which at December 31, 1983, have been adhered to by the Corporation.

(ii) In March 1983 the Corporation arranged a private placement of U.S. $60.8 million principal amount of Subordinated Debentures. These debentures bear interest at the rate of 7½% until March 31, 1989 and thereafter to maturity at the rate of 11%. Each U.S. $100,000 principal amount of debentures carries the right to acquire silver during the period to March 31, 1987 at the rate of 7,188 troy ounces of silver; during the period to March 31, 1988 at the rate of 7,019 troy ounces of silver, and during the period to March 31, 1989 at the rate of 6,755 troy ounces of silver, in each case for U.S. $100,000. The right to acquire silver expires after March 31, 1989. The debentures are retractable at the option of the holder at the time and to the extent the right to acquire silver is exercised.

(iii) Long-term debt payable in foreign currency, if converted into Canadian dollars on the basis of exchange rates prevailing at December 31, 1983, would increase by approximately $85.1 million.

(iv) The total sinking fund requirements and long-term debt due in each of the next five fiscal years are as follows:
1984 $113.0 million; 1985 $259.2 million; 1986 $233.7 million; 1987 $670.0 million; 1988 $671.9 million.

6. Interests Of Minority Shareholders

	1983	1982
	(millions)	
Preferred equity		
Petrosar		
Class A	**$ 300.0**	$ 300.0
Class B	**118.1**	65.0
Class C	**2.0**	69.6
Polysar		
First Preferred	**44.2**	44.2
Polysar Holdings (a subsidiary)	**85.0**	85.0
CDC Life Sciences		
Class A	**5.0**	5.0
Connaught Laboratories (a subsidiary)	**21.8**	24.0
CDC Data Systems		
Savin Corporation (a subsidiary)	**15.0**	15.0
	591.1	607.8
Common equity	**34.7**	74.1
	$ 625.8	$ 681.9

(i) Petrosar's Class A redeemable preference shares bear a cumulative dividend at an annual rate of 1.35% plus 52% of the average of certain Canadian banks prime rates. Of these shares, $60 million are redeemable per annum through 1987. The holders of these shares have agreed to a deferral to December 31, 1984 of the $60 million redemption previously due on December 31, 1983.
Petrosar's 2,800,000 Class B preference shares of which Polysar holds 1,344,000, are redeemable at their par value of $1 each only after dividends have been paid aggregating $100 per share plus 60 cents for each month that the shares have been outstanding.
The Class B shares are issued pursuant to an agreement whereby certain shareholders, including Polysar, have agreed to provide Petrosar with sufficient funds to enable it to pay the dividend on the Class A preference shares if Petrosar is unable to pay such dividends and to purchase these shares if not redeemed as scheduled. Polysar's portion of such obligation is 48%. During 1983, Petrosar issued $25 million Class B shares, $12 million of these to Polysar.
Petrosar's Class C shares are redeemable at their par value of $100 per share. Dividends on these shares have been waived until June 1, 1984. In 1983 $130 million Class C shares of Petrosar were converted into Class B shares of Petrosar. $62.4 million of these Class C shares were owned by Polysar.

(ii) Polysar's $44.2 million First Preferred Shares bear a cumulative dividend of 15.5%. During each month beginning April 1982, Polysar is obligated to purchase for cancellation 10,000 First Preferred Shares if and to the extent that they are available for purchase at prices not exceeding $25 per share. Polysar is further obligated to repurchase the First Preferred Shares July 1, 1987. First Preferred Shares are not redeemable prior to July 1, 1985, but thereafter, will be redeemable at the option of Polysar at a redemption price of $27 per share reducing thereafter to $25 per share.
There are no voting rights attached to preferred shares unless dividends are eight quarters in arrears.
Polysar Holdings' $85 million redeemable preferred shares bear a cumulative dividend of 1.25% plus one-half the prime rate of a Canadian bank. Redemptions are required to be made in equal annual amounts from 1986 through 1988 inclusive.

(iii) CDC Life Sciences' $5 million Class A preferred shares bear a dividend of 2%, plus one-half the prime rate of a Canadian bank. The shares are redeemable at the option of CDC Life Sciences at $25 per share until September 30, 1991.
Connaught Laboratories' $21.8 million redeemable preferred shares bear a cumulative dividend of 1% plus one-half the prime rate of a Canadian bank. These shares are redeemable in equal annual amounts of $3 million through 1986, with the balance redeemable in 1987.

(iv) Savin Corporation's 673,750 $1.50 U.S. Series A cumulative preferred shares are convertible into one share of Savin's common stock and are entitled to $20 U.S. per share upon voluntary or involuntary liquidation. The shares are redeemable after June 1, 1986, at the option of Savin, at $20 U.S. per share.

7. Capital Stock

(i) Authorized

Preferred

$1,000,000,000 divided into shares with a par value in any multiple of $5 not exceeding $1,000 each.

Common

200,000,000 shares without par value

		1983	1982
		(millions)	
(ii) Issued			
Preferred			
5,000,000 cumulative, redeemable, retractable senior preferred shares, 1983 issue of the par value of $25 each		$ 125.0	
1,325,759 8% cumulative, redeemable, convertible, voting Class B preferred shares of $100 each		132.6	$ 132.6
15,000,000 7.60% cumulative, redeemable, convertible, voting 1980 preferred shares of $20 each		300.0	300.0
Common			
35,688,366 shares (1982, 35,382,010 shares)		341.2	338.9
		$ 898.8	$ 771.5

The 1983 senior preferred shares carry the right to receive preferred cumulative dividends at an annual rate equal to the greater of Cdn. $2.35 per share and the Canadian dollar equivalent of U.S. $1.92 per share based on the prevailing rate of exchange for the United States and Canadian dollar on the record date for the payment of each dividend or if no such record date is set, on the date such dividend should have been paid in accordance with the share condition. Dividends on these shares are payable in Canadian currency or, at the request of their holders, in U.S. currency. These shares are redeemable at the option of the holder on June 1, 1990 at par plus accrued and unpaid dividends. These shares are not redeemable by CDC until after June 1, 1990. The holders of the 1983 senior preferred shares are not entitled to notice of or to attend or vote at meetings of shareholders. Each 1983 senior preferred share carries one currency purchase warrant which entitles the holder to purchase on June 1, 1990 the sum of U.S. $20.39 on payment of the sum of Cdn. $25.00.

The Class B preferred shares are redeemable at par at the option of the holder from October 2, 1985 through October 1, 1986. They have been redeemable at the option of the Corporation since October 2, 1980 at $105 per share, reducing by $1 per year until October 2, 1985 when they become redeemable at $100 per share. Each Class B preferred share may be converted at any time at the option of the holder into ten common shares.

The 1980 preferred shares are redeemable from October 15, 1983 to October 14, 1985, at the option of the Corporation at $21.20 per share, if the common shares trade for a specified period at not less than 125% of the conversion price of $15.75. From October 15, 1985 they are redeemable at the option of the Corporation at $21.20 per share reducing by 20¢ per year until October 15, 1990 when they become redeemable at $20 per share. Each 1980 preferred share may be converted at any time at the option of the holder into 1.27 common shares.

At meetings of shareholders, holders of Class B preferred shares are entitled to ten votes per share and holders of the 1980 preferred and the common shares are entitled to one vote per share.

(iii) Issued and redeemed during the year

306,356 common shares were issued for an aggregate consideration of $2.4 million under the Shareholder Dividend Reinvestment, Stock Dividend and Share Purchase Plans.

The Corporation issued 5,000,000 cumulative, redeemable, retractable senior preferred shares, 1983 issue, in April of 1983 with a par value of $25 per share each carrying one currency purchase warrant for cash of $125 million.

(iv) Common shares reserved

At December 31, 1983, common shares were reserved for issuance as follows:

Conversion of Class B preferred shares	13,257,590
Conversion of 1980 preferred shares	19,050,000
Dividend Reinvestment, Stock Dividend and Share Purchase Plans	1,139,838
Convertible Subordinated Debentures	176,428
	33,623,856

8. Litigation

The Corporation and certain of its subsidiaries have been named as defendants in various legal proceedings. These proceedings are being contested and it is not possible at this time to predict their ultimate outcome. Accordingly, no provision for liability, if any, has been made in the financial statements.

9. Segmented information

(i) Industry segments

The Corporation operates in the following industry segments:

(millions)	Petrochemicals		Oil & Gas		Mining	
	1983	1982	**1983**	1982	**1983**	1982
Sale of products and services	**$2,063.0**	$2,168.2	**$ 468.4**	$ 509.0	**$ 476.8**	$ 322.1
Interest and other income						
Total revenue						
Segment operating profit (loss)	**$ 29.1**	$ (15.3)	**$ 197.0**	$ 217.8	**$ 107.2**	$ 15.8
Corporate expenses						
Interest expense						
Equity in earnings (losses) of other companies	**$ 3.5**	$ 5.5	**$ 12.1**	$ 8.2		
Interest and other income						
Translation losses						
Income taxes						
Minority interest						
Loss						
Identifiable assets	**$2,287.8**	$2,271.8	**$3,025.7**	$2,918.4	**$1,378.8**	$1,415.3
Corporate assets						
Total assets						
Capital expenditures	**$ 135.5**	$ 249.2	**$ 266.0**	$ 331.5	**$ 37.7**	$ 106.4
Depreciation, depletion and amortization	**$ 78.9**	$ 83.2	**$ 121.3**	$ 119.8	**$ 52.0**	$ 36.6

(ii) Geographic segments

The Corporation considers its three geographic segments to be Canada, the United States, and Europe and the rest of the world. Financial information with respect to these segments is as follows:

(millions)	Canada		United States		Europe and rest of world	
	1983	1982	**1983**	1982	**1983**	1982
Sale of products and services	**$1,761.8**	$2,110.9	**$1,236.0**	$ 970.7	**$727.8**	$723.6
Transfers between geographic segments	**330.4**	308.6	**30.3**	22.5	**24.6**	13.0
Interest and other income						
Total revenue	**$2,092.2**	$2,419.5	**$1,266.3**	$ 993.2	**$752.4**	$736.6
Segment operating profit	**$ 119.1**	$ 166.3	**$ 8.4**	$ 7.2	**$115.6**	$ 32.9
Corporate expenses						
Interest expense						
Equity in earnings of other companies						
Interest and other income						
Translation losses						
Income taxes						
Minority interest						
Loss						
Identifiable assets	**$6,104.1**	$6,048.5	**$ 937.3**	$1,027.4	**$310.0**	$378.1
Investments in other companies						
Corporate assets						
Total assets						

Transfers between geographic segments are accounted for at prices comparable to open market prices. Canadian operations include export sales of $682.8 million (1982, $711.0 million).

(iii) Research and Development

Research and development expenditures charged to income amounted to $76.2 million (1982, $79.6 million).

Office Information Products 1983	1982	Life Sciences 1983	1982	Industrial Automation 1983	1982	Fisheries 1983	1982	Venture Capital 1983	1982	Consolidated 1983	1982
$ 613.1	$636.2	**$79.4**	$139.5	**$24.9**	$30.2					**$3,725.6**	$3,805.2
										109.1	148.1
										$3,834.7	$3,953.3
$(101.3)	$ (7.1)	**$ 9.6**	$ 5.6	**$ (4.2)**	$ (9.6)			**$ 6.1**		**$ 243.5**	$ 207.2
										(13.0)	(8.8)
										(384.7)	(473.5)
$ 1.6		**$ 6.3**	$ 1.3			**$(10.7)**	$ (7.1)	**$13.8**		**26.6**	7.9
										109.1	148.1
										(13.4)	(1.1)
										(39.4)	37.6
										26.3	(43.2)
										$ (45.0)	$ (125.8)
$ 628.6	$689.5	**$94.1**	$108.6	**$36.5**	$38.7	**$ 12.8**	$24.6	**$49.1**	$38.8	**$7,513.4**	$7,505.7
										45.2	20.2
										$7,558.6	$7,525.9
$ 21.6	$ 27.9	**$ 5.0**	$ 5.1	**$ 0.1**	$ 0.6					**$ 465.9**	$ 720.7
$ 45.9	$ 45.2	**$ 3.4**	$ 5.5	**$ 2.3**	$ 2.6					**$ 303.8**	$ 292.9

Eliminations 1983	1982	Consolidated 1983	1982
		$3,725.6	$3,805.2
$(385.3)	$(344.1)		
		109.1	148.1
$(385.3)	$(344.1)	**$3,834.7**	$3,953.3
$ 0.4	$ 0.8	**$ 243.5**	$ 207.2
		(13.0)	(8.8)
		(384.7)	(473.5)
		26.6	7.9
		109.1	148.1
		(13.4)	(1.1)
		(39.4)	37.6
		26.3	(43.2)
		$ (45.0)	$ (125.8)
$ (10.5)	$(168.4)	**$7,340.9**	$7,285.6
		172.5	220.1
		7,513.4	7,505.7
		45.2	20.2
		$7,558.6	$7,525.9

THORNE RIDDELL
Chartered Accountants

Auditors' Report

To the Shareholders of

Canada Development Corporation

We have examined the consolidated balance sheet of Canada Development Corporation as at December 31, 1983 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 15, 1984

Thorne Riddell

Ten Year Financial Summary

Net income

		1983	1982	1981
Revenues	Sales of products and services	**$3,725.6**	$3,805.2	$3,034.7
	Other income	**109.1**	148.1	86.7
		3,834.7	3,953.3	3,121.4
Expenses	Cost of sales	**2,960.7**	3,033.7	2,437.9
	Selling, administration and research	**534.4**	573.1	329.2
	Interest on long-term debt	**333.2**	390.8	164.8
	Other interest	**51.5**	82.7	59.7
		3,879.8	4,080.3	2,991.6
		(45.1)	(127.0)	129.8
Equity in earnings of other companies		**26.6**	7.9	70.6
Income (loss) before income taxes and other items		**(18.5)**	(119.1)	200.4
Translation (gains) losses		**13.4**	1.1	15.3
Income taxes (recovery)		**39.4**	(37.6)	47.2
Minority interest in income of subsidiary companies		**(26.3)**	43.2	65.4
		26.5	6.7	127.9
		(45.0)	(125.8)	72.5
Unusual items				(12.6)
Net income (loss)		**$ (45.0)**	$ (125.8)	$ 85.1

Financial position

		1983	1982	1981
Assets	Working capital	**$ 554.4**	$ 659.6	$ 784.1
	Fixed assets (net)	**5,551.5**	5,359.7	4,839.9
	Long-term investments	**172.5**	220.1	154.6
	Other assets	**277.5**	269.9	209.2
		6,555.9	6,509.3	5,987.8
Liabilities	Long-term debt	**4,448.9**	4,540.9	3,862.0
	Deferred taxes	**329.5**	174.6	220.9
	Interests of minority shareholders	**625.8**	681.9	634.8
		5,404.2	5,397.4	4,717.7
Shareholders' Equity	Preferred equity	**557.6**	432.6	432.6
	Common equity	**594.1**	679.3	837.5
		$1,151.7	$1,111.9	$1,270.1

Changes in financial position

		1983	1982	1981
Derived from	Cash flow from operations	**$ 370.5**	$ 169.4	$ 318.7
	Other sources of funds	**429.4**	773.5	2,670.1
		799.9	942.9	2,988.8
Applied to	Investments	**21.9**	14.0	1,928.2
	Capital expenditures	**465.9**	720.9	565.3
	Dividends on preferred shares	**40.8**	33.3	34.8
	Dividends to minority shareholders	**37.5**	52.8	61.8
	Other uses of funds	**339.0**	246.5	231.4
	Changes in working capital	**(105.2)**	(124.6)	167.3
		$ 799.9	$ 942.9	$2,988.8

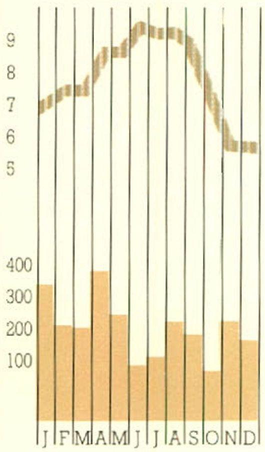
Statistics

		1983	1982	1981
Per common share	Earnings (loss)	**$(2.41)**	$(4.52)	$1.46
	Fully diluted earnings			$1.25
	Cash flow from operations	**$ 9.28**	$ 3.86	$8.24
	Fully diluted cash flow from operations	**$ 5.35**	$ 2.51	$4.72
Ratios	Return on common equity			6.2%
	Working capital ratio	**1.6:1**	1.6:1	1.7:1
	Debt/equity ratio	**3.9:1**	4.1:1	3.0:1
Other	Common shares outstanding at year-end	**35,688,366**	35,382,010	35,036,918

1980	1979	1978	1977	1976	1975	1974
$2,305.7	$1,965.9	$1,342.1	$ 741.2	$ 595.6	$ 469.6	$ 454.2
53.5	49.0	23.3	15.3	13.7	13.1	9.6
2,359.2	2,014.9	1,365.4	756.5	609.3	482.7	463.8
1,792.9	1,529.0	1,087.5	580.0	471.8	373.2	336.7
271.2	225.8	164.6	107.5	88.0	81.0	69.2
39.1	37.6	29.9	17.4	9.7	10.3	11.0
38.7	19.5	16.7	10.0	8.5	7.8	5.6
2,141.9	1,811.9	1,298.7	714.9	578.0	472.3	422.5
217.3	203.0	66.7	41.6	31.3	10.4	41.3
102.3	43.4	14.4	13.4	14.1	27.5	40.2
319.6	246.4	81.1	55.0	45.4	37.9	81.5
(9.1)	18.7	(10.4)	(6.8)	4.4	(.3)	1.5
81.8	63.7	22.1	19.2	12.1	8.4	8.4
57.8	40.6	26.1	6.0	4.6	3.2	.2
130.5	123.0	37.8	18.4	21.1	11.3	10.1
189.1	123.4	43.3	36.6	24.3	26.6	71.4
			7.8	(.4)	1.5	13.7
$ 189.1	$ 123.4	$ 43.3	$ 28.8	$ 24.7	$ 25.1	$ 57.7
$ 616.9	$ 430.7	$ 412.6	$ 69.4	$ 89.5	$ 157.1	$ 128.9
1,311.9	1,149.2	1,081.6	1,032.0	766.3	502.8	216.2
686.7	509.3	420.9	404.6	403.8	352.3	331.0
161.3	139.2	130.4	91.1	57.7	41.7	29.2
2,776.8	2,228.4	2,045.5	1,597.1	1,317.3	1,053.9	705.3
609.3	539.9	500.5	687.3	471.9	253.7	137.4
174.5	101.8	51.4	39.4	29.1	21.5	9.8
674.0	734.4	745.7	146.9	102.7	73.2	11.2
1,457.8	1,376.1	1,297.6	873.6	603.7	348.4	158.4
538.2	244.8	244.8	244.8	244.8	242.5	100.0
780.8	607.5	503.1	478.7	468.8	463.0	446.9
$1,319.0	$ 852.3	$ 747.9	$ 723.5	$ 713.6	$ 705.5	$ 546.9
$ 331.3	$ 267.4	$ 142.2	$ 94.3	$ 65.4	$ 38.7	$ 58.1
480.4	114.4	854.3	271.1	272.4	328.0	191.7
811.7	381.8	996.5	365.4	337.8	366.7	249.8
113.3	56.2	18.7	7.4	47.6	107.8	2.0
232.2	132.8	102.2	305.1	294.5	192.7	74.2
21.8	17.3	17.3	17.3	17.3	8.6	4.8
51.7	51.8	29.6	4.3	4.3	3.2	
206.5	105.6	485.5	51.3	41.7	25.7	16.3
186.2	18.1	343.2	(20.0)	(67.6)	28.7	152.5
$ 811.7	$ 381.8	$ 996.5	$ 365.4	$ 337.8	$ 366.7	$ 249.8
$5.13	$3.42	$0.84	$0.37	$0.24	$0.54	$1.84
$3.52	$2.45	$0.78				
$9.51	$8.05	$4.06	$2.50	$1.59	$0.99	$1.86
$6.25	$5.44	$2.84	$1.84	$1.24	$0.69	$1.45
24.1%	19.1%	5.3%	2.4%	1.6%	3.6%	12.9%
1.9:1	1.7:1	1.8:1	1.1:1	1.3:1	1.7:1	1.7:1
0.5:1	0.6:1	0.7:1	1.0:1	0.7:1	0.4:1	0.3:1
32,929,400	32,161,336	30,712,170	30,712,158	30,712,038	30,712,038	29,756,989

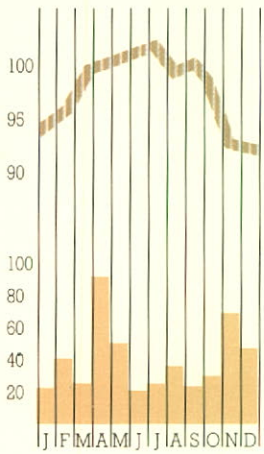
Investor Information

Common

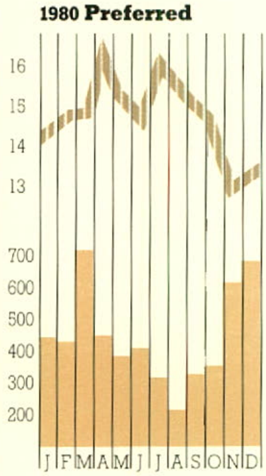


Closing Price
Monthly Trading Volume (thousands of shares)

Class B Preferred



1980 Preferred



CDC has four classes of shares, three of which entitle their holders to vote at shareholders meetings.

CDC Equity

At the end of 1983, there were 35,688,366 common shares outstanding which were registered in the name of 14,921 Canadian citizens or residents. The Government of Canada owns 30,711,990 common shares, representing 86.1% of those outstanding and carrying 48% of the votes at shareholder meetings. During 1983, 2,918,655 common shares were traded on stock exchanges, representing 58.7% of those available for trading. Share prices fluctuated from a high of $10 in August to a low of $4.75 during November.

The Corporation has outstanding 1,325,759 Class B preferred shares which were registered in the names of 10,528 Canadian citizens or residents at the end of 1983. Each Class B preferred share is convertible at any time at the holders option into 10 common shares and carries 10 votes at shareholders' meetings. A quarterly dividend of $2 is paid on the first of January, April, July and October. Class B preferred shares are redeemable at the option of their holders at the original issue price of $100 each from October 2, 1985 to October 1, 1986. During the past year, 525,532 Class B preferred shares were traded on the stock exchanges, representing 39.6% of those outstanding. The price of a Class B preferred share reached a high of $106.875 in July and a low of $92.75 in December.

At the end of 1983, a total of 19,908 Canadian citizens or residents held 15,000,000 of the 1980 preferred shares. Each 1980 preferred share carries one vote and is convertible at the option of the holder until October 15, 1990 into 1.27 common shares for each 1980 preferred share. Based on the issue price of $20, the effective conversion price is $15.75 per common share. Each 1980 preferred share pays a quarterly dividend of 38 cents on the first of February, May, August and November. During 1983, 5,970,403 of the 1980 preferred shares were traded, which was 39.8% of the shares outstanding. The high price for the year was $17.75, reached in May, while a low of $12.62 was recorded in November.

There are 5,887 registered holders of the 5,000,000 non-voting 1983 Senior preferred shares issued by the Corporation last year. Each of these shares carries a non-detachable warrant which entitles its holder to purchase on June 1, 1990 the sum of $20.39 (U.S.) on payment of $25 (Canadian). A quarterly cash dividend — payable on the first of March, June, September and December — is paid at a rate equal of the greater of Canadian 58.75 cents per share and the Canadian dollar equivalent of U.S. 48 cents per share based on the prevailing rate of exchange between the two currencies on the record date. The dividend is payable in Canadian currency or, if required by the holder, in United States dollars. During 1983, the 1983 shares traded at a high of $24.75 in August and a low of $20 in December. There were 945,409 shares traded, representing 18.9% of the total outstanding.

Listing and Transfer Agent

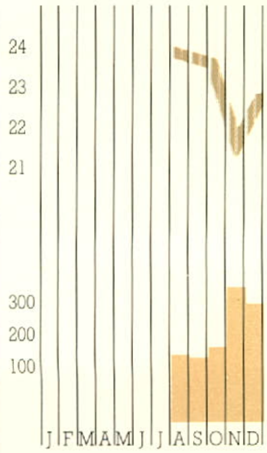
CDC common, Class B and 1980 preferred shares are listed on all Canadian stock exchanges. CDC's 1983 Senior preferred shares trade on the Toronto Stock Exchange. The transfer agent for all classes of shares is National Trust Company Limited at its principal offices in Vancouver, Calgary, Winnipeg, Toronto and Montreal, and its agent, The Royal Trust Company, at its principal office in Halifax. CDC maintains its own shareholder records and pays all dividends directly to shareholders. Changes of address and questions on dividends should be directed to CDC Shareholder Services Department.

Shareholder Investment Program

CDC has an investment program which offers its shareholders three convenient plans for purchasing additional common shares through reinvestment of dividends, stock dividends and cash contributions. The program has a number of advantages and, to help explain these and how to participate, a detailed offering circular is available from Shareholder Services Department, Canada Development Corporation, 444 Yonge St., Suite 200, Toronto, Ontario M5B 2H4 (Phone: 416-598-7300).

The shareholder investment programme continues to be well received by CDC shareholders. At year end, 6,573 shareholders were participating in at least one of the three plans, representing 18.3% of all registered holders. Under the programme, CDC issued 306,356 new common shares for a total consideration of $2.4 million. The average price paid by shareholders reinvesting their dividends was $7.41 per share while the average price purchased with cash contributions was $7.89.

1983 Senior Preferred



Other Information for Shareholders

CDC regularly provides its shareholders with information about its operations. The annual report is available in April, while quarterly reports are issued about six weeeks after the end of each quarter. Some CDC companies publish annual and quarterly reports. Additional news is often disseminated to shareholders through special mailings and press announcements. At least three weeks prior to CDC's annual meeting — usually held on the third or fourth Thursday in May — shareholders receive a notice of meeting, information circular and proxy card. We also carry out a regular communications program with stock market analysts and investment dealers in order to assist them in keeping our shareholders informed. In some cases, investment dealers or banks will hold shares in their name on behalf of their customers. When this happens, published material often is not received by shareholders. Copies of CDC publications can be obtained by writing to the Director, Public Affairs and Communications, 444 Yonge Street, Suite 200, Toronto, Ontario, M5B 2H4.

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Toronto, Ontario

William R. Teschke (ex-officio)
Deputy Minister, Department of Regional Industrial Expansion
Ottawa, Ontario

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(2) Finance Committee
(3) Audit Committee
(4) Communications Committee

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