

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12 (b) OR (g)
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-04192

MFC BANCORP LTD.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's Name into English)

Yukon Territory, Canada

(Jurisdiction of incorporation or organization)

Floor 21, Millennium Tower, Handelskai 94-96, A-1200, Vienna, Austria
(Address of office)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Not Applicable

Title of Class

Not Applicable

Name of Each Exchange on Which Registered

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common Shares Without Par Value

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Not Applicable

Title of Class

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report.

There were 12,719,432 common shares, without par value, issued and outstanding as of December 31, 2003.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark which financial statement item the Registrant has elected to follow.

ITEM 17 ____ ITEM 18 .

MFC BANCORP LTD.
(the "Company")
2003 REPORT

Dear Fellow Shareholders:

We are pleased to enclose our results for 2003.

Our revenues for 2003 increased by approximately 76% compared to 2002, primarily as a result of an increase in trading and acquisition. For the year ended December 31, 2003, revenues increased to U.S.\$316.9 million compared with U.S.\$180.0 million in the previous year. Net income for 2003 increased 18% to U.S.\$38.0 million, or U.S.\$2.78 per share on a diluted basis, compared with U.S.\$32.1 million, or U.S.\$2.35 per share on a diluted basis in the prior year.

A major concern for all international companies in 2003 and 2004 has been the exchange rate fluctuation. Where our expenses are in Euros, Canadian dollars and Swiss francs, the majority of our income is denominated in U.S. dollars and Euros and our reporting currency is in Canadian dollars. Based upon the period average exchange rates in 2003, the Canadian dollar decreased by approximately 2.9% in value against the Swiss franc, 6.2% in value against the Euro but increased by approximately 12.1% in value against the U.S. dollar, compared to the period average exchange rates in 2002. As at December 31, 2003, the Canadian dollar increased by approximately 9.4% in value against the Swiss franc, 1.7% against the Euro and by approximately 22.2% against the U.S. dollar since December 31, 2002.

The following table is a summary of selected financial information concerning MFC for the periods indicated:

	(U.S. Dollars in thousands, except per share amounts) (Information Only)		
Year ended December 31	2003	2002	2001
Revenues	\$316,863	\$180,006	\$134,526
Net income	38,004	32,129	28,437
Net income per share			
Basic	2.91	2.48	2.25
Diluted	2.78	2.35	2.10

	(U.S. Dollars in thousands) (Information Only)		
December 31	2003	2002	2001
Cash and cash equivalents	\$112,544	\$64,835	\$48,453
Securities	34,790	39,661	47,598
Total assets	313,043	282,712	247,796
Debt	25,764	43,554	61,535
Shareholders' equity	169,024 *	180,608	154,462

* after deduction of distribution payable of US\$55.5 million.

We were pleased with the year-end results. Fiscal 2003 was a transition year for MFC, with substantial effort in laying the groundwork for the Company's expansion into China. We have opened offices in Hong Kong and Shanghai and recently acquired control of Med Net International, which operates technically-advanced eye-care centers in China. Also as announced, we acquired KHD Humboldt Wedag AG, a German-based supplier of equipment and engineering services in the area of coal, cement and mineral-processing technologies, a company that we believe is well placed to increase our commodity trading and finance business in China and other markets.

The previously announced distribution of our cobalt-related assets for the benefit of MFC shareholders, is on schedule. The cobalt refinery is producing on schedule and within its budget. We expect to issue an announcement shortly regarding the timing of the cobalt-asset distribution. The distribution will occur without any incidence of tax to the MFC shareholders.

During the first quarter of 2004, we called for the redemption of our U.S.\$12.6 million 8 percent Convertible Bonds due 2008. The majority of these Bonds were converted into shares of MFC, leaving the Company with negligible long term debt.

KHD Humboldt Wedag AG brings a key core asset into the MFC Bancorp group of companies. The nature of the KHD Humboldt Wedag AG services and the locations of its subsidiaries and sales offices are particularly synergistic with traditional services provided by other MFC Bancorp group companies operating in the project finance, trade finance and commodities trading fields.

Drawing on more than 140 years of experience in mechanical plan and process engineering, KHD Humboldt Wedag AG is one of the world's leading suppliers of cement plant, coal and mineral processing technologies. KHD Humboldt Wedag AG offers its clients concept, design and detail engineering and manufacture of equipment for complete plants as well as plant sections including modernization and capacity increase measures and automation and process control equipment. The scope of services also includes feasibility studies, raw material testing, financing, concepts, erection and commissioning, personnel training, pre and after sales services.

KHD Humboldt Wedag AG employs more than 650 people around the world. At the company headquarters in Koln, Germany, the staff of 400 includes corporate administration, design and detail engineering, research and development and manufacturing. Major subsidiaries include Humboldt Wedag India where approximately 170 staff focus on coal beneficiation projects and cement technology services for domestic and international clients. It is noteworthy that this year marks the 40th anniversary of Humboldt Wedag India. In the United States, Humboldt Wedag Inc.'s Atlanta office includes a staff of over 45 design and commissioning specialists providing services to clients in the Americas and Caribbean. KHD Humboldt Wedag AG also has full service subsidiaries in South Africa and Australia. These subsidiaries are complemented by sales offices in Russia, China and the Middle East. The China operation, which has been active for over 20 years, is in the process of being converted to a full operating company in response to the expanding domestic cement, coal and minerals markets. Furthermore, the company is planning to capitalize on the domestic low cost manufacturing base to enhance its competitiveness for international projects.

The end product produced by KHD Humboldt Wedag AG, whether it is in the cement, coal or minerals processing fields, usually represents a major capital expenditure project for their clients. Further, the product of its clients is a commodity, e.g., clinker, cement, clean coal or minerals such as copper, gold, or diamonds to name a few. Consequently, the KHD Humboldt Wedag AG clients are potential clients for other members of the MFC group of companies. MFC can provide these clients with equity, financing, off-take agreements, etc. These associated services available through the group may serve to further differentiate KHD Humboldt Wedag AG from its competitors and enhance its

success rate. Finally, the knowledge base of KHD Humboldt Wedag AG expands MFC's options for considering potential equity investments, either for its own account or on behalf of clients, to include coal washeries, exploitation of waste pile resources, etc.

Our merchant banking activities provide specialized banking and corporate finance services and advise clients on corporate strategy and structure, including mergers and acquisitions and capital raising. They also include proprietary trading in commodities and natural resources and proprietary investing of our own capital in enterprises to realize long-term or trading gains. Such investing is generally in businesses or assets whose intrinsic value is not properly reflected in their share or other price, often as a result of financial or other distress affecting them. Such proprietary investing is generally not passive and we seek investments where our financial expertise and management can add or unlock value. Proprietary investments are generated and made as part of our overall merchant banking activities and are realized upon over time.

In summary, we believe that with our strong liquidity position and underleveraged balance sheet, 2004 should be a year of increasing opportunities for MFC, particularly in the growing markets in China and the surrounding region.

Respectfully submitted,

/s/ M.J. Smith
M.J. Smith
President

We have included below our consolidated balance sheets and income statements in U.S. dollars. The presentation of our financial statements in U.S. dollars is for information purposes only and information in our financial statements is translated to U.S. dollars for convenience using year-end exchange rates, as required by Regulation S-X of the Securities Exchange Act of 1934.

CONSOLIDATED BALANCE SHEETS
December 31, 2003 and 2002

(U.S. Dollars in Thousands)
(Information Only)

	2003	2002
ASSETS		
Cash and cash equivalents	\$112,544	\$64,835
Securities	34,790	39,661
Loans	13,055	49,303
Receivables	38,972	34,157
Commodity investments	8,484	8,338
Properties	48,155	45,726
Resources property	27,889	23,263
Goodwill	12,478	10,390
Equity method investments	12,307	5,012
Prepaid and other	4,369	2,027
	\$313,043	\$282,712
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	\$41,854	\$30,094
Debt	25,764	43,554
Deposits	17,166	24,815
Distribution payable	55,501	-
	140,285	98,463
Minority interests	3,734	3,641
Shareholders' Equity		
Common Stock	47,888	44,485
Cumulative translation adjustment	(13,245)	11,859
Retained earnings	134,381	124,264
	169,024	180,608
	\$313,043	\$282,712

CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2003, 2002 and 2001

(U.S. Dollars in Thousands Except Per Share Amounts)
(Information Only)

	2003	2002	2001
Financial services revenue	\$316,863	\$180,006	\$134,526
Expenses			
Financial services	254,990	111,290	89,186
General and administrative	19,489	22,637	14,333
Goodwill impairment	-	10,203	-
Interest	3,398	6,010	3,371
	277,877	150,140	106,890
Income from operations before income taxes and minority interest	38,986	29,866	27,636
Recovery of (provision for) income taxes	(648)	2,214	485
Income from operations before minority interest	38,338	32,080	28,121
Minority interest	(334)	49	316
Net income	\$38,004	\$32,129	\$28,437
Earnings per share			
Basic	\$2.91	\$2.48	\$2.25
Diluted	\$2.78	\$2.35	\$2.10

MFC BANCORP LTD.

FORM 20-F

TABLE OF CONTENTS

	Page No.
PART 1	
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	1
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	1
ITEM 3. KEY INFORMATION	1
Selected Financial Data	1
Risk Factors	4
ITEM 4. INFORMATION ON MFC BANCORP LTD.	12
History and Development of MFC Bancorp Ltd.	12
Overview	12
Organizational Structure	18
Property, Plants and Equipment	19
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	21
Operating Results	21
Liquidity and Capital Resources	24
Off-balance Sheet Arrangements	29
Contractual Obligations	30
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	30

	Directors and Senior Management	30
	Compensation	32
	Board Practices	33
	Employees	33
	Share Ownership	34
ITEM 7.	MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	35
	Major Shareholders	35
	Related Party Transactions	35
ITEM 8.	FINANCIAL INFORMATION	36
ITEM 9.	THE OFFER AND LISTING	37
ITEM 10.	ADDITIONAL INFORMATION	38
	Memorandum and Articles of Association	38
	Material Contracts	40
	Exchange Controls	42
	Taxation	43
	Documents on Display	46
	Subsidiary Information	46
ITEM 11.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	47
ITEM 12.	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	51
PART II		
ITEM 13.	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	52
ITEM 14.	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	52
ITEM 15.	CONTROLS AND PROCEDURES	52
ITEM 16.	RESERVED	52
ITEM 16A.	AUDIT COMMITTEE FINANCIAL EXPERT	52
ITEM 16B.	CODE OF ETHICS	53
ITEM 16C.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	54
ITEM 16D.	EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	54
ITEM 16E.	PURCHASES OF EQUITY SECURITIES BY THE COMPANY AND AFFILIATED PURCHASERS	55
PART III		
ITEM 17.	FINANCIAL STATEMENTS	55
ITEM 18.	FINANCIAL STATEMENTS	55
ITEM 19.	EXHIBITS	87
	SIGNATURE	90

PART I

This annual report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

As used in this annual report, the terms "we", "us", "our", and "MFC" mean MFC Bancorp. Ltd. and our subsidiaries, unless otherwise indicated.

Unless otherwise indicated, all dollar amounts referred to herein are in Canadian dollars.

ITEM 1 Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2 Offer Statistics and Expected Timetable

Not applicable.

ITEM 3 Key Information**A. Selected Financial Data**

The following table summarizes selected consolidated financial data for MFC prepared in accordance with Canadian generally accepted accounting principles for the five fiscal years ended December 31. Additional information is presented to show the differences which would result from the application of United States generally accepted accounting principles to MFC's financial information. For a description of the difference between Canadian generally accepted accounting principles and United States generally accepted accounting principles, see Note 20 to our consolidated financial statements included in this annual report. The information in the table was extracted from the detailed consolidated financial statements and related notes included in this annual report and should be read in conjunction with such financial statements and with the information appearing under the heading, "Item 5. Operating and Financial Review and Prospects".

2

Selected Financial Data
(Stated in Canadian Dollars - Calculated in accordance with Canadian GAAP)

Fiscal Year Ended December 31 (Audited)

<u>CANADIAN GAAP</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands, other than per share amounts)				
Revenues	\$409,513	\$284,339	\$214,246	\$156,220	\$125,526
Income from continuing operations	49,116	50,755	45,288	39,163	36,328
Income from continuing operations per share					
Basic	3.76	3.93	3.59	3.24	3.00
Diluted	3.59	3.70	3.35	3.03	2.83
Net income	49,116	50,755	45,288	39,163	31,389
Net income per share					
Basic	3.76	3.93	3.59	3.24	2.59
Diluted	3.59	3.70	3.35	3.03	2.46
Total assets	404,577	446,574	394,639	332,063	270,107
Net assets	223,273	291,041	249,118	216,915	173,773
Debt	33,297	68,798	98,000	35,421	30,917
Shareholders' equity	218,447	285,290	245,997	213,134	170,811
Capital stock	61,891	70,269	76,673	65,138	65,498
Cash dividends ⁽¹⁾	-	-	-	-	-
Cash dividends per share ⁽¹⁾	-	-	-	-	-
Cash dividends (U.S.\$) ⁽¹⁾	-	-	-	-	-
Cash dividends per share (U.S.\$) ⁽¹⁾	-	-	-	-	-
Weighted average common stock outstanding, fully diluted (in thousands of shares)	14,129	14,170	14,002	13,438	13,422

⁽¹⁾ Paid on MFC's common shares.

3

Selected Financial Data
(Stated in Canadian Dollars - Calculated in accordance with US GAAP)

Fiscal Year Ended December 31 (Audited)

<u>UNITED STATES GAAP</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
	(in thousands, other than per share amounts)				
Revenues	\$409,513	\$284,339	\$212,000	\$162,694	\$128,270
Income from continuing					

operations	49,116	50,755	43,211	45,637	40,313
Income from continuing operations per share					
Basic	3.76	3.93	3.42	3.78	3.33
Diluted	3.59	3.70	3.20	3.51	3.12
Net income	49,116	50,755	43,211	45,637	35,374
Net income per share					
Basic	3.76	3.93	3.42	3.78	2.92
Diluted	3.59	3.70	3.20	3.51	2.75
Total assets	401,235	445,342	391,489	336,523	265,658
Net assets	218,401	289,809	245,968	221,375	169,325
Debt	33,297	68,798	98,000	35,421	30,917
Shareholders' equity	213,575	284,058	242,847	217,594	166,363
Capital stock	61,891	70,269	76,673	65,138	65,498
Cash dividends ⁽¹⁾	-	-	-	-	-
Cash dividends per share ⁽¹⁾	-	-	-	-	-
Cash dividends (U.S.\$) ⁽¹⁾	-	-	-	-	-
Cash dividends per share (U.S.\$) ⁽¹⁾	-	-	-	-	-
Weighted average common stock outstanding, fully diluted (in thousands of shares)	14,129	14,170	14,002	13,438	13,422

⁽¹⁾ Paid on MFC's common shares.

Reconciliation to United States Generally Accepted Accounting Principles

A reconciliation to United States Generally Accepted Accounting Principles is included in Note 20 to the audited consolidated financial statements. Significant differences include accounting for available for sale securities.

Disclosure of Exchange Rate History

The following table sets out exchange rates, based on the noon buying rates in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York, for the conversion of Canadian dollars into U.S. dollars in effect at the end of the following periods, the average exchange rates during such periods (based on daily noon buying rates in New York City) and the range of high and low exchange rates for such periods:

4

Years Ended December 31,

	2003	2002	2001	2000	1999
End of period	0.7738	0.6329	0.6279	0.6666	0.6925
High for period	0.7738	0.6619	0.6697	0.6984	0.6925
Low for period	0.6349	0.6200	0.6241	0.6397	0.6535
Average for period	0.7138	0.6368	0.6457	0.6732	0.6744

The following table sets out the high and low exchange rates, based on the noon buying rate in New York City for the conversion of Canadian dollars into U.S. dollars, for the following periods:

	High	Low
2003		
October	0.7667	0.7418
November	0.7708	0.7484
December	0.7738	0.7460
2004		
January	0.7880	0.7496
February	0.7629	0.7444
March	0.7645	0.7452
April 1 to April 15	0.7637	0.7423

On April 15, 2004, the noon buying rate in New York City for the conversion of Canadian dollars into U.S. dollars was \$0.7416 per Canadian dollar.

The presentation of selected financial information in our financial statements in U.S. dollars is for informational purposes only and information in our audited consolidated financial statements is translated to U.S. dollars for convenience using year-end exchange rates, as required by Regulation S-X of the Securities Exchange Act of 1934.

D. Risk Factors

Much of the information included in this annual report includes or is based upon estimates, projections or other "forward looking statements". Such forward looking statements include any projections or estimates made by our company and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

Such estimates, projections or other forward looking statements involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward looking statements.

An investment in our company and our common stock involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this annual report in evaluating our company and our business before purchasing shares of our company's common stock. Our business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing our company. Additional risks not presently known to us may also impair our business operations.

5

Transaction Risks

We are subject to transaction risks which may have a material adverse effect on our business, results of operations, financial condition and cash flow.

We manage transaction risks through allocating and monitoring our capital investments, only underwriting securities in circumstances where the risk to our capital is minimal, carefully screening clients and transactions, and engaging qualified personnel to manage transactions. Nevertheless, transaction risks can arise from, among other things, our banking, finance and advisory services, trading and proprietary investing activities and relate to the risks of the proposed transaction. These risks include market and credit risks associated with our role in providing advisory services.

We often make investments in highly unstructured situations and in companies undergoing severe financial distress. Such investments often involve severe time constraints. These investments may expose us to significant transaction risks. An unsuccessful investment may result in the total loss of such an investment and may have a material adverse effect on our business, results of operations, financial condition and cash flow.

We may face a lack of suitable acquisition or merger or other proprietary investment candidates which may limit our growth.

In order to grow our business, we may seek to acquire or merge with or invest or make proprietary investments in new companies or opportunities. Our failure to make acquisitions or investments may limit our growth. In pursuing acquisition and investment opportunities, we may be in competition with other companies having similar growth and investment strategies. Competition for these acquisitions or investment targets could result in increased acquisition or investment prices and a diminished pool of businesses, services or products available for acquisition or investment.

Credit or Counterparty Risks

We are exposed to the risk that parties owing us money, security or other assets will not perform their obligations and as a result our business, results of operations, financial condition and cash flow could be adversely affected.

We manage credit risk on an individual transaction, counterparty level and on a portfolio basis. Credit limits for clients and counterparties are established by our credit officers and management with knowledge of the client's creditworthiness. In addition, we have policies and limitations with respect to our securities lending practices. Our management also reviews and monitors exposure concentrations at a portfolio level. Nevertheless, we are exposed to the risk that parties owing us money, securities or other assets will not perform their obligations. These parties include our trading counterparties, clients, clearing agents, exchanges and other financial intermediaries, as well as issuers whose securities we hold. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. These counterparty obligations may arise, for example, from placing money market deposits, the extension of credit in trading and investment activities, and participation in payment, securities and commodity trade transactions on our behalf and as an agent on behalf of our clients. If any of these parties defaults on their obligations, our business, results of operations, financial condition and cash flow could be adversely affected.

6

Although we regularly review our credit exposure to specific clients and counterparties and to specific industries, countries and regions, we are subject to significant credit risk which could have a material adverse effect on our business, results of operations, financial condition and cash flow.

To reduce credit risk, we only place money market deposits with banks selected for their financial strength and reliability. Further, we otherwise attempt only to deal with creditworthy counterparties and obtain collateral where appropriate. However, although we regularly review our credit exposure to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. We may also fail to receive full information with respect to the trading risks of a counterparty. In addition, in cases where we have extended credit against collateral, we may find that we are undersecured, for example, as a result of sudden declines in market values that reduce the value of collateral. If we are unsecured and a party defaults on its credit obligations to us, our business, results of operations, financial condition and cash flow could be adversely affected.

Market Risks

Market risks relate to fluctuations in the liquidity of securities and commodities, as well as volatility in market conditions generally. The markets for securities, commodities and other related products are affected by many factors over which we have little or no control. These factors include the financial performance and prospects of specific companies and industries, world markets and economic conditions, the availability of credit and capital, political events and perceptions of market participants.

We are exposed to the risk of a market downturn which could lead to a decline in the number and size of the transactions that we execute for our clients.

As a merchant banking company, our business is materially affected by conditions in the financial markets and economic conditions generally. In the event of a market downturn, our business, results of operations and financial condition could be adversely affected. In addition, you cannot be assured that an active public market for our

securities will continue.

A market downturn could lead to a decline in the number and size of the transactions that we execute for our clients, including transactions in which we provide financial advisory and other services, and to a corresponding decline in the revenues we receive from fees.

A downturn in a market could further result in losses to the extent that we own assets in such market. Conversely, to the extent that we have sold assets we do not own (i.e. if we have short positions) in any market, an upturn in such market could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market.

Revenues from certain of our proprietary investments may be significantly affected by changes in prices for iron ore, cobalt, aluminium and other base metals and basic materials. The prices for these commodities can fluctuate widely as a result of various factors beyond our control such as supply and demand, exchange rates, inflation, changes in global economics, and political, social and other factors. Our ability, therefore, to maintain or develop revenues or realize upon such investments may be adversely affected by a sustained material reduction in the price of such materials.

Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility.

7

We are exposed to political, economic, legal, operational and other risks as a result of our global operations, which could negatively effect our business, results of operations, financial condition and cash flow could be adversely affected.

In conducting our business in major markets around the world, we are subject to political, economic, legal, operational and other risks that are inherent in operating in other countries. These risks range from difficulties in settling transactions in emerging markets to possible nationalization, expropriation, price controls and other restrictive governmental actions, and terrorism. We also face the risk that exchange controls or similar restrictions imposed by foreign governmental authorities may restrict our ability to convert local currency received or held by us in their countries into Swiss francs, Canadian dollars, U.S. dollars, Euro or other currencies, or to take those other currencies out of those countries. If any of these risks become a reality, our business, results of operations, financial condition and cash flow could be negatively impacted.

Fluctuations in interest rates and foreign currency exchange rates may affect our results of operations and financial condition.

Fluctuations in interest rates may affect the fair value of our financial instruments sensitive to interest rates. An increase in market interest rates may decrease the fair value of our fixed interest rate financial instrument assets and a decrease in market interest rates may decrease the fair value of our fixed interest rate financial instrument liabilities, thereby resulting in a reduction in the fair value of our equity. See "Item 11 - Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk" for additional information with respect to our exposure to interest rate risk.

Similarly, fluctuations in foreign currency exchange rates may affect the fair value of our financial instruments sensitive to foreign currency exchange rates. Our reporting currency is the Canadian dollar. We hold financial instruments primarily denominated in U.S. dollars, Euros and Swiss francs. A depreciation of such currencies against the Canadian dollar will decrease the fair value of our financial instrument assets denominated in such currencies and an appreciation of such currencies against the Canadian dollar will increase the fair value of our financial instrument liabilities denominated in such currencies, thereby resulting in a reduction in our equity. See "Item 11 - Quantitative and Qualitative Disclosures About Market Risk - Foreign Currency Exchange Rate Risk" for additional information with respect to our exposure to foreign currency exchange rate risk.

Our risk management strategies leave us exposed to unidentified or unanticipated risks which could impact our risk management strategies in the future and could negatively affect our results of operation and financial condition.

We use a variety of instruments and strategies to manage exposure to various types of risks. For example, we use derivative foreign exchange contracts to manage our exposure and our clients' exposure to foreign currency exchange rate risks. If any of the variety of instruments and strategies we utilize to manage our exposure to various types of risk are not effective, we may incur losses. Many of our strategies are based on historical trading patterns and correlations. However, these strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk. Unexpected market developments may affect our risk management strategies during this time, and unanticipated developments could impact our risk management strategies in the future.

A rise in inflation may negatively affect our business, results of operations and financial condition.

We do not believe that inflation has had a material impact on our revenues or income over the past three fiscal years. In addition, since our assets to a large extent are liquid in nature, they are not

8

significantly affected by inflation. However, increases in inflation could result in increases in our expenses, which may not be readily recoverable in the price of services provided to our clients. To the extent inflation results in rising interest rates and has other adverse effects on capital markets, it could adversely affect our business, results of operations and financial conditions.

Market risks may increase the other risks that we face, which could adversely affect our business.

In addition to the market risks described above, market risks could exacerbate the other risks that we face. For example, if we incur substantial trading losses, our need for liquidity could rise sharply while our access to liquidity could be impaired. In addition, in conjunction with a market downturn, our clients and counterparties could incur substantial losses of their own, thereby weakening their financial condition and increasing our credit risk.

We have adopted risk management processes to facilitate, control and monitor risk taking which policies and procedures may not be fully effective.

We have adopted risk management processes to facilitate, control and monitor risk taking. Nonetheless, the policies and procedure we rely on to identify, monitor and manage risks may not be fully effective. Some of our methods for managing risks are based upon our observance of historical market behaviour. We cannot assure that these methods will accurately predict future market behaviour. As a result, our future risk exposure could be significantly greater than the historical measures indicate.

Other risk management methods that we use depend upon the evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible by us. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

Competition Risks

Our competitors include firms traditionally engaged in financial services such as banks, broker-dealers and investment dealers, along with other companies offering financial services such as insurance companies, mutual fund groups, merchant banks and trading and trade finance companies. An increase in competition may lead us to become involved in transactions with more risk.

We conduct our business in a global environment that is highly competitive and unpredictable. Many of our competitors are national or international companies with far greater resources, capital and access to information than us. Competition includes firms traditionally engaged in financial services such as banks, broker-dealers and investment dealers, along with other companies offering financial services such as insurance companies, mutual fund groups, merchant banks and trading and trade finance companies. Increased competition may lead us to become involved in transactions with more risk. In addition, many non-bank competitors are not subject to the same extensive regulations that govern us.

Legal and Regulatory Risks

We are exposed to legal risks in our business which are often difficult to assess or quantify. We incur significant legal expenses every year in defending against litigation.

We are exposed to legal risks in our business and the volume and amount of damages claimed in litigation against financial intermediaries are increasing. These risks include potential liability under

9

securities or other laws for materially false or misleading statements made in connection with securities and other transactions, potential liability for advice we provide to participants in corporate transactions and disputes over the terms and conditions of complex trading arrangements. We also face the possibility that counterparties in complex or risky trading transactions will claim that we improperly failed to tell them of the risks involved or that they were not authorized or permitted to enter into these transactions with us and that their obligations to us are not enforceable. During a prolonged market downturn, we would expect these types of claims to increase. We are also exposed to legal risks in our proprietary investing activities. We seek to invest in undervalued businesses or assets often as a result of financial, legal, regulatory or other distress affecting them. Investing in distressed businesses and assets can involve us in complex legal issues relating to priorities, claims and other rights of stakeholders.

These risks are often difficult to assess or quantify and their existence and magnitude often remains unknown for substantial periods of time. We incur significant legal expenses every year in defending against litigation, and we expect to continue to do so in the future. See "Item 8. Financial Information - Legal Proceedings" for additional information with respect to our legal and regulatory proceedings.

Extensive regulation of our business often serves to limit our activities, including through net capital, customer protection and market conduct requirements.

The financial services industry is subject to extensive regulation. Our banking operations are subject to Swiss regulatory requirements, including capital requirements administered by the Swiss Federal Banking Commission. The Swiss Federal Banking Commission is our primary banking regulator and establishes minimum capital requirements for our banking subsidiary. Our failure to meet minimum capital requirements can result in mandatory, and possibly additional discretionary, action by the Swiss Federal Banking Commission that, if undertaken, could have a direct materially adverse effect on us. Under risk-based capital adequacy guidelines established by the Swiss Federal Banking Commission, banks in Switzerland must meet specific capital guidelines that involve quantitative measures of assets, liabilities and other off-balance sheet items, as calculated under Swiss regulatory accounting practices. Our banking operations are required to file certain reports with the Swiss Federal Banking Commission and we are subject to their examination. Our banking subsidiary is subject to restrictions on loans and extensions of credit to, and on certain other types of transactions with, affiliates.

The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties which deal with us and are not designed to protect our shareholders. Consequently, these regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements.

Employment Risks

We may be dependant on the services of certain key employees and the loss of these certain key employees may have a materially adverse effect on our company.

We consider that any of our current management team are vital to our continued operations. The loss of the services of any of these individuals, for any reason, may have a materially adverse effect on our prospects. There can be no assurance in this regard nor any assurance that we will be able to find a suitable replacement for such persons. Furthermore, we do not maintain "key man" life insurance on the lives of these individuals. To the extent that the services of any of these individuals become unavailable, we will be required to retain other qualified persons; however, there can be no assurance that we will be able to do so upon acceptable terms. If we are unable to retain qualified persons when required, then our business, results of operations, financial condition and cash flow could be negatively impacted.

10

Enforcement Risks

A majority of our directors and officers are outside the United States, with the result that it may be difficult for investors to enforce any judgments obtained against us or any of our directors or officers.

The enforcement of civil liabilities by investors under applicable U.S. federal and state securities laws will be adversely affected because we are organized under the laws of the Yukon Territory, Canada, most or all of our officers or directors are not residents of the U.S., and substantially all of our assets are located outside of the U.S.

As a result, it may be difficult or impossible for U.S. investors to effect service of process upon us or our officers or directors within the United States. It may also be difficult to realize against us or them upon judgments of U.S. courts for civil liabilities under applicable U.S. federal and state securities laws. Courts in Canada or elsewhere may not enforce: (i) judgments of U.S. courts obtained in actions against us or our officers or directors predicated upon the civil liability provisions of applicable U.S. federal and state securities laws; and (ii) in original actions, liabilities against us or our officers or directors predicated upon such laws.

As we are organized under the laws of the Yukon Territory, Canada and our principal operating assets are located outside of the United States, you may have trouble enforcing U.S. bankruptcy laws and other laws in Canada or elsewhere.

We are organized under the laws of the Yukon Territory, Canada and our principal operating assets are located outside of the United States. Under bankruptcy laws in the United States, courts typically have jurisdiction over a debtor's property, wherever it is located, including property situated in other countries. Courts outside of the United

States may not recognize the U.S. bankruptcy court's jurisdiction. Accordingly, you may have trouble administering a U.S. bankruptcy case involving a Canadian debtor with property located outside of the United States. Any orders or judgments of a bankruptcy court in the United States may not be enforceable.

Environmental Risks

Certain of our proprietary investments are subject to stringent environmental standards and we may incur substantial costs to comply with current requirements or new environmental laws that might be adopted.

We have invested, and may further invest, in operations that are subject to extensive environmental laws and regulations. These laws and regulations impose stringent standards on us regarding, among other things, air emissions, effluent discharges and remediation of environmental contamination. We may incur substantial costs to comply with current requirements or new environmental laws that might be adopted. In addition, we may discover currently unknown environmental problems or conditions in the future and may incur substantial costs in correcting such problems or conditions.

Other Risks

Certain factors may inhibit, delay or prevent a takeover of our company which may adversely affect the price of our common stock.

Certain provisions of our charter documents and the corporate legislation which governs us may discourage, delay or prevent a change of control or changes in our management that shareholders may

11

consider favourable. Such provisions include authorizing the issuance by our board of directors of preferred stock in series, providing for a classified board of directors with staggered, three-year terms and limiting the persons who may call special meetings of shareholders. We currently have a shareholder protection rights plan designed to protect us and our shareholders from unfair, abusive or coercive acquisition tactics and intend to reconfirm same upon its expiration. For more information, see "Item 10. Additional Information - Articles and Bylaws".

In addition, the *Investment Canada Act* imposes limitations on the rights of non-Canadians to acquire our common shares. For more information, see "Item 10. Additional Information - Exchange Controls".

If a change of control or change in management is delayed or prevented, the market price of our common stock could decline.

Trading of our stock may be restricted by the SEC's "Penny Stock" regulations which may limit a stockholder's ability to buy and sell our stock.

The United States Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors." The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of, our common stock.

Our by-laws contain provisions indemnifying our officers and directors against all costs, charges and expenses incurred by them.

Our by-laws contain provisions with respect to the indemnification of our officers and directors against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by him, including an amount paid to settle an action or satisfy a judgment in a civil, criminal or administrative action or proceeding to which he is made a party by reason of his being or having been a director or officer of our company.

12

Investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share if we issue additional shares or raise funds through the sale of equity securities.

Our constating documents authorize the issuance of common shares and class A preferred shares. In the event that we are required to issue any additional shares or enter into private placements to raise financing through the sale of equity securities, investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we do issue any such additional shares, such issuances also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change of control of our company. Moreover, we may seek authorization to increase the number of our authorized shares.

ITEM 4 Information on MFC Bancorp Ltd.

Information on MFC Bancorp Ltd.

A. History and Development of MFC Bancorp Ltd.

We are a corporation organized under the laws of the Yukon Territory in Canada. We were originally incorporated in June 1951 by letters patent issued pursuant to the *Companies Act of 1934* (Canada). We were continued under the *Canada Business Corporations Act* in March 1980 and under the *Business Corporations Act* (Yukon) in August 1996. Our name was changed to "MFC Bancorp Ltd." in February 1997. We have offices located at Floor 21, Millennium Tower, Handelskai 94-96, A-1200, Vienna, Austria (Tel: 43 1 240 250), and Unit 803, 8th Floor, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. Our registered and records office is located at Suite 300, 204 Black Street, Whitehorse, Yukon Territory, Canada Y1A 2M9 (Tel: 867-668-5252).

B. Overview

We are an international merchant banking company. Merchant banking encompasses a broad spectrum of activities related to the integrated combination of banking, trading in commodities and natural resources, financing of commercial trade, and proprietary investing.

We provide specialized banking and corporate finance services and advice to our subsidiaries and our clients on corporate strategy and structure, including mergers and acquisitions and capital raising. We also engage in trading of commodities, natural resources and securities, and in proprietary investing of our own capital in enterprises.

We make our proprietary investments as part of our overall merchant banking activities, and seek to realize gains on such investments over time. We generally invest in businesses or assets whose intrinsic value is not properly reflected in their share or other price, often as a result of financial or other distress affecting them. We generally seek investments where our financial and management expertise can add or unlock value, rather than passive investments.

We conduct our merchant banking business in a highly integrated and coordinated manner. Our integrated approach provides substantial cross-selling opportunities for our subsidiaries and our clients, and permits us to participate in a broad range of businesses through our various subsidiaries. This, in turn, provides us with multiple revenue sources on a consolidated basis, and gives us substantial flexibility in structuring business relationships, revenues and transactions with the view to maximizing revenues from particular businesses or opportunities.

13

Our integrated approach to our banking and finance advisory services often gives our subsidiaries the opportunity to engage in commodity and natural resources trading with our clients. Our banking and finance advisory services also assist us in identifying suitable proprietary investment opportunities. Our proprietary investment strategy includes the use of our own capital to help restructure businesses, acquire interests in suitable businesses, or to refinance obligations of our clients.

Our merchant banking business generates revenues in the form of advisory, banking and corporate finance service fees, interest income, and revenues from our commodity, natural resource and securities trading activities. We also realize gains from time to time on our proprietary investments, upon their sale, upon the execution of an equity or debt restructuring, or the completion of other forms of divestment.

We currently employ approximately 1,141 people, and our operations are primarily conducted in Europe and Asia. The following is a summary of our revenues by geographic region for the three most recently completed fiscal years:

	2003	2002	2001
	(in thousands)		
Europe	\$391,282	\$254,564	\$192,714
Canada	7,872	26,006	17,183
United States	9,563	3,559	4,349
Other	796	210	-
	\$409,513	\$284,339	\$214,246

Description of Merchant Banking Business

Our merchant banking operations include the provision of innovative financial structuring and advisory services. We focus on meeting the financial needs of small to mid-sized companies and other business enterprises primarily in Europe, North America and, more recently, in China. We believe that many of these clients, particularly in Europe, are under-served by the large global investment banks and financial service providers. We specialize in advising and structuring business enterprises involved in unstructured and novel situations where a strong financial partner is needed and traditional, "off-the-shelf" solutions are not workable.

We counsel our clients on business and financing strategy, and assist them in capital raising in and the execution of transactions that advance their strategic goals, including mergers, acquisitions, reorganizations and divestitures. In addition, we generate fee income by acting as an arranger and/or provider of bridge or interim financing to business enterprises pending reorganization, prior to their going public, as a complement to our commodities and natural resources trading or investment strategy. In furtherance of such banking and advisory services, we often advise and help restructure enterprises that are undergoing financial distress or have, or are near, debt defaults.

We believe that our experience and operating structure permit us to respond more rapidly to our clients' needs than many of our larger competitors. These traits are important to small and mid-sized business enterprises, many of which do not have large internal corporate finance departments to handle their capital requirements. We develop a partnership approach to assist clients. This often permits us to develop multiple revenue sources from the same client. For example, in addition to providing banking

14

and advisory services, we may purchase and sell a client's products, or commit our own capital to make a proprietary investment in its business or capital structure.

Banking, Finance and Advisory Services

Our banking, finance and advisory activities are conducted through our wholly-owned subsidiary, MFC Merchant Bank S.A., a licensed full-service Swiss bank. In 2002, our banking operations were relocated from Geneva to Herisau, Switzerland. Since 1999, we have outsourced our banking operations and have placed substantially all of MFC Merchant Bank's client deposits with other major financial institutions on a fiduciary or trust basis. MFC Merchant Bank, in turn, earns a fee calculated with reference to the amount of money deposited with each such financial institution. This is in contrast to most North American banks, which generate revenue from the spread between their cost of funds and the credit received. These fiduciary or trust deposits are off-balance sheet items and permit us to generate revenues without committing or tying up significant amounts of capital. These arrangements also let us maintain key client relationships and mandates where we can provide value-added advisory services and yet offer clients the capability and economies of scale of a large banking institution.

Our banking operations are subject to various Swiss regulatory requirements, including capital requirements administered by the Swiss Federal Banking Commission. As our primary banking regulatory authority, the Swiss Federal Banking Commission, has established minimum capital and other requirements for MFC Merchant Bank S.A. Our

failure to meet such minimum capital and other requirements can result in mandatory, and possibly additional discretionary, action by the Swiss Federal Banking Commission that, if undertaken, could have a direct material effect on us. Under risk-based capital adequacy guidelines established by the Swiss Federal Banking Commission, banks in Switzerland must meet specific capital guidelines that involve quantitative measures of assets, liabilities and other off-balance sheet items, as calculated under Swiss regulatory accounting practices. MFC Merchant Bank is required to file certain reports with the Swiss Federal Banking Commission, and is subject to their examination. In addition, MFC Merchant Bank is subject to restrictions on loans and extensions of credit to, and on certain other types of transactions with, affiliates. We believe that MFC Merchant Bank has sufficient capital for its current and reasonably foreseeable operations.

Trading of Commodities and Natural Resources

Our merchant banking operations include the trade, principally for our own account, of commodities and natural resources. Such activities include purchasing, selling and product swaps of such items. To a lesser extent, we also act as a trading agent for clients. We conduct our commodity and natural resources trading primarily through our subsidiary, MFC Commodities GmbH, which is based in Vienna, Austria.

Our trading activities often utilize innovative and sophisticated trading strategies and structures. We currently trade with commodity and other producers who are unable to effectively realize sales because of credit, insurance or currency issues affecting them or their principal customers. Generally we purchase the underlying commodity and resell it to an end buyer, or we effect a further trade of the commodity for another commodity which will subsequently be sold. As a result of our relative financial strength, ability to arrange credit (including letters of credit) and insurance, we are often able to facilitate purchases, sales and trades of commodities with more efficient and effective execution than many producers and customers could on their own.

Commodity producers and end customers often work with us to better manage their internal supply, distribution risk, currency and capital requirements. In such trading activities, we try to capture

15

various trading, financing and currency spreads. Our trading activities have allowed us to develop ongoing relationships with commodity producers, end customers and trade financiers and insurers.

We have historically focused our trading activities primarily in Europe, and in 2003 commenced trading activities with offices in China and India. We believe that the trade, finance and insurance infrastructure necessary to support the purchase and sale of commodities and natural resources in Central and Eastern Europe, China and India are not as developed as in Western Europe and North America. The location of our trading professionals in Vienna and Shanghai permits us to effectively pursue trading opportunities in Europe and Asia, in particular, to participate in trade flows.

We intend to increase our commodity and natural resource trading operations in terms of volumes, products traded and the geographic regions in which we operate. We have expanded our commodity and natural resources trading operations to include the Far East and Southern Asia. As we expand our trading operations, we often seek to acquire interests or establish relationships with commodity producers to realize upon potential synergies. Such interests can be acquired through purchases of, or investments in, commodity producers, or through contractual arrangements with them, including off-take agreements. Such investments have broadened our trading line to include cement, clinker, non-ferrous metals, plastics, chemicals, pulp and paper. The investments we make in commodity producers are part of our proprietary investing strategy.

Proprietary Investments

Our merchant banking activities include making proprietary investments using our own and our clients' capital, and utilizing our expertise to capture investment opportunities. We seek to invest in businesses or assets whose intrinsic value is not properly reflected in their share or other price. Often such investments are in companies or assets that are under financial, legal or regulatory distress and our services include resolving such distress. Our investing takes many forms and can include acquiring entire businesses or portions thereof, investing in equity, investing in the existing indebtedness (secured and unsecured) of a business or in new equity or debt issues. Our investing is generally not passive; we invest where we believe our expertise in financial restructuring and management and complementary trading and corporate finance capabilities can add or unlock value. Our investing in distressed businesses and/or assets can result in complex and intricate legal issues relating to priorities, claims and other rights of stakeholders. Such issues can result in our being involved in legal and other claims as part of our overall proprietary investment strategy. Our proprietary investments are often made as a part of, or complementary to, our banking, advisory and commodity and natural resources trading activities.

We invest globally and our objective is to maximize total return measured through both long-term appreciation and recognized gains either through sales or other forms of divestment. We realize upon our portfolio of proprietary investments from time to time, based upon management's view of the value of the investment, the form and structure of divestment, timing and our overall capital requirements.

One of our key proprietary investments is an indirect interest in a mineral royalty in the Wabush Iron Ore Mine located in the Province of Newfoundland, Canada. It has provided an uninterrupted source of fairly predictable revenue for over 30 years, which we have used to finance other proprietary investments. The royalty interest consists of a mining sub-lease of the lands upon which the Wabush Iron Ore Mine is situated that commenced in 1956 and expires in 2055. Pursuant to the terms of the mining sub-lease, revenues from the royalty interest are based upon the price levels for iron ore and the amount of iron ore shipped from the Wabush Iron Ore Mine in a particular period, subject to a minimum annual royalty amount of \$3.25 million. The mining sub-lease does not provide for renewal. For more information, see "Property, Plants and Equipment" below.

16

Other proprietary investments include an indirect interest in a portfolio of real estate assets which are primarily located in the State of Washington, U.S.A. We are conducting pre-development work relating to infrastructure, rezoning, subdivision and permitting on a substantial portion of the properties to the extent necessary to protect or enhance their value. We intend to divest or otherwise monetize these real estate assets and redeploy the proceeds in our merchant banking activities.

In March, 2004 we acquired 7,015,985 shares (resulting in an effective ownership of approximately 68%) in FAHR Beteiligungen AG for a cash purchase price of approximately \$25.0 million. The principal assets of FAHR Beteiligungen, whose book value is approximately U.S.\$43.2 million as at December 31, 2003, include industrial real estate holdings in Germany and an operating company, KHD Humboldt Wedag AG, based in Koln, Germany. Founded in 1856, KHD Humboldt Wedag is one of the leading suppliers of equipment and engineering services in the fields of cement, coal and minerals processing technologies. KHD Humboldt has operating subsidiaries in the United States, Australia, India and South Africa, and sales offices located in China, Russia and the Middle East.

In March, 2004 we acquired the controlling interest in Shanghai-based Med Net International Ltd. We, through various purchases, acquired 1,494,408 common shares (resulting in an approximately 62% ownership) of Med Net for a cash consideration of \$2.3 million.

Med Net International, through unincorporated joint ventures, operates eight, and is in the process of establishing four more, technologically advanced eye care centers in China. Med Net International also imports and provides to patients and hospitals in China, medical supplies, including intraocular lenses, visco-elastic for cataract surgery, sutures, blades and certain ophthalmic and aesthetic products. Med Net International generated approximately US\$1.25 million cash flow on revenues of approximately US\$7 million on an annualized basis, based on unaudited financial results from the nine-month period ended September 30, 2003.

On July 24, 2003, we acquired an 80% interest in the outstanding common shares of Alson Enterprises Corporation. Mazak Ltd., a wholly-owned subsidiary of Alson, acquired the zinc-based alloy and pigments business and related assets of Trident Alloys Ltd. The consideration for the acquisition of the interest in Alson was cash of \$0.8 million.

To complement our commodities and natural resources trading, in 2002, as part of our overall investment strategy, we made proprietary investments in two commodity producers to capture potential synergies through distributing and trading their end products.

In August 2002, we acquired approximately 85% of the issued and outstanding shares and certain indebtedness of Banff Resources Ltd. for nominal consideration and the provision of a contingent royalty interest to the vendor in the future cobalt production of the cobalt processing plant operated by Kasese Cobalt Company Limited - which was then a 75% owned subsidiary of Banff Resources - up to a maximum of approximately U.S.\$10.0 million. The balance of the shares of Kasese Cobalt Company are owned by the Ugandan government.

Kasese Cobalt Company owns a cobalt processing plant located in Southwest Uganda. As part of our acquisition of Banff Resources Ltd., the cobalt processing plant was put on a care and maintenance program due to weakness in the cobalt markets at the time. In the interim, we commenced selling the hydro-electricity produced by the plant's dedicated 9 megawatt hydro-electric power plant. We recently recommenced operations at the cobalt processing plant due to significantly improved cobalt prices. For more information, see "Property, Plants and Equipment" below and "Item 10. Additional Information - Material Contracts".

17

In December 2003, we sold our equity interest in Banff Resources to an independent director of that company for a nominal amount, and acquired Banff Resources' 75% equity interest in Kasese Cobalt Company through our subsidiary, Sutton Park International Ltd. In consideration of the 75% equity interest in Kasese Cobalt Company, Sutton Park International agreed to forgive Banff's indebtedness in the approximate amount of U.S.\$11.9 million, which indebtedness Sutton Park had previously acquired from a third party.

On December 31, 2003, our board of directors adopted a resolution to reorganize our operations to the extent necessary to distribute to our shareholders our interest in the Kasese Cobalt Company, and certain other Canadian cobalt assets held through our subsidiary 4025750 Canada Inc., by way of a reduction of stated capital, as they are superfluous non-core assets. In this connection, our board of directors authorized our company to, or to cause any of our subsidiaries to, take such steps as may be necessary to facilitate this transaction, including, without limitation, a consolidation of the assets in our indirect subsidiary, Nature Extrac Limited, and the distribution of the shares of Nature Extrac to our shareholders. This transaction remains subject to shareholder and regulatory approvals.

In October 2002, we leased the operations of an aluminium rolling mill located in Merseburg, Germany. The mill produces aluminium foil and has an annual production capacity of approximately 9,000 tonnes. The lease commenced in October 2002 and runs until September 2010. Our lease payments amounted to €21,500 per month including a flat rate for additional costs. We have an option to acquire the property and fixed assets subject to the lease for a purchase price of €3.4 million which option to purchase expires in September 2007. During 2003, our interest in this mill was sold. We are currently handling the sales and distribution of the mill's aluminium foil. For more information about the mill, see "Property, Plants and Equipment" below.

In July 2002, we acquired all of the outstanding minority interest of our 53% owned subsidiary, Trimble Resources Corporation, in consideration of 25,071 of our common shares and approximately \$205,000 in cash. In December 2002, we restructured Trimble Resources Corporation's outstanding indebtedness of approximately \$16.5 million in consideration for approximately \$3.3 million of newly issued indebtedness guaranteed by us. We initially acquired our 53% interest in Trimble Resources Corporation in October 2001, for approximately \$1.0 million. For more information, see "Item 10. Additional Information - Material Contracts".

In August 2002, we acquired approximately 93% of the outstanding shares of Euro Trade & Forfaiting, Inc. for approximately \$42.9 million. Euro Trade & Forfaiting, Inc. is engaged primarily in merchant banking in Europe. In 2003, Euro Trade & Forfaiting, Inc. and its wholly-owned subsidiary, Winford Finance Corporation, merged together.

In July 2002, we sold our proprietary investment in an oil joint venture for proceeds of approximately \$25.9 million. For more information, see "Item 10. Additional Information - Material Contracts".

In August 2002, we divested our investment in Mymetics Corporation through a stock dividend of 0.95 common shares of Mymetics Corporation for each common share of MFC held by shareholders of record as of August 13, 2002. Approximately 12,206,957 Mymetics Corporation shares were distributed to MFC shareholders under the dividend. As a result of the dividend, MFC shareholders became direct shareholders of Mymetics Corporation. Mymetics Corporation is an international biotechnology company focused on developing tools and techniques to disarm retroviruses.

We intend to increase our assets and earnings by expanding our merchant banking operations internationally through both internal growth and acquisitions. We expect to grow internally by expanding

18

our finance and advisory services and increasing our commodity and natural resources trading activities. Growth through acquisitions will continue to focus on undervalued assets that may be complementary to our other operations and where our financial expertise and management can add or unlock value.

Competition

We conduct our business in a global environment that is highly competitive and unpredictable. We encounter intense competition in all aspects of our business and compete directly with other financial services companies, brokerage firms, investment banks, merchant banks, trading houses and other investment managers. We face competition in Switzerland from other banks, asset managers and a range of non-bank financial institutions and internationally from investment banks and securities dealers. Many of our competitors are national or international companies with far greater resources, capital and access to information than us. As a result, we may become involved in transactions with more risk. For more information, see "Item 3. Key Information Risk Factors".

C. Organizational Structure

As at April 1, 2004, our significant wholly-owned subsidiaries are as follows:

Name of Wholly-Owned Subsidiary	Jurisdiction of Incorporation or Organization
Blake International, Inc.	British Virgin Islands
MFC Capital Partners	Germany

MFC Merchant Bank S.A.	Switzerland
Robabond Holding AG	Switzerland
Sutton Park International Ltd.	Barbados
Trimble Resources Corporation	Turks & Caicos Islands
4025750 Canada Inc.	Canada
32565 Yukon Inc.	Yukon
MFC Commodities AG	Switzerland
Parkland Venture Limited	British Virgin Islands

As at April 1, 2004, our significant majority-owned subsidiaries are as follows:

Name of Majority-Owned Subsidiary	Jurisdiction of Incorporation or Organization	Owner of Interests	Our Shareholding
DTA Holding AG	Germany	MFC Bancorp Ltd.*	93%
Winford Finance Corporation	British Virgin Islands	MFC Bancorp Ltd.*	96%
Trimaine Holdings, Inc.	Washington	MFC Bancorp Ltd.*	83%
Drummond Financial Corporation	Washington	MFC Bancorp Ltd.*	96%
Alson Enterprises Corp.	British Virgin Islands	Sutton Park International Ltd.	80%
Mazak Ltd.	United Kingdom	Alson Enterprises Corp.	100%**
Mazak Slovakia s.r.o.	Slovakia	Alson Enterprises Corp.	100%**
Garda Investments Corp.	British Virgin Islands	Sutton Park International Ltd.	100%**
Hovis Commodities Trading GmbH	Austria	Garda Investments Corp.	95.5%*
MFC Commodities GmbH	Austria	Hovis Commodities Trading GmbH	100%**
19			
JH Trade & Financial Service GmbH	Austria	MFC Commodities GmbH (Austria)	100%**
IC Management Service GmbH	Austria	MFC Commodities GmbH (Austria)	100%**
Global Bulk Transport GmbH	Austria	MFC Commodities GmbH (Austria)	100%**
MFC Pulp & Paper GmbH	Austria	MFC Commodities GmbH (Austria)	100%**
Kasese Cobalt Company Limited	Uganda	Sutton Park International	75%***
Med Net International Ltd.	Bermuda	MFC Bancorp Ltd.*	62%**
FAHR Beteiligungen AG	Germany	MFC Bancorp Ltd.*	68%**
KHD Humboldt Wedag AG	Germany	FAHR Beteiligungen AG	100%**
AIG Altmark Industrie AG	Germany	FAHR Beteiligungen AG	95%**

* held by MFC Bancorp Ltd. and/or its subsidiaries

** representing shareholding by the immediate parent company

D. Property, Plants and Equipment

Office Space

We currently lease office space at Floor 21, Millennium Tower, Handelskai 94-96, A-1200, Vienna, Austria. We also recently entered into a lease of office space at Unit 803, 8th Floor, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

We believe that our existing facilities are adequate for our needs through the end of the year ended December 31, 2004. Should we require additional space at that time, or prior thereto, we believe that such space can be secured on commercially reasonable terms.

Royalty Interest - Wabush Iron Ore Mine

We indirectly participate in a royalty interest. The royalty interest consists of a mining sub-lease of the lands upon which the Wabush Iron Ore Mine is situated that commenced in 1956 and expires in 2055. The lessor is Knoll Lake Minerals Ltd., which holds a mining lease from the Province of Newfoundland, Canada. The lease requires the payment of royalties to Knoll Lake Minerals Ltd. of \$0.22 per ton on shipments of iron ore from the Wabush Iron Ore Mine. Iron ore is shipped from the Wabush Iron Ore Mine to Pointe Noire, Quebec, Canada, where it is pelletized. In 2003, 2002 and 2001, 5.3 million, 4.5 million and 4.6 million tons of iron ore, respectively, were shipped from the Wabush Iron Ore Mine.

The Wabush Iron Ore Mine is operated by an unincorporated joint venture consisting of Wabush Iron Company Limited (U.S.A.), Steel Company of Canada Limited (Canada) and Dominion Foundries & Steel Limited (Canada), which pays royalties to the holder of the royalty interest based upon the amount of iron ore shipped from the Wabush Iron Ore Mine. Pursuant to the terms of the mining sub-lease, this royalty payment by the joint venture is not to be less than \$3.25 million per annum until the expiry of the mining sub-lease in 2055. In 1987, the royalty rate specified in the base price was amended to require a base royalty rate of \$1.685 per ton with escalations as defined by agreement. Iron ore is typically sold

either as a concentrate, whereby the iron ore is in granular form, or as a pellet, whereby iron ore concentrate has been mixed with a binding agent, formed into a pellet and then fired in a furnace. Iron ore pellets can be charged directly into blast furnaces without further processing and are primarily used to produce pig iron which is subsequently transformed into steel. As such, the demand and, consequently, the pricing of iron ore is dependent upon the raw material requirements of integrated steel producers. Demand for blast furnace steel is in turn cyclical in nature and is influenced by, among other things, the level of general economic activity.

Although no assurance as to the future production levels can be provided, since the operator of the Wabush Iron Ore Mine is owned by the joint venture of steel producers, production from the mine has been generally maintained at relatively consistent levels.

Undeveloped Real Estate Properties

We own approximately 83% of the issued and outstanding common stock of Trimaine Holdings, Inc., a public company whose shares trade on the OTC Bulletin Board. During the fiscal year ended December 31, 2003, Trimaine Holdings sold approximately 47 acres of undeveloped real property annexed to the City of Gig Harbor, Washington, U.S.A. Trimaine Holdings owns three parcels of undeveloped real estate properties located in the Puget Sound region of Washington State, totalling approximately 42 acres. The parcels are zoned for neighbourhood retail and light industrial use. One parcel totalling approximately 3 acres is zoned for high residential use. Trimaine Holdings may seek to sell or develop these parcels, but does not intend to fully develop the majority of them prior to sale.

Kasese Cobalt Company Limited

Through Sutton Park International Ltd., we hold a 75% interest in Kasese Cobalt Company Limited. Kasese Cobalt Company owns a cobalt processing plant located in Uganda. We had caused the plant to be placed into a care and maintenance program under which all cobalt production had ceased by September 2002 as a result of weak cobalt markets. Due to significantly improved cobalt prices, however, we recently recommenced operations at the plant, and it is now engaged in the extraction of cobalt from an existing pyrite stockpile. The stockpile contained, as at May 2001, approximately 593,616 tonnes of material with an average grade of 1.39% cobalt. The plant is capable of recovering cobalt metal from the cobalt concentrate using a combination of bioleaching, solvent extraction and electro-winning. Site construction of the plant commenced in November 1997 and was completed on July 1, 1999. Plant commissioning ran into various difficulties which continued from completion until June 30, 2001. Accordingly, July 1, 2001 represented the start of commercial operations. The plant currently employs approximately 245 personnel.

Kasese Cobalt Company also has a disputed option to acquire 65% of the tailings owned by Kilembe Mines Limited, comprising 5.5 million tonnes of material averaging 0.114% cobalt. The cobalt processing plant has a production capacity of 720 tons of cobalt per annum with a product quality of 99.9% cobalt in crushed cobalt cathode form.

Kasese Cobalt Company's dedicated hydro-electric power station comprises three hydro-electric generation units with a capacity of 9 megawatts. Power is also available on an as needed basis from the Ugandan Electricity Board's national grid. Backup power is provided by four 1 megawatt diesel generators located at the plant.

As discussed above, our board of directors have adopted a resolution to reorganize our operations to the extent necessary to distribute to our shareholders our interest in the Kasese Cobalt Company, and

certain other Canadian cobalt assets held through our subsidiary 4025750 Canada Inc., by way of a reduction of stated capital.

Aluminium Rolling Mill

We leased the equipment, operations and underlying real property of an aluminum rolling mill located in Merseburg, Germany. The mill manufactured and sold aluminum foil with approximately 65% of its customer base being located within Germany and the remaining 35% located in the rest of Europe. During 2003, our entire interest in this mill was sold. We are currently handling the sales and distribution of the mill's aluminum foil.

Mazak Ltd.

In July 2003, we, through our subsidiaries Mazak Ltd. and Mazak Slovakia s.r.o. (collectively "Mazak"), acquired the zinc-based alloys and pigments businesses and related assets of Trident Alloys Ltd. We anticipate that Mazak will have an annual production capacity of approximately 60,000 metric tons of zinc-based alloys and pigments, marketed under the brands Mazak diecasting alloys, Delaville zinc dust, Delphos zinc phosphate and Delox zinc oxide, and alloys for the galvanizing industries, including Technigalva and Galfan. Mazak also indirectly leases industrial space from US Steel in Kosice, Slovakia, for the purposes of manufacturing zinc alloys, which has a production capacity of 22,000 tonnes. Mazak currently employs 115 persons.

ITEM 5 Operating and Financial Review and Prospects

The following discussion and analysis of our financial condition and results of operations for the three years ended December 31, 2003 should be read in conjunction with our consolidated financial statements and related notes included in this annual report. Our financial statements included in this annual report were prepared in accordance with Canadian GAAP. For a reconciliation of our financial statements included in this annual report to U.S. GAAP, see Note 20 to the financial statements. We have made certain reclassifications to the prior periods' financial statements to conform to the current period's presentation.

The presentation of selected information in our financial statements in U.S. dollars is for information purposes only and information in our financial statements is translated to U.S. dollars for convenience using year end exchange rates, as required by Regulation S-X of the Securities Act of 1934.

A. Operating Results

We are a highly integrated international financial services company that focuses on merchant banking. We provide specialized banking and corporate finance services internationally. These activities are primarily conducted through our wholly-owned subsidiary, MFC Merchant Bank S.A. Our merchant banking activities include a European trading group focused on trading commodities and natural resources which we acquired in October 2001. We also commit our own capital to promising enterprises and invest and otherwise trade to capture investment opportunities for our own account. We seek to invest in businesses or assets whose intrinsic value is not properly reflected in their share price or value. Our investing is generally not passive. We seek investments where our financial expertise and management can add or unlock value.

Our results of operations have been and may continue to be affected by many factors of a global nature, including economic and market conditions, the availability of capital, the level and volatility of equity prices and interest rates, currency values, commodity prices and other market indices,

technological changes, the availability of credit, inflation and legislative and regulatory developments. Our results of operations may also be materially affected by competitive factors. Competition includes firms traditionally engaged in financial services such as banks, broker-dealers and investment dealers, along with other sources such as insurance companies, mutual fund groups, other companies offering financial services in Europe and globally and other trade and finance companies.

Our results of operations for any particular period may also be affected by our realization on proprietary investments. These investments are made to maximize total return through long-term appreciation and recognized gains on divestment. We can realize on our proprietary investments through a variety of methods including sales, capital restructuring or other forms of divestment.

The international and integrated nature and focus of our business has resulted in no income tax expense in 2002 and 2001. In 2003, our effective consolidated tax rate was approximately 1.7%.

In recent years, the financial services industry has experienced consolidation and convergence as financial institutions involved in a broad spectrum of services have merged or combined. The trend to consolidate is expected to continue and produce global financial institutions with much greater capital and other resources than we have. As a result of the economic and competitive factors discussed above, our results of operations may vary significantly from period to period. We intend to manage our business for the long-term and to mitigate the effects of such factors by focusing on our core operations.

Year Ended December 31, 2003 Compared to the Year Ended December 31, 2002.

Based upon the period average exchange rates in 2003, the Canadian dollar decreased by approximately 2.9% in value against the Swiss franc, 6.2% in value against the Euro but increased by approximately 12.1% in value against the U.S. dollar, compared to the period average exchange rates in 2002. As at December 31, 2003, the Canadian dollar increased by approximately 9.4% in value against the Swiss franc, 1.7% against the Euro and 22.2% against the U.S. dollar since December 31, 2002.

The following table provides selected quarterly financial information for 2003 for MFC:

2003				
	December 31	September 30	June 30	March 31
	(Canadian Dollars in thousands, other than per share amounts)			
Revenues	\$ 126,756	\$ 102,393	\$ 97,496	\$ 82,868
Expenses	102,465	96,233	87,308	73,122
Net income	23,050	6,123	10,125	9,818
Diluted earnings per share	1.65	0.46	0.75	0.73
Total assets	404,577	441,429	429,057	449,728
Shareholders' equity	218,447 *	281,708	272,452	279,160

* after deduction of distribution payable of \$71.7 million

In 2003, our revenues increased by 44.0% to \$409.5 million from \$284.3 million in 2002, primarily as a result of the increased volume of our trading activities and acquisitions. In 2003, we expanded our trading operations by hiring additional trade professionals and expanding the breadth of products that we trade. We are also expanding geographically into the Far East and Southern Asia. Such geographic expansion of our merchant banking activities is being undertaken, in part, as we expect that

over the next several years the integration of several central and eastern European countries into the European Union will result in increased competition and put downward pressure on operating margins. We included the full year's revenues from our aluminium rolling plant in the current year, which was acquired in October 2002. We also consolidated the revenue from our alloy and pigments business, which was acquired in July 2003.

In 2003, expenses increased by approximately 51.4% to \$359.1 million from \$237.2 million in 2002, primarily as a result of the increase in the volume of trading activities and acquisitions. In 2003, financial services expenses increased by approximately 87.5% to \$329.5 million from \$175.8 million in 2002. General and administrative expenses decreased to \$25.2 million in 2003 from \$35.8 million in 2002. The general and administrative expenses were net of foreign currency transaction gains of \$8.3 million and \$0.5 million in 2003 and 2002, respectively. The increases in financial services and general and administrative expenses related primarily to the increase in the volume of trading activities.

In 2002, we recorded a loss for goodwill impairment of approximately \$16.1 million relating to the goodwill associated with previously acquired subsidiaries as we determined that the carrying value of such goodwill exceeded its fair value. See "Critical Accounting Policies - Goodwill Impairment" below for more information. In 2002, we recognized a \$19.7 million gain on indebtedness of a subsidiary and a \$49.1 million gain on debt extinguishment. In 2003, interest expense decreased to approximately \$4.4 million from approximately \$9.5 million in 2002, primarily as a result of the lower indebtedness amount outstanding during the year.

In 2003, we recorded an income tax expense of \$0.8 million. In 2002, we had an income tax recovery of \$3.5 million.

In 2003, our net earnings increased to \$49.1 million, or \$3.76 per share on a basic basis (\$3.59 per share on a diluted basis), from \$50.8 million, or \$3.93 per share on a basic basis (\$3.70 per share on a diluted basis), in 2002.

Year Ended December 31, 2002 Compared to the Year Ended December 31, 2001

The following table provides selected quarterly financial information for 2002 for MFC:

2002

	December 31	September 30	June 30	March 31
	(Canadian Dollars in thousands, other than per share amounts)			
Revenues	\$ 124,574	\$ 52,169	\$ 53,364	\$ 54,232
Expenses	98,927	49,153	44,890	44,189
Net income	28,864	1,854	10,049	9,988
Diluted earnings per share	2.10	0.14	0.72	0.72
Total assets	446,574	494,179	434,487	396,225
Shareholders' equity	285,290	252,907	244,368	250,969

In 2002, our revenues increased by 32.7% to \$284.3 million from \$214.2 million in 2001, primarily as a result of the inclusion of the results of our trading operations for the full year in 2002, instead of only three months in 2001. In 2002, we expanded our trading operations by hiring additional trade professionals and expanding the breadth of products that we trade. We are also expanding geographically into the Far East and Southern Asia. Such geographic expansion of our merchant banking activities is being undertaken, in part, as we expect that over the next several years the integration of

24

several central European countries into the European Union will result in increased competition and put downward pressure on operating margins.

In 2002, expenses increased by approximately 39.3% to \$237.2 million from \$170.2 million in 2001, primarily as result of the expansion of our trading operations in 2002. In 2002, financial services expenses increased by approximately 22.9% to \$175.8 million from \$143.1 million in 2001. General and administrative expenses increased to \$35.8 million in 2002 from \$21.8 million in 2001. The increases in financial services and general and administrative expenses related primarily to the inclusion of the results of our trading operations for the full year in 2002 versus only three months in 2001.

In 2002, we recorded a loss for goodwill impairment of approximately \$16.1 million relating to the goodwill associated with previously acquired subsidiaries as we determined that the carrying value of such goodwill exceeded its fair value. See "Critical Accounting Policies - Goodwill Impairment" below for more information. There was no similar charge in 2001. In 2002, we recognized a \$19.7 million gain on indebtedness of a subsidiary and a \$49.1 million gain on debt extinguishment. In 2001, we recognized a \$22.4 million gain on indebtedness of a subsidiary. In 2002, interest expense increased to approximately \$9.5 million from approximately \$5.4 million in 2001, primarily as a result of the inclusion of the consolidated indebtedness of Banff Resources Ltd., in which we acquired an approximately 85% interest in August 2002.

In 2002, we recorded a recovery of income tax of \$3.5 million as result of the reversal of a tax accrual due to the sale of an indirect oil royalty interest during the year. In 2001, we had an income tax recovery of \$0.8 million.

In 2002, our net earnings increased to \$50.8 million, or \$3.93 per share on a basic basis (\$3.70 per share on a diluted basis), from \$45.3 million, or \$3.59 per share on a basic basis (\$3.35 per share on a diluted basis), in 2001.

B. Liquidity and Capital Resources

The following table is a summary of selected financial information concerning MFC for the periods indicated:

	December 31,		December 31,	
	2003	2002	2003	2002
	(U.S. Dollars in thousands) (for information)		(Canadian Dollars in thousands)	
Cash and cash equivalents	\$ 112,544	\$ 64,835	\$ 145,452	\$ 102,413
Securities	34,790	39,661	44,963	62,649
Total assets	313,043	282,712	404,577	446,574
Debt	25,764	43,554	33,297	68,798
Shareholders' equity	169,024 *	180,608	218,447 *	285,290

* after deduction of distribution payable of \$71.7 million (U.S. \$55.5 million)

We maintain a high level of liquidity, with a substantial amount of our assets held in cash and cash equivalents, and securities. The highly liquid nature of these assets provides us with flexibility in managing our business and financing. We also use this liquidity in client related service where we act as a financial intermediary for third parties and in our own proprietary investing activities.

25

At December 31, 2003, our cash and cash equivalents were \$145.5, compared to \$102.4 million at December 31, 2002. At December 31, 2003, we had securities of \$45.0, compared to \$62.6 million at December 31, 2002.

At December 31, 2003, our debt was \$33.3, compared to \$68.8 million at December 31, 2002.

As part of our merchant banking activities, we establish, utilize and maintain various kinds of credit lines and facilities with other banks, insurers, and trade finance providers. Most of these facilities are short-term. These facilities are primarily used for structured trade financing, accounts receivable financing and letters of credit. Such facilities are drawn upon and used for specific trading transactions. These credit facilities are generally secured by the subject matter of a proposed transaction, being either a receivable or the underlying commodity or natural resource being traded. We often further enhance the credit of such facilities through credit and/or performance insurance provided by governmental and/or private insurers. Such trade finance insurance is often layered with varying limitations and exceptions. The amounts drawn under the credit facilities fluctuate with the kind and level of commodities and natural resources trading transactions being undertaken by us. As such transactions are settled, proceeds are generally applied to first settle amounts drawn under such credit facilities.

At December 31, 2003, we had approximately 14 separate credit lines and facilities used for commodities and natural resources trading aggregating approximately €74.6 million, none of which was drawn and outstanding. The kind, amount and number of credit facilities we utilize and amounts drawn thereunder fluctuate from time to time based upon the nature, level and location of, and counterparties with, whom we conduct our commodities and natural resources trading activities.

We have debt maturities of \$5.9 million in 2004 and \$4.4 million in 2005. We expect such maturing debt to be satisfied primarily through the settlement of underlying commodities and natural resource trading transactions, cash on hand and cash flow from operations. Much of such maturing debt may either subsequently be made re-available to us by the applicable financial institution or we may replace such facilities with similar facilities depending upon our trading and capital requirements. For more information, see Note 10 to our consolidated financial statements included in this annual report .

Subsequent to the year ended December 31, 2003, we exercised our right of redemption to redeem all of the 8% Convertible Subordinated Bonds issued in March, 1998. We paid a total of US\$0.7 million to the bondholders for redemption. The balance of the bonds were converted into our common shares.

Operating Activities

In 2003, changes in securities provided cash of \$7.0 million compared to \$12.2 million in 2002. A decrease in receivables provided cash of \$9.5 million in 2003, compared to \$1.6 million in 2002. Of which, a decrease in commodity receivables provided cash of \$14.1 million in 2003, compared to an increase in the same using cash of \$7.7 million in 2002. A decrease in commodity investments provided cash of \$1.1 million in 2003, compared to \$6.0 million used in 2002. A decrease in properties held for sale provided cash of \$1.1 million in 2003, compared to \$13.5 million in 2002. A decrease in accounts payable and accrued expenses used cash of \$2.6 million in 2003, compared to an increase in same providing cash of \$3.8 million in 2002. Operating activities provided cash of \$37.4 million in 2003, compared to \$20.8 million in 2002. We expect to generate sufficient cash flow from operations to meet our working capital and other requirements.

26

Investing Activities

In 2003, a net decrease in loans provided cash of \$52.4 million, compared to a net increase in loans used cash of \$4.8 million in 2002. The net sale of long-term securities provided cash of \$4.8 million in 2003, compared to net purchase of long-term securities using cash of \$5.4 million in 2002. In 2003, purchases of subsidiaries, net of cash acquired, used cash of \$0.8 million, compared to \$35.0 million in 2002. Investing activities provided cash of \$64.9 million in 2003, compared to cash of \$19.1 million used in 2002.

Financing Activities

Net debt repayments used cash of \$25.1 million in 2003, compared to \$13.3 million in 2002. In 2003, a net decrease in deposits used cash of \$13.5 million, compared to a net increase in deposits providing cash of \$33.9 million in 2002. The net repurchase of common shares in 2003 used cash of \$9.7 million, compared to cash of \$7.0 million in 2002. Net cash used in financing activities was \$48.3 million in 2003, compared to net cash provided by financing activities of \$13.5 million in 2002.

We had no material commitments to acquire assets or operating businesses at December 31, 2003. We anticipate that there will be acquisitions of businesses or commitments to projects in the future. To achieve our long-term goals of expanding our assets and earnings, including through acquisitions, we will require substantial capital resources. The necessary resources will be generated from cash flow from operations, cash on hand, borrowing against our assets, sales of proprietary investments or the issuance of securities.

Foreign Currency

Substantially all of our operations are conducted in international markets and our consolidated financial results are subject to foreign currency exchange rate fluctuations.

We translate foreign assets and liabilities into Canadian dollars at the rate of exchange on the balance sheet date. Revenues and expenses are translated at the average rate of exchange prevailing during the period. Unrealized gains or losses from these translations are recorded as shareholders' equity on the balance sheet and do not affect our net earnings. As a substantial amount of our revenues are received in Swiss francs and Euro, our financial position for any given period, when reported in Canadian dollars, can be significantly affected by the exchange rates for Swiss francs and Euro prevailing during that period. In the year ended December 31, 2003, we reported approximately a net \$35.9 million foreign exchange translation loss and, as a result, our cumulative foreign exchange translation loss at December 31, 2003 was \$17.1 million, compared to a \$18.7 million gain at December 31, 2002.

Based upon the period average exchange rates in 2003, the Canadian dollar decreased by approximately 2.9% in value against the Swiss franc, 6.2% in value against the Euro and by approximately 12.1% in value against the U.S. dollar, compared to the period average exchange rates in 2002. As at December 31, 2003, the Canadian dollar increased by approximately 9.1% in value against the Swiss franc, 1.7% against the Euro and by approximately 22.2% against the U.S. dollar since December 31, 2002.

We use derivative foreign exchange contracts to manage our exposure and our clients' exposure to foreign currency exchange rate risks. At December 31, 2003 and 2002, we did not hold any forward foreign exchange contracts for our own account. For more information, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk - Derivative Instruments".

27

Derivative Instruments

Derivatives are financial instruments, the payments of which are linked to the prices, or relationships between prices, of securities or commodities, interest rates, currency exchange rates or other financial measures. Derivatives are designed to enable parties to manage their exposure to interest rates and currency exchange rates, and security and other price risks. We use derivatives to provide products and services to clients and to manage our foreign currency exchange exposure for our own account. We also use derivatives to manage our interest rate risk on debts. For more information, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk - Derivative Instruments".

Inflation

We do not believe that inflation has had a material impact on our revenues or income over the past three fiscal years. Because our assets to a large extent are liquid in nature, they are not significantly affected by inflation. However, increases in inflation could result in increases in our expenses, which may not be readily recoverable in the price of services provided to our clients. To the extent inflation results in rising interest rates and has other adverse effects on capital markets, it could adversely affect our financial position and profitability.

Application of Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increase, these judgments become even more subjective and complex. We have identified certain accounting policies, described below, that are the most important to the portrayal of our current financial condition and results of operations. Our significant accounting policies are disclosed in Note 1 to our consolidated financial statements included in this annual report.

Revenue Recognition

Merchant banking revenues for banking and services are recognized as they are performed, and from commodities and natural resources trading and the sale of proprietary investments as they are completed and when the amounts of the revenues are fixed, agreed or determinable and collectibility is reasonably assured.

Allowance for Credit Losses

Our allowance for credit losses is to be maintained at an amount considered adequate to absorb estimated credit-related losses. Such allowances reflect management's best estimate of the probable losses in our credit portfolio and judgments about both macro- and micro-economic conditions. The evaluation process involves estimates and judgments, which could change drastically in the near-term, and could result in a significant change to a recognized allowance. Credit losses arise primarily from loans but may also relate to other credit instruments such as guarantees and letters of credit. An allowance for credit losses may be increased by provisions which are charged to income and reduced by write-offs net of any recoveries.

28

We review our loan portfolio and receivables on a regular basis. Specific provisions are established on a loan-by-loan or receivable basis. In determining whether a specific provision is required or not, we consider, but such consideration is not limited to, the following factors:

- repayment history of the borrower;
- overall financial position and results of the borrower;
- the nature and quality of collateral and guarantee;
- business plan and outlook of the borrower;
- secondary market value of the loan and the collateral; and
- our business plan or strategy to divest or restructure the debt.

A general provision may be established to absorb potential credit losses attributable to the deterioration of credit quality on aggregate exposures for which specific provisions cannot yet be determined. A country risk provision may be made based on exposures in less developed countries and on management's overall assessment of the underlying economic conditions in those countries. A market risk provision may be made based on the macro-economic factors which are specific to a particular region or industry and the micro-economic factors which are specific to a particular borrower. Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

Goodwill Impairment

A goodwill impairment loss should be recognized when the carrying amount of the goodwill exceeds the fair value of the goodwill. An impairment loss should not be reversed if the fair value subsequently increases. We consider, but such consideration is not limited to, the following factors to determine the goodwill impairment:

- a significant adverse change in legal factors or in the business climate;
- an adverse action or assessment by a regulator;
- unanticipated competition;
- loss of key personnel;
- a more-likely-than-not expectation that a significant portion or all of a reporting unit will be sold or otherwise disposed of;
- the testing for write-down or impairment of a significant asset group within a reporting unit; or
- the recognition of a goodwill impairment loss in its separate financial statements by a subsidiary that is a component of the reporting unit.

Valuation of Securities

Trading account securities held by MFC Merchant Bank S.A. are stated at quoted market value, with the unrealized gain or loss included in the results of operations. Other short-term securities are

29

carried at the lower of aggregate cost or current market value, with the unrealized loss included in the results of operations.

When there has been a loss in value of a long-term security that is other than a temporary decline, the security will be written down to recognize the loss. The write-down is included in the determination of income.

A decline in market value may be only temporary in nature or may reflect conditions that are more persistent. Declines may be attributable to general market conditions, either globally or regionally, that reflect prospects of the economy as a whole or prospects of a particular industry or a particular company. Such declines may or may not indicate the likelihood of ultimate recovery of the carrying amount of a security. We regularly review our portfolio position to determine whether an other than temporary decline exists.

In determining whether the decline in value is other than temporary, quoted market price is not the only deciding factor, particularly for thinly traded securities, large block holdings and restricted shares. We consider, but such consideration is not limited to, the following factors:

- trend of the quoted market price and trading volume;
- financial position and results for a period of years;
- liquidity or going concern problems of the investee;
- changes in or reorganization of the investee and/or its future business plan;
- outlook of the investee's industry;
- the current fair value of the investment (based upon an appraisal thereof) relative to its carrying value; and
- our business plan and strategy to divest the security or to restructure the investee.

E. Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

30

F. Contractual Obligations

	Payments Due by Period (in thousands)			
	Less than 1 Year	2 - 3 Years	4 - 5 Years	More than 5 Years
Contractual Obligations				
Long-Term Debt Obligations	\$5,921	\$11,036	\$16,340 ⁽¹⁾	\$-
Capital Lease Obligations	67	35	-	-
Operating Lease Obligations	1,570	2,609	2,207	3,865
Purchase Obligations	32,499 ⁽²⁾	-	-	-
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet Under GAAP	-	-	-	-
Total	\$40,057	\$13,680	\$18,547	\$3,865

(1) Subsequent to the year ended December 31, 2003, the convertible debentures of \$16.3 million were called for redemption, the majority of which were converted into common shares of our company. Approximately \$0.9 million was redeemed in cash.

(2) Consisting of \$26.3 million for commodities trading and \$6.2 million for alloys and pigments business.

ITEM 6 Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth the names, business experience and function/area of expertise of each of our directors and officers, as at April 1, 2004:

Name and Age	Present Position with MFC	Date of Commencement of Office with MFC	Expiration of Term of Office with MFC
Michael J. Smith (56)	Director President, Chief Executive Officer and Secretary	1986 1996	2005 N/A
Sok Chu Kim ⁽¹⁾ (73)	Director	1996	2004
Oq-Hyun Chin ⁽¹⁾ (65)	Director	1994	2004
Dr. Stefan Feuerstein (52)	Director Vice-President	2000 2000	2003 N/A
Silke Brossmann ⁽¹⁾ (36)	Director	2003	2005
John Musacchio (56)	Vice-President	1999	N/A

(1) Member of our audit committee.

Michael J. Smith - President, Chief Executive Officer and Director

Mr. Smith has been our President and Chief Executive Officer since 1996, our Secretary since 2003 and a director of our company since 1986. Mr. Smith is the President, Chief Financial Officer and a Director of Trimaine Holdings Inc., a public company with its common shares registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934. Mr. Smith is also the Chief Executive Officer, President, Chief Financial Officer and a director of Equidyne Corporation, a public company with its common shares registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934. Equidyne is a company which until January 2004 focussed on the needle free drug delivery systems. Equidyne is in the process of seeking other business opportunities.

Mr. Smith has extensive experience in advisory services, corporate finance, restructuring and international taxation. He leads our company's investing and merchant banking activities.

Sok Chu Kim - Director

Mr. Kim has been a director of MFC since 1996. Mr. Kim was the President of the Korea International Merchant Bank from 1985 to 1989 and the Senior Vice-President, Korea Exchange Bank, from 1967 to 1985. He is also an advisor to Sukura Bank (Seoul, Korea) and a director of Korea Liberalization Fund Ltd. since January 1991.

Oq-Hyun Chin - Director

Mr. Chin has been a director of MFC since 1994. Since April, 1990, Mr. Chin has been a business advisor with The Art Group Architects & Engineers Ltd.

Dr. Stefan Feuerstein - Director and Vice-President

Dr. Feuerstein has been our Vice-President and a director of our company since 2000 and the Managing Director of MFC Capital Partners AG since 2001. Dr. Feuerstein has also been the Managing Director of the Industrial Investment Council of the New German States since 1997. From 1992 to 1996, he was the President of the Thuringian Economic Development Corporation (Germany).

Silke Brossmann - Director

Ms. Brossmann has been a director of MFC since 2003. She was the Head of Investor Relations with Prokurist and Head of Central Administration of Koidl & Cie. Holding AG from 1999 to 2002. Ms. Brossmann has been an independent management consultant since 2002.

John Musacchio - Vice-President

Mr. Musacchio has been our Vice-President since 1999. John Musacchio has 25 years industrial and professional service business operating experience on an international scale. His positions included principal, director and officer in private and publicly traded companies. These companies were active in the engineering, construction, power generation, petroleum and chemical industries. His management experience includes the segments of operations, marketing, corporate development and planning.

There are no family relationships between any of the directors or executive officers of our company. There are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any person referred to above was selected as a director or executive officer.

B. Compensation

During the fiscal year ended December 31, 2003, we paid an aggregate of approximately \$2.1 million in cash compensation to our directors and officers. This amount does not take into account incentive stock options granted to or exercised by such directors and officers or other non-cash compensation, as more particularly described below. No other funds were set aside or accrued by our company during the fiscal year ended December 31, 2003 to provide pension, retirement or similar benefits for our directors or officers pursuant to any existing plan provided or contributed to by us.

Executive Compensation

The following table provides a summary of compensation paid by us during the fiscal year ended December 31, 2003 to the senior management of our company:

SUMMARY COMPENSATION TABLE					
Name and Principal Position	Annual Compensation ⁽¹⁾		Long Term Compensation		
	Salary	Bonus	Other Annual Compensation	Securities Under Options/SARs Granted	All other Compensation
Michael J. Smith President, Chief Executive Officer, Secretary and Director ⁽²⁾	\$367,179	\$222,499	\$-	Nil	\$23,546
Dr. Stefan Feuerstein Vice-President and Director	\$379,752	\$49,874	\$-	Nil	19,416
Claudio Morandi Managing Director MFC Merchant Bank S.A. ⁽³⁾	\$264,625	\$111,250	\$-	Nil	30,727
Roy Zanatta Secretary ⁽⁴⁾	\$54,452	\$-	\$-	Nil	361,903

John Musacchio Vice-President	\$246,730	\$-	\$-	Nil	Nil
----------------------------------	-----------	-----	-----	-----	-----

- (1) On a cash basis, unless otherwise stated.
(2) Mr. Smith was appointed as Secretary on October 6, 2003.
(3) Mr. Morandi resigned as Managing Director of MFC Merchant Bank S.A. in December, 2003.
(4) Mr. Zanatta resigned as Secretary on September 26, 2003.

Directors' Compensation

Our non-management directors receive US\$20,000 annually for their services and US\$500 for each meeting of directors that they attend. We also reimburse our directors and officers for expenses incurred in connection with their services as our directors and officers.

33

Employment Agreements and Termination of Employment or Change of Control

Mr. Smith entered into an amended and restated employment agreement with MFC in 2000. The agreement generally provides, subject to certain termination provisions, for the continued employment of Mr. Smith for a period of 36 months with automatic one month renewals, so that the agreement at all times has a remaining term of 36 months. The agreement provides for an annual base salary and other compensation to be paid to Mr. Smith as determined by our board of directors. His salary is currently U.S. \$240,000. In the event he is terminated without cause or resigns for good reason (as defined in the Agreement) within three years of a change of control (as defined in the Agreement), Mr. Smith will be entitled to a lump sum severance payment of three times the sum of (i) his current annual salary under the agreement, and (ii) the higher of his current annual bonus under the agreement and the highest variable pay and bonus received by him in the previous five fiscal years. If Mr. Smith is terminated without cause or resigns for good reason after three years of a change of control, he will be entitled to the same payments in equal instalments over 12 months.

In addition, all unvested rights in any stock options or other equity awards made to Mr. Smith will vest in full in the event of a change of control. Mr. Smith will also be entitled, for a period of 365 days following the earlier of the date of his termination and the date of the change of control, to require us to purchase all or any part of our common shares held by Mr. Smith on the date of termination or date of change of control, at a price equal to the average closing market price of our common shares on the Nasdaq National Market for the ten preceding trading days.

C. Board Practices

Our Articles provide for three classes of directors with staggered terms. Each director holds office until the expiry of his term or until his successor is elected or appointed, unless his office is earlier vacated in accordance with our Bylaws or with the provisions of the *Business Corporations Act* (Yukon). At each annual meeting of our company, a class of directors is elected to hold office for a three year term. Successors to the class of directors whose terms expire are identified as being of the same class as the directors they succeed and are elected to hold office for a term expiring at the third succeeding annual meeting of shareholders. A director appointed or elected to fill a vacancy on the board of directors holds office for the unexpired term of his predecessor.

Other than as discussed above, there are no service contracts between our company and any of our directors providing for benefits upon termination of employment.

Our board of directors has established an audit committee. Our audit committee currently consists of Sok Chu Kim, Oq-Hyun Chin and Silke Brossmann. The audit committee operates pursuant to a charter adopted by the board of directors. The audit committee is appointed and generally acts on behalf of the board of directors. The audit committee is responsible primarily for monitoring: (i) the integrity of our financial statements; (ii) compliance with legal and regulatory requirements; and (iii) the independence and performance of our internal and external auditors.

We do not have a remuneration or compensation committee. A majority of our independent directors recommends to our board of directors for determination the compensation of our executive officers.

D. Employees

We currently employ approximately 1,141 people, including 40 from Med Net International Ltd. and 665 from KHD Humboldt Wedag AG. In addition, Med Net International's unincorporated joint

34

venture eye care and skin centers in China employ 230 people. As at December 31, 2003, 2002 and 2001, we employed approximately 246, 168 and 144 people, respectively. We are not party to any collective agreements with any labour unions.

E. Share Ownership

There were 13,657,797 common shares, nil stock options and nil share purchase warrants issued and outstanding as of April 15, 2004. Of the shares issued and outstanding on that date, our directors and officers owned the following common shares:

Name Office Held	Number of Common Shares Beneficially Owned	Percentage ⁽¹⁾
Michael J. Smith President, Chief Executive Officer, Secretary and Director	612,000 ⁽²⁾	4.5%
John Musacchio Vice-President	1,000	*
Sok Chu Kim Director	-	-
Oq-Hyun Chin	-	-

Director		
Dr. Stefan Feuerstein Director	-	-
Silke Brossmann Director	-	-

* Less than one percent (1%).

(1) Based on 13,657,797 common shares issued and outstanding as at April 15, 2004.

(2) Of this amount, 85,000 shares are owned by the director and the balance is owned by his family members.

Stock Option Plan

We have an incentive stock option plan that provides for the grant of incentive stock options to purchase our common shares to our directors, officers and key employees and other persons providing ongoing services to us. Our stock option plan is administered by our board of directors. The maximum number of our common shares which may be reserved and set aside for issuance under our stock option plan is 2,762,000. Each option upon its exercise entitles the grantee to one common share. The exercise price of an option may not be less than the closing market price of our common shares on the Nasdaq on the day prior to the date of grant of the option. In the event our common shares are not traded on such day, the exercise price may not be less than the average of the closing bid and ask prices of our common shares on the Nasdaq for the ten trading days immediately prior to the date the option is granted. Options may be granted under our stock option plan for an exercise period of up to ten years from the date of grant of the option. We did not grant any options in 2003 and there are no options that are currently outstanding.

35

ITEM 7 Major Shareholders and Related Party Transactions

A. Major Shareholders

There were 13,657,797 common shares issued and outstanding as of April 15, 2004. The following table sets forth, as of April 15, 2004, persons known to us to be the beneficial owner of more than five (5%) of our common shares:

Name	Amount Owned	Percent of Class
Peter Kellog	3,141,550 ⁽¹⁾	23.0%
FMR Corp.	876,285	6.4%

⁽¹⁾ In his public filings, Mr. Kellog disclaims beneficial ownership of 2,821,550 of the shares, or approximately 16.5% of our issued and outstanding common shares.

There has been no significant change in the percentage ownership of any of our major shareholders during the years ended December 31, 2003, 2002 and 2001.

The voting rights of our major shareholders do not differ from the voting rights of holders of our company's shares who are not major shareholders.

As of April 15, 2004, the registrar and transfer agent for our company reported that there were 13,657,797 common shares issued and outstanding. Of those common shares issued and outstanding, 50,695 common shares were registered to Canadian residents (3 shareholders), 12,480,407 common shares were registered to residents of the United States (92 shareholders) and 1,126,695 common shares were registered to residents of other foreign countries (23 shareholders).

To the best of our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person.

There are no arrangements known to us, the operation of which may at a subsequent date result in a change in the control of our company.

B. Related Party Transactions

Other than as disclosed herein, to the best of our knowledge, there have been no material transactions or loans, between January 1, 2003 and April 1, 2004, between our company and (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, our company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of our company that gives them significant influence over our company, and close members of any such individual's family; (d) key management personnel of our company, including directors and senior management of our company and close members of such individuals' families; and (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence.

During 2003, we earned fees in the normal course from our merchant banking affiliates amounting to approximately \$4.6 million. In 2002 such fees amounted to \$9.2 million.

36

We also sold commodities amounting to \$7.8 million (\$3.5 million in 2002) in the normal course to affiliates. We had receivables of \$3.0 million and \$2.9 million due from affiliates resulting from commodities trading as at December 31, 2003 and 2002, respectively.

We had a receivable from an officer of \$0.8 million which was paid in full in the normal course during the year ended December 31, 2003.

We receive dividends pursuant to a royalty interest from an affiliate at a rate of 10% annually. Dividends earned amounted to \$4.9 million in 2003.

ITEM 8 Financial Information

Our financial statements are stated in Canadian dollars (CDN\$) and are prepared in accordance with Canadian Generally Accepted Accounting Principles. In this annual report, unless otherwise specified, all dollar amounts are expressed in Canadian Dollars.

Financial Statements filed as part of the Annual Report:

- Independent Auditor's Report dated April 2, 2004 on the Consolidated Financial Statements of MFC as at December 31, 2003, 2002 and 2001.
- Consolidated Balance Sheets at December 31, 2003 and 2002
- Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001
- Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2003, 2002 and 2001
- Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001
- Notes to Consolidated Financial Statements
- Independent Auditors' Report on Financial Statement Schedule.
- Financial Statement Schedule:

I Condensed Financial Information of Registrant (Regulation 210.12.-04).

The Audited Consolidated Financial Statements for the Years Ended December 31, 2003, 2002 and 2001 can be found under Item 18 "Financial Statements".

Significant Changes

No significant change has occurred in our company's financial statements since the financial year ended December 31, 2003, other than the subsequent events as disclosed in Note 19 to our consolidated financial statements included in this annual report.

Legal Proceedings

We are subject to routine litigation incidental to our business and are named from time to time as a defendant in various legal actions arising in connection with our activities, certain of which include large claims for punitive damages. We are also involved, from time to time, in investigations and

proceedings by governmental and self-regulatory agencies. Some of these legal actions, investigations and proceedings may result in adverse judgments, penalties or fines.

In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which substantial damages are sought, we cannot state what the eventual outcome of pending matters will be. We are contesting the allegations made in each pending matter and believe, based on current knowledge and after consultation with counsel, that the outcome of such matters will not have a material adverse effect on or consolidated financial condition, but may be material to our operating results for any particular period, depending on the level of our income for such period.

Dividend Distributions

The actual timing, payment and amount of dividends paid on our common shares is determined by our board of directors, based upon things such as our cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and such other business consideration as our board of directors considers relevant.

ITEM 9 The Offer and Listing

Markets and Price History

Our common shares quoted on the Nasdaq National Market under the symbol "MXBIF" and on the Frankfurt Stock Exchange under the symbol "MFC.GR". The following table sets forth the high and low sales of prices of our common shares on the Nasdaq for the periods indicated. In August 2002, we paid a stock dividend of 0.95 common shares of Mymetics Corporation for each common share of our company held by shareholders of record as of August 13, 2002. As a result, the sales price set out below for periods prior to the payment of the stock dividend did not reflect the payment of the stock dividend to our shareholders.

	Nasdaq	
	High (US\$)	Low (US\$)
Annual Highs and Lows		
1999	12.25	5.81
2000	10.00	6.75
2001	11.60	7.13
2002	11.51	6.45
2003	18.42	6.81
Quarterly Highs and Lows 2002		
First Quarter	11.51	9.20
Second Quarter	10.49	8.60

Third Quarter	9.19	7.01
Fourth Quarter	7.81	6.45
2003		
First Quarter	8.35	6.74
Second Quarter	9.87	7.92
Third Quarter	14.35	8.25
Fourth Quarter	18.42	13.27
	38	
Monthly Highs and Lows		
2003		
October	15.60	13.27
November	17.05	14.87
December	18.42	16.16
2004		
January	24.28	17.76
February	23.90	20.52
March	24.93	21.27

The transfer of our common shares is managed by our transfer agent, Mellon Investor Services, LLC, 85 Challenger Road, Ridgefield Park, NJ 07660.

ITEM 10 Additional Information

B. Memorandum and Articles of Association

We are incorporated under the laws of the Yukon Territory, Canada and have been assigned corporate access number 29216.

Our Articles and Bylaws do not contain a description of our objects and purposes, except insofar as to restrict us from carrying on the business of a railway, steamship, air transport, canal, telegraph, telephone or irrigation company. We may perform any and all corporate activities permissible under the laws of the Yukon Territory.

Our Articles and Bylaws do not restrict a director's power to vote on a proposal, arrangement or contract in which the director is materially interested, vote compensation to themselves or any other members of their body in the absence of an independent quorum or exercise borrowing powers. There is no mandatory retirement age for our directors and our directors are not required to own securities of MFC in order to serve as directors.

Our authorized capital consists of common shares and class A preferred shares. Our class A preferred shares may be issued in one or more series and our directors may fix the number of shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series. Currently, we have authorized 140,000 class A preferred shares, series 1, 140,000 class A preferred shares, series A, 100,000 class A preferred shares, series 2 and 20,000 class A preferred shares, series 3.

Holders of our common shares are entitled to vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote, receive any dividend declared by MFC and, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares, receive the remaining property of MFC upon dissolution.

Our class A preferred shares of each series rank on a parity with our class A preferred shares of any other series and are entitled to a preference over our common shares with respect to the payment of

39

dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of MFC.

Holders of our series 1 shares and series A shares are entitled to dividends of \$5.00 per share per annum. Our series 1 shares and series A shares are redeemable at our option at a price of \$100.00 and carry retraction rights entitling a holder to require us to redeem their series 1 shares or series A shares, respectively, at any time after five years from the date of issuance for a price of \$100.00. Our series 1 shares and series A shares are also convertible into such number of our common shares as is specified in our Articles at any time after five years from the date of issuance or in the event the series 1 shares or series A shares, respectively, are called for redemption.

Holders of our series 2 shares and series 3 shares are entitled to dividends of \$3.00 per share per annum. Our series 2 shares and series 3 shares are redeemable at our option at a price of \$100.00.

The provisions in our Articles attaching to our common shares and class A preferred shares may be altered, amended, repealed, suspended or changed by the affirmative vote of the holders of not less than two-thirds of the common shares and two-thirds of the class A preferred shares, respectively.

Our Articles provide for three classes of directors with staggered terms. Each director holds office until the expiry of his term or until his successor is elected or appointed, unless his office is earlier vacated in accordance with our Bylaws or with the provisions of the *Business Corporations Act* (Yukon). At each annual meeting of our company, a class of directors is elected to hold office for a three year term. Successors to the class of directors whose terms expire are identified as being of the same class as the directors they succeed and are elected to hold office for a term expiring at the third succeeding annual meeting of shareholders. A director appointed or elected to fill a vacancy on the board of directors holds office for the unexpired term of his predecessor.

An annual meeting of shareholders must be held at such time in each year not later than 15 months after the last preceding annual meeting and at such place as our board of directors, or failing it, our Chairman, Managing Director or President, may from time to time determine. The holders of not less than five percent of our issued shares that carry the right to vote at a meeting may requisition our directors to call a meeting of shareholders for the purposes stated in the requisition. The quorum for the transaction of business at any meeting of shareholders is two persons present in person or by proxy who together hold or represent by proxy, in aggregate, not less than one-third of our outstanding shares entitled to vote at the meeting. Only persons entitled to vote, our directors and auditors and others who, although not entitled to vote, are otherwise entitled or required to be present, are entitled to be present at a meeting of shareholders.

Except as provided in the *Investment Canada Act*, there are no limitations specific to the rights of non-Canadians to hold or vote our common shares under the laws of Canada or the Yukon Territory, or in our charter documents. See "Exchange Controls" below for a discussion of the principal features of the *Investment Canada Act* for non-Canadian

residents proposing to acquire our common shares.

As set forth above, our Articles and Bylaws contain certain provisions that would have an effect of delaying, deferring or preventing a change in control of MFC, including authorizing the issuance by our board of directors of preferred stock in series, providing for a classified board of directors with staggered, three-year terms and limiting the persons who may call special meetings of shareholders. Our Articles and Bylaws do not contain any provisions that would operate only with respect to a merger, acquisition or corporate restructuring of our company.

40

In 1993, we adopted a shareholder protection rights plan to protect us and our shareholders from unfair, abusive or coercive acquisition tactics. Generally, the plan provides for the issuance to the holders of each of our outstanding common shares of a right to purchase one of our common shares at an exercise price determined in accordance with the plan upon the commencement of a take-over bid. We have waived the application of the plan to an existing shareholder to permit such shareholder to acquire up to 25% of our common shares. Our plan currently expires in 2004, and we plan to renew the same.

Our Bylaws do not contain any provisions governing the ownership threshold above which shareholder ownership must be disclosed.

C. Material Contracts

The following summary of certain material provisions of the agreements referenced below is not complete and these provisions are qualified in their entirety by reference to the full text of such agreements.

On March 17, 2004, we entered into a Guarantee Agreement whereby we agreed to guarantee the obligations of MFC Commodities GmbH up to a maximum of €3,000,000.

On February 2, 2004, we entered into a Guarantee Agreement whereby we agreed to guarantee the obligations HIT Paper Trading GmbH up to a maximum of €1,000,000.

On February 1, 2004, we entered into a Letter Agreement whereby we agreed to reimburse and indemnify with respect to certain obligations of MFC Commodities GmbH.

On February 1, 2004, we entered into a Letter Agreement whereby we agreed to reimburse and indemnify with respect to the obligations of MFC Pulp & Paper under certain factoring agreements.

On January 22, 2004, we entered into an Advance Payment Guarantee Agreement whereby we agreed to guarantee the obligations of MFC Commodities GmbH up to a maximum of US\$2,000,000.

Effective January 7, 2004, we issued an aggregate of €3.2 million of convertible bonds to third parties. The bonds bear interest at the rate of 4.4% per annum, mature on December 31, 2009 and are convertible into shares of our common stock at various prices depending on the time of conversion. At any time on or after December 31, 2005, we may, at our option, redeem the bonds in whole or in part at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon.

In December 2003, pursuant to an Assignment and Assumption of Debt Agreement with Sutton Park International Limited, we assigned to Sutton Park International Limited all of the obligations and liabilities of Banff Resources Ltd. owed to us, including, and any interest payable thereon, and any legal or equitable interests or claims held by us over the assets of Banff Resources Ltd.

In December 2003, pursuant to a Share Transfer Agreement between Sutton Park International Limited and Banff Resources Limited, Sutton Park International Limited purchased all of the shares of Kasese Cobalt Company Limited owned by Banff Resources Limited in consideration of Sutton Park International Limited agreeing to set-off the purchase price for such shares against the all indebtedness of Banff Resources Limited owed to Sutton Park International Limited.

Pursuant to a Share Purchase Agreement, dated December 9, 2003, we sold our equity interest in Banff Resources to an independent director of that company for a nominal amount.

41

On December 19, 2003, we entered into a Payment Guarantee Agreement whereby we agreed to guarantee the obligations of Mazak Ltd. up to a maximum of US\$2,000,000.

In December 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee the payment of any existing and future outstanding obligations of MFC Commodities which are related to MFC Commodities' commodity business operations.

In December 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee a portion of the payment obligations of IC Management Service GmbH under a credit facility agreement and factoring agreement.

In November 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee the amount of €350,000 with respect to the obligations of Mazak Slovakia, s.r.o.

On November 12, 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee the amount of €3500,000 with respect to the obligations of MFC Aluminiumfolie Merseburg GmbH.

On October 24, 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee the amount of €220,000 with respect to the obligations of Mazak Slovakia s.r.o.

On October 23, 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee the amount of €2500,000 with respect to the obligations of Landqart AG.

On September 25, 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee the amount of €500,000 with respect to the obligations of AIG Altmark Industrie AG.

On September 9, 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee the amount of €5,000,000 with respect to the obligations of JH Trade & Financial Services GmbH.

On September 4, 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee the amount of €2,000,000 with respect to the obligations of MFC Commodities GmbH.

On July 18, 2003, we entered into a Loan and Security Agreement with respect to the financial assistance given to Mazak Limited.

On July 8, 2003, we entered into a Guarantee Agreement whereby we agreed to guarantee the amount of US\$2,350,000 with respect to the obligations of MFC Commodities GmbH.

On March 18, 2003, we entered into a Guarantee Agreement pursuant to the factoring agreements with MFC Pulp & Paper GmbH.

On March 27, 2003, we entered into a Guarantee Agreement in respect of the indebtedness of Med Net (Shanghai) Medical Technical Developing Co. Ltd. extending the term of the original guarantee dated November 20, 2002 to January 31, 2005.

On March 27, 2003, we entered into a Guarantee Agreement in respect of the indebtedness of MFC Commodities GmbH, extending the term of the original guarantee dated August 30, 2002 to January 31, 2005.

Pursuant to various agreements in July 2003 with Trident Alloys Ltd., Lloyds TSB Bank plc and Lloyds TSB Development Capital Limited, we acquired an 80% interest in the outstanding common shares

42

of Alson Enterprises Corporation. Mazak Ltd., a wholly-owned subsidiary of Alson Enterprises, acquired the zinc-based alloy and pigments business and related assets of Trident Alloys Ltd. The consideration for the acquisition of the interest in Alson was cash of \$0.8 million.

In August 2002, we acquired approximately 85% of the issued shares and U.S.\$11.4 million of indebtedness of Banff Resources Ltd. for nominal consideration and the provision of a contingent royalty interest to the vendor pursuant to a Share Sale Agreement among Newmont Australia Limited, Newmont LaSource S.A.S. and MFC dated August 7, 2002 and a Royalty Deed among MFC, Newmont Australia and Newmont LaSource dated August 7, 2002. Under the Royalty Deed, we granted to the vendor a royalty in an amount equal to 10% of the net cash flow resulting from any processing operations of Kasese Cobalt Company Limited up to an aggregate maximum of U.S.\$10.0 million. If there is no cash flow, no royalty will be payable for such period. These documents also contain terms and conditions customary for agreements of this type. We also subsequently acquired approximately U.S.\$77.2 million of indebtedness of Kasese Cobalt Company Limited.

In July 2002, we disposed of an indirect interest in an oil venture royalty stream pursuant to a Stock Purchase Agreement among Occidental (East Shabwa), LLC, Intercap Yemen, Inc. an indirect wholly-owned subsidiary of MFC, and MFC dated July 23, 2003. Pursuant to such agreement, all of the outstanding common shares of Comeco Petroleum, Inc. held by Intercap Yemen were transferred to Occidental (East Shabwa) as consideration for the purchase price. Intercap Yemen held 500 shares of common stock of Comeco Petroleum which represented a 41.25% interest in Comeco Petroleum. Comeco Petroleum, in turn, holds a 28.57% interest in the East Shabwa Development Area, an oil field in Yemen. The agreement contains terms and conditions customary for agreements of this type.

On June 10, 2002, we entered into a Guarantee and Indemnity Agreement with respect to the non-recourse factoring agreements involving Hovis GmbH and Hovis Pulp & Paper GmbH.

D. Exchange Controls

There are presently no governmental laws, decrees or regulations in Canada which restrict the export or import of capital, or which impose foreign exchange controls or affect the remittance of interest, dividends or other payments to non-resident holders of our common shares. However, any remittances of dividends to United States residents are subject to a 15% withholding tax (5% if the beneficial owner of the dividends is a corporation owning at least 10% of our voting shares) pursuant to the Canada-U.S. Tax Convention (1980), as amended (the "Treaty"). See "Item 10. Additional Information - Taxation".

Except as provided in the ICA, there are no limitations specific to the rights of non-Canadians to hold or vote our common shares under the laws of Canada or the Yukon Territory, or in our charter documents. The following summarizes the principal features of the *Investment Canada Act* for non-Canadian residents proposing to acquire our common shares. **This summary is of a general nature only and is not intended to be, and should not be construed to be, legal advice to any holder or prospective holder of our common shares, and no opinion or representation to any holder or prospective holder of our common shares is hereby made. Accordingly, holders and prospective holders of our common shares should consult with their own legal advisors with respect to the consequences of purchasing and owning our common shares.**

The *Investment Canada Act* governs the acquisition of Canadian businesses by non-Canadians. Under the *Investment Canada Act*, non-Canadian persons or entities acquiring "control" (as defined in the *Investment Canada Act*) of a corporation carrying on business in Canada are required to either notify, or file an application for review with, Industry Canada. Industry Canada may review any transaction which results in the direct or indirect acquisition of control of a Canadian business, where the gross value of

43

corporate assets exceeds certain threshold levels (which are higher for investors from members of the World Trade Organization, including Americans, or World Trade Organization member-controlled companies) or where the activity of the business is related to Canada's cultural heritage or national identity. No change of voting control will be deemed to have occurred, for purposes of the *Investment Canada Act*, if less than one-third of the voting control of a Canadian corporation is acquired by an investor.

If an investment is reviewable under the *Investment Canada Act*, an application for review in the form prescribed is normally required to be filed with Industry Canada prior to the investment taking place, and the investment may not be implemented until the review has been completed and the Minister responsible for the *Investment Canada Act* is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian applicant must not implement the investment, or if the investment has been implemented, may be required to divest itself of control of the Canadian business that is the subject of the investment.

Certain transactions relating to our common shares would be exempt from the *Investment Canada Act*, including:

- the acquisition of our common shares by a person in the ordinary course of that person's business as a trader or dealer in securities;
- the acquisition of control of MFC in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the *Investment Canada Act*; and

- the acquisition of control of MFC by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of MFC, through ownership of our common shares, remains unchanged.

E. Taxation

Certain Canadian Federal Income Tax Consequences

We consider that the following general summary fairly describes the principal Canadian federal income tax consequences applicable to a holder of our common shares who is a resident of the United States, who is not, will not be and will not be deemed to be a resident of Canada for purposes of the *Income Tax Act* (Canada) and any applicable tax treaty and who does not use or hold, and is not deemed to use or hold, his common shares in the capital of MFC in connection with carrying on a business in Canada (a "non-resident holder").

This summary is based upon the current provisions of the *Investment Tax Act*, the regulations thereunder (the "Regulations"), the current publicly announced administrative and assessing policies of the Canada Customs and Revenue Agency and the Treaty. This summary also takes into account the amendments to the *Investment Tax Act* and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and assumes that all such Tax Proposals will be enacted in their present form. However, no assurances can be given that the Tax Proposals will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax consequences applicable to a holder of our common shares and, except for the foregoing, this summary does not take into account or anticipate any changes in law, whether by legislative, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign

44

income tax legislation or considerations, which may differ from the Canadian federal income tax consequences described herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular holder or prospective holder of our common shares, and no opinion or representation with respect to the tax consequences to any holder or prospective holder of our common shares is made. Accordingly, holders and prospective holders of our common shares should consult their own tax advisors with respect to the income tax consequences of purchasing, owning and disposing of our common shares in their particular circumstances.

Dividends

Dividends paid on our common shares to a non-resident holder will be subject under the *Investment Tax Act* to withholding tax at a rate of 25% subject to a reduction under the provisions of an applicable tax treaty, which tax is deducted at source by MFC. The Treaty provides that the *Investment Tax Act* standard 25% withholding tax rate is reduced to 15% on dividends paid on shares of a corporation resident in Canada (such as MFC) to residents of the United States, and also provides for a further reduction of this rate to 5% where the beneficial owner of the dividends is a corporation resident in the United States that owns at least 10% of the voting shares of the corporation paying the dividend.

Capital Gains

A non-resident holder is not subject to tax under the *Investment Tax Act* in respect of a capital gain realized upon the disposition of a common share of MFC unless such share represents "taxable Canadian property" (as defined in the *Investment Tax Act*) to the holder thereof. Our common shares generally will be considered taxable Canadian property to a nonresident holder if:

- the non-resident holder;
- persons with whom the non-resident holder did not deal at arm's length; or
- the non-resident holder and persons with whom such non-resident holder did not deal at arm's length,

owned, or had an interest in an option in respect of, not less than 25% of the issued shares of any class of our capital stock at any time during the 60 month period immediately preceding the disposition of such shares. In the case of a non-resident holder to whom shares of MFC represent taxable Canadian property and who is resident in the United States, no Canadian taxes will generally be payable on a capital gain realized on such shares by reason of the Treaty unless the value of such shares is derived principally from real property situated in Canada.

Certain United States Federal Income Tax Consequences

The following is a general discussion of certain possible United States Federal foreign income tax matters under current law, generally applicable to a U.S. Holder (as defined below) of our common shares who holds such shares as capital assets. This discussion does not address all aspects of United States Federal income tax matters and does not address consequences peculiar to persons subject to special provisions of Federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. See "Certain Canadian Federal Income Tax Consequences" above.

45

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. No assurance can be given that the IRS will agree with such statements and conclusions, or will not take, or a court will not adopt, a position contrary to any position taken herein.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal, business or tax advice to any holder or prospective holder of our common shares, and no opinion or representation with respect to the United States Federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of common shares should consult their own tax advisors with respect to Federal, state, local, and foreign tax consequences of purchasing, owning and disposing of our common shares.

U.S. Holders

As used herein, a "U.S. Holder" includes a holder of less than 10% of our common shares who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, any entity which is taxable as a corporation for U.S. tax purposes and any other person or entity whose ownership of our common shares is effectively connected with the conduct of a trade or business in the United States. A U.S. Holder does not include persons subject to special provisions of Federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals or foreign corporations whose ownership of our common shares is not effectively connected with the conduct of a trade or business in the United States and shareholders who acquired their shares through the exercise of employee stock options or otherwise as compensation.

Foreign Tax Credit

A U.S. Holder who pays (or has had withheld from distributions) Canadian income tax with respect to the ownership of our common shares may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States Federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign income taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the tax credit, among which is an ownership period requirement and the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his or its worldwide taxable income. In determining the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. There are further limitations on the foreign tax credit for certain types of income such as "passive income", "high withholding tax interest", "financial services income", "shipping income", and certain other classifications of income. **The availability of the foreign tax credit and the application of these complex limitations on the tax credit are fact specific and holders and prospective holders of our common shares should consult their own tax advisors regarding their individual circumstances.**

46

Passive Foreign Investment Corporation

We do not believe that we are a passive foreign investment corporation (a "PFIC"). If a U.S. Holder disposes of shares in a PFIC, any resultant gain will be subject to a tax that is determined by apportioning the gain pro rata over the entire holding period of the shares. The amount of gain that is apportioned to the current year, and to any pre-1987 holding period, is included in the U.S. Holder's current income.

The tax on the amount apportioned to any prior years beginning with 1987 is calculated using the highest tax rate in each applicable year. In addition, interest compounded daily is charged on the tax due for each prior year from the due date of the return for the respective year to the due date for the current year. The interest rate is set quarterly. The U.S. Holder's current year tax is increased by the special tax and interest on amounts apportioned to prior years.

A U.S. Holder can avoid this special tax and interest charge by making a permanent election to treat a PFIC as a "qualified electing fund" and to report in each year thereafter such shareholder's pro rata share of the ordinary earnings and net capital gains of a PFIC. If the election is not made in the first year that the U.S. Holder owns the shares, a special election would have to be made to cleanse the effect of the prior year's holding periods.

These rules apply similarly to distributions from a PFIC that would be considered excess distributions. Complex rules govern the determination of applicable gains and excess distributions, the calculation of the amounts allocated pro rata to prior years, the resultant tax and applicable interest, and the qualified electing fund elections whether as pedigreed or non-pedigreed. **Holders and prospective holders of common shares of a PFIC should consult their own tax advisors regarding their individual circumstances.**

H. Documents on Display

Documents and agreements concerning our company may be inspected at the offices of Clark, Wilson, Suite 800-885 West Georgia Street, Vancouver, British Columbia, Canada.

I. Subsidiary Information

As at April 1, 2004, our significant wholly-owned subsidiaries are as follows:

Name of Wholly-Owned Subsidiary	Jurisdiction of Incorporation or Organization
Blake International, Inc.	British Virgin Islands
MFC Capital Partners	Germany
MFC Merchant Bank S.A.	Switzerland
Robabaond Holding AG	Switzerland
Sutton Park International Ltd.	Barbados
Trimble Resources Corporation	Turks & Caicos Islands
4025750 Canada Inc.	Canada
32565 Yukon Inc.	Yukon
MFC Commodities AG	Switzerland
Parkland Venture Limited	British Virgin Islands

47

As at April 1, 2004, our significant majority-owned subsidiaries are as follows:

Name of Majority-Owned Subsidiary	Jurisdiction of Incorporation or Organization	Owner of Interests	Our Shareholding
DTA Holding AG	Germany	MFC Bancorp Ltd.*	93%

Winford Finance Corporation	British Virgin Islands	MFC Bancorp Ltd.*	96%
Trimaine Holdings, Inc.	Washington	MFC Bancorp Ltd.*	83%
Drummond Financial Corporation	Washington	MFC Bancorp Ltd.*	96%
Alson Enterprises Corp.	British Virgin Islands	Sutton Park International Ltd.	80%
Mazak Ltd.	United Kingdom	Alson Enterprises Corp.	100%**
Mazak Slovakia s.r.o.	Slovakia	Alson Enterprises Corp.	100%**
Garda Investments Corp.	British Virgin Islands	Sutton Park International Ltd.	100%**
Hovis Commodities Trading GmbH	Austria	Garda Investments Corp.	95.5%*
MFC Commodities GmbH	Austria	Hovis Commodities Trading GmbH	100%**
JH Trade & Financial Service GmbH	Austria	MFC Commodities GmbH (Austria)	100%**
IC Management Service GmbH	Austria	MFC Commodities GmbH (Austria)	100%**
Global Bulk Transport GmbH	Austria	MFC Commodities GmbH (Austria)	100%**
MFC Pulp & Paper GmbH	Austria	MFC Commodities GmbH (Austria)	100%**
Kasese Cobalt Company Limited	Uganda	Sutton Park International Ltd.	75%**
Med Net International Ltd.	Bermuda	MFC Bancorp Ltd.*	62%**
FAHR Beteiligungen AG	Germany	MFC Bancorp Ltd.*	68%**
KHD Humboldt Wedag AG	Germany	FAHR Beteiligungen AG	100%**
AIG Altmark Industrie AG	Germany	FAHR Beteiligungen AG	95%**

* held by MFC Bancorp Ltd. and/or its subsidiaries

** representing shareholding by the immediate parent company

ITEM 11 Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks from changes in interest rates, foreign currency exchange rates and equity prices which may affect our results of operations and financial condition and, consequently, our fair value. We manage these risks through internal risk management policies as well as the use of derivative instruments. We use derivative instruments to manage our exposure and our clients' exposure to currency exchange rate risks. The use of derivative instruments depends on our management's perception of future economic events and developments. These types of derivative instruments are generally highly speculative in nature. They are also very volatile as they are highly leveraged given that margin requirements are relatively low in proportion to notional amounts.

Many of our strategies, including the use of derivative instruments and the types of derivative instruments selected by us, are based on historical trading patterns and correlations and our management's expectations of future events. However, these strategies may not be fully effective in all market environments or against all types of risks. Unexpected market developments may affect our risk

48

management strategies during this time, and unanticipated developments could impact our risk management strategies in the future. If any of the variety of instruments and strategies we utilize are not effective, we may incur losses.

Derivative Instruments

At December 31, 2003, we had an interest rate swap of a notional amount of \$13.3 million with the purpose of converting a variable interest rate debt into a fixed interest rate debt.

At December 31, 2002, we did not hold any forward foreign exchange contracts. We have provided a loan, in the principal amount of €30.0 million, which has an embedded derivative feature which fixes the exchange rate at €1.00 = U.S.\$0.9731 in the event the Euro falls below this exchange rate. The loan was repaid in 2003. No gain or loss was recognized on this embedded derivative in 2003 or 2002. At December 31, 2001, we held four forward foreign exchange contracts in the aggregate notional amount of \$24.7 million which covered the period through March 31, 2002. We entered into these contracts for our own account to manage our exposure to foreign currency exchange risks.

Interest Rate Risk

Fluctuations in interest rates may affect the fair value of fixed interest rate financial instruments sensitive to interest rates. An increase in market interest rates may decrease the fair value of our financial instrument assets and increase the fair value of our financial instrument liabilities. A decrease in market interest rates may increase the fair value of our financial instrument assets and decrease the fair value of our financial instrument liabilities. An increase in interest rates may also increase the risk of defaults on loans. However, since our loans are collateralized and the majority of our loans are fixed interest rate, we do not consider that the loans are subject to interest rate risk. Our financial instruments which may be sensitive to interest rate fluctuations are investments, debt obligations and interest rate swap. The following tables provide information about our exposure to interest rate fluctuations for the carrying amount of financial instruments that may be sensitive to such fluctuations as at December 31, 2003 and 2002, respectively, and expected cash flows from these instruments.

49

**As at December 31, 2003
(in thousands)**

Expected Cash Flow*

Carrying

Fair

	Value	Value	2004	2005	2006	2007	2008	Thereafter
Investments ⁽¹⁾	\$57,248	\$57,248	\$12,681	\$6,859	\$13,307	\$5,132	\$9,002	\$36,343
Debt obligations ⁽²⁾	19,072	21,733	2,390	-	2,855	-	-	-
Interest rate swap liability	81	81	125	79	34	-	-	-

* Including interest and dividends where applicable.

(1) Investments consist of debt securities and preferred stock.

(2) Debt obligations consist of the bonds with carrying value of \$16.3 million which mature on April 1, 2008 and bear interest at 8% per annum, the majority of which was converted into common stock with the balance redeemed in cash for approximately \$0.9 million in early 2004.

As at December 31, 2002
(in thousands)

	Expected Future Cash Flow*							
	Carrying Value	Fair Value	2003	2004	2005	2006	2007	Thereafter
Investments ⁽¹⁾	\$68,163	\$68,261	\$35,282	\$5,716	\$4,900	\$4,900	\$4,900	\$37,046
Debt obligations ⁽²⁾	25,790	20,413	2,784	\$1,721	\$1,721	6,074	1,721	22,369

* Including interest and dividends where applicable.

(1) Investments consist of debt securities and preferred stock.

(2) Debt obligations consist of the bonds with carrying value of \$21.5 million which mature on April 1, 2008 and bear interest at 8% per annum.

Foreign Currency Exchange Rate Risk

Our reporting currency is the Canadian dollar. We hold financial instruments primarily denominated in U.S. dollars, Euro and Swiss francs. A depreciation of such currencies against the Canadian dollar will decrease the fair value of our financial instrument assets and liabilities. An appreciation of such currencies against the Canadian dollar will increase the fair value of our financial instrument assets and liabilities. Our financial instruments which may be sensitive to foreign currency exchange rate fluctuations are investments, loans, deposits, debt obligations and interest rate swap. The following tables provide information about our exposure to foreign currency exchange rate fluctuations for the carrying amount of financial instruments that may be sensitive to such fluctuations as at December 31, 2003 and 2002, respectively, and expected cash flows from these instruments:

50

As at December 31, 2003
(in thousands)

	Expected Future Cash Flow*							
	Carrying Value	Fair Value	2004	2005	2006	2007	2008	Thereafter
Investments ⁽¹⁾	\$37,465	\$34,602	\$12,627	\$1,959	\$8,407	\$232	\$4,102	\$11,714
Loans ⁽²⁾	15,390	15,390	13,368	158	103	103	2,459	-
Deposits ⁽³⁾	22,185	22,185	22,185	-	-	-	-	-
Debt obligations ⁽⁴⁾	33,297	35,958	7,273	4,719	7,412	-	-	-
Interest Rate Swap Liability	81	81	125	79	34	-	-	-

* Including interest and dividends where applicable.

(1) Investments consist of debt securities and equity securities, both of which are denominated in U.S. dollars, Euros or Swiss Francs.

(2) Loans are denominated in U.S. dollars, Euros or Swiss Francs.

(3) Deposits consist of cash deposits with MFC Merchant Bank S.A.

(4) Debt obligations consist of the bonds and other debt, all of which are denominated in U.S. dollars or Euro. The majority of the convertible bonds was converted into common shares of MFC with the balance redeemed in cash in early 2004.

As at December 31, 2002
(in thousands)

	Expected Future Cash Flow*							
	Carrying Value	Fair Value	2003	2004	2005	2006	2007	Thereafter
Investments ⁽¹⁾	\$54,115	\$54,821	\$43,370	\$816	\$-	\$-	\$-	\$10,010
Loans ⁽²⁾	75,366	75,366	33,393	42,613	-	-	-	-
	39,198	39,198	39,198	-	-	-	-	-

Deposits ⁽³⁾								
Debt obligations ⁽⁴⁾	68,798	63,421	33,941	6,720	6,526	10,684	1,721	22,369

* Including interest and dividends where applicable.

(1) Investments consist of debt securities and equity securities, both of which are denominated in U.S. dollars, Euros or Swiss Francs.

(2) Loans are denominated in U.S. dollars, Euros or Swiss Francs.

(3) Deposits consist of cash deposits with MFC Merchant Bank S.A.

(4) Debt obligations consist of the bonds and other debt, all of which are denominated in U.S. dollars or Euro.

51

Equity Price Risk

Changes in trading prices of equity securities may affect the fair value of equity securities or the fair value of other securities convertible into equity securities. An increase in trading prices will increase the fair value and a decrease in trading prices will decrease the fair value of equity securities or instruments convertible into equity securities. Our financial instruments which may be sensitive to fluctuations in equity prices are investments and debt obligations. The following tables provide information about our exposure to fluctuations in equity prices for the carrying amount of financial instruments sensitive to such fluctuations as at December 31, 2003 and 2002, respectively, and expected cash flows from these instruments:

As at December 31, 2003 (in thousands)

	Carrying Value	Fair Value	Expected Future Cash Flow*					Thereafter
			2004	2005	2006	2007	2008	
Investments ⁽¹⁾	\$61,198	\$57,856	\$12,732	\$4,900	\$4,900	\$4,900	\$4,900	\$53,366
Debt obligations ⁽²⁾	16,340	19,001	861	-	-	-	-	-

* Including interest and dividends where applicable.

(1) Investments consist of equity securities.

(2) Debt obligations consist of the bonds which are convertible into common shares of MFC at a fixed price, the majority of which were converted into common shares of MFC with the balance redeemed in cash in early 2004.

As at December 31, 2002 (in thousands)

	Carrying Value	Fair Value	Expected Future Cash Flow*					Thereafter
			2003	2004	2005	2006	2007	
Investments ⁽¹⁾	\$70,157	\$70,354	\$22,691	\$4,900	\$4,900	\$4,900	\$4,900	\$52,563
Debt obligations ⁽²⁾	21,509	16,132	1,721	1,721	1,721	1,721	1,721	21,939

* Including interest and dividends where applicable.

(1) Investments consist of equity securities.

(2) Debt obligations consist of the bonds which are convertible into common shares of MFC at a fixed price.

52

ITEM 12 Description of Securities Other Than Equity Securities

Not applicable.

PART II

ITEM 13 Defaults, Dividend Arrearages and Delinquencies

Not applicable.

ITEM 14 Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

ITEM 15 Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures as of the end of the period covered by this annual report, being December 31, 2003. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's president and chief executive officer. Based upon that evaluation, our company's president and chief executive officer concluded that our company's disclosure controls and procedures are effective. There have been no significant changes in our company's internal controls or

in other factors, which could significantly affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Exchange Act is accumulated and communicated to management, including our company's president and chief executive officer as appropriate, to allow timely decisions regarding required disclosure.

ITEM 16 Reserved

ITEM 16A. Audit Committee Financial Expert

Our board of directors has determined that it does not have a member of its audit committee that qualifies as an "audit committee financial expert" as defined in Item 401(e) of Regulation S-B, and is "independent" as the term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended.

We believe that the members of our board of directors are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. In addition, we believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated revenues to date.

53

ITEM 16B. Code of Ethics

Code of Ethics

Effective January 27, 2004, our company's board of directors adopted a Code of Business Conduct and Ethics that applies to, among other persons, our company's president (being our principal executive officer) and our company's secretary (being our principal financial and accounting officer and controller), as well as persons performing similar functions. As adopted, our Code of Business Conduct and Ethics sets forth written standards that are designed to deter wrongdoing and to promote:

- (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (2) full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the Securities and Exchange Commission and in other public communications made by us;
- (3) compliance with applicable governmental laws, rules and regulations;
- (4) the prompt internal reporting of violations of the Code of Business Conduct and Ethics to an appropriate person or persons identified in the Code of Business Conduct and Ethics; and
- (5) accountability for adherence to the Code of Business Conduct and Ethics.

Our Code of Business Conduct and Ethics requires, among other things, that all of our company's personnel shall be accorded full access to our president and secretary with respect to any matter which may arise relating to the Code of Business Conduct and Ethics. Further, all of our company's personnel are to be accorded full access to our company's board of directors if any such matter involves an alleged breach of the Code of Business Conduct and Ethics by our president or secretary.

In addition, our Code of Business Conduct and Ethics emphasizes that all employees, and particularly managers and/or supervisors, have a responsibility for maintaining financial integrity within our company, consistent with generally accepted accounting principles, and federal, provincial and state securities laws. Any employee who becomes aware of any incidents involving financial or accounting manipulation or other irregularities, whether by witnessing the incident or being told of it, must report it to his or her immediate supervisor or to our company's president or secretary. If the incident involves an alleged breach of the Code of Business Conduct and Ethics by the president or secretary, the incident must be reported to any member of our board of directors. Any failure to report such inappropriate or irregular conduct of others is to be treated as a severe disciplinary matter. It is against our company policy to retaliate against any individual who reports in good faith the violation or potential violation of our company's Code of Business Conduct and Ethics by another.

Our Code of Business Conduct and Ethics is filed herewith with the Securities and Exchange Commission as Exhibit 11.1 to this annual report. We will provide a copy of the Code of Business Conduct and Ethics to any person without charge, upon request. Requests can be sent to: MFC Bancorp. Ltd., Floor 21, Millennium Tower, Handelskai 94-96, A-1200, Vienna, Austria.

54

ITEM 16C. Principal Accountant Fees and Services

Audit Fees

Our board of directors appointed Peterson Sullivan P.L.L.C. as independent auditors to audit our financial statements for the fiscal year ended December 31, 2003. The aggregate fees billed by Peterson Sullivan P.L.L.C. for professional services rendered for the audit of our annual financial statements included in this Annual Report for the fiscal year ended December 31, 2003 were \$715,442 (US\$510,665).

Audit Related Fees

For the fiscal year ended December 31, 2003, the aggregate fees billed for assurance and related services by Peterson Sullivan P.L.L.C. relating to our quarterly financial statements which are not reported under the caption "Audit Fees" above, were \$nil.

Tax Fees

For the fiscal year ended December 31, 2003, the aggregate fees billed for tax compliance, tax advice and tax planning on United States tax matters by Peterson Sullivan P.L.L.C. were \$56,018 (US\$39,985).

All Other Fees

For the fiscal year ended December 31, 2003, the aggregate fees billed by Peterson Sullivan P.L.L.C. for other non-audit professional services, other than those services listed above, totalled \$nil.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before Peterson Sullivan P.L.L.C. is engaged by us or our subsidiaries to render any auditing or permitted non-audit related service, the engagement be:

- approved by our audit committee; or

- entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities to management.

The audit committee pre-approves all services provided by our independent auditors. The pre-approval process has just been implemented in response to the new rules. Therefore, the audit committee does not have records of what percentage of the above fees were pre-approved. However, all of the above services and fees were reviewed and approved by the audit committee either before or after the respective services were rendered.

The audit committee has considered the nature and amount of the fees billed by Peterson Sullivan P.L.L.C., and believes that the provision of the services for activities unrelated to the audit is compatible with maintaining Peterson Sullivan P.L.L.C. independence.

ITEM 16D. Exemption from the Listing Standards for Audit Committees

Not applicable.

55

ITEM 16E. Purchases of Equity Securities by the Company and Affiliated Purchasers

During the year ended December 31, 2003, our board of directors approved the repurchase of up to 660,000 shares of our common stock. The repurchase program commenced on December 2, 2003 and will close on December 2, 2004, unless extended or shortened by our board of directors. The repurchases will be made from time to time on the open market at prevailing market prices from cash on hand. In December 2003, we purchased the following shares of our common stock:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
December 2003	658,683	\$20.88	658,683	1,317

PART III

ITEM 17 Financial Statements

Refer to Item 18 - Financial Statements.

ITEM 18 Financial Statements

Financial Statements Filed as Part of the annual report:

Independent Auditors' Report on the Consolidated Financial Statements of MFC as at December 31, 2003, 2002 and 2001.

Consolidated Balance Sheets at December 31, 2003 and 2002 (audited).

Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001 (audited).

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2003, 2002 and 2001 (audited).

Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001 (audited).

Notes to Consolidated Financial Statements.

Independent Auditors' Report on Financial Statement Schedule.

Financial Statement Schedule:

I Condensed Financial Information of Registrant (Regulation 210.12.-04).

56

INDEPENDENT AUDITORS' REPORT

To the Shareholders
 MFC Bancorp Ltd.

We have audited the accompanying consolidated balance sheets of MFC Bancorp Ltd. and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years ended December 31, 2003, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and Canada. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MFC Bancorp Ltd. and Subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years ended December 31, 2003, 2002 and 2001, in conformity with accounting principles generally accepted in Canada, which differ from accounting principles generally accepted in the United States as described in Note 20 to the consolidated financial statements.

/s/ Peterson Sullivan PLLC

Seattle, Washington
 April 2, 2004

57

MFC BANCORP LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
 December 31, 2003 and 2002
 (Canadian Dollars, In Thousands)

ASSETS	2003	2002
Cash and cash equivalents	\$145,452	\$102,413
Securities	44,963	62,649
Loans	16,872	77,879
Receivables	50,367	53,955
Commodity investments	10,964	13,172
Properties	62,235	72,228
Resource property	36,044	36,747
Goodwill	16,127	16,412
Equity method investments	15,906	7,917
Prepaid and other	5,647	3,202
	\$404,577	\$446,574

The accompanying notes are an integral part of these consolidated financial statements

58

LIABILITIES AND

SHAREHOLDERS' EQUITY	2003	2002
Liabilities		
Accounts payable and accrued expenses	\$54,092	\$47,537
Debt	33,297	68,798
Deposits	22,185	39,198
Distribution payable	71,730	-
Total liabilities	181,304	155,533
Minority interests	4,826	5,751
Shareholders' Equity		
Common stock, without par value; authorized unlimited number	61,891	70,269
Cumulative translation adjustment	(17,118)	18,733
Retained earnings	173,674	196,288
Total shareholders' equity	218,447	285,290
	\$404,577	\$446,574

The accompanying notes are an integral part of these consolidated financial statements

59

MFC BANCORP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME For the Years Ended December 31, 2003, 2002 and 2001 (Canadian Dollars, In Thousands, Except Earnings Per Share)

	2003	2002	2001
Financial services revenue	\$409,513	\$284,339	\$214,246
Expenses			
Financial services	329,549	175,792	143,071
General and administrative	25,187	35,758	21,793
Goodwill impairment	-	16,116	-
Interest	4,392	9,493	5,369
	359,128	237,159	170,233
Income from operations before income taxes and minority interests	50,385	47,180	44,013
Recovery of (provision for) income taxes	(837)	3,497	772
Income from operations before minority interests	49,548	50,677	44,785
Minority interests	(432)	78	503
Net income	\$49,116	\$50,755	\$45,288

Earnings per share

Basic	\$3.76	\$3.93	\$3.59
Diluted	\$3.59	\$3.70	\$3.35

The accompanying notes are an integral part of these consolidated financial statements

60

MFC BANCORP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2003, 2002 and 2001
(Canadian Dollars, In Thousands)

	Common Stock		Retained Earnings	Cumulative	
	Number of Shares	Amount		Translation Adjustment	Total
Balance at December 31, 2000	12,088,156	\$65,138	\$148,767	\$(771)	\$,134
Net income	-	-	45,288	-	45,288
Shares issued for exercise of stock options	1,089,000	11,535	-	-	11,535
Translation adjustment	-	-	-	5,223	5,223
Dividend in equity securities, at carrying value	-	-	(29,183)	-	(29,183)
Balance at December 31, 2001	13,177,156	76,673	164,872	4,452	245,997
Net income	-	-	50,755	-	50,755
Shares issued for exercise of stock options	157,500	1,635	-	-	1,635
Shares issued for purchase of minority interest in consolidated subsidiary	25,071	397	-	-	397
Repurchase of shares	(546,100)	(8,660)	-	-	(8,660)
Shares issued for compensation	18,227	224	-	-	224
Translation adjustment	-	-	-	14,281	14,281
Dividend in equity securities, at carrying value	-	-	(19,339)	-	(19,339)
Balance at December 31, 2002	12,831,854	70,269	196,288	18,733	285,290
Net income	-	-	49,116	-	49,116
Shares issued for exercise of stock options	487,500	4,281	-	-	4,281
Shares issued for conversion of bonds	72,261	1,294	-	-	1,294
Repurchase of shares	(672,183)	(13,953)	-	-	(13,953)
Translation adjustment	-	-	-	(35,851)	(35,851)
Distribution of assets declared, at carrying value	-	-	(71,730)	-	(71,730)
Balance at December 31, 2003	12,719,432	\$61,891	\$173,674	\$17,118)	\$218,447

The accompanying notes are an integral part of these consolidated financial statements

61

MFC BANCORP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2003, 2002 and 2001
(Canadian Dollars, In Thousands)

	2003	2002	2001
Cash flows from operating activities			
Net income	\$49,116	\$50,755	\$45,288
Adjustments for:			
Goodwill impairment	-	16,116	-
Gain on debt reduction	-	(19,746)	(22,409)
Amortization and depreciation	1,487	1,528	2,049
Minority interests	432	(78)	(503)
Dividend from equity method investee	-	-	1,021
Debt extinguishment	-	(49,122)	-
Financial advisory services revenue	(6,089)	-	-
Gain on sales of securities and assets, net	(17,574)	-	-
Changes in operating assets and liabilities, net of effects of acquisitions			
Securities	7,021	12,179	1,836
Receivables	9,459	1,621	48,315
Commodity investments	1,080	(6,026)	-
Properties held for sale	1,064	13,487	(406)
Accounts payable and accrued expenses	(2,617)	3,767	(8,466)
Future income tax liability	-	(4,604)	(1,417)
Other	(6,016)	970	(777)
Cash flows from operating activities	37,363	20,847	64,531
Cash flows from investing activities			
Net decrease (increase) in loans	52,438	(4,778)	25,099
Sales (purchases) of long-term securities, net	4,788	(5,441)	(4,816)
Sale of equity method investment	-	25,915	-
Purchases of subsidiaries, net of cash acquired	(755)	(34,978)	(1,018)
Proceeds from sale of assets	10,634	-	-
Other	(2,175)	204	(425)
Cash flows from investing activities	64,930	(19,078)	18,840
Cash flows from financing activities			
Net increase (decrease) in deposits	(13,516)	33,894	(62,385)
Borrowings	6,649	38,660	12,310
Debt repayments	(31,722)	(52,005)	(37,562)
Issuance (repurchase) of common stock, net	(9,672)	(7,025)	11,535
Other	(31)	-	-
Cash flows from financing activities	(48,292)	13,524	(76,102)
Exchange rate effect on cash and cash equivalents	(10,962)	9,954	1,373
Increase in cash and cash equivalents	43,039	25,247	8,642
Cash and cash equivalents, beginning of year	102,413	77,166	68,524
Cash and cash equivalents, end of year	\$145,452	\$102,413	\$77,166

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and Summary of Significant Accounting Policies

The consolidated financial statements and accompanying notes have been prepared in conformity with generally accepted accounting principles applicable in Canada. The notes are stated in Canadian dollars, as rounded to the nearest thousand (except per share amounts).

Nature of Operations

MFC Bancorp Ltd. and subsidiaries ("the Company") is in the financial services business and its principal activities focus on merchant banking. This includes financial advisory services, proprietary investing, and trading activities on an international basis which are facilitated by the Company's banking and trading subsidiaries. The Company seeks investments in many industries while emphasizing those business opportunities where the perceived intrinsic value is not properly recognized. The Company uses its financial and management expertise to add value within a relatively short time period. The Company also trades in various basic materials primarily on its own account. Revenues from these activities are recognized as agreed upon activities are performed or as assets are disposed of with no substantial further involvement by the Company and

collectibility is reasonably assured. The Company is managed as a unit and is treated as a single and integrated business segment.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Investments in entities where the Company owns at least a 20% voting interest, but does not have control, are accounted for under the equity method. The amount of earnings from equity investees was not material. All significant intercompany accounts and transactions have been eliminated.

In December 2003, the board of directors declared a distribution of assets consisting of the shares in a subsidiary with a carrying value of \$64,718 and an investment in an equity method investee with a carrying value of \$7,012. The Company expects to distribute the shares in 2004 when certain regulatory requirements are met. Both entities are involved in natural resources production.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less and are generally interest bearing. The Company regularly maintains cash balances in other financial institutions in excess of insured limits. Interest paid on a cash basis was \$4,001, \$7,188, and \$4,667 for the years ended December 31, 2003, 2002 and 2001, respectively. Income tax amounts paid were not material.

63

Nonmonetary transactions in 2003 include receipt of debentures for financial advisory services in the amount of \$6,089, valued based on the fair value of the debentures received, and the reduction of a mining tax liability on resource property of \$1,943.

Securities

Securities are classified, based on management's intentions, as trading account securities, short-term securities and long-term investment securities.

Trading account securities, which are purchased for sale in the near term by the Company's banking subsidiary, are stated at their quoted market value with the unrealized gain or loss included in the results of operations. Short-term securities held by the other subsidiaries are carried at the lower of aggregate cost or quoted market value.

Long-term investment securities are purchased with the original intention to hold the securities to maturity or until market conditions render alternative investments more attractive. Equity securities are stated at cost and debt securities at amortized cost unless there has been an other than temporary decline in value, at which time the security is written down and the unrealized loss is included in the results of operations.

Realized gains or losses on sales of securities are determined based on the specific identification basis.

Loans and Receivables

Loans are stated net of any allowances for credit losses, accrued interest, reimbursable expenses and unamortized loan fees. Receivables are stated at their principal balances net of any allowance for credit losses. Receivables are considered past due on an individual basis based on the terms of the contracts.

Loans are classified as impaired when there is no longer reasonable assurance of the timely collection of principal and interest. Whenever a contractual payment is 90 days past due, loans are automatically classified as impaired unless they are fully secured and in the process of collection. When a loan is deemed impaired, its carrying amount is reduced to its estimated realizable amount, measured by discounting the expected future cash flows at the effective interest rate in the loan or, as a practical expedient, based on a loan's observable market price or the fair value of collateral if the loan is collateral dependent. In subsequent periods, any increase in the carrying value of the loan is credited to the provision for credit losses. Impaired loans are returned to performing status when there is no longer reasonable doubt regarding timely collection of principal and interest, all amounts in arrears including interest have been collected, and all charges for loan impairment have been reversed. Where a portion of a loan is written off and the remaining balance is restructured, the new loan is carried on the accrual basis when there is no longer any reasonable doubt regarding collectibility of principal and interest, and payments are not 90 days past due. Collateral is obtained for loans and receivables if, based on an evaluation of credit-worthiness, it is considered necessary for the overall credit facility.

64

Assets acquired in satisfaction of loans are recorded at the lesser of their fair value at the date of transfer or the carrying value of the loan. Any excess of the carrying value of the loan over the fair value of the assets acquired is written off. Operating results and gains and losses on disposal of such assets are treated as write-offs and recoveries.

Interest income from loans is recognized when earned using the interest method unless the loan is classified as impaired at which time recognition of interest income ceases. Interest on impaired loans is credited to the carrying value of the loan when received. Loan origination fees are considered to be adjustments to loan yield and are deferred and amortized to interest income over the term of the loan. Commitment fees are amortized to income over the commitment period when it is unlikely that the commitment will be called upon; otherwise, they are deferred and amortized to interest income over the term of the resulting loan. Loan syndication fees are recognized in income unless the yield on any loans retained by the Company is less than that of other comparable lenders involved in the financing. In such cases, an appropriate portion of the fee is deferred and amortized to interest income over the term of the loan.

Allowance for Credit Losses

The Company's allowance for credit losses is to be maintained at an amount considered adequate to absorb estimated credit-related losses. Such allowance reflects management's best estimate of the losses in the Company's credit portfolio and judgments about economic conditions. Estimates and judgments could change in the near-term, and could result in a significant change to a recognized allowance. Credit losses arise primarily from loans or receivables but may also relate to other credit instruments such as guarantees and letters of credit. An allowance for credit losses may be increased by provisions which are charged to income and reduced by write-offs net of any recoveries.

Specific provisions are established on a loan-by-loan or receivable basis. A general provision may be established to absorb potential credit losses attributable to the deterioration of credit quality on aggregate exposures for which specific provisions cannot yet be determined. A country risk provision may be made based on exposures in less developed countries and on management's overall assessment of the underlying economic conditions in those countries. Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

No loans were considered impaired at December 31, 2003 and 2002, and the Company did not consider it necessary to reserve for any specific loans or receivables, country

risks or general risks.

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from interest rates, foreign exchange rates or other financial or commodity indices. These instruments are either exchange-traded or negotiated. Derivatives may be designated as hedges, provided certain criteria are met. The Company has no derivative financial instruments which have been designated as hedges.

65

The Company enters into derivative contracts usually to meet the needs of its customers and to take trading positions. These derivatives are marked to market with any unrealized gains or losses recognized immediately in income.

The Company held one interest rate swap derivative financial instrument with a notional amount of \$13,309 at December 31, 2003, with the purpose of managing the interest rate fluctuation of its debt. The Company recognized a fair value loss on this derivative of \$79 in 2003.

During 2002, the Company entered into a loan agreement with a client for \$49,691, which contained an embedded derivative clause. This embedded derivative was designed to eliminate an inherent foreign currency risk. The loan was repaid in 2003 and there was no realized gain or loss on this embedded derivative.

At December 31, 2001, the Company held foreign currency exchange contracts amounting to \$24,655 in notional amount which were settled in 2002 for a realized gain of \$129. During 2001, the Company recorded a loss from a change in the fair value of these contracts amounting to \$1,070.

Commodity Investments

Commodity investments consist of basic materials held for sale. These investments are stated at the lower of cost (specific identification) or market.

Resource Property

Resource property is stated at cost. Amortization is provided on the straight-line basis over the period revenue is to be received which will end in 2055. However, if expected future undiscounted cash flows are less than carrying value, a loss will be recognized. No such losses have been recorded in these consolidated financial statements.

Properties and Depreciation

Properties are carried at cost, net of applicable accumulated depreciation, unless the estimated future undiscounted cash flows expected to result from disposition is less than carrying value in which case a loss is recognized based on the fair value of similar property in the same geographic region. No such losses have been recorded in these consolidated financial statements.

Properties, other than those used in the production of owned natural resources, are depreciated using the straight-line method over the estimated useful lives of the assets. Properties used in owned natural resources production are depreciated using the units-of-production method. Units-of-production rates are based on estimated production from existing facilities using current operating methods.

Depreciation expense of properties amounting to \$1,487 in 2003, \$1,528 in 2002, and \$1,099 in 2001 is included in general and administrative expenses. Repairs and maintenance are charged to expense as incurred.

66

Goodwill and Other Intangible Assets

The Company adopted the new Canadian accounting standard for goodwill and other intangible assets for periods beginning January 1, 2002. Goodwill represents the difference between the acquisition cost of a business and the fair value of its net tangible assets after an allocation has been made for assets with indefinite and finite lives. Under this standard, goodwill and other intangible assets with indefinite useful lives are not amortized but are subject to fair value impairment tests, on at least an annual basis (as required in prior periods these assets were amortized over their estimated useful lives). Goodwill is allocated to reporting units and any potential goodwill impairment is identified by comparing the carrying value of the reporting unit with its fair value. If any potential impairment is identified, then the amount of the impairment is quantified by comparing the carrying value of goodwill to its fair value, based on the fair value of the assets and liabilities of the reporting unit.

Intangibles with a finite life are amortized over their estimated useful life and also are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. Other intangible assets are considered impaired and written down to their net recoverable amount when their net carrying value exceeds their estimated future net cash flows. Any impairment of goodwill or other intangible assets is charged to income in the period in which the impairment is determined.

Foreign Currency Translation

The Company translates foreign assets and liabilities of its self-sustaining foreign subsidiaries at the rate of exchange at the balance sheet date. Revenues and expenses have been translated at the average rate of exchange throughout the year. Unrealized gains or losses from these translations are included in the equity section of the consolidated balance sheet. The translation adjustments did not recognize the effect of income tax because the Company expects to reinvest the amounts indefinitely. Transaction gains that arise from exchange rate fluctuations on transactions denominated in a currency other than the local functional currency amounting to \$8,348, \$453, and \$2,342 in 2003, 2002 and 2001, respectively, have been included in general and administrative expenses in the consolidated statements of income.

Taxes on Income

The Company uses the asset and liability method to provide for income taxes on all transactions recorded in these consolidated financial statements. Under this method, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses to be carried forward to future years for tax purposes that are likely to be realized using expected tax rates in which the temporary differences are expected to be recovered or settled.

67

Stock Based Compensation

The Company follows the intrinsic value based method of accounting for compensation resulting from the granting of stock options to employees. No compensation expense has been recognized in these consolidated financial statements for the granting of options to employees because the exercise price of the options approximated the market price for the common shares at the grant date. Shares of stock issued to employees are expensed as compensation in the year the shares are issued based on fair value at the date of issuance. Stock based payments to non-employees are to be expensed based on the fair value of shares or options issued. There have been no stock based payments to non-employees.

The following table illustrates the effect on net income and earnings per share if compensation expense had been recognized on the basis of fair value of employee stock options granted.

	2003	2002	2001
Net Income			
As reported	\$49,116	\$50,755	\$45,288
Deduct: Total stock option compensation expense determined under fair value based methods, net of any related tax effects	-	-	217
Proforma net income - basic	49,116	50,755	45,071
Dilution adjustment from Note 12	1,599	1,735	1,634
Proforma net income - diluted	\$50,715	\$52,490	\$46,705
Basic Earnings Per Share			
As reported	\$3.76	\$3.93	\$3.59
Proforma	\$3.76	\$3.93	\$3.57
Diluted Earnings Per Share			
As reported	\$3.59	\$3.70	\$3.35
Proforma	\$3.59	\$3.70	\$3.34

There were no stock options granted during 2003, 2002 or 2001. Proforma stock option compensation expense in 2001 related to the amortization of compensation expense on options granted in 2000.

Earnings Per Share

Basic earnings per share is determined by dividing net income applicable to common shares by the average number of common shares outstanding for the period. Diluted earnings per share is determined using the same method as basic earnings per share except that the weighted average number of common shares outstanding includes the potential dilutive effect of stock options and warrants granted as well as convertible debt computed under the treasury stock method. The treasury stock method determines the number of additional common shares by assuming that

68

outstanding stock warrants and options whose exercise price is less than the average market price of the Company's common stock during the period, are exercised and then reduced by the number of common shares assumed to be repurchased with the exercise proceeds. However, such potential dilution is not recognized in a loss period.

Estimates

The preparation of financial statements in conformity with Canadian and United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Key areas of estimation where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include those relating to allowance for credit losses, fair value of financial investments, other than temporary impairments of investment securities, and valuation of commodity investments, properties, intangible assets and provision for income taxes among other items. Therefore, actual results could differ from those estimates.

New Canadian Accounting Standards

- A standard which will require the Company to document hedging relationships and explicitly demonstrate that they are sufficiently effective in order to use accrual accounting for positions hedged with derivatives. Otherwise, the derivative instrument will be marked-to-market through the current year's statement of income. This standard is applicable for years beginning on or after July 1, 2003. The effect on the Company's consolidated financial statements is not yet determinable.
- Related standards will apply with respect to impairment or disposal of long-lived assets (effective for years beginning on or after April 1, 2003) and disposal of long-lived assets and discontinued operations (effective for years beginning on or after May 1, 2003), and impaired loans (effective for years beginning on or after May 1, 2003). Generally, these standards give guidance on write-downs and disposals of long-lived assets. Also, the definition of discontinued operations is broadened. The effect on the Company's consolidated financial statements is not yet determinable.
- A standard which will require consolidation of investments that are subject to control on a basis other than ownership of voting interests, such as financial support or participation in profits or losses, or net asset changes. Such investments are called variable interest entities. This guideline is applicable for years beginning on or after January 1, 2004. The effect on the Company's consolidated financial statements is not yet determinable.

- A standard which will apply to the recognition, measurement, and disclosure of asset retirement obligation and costs. This standard is effective for years beginning on or after January 1, 2004. The effect on the Company's consolidated financial statements is not yet determinable.
- A new standard will require the use of a fair-value-based method for certain stock-based compensation arrangements with employees and others. This standard is effective for years beginning on or after January 1, 2004, however, earlier application is encouraged. Since the Company did not grant options in either 2003 or 2002, the adoption of this standard in 2004 will have no effect on these consolidated financial statements.

Note 2. Acquisition

In July 2003, the Company acquired an 80% interest in the outstanding common shares of Alson Enterprises Corporation ("Alson"), a British Virgin Island corporation. The results of Alson's operations have been included in these consolidated financial statements since the acquisition date. Alson is involved in the manufacture of zinc alloys and pigments primarily in the United Kingdom and Slovakia. The acquisition is consistent with the Company's business of proprietary investing. The aggregate purchase price was \$785 and paid in cash. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at date of acquisition:

Current assets	\$14,846
Property and equipment	2,131
<hr/>	
Total assets acquired	16,977
Current liabilities	16,079
Minority interest	113
<hr/>	
Total liabilities assumed	16,192
Net assets acquired	\$785
<hr/>	
<hr/>	

Unaudited proforma information was not available regarding this acquisition because the assets and liabilities were acquired from a venture capital division of a United Kingdom bank and full and complete financial information was not provided by the bank.

Note 3. Goodwill

The changes in the carrying amount of goodwill are as follows:

	2003	2002
Balance at beginning of year	\$16,412	\$28,066
Acquisitions	-	3,708
Reductions due to purchase price adjustments	-	(695)
Exchange rate effect	(285)	1,449
<hr/>		
Impairment	16,127	32,528
	-	(16,116)
<hr/>		
Balance at end of year	\$16,127	\$16,412
<hr/>		
<hr/>		

Goodwill amortization expense amounted to \$950 during the year ended December 31, 2001. Had goodwill not been amortized in 2001, net income would have been \$46,238; basic earnings per share would have increased by \$.08; and diluted earnings per share would have increased by \$.07.

Based on a review of the fair value of the Company's reporting units, management has determined that no impairment of goodwill was necessary at December 31, 2003, and an impairment of \$16,116 was necessary at December 31, 2002. The Company has no other intangible assets.

Note 4. Securities

At December 31, 2003, the Company had no bank trading account securities. At December 31, 2002, bank trading account securities consisted of debt securities of \$26,544 and common shares of \$5,585. The change in market value of bank trading account securities amounted to \$1,245 and \$12,567 for the years ended December 31, 2002 and 2001, respectively, and has been included in results of operations.

Short-term securities consisted of debt securities of \$580 and \$1,906, preferred shares of \$1,096 and \$1,878 and common shares of \$6,736 and \$10,328 at December 31, 2003 and 2002, respectively. Holding gains (losses) of \$12, \$415, and \$(3,868) were included in the results of operations for years ended December 31, 2003, 2002 and 2001, respectively.

Long-term securities consist of the following at December 31:

Unrealized Gains and Losses								
	2003				2002			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt	\$19,229	\$-	\$-	\$19,229	\$789	\$98	\$-	\$887
Preferred shares	299	-	-	299	299	-	-	299
Common shares	17,023	-	3,342	13,681	15,320	197	-	15,517
	\$36,551	\$-	\$3,342	\$33,209	\$16,408	\$295	\$-	\$16,703

At December 31, 2002, bank trading account and short-term securities included common shares in an affiliate with a carrying value of \$7,048. Also, at December 31, 2003 and 2002, the Company had long-term investments in the common shares of six and two affiliates with a carrying value of \$13,460 and \$11,565, respectively.

71

The maturity of securities is as follows at December 31, 2003:

Remaining Terms								
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	No Specific Maturity	2003 Total	2002 Total	
<u>Bank trading account securities:</u>								
Debt:								
Governments	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$6,324
Other issuers	-	-	-	-	-	-	-	20,220
	-	-	-	-	-	-	-	26,544
Common shares	-	-	-	-	-	-	-	5,585
Total	-	-	-	-	-	-	-	32,129
<u>Short-term securities:</u>								
Debt (other issuers)	580	-	-	-	-	580	580	1,906
Equities:								
Preferred shares	-	-	-	-	1,096	1,096	1,096	1,878
Common shares	-	-	-	-	6,736	6,736	6,736	10,328
	-	-	-	-	7,832	7,832	7,832	12,206
Total	580	-	-	-	7,832	8,412	8,412	14,112
<u>Long-term securities:</u>								
Debt:								
Governments	5,246	5,617	1,426	-	-	12,289	-	-
Other issuers	-	4,112	2,828	-	-	6,940	6,940	789
	5,246	9,729	4,254	-	-	19,229	-	789
Equities:								
Preferred shares	-	-	-	-	299	299	299	299
Common shares	-	-	-	-	17,023	17,023	17,023	15,320

	-	-	-	-	17,322	17,322	15,619
Total	5,246	9,729	4,254	-	17,322	36,551	16,408
Total securities	\$5,826	\$9,729	\$4,254	\$-	\$25,154	\$44,963	\$62,649

72

Note 5. Loans

	<i>2003</i>	<i>2002</i>
Bank loans, collateralized by traded securities and other assets, amounts due from one company of \$5,091 and \$3,303 at December 31, 2003 and 2002, respectively, are collateralized by patents.	\$6,899	\$9,845
Other loans, collateralized by traded securities, receivables, inventories and other tangible assets, due from two companies \$6,319 at December 31, 2003, and due from one company \$63,907 at December 31, 2002.	9,973	68,034
	\$16,872	\$77,879

Loan maturities:

	<i>Within 1 Year</i>	<i>1 - 5 Years</i>	<i>2003 Total</i>
Bank loans	\$6,844	\$55	\$6,899
Other loans	7,531	2,442	9,973
	\$14,375	\$2,497	\$16,872

Bank loans generally earn interest ranging from 3.1% to 14.0% and other loans generally earn interest ranging from 4.0% to 8.0% as of December 31, 2003.

At December 31, 2003, other loans include \$1,482 due from two affiliates in which the Company has a less than 20% equity interest.

73

Note 6. Receivables

	<i>2003</i>	<i>2002</i>
Commodity transactions	\$32,369	\$38,210
Sale of a subsidiary	4,884	-
Sale of investment	6,556	-
Short-term advances	1,277	5,548
Investment income	400	3,496
Pension plan recovery	1,587	1,587

Government taxes	646	3,294
Other	2,648	1,820
	<hr/>	<hr/>
	\$50,367	\$53,955
	<hr/>	<hr/>

Note 7. Properties

	<i>2003</i>	<i>2002</i>
Natural resources processing facility	\$58,165	\$71,082
Manufacturing plant equipment	3,579	-
Office equipment	1,477	2,615
	<hr/>	<hr/>
Less accumulated depreciation	63,221 (986)	73,697 (1,469)
	<hr/>	<hr/>
	\$62,235	\$72,228
	<hr/>	<hr/>

Note 8. Accounts Payable and Accrued Expenses

	<i>2003</i>	<i>2002</i>
Accounts payable	\$40,444	\$38,657
Bank overdrafts	3,137	-
Property and other taxes	1,487	2,605
Affiliates	1,138	1,485
Commissions and severance	803	752
Interest	392	708
Other	6,691	3,330
	<hr/>	<hr/>
	\$54,092	\$47,537
	<hr/>	<hr/>

Note 9. Deposits

	<i>2003</i>	<i>2002</i>
Clients	\$22,185	\$39,190
Banks	-	8
	<hr/>	<hr/>
	\$22,185	\$39,198
	<hr/>	<hr/>

All deposits at December 31, 2003 and 2002, were payable on demand and bear interest at not more than .25%. At December 31, 2003, deposits from three affiliates in which the Company has a less than 20% equity interest amounted to \$12,694. At December 31, 2002, deposits from affiliates where the Company's president was also the affiliate's president and the Company had minority voting rights amounted to \$36,370.

Note 10. Debt

	2003	2002
Bonds payable, US\$12,647 and US\$13,617 at December 31, 2003 and 2002, respectively, interest at 8% due semi-annually in October and April, principal due April 2008, unsecured, non-recourse. Convertible into common stock of the Company at US\$13.22 per share (956,688 common shares reserved at December 31, 2003)	\$16,340	\$21,509
Bonds payable, US\$1,674 and US\$2,088 at December 31, 2003 and 2002, respectively, interest at 5%, principal and interest due December 2006, unsecured	2,163	3,298
Notes payable under lines of credit due to banks, up to a maximum of approximately €75 million and €0 million at December 31, 2003 and 2002, respectively, interest from 3.7% to 4.4%, secured by commodity transaction receivables	-	24,953
Note payable to a bank, interest at six month Euribor plus 1.5% (resulting in a rate of 3.6% at December 31, 2003), interest and principal payments of \$2,218 due semi-annually beginning June 2003, due in full December 2006, secured by commodity transactions receivables	13,309	18,055
Note payable, interest at 3.5%, payable on demand, unsecured, non-recourse	-	983
Other	1,485	-
	\$33,297	\$68,798

75

As of December 31, 2003, the principal maturities of debt are as follows:

<i>Maturity</i>	<i>Amount</i>
2004	\$5,921
2005	4,436
2006	6,600
2007	-
2008	16,340
	\$33,297

Note payable of \$983 at December 31, 2002, was to an affiliate where the Company had an equity interest and the Company's president was also the president and director of the creditor. In 2003, this affiliate became a consolidated subsidiary of the Company.

Note 11. Income Taxes

Income before income taxes and minority interests consists of:

	2003	2002	2001
Canadian	\$4,587	\$36,427	\$28,623
Foreign	45,798	10,753	15,390
	\$50,385	\$47,180	\$44,013

The recovery of (provision for) income taxes consists of the following:

	<i>2003</i>	<i>2002</i>	<i>2001</i>
Current			
Canadian	\$(202)	\$(1,004)	\$(220)
Foreign	(529)	(589)	(427)
Future			
Canadian	221	301	525
Foreign	(327)	4,789	894
	\$(837)	\$3,497	\$772

76

A reconciliation of the provision for income taxes calculated at applicable statutory rates in Canada to the provision in the consolidated statements of income is as follows:

	<i>2003</i>	<i>2002</i>	<i>2001</i>
Income before income taxes and minority interests	\$50,385	\$47,180	\$44,013
Computed provision for income taxes at statutory rates	\$ (17,191)	\$(17,041)	\$(15,897)
(Increase) decrease in taxes resulting from:			
Nontaxable dividend income	1,695	1,795	1,795
Foreign statutory tax rate differences	3,740	2,286	3,086
Permanent differences	4,731	7,807	6,048
Valuation allowance	12,480	2,526	(6,935)
Non-capital tax loss carryforwards lost from change in subsidiary's jurisdiction	(5,323)	-	-
Non-capital tax loss carryforwards acquired from purchase of subsidiary	-	6,124	12,469
Other, net	(969)	-	206
Recovery of (provision for) income taxes	\$(837)	\$3,497	\$772

The tax effect of temporary differences that give rise to significant components of future tax liabilities and assets are as follows:

	<i>2003</i>	<i>2002</i>
Future income tax liability, difference in tax basis of assets acquired in the United States	\$(387)	\$(258)
Future income tax asset, non-capital tax loss carryforwards:		
Canada	227	1,066
United States	-	7,433
Switzerland	1,682	5,254
Austria	3,103	3,739
Valuation allowance	(5,012)	(17,492)
Net future income tax asset	-	-

Net future income tax liability	\$(387)	\$(258)
---------------------------------	---------	---------

Management believes that, due to the nature of its operations, the Company's available tax loss carryforwards may not be utilized prior to their expiration dates. Therefore, the resulting tax benefit has been fully reserved at December 31, 2003 and 2002.

77

At December 31, 2003, the Company had estimated accumulated non-capital losses which expire in the following countries as follows:

<i>Year</i>	<i>Canada</i>	<i>Switzerland</i>	<i>Austria</i>
2004	\$-	\$-	\$-
2005	-	-	-
2006	4	-	-
2007	395	-	-
2008	-	-	-
2010-2020	266	4,931	-
Indefinite	-	-	9,094
	\$665	\$4,931	\$9,094

Note 12. Earnings Per Share

Earnings per share data for years ended December 31 from operations is summarized as follows:

	<i>2003</i>	<i>2002</i>	<i>2001</i>
Basic earnings from operations available to common shareholders	\$49,116	\$50,755	\$45,288
Effect of dilutive securities Interest on convertible bonds	1,599	1,735	1,634
Diluted earnings from operations	\$50,715	\$52,490	\$46,922

	<i>2003</i>	<i>Shares</i> <i>2002</i>	<i>2001</i>
Basic earnings per share, weighted average number of common shares outstanding	13,054,727	12,931,117	12,621,633
Effect of dilutive securities:			
Convertible bonds	1,020,951	1,030,038	1,030,038
Options	52,943	209,006	350,764
Weighted average number of common shares outstanding - diluted	14,128,621	14,170,161	14,002,435

78

Note 13. Stock Option Plan

The Company has a stock option plan which enables certain employees and directors to acquire common shares. Under the plan, options vest on grant and have a five-year term. The Company is authorized to issue up to 2,762,000 shares under this plan.

During 2000, options to acquire 30,000 shares at \$13.31 and 100,000 shares at \$10.50 were granted to officers and employees of the Company. At December 31, 2003, none of these options were outstanding.

During 1998, options to acquire 750,000 shares at \$9.26 were granted to officers and employees of the Company. At December 31, 2003, none of these options were outstanding.

Following is a summary of the status of the plan:

	<i>Number of Shares</i>	<i>Weighted Average Exercise Price</i>
Outstanding at December 31, 2000	1,214,000	\$10.12
Exercised	(189,000)	(11.17)
Outstanding at December 31, 2001	1,025,000	10.77
Exercised	(157,500)	(10.49)
Forfeited	(372,500)	(11.43)
Outstanding at December 31, 2002	495,000	10.05
Exercised	(487,500)	(10.04)
Forfeited	(7,500)	(10.50)
Outstanding at December 31, 2003	-	\$-

Note 14. Commitments and Contingencies**Leases**

Future minimum commitments under long-term non-cancelable leases are as follows for the next five years:

<i>Year</i>	<i>Amount</i>
2004	\$1,570
2005	1,371
2006	1,238
2007	1,155
2008	1,052
	\$6,386

Rent expense was \$1,919, \$1,166, and \$439 for the years ended December 31, 2003, 2002 and 2001, respectively.

Litigation

The Company and its subsidiaries are subject to litigation in the normal course of business. Management considers the aggregate liability which may result from such litigation not material at December 31, 2003.

Guarantees

The Company has guaranteed to one of its client's account the value of an investment in common shares to a maximum amount of \$1,012. The Company has provided a five-year guarantee expiring August 2007 to an affiliate with respect to a \$1,656 asset sale transaction. This affiliate has agreed to deposit the same amount against this guarantee.

The Company has provided a guarantee to an affiliate with respect to a €2,500 (\$4,070 at December 31, 2003) line of credit arrangement with a bank which is effective until the line of credit is terminated. The Company has provided a guarantee to an affiliate with respect to a credit facility agreement with a bank for a maximum of €3,000 (\$4,884 at December 31, 2003) expiring January 2005. The Company has provided a guarantee expiring December 2004 to a former subsidiary with respect to their contractual payment obligations to a vendor for up to a maximum of €3,500 (\$5,698 at December 31, 2003).

Regulations

The Company's wholly-owned banking subsidiary is located in Switzerland. The subsidiary is subject to the rules and regulations of the Swiss Federal Banking Commission which require equity capital amounting to \$10,441 to be maintained as of December 31, 2003. The subsidiary is in compliance with this regulation as of December 31, 2003.

80

Note 15. Interest Rate Sensitivity Position

Management has analyzed the bank subsidiary's interest rate sensitivity position at December 31, 2003. Because of the current nature (over 80% of assets and liabilities and off-balance sheet positions are due within three months) of the bank subsidiary's position, the total interest rate gap is not significant at December 31, 2003, assuming no interest rate hedging is undertaken over the next twelve months.

Note 16. Segmented Information

The following table presents revenues attributed to Canada, the Company's country of domicile, and other geographic areas based upon the customer's location:

	<i>2003</i>	<i>2002</i>	<i>2001</i>
Canada	\$7,872	\$26,006	\$17,183
Europe	391,282	254,564	192,714
United States	9,563	3,559	4,349
Other	796	210	-
	\$409,513	\$284,339	\$214,246

The following table presents total assets by geographic area based upon the location of the assets.

	<i>2003</i>	<i>2002</i>
Canada	\$58,884	\$119,763
Europe	271,778	200,206
United States	15,047	52,308
Africa	58,868	74,297
	\$404,577	\$446,574

During 2001, one client represented approximately 13% of financial services revenues. There was no client concentration in 2003 or 2002. At December 30, 2002, the Company exchanged assets located in Europe with a carrying value of \$7,292 for a 49% interest in Equitable Industries Limited Partnership. No gain or loss was recorded as a result of the exchange. It was treated as a nonmonetary transaction with an affiliate in 2002.

81

Note 17. Fair Value of Financial Instruments

The fair value of financial instruments at December 31 is summarized as follows:

	<i>2003</i>		<i>2002</i>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$145,452	\$145,452	\$102,413	\$102,413
Loans	16,872	16,872	77,879	77,879

Deposits	22,185	22,185	39,198	39,198
Debt	33,297	35,958	68,798	63,421
Interest rate swap derivative contract, liability	81	81	-	-

The fair value of cash and cash equivalents is based on reported market value. The fair value of loans is based on the value of similar loans. The fair value of deposits approximates their carrying value as they are all due on demand. The fair value of debt was determined using discounted cash flows at prevailing market rates or based on reported market value for the Company's publicly traded debt. The fair value of the interest rate swap is obtained from dealer quote. This value represents the estimated amount the Company would pay to terminate the agreement taking into consideration current interest rates, the credit-worthiness of the counterparties, and other factors. The Company does not anticipate nonperformance with respect to any of its derivative financial instruments.

Note 18. Transactions with Affiliates

During 2003, 2002, and 2001, the Company earned fees in the normal course from affiliated entities amounting to \$4,579, \$9,164 (of which \$4,115 was a merchant bank client where the Company's president is also the president of the affiliate), and \$323, respectively. In 2002, the Company sold real estate to an affiliate for \$4,202 on which no gain or loss has been recognized. The Company sold commodities amounting to \$7,840 and \$3,490 in the normal course to three affiliates and one affiliate during 2003 and 2002, respectively, \$2,967 and \$2,856 of which is included in receivables from commodity transactions at December 31, 2003 and 2002, respectively. The Company received dividends of \$4,900 on preferred shares of stock in an affiliate in 2003 and 2002. Generally, the Company has representation on the board of an affiliate and/or an equity interest.

The Company had a receivable from an officer of a subsidiary amounting to \$761 at December 31, 2002, which was paid in 2003.

82

Note 19. Subsequent Events

In January 2004, the Company declared redemption of its 8% convertible bonds. The majority of the bonds were converted into the Company's common shares at the pre-determined conversion rate of US\$13.22 per share. Approximately \$861 cash was paid out for the bond redemption.

On January 7, 2004, the Company issued to third parties an aggregate of €3,214 face amount of unsecured convertible debentures. The debentures bear interest at the rate of 4.4% and mature on December 31, 2009. The debentures are convertible into common stock of the Company at various contractually fixed prices depending on the time of conversion. At any time after December 31, 2005, the Company may redeem the debentures at their principal amount plus accrued interest.

In March, 2004, the Company, through various purchases, acquired 1,494,408 common shares (resulting in an approximate 62% ownership interest) of Med Net International Ltd. ("Med Net") for a cash consideration of \$2,294. Med Net will be consolidated since its acquisition date. Med Net, through its unincorporated joint ventures, operates technologically advanced eye care centers in China. It also markets medical supplies. The financial statements of Med Net on the acquisition date are not available at this time. The acquisition is consistent with the Company's business of proprietary investing.

In March, 2004, the Company acquired 7,015,985 common shares (resulting in an effective ownership of approximately 68%) in Fahr Beteiligungen AG ("Fahr") for a cash consideration of approximately \$24,951. Fahr will be consolidated since its acquisition date. Fahr is engaged in the business of real estate development, equipment and engineering services in the fields of cement, coal and minerals processing technologies. The financial statements of FAHR on the acquisition date are not available at this time. The acquisition is consistent with the Company's business of proprietary investing.

Note 20. United States Generally Accepted Accounting Principles

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, which conform in all material respects with those in the United States (U.S.), except as set forth below:

	<i>December 31</i>		
	2003	2002	2001
Reconciliation of Net Income			
Net income in accordance with Canadian GAAP	\$49,116	\$50,755	\$45,288
Adjustment of gain on sale of shares in investee	-	-	169
Change in unrealized gain (loss) on trading securities, net	-	-	(2,246)
Net income in accordance with U.S. GAAP	\$49,116	\$50,755	\$43,211
	<i>2003</i>	<i>2002</i>	<i>2001</i>
Basic earnings per common share U.S. GAAP	\$3.76	\$3.93	\$3.42
Diluted earnings per common share U.S. GAAP	\$3.59	\$3.70	\$3.20

83

	2003	2002	2001
Retained earnings in accordance with U.S. GAAP	\$172,144	\$194,758	\$163,342

<i>Comprehensive Income</i>	2003	2002	2001
Net income in accordance with U.S. GAAP	\$49,116	\$50,755	\$43,211
Other comprehensive income, net of tax			
Foreign currency translation adjustment	(35,851)	14,281	5,223
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(3,524)	2,151	(594)
Reclassification adjustment for gains realized in net income	(182)	(233)	(775)
Reclassification adjustment for other than temporary decline in value	66	-	-
Net unrealized gains (losses)	(3,640)	1,918	(1,369)
Other comprehensive income	(39,491)	16,199	3,854
Comprehensive income	\$9,625	\$66,954	\$47,065

Securities

U.S. GAAP requires that certain investments be classified into available-for-sale or trading securities categories and be stated at their fair values. Any unrealized holding gains or losses are to be reported as a component of other comprehensive income until realized for available-for-sale securities, and included in earnings for trading securities.

At December 31, 2003, investment in one trading security represented approximately 58% of total investment in trading securities. At December 31, 2002, approximately 15% of trading securities represents an investment in the common shares of an affiliate and approximately 27% represents debt securities from two entities.

The fair value of trading securities held by non-bank subsidiaries is summarized as follows:

	<i>December 31</i>	
	2003	2002
Debt securities	\$580	\$1,906
Preferred shares	1,096	1,878
Common shares	6,736	10,328
	\$8,412	\$14,112

Available-for-sale securities consist of common shares, preferred shares and debt securities at December 31, 2003, 2002 and 2001. At December 31, 2003 and 2002, securities in three and two companies represented 54% and 80%, respectively, of the total available-for-sale securities of \$33,209 and \$16,703. The proceeds from the sale of these securities amounted to \$2,519, \$1,330, and \$5,703, which resulted in realized gains of \$182, \$233, and \$775 during 2003, 2002 and 2001, respectively. The cost of these securities was \$2,337, \$11,588, and \$6,908, which resulted in unrealized losses in accumulated other comprehensive income of \$(3,342), \$298, and \$(1,620) at December 31, 2003, 2002 and 2001, respectively.

New United States Accounting Standards

Statement of Financial Accounting Standards ("SFAS") No. 149 amends existing standards on derivatives (effective for derivatives entered into or modified after June 30, 2003). SFAS No. 150 gives guidance on the accounting for certain financial instruments with characteristics of both liabilities and equity (effective for financial instruments entered into after May 31, 2003). Financial Accounting Standards Board interpretation No. 46 requires consolidation of certain variable interest entities (effective for fiscal years ending after December 15, 2003). Certain of these new standards will not have an affect on the Company's consolidated financial statements. For others, the effect on the Company's financial statements has not yet been determined.

PETERSON SULLIVAN PLLC

601 UNION STREET SUITE 2300 SEATTLE WA 89101

(206) 382-7777 FAX: 382-7700
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders
MFC Bancorp Ltd.

Our report on the consolidated financial statements of MFC Bancorp Ltd. is included on page 56 of this Form 20-F. In connection with our audits of such financial statements, we have also audited the related financial statement schedule I of this Form 20-F.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

/s/ Peterson Sullivan PLLC

Seattle, Washington
April 2, 2004

86

MFC BANCORP LTD.

SCHEDULE I: CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Dollars in thousands)

BALANCE SHEETS

	<i>As at December 31,</i>	
	2003	2002
ASSETS		
Cash and securities	\$190,415	\$165,062
Receivables	50,367	53,955
Loans	16,872	77,879
Commodity investments	10,964	13,172
Properties	62,235	72,228
Resource property	36,044	36,747
Goodwill	16,127	16,412
Equity method investments	15,906	7,917
Other	5,647	3,202
	<hr/>	<hr/>
	\$404,577	\$446,574
<hr/>		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$22,185	\$39,198
Accounts payable and accrued expenses	54,092	47,537
Debt	33,297	68,798
Distribution Payable	71,730	-

Minority interests	4,826	5,751
Shareholders' equity	218,447	285,290
	<hr/>	<hr/>
	\$404,577	\$446,574
	<hr/>	<hr/>

STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2003	2002	2001
Financial services revenue	\$409,513	\$284,339	\$214,246
Expenses			
Financial services	329,549	175,792	143,071
General and administrative	25,187	35,758	21,793
Interest	4,392	9,493	5,369
Goodwill impairment	-	16,116	-
Income taxes (recovery)	837	(3,497)	(772)
Minority interest	432	(78)	(503)
	<hr/>	<hr/>	<hr/>
	360,397	233,584	168,958
Net income	\$49,116	\$50,755	\$45,288

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2003	2002	2001
Net cash provided by operating activities	\$37,363	\$20,847	\$64,531
Net cash (used in) provided by financing activities	(48,292)	13,524	(76,102)
Net cash (used in) provided by investing activities	64,930	(19,078)	18,840
Exchange rate effect on cash and cash equivalents	(10,962)	9,954	1,373
Net change in cash	43,039	25,247	8,642
Cash and cash equivalents, beginning of year	102,413	77,166	68,524
Cash and cash equivalents, end of year	\$145,452	\$102,413	\$77,166

ITEM 19 Exhibits

Exhibits Required by Form 20-F

Exhibit Number / Description

- 1.1 Articles of Amalgamation. ⁽¹⁾
- 1.2 By-laws. ⁽¹⁾
- 2.1 Master Trust Indenture between MFC and Norwest Bank Minnesota, National Association, as trustee, dated March 31, 1998. ⁽¹⁾
- 2.2 Trust Indenture between MFC and Computershare Trust Company of Canada, dated January 7, 2004**
- 4.1 Memorandum of Agreement between MFC and Wabush Iron Co. Limited, Stelco Inc. and Dofasco Inc. dated November 24, 1987. ⁽²⁾

- 4.2 Amendment to Mining Lease between MFC and Wabush Iron Co. Limited, Stelco Inc. and Dofasco Inc. dated January 1, 1987. ⁽²⁾
- 4.3 First Amendment to Memorandum of Agreement between MFC and Wabush Iron Co. Limited, Stelco Inc. and Dofasco Inc. ⁽²⁾
- 4.4 Assignment Agreement between MFC and Prada Holdings Ltd. Dated as of January 1 1992. ⁽¹⁾
- 4.5 Separation Agreement between Mercer International Inc. and MFC dated for reference March 29, 1996. ⁽¹⁾
- 4.6 Purchase Agreement between MFC and Volendam Securities C.V. dated for reference May 17, 1996. ⁽¹⁾
- 4.7 Purchase Agreement between MFC and Volendam Securities C.V. dated for reference May 27, 1996. ⁽¹⁾
- 4.8 Share Purchase Agreement between MFC and Frederick Wong dated June 6, 1996. ⁽¹⁾
- 4.9 Subscription Agreement between MFC and Drummond Financial Corporation dated June 20, 1996. ⁽¹⁾
- 4.10 Share Purchase Agreement between MFC and Med Net International Ltd. Dated June 20, 1996. ⁽¹⁾
- 4.11 Share Purchase Agreement among MFC and various shareholders of Logan International Corp. dated June 20, 1996. ⁽¹⁾
- 4.12 Subscription Agreement between Drummond Financial Corporation and Logan International Corp. dated June 20, 1996. Incorporate by reference to Logan International Corp.'s Form 8-K dated June 27, 1996.
- 4.13 Share Purchase Agreement between Lehman Brothers Bankhats AG and MFC dated October 3, 1996. ⁽¹⁾
- 4.14 Purchase Agreement between MFC and Robabond Holding AG dated June 27, 1997. ⁽¹⁾
- 4.15 Share Purchase Agreement between MFC and Procom Holding AG dated September 22, 1997. ⁽¹⁾
- 4.16 Supplementary Agreement to Share Purchase Agreement between MFC and Procom Holding AG dated September 22, 1997. ⁽¹⁾
- 4.17 Agreement between MFC and the holders of MFC's Class A Preferred Shares dated December 1, 1996. ⁽¹⁾
- 4.18 Subscription Agreement between MFC and Logan International Corp. dated December 2, 1996. Incorporated by reference to MFC's Schedule 13D/A (Amendment No. 1) dated December 16, 1996 with respect to Logan International Corp.
- 4.19 Shareholder Protection Rights Plan Agreement between MFC and Montreal Trust Company of Canada dated as of May 18, 1993. ⁽¹⁾
- 4.20 Amended 1997 Stock Option Plan of MFC. ⁽¹⁾
- 88
- 4.21 Amended and Restated Employment Agreement between MFC and Michael J. Smith made effective as of November 20, 2000. ⁽¹⁾
- 4.22 Director's Indemnity Agreement between MFC and Michael J. Smith dated for reference November 20, 2000. ⁽¹⁾
- 4.23 Indemnity Agreement between MFC and Roy Zanatta dated for reference November 20, 2000. ⁽¹⁾
- 4.24 Investment and Restructuring Agreement among Sutton Park International Limited, Garda Investments Corp., MFC, Glamiox Beteiligungsverwaltungs GmbH, Hovis

- GmbH, Jurriaan J. Hovis, Johannes Hovis and Ferdinand Steinbauer dated for reference October 1, 2001. ⁽¹⁾
- 4.25 Owners' Agreement among Garda Investments Corp., Glamiox Beteiligungsverwaltungs GmbH, Jurriaan J. Hovis and Ferdinand Steinbauer dated for reference October 1, 2004. ⁽¹⁾
- 4.26 Dividend Trust Settlement Agreement between MFC and The Dividend Trust Committee of the Board of Directors of MFC Bancorp Ltd. dated for reference December 21, 2001. ⁽¹⁾
- 4.27 Share Sale Agreement among Newmont Australia Limited, Newmont LaSource S.A.S., and MFC dated August 7, 2002. ⁽⁴⁾
- 4.28 Royalty Deed among MFC, Newmont Australia Limited and Newmont LaSource S.A.S. dated August 7, 2002. ⁽⁴⁾
- 4.29 Arrangement Agreement between Trimble Resources Corporation Resources Corporation and MFC dated May 17, 2002. ⁽⁴⁾
- 4.30 Stock Purchase Agreement among Occidental (East Shabwa) LLC, Intercap Yemen, Inc. and MFC dated July 23, 2002. ⁽⁴⁾
- 4.31 Share Purchase Agreement between Mazak Ltd. and Trident Alloys Ltd. dated July 24, 2003 ⁽⁵⁾
- 8.1 Significant subsidiaries of MFC Bancorp Ltd.:
- Blake International, Inc.
 - MFC Capital Partners
 - MFC Merchant Bank S.A.
 - Robabaond Holding AG
 - Sutton Park International Ltd.
 - Trimble Resources Corporation
 - 4025750 Canada Inc.
 - 32565 Yukon Inc.
 - MFC Commodities AG
 - Parkland Venture Limited
 - DTA Holding AG
 - Winford Finance Corporation
 - Trimaine Holdings, Inc.
 - Drummond Financial Corporation
 - Alson Enterprises Corp.
 - Mazak Ltd.
 - Mazak Slovakia s.r.o.
 - Garda Investments Corp.
 - Hovis Commodities Trading GmbH
 - MFC Commodities GmbH
 - JH Trade & Financial Service GmbH
 - IC Management Service GmbH
 - Global Bulk Transport GmbH
 - MFC Pulp & Paper GmbH
 - Kasese Cobalt Company Limited
 - Med Net International Ltd.
 - FAHR Beteiligungen AG
 - KHD Humboldt Wedag AG
 - AIG Altmark Industrie AG

89

- 11.1 Code of Ethics**
- 12.1 Section 302 Certification under Sarbanes-Oxley Act of 2002 for Michael J. Smith.
- 13.1 Section 906 Certification under Sarbanes-Oxley Act of 2002 for Michael J. Smith

** Filed herewith.

⁽¹⁾ Incorporated by reference to our Form 20-F's filed in prior years.

⁽²⁾ Incorporated by reference to our Form 10-K for the year ended December 31, 1989.

⁽³⁾ Incorporated by reference to our Schedule 13D dated June 27, 1996 with respect to Logan International Corp.

⁽⁴⁾ Incorporated by reference to our Form 20-F filed with the Securities and Exchange Commission on April 28, 2003.

⁽⁵⁾ Incorporated by reference to our Form 6-K filed with the Securities and Exchange Commission on August 7, 2003.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, hereunto duly authorized.

MFC Bancorp Ltd.

Per: /s/ Michael J. Smith
Michael J. Smith, Chief Executive Officer
(Principal Executive, Financial and Accounting Officer)

Dated : April 26, 2004

MFC BANCORP LTD.

- and -

COMPUTERSHARE TRUST COMPANY OF CANADA**TRUST INDENTURE****4.4% Convertible Unsecured Subordinated Bonds**

Dated as of January 7, 2004

- i -

TABLE OF CONTENTS

ARTICLE 1 - INTERPRETATION	1
1.1 DEFINITIONS	1
1.2 NUMBER, GENDER AND ENTITIES	6
1.3 MEANING OF "OUTSTANDING"	7
1.4 HEADINGS, ETC.	7
1.5 APPLICABLE LAW	7
1.6 MONETARY REFERENCES	7
1.7 CALCULATION OF DATES	8
1.8 RULES OF CONSTRUCTION	8
1.9 SCHEDULES	8
ARTICLE 2 - THE BONDS	8
2.1 ISSUE OF BONDS	8
2.2 TERMS OF BONDS	9
2.3 FORMS AND SIGNATURE OF BONDS	9
2.4 ISSUE OF BONDS	10
2.5 INTEREST OBLIGATIONS	10
2.6 CALCULATION AS TO INTEREST PAYABLE	10
2.7 PAYMENT OF INTEREST IN CASH	10
2.8 CERTIFICATION	13
2.9 REGISTRATION OF BONDS	13
2.10 MUTILATION, LOSS, THEFT OR DESTRUCTION OF BONDS	14
2.11 EXCHANGES OF BONDS	14
2.12 PLACE OF PAYMENT	15
2.13 PARTNERSHIP NOT CREATED	15
ARTICLE 3 - REDEMPTION AND PURCHASE FOR CANCELLATION OF BONDS	16
3.1 REDEMPTION OF BONDS	16
3.2 PARTIAL REDEMPTION OF BONDS	16
3.3 REDEMPTION NOTE	16
3.4 BONDS DUE ON REDEMPTION DATES	17

3.5	DEPOSIT OF REDEMPTION MONEYS	17
3.6	SURRENDER OF BONDS FOR CANCELLATION	17
3.7	PURCHASE OF BONDS	17
3.8	REDEMPTION OF BONDS ON MATURITY DATE	18
3.9	REPAYMENT OF DEPOSITED MONIES	18
ARTICLE 4 - CONVERSION		18
4.1	CONVERSION PRIVILEGE AND CONVERSION PRICE	18
4.2	CONVERSION PROCEDURE	18
4.3	NO FRACTIONAL SHARES	19
4.4	ADJUSTMENT OF THE CONVERSION PRICE	20
4.5	CERTIFICATE AS TO ADJUSTMENT	22
4.6	VOLUNTARY DECREASE	23
4.7	NOTICE TO BOND HOLDERS OF CERTAIN EVENTS	23
4.8	RIGHT OF CONVERSION CEASES ON REDEMPTION	24
4.9	RECLASSIFICATIONS, REORGANIZATIONS, ETC.	24
4.10	CANCELLATION OF BONDS	25
4.11	STOCK OPTIONS	25
4.12	REGULATORY APPROVAL OF CONVERSION PRIVILEGE	25
4.13	CONCERNING THE TRUSTEE	25
4.14	LEGENDS ON COMMON SHARES	25
- ii -		
ARTICLE 5 - SUBORDINATION OF BONDS		26
5.1	SUBORDINATION OF BONDS	26
5.2	DEFINITION	26
5.3	EFFECT OF DISSOLUTION, WINDING-UP, LIQUIDATION OR REORGANIZATION	26
5.4	SUBROGATION OF BONDS	27
5.5	NO PAYMENT TO BOND HOLDERS IF SENIOR INDEBTEDNESS DUE OR IN DEFAULT	28
5.6	PAYMENT OF BONDS PERMITTED	28
5.7	SUBORDINATION NOT TO BE IMPAIRED	29
5.8	AUTHORIZATION OF BOND HOLDERS TO TRUSTEE TO EFFECT SUBORDINATION	30
5.9	SURVIVAL	30
5.10	FURTHER ASSURANCE	30
ARTICLE 6 - COVENANTS OF THE COMPANY		30
6.1	COVENANTS OF THE COMPANY	30
6.2	TRUSTEE INDEMNIFICATION	33
6.3	CONVERSION OF CURRENCY	33
6.4	CURRENCY INDEMNITY TO TRUSTEE	35
ARTICLE 7 - DEFAULT		35
7.1	ACCELERATION OF MATURITY	35
7.2	NOTICE OF EVENTS OF DEFAULT	37
7.3	WAIVER OF DEFAULT	37
7.4	ENFORCEMENT BY THE TRUSTEE	38
7.5	SUITS BY BOND HOLDERS	39
7.6	APPLICATION OF MONEYS BY TRUSTEE	40
7.7	DISTRIBUTION OF PROCEEDS	40
7.8	REMEDIES CUMULATIVE	41
7.9	JUDGEMENT AGAINST THE COMPANY	41
7.10	IMMUNITY OF SHAREHOLDERS	41
7.11	TRUSTEE APPOINTED ATTORNEY	41
ARTICLE 8 - SATISFACTION AND DISCHARGE		42
8.1	CANCELLATION AND DESTRUCTION	42
8.2	NON-PRESENTATION OF BONDS	42

8.3	REPAYMENT OF UNCLAIMED MONEYS	42
8.4	DISCHARGE	43
ARTICLE 9 - SUCCESSOR CORPORATIONS		43
9.1	CERTAIN REQUIREMENT	43
9.2	VESTING OF POWERS IN SUCCESSOR	44
ARTICLE 10 - MEETINGS OF BOND HOLDERS		44
10.1	RIGHT TO CONVENE MEETING	44
10.2	NOTICE OF MEETINGS	44
10.3	CHAIRMAN	44
	- iii -	
10.4	QUORUM	44
10.5	POWER TO ADJOURN	45
10.6	SHOW OF HANDS	45
10.7	POLL	45
10.8	VOTING	45
10.9	REGULATIONS	45
10.10	COMPANY AND TRUSTEE MAY BE REPRESENTED	46
10.11	POWERS EXERCISABLE BY MAJORITY RESOLUTION	46
10.12	MEANING OF "MAJORITY RESOLUTION"	49
10.13	POWERS CUMULATIVE	49
10.14	MINUTES	49
10.15	INSTRUMENTS IN WRITING	49
10.16	BINDING EFFECT OF RESOLUTIONS	49
10.17	EVIDENCE OF RIGHTS OR BOND HOLDERS	50
ARTICLE 11 - NOTICES		50
11.1	NOTICE TO COMPANY	50
11.2	NOTICE GO BOND HOLDERS	50
11.3	NOTICE TO TRUSTEE	50
11.4	RECEIPT OF NOTICES	51
11.5	MAIL SERVICE INTERRUPTION	51
11.6	WAIVER OF NOTICE	51
ARTICLE 12 - CONCERNING THE TRUSTEE		51
12.1	TRUST INDENTURE LEGISLATION	51
12.2	NO CONFLICT OF INTEREST	52
12.3	REPLACEMENT OF TRUSTEE	52
12.4	EXPERTS, ADVISERS AND AGENTS	52
12.5	TRUSTEE MAY DEAL IN BONDS	53
12.6	DEPOSIT OF MONEYS HELD BY TRUSTEE	53
12.7	TRUSTEE NOT ORDINARILY BOUND	
12.8	TRUSTEE NOT REQUIRED TO GIVE SECURITY	
12.9	ACCEPTANCE OF TRUST	53
12.10	PROTECTION OF THE TRUSTEE	53
12.11	TRUSTEE STANDARD OF CARE	54
12.12	THIRD PARTY INTERESTS	54
12.13	TRUSTEE NOT BOUND TO ACT	55
12.14	TRUSTEE SHALL NOT EXPEND ITS OWN FUNDS	55
ARTICLE 13 - SUPPLEMENTAL INDENTURES		55
13.1	SUPPLEMENTAL INDENTURES	55
ARTICLE 14 - EVIDENCE OF OWNERSHIP		56
14.1	EVIDENCE OF OWNERSHIP	56

15.1 COUNTERPART EXECUTION

56

15.2 FORMAL DATE

57

1

THIS INDENTURE is made as of January 7, 2004.

BETWEEN:

MFC BANCORP LTD., a company incorporated under the laws of the Yukon Territory and having an office at Millennium Tower, 21st Floor, Handelskai 94 - 96 1200 Vienna, Austria

(the "Company")

AND:

COMPUTERSHARE TRUST COMPANY OF CANADA, a trust company incorporated under the laws of Canada and having an office at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9

(the "Trustee")

WHEREAS the Company wishes to raise money for its corporate purposes and to do so wishes to create and issue the Bonds pursuant to this Indenture;

AND WHEREAS the Company, under the laws relating thereto, is duly authorized to create and issue the Bonds to be issued as herein provided;

AND WHEREAS when certified by the Trustee and issued as provided for in this Indenture, all necessary resolutions of the directors of the Company have been duly passed and other proceedings taken and conditions complied with to make the creation and issue of the Bonds proposed to be issued hereunder legal, valid and effective;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Company and not by the Trustee;

THIS INDENTURE WITNESSES THAT in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties hereto covenant, agree and declare as follows:

ARTICLE 1 - INTERPRETATION

1.1 Definitions.

Where used herein or in the Bonds or any amendments or supplemental Indentures hereto, except where the context otherwise requires, the following terms shall have the following meanings:

1.1.1 "Affiliate" means, with respect to any specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any

2

specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have similar meanings;

1.1.2 "Aggregate Market Capitalization" means, at any date, the amount equal to the product of the Current Market Price as of the trading day immediately preceding such date and the number of Common Shares outstanding on such date provided that any Common Shares owned by or held for the account of the Company and its wholly-owned Subsidiaries shall be deemed not to be outstanding;

1.1.3 "Associate" means, with respect to any specified person (1) any corporation or organization (other than such person or a majority-owned subsidiary of such person) of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities, (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (3) any relative or spouse of such person, or any relative of such spouse, who has the same home as such person or who is a director or officer of such person or any of its parents or subsidiaries;

1.1.4 "Bankruptcy Law" means Title 11, United States Code or any similar United States federal or state law for the relief of debtors, or the Bankruptcy and Insolvency Act (Canada) or any other Canadian federal or provincial or foreign law relating to bankruptcy, insolvency, winding up, liquidation, reorganization or relief of debtors;

1.1.5 "Bankruptcy Order" means any court order made in a proceeding pursuant to or within the meaning of any Bankruptcy Law, containing an adjudication of bankruptcy or insolvency, or providing for liquidation, winding up, dissolution or reorganization, or appointing a Custodian of a debtor or of all or any substantial part of a debtor's property, or providing indebtedness or other relief of a debtor;

1.1.6 "Bond holders" or "holders" means the persons for the time being entered in the registers hereinafter mentioned as holders of Bonds;

1.1.7 "Bond Indebtedness" means, from time to time, all indebtedness, liabilities and obligations, present or future, direct or indirect, of the Company to the Bond holders or the Trustee on behalf of the Bond holders, as the case may be, under the Bonds, including principal, interest, fees, expenses and other amounts owing under the Bonds;

1.1.8 "Bonds" means the 4.4% Convertible Unsecured Subordinated Bonds of the Company issued and certified hereunder and for the time being outstanding and, provided there is nothing in the context inconsistent therewith;

1.1.9 "business day" means any day other than Saturday, Sunday or a statutory holiday in the Province of British Columbia;

1.1.10 "Capital Lease Obligation" means at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be so

3

required to be capitalized on the balance sheet in accordance with generally accepted accounting principles;

1.1.11 "Capital Stock" means, for any corporation, any and all shares, interests, rights to purchase, warrants, options, or other equivalents of or interests in (however designated) the capital issued by such corporation;

1.1.12 "cash, property or securities" for the purposes of Article 5 has the meaning ascribed thereto in Section 5.2 hereof;

1.1.13 "close of business" means the normal closing hour of the local office of the Trustee on the relevant business day;

1.1.14 "Common Shares" means the common shares without par value in the capital of the Company;

1.1.15 "Company" means MFC Bancorp Ltd. and includes any successor corporation to or of MFC Bancorp Ltd. which shall have complied with the provisions of Article 9;

1.1.16 "Company's Auditors" or "Auditors of the Company" means an independent accounting firm duly appointed as auditors of the Company;

1.1.17 "Conversion Date" has the meaning ascribed thereto in Section 4.2.2;

1.1.18 "Conversion Price" means, subject to any adjustment as provided for in Section 4.4 hereof, the price per Common Share at which the Bonds shall from time to time be convertible into Common Shares in accordance with the provisions of Article 4, being (i) €16.53 if the Bonds are converted on or before June 30, 2004, (ii) €17.36 if the Bonds are converted after June 30, 2004 but on or before June 30, 2005, (iii) €18.23 if the Bonds are converted after June 30, 2005 but on or before June 30, 2006, (iv) €19.14 if the Bonds are converted after June 30, 2006 but on or before June 30, 2007, (v) €20.09 if the Bonds are converted after June 30, 2007 but on or before June 30, 2008, (vi) €21.10 if the Bonds are converted after June 30, 2008 but on or before June 30, 2009 and (vii) €22.15 if the Bonds are converted after June 30, 2009;

1.1.19 "Conversion Rate" means the rate at which the Bonds may be converted into Common Shares pursuant to the terms hereof and is equal to the principal amount of the Bonds divided by the Conversion Price;

1.1.20 "Counsel" means a barrister or solicitor or firm of barristers or solicitors retained by the Trustee or retained or employed by the Company and acceptable to the Trustee;

1.1.21 "Current Market Price" means the weighted average trading price (or, if no trades occur on any relevant particular day, the mean between the closing bid and asked quotations on such day) of the Common Shares on the Nasdaq National Market during a period of 20 consecutive trading days ending on the fifth trading day prior to the relevant Interest Payment Date, Conversion Date, Redemption Date, Maturity Date, the date upon which any relevant computation pursuant to Section 4.4.1 hereof is to be made, or any other date upon which the

4

Current Market Price must be calculated, as the case may be, or if the Common Shares are not listed on the Nasdaq National Market on the date the determination is to be made, on such stock exchange on which the greatest volume of Common Shares are traded during such preceding 20 consecutive trading day period or, if the Common Shares are not listed on any stock exchange, a price determined by the Company's Auditors or another accounting firm selected by the Company;

1.1.22 "Custodian" means any receiver, interim receiver, receiver and manager, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law or any other person with like powers;

1.1.23 "director" means a director of the Company for the time being and "directors" or "board of directors" means the board of directors of the Company or, whenever duly empowered, the executive or other committee of the board of directors of the Company, for the time being, and reference without more to action by the directors means action by the directors of the Company as a board or action by the said executive or other committee as a committee;

1.1.24 "Disqualified Stock" means any Capital Stock of the Company which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof,

1.1.25 "Event of Default" has the meaning ascribed thereto in Section 7.1 hereof;

1.1.26 "Exchange Act" means the United States Securities Exchange Act of 1934, as amended;

1.1.27 "majority resolution" has the meaning ascribed thereto in Section 10.12 hereof;

1.1.28 "generally accepted accounting principles" means generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants;

1.1.29 "Government Obligations" means interest bearing or discount debt obligations having a term of not more than 90 days issued or guaranteed by the Government of Canada or a Province of Canada, the United States Government or a Canadian chartered bank;

1.1.30 "Hedging Obligations" means, with respect to any person, the obligations of such person under: (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements; and (ii) other agreements or arrangements designed to protect such person against fluctuations in interest rates;

1.1.31 "Indenture", "herein", "hereby" and similar expressions mean or refer to this Indenture and any Indenture, deed or instrument supplemental or ancillary hereto; and the expressions "Article", "Section" and "Section" followed by a number and/or letter mean and refer to the specified article or Section or Section of this Indenture;

1.1.32 "Interest Amount" has the meaning ascribed thereto in Section 2.6 hereof;

5

1.1.33 "Interest Calculation Date" means the date which is ten business days preceding the relevant Interest Payment Date;

1.1.34 "Interest Payment Date" means each of December 31, 2004, December 31, 2006 and December 31, 2008, provided that, if any Interest Payment Date falls on a day which is not a business day, the payment of any interest otherwise payable on such Interest Payment Date shall be the last business day in December of the applicable year;

1.1.35 "Interest Period" has the meaning ascribed thereto in Section 2.5 hereof;

1.1.36 "Interest Rate" means the rate of interest, applicable both before and after an Event of Default hereunder, per annum at which the Bonds will bear interest during each Interest Period or portion thereof, equal to 4.4%;

1.1.37 "Interest Record Date" means, with respect to any Interest Payment Date, the close of business on tenth business day prior to any Interest Payment Date, whether or not such day is a business day;

1.1.38 "Maturity Date" means December 31, 2009;

1.1.39 "Officer's Certificate" means a certificate signed by any one of the following officers of the Company: Chairman of the Board; President; Chief Executive Officer; any Executive Vice-President; Secretary; or Treasurer;

1.1.40 "Person" means any individual, corporation, company, partnership, joint-stock company, association, joint venture, trust, unincorporated association, government or governmental authority;

1.1.41 "Redemption Date" has the meaning ascribed thereto in Section 3.3 hereof;

1.1.42 "Redemption Notice" has the meaning ascribed thereto in Section 3.3 hereof;

1.1.43 "Redemption Price" means in respect of a Bond, the principal amount thereof to be redeemed, plus accrued but unpaid interest thereon (less any withholding or other tax required by law to be deducted) to but excluding the Redemption Date;

1.1.44 "SEC" means the Securities and Exchange Commission;

1.1.45 "Securities Act" means the Securities Act of 1933, as amended;

1.1.46 "Senior Indebtedness" means (1) all indebtedness secured by a lien or other encumbrance; (2) all other indebtedness including, monetary obligations under credit facilities, with any bank, insurance company, investment funds, credit union or other financial institution; (3) any interest rate agreement or currency agreement; (4) all obligations to reimburse any bank or other person in respect of amounts paid under letters of credit, acceptances or other similar instruments; (5) all trade and other accounts payable for goods, materials or services purchased in the ordinary course of business; (6) all indebtedness evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation); (7) all obligations for the payment

6

of money relating to a lease that is required to be classified as a Capital Lease Obligation; (8) all obligations for the maximum fixed repurchase price of any Disqualified Stock (other than Disqualified Stock held by the Company); (9) all obligations for Hedging Obligations; and (10) all other indebtedness of the Company unless, in the case of any particular indebtedness, the instrument creating or evidencing the same expressly provides that such indebtedness shall not be senior in right of payment to the Bonds; but shall not include: (A) any indebtedness to the extent incurred in violation of any covenant under this Indenture; (B) any liability for foreign, federal, provincial or local taxes, subject to applicable law; (C) indebtedness that is subordinate or junior in right of payment to the Bonds; and (D) the Bonds;

1.1.47 "Senior Indebtedness Documents" has the meaning ascribed thereto in Section 5.7 hereof;

1.1.48 "Subsidiary" means any corporation of which the Company at the time owns or controls, directly or indirectly, Capital Stock having voting power under ordinary circumstances to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time shares of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency);

1.1.49 "TIA" means the Trust Indenture Act of 1939, as amended or re-enacted from time to time;

1.1.50 "trading day" means, with respect to the Nasdaq National Market or other market or stock exchange for securities on which the Common Shares are listed or quoted, any day on which such market or exchange is open for trading or quotation;

1.1.51 "Trust Indenture Legislation" means, at any time, (i) the provisions of the Business Corporations Act (Yukon) and the regulations thereunder as amended or re-enacted from time to time, (ii) the provisions of any other applicable statute of Canada or any province thereof and (iii) the TIA and regulations thereunder, but only to the extent applicable, in each case, relating to trust Indentures and to the rights, duties, and obligations of the Trustee under trust Indentures and of corporations issuing debt obligations under trust Indentures to the extent that such provisions are at such time in force and applicable to this Indenture;

1.1.52 "Trustee" means the Computershare Trust Company of Canada or its successor or successors appointed from time to time as trustee hereunder;

1.1.53 "United States" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and

1.1.54 "Voting Shares" means, for any corporations, any Capital Stock having voting power under ordinary circumstances to vote in the election of directors of such corporation.

1.2 Number, gender and entities.

Words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender and words importing individuals shall include firms and corporations and vice versa.

1.3 Meaning of "Outstanding".

Every Bond certified and delivered by the Trustee hereunder shall be deemed to be outstanding until it shall be cancelled, converted or redeemed or delivered to the Trustee for cancellation, conversion or redemption or moneys and/or Common Shares, as the case may be, for the payment thereof shall be set aside under Article 8, provided that:

- (a) Bonds which have been partially redeemed or converted shall be deemed to be outstanding only to the extent of the unredeemed or unconverted part of the principal amount thereof;
- (b) where a new Bond has been issued in substitution for a Bond which has been lost, stolen or destroyed, only one of such Bonds shall be counted for the purpose of determining the aggregate principal amount of Bonds outstanding;
- (c) if the Paying Agent (other than the Company or a Subsidiary thereof) holds, on a Redemption Date or the Maturity Date, money sufficient to pay Bonds payable on that date, then on and after that date such Bonds shall be deemed to be no longer outstanding and shall cease to accrue interest; and
- (d) Bonds which have been pledged in good faith shall, for the purpose of any provisions of this Indenture entitling holders of outstanding Bonds to vote, sign consents, requisitions or other instruments or take any other action under this Indenture, or to constitute a quorum of any meeting of Bond holders, be included if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds in his or her discretion.

1.4 Headings, Etc.

The division of this Indenture into Articles and Sections, the provision of an index and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

1.5 Applicable Law.

This Indenture and the Bonds shall be governed by and construed and enforced in accordance with the laws of the province of British Columbia and the laws of Canada applicable therein and shall be treated in all respects as British Columbia contracts.

1.6 Monetary References.

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of the European Union unless otherwise expressed and any obligations to make payments in cash may be satisfied by way of money order, cheque, bank draft, wire or other electronic form of transfer unless otherwise specified.

1.7 Calculation of Dates .

Unless otherwise provided, any time period required to be calculated under this Indenture shall exclude the date of the relevant event or notice and include the last day of the period being calculated.

1.8 Rules of Construction .

Unless the context otherwise requires:

- (a) a term has the meaning assigned to it;
- (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles;
- (c) "or" is not exclusive;
- (d) words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders;
- (e) any reference in this Indenture to any statute or section thereof shall be deemed to be a reference to such statute or section as amended or re-enacted from time to time;
- (f) provisions apply to successive events and transactions; and
- (g) references to sections of or rules under any legislation shall be deemed to include substitute, replacement of successor sections or rules adopted from time to time.

1.9 Schedules.

The following schedules are hereby incorporated in, and form a part of, this Indenture:

Schedule A: Specimen Bond Certificate

Schedule B: Form of Redemption Notice

Schedule C: Form of Notice of Conversion

ARTICLE 2 - THE BONDS

2.1 Issue of Bonds.

The aggregate principal amount of the Bonds which may be authorized hereunder is limited to an aggregate principal amount of €10,000,000. The Bonds may be issued only upon and subject to the further conditions and limitations herein set forth. All Bonds now or hereafter certified and issued under this Indenture shall, subject to the terms of this Indenture, be equally and ratably entitled to the benefit hereof, whatever may be the actual dates or terms of issue of the same.

9

2.2 Terms of Bonds.

The Bonds shall be designated as "4.4% Convertible Unsecured Subordinated Bonds". The Bonds shall be dated as of January 7, 2004, shall mature on the Maturity Date and shall bear simple interest (subject to the provisions of Section 2.5), both before and after an Event of Default hereunder, from January 7, 2004 at the Interest Rate, with all accrued but unpaid interest payable in cash on the Interest Payment Dates. Unless the Bonds are converted pursuant to the terms of this Indenture, the principal of the Bonds and interest thereon shall be payable in lawful money of the European Union by the Company to the Trustee on behalf of the Bond holders and subsequently by the Trustee or its appointed agent to the Bond holders at their registered address.

2.3 Forms and Signature of Bonds.

2.3.1 The Bonds shall be issued as fully registered Bonds in denominations of €1,000 or integral multiples thereof and the certificate of the Trustee endorsed thereon shall be substantially in the form set forth in the Schedule A hereto, with such insertions, omissions, substitutions or other variations as shall be required or permitted by this Indenture, and may have imprinted or otherwise mechanically reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform with general usage, all as may be determined by the directors or officers of the Company executing such Bond in accordance with Section 2.3.3 hereof, as conclusively evidenced by their execution of a Bond. Notwithstanding the foregoing, a Bond may be in such other form or forms as may, from time to time, be approved by a resolution of the directors or as specified in an Officer's Certificate. The Bonds shall in addition bear such distinguishing letters and numbers as the Trustee may approve. The terms and conditions contained in the Bonds annexed as Schedule A hereto shall constitute and are hereby expressly made a part of this Indenture and the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Bond conflicts with the express provisions of the Indenture, the provisions of this Indenture shall govern and be controlling.

2.3.2 The Bonds may be engraved or lithographed or may be partly in one form and partly in the other, as the Company may determine.

2.3.3 The Bonds shall be signed on behalf of the Company (either manually or by facsimile signature) by any one of the Chairman of the Board, the President, the Chief Executive Officer, any Executive Vice-President, the Secretary or the Treasurer of the Company holding office at the time of signing. A facsimile signature upon any of the Bonds shall for all purposes of this Indenture be deemed to be the signature of the person whose signature it purports to be and to have been signed at the time such facsimile signature is reproduced and notwithstanding that any such person whose signature, either manual or in facsimile, may appear on the Bonds is not at the date of this Indenture or at the date of execution of the Bonds or at the date of the certifying and delivery thereof, the Chairman of the Board, the President, the Chief Executive Officer, any Executive Vice-President, the Secretary or the Treasurer of the Company, as the

10

case may be, such Bonds shall be valid and binding upon the Company and entitled to the benefits of this Indenture.

2.4 Issue of Bonds.

Bonds in the aggregate principal amount of €10,000,000 are hereby created and shall forthwith be executed by the Company and delivered to the Trustee. Upon receipt by the Trustee of an opinion of Counsel that all conditions precedent provided for herein in respect of the issuance of the Bonds have been met, the said €10,000,000 principal amount of Bonds shall be certified by the Trustee and delivered to, or to the order of, the Bond holders pursuant to a written direction contained in an Officer's Certificate, without the Trustee receiving any consideration therefor.

2.5 Interest Obligations.

Each Bond, whether issued originally or in exchange for another Bond, shall bear and the Company shall pay simple interest biannually both before and after an Event of Default hereunder, at the Interest Rate from and including the date of its issuance or from and including the last Interest Payment Date on which interest shall have been paid or made available for payment on the outstanding Bonds, whichever shall be the later, to, but excluding the earliest of:

- (a) the next following Interest Payment Date on which interest is paid;
- (b) the Maturity Date;
- (c) if called for redemption, the date fixed for redemption in the Redemption Notice unless, upon due presentation, payment of the principal amount of any Bond is improperly withheld or refused; or
- (d) if surrendered for conversion, the Conversion Date, unless, upon due surrender, payment of the amounts properly due upon conversion is improperly withheld or refused,

as the case may be (the " **Interest Period** ").

2.6 Calculation as to Interest Payable.

On each Interest Calculation Date the Trustee shall calculate the amount of interest payable in respect of each €1,000 principal amount of the outstanding Bonds for the relevant Interest Period (the " **Interest Amount** "). The Interest Amount per €1,000 principal amount of Bonds shall be calculated by multiplying the Interest Rate by €1,000, dividing the product so obtained by 365 days and multiplying the quotient by the actual number of days in the said Interest Period. Interest shall be calculated on the basis of a 365 day year.

2.7 Payment of Interest in Cash.

2.7.1 The person in whose name any Bonds shall be registered shall be deemed the owner thereof for all purposes of this Indenture and payment of or on account of the principal and interest on such Bonds shall be made by the Company to the Trustee or the Paying Agent, as

11

the case may be (on behalf of the Bond holders, in aggregate), and by the Trustee or the Paying Agent, as the case may be, to the Bond holder only to or upon the order in writing of such Bond holders and such payment shall be a good and sufficient discharge to the Company or the Trustee, any Bond registrar and any Paying Agent for the amounts so paid.

2.7.2 The Company may appoint one or more paying agents (each a "Paying Agent") for the purposes of payment of or on account of the principal of and interest on the Bonds. The Company shall notify the Trustee in writing of the name and address of any Paying Agent not a party to this Indenture. The Company agrees that it will include the Trustee as a party to any agreements that the Company enters into with any Paying Agent, which agreements will include a covenant on the part of the Paying Agent to provide to the Trustee, in a timely fashion, an Officer's Certificate stating that any payments required to be made under this Indenture have been paid and that in the case of payment at Maturity, that the original Bond certificates will be surrendered to the Trustee for cancellation. The Company or any of its Subsidiaries may act as Paying Agent or co-registrar with the approval of the Trustee.

2.7.3 The Company shall require each Paying Agent other than the Trustee to agree in writing with the Trustee and the Company that the Paying Agent will hold in trust for the benefit of holders or the Trustee all money held by the Paying Agent for the payment of principal of, or interest on, the Bonds, will confirm in writing to the Trustee all payments of principal and interest within five days of such payment, and will notify the Trustee of any default by the Company in making such payment. While such default continues, the Trustee may require the Paying Agent to pay all money held by it to the Trustee. The Company at any time may require the Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Bonds.

2.7.4 As the interest on the Bonds becomes due (except interest payable on conversion which shall be paid upon presentation and surrender of the Bonds for conversion) the Company, no later than 8:00 a.m. (Central European time) two business days immediately prior to each Interest Payment Date, shall deliver sufficient funds by way of money order, certified cheque, bank draft or wire transfer to the designated euro bank account of the Trustee or the Paying Agent, as the case may be, to enable it to forward or cause to be forwarded by prepaid post, to the holder in whose name any Bond is registered at the close of business on the Interest Record Date with respect to such Interest Payment Date, at his or her last address appearing on the appropriate register hereinafter mentioned, or in the case of joint holders, to any (or all) holder(s) whose name appear(s) on such register, on the Interest Payment Date (or the first business day thereafter if the Interest Payment Date is not a business day) a cheque for such interest (less any withholding or other tax required by law to be deducted) payable to the order of such holder or holders and negotiable at par at any bank or banks as may be acceptable to the Trustee in its absolute discretion. The forwarding of such funds by the Company to the Trustee or the Paying Agent, as the case may be, and the subsequent delivery of such funds by the Trustee or the Paying Agent, as the case may be, to the Bond holders by cheque shall satisfy and discharge the liability for the interest on the Bonds to the extent of the sums represented thereby, plus the

12

amount of any withholding or other tax deducted as aforesaid, unless such cheque is not paid at par on presentation; provided that in the event of the non-receipt of such cheque by the Bond holder, or the loss or destruction thereof, the Trustee or the Paying Agent, as the case may be, on being furnished with reasonable evidence of such non-receipt, loss or destruction and indemnity reasonably satisfactory to it shall issue to such Bond holder a replacement cheque for the amount of such cheque. Notwithstanding the foregoing, if the Company is prevented by circumstances beyond its control (including, without limitation, any interruption in mail service) from delivering any interest due on each Bond in the manner provided above, the Company may make delivery of such interest or make such interest available for payment in any other manner acceptable to the Trustee or the Paying Agent, as the case may be, with the same effect as though payment had been made in the manner provided above. If the Trustee is not acting as the Paying Agent in connection with any payment of interest on the Bonds, then the Company will ensure that the Company delivers to the Trustee, within five days of the payment of such interest, an Officer's Certificate stating the fact that such interest has been paid to the Bondholders.

2.7.5 In connection with the payment of any withholding or other tax required to be deducted from payments of interest on the Bonds, if payment of such tax is to be paid in a currency other than euros, then the Company will deliver to the Trustee on the Interest Record Date, on the tenth business day before the Redemption Date, or on the tenth business day before the Conversion Date, as applicable (the "Exchange Rate Date"), an Officer's Certificate stating the rate of exchange (which rate shall be the average of the buy and sell note) quoted by the Bank of Canada at 12:00 noon (Vancouver time) on the Exchange Rate Date for the conversion of euros into the currency that is required for the payment of such withholding or other tax. The Trustee, acting reasonably, may change the Exchange Rate Date by written notice to the Company.

2.7.6 If payment by the Trustee of the withholding or other tax is to be satisfied in a currency other than euros, then to the extent that the payment (when converted into such other currency at the rate of exchange on the date of payment, or, if it is not practicable for the Trustee to purchase such other currency with euros on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so) actually falls short of the amount of such withholding or other tax required to be paid, the Company and the Bondholders (by the acceptance of the Bonds) agree that they and each of them shall, as a separate and independent obligation, indemnify and hold harmless the Trustee against the amount of such shortfall. For the purposes of this Section 2.7.6, the "rate of exchange" shall mean the rate of exchange (which rate shall be the average of the buy and sell rate) quoted by the Bank of Canada at 12:00 noon (Vancouver time) on the date of payment for conversion of euros into the currency of the payment of such withholding or other tax.

2.7.7 The holder for the time being of any Bond shall be entitled to the principal moneys and interest on the Bond, free from all equities or rights of set-off or counterclaim between the Company and the original or any intermediate holder thereof and all persons may act accordingly and a transferee of a Bond shall, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by any conditions contained in such Bond or by any applicable law, be entitled to be entered on the appropriate register or on any one of the appropriate registers as the owner of such Bond free from all equities or rights of set-off or counterclaim between the

13

Company and his or her transferor or any previous holder thereof, save in respect of equities of which the Company is required to take notice by statute or by order of a court of competent jurisdiction.

2.7.8 Where Bonds are registered in more than one name the principal and interest from time to time payable in respect thereof may be paid by cheque payable to the order of any or all of such holders, failing written instructions from them to the contrary, and such payment shall be a valid discharge to the Company, the Trustee, any registrar and any Paying Agent.

2.8 Certification.

2.8.1 No Bond shall be issued or, if issued, shall be obligatory, or shall entitle the holder to the benefits of this Indenture, until it has been certified by or on behalf of the Trustee substantially in the form set out in the Schedule A hereto or in some other form approved by the Trustee. Such signed certificate on any Bond shall be conclusive evidence that such Bond is duly issued, is a valid obligation of the Company and the holder is entitled to the benefits hereof.

2.8.2 The certificate of the Trustee signed on the Bonds shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of the Bonds or their issuance and the Trustee shall in no respect be liable or answerable for the use made of such Bonds or any of them or the proceeds thereof. The certificate of the Trustee signed on the said Bonds shall however be a representation and warranty by the Trustee that said Bonds have been duly certified by or on behalf of the Trustee pursuant to the provisions of this Indenture.

2.9 Registration of Bonds.

2.9.1 The Company shall cause to be kept by and at the principal office of the Trustee in the City of Vancouver, British Columbia, Canada a central register, and in such other place or places and by the Trustee or by such other registrar or registrars, if any, as the Company with the approval of the Trustee may designate, branch registers in which shall be entered the names and latest known addresses of the Bond holders and the other particulars prescribed by law of the fully registered Bonds held by them respectively and of all transfers of fully registered Bonds. Such registration shall be noted on the Bonds by the Trustee or other registrar. No transfer of a fully registered Bond shall be effective as against the Company unless made on one of the appropriate registers by the registered holder or his, her or their executors or administrators or other legal representatives or his, her or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee, upon compliance with such requirements as the Trustee and/or other registrar may prescribe, and unless such transfer shall have been duly noted on such Bond by the Trustee or other registrar.

2.9.2 The registers referred to in Section 2.9.1 shall at all reasonable times be open for inspection by the Company, by the Trustee and by any Bond holder.

2.9.3 Subject to compliance with all applicable laws, the holder of a Bond may at any time and from time to time have such Bond transferred at any of the places at which a register is kept pursuant to the provisions of this Section 2.9 and in accordance with such reasonable regulations as the Trustee may prescribe.

14

2.9.4 The holder of a Bond may at any time and from time to time have the registration of such Bond transferred from the register in which the registration thereof appears to another register maintained in another place authorized for that purpose under the provisions of this Indenture upon payment of a reasonable fee to be fixed by the Trustee.

2.9.5 The register maintained by the Trustee pursuant to the terms hereof shall be conclusive proof of the ownership of the Bonds and the Company, the Trustee, any Bond register and any Paying Agent or any of them shall not be charged with notice of or be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any Bond and may transfer any Bond on the direction of the holder thereof, whether named as trustee or otherwise, as though that person were the beneficial owner thereof.

2.9.6 Except in the case of the central register required to be kept at the City of Vancouver, British Columbia, Canada the Company shall have power at any time to close any branch register upon which the registration of any Bonds appears and in that event it shall transfer the records thereof to another existing register or to a new register and thereafter such Bonds shall be deemed to be registered on such existing or new register as the case may be. In the event that the register in any place is closed and the records transferred to a register kept in another place, notice of such change shall be given, in the manner provided in Section 11.2, to the holders of the Bonds registered in the register so closed and in addition the particulars of such change shall be recorded in the central register required to be kept in the City of Vancouver, British Columbia, Canada.

2.9.7 Every registrar shall, when requested so to do by the Company or the Trustee, furnish the Company or the Trustee, as the case may be, with a list of the names and addresses of the holders of Bonds showing the principal amounts and serial numbers of such Bonds held by each holder.

2.10 Mutilation, loss, theft or destruction of Bonds.

In case any of the Bonds shall become mutilated or be lost, stolen or destroyed, the Company, in its discretion, may issue, and thereupon the Trustee shall certify and deliver a new Bond upon surrender and cancellation of the mutilated Bond, or in the case of a lost, stolen or destroyed Bond, in lieu of and in substitution for the same, and the substituted Bond shall be in a form approved by the Trustee and shall be entitled to the benefits of this Indenture equally with all other Bonds without preference or priority one over another. In case of loss, theft or destruction the applicant for a substituted Bond shall furnish to the Company and to the Trustee such evidence of such loss, theft or destruction as shall be satisfactory to them in their discretion and shall also furnish an indemnity and surety bond satisfactory to them in their discretion and shall pay all expenses incidental to the issuance of such substituted Bond.

2.11 Exchanges of Bonds.

2.11.1 Bonds of any denomination may be exchanged for Bonds of any other authorized denomination or denominations, any such exchange to be for Bonds of an equal aggregate principal amount.

15

2.11.2 Exchanges of Bonds may be made at the offices of the Trustee or at the offices of any other registrar or registrars where registers are maintained for the Bonds pursuant to the provisions of Section 2.9. Any Bonds tendered for exchange shall be surrendered to the Trustee or appropriate registrar and shall be cancelled.

2.11.3 Bonds issued in exchange for Bonds which at the time of such issue have been selected or called for redemption at a later date shall be deemed to have been selected or called for redemption in the same manner and shall have noted thereon a statement to that effect.

2.11.4 Except as herein otherwise provided, in every case of exchange of Bonds of any denomination for other Bonds and for any transfer of Bonds, the Trustee or other registrar may make a sufficient charge to reimburse it for any stamp tax or other governmental charge required to be paid, and in addition a reasonable charge for its services for each Bond exchanged or transferred and a reasonable charge for every Bond issued upon such exchange or transfer, and payment of the said charges shall be made by the party requesting such exchange or transfer as a condition precedent thereto.

2.11.5 Notwithstanding the provisions of Sections 2.9, neither the Company nor the Trustee nor any registrar shall be required to:

- (a) transfer or exchange any Bonds during the periods commencing on any Interest Record Date and ending on the next following Interest Payment Date;
- (b) transfer or exchange any Bonds on the day of any selection by the Company or the Trustee of any Bonds to be redeemed in accordance with Article 3 during the fifteen days next preceding any such date; or

(c) transfer or exchange any Bonds on the date of any selection by the Company or the Trustee of any Bonds to be converted or during the fifteen days next preceding any such date.

2.12 Place of Payment.

Except as herein otherwise provided, all sums which may at any time become payable, whether at maturity, upon conversion or on a declaration or on redemption or otherwise, on account of any Bond or any interest, shall be payable at any of the places at which the principal of and interest on such Bond are payable.

2.13 Partnership not created.

Each of the Company and the Trustee, on its own behalf and on behalf of the Bond holders, expressly disclaims any intention to create a partnership or joint venture. Nothing in this Indenture will constitute the parties or either of them partners or joint venturers nor, except as may be expressly provided in this Indenture, constitute any one of them the agent or agents of the other.

16

ARTICLE 3 - REDEMPTION AND PURCHASE FOR CANCELLATION OF BONDS

3.1 Redemption of Bonds.

3.1.1 Subject to Section 3.1.2, the Company shall have the right, at its option, to redeem the Bonds either in whole at any time or in part from time to time before the Maturity Date and in accordance with the provisions hereof.

3.1.2 The Bonds shall not be redeemable by the Company at any time before December 31, 2005. The Bonds shall be redeemable on or after December 31, 2005 and prior to the Maturity Date in whole at any time or in part from time to time at the option of the Company at a price equal to the Redemption Price.

3.2 Partial Redemption of Bonds.

In case less than all of the outstanding Bonds are to be redeemed, the Company shall in each such case, at least twenty business days before the date upon which the Redemption Notice is required to be given, notify the Trustee in writing of its intention to redeem Bonds and of the aggregate principal amount of Bonds so to be redeemed. The Bonds so to be redeemed may be selected on a pro rata basis (to the nearest multiple of €1,000) in accordance with the principal amount of Bonds registered in the name of each holder, by lot by the Trustee, or, if applicable, by such other method that complies with the requirements of any stock exchange on which the Bonds are then listed or quoted and that the Trustee may deem equitable. For this purpose the Trustee may make regulations with regard to the manner in which such Bonds may be so selected and regulations so made shall be valid and binding upon all Bond holders. Bonds of denominations in excess of €1,000 may be selected and called for redemption in part only (such part being €1,000 or an integral multiple thereof) and, unless the context otherwise requires, references to Bonds in this Article 3 shall be deemed to include any such part of the principal amount of Bonds which shall have been so selected and called for redemption. The holder of any Bond called for redemption in part only, upon surrender of such Bond for payment as required by Section 3.6, shall be entitled to receive, without expense to such holder, one or more new Bonds for the unredeemed part of the Bond so surrendered, and the Trustee shall certify and deliver such new Bond or Bonds upon receipt of the Bonds so surrendered.

3.3 Redemption Notice.

Notice of intention to redeem any Bonds (a " **Redemption Notice** ") prior to the maturity thereof shall be given by or on behalf of the Company to the holders of the Bonds which are to be redeemed, not more than 60 days and not less than 30 days prior to the date to be fixed for redemption (a " **Redemption Date** "), in the manner provided in Section 11.2. The Redemption Notice shall be substantially in the form set out in Schedule B hereto. Every Redemption Notice shall, unless all of the Bonds then outstanding are to be redeemed, state the designated numbers of the Bonds so called for redemption and, in case the Bonds are to be redeemed in part only, that part of the principal amount thereof so to be redeemed. Any Redemption Notice shall specify the Redemption Date, the Redemption Price, the place of payment, shall state that all interest thereon shall cease as of and after such Redemption Date, and shall state that the right to

17

convert the Bonds to be redeemed will terminate and expire at the close of business on the business day immediately prior to the Redemption Date, unless the Company shall make default in the payment of the Redemption Price of such Bond.

3.4 Bonds Due on Redemption Dates.

3.4.1 Upon the provision of a Redemption Notice, all the Bonds so called for redemption shall thereupon be and become due and payable at the Redemption Price on the Redemption Date in the same manner and with the same effect as if it were the Maturity Date, anything therein or herein to the contrary notwithstanding, and from and after the Redemption Date, if the moneys necessary to redeem such Bonds shall have been deposited as hereinafter provided and affidavits or other proof satisfactory to the Trustee as to the mailing of such notices shall have been lodged with it, such Bonds shall not be considered as outstanding hereunder and interest upon such Bonds shall cease.

3.4.2 In case any question shall arise as to whether any notice has been given as above provided and any such deposit made, such question shall be decided by the Trustee whose decision shall be final and binding upon all interested parties.

3.5 Deposit of Redemption Moneys.

Upon Bonds having been called for redemption as hereinbefore provided, the Company shall deposit with the Trustee or with any Paying Agent to the order of the Trustee, or the Paying Agent, as the case may be, on or before the Redemption Date fixed in the Redemption Notice, such sums as may be sufficient to pay the Redemption Price of the Bonds so to be redeemed. From the sums so deposited the Trustee or the Paying Agent shall pay or cause to be paid to the holders of such Bonds so called for redemption, upon surrender of such Bonds, the principal and interest to which they are entitled on redemption.

3.6 Surrender of Bonds for Cancellation.

If the principal moneys due upon any Bond shall become payable by redemption or otherwise before the Maturity Date, the registered holder presenting such Bond for payment must surrender the same for cancellation and the Company shall pay or cause to be paid the principal of and interest accrued and unpaid thereon. All Bonds so surrendered for cancellation shall forthwith be delivered to the Trustee and shall be cancelled by it and, subject to Section 3.2, no Bonds shall be issued in substitution therefor.

3.7 Purchase of Bonds.

At any time no Event of Default shall have occurred and is continuing hereunder, the Company may purchase (by the payment of cash or through the issuance of Common Shares) all or any of the Bonds in the market (which shall include purchase from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or by private contract. The Company may, in its sole discretion, cancel or reissue any or all Bonds so purchased. If the Company elects to cancel any Bonds so purchased, then the Company shall forthwith deliver such Bonds to the Trustee and such Bonds shall be cancelled by it and no Bonds shall be reissued

18

in substitution therefor. If the Company elects to reissue any Bonds so purchased, then the Company shall forthwith deliver to the Trustee such Bonds and any transfer documents required in accordance with Section 2.9.3 with a direction to reissue and certify such Bonds in the names and amounts specified in such direction.

3.8 Redemption of Bonds on Maturity Date.

On the Maturity Date, the Company shall pay to the Trustee or any Paying Agent on behalf of the Bond holders an amount in cash equal to the principal amount of the Bonds then outstanding plus interest accrued and unpaid thereon (less any withholding or other tax required by law to be deducted) to but excluding the Maturity Date. The Trustee or the Paying Agent shall pay such amount to the registered Bond holders presenting such Bonds for payment and the provisions of Sections 8.2 and 8.3 shall be applicable thereto.

3.9 Repayment of Deposited Monies

Any monies which shall have been deposited with the Trustee or the Paying Agent for redemption of Bonds and which are not required for the purpose of redemption by reason of the conversion of Bonds or parts thereof shall be immediately repaid to the Company.

ARTICLE 4 - CONVERSION

4.1 Conversion Privilege and Conversion Price.

Subject to and upon compliance with the provisions of this Article 4 and any applicable laws, any Bond or any portion of the principal amount thereof which is €1,000 or an integral multiple of €1,000 plus interest accrued and unpaid thereon (less any withholding or other tax required by law to be deducted) as calculated in accordance with Section 2.5 may, at the option of the holder thereof, at any time up to, but not after, the close of business on the last business day immediately prior to the earlier of any date fixed for redemption of that Bond and the Maturity Date, be converted into fully paid and non-assessable Common Shares at the Conversion Rate (the "Conversion Privilege").

4.2 Conversion Procedure.

4.2.1 In order to exercise the Conversion Privilege, the holder of any Bond to be converted shall surrender such Bond to the Trustee at the Trustee's principal office in Vancouver, British Columbia, Canada accompanied by written notice substantially in the form of Schedule C hereto (which shall be irrevocable) and the appropriate transfer documents, as required, signed by such holder, in form and execution satisfactory to the Trustee, stating that the holder elects to convert such Bond or a stated portion of the principal amount thereof constituting an integral multiple of €1,000 plus interest accrued and unpaid thereon (less any withholding or other tax required by law to be deducted) as calculated in accordance with Section 2.5 to Common Shares. Such notice shall also state the name or names (with addresses) in which the certificate or certificates for Common Shares which shall be issuable on such conversion shall be issued. If any of the Common Shares to be issued hereunder are to be issued to a person or persons other than the holder of such Bond such request shall be accompanied by

19

payment to the Trustee of any tax which may be payable by reason of the transfer. The surrender of such Bond accompanied by such written notice shall be deemed to constitute a contract between the holder of such Bond and the Company whereby:

- (a) the holder of such Bond subscribes for the number of Common Shares which he or she shall be entitled to receive on such conversion;
- (b) the holder of such Bond releases the Company from all liability thereon or from all liability with respect to that portion of the principal amount thereof to be converted, as the case may be, including all liability for the principal amount and accrued and unpaid interest payable to the Conversion Date of such Bonds to be converted; and
- (c) the Company agrees that the surrender of such Bond for conversion constitutes full payment of the subscription price for the Common Shares issuable upon such conversion.

4.2.2 Within five business days of surrender of any Bonds to be converted and subject to the Company obtaining all approvals as set forth in Section 4.12, the Company shall issue or cause to be issued and deliver or cause to be delivered to the holder whose Bond is so surrendered, or on his or her written order, a certificate or certificates in the name or names of the person or persons specified in such notice for the number of Common Shares deliverable upon the conversion of such Bond (or specified portion thereof). Such conversion shall be deemed to have been effected immediately prior to the close of business on the date (the " **Conversion Date** ") such Bonds were surrendered for conversion and at such time the rights of the holder of such Bond as such holder shall cease and the person or persons in whose name or names any certificate or certificates for Common Shares shall be deliverable upon such conversion shall be deemed to have become on such date the holder or holders of record of the Common Shares represented thereby; provided, however, that no such surrender on any date when the share transfer registers for Common Shares of the Company shall be closed shall be effective until the close of business on the next succeeding day on which such share transfer registers are open and such conversion shall be at the Conversion Price in effect at the close of business on such next succeeding day.

4.2.3 Upon surrender to the Trustee of any Bond which is to be converted in part only, the holder thereof shall be entitled to receive, without expense to such holder, one or more new Bonds for the unconverted portion of the principal amount of the Bond so surrendered.

4.3 No Fractional Shares.

Notwithstanding anything herein contained, the Company shall in no case be required to issue fractional Common Shares upon the conversion of any Bond. If any fractional interest in a Common Share would, except for the provisions of this Section 4.3, be deliverable upon the conversion of any Bond, the Company shall adjust such fractional interest by rounding such interest up to the next whole Common Share.

4.4 Adjustment of the Conversion Price.

4.4.1 The Conversion Price shall be subject to adjustment from time to time as follows:

(a) If and whenever at any time the outstanding Common Shares of the Company shall be subdivided, redivided or changed into a greater or reduced or consolidated into a lesser number of shares or reclassified into different shares, any holder of Bonds who has not exercised his or her right of conversion prior to the effective date of such subdivision, redivision, change, consolidation, reduction or reclassification shall be entitled to receive and shall accept, upon the exercise of such right at any time on such effective date or thereafter, in lieu of the number of Common Shares to which he or she was theretofore entitled upon conversion at the Conversion Price, the aggregate number of shares of the Company that such Bond holder would have been entitled to receive as a result of such subdivision, redivision, change, consolidation or reclassification if, on the effective date thereof, he or she had been the registered holder of the number of Common Shares to which he or she was theretofore entitled upon conversion.

(b) In case the Company shall fix a record date for the issuance of additional Common Shares (or securities convertible into Common Shares) to the holders of any of its outstanding Common Shares by way of a stock dividend or other distribution (other than as dividends paid in the ordinary course), other than stock dividend to holders of Common Shares who exercise an option to receive any ordinary course equivalent dividends in Common Shares in lieu of receiving cash dividends, the Conversion Price shall be adjusted immediately after the record date for such stock dividend or other distribution by multiplying the Conversion Price in effect on such record date by a fraction of which the numerator shall be the total number of Common Shares outstanding on the record date and of which the denominator shall be the total number of Common Shares outstanding on the record date plus the number of additional Common Shares which shall result from the stock dividend or other distribution (assuming for this purpose that all Common Shares issuable upon the exercise of the conversion rights of the securities convertible into Common Shares have been issued). Common Shares owned by or held for the account of the Company and/or its wholly-owned Subsidiaries shall be deemed not to be outstanding for the purposes of any such computation. Any dividend or distribution on the Common Shares of the Company in Common Shares shall be deemed to have been issued on or immediately prior to the record date for such dividend or distribution for the purpose of calculating the number of outstanding Common Shares under Sections (c) and (d) below.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of its Common Shares:

(i) of shares in the capital of the Company of any class (other than the Common Shares);

21

(ii) of evidences of its indebtedness;

(iii) of assets (excluding cash dividends or distributions, dividends or distributions referred to in Section (b) above, stock dividends to holders of Common Shares who exercise an option to receive in the ordinary course equivalent dividends in Common Shares in lieu of receiving cash dividends and the distribution, by way of return of capital, reduction of paid up capital or otherwise, of all cobalt related assets owned by the Company and any of its Subsidiaries); or

(iv) of options, rights or warrants (excluding those referred to in Section (d) below),

then in each such case the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the Aggregate Market Capitalization on such record date (not including any Common Shares issued, or issuable upon exercise of any option, right or warrant, pursuant to such dividend) less the fair market value (as determined by the board of directors, whose determination shall be conclusive) of said shares or evidences of indebtedness or assets or options, rights or warrants so distributed, and of which the denominator shall be the Aggregate Market Capitalization immediately after such record date. Common Shares owned by or held for the account of the Company and/or its wholly-owned Subsidiaries shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively as of any such record date. To the extent that such distribution is not so made, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect based upon the said shares or evidences of indebtedness or assets or options, rights or warrants actually distributed.

(d) In case the Company shall fix a record date for the issuance of options, rights or warrants to all holders of its Common Shares entitling them to subscribe for or purchase Common Shares (or securities convertible or exchangeable into Common Shares) within 45 days of such record date at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price of a Common Share on such record date, the Conversion Price shall be adjusted immediately after the expiry of such 45-day period so that it shall equal the price determined by multiplying the Conversion Price in effect on the expiry of such 45-day period by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the expiry of such 45-day period (not including any Common Shares outstanding as a result of such issuance) plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares so offered (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price per Common Share and of which the denominator shall be the total number of Common Shares outstanding

22

on the expiry of such 45-day period plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible or exchangeable securities so offered are convertible or exchangeable, as the case may be). Common Shares owned by or held for the account of the Company and/or its wholly-owned Subsidiaries shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively as of any such record date. To the extent that such options, rights or warrants are not so issued or such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible or exchangeable into Common Shares) actually delivered upon the exercise of such options, rights or warrants.

(e) No adjustments of the Conversion Price shall be made pursuant to Sections (b), (c) or (d) above if the holders of Bonds are permitted (subject to satisfying all regulatory requirements) to participate in such dividend or distribution on the Common Shares of the Company in cash equivalent, Common Shares or in the issue of such options, rights, warrants or such distribution, as the case may be, as though and to the same effect as if they had converted their Bonds into Common Shares prior to the record date for such dividend or distribution or the issue of such options, rights or warrants or such distribution, as the case may be.

(f) In any case in which this Article 4 shall require that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the holder of any Bond converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event over and above the Common Shares issuable upon such conversion before giving effect to such adjustment; provided, however, that the Company shall deliver to such holder an appropriate instrument

evidencing such holder's rights to receive such additional Common Shares upon the occurrence of the event requiring such adjustment.

(g) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least one percent in such price; provided, however, that any adjustments which by reason of this Section (i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

4.5 Certificate as to Adjustment.

The Company shall from time to time immediately after the occurrence of any event which requires an adjustment in the Conversion Price as above provided, deliver an Officer's Certificate to the Trustee specifying the nature of the event requiring the adjustment and the amount of the adjustment thereby necessitated and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment therein specified shall be verified by an opinion of the Company's

23

Auditors and, when approved by the Trustee, be conclusive and binding on all parties in interest. The Company shall forthwith give notice, in the manner specified in Section 11.3, of such adjustment to the Trustee, which notice shall specify the Conversion Price after such adjustment and the event requiring such adjustment and the Trustee, forthwith upon receipt of such notice, shall deliver such notice to the Bond holders in the manner specified in Section 11.2.

4.6 Voluntary Decrease.

The Company from time to time may decrease the Conversion Price (subject to applicable law and the receipt of all regulatory approvals) by any amount and for any period of time if the board of directors has determined in good faith (to be evidenced by a resolution of the board of directors) that such decrease is in the Company's best interests; provided that such period is not less than 20 business days. Whenever the Conversion Price is decreased, the Company shall file with the Trustee a notice of the decrease, and the Trustee shall mail such notice to Bond holders, at the Company's expense. The Company shall file the notice at least 15 days before the date the decreased Conversion Price becomes effective. A voluntary decrease of the Conversion Price does not change or adjust the Conversion Price otherwise in effect for the purposes of Section 4.4.

4.7 Notice to Bond Holders of Certain Events.

In the event that:

(a) the Company shall declare on its Common Shares any cash dividend per share which when added to the sum of the last four cash dividends per share paid on its Common Shares would exceed the sum of the last four cash dividends per share by more than 50%;

(b) the Company shall declare on its Common Shares any dividend payable in shares of the Company (other than a stock dividend to the holders of Common Shares who exercise an option to receive in the ordinary course equivalent dividends in Common Shares in lieu of receiving cash dividends) or make any other distribution on its Common Shares (other than a cash dividend);

(c) the Company shall offer for subscription pro rata to all the holders of its Common Shares any additional shares of any class of securities convertible into or exchangeable for Common Shares or shall issue any other options, rights or warrants to all of such holders;

(d) there shall be a reclassification or change of the Common Shares of the nature referred to in Section 4.9 or an amalgamation, merger, plan of arrangement or other reorganization of the Company with or into any other corporation or a sale, transfer or other disposition of all or substantially all of the assets of the Company;

(e) the Company shall take any action that would require an adjustment to the Conversion Price pursuant to Section 4.4; or

24

(f) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company,

then, in each such case, the Company shall give notice, in the manner specified in Section 11.3, to the Trustee and the Trustee shall give same notice to each Bond holder in the manner specified in Section 11.2, of the action which has occurred or the action proposed to be taken, as the case may be, and the date on which (i) the books of the Company shall close or a record shall be taken for such dividend, distribution, subscription rights or other options, rights or warrants, or (ii) such reclassification, change, amalgamation, merger, sale, transfer or other disposition, dissolution, liquidation or winding-up shall take place, as the case may be provided that the Company shall only be required to specify in such notice such particulars of such action as shall have been fixed and determined at the date on which such notice is given. Such notice shall also specify the date as of which the holders of Common Shares of record shall participate in such dividend, distribution, subscription rights or other options, rights or warrants, or shall be entitled to exchange their Common Shares for securities or other property deliverable upon such reclassification, change, amalgamation, merger, sale, transfer or other disposition, dissolution, liquidation or winding-up as the case may be. Such written notice shall be given, with respect to the actions described in Sections (a) through (e) above, not less than 21 days prior to the record date or the date on which the Company's transfer books are to be closed with respect thereto.

4.8 Right of Conversion Ceases on Redemption.

The right of the holder of Bonds to convert any Bond called for redemption pursuant to the provisions hereof shall terminate and expire at the close of business on the business day immediately prior to the Redemption Date, unless the Company shall make default in the payment of the Redemption Price of such Bond.

4.9 Reclassifications, Reorganizations, Etc.

In case of any reclassification or change of the Common Shares (other than a change as a result of a subdivision or consolidation), or in case of any amalgamation of the Company with, merger of the Company into, plan of arrangement or other reorganization with any other corporation (other than an amalgamation, merger, plan of arrangement or other reorganization in which the Company is the continuing corporation and which does not result in any reclassification or change, other than as aforesaid, of the Common Shares), or in case of any sale, transfer or other disposition of all or substantially all of the assets of the Company, the Company or the corporation formed by such amalgamation or the corporation into which the Company shall have been merged or the corporation which shall have acquired such assets, as the case may be, shall execute and deliver to the Trustee a supplemental Indenture providing that the holder of each Bond then outstanding shall have the right thereafter (until the expiration of the conversion right of such Bond) to convert such Bond into the kind and amount of shares and other securities and property receivable upon such reclassification, change, amalgamation, merger, sale, transfer or other disposition by a holder of the number of Common Shares into which such Bond might have been converted at the Conversion Price immediately prior to such reclassification, change, amalgamation, merger, sale, transfer or other disposition. Such supplemental Indenture shall provide for adjustments

which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article. The above provisions of this Section shall similarly

25

apply to successive reclassifications, changes, amalgamations, mergers, sales, transfers or other dispositions.

4.10 Cancellation of Bonds.

All Bonds surrendered for conversion shall be cancelled by the Trustee and, subject to Section 4.2, no Bonds shall be issued in substitution therefor.

4.11 Stock Options .

No adjustment of the Conversion Price shall be made as a result of or in connection with stock purchase options for the purchase of Common Shares heretofore or hereafter granted to or entered into with directors, officers, employees or consultants of the Company or any of its Affiliates in connection with their employment or engagement with the Company, whether entered into at the beginning of their employment or at any time thereafter, provided that the price payable pursuant to any such stock options granted or entered into shall be in accordance with the requirements of the Nasdaq National Market or any other exchange upon which the Common Shares may be listed for trading in effect when the stock option is granted.

4.12 Regulatory Approval of Conversion Privilege .

Notwithstanding anything else herein provided, the Bond holders' ability to exercise the Conversion Privilege is subject to and conditional upon the Company obtaining any necessary regulatory approval for the Conversion Privilege. Within five days of the Company obtaining any necessary regulatory approval for the Conversion Privilege, the Company will deliver to the Trustee an Officer's Certificate stating the fact that the Company has obtained any necessary regulatory approval for the Conversion Privilege.

4.13 Concerning the Trustee .

The Trustee shall not: (i) be under any duty or responsibility to any holders of Bonds to determine whether any facts exist which may require any adjustment to the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making same; (ii) be accountable with respect to the validity or value for the kind or amount of any Common Shares of the Company or other securities or property which may at any time be issued or delivered upon the exercise of the Conversion Privilege; or (iii) be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver Common Shares of the Company or certificates therefor upon the exercise of the Conversion Privilege.

4.14 Legends on Common Shares .

If any Bonds are converted into Common Shares as herein provided, the certificate(s) representing the Common Shares shall be endorsed with such legend, if any, as may be prescribed by any exchange upon which the Common Shares are listed or as may be required by any securities regulatory authority having jurisdiction therefor and of which the Company shall have given notice thereof to the Trustee.

26

ARTICLE 5 - SUBORDINATION OF BONDS

5.1 Subordination of Bonds.

The Bond Indebtedness shall for all purposes be, and shall at all times remain, inferior, junior and subordinate to the Senior Indebtedness and shall rank at least *pari passu* with all other present or future unsecured indebtedness of the Company. By the acceptance of a Bond, each Bond holder agrees that the Bond Indebtedness is hereby expressly postponed and subordinated to the extent and in the manner hereinafter set forth in right of payment to the prior payment of the Senior Indebtedness, except to the extent that payments are permitted pursuant to Section 7.6.

5.2 Definition.

5.2.1 For purposes of this Article, the words "cash, property or securities" shall be deemed not to include shares of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinated at least to the extent provided in this Article 5 with respect to the Bonds to the payment of all Senior Indebtedness which may at the time be outstanding, provided that the Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment and provided further that the rights of the holders of the Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment.

5.3 Effect of Dissolution, Winding-up, Liquidation or Reorganization.

5.3.1 In the event of any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings, or any receivership proceedings in connection therewith, relative to the Company and in the event of any proceedings for involuntary liquidation, dissolution or other winding-up of the Company, whether or not involving insolvency or bankruptcy proceedings, then all Senior Indebtedness shall first be paid in full in cash before any payment of or on account of any Bond Indebtedness is made by the Company.

5.3.2 Upon any distribution of assets of the Company on any dissolution, winding-up, liquidation, bankruptcy, insolvency or receivership (or other marshalling of assets of the Company equivalent thereto) of the Company:

(a) the holders of all Senior Indebtedness shall be entitled to receive payment in full of the Senior Indebtedness before the Bond holders (or the Trustee on behalf of the Bond holders) are entitled to receive any payment in respect of the Bond Indebtedness; and

(b) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Bond holders (or the Trustee on behalf of the Bond holders) would be entitled, except for the provisions of this Article 5, shall be paid by the person making such payment or distribution (whether a trustee in bankruptcy, a receiver or receiver-manager or liquidating trustee or otherwise) directly to the holders of Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture

27

under which any instruments evidencing any such Senior Indebtedness may have been issued, as their respective interest may appear, to the extent necessary to pay in full in cash all Senior Indebtedness remaining unpaid after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

5.3.3 In the event that any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, contemplated by this Section 5.3 shall be received by the Trustee or the Bond holders on account of the Bond Indebtedness before all Senior Indebtedness is paid in full in cash, such payment or distribution shall be received and held in trust for the benefit of and shall be paid over to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees under the relevant Senior Indebtedness Documents, may have been issued, as their respective interests may appear, forthwith for application to the payment of all Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

5.3.4 Upon any distribution of assets of the Company referred to in this Article 5, the Trustee and the Bond holders shall be entitled to rely upon a certificate of the liquidation trustee or agent or other person making any distribution to the Trustee or to the holders of the Bonds for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount paid or distributed thereon and all other facts pertinent thereto or to this Article; provided, however, that if no such liquidation trustee has been appointed or such liquidation trustee has not issued such a certificate, the Trustee, the Bond holders or both of them may pay any such funds received by them into court without attracting any liability whatsoever for such actions.

5.4 Subrogation of Bonds.

Subject to the payment in full of all Senior Indebtedness, the rights of the Trustee and Bond holders shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness, to the extent of the application thereto of moneys or other assets which would have been received by the holders of Bonds but for the provisions of this Article 5, until the Bonds shall be paid in full and no such payment or distribution, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Bond holders, shall be deemed to be a payment by the Company to or for the account of the holders of Senior Indebtedness, it being understood that the provisions of this Article 5 are, and are intended, solely for the purpose of defining the relative rights of the holders of the Bonds, on the one hand, and the holders of the Senior Indebtedness, on the other hand. Nothing contained in this Article 5 or elsewhere in this Trust Indenture or in the Bonds is intended to or shall impair, as between the Company and its creditors (other than the holders of Senior Indebtedness and the Bond holders), the obligation of the Company, which is unconditional and absolute, to pay to the holders of the Bonds the Bond Indebtedness as and when the same shall become due and payable in accordance with their terms, or to affect the relative rights of the holders of the Bonds and creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or any Bond holder from exercising all remedies otherwise permitted by applicable law upon default under this Trust

28

Indenture, subject to the rights, if any, under this Article 5, of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

5.5 No Payment to Bond Holders if Senior Indebtedness Due or in Default.

5.5.1 Upon the maturity of any Senior Indebtedness by lapse of time, acceleration or otherwise, then (except as hereinafter in Sections 5.6.1(b) and 5.6.2 otherwise provided) all such matured Senior Indebtedness shall first be paid in full, or provisions for such payment shall first have been made, before any payment on account of the Bond Indebtedness is made.

5.5.2 Upon the happening of an event of default with respect to any Senior Indebtedness, as defined therein or in the relevant Senior Indebtedness Documents, under which the holders have accelerated the maturity thereof, then, unless and until such event of default shall have been cured or waived or shall have ceased to exist, and except as otherwise provided in Sections 5.6.1(b) and 5.6.2, no payment (by purchase of Bonds or otherwise) shall be made by the Company with respect to the Bond Indebtedness. In the event that, notwithstanding the foregoing, the Company shall make any payment on the Bond Indebtedness then, except as hereinafter in Sections 5.6.1(b) and 5.6.2 otherwise provided, unless and until such event of default shall have been cured or waived or shall have ceased to exist, such payments shall be held in trust for the benefit of, and, if and when such Senior Indebtedness shall have, become due and payable, shall be paid over to, the holders of the Senior Indebtedness or their representative or representatives or to the trustee or trustees under the relevant Senior Indebtedness Documents, as their respective interest may appear, for application to the payment of all Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

5.5.3 The fact that any payment hereunder is prohibited by this Section 5.5 shall not prevent the failure to make such payment from being an Event of Default or default hereunder.

5. Payment of Bonds Permitted.

5.6.1 Nothing contained in this Trust Indenture, or in any of the Bonds, shall:

(a) prevent the Company, at any time, except under the conditions described in Section 5.5 hereof or during the pendency of any such dissolution, winding-up, liquidation, reorganization, bankruptcy, insolvency, receivership or other marshalling of assets as referred to in Section 5.3.1, from making payments at any time on the Bond Indebtedness; or

(b) upon the maturity or acceleration of any Senior Indebtedness or the happening of an event of default or the existence of facts described in Sections 5.5.1 or 5.5.2, prevent any payment being made by the Company or the Trustee in connection with the redemption of Bonds with respect to which a Redemption Notice shall have been given pursuant to Article 3 hereof prior to the Trustee receiving a notice (as contemplated in Section 5.6.2) of such maturity, acceleration or event of default or existence of facts described in Section 5.5.2.

29

5.6.2 Unless and until written notice shall be given to the Trustee by or on behalf of any holder of any Senior Indebtedness notifying the Trustee of the maturity or acceleration of such Senior Indebtedness or the happening of an event of default with respect to such Senior Indebtedness permitting the holders of such Senior Indebtedness to accelerate the maturity thereof, the Trustee and the Bond holders shall be entitled to assume, with respect to any moneys which may be received by the Trustee or the Bond holders from time to time pursuant to this Trust Indenture, that the provisions of Section 5.5 do not apply, and nothing in this Trust Indenture shall prevent the Trustee or the Bond holders from applying such moneys to the purposes for which the same were so received, notwithstanding the occurrence or continuance of an event of default with respect to such Senior Indebtedness.

5.7 Subordination Not to be Impaired.

No right of any present or future holder of any Senior Indebtedness of the Company to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any non-compliance by the Company with the terms, provisions and covenants of this Trust Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with. Without limiting the generality of the foregoing, all agreements and obligations of the Company, Trustee and Bond holders under this Article 5 shall remain in full force and effect irrespective of:

- (a) any lack of validity or enforceability of any document or instrument providing for the issue or payment of, guarantee of, or security arrangement concerning, the Senior Indebtedness, or any other agreement or instrument relating thereto (the "Senior Indebtedness Documents");
- (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Senior Indebtedness or any other amendment or waiver of or any consent to any departure from the Senior Indebtedness Documents, including without limitation any increase in the obligations of the Company thereunder resulting from the extension of additional credit to the Company or any of its Affiliates or Subsidiaries or otherwise;
- (c) any taking, exchange, release or non-perfection of any security, or any taking, release or amendment or waiver of or consent to departure from any guarantee, for all or any of the Senior Indebtedness;
- (d) any manner of application of collateral, or proceeds thereof, to all or any of the Senior Indebtedness or any manner of sale or other disposition of any security or any other assets of the Company or other persons;
- (e) any change, restructuring, or termination of the corporate structure or existence of the Company or other persons; or
- (f) any other circumstance which might otherwise constitute a defence available to, or a discharge of, the Company.

30

The terms of this Article 5 shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Senior Indebtedness is rescinded or must otherwise be returned by a holder of Senior Indebtedness upon the insolvency, bankruptcy or reorganization of the Company or otherwise, all as though such payment had not been made.

5.8 Authorization of Bond Holders to Trustee to Effect Subordination.

Each holder of Bonds by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article and appoints the Trustee his attorney-in-fact for any and all such purposes.

5.9 Survival.

The terms of this Article 5 shall survive until all of the Senior Indebtedness is paid and satisfied in full.

5.10 Further Assurances.

The Trustee shall execute and deliver to a holder of Senior Indebtedness such further documents and do such further things as may reasonably be requested by such holders of Senior Indebtedness to give effect to the terms and conditions hereof. Upon request by the Company and upon receipt of an Officer's Certificate stating that the persons named are holders of Senior Indebtedness and specifying the nature of such Senior Indebtedness, the Trustee shall enter into a written agreement with the Company and the persons named in such Officer's Certificate in such form as may be acceptable to the Trustee to give effect to the terms and conditions of this Article 5.

ARTICLE 6 - COVENANTS OF THE COMPANY

6.1 Covenants of the Company

6.1.1 The Company hereby covenants and agrees with the Trustee for the benefit of the Trustee and the Bond holders that:

- (a) it will duly and punctually pay or cause to be paid to every Bond holder or to the Trustee on behalf of every Bond holder the principal of and interest accrued on the Bonds of which he or she is the holder on the dates, at the places, in the moneys, and in the manner mentioned herein and in the Bonds;
 - (b) subject to the express provisions hereof, it will carry on and conduct its business in a proper and efficient manner, and at all reasonable times it will furnish or cause to be furnished to the Trustee or its duly authorized agent or attorney such information relating to its business as the Trustee may reasonably require; and, subject to the express provisions hereof, it will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence;
- 31
- (c) it shall pay, prior to delinquency, all material taxes, duties, assessments, and governmental fees, charges or levies except as contested in good faith and by appropriate proceedings;
 - (d) it will cause all property of the Company which is of a character usually insured by persons operating properties of a similar nature in the same or similar localities to be properly insured and kept insured with reputable insurers (which may include associations or other organizations for mutual or reciprocal insurance) against loss or damage by fire or other hazards of the nature and to the extent that such properties are usually insured by persons operating properties of a similar nature in the same or similar localities;
 - (e) so long as is required by the rules and regulations of the SEC and so long as any Bonds are outstanding, the Company shall file with the SEC all quarterly and annual reports and other documents that would be required to be filed with the SEC pursuant to Sections 13(a) or 15(d) of the Exchange Act, or any successor provision thereto, in each case, within the time period specified in the SEC's rules and regulations;
 - (f) for so long as any Bonds remain outstanding and if the Company is not subject to Section 13(a) and 15(d) of the Exchange Act, the Company shall furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144(a)(d)(4) under the Securities Act;

(g) as long as any Bonds are outstanding hereunder, it shall maintain and not revoke the reservation of the Common Shares to be issued upon any potential conversion of the Bonds;

(h) it will pay the Trustee reasonable remuneration for its services as Trustee hereunder (including reimbursement for distributions which include legal services) and will repay to the Trustee on demand all moneys which shall have been paid by the Trustee in and about the execution of the trusts hereby created with interest at such reasonable rate as shall have been agreed to by the Trustee from time to time, from the date of expenditure until repayment, with a reasonable rate of interest to be charged by the Trustee on any overdue accounts of the Company, and such moneys and the interest thereon, including the Trustee's remuneration, shall be payable out of any funds coming into the possession of the Trustee in priority to the payment of any principal or interest on any of the Bonds. The said remuneration shall continue to be payable until the trusts hereof are finally wound up and whether or not the trusts of this Indenture shall be in course of administration by or under the direction of the court;

(i) in order to prevent any accumulation after maturity of unpaid interest or of any principal payable in respect of any Bonds, it will not directly or indirectly extend or assent to the extension of time for payment of any interest upon any Bonds or of any principal payable in respect of any Bonds and that it will not directly or

32

indirectly be or become a party to or approve any such arrangement by funding any interest on said Bonds or any principal thereof or in any other manner; and that the Company shall and will deliver to the Trustee all Bonds when paid as evidence of such payment;

(j) it will annually within 140 days (or such shorter period as mandated by applicable legislation or policies) after the end of its fiscal year end furnish to the Trustee a copy of the consolidated financial statements and of the report of the Company's Auditors thereon which are furnished to the shareholders of the Company; provided, however, that the Trustee has no obligation to review, analyze or disseminate said information;

(k) if applicable, it will deliver, or will cause the Paying Agent to deliver, to the Trustee within ten days of each Interest Payment Date, an Officer's Certificate confirming that the interest on the Bonds has been paid;

(l) if applicable, it will deliver, or will cause the Paying Agent to deliver, to the Trustee within ten days of each Redemption Date, an Officer's Certificate confirming that the aggregate Redemption Price has been paid;

(m) if applicable, it will deliver, or will cause the Paying Agent to deliver, to the Trustee within ten days of the Maturity Date, an Officer's Certificate confirming that the Bond Indebtedness has been paid;

(n) subject to the express provisions hereof, it will do, observe and perform or cause to be done, observed and performed all matters and things necessary to be done, observed or performed by virtue of any applicable law of Canada or any province or territory thereof and the Applicable Trust Indenture Legislation, for the purpose of creating, performing or maintaining the trust herein referred to for the benefit of the Trustee and the holders and will do, observe and perform all the obligations hereby imposed upon it;

(o) generally, it will well and truly perform and carry out all of the acts or things to be done by it as provided in this Indenture;

(p) it will give notice in writing to the Trustee of the occurrence of any Event of Default (or any condition, event or act which with the lapse of time and/or upon the giving of notice and/or the giving of a certificate would constitute an Event of Default) forthwith upon becoming aware thereof and without waiting for the Trustee to take any action;

(q) if the Company shall fail to perform any covenant on its part herein contained, the Trustee may in its discretion, but (subject to Section 7.2) need not, notify the Bond holders of such failure or it may perform any of said covenants capable of being performed by it and, if any such covenant requires the payment or expenditure of money, it may make such payment or expenditure with its own funds, or with money borrowed by or advanced to it for such purpose, but shall be under no obligation so to do; and all sums so expended or advanced shall be

33

repayable by the Company in the manner provided in Section 7.6, but no such performance or payment shall be deemed to relieve the Company from any default hereunder;

(r) it will, contemporaneously with the delivery of the financial statements pursuant to Section 6.1.1(j) and at any other time if requested by the Trustee, deliver to the Trustee an Officer's Certificate stating that the Company has complied with all covenants, conditions or other requirements contained in this Indenture the non-compliance with which would, with the giving of notice or the lapse of time, or both, or otherwise, constitute an Event of Default under this Indenture, or if such is not the case, specifying the covenant, condition or other requirement which has not been complied with and giving particulars of such non-compliance; and

(s) it shall provide an Officer's Certificate setting out the Interest Amount and shall execute any further assurance setting out its obligations hereunder from time to time and upon the Trustee's reasonable request.

6.2 Trustee Indemnification.

The Company covenants and agrees that the Trustee, its directors, officers, employees and agents (the "**Indemnified Parties** ") will at all times be indemnified and saved harmless by the Company from and against all claims, demands, losses, actions, causes of action, suits, proceedings, costs, charges, expenses, assessments, judgements, damages and liabilities whatsoever arising in connection with this Indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Indemnified Parties contemplated hereby, expert consultation and legal fees and disbursements on a solicitor and client basis and costs and expenses incurred in connection with the enforcement of this indemnity, which the Indemnified Parties, or any of them, may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of the Trustee's duties and including any deed, matter or thing in relation to the registration, perfection, release or discharge of security or any other services that the Trustee may provide in connection with or in any way relating to this Indenture. The foregoing provisions of this Section do not apply to the extent that in any circumstances there has been negligence, fraud or wilful misconduct of the Indemnified Parties or there has been a failure by the Indemnified Parties to act honestly and in good faith to discharge the Trustee's obligations under Section 13.11. The Company agrees that its liability hereunder shall be absolute and unconditional regardless of the correctness of any representations of any third parties and regardless of any liability of third parties to the Indemnified Parties, and shall accrue and become enforceable without prior demand or any other precedent action or proceeding. This indemnity will survive the termination or discharge of this Indenture and the resignation or removal of the Trustee.

6.3 Conversion of Currency.

6.3.1 The Company covenants and agrees that the provisions set out in this Section 6.3 shall apply to conversion of currency in the case of the Bonds and this Indenture:

34

(a) if for the purpose of obtaining judgment in, or enforcing the judgment of, any court in any country, it becomes necessary to convert into any other currency (the "judgment currency") an amount due in euros, then the conversion shall be made at the rate of exchange prevailing on the business day before the day on which the judgment is given or the order of enforcement is made, as the case may be (unless a court shall otherwise determine); and

(b) if there is a change in the rate of exchange prevailing between the business day before the day on which the judgment is given or an order of endorsement is made, as the case may be (or such other date as a court shall determine), and the date of receipt of the amount due, the Company will pay such additional (or, as the case may be, such lesser) amount, if any, as may be necessary so that the amount paid in the judgment currency when converted at the rate of exchange prevailing on the date of receipt will produce the amount in euros originally due.

6.3.2 In the event of the winding-up, bankruptcy, reorganization or other similar event involving the Company at any time while any amount or damages owing under the Bonds and this Indenture, or any judgment or order rendered in respect thereof, shall remain outstanding, the Company shall indemnify and hold the holders of Bonds and the Trustee harmless against any deficiency arising or resulting from any variation in rates of exchange between (1) the date as of which the equivalent of the amount in euros due or contingently due under the Bonds and this Indenture (other than under this Section 6.3.2) is calculated for the purposes of such winding-up, bankruptcy, reorganization or other similar event and (2) the final date for the filing of proofs of claim in such winding-up, bankruptcy, reorganization or other similar event. For the purpose of this Section 6.3.2 the final date for the filing of proofs of claim in such winding-up, bankruptcy, reorganization or other similar event involving the Company shall be the date fixed by the liquidator or otherwise in accordance with the relevant provisions of applicable law as being the latest practicable date as at which liabilities of the Company may be ascertained for such winding-up, bankruptcy, reorganization or other similar event prior to payment by the liquidator or otherwise in respect thereto.

6.3.3 The obligations contained in Sections 6.3.1 and 6.3.2 shall constitute separate and independent obligations of the Company from its other obligations under the Bonds and this Indenture, shall give rise to separate and independent causes of action against the Company, shall apply irrespective of any waiver or extension granted by any holder of Bonds or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order or the filing of any proof of claim in the winding-up of the Company for a liquidated sum in respect of amounts due hereunder (other than under Section 6.3.2 above) or under any such judgment or order. Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the holders of Bonds or the Trustee, as the case may be, and no proof or evidence of any actual loss shall be required by the Company or its liquidator. In the case of Section 6.3.2 above, the amount of such deficiency shall not be deemed to be reduced by any variation in rates of exchange occurring between the said final date and the date of any liquidating distribution.

6.3.4 The term "rate(s) of exchange" shall mean the rate of exchange (which rate shall be the average of the buy and sell rate) quoted by the Bank of Canada at 12:00 noon (Vancouver

35

time) for conversion of euros into the judgment currency other than euros referred to in Sections 6.3.1 and 6.3.2 above and includes any premiums and costs of exchange payable.

6.4 Currency Indemnity to Trustee.

If under any applicable laws and whether pursuant to a judgment being made or registered against the Company or for any other reason, if any payment of all or any part of the indebtedness owing by the Company to the Trustee is made or is to be satisfied in a currency other than in euros, then to the extent that the payment (when converted into such other currency at the prevailing rate of exchange on the date of payment, or, if it is not practicable for the Trustee to purchase such other currency with euros on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so) actually received by the Trustee falls short of the amount of the indebtedness required to be paid, the Company and the Bondholders (by the acceptance of the Bonds) agree that they and each of them shall, as a separate and independent obligation, indemnify and hold harmless the Trustee against the amount of such shortfall.

ARTICLE 7 - DEFAULT

7.1 Acceleration of Maturity.

Upon the happening of any one or more of the following events (each herein sometimes referred to as an " **Event of Default** ") namely:

(a) if the Company makes default in payment of the principal of any Bond when the same becomes due under any provision hereof or of the Bonds and such default continues for a period of five business days;

(b) if the Company makes default in payment of any interest due on any Bond and any such default continues for a period of 15 business days;

(c) the Company pursuant to or under or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case or proceeding;

(ii) consents to the entry of a Bankruptcy Order in an involuntary case or proceeding or the commencement of any case against it;

(iii) consents to the appointment of a Custodian of it or for any substantial part of its property;

(iv) makes a general assignment for the benefit of its creditors or files a proposal or other scheme of arrangement involving the rescheduling or composition of its indebtedness;

(v) files a petition in bankruptcy or answer or consent seeking reorganization or relief; or

36

(vi) consents to the filing of such petition or the appointment of or taking possession by a Custodian;

(d) a court of competent jurisdiction in any involuntary case or proceeding enters a Bankruptcy Order against the Company, and such Bankruptcy Order remains unstayed and in effect for 15 consecutive days;

(e) a Custodian shall be appointed out of court with respect to the Company, or with respect to all or any substantial part of the property of the Company, or any encumbrancer shall take possession of all or any substantial part of the property of the Company;

(f) the failure by the Company to pay when due at maturity or upon a default, event of default or similar condition under any bond, note, debenture or other evidence of indebtedness for money borrowed by the Company having an aggregate outstanding principal amount in excess of €10,000,000, not including any amounts the Company may owe under reimbursement or similar obligations to banks, sureties or other entities that have issued letters of credit, surety bonds, performance bonds or other guarantees to the extent any demands made under any such reimbursement or similar obligation relate to a draw under the related letter of credit or other instrument, which draw is being contested in good faith by the Company through appropriate proceedings, which default shall have resulted in that indebtedness being accelerated without that indebtedness being discharged or that acceleration having been rescinded or annulled within five business days after the Company's receipt of the Notice of Default from the Trustee or receipt by the Company and the Trustee of the Notice of Default from the holders of not less than 50% in aggregate principal amount of the Bonds then outstanding, unless that default has been cured or waived within 30 days; *provided, however*, that if such default under such agreement or instrument is remedied or cured by the Company or waived by the holders of such indebtedness, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of the Trustee or any Bond holders;

(g) if the Company shall neglect to observe or perform any other material covenant or condition herein contained on its part to be observed or performed and, after notice in writing has been given by the Trustee to the Company specifying such default, requiring the Company to put an end to the same and stating that such notice is a "Notice of Default" hereunder (which said notice may be given by the Trustee, in its discretion, and shall be given by the Trustee upon receipt of a request in writing signed by the holders of not less than 50% in principal amount of the Bonds then outstanding), the Company shall fail to make good such default within a period of 30 days, unless the Trustee (having regard to the subject matter of the default) shall have agreed to a longer period, and in such event, within the period agreed to by the Trustee;

37

(h) if the Company fails to redeem any Bond pursuant to the terms hereof when obligated to do so; or

(i) if the Company fails to deliver Common Shares, when those Common Shares and/or cash are required to be delivered following the conversion of a Bond (provided that the Company has obtained all approvals set forth in Section 4.12) in accordance with the provisions hereof and such default continues for a period of ten days,

then in each and every such event the Trustee may in its discretion and shall upon receipt of a requisition in writing signed by the holders of not less than 50% in principal amount of the Bonds then outstanding, subject to the provisions of Section 7.3, by notice in writing to the Company declare the principal of and interest on all Bonds then outstanding which would have been payable if the Company had redeemed the Bonds on the date of such declaration and all other moneys outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Trustee, anything therein or herein to the contrary notwithstanding, and the Company shall forthwith pay to the Trustee for the benefit of the Bond holders the principal of, and accrued and unpaid interest and interest on amounts in default on such Bonds hereunder, together with interest on such principal and interest at the Interest Rate, if any, from the date of the said declaration until payment in full is received by the Trustee. Such payment when made shall be deemed to have been made in discharge of the Company's obligations hereunder and any moneys so received by the Trustee shall be applied in the manner provided in Section 7.6. Notwithstanding the foregoing, upon the occurrence of an Event of Default pursuant to clauses (c), (d) or (e) above, the principal of or any interest on all Bonds then outstanding shall forthwith become due and payable without any further action by the Trustee or any holder.

7.2 Notice of Events of Default.

7.2.1 If an Event of Default described in Sections 7.1(c), (d), (e), (g), (h) or (i) shall occur and be continuing, the Company shall, within five business days of becoming aware of such occurrence, given notice of such occurrence to the Trustee in the manner provided in Section 11.3.

7.2.2 If an Event of Default shall occur and be continuing the Trustee shall, within 30 days after it becomes aware of the occurrence of such Event of Default, unless cured or waived in accordance with Section 7.3, give notice of such Event of Default to the Bond holders in the manner provided in Section 11.2, provided that, notwithstanding the foregoing, and except in connection with an Event of Default pursuant to Sections 7.1(c), (d) or (e), the Trustee shall not be required to give such notice if the Trustee in good faith shall have decided that the withholding of such notice is in the best interests of the Bond holders and shall have so advised the Company in writing.

7.3 Waiver of Default.

Upon the happening of any Event of Default hereunder:

38

(a) the holders of not less than 50% in principal amount of the Bonds then outstanding shall have power to instruct the Trustee to waive any default hereunder other than a default under Sections 7.1(a), (b) or (i), or a default in respect of a provision that under Section 10.11.2 cannot be amended without the consent of each holder of Bonds, or a default under Article 4, and/or to cancel any declaration made by the Trustee pursuant to Section 7.1 and the Trustee shall thereupon waive the default and/or cancel such declaration upon such terms and conditions as shall be prescribed in such requisition; and

(b) the Trustee, so long as it has not become bound to declare the principal of and interest on the Bonds then outstanding to be due and payable or to obtain or enforce payment of the same, shall have power to waive any default hereunder if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor, and in such event to cancel any such declaration theretofore made by the Trustee in the exercise of its discretion, upon such terms and conditions as to the Trustee may seem advisable, provided that no act or omission either of the Trustee or of the Bond holders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder or the rights resulting therefrom.

7.4 Enforcement by the Trustee.

7.4.1 Subject to the provisions of Section 7.3 and to the provisions of any majority resolution that may be passed by the Bond holders, in case the Company shall fail to pay to the Trustee, forthwith after the same shall have been declared to be due and payable under Section 7.1, the principal of and interest on all Bonds then outstanding, together with any other amounts due hereunder, the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 50% in principal amount of the Bonds then outstanding and upon being indemnified and funded (or reasonable provisions having been made for such funding) to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as Trustee hereunder to obtain or enforce payment of the said principal of and interest on all the Bonds then outstanding together with any other amounts due hereunder by such proceedings authorized by this Indenture or by law or equity as the Trustee in such request

shall have been directed to take, or if such request contains no such direction, or if the Trustee shall act without such request, then by such proceedings authorized by this Indenture or by suit at law or in equity as the Trustee shall deem necessary or expedient.

7.4.2 The Trustee shall be entitled and empowered, either in its own name or as trustee of an express trust, or as attorney-in-fact for the holders of the Bonds, or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claim of the Trustee and of the holders of the Bonds allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Company or its creditors or relative to or affecting its property. The Trustee is hereby irrevocably appointed (and the successive respective holders of the Bonds by taking and holding the same shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective holders of the Bonds with authority to make and file in the respective names of the holders of the Bonds or on behalf of the holders of the Bonds

39

as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the holders of the Bonds themselves, any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all such acts and things for and on behalf of such holders of the Bonds, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Trustee and of the holders of the Bonds against the Company or its property allowed in any such proceeding, and to receive payment of or on account of such claims; provided, however, that nothing contained in this Indenture shall be deemed to give to the Trustee, unless so authorized by majority resolution, any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of any Bond holder.

7.4.3 The Trustee shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Bond holders.

7.4.4 All rights of action hereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings relative thereto. Any such suit or proceeding instituted by the Trustee may be brought in the name of the Trustee as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the holders of the Bonds subject to the provisions of this Indenture. In any proceeding brought by the Trustee (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Indenture, to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Bonds, and it shall not be necessary to make any holders of the Bonds parties to any such proceeding.

7.5 Suits by Bond Holders.

No holder of any Bond shall have any right to institute any action, suit or proceeding at law or in equity for the purpose of enforcing payment of the principal of or interest on the Bonds or for the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or for a receiving order under the *Bankruptcy and Insolvency Act* (Canada) or to have the Company wound up or to file or prove a claim in any liquidation or bankruptcy proceeding or for any other remedy hereunder, unless:

- (a) such holder shall previously have given to the Trustee written notice of the happening of an Event of Default hereunder;
- (b) the holders of at least 50% of the principal amount of the Bonds then outstanding shall have made a request in writing to the Trustee and the Trustee shall have been afforded reasonable opportunity to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose;
- (c) the Bond holders or any of them shall have furnished to the Trustee, when so requested by the Trustee, sufficient funds and security and indemnity satisfactory

40

to it against the costs, expenses and liabilities to be incurred therein or thereby; and

- (d) the Trustee shall have failed to act within 45 days after such notification, request and offer of indemnity and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to any such proceeding or for any such proceeding or any other remedy hereunder or by or on behalf of the holder of any Bonds.

7.6 Application of Moneys by Trustee.

Except as herein otherwise expressly provided, any moneys received by the Trustee from the Company pursuant to the foregoing provisions of this Article 7, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Company, shall be applied, together with any other moneys in the hands of the Trustee available for such purposes, as follows:

- (a) first, in payment or in reimbursement to the Trustee of its compensation, costs, charges, expenses, borrowings, advances or other moneys furnished or provided by or at the instance of the Trustee in or about the execution of its trusts under, or otherwise in relation to, this Indenture, with interest thereon as herein provided;
- (b) second, but subject to the provisions of Article 5, in payment of the principal of and accrued and unpaid interest and interest on amounts in default on the Bonds which shall then be outstanding in the priority of principal first and then accrued and unpaid interest and interest on amounts in default unless otherwise directed by majority resolution and in that case in such order or priority as between principal and interest as may be directed by such resolution; and
- (c) third, the surplus, if any, of such moneys shall be paid to the Company or its assigns.

7.7 Distribution of Proceeds.

Payments to holders of Bonds pursuant to paragraph 7.6(b) shall be made as follows:

- (a) at least 10 business days' notice of every such payment shall be given in the manner provided in Section 11.2 specifying the time when and the place or places where the Bonds are to be presented and the amount of the payment and the application thereof as between principal and interest;
- (b) payment of any Bond shall be made upon presentation thereof at any one of the places specified in such notice and any such Bond thereby paid in full shall

be surrendered, otherwise a memorandum of such payment shall be endorsed thereon;

41

(c) from and after the date of payment specified in the notice, interest shall accrue only on the amount owing on each Bond after giving credit for the amount of the payment

(d) specified in such notice unless the Bond in respect of which such amount is owing be duly presented on or after the date so specified and payment of such amount be not made; and

(e) the Trustee shall not be required to make any interim payment to Bond holders unless the moneys in its hands, after reserving therefrom such amount as the Trustee may think necessary to provide for the payments mentioned in paragraph 7.6(a), exceed 25% of the principal amount of the Bonds then outstanding.

7.8 Remedies Cumulative.

No remedy herein conferred upon or reserved to the Trustee, or upon or to the holders of Bonds, is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

7.9 Judgment Against the Company.

The Company covenants and agrees with the Trustee that, in case of any judicial or other proceedings to enforce the rights of the Bond holders, judgment may be rendered against it in favour of the Bond holders or in favour of the Trustee, as Trustee for the Bond holders, for any amount which may remain due in respect of the Bonds and the interest thereon.

7.10 Immunity of Shareholders.

The Bond holders and the Trustee hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future incorporator, shareholder, director or officer of the Company or of any successor corporation for the payment of the principal of or interest on any of the Bonds or on any covenant, agreement, representation or warranty by the Company herein or in the Bonds contained, save and except only recourse with respect to damages resulting from fraud.

7.11 Trustee Appointed Attorney.

The Company hereby irrevocably appoints the Trustee to be the attorney of the Company in the name and on behalf of the Company to execute any instruments and do any acts and things which the Company ought to execute and do, and has not executed or done, under the covenants and provisions contained in this Indenture and generally to use the name of the Company in the exercise of all or any of the powers hereby conferred on the Trustee, with full powers of substitution and revocation.

42

ARTICLE 8 - SATISFACTION AND DISCHARGE

8.1 Cancellation and Destruction.

Bonds shall forthwith after payment thereof be delivered to the Trustee and cancelled by it. All Bonds cancelled or required to be cancelled under this or any other provision of this Indenture shall be destroyed by the Trustee and, if required by the Company, the Trustee shall furnish to it a destruction certificate in respect of the Bonds so destroyed.

8.2 Non-Presentation of Bonds.

In case the holder of any Bond shall fail to present the same for payment, for redemption or for conversion, as the case may be, on the date on which the principal thereof and/or the interest thereon or represented thereby be comes payable, either on the Maturity Date, the Redemption Date or the Conversion Date or otherwise, or shall not accept payment on account thereof and give such receipt therefor, if any, as the Trustee may require:

(a) the Company shall be entitled to pay or deliver any such amounts to the Trustee and direct the Trustee to set aside such amounts; or

(b) in respect of moneys in the hands of the Trustee which may or should be applied to the payment of the Bonds, the Company shall be entitled to direct the Trustee to set aside; or

(c) if the redemption was pursuant to notice given by the Trustee, the Trustee may itself set aside, the principal moneys and/or the interest, as the case may be, in trust to be paid to the holder of such Bond upon due presentation or surrender thereof in accordance with the provisions of this Indenture;

and thereupon the principal moneys and/or the interest payable on or represented by each Bond in respect whereof such moneys have been set aside shall be deemed to have been paid, no further interest shall accrue thereon for the benefit of the holder and the holder thereof shall thereafter have no right in respect thereof except that of receiving payment of the moneys so set aside by the Trustee upon due presentation and surrender thereof, subject always to the provisions of Section 8.3.

8.3 Repayment of Unclaimed Moneys.

Subject to applicable law, any moneys set aside under Section 8.2 and not claimed by and paid to holders of Bonds as provided in Section 8.2 within six years after the date of such setting aside shall be repaid to the Company by the Trustee on demand and thereupon the Trustee shall be released from all further liability with respect to such moneys and thereafter the holders of the Bonds in respect of which such moneys were so repaid to the Company shall have no rights in respect thereof except to obtain payment of the moneys due thereon from the Company. After return to the Company, holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

43

8.4 Discharge.

The Trustee shall at the request of the Company release and discharge this Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Company from its covenants herein contained (other than the provisions relating to the indemnification of the Trustee), upon proof being given to the reasonable satisfaction of the Trustee that the principal of and interest (including interest on amounts in default, if any) on all the Bonds and all other moneys payable hereunder have been paid or satisfied or that all the Bonds having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on such Bonds and of all moneys payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

ARTICLE 9 - SUCCESSOR CORPORATIONS

9.1 Certain Requirements.

The Company shall not, directly or indirectly, sell, transfer, assign, lease or otherwise dispose of all or substantially all of its property and assets as an entirety to any other Person and shall not amalgamate, consolidate or merge with or into any other Person (any such other Person being herein referred to as a "successor corporation") unless:

(a) the successor corporation shall execute, prior to or contemporaneously with the consummation of any such transaction, an indenture supplemental hereto together with such other instruments as are, in the opinion of Counsel, necessary or advisable to evidence the assumption by the successor corporation of the due and punctual payment of all the Bonds and the interest thereon and all other moneys payable hereunder and the covenant of the successor corporation to pay the same and its agreement to observe and perform all the covenants and obligations of the Company under this Indenture;

(b) such transaction shall, in the opinion of Counsel, be upon such terms as substantially to preserve and not impair any of the rights and powers of the Trustee or of the Bond holders hereunder;

(c) no condition or event shall exist as to the Company or the successor corporation either at the time of or immediately after the consummation of any such transaction and after giving full effect thereto or immediately after the successor corporation complying with the provisions of clause (a) above which constitutes or would constitute an Event of Default hereunder; and

(d) an Officer's Certificate and an opinion of Counsel, each stating that the amalgamation, merger, consolidation, transfer, assignment or lease complies with the provisions of this Indenture, have been delivered by the Company to the Trustee.

44

9.2 Vesting of Powers in Successor.

Whenever the conditions of Section 9.1 have been duly observed and performed the successor corporation shall possess and from time to time may exercise each and every right and power of the Company under this Indenture in the name of the Company or otherwise and any act or proceeding by any provision of this Indenture required to be done or performed by any directors or officers of the Company may be done and performed with like force and effect by the directors or officers of such successor corporation.

ARTICLE 10 - MEETINGS OF BOND HOLDERS

10.1 Right to Convene Meeting.

The Trustee may at any time and from time to time and shall on receipt of a written request of the Company or a written request signed by the holders of not less than 50% in principal amount of the Bonds then outstanding and upon being indemnified and funded to its reasonable satisfaction by the Company or by the Bond holders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Bond holders. In the event of the Trustee failing within 30 days after receipt of any such request and such indemnity and funding to give notice convening a meeting, the Company or such Bond holders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Vancouver, British Columbia, Canada or at such other place as may be approved or determined by the Trustee.

10.2 Notice of Meetings.

At least 21 days' notice of any meeting shall be given to the Bond holders in the manner provided in Section 11.2 and a copy thereof shall be sent by mail to the Trustee and to the Company. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article.

10.3 Chairman.

Some person, who need not be a Bond holder, nominated in writing by the Trustee shall be the chairman of the meeting and if no person is so nominated, or if the person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, the Bond holders present in person or by proxy shall choose some person present to be chairman.

10.4 Quorum.

Subject to the provisions of Sections 10.12 and 10.17, at any meeting of the Bond holders a quorum shall consist of Bond holders present in person or by proxy and representing at least 50% in principal amount of the outstanding Bonds. If a quorum of the Bond holders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Bond holders or pursuant to a request of the Bond holders, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless

45

such day is not a business day in which case it shall be adjourned to the next following business day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting the Bond holders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 50% of the principal amount of the outstanding Bonds.

10.5 Power to Adjourn.

The chairman of any meeting at which a quorum of the Bond holders is present may with the consent of the holders of a majority in principal amount of the Bonds represented

thereat adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

10.6 Show of Hands.

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

10.7 Poll.

On any majority resolution and on any other question submitted to a meeting when demanded by the chairman or by one or more Bond holders and/or proxies for Bond holders holding at least €10,000 principal amount of Bonds, a poll shall be taken in such manner and either at once or after an adjournment, as the chairman shall direct. Questions other than when a poll is demanded shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Bonds represented at the meeting and voted on the poll.

10.8 Voting.

On a show of hands every person who is present and entitled to vote, whether as a Bond holder or as proxy for one or more Bond holders or both, shall have one vote. On a poll each Bond holder present in person or represented by a proxy (which proxy need not be a Bond holder) duly appointed by an instrument in writing shall be entitled to one vote in respect of each €1,000 principal amount of Bonds of which he shall then be the holder or in the case of joint holders of a Bond, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others, but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Bonds of which they are joint holders.

10.9 Regulations.

10.9.1 The Trustee, or the Company with the approval of the Trustee, may from time to time make and from time to time vary such regulations as it shall from time to time think fit providing for and governing:

46

(a) the voting by proxy by Bond holders and form of instrument appointing proxies where authorized under such regulations and the manner in which the same shall be executed, and for the production of the authority of any person signing on behalf of the giver of such proxy;

(b) the deposit of instruments appointing proxies at such place as the Trustee, the Company or the Bond holders convening the meeting, as the case may be, may, in the notice convening the meeting, direct the time, if any, before the holding of the meeting or any adjournment thereof by which the same shall be deposited; and

(c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, cabled, telegraphed, telecopied or sent by telex before the meeting to the Company or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

10.9.2 Any regulation made in accordance with this Section 10.9 shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as the holders of any Bonds, or as entitled to vote or be present at the meeting in respect thereof, shall be Bond holders and persons whom Bond holders have by instrument in writing duly appointed as their proxies.

10.10 Company and Trustee May be Represented.

The Company and the Trustee, by their respective officers and directors, the Auditors of the Company, and the legal advisers of the Company and the Trustee, may attend any meeting of the Bond holders and of any committee appointed pursuant to paragraph 10.11(g), but shall have no vote as such.

10.11 Powers Exercisable by Majority Resolution.

10.11.1 In addition to the powers conferred upon them by Section 7.3 or any other provisions of this Indenture or by law, but subject to Section 10.11.2 and Section 10.17, a meeting of the Bond holders shall have the following powers exercisable from time to time by majority resolution subject to receipt of the prior approval of regulatory authority as applicable:

(a) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Bond holders and/or the Trustee against the Company, or against its property, whether such rights arise under this Indenture or the Bonds or otherwise;

(b) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture which shall be agreed to by the Company and to authorize the Trustee to concur in and execute any Indenture supplemental hereto embodying any modification, change, addition or omission;

47

(c) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Company or for the consolidation, amalgamation or merger of the Company with any other Person or for the sale, leasing, transfer or other disposition of the undertaking, property and assets of the Company or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 9.1 shall have been complied with;

(d) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such majority resolution or to refrain from exercising any such power, right, remedy or authority;

(e) power to waive and direct the Trustee to waive any default hereunder and/or cancel any declaration made by the Trustee pursuant to Section 7.1 either unconditionally or upon any condition specified in such majority resolution;

(f) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with

holders of any shares or other securities of the Company;

(g) power to appoint a committee with power and authority subject to such limitations, if any, as may be prescribed in the resolution to exercise, and to direct the Trustee to exercise, on behalf of the Bond holders, such of the powers of the Bond holders as are exercisable by majority or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation of such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Bond holders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Bond holders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

(h) power to remove the Trustee from office and to appoint a new Trustee or Trustees to take the place of the Trustee so removed provided that no such removal shall be effective unless and until a new Trustee or Trustees shall have become bound by this Indenture;

(i) power to sanction the exchange of the Bonds for or the conversion thereof into shares, bonds, Bonds or other obligations of the Company or of any other Person formed or to be formed;

48

(j) power to authorize the distribution *in specie* of any shares or securities received pursuant to a transaction authorized under the provisions of paragraph 10.11.1(i); and

(k) power to amend, alter or repeal any majority resolution previously passed or sanctioned by the Bond holders or by any committee appointed pursuant to paragraph 10.11.1(g).

Notwithstanding the foregoing provisions of this Section 10.11.1, none of such provisions shall in any manner allow or permit any amendment, modification, abrogation or addition to the provisions of Article 5 which in the opinion of Counsel could reasonably be expected to detrimentally affect the rights, remedies or recourse of the priority of the holders of any Senior Indebtedness.

10.11.2 Notwithstanding Section 10.11.1, without the consent of each Bond holder affected, an amendment, modification or supplement to this Indenture or the Bonds may not:

(a) reduce the threshold amount of Bonds whose holders must consent to any amendment or waiver under this Indenture or modify the provisions relating to such amendment or waiver;

(b) reduce the Interest Rate or extend the time for payment of interest on any Bonds;

(c) reduce the Redemption Price or Conversion Price (except, with respect to the Conversion Price, as otherwise permitted by this Indenture) of any Bond or extend the date by which the Company is required to deliver Common Shares issuable on conversion or the date on which the Redemption Price of any Bond is payable;

(d) make any change in Section 7.3 or this Section 10.11.2, except to increase any percentage set forth therein;

(e) make any change that adversely affects the right of any holder to convert any Bond (except as such right is otherwise limited by this Indenture);

(f) impair the right to institute suit for the enforcement of any payment with respect to, or conversion of, the Bonds; or

(g) make any change that would result in the Company being required to make any deduction or withholding from payments made in respect of the Bonds.

It shall not be necessary for the consent of the holders under this Section 10.11.2 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

49

10.12 Meaning of "Majority Resolution".

10.12.1 The expression "majority resolution" when used in this Indenture means, subject as hereinafter in this Article provided, a resolution proposed to be passed as a majority resolution at a meeting of Bond holders duly convened for the purpose and held in accordance with the provisions of this Article 10 at which the holders of at least 50% in principal amount of the Bonds then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 50% of the principal amount of Bonds represented at the meeting and voted on a poll upon such resolution.

10.13 Powers Cumulative.

It is hereby declared and agreed that any one or more of the powers and/or any combination of the powers in this Indenture stated to be exercisable by the Bond holders by majority resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the rights of the Bond holders to exercise the same or any other such power or combination of powers thereafter from time to time.

10.14 Minutes.

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Company, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Bond holders, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings had thereat, to have been duly passed and had.

10.15 Instruments in Writing.

Subject to Section 10.17, all actions which may be taken and all powers that may be exercised by the Bond holders at a meeting held as hereinbefore in this Article provided may also be taken and exercised by the holders of 50% of the principal amount of all the outstanding Bonds by an instrument in writing signed in one or more counterparts and the expression "majority resolution" when used in this Indenture shall include an instrument so signed.

10.16 Binding Effect of Resolutions.

Every majority resolution passed in accordance with the provisions of this Article 10 at a meeting of Bond holders shall be binding upon all the Bond holders, whether present at or absent from such meeting, and every instrument in writing signed by Bond holders in accordance with Section 10.15 shall be binding upon all the Bond holders, whether signatories thereto or not, and each and every Bond holder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such majority resolution and instrument in writing.

50

10.17 Evidence of Rights of Bond Holders.

Any request, direction, notice, consent or other instrument which this Indenture may require or permit to be signed or executed by the Bond holders may be in any number of concurrent instruments of similar tenor signed or executed by such Bond holders and the Trustee may, in its discretion, require proof of execution in cases where it deems proof desirable and may accept such proof as it shall consider proper.

ARTICLE 11 - NOTICES

11.1 Notice to Company.

Any notice to the Company under the provisions of this Indenture shall be valid and effective if:

- (a) delivered;
- (b) subject to Section 11.5, sent by registered letter, postage prepaid; or
- (c) facsimiled and confirmed by first class mail, postage prepaid, to the Company addressed to it at Suite 1620, 400 Burrard Street, Vancouver, British Columbia, Canada V6C 3A6, facsimile (604) 683-3205, Attention: The President and a copy delivered to Clark, Wilson, Suite 800, 885 West Georgia Street, Vancouver, British Columbia, Canada, facsimile (604) 687-6314, Attention: Virgil Hlus. The Company may from time to time notify the Trustee in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Company for all purposes of this Indenture.

11.2 Notice to Bond Holders.

11.2.1 All notices to be given hereunder with respect to the Bonds shall be deemed to be validly given to the Bond holders if sent by ordinary mail, postage prepaid, by letter or circular, facsimile, or other recorded means of communication addressed to such holders at their post office addresses or address of any recorded means of communications device appearing in any of the registers hereinbefore mentioned and shall be deemed to have been effectively given five business days following the day of mailing or on the date sent by facsimile, as the case may be. Accidental error or omission in giving notice or accidental failure to mail notice to any Bond holder shall not invalidate any action or proceeding founded thereon.

11.2.2 All notices with respect to any Bond may be given to any one of the holders thereof (if more than one) who is named in the registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders of and/or persons interested in such Bond.

11.3 Notice to Trustee.

Any notice to the Trustee under the provisions of this Indenture shall be valid and effective if:

- (a) delivered;
- (b) subject to Section 11.5, sent by registered letter, postage prepaid; or
- (c) facsimiled and confirmed by first class mail, postage prepaid, to the Trustee addressed to it at Computershare Trust Company of Canada at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9, facsimile (604) 685-4079, Attention: Corporate Trust Department. The Trustee may from time to time notify the Company in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Trustee for all purposes of this Indenture.

51

11.4 Receipt of Notices.

Any notice given to the Company or the Trustee in the manner set out in Sections 11.1 or 11.3, as the case may be, shall be deemed to have been effectively given:

- (a) if delivered, on the date so delivered;
- (b) if sent by facsimile, on the date such facsimile is sent; or
- (c) if mailed, subject to Section 11.5, on the date five business days after the date of mailing

11.5 Mail Service Interruption.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Trustee or to the Company would reasonably be unlikely to reach its

destination in the ordinary course of mail, such notice shall be valid and effective only if delivered to the party to which it is addressed or if sent to such party, at the appropriate address in accordance with Section 11.1 or 11.3, as the case may be, by facsimile or other means of prepaid transmitted or recorded communication.

11.6 Waiver of Notice.

Where this Indenture provides for notice to any person in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

ARTICLE 12 - CONCERNING THE TRUSTEE

12.1 Trust Indenture Legislation.

12.1.1 This Indenture is subject to the provisions of the Trust Indenture Legislation and shall, to the extent applicable, be governed by such provisions. Without limiting the foregoing, the Trustee and the Company each agree to comply with all provisions of the Trust Indenture Legislation applicable to or binding upon each of them in connection with this Indenture.

12.1.2 If and to the extent that any provision of this Indenture limits, qualifies or conflicts with any mandatory requirement of Indenture legislation, such mandatory requirement shall prevail.

52

12.2 No Conflict of Interest.

The Trustee represents to the Company that at the date of the execution and delivery of this Indenture there exists no material conflict of interest in the role of the Trustee as a fiduciary hereunder.

12.3 Replacement of Trustee.

12.3.1 The Trustee may resign its trusts and be discharged from all further duties and liabilities hereunder by giving to the Company 90 days' notice in writing or such shorter notice as the Company may accept as sufficient. In the event of the Trustee resigning or being removed as provided in Section 10.11 or Section 12.3.3 or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Company shall forthwith appoint a new Trustee unless a new Trustee has already been appointed by the Bond holders; failing such appointment by the Company, the retiring Trustee or any Bond holder may apply to a Judge of the Supreme Court of British Columbia, on such notice as such Judge may direct, for the appointment of a new Trustee but any new Trustee so appointed by the Company or by the Court shall be subject to removal as aforesaid by the Bond holders. Any new Trustee appointed under any provision of this Section shall be a company authorized to carry on the business of a trust company in the province of British Columbia and upon any new appointment the new Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Trustee.

12.3.2 Any company into which the Trustee may be merged or with which it may be consolidated or amalgamated or any corporation resulting from any merger, consolidation or amalgamation to which the Trustee shall be a party, shall be the successor Trustee under this Indenture without the execution of any instrument or any further act.

12.3.3 Subject to Section 12.3.1, the Company may, in its absolute discretion, remove the Trustee and discharge the Trustee from all further duties hereunder by giving the Trustee 30 days' notice in writing or such shorter notice as the Trustee may accept as sufficient at any time.

12.4 Experts, Advisers and Agents.

The Trustee may:

(a) act on the opinion or advice of or information obtained from any solicitor, auditor, valuator, engineer, surveyor, or other expert, whether obtained by the Trustee or by the Company, or otherwise, and may employ such assistants as may be necessary to the proper discharge of its duties and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid; and

(b) employ such agents and other assistants as it may reasonably require for the proper discharge of its duties hereunder, and may pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the trusts

53

hereof. Any solicitors employed or consulted by the Trustee may, but need not be, solicitors for the Company.

12.5 Trustee May Deal in Bonds.

Subject to Section 12.2 the Trustee may buy, sell, lend upon and deal in the Bonds and generally contract and enter into financial transactions with the Company or otherwise, without being liable to account for any profits made thereby.

12.6 Deposit of Moneys Held by Trustee.

12.6.1 Unless otherwise provided in this Indenture, any moneys held by the Trustee on deposit with the Trustee or which may be in the hands of the Trustee shall be deposited in a non-interest bearing trust account in the name of the Trustee in any chartered bank of Canada or in the deposit department of the Trustee or any other loan or trust company authorized to accept deposits under the laws of Canada, or any province thereof.

12.7 Trustee Not Ordinarily Bound.

Except as provided in Sections 7.1 and 7.2 and as otherwise specifically provided herein, the Trustee shall not, subject to the provisions of Trust Indenture Legislation, be bound to give notice to any person of the execution hereof, nor to do, observe or perform or see to the observance or performance by the Company of any of the obligations herein imposed upon the Company or of the covenants on the part of the Company herein contained, nor in any way to supervise or interfere with the conduct of the Company's business, unless the Trustee shall have been required to do so in writing by the holders of not less than 50% of the aggregate principal amount of the Bonds then

outstanding or by any majority resolution of the Bond holders passed in accordance with the provisions contained in Article 10, and then only after it shall have been indemnified and funded (or provision having been made for such funding which are satisfactory to the Trustee) to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

12.8 Trustee Not Required to Give Security.

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of the premises.

12.9 Acceptance of Trust.

The Trustee hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and in law in trust for the various persons who shall from time to time be Bond holders, subject to all the terms and conditions herein set forth.

12.10 Protection of the Trustee.

The Trustee:

54

(a) shall not at any time be under any duty or responsibility to any Bond holder to determine whether any facts exist which may require any adjustment contemplated by Section 4.4.1, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(b) shall not be accountable with respect to the validity or value (or the kind or amount) of any shares or other securities or property which may at any time be issued or delivered upon the exercise of the rights attaching to any Bond;

(c) shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver Common Shares or certificates for the same, if any, pursuant to the terms of this Indenture;

(d) shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Company of any of the representations, warranties or covenants herein contained or of any acts of the agents or servants of the Company;

(e) shall not incur any liability or responsibility whatever or be in any way responsible for the consequences of any act of negligence or fraud of its agents so long as such agents were employed in good faith;

(f) shall not incur any liability or responsibility whatever or be in any way responsible for any moneys deposited with any person other than the Trustee; and

(g) shall not incur any liability or responsibility whatever or be in any way responsible for the consequences of accepting a document as genuine without further inquiry, provided such document is accepted in good faith.

12.11 Trustee Standard of Care.

In the exercise of its rights, duties and obligations prescribed or conferred by the terms of this Indenture, the Trustee shall act honestly and in good faith and shall exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances and the Trustee shall be bound to the standard of care required of it under Trust Indenture Legislation.

12.12 Third Party Interests.

The Company hereby represents to the Trustee that any account to be opened by, or interest to be held by, the Trustee in connection with this Indenture for or to the credit of the Company, either: (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case the Company agrees to complete and execute forthwith a declaration in the Trustee's prescribed form as to the particulars of such third party.

55

12.13 Trustee Not Bound to Act.

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgement, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgement, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days written notice to the Company provided: (i) that the Trustee's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Trustee's satisfaction within such 10 day period, then such resignation shall not be effective.

12.14 Trustee Shall Not Expend its Own Funds.

None of the provisions contained in this Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless funded and indemnified.

ARTICLE 13 - SUPPLEMENTAL INDENTURES

13.1 Supplemental Indentures.

13.1.1 Notwithstanding any other provision contained herein, from time to time the Trustee and,

(a) when authorized by a resolution of its directors, the Company, may and, when required by this Indenture, they shall execute, acknowledge and deliver, by their proper officers, deeds or indentures supplemental hereto, which thereafter shall form part hereof, for any one or more of the following purposes:

(b) adding to the covenants of the Company herein contained for the protection of the Bond holders and/or providing for events of default in addition to those herein specified;

(c) making such provision not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, including the making of any modifications in the form of the Bonds which do not affect the substance thereof and which, in the opinion of the Trustee upon advice from Counsel, it may be expedient to make, provided that the Trustee shall be of the opinion that such provisions and modifications will not be prejudicial to the interests of the Bond holders;

(d) evidencing the succession, or successive successions, of other corporations to the Company and the covenants of and obligations assumed by any such successor in accordance with the provisions of this Indenture;

(e) giving effect to any majority resolution passed as provided in Article 10;

56

(f) making any change to comply with any exemption from qualification under the TIA, or to comply with Canadian federal or provincial legislation relating to trust Indentures;

(g) surrendering any right, power or option conferred by this Indenture on the Company; and

(h) for any other purpose not inconsistent with the terms of this Indenture.

13.1.2 The Trustee may also, without the consent or concurrence of the Bond holders, by supplemental indenture or otherwise, concur with the Company in making any changes or corrections in this Indenture which:

(a) in the good faith opinion of the board of the directors of the Company do not materially adversely affect the rights of any holder of Bonds, as evidenced by a resolution of the board of directors contained in an Officer's Certificate provided to the Trustee; and

(b) it shall have been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or clerical omission or mistake or manifest error contained herein or in any deed or Indenture supplemental or ancillary hereto, provided that in the opinion of the Trustee upon advice from Counsel the rights of the Trustee are in no way prejudiced thereby.

ARTICLE 14 - EVIDENCE OF OWNERSHIP

14.1 Evidence of Ownership.

The Company and the Trustee may treat the holder of any Bond as the owner thereof without actual production of such Bond for the purpose of any request, requisition, direction, consent, instrument or other document as aforesaid.

ARTICLE 15 - EXECUTION AND FORMAL DATE

15.1 Counterpart Execution.

This Indenture may be simultaneously executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

57

15.2 Formal Date.

This Indenture may be referred to as bearing the formal date of January 7, 2004 irrespective of the actual date of execution hereof.

IN WITNESS WHEREOF the parties hereto have executed these presents under their respective corporate seals and the hands of their proper officers in that behalf.

MFC BANCORP LTD.

Per: /s/ Michael Smith
Authorized Signatory

Per: /s/ Alice Kollen
Authorized Signatory

COMPUTERSHARE TRUST COMPANY OF CANADA

Per: /s/ Nicole Clement
Authorized Signatory

Per: _____
Authorized Signatory

MFC BANCORP LTD.
4.4% CONVERTIBLE UNSECURED SUBORDINATED BONDS

THE SECURITIES REPRESENTED HEREBY HAVE BEEN OFFERED IN AN OFFSHORE TRANSACTION TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE 1933 ACT) PURSUANT TO REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT").

NONE OF THE SECURITIES REPRESENTED HEREBY HAVE BEEN REGISTERED UNDER THE 1933 ACT, OR ANY U.S. STATE SECURITIES LAWS, AND, UNLESS SO REGISTERED, NONE MAY BE OFFERED OR SOLD IN THE UNITED STATES OR, DIRECTLY OR INDIRECTLY, TO U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE 1933 ACT) EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE 1933 ACT, PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE 1933 ACT, OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND IN EACH CASE ONLY IN ACCORDANCE WITH APPLICABLE SECURITIES LAWS.

No.: _____

Issue Date January 7, 2004

Principal Amount EURO _____

MFC BANCORP LTD., a company duly organized and subsisting under the laws of Yukon Territory (the "Company"), for value received, hereby promises to pay to

[insert name and address]

or its registered assigns, the principal amount set out above of euros on December 31, 2009.

This Bond shall bear interest and the interest shall accrue and be calculated in the manner and shall be paid as specified on the reverse of this Bond. This Bond is subject to redemption and conversion as specified on the reverse of this Bond. All capitalized terms used herein without definition shall have the respective meanings assigned thereto in the Indenture referred to on the reverse of this Bond.

2

Additional provisions of this Bond are set forth on the reverse of this Bond, which additional provisions shall for all purposes have the same effect as if set forth at this place.

MFC BANCORP LTD.

Per: _____
Authorized Signatory

Computershare Trust Company of Canada, as Trustee, certifies that this Bond is a Bond referred to in the within-mentioned Indenture.

**COMPUTERSHARE TRUST COMPANY
OF CANADA:**

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

(FORM OF REGISTRATION PANEL)

(No writing hereon except by Trustee or other registrar)

Date of Registration	In Whose Name Registered	Signature of Trustee or Registrar

[FORM OF REVERSE OF BOND]

4.4% Convertible Unsecured Subordinated Bond

1. Interest

(a) The Company shall pay simple interest on each Bond in arrears in biannual instalments on the Interest Payment Dates commencing on December 31, 2004 at the rate of 4.4% per annum computed on the basis of a 365 day year. Subject to the terms and conditions of the Indenture hereinafter referred to, interest shall accrue from and including the most recent date to which interest has been paid or made available for payment or, if no interest has been paid or made available for payment, from and including January 7, 2004. The interest so payable will, subject to certain exceptions provided in the Indenture, be paid to the person in whose name this Bond is registered at the close of business on the tenth day preceding each Interest Payment Date whether or not such day is a business day. Interest shall cease to accrue on (and excluding) the earlier of (i) the Maturity Date; or (ii) any Conversion Date, Redemption Date or other date on which interest shall cease to accrue in accordance with the Indenture.

(b) If the principal amount hereof or any portion of the principal amount hereof is not paid when due (whether upon acceleration pursuant to Section 7.1 of the Indenture, upon the Redemption Date pursuant to paragraph 6 hereof or upon the Maturity Date) or if interest is not paid when due upon the Interest Payment Dates provided for in Section 1(a) hereof, or if Common Shares are not delivered when due upon the conversion of this Bond then in each such case the Company shall pay interest on the overdue amount at the rate of 4.4% per annum, which interest (to the extent payment of such interest shall be legally enforceable) shall accrue from the date such overdue amount was due to, but excluding, the date payment of such amount, including interest thereon, has been made or duly provided for.

2. Method of Payment

Subject to the terms and conditions of the Indenture and certain exceptions contained therein, the Company will make payments as set forth in the Indenture. Holders must surrender Bonds to the Trustee to collect payments in respect of the Bonds, other than payments of interest only. The Company will pay cash amounts in euros and may make such cash payments by cheque, electronic transfer of funds or other method acceptable to the Trustee. Interest will be payable at the office of the Trustee or the Paying Agent, except that, at the option of the Company, payment of interest may be made by electronic transfer of funds or by cheque mailed first-class mail to the address of the person entitled thereto at such address as shall appear in the principal register for the Bonds.

3. Registrar

Initially, Computershare Trust Company of Canada (the "Trustee") will act as registrar and Paying Agent. The Company may appoint and change any Paying Agent upon notice

2

to the Trustee and the Bond holders. The Company or any Subsidiary or Affiliate of the Company may act as Paying Agent.

4. Indenture

The Company issued the Bonds under an Indenture dated as of January 7, 2004 (the "Indenture") between the Company and the Trustee. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. If there is an inconsistency between the terms of this Bond and the terms set out in the Indenture, the terms of the Indenture will govern. The Indenture is incorporated by reference in this Bond.

5. Subordination

The indebtedness evidenced by this Bond is subordinated in right of payment, to the extent and in the manner provided in the Indenture, to the prior payment in full of all Senior Indebtedness whether outstanding at the date of the Indenture or thereafter created, incurred, assumed or guaranteed.

6. Redemption at the Option of the Company

At any time on or after December 31, 2005, the Company may, at its option, redeem the Bonds in whole at any time or in part from time to time at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon (less any withholding or other tax required by law to be deducted) to but excluding the Redemption Date (the "Redemption Price").

If fewer than all the Bonds are to be redeemed, the Bonds will be redeemed in principal amounts of €1,000 or integral multiples of €1,000 *pro rata* or by another method that complies with the requirements of any exchange on which the Bonds are listed or quoted and that the Trustee shall deem equitable.

7. Notice of Redemption

Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each holder of Bonds to be redeemed to the holder's registered address. If cash sufficient to satisfy the Redemption Price of all Bonds (or portions thereof) to be redeemed on the Redemption Date are deposited with the Trustee prior to or on the Redemption Date, on and after such Redemption Date, interest shall cease to accrue on such Bonds or portions thereof.

Bonds in denominations larger than €1,000 principal amount may be redeemed in part but only in integral multiples of €1,000 principal amount.

8. Conversion

Subject to and conditional upon the Company obtaining any necessary regulatory approval for the Conversion Privilege, a holder of a Bond may convert it into Common

3

Shares at any time prior to the close of business on the Maturity Date in accordance with the Indenture, provided that if the Bond is called for redemption, the holder is entitled to convert it at any time before the close of business on the last business day prior to the Redemption Date.

The Conversion Price shall be (i) €16.53 if the Bonds are converted on or before June 30, 2004, (ii) €17.36 if the Bonds are converted after June 30, 2004 but on or before June 30, 2005, (iii) €18.23 if the Bonds are converted after June 30, 2005 but on or before June 30, 2006, (iv) €19.14 if the Bonds are converted after June 30, 2006 but on or before June 30, 2007, (v) €20.09 if the Bonds are converted after June 30, 2007 but on or before June 30, 2008, (vi) €21.10 if the Bonds are converted after June 30, 2008 but on or before June 30, 2009 and (vii) €22.15 if the Bonds are converted after June 30, 2009. The Conversion Price is subject to adjustment upon the occurrence of certain events described in the Indenture, including the events described below.

Subject to the Indenture, to convert a Bond, a holder must (1) complete and manually sign a conversion notice in the form attached as Schedule C to the Indenture and deliver such notice to the Trustee, (2) surrender the Bond to the Trustee, (3) furnish appropriate endorsements and transfer documents if required by the Trustee or the Company, and (4) pay any transfer or similar tax, if required.

A Bond holder may elect to convert a portion of a Bond, plus interest accrued and unpaid thereon (less any withholding or other tax required by law to be deducted) as calculated in accordance with Section 2.5 of the Indenture, if the principal amount of such portion is €1,000 or an integral multiple of €1,000. No payment or adjustment will be made for dividends or other distributions on the Common Shares except as provided in the Indenture.

Within five business days of surrender of any Bonds to be converted and subject to the Company obtaining all approvals as set forth in Section 4.12 of the Indenture, the Company shall issue or cause to be issued and deliver or cause to be delivered to the holder whose Bond is so surrendered, or on his or her written order, a certificate or certificates in the name or names of the person or persons specified in such notice for the number of Common Shares deliverable upon the conversion of such Bond (or specified portion thereof). Such conversion shall be deemed to have been effected immediately prior to the close of business on the date such Bonds were surrendered for conversion and at such time the rights of the holder of such Bond as such holder shall cease and the person or persons in whose name or names any certificate or certificates for Common Shares shall be deliverable upon such conversion shall be deemed to have become on such date the holder or holders of record of the Common Shares represented thereby; provided, however, that no such surrender on any date when the share transfer registers for Common Shares of the Company shall be closed shall be effective until the close of business on the next succeeding day on which such share transfer registers are open and such conversion shall be at the Conversion Price in effect at the close of business on such next succeeding day.

4

If the Company is a party to a consolidation, amalgamation, merger or binding share exchange, a transfer of distributions or certain other transactions described in the Indenture, the right to convert a Bond may be changed into a right to convert it into securities, property or assets (including cash) of the Company or another person.

9. Denominations; Transfer; Exchange

The Bonds are issued in denominations of €1,000 and integral multiples thereof. A holder may transfer or exchange Bonds in accordance with the Indenture. The Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Trustee need not transfer or exchange any Bonds selected for redemption (except, in the case of a Bond to be redeemed in part, the portion of the Bond not to be redeemed) for a period of 15 days before a selection of Bonds to be redeemed or any Bonds that the Company may have acquired in any manner whatsoever.

10. Persons Deemed Owners

The registered holder of this Bond may be treated as the owner of this Bond for all purposes.

11. Unclaimed Money or Securities

Subject to applicable law, the Trustee shall return to the Company upon written request any money or securities held by the Trustee for the payment of any amount with respect to the Bonds that remains unclaimed for six years after the date upon which payment became due. After return to the Company, holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

12. Amendments; Waiver

Subject to certain exceptions set forth in the Indenture, the Indenture or the Bonds may be amended by majority resolution of the Bond holders. Without the consent of any Bond holder, the Company and the Trustee may amend the Indenture or the Bonds: to cure any ambiguity, defect or inconsistency provided, however that such amendment does not adversely affect the rights of any holder; to provide for the succession of another person to the Company, or successive successions, and the assumption by the successor person of the covenants, agreements and obligations of the Company, in compliance with, or otherwise to comply with, Article 9 or Section 4.9 of the Indenture; to make any change that does not adversely affect the rights of any Bond holder; to add to the covenants or obligations of the Company under the Indenture or to surrender any right, power or option conferred in the Indenture upon the Company; or to comply with any requirement under the Trust Indenture Legislation.

5

13. Defaults and Remedies

Under the Indenture, events of default include (i) a default in the payment of interest in cash when due on the Bond and the continuance of such default for 15 business days; (ii) default in the payment of the principal amount, Redemption Price or any other amounts payable on any Bond when the same becomes due and payable, whether at maturity of such Bond, upon redemption or otherwise and such default continues for five business days; (iii) failure by the Company to comply with any material term, covenant or other agreements in the Bonds or the Indenture and such failure continues for 30 days after receipt by the Company of a Notice of Default; (iv) failure to deliver Common Shares in accordance with the terms of the Indenture when such Common Shares are required to be delivered upon conversion of a Bond and such failure is not remedied for a period of 10 days; (v) default by the Company under the terms of any agreement or instrument evidencing or under which the Company has at the date of the Indenture or thereafter outstanding any indebtedness for borrowed money and such indebtedness shall be accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise become due and payable and the aggregate amount thereof so accelerated exceeds €10 million and such acceleration is not rescinded or annulled within five business days after written notice thereof to the Company from the Trustee or to the Company and the Trustee from the holders of at least 50% in aggregate principal amount of the Bonds then outstanding in accordance with the Indenture unless that default has been cured or waived within 30 days; provided however, that, if such default under such agreement or instrument is remedied or cured by the Company or waived by the holders of such indebtedness, then the Event of Default under the Indenture by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of the Trustee or any of such holders; and (vi) certain events of bankruptcy or insolvency by the Company. If an Event of Default occurs and is continuing, the Trustee, or the holders of at least 50% in aggregate principal amount of the Bonds at the time outstanding, by notice in writing to the Company (and to the Trustee if given by the holders) may declare all the Bonds to be due and payable immediately. Certain events of bankruptcy or insolvency are events of default which will result in the Bonds becoming due and payable immediately upon the occurrence of such events of default.

Bond holders may not enforce the Indenture or the Bonds except as provided in the Indenture. The Trustee may refuse to enforce the Indenture of the Bonds unless it receives reasonable indemnity and sufficient funds. Subject to certain limitations, holders of a majority in aggregate principal amount of the Bonds at the time outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Bond holders notice of any continuing Event

of Default in certain circumstances if it determines that withholding notice is in the Bond holders' interests.

14. Trustee Dealings with the Company

Subject to certain limitations imposed by the Trust Indenture Legislation, a Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates

and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not a Trustee.

15. No Recourse Against Others

A director, officer, employee or shareholder, as such, of the Company shall not have any liability for any obligations of the Company under the Bonds or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Bond, each Bond holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Bonds.

16. Authentication

This Bond shall not be valid until an authorized signatory of the Trustee manually signs the Trustee's certificate of authentication on the other side of this Bond.

17. Governing Law

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE PROVINCE OF BRITISH COLUMBIA, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE PROVINCE OF BRITISH COLUMBIA.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, THE UNDERSIGNED SELL(S), ASSIGN(S) AND TRANSFER(S) UNTO:

NAME OF TRANSFEREE: _____

OF:

ADDRESS OF TRANSFEREE: _____

THE FOLLOWING SECURITIES OF **MFC BANCORP LTD** . (THE "ISSUER"):

Number of Shares or Principal Amount of Other Securities	Description of Security (Includes Class of Shares and Par Value, if any, rate and maturity of Bonds, Debentures or Other Securities)	Certificate or Serial Number
	4.4% Convertible Unsecured Subordinated Bonds maturing December 31, 2009	

HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS:

(This Space Should Be Left Blank)

ATTORNEY OF THE UNDERSIGNED TO TRANSFER THE AFOREMENTIONED SECURITIES ON THE BOOKS OF THE ISSUER WITH FULL POWER OF SUBSTITUTION IN THE PREMISES.

DATED AT _____ THIS _____ DAY OF _____,

MONTH YEAR

*SPACE FOR GUARANTEES _____

OF SIGNATURES: _____

PERSON(S) EXECUTING THE POWER SIGN HERE

READ CAREFULLY

*THE NAME OF THE REGISTERED HOLDER AND SIGNATORY TO THIS FORM MUST CORRESPOND WITH THE NAME AS WRITTEN ON THE BOOKS OF THE ISSUER WITHOUT ANY CHANGE. THE SIGNATURE (S) OF THE REGISTERED HOLDER AND SIGNATORY EXECUTING THIS ASSIGNMENT MUST BE GUARANTEED BY A CANADIAN CHARTERED BANK, OR A GUARANTEE UNDER THE NORTH AMERICAN STAMP, SEMP OR MSP MEDALLION PROGRAMS.

**SCHEDULE B
REDEMPTION NOTICE**

MFC BANCORP LTD.

4.4% CONVERTIBLE UNSECURED SUBORDINATED BONDS

REDEMPTION NOTICE

To: Holders of 4.4% Convertible Unsecured Subordinated Bonds (the " **Bonds** ") of MFC Bancorp Ltd. (the " **Company** ")

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated and all references to € shall be to lawful money of the European Union, unless otherwise indicated.

Notice is hereby given pursuant to Section 3.3 of the trust Indenture (the " **Indenture** ") dated as of January 7, 2004 between the Company, and Computershare Trust Company of Canada (the " **Trustee** "), that the aggregate principal amount of €_____ of the €_____ of Bonds outstanding will be redeemed as of _____ (the " **Redemption Date** "), upon payment of a redemption amount of €_____ for each €1,000 principal amount of Bonds, being equal to the aggregate of (i) €_____ (the " **Redemption Price** "), and (ii) all accrued and unpaid interest hereon to but excluding the Redemption Date (collectively, the " **Total Redemption Price** ").

The Total Redemption Price will be payable upon presentation and surrender of the Bonds called for redemption at the following corporate trust office:

Computershare Trust Company of Canada
510 Burrard Street, Vancouver, British Columbia
Canada V6C 3B9

The interest upon the principal amount of Bonds called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Total Redemption Price shall not be made on presentation for surrender of such Bonds at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Total Redemption Price pursuant to the Indenture.

2

In this connection, upon presentation and surrender of the Bonds for payment on the Redemption Date, the Company shall, on the Redemption Date, make the delivery to the Trustee of any Paying Agent, for delivery to and on account of the holders, of cash representing the Redemption Price.

DATED:

MFC BANCORP LTD.

Per: _____
Authorized Signatory

SCHEDULE C

FORM OF NOTICE OF CONVERSION

CONVERSION NOTICE

To: **MFC BANCORP LTD.**
c/o Computershare Trust Company of Canada
510 Burrard Street
Vancouver, British Columbia, Canada V6C 3B9

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated and all references to € shall be to lawful money of the European Union, unless otherwise indicated.

The undersigned registered holder of 4.4% Convertible Unsecured Subordinated Bonds bearing Certificate No. ____ irrevocably elects to convert such Bonds (or €____* principal amount thereof*) in accordance with the terms of the Indenture referred to in such Bonds and tenders herewith the Bonds, and, if applicable, directs that the Common Shares of MFC Bancorp Ltd. issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated:

(Signature of Registered Holder)

* If less than the full principal amount of the Bonds, indicate in the space provided the principal amount (which must be €1,000 or integral multiples thereof).

NOTE: IF COMMON SHARES ARE TO BE ISSUED IN THE NAME OF A PERSON OTHER THAN THE HOLDER, THE SIGNATURE OF THE REGISTERED HOLDER AND SIGNATORY EXECUTING THIS NOTICE MUST BE GUARANTEED BY A CANADIAN CHARTERED BANK, OR A GUARANTEE UNDER THE NORTH AMERICAN STAMP, SEMP OR MSP MEDALLION PROGRAMS.

(Print name in which Common Shares are to be issued, delivered and registered)

Name: _____

(Address) _____

(Address) _____

Name of guarantor: _____

Authorized signature: _____

MFC BANCORP LTD.
(the "Company")

**Code of Ethics and Business Conduct
For The SENIOR Executive Officer and
Senior Financial Officers**
(the "Code")

This Code applies to the Chief Executive Officer, President, Chief Financial Officer, Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, Controller and persons performing similar functions within the Company (the "Senior Officers"). This Code covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all Senior Officers of the Company. All Senior Officers should conduct themselves accordingly and seek to avoid the appearance of improper behaviour in any way relating to the Company.

Any Senior Officer who has any questions about the Code should consult with the Chief Executive Officer, the Company's board of directors (the "Board") or the Company's audit committee (the "Audit Committee").

The Company has adopted the Code for the purpose of promoting:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in all reports and documents that the Company files with, or submits to, the Securities and Exchange Commission ("SEC") and in other public communications made by the Company that are within the Senior Officer's area of responsibility;
- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting of violations of the Code; and
- accountability for adherence to the Code.

HONEST AND ETHICAL CONDUCT

Each Senior Officer owes a duty to the Company to act with integrity. Integrity requires, among other things, being honest and candid. Senior Officers must adhere to a high standard of business ethics and are expected to make decisions and take actions based on the best interests of the Company, as a whole, and not based on personal relationships or benefits. Generally, a "conflict of interest" occurs when a Senior Officer's personal interests is, or appears to be, inconsistent with, interferes with or is opposed to the best interests of the Company or gives the appearance of impropriety.

2

Business decisions and actions must be made in the best interests of the Company and should not be influenced by personal considerations or relationships. Relationships with the Company's stakeholders - for example suppliers, competitors and customers - should not in any way affect a Senior Officer's responsibility and accountability to the Company. Conflicts of interest can arise when a Senior Officer or a member of his or her family receive improper gifts, entertainment or benefits as a result of his or her position in the Company.

Specifically, each Senior Officer must:

1. act with integrity, including being honest and candid while still maintaining the confidentiality of information when required or consistent with the Company's policies;
2. avoid violations of the Code, including actual or apparent conflicts of interest with the Company in personal and professional relationships;
3. disclose to the Board or the Audit Committee any material transaction or relationship that could reasonably be expected to give rise to a breach of the Code, including actual or apparent conflicts of interest with the Company;
4. obtain approval from the Board or Audit Committee before making any decisions or taking any action that could reasonably be expected to involve a conflict of interest or the appearance of a conflict of interest;
5. observe both the form and spirit of laws and governmental rules and regulations, accounting standards and Company policies;
6. maintain a high standard of accuracy and completeness in the Company's financial records;
7. ensure full, fair, timely, accurate and understandable disclosure in the Company's periodic reports;
8. report any violations of the Code to the Board or Audit Committee;
9. proactively promote ethical behaviour among peers in his or her work environment; and
10. maintain the skills appropriate and necessary for the performance of his or her duties.

DISCLOSURE OF COMPANY INFORMATION

As a result of the Company's status as a public company, it is required to file periodic and other reports with the SEC. The Company takes its public disclosure responsibility seriously to ensure that these reports furnish the marketplace with full, fair, accurate, timely and understandable disclosure regarding the financial and business condition of the Company. All disclosures contained in reports and documents filed with or submitted to the SEC, or other government

agencies, on behalf of the Company or contained in other public communications made by the Company must be complete and correct in all material respects and understandable to the intended recipient.

The Senior Officers, in relation to his or her area of responsibility, must be committed to providing timely, consistent and accurate information, in compliance with all legal and regulatory requirements. It is imperative that this disclosure be accomplished consistently during both good times and bad and that all parties in the marketplace have equal or similar access to this information.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions, and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the book" funds, assets or liabilities should not be maintained unless permitted by applicable law or regulation. Senior Officers involved in the preparation of the Company's financial statements must prepare those statements in accordance with generally accepted accounting principles, consistently applied, and any other applicable accounting standards and rules so that the financial statements materially, fairly and completely reflect the business transactions and financial statements and related condition of the Company. Further, it is important that financial statements and related disclosures be free of material errors.

Specifically, each Senior Officer must:

1. familiarize himself or herself with the disclosure requirements generally applicable to the Company;
2. not knowingly misrepresent, or cause others to misrepresent, facts about the Company to others, including the Company's independent auditors, governmental regulators, self-regulating organizations and other governmental officials;
3. to the extent that he or she participates in the creation of the Company's books and records, promote the accuracy, fairness and timeliness of those records; and
4. in relation to his or her area of responsibility, properly review and critically analyse proposed disclosure for accuracy and completeness.

CONFIDENTIAL INFORMATION

Senior Officers, directors and employee must maintain the confidentiality of confidential information entrusted to them by the Company of its customers, suppliers, joint venture partners, or others with whom the Company is considering a business or other transaction except when disclosure is authorized by an executive officer or required or mandated by laws or regulations. Confidential information includes all non-public information that might be useful or helpful to competitors or harmful to the Company or its customers or suppliers, if disclosed. It also includes information that suppliers, customers and other parties have entrusted to the Company. The obligation to preserve confidential information continues even after employment ends.

Records containing personal data about employees or private information about customers and their employees are confidential. They are to be carefully safeguarded, kept current, relevant and accurate. They should be disclosed only to authorized personnel or as required by law.

All inquiries regarding the Company from non-employees, such as financial analysts and journalists, should be directed to the Board or the Audit Committee. The Company's policy is to cooperate with every reasonable request of government investigators for information. At the same time, the Company is entitled to all the safeguards provided by law for the benefit of persons under investigation or accused of wrongdoing, including legal representation. If a representative of any government or government agency seeks an interview or requests access to data or documents for the purposes of an investigation, the Senior Officer should refer the representative to the Board or the Audit Committee. Senior Officers also should preserve all materials, including documents and e-mails that might relate to any pending or reasonably possible investigation.

COMPLIANCE WITH LAWS

The Senior Officers must respect must obey all applicable foreign, federal, state and local laws, rules and regulations applicable to the business and operations of the Company.

Senior Officers who have access to, or knowledge of, material nonpublic information from or about the Company are prohibited from buying, selling or otherwise trading in the Company's stock or other securities. "Material nonpublic" information includes any information, positive or negative, that has not yet been made available or disclosed to the public and that might be of significance to an investor, as part of the total mix of information, in deciding whether to buy or sell stock or other securities.

Senior Officers also are prohibited from giving "tips" on material nonpublic information, that is directly or indirectly disclosing such information to any other person, including family members, other relatives and friends, so that they may trade in the Company's stock or other securities.

Furthermore, if, during the course of a Senior Officer's service with the Company, he or she acquires material nonpublic information about another company, such as one of our customers or suppliers, or you learn that the Company is planning a major transaction with another company (such as an acquisition), the Senior Officer is restricted from trading in the securities of the other company.

REPORTING ACTUAL AND POTENTIAL VIOLATIONS OF THE CODE AND ACCOUNTABILITY FOR COMPLIANCE WITH THE CODE

The Company, through the Board or the Audit Committee, is responsible for applying this Code to specific situations in which questions may arise and has the authority to interpret this Code in any particular situation. This Code is not intended to provide a comprehensive guideline for Senior Officers in relation to their business activities with the Company. Any Senior Officer may seek clarification on the application of this Code from the Board or the Audit Committee.

Each Senior Officer must:

1. notify the Company of any existing or potential violation of this Code, and failure to do so is itself a breach of the Code; and
2. not retaliate, directly or indirectly, or encourage others to do so, against any employee or Senior Officer for reports, made in good faith, of any misconduct or

violations of the Code solely because that employee or Senior Officer raised a legitimate ethical issue.

The Board or the Audit Committee will take all action it considers appropriate to investigate any breach of the Code reported to it. All Senior Officers, directors and employees are required to cooperate fully with any such investigations and to provide truthful and accurate information. If the Board or the Audit Committee determines that a breach has occurred, it will take or authorize disciplinary or preventative action as it deems appropriate, after consultation with the Company's counsel if warranted, up to and including termination of employment. Where appropriate, the Company will not limit itself to disciplinary action but may pursue legal action against the offending Senior Officer involved. In some cases, the Company may have a legal or ethical obligation to call violations to the attention of appropriate enforcement authorities.

Compliance with the Code may be monitored by audits performed by the Board, Audit Committee, the Company's counsel and/or by the Company's outside auditors. All Senior Officers, directors and employees are required to cooperate fully with any such audits and to provide truthful and accurate information.

Any waiver of this Code for any Senior Officer or director may be made only by the Board or the Audit Committee and will be promptly disclosed to stockholders and others, as required by applicable law. The Company must disclose changes to and waivers of the Code in accordance with applicable law.

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael J. Smith, President, Chief Executive Officer and Secretary of MFC Bancorp Ltd., certify that:

1. I have reviewed this annual report on Form 20-F of MFC Bancorp Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: April 26, 2004

/s/ Michael J. Smith
Michael J. Smith
President, Chief Executive Officer and Secretary
(Principal Executive Officer, Principal Financial
Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Michael J. Smith, President, Chief Executive Officer and Secretary of MFC Bancorp Ltd., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the annual report on Form 20-F of MFC Bancorp Ltd. for the year ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of MFC Bancorp Ltd.

Dated: April 26, 2004

/s/ Michael J. Smith
Michael J. Smith
President, Chief Executive Officer and Secretary
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to MFC Bancorp Ltd and will be retained by MFC Bancorp Ltd and furnished to the Securities and Exchange Commission or its staff upon request.