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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(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, 2002, 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 No.: 1-4192

MFC BANCORP LTD.

(Exact Name of Registrant as Specified in Its Charter)

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: **None**

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: **None**

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

12,831,854 Common Shares without par value

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 shorter 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

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Share Sale Agreement dated August 7,2002

Royalty Deed dated August 7, 2002

Arrangement Agreement

Stock Purchase Agreement dated July 23,2002

Subsidiaries of MFC

Certification of Periodic Report

MFC BANCORP LTD.

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In this annual report, please note the following:

- references to “we”, “our”, “us” or “MFC” mean MFC Bancorp Ltd. and its subsidiaries, unless the context of the sentence clearly suggests otherwise;
- all references to monetary amounts are in Canadian dollars, unless otherwise indicated;
- the information set forth in this annual report is as at December 31, 2002, unless an earlier or later date is indicated; and
- selected financial information has been provided in U.S. dollars for informational purposes only using an exchange rate of one Canadian dollar being equal to U.S.\$0.6329, being the Federal Reserve Bank of New York rate of conversion for Canadian dollars to U.S. dollars as at December 31, 2002.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Cautionary Statement Regarding Forward-Looking Statements

The statements in this annual report that are not based on historical facts are called “forward-looking statements” within the meaning of the United States *Private Securities Litigation Reform Act of 1995*. These statements appear in a number of different places in this annual report and can be identified by words such as “estimates”, “projects”, “expects”, “intends”, “believes”, “plans”, or their negatives or other comparable words. Also look for discussions of strategy that involve risks and uncertainties. Forward-looking statements include statements regarding the outlook for our future operations, forecasts of future costs and expenditures, evaluation of market conditions, the outcome of legal proceedings, the adequacy of reserves, or other business plans. You are cautioned that any such forward-looking statements are not guarantees and may involve risks and uncertainties. Our actual results may differ materially from those in the forward-looking statements due to risks facing us or due to actual facts differing from the assumptions underlying our predictions. Some of these risks and assumptions are set out under “Risk Factors” below and include, but are not limited to:

- transaction risks;
- credit and counterparty risks;
- market risks;
- competition risks;
- legal and regulatory risks;
- employment risks;
- general economic and business conditions, including changes in interest rates;
- prices and other economic conditions;
- natural phenomena;
- actions by government authorities, including changes in government regulation;
- uncertainties associated with legal proceedings;

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- technological development;
- future decisions by management in response to changing conditions;
- our ability to execute prospective business plans; and
- misjudgments in the course of preparing forward-looking statements.

We advise you that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to us or persons acting on our behalf. Unless required by law, we do not assume any obligation to update forward-looking statements based on unanticipated events or changes in expectations. However, you should carefully review the reports and documents we file from time to time with the U.S. Securities and Exchange Commission (the "SEC"), including our current reports on Form 6-K.

Exchange Rates

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 (the "Noon Buying Rate"), 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) and the range of high and low exchange rates for such periods:

	Years Ended December 31,				
	2002	2001	2000	1999	1998
End of period	0.6329	0.6279	0.6666	0.6925	0.6504
High for period	0.6619	0.6697	0.6984	0.6925	0.7105
Low for period	0.6200	0.6241	0.6397	0.6535	0.6341
Average for period	0.6368	0.6457	0.6732	0.6744	0.6714

The following table sets out the high and low exchange rates, based on the Noon Buying Rate for the conversion of Canadian dollars into U.S. dollars, for the following periods:

	High	Low
2002		
October	0.6407	0.6272
November	0.6440	0.6288
December	0.6461	0.6332
2003		
January	0.6570	0.6349
February	0.6720	0.6530
March	0.6822	0.6709
April 1 to April 16	0.6889	0.6737

On April 16, 2003, the Noon Buying Rate for the conversion of Canadian dollars into U.S. dollars was U.S.\$0.6867 per Canadian dollar.

The presentation of selected information in our financial statements in U.S. dollars is for informational 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.

Selected Financial Data

The following table summarizes selected consolidated financial data for MFC prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Additional information is presented to show the difference which would result from the application of United States generally accepted accounting principles (“U.S. GAAP”) to MFC’s financial information. For a description of the differences between Canadian GAAP and U.S. GAAP, see Note 18 to our consolidated financial statements included in this annual report. The information in the table was extracted from the more 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”.

Canadian GAAP

	Years Ended December 31,				
	2002	2001	2000	1999	1998
	(in thousands, other than per share amounts)				
Revenues	\$284,339	\$214,246	\$156,220	\$125,526	\$123,310
Income from continuing operations	50,755	45,288	39,163	36,328	30,235
Income from continuing operations per share					
Basic	3.93	3.59	3.24	3.00	2.48
Diluted	3.70	3.35	3.03	2.83	2.30
Net income	50,755	45,288	39,163	31,389	30,235
Net income per share					
Basic	3.93	3.59	3.24	2.59	2.48
Diluted	3.70	3.35	3.03	2.46	2.30
Total assets	446,574	394,639	332,063	270,107	238,109
Net assets	291,041	249,118	216,915	173,773	156,808
Debt	68,798	98,000	35,421	30,917	40,091
Shareholders’ equity	285,290	245,997	213,134	170,811	154,396
Capital stock	70,269	76,673	65,138	65,498	65,706
Cash dividends ⁽¹⁾	—	—	—	—	369
Cash dividends per share ⁽¹⁾	—	—	—	—	0.03
Cash dividends (U.S.\$) ⁽¹⁾	—	—	—	—	251
Cash dividends per share (U.S.\$) ⁽¹⁾	—	—	—	—	0.02
Weighted average common stock outstanding, fully diluted (in thousands of shares)	14,170	14,002	13,438	13,422	13,706

(1) Paid on MFC’s common shares.

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U.S. GAAP

	Years Ended December 31,				
	2002	2001	2000	1999	1998
	(in thousands, other than per share amounts)				
Revenues	\$284,339	\$212,000	\$162,694	\$128,270	\$118,842
Income from continuing operations	50,755	43,211	45,637	40,313	31,922
Income from continuing operations per share					
Basic	3.93	3.42	3.78	3.33	2.62
Diluted	3.70	3.20	3.51	3.12	2.42
Net income	50,755	43,211	45,637	35,374	31,922
Net income per share					
Basic	3.93	3.42	3.78	2.92	2.62
Diluted	3.70	3.20	3.51	2.75	2.42
Total assets	445,342	391,489	336,523	265,658	229,529
Net assets	289,809	245,968	221,375	169,325	149,381
Debt	68,798	98,000	35,421	30,917	40,091
Shareholders' equity	284,058	242,847	217,594	166,363	146,969
Capital stock	70,269	76,673	65,138	65,498	65,706
Cash dividends ⁽¹⁾	—	—	—	—	369
Cash dividends per share ⁽¹⁾	—	—	—	—	0.03
Cash dividends (U.S.\$) ⁽¹⁾	—	—	—	—	251
Cash dividends per share (U.S.\$) ⁽¹⁾	—	—	—	—	0.02
Weighted average common stock outstanding, fully diluted (in thousands of shares)	14,170	14,002	13,438	13,422	13,706

(1) Paid on MFC's common shares.

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Risk Factors

Our primary risks are transaction risks, credit or counterparty risks and market risks. In addition, we have been and may continue to be affected by many other factors, including, but not limited to: (i) economic and market conditions, including the liquidity of capital markets; (ii) the volatility of market prices, rates and indices; (iii) the timing and volume of market activity; (iv) competition; (v) legal and regulatory risks; (vi) inflation; (vii) the cost of capital, including interest rates; (viii) political events, including legislative, regulatory and other developments; (ix) competitive forces, including our ability to attract and retain personnel; (x) support systems; and (xi) investor sentiment. In determining whether to make an investment in our shares, you should consider carefully all of the information set forth in this annual report and, in particular, the following risk factors:

Transaction Risks

We are subject to transaction risks.

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.

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

Counterparties or others may default on their obligations.

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.

We may not obtain sufficient or accurate credit risk information.

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

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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.

Market Risks

Market risks relates 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.

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 and aluminum. 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.

We are exposed to political, economic, legal, operational and other risks as a result of our global operations.

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.

Fluctuations in interest rates and foreign currency exchange rates may affect our results.

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.

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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.

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 affect our results.

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 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 condition.

Market risks may increase the other risks that we face.

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.

Our risk management policies and procedures may not prevent losses.

We have adopted risk management processes to facilitate, control and monitor risk taking. Nonetheless, the policies and procedures 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 you 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

We face significant global competition.

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 liability.

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 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 limits our activities.

The financial services industry is subject to extensive regulation. Our banking operations are subject to various Swiss regulatory requirements, including capital requirements administered by the Swiss Federal Banking Commission (the “SFBC”). The SFBC 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 SFBC that, if undertaken, could have a direct materially adverse effect on us. Under risk-based capital adequacy guidelines established by the SFBC, 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 SFBC 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.

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Employment Risks

We are dependent on the services of certain key employees.

Our future success depends, in significant part, upon the continued service and performance of our senior management and other key employees. Losing the services of some or all of these individuals could impair our ability to manage our company, obtain new or maintain existing client engagements and complete new proprietary investments.

Enforcement Risks

You may be unable to enforce civil liabilities.

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, in the United States, 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.

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.

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 a takeover that our shareholders may consider favourable.

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 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

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reconfirm same upon its expiration. For more information, see “Item 10. Additional Information — Articles and Bylaws”.

In addition, the *Investment Canada Act* (the “ICA”) 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.

ITEM 4. INFORMATION ON THE COMPANY

History and Development of the Company

MFC is a corporation organized under the laws of the Yukon Territory in Canada. We were originally incorporated in June 1951 by letters patent. 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. Our registered office is located at Suite 300, 204 Black Street, Whitehorse, Yukon Y1A 2M9 and we have an office located at Floor 21, Millennium Tower, Handelskai 94-96, A-1200, Vienna, Austria (Tel: 43 1 240 250).

Overview

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

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.

We conduct our merchant banking business in a highly integrated and coordinated manner. This permits us to utilize a total integrated approach with our business partners and as we pursue opportunities. Such an integrated approach permits substantial cross-selling opportunities and broadens the kind and scope of business conducted. Having multiple revenue sources provides us with substantial flexibility in structuring business relationships, revenues and transactions. As a result, we are able to generate higher revenues from particular business partners or opportunities than would otherwise be the case. Through our fully integrated business approach, our banking and finance advisory services often lead to commodity and natural resources trading with clients and *vice versa*. Both such activities often result in proprietary investments wherein we utilize our own capital to help restructure businesses, acquire interests therein or refinance obligations. Further, our proprietary investment strategy is enhanced by our trading and corporate finance capabilities.

Our merchant banking business generates revenues through fees, interest income, trading revenue and realizations on our proprietary investments. We earn advisory and service fees by providing banking and financial advice to clients. We earn interest income on our own capital. Trading revenue is earned both from our commodities and natural resources trading and securities trading. Realizations on proprietary investments are generated through sales, equity and debt restructuring or other forms of divestment.

We currently employ approximately 206 people and our operations are primarily conducted in Europe and North America. The following is a summary of our revenues by geographic region for the three most recently completed fiscal years:

	2002	2001	2000
	(in thousands)		
Europe	\$254,564	\$192,714	\$136,671
Canada	26,006	17,183	10,459
United States	3,559	4,349	9,090
Other	210	—	—
	<u>\$284,339</u>	<u>\$214,246</u>	<u>\$156,220</u>

Description of Merchant Banking Business

Our merchant banking operations provide innovative finance and advisory services for corporate finance transactions and capital raising. We counsel clients on business and financing strategy and the execution of transactions that advance their strategic goals, including mergers, acquisitions, reorganizations and divestitures, and assist in structuring and raising capital. We focus on meeting the financial needs of small to mid-sized companies and other business enterprises primarily in Europe and North America. We believe that many of these clients, particularly in Europe, are underserved 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. 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 proprietary 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.

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 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.

These banking, finance and advisory activities are conducted through our wholly-owned subsidiary, MFC Merchant Bank S.A. ("MFC Bank"), a licensed full-service Swiss bank. In 2002, our banking operations were relocated from Geneva to Herisau, Switzerland. Since 1999, our banking operations have outsourced and placed substantially all of their client deposits with other major financial institutions on a fiduciary or trust basis and earn a fee on the amount of money received from the counterparty. 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 SFBC. The SFBC is our primary banking regulator and establishes minimum capital and other requirements for MFC Bank. Our failure to meet minimum capital and other requirements can result in mandatory, and possibly additional discretionary, action by the SFBC that, if undertaken, could have a direct material effect on us. Under risk-based capital adequacy guidelines established by the SFBC, 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 SFBC and we are subject to their examination. MFC Bank is subject to restrictions on loans and extensions of credit to, and on certain other types of transactions with, affiliates. We believe that the capital of our banking operations is sufficient for its current and reasonably foreseeable operations.

Our merchant banking operations trade, principally for our own account, 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. Our trading operations currently employ approximately 77 people. 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 further trade it 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

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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 various trading, financing and currency spreads. Through our trading activities, we have been able to develop ongoing relationships with commodity producers, end customers and trade financiers and insurers that are an important part of our operations.

We conduct our commodity and natural resources trading primarily through our subsidiary, MFC Commodities GmbH (“MFC Commodities”), which is based in Vienna, Austria. We have historically focused our trading activities primarily in Europe. 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 is not as developed as in Western Europe and North America. Our central location in Vienna and our trading professionals permit us to effectively pursue trading opportunities in Europe and, in particular, participate in trade flows between Western and Central Europe.

We intend to increase the volumes, products traded and the geographic regions in which we operate. In 2003, our commodity and natural resources trading operations will 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 broadened our trading line to include aluminum foil and, when markets improve, cobalt. The investments we make in commodity producers are part of our proprietary investing strategy.

Our merchant banking activities include making proprietary investments through investing our own 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 and 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 (the “royalty interest”) in the Wabush Iron Ore Mine (the “Wabush 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 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 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.

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

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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.

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. (“Banff”) 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 (“Kasese”), a 75% owned subsidiary of Banff, up to a maximum of approximately U.S.\$10.0 million. The balance of the shares of Kasese are owned by the Ugandan government. Kasese owns and operates a cobalt processing plant located in Southwest Uganda. As part of our acquisition of Banff, the cobalt processing plant has been put on a care and maintenance program because of the current weakness in cobalt markets. We expect to recommence processing cobalt at the plant when cobalt markets improve as part of our realization of such investment and we intend to handle the sales and distribution of such cobalt production. In the interim, we are selling the hydro-electricity produced by the plant’s dedicated 9 megawatt hydro-electric power plant. For more information, see “Property, Plants and Equipment” below and “Item 10. Additional Information — Material Contracts”.

In October 2002, we leased the operations of an aluminum rolling mill located in Merseburg, Germany. The mill produces aluminum foil and has an annual production capacity of approximately 9,000 tonnes. The lease commenced in October 2002 and runs until September 2010. We can terminate the lease at our option after September 2007. Our lease payments amount 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. We are currently handling the sales and distribution of the mill’s aluminum 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 (“Trimble”), in consideration of 25,071 of our common shares and approximately \$205,000 in cash. In December 2002, we restructured Trimble’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 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. (“Euro Trade”) for approximately \$42.9 million. Euro Trade is engaged primarily in merchant banking in Europe.

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 (“Mymetics”) through a stock dividend of 0.95 common shares of Mymetics for each common share of MFC held by shareholders of record as of August 13, 2002. Approximately 12,206,957 Mymetics shares were distributed to MFC shareholders under the dividend. As a result of the dividend, MFC shareholders became direct shareholders of Mymetics. Mymetics 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 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”.

Organizational Structure

Our significant subsidiaries, their jurisdictions of organization and our shareholdings are as follows:

Name of Subsidiary	Jurisdiction of Incorporation or Organization	Shareholding at April 16, 2003
MFC Merchant Bank S.A.	Switzerland	100%
TriMaine Holdings, Inc.	U.S.A.	83%
Constitution Insurance Company of Canada	Canada	100%
Drummond Financial Corporation	U.S.A.	96%
Trimble Resources Corporation	Turks & Caicos Islands	100%
MFC Commodities GmbH	Austria	95%
Eurotrade & Forfaiting Inc.	U.S.A.	93%
MFC Aluminiumfolie Merseburg GmbH	Germany	100%
Kasese Cobalt Company Limited ⁽¹⁾	Uganda	75%

(1) Our interest in Kasese is held through Banff, our 85% owned subsidiary.

Property, Plants and Equipment

Our main offices are located in Vienna, Austria, Herisau, Switzerland and Berlin, Germany. All of our premises are leased.

We indirectly participate in a royalty interest. The royalty interest consists of a mining sub-lease of the lands upon which the Wabush Mine is situated that commenced in 1956 and expires in 2055. The lessor is Knoll Lake Minerals Limited (“Knoll Lake”), which holds a mining lease from the Province of Newfoundland, Canada. The lease requires the payment of royalties to Knoll Lake of \$0.22 per ton on shipments of iron ore from the Wabush Mine. Iron ore is shipped from the Wabush Mine to Pointe Noire, Quebec, Canada, where it is pelletized. In 2002, 2001 and 2000, 4.5 million, 4.6 million and 5.9 million tons of iron ore, respectively, were shipped from the Wabush Mine.

The Wabush 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) (collectively, the “Consortium”), which pays royalties to the holder of the royalty interest based upon the amount of iron ore shipped from the Wabush Mine. Pursuant to the terms of the mining sub-lease, this royalty payment by the Consortium 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.

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

We also indirectly own approximately 47 acres of undeveloped real property which is annexed to the City of Gig Harbor, Washington, U.S.A. Of the total acreage, 29 acres are zoned for medium density residential use and 18 acres are zoned for business park/professional office use. We may develop all or part of the land through partnerships, joint ventures or other economic associations with local developers. Our current involvement with the property is limited to pre-development work, including infrastructure (roads, sewer and water services), preliminary permits, market studies, feasibility studies and related activities. All utilities are available to the property and the City of Gig Harbor has completed work on an extension of a street through the property.

We also indirectly, through Banff, hold a 75% interest in the cobalt processing plant in Kasese, Uganda, which extracts cobalt from an existing cobalt concentrate stockpile. The cobalt concentrate stockpile contained, as at May 2001, approximately 593,616 tonnes of material with an average grade of 1.39% cobalt. Kasese also has an 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 tonnes of cobalt per annum with a product quality of 99.9% cobalt in crushed cobalt cathode form. Kasese'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. The plant recovers cobalt metal from stockpiles of 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. In connection with our acquisition of Banff, the plant was placed into a care and maintenance program under which all cobalt production ceased by September 2002 as a result of weak cobalt markets. The plant is maintained in such a condition so as to enable it to resume production as soon as the price of cobalt reaches an economically feasible level. In its current state, the plant employs 55 people.

We lease the equipment, operations and underlying real property of an aluminum rolling mill located in Merseburg, Germany. The mill manufactures and sells aluminum foil with approximately 65% of its customer base being located within Germany and the remaining 35% located in the rest of Europe. For the last two and one-half months of 2002, the net sales of the mill were approximately € 4.5 million. The raw materials needed for the production of aluminum foil at the mill are obtained from German suppliers. Aluminum foil is a very thin sheet of rolled aluminum supplied in its pure form or in a variety of alloys and tempers which give a wide choice of tensile properties. The thickness of foils ranges from 0.0065mm to 0.2mm. Material thicker than 0.2mm is defined as sheet or strip. Aluminum foils comprise 75% of aluminum processing and the market for aluminum foil and strip in Germany has grown over the last six years at an average rate of approximately 3.5%. The growth is driven by an increased demand for packaging materials, particularly in the food industry. Due to a special mix of packaging demands, aluminum foil has been an essential material in the packaging and distribution of dairy products, as well as an efficient way to store liquid food over long periods. The aluminum foil industry is largely structured with companies that have annual production capacities in excess of 50,000 tonnes. Our processing plant, with an annual production capacity of 9,000 tonnes, occupies a niche position characterized by high flexibility in terms of small volumes. Our mill currently employs approximately 42 persons working in three shifts. Five work in machine maintenance, 29 in production, three in sales and five in administration.

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, 2002 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 18 to the financial statements. We have made certain reclassifications to the prior periods' financial statements to conform to the current period's presentation.

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 Bank. 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 a relatively low net rate of income tax. In 2002 and 2001, we had a net tax recovery, and in 2000 our effective consolidated tax rate was approximately 4.0%.

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.

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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
	(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 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 a result of the expansion of our trading operations in 2002. In 2002, 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, 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 a 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.

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Year Ended December 31, 2001 Compared to the Year Ended December 31, 2000

The following table provides selected quarterly financial information for 2001 for MFC:

	2001			
	December 31	September 30	June 30	March 31
	(in thousands, other than per share amounts)			
Revenues	\$ 89,878	\$ 33,478	\$ 46,888	\$ 44,002
Expenses	71,095	25,958	37,349	35,830
Net income	19,876	7,786	9,543	8,083
Diluted earnings per share	1.40	0.58	0.72	0.63
Total assets	394,639	298,760	280,423	297,823
Shareholders' equity	245,997	251,398	229,446	221,767

In 2001, our revenues increased by 37.1% to \$214.2 million from \$156.2 million in 2000, primarily as a result of the acquisition of our trading operations in October 2001 and increased investment activities. In 2001, revenues included a recognition of a non-cash gain on indebtedness of a subsidiary of \$22.4 million. Expenses from continuing operations increased by 48.8% to \$170.2 million in 2001 from \$114.4 million in 2000, primarily as a result of the acquisition of our trading operations and higher investment expenses. In 2001, financial services expenses increased by 61.2% to \$143.1 million from \$88.7 million in 2000. General and administrative expenses increased marginally to \$21.8 million in 2001 from \$21.4 million in 2000. Interest expense increased by 27.3% to \$5.4 million in 2001 from \$4.2 million in 2000, primarily as a result of a net increase in our total indebtedness resulting from acquisitions completed in 2001. At December 2001, we recorded a loss on the change in the fair value of foreign exchange hedging of \$1.1 million.

In 2001, net earnings were \$45.3 million, or \$3.59 per share on a basic basis (\$3.35 per share on a diluted basis) from \$39.2 million, or \$3.24 per share on a basic basis (\$3.03 per share on a diluted basis) in 2000.

Liquidity and Capital Resources

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

	December 31,		December 31,	
	2002	2001	2002	2001
	(U.S. Dollars in thousands)		Canadian Dollars in thousands)	
Cash and cash equivalents	\$ 64,835	\$ 48,453	\$102,413	\$ 77,166
Securities	39,661	47,598	62,649	75,805
Total assets	282,712	247,796	446,574	394,639
Debt	43,554	61,535	68,798	98,000
Shareholders' equity	180,608	154,462	285,290	245,997

We maintain a high level of liquidity, with a substantial amount of our assets held in cash and cash equivalents, securities and customer loans collateralized by marketable 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 services where we act as a financial intermediary for third parties and in our own proprietary investing activities.

At December 31, 2002, our cash and cash equivalents were \$102.4 million, compared to \$77.2 million at December 31, 2001. At December 31, 2002, we had securities of \$62.6 million, compared to \$75.8 million at December 31, 2001.

At December 31, 2002, our debt was \$68.8 million, compared to \$98.0 million at December 31, 2001 and were denominated in U.S. dollars and Euros.

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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, 2002, we had approximately ten separate credit lines and facilities used for commodities and natural resources trading aggregating approximately \$64.0 million, of which approximately \$25.0 million was outstanding. In April 2003, we established two additional credit lines and facilities to increase the aggregate available amount of such credit lines and facilities to approximately \$84.2 million of which approximately \$39.8 million was 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 \$30.5 million in 2003 and \$4.5 million in 2004. 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 9 to our consolidated financial statements included in this annual report .

Operating Activities

In 2002, changes in securities provided cash of \$12.2 million compared to \$1.8 million in 2001. A decrease in receivables provided cash of \$1.6 million in 2002, compared to \$48.3 million in 2001 which included \$12.9 million cash provided from a decrease in amounts due from investment dealers resulting primarily from the outsourcing of our private bank clients. An increase in commodity investments used cash of \$6.0 million in 2002, compared to nil in 2001, resulting primarily from the expansion of our commodities and natural resources trading operations. A decrease in properties held for sale provided cash of \$13.5 million in 2002, compared to an increase in same using cash of \$0.4 million in 2001. An increase in accounts payable and accrued expenses provided cash of \$3.8 million in 2002, compared to a decrease in same using cash of \$8.5 million in 2001. Operating activities provided cash of \$20.8 million in 2002, compared to \$64.5 million in 2001. We expect to generate sufficient cash flow from operations to meet our working capital and other requirements.

Investing Activities

In 2002, a net increase in loans used cash of \$4.8 million, compared to a net decrease in loans providing cash of \$25.1 million in 2001. The net purchase of long-term securities used cash of \$5.4 million in 2002 compared to \$4.8 million in 2001. In 2002, the sale of an equity method investment, being our indirect oil royalty interest, provided cash of \$25.9 million. In 2002, purchases of subsidiaries, net of cash acquired, used cash of \$35.0 million, compared to \$1.0 million in 2001. Investing activities used cash of \$19.1 million in 2002, compared to providing cash of \$18.8 million in 2001.

Financing Activities

Net debt repayments used cash of \$13.3 million in 2002, compared to \$25.3 million in 2001. In 2002, a net increase in deposits provided cash of \$33.9 million, compared to a net decrease in deposits using cash of \$62.4 million in 2001. The net repurchase of common shares in 2002 used cash of \$7.0 million, compared to

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the net issuance of common shares providing cash of \$11.5 million in 2001. Net cash provided by financing activities was \$13.5 million in 2002, compared to net cash used by financing activities of \$76.1 million in 2001.

We had no material commitments to acquire assets or operating businesses at December 31, 2002. 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, our financial position for any given period, when reported in Canadian dollars, can be significantly affected by the exchange rate for Swiss francs prevailing during that period. In the year ended December 31, 2002, we reported approximately a net \$14.3 million foreign exchange translation gain and, as a result, our cumulative foreign exchange translation gain at December 31, 2002 was \$18.7 million, compared to a \$4.5 million gain at December 31, 2001.

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

Based upon the period average exchange rates in 2002, the Canadian dollar decreased by approximately 9.2% in value against the Swiss franc and by approximately 1.4% in value against the U.S. dollar, compared to the period average exchange rates in 2001. As at December 31, 2002, the Canadian dollar decreased by approximately 16.0% in value against the Swiss franc and by approximately 0.8% in value against the U.S. dollar since December 31, 2001.

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. 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.

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 Bank are stated at current market value, with the unrealized gain or loss included in the results of operations. Other short-term securities are carried at the lower of aggregate cost or current market value, with the realized 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.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management; Board Practices

Our Articles provide for three classes of directors with staggered terms. Each director holds office until the expiry of the director’s term or until a successor is elected or appointed, unless the office is earlier vacated in accordance with our Bylaws or with the provisions of the *Business Corporations Act* (Yukon). At each annual meeting of shareholders of MFC, 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. Officers of MFC serve at the discretion of the board of directors.

The following table sets out certain information concerning our directors and executive officers:

Name	Present Position with MFC	Principal Occupation	Date of Commencement of Office with MFC	Expiration of Term of Office with MFC
Michael J. Smith	Director and President	President, Chief Executive Officer and Director of MFC	1986	2005
Sok Chu Kim ⁽¹⁾	Director	Senior Vice-President, Korea Exchange Bank, 1967 to 1985; President of Korea International Merchant Bank, 1985 to 1989; Advisor to Sukura Bank (Seoul, Korea); Director of Korea Liberalization Fund Ltd.	1996	N/A
Oq-Hyun Chin ⁽¹⁾	Director	Business Advisor, The Art Group Architects & Engineers Ltd.	1996	2004
Dr. Stefan Feuerstein	Director and Vice-President	Director and Vice-President of MFC; Managing Director, MFC Capital Partners AG; Managing Director of the Industrial Investment Council of the New German States; President of the Thuringian Economic Development Corporation (Germany) from 1992 to 2001	2000	2003
Silke Brossmann ⁽¹⁾	Director	Consultant, Head of Client Relations, Prokurist and Head of Central Administration, Koidl & Cie. Holding AG from 1999 to 2002	2000	N/A
Roy Zanatta	Secretary	Secretary of MFC	1996	N/A
Claudio Morandi	Managing Director of MFC Bank	Managing Director of MFC Bank	1997	N/A
John Musacchio	Vice-President	Vice-President of MFC; Chief Operating Officer, Chief Financial Officer and Director of Mymetics	1999	N/A

⁽¹⁾Member of the Audit Committee.

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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, nor are there any family relationships between any of the persons referred to above.

Our board of directors has established an Audit Committee. The Audit Committee operates pursuant to a charter adopted by the board of directors. The Audit Committee is appointed by 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. The members of the Audit Committee are Sok Chu Kim, Oq-Hyun Chin and Silke Brossmann.

We do not have a Remuneration Committee of our board of directors. Our executive compensation program is administered by our Chief Executive Officer under the supervision of our board of directors.

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. In the event he is terminated without cause or resigns for good reason (as defined in each agreement) within three years of a change of control (as defined in each 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 (the "Nasdaq") for the ten preceding trading days.

Compensation

During the fiscal year ended December 31, 2002, 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 MFC during the fiscal year ended December 31, 2002 to provide pension, retirement or similar benefits for our directors or officers pursuant to any existing plan provided or contributed to by MFC.

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Executive Compensation

The following table provides a summary of compensation paid by us during the fiscal year ended December 31, 2002 to our Chief Executive Officer and to our next four most highly paid executive officers who received a combined salary and bonus during such period in excess of \$100,000 (collectively, with the Chief Executive Officer, the “Named Executives”):

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation ⁽¹⁾			Long-Term Compensation	All Other Compensation
	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options Granted (#)	(\$)
Michael J. Smith President, Chief Executive Officer and Director	340,649	330,624	20,234	—	—
Dr. Stefan Feuerstein Vice-President and Director	356,112	66,771	17,805	—	9,160
Claudio Morandi Managing Director MFC Bank	228,705	205,215	7,687	—	761,000 ⁽²⁾
Roy Zanatta Secretary	239,429	—	—	—	—
John Musacchio Vice-President	301,842	—	—	—	—

(1) On a cash basis, unless otherwise stated.

(2) As at December 31, 2002, Mr. Morandi had an outstanding loan of approximately \$761,000 which is expected to be paid in the near term. The loan is payable on demand and bears interest at the rate of 4.25% per annum.

Directors' Compensation

Our non-management directors receive U.S.\$20,000 annually for their services and U.S.\$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.

Options to Purchase Securities

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 2002.

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Employees

We currently employ approximately 206 people. As at December 31, 2002, 2001 and 2000 we employed approximately 168, 144 and 36 people, respectively. We are not party to any collective agreements with any labour unions.

Share Ownership

The following table sets forth information as of April 16, 2003 concerning the beneficial ownership of our common shares by each of our Named Executives and directors:

Name of Beneficial Owner	Number of Common Shares	Percentage of Class
Michael J. Smith	612,000	4.8%
Claudio Morandi	— ⁽¹⁾	—
Roy Zanatta	— ⁽²⁾	—
John Musacchio	1,000 ⁽³⁾	*
Sok Chu Kim	—	—
Oq-Hyun Chin	—	—
Dr. Stefan Feuerstein	— ⁽⁴⁾	—
Silke Brossmann	—	—

* Less than 1%.

- (1) Mr. Morandi has incentive stock options entitling him to acquire up to 75,000 of our common shares at an exercise price of U.S.\$6.00 per share expiring October 28, 2003.
- (2) Mr. Zanatta has incentive stock options entitling him to acquire up to 60,000 of our common shares at an exercise price of U.S.\$6.00 per share expiring October 28, 2003.
- (3) Mr. Musacchio has incentive stock options entitling him to acquire up to 50,000 of our common shares at an exercise price of U.S.\$6.00 per share expiring October 28, 2003.
- (4) Dr. Feuerstein has incentive stock options entitling him to acquire up to 50,000 of our common shares at an exercise price of U.S.\$7.00 per share expiring March 29, 2005.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table sets forth certain information as at April 16, 2003 concerning the ownership of our common shares by each person known to us, based solely upon public records and filings, to be the direct and/or indirect owner of five percent or more of our common shares:

Identity of Person or Group	Amount Owned	Percent of Class
Peter Kellogg	3,141,550 ⁽¹⁾	24.4%
FMR Corp.	763,800	5.9%

(1) In his public filings, Mr. Kellogg disclaims beneficial ownership of 2,821,550 of the shares, or approximately 22.0% of our issued and outstanding common shares.

Our officers and directors, as a group, own or control, directly or indirectly, an aggregate of 613,000 common shares and have options to purchase an additional 235,000 common shares, representing approximately 6.5% of our common shares on a fully diluted basis.

All common shareholders have identical voting rights.

Shareholder Distribution

As at April 16, 2003, there were approximately 629 holders of record of our common shares and a total of 12,849,854 common shares were outstanding. Approximately 10,675,792 or 83.1% of our common shares are held of record by 549 U.S. holders, including depositories and clearing agencies.

Related Party Transactions

Other than as disclosed herein, to the best of our knowledge, there have been no material transactions since January 1, 2002 to which we were or are a party and in which a director or officer of MFC, any relative or spouse of any director or officer, or any individual owning, directly or indirectly, an interest in our voting power that gives it significant influence over us, has or will have a direct or indirect material interest nor were any of our directors or officers, any relatives or spouses of such directors or officers, or any individuals owning, directly or indirectly, an interest in our voting power that gives them significant influence over us, indebted to us during this period.

As at December 31, 2002, we reorganized our interest in two European commodity producers with a carrying value of approximately \$7.3 million by exchanging them for a 49% interest in Equitable Industries Limited Partnership. No gain or loss was recorded as a result of the exchange and it was treated as a related party non-monetary transaction.

During 2002, we earned fees in the normal course from our merchant banking affiliates amounting to approximately \$9.2 million of which approximately \$4.1 million was with a merchant banking client the president of which is also our president. In 2001 and 2000, such fees amounted to \$0.3 million and \$1.1 million, respectively.

In 2002, we also sold real estate for gross cash proceeds of approximately \$4.2 million to an affiliate. No gain or loss was recognized on this transaction. At April 16, 2003, we had a note payable of approximately \$0.8 million to this affiliate. At the beginning of 2002, the amount outstanding under this note payable was approximately \$4.6 million which was also the largest amount outstanding during the year. The note bears interest at the rate of 3.5% per annum and is payable on demand. The note is unsecured and non-recourse.

In 2002, we also sold commodities amounting to approximately \$3.5 million in the normal course to an affiliate, approximately \$2.9 million of which is included in receivables from commodity transactions as at December 31, 2002.

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We had a receivable from an officer of \$0.8 million at April 16, 2003, which will be paid in the normal course. No amounts were paid on this loan in 2002 and the loan is payable on demand and bears interest at the rate of 4.25% per annum.

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 2002.

ITEM 8. FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements” for financial statements filed as part of this annual report.

Significant Changes

No significant changes have occurred since the date of the financial statements provided in Item 18 below.

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 our 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 Information

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 considerations as our board of directors considers relevant.

In August 2002, we paid a stock dividend of 0.95 common shares of Mymetics for each common share of MFC held by our shareholders of record as of August 13, 2002. Approximately 12,206,957 Mymetics shares were distributed to MFC shareholders under the dividend. For more information, see “Item 4. Information on the Company — Overview”.

ITEM 9. THE OFFER AND LISTING

Markets and Price History

Our common shares are 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 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 for each common share of MFC held by shareholders of record as of August 13, 2002. As a result, the sales prices set out below for periods prior to the payment of the stock dividend did not reflect the payment of the stock dividend to MFC shareholders.

	Nasdaq	
	High	Low
<i>Annual Highs and Lows</i>		
1998	U.S.\$14.38	U.S.\$4.69
1999	12.25	5.81
2000	10.00	6.75
2001	11.60	7.13
2002	11.51	6.45
<i>Quarterly Highs and Lows</i>		
2001		
First Quarter	U.S.\$ 8.50	U.S.\$7.13
Second Quarter	11.00	7.63
Third Quarter	10.00	7.40
Fourth Quarter	11.60	7.90
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
<i>Monthly Highs and Lows</i>		
2002		
October	U.S.\$ 7.81	U.S.\$6.60
November	7.30	6.59
December	7.30	6.45
2003		
January	7.85	6.80
February	7.30	6.74
March	8.35	6.75
April 1 to April 16	8.65	7.51

ITEM 10. ADDITIONAL INFORMATION

Articles and Bylaws

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 (the "Series 1 Shares"), 140,000 class A preferred shares, series A (the "Series A Shares"), 100,000 class A preferred shares, series 2 (the "Series 2 Shares") and 20,000 class A preferred shares, series 3 (the "Series 3 Shares").

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 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 MFC, 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.

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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 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. See “Exchange Controls” below for a discussion of the principal features of the ICA 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 MFC.

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 2003, 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.

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 which are filed with this annual report or are on file with the SEC.

In October 2001, we acquired approximately 96% of MFC Commodities pursuant to an investment and restructuring agreement made among us, certain wholly-owned subsidiaries, Hovis Commodity Trading GmbH (“HCT”), MFC Commodities and its then shareholders (the “investees”) dated for reference October 1, 2001 (the “Investment Agreement”). MFC Commodities was established in 1993 and is, directly and indirectly through subsidiaries, primarily engaged in trading commodities and natural resources in Eastern Europe. Pursuant to the terms of the Investment Agreement, our wholly-owned subsidiary invested approximately \$11.4 million in HCT, the holding company of MFC Commodities, in exchange for approximately 96% of its issued share capital. Two prior shareholders of MFC Commodities subscribed for approximately 4.5% in aggregate of the issued share capital of the holding company in consideration of the payment of an aggregate of approximately \$0.3 million and have the right to acquire up to an additional 44.5% of the holding company of MFC Commodities in the event that its consolidated net worth reaches prescribed targets on or before a specified date or they pay the difference between the actual net worth and target amount in cash. Further, the investees also have the right to require us to purchase their shares during a prescribed period pursuant to a stipulated price calculation. We have the right to acquire their holding company shares for an aggregate of approximately \$0.3 million if they do not acquire shares in the capital of HCT prior to December 31, 2006 or this right is terminated prior to that date.

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The Investment Agreement contains representations, warranties and covenants customary for this type of agreement. The Investment Agreement also provided for, among other things, a restructuring of MFC Commodities' bank and other credit facilities, a reorganization of its corporate structure and the shareholders entering into an owners' agreement (the "Owners' Agreement"). The Owners' Agreement sets out the respective rights and obligations of the shareholders, as well as its and MFC Commodities' management and operations. It contains terms and conditions customary for such agreements including those relating to the constitution and election of a board of directors, the appointment of managing directors and their respective rights and duties, restrictions on share transfers other than to permitted transferees, rights of first refusal and default provisions and remedies.

In conjunction with the acquisition of MFC Commodities, we implemented certain operating and strategic changes. These included reaffirming and establishing various credit lines of MFC Commodities and its subsidiaries in the aggregate amount of approximately \$64.1 million. Further, we streamlined the operations of MFC Commodities to focus on its core trading activities and divested certain of its non-core industrial assets.

In October 2001, we acquired approximately 53% of the outstanding common shares of Trimble for approximately \$1.0 million. In July 2002, we acquired the outstanding minority interest in Trimble pursuant to a plan of arrangement dated May 17, 2002 between Trimble and MFC whereby shareholders of Trimble elected to receive either \$0.22 or 0.0139 of our common shares in exchange for each Trimble share held. As a result, we issued 25,071 of our common shares and will pay approximately \$205,000 in cash to those shareholders of Trimble who elected, or were deemed to elect, to receive cash.

In August 2002, we acquired approximately 85% of the issued shares and U.S.\$11.4 million of indebtedness of Banff 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"), Newmont LaSource S.A.S. ("NLS") and MFC dated August 7, 2002 and a Royalty Deed among MFC, Newmont and NLS 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 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 \$77.2 million of indebtedness of Kasese. For more information on the cobalt processing plant, see "Item 4. Information on the Company — Property, Plants and Equipment" and Note 2 to our consolidated financial statements included in this annual report.

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 ("Occidental"), Intercap Yemen, Inc. ("Intercap"), 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. ("Comeco") held by Intercap were transferred to Occidental as consideration for the purchase price. Intercap held 500 shares of common stock of Comeco which represented a 41.25% interest in Comeco. Comeco, 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.

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 MFC's 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 ICA for non-Canadian residents proposing to acquire our

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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 ICA governs the acquisition of Canadian businesses by non-Canadians. Under the ICA, non-Canadian persons or entities acquiring “control” (as defined in the ICA) 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 corporate assets exceeds certain threshold levels (which are higher for investors from members of the World Trade Organization (“WTO”), including Americans, or WTO 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 ICA, 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 ICA, 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 ICA 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 ICA, 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 ICA; 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.

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) (the “ITA”) 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 ITA, 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 ITA 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,

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territorial or foreign 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 ITA 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 ITA's 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 ITA 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 ITA) 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.

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.**

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.

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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.**

Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information with the SEC. These materials, including this annual report and the exhibits hereto, may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the SEC’s regional offices at 175 West Jackson Boulevard, Suite 900, Chicago, Illinois 60604 and 233 Broadway, New York, New York 10279. Copies of the materials may be obtained from the principal office of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the SEC’s public reference facilities by calling the SEC in the United States at 1-800-SEC-0330. The SEC also maintains a web site at <http://www.sec.gov> that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC.

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 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, 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. No gain or loss was recognized on this embedded derivative as at December 31, 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, 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 and debt obligations. 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, 2002 and 2001, respectively, and expected cash flows from these instruments.

**As at December 31, 2002
(in thousands)**

	Carrying Value	Fair Value	Expected Future Cash Flow*					Thereafter
			2003	2004	2005	2006	2007	
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 which mature on April 1, 2008 and bear interest at 8% per annum.

**As at December 31, 2001
(in thousands)**

	Carrying Value	Fair Value	Expected Future Cash Flow*					Thereafter
			2002	2003	2004	2005	2006	
Investments ⁽¹⁾	\$60,530	\$60,503	\$27,246	\$ 4,955	\$5,688	\$4,900	\$ 4,900	\$37,451
Debt obligations ⁽²⁾	63,381	46,954	7,759	18,351	1,735	1,735	33,718	23,856

* Including interest and dividends where applicable.

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

(2) Debt obligations consist of the bonds 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 and debt obligations. 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, 2002 and 2001, respectively, and expected cash flows from these instruments:

**As at December 31, 2002
(in thousands)**

	Carrying Value	Fair Value	Expected Future Cash Flow*					Thereafter
			2003	2004	2005	2006	2007	
Investments ⁽¹⁾	\$54,115	\$54,821	\$43,370	\$ 816	\$ —	\$ —	\$ —	\$10,010
Loans ⁽²⁾	75,366	75,366	33,393	52,613	—	—	—	—
Deposits ⁽³⁾	39,198	39,198	39,198	—	—	—	—	—
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 Bank.

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

**As at December 31, 2001
(in thousands)**

	Carrying Value	Fair Value	Expected Future Cash Flow*					Thereafter
			2002	2003	2004	2005	2006	
Investments ⁽¹⁾	\$67,989	\$66,867	\$59,893	\$ 55	\$ 822	\$ —	\$ —	\$ 7,356
Loans ⁽²⁾	45,460	45,460	37,687	9,913	—	—	—	—
Deposits ⁽³⁾	524	524	524	—	—	—	—	—
Debt obligations ⁽⁴⁾	82,394	64,941	18,544	14,309	6,057	5,888	37,702	23,856

* Including interest and dividends where applicable.

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

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

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

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

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, 2002 and 2001, respectively, and expected cash flows from these instruments:

**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 bonds which are convertible into common shares of MFC at a fixed price.

**As at December 31, 2001
(in thousands)**

	Carrying Value	Fair Value	Expected Future Cash Flow*					Thereafter
			2002	2003	2004	2005	2006	
Investments ⁽¹⁾	\$72,703	\$71,110	\$28,027	\$4,900	\$4,900	\$4,900	\$4,900	\$49,596
Debt obligations ⁽²⁾	21,687	20,385	1,735	1,735	1,735	1,735	1,735	23,856

* Including interest and dividends where applicable.

(1) Investments consist of equity securities.

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

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Within 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic reports on file with the SEC. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of certain events, and there can be no assurance that any design will succeed in achieving its stated goals under all future conditions, regardless of how remote. In addition, we reviewed our internal controls, and there have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

[Reserved]

ITEM 16B. CODE OF ETHICS

[Reserved]

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

[Reserved]

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Index to Financial Statements and Schedules

1. Independent Auditors' Report on the Consolidated Financial Statements of MFC as at December 31, 2002, 2001 and 2000.
2. Consolidated Balance Sheets at December 31, 2002 and 2001 (audited).
3. Consolidated Statements of Income for the years ended December 31, 2002, 2001 and 2000 (audited).
4. Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2002, 2001 and 2000 (audited).
5. Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000 (audited).
6. Notes to Consolidated Financial Statements.
7. Independent Auditors' Report on Financial Statement Schedules.
8. Financial Statement Schedules:
 - I Condensed Financial Information of Registrant.
 - III Supplementary Insurance Information.
 - IV Reinsurance.
 - VI Supplemental Information Concerning Property — Casualty Insurance Operations.

INDEPENDENT AUDITORS' REPORT

To the Shareholders
MFC Bancorp Ltd.

We have audited the consolidated balance sheets of MFC Bancorp Ltd. and Subsidiaries as at December 31, 2002 and 2001, and the consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2002, 2001 and 2000. 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 generally accepted auditing standards in the United States and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years ended December 31, 2002, 2001 and 2000, in accordance with generally accepted accounting principles in Canada, which differ from United States generally accepted accounting principles as described in Note 18 to the consolidated financial statements.

/s/ PETERSON SULLIVAN P.L.L.C.

April 7, 2003
Seattle, Washington

MFC BANCORP LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2002 and 2001
(In Thousands)

	U.S. Dollars (Information Only)	Canadian Dollars	
	2002	2002	2001
ASSETS			
Cash and cash equivalents	\$ 64,835	\$102,413	\$ 77,166
Securities	39,661	62,649	75,805
Loans	49,303	77,879	69,737
Receivables	34,157	53,955	44,864
Commodity investments	8,338	13,172	5,447
Properties held for sale	46,188	72,959	22,480
Resource property	23,263	36,747	37,451
Goodwill	10,390	16,412	28,066
Equity method investments	5,012	7,917	30,898
Prepaid and other	1,565	2,471	2,725
	<u>\$282,712</u>	<u>\$446,574</u>	<u>\$394,639</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued expenses	\$ 29,931	\$ 47,279	\$ 41,649
Debt	43,554	68,798	98,000
Future income tax liability	163	258	5,348
Deposits	24,815	39,198	524
Total liabilities	<u>98,463</u>	<u>155,533</u>	<u>145,521</u>
Minority interests	3,641	5,751	3,121
Shareholders' Equity			
Common stock, without par value; authorized unlimited number	44,485	70,269	76,673
Cumulative translation adjustment	11,859	18,733	4,452
Retained earnings	124,264	196,288	164,872
	<u>180,608</u>	<u>285,290</u>	<u>245,997</u>
	<u>\$282,712</u>	<u>\$446,574</u>	<u>\$394,639</u>

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

MFC BANCORP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2002, 2001 and 2000
(In Thousands, Except Earnings Per Share)

	U.S. Dollars (Information Only) 2002	Canadian Dollars		
		2002	2001	2000
Financial services revenue	\$180,006	\$284,339	\$214,246	\$156,220
Expenses				
Financial services	111,290	175,792	143,071	88,742
General and administrative	22,637	35,758	21,793	21,394
Goodwill impairment	10,203	16,116	—	—
Interest expense	6,010	9,493	5,369	4,218
	<u>150,140</u>	<u>237,159</u>	<u>170,233</u>	<u>114,354</u>
Income before income taxes and minority interests	29,866	47,180	44,013	41,866
Recovery of (provision for) income taxes	2,214	3,497	772	(1,689)
	<u>32,080</u>	<u>50,677</u>	<u>44,785</u>	<u>40,177</u>
Income before minority interests	32,080	50,677	44,785	40,177
Minority interests	49	78	503	(1,014)
	<u>\$ 32,129</u>	<u>\$ 50,755</u>	<u>\$ 45,288</u>	<u>\$ 39,163</u>
Earnings per share				
Basic	\$ 2.48	\$ 3.93	\$ 3.59	\$ 3.24
	<u>\$ 2.35</u>	<u>\$ 3.70</u>	<u>\$ 3.35</u>	<u>\$ 3.03</u>
Diluted	\$ 2.35	\$ 3.70	\$ 3.35	\$ 3.03

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

MFC BANCORP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2002, 2001 and 2000
(Canadian Dollars, In Thousands)

	Common Stock		Retained Earnings	Cumulative Translation Adjustment	Total
	Number of Shares	Amount			
Balance at December 31, 1999	12,041,156	\$65,498	\$109,604	\$ (4,291)	\$170,811
Net income	—	—	39,163	—	39,163
Shares issued for exercise of stock options	47,000	436	—	—	436
Shares issued for cash	500,000	5,230	—	—	5,230
Repurchase of shares	(500,000)	(6,026)	—	—	(6,026)
Translation adjustment	—	—	—	3,520	3,520
Balance at December 31, 2000	12,088,156	65,138	148,767	(771)	213,134
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

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

MFC BANCORP LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002, 2001 and 2000
(Canadian Dollars, In Thousands)

	2002	2001	2000
Cash flows from operating activities			
Net income	\$ 50,755	\$ 45,288	\$ 39,163
Adjustments for:			
Goodwill impairment	16,116	—	—
Gain on debt reduction	(19,746)	(22,409)	—
Amortization and depreciation	1,528	2,049	2,041
Minority interests	(78)	(503)	1,014
Dividend from equity method investee	—	1,021	—
Debt extinguishment	(49,122)	—	—
Changes in operating assets and liabilities, net of effects of acquisitions			
Securities	12,179	1,836	(17,760)
Receivables	1,621	48,315	187
Commodity investments	(6,026)	—	—
Properties held for sale	13,487	(406)	(1,232)
Accounts payable and accrued expenses	3,767	(8,466)	2,064
Future income tax liability	(4,604)	(1,417)	—
Other	970	(777)	(275)
Cash flows from operating activities	20,847	64,531	25,202
Cash flows from investing activities			
Net decrease (increase) in loans	(4,778)	25,099	(31,661)
Purchases of long-term securities, net	(5,441)	(4,816)	5,551
Sale of equity method investment	25,915	—	—
Purchases of subsidiaries, net of cash acquired	(34,978)	(1,018)	—
Other	204	(425)	430
Cash flows from investing activities	(19,078)	18,840	(25,680)
Cash flows from financing activities			
Net increase (decrease) in deposits	33,894	(62,385)	13,282
Borrowings	38,660	12,310	8,135
Debt repayments	(52,005)	(37,562)	(4,089)
Issuance (repurchase) of common stock, net	(7,025)	11,535	(360)
Other	—	—	(111)
Cash flows from financing activities	13,524	(76,102)	16,857
Exchange rate effect on cash and cash equivalents	9,954	1,373	2,578
Increase in cash and cash equivalents	25,247	8,642	18,957
Cash and cash equivalents, beginning of year	77,166	68,524	49,567
Cash and cash equivalents, end of year	\$102,413	\$ 77,166	\$ 68,524

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

The Company is in the business of 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 segment.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 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.

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 \$7,188, \$4,667 and \$4,990 for the years ended December 31, 2002, 2001 and 2000, respectively. Income tax amounts paid were \$8, none and \$81 during 2002, 2001 and 2000, respectively.

Nonmonetary transactions include the exchange transaction discussed in Note 15 in 2002; the receipt of securities totaling \$5,506 in repayment of a loan in 2001; an exchange of 402,500 shares of an affiliate for \$1,779 in cash and 2,597,060 common shares of that affiliate in 2000.

Securities

Trading account securities, held by the Company's banking subsidiary, are stated at current 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 current 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 cost basis.

Loans

Loans are stated net of allowances for credit losses, accrued interest, reimbursable expenses and unamortized loan fees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 other receivables) if, based on an evaluation of credit-worthiness, it is considered necessary for the overall borrowing facility.

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, 2002 and 2001, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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. Also, in 2002, the Company entered into an embedded derivative transaction within a client loan of \$49,691. This derivative was designed to reduce a foreign currency risk. Due to the terms of this derivative, a loss may not be incurred and at December 31, 2002, there was no unrealized gain. The Company held no other significant derivative financial instruments at December 31, 2002.

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.

Properties Held for Sale

Properties held for sale are stated at cost 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.

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.

Goodwill and Other Intangible Assets

The Canadian Institute of Chartered Accountants ("CICA") adopted a new accounting standard on goodwill and other intangible assets in 2001, which the Company adopted 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 new 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. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 conversions are included in the equity section of the consolidated balance sheet. Transaction gains that arise from exchange rate fluctuations on transactions denominated in a currency other than the local functional currency amounting to \$453, \$2,342 and \$291 in 2002, 2001 and 2000, respectively, have been included in general and administrative expenses in the consolidated statements of income. The translation adjustments did not recognize the effect of income tax because the Company expects to reinvest the amounts indefinitely.

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.

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.

	2002	2001	2000
Net Income			
As reported	\$50,755	\$45,288	\$39,163
Deduct: Total stock option compensation expense determined under fair value based methods, net of any related tax effects	—	217	217
Proforma net income — basic	50,755	45,071	38,946
Dilution adjustment from Note 11	1,735	1,634	1,520
Proforma net income — diluted	\$52,490	\$46,705	\$40,466
Basic Earnings Per Share			
As reported	\$ 3.93	\$ 3.59	\$ 3.24
Proforma	\$ 3.93	\$ 3.57	\$ 3.22
Diluted Earnings Per Share			
As reported	\$ 3.70	\$ 3.35	\$ 3.03
Proforma	\$ 3.70	\$ 3.34	\$ 3.01

Earnings Per Share

In 2000, the Company adopted the new CICA accounting standard on earnings per share which requires the use of the treasury stock method to calculate diluted earnings per share. The treasury stock method

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

determines the number of additional common shares by assuming that 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.

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. 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. Actual results could differ from those estimates.

New Accounting Standards

The CICA has also issued the following new 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 before July 1, 2003. The effect on the Company's consolidated financial statements is not yet determinable.
- Related standards 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 May 1, 2003), and impaired loans (effective for years beginning May 1, 2003). Generally, these standards give guidance on write-downs and disposals of long-lived assets. Further, the definition of discontinued operations is broadened. The effect on the Company's consolidated financial statements is not yet determinable.

Reclassifications

Certain reclassifications have been made to prior year balances to conform with current year presentation.

Note 2. Acquisitions

In August 2002, the Company acquired 85.3% of the outstanding common shares of Banff Resources Ltd. ("Banff"), a Canadian corporation. The results of Banff's operations have been included in these consolidated financial statements since the acquisition date. Banff's primary assets are a cobalt stockpile and related processing facility, and a hydro-electric plant located in Uganda. This acquisition is consistent with the Company's business of proprietary investing.

Because of low market prices for cobalt, the Company has not processed any significant amounts of stockpile since acquisition. Incidental revenue has been earned from the sale of excess power generated by the hydro-electric plant. The Company intends to sell the assets acquired when the market price for cobalt recovers sufficiently, although this is beyond the Company's control and there is no assurance of such recovery near-term. Further, since the assets are located in Uganda, there are uncertainties with respect to the political, legal and regulatory environment in that country which may have an effect on ultimate disposal value. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company has classified the acquired assets as properties held for sale in these consolidated financial statements.

The aggregate purchase price was primarily an assumption of non-recourse debt. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	\$ 6,996
Stockpile and processing facility	36,273
Hydro-electric plant	34,696
	<u> </u>
Total assets acquired	77,965
Current liabilities	6,996
Debt	70,969
	<u> </u>
Total liabilities assumed	77,965
	<u> </u>
Net assets acquired	\$ —
	<u> </u>

The purchase agreement provides for royalties to be paid to the seller. The royalty is equal to 10% of the net cash flow resulting from any processing operations up to an aggregate maximum of \$15,796. The Company will charge to expense the royalty amounts as incurred; none were incurred in 2002.

Also, in August 2002, the Company acquired 93.4% of the outstanding common shares of Euro Trade & Forfaiting, Inc. (“Euro Trade”), a U.S. corporation. The results of Euro Trade’s operations have been included in these consolidated financial statements since the acquisition date. Euro Trade is engaged primarily in merchant banking in Europe which is consistent with the Company’s business activities.

The aggregate purchase price of \$42,806 was paid in cash. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	\$43,925
Long-term securities	1,373
Goodwill	3,708
	<u> </u>
Total assets acquired	49,006
Current liabilities	3,437
Minority interest	2,763
	<u> </u>
Total liabilities assumed	6,200
	<u> </u>
Net assets acquired	\$42,806
	<u> </u>

Goodwill is not expected to be deductible for income tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following unaudited proforma information presents the results of operations of the Company as if the acquisitions had taken place on January 1, 2002 and 2001, respectively. The proforma information is not necessarily indicative of the results that would have occurred had the acquisitions taken place at the beginning of the periods presented. Further, the proforma information is not necessarily indicative of future results.

	Year Ended December 31,	
	2002	2001
Revenues	\$296,277	\$215,848
Net income (loss)	\$ 29,268	\$(73,378)
Earnings (loss) per share		
Basic	\$ 2.26	\$ (5.81)
Diluted	\$ 2.19	\$ (5.12)

Note 3. Goodwill

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

	2002	2001
Balance at beginning of year	\$ 28,066	\$17,032
Acquisitions	3,708	12,796
Reductions due to purchase price adjustments	(695)	—
Exchange rate effect	1,449	(812)
Amortization	—	(950)
	32,528	28,066
Impairment	(16,116)	—
Balance at end of year	\$ 16,412	\$28,066

Consistent with current CICA standards, there was no amortization of goodwill in 2002. Goodwill amortization expense amounted to \$950 and \$942 during the years ended December 31, 2001 and 2000, respectively. Had goodwill not been amortized, net income would have been \$46,238 and \$40,105, respectively; basic earnings per share would have increased by \$.08 each year; and diluted earnings per share would have increased by \$.07 each year.

Based on a review of the fair value of the Company's reporting units, management has determined that an impairment of \$16,116 was necessary at December 31, 2002. No writedown was necessary at December 31, 2001. The Company has no other intangible assets.

Note 4. Securities

At December 31, 2002 and 2001, bank trading account securities consisted of debt securities of \$26,544 and \$21,925 and common shares of \$5,585 and \$28,025, respectively. The change in market value of bank trading account securities amounted to \$1,245, \$12,567 and \$(4,311) for the years ended December 31, 2002, 2001 and 2000, respectively, and has been included in results of operations.

Short-term securities consisted of debt securities of \$1,906 and \$358, preferred shares of \$1,878 and \$1,788 and common shares of \$10,328 and \$10,789 at December 31, 2002 and 2001, respectively. Holding gains (losses) of \$415, \$(3,868) and none were included in the results of operations for years ended December 31, 2002, 2001 and 2000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Unrealized Gains and Losses							
	2002			2001				
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt	\$ 789	\$ 98	\$ —	\$ 887	\$ 795	\$ —	\$ 34	\$ 761
Preferred shares	299	—	—	299	601	—	—	601
Common shares	15,320	197	—	15,517	11,524	—	1,593	9,931
	<u>\$16,408</u>	<u>\$295</u>	<u>\$ —</u>	<u>\$16,703</u>	<u>\$12,920</u>	<u>\$ —</u>	<u>\$1,627</u>	<u>\$11,293</u>

At December 31, 2002 and 2001, bank trading account and short-term securities included common shares in an affiliate with a carrying value of \$7,048 and \$2,935, respectively. Also, at December 31, 2002, the Company had long-term investments in the common shares of two affiliates with a carrying value of \$11,565.

The maturity of securities is as follows at December 31:

	Remaining Terms						2002 Total	2001 Total
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	No specific Maturity			
Bank trading account securities:								
Debt:								
Governments	\$ —	\$ 6,324	\$ —	\$ —	\$ —	\$ 6,324	\$ 6,050	
Other issuers	3,822	11,080	5,318	—	—	20,220	15,875	
	<u>3,822</u>	<u>17,404</u>	<u>5,318</u>	<u>—</u>	<u>—</u>	<u>26,544</u>	<u>21,925</u>	
Common shares	—	—	—	—	5,585	5,585	28,025	
Total	<u>3,822</u>	<u>17,404</u>	<u>5,318</u>	<u>—</u>	<u>5,585</u>	<u>32,129</u>	<u>49,950</u>	
Short-term securities								
Debt (other issuers)	1,906	—	—	—	—	1,906	358	
Equities:								
Preferred shares	—	—	—	—	1,878	1,878	1,788	
Common shares	—	—	—	—	10,328	10,328	10,789	
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,206</u>	<u>12,206</u>	<u>12,577</u>	
Total	<u>1,906</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,206</u>	<u>14,112</u>	<u>12,935</u>	
Long-term securities								
Debt (other issuers)	—	789	—	—	—	789	795	
Equities:								
Preferred shares	—	—	—	—	299	299	601	
Common shares	—	—	—	—	15,320	15,320	11,524	
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,619</u>	<u>15,619</u>	<u>12,125</u>	
Total	<u>—</u>	<u>789</u>	<u>—</u>	<u>—</u>	<u>15,619</u>	<u>16,408</u>	<u>12,920</u>	
Total securities	<u>\$5,728</u>	<u>\$18,193</u>	<u>\$5,318</u>	<u>\$ —</u>	<u>\$33,410</u>	<u>\$62,649</u>	<u>\$75,805</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Loans

	2002	2001
Bank loans, collateralized by traded securities and other assets, due from one company \$3,303 at December 31, 2002, and one company \$7,700 at December 31, 2001	\$ 9,845	\$11,606
Other loans, collateralized by traded securities, receivables, inventories and other tangible assets, due from one company \$63,907 at December 31, 2002, and four companies \$55,026 at December 31, 2001	68,034	58,131
	<u>\$77,879</u>	<u>\$69,737</u>

Loan maturities:

	Within 1 Year	1 – 5 Years	2002 Total
Bank loans	\$ 9,845	\$ —	\$ 9,845
Other loans	18,343	49,691	68,034
	<u>\$28,188</u>	<u>\$49,691</u>	<u>\$77,879</u>

Bank loans generally earn interest ranging from 3.5% to 7.0% and other loans generally earn interest ranging from 5.0% to 9.75% as of December 31, 2002.

Note 6. Receivables

	2002	2001
Commodity transactions	\$38,210	\$31,488
Short-term advances	5,548	2,979
Investment income	3,496	5,035
Pension plan recovery	1,587	1,587
Government taxes	3,294	381
Other	1,820	3,394
	<u>\$53,955</u>	<u>\$44,864</u>

Receivables are stated at their outstanding principal balances.

Note 7. Accounts Payable and Accrued Expenses

	2002	2001
Accounts payable	\$38,657	\$26,064
Affiliates	1,485	301
Interest	708	8,557
Property and other taxes	2,605	2,177
Commissions and severance	752	1,293
Other	3,072	3,257
	<u>\$47,279</u>	<u>\$41,649</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Deposits

	2002	2001
Clients	\$39,190	\$164
Banks	8	360
	<u>\$39,198</u>	<u>\$524</u>

All deposits at December 31, 2002, were payable on demand and bear interest at not more than .25%. At December 31, 2002, deposits from affiliates where the Company's president is also the affiliate's president and the Company has minority voting rights amounted to \$36,370.

Note 9. Debt

	2002	2001
Bonds payable, US\$13,617 as at December 31, 2002 and 2001, 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 \$20.88 (1,030,038 common shares reserved at December 31, 2002)	\$21,509	\$21,687
Bonds payable, US\$2,088 and US\$13,190 at December 31, 2002 and 2001, interest at 8%, principal and interest due December 2006, unsecured	3,298	21,007
Notes payable under lines of credit due to banks, interest from 3.7% to 4.4%, secured by commodity transaction receivables	24,953	11,114
Note payable to a bank, interest at six month Euribor plus 1.5% (resulting in a rate of 4.3% at December 31, 2002), interest and principal payments of \$2,257 due semiannually beginning in June 2003, due in full December 2006, secured by commodity transactions receivables	18,055	15,599
Bonds payable, interest at 15% paid semiannually, unsecured, non-recourse, paid in 2002	—	7,906
Note payable, interest at 8.25%, interest payable quarterly, principal due January 2003, unsecured, paid in 2002	—	8,377
Note payable, interest at 7%, principal and interest due December 2003, unsecured, non-recourse, paid in 2002	—	7,700
Note payable, interest at 3.5%, payable on demand, unsecured, non-recourse	983	4,610
	<u>\$68,798</u>	<u>\$98,000</u>

As of December 31, 2002, the principal maturities of debt are as follows:

Maturity	Amount
2003	\$30,450
2004	4,514
2005	4,514
2006	7,811
2007	—
Thereafter	21,509
	<u>\$68,798</u>

Notes payable of \$983 and \$4,610 at December 31, 2002 and 2001, respectively, are to an affiliate where the Company has an equity interest and the Company's president is also the president and director of the creditor.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Income Taxes

Income before income taxes and minority interests consists of:

	2002	2001	2000
Canadian	\$36,427	\$28,623	\$ 5,739
Foreign	10,753	15,390	36,127
	<u>\$47,180</u>	<u>\$44,013</u>	<u>\$41,866</u>

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

	2002	2001	2000
Current			
Canadian	\$(1,004)	\$(220)	\$ 40
Foreign	(589)	(427)	(401)
Future			
Canadian	301	525	4
Foreign	4,789	894	(1,332)
	<u>\$ 3,497</u>	<u>\$ 772</u>	<u>\$(1,689)</u>

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:

	2002	2001	2000
Income before income taxes and minority interests	\$ 47,180	\$ 44,013	\$ 41,866
Computed provision for income taxes at statutory rates	\$(17,041)	\$(16,777)	\$(18,756)
(Increase) decrease in taxes resulting from:			
Nontaxable dividend income	1,770	2,018	2,421
Foreign source income	3,884	5,850	16,193
Permanent differences	23,347	—	—
Valuation allowance	(8,231)	7,404	—
Other, net	(232)	2,277	(1,547)
Recovery of (provision for) income taxes	<u>\$ 3,497</u>	<u>\$ 772</u>	<u>\$ (1,689)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	2002	2001
Future income tax liability, difference in tax basis of assets acquired in the United States	\$ (258)	\$ (5,348)
Future income tax asset, non-capital tax loss carryforwards:		
Canada	1,066	10,254
Switzerland	—	1,020
United States	6,997	5,440
Austria	3,520	3,100
	11,583	19,814
Valuation allowance	(11,583)	(19,814)
Net future income tax asset	—	—
Net future income tax liability	\$ (258)	\$ (5,348)

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, 2002 and 2001.

At December 31, 2002, the Company had estimated accumulated non-capital losses which expire in the following countries as follows:

Year	Canada	United States	Austria
2003	\$ 807	\$ —	\$ —
2004	—	—	—
2005	—	—	—
2006	4	—	—
2007	2,136	—	—
2010-2020	5	20,580	—
Indefinite	—	—	10,352
	\$2,952	\$20,580	\$10,352

Any accumulated tax losses at December 31, 2002, in Uganda have not been agreed with that country's revenue authority. There were no remaining tax losses available in Switzerland at December 31, 2002.

Note 11. Earnings Per Share

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

	2002	2001	2000
Net income	\$50,755	\$45,288	\$39,163
Less dividend paid on preferred shares held by subsidiary's minority shareholders	—	—	(79)
Basic earnings from operations available to common shareholders	50,755	45,288	39,084
Effect of dilutive securities			
Interest on convertible bonds	1,735	1,634	1,599
Diluted earnings from operations	\$52,490	\$46,922	\$40,683

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Shares		
	2002	2001	2000
Basic earnings per share, weighted average number of common shares outstanding	12,931,117	12,621,633	12,054,898
Effect of dilutive securities:			
Convertible bonds	1,030,038	1,030,038	1,047,542
Options	209,006	350,764	335,240
Weighted average number of common shares outstanding — diluted	14,170,161	14,002,435	13,437,680

Note 12. Stock Based Compensation*1996 Stock Option Plan*

During 1996, the Company issued options to employees and directors to acquire 900,000 common shares of stock at \$9.41 which vested upon grant and have a five-year term. All of these options were exercised in 2001. No additional options to acquire shares will be offered under this plan.

1997 Amended Stock Option Plan

The Company has a 1997 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, 2002, 80,000 of these options were outstanding and exercisable and have a remaining contractual life of 2.25 years. At grant date, the weighted fair value of these options was \$3.34.

During 1998, options to acquire 750,000 shares at \$9.26 were granted to officers and employees of the Company. At December 31, 2002, 415,000 of these options were outstanding and exercisable and have a remaining contractual life of 0.75 years. At grant date, the weighted fair value of these options was \$2.11.

During 1997, options to acquire 742,500 shares at \$11.10 were granted to officers and employees of the Company. At December 31, 2002, none of these options were outstanding and exercisable as the exercise period expired in 2002. At grant date, the weighted fair value of these options was \$2.59.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Following is a summary of the status of the plan:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 1999	1,131,000	\$ 9.98
Granted	130,000	11.15
Exercised	(47,000)	(9.38)
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

The fair value of each option granted was estimated for proforma purposes on the grant date using the Black-Scholes Model. The assumptions used in calculating fair value in Note 1 in those years when options were granted were as follows:

	2000
Risk-free interest rate	7.0%
Expected life of the options	2 years
Expected volatility	42.65%
Expected dividend yield	0.0%

Note 13. Commitments and Contingencies*Leases*

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

Year	Amount
2003	\$1,024
2004	976
2005	511
2006	510
2007	512
	\$3,533

Rent expense was \$1,166, \$439 and \$548 for the years ended December 31, 2002, 2001 and 2000, 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, 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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 \$9,344 to be maintained as of December 31, 2002.

Note 14. Interest Rate Sensitivity Position

Management has analyzed the bank subsidiary's interest rate sensitivity position at December 31, 2002. Because of the current nature (over 90% 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, 2002, assuming no interest rate hedging is undertaken over the next twelve months.

Note 15. 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:

	2002	2001	2000
Canada	\$ 26,006	\$ 17,183	\$ 10,459
Europe	254,564	192,714	136,671
United States	3,559	4,349	9,090
Other	210	—	—
	<u>\$284,339</u>	<u>\$214,246</u>	<u>\$156,220</u>

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

	2002	2001
Canada	\$119,763	\$143,201
Europe	200,206	220,561
United States	52,308	30,877
Africa	74,297	—
	<u>\$446,574</u>	<u>\$394,639</u>

During 2001 and 2000, one client represented approximately 13% and 11%, respectively, of financial services revenues and there was no client concentration in 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 16. Fair Value of Financial Instruments

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

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$102,413	\$102,413	\$77,166	\$77,166
Loans	77,879	77,879	69,737	69,737
Deposits	39,198	39,198	524	524
Debt	68,798	63,421	98,000	80,547
Foreign currency exchange contracts	—	—	1,070	1,070

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 values of the foreign exchange derivative contracts are obtained from dealer quotes. These values represent the estimated amount the Company would receive or pay to terminate agreements taking into consideration current interest rates, the credit-worthiness of the counterparties and current foreign currency exchange rates. The Company does not anticipate nonperformance with respect to any of its derivative financial instruments.

Note 17. Transactions with Affiliates

During 2002, 2001 and 2000, the Company earned fees in the normal course from affiliated entities amounting to \$9,164 (of which \$4,115 was a merchant bank client where the Company's president is also the president of the affiliate), \$323 and \$1,111, 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 \$3,490 in the normal course to an affiliate during 2002, \$2,856 of which is included in receivables from commodity transactions at December 31, 2002. The Company received dividends of \$4,900 on preferred shares of stock in an affiliate in 2002. Generally, the Company has representation on the board of an affiliate and/or an equity interest.

The Company has a receivable from an officer of a subsidiary amounting to \$761 at December 31, 2002, which is expected to be paid in the near-term.

Note 18. 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:

Reconciliation of Net Income	December 31		
	2002	2001	2000
Net income in accordance with Canadian GAAP	\$50,755	\$45,288	\$39,163
Equity accounting for an investee	—	—	(440)
Adjustment of gain on sale of shares in investee	—	169	—
Change in unrealized gain (loss) on trading securities, net	—	(2,246)	6,914
Net income in accordance with U.S. GAAP	\$50,755	\$43,211	\$45,637

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	2002	2001	2000
Basic earnings per common share U.S. GAAP	\$3.93	\$3.42	\$3.78
Diluted earnings per common share U.S. GAAP	\$3.70	\$3.20	\$3.51
	2002	2001	2000
Retained earnings in accordance with U.S. GAAP	\$194,758	\$163,342	\$153,478
	2002	2001	2000
Comprehensive Income			
Net income in accordance with U.S. GAAP	\$50,755	\$43,211	\$45,637
Other comprehensive income, net of tax			
Foreign currency translation adjustment	14,281	5,223	3,520
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	2,151	(594)	2,071
Less: reclassification adjustment for (gains) losses realized in net income	(233)	(775)	364
Net unrealized gains (losses)	1,918	(1,369)	2,435
Other comprehensive income	16,199	3,854	5,955
Comprehensive income	\$66,954	\$47,065	\$51,592

The change in accumulated other comprehensive income is as follows:

	Accumulated Other Comprehensive Income		
	Foreign Currency Translation Adjustment	Unrealized Loss on Securities	Total
Balance at December 31, 1999	\$ (4,291)	\$(2,686)	\$ (6,977)
Change in other comprehensive income	3,520	2,435	5,955
Balance at December 31, 2000	(771)	(251)	(1,022)
Change in other comprehensive income	5,223	(1,369)	3,854
Balance at December 31, 2001	4,452	(1,620)	2,832
Change in other comprehensive income	14,281	1,918	16,199
Balance at December 31, 2002	\$18,733	\$ 298	\$19,031

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. 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. At December 31, 2001, approximately 27% of trading securities represented an investment in one company. Any unrealized holding gains or losses are to be reported as a component of comprehensive income until realized for available-for-sale securities, and included in earnings for trading securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other than bank securities included trading securities at fair value and are summarized as follows:

	December 31	
	2002	2001
Debt securities	\$ 1,906	\$ 358
Preferred shares	1,878	1,788
Common shares	10,328	10,789
	<u>\$14,112</u>	<u>\$12,935</u>

Available-for-sale securities consist of common shares, preferred shares and debt securities at December 31, 2002, 2001 and 2000. At December 31, 2002 and 2001, securities in two companies represented 80% and securities in four companies represented 76%, respectively, of the total available-for-sale securities. The proceeds from the sale of these securities amounted to \$1,330, \$5,703 and \$6,603, which resulted in realized gains (losses) of \$233, \$775 and \$(364) during 2002, 2001 and 2000, respectively. The cost of these securities was \$11,588, \$6,908 and \$8,700, which resulted in unrealized losses in accumulated other comprehensive income of \$298, \$(1,620) and \$(251) at December 31, 2002, 2001 and 2000, respectively.

New United States Accounting Standards

Statement of Financial Accounting Standards (“SFAS”) No. 145 and No. 146 are generally modifications to previously adopted standards. A part of SFAS No. 145 is effective for years beginning after May 15, 2002; however, early application is encouraged of the portion relating to no longer classifying gain or loss on extinguishments of debt as an extraordinary item. In order to be consistent with Canadian GAAP, the Company has elected early application of this portion of SFAS No. 145. Therefore, the gain on debt reduction amount of \$22,409 in 2001 is no longer classified as extraordinary in the reconciliation table above. SFAS No. 146 is effective for years beginning after December 31, 2002. These new standards, other than that portion dealing with gain or loss on extinguishments of debt, do not have an effect on the Company’s consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

To the Shareholders
MFC Bancorp Ltd.

Our report on the consolidated financial statements of MFC Bancorp Ltd. is included on page 46 of this Form 20-F. In connection with our audits of such financial statements, we have also audited the related financial statement schedules I, III, IV and VI of this Form 20-F.

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

/s/ PETERSON SULLIVAN P.L.L.C.

Seattle, Washington
April 7, 2003

MFC BANCORP LTD.

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

BALANCE SHEETS

	As at December 31,	
	2002	2001
ASSETS		
Cash and securities	\$165,062	\$152,971
Receivables	53,955	44,864
Loans	77,879	69,737
Commodity investments	13,172	5,447
Properties held for sale	72,959	22,480
Resource property	36,747	37,451
Goodwill	16,412	28,066
Equity method investments	7,917	30,898
Other	2,471	2,725
	<u>\$446,574</u>	<u>\$394,639</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	\$ 39,198	\$ 524
Accounts payable and accrued expenses	47,279	41,649
Deferred tax liability	258	5,348
Debt	68,798	98,000
Minority interests	5,751	3,121
Shareholders' equity	285,290	245,997
	<u>\$446,574</u>	<u>\$394,639</u>

STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2002	2001	2000
Financial services revenue	\$284,339	\$214,246	\$156,220
Expenses			
Financial services	175,792	143,071	88,742
General and administrative	35,758	21,793	21,394
Interest	9,493	5,369	4,218
Goodwill impairment	16,116	—	—
Income taxes (recovery)	(3,497)	(772)	1,689
Minority interest	(78)	(503)	1,014
	<u>233,584</u>	<u>168,958</u>	<u>117,057</u>
Net income	<u>\$ 50,755</u>	<u>\$ 45,288</u>	<u>\$ 39,163</u>

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2002	2001	2000
Net cash provided by operating activities	\$ 20,847	\$ 64,531	\$ 25,202
Net cash (used) provided by financing activities	13,524	(76,102)	16,857
Net cash (used) provided by investing activities	(19,078)	18,840	(25,680)
Exchange rate effect on cash and cash equivalents	9,954	1,373	2,578
Net change in cash	25,247	8,642	18,957
Cash and cash equivalents, beginning of year	77,166	68,524	49,567
Cash and cash equivalents, end of year	\$102,413	\$ 77,166	\$ 68,524

MFC BANCORP LTD.

SCHEDULE III: SUPPLEMENTARY INSURANCE INFORMATION

Segment	Deferred policy acquisition cost	Future policy benefits, losses, claims and loss expenses	Unearned premiums	Other policy claims and benefits payable	Premium Revenue	Net Investment income	Benefits, claims loss and settlement expenses	Amortization of deferred policy acquisition cost	Other operating expenses	Premiums written
Property and casualty:										
December 31, 2002.	—	\$ 880,000	—	—	—	\$142,000	—	—	\$134,000	—
December 31, 2001.	—	\$1,106,000	—	—	—	\$(38,000)	—	—	\$ 69,000	—
December 31, 2000.	—	\$1,307,000	—	—	—	\$288,000	—	—	\$143,000	—

MFC BANCORP LTD.

SCHEDULE IV: REINSURANCE

	<u>Gross amount</u>	<u>Ceded to Other companies</u>	<u>Assumed from other companies</u>	<u>Net Amount</u>	<u>Percentage of amount assumed to net</u>
Property and casualty:					
December 31, 2002	\$ —	\$ —	\$ —	\$ —	N/A
December 31, 2001	\$ —	\$ —	\$ —	\$ —	N/A
December 31, 2000	\$ —	\$ —	\$ —	\$ —	N/A

MFC BANCORP LTD.

**SCHEDULE VI: SUPPLEMENTAL INFORMATION CONCERNING PROPERTY — CASUALTY
INSURANCE OPERATIONS AS AT DECEMBER 31, 2001**

This schedule is omitted because the relevant information was either shown on Schedule III or Schedule IV.

ITEM 19. EXHIBITS

Exhibit No.	Description of Exhibit
1.1	Articles of Amalgamation. ⁽¹⁾
1.2	Bylaws. ⁽¹⁾
2.1	Master Trust Indenture between MFC and Norwest Bank Minnesota, National Association, as trustee, dated March 31, 1998. ⁽¹⁾
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 16, 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. Incorporated by reference to Drummond Financial Corporation's Form 8-K dated June 27, 1996.
4.10	Share Purchase Agreement between MFC and Med Net International Ltd. dated June 20, 1996. ⁽³⁾
4.11	Share Purchase Agreement among MFC and various shareholders of Logan International Corp. dated June 20, 1996. ⁽³⁾
4.12	Subscription Agreement between Drummond Financial Corporation and Logan International Corp. dated June 20, 1996. Incorporated by reference to Logan International Corp.'s Form 8-K dated June 27, 1996.
4.13	Share Purchase Agreement between Lehman Brothers Bankhaus 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⁾
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⁾

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Exhibit No.	Description of Exhibit
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, 2002. ⁽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.
4.28	Royalty Deed among MFC, Newmont Australia Limited and Newmont LaSource S.A.S. dated August 7, 2002.
4.29	Arrangement Agreement between Trimble Resources Corporation and MFC dated May 17, 2002.
4.30	Stock Purchase Agreement among Occidental (East Shabwa) LLC, Intercap Yemen, Inc. and MFC dated July 23, 2002.
8.1	Subsidiaries of MFC.
10.1	Certification of Periodic Report.

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

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

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

SIGNATURES

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

MFC BANCORP LTD.

By: /s/ MICHAEL J. SMITH

Michael J. Smith
Chief Executive Officer

Dated this 16th day of April, 2003.

CERTIFICATION

I, Michael J. Smith, Chief Executive Officer and Principal Financial Officer 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 annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

April 16, 2003

/s/ MICHAEL J. SMITH

Michael J. Smith
Chief Executive Officer and
Principal Financial Officer

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
1.1	Articles of Amalgamation. ⁽¹⁾
1.2	Bylaws. ⁽¹⁾
2.1	Master Trust Indenture between MFC and Norwest Bank Minnesota, National Association, as trustee, dated March 31, 1998. ⁽¹⁾
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 16, 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. Incorporated by reference to Drummond Financial Corporation's Form 8-K dated June 27, 1996.
4.10	Share Purchase Agreement between MFC and Med Net International Ltd. dated June 20, 1996. ⁽³⁾
4.11	Share Purchase Agreement among MFC and various shareholders of Logan International Corp. dated June 20, 1996. ⁽³⁾
4.12	Subscription Agreement between Drummond Financial Corporation and Logan International Corp. dated June 20, 1996. Incorporated by reference to Logan International Corp.'s Form 8-K dated June 27, 1996.
4.13	Share Purchase Agreement between Lehman Brothers Bankhaus 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⁾
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⁾

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Exhibit No.	Description of Exhibit
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, 2002. ⁽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.
4.28	Royalty Deed among MFC, Newmont Australia Limited and Newmont LaSource S.A.S. dated August 7, 2002.
4.29	Arrangement Agreement between Trimble Resources Corporation and MFC dated May 17, 2002.
4.30	Stock Purchase Agreement among Occidental (East Shabwa) LLC, Intercap Yemen, Inc. and MFC dated July 23, 2002.
8.1	Subsidiaries of MFC.
10.1	Certification of Periodic Report.

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

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

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

EXHIBIT 4.27

MFC BANCORP LTD
("THE PURCHASER")

AND

NEWMONT AUSTRALIA LIMITED
("NEWMONT")

AND

NEWMONT LASOURCE S.A.S
("NLS")

SHARE SALE AGREEMENT

BANFF RESOURCES LTD.

KELLY & CO
LAWYERS
91 King William Street
ADELAIDE SA 5000

Tel: (08) 8205 0800

Fax: (08) 8205 0805

DX 301 Adelaide

Ref: AGC/203631

THIS AGREEMENT IS made the 7th day of August, 2002

PARTIES:

NEWMONT AUSTRALIA LIMITED (ABN 80 009 295 765) of 100 Hutt Street ADELAIDE SA 5000 (NEWMONT)

NEWMONT LASOURCE S.A.S a company incorporated in accordance with the laws of France of 42 Avenue de la Grande Armee, Paris, France (NLS),

MFC BANCORP LTD a company organized under the laws of the Yukon Territory, Canada (MFCB) of Millenium Tower, Handelskai 92-94, CHA-1200 Vienna, Austria,
(PURCHASER)

RECITALS

- A. Banff Resources Ltd. is a company organised under the laws of the Yukon Territory, Canada and listed on the TSX Venture Exchange as a Tier 1 Company;
- B. NLS is a wholly owned subsidiary of Newmont and is the registered holder of the Banff Shares which represent 85.3% of the issued shares of Banff;
- C. Banff's principal asset is a 63% interest in Kasese Cobalt Company Limited (KCCL) a company incorporated under the laws of Uganda;
- D. NLS is owed money by Banff;
- E. KCCL is the owner and operator of the Kasese Cobalt Mine located at Kasese, Uganda;
- F. The Purchaser, NLS and Newmont acknowledge that Banff purports to have an option to acquire a 65% interest in the Kilembe Tailings Project from Kilembe Mines Limited the validity and enforceability of which is disputed by Kilembe Mines Limited; and
- G. Newmont and NLS have agreed to sell, and the Purchaser agreed to purchase, the Banff Shares and the Shareholder Loans, on the terms and conditions specified in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto covenant and agree as follows:

1. INTERPRETATION

1.1 DEFINITIONS

In this Agreement, including the recitals hereto, unless the context otherwise requires:

AFFILIATE with respect to any person means any other person directly or indirectly controlling, controlled by or under common control with that person. The term "control" as used in the preceding sentence means, with respect to a corporation, the right to exercise, directly or indirectly, 50% or more of the voting rights attributable to the shares of the controlled corporation and, with respect to any person other than a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person;

AGREED ADJUSTMENTS means the adjustments to the balance sheet of KCCL agreed upon by the Purchaser and Newmont as set forth in the "Agreed Adjustments" column in the Indicated Balance Sheet;

ANGLETON means Angleton Enterprises Corp. a company organized under the laws of the British Virgin Islands;

BANFF means Banff Resources Ltd.;

BANFF SHARES means 55,210,984 shares in Banff;

BUSINESS DAY means any day other than a Saturday, a Sunday or a day on which banks in Vancouver, British Columbia are authorized or obligated by law to close;

CLOSING BALANCE SHEET means a balance sheet of KCCL prepared as at 31 July 2002 in accordance with GAAP;

COMPLETION means completion of the transactions contemplated by this Agreement;

COMPLETION DATE means the later of:

- (i) the day after written notice by the Parties to each other of the satisfaction or waiver of the conditions in clause 2.1(a), (b) and (c); or
- (ii) 7 August 2002,

or such other date as may be mutually agreed upon by the Parties hereto;

EFFECTIVE DATE means 1 July 2002;

ENCUMBRANCE includes any and all encumbrances including options, mortgages, pledges, charges, debentures, liens, assignments, hypothecations, security interests, title retentions, preferential rights, court orders, trust arrangements and any other legal or equitable interests or claims;

GAAP means generally accepted accounting principles of the United States of America consistently applied;

INDICATED BALANCE SHEET means the balance sheet of KCCL prepared in accordance with GAAP as at June 30, 2002 attached as Appendix "A" hereto;

KASESE COBALT MINE means the cobalt processing plant located at Kasese, Uganda

owned and operated by KCCL for processing tailings from the former Kilembe mine;

KCCL DEBT PURCHASE AGREEMENT means the agreement executed at or about the time of this Agreement between Newmont, NLS, and Angleton relating to the sale and purchase of certain debts of, and securities granted by, KCCL therein called Senior Debt, Shareholders Loans and Senior Debt Security;

LITIGATION means the actual and potential claims and disputes (whether or not legal proceedings have been commenced or demands have been made) between:

(a) KCCL and its contractors, suppliers and consultants (including Le Bureau de Recherches Geologiques et Minières ("BRGM")) engaged in the development, design and construction of the Kasese Cobalt Mine processing facilities and associated infrastructure because of which KCCL has claims against such contractors, suppliers and consultants including claims for breach of contract and breach of duty of care and in certain cases such contractors, suppliers and consultants have notified KCCL of claims and counterclaims arising from the development, design and construction of the Kasese Cobalt Mine processing facilities and associated infrastructure; and

(b) between KCCL and any insurer of KCCL or insurance broker used in arranging insurance of KCCL in respect of business interruption arising from machinery breakdown or damage occurring prior to the Effective Date because of which KCCL has claims against such insurers or brokers; and

(c) between KCCL and insurers of such contractors, suppliers and consultants in respect of professional negligence of such contractors, suppliers or consultants because of which KCCL has claims against such insurers,

but excluding any claim or dispute arising from acts or omissions of any person occurring after Completion;

MINE CLOSURE COSTS means the cost of closing down and rehabilitating the Kasese Cobalt Mine site following closure of that mine in accordance with its current mine plan;

MINING OPERATIONS means the Kasese Cobalt Mine and/or Kilembe Tailings Project;

NET WORKING CAPITAL means the current assets of KCCL less current liabilities of KCCL as set forth in a balance sheet prepared in accordance with GAAP;

PARTIES means the parties to this Agreement;

ROYALTY AGREEMENT means an agreement between Newmont, NLS and the Purchaser pursuant to which the Purchaser will grant to NLS a royalty in the form attached hereto as Appendix B;

SHAREHOLDER LOANS means any and all amounts due, owing or accruing from Banff to NLS or its Affiliates as at the date of Completion, which totalled \$11,430,667 as at 30 June 2002;

SPECIFIED LIABILITIES means all amounts due or payable by or liabilities of KCCL and its Affiliates as at the date of Completion for cobalt and limestone royalties and to the Ugandan Electricity Board for electrical supply;

TAILINGS PIPELINE PROJECT means the current project of KCCL to build and bring into operation an approximately 8 km tailings outflow pipeline replacement;

TRADE LIABILITIES means all staff and external creditor liabilities of KCCL as at the Effective Date other than liabilities: (i) arising out of the Litigation (but not being legal or consultants fees for past services in connection with any of the Litigation); and (ii) to Newmont, NLS and their Affiliates, officers and directors;

VENDOR means either Newmont and/or NLS as the case may be and "VENDORS" means either or both of them; and

WARRANTY means each of the warranties and representations made by Newmont and NLS contained in schedule 2 to this Agreement;

1.2 INTERPRETATION

In this Agreement, unless the context otherwise requires:

- (a) a reference to any document is a reference to that document as varied, novated or replaced from time to time;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all other genders;
- (d) the use of the word "including" shall not imply any limitation;
- (e) a reference to a thing includes all or any part of it;
- (f) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (g) a reference to a person or entity includes a natural person, a partnership, corporation, trust, association, an unincorporated body, authority or other entity;
- (h) a reference to a person includes that person's legal personal representative, successors and permitted assigns;
- (i) a term which purports to bind or benefit two or more persons binds or benefits them jointly and severally;
- (j) a reference to a statute, ordinance, code or other law includes regulations and other instruments issued under it and consolidations, amendments, re-enactments or replacements of any of them;
- (k) a reference to DOLLARS or \$ is to an amount in United States of America currency.

(l) a reference to time is to local time in Vancouver, Canada;

(m) a reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to this Agreement; and

(n) headings have been inserted for convenience only and shall not affect the interpretation of this Agreement.

2. CONDITIONS PRECEDENT

2.1 CONDITIONS

Completion of this Agreement is subject to satisfaction of each of the following conditions:

(a) Banff obtaining any regulatory or shareholder approvals necessary under the laws of Canada in respect of the transactions contemplated by this Agreement;

(b) KCCL obtaining any regulatory board or shareholder approvals necessary under the laws of Uganda or its constituent documents in respect of the transactions contemplated by this Agreement;

(c) Newmont and the Purchaser obtaining an expression of support by the Ugandan Government for the transactions contemplated by this Agreement;

(d) Newmont, NLS and Angleton entering into the KCCL Debt Purchase Agreement;

(e) International Finance Corporation ("IFC") and Societe De Promotion Et De Participation pour la Cooperation Economique SA ("Proparco") each entering into an agreement with the Purchaser to sell all of their shares in KCCL to the Purchaser for the sum of US\$1.00 each at Completion; and

(f) Completion occurring under the KCCL Debt Purchase Agreement.

2.2 REASONABLE ENDEAVOURS

The Parties agree to use their respective reasonable endeavours to ensure that the conditions precedent in clause 2.1 are satisfied prior to 7 August 2002.

2.3 BENEFIT OF CONDITIONS

The conditions precedent in clause 2.1(a) and (b) are for the benefit of Newmont and NLS and may only be waived by Newmont and NLS. The condition precedent in clause 2.1(e) is for the benefit of the Purchaser and may only be waived by the Purchaser and the conditions precedent in clauses 2.1(c),

(d) and (f) are for the mutual benefit of both Newmont and the Purchaser and may only be waived by both of them. Each Party hereto shall promptly give written notice to the other Party upon satisfaction or waiver of any of the conditions in clause 2.1 which are for its benefit.

2.4 FAILURE TO MEET CONDITIONS

If the conditions precedent are not satisfied by 30 September 2002, then, except for clauses 14, 15.10, 15.11 and 15.13 and any rights or liabilities a party may have for prior breach of this clause 2 of this Agreement shall terminate and have no further effect.

3. SALE OF SHARES

3.1 SALE AND PURCHASE OF SHARES

On Completion, with effect from the Effective Date, Newmont shall procure that NLS, and NLS shall, as the legal and beneficial owner sell and transfer to the Purchaser and the Purchaser agrees to buy from NLS, the Banff Shares free from any Encumbrance or third party interest and with all benefits, rights and entitlements (including dividend rights) attached or accruing to them on and from the Effective Date, for the Sale Price as set forth in clause 3.3 and otherwise on the terms and conditions of this Agreement.

3.2 TITLE AND RISK

Title to and property and risk in the Banff Shares:

- (a) remains with NLS until Completion; and
- (b) passes to the Purchaser on and from Completion.

3.3 SALE PRICE

The Sale Price for the Banff Shares shall be \$1.00 payable to NLS.

4. COMPLETION

4.1 TIME AND PLACE OF COMPLETION

Completion will occur on the Completion Date at the offices of Sangra, Moller, 1000-925 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3L2 at 4:00 pm (Pacific Standard Time), or on such other date and time as agreed to in writing by the Parties.

4.2 DELIVERIES

At Completion:

- (a) the Purchaser shall pay to NLS or as NLS directs the Sale Price in clear funds;
- (b) the Purchaser, Newmont and NLS will enter into the Royalty Agreement;
- (c) the Vendors will procure that its nominees on the board of Banff and on the board of KCCL resign and are replaced with nominees of the Purchaser;
- (d) the Vendors will:

- (i) subject to clause 4.2(e)(ii), deliver to the Purchaser possession or control of the following: (1) files, documents, papers, contracts, agreements, legal descriptions, open books of account or ledgers and documentation in support thereof used or useful in the operation of the Mining Operations, and (2) all other information, whether in writing, on computer diskette or other form or medium, that pertains to the use or ownership of the assets utilized in the Mining Operations, Banff or the Banff Shares;
- (ii) as soon as is reasonably practicable after the Completion Date, deliver to the Purchaser possession or control of all items in the immediately above subclause that Newmont and NLS were unable to deliver at Completion; and
- (iii) deliver to the Purchaser possession of all share registers, minute books and corporate books and records for Banff in the possession or control of Newmont or NLS or any of their Affiliate.
- (e) Newmont will, in form and substance satisfactory to the Purchaser acting reasonably, provide sufficient documentation to:
- (i) evidence that those matters specified in this Agreement as being required to occur prior to or at Completion have occurred; and
- (ii) enable the Banff Shares and the Shareholder Loans to be duly assigned, transferred to and registered in the Purchaser's name in accordance with applicable laws; and
- (f) concurrently with the sale and transfer of the Banff Shares pursuant to clause 3.1 hereof, and as a condition thereof, IFC and Proparco shall assign and transfer all of their shares of KCCL to the Purchaser or its order for the sum of \$1.00 each.

4.3 INTERDEPENDENCY

The obligations of the Parties in respect of Completion under this Agreement and completion under the KCCL Debt Purchase Agreement are interdependent. All things or actions required to be done at Completion under this Agreement and at completion under the KCCL Debt Purchase Agreement will be treated as having taken place simultaneously and (unless all of the Parties agree in writing to the contrary) no delivery or payment will be treated as having been made until all deliveries and payments due to be made at Completion under this Agreement and completion under the KCCL Debt Purchase Agreement have been made. Completion under this Agreement and completion under the KCCL Debt Purchase Agreement will be taken for all purposes not to have occurred unless and until all those deliveries and payments have been made unless all of the Parties agree in writing to the contrary.

4.4 RESCISSION RIGHTS

If Completion does not occur on the Completion Date as the result of a default by one of the Parties hereto, then, subject to clause 4.5 hereof, the non-defaulting Party or Parties

may, by not less than twenty one days written notice to the defaulting Party setting forth such default and requesting such defaulting Party to remedy the default, rescind this Agreement without prejudice to any other rights, powers or remedies at law, equity or otherwise the Parties may have. If the KCCL Debt Purchase Agreement is rescinded, this Agreement shall be taken to have automatically been rescinded also in accordance with this clause.

4.5 NOTICE OF RESCISSION

If a notice is duly given under clause 4.4 and:

(a) the defaulting Party or Parties do not rectify the breach specified in such notice before the expiry of the twenty-one day period in such notice; and

(b) Completion does not occur before the expiry of the period of notice given then at the expiry of that period of notice,

then at the expiry of that period of notice this Agreement will be at an end and of no further force or effect save that the rights of the Party or Parties not in default and the liability of the Party or Parties in default for breach of this Agreement and loss of the benefit of this Agreement will continue unaffected.

4.6 NEWMONT'S AND NLS' OBLIGATIONS UNTIL REGISTRATION

After Completion and until the Banff Shares are registered in the name of the Purchaser or its nominee, Newmont shall procure NLS and NLS must convene and attend general meetings of Banff, vote at those meetings and take all other action in the capacity of registered holder of the Banff Shares as the Purchaser may lawfully require from time to time by written notice.

5. LIABILITIES OF BANFF

5.1 SHAREHOLDER LOANS

At Completion and concurrently with the sale and transfer of the Banff Shares pursuant to clause 3.1 hereof, NLS shall and Newmont shall procure that NLS shall assign to the Purchaser, or its order, and the Purchaser agrees to the assignment of:

(a) all of the Shareholder Loans free from any Encumbrance or third party interest and with all benefits, rights and entitlements attached or accruing thereto as at the Effective Date; and

(b) any and all Encumbrances held by Newmont or NLS or any of their respective Affiliates over the assets of Banff;

For the avoidance of doubt, except as set forth in this Agreement, nothing in this clause shall be taken to entitle the Purchaser, or Banff to seek contribution or payment from Newmont or NLS or their respective Affiliates under any guarantee, indemnity, agreement or covenant given either alone or jointly with Banff or any other person.

5.2 EXCLUSION OF LIABILITIES

For the avoidance of doubt, the following liabilities will remain with KCCL following Completion:

- (a) all Trade Liabilities;
- (b) all liabilities which have arisen or arise out of the Litigation; and
- (c) all Mine Closure Costs.

5.3 SPECIFIED LIABILITIES

Newmont shall be solely liable for the Specified Liabilities and, unless agreed otherwise between the Purchaser and Newmont, at, before, or as soon as reasonably practicable after Completion, shall pay to the relevant creditors in cash the amount of the Specified Liabilities due to them or as accepted by the relevant creditors in full satisfaction, provided that, if the amounts are not determinable, the amounts to be paid on, before, or as soon as reasonably practicable after Completion shall be equal to the amounts shown on KCCL's financial statements as at 30 June 2002 and adjusted to the actual amount of the relevant Specified Liability within 30 days of Completion.

6. LITIGATION

(a) Newmont and the Purchaser agree that Newmont shall have the right to prosecute, institute, settle or compromise the Litigation in the name of KCCL and the right and obligation to defend, settle or compromise, in good faith, any and all claims or counterclaims that may be brought by contractors, suppliers, consultants, and insurers against KCCL, the Purchaser, their Affiliates and their respective directors and officers arising out of the Litigation provided that Newmont shall use all commercially reasonable efforts to at all times keep the Purchaser and KCCL reasonably informed on all matters relating to the Litigation.

(b) Newmont shall be solely entitled to and shall retain the proceeds and benefit of KCCL's claims arising out of the Litigation and shall be responsible for any indebtedness or liability of KCCL, the Purchaser, their Affiliates and their respective officers and directors in respect of any successful claims or counterclaims brought by such contractors, suppliers, consultants and insurers arising out of the Litigation and for all of the costs of the prosecution, settlement, compromise or defence of any Litigation.

(c) Newmont agrees to indemnify and to hold the Purchaser and KCCL harmless against all and any claims and counterclaims that may be brought against KCCL, Banff, the Purchaser, their Affiliates and their respective officers and directors in connection with or arising, directly or indirectly, out of the Litigation, the costs of that Litigation and the actions, deeds or inactions of the Seconded Personnel (as hereinafter defined).

(d) The Purchaser agrees to do all things necessary and commercially reasonable to procure KCCL to enable Newmont to prosecute, institute defend, settle or compromise the Litigation in the name of KCCL and have the benefit and burden of the Litigation as contemplated in this clause 6 including but not limited to, as may be necessary and legally permissible:

(i) the secondment of up to two Newmont personnel (the "Seconded Personnel") to the employ of KCCL (at Newmont's expense) or the appointment of a Newmont nominee as a director without voting rights or other officer of KCCL for the sole purpose of prosecuting, instituting, defending, settling or compromising the Litigation;

(ii) giving access to or making available all books and records of KCCL including the copying of such books and records as Newmont may reasonably request; and

(iii) granting access to the Kasese Cobalt Mine to such persons as Newmont may reasonably request for the purposes of inspection, gathering evidence and conducting tests at reasonable times and in a reasonable manner without any interference with the operation of the Kasese Cobalt Mine.

(e) The Purchaser must use all commercially reasonable efforts to procure that KCCL acts in accordance with the lawful directions of Newmont given from time to time in connection with the Litigation and does not settle, compromise, abandon or make any admission in connection with any of the Litigation without Newmont's written consent or direction.

(f) Subject to paragraph (g) below, any performance or security bonds or guarantees provided to or in favour of KCCL by or on behalf of contractors, suppliers, consultants or insurers of KCCL that are in dispute with KCCL shall be for the benefit of Newmont and may only be dealt with as Newmont directs in writing and if any proceeds of any such bonds or guarantees are received whether before or after Completion, such proceeds must be paid to Newmont as soon as possible after receipt of same by KCCL, Banff or the Purchaser or applied as Newmont directs in writing.

(g) The Parties acknowledge that KCCL has called on a performance bond provided by Fritz Werner and that an amount of approximately Euro 370,665 is in a Euro denominated bank account in Kampala in the name of KCCL in respect of such performance bond. To the extent that KCCL is entitled to the proceeds from the performance bond provided by Fritz Werner, KCCL may apply up to \$260,000 of such proceeds to rectification works at the Kasese Cobalt Mine. The application of the said \$260,000 by KCCL prior to it being finally determined or agreed with Fritz Werner that KCCL is entitled to such proceeds shall be entirely at the risk of the Purchaser, Banff and KCCL. Newmont shall not be liable to KCCL, Banff or the Purchaser in any respect including but not limited to the indemnity provided by Newmont pursuant to clause 6(c), arising from the application of the said

\$260,000 by KCCL, Banff or the Purchaser prior to it being finally determined or agreed that KCCL is entitled to such proceeds.

7. CLOSING BALANCE SHEET ADJUSTMENTS

(a) Forthwith after Completion, the Purchaser shall cause KCCL to prepare and deliver the Closing Balance Sheet to each of the Purchaser and NLS. If the Net Working Capital disclosed by the Closing Balance Sheet after giving effect to the Agreed Adjustments to the extent not already taken into account is less than the Net Working Capital on the Indicated Balance Sheet after giving effect to the Agreed Adjustments, NLS shall pay an amount equal to the difference to KCCL as an addition to the Shareholder Loans forthwith upon delivery of the Closing Balance Sheet to it by KCCL. If the Net Working Capital disclosed by the Closing Balance Sheet after giving effect to the Agreed Adjustments to the extent not already taken into account is higher than the Net Working Capital on the Indicated Balance Sheet after giving effect to the Agreed Adjustments, the Purchaser shall cause KCCL to pay the difference in clear funds to NLS forthwith upon receipt of the Closing Balance Sheet.

(b) For the avoidance of doubt, the Purchaser acknowledges that if Completion occurs after 31 July 2002 and the Net Working Capital of KCCL deteriorates or improves by comparison to the Net Working Capital disclosed in the Closing Balance Sheet, no further adjustment is to be made and none of NLS, Newmont or their respective Affiliates are under no obligation to fund KCCL after 31 July 2002 other than by payment of the difference (if any) pursuant to clause 7(a).

8. KCCL AGREEMENTS WITH NEWMONT

At the request of the Purchaser from time to time, at Completion and thereafter, Newmont shall and shall procure the discharge and termination (without cost or expense to KCCL, Banff or their Affiliates) by Newmont and its Affiliates of such agreements, contracts and obligations among Newmont and/or its Affiliates (on the one hand) and KCCL, Banff and/or their Affiliates (on the other hand) provided that in respect of a shareholder's agreement between KCCL and NLS made the 17th day of July, 1997, Newmont may, at its election, instead of terminating it as aforesaid indemnify and save harmless KCCL and its Affiliates from any and all costs, fees, expenses, claims or damages in respect thereof. The Purchaser agrees to procure KCCL's cooperation in any arrangements contemplated by this clause.

9. ROYALTY

9.1 ROYALTY CONSIDERATION

At Completion, in consideration of NLS assigning the Shareholder Loans and Encumbrances therefor to the Purchaser pursuant to clause 5.1 hereof, the Purchaser will grant a royalty to NLS on the terms of the Royalty Agreement.

10. TRANSITION

10.1 MANAGEMENT ASSISTANCE

(a) For the period from Completion until the earlier of three (3) months after Completion or until the Purchaser or KCCL has engaged satisfactory replacement employees or contractors as may be required to manage the Mining Operations in the ordinary course and consistent with its operation prior to the Effective Date, Newmont must:

- (i) make available to KCCL such Newmont employees as are working at the Mining Operations on Completion Date;
- (ii) supply any necessary staff required by the Purchaser or KCCL due to the resignation of existing personnel at the Mining Operations;
- (iii) during any period that the Mining Operations is on a care and maintenance basis, assist in the recruitment of any necessary expatriate replacement employees or contractors involved in the care and maintenance program of the Mining Operations which the Parties estimate will be three people.

(b) Newmont must cooperate with KCCL in the recruiting and management of staff of KCCL and must assist KCCL in the recruitment of a start up crew of expatriate employees or contractors when operations recommence at the Mining Operations, such assistance being in the form of:

- (i) general advice and recommendations;
- (ii) referrals of possible candidates; and
- (iii) review and comment on KCCL selections and provide comments on capabilities of candidates if the candidate is known to Newmont.

(c) The Purchaser must procure KCCL to pay the actual costs of Newmont, incurred in the ordinary course and consistent with past practice, in providing the services referred to in clauses 10.1(a) and (b), including actual salary, wages and associated amounts such as annual leave, workers insurance and travel and accommodation of those Newmont employees seconded to KCCL and any other out of pocket costs and expenses actually incurred by Newmont plus a margin of 15% to cover overheads. Newmont may invoice monthly for such amounts and such amounts must be paid within 14 days of receipt of the invoice.

(d) The Purchaser shall indemnify and keep indemnified Newmont in respect of any claims, costs and expenses of third parties including KCCL incurred by Newmont in providing the services referred to in this clause 10.1, other than those resulting from the wilful misconduct or bad faith of Newmont and/or its personnel providing the services referred to in this clause 10.1;

(e) Newmont shall not be liable to the Purchaser, KCCL or any other person for any loss, claim, action or demand arising from any act or omission of any person provided by Newmont to provide the services under this clause 10.1, and the Purchaser hereby releases and shall procure KCCL releases Newmont in respect of any such action, liability, claim or demand.

10.2 SECURITY

The Purchaser will use all commercially reasonable efforts to procure KCCL to continue to retain Gray's Security to provide security at the Kasese Cobalt Mine in the manner and on the terms it is currently providing security, until completion of the Purchaser's program to place the Kasese Cobalt Mine in care and maintenance.

11 CONTINUED OPERATIONS

11.1 CARE AND MAINTENANCE

If, during the period of time after Completion and the first anniversary thereof, operations cease at the Kasese Cobalt Mine and it is put on a care and maintenance footing:

(a) the Purchaser shall use all commercially reasonable efforts to cause KCCL to procure that as many as possible Ugandan nationals employed at Kasese Cobalt Mine remain employed for the maximum possible time at no less than 3 days per week;

(b) the Purchaser shall use all commercially reasonable efforts to procure KCCL's working capital is applied towards funding the care and maintenance of the Kasese Cobalt Mine; and

(c) if the trailing average cobalt price for 60 days exceeds US\$12 per pound then the Purchaser shall use all commercially reasonable efforts to procure that processing operations recommence at Kasese Cobalt Mine.

11.2 CONTINUING OBLIGATION

The Purchaser acknowledges and agrees that no action or omission by Angleton whether in compliance with or in breach of the KCCL Debt Purchase Agreement shall relieve the Purchaser of its obligations pursuant to clause 11.1 and the Purchaser shall indemnify the Vendors against any claim, loss, action, costs or demand suffered by the Vendors arising from the Purchaser not complying with its obligations pursuant to clause 11.1 hereof as a result of a breach by Angleton of its obligations under the KCCL Debt Purchase Agreement.

11.3 TAILINGS PIPELINE PROJECT

Newmont shall indemnify and save harmless KCCL and its Affiliates from all costs, expenses and claims in excess of US\$55,000 in respect of completing the Tailings Pipeline Project in a good, workmanlike and professional manner and having it operational in a manner satisfactory to KCCL, acting reasonably. The Parties hereto agree that KCCL shall be considered to be a party in interest for the purposes of this clause 11.3, and in connection therewith KCCL shall

and shall be deemed to have been conferred all of the rights and remedies available under this clause, and that following Completion, either KCCL in its own name or the Purchaser (but without duplication) in its own name or in the name of KCCL, may enforce any and all claims, rights and benefits set forth in this clause 11.3 against Newmont. Newmont shall not be obliged by this clause to pay any amount that is the obligation of KCCL to pay, which amount arises due to any material variation, delay, extension of time or amendment under or of the contract for the Tailings Pipeline Project arising or agreed to after Completion.

12. WARRANTIES

12.1 WARRANTIES BY NEWMONT AND NLS

Newmont and NLS hereby jointly and severally represent, warrant and undertake to the Purchaser that each of the Warranties is complete and accurate on the date of this Agreement and will be complete and accurate at the Completion Date as if made on each of those dates and in the same terms.

12.2 PURCHASER WARRANTIES

The Purchaser warrants and represents to Newmont and NLS that at the date of this Agreement:

- (a) the execution and delivery of this Agreement has been properly authorised by all necessary corporate action by the Purchaser;
- (b) the Purchaser has full corporate power and lawful authority to execute and deliver this Agreement and to consummate and perform or cause to be performed its obligations under this Agreement;
- (c) this Agreement constitutes a legal, valid and binding obligation of the Purchaser enforceable in accordance with its terms (subject to the discretion of Courts as to equitable remedies and laws relating to creditors rights generally);
- (d) it is able to pay its debts as and when they fall due; and
- (e) the Purchaser had net assets of at least CDN \$5,000,000 as shown in its most recently prepared financial statements.

12.3 CONSTRUCTION OF WARRANTIES

Each Warranty is independent of the other Warranties and any other representation made under or in respect of this Agreement and accordingly is not affected by any of them.

12.4 LIMITATION OF LIABILITY

The Purchaser is only entitled to a claim against the Vendors in respect of any breach of this Agreement by the Vendors if the amount of all claims, in the aggregate, exceed \$US100,000, in which event the Vendors shall be liable for all claims,

including those counted to arrive at such \$US100,000, provided that such limitation will not apply to claims by the Purchaser as a result of: (a) any breach of the Warranty set forth in clause 5(b) of Schedule 2 to this Agreement; (b) any breach of the Vendors' covenants and obligations set forth in clause 4.2(c) of this Agreement; and (c) any breach resulting from the willfull misconduct, bad faith or gross negligence of the Vendors or any of them, for which in each case of (a), (b) or (c) above recovery by the Purchaser shall be on a dollar for a dollar basis.

13. PURCHASER ACKNOWLEDGMENTS

The Purchaser hereby expressly acknowledges and agrees with Newmont and NLS as follows:

- (a) no warranties, representations, assurances or conditions (other than are herein contained) are given by Newmont or NLS or their respective Affiliates and all other warranties, representations, assurances and conditions are excluded and negated to the extent permissible at law;
- (b) the Purchaser has agreed to purchase the Banff Shares as a result of the Purchaser's own investigations and enquiries and in so doing has not relied upon any warranty, representation or assurance given by or on behalf of Newmont or NLS or any of their respective Affiliates other than those herein contained; and
- (c) the Purchaser has been informed that Banff is not presently in compliance with Tier 1 Tier Maintenance Requirements of the TSX Venture Exchange and that failure to meet such requirements may lead to the downgrading of Banff to Tier 2 status or suspension from trading on the TSX Venture Exchange.

14. CONFIDENTIALITY

The Parties must maintain absolute confidentiality concerning the existence and terms of this Agreement and no public announcement or communication relating to the negotiations of the Parties or the existence, subject matter or terms of this Agreement may be made or authorised by or on behalf of a Party without the prior written approval of the other Parties except that a Party may make such disclosures in relation to this Agreement as it may in its absolute discretion think necessary:

- (a) to its shareholders, staff (including contract staff), professional advisers and financiers upon those persons undertaking to keep confidential any information so disclosed; or
- (b) to comply with any applicable law or the requirement of any regulatory body (including any relevant stock exchange or NASDAQ) providing that it shall use reasonable efforts to permit the other Party to review and comment on any proposed releases; or
- (c) for inclusion in any document inviting capital to be invested in that Party or a related body corporate; or

(d) as may reasonably be required in order to satisfy any of the conditions precedent in clause 2.1.

15 GENERAL

15.1 AMENDMENT

This Agreement may only be amended or supplemented in writing, signed by the Parties.

15.2 WAIVER

The non-exercise of or delay in exercising any power or right of a Party does not operate as a waiver of that power or right, nor does any single exercise of a power or right preclude any other or further exercise of it or the exercise of any other power or right. A power or right may only be waived in writing, signed by the Party to be bound by the waiver.

15.3 ENTIRE AGREEMENT

This Agreement including the exhibits and schedules hereto contains the entire agreement between the Parties with respect to the subject matter hereof and supercedes all prior agreements and understandings, oral or written, with respect to such matters.

15.4 SEVERABILITY

Any provision in this Agreement which is invalid or unenforceable in any jurisdiction is to be read down for the purposes of that jurisdiction, if possible, so as to be valid and enforceable, and is otherwise capable of being severed to the extent of the invalidity or unenforceability, without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of that provision in any other jurisdiction, unless it materially alters the nature or any material term of this Agreement.

15.5 NO ASSIGNMENT

No Party may assign or transfer any of its rights or obligations under this Agreement without the prior consent in writing of all the other Parties.

15.6 NO MERGER

No provision of this Agreement:

(a) merges on or by virtue of Completion; or

(b) is in any way modified, discharged or prejudiced by reason of any investigations made or information acquired by or on behalf of the Purchaser.

15.7 FURTHER ASSURANCE

Each Party must do, sign, execute and deliver and must procure that each of its employees and agents does, signs, executes and delivers, all deeds, documents, instruments and acts reasonably required of it or them by notice from another Party to effectively carry out and give full effect to this Agreement and the rights and obligations of the Parties under it, both before and after Completion.

15.8 COUNTERPARTS

This Agreement may be executed in any number of counterparts and all of those counterparts taken together constitute one and the same instrument.

15.9 ATTORNEYS

Each attorney who executes this Agreement on behalf of a Party declares that the attorney has no notice of the revocation or suspension of the power of attorney under the authority of which the attorney executes this Agreement.

15.10 GOVERNING LAW

This Agreement shall be governed exclusively by the laws of the Province of British Columbia, and the federal laws of Canada applicable therein without giving effect to any choice or conflict of law provision or rule (whether of the Province of British Columbia or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the laws of the Province of British Columbia, and the federal laws of Canada applicable therein, and the Parties irrevocably submit to the non-exclusive jurisdiction of the Supreme Court of British Columbia, situate in Vancouver.

15.11 COSTS GENERALLY

Each Party must bear and is responsible for its own costs in connection with the preparation, execution, Completion and carrying into effect of this Agreement.

15.12 TAXES AND STAMP DUTY

The Purchaser must bear and is responsible for all transaction taxes, stamp duty or other government impost imposed on or in respect of:

- (a) this Agreement;
- (b) the sale, purchase, assignment or transfer of any property under this Agreement; and
- (c) any instrument or transaction contemplated by this Agreement.

15.13 NOTICES

The provisions of schedule 1 apply to Notices.

15.14 SERVICE OF PROCESS

A Party may by Notice to all other Parties specify an address for the service of process. Otherwise each Party agrees that any process to be served on it in respect of any matter arising out of this Agreement may be served by delivery to its registered office or at its address specified in schedule 1 and for that purpose the requirements of paragraph 2(a) of schedule 1 apply.

SCHEDULE 1**NOTICES****1. DELIVERY**

A Notice must be in writing and delivered on a Business Day, sent by prepaid mail (airmail if overseas) or by facsimile to the address or facsimile number of the recipient Party set out in paragraph 3 or to such other address or facsimile number as that Party may from time to time notify the other Parties for the purposes of this schedule.

2. RECEIPT

A Notice given in accordance with paragraph 1 will be treated as having been received:

- (a) if it is delivered before 5.00 pm on a Business Day, at the time of delivery otherwise at 9.00 am on the next following Business Day;
- (b) on the third Business Day (or seventh Business Day if sent overseas) after posting; and
- (c) if sent by facsimile, upon production of a correct and complete transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient notified for the purposes of this paragraph (but if the communication is not completed by 5.00 pm on a Business Day, at 9.00 am on the next following Business Day).

3. ADDRESSES FOR NOTICES

For the purposes of this schedule, the address and facsimile details of each Party are as follows:

NEWMONT

Attention:	Company Secretary
Address:	100 Hutt Street Adelaide South Australia 5000
Facsimile:	+618 8303 1900
NLS	
Attention:	Managing Director
Address:	42 Avenue de Le Grande Armee, 75017, Paris, France
Facsimile:	+331 56 68 06 66

PURCHASER

Attention: President:

Address: c/o 1000 Cathedral Place, 925 West Georgia Street,
Vancouver, B.C. V6C 3L2

Facsimile: +604-669-8803

SCHEDULE 2**WARRANTIES****1. NEWMONT AND NLS**

In respect of each of Newmont and NLS:

- (a) Newmont and NLS are duly incorporated and validly exist under the laws of their respective places of incorporation;
- (b) no meeting has been convened or resolution proposed, or petition presented, and no order has been made, for winding up of either Newmont or NLS;
- (c) no distress, execution or other similar order or process has been levied on any of the property or assets of either Newmont or NLS;
- (d) no voluntary arrangement has been proposed or reached with any creditors of either Newmont or NLS;
- (e) no receiver, receiver and manager, provisional liquidator, officer of the court, controller or other external administrator has been appointed in relation to either Newmont or NLS; and
- (f) each of Newmont and NLS are able to pay their respective debts as and when they fall due.

2. DUE AUTHORISATION

- (a) The execution and delivery of this Agreement has been properly authorised by all necessary corporate action of each of Newmont and NLS and each of Newmont and NLS have full power and lawful authority to execute and deliver this Agreement and to consummate and perform or cause to be performed their respective obligations under this Agreement.
- (b) This Agreement constitutes a legal, valid and binding obligation of each of Newmont and NLS enforceable in accordance with its terms by appropriate legal remedy (subject to the discretion of the Courts as to equitable remedies and laws relating to creditors rights generally).
- (c) This Agreement and Completion do not conflict with or result in a breach of or default or give any third Party the right to modify, terminate or accelerate any obligation under any provision of either of Newmont's or NLS' constitution, or any material term or provision of any agreement, deed or any writ, order or injunction, judgment, law, rule or regulation to which either of them is a Party or is subject or by which they are respectively bound.

3. THE SHARES

The Banff Shares:

- (a) have been duly and validly authorized and issued and are fully paid and non-assessable; and
- (b) are free and clear of any Encumbrance; and
- (c) together with the other common shares in Banff are the only securities in the capital of Banff or convertible into capital of Banff.
- (d) There are no agreements, arrangements or understandings in force or securities issued which call for the present or future issue of, or grant to any person the right to require the issue of any shares or other securities in Banff.

4. NLS

- (a) NLS is a wholly owned subsidiary of Newmont;
- (b) NLS holds full legal and beneficial title to the Banff Shares and such shares constitute 85.3% of the issued shares of Banff;
- (c) NLS and/or Newmont hold full legal and beneficial title to the Shareholder Loans; and
- (d) NLS possesses all authority, ability and consents necessary to and shall upon Completion transfer the Banff Shares and the Shareholder Loans to the Purchaser free and clear from all Encumbrances subject only to receipt of the approvals referred to in clause 2.1 of this Agreement;

5. THE COMPANY

- (a) Banff is the sole legal and beneficial owner of record of 1,411 class B shares of KCCL (the "KCCL B Shares"), the KCCL B shares rank pari passu in all respects, including without limitation voting, dividends and liquidation, with all other classes of shares of KCCL, the KCCL B Shares represent 63% of all of the issued shares of all classes of KCCL, the KCCL B Shares are validly and legally issued and are fully paid and non-assessable and at Completion will not be subject to any Encumbrance.
- (b) Neither Banff nor KCCL have any obligation or liability to pay any person a commission, agent's fee, finder's fee or spotter's fee as a result of the sale of the Banff Shares and Shareholder Loans contemplated in this Agreement.

6. COMPLETION

(a) On Completion, NLS shall have complied with and satisfied all of its obligations to duly and validly repay, discharge, release and/or assign and transfer the Shareholder Loans and the security therefor pursuant to clause 5.1 hereof.

(b) Immediately prior to Completion there shall be no loans or amounts payable by Banff to any shareholder of Banff other than the Shareholders Loans due to NLS and no person has any ownership interest in the Shareholder Loans other than NLS.

**APPENDIX A
INDICATED BALANCE SHEET**

KASESE COBALT COMPANY LIMITED INDICATED BALANCE SHEET

GROUP ACCOUNT	KCCL @30/06/2002	AGREED ADJUSTMENTS	INDICATED BALANCE SHEET	ADJUSTMENT COMMENTS
ASSETS:				
CURRENT ASSETS				
Cash	2,111,335	(500,000)	1,611,335	500k returned to Newmont in July, wrongly sent to Kasese in June for contractor settlement payment.
Inventory	3,886,953		3,886,953	
Accounts Receivable			-	
VAT Receivable - Uganda	793,142		793,142	
Other	675,381	-	675,381	
Prepaid Expenses	578,885		578,885	
	8,045,696	(500,000)	7,545,696	
LONG TERM ASSETS:				
Due from related parties	1,224,000		1,224,000	
Fixed Assets	350,000		350,000	
Other Assets			-	
	1,574,000	-	1,574,000	
TOTAL ASSETS:	9,619,696	(500,000)	9,119,696	
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts Payable & Accruals				
Trade Payables & Accruals - Plant Construction	341,589	-	341,589	Payables relate to construction works litigation.
Less indemnity from Newmont		(341,589)	(341,589)	Offset by Newmont indemnity.
Trade Payables & Accruals - Construction	160,992	-	160,992	Payables relate to non-construction works.
Trade Payables & Accruals - Uganda				
Accruals - UEB Consumption	562,183	(562,183)	-	Assume UEB paid out prior to settlement
Accruals - General				
Royalties (Limestone & Cobalt)	1,110,104	(1,110,104)	-	Assume Royalty paid out prior to settlement.
Other	372,452		372,452	
Other	1,523,616	(610,048)	913,568	Reversal of Newmont charge backs.
Retention Control Account	7,830		7,830	
TOTAL	4,078,766	(2,623,924)	1,454,842	
Loans Payable - EIB	408,000	-	408,000	
Less Indemnity from Newmont		(408,000)	(408,000)	Offset by Newmont indemnity
Loans Payable - Other	11,268,832	(11,268,832)	-	Senior debt paid out.
Accruals Finance	712,880	(712,880)	-	Senior debt paid out.
Due to KML				
Due to Related Party	17,705,362	(17,705,362)	-	Move to long term for ease of showing \$6.1m WC
	34,173,840	(32,718,998)	1,454,842	
NET WORKING CAPITAL	(26,128,144)	(32,218,998)	6,090,854	
NON CURRENT LIABILITIES:				
Provision for Rehabilitation	409,336		409,336	
Due to related company	85,273,258	54,012,270	139,285,528	
Long Term Debt	22,542,861	(22,542,861)	-	Senior debt paid out
	108,225,455	31,469,409	139,694,864	
EQUITY:				
Share Capital	44,000,040		44,000,040	
Contributed Surplus				

GROUP ACCOUNT	KCCL @30/06/2002	AGREED ADJUSTMENTS	INDICATED BALANCE SHEET	ADJUSTMENT COMMENTS
----- Current Years - Profit/(Loss)	(15,269,244)	749,589	(14,519,655)	Newmont indemnities (341,589+408,000)
Deficit	(161,510,395)	-----	(161,510,395)	
	(132,779,599)	749,589	(132,030,010)	
	-----	-----	-----	
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	9,619,696	(500,000)	9,119,696	
	-----	-----	-----	

APPENDIX B

ROYALTY AGREEMENT

DATED: AUGUST 7, 2002

MFC BANCORP LTD

and

NEWMONT AUSTRALIA LIMITED
ABN 80 009 295 765

and

NEWMONT LASOURCE S.A.S

ROYALTY DEED

(KELLY & CO. LAWYERS LOGO)

THIS DEED is made on August 7, 2002

BETWEEN:

MFC BANCORP LTD a company organized under the laws of the Yukon Territory, Canada of Millennium Tower, Handelskai 92-94, CHA-1200 Vienna, Austria ("MFCB")

NEWMONT AUSTRALIA LIMITED (ABN 80 009 295 765) of 100 Hutt Street Adelaide SA 5000 ("NEWMONT")

AND:

NEWMONT LASOURCE S.A.S incorporated in accordance with the laws of France 42 Avenue de Le Grande Armee, 75017, Paris, France ("NLS")

RECITALS:

In accordance with the terms and conditions of the Share Sale Agreement MFCB has agreed to pay the Royalty and Interest to NLS on the terms of the Royalty Agreement (as defined therein). This Deed sets out the terms and conditions in respect thereto.

TERMS OF DEED:

1. DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Deed, unless the context otherwise requires:

AFFILIATE with respect to any person means any other person directly or indirectly controlling, controlled by or under common control with that person. The term "control" as used in the preceding sentence means, with respect to a corporation, the right to exercise, directly or indirectly, 50% or more of the voting rights attributable to the shares of the controlled corporation and, with respect to any person other than a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person;

BANFF means Banff Resources Ltd.;

CAPITALIZED MAINTENANCE EXPENSES means all capital costs and expenses actually expended from Completion on or for operations, plant, equipment and maintenance at or directly related to the Kasese Cobalt Mine that are properly categorized as capital as determined by KCCL in accordance with GAAP;

CASH COSTS means costs incurred in the mining, processing, transportation, storage and sale of minerals produced and/or processed at or from the Mining Operations comprised of:

(i) operating costs and expenses of the Mining Operations; and

- (ii) interest and other fees and expenses on loans and other financial facilities directly and solely related to financing the Mining Operations other than on the loans and other financial facilities comprising the Shareholder Loans and the Senior Debt; and
- (iii) marketing expenses directly related thereto; and
- (iv) administrative expenses directly related thereto; and
- (v) taxes, dues, duties, excises, tariffs and other levies imposed by the Government of Uganda in respect of the production, transport or export of the minerals from the Mining Operations; and
- (vi) taxes, dues, duties, tariffs and other levies imposed in the country of the port of discharge on the import of the minerals to the extent only to which the same have been paid by KCCL; and
- (vii) Capitalized Maintenance Expenses (to the extent that they are not already counted in one of the other paragraphs of this subclause); and
- (viii) all transport, freight charges, insurance, port and handling charges; and
- (ix) weighing, sampling, assaying, inspection, surveying, representation and selling agency costs and charges and storage costs and commissions associated with the sale of cobalt or other minerals and incurred after such cobalt or other minerals have left the production facilities at the Mining Operations; and
- (x) Transition Fees means such fees pursuant to the terms of clause 10.1 of the Share Sale Agreement.

COMPLETION means completion of the transactions contemplated by the Share Sale Agreement;

DEED means this Deed;

DISPOSE means in respect of an ownership interest in the Mining Operations, to sell, assign, transfer, surrender or otherwise dispose (other than through an Encumbrance) of any interest in the Mining Operations with the result that the Percentage Interest of MFCB and its Affiliates is or will be reduced;

ENCUMBRANCE includes any and all encumbrances including options, mortgages, pledges, charges, debentures, liens, assignments, hypothecations, security interests, title retentions, preferential rights, court orders, trust arrangements and any other legal or equitable interests or claims;

EFFECTIVE DATE means 1 July 2002;

FREE CASH FLOW has the meaning set out in clause 2.2(b);

FISCAL YEAR means the period commencing on the Effective Date and ending on the next following 31 December and each period of 12 consecutive months thereafter;

-3- ROYALTY DEED

GAAP means generally accepted accounting principles of the United States of America consistently applied;

INTEREST means the interest payable in accordance with clause 3.1 hereof;

INTEREST THRESHOLD means in any Fiscal Year of KCCL, a positive gross profit margin of KCCL (calculated according to GAAP) for such year equal to or greater than 20%;

KCCL means Kasese Cobalt Company Limited, a company incorporated under the laws of Uganda;

KASESE COBALT MINE means the cobalt processing plant located at Kasese, Uganda owned and operated by KCCL for processing tailings from the former Kilembe mine;

KILEMBE TAILINGS PROJECT means the tailings project owned directly or indirectly by Kilembe Mines Limited and in which Banff purports to have an option to acquire a 65% interest;

MINING OPERATIONS means the Kasese Cobalt Mine and/or Kilembe Tailings Project;

PARTY means a party to this Deed;

PERCENTAGE INTEREST means the total percentage ownership interest of MFCB and its Affiliates in the Mining Operations (whether held directly or indirectly or alone or jointly with any other person);

PRESCRIBED RATE means LIBOR plus 2 percentage points;

ROYALTY means the royalty to be paid to Newmont and NLS pursuant to the terms and conditions set forth in this Deed;

ROYALTY PERIOD means each of:

(a) the period commencing upon the Effective Date and ending on 30 September, 2002; and

(b) every subsequent calendar quarter ending upon 31 December 31 March, 30 June and 30 September

ROYALTY STATEMENT means a statement prepared by MFCB in accordance with GAAP, setting out in reasonable detail all information and data necessary for the calculation of the Royalty payable in respect of a particular Royalty Period.

SENIOR DEBT means any and all amounts, which as at Completion were due and owing by KCCL to the Senior Lenders including, without limitation, fees and expenses, which as at 30 June 2002 was comprised of those amounts set out in Appendix A;

SENIOR LENDERS means International Finance Corporation, The Standard Bank of South Africa Limited acting through its Standard Corporate and Merchant Bank division, Societe De Promotion Et De Participation pour la Cooperation Economique ("Proparco") SA and European Investment Bank and Royal Bank of Scotland;

SHAREHOLDER LOANS means any and all amounts due, owing or accruing from KCCL or their Affiliates to Newmont, NLS or their Affiliates as at Completion, which such amounts totalled \$114,409,287 as at 30 June 2002, and were comprised of those amounts set out in Appendix A hereto; and

SHARE SALE AGREEMENT means the agreement inter alia for the sale of 55,210,984 shares in Banff entered into by NLS, MFCB and Newmont executed at or about the time of this Deed,

1.2 INTERPRETATION

In this Deed, unless the context otherwise requires:

- (a) a reference to any document, agreement or deed is a reference to that document, agreement or deed as varied, novated or replaced from time to time;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all other genders;
- (d) the use of the word "including" or any similar terms does not limit what else might be included;
- (e) a reference to a thing includes all or any part of it;
- (f) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (g) a reference to a person or entity includes a natural person, a partnership, corporation, trust, association, unincorporated body, authority or other entity;
- (h) a term which purports to bind or benefit two or more persons binds or benefits them jointly and severally;
- (i) a reference to a party includes that party's legal personal representatives, successors and permitted assigns;
- (j) headings are inserted in this Deed for convenience only and are not intended to affect the interpretation of this Deed;
- (k) a reference to a statute, ordinance, code or other law includes regulations and other instruments issued under it and consolidations, amendments, re-enactments or replacements of any of them;
- (l) a reference to a clause, schedule, appendix or annexure is, except where otherwise indicated, a reference to a clause of, or schedule, appendix or annexure to this Deed;
- (m) a reference to time is to local time in Vancouver, Canada;
- (n) capitalized terms not defined herein shall have the meaning ascribed thereto in the Share Sale Agreement; and

(o) all monies payable by MFCB to Newmont and NLS under this document shall be payable in US dollars.

1.3 CAPACITY

(a) MFCB warrants and represents to Newmont and NLS that, as at the date of this document, MFCB has obtained all consents and approvals necessary to enter into this Deed.

(b) MFCB shall be responsible and liable for the actions and omissions of each of its Affiliates in relation to this Deed. MFCB enters into this Deed both in its own right and as agent of and trustee for all of its Affiliates.

2. ROYALTY

2.1 GRANT OF ROYALTY

For the consideration set out in the Share Sale Agreement and subject to clause 1.4, MFCB agrees, subject to the terms and conditions in this Deed, to pay the Royalty to NLS provided that nothing herein shall obligate or be deemed to obligate MFCB or any of its Affiliates (including after Completion Banff and/or KCCL) to conduct or maintain any level of operation at the Mining Operations.

2.2 CALCULATION OF ROYALTY

(a) The Royalty to be paid by MFCB shall be an amount equal to 10% of the Free Cash Flow up to an aggregate maximum of US\$10,000,000 (the "Royalty Cap"), payable in accordance with clause 2.3. For greater certainty, if for any Royalty Period, there is no Free Cash Flow or the same is a negative amount, no Royalty shall be paid or payable by MFCB hereunder for such period.

(b) For the purposes of calculating the amount of the Royalty, "FREE CASH FLOW" means the actual proceeds of sale from all cobalt and other minerals produced from the Mining Operations received by KCCL or Banff during each Royalty Period less the Cash Costs incurred during that Royalty Period. For the purposes of this definition, in the case of any disposal of cobalt or other minerals by KCCL which is not at a sale on arms length commercial terms, KCCL will be taken to have received at the time at which that disposal took place proceeds of sale equal to the proceeds of sale which it would be reasonable to expect that KCCL would have received had that disposal been a sale at arms length commercial terms.

3. PAYMENT OF INTEREST

3.1 CALCULATION OF INTEREST

In addition to the payment of the Royalty, MFCB agrees, subject to clause 1.4, to pay to NLS, in any Fiscal Year during which the Interest Threshold is met, Interest at the rate of 5% per annum (based upon a 365 day year) compounding semi-annually on so much of the amount of the Royalty Cap outstanding from time to time during such Fiscal Year. For greater clarity, if the Interest Threshold is not met, no Interest shall accrue or be paid or payable in respect of such Fiscal Year

3.2 PAYMENT OF INTEREST

Interest shall be calculated and paid in clear funds and without deduction of any kind within 30 days after the end of each Fiscal Year.

4. PAYMENT OF ROYALTY

4.1 DUE DATE FOR PAYMENT

MFCB must pay the Royalty due to NLS for a particular Royalty Period within 14 days after the end of that Royalty Period in clear funds and without deduction of any kind.

4.2 ROYALTY STATEMENT

MFCB must submit a Royalty Statement to NLS at the same time as payment of the Royalty for each Royalty Period and, in any event, within 14 days after the end of the relevant Royalty Period.

4.3 FAILURE TO PAY ROYALTY

If MFCB fails to pay a Royalty payment due to NLS by the date on which such payment is due and payable then, without prejudice to any other rights of NLS, MFCB shall pay to NLS (as the case may be) immediately upon receipt of written demand:

(a) interest at the Prescribed Rate on the unpaid Royalty payment calculated daily from such due date until such Royalty payment has been made in full; and

(b) all reasonable out of pocket costs and expenses (including reasonable legal costs and disbursements) attributable to MFCB's failure to pay the Royalty by its due date for payment.

5. ACCOUNTS AND AUDIT

5.1 RECORDS

MFCB must use all reasonable commercial efforts to cause KCCL to keep and maintain or ensure that there are kept and maintained accurate books of account, records, reports, invoices, statements, and other documents as are reasonably necessary to verify and substantiate the amount of the Royalty payable for each Royalty Period and the payment of Interest.

5.2 ACCESS TO RECORDS

MFCB shall exercise its rights as a direct or indirect shareholder of KCCL and cause its nominees on the board of KCCL to vote to procure that one of Newmont or NLS and its representatives (including its auditors) have full access during regular business hours upon reasonable prior notice (but no more than twice in any 12 month period) to all of the books of account, records, reports, invoices, statements and other documents kept and maintained in accordance with Clause 5.1.

5.3 AUDIT

NLS (but only once in any 12 month period) shall have the right at their own expense upon 30 days written notice to MFCB to audit at its own cost the calculation of the Royalty as referred to in each Royalty Statement. If an audit is undertaken and reveals any underpayment of the Royalty for any Royalty Period, then MFCB must pay the amount of the Royalty outstanding and interest on the amount outstanding at the Prescribed Rate upon written demand by NLS. If the amount of the Royalty outstanding is at least \$100,000 in aggregate over four consecutive Royalty Periods then MFCB must also pay the reasonable out-of-pocket costs and expenses of NLS's audit. In the event that the audit determines the Royalty was correctly calculated, NLS shall pay to MFCB the reasonable out-of-pocket costs and expenses incurred by MFCB and KCCL in respect thereto.

5.4 DISPUTES

If there is a dispute as to the amount of the Royalty due which cannot be resolved by the Parties within 20 days after delivery of written notice of such dispute, then each of the Parties shall prepare and submit a written statement setting forth the specific matters in dispute to the Vancouver, British Columbia office of PriceWaterhouse Coopers (the "CA Firm") along with any information, supporting documentation and other materials in respect of each Party's determination of such calculation and the specific matters in dispute, which firm shall render its opinion as to such matters in accordance with the terms of this Deed. Based on that opinion, the CA Firm shall then send to the Parties a written determination of the matters in dispute and a written determination of the Royalty due (the "Royalty Calculation") based upon such opinion, whereupon the Royalty Calculation shall be final and binding upon the Parties. If the CA Firm determines that the Royalty due for the relevant Royalty Period was underpaid by MFCB, then MFCB shall pay any costs incurred by the CA Firm and forthwith pay to NLS the amount of the underpayment. If the CA Firm determines that the Royalty due for the relevant Royalty Period was paid accurately or overpaid by MFCB, then Newmont or NLS shall pay any costs incurred by the CA Firm. In the event of any overpayment, the requisite adjustment between the Parties shall be made during the next Royalty Period to the Royalty payable in respect thereof and, in the event MFCB is unable to fully recover such overpayment during such Royalty Period, during the next succeeding Royalty Periods until such overpayment is fully recovered.

6. ASSIGNMENT BY MFCB

6.1 RESTRICTION ON DISPOSAL OF INTEREST IN MINING OPERATIONS

MFCB covenants and agrees that it will not Dispose and will procure each of its Affiliates to not Dispose of any interest in the Mining Operations except: (i) to an Affiliate of MFCB; or (ii) with the prior written consent of Newmont and NLS, which consent Newmont and NLS

-8- ROYALTY DEED

agree will not be unreasonably withheld or refused in the case of a Disposal of an interest in a Mining Operations to another person ("ASSIGNEE"), where the Assignee would be reasonably expected to be able to meet the obligations of MFCB under this Deed in respect of the Mining Operations.

6.2 ROYALTY DEED

A Disposal by MFCB or any Affiliate of any interest in a Mining Operations will not be effective unless the Assignee or relevant Affiliate respectively enters into a royalty deed with Newmont and NLS in identical terms, mutatis mutandis, to this Deed in respect of the interest in the Mining Operations concerned or the Mining Operations which is Disposed of to the Assignee.

6.3 RELEASE

Upon the due execution by MFCB and the Assignee or relevant Affiliate, and the delivery to Newmont and NLS of the duly executed royalty deed referred to in clause 6.2, MFCB shall be released and discharged from all obligations arising out of this Deed attributable to the interest in the Mining Operations so Disposed of or attributable to the Affiliate concerned and arising after the execution and delivery of that royalty deed. Unless and until the release in this clause becomes effective MFCB shall continue to be liable to pay the Royalty pursuant to the terms hereof as if the relevant Disposal had not occurred and this Deed shall be read and construed accordingly.

6.4 RESTRICTION ON ASSIGNING OTHER INTERESTS IN THIS DEED

Except as provided in Clause 6, MFCB must not assign, transfer or otherwise dispose of its rights or obligations under this Deed.

7. ASSIGNMENT BY NEWMONT OR NLS

Newmont or NLS may assign their rights and obligations under this Deed by giving 14 days prior written notice to MFCB.

8. CONFIDENTIALITY

The Parties agree that the contents of this Deed and documents and information disclosed pursuant to this Deed shall be kept confidential and shall not be disclosed by the Parties otherwise than to each other or with the consent of all Parties in an agreed format or:

- (a) to its shareholders, staff (including contract staff), professional advisers and financiers upon those persons undertaking to keep confidential any information so disclosed;
- (b) to comply with any applicable law or the requirement of any regulatory body (including any relevant stock exchange or NASDAQ);
- (c) for inclusion in any document inviting capital to be invested in that disclosing Party or a related body corporate;
- (d) to the financial institutions to which the disclosing Party or any of its Affiliates owe

continuing disclosure obligations as at the date of execution of this Deed;

(e) to a financial institution in connection with any loan sought to be arranged by the disclosing Party or any of its Affiliates;

(f) to a prospective purchaser of or subscriber for shares in the disclosing party or an Affiliate; and

(g) to a potential assignee of the disclosing Party or an Affiliate of the disclosing Party,

provided that any disclosures pursuant to paragraphs (f) or (g) above shall only be made subject to the person to whom the disclosure is made covenanting and agreeing with the disclosing party in a form enforceable by the disclosing Party and the other Parties that the relevant information shall not be disclosed to any other person for any purposes whatsoever.

9. NO INTEREST IN MINING OPERATIONS

This Deed does not confer upon Newmont or NLS, and Newmont and NLS will not claim, any legal or equitable interest in any Mining Operations.

10. WAIVER

10.1 EFFECTIVENESS

No waiver by any Party or any provision of this Deed is effective unless it is in writing executed by that Party and any waiver is effective only in the specific instance and for the specific purpose for which it was given.

10.2 FAILURE OR DELAY

No failure or delay by any Party to exercise any right, power or remedy under this Deed or to insist on strict compliance by the other Party with any obligation under this Deed, and no custom or practice of the Parties at variance with the terms of this Deed, constitutes a waiver of any Party's right to demand exact compliance with this Deed.

11. NOTICE

The provisions of Appendix A apply to notices given under this document.

12. FURTHER ASSURANCES

Each party must do, sign, execute and deliver and must procure that each of its employees and agents does, signs, executes and delivers all deeds, documents, instruments and acts reasonably required of it or them by notice from another party effectively to carry out and give full effect to this Deed and the rights and obligations of the parties under it, both before and after Completion.

13. RELATIONSHIP

This Deed does not create any partnership, joint venture or agency relationship between the Parties. The Parties shall be treated as independent contractors.

14. COSTS

Each Party shall each bear its own costs and expenses in relation to the preparation and execution of this Deed.

15. TERMINATION

This Deed shall automatically terminate, and the grant of the Royalty and other obligations hereunder shall be cancelled upon the earlier of: (i) the date which is seven calendar months after payment by MFCB of Royalties in the aggregate amount of the Royalty Cap; (ii) the date of the permanent closure of the Kasese Cobalt Mine and (iii) December 31, 2025. Upon termination of this Deed, MFCB shall have no further obligations or liabilities under this Deed.

16. SEVERANCE

If any provision of this Deed is prohibited, invalid or unenforceable in any jurisdiction, that provision will, as to that jurisdiction be ineffective to the extent of the prohibition, invalidity or unenforceability without invalidating the remaining provisions of this Deed or affecting the validity or enforceability of that provision in any other jurisdiction.

17. AMENDMENT

This Deed may only be amended in writing signed by all the Parties and may not be amended in any other manner.

18. COUNTERPARTS

This Deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one document and this Deed will come into effect on the last exchange of either original or facsimile counterparts.

19. ENTIRE AGREEMENT

While certain other agreements (including the Share Sale Agreement) contain provisions that relate to this Deed, this Deed contains the entire agreement of the Parties in relation to the Royalty. The terms of this Deed shall prevail over the provisions of any other agreement to the extent of any inconsistency in relation to the Royalty.

20. GOVERNING LAW

This Deed shall be governed exclusively by the laws of the Province of British Columbia, and the federal laws of Canada applicable therein without giving effect to any choice or conflict of law provision or rule (whether of the Province of British Columbia or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the laws of the Province of British Columbia, and the federal laws of Canada applicable therein, and the parties irrevocably submit to the non-exclusive jurisdiction of the Supreme Court of British Columbia, situate in Vancouver.

EXECUTED as a deed.

EXECUTED for and on behalf of MFC)
BANCORP LIMITED by:)
)

Signature

Print Name

Director/Secretary

EXECUTED for and on behalf of)
NEWMONT AUSTRALIA LIMITED)
by:)

Signature

Print Name

Director/Secretary

OR

Signed by Charles Main as Attorney for) NEWMONT AUSTRALIA LIMITED by its
NEWMONT AUSTRALIA LIMITED who) Attorney
certifies that he has not had notice of
revocation of his appointment as Attorney in
the presence of

Power of Attorney

Witness

Full Name of Witness

EXECUTED for and on behalf of)
NEWMONT LASOURCE S.A.S. by:)
)

Signature

Print Name

Director/Secretary

OR

Signed by Charles Main as Attorney for)
NEWMONT LASOURCE S.A.S. who)
certifies that he has not had notice of
revocation of his appointment as Attorney
in the presence of

NEWMONT LASOURCE S.A.S. by its
Attorney

Power of Attorney

Witness

Full Name of Witness

APPENDIX A

NOTICES

1. DELIVERY

A Notice must be in writing and delivered on a Business Day, sent by prepaid mail (airmail if overseas) or by facsimile to the address or facsimile number of the recipient party set out in paragraph 3 or to such other address or facsimile number as that party may from time to time notify the other parties for the purposes of this schedule.

2. RECEIPT

A Notice given in accordance with paragraph 1 will be treated as having been received:

(a) if it is delivered before 5.00pm on a Business Day, at the time of delivery otherwise at 9.00 am on the next following Business Day;

(b) on the third Business Day (or seventh Business Day if sent overseas) after posting; and

(c) if sent by facsimile, upon production of a correct and complete transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient notified for the purposes of this paragraph (but if the communication is not completed by 5.00pm on a Business Day, at 9.00 am on the next following Business Day).

3. ADDRESSES FOR NOTICES

For the purposes of this schedule, the address and facsimile details of each party are as follows:

NEWMONT

Attention:	Company Secretary
Address:	100 Hut Street Adelaide South Australia 5000
Facsimile:	+618 8303 1900
NLS	
Attention:	Managing Director
Address:	42 Avenue de Le Grande Armee, 75017, Paris, France
Facsimile:	+331 56 68 06 66
MFCB	
Attention:	President:
Address:	c/o 1000 Cathedral Place, 925 West Georgia Street, Vancouver, B.C. V6C 3L2
Facsimile:	+604-669-8803

APPENDIX A

SENIOR DEBT AND SHAREHOLDER LOANS

**SUMMARY OF KASESE SENIOR DEBT AND SHAREHOLDER LOANS
AS AT 30 JUNE 2002**

BORROWED BY -----	BORROWED FROM -----	CURRENCY -----	AMOUNT -----
SENIOR DEBT - GUARANTEED -----			
KCCL	IFC	US\$	8,000,000
KCCL	Proparco	US\$	8,400,000
KCCL	EIB	US\$	6,502,600
KCCL	SCMB	US\$	10,909,091
Interest & Finance Charges		US\$	712,880
		-----	-----
Total		US\$	34,524,571
		-----	-----
SENIOR DEBT - OTHER -----			
KCCL	EIB	Euros	480,000
		-----	-----
SHAREHOLDER LOANS -----			
KCCL	Newmont LaSource	US\$	102,978,620
		-----	-----
Total Shareholder Loans		US\$	102,978,620
		-----	-----

**SUMMARY OF BANFF SHAREHOLDER LOANS
AS AT 30 JUNE 2002**

BORROWED BY -----	BORROWED FROM -----	CURRENCY -----	AMOUNT -----
Banff	Newmont LaSource	US\$	11,430,667
		---	-----
Total Shareholder Loans		US\$	11,430,667
		---	-----

THIS SHARE SALE AGREEMENT

EXECUTED AS AN AGREEMENT

Signed by CHARLES MAIN as Attorney for
NEWMONT AUSTRALIA LIMITED who
certifies that he has not had notice of
revocation of his appointment as Attorney in
the presence of

/s/ Joseph P. Giuffre

Witness

Joseph P. Giuffre

Full Name of Witness

NEWMONT AUSTRALIA LIMITED by its
Attorney

/s/ Charles B. Main

Power of Attorney

Signed by CHARLES MAIN as Attorney for
NEWMONT LA SOURCE SAS who certifies
that he has not had notice of revocation of
his appointment as Attorney in the presence
of

/s/ Joseph P. Giuffre

Witness

Joseph P. Giuffre

Full Name of Witness

NEWMONT LA SOURCE SAS by its
Attorney

/s/ Charles B. Main

Power of Attorney

Executed for and on behalf of MFC
Bancorp Ltd. by:

/s/ James M. Carter
----- Signature -----

James M. Carter
----- Print Name -----

Vice-President
----- Director or Secretary -----

EXHIBIT 4.28

DATED: AUGUST 7, 2002

MFC BANCORP LTD

and

**NEWMONT AUSTRALIA LIMITED
ABN 80 009 295 765**

and

NEWMONT LASOURCE S.A.S

ROYALTY DEED

[KELLY & CO. LAWYERS LOGO]

THIS DEED is made on August 7, 2002

BETWEEN:

MFC BANCORP LTD a company organized under the laws of the Yukon Territory, Canada of Millennium Tower, Handelskai 92-94, CHA-1200 Vienna, Austria ("MFCB")

NEWMONT AUSTRALIA LIMITED (ABN 80 009 295 765) of 100 Hutt Street Adelaide SA 5000 ("NEWMONT")

AND:

NEWMONT LASOURCE S.A.S incorporated in accordance with the laws of France 42 Avenue de Le Grande Armee, 75017, Paris, France ("NLS")

RECITALS:

In accordance with the terms and conditions of the Share Sale Agreement MFCB has agreed to pay the Royalty and Interest to NLS on the terms of the Royalty Agreement (as defined therein). This Deed sets out the terms and conditions in respect thereto.

TERMS OF DEED:

1. DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Deed, unless the context otherwise requires:

AFFILIATE with respect to any person means any other person directly or indirectly controlling, controlled by or under common control with that person. The term "control" as used in the preceding sentence means, with respect to a corporation, the right to exercise, directly or indirectly, 50% or more of the voting rights attributable to the shares of the controlled corporation and, with respect to any person other than a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person;

BANFF means Banff Resources Ltd.;

CAPITALIZED MAINTENANCE EXPENSES means all capital costs and expenses actually expended from Completion on or for operations, plant, equipment and maintenance at or directly related to the Kasese Cobalt Mine that are properly categorized as capital as determined by KCCL in accordance with GAAP;

CASH COSTS means costs incurred in the mining, processing, transportation, storage and sale of minerals produced and/or processed at or from the Mining Operations comprised of:

(i) operating costs and expenses of the Mining Operations; and

(ii) interest and other fees and expenses on loans and other financial facilities directly and solely related to financing the Mining Operations other than on the loans and other financial facilities comprising the Shareholder Loans and the Senior Debt; and

(iii) marketing expenses directly related thereto; and

- (iv) administrative expenses directly related thereto; and
- (v) taxes, dues, duties, excises, tariffs and other levies imposed by the Government of Uganda in respect of the production, transport or export of the minerals from the Mining Operations; and
- (vi) taxes, dues, duties, tariffs and other levies imposed in the country of the port of discharge on the import of the minerals to the extent only to which the same have been paid by KCCL; and
- (vii) Capitalized Maintenance Expenses (to the extent that they are not already counted in one of the other paragraphs of this subclause); and
- (viii) all transport, freight charges, insurance, port and handling charges; and
- (ix) weighing, sampling, assaying, inspection, surveying, representation and selling agency costs and charges and storage costs and commissions associated with the sale of cobalt or other minerals and incurred after such cobalt or other minerals have left the production facilities at the Mining Operations; and
- (x) Transition Fees means such fees pursuant to the terms of clause 10.1 of the Share Sale Agreement.

COMPLETION means completion of the transactions contemplated by the Share Sale Agreement;

DEED means this Deed;

DISPOSE means in respect of an ownership interest in the Mining Operations, to sell, assign, transfer, surrender or otherwise dispose (other than through an Encumbrance) of any interest in the Mining Operations with the result that the Percentage Interest of MFCB and its Affiliates is or will be reduced;

ENCUMBRANCE includes any and all encumbrances including options, mortgages, pledges, charges, debentures, liens, assignments, hypothecations, security interests, title retentions, preferential rights, court orders, trust arrangements and any other legal or equitable interests or claims;

EFFECTIVE DATE means 1 July 2002;

FREE CASH FLOW has the meaning set out in clause 2.2(b);

FISCAL YEAR means the period commencing on the Effective Date and ending on the next following 31 December and each period of 12 consecutive months thereafter;

GAAP means generally accepted accounting principles of the United States of America consistently applied;

INTEREST means the interest payable in accordance with clause 3.1 hereof;

INTEREST THRESHOLD means in any Fiscal Year of KCCL, a positive gross profit margin of KCCL (calculated according to GAAP) for such year equal to or greater than 20%;

-3- ROYALTY DEED

KCCL means Kasese Cobalt Company Limited, a company incorporated under the laws of Uganda;

KASESE COBALT MINE means the cobalt processing plant located at Kasese, Uganda owned and operated by KCCL for processing tailings from the former Kilembe mine;

KILEMBE TAILINGS PROJECT means the tailings project owned directly or indirectly by Kilembe Mines Limited and in which Banff purports to have an option to acquire a 65% interest;

MINING OPERATIONS means the Kasese Cobalt Mine and/or Kilembe Tailings Project;

PARTY means a party to this Deed;

PERCENTAGE INTEREST means the total percentage ownership interest of MFCB and its Affiliates in the Mining Operations (whether held directly or indirectly or alone or jointly with any other person);

PRESCRIBED RATE means LIBOR plus 2 percentage points;

ROYALTY means the royalty to be paid to Newmont and NLS pursuant to the terms and conditions set forth in this Deed;

ROYALTY PERIOD means each of:

(a) the period commencing upon the Effective Date and ending on 30 September, 2002; and

(b) every subsequent calendar quarter ending upon 31 December 31 March, 30 June and 30 September

ROYALTY STATEMENT means a statement prepared by MFCB in accordance with GAAP, setting out in reasonable detail all information and data necessary for the calculation of the Royalty payable in respect of a particular Royalty Period.

SENIOR DEBT means any and all amounts, which as at Completion were due and owing by KCCL to the Senior Lenders including, without limitation, fees and expenses, which as at 30 June 2002 was comprised of those amounts set out in Appendix A;

SENIOR LENDERS means International Finance Corporation, The Standard Bank of South Africa Limited acting through its Standard Corporate and Merchant Bank division, Societe De Promotion Et De Participation pour la Cooperation Economique ("Proparco") SA and European Investment Bank and Royal Bank of Scotland;

SHAREHOLDER LOANS means any and all amounts due, owing or accruing from KCCL or their Affiliates to Newmont, NLS or their Affiliates as at Completion, which such amounts totalled \$114,409,287 as at 30 June 2002, and were comprised of those amounts set out in Appendix A hereto; and

SHARE SALE AGREEMENT means the agreement inter alia for the sale of 55,210,984 shares in Banff entered into by NLS, MFCB and Newmont executed at or about the time of this Deed,

1.2 INTERPRETATION

In this Deed, unless the context otherwise requires:

- (a) a reference to any document, agreement or deed is a reference to that document, agreement or deed as varied, novated or replaced from time to time;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all other genders;
- (d) the use of the word "including" or any similar terms does not limit what else might be included;
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- (h) a term which purports to bind or benefit two or more persons binds or benefits them jointly and severally;
- (i) a reference to a party includes that party's legal personal representatives, successors and permitted assigns;
- (j) headings are inserted in this Deed for convenience only and are not intended to affect the interpretation of this Deed;
- (k) a reference to a statute, ordinance, code or other law includes regulations and other instruments issued under it and consolidations, amendments, re-enactments or replacements of any of them;
- (l) a reference to a clause, schedule, appendix or annexure is, except where otherwise indicated, a reference to a clause of, or schedule, appendix or annexure to this Deed;
- (m) a reference to time is to local time in Vancouver, Canada;
- (n) capitalized terms not defined herein shall have the meaning ascribed thereto in the Share Sale Agreement; and
- (o) all monies payable by MFCB to Newmont and NLS under this document shall be payable in US dollars.

1.3 CAPACITY

(a) MFCB warrants and represents to Newmont and NLS that, as at the date of this document, MFCB has obtained all consents and approvals necessary to enter into this Deed.

(b) MFCB shall be responsible and liable for the actions and omissions of each of its Affiliates in relation to this Deed. MFCB enters into this Deed both in its own right and as agent of and trustee for all of its Affiliates.

2. ROYALTY

2.1 GRANT OF ROYALTY

For the consideration set out in the Share Sale Agreement and subject to clause 1.4, MFCB agrees, subject to the terms and conditions in this Deed, to pay the Royalty to NLS provided that nothing herein shall obligate or be deemed to obligate MFCB or any of its Affiliates (including after Completion Banff and/or KCCL) to conduct or maintain any level of operation at the Mining Operations.

2.2 CALCULATION OF ROYALTY

(a) The Royalty to be paid by MFCB shall be an amount equal to 10% of the Free Cash Flow up to an aggregate maximum of US\$10,000,000 (the "Royalty Cap"), payable in accordance with clause 2.3. For greater certainty, if for any Royalty Period, there is no Free Cash Flow or the same is a negative amount, no Royalty shall be paid or payable by MFCB hereunder for such period.

(b) For the purposes of calculating the amount of the Royalty, "FREE CASH FLOW" means the actual proceeds of sale from all cobalt and other minerals produced from the Mining Operations received by KCCL or Banff during each Royalty Period less the Cash Costs incurred during that Royalty Period. For the purposes of this definition, in the case of any disposal of cobalt or other minerals by KCCL which is not at a sale on arms length commercial terms, KCCL will be taken to have received at the time at which that disposal took place proceeds of sale equal to the proceeds of sale which it would be reasonable to expect that KCCL would have received had that disposal been a sale at arms length commercial terms.

3. PAYMENT OF INTEREST

3.1 CALCULATION OF INTEREST

In addition to the payment of the Royalty, MFCB agrees, subject to clause 1.4, to pay to NLS, in any Fiscal Year during which the Interest Threshold is met, Interest at the rate of 5% per annum (based upon a 365 day year) compounding semi-annually on so much of the amount of the Royalty Cap outstanding from time to time during such Fiscal Year. For greater clarity, if the Interest Threshold is not met, no Interest shall accrue or be paid or payable in respect of such Fiscal Year

3.2 PAYMENT OF INTEREST

Interest shall be calculated and paid in clear funds and without deduction of any kind within 30 days after the end of each Fiscal Year.

4.	PAYMENT OF ROYALTY
4.1	DUE DATE FOR PAYMENT

MFCB must pay the Royalty due to NLS for a particular Royalty Period within 14 days after the end of that Royalty Period in clear funds and without deduction of any kind.

4.2 ROYALTY STATEMENT

MFCB must submit a Royalty Statement to NLS at the same time as payment of the Royalty for each Royalty Period and, in any event, within 14 days after the end of the relevant Royalty Period.

4.3 FAILURE TO PAY ROYALTY

If MFCB fails to pay a Royalty payment due to NLS by the date on which such payment is due and payable then, without prejudice to any other rights of NLS, MFCB shall pay to NLS (as the case may be) immediately upon receipt of written demand:

(a) interest at the Prescribed Rate on the unpaid Royalty payment calculated daily from such due date until such Royalty payment has been made in full; and

(b) all reasonable out of pocket costs and expenses (including reasonable legal costs and disbursements) attributable to MFCB's failure to pay the Royalty by its due date for payment.

5. ACCOUNTS AND AUDIT

5.1 RECORDS

MFCB must use all reasonable commercial efforts to cause KCCL to keep and maintain or ensure that there are kept and maintained accurate books of account, records, reports, invoices, statements, and other documents as are reasonably necessary to verify and substantiate the amount of the Royalty payable for each Royalty Period and the payment of Interest.

5.2 ACCESS TO RECORDS

MFCB shall exercise its rights as a direct or indirect shareholder of KCCL and cause its nominees on the board of KCCL to vote to procure that one of Newmont or NLS and its representatives (including its auditors) have full access during regular business hours upon reasonable prior notice (but no more than twice in any 12 month period) to all of the books of account, records, reports, invoices, statements and other documents kept and maintained in accordance with Clause 5.1.

5.3 AUDIT

NLS (but only once in any 12 month period) shall have the right at their own expense upon 30 days written notice to MFCB to audit at its own cost the calculation of the Royalty as referred to in each Royalty Statement. If an audit is undertaken and reveals any underpayment of the Royalty for any Royalty Period, then MFCB must pay the amount of the Royalty outstanding and interest on the amount outstanding at the Prescribed Rate upon written demand by NLS. If the amount of the Royalty outstanding is at least \$100,000 in aggregate over four consecutive Royalty Periods then MFCB must also pay the

reasonable out-of-pocket costs and expenses of NLS's audit. In the event that the audit determines the Royalty was correctly calculated, NLS shall pay to MFCB the reasonable out-of-pocket costs and expenses incurred by MFCB and KCCL in respect thereto.

5.4 DISPUTES

If there is a dispute as to the amount of the Royalty due which cannot be resolved by the Parties within 20 days after delivery of written notice of such dispute, then each of the Parties shall prepare and submit a written statement setting forth the specific matters in dispute to the Vancouver, British Columbia office of PriceWaterhouse Coopers (the "CA Firm") along with any information, supporting documentation and other materials in respect of each Party's determination of such calculation and the specific matters in dispute, which firm shall render its opinion as to such matters in accordance with the terms of this Deed. Based on that opinion, the CA Firm shall then send to the Parties a written determination of the matters in dispute and a written determination of the Royalty due (the "Royalty Calculation") based upon such opinion, whereupon the Royalty Calculation shall be final and binding upon the Parties. If the CA Firm determines that the Royalty due for the relevant Royalty Period was underpaid by MFCB, then MFCB shall pay any costs incurred by the CA Firm and forthwith pay to NLS the amount of the underpayment. If the CA Firm determines that the Royalty due for the relevant Royalty Period was paid accurately or overpaid by MFCB, then Newmont or NLS shall pay any costs incurred by the CA Firm. In the event of any overpayment, the requisite adjustment between the Parties shall be made during the next Royalty Period to the Royalty payable in respect thereof and, in the event MFCB is unable to fully recover such overpayment during such Royalty Period, during the next succeeding Royalty Periods until such overpayment is fully recovered.

6. ASSIGNMENT BY MFCB

6.1 RESTRICTION ON DISPOSAL OF INTEREST IN MINING OPERATIONS

MFCB covenants and agrees that it will not Dispose and will procure each of its Affiliates to not Dispose of any interest in the Mining Operations except: (i) to an Affiliate of MFCB; or (ii) with the prior written consent of Newmont and NLS, which consent Newmont and NLS agree will not be unreasonably withheld or refused in the case of a Disposal of an interest in a Mining Operations to another person ("ASSIGNEE"), where the Assignee would be reasonably expected to be able to meet the obligations of MFCB under this Deed in respect of the Mining Operations.

6.2 ROYALTY DEED

A Disposal by MFCB or any Affiliate of any interest in a Mining Operations will not be effective unless the Assignee or relevant Affiliate respectively enters into a royalty deed with Newmont and NLS in identical terms, mutatis mutandis, to this Deed in respect of the interest in the Mining Operations concerned or the Mining Operations which is Disposed of to the Assignee.

6.3 RELEASE

Upon the due execution by MFCB and the Assignee or relevant Affiliate, and the delivery to Newmont and NLS of the duly executed royalty deed referred to in clause 6.2, MFCB shall be released and discharged from all obligations arising out of this Deed attributable to the interest in the Mining Operations so Disposed of or attributable to the Affiliate concerned and arising after the execution and delivery of that royalty deed. Unless and until the release in this clause becomes effective MFCB shall continue to be liable to pay the

Royalty pursuant to the terms hereof as if the relevant Disposal had not occurred and this Deed shall be read and construed accordingly.

6.4 RESTRICTION ON ASSIGNING OTHER INTERESTS IN THIS DEED

Except as provided in Clause 6, MFCB must not assign, transfer or otherwise dispose of its rights or obligations under this Deed.

7. ASSIGNMENT BY NEWMONT OR NLS

Newmont or NLS may assign their rights and obligations under this Deed by giving 14 days prior written notice to MFCB.

8. CONFIDENTIALITY

The Parties agree that the contents of this Deed and documents and information disclosed pursuant to this Deed shall be kept confidential and shall not be disclosed by the Parties otherwise than to each other or with the consent of all Parties in an agreed format or:

- (a) to its shareholders, staff (including contract staff), professional advisers and financiers upon those persons undertaking to keep confidential any information so disclosed;
- (b) to comply with any applicable law or the requirement of any regulatory body (including any relevant stock exchange or NASDAQ);
- (c) for inclusion in any document inviting capital to be invested in that disclosing Party or a related body corporate;
- (d) to the financial institutions to which the disclosing Party or any of its Affiliates owe continuing disclosure obligations as at the date of execution of this Deed;
- (e) to a financial institution in connection with any loan sought to be arranged by the disclosing Party or any of its Affiliates;
- (f) to a prospective purchaser of or subscriber for shares in the disclosing party or an Affiliate; and
- (g) to a potential assignee of the disclosing Party or an Affiliate of the disclosing Party,

provided that any disclosures pursuant to paragraphs (f) or (g) above shall only be made subject to the person to whom the disclosure is made covenanting and agreeing with the disclosing party in a form enforceable by the disclosing Party and the other Parties that the relevant information shall not be disclosed to any other person for any purposes whatsoever.

9. NO INTEREST IN MINING OPERATIONS

This Deed does not confer upon Newmont or NLS, and Newmont and NLS will not claim, any legal or equitable interest in any Mining Operations.

10. WAIVER

10.1 EFFECTIVENESS

No waiver by any Party or any provision of this Deed is effective unless it is in writing executed by that Party and any waiver is effective only in the specific instance and for the specific purpose for which it was given.

10.2 FAILURE OR DELAY

No failure or delay by any Party to exercise any right, power or remedy under this Deed or to insist on strict compliance by the other Party with any obligation under this Deed, and no custom or practice of the Parties at variance with the terms of this Deed, constitutes a waiver of any Party's right to demand exact compliance with this Deed.

11. NOTICE

The provisions of Appendix A apply to notices given under this document.

12. FURTHER ASSURANCES

Each party must do, sign, execute and deliver and must procure that each of its employees and agents does, signs, executes and delivers all deeds, documents, instruments and acts reasonably required of it or them by notice from another party effectively to carry out and give full effect to this Deed and the rights and obligations of the parties under it, both before and after Completion.

13. RELATIONSHIP

This Deed does not create any partnership, joint venture or agency relationship between the Parties. The Parties shall be treated as independent contractors.

14. COSTS

Each Party shall each bear its own costs and expenses in relation to the preparation and execution of this Deed.

15. TERMINATION

This Deed shall automatically terminate, and the grant of the Royalty and other obligations hereunder shall be cancelled upon the earlier of: (i) the date which is seven calendar months after payment by MFCB of Royalties in the aggregate amount of the Royalty Cap; (ii) the date of the permanent closure of the Kasese Cobalt Mine and (iii) December 31, 2025. Upon termination of this Deed, MFCB shall have no further obligations or liabilities under this Deed.

16. SEVERANCE

If any provision of this Deed is prohibited, invalid or unenforceable in any jurisdiction, that provision will, as to that jurisdiction be ineffective to the extent of the prohibition, invalidity or unenforceability without invalidating the remaining provisions of this Deed or affecting the validity or enforceability of that provision in any other jurisdiction.

17. AMENDMENT

This Deed may only be amended in writing signed by all the Parties and may not be amended in any other manner.

18. COUNTERPARTS

This Deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one document and this Deed will come into effect on the last exchange of either original or facsimile counterparts.

19. ENTIRE AGREEMENT

While certain other agreements (including the Share Sale Agreement) contain provisions that relate to this Deed, this Deed contains the entire agreement of the Parties in relation to the Royalty. The terms of this Deed shall prevail over the provisions of any other agreement to the extent of any inconsistency in relation to the Royalty.

20. GOVERNING LAW

This Deed shall be governed exclusively by the laws of the Province of British Columbia, and the federal laws of Canada applicable therein without giving effect to any choice or conflict of law provision or rule (whether of the Province of British Columbia or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the laws of the Province of British Columbia, and the federal laws of Canada applicable therein, and the parties irrevocably submit to the non-exclusive jurisdiction of the Supreme Court of British Columbia, situate in Vancouver.

EXECUTED as a deed.

EXECUTED for and on behalf)
OF MFC BANCORP LIMITED by:)
)

Signature /s/ James M. Carter

Print Name James M. Carter

Director/Secretary Vice-President

EXECUTED for and on behalf of)
NEWMONT AUSTRALIA LIMITED by:)
)

Signature

Print Name

Director/Secretary

OR

*Signed by Charles Main as Attorney) NEWMONT AUSTRALIA LIMITED by its
for NEWMONT AUSTRALIA LIMITED who) Attorney
certifies that he has not had
notice of revocation of his /s/ Charles B. Main
appointment as Attorney in the
presence of Power of Attorney*

/s/ Joseph P. Guiffre

Witness

Joseph P. Guiffre

Full Name of Witness

EXECUTED for and on behalf of)

NEWMONT LASOURCE S.A.S. by:)
)

Signature

Print Name

Director/Secretary

OR

Signed by Charles Main as Attorney) NEWMONT LASOURCE S.A.S. by its

for NEWMONT LASOURCE S.A.S. who) Attorney
certifies that he has not had
notice of revocation of his
appointment as Attorney in the
presence of

/s/ Charles B. Main

Power of Attorney

/s/ Joseph P. Guiffre

Witness

Joseph P. Guiffre

Full Name of Witness

APPENDIX A

NOTICES

1. DELIVERY

A Notice must be in writing and delivered on a Business Day, sent by prepaid mail (airmail if overseas) or by facsimile to the address or facsimile number of the recipient party set out in paragraph 3 or to such other address or facsimile number as that party may from time to time notify the other parties for the purposes of this schedule.

2. RECEIPT

A Notice given in accordance with paragraph 1 will be treated as having been received:

(a) if it is delivered before 5.00pm on a Business Day, at the time of delivery otherwise at 9.00 am on the next following Business Day;

(b) on the third Business Day (or seventh Business Day if sent overseas) after posting; and

(c) if sent by facsimile, upon production of a correct and complete transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient notified for the purposes of this paragraph (but if the communication is not completed by 5.00pm on a Business Day, at 9.00 am on the next following Business Day).

3. ADDRESSES FOR NOTICES

For the purposes of this schedule, the address and facsimile details of each party are as follows:

NEWMONT

Attention: Company Secretary

Address: 100 Hut Street Adelaide South Australia 5000

Facsimile: +618 8303 1900

NLS

Attention: Managing Director

Address: 42 Avenue de Le Grande Armee, 75017, Paris, France

Facsimile: +331 56 68 06 66

MFCB

Attention: President:

Address: c/o 1000 Cathedral Place, 925 West Georgia Street,
Vancouver, B.C. V6C 3L2

Facsimile: +604-669-8803

APPENDIX A

SENIOR DEBT AND SHAREHOLDER LOANS

**SUMMARY OF KASESE SENIOR DEBT AND SHAREHOLDER LOANS
AS AT 30 JUNE 2002**

BORROWED BY -----	BORROWED FROM -----	CURRENCY -----	AMOUNT -----
SENIOR DEBT - GUARANTEED -----			
KCCL	IFC	US\$	8,000,000
KCCL	Proparco	US\$	8,400,000
KCCL	EIB	US\$	6,502,600
KCCL	SCMB	US\$	10,909,091
Interest & Finance Charges		US\$	712,880
Total		US\$	34,524,571

SENIOR DEBT - OTHER -----			
KCCL	EIB	Euros	480,000

SHAREHOLDER LOANS -----			
KCCL	Newmont LaSource	US\$	102,978,620
Total Shareholder Loans		US\$	102,978,620

**SUMMARY OF BANFF SHAREHOLDER LOANS
AS AT 30 JUNE 2002**

BORROWED BY -----	BORROWED FROM -----	CURRENCY -----	AMOUNT -----
Banff	Newmont LaSource	US\$	11,430,667
Total Shareholder Loans		US\$	11,430,667

EXHIBIT 4.29

THIS ARRANGEMENT AGREEMENT dated the 17th day of May, 2002,

BETWEEN:

TRIMBLE RESOURCES CORPORATION, a corporation organized under the laws of Canada

(the "Corporation")

AND:

MFC BANCORP LTD., a corporation organized under the laws

of the Yukon Territory, Canada

("MFC")

WHEREAS the Corporation and MFC intend to carry out certain transactions contemplated in this Agreement by way of an arrangement between the Corporation and its shareholders under the provisions of the Canada Business Corporations Act pursuant to the terms of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the premises and the respective covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereto covenant and agree as follows:

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 DEFINITIONS

In this Arrangement Agreement, including the recitals and the schedules hereto, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the following meanings:

- (a) "ARRANGEMENT" means the arrangement pursuant to the provisions of Section 192 of the CBCA to be undertaken on the terms and conditions set forth in the Plan of Arrangement and any amendment or variation thereto made in accordance with Section 6 thereof;
- (b) "ARRANGEMENT AGREEMENT" or "AGREEMENT" means this agreement, including the schedules hereto, between the Corporation and MFC, as the same may be supplemented or amended from time to time;
- (c) "ARRANGEMENT RESOLUTION" means the special resolution approving the Arrangement and the transactions contemplated thereunder, to be approved at the Meeting by Trimble Shareholders;

- (d) "BUSINESS DAY" means any day other than a Saturday, Sunday, a federal holiday in Canada or a day on which banks are not open for business in Vancouver, British Columbia;
- (e) "CAPITAL REDUCTION" means the reduction of the capital stock, equity component of convertible debentures and deficit accounts as maintained by the Corporation;
- (f) "CAPITAL REDUCTION RESOLUTION" means the special resolution to be presented to the Trimble Shareholders at the Meeting to approve the Capital Reduction;
- (g) "CBCA" means the Canada Business Corporations Act, R.S.C. 1985, c. C-44, and the regulations made under that enactment, as amended;
- (h) "CHARTER DOCUMENTS" means the articles and by-laws or other constating documents of a corporation;
- (i) "CIRCULAR" means the management proxy circular of the Corporation to be sent to Trimble Shareholders in connection with the Meeting on or before May 28, 2002, which shall include the Valuation and Fairness Opinion and be substantially in the form as provided for in the Interim Order;
- (j) "CORPORATION" means Trimble Resources Corporation, a corporation continued pursuant to the laws of Canada;
- (k) "COURT" means the Supreme Court of British Columbia;
- (l) "DIRECTOR" means the Director appointed pursuant to section 260 of the CBCA;
- (m) "EFFECTIVE DATE" means the date on which the Final Order together with the Plan of Arrangement, and such other documents as are required to be filed under the CBCA to give effect to the Arrangement, have been accepted for filing by the Director under the CBCA giving effect to the Arrangement;
- (n) "FINAL ORDER" means the order of the Court approving the Arrangement;
- (o) "GAAP" means generally accepted accounting principles in effect in Canada, including the accounting recommendations published in the Handbook of the Canadian Institute of Chartered Accountants;
- (p) "INTERIM ORDER" means an order of the Court providing for, among other things, the calling and holding of the Meeting, as the same may be amended, supplemented or varied by the Court;
- (q) "MATERIAL ADVERSE CHANGE" or "MATERIAL ADVERSE EFFECT" means, when used in connection with the Corporation or MFC, any change (including a decision to implement a change

made by the directors or senior management of the Corporation or MFC or any of their respective subsidiaries), effect, event, occurrence or change in state of facts that is, or would reasonably be expected to be, material and adverse to the business, operations, financial condition or results, assets, rights, liabilities or prospects of the Corporation or MFC and their respective subsidiaries taken as a whole, on a consolidated basis, other than any change, effect, event, occurrence or change in state of facts arising from the Arrangement and all transactions related to the Arrangement or contemplated by the Arrangement Agreement or relating to:

(1) the economies of British Columbia, Canada or the United States or securities markets in general; (2) the oil and gas or financial services industries in general, and not specifically relating to MFC and its subsidiaries or the Corporation and its subsidiaries, respectively; or (3) GAAP;

(r) "MEETING" means the special meeting of Trimble Shareholders, and any adjournment thereof, to be held to consider and, if deemed advisable, approve the Arrangement;

(s) "MFC" means MFC Bancorp Ltd., a corporation organized under the laws of the Yukon Territory, Canada;

(t) "MFC DISCLOSURE DOCUMENTS" means MFC's annual report on Form 20-F for the year ended December 31, 2001 including MFC's audited consolidated financial statements for the year ended December 31, 2001, MFC's management information circular dated May 10, 2001;

(u) "MFC SHARES" means the outstanding common shares without par value in the capital of MFC to be issued pursuant to the Plan of Arrangement;

(v) "NASDAQ" means the National Association of Securities Dealers Automated Quotation System;

(w) "NOTICE OF DISSENT" means a notice given in respect of the dissent rights of Trimble Shareholders as contemplated in the Interim Order and as described in the Plan;

(x) "PERSON" means an individual, a body corporate (wherever incorporated), an unincorporated association, syndicate or organization, partnership, trust, trustee, executor, administrator or other legal representative;

(y) "PLAN OF ARRANGEMENT" or "PLAN" means the Plan of Arrangement attached as Schedule "A" hereto;

(z) "TERMINATION DATE" has the meaning ascribed to such term in Section 6.5 hereof;

(aa) "TRIMBLE DISCLOSURE DOCUMENTS" means the Corporation's audited consolidated financial statements for the year ended April 30, 2001 and unaudited consolidated financial statements for the nine months ended January 31, 2002;

(bb) "TRIMBLE SHAREHOLDERS" means the registered holders at the relevant time of the Trimble Shares;

(cc) "TRIMBLE SHARES" means the common shares without par value in the capital of the Corporation;

(dd) "TSX VENTURE EXCHANGE" means the TSX Venture Exchange; and

(ee) "VALUATION AND FAIRNESS OPINION" means the valuation and fairness opinion relating to the Arrangement prepared by Stephen W. Semeniuk, CFA.

1.2 CURRENCY

Except as expressly indicated otherwise, all sums of money referred to in this Agreement are expressed and shall be payable in lawful money of Canada.

1.3 INTERPRETATION NOT AFFECTED BY HEADINGS

The division of this Arrangement Agreement into articles, sections, subsections, paragraphs and sub-paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the provisions of this Arrangement Agreement. The terms "this Agreement", "hereof", "herein", "hereunder" and similar expressions refer to this Arrangement Agreement and the schedules hereto as a whole and not to any particular article, section, subsection, paragraph or sub-paragraph hereof and include any agreement or instrument supplementary or ancillary hereto.

1.4 NUMBER AND GENDER

Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa and words importing the use of either gender shall include both genders and neuter.

1.5 DATE FOR ANY ACTION

In the event that any day on which any action is required to be taken hereunder by any person is not a business day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a business day in such place.

1.6 TIME

Time shall be of the essence in each matter or thing herein provided. Unless otherwise indicated, all times expressed herein are local time, Vancouver, British Columbia.

1.7 SCHEDULES

The following is the Schedule to this Agreement, which forms an integral part hereof:

Schedule "A" -- Plan of Arrangement.

ARTICLE 2 ARRANGEMENT

2.1 ARRANGEMENT

Subject to the terms and conditions of this Agreement:

- (a) As soon as reasonably practicable after the execution of this Agreement, and in any event, before May 28, 2002, the Corporation shall: (i) prepare jointly with MFC an application to the Court pursuant to Section 192 of the CBCA for an Interim Order on terms acceptable to both the Corporation and MFC, each acting reasonably, providing for, among other things, the calling and holding of the Meeting; and (ii) apply to the Court pursuant to Section 192 of the CBCA for the Interim Order;
- (b) The Corporation shall call and hold the Meeting as soon as practicable after obtaining the Interim Order and, in any event, by no later than June 28, 2002;
- (c) In connection with the Meeting, the Corporation shall: (i) in consultation with MFC, prepare the Circular and such other documents as may be necessary or desirable to permit the Trimble Shareholders to vote on whether to approve the Arrangement Resolution; (ii) jointly prepare with MFC such other documents as may be necessary or desirable to give effect to the Arrangement; and (iii) cause the Circular, including the Valuation and Fairness Opinion (which shall be included in the Circular), and such other documents as may be necessary or desirable to give effect to the Arrangement to be sent to each Trimble Shareholder as soon as reasonably practicable following receipt of the Interim Order and filed as required by the Interim Order and applicable law;
- (d) If the Arrangement Resolution is approved at the Meeting as set out in the Interim Order (or any variation thereof), as soon as reasonably practicable thereafter, the Corporation shall take the necessary steps to submit the Arrangement to the Court and apply for the Final Order in such manner as the Court may direct and MFC and the Corporation may agree; and

(e) If the Final Order is obtained, as soon as reasonably practicable thereafter and subject to the fulfillment or the waiver of each of the conditions set out herein, and completion of all steps required by the Plan of Arrangement to be completed prior to the Effective Date, the Corporation shall file a certified copy of the Final Order with the Plan of Arrangement, and such other documents as are required to be filed under the CBCA, with the Director to give effect to the Arrangement pursuant to Section 192 of the CBCA.

As part of its application for the Interim Order and the Final Order, the Corporation shall, prior to the hearing in relation to the Final Order, advise the Court that MFC intends to rely on the exemption from the registration requirements of the United States Securities Act of 1933 provided by Section 3(a)(10) of that enactment based on the Court's approval of the Arrangement.

2.2 CIRCULAR

Each of the parties hereto shall, in a timely and expeditious manner, furnish to the Corporation all such information regarding itself as may be reasonably required to be included in the Circular. Each party shall ensure that the information relating to it contained in the Circular does not contain any material misrepresentation.

2.3 PUBLIC ANNOUNCEMENT

(a) Each party shall consult with the other party before issuing any news releases or otherwise making public statements with respect to this Agreement or the Arrangement and before making any filing with any governmental or regulatory agency or with any stock exchange relating to this Agreement or the Arrangement.

(b) Before releasing a news release, making any other public statement, making a public filing or making a filing with any governmental entity, stock exchange or securities quotation system with respect to this Agreement or the Arrangement, each party shall use all reasonable commercial efforts to allow the other party to review and comment on, and shall adopt the other party's reasonable comments on, the news release, other public statement or filing.

2.4 EFFECTIVE DATE OF ARRANGEMENT

Subject to the terms and conditions of this Agreement and the Plan, the Arrangement shall become effective on the Effective Date.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

The Corporation hereby represents and warrants to and in favour of MFC that:

- (a) The Corporation was duly continued and is a valid and subsisting corporation under the provisions of the CBCA. The Corporation has all requisite corporate power and authority to carry on its business as now being carried on by it and to own or lease and operate its properties and assets and is duly licensed or otherwise qualified to carry on business in each jurisdiction in which a material amount of its business is conducted or wherein the character of the properties and assets now owned by it makes such qualification necessary;
- (b) As of the date hereof, the authorized capital of the Corporation consists of 500,000,000 Trimble Shares of which, as at the date hereof, approximately 8,926,487 Trimble Shares are validly issued and outstanding as fully paid and non-assessable and 1,693,300 Trimble Shares are reserved for issuance under the Corporation's stock option plan. As of the date hereof, no options to acquire Trimble Shares are outstanding. Except as set out herein and in the Trimble Disclosure Documents, there are no other options, warrants, conversions, privileges, calls or other rights, agreements, arrangements, commitments or obligations of the Corporation to issue or sell any shares of any capital stock of the Corporation or securities or obligations of any kind convertible into or exchangeable for any shares of capital stock of the Corporation or any other person, nor are there outstanding any stock appreciation rights, phantom equity or similar rights, agreements, arrangements, or commitments based upon the book value, income or any other attribute of the Corporation;
- (c) Each of the Corporation's subsidiaries is a corporation or other business entity duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, except for such failure to be in good standing which would not, individually or in the aggregate, be materially adverse, and has all requisite corporate power and authority to carry on its business as now carried on by it and to own or lease and to operate its properties and assets and is duly licensed or otherwise qualified in each jurisdiction in which a material amount of its business is conducted or wherein the character of the properties and assets now owned by it make such qualification necessary;
- (d) The Corporation has no outstanding agreements, subscriptions, warrants, options or commitments, nor has it granted any rights or privileges capable of becoming an agreement, subscription, warrant, option or commitment,

obligating it to issue any additional securities convertible into debt securities or evidence of indebtedness whatsoever except as otherwise disclosed in the Trimble Disclosure Documents;

(e) The Corporation has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Arrangement Agreement and the agreements, documents and transactions contemplated herein are within the corporate power and authority of the Corporation and have been duly authorized by all necessary corporate action by the Corporation and this Arrangement Agreement constitutes a valid and binding obligation of the Corporation, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization or similar laws affecting the rights of creditors generally and subject to the general principles of equity;

(f) The audited consolidated financial statements of the Corporation for the financial year ended April 30, 2001 and the unaudited interim consolidated financial statements for the nine months ended January 31, 2002 present fairly the consolidated financial condition and results of operations of the Corporation for the respective periods indicated in such consolidated financial statements and have been prepared in accordance with GAAP;

(g) Since January 31, 2002, there has been no material adverse change in the business, operations, properties, assets or condition, financial or otherwise, of the Corporation, on a consolidated basis, from that shown in the unaudited interim consolidated financial statements of the Corporation for the nine month period ended January 31, 2002;

(h) The Trimble Disclosure Documents were, as of their respective dates, in compliance in all material respects with all applicable legislation and did not, when filed, contain any material misrepresentation;

(i) The Corporation is the beneficial owner of its properties and assets, with good and marketable title thereto free and clear of material encumbrances, except as otherwise disclosed in the Trimble Disclosure Documents;

(j) The Corporation does not have any liability or obligation including, without limitation, tax liabilities, whether accrued, absolute, contingent or otherwise, not reflected in the Corporation's audited consolidated financial statements for the financial year ended April 30, 2001 or the unaudited interim consolidated financial statements for the nine months ended January 31, 2002, except for liabilities and obligations incurred in the ordinary course of business since January 31, 2002, which liabilities and obligations are not materially adverse in the aggregate;

(k) Except as otherwise disclosed in the Trimble Disclosure Documents or to MFC, there are no actions, suits, proceedings, investigations or outstanding claims or demands, whether or not purportedly on behalf of the Corporation or its subsidiaries, instituted, pending, or to the knowledge of the Corporation, threatened against or affecting the Corporation or its subsidiaries at law or in equity or before or by any governmental department, commission, board, bureau, agency or institution, domestic or foreign, or before any arbitrator, nor is there any judgment, order, decree or award of any court or other governmental authority having jurisdiction, obtained, pending, or to the knowledge of the Corporation, threatened against the Corporation or its subsidiaries, which could prevent or materially hinder the consummation of the Arrangement or the other transactions contemplated by this Agreement or which could result in a material adverse change in respect of the Corporation;

(l) The business of the Corporation is being conducted in all material respects in compliance with all applicable laws, regulations and ordinances of all authorities having jurisdiction; and

(m) The execution and delivery of this Arrangement Agreement, the consummation of the transactions contemplated hereby and the fulfilment of or compliance with the terms and provisions hereof do not or will not, nor will they with the giving of notice or the lapse of time or both: (i) violate any provision of any law or provisions of the Charter Documents of the Corporation; (ii) conflict with, result in a breach of, constitute default under, or accelerate or permit the acceleration of the performance required by any material agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award to which the Corporation or any subsidiaries of the Corporation is a party or by which any of them is bound or to which the property of any of them is subject, all as of the Effective Date; or (iii) result in the cancellation, suspension or material alteration in the terms of any material licence, permit or authority held by the Corporation or any subsidiaries of the Corporation or in the creation of any lien, charge, security interest or encumbrance upon any of the material assets of the Corporation or any subsidiaries of the Corporation under such material agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award or give to any other person any material interest or rights, including rights of purchase, termination, cancellation or acceleration under any such material agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award.

3.2 REPRESENTATIONS AND WARRANTIES OF MFC

MFC hereby represents and warrants to and in favour of the Corporation that:

(a) MFC is a valid and subsisting corporation under the laws of the jurisdiction of its organization and has all the requisite corporate power and authority to carry on its business as now being carried on by it and to own or lease and operate its properties and assets and to issue MFC Shares pursuant to the terms of the Plan of Arrangement, and is duly licensed or otherwise qualified to carry on business in each jurisdiction in which a material amount of its business is conducted or wherein the character of the properties and assets now owned by it makes such qualification necessary;

(b) Other than pursuant to the terms of this Agreement or as set out in the MFC Disclosure Documents, MFC has no outstanding agreements, subscriptions, warrants, options or commitments, nor has it granted any rights or privileges capable of becoming an agreement, subscription, warrant, option or commitment obligating MFC to issue MFC Shares;

(c) As of the date hereof, the authorized share capital of MFC consists of an unlimited number of common shares of which 12,859,756 common shares are issued and outstanding and an unlimited number of class A preferred shares which may be issued in one or more series in respect of which the directors of MFC may fix the number of class A preferred shares which comprise each series and designation, and fix the rights, privileges, restrictions and conditions attached to each series. As of the date hereof, MFC has 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 none of which are issued and outstanding;

(d) As of the date hereof, 2,762,000 MFC Shares are reserved for issuance under MFC's stock option plan and, as at the date hereof, 888,000 options to acquire MFC Shares pursuant to MFC's stock option plan are outstanding;

(e) MFC has the requisite corporate power and authority to enter into this Agreement and perform its obligations hereunder. The execution, delivery and performance of this Agreement and the agreements, documents and transactions contemplated herein are within the corporate power and authority of MFC and have been duly authorized by all necessary corporate action, and this Agreement constitutes a valid and binding obligation of MFC, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization or similar laws affecting the rights of creditors generally and subject to the general principles of equity;

(f) The audited consolidated financial statements of MFC for the financial year ended December 31, 2001 present fairly the consolidated financial condition and results of operations of MFC for the period indicated in such

consolidated financial statements and have been prepared in accordance with GAAP;

(g) Since December 31, 2001, there has been no material adverse change in the business, operations, properties, assets or condition, financial or otherwise, of MFC, on a consolidated basis, from that shown in the audited consolidated financial statements of MFC for the year ended December 31, 2001;

(h) The MFC Disclosure Documents were, as of their respective dates, in compliance in all material respects with all applicable legislation and did not, when filed, contain any material misrepresentations;

(i) MFC is the beneficial owner of its properties and assets, with good and marketable title thereto free and clear of material encumbrances, except as otherwise disclosed in the MFC Disclosure Documents;

(j) The MFC Shares issued pursuant to the terms of the Plan of Arrangement shall be duly and validly issued and constitute fully paid and non-assessable shares of MFC;

(k) Except as otherwise disclosed in the MFC Disclosure Documents or to the Corporation, there are no actions, suits, proceedings, investigations or outstanding claims or demands, whether or not purportedly on behalf of MFC or its subsidiaries, instituted, pending, or to the knowledge of MFC, threatened against or affecting MFC or its subsidiaries at law or in equity or before or by any governmental department, commission, board, bureau, agency or institution, domestic or foreign, or before any arbitrator, nor is there any judgment, order, decree or award of any court or other governmental authority having jurisdiction, obtained, pending, or to the knowledge of MFC, threatened against MFC or its subsidiaries which could prevent or materially hinder the consummation of the Arrangement or the other transactions contemplated by this Agreement or which could result in a material adverse change in respect of MFC;

(l) Each of the subsidiaries of MFC that carries on a material portion of the business of MFC or which owns a material portion of the assets of MFC on a consolidated basis is duly incorporated and is a valid and subsisting corporation under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to carry on its business as now carried on by it and to own or lease and to operate its properties and assets and is duly licensed or otherwise qualified in each jurisdiction in which a material amount of its business is conducted or wherein the character of the properties and assets now owned by it makes such qualification necessary;

(m) The business of MFC and its subsidiaries is being conducted in all material respects in compliance with all applicable laws, regulations and ordinances of all authorities having jurisdiction; and

(n) The execution and delivery of this Arrangement Agreement, the consummation of the transactions contemplated hereby and the fulfillment of or compliance with the terms and provisions hereof do not or will not, nor will they with the giving of notice or the lapse of time or both: (i) violate any provision of any law or provisions of the Charter Documents of MFC; (ii) conflict with, result in a breach of, constitute default under, or accelerate or permit the acceleration of the performance required by any material agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award to which MFC or any subsidiaries of MFC is a party or by which any of them is bound or to which the property of any of them is subject, all as of the Effective Date; or (iii) result in the cancellation, suspension or material alteration in the terms of any material licence, permit or authority held by MFC or any subsidiaries of MFC or in the creation of any lien, charge, security interest or encumbrance upon any of the material assets of MFC or any subsidiaries of MFC under such material agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award or give to any other person any material interest or rights, including rights of purchase, termination, cancellation or acceleration under any such material agreement, covenant, undertaking, commitment, instrument, judgment, order, decree or award.

ARTICLE 4 COVENANTS

4.1 COVENANTS OF THE CORPORATION

The Corporation hereby covenants and agrees with MFC as follows:

(a) Prior to the Effective Date, the Corporation and its subsidiaries will carry on business in the ordinary course and will not enter into any transaction or incur any obligation or liability out of the ordinary course of business prior to the Effective Date, except as contemplated herein or otherwise approved by MFC;

(b) The Corporation will not, and will not permit any of its subsidiaries to, merge into or with or amalgamate or consolidate with or enter into any other corporate reorganization with any other person or perform any act or enter into any transaction or negotiation which interferes or is inconsistent with the completion of the transactions contemplated hereby or would render inaccurate in any material way any of the representations and warranties set forth in Section 3.1 hereof if such representations and warranties were made

at a date subsequent to such act, negotiation or transaction and all references to the date of this Agreement were deemed to be such later date, except as contemplated in this Agreement or as otherwise approved by MFC;

(c) Prior to the Effective Date, the Corporation will not split, combine or reclassify any of the outstanding Trimble Shares nor declare, set aside or pay any dividends on or make any other distributions on or in respect of the outstanding Trimble Shares, without the prior approval of MFC;

(d) Prior to the Effective Date, the Corporation will not sell, pledge, encumber, allot, reserve, set aside or issue, authorize or propose the sale, pledge, encumbrance, allotment, reservation, setting aside or issuance of, or purchase or redeem or propose the purchase or redemption of, any Trimble Shares or any shares in its capital stock or of any of its subsidiaries or any class of securities convertible or exchangeable into, or rights, warrants or options to acquire, any shares or other convertible or exchangeable securities, without the prior approval of MFC;

(e) Prior to the Effective Date, the Corporation will not, whether through its board of directors or otherwise, amend, vary or modify the Corporation's stock option plan, without the prior approval of MFC;

(f) Prior to the Effective Date, the Corporation will not sell, pledge, encumber, lease or otherwise dispose of any material assets, without the prior approval of MFC;

(g) Prior to the Effective Date, the Corporation will not guarantee the payment of any material indebtedness or incur any material indebtedness for money borrowed or issue or sell any debt securities, without the prior approval of MFC;

(h) Prior to the Effective Date, the Corporation will not, and will not permit any of its subsidiaries to, engage in any business, enterprise or activity materially different from that carried on by it at the date of this Agreement or enter into any transaction or incur any obligation if the same would have a material adverse effect on the Corporation or the Arrangement, other than in the ordinary course of business, without the prior approval of MFC;

(i) Prior to the Effective Date, the Corporation will not engage in any business, enterprise or activity materially different from that carried on by it at the date of this Arrangement Agreement or enter into any transaction or incur any obligation if the same would have a material adverse effect on the Corporation or the Arrangement, other than in the ordinary course of business, without the prior approval of MFC;

- (j) The Corporation will convene the Meeting for the approval of the Arrangement and other matters incidental to the Arrangement;
- (k) The Corporation will perform all such other acts and do such things as may be necessary or desirable in order to give effect to the Arrangement and, without limiting the generality of the foregoing, the Corporation will use its best efforts to apply for and obtain:
 - (i) the Interim Order;
 - (ii) the Final Order; and
 - (iii) such other consents, orders and approvals, including, without limitation, the approval of the TSX Venture Exchange, as counsel may advise are necessary or desirable for the implementation of the Arrangement;
- (l) The Corporation will use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 hereof to be complied with, on or before the Effective Date; and
- (m) The Circular will not contain an untrue statement of a material fact concerning the Corporation and will not omit to state a material fact concerning the Corporation that is required to be stated or that is necessary in order to render a statement contained therein not misleading in the light of the circumstances in which it was made.

4.2 COVENANTS OF MFC

MFC hereby covenants and agrees with the Corporation as follows:

- (a) MFC will not, and will not permit any of its subsidiaries to, perform any act or enter into any transaction or negotiation which interferes or is inconsistent with the completion of the transactions contemplated hereby or would render inaccurate in any material way any of the representations and warranties set forth in Section 3.2 hereof if such representations and warranties were made at a date subsequent to such act, negotiation or transaction and all references to the date of this Agreement were deemed to be such later date, except as contemplated in this Agreement or otherwise approved by the Corporation;
- (b) Prior to the Effective Date, MFC will not alter or amend its Charter Documents as the same exist at the date of this Agreement, except as contemplated in this Agreement or as otherwise approved by the Corporation;

(c) Prior to the Effective Date, MFC will not engage in any business, enterprise or activity materially different from that carried on by it at the date of this Agreement or enter into any transaction or incur any obligation if the same would have a material adverse effect on MFC or the Arrangement, other than in the ordinary course of business, without the prior approval of the Corporation;

(d) MFC will, in a timely manner, use reasonable efforts to have the MFC Shares approved for quotation on the NASDAQ National Market, if applicable;

(e) MFC will perform all such other acts and things as may be necessary or desirable in order to give effect to the Arrangement;

(f) Prior to the Effective Date, MFC will not subdivide, combine or reclassify any of the outstanding MFC Shares nor declare, set aside or pay any dividends or make any other distributions on or in respect of the outstanding MFC Shares, without the prior approval of the Corporation;

(g) MFC will use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 hereof to be complied with, on or before the Effective Date; and

(h) Subject to the possible occurrence of a material adverse change in respect of MFC occurring prior to the Effective Date, the Circular will not contain an untrue statement of a material fact concerning MFC and will not omit to state a material fact concerning MFC that is required to be stated or that is necessary in order to render a statement contained therein not misleading in the light of the circumstances in which it is made.

ARTICLE 5 CONDITIONS

5.1 MUTUAL CONDITIONS PRECEDENT

The respective obligations of the Corporation and MFC to complete the transactions contemplated by this Agreement pursuant to Section 192 of the CBCA to give effect to the Arrangement shall be subject to the satisfaction of the following conditions:

(a) At the Meeting the Capital Reduction Resolution and the Arrangement Resolution, with or without amendment, shall have been approved by the Trimble Shareholders entitled to vote thereon, in accordance with the Interim Order and in accordance with the CBCA;

- (b) The Interim Order and the Final Order shall have been obtained in form and substance satisfactory to the Corporation and MFC, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such parties, acting reasonably, on appeal or otherwise;
- (c) All consents, orders, regulations and approvals, including regulatory and judicial approvals and orders required, necessary or desirable for the completion of the transactions provided for in this Agreement and contemplated by the Arrangement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances;
- (d) The Corporation shall have received any necessary approval of the TSX Venture Exchange in respect of the Arrangement subject only to such conditions, including filing of documentation, as are acceptable to MFC and the Corporation, acting reasonably;
- (e) The MFC Shares to be issued pursuant to the Arrangement have been, if applicable, conditionally approved for quotation on the NASDAQ National Market subject only to such conditions, including the filing of documentation, as are acceptable to MFC and the Corporation, acting reasonably;
- (f) The distribution of the MFC Shares in the United States pursuant to the Arrangement is exempt from registration requirements under the United States Securities Act of 1933 and except with respect to persons deemed "affiliates" under such enactment, the MFC Shares to be distributed in the United States pursuant to the Arrangement are not subject to resale restrictions in the United States under such enactment;
- (g) The distribution of the MFC Shares in Canada pursuant to the Arrangement is exempt from registration and prospectus requirements of applicable Canadian securities legislation and except with respect to persons deemed to be "control persons" or the equivalent under applicable Canadian securities legislation the MFC Shares to be distributed in Canada pursuant to the Arrangement are not subject to any resale restrictions under applicable Canadian securities legislation;
- (h) There shall not be in force any law, ruling, order or decree that makes it illegal or restrains, or enjoins or prohibits the consummation of the transactions contemplated by this Agreement and the Arrangement;
- (i) None of the consents, orders, regulations or approvals contemplated herein shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by any of the parties hereto, acting reasonably;

(j) There shall not have occurred, developed or come into effect or existence any event, action, state, condition or financial occurrence of national or international consequence or any law, regulation, action, government regulation, inquiry or other occurrence of any nature whatsoever that has had or could reasonably be expected to have a material adverse effect in connection with any of the parties hereto;

(k) No judgment or order shall have been issued by any agency, no actions, suits or proceedings shall have been threatened or taken by any agency, and no law, regulation or policy shall have been proposed, enacted, or promulgated or applied: (i) to cease trade, enjoin, prohibit or impose material limitations or conditions on the completion of the Arrangement or the right of MFC to own or exercise full rights of ownership of the Trimble Shares; or (ii) that, if the Arrangement were completed, could reasonably be expected to have a material adverse effect on any of the parties to this Agreement; and

(l) This Agreement shall not have been terminated under Article 6.

5.2 CONDITIONS IN FAVOUR OF MFC

The obligations of MFC to complete the transactions contemplated by this Agreement pursuant to Section 192 of the CBCA to give effect to the Arrangement shall be subject to the satisfaction of the following conditions, unless otherwise waived by MFC:

(a) the representations and warranties of the Corporation contained in this Agreement are true as of the Effective Date (except to the extent that the representations and warranties speak as of an earlier date, in which event they shall be true as of such earlier date) as if made on and as of that date except for any failures or breaches of representations and warranties that have not had, or would not have, individually or in the aggregate, a material adverse effect on the Corporation or prevent or delay the completion of the Arrangement or the transactions contemplated by this Agreement to be completed on the Effective Date;

(b) the Corporation has complied with its obligations under this Agreement, except to the extent the failure to comply with those obligations has not had, or would not have, individually or in the aggregate, a material adverse effect on the Corporation or prevent or delay the completion of the Arrangement or the transactions contemplated by this Agreement to be completed on the Effective Date; and

(c) the aggregate number of Trimble Shares in respect of which Trimble Shareholders shall have exercised, and not withdrawn the exercise of, rights of dissent provided pursuant to the terms of the Plan of Arrangement and the Interim Order shall not be in excess of 892,648 Trimble Shares.

5.3 CONDITIONS IN FAVOUR OF THE CORPORATION

The obligations of the Corporation to complete the transactions contemplated by this Agreement pursuant to Section 192 of the CBCA to give effect to the Arrangement shall be subject to the satisfaction of the following conditions:

- (a) the representations and warranties of MFC contained in this Agreement are true as of the Effective Date (except to the extent that the representations and warranties speak as of an earlier date, in which event they shall be true as of such earlier date) as if made on and as of that date except for any failures or breaches of representations and warranties that have not had, or would not have, individually or in the aggregate, a material adverse effect on MFC or prevent or delay the completion of the Arrangement or the transactions contemplated by this Agreement to be completed on the Effective Date;
- (b) MFC has complied with its obligations under this Agreement, except to the extent the failure to comply with those obligations has not had, or would not have, individually or in the aggregate, a material adverse effect on MFC or prevent or delay the completion of the Arrangement or the transactions contemplated by this Agreement to be completed on the Effective Date; and
- (c) The Corporation shall have received the Valuation and Fairness Opinion in form and substance satisfactory to the Corporation.

5.4 MERGER OF CONDITIONS

The conditions set out in Sections 5.1, 5.2 and 5.3 shall be conclusively deemed to have been satisfied, waived or released on the acceptance of the Final Order for filing by the Director.

ARTICLE 6 AMENDMENT AND TERMINATION

6.1 AMENDMENT AND VARIATION

Subject to Sections 6.2 and 6.5 hereof, this Agreement may, at any time and from time to time, before and after the holding of the Meeting, but not later than the Effective Date, be amended or varied by written agreement of the Corporation and MFC, subject to applicable law, without further notice to or authorization on the part of the Trimble Shareholders. Without limiting the generality of the foregoing, any such amendment may: (i) change the time for the performance of any of the obligations or acts of the parties hereto; (ii) waive any inaccuracies or modify any representation or warranty contained herein or in any document to be delivered pursuant hereto; or

(iii) waive compliance with or modify any of the covenants contained herein or waive or modify the performance of any of the obligations of the parties hereto contained herein.

6.2 AMENDMENT OF PLAN

The Plan of Arrangement may be amended, modified or supplemented in accordance with Section 6 of the Plan of Arrangement.

6.3 RIGHTS OF TERMINATION

If any of the conditions contained in Sections 5.1, 5.2 or 5.3 shall not be fulfilled or performed on or before the Effective Date, the party hereto not responsible hereunder to fulfill or perform any such condition may terminate this Agreement by notice to the other party hereto, as the case may be, in writing, and in such event, the Corporation or MFC, as the case may be, shall be released from all obligations under this Agreement, all rights of specific performance by the parties shall terminate and the other party hereto shall also be released from all obligations hereunder.

6.4 NOTICE OF UNFULFILLED CONDITIONS

If any party hereto shall determine at any time prior to the Effective Date that it intends to refuse to consummate the Arrangement or any of the transactions contemplated thereby because of any unfulfilled or unperformed condition precedent contained in this Arrangement Agreement on the part of another party hereto to be fulfilled or performed, such party, as the case may be, shall so notify the other party forthwith upon making such determination in order that the other party shall have the right and opportunity to take such steps, at its own expense, as may be necessary for the purpose of fulfilling or performing such condition precedent within a reasonable period of time.

6.5 MUTUAL TERMINATION

This Agreement may, at any time before or after the holding of the Meeting, but no later than the Effective Date, be terminated by agreement in writing executed by the Corporation and MFC without further action on the part of the Trimble Shareholders, and if the Effective Date does not occur on or before July 5, 2002 (the "Termination Date"), each party may unilaterally terminate this Agreement without further action on the part of the Trimble Shareholders, which termination shall be effective upon notice thereof being given to the other party to this Agreement.

ARTICLE 7 INDEMNIFICATION

7.1 INDEMNIFICATION

Each of the parties hereto (the "Indemnifying Party") hereby undertakes with the other party to this Arrangement Agreement (the "Indemnified Party") to indemnify and hold harmless the Indemnified Party from and against all losses, claims, damages, liabilities, actions or

demands including, without limiting the generality of the foregoing, amounts paid in any settlement approved by the Indemnifying Party of any action, suit, proceeding or claim but excluding lost profits and consequential damages of the Indemnified Party, to which the Indemnified Party may become subject insofar as such losses, claims, damages, liabilities, actions or demands arise out of or are based upon any breach of a representation, warranty, covenant or obligation of the Indemnifying Party contained in this Agreement or any certificate or notice delivered by it in connection herewith, and will reimburse the Indemnified Party for any legal or other expenses reasonably incurred by the Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability, action or demand.

7.2 DEFENCE

Promptly after receipt by the Indemnified Party of notice of a possible action, suit, proceeding or claim referred to in Section 7.1 hereof, the Indemnified Party, if a claim in respect thereof is to be made against the Indemnifying Party under such section, shall provide the Indemnifying Party with written particulars thereof; provided that the failure to so provide the Indemnifying Party with such particulars shall not relieve such Indemnifying Party from any liability which it might have on account of the indemnity provided for in this Article 7, except insofar as such failure shall prejudice such Indemnifying Party. The Indemnified Party shall also provide the Indemnifying Party with copies of all relevant documentation, and unless the Indemnifying Party assumes the defence thereof, shall keep such Indemnifying Party advised of the progress thereof and shall keep such Indemnifying Party advised of all significant actions proposed. An Indemnifying Party shall be entitled, at its own expense, to participate in and, to the extent that it may wish, to assume the defence of any such action, suit, proceeding or claim but such defence shall be conducted by counsel of good standing approved by the Indemnified Party, such approval not to be unreasonably withheld. Upon the Indemnifying Party notifying the Indemnified Party of its election so to assume the defence and retaining such counsel, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by it in connection with such defence other than for reasonable costs of investigation. If such defence is assumed by the Indemnifying Party, it shall, throughout the course thereof, provide copies of all relevant documentation to the Indemnified Party, keep such Indemnified Party advised of the progress thereof and shall discuss with the Indemnified Party all significant actions proposed. No Indemnifying Party shall enter into any settlement without the consent of the Indemnified Party, but such consent shall not be unreasonably withheld. Notwithstanding the foregoing, the Indemnified Party shall have the right, at the Indemnifying Party's expense, to employ counsel of their own choice in respect of the defence of any such action, suit, proceeding or claim if: (i) the employment of such counsel has been authorized by the Indemnifying Party in connection with such defence; (ii) counsel retained by the Indemnifying Party or the Indemnified Party shall have advised the Indemnified Party that there may be legal defences available to it which are different from or in addition to those available to the Indemnifying Party (in which event, and to that extent, the Indemnifying Party shall not have the right to assume or direct the defence on behalf of the Indemnified Party) or that there may be a conflict of interest between the Indemnifying Party and the Indemnified Party; or (iii) the Indemnifying Party shall not have assumed such defence and employed counsel therefor within a reasonable time after receiving notice of such action, suit, proceeding or claim.

7.3 TERM

The obligations of the parties under this Article 7 shall terminate when the Arrangement is consummated, failing which they shall survive and continue with respect to all losses, claims, damages, liabilities, actions or demands, notice of which is given to the Indemnifying Party by the Indemnified Party, on or before 24 months from the date hereof in compliance with Section 7.2 hereof.

ARTICLE 8 GENERAL

8.1 FURTHER ASSURANCES

Each party hereto shall, at the request of the other party hereto, do all such further acts and execute and deliver all such further documents and instruments as the other party may reasonably require in order to fully implement the terms and intent of this Agreement and the Arrangement.

8.2 NOTICES

All notices which may or are required to be given pursuant to any provision of this Arrangement Agreement shall be given or made in writing and shall be served personally or by facsimile, in each case addressed to the attention of the President, at the administrative offices of the Corporation and MFC as follows:

To the Corporation:

Suite 1620
400 Burrard Street
Vancouver, British Columbia V6C 3A6
Attention: The President

Facsimile No. (604) 683-3205

To MFC:

Floor 21, Millenium Tower
Handelskai 94-96
A-1200
Vienna, Austria
Attention: The President

Facsimile No. (43) 124 025 310

8.3 BINDING EFFECT

This Agreement shall be binding upon and shall enure to the benefit of each of the Corporation and MFC and their respective successors and assigns.

8.4 WAIVER

Any waiver or release of any of the provisions of this Arrangement Agreement, to be effective, must be in writing and executed by the party granting such waiver or release.

8.5 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein (excluding any conflict of laws, rule or principle which might refer such construction to the laws of another jurisdiction) and shall be treated in all respects as a British Columbia contract. The parties hereto irrevocably attorn to the non-exclusive jurisdiction of the Courts of British Columbia with respect to any matter arising hereunder or related thereto.

8.6 ENTIRE AGREEMENT

This Agreement, together with the agreements and other documents herein or therein referred to, constitute the entire agreement between the parties hereto pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties hereto.

8.7 EXPENSES

Unless otherwise provided herein, all expenses incurred in connection with this Arrangement Agreement and the transactions contemplated hereby and thereby shall be paid by the party incurring such expenses.

8.8 SEVERABILITY

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, then:

- (a) That provision shall (to the extent of the invalidity, illegality or unenforceability) be given no effect and shall be deemed not to be part of this Agreement; and
- (b) The parties hereto shall use all reasonable commercial efforts to replace each invalid, illegal or unenforceable provision with a valid, legal and enforceable substitute provision, the effect of which is as close as possible to the intended effect of the invalid, illegal or unenforceable provision.

8.9 PARTIES IN INTEREST

This Agreement will be binding upon and inure solely to the benefit of each party hereto, and, other than pursuant to Article 7 hereof, nothing in this Agreement, express or implied, is intended to or will confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

8.10 COUNTERPARTS

This Agreement may be executed in counterparts and by facsimile and each counterpart shall be deemed to be an original and all of which shall be deemed to be one instrument.

IN WITNESS WHEREOF the parties hereto have executed this Arrangement Agreement, as of the day, month and year first above written.

TRIMBLE RESOURCES CORPORATION

By: "Michael J. Smith"

Authorized Signatory
Name: Michael J. Smith

Title: President

MFC BANCORP LTD.

By: "Roy Zanatta"

Authorized Signatory
Name: Roy Zanatta

Title: Secretary

SCHEDULE A
Plan of Arrangement

TRIMBLE RESOURCES CORPORATION

**PLAN OF ARRANGEMENT
UNDER SECTION 192 OF THE
CANADA BUSINESS CORPORATIONS ACT**

1. SECTION 1 - DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS. In this Plan of Arrangement, including the Schedules hereto, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the following meanings:

"ARRANGEMENT" means the arrangement to be undertaken in accordance with this Plan of Arrangement, subject to any amendment or variation made in accordance with this Plan of Arrangement;

"ARRANGEMENT AGREEMENT" means the arrangement agreement dated May 17, 2002, between MFC and Trimble;

"BUSINESS DAY" means any day other than a Saturday, Sunday, a federal holiday in Canada or a day on which banks are not open for business in Vancouver, British Columbia;

"CASH ELECTION" has the meaning set forth in Section 3.1;

"CBCA" means the Canada Business Corporations Act, R.S.C. 1985, c. C-44, and the regulations issued thereunder, as amended;

"COURT" means the Supreme Court of British Columbia;

"DISSENTING SHAREHOLDER" means a Trimble Shareholder who dissents in respect of the Arrangement in strict compliance with the dissent procedures set out in Section 4 hereof;

"EFFECTIVE DATE" means the date on which the Arrangement becomes effective in accordance with the CBCA and the Final Order;

"EFFECTIVE TIME" means the time on the Effective Date that the Arrangement becomes effective in accordance with its terms;

"ELECTION AND TRANSMITTAL FORM" has the meaning set out in Section 3.2;

"FINAL ORDER" means the order of the Court, as the same may be amended, approving the Arrangement in respect of Trimble under the CBCA;

"INTERIM ORDER" means the order of the Court, as the same may be amended, providing for, among other things, the calling and holding of the Meeting under the CBCA;

"MEETING" means the meeting of Trimble Shareholders, and any adjournment thereof, to be held to consider and, if deemed advisable, approve the Arrangement;

"MFC" means MFC Bancorp Ltd., a corporation organized under the laws of the Yukon Territory, Canada;

"MFC SHARES" means the outstanding common shares without par value in the capital of MFC to be issued pursuant to Section 2.1;

"NOTICE OF DISSENT" means a notice given in respect of the dissent rights of Trimble Shareholders as contemplated in the Interim Order and as described in Section 4 hereof;

"PERSON" means an individual, a body corporate (wherever incorporated), an unincorporated association, syndicate or organization, partnership, trust, trustee, executor, administrator or other legal representative;

"PLAN OF ARRANGEMENT" means this plan of arrangement;

"SHARE ELECTION" has the meaning set out in Section 3.1;

"TRANSFER AGENT" means CIBC Mellon Trust Company;

"TRIMBLE" means Trimble Resources Corporation, a corporation organized under the CBCA;

"TRIMBLE SHAREHOLDERS" means the registered holders at the relevant time of the Trimble Shares; and

"TRIMBLE SHARES" means the common shares without par value in the capital of Trimble.

1.2 HEADINGS AND REFERENCES. The headings in this Plan of Arrangement are for convenience of reference only and shall not affect the construction of this Plan of Arrangement. Unless otherwise specified, references to an article, section, subsection, paragraph, subparagraph or schedule by any number or letter, or both, refer to the article, section, subsection, paragraph, subparagraph or schedule bearing a designation in this Plan of Arrangement.

1.3 CURRENCY. Except as expressly indicated otherwise, all sums of money referred to in this Plan of Arrangement are expressed and shall be payable in lawful money of Canada.

1.4 GENDER AND NUMBER. This Plan of Arrangement shall be read with all changes in gender and number required by the context.

1.5 TIME AND DATE FOR ACTION. Time shall be of the essence in each matter or thing herein provided. Unless otherwise indicated, all times expressed herein are local time, Vancouver, British Columbia. In the event that the date on or by which any action is required to be taken hereunder is not a business day in the place where the action is required to be taken, such action shall be required to be taken on or by the next succeeding day which is a business day in such place.

- 1.6 GOVERNING LAW. This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein (excluding any conflict of laws, rules or principles which might refer such construction to the laws of another jurisdiction). All questions as to the interpretation, or application, of this Plan of Arrangement and all proceedings taken in connection with this Plan of Arrangement and its provisions shall be subject to the exclusive jurisdiction of the Court.
- 1.7 DEEMED. In this Plan of Arrangement, the deeming provisions are not rebuttable and are conclusive and irrevocable.
- 1.8 SUCCESSORS, ASSIGNS, ETC. On the Effective Date, this Plan of Arrangement will be implemented by the parties to the Arrangement Agreement and will be binding upon each of them and the Trimble Shareholders (and their respective heirs, executors, administrators, legal representatives, successors and assigns).
- 1.9 LEGISLATION. References in this Plan of Arrangement to any statute or sections thereof shall include any statute as amended or substituted, and any regulations promulgated thereunder, from time to time in effect.
- 1.10 SCHEDULES. The following is the Schedule to this Plan of Arrangement, which forms an integral part hereof:

Schedule 1 - Election and Transmittal Form

2. SECTION 2 - THE ARRANGEMENT

- 2.1 THE ARRANGEMENT. Commencing at the Effective Time on the Effective Date, subject to the provisions of Section 2.2 and Section 5, the following shall occur and shall be deemed to occur in the following order without any further act or formality, except as otherwise provided:
- (a) each issued and outstanding Trimble Share, not including Trimble Shares held by Dissenting Shareholders, shall be acquired by MFC and:
- (i) each Trimble Shareholder who has made the Share Election in respect of an issued and outstanding Trimble Share held by that Trimble Shareholder shall be issued by MFC in exchange for such Trimble Share 0.0139 fully paid MFC Shares or cash in respect of fractional MFC Shares as contemplated by Section 5.1(c); and
- (ii) each Trimble Shareholder who has made, or pursuant to Section 3.3 is deemed to have made, the Cash Election in respect of an issued and outstanding Trimble Share held by the Trimble Shareholder, or is deemed to have made the Cash Election in respect of an issued and outstanding Trimble Share held by the Trimble Shareholder in accordance with Section 3.3, shall receive from MFC \$0.22 in exchange for such Trimble Share;

- (b) each Trimble Shareholder who has made or is deemed to have made the Cash Election and/or the Share Election shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer its Trimble Shares in respect thereof in accordance with Sections 2.1 and 3; and
- (c) each Trimble Shareholder who has made or is deemed to have made the Cash Election and/or the Share Election shall have agreed and been deemed to agree that if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, as at the Effective Date and pursuant to the provisions of this Plan of Arrangement, then the provisions of this Plan of Arrangement take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

2.2 SHARE REGISTERS. Any person from whom Trimble Shares are acquired pursuant to the Arrangement will be removed from the Trimble register of shareholders and each Trimble Shareholder who made the Share Election will be added to the registers of allotments and members shareholders of MFC at the Effective Time in respect of the MFC Shares that it received pursuant to the Arrangement.

3. SECTION 3 - ELECTION BY TRIMBLE SHAREHOLDERS

3.1 ELECTION. Each Trimble Shareholder shall elect in respect of each Trimble Share it holds whether to receive:

- (a) 0.0139 fully paid MFC Shares or cash in respect of fractional MFC Shares as contemplated by Section 5.1(c) (a "SHARE ELECTION"); or
- (b) \$0.22 (a "CASH ELECTION").

3.2 ELECTION PROCEDURES.

- (a) Each Trimble Shareholder must, in respect of Trimble Shares it holds, deliver not later than 48 hours before the Effective Date written notice substantially in the form specified in Schedule 1 hereto (the "ELECTION AND TRANSMITTAL FORM") setting forth the number of Trimble Shares in respect of which it elects to receive either the Share Election and/or the Cash Election.
- (b) A Trimble Shareholder may, in respect of Trimble Shares it holds, make the Cash Election with respect to a portion of its Trimble Shares and the Share Election with respect to the balance of its Trimble Shares. Such Trimble Shareholder must complete a separate Election and Transmittal Form in respect of (i) the Trimble Shares in respect of which such Trimble Shareholder is making the Share Election and (ii) the Trimble Shares in respect of which such Trimble Shareholder is making the Cash Election.
- (c) To be effective, an Election and Transmittal Form must specify whether the Trimble Shareholder is electing to receive the Cash Election or the Share Election and the number of Trimble Shares with respect to which such election is made.

- (d) The Election and Transmittal Form must be accompanied by the certificates representing the Trimble Shareholder's Trimble Shares in respect of which the election specified in the Election and Transmittal Form is made.
- (e) The Election and Transmittal Form along with the certificates representing the Trimble Shareholder's Trimble Shares referred to in (d) must be deposited with the Transfer Agent by delivery or mail to:

CIBC Mellon
2001 University St.
16th Floor
Montreal, Quebec
H3A 2A6

- 3.3 FAILURE TO DELIVER OR PROPERLY COMPLETE AN ELECTION AND TRANSMITTAL FORM. A Trimble Shareholder who fails to timely deliver its Election and Transmittal Form as provided in Section 3.2 above shall be deemed to have irrevocably chosen the Cash Election in respect of all of its Trimble Shares. A Trimble Shareholder whose Election and Transmittal Form is incomplete or improperly completed shall be deemed to have irrevocably chosen the Cash Election in respect of those Trimble Shares referred to in the Election and Transmittal Form in respect of which no election is properly made.
- 3.4 FORFEITURE OF ENTITLEMENT. A Trimble Shareholder who has failed to provide an Election and Transmittal Form and the certificates representing the Trimble Shareholders' Trimble Shares within two years of the Effective Date will, subject to the requirements of the applicable law with respect to unclaimed property, forfeit all rights such Trimble Shareholder has with respect to the cash payment pursuant to the Cash Election and all such funds so forfeited will be returned to MFC.
- 3.5 DETERMINATIONS FINAL. All decisions regarding the compliance or non-compliance by a Trimble Shareholder with the election procedures set forth in this Section 3, including, without limitation, the interpretation of Election and Transmittal Forms, shall be made by MFC and all such decisions shall be final and binding on Trimble Shareholders.
- 4. SECTION 4 - TRIMBLE DISSENT RIGHTS
- 4.1 RIGHTS OF DISSENT. A Trimble Shareholder may, in respect of Trimble Shares it holds, exercise rights of dissent conferred by the Interim Order in connection with the Arrangement in the manner set out in Section 190 of the CBCA, as modified by the Interim Order. Without limiting the generality of the foregoing or Section 190(11) of the CBCA, any Trimble Shareholder who has given a Notice of Dissent shall cease to be entitled to the rights of a Dissenting Shareholder for Trimble Shares in respect of which the Notice of Dissent was given if such Trimble Shareholder completes and delivers to the Transfer Agent an Election and Transmittal Form in respect of such Trimble Shares, notwithstanding any deficiency referred to in Section 3.3 above in the manner such Election and Transmittal Form was completed.

4.2 RIGHTS OF DISSENTING SHAREHOLDERS. In the event a Trimble Shareholder gives a Notice of Dissent but is not entitled, for any reason, to be paid the fair value of the Trimble Shares in respect of which the Notice of Dissent was given pursuant to Section 190 of the CBCA and the terms of the Interim Order, such Trimble Shareholder shall be entitled to receive only the consideration contemplated by Section 2.1(a)(ii) hereof which such Trimble Shareholder would have received pursuant to the Arrangement if such Trimble Shareholder had not given a Notice of Dissent.

5. SECTION 5 - CASH AND CERTIFICATES

5.1 RIGHTS TO PAYMENT AND SHARE CERTIFICATES.

(a) On the Effective Date:

- (i) the registers of Trimble for the Trimble Shares shall be closed;
- (ii) each Trimble Shareholder, other than a Dissenting Shareholder, whose name is entered in the registers of Trimble Shareholders on the Effective Date shall cease to be a Trimble Shareholder and each Trimble Shareholder who made the Share Election shall become concurrently the holder of the MFC Shares required to be delivered to it pursuant to the provisions hereof Arrangement;
- (iii) MFC shall cause the Transfer Agent to enter the name of each Trimble Shareholder who made the Share Election, other than a Dissenting Shareholder, on the MFC share register as the holder of the MFC Shares required to be delivered to it pursuant to the provisions of the Arrangement; and
- (iv) MFC shall be entered on the Trimble register of Trimble shareholders as the holder of all of the issued and outstanding Trimble Shares.

(b) As soon as practicable following the Effective Date, but in no event later than the end of the third business day thereafter, MFC shall cause the Transfer Agent to forward, or cause to be forwarded, by mail to each Trimble Shareholder whose name has been entered on the MFC share register pursuant to Section 5.1(a)(iii) at the address specified in the register of Trimble, or to such other person, at such other address, as such Trimble Shareholder may direct, or make available for pick-up, a certificate registered in the name of that Trimble Shareholder representing the MFC Shares and a cheque representing any cash payment required to be delivered to such Trimble Shareholder pursuant to the provisions hereof.

(c) No certificates representing fractional MFC Shares shall be issued. In lieu of any such fractional securities, each person that otherwise would be entitled to a fractional interest in an MFC Share will receive a cash payment in accordance with Section 5.3 mutatis mutandis. For greater certainty all fractional MFC Shares which a Trimble Shareholder is entitled to receive shall be aggregated and

only any fraction remaining thereafter shall be the subject of a cash payment under this Section 5.1(c). No payments will be made to persons that otherwise would receive less than \$1.00.

(d) Any Dissenting Shareholder who, after the Effective Date, fails to strictly comply with the procedures set forth in Section 4 shall be deemed to have irrevocably chosen the Cash Election and shall thereupon be entitled to the cash payment to which it would have been entitled on the Effective Date if it was not a Dissenting Shareholder at that time in respect of Trimble Shares it held. The Dissenting Shareholder shall receive payment in respect of Trimble Shares pursuant to the Arrangement.

5.2 ILLEGALITY OF DELIVERY OF MFC SHARES. Notwithstanding the foregoing, if it appears to MFC, acting reasonably, that it would be contrary to applicable law to issue MFC Shares pursuant to the Arrangement to a person that is not a resident of Canada or the United States, the MFC Shares that otherwise would be issued to that person shall be issued and delivered to the Transfer Agent for sale by the Transfer Agent on behalf of that person.

5.3 SALES BY TRANSFER AGENT. All MFC Shares to be sold pursuant to Section 5.2 shall be pooled and sold as soon as practicable after the Effective Date, on such dates and at such prices as the Transfer Agent determines in its sole discretion. The Transfer Agent shall not be obligated to

seek or obtain a minimum price for any of the MFC Shares sold by it. Each person that otherwise would have received an MFC Share pursuant to this Arrangement shall receive a pro rata share of the cash proceeds from the sale of the MFC Shares sold by the Transfer Agent, less any amount withheld in respect of Canadian taxes, in lieu thereof in consideration for the Trimble Shares. No payments will be made to persons that otherwise would receive less than \$1.00. Any monies remaining as a result of the preceding sentence shall be applied to any expenses incurred in connection with sales pursuant to this Section

5.3. Neither MFC nor the Transfer Agent shall be liable for any shortfall or loss resulting from any such sales.

5.4 LOST OR DESTROYED CERTIFICATES. In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Trimble Shares that were exchanged pursuant to Section 2.1 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Transfer Agent will issue in exchange for such lost, stolen or destroyed certificate, a certificate representing the MFC Shares and/or the cash payment to which such person claims to be entitled in the Election and Transmittal Form. When requesting such delivery of such certificate representing MFC Shares and/or payment in exchange for such lost, stolen or destroyed certificate, the person to whom such certificate and/or cash is to be delivered shall as a condition precedent to the delivery of such certificate and/or cash, give a bond satisfactory to MFC and the Transfer Agent in such sum as MFC may direct, or otherwise indemnify MFC in a manner satisfactory to MFC, against any claim that may be made against MFC with respect to the certificate alleged to have been lost, stolen or destroyed.

6.1 PLAN OF ARRANGEMENT AMENDMENT.

- (a) MFC and Trimble reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time, provided that any such amendment, modification or supplement is to be contained in a written document which is filed with the Court and approved by the Court and communicated to the Trimble Shareholders in the manner required by the Court, if so required.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by MFC and Trimble at any time prior to or at the Meeting with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the Meeting, shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Meeting shall be effective only if it is consented to by MFC and Trimble.

STOCK PURCHASE AGREEMENT

among

OCCIDENTAL (EAST SHABWA), LLC ("Buyer"),

INTERCAP YEMEN, INC. ("Seller"),

and

MFC BANCORP LTD. ("Guarantor")

Dated as of July 23, 2002

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STOCK PURCHASE AGREEMENT (the "Agreement"), dated as of July 23, 2002, by and among Occidental (East Shabwa), LLC, a limited liability company organized under the laws of Nevis ("Buyer"), Intercap Yemen, Inc., a company organized under the laws of the State of Texas ("Seller"), and MFC Bancorp Ltd., a company organized under the laws of the Yukon Territory, Canada ("Guarantor").

WITNESSETH:

WHEREAS, Seller owns 500 shares (the "Company Shares") of the issued and outstanding Class A Common Stock, par value \$.001 per share, of Comeco Petroleum, Inc., a Delaware corporation (the "Company");

WHEREAS, (i) Seller desires to sell to Buyer the Company Shares, (ii) Buyer desires to purchase the Company Shares from Seller and (iii) Guarantor desires to guarantee the obligations of Seller hereunder;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to and on the terms and conditions herein set forth, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Specific Definitions. As used in this Agreement, the following terms shall have the meanings set forth or as referenced below:

"Actions" shall have the meaning set forth in Section 3.8 hereof. "Adjustment Amount" shall have the meaning set forth in Section 2.3(d) hereof.

"Affiliate," with respect to any Person, means any other Person directly or indirectly controlling, controlled by or under common control with that Person. The term "control" as used in the preceding sentence means, with respect to a corporation, the right to exercise, directly or indirectly, 50% or more of the voting rights attributable to the shares of the controlled corporation, and, with respect to any Person other than a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person.

"Agreement" shall mean this Agreement (including the exhibits and schedules hereto).

"Assets" means all of the assets (whether real, personal, tangible or intangible) used or held for use by the Company in connection with the Yemen Business including, without limitation, all of the assets reflected on the Balance Sheet.

"Balance Sheet" shall have the meaning set forth in Section 3.5 hereof. "Balance Sheet Date" shall have the meaning set forth in Section 3.5.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banks in California are authorized or obligated by law or executive order to close.

"Buyer" shall have the meaning set forth in the Preamble hereto. "Claims" means any and all fines, liabilities, judgments, losses, costs, expenses, or damages, including in each case, interest, penalties, reasonable attorneys' fees and reasonable costs of investigations and litigation.

"Closing" shall have the meaning set forth in Section 2.2(a) hereof. "Closing Date" shall have the meaning set forth in Section 2.2(a) hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Comeco Shares" shall have the meaning set forth in Section 3.3 hereof. "Company" shall have the meaning set forth in the Preamble hereto.

"Company Debt" means any debt, obligation or other arrangement of the Company evidencing or relating to any borrowing or loaning or available borrowing or loaning of money to the Company (or to any other Person for which the Company has liability), whether secured or unsecured, or which is intended to provide any guarantee or credit support by the Company with respect to the obligations of any Person.

"Company Interests" shall have the meaning set forth in Section 3.11(a) hereof.

"Company Shares" shall have the meaning set forth in the Preamble hereto.

"CPA Firm" shall have the meaning set forth in Section 2.3(c) hereof. "Effective Time" shall mean January 1, 2002. "Encumbrances" means any liens, charges, pledges, security interests, options, warrants, purchase rights, preemptive rights, adverse claims, levies, orders of execution, orders of expropriation or written notifications of intent to expropriate, easements, equitable interests or other encumbrances.

"Environmental Law" means all Laws that are designed to regulate, prevent, punish or remedy the consequences of actions (including omissions, discharges, spills, releases of pollutants, contaminants, hazardous materials or wastes) that damage, injure or threaten to damage or injure public health or safety or the environment.

"Financial Statements" shall have the meaning set forth in Section 3.5 hereof.

"Final Adjustment Amount Calculation" shall have the meaning set forth in Section 2.3(b) hereof.

"GAAP" means U.S. generally accepted accounting principles as in effect from time to time and as consistently applied.

"Governmental Authority" means any court, government, legislature, council, government department, commission, board, bureau, agency, instrumentality, arbitrator or other authority of a central government or any jurisdiction therein, together with any company directly or indirectly owned by any of the foregoing.

"Indemnified Party" shall have the meaning set forth in Section 8.2 hereof.

"Indemnifying Party" shall have the meaning set forth in Section 8.2 hereof.

"Law" means any applicable law, statute, ordinance, rule or regulation or any ruling, writ, injunction, restriction, order, judgment, decree or other official written act of any Governmental Authority.

"Notice Period" shall have the meaning set forth in Section 8.3(b) hereof.

"PSC" means the Agreement For Petroleum Exploration and Production for the East Shabwa Area, made and entered into on April 22, 1989, as amended on July 22nd, 1993 (with respect to Exploration Period Extension) and July 2, 1996 (with respect to maximum cost recovery), and attached hereto as Exhibit I.

"Permits" means all licenses, certificates, registrations, approvals, authorizations or permits required of or with the applicable Governmental Authority.

"Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, governmental or regulatory body or other entity.

"Preliminary Adjustment Amount Calculation" shall have the meaning set forth in Section 2.3(a) hereof.

"Purchase Price" means \$16,500,000 plus or minus, as the case may be, the Adjustment Amount.

"Securities Act" means the Securities Act of 1933, as amended. "Seller" shall have the meaning set forth in the Preamble hereto. "Stockholders' Agreement" means the Amended and Restated Stockholders' Agreement by and among the Company, Command Petroleum (Overseas) Pty Limited and Nomeco Oil & Gas Co., dated as of October 1, 1994, and as amended pursuant to Amendments to the Amended and Restated Stockholders' Agreement by and among SOCO Yemen Pty Limited (formerly known as Command Petroleum (Overseas) Pty Limited), the Seller (which succeeded to the interests of Nomeco Oil & Gas Co. in the Company), and the Company, effective as of July 1, 1999.

"Tax Returns" means any return, declaration, report, form, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendments thereof.

"Taxes" means any federal, state, local, or foreign income, gross receipts, license, payroll, business assets, luxury, goods and services, employment, excise, severance, stamp, occupation, premium, environmental (including taxes under Section 59A of the Code), customs duties, capital stock, franchise, profits, gains, withholding, social security, unemployment, disability, real property, personal property, sales, use,

wholesale sales, municipal, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever of any Governmental Authority, including any interest, penalty, or addition thereto, whether disputed or not.

"Third Party Claim Notice" shall have the meaning set forth in Section 8.3(b) hereof.

"Yemen Business" means the business and operations of the Company which arise under or out of or relate to the PSC, any hydrocarbons attributable thereto, or any activities or operations in connection with the PSC or any hydrocarbons attributable thereto.

"Voting Debt" shall have the meaning set forth in Section 3.3(a). Section 1.2 Other Definitional Provisions.

(a) The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All references in this Agreement to an "Article", "Section", "subsection", "Exhibit" or "Schedule" shall be to an Article, Section, subsection, Exhibit or Schedule of or to this Agreement, unless the context requires otherwise.

(b) The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(c) The terms "dollars" and "\$" shall mean United States dollars.

ARTICLE II

PURCHASE AND SALE OF COMPANY SHARES; GUARANTEE

Section 2.1 Purchase and Sale of Company Shares.

(a) In reliance on the representations, warranties and other terms hereof and subject to the conditions contained herein, Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, the Company Shares in exchange for payment of the Purchase Price by Buyer. Seller shall transfer or cause to be transferred all of the Company Shares to Buyer at Closing. Effective at the Closing, Seller also hereby assigns to Buyer any rights Seller or its Affiliates may have to receive moneys from the Company in respect of indebtedness or otherwise.

(b) As consideration for the sale by Seller of the Company Shares to Buyer on the terms and conditions contained herein, Buyer agrees to pay to Seller the Purchase Price pursuant to Sections 2.2 and 2.3 hereof.

Section 2.2 Closing; Delivery and Payment; Guarantee; Indemnity.

(a) Subject to the satisfaction or waiver of the conditions set forth in Article VI, the closing ("Closing") shall be held at the offices of Buyer, 10889 Wilshire Boulevard, Los Angeles, California 90024, at 7:00 a.m. on the date hereof. The date on which the Closing occurs is hereinafter referred to as the "Closing Date."

(b) At the Closing, (1) Seller shall deliver, or cause to be delivered, to Buyer an affidavit duly executed by Seller and in a form reasonably satisfactory to Buyer certifying, inter alia, that the Seller has lost the certificate representing the Company Shares and instructing the Company to issue a replacement certificate in the name of Buyer; (2) Buyer shall pay to Seller for the Company Shares in immediately available funds by wire transfer to an account designated by Seller an amount equal to the estimated Purchase Price calculated in accordance with Section 2.3(a).

(c) In addition to the documents and transfers of funds described in this Section 2.2,

(1) Seller will:

(i) at the Closing deliver to Buyer possession or control of the following (other than any such materials or information that are subject to a confidentiality agreement, relate to a valuation prepared with respect to a previous proposed sale of the Company Shares, or are protected by solicitor/client privilege and in each case which are identified in reasonable detail on a written list provided to Buyer prior to the execution hereof): (A) files, documents, papers, contracts, agreements, legal descriptions, open books of account or ledgers and documentation in support thereof used or useful in the operation of the Yemen Business, and (B) all other information, whether in writing, on computer diskette or other form or medium, that pertains to the use or ownership of the Assets, the Company or the Company Shares, and subject to the right of the Seller and the Guarantor to retain copies of any of the foregoing solely for the purposes of complying with or satisfying any filing or disclosure requirements under any Law or mandated by any Governmental Authority, including, but not limited to, any securities disclosure or tax filings (and the Seller and Guarantor hereby covenant that any copies so retained shall

be used only for the foregoing purposes, which covenant shall survive the Closing hereunder indefinitely);

(ii) as soon as is reasonably practicable after the Closing Date, deliver to Buyer possession or control of all items referred to under Section 2.2(c)(1)(i) hereof that Seller was unable to deliver at the Closing;

(iii) deliver to Buyer possession of all stock registers, minute books and corporate books and records for the Company in the possession of the Seller or any Affiliate of Seller;

(iv) deliver to Buyer all documents required to be furnished by Seller and its Affiliates to Buyer as conditions precedent under Section 6.1 hereof; and

(v) deliver to Buyer good standing certificates issued by the relevant Governmental Authorities, dated as of a recent date and evidencing the good standing of the Seller and the Company in their respective jurisdictions of incorporation;

(2) Buyer will deliver to Seller all documents required to be furnished by Buyer and its Affiliates to Seller as conditions precedent under Section 6.2 hereof.

(d) Guarantor hereby unconditionally and irrevocably guarantees to Buyer the performance of all obligations of Seller arising out of or in connection with this Agreement provided that the maximum aggregate liability of Guarantor to Buyer hereunder shall be limited to an amount equal to the maximum aggregate liability of Seller to Buyer hereunder less any amounts recovered or received by the Buyer from the Seller with respect to a breach of the Seller's obligations hereunder.

(e) Guarantor and Seller shall be liable for, and agree to defend, hold harmless and indemnify Buyer and its Affiliates from and against any and all Claims arising with respect to the lost stock certificate of Seller referred to in Section 2.2(b)(1) above and representing the 500 Company Shares held by Seller prior to the Closing. The indemnification obligations in this Section 2.2(e) are not subject to the minimum threshold limitations in Section 8.6(a) and shall survive for a period of ten years but are otherwise subject to the provisions of Article VIII.

Section 2.3 Calculation of Adjustment Amount; Post-Closing Adjustment.

(a) Prior to the date hereof Seller prepared and delivered to Buyer, using and based upon the best available information to Seller, a statement setting forth a preliminary calculation of the Adjustment Amount for a Closing on the date hereof (the "Preliminary Adjustment Amount Calculation"). Such preliminary calculation shall be used in the calculation of the Purchase Price payable at Closing (unless the Closing Date is changed by a mutual written agreement of the parties that contains a revised Preliminary Adjustment Amount Calculation to reflect the revised Closing Date).

(b) Within 90 calendar days following the Closing Date, Buyer shall cause the Company to prepare a statement setting forth the Final Calculation of the Adjustment Amount and showing the calculation of each adjustment, based to the extent possible, on actual Intragroup Contributions and Intragroup Receipts (each as defined below) after the Effective Time (the "Final Adjustment Amount Calculation"). Buyer shall give Seller and its representatives reasonable access to the books, records and personnel of the Yemen Business, and to all work papers and other relevant documents and analysis, for the purpose of reviewing and auditing the Final Adjustment Amount Calculation. Seller shall have a period of 30 calendar days after the delivery to it of the Final Adjustment Amount Calculation, to review such calculation and to make any objections to the Final Adjustment Amount Calculation in writing to Buyer. If no written objections to the Final Adjustment Amount Calculation are delivered to Buyer within the 30-day period, the Final Adjustment Amount Calculation shall be deemed to be accepted and approved by all parties, and the difference between the Preliminary Adjustment Amount Calculation and the Final Adjustment Amount Calculation, if any, shall be paid by Seller to Buyer (if the estimated Purchase Price paid at Closing exceeded the final Purchase Price calculated in accordance herewith) or by Buyer to Seller (if the estimated Purchase Price paid at Closing was less than the final Purchase Price calculated in accordance herewith), in either case not later than five Business Days following the expiration of such 30-day period, or at such other time and date as may be mutually agreed upon in writing by Buyer and Seller. If written objections of Seller to the Final Adjustment Amount Calculation are delivered to Buyer within the 30-day period, then Buyer and Seller shall attempt to resolve the matter or matters in dispute and, if such disputes are resolved by Buyer and Seller, the difference between the Preliminary Adjustment Amount Calculation and the Final Adjustment Amount Calculation, if any, shall be paid by Seller to Buyer (if the estimated Purchase Price paid at Closing exceeded the final Purchase Price calculated in accordance herewith) or by Buyer to Seller (if the estimated Purchase Price paid at Closing was less than the final Purchase Price calculated in accordance herewith), in either case not later than five Business Days following the resolution of all disputes or at such other time and date as may be mutually agreed upon

in writing by Buyer and Seller. Seller shall quantify its objections to the extent reasonably practicable in all written objections delivered to Buyer with respect to the Final Adjustment Amount Calculation. Notwithstanding anything to the contrary in Section 2.3, nothing in Section 2.3 nor any agreement regarding the Final Adjustment Amount Calculation shall release, limit or impair any representations or warranties by the parties in Articles III and IV or the parties' agreements in Section 5.1.

(c) If such disputes cannot be resolved by Buyer and Seller within 20 calendar days after the delivery of the objections to the Final Adjustment Amount Calculation, then each of the Buyer and Seller shall prepare and submit a written statement setting forth the specific matters in dispute to PriceWaterhouse Coopers (the "CPA Firm") along with any information, supporting documentation and other materials in respect of each party's determination of such calculation and the specific matters in dispute, which firm shall render its opinion as to such matters in accordance with the terms hereof. Based on that opinion, the CPA Firm shall then send to Buyer and to Seller a written determination of the matters in dispute and a written determination of the Adjustment Amount based upon such opinion, whereupon the confirmed or revised Final Adjustment Amount Calculation shall be final and binding upon Buyer and Seller. The difference between the Preliminary Adjustment Amount Calculation and the Final Adjustment Amount Calculation, if any, shall be paid by Seller to Buyer (if the estimated Purchase Price paid at Closing exceeded the final Purchase Price calculated in accordance herewith) or by Buyer to Seller (if the estimated Purchase Price paid at Closing was less than the final Purchase Price calculated in accordance herewith), in either case not later than five Business Days following the receipt by Buyer and Seller of those documents prepared by the CPA Firm and evidencing that opinion or at such other time and date as may be mutually agreed upon in writing by Buyer and Seller. All costs, fees and expenses charged or incurred by the CPA Firm, if any, shall be borne equally by Seller and Buyer.

(d) The "Adjustment Amount" shall equal (i) the amount of any Intragroup Contributions from and including the Effective Time to the Closing (as used herein, "Intragroup Contributions" shall mean any capital contributions paid by Seller to the Company), minus (ii) any Intragroup Receipts from and including the Effective Time to the Closing (as used herein, the "Intragroup Receipts" shall mean any dividends, share redemptions, share purchases or repurchases, debt repayments or other distributions made by the Company to Seller or any of its Affiliates, and any other amounts payable to the Company but received and retained by Seller or any of its Affiliates). For purposes of clarity in interpreting the definition "Purchase Price", if the Adjustment Amount is a positive number it shall be added to \$16,500,000. If the Adjustment Amount is a negative number it shall be subtracted from \$16,500,000. By way of example, the Seller has advised the Buyer that the Preliminary Adjustment Amount will be negative \$753,121 with respect to a Closing on July 23, 2002. Therefore, the estimated Purchase

Price payable at Closing on July 23, 2002 would be \$15,746,879 (\$16,500,000 - \$753,121).

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER AND GUARANTOR

Seller and Guarantor represent and warrant to Buyer as at the Closing Date as follows with respect to Seller, Guarantor and the Company:

Section 3.1 Organization of Seller and Guarantor. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and is duly qualified as a foreign corporation and in good standing in each other jurisdiction, if any, in which such qualification is required. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the Yukon Territory, Canada and is duly qualified as a foreign corporation and in good standing in each other jurisdiction, if any, in which such qualification is required.

Section 3.2 Authority; No Conflicts. Seller and Guarantor have full power and authority to execute and deliver this Agreement and to perform their respective obligations hereunder. This Agreement has been duly authorized, executed and delivered by Seller and constitutes a legal, valid and binding obligation of Seller and Guarantor, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights (other than fraudulent transfer) and to general equity principles. Neither the execution and delivery of this Agreement by Seller and Guarantor nor the consummation of the transactions contemplated herein by Seller and Guarantor nor the compliance by Seller and Guarantor with its terms and provisions will (a) violate or conflict with any provision of the respective charter documents of Seller, Guarantor or the Company; (b) conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under (or give rise to any right of termination, cancellation or acceleration) (whether after the giving of notice or the lapse of time or both) of any indenture, mortgage, lease or other material agreement, contract or instrument (including the PSC) to which Seller, Guarantor or the Company is a party or by which Seller, Guarantor or any of their respective or the Company's properties or assets may be bound; (c) violate any existing provision of Law of Yemen or the United States; or (d) result in the creation of, or give any Person the right to create, any Encumbrance upon the Company Shares or the Assets.

Section 3.3 Capitalization of the Company; Organization and Qualification; Subsidiaries. (a) The entire authorized capital stock of the **Company**

consists of 1,212 shares of Class A Common Stock, par value \$.001 per share, of which only the 500 Company Shares and 712 shares held by Soco Yemen PTY Limited, a company organized and existing under the laws of the State of New South Wales, Australia (together with the Company Shares, the "Comeco Shares"), are issued and outstanding. The Company Shares have been duly authorized and are validly issued, fully paid, nonassessable and free of preemptive rights, and were not issued in violation of the preemptive rights of any Person. Except for the Comeco Shares, there are outstanding (i) no shares of capital stock, Voting Debt or other voting securities of the Company; (ii) no securities of the Company convertible into or exchangeable for shares of capital stock, Voting Debt or other voting securities of the Company; and (iii) no preemptive or other outstanding rights, subscriptions, options, warrants, calls, contracts, demands, commitments, convertible securities or other agreements or arrangements of any character or nature whatsoever under which the Company or the Seller or any Affiliate of the Seller is or may become obligated to issue, assign, transfer, deliver, sell, purchase, redeem or acquire, or cause to be issued, assigned, transferred, delivered, sold, purchased, redeemed or acquired, any shares of capital stock or any Voting Debt or other voting securities of the Company, or obligating the Company, Seller or any Affiliate of Seller to issue, grant, extend or enter into any such subscription, option, warrant, call, right, commitment, agreement or other arrangement. The term "Voting Debt" means any bonds, debentures, notes or other indebtedness having the right to vote (or convertible into or exchangeable for securities having the right to vote) for the election of Directors of the Company.

(b) Seller, is, and as of the Closing will be, the sole record and beneficial owner of the Company Shares. Seller has, and as of the Closing will have, good and valid title to the Company Shares free and clear of all Encumbrances other than the security interest of the Company set forth in

Section 7.3(h) of the Stockholders' Agreement. Upon the purchase of the Company Shares as contemplated by this Agreement, Buyer will obtain good and valid title to the Company Shares free and clear of all Encumbrances other than the security interest of the Company set forth in Section 7.3(h) of the Stockholders' Agreement. Neither Seller nor any Affiliate of Seller is a party to any option, warrant, purchase right, contract, commitment or other agreement or arrangement of any character or nature whatsoever (other than this Agreement and the Stockholders' Agreement) that could require Seller or any such Affiliate of Seller to sell, transfer, or otherwise dispose of any Company Shares. Except as created by this Agreement and the Stockholders' Agreement, Seller is not a party to any voting trust, proxy or other agreement or understanding with respect to the voting, holding or disposition of any Company Shares. There are no currently outstanding proxies granted by Seller under or pursuant to the terms of the Stockholders' Agreement.

(c) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to own or lease its properties and carry on its business as currently owned or conducted. The Company does not do business in any jurisdiction in which the nature of the properties owned or leased by it or the business transacted by it requires it to be so registered, qualified or licensed, other than any such jurisdiction in which the Company is so registered, qualified or licensed.

(d) The Company does not have any direct or indirect subsidiaries. The Company does not own any shares, equity interests or other equity securities in any Person.

(e) The Company does not own or lease (nor has it ever owned or leased during the period when Seller was a stockholder of the Company) any assets or properties having a value in excess of \$10,000 in the aggregate and does not conduct (nor has it ever conducted during the period when Seller was a stockholder of the Company) any business or operations other than assets, properties, business and operations which are related to or arise out of the Yemen Business and the PSC. The Company does not have any liabilities with respect to any business or operations that are unrelated to the Yemen Business or the PSC.

(f) The Company has, and as of the Closing will have, good and valid title to its interest in the PSC free and clear of all Encumbrances.

Section 3.4 Consents and Approvals. Except as set forth in Schedule 3.4, the execution, delivery and performance of this Agreement by Seller and Guarantor and the consummation of the transactions contemplated herein by Seller and Guarantor will not require Seller, Guarantor or the Company or any of their respective Affiliates to obtain any consent, waiver, authorization or approval of, or make any filing with or give notice to, any Person.

Section 3.5 Financial Statements. Attached hereto as Schedule 3.5 is the balance sheet (the "Balance Sheet") of the Company as of December 31, 2001 (the "Balance Sheet Date") and the statement of income of the Company for the year ended on the Balance Sheet Date (collectively, the "Financial Statements"). The Financial Statements present fairly, in accordance with GAAP, the financial condition of the Company as of such date and the results of operations of the Company for such period.

Section 3.6 Brokers' Fees. No action has been taken by Seller, Guarantor or any Affiliate of Seller or Guarantor or, to the best of the knowledge of Seller, the Company that would give rise to any valid claim against the Company or the

Buyer or any Affiliate of Buyer for a brokerage commission, finder's fee or other like payment with respect to the transactions contemplated hereby.

Section 3.7 Taxes. (a) All Tax Returns that are required to be filed on or before the Closing Date (taking into account applicable extensions) by or with respect to the Company have been duly filed and each such Tax Return is or will be complete and accurate; (b) all Taxes shown to be due on the Tax Returns referred to in clause (a), all Taxes for periods ending on or before the Closing Date, whether or not shown as being due on any Tax Return, and all Taxes for which a demand for payment or assessment has been received by the Company or any Affiliate of the Company have been timely paid; (c) except as set forth in Schedule 3.7, the Company has no dual consolidated losses as defined by Code Regulation Section 1.1503-2(c)(5) and has not prior to Closing experienced a triggering event as defined by Code Regulation Section 1.1503-2(g)(2); (d) except as set forth in Schedule 3.7, the Company has no overall foreign loss or net operating loss carrybacks or carryovers that includes an overall foreign loss; (e) there are no pending or threatened actions or proceedings for the assessment or collection of Taxes against or in respect of the Company; (f) as of the Closing Date, there will be no outstanding waivers or agreements extending the applicable statute of limitations for any period with respect to any Taxes of the Company; and (g) as of the date hereof, no taxing authorities are presently conducting any audits or other examinations of the Company or of any Tax Returns referred to in clause (a). The Company has no outstanding liability under the Tax Indemnity Agreement referred to in Schedule 3.10.

Section 3.8 Litigation and Claims. Except as set forth in Schedule 3.8 hereto, there are no civil, criminal or administrative actions, suits, demands, claims, hearings, proceedings, condemnations, expropriations, arbitrations, audits or investigations (collectively, "Actions") formally commenced, pending or, to the best of the best of the knowledge of Seller, threatened by or against the Company or against any of its properties or assets. The Company, the Yemen Business and the Assets are not subject to any order, writ, judgment, award, injunction, decree of any Governmental Authority of competent jurisdiction or any arbitrator or arbitrators.

Section 3.9 Employees. The Company has not had, and as of the Closing will not have, any employees. The Company has not adopted any employee plans and has no employee related liabilities, whether contingent or otherwise.

Section 3.10 Contracts. (a) Schedule 3.10 hereto sets forth a list of every document, contract or agreement (whether written or oral) currently in effect to which the Company is a party, including all amendments thereto. Without limiting the generality of the foregoing, other than as included on Schedule 3.10 there are no such contracts or agreements to which the Company is a party (i) to or with individual directors or officers of the Company, any shareholder of the Company, any Affiliate of

any such shareholder or any director or officer of any of the foregoing, (ii) that contain any covenant not to compete or an area of mutual interest agreement or that purport to restrict the right of the Company to engage in any line of business in any geographical location or that conditions such right on the participation or approval of any third party, (iii) that constitute any unified extraction, pooling or unitization agreements, including any production balancing and over/under lift agreements relating thereto, or (iv) relating to currently existing intercompany payables or receivables between the Company and any of its shareholders or with their Affiliates which are in effect or will be in effect following the Closing.

(b) There are no defaults by the Company under any obligation of any such contracts. Neither the Seller nor the Guarantor nor any Affiliate of the Seller or Guarantor nor, to the best of the knowledge of Seller, the Company has received any written notice from any Governmental Authority or any third Person

(i) that the Company or any other party to a contract is (or upon further notice or the passage of time, or both, with or without cure will be) in a violation, default or breach of any contract, or (ii) that terminates, rescinds, revokes, amends or modifies or seeks to terminate, rescind, revoke, amend or modify any contract.

(c) Except as set forth in Schedule 3.10, as of the date hereof and as of the Closing (if different), there are and will be no payments owing to Pecten International Company under the PYC Assignment, made the 8th day of November 1993, between Pecten Yemen Company and Pecten International Company. There are no amounts (whether indebtedness for money borrowed or otherwise) outstanding or otherwise owing now or in the future to Seller or its Affiliates from the Company. All amounts payable under the Settlement Agreement identified in Schedule 3.10 have been paid.

(d) To the best of the knowledge of Seller, true, correct and complete originals or copies of all written contracts (containing all amendments, corrections or modifications thereof) listed on Schedule 3.10 have been made available to Buyer.

Section 3.11 Title to Assets. (a) All rights, benefits and interests granted to or inuring to the benefit of the Company (or purported to be granted to or inuring to the benefit of the Company) in or under the PSC (the "Company Interests"), are owned legally and beneficially by the Company free and clear of any Encumbrances. No act or omission of the Company or, to the best of the knowledge of Seller, any other Person has occurred which would allow any party to the PSC to rescind, revoke, terminate or modify the PSC. The Company is not a party to or bound by any assignment, contract, agreement or commitment (i) to assign or transfer any interest in, or to grant or create any

Encumbrance with respect to, the Company Interests or (ii) that could require the Company to sell, transfer, or otherwise dispose of the Company Interests.

(b) The Company has good and valid title to all the assets reflected on the Balance Sheet or acquired by the Company after the Balance Sheet Date, in each case free and clear of any Encumbrances, except as set forth in the Financial Statements.

Section 3.12 Corporate Documents. True and correct originals or copies of the Company's charter and organizational documents, bylaws, minute books, stock register books and other corporate books and records (containing all amendments, corrections or modifications thereto) have been made available to Buyer.

Section 3.13 Compliance with Law and Permits. (a) Except where such compliance would have been penalized by the Code, the Company has complied in all material respects with all Laws and Permits applicable to the Company, the Yemen Business or the Assets.

(b) Neither the Company, Seller nor any Affiliate of Seller has received written notice of any violation of or non-compliance with any Law or Permit applicable to the Company, the Yemen Business or the Assets.

(c) With respect to any activities undertaken in connection with the Company, the Yemen Business or the PSC, neither the Seller, nor any of its Affiliates, nor the Company, nor any of the shareholders, directors, officers and employees of Seller or any of its Affiliates nor any officers or employees of the Company nor any other person or entity acting on behalf of any of them has made an offer or promise to pay, loan or give a payment, a loan or a gift of money or anything of value; or (ii) has authorized any such offer, promise, payment, loan or gift, in any event directly or indirectly to or for the use or benefit of any Official, or any other person while knowing that all or a portion of such money or thing of value will be offered, given, paid, loaned or promised, directly or indirectly, to or for the use or benefit of any Official, for any of the following purposes: (A) influencing any act or decision of such Official, in his or its official capacity; (B) inducing such Official to do or omit to do any act in violation of the lawful duty of such Official; (C) inducing such Official to use his or its influence with any Governmental Authority, Public International Organization or political party, to affect or influence any act or decision of such entity, organization or party; or (D) securing any improper advantage, in any case, in order to assist the Company in connection with any of its activities. For purposes hereof, "Official" shall mean (a) any officer or employee of, or any other person acting in an official capacity for or on behalf of, any Governmental Authority or Public International Organization; (b) any political party; (c) any candidate for political office; or (d) any officer or employee of, or any person acting

in an official capacity for or on behalf of, any political party or any candidate for political office. "Public International Organization" shall mean an organization designated as such by Executive Order under the laws of the United States of America.

Section 3.14 Absence of Subsequent Actions or Events. Except as set forth in Schedule 3.14, since the Balance Sheet Date the Company has not:

- (a) purchased or redeemed any shares of capital stock or other equity interests or other securities or declared, paid or set aside for payment any dividend (or other distribution) in cash or of securities or property other than cash;
- (b) changed its fiscal year end from December 31;
- (c) mortgaged or pledged any portion of its Assets;
- (d) made any additions to or written down, sold, assigned, transferred or otherwise disposed of any of its assets other than sales of inventory in the ordinary course of business or written off or canceled any debts or claims or receivables, in whole or in part;
- (e) made any capital commitment in excess of \$50,000, individually, and not provided for in the Approved Annual Budget under the Stockholders' Agreement;
- (f) suffered any damage, destruction or loss in excess of \$100,000 in the aggregate with respect to any assets of the Company;
- (g) made any payment or other compensation of any amount to a director or officer of the Company or any shareholder of the Company;
- (h) made or agreed to make any charitable contributions or pledges therefor or incurred any other non-business expense;
- (i) entered into any joint venture, partnership or similar arrangement;
- (j) made any change in its method of accounting or accounting policies or practices;
- (k) leased any properties or assets to any Person, whether by lease, leveraged lease, lease intended as security, vendor arrangement, conditional sales agreement or otherwise;

(l) entered into any settlement or made or granted any consent to any order, decree or judgment relating to or arising out of any Action relating to the Company; or

(m) paid or incurred any Company Debt.

Since the Balance Sheet Date, there has not been any material adverse change in or affecting the general affairs, management, financial position or results of operations of the Company other than changes in commodity prices generally or global or national economic changes.

Section 3.15 Capital Commitments. Except as shown on Schedule 3.15 or as set forth in the most recent Approved Annual Budget (as defined in the Stockholders' Agreement), as of the date of this Agreement there are no outstanding Authorizations for Expenditures or other commitments to make capital expenditures which are binding on the Company.

Section 3.16 Related Party Transactions. Other than the Amended Technical and Administrative Services Agreement entered into by the Company and SOCO Yemen Pty. Limited, dated October 1, 1994, and except as set forth on Schedule 3.16, the Company has not entered into any contracts or other agreements or transactions (whether written or oral) with either of its shareholders or their respective Affiliates that create any right or obligation for the benefit of or binding on the Company that involves \$10,000 or more.

Section 3.17 Insurance Policies. To the best of the knowledge of Seller, Schedule 3.17 sets forth a list of all policies of fire, casualty, liability, burglary, fidelity, worker's compensation, business interruption, umbrella and other forms of insurance held as of the Balance Sheet Date, by the Company or any Affiliate of the Company. Except as otherwise set forth on Schedule 3.17, all premiums due and payable for the insurance in Schedule 3.17 have been duly paid.

Section 3.18 Directors and Representatives. Schedule 3.18 contains a true and complete list of the names of all of the Company's directors (together with appointing stockholder) and officers and all Persons holding powers of attorney.

Section 3.19 Environmental Matters. There are no violations of Environmental Law in effect on the Closing Date relating to activities under the PSC or

otherwise relating to the Company, the operation of the Yemen Business or the Company's interest in the PSC which could have a material adverse effect on the Company, the Assets or the Yemen Business. Neither Seller nor the Company has received any notice of any pending or threatened investigation with respect to any Environmental Law relating to the activities under the PSC or otherwise relating to the Company, the operation of the Yemen Business or the Company's interest in the PSC. There has been no contamination of groundwater, surface water or soil resulting from activities under the PSC or otherwise relating to the Company, the operation of the Yemen Business or the Company's interest in the PSC that could require remediation under Environmental Law in effect on the Closing Date.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as at the Closing Date as follows:

Section 4.1 Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

Section 4.2 Authority; No Conflicts. Buyer has full power and authority to execute and deliver this Agreement and perform its obligations hereunder. This Agreement has been duly authorized, executed and delivered by Buyer and constitutes a legal, valid and binding obligation of Buyer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights (other than fraudulent transfer) and to general equity principles. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein by Buyer nor the compliance by Buyer with its terms and provisions will (a) violate any provision of the certificate of incorporation or by-laws of Buyer; (b) conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under (or give rise to any right of termination, cancellation or acceleration) (whether after the giving of notice or the lapse of time or both) of any indenture, mortgage, lease, or other material agreement, contract or instrument to which Buyer is a party or by which Buyer or any of its properties or assets may be bound; or (c) violate any existing provision of Law.

Section 4.3 Consents and Approvals. Except as set forth in Schedule 4.3 the execution, delivery and performance of this Agreement by Buyer and the consummation of the transactions contemplated herein by Buyer will not require Buyer to obtain any consent, waiver,

authorization or approval of, or make any filing with or give notice to, any Person.

Section 4.4 Securities Act. Buyer is acquiring the Company Shares solely for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof in violation of the Securities Act. Buyer acknowledges that the Company Shares are not registered under the Securities Act or any applicable state securities law, and that such Company Shares may not be transferred or sold except pursuant to the registration provisions of such Securities Act or pursuant to an applicable exemption therefrom and pursuant to state securities laws and regulations as applicable.

Section 4.5 Brokers' Fees. No action has been taken by the Buyer that would give rise to any valid claim against Seller, Guarantor or any Affiliate of Seller for a brokerage commission, finder's fee or other like payment with respect to the transactions contemplated by this Agreement.

ARTICLE V
CERTAIN COVENANTS AND
AGREEMENTS OF SELLER AND BUYER

Section 5.1 Tax Matters.

(a) Payments. Except as provided for in Section 5.1(b) herein, all Taxes of or with respect to the Company or incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by and paid to the appropriate Tax authority by the party that is responsible therefor under the applicable Tax law.

(b) Sales, Use, VAT and other Transfer Taxes. All sales, use, value added or other similar transfer taxes, if any, incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by Seller. Seller shall at its expense file all necessary Tax Returns and other documentation in respect to any such transfer taxes. All stock transfer taxes, if any, recording or similar taxes or fees incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by Seller.

(c) Cooperation. Seller and Buyer shall (i) each provide the other, and Buyer shall cause the Company to provide to Seller, with such assistance as may reasonably be requested by any of them in connection with the preparation of any Tax Return, audit or other examination by any taxing authority or judicial or administrative proceedings relating to liability for Taxes, and (ii) each provide the other with any

amount required to be shown on any Tax Return of the other for any period. Without limiting the generality of the foregoing, Buyer shall cause the Company to retain until the applicable statutes of limitations (including any extensions) have expired, copies of all Tax Returns, supporting work schedules and other records or information in its possession which may be relevant to such returns for all taxable periods from January 1, 1994 to the Closing Date, inclusive, and shall not destroy or otherwise dispose of any such records without first providing Seller with an opportunity to review and copy the same. Following the Closing Date, Seller shall forward to Buyer all Tax statements received by Seller with respect to the Assets for any period that begins before and ends after the Closing Date within thirty (30) days after its receipt thereof.

Any information obtained by a party or its Affiliates from another party or its Affiliates in connection with any Tax matters to which this Agreement applies shall be kept confidential, except as may be otherwise necessary in connection with the filing of Tax Returns or claims for refund or in conducting an audit or other proceeding.

(d) Survival of Agreements. All covenants and agreements set forth in this Section 5.1 shall survive the Closing Date until 30 calendar days after the expiration of all applicable statutes of limitation (including any and all extensions thereof).

(e) Indemnity. Seller shall be liable for, and agrees to defend, hold harmless and indemnify Buyer and its Affiliates (including, after the Closing Date, the Company) from and against any and all Claims with respect to any Taxes of any corporation or other Person, other than the Company, that is or was a member or parent of any affiliated group of corporations or other Persons that included Seller, including any Taxes for which the Company is or may be or become liable for under any successor or transferee liability law or other similar law.

The indemnification obligations of Seller contained in this Section 5.1(e) are not subject to the minimum threshold contained in Section 8.6(a) but are otherwise subject to Article VIII.

Section 5.2 Registrations, Filings and Consents. Seller and Buyer shall cooperate and use their respective reasonable best efforts to fulfill the conditions precedent to the other party's obligations hereunder, including but not limited to, securing as promptly as practicable all consents, approvals, waivers and authorizations required, necessary or desirable in connection with the transactions contemplated hereby.

Section 5.3 Confidentiality. Neither party hereto shall disclose to any Person any information relating to this Agreement, the negotiations leading to this Agreement or the transactions contemplated hereby or any information obtained from the other party hereto in connection with this Agreement, the negotiations leading to this Agreement or the transactions contemplated hereby, unless such information at the time

of disclosure (i) is or was in the public domain, (ii) was known to either party prior to its disclosure by the other party, (iii) is disclosed to either party by a third Person who did not receive such information on a confidential basis or (iv) is required to be disclosed by either party or by its Affiliates, directors, officers, employees or other agents in connection with legal or governmental proceedings or filing or disclosure requirements arising under Law or rules of the New York Stock Exchange, the NASDAQ National Market System or other public securities exchange on which the securities of the parties or their Affiliates are listed. Each party hereto may disclose such information to its Affiliates, directors, officers, employees, counsel, insurance brokers, accountants or other agents or representatives provided such party causes such persons to keep such information confidential. Notwithstanding the foregoing, in the event that (i) Buyer sells, transfers or otherwise disposes of Comeco Shares or (ii) causes the Company to sell, transfer or otherwise dispose of all or substantially all of the assets of the Company or the Yemen Business or sells, assigns or allows other Persons to participate in its rights and obligations under the PSC, Buyer shall have the right to disclose such information as it reasonably considers appropriate and necessary without Seller's consent; provided, however, that in such event prior to disclosing such information Buyer shall cause the proposed recipient of such information to enter into a confidentiality agreement with respect to such information.

Section 5.4 Employee Matters; PYC Assignment, etc. Seller shall indemnify the Buyer, its Affiliates and the Company against and in respect of all Claims sustained or incurred arising out of any breaches of the Seller's representations, warranties and covenants set forth in Section 3.9 and Section 3.10(c) of this Agreement. The indemnification obligations of Buyer contained in this Section 5.4 are not subject to the minimum threshold contained in Section 8.6(a) but are otherwise subject to Article VIII.

Section 5.5 Further Assurances. At any time after the Closing Date, each of Seller and Buyer shall promptly execute, acknowledge and deliver any other assurances or documents reasonably requested by Seller or Buyer, as the case may be, and necessary for each of Seller and Buyer, as the case may be, to satisfy its obligations hereunder or obtain the benefits contemplated hereby.

ARTICLE VI
CONDITIONS TO CLOSING

Section 6.1 Conditions to Obligations of Buyer. The obligation of Buyer to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver by Buyer in writing on or prior to the Closing Date of each of the following conditions:

- (a) Each of the representations and warranties of Seller and Guarantor contained in this Agreement shall be true in all material respects when made and as of the Closing Date, with the same effect as though such representations and warranties had been made on and as of the Closing Date (except representations and warranties that are made as of a specific date need be true in all material respects only as of such date); each of the covenants and agreements of Seller and Guarantor to be performed on or prior to the Closing Date shall have been duly performed in all material respects; and Buyer shall have received at Closing a certificate to that effect dated as of the Closing Date and executed on behalf of Seller by its President or any of its Vice Presidents and its Secretary or any of its Assistant Secretaries.
- (b) All approvals, authorizations and consents of any Governmental Authority or any other Person necessary for the consummation by Seller and its Affiliates or, as contemplated by Section 4.3 hereof, by Buyer and its Affiliates of the transactions contemplated herein shall have been obtained in form and substance reasonably satisfactory to Buyer.
- (c) No action, suit, proceeding or investigation (excluding any such matter initiated by Buyer or any of its Affiliates) by or before any court or other Governmental Authority shall have been taken, instituted or, to the knowledge of Seller, Buyer or any of their respective Affiliates, threatened against Seller, Buyer or any of their respective Affiliates, to restrain, prohibit, invalidate or delay any of the transactions contemplated hereby.
- (d) There shall not be any injunction, judgment, order, decree or ruling in effect preventing consummation of any of the transactions contemplated by this Agreement.
- (e) Buyer shall have received from Seller resignations of all directors of the Company appointed and elected by Seller.
- (f) Buyer shall have received from Seller (i) a release of all contracts or agreements between the Company and the Seller or any Affiliate of the Seller and (ii) an Affidavit of Non-Foreign Status in form necessary to avoid any withholding requirement under Section 1445 of the Code.

(g) Buyer shall have received a copy of the resolutions of the Board of Directors of Seller and Guarantor, certified by appropriate officers of Seller and Guarantor, authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

(h) Since the Balance Sheet Date, there shall not have been any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position or results of operations of the Company.

(i) Buyer shall have received a duly executed written waiver from SOCO Yemen Pty. Limited in respect of its rights of first refusal under Article XII of the Stockholders' Agreement relating to the Company Shares to be sold pursuant to the terms of this Agreement, in the form attached hereto as Exhibit II.

(j) Seller shall have entered into an Assumption Agreement pursuant to the Stockholders' Agreement.

(k) SOCO Yemen Pty Limited shall have executed and delivered to Buyer contemporaneously with the Closing, an amendment to the Stockholders' Agreement in the form attached hereto as Exhibit III.

Section 6.2 Conditions to Obligations of Seller. The obligation of Seller to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver by Seller in writing on or prior to the Closing Date of each of the following conditions:

(a) Each of the representations and warranties of Buyer contained in this Agreement shall be true in all material respects when made and as of the Closing Date, with the same effect as though such representations and warranties had been made on and as of the Closing Date (except representations and warranties that are made as of a specific date need be true in all material respects only as of such date); each of the covenants and agreements of Buyer to be performed on or prior to the Closing Date shall have been duly performed in all material respects; and Seller shall have received at the Closing a certificate to that effect dated as of the Closing Date and executed on behalf of Buyer by its President or any of its Vice Presidents and its Secretary or any of its Assistant Secretaries.

(b) All approvals, authorizations and consents of any Governmental Authority or any other Person necessary for the consummation by Buyer and its Affiliates, or as contemplated by Section 3.4 hereof, by Seller and its Affiliates of the transactions contemplated herein shall have been obtained.

(c) No action, suit, proceeding or investigation (excluding any such matter initiated by Seller or any of its Affiliates) by or before any court or other Governmental Authority shall have been taken, instituted or, to the knowledge of Seller, Buyer or any of their respective Affiliates, threatened against Seller, Buyer or any of their respective Affiliates, to restrain, prohibit or invalidate or delay any of the transactions contemplated hereby.

(d) There shall not be any injunction, judgment, order, decree or ruling in effect preventing consummation of any of the transactions contemplated by this Agreement.

(e) Seller shall have received a copy of the resolutions of the Board of Directors of Buyer, certified by an appropriate officer of Buyer, authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

(f) Seller shall have received a duly executed written waiver from SOCO Yemen Pty. Limited in respect of its rights of first refusal under Article XII of the Stockholders' Agreement relating to the Company Shares to be sold pursuant to the terms of this Agreement, in the form attached hereto as Exhibit II.

(g) Buyer shall have entered into an Assumption Agreement pursuant to the Stockholders' Agreement.

ARTICLE VII **TERMINATION**

Section 7.1 Termination. This Agreement may be terminated at any time prior to Closing:

(a) by the mutual written agreement of Seller and Buyer;

(b) by Seller or Buyer, by giving written notice of such termination to the other party hereto, if the Closing shall not have occurred on the date hereof;

provided that the terminating party is not in material breach of its obligations under this Agreement;

(c) by Buyer or Seller if there has been a material breach of any representation, warranty, covenant or agreement made to or for the benefit of the terminating party in this Agreement, which breach cannot be or has not been cured within 15 days after the giving of written notice to the breaching party of such breach (assuming that, by mutual agreement of the parties, the Closing has not yet occurred).

Section 7.2 Effect of Termination. In the event of the termination of this Agreement in accordance with Section 7.1 hereof, this Agreement shall thereafter become void and have no effect, and no party hereto (or any of their respective Affiliates, representatives, directors, officers or employees) shall have any liability to the other party hereto, provided that nothing herein will relieve any party from liability for any breach of this Agreement prior to such termination.

ARTICLE VIII

SURVIVAL AND INDEMNIFICATION

Section 8.1 Survival of Representations, Warranties, Covenants and Agreements. Notwithstanding any otherwise applicable statute of limitations, the representations, warranties, covenants and agreements included or provided for herein shall survive Closing until three years after the Closing Date; provided, however, that any covenant or agreement that by its express terms cannot be performed within such time period shall survive Closing until the date or time specified therein; provided, further that any representation or warranty contained in Section 3.7 shall survive Closing until the expiration of the applicable statute of limitations (including any waivers or extensions thereof) with respect to such matters.

Section 8.2 Indemnification. For a period commencing on the Closing Date and ending, as the case may be, upon the expiration of the periods specified in Section 8.1 hereof, Seller, on the one hand, or Buyer, on the other hand (the "Indemnifying Party"), shall, subject to the limitations set forth in Section 8.6 hereof, indemnify respectively Buyer and each of its Affiliates and their respective officers, directors, employees and agents, on the one hand, or Seller and each of its Affiliates, officers, directors, employees and agents, on the other hand, as the case may be (each of such persons and entities, an "Indemnified Party"), against and in respect of all Claims sustained or incurred arising out of any breaches of

the Indemnifying Party's representations, warranties, covenants and agreements set forth in this Agreement; provided, however, that the foregoing indemnity not be limited to the period specified in Section 8.1 if the Claim involves the willful misconduct of the Indemnifying Party. For purposes of clarity, any Claims of Buyer that relate to the breach of representations and warranties respecting the Company, the Yemen Business or the Assets and the resulting incurrence of Claims relating to the Company, the Yemen Business or the Assets shall only be recoverable in an amount that reflects the 41.25% economic interest that Buyer is acquiring in the Company as at the Closing Date.

Section 8.3 Method of Asserting Claims, etc.

(a) All claims for indemnification by any Indemnified Party hereunder shall be asserted and resolved as set forth in this Section 8.3.

(b) In the event that any written claim or demand for which an Indemnifying Party would be liable to any Indemnified Party hereunder is asserted against or sought to be collected from any Indemnified Party by a third party, such Indemnified Party shall promptly, but in no event later than the 30th day after receipt by the Indemnified Party of such claim or demand, notify the Indemnifying Party of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not in any manner prejudice the right of the Indemnified Party to indemnification to the fullest extent provided hereunder) (the "Third Party Claim Notice") and in the event that an Indemnified Party shall assert a claim for indemnity under this Article VIII, not including a third party claim, the Indemnified Party shall, within 30 days of the discovery of the facts or circumstances giving rise thereto, notify the Indemnifying Party following its discovery of such facts or circumstances; provided that the failure to notify on the part of the Indemnified Party in the manner set forth herein shall not foreclose any rights otherwise available to such Indemnified Party hereunder, except to the extent that the Indemnifying Party is prejudiced by such failure to notify in the manner set forth herein. The Indemnifying Party shall have thirty (30) days from the personal delivery or mailing of the Third Party Claim Notice or the notice relating to a claim for indemnity under this Article VIII other than a third party claim (the "Notice Period") to notify the Indemnified Party (i) whether or not the Indemnifying Party disputes the liability of the Indemnifying Party to the Indemnified Party hereunder with respect to such claim or demand and (ii) whether or not it desires to defend the Indemnified Party against such claim or demand. In the event that the Indemnifying Party notifies the Indemnified Party that it does not desire to defend the Indemnified Party against such claim or demand, the Indemnified Party shall have all rights and remedies at law or in equity against the Indemnifying Party for any breach of the

Indemnifying Party's indemnification obligations hereunder. In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such claim or demand, the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings. If any Indemnified Party desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense. The Indemnified Party shall not settle a claim or demand without the consent of the Indemnifying Party. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, settle, compromise or offer to settle or compromise any such claim or demand on a basis which provide for a finding or acknowledgment of responsibility or liability on the part of the Indemnified Party or which provides for or would result in any sanction or restriction or in the imposition of a consent order, injunction or decree which would restrict the future activity or conduct of, or which would otherwise have a material adverse effect on the financial condition or results of operations of, the Indemnified Party or any Affiliate thereof. To the extent the Indemnifying Party shall control or participate in the defense or settlement of any third party claim or demand, the Indemnified Party will give to the Indemnifying Party and its counsel reasonable access to all business records and other documents relevant to such defense or settlement, and shall permit them to consult with the employees and counsel of the Indemnified Party. The Indemnified Party shall use its commercially reasonable efforts as may be requested by the Indemnifying Party in the defense of all such claims, and in connection therewith shall be entitled to reimbursement by the Indemnifying Party of expenses related to such efforts undertaken.

(c) Payments of all amounts owing by an Indemnifying Party as a result of a third party claim shall be made within five Business Days after the earlier of (i) the settlement of the third party claim and (ii) the expiration of the period of appeal of a final adjudication of the third party claim. Payments of all amounts owing by an Indemnifying Party other than as a result of a third party claim shall be made within five Business Days after the later of

(i) the expiration of the Notice Period or (ii) if contested through dispute resolution proceedings, the expiration of the period for appeal of a final adjudication of the Indemnifying Party's liability to the Indemnified Party under this Agreement. Notwithstanding the above, if the Indemnifying Party has not contested its indemnity obligations hereunder and has not elected to assume the defense of a third party claim, the Indemnifying Party shall reimburse (promptly after the receipt of each invoice therefor together with reasonable support for such expenditures) the Indemnified Party for the reasonable costs and expenses incurred by the Indemnified Party in contesting the third party claim.

Section 8.4 Subrogation Rights. If the Indemnified Party is one of the parties to be Indemnified by the Buyer and the Indemnified Party has a right against a Person (other than one of the other parties to be Indemnified by the Buyer) with respect to any damages or other amounts paid to the Indemnified Party by the Buyer, then the

Buyer shall, to the extent of such payment, be subrogated to the right of such Indemnified Party. If the Indemnified Party has a right against a Person (other than one of the other parties to be Indemnified by the Seller) with respect to any damages or other amounts paid to such Indemnified Party by the Seller, then the Seller shall, to the extent of such payment, be subrogated to the right of such Indemnified Party. Notwithstanding anything herein to the contrary, no Indemnifying Party shall be subrogated to any insurance rights of any Indemnified Party.

Section 8.5 Investigation and Due Diligence. No investigation, examination, audit, inspection or other due diligence prior to the Closing shall affect the parties' respective rights to indemnity pursuant to this Agreement.

Section 8.6 Threshold; Insurance; Tax Effect; Maximum Liability

(a) No claim for indemnification shall be brought under this Article VIII against an Indemnifying Party unless and until the aggregate amount of all claims for indemnification under this Article VIII against such Indemnifying Party exceeds an amount equal to 10% of the Purchase Price, and then for all such claims (including, without limitation, such initial claims that aggregate to the 10% threshold referred to above in this Section 8.6(a)).

(b) Any payment required to be made to an Indemnified Party under this Agreement in respect of a Claim shall be made by the Indemnifying Party net of or giving effect to any insurance proceeds received by the Indemnified Party or the Company in respect of such Claim.

(c) In the event that, as a result of a Claim, an Indemnified Party or the Company claims on a Tax Return a currently realizable Tax Benefit, the indemnity payment shall be reduced by: (i) the amount of the currently realizable Tax Benefit available to the Indemnified Party; or (ii) 41.25% of the currently realizable Tax Benefit available to Company. For purposes of this paragraph, a "Tax Benefit" means an amount by which the Tax liability of the party (or consolidated group of corporations including the party) is reduced or becomes entitled to a Tax refund. Where the party (or consolidated group of corporations including the party) has other losses, deduction, credits or items available to it, the Tax Benefit from any losses, deductions, credits or items relating to the Claims shall be deemed to be realized only after the utilization of such other losses, deductions, credits or items. For purposes of this paragraph (c), a Tax Benefit is "currently realizable" to the extent it can be reasonably anticipated that such Tax Benefit will be realized in the current taxable period or year or in any tax return with respect thereto (including through a carryback to a prior taxable period) or in any taxable period or year prior to the date of the Claim. In the event that there should be a

determination disallowing the Tax Benefit, the Indemnifying Party shall be liable to the Indemnified Party for the amount of any related reduction previously allowed or made to the Indemnifying Party in the calculation of indemnifiable Claims pursuant to this Section 8.6(c).

(d) Any indemnification payments made (and/or any payments or adjustments) made pursuant to this Agreement shall be treated for all Tax purposes as an adjustment to the Purchase Price, unless otherwise required by applicable law, in which event such payments shall be made in an amount sufficient to indemnify the party on a net after-Tax basis.

(e) Any Claim for indemnification hereunder arising out a breach of a representation or warranty contained in Section 3.19 (Environmental Matters) and involving remediation shall be the result of (i) a requirement of any Environmental Law in effect as at the Closing Date; or (ii) the resolution of a third party claim which has not been stayed and which has not been initiated by the Buyer, the Company or any of their Affiliates, officers, directors, employees or agents after the Closing; provided, that any such Claim shall not exceed, in either case, the amount that a reasonable person in the conduct of its own business would spend to remediate such condition in order to meet but not exceed the requirements of applicable Environmental Law in effect on the Closing Date; provided, further, that if the Buyer or the Company or any of their Affiliates, officers, directors, employees or agents shall have performed any act after the Closing that is contrary to any Environmental Law to worsen such Claim the Seller shall have no indemnification obligation for such increased Claims resulting from such actions of the Buyer or the Company or any of their Affiliates, officers, directors, employees or agents. Buyer will use its reasonable efforts to keep the Seller informed with respect to work plans regarding any remediation efforts for which indemnification is being sought hereunder.

(f) Unless otherwise expressly stated in this Agreement and except with respect to any Claim that arises out of the willful misconduct of the Indemnifying Party, the indemnification obligations of either party under this Article VIII shall be limited to a maximum aggregate liability equal to the amount of the Purchase Price.

Section 8.7 Sole Remedy. Following the Closing, the indemnification obligations provided in this Agreement shall be the sole remedy of the parties for a breach of this Agreement.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Amendment and Modification; Waiver. This Agreement may be amended or modified only in writing, signed by Seller and Buyer.

Section 9.2 Expenses. Except as otherwise expressly provided herein, whether or not the transactions contemplated hereby are consummated, the parties shall bear their own respective expenses (including, but not limited to, all compensation and expenses of counsel, financial advisors, consultants, actuaries and independent accountants) incurred in connection with this Agreement and the transactions contemplated hereby.

Section 9.3 Assignment. No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other party hereto.

Section 9.4 Entire Agreement; Assumption Agreement. This Agreement including the exhibits and schedules hereto contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters. For purposes of clarity, no provision of the Assumption Agreement referred to in Section 6.2(g) shall in any way limit the ability of the Buyer to make claims for breach of representations, warranties, covenants or agreements contained in this Agreement.

Section 9.5 Parties in Interest; No Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Except with respect to the beneficiaries of the indemnification obligations contained in this Agreement, nothing in this Agreement is intended to confer upon any Person other than Seller or Buyer or their successors or permitted assigns any rights or remedies under or by reason of this Agreement.

Section 9.6 Counterparts. This Agreement and any amendments hereto may be executed in one or more counterparts, each of which shall be deemed to be an original by the parties executing such counterpart, but all of which shall be considered one and the same instrument.

Section 9.7 Interpretation. It is expressly agreed that this Agreement shall not be construed against any party, and no consideration shall be given or presumption made, on the basis of who drafted this Agreement or any particular provision hereof or who supplied the form of Agreement. Each party agrees that it has been purposefully drawn and correctly reflects their understanding of the transaction that it contemplates. In construing this Agreement:

(a) examples shall not be construed to limit, expressly or by implication, the matter they illustrate;

(b) the word "includes" and its derivatives means "includes, but is not limited to" and corresponding derivative expressions;

(c) a defined term has its defined meaning throughout this Agreement and each Appendix, Exhibit and Schedule to this Agreement, regardless of whether it appears before or after the place where it is defined;

(d) each Exhibit and Schedule to this Agreement is a part of this Agreement, but if there is any conflict or inconsistency between the main body of this Agreement and any Exhibit or Schedule, the provisions of the main body of this Agreement shall prevail; and

(e) the section and paragraph headings and table of contents contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

Section 9.8 Notices. All notices hereunder shall be deemed given if in writing and delivered personally or sent by telecopy or by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other addresses as shall be specified by like notice):

(a) if to Seller, to:

Intercap Yemen, Inc. c/o 1000-925 West Georgia Street Vancouver, British Columbia V6C 3L2 Facsimile: (604) 669-8803 Attention: H.S. Sangra

(b) if to Guarantor, to:

MFC Bancorp Ltd.

c/o 1000-925 West Georgia Street
Vancouver, British Columbia V6C 3L2
Facsimile: (604) 669-8803
Attention: H.S. Sangra

(c) if to Buyer, to:

Occidental (East Shabwa), LLC 10889 Wilshire Boulevard Los Angeles, California 90024 Facsimile: (310) 443-6192 Attention: General Counsel

Any notice given by mail or facsimile shall be effective when received.

SECTION 9.9 GOVERNING LAW; SUBMISSION TO JURISDICTION; SELECTION OF FORUM. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REFERENCE TO THE CHOICE OF LAW PRINCIPLES THEREOF. EACH PARTY HERETO AGREES THAT IT SHALL BRING ANY ACTION OR PROCEEDING IN RESPECT OF ANY CLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTAINED HEREIN OR CONTEMPLATED HEREBY, WHETHER IN TORT OR CONTRACT OR AT LAW OR IN EQUITY, EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA OR THE SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE COUNTY OF LOS ANGELES (THE "CHOSEN COURTS") AND (I) IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE CHOSEN COURTS, (II) WAIVES ANY OBJECTION TO LAYING VENUE IN ANY SUCH ACTION OR PROCEEDING IN THE CHOSEN COURTS, (III) WAIVES ANY OBJECTION THAT THE CHOSEN COURTS ARE AN INCONVENIENT FORUM OR DO NOT HAVE JURISDICTION OVER ANY PARTY HERETO AND (IV) AGREES THAT SERVICE OF PROCESS UPON SUCH PARTY IN ANY SUCH ACTION OR PROCEEDING SHALL BE EFFECTIVE IF NOTICE IS GIVEN IN ACCORDANCE WITH SECTION 9.8 OF THIS AGREEMENT.

Section 9.10 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any person or entity or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other persons, entities or

circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 9.11 Attorney's Fees. The prevailing party in any legal proceeding brought under or to enforce this Agreement shall be additionally entitled to recover court costs, reasonable costs of arbitration and reasonable attorneys' fees from the nonprevailing party.

Section 9.12 Time of Essence. Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

Section 9.13 Publicity. All media releases and public announcements or disclosures by any Party relating to this Agreement and the transactions contemplated hereby shall be coordinated with and approved by the other Parties in writing prior to the release thereof.

* * *

IN WITNESS WHEREOF, this Agreement has been signed on behalf of each of the parties hereto as of the date first written above.

OCCIDENTAL (EAST SHABWA), LLC

By /s/ Todd A. Stevens

Name: Todd A. Stevens

Title: Vice President

INTERCAP YEMEN, INC.

By /s/ R. Zanatta

Name: R. Zanatta

Title: Secretary

MFC BANCORP LTD.

By /s/ R. Zanatta

Name: R. Zanatta

Title: Secretary

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EXHIBIT 8.1

SUBSIDIARIES OF MFC BANCORP LTD.

NAME -----	JURISDICTION OF INCORPORATION -----	SHAREHOLDERS YEAR END -----
MFC Merchant Bank S.A.	Switzerland	100%
Constitution Insurance Company of Canada	Canada	100%
MFC Commodities GmbH	Austria	95%
TriMaine Holdings, Inc.	U.S.A.	83%
Trimble Resources Corporation	Turks & Caicos Islands	100%
Drummond Financial Corporation	U.S.A.	96%
Eurotrade & Forfaiting Inc.	U.S.A.	93%
Banff Resources Ltd.	Yukon	85%
MFC Aluminiumfolie Merseburg GmbH	Germany	100%

EXHIBIT 10.1

**CERTIFICATION PURSUANT TO
18 U. S. C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Smith, Chief Executive Officer and Principal Financial Officer of MFC Bancorp Ltd. (the "Company") do hereby certify in connection with the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2002 (the "Report"), (i) that the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and (ii) that the information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

April 16, 2003

/s/ MICHAEL J. SMITH

*Michael J. Smith
Chief Executive Officer and
Principal Financial Officer*