MFC BANCORP LTD.

2002 ANNUAL REPORT

CORPORATE PROFILE

MFC Bancorp Ltd. is an international merchant banking company with offices in Vienna and Berlin and operations mainly on the European continent. Through MFC Merchant Bank S.A., a subsidiary based in Herisau, Switzerland, MFC provides customized financial and consulting services to institutions and corporations. MFC also invests for its own account, acquiring undervalued assets and restructuring them to realize their full potential. MFC is an active investor, seeking opportunities where its management and financial expertise can unlock latent value. MFC Bancorp Ltd. common shares trade in the United States on the NASDAQ National Market (symbol: MXBIF) and in Europe on the Frankfurt Stock Exchange (symbol: MFC GR).

2 FINANCIAL HIGHLIGHTS

3 TO OUR SHAREHOLDERS

10 REVIEW OF OPERATIONS

15 2001 FINANCIAL REVIEW

49 CORPORATE INFORMATION

REBIRTH IN CENTRAL EUROPE

The European Union is expanding eastward, completing the process of liberation and rebirth that began when the people of Germany demolished the Berlin Wall in 1989. Central Europe — a concept that decades of polarized East-West thinking had all but eliminated — has re-emerged, ready to resume its pivotal role in the continent's economic life.

This is where Europe's great communities — Slavic to the east, Germanic to the north, Romance to the west, Hungarian and Greek to the south — naturally come to meet and trade. Traditionally, merchant bankers like the great Fugger family have done their part to foster trade and investment here, greatly enriching the region's economic and cultural life, and in turn being enriched by them.

MFC Bancorp is proud to build on the great traditions of central European merchant banking. We welcome the rebirth of Central Europe, and the renewal of trade, opportunity and prosperity it promises.

FINANCIAL HIGHLIGHTS

As at December 31 (In Thousands, Except Earnings Per Share and Book Value Per Share)	*U.S. Dollars*			
	2002	*2001*	*2000*	*1999*
Revenues	$ 180,006	$ 134,526	$ 104,133	$ 84,490
Net income*	32,129	28,437	26,105	24,452
Earnings per share (diluted)*	2.35	2.10	2.02	1.90
Return on investment*	20.6%	21.2%	22.9%	23.5%
Book value per share	14.07	11.72	11.75	9.83
Total assets	282,712	247,796	221,346	187,145
Debt	43,554	61,535	23,611	21,421
Shareholders' equity	180,608	154,462	142,070	118,348

** from continuing operations*

TO OUR SHAREHOLDERS

MFC Bancorp is pleased to report that 2002 was another year of notable achievements and satisfactory financial performance for our company. We reached our target of a 20% return on our capital.

MFC engages in merchant banking, which includes trading and proprietary investing activities, providing specialized banking and corporate finance services and advising clients on corporate strategy and structure, including mergers, acquisitions, and the raising of capital. In recent years we have expanded our trading-related activities through both internal expansion and strategic acquisitions to include trading in commodities and natural resources. We also invest our own capital to realize either long-term or trading gains; this part of our business increased significantly in 2002. MFC's investing focuses on assets whose price does not reflect their intrinsic value, typically due to legal, financial or other distressful circumstances. MFC's investments are generally not passive, and we seek investment opportunities where our financial and management expertise can add or unlock value.

Our merchant banking business generates revenues through fees for banking services and financial advice, interest income on our own capital, trading in

commodities and natural resources, and from our proprietary investments via asset sales, equity and debt restructurings, and other dispositions. Our strong trading and corporate finance capabilities often increase the benefits we are able to realize through our proprietary investing.

At the end of 2001, MFC completed its acquisition of a group of trading companies; this trading group is active in Central and Eastern Europe. We acquired these companies to augment our own long-term operational capabilities in commodity and resource trading.

In 2002, as part of our value-based acquisitions strategy, we significantly increased the level of our proprietary investing for purposes of profitable future disposition.

In August, we divested our interest in Mymetics Corporation through a stock dividend to MFC shareholders, and in the same month acquired approximately 75% of Kasese Cobalt Company, which in turn owns and operates a cobalt extraction facility in Uganda. We have placed this plant on a care and maintenance schedule pending a more favorable cobalt price regime, and are meanwhile selling the power produced by its 9-megawatt hydroelectric station.

Jacob Fugger the Rich
(1459-1525) merchant and financier

MFC Bancorp's new headquarters in Vienna places the company at the traditional crossroads of Europe, where industry and trade — and the merchant banking that supports them — are demonstrating renewed vigor in the new century. The end of the Cold War and now the eastward expansion of the European trade community have ended the period of relative eclipse for merchant banking in central Europe during the 20th century. The crossroads of Europe has reopened, poised to reclaim its historical place in the continent's commerce.

Merchant banking first emerged in this region to serve the traders along the great overland trade route between Venice and the Hanseatic towns to the north, and on the Danube, the major route for water-borne trade through central Europe to the east. Banking was precarious at first, partly because of the medieval religious proscription on lending at interest.

Matthaeus Schwarz (1487-1574)
bookkeeper of the Fugger banking family

However merchant bankers enjoyed greater prestige than their colleagues in the lending, pawn broking, and currency exchange sectors: they had more flexibility to seek profits by providing a variety of fee-based services, acting as financial intermediaries, and by acquiring equity positions in the enterprises they served.

The Fugger family, based in Augsburg, built the most successful merchant banking concern in Central Europe during the 15th and 16th centuries. Jacob Fugger ("the Rich"), 1459-1525, lent immense sums to the Habsburg Emperor Maximilian I, and helped secure the election of his nephew Charles V to the throne of Spain in 1519. But the Fuggers' royal debtors, who also included England's Tudor dynasty, were rightly considered high-risk. Business rather than lending was the great banking family's primary source of wealth: they controlled extensive land and mining interests, and dominated the European trade in silver, copper, and mercury.

In October we leased, with an option to purchase, the operations of an aluminum rolling mill in Merseburg, Germany with an annual capacity of approximately 9,000 tonnes. As typical aluminum rolling mills are in the 50,000-tonne capacity range, MFC's mill is considered a niche producer.

Integration Increases Opportunity, Enhances Flexibility

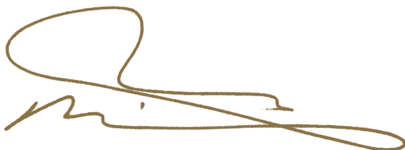
By conducting our merchant banking business in a highly integrated and entrepreneurial manner, MFC takes advantage of substantial cross-selling opportunities and increases the variety and scope of our business. Our multiple revenue sources give us greater flexibility in structuring business relationships, revenues, and transactions for maximum profitability. As a result, we are able to generate higher revenues from particular partners or opportunities: banking and financial advisory services often lead to commodity and natural resources trading with clients, and vice versa. Either activity can result in proprietary investments that let us utilize our own capital to help restructure businesses, acquire interests, or refinance opportunities.

In 2003 and beyond, MFC plans to increase our assets and earnings by expanding 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 and management expertise can add or unlock value.

We would like to thank our staff and clients for helping us make 2002 a highly successful year for MFC. We also thank our shareholders for their continued confidence in our company. We look forward to continuing and strengthening these mutually beneficial relationships, and achieving even greater success in 2003.

On Behalf of the Board,



MICHAEL J. SMITH,

President and Chief Excecutive Officer

Habsburg Emperor Maximillian I

As the richest family in Europe at the time, the Fuggers were also generous philanthropists and patrons of the arts. After financing some of the Habsburgs' unsuccessful wars, they were compelled to write off the imperial family's immense debt in 1650, canceling a century of profits. Around the same time, they dissipated much of their fortune in socially advantageous but financially dubious marriages into the nobility.

The Habsburgs survived their loan default by centuries longer, their power and status continuing to tempt some of Europe's biggest merchant bankers — the Welsers, Manlichs and others — into high-risk royal lending. All too often, these arrangements ended in default or write-off. By contrast, bankers who eschewed the negative-sum world of political and military lending to focus on financing expansion of industry and trade achieved not only more reliable financial returns for themselves, but increased economic growth that benefited the people of the empire.

REVIEW OF OPERATIONS

Total revenues for 2002 increased by 32.7% last year, up $70.1 million from $214.2 million in 2001 to $284.3 million in 2002, primarily as a result of including our expanded trading operations for the full year. MFC has expanded trading operations both by hiring additional trade proffessionals and by diversifying the types of commodities and resources we trade; we are also expanding geographically into the Far East and South Asia.

Expenses increased 39.3% to $237.2 million in 2002, an increase of $67.0 million from $170.2 million in 2001; again, this increase came mainly from expansion of trading operations. Net earnings increased to $50.8 million, or $3.93 per share on a basic basis ($3.70 diluted), an increase of $5.5 million from $45.3 million ($3.59 per share basic or $3.35 diluted) in 2001. In return on capital, considered a key indicator in the merchant banking industry, MFC achieved a total return in excess of 20%.

Lobkowitzplatz in Vienna 1758

In 1815 the Congress of Vienna, convened to remake Europe politically after the Napoleonic upheaval, created a new trade regime as well. In commercial and economic terms, the century following the Congress was a liberal era reminiscent in many ways of the modern European Union, with its almost non-existent national borders. Goods moved more freely than in previous centuries, and people were able to travel virtually at will throughout Europe without a passport.

Merchant bankers, many of them operating transnationally on the Rothschild model, underwrote an enormous expansion not only of industrial plant but also of trade infrastructure in the form of railroads, canals, and port facilities. After lagging all through the previous centuries, Central Europe seemed on the brink of joining the most economically advanced nations of the time: England, Germany, and the USA.

FINANCIAL RESULTS FOR 2002

MFC's performance in 2002 is also reflected in our balance sheet. Total assets have increased 13.2%, or $52.0 million, from $394.6 million in 2001 to $446.6 million last year. At the same time, we significantly reduced our outstanding debt: from $98.0 million at the end of 2001 by $29.2 million, or 29.8%, to $68.8 million at the end of 2002. As a result, shareholders' equity, which stood at $246.0 million at the end of 2001, has increased to $285.3 million, up $39.3 million, or 16%.

Shipborne river trade

Unfortunately, the 20th century witnessed a long interruption of Central Europe's growth in trade and the associated merchant banking business. Defeat in the Great War and the consequent collapse of the Habsburgs' empire left an economic vacuum in the region, and then trade dried up in the worldwide Depression of the 1930s. World War II brought terrible devastation, and finally the Cold War all but pinched off the age-old commercial routes to the north, south, and east, reducing freight traffic on the Danube to a relative trickle.

Yet in this new century, all the misfortunes of the previous one have now been swept away. The sudden end of the Cold War in 1989 and the eastward growth of the European Union to encompass Austria and a growing number of former Iron Curtain countries of Central and Eastern Europe have radically improved the trade picture. Commerce is expanding rapidly on the traditional routes through the crossroads, as are the associated opportunities for merchant banks to build wealth along with their entrepreneur clients. Central Europe's promising prospects of the 19th century may yet be fulfilled in the 21st.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

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.

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			
(in thousands, other than per share amounts)	*December 31*	*September 30*	*June 30*	*March 31*
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, financial services 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

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			
(in thousands, other than per share amounts)	*December 31*	*September 30*	*June 30*	*March 31*
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:

(In Thousands)		*U.S. Dollars*		*Canadian Dollars*
December 31,	*2002*	*2001*	*2002*	*2001*
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.

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 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.

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.

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.

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.

PETERSON SULLIVAN P.L.L.C.

Seattle, Washington

April 7, 2003

(In Thousands)	*U.S. Dollars (Information Only)*	*Canadian Dollars*	
December 31,	*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
	$ 282,712	$ 446,574	$ 394,639

(In Thousands)	U.S. Dollars (Information Only)	Canadian Dollars	
December 31,	2002	2002	2001
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	98,463	155,533	145,521
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
	180,608	285,290	245,997
	$282,712	$446,574	$394,639

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

(In Thousands, Except Earnings Per Share)	U.S. Dollars (Information only)	Canadian Dollars		
Years Ended December 31,	2002	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
	150,140	237,159	170,233	114,354
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)
Income before minority interests	32,080	50,677	44,785	40,177
Minority interests	49	78	503	(1,014)
Net income	$ 32,129	$ 50,755	$ 45,288	$ 39,163
EARNINGS PER SHARE				
Basic	$ 2.48	$ 3.93	$ 3.59	$ 3.24
Diluted	$ 2.35	$ 3.70	$ 3.35	$ 3.03

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Canadian Dollars, in Thousands) Years Ended December 31, 2002, 2001 and 2000	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.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian Dollars, in Thousands) *Years Ended December 31,*	*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.

Non-monetary 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.

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 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.

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 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 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
Total assets acquired	77,965
Current liabilities	6,996
Debt	70,969
Total liabilities assumed	77,965
Net assets acquired	$ —

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
Total assets acquired	49,006
Current liabilities	3,437
Minority interest	2,763
Total liabilities assumed	6,200
Net assets acquired	$ 42,806

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

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.

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
	$16,408	$ 295	$ —	$ 16,703	$12,920	$ —	$1,627	$11,293

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						
	Within 1 year	*1 to 3 years*	*3 to 5 years*	*5 to 10 years*	*No specific maturity*	*2002 Total*	*2001 Total*
BANK TRADING ACCOUNT SECURITIES:							
Debt:							
Governments	$ —	$ 6,324	$ —	$ —	$ —	$ 6,324	$ 6,050
Other issuers	3,822	11,080	5,318	—	—	20,220	15,875
	3,822	17,404	5,318	—	—	26,544	21,925
Common shares	—	—	—	—	5,585	5,585	28,025
Total	3,822	17,404	5,318	—	5,585	32,129	49,950
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
	—	—	—	—	12,206	12,206	12,577
Total	1,906	—	—	—	12,206	14,112	12,935
LONG-TERM SECURITIES							
Debt (other issuers)	—	789	—	—	—	789	795
Equities:							
Preferred shares	—	—	—	—	299	299	601
Common shares	—	—	—	—	15,320	15,320	11,524
	—	—	—	—	15,619	15,619	12,125
Total	—	789	—	—	15,619	16,408	12,920
Total securities	$5,728	$18,193	$ 5,318	$ —	$33,410	$62,649	$75,805

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
	$ 77,879	$ 69,737

Loan maturities:

	Within 1 Year	1 - 5 Years	2002 Total
Bank loans	$ 9,845	$ -	$ 9,845
Other loans	18,343	49,691	68,034
	$ 28,188	$ 49,691	$ 77,879

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
	$ 53,955	$ 44,864

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
	$ 47,279	$ 41,649

NOTE 8. DEPOSITS

	2002	2001
Clients	$ 39,190	$ 164
Banks	8	360
	$ 39,198	$ 524

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 semi-annually beginning in June 2003, due in full December 2006, secured by commodity transactions receivables	18,055	15,599
Bonds payable, interest at 15% paid semi-annually, 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
	$ 68,798	$ 98,000

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
	$ 68,798

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.

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
	$ 47,180	$ 44,013	$ 41,866

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)
	$ 3,497	$ 772	$ (1,689)

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	$ 3,497	$ 772	$ (1,689)

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

	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.

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.

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	—	—
	$ 284,339	$ 214,246	156,220

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	—
	$ 446,574	$ 394,639

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 non-monetary transaction with an affiliate in 2002.

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:

	December 31		
Reconciliation of Net Income	*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

	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

Comprehensive Income	*2002*	*2001*	*2000*
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.

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
	$ 14,112	$ 12,935

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS AND OFFICERS

Michael J. Smith
President
Director since 1986

Roy Zanatta
Secretary

Dr. Stefan Feuerstein
Director since 2000

Sok Chu Kim*
Director since 1996

Silke Brossmann*
Director since 2003

Oq-Hyun Chin*
Director since 1994

* Members of the Audit Committee

ADDRESS

Millennium Tower
21st Floor
Handelskai 94-96
1200 Vienna
Austria
Telephone:
43.1.240.25.300
Facsimile:
43.1.240.25.310
E-mail:
mfcbancorp@bmgmt.com

SUBSIDIARIES

MFC Merchant Bank S.A.
Kasernenstrasse 1
9100 Herisau AR
Switzerland
Telephone:
41.71.353.08.80
Facsimile:
41.71.353.08.88
E-mail:
mfc@mfcbank.ch

MFC Capital Partners AG
Charlottenstrasse 59
10117 Berlin, Germany
Telephone:
49.30.2094.5800
Facsimile:
49.30.2094.5811
E-mail:
webmaster@mfc-ag.de

MFC Commodities GmbH
Millennium Tower
21st Floor
Handelskai 94-96
1200 Vienna
Austria
Telephone:
43.1.240.250
Facsimile:
43.1.240.25.260
E-mail:
office@mfc commodities.com

AUDITOR FOR THE BANK

ATAG Ernst & Young S.A.
59 Route de Chancy
P.O. Box 48
1213 Petit-Lancy
Geneva
Switzerland

STOCK LISTING

NASDAQ
National Market
3rd Floor
1735 K. Street N.W.
Washington, D.C.
20006 USA

Trading Symbol: MXBIF

Frankfurt Stock Exchange
Börsen Platz 7-11
60313 Frankfurt
Germany

Trading Symbol: MFC GR

TRANSFER AGENT

Mellon Investor Services LLC
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
USA

CIBC Mellon Trust Company
2001 Universtiy Street
16th Floor
Montreal, Quebec
H3A 2A6
Canada

AUDITORS

Peterson Sullivan P.L.L.C.
Certified Public Accountants
2300 Two Union Square
Seattle, Washington
98101 USA

INCORPORATION

Yukon Territory, Canada

MFC BANCORP LTD. WEBSITE

www.mfcbancorp.com