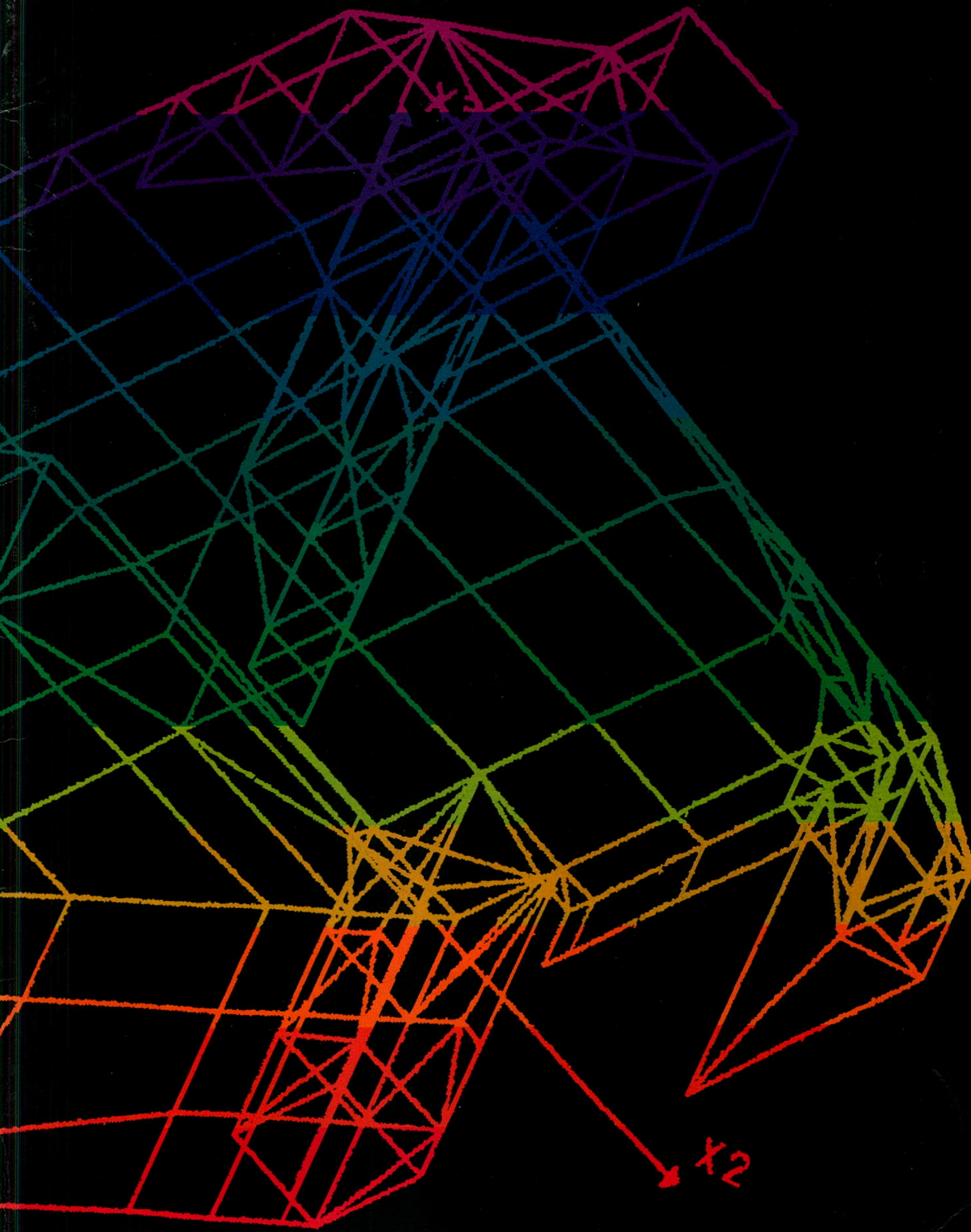
Versatile Corporation Annual Report 1982

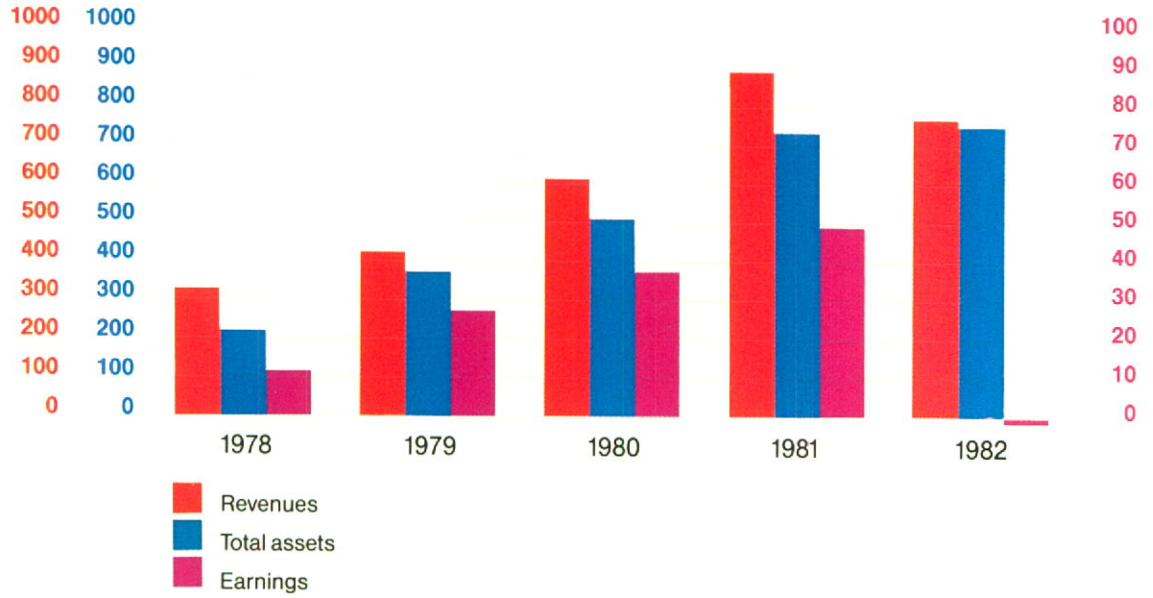


HIGHLIGHTS

Financial

	1982	1981
Revenue	$759.7 million	$895.7 million
Net earnings (loss)	$ (1.2 million)	$ 48.0 million
Earnings (loss) per Class A and Class B share	$(0.15)	$1.93
Capital expenditures	$ 51.7 million	$ 85.0 million
Dividends paid		
Preferred	$ 2.3 million	$ 2.3 million
Class A and Class B	$ 6.6 million	$ 7.2 million

Five Year Comparison
(millions of dollars)



The rapid growth in revenues, assets and earnings of the years 1978 through 1981 was not continued in 1982. In line with the Canadian and world economies market conditions in all major areas of Versatile Corporation's operations deteriorated throughout the year. This resulted in decreased revenues and a small loss for the year as a whole.

The current thrust of the Corporation's planning is to tailor its operations so that it will be profitable at a reduced level of activity. When the long-awaited economic upturn commences in earnest, the operations of the Corporation will be poised to take full advantage.

Cover Illustration

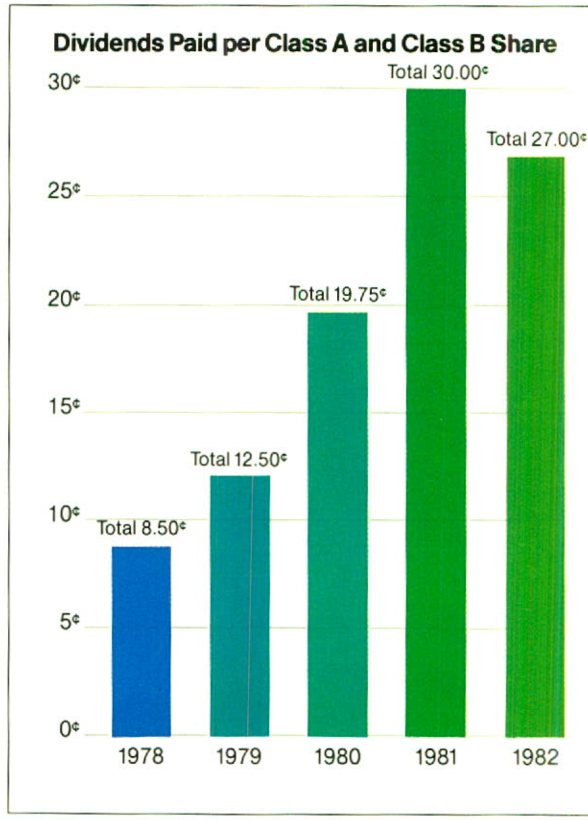
A finite element model of the Versatile Series III tractor frame, this was created by the engineering technical services group at Versatile Farm Equipment Company in Winnipeg, Manitoba. It permits the analysis of tractor frame strength prior to the prototype stage, while pinpointing problem areas and correcting them before fabrication. A cost-efficient and time-effective device, it practically eliminates prototype failure, and reduces materials and re-design commitment.

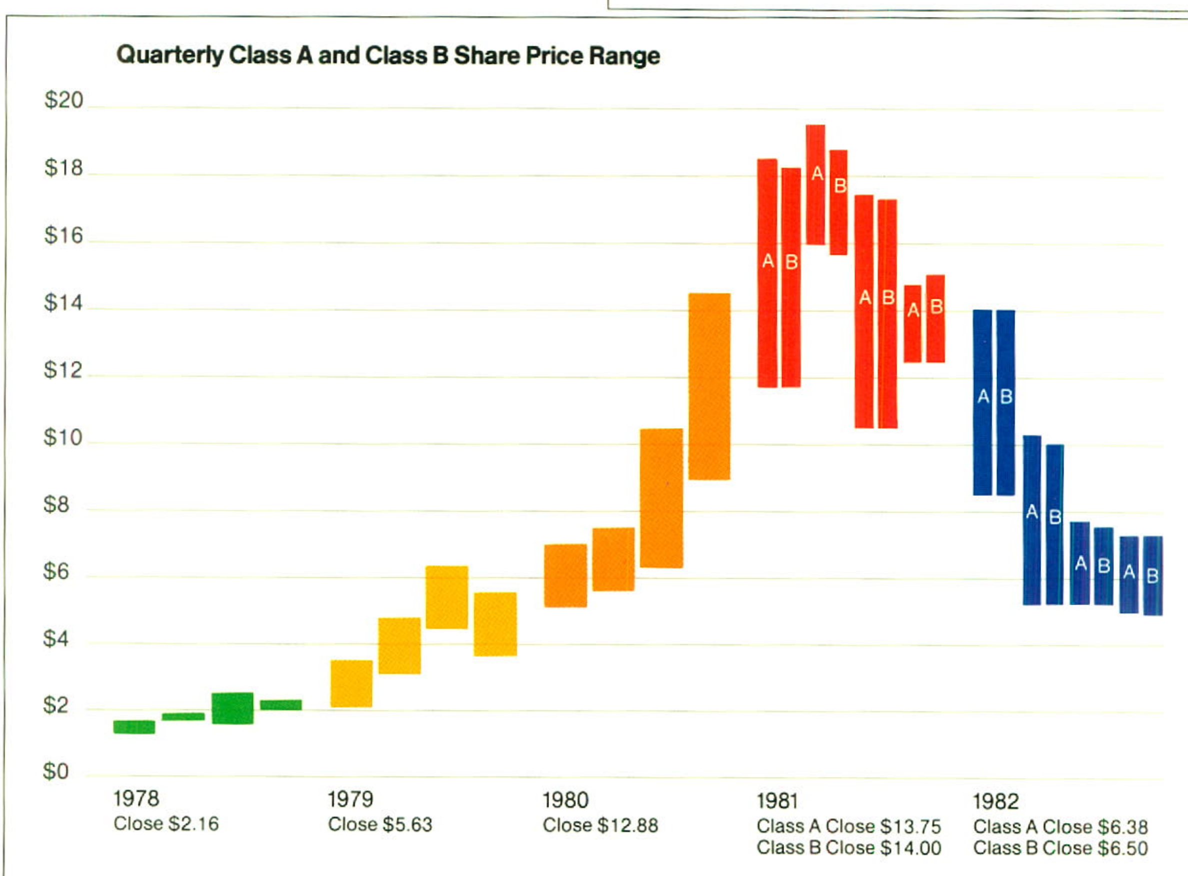
Throughout this report are several untitled schematic diagrams referring to the finite model analysis process similar to that depicted on the cover.

CONTENTS

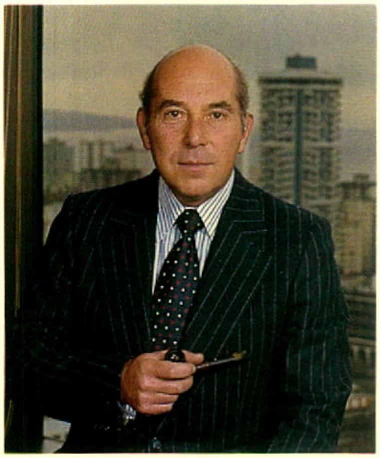
VERSATILE CORPORATION
Versatile Corporation is a diversified Canadian industrial enterprise. With operations in North America and overseas, it is engaged in agricultural equipment manufacturing and distribution; food processing and cold storage warehousing; ship building, ship repairs, specialized industrial fabrication and marine design/engineering; oil and gas development, products and support services; and, credit operations.

Annual Meeting
The Annual Meeting of Versatile Corporation shareholders will be held in Vancouver, British Columbia at the Hotel Vancouver (Waddington Room) on Thursday, April 28, 1983 at 2:00 p.m.


Dividends Paid per Class A and Class B Share
30¢
25¢
20¢
15¢
10¢
5¢
0¢
Total 8.50¢
Total 12.50¢
Total 19.75¢
Total 30.00¢
Total 27.00¢
1978
1979
1980
1981
1982


Quarterly Class A and Class B Share Price Range
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$0
A B
A B
A B
A B
A B
A B
A B
A B
1978
Close $2.16
1979
Close $5.63
1980
Close $12.88
1981
Class A Close $13.75
Class B Close $14.00
1982
Class A Close $6.38
Class B Close $6.50

DIRECTORS' REPORT TO SHAREHOLDERS



1982 was a year of considerable adjustment for Versatile Corporation. The North American recession contributed to a significant reduction in consolidated revenues. Net earnings were affected severely in the farm and energy sectors. Declining grain prices, high interest rates and reduced demand for oil and gas curbed revenues in Agricultural and in Oil and Gas Operations, resulting in the first loss in our history. The Corporation's profitability also was affected adversely by losses of a non-recurring nature in our Marine and Industrial Operations Group on three shipyard contracts. Without these we would have completed the year with a profit.

Financial Summary
Consolidated revenues in 1982 amounted to $759.7 million compared with $895.7 million in 1981. The loss for the year was $1.2 million compared with net earnings of $48 million in 1981. The 1982 loss per Class A and Class B share was 15 cents compared with earnings of $1.93 per Class A and Class B share in 1981. Dividends declared and paid during the year amounted to 27 cents compared with 30 cents per share in 1981.

Capital expenditures for 1982 were $51.7 million, compared with $85 million spent in 1981. These reduced expenditures reflected the policy of the Corporation to conserve funds through the reduction and deferral of planned capital projects in keeping with the economic uncertainties now being faced.

During the year Versatile Corporation issued $45 million in cumulative redeemable convertible junior preferred shares. The proceeds of this issue were applied to reduce short-term debt. Also, Versatile Credit Corporation (Canada) commenced the utilization of borrowing facilities in its own name, thereby reducing its indebtedness to the Corporation.

Operations Summary
The Agricultural Group experienced a most difficult year in 1982. Due to depressed retail activity for farm equipment in Canada and the United States, we reduced production by closing the Winnipeg plant for two months in order to reduce dealer inventories to appropriate levels. While 1982 industry retail sales were down from levels achieved the previous year, Versatile Farm Equipment Company was able to increase its market share through aggressive sales and retail finance programs. Expenditures for research and development were maintained at budgeted levels, while all other operating and administrative expenses were trimmed in response to declining revenues and manufacturing activity. Dealer inventories were reduced to bring them into line with the decline in retail sales, thus creating a corresponding effect on the Company's receivables. As retail demand improves, lower inventories and reduced operating costs will enhance profitability for the Company. In Australia, retail sales and market share of Versatile four-wheel drive tractors increased compared with 1981. A severe drought in eastern Australia reduced sales in the second half of 1982.

Worldwide sales of Versatile Toft Ltd. sugar cane harvesters declined during the year, largely due to plummeting world sugar prices. It did not affect Australian sales as much as elsewhere. Domestic demand for the Company's products continued to be strong.

Versatile Cold Storage Corporation reported satisfactory results for another year, despite the economic downturn. The Company successfully integrated and expanded the Alberta Cold Storage Operations purchased in 1981. Continued tight control over costs and sound marketing practices helped to maintain sales volumes and profit margins at satisfactory levels throughout the year.

Marine and Industrial Operations carried out a high level of ship repair and refit contracts. Shipyard activity in Vancouver and Victoria at Burrard Yarrows Corporation, and in Montreal at Versatile Vickers Inc., totalled major refits on 11 ships and various repairs and maintenance on 451 ships. Workload levels at Burrard Yarrows reached a post-War high during 1982. These resulted in some non-recurring productivity problems, and steps were taken to correct the situation. The number of employees was reduced to normal levels by the end of the year.

The level of activity achieved by Versatile Vickers' industrial division was down in 1982 compared with recent years. This was a result of the completion and shipment of a number of large contracts. Due to the decline in general economic activity the Company was unable to secure new contracts to maintain existing production levels. With the development of a new marketing team and sales programs currently underway, we expect to achieve broader market penetration and to secure a number of additional contracts.

Throughout 1982 Versatile Vickers Systems Inc., our marine design and engineering subsidiary, continued to meet the requirements of large contracts both for the Canadian military and offshore petroleum exploration with services ranging from feasibility studies to concept design, preliminary design through to detailed ship construction drawings. This Company gained in respect and influence through its provision of maintenance and materials management, field services surveying, quality assurance teams, set-to-work teams and shipyard management assistance.

The activities of Bralorne Resources Limited were seriously affected by the significant slowdown in North American oil and gas exploration. A severe decline in drilling activities caused a sizeable inventory of seismic and drilling equipment idled in the field and a corresponding absence of demand for Bralorne's products and services. Consequently, the lesser volume of orders necessitated substantial cutbacks in manufacturing and employment levels by shutting and consolidating existing plants.

During the early part of 1982 Versatile Corporation continued its participation in Joint Venture II, an exploration program with Bralorne Resources, C-I-L Inc. and ICI Petroleum, Inc. Due to the considerable amount of shut-in gas, however, further activity has been postponed. Participation in the exploration program carried out in partnership with Bralorne Resources and the Magnet Group in Australia was continued at previous levels for the first half of 1982, but expenditures were reduced in the second half.

People

In Agricultural Operations Winnipeg headquarters, Barrie J. Smith was appointed Vice-President Marketing (North American operations). In Australia, Leo J. Mulkearns was appointed General Manager of Versatile Toft Ltd. In the Alberta Division of Versatile Cold Storage Corporation, Roy Rogers became Vice-President.

In the Marine and Industrial Group, J. William Hudson was succeeded as President and Chief Executive Officer of Burrard Yarrows Corporation by Donald W. Challinor. David J. Alsop became Senior Vice-President and Gordon C. Kerr was appointed Vice-President Finance. The directors acknowledge the role Mr. Hudson played within the Corporation before his retirement as Vice-President, Marine and Industrial Operations, and thank him for 30 years of dedicated service. At Versatile Vickers, Robin J. Mayes was named Vice-President, Finance and Administration.

Harold W. Blakley was appointed Director of Government Relations and is located in Ottawa.

Employees of the Corporation, its subsidiaries and divisions at year-end totalled some 6934. Remuneration paid during the year amounted to $239 million. 1982 saw the signing of labour agreements, without job action, affecting the employees of Burrard Yarrows and the Agricultural Group. The Corporation's program of hiring and salary restraint overall has succeeded in maintaining increases well within the federal "6 & 5" guidelines. Versatile Vickers and Versatile Cold Storage union contracts expire early in 1983.

The directors appreciate the co-operation that was forthcoming from employees at all levels during a most difficult year. In order to maintain satisfactory volumes of business under depressed market conditions, we are asking that efforts be concentrated on improving productivity in all aspects of operations.

Outlook

The Corporation anticipates operating in a difficult economic climate during 1983. While many factors now point to an improvement in overall economic activity, Versatile Corporation perceives continuing difficulties in the oil and gas and agricultural equipment sectors during 1983. Steps taken in 1982 to trim production and operating costs will continue. This will enable the Corporation to deal with slow growth in activity and thereby to enhance profitability in 1983. The Agricultural Group plans to improve sales of equipment by expanding product lines and geographic coverage. The priority on research and development activities for this Group will continue to be emphasized. Bralorne anticipates that conditions in the oil and gas industry will not show much improvement before the end of 1983. In Marine and Industrial Operations we expect that the expanded marketing programs implemented in 1982 will lead to increased manufacturing activity and the re-establishment of a solid backlog of orders for future years.

The steps already taken to reduce inventories, curtail production costs and improve productivity will have a significant impact on the Corporation's profitability as economic conditions improve.

On behalf of the Board,

Peter Paul Saunders

Peter Paul Saunders
Chairman
March 7, 1983.

AGRICULTURAL AND COLD STORAGE OPERATIONS

Versatile Farm Equipment Company
Winnipeg, Manitoba, Canada

Versatile Farm Equipment Corporation
Kansas City, Missouri, U.S.A.

Versatile Noble Cultivators Company
Nobleford, Alberta, Canada

Versatile Farm Equipment Pty. Ltd.
Dubbo, New South Wales, Australia

Versatile Toft Ltd.
Bundaberg, Queensland, Australia

In 1982 the global farm machinery industry was faced with the lowest level of retail unit sales experienced in recent years. This left a surplus of unsold inventories at factory and dealership levels, necessitating production cutbacks and severe discounting. Nevertheless, the Corporation was able to capitalize on its established leadership and to strengthen its position. Penetration into new market areas also was increased, particularly in the American mid-west.

During the first part of the year, the high cost of financing increased levels of inventories and receivables had a major impact on profitability. Steps were taken to scale down raw materials and work-in-progress factory inventories, to tighten credit controls and to reduce receivables.

Exceptional retail discounting was required to match industry sales practices, thus contributing to a loss for the Agricultural Operating Group. The impact of low commodity prices created by surplus grain inventories and high interest rates, particularly in the United States, affected end user purchasing decisions. Given the forecast reduction in net farm incomes in both Canada and the United States, many highly leveraged farmers did not purchase machines and others deferred their buying decisions.

Hourly and salaried employment levels were adjusted throughout the year to match reduced production. At the end of 1982 the Group's work force was down 24 percent from 1981. Under deteriorating economic conditions a wage freeze was implemented for all salaried personnel in July 1982. Capital expenditures for all aspects of operations were carefully scrutinized, and only those already committed or essential were approved.

The level of research and development activity was not curtailed to the same extent as were manufacturing operations. Some peripheral projects had to be deferred or cancelled. Nevertheless, all key projects were maintained without interruption.

The Corporation does not foresee an upturn in farm machinery sales for 1983. As a result, periodic reductions in manufacturing activity are planned to maintain inventories in balance with retail sales that are expected to be substantially reduced.

Sales and Marketing

Although industry retail sales of four-wheel drive tractors were down approximately 28 percent in North America, Versatile retail deliveries did not decline in the same proportion. This contributed to a market share increase in excess of 4 percentage points in this depressed market. Retail deliveries of lower horsepower Versatile bi-directional tractors increased 35 percent over the previous year. The reception that the marketplace accorded the Model 1150-470 horsepower tractor, introduced in December 1981, was most encouraging. While sales of other lines including swathers, sprayers, seed drills and blade machines followed downward industry trends, historic market share levels were maintained.

In Australia sales of four-wheel drive tractors through Versatile Farm Equipment Pty. Ltd. were vigorous in the first half of 1982. They dropped off dramatically in the latter part of the year, however, due to the onset of a severe drought in eastern Australia. Unit sales of large four-wheel drive tractors by our dealers to end users were up 9 percent. Industry sales remained relatively stable, thus increasing the market share and further consolidating a leading position for Versatile in the Australian marketplace. During 1982 the first shipment of chisel ploughs built and designed by Versatile Noble Cultivators Company was delivered to Australia. A full-scale launch of this new product line is scheduled for early 1983.

Most other offshore markets met with expectations, with substantial sales achieved in the Middle East. As a result of currency devaluation, however, Mexican sales proved disappointing. Meanwhile, discussions continued with the People's Republic of China and other potential new markets offshore.

The sales agreement with Fiat Trattori, S.p.A. for certain export markets was modified to permit Versatile direct access to some markets previously covered by Fiat on an exclusive basis.

Unit sales of sugar cane harvesters were down approximately 20 percent in 1982. Nevertheless, strong Australian domestic sales helped to offset disappointing results in the international marketplace. Retail domestic deliveries remained high, and Versatile Toft Ltd. maintained its dominant market share. Worldwide depressed sugar prices, high interest rates and long-term credit factors, however, caused declines in international sales, particularly to Mexico.

Versatile Noble sales in Canada showed a modest increase, but worldwide mirrored the generally depressed market for tillage equipment. 1982 was the first full year that they were marketed through the Versatile dealer network, an arrangement expected to generate higher sales volumes in future.

The Corporation's extensive North American dealer network was strengthened further during 1982 by the replacement of several marginal dealers with stronger representation. The dealer roster registered a modest gain of 20 additional dealers, mostly in new market areas of the U.S. mid-west.

Product Development

Engineering and product development continued in 1982 in order to advance the launching of a new series of tractors which will maintain the Company's competitiveness. The introduction of the new, 1

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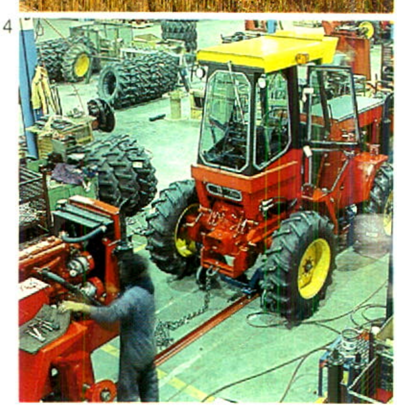


1 Onofre Mendoza checks for accuracy of measurement using a micro-computer based portable console with the Bendix Co-ordinate Measurement Machine (CMM) at the Winnipeg plant of Versatile Farm Equipment Company.

2 A Versatile Toft sugar cane harvester ready for work.

3 A Versatile 875 four-wheel drive tractor pulling a Versatile combine.

4 The small four-wheel drive tractor assembly line of the Versatile Farm Equipment Company Winnipeg plant.

increased-horsepower Model 160 tractor was completed, and contributed to increased sales of bi-directional tractors. Product testing and development were finalized on a new Model 3000 sprayer. This was released for production in late 1982 and is scheduled for complete introduction early in 1983. A full powershift transmission was announced for several models of large four-wheel drive tractors. Development is continuing on a new generation of tractors to replace most existing models, as well as to expand model offerings in the lower horsepower classes. Phase One of the Winnipeg test track became fully operational during 1982, permitting the full-scale testing of existing and prototype models on Versatile facilities. Further work is continuing in the development of dryland farming systems, including enhancements to the products currently offered in the marketplace by Versatile Noble.

In Australia, the development of new generations of sugar cane harvesters and related equipment continued during 1982. Significant inroads were achieved in the improvement of Versatile Toft's ability to offer products capable of harvesting both green and burnt cane.

Manufacturing
As a result of decreased production levels in most products, all agricultural manufacturing facilities of Versatile Corporation faced excess production capability. This resulted in decreased overhead absorption in relation to reduced production levels. The Winnipeg and Nobleford plants in Canada and the plant at Bundaberg in Australia all experienced varying degrees of production curtailment. Accordingly, manufacturing operations were rationalized to reflect such diminished activity. Action was taken to achieve reductions in inventories to essential minimums. The implementation of the first stages of a complete materials requirements planning (MRP) system was completed in late 1982, further improving the ability of the Versatile Agricultural Operating Group to manage raw materials, work-in-progress and finished goods inventories.

Versatile Cold Storage Corporation

B.C. Ice and Cold Storage Division
(Plants: Harbour, Corpak, Valley, East Gore, West Gore, Terminal Avenue, Kiwood)

Alberta Cold Storage Division
(Plants: Calgary, Edmonton)

Overall, Versatile Cold Storage Corporation recorded a satisfactory year serving widely diversified markets, and demonstrated improved performance compared with 1981. Better-than-average growing conditions in the bulk fruit and vegetable market of the Fraser Valley contributed to both increased throughput and storage levels for the Corporation's British Columbia Division during 1982. Fish production/freezing was steady, while distribution markets, reflecting the general state of the 1982 economy, showed lower throughput and storage levels.

The Alberta Division plants in Calgary and Edmonton registered satisfactory volumes throughout 1982. Some softness was noticed in meat storage levels later in the year, as the full effects of the economic downturn became apparent. Startup of the new Calgary expansion occurred early in 1982, and the plant is operating extremely well. Over the past 5-6 years Versatile Cold Storage Corporation has developed one of the most advanced computerized inventory control systems in North America. Installation of this system was completed smoothly in Edmonton late in July 1982. The Edmonton computerization finalizes the company's overall program of installation that began in 1981 for all new plants and acquisitions.

Competitive sales pressures and increased costs in the areas of power, labour and taxes were felt in all plants throughout 1982. These challenges were met through a highly successful cost control program commenced in the early Autumn of 1981. The continuation of careful cost control, together with expectations of normal crops, should result in the maintenance of volumes and steady performance throughout 1983. Moreover, completion of the computerization program combined with the strengthening of the engineering department in 1982 now places the Company in a very sound position to expand as the economy recovers in 1983.

MARINE AND INDUSTRIAL OPERATIONS

Burrard Yarrows Corporation
Vancouver and Victoria, British Columbia, Canada

Versatile Vickers Inc.
Montreal, Quebec, Canada

Versatile Vickers Systems Inc.
Ottawa, Ontario; Montreal, Quebec; and, Halifax, Nova Scotia, Canada

Through its Marine and Industrial Operating Group the Corporation provides capability in heavy industrial manufacturing, shipbuilding, ship repairs and marine design. Total level of activity of this Group increased. Revenues and profitability in ship repair and marine design improved in 1982. Conversely, profit margins in shipbuilding were down. Despite the difficult economic climate, industrial fabrication remained fairly active.

Ship Repairs
1982 was one of the busiest years in ship repairs in the recent experience of the Corporation for its two yards on the West Coast and one in Montreal. Heightened levels of activity were achieved in spite of the recession, which had adverse affects on Canadian ship owners and on the Port of Montreal in particular. At Burrard Yarrows Corporation

workload levels were almost twice the annual average of the last ten years, as nine major conversion and refit contracts and 385 regular repairs for both commercial and naval vessels were completed.

At Versatile Vickers Inc. in Montreal the on-time delivery of the refit of two destroyers for the Department of National Defence marked the completion of a major assignment for the Federal Government. This successfully concluded a contract for the drydocking, overhaul and refit of three destroyers commenced by the company in 1981.

Refit and conversion contracts at Burrard Yarrows included the lengthening of a seismographic research vessel by 60 feet, overhauling and modernizing a naval supply vessel, re-engineering and doubling the car-carrying capacity of two vessels for the British Columbia Ferry Corporation (B.C. Ferries), upgrading accommodation, refitting and converting a railcar/vehicle/passenger ferry to end-loading from side-loading, and completing a mid-life refit to a Canadian naval destroyer. The carrying capacities of the two B.C. Ferries' vessels were expanded through the application of the "slit and lift" process. This involves cutting the vessel horizontally, raising the upper superstructure and introducing a completely new deck.

Concurrent with its naval ship refit contract Versatile Vickers obtained some 66 ship repair orders from commercial shipping lines flying both foreign and domestic flags. Versatile Vickers also was awarded a contract by the United States Government to drydock and carry out repairs to a dredge for the U.S. Army Corps of Engineers.

Traditionally the low ebb in business for the Port of Montreal is experienced during the Winter deepfreeze. Despite this, the Corporation obtained a large number of commercial orders for this period. This will ensure full drydock occupancy in Montreal until the commencement of the 1983 shipping season.

1982 marked the first full year of operation for the Corporation's new $63.3 million floating drydock and ancillary facilities at the Burrard Yarrows Vancouver Division. Utilization exceeded projections as penetration of new market sectors was achieved.

Shipbuilding

All of the Corporation's shipbuilding activity in 1982 was concentrated at Burrard Yarrows Corporation in British Columbia. Two wood chip barges constituting the balance of a six-ship contract were completed, and an ice-strengthened supply ship was delivered to Dome Petroleum. This $34.3 million vessel, the *Robert LeMeur,* at present is operating successfully in Canada's High Arctic. Losses were incurred on both projects, expediting the implementation of procedural changes to improve productivity and thus prevent repetition of such unsatisfactory performance.

Construction continued into 1983 on two Arctic icebreakers under an $81 million contract for Gulf Resources Canada. These vessels are scheduled to be delivered in mid-1983 for service in the Beaufort Sea.

Industrial Fabrication

Industrial fabrication in 1982 was characterized by a distinct falling off in opportunities and therefore in operations for the Corporation's facilities in both British Columbia and Quebec. Burrard Yarrows completed a major tank fabrication contract during the year, but other normal activities were affected by the severe economic conditions prevailing in the British Columbia forestry and mining sectors. The Corporation has no major industrial fabrication orders in hand on the West Coast, although the number of inquiries has been increasing lately.

Versatile Vickers maintained a good industrial fabrication pace in Montreal throughout most of 1982. Two 850 megawatt calandria units were delivered on time to Ontario Hydro. Discussions are ongoing in an effort to secure future offshore orders, but during 1983 the output of the Company's nuclear fabrication facilities is expected to be diminished.

A restructuring and reinforcing of Versatile Vickers' industrial marketing department took place during 1982. Increased emphasis was directed towards export markets, particularly the United States.

Considerable effort is being directed by the Corporation towards the development of advanced technology for welding heavy-walled pressure vessels. This is in response to an emerging demand evident throughout North America, based on the petroleum industry need to maximize yields from the current surplus of heavy distillates. It is anticipated that 1983 will bring concrete results from such activities.

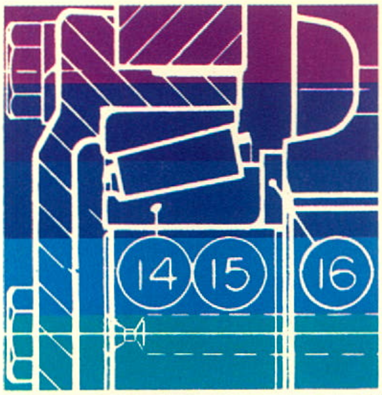
Railway passenger car activity was minimal for Versatile Vickers throughout 1982. Continued involvement as a prime supplier in the North American market, now under review, may have to be modified.

Participation by the Corporation in the U.S. Defence Program has been adversely affected by the more intensive marketing efforts of U.S. competition. In response, the target areas for market penetration have been broadened, with some success.

Marine Design Services

Major contracts completed by Versatile Vickers Systems Inc. (VVSI) throughout the past year included the design of a new Canadian patrol frigate on behalf of one of the prime contractors. This was the second year of the three year drawing maintenance program commissioned by the Department of National Defence. Drawing office assistance also was provided to the Agricultural Operations Group and Burrard Yarrows Corporation.

During 1982 the Company grew from some 140 to 164 engineers, designers, draftsmen and associated technical support staff. In addition, a joint Company-Federal Government trainee program is continuing. It currently employs nine young men and women who are adapting previously-acquired skills to the marine field.



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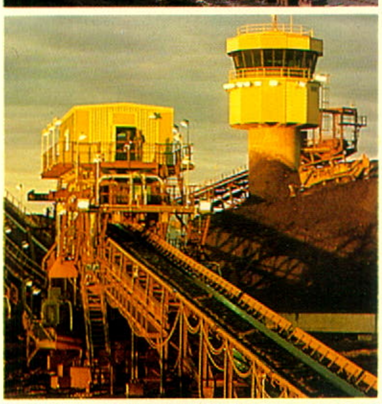

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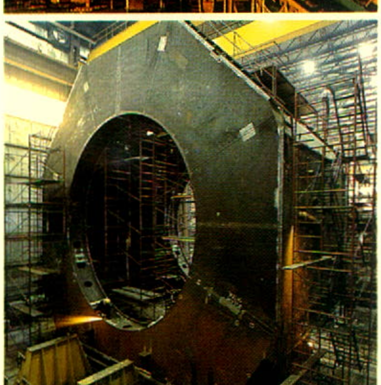

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1 Donato Pistilli, an Inspector in the Versatile Vickers Inc. nuclear reactor shop in Montreal, checks the bore diameters of a calandria plate, a high tolerance machining task in the manufacture of a CANDU reactor.

2 The *"Love Boat"* is a regular visitor to Burrard Yarrows for maintenance and refits.

3 The industrial division of Burrard Yarrows serves the British Columbia resources industry.

4 Versatile Vickers specializes in large calandria units for Canada's nuclear energy industry.

The reputation of Versatile Corporation as a marine design consultancy through VVSI is growing throughout the industry and government, representatives of which have accepted invitations to make visits to VVSI's offices. Their purpose has been to update clients' awareness of the Corporation and to apprise them of the capabilities, potential and corporate support of VVSI within Versatile Corporation.

The competitive position of the Corporation in the field of marine design is enhanced by the close association among Versatile Vickers Systems, headquartered in Ottawa, Versatile Vickers in Montreal and Burrard Yarrows in Vancouver and Victoria. The breadth and depth of capability they offer within Versatile Corporation gives confidence to potential clients and further broadens the combined capabilities of the Group.

Outlook

Notwithstanding the current state of the economy, the Corporation is looking forward to a 1983 business year during which it has every expectation that the Marine and Industrial Operating Group will meet its projected goals.

All three subsidiaries were involved in the preparation of the bid to outfit several Canadian naval frigates under subcontract to one of the prime contractors. Should the decision on the Canadian Patrol Frigate Program – due in mid-year – be favourable, VVSI would expect to receive a substantial contract to implement final design commencing in mid-1983. The actual long-term participation of the Corporation's Marine and Industrial Operations Group as a whole in the Canadian Patrol Frigate Program would commence in 1986 and extend through to 1990.

Despite currently depressed international ship repair markets, the outlook for the Corporation's services remains bright. West Coast ship repairs have been affected adversely by a sharp downturn in vital, primary industries as well as by public sector restraints. These conditions were evident especially in the last half of 1982, but some modest improvement is expected in the second half of 1983.

While low overall activity will be experienced during the early part of 1983, steady improvement is expected as the year unfolds. The Corporation is pursuing all opportunities aggressively, but the new ship construction market currently is slow. The situation was not helped during 1982 by federal government delays with long-promised support measures for the shipbuilding industry. New government policies finally were announced early in 1983, but their impact remains contingent upon formal legislative enactment.

OIL AND GAS OPERATIONS

Bralorne Resources Limited
Calgary, Alberta, Canada

1982 was a difficult year for Bralorne Resources Limited. After a good first quarter, a sudden and steady drop in seismic and drilling activity in the United States resulted in a commensurate decline in the Company's activities beginning in April. The positive financial results recorded for the start of the year therefore were offset by losses from Spring through Winter, 1982.

As pointed out in the highlights (Page 11), gross revenue for 1982 was $228.3 million, cash flow from operations was $22.7 million and a loss of $0.8 million was incurred.

The loss of business in the U.S. is reflected dramatically in the revenue from the sale of products and services. In 1981 Bralorne transacted $233.9 million worth of business below the 49th parallel and $63.4 million in Canada. While Canadian revenues dropped somewhat to $51.6 million for 1982, the U.S. total fell to $142.6 million. Oil and gas revenue was $14.1 million, while other operations offshore produced $20 million. Of the $228.3 million in Bralorne's gross revenue, manufacturing accounted for 62.1 percent, service 22.3 percent, supply 9.3 percent, and oil and gas 6.2 percent.

Capital expenditures in 1982 totalled $38 million, down from $50.7 million in 1981. Of this total, most of the $18.9 million spent on property, plant and equipment was committed early in the year. Once the downturn began to be felt, capital expenditures for the balance of 1982 were frozen. Similarly, the bulk of the $19.1 million spent on oil and gas was committed in the third and fourth quarters to increase production and bring new oil and natural gas on-stream. After mid-year, exploration expenditures and other discretionary spending virtually were frozen.

Manufacturing, Service & Supply

At year-end 1981 there were more than 4,500 drilling rigs at work in the United States, about 650 seismic crews in place and a continued boom in the industry. This situation changed rapidly early in 1982. By year-end the rig count had declined to around 2,700, and the seismic count was under 500.

All of Bralorne's United States operations were affected.

The downturn in drilling and seismic activity resulted in a correspondingly sharp decrease in demand for oil field products and services. This prompted fierce competition for the remaining business, and produced a sizeable inventory problem that must be worked through before a satisfactory level of profitability can be achieved. Steps were taken quickly to reduce staff and bring activity levels of all companies down to the new, lower demand levels.

Mark Products, Inc. was affected by having to increase its allowance for bad debts by more than $3 million in the third and fourth quarters.

Supreme Contractors, Inc. of Lafayette performs drilling and production service work for the oil industry in southern Louisiana. The number of rigs operating in this region dropped from 402 at the end of November 1981 to 187 one year later. The predictable result was less work and more competition as well as reduced sales and profitability for Supreme Contractors.

Bralorne Highlights	1982	1981
Gross Revenue	$228.3 million	$337.3 million
Cash flow from operations	$ 22.7 million	$ 53.8 million
Per share	$1.11	$2.62
Net Income (loss)	$(0.83 million)	$ 26.6 million
Per share	$(0.04)	$1.30
Shareholders' equity	$ 85.0 million	$ 87.7 million
Per share	$4.14	$4.26
Dividends	$ 1.5 million	$ 3.1 million
Per share	7.5¢	15¢

Esse International, Inc. of Houston is a supplier of hydrogen sulphide gas safety services and equipment. It, likewise, felt the drop in drilling activity in 1982. However, by expanding its range of services such as other toxic gas monitoring, consulting and systems installation, together with direct sale of equipment and increased emphasis on international markets, Esse International remained profitable.

Because of the weakened state of oil industry activity it was another difficult year for the Bralorne Service Group. Demand for camps and camp services again was so low that both Crown Caterers Division and Custom Structures Division had to struggle for business. Their efforts to make inroads into United States markets met with minimal results due to the decline of rigs and seismic crews operating there. Custom Structures did continue to assemble a number of specialized camps for use in the North and overseas. However, at mid-year production was consolidated at Spruce Grove and the Claresholm plant subsequently was closed. Crown Caterers saw some resurgence of demand for its services in Canada as the 1982-83 Winter drilling season showed signs of greater vitality.

Barber Industries of Calgary and Edmonton also had a difficult 1982, necessitating the consolidation of its machine shop operations in Edmonton at mid-year. Barber did manage to increase its general fabrication work, and it manufactured more pressure vessels than previously. Compressor package sales were off 60 percent from previous years.

Barber Offshore of St. John's, Newfoundland, had a positive year overall due to a number of extraordinary jobs doing pipe threading work. At year-end steps were taken to open a second facility, in Dartmouth, to provide a similar service to the Nova Scotia sector of the Atlantic petroleum industry.

Oil and Gas

Federal energy policies and the continued deficiency of new gas markets resulted in a further slowdown in Canadian oil and gas activity. As a result, Bralorne participated in only 30 wells–28 gas and 2 dry–virtually all of them in the first half of the year.

The bulk of activity was concentrated on new production facilities to get additional natural gas on-stream by early 1983. At year-end, facilities were in place or being put into place to ensure that production could be increased by 50 percent in early 1983. This would put 57 percent of the Company's proven Canadian gas reserves into production. A new gas compressor station, to be operated by Bralorne and the largest of the production facilities planned, was started late in the year at Heart River, Alberta.

Exploration activity in the United States saw 28 wells drilled in the first half of 1982, for 2 oil and 6 gas discoveries. In the second half, however, exploration was halted and the U.S. oil and gas operations became totally production-oriented.

In 1982 the Company reduced its land position modestly. At year-end its net land holdings in Alberta were 175,988 acres, 1,541 acres in Saskatchewan and 12,994 acres in the United States.

Production in 1982 in Canada averaged 12.6 million cubic feet per day of natural gas, and 182 barrels per day of crude oil and natural gas liquids. U.S. production averaged 1.1 million cubic feet per day and 73 barrels per day of crude oil and natural gas liquids.

According to independent consultants, at year-end Bralorne's Canadian proven and probable reserves stood at 137.9 billion cubic feet of natural gas and 1.145 million barrels of crude oil and natural gas liquids. The Company's U.S. proven and probable reserves were 5.7 billion cubic feet of natural gas and 282,000 barrels of crude oil. Present worth (at 15 percent discount rate) of the Company's Canadian and United States reserves and undeveloped lands was calculated to be $165.416 million (Canadian).

In February 1982 Bralorne acquired Sagebrush Resources Ltd., a Calgary-based junior exploration company active in Western Canada and the United States. Sagebrush operations–and results–have now been consolidated with Bralorne's Oil and Gas Division.

Gold Mine

No action was taken during 1982 regarding a decision on whether or not to re-open the Bralorne gold mine situated in British Columbia. Pursuant to its joint-venture arrangement, the Company's interest in the mine now has been reduced to 50 percent. Results of the joint-venture exploration and rehabilitation program continue to be evaluated.

Outlook

The Company remains convinced of the opportunities in the North American energy sector for medium and long-term growth, but in the short-term its prospects remain less than bright. A further loss currently is forecast for 1983, although cash flow from operations is expected to be positive. While at the beginning of 1982 they were favorable to the Company's activities, business conditions deteriorated through the year. Returns for 1983 are expected to be based on revenues that are commensurate with low levels of activity in the first half, and a gradual buildup in the second.

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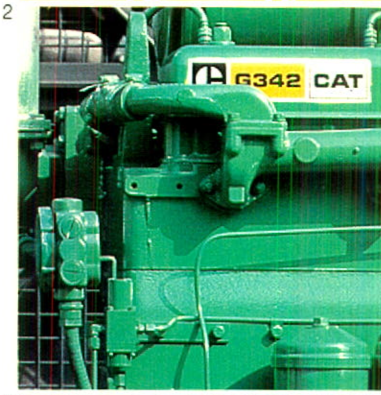

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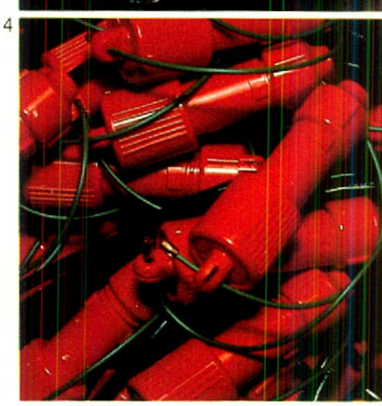


1 Wayne King, a Combination Man (welder/burner) at Burrard Yarrows bevels shell stiffeners for the ice-breaking supply vessel *Terry Fox* under construction at the Vancouver yard.

2 Bralorne manufactures a wide variety of products for the oil and gas industry.

3 Specialists in the Bralorne work force contribute to the Company's high reputation for quality.

4 Mark Products in Houston is a key supplier to the U.S. oil and gas industry.

CREDIT OPERATIONS

Versatile Credit Corporation
Winnipeg, Manitoba, Canada

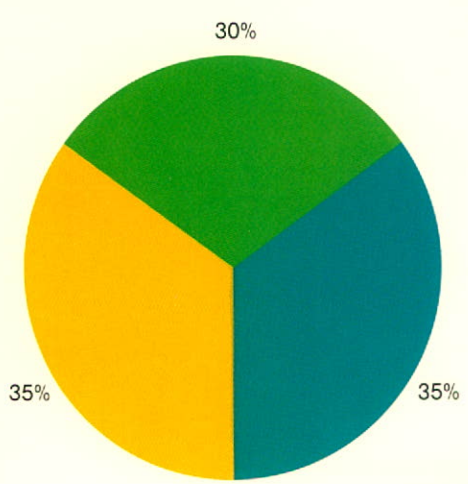
Versatile Credit Corporation
Kansas City, Missouri, U.S.A.

Versatile Credit Corporation (Canada) and Versatile Credit Corporation (U.S.) provide retail financing and leasing services mainly to the buyers of Versatile agricultural equipment throughout North America. The volume of credit business written by both companies increased significantly during 1982. This reflects sizeable gains in market penetration and dealer acceptance.

Each of the credit companies registered profits in 1982. Both increased volumes and declining interest costs to the companies on the funds borrowed to support the combined leases and contracts had a positive effect on income. As of year-end there were a total of 5,400 contracts outstanding, representing over $100 million in financing.

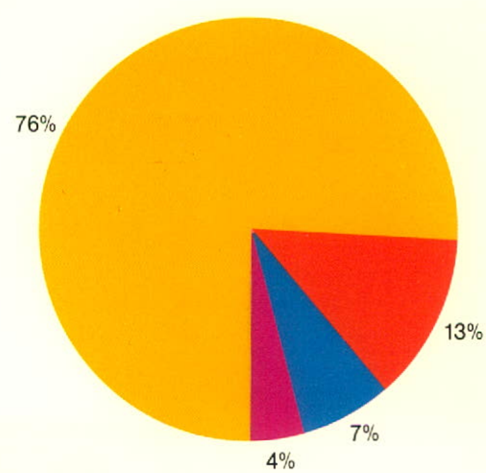
Marketing and advertising programs continued to be coordinated with the Agricultural Group. A more restrictive approach towards the agricultural community by bankers and new government programs for 1983 make the services offered by the two companies even more attractive to farmers with large acreages who are Versatile customers.

CONSOLIDATED REVENUE BY SOURCE



- Agricultural and Cold Storage
- Marine and Industrial
- Oil and Gas

CONSOLIDATED COST DISTRIBUTION



- Cost of Sales
- Selling, General and Administrative
- Interest
- Depreciation, Depletion and Amortization

Management Responsibility

Based on established procedures and controls, the Corporation believes that it is able to discharge its responsibilities to report on a timely and cost effective basis and properly to safeguard its assets.

The consolidated financial statements appearing in this report have been prepared by management in accordance with generally accepted accounting principles and consistently with prior years.

The accounting systems and controls from which the statements are derived are monitored regularly by the internal auditors of the Corporation and are reviewed by the external auditors.

Established and recognized standards of business conduct govern the affairs of the Corporation and these are examined and reviewed as to their application by management and by both the internal and external auditors.

The statements, systems, controls, standards and related data in this report are all reviewed by the Audit Committee of the Board of Directors of the Corporation.

It is the opinion of the Corporation's management that the year's operations have been conducted in accordance with standards of integrity and quality which are compatible with prior years and which have met the criteria by which they are measured in a satisfactory manner.

Foreign Exchange

The 1982 results were improved by a gain on foreign exchange translation amounting to $2,086,000, compared with a loss in 1981 of $802,000.

The exchange adjustments by quarter in 1982 and 1981 are summarized in this table:

	Gain/(Loss) 1982	Gain/(Loss) 1981	Increase/(Decrease)	Increase/(Decrease)
	(thousands of Canadian dollars)			(dollars per Class A and Class B share)
First quarter	1,795	(396)	2,191	0.09
Second quarter	3,040	695	2,345	0.10
Third quarter	(1,150)	356	(1,506)	(0.06)
Fourth quarter	(1,599)	(1,457)	(142)	(0.01)
	2,086	(802)	2,888	0.12

The table illustrates that fluctuations in foreign exchange rates have continued to impact the Corporation's earnings. Steps have been taken to reduce the exposure by effecting short term borrowings in the foreign currencies in which working capital assets are denominated but this practice will obviously not eliminate the entire exposure, particularly when the currencies' relative values vary dramatically from quarter to quarter.

It is expected that in 1983 the Canadian Institute of Chartered Accountants will ratify new recommendations on the accounting treatment of foreign exchange translation. None of the proposed changes has been applied by the Corporation in the current year.

These new recommendations may alter the present method whereby long-term assets and liabilities are translated at historical rates and gains and losses incurred on the translation of current items are reflected in earnings. However, where long-term monetary items are denominated in foreign currencies, unrealized gains or losses may accumulate which are not reflected in the financial statements. The most significant of these in the case of the Corporation is the long-term debt denominated in U.S. dollars; while no attempt has been made to quantify the unrealized gain or loss and amortize it into earnings, the Corporation monitors the effect while endeavoring to match such debt to net working capital and fixed assets denominated in U.S. and other foreign currencies. In any event, it is likely that the exchange rates will continue to fluctuate unpredictably in the remaining term of the U.S. debt, which in itself may serve to offset possible losses at the maturity dates. In addition the Corporation is a net seller of U.S. funds in the ordinary course of its business. These factors may serve to provide a form of hedge against any losses which could develop at the maturity dates of the long-term debt payable in U.S. funds.

Earnings Per Share

The Corporation has undertaken to certain securities regulatory authorities that, at its 1983 Annual Meeting, it will seek the authorization of its shareholders to change the designation of the Class A Common Shares to "Class A Subordinate Voting Shares." In this report and the accompanying statements and schedules all reference to the Corporation's common shares and earnings per common share have been changed to "Class A and Class B shares" and "earnings (loss) per Class A and Class B share" respectively.

Fully diluted earnings per share are not given in the accompanying financial statements. This presentation is in accordance with the generally accepted accounting principles governing such disclosure. In 1982 the conversion calculations produce an anti-dilutive effect because of the loss for the year and, accordingly, if shown, the fully diluted figures would be the same.

The table above sets out the earnings (loss) per share data on both bases for 1982 and 1981.

	1982	1981
	(dollars per Class A and Class B share)	
Net earnings (loss) *before extraordinary item*	(.17)	1.77
Net earnings (loss) *after extraordinary item*	(.15)	1.93
Fully diluted earnings (loss) *before extraordinary item*	(.17)	1.64
Fully diluted earnings (loss) *after extraordinary item*	(.15)	1.79

Income Taxes

The statement of earnings for 1982 shows an income tax recovery of 98.8% of the consolidated loss prior to the income tax adjustment. The high rate of recovery results from claiming for income tax purposes permanent differences which cause the tax loss to be greater than the accounting loss.

The deferred income tax account in the current assets section of the balance sheet arises principally from eliminating from consolidated earnings the profits from inter-company sales and in warranty and other provisions included as charges to operations which are not normally deductible for income tax purposes until the disbursements are actually made.

One of the provisions affecting the aforementioned deferred income tax account is that made to recognize the cost of extended credit terms in the farm equipment business. The amount of the provision is affected by the changes in the levels of receivables and fluctuations in the interest rate. The provision is regularly monitored and adjusted as required.

The earnings statement indicates an extraordinary item, being the reduction of income taxes resulting from the utilization of losses incurred in prior years by a subsidiary acquired in 1980. The utilization continued in 1982 and the effect is disclosed as a separate item. As losses for tax purposes still remain, the Corporation expects to record further such benefits in 1983 and 1984.

Long-Term Debt

This table sets out the debt to equity ratios in 1980, 1981 and 1982 for Bralorne, Versatile with Bralorne at equity and Versatile on a fully consolidated basis.

The figures in the table are based on the historical costs in the consolidated balance sheet and therefore do not reflect current values. In contrast, lenders to the group of companies recognize current values in arriving at the levels of facilities to be granted.

The table indicates that, while the Bralorne debt increase in the current year served to increase the debt element of the ratio, the Versatile position in the "Bralorne at equity" section is the reverse and the effect of the latter was sufficient to reduce the debt content in the ratio in the "fully consolidated" section.

	Long-Term Debt	Shareholders' Equity	Debt: Equity Ratio
	(thousands of Canadian dollars)		
Bralorne			
December 31, 1980	$ 84,252	$ 63,560*	57:43
December 31, 1981	$108,148	$ 87,666*	55:45
December 31, 1982	$137,086	$ 84,976*	62:38
Versatile with Bralorne at equity			
December 31, 1980	$ 65,875	$127,230	34:66
December 31, 1981	$109,636	$170,363	39:61
December 31, 1982	$111,969	$204,690	35:65
Versatile fully consolidated			
December 31, 1980	$150,127	$127,230*	54:46
December 31, 1981	$217,784	$170,363*	56:44
December 31, 1982	$249,055	$204,690*	55:45

*excluding equity of minority shareholders in subsidiaries

In the present economic climate the Corporation has taken steps to strengthen its financial position and to reduce its exposure to demand indebtedness. The equity issues in convertible preferred shares are cases in point, as is the introduction of short-term borrowing facilities for Versatile Credit Corporation in Canada. Management believes that the asset base supporting the debt and equity structure of the Corporation is more than adequate. In addition the steps taken in 1982 to strengthen the financial condition of the group of companies have put it in a position to maximize its opportunities in the future.

Working Capital and Cash Flow

Net working capital increased by $23.2 million in 1982 to a level of $187.3 million at the end of that year. The major items contributing to this result were $28.3 million generated from operations, $43.0 million net from the issue of convertible preferred shares and $11.0 million from a decrease in advances to the finance subsidiaries, offset by $51.7 million in capital expenditures and $10.5 million applied to acquisitions.

The consolidated working capital position will be further improved early in 1983 as Bralorne Resources Limited has made a public offering of cumulative redeemable convertible first preferred shares in the amount of $32 million which was fully subscribed and settled in February.

The Corporation's expansion and growth have been financed largely through long-term debt issues and earnings reinvested in the business, and its financial condition remains sound. However, the 1982 business climate resulted in increased utilization of available operating credit facilities during the year. To counteract this development, action was taken to achieve positive cash flow in all operating units. This action included cancelling or deferring capital expenditures and reducing receivables, inventories and operating expenses. The effect of these measures was offset in part by the impact of personnel severance costs and a requirement to increase provisions for doubtful accounts; these costs are booked to operating expenses in their entirety as and when incurred.

The Corporation's bank lines of credit are on an unsecured basis, and lines of subsidiaries borrowing under their own names are secured by charges on the assets of those companies. At December 31, 1982 the Corporation had eliminated utilization of all its lines, and the consolidated balance sheet shows the balance outstanding for the self-borrowing subsidiaries.

CONSOLIDATED BALANCE SHEET

as at December 31, 1982 (in thousands of dollars)

		1982	1981
Assets	**Current Assets**		
	Short-term deposits and marketable securities, at cost	$ 14,569	$ 3,217
	Accounts receivable	187,089	234,216
	Income taxes recoverable	12,735	–
	Inventories (note 3)	180,833	170,361
	Prepaid expenses	3,316	4,026
	Deferred income taxes	11,543	13,487
		410,085	425,307
	Investments and Loans		
	Investment and advances – finance subsidiaries	27,920	37,629
	Employee share purchase plan loans (note 4)	5,080	5,877
	Long-term receivables and other assets	3,788	6,016
		36,788	49,522
	Fixed Assets (note 5)	272,742	232,039
	Intangible Assets and Deferred Charges		
	Goodwill	31,192	31,346
	Patents	3,300	3,584
	Financing costs	875	951
		35,367	35,881
		$754,982	$742,749

AUDITORS' REPORT

To the Shareholders of
Versatile Corporation

We have examined the consolidated balance sheet of Versatile Corporation as at December 31, 1982 and the consolidated statement of earnings and earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell
Chartered Accountants

Vancouver, Canada
February 15, 1983

		1982	1981
Liabilities	Current Liabilities		
	Bank loans	$ 93,727	$ 89,331
	Accounts payable and accrued liabilities	113,857	147,320
	Income taxes payable	–	19,289
	Dividends payable	–	641
	Current portion of long-term debt	15,158	4,551
		222,742	261,132
	Long-Term Debt (note 6)	233,897	213,233
	Deferred Income Taxes	37,441	38,384
	Minority Interests	56,212	59,637
		327,550	311,254
Shareholders' Equity	Share Capital (note 7)	93,822	48,381
	Earnings Reinvested in the Business	110,868	121,982
		204,690	170,363
		$754,982	$742,749

Contingent liabilities and subsequent event (notes 9 and 10)

Approved by the Directors

Peter Paul Saunders, Director

Ronald L. Cliff, C.A., Director

CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS REINVESTED IN THE BUSINESS
Year ended December 31, 1982 (in thousands of dollars)

		1982	1981
Revenue	Manufacturing	$653,752	$768,828
	Service	105,997	126,915
		759,749	895,743
Costs and expenses	Cost of sales	588,293	640,509
	Selling, general and administrative	104,980	87,615
	Long-term debt interest	33,330	23,011
	Other interest	19,586	15,962
	Depreciation, depletion and amortization	30,925	23,351
		777,114	790,448
Earnings (loss) from operations		(17,365)	105,295
Other income (expenses)	Interest	871	1,793
	Gain (loss) on foreign exchange	2,086	(802)
	Gain on sale of fixed assets	747	2,569
	Other	2,878	1,732
		6,582	5,292
		(10,783)	110,587
Income taxes (recovery)	Current	(6,610)	40,370
	Deferred	(4,048)	8,149
		(10,658)	48,519
Earnings (loss) before undernoted items		(125)	62,068
Minority interests		(1,476)	(17,844)
Earnings (loss) before extraordinary item		(1,601)	44,224
Income tax reduction from losses of subsidiaries existing at date of acquisition		438	3,791
Net earnings (loss)		(1,163)	48,015
Earnings reinvested in the business at beginning of year		121,982	83,559
		120,819	131,574
Expenses of issue of junior preferred shares, net of income taxes		1,102	–
		119,717	131,574
Dividends declared	Preferred shares	2,250	2,343
	Class A and Class B shares	6,599	7,249
		8,849	9,592
Earnings reinvested in the business at end of year		$110,868	$121,982

Earnings (loss) per Class A and Class B share (note 8)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Year ended December 31, 1982 (in thousands of dollars)

		1982	1981
Working Capital Derived from			
	Operations		
	Earnings (loss) before extraordinary item	$ (1,601)	$ 44,224
	Items not affecting working capital		
	Depreciation, depletion and amortization	30,925	23,351
	Deferred income taxes	(3)	12,194
	Minority interests	1,476	17,844
	Other	(2,499)	(3,229)
		28,298	94,384
	Income tax reduction from losses of subsidiaries existing at date of acquisition	438	3,791
	Increase in long-term debt	23,760	76,269
	Proceeds from sale of fixed assets	4,048	6,781
	Proceeds from issue of Class A and Class B shares	1,231	3,620
	Proceeds from issue of junior preferred shares	42,958	–
	Decrease in investment and advances–finance subsidiaries	10,975	(394)
	Employee share purchase plan loans	797	(1,254)
	Other	2,381	(2,315)
		114,886	180,882
Working Capital Applied to	Business acquisitions, net of working capital	10,511	14,825
	Additions to fixed assets	51,688	85,027
	Reduction of long-term debt	14,612	26,480
	Cash dividends declared	8,658	7,467
	Intangible assets and deferred charges	684	2,121
	Decrease in minority interests	4,901	1,623
	Redemption of preferred shares	664	805
		91,718	138,348
Increase in Working Capital		23,168	42,534
Working Capital at Beginning of Year		164,175	121,641
Working Capital at End of Year		$187,343	$164,175

1. Summary of Accounting Policies

The financial statements of the Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied. The significant accounting policies followed by the Corporation are summarized hereunder.

(a) Basis of consolidation

These financial statements consolidate all subsidiary companies other than those in the finance business. The Corporation considers it more informative and appropriate to present separate financial information (see note 11) and to adopt the equity method of accounting for the finance subsidiaries. Applying this method, the Corporation takes into earnings its share of the earnings or losses of those subsidiaries, increasing or reducing its investment accordingly. Dividends from these subsidiaries are not taken into earnings, but are applied to reduce the investment.

(b) Foreign currencies

Current assets and current liabilities in foreign currencies have generally been translated into Canadian dollars at year-end rates. Where these items are covered by forward exchange contracts they are translated at the rates established by those contracts. Other assets and liabilities have been translated at historical rates. Revenues and expenses (except depreciation, depletion and amortization, which are translated at historical rates, and items covered by forward exchange contracts) have been translated at rates in effect during the year.

Gains and losses arising from exchange translations are included in current earnings.

(c) Inventories

Inventories of finished goods and work-in-process are valued at the lower of cost and net realizable value.

Raw materials and supplies are valued at the lower of cost and replacement cost.

(d) Fixed assets

Fixed assets are recorded at acquisition cost. Where government grants are received for a particular asset, the cost of that asset is reduced accordingly.

(e) Depreciation

Depreciation is provided on fixed assets at various rates intended to depreciate the cost of the assets over their estimated useful lives.

(f) Oil and gas interests

The Corporation follows the full cost method of accounting for oil and gas properties whereby all costs relating to the exploration for and development of petroleum and natural gas reserves are capitalized. These costs are depleted by the unit-of-production method based on the estimated proven oil and gas reserves.

(g) Intangible assets and deferred charges

Goodwill, which represents the excess of the cost of investments in subsidiaries over amounts allocated to tangible assets, is written off by charges against earnings over a 40 year period.

Patents are being amortized over a period of 17 years.

Financing costs are charged to earnings over the term of the debt issue to which they relate.

(h) Deferred income taxes

The Corporation follows the practice of charging reported earnings with income taxes related to those earnings, with the result that differences between these taxes and taxes currently payable for the year are reflected in deferred income taxes.

(i) Recognition of income

(i) Marine construction profits are recognized on the percentage of completion basis. Under this method, the final profit on each contract is estimated as the work proceeds and is taken into income as the work is done, the amount of direct labour being the factor determining the degree of completion for this purpose. If it appears that a contract will result in a loss, the full amount of the estimated loss is provided for immediately.

(ii) Income from farm equipment and other manufacturing, oil and gas interests and services is recognized at the time of sale. When sales of farm equipment are made under extended terms of sale, suitable provisions are made to recognize the cost of extending the credit terms.

(j) Warranty expenses

The Corporation provides for expected normal warranty costs at the time of sale. Other warranties are specifically provided for as the expense becomes known.

(k) Reclassification

Certain figures shown for the year ended December 31, 1981 have been reclassified to conform with the presentation adopted in 1982.

2. Acquisition

In February 1982 Bralorne Resources Limited acquired Sagebrush Resources Ltd., a company engaged in exploration and development of oil and gas resources. This acquisition has been accounted for by the purchase method, with the operating results from the date of acquisition included in these financial statements. The effect of this transaction on the Corporation's balance sheet at the date of acquisition is summarized below:

	(in thousands of dollars)
Assets acquired	
Fixed assets	$22,196
Deduct	
Long-term debt	11,685
	10,511
Working capital deficiency assumed	(1,435)
Total consideration	$ 9,076

The consideration was settled in cash.

3. Inventories

	1982	1981
	(in thousands of dollars)	
Finished goods	$ 55,232	$ 45,206
Work-in-process	52,099	42,905
Raw materials and supplies	73,502	82,250
	$180,833	$170,361

4. Employee Share Purchase Plan Loans

The Corporation and certain of its subsidiaries have established share purchase plans under which they loan funds, interest free, to enable senior employees to acquire shares at market price. These loans are repayable over varying terms up to eleven years.

5. Fixed Assets

	1982			1981
	Cost	Accumulated depreciation and depletion	Net	Net
	(in thousands of dollars)			
Agricultural and cold storage				
Land	$ 7,038	$ –	$ 7,038	$ 6,515
Buildings	34,613	8,863	25,750	24,748
Machinery and equipment	43,273	18,421	24,852	24,368
	84,924	27,284	57,640	55,631
Marine and industrial				
Land	1,663	–	1,663	1,663
Floating drydocks, piers and buildings	48,054	21,042	27,012	27,791
Machinery and equipment	29,340	22,705	6,635	5,276
	79,057	43,747	35,310	34,730
Oil and gas				
Land	6,520	–	6,520	5,862
Buildings	18,491	4,005	14,486	15,388
Machinery and equipment	94,005	32,519	61,486	54,830
Oil and gas interests	110,580	14,236	96,344	64,648
Mining interests	956	–	956	950
	230,552	50,760	179,792	141,678
Total	$394,533	$121,791	$272,742	$232,039

6. Long-Term Debt

	1982	1981
Versatile Corporation	(in thousands of dollars)	
Bonds and debentures		
11% Series A sinking fund debentures, maturing 1993	$ 17,425	$ 17,943
10% Series B debentures, maturing 1986 (U.S. $15,000,000)	17,712	17,712
9¾% sinking fund secured bonds, maturing 1987	2,316	2,585
13.072% term loan secured by Series C debentures, maturing 1985	25,000	25,000
15½% Series D debentures, maturing 1986 (U.S. $17,000,000)	20,121	20,121
15½% Series E debentures, maturing 1987 (U.S. $20,000,000)	23,672	23,672
6% to 7⅞% Industrial Development Revenue Bonds (U.S. $1,140,000; 1981–$1,210,000)	1,332	1,403
Other	4,391	1,200
	111,969	109,636
Bralorne Resources Limited		
Debentures		
12⅞% Series A sinking fund secured debentures, maturing 1995	40,000	40,000
Notes payable		
Bearing interest at varying rates (average rate at December 31, 1982–11.2%; 1981–11.7%)	41,522	22,974
Bank loans		
Bearing interest at varying rates (average rate at December 31, 1982–14.6%; 1981–15.1%) (U.S. $46,190,000; 1981–$37,500,000)	54,965	43,805
Other	599	1,369
	137,086	108,148
Total	249,055	217,784
Less current portion included in current liabilities	15,158	4,551
	$233,897	$213,233

Principal payments due on long-term debt for the next five years are:

1983	$15,158,000
1984	$14,906,000
1985	$44,995,000
1986	$82,036,000
1987	$35,806,000

Certain long-term debt is secured by fixed or floating charges on assets.

7. Share Capital

The Corporation has undertaken to change the designation of the Class A Common Shares to "Class A Subordinate Voting Shares". These financial statements refer to the Class A Common Shares as "Class A shares" and the Class B Common Shares as "Class B shares".

Authorized

7,754,700 cumulative redeemable preferred shares without par value.

Unlimited number of cumulative redeemable junior preferred shares without par value.

Unlimited number of non-cumulative redeemable junior preferred shares without par value.

Unlimited number of Class A shares without par value.

Unlimited number of Class B shares without par value.

	1982	1981
	(in thousands of dollars)	
Outstanding		
1,577,615 cumulative redeemable preferred shares Series A at $15 per share	**$23,664**	$24,645
1,800,000 cumulative redeemable convertible junior preferred shares Series 1 at $25 per share	**45,000**	–
12,368,284 Class A shares	**2,031**	1,616
12,346,894 Class B shares	**23,127**	22,120
	$93,822	$48,381

Changes in Class A and Class B shares during the year were as follows:

	Class A		Class B	
	Shares	Amount (in thousands of dollars)	Shares	Amount (in thousands of dollars)
Balance outstanding at beginning of year	12,067,493	$1,616	12,084,448	$22,120
Shares issued:				
For warrants	250,647	3	250,647	906
Employee share purchase plan	39,684	321	–	–
Optional stock dividend plan	10,460	91	11,799	101
	12,368,284	$2,031	12,346,894	$23,127

The rights and restrictions applicable to the Class A and Class B shares are identical except that the Class A shares are entitled to one vote per share whereas the Class B shares are entitled to ten votes per share.

The dividend rights of the Class A and Class B shareholders include the right to receive dividends in either cash or stock.

The annual dividend rate on the cumulative redeemable preferred shares is $1.40.

There are warrants outstanding at December 31, 1982 entitling the holders thereof to purchase 517,021 Class B shares, the said shares also entitling the holder to receive a stock dividend of one Class A share for each Class B share so purchased. Two warrants plus $7.25 may be exchanged for two Class A shares and two Class B shares. The warrants expire on July 29, 1983.

During 1982, 65,400 of the cumulative redeemable preferred shares were purchased for cancellation for a consideration of $664,000. These shares are redeemable at the option of the Corporation after June 30, 1983 at a price of $16.40 per share decreasing to $15.00 per share after June 30, 1988. The Corporation has agreed to purchase in the open market 4% per year of the outstanding preferred shares at prices not exceeding $14.50 per share.

In December 1982 the Corporation issued 1,800,000 cumulative redeemable convertible junior preferred shares, at $25.00, with an annual dividend rate of 10.5%. These preferred shares are convertible at the option of the holder into Class A shares to December 31, 1989 at a conversion price of $6.90 per Class A share. They will not be redeemable prior to January 1, 1986. They are redeemable from 1986 to 1988 at $26.25 per share and after 1988 reducing 25 cents per share yearly to $25.00 in 1993 and thereafter. The Corporation has agreed to purchase in the open market 1% of the convertible preferred shares outstanding each quarter commencing January 1, 1990 at a price not exceeding $25.00 per share.

8. Earnings Per Class A and Class B Share

Earnings per Class A and Class B share are calculated using the weighted average number of such shares outstanding.

Fully diluted earnings per share are not shown in the table below because the factors applying to the calculation in 1982 are anti-dilutive.

	1982	1981
Net earnings (loss) per Class A and Class B share		
Before extraordinary item	$(.17)	$1.77
After extraordinary item	$(.15)	$1.93

9. Contingent Liabilities

(a) The acquisition cost of certain shares acquired by the Corporation may be subject to additional consideration.

(b) Recent actuarial valuations of the Corporation's pension plans indicate that there are no material unfunded liabilities.

10. Subsequent Event

On February 15, 1983 Bralorne Resources Limited sold 1,600,000 8.75% convertible first preferred shares for net proceeds of $30,602,000 after costs of issue.

11. Supplementary Information

The significant financial information relating to the operations of the finance subsidiaries for 1982 and 1981 is as follows:

	1982	1981
	(in thousands of dollars)	
Gross income	$12,869	$ 7,804
Earnings before income taxes	$ 1,727	$ 390
Net earnings	$ 1,266	$ 214
Net investment in mortgages, properties, finance contracts and leases	$95,789	$51,651
Accounts receivable	492	58
Fixed assets	43	23
	$96,324	$51,732
Bank loans payable	$64,710	$11,859
Accounts payable	3,079	1,739
Advances from Versatile Corporation	14,851	27,058
Long-term debt	615	505
Shareholders' equity	13,069	10,571
	$96,324	$51,732

12. Related Party Transactions

Certain directors, and private companies controlled by such directors, have periodically loaned funds to the Corporation repayable on demand and bearing interest at the prime bank rate less ½ of 1%. During 1982 the maximum and minimum amounts loaned to the Corporation under this arrangement were $7,115,000 and $3,334,000 respectively. At December 31, 1982 these loans amounted to $5,742,800 and are included in accounts payable and accrued liabilities.

During 1982 the Corporation purchased 55,527 common shares of Bralorne Resources Limited from Mr. F.W. Fitzpatrick, a director of the Corporation, for $394,000. This transaction fulfils part of an agreement between the Corporation and Mr. Fitzpatrick whereby the Corporation will acquire from him, under certain terms and conditions and at prevailing market prices, up to 285,000 common shares of Bralorne Resources Limited through 1985.

13. Segmented Information
(in thousands of dollars)

	Industry Segments							
	Agricultural and Cold Storage		Marine and Industrial		Oil and Gas		Consolidated	
	1982	1981	**1982**	1981	**1982**	1981	**1982**	1981
Revenue	**$264,714**	$343,183	**$267,910**	$215,220	**$227,125**	$337,340	**$759,749**	$895,743
Earnings								
Operating profit (before unallocated items)	**$ 7,535**	$ 56,230	**$ 16,559**	$ 17,767	**$ 22,196**	$ 78,602	**$ 46,290**	$152,599
General corporate expenses							**(10,739)**	(8,331)
Interest expense							**(52,916)**	(38,973)
Other income							**6,582**	5,292
Income taxes							**10,658**	(48,519)
Minority interests							**(1,476)**	(17,844)
Extraordinary item–income tax reduction							**438**	3,791
Net earnings (loss) per financial statements							**$ (1,163)**	$ 48,015
Identifiable assets								
Segment assets	**$299,322**	$294,204	**$ 61,357**	$ 75,156	**$347,057**	$332,320	**$707,736**	$701,680
Corporate assets							**19,326**	3,440
Investment and advances–finance subsidiaries							**27,920**	37,629
Total assets per financial statements							**$754,982**	$742,749
Capital expenditures	**$ 9,701**	$ 16,977	**$ 3,276**	$ 13,661	**$ 38,711**	$ 54,389	**$ 51,688**	$ 85,027
Depreciation, depletion and amortization	**$ 6,492**	$ 4,836	**$ 2,597**	$ 1,826	**$ 21,836**	$ 16,689	**$ 30,925**	$ 23,351

The Corporation operates primarily in three industry segments–agricultural and cold storage, marine and industrial and oil and gas operations. There are no sales between industry segments.

Agricultural and cold storage operations comprise production and sale of four-wheel drive tractors, swathers, sugar cane harvesters and tillage equipment, and the operation of public freezing and cold storage warehousing. Marine and industrial operations comprise construction and repair of various types and sizes of ships, barges and tugs, repair of industrial machinery, manufacture of specialized heavy machinery and fabrication of metal structures. Oil and gas operations comprise manufacture and repair of resource industry equipment, manufacture and supply of camp facilities and catering services to resource camps and oil and gas exploration and production.

Sales between geographic segments are accounted for at prices comparable to open market prices for similar products and services. Inter-segment sales in 1982 were $133,805,000 from Canada ($166,060,000 in 1981).

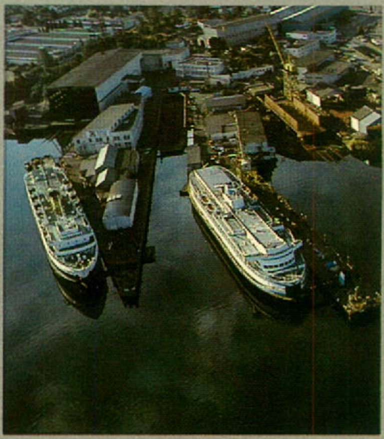
Revenue from Canadian operations includes export sales of $48,935,000 in 1982 ($68,719,000 in 1981).

Geographic Segments

	Canada		United States		Australia		Other	
	1982	1981	**1982**	1981	**1982**	1981	**1982**	1981
	$445,830	$443,991	**$254,871**	$377,191	**$52,870**	$63,150	**$ 6,178**	$11,411
	$ 29,720	$ 71,319	**$ 14,260**	$ 69,431	**$ 1,592**	$ 9,946	**$ 718**	$ 1,903
	$370,328	$356,202	**$274,141**	$286,131	**$58,301**	$51,776	**$ 4,966**	$ 7,571

One of the many locations where Bralorne equipment is in use.

Versatile Toft maintains a dominant share of the Australian sugar cane harvester market.



B.C. Ferries' vessels in for repairs at the Victoria yard of Burrard Yarrows.

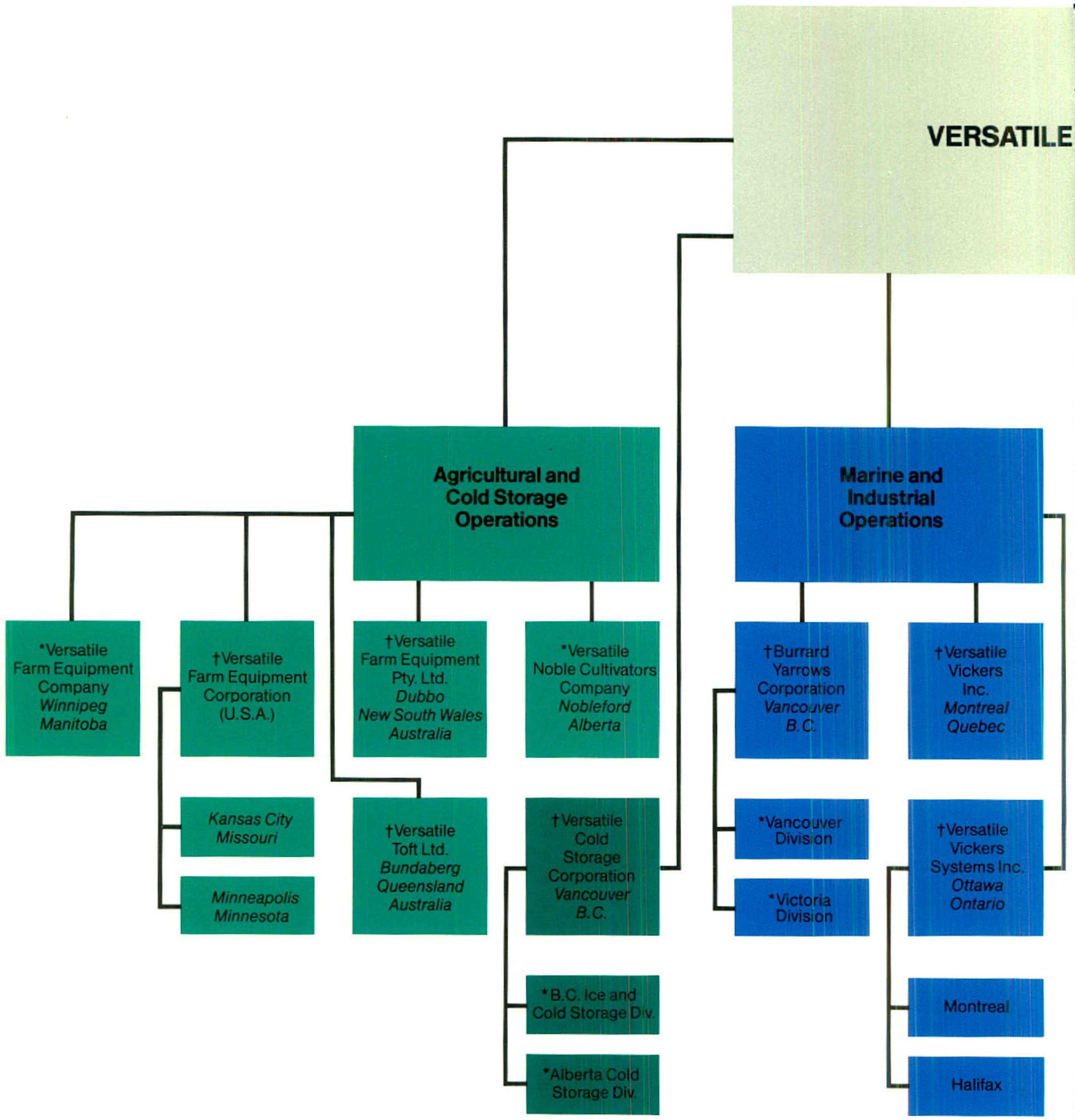
Many large farms employ several Versatile tractors in their operations.

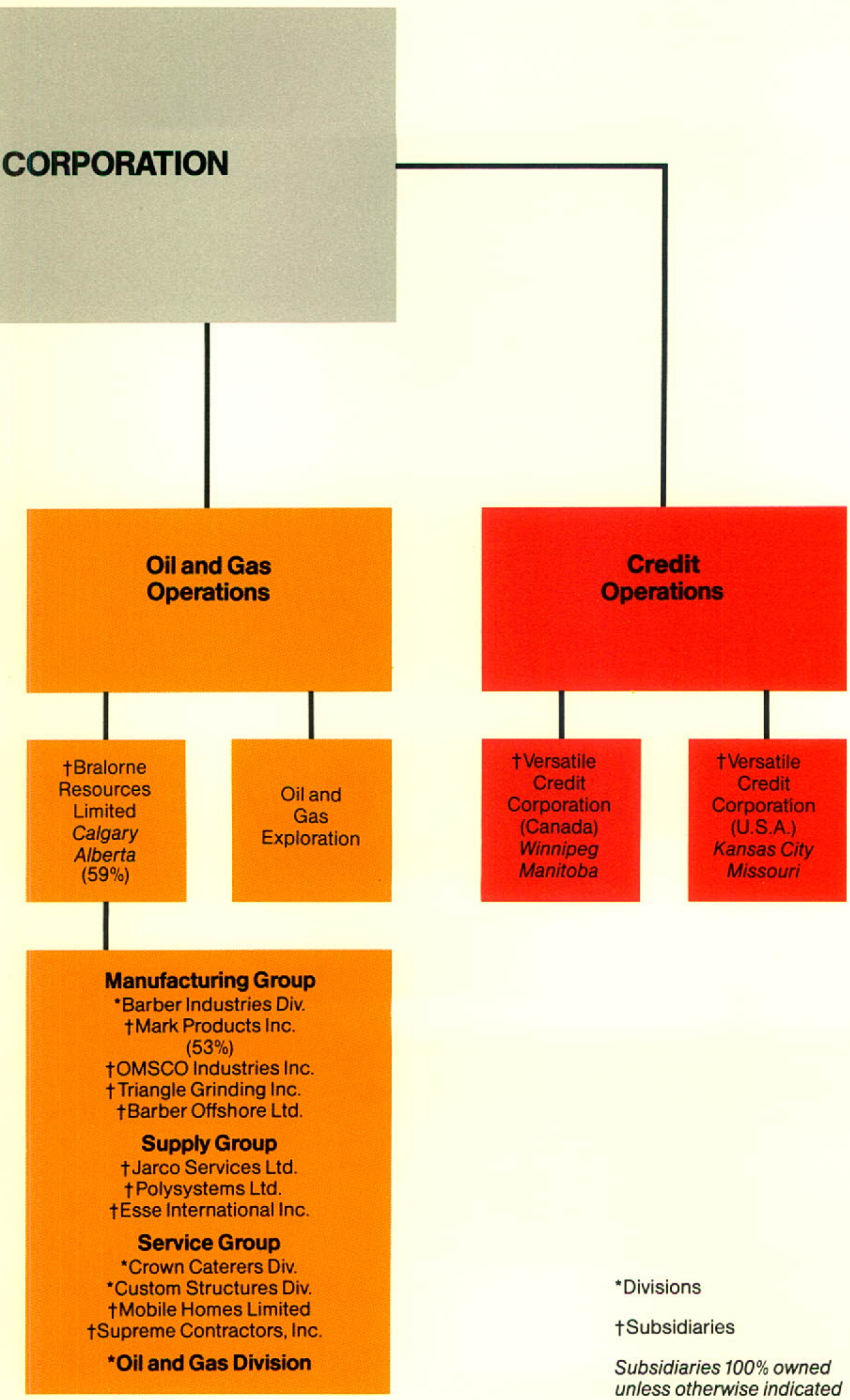
HISTORICAL REVIEW
(in thousands of dollars)

	1982	1981	1980	1979	1978
Revenues					
Agricultural and cold storage operations	$264,714	$343,183	$263,156	$197,110	$138,768
Marine and industrial operations	267,910	215,220	106,381	76,734	77,861
Oil and gas operations	227,125	337,340	239,964	140,700	86,408
	759,749	895,743	609,501	414,544	303,037
Costs and expenses					
Cost of sales	588,293	640,509	429,034	294,047	231,085
Selling, general and administrative	104,980	87,615	65,919	45,390	29,524
Long-term debt interest	33,330	23,011	14,135	8,486	5,305
Other interest	19,586	15,962	9,709	3,687	4,113
Depreciation, depletion and amortization	30,925	23,351	14,935	8,069	6,702
	777,114	790,448	533,732	359,679	276,729
Earnings (loss) from operations	(17,365)	105,295	75,769	54,865	26,308
Other income including equity in earnings of finance subsidiaries and partly owned companies	6,582	5,292	4,058	565	4,834
	(10,783)	110,587	79,827	55,430	31,142
Income taxes (recovery)	(10,658)	48,519	33,466	23,880	13,544
Earnings (loss) before undernoted items	(125)	62,068	46,361	31,550	17,598
Minority interests	(1,476)	(17,844)	(12,493)	(5,496)	(7,023)
Earnings (loss) before extraordinary item	(1,601)	44,224	33,868	26,054	10,575
Extraordinary item–income tax reduction	438	3,791	1,980	–	–
Net earnings (loss)	$ (1,163)	$ 48,015	$ 35,848	$ 26,054	$ 10,575

	1982	1981	1980	1979	1978
Assets and Capitalization					
Assets used in the Corporation:					
Working capital	$187,343	$164,175	$121,641	$ 94,186	$ 66,688
Investments and loans	36,788	49,522	44,908	16,538	18,669
Fixed assets (net)	272,742	232,039	151,980	95,001	65,747
Intangible assets and deferred charges	35,367	35,881	26,600	12,747	5,827
Total	$532,240	$481,617	$345,129	$218,472	$156,931
Financed by:					
Long-term debt	$233,897	$213,233	$148,768	$ 85,215	$ 60,945
Deferred income taxes	37,441	38,384	25,715	14,871	8,870
Minority interests	56,212	59,637	43,416	23,463	13,573
Preferred shares	68,664	24,645	25,680	26,714	27,258
Class A and Class B shareholders' equity	136,026	145,718	101,550	68,209	46,285
Total	$532,240	$481,617	$345,129	$218,472	$156,931
Per 1982 Class A and Class B Share (after preferred dividends) in dollars					
Earnings (loss) after extraordinary item	$ (.15)	$ 1.93	$ 1.51	$ 1.09	$ .44
Fully diluted earnings (loss) after extraordinary item	(.15)	1.79	1.33	.95	.40
Cash flow from operations	1.07	3.89	3.10	1.93	1.15
Dividends paid	.27	.30	.1975	.125	.085
Book value	5.50	6.03	4.47	3.14	2.18
Market price					
Class A–high	14.00	19.50	–	–	–
–low	5.00	10.50	–	–	–
Class B–high	14.00	18.75	14.50	6.19	2.38
–low	4.90	10.50	5.25	2.16	1.20
Other Statistics					
Number of shares outstanding at year end					
Preferred (Senior)	1,577,615	1,643,015	1,712,015	1,780,915	1,817,215
Preferred (Junior)	1,800,000	–	–	–	–
Class A shares	12,368,284	12,067,493	–	–	–
Class B shares	12,346,894	12,084,448	11,352,964	10,867,682	10,628,370
Number of security holders					
Preferred (Senior)	2,379	2,439	2,553	2,707	2,637
Preferred (Junior)	1,207	–	–	–	–
Class A shares	3,177	3,283	–	–	–
Class B shares	2,974	3,045	2,699	2,262	2,579
Warrants	770	847	1,380	1,438	2,399
Number of employees	6,934	9,890	6,902	5,924	4,013

CORPORATE ORGANIZATION





This chart illustrates the Corporation's operating groups.

Short and long-term planning and overall financial strategies are defined by corporate office with a view to meeting what is clearly the motivating objective of any enterprise: continued growth and financial return. Capital resources are allocated to assist the operating units in achieving their objectives. This in turn helps ensure maximum benefit for the Corporation's shareholders, employees and customers.

The Corporation's strategies include specialization in secondary manufacturing and related services, and selective industry, geographic and product diversification.

The Agricultural Group manufactures and distributes specialized agricultural equipment. Objectives for 1983 include expanding Versatile Farm Equipment Company product lines to broaden the range of four-wheel drive tractors, and continuing the upgrading of swathers, blade plows, cultivators and sugar cane harvesters.

Versatile Cold Storage Corporation operates nine public cold storage warehouses in British Columbia and Alberta. This division is maintaining market share through aggressive marketing programs.

The Marine and Industrial Group builds and repairs ships, manufactures heavy industrial products and provides supporting marine engineering design services. Achieving a balance among shipbuilding, ship repairs and industrial fabrication provides a stable base to the work force, and thus promotes profitability.

Investment in oil and gas development is continuing both through direct participation by Versatile Corporation and indirectly through Bralorne Resources Limited. Bralorne and the Corporation are assessing the long-term outlook and direction of the energy industry in Canada and the United States in order to focus on those areas where profitability can be improved.

CORPORATE DIRECTORY

CORPORATE OFFICE

Versatile Corporation
3300–1055 Dunsmuir Street
Box 49153 Bentall Centre, Vancouver
British Columbia, Canada V7X 1K3
(604) 669-3141
Peter Paul Saunders, Chairman and President

AGRICULTURAL OPERATIONS

Versatile Farm Equipment Company
1260 Clarence Avenue
Winnipeg, Manitoba, Canada R3T 1T3
(204) 284-6100
Paul M. Soubry, President

Versatile Farm Equipment Company
1402 Fletcher Road, P.O. Sub 15
Saskatoon, Saskatchewan, Canada S7M 2J0
(306) 683-0083
Ed Roberts, Regional Manager

Versatile Farm Equipment Corporation
5900 Deramus Avenue
Kansas City, Missouri, U.S.A. 64120
(816) 241-6232
Larry S. Leavelle, Vice-President and U.S. Sales Manager

Versatile Farm Equipment Corporation
15700-28th Avenue North
Minneapolis, Minnesota, U.S.A. 55447
(612) 559-4454
Jeff W. Elson, Regional Manager

Versatile Noble Cultivators Company
Box 60, Nobleford
Alberta, Canada T0L 1S0
(403) 824-3711
William H. Harden, General Manager

Versatile Farm Equipment Pty. Ltd.
321 Douglas Mawson Road
P.M.B. 18, Dubbo, New South Wales
Australia 2830
(068) 82-6300
John N. Oulton, General Manager

Versatile Toft Ltd.
3 Maryborough Street
P.O. Box 932, Bundaberg
Queensland, Australia 4670
(071) 72-2622
Leo J. Mulkearns, General Manager

COLD STORAGE OPERATIONS

Versatile Cold Storage Corporation
2115 Commissioner Street, Vancouver
British Columbia, Canada V5L 1A6
(604) 255-4656
Stewart W. Reeder, President

Alberta Cold Storage Division
3839 Ogden Road S.E.
Calgary, Alberta, Canada T2G 4N7
(403) 262-6460
Roy Rogers, Vice-President

Alberta Cold Storage Division
9002--20th Street
P.O. Box 5566, Station "L"
Edmonton, Alberta, Canada T6C 4E9
(403) 464-1770
Merv Permann, Plant Manager

MARINE AND INDUSTRIAL OPERATIONS

Burrard Yarrows Corporation
109 East Esplanade
P.O. Box 86099, North Vancouver
British Columbia, Canada V7L 4J6
(604) 988-2111
Donald W. Challinor, President

Burrard Yarrows Corporation
Canteen Road
P.O. Box 1030, Victoria
British Columbia, Canada V8W 2S9
(604) 385-4421
Archie A. Gillies, General Manager

Versatile Vickers Inc.
5000 Notre Dame Street East
Montreal, Quebec, Canada H1V 2B4
(514) 256-2651
R. Kenneth Robertson, President

Versatile Vickers Systems Inc.
1000-200 Elgin Street
Ottawa, Ontario, Canada K2P 1L5
(613) 236-7200
T. A. Arnott, President

Versatile Vickers Systems Inc.
Suite 500, 6009 Quinpool Road
Halifax, Nova Scotia, Canada B3K 5J7
(902) 422-1785
John Fitzgerald, Branch Manager Atlantic Region

OIL AND GAS OPERATIONS

Bralorne Resources Limited
2900-205-5th Avenue S.W.
Calgary, Alberta, Canada T2P 2V7
(403) 261-9060
F. William Fitzpatrick, Chairman and Chief Executive Officer

Bralorne International, Inc.
Suite 148, 4550 Post Oak Place
Houston, Texas. U.S.A. 77027
(713) 629-7040
Terry A. O'Brien, Manager International Sales

CREDIT OPERATIONS

Versatile Credit Corporation
1504 Gamble Place, Winnipeg
Manitoba, Canada R3T 1N6
(204) 452-5775
John C. Hughes, Vice-President and General Manager

Versatile Credit Corporation
403–2800 Rockcreek Parkway
North Kansas City, Missouri, U.S.A. 64117
(816) 842-3357
John P. Hanrahan, President

DIRECTORS

*°Peter Paul Saunders
Chairman and President
Versatile Corporation
Vancouver, British Columbia

†David S. Beatty
Chairman
Old Canada Investment Corp. Limited
Toronto, Ontario

*°Peter J. G. Bentley
President and Chief Executive Officer
Canadian Forest Products Ltd.
Vancouver, British Columbia

A. Lorne Campbell, Q.C.
Barrister and Solicitor
Aikins, MacAulay & Thorvaldson
Winnipeg, Manitoba

*†Ronald L. Cliff, C.A.
Chairman
Inland Natural Gas Co. Ltd.
Vancouver, British Columbia

Hon. Douglas D. Everett
Chairman
Royal Canadian Securities Limited
Winnipeg, Manitoba

F. William Fitzpatrick
Chairman and Chief Executive Officer
Bralorne Resources Limited
Calgary, Alberta

Roderick M. Hungerford
President
Flex-Lox Industries Ltd.
Vancouver, British Columbia

Joseph B. Jarvis
Vice-President, Pacific Rim
Canfor Pulp Sales
A Division of Canadian Forest Products Ltd.
Vancouver, British Columbia

Jack S. Lee
President
Versatech Industries
Toronto, Ontario

*†J. Ronald Longstaffe
Executive Vice-President
Canadian Forest Products Ltd.
Vancouver, British Columbia

*°George B. McKeen
President
McKeen & Wilson Ltd.
Vancouver, British Columbia

OFFICERS

Peter Paul Saunders
Chairman and President

John S. Farrell
Senior Vice-President

G. Martin Greer
Vice-President & General Counsel

Kenneth R. Keeping
Vice-President Human Resources

George A. Morris
Vice-President Finance and Treasurer

Paul M. Soubry
Vice-President Agricultural Operations

John W. Long
Secretary

Mark W. Powell
Corporate Controller

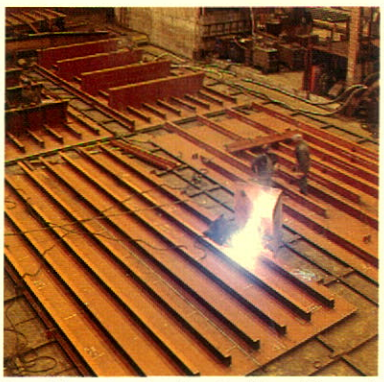
Katherine J. Mann
Assistant Treasurer

†Member Audit Committee
**Member Executive Committee*
°Member Compensation Committee

INVESTOR INFORMATION

A log carrier built by Burrard Yarrows for West Coast forestry operations.

A Versatile four-wheel drive tractor at work in Western Canada.



Part of the extensive shop facilities of Burrard Yarrows in Vancouver.

Auditors
Thorne Riddell
Chartered Accountants
Vancouver, British Columbia

Bankers
Bank of Montreal
Vancouver, British Columbia
Bank of British Columbia
Vancouver, British Columbia

Registrar and Transfer Agent
National Trust Company, Limited
Vancouver, Calgary, Winnipeg
Toronto, Montreal, and its agent
Canada Permanent Trust Company,
Regina and Halifax

Shares Listed
Vancouver, Toronto and Montreal
Stock Exchanges

Shares and Warrants As at December 31, 1982	**Issued and Outstanding**	**Authorized**
Class A common shares ("Class A")	12,368,284	unlimited
Class B common shares ("Class B")	12,346,894	unlimited
Cumulative redeemable preferred shares	1,577,615	7,754,700
Cumulative redeemable convertible junior preferred shares	1,800,000	unlimited
Warrants	517,021	

Dividends
In 1982 the Corporation paid total dividends per Class A and Class B share of 27 cents compared with 30 cents in 1981. On February 14, 1983 the Board of Directors declared a quarterly dividend of 5 cents per Class A and Class B share payable on March 31, 1983 to shareholders of record on March 11, 1983.

Also quarterly dividends of 35 cents per share for the Corporation's Cumulative Redeemable Preferred shares, and 75.51 cents per share for the Cumulative Redeemable Convertible Junior Preferred shares were declared, payable on March 31, 1983 to shareholders of record on March 11, 1983.

Optional Stock Dividend Program
Owners of Versatile Corporation Class A and Class B shares are eligible to participate in the Corporation's Optional Stock Dividend Program.

In lieu of cash, common shareholders may elect to receive a dividend in Class A or Class B shares (whichever is held) valued at the weighted average market price of the shares on the Toronto Stock Exchange during the five trading days prior to the meeting of the Board of Directors at which the dividend is declared.

As at December 31, 1982 holders of approximately 2.46 percent of the Corporation's outstanding common shares were participating in the Plan, and a total of 10,460 Class A shares and 11,799 Class B shares were issued for this purpose during 1982.

The Plan provides Class A and Class B shareholders with a convenient method of obtaining additional Class A and Class B shares without payment of brokerage commissions or service charges.

Share Purchase Warrants–Variance in Exercise Rights

July 1978-May 1980 2 Company warrants	+$7.25 buy 1 common share	Stock exchanges traded warrants as full warrants.
May 1980-February 1981 2 Company warrants (4 stock exchange or "trading" warrants)	+$7.25 buy 2 common shares	Stock exchanges effectively split warrants into half warrants at the time of the two-for-one stock split.
February 1981 2 Company warrants (4 stock exchange or "trading" warrants)	+$7.25 buy 2 Class B shares and 2 Class A shares as a stock dividend.	Existing common shares were reclassified as Class B shares and the new Class A shares were declared as a stock dividend. No change in "trading" warrants by stock exchanges.

THESE WARRANTS MAY ONLY BE EXERCISED UP TO JULY 29, 1983

Designed by Burns, Cooper, Hynes Limited/Printed in Canada by Agency Press, Vancouver