Versatile Corporation

Annual Report 1983

Versatile Corporation

Over the past 15 years Versatile Corporation has become a leading Canadian industrial organization specializing in engineering-oriented secondary manufacturing and services. With a national base and international exposure, we possess the combination of financial strength and operational breadth both to survive recessionary times and to bring about renewed profitability.

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The Year at a Glance

Financial

	1983	1982
Revenue	$489.3 million	$759.7 million
Loss for year	$(23.0) million	$(1.2) million
Loss per Class A and Class B share	$(1.17)	$(0.15)
Capital expenditures	$14.3 million	$51.7 million

Comparative Quarterly Earnings Results

	1983		1982	
	$ thousands	$/share	$ thousands	$/share
First Quarter	(5,407)	(0.29)	10,393	0.41
Second Quarter	(8,254)	(0.40)	1,557	0.04
Third Quarter	(10,962)	(0.50)	(10,364)	(0.45)
Fourth Quarter	1,593	0.02	(2,749)	(0.15)
	(23,030)	(1.17)	(1,163)	(0.15)

Annual Meeting Information

The Annual Meeting of the shareholders of Versatile Corporation will be held in Vancouver, British Columbia, at the Hyatt Regency Hotel (Regency West Ballroom) on Friday, April 27, 1984 at 11:00 a.m.

Directors' Report to Shareholders

1983 was the most difficult year in the history of the Corporation, which was reflected in our worst results ever. The continued recessionary climate worldwide led to considerably reduced consolidated revenues. A severe downturn in all of our business lines did not begin to reverse until the fourth quarter, when the performance of the Agricultural Group represented a substantial advance. Marine and Industrial Operations also showed modest recovery, and the Oil and Gas business demonstrated marked operational improvement.

Financial Summary

Consolidated revenues in 1983 at $489 million were $270 million or 36% below the 1982 level. The substantially reduced demand for products in all sectors of the Corporation's business generated a loss for the year of $23 million, or $1.17 per Class A and Class B share. However, in considering these disappointing results it is of interest to note that, in the fourth quarter of the year, revenues improved over the levels of the previous quarters, and the Corporation recorded earnings of $1.6 million or 2 cents per Class A and Class B share. Thus, for the first time since the second quarter of 1982, earnings were reported.

Capital expenditures in 1983 amounted to $14.3 million, down significantly from expenditures of $51.7 million and $85.0 million in 1982 and 1981, respectively. Interest on debt amounted to $38.7 million in 1983, down $14.2 million or 27% from 1982; and selling, general and administrative expenses of $80 million in 1983 were reduced from $105 million in the previous year. All of these figures are indicative of the effect of actions taken by the Corporation in all of its operations to tailor the cost of doing business to the revenues achieved and to be expected in the future.

As well as reducing operating costs, the Corporation continued to take steps to strengthen its financial condition. In addition to an issue of $45 million in convertible preferred shares in late 1982, Class A Subordinate Voting shares and warrants were sold to the public for $19.5 million in 1983. During 1983 Bralorne Resources Limited issued convertible preferred shares and common share units for proceeds aggregating $51 million. Taken together, these equity issues served to maintain a reasonable debt-to-equity ratio, and lowered the dependency on demand and other short-term indebtedness.

Operations Summary

1983 was one of the most difficult years on record in the farm equipment industry. Severe economic conditions particularly affected markets for the specialized products of the Versatile Agricultural Group.

Stringent restraint measures and cost reduction programs were implemented throughout the entire Agricultural Group, with the mandate to reduce receivables and inventories. This resulted in production and wholesale sales even lower than retail demand supported. The benefits of a balanced dealer inventory position will be felt in 1984 when wholesale and retail sales will be in balance.

Versatile dealer inventories were maintained in 'factory fresh' condition, which allowed production to be resumed on a steady, replenishment basis, but still below capacity. Concern still exists that, because of large inventories held by certain competitors, some industry discounting could affect profitability in 1984.

3.7 percent of 1983 sales was spent on research and development, as against 3.1 percent in 1982. This program of product development placed the Group in a position to benefit as the farm industry recovery occurs and will broaden the farm equipment business base.

The outlook for 1984 is one of guarded optimism. We estimate that U.S. demand for farm equipment will improve, especially in the areas where planting will be expanded and PIK (payment in kind) payments are received. We expect the market in Canada to be stable and some increased market opportunities in Australia, including improvement in the sugar cane industry. Development of a new sugar cane harvester with both burnt and green cane harvesting capabilities is progressing towards final testing at Versatile Toft Ltd. Increased emphasis has been placed on expanding export business beyond our traditional base, which is showing encouraging results particularly for our new Model 256 tractor.

In 1983 the Corporation received the "Canada Export Award" from the Government of Canada for our farm equipment marketing program abroad, as well as the federal Design Canada "Award of Excellence" for the Versatile Model 1150 tractor.

Cold Storage Operations again reported satisfactory results despite the continued depressed economy. The Group expanded further, as planned, in B.C., and entered Washington State, its first participation in the U.S. market. Continued tight control over costs and sound marketing practices helped increase sales volumes and maintain profit margins at satisfactory levels. Further selective additions to facilities and a strong orientation towards servicing the marketplace should result in steady volumes and performance throughout 1984.

In the Marine and Industrial Group, both divisions of Burrard Yarrows Corporation operated at well below normal levels from mid-year, reflecting depressed international shipping markets and the completion of shipbuilding contracts. Steps were taken to reduce all overhead costs significantly and to defer non-essential capital expenditures; a program of systems improvement was also initiated.

In September, Burrard Yarrows was awarded a $108.5 million contract for two Type 1100 icebreakers for the Canadian Coast Guard. Construction will begin during the second quarter of 1984 creating 800 man-years in direct shipyard jobs. The outlook for the near term is cautiously optimistic, with slow recovery forecast in international and domestic markets. Indications for the longer term are more positive because of a number of major projects on which the Company is bidding. If successful, they will ensure a solid backlog of business for the next two years.

Versatile Vickers Inc. showed declining ship repair volumes for most of the year, leading to workforce cutbacks. Production was moderate in the industrial division centered on heat exchangers and heavy-walled steel vessels, but overall levels of activity were down compared with previous years. However, as a result of a mid-summer federal government announcement, Versatile Vickers was designated a first level sub-contractor in the construction of three Canadian patrol frigates. Between 1984 and 1991 this project will generate 4,000 man-years work, and also means continued involvement of Versatile Vickers Systems Inc. for a further 600 man-years design participation.

Peter Paul Saunders
Chairman and President

During 1983 Versatile Vickers Systems continued to expand its provision of marine design and engineering services. Military contracts for design and refits, as well as some commercial work, were supplemented by maintenance and materials management in particular for the petroleum industry. Set-to-work teams, quality assurance and management assistance were also provided to shipyards.

In the Oil and Gas Group, for the second consecutive year the activities of Bralorne Resources

DIRECTORS' REPORT TO SHAREHOLDERS (continued)

Limited were severely curtailed because of the disastrous reduction in North American oil and gas exploration. For most of the year a slump in U.S. drilling and seismic work prevailed, together with drastically reduced demand for Bralorne's products and services.

To minimize the effects of such adverse market conditions, it was necessary for Bralorne to reduce overheads further and to institute cutbacks in manufacturing and employment levels as well as in the exploration program. To improve liquidity the Company reduced inventory levels, disposed of assets, and repaid and restructured indebtedness. Bralorne saw marked operational improvements in the final quarter, but reported unfavourable results as earnings for the quarter were adversely affected by some unusual and non-recurring write-offs. The Company's balance sheet at year-end was the best in many years.

People

At year-end the number of employees of the Corporation, its divisions and subsidiaries was 5,845; total remuneration paid in 1983 was $172 million. Labour agreements signed during the year involved Versatile Vickers, Versatile Cold Storage and Versatile Farm Equipment employees, all without work stoppages.

The Directors are pleased to note the co-operation that has been sustained by personnel at all levels. The year was very difficult because of fluctuations in production activity in all divisions; both hourly workers and salaried staff were required to adjust to many frustrations. These difficulties will be substantially overcome in 1984, resulting in a smoother operating pattern. With more assured employment, productivity improvements should be much easier to achieve.

Outlook

The world economy is experiencing recovery in varying degrees. The industries in which Versatile Corporation operates have lagged entry into the recession and are coming out later than most primary producers. While showing an increase over 1983, business activity likely will not reach the pre-recession levels of profitability during the current year. Margins in all areas will be under pressure, and improvements in productivity will have to be attained for a return to normal profit levels. The reduced rate of inflation, coupled with greater recognition of the value of employment and steps taken to improve production techniques, should begin to show positive results in the Corporation's production costs in the latter part of 1984. Greater marketing efforts are being pursued to increase order backlogs in all divisions. Accordingly, we view 1984 as a year of positive transition. The Corporation will have returned to profitability in the first half of the year, and expects to show further progress in the second half.

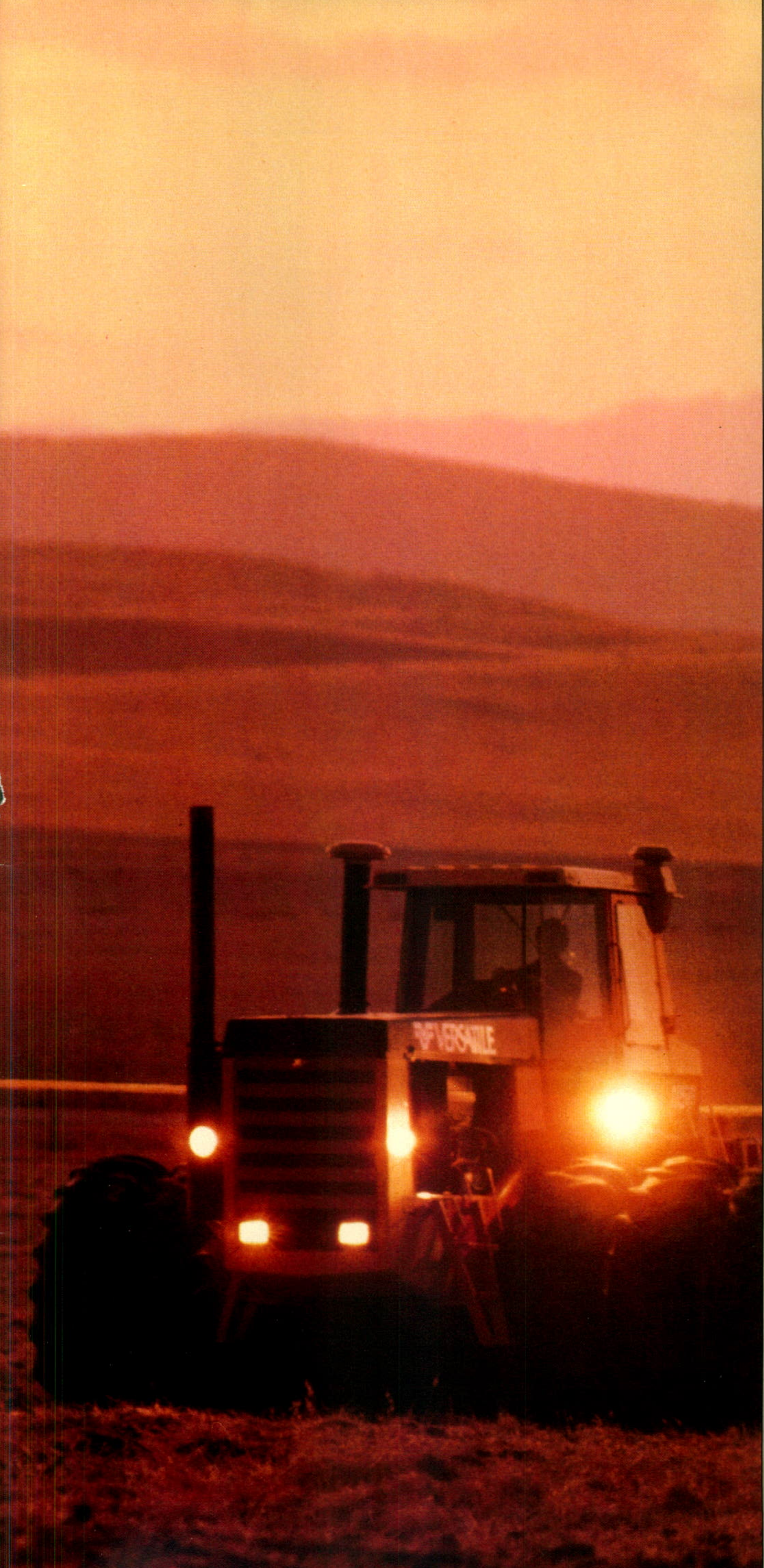
While we foresee a slow recovery generally, we have new products to add to our farm equipment lines and significant contracts both underway and in prospect in the Marine and Industrial Group. Oil and Gas Operations have started to participate in the recovery. All of these factors indicate that Versatile Corporation is well positioned to generate increasing revenues and profits in 1985 and beyond.

On behalf of the Board,

Peter Paul Saunders

Chairman

March 5, 1984



In the demanding economic climate of the '80s, our resolve remains to achieve greater productivity. Our competitive advantage is based upon a commitment to research and development, and confidence in labour/management co-operation.

Operations Review

AGRICULTURAL AND COLD STORAGE

Versatile Farm Equipment Company is the largest manufacturer of farm machinery in Western Canada. From a plant in Winnipeg, Manitoba, the Company is one of the world's leading suppliers of four-wheel drive tractors. Long recognized in the industry for its innovative design technology, Versatile is among the originators of four-wheel drive farm tractors and has attained a significant share of the North American market. It has a growing sales base through a network totalling more than 700 independent dealers and distributors in Canada, the United States, Australia and overseas.

The product line of this division includes ten models of four-wheel drive tractors, pull-type combines, pull-type and self-propelled swathers and field sprayers. Along with the range of tillage equipment — blade plows, hoe seed drills, stubble treaders and rod weeders — manufactured by **Versatile Noble Cultivators Company** (Nobleford, Alberta), the division also produces specialized sugar cane harvesting equipment in Australia at **Versatile Toft Ltd.** (Bundaberg, Queensland) for domestic and international markets.

Versatile Toft Ltd. manufactures hydraulically-operated chopper harvesters, supplying half the world market and 65 percent of the Australian market in sugar cane harvesters.

Marketing of all Canadian-made products is the responsibility in the U.S. of **Versatile Farm Equipment Corporation** (Kansas City, Missouri), and in Australia of **Versatile Farm Equipment Pty. Ltd.** (Dubbo, New South Wales).

Manufacturing

Given the severe effects of the recession on the farm equipment industry, Versatile Farm Equipment Company continued to reduce inventories. Tractor production in the Winnipeg plant was curtailed for 14 weeks in the first half of 1983. At year-end, large tractor inventories were reduced 41 percent from the previous year; swathers were down in excess of 60 percent. This favourable position allowed production to resume at near normal levels in the fourth quarter. Total receivables for all farm equipment were reduced by 22 percent at year-end, and inventories by 30 percent. The Group had a substantial positive cash flow which allowed it to return to profitability during the fourth quarter. Shipments to the Middle East and Australia have contributed towards stabilization of production.

Product Development

Research and development were continued in all operations to allow the Group to introduce new lines and decrease dependency on the cyclical changes of large tractors and swathers. With support from the federal Enterprise Development Program, in September a new 100 horsepower, articulated, four-wheel drive, bi-directional tractor — Model 256 — was successfully launched. It already is receiving wide acceptance in the marketplace, and symbolizes the Group's forward outlook.

Versatile's Model 256 tractor is a breakthrough in concept, design and manufacture. Its features include articulated steering, hydrostatic drive and a powerful 84 PTO (100 HP) capability.

A new chisel plow, built in Canada by Versatile Noble Cultivators, was launched in Australia in 1983. Development continues on Noble blade plows and seed drills, with new models planned for 1984 introduction. Testing has been completed on a new pull-type combine, scheduled to go into production in the first half of 1984. Later in 1984, a new series of tractor models will also be released.

Sales and Marketing

In North America, the largest market for four-wheel drive tractors, industry sales fell 25 percent below 1982, reaching the lowest level of unit sales since 1973 and 49 percent below the record attained in 1979. The industry was plagued by excess four-wheel drive tractor manufacturing capacity, and because of previous industry over-production dealers carried large quantities of unsold inventories. This prompted industry-wide discounts and sales incentives which Versatile was required to meet.

Swather, seeding equipment and sugar cane harvester markets were similarly affected. Low commodity prices, high real interest rates, uncertain conditions and the PIK (payment in kind) set-aside program in the U.S. (which reduced the planted acreage by 17 percent), all contributed to substantially reduced demand for large equipment. In Australia, despite the outlook for a good 1983 crop, the 1982 drought led to reduced demand for farm equipment in 1983. Also, as a result of continued depressed sugar prices, domestic and international markets for Versatile Toft cane harvesters fell 50 percent.

These conditions, coupled with a severe drought in the U.S. corn belt during the key growing months, did not affect the Company's market share. It continued to improve for four-wheel drive tractors in North America as well as in Australia.

COLD STORAGE

This group of companies consists of eleven public freezing and cold storage units in British Columbia, Alberta and Washington State. It provides refrigerated storage services including food processing and bulk distribution at the **B.C. Ice and Cold Storage Division** (eight plants in Greater Vancouver and the Fraser Valley, B.C.), **Alberta Cold Storage Division** (plants in Calgary and Edmonton, Alberta) and **Versatile Cascade Cold Storage Inc.** (Lynden, Washington).

The Corporation's strong support for R&D was manifested in late 1983 by the purchase of a complete CAD/CAM system for the Winnipeg, Manitoba manufacturing plant of* ***Versatile Farm Equipment Company.***

**computer aided design/computer aided manufacturing.*

In 1983, Cold Storage Operations reported increased sales volumes while maintaining satisfactory gross margin levels. Good growing conditions in the bulk fruit and vegetable market in the Fraser Valley coincided with the addition of the Baker Plant in Abbotsford early in 1983. This new plant is operating extremely well, and has been completely integrated into the Group's overall service and cost control programs as well as the computerized inventory control system.

The above average spring 1983 roe herring fishery, offset by lower volumes of salmon and other species later in the year, still resulted in a satisfactory volume of fish production/ freezing.

The Alberta Division plants operated efficiently, with the Calgary expansion recording satisfactory utilization. Softness in meat storage levels, which continued throughout the year, was offset by increased throughput and efficiency.

The first expansion into the United States took place late in 1983 with the acquisition of Cascade Cold Storage Inc. in Lynden, Washington. This plant is currently implementing company-wide service and cost control programs and computerized inventory control systems. A 50,000 sq. ft. addition will be completed in June 1984 to service growing market demand.

The large public freezing and cold storage capacity of ***Versatile Cold Storage Corporation*** *is typified by the B.C. Ice and Cold Storage Division headquarters in the bustling Port of Vancouver, B.C.*

MARINE AND INDUSTRIAL

Comprised of **Burrard Yarrows Corporation** (Vancouver and Victoria, B.C.), **Versatile Vickers Inc.** (Montreal, Quebec), and **Versatile Vickers Systems Inc.** (Montreal, Quebec; Ottawa, Ontario; and Halifax, Nova Scotia), this Group provides capability in ship repairs, shipbuilding, heavy industrial fabrication and marine design/engineering.

Burrard Yarrows is the largest repairer of foreign deep-sea vessels in Canada and the third largest, fully-integrated shipyard operation in the country. The largest shipyard on the West Coast, it also manufactures and repairs industrial machinery. The extensive Montreal facilities of Versatile Vickers make it one of the leading ship repairers in Eastern Canada, as well as a major ship outfitter and custom manufacturer of large-scale heavy industrial products and precision-engineered components in Quebec. Versatile Vickers Systems is the principal marine design and naval engineering consultancy in the country. It specializes in the broad spectrum of ship systems design,

We are well-positioned to achieve greater sales volumes and a return to positive results. A large proportion of our forthcoming work is of a long-term nature on substantial orders for significant customers.

and provides technical assistance and management resources to government and commercial clients.

Ship Repairs & Outfitting

Refit and conversion contracts completed during 1983 at Burrard Yarrows included re-engining and hull modifications on two B.C. Ferries vessels, and the refurbishment of a cruise liner. Major mid-life work on HMCS "Qu'Appelle" constituted the first of four destroyer escort refits under a $47 million multi-ship contract. This vessel was completed on time, on budget and to naval quality control standards.

Versatile Vickers rebounded from a slow summer to win refit contracts for HMCS "Protecteur" and HMCS "Athabaskan", and the "Norman McLeod Rogers" for the Canadian Coast Guard. Of most consequence was the June announcement of a long-term contract to outfit and deliver three of the first six Canadian patrol frigates for the Department of National Defence. The management organization necessary to administer this large project, scheduled to be completed in 1991, is rapidly taking shape. Activity will increase steadily over the next few years as this project becomes the largest ever undertaken by Versatile Vickers.

***Burrard Yarrows Corporation** offers facilities and experience in new construction, including highly-sophisticated marine research and offshore supply vessels, oil barges and tankers, passenger liners, passenger-automobile ferries, crane barges, destroyer escorts, cargo vessels, self-loading/dumping log carriers, fishing boats and tugs of all sizes.*

Shipbuilding

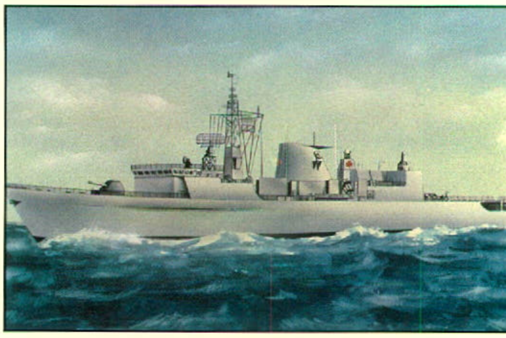
Burrard Yarrows delivered two Class 4 icebreaking supply ships, the MV "Terry Fox" and MV "Kalvik", to Beaudril Limited Partnership, an affiliate of Gulf Canada Resources Inc., under an $84 million contract. Unfortunately, earnings on this work were unsatisfactory. With major systems improvements now underway and strong indications of union/management desire to increase labour productivity, improved results can be expected from future shipbuilding.

Industrial Fabrication

Deliveries from Versatile Vickers' fabrication facilities were small in 1983. Progress on two 850 megawatt calandria units has been slowed at the request of Ontario Hydro. The year ended on a high note when the long-awaited order for two calandria units for Romania was received.

Research and development into the welding of heavy-walled pressure vessels succeeded in 1983 with the receipt of the CANMET project from Petro Canada, valued at $2.7 million. The Company's future with narrow-gap welding technology looks bright, with a number of major projects expected to go to tender during 1984.

1983 was another slow year for railway passenger vehicles, although Versatile Vickers did receive a $2 million contract to repair damaged Montreal Metro cars. Evidence exists of future prospects in third world countries for small orders.



*The July 1983 contract for the first Canadian patrol frigates designed by **Versatile Vickers Systems Inc. (VVSI)** means an additional 600 man-years work for VVSI and 4,000 man-years work for **Versatile Vickers Inc.**, all by 1991.*

U.S. Defence sales were steady during 1983, and Versatile Vickers added to its reputation as a supplier of heavy machine shop products of unsurpassed quality and reliable delivery.

Marine Design Services

The major accomplishment of Versatile Vickers Systems during the year was its membership in the group responsible for the CPF (Canadian Patrol Frigate) implementation contract awarded in July. The design, engineering and working drawings package should provide a substantial amount of work over the next five years. Additionally, work continued on an ongoing contract for the Department of National Defence, providing drawing services for updates to military ships. A new design for a near-shore patrol vessel for the Department of Fisheries and Oceans approached completion at year end. Work was commenced in the preparation of design tenders for the Department of National Defence TRUMP (Tribal Class Update Modernization Program).

OIL AND GAS

The Corporation is involved in the energy industry through 51 percent ownership in **Bralorne Resources Limited**, and via direct investments in oil and gas properties managed by Bralorne. A publicly-held Canadian corporation headquartered in Calgary, Alberta, Bralorne conducts a majority of its operations in the United States and Canada, but also has activities in other countries. Through its Manufacturing Group it makes a wide variety of devices, including seismic, drilling and production equipment and accessories. Its Service Group constructs and prepares road and drill sites, and provides camp and catering services for the petroleum industry. The Supply Group manufactures, sells and rents specialized products used by the petroleum industry. Bralorne's Oil and Gas Division is involved in oil and gas exploration and production.

1983 was a very difficult year for Bralorne and for the entire North American energy industry. After six successive quarters of severely depressed market conditions, however, a gradual recovery now appears underway.

The reduction in revenues and net earnings is traceable directly to the dramatic decline in demand for manufactured products and services in the U.S. seismic and drilling sectors, where the industry continued to be plagued by excess gas reserves, declining oil prices and problems in the capital markets. From the first quarter through the third quarter of 1983 the trend showed a steady decline. Shipments improved in the fourth quarter to a modest increase over the same quarter of 1982.

Versatile Vickers Inc. has been in the forefront of the development of narrow-gap welding equipment and technology to become the only proven Canadian source of heavy-walled vessel fabrication.

Bralorne's gross revenue for 1983 was $138.4 million, cash flow from operations was $12.5 million, with a loss of $5.9 million before unusual items and $10.3 million including unusual items.

Continued contraction of sales levels for products and services caused further reductions in revenue. In 1983 Canadian revenues were $52 million, a decline of $18.1 million; U.S. revenue was $61.4 million, a decline of $76.5 million. Oil and Gas revenue was $18 million, an increase of $4 million, while offshore operation revenues were $6.9 million.

Capital expenditures in 1983 totalled only $9.5 million, down from $38 million the previous year. Of this total, $5.4 million was used for property, plant and equipment, with the remainder spent on Oil and Gas.

Manufacturing, Service & Supply

In 1982 an average of 3,117 drilling rigs and 589 seismic crews were at work. The downturn in the industry resulted in an average of 2,232 drilling rigs and 472 seismic crews working in 1983.

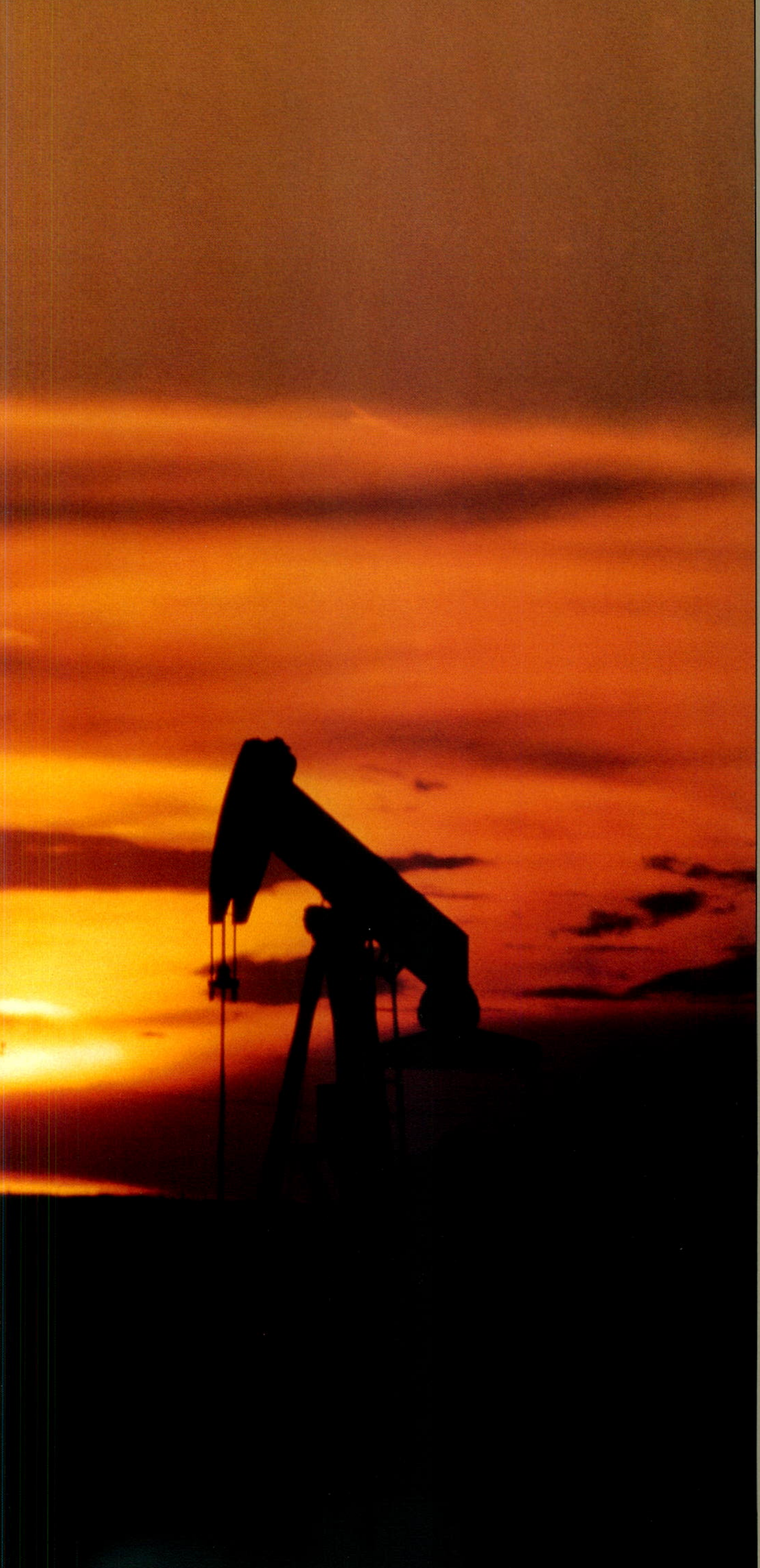
The problem of inactivity affected all of Bralorne's United States business. The continued downturn in drilling and seismic activity, and the corresponding low demand for oilfield products and services, left an accumulated inventory in the distribution channels. Recovery will depend upon the liquidation of this inventory backlog. Intense price competition, an integral part of the inventory liquidation process, will continue to influence profitability. To minimize the impact of the weak markets for its products, the Company therefore emphasized cost and cash management programs.

The capabilities of the Engineering Divisions of ***Versatile Vickers Systems Inc.*** *extend from the conceptual design of warships and merchant ships to detailed design and support for trawlers, tugs, oil-rigs, oceanographic research vessels and patrol boats.*

Stringent cash management and an inventory reduction program led to earnings of (U.S.) $171,000 for Mark Products, Inc. Research and development were continued in the seismic technology and products area, including the application of fibre optics to seismic information collection. The Canadian operations of Mark Products recorded a good year as a result of the seismic components in the expansion of exploration for new oil in Western Canada.

Oil & Gas

The energy policies of the Government of Canada, together with the current natural



The mix of Versatile Corporation business lines has contributed to our feeling the impact of the recession later than did the economy as a whole. We therefore may lag somewhat in experiencing the effects of the recovery.

gas surplus in the absence of export market expansion, continued to discourage Canadian oil and gas activity in 1983. As a result, Bralorne participated in drilling programs involving six exploratory wells and four development wells, all of which were producing. A field-testing program enabled the Company to reclassify its gas reserves from the probable to proven category, which substantially enhanced their value.

Exploration activity in the United States was markedly curtailed in 1983. A modest capital program, directed towards increasing production from the Company's existing reserve base and land holdings, allowed participation in seven gross (1.45 net) wells in Louisiana and Texas. Natural gas production in the U.S. averaged 36 thousand cubic metres per day compared with 32 thousand cubic metres per day in 1982, and oil/condensate production averaged 12 cubic metres per day, similar to 1982 levels. Production in Canada in 1983 increased to 462 thousand cubic metres per day of natural gas from 356 thousand cubic metres per day in 1982, and 36 cubic metres per day of crude oil and natural gas liquids compared with 29 cubic metres per day in 1982.

According to independent consultants, at year-end Bralorne's Canadian proven and probable reserves stood at 3,612 million cubic metres of natural gas, and 279 thousand cubic metres of crude oil and natural gas liquids. The Company's U.S. proven and probable net reserves were 73 million cubic metres of natural gas and 23.847 thousand cubic metres of crude oil/condensate. Present worth (at 15 percent discount rate) of the Company's Canadian and United States reserves and undeveloped lands was calculated to be $158.8 million (Canadian). The net book value of these assets at December 31, 1983 amounted to $84,720,000.

Outlook

Bralorne Resources is poised to participate in the inevitable recovery in the North American energy sector. Drilling improvement is expected to occur within a year in the United States, followed by increased activity later in Canada, depending on progress with gas export decisions.

Bralorne's business is expected to improve modestly in 1984 due to the reduction and eventual elimination of U.S. field equipment inventories and some increase in U.S. drilling activity. Canadian sales will improve slightly in the first quarter, but will level out until and unless movement occurs in gas exports.

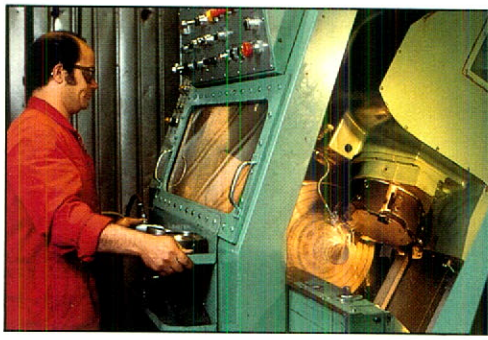
CREDIT COMPANIES

Versatile Credit Corporation (Canada), Winnipeg, Manitoba, and **Versatile Credit Corporation** (U.S.), Kansas City, Missouri, provide retail financing and leasing services mainly to the buyers of Versatile agricultural equipment throughout North America.

Volumes of credit business written in 1983 were down from 1982 as the economy recovered to some degree and interest rates declined. However, both companies continued to hold market share as evidenced by the processing of over 2,900 finance and lease contracts during the year.

Both credit companies reported profits in 1983. Steady volumes and relatively stable costs on borrowed funds provided a positive rate of return on investments in leases and contracts. At year-end a total of 5,574 contracts were outstanding, representing over $98 million in financing.

The companies continued to work closely with the Agricultural Group in the creation of marketing and advertising programs. With new Versatile farm equipment lines increasing market share, and ongoing efforts to promote existing products, 1984 appears to hold promise for an encouraging year for the credit companies.



Expertise with precision lathes is an integral part of the manufacturing process at Barber Industries Division of ***Bralorne Resources Limited.***

Quality assurance procedures ensure exacting standards for the machine thread connections produced at ***Vam Premium Connections Limited,*** *in Sault Ste. Marie, Ontario, a joint venture established in March 1983 between* ***Bralorne Resources Limited*** *and Vallourec, S.A. of Paris, France.*

Financial Review

Management Responsibility

The financial statements appearing in this report were prepared by management in accordance with accounting principles generally accepted in Canada, which principles have been applied consistently from year to year. In turn the statements were developed from established accounting systems, procedures and controls. These, together with the standards of business conduct which have been established throughout the organization, are subject to regular review by the Corporation's internal auditors. The system of accounting and controls is examined and reported upon by either the internal or external auditors. The financial data presented in this report have been reviewed by the Audit Committee of the Board of Directors of the Corporation.

In its opinion, the management of the Corporation is able to discharge its responsibilities to report on a timely basis to its shareholders and to safeguard its assets in an effective manner. Notwithstanding the difficult economic climate which existed during the period under review, the Corporation's management believes that the year's operations and the reports thereon have met its established standards of quality and integrity.

Loss Per Share

In this report and the accompanying statements and schedules, all reference to "loss per Class A and Class B share" means "loss per Class A Subordinate Voting and Class B Common share".

Because of the loss per share in both 1983 and 1982, disclosure of fully diluted figures has not been made as it would have the effect of reducing the loss per share.

The losses per share before and after extraordinary items are indicated in Note 10 to the financial statements.

Foreign Exchange

The 1983 earnings include a loss on foreign exchange translation of $72,000, compared to a gain in 1982 of $2,086,000. While the current year's loss was negligible relative to the significant gains and losses of prior years, it should be noted that the exchange fluctuations experienced previously continued to affect earnings in the four quarters of the year. The table of exchange adjustments by quarter in 1983 and 1982 illustrates:

	Gain/(Loss) *(thousands of Canadian dollars)*	
	1983	1982
First quarter	**(1,712)**	1,795
Second quarter	**272**	3,040
Third quarter	**320**	(1,150)
Fourth quarter	**1,048**	(1,599)
	(72)	2,086

The loss in the first quarter of 1983 arose principally from the devaluation of the Australian dollar. However, it is of interest to note that the Australian dollar regained a substantial portion of its relative value in the remainder of the year, which event contributed to the positive figures in the table. At the same time the relatively wide fluctuations of prior years in the value of the Canadian dollar when expressed in U.S. funds were not as apparent in the current year.

The Corporation has continued its practice of borrowing in foreign currencies in which working capital assets are denominated to reduce its exposure to dramatic fluctuations in the exchange values of those currencies, but such steps will not completely eliminate the risk of losses on translation.

As expected, the Canadian Institute of Chartered Accountants has ratified new recommendations on the accounting treatment of foreign exchange translation and the Corporation has adopted the changes on a prospective basis from January 1, 1984. The major impact of this change will be the requirement to commence amortization of the gain or loss arising on translation of certain long-term debt denominated in U.S. funds. While no attempt has been made to date to account for the unrealized gain or loss on such debt in accordance with the current accounting treatment, the effect of the new proposals has been examined and steps will be taken to ensure that no major exchange impact will affect earnings in the remaining years of the term of the debt. Any real exposure in this connection is limited because of the positive U.S. dollar cash flow resulting from normal operations and the matching of the debt denominated in U.S. funds to working capital and fixed asset values expressed in that currency.

Issues of Shares

During the two years ended December 31, 1983 the Corporation and Bralorne Resources Limited carried out equity financing which may be summarized as follows:

	Versatile		Bralorne		Total
	Convertible Preferred	Class A Units	Convertible Preferred	Common Units	
	(thousands of Canadian dollars)				
Gross proceeds	45,000	19,500	32,000	19,000	**115,500**
Expenses	2,042	1,354	1,418	1,274	**6,088**
Income tax effect	(940)	(582)	(679)	(610)	**(2,811)**
Net expenses	1,102	772	739	664	**3,277**
Net proceeds to issuer	43,898	18,728	31,261	18,336	**112,223**

The Corporation's convertible preferred issue took place in December 1982 and appears in that year's financial statements. The other three issues took place in 1983 and are reflected in the current financial statements.

The net expenses of the Corporation's convertible preferred issue in 1982, amounting to $1,102,000, were charged to earnings reinvested in the business in that year. In 1983 the share issue expenses amounted to $1,212,000, made up of the Class A Unit expense of $772,000 and the Corporation's share of the Bralorne convertible preferred issue expenses which amounted to $440,000, net of minority interests. The Corporation's share of the Bralorne unit expenses has been deducted from the extraordinary gain recorded on the transaction, which gain is discussed below.

The Corporation elected not to participate in either of the Bralorne issues. Consequently its equity interest in the company was reduced, as a result of the common share unit issue, from 59.03% to 51.49%. Since the new common shares yielded proceeds which, on a per-share basis, exceeded that at which the investment was carried, in accordance with accepted practice the parent recorded a gain on the transaction. After accounting for its share of the issue expenses and the applicable income taxes, the gain amounted to $3,305,000 and appears as an extraordinary item in the statement of earnings.

Long-Term Debt

This table sets out the debt and equity figures, together with the related ratios, at the end of 1981, 1982 and 1983 for Bralorne, Versatile with Bralorne at equity and Versatile on a fully consolidated basis:

As noted in prior years, the amounts shown in the table are based on historical costs in the balance sheet and therefore do not reflect current values. However, certain of the lenders to the group of companies do recognize current values in establishing debt capacities; for example, the market value of Bralorne's oil and gas properties exceeds cost by approximately $75 million which amount, if utilized in assessing the amount of debt made available, would improve the resulting debt to equity ratio.

The table illustrates that, given the 1983 share issue

	Long-Term Debt	Share-holders' Equity	Debt: Equity Ratio
	(thousands of Canadian dollars)		
Bralorne			
December 31, 1981	108,148	87,666*	55:45
December 31, 1982	137,086	84,976*	62:38
December 31, 1983	**103,349**	**121,609***	**46:54**
Versatile with Bralorne at equity			
December 31, 1981	109,636	170,363	39:61
December 31, 1982	111,969	204,690	35:65
December 31, 1983	**121,914**	**191,273**	**39:61**
Versatile fully consolidated			
December 31, 1981	217,784	170,363*	56:44
December 31, 1982	249,055	204,690*	55:45
December 31, 1983	**225,263**	**191,273***	**54:46**

*excluding equity of minority shareholders in subsidiaries.

financing referred to elsewhere, the fully consolidated position shows a continued improvement in the equity element of the ratio. However, this change was derived from the substantial equity element increase in Bralorne, where the proceeds from the equity issues were applied in part to reduction of long-term debt. On the other hand, Versatile applied the proceeds from its share issues principally to working capital as its debt structure does not lend itself to interim repayments. Nevertheless the equity issues in both organizations have served to strengthen their respective balance sheets and the consolidated financial position.

The equity issues, when combined with the effective measures taken during 1983 to reduce the levels of receivables and inventories, have enabled the group of companies further to reduce its utilization of the operating or short-term lines of credit so that its ability to react to improved business conditions and opportunities is considerably enhanced.

Despite the poor results for the current year, the Corporation's management remains confident that the asset base supporting the debt and equity structure is satisfactory.

Income Taxes

The statement of earnings for 1983 shows an income tax recovery of $25.0 million or 46.3% of the consolidated loss before income taxes. While the amount of recovery is derived from the individual corporate entities subject to taxation, the rate of recovery resulting from the consolidated figures is indicative of the Canadian tax rate structure for the year. The tax recovery booked during the year has reduced the amount of long term deferred income taxes accumulated in prior years.

The deferred income tax account in the current asset section of the balance sheet has been materially reduced in 1983. This account results from recording expenses for accounting purposes earlier than they are allowed for income tax purposes. Examples are warranty provisions and the cost of extended credit terms in the farm equipment business. In the latter case, it is the Corporation's policy to recognize these costs at the time of sale. The provision therefor is affected by the levels of receivables and changes in interest rates but is not allowed for tax purposes at the time it is recorded in the accounts.

Working Capital And Cash Flow

Working capital was reduced $4.5 million in 1983, bringing the balance at the end of that year to $182.8 million. Eliminating the equity issues, the reduction in working capital would have amounted to approximately $40 million. This figure is composed of the loss on operations, acquisitions, capital expenditures and payment of dividends. Capital expenditures were substantially reduced from prior years. Dividends were omitted on the Class A and Class B shares in the second half of the year but the amount of total dividends paid in 1983 actually exceeded that of 1982 because the Corporation's convertible preferred shares were outstanding for the entire year.

Cash flow showed an improvement in 1983 and was positive to a degree which was satisfactory considering the difficult business conditions which prevailed during the period. In large measure this result came about because of efforts to reduce receivables and inventories and thereby eliminate as much as possible utilization of operating lines of credit.

The Corporation's bank lines of credit are on an unsecured basis. When certain of the subsidiaries borrow in their own names, their assets become the security for the lines made available. The bank loans shown as outstanding at the end of the year are those of certain of the operating subsidiaries and, in the case of the foreign operations, these loans are also utilized to offset, where applicable, possible fluctuations in exchange from foreign working capital assets.

Consolidated Balance Sheet

as at December 31, 1983 *(in thousands of dollars)*

Assets

	1983	1982
Current Assets		
Cash and term deposits	**$ 23,362**	$ 14,569
Accounts receivable	**145,061**	187,089
Income taxes recoverable	**17,887**	12,735
Inventories (note 3)	**137,415**	180,833
Prepaid expenses	**3,312**	3,316
Deferred income taxes	**6,010**	11,543
	333,047	410,085
Investments and Loans		
Investment and advances — finance subsidiaries	**29,197**	27,920
Employee share purchase plan loans (note 4)	**3,206**	5,080
Long-term receivables and other assets	**8,383**	3,788
	40,786	36,788
Fixed Assets (note 5)	**264,016**	272,742
Intangible Assets and Deferred Charges		
Goodwill	**31,977**	31,192
Patents	**3,024**	3,300
Financing costs	**910**	875
	35,911	35,367
	$673,760	$754,982

Auditors' Report

To the Shareholders of
Versatile Corporation

We have examined the consolidated balance sheet of Versatile Corporation as at December 31, 1983 and the consolidated statements 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, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
February 15, 1984

Thorne Riddell
Chartered Accountants

Versatile Corporation

Liabilities

	1983	1982
Current Liabilities		
Bank loans	$ 39,422	$ 93,727
Accounts payable and accrued liabilities	100,692	113,857
Current portion of long-term debt	10,128	15,158
	150,242	222,742
Long-Term Debt (note 6)	215,135	233,897
Deferred Income Taxes	26,714	37,441
Minority Interests	90,396	56,212
	332,245	327,550

Shareholders' Equity

	1983	1982
Share Capital (note 7)	114,203	93,822
Earnings Reinvested in the Business	77,070	110,868
	191,273	204,690
	$673,760	$754,982

Contingent Liabilities (note 11)

Peter Paul Saunders R. L. Cliff

Approved by the Board: Peter Paul Saunders, Director Ronald L. Cliff, C.A., Director

Consolidated Statement of Earnings and Earnings Reinvested in the Business

for the year ended December 31, 1983 *(in thousands of dollars)*

	1983	1982
Revenue		
Manufacturing	$400,174	$653,752
Service	89,116	105,997
	489,290	759,749
Costs and expenses		
Cost of sales	398,715	588,293
Selling, general and administrative	79,994	104,980
Long-term debt interest	31,537	33,330
Other interest	7,143	19,586
Depreciation, depletion and amortization	29,799	30,925
	547,188	777,114
Loss from operations	(57,898)	(17,365)
Other income (note 8)	3,977	6,582
	(53,921)	(10,783)
Income tax recovery		
Current	(18,496)	(6,610)
Deferred	(6,464)	(4,048)
	(24,960)	(10,658)
Loss before undernoted items	(28,961)	(125)
Minority interests	2,626	(1,476)
Loss before extraordinary items	(26,335)	(1,601)
Gain arising from dilution of interest in a subsidiary company (note 9)	3,305	—
Income tax reduction from loss of subsidiary existing at date of acquisition	—	438
Loss for year	(23,030)	(1,163)
Earnings reinvested in the business at beginning of year	110,868	121,982
	87,838	120,819
Share issue expenses	1,212	1,102
	86,626	119,717
Dividends declared		
Preferred shares	7,056	2,250
Class A and Class B shares	2,500	6,599
	9,556	8,849
Earnings reinvested in the business at end of year	$ 77,070	$110,868

Loss per Class A and Class B share (note 10)

Consolidated Statement of Changes in Financial Position

Versatile Corporation

for the year ended December 31, 1983 *(in thousands of dollars)*

	1983	1982
Working Capital Derived from		
Operations		
Loss before extraordinary items	$(26,335)	$ (1,601)
Items not affecting working capital		
Depreciation, depletion and amortization	29,799	30,925
Deferred income taxes	(9,237)	(3)
Minority interests	(2,626)	1,476
Other	(1,888)	(2,499)
	(10,287)	28,298
Income tax reduction from loss of subsidiary existing at date of acquisition	—	438
Increase in long-term debt	12,362	23,760
Proceeds from sale of fixed assets	4,176	4,048
Proceeds from issue of Class A and B shares	19,921	1,231
Proceeds from issue of junior preferred shares	—	42,958
Proceeds from issue of shares of subsidiary company		
— common	17,726	—
— preferred	30,881	—
Investments and loans	1,048	14,153
	75,827	114,886
Working Capital Applied to		
Business acquisitions, net of working capital	9,523	10,511
Additions to fixed assets	14,283	51,688
Reduction of long-term debt	34,510	14,612
Cash dividends	9,508	8,658
Intangible assets and deferred charges	2,020	684
Decrease in minority interests	9,725	4,901
Redemption of preferred shares	796	664
	80,365	91,718
Increase (Decrease) in Working Capital	(4,538)	23,168
Working Capital at Beginning of Year	187,343	164,175
Working Capital at End of Year	$182,805	$187,343

Notes to Consolidated Financial Statements

year ended December 31, 1983

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 12) 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 maximum of 40 years.

Patents are amortized over 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 provides income taxes on reported earnings or losses, with the result that differences between these taxes and current taxes 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.

2. Acquisitions

In 1983 the Corporation purchased the assets of two cold storage operations, the effect of which on the consolidated balance sheet is summarized below:

	(in thousands of dollars)
Assets acquired	
Fixed assets	$13,006
Deduct	
Long-term debt	3,483
	9,523
Working capital acquired	224
Total cash consideration	$ 9,747

3. Inventories

	(in thousands of dollars) 1983	1982
Finished goods	$ 45,453	$ 55,232
Work-in-process	35,742	52,099
Raw materials and supplies	56,220	73,502
	$137,415	$180,833

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

	(in thousands of dollars) 1983			1982
	Cost	Accumulated depreciation and depletion	Net	Net
Agricultural and cold storage				
Land	$ 7,866	$ —	$ 7,866	$ 7,038
Buildings	45,335	10,720	34,615	25,750
Machinery and equipment	45,630	22,674	22,956	24,852
	98,831	33,394	65,437	57,640
Marine and industrial				
Land	1,663	—	1,663	1,663
Floating drydocks, piers and buildings	49,656	23,956	25,700	27,012
Machinery and equipment	28,654	21,850	6,804	6,635
	79,973	45,806	34,167	35,310
Oil and gas				
Land	6,513	—	6,513	6,520
Buildings	18,491	5,124	13,367	14,486
Machinery and equipment	82,057	34,074	47,983	61,486
Oil and gas interests	115,202	19,622	95,580	96,344
Mining interests	969	—	969	956
	223,232	58,820	164,412	179,792
Total	$402,036	$138,020	$264,016	$272,742

6. Long-Term Debt

	(in thousands of dollars) 1983	1982
Versatile Corporation and wholly-owned subsidiaries		
Bonds and debentures		
9¾% sinking fund secured bonds, maturing 1987	**$ 2,012**	$ 2,316
11% Series A sinking fund debentures, maturing 1993	**16,929**	17,425
10% Series B debentures, maturing 1986 (U.S. $15,000,000)	**17,712**	17,712
13.038% term loan secured by Series C debentures, maturing 1990	**25,000**	25,000
15½% Series D debentures, maturing 1991 (U.S. $17,000,000)	**20,121**	20,121
15½% Series E debentures, maturing 1987 (U.S. $20,000,000)	**23,672**	23,672
9.25% Industrial Development Revenue Bond (U.S. $6,000,000)	**7,422**	—
Other (including U.S. $4,075,000)	**9,046**	5,723
	121,914	111,969
Bralorne Resources Limited		
Debentures		
12⅞% Series A sinking fund secured debentures, maturing 1995	**37,000**	40,000
Notes payable and bank loans		
Bearing interest at varying rates (average rate at December 31, 1983 — 12.8%; 1982 — 13.1%) (including U.S. $55,440,800)	**65,930**	96,487
Other	**419**	599
	103,349	137,086
Total	**225,263**	249,055
Less current portion included in current liabilities	**10,128**	15,158
	$215,135	$233,897

The maturity dates of the term loan secured by the Series C debentures and of the Series D debentures are subject to renegotiation of the interest rate in 1985 and 1986 respectively.

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

1984	$10,128,000
1985	$19,468,000
1986	$39,489,000
1987	$41,244,000
1988	$15,430,000

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

7. Share Capital

Authorized
7,750,000 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 Subordinate Voting shares without par value (Class A shares)
Unlimited number of Class B Common shares without par value (Class B shares)

	(in thousands of dollars) 1983	1982
Outstanding		
1,514,815 cumulative redeemable preferred shares Series A at $15 per share	**$ 22,722**	$ 23,664
1,789,200 cumulative redeemable convertible junior preferred shares Series 1 at $25 per share	**44,730**	45,000
14,888,905 Class A shares	**21,903**	2,031
12,819,331 Class B shares	**24,848**	23,127
	$114,203	$ 93,822

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

	(in thousands of dollars) Class A		Class B	
	Shares	Amount	Shares	Amount
Balance outstanding at January 1, 1983	12,368,284	$ 2,031	12,346,894	$23,127
Shares Issued:				
For warrants	469,179	5	469,179	1,696
Employee share purchase plan	9,332	74	—	—
Optional stock dividend plan	2,981	23	3,258	25
Preferred share conversions	39,129	270	—	—
1983 Units	2,000,000	19,500	—	—
Balance outstanding at December 31, 1983	14,888,905	$21,903	12,819,331	$24,848

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.

During 1983, 62,800 of the cumulative redeemable preferred shares were purchased for cancellation for a consideration of $796,000. These shares are redeemable at the option of the Corporation 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 $2.625. 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. During 1983, 10,800 of these shares were converted into Class A shares.

In November 1983, the Corporation issued 2,000,000 Units, each Unit consisting of one Class A share and one half Class A share purchase warrant, at a price of $9.75 per Unit, for a total consideration of $19,500,000. Each whole warrant entitles the holder to purchase one Class A share at $9.00 during the period commencing on December 23, 1983 and ending on December 31, 1984. No warrants were exercised in 1983.

8. Other Income

	(in thousands of dollars)	
	1983	1982
Equity in net earnings of finance subsidiaries	**940**	1,266
Interest	**1,353**	871
Gain (loss) on foreign exchange	**(72)**	2,086
Gain on sale of fixed assets	**660**	747
Other	**1,096**	1,612
	3,977	6,582

9. Extraordinary Item

During the year Bralorne Resources Limited issued common shares which reduced the Corporation's interest in the company from 59.03% to 51.49%. The Corporation has recognized a gain, net of income taxes, arising from the deemed disposition of a portion of its interest.

10. Loss per Class A and Class B Share

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

	1983	1982
Loss per Class A and Class B share		
Before extraordinary items	**$(1.30)**	$ (.17)
After extraordinary items	**$(1.17)**	$ (.15)

11. Contingent Liabilities

(a) The cost of certain assets and shares acquired by a subsidiary company is subject to upward adjustment. The amounts involved cannot be determined until 1985 and 1986.

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

12. Supplementary Information

The significant financial information relating to the operations of the finance subsidiaries for 1983 and 1982 is as follows:

	(in thousands of dollars)	
	1983	1982
Gross income	**$ 12,820**	$ 12,869
Earnings before income taxes	**$ 1,208**	$ 1,727
Net earnings	**$ 940**	$ 1,266
Net investment in mortgages, properties, finance contracts and leases	**$ 99,355**	$ 95,789
Accounts receivable	**1,585**	492
Fixed assets	**41**	43
	$100,981	$ 96,324
Bank loans payable	**$ 58,650**	$ 64,710
Accounts payable	**1,194**	3,079
Long-term debt	**11,940**	615
Advances from affiliates	**12,725**	14,851
Shareholders' equity	**16,472**	13,069
	$100,981	$ 96,324

13. 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 rate less ½ of 1%. During 1983 the maximum and minimum loaned to the Corporation under this arrangement were $10,234,000 and $3,647,000 respectively. At December 31, 1983 these loans amounted to $8,561,000 and are included in accounts payable and accrued liabilities.

An agreement exists between the Corporation and Mr. F.W. Fitzpatrick, a director of the Corporation, 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. No shares were purchased from him during 1983.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Segmented Information

December 31, 1983

(in thousands of dollars)

	Industry Segments							
	Agricultural and Cold Storage		Marine and Industrial		Oil and Gas		Consolidated	
	1983	1982	**1983**	1982	**1983**	1982	**1983**	1982
Revenues	**$208,190**	$264,714	**$142,743**	$267,910	**$138,357**	$227,125	**$489,290**	$759,749
Earnings								
Operating profit (loss) (before unallocated items)	**$ 733**	$ 7,535	**$ (9,832)**	$ 16,559	**$ (2,611)**	$ 22,196	**$(11,710)**	$ 46,290
General corporate expenses							**(7,508)**	(10,739)
Interest expense							**(38,680)**	(52,916)
Other income							**3,977**	6,582
Income taxes							**24,960**	10,658
Minority interests							**2,626**	(1,476)
Extraordinary items							**3,305**	438
Loss per financial statements							**$(23,030)**	$ (1,163)
Identifiable assets								
Segment assets	**$246,837**	$299,322	**$ 66,738**	$ 61,357	**$313,833**	$347,057	**$627,408**	$707,736
Corporate assets							**17,155**	19,326
Investment and advances — finance subsidiaries							**29,197**	27,920
Total assets per financial statements							**$673,760**	$754,982
Capital expenditures	**$ 3,124**	$ 9,701	**$ 1,609**	$ 3,276	**$ 9,550**	$ 38,711	**$ 14,283**	$ 51,688
Depreciation, depletion and amortization	**$ 7,153**	$ 6,492	**$ 2,771**	$ 2,597	**$ 19,875**	$ 21,836	**$ 29,799**	$ 30,925

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 1983 were $101,643,000 from Canada ($133,805,000 in 1982).

Revenue from Canadian operations includes export sales of $32,340,000 in 1983 ($48,935,000 in 1982).

Versatile Corporation

Geographic Segments

Canada		United States		Australia		Other	
1983	1982	**1983**	1982	**1983**	1982	**1983**	1982
$291,839	$445,830	**$151,955**	$254,871	**$ 38,562**	$ 52,870	**$ 6,934**	$ 6,178
$ 2,185	$ 29,720	**$(11,793)**	$ 14,260	**$ (3,315)**	$ 1,592	**$ 1,213**	$ 718
$331,619	$370,328	**$250,279**	$274,141	**$ 41,412**	$ 58,301	**$ 4,098**	$ 4,966

A Versatile Noble Cultivators Company Model 2200 seed drill drawn by a Versatile Model 555 four-wheel drive tractor. It is typical of a product line which also includes blade plows, chisel plows and sprayers. Such tillage equipment is effective for soil conservation in the dryland farm belts of Canada and the U.S.

Historical Review

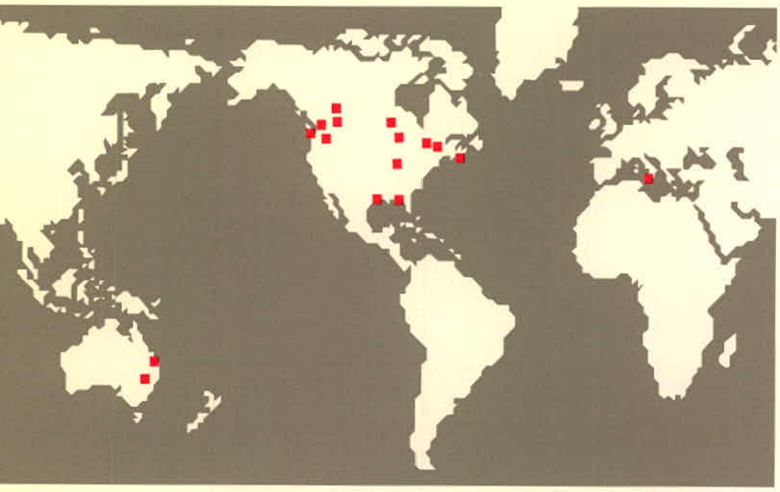
(in thousands of dollars)

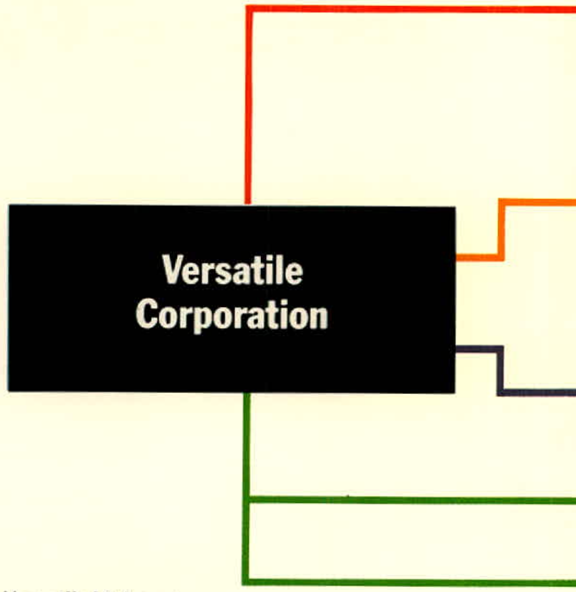
	1983	1982	1981	1980	1979
Revenues					
Agricultural and cold storage operations	**$208,190**	$264,714	$343,183	$263,156	$197,110
Marine and industrial operations	**142,743**	267,910	215,220	106,381	76,734
Oil and gas operations	**138,357**	227,125	337,340	239,964	140,700
	489,290	759,749	895,743	609,501	414,544
Costs and Expenses					
Cost of sales	**398,715**	588,293	640,509	429,034	294,047
Selling, general and administrative	**79,994**	104,980	87,615	65,919	45,390
Long-term debt interest	**31,537**	33,330	23,011	14,135	8,486
Other interest	**7,143**	19,586	15,962	9,709	3,687
Depreciation, depletion and amortization	**29,799**	30,925	23,351	14,935	8,069
	547,188	777,114	790,448	533,732	359,679
Earnings (loss) from operations	**(57,898)**	(17,365)	105,295	75,769	54,865
Other income	**3,977**	6,582	5,292	4,058	565
	(53,921)	(10,783)	110,587	79,827	55,430
Income taxes (recovery)	**(24,960)**	(10,658)	48,519	33,466	23,880
Earnings (loss) before undernoted items	**(28,961)**	(125)	62,068	46,361	31,550
Minority interests	**2,626**	(1,476)	(17,844)	(12,493)	(5,496)
Earnings (loss) before extraordinary items	**(26,335)**	(1,601)	44,224	33,868	26,054
Gain arising from dilution of interest in a subsidiary company	**3,305**	—	—	—	—
Income tax reductions	**—**	438	3,791	1,980	—
Net earnings (loss)	**$(23,030)**	$ (1,163)	$ 48,015	$ 35,848	$ 26,054
Assets and Capitalization					
Assets used in the Corporation:					
Working capital	**$182,805**	$187,343	$164,175	$121,641	$ 94,186
Investments and loans	**40,786**	36,788	49,522	44,908	16,538
Fixed assets (net)	**264,016**	272,742	232,039	151,980	95,001
Intangible assets and deferred charges	**35,911**	35,367	35,881	26,600	12,747
Total	**$523,518**	$532,240	$481,617	$345,129	$218,472
Financed by:					
Long-term debt	**$215,135**	$233,897	$213,233	$148,768	$ 85,215
Deferred income taxes	**26,714**	37,441	38,384	25,715	14,871
Minority interests	**90,396**	56,212	59,637	43,416	23,463
Preferred shares	**67,452**	68,664	24,645	25,680	26,714
Class A and Class B shareholders' equity	**123,821**	136,026	145,718	101,550	68,209
Total	**$523,518**	$532,240	$481,617	$345,129	$218,472

Versatile Corporation

	1983	1982	1981	1980	1979
Per 1983 Class A and Class B Share					
(after preferred dividends)					
in dollars					
Earnings (loss) after					
extraordinary items	**$(1.17)**	$ (.15)	$ 1.93	$ 1.51	$ 1.09
Fully diluted earnings after					
extraordinary items	**(1.17)**	(.15)	1.79	1.33	.95
Dividends paid —					
Class A and Class B shares	**0.10**	.27	.30	.1975	.125
Book value	**4.47**	5.50	6.03	4.47	3.14
Market price					
Class A — high	**11.25**	14.00	19.50	—	—
— low	**6.125**	5.00	10.50	—	—
Class B — high	**11.125**	14.00	18.75	14.50	6.19
— low	**6.00**	4.90	10.50	5.25	2.16
Other Statistics					
Number of shares outstanding at year end					
Preferred (Senior)	**1,514,815**	1,577,615	1,643,015	1,712,015	1,780,915
Preferred (Junior)	**1,789,200**	1,800,000	—	—	—
Class A shares	**14,888,905**	12,368,284	12,067,493	—	—
Class B shares	**12,819,331**	12,346,894	12,084,448	11,352,964	10,867,682
Number of security holders					
Preferred (Senior)	**2,160**	2,379	2,439	2,553	2,707
Preferred (Junior)	**1,022**	1,207	—	—	—
Class A shares	**3,098**	3,177	3,283	—	—
Class B shares	**2,594**	2,974	3,045	2,699	2,262
Number of employees	**5,845**	6,934	9,890	6,902	5,924

Corporate Directory





HEAD OFFICES

Versatile Corporation
3300-1055 Dunsmuir Street
P.O. 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 Corporation
5900 Deramus Avenue
Kansas City, Missouri 64120
U.S.A.
(816) 241-6232
Larry S. Leavelle, Vice-President & U.S. Sales Manager

Versatile Farm Equipment Pty. Ltd.
321 Douglas Mawson Road
P.M.B. 18, Dubbo,
New South Wales
Australia 2830
(68) 82-6300
John N. Oulton, General Manager

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

Versatile Toft Ltd.
3 Maryborough Street
P.O. Box 932, Bundaberg
Queensland, Australia 4670
(71) 72-2622
Leo J. Mulkearns, General Manager

Cold Storage Operations

Versatile Cold Storage Corporation
B.C. Ice & Cold Storage Division
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

Versatile Cascade Cold Storage Inc.
406 Second Street
P.O. Box 709
Lynden, Washington 98264
U.S.A.
(206) 354-2138
Ronald M. Langwell, General 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

Versatile Vickers Inc.
5000 Notre Dame Street East
Montreal, Quebec
Canada, H1V 2B4
(514) 256-2651
Bernard P. Charbonneau, President

Versatile Vickers Systems Inc.
5000 Notre Dame Street East
Montreal, Quebec
Canada, H1V 2B4
(514) 256-2651
T. Alec Arnott, President

Oil and Gas Operations

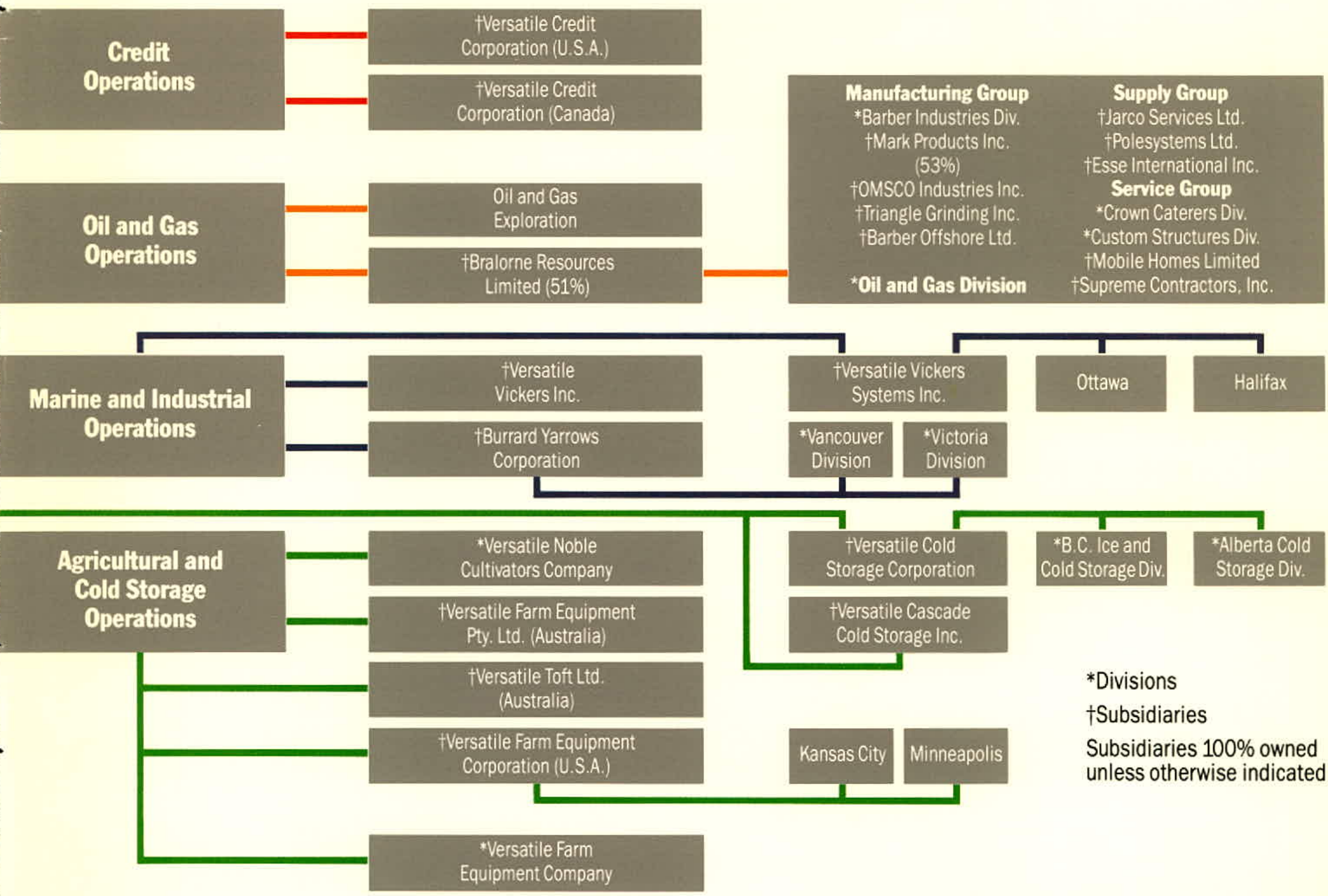
Bralorne Resources Limited
3100, 205-5th Avenue S.W.
Calgary, Alberta
Canada T2P 2V7
(403) 261-9060
F. William Fitzpatrick, Chairman, President & Chief Executive Officer

Credit Operations

Versatile Credit Corporation
1540 Gamble Place
Winnipeg, Manitoba
Canada R3T 1N6
(204) 453-5441
Jack C. Hughes, Vice-President & General Manager

Versatile Credit Corporation
403-2800 Rockcreek Parkway
North Kansas City, Missouri
64117 U.S.A.
(816) 842-3357
Norman G. Taylor, President

Corporate Organization



This chart illustrates the Corporation's operating groups and relationships among divisions and subsidiaries.

Short- and long-term planning and overall financial strategies are defined by Head 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 shareholders, employees and customers.

The strategies of Versatile Corporation include specialization in secondary manufacturing and related services, as well as selective industry, geographic and product diversification.

The Agricultural Group manufactures specialized agricultural equipment in Canada and Australia, and distributes it worldwide. Objectives for 1984 remain the expansion of product lines to broaden the range of four-wheel drive tractors and continued upgrading of swathers, blade plows, cultivators and sugar cane harvesters.

The Cold Storage companies operate 11 public storage warehouses in B.C., Alberta and Washington State, and are increasing 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. It seeks to achieve a balance among shipbuilding, ship repairs and industrial fabrication to provide a stable base for the work force.

Investment in oil and gas development is continuing, both through indirect participation in Bralorne Resources Limited and directly through the Corporation itself. Bralorne and Versatile Corporation continue to assess 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 advanced.

Credit Operations are a support service to the sale of products of the Corporation.

Investor Information

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

Optional Stock Dividend Program

Owners of Versatile Corporation Class A shares 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 shares 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.

During 1983 a total of 2,981 Class A shares and 3,258 Class B shares were issued pursuant to the Program.

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

Shares Listed

Vancouver, Toronto and Montreal Stock Exchanges

Shares

as at December 31, 1983

	Issued and Outstanding	Authorized
Class A Subordinate Voting shares ("Class A")	14,888,905	unlimited
Class B Common shares ("Class B")	12,819,331	unlimited
Cumulative Redeemable Preferred shares	1,514,815	7,750,000
Cumulative Redeemable Convertible Junior Preferred shares	1,789,200	unlimited

Class A Subordinate Voting Share Purchase Warrants

December 23, 1983-
December 31, 1984
1 Class A Subordinate
Voting Share
Purchase Warrant

+ $9.00 buys
1 Class A
Subordinate
Voting share

The Warrants were offered in Units pursuant to a prospectus dated October 20, 1983 and were separable after the warrant record date, December 22, 1983.

THESE WARRANTS MAY ONLY BE EXERCISED UP TO DECEMBER 31, 1984

Dividends

In 1983 the Corporation paid total dividends per Class A share and Class B share of 10 cents compared with 27 cents in 1982. No dividends were declared on the Class A shares and Class B shares for the first quarter of 1984. On February 13, 1984 the Board of Directors declared quarterly dividends of 35 cents per share for the Corporation's Cumulative Redeemable Preferred shares, and 65.625 cents per share for the Cumulative Redeemable Convertible Junior Preferred shares, payable on March 30, 1984 to shareholders of record on March 9, 1984.

Versatile Corporation

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
Canfor Corporation
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, President 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 Canfor Corporation)
Vancouver, British Columbia

Jack S. Lee
President
Versatech Industries
Toronto, Ontario

*†J. Ronald Longstaffe
Executive Vice-President
Canfor Corporation
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

Brian G. Kenning
Assistant Vice-President, Corporate Planning

Earl B. Lyle
Assistant Corporate Controller

Terry A. Lyons
Assistant Vice-President, Operations Planning

Bruce M. McKay
Assistant Vice-President, Law

Katherine J. Mann
Assistant Treasurer

Mark W. Powell
Corporate Controller

†Member Audit Committee
*Member Executive Committee
‡Member Compensation Committee

LITHO'D IN CANADA

Versatile Corporation