Sungate Resources Ltd.

ANNUAL REPORT MARCH 1981

GROUP ORGANIZATION

Sungate Resources Ltd.

- Vancouver Wharves Ltd. (Canada)
- Sungate (U.K.) Ltd. (United Kingdom)
- Renabie Mines (1981) Limited (Canada)
- Consortium Trans African S.A. (Panama)
  - Novus Investments S.A. (Panama)
    - Camdef S.A. (Cameroon)
  - Lutexfo-Topodef S.A. (Gabon)

President's Report

The audited financial statements attached consolidate the results of our Canadian subsidiaries to March 31, 1981 and the results of our Gabon and Cameroon subsidiaries to December 31, 1980, the latest date for which audited financial statements are available at this time. Despite the fact that the financial results for the last year show a substantial loss, there was a cash gain.

Under Gabonese and Cameroon law, the fiscal year end of all companies is December 31, it is intended that the Canadian companies year end will be changed to December 31 also so that the fiscal year of all Group companies will conform.

Directors

On 25 August, 1981, Mr. J. E. James and Mr. B. E. Thirsk resigned as directors and Mr. John E. Millard and Mr. Bryan E. W. Gransden were elected to relace them. At the Annual General Meeting it will be proposed that the number of directors be increased to seven, thus giving us three independent directors in addition to the four from companies controlled by the principal shareholder.

Vancouver Wharves Ltd.

Vancouver Wharves had a reasonably successful year although activities fell off considerably in the second half of the year when a considerable backlog of maintenance had to be undertaken.

The tonnage handled during the year — 6,146,000 metric tons — was a record and an increase of 31% over 1979/80. The main increases were in potash and sulphur which were at the highest levels yet recorded through the Port of Vancouver. Prospects for 1981/82 indicate some possible increased tonnages, but not of a dramatic nature.

Major capital expenditures were begun in 1980/81 to improve the throughput capacity and to prepare storage facilities for new commodities contracted to commence in 1981 and 1982. This programme will continue for the next 24 months.

It should be emphasized that during the year which we are reviewing, the gold mine was not producing but was in fact using large amounts of money. The West African companies were not producing profits and we are therefore relying almost entirely on the cash produced by Vancouver Wharves. At the same time we are expanding the facilities at the wharf site very greatly and expect to reap the rewards from this in the future.

Renabie Mines (1981) Limited

On February 17, 1981, the name of the company operating the mine at Renabie was changed from Rengold Mines & Resources Ltd. to Renabie Mines (1981) Limited.

Dewatering the mine was completed by May 25, with an estimated 183,535,000 Imperial gallons having been pumped out. Mill rehabilitation is about 80-85% complete and we expect to commence its operation at the beginning of October with ore from the mine. This should mean a production of gold at the end of October or beginning of November. This will then be sold to produce a cash flow.

Staff housing is partly at the mine site and partly at a site near Missanabie. It consists of trailer homes of the highest quality and bunkhouses comprising numerous individual cabins. The company is paying a great deal of attention to employee accommodation, food and recreation.

Financing for the project was secured from the Bank of Montreal. Initially the Bank agreed to lend $6 million of a total requirement of $8 million on condition that Sungate Resources Ltd. provide $2 million as a subordinated loan. The total requirement has since increased to $10 million, including working capital, and arrangements are now in progress to provide this.

In the interim report for the period ended December 31, 1980, mention was made of an agreement in principle between Czar Resources Ltd., Bluesky Oil & Gas Ltd., Sunmist Energy Resources Ltd. and Sungate Resources Ltd. concerning mining claims in Vauquelin and Pershing Townships held by 435787 Ontario Inc. The final arrangement left the ownership of the claims as to 30% Bluesky Oil & Gas Ltd., as to 32% Sunmist Energy Resources Ltd., as to 32% Sungate Resources Ltd., and as to 5% the original owners.

Drilling has begun and to date 9 holes have been put down. One hole gives an indication of reasonable mineralization but it will not be returned to until winter freeze-up when it will be easier to drill under the lake where the gold appears to run.

Consortium Trans African S.A. and its subsidiaries

The loss for the West African Group is attributable entirely to the forestry operation in Gabon. Mobile equipment and trucks were in grave need of maintenance work, which had to be undertaken at great expense; a certain area of the permit was too far from the coast to be logged at a profit; and Libreville head office overhead costs were too high. In the coming year we expect to enjoy the result of the large amount of money spent on equipment maintenance. Our logging activities have been curtailed until the selling price of logs increases. Certain staff changes have been made and financial controls have been improved.

I am pleased to report that following certain of these changes, Consortium Trans African S.A. and its subsidiaries showed a profit in the first quarter of its current fiscal year.

At the beginning of 1981, the corporate organization in Gabon was changed by the amalgamation of Lutexfo S.A. and Topodef S.A., the new company thus formed being called Lutexfo-Topodef S.A. Approximately $2.5 million has been invested as working capital in this company.

Sungate (U.K.) Ltd.

We are pleased to announce that Sungate has acquired an English subsidiary, Sungate (U.K.) Ltd., which owns some valuable properties in London. The circumstances of this transaction are explained in detail in the Information Circular accompanying this report. The acquisition has enabled us to obtain working capital from the Canadian Imperial Bank of Commerce using the English properties as collateral.

Quarterly Interim Report to Shareholders for the Three Month Period Ending 30th June, 1981

A consolidated statement of income and a consolidated statement of change in financial position in respect of the first quarter of the current fiscal year are included with the Information Circular to Shareholders and Notice of Annual General Meeting. These are being mailed to shareholders together with this Annual Report.

COMPANIES, DIRECTORS AND OFFICIALS

SUNGATE RESOURCES LTD.

1995 West 1st Street
North Vancouver, B.C., Canada V7P 1A8
Telephone (604) 986-7131
Telex 04-352568

Auditors
Peat, Marwick, Mitchell & Co.
Vancouver, B.C.

Bankers
Canadian Imperial Bank of Commerce
Bank of Montreal

Registrars and Transfer Agent
Crown Trust Company
401 8th Avenue S.W., Calgary, Alberta
750 West Pender Street, Vancouver, B.C.
1st Canada Place, Toronto, Ontario

Directors
J. E. James, H. A. D. Oliver, D. V. L. Odhams,
D. J. Rowland, B. E. Thirsk

Officers
D. J. Rowland (Chairman)
D. V. L. Odhams (President)
B. E. Thirsk (Secretary-Treasurer)

Company Officials
H. R. Wood, Vice-President, Terminals and Transportation
B. E. Thirsk, Vice-President, Finance and Accounting
R. G. H. Hutchison, Vice-President, Research and Development
J. G. Fraser, Assistant Vice-President, West Africa

VANCOUVER WHARVES LTD.

1995 West 1st Street
North Vancouver, B.C., Canada V7P 1A8
Telephone (604) 985-3177, 980-9331
Telex 04-352568
Telegrams VANWHAR, VANCOUVER

Directors
J. A. G. Arnott, R. G. H. Hutchison, J. Mackay,
R. D. Montgomery, D. V. L. Odhams, P. A. White, H. R. Wood

Company Officials
D. V. L. Odhams (Chairman and Chief Executive Officer)
H. R. Wood (President)
N. J. Stroud-Drinkwater (Secretary and Corporate Solicitor)
B. E. Thirsk (Treasurer)
N. M. McInnes (Assistant Secretary)
N. F. Bradley (Assistant Treasurer)

RENABIE MINES (1981) LIMITED

Executive Offices
1995 West 1st Street
North Vancouver, B.C., Canada V7P 1A8
Telephone (604) 985-3177
Telex 04-352568

Mines Offices
Missanabie, Ontario P0M 2H0
Telephone (705) 234-2333

Director
D. V. L. Odhams

Company Officials
D. V. L. Odhams (President)
E. I. Bettiol (General Manager)
S. Isanen (Assistant General Manager)
B. E. Thirsk (Secretary-Treasurer)
N. M. McInnes (Assistant Secretary)
N. F. Bradley (Controller)

CAMDEF S.A. AND LUTEXFO-TOPODEF S.A.

B.P. 24
Libreville, Republic of Gabon, West Africa
Telephone 72 13 13
Telex 9735261
Camdef 9705643

Camdef S.A.

Directors
J. G. Fraser, M. G. Le Bloas, M. MacQuire,
D. V. L. Odhams, D. J. Rowland

Company Officials
M. G. Le Bloas (President du Conseil)

Lutexfo-Topodef S.A.

Directors
M. G. Le Bloas, D. J. Rowland, D. V. L. Odhams,
J. G. Fraser, M. MacQuaire, G. Gnambault

Company Officials
M. G. Le Bloas (President du Conseil)
M. MacQuaire (Directeur General Adjoint)

AUDITOR'S REPORT

To the Shareholders of
Sungate Resources Ltd.

We have examined the consolidated balance sheet of Sungate Resources Ltd. (formerly Renabie Mines Limited) as at March 31, 1981 and the consolidated statements of income and deficit, deferrred mine development costs and changes in financial position for the fiscal 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, except as explained in the following paragraph.

The consolidated balance sheet of the foreign subsidiaries which has been included in the consolidated balance sheet of the company is based on audited financial statements as of December 31, 1980. However, the operating loss of the foreign subsidiaries for the nine months ended December 31, 1980 which amounted to $3,971,186 was determined by reference to unaudited financial statements for the period as the physical inventory at March 31, 1980 was not observed by independent auditors. We were unable to satisfy ourselves by alternative means as to inventory quantities and related accounting cut-offs. Since opening inventories enter into the determination of the results of operations and changes in financial position, we were unable to determine whether adjustments to operating costs, net loss and funds used in operations for the nine months ended December 31, 1980 might be necessary.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary if we had observed the taking of physical inventories and examined the related cut-off procedures as described in the preceding paragraph, the consolidated statements of income and deficit and changes in financial position present fairly the results of operations and the changes in financial position of the company for the year ended March 31, 1981 in accordance with generally accepted accounting principles. Further, in our opinion, the consolidated balance sheet and consolidated statement of deferred mine development costs present fairly the financial position of the company as at March 31, 1981 and the additions to deferred mine development costs for the year then ended in accordance with generally accepted accounting principles.

Vancouver, British Columbia, Canada
July 31, 1981

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

SUNGATE RESOURCES LTD.
(formerly Renabie Mines Limited)

Consolidated Balance Sheet
Year ended March 31, 1981

ASSETS

	1981	1980
CURRENT ASSETS		
Cash	$ 269,836	5,704
Accounts receivable	4,813,014	—
Inventories (Note 4)	2,697,367	—
Prepaid expenses	544,150	8,525
Due from affiliated companies	1,867,203	—
Total current assets	10,191,570	14,229
Property, plant and equipment (Note 5)	33,422,456	2,114,183
Less accumulated depreciation and amortization	(3,235,257)	—
	30,187,199	2,114,183
Investments	96,538	—
Mining Claims — at cost	300,000	300,000
Cutting permits less amortization	17,977,237	—
Deferred mine development costs	5,238,020	2,636,415
Goodwill and other assets, less amortization (Note 6)	3,168,510	158,129
	$67,159,074	5,222,956

LIABILITIES AND SHAREHOLDERS' EQUITY

	1981	1980
CURRENT LIABILITIES		
Bank Loan	$ 2,216,062	—
Trade accounts payable	14,934,337	168,341
Due to affiliated companies	1,669,793	80,000
Income taxes payable	380,941	366,652
Current portion of long-term debt	1,720,843	—
Total current liabilities	20,921,976	614,993
Unearned revenue	5,255,830	—
Long-term debt (Note 7)	8,770,915	—
Due to affiliated companies	1,057,767	—
Deferred income taxes	1,351,137	—
Shareholders' equity:		
Capital stock (Note 8)	33,668,918	4,818,918
Contributed surplus	8,858,095	8,858,095
Deficit	(12,725,564)	(9,069,050)
Total shareholders' equity	29,801,449	4,607,963
	$67,159,074	5,222,956

On behalf of the Board:

David V. L. Odhams , Director

B. E. Thirsk , Director

See accompanying notes to consolidated financial statements

SUNGATE RESOURCES LTD.

(formerly Renabie Mines Limited)

Consolidated Statement of Income and Deficit

Year ended March 31, 1981

Revenue:	
Log sales	$13,268,109
Contracting revenue	9,355,081
Wharf handling and storage revenue	21,196,710
Other	809,290
	44,629,190
Expenses:	
Logging and contracting operating costs	20,668,125
Wharf handling and operating costs	16,025,431
General and administrative expenses	5,335,745
Depreciation	3,187,700
Amortization of cutting permits and goodwill	755,000
	45,972,001
Operating loss	1,342,811
Other (income) expense:	
Interest on long-term debt:	1,932,302
Interest income	(772,381)
	1,159,921
Loss before income tax	2,502,732
Income taxes:	
Current	480,656
Deferred	673,126
	1,153,782
Net loss	3,656,514
Deficit at beginning of year	9,069,050
Deficit at end of year	$12,725,564

See accompanying notes to consolidated financial statements

Consolidated Statement of Deferred Mine Development Costs

Year ended March 31, 1981

	1981	1980
Administration expenses	$ 703,768	
Development expenses:		
Camp rehabilitation	330,050	
Mine dewatering	854,038	
Plant site clearing	46,236	
Power and energy installation	251,098	
Power line installation	145,587	
Repairs	214,958	
Other	55,870	
	1,897,837	—
Costs of Predecessor company	—	2,636,415
Total deferred costs for the year	2,601,605	2,636,415
Balance at beginning of the year	2,636,415	—
Balance at end of the year	$ 5,238,020	2,636,415

See accompanying notes to consolidated financial statements

SUNGATE RESOURCES LTD.

(formerly Renabie Mines Limited)

Consolidated Statement of Changes in Financial Position

Year ended March 31, 1981

Working capital provided:	
Operations:	
Net loss	$ 3,656,514
Deduct items not requiring working capital:	
Depreciation	3,187,700
Amortization	755,000
Deferred income tax	673,126
Transfer from unearned revenue	(447,726)
	4,168,100
Total from operations	511,586
Issue of capital stock (Note 3)	28,850,000
Deferred acquisition expenses	366,319
Due to affiliated companies	476,353
Increase in long-term debt	3,598,427
Prepayment of storage and handling revenue	3,611,005
Due from affiliates	4,100,000
	41,513,690
Working capital used:	
Non-current assets of subsidiaries acquired (Note 3)	33,281,835
Additions to property, plant and equipment:	
Wharf and handling	5,027,785
Logging and contracting	1,657,335
Mining	1,460,604
Real estate	1,952,950
Cutting permits	1,998,274
Deferred mine development costs	2,601,605
Other	92,452
Decrease in long-term debt	3,570,490
	51,643,330
Increase in working capital deficiency	10,129,640
Opening balance	600,764
Closing balance	$10,730,404

See accompanying notes to consolidated financial statements

SUNGATE RESOURCES LTD.

(formerly Renabie Mines Limited)

Notes to Consolidated Financial Statements

Year ended March 31, 1981

1. Change of year-end:

The company changed its fiscal year in 1981 to end on March 31. For comparative purposes, the previously issued financial statements have been conformed to provide information relating to the year ended March 31, 1980. These comparative financial statements do not give effect to the acquisition of Consortium Trans African S.A. on September 8, 1980, which was effective as of March 31, 1980.

2. Accounting principles:

(a) *Principles of consolidation:*

The consolidated financial statements include the accounts of Sungate Resources Ltd. and all subsidiary companies since the dates of acquisition, after elimination of all material inter-company transactions. The results of operations of Consortium Trans African S.A. and its subsidiary companies have been included for the nine months ended December 31, 1980. The results of operations for all other companies are for the year ended March 31, 1981. All subsidiaries are wholly-owned and the principal subsidiaries and their activities are as follows:

	Country of Operations	
Vancouver Wharves Ltd.	Canada	Bulk-loading terminal operations
Consortium Trans African S.A.	Panama	Holding company
Renabie Mines (1981) Limited (formerly Rengold Mines and Resources Ltd.)	Canada	Mining and exploration
Sungate (U.K.) Limited	United Kingdom	Real estate investment
Lutexfo S.A.	Gabon	Logging and deforestation
Société Camerounaise de Deforestage	Cameroons	Deforestation

(b) *Translation of foreign currency:*

The accounts of the subsidiary companies located in foreign countries have been translated to Canadian currency as follows:

(i) Current assets and current liabilities — at exchange rates in effect on the balance sheet date of the foreign subsidiaries;

(ii) Items included in property, plant and equipment, other assets, and non-current liabilities are translated at the rate of exchange prevailing when they were acquired or incurred;

(iii) Revenues and expenses are translated at the average exchange rates for the period, except that provisions for depreciation, depletion and amortization are translated at the rates applicable to the related assets; and

(iv) Exchange gains and losses on current assets and current liabilities are included in income.

(c) *Inventories:*

Inventories of logs are stated at the lower of average cost of production and net realizable value. Supplies and other amounts are stated at the lower of cost and net realizable value.

(d) *Property, plant and equipment*

Property, plant and equipment is carried at cost. The straight-line method is used to provide depreciation over the estimated useful lives of depreciable assets at annual rates as follows:

Railway sidings	4%
Wharf and buildings	5%
Machinery, tools and wharf handling equipment	10% to 20%
Aircraft	20%
Automotive equipment	25% to 33⅓%

Gains or losses on disposals are recorded in income and the related cost and accumulated depreciation are removed from the property, plant and equipment accounts. The cost of maintenance and repairs is charged to income as incurred and any additions or betterments are capitalized.

(e) *Cutting permits:*

Cutting permits are carried at cost and amortized on the basis of logs produced at a rate based on estimated timber recoverable.

(f) *Goodwill*

Goodwill is being amortized on a straight-line basis over ten years, the estimated period of benefit.

(g) *Unearned revenue:*

Certain shippers pay handling and storage charges in advance, usually to assist in financing the construction of storage facilities. This unearned revenue is being taken into income over the term of the related handling contracts.

(h) *Income taxes:*

The company follows the tax allocation method in recording charges for income taxes. Taxes deferred as a result of claiming for tax purposes amounts different from those recorded in the accounts are charged against current earnings.

Accumulated losses of a foreign subsidiary company amount to approximately $3,924,000 (converted to Canadian dollars at the exchange rate at December 31, 1980) of which $195,000 may be utilized up to December 31, 1983 and the balance may be carried forward indefinitely. No provision has been made in the accounts for the future benefit that may be realized if these amounts are offset against income.

The income tax value of property, plant and equipment, mining claims and deferred costs exceeds the value recorded in the accounts by $2,315,701. Also, the book value of property, plant and equipment and cutting permits exceeds the tax value by $17,000,000. Both of these differences will affect income taxes chargeable against future reported income.

3. Acquisition of subsidiaries:

The following acquisitions have been included in the consolidated financial statements:

(a) Effective March 31, 1980 all of the issued shares of Consortium Trans African S.A. were acquired in exchange for shares of the company which were recorded at a value of $17,850,000.

(b) Effective April 1, 1980 all of the issued common and preference shares of Vancouver Wharves Ltd. were acquired in exchange for shares of the company which were recorded at a value of $11,000,000.

These acquisitions have been accounted for by the purchase method as follows:

	Consortium Trans African S.A.	Vancouver Wharves Ltd.	Total
Assets acquired	$13,494,529	20,707,596	34,202,125
Liabilities assumed	12,400,323	13,681,809	26,082,132
Net book value	1,094,206	7,025,787	8,119,993
Excess of purchase price over net book value of assets acquired allocated to:			
Assets	13,939,346	4,156,980	18,096,326
Goodwill	3,000,000	—	3,000,000
Total cost of acquisition	18,033,552	11,182,767	29,216,319
Add working capital deficiency	3,922,019	143,497	4,065,516
Non-current funds used	21,955,571	11,326,264	33,281,835
Consideration for shares of acquired subsidiaries:			
Capital stock issued	17,850,000	11,000,000	28,850,000
Acquisition expenses	183,552	182,767	366,319
	18,033,552	11,182,767	29,216,319

4. Inventories:

Logs	$ 797,832
Supplies	1,899,535
	$ 2,697,367

5. Property, plant and equipment:

Wharf and equipment	$16,761,213
Leasehold interest	6,015,726
Logging and contracting equipment	5,116,580
Buildings	1,952,950
Mining equipment	3,575,987
	$33,422,456

6. Goodwill and other assets:

	1981	1980
Goodwill	$2,775,000	—
Lease deposits and other	393,510	158,129
	$3,168,510	158,129

7. Long-term debt:

Secured:	
Bank loan due on September 30, 1986 with interest at 1¼% above prime rate, repayable in annual instalments of $500,000 each September until September, 1986 when the balance of $4,000,000 is due	$ 6,500,000
Bank loans for plant construction at 1¼% above prime rate with minimum annual repayments and acceleration clauses	796,667
British Columbia Railway, agreement payable on basis of cars handled with interest at 1% above prime rate	248,738
Canadian National Railway, agreement payable on basis of cars handled with interest at 6¼%	25,941
Obligations under capital leases, with rates of interest varying from 13% to 18½%	1,128,140
Bank loan with interest at 1¼% above prime rate repayable in equal quarterly instalments over 18 months commencing on the earlier of 3 months after the completion of start-up of the mine or April 1, 1982	365,000
Bank loan due June 30, 1984 with interest at 8% per annum repayable in semi-annual instalments of $179,816	420,477
	9,484,963
Unsecured:	
Bank loan due August 11, 1983 with interest at 17% per annum repayable in 33 monthly instalments of $32,000	1,006,795
	10,491,758
Less current portion	1,720,843
	$ 8,770,915

(over)

The bank loans of $6,500,000 and $796,667 are secured by a $10,000,000 demand debenture giving a first fixed and floating charge on the assets of a Canadian subsidiary together with a general assignment of book debts and specific assignment of amounts due on certain long-term storage contracts. The assets of the subsidiary have a recorded book value of $26,611,000.

The bank loan of $365,000 is secured by a demand debenture for $6,000,000 providing a second fixed charge over the major assets and mining claims of a Canadian subsidiary, a floating charge over the other assets and a general assignment of book debts of the subsidiary.

The bank loan of $420,477 is secured by a second mortgage on the logging facilities of the Gabonese subsidiary.

Obligations under certain capital leases totalling $818,355 are due to an affiliated company. In addition to the interest on long-term debt, $104,758 of interest relating to capitalized leases has been charged to operating costs.

Maturities of the non-current long-term debt for the next five years are as follows:

1983	$1,842,584
1984	1,368,965
1985	751,640
1986	639,546

8. Capital stock:

Authorized:

Authorized capital stock is unlimited.

Issued:

Changes in issued capital stock are as follows:

	Number of shares	Stated Value
Balance at March 31, 1979	3,877,027	$ 3,877,027
Issued for cash	3,212,500	1,606,250
Redeemed for cash	(200)	(200)
Donated by parent company	(664,159)	(664,159)
Balance at March 31, 1980	6,425,168	4,818,918
Issued to acquire subsidiaries	14,425,000	28,850,000
Balance at March 31, 1981	20,850,168	$33,668,918

9. Lease commitments:

Operating leases for equipment and property aggregating approximately $1,402,000 to 1986 are payable as follows:

1982	$ 569,000
1983	354,000
1984	271,000
1985	146,000
1986	62,000
	$1,402,000

Payments made during the year in respect of these leases amounted to approximately $654,000.

Two sites of approximately 3.5 and 75 hectares respectively upon which buildings and other facilities have been erected for use in connection with current logging operations are leased from the Government of the Republic of Gabon. These leases commenced on January 1, 1976 and are for a period of 50 years. No rent is payable for the first 20 years of the leases and no provision for rent has been made in the accounts.

10. Contingency liabilities:

A Canadian subsidiary has guaranteed all present and future debts of an affiliated company to a bank. A debenture creating a $6,500,000 second fixed and floating charge on a subsidiary's assets secures this guarantee. The affiliated company's indebtedness to the bank at March 31, 1981 was $2,350,000.

Legal action is proceeding against a Canadian subsidiary on two product handling claims against which the subsidiary has liability insurance. The deductible portion of these claims totals $100,000. No provision has been made in the accounts for these contingent liabilities as it is the opinion of management that the potential exposure of the company to loss is not material.

The Gabonese subsidiary is contingently liable in respect of notes receivable which have been discounted with a bank. The total of such notes outstanding at December 31, 1980 is $2,173,715.

11. Commitments:

The Gabonese subsidiary has certain cutting permits which it can not use due to the non-completion of a railway line required to remove the product. When these permits are utilized, the subsidiary will be required to pay operating royalties amounting to $936,842.

A Canadian subsidiary has commitments for the purchase of mine property, plant and equipment totalling $1,039,300. This subsidiary has an unutilized bank line of credit of $5,035,000 which will be used to meet these commitments and to complete construction of its mining plant facility.

The company has agreed to pay up to $1,400,000 to a Canadian chartered bank as royalty payments from any future gold production from the Renabie mine and up to $2,065,051 to certain creditors as royalty payments of 5% of the net profits, as defined, from the mining claims, in consideration for the extinguishing of liabilities at the date of acquisition of the shares of Renabie Mines (1981) Limited (formerly Rengold Mines & Resources Ltd.). Under the terms of the agreement with the Canadian chartered bank the mining claims are charged with the payment of the royalty. Such royalty payments, if made, will be accounted for as additional cost of the investment in the subsidiary.

12. Pension plans

The pension plan in which the majority of Canadian employers are included had an unfunded liability of approximately $498,000 at April 1, 1980, chiefly brought about by an actuarial revaluation at that date. This unfunded liability is being allocated to operations at approximately $160,000 per annum over three years from April 1, 1980.

All employees of the Gabonese subsidiary are covered by government pension plans and expatriate European employees are covered by an additional pension plan which is guaranteed by the Government of the Republic of France. There are no unfunded liabilities related to these pension plans.

13. Related party transactions:

Interest income from loans to affiliates during the year amounted to $727,700. Interest charged on loans from affiliates amounted to $46,300.

Equipment leasing arangements with an affiliated company which have been recorded as capital leases totalled $657,000 during the year. Payments during the year under these capital leases amounted to $251,000. A further $242,000 was paid to the affiliate under operating leases.

Management fees of $295,000 were paid to affiliated companies and $125,000 was received from affiliated companies for management services provided.

14. Segmented information:

The segmented financial information has been determined on industry segment and geographic area. Segmented information on revenues, operating profit (loss) and assets is summarized as follows:

Revenue:	Wharf handling storage	Logging and contracting	Mining	Real Estate	Cor-porate	Con-solidated
Operations:						
Canada	$21,196,081	—		28,294	780,996	22,005,371
Africa	—	22,623,819		—	—	22,623,819
Total revenue	$21,196,081	22,623,819	—	28,294	780,996	44,629,190
Operating profit (loss):						
Canada	$ 1,867,197	—		27,097	(281,979)	1,612,315
Africa	—	(2,955,126)		—	—	(2,955,126)
Total operating profit (loss)	$ 1,867,197	(2,955,126)	—	27,097	(281,979)	(1,342,811)
Depreciation and amortization	$ 1,679,228	2,263,472	—	—	—	3,942,700
Assets:						
Canada	$26,661,112	—	9,199,059	—	144,624	36,004,795
Africa	—	29,223,035	—	—	—	29,223,035
United Kingdom	—	—	—	1,981,244	—	1,981,244
Total assets	$26,661,112	29,223,035	9,199,059	1,981,244	144,624	67,209,074
Capital expenditures	$ 5,027,785	1,657,335	1,460,604	1,952,950	—	10,098,674

The company is required to market the majority of logs produced through the government marketing organization in Gabon and is dependent upon this for future sales.

15. Subsequent event:

In August, 1981 the Gabonese subsidiary obtained additional bank loans of $2,175,000.

NOTES

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