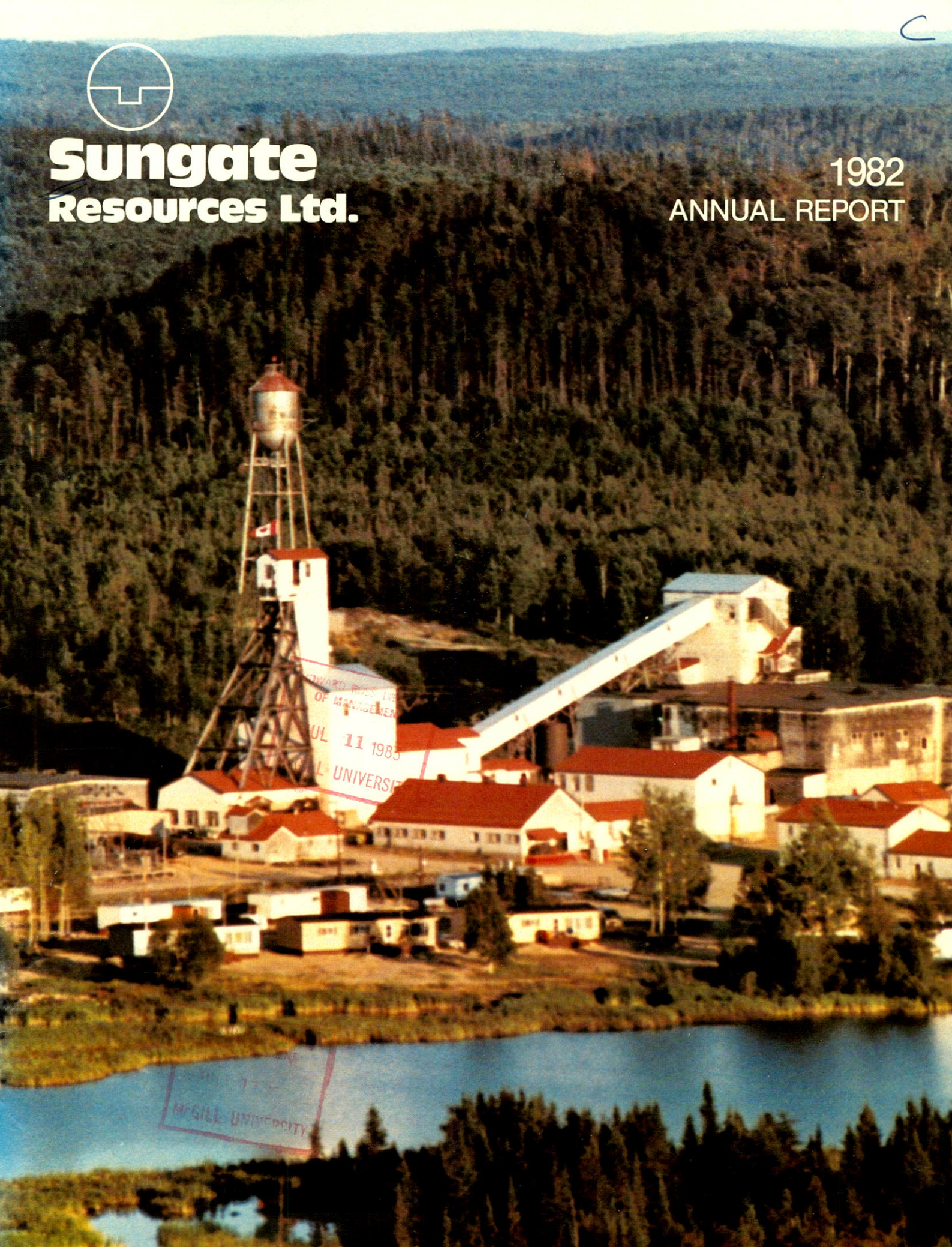


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# Sungate Resources Ltd.

1982  
ANNUAL REPORT



EDWARD ROSS INSTITUTE  
OF MANAGEMENT  
JUL 11 1983  
MCGILL UNIVERSITY

MCGILL UNIVERSITY



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# Company, Directors and Officials

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## Sungate Resources Ltd.

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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.  
First Canadian Place, Toronto, Ontario

### Directors

B.E.W. Gransden, J.E. James, J.E. Millard  
D.V.L. Odhams, H.A.D. Oliver, D.J. Rowland

### Officers

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

### Company Officials

B.E. Thirsk, Vice-President  
N.F. Bradley, Controller

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## Renabie Mines (1981) Limited

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### Executive Offices

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

### Mine 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)

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## Contents

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President's Report	2
Auditors' Report	4
Consolidated Financial Statements	5
Notes to Consolidated Financial Statements	8

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# President's Report

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**T**he audited financial statements attached consolidate the results of the parent company and its one operating subsidiary, Renabie Mines (1981) Limited. The results show a loss of \$1,321,429 for the year.

All other operating subsidiaries have been sold since the year-end and deconsolidated from the December 31, 1982 balance sheet, which reflects the net cash and promissory notes in respect of these sales received following the year-end. You will see that we have brought into account the large capital gain on sale of Vancouver Wharves Ltd. and fully provided for losses incurred on disposal of Consortium Trans African S.A. and other investments.

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## Renabie Mines (1981) Limited

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At the beginning of the year there were a great many problems in the mill which led to low recovery and a substantial difference between our calculated heads and our belt heads. We had several consultants to advise us on dealing with these problems. By June we had a recovery of 86% and by November had reached 93%, and except for normal operating problems the mill now appears to be operating well.

During the year we produced 22,697.67 ounces of gold and 7,690.64 ounces of silver, the production being best in the last quarter.

In the mine, besides development of the 3,100' level and the 2,900' level, considerable time and money was spent in rehabilitating the old workings on those levels.

At the beginning of the year our ore reserves, including assured, indicated, inferred and broken, amounted to 1,007,650 tons at .21 ozs. per ton. Since then, as we have announced, our reserves have increased to 1,756,130 tons at .193 diluted by 12%. Latest results of the on-going drilling programme show that the downward continuity of the main zone is assured and indicate that its economic suitability to a long-hole mining method is greater than heretofore.

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## Investment Sold or Discontinued Operations

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The sale of Vancouver Wharves Ltd. and of our 50% interest in Seatanke (B.C.) Ltd. to Seatanke Terminals (Canada) Ltd., as reported to

you in our Interim Report for the nine months ended September 30, 1982, was concluded immediately after Foreign Investment Review Agency consent was issued early in February 1983. The price was \$36,850,000, \$10,000,000 of which was settled by promissory notes and the balance in cash. After paying off our inter-company indebtedness to Vancouver Wharves Ltd. and certain loans secured on the investment, the net proceeds of approximately \$14 million are now held in readily realizable short-term investments.

In West Africa our Gabonese company depended for its survival on line-cutting contracts from oil companies, because the forestry side of the business was running at a loss. The oil companies, with one month's notice stopped all exploration. We immediately reduced our staff and labour, both on the line-cutting and on the forestry sides; this in itself was immediately a very expensive business. Because of the substantial amount of money owing as well as pressures from the creditors, we had no option but to apply for liquidation judiciaire, which was granted.

The court-appointed liquidator is now engaged in liquidating the company as far as possible and any funds realized will be paid to the creditors. Therefore, in our opinion the value of the company as such is nil.

In Cameroon, the company is insolvent, unlikely to survive and worth nothing.

It was judged, therefore, to be in the shareholders' best interests to sell off Consortium Trans African S.A., the holding company of our West African operations, and thus crystallize an allowable capital loss being available to set against the taxable capital gain on the sale of Vancouver Wharves Ltd.

Our U.K. subsidiaries, whose sole business activity was the holding of real estate properties for resale, had for some time been selling off properties and sending the net receipts to the parent company. The value of the remaining three properties is matched by remaining liabilities so it was decided to sell the company for the market value, which is nominal.

To reduce administration all inactive subsidiary companies have been sold.

Because of this scale-down in our operations,

three properties is matched by remaining liabilities so it was decided to sell the company for the market value, which is nominal.

To reduce administration all inactive subsidiary companies have been sold.

Because of this scale-down in our operations, several of our staff have left or are leaving, some to resume their former positions with Vancouver Wharves Ltd. on a full time basis.

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#### Other Interests

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We will retain a net 33% interest in mining claims in Vauquelin and Pershing townships (Vauper Project). The exploration work farmed out to Bluesky Oil & Gas Ltd. was completed but there are no active plans to proceed further at this stage.

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#### Financial

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The company is now in a very strong cash and working capital position. There are no definitive plans for long-term investment but rather efforts have been directed at finding a purchaser or partner to assist in operation and future development of the Renabie Mine.

At the time of writing, we have received advice of a proposed business merger with Barrick

Resources Corporation and Cullaton Lake Gold Mines Ltd. Further details will be given in a Letter to Shareholders accompanying this Annual Report and an Information Circular will be included with the Notice of Annual General Meeting to be mailed separately from this Annual Report.

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#### Quarterly Interim Report to Shareholders for the three months ended March 31, 1983

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A consolidated statement of income and consolidated statement of changes in financial position in respect of the first quarter of the current fiscal year are included with this Annual Report.



*David V. Adams*

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PRESIDENT

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# Auditors' Report

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To the Shareholders of  
Sungate Resources Ltd.

We have examined the consolidated balance sheet of Sungate Resources Ltd. as at December 31, 1982 and the consolidated statements of income and deficit, deferred mine development costs 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 company as at December 31, 1982 and the results of its operations, the deferred mine development costs 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 period.

*Peat, Marwick, Mitchell & Co.*

Vancouver, British Columbia  
May 18, 1983

Peat, Marwick, Mitchell & Co.  
Chartered Accountants

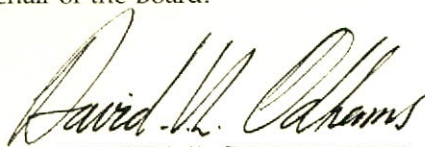
SUNGATE RESOURCES LTD.  
Consolidated Balance Sheet

December 31, 1982

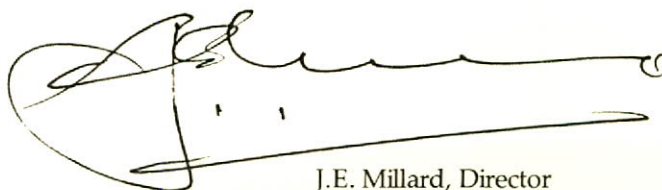
Assets	1982	1981
Current assets		
Cash	\$ 12,508	166,983
Cash received on disposal of subsidiary companies (Note 2)	14,878,533	—
Accounts receivable	577,051	5,483,652
Properties held for resale	—	5,102,135
Inventories (Note 3)	982,384	2,565,632
Prepaid expenses	179,836	1,054,713
Due from affiliated companies	—	251,237
Total current assets	16,630,312	14,624,352
Notes receivable (Note 4)	10,000,000	—
Property, plant and equipment (Note 5)	6,600,131	44,481,855
Less accumulated depreciation and amortization	(1,199,620)	(6,187,763)
	5,400,511	38,294,092
Investments	—	143,497
Mining claims - net of amortization	256,591	300,000
Cutting permits - net of amortization	—	17,852,375
Deferred mine development costs - net of amortization	11,626,478	11,211,252
Goodwill and other assets	—	2,562,115
	\$43,913,892	84,987,683

Liabilities and Shareholders' Equity	1982	1981
Current liabilities		
Bank loan	\$ 710,451	2,251,918
Trade accounts payable	2,596,170	12,699,926
Accrued liabilities	72,436	—
Royalties payable	1,185,820	—
Income taxes payable	355,752	1,389,726
Current portion of long-term debt (Note 6)	1,689,343	5,020,263
Due to affiliated companies	—	193,292
Total current liabilities	6,609,972	21,555,125
Unearned revenue	—	6,742,439
Long-term debt (Note 6)	6,399,940	20,011,821
Deferred income taxes	—	1,926,035
Unrealized foreign exchange gains	—	2,157,384
Shareholders' equity:		
Capital stock (Note 7)	36,912,978	36,912,978
Contributed surplus	8,858,095	8,858,095
Appraisal increase	—	369,470
Deficit	(14,867,093)	(13,545,664)
Total shareholders' equity	30,903,980	32,594,879
Contingent liabilities and commitments (Notes 8 and 9)		
	\$43,913,892	84,987,683

On behalf of the Board:



David V.L. Odhams, Director



J.E. Millard, Director

See accompanying notes to consolidated financial statements.

SUNGATE RESOURCES LTD.  
**Consolidated Statement of Income and Deficit**

Year ended December 31, 1982

	1982	1981
Sales and revenue .....	\$ 9,982,620	42,016,942
Expenses:		
Operating .....	10,179,334	28,990,367
General and administrative .....	1,645,114	6,129,477
Depreciation, depletion and amortization .....	3,207,356	4,716,892
	<u>15,031,804</u>	<u>39,836,736</u>
Operating (profit) loss .....	5,049,184	(2,180,206)
Other (income) expenses:		
Interest on long-term debt .....	1,908,331	1,974,767
Interest income .....	(510,664)	—
	<u>1,397,667</u>	<u>1,974,767</u>
Loss of Vancouver Wharves Ltd. (Note 1) .....	1,393,874	—
(Earnings) loss before income taxes and extraordinary gain .	<u>7,840,725</u>	<u>(205,439)</u>
Income taxes:		
Current .....	—	450,642
Deferred .....	—	574,897
	<u>—</u>	<u>1,025,539</u>
Extraordinary gain (Note 2) .....	(6,519,296)	—
Net loss .....	<u>1,321,429</u>	<u>820,100</u>
Deficit, beginning of year .....	13,545,664	12,725,564
Deficit, end of year .....	<u>\$14,867,093</u>	<u>13,545,664</u>

See accompanying notes to consolidated financial statements.

**Consolidated Statement of Deferred Mine Development Costs**

Year ended December 31, 1982

	1982	1981
Administrative expenses .....	\$ 500	1,026,705
Development expenses:		
Camp rehabilitation .....	—	10,763
Mine dewatering .....	—	243,817
Power and energy installation .....	—	139,581
Repairs .....	—	104,195
Stope preparation .....	535,914	1,154,014
Other .....	—	69,437
	<u>535,914</u>	<u>1,721,807</u>
Exploration expenses .....	96,920	—
Royalties .....	1,343,503	16,497
Finance costs .....	559,398	1,164,407
Pre-production costs, net of gold receipts .....	—	2,043,816
Total deferred costs for the year .....	<u>2,536,235</u>	<u>5,973,232</u>
Balance, beginning of year .....	11,211,252	5,238,020
Amortization .....	(2,121,009)	—
Balance, end of year .....	<u>\$11,626,478</u>	<u>11,211,252</u>

See accompanying notes to consolidated financial statements.



SUNGATE RESOURCES LTD.  
**Consolidated Statement of Changes in Financial Position**

Year ended December 31, 1982

	1982	1981
Working capital provided:		
Sale of shares of subsidiaries (Note 2) . . . . .	\$36,850,002	—
Working capital deficiency of subsidiaries disposed of (Note 2) . . . . .	10,989,827	—
Proceeds of sale of leased assets . . . . .	1,070,796	—
Increase in long-term debt . . . . .	1,059,000	14,873,196
Proceeds of disposal of property, plant and equipment . . . . .	16,307	1,080,141
Issue of capital stock . . . . .	—	3,244,060
Properties held for resale transferred from non-current assets . . . . .	—	1,952,950
Prepayment of storage and handling revenue . . . . .	—	3,547,432
Unrealized foreign exchange gains . . . . .	—	2,157,384
Appraisal increase . . . . .	—	369,470
Other . . . . .	263,127	374,026
	<u>50,249,059</u>	<u>27,598,659</u>
Working capital used:		
Operations:		
Net loss before extraordinary gain . . . . .	7,840,725	820,100
Deduct items not requiring working capital:		
Depreciation . . . . .	(1,042,940)	(4,716,892)
Amortization of deferred mining costs and claims . . . . .	(2,164,416)	—
Equity in loss of Vancouver Wharves Ltd. . . . .	(1,393,874)	—
Amounts charged to parent by subsidiary disposed of . . . . .	787,579	—
Realization of appraisal surplus on sale of leased assets . . . . .	369,470	—
Deferred income tax . . . . .	—	(574,898)
Claims written off and other . . . . .	(16,456)	—
Transfer from unearned income . . . . .	—	2,060,823
Gain on disposal of property, plant and equipment . . . . .	—	251,574
	<u>(3,460,637)</u>	<u>(2,979,393)</u>
Total used by (provided from) operations . . . . .	4,380,088	(2,159,293)
Notes receivable acquired (Note 4) . . . . .	10,000,000	—
Deferred mine development costs . . . . .	2,536,235	5,973,232
Decrease in long-term debt . . . . .	2,444,856	3,632,290
Payment of inter-company debt to subsidiary disposed of . . . . .	10,457,168	—
Additions to property, plant and equipment . . . . .	613,398	15,295,032
Cost of subsidiaries acquired (Note 2) . . . . .	914,818	—
Payment on guarantee of debt issued by a subsidiary (Note 2) . . . . .	1,951,383	—
Due to affiliated companies . . . . .	—	1,057,767
	<u>33,297,946</u>	<u>23,799,028</u>
Increase in working capital . . . . .	16,951,113	3,799,631
Working capital deficiency, beginning of year . . . . .	(6,930,773)	(10,730,404)
Working capital (deficiency), end of year . . . . .	<u>\$ 10,020,340</u>	<u>(6,930,773)</u>

See accompanying notes to consolidated financial statements.

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# SUNGATE RESOURCES LTD.

## Notes to Consolidated Financial Statements

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Year ended December 31, 1982

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### 1. Principles of consolidation

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The consolidated financial statements for the year ended December 31, 1982 include the accounts of the company and its wholly-owned subsidiary, Renabie Mines (1981) Limited, which operates a gold mine in Ontario. The investments in the following wholly-owned subsidiaries together with the investments in sundry inactive companies have been sold.

Vancouver Wharves Ltd.	Canada	Bulk-loading terminal operations
Sungate (U.K.) Limited	United Kingdom	Real estate investment
The Intervale Group of Companies Ltd.	United Kingdom	Real estate investment
Braydon Farms Ltd.	United Kingdom	Real estate investment
Consortium Trans African S.A.	Panama	Holding company for Lutexfo S.A. and Camdef S.A.
Lutexfo S.A.	Gabon	Logging and deforestation
Camdef S.A.	Cameroon	Deforestation

The sale of the shares of Vancouver Wharves Ltd. and Seatank (B.C.) Ltd. was contracted August 20, 1982 and completed February 9, 1983. The effect of this sale has been recorded in the current financial statements. The United Kingdom subsidiaries liquidated their assets throughout 1982, and the holding company, Sungate (U.K.) Limited was sold on May 13, 1983. The business of the West African subsidiaries collapsed towards the end of 1982, a court-appointed liquidator has been appointed in Gabon, and the holding company, Consortium Trans African S.A. was sold on March 15, 1983. No audited statements are available for the overseas subsidiaries for the year ended December 31, 1982. Consequently operating results for the current year have not been included in the company's financial statements and the loss on disposal of the shares of these companies has been computed as of December 31, 1981 and adjusted for cash transactions to the dates of sale.

The statement of income and deficit for the current year includes the operations of the company and Renabie Mines (1981) Limited which comprise the continuing operations of the group. The comparative figures for operations and financial position include amounts for the company and all of its subsidiaries and have not been restated to segregate discontinued operations as mining operations commenced on January 1, 1982. The statement of income and deficit for 1981 therefore includes only discontinued operations with the exception of minor amounts related to the parent company operations.

#### *Mining claims, property, plant and equipment, and deferred mine development costs*

Mining claims, property, plant and equipment and deferred mine development costs are recorded at cost. Depreciation and amortization is provided on the following basis:

Vehicles and mobile equipment	Straight-line over 3 years
Other plant and equipment, mining claims and deferred mine development costs	Unit-of-production over the estimated ore reserves

Additional amounts may be classified as deferred mine development costs as a result of paying royalties from future gold production to creditors of a predecessor company. Such royalties are not deductible for tax purposes.

#### *Inventories*

Gold and silver precipitate on hand is valued, in accordance with industry policy, at net realizable value. Supplies are carried at the lower of cost and net realizable value.

#### *Income taxes*

The future tax benefits possibly available through utilization of losses and tax values of certain assets which exceed recorded book values has not been included in the financial statements. Under the most favourable circumstances, the company has available deductions of \$230,000 and \$1,440,000 for non-capital losses arising in 1981 and 1982, \$2,335,000 of net capital losses and \$5,495,000 relating to assets which have tax values in excess of recorded book values. The foregoing amounts do not include any earned depletion to which the company may be entitled.

## 2. Subsidiaries acquired and disposed of

A newly incorporated subsidiary, 253087 British Columbia Ltd., made the following acquisitions which have been included in the consolidated financial statements:

- (i) On July 16, 1982, all of the issued common and preference shares of Williams Hudson Canada Limited were acquired for a cash payment of \$200,000 and the assumption of net liabilities set out below.
- (ii) On September 9, 1982, all of the issued common shares of Blyth Holdings Ltd. were acquired for a cash payment of \$130,000.

The shares of Williams Hudson Canada Limited and Blyth Holdings Ltd. were acquired from related parties. These companies had net capital losses of approximately \$7,779,000 and non-capital losses of approximately \$2,500,000 at the date of acquisition. The cost of acquiring the above companies, \$914,818, has been offset against the accounting gain on the sale of Vancouver Wharves Ltd. shares. The acquired companies were accounted for by the purchase method as follows:

	Williams Hudson Canada Limited	Blyth Holdings Ltd.	Total
Assets acquired .....	\$ 1,000,228	1,004,215	2,004,443
Liabilities assumed .....	1,589,261	1,000,000	2,589,261
Excess of liabilities over assets .....	589,033	(4,215)	584,818
Consideration for shares .....	200,000	130,000	330,000
Cost of acquisition of capital and non-capital losses .....	\$ 789,033	125,785	914,818

For income tax purposes, the capital gain arising on sale of the shares of Vancouver Wharves Ltd. and Seatank (B.C.) Ltd. was offset in part against the losses of the acquired subsidiaries and the balance against the capital loss arising from the sale of the shares of Consortium Trans African S.A. by the subsidiary company which held these investments. After this sale, the subsidiary was left with net capital losses of \$4,500,000. The shares of this subsidiary were then sold to a related party for \$10,000 cash consideration.

The disposition of shares of subsidiary companies included in the current financial statements are as follows:

- (i) The sale of all the common and preference shares in Vancouver Wharves Ltd. and Seatank (B.C.) Ltd. for \$36,850,000 on February 9, 1983.
- (ii) The sale of all the common shares in Consortium Trans African S.A. for \$1.00 on March 15, 1983.
- (iii) The sale of all the common shares in Sungate (U.K.) Limited for \$1.00 on May 13, 1983.

	Consortium Trans African S.A.	Sungate (U.K.) Limited	Vancouver Wharves Ltd.	Total
Working capital:				
Current assets .....	\$ 5,492,906	1,742,609	954,115	8,189,630
Current liabilities .....	11,701,760	791,026	6,686,671	19,179,457
	(6,208,854)	951,583	(5,732,556)	(10,989,827)
Non-current:				
Assets .....	25,815,509	296,644	25,197,635	51,309,788
Liabilities .....	5,080,435	175,187	18,149,874	23,405,496
	20,735,074	121,457	7,047,761	27,904,292
Net assets of subsidiaries disposed of . . .	14,526,220	1,073,040	1,315,205	16,914,465
Add:				
Payment on guarantee of debt issued by a subsidiary .....	1,951,383			1,951,383
Cost of subsidiaries acquired .....			914,818	914,818
Payment of inter-company debt to subsidiary disposed of .....			10,457,168	10,457,168
Proceeds of subsidiary sold .....			(10,000)	(10,000)
	16,477,603	1,073,040	12,677,191	30,227,834
Proceeds of disposition of shares .....	1	1	36,850,000	36,850,002
(Gain) loss on disposal of shares of subsidiaries .....	\$16,477,602	1,073,039	(24,172,809)	(6,622,168)
Mining claims written-off .....				102,872
Extraordinary gain .....				\$ (6,519,296)

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### 3. Inventories

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	1982	1981
Logs .....	\$ —	646,357
Gold and silver .....	428,736	105,790
Supplies .....	553,648	1,813,485
	<u>\$ 982,384</u>	<u>2,565,632</u>

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### 4. Notes receivable

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The following notes receivable form part of the sale proceeds received by the company on the sale of the shares of Vancouver Wharves Ltd. and bear interest at 15% per annum:

Due August 9, 1985 .....	\$ 5,000,000
Due August 9, 1986 .....	5,000,000
	<u>\$10,000,000</u>

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### 5. Property, plant and equipment

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	1982	1981
Wharf and equipment .....	\$ —	23,146,309
Leasehold land .....	—	6,504,507
Logging and contracting equipment .....	—	8,567,312
Mining equipment and buildings .....	6,600,131	6,010,652
Buildings .....	—	253,075
	<u>\$ 6,600,131</u>	<u>44,481,855</u>

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### 6. Long-term debt

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	Outstanding	Due in one year
Bank loan with interest at 1¼% above bank prime .....	\$ 7,100,000	710,000
Bank interest in arrears .....	959,650	959,650
Other .....	29,633	19,693
	<u>8,089,283</u>	<u>1,689,343</u>
Less current portion .....	1,689,343	
	<u>\$ 6,399,940</u>	

The bank loan and interest are secured by:

(a) general assignment of book debts

(b) demand debenture for \$6,000,000 and additional demand debenture for \$3,000,000 providing fixed charges over major assets of the company including mining claims and a floating charge over other assets.

No dividends shall be paid by the company without prior consent of the bank. A repayment schedule for the outstanding indebtedness is currently under negotiation.

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### 7. Capital stock

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The authorized capital stock is unlimited.

Issued capital stock is as follows:

	Number of Shares	Stated Value
Balance December 31, 1981 and 1982 .....	<u>22,472,199</u>	<u>\$36,912,978</u>

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## 8. Contingent liabilities

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The company is guarantor of a conditional sales agreement which has an unpaid balance of \$685,000. No provision has been made for this guarantee as management expects any claim will be met from proceeds of disposal.

The company gave certain warranties to the purchaser of the shares of Vancouver Wharves Ltd. which could result in claims being made against the company up to February 9, 1985.

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## 9. Commitments

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As part of the consideration for the acquisition of mining claims, the company is required to pay up to \$2,065,051 as royalty payments at 5% of net income after recovery of mine development and other costs. The requirement to make these royalty payments is a charge against the mining claims.

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## 10. Subsequent events

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On February 9, 1983, the company sold its shares in Vancouver Wharves Ltd. and Seatank (B.C.) Ltd. On March 15, 1983 and May 13, 1983 respectively, the company sold its shares in Consortium Trans African S.A. and in Sungate (U.K.) Limited. The profit on sale of Canadian operations and loss to the company arising from disposal of the overseas operations, and all other aspects of these transactions, have been reflected to dates of disposal in these financial statements.

Approximately \$13,500,000, representing the cash surplus after the above transactions, was placed in an interest-bearing deposit which is collateral for trading in shares and share purchase options. Market value of the deposit and trading account at May 18, 1983 is approximately \$14,250,000.





