

2002

**AUDITED FINANCIAL STATEMENTS OF THE
LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF BAUXITE
INDUSTRY DEVELOPMENT COMPANY LIMITED)**

**FOR THE YEAR ENDED
31 DECEMBER 2002**

**AUDITORS: OFFICE OF THE AUDITOR GENERAL
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA**



Office of the Auditor General

*P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana
Tel: 592-285-2592, Fax: 592-286-7257, [http://www.auditor.gov.gy](mailto:info@auditor.gov.gy)*

AG/73/2004

24 June 2004

**REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF
LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF BAUXITE
INDUSTRY DEVELOPMENT COMPANY LIMITED)
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

I have audited the financial statements of Linden Mining Enterprise Limited for the year ended 31 December 2002 as set out on pages 5 to 19. The audit was conducted in accordance with the Financial Administration and Audit Act (as amended) of 1993.

Respective Responsibilities of Management and Auditors

The preparation of the financial statements, including assertions relating to their completeness, accuracy, validity and compliance with applicable laws, regulations and contractual obligations, is the responsibility of the Management of Linden Mining Enterprise Limited. My responsibility is to express an independent opinion on the statements based on these assertions and to report my opinion to you.

Basis of Opinion

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Disclaimer of Opinion arising from Limitation in Scope and Fundamental Uncertainty

The Company's financial statements were prepared from the books of accounts maintained in United States dollars and were translated to Guyana dollars using varying rates of exchange. In addition, an amount of G\$22.434M which represents translation differences has been credited to the Capital Reserve Account. I am unable to quantify the effects on the profit and loss account and balance sheet items since the books have not been maintained in Guyana dollars.

In 1994 an extraordinary item of G\$2.373 billion resulted in net loss for that year being reduced from G\$3.027 billion to G\$654.211M. This item arose as a result of an adjustment to fixed assets and stores brought forward from 1993 to reflect the United States dollar value at the date of acquisition which was then translated to Guyana dollars. The opinion was qualified since this in effect amounted to a revaluation of fixed assets and stores, and therefore the classification of the surplus on revaluation, which has been treated as an extraordinary item, was incorrect. In addition, stores were incorrectly stated at a revalued amount, which did not comply with the Company's accounting policy. As a result, I am unable to express an opinion on the amount of G\$14.392 billion stated as accumulated losses in the balance sheet at December 31, 2002.

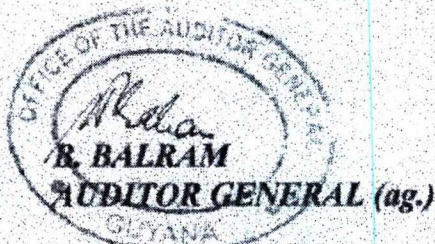
The sum of G\$1.539 billion represents inventories held by the Company at the end of the year. However, included in this figure were several items totalling G\$1.177 billion which were not physically counted. In addition, the total provision for obsolete stocks amounted to G\$943.825M. This provision was arrived at by the use of a fixed percentage instead of a physical count. In the circumstances, the adequacy of this provision could not have been determined. As a result, it could not be determined whether inventories of \$1.539 billion was fairly stated as at 31 December 2002.

Loans due to the Ministry of Finance and stated at G\$10.863 billion in the balance sheet were not confirmed at 31 December 2002. The loan balance of \$9.840 billion which is included in the total loans due to the Ministry of Finance includes an amount of G\$3.091 billion which represents principal and capitalised interest on disbursements made by Ministry of Finance for payment of loans to Nissho Iwai and Boskalis. The remaining balance of G\$6.749 billion represents principal and capitalised interest of loans by Ministry of Finance to the Company for working capital and payment of community electricity. However, the terms and conditions of these loans were not made available for audit. As a result, the completeness, accuracy and validity of the amount of G\$10.862 billion shown as loans could not be satisfactorily determined.

The financial statements referred to above have been prepared assuming that the company will continue as a going concern. The company has been having cash flow problems and as a result has been unable to service its liabilities in a timely manner. A significant portion of the work force has been made redundant and operations have been scaled back. In addition, the Government placed the operations and overall management of the company under the management of Omai Bauxite Company Limited from 1 August 2003 as stated in note 17.

As a result of the above, the company's use of the going concern assumption is questionable and the carrying value of the underlying assets and liabilities would not reflect realisable market values. The financial statements do not include any adjustments that might result from this uncertainty.

Because of the significance of the matters referred to in the preceding paragraphs, I am unable to form an opinion as to whether the financial statements present fairly in all material respects the state of affairs of the Linden Mining Enterprise Limited as at 31 December 2002 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.



**OFFICE OF THE AUDITOR GENERAL
63 HIGH STREET
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LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 G\$	2001 G\$
Sales	3	1,707,811,393	3,153,666,200
Cost of sales		<u>(2,833,002,130)</u>	<u>(4,325,818,705)</u>
Gross loss from operations		(1,125,190,737)	(1,172,152,505)
Financial, marketing and administration expenses		(2,477,330,907)	(1,510,928,339)
Net loss from operations		(3,602,521,644)	(2,683,080,844)
Other revenue		22,487,176	169,054,192
Net loss for the year	4	<u><u>(3,580,034,468)</u></u>	<u><u>(2,514,026,652)</u></u>

**LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Share Capital G\$	Capital Reserves G\$	Accumulated Losses G\$	Total G\$
Balance at 31 December 2000	3,482,661,000	1,535,689,411	(8,297,651,173)	(3,279,300,762)
Movements during the year		(19,316,175)		(19,316,175)
Net loss for the year			(2,514,026,652)	(2,514,026,652)
Balance at 31 December 2001	3,482,661,000	1,516,373,236	(10,811,677,825)	(5,812,643,589)
Movements during the year		22,434,459		22,434,459
Net loss for the year			(3,580,034,468)	(3,580,034,468)
Balance at 31 December 2002	3,482,661,000	1,538,807,695	(14,391,712,293)	(9,370,243,598)

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

BALANCE SHEET
AS AT 31 DECEMBER 2002

	Notes	2002 G\$	2001 G\$
Share Capital	5	3,482,661,000	3,482,661,000
Capital Reserve	6	1,538,807,695	1,516,373,236
Accumulated Losses		<u>(14,391,712,293)</u>	<u>(10,811,677,825)</u>
Shareholder's deficiency		(9,370,243,598)	(5,812,643,589)
Loans	7	<u>10,862,731,060</u> <u>1,492,487,462</u>	<u>8,175,143,577</u> <u>2,362,499,988</u>
Represented by:			
Fixed assets	8	535,422,170	980,159,439
Investments	9	315,660	315,660
Deferred Expenses	10	29,376,000	
Net current assets	11	<u>927,373,632</u> <u>1,492,487,462</u>	<u>1,382,024,889</u> <u>2,362,499,988</u>

On behalf of the Board:

 Director

 Director

The notes on pages 9 to 19 form an integral part of these financial statements.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 G\$	2001 G\$
Net loss before interest and taxation	(3,178,716,894)	(2,193,229,877)
Adjustments for:		
Depreciation	236,161,192	280,679,805
Reclassification of fixed assets	2,099,426	178,964
Loss on disposal of fixed assets	3,595,029	23,692,698
Fixed assets written off	203,621,948	-
Inventories written off	391,604,248	-
Adjustment to fixed assets	1,036,334	3,160,736
Deferred expenditure written on	(29,376,000)	-
Capital reserve adjustment	22,434,459	(19,316,175)
interest capitalised	367,056,256	290,182,849
Exchange loss on loans	213,455,677	15,182,837
Operating loss before working capital changes	(1,767,027,325)	(1,599,468,163)
(Increase)/decrease in inventories	(108,329,077)	231,952,773
(Increase)/decrease in debtors and prepayments	254,952,747	(422,613,358)
(Increase)/decrease in fellow subsidiaries	(1,996,181)	(3,576,572)
(Increase)/decrease in creditors and accruals	(51,599,802)	352,538,262
Cash utilised in operating activities	(1,673,999,638)	(1,441,167,058)
Cash flows investing activities		
Redemption of debenture	-	4,315,300
Interest paid	(410,064,504)	(332,998,430)
Proceeds from sale of fixed assets	2,933,943	-
Interest received	8,745,930	12,201,655
purchase of fixed assets	(4,710,661)	(130,188,442)
Net cash outflow from investing activities	(403,095,292)	(446,669,917)
Cash flow from financing activities		
Loans drawn down and transfer	2,107,075,550	1,881,884,520
Net cash flow from financing activities	2,107,075,550	1,881,884,520
Net increase in cash and cash equivalents	29,980,620	(5,952,455)
Cash and cash equivalents at beginning of the year	(21,191,435)	(15,238,980)
Cash and cash equivalents at end of the year	<u>8,789,185</u>	<u>(21,191,435)</u>
Cash and cash equivalents as shown in the balance sheet		
Cash and Bank	182,926,272	160,389,180
Bank Overdraft	(174,137,088)	(181,580,616)
Total	<u>8,789,185</u>	<u>(21,191,435)</u>

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

1. Incorporation and activities

The Company was incorporated as a private company limited by shares under the Companies Act Chapter 89:01 on 19 June 1992 and is involved in mining, processing and sale of bauxite.

2. Significant accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain fixed assets and except as stated in policy (d) the accounting policies conform with International Accounting Standards.

(b) Fixed assets

Fixed assets other than freehold land and construction work-in-progress, are shown in the balance sheet at cost/valuation less provision for depreciation and depletion.

Capital work-in-progress, when brought into use, is capitalised and depreciated in the normal manner.

Mineral properties and mining rights are amortised on a depletion basis.

Depreciation is provided on the straight line method calculated to write off each asset over its estimated useful life as follows:-

Buildings	Varying lives up to 35 years
Plant and equipment	Varying lives up to 12 years
Office equipment	Varying lives up to 10 years.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
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NOTES ON THE ACCOUNTS

(c) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using primarily the weighted average cost method and includes direct labour, materials, expenses and production and other attributable overheads.

(d) Foreign currency transactions

The Guyana dollar accounts are prepared from the books of the Company maintained in United States dollars.

Profit and loss account

Income and expenditure items are converted at the average rate of exchange during the year. The average rate of exchange for the year was US\$1.00 = G\$189.77 (2001 US\$1.00 = G\$187.79).

Balance sheet

Fixed assets are converted at the rate of exchange ruling on acquisition date.

Share capital, capital reserve, deposit on shares, loans and investments are converted at historic rates of exchange.

All other items in the balance sheet are converted at the rate of exchange ruling at balance sheet date. The rate of exchange at 31 December 2002 was US\$1.00 = G\$192.00 (2001 US\$1.00 = G\$189.00).

Translation differences on foreign currency transactions during the year are taken to the profit and loss account.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
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NOTES ON THE ACCOUNTS

(e) Pension funding

The Company participates jointly with Berbice Mining Enterprise Limited and Bauxite Industry Development Company Limited in a contributory pension scheme for its employees. The contributions are held in trustee administered funds which are separate from the Company's finances.

The actuarial valuation as at 31 December 1998 was completed on 26 August 2002 revealed a balance of liability of G\$234.2M for the Pension Plan. Of this amount, G\$210.8M related to Linmine. This amounted to a funding level (i.e the ratio of assets to past service liabilities) of 85% for the Linmine portion of the plan as at 31 December 1998. In this regard the actuaries recommended that the participating companies make a special monthly contributions of G\$4.587M per month for 60 months commencing from 1 January 1999 to 31 December 2003. Of this amount, Linmine was recommended to pay G\$4.129M per month towards the deficit related to Linmine. In addition, the actuaries recommended that the percentage to pensionable earnings which Linmine contributes be reduced from 9.7% to 6.4%.

These recommendations were not implemented and Linmine continued to comply with the actuaries' recommendation set out in the report as at 30 June 1993. In this report Linmine was recommended to pay sixty (60) monthly contribution of G\$6.05M effective from 1 April 1996. Linmine made twenty (20) payments to October 1998 and has an accrued liability for the unpaid balance. Linmine has also continued to pay employers contributions at the rate of 9.7%.

The principal financial assumptions used in the valuation are: -

Investment return	7% per annum
Pensionable earnings increase	7% per annum
National Insurance earnings ceiling increase	6% per annum

An actuarial valuation of the Pension Plan as at 31 July 2003 is being carried out. The Government of Guyana has agreed to fund the resulting actuarial deficit. By virtue of a board resolution dated 9 June 2004 the Pension Plan is to be discontinued as at 31 October 2004.

3. Sales

Sales represent the value of bauxite sold to third parties.

LINDEN MINING ENTERPRISE LIMITED
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NOTES ON THE ACCOUNTS

	2002 G\$	2001 G\$
4 Net loss for the year	<u>(3,580,034,468)</u>	<u>(2,514,026,652)</u>
After charging		
Net exchange	145,561,560	(52,325,430)
Depreciation	236,181,192	280,679,805
Auditors remuneration	339,309	1,997,907
Interest on loans/rescheduling fees	367,056,256	280,081,273
Interest on overdraft	23,942,142	20,529,954
Provision for doubtful debts	13,770,280	98,994,250
Assets write-off	203,621,948	-
Redundancy	235,282,729	-
Spares write-off	391,604,248	-
Town utility costs	<u>165,340,702</u>	<u>800,869,515</u>
Directors emoluments (see below)		
Chairman	120,000	120,000
Directors	<u>652,500</u>	<u>532,500</u>
	<u>772,500</u>	<u>652,500</u>
During the year there were ten non-executive directors.		
After crediting:		
Sale of electricity	25,205,062	28,588,211
Bank interest	<u>8,745,930</u>	<u>12,201,655</u>

LINDEN MINING ENTERPRISE LIMITED
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NOTES ON THE ACCOUNTS

5 Share Capital

	2002 G\$	2001 G\$
Authorised		
3,500,000 Ordinary shares @ \$1,000 each	<u>3,500,000,000</u>	<u>3,500,000,000</u>
Issued and fully paid		
3,482,661 Ordinary shares @ \$1,000 each	<u>3,482,661,000</u>	<u>3,482,661,000</u>

6 Capital reserve

At 1 January 2002	1,516,373,236	1,535,689,411
Movements during the year	22,434,459	(19,316,175)
At 31 December 2002	<u>1,538,807,696</u>	<u>1,516,373,236</u>

This represents the net adjustment arising from the take over of assets and liabilities of Guyana Mining Enterprise Limited which was dissolved by Order No. 19 of 1992.

The value of the assets and liabilities assumed by the Company was approved by the Board of Directors.

The current year's movement represents exchange differences arising from the translation of balance sheet items at varying rates of exchange from United States dollars to Guyana dollars.

LINDEN MINING ENTERPRISE LIMITED
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NOTES ON THE ACCOUNTS

7 Loans

	2002		2001	
	€	G\$	€	G\$
(a) Government of Guyana Ministry of Finance		9,840,101,403		7,351,685,319
the terms and conditions of loan has not yet been determined.				
Interest is at a fixed rate of 4% per annum.				
(b) Government of Guyana Sysmin loan	5,094,507	1,022,629,657	4,895,949	823,458,258
repayable within twenty (20) years with a grace period of ten years.				
Interest is at a rate of four 4% per annum and is capitalised during the grace period.				
		<u>10,862,731,060</u>		<u>8,175,143,577</u>

All loans are secured by guarantees from the Government of Guyana and the Bauxite Industry Development Company Limited.

Government of Guyana Sysmin loan previously denominated in Deutsche Marks was converted to Euros with effect from 1 January 2002.

LINDEN MINING ENTERPRISE LIMITED
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NOTES ON THE ACCOUNTS

8 Fixed assets

	Freehold land and buildings G\$	Mineral properties and mining rights G\$	Plant, machinery and equipment G\$	construction work-in- progress G\$	Total G\$
Cost/Valuation					
At 1 January 2001	2,997,868,575	1,770,727	17,043,981,224	75,195,191	20,118,815,717
Additions	-	-	-	4,710,661	4,710,661
Reclassification	-	-	-	(2,099,426)	(2,099,426)
Transfers	-	-	13,247,354	(13,247,354)	-
Disposals	(8,070,399)	-	(4,217,857,332)	-	(4,225,927,731)
AT 31 DECEMBER 2002	<u>2,989,798,176</u>	<u>1,770,727</u>	<u>12,839,371,246</u>	<u>64,559,072</u>	<u>15,895,499,221</u>
Accumulated Depreciation					
At 1 January 2001	2,408,880,087	1,334,890	16,728,383,120	-	19,138,598,097
Charged for the year	-	-	237,197,526	-	237,197,526
Retired on Disposal	(5,736,366)	-	(4,009,982,206)	-	(4,015,718,572)
AT 31 DECEMBER 2002	<u>2,403,143,721</u>	<u>1,334,890</u>	<u>12,955,598,440</u>	<u>-</u>	<u>15,360,077,051</u>
NET BOOK VALUE:					
AT 31.12.2002	<u>586,654,455</u>	<u>435,837</u>	<u>(116,227,194)</u>	<u>64,559,072</u>	<u>535,422,170</u>
AT 31.12.2001	<u>588,988,488</u>	<u>435,837</u>	<u>315,539,923</u>	<u>75,195,191</u>	<u>980,159,439</u>

(a) Fixed assets were acquired from Guyana Mining Enterprise Limited based on valuations approved by the Board of Directors

(b) As at 1 January 1994 a decision was taken by the directors for fixed assets brought forward from the preceeding year to be translated from Guyana dollars to United States dollar value at date of acquisition which resulted in an adjustment to fixed assets. This adjustment was credited to the profit and loss account.

LINDEN MINING ENTERPRISE LIMITED
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NOTES ON THE ACCOUNTS

9 Investments

	2002 G\$	2001 G\$
Livestock Development Company Limited 300,000 shares at cost (less write-off)	245,660	245,660
10 years National defence Bonds	70,000	70,000
	<u>315,660</u>	<u>315,660</u>

10 Deferred Expenses

East Montgomery 29,376,000

The sum of G\$29,376M (US\$153,000) represents mobilisation advance paid to Omai Bauxite Company Inc. for (a) transporting equipment to East Montgomery mines, (b) pre-contract survey, (d) pre-contract environmental assessment and (e) completion of mine drainage audit. Expenditure is to be written-off when mining commences.

11 Net Current Assets

Current assets

Inventories	(a)	1,539,331,776	1,822,606,947
Debtors and prepayments	(b)	519,314,880	772,271,446
Cash on hand and at bank		182,926,272	160,389,180
		<u>2,241,572,928</u>	<u>2,755,267,573</u>

Less:
Current Liabilities

Creditors and accruals	(c)	1,140,062,208	1,191,662,010
Bank overdraft (unsecured)		174,137,088	181,580,616
		<u>1,314,199,296</u>	<u>1,373,242,626</u>
		<u>927,373,632</u>	<u>1,382,024,947</u>

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
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NOTES ON THE ACCOUNTS

11 Net Current Assets -cont'd

	2002 G\$	2001 G\$
(a) Inventories		
Finish stocks of bauxite	85,880,256	70,676,361
Semi processed stocks of bauxite	30,688,512	40,288,563
Raw material	58,728,384	63,320,859
Stores and other miscellaneous supplies	2,307,860,544	2,577,399,804
	<u>2,483,157,696</u>	<u>2,751,685,587</u>
Less provision for stock obsolescence	(943,825,920)	(929,078,640)
	<u>1,539,331,776</u>	<u>1,822,606,947</u>
(b) Debtors and prepayments		
Trade debtors	226,421,376	562,669,822
Other debtors and prepayments	470,358,336	370,279,161
	<u>696,779,712</u>	<u>932,948,983</u>
less provision for bad and doubtful debts (see Notes (b)(i))	(177,464,832)	(160,677,537)
	<u>519,314,880</u>	<u>772,271,446</u>
Note (b)(i) provision for bad debts		
At 1 January 2001	160,677,537	60,528,120
Bad debts written off	-	(15,774)
Provision for the year	13,770,280	98,994,256
Translation difference	3,017,015	1,170,935
	<u>177,464,832</u>	<u>160,677,537</u>
(c) Creditors and accruals		
Trade creditors	1,088,756,544	996,491,916
Other creditors and accruals	51,305,664	195,170,094
	<u>1,140,062,208</u>	<u>1,191,662,010</u>

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
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NOTES ON THE ACCOUNTS

12 Taxation

In accordance with the arrangement for the rehabilitation of the Linden operations under the initial restructuring phase agreed between the Government of Guyana and the World Bank, and Order No. 19 of 1992, the Government has agreed to waive on an exceptional and temporary basis, all taxes, duties and other charges during the period of initial restructuring.

The Company has applied to the Ministry of Finance for waiver of taxes.

13 Related party transactions

	2002	2001
	G\$	G\$
(a) Amount due from fellow subsidiary Berbice Mining Enterprise Limited	11,426,896	9,430,715
(b) Fees paid for customs brokerage service provided by the Parent Company- BIDCO	1,591,293	1,608,000
(c) Sparta Global Company Limited a Company of which Mr. M. Mingo (director of Linmine) is a Director, provided transportation services to the Linmine during the year. Sparta Global was paid G\$ 62,324,012 during the year. In addition Sparta Global purchased from Linmine property Located at kara Kara for G\$15,293,000. This amount was set-off against a balance of G\$11,447,495 owed to Sparta Global, the remaining balance would be paid on passing of Transport		

14 Pending Litigations

There are certain pending litigations against the Company, for which the Company's exposure, if any, has not yet been determined.

15 Capital Expenditure

	2002	2001
	G\$	G\$
Capital expenditure budgeted for	613,130,000	367,710,000

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

16 Prospects

- (a) A decline in the demand for the Company's products has placed it in financial difficulties and led to wide-ranging discussions with interest parties (including the Government of Guyana) on steps needed to improve the financial position. A number of measures have been agreed with the Government to relieve the Company of some of its current responsibilities for funding community infrastructure and welfare, which are expected to improve the Company's financial position.
- (b) Negotiations are in process to privatise the Company.

17 Redundancy

- On October 9, 2002 an agreement was signed among Linmine, Guyana Mining Metal and General Workers Union (GMM&GWU), Guyana Bauxite and General Workers Union (GB&GWU) and the Government of Guyana setting out the redundancy benefits to be paid to Linmine employees.
- As at 31 December 2002 two hundred and fifty(250) employees had applied for voluntary severance.

18 Post balance Sheet Events

- As a result of an agreement on 24 July 2003 among the Government of Guyana, Linmine and Omai Gold Mines limited effective 1 August 2003, the management of Linmine was contracted out to Omai Gold Mines Limited and the remaining employees severed.

19 Contracts

- (a) Omai Bauxite Company Inc. was contracted on 10 December 2002 to provide the necessary equipment and carry out the stripping of overburden, mining of bauxite ore and loading bauxite into rail cars for the East Montgomery Mines for a period of 1 year. Provision is made for the extension of the contract. Charges are as follows. -

Stripping of overburden	US\$1.35/BCM
Mining of bauxite ore	US\$1.91/Tonne
Loading of bauxite into rail cars	charge order

- (b) An agreement was signed among the Government of Guyana, CAMBIOR and Linden Mining Enterprise Limited for the Linmine Restructuring Project. The Government of Guyana and Linmine have offered to enter into an agreement to ensure that a new corporate entity (OPCO) be formed to carry out a sustainable bauxite operation which mineral rights and assets shall be owned by the GOG and CAMBIOR.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

20 Contingent Liability

Civil appeal No. 69 of 2001 dated 3 March 2004 in the matter of the Insolvency Act, Chapter 12:21 Linden Mining Enterprise Limited and Bauxite Industry Development Company (Respondents/Defendants) were ordered to pay to James Ramsahoye (Appellant/Plaintiff) the sum of G\$78,820,220.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 US\$	2001 US\$
Sales	3	8,999,375	16,793,579
Cost of sales		<u>(14,928,609)</u>	<u>(23,035,405)</u>
Gross loss from operations		(5,929,234)	(6,241,826)
Financial, marketing and administration expenses		(13,612,408)	(8,686,777)
Net loss from operations		(19,541,642)	(14,928,603)
Other revenue		118,497	900,230
Net loss for the year	4	<u><u>(19,423,145)</u></u>	<u><u>(14,028,373)</u></u>

LINDEN MINING ENTERPRISE LIMITED

(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002

	Share Capital US\$	Capital Reserves US\$	Accumulated Losses US\$	Total US\$
Balance at 31 December 2000	26,566,981	10,353,515	(53,094,979)	(16,174,483)
Net loss for the year			(14,028,373)	(14,028,373)
Balance at 31 December 2001	26,566,981	10,353,515	(67,123,352)	(30,202,856)
Net loss for the year			(19,423,145)	(19,423,145)
Balance at 31 December 2002	26,566,981	10,353,515	(86,546,497)	(49,626,001)

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

BALANCE SHEET
AS AT 31 DECEMBER 2002

	Notes	2002 US\$	2001 US\$
Share Capital	5	26,566,981	26,566,981
Capital Reserve	6	10,353,515	10,353,515
Accumulated Losses		<u>(86,546,497)</u>	<u>(67,123,352)</u>
Shareholder's Deficiency		(49,626,001)	(30,202,856)
Loans	7	<u>57,901,703</u>	<u>44,197,998</u>
		<u>8,275,702</u>	<u>13,995,142</u>
Represented By:			
Fixed Assets	8	3,290,222	6,680,432
Investment	9	2,409	2,409
Deferred Expenses	10	153,000	-
Net Current Assets	11	<u>4,830,071</u>	<u>7,312,301</u>
		<u>8,275,702</u>	<u>13,995,142</u>

On behalf of the Board:


 Director

 Director

The notes on pages 24 to 34 form an integral part of these financial statements.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 US\$	2001 US\$
Net loss before interest and taxation	(17,308,382)	(12,320,099)
Adjustments for:		
Depreciation	1,802,481	2,135,584
Reclassification of fixed assets	11,063	953
Fixed assets adjustment	5,461	17,202
Loss on disposal	34,581	179,900
Fixed assets written off	1,545,987	
Inventories written off	2,063,537	
Deferred expenditure	(153,000)	
interest capitalised	1,937,066	1,545,262
Exchange gain/(loss) on loans	792,577	(230,872)
Operating loss before working capital changes	<u>(9,268,829)</u>	<u>(8,672,070)</u>
(Increase)/decrease in inventories	(437,467)	1,402,598
(Increase)/decrease in debtors and prepayments	1,391,450	(2,206,212)
(Increase)/decrease in fellow subsidiaries	(10,123)	(19,227)
Increase/(Decrease) in creditors and accruals	(367,266)	1,793,672
Net cash utilised in operating activities	<u>(8,692,035)</u>	<u>(7,701,239)</u>
Cash flows investing activities		
Redemption of debenture		32,941
Interest paid	(2,160,850)	(1,773,249)
Proceeds on sale of fixed assets	15,461	
Interest received	46,087	64,975
purchase of fixed assets	(24,823)	(693,266)
Net cash outflow from investing activities	<u>(2,124,125)</u>	<u>(2,368,599)</u>
Cash flow from financing activities		
Loans drawn down and transfer	10,974,061	10,039,644
Net cash flow from financing activities	<u>10,974,061</u>	<u>10,039,644</u>
Net increase/(decrease) in cash and cash equivalents	157,901	(30,194)
Cash and cash equivalents at beginning of the year	(112,124)	(81,930)
Cash and cash equivalents at end of the year	<u>45,777</u>	<u>(112,124)</u>
Cash and cash equivalents as shown in the balance sheet		
Cash and Bank	952,741	848,620
Bank Overdraft	(906,964)	(960,744)
Total	<u>45,777</u>	<u>(112,124)</u>

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

1. Incorporation and activities

The Company was incorporated as a private company limited by shares under the Companies Act Chapter 89:01 on 19 June 1992 and is involved in mining, processing and sale of bauxite.

2. Significant accounting policies

(a) Accounting convention

The accounts have been prepared under the historical cost convention and the accounting policies conform with International Accounting Standards.

(b) Fixed assets

Fixed assets other than freehold land and construction work-in-progress, are shown in the balance sheet at cost/valuation less provision for depreciation and depletion.

Capital work-in-progress, when brought into use, is capitalised and depreciated in the normal manner.

Mineral properties and mining rights are amortised on a depletion basis.

Depreciation is provided on the straight line method calculated to write off each asset over its estimated useful life as follows:-

Buildings	Varying lives up to 35 years
Plant and equipment	Varying lives up to 12 years
Office equipment	Varying lives up to 10 years.

(c) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using primarily the weighted average cost method and includes direct labour, materials, expenses and production and other attributable overheads.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

(d) Translation of foreign currencies

Historically the financial statements of the Company were maintained in Guyana dollars. However, as at 1 January 1994 a decision was taken to maintain the books in United States dollars.

Current year amounts have been restated in the United States dollar, using varying rates of exchange as follows:-

Profit and loss account

Income and expenditure items are converted at the average rate of exchange during the year. The average rate of exchange for the year was US\$1.00 = G\$189.77 (2001 US\$1.00 = G\$187.79).

Balance sheet

Fixed assets and stores were converted at the rate of exchange ruling on acquisition date.

Share capital, capital reserve, deposit on shares, loans and investments were converted at historic rates of exchange.

All other items in the balance sheet are converted at the rate of exchange ruling at balance sheet date. The rate of exchange at 31 December 2002 was US\$1.00 = G\$192.00 (2001 US\$1.00 = G\$189.00).

Foreign currency transaction (other than US dollars) completed during the year are translated at the exchange in effect at the date of each transaction.

Assets and liabilities denominated in foreign currencies (other than US dollars) at balance sheet date are translated using the rates in effect on the date of each transaction.

Gains and losses arising from the translation of foreign currencies are included in the profit and loss account for the year except adjustments relating to fixed assets which are under construction. Such adjustments are reflected in the cost of the assets.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

(e) Pension funding

The Company participates jointly with Berbice Mining Enterprise Limited and Bauxite Industry Development Company Limited in a contributory pension scheme for its employees. The contributions are held in trustee administered funds which are separate from the Company's finances.

The actuarial valuation as at 31 December 1998 completed on 26 August 2002 revealed a balance of liability of US\$1.22M for the Pension Plan. Of this amount, US\$1.1M million related to Linmine. This amounted to a funding level (i.e the ratio of assets to past service liabilities) of 85% for the Linmine portion of the plan as at 31 December 1998. In this regard the actuaries recommended that the participating companies make a special monthly contributions of US\$23,890 per month for 60 months commencing from 1 January 1999 to 31 December 2003. Of this amount, Linmine was recommended to pay US\$21,505 per month towards the deficit related to Linmine. In addition, the actuaries recommended that the percentage to pensionable earnings which Linmine contributes be reduced from 9.7% to 6.4%.

These recommendations were not implemented and Linmine continued to comply with the actuaries' recommendation set out in the report as at 30 June 1993. In this report Linmine was recommended to pay sixty(60) monthly contribution of US\$42,300 effective from 1 April 1996. Linmine made twenty(20) payments to October 1998 and has an accrued liability for the unpaid balance. Linmine has also continued to pay employers contributions at the rate of 9.7%.

The principal financial assumptions used in the valuation are: -

Investment return	7% per annum
Pensionable earnings increase	7% per annum
National Insurance earnings ceiling increase	6% per annum

An actuarial valuation of the Pension Plan as at 31 July 2003 is being carried out. The Government of Guyana has agreed to fund the resulting actuarial deficit. By virtue of a board resolution dated 9 June 2004 the Pension Plan is to be discontinued as at 31 October 2004.

3. Sales

Sales represent the value of bauxite sold to third parties.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

	2002 US\$	2001 US\$
4 Net loss for the year	<u>(19,423,145)</u>	<u>(14,028,373)</u>
After charging		
Net exchange	767,042	(278,638)
Depreciation	1,808,012	2,152,742
Auditors remuneration	1,788	10,639
Interest on loans/rescheduling fees	1,937,066	1,491,460
Interest on overdraft	126,164	109,324
Provision for bad debts	72,563	527,154
Assets write-off	1,545,987	-
Redundancy	1,239,831	-
Spares write-off	2,063,573	-
Town utility costs	<u>4,032,991</u>	<u>4,264,708</u>
Directors emoluments (see below)		
Chairman	634	639
Directors	<u>3,448</u>	<u>2,835</u>
	<u>4,082</u>	<u>3,474</u>
During the year there were ten non-executive directors.		
After crediting:		
Sale of electricity	132,819	152,235
Bank interest	<u>46,087</u>	<u>64,975</u>

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

5 Share Capital	2002 US\$	2001 US\$
Authorised 3,500,000 Ordinary shares @ G\$1,000 each	<u>26,717,557</u>	<u>26,717,557</u>
Issued and fully paid 3,482,661 Ordinary shares @ G\$1,000 each	<u>26,566,981</u>	<u>26,566,981</u>
 6 Capital reserve	 <u>10,353,515</u>	 <u>10,353,515</u>

This represents the net adjustment arising from the take over of assets and liabilities of Guyana Mining Enterprise Limited which was dissolved by Order No. 19 of 1992.

The value of the assets and liabilities assumed by the Company was approved by the Board of Directors.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

7 Loans

	2002		2001	
	€	US\$	€	US\$
(a) Government of Guyana Ministry of Finance		52,575,506		39,841,076
the terms and conditions of loan has not yet been determined.				
Interest is at a fixed rate of 4% per annum.				
(b) Government of Guyana Sysmin loan.	5,094,507	5,326,197	4,895,949	4,356,922
repayable within twenty (20) years with a grace period of ten years.				
Interest is at a rate of four 4% per annum and is capitalised during the grace period.				
		<u>57,901,703</u>		<u>44,197,998</u>

All loans are secured by guarantees from the Government of Guyana and the Bauxite Industry Development Company Limited.

Government of Guyana Sysmin loan previously denominated in Duetche Marks was converted to Euros with effect from 1 January 2002.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

8. Fixed assets

	Freehold land and buildings US\$	Mineral properties and mining rights US\$	Plant, machinery and equipment US\$	construction work-in- progress US\$	Total US\$
Cost/Valuation					
At 1 January 2002	22,883,795	13,517	129,774,565	82,490	152,754,367
Additions	-	-	-	24,823	24,823
Reclassification	-	-	-	(11,063)	(11,063)
Transfers	-	-	69,808	(69,808)	-
Disposals	(61,274)	-	(32,023,820)	-	(32,085,094)
	<u>22,822,521</u>	<u>13,517</u>	<u>97,820,553</u>	<u>26,442</u>	<u>120,683,033</u>
Accumulated Depreciation					
At 1 January 2002	18,391,435	10,190	127,672,265	-	146,073,890
Charged for the year	-	-	1,808,012	-	1,808,012
Disposal	(43,553)	-	(30,445,538)	-	(30,489,091)
At 31 DECEMBER 2002	<u>18,347,882</u>	<u>10,190</u>	<u>99,034,739</u>	<u>-</u>	<u>117,392,811</u>
NET BOOK VALUES:					
AT 31.12.2002	<u>4,474,639</u>	<u>3,327</u>	<u>(1,214,186)</u>	<u>26,442</u>	<u>3,290,222</u>
AT 31.12.2001	<u>4,492,360</u>	<u>3,327</u>	<u>3,761,784</u>	<u>63,334</u>	<u>8,320,805</u>

(a) Fixed assets were acquired from Guyana Mining Enterprise Limited based on valuations approved by Board of Directors

(b) As at 1 January 1994 a decision was taken by the directors for fixed assets brought forward from the preceding year to be translated from Guyana dollars to United States dollar value at date of acquisition which resulted in an adjustment to fixed assets. This adjustment was credited to the profit and loss account

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

9 Investments

	2002 US\$	2001 US\$
Livestock Development Company Limited 300,000 shares at cost (less write-off)	1,875	1,875
10 years National defence Bonds	534	534
	2,409	2,409

10 Deferred Expenses

East Montgomery 153,000

The sum of US\$153,000 represents mobilisation advance paid to Omai Bauxite Company Inc. for (a) transporting equipment to East Montgomery mines, (b) pre-contract survey, (d) pre-contract environmental assessment and (e) completion of mine drainage audit. Expenditure is to be written off when mining commences.

11 Net Current Assets

Current assets

Inventories	(a)	8,017,353	9,643,423
Debtors and prepayments	(b)	2,704,765	4,086,092
Cash on hand and at bank		952,741	848,620
		11,674,859	14,578,135

Less

Current Liabilities

Creditors and accruals	(c)	5,937,824	6,305,090
Bank overdraft (unsecured)		906,964	960,744
		6,844,788	7,265,834
		4,830,071	7,312,301

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

11 Net Current Assets -cont'd

	2002 US\$	2001 US\$
(a) Inventories		
Finish stocks of bauxite	447,293	373,949
Semi processed stocks of bauxite	159,836	213,167
Raw material	305,877	335,031
Stores and other miscellaneous supplies	12,020,107	13,637,036
	<u>12,933,113</u>	<u>14,559,183</u>
Less provision for stock obsolescence	<u>(4,915,760)</u>	<u>(4,915,760)</u>
	<u>8,017,353</u>	<u>9,643,423</u>
(b) Debtors and prepayments		
Trade debtors	1,179,278	2,978,676
Other debtors and prepayments	2,449,783	1,959,149
	<u>3,629,061</u>	<u>4,937,825</u>
less provision for bad and doubtful debts (see Notes (b)(i))	<u>(924,296)</u>	<u>(851,733)</u>
	<u>2,704,765</u>	<u>4,086,092</u>
Note (b)(i) provision for bad debts		
At 1 January 2001	851,735	325,420
Bad debts written off	-	(840)
Provision for the year	<u>72,561</u>	<u>527,155</u>
	<u>924,296</u>	<u>851,735</u>
(c) Creditors and accruals		
Trade creditors	5,670,607	5,272,444
Other creditors and accruals	267,217	1,032,646
	<u>5,937,824</u>	<u>6,305,090</u>

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

12 Taxation

In accordance with the arrangement for the rehabilitation of the Linden operations under the initial restructuring phase agreed between the Government of Guyana and the World Bank, and Order No. 19 of 1992, the Government has agreed to waive on an exceptional and temporary basis, all taxes, duties and other charges during the period of initial restructuring.

The Company has applied to the Ministry of Finance for waiver of taxes.

13 Related party transactions

	2002 US\$	2001 US\$
(a) Amount due from fellow subsidiary Berbice Mining Enterprise Limited	61,654	51,531
(b) Fees paid for customs brokerage service provided by the Parent Company- BIDCO	8,454	8,563
(c) Sparta Global Company Limited- a Company of which Mr. M. Mingo (director of Linmine) is a Director, provided transportation services to the Linmine during the year. Sparta Global was paid US\$329,605 during the year. In addition Sparta Global purchased from Linmine property located at Kara Kara for US\$80,857. This amount set-off against a balance of US\$60,323 owed to Sparta Global, the remaining balance would be paid on passing of transport.		

14 Pending Litigations

There are certain pending litigations against the Company, for which the Company's exposure, if any, has not yet been determined.

15 Capital Expenditure

	2002 US\$	2001 US\$
Capital expenditure budgeted for	3,227,000	1,760,000

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

16 Prospects

- (a) A decline in the demand for the Company's products has placed it in financial difficulties and led to wide-ranging discussions with interest parties (including the Government of Guyana) on steps needed to improve the financial position. A number of measures have been agreed with the Government to relieve the Company of some of its current responsibilities for funding community infrastructure and welfare, which are expected to improve the Company's financial position.
- (b) Negotiations are in process to privatise the Company.

17 Redundancy

On October 9, 2002 an agreement was signed among Linmine, Guyana Mining Metal and General Workers Union (GMM&GWU), Guyana Bauxite and General Workers Union (GB&GWU) and the Government of Guyana settling out the redundancy benefits to be paid to Linmine employees. As at 31 December 2002 two hundred and fifty(250) employees had applied for voluntary severance.

18 Post balance Sheet Events

As a result of an agreement on 24 July 2003 among the Government of Guyana, Linmine and Ormai Gold Mines limited effective 1 August 2003, the management of Linmine was contracted out to Ormai Gold Mines Limited and the remaining employees severed.

19 Contracts

- (a) Ormai Bauxite Company Inc. was contracted on 10 December 2002 to provide the necessary equipment and carry out the stripping of overburden, mining of bauxite ore and loading bauxite into rail cars for the East Montgomery Mines for a period of 1 year. Provision is made for the extension of the contract. Charges are as follows:-

Stripping of overburden	US\$1.35/BCM
Mining of bauxite ore	US\$1.91/Tonne
Loading of bauxite into rail cars	change order

- (b) An agreement was signed among the Government of Guyana, CAMBIOR and Linden Mining Enterprise Limited for the Linmine Restructuring Project. The Government of Guyana and Linmine have offered to enter into an agreement to ensure that a new corporate entity (OPCO) be formed to carry out a sustainable bauxite operation which mineral rights and assets shall be owned by the GOG and CAMBIOR.

LINDEN MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF
BAUXITE INDUSTRY DEVELOPMENT COMPANY LIMITED)

NOTES ON THE ACCOUNTS

20 Contingent Liability

Civil appeal No. 69 of 2001 dated 3 March 2004 in the matter of the Insolvency Act, Chapter 12:21 Linden Mining Enterprise Limited and Bauxite Industry Development Company (Respondents/Defendants) were ordered to pay to James Ramsahoye (Appellant/Plaintiff) the sum of US\$410,522.