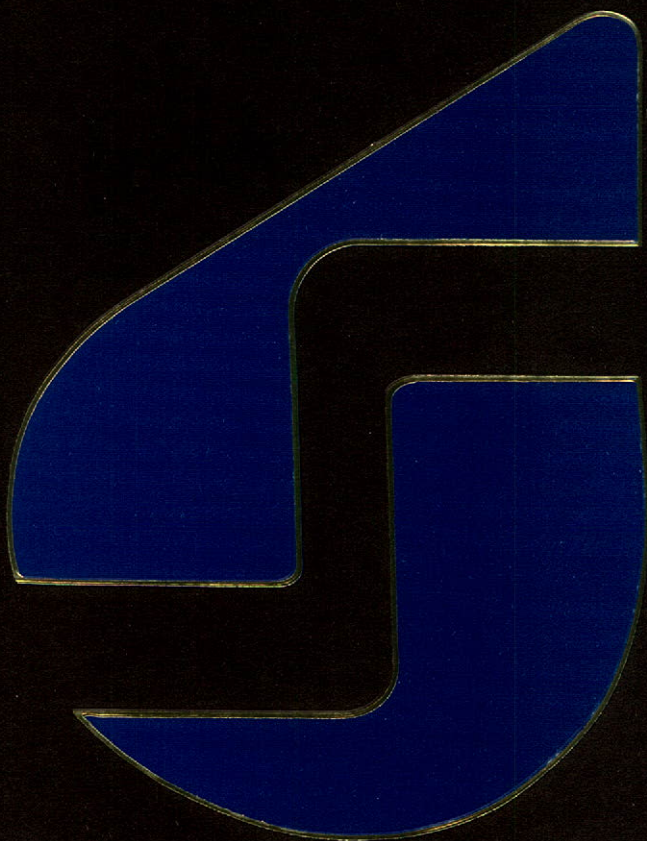
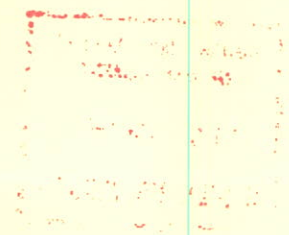


scarboro resources limited

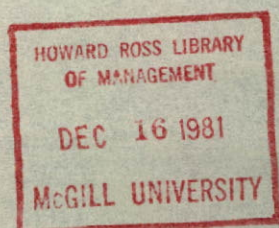
1980 annual report





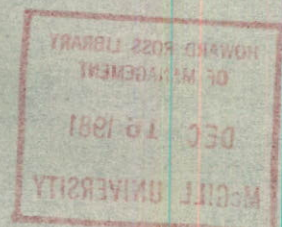
Highlights

- Public Placement of \$10.625 million in July
- Scarboro '80 Program and '80 Landfund formed
- Company obtains listing on the TSE
- Company acquires working interests in Abu Dhabi & Italy
- Oil and gas revenues increase by 204%
- Net acreage increases eight-fold



Highlights

- Net acreage increases eight-fold
- Oil and gas revenues increase by 204%
- Company acquires working interests in Abu Dhabi & Italy
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Report to the Shareholders

On behalf of the Board of Directors of Scarboro Resources Limited, I am pleased to present the Annual Report of the Company for the year ended November 30, 1980. This second year of operation under new management has been marked by a greatly improved financial position and a significant expansion in exploratory acreage to provide the base for long term growth.

In July, the Company completed a public offering of 850,000 units, each unit comprising three (3) common shares and one (1) share purchase warrant at a price of \$12.50 per unit. Subsequent to the completion of that offering, the Company was listed on the Toronto Stock Exchange. The proceeds from the offering coupled with the increased production revenue from the Stolberg gas field in Alberta, has allowed the Company to greatly expand its exploration and land acquisition program in Canada, the United States, the Mediterranean and the Middle East.

In Western Canada, the Company has been able to acquire a large and diversified acreage position concentrating its efforts in those areas where substantial reserves may be anticipated. Funding of this has come from Scarboro's own direct equity investment, supplemented by other sources, such as the Scarboro Resources '80 Landfund, the Scarboro Oils '79 Program and the Scarboro Resources '80 Program. This combination of funding has allowed the Company to have under its control approximately 10.7 million dollars for exploration and land acquisition, and has provided the Company with a favourable leverage position throughout. Scarboro will continue to finance its domestic exploration program in this manner until production revenues are at a level to allow direct corporate financing.

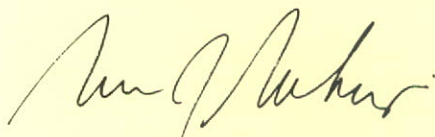
In the Company's initial ventures into the United States, it has committed to prospects comprised of large acreage positions. In Washington County, Virginia, Scarboro has purchased a 4.16% interest in approximately 60,000 acres of land and has the right to increase that interest to 8.32% through participation in a seismic and drilling program. Three (3) significant natural gas discoveries have recently been completed within a mile of the prospect and the operator plans to drill two (2) wells in the first half of 1981, subject to rig availability. In the Williston Basin of South Dakota, Scarboro, through one of its limited partnerships, is negotiating the purchase of a 10% interest in approximately 40,500 acres, again, with the right to increase that 10% interest to 20% by participating in a yet to be defined exploration program.

Subsequent to year end, your Company entered into a joint venture with two other independent Canadian exploration companies to expand petroleum and natural gas land acquisition and exploration in the United States. Scarboro will pay 50% of the total agreed contribution of U.S. \$4 million and will receive a 46.6% participating interest in the joint venture which will become operational in the first half of 1981.

The international highlight of the year was the granting of an onshore exploration license in Abu Dhabi, United Arab Emirates, to a group of Canadian and U.S. companies, in which Scarboro has an undivided 5% working interest. The license, covering 2 million acres, was signed on October 13 by His Highness, the Crown Prince Khalifa Bin Said Al Nahayan on behalf of the Government of Abu Dhabi. Subsequent to year-end, an extensive seismic program was initiated following which at least one (1) well will be spudded during 1982. In addition to the acreage granted in Abu Dhabi, the Company is participating in two (2) separate onshore permits in Southern Italy comprising a gross 113,000 acres. Initial seismic has been completed and is currently being evaluated with the intention of drilling at least two (2) wells on the permits in the next 24 months. Elsewhere, the Company is participating in applications in France and Egypt that are currently pending acceptance by the respective governments.

Future exploration plans of the Company include a continued aggressive land acquisition program in Canada and throughout the world. In 1981, the Company will expand its exploration outside of Canada where the economic environment is currently more favourable. In addition to pure exploration ventures, the Company intends to diversify, where possible, into projects related to natural gas processing, storage and marketing, where the management's past experience and expertise may be utilized. In this regard, the Company has entered into an agreement whereby Scarboro has the right to earn a 50% interest in a proposed LPG import terminal and storage facility to be located in Southern Italy which will be the only one of its kind in the Mediterranean area.

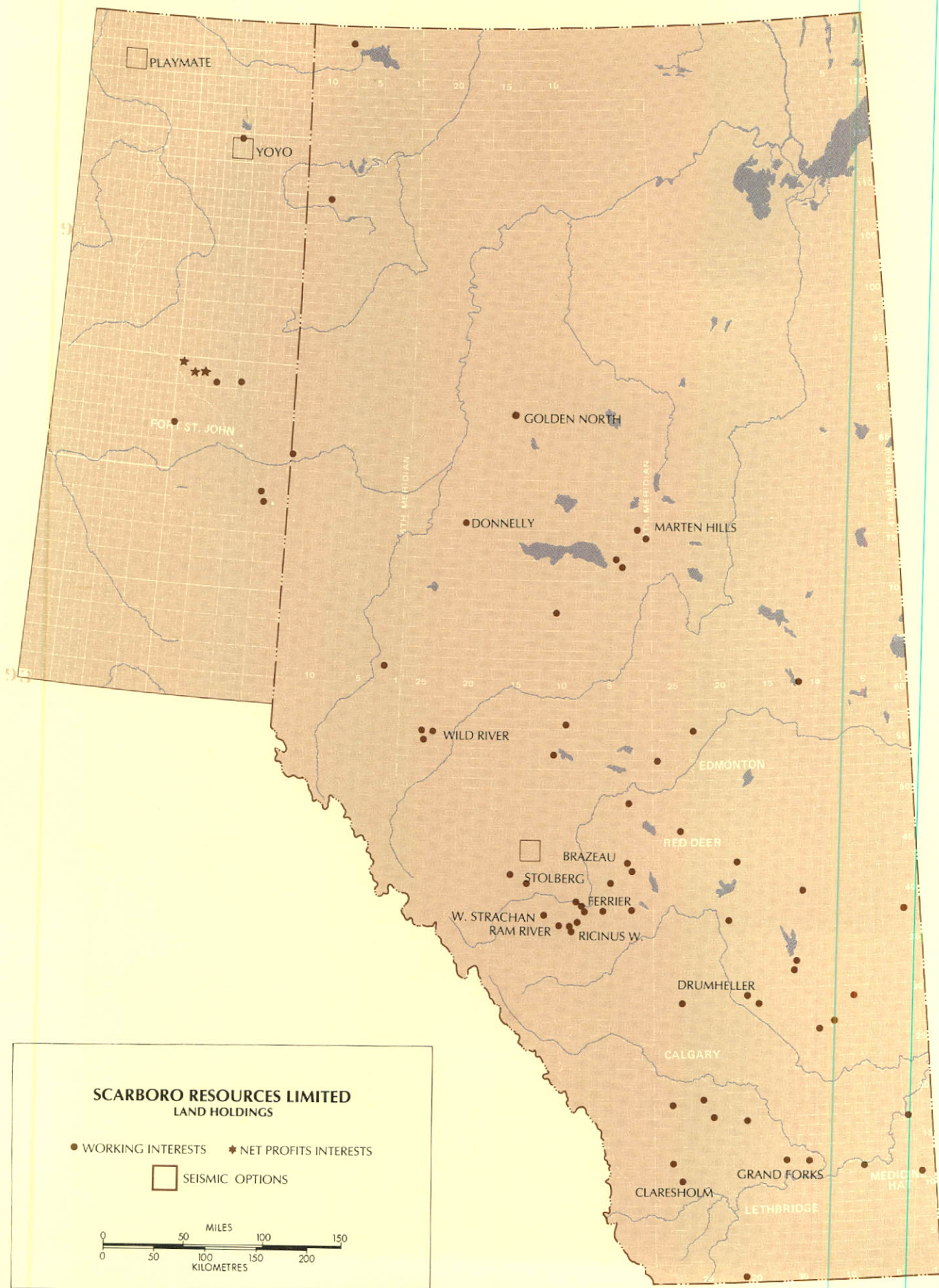
We would like to thank the members of the Board of Directors and the management and staff of the Company for their contributions to the success of the Company over the past year and note with satisfaction the continued support of the shareholders and various financial institutions.



Norman J. Mackenzie
President



Robert P. McBean
Executive Vice-President



Exploration Activities

Canadian Exploration

During the past 12 months, the Company participated in the drilling of 19 wells, resulting in 3 oil-wells, 5 gas wells, 8 abandonments and 3 still drilling as of the year end. It should be noted that 2 of the abandonments were drilled by others under Farmout Agreements, at no cost to Scarboro.

The major thrust of the Company's overall policy during the reporting period was directed toward the expansion of our land holdings, which we feel is vitally important in establishing a solid base for the continued future growth of Scarboro. The Company was successful in adding to our Canadian inventory, a total of 119,109 Gross acres (9,081 Net), all located in well conceived geological plays and all acquired at reasonable cost. Considering the effect of the Federal Budget, we anticipate that land prices will reduce considerably, at least in the near term and we propose to take advantage of this situation to further increase our portfolio on a selective basis. Much of our effort to date has been concentrated in the medium to higher risk areas, which have correspondingly higher potential and of course, offer correspondingly higher rewards. In cases where the risk is substantial, we will endeavor to spread this risk, by entering into joint ventures with other companies having concepts similar to ours; several excellent working relationships have already been established in this regard.

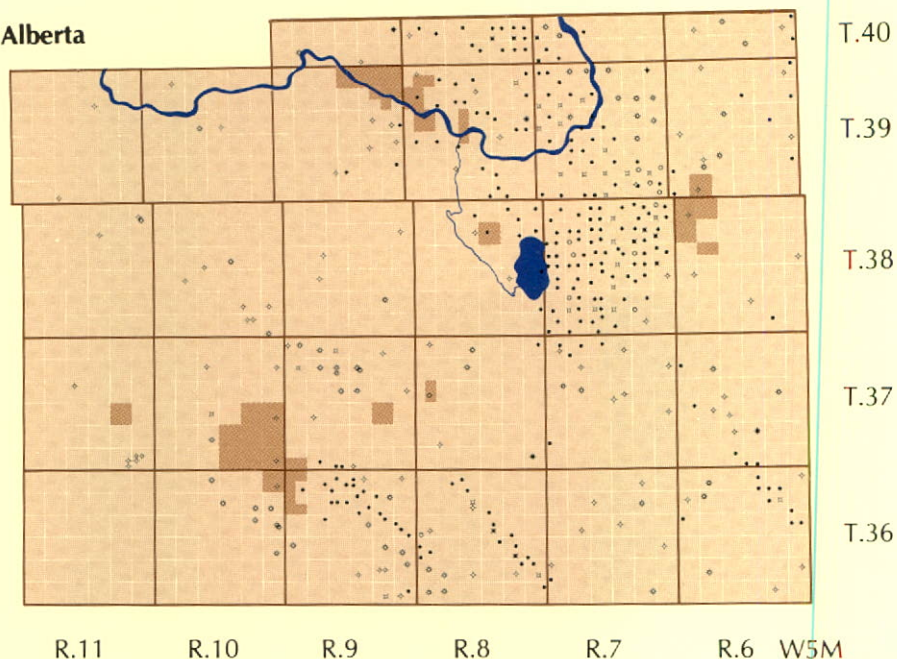
The Company was successful in acquiring several "Options" such as "YoYo" and "Playmate" in British Columbia and "Brazeau" in Alberta. This type of farmout is much sought after in the Industry, inasmuch as larger land spreads are usually involved, which can be evaluated by Geophysical or other relatively inexpensive means, before having to commit the Company to the high cost of drilling.

This aggressive land acquisition policy was made possible, largely through the use of Limited Partnership funds such as the Scarboro '79 Program which was then followed by the Scarboro '80 Landfund and the Scarboro '80 Program. Although Alberta was the focal point of our efforts, significant acquisitions were also made in British Columbia.

Scarboro Resources Limited Land Holdings

	1980		1979	
	Gross	Net	Gross	Net
Canada				
Alberta	158,156	20,829	57,658	12,256
British Columbia	23,691	1,316	5,330	833
Saskatchewan	320	37	160	12
	<u>182,167</u>	<u>22,182</u>	<u>63,058</u>	<u>13,101</u>
Foreign				
United States	183,000	15,181	100,000	7,500
Italy	113,400	32,740	—	—
Abu Dhabi	1,944,756	97,238	—	—
	<u>2,241,156</u>	<u>145,159</u>	<u>100,000</u>	<u>7,500</u>
Total	<u>2,423,323</u>	<u>167,341</u>	<u>163,058</u>	<u>20,601</u>

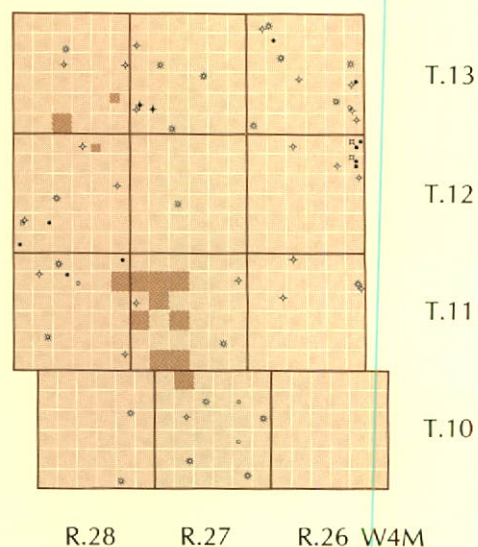
Ferrier-Strachan-Ricinus, Alberta



The Company has during the past year through its various partnerships, increased its land holdings substantially and now holds interests ranging from 10% to 100% in 33,924 gross acres in this area. During the fiscal year Scarborough participated in the drilling of two oil wells and one gas well. Several other operators have also recently completed oil and gas wells in close proximity to company lands, with several zones being productive. Scarborough intends to participate in two or three new wells in this area during 1981.

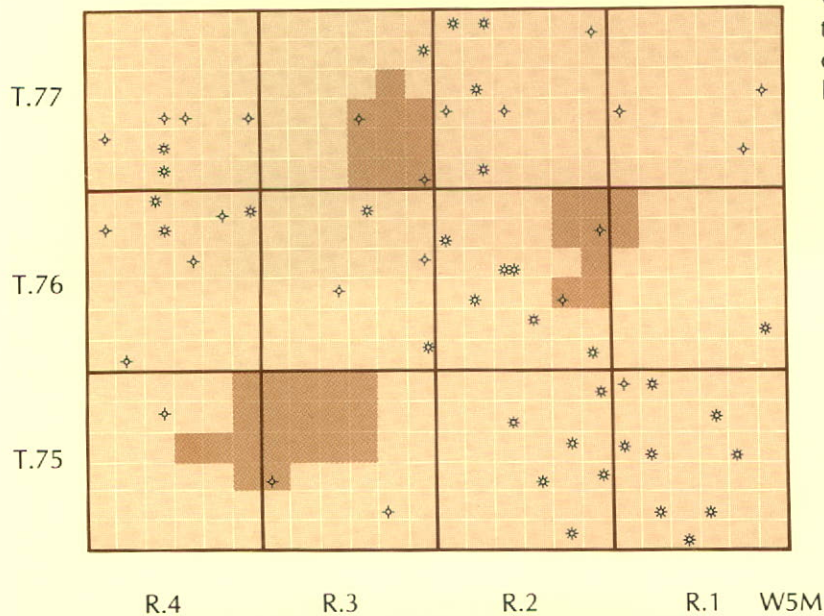
Claresholm, Alberta

Scarboro holds working interests of 15% in 6,400 acres and 50% in 960 acres in this active exploration area. Several significant oil and gas wells were drilled during the year by competitors in the immediate area, offsetting our lands. Seismic has been conducted and the Company anticipates that at least one well will be drilled during 1981.



Marten Hills, Alberta

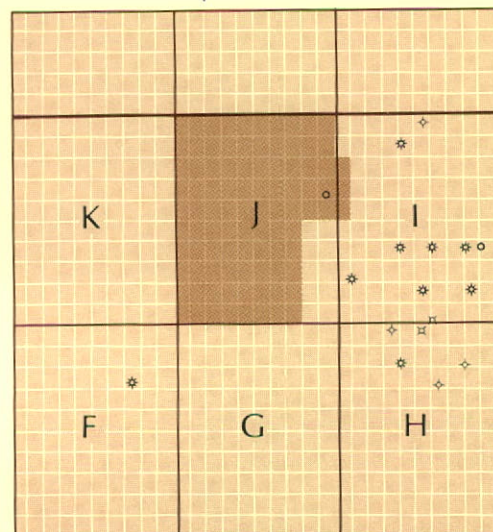
Four licences comprising 24,320 acres have been purchased at various Crown Sales during the past year and a seismic review of the lands is being conducted to select drillable anomalies. Scarboro and its limited partners hold a 100% working interest in the lands at this time. Another operator has indicated that they will be drilling several wells adjacent to our land during the first quarter of 1981. We anticipate drilling one or more wells late in 1981 or early in 1982.



YoYo, British Columbia

The Scarboro '79 Program and its limited partners will earn a net 25% (after payout) interest in half of this large block of land by paying 50% of the cost of drilling a Devonian Elk Point Reef test. The balance of the block is held under option for a similar test well. The first well will commence in January 1981 and additional partners will be solicited to share the risk on a promoted basis.

94-I-13



Other Areas

The Company has entered into seismic review options comprising 34,000 acres in the Brazeau area Alberta and 37,594 acres in the Playmate area of British Columbia. These two options will allow us the opportunity to evaluate very large areas at minimal cost.

At Donnelly in Alberta we hold a 32½% interest in 1,040 acres. Other operators have announced significant gas finds in the area and we will be participating in the drilling of at least one well in this area during 1981.

One dry well was drilled on our Grand Forks block during the past year in this difficult but lucrative area. Two wells will be drilled in 1981 at no cost to the company.

In the Drumheller area of Alberta, the Company and its limited partners have a 25% working interest in a flowing oil well. Test formation is being held confidential as negotiations for obtaining other lands in the area are being conducted.

The Company is participating to the extent of a 15% working interest in three wells currently drilling in the Wild River area of Alberta.

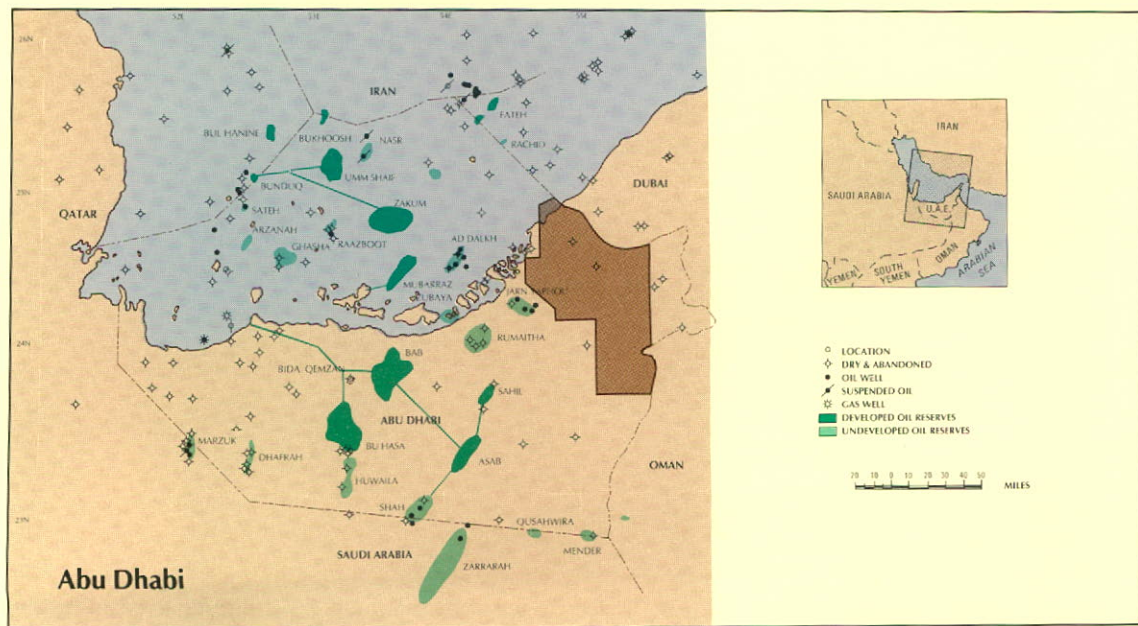
Subsequent to fiscal year end, Scarboro with its limited partners was successful in obtaining a 12½% interest in a 2,560 acre block in the Golden North area of Alberta. The operator is proposing that a well be drilled on this oil play during 1981.

Foreign Exploration

During the past twelve months, through management's European and Middle East experience, Scarboro has greatly increased its involvement in foreign land acquisition and exploration. Although the exploration risks are somewhat greater than in Canada, the economics of world prices and the prospect of discovering larger reserves make foreign operations attractive. The following is an outline of those areas in which the Company currently has interests:

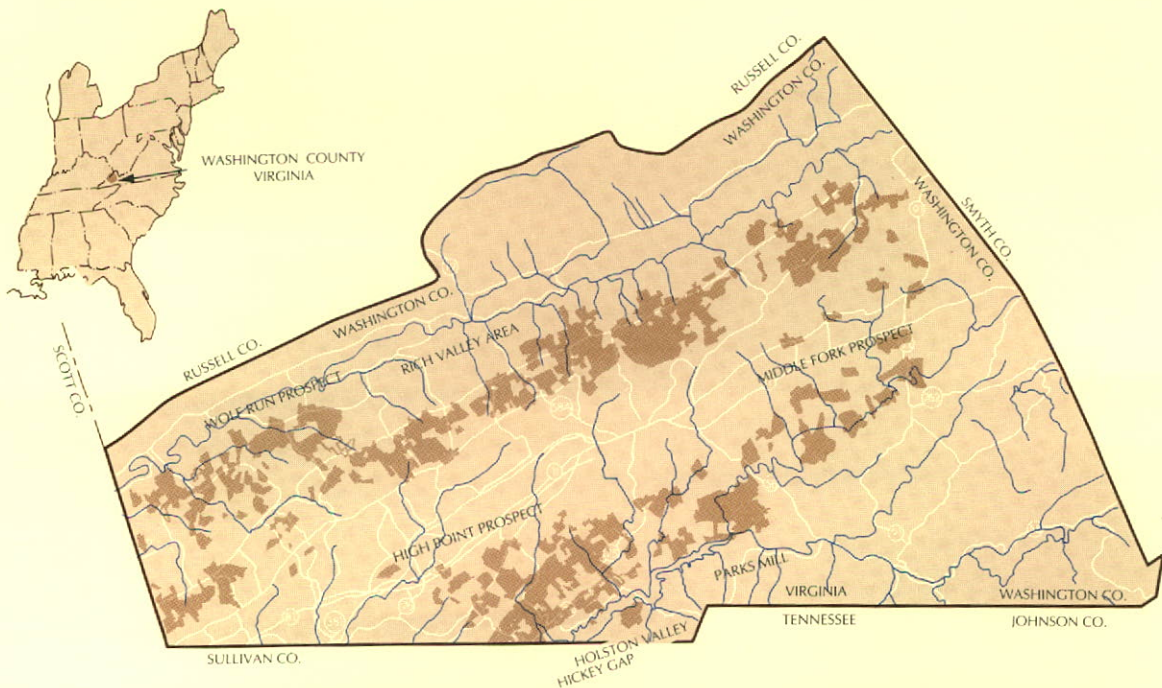
Abu Dhabi

In October of 1980 a consortium of Canadian and American companies, in which Scarboro holds a net 5% working interest was awarded a 1,944,756 acre concession onshore Abu Dhabi. This presents an opportunity to find significant reserves at world oil prices. In Abu Dhabi there currently exist producing oil fields with reserves ranging from 150 million to 1,706 million barrels. The partners in the concession feel that a detailed seismic program which began in January 1981, will greatly enhance the chances of finding oil in commercial quantities. It is expected that at least two wells are to be drilled within the first 5 years, with the first well to be spudded in 18 months.



Virginia, U.S.A.

Scarboro has purchased a 4 1/6% working interest in approximately 60,000 acres in Washington County, Virginia, and has the right to acquire another 4 1/6% by participating in drilling three wells. The lands are located in the Appalachian overthrust belt which has seen a recent increase in activity. Four successful gas wells have been completed in the Early Grove gas field immediately adjacent to the lands. Drilling has been deferred to the spring of 1981 due to the lack of rig availability.



Italy

In the summer of 1980, Scarboro as operator of a group of companies was awarded two permits in southern Italy. At Serre Alte we have a net 25% working interest in 25,236 acres and at Basentello we have a net 33⅓% working interest in 88,347 acres. A dynamite seismic exploration survey was begun on the permits in late 1980. The Company expects to conduct further seismic exploration in 1981 with the possibility of drilling late in 1981 or in 1982.

★ SCANZANO STORAGE FACILITY

▲ EXISTING OIL FIELDS

△ EXISTING GAS FIELDS



Other Activities

The company has applications pending on permits in France, Tunisia, Egypt and Sicily and should receive decisions from the respective authorities during early 1981. In South Dakota, Scarboro with its limited partners is currently negotiating the purchase of a 10% working interest in approximately 40,500 acres. By committing to a seismic and drilling program, the Company will be able to obtain a like interest in this land. The region is showing an increase in activity for both shallow gas and deep oil prospects.

Scarboro and Canada Northwest Land Italiana have entered into an agreement to jointly develop an L.P.G. Terminal and underground storage project in Southern Italy located near Scanzano. Scarboro is operator for the joint project and in that capacity, has completed a detailed design and feasibility study.

The terminal facility is being designed to receive fully refrigerated ships of up to 75,000 cubic meter capacity. The L.P.G. carriers will dock at a single point, mooring 4 to 5 kilometers offshore and transfer the product via pipeline where it is then pumped into storage. Storage is in the form of large salt caverns having a capacity of 1,500,000 barrels each located in salt beds 1000 meters below the surface. The caverns are formed by drilling into the salt and then injecting fresh or low salinity water into the salt and the resulting brine being discharged to the sea. The capital investment of the facility is estimated to be \$33,000,000 (U.S.).

Many opportunities exist for making the Scanzano L.P.G. terminal project a success. With the increasing availability of substantial quantities of overseas L.P.G. from the Middle East and North Africa, all L.P.G. markets are expected to grow significantly over the next decade.

The presentation of the formal application to obtain ministerial decree necessary to proceed has been made and the Company will begin further detailed design studies and construction as soon as the necessary approvals are received.

Financial Review

During the past year the Company has experienced significant increases in both operating results and capital expenditures. Gross revenues from oil and gas increased from \$821,352 in 1979 to \$1,675,291 in 1980. This was largely due to increased gas production from East Suffield and the commencement of production from the Stolberg gas field in June.

Through the issuance of common shares and warrants to the public in July, the Company raised \$10,625,000 which was principally used to retire bank indebtedness and provide the necessary funds to participate in our exploration program. At year end, the Company had working capital of \$1,552,000 and had no bank indebtedness.

In May of 1980, the Company formed The Scarboro Resources '80 Landfund, the purpose of which is to acquire undeveloped acreage in Western Canada and the United States. Total subscriptions to the Landfund were \$3,000,000. Scarboro, as a Limited Partner, holds an 8⅓% interest while as General Partner, Scarboro retains a 7% overriding royalty convertible to a 35% working interest, in the properties acquired by the Landfund.

The Scarboro '80 Program was closed in the fall of 1980 with subscriptions of \$3,660,000. The '80 Program will be principally involved in exploratory drilling in Western Canada. The Company, as General Partner, contributes 30% of all costs and the Limited Partners 70% through to casing point. Cost and revenue sharing thereafter is shared equally between the General and Limited Partners.

The Company, through its involvement in the '79 Program and the above mentioned partnerships, has been able to participate in a \$10.7 million exploration program and at the same time has been provided with exposure in a far greater number of prospects than to which it might normally have had access.

Petroleum and Natural Gas Production

The Company's interest in crude oil and natural gas liquids, and natural gas production (before Royalties), are summarized below:

	1980	1979
Natural Gas (MCF)	373,838	191,798
Daily Average (MCF/d)	1,024	525
Crude Oil & Natural Gas		
Liquids (bbls)	52,746	44,077
Daily Average (bbls/d)	145	121

Scarboro Resources Limited and Subsidiaries

Consolidated Balance Sheet

November 30, 1980

	1980 \$	1979 \$
Assets		
Current assets:		
Cash	58,721	88,261
Short-term deposits	1,400,000	100,000
Accounts receivable	574,431	576,313
Share subscriptions receivable	—	136,717
Operating advances to limited partnerships (Note 2)	32,809	179,622
	<u>2,065,961</u>	<u>1,080,913</u>
Property, plant and equipment (Note 3)	11,613,990	8,093,561
Investment in limited partnerships (Note 4)	1,454,352	441,424
	<u>15,134,303</u>	<u>9,615,898</u>
Liabilities		
Current liabilities:		
Accounts payable	514,020	1,054,827
Current portion of long-term debt	—	242,000
	<u>514,020</u>	<u>1,296,827</u>
Deferred revenue	29,020	52,288
Long term debt	—	3,346,500
Deferred income taxes	45,900	45,900
	<u>588,940</u>	<u>4,741,515</u>
Shareholder's Equity		
Share capital (Note 5)	14,620,113	4,807,562
Deficit (retained earnings)	74,750	(66,821)
	<u>14,545,363</u>	<u>4,874,383</u>
	<u>15,134,303</u>	<u>9,615,898</u>

On behalf of the Board:

Norman J. Mackenzie, Director

Robert P. McBean, Director

See accompanying notes.

Consolidated Statement of Loss

Year ended November 30, 1980

	1980 \$	1979 \$
Revenue:		
Petroleum and natural gas sales	1,675,291	821,352
Interest and other income	199,005	38,523
	<u>1,874,296</u>	<u>859,875</u>
Expenses:		
Royalties and production costs	875,003	427,632
General and administrative	689,158	171,539
Depletion and depreciation	498,045	149,701
Dry holes and abandonments	43,899	—
Interest	18,273	67,780
	<u>2,124,378</u>	<u>816,652</u>
Loss (income) from operations	250,082	(43,223)
Share of loss in limited partnerships (Note 4)	13,656	58,576
Loss (income) before income taxes and tax credits	<u>263,738</u>	<u>(15,353)</u>
Provision for income taxes - deferred	—	17,300
Alberta Royalty Tax Credit	(122,167)	(55,077)
	<u>(122,167)</u>	<u>(37,777)</u>
Loss (income)	<u>141,571</u>	<u>(22,424)</u>
Loss (earnings) per common share	<u>.03</u>	<u>(.01)</u>

See accompanying notes.

Consolidated Statement of Deficit

Year ended November 30, 1980

	1980 \$	1979 \$
Deficit (retained earnings) - beginning of year:		
As previously reported	(66,821)	127,003
Adjustment to prior year's earnings (Note 6)	—	(171,400)
As restated	<u>(66,821)</u>	<u>(44,397)</u>
Loss (income) for year	<u>141,571</u>	<u>(22,424)</u>
Deficit (retained earnings) - end of year	<u>74,750</u>	<u>(66,821)</u>

See accompanying notes.

Scarboro Resources Limited and Subsidiaries

Consolidated Statement of Changes in Financial Position

Year ended November 30, 1980

	1980 \$	1979 \$
Source of working capital:		
Loss (income) for the year	141,571	(22,424)
Items not affecting working capital:		
Depletion and depreciation	498,045	149,701
Share of loss in limited partnerships	13,656	58,576
Loss on disposal of equipment	414	7,952
Deferred income taxes	—	17,300
	370,544	255,953
Capital stock issued, net of share issue expenses	9,812,551	4,000,000
Proceeds on disposal of fixed assets	800	2,351
Increase in long-term portion of bank loan	—	702,000
	<u>10,183,895</u>	<u>4,960,304</u>
Use of working capital:		
Repayment of long-term debt	3,346,500	—
Additions to petroleum and natural gas properties	2,968,034	3,464,749
Investment in limited partnerships	1,026,584	500,000
Additions to pipeline	977,037	889,882
Additions to other equipment	45,843	10,184
Additions to leasehold improvements	26,044	2,968
Decrease (increase) in deferred revenue	23,268	(52,288)
Additions to production equipment	2,730	—
Increase in working capital	1,767,855	144,809
	<u>10,183,895</u>	<u>4,960,304</u>

See accompanying notes.

Notes to Consolidated Financial Statements

November 30, 1980

1. Accounting Policies:

(a) Principles of consolidation

The consolidated financial statements include the accounts of Scarboro Resources Limited and its wholly owned Subsidiaries, Scarboro Oils Limited and Scarboro Oils, Inc.

The excess of the carrying value of the Company's investment in Scarboro Oils Limited over the underlying net book value at the date of acquisition has been allocated to petroleum and natural gas properties and is being amortized on the same basis as the related assets.

(b) Oil and gas operations

The Company follows a form of full cost accounting for oil and gas and mining operations whereby all costs of exploring for and developing oil and gas reserves and mining properties are capitalized. Such costs include land acquisition costs, geological and geophysical expenses and interest charges on non-producing property and equipment. In addition, costs of drilling both productive and non-productive wells and overhead expenses related to exploration activities are capitalized.

Depletion of costs associated with producing and non-producing areas, defined on a country by country basis, is provided for on the unit of production method and is based on production and estimated proven reserves of oil and gas as determined by independent consultants. If exploration activities within a prospect prove unsuccessful and the prospect is abandoned, the net accumulated costs are charged to earnings.

(c) Depreciation

Depreciation of tangible well and other equipment is as follows:

Well and production	—	10% straight line
Mining	—	10% straight line
Other equipment	—	20% declining balance
Pipeline	—	5% straight line

Leasehold improvements are being amortized on a straight line basis over the life of the lease.

(d) Revenue recognition

Deferred revenue represents amounts received in respect of take or pay contracts. Such amounts have been deferred pending ultimate gas delivery or expiration of the contractual delivery period.

(e) Deferred income taxes

Deferred income taxes arise due to timing differences between expenses claimed for book purposes and deductions allowed for tax purposes. The timing differences occur mainly between depletion charged in the accounts and exploration and development expenses claimed for income tax purposes.

(f) Investment in Limited Partnerships

The Company accounts for its investment in the Limited Partnerships by the equity method. Under the equity method the Company's investment is carried on the balance sheet at cost and adjusted for its share of undistributed earnings or losses of the Limited Partnerships (Note 4).

2. Operating Advances to Limited Partnerships:

The operating advances to the Limited Partnerships are analysed as follows:

	1980	1979
	\$	\$
The Scarboro Resources '80 Land Fund	5,795	—
The Scarboro Oils '79 Program	1,411	179,622
The Scarboro Resources '80 Program	25,603	—
	<u>32,809</u>	<u>179,622</u>

3. Property, Plant and Equipment:

Property, plant and equipment is classified as follows:

	1980			1979
	Cost	Accumulated Depletion & Depreciation	Net Book Value	Net Book Value
	\$	\$	\$	\$
Petroleum and natural gas properties including exploration and development costs	8,143,975	529,382	7,614,593	5,385,950
Pipeline	3,676,626	180,681	3,495,945	2,239,361
Production equipment	192,726	23,650	169,076	170,930
Non-producing mining property	228,087	6,917	221,170	222,012
Other equipment	106,372	36,048	70,324	49,970
Leasehold improvements	54,824	11,942	42,882	25,338
	<u>12,402,610</u>	<u>788,620</u>	<u>11,613,990</u>	<u>8,093,561</u>

4. Investment in Limited Partnerships:

The investment in the Limited Partnerships is analysed as follows:

	The Scarboro Oils '79 Program	The Scarboro Resources '80 Land Fund	TOTAL
	\$	\$	\$
Investment at cost in 1979	500,000	—	500,000
Share of operating loss to November 30, 1979	58,576	—	58,576
Balance November 30, 1979	441,424	—	441,424
Investment at cost in 1980	500,000	500,000	1,000,000
Financing costs capitalized	26,584	—	26,584
	968,008	500,000	1,468,008
Less: share of operating income (loss) for 1980	(14,720)	1,064	(13,656)
Balance November 30, 1980	<u>953,288</u>	<u>501,064</u>	<u>1,454,352</u>

5. *Share Capital:*

- (a) Authorized
10,000,000 common shares with no par value.

- (b) Issue of shares

Changes in the Company's common shares for the year November 30, 1980 were as follows:

	Number of Shares	Consideration \$
Balance November 30, 1979	4,106,339	4,807,562
Issued for cash, net of share issue expenses	2,550,000	9,812,551
Balance November 30, 1980	<u>6,656,339</u>	<u>14,620,113</u>

- (c) Common shares reserved

- (i) Employee share purchase plan

The Company has reserved 399,100 common shares in respect of an employee share purchase plan. The common shares are to be acquired at a price of \$3.10 per common share. The purchase of the shares is to be financed by the Company by way of a non-interest bearing loan, repayable over three years.

- (ii) Warrants

The Company has reserved 850,000 common shares in respect of share purchase warrants issued during the year. Each warrant entitles the holder to acquire one common share at a price of \$5.00 per common share until June 15, 1982.

6. *Prior Period Adjustment:*

During the 1979 fiscal year the Company changed its accounting policy with respect to interest charges on long-term debt relating to non-producing oil and gas properties. As a result the Company has capitalized interest of \$200,000 which was previously expensed.

The prior period adjustment is analysed as follows:

	\$
Interest capitalized	200,000
Less: income taxes - deferred	<u>(28,600)</u>
	<u>171,400</u>

7. *Statutory Information:*

During the year \$311,250 was paid to the officers (including the five highest paid employees) for services rendered. No remuneration has been paid to any individual acting in the capacity of a director.

8. *Acquisition of Scarboro Oils Limited:*

Effective August 29, 1979 the Company acquired all of the outstanding common no par value shares of Scarboro Oils Limited.

The Company issued 1,600,000 common shares to the shareholders of Scarboro Oils Limited in exchange for the transfer to the Company of 4,000,000 common shares without nominal or par value in the capital of Scarboro Oils Limited. The Scarboro Oils Limited shares were valued at one dollar per share for a total investment of \$4,000,000.

The acquisition has been accounted for by the purchase method, and the results of operations from date of acquisition are included in these consolidated financial statements.

A summary of that acquisition is as follows:

	\$
Current assets	1,783,554
Current liabilities	<u>640,123</u>
	1,143,431
Fixed assets	<u>1,315,781</u>
Book value of net assets	2,459,212
Excess of cost of acquisition over underlying net book value, assigned to petroleum and natural gas properties	1,540,788
Cost of acquisition	<u><u>4,000,000</u></u>

9. *Acquisition of Scarboro Oils, Inc.:*

On May 9, 1980 the Company acquired all of the 100 outstanding shares of Scarboro Oils, Inc. These common no par value shares are valued at one dollar per share for a total investment of \$100.

10. *Corporate Name Change:*

Effective January 2, 1980 the name of the Company was changed from Cree Lake Mining Ltd. to Scarboro Resources Limited.

11. *Related Party Transactions:*

As per agreement, the Company, acting as General Partner, was required to purchase, at cost, thirty percent of the land acquisitions of the Scarboro Resources '80 Program. For the fiscal period 1980, this amount totalled \$181,222.

Also per agreement, with the Scarboro Resources '80 Land Fund, Scarboro Resources Limited, the General Partner, received a fee of \$50,000 for organizational expenses relating to the Fund and \$80,000 as agency commissions for the sale of Partnership units.

During the year the Company acquired \$103,286 of resource property from a shareholder of the Company.

Auditors' Report

We have examined the consolidated balance sheet of Scarboro Resources Limited and Subsidiaries at November 30, 1980 and the consolidated statements of loss, deficit 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 and Subsidiaries at November 30, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
January 30, 1981

VENNARD & JOHANNESSEN
Chartered Accountants

Corporate Information

Head Office

#240, 622 - 5th Avenue S.W.
Calgary, Alberta T2P 0M6
Telephone (403) 261-0844
Telex 03-826587 Scarboro CGY

Subsidiaries

Scarboro Oils Limited
Scarboro Oils Inc.

Auditors

Vennard & Johannesen
4th Floor, 640 - 8th Avenue S.W.
Calgary, Alberta

Banker

Canadian Imperial Bank of Commerce
309 - 8th Avenue S.W.
Calgary, Alberta

Legal Counsel

Burnet, Duckworth & Palmer
800 Royal Bank Building
Calgary, Alberta

Registrar and Transfer Agent

The Canada Trust Company
505 - 3rd Street S.W.
Calgary, Alberta

Shares Listed (Symbol SRO)

Toronto Stock Exchange
Alberta Stock Exchange

Directors

Angus Mackenzie
London, England
Norman J. Mackenzie
Calgary, Alberta
Robert P. McBean
Calgary, Alberta
James S. Palmer, Q.C.
Calgary, Alberta
John A. Tessari
Calgary, Alberta
Warren J. A. Mitchell
Vancouver, British Columbia
Aziz K. Radwan
London, England

Officers & Senior Management

Norman J. Mackenzie
President
Robert P. McBean
Executive Vice-President
Norman H. Bartley
Vice-President, Land
Kenneth R. Havard
Vice-President, Exploration
Bastiaan Groeneweg
Exploration Manager
Blaine D. Holstein
Chief Engineer
George Crookshank
Controller

Stock Prices

1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Low	High	Low	High	Low	High	Low	High
\$3.65	\$5.90	\$3.90	\$4.75	\$3.70	\$4.90	\$3.80	\$6.25



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