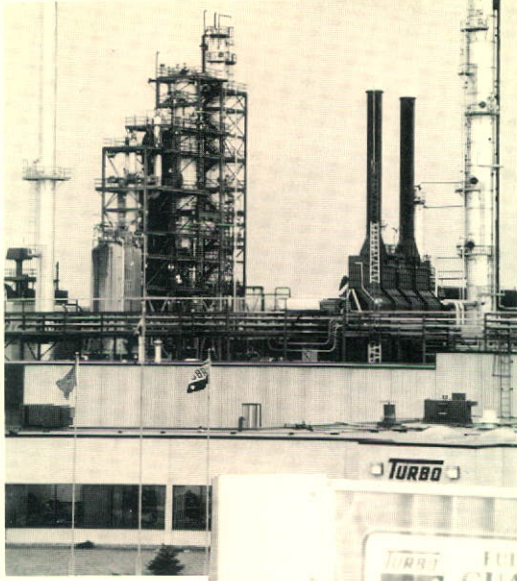


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Turbo Resources Limited



Annual Report 1985

HOWARD ROSS LIBRARY
OF MANAGEMENT
OCT 2 1986
MCGILL UNIVERSITY

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Registrar and Transfer Agent

Montreal Trust Company of Canada

Calgary, Alberta
Winnipeg, Manitoba
Toronto, Ontario
Montreal, Quebec
Vancouver, British Columbia

Harris Trust Company New York, N.Y.

Orion Royal Bank Limited London, England

Stock Exchange Listings

The Alberta Stock Exchange
The Toronto Stock Exchange
The Montreal Exchange

Shareholders' Meeting

The Special and Annual
General Meeting has been
scheduled for Wednesday,
April 30, 1986 at 2:00 p.m. in
Macleod Hall, Salon D, at the
Calgary Convention Centre,
120 - 9th Avenue S.E., Calgary,
Alberta.

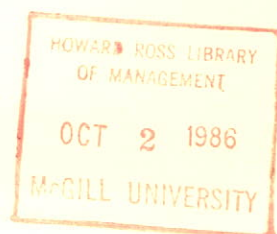
1985 1984
(thousands of dollars)

Financial

Revenue	\$622,110	\$588,624
Working capital provided by (applied to) continuing operations	26,761	(66,712)
Earnings (loss) from continuing operations	8,237	(85,007)
Earnings (loss) before extraordinary items	8,237	(104,869)
Earnings (loss) for the year	4,685	(70,640)
Basic earnings per share before extraordinary items	5.2¢	
Basic earnings per share	2.9¢	
Capital expenditures	9,230	3,729
Working capital (deficiency) at end of year	46,381	(515,121)
Long term debt at end of year	273,882	140,511
Net shareholders' equity (capital deficiency) at end of year	60,280	(362,344)

Operations

Refinery throughput (barrels per calendar day)	23,052	23,682
Refined products sales (barrels daily)	30,465	28,047
Number of marketing outlets	258	212



It is with a great sense of accomplishment and pride that all of us involved in Turbo can look back on 1985. During the year, the restructuring program on which we had been working diligently for the past three years was finalized and approved. We successfully launched the "new Turbo", a lean and efficient organization concentrating on the refining and marketing of petroleum products in Western Canada. This is a business and a territory we know well, as marketing in the West was the core business of the Company from its inception. Also in 1985, our operating results showed a marked improvement over the previous few years. This was due to the restructuring and to the continued emphasis on efficiency within the Company.

The Financial Reorganization, which was completed on July 5, 1985, significantly altered the Company's financial position. The total debt was reduced by \$420 million and remaining debt of \$317 million was refinanced by extending the repayment terms over ten years, eliminating interest payments on virtually all of the debt until 1988, or until Turbo generates sufficient cash flow from operations to service the debt, and fixing the rate of interest after 1988 at 12%. Turbo's share capital was reorganized by converting all First Preferred, Second Preferred and Special Shares into Common shares, creating new classes of Senior Preferred and Non-Voting shares and creating additional Common shares. In satisfaction of \$292 million debt, Turbo issued 500,000 Senior Preferred Shares, 112,644,020 common shares and 8,354,291 Non-Voting shares.

As a result of the Financial Reorganization, the Company now has positive working capital, a \$60 million revolving line of credit, of which \$14.5 million was undrawn at December 31, 1985, and positive net shareholders' equity of \$60.3 million at year end. Of equal importance is the fact that Turbo was able to report a profit for the year of \$4.7 million, its first annual profit since 1980.

The factors that adversely affected the Company prior to the reorganization (interest costs and losses from discontinued operations of and investments in former exploration, production and resource service businesses) are still reflected in Turbo's shareholders' equity as a deficit of \$471 million. To eliminate this deficit and allow the Company to start 1986 with a clean slate for the future, the shareholders are being asked at the forthcoming Special and Annual General Meeting to pass a special resolution, effective January 1, 1986, eliminating the deficit firstly against contributed surplus and secondly against the share capital of Common and Non-Voting shares on a pro rata basis. The Senior Preferred shares are not affected and the net shareholders' equity will remain the same. The number of issued and outstanding shares and the provisions, rights and restrictions of all classes of shares will not be altered in any manner.

Revenue for the year increased by \$33.5 million from \$588.6 million to \$622.1 million, an increase of 5.7%. This increase was achieved despite the sale of our Ontario Marketing Division in December, 1984, which had contributed \$59 million in revenue that year. Excluding these revenues from 1984 figures, revenue increased by 17% in 1985. Operating income for 1985 was \$13.3 million, compared to \$8.5 million in 1984, an increase of \$4.8 million or 56%. \$2.9 million of this increase was accounted for by reduced depreciation and amortization changes as a result of refinery pre-production costs being fully amortized in 1984. Despite intense price competition Turbo was able to maintain its margins by continuing increases in market share, strict cost control and efficient operations, resulting in a further \$1.9 million increase in operating income over 1984.

Earnings for 1985 before extraordinary items were \$8.2 million, or 5.2 cents per share (4.3 cents fully diluted), versus a loss before extraordinary items in 1984 of \$104.9 million. The loss in 1984 included interest expense of \$89.1 million and net losses of \$19.9 million from discontinued operations of Bankeno Mines Limited and Challenger International Services Ltd., former subsidiaries sold in 1984. Turbo had virtually no interest expense in 1985 as a result of not meeting the interest coverage tests under the financial reorganization. Extraordinary items in 1985 reduced earnings by \$3.5 million to net earnings of \$4.7 million, or 2.9 cents per share (2.7 cents fully diluted), whereas extraordinary items, primarily arising from the gain on sale of Bankeno, reduced the 1984 loss by \$34.2 million to \$70.6 million. The extraordinary items in 1985 include write-downs of real estate assets of \$7.8 million recognizing continuing depressed real estate values, offset by income tax savings of \$4.3 million resulting from the application of prior years' operating losses.

Turbo's working capital position improved by \$561.5 million from a deficiency at the end of 1984 of \$515.1 million to positive working capital of \$46.4 million at December 31, 1985. Working capital provided from operations increased by 20% to \$26.8 million in 1985, compared to \$22.4 million in 1984 before interest. This cash flow was utilized to fund capital expenditures of \$9.2 million, financial reorganization costs of \$2.7 million and to accrue the debt principal repayment due April 30, 1986 of \$15.3 million.

In order to improve our operating results, Turbo's management, employees and dealers all realize we must strive for efficiency and excellence in all we do in the competitive market in which we operate. The importance of maintaining an edge in recruiting and keeping employees of out-

standing quality cannot be overemphasized. We believe employees who have a sense of belonging, of involvement, and of achievement within the Company are those who will be dedicated to the success of the Company.

To this end, management strives to keep our employees informed of developments within the Company and the industry. We keep them involved as much as possible in seeking out more efficient methods and in finding solutions to the complex problems of our industry. We have introduced a new salary administration program to ensure internal equity as well as external competitiveness, and to recognize achievement-oriented performance. A new benefits package has been established to show the Company's appreciation for the dedicated endeavours of our employees in helping Turbo come through the rough years of readjustment. Looking to the future, we have hired a Training and Development Coordinator to spearhead a comprehensive program of training which will assist our staff in developing job-oriented skills. This program will help our employees to do their jobs better, will lead to improved job satisfaction and provide the excitement of personal growth.

The Company has taken other steps which we believe will aid us all as we strive to strengthen Turbo's performance. Because the business of the "new Turbo" is substantially different from the business of the old Turbo, we have conducted a major review of the Company's information needs, and of the administrative and financial organization necessary to provide that informational support. The positive results of this project will become evident through 1986 and beyond. We also have brought together under one roof three of the Calgary offices of Turbo into comfortable and attractive space. This will result in a number of efficiencies, and assist all of us in

working as a team as we continue to develop and expand the Company's role as an independent refiner and marketer of petroleum products in Western Canada.

Refining and marketing now is the only business in which Turbo is engaged. As mentioned previously, it is a business we know well. When the Company began in 1970, it owned seven gas stations in Alberta and Saskatchewan. Today we have our own new and efficient refinery north of Calgary, a trucking fleet and a network of some 258 gas bars, service stations, cardlocks, keylocks and bulk plants stretching across the four Western Provinces. We have earned a reputation for providing superior products and full service convenience at prices that compete with self-service outlets, and we intend to maintain and enhance that reputation.

In the area of product quality, Turbo has established a Product Specification and Quality Control Committee which is responsible for setting product specifications and ensuring that quality control is maintained throughout the Company. It works within a clear policy that can be simply stated: "We will ensure product specifications shall meet or exceed industry standards and government regulations. We will provide quality control from the Refinery to the customer. We shall not be compromised on product quality."

In the area of service improvement, the Company is continuing its program of upgrading older outlets, and has produced special films which can be used by dealers to assist in training their staff to provide a high standard of housekeeping as well as speedy, courteous service. The service station and pump attendant are often the only interface the public has with Turbo, and high standards in these areas are essential if we are to be successful in increasing the number of regular users of our product.

Regarding market share, during 1985, Turbo continued to lead the industry in terms of volume of product sold per outlet as well as volume growth. During the year we aggressively expanded our retail network of stations.

This rapid expansion will be continued during 1986 and will be coupled with an aggressive marketing campaign which will ensure Turbo an increased market share and which will maintain our leadership in the industry with respect to volumes per outlet.

Turbo has weathered the storm of the recent severe depression. It has emerged as a lean and efficient company poised to reap the rewards of success in a business in which it traditionally has prospered. The market potential is there. The Company infrastructure is there. The hard working, dedicated people are still with us. Turbo is now on the move again.

We thank our creditors and shareholders for their understanding and cooperative support of the restructuring program which has given Turbo this renewed opportunity. Thanks also must go to the dedicated members of the Board of Directors and our employees who worked so hard to turn Turbo about. And a special "Thank You" from all of us at Turbo, goes to Norm Gish who provided the necessary and astute leadership for the Company during the past three years. Mr. Gish resigned effective December 31, 1985 as President and Chief Executive Officer to accept a challenge with another company. Mr. Robert G. Brodie was elected Chairman of the Board on December 17, 1985, appointed Chief Executive Officer effective January 1, 1986 and was appointed President on February 28, 1986.

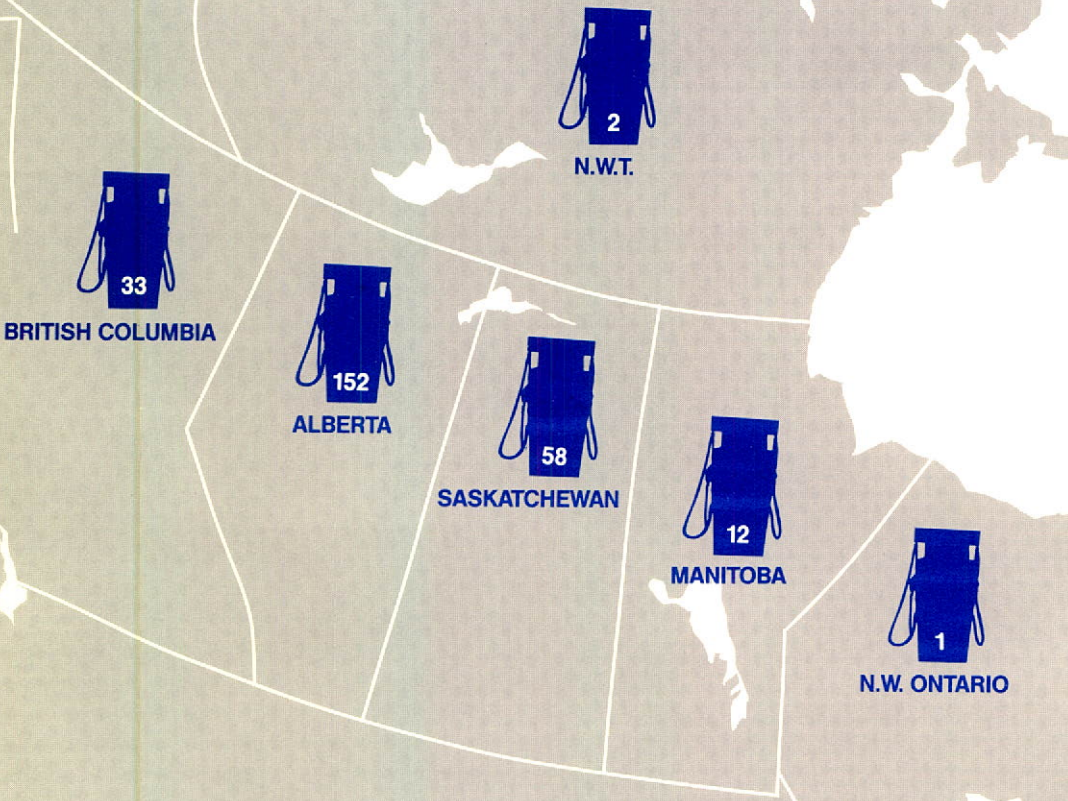


Robert G. Brodie
Chairman of the Board,
President and Chief Executive
Officer

Marketing and Transportation



Turbo's Marketing and Transportation Division experienced a record setting year in 1985, and continued to outpace the industry in Western Canada. The year also marked the return of the Division to being solely a Western Canadian marketer and its re-emergence as the major component of Turbo's operations.



Includes retail stations, cardlocks, keylocks and bulk plants. Figures as at December 31, 1985.

The Division once again outperformed the industry in terms of growth in annual sales volume per outlet. In achieving a record volume of sales for the year, we realized a 14.8% real growth over 1984. This result can be credited to the continued efforts of a very enthusiastic band of Turbo Pumper People (our dealers and employees), renewed economic activity in 1985 in much of Western Canada and an aggressive expansion program.

We acquired 35 new branded outlets, 11 indirect sales outlets and modernized 22 existing controlled outlets. We continued the expansion of our Wholesale Marketing Group, adding new cardlock locations to our computerized fleet fuelling network and opening additional bulk plants in Alberta and Saskatchewan. The additions to our bulk plant network allowed us to offer expanded customized delivery service to a wider range of customers in the areas surrounding the plants.

Our expansion and modernizing program has provided an improved standard of appearance for our outlets and thus an enhancement of our image throughout the Western Canadian marketplace, and resulted in a record number of established Turbo locations. Our total outlet count of controlled and independent locations reached 258 by year-end.

We also launched a new service program during 1985, our Fleet Credit Card Program. This has provided a very efficient fuel management system for our valued fleet customers. Market response has indicated once again that we are second to none in offering what our customers want.

On the sales side, we enjoyed relatively stable pricing in the marketplace in 1985. As a consequence we realized somewhat firmer margins during most of the year. We believe the increased rate of economic growth in the West contributed to this, as did a realization within the industry of the proper cost of doing business, insofar as distribution and marketing of petroleum fuels are concerned. We will continue to keep the cost of doing business as low as possible so that we can benefit from whatever margin and demand stabilization occurs in the marketplace.

We will also benefit in 1986 by an increased use of our own trucking fleet and the sale of a larger proportion of our refinery's production through our own outlets.

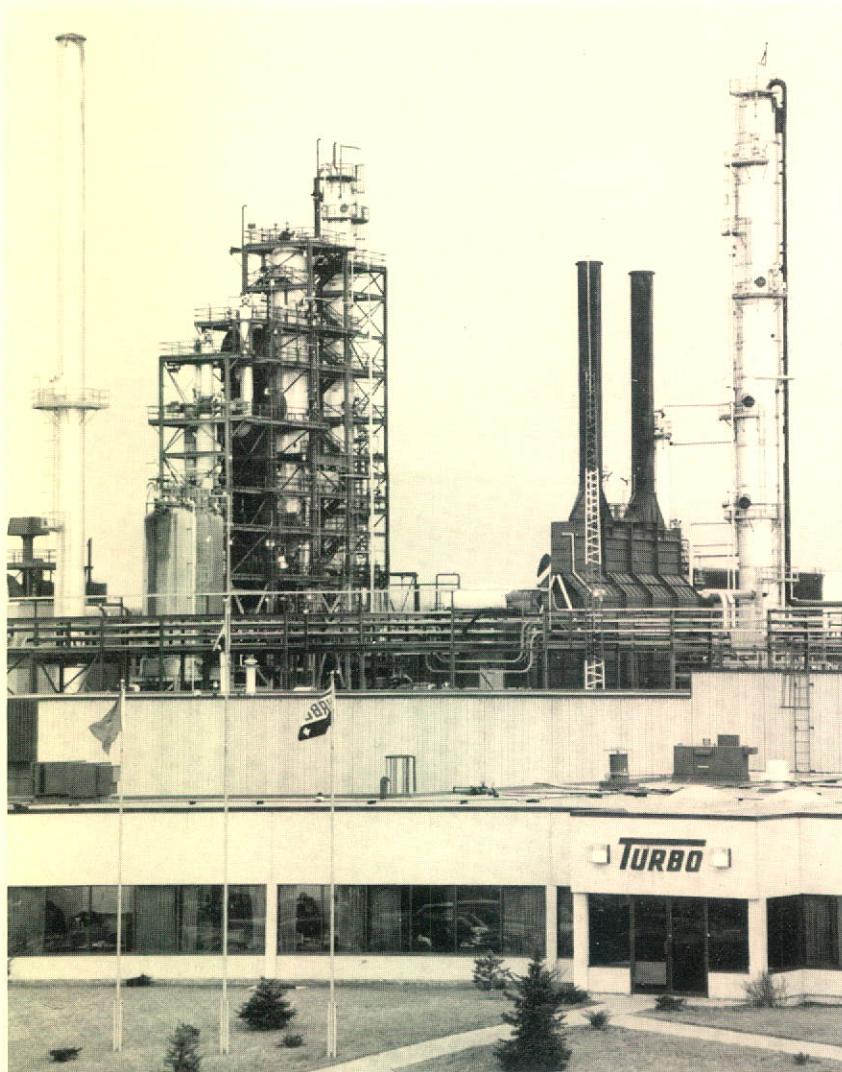
Turbo has maintained its own fleet of trucks under the name of Freeway Transport Ltd., since the early 1970's. At the present time, Freeway operates 25 tractors with 44 trailers having a total carry capacity of 1,291,000 litres. Its primary mandate is the transporting of petroleum products to our wholesale and retail outlets. This provides the company with flexibility and security in transporting our products to market. The consolidation of our marketing operations within Western Canada has increased the opportunity to use Freeway Transport for this purpose, bringing added efficiencies and cost savings to our marketing operations.



We look forward to 1986 as another banner year of achievement and increased profitability.

Additional returns will be realized in 1986 and beyond because we now are able to sell more of our refinery's production through our own outlets. We long have realized that the best return for Turbo will be achieved when we can sell all our refinery's output of gasoline and diesel fuels through our own marketing outlets. We are working towards that end.

We firmly believe that our Marketing and Transportation Division is well positioned to take advantage of the efficiencies we have been creating. Our dealers, agents and employees are second to none in the industry. Our continuing efforts to offer guaranteed full service at self-serve prices have found continued favour with the consuming public in Western Canada. We have an aggressive marketing plan to expand our penetration of the fleet fuel market. We will continue expanding our wholesale and retail networks in the West and we intend to increase our market share.



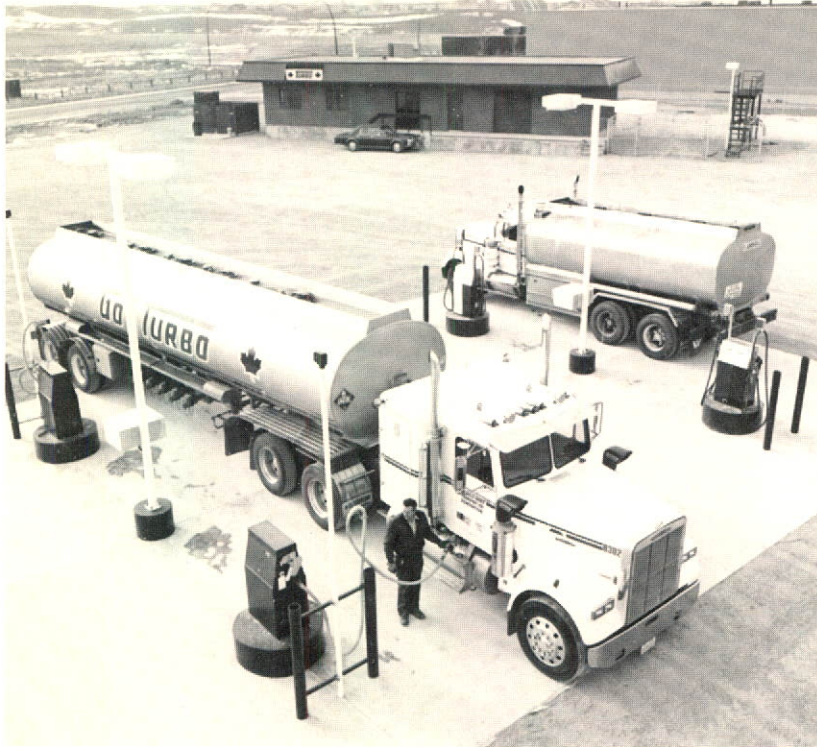
In 1985 the refinery continued a formal operations training program consisting of on-the-job training and classroom lectures. This long-term program is comprehensive in nature and deals with all aspects of the operation such as process control, equipment maintenance, equipment isolation, safety, fire-fighting, first aid and occupational health.

Quality assurance of our products always has been taken seriously at Turbo. In 1985 a new dimension of commitment to quality was made with the establishment of a Quality Control Program headed by our Products Manager. This program is intended to operate within all three operating divisions and involves both educational and trouble shooting aspects.

The efforts of the refinery staff to ensure quality products, enhanced efficiency and optimum operations has been ongoing since the refinery began production, and will continue throughout 1986 and future years.

Commissioned in 1982, the refinery was built to service Turbo's growing Western Canadian transportation fuel market. It is located on a 260 hectare site approximately five kilometres north of Calgary. Operations currently occupy 97 hectares with the balance of the property available for future expansion. The refinery has a rated capacity of 4770 m³/d (30,000 barrels per stream day).

The processes employed use proven design technology that allows maximum use of available feed stocks with high flexibility in the mix of finished products. In 1985, the product yields were improved over those obtained in previous years. In addition, the Refinery Linear Computer Program (LP) was operational throughout the year. This program's ability to simulate refinery operations combined with its capability to carry out thousands of variable financial calculations assisted in achieving a reduced per unit cost of production.



The Supply and Distribution Department plays a critical role in meeting the needs of the Company and the marketplace. It has the responsibility for crude oil supply, product exchanges and sale of refinery output not sold by our own marketing outlets.

Crude oil marketing was deregulated on June 1, 1985. This allowed crude oil producers to deal directly with crude oil users rather than dealing through the Alberta Petroleum Marketing Commission. This change in the crude oil marketing environment has placed added importance on this phase of the Company's operations, as the wide variations in crude pricing have a substantial dollar impact on Turbo.

The Department has had another successful year of operation. It arranged additional trades of product during 1985 which helped to reduce our overall costs of distribution, and increased total sales of refined petroleum products to large bulk consumers by 43 million litres, or 4.4%. Domestic sales of light products increased significantly by 55 million litres or 37% in Western Canada, and by 63 million litres or 60% in Ontario. These increases were partially offset, however, by a reduction of 15% or 42 million litres in export sales, and lower residual product sales. Once again the efforts of this Department have allowed us to maintain refinery output at a higher level than otherwise possible. This, added to refinery efficiency, has helped increase our overall profitability.

Management's Responsibility for the Financial Statements

9

The consolidated financial statements are the responsibility of the management of Turbo Resources Limited. They have been prepared in accordance with generally accepted accounting principals consistently applied, using management's best estimates and judgements, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other financial information contained in this annual report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying consolidated financial statements.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded and accounting systems provide timely accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, which is composed of four outside directors. The committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements.

The financial statements have been audited by Deloitte Haskins & Sells and their report is contained herein.

Auditors' Report

To the Shareholders of Turbo Resources Limited

We have examined the consolidated balance sheet of Turbo Resources Limited as at December 31, 1985 and the consolidated statements of earnings, changes in financial position, changes in share capital and changes in other shareholders' equity (deficiency) 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, 1985 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.



Chartered Accountants
Calgary, Alberta
March 7, 1986

(In thousands of Canadian dollars)

Assets	Note	December 31	
		1985	1984
Current Assets			
Cash and short-term deposits		\$ 3	\$ 1,232
Accounts receivable		44,713	32,612
Inventories	3	54,593	68,485
Other		1,386	5,062
		<u>100,695</u>	<u>107,391</u>
Property, Plant and Equipment	4	267,177	271,693
Other Assets	5	20,604	21,595
		<u>\$ 388,476</u>	<u>\$400,679</u>

Approved by the Board


Robert G. Brodie
Director

Robert McClinton
Director

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities	Note	December 31	
		1985	1984
Current Liabilities			
Bank indebtedness	2	\$ —	\$395,053
Accounts payable and accrued liabilities		37,560	22,429
Amounts due to Governments	2	—	83,303
Current portion of long-term debt	2	16,754	121,727
		54,314	622,512
Long-Term Debt	2, 6	273,882	140,511
		328,196	763,023
Commitments and Contingencies	12		
Shareholders' Equity (Capital Deficiency)			
Share Capital	2, 7		
Issued and fully paid			
Senior preferred shares		50,000	—
Common shares		318,137	82,685
Non-voting shares		38,838	—
First preferred shares		—	4,258
Second preferred shares		—	24,360
Special shares		—	1,404
Contributed Surplus	2	124,654	983
Deficit		(471,349)	(476,034)
Net shareholders' equity (net capital deficiency)		60,280	(362,344)
		\$388,476	\$400,679

Consolidated Statement of Earnings

(In thousands of Canadian dollars except per share data)

	Note	Year ended December 31	
		1985	1984
Revenue	8	\$622,110	\$588,624
Costs and Expenses			
Direct costs	8	566,035	535,106
Indirect costs including general and administrative		29,465	28,704
Depreciation and amortization		13,319	16,265
Operating Income		13,291	8,549
Other			
Loss (gain) on sale of property, plant and equipment		98	(1,779)
Equity loss	1	481	—
Loss on foreign exchange		35	6,324
		614	4,545
Net Interest Expense	6	72	89,131
Earnings (Loss) Before the Undernoted		12,605	(85,127)
Provision For (Recovery of) Income Taxes	8	4,368	(120)
Earnings (Loss) from Continuing Operations		8,237	(85,007)
Earnings (Loss) from Discontinued Operations			
Bankeno		—	1,888
Challenger		—	(21,750)
Earnings (Loss) Before Extraordinary Items		8,237	(104,869)
Extraordinary Items	9	(3,552)	34,229
Earnings (Loss) for the Year		\$ 4,685	\$ (70,640)
Earnings per share	10		
Earnings before extraordinary items			
Basic		5.2¢	
Fully Diluted		4.3¢	
Earnings for the year			
Basic		2.9¢	
Fully Diluted		2.7¢	

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Financial Position

13

(In thousands of Canadian dollars)

	Note	Year ended December 31	
		1985	1984
Working Capital Provided			
Operations			
Earnings (loss) before extraordinary item		\$ 8,237	\$(104,869)
Items not affecting working capital			
Depreciation and amortization		13,319	16,265
Equity loss		481	—
Loss (gain) on sale of assets		98	(1,779)
Other		294	3,809
Loss from discontinued operations		—	19,862
Income tax savings resulting from application of prior years' operating losses	9	4,332	—
Provided by (applied to) continuing operations		26,761	(66,712)
Proceeds from sale of assets			
Property, plant and equipment		401	781
Bankeno		—	125,000
Challenger		—	70,790
Ontario Marketing		—	7,000
Settlement offer to Bankeno warrant holders	2	3,025	—
Working capital contributed by financial reorganization	2	582,635	—
		<u>612,822</u>	<u>136,859</u>
Working Capital Applied			
Reclassification and repayment of long-term debt		32,943	44,436
Additions to property, plant and equipment		9,230	3,729
Additions to and reclassification of other assets		6,460	7,955
Costs of financial reorganization		2,659	—
Other		28	(489)
Extraordinary items		—	5,142
		<u>51,320</u>	<u>60,773</u>
Increase in Working Capital for the Year		561,502	76,086
Working Capital (Deficiency) at the Beginning of the Year		(515,121)	(591,207)
Working Capital (Deficiency) at the End of the Year		\$ 46,381	\$(515,121)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Share Capital

(In thousands of Canadian dollars)

	Note	Year ended December 31			
		1985		1984	
		Shares	Amount	Shares	Amount
Senior Preferred Shares	7				
Balance January 1		—	\$ —	—	\$ —
Issued in satisfaction of debt principal	2	500,000	50,000	—	—
Balance December 31		500,000	\$ 50,000	—	\$ —
Common Shares	7				
Balance January 1		21,667,481	\$ 82,685	21,617,773	\$ 82,647
Held by subsidiary January 1		—	—	25,581	31
Issued in satisfaction of:					
Capitalized interest	2	45,281,384	90,563	—	—
Debt principal	2	67,362,636	134,725	—	—
Conversion of First Preferred Shares	2	1,703,200	4,258	—	—
Conversion of Second Preferred Shares	2	8,526,000	24,360	—	—
Conversion of Special Shares		6,166,610	1,404	24,127	7
Converted to Non-Voting		(9,879,437)	(22,130)	—	—
Issued to Bankeno warrant holders	2	1,135,710	2,272	—	—
Held by subsidiary December 31		—	—	—	—
Balance December 31		141,963,584	\$ 318,137	21,667,481	\$ 82,685
Non-Voting Shares	7				
Balance January 1		—	\$ —	—	\$ —
Issued in satisfaction of debt principal	2	8,354,291	16,708	—	—
Issued on conversion of Common Shares		9,879,437	22,130	—	—
Balance December 31		18,233,728	\$ 38,838	—	\$ —
First Preferred Shares Series A	7				
Balance January 1		212,900	\$ 4,258	212,900	\$ 4,258
Converted to Common Shares	2	(212,900)	(4,258)	—	—
Balance December 31		—	\$ —	212,900	\$ 4,258
Second Preferred Shares 1980					
Retractable Series	7				
Balance January 1		1,218,000	\$ 24,360	1,218,000	\$ 24,360
Converted to Common Shares	2	(1,218,000)	(24,360)	—	—
Balance December 31		—	\$ —	1,218,000	\$ 24,360
Special Shares	7				
Balance January 1		5,137,722	\$ 1,404	5,161,849	\$ 1,411
Converted to Common Shares	2	(5,137,722)	(1,404)	(24,127)	(7)
Balance December 31		—	\$ —	5,137,722	\$ 1,404

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Other Shareholders' Equity (Deficiency)

15

(In thousands of Canadian dollars)

	Note	Year ended December 31	
		1985	1984
Deficit			
Balance January 1		\$(476,034)	\$(405,394)
Earnings (loss) for the year		<u>4,685</u>	<u>(70,640)</u>
Balance December 31		<u>\$(471,349)</u>	<u>\$(476,034)</u>
Contributed Surplus			
Balance January 1		\$ 983	\$ 1,001
(Loss) on Common Shares acquired by subsidiary and subsequently sold		(40)	(18)
Contributed by financial reorganization	2	<u>123,711</u>	<u>—</u>
Balance December 31		<u>\$ 124,654</u>	<u>\$ 983</u>

The accompanying notes are an integral part of the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

General

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Principles of Consolidation

The consolidated financial statements include the accounts of Turbo Resources Limited and its wholly-owned subsidiaries except for Turbo Explorations, Inc. (TEI) which has been accounted for on the equity basis because the Company intends to sell this subsidiary.

Turbo's former subsidiaries, Bankeno Mines Limited (Bankeno) and Challenger International Services Ltd. (Challenger), have been accounted for in the consolidated financial statements on the equity basis and the Company's share of their net income or loss has been reported as discontinued operations until they were sold in 1984.

Inventories

Raw materials and consumable supplies are stated at the lower of cost and replacement cost. All other inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis or on the first in, first out basis.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and depreciation is provided on both the straight-line and diminishing balance bases at rates disclosed in Note 4.

Leased Equipment

Leases which transfer substantially all of the benefits and risks of ownership of the leased assets are treated as purchases. All other leases are accounted for as operating leases.

Foreign Currency Translation

Transactions and balances denominated in foreign currencies are translated to Canadian dollars using current rates of exchange for monetary assets and liabilities, historical rates of exchange for non-monetary assets and liabilities and average rates for the year for revenues and expenses, except depreciation and amortization which are translated at the rates of exchange applicable to the related assets. Gains or losses resulting from these translation adjustments are included in the consolidated statement of earnings, except for unrealized exchange gains or losses arising on translation of long-term debt which are deferred and amortized over the remaining term of the debt.

2. FINANCIAL REORGANIZATION

During 1984, the Company disposed of Bankeno and Challenger which previously represented two of its major business segments. Bankeno was sold for \$125 million, which proceeds were applied to reduce Turbo's secured debt. Turbo recorded as an extraordinary item, a gain on sale of Bankeno of \$39.4 million. As a result of a Plan of Arrangement and other related agreements, Turbo ceased to be a shareholder of Challenger and Turbo's debt was reduced by an aggregate of \$65.5 million. No gain or loss resulted from this disposition as the investment in and advances to Challenger had previously been written down to net realizable value.

Substantially all of the Company's remaining debt (including Bank indebtedness) was restructured on July 5, 1985, when it completed its Financial Reorganization, the major components of which are detailed in Notes 6 and 7. The key elements are:

- (i) 75% of \$167.2 million of unsecured debt principal was satisfied by the issuance of 54.4 million Common Shares and 8.3 million Non-Voting Shares on the basis of one share for every \$2.00 of debt and the remaining 25% was further evidenced by the issuance of \$41.8 million of new debentures on a dollar for dollar basis.
- (ii) \$50 million of secured debt was satisfied by the issuance of Senior Preferred Shares. In addition, \$5.9 million of secured debt was satisfied by the issuance of Common Shares.

- (iii) The remaining \$175.6 million of secured debt and \$46.9 million representing the undrawn portion of the operating credit facility was further evidenced by the issuance of \$222.5 million of new debentures.
- (iv) All accrued interest to December 31, 1984 in respect of both secured and unsecured debt amounting to \$218.5 million was first capitalized and then the principal representing the accrued interest to June 30, 1983 was satisfied by the issuance of 45.3 million Common Shares on the basis of one share for every \$2.00 of debt and the principal representing the accrued interest thereafter was forgiven. Interest thereon from January 1, 1985 to the date of completion of the Financial Reorganization was forgiven.
- (v) Debt owing to the Federal Government of \$26.2 million was converted into a non-interest bearing note. Secured debt owing to the Alberta Government of \$19.4 million was converted into a non-interest bearing secured note and its unsecured debt of \$26.8 million was satisfied by the issue of 10.1 million Common Shares and \$6.6 million of new debentures.
- (vi) The First Preferred, Second Preferred and Special Shares were converted into 1.7, 8.5 and 6.2 million Common Shares respectively.
- (vii) No interest will accrue on new debentures until the earlier of January 1, 1988, or January 1 of the first fiscal year for which Turbo meets certain interest coverage tests, except for interest on the new debentures issued to the Eurodebentureholders which accrue interest at 8% per annum from January 1, 1985.
- (viii) Turbo's operating cash flow until 1988, subject to applicable interest coverage tests, will be applied to reduction of debt represented by new debentures and Government Notes. Thereafter the remaining debt will be repaid in twenty-eight (28) equal quarterly installments of principal and interest at 12% per annum except for the new debentures issued to the Eurodebentureholders, which are payable in full at maturity on January 1, 1995.

The consolidated financial statements reflect the implementation of the Financial Reorganization as follows:

- (i) Common and Non-Voting Shares issued in satisfaction of debt and accrued interest are recorded at \$2.00 per share.
- (ii) Common Shares issued on conversion of First Preferred, Second Preferred and Special Shares are recorded at the respective amounts of stated capital for each class.
- (iii) The liability representing capitalized interest accrued from July 1, 1983 to December 31, 1984 which was forgiven less the foreign exchange on conversion of certain debt was credited to contributed surplus.
- (iv) There is no interest recorded on restructured debt for the period from January 1, 1985 to July 5, 1985, as this interest was forgiven.
- (v) The increase in working capital resulting from the reorganization of \$582.6 million has been reflected in the consolidated statement of changes in financial position.
- (vi) Costs of the Financial Reorganization of \$2.6 million were charged to contributed surplus.

In the process of acquiring Merland Explorations Limited (Merland), Bankeno, a former subsidiary company, issued share purchase warrants which expire March 17, 1986. These warrants allow the holder to acquire one common share of Bankeno for \$9.00, or required Turbo to purchase the warrants for \$3.50 per warrant during a thirty day period commencing March 17, 1983. In a letter to warrant holders at that time, Turbo indicated that it would not be in a position to meet this cash obligation. On September 25, 1985, the Company made an offer to the Canadian resident warrant holders to purchase their warrants for a consideration of 1.3125 Common Shares and \$0.875 principal amount of Series II B Debentures of Turbo for each warrant. On November 28, 1985 the Company made an offer to the United States resident warrant holders for a cash consideration per warrant, equal to the proceeds from the sale of the Common Shares and Debentures which would have been allocable to them under the previous offer to Canadian resident warrant holders. As a result of the offers, 1.1 million Common Shares and \$0.7 million of Series II B Debentures were issued and the provision for the impact of the offers recorded as an extraordinary item in 1984 and included in accrued liabilities, was reduced accordingly.

3. INVENTORIES

	<u>1985</u>	<u>1984</u>
For Resale		
Raw materials	\$21,456	\$12,716
Finished petroleum products	28,970	47,941
Land and buildings	-	4,444
	<u>50,426</u>	<u>65,101</u>
Consumable Supplies		
Refinery	4,063	3,323
Other	104	61
	<u>4,167</u>	<u>3,384</u>
	<u>\$54,593</u>	<u>\$68,485</u>

4. PROPERTY, PLANT AND EQUIPMENT

	<u>1985</u>	<u>1984</u>	Depreciation Rates
Refinery	\$267,157	\$266,409	5%
Marketing and transportation equipment	16,938	13,472	3 - 30%
Buildings and leasehold improvements	15,105	12,685	2½ - 20%
Land	8,120	7,481	-
Computer equipment	6,623	7,086	18 - 30%
Other equipment	5,644	5,108	10 - 20%
	<u>319,587</u>	<u>312,241</u>	
Less accumulated depreciation	<u>(52,410)</u>	<u>(40,548)</u>	
Net property, plant and equipment	<u>\$267,177</u>	<u>\$271,693</u>	

5. OTHER ASSETS

	<u>1985</u>	<u>1984</u>
Notes receivable and agreements for sale	\$ 7,544	\$ 2,248
Land and buildings for resale	4,354	11,628
Investment in and advances to TEI	2,389	3,000
Deposits	1,385	2,063
Licences	1,265	1,341
Deferred foreign exchange loss	1,264	-
Loans to directors, officers and employees	246	319
Other	2,157	996
	<u>\$20,604</u>	<u>\$21,595</u>

Land, buildings and deposits with a carrying value of \$3.5 million have been placed in a trust fund to secure the indemnity provided in the Company's articles of association for liabilities imposed by statute or otherwise on directors and officers.

6. LONG-TERM DEBT

	<u>1985</u>	<u>1984</u>
Debentures		
Series I – Special (including U.S. \$9.0 million)	\$ 87,876	\$ —
– Other (including U.S. \$6.9 million)	64,132	—
– Existing Operating	45,705	—
Series II A (including U.S. \$12.2 million)	36,044	—
Series II B	7,179	—
Series III (U.S. \$5.3 million), bearing interest at 8% payable annually, maturing January 1, 1995 and convertible as to 25% of principal until July 5, 1990 and 100% thereafter into Common Shares at U.S. \$1.20 per share.	7,337	—
Amounts due to Governments		
EMR Note (Federal), non-interest bearing, unsecured and repayable by application of 18.8% of Turbo's Operating Cash Flow, on an annual basis, subject to penalties calculated at a rate of 12% per annum in the event minimum annual repayments are not made.	22,978	—
Secured Note (Alberta), non-interest bearing, secured by a first fixed charge on certain real property located in Alberta, and repayable by application of 14.5% of Turbo's Operating Cash Flow, on an annual basis, reduced by proceeds from the sale of such pledged assets.	16,141	—
Bank Loans		
Refinery loan (including U.S. \$10 million)	—	150,000
Acquisition loan	—	7,856
U.S. \$37.1 million	—	49,048
Floating rate notes	—	25,000
U.S. \$21 million 12½% partially convertible debentures	—	25,885
Other, secured	3,244	4,449
Total long-term debt	<u>290,636</u>	<u>262,238</u>
Less – amounts in arrears	—	74,137
– amounts due in one year	16,754	47,590
Net long-term debt	<u>\$273,882</u>	<u>\$140,511</u>

Minimum principal repayments are as follows:

1986	\$ 16,754
1987	\$ 23,997
1988	\$ 49,684
1989	\$ 36,741
1990	\$ 25,023
Thereafter	\$138,437

Principal repayments due in the next five years and thereafter are determined based on the minimum repayment provisions contained in the Trust Indenture under which the Debentures were issued and in the Government Notes.

Terms and Conditions of Debentures

Repayments

Prior to January 1, 1988, repayments of principal of Series I and II Debentures will be made annually in arrears from Operating Cash Flow after payments on the Government Notes and, subject to

applicable interest coverage tests, interest on Series I and II Debentures and dividends on Senior Preferred Shares. Operating Cash Flow is defined in the Trust Indenture as working capital from operations, before interest on Series I and II Debentures or dividends, if any, and after approved capital expenditures.

The outstanding principal of the Series I and II Debentures as at December 31, 1987 will be amortized over a seven year period based on equal quarterly blended installments of principal together with interest at 12% per annum, with the first payment due April 30, 1988.

The Trust Indenture also provides that all redemptions of Debentures must be applied on a pro rata basis to all Debentures.

Operating Credit Facility

The maximum principal amount of the Operating Credit Facility available, represented by Series I Debentures – Existing Operating was \$60.2 million at December 31, 1985, at which time \$45.7 million had been drawn. The amount available is subject to customary inventory and accounts receivable margin criteria and will reduce as repayments of principal of these Debentures are made as described above.

Interest

The terms of the Series I and II Debentures and Senior Preferred Shares were structured in order to provide Turbo with an interest-free period until January 1, 1988, unless Turbo becomes financially able to pay interest and dividends before that date according to the following financial tests.

- (i) Interest on Series I and II Debentures (excluding Series I Debentures – Special) would be payable for any year in which the ratio of Operating Cash Flow (less payments on the Government Notes) to interest payable on Series I and II Debentures (other than Series I Debentures – Special) exceeds 1.25:1;
- (ii) Interest on Series I Debentures – Special would be payable for any year in which the ratio of Operating Cash Flow (less payments on the Government notes) to the sum of (1) interest payable on the Series I and II Debentures, (2) dividends accrued on the Senior Preferred Shares and (3) any accumulated net penalty incurred with respect to the EMR Note, exceeds 1:25:1.

Any interest on Series I and II Debentures payable prior to January 1, 1988 by virtue of these tests being met will be calculated at Canadian Imperial Bank of Commerce (CIBC) prime plus one-half percent, with a maximum rate of 12% and a minimum rate of 9% per annum.

No interest is payable on Series I and II Debentures for 1985.

Security

Series I Debentures are secured by first fixed and floating charges to a maximum of \$215 million on refinery assets, general assignments of book debts, assignment of inventories to a maximum of \$90 million, a \$17 million floating charge on all assets of Turbo and inter-corporate guarantees.

In addition, all Series I, II and III Debentures are secured by a \$50 million floating charge on all assets of Turbo granted under the Trust Indenture, subordinate only to the security described above and the security held by the Alberta Government.

Covenants

The Trust Indenture contains various positive and restrictive covenants. In addition to other customary covenants, these include covenants restricting the granting of security, the payment of dividends, the redemption or return of capital, the giving of guarantees, the incurrence of debt and the transfer of business to an affiliate and covenants which provide that:

- (i) Turbo will not permit its working capital to be negative for any two consecutive fiscal quarters prior to December 31, 1987 or to be less than 10% of its consolidated current assets for any two consecutive fiscal quarters thereafter, and
- (ii) Turbo will generate Operating Cash Flow for 1986 and 1987 in accordance with a forecast mutually acceptable to Turbo and CIBC; provided that, upon a failure to agree upon a forecast, annual capital expenditures and Operating Cash Flow (after payments under the Government Notes) will equal or exceed stated amounts contained in the provisions of the Trust Indenture.

Agreement has been reached with CIBC as to the maximum amount of approved capital expenditures and the minimum Operating Cash Flow to be generated in 1986, which amounts, together with the stated amounts with respect to 1987, have been used in the calculation of principal repayments disclosed above.

7. SHARE CAPITAL

Authorized

At December 31, 1984, the authorized share capital was:

- 15,000,000 special voting shares without nominal or par value, convertible share for share into common shares.
- 150,000,000 common voting shares without nominal or par value, carrying a per share dividend 1.2 times greater than that paid on special shares.
- 1,000,000 first preferred shares, issuable in series with a par value of \$20 each.
- 10,000,000 second preferred shares, issuable in series with a par value of \$20 each.
- 25,000,000 junior preferred shares with a par value of \$20 each.

As a result of the Plan of Arrangement between the Company and its shareholders dated March 26, 1985, becoming effective on July 5, 1985, the authorized capital was altered by cancelling all of the authorized and unissued Special Shares, First, Second and Junior Preferred Shares and the authorized capital of the Company in respect of each of those classes of shares was diminished by the aggregate amount of the shares so cancelled. The authorized capital was further altered by:

- (i) Increasing the number of Common Shares to 500,000,000 by the creation of an additional 350,000,000 Common Shares;
- (ii) The creation of 500,000,000 shares designated as Non-Voting Shares; and
- (iii) The creation of 500,000 shares designated as Senior Preferred Shares.

In addition, the share capital of the Company was reorganized by the conversion of all of the issued and outstanding Special Shares, First Preferred Shares and Second Preferred Shares of the Company into Common Shares of the Company as follows:

- (i) Each First Preferred Share was converted into 8 Common Shares;
- (ii) Each Second Preferred Share was converted into 7 Common Shares;
- (iii) Each Special Share was converted into 1.2 Common Shares.

At December 31, 1985 the authorized share capital was:

- 500,000,000 Common Shares without nominal or par value, convertible on a one-for-one basis to Non-Voting Shares. The Common Shares are entitled to dividends, as and when declared, and to any distribution of assets rateably with the Non-Voting Shares.
- 500,000,000 Non-Voting Shares, without nominal or par value, convertible on a one-for-one basis to Common Shares only at the request of a transferee who is not an affiliate of the transferor.
- 500,000 Senior Preferred Shares with a nominal or par value of \$100 each and with a fixed cumulative preferential dividend at a rate of 8% per annum, accruing from the earlier of January 1, 1988 and January 1 of the first fiscal year in respect of which interest becomes payable on the Series I Debentures – Special (Note 6). The Company has the right to redeem, at any time, all or any part of these shares at \$100 per share plus all accrued and unpaid dividends. These shares are convertible into fully paid and non-assessable Common Shares on the basis of 66-2/3 Common Shares for each Senior Preferred Share at any time prior to January 1, 1995.

Reserved for Issue

Sufficient Common and Non-Voting Shares have been reserved to provide for conversion of each such shares into the other. In addition, the following Common Shares have been reserved for:

Conversion of Senior Preferred Shares	33,333,334
Conversion of Series III Debentures (Note 6)	4,375,000
Exercise of stock options	4,497,000
	<u>42,205,334</u>

Stock Options

On July 5, 1985 the shareholders approved the Employee Incentive Stock Option Plan (1985). All options outstanding under previous plans were voluntarily cancelled in 1984. Options may be granted under the Plan on Common Shares to a maximum of 10% of the issued and outstanding Common and Non-Voting Shares at the time of granting options. At December 31, 1985 there were options outstanding in respect of 4,497,000 Common Shares which are exercisable, as to 20% thereof per annum, on a cumulative basis at 48¢ per share, expiring in 1990.

8. TAXATION

Income Taxes

Income taxes recorded in the statement of earnings differ from the amounts that would be obtained by applying the statutory income tax rate of 47.9% to the earnings before income taxes, as follows:

	<u>1985</u>
Provision for income taxes based on the statutory rate	\$ 6,038
(Decrease) increase in provision for income taxes resulting from:	
Manufacturing and processing allowance	(1,050)
Inventory allowance	(871)
Other	251
	<u>\$ 4,368</u>

In 1984, the Company did not record a recovery of income taxes related to its loss for the year, except to the extent of deferred income taxes previously recorded of \$120,000, because virtual certainty of utilization of the 1984 loss for income tax purposes did not exist.

As at December 31, 1985 the consolidated group had non-capital losses carried forward of \$92,761,000 and net capital losses carried forward of \$80,020,000 for income tax purposes. The non-capital losses may be utilized to reduce future years' taxable income and expire as follows:

1986	\$ 244
1987	489
1990	114
1991	91,914
	<u>\$92,761</u>

The net capital losses may be carried forward indefinitely and deducted against taxable capital gains. In addition, the undepreciated capital cost and unclaimed Canadian Exploration and Development Expenditures at December 31, 1985 exceed the related net book values by \$76,100,000.

The potential future reduction of income taxes payable which could result from these amounts has not been recognized in these consolidated financial statements. The Company believes, subject to final determination, that the Financial Reorganization (Note 2) does not affect the ability of the Company to utilize either its loss carry forwards or any portion of the undepreciated capital cost of its depreciable assets.

Other Taxes

The following taxes collected and remitted to taxing authorities are included in both revenue and direct costs:

	<u>1985</u>	<u>1984</u>
Federal Sales and Excise Taxes	\$46,670	\$36,514
Provincial Motor Fuel and Oil Taxes	12,033	19,893
Export Taxes	2,057	9,282
	<u>\$60,760</u>	<u>\$65,689</u>

9. EXTRAORDINARY ITEMS

	<u>1985</u>	<u>1984</u>
Write-down of real estate assets	\$(7,884)	\$ —
Income tax savings resulting from application of prior years' operating losses	4,332	—
Provision for offers to Bankeno warrant holders (Note 2)	—	(5,142)
Gain on sale of Bankeno (Note 2)	—	39,371
	<u>\$(3,552)</u>	<u>\$ 34,229</u>

The 1985 write-down of certain of the remaining real estate assets results from the continued decline in their net realizable value from the values determined in 1982 when the decision was made to sell the real estate development assets.

10. EARNINGS PER SHARE

Basic earnings per share for the year has been calculated using the monthly weighted average number of Common and Non-Voting Shares outstanding during the year, assuming that all the Common and Non-Voting Shares issued pursuant to the Financial Reorganization had been issued January 1, 1985. The Common and Non-Voting Shares participate equally in the earnings of the Company.

Fully diluted earnings per share have been calculated assuming the conversion of all Series III Debentures and Senior Preferred Shares at the beginning of the year and the exercise of all stock options at the date of their issue. Earnings have been adjusted for the impact of such assumptions.

Prior year figures for earnings per share have not been presented as comparison would not be meaningful.

11. LEASE OBLIGATIONS

The Company has operating lease obligations for marketing outlets, equipment, and office space expiring from 1986 to 1995. Minimum annual rental payments are:

1986	\$3,913
1987	\$3,224
1988	\$2,622
1989	\$2,443
1990	\$2,150
Thereafter	\$6,167

12. COMMITMENTS AND CONTINGENCIES

The Company is a defendant, along with several other defendants, in an action by certain of Bankeno's minority shareholders for an order of the court that the transactions, whereby Bankeno acquired shares of Merland held by the Company and other assets of the Company in return for shares and warrants of Bankeno, be set aside, and that the issue of these Bankeno shares and warrants be cancelled. The Company has filed a statement of defence.

The same minority shareholders of Bankeno have also brought action against North Canadian Oils Limited who purchased the Company's Bankeno shares and warrants in 1984. They claim for an Order cancelling the issue of any Bankeno shares issued to North Canadian Oils Limited for shares issued by Bankeno to the Company, and damages in the sum of \$5,000,000. These plaintiffs are seeking to consolidate this action against North Canadian Oils Limited with the action described in the first paragraph and to amend the Statement of Claim in the consolidated action (inter alia) to claim damages in the same sum of \$5,000,000 against each of the defendants, including the Company, for conversion.

The outcome of this litigation cannot be predicted at this time.

In 1981, Turbo entered into an agreement to buy certain property for \$9.8 million payable \$1.0 million on closing, \$1.0 million in January 1982, \$7.0 million in January 1983 and the balance in January 1984. The payments due on closing and January 1982 totalling \$2.0 million were made, however Turbo was unable to make the payments due January 1983 and 1984 totalling \$7.8 million as a result of the severe financial problems of the Company at that time. The Company agreed to quit claim the property back to the vendor in February 1983. The vendor now has informed the Company that it intends to claim unspecified damages for alleged losses as a result of Turbo failing to complete the agreement. The outcome of any potential claim cannot be determined at this time.

At December 31, 1985 the Company had outstanding letters of credit and guarantees totalling \$2,116,000 (1984 - \$5,894,000).

13. REMUNERATION OF DIRECTORS AND OFFICERS

Remuneration of directors and officers as defined by the Companies Act, Alberta was:

	<u>1985</u>	<u>1984</u>
Directors' Fees	\$ 116	\$101
Officers	920	753
	<u>\$ 1,036</u>	<u>\$854</u>

At December 31, 1985, the Company had nine directors and seven officers, two of whom were serving in both capacities. During the year, the Company had 13 directors and nine officers, five of whom

served in both capacities. In 1984, the Company had 12 directors and eight officers, five of whom served in both capacities during the year.

No amounts were paid to directors and officers by non-consolidated subsidiaries during 1985 (1984 - \$188,000).

14. RELATED PARTY TRANSACTIONS

At December 31, 1985, CIBC beneficially owned 48.6% of the Common Shares and 100% of the Non-Voting and Senior Preferred Shares of the Company. CIBC also beneficially owned 100% of the Series I and 57% of the Series II A Debentures of the Company at December 31, 1985. Other than as disclosed in Notes 2, 6 and 7, there have been no transactions between the Company and CIBC not in the ordinary course of business nor in accordance with the provisions of the Trust Indenture.

15. SEGMENT INFORMATION

The Company's only significant business segment is the refining and marketing of petroleum products. Export sales of petroleum products to the United States of America amounted to \$74,541,043 (1984 - \$72,393,000).

16. COMPARATIVE FIGURES

Certain of the 1984 figures provided for comparison have been reclassified to conform to the classifications used in 1985.

Corporate Information

Board of Directors

Robert G. Brodie Vancouver, B.C.	Chairman of the Board, President and Chief Executive Officer, Turbo Resources Limited
Yvonne T. Brunet Red Deer, Alberta	President & General Manager, Vonco Oilfield Supply Ltd.,
J. Frank Johansen Lethbridge, Alberta	President, Sturdie Oils Limited
Garth C. Kennedy Regina, Saskatchewan	Chairman of the Board, President and Chief Executive Officer, Army & Navy Department Stores Limited
Robert McClinton Calgary, Alberta	Vice-President Finance and Chief Financial Officer, Turbo Resources Limited
Ian R. Mills Toronto, Ontario	Vice-President of Finance, Campbell Resources Inc.
John A. Myers Toronto, Ontario	Senior Vice-President, Canadian Imperial Bank of Commerce
Valerie A. A. Nielsen Calgary, Alberta	Professional Geophysicist
Vance Kenneth Travis Calgary, Alberta	Chairman of the Board, Triad Engineering Services Limited

Corporate Officers

Robert G. Brodie	Chairman of the Board, President and Chief Executive Officer
Paul A. Core	Vice-President, Refining
David L. James	Secretary-Treasurer
Robert McClinton	Vice-President Finance, Chief Financial Officer
Robert G. McDonald	Controller
Bruce P. R. Millar	Vice-President, Marketing
J. Gerald Sioui	Vice-President, Supply and Distribution

A copy of the Company's Form 20F for the year ended December 31, 1985, to be filed with the United States Securities and Exchange Commission by June 30, 1986, may be obtained without charge by writing to the Secretary-Treasurer, Turbo Resources Limited, 815 - 8th Avenue S.W., Calgary, Alberta, Canada, T2P 3P2.

Turbo Resources Limited

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Calgary, Alberta

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