TURBO RESOURCES LIMITED

1979 ANNUAL REPORT

Gerald Brawn, father of Robert G. Brawn the President and Chief Executive Officer of Turbo Resources Limited, passed away September 29, 1979 at the age of 74 years. Gerald had been employed by the Calgary Herald from 1927 to his retirement in 1970. Beginning as a reporter, he was promoted to news editor, to assistant editor and then to manager of public relations and promotions.

He served as a director of Turbo Resources Limited during its formative first three years (1970, 1971 and 1972) and remained an active contributor to the company's success right up to the time of his death. Gerald served as an assistant to the president, editor of the company's employee newsletter, and assisted in the public relations function.

Contents

Corporate Officers

Roy H. Allen, B.Sc.
Senior Vice President Resource Services

Robert G. Brawn, P.Eng.
President & Chief Executive Officer

Frank W. King, P.Eng.
Senior Vice President Manufacturing

Ronald M. Maxwell, C.A.
Senior Vice President Finance and Administration

Ian R. Mills, F.C.A. (U.K.)
Controller

John F. Moore, B.A., Q.C.
Secretary

Derek J. Moran, A.C.A. (Ireland)
Treasurer

Vance Kenneth Travis
Chairman of the Board

Frederick A. Youck
Assistant Secretary

Corporate and Head Office

1019 - 7th Avenue, S.W.
Calgary, Alberta T2P 1A8

Bankers

Canadian Imperial Bank of Commerce
Main Branch, Calgary, Alberta

Royal Bank of Canada
Main Branch, Calgary, Alberta

Auditors

Deloitte Haskins + Sells
Calgary, Alberta

Counsel

Moore Martin
Calgary, Alberta

Transfer Agents and Registrars

The Canada Trust Company

Calgary, Alberta	Toronto, Ontario
Montreal, Quebec	Winnipeg, Manitoba

"We Work With Energy"

Highlights

FINANCIAL

	1979 ($000)	1978 ($000)	% Change
Total Revenue	**$242,072**	$148,286	+63
Net Income	**$ 8,853**	$ 5,291	+67
Capital Expenditures	**$ 48,892**	$ 31,297	+56
Total Assets	**$167,149**	$122,062	+37
Long Term Debt	**$ 42,455**	$ 43,499	− 2
Shareholders' Equity	**$ 48,494**	$ 25,914	+87
Cash Flow from Operations	**$ 23,183**	$ 14,249	+63
PER SHARE (Undiluted)			
Earnings per Common B	**$1.53**	$1.06	+43
Earnings per Special A	**$1.27**	$0.89	+43
Cash Flow (Common B + Special A)	**$3.99**	$2.99	+33

Profile

Turbo Resources Limited is an integrated resource company which operates internationally. Headquartered in Calgary, Alberta, Canada, its shares are listed on the Alberta, Montreal and Toronto Stock Exchanges.

Principal businesses in which Turbo is involved include:

- oil and gas well drilling
- mineral and construction drilling
- gasoline and lubricant sales
- oil and gas exploration and production
- oil and gas well servicing
- oilfield and industrial equipment rentals and sales.
- used lubricating oil recycling
- specialty oils, chemicals and automotive products manufacture and sales.

Through controlled affiliates Turbo also has mining interests in gold and other base metals.

Ten Years of Continuous Achievement

1970
- Management acquired controlling interest in Leduc Calmar Oil Company Limited (inactive public company listed on Calgary Stock Exchange).
- Leduc Calmar Oil Company Limited name changed to Liberty Resources Limited and shares reorganized.
- Acquired C. C. Snowdon Ltd. (chemicals and cleaning compounds manufacturing).
- Acquired Turbo Oil Ltd. (lubricant manufacturing and waste oil recycling) and subsidiaries, Stop-N-Save Petroleums Ltd., Pay-N-Save Petroleums Ltd. (gasoline stations in Alberta and Saskatchewan).

1971
- Acquired Parkland Oil Products Ltd. (gasoline stations and bulk plants in central Alberta) and subsidiary Freeway Transport Ltd.
- Liberty name changed to Turbo Resources Limited.
- Acquired businesses of Peerless Industrial Chemicals Ltd., and Velvet Oil Ltd. (automotive chemicals manufacturing).

1972
- Acquired Bruinsma Bros. Holdings Ltd. (gasoline stations in Southern Alberta).
- Acquired controlling interest in Twin Richfield Oils Ltd. (public oil and gas exploration company) which held controlling interest in Golden Spike Western Petroleums Limited.
- Turbo shares listed on Toronto Stock Exchange.

1973
- Golden Spike name changed to Oilex Industries Ltd. (public company with field seismic and drilling records operations) and operated as a separate entity.
- Acquired Twin Oils Ltd. (private company owned by Golden Spike)

1974
- First full year of concentration on oil and gas exploration and major land purchases.
- Developed new process for recycling waste oils which increases efficiency and reduces processing costs.
- Turbo declared first semi-annual dividend on common shares.

1975
- Pioneered the TBR Gas & Oil Production Fund (Sale of producing oil and gas properties through limited partnership).
- Initiated pilot plant development to evaluate new recycling method and develop best commercial plant design.
- Expanded gasoline marketing into Manitoba.

1976
- Acquired British American Chemical Company Limited and subsidiaries (automotive, marine and specialty chemical manufacturing).
- Formed Northwest Sand & Gravel Ltd. to develop owned gravel properties in Alberta.
- Leaside Resources, Inc. formed for oil and gas activity in Texas, Turbo's first U.S. joint venture.

1977
- Acquired effective control in Upper Canada Resources Limited (public oil and gas well and mineral drilling and well servicing company with public affiliates).
- Acquired Petroleum Marketers (Red Ram) Ltd. (custom blending of lubricants and greases).
- completed underwriting and sale of $5 million Series A Preferred Shares.
- Formed Turbo Resources, Inc. for U.S. exploration and production activities.

1978
- Acquired business and equipment of Linwo (Western) Ltd. (automotive chemicals and plastic bottle manufacturing).
- Acquired Winnipeg plant and equipment of Burmah-Castrol Canada Ltd. (lubricating oil blending and packaging).
- Upper Canada name changed to Challenger International Services Ltd., shares restructured, became Turbo subsidiary.
- Acquired Bishop Machinery & Supply Co. Ltd., (sales and service of franchised industrial equipment).
- Acquired Pine Well Servicing Company (1977) Ltd., (oil and gas well servicing).
- Purchased all Canadian oil and gas properties of Mapco Inc.
- Turbo common shares reorganized.

1979
- Acquired 100% of common equity shares in Challenger International Services Ltd.
- Completed underwriting and sale of $15 million Second Preferred 1979 Series Shares.
- Turbo Common B shareholders granted voting rights.

Chairman's Message

This year marks the conclusion of a full decade of business for Turbo Resources Limited, a decade that is best described by the words: 'Ten Years of Continuous Achievement'.

Turbo's successes during the past 10 years have been achieved despite a general business climate marked by rising inflation, dropping productivity, economic and political uncertainties. They have been achieved in part by the dedication of employees who see in Turbo's success an indication of their own success. As a result, they become involved with their jobs and their productivity remains high.

Because we live in a free society, people have the option to work where they can receive recognition for their efforts and satisfaction from the job they do. Job satisfaction comes not just from money earned. It comes from a sense of involvement and from knowing what part one's work plays in achieving company objectives.

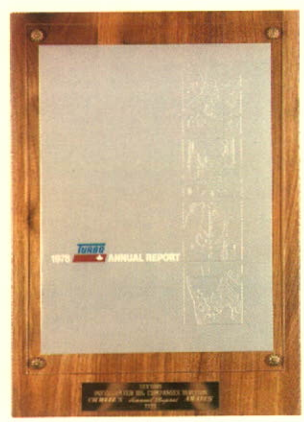
At Turbo, we encourage employee initiative and involvement throughout the total organization. Our core strength lies in the system we have developed which gives a profit centre management team the autonomy to manage and to participate in beneficial business opportunities. Where others may build bureaucracies, we continue to support decision makers.

We also believe in a two-way flow of communication to promote understanding by the public, our shareholders, management and employees alike.

To help in the promotion of the public's understanding of the resource industry, the company is represented on the Boards of Governors of numerous organizations including the Independent Petroleum Association of Canada, Prairie Petroleum Association, Calgary Olympic Development Association, Canadian Association of Oilwell Drilling Contractors, Calgary Chamber of Commerce, Private Energy Research Trust, and the Petroleum Resources Communication Foundation.

At the company level, we endeavour to keep our employees and shareholders informed of company developments, plans and objectives. An informative newsletter is published every six weeks and distributed to all employees. News releases to the business press, interim reports and the annual report combine to provide information for shareholders and employees alike. In fact, Turbo's 1978 Annual Report was judged in Oilweek's Annual Report Awards program as one of the best reports published by an integrated petroleum company. Oilweek magazine is the leading Canadian weekly publication serving the Canadian petroleum industry.

We have been fortunate during our first decade to have as members of the Board of Directors and as employees, individuals who have been achievement oriented. In recognition of the high calibre of productive personnel we have, we are planning a change in the company's benefits package. This also will assist us to maintain a competitive edge in keeping and recruiting employees of outstanding quality.



Annual Report Award

Another positive change that has been made is the restructuring of the Board of Directors to provide direct representation for the holders of Common B shares, the company's major trading shares. The special General Meeting of Shareholders held October 19, 1979 granted Common B shareholders the right to vote on all matters, and the additional sole right to elect approximately 25% of the Board's membership. It will be recommended at the Annual Meeting that the two directors elected under this provision be the chief financial officer from within the company, and the chairman of the audit committee who, traditionally, is a director from outside the company.

Turbo's first decade has been one of growth in which we have achieved initial successes in the pursuit of our aspiration to make Turbo Resources Limited a fully integrated, independent, successful Canadian based resource company. The Board of Directors has aspired to this goal since our beginning in 1970 as a small Alberta public company and the positive actions taken to attain this objective can be seen in the historical summary on page 2 and in the 10 year summary on page 46. As we begin Turbo's second decade, we will continue to pursue this aspiration with confidence and determination.

Vance Kenneth Travis
Chairman of the Board

President's Report

When 1979 began, management looked upon the year as possibly one for consolidation following the heavy acquisition and expansion year of 1978. Certain of our operations were consolidated, new systems and management controls were instituted and the company designed plans for the 1980's to ensure the expansion of Turbo Resources into a much larger integrated resource company.

Some subsidiary companies were wound up into parent companies to reduce the number of corporate identities and effect savings in future administrative overhead, and our various companies registered in the United States were consolidated under Turbo Resources, Inc., a subsidiary of our Dutch holding company, Challenger International B.V.

The company's steps towards consolidation in no way hindered growth. Our total revenue increased 63% over 1978 to $242 million, our net income rose by 67% to $8.9 million and cash flow from operations increased 63% to $23 million. Part of these increases is attributed to the fact that 1979 was the first year in which a full year's operations has been included for the Resource Services Group. In addition to this, all Groups have recorded growth of record proportions and we achieved a return on common shareholders' equity in excess of 35%.

We were successful in selling $15 million of second preferred convertible shares in November of 1979 despite the interest rate spiral and stock slump. The price for conversion to Turbo B shares was set above the all-time high reached by the B shares at that time. The issue was well accepted by investors and sold quickly.

Turbo during the past few years has designed and implemented imaginative forms of share capital. In May, 1978, shareholders approved splitting the common shares equally into Class A voting and Class B non-voting with the B shares having a 20% dividend preference over the A shares.

It was felt that the shareholders of Class B stock could and should have a voice in the company. In October, 1979 Class B shares were made voting shares and given the right to elect Directors as a class, and Class A shares were given multiple voting rights. The dividend preference for Class B shares was retained.

In a further move to complete the long range capital reorganization, shareholders will be asked at the Annual Meeting on May 13, 1980 to redesignate the Class B shares as Common and the Class A shares as Special. Approval of these designations should further strengthen the identities of Turbo's two voting shares. All rights and conditions pertaining to the shares will remain unchanged.

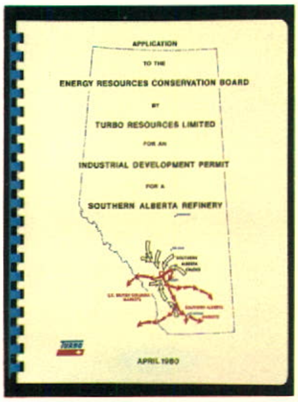
On January 17, 1980, the company's Common B shares commenced trading on the Montreal Stock Exchange to complement existing listings on the Alberta and Toronto Stock Exchanges. The Province of Quebec now has the third largest number of Common B shareholders next to Alberta and Ontario.

Steps are being taken to register the Common B shares with the Securities and Exchange Commission of the United States in Washington, D.C. This will open the United States market for Turbo shareholders and prepare us for obtaining a listing on an Exchange in that country. It also will make it possible for Turbo to pursue worthwhile acquisitions in the U.S. through the use of common shares.

The company continues to maximize its cash flow by proper tax planning and by reinvesting it and borrowed capital in new capital assets. This has been a phenomenon of the Canadian independent petroleum industry. Such moves have enabled the industry to carry out more extensive exploration programs than otherwise possible, leading to the discovery of large reserves of gas in Western Canada.

Activity within the petroleum industry in Canada should remain high and it is hoped that governmental squabbles will not result in indecisive policies which could cause the industry to cut back. We have always believed in a balanced development of Turbo's activities so that effects of any slowdowns in one segment of the industry or country would not materially affect the whole company.

We have succeeded in developing a broad base of operations during the past decade by expansion and judicious acquisitions. When we began in 1970, for example, our gasoline marketing operations accounted for 86% of revenue. In 1977, it still accounted for 84%, but by 1979, because of the company's diversification program, Marketing's record high revenue accounted for only 46% of the company's revenue. Our Resource Services Group, brought into the company in 1978, now accounts for 43%. Through diversification the number of operating groups has increased from two to five. These groups are shown in the accompanying chart, and each has a section of this report for a review of its 1979 activities.



Another diversification we have planned is our entry into crude oil refining. Western Canada is enjoying unprecedented growth which has resulted in refined hydrocarbons being in short supply. Although we have an assured supply from our major supplier under a contract which runs to 1984, we have enjoyed greater growth than had been anticipated when we entered the contract in 1977. The building of our own refinery facility will assist us to continue the growth we have registered during the last few years. We have applied to regulatory bodies for authorization to build a 30,000 barrels per day crude oil refinery in the Calgary area. Because we can make use of Southern Alberta crude, we have been assured of the necessary feedstocks, and engineering and construction plans are underway to enable us to place the refinery in operation as early as 1982.

The achievement of our company's goals for the 1980's will only be possible if our operating groups have an adequate administrative system to back them up. To this end we have begun installing a new computer system which will be available to our managers throughout the company. This system will be based on distributed computers located in Calgary, Edmonton, Vancouver, Saskatoon, Toronto, Denver and Houston connected by satellite or telephone. When completed in late 1980, it will have the capability of making our profit centre decision makers the most well-informed and fastest reacting in the industry. It will have the capacity to handle the company's needs for the next decade.

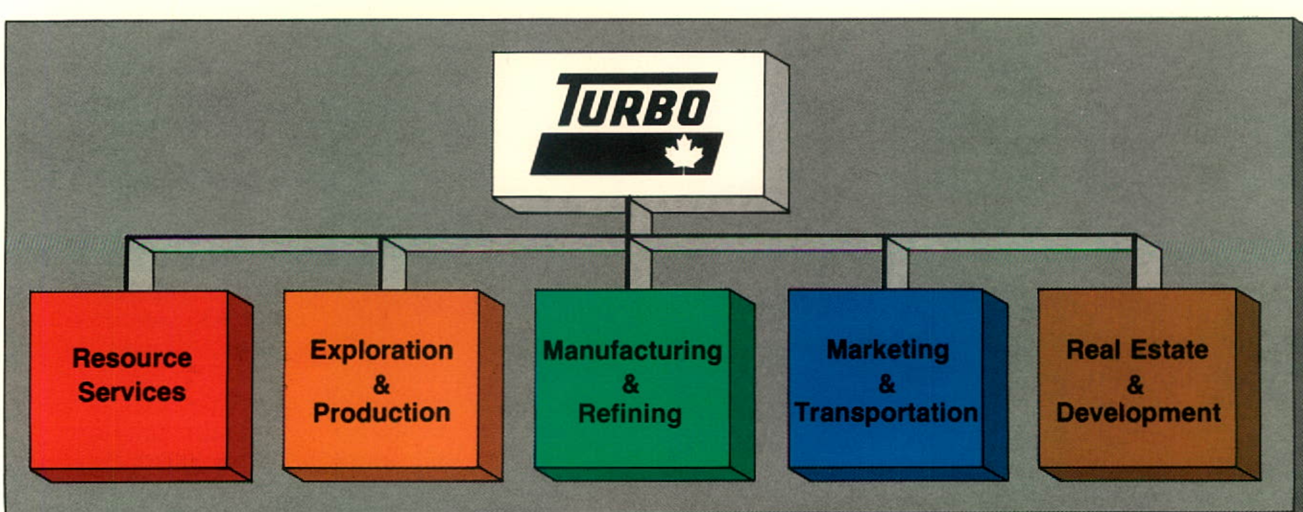
In preparation for the 80's, the company has completed its conversion to the metric system of measurement. However, we have used the Imperial system throughout this annual report. It will be the last one in which we do so. We have provided metric equivalents applicable to each operating Group in its respective section.

We enter our new decade of business with considerable expectation. Turbo has established a firm base in Canada for all its operations. It has expanded its base for operations in the United States and has extended its activities into 10 other countries around the world. We anticipate that this year, 1980, will set the tone for our new decade with a continuation of the growth pattern Turbo has achieved consistently since 1970. It has become a company objective to reach a billion dollars in revenue by 1985.

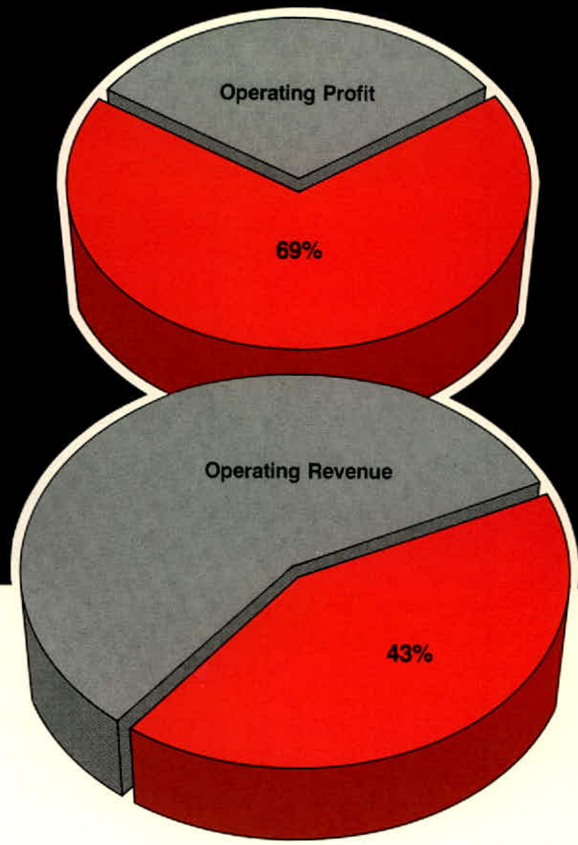
It has been the devotion and drive of our employees throughout the years that has achieved the success Turbo has experienced, and it will be through their efforts that greater achievements will be realized. We owe them all our thanks. The performance of the company's shares on the various Exchanges has been the result of loyal and believing shareholders who will see this company grow into one of Canada's leading integrated resource companies. Both groups are very much appreciated by management.

Robert G. Brawn

President & Chief Executive Officer.



	1979 ($000)	1978 ($000)	% Change
Revenue	103,777	40,148*	+ 158
Operating Profit	17,278	7,339*	+ 135
Capital Expenditures	28,790	10,180*	+ 183
Total Assets	87,224	60,016	+ 45
		* six months only	
Number of Employees	1247	1038	+ 20
Drilling Rigs	29	22	+ 32
Service Rigs	24	22	+ 9
Mineral & Other Rigs	81	56	+ 45



Resource Services

The Resource Services Group, as forecast, has established itself as a major contributor to the success of the company. Its revenue and operating profit both reached new highs, making 1979 its best year ever. 1979 was the first year in which a full year's operation has been included in Turbo Resources as this Group became consolidated with Turbo for the last half of 1978.

There was a continuing global demand for its services, as activity within the petroleum industry remained high and activity increased within the mining industry. This enabled Resource Services to expand its operational base, particularly in the United States.

Overseas, operations within established areas were sustained and moves were made to expand into new areas and types of operations.

The major activity for Resource Services is contract drilling. It has rigs that span the full scope of drilling methods, in deep capacity diamond drilling it holds Canadian and world records for depths drilled and it also has rigs capable of drilling holes with diameters ranging from $1^1/_2$ inches to 12 feet. Thus the Group is equipped to cater to most industries: construction, mineral exploration and development, oil and gas exploration and production, agriculture (water wells) and ecological control (sewage treatment).

It also has complementary operations in oil and gas well servicing; sales, service and rentals of industrial and oilfield equipment and supplies; specialty drilling rig and drill tool manufacturing.

Metric Equivalent

1 inch = 2.54 centimetres
1 foot = 30.5 centimetres

Operations are carried on under distinct identities within each area of activity. Following are brief descriptions of each operating division and their 1979 activities. At the beginning of each section the approximate number of employees and the division's contribution to 1979 Group revenue are shown.

Large diameter shaft rig drilling in Manitoba.

Challenger Drilling

740 employees
52% of the Group's revenue

Challenger Drilling is one of Canada's major oil and gas well drilling contractors with over 30 years experience in the field. It operated previously under the name of Brinkerhoff Drilling.

Challenger operates 20 rigs in Canada, with 18 having depth capacities in the 9,000 to 22,000 foot range and two having a 6,500 foot depth range. The equipment was utilized virtually 100% of the time during 1979, with shutdowns only for scheduled maintenance or for upgrading and alterations to meet customer and governmental requirements. This work included such items as equipment additions, extending working floor heights, the addition of high pressure blowout preventors and manifolds, new mud tank systems and added electrical generating capacity.

In 1974, Challenger began to extend its operations into the United States, primarily in Alaska and the Rocky Mountain states. In 1979, it placed its U.S. operations on a firmer footing through the acquisition of additional rigs, the opening of an office in Houston, Texas and the formation there of a strong management nucleus.

Four 10,000 foot capacity land rigs were purchased in Louisiana and Texas and have continued in full operation from the time they were acquired. A 22,000 foot platform mounted rig was acquired and has been under contract with a major operator in federal waters off the California coast. A second large diameter shaft rig was purchased and this rig has been under contract in the eastern United States on coal development operations for major mining interests. The first large diameter shaft rig remained under a standby contract throughout the year waiting the start of a mine development operation in New Mexico. This operation commenced early in 1980.

It is expected that 1980 will be another year of high activity levels for Challenger Drilling. The seven rig package in place in the United States will provide the foundation and the diversification necessary for increased business development there while the demand in Canada for Challenger Drilling's services should remain at least as great as in 1979. In addition, offshore platform drilling and large diameter shaft drilling offer new areas for expansion which we intend to exploit both in North America and overseas.

Pine Well Servicing

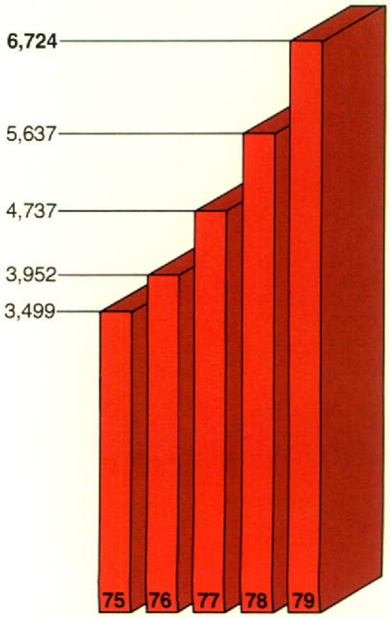
149 employees
10% of the Group's revenue

Rig check in company yard.

The oil and gas well servicing components of the Group were consolidated during 1979 under the one division, Pine Well Servicing. It ranks as one of the larger Canadian based well servicing contractors. A new rig was added to the fleet in 1979, bringing the total number to 22 in Canada. The rigs are fully equipped to handle servicing or completion requirements on wells ranging in depth from 3,000 to 16,000 feet.

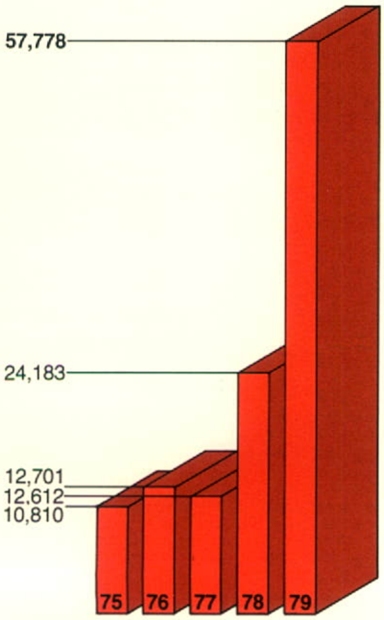
Other capital acquisitions during the year included blowout prevention equipment, mud tanks, support structures and heat and power generation equipment. In addition, two rigs were overhauled and completely renovated as part of Pine Well's scheduled maintenance program.

Challenger Drilling*
Operating Days



*North America Only

Pine Well Servicing*
Operating Hours



*North America Only

The strong demand for servicing during 1979 kept equipment utilization at a high level and gave Pine Well a financial performance within the Group second only to Challenger Drilling. There is every indication that the demand will continue strong during 1980, giving an equally strong financial result for Pine Well in the coming year.

Cleaning a rental well blow-out preventor prior to painting.

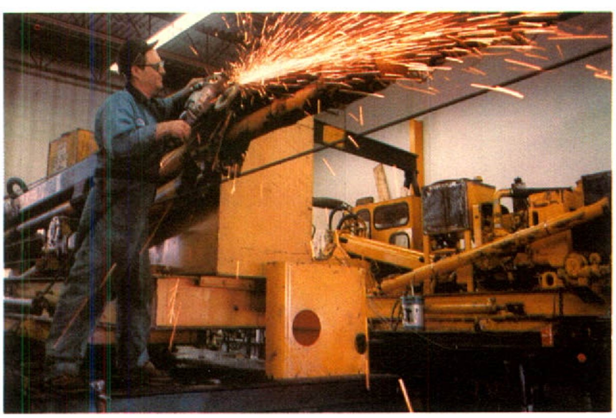
Challenger Rentals
13 employees
2% of Group's revenue

Challenger Rentals is the oilfield equipment rental division of the Group. It provides a balanced inventory of modern equipment that is well maintained and capable of filling complex rental demands within the energy industry, even on short notice.

Revenue, operating profit and return on investment have continued to be extremely good, but increased growth to date has been hampered by small facilities at the present location. This will be rectified during 1980 as Challenger Rentals will move into a new office, shop and yard complex adjacent to Nisku Industrial Park south of Edmonton, Alberta.

The greater efficiency possible at the new location coupled with an increase in capital purchases to expand its rental inventory will assist Rentals in achieving future growth and profitability.

Bishop Machinery & Supply Co. Ltd.
36 employees
8% of the Group's revenue



Texoma Auger drill being resurfaced for painting.

Bishop Machinery & Supply of Edmonton, Alberta handles sales and service of franchised machinery and equipment and also carries an assortment of oilfield equipment supplies. Its major products have been Texoma equipment, Stanley hydraulic tools and Swinger hydraulic loaders. HMF truck mounted cranes were added to the line during 1979 and the possibility of adding additional product lines that are complementary to present lines is being investigated.

The oilfield supply operation was added in 1978. In 1979 a new branch store was opened in Provost, Alberta and a sales office established in Calgary. The opening of additional branch stores is under consideration.

Both machinery sales and oilfield supply experienced growth during 1979. With the addition of new lines and branch stores, this growth is expected to continue.

Mineral drilling — deep hole rig working in Montana.

Heath & Sherwood Drilling
145 employees
8% of Group's revenue

Heath & Sherwood Drilling, based in Toronto, Ontario is part of the mineral and construction drilling operation carried on by the Group. It is one of the oldest and most respected mineral drilling contractors in Canada. It offers a complete exploration contracting service to the mineral exploration and mining industry.

Services provided include diamond drilling and coring, wireline retrievable coring, chip sampling, reverse circulation sampling and dual wall rod sampling, and downhole hammer drilling. Heath & Sherwood is the world leader in deep capacity diamond drilling, having drilled to 11,600 feet. Its wide expertise is called upon regularly by the Group to assist in supporting its worldwide expansion plans.

Demand for the services offered by Heath & Sherwood has been on the increase. In 1979 the number of operating rig days and footage drilled both more than doubled the 1978 totals. This boosted the division's estimated share of the Canadian market from 7% in 1978 to 13% in 1979 and provided a 100% increase in revenue over 1978.

Further growth is expected in 1980. To keep up with the demand, four rigs were added to the fleet in 1979 and two more rigs will be added in 1980. This will bring to 38 the number of rigs operated in Canada by Heath & Sherwood.

Becker Drills Inc.
58 employees
4% of the Group's revenue

Uranium exploration — rotary rig working in Nevada.

Becker Drills Inc. is another division of the Group's mineral and construction drilling operations. It is based in Denver, Colorado and operates six centre sample rotary (CSR) rigs, four top hammer rigs and two deep capacity diamond drills. The division's prime customers are in the mining exploration and construction industries. As with Heath & Sherwood, the expertise of Becker Drills Inc. is relied upon in planning expansion of the Group's worldwide contracting services.

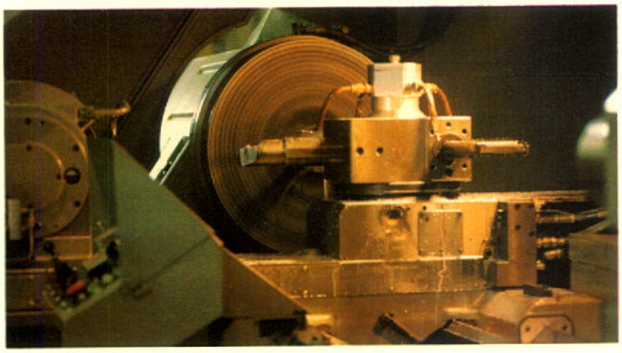
In 1979 the division's operating rig days rose by 19% while footage drilled increased 24% and revenue was up by 37%.

In 1980 an additional CSR rig and a hammer rig will be added to the Becker fleet to keep up with the increasing demand.

This expansion in the demand for Becker Drills' services within its specialty field provides good future contracting possibilities and the basis for the continued strengthening and enlarging of this division.

Drill Systems

64 employees
4% of the Group's revenue



Numerical controlled lathe used for precision tooling.

Drill Systems, located in Calgary, Alberta, manufactures specialty rigs and drilling tools, dual wall rotary and hammer drill pipe and is involved in steel fabrication and assembly.

In 1979 the division experienced an increase in sales and a decrease in overhead through a move to smaller premises. A positive upward trend in sales has been established and should continue.

Overseas Operations

42 employees
12% of the Group's revenue

Moving drilling platform across Libyan desert.

Resource Services operates in the international market place, offering to the global market all services provided by the Group. During 1979 it operated a 15,000 foot oil drilling rig, a water well rig, two service rigs and related camp and transportation equipment in Libya. A contract renewal was negotiated late in the year.

Three rigs were added to the fleet of the 50% owned South American company, bringing its total to 12 rigs. It continues to perform mineral exploration work in South America.

A new venture was started in 1979 with the formation of a 50% owned company to undertake mineral exploration operations in Africa. This company currently has 21 operating rigs and will receive a new deep capacity mineral drilling rig and a Drill Systems hammer rig early in 1980.

With the formation of the two jointly owned companies during the past two years and continuing operations in the Mediterranean region, Resource Services has established a firm base for its overseas operations. Opportunities to expand contracting and supply operations to other global locations are being investigated and several excellent opportunities are under specific consideration.

Outlook

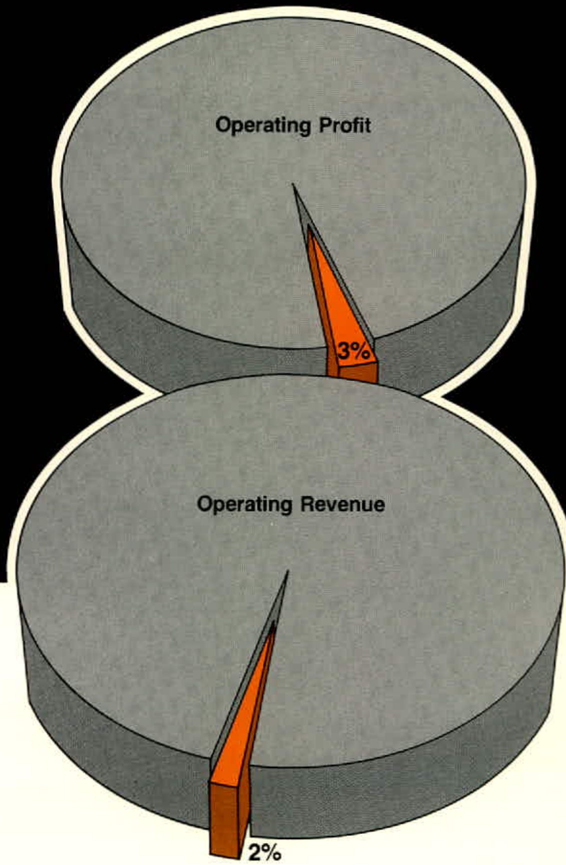
22,000 foot capacity platform rig, drilling off the coast of California.

The Resource Services Group has become a major Canadian contractor in both drilling and oil and gas well servicing. Its drilling capabilities include possibly the widest range of drilling capacities of any contractor in the world.

New facilities are being developed adjacent to the Nisku Industrial Park near the Edmonton International Airport, just to the south of the city of Edmonton, Alberta. This new office, shop and yard complex will house the Alberta operations of Challenger Rentals, Challenger Drilling and Pine Well Servicing. Moves into the new complex should begin before the end of 1980 and will result in increased efficiencies for the Group's operations.

We anticipate a continued increase in demand during 1980 for the services provided by the Resource Services Group, particularly in the United States and overseas.

	1979 ($000)	1978 ($000)	% Change
Revenue	4,895	3,597	+ 36
Revenue from disposal of reserves	—	3,500	
Operating Profit	813	1,943	− 58
Capital Expenditures	7,593	17,897	− 58
Total Assets	35,596	27,180	+ 31
Number of Employees	19	13	+ 46
Gross Acres	1,543,960	731,000	+ 111
Net Acres	346,140	193,000	+ 79
Exploratory wells drilled	35	48	− 27
Development wells drilled	28	37	− 24
Proven and Probable Reserves BCF (conversion — 167,000 barrels of oil equals 1 billion cubic feet (BCF) of gas)	99	76	+ 30



Exploration & Production

The Exploration and Production Group is engaged in the search for, the recovery and sales of oil and natural gas throughout Canada and the United States.

1979 was another active year for this Group. Significant reserves were added to the company's inventory primarily through exploration and development drilling. The present value of Turbo's proven plus probable reserves, discounted at 10% has increased to $82.8 million, approximately double the value at year end 1978.

The company participated in drilling programs in six U.S. states and two Western Canadian provinces. While the number of wells was fewer than in 1978 the drilled footage increased because of greater participation in deeper wells having high reserve potential. Turbo's land holdings were increased substantially in areas of high potential in both the United States and Canada.

Total capital expenditures were lower this past year as there were no major oil and gas reserve purchases such as the 1978 acquisition of the Mapco Inc. Canadian properties. Capital investment in exploration and development, however, was up marginally.

Metric Equivalents

1 foot	=	30.5 centimentres
1 mile	=	1.609 kilometres
1 acre	=	.405 Hectares
1 barrel	=	.159 cubic metres
1 million cubic feet	=	28 174 cubic metres

Throughout the year continued emphasis was placed on increasing cash flow by improving the efficiency of producing operations, and by seeking markets for shut-in gas reserves. Revenue and net profits from operations were up, excluding the sale in 1978 of several key producing properties to TBR Gas & Oil Production Program No. 5.

Production & Reserves

Turbo's production in 1979 increased by 26% over 1978, to a total of 1,789 MMCF (million cubic feet) of natural gas and 113,934 STB (stock tank barrels) of oil.

New gas production was tied-in to existing facilities at Bindloss in Alberta, at North Simsboro in East Texas and at Roberts County in the Texas panhandle. Oil production from Golden Spike and Camrose was improved through increased efficiency while oil production from the Taber field was increased during the last quarter of 1979 through an eight-well development program.

In 1980, gas deliveries under a new contract will commence from Leduc-Golden Spike at 3 MMCFD (million cubic feet per day) with Turbo having an average 80% interest. Deliveries under an existing


Reviewing plans for Leduc/Golden Spike gas processing facilities.

contract will also begin from the Donalda-Forestburg and the Wilson Creek-Leedale areas where development wells have been drilled.

Proven reserves after deducting production for the year and the sale of reserves to TBR Gas & Oil Production Program No. 6, increased by 11,300 MMCF to 74,100 MMCF. Most of the increase came from reserves booked for discoveries in Osborn, Lucy, Buckinghorse and Sikanni in British Columbia, Davey Lake, Provost, Taber, Knopcik, Wilson Creek-Leedale, Hayter and Donalda-Forestburg in Alberta, and Hatton in Saskatchewan.

Proven and Probable reserves increased 31% in 1979 from 75,600 MMCF to 98,900 MMCF.

Land

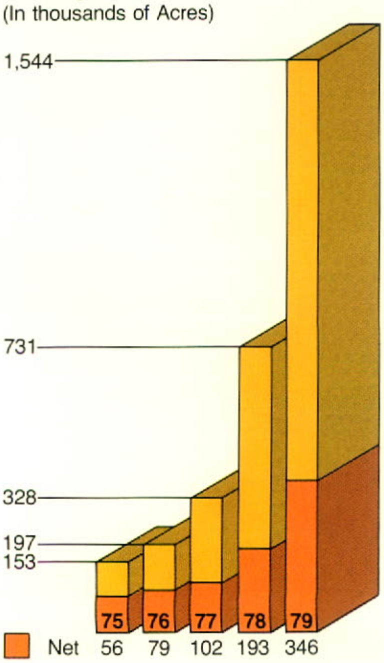
Turbo increased its net land holdings in 1979 by over 153,000 net acres to a total of 346,140 net acres. This was accomplished despite record high Canadian land costs. Turbo's land acquisition prices ranged from $3 per acre to over $640 per acre.

Canadian land purchases were concentrated in Sikanni, British Columbia and in Knopcik, Clairmont, Wilson Creek-Leedale and Seal, Alberta.

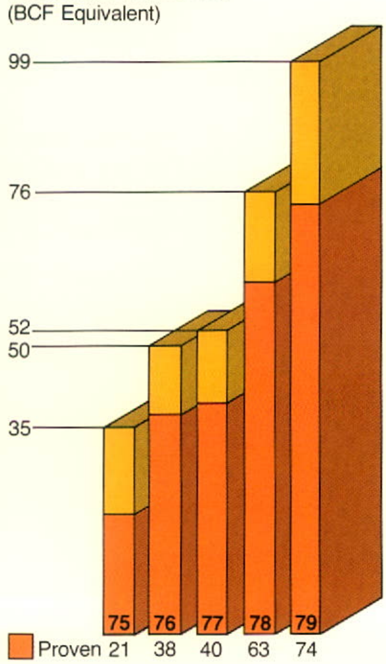
In Sikanni, the company participated in the purchase of 16,440 acres of drilling reservations which gave it a $16^2/_3$% working interest. In the Knopcik area the company more than doubled its net acreage through purchases at several Crown sales.

In the United States, 162,000 net acres were acquired through purchases in Montana, Wyoming, Nebraska, California and Colorado. These land holdings include a large acreage spread covering several townships in Nebraska with excellent hydrocarbon potential in Niobrara and Pennsylvania sands. In Caddo County, Oklahoma, Turbo has earned nine sections to date through participation in a farm-in agreement. To earn additional acreage Turbo is participating in a well to be drilled to 19,500 feet.

Gross & Net Acreage
(In thousands of Acres)

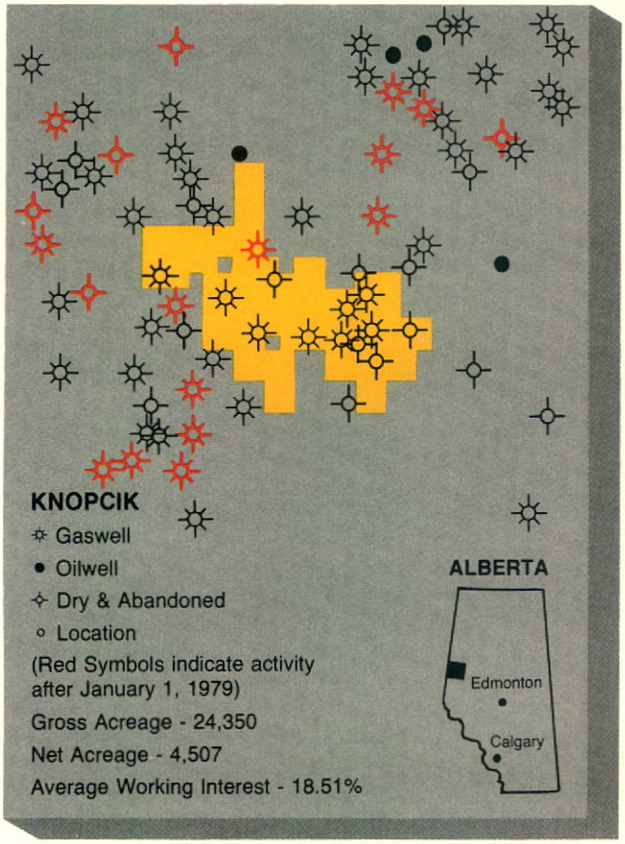


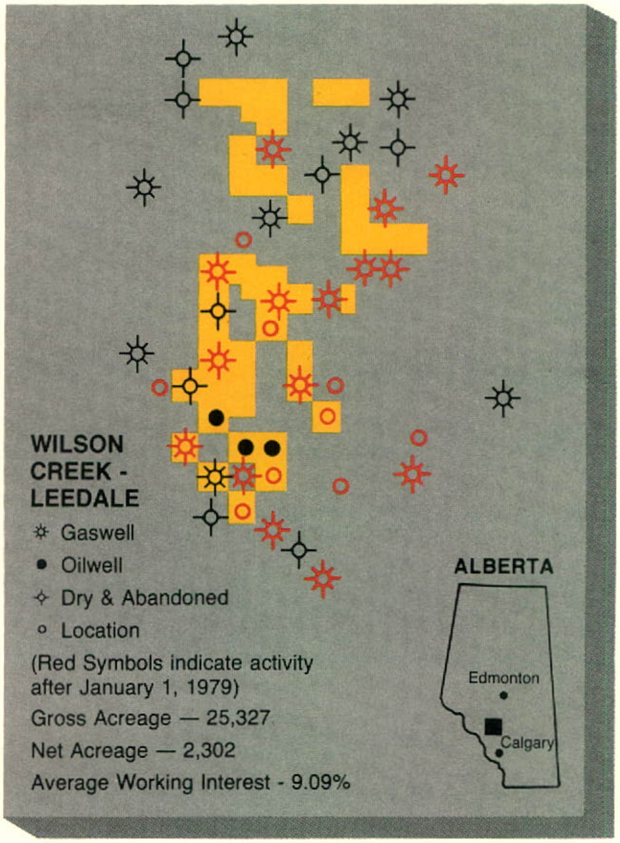
Gross Proven & Probable Reserves
(BCF Equivalent)



Well Drilling Log

	Gas 1979	Gas 1978	Oil 1979	Oil 1978	Dry 1979	Dry 1978	Drilling at Year End 1979	Drilling at Year End 1978	Total Wells 1979	Total Wells 1978
Exploratory	**18**	19	**2**	4	**11**	23	**4**	2	**35**	48
Development	**12**	14	**9**	14	**7**	8	**—**	1	**28**	37
Total	**30**	33	**11**	18	**18**	31	**4**	3	**63**	85





Exploration

Elmworth-Knopcik-Wapiti

The Deep Basin area north and south of Grande Prairie continued to be the hot spot on the Alberta exploration scene throughout 1979. The number of wells drilled by various companies on this trend numbered in the hundreds with a success rate of over 75 per cent. Turbo, realizing the potential of this vast area, continued aggressive exploration in this region through acreage acquisition, drilling and seismic programs. Several miles of seismic were purchased and shot over our Knopcik lands which led to the drilling of one Doig test. This subsequently was cased as a potential gas well in the Halfway/Doig interval. In addition, this well encountered the same shallow zones containing proven gas reserves in offsetting wells.

Turbo holds working interests from 2% to 33.3% in more than 63,520 gross acres in the deep basin areas. Because of the vast reserves here, the area will be tied-in at an early date to meet expected new export permits. The gas is contracted to Pan Alberta.

Further south in the Wapiti-Big Mountain areas, Turbo participated in four deep tests which now are in various stages of completion. All four are multi-zone gas wells with individual zones testing up to 5.6 MMCFD on drill stem test or completion.

Wilson Creek-Leedale

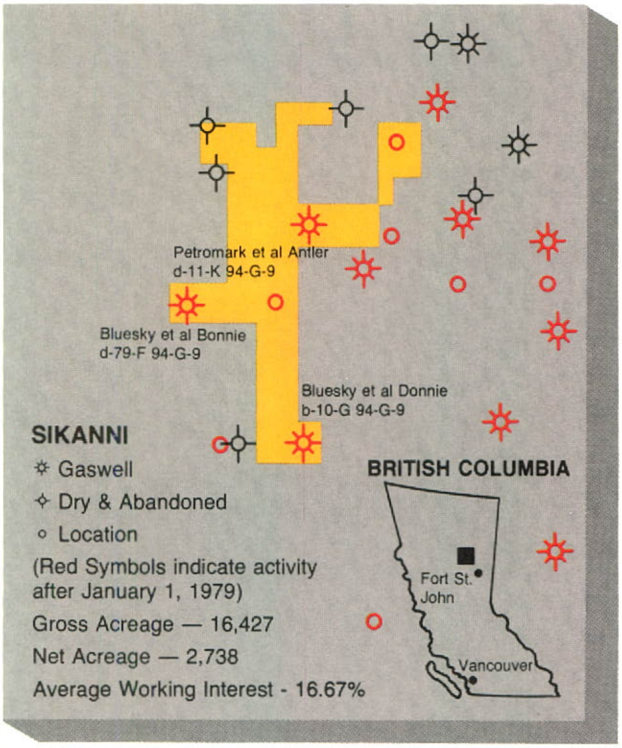
One of the exploration highlights in 1979 was the encouraging results of our activity in the Wilson Creek-Leedale area north of Sylvan Lake. Turbo's working interest partners and other operators have established production from a total of six different formations. Our interests vary from 2.5% to 35% in more than 24,960 gross acres. Two wells were drilled on these lands which tested 2.4 MMCFD and 8.1 MMCFD plus condensate from pay zones in the Mississippian. Because of the potential in this area, Crown sales have attracted bids as high as $1,466 per acre. The majority of Turbo's land here was purchased prior to 1979 for an average price of less than $100 per acre.

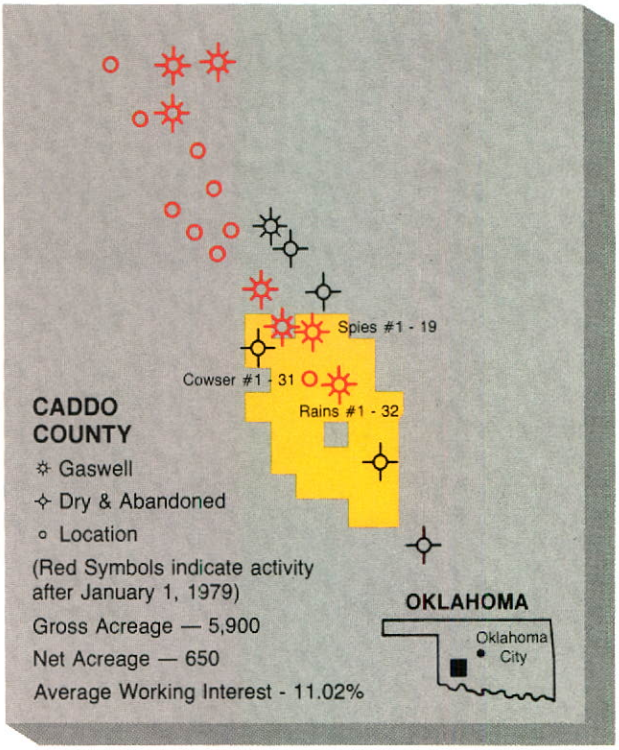
We plan to drill at least six wells in this area before the expiration of some leases in 1980. Well completion and recompletion work is also planned for zones which in the past were deemed uneconomic. Much of the land is currently contracted and additional delivery points will be required in 1980 to fulfill contract volumes.

Sikanni

During 1979, Turbo purchased an interest in three drilling reservations in the relatively unexplored Sikanni area northwest of Fort St. John in British Columbia. Extensive drilling activity and numerous land sales have brought the attention of many operators to this attractive exploration area. Several miles of seismic were purchased to define possible drilling sites and to evaluate offsetting lands.

Three zones have shown hydrocarbon potential in various wells in this area. One well in which Turbo





participated showed encouraging test results and was cased as a potential Halfway gas well. Another well was being drilled at year-end, and Turbo plans to participate in at least five additional wells in 1980.

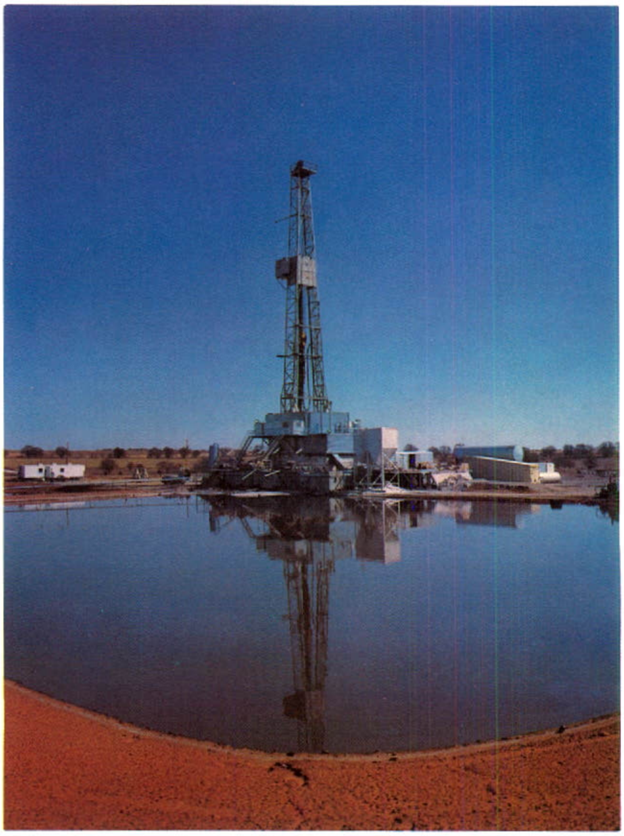
Flow testing on completion off Sikanni Well.

Caddo County

A high level of activity has been maintained by both major and independent operators in the Caddo County area of west-central Oklahoma. Numerous wells have been drilled to test the promising deep gas potential in the Anadarko Basin. Turbo maintains an 11% working interest in approximately 5,900 gross acres in the area and has the option to earn additional lands by participating in additional drilling.

Turbo participated in 1979 in two wells drilled to 13,000 feet to explore for Culp Melton gas zones. Logs of the two wells indicate gas in each, with one having an initial flow of 1.7 MMCFD and 200 barrels of condensate. The other well will require further stimulation before its productivity can be determined. A third well encountered potential pay zones during drilling which will be evaluated after total depth is reached. The primary targets for this well are the Red Fork, Morrow and Springer sands known to have proven high reserve potential in other Anadarko Basin wells.

Plans for 1980 include the drilling of two wells, as the seismic has indicated further potential locations.



Cowser #1-31 drilling to depth of 19,500 feet.

Other Areas

A 4,800 foot test at **Flatrock, B.C.** was cased after encountering gas in the Halfway and oil in the Boundary Lake zones. The Halfway tested 1.0 MMCFD on completion while the Boundary Lake zone is currently under test, flowing in excess of 50 BOPD (barrels of oil per day.)

In the **Golden** area of Northern Alberta, Turbo and its partners drilled a 5,200 foot test to evaluate the Lower Springburn oil potential. Although the well was abandoned it provided sufficient encouragement to shoot additional seismic in 1980, and a further exploration well will be drilled here.

An evaluation of seismic and well data on our **Isle Lake** block was undertaken in 1979. This led to the licencing of a Banff test which will be drilled in the first half of 1980. On the **Isle Lake West** parcel a shallow Paleozoic test is planned for 1980 based on our 1979 seismic program. Further seismic is planned to delineate a Nisku anomaly on this property.

Seismic work underway in Alberta.

In the **North Coleman-Carbondale** area of the southern foothills, Turbo and its partners purchased more than thirty miles of additional seismic to determine favourable exploration and development locations in the thrust belt. At least one well is planned in 1980 and farm-in offers from other operators are under consideration. Shell drilled a successful Mississippian test on farm-out land in 1979.

At **Hamilton Lake South**, Turbo earned a 50% working interest in 7,520 acres by drilling three wells. This resulted in a dual Belly River and Viking well which tested over 1.5 MMCFD from each zone, a Belly River gas well which tested 0.79 MMCFD and a Viking oil discovery. Two development locations are planned for the coming year. Turbo also has finalized plans to drill a 4,500 foot well to test a Devonian seismic feature.

In **Montana** a five-well program was initiated to explore for the highly productive Nisku oilfields of the Williston Basin. The first well was abandoned after a porous water bearing Nisku section was encountered. A second well was being drilled at year end. The remaining three tests will be drilled in 1980. Two seismic programs totalling 27 miles were shot during 1979 to delineate Devonian features present in this area.

Turbo's first exploration venture into **California** was the drilling of a 4,200 foot well to test the fractured Tertiary reservoir in the Santa Maria Basin north of Los Angeles. Very encouraging oil shows were encountered over a thick section in the Monterey formation during drilling and the well subsequently was cased. It was being tested at year end. This well is located updip from an earlier well that had produced 50 BOPD for several months before being plugged.

Outlook

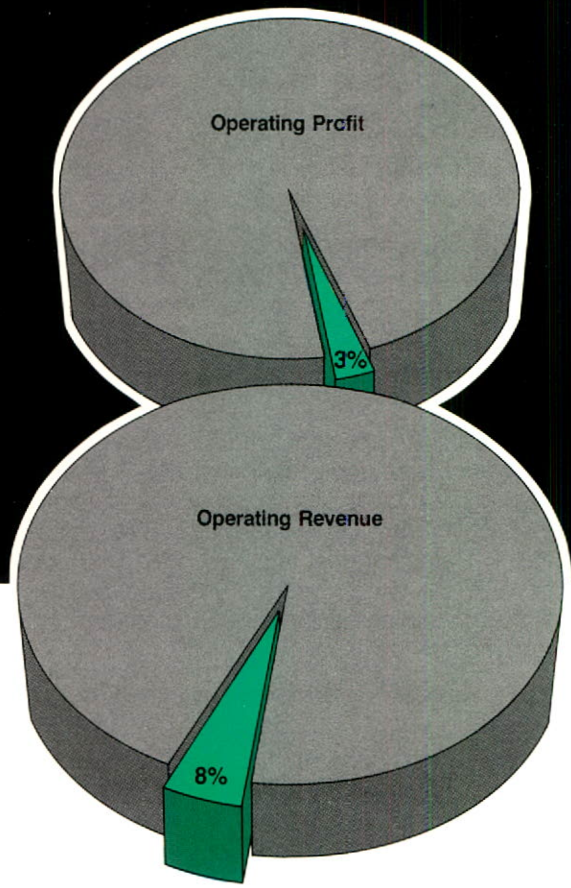
The exploration and development projects scheduled for 1980 in both Canada and the United States provide promise for an exciting and profitable year. We plan to establish our first U.S. division office in Denver, Colorado to provide a firmer base for the expansion of our activities in the United States. Continuing emphasis will be placed on increasing our land and play development in the Rocky Mountain and midcontinent regions. The company plans to participate in at least two deep tests, and to increase its position in the Anadarko basin. In Canada our management, technical and support staff will be increased to permit achievement of planned exploration and development goals.

We anticipate a 50% increase in production revenue in 1980, as a result of new production from Canadian properties, and a full year's production from U.S. properties brought on-stream in November, 1979.

Construction of processing facilities to market our Leduc-Golden Spike reserves will be completed early in 1980 and construction of a 10 MMCFD facility will be started in Knopcik to meet 1981 delivery commitments to Pan-Alberta.

This Group will continue its positive and diversified approach to exploration in prospective areas having the highest return potential for capital invested.

	1979 ($000)	1978 ($000)	% Change
Revenue	20,401	13,942	+ 46
Operating Profit (Loss)	833	(121)	
Capital Expenditures	1,010	1,306	− 23
Total Assets	12,193	7,866	+ 55
Number of Employees	205	164	+ 25
Plant Area (Square Feet)	185,000	160,000	+ 16
Production capacity (000's)			
Blow-molded plastic containers (gallons)	15,000	12,700	+ 18
Filling plastic containers	21,100	10,800	+ 95
metal containers (gallons)	14,100	3,300	+327
Lube oil blending (gallons)	8,500	8,500	
Lube oil refining (gallons)	1,800	1,200	+ 50



Manufacturing & Refining

The Manufacturing & Refining Group incorporates the operations of the two original companies of Turbo Resources: C. C. Snowdon Ltd. and Turbo Oils Ltd. During the past ten years, these operations have been expanded and new ones added until today Turbo is a leader in blending and packaging, oil recycling and industrial chemicals technology.

This group in 1979 experienced the most successful year in its history. New record high revenues and improved market share were achieved. Turbo oilfield chemicals and several other valuable new products were developed and successfully marketed.

Operations were expanded into the United States with plant facilities in Burlington, Washington. The sale of specialty chemicals to the export market was begun and emphasis was given to additional growth opportunities through establishment of a new business development section.

Activities presently include the recycling of used lubricating oils; the design and construction of a new crude oil refinery; manufacturing and sales of plastic containers, custom blended lubricants and other consumable automotive products, and high technology oilfield, industrial and specialty chemicals; research, development and quality control for each product line. The company operates its own sales, technical service, manufacturing, warehouse and distribution systems.

The highlights of the year for each of the six operating divisions showing the number of employees and the percentage contribution to the total revenues of the Group are included on the following pages.

Metric Equivalents

1 square foot	=	.093 square metres
1 barrel	=	.159 cubic metres
1 gallon	=	4.545 litres

Blending & Packaging

84 employees
56% of the Group's revenue

One of the filling lines in Edmonton blending & packaging plant.

This division remains Western Canada's leading producer of packaged lubricants, antifreeze, windshield washer fluid, brake fluid, hydraulic oils and other automotive chemicals and blow-molded plastic containers. It operates plants in Edmonton, Alberta and Winnipeg, Manitoba.

The division provides a fully integrated custom service which is unique in Western Canada. The operations provide single source supply for plastic molded containers, metal containers, custom blended oils and chemicals, filling, labelling, boxing, storing and distributing.

The Edmonton operations were modernized and consolidated during 1979 in a new 100,000 square foot plant and warehouse. This facility houses fully automated blending and packaging lines as well as the latest equipment for blow-molding the plastic containers which are used in both Edmonton and Winnipeg plants. The Winnipeg plant also was expanded in 1979 and both plants now produce a full range of Turbo and custom brand products including the special Red Ram lubricant formulations distributed throughout Canada.

Revenue from blending and packaging operations in 1979 was up 48% over 1978. There has been a continuous increase in public acceptance of Turbo products such as: Turbo and Flo-Rite lubricants, Sub-Zero antifreeze, Chinook and Northland windshield washer fluid. The resultant demand has made it practical to plan further expansion of these operations during 1980. The employees of both the Winnipeg and Edmonton plants can be proud of having established Turbo firmly as a leader in the production of high demand consumable automotive products.

Turbo Chemicals

20 employees
5% of the Group's revenue

Turflo — safe, non-corrosive well stimulant reacting to Limestone chips.

Turbo Chemicals was formed in 1978 to consolidate the industrial chemicals activities of Turbo. Located in Calgary, Alberta it is involved in the research, development, manufacture and sale of high technology oilfield stimulants, flocculants, descalers, degreasers and related industrial chemicals.

This division since its formation has concentrated heavily on research and development of products for use in the oil and gas industry and has already achieved significant success in this area.

The research and development team of Turbo Chemicals has produced a unique and highly successful family of oil and gas well stimulation products, which has been marketed since mid-year under the brand name "Turflo". Turflo is a one-step acidization clay shrinking and stabilizing agent that has excellent surfactant properties and has proven itself capable of significantly increasing oil and gas well production. Turflo has been accepted by and is widely used by many of the major well fracturing and stimulation companies operating in Canada and the United States.

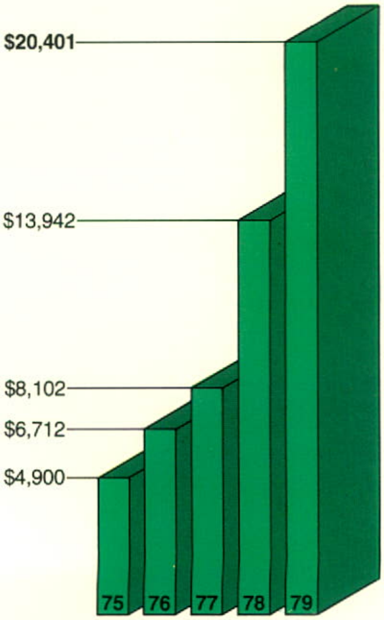
The team also has developed a stimulation agent, TCH 956, which enhances the recovery of heavy crude oils from tar sands and unique polymer type chemicals for use in liquid waste management and land reclamation.

Negotiations are underway with companies in Japan, Mexico, Venezuela and other South American countries for the sale of Turflo and other industrial chemicals. Progress made to date in these major export markets is most promising.

The revenue contributed by Turbo Chemicals was generated primarily in the last six months of the year. 1980 should see a significant increase in this division's contribution to the financial success of the Group.

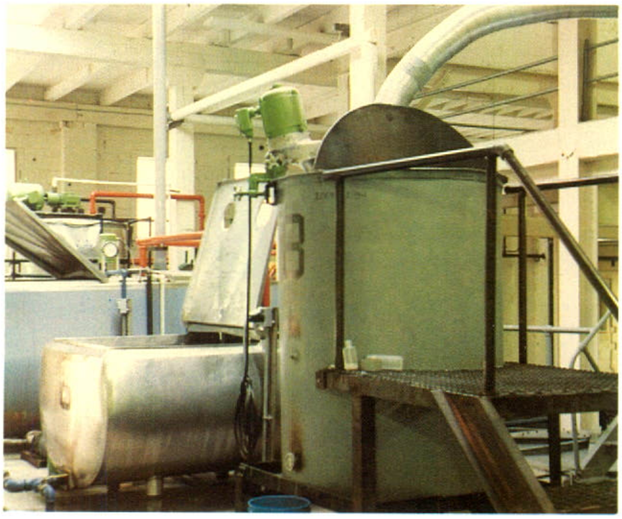
The commercial applications of the patented technology developed so far by Turbo Chemicals are world-wide and the technology itself, as well as the resultant products, will be marketed internationally. In addition, continued emphasis will be placed on research and development of new technology and products as well as seeking improvements to those already developed.

Revenue
(In thousands of dollars)



Bramco Industries

60 employees
20% of the Group's revenue



Blending area at Burlington Plant.

The manufacturing and marketing of Turbo's specialty chemical lines have been consolidated within the Bramco Industries Division.

Bramco Industries compounds, blends and packages products such as: boiler water treatment chemicals, janitorial and institutional cleaning chemicals, agricultural pesticides, protective coatings, swimming pool and automotive chemicals. The products, distributed throughout Western Canada and the Northwestern United States, are manufactured at plants in Regina, Saskatchewan; Calgary, Alberta; Burnaby, British Columbia and Burlington, Washington.

During 1979, Bramco successfully negotiated a sales agreement with a company in the Philippines and for the first time has become a supplier for the overseas export market. The market acceptance of Bramco products internationally has been a significant step in the progress of this division.

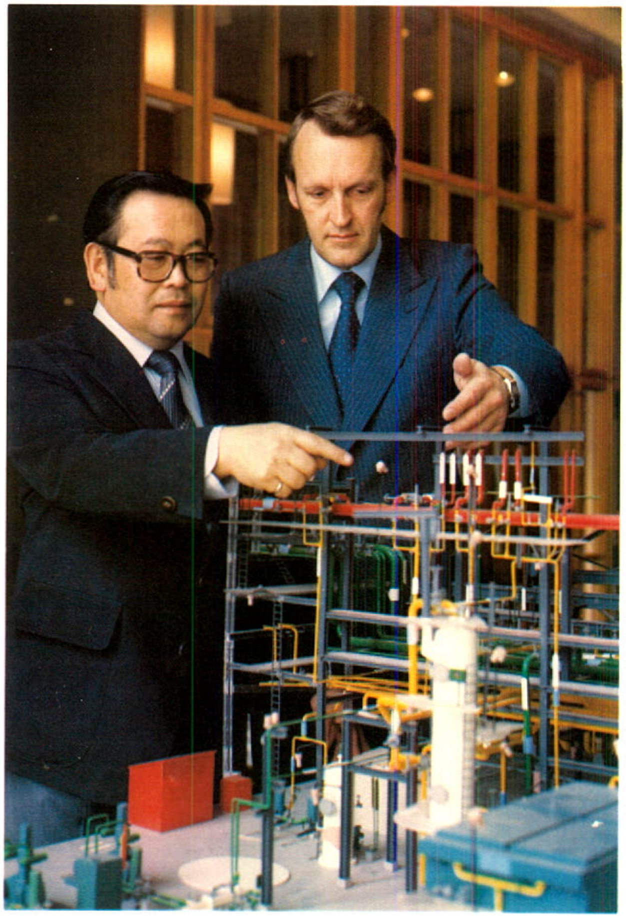
Another significant step taken in 1979 was the addition to its product line of a defoamer chemical product now used in the pulp and paper, mining and sugar industries. Marketed previously under the brand name ComCor, this superior chemical line has an established market base which produced sales of over $3 million during 1978 and 1979.

Also during the past year, Bramco initiated national marketing of a heavy duty household laundry cleaner called Magic 3, and introduced an energy saving solar panel to heat swimming pools, greenhouses and cottages.

The addition of these products has broadened and strengthened Bramco's revenue base. Revenue in 1979 was up 26% over 1978 and with the market for Bramco products expected to increase significantly, 1980 promises to be another year of excellent growth.

Refining

26 employees
7% of the Group's revenue



Reviewing Southern Alberta Refinery model.

This division operates Canada's largest lube oil recycling refinery at Edmonton, Alberta and is currently developing plans for a new refinery complex in Southern Alberta. The new complex will incorporate a large lube oil recycling facility and a modern gasoline and diesel fuel refinery. When completed in 1982 the new Southern Alberta refinery will be the largest in Canada owned by a Canadian controlled public company.

The existing acid-clay lube oil recycle refinery operated at full capacity throughout 1979, with its output of re-refined lubricating oils going primarily to established railroad and industrial users. Environment Canada, a department of the federal government, began using Turbo's recycled oil in 1979 in a two year test program to evaluate the performance of finished recycled motor oil in automobiles as compared to virgin motor oil.

The lube oil collection and storage system at the Edmonton plant was expanded in preparation for a planned increase in recycling capacity. The capacity of the existing recycle refinery will be increased approximately 50% in 1980 through the addition of the special pre-treatment step from Turbo's patented continuous 'Lubrefining' process. This will be the first commercial scale application of the new process.

The Turbo Lubrefining process, developed by the division's Research and Development (R&D) team, has been thoroughly tested since 1976 in the Company's Edmonton pilot plant facilities. Lubrefining involves a pre-treatment step followed by hydro-treatment and vacuum distillation and produces finished oil of comparable quality to oils produced from crude petroleum. It will be the process used in the new and larger recycle refinery planned for construction in the proposed Southern Alberta refinery complex.

Detailed engineering and design work is being carried out for a 20,000 barrel per day crude oil refinery which will contain a group of proven process units to produce high quality gasolines, diesel fuels and ashphalt from Southern Alberta feedstocks. The refinery is being tailored to supply the diesel and gasoline requirements for Turbo and other retail marketers in Southern Alberta, British Columbia and Saskatchewan and will be designed for future expansion by phases to satisfy market growth.

The refinery design will emphasize environmental cleanliness and energy conservation. Particular emphasis is being placed on converting the heavy bottom fraction of the crude feedstock to lighter more valuable oils. The complex will also have the capacity to recycle up to 10 million gallons of used crankcase lubricating oils per year.

Final authorization from regulatory bodies is expected in 1980 for the construction of the new Southern Alberta refinery, which will be one of the most exciting developments in the history of Turbo Resources. The approval to proceed with this refinery complex will be a major step toward achievement of Turbo's intention to become a fully integrated resource based company.

Petroleum Marketers

15 employees
12% of the Group's revenue

Specialty Red Ram oil ready for shipment from Edmonton Warehouse.

Petroleum Marketers specializes in the formulation and sale of high performance lubricants marketed under the Red Ram label. Red Ram quality lubricants have been well known and accepted in the transportation, oilfield, fabrication, marine and aviation industries for over 35 years.

The reputation of Red Ram products has been built by designing products for specific needs through careful field research and formulation to provide endurance and efficiency in performance. In addition, Petroleum Marketer's technical team provides an engineering service to complement and support its marketing program to ensure both quality performance and customer satisfaction.

In 1979, Petroleum Marketers successfully introduced to the Canadian market the first multi-viscosity SAE 20W50 grade ashless dispersant aviation oil. As with other Red Ram products, the universal acceptance of this oil by the aviation industry has been rewarding. The Cessna Corporation now uses it in all new Cessna 172 aircraft and the handbook in each recommends the continued use of Red Ram oil.

Petroleum Marketers realized a significant increase in sales in 1979 which produced revenue that was 37% higher than in 1978. Plans for 1980 call for continued market development in Western Canada and for expansion into Eastern Canada and the United States.

Outlook

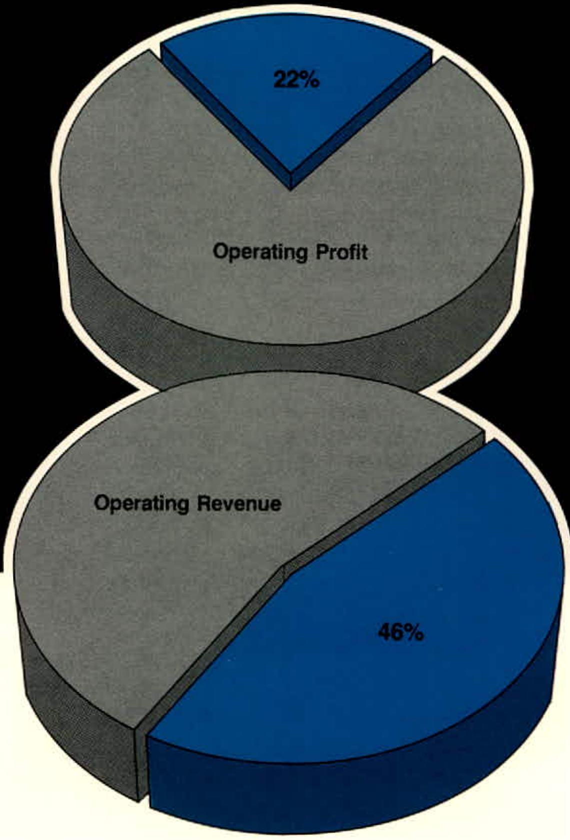
The Manufacturing and Refining Group in 1980 will continue to increase its contribution to the overall success of Turbo Resources. The Group has established a solid market base within Western Canada where company products have been accepted and demand for them has been rising. New emphasis has been placed on both expanded territorial and market share and enhanced return on investment opportunities.

The Group will continue to emphasize research and development to improve existing products and technology, to find new applications for them and to seek promising new formulations. Our R & D teams have contributed significantly to our success. Our new business development section will ensure our developing technology is properly exploited and that long range objectives of the company are being aggressively pursued.

Planning is well advanced for the new refinery complex. A strong team of personnel is being put together so the refinery can be constructed and brought into production as quickly as possible. Many new employment opportunities will be created by this important step in the development of integrated fuel supplies.

The combined skills and enthusiasm of our employees, our innovative research and development program and the advent of the new business development program all provide continued momentum to propel Turbo into the forefront of the market place as a major manufacturer and supplier of specialty lubricants, industrial chemicals and consumable automotive products. Construction of the proposed refining complex will add Turbo to the list of major Canadian energy producers.

	1979 ($000)	1978 ($000)	% Change
Revenue	108,716	86,153	+ 26
Operating Profit	5,397	3,065	+ 76
Capital Expenditures	2,324	1,211	+ 92
Total Assets (does not include property and building leases)	9,453	7,376	+ 28
Number of Employees	99	65	+ 52
Number of Outlets	222	221	
Gasoline & Fuel Sales (000's gallons)	126,300	104,800	+ 21
Average sales per outlet (gallons)	569,000	474,000	+ 20
Trucking capacity (gallons)	213,150	198,750	+ 7



Marketing & Transportation

The Marketing & Transportation Group has been a significant contributor to the success of Turbo Resources since the company's formation, and 1979 was no exception. The Group achieved a record level of revenue while holding down operating cost increases.

Marketing

70 employees
98% of the Group's revenue

The Marketing division has 222 Turbo retail and wholesale outlets selling competitively priced gasoline and related petroleum and automotive products throughout Western Canada. It maintains diversified coverage of its marketing area by ensuring a balance between urban and rural community locations.

The division continues to rely on commission lessee dealerships rather than establish company operated outlets, and continues to emphasize full pump island service and competitive prices. This is the basis for the effective Pumper People theme that Turbo uses. The dealers' enthusiastic participation in this theme and their outstanding performance have enhanced Turbo's market position at a time when competitors have gone to self-serve gas bars.

Marketing's established program of evaluating outlets to ensure maximum sales volume and profits resulted in the closing of 17 locations and the opening of 18 new ones in 1979. The program's effectiveness is evident in the results achieved. The average annual volume per outlet has increased significantly each year since 1970, and total volume increases in recent years have been above the industry average. This past year the total increase was better than twice the industry average in Turbo's marketing area.

The use of preconstructed customized buildings for most new outlets was fully implemented during 1979, achieving a reduction both in construction costs and in time taken to open new outlets. More efficient purchase and distribution of products supplied to dealers and other customers was achieved through the relocation of some warehouse facilities.

Metric Equivalent 1 gallon = 4.545 litres.

Wildwood Mall station — Saskatoon.

Throughout 1980 Marketing will continue to pursue opportunities in new shopping centre developments and in areas in which greater representation is desired. Coordinated advertising campaigns are underway to reinforce the Pumper People theme and make Turbo synonymous with full service and competitively priced quality products.

Freeway Transport

29 employees
2% of Group's revenue

Freeway Transport in 1979 handled approximately 85% of Marketing's transportation needs and continued to expand its haulage of specialized materials other than gasoline.

New identification on Freeway Tankers.

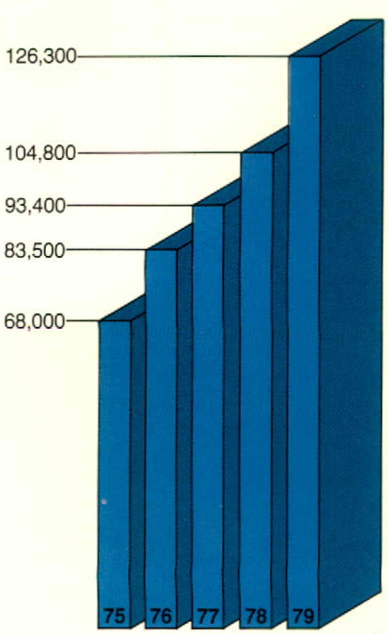
It added two tractors and trailers to its fleet, bringing the totals to 25 tractors, 34 trailers and 213,150 gallons of cargo capacity. Better efficiency and more volume carried provided a 19% increase in revenue over 1978 with no modification in haulage rates.

Outlook

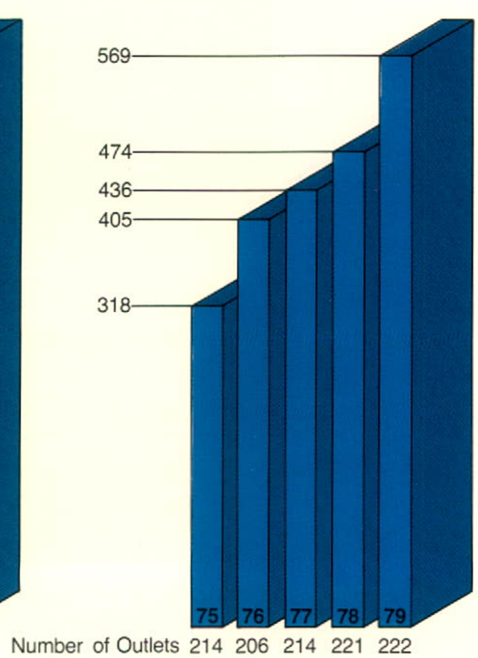
The Group has implemented effective cost control measures and organizational changes that have reduced operating costs and increased operational efficiency. The Marketing division will continue to increase its market penetration in Western Canada and is considering expansion into Eastern Canada. Freeway Transport will seek additional haulage authorizations to enable it to expand its service to Marketing and pursue other transportation opportunities as they occur.

The Marketing & Transportation Group in 1980 will again achieve increased revenue and will continue to be a large contributor to Turbo's cash flow and profit positions.

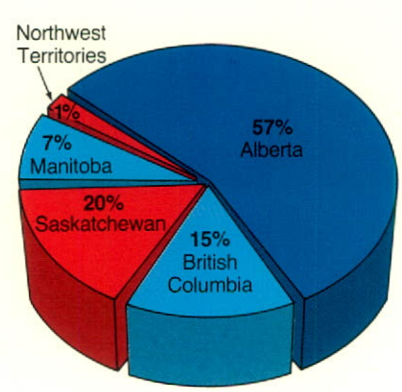
Gasoline & Fuel Sales
(In thousands of gallons)



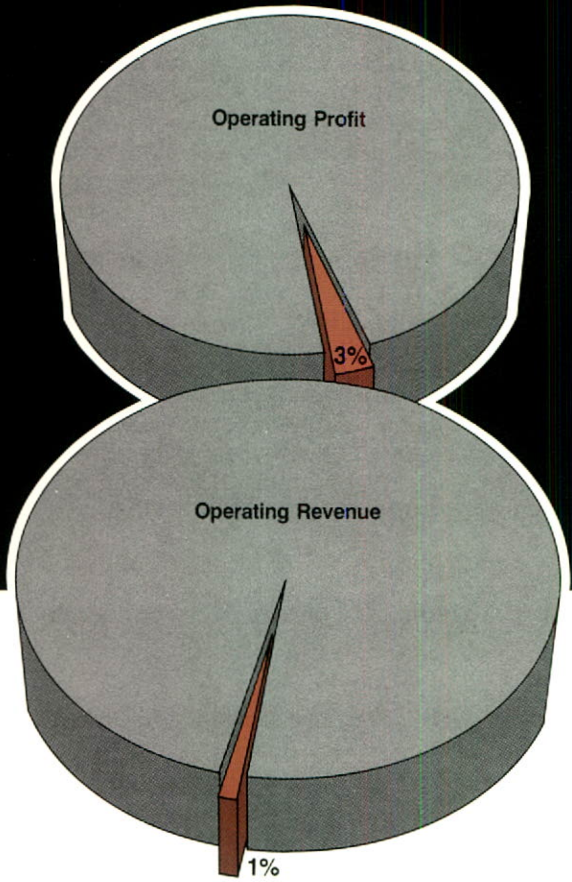
Average Sales per Outlet
(In thousands of gallons)



1979 Gasoline and Fuel Sales Regions



	1979 ($000)	1978 ($000)	% Change
Revenue	897	705	+ 27
Operating Profit	615	638	− 4
Gain on sale of land & buildings	1,978	—	
Capital Expenditures	4,889	443	+1,004
Total Assets	8,854	3,921	+ 126
Number of Employees	5	1	+ 400
Company owned service station sites	66	63	+ 5
Company owned major office/operations sites	6	6	
Company owned undeveloped land (acres)	777	697	+ 11



Real Estate & Development

Real Estate and Development Group was formed early in 1979 to consolidate all the real estate holdings and activities of the company. This was done to ensure optimum utilization and return on the company's property investment. The Group is responsible for the acquisition, development, leasing and disposal of all real estate assets for all Groups of the company.

During 1979 an 80 acre parcel of prime industrial property was acquired at Nisku, Alberta near the Edmonton International Airport. The site will contain the new operations centre for Challenger Drilling, Challenger Rentals and Pine Well Servicing, and will have several other land parcels available for lease and/or development.

About 185 acres of company property in the industrial park area on the eastern outskirts of Edmonton have been rezoned. Subject to final development agreement, development of the land will take place in 1980 to meet the strong demand for industrial locations created by the prospect for multi-billion dollar projects in Northern Alberta. The company also owns an adjoining 200 acre parcel zoned and available for refinery or other heavy industrial developments.

Turbo has announced its plan to co-develop a major 23 storey office tower in the downtown core of Calgary subject to receiving satisfactory final approvals for the project. The high quality building will be identified as Turbo's corporate office and will provide significant prime space for lease to other tenants.

The company retains its ownership of about 277 acres of farmland northeast of the City of Edmonton on which a major commercial sand and gravel deposit is located. The sand and gravel rights are leased to Northwest Sand & Gravel Ltd. The company increased its ownership in Northwest Sand & Gravel Ltd. to 50% from 33% during the year.

With three major projects and a number of smaller development projects underway, the Real Estate and Development Group is expected to make an important contribution to the company's future profit position.

Metric Equivalent 1 Acre = .405 Hectares

Artist rendering of Turbo Office Building.

	1979	1978	% Change
Number Outstanding (Common B + Special A)			
Weighted Average During the Year	5,810,265	4,769,238	+ 22
Year End	5,838,872	5,739,502	+ 2
Number of Common B Shareholders	5,303	5,086	+ 4
Number of Special A Shareholders	4,094	4,261	− 4
Total Revenue*	$41.66	$31.09	+ 34
Cash Flow from Operations*	$ 3.99	$ 2.99	+ 33
Net Earnings — Common B*	$ 1.53	$ 1.06	+ 43
Net Earnings — Special A*	$ 1.27	$ 0.89	+ 43
Net Fixed Assets*	$17.06	$12.34	+ 38
Long Term Debt*	$ 7.27	$ 7.58	− 4
Shareholders' Equity (Common B + Special A)	$ 4.93	$ 3.66	+ 35

*(undiluted)

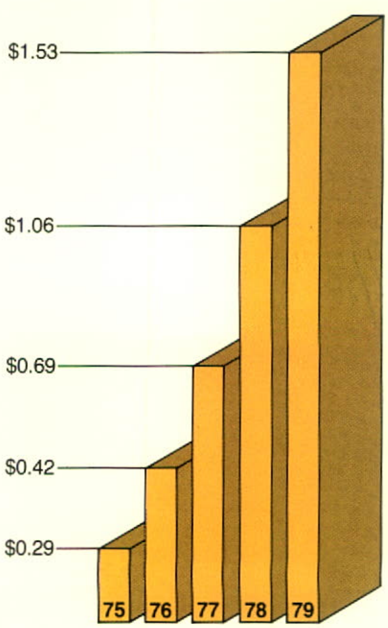
Share Data

1979 Trading Information							
Description	Exchange Symbol	1st quarter $	2nd quarter $	3rd quarter $	4th quarter $	Trading Volume	Dollar Volume
Common B	TBR B	7.38 to 11.50	9.75 to 16.87	12.50 to 16.38	10.50 to 18.50	2,875,562	$37,898,156
Special A	TBR A	8.25 to 11.75	10.13 to 16.50	12.75 to 16.75	10.50 to 19.00	655,801	$ 8,376,745
Common B Warrants	TBR WT	3.50 to 7.50	6.00 to 10.75	9.13 to 10.87	5.50 to 12.87	1,369,334	$12,545,470
$8^3/_4$% First Preferred	TBR PR.C	19.25 to 20.50	19.50 to 20.50	19.75 to 20.50	17.75 to 20.00	40,575	$ 799,347

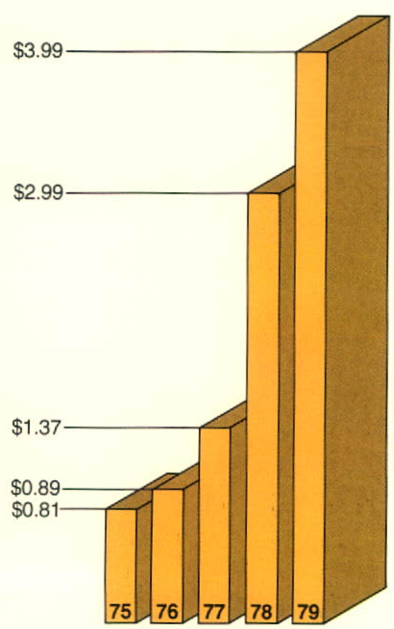
Turbo Shares are traded on the Alberta, Montreal and Toronto Stock Exchanges.

Note: The $8^1/_4$% Second Preferred Convertible Shares 1979 Series (TBR PR.D) were issued November 27, 1979 and listed for trading January 17, 1980.

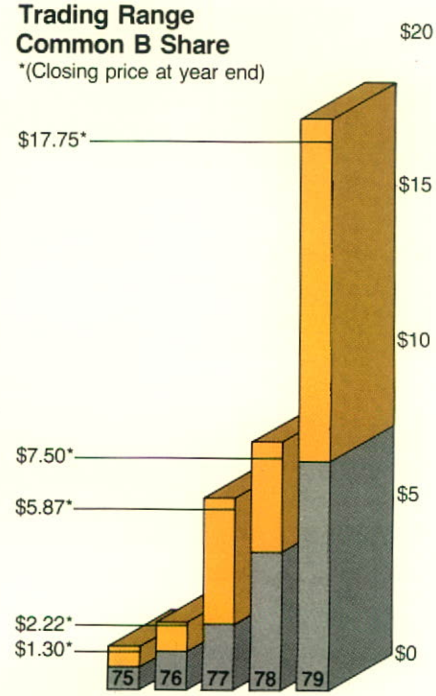
Earnings per Common B Share



Cash Flow from Operations
(Common B + Special A)



Trading Range Common B Share
*(Closing price at year end)



Board of Directors

* indicates year appointed to the Board

Roy H. Allen, B. Sc.
Calgary, Alberta
Senior Vice President Resource Services
Turbo Resources Limited
(*1979)

Ernest M. Braithwaite, B. Comm. M.B.A.
Calgary, Alberta
President
EMB Management Consultants Ltd.
(*1977)

Robert G. Brawn, P. Eng.
Calgary, Alberta
President & Chief Executive Officer
Turbo Resources Limited
(*1970)

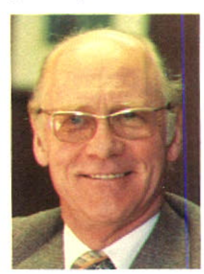
Eric Connelly, F.C.A.
Calgary, Alberta
Self-employed
(*1979)

John W. Killick, B. Sc. Bus. Ad.
Calgary, Alberta
President
Canamara Corporation
(*1970)

Frank W. King, P. Eng.
Calgary, Alberta
Senior Vice President Manufacturing
Turbo Resources Limited
(*1977)

Ronald M. Maxwell, C.A.
Calgary, Alberta
Senior Vice President Finance & Administration
Turbo Resources Limited
(*1979)

John F. Moore, Q.C.
Calgary, Alberta
Partner
Moore Martin
(*1972)

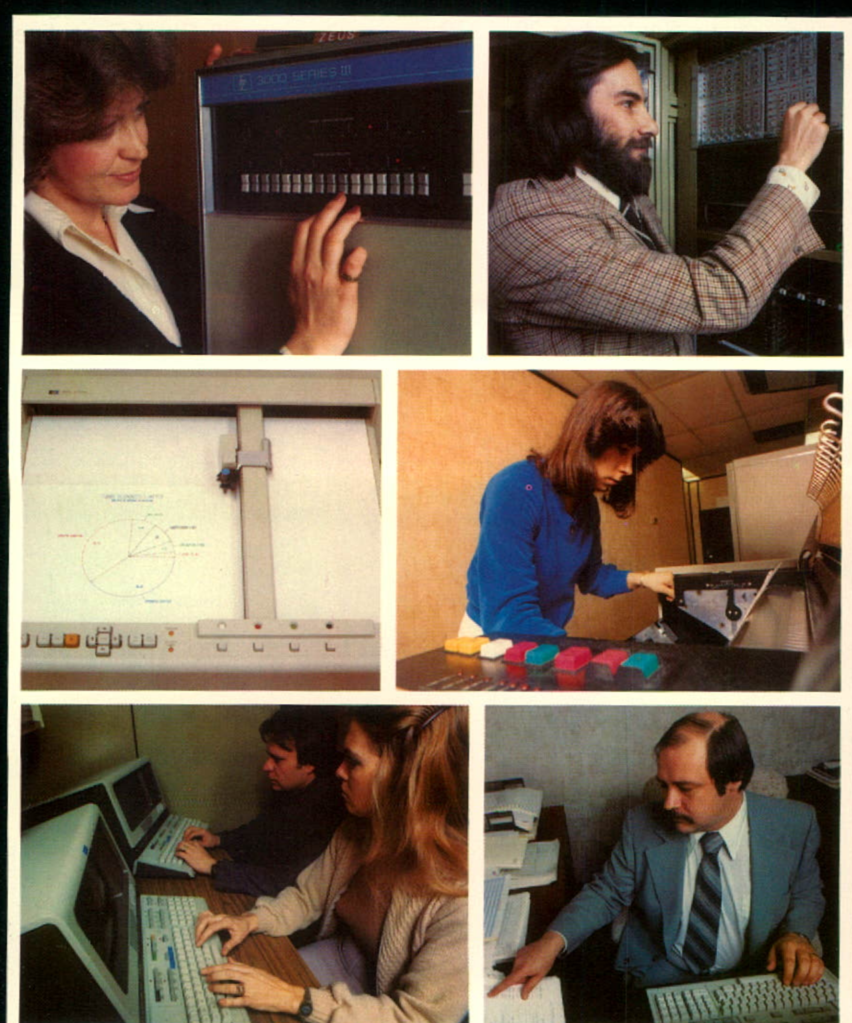


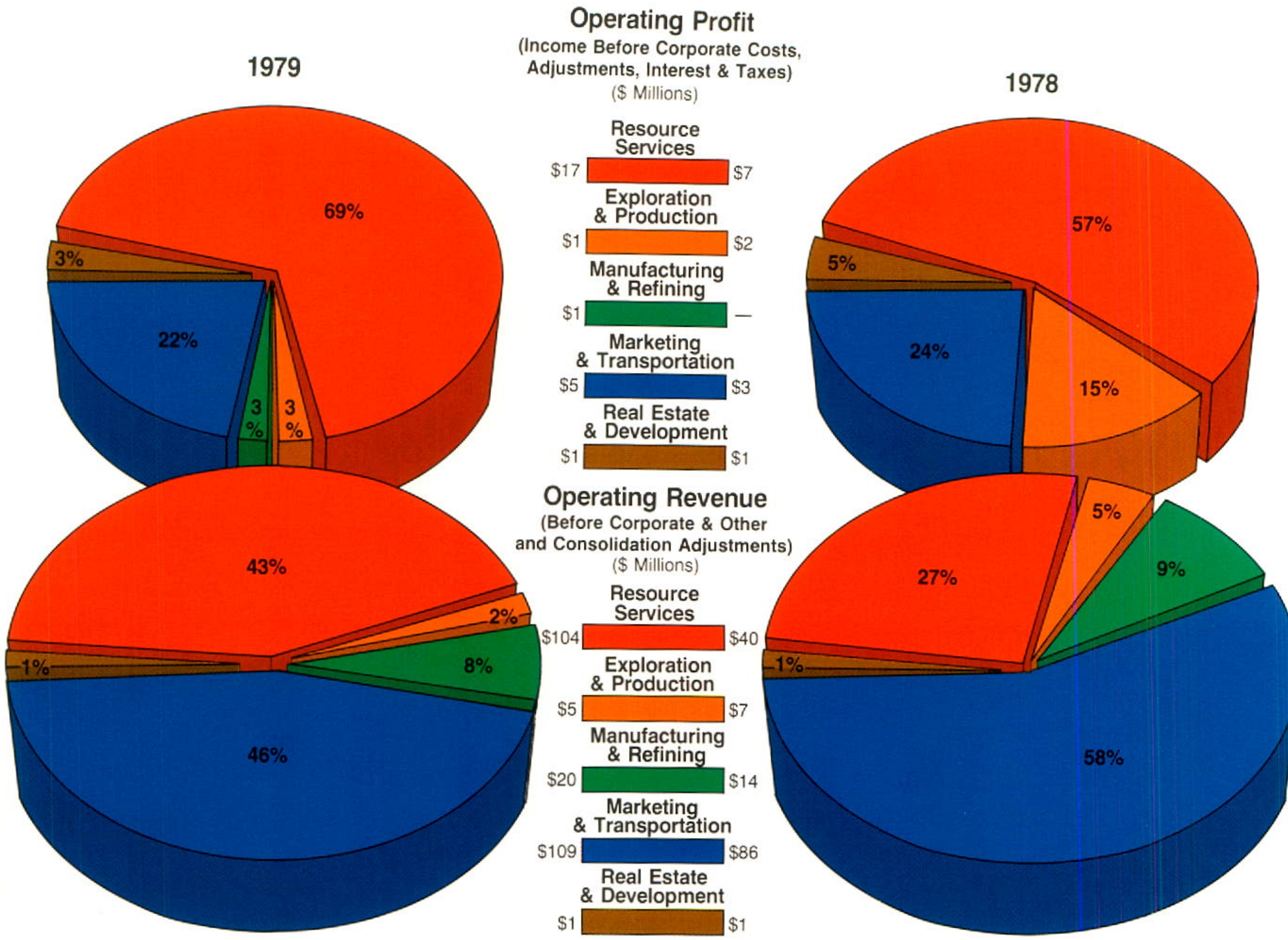
Vance Kenneth Travis
Calgary, Alberta
Chairman of the Board
Turbo Resources Limited
(*1970)

TURBO

1979 Annual Report

(This section is bound separately
and may be removed)





Management's Overview

Revenue & Income

Turbo Resources Limited's consolidated operating revenues, net earnings and earnings per share reached all time records for the 10th consecutive year.

1979 total income was $242 million, up 63%. Net earnings were $8.9 million, up 67% and Common B earnings per share (undiluted) were $1.53, up 43% over the previous fiscal year.

The charts given above show the 1979 operating revenue and profit by Groups indicating the relative contribution of each to Turbo Resources, with a comparison to 1978.

Selected five year graphs also are given for comparison on the following pages.

A significant portion of the increase in revenue results from the consolidation of the Resource Services Group for the whole of 1979 whereas only six months operations were included in 1978. During the six months of 1978 revenues for this Group totalled $40 million as compared to $104 million in the twelve months of 1979. This represents 68% of the total revenue increase.

The proceeds of $1.25 million from the sale of reserves to TBR Gas & Oil Production Program No. 6 are not reflected in revenue in 1979 because the sale is not considered a significant disposition of reserves. In 1978 the proceeds of $3.5 million from the sale of reserves to TBR Gas & Oil Program No. 5 were included in total revenue. Further details are outlined in Note 10 to the Financial Statements.

During the year the company sold its controlling interest in Oilex Industries Ltd. for a profit of $1.1 million and disposed of industrial properties in both Edmonton and Calgary for a profit of $2.1 million.

Expenses

Cost of sales increased by 54% from $116.3 million in 1978 to $178.8 million in 1979. Indirect costs, including general and administrative expenditures, rose by 81% from $15.6 million to $28.3 million. These increases are largely caused by the consolidation of Resource Services for the whole of the year. On a percentage of sales basis, direct costs decreased to 75% from 79% while indirect costs increased to 12% from 11%.

Depreciation, depletion and amortization expenses rose from $4.6 million in 1978 to $10.4 million in 1979. The 1978 amount represents approximately 15% of the cost of gross capital additions to property, plant and equipment and petroleum and natural gas properties for that year. The 1979 figure represents approximately 23% of the additions to those assets.

Balance Sheet

The company's balance sheet reflects substantial increases in all asset categories. The gross assets have increased from $122.1 million in 1978 to $167.1 million in 1979, a 37% increase. The ratio of current assets to current liabilities has moved from 1.19 to 1 in 1978 to 1.04 to 1 in 1979.

Cash flow from operations was $23.2 million in 1979 versus $14.2 million in 1978 and on a per share basis (Common B + Special A) was $3.99 as compared to $2.99 in 1978.

Net Fixed Assets

The balance sheet categories of property, plant and equipment, and petroleum and natural gas properties by operating Groups are shown below.

	Book Value ($ Millions)		%
	1979	**1978**	**Change**
Resource Services	$52.7	$35.0	+ 51
Exploration & Production	29.7	24.1	+ 23
Manufacturing & Refining	3.0	2.2	+ 36
Marketing & Transportation	5.7	4.4	+ 30
Real Estate & Development	6.5	3.9	+ 67
Other	2.0	1.2	+ 67
Total	$99.6	$70.8	+ 41

Income Taxes

Provision for taxes has increased from $3.5 million to $7.7 million and the effective tax rate has changed from 40% in 1978 to 45% in 1979. The increase has been caused primarily by the non-deductibility for tax purposes of the interest expense on the income debenture, and the high rate of tax provided on some of the overseas operations. Further details are outlined in Note 11 to the Financial Statements.

Long Term Debt

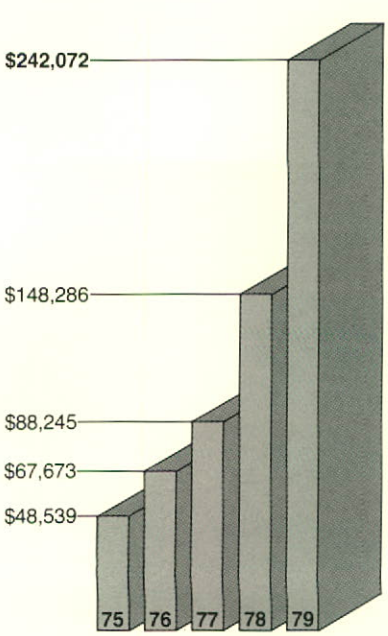
In 1979, long term debt decreased from $43.5 million to $42.5 million. The ratio of long term debt to total equity improved from 1.7 to 1 in 1978 to 0.9 to 1 in 1979.

Major changes in the debt structure during the year were as follows:

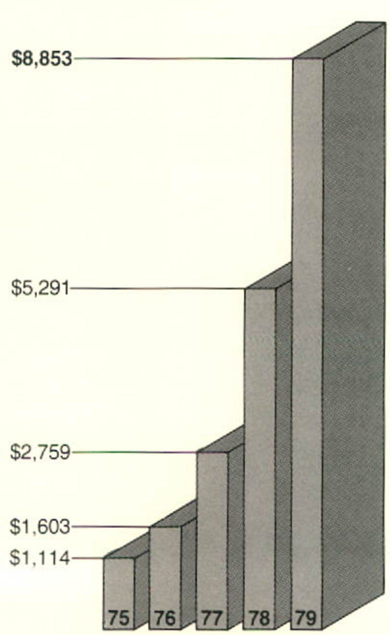
1) In March, 1979, long term debt of $17 million with a Canadian bank was converted into an income debenture. The current balance of $16.15 million reflects the repayment of $850,000 principal during 1979. Future scheduled semi-annual repayments of principal are $850,000 on March 31, 1980 and $1.02 million on September 30, 1980. With Turbo's continuing ability to defer payment of income taxes, this income debenture will represent a significant annual cash saving in interest expense.

2) Term bank loans of $24.51 million have been paid out and incorporated under a debenture with a face value of Cdn. $60 million of which U.S. $20 million has been drawn down as at December 31, 1979. Scheduled semi-annual principal repayments of U.S. $1.46 million will commence on July 1, 1980.

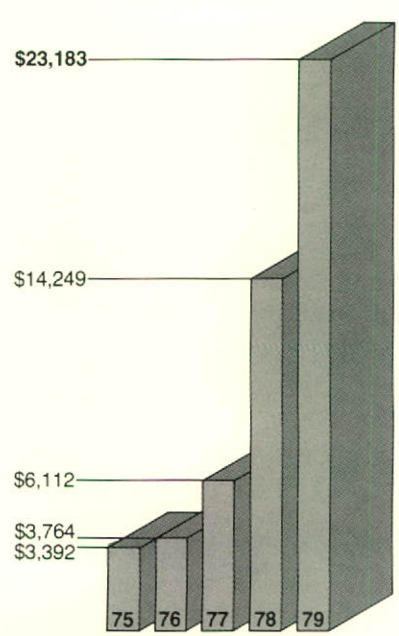
Total Revenue
(In thousands of dollars)



Net Income
(In thousands of dollars)



Cash Flow from Operations
(In thousands of dollars)



Shareholders' Equity

Shareholders' equity has increased by 87% over the year from $25.9 million in 1978 to $48.5 million at the end of 1979. Of this increase of $22.6 million, $7.3 million is attributable to the increase in retained earnings from this year's activities after dividends and $15.3 million arises from the issue of new capital.

During November, 1979, $15 million ($14.2 million net of cost of the issue) was raised through the issue of 750,000 8¼% Cumulative Redeemable Convertible Second Preferred Shares at a par value of $20 per share. Each Second Preferred Share may be converted into 1.11 Common B shares, representing a conversion price of $18 per Common B share.

Details of the equity structure of the company are more fully outlined in Note 8 of the Financial Statements.

Financial Position

The company's working capital decreased by $5.1 million from $7.3 million at the end of 1978 to $2.2 million at December 31, 1979. During 1979 a total of $97.1 million of new funds was obtained by the company compared to $53.3 million in 1978. Operations generated $23.2 million in 1979, an increase of $9.0 million, or 63% greater than the 1978 amount of $14.2 million. New shares issued generated net proceeds of $14.6 million and proceeds from major bank loans realized a further $49.3 million. Long term debt repayments and reclassifications amounted to $50.6 million.

Capital Expenditures

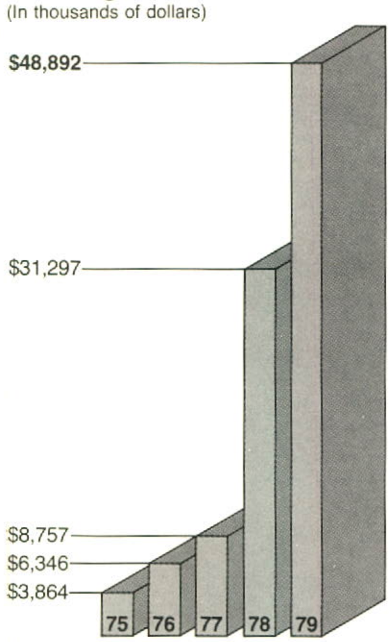
Capital expenditures rose by $13.8 million, representing a 44% increase over 1978.

Outlook

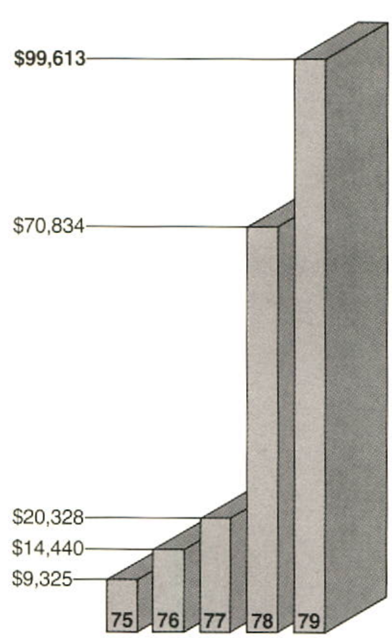
The company has a solid base from which it will continue its growth and profitability in 1980. Sufficient working capital, an excellent debt to equity ratio, available bank borrowings, unencumbered assets and substantial unissued share capital will allow flexibility to finance expenditures and acquisitions, for cash and/or shares whenever an opportunity may arise.

It is anticipated that all Groups will continue to expand in sales and profit during 1980 with the major portion of capital expenditures allocated to the Resource Services and Exploration & Production Groups. The excellent rate of return continues to justify the expansion in Resource Services and the long-term potential of the Exploration & Production looks very favourable. The company also expects to receive the necessary government approvals for a Southern Alberta Refinery and does not envisage any problems in obtaining the necessary financing.

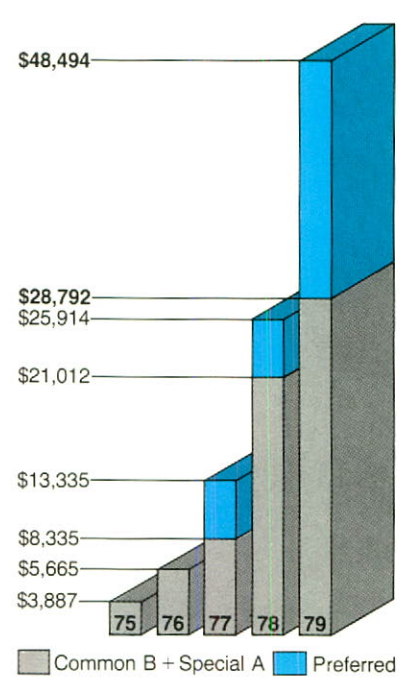
Capital Expenditures, including other assets
(In thousands of dollars)



Net Fixed Assets
(In thousands of dollars)



Shareholders' Equity
(In thousands of dollars)



Consolidated Statement of Income

For the Year Ended December 31, 1979
(with prior year's figures for comparison)
(in thousands of dollars)

	1979	1978
INCOME:		
Sales and other income (Note 10)	$238,170	$147,134
Gain on sale of property, plant and equipment	2,065	117
Gain on sale of investments	1,146	—
Share of after-tax income of affiliated companies	691	1,035
Total income	242,072	148,286
COSTS AND EXPENSES:		
Cost of sales (Note 10)	178,826	116,333
Indirect costs including general and administrative	28,297	15,618
Interest on debt:		
Short-term	1,864	907
Long-term	5,811	1,921
Depreciation, depletion and amortization	10,381	4,620
Total costs and expenses	225,179	139,399
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	16,893	8,887
PROVISION FOR INCOME TAXES (Note 11):		
Current	147	218
Alberta Royalty Tax Credit	(132)	(109)
Deferred	7,669	3,435
Net provision for income taxes	7,684	3,544
INCOME BEFORE MINORITY INTEREST	9,209	5,343
MINORITY INTEREST	356	52
NET INCOME FOR THE YEAR	$ 8,853	$ 5,291
EARNINGS PER SHARE (Note 12):		
Basic:		
Class A special share	$ 1.27	$ 0.89
Class B common share	$ 1.53	$ 1.06
Fully diluted:		
Class A special share	$ 1.09	$ 0.86
Class B common share	$ 1.31	$ 1.04

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

Consolidated Balance Sheet as at December 31, 1979

(with prior year's figures for comparison)
(in thousands of dollars)

Assets

	1979	1978
CURRENT ASSETS:		
Cash and term deposits	$ 2,083	$ 764
Accounts receivable — trade	38,940	26,486
Notes receivable:		
TBR Gas & Oil Production Funds and Program	875	6,793
Other	257	455
Inventories (Note 3)	13,434	10,237
Prepaid expenses	1,075	723
Income taxes recoverable	194	—
Total current assets	56,858	45,458
INVESTMENTS (Note 4)	4,223	3,598
PROPERTY, PLANT AND EQUIPMENT (Note 5)	73,281	49,650
PETROLEUM AND NATURAL GAS PROPERTIES	26,332	21,184
OTHER ASSETS (Note 6)	6,455	2,172
TOTAL	$167,149	$122,062

Approved by the Board:

Robert H. Brawn Director

Director

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

Liabilities and Shareholders' Equity

	1979	1978
CURRENT LIABILITIES:		
Bank indebtedness (Note 7)	$ 11,116	$ 7,176
Accounts payable and accrued charges	37,528	21,241
Advances on contracts in progress	1,101	2,120
Income taxes payable	—	291
Current portion of long-term debt (Note 7)	4,893	7,313
Total current liabilities	54,638	38,141
LONG-TERM DEBT (Note 7)	42,455	43,499
DEFERRED INCOME TAXES	20,126	12,842
MINORITY INTEREST	1,436	1,666
SHAREHOLDERS' EQUITY:		
Share capital (Note 8):		
Issued and fully paid:		
First preferred shares, Series A	4,712	4,902
Second preferred shares, 1979 Convertible Series	14,990	—
Class A special shares	1,712	1,697
Class B common shares	9,621	9,373
Contributed surplus (Note 9)	648	465
Retained earnings	16,811	9,477
Total shareholders' equity	48,494	25,914
TOTAL	$167,149	$122,062

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1979
(with prior year's figures for comparison)
(in thousands of dollars)

	1979	1978
WORKING CAPITAL PROVIDED:		
From operations	$ 23,183	$14,249
Proceeds from long-term debt	49,304	28,680
Issue of 8-1/4% cumulative redeemable convertible second preferred shares, 1979 Series, less cost of issue	14,172	—
Issue of special and common shares	436	8,455
Proceeds from sale of property, plant and equipment	6,839	1,939
Proceeds from sale of investments	1,953	—
Proceeds from sale of petroleum and natural gas properties	1,198	—
Total	97,085	53,323
WORKING CAPITAL APPLIED:		
Repayment or reclassification of long-term debt	50,588	5,757
Additions to property, plant and equipment	37,325	16,234
Additions to petroleum and natural gas properties	7,534	14,848
Additions to other assets	4,033	215
Dividends declared (including dividends paid by a consolidated subsidiary of $349,000 (1978 - Nil))	1,166	711
Additions to investments	741	728
Acquisition of subsidiaries (Note 2)	342	6,848
Capital tax paid by a foreign subsidiary	263	—
Redemption of 8-3/4% cumulative redeemable first preferred shares, Series A	190	96
Total	102,182	45,437
(DECREASE) INCREASE IN WORKING CAPITAL FOR THE YEAR	(5,097)	7,886
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF THE YEAR	7,317	(569)
WORKING CAPITAL AT END OF THE YEAR	$ 2,220	$ 7,317

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

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1979
(with prior year's figures for comparison)
(in thousands of dollars)

	1979	1978
RETAINED EARNINGS AT BEGINNING OF THE YEAR	$ 9,477	$ 4,897
ADD:		
Net income for the year	8,853	5,291
	18,330	10,188
DEDUCT:		
Dividends declared:		
First preferred shares, Series A	423	439
Class A special shares	134	68
Class B common shares	260	115
Common shares	—	89
Cost of the issue of $15 million of 8-1/4% cumulative redeemable convertible second preferred shares, 1979 Series, net of deferred taxes recoverable of $389,000	439	—
Capital tax paid by a foreign subsidiary on the issue of additional capital to Challenger	263	—
	1,519	711
RETAINED EARNINGS AT END OF THE YEAR	$16,811	$ 9,477

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

Auditors' Report

To the Shareholders of Turbo Resources Limited:

We have examined the consolidated balance sheet of Turbo Resources Limited as at December 31, 1979 and the consolidated statements of income, changes in financial position and retained earnings 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, 1979 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.

Deloitte Haskins + Sells.

Chartered Accountants

March 17, 1980
Calgary, Alberta

Notes to the Consolidated Financial Statements

December 31, 1979
(all tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of consolidation

The consolidated financial statements include the accounts of Turbo Resources Limited, all its wholly-owned subsidiaries, Challenger International Services Ltd. (99.93% equity interest, 93.72% voting control), Coast Copper Company, Limited (94.7% owned), and Leaside Resources, Inc. (90% owned).

The unallocated excess of cost of investment in subsidiaries over net assets acquired at the dates of acquisition is carried at cost of $1,259,000 (1978 — $912,000) less accumulated amortization of $224,000 (1978 — $173,000). The amortization period is twenty-five years.

(b) Valuation of inventories

Finished products and manufacturing inventories are valued at the lower of cost or net realizable value. Drilling materials and supplies, raw materials, drums and pallets are valued at the lower of cost or replacement cost.

(c) Valuation of investments

Investments in shares of affiliated companies and in the production fund are accounted for using the equity method. Under this method, the cost of the investment is adjusted for the company's share of income or loss and capital transactions, and for an appropriate portion of the difference between cost and net asset value of the investment at date of acquisition. Other investments are accounted for using the cost method.

(d) Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciation is provided as follows:

Petroleum and natural gas production equipment — on the unit-of-production basis used to compute depletion on petroleum and natural gas properties.

Drilling and service rigs — at a standard operating rate per day.

Buildings, storage tanks and equipment — on both the straight-line and diminishing-balance bases.

In all cases, the methods used are designed to amortize the cost of these assets over their estimated useful lives. Gains or losses on disposition are included in the consolidated statement of income.

(e) Valuation of petroleum and natural gas properties

The company follows the full cost method of accounting for its petroleum and natural gas properties wherein all costs relative to the exploration for and development of petroleum and natural gas and related reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on undeveloped properties, costs of drilling both productive and non-productive wells, and all technical and administrative overhead directly related to exploration and development activities. Proceeds from disposition of properties reduce the carrying value of the properties, except in cases of significant dispositions, when gains or losses are recognized and included in the consolidated statement of income. Provision for depletion of the net costs is computed on the composite unit-of-production method based on proven developed reserves as determined by independent consulting engineers.

A significant portion of the company's petroleum and natural gas activity is conducted through joint ventures.

Petroleum and natural gas properties are carried at cost of $28,859,000 at December 31, 1979 (1978 — $22,523,000) less accumulated depletion of $2,527,000 at December 31, 1979 (1978 — $1,339,000).

(f) Real estate operations

Real estate properties are categorized as either rental property or development property. Transfers from the development category to the rental category occur when the development or construction period has ended. The construction period is considered to have ended when either an architect's certificate is signed or on a gradual basis related to the proportion of occupancy, dependent on the nature of the development.

Carrying costs include interest charges and general and administrative costs specifically identifiable with a project during the construction period.

(g) Deferred process and design costs

Disposition of these costs is dependent upon applications to the Energy Resources Conservation Board for the construction of a refinery.

(h) Foreign currency translation

For the purpose of consolidation, the company has translated the accounts of its foreign subsidiaries to Canadian dollars as follows:

Current assets, excluding inventories and prepaid expenses, and current liabilities — at the rate of exchange prevailing at the year-end.

All other assets and liabilities — at exchange rates prevailing at the time of acquisition or incurrence.

Income and expenses, excluding depreciation, depletion and amortization — at the average rate prevailing for the year.

Depreciation, depletion and amortization — at the same exchange rate as the related asset.

Translation gains and losses are included in the consolidated statement of income.

2. ACQUISITION OF SUBSIDIARIES:

During 1979 the company increased its investment in Challenger International Services Ltd. from 92.35% voting interest (98.27% equity interest) to 93.72% voting interest (99.93% equity interest) by acquisition of shares for cash. In addition, on December 31, 1979, the company acquired a 94.7% interest in Coast Copper Company, Limited for cash. These acquisitions have been accounted for using the purchase method.

The cost of these acquisitions was $2,468,000, which exceeded the net assets acquired by $570,000, of which $223,000 was allocated to drilling rigs. The net assets acquired consist of current assets of $1,903,000, minority interest of $235,000 and long-term debt of $240,000.

3. INVENTORIES:

The major categories of inventories are:

	1979	1978
Raw materials, drums and pallets	**$ 2,337**	$ 1,722
Manufacturing inventories	**2,591**	3,176
Finished products	**5,460**	2,941
Drilling material and supplies	**3,046**	2,398
	$13,434	$10,237

4. INVESTMENTS:

	% Ownership	December 31 Market Value		Carrying Value	
		1979	1978	**1979**	1978
Affiliated companies:					
Bankeno Mines Limited:					
Shares	25%	**$4,171**	$2,159	**$1,812**	$ 941
Advances				**—**	163
Queenston Gold Mines Limited:					
Shares	45%	**6,042**	1,358	**604**	579
Convertible note receivable				**194**	218
Advances				**62**	9
Oilex Industries Ltd.		**—**	1,253	**—**	716
Universal H.S. Drillers (Pty.) Ltd.:					
Shares	50%	not quoted		**186**	—
Advances				**735**	—
TBR Gas and Oil Production Fund No. 4.	50%	not quoted		**260**	303
Other		not quoted		**370**	669
				$4,223	$3,598

The convertible note receivable of Queenston Gold Mines Limited is repayable in eight annual installments of $24,255 each plus interest at a rate of 6% per annum. However, the company has the option, at each repayment date, to convert the principal portion due into shares at the rate of 15 cents per share.

During the year, the company sold 551,000 shares of Oilex Industries Ltd. thereby reducing its investment to less than 1% of that company's outstanding share capital.

Market values are based on published quotations. Because of the significant interests which these holdings represent, such values may be greater or less than those which might be realized if the shares were offered for sale.

5. PROPERTY, PLANT AND EQUIPMENT:

	1979	1978	Depreciation Rates
Land	**$ 3,489**	$ 3,023	—
Buildings and leasehold improvements	**8,343**	7,862	2-1/2 — 20%
Development properties	**1,762**	680	—
Drilling and service rigs and related equipment	**53,864**	28,155	Daily rates and 10 — 20%
Storage tanks and other equipment	**10,719**	7,372	3 — 30%
Transportation equipment	**4,402**	2,924	20 — 30%
Petroleum and natural gas production equipment	**3,391**	4,299	See note 1(d)
Total costs	**85,970**	54,315	
Less accumulated depreciation	**12,689**	4,665	
	$73,281	$49,650	

6. OTHER ASSETS:

	1979	1978
Agreement for sale	$2,040	$ —
Note receivable - TBR Gas & Oil Production Fund	1,350	—
Unallocated excess of cost of investment in subsidiaries over net assets acquired, less amortization	1,035	739
Loans to directors, officers and employees to purchase shares and warrants	993	730
Deferred process and design costs	427	359
Notes receivable	126	219
Other	484	125
	$6,455	$2,172

During the year, the company sold certain land and buildings. Under the terms of the agreement for sale, the balance receivable of $2,040,000 is due on or before December 14, 1983. In lieu of receiving interest payments from the purchaser, the company has retained all rights to rent, lease, mortgage, lien, encumber, maintain and administer the property and to retain any related revenues thereon until payment of the outstanding balance is received.

7. LONG TERM DEBT:

	1979	1978
Bank indebtedness represented by an income debenture, bearing interest at 52% of the sum of bank prime rate (15% at December 31, 1979) and 1-1/2%, plus 3/8%, repayable semi-annually in amounts ranging from 5% to 15% of initial principal with final payment due March 31, 1985	$16,150	$ —
Bank indebtedness bearing interest at 1-1/2% over bank prime rate converted into an income debenture March 14, 1979	—	17,000
Term bank loan for U.S. $20,500,000 bearing interest at 1-1/4% over U.S. base rate (15-1/2% at December 31, 1979) repayable U.S. $1,464,000 principal semi-annually commencing July 1, 1980	23,946	24,513
Amounts due under a purchase agreement secured by petroleum and natural gas properties. Installments are payable monthly without interest in relation to net cash flow from these properties. Revised estimates of future net cash flows from production and a change in the discount factor used to determine present value have resulted in a reduction of $1,738,000 in the carrying value in the current year	2,655	4,484
Other at various rates	4,597	4,815
	47,348	50,812
Less current portion	4,893	7,313
	$42,455	$43,499

Principal repayments are due as follows:

1980	$ 4,893
1981	$ 6,540
1982	$ 6,344
1983	$ 6,682
1984	$ 7,843
Thereafter	$15,046

All bank borrowings are secured by:

(i) General assignments of substantially all accounts receivable and finished product and raw material inventories;

(ii) Proceeds from insurance covering accounts receivable under a foreign drilling and servicing contract and physical loss of drilling and servicing rigs and equipment utilized under this contract;

(iii) Fixed charges on real estate;

(iv) Various floating charge demand debentures aggregrating $15 million on the assets of the company;

(v) A $60 million fixed charge debenture on certain drilling and service rigs and related equipment;

(vi) Substantially all the company's petroleum and natural gas properties;

(vii) Hypothecation of the shares of certain subsidiaries (including Challenger International Services Ltd.) and an affiliate (940,740 shares of Bankeno Mines Limited).

8. SHARE CAPITAL:

At a Special General Meeting of Shareholders, held October 19, 1979, 10,000,000 Second Preferred Shares, having a par value of $20 each, issuable in series, were created and the number of Class B shares authorized was increased from 11,000,000 to 50,000,000, the maximum aggregate consideration therefor being increased from $25,000,000 to $500,000,000.

In addition, the Class A shares and Class B shares were redesignated as Class A special shares and Class B common shares respectively. The Class B common shares (previously non-voting) are entitled to one vote per share. The Class A special shares are entitled to votes equal to three times the number determined by dividing the total of all shares represented and voted at a meeting of shareholders by the total of all Class A special shares represented and voted at such a meeting, and remain convertible share for share into Class B common shares. The Class B common shares are entitled to a per share dividend amounting to 120% of the dividend so paid or declared on each Class A special share.

In the event of a wind-up, Class A special shares and Class B common shares have equal rights to any distributions.

At December 31, 1979, the authorized share capital is as follows:

5,000,000 Class A special voting shares without nominal or par value, convertible share for share into Class B common shares, maximum aggregate consideration $3,125,000.

50,000,000 Class B common voting shares without nominal or par value, carrying a per share dividend 20% greater than that paid on Class A special shares, maximum aggregate consideration $500,000,000.

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.

On November 27, 1979, the company issued 750,000 8-$^1/_4$% cumulative redeemable convertible second preferred shares, 1979 Series, with a par value of $20 each. Each second preferred share, 1979 convertible series, will be convertible at any time prior to November 27, 1989 at a conversion price of $18 per Class B common share (approximately 1.11 Class B common shares for each second preferred share, 1979 Series).

Details of issued share capital at December 31, 1979 are as follows:

	Class A special		Class B common	
	Shares	Amount	Shares	Amount
Balance December 31, 1978	2,232,399	$1,746	3,603,935	$9,874
Less shares held by subsidiaries at December 31, 1978	(9,015)	(49)	(87,817)	(501)
	2,223,384	1,697	3,516,118	9,373
Stock options exercised	12,938	24	17,735	43
Class A converted to Class B	(45,177)	(35)	45,177	35
Warrants exercised	—	—	31,485	189
Conversion of Second Preferred Shares, 1979 Convertible Series	—	—	111	2
Share transactions by subsidiary companies during the year - net	5,765	26	31,336	(21)
Balance December 31, 1979	2,196,910	$1,712	3,641,962	$9,621
Shares held by subsidiaries at December 31, 1979	3,250	$ 23	56,481	$ 522

	8-3/4% Cumulative First Preferred Shares, Series A		8-1/4% Cumulative Redeemable Convertible Second Preferred Shares, 1979 Series	
	Shares	Amount	Shares	Amount
Balance December 31, 1978	245,100	$4,902	—	$ —
Issued during the year	—	—	750,000	15,000
Redeemed or converted and cancelled.	(9,500)	(190)	(100)	(2)
Less shares held by subsidiaries at December 31, 1979	—	—	(400)	(8)
Balance December 31, 1979	235,600	$4,712	749,500	$14,990

The First Preferred Shares, Series A are redeemable after October 1, 1982 at $21.25 reducing to $20.00 by 1987.

The Second Preferred Shares, 1979 Convertible Series, are not redeemable prior to November 27, 1980 and thereafter shall not be redeemed prior to November 27, 1984, unless the Class B common shares have traded for a period of 25 consecutive trading days ending not more than 21 days prior to the call for redemption at 135% of the conversion price. On or after November 27, 1984, these shares will be redeemable at $21 reducing to $20 per share by 1989.

Stock options and warrants:

On June 2, 1972, the shareholders approved a stock option plan for officers and employees. At December 31, 1979, 28,062 Class A special shares and 56,403 Class B common shares were reserved for purchase by officers and employees under the plan. Details of outstanding stock options are as follows:

	Stock Options	
	Class A	Class B
Balance December 31, 1978	38,250	71,388
Exercised during the year	12,938	17,735
Balance December 31, 1979	25,312	53,653

Stock options are outstanding at prices ranging from $2.00 to $6.30 per share and may be exercised to acquire up to 20% of the shares under option in any one year on a cumulative basis.

Options expire as follows:

	Class A	Class B
1980	—	28,341
1982	25,312	25,312
	25,312	53,653

Details of warrants outstanding are as follows:

	Class B Warrants
Balance outstanding December 31, 1978	1,248,585
Exercised during the year	31,485
Balance outstanding December 31, 1979	1,217,100

Each warrant to purchase one Class B common share is exercisable at $6.00 per share to December 1, 1980 and thereafter at $7.50 per share to December 1, 1982.

9. CONTRIBUTED SURPLUS:

Details are as follows:

	1979	1978
Balance at beginning of the year	**$465**	$ —
Net excess of proceeds over cost of common shares and warrants acquired and subsequently resold (net of deferred taxes of $34,000 (1978 — $360,000))	**183**	463
Discount on redemption of first preferred shares	—	2
Balance at end of the year	**$648**	$465

10. SALE TO TBR GAS AND OIL PRODUCTION PROGRAM:

During 1979, petroleum and natural gas properties and production equipment were sold to TBR Gas and Oil Production Program No. 6 for total proceeds of $1,250,000. This disposition was not considered a significant disposition of reserves and therefore, the proceeds have been credited directly to the cost pool.

In 1978, sales and cost of sales, respectively, include sale of petroleum and natural gas properties to TBR Gas and Oil Production Program No. 5 of $3,500,000 and cost of the properties sold of $2,270,000.

11. INCOME TAXES:

The provision for income taxes is what would be expected when Canadian tax rates are applied against pre-tax earnings, even though certain amounts included in the pre-tax earnings are not taxable at these rates. Details of these items are as follows:

	1979	% of Pre-tax Earnings	1978	% of Pre-tax Earnings
Net income for the year	**$ 8,853**		$ 5,291	
Add: Minority interest	**356**		52	
Provision for income taxes	**7,684**		3,544	
	16,893		8,887	
Deduct: Share of after-tax income of affiliated companies	**(691)**		(1,035)	
	16,202	100	7,852	100
Projected tax expense at statutory rates	**7,615**	47	3,690	47
Increases in taxes resulting from the following:				
Non-deductibility of crown royalties	**371**	2	213	3
Non-deductibility of debenture interest expense	**692**	4	—	—
Taxes on foreign operations in excess of Canadian rates	**213**	1	269	3
Other	**593**	4	90	1
Decrease in taxes for non-taxable portion of capital gains	**(771)**	(5)	(55)	(1)
Rate adjustments:				
Resource allowance	**(332)**	(2)	(149)	(2)
Earned depletion	**(349)**	(2)	(182)	(2)
Investment tax credits	**(216)**	(1)	(223)	(3)
Provincial royalty tax credits recoverable	**(132)**	(1)	(109)	(1)
Net provision for income taxes	**$ 7,684**	47	$ 3,544	45

12. EARNINGS PER SHARE:

Due to the unique characteristics of the company's share capital (Note 8), earnings per share can be calculated on varying assumptions. The method of calculation described below is considered most representative of the interest of shareholders of Class A special shares and Class B common shares in the retained earnings of the company on an ongoing basis.

(a) Basic earnings per share

Basic earnings per share have been calculated for each of the Class A special shares and the Class B common shares based on the monthly weighted average number of shares of each class outstanding during the year and on the assumption that 100% of earnings had been distributed as dividends in the year earned, after providing for preferred share and subsidiary special share dividends.

(b) Fully diluted earnings per share

As the probability of conversion of Class A special to Class B common shares is uncertain, no effect has been recognized for such potential future conversions in calculating fully diluted earnings per share. Second preferred shares, options and warrants outstanding at December 31, 1979 have been included in the calculation of fully diluted earnings per share based on the monthly weighted average number of special and common shares relating thereto as though they had been exercised at the later of the beginning of the year or the date of issue. Earnings have been adjusted for the imputed income (net of tax) which would have been earned on the proceeds, assuming an interest rate of approximately 12-3/4%.

(c) Conversion of Class A special to Class B common shares

On the assumption that all outstanding Class A special shares were converted to Class B common shares, basic earnings per share calculated as in (a) above would be $1.43 (1978 — $0.98) and fully diluted earnings per share calculated as in (b) above would be $1.24 (1978 — $0.96).

13. LEASE OBLIGATIONS:

The company has lease obligations expiring 1980 to 1988, covering retail gasoline outlets, equipment, and office space under which it is committed to make the following rental payments:

1980	$ 1,859
1981	$ 1,721
1982	$ 1,487
1983	$ 1,088
1984	$ 472
Thereafter	$ 1,650

14. CONTINGENCIES AND COMMITMENTS:

The company is liable as the General Partner in six Alberta Limited Partnerships, the TBR Gas & Oil Production Funds and Programs.

Some overseas subsidiaries currently operate in jurisdictions where the application of the tax law is uncertain. The company has estimated the tax liability prudently based on tax legislation currently in force; however the actual liability may prove to be greater or less than that provided. Any adjustments, if necessary, will be made when the ultimate liability is known.

By letter of intent, dated April 27, 1979, subject to the fulfillment of certain conditions, the company will enter into a joint venture (in which Turbo will have a 50% interest) to purchase land and to construct an office complex thereon.

Contracts have been signed for the development of an industrial site owned by the company. Costs yet to be incurred under these contracts total $1,892,000 at December 31, 1979.

15. REMUNERATION OF DIRECTORS AND OFFICERS:

The aggregate direct remuneration paid to directors and senior officers by the company and its subsidiaries during the year was $740,000 (1978 — $712,000).

16. COMPARATIVE FIGURES:

Certain of the prior year's figures provided for the purpose of comparison have been reclassified in accordance with the current year's presentation.

17. SEGMENTED INFORMATION:

The company's operations can be divided into five business segments:

Resource Services includes oil and gas well drilling and well servicing, mineral exploration drilling, construction drilling, oilfield equipment rentals, machinery and oilfield supply sales and the manufacture of specialty rigs and drilling tools;

Exploration and Production includes the exploration for, development and production of crude oil and natural gas reserves;

Manufacturing and Refining includes oil recycling, refining and the manufacturing, blending and packaging of lubricants, anti-freeze, windshield washer fluid, and other automotive specialties as well as the development of industrial and specialty chemicals;

Marketing and Transportation includes the distribution, wholesale and retail marketing of refined petroleum products;

Real Estate includes the acquisition, development, rental and sale of real estate properties.

The following tables summarize the company's revenues, operating profit and total assets by geographic area and its revenues, operating profit, total assets and capital expenditures by business segment for fiscal 1979 and 1978.

A) BY GEOGRAPHIC AREA — 1979	CANADA	U.S.A.	OTHER	CONSOLIDATION ELIMINATIONS	TOTAL
INCOME:					
Sales to customers outside the enterprise	$215,197	$10,599	$12,374	$ —	$238,170
Transfers between geographic segments	1,117	—	—	(1,117)	—
Total sales	216,314	10,599	12,374	(1,117)	238,170
Other income	3,902	—	487	(487)	3,902
Total income	220,216	10,599	12,861	(1,604)	242,072
DIRECT COSTS	166,753	6,081	7,109	(1,117)	178,826
INDIRECT COSTS	23,841	2,040	2,416	—	28,297
DEPRECIATION, DEPLETION AND AMORTIZATION	7,543	1,394	1,444	—	10,381
	198,137	9,515	10,969	(1,117)	217,504
SEGMENT OPERATING PROFIT	$ 22,079	$ 1,084	$ 1,892	$ (487)	24,568
UNALLOCATED EXPENSES:					
Interest expense					7,675
Minority interest					356
Provision for income taxes					7,684
NET INCOME FOR THE YEAR					$ 8,853
TOTAL ASSETS AT DECEMBER 31, 1979	$125,418	$32,476	$11,456	$(2,201)	$167,149

BY GEOGRAPHIC AREA — 1978	CANADA	U.S.A.	OTHER	CONSOLIDATION ELIMINATIONS	TOTAL
INCOME:					
Sales to customers outside the enterprise	$138,042	$ 3,982	$ 5,110	$ —	$147,134
Transfers between geographic segments	—	—	—	—	—
Total sales	138,042	3,982	5,110	—	147,134
Other income	1,152	—	—	—	1,152
Total income	139,194	3,982	5,110	—	148,286
DIRECT COSTS	111,287	2,586	2,460	—	116,333
INDIRECT COSTS	13,607	315	1,696	—	15,618
DEPRECIATION, DEPLETION AND AMORTIZATION	3,683	312	625	—	4,620
	128,577	3,213	4,781	—	136,571
SEGMENT OPERATING PROFIT	$ 10,617	$ 769	$ 329	$ —	11,715
UNALLOCATED EXPENSES:					
Interest expense					2,828
Minority interest					52
Provision for income taxes					3,544
NET INCOME FOR THE YEAR					$ 5,291
TOTAL ASSETS AT DECEMBER 31, 1978	$108,114	$ 7,642	$ 9,718	$(3,412)	$122,062

B) BY BUSINESS SEGMENT — 1979

	RESOURCE SERVICES	EXPLORATION AND PRODUCTION	MANUFACTURING AND REFINING
INCOME:			
Sales to customers outside the enterprise	$103,777	$ 4,895	$19,173
Inter-segment sales	—	—	1,228
Total sales	103,777	4,895	20,401
Other income	—	—	—
TOTAL INCOME	103,777	4,895	20,401
DIRECT COSTS	67,890	2,219	12,482
INDIRECT COSTS	10,667	719	6,779
DEPRECIATION, DEPLETION AND AMORTIZATION	7,942	1,144	307
	86,499	4,082	19,568
SEGMENT OPERATING PROFIT	$ 17,278	$ 813	$ 833
UNALLOCATED EXPENSES:			
Interest expense			
Minority interest			
Provision for income taxes			
NET INCOME FOR THE YEAR			
TOTAL ASSETS AT DECEMBER 31, 1979	$ 87,224	$35,596	$12,193
CAPITAL EXPENDITURES DURING 1979	$ 28,790	$ 7,593	$ 1,010

BY BUSINESS SEGMENT 1978

	RESOURCE SERVICES	EXPLORATION AND PRODUCTION	MANUFACTURING AND REFINING
INCOME:			
Sales to customers outside the enterprise	$ 39,541	$ 7,072	$12,987
Inter-segment sales	607	25	955
Total sales	40,148	7,097	13,942
Other income	—	—	—
TOTAL INCOME	40,148	7,097	13,942
DIRECT COSTS	26,796	3,418	10,751
INDIRECT COSTS	3,864	433	3,058
DEPRECIATION, DEPLETION AND AMORTIZATION	2,149	1,303	254
	32,809	5,154	14,063
SEGMENT OPERATING PROFIT	$ 7,339	$ 1,943	$ (121)
UNALLOCATED EXPENSES:			
Interest expense			
Minority interest			
Provision for income taxes			
NET INCOME FOR THE YEAR			
TOTAL ASSETS AT DECEMBER 31, 1978	$ 60,016	$27,180	$ 7,866
CAPITAL EXPENDITURES DURING 1978	$ 10,180	$17,897	$ 1,306

MARKETING AND TRANSPORTATION	REAL ESTATE OPERATIONS	OPERATING TOTAL	CORPORATE AND OTHER	CONSOLIDATION ELIMINATIONS	TOTAL
$108,579	$ 344	$236,768	$ 1,402	$ —	$238,170
137	553	1,918	22	(1,940)	—
108,716	897	238,686	1,424	(1,940)	238,170
—	—	—	3,902	—	3,902
108,716	897	238,686	5,326	(1,940)	242,072
97,420	26	180,037	—	(1,211)	178,826
5,074	211	23,450	5,566	(719)	28,297
825	45	10,263	118	—	10,381
103,319	282	213,750	5,684	(1,930)	217,504
$ 5,397	$ 615	$ 24,936	$ (358)	$ (10)	24,568
					7,675
					356
					7,684
					$ 8,853
$ 9,453	$8,854	$153,320	$13,829		$167,149
$ 2,324	$4,889	$ 44,606	$ 253		$ 44,859
$ 86,153	$ 230	$145,983	$ 1,151	$ —	$147,134
—	475	2,062	57	(2,119)	—
86,153	705	148,045	1,208	(2,119)	147,134
—	—	—	1,152	—	1,152
86,153	705	148,045	2,360	(2,119)	148,286
76,839	10	117,814	6	(1,487)	116,333
5,455	—	12,810	3,280	(472)	15,618
794	57	4,557	63	—	4,620
83,088	67	135,181	3,349	(1,959)	136,571
$ 3,065	$ 638	$ 12,864	$ (989)	$ (160)	11,715
					2,828
					52
					3,544
					$ 5,291
$ 7,376	$3,921	$106,359	$15,703		$122,062
$ 1,211	$ 443	$ 31,037	$ 45		$ 31,082

Ten Year Summary

In thousands of dollars unless otherwise indicated

	Dec 31 1979	Dec 31 1978	Dec 31 1977
FINANCIAL			
Total Income	242,072	148,286	88,245
Income Before Taxes	16,537	8,835	4,041
Net Earnings	8,853	5,291	2,759
Per Common B Share (6)	$1.53	$1.06	$0.69
Per Special A Share (6)	$1.27	$0.89	$0.58
Working Capital From Operations	23,183	14,249	6,112
Per Common Share (1)	$3.99	$2.99	$1.37
Net Fixed Assets	99,613	70,834	20,328
Long Term Debt	42,455	43,499	7,240
Common Shareholders Equity	28,792	21,012	8,335
Per Share (1)	$4.96	$3.66	$1.87
CAPITAL EXPENDITURES (Net Prior to 1975)			
Petroleum and Natural Gas Properties	7,534	14,848	6,083
Property, Plant and Equipment	37,325	16,234	2,268
Other	4,033	215	406
RETURN ON INVESTMENT			
Net Assets (3)	16%	15%	20%
Total Shareholders' Equity	29%	31%	39%
Common Shareholders' Equity (4)	35%	40%	45%
SHARE DATA			
Closing Share Price — Toronto Stock Exchange			
Common B Shares (5)	$17.75	$7.50	$5.87
Special A Shares	$18.00	$8.25	—
Series A Preferred	$18.25	$20.00	$18.75
Common B Warrants	$12.00	$3.70	—
OPERATIONAL			
Gasoline Marketing			
Number of Outlets	222	221	214
Sales in Thousands of Gallons	126,300	104,800	93,400
Average Gallons Per Outlet (Thousands)	569	474	436
Resource Services			
Number of Oil & Gas Rigs	29	22	—
Number of Well Servicing Rigs	24	22	—
Number of Mineral and Other Rigs	81	56	—
Exploration and Production			
Gross Acres	1,543,960	731,000	327,800
Net Acres	346,140	193,000	101,511
Reserves - BCF Equivalent (2)			
Proven	74	63	40
Probable	25	13	12
Total	99	76	52
Present Value of Proven Oil and Gas Reserves, after Deduction for Royalties, Discounted at 10%	$64,771	$38,250	$22,707
EMPLOYEES	1,649	1,366	273

(1) Assumes that all Special A Shares are converted to Common B Shares.

(2) Conversion — 167,000 barrels of oil equals 1 billion cubic feet (BCF) of gas.

(3) Net earnings plus interest expense net of taxes divided by average total assets less average current liabilities (except current maturities), average minority interest and average deferred taxes.

Dec 31 1976	Dec 31 1975	Dec 31 1974	Dec 31 1973	Dec 31 1972 (10 months)	Feb 29 1972	Feb 28 1971
67,673	48,539	30,212	19,417	11,242	8,341	1,131
2,677	2,009	1,372	755	331	274	24
1,603	1,114	732	366	297	274	19
$0.42	$0.29	$0.19	$0.10	$0.08	$0.08	$0.02
$0.35	$0.24	$0.16	$0.08	$0.07	$0.07	$0.01
3,764	3,392	1,670	1,020	481	392	32
$0.89	$0.81	$0.40	$0.24	$0.12	$0.10	$0.01
14,440	9,325	7,171	5,222	3,905	2,018	719
5,645	3,361	2,991	2,503	1,918	795	281
5,665	3,887	2,856	2,207	2,127	1,233	457
$1.34	$0.93	$0.69	$0.53	$0.51	$0.32	$0.16
3,207	1,381	811	328	765	73	44
2,962	2,360	1,642	1,457	1,109	1,330	647
177	123	89	131	86	27	16
20%	19%	15%	10%	13%	23%	5%
41%	39%	33%	20%	19%	28%	2%
41%	39%	33%	20%	19%	28%	2%
$2.22	$1.30	$0.77	$0.75	$1.60	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
206	214	186	172	144	104	54
83,500	68,000	53,700	39,000	23,000	18,200	7,000
405	318	289	227	160	175	130
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
196,786	152,949	123,600	58,000	79,426	22,400	2,440
79,400	56,293	35,800	19,000	13,708	5,760	244
38	21	30	7	—	—	—
12	14	13	—	—	—	—
50	35	43	7	—	—	—
$23,300	$10,012	$6,200	$1,390	—	—	—
238	183	153	122	134	125	87

(4) Net earnings, less preferred share dividends divided by opening common shareholders' equity adjusted for common shares issued during the year.

(5) Figures prior to 1978 refer to the single class of common shares outstanding.

(6) 1977 and prior years restated to show effect of reorganization of share capital in 1978.

Corporate Identity

The corporate identification shown above is used by Turbo Resources Limited to identify the company in a short, stylized and easily identifiable way. It was introduced as the company's corporate identification in 1978.

The identification is based on the design used by the gasoline marketing group to distinguish its service stations. It, in turn, is a modification of the stylized name of Turbo used by the company during its first seven years of operations.

For corporate use, the border was removed and the red bar was slanted to correspond to the stylized T in the Turbo name. The maple leaf in the red bar identifies Turbo as a Canadian company, an important feature for operations within Canada.

To maintain the corporate identity for subsidiary companies, operational groups and divisions, the red bar and maple leaf are used as a common symbol. The name is placed over the bar in a manner similar to Turbo, but it is not stylized in the same manner.

For subsidiaries based and operating in countries other than Canada, the above theme has been developed with appropriate modifications.

Throughout the identity program the blue name and red bar will be consistent.

"We Work With Energy"

Turbo Group of Companies and Operating Divisions

Subsidiary Companies

* Becker Alaska Limited
* Becker Drills Inc.
Bishop Machinery & Supply Co. Ltd.
Bramco Industries Limited
British American Chemical Company Limited
* Challenger Drilling Inc.
* Challenger International B.V.
Challenger International Services Ltd.
* Challenger Limited
Coast Copper Company, Limited
Freeway Petroleum Transport Ltd.
Freeway Transport Ltd.
Heath & Sherwood Drilling Limited
* Leaside Resources, Inc.
Les Forages Becker (Quebec) Inc.
* Turbo Resources, Inc.
Viscount Financial Services Ltd.

Operating Divisions

Bramco Industries
Challenger Drilling
Challenger Rentals
Drill Systems
Heath & Sherwood Drilling
Petroleum Marketers (Red Ram)
Pine Well Servicing
Turbo Chemicals
Turbo Properties
Turbo Refineries

Affiliated Companies

Bankeno Mines Limited
* HSB Ltd.
Northwest Sand & Gravel Ltd.
Queenston Gold Mines Limited
* Universal H. S. Drillers (Proprietary) Limited

* Non Canadian

Duplicate Annual Reports

Some shareholders of Turbo Resources Limited receive more than one copy of the Company's Annual Report, dividend cheques and other information mailed to shareholders.

Special effort is made by Canada Trust Company, the Company's Transfer Agent and Registrar, to eliminate such duplications; however, if all shares are not registered identically for each class of shares, then multiple copies will be received.

Those shareholders wishing account consolidation should seek assistance by contacting Frederick A. Youck at the Company's Corporate office located at 1019 - 7th Avenue, S.W., Calgary, Alberta, T2P 1A8.

Texte du Rapport Annuel
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Français
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Texto del Reporte Anual
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Español
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Annual Meeting

The Annual Special General Meeting of Shareholders of Turbo Resources Limited will be held at the Calgary Inn, 320 - 4th Avenue, S.W., Calgary, Alberta at 3:00 P.M., Tuesday, May 13, 1980.

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CALGARY

Turbo supports and encourages the work of the Calgary Olympic Development Association in its bid to host the 1988 Olympic Winter Games

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