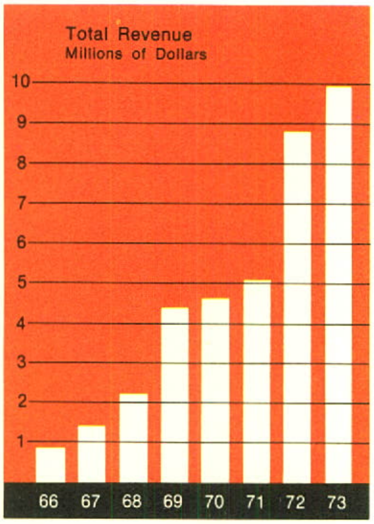
Third
Annual Report
1973

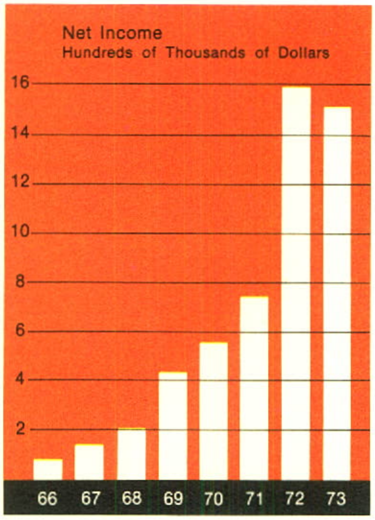
Wiley
OILFIELD
HAULING
LTD.

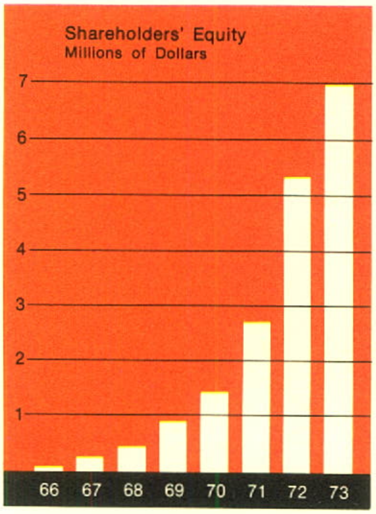
Highlights

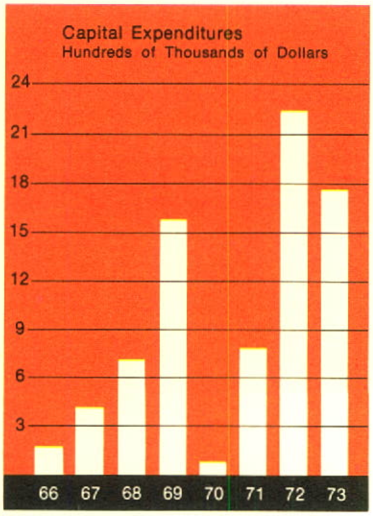
	1973	1972	% Increase (Decrease)
Total revenue	9,976,920	8,832,943	13.0
Net income	1,511,314	1,592,281	(5.1)
*Per share	$.72	$.82	(12.2)
Working capital	1,494,674	1,722,920	(13.2)
Property, plant and equipment	9,753,471	6,255,242	55.9
Capital expenditures (net)	1,767,459	2,234,936	(20.9)
Shareholders' equity . . .	6,996,276	5,352,218	30.7
*Per share	$3.29	$2.57	28.0
Cash flow from operations .	2,580,940	2,428,503	6.3
*Per share	$1.23	$1.26	(2.4)

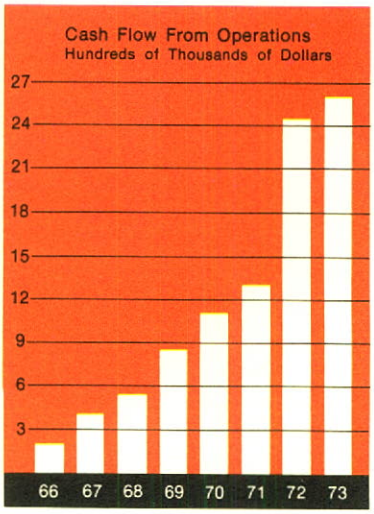
*As adjusted for 2 for 1 stock split.











President's Report to the Shareholders

Results of operations of your company and its wholly-owned subsidiaries for the year ended September 30, 1973 did not reach the level we had previously anticipated but, nevertheless, are highly satisfactory under the circumstances.

Revenue increased by 13% to $9,976,920, while net income after income taxes decreased by 5% to $1,511,314, although cash flow from operations increased by 6% to $2,580,940 for the current year's operations. The decrease in net income is attributable to start-up costs and adverse weather conditions affecting your company's United States subsidiary, a slow-down in pipeline construction in Canada during your company's fourth quarter, and start-up costs related to the Dempster Highway construction project.

During the year ended September 30, your company and its wholly-owned subsidiaries continued to expand and grow. Falcon Transport Ltd., your company's wholly-owned subsidiary engaged in providing support services for drilling and exploration work in remote areas, completed its most successful year of operation in terms of revenue and profitability. Future for this phase of your company's operation is favorable, as an active oil and gas exploration program in the Mackenzie Delta and Canadian Arctic continues. Current energy shortages and recent substantial increases in foreign oil prices should contribute toward sustained and increased exploration and development in Canada's north and lower mainland.

J. L. Cox & Son, Inc., your company's wholly-owned subsidiary acquired on February 28, 1973, is engaged in providing pipeline stringing and related services in the United States. This company strung over 420 miles of pipe during the year, but start-up costs and severe weather conditions at critical times hampered its profitability.

One of its largest pipe stringing projects undertaken was continuously plagued by heavy rainfalls during the construction season. In addition, fuel supplies were not always readily available, and consequently

Equipment engaged in building the road bed for the Dempster Highway project.

fuel had to be trucked in to the project from distant supply points with increased transportation and purchase costs, as well as delivery delays.

Liard Construction Company Limited and affiliated companies, your company's wholly-owned subsidiaries acquired on July 26, 1973, are engaged, along with the parent company, in the construction of 58.5 miles of the Dempster Highway in the Yukon Territory. They are also in the process of completing a section of highway in British Columbia. The Dempster Highway project is a new area of operation for your company, and the technique employed, due to the proximity of the material to the road, makes the project essentially a transportation operation. Present work on the Dempster employs a technique new to the Northwest and considerably different than old methods of gouging out a route with bulldozers and scrapers. A slashing and clearing crew works ahead of the crew laying the initial pad of aggregates, cutting trees in a swath the width of the right-of-way and laying them in the centre, perpendicular to the road. The initial pad is

A recently completed section of the Dempster Highway.

One of the large front end loaders in the process of loading a dump truck at one of the active borrow pits on the Dempster Highway.

A grade tractor waiting for the load to be dumped so that it can spread and level the aggregate.

A partial view of the camp and repair facilities owned and operated by the company, located at Mile 176 of the Dempster Highway, to support the Dempster Highway project.

then built over these trees and ground cover, acting as a natural insulator to protect the permafrost. The final grading crew then brings the roadway up to specified grade levels. By employing this method, the total road right-of-way is protected from heavy equipment prior to being covered and, therefore, the disturbance to the original ground cover is minimal. Continued development of the North in the completion of the Dempster Highway and the planned construction of the Mackenzie Highway will provide work in these areas for an additional two to three years, and your company is now in a position to participate in this development.

Your company continued to provide pipe-stringing services in Canada and during the current year strung over 410 miles of pipe including 73 miles of 48″ O.D. pipe; however, pipeline construction activity, particularly in the last quarter of the company's fiscal year, was substantially reduced.

Current indications are that fiscal 1974 will be a very interesting year for your company and its subsidiaries. On the one hand, is the chaotic situation caused by some various levels of government in Canada appearing unable at this time to properly

One of the company's large "Desert Trucks" on location at Richards Island in the North West Territories.

A portion of one of the company's support service spreads located in Northern Canada.

Pipeline stringing in Northern Ontario for 36" looping program.

assess and resolve the fossil fuel energy problems in Canada.

However, recent developments indicate that the continuation of Interprovincial Pipeline Company's facilities from Sarnia or Winnipeg to Montreal is inevitable in an effort to bring Western Canadian crude to Eastern Canada. This move should provide for substantial increased pipeline activity over the next two years in the construction of the new facilities, as well as increasing the capacity of the existing line between Edmonton and Sarnia.

On the other hand, is the November 16th signing into law of a bill, by the President of the United States, to permit construction of the 4 billion dollar oil pipeline in Alaska. The bill provides for the granting of a pipeline right-of-way across Federal lands in Alaska, and denies further court challenges on the environmental issues.

It is now expected that the United States Department of the Interior will issue a right-of-way permit in January, 1974 and actual construction may start by the middle of 1974 for completion in 1977.

One of the company trucks being towed up a steep grade during a pipeline construction project in Kentucky, U.S.A.

A truck being loaded at a stockpile yard prior to hauling the pipe to the right of way for stringing.

We are of the opinion that pipeline construction will return to good levels of activity in the near future, and should begin to effect earnings in the second half of your company's 1974 fiscal year. Exploration work in Northern Canada should be at least at the same level of activity as occurred in 1973.

On behalf of your Board of Directors, I wish to commend the many employees of your company who, once again, through their diligent efforts, made 1973 a successful and rewarding year.

V. N. Oradchuk

President and
Chief Executive Officer

December 4, 1973
Red Deer, Alberta

Portion of a pipeline stringing job in Montana, U.S.A.

Typical pipeline right of way during the summer months in Northern Ontario.

Consolidated Statement of Income

For The Year Ended September 30, 1973
(with 1972 figures for comparison)

	1973	1972
Revenue	$ 9,976,920	$8,832,943
Expenses:		
Operating and administrative	6,170,704	5,101,028
Depreciation (Note 3)	749,391	494,970
Interest on debt:		
Short-term	10,908	8,796
Long-term	31,385	67,128
Total expenses	6,962,388	5,671,922
Income Before Income Taxes	3,014,532	3,161,021
Provision For Income Taxes:		
Current	1,107,485	1,230,140
Deferred	395,733	338,600
Total provision for income taxes	1,503,218	1,568,740
Net Income For The Year	$ 1,511,314	$1,592,281
Earnings Per Share (Note 6):		
On weighted average number of shares outstanding	$.72	$.82
Fully adjusted		$.78

Consolidated Statement of Retained Earnings

For The Year Ended September 30, 1973
(with 1972 figures for comparison)

	1973	1972
Balance At Beginning Of The Year	$ 3,745,195	$2,213,860
Net income for the year	1,511,314	1,592,281
Excess of cost over net assets acquired of certain subsidiaries written off (Note 1)	(241,340)	—
Financing costs written off (net of income taxes)	—	(60,946)
Balance At End Of The Year	$ 5,015,169	$3,745,195

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

Consolidated Balance Sheet as at September 30, 1973

(with 1972 figures for comparison)

ASSETS	1973	1972
Current Assets:		
Cash	$ 2,226,186	$ 984,877
Accounts receivable	2,700,813	2,582,341
Prepaid expenses	140,183	60,920
Unbilled construction costs (Note 2)	353,239	—
Deposit in escrow	—	73,453
Total current assets	5,420,421	3,701,591
Property, Plant and Equipment – at cost (Note 3)	9,753,471	6,255,242
Less accumulated depreciation	2,607,765	1,308,775
Net property, plant and equipment	7,145,706	4,946,467
Other Assets – at cost:		
Operating authorities (Note 1)	185,118	6,505
Incorporation and foreign registration costs	5,450	4,057
Total other assets	190,568	10,562
Total	$12,756,695	$8,658,620

Approved by the Board:

V. N. Oradchuk, Director

A. G. Holley, Director

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	1973	1972
Current Liabilities:		
Indebtedness to banks (partially secured by a general assignment of book debts of a subsidiary)	$ 425,000	$ 100,000
Accounts payable and accrued liabilities	2,392,888	1,059,606
Taxes	627,750	652,755
Principal payments on long-term debt due within one year (Note 4)	480,109	166,310
Total current liabilities	3,925,747	1,978,671
Long-term Debt (Note 4)	158,672	192,431
Deferred Income Taxes	1,676,000	1,135,300
Shareholders' Equity:		
Capital stock (Note 5):		
Authorized – 10,000,000 shares without nominal or par value		
Issued and fully paid – 2,129,124 shares (1972 – 2,082,424 shares)	1,981,107	1,607,023
Retained earnings	5,015,169	3,745,195
Total shareholders' equity	6,996,276	5,352,218
Total	$12,756,695	$8,658,620

Consolidated Statement of Source and Application of Funds

For The Year Ended September 30, 1973
(with 1972 figures for comparison)

	1973	1972
Source of Funds:		
Net income for the year	$ 1,511,314	$1,592,281
Depreciation	749,391	494,970
Deferred income taxes	395,733	338,600
Financing costs and finance charges	—	6,048
(Gain) on disposal of property, plant and equipment	(75,498)	(3,396)
Total funds provided from operations	2,580,940	2,428,503
Capital stock issued on conversion of Series A debentures	—	988,872
Proceeds of long-term debt	—	427,000
Sales of capital stock	374,084	67,431
Sales of property, plant and equipment	233,072	129,604
Reduction of investment in joint venture	—	59,898
Total funds provided	3,188,096	4,101,308
Application of Funds:		
Additions to property, plant and equipment	2,000,531	2,364,540
Acquisition of subsidiary companies	1,093,828	—
Conversions of Series A debentures to capital stock	—	988,872
Reductions of long-term debt	221,156	277,449
Working capital deficiency on acquisition of subsidiary companies	95,407	—
Increase in other intangible assets	5,420	6,505
Total funds applied	3,416,342	3,637,366
(Decrease) Increase In Working Capital For The Year	(228,246)	463,942
Working Capital At Beginning Of The Year	1,722,920	1,258,978
Working Capital At End Of The Year	$ 1,494,674	$1,722,920

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

Notes to the Consolidated Financial Statements

September 30, 1973

1. Principles of Consolidation:

The consolidated financial statements include the assets, liabilities, revenues and expenses of Wiley Oilfield Hauling Ltd. (Wiley) and its wholly-owned subsidiaries Falcon Transport Ltd. (Falcon), Specialty Construction & Equipment Ltd. (Specialty), J. L. Cox & Son, Inc. (J. L. Cox), Liard Construction Company Limited (Liard), Norm Keglovic Contracting Ltd. (Keglovic), Klondike Contractors Limited (Klondike) and D. K. Industries Ltd. (D.K.). Falcon and Specialty have been included in the consolidated financial statements on a pooling of interests basis from their respective dates of incorporation. J. L. Cox, Liard, Keglovic, Klondike and D. K. have been included in the consolidated financial statements on the purchase basis from their respective dates of acquisition by Wiley in 1973.

The excess of cost over net assets acquired in J. L. Cox, amounting to $177,486, has been allocated to the cost of operating authorities held by that company for purposes of the consolidated statements. The excess of cost over net assets acquired in Liard, Keglovic, Klondike and D. K., amounting to $241,340, after allocating $100,000 to the cost of land, has been written off to retained earnings.

2. Unbilled Construction Costs:

The companies follow the practice of accounting for income from contracts on the percentage of completion basis. Under this method, income is reported on an estimated basis until the entire contract has been completed, at which time final quantities are determined and income adjusted accordingly.

3. Property, Plant and Equipment:

	Cost	Accumulated Depreciation	Rates
Heavy duty trucks	$3,372,594	$ 902,383	10% to 25%
Trailers and vans	775,125	240,579	10%
Light duty trucks and cars	243,391	93,255	25%
Construction and tracked equipment	3,334,512	970,069	10% to 20%
Cranes	322,589	96,284	10%
Airplane	500,000	91,667	10%
Buildings and camps	601,769	86,178	3% to 10%
Other	452,716	127,350	10% to 30%
Land	150,775	—	
	$9,753,471	$2,607,765	

It is the companies' practice to provide depreciation of plant and equipment under the straight-line method at the rates shown above.

4. Long-term Debt:

	September 30, 1973	September 30, 1972	Interest Rates
Bank loans	$ 300,000	$ 307,000	9% to 11%
Lease purchase contracts	304,603	31,741	9.5% to 12%
Finance contracts	34,178	20,000	9% to 13%
	638,781	358,741	
Due within one year	480,109	166,310	
	$ 158,672	$ 192,431	

All of the above borrowings are secured by pledge of specific items of equipment.

5. *Capital Stock:*

The authorized and issued and fully paid capital stock as at September 30, 1973 and September 30, 1972 have been adjusted to reflect a 2 for 1 stock split which was approved by the shareholders of Wiley on January 10, 1973 and confirmed by the Registrar of Companies for the Province of Alberta on March 1, 1973.

On July 26, 1973, Wiley issued 37,500 shares from treasury for a total consideration of $346,875, as partial payment to acquire all of the outstanding capital stock of Liard, Keglovic, Klondike and D.K.

During the year, certain officers and key employees exercised their options to acquire 9,200 shares of Wiley for an aggregate consideration of $27,209. At September 30, 1973, options to acquire the following shares were outstanding:

Date Option Granted	Number of Shares Under Option	Price Per Share	Expiry Date
April 21, 1971	23,940	$2.625	April 21, 1976
May 4, 1971	21,660	$3.325	May 4, 1976
	45,600		

Subsequent to September 30, 1973, the remaining 50% of the 1,130,000 shares (as adjusted) of Wiley, originally held in escrow, were released.

6. *Earnings Per Share:*

The earnings per share figures are calculated using the weighted average number of shares (as adjusted for a 2 for 1 stock split) outstanding during each of the respective years. Fully adjusted earnings per share show the effect on earnings per share which would have resulted if the Series A debentures had been converted into shares on October 1, 1971 instead of on the actual dates of conversion.

7. *Remuneration of Directors and Senior Officers:*

The aggregate direct remuneration paid by the company and its wholly-owned subsidiaries to the directors and senior officers of Wiley for the year ended September 30, 1973 amounted to $294,103 (1972 - $190,770).

Auditors' Report

To the Shareholders of
Wiley Oilfield Hauling Ltd.:

We have examined the consolidated balance sheet of Wiley Oilfield Hauling Ltd. and its wholly-owned subsidiaries as at September 30, 1973 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
November 9, 1973.

DELOITTE, HASKINS & SELLS
Chartered Accountants

Directors:

Victor N. Osadchuk
Alan G. Holley
Michael C. Rodney
Ralph H. Walker
William D. Fowler
Garry S. Hagglund, C.A.
Harry A. Powell
Morgan Wolsey

Officers:

Victor N. Osadchuk, President
Alan G. Holley, Executive Vice President
Michael C. Rodney, Secretary
Garry S. Hagglund, C.A., Treasurer

Head Office:

6725 Golden West Avenue
Red Deer, Alberta

Transfer Agent and Registrar:

Montreal Trust Company
Toronto and Calgary

Stock Exchange Listing:

The Toronto Stock Exchange

Bank:

The Royal Bank of Canada
Red Deer, Edmonton and Kelowna

Auditors:

Deloitte, Haskins & Sells
Calgary

Solicitors:

Parlee, Irving, Henning, Mustard & Rodney
Edmonton

Annual General Meeting:

January 25, 1974 at 2:30 p.m.
Capri Motor Hotel
Red Deer, Alberta

Wiley Oilfield Hauling Ltd.

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