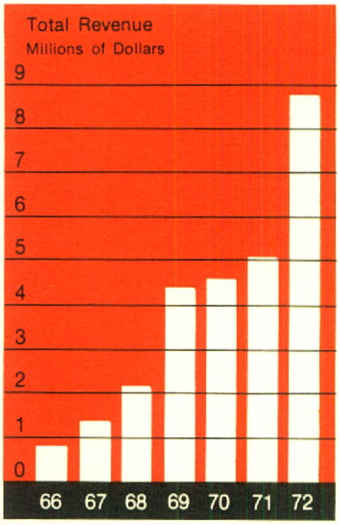
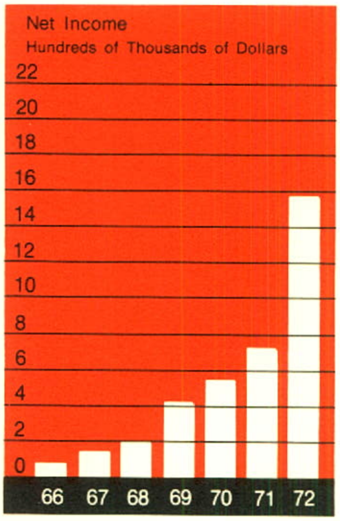
Second Annual Report 1972

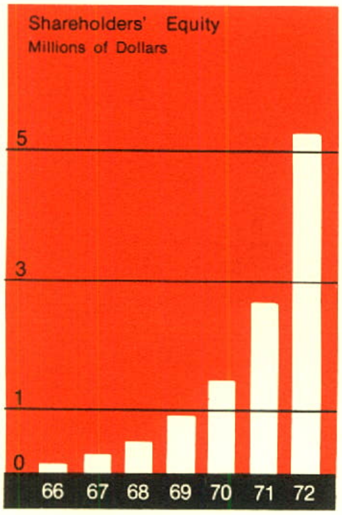
Wiley
OILFIELD
HAULING
LTD.

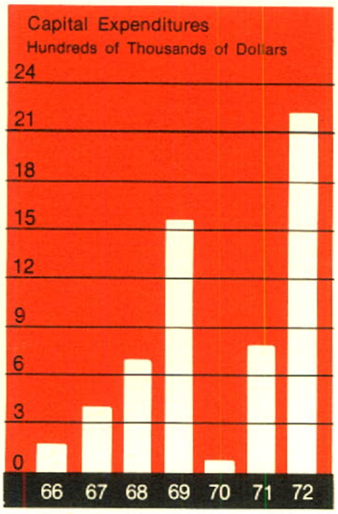
Highlights

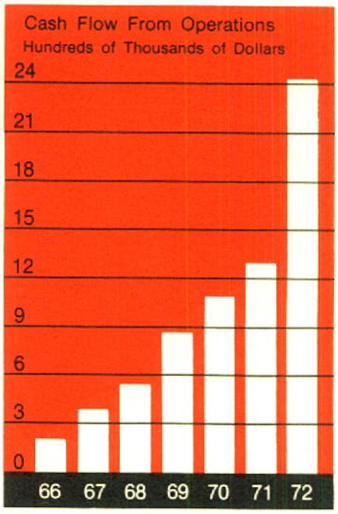
	1972	1971	% Increase
Total revenue	8,832,943	5,116,774	72.6
Net income	1,592,281	734,548	116.7
Per share	$1.65	$.89	85.3
Working capital	1,722,920	1,258,978	36.8
Property, plant and equipment	6,255,242	4,059,898	35.3
Capital expenditures (net)	2,234,936	825,956	170.5
Shareholders' equity	5,352,218	2,764,580	93.5
Per share	$5.14	$3.19	61.1
Cash flow from operations	2,428,503	1,296,636	87.2











President's Report

On behalf of the Board of Directors, I am pleased to report on the operations of your company and its wholly-owned subsidiaries for the fiscal year ended September 30, 1972.

For the sixth consecutive year, we continued to establish increases in gross revenue, net profit, earnings per share and profit margins. Consolidated revenue of $8,832,943 represents a 72.6% increase over the previous year's revenues of $5,116,774 and are the highest in the company's history. Net income after income taxes increased by 116.7% from $734,548 in 1971 to $1,592,281 this year and accordingly earnings per share increased from $.89 in 1971 to $1.65 this year to reflect an increase of 85.3%.

The substantial increase in gross revenues resulted from optimum utilization of the company's assets and overhead, a combination which contributed favorably to the profit margin.

Support services for drilling and exploration in the Mackenzie Delta and Arctic regions has become a significant portion of your company's overall business and the majority of the operating equipment is now engaged in these areas. It is anticipated that as oil and gas exploration and development programs increase in size and complexity in these areas, your company's interest will increase accordingly. Substantial attention is being focused on the preservation of the tundra and permafrost conditions in the northern areas and stringent regulations may develop a need for additional specialized wheel and track equipment in order that potential damage to the environment is reduced to a minimum. This may eventually necessitate more such equipment and operational time in the preparation and restoration of oil drilling and exploration sites. To properly co-ordinate planned expansion and ensure that the work presently under contract in the Arctic as well as future operations there are properly managed and executed, we have recently set up an operations base at Inuvik, Northwest Territories. Additionally, during the current year your company's investment in assets engaged in this phase of operations was increased by approximately $1,400,000, including special trucks, track vehicles, construction equipment and a turbine powered pressurized aircraft.

Participation in increased pipeline construction continued to expand and equipment assigned to this segment of your company's operations enjoyed a high utilization throughout the year. Current indications are that this phase of the operation will maintain a high level of activity throughout the next year with a substantial increase when either the proposed Alaska oil pipeline or the Mackenzie pipeline projects materialize.

During the year, your company entered into an agreement to acquire for cash the issued share capital of J. L. Cox & Son, Inc. a United States corporation, headquartered in Raytown, Missouri. J. L. Cox & Son, Inc. hold certificates of public convenience and necessity from the Interstate Commerce Commission which allow the corporation to perform pipeline stringing and related materials and equipment transportation in 47 states and the District of Columbia. Closing of the transaction will result when necessary approvals are received from all the appropriate United States regulatory bodies. The majority of these approvals have now been received and closing of the transaction is contemplated within the next three months.

One of your company's subsidiaries was successful in obtaining an operating authority in the province of Quebec during the year. As a result, the parent company and the subsidiary combined now have permanent operating authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, the Northwest Territories and the Yukon Territory.

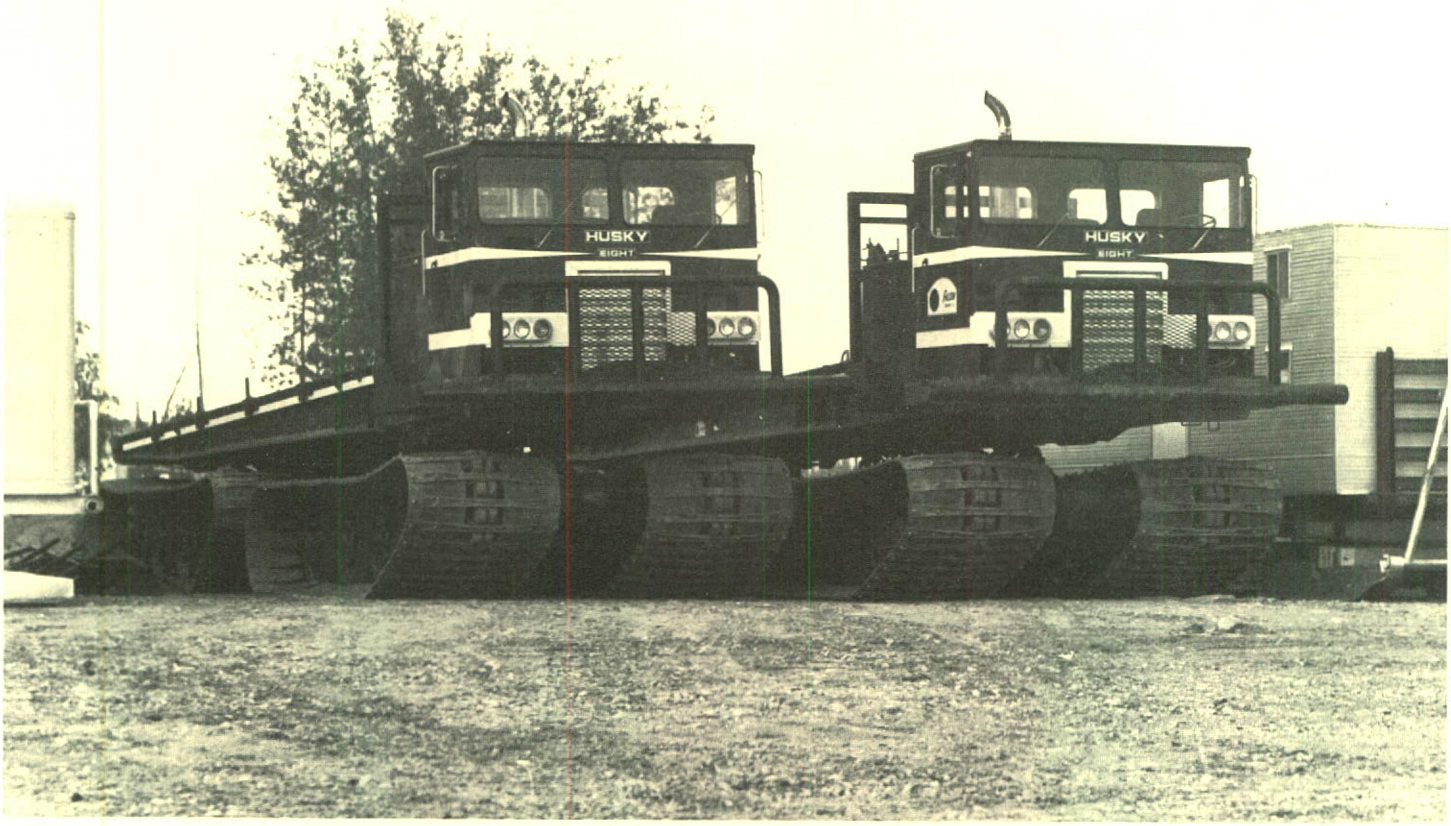
The 9% Convertible Sinking Fund Debentures, Series A, sold at time of underwriting, were called for redemption on May 8, 1972 and prior to redemption date of June 15, 1972, the holders of $989,500 principal amount, converted their debentures into 164,812 common shares of the company. The remaining $10,500 of the debentures were redeemed by the company.

On behalf of your Board of Directors, I wish to extend my sincere appreciation to our clients for their valued patronage, to you our shareholders for your confident participation and to our dedicated employees, who through their continued diligent efforts made the current year the most successful and rewarding in your company's history.

V. N. Ozadchuk

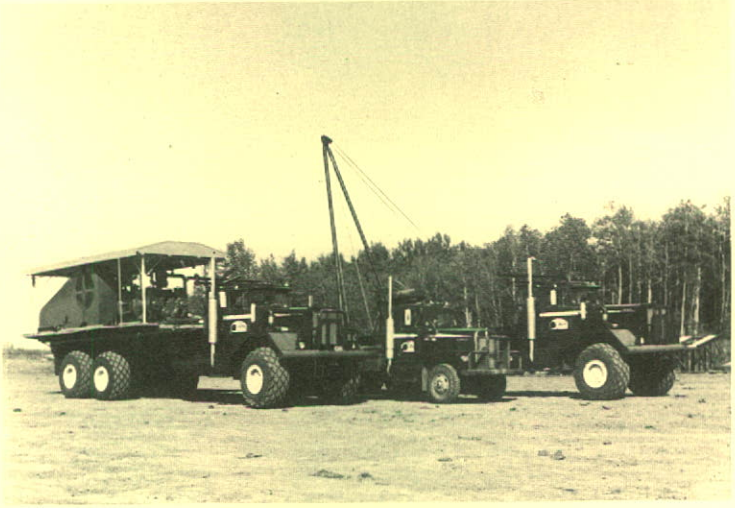
President and
Chief Executive Officer

November 24, 1972
Red Deer, Alberta



Husky Eight all-terrain vehicles added to the company's northern support service fleet in 1972. These vehicles are currently engaged in the transportation of equipment and supplies in conjunction with a major exploration program on Richards Island.

Merlin II B aircraft acquired by the company to facilitate supervision and to expedite the transportation of personnel, parts and supplies to remote locations.



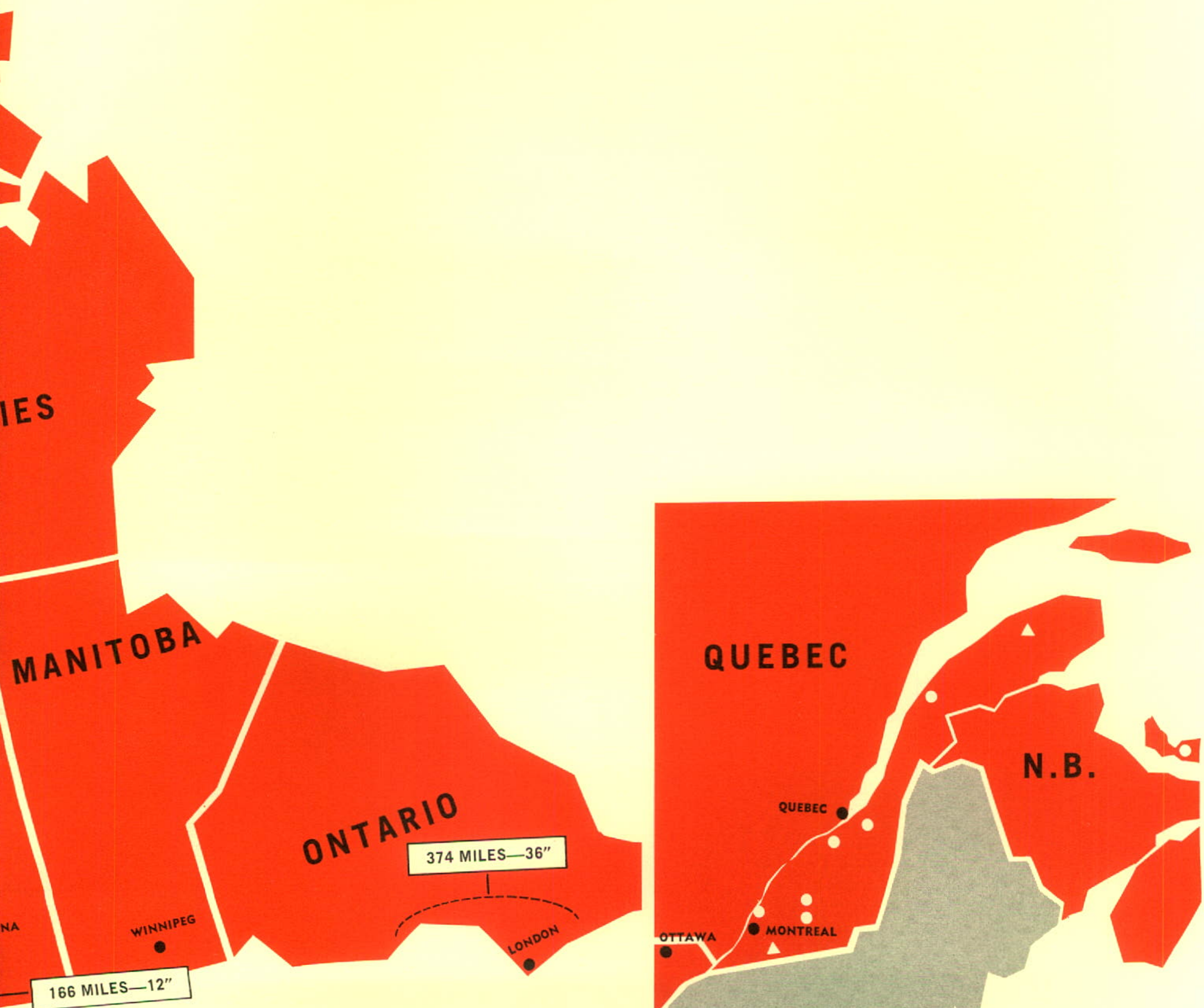
Two specially designed and equipped model 953 Kenworth trucks dwarf a conventional model 924 Kenworth truck. These large units are capable of carrying a payload of 50 tons, are all wheel planetary drive and are equipped with special flotation tires to reduce ground pressure in tundra areas.

Stringing of 36" O.D. pipe during construction of looping facilities on a major Canadian pipeline in Eastern Canada.

Richards Island
PRUDHOE BAY
INUVIK
ALASKA
YUKON
NORTHWEST TERRITOR
WHITEHORSE
YELLOWKNIFE
34 MILES—20"
BRITISH COLUMBIA
ALBERTA
SASK.
20 MILES—20"
42 MILES—10"
EDMONTON
79 MILES—16"
87 MILES—36"
SASKATOON
86 MILES—10"
CALGARY
VANCOUVER
U.S.A.

Areas of Interest

- ● Support service work in 1972 fiscal year
- ▲ Support service work under contract for 1973 fiscal year
- ---- Pipeline work in 1972 fiscal year and work presently under contract



Consolidated Balance Sheet as at September 30, 1972

(with 1971 figures for comparison)

ASSETS	1972	1971
Current Assets:		
Cash	$ 984,877	$1,196,860
Accounts receivable	2,582,341	1,294,570
Prepaid expenses	60,920	121,355
Deposit in escrow (Note 2)	73,453	—
Total current assets	3,701,591	2,612,785
Investment In Joint Venture	—	59,898
Property, Plant And Equipment – at cost (Note 3)	6,255,242	4,059,898
Less accumulated depreciation	1,308,775	856,794
Net property, plant and equipment	4,946,467	3,203,104
Other Assets – at cost:		
Incorporation and foreign registration costs	4,057	4,057
Deferred financing costs, less amortization	—	82,495
Other	6,505	—
Total other assets	10,562	86,552
Total	$8,658,620	$5,962,339

Approved by the Board:

V. N. OSADCHUK, Director

A. G. HOLLEY, Director

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971
Current Liabilities:		
Bank indebtedness (secured by a general assignment of book debts of a subsidiary)	$ 100,000	$ 203,739
Accounts payable and accrued liabilities	1,059,606	299,608
Taxes	652,755	821,804
Principal payments on long-term debt due within one year	166,310	28,656
Total current liabilities	1,978,671	1,353,807
Long-term Debt (Note 4)	192,431	1,031,752
Deferred Income Taxes	1,135,300	812,200
Shareholders' Equity:		
Capital stock (Note 5):		
Authorized – 5,000,000 shares without nominal or par value		
Issued and fully paid – 1,041,212 shares (1971 – 865,000 shares)	1,607,023	550,720
Retained earnings	3,745,195	2,213,860
Total shareholders' equity	5,352,218	2,764,580
Total	$8,658,620	$5,962,339

Consolidated Statement of Income

For The Year Ended September 30, 1972
(with 1971 figures for comparison)

	1972	1971
Revenue	$8,832,943	$5,116,774
Expenses:		
Operating and administrative	5,101,028	3,236,942
Depreciation (Note 3)	494,970	296,150
Interest on debt:		
Short-term	8,796	16,035
Long-term	67,128	140,726
Total expenses	5,671,922	3,689,853
Income Before Income Taxes	3,161,021	1,426,921
Provision For Income Taxes:		
Current	1,230,140	501,573
Deferred	338,600	190,800
Total provision for income taxes	1,568,740	692,373
Net Income For The Year	$1,592,281	$ 734,548
Earnings Per Share (Note 6):		
On weighted average number of shares outstanding	$1.65	$ .89
Fully adjusted	$1.56	

Consolidated Statement of Retained Earnings

For The Year Ended September 30, 1972
(with 1971 figures for comparison)

	1972	1971
Balance At Beginning Of The Year	$2,213,860	$1,488,049
Net income for the year	1,592,281	734,548
Financing costs written off (net of income taxes)	(60,946)	(8,737)
Balance At End Of The Year	$3,745,195	$2,213,860

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

Consolidated Statement of Source and Application of Funds

For The Year Ended September 30, 1972
(with 1971 figures for comparison)

	1972	1971
Source of Funds:		
Net income for the year	$1,592,281	$ 734,548
Depreciation	494,970	296,150
Deferred income taxes	338,600	190,800
Financing costs and finance charges	6,048	85,450
(Gain) on disposal of property, plant and equipment	(3,396)	(10,312)
Total funds provided from operations	2,428,503	1,296,636
Capital stock issued on conversion of Series A debentures	988,872	—
Proceeds of long-term debt	427,000	1,394,469
Sales of capital stock	67,431	550,000
Sales of property, plant and equipment	129,604	72,953
Reduction of investment in joint venture	59,898	106,782
Total funds provided	4,101,308	3,420,840
Application of Funds:		
Additions to property, plant and equipment	2,364,540	898,909
Conversions of Series A debentures to capital stock	988,872	—
Reductions of long-term debt	277,449	694,630
Increase in other intangible assets	6,505	128,435
Total funds applied	3,637,366	1,721,974
Increase In Working Capital For The Year	463,942	1,698,866
Working Capital (Deficiency) At Beginning Of The Year	1,258,978	(439,888)
Working Capital At End Of The Year	$1,722,920	$1,258,978

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

Notes to the Consolidated Financial Statements

September 30, 1972

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. and Specialty Construction & Equipment Ltd. These wholly-owned subsidiaries have been included in the consolidated financial statements on a pooling of interests basis from their respective dates of incorporation.

2. Deposit in Escrow:

Under the terms of an agreement dated June 2, 1972, Wiley has agreed to purchase all of the issued share capital of J. L. Cox & Son, Inc., a Missouri corporation. The closing of the transaction is contingent upon receiving the necessary approvals from the appropriate United States of America federal and state regulatory bodies. Of the total consideration of $375,000 U.S. to be paid by Wiley, $75,000 U.S. has been deposited with an escrow agent pending closing of the transaction.

3. Property, Plant and Equipment:

	Cost	Accumulated Depreciation	Rates
Heavy duty trucks	$2,399,494	$ 625,860	10%
Trailers and vans	613,012	171,529	10%
Light duty trucks and cars	152,101	43,916	25%
Construction and tracked equipment	1,818,489	248,554	10%
Cranes	242,989	64,825	10%
Airplane	500,000	41,667	10%
Buildings and camps	277,981	47,159	3% to 10%
Other	240,001	65,265	10% to 30%
Land	11,175	—	—
	$6,255,242	$1,308,775	

It is the companies' practice to provide depreciation of plant and equipment under the straight-line method at the rates shown above. In accordance with the companies' policy to periodically review their depreciation practices, a change was made during the year from the method of depreciating to a residual value to that described above; this change had no significant effect on net income for the year.

4. Long-term Debt:

	September 30, 1972	September 30, 1971	Interest Rates
Bank loan	$ 307,000	$ —	7%
Leases payable	31,741	60,408	11% to 17%
Finance contract	20,000	—	13%
Series A debentures	—	1,000,000	9%
	358,741	1,060,408	
Due within one year	166,310	28,656	
	$ 192,431	$1,031,752	

With the exception of the Series A debentures, which were unsecured, the other borrowings are secured by pledges of particular items of equipment.

The 9% Convertible Sinking Fund Debentures, Series A, were called for redemption on May 8, 1972, and the redemption became effective on June 15, 1972. The holders of $989,500 principal amount of Series A debentures elected to convert their debentures into shares of Wiley while the remaining $10,500 principal amount was redeemed.

5. *Capital Stock:*

Under the terms of the trust indenture relating to the Series A debentures, the holders of \$989,500 principal amount elected to convert their debentures into 164,812 shares of Wiley for an aggregate consideration of \$988,872 being \$6 per share.

During the year, certain officers and key employees exercised their options to acquire 11,400 shares of Wiley for an aggregate consideration of \$67,431. Options to acquire an additional 1,200 shares were cancelled during the year and at September 30, 1972, options to acquire the following shares were outstanding:

Date Options Granted	Number of Shares Under Option	Price Per Share	Expiry Date
April 21, 1971	14,385	\$5.25	April 21, 1976
May 4, 1971	13,015	\$6.65	May 4, 1976
	27,400		

The options may be exercised to acquire up to 20% of the total shares under option in any one year on a non-cumulative basis.

During the year, 50% of the 565,000 shares of the company originally held in escrow, pursuant to agreements dated February 19, 1971, were released from escrow.

6. *Earnings Per Share:*

The earnings per share figures are calculated using the weighted average number of shares 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, 1972 amounted to \$190,770 (1971 - \$96,350).

Auditors' Report

To the Shareholders of
Wiley Oilfield Hauling Ltd.:

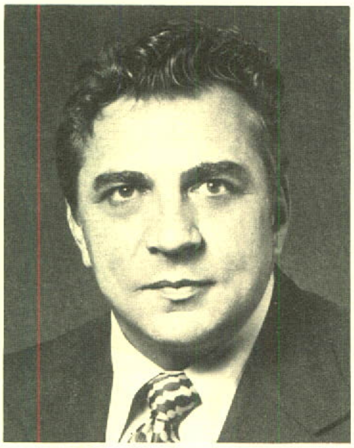
We have examined the consolidated balance sheet of Wiley Oilfield Hauling Ltd. and its wholly-owned subsidiaries as at September 30, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review 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, 1972 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 10, 1972.

DELOITTE, HASKINS, & SELLS
Chartered Accountants

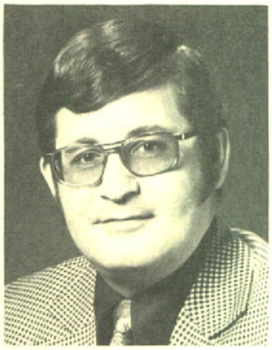
Board of Directors



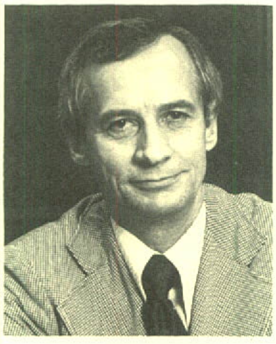
Victor N. Osadchuk
President

Allan G. Holley
Executive Vice President

Michael C. Rodney
Secretary



Garry S. Hagglund, C.A.
Treasurer



Ralph H. Walker

William D. Fowler

Harry A. Powell

Morgan Wolsey

Wiley
OILFIELD
HAULING
LTD.

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 and Edmonton

Auditors:

Deloitte, Haskins & Sells
Calgary

Solicitors:

Parlee, Cavanagh, Irving, Henning, Mustard & Rodney
Edmonton

Valuation Day Prices:

Shares — $7

Series A Debentures — $122 per $100 debenture

Annual General Meeting:

January 10, 1973 at 2:30 p.m.
Capri Motor Hotel
Red Deer, Alberta

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