

DYNEX
Petroleum Ltd.



1983 Annual Report

Corporate Profile



Dynex Petroleum Ltd., an Alberta corporation, was originated in 1974 to develop and produce shallow gas in the Medicine Hat field of southern Alberta. A management team specializing in the production technology necessary to maximize the profitability of the shallow, tight gas zones was assembled. This area still provides the reserves and cash flow base for the Company. As interests expanded to include all of Alberta, B.C. and the western U.S., professionals with abilities in exploration and production in other types of prospects were added to the team.

Dolphin Drilling, the Company's contract drilling division, operates four drilling rigs in Alberta.

As of April 26, 1984, the 14,940,000 outstanding common shares of Dynex were held by 792 registered shareholders with a broad distribution across Canada. Dalco Petroleum Corporation, a U.S. public company, held 9,710,000 of those shares.

Quarterly Summary of Stock Prices and Volumes

Traded All Exchanges

	High	Low	Shares Traded
Jan/83 - March/83	\$1.45	\$1.10	293,100
Apr/83 June/83	\$1.30	\$0.70	412,710
July/83 - Sept/83	\$0.95	\$0.60	193,598
Oct/83 - Dec/83	\$0.60	\$0.25	247,127

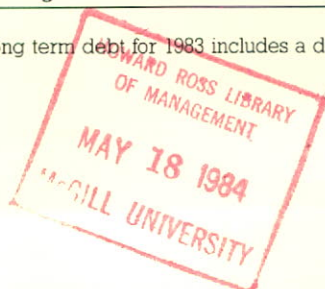
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Highlights

	Year Ended December 31, 1983	Seven Months Ended December 31, 1982
		(restated)
Financial and Operating Highlights (thousands of dollars except per share amounts)		
Financial		
Net loss	\$ 4,405	7,458
Per share	\$ 0.30	0.50
Cash flow from operations	\$ 1,124	162
Per share	\$ 0.08	0.01
Long-term debt (1)	\$ 58,093	57,942
Shareholders' equity	\$(37,682)	(27,549)
Operating		
Gross crude oil and natural gas liquids production (bbls)		
Canada	88,361	56,933
United States	29,444	29,878
Per day	323	406
Gross natural gas production (mcf)		
Canada	5,968,205	2,713,264
United States	302,875	435,257
Per day	17,181	14,713
Drilling days	761	515
Average utilization	52.1%	60.2%

(1) Long term debt for 1983 includes a demand of \$6,115,000 (U.S. \$4,917,000) on certain guarantees aggregating U.S. \$5,376,000.



Management's Report

Our report to shareholders this year will be brief and concise in keeping with the spirit of minimizing costs and maximizing operating efficiencies.

The past year has seen some very significant changes in Dynex Petroleum Ltd., as we have attempted to deal with the effects of the recession and restructure the Company more effectively. The Company has almost completed its withdrawal from U.S. operations. In doing so, it has taken a write-down of some \$32 million in order that U.S. assets carried in the Company accounts properly reflect the value of the U.S. asset base. The Company has also made significant reductions in overhead both in the United States and Canada and is now postured to operate primarily in Canada.

In order that the necessary time might be devoted to the restructuring and refinancing of the Company, Dynex has also undergone some management changes. Mr. Deane Ross has been appointed Executive Vice-President and supervises day-to-day operations. Mr. F. M. Parsons, Chairman and Chief Executive Officer and Mr. Robert A. Wall, Vice-President, Finance are concentrating on completing the financial restructuring of the Company and potential purchase of the control block of Dynex shares by a third party.

The positive result of this re-ordering of the Company is that the Company is now in a position to show earnings in the future. Dynex completed 1983 with a positive cash flow of \$1.1 million and is forecasting a positive cash flow for 1984 as well.

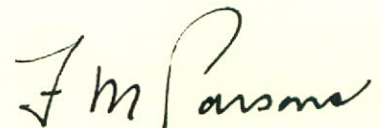
In July of 1983, Dalco Petroleum of Tulsa, Oklahoma, which owns 65 percent of Dynex Petroleum, voluntarily entered Chapter 11 bankruptcy and at this time, continues in that condition. A significant portion of the Dynex shares owned by Dalco were secured as collateral to several banks. Those banks are in a position to realize on their collateral of 7,500,000 Dynex shares which represent slightly more than 50 percent of the Company's outstanding common shares. The Bank of Montreal, which has 5,500,000 of these shares, is also our principal creditor.

As indicated earlier, 1983 marked Dynex's exit from operations in the United States. All of our facilities were shut down at the end of October and sale of most of the producing assets has been effected. It is anticipated that this process will be completed in 1984. In Canada, less economic properties in Alberta were also disposed of and the proceeds used to reduce debt.

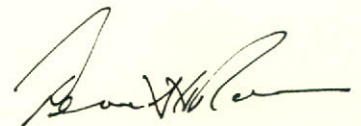
It is management's objective to operate the Company at maximum efficiency with emphasis on maintaining a positive cash flow. Capital expenditures are being held to the minimum required to protect and preserve our oil and gas production and land position. Every effort will continue to be made to minimize general and administrative costs.

In the next year, we will continue to operate existing properties in order to generate maximum cash flow and selling any assets that do not meet our long range plans. Dynex is fortunate that its underlying asset base is comprised of excellent properties with a proven track record, and strong potential for good future revenues. It is anticipated that with an improvement in gas markets, and a successful restructuring of the Company's long term debt that Dynex will be able to resume an active exploration program and pursue other investment opportunities in the years ahead.

We wish to thank the Board of Directors for their assistance and support during the past year. We also wish to acknowledge the commitment and effort contributed by our loyal employees during a trying period. With this continued support, Dynex Petroleum Ltd. can continue its economic recovery.



F. M. Parsons
President, Chairman and
Chief Executive Officer



Deane G. H. Ross
Executive Vice-President



Robert A. Wall
Vice-President, Finance

NORTHWEST TERRITORIES

SASKATCHEWAN




BRITISH COLUMBIA

ALBERTA

UNITED STATES



WESTERN CANADA

-  GAS PRODUCING PROPERTY
-  OIL PRODUCING PROPERTY
-  UNDEVELOPED PROPERTY

Exploration and Development

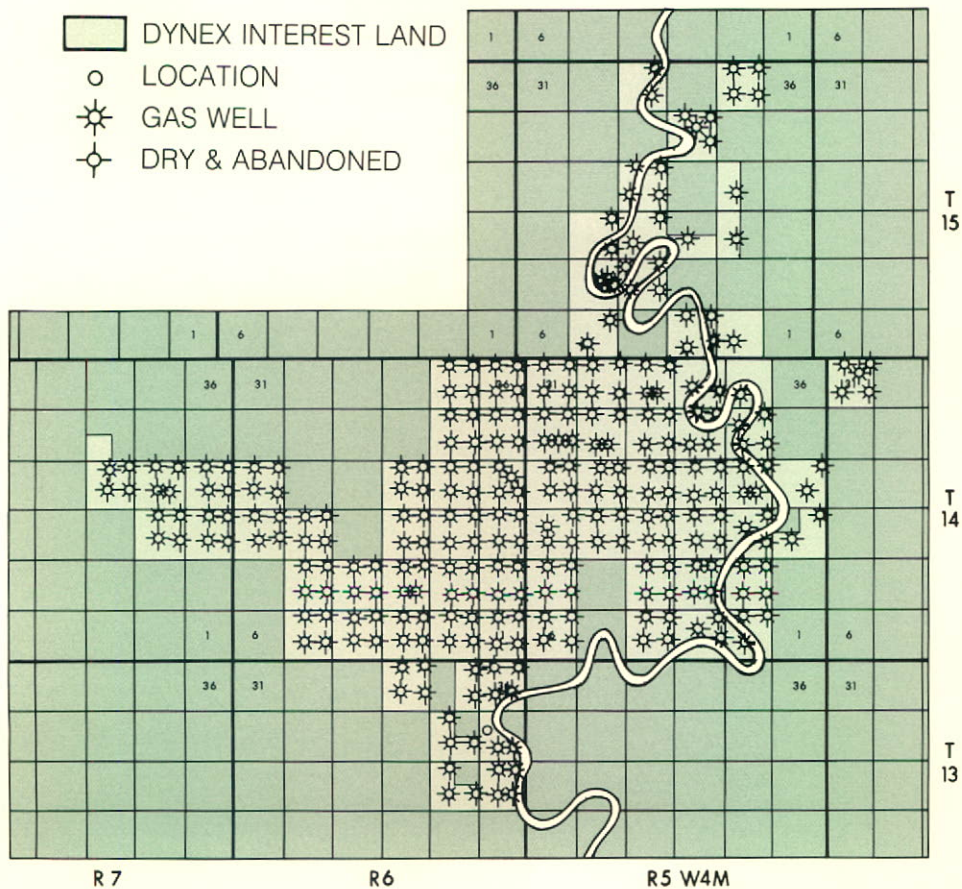
During 1983 Dynex Petroleum Ltd. and Dynex Energy Inc. participated in the drilling of 14 gross wells, (2.15 net) of which four wells were drilled in Alberta and ten wells were drilled in the United States. The majority of the wells in the United States were drilled under farmout agreements at little cost to Dynex.

Drilling Activity

	Gross	
	Exploration	Development
Oil	0	7
Gas	2	1
Dry	2	2
Total	4	10

Medicine Hat Area

The Medicine Hat properties continue to provide the majority of Dynex's income. Approximately 15 wells which remain to be drilled are scheduled for drilling in 1985 or as projected gas demand increases. Medicine Hat gas was produced at 47 percent of minimum annual obligation for the year, down substantially from the original TransCanada PipeLines' contract of 90 percent.



United States Operations

During 1983, the Company determined to concentrate all its efforts and activities in Canada. Consistent with this decision, Dynex has closed the Denver, Colorado and Longview, Texas offices of its wholly-owned subsidiary Dynex Energy Inc. The majority of the producing properties have been sold and the funds used for loan repayment. It is anticipated that the remaining properties will be sold in 1984.

Land Holdings (in acres)

at December 31, 1983

	Developed		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net
Canada						
Alberta.....	120,129.7	51,236.6	106,944.0	39,384.4	227,073.7	90,621.0
British Columbia.....	1,346.7	333.3	14,899.0	7,118.0	16,245.7	7,451.3
Total — Canada	121,476.4	51,569.9	121,843.0	46,502.4	243,319.4	98,072.3
United States						
Montana.....	1,492.0	426.5	6,761.2	3,289.9	8,253.2	3,716.4
New Mexico.....			640.0	104.0	640.0	104.0
Oklahoma.....	2,660.2	1,111.7	756.7	292.0	3,416.9	1,403.7
Texas.....	1,602.6	792.0	275.0	123.0	1,877.6	915.0
Wyoming.....			680.0	122.4	680.0	122.4
Total — U.S.A.	5,754.8	2,330.2	9,112.9	3,931.3	14,867.7	6,261.5
Total — Canada and U.S.A. .	127,231.2	53,900.1	130,955.9	50,433.7	258,187.1	104,333.8

Drilling Division

Dolphin Drilling has continued to outperform the drilling industry utilization averages. The division has maintained an activity level of 52 percent allocated among the four rigs, which is a favourable variance above the industry activity level of 38 percent for 1983.

The drilling division provided cash operating income, after divisional general and administrative expenses, for the year of \$467,000. Efficient operations and the excellent reputation of Dolphin Drilling have contributed to the ability to provide positive cash flow under conditions of intensive competition. Utilization and profits are expected to improve marginally in 1984. However, maximum utilization will not occur until additional markets for natural gas become available.

M-P Oils Ltd.

In 1983, Dynex sold its LPG marketing division to M-P Oils Ltd., a company owned by the former employees of the division. M-P Oils Ltd. was formed to purchase, resell and ship propane and butane to wholesale and retail distributors throughout North America. Sales proceeds will consist of a 50 percent share of the pre-tax profits of M-P over a three year period scheduled to expire in 1985 and the assumption of Dynex's tank car obligations.

The current year of this arrangement has proven to be satisfactory for the Company. M-P was able to realize a profit in 1983 of which Dynex's share was \$127,000.

Production

Dynex produced a total of 6.27 BCF of gas during 1983 with 95 percent produced in Canada and five percent in the United States. Crude oil and natural gas liquids production totalled 117,805 barrels, 75 percent in Canada and 25 percent in the United States. A reduction in volumes of oil and gas produced reflects the sale of properties in both Canada and the United States as well as decreased TCPL "takes" experienced by Alberta producers.

During 1982, TransCanada PipeLines Ltd. introduced the TOPGAS Allocation Agreement which reduced "take-or-pay" obligations from 90 percent to 60 percent. Dynex received a total of \$6,473,000 as a result of this agreement. In 1983, Dynex executed the TOPGAS II Agreement which reduced further the "take-or-pay" obligations of TransCanada to 50 percent and resulted in Dynex receiving additional payments of \$2,316,000. Recovery of the "take-or-pay" volumes is forecasted to commence in 1984.

Dynex has continued to maintain production levels by selling excess volumes of gas into discount markets at varying prices and volumes. During 1983, discount sales totalled 3.0 BCF with a daily average of 8.2 MMCF/D. The blended price of these sales averaged \$1.65/MCF.

Reserves

The following table of Corporate Reserves summarizes the volumes of oil and gas and the present worth values assigned as at December 31, 1983. All Canadian reserves are determined by independent petroleum engineers. U.S. reserves have been determined by Dynex employees.

The present worth value of corporate proven reserves discounted at 15 percent has decreased by 27.3 percent from \$125.1 million to \$90.96 million. Present worth values and total reserves have decreased significantly as a result of the sale of properties in both Canada and the United States, and as a result of lower price forecasts.

Corporate Reserves

	Working Interest December 31, 1983	Net December 31, 1983
Natural Gas (BCF)		
Proven Remaining		
Canada	109.4	77.1
U.S.	0.9	0.9
TOTAL PROVEN.....	110.3	78.0
Probable Remaining		
Canada	3.2	2.4
U.S.	—	—
TOTAL PROBABLE.....	3.2	2.4
TOTAL GAS.....	113.5	80.4
Crude Oil and Natural Gas Liquids (BBLs x 1,000)		
Proven Remaining		
Canada	655.7	442.3
U.S.	63.4	63.4
TOTAL PROVEN.....	719.1	505.7
Probable Remaining		
Canada	318.4	192.7
U.S.	—	—
TOTAL PROBABLE.....	318.4	192.7
TOTAL OIL	1,037.5	698.4

Present Value Summary Before Tax Discounted Present Value 15% (M\$)

	Canada	U.S.	Total
Proven Remaining			
Reserves	\$90,061.0	900.0	90,961.0
Proven Plus Probable			
Remaining Reserves ..	\$95,777.0	900.0	96,677.0

Five Year Operating Summary

	Year Ended December 31, 1983	Seven Months Ended December 31, 1982	Year Ended May 31		
			1982	1981	1980
Gross Products Sales					
Natural Gas — MMCFD	17.181	14.713	20.210	18.050	16.010
Crude Oil — BOPD	323	406	375	320	132
Average Sale Price					
Natural Gas \$/MCF	2.32	2.92	2.59	2.47	2.06
Crude Oil \$/Bbl.	34.28	31.00	31.15	26.52	14.04
Total Reserves (After Royalties)					
Natural gas — BCF	80.4	89.2	103.1	104.1	83.3
Crude Oil (Bbls. x 1,000)	698.4	998.2	1,314.3	1,494.1	1388.3
Land Holdings					
Canada					
Gross Acres	243,319	260,784	264,921	239,900	210,101
Net Acres	98,072	99,475	110,701	108,100	96,197
United States					
Gross Acres	14,868	73,494	89,120	112,300	128,066
Net Acres	6,262	32,299	37,736	51,000	58,267
Total					
Gross Acres	258,187	334,278	354,041	415,200	338,167
Net Acres	104,334	131,774	148,437	165,400	154,464
Wells Drilled					
Gas	5	29	9	47	48
Oil	6	8	11	30	19
Dry	3	2	8	19	11
Total	14	39	28	96	78

Five Year Financial Summary

	Year Ended December 31, 1983	Seven Months Ended December 31, 1982 (restated)	Year Ended May 31,		
			1982 (restated)	1981 (restated)	1980 (restated)
Revenue					
Oil and gas	\$ 12,284,000	7,669,000	12,735,000	11,201,000	7,203,000
Drilling	5,932,000	3,830,000	7,230,000	7,678,000	6,024,000
Operating revenue	18,216,000	11,499,000	19,965,000	18,879,000	13,227,000
Interest and other	644,000	490,000	724,000	1,345,000	2,369,000
	18,860,000	11,989,000	20,689,000	20,224,000	15,596,000
Costs, expenses and taxes					
Operating cost of sales	7,905,000	5,414,000	9,300,000	7,773,000	5,087,000
General and administrative	2,934,000	1,234,000	2,590,000	2,511,000	1,970,000
Interest	6,759,000	5,886,000	11,873,000	5,914,000	2,387,000
Depletion, depreciation and amortization	2,106,000	3,223,000	6,771,000	4,335,000	1,756,000
Provision for asset impairment	2,910,000	4,539,000	11,566,000	9,403,000	—
Loss (gain) on foreign exchange	1,072,000	36,000	(304,000)	(93,000)	(10,000)
Loss on discontinued operation	—	127,000	1,863,000	372,000	—
Taxes	(421,000)	(1,012,000)	(1,719,000)	157,000	1,188,000
	23,265,000	19,447,000	41,940,000	30,372,000	12,378,000
Earnings (loss) before extraordinary item	(4,405,000)	(7,458,000)	(21,251,000)	(10,148,000)	3,218,000
Extraordinary item	—	—	243,000	—	—
Net earnings (loss)	\$ (4,405,000)	(7,458,000)	(21,008,000)	(10,148,000)	3,218,000
Earnings (loss) per share					
Before extraordinary item	\$ (0.30)	\$(0.50)	\$(1.44)	\$(0.69)	\$0.24
After extraordinary item	\$ (0.30)	\$(0.50)	\$(1.42)	\$(0.69)	\$0.24
Funds provided by (applied to) operations	\$ 1,124,000	162,000	(2,104,000)	4,278,000	6,643,000
Capital employed					
Working capital (deficiency)	\$ 3,868,000	3,941,000	1,436,000	3,771,000	(225,000)
Property, plant and equipment	32,990,000	40,065,000	45,642,000	56,379,000	34,539,000
Other	263,000	524,000	3,753,000	659,000	719,000
	\$ 37,121,000	44,530,000	50,831,000	60,809,000	35,033,000
Capital employed comprised of					
Long-term debt	\$ 58,093,000	57,942,000	62,789,000	51,434,000	16,693,000
Deferred revenue	\$ 13,289,000	11,216,000	4,949,000	4,576,000	3,667,000
Deferred income taxes	\$ 3,421,000	2,921,000	3,184,000	3,684,000	2,995,000
Shareholders' equity	\$(37,682,000)	(27,549,000)	(20,091,000)	1,115,000	11,678,000
Common shares outstanding (1)	14,940,000	14,780,000	14,780,000	14,780,000	14,700,000
Capital expenditures					
Acquisitions and land retention	\$ 360,000	538,000	1,617,000	7,255,000	8,484,000
Geological and geophysical	556,000	648,000	1,407,000	1,354,000	630,000
Drilling and equipping	605,000	1,010,000	9,188,000	24,914,000	7,208,000
Cost of finding and developing reserves	1,521,000	2,196,000	12,212,000	33,523,000	16,322,000
Other	67,000	102,000	840,000	2,246,000	5,376,000
	\$ 1,588,000	2,298,000	13,052,000	35,769,000	21,698,000

(1) Restated to reflect stock dividends declared May 29, 1981 on the basis of one dividend share for every common share issued.

(2) Prior years have been restated to reflect the retroactive change in full cost accounting described in Note 2 to the consolidated financial statements and the income tax settlement described in Note 4 to the consolidated financial statements.

Financial Review

For the year ended December 31, 1983, the Company had a loss of \$4,405,000 (\$0.30 per share) compared to a restated loss of \$7,458,000 (\$0.50 per share) for the seven months ended December 31, 1982.

Change in Accounting Policy

Coincident with the Company's decision to close its Denver office and its intent to sell its U.S. oil and gas assets, it was no longer justifiable to provide depletion and depreciation on the basis of one North American cost centre. Accordingly, in the third quarter of fiscal 1983, the Company retroactively changed the method of depleting and depreciating its petroleum and natural gas properties and related production equipment from using one North American cost centre to using separate cost centres for Canada and the United States.

As disclosed in Note 2 of the consolidated financial statements, the effect of this change was to increase the current year's loss by \$1,162,000 (\$0.08 per share) and the loss for the seven months ended December 31, 1982 by \$5,355,000 (\$0.36 per share). The deficit as of June 1, 1982 has also been increased by an additional \$25,594,000 in respect of additional charges applicable to prior years' earnings.

Revenue

Operating revenue for 1983 was \$18.2 million compared to \$11.5 million for the previous seven month fiscal period. The divisional results are summarized in the accompanying table of Comparative Results by Operating Segments. Revenue from oil and gas operations was \$12.3 million for fiscal 1983 versus \$7.7 million for the seven months ended December 31, 1982.

Production of natural gas in the current reporting period averaged 17,181 mcf per day, an increase of 16.8 percent from the 14,713 mcf per day for fiscal 1982. The improvement is attributable to Canada where average gas production increased 29.0 percent to 16,351 mcf per day from the 12,679 mcf per day experienced in 1982. The improvement in 1983 is attributable to both higher takes by TCPL in the last seven months of fiscal 1983 compared to the corresponding period in 1982 and also to higher volumes of discount sales which averaged 8.2 mmcf per day in 1983 versus 3.4 mmcf per day in 1982.

In the United States, property dispositions and declines in productivity resulted in a 59.2 percent reduction in gas production which averaged 830 mcf per day in 1983 and 2,034 mcf per day in fiscal 1982. During the year, average gas prices were \$2.32 per mcf, a reduction of 20.5 percent from fiscal 1982. Lower vol-

umes of U.S. gas production which received higher prices, lower export sales of Canadian gas to the United States and higher pipeline tariffs account for the reduction in average gas prices experienced in 1983.

Oil production in 1983 averaged 323 barrels per day versus 406 barrels per day for fiscal 1982, a decrease of 20.4 percent. In Canada, oil production averaged 242 barrels per day, a reduction of 9.0 percent from the 266 barrels per day a year earlier. The sale of our Cherrill property effective October 31, 1983 is the principal reason for the decrease. Dispositions of certain of our U.S. oil interests and declining productivity on remaining reserves resulted in United States oil production decreasing 42.1 percent to an average of 81 barrels per day in 1983 from 140 barrels per day in fiscal 1982. Effective July 1, 1983, all of the Company's Canadian oil production became eligible for the N.O.R.P. pricing schedule. As a consequence, average oil prices for the year increased 10.6 percent to \$34.28 per barrel from the \$31.00 per barrel of a year earlier.

Dolphin Drilling's excellent reputation enabled the Company to exceed the industry average of 38 percent rig utilization in 1983. Drilling revenue was \$5.9 million on total drilling footage of 505,107 feet in 1983. This compares to drilling revenue of \$3.8 million on total footage of 402,215 feet for the seven months ended December 31, 1982.

Expenses

Operating cost of sales was \$7.9 million in 1983 compared to \$5.4 million for the seven month fiscal period ended December 31, 1982.

For the petroleum division, operating cost of sales in the amount of \$2.7 million in 1983 represented 22.2 percent of divisional operating revenue. This compares favourably to the 27.1 percent experienced in fiscal 1982. Higher per unit operating costs in the United States were more than offset by lower per unit costs in Canada, thereby accounting for the improvement. The lower per unit costs in Canada are directly attributable to higher average daily gas volumes in 1983 compared to 1982. There was no pro rata increase in operating costs which, to a large extent, are fixed in nature.

During the current year, operating cost of sales for the drilling division represented 87.3 percent of divisional revenue, an increase of 4.7 percent from the 83.4 percent reported in fiscal 1982. The increased operating costs reflect higher per unit costs associated with less than maximum rig utilization currently being experienced by the drilling industry.

Comparative Results by Operating Segments

(000's of \$)

	CANADA		UNITED STATES		TOTAL	
	Year Ended December 31, 1983	Seven Months Ended December 31, 1982	Year Ended December 31, 1983	Seven Months Ended December 31, 1982	Year Ended December 31, 1983	Seven Months Ended December 31, 1982
Operating Revenue						
Oil and gas	\$10,355	5,482	1,929	2,187	12,284	7,669
Drilling	5,932	3,830	—	—	5,932	3,830
	\$16,287	9,312	1,929	2,187	18,216	11,499
Operating Cost of Sales						
Oil and gas	\$ 1,818	1,324	910	895	2,728	2,219
Drilling	5,177	3,195	—	—	5,177	3,195
	\$ 6,995	4,519	910	895	7,905	5,414

Note: Results for the seven months ended December 31, 1982 have been restated to reflect the sale of the Company's marketing division effective January 1, 1983.

General and administrative expense was \$2,934,000 in the current year, an increase of 38.7 percent from the 1982 annualized amount of \$2,115,000 for the seven month fiscal period in 1982. In the current year, however, the Company made a provision of \$525,000 in anticipation of the uncollectibility of certain amounts owing from its U.S. parent, Dalco Petroleum Corporation which is currently in Chapter 11 under the provisions of the U.S. Federal Bankruptcy Code. In addition, an amount of \$315,000 in exploration overhead which would have been otherwise capitalized in previous years, was charged to earnings in the current reporting period. A U.S. \$100,000 settlement in respect of a lawsuit filed by a U.S. drilling contractor which was reported as a contingency in fiscal 1982 also contributed to the apparent increase in general and administrative expense. Significant reductions in general and administrative expenses are forecast for 1984 coincident with the closing of our U.S. offices in Denver and Longview and staff reductions which became effective in the fourth quarter of 1983.

Interest expense in the current fiscal period was \$6.8 million compared to the \$5.9 million reported in fiscal 1982. Average long term debt outstanding in 1983 was \$56.4 million, a reduction of 10.3 percent from the \$62.9 million reported a year earlier. In addition, the Company's average effective interest rate, which was 15.9 percent for the seven months ended December 31, 1982, declined significantly to 11.9 percent in 1983, an overall improvement of 25.2 percent.

Depletion, depreciation and amortization was \$2.1

million in 1983 compared to \$3.2 million in 1982. A reduction in the depletion and depreciation rate per equivalent unit of production associated with the retroactive change in accounting policy previously referred to accounts for the improvement.

The loss on foreign exchange in the current year includes a provision of \$1,164,000 in anticipation of the conversion of outstanding U.S. dollar denominated bank debt into a Canadian dollar obligation.

Changes in Financial Position

For the year ended December 31, 1983, the Company had cash flow of \$1,124,000 compared to the \$162,000 for the immediately preceding seven month fiscal period. During the current year, the Company received \$2.3 million in "take-or-pay" payments from TransCanada PipeLines. Proceeds on sale of property, plant and equipment contributed an additional \$3.6 million in working capital. A recovery of prepaid income taxes, additional short term bank borrowings and an issue of common shares amounting to \$1.8 million in the aggregate resulted in a total source of funds available for capital expenditures and bank debt retirement in the amount of \$8.9 million.

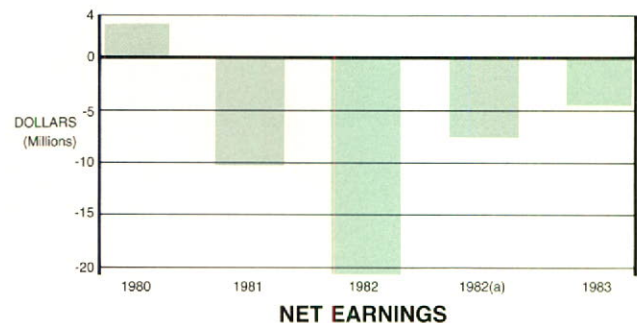
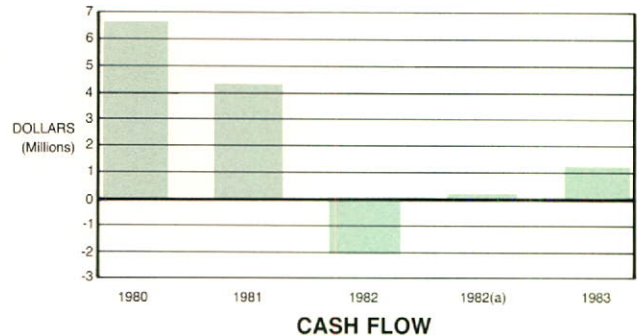
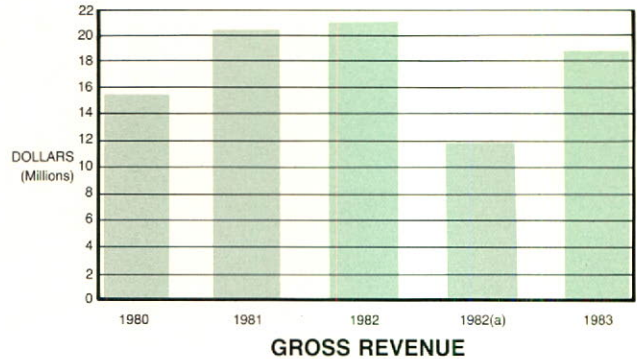
Capital expenditures in fiscal 1983 amounted to \$1.6 million and long term debt in the amount of \$6.9 million was repaid during the year. Working capital at December 31, 1983 decreased \$73,000 to \$3,868,000 from that reported a year earlier.

Financial Outlook

Money market interest rates in both Canada and the United States have been subject to increased upward pressure and as a consequence, Canadian and U.S. prime rates have increased one half percent and one percent to 11.5 percent and 12 percent respectively after almost a year of stability. Despite the upward pressure in interest rates that has been experienced in the first quarter of 1984, we expect a moderation in the U.S. economic recovery for the balance of the year which should somewhat alleviate loan demand by the private sector. We are therefore forecasting that Canadian prime interest rates should not significantly exceed current levels.

To minimize any exposure to future interest rate increases, the Company is continually assessing its operations with a view to the disposition of those assets which are not critical to its continued viability with the proceeds derived therefrom to be applied to reduction of bank debt. In addition, we are continuing discussions with our principal banker and potential investors with a view to resolving the disposition of Dynex shares which the bank is holding as security on Dalco indebtedness and to implementing a plan of financial restructuring to ensure the continued survival of the Company.

Based on current discussions, the Company is confident that a financial restructuring program should be implemented by the end of 1984.

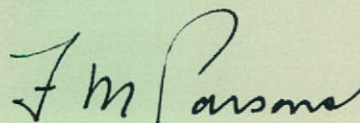


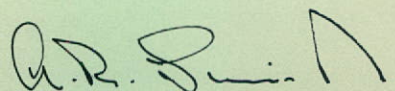
(a) For the seven months ended December 31, 1982.

Consolidated Balance Sheet

	December 31,	
	1983	1982
		(restated)
ASSETS		
Current assets		
Cash and short term deposits	\$ 2,817,000	\$ 3,821,000
Accounts receivable	7,670,000	14,039,000
Income tax recoverable (Note 4)	1,013,000	—
Inventories	134,000	166,000
Prepaid expenses and other assets	323,000	228,000
Total current assets	11,957,000	18,254,000
Property, plant and equipment (Notes 2 and 3)	85,209,000	83,849,000
Less accumulated depreciation and depletion	52,219,000	43,784,000
	32,990,000	40,065,000
Other assets (Note 4)	263,000	524,000
	\$45,210,000	\$58,843,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,889,000	\$13,713,000
Current portion of long-term debt	2,200,000	600,000
Total current liabilities	8,089,000	14,313,000
Long-term debt (Note 5)	58,093,000	57,942,000
Deferred revenue (Note 6)	13,289,000	11,216,000
Deferred income taxes	3,421,000	2,921,000
Shareholders' equity		
Share capital (Note 8)	9,972,000	9,822,000
Deficit	(45,167,000)	(34,647,000)
Receivable in respect of employee share purchase plans (Note 9)	(2,487,000)	(2,724,000)
	(37,682,000)	(27,549,000)
Commitment and contingencies (Notes 5, 10 and 11)		
	\$45,210,000	\$58,843,000

On behalf of the Board

 , Director

 , Director

See accompanying notes to consolidated financial statements.

Consolidated Statement of Earnings

	Year Ended December 31, 1983	Seven Months Ended December 31, 1982 (restated)
Revenue		
Operating	\$18,216,000	\$11,499,000
Interest and other	644,000	490,000
	18,860,000	11,989,000
Expense		
Operating cost of sales	7,905,000	5,414,000
General and administrative	2,934,000	1,234,000
Interest on long-term debt	6,759,000	5,886,000
Depletion	1,103,000	2,426,000
Depreciation and amortization	1,003,000	797,000
Provision for impairment in carrying value of oil and gas properties (Note 2)	2,910,000	4,539,000
Loss on foreign exchange (Note 5)	1,072,000	36,000
	23,686,000	20,332,000
Loss from continuing operations	4,826,000	8,343,000
Loss on discontinued operation	—	127,000
Loss before taxes	4,826,000	8,470,000
Taxes (Note 7)		
Petroleum and gas revenue tax	853,000	244,000
Alberta royalty tax credit	(1,774,000)	(993,000)
Deferred income taxes	500,000	(263,000)
	(421,000)	(1,012,000)
Net loss	\$ 4,405,000	\$ 7,458,000
Loss per share (based on weighted average number of shares outstanding)	\$ 0.30	\$0.50

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

	Year Ended December 31, 1983	Seven Months Ended December 31, 1982 (restated)
Working capital derived from		
Operations		
Net loss	\$(4,405,000)	\$(7,458,000)
Depletion, depreciation and amortization	2,106,000	3,438,000
Provision for impairment in carrying value of oil and gas properties	2,910,000	4,539,000
Deferred income taxes	500,000	(263,000)
Provision in respect of employee share purchase plans (Note 9)	202,000	—
Deferred revenue — product exchange	(189,000)	(94,000)
Funds provided from operations	1,124,000	162,000
Guarantees of associated companies debt (Note 11)		
Increase in long-term debt	6,115,000	—
Payment demanded under bank guarantees	(6,115,000)	—
	—	—
Recovery of prepaid income taxes (Note 4)	733,000	—
Proceeds on sale of property, plant and equipment	3,647,000	3,233,000
Increase in deferred natural gas revenue	2,316,000	6,473,000
Increase in long-term debt	968,000	—
Issue of shares	150,000	—
	8,938,000	9,868,000
Working capital applied to		
Repayment of long-term debt	6,932,000	4,847,000
Additions to property, plant and equipment	1,588,000	2,298,000
Recovery of deferred natural gas revenue	54,000	112,000
Prepayment of income tax assessment	436,000	—
Other	1,000	106,000
	9,011,000	7,363,000
Working capital		
Increase (decrease) in working capital	(73,000)	2,505,000
Working capital, beginning of period	3,941,000	1,436,000
Working capital, end of period	\$ 3,868,000	\$ 3,941,000

See accompanying notes to consolidated financial statements.

Consolidated Statement of Deficit

	Year Ended December 31, 1983	Seven Months Ended December 31, 1982 (restated)
Deficit, beginning of period		
As previously reported	\$ 3,388,000	\$ 1,285,000
Settlement of income tax reassessments (Note 4)	310,000	310,000
Retroactive adoption of separate cost centres for Canada and the United States under the full cost method of accounting for oil and gas properties (Note 2)	30,949,000	25,594,000
As restated	34,647,000	27,189,000
Net loss	4,405,000	7,458,000
Payment demanded under bank guarantees issued on associated companies' indebtedness (Note 11)	6,115,000	—
Deficit, end of period	\$45,167,000	\$34,647,000

See accompanying notes to consolidated financial statements.

Auditors' Report To The Shareholders

We have examined the consolidated balance sheet of Dynex Petroleum Ltd. as at December 31, 1983 and the consolidated statements of earnings, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1983 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, after giving retroactive effect to the accounting change referred to in Note 2, on a basis consistent with that of the preceding period.

Calgary, Canada
March 23, 1984

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Notes to Consolidated Financial Statements

Year Ended December 31, 1983

1. Summary of Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Dynex Energy Inc. and Windermere Petroleum Ltd. Approximately 66 percent of all issued and outstanding shares of the Company are owned by Dalco Petroleum Corporation.

(b) Foreign Currency Translation

Foreign currency balances included in the consolidated financial statements have been translated to Canadian dollars on the following basis:

Current assets and liabilities — at the year end rate of exchange.

Other assets and liabilities — at the exchange rate in effect at the date of the transaction other than the demand non-revolving U.S. bank loan (Note 5) which has been translated into Canadian dollars at the exchange rate expected on the conversion of the debt into a Canadian dollar obligation.

Revenue and expense — at the average rate of exchange for the period except depletion, depreciation and amortization which are translated on the same basis as the related assets.

The resultant gains or losses are included in the statement of earnings.

(c) Oil and Gas Operations

The Company follows the full cost method of accounting for petroleum and natural gas properties and related expenditures under which all costs related to the exploration and development of petroleum and natural gas reserves are capitalized into separate Canadian and United States cost centres. Such costs include those related to lease acquisitions and retention, geological and geophysical activities including overhead related to exploration and the costs of drilling productive and non-productive wells.

Depletion of petroleum and natural gas properties and depreciation of production equipment are calculated on the unit-of-production method based upon estimated net proven developed reserves, as determined by independent engineers, in each country.

Other equipment is depreciated on a declining balance basis at rates varying from 10 percent to 30 percent per annum.

Substantially all of the Company's petroleum and natural gas exploration and production activities are conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

(d) Inventories

Inventories of material and supplies are stated at the lower of average cost and current replacement cost.

(e) Deferred Natural Gas Revenue

Deferred natural gas revenue represents amounts received pursuant to "take-or-pay" natural gas contracts. These amounts have been deferred pending recovery through future gas deliveries.

(f) Investment Tax Credits

Income tax expense is reduced by the flow through of allowable investment tax credits.

(g) Comparative Figures

Certain of the December 31, 1982 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current fiscal period.

2. Change in Accounting Policy

The Company has changed, on a retroactive basis, the method of depleting petroleum and natural gas properties and depreciating production equipment from using one North American cost centre to using separate cost centres for Canada and the United States. The effect of this change in accounting policy was to increase the loss by \$1,162,000 (\$0.08 per share) including income taxes of \$532,000 in the current year and by \$5,355,000 (\$0.36 per share) including income taxes of \$247,000 for the seven months ended December 31, 1982. As a result of this change, the deficit as of June 1, 1982 has been increased by \$25,594,000 including income taxes of \$1,019,000.

3. Property, Plant and Equipment

	1983		1982	
	Assets At Cost	Accumulated Depreciation and Depletion	Assets At Cost	Accumulated Depreciation and Depletion (restated)
Petroleum and gas interests including exploration and development costs thereon	\$69,378,000	\$46,029,000	\$65,787,000	\$39,118,000
Production equipment and related facilities	9,423,000	3,249,000	11,643,000	2,178,000
Drilling rigs and equipment	5,852,000	2,538,000	5,767,000	2,133,000
Other	556,000	403,000	652,000	355,000
	15,831,000	6,190,000	18,062,000	4,666,000
	\$85,209,000	\$52,219,000	\$83,849,000	\$43,784,000

4. Other Assets

	1983	1982
		(restated)
Prepaid income taxes	\$ —	\$297,000
Due from parent company, net of provision for loss (Note 13)	159,000	—
Investment, at cost (no quoted market value)	76,000	76,000
Other	28,000	151,000
	\$263,000	\$524,000

By agreement dated September 29, 1983 the Company arrived at a settlement with Revenue Canada in respect of outstanding income tax reassessments and notices of objection dating back to 1974. Under the terms of the agreement, the Company expects to recover an aggregate of \$733,000 (1982 — \$297,000) in assessed taxes and interest. A total of \$1,043,000 (1982 — \$607,000) had been paid to Revenue Canada on the reassessments subject to objection. The unrecovered amount of \$310,000 has been reflected as a prior period adjustment. In addition, interest income of \$280,000 has been accrued on the expected recovery of income taxes and included in interest and other revenue.

5. Long-Term Debt

The long-term debt of the Company is comprised of the following loans and contracts:

	1983	1982
Demand non-revolving bank loan bearing interest at prime plus $\frac{3}{4}\%$ with repayment from net revenues derived from present and hereafter acquired properties, assets and undertakings and from the net proceeds of asset sales. The facility is secured by a registered assignment of certain oil and gas properties under Section 177 of the Bank Act and a general assignment of book debts	\$ 6,294,000	\$ —
Demand revolving bank loan bearing interest at prime plus $\frac{3}{4}\%$ (1982 — prime plus $\frac{1}{2}\%$) with repayment in multiples of \$100,000 at the option of the Company. The facility is subject to extension through the mutual agreement of the Company and its principal banker. The bank loan is secured by a registered assignment of certain oil and gas properties under Section 177 of the Bank Act	—	3,600,000
Notes payable (see below)	25,728,000	29,573,000
Demand non-revolving bank loan in the amount of U.S. \$17,400,000 (1982 — U.S. \$19,500,000) bearing interest at U.S. prime plus $1\frac{1}{4}\%$ (1982 — U.S. prime plus 1%) with repayment from net cash flow from operations and the net proceeds of asset sales. The bank loan is secured by a registered assignment of the Company's interest in hydrocarbons, equipment, accounts, contract rights, and other properties in the United States. The loan is also guaranteed by Dalco Petroleum Corporation and is secured by 4,000,000 common shares of Dynex Petroleum Ltd.	22,079,000	23,439,000
Demand of U.S. \$4,917,000 made under certain bank guarantees aggregating U.S. \$5,376,000 for advances made to associated companies of Dalco Petroleum Corporation	6,115,000	—
Finance contract, bearing interest at prime plus 1%, with a minimum of 10%. The contract is secured by a debenture providing a first specific charge on all drilling equipment, together with a floating charge on all other assets subject only to chartered bank security	—	1,850,000
Other	77,000	80,000
	60,293,000	58,542,000
Less current portion	2,200,000	600,000
	\$58,093,000	\$57,942,000

Notes payable of \$25,728,000 (1982 — \$29,573,000) consist of Bankers' Acceptances maturing at various dates up to January 31, 1984 with a weighted average interest rate of 11.4 percent. These notes payable are shown as long-term debt because they are supported by the availability of loans under the Company's Canadian non-revolving credit line.

The U.S. \$17.4 million non-revolving debt will be converted into a Canadian dollar obligation in 1984. The Canadian dollar equivalent of \$22,079,000 reflects the rate of exchange anticipated at the date of conversion and the expected foreign exchange loss of \$1,164,000 has been charged to earnings in the current period.

Although the Company is not in default under the terms and provisions of its outstanding debt instruments, the Company is dependent upon the continued financial support of its principal banker. If, as a result of a default, or otherwise, the support of the principal banker is withdrawn, the Company may be unable to continue realizing its assets and discharging its liabilities in the normal course of business. The financial statements have been prepared on a going concern basis and accordingly do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities should the support of the principal banker be withdrawn.

6. Deferred Revenue

	1983	1982
Deferred natural gas revenue	\$11,970,000	\$ 9,708,000
Deferred revenue — product exchange	1,319,000	1,508,000
	\$13,289,000	\$11,216,000

(a) Deferred Natural Gas Revenue

This represents amounts received for annual contracted gas volumes not taken by gas purchasers. During the year, \$2,316,000 (1982 — \$6,473,000) was received from purchasers for contracted volumes not taken and \$54,000 (1982 — \$112,000) was recovered through gas deliveries.

(b) Deferred Revenue — Product Exchange

	1983	1982
Reduction in product exchange liability	\$ 6,116,000	\$ 6,116,000
Loss on underground storage construction contract	(1,044,000)	(1,044,000)
Overriding royalties — Odessa	(303,000)	(303,000)
Payment received under royalty agreement	200,000	200,000
Write-down of Dalco Petroleum, Inc. account (1976)	(1,857,000)	(1,857,000)
	3,112,000	3,112,000
Amortization	1,793,000	1,604,000
	\$ 1,319,000	\$ 1,508,000

In 1974 and 1975 a series of transactions were entered into with the El Paso Company (El Paso) and others, which transactions were accounted for as related transactions.

The resultant gain on these transactions is being amortized to income in amounts proportionate to royalty payments made under the Odessa overriding royalty agreement.

7. Taxes

Total taxes amounted to a recovery of \$421,000 (1982 — \$1,012,000). The total is different from the expected amount computed by applying the combined expected Canadian federal and provincial tax rates to loss before taxes. The reasons for these differences are as follows:

	1983	1982
Computed tax expense	\$(2,268,000)	(restated) \$(3,981,000)
Add (deduct):		
Disallowed payments to Crown, net of provincial rebates and credits	(483,000)	(311,000)
Loss of subsidiary	3,108,000	3,629,000
Petroleum and gas revenue tax	853,000	244,000
Resource allowance on resource profits	(1,566,000)	(810,000)
Earned depletion on resource profits	(184,000)	—
Other	119,000	217,000
	\$ (421,000)	\$(1,012,000)

The Company has unused non-capital losses, capital losses and investment tax credit carry forwards as follows:

	1983	1982
Non-capital loss	\$46,600,000	\$40,000,000
Capital loss	\$ 554,000	\$ 279,000
Investment tax credits	\$ 996,000	\$ 1,130,000

The tax benefits pertaining to these unused deductions have not been recognized in the accounts and expire beginning in 1996.

8. Share Capital

(a) Authorized and Issued Shares

The authorized and issued share capital of the Company is as follows:

	Authorized		Issued	
	1983	1982	1983	1982
First Preference preferred shares of a nominal or par value of \$10 each	10,000,000	10,000,000	—	—
Second Preference preferred shares of a nominal or par value of \$1 each	144	144	—	144
Class A Voting Shares without nominal or par value	100,000,000	100,000,000	10,299,999	10,139,999
Class B Non-voting Shares without nominal or par value	100,000,000	100,000,000	4,640,001	4,640,001

The Class B Non-voting Shares are fully participating and rank equally with the Class A Voting Shares of the Company but have no voting privileges attached. The Class A Voting and Class B Non-voting Shares are inter-convertible on a one-for-one basis with the restriction that after conversion, the registered holder of Class B Non-voting Shares cannot be the registered owner of more than 50 percent of the then issued and outstanding Class A Voting Shares of the Company. This restriction shall be automatically waived in the event of a bonafide offer to purchase all or a major portion of the Class A Voting and Class B Non-voting Shares.

During the year, the Company issued 160,000 Class A Voting Shares at an ascribed value of \$150,000 for the purchase of all of the issued and outstanding share capital of Windermere Petroleum Ltd. (Note 13).

In addition, the Company redeemed the Second Preference preferred shares during the year at no cost.

(b) Stock Options

During the year, the Company granted to directors, officers and employees options to acquire 212,000 Class A Voting Shares which are exercisable at a price of 50 cents per share on varying dates to December 31, 1985. Options granted to directors are subject to shareholder approval.

9. Employee Share Purchase Plan

As at January 1, 1983, a total of 579,700 shares have been issued in conjunction with a trustee and set aside for allocation and purchase by employees at prices ranging from \$2.45 to \$5.00 per share in respect of the Employee Share Purchase Plan.

Allocated shares in the plan could be earned by an employee in accordance with a formula over a period of time. The shares were issued pursuant to a non-interest bearing loan granted by the Company. Employees could take possession of earned shares by repaying a proportionate share of the debt allocated to the earned shares. The Company has suspended all further earnings under the plan as presently constituted.

During the year, 52,000 shares "earned" under the plan were issued to employees by the trustee for a consideration of \$35,000. An amount of \$237,000 in respect of loans outstanding on the shares has been charged to earnings in the current year.

As at December 31, there were 527,700 (1982 — 579,700) shares remaining to be distributed on which there were outstanding loans of \$2,487,000 (1982 — \$2,724,000). These shares are held by a trustee and the loan is only realizable against the shares.

10. **Commitment**

The Company is committed under a lease for its Canadian office premises until February, 1985. The annual rental approximates \$104,000.

11. **Contingencies**

(a) **Bank Guarantees**

The Company is liable as a guarantor for advances to associated companies in the amount of U.S. \$5,376,000 on which the Company's principal banker demanded payment of U.S. \$4,917,000 during the year. This amount has been reflected as long term debt (Note 5) in the accounts. In the event the guarantees demanded are required to be paid, the Company will also be liable for withholding tax of approximately \$920,000 and interest charges calculated at a rate of 117.5 percent per annum of bank prime from the date of demand. The Company is also contingently liable for the uncalled portion of the guarantees in the amount of U.S. \$459,000 at December 31, 1983. If the Company makes any payments pursuant to the said guarantees, it will be subrogated to the rights of the principal banker and may be entitled to seek contribution from the other co-guarantors of the outstanding bank debt of the Company's associated companies. In addition, the Company would be entitled to indemnification by the associated companies who were the recipients of the bank advances. The amount of any recovery in relation of these guarantees has not been reflected in the accounts since they are contingent upon the amount of monies, if any, to be advanced pursuant to the outstanding guarantees.

The Company is also contingently liable to the extent of \$500,000 for a credit line established in favour of a third party company which purchased the Company's LPG product marketing division on January 1, 1983. The guarantee, which will expire at the end of 1985, is secured by a term debenture granting a first floating charge on all the assets of the purchaser.

(b) **Kansas Lawsuit**

The Company is a defendant in a lawsuit alleging conspiracy and wrongful diversion of corporate opportunity, which lawsuit was originally filed in 1977 in the United States District Court of Kansas. The Company and its co-defendants at trial incurred a judgment in the amount of U.S. \$4.7 million which was reduced upon appeal and as at January 10, 1984, with accrued interest and costs, stood at U.S. \$5,727,000. The Company's co-defendants were unsuccessful in a petition to the Court to reduce the amount of the judgment in light of previous settlements made to the plaintiffs. The Company's co-defendants are considering further appeal. The Company's co-defendants have posted security in an amount in excess of the judgment.

Dalco Petroleum Corporation has agreed to indemnify the Company from any liability arising out of the legal proceedings described above and has posted two million Class "B" Non-voting Shares of the Company as security against such indemnity. Dalco Petroleum Corporation has entered into Chapter 11 bankruptcy proceedings in the United States. In light of the security held for the purpose of the indemnity it is unlikely that the Company will have to make any expenditure on the lawsuit.

(c) **Net Profits Interest**

The holders of a net profits interest on one of the Company's principal gas properties have alleged that they are not subject to interest costs associated with amounts received by the Company, as a working interest holder, in respect of contracted gas volumes not taken by gas purchasers. The amount of the claim is not determinable and the Company's counsel is of the opinion that the Company has a good and valid defence to this allegation should litigation commence.

12. **Segmented Information** (thousands of dollars)

The operations of the Company are divided into two business segments. Oil and gas includes the exploration for, and the development and production of petroleum and natural gas reserves and the drilling operations involve the activities of four drilling rigs in Canada.

	Oil and Gas		Drilling	Other		Consolidated
	Canada	U.S.	Canada	Canada	U.S.	
Industry and Geographic — 1983						
Revenue earned from outside the enterprise	\$10,355	1,929	5,932	616	28	18,860
Segmented operating profit	\$ 6,407	(1,592)	43	565	(28)	5,395
General corporate expenses						2,390
Interest expense						6,759
Loss on foreign exchange						1,072
Taxes						(421)
						9,800
Net loss						\$ 4,405
Identifiable assets	\$36,732	3,799	4,130	427	122	45,210
Capital expenditures	\$ 1,391	130	85	(18)	—	1,588
Depletion, depreciation, amortization and provision for impairment	\$ 1,876	2,608	424	51	57	5,016

Industry and Geographic — 1982

(restated)

Revenue earned from outside the enterprise	\$ 5,482	2,187	3,830	467	23	11,989
Segmented operating profit	\$ 3,086	(5,245)	190	430	5	(1,534)
General corporate expenses						887
Interest expense						5,886
Loss on foreign exchange						36
Loss on discontinued operation						127
Taxes						(1,012)
						5,924
Net loss						\$ 7,458
Identifiable assets	\$35,576	13,647	4,471	4,949	200	58,843
Capital expenditures	\$ 1,226	970	90	12	—	2,298
Depletion, depreciation, amortization and provision for impairment	\$ 1,073	6,381	253	37	18	7,762

13. **Related Party Transactions**

None of the Directors or Officers or any shareholder of the Company, and no associate or affiliate of any of them, has any material interest in any transaction which has materially affected or will materially affect the Company, other than the following, or as otherwise disclosed in the Notes to Consolidated Financial Statements:

- (a) At December 31, 1983, Dalco Petroleum Corporation ("Dalco") owed the Company \$684,000 (1982 — \$561,000). The receivable less a \$525,000 provision for loss on collectibility has been included in other assets (Note 4) pending a final resolution of the Chapter 11 bankruptcy proceedings of Dalco.

Of the 9,710,000 Class A Voting and Class B Non-voting Shares of the Company which Dalco presently owns, an aggregate of 7,500,000 shares have been pledged as collateral with various secured lenders including 5,500,000 shares which are held by the Company's principal banker.

- (b) Pursuant to an agreement dated June 1, 1983, the Company acquired all of the issued and outstanding share capital of Windermere Petroleum Ltd. ("Windermere"), a company controlled by a Director of the Company. Total consideration given consisted of \$150,000, being the issuance of 160,000 Class A Voting Shares of the Company.

The transaction has been accounted for by the purchase method with the results of operations included in the financial statements from the effective date of acquisition. The net assets acquired and their assigned values are as follows:

Fixed assets at net book value	\$177,000
Increase to appraised value	267,000
	<hr/>
	444,000
Bank loan	294,000
	<hr/>
	\$150,000

In addition, the Company acquired certain property interests of Windermere Petroleum Inc. for a cash consideration of \$121,000. The purchase price of these transactions was determined from independent engineering evaluations of the properties involved.

14. **Remuneration of Directors and Officers**

The aggregate remuneration paid or payable to directors and senior officers (as defined by the Companies Act, Alberta, which term includes the five highest paid employees of the Company) during the period amounted to \$739,000 and \$439,000 for the seven months ended December 31, 1982.

Corporate Information

DIRECTORS

- †*Francis M. Parsons
Chairman
Dynex Petroleum Ltd.
- *George E. Longphee
President
Georma Investments Ltd.
- George W. Oughtred
Chairman of the Board
Commercial Oil & Gas Ltd.
- *William F. Procter
Executive Vice-President
Gardiner Watson Ltd.
- †Wayne R. Sharp
President
Windermere Resources Ltd.
- *Arthur R. Smith
President
Lavalin Services Inc.
(Western Region)
- †Derek Whittle
Co-Chairman
The MerBanco Group

†Member of Executive Committee

*Member of Audit Committee

HEAD OFFICE

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500 - 4 Avenue S.W.
CALGARY, Alberta
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(403) 261-9810

SUBSIDIARY COMPANY

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(403) 261-9810

OFFICERS

Francis M. Parsons
President, Chief Executive Officer

Deane G. H. Ross
Executive Vice-President

Robert A. Wall
Vice-President, Finance

Lorraine Lawrence
Corporate Secretary

SOLICITORS

Code Hunter
#1900, 736 - 6 Avenue S.W.
CALGARY, Alberta
T2P 3W1

AUDITORS

Peat, Marwick, Mitchell & Co.
2500, 700 - 2 Street S.W.
CALGARY, Alberta
T2P 2W2

TRANSFER AGENTS

Royal Trust Corporation of Canada
in Calgary, Toronto and Montreal

STOCK LISTING

Toronto Stock Exchange
Alberta Stock Exchange
(Symbol — DPL)

PRINCIPAL BANKER

Bank of Montreal
Calgary, Alberta

