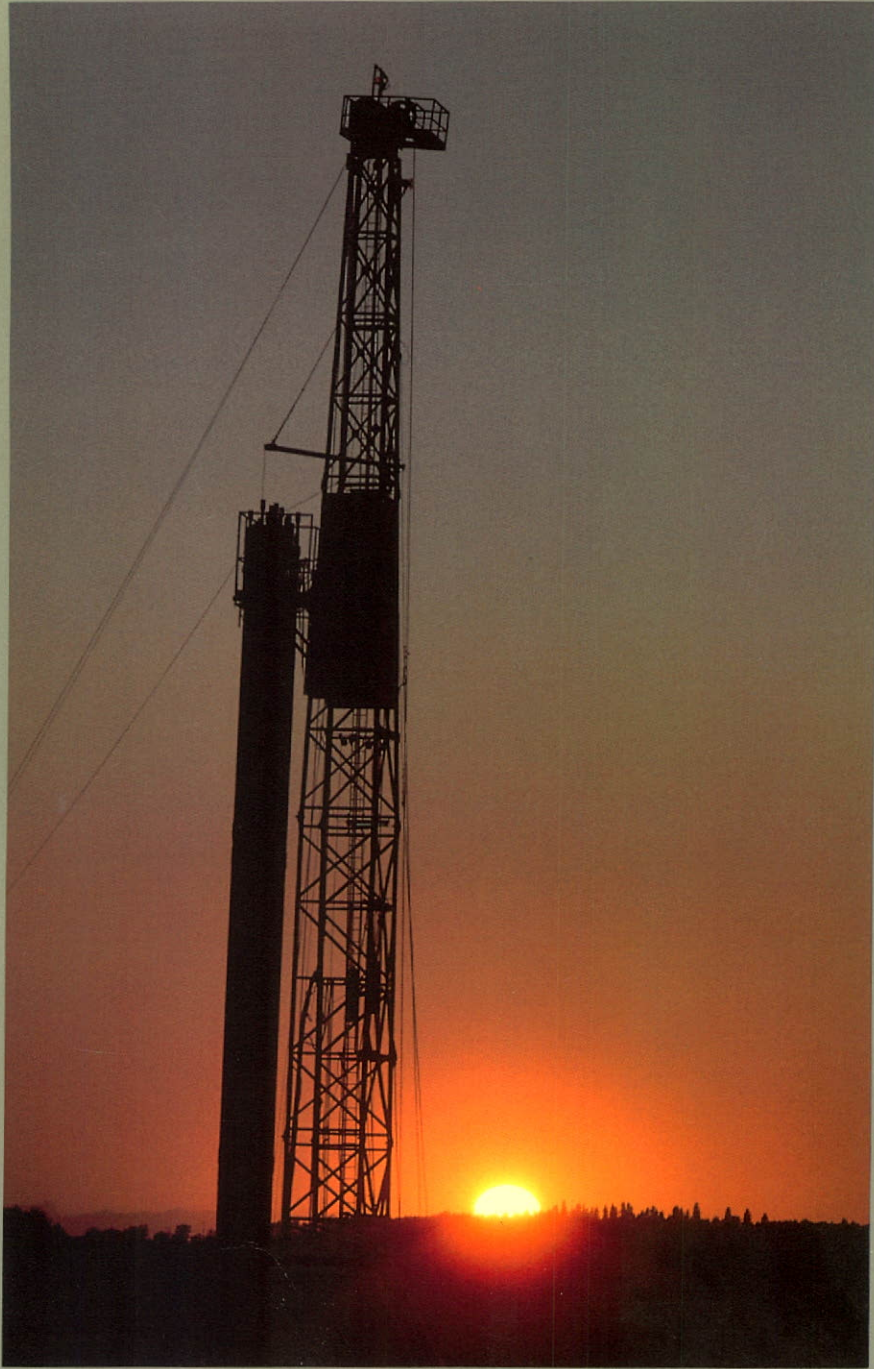




**CANADA
INC.**



**1987
ANNUAL
REPORT**

Corporate Profile

LASMO Canada Inc. is an oil and gas exploration and development company headquartered in Calgary, Alberta. The Company emerged through the successful amalgamation of two Canadian oil and gas exploration companies, Onyx Petroleum Exploration Company Ltd. and LASMO Exploration (Canada) Ltd. The Company's strong financial position, experienced management group and diversified mix of oil and natural gas reserves and undeveloped land provide a solid base for future growth. The Company's shares are listed for trading on The Toronto Stock Exchange and the Montreal Exchange under the symbol LMO.

Annual Meeting of Shareholders

May 4, 1988 at 2:00 p.m.
Bel Aire Room of The Westin Hotel
320 - 4th Avenue S.W.
Calgary, Alberta

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Highlights

Financial

LASMO's consolidated balance sheet reflects a strong financial position which will enable the Company to compete more effectively in today's environment and to actively pursue opportunities for significant growth and development.

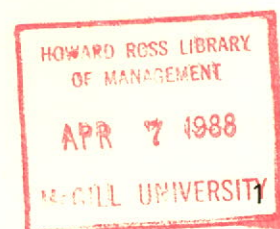
	<u>1987</u>
	(\$ Millions)
Total Assets	\$ 108
Shareholders' Equity	89
Long-Term Debt	10

Operating

LASMO has substantial assets of land and reserves which provide the Company with a balanced and diversified production base.


Reserves

Crude Oil and NGLs (mbbls)	Proven	8,559
	Probable	875
	Total	9,434
Natural Gas (mmcf)	Proven	19,572
	Probable	2,082
	Total	21,654
Present Value of Reserves Discounted at 15% (\$ Millions)		\$ 112
Net Land Holdings (Thousands of Acres)		223



Chairman's Report



 *Seated (left to right): Bill Hickman, Vice-President, Production; Dennis Flanagan, Chairman and Chief Executive Officer; David Smith, President. Standing (left to right): Conrad Kathol, Vice-President, Exploration; Leo Huene, Vice-President, Land; and Lloyd Hansen, Vice-President, Finance and Administration.*

We are very pleased to present to you LASMO Canada Inc.'s first Annual Report. LASMO Canada Inc. is the result of an amalgamation of Onyx Petroleum Exploration Company Ltd. and LASMO Exploration (Canada) Ltd. Onyx was a successful, independent public company with oil and gas reserves primarily in Alberta. LASMO Exploration was a wholly-owned subsidiary of London and Scottish Marine Oil PLC, a large, world-wide public oil company headquartered in London, England. LASMO Exploration had oil and gas reserves in Saskatchewan and Alberta as well as an extensive acreage position in western Canada and northern North Dakota.

The combining of these two companies results in a very strong company with a large asset base

consisting of almost 10 million barrels of oil, 21 billion cubic feet of natural gas, more than 200,000 net acres of undeveloped land and long term debt equal to approximately six months cash flow. This large asset base will provide financial resources to facilitate an aggressive exploration and development program. The merger of Onyx and LASMO Exploration also resulted in LASMO Canada Inc. having a well balanced and experienced management team.

In addition to exploration and development, the Company intends to actively pursue acquisition opportunities from time to time to accelerate the current rate of growth. While the Company is currently enjoying the benefits of having mostly oil production and very little gas, the long term outlook indicates that natural gas will be in much more demand than it is now. The Company will, therefore, be seeking ways to increase its natural gas reserves over the next few years in order to have a more balanced reserve base.

Oil prices, compared to 1986, appear to have stabilized in the \$16-18 U.S. per barrel range. There is still, however, an ongoing concern about price stability. As a result, it will be necessary to monitor budgets closely and to be able to react quickly if oil prices continue to weaken. It is LASMO's policy to explore and develop within a balanced budget on an annualized basis.

The financial statements for the year ended December 31, 1987 reflect the acquisition of the net assets of Onyx, in accordance with purchase accounting principles used by the Company and approved by its auditors. Consequently the statements of operations and changes in financial position reflect only LASMO Exploration data for the 12 month period and as a result are not representative of a full year of the combined entity. The pro forma consolidated statement of operations as discussed in Notes 2 and 9 of the Financial Statements is intended to

show the effect of the combined Company as if the amalgamation was effective January 1, 1987.

We are also pleased to have strong shareholder support with London and Scottish Marine Oil PLC owning 33 per cent of the voting shares and 100 per cent of the current Non-Voting shares. The remainder of the Common shares are held primarily by the Canadian public, together with large Canadian institutional holders.

We would like to take this opportunity to thank Mr. Lorie Waisberg and Mr. Gordon MacNeill, both of Toronto, for their very valuable contribution to the Onyx Board of Directors over the past few years. We would also like to welcome Mr. Chris Greentree, Mr. Norman Davidson Kelly, both of London, England, Mr. Bill Menzel of Toronto and Mr. Dave Smith of Calgary as new Directors to the Board.



We would like to pay tribute to the organizers of the XV Olympic Winter Games held in February 1988 in Calgary. These Games were the largest and most successful winter events ever held and we are proud Calgarians and Canadians to have been part of such an event. The success of these Games was a result of some 20,000 volunteers contributing their time and effort over the past two years to the Games. Our Company is very pleased and proud to have been able to contribute to that volunteer program.

A handwritten signature in black ink, appearing to read "Dennis G. Flanagan".

Dennis G. Flanagan
March 17, 1988



President's Report

Nineteen eighty-seven — a year of excellent achievement for LASMO Exploration (Canada) Ltd. and Onyx Petroleum Exploration Company Ltd. — culminated at year end with the amalgamation of the two companies to form LASMO Canada Inc. (LASMO). In order to achieve a proper future comparison of all exploration, development and production statistics, results are reported as if the merger had occurred on January 1, 1987.

After the severe oil price drop and chaotic price instability of 1986, 1987 brought some price stability to the market at an approximate \$18 U.S. per barrel level. This increase in oil price from the low in 1986 of \$9.75 per barrel, combined with major increases in oil production in both companies resulted in considerably higher cash flow over that achieved in 1986.

With gas deregulation in 1987, both gas markets and prices declined. As most of LASMO's production is oil, these declines did not have a major effect on the cash flow of the Company.

In 1987, the Provincial and Federal governments introduced new incentive programs which increased exploration and development activity. Both Alberta and Saskatchewan established new, longer royalty free periods for exploration and development wells. The Federal government introduced the Canadian Exploration and Development Incentive Program (CEDIP) which refunded up to one-third of the cost of certain seismic and drilling expenditures to a maximum of \$10 million annually. These programs result in much improved economics for many oil and gas prospects and your Company has taken optimum advantage of these incentives.

Exploration and Development

During 1987, the Company participated in the drilling of 56 wells of which 35 were oil producers, three

were gas wells, two were service wells and 16 were dry and abandoned. The Company also farmed out 13 wells of which six were oil producers, two were gas wells and five were dry and abandoned.

An excellent exploration discovery was made at Mitsue, Alberta. This well, along with the pressure maintenance project, tripled production from Mitsue in 1987. Development drilling continued in the Otter and Grand Forks areas of Alberta where a total of 12 successful oil wells were drilled.

In Saskatchewan, three oil discoveries were made in the new Winnipegosis Reef play at Tableland, a new oil field was developed at Kisbey where LASMO now has seven producing oil wells and, in western Saskatchewan, an interest in the Freemont field was acquired.

Production and Reserves

Production of oil and natural gas liquids averaged 3,311 barrels per day in 1987, an increase of 20 per cent over the average 1986 level. In December 1987, average daily oil production had increased to 4,165 barrels, up 52 per cent from December 1986.

Natural gas sales for 1987 averaged approximately 2.9 million cubic feet per day down from an approximate average daily production level of 3.3 million cubic feet in 1986. This decline resulted from a decrease in nominations under existing gas contracts. We believe that gas prices and nominations will increase in the future.

On December 31, 1987, LASMO's proven and probable reserves totalled 9.4 million barrels of oil and natural gas liquids and 21.6 billion cubic feet of natural gas. Ninety per cent of these reserves are proven.

Financial

During 1987, oil prices recovered somewhat from the substantial decline experienced in 1986 resulting in a LASMO combined cash flow of \$13,252,000 or \$.64 per share. Combined revenues were \$23,783,000 and combined net income was \$3,031,000 or \$.15 per share. The Company's combined net capital expenditure program for 1987 amounted to \$18,670,000.

LASMO has a very strong balance sheet with assets of \$108 million and long term debt of only \$10 million which is considerably less than one year's cash flow. This combination of substantial assets and enhanced financial strengths will enable the Company to be more competitive under current industry conditions and to provide accelerated future growth potential for its shareholders.

Under current pricing scenarios and given current production volumes, the Company is in a position to generate sufficient cash flow to finance an active capital expenditure program in 1988.

New Ventures

During 1987, a considerable effort was made to obtain additional prospective lands in the Rainbow Basin. High resolution 3D seismic has been conducted on these lands and an extensive drilling program will proceed in 1988.

On October 29, 1987, LASMO announced that it had entered into a joint venture to explore for Winnipegosis pinnacle reefs in North Dakota with LASMO Energy Corporation of Tulsa, Oklahoma, and Patrick Petroleum Company of Jackson, Michigan.

On January 7, 1988, the Company announced its intention to participate in a farmout from Gulf Canada Resources Limited to conduct a horizontal well drilling program in the Pelican Lake area of Alberta.

By the end of March 1988, LASMO expects to enter into a joint venture with OMERS Resources Ltd. to conduct oil exploration on 24 project areas in Alberta and Saskatchewan.

1988 Outlook

In 1988, LASMO is planning to conduct an expanded capital spending program totalling approximately \$19.5 million before CEDIP payments. The program involves the participation in the drilling of about 100 exploration and development wells in Alberta, Saskatchewan and North Dakota. This program is based on a stabilized price level of \$18 U.S. per barrel.

Staff

LASMO would like to congratulate all the employees for their high level contribution in the past year. Over and above the excellent success that was achieved in our business during the year, we would like to acknowledge the major contribution made by the Company's staff to the successful amalgamation.



David W. Smith
March 17, 1988

 *Exploration and Development*



 *Slant hole service rig at the Salt Lake discovery in Saskatchewan.*

Exploration and development expenditures during 1987 totalled \$18.45 million of which \$6.11 million was spent on land acquisition, \$2.48 million on seismic, \$7.56 million on drilling and \$2.30 million on facilities.

During the year, exploration and development drilling was concentrated on prospects of low to medium risk providing medium to high production and reserve growth potential. In almost all cases, these prospects are very dependent on high resolution seismic data and, in many cases, a high resolution three dimensional (3D) seismic survey was required before drilling could commence.

The Company participated in the drilling of 19 exploratory and 37 development wells. Of the 56 wells drilled, 49 were specifically drilled for oil, two were drilled for gas and five were drilled as commitment wells to hold large gas permits in Saskatchewan. Thirty-eight wells were successful, 35 of which were oil and three gas, 16 were dry and abandoned and two were converted to water disposal wells.

A significant farmout program was also conducted on the Company's lands. During the year, 13 wells were

farmed out. While reducing LASMO's working interest and net production in any discoveries, the Company's acreage was evaluated at no cost. Drilling resulted in six oil wells, two gas wells and five dry and abandoned.

The majority of the Company's successful drilling was conducted in the Mitsue, Otter, Grand Forks, Kisbey, Freemont and Tableland areas. Exploration and development drilling in these areas resulted in 24 successful oil and gas wells out of a total 38 wells. Most of the other successful activity occurred at Keystone in Alberta and Loughheed and Salt Lake in Saskatchewan.

At Keystone in central Alberta, four development wells were successful. LASMO plans to participate in the drilling of three additional wells in the area in 1988.

Four development wells were drilled at Loughheed, the northern extension of the West Weyburn field in southern Saskatchewan. LASMO participated with a 12.5 to 14.3 per cent interest in three oil wells and has a royalty interest in the fourth. Additional drilling is expected in 1988.

Two successful oil development wells were drilled in the Salt Lake field in western Saskatchewan. The second well was drilled using a slant hole drilling rig in order to directionally drill beneath a lake.

During 1988, additional drilling is expected to take place in each of the Company's prime exploration and development areas. Significant drilling will also occur in LASMO's new joint venture areas, including Rainbow, Pelican Lake and North Dakota. These areas, together with properties to be explored and developed under the OMERS Joint Venture, represent substantial upside potential for LASMO.

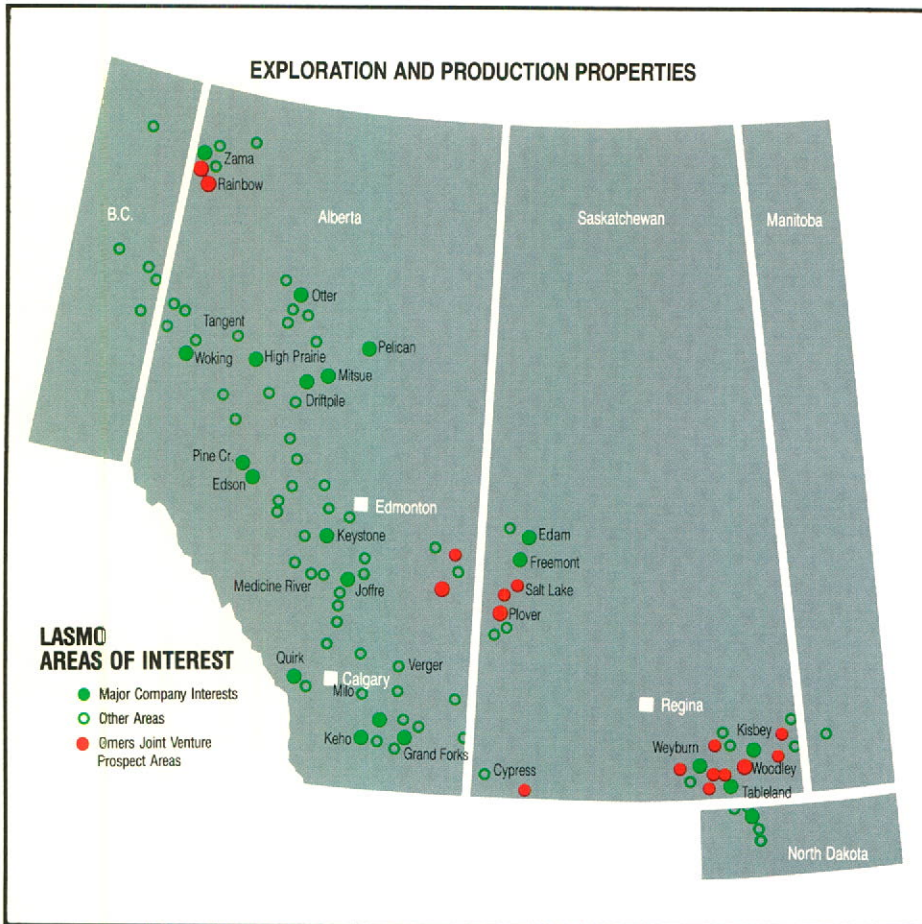
Exploration Wells

	Gross	Net
— Oil	5	1.9
— Gas	2	0.8
— Dry	12	4.2
— Total	19	6.9

Development Wells

	Gross	Net
— Oil	30	10.1
— Gas	1	0.2
— Dry	6	2.6
— Total	37	12.9

Areas of Activity



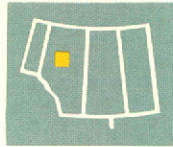
Land

At December 31, 1987, LASMO held 516,658 gross (208,747 net) acres of undeveloped land in western Canada. LASMO also held 70,776 gross (13,805 net) acres in North Dakota for a total combined undeveloped land inventory of 587,434 gross (222,552 net) acres. This is an increase of 19 per cent from the net acres held at December 31, 1986.

These lands were purchased in areas where LASMO has defined drilling prospects or where LASMO has a strong interest in pursuing an exploration program. Industry involvement is high in many of these areas and LASMO can benefit from competitor activity.

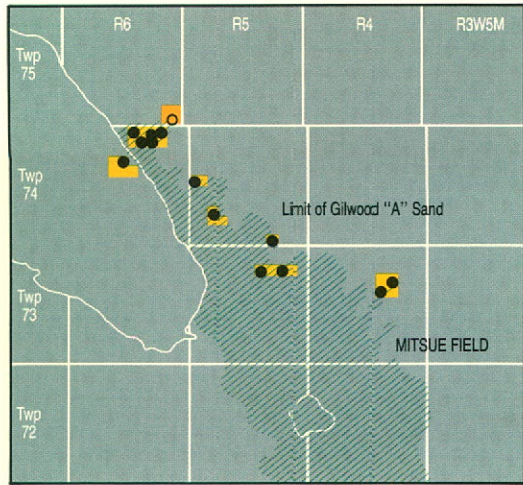
Summary of Undeveloped Acreage as of December 31, 1987

	Gross Acreage	Net Acreage
British Columbia	29,768	5,109
Alberta	214,574	76,074
Saskatchewan	266,723	124,669
Manitoba	5,593	2,895
North Dakota	70,776	13,805
TOTAL COMPANY LAND	587,434	222,552



MITSUE

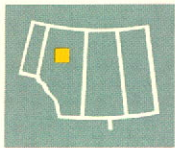
- LASMO Lands
- LASMO Option Lands
- LASMO Oil Well
- Location
- Mitsue Oil Field



**Prime Areas of Activity
Mitsue, Alberta**

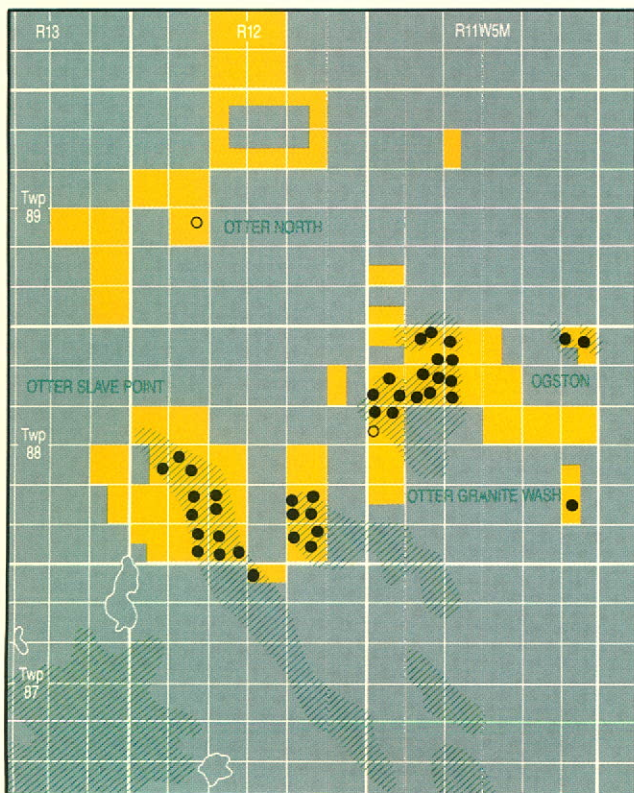
The Mitsue area has become one of LASMO's major oil producing properties. The Company has working interests ranging from 25 to 50 per cent in 2,936 gross (1,241 net) acres within and adjacent to the Mitsue field boundaries. The Company currently has an interest in 11 oil wells that produce from the Devonian Gilwood sand and one water injector well. One exploration well was drilled in 1987 and flowed at rates of 475 barrels of oil per day.

As a result of this exploration well and the pressure maintenance well drilled during the year, LASMO's Mitsue production increased from about 200 barrels of oil per day in December 1986 to about 600 barrels of oil per day in December 1987. A follow-up well to the exploration discovery may be drilled in 1988.



OTTER/OGSTON

- LASMO Lands
- Oil Pool
- Location
- Oil Well
- Gas Well
- Suspended
- Abandoned
- Disposal Well



Otter, Alberta

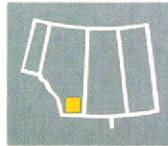
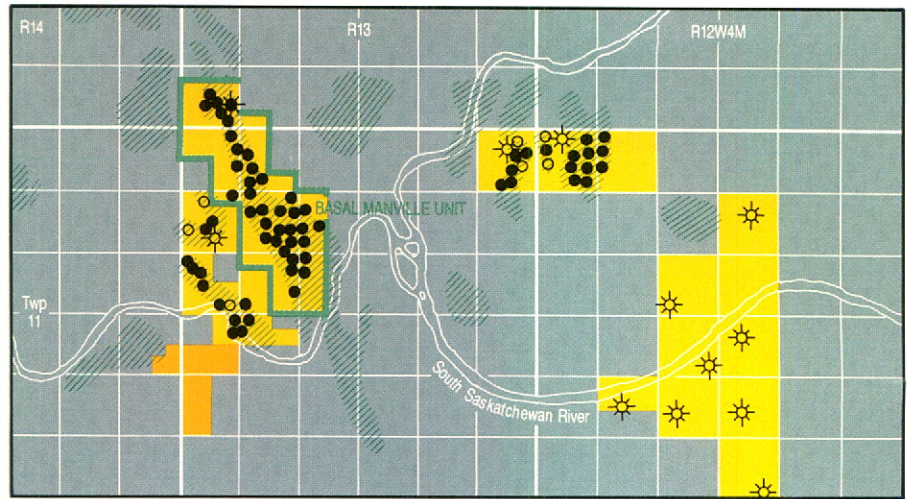
The Otter area was another major area of activity during 1987. The Company participated in the drilling of eight wells resulting in six oil, one gas and one dry hole. The Company's year end oil production was 435 barrels of oil per day, a 100 per cent increase during the year. LASMO now has interests in eight producing wells in the Slave Point Reef and 20 wells in the Granite Wash. In addition, the Company holds a 37.5 per cent interest in a battery and pipeline facility which processes LASMO's production and is used to process non-owned production for a fee.

In the Otter Granite Wash prospect area, an active drilling program supported by 3D seismic will be pursued during the upcoming year. One development location will be drilled in early 1988, and as many as five additional locations may be drilled. In the Otter North area, a new pool exploration well is scheduled to be drilled in early 1988 to evaluate a potential large new Granite Wash pool.

Grand Forks, Alberta

LASMO has working interests ranging from 1 to 15 per cent in 8,345 gross (1,222 net) acres at Grand Forks in southern Alberta. During the year, the Company participated in the drilling of six development wells, all of which were successful oil producers. LASMO's gross production averaged 335 barrels of oil per day during December 1987, an increase of 35 per cent from the previous year.

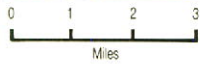
In 1988, the Company has scheduled the drilling of ten additional development wells. An application has been approved for a tertiary oil recovery project to enhance oil recovery from the Grand Forks Lower Mannville D unit. LASMO is currently conducting a number of seismic programs in the area to evaluate additional exploration and development targets. The area has significant multi-zone oil potential in the Sawtooth, Taber and Glauconite sands at shallow depths making it an attractive exploration area. The Company is attempting to increase its working interest in all new prospects acquired in this area.



GRAND FORKS

- LASMO Lands
- LASMO Option Lands
- Oil Pools
- Oil Well

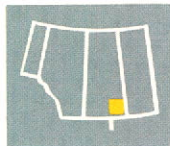
- Injector
- Gas Well
- Oil & Gas Well
- Suspended
- Abandoned
- Location



Kisbey, Saskatchewan

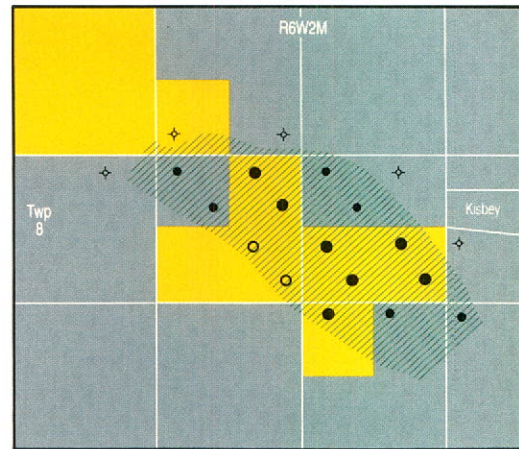
LASMO has a 50 per cent working interest in 1,920 gross (960 net) acres located in the Kisbey area of southeastern Saskatchewan. The Company has an interest in seven wells which produce light oil from the Frobisher-Alida formation, six of which were drilled as development wells during 1987. LASMO's share of gross production for the month of December 1987 averaged 217 barrels of oil per day with the productive capacities of the wells ranging from 30 to 180 barrels per day.

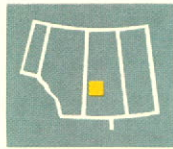
Two additional development wells will be drilled early in 1988, with additional exploration and development drilling possible later in the year.



KISBEY

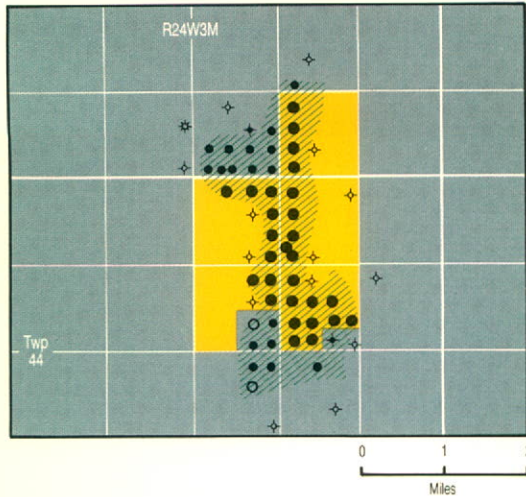
- LASMO Lands
- Kisbey Oil Pool
- Location
- Oil Well
- Abandoned Well





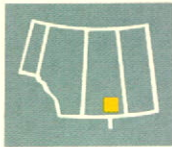
FREEMONT

- LASMO Lands
- Freemont Oil Pool
- Location
- Oil Well
- Gas Well
- Abandoned Well



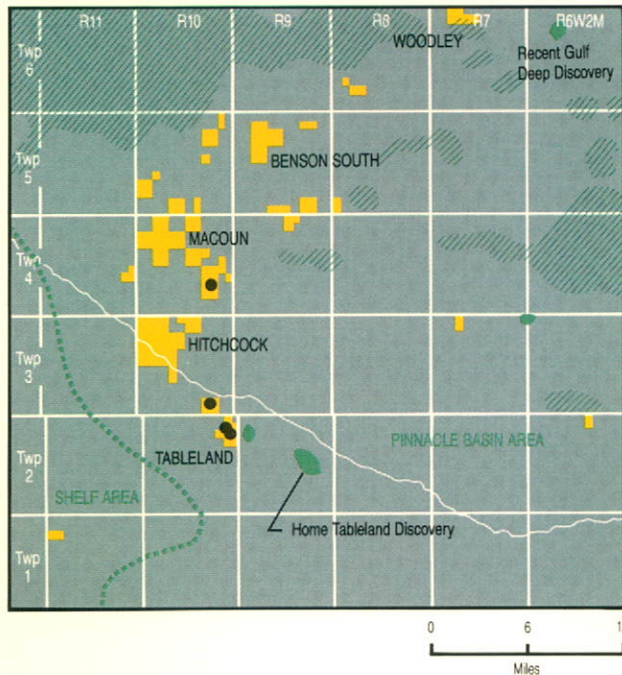
Freemont, Saskatchewan

In May 1987, LASMO purchased 2,960 net acres in the Freemont heavy oil field, southeast of Lloydminster, Saskatchewan. The interests included 25 wells, the majority of which were shut-in, with total daily production from a few wells averaging only 100 barrels of oil per day from Cretaceous Lower Mannville sand formations. One new development well was drilled and many other existing shut-in wells were reactivated with the result that, by December 1987, LASMO's share of production had increased to an average 280 barrels of oil per day from 15 wells. In 1988, the Company anticipates drilling an additional two to six development wells contingent upon current seismic survey results.



TABLELAND

- LASMO Lands
- Winnipegosis Production
- Approximate Edge of Pinnacle Basin
- LASMO Winnipegosis Oil Wells
- Areas of Mississippian Oil Production



Tableland, Saskatchewan

LASMO has working interests ranging from 23.3 per cent to 100 per cent in 15,440 gross (4,162 net) acres in the Tableland area of southeastern Saskatchewan. The area became the location of intense industry activity during late 1986 and 1987, following the announcement by Home Oil of a Winnipegosis pinnacle reef discovery capable of producing at rates of over 2,000 barrels of oil per day.

LASMO participated in the drilling of five exploration wells within the prospect area in 1987, resulting in four producing Winnipegosis oil wells. The Company's share of production averaged 70 barrels of oil per day during December 1987.

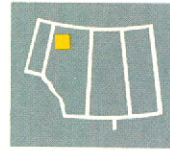
LASMO is one of the leading operators in this new exploration play, and has gained significant knowledge of the Winnipegosis reservoir through its exploration, drilling and production experience. Although production problems have been encountered, LASMO continues to be optimistic for the Winnipegosis potential in southeastern Saskatchewan. The Company holds interests in over 20 anomalies and has completed seismic evaluation on many of these. Four exploration wells are scheduled for the first half of 1988.

New Venture Areas

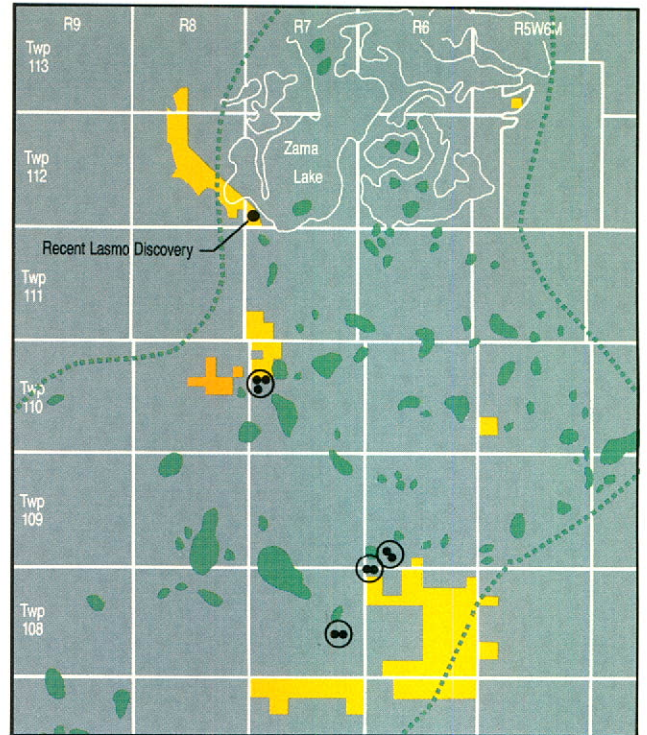
Rainbow, Alberta

LASMO has working interests ranging from 25 per cent to 100 per cent in 41,154 gross (20,464 net) acres in the Rainbow Basin located in northern Alberta. The primary objective in the area is the Keg River formation which has produced over 2 billion barrels of light oil to date.

LASMO drilled two wells in the Rainbow Basin during 1987 and late 1986 resulting in one oil well and one dry hole. The successful well is producing 95 barrels of oil per day of which LASMO's share is 60 barrels of oil per day. Several 3D seismic programs will be shot in early 1988 over a number of prospective areas. Three exploration wells are scheduled for drilling during the first half of 1988, with three or more follow-up wells possible later in the year.



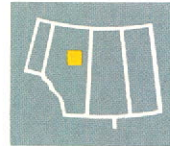
RAINBOW



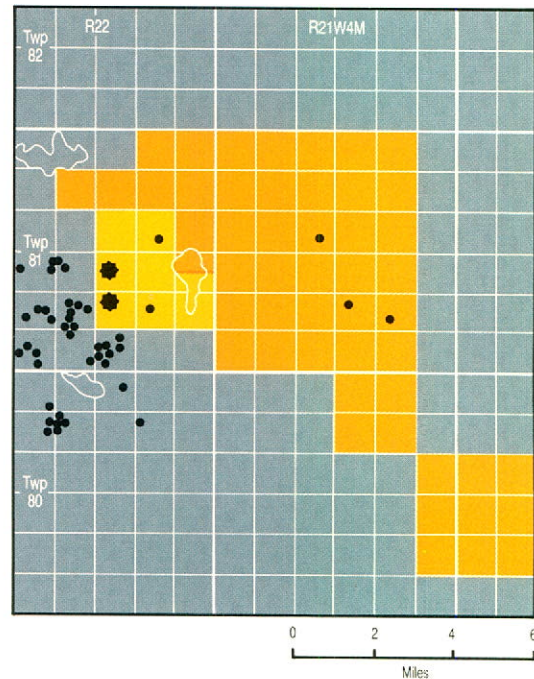
Pelican Lake, Alberta

LASMO participated with a 35 per cent interest in a group who have negotiated a farmout from Gulf Canada Resources Limited to earn an interest in Gulf's Pelican Lake heavy oil prospect area in north central Alberta. Stratigraphic test holes indicate that the Wabiskaw sands are present throughout the Pelican Lake project area at a depth of about 1,350 feet. The sands are approximately 20 feet thick and contain 14° API gravity oil.

The LASMO joint venture group will utilize a new horizontal drilling technique which will allow for the penetration of up to 1,500 feet of horizontal oil sands in each well. With this technique, a much higher production rate is expected to be achieved without the use of expensive secondary recovery processes. Technical assistance will be provided by Horwell S.A., Société Nationale Elf Aquitaine and Institute Français du Pétrole; world leaders in the application of horizontal well technology.



PELICAN



The initial program, which will begin in early 1988, requires LASMO to spend 35 per cent of a \$5 million drilling program and will result in the drilling of up to eight horizontal wells. Completion of the initial commitment will earn LASMO an interest in 7.5 sections (4,800 acres) and the option to earn an additional interest in up to a total of 58 sections (37,120 acres).

North Dakota

On October 29, 1987 LASMO announced that it had entered into a joint venture to explore for Devonian Winnipegosis pinnacle reefs in North Dakota with LASMO Energy Corporation of Tulsa, Oklahoma and Patrick Petroleum Company of Jackson, Michigan. This venture is a geological extension to LASMO's Devonian Winnipegosis discoveries in the Tableland area of southern Saskatchewan.

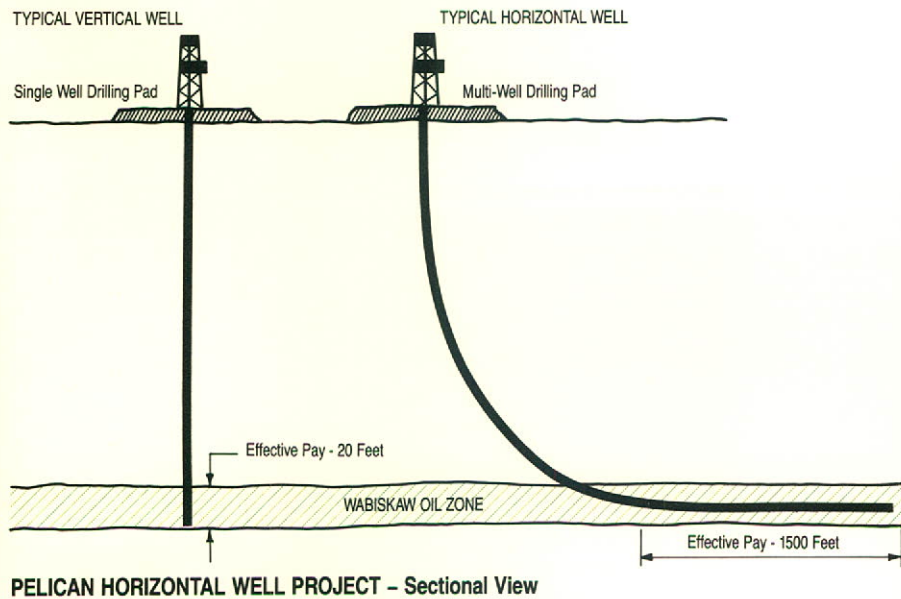
At year end, joint venture partners had acquired an interest in 70,776 gross acres of prospect lands (LASMO 13,805 net acres) in North Dakota. Detailed seismic programs, including an 8.5 square mile 3D survey, are currently underway. A drilling program will be dependent on the seismic results. Significant reserve potential may also exist in many of the shallower horizons which are productive throughout the prospect area.

OMERS Joint Venture

A letter of intent has been signed whereby LASMO will enter into a joint venture with OMERS Resources Ltd., a wholly-owned subsidiary of the Ontario Municipal Employees Retirement Board (OMERS) to conduct oil exploration on 24 project areas throughout Alberta and Saskatchewan. LASMO will operate the joint venture.

OMERS will reimburse LASMO for a portion of the Company's previous seismic and land costs on the 24 projects and will continue exploration and development in these project areas on a 45 per cent working interest basis. It is expected that a capital expenditure program of about \$13 million will be undertaken, primarily on drilling.

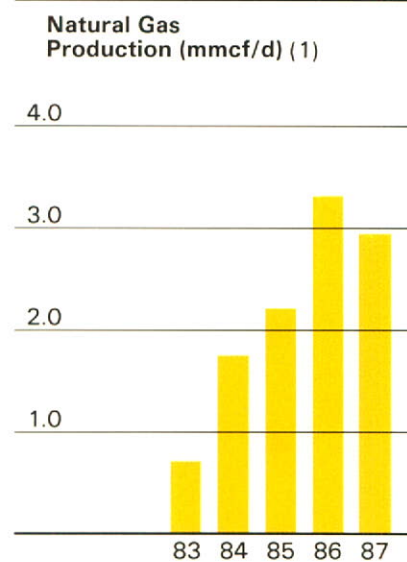
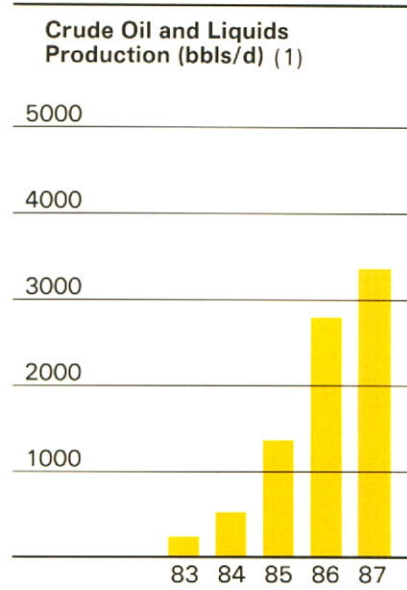
Seismic is currently being acquired on many of the projects and drilling is expected to commence in March 1988.



Production

The combined companies produced record volumes of oil and natural gas liquids in 1987, averaging 3,311 barrels per day before royalty. This represents an increase of 20 per cent over the combined 1986 average rate of 2,751 barrels per day. In December 1987, LASMO's production was 4,165 barrels per day, 52 per cent above the December 1986 rate of 2,740 barrels per day. The average Canadian price in 1987 for oil was \$20.30 per barrel and for natural gas liquids \$15.21 per barrel.

Gas production for the combined companies declined from 3.3 million cubic feet per day to 2.9 million cubic feet per day due to depressed natural gas markets during much of the year. However, fourth quarter demand was stronger than normal seasonal increases, and the general industry consensus is for improved sales during 1988. Year end gas production of 3.5 million cubic feet per day was 600,000 cubic feet per day above the combined 1987 average. LASMO also produced approximately five tonnes of sulphur per day as a by-product of Quirk Creek gas production. The average Canadian gas price in 1987 was \$1.54 per thousand cubic feet.



(1) Graphs reflect production of the combined companies.



Major Producing Properties

	Oil & NGL Production (1) (b/d)	Natural Gas Sales (1) (mcf/d)
Alberta — Light		
Carrot Creek	16	224
Edson	35	614
Grand Forks	242	42
Joffre	212	106
Mitsue	452	—
Otter	362	—
Quirk Creek	54	1,127
Other	262	853
	<u>1,635</u>	<u>2,966</u>
Saskatchewan — Light/Medium		
Kisbey	110	—
Tableland	43	—
Weyburn	183	—
Other	131	—
	<u>467</u>	<u>—</u>
Saskatchewan — Heavy		
Edam	798	—
Freemont	133	—
Lloydminster	225	—
Other	53	—
	<u>1,209</u>	<u>—</u>
Average 1987 Production Rate	<u>3,311</u>	<u>2,966</u>
Year End 1987 Production Rate	<u>4,165</u>	<u>3,553</u>

(1) Before Royalty

Approximately 35 per cent of LASMO's liquid production is heavy oil from the Lloydminster area of Saskatchewan and the majority of the remainder is light gravity oil from Saskatchewan and Alberta. All of the Company's gas production is from Alberta. No significant change in the overall product mix is anticipated in 1988.

LASMO is a member of Canpet Marketing Ltd., a co-operative marketing organization, and sells approximately 30 per cent of its oil production through that organization. The remainder of the oil is sold to major purchasers. Two-thirds of the Company's gas reserves are under contract to Alberta and Southern, and TransCanada PipeLines. The remainder is sold in various local markets.

Reserves

The reserves of both LASMO Exploration (Canada) Ltd. and Onyx Petroleum Exploration Company Ltd. were evaluated by Sproule Associates Limited effective September 1, 1987 in conjunction with the amalgamation of the two companies. The combined reserves amounted to 9.5 million barrels of oil and natural gas liquids and 20.9 billion cubic feet of gas. There was no appreciable change in the reserves between September 1 and December 31, 1987.

Discoveries, extensions and acquisitions of reserves by the two companies in 1987 amounted to approximately 2.45 million barrels of oil and liquids and 1.5 billion cubic feet of gas. This was more than sufficient to replace the combined production volumes of approximately 1.2 million barrels of oil and liquids and one billion cubic feet of gas.

The present value of the Company's reserves at year-end were derived from the Sproule evaluation at September 1, 1987, adjusted for production and additions. The same price forecast (Sproule, effective July 28, 1987) was used for reserve additions which occurred between September and December 31, 1987. The values as shown include the Alberta Royalty Tax Credit.

Reserves of Crude Oil Liquids and Natural Gas (Before Royalty)

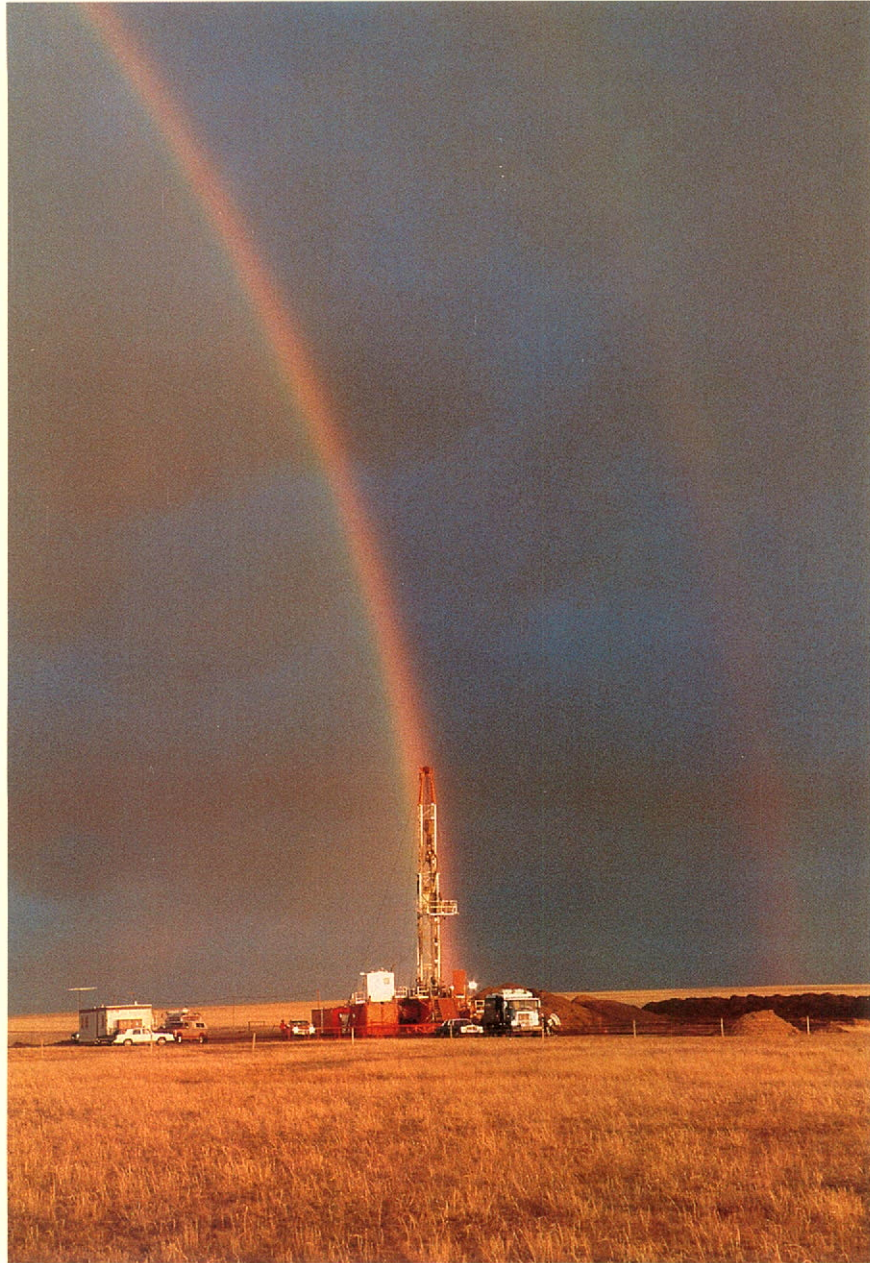
	Oil and Liquids (mbbls)			Natural Gas (mmcf)		
	Proven	Probable	Total	Proven	Probable	Total
At September 1, 1987	8,671	875	9,546	18,859	2,082	20,941
Discoveries and Extensions	358	—	358	1,120	—	1,120
Production	(470)	—	(470)	(407)	—	(407)
At December 31, 1987	<u>8,559</u>	<u>875</u>	<u>9,434</u>	<u>19,572</u>	<u>2,082</u>	<u>21,654</u>


Present Value of Reserves Before Income Tax (\$000's) (1)

	Discount Rate			
	10%	12%	15%	20%
Proven	\$ 127,237	\$ 117,737	\$ 105,939	\$ 90,916
Probable	7,986	7,261	6,386	5,307
Total	<u>\$ 135,223</u>	<u>\$ 124,998</u>	<u>\$ 112,325</u>	<u>\$ 96,223</u>

(1) Based on Sproule Associates Limited Price Forecast

 *Financial Review*



 *Drilling for oil in Southern Alberta.*

The amalgamation of Onyx Petroleum Exploration Company Ltd. and LASMO Exploration (Canada) Ltd.

At year end 1987 Onyx Petroleum Exploration Company Ltd. (Onyx) and LASMO Exploration (Canada) Ltd. (LASMO Exploration) entered into an amalgamation agreement providing for the amalgamation of the two companies and their continuance as one corporation with the name LASMO Canada Inc. (LASMO).

The consolidated financial statements reflect the accounts of LASMO Exploration for the entire year, plus the deemed acquisition of Onyx on December 31, 1987. The historical comparative financial information provided in the audited financial statements is that of LASMO Exploration. As the financial statements do not reflect any of the 1987 results of operations for Onyx, pro forma financial information has been provided to show what the results of the Company might have been if the amalgamation had occurred on January 1, 1987. This pro forma information has been determined after giving effect to adjustments in depletion and depreciation, deferred income taxes and the extraordinary item.

Revenue and Cash Flow

In 1987, revenue net of royalties amounted to \$16,088,000, representing a 45 per cent increase over the \$11,124,000 recorded in 1986. The increase in revenue is due primarily to an increase in crude oil and NGL production together with an increase in average prices. Cash flow from operations amounted to \$8,637,000 in 1987, an increase of 113 per cent over the \$4,046,000 recorded in 1986.

The 1987 net income of \$949,000 is a substantial improvement over the loss of \$34,042,000 incurred in 1986. The net loss in 1986 included a write-down in petroleum and natural gas interests amounting to \$29,500,000.

Pro forma revenue for 1987 amounted to \$23,783,000, resulting in pro forma net income of \$3,031,000 or \$.15 per share. 1987 pro forma cash flow was \$13,252,000 or \$.64 per share.

Costs and Expenses

Total expenses in 1987 amounted to \$15,139,000, representing a substantial decline from the \$45,166,000 reported in 1986. The 1986 total expenses included a \$29,500,000 write-down in the carrying value of petroleum and natural gas interests. The Company's production expenses in 1987 were up 11% to \$6,136,000 over the \$5,548,000 recorded in 1986 as a result of the increase in crude oil and NGL production. General and administrative expenses, before capitalization, of \$2,577,000 are slightly lower than the \$2,641,000 reported in 1986.

Effective January 1, 1987 the Company adopted the Canadian Institute of Chartered Accountants guideline on full cost accounting in the oil and gas industry. This change in accounting policy was applied on a retroactive basis. Under the full cost method of accounting for petroleum and natural gas interests, the Company recorded depletion and depreciation expenses of \$7,840,000 in 1987, a decrease of 10 per cent from the \$8,742,000 recorded in 1986. Pro forma depletion and depreciation for 1987 was \$10,000,000.

Deferred income taxes were recorded for the first time in 1987 and amounted to \$200,000. In prior years, the Company was in a net loss position and thus was not required to record deferred income tax expense. The total of prior years' losses amounting to approximately \$34 million is available to the Company to reduce current and future years taxable income for accounting purposes. The application of prior years' losses is accomplished by way of an extraordinary item on the

Statement of Operations, which extraordinary item amounted to \$200,000 in 1987. The pro forma deferred tax expense for 1987 amounted to \$1,200,000 of which \$800,000 was recovered through the application of prior years' losses.

Capital expenditures for 1987 amounted to \$15,171,000 net of \$1,061,000 in government incentives. On a pro forma basis the Company's net capital expenditure program totalled \$18,670,000.

Long-Term Debt

As at December 31, 1987 LASMO's long-term debt totalled \$9,553,000 including \$6,400,000 in bank loans and \$3,097,000 in loans from an affiliated company. Of the total bank loans, \$5,100,000 bears interest at the bank's prime rate plus one-half per cent, with the balance at prime. The loan from an affiliated company bears interest at floating rates to be determined on a quarterly basis, currently $9\frac{1}{4}$ per cent.

Pursuant to the terms of the amalgamation agreement, LASMO U.K. subscribed for 94,689,000 Common shares of LASMO Exploration at a price of \$1.00 per share. The proceeds of this share issue were used to retire inter-company debt.

The Company's debt position relative to its overall capitalization and shareholders' equity of \$89,171,000 places it in a strong financial position to compete effectively and to actively pursue new opportunities in today's environment.

Share Capital

The amalgamation agreement provided that all classes of Onyx shares issued and outstanding on the effective date be converted into fully paid and non-assessable issued shares of LASMO on the basis of one Common share of Onyx for one Common share of LASMO and one Restricted Return share of Onyx for one Restricted Return share of LASMO. The amalgamation also provided that all of the outstanding shares of LASMO Explora-

tion be converted into 3,270,000 Common shares and 11,464,000 Non-Voting shares of LASMO.

The Non-Voting shares are convertible into Common shares on a one for one basis at any time subject to certain Investment Canada conditions.

Following the amalgamation, London and Scottish Marine Oil PLC (LASMO U.K.) held 33 per cent of the outstanding Common shares and 100 per cent of the outstanding Non-Voting shares of LASMO Canada Inc. If all the Non-Voting shares were converted to Common shares, LASMO U.K. would hold approximately 69 per cent of the outstanding Common shares of the Company. London and Scottish Marine Oil PLC is a large international public company with a firm desire to maintain a strong presence in the Canadian oil and gas industry.

Pursuant to the terms of the amalgamation agreement, LASMO Exploration eliminated its deficit as at September 30, 1987 in the amount of \$33,190,000 by a reduction in stated capital.

As at December 31, 1987 the Company had 9,814,260 Common shares issued and outstanding. The shares are listed for trading on the Toronto and Montreal Stock Exchanges under the symbol LMO.

Auditors' Report

To the Shareholders of
LASMO Canada Inc.

We have examined the consolidated balance sheet of LASMO Canada Inc. as at December 31, 1987 and the consolidated statements of operations, retained 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, 1987 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 change in method of accounting for oil and gas operations as described in note 1, on a consistent basis.

Thorne Ernst & Whinney

Chartered Accountants

Calgary, Alberta
March 16, 1988

LASMO Canada Inc.

Consolidated Balance Sheet

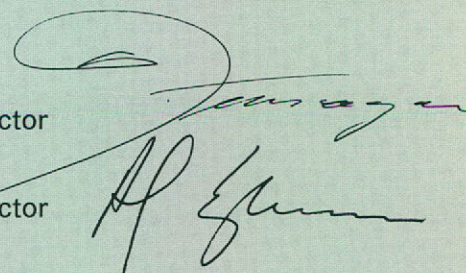
As at December 31, 1987
(000's)

	1987	1986
Assets		
Current Assets		
Cash and term deposits	\$ 793	\$ 573
Accounts receivable	3,747	2,072
Government incentive grants receivable	1,441	—
Income taxes recoverable (note 8)	1,100	—
Prepaid expenses	349	186
	<u>7,430</u>	<u>2,831</u>
Property, Plant and Equipment (note 3)	150,126	101,417
Accumulated depletion and depreciation	50,101	42,261
	<u>100,025</u>	<u>59,156</u>
Other Assets, at cost	472	75
	<u>\$ 107,927</u>	<u>\$ 62,062</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,335	\$ 3,414
Due to affiliated companies	688	—
Current portion of long-term debt (note 4)	2,300	—
	<u>7,323</u>	<u>3,414</u>
Long-Term Debt (note 4)	9,553	90,487
Gas Production Prepayments	1,880	1,886
	<u>18,756</u>	<u>95,787</u>
Contingent Liability (note 5)		
Shareholders' Equity		
Capital stock (note 6)		
Restricted Return shares	503	—
Common shares	39,343	1
Non-Voting shares	48,912	—
	<u>88,758</u>	<u>1</u>
Retained earnings (deficit) (note 7)	413	(33,726)
	<u>89,171</u>	<u>(33,725)</u>
	<u>\$ 107,927</u>	<u>\$ 62,062</u>

Approved by the Board:

Director

Director



LASMO Canada Inc.**Consolidated Statement of Operations**

Year ended December 31, 1987

(000's)

	Pro forma 1987	1987	1986
	(unaudited) (notes 2 & 9)		
Revenue			
Oil and gas sales, net of royalties	\$ 19,760	\$ 13,654	\$ 10,209
Alberta Royalty Tax Credit	2,452	1,475	633
	<u>22,212</u>	<u>15,129</u>	<u>10,842</u>
Processing and facilities fees	1,157	685	—
Interest and other income	414	274	282
	<u>23,783</u>	<u>16,088</u>	<u>11,124</u>
Expenses			
Operating	7,412	6,136	5,548
General and administrative	1,954	1,147	773
Interest	986	16	603
Depletion and depreciation	10,000	7,840	8,742
Write-down of petroleum and natural gas interests	—	—	29,500
	<u>20,352</u>	<u>15,139</u>	<u>45,166</u>
Income (loss) before income taxes and extraordinary item	3,431	949	(34,042)
Deferred income taxes (note 8)	1,200	200	—
Income (loss) before extraordinary item	2,231	749	(34,042)
Extraordinary item			
Recognition of income tax benefit on application of prior years' losses	800	200	—
Net Income (Loss)	<u>\$ 3,031</u>	<u>\$ 949</u>	<u>\$ (34,042)</u>

Consolidated Statement of Retained Earnings (Deficit)

Year ended December 31, 1987

(000's)

	1987	1986
Retained Earnings (Deficit) at Beginning of Year		
As previously reported	\$ (11,844)	\$ (4,261)
Change of accounting policy (note 1)	(21,882)	4,577
As restated	<u>(33,726)</u>	<u>316</u>
Reduction of stated capital (note 7)	33,190	—
Net income (loss)	949	(34,042)
Retained Earnings (Deficit) at End of Year	<u>\$ 413</u>	<u>\$ (33,726)</u>

LASMO Canada Inc.

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1987

(000's)

	1987	1986
Operating Activities		
Net income (loss)	\$ 949	\$(34,042)
Non-cash items		
Gas production prepayments	(152)	(154)
Depletion and depreciation	7,840	8,742
Write-down of petroleum and natural gas interests	—	29,500
Cash flow from operations	<u>8,637</u>	<u>4,046</u>
Change in non-cash working capital	<u>(2,184)</u>	<u>(3,274)</u>
	<u>6,453</u>	<u>772</u>
Financing Activities		
(Repayment to) advances from Parent company	(87,390)	28,720
Issuance of capital stock	<u>121,947</u>	<u>—</u>
	<u>34,557</u>	<u>28,720</u>
Cash provided by operating and financing activities	<u>41,010</u>	<u>29,492</u>
Investing Activities		
Acquisition of property, plant and equipment	15,171	18,991
Acquisition of Onyx Petroleum Exploration Company Ltd., net of cash of \$126 (note 2)	25,524	—
Other assets	<u>95</u>	<u>75</u>
	<u>40,790</u>	<u>19,066</u>
Increase in cash position	<u>220</u>	<u>10,426</u>
Cash position at beginning of year	<u>573</u>	<u>(9,853)</u>
Cash Position at End of Year	<u>\$ 793</u>	<u>\$ 573</u>

LASMO Canada Inc.

Notes to Consolidated Financial Statements

Year ended December 31, 1987

(all tabular dollar amounts expressed in 000's except per share amounts)

General

LASMO Canada Inc. is an independent oil and gas exploration company with established reserves in Alberta and Saskatchewan, formed by an amalgamation between Onyx Petroleum Exploration Company Ltd. ("Onyx") and LASMO Exploration (Canada) Ltd. ("LASMO Exploration"). Approximately 33% of the outstanding Common shares and 100% of the outstanding Non-Voting shares of the Company are effectively controlled by London and Scottish Marine Oil PLC ("LASMO U.K.").

Summary of Significant Accounting Policies

These consolidated financial statements are prepared on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects with the accounting standards recommended by the International Accounting Standards Committee.

Consolidated Financial Statements

The consolidated financial statements include the accounts of LASMO Canada Inc. (the "Company") and its wholly-owned subsidiaries Onyx Petroleum Inc. and LASMO Dakota Inc.

Oil and Gas Operations

The Company follows the full cost method of accounting for oil and natural gas operations whereby all costs of exploring for and developing oil and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead charges directly related to acquisition, exploration and development activities.

All costs of exploring for and developing oil and gas reserves, together with the costs of production equipment, are depleted and depreciated on the unit of production method based on estimated gross proven reserves. Oil and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content.

In applying the full cost method, the total capitalized costs less accumulated depletion, depreciation and deferred income taxes are limited to an amount equal to the estimated future net revenue from proven reserves (based on prices and costs at the balance sheet date) plus the cost (net of impairments) of unproven properties less estimated future general and administrative expenses, financing costs and income taxes.

Proceeds from the sale of oil and gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

Substantially all the Company's exploration and development activities related to oil and gas are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.

Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

1. Change of Accounting Policy

Effective January 1, 1987 the Company modified its policy of accounting for oil and gas operations to adopt, on a retroactive basis, the policy outlined in the Summary of Significant Accounting Policies in order to comply with the CICA guideline on full cost accounting in the oil and gas industry. Under the Company's prior full cost accounting policy, cost of licence fees, seismic surveys and related geological and geophysical costs were amortized 50% in the year incurred and by the unit of production method for years thereafter. All costs are now depleted by the unit of production method. The ceiling test applied under the prior method has been modified to include, as a reduction, estimated future general and administrative expenses. Financial statements of prior periods have been restated. The effect of these changes on the year ended December 31, 1987 is a decrease in depletion and depreciation expense of \$4,340,000 (1986 - \$2,541,000).

2. Business Combination

On December 14, 1987, Onyx and LASMO Exploration entered into an Amalgamation Agreement which provided for the amalgamation of Onyx and LASMO Exploration pursuant to the Alberta Business Corporations Act and their continuance as one corporation with the name LASMO Canada Inc. on January 14, 1988. The effective date of the amalgamation for accounting purposes was December 31, 1987.

For accounting purposes LASMO Exploration was deemed to have acquired Onyx. The amalgamation has been accounted for by the purchase method which provides that the net assets of Onyx were acquired by LASMO Exploration at the date of acquisition and the results of operations of Onyx were included from and after the date of acquisition.

The effect on the consolidated financial statements is:

- (a) The net assets of Onyx, at the assigned values noted below, have been combined with the net book values of LASMO Exploration on the consolidated balance sheet as at December 31, 1987. The comparative figures for 1986 represent the balance sheet of LASMO Exploration.
- (b) The consolidated statements of operations, retained earnings (deficit) and changes in financial position only reflect the operations of LASMO Exploration for 1987 and 1986, since the purchase was effective on December 31, 1987 and the Onyx operations are included from and after that date. A pro forma consolidated statement of operations (see note 9) has been presented to illustrate the scale of operations had the amalgamation occurred on January 1, 1987.

Details of the acquisition of Onyx are as follows:

Net assets acquired, at assigned values:

Current assets	\$ 2,770
Property, plant and equipment	33,538
Other assets	302
	<u>36,610</u>
Current liabilities	4,358
Long-term debt	6,400
11% Convertible Debentures	56
Gas production prepayments	146
	<u>10,960</u>
	<u>\$25,650</u>

Pursuant to the Amalgamation Agreement, LASMO U.K., by way of a wholly-owned subsidiary, subscribed for 94,689,000 Common shares of LASMO Exploration at a price of \$1.00 per share. The proceeds were used to repay substantially all of the inter-company debt, which transaction has been given effect in these financial statements as at December 31, 1987.

3. Property, Plant and Equipment

During the year ended December 31, 1987, the Company capitalized \$1,430,000 (1986 - \$1,868,000) of overhead costs related to acquisition, exploration and development activities.

At December 31, 1987, costs of unproven properties aggregating approximately \$10 million (1986 - \$6 million) are excluded from the capitalized costs subject to depletion.

4. Long-Term Debt

	<u>1987</u>	<u>1986</u>
Loan from affiliated company	\$ 3,097	\$90,487
Bank production loan	3,600	—
Bank term loan	5,100	—
11% Convertible Debentures	56	—
	<u>11,853</u>	<u>90,487</u>
Current portion	2,300	—
	<u>\$ 9,553</u>	<u>\$90,487</u>

The loan from LASMO Oil Development (Canada) Ltd., an affiliated company, bears interest at rates to be established at the beginning of each quarter, which rate is currently 9¼%. The loan is due in 1989 and is to be repaid in four equal quarterly installments.

Bank loans are evidenced by demand promissory notes pursuant to a credit facility that is reviewed annually. The loans are secured by the Company's interests in petroleum and natural gas properties and an assignment of accounts receivable. The production loan bears interest at the bank's prime lending rate and revolves with no specific terms of payment. The term loan bears interest at the bank's prime lending rate plus ½% per annum and is payable in installments of \$100,000 per month with periodic lump sum reductions that will effect full payment by December 1990.

The debentures outstanding as at December 31, 1987, are convertible into Common shares of the Company at a price of \$10.25 per share to March 1, 1993, at which time any debentures not converted or redeemed become due and payable. The debentures may be redeemed, after March 1, 1988, without restriction at a price not exceeding 104.4% of the principal amount plus accrued interest to the date of redemption. Subsequent to December 31, 1987 the debentures were redeemed.

5. Contingent Liability

A statement of claim has been filed against an affiliated company and other parties with respect to certain carried interests and production payments relating to properties in the Quirk Creek area, Alberta. The plaintiff's claim against the affiliate is for \$2,545,000 and other unascertained damages which claim is being defended. If the claim is successful then the Company, as a 25% shareholder of the affiliate, may be required to reimburse its affiliate for its share of the loss. At December 31, 1987 the amount of loss, if any, is not determinable and as a result no provision has been made in these financial statements.

6. Capital Stock

Capital stock issued during the year is summarized as follows:

	Restricted Return		Common		Non-Voting		Total Amount
	Number	Amount	Number	Amount	Number	Amount	
Shares issued to LASMO Exploration shareholders, for cash	—	\$ —	3,270,000	\$ 14,093	11,464,000	\$ 49,407	\$ 63,500
Shares issued to Onyx shareholders, for net assets acquired (note 2)	5,033	503	6,544,260	25,674	—	—	26,177
Amalgamation costs	—	—	—	(424)	—	(495)	(919)
Balance, December 31, 1987	<u>5,033</u>	<u>\$ 503</u>	<u>9,814,260</u>	<u>\$ 39,343</u>	<u>11,464,000</u>	<u>\$ 48,912</u>	<u>\$ 88,758</u>

Authorized Capital

The authorized capital of the Company is comprised of 6,552 Restricted Return shares, an unlimited number of Preferred, Junior Preferred, Common and Non-Voting shares.

Restricted Return Shares

Restricted Return shares rank in priority to the Common shares and Non-Voting shares in case of liquidation, dissolution and winding-up. Holders of Restricted Return shares have voting rights and limited dividend entitlements. The shares are redeemable under certain circumstances, at the option of the Company, at a redemption price of \$100 per share.

Common Shares

Common shares rank equally on a per share basis with the Non-Voting shares but rank junior to the Restricted Return shares. Holders of Common shares have voting rights and the shares are convertible into Non-Voting shares, only by holders who hold at the time of conversion or previously held Non-Voting shares, on a one-for-one basis at any time.

Non-Voting Shares

Non-Voting shares rank equally on a per share basis with the Common shares but rank junior to the Restricted Return shares. Holders of Non-Voting shares are entitled to notice of and to attend but not to vote at meetings of shareholders except where required by law. The shares are convertible into Common shares on a one-for-one basis at any time.

So long as LASMO U.K. controls a substantial portion of the aggregate Common and Non-Voting shares, its approval is required prior to the issuance of additional shares of any class. Holders of Non-Voting shares have the right to purchase a proportionate amount of any issue of additional shares.

Shares Reserved

As of December 31, 1987, 1,276,695 Common shares of the Company were reserved for issuance under the Company's Key Employee Incentive Share Option Plan, of which options to purchase 265,000 shares are outstanding, exercisable to June 1993 at a price of \$3.50 per share. Subsequent to December 31, 1987, the Company issued options to purchase 620,000 shares, exercisable to February 1994 at a price of \$3.80 per share.

Other

No dividends may be paid on the Common and Non-Voting shares until dividends aggregating \$100 per Restricted Return share have been paid. Thereafter, dividends may be paid on the Common and Non-Voting shares provided that an amount equal to any such dividends is applied to the redemption of Restricted Return shares. To December 31, 1987, no dividends have been paid on Restricted Return shares.

7. Reduction of Stated Capital

In January 1988, effective upon amalgamation and by resolution of the shareholders, the deficit as at September 30, 1987 in the amount of \$33,190,000 was eliminated by a reduction in stated capital, which transaction has been given effect in these financial statements as at December 31, 1987.

8. Income Taxes

Income taxes recoverable of \$1,100,000 as at December 31, 1987 represent income taxes paid in prior years by a subsidiary company.

The Company has claimed depreciation and depletion to December 31, 1987 in excess of related charges for income tax purposes of approximately \$34,000,000 (1986 - \$35,000,000). The future benefit of these book losses have not been reflected in the financial statements.

Petroleum and natural gas interests include approximately \$13,000,000 of unamortized costs at December 31, 1987 which are not deductible for income tax purposes by the Company.

The deferred income tax provision for the year ended December 31, 1987 is less than the income taxes which would result from applying the expected income tax rate to income before income taxes as follows:

	December 31, 1987	
	Amount	%
Computed expected income taxes	\$ 484	51
Increase (decrease) in income tax provision resulting from		
Non-deductible crown charges, net of provincial credits	945	100
Federal resource allowance	(1,065)	(112)
Non-taxable revenue	(186)	(20)
Other	22	2
Actual deferred income taxes	<u>\$ 200</u>	<u>21</u>

9. Pro Forma Consolidated Statement of Operations (unaudited)

The unaudited pro forma consolidated statement of operations combines the Onyx operations and the LASMO Exploration operations for the year ended December 31, 1987 as if the amalgamation had occurred on January 1, 1987. The results are not necessarily indicative of the results that would have occurred had the amalgamation occurred on January 1, 1987 and may not be indicative of the anticipated results of the amalgamated operations of LASMO Canada Inc. The pro forma consolidated statement of operations has been prepared giving effect to adjusted depletion expenses, to reflect the cost of petroleum and natural gas assets of the Company following the amalgamation, adjusted deferred income taxes and the extraordinary item to reflect the impact of the adjusted depletion.

NET INCOME Per Share	<u>\$.15</u>
CASH FLOW From Operations	<u>\$ 13,252</u>
CASH FLOW Per Share	<u>\$.64</u>

The weighted average number of Common and Non-Voting shares outstanding was used to determine the per share amounts.

Corporate Information

Directors and Officers

N. Davidson Kelly†
London, England
Director

R. J. Engbloom†
Calgary, Alberta
Director and Corporate Secretary

D. G. Flanagan
Calgary, Alberta
Director, Chairman of the Board
and Chief Executive Officer

W. W. C. Greentree*
London, England
Director

J. M. Hallward†
Montreal, Quebec
Director

L. L. Hansen
Calgary, Alberta
Vice-President, Finance and
Administration

W. B. Hickman
Calgary, Alberta
Vice-President, Production

L. R. Huene
Calgary, Alberta
Vice-President, Land

C. P. Kathol
Calgary, Alberta
Vice-President, Exploration

D. W. Menzel*
Toronto, Ontario
Director

V. R. B. Nordheimer*
Calgary, Alberta
Director

D. W. Smith
Calgary, Alberta
President and Director

*Member of the Compensation Committee

†Member of the Audit Committee

**Corporate Registrar
and Transfer Agents**
The Canada Trust Company

Bankers
Bank of Montreal
Calgary, Alberta

Auditors
Thorne Ernst & Whinney
Calgary, Alberta

Solicitors
MacKimmie Matthews
Calgary, Alberta

Share Listing
The Toronto Stock Exchange
The Montreal Exchange
Trading Symbol "LMO"

