RAX

RIO ALTO EXPLORATION LTD.

ANNUAL REPORT 1984

CORPORATE INFORMATION

DIRECTORS

John C. Anderson	Calgary, Alberta
Carmen W. Byler	Calgary, Alberta
Patrick A. Campbell Fraser	Edinburgh, Scotland
Douglas W. Hilland	Calgary, Alberta
M. Jaffar Khan	Calgary, Alberta
Francis C. Mannas	Calgary, Alberta
James R. Smith	London, England

OFFICERS

John C. Anderson	Chairman of the Board
Samuel W. Ingram	Secretary
Edward J. Cleary	Assistant Secretary

HEAD OFFICE

1900, 801 6 Avenue S.W.
Calgary, Alberta T2P 3W2

SUBSIDIARIES

Rio Alto Exploration Inc.
North American Nuclear Limited
Prolud Petroleums Inc.
Prolud Resources Inc.

BANK

Bank of Credit and Commerce Canada

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company

LEGAL COUNSEL

McLaws & Company

AUDITORS

Collins Barrow

STOCK LISTING

Toronto Stock Exchange
Stock Exchange Symbol: RAX

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CONVERSION FACTORS

1 mile	=	1.6 Kilometres
1 foot	=	0.3 metres
1 cubic foot	=	0.028 cubic metres (natural gas)
1 barrel	=	0.159 cubic metres (crude oil)
1 acre	=	0.405 hectares

MAP ABBREVIATIONS

DST	— Drillstem test
OHT	— Open hole test
BOPD	— Barrels of oil per day
MMCFGPD.	— Million cubic feet of gas per day
BWPD	— Barrels of water per day
THP	— Tubing head pressure
IP	— Initial production
OWC	— Oil water contact
API	— American Petroleum Institute
BSL	— Below Sea Level

HIGHLIGHTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 1984

FINANCIAL

GROSS REVENUES	$948,900
CASH FLOW (AFTER TAX)	$569,111
NET EARNINGS	$518,954
GROWTH EXPENDITURES	$1,855,521
WORKING CAPITAL	$2,777,400

NET PRODUCTION	ANNUAL PRODUCTION		DAILY PRODUCTION	
	OIL (BARRELS)	GAS (MCF)	OIL (BARRELS)	GAS (MCF)
CANADA	6,065	41,583	17	113
UNITED STATES	1,126	31,913	3	87
TOTAL	7,191	73,496	20	200

REMAINING RESERVES	OIL (BARRELS)	GAS (MCF)
PROVEN	83,350	795,000
PROBABLE	643,000	67,000

WORKING INTEREST WELLS	OIL	GAS
GROSS	46	152
NET	9	3

DRILLING	CANADA	U.S.A.	EUROPE	TOTAL
OIL	21	1	-	22
GAS	--	1	-	1
DRY	3	1	3	7

LAND HOLDINGS (ACRES)	WORKING INTEREST (GROSS)	WORKING INTEREST (NET)	ROYALTY INTEREST
CANADA	71,309	5,783	13,002
USA	22,687	6,541	300
FRANCE	708,396	70,840	-
IRELAND	105,000	1,444	-
ITALY	496,075	62,346	232,414
TOTAL	1,403.467	146,954	245,716

ACREAGE UNDER APPLICATION			
FRANCE	491,000	110,475	-
ITALY	266,779	85,671	238,698
TOTAL	757,779	196,146	238,698

TO THE SHAREHOLDERS

The Directors of Rio Alto Exploration Ltd. are pleased to present the Company's Annual Report for the 1984 fiscal year.

The past year has been a very active one for the Company. An exploration department, headed by Martin Trobec, was established and under its supervision the Company participated in the drilling of twenty-four wells in Western Canada, resulting in twenty-one oil wells and three abandonments.

On December 10, 1984 the Company entered into an agreement with Canada Northwest Energy Limited to participate in a farmout from a third party covering 6,800 gross acres in the Kerrobert area of Saskatchewan. The Company has a 30% working interest before payout reducing to a 15% working interest after payout (see page 12). Of the twenty-four wells drilled during 1984, ten wells were drilled in December in the Kerrobert area and subsequently completed as Viking oilwells. A further four wells have been similarly completed since year end. The results of these wells, which were drilled in a pattern to test the majority of the acreage, were encouraging. Further drilling of up to 116 wells is now planned with possible completion by October 31, 1985. Should all the additional wells be completed on schedule it is estimated that this project will contribute in excess of $2 million to the Company's 1985 cash flow. In our view, this is the most significant event of the year.

During 1984, the Company surrendered its shares in a private company, Radex Resources Ltd., in return for a proportionate share of the assets of Radex. The Company's share of these assets included cash and receivables totalling $436,973 together with working interests in several producing and non-producing properties. The accompanying financial statements record, as an extraordinary item, the gain on disposition of the Company's interest in Radex in the amount of $510,234. Details of this transaction may be found in the Financial Summary section of this report.

The Company participated in the drilling of a significant wildcat well, Aretusa No. 1, on Permit C.R100.H0 offshore Sicily. The well was located approximately nine miles southwest of the Vega oilfield. Various industry sources have estimated oil in place in the Vega field at 950 million barrels with recoverable oil reserves of 200 million barrels. Aretusa No. 1 spudded in 269 feet of water on November 13, 1984 and reached a total depth of 12,158 feet on March 11, 1985. During drilling, the test encountered several significant oil shows over a 3,250 foot interval. Four zones in this interval were tested and flowed at cumulative rates of 1,831 barrels of 37 degrees API oil and 14.2 million cubic feet of gas per day. These recoveries were considered to be non-commercial because of low quality reservoir (poor porosity) at this particular location. The existence of both high quality and fractured reservoir rock in Aretusa No. 1 is considered an important indication of the proximity of the well to the target Siracusa formation (See Diagram on Page 8).

The operator has proposed a 40 mile seismic program to refine our current seismic picture. This program will incorporate the data obtained from Aretusa No. 1. Analysis and interpretation of this data is expected to be completed by June 30, 1985. A second test on C.R100.H0 could spud in the fourth quarter of 1985. This test is of major significance to the Company. Rio Alto holds a 2% working interest and a 1.35% overriding royalty interest in the permit. A commercial discovery in this prolific area offshore Sicily would significantly increase the Company's net asset value.

Seismic acquisition has been completed on several European permits and additional seismic is proposed for five permits during 1985.

The accompanying financial statements report net earnings before an extraordinary item of $8,720, compared to a restated loss of $5,030 for 1983. After inclusion of the extraordinary gain on disposition of our interest in Radex Resources Ltd., in the amount of $510,234, net earnings for 1984 were $518,954 (7 cents per share). Oil and gas revenues have increased by 24% during 1984 to $542,720 from $438,014 in 1983. After tax cash flow for 1984 was $569,111 (8 cents per share) prior to recording the extraordinary item and $1,079,345 (15 cents per share) including the gain. This compares to after tax cash flow for 1983 of $269,988 (4 cents per share). Working capital at December 31, 1984 was $2,777,400 compared to $4,024,833 at the close of 1983.

During 1985, the Company will continue to pursue additional drilling opportunities in Western Canada, look for a suitable corporate acquisition and participate in the proving up of our offshore interests.

The Board of Directors extends its thanks to the Company staff for their dedication and loyalty during the past year.

J. C. Anderson

John C. Anderson
Chairman of the Board

Calgary, Alberta
April 25, 1985

The Annual General Meeting of Shareholders will be held at 10:30 a.m. on Friday, June 14, 1985 in the Boardroom of The 400 Club, Calgary, Alberta.

ACTIVITIES IN EUROPE:

ITALY

Permit C.R100.H0

On November 13, 1984 drilling commenced on the Aretusa No. 1 well located twelve miles off the southern coast of Sicily. The well, situated on the northeastern corner of the 66,273 acre C.R100.H0 permit, was nine miles southeast of the Vega oilfield. Various industry sources have estimated oil in place in the Vega field at 950 million barrels with recoverable oil reserves of 200 million barrels (See Page 9). The well was operated by Lasmo International Oil Development Ltd. of London, England utilizing the "Saipem Due" drillship.

The Company held a 4% working interest and a 1.35% overriding royalty in this permit, up to October, 1984. At that time, management negotiated a farmout agreement with International Polaris Energy Corp. (Polaris), whereby that company undertook to pay our 4% share of drilling costs to casing point; not exceeding $8,000,000 U.S. By the expenditure of these funds, Polaris earned 2% of the Company's working interest in the permit. Costs payable by the Company in excess of $320,000

U.S. were shared equally by Polaris and the Company. By this agreement, the Company retained the 1.35% overriding royalty and a 2% working interest, while reducing its financial exposure significantly.

As explained in the Aretusa No. 1 cross section, excellent light oil shows were encountered in the Middle Jurassic Chiaramonte, Buccheri and Lower Jurassic Modica formations. The primary objective was the Lower Jurassic Siracusa reservoir, which is the oil bearing formation in the Vega field. This formation was not encountered during drilling of Aretusa No. 1.

An open hole drillstem test was conducted over a 2,025 foot interval in the Modica formation from 10,133 feet to total depth of 12,158 feet. The Modica formation is a low permeability marlstone found adjacent to the target Siracusa carbonate platform. During this test, the well flowed 865 barrels of oil and 11 million cubic feet of gas per day *with no water.* After acidizing the zone, the rates increased to 1,538 barrels of oil and 11.5 million cubic feet of gas per day. The oil was a light crude of 37 degrees API. However, rapid pressure declines during testing indicated the Modica reservoir was suffering depletion and the partners agreed to abandon this interval, due to non-economic reserves.

In addition to the Modica test described above, three tests were conducted in the Buccheri formation. A high pressure zone at 9,102 feet flowed 203 barrels of 35 degrees API oil and 1.5 million cubic feet of gas per day. A lower zone in the Buccheri formation between 9,295 and 9,354 feet flowed 90 barrels of 35 degrees API oil, 1.2 million cubic feet of gas and 403 barrels of water per day. A final test had no recovery.

Encouraging oil shows were recorded in the Chiaramonte formation over a 33 foot interval, but this zone was not tested due to insufficient oil reserves. Aretusa No. 1 was plugged and abandoned on April 10, 1985.

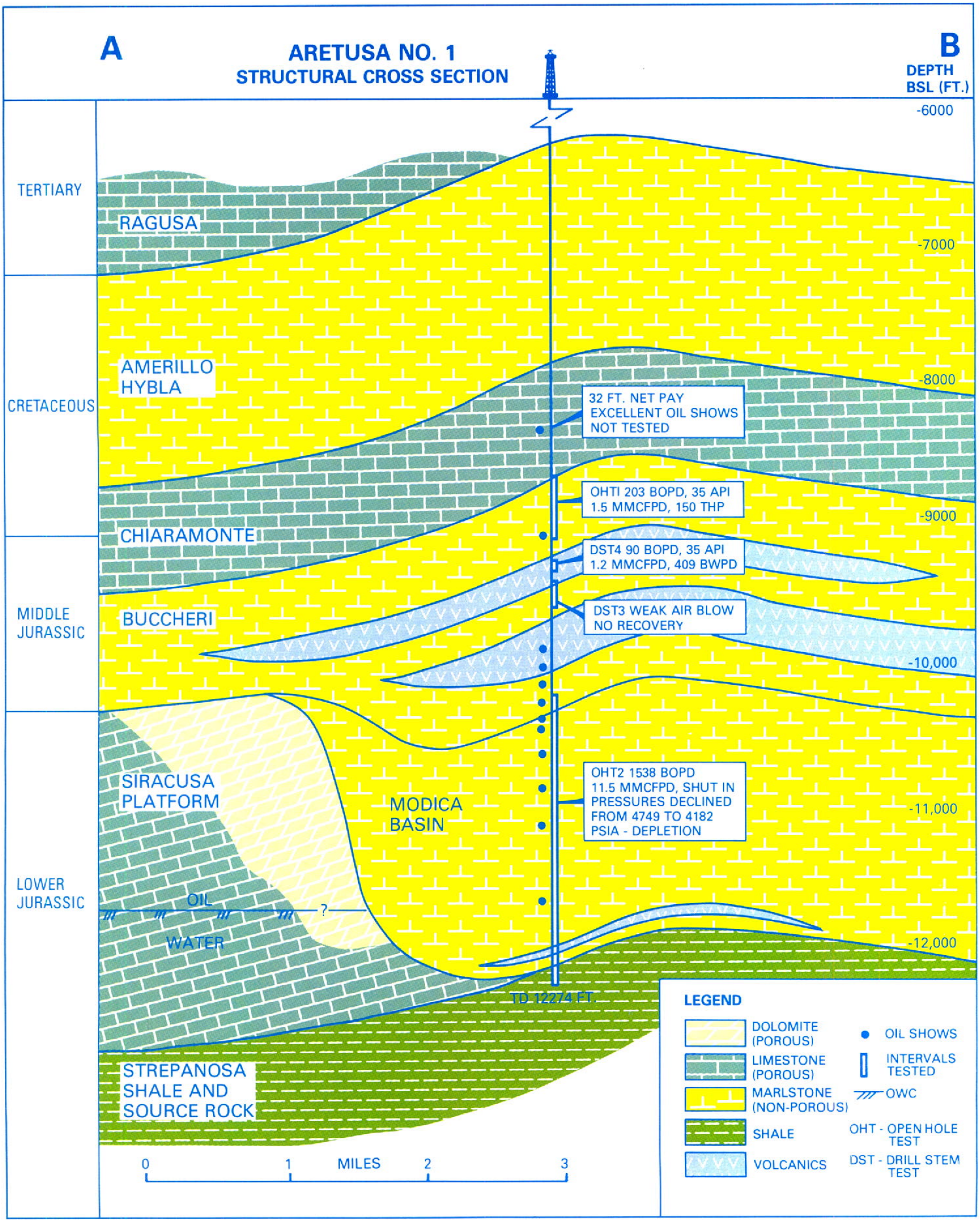
Several factors indicate the proximity of the Aretusa No. 1 to the Siracusa platform. Firstly, the presence of "stringers" of Siracusa type wackstones and packstones. Secondly, the significant flow rates described above are considered to be too high to be migration path shows. Thirdly, the absence of water during testing together with strong hydrocarbon shows over a 2,025 foot Modica interval indicate the possible presence of a substantial oil column south of Aretusa No. 1, on permit C.R100.HO.

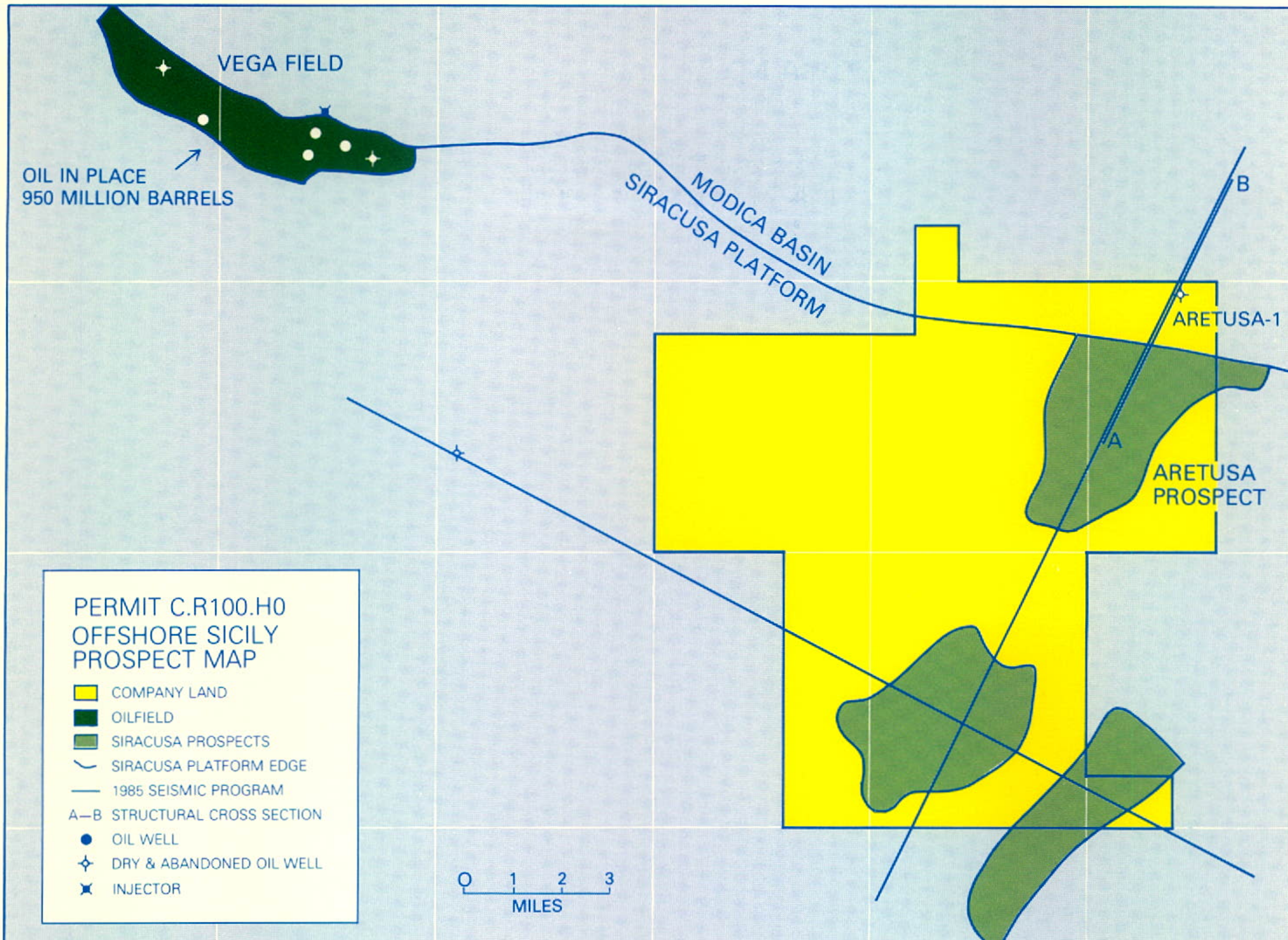
The Aretusa No. 1 prospect map on Page 9 identifies three potential structures on the permit and shows the location of a forty mile seismic program (two lines) scheduled for commencement in the near future. This new seismic is designed to better identify the Siracusa edge on the Aretusa structure. Interpretation of this seismic together with the information gained from the drilling of Aretusa No. 1 will be reviewed by the partners in order to determine the course of future activity on this permit. The operator has indicated that, pending favourable seismic results, a second test could commence during the fourth quarter of 1985.

Permit D.R56.CL

During the first quarter of 1984, the Company participated in the drilling of the Rosa Mare No. 1 exploratory well on the D.R56.CL permit, offshore Brindisi in the Adriatic Sea. The Company paid 5% of the drilling cost of this well. However, the test failed to encounter hydrocarbons and was plugged and abandoned on February 22, 1984. The Company is currently participating in a 19 mile marine seismic program over this permit. The Company has a 5% working interest and 1.25% overriding royalty on this 147,689 acre permit.

ACTIVITIES IN EUROPE:





Basentello Permit

The Company farmed out 6.25% of its 25% interest in the Basentello No. 1 exploratory well which tested the northern quarter of the 88,347 acre Basentello permit onshore southern Italy. The well was abandoned after drilling to total depth of 2,900 feet. A seismic option has been granted whereby the farmee may earn an additional 6.25% of the Company's working interest by expending $125,000 U.S. Gas production on lands adjacent to this permit maintain a considerable level of interest in this permit. During 1984, 25% of the lands were relinquished around the Basentello No. 1 location as a necessary part of a two year lease renewal. After completion of the proposed seismic program, the Company will retain a 12.25% working interest and 1% overriding royalty interest in this 66,260 acre permit.

Other Permits

The Company has a 1.25% overriding royalty interest in the 110,468 acre C.R108.H0 permit offshore Sicily. During 1984, seismic interpretation was completed and the operator has contingent plans to drill a well on this permit in 1985. In addition, a 219 mile seismic program was completed over C.R112.H0, a 121,946 acre permit offshore Sicily, in which the Company has a 1.25% overriding royalty.

ACTIVITIES IN EUROPE:

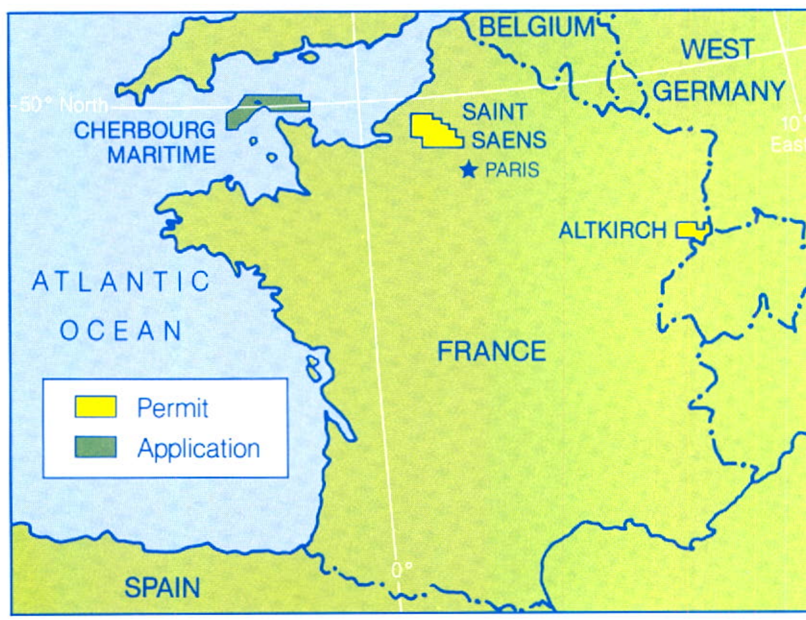
Seismic data reprocessing failed to identify a drilling lead on the C.R118.IM permit, offshore Sicily. The geology is characterized by complicated stratigraphy and faulting and the Company relinquished its interest in the permit. On the neighbouring C.R117.IM permit, where the Company has a 16.65% working interest in 91,286 acres, a seismic option was granted to a third party.

A seismic survey is planned for permit C.R116.CN where the Company has a 25% working interest in 47,375 acres. Permits C.R86.CN, Serre Alte and Bizerte were relinquished during 1984. The Company has 757,779 gross acres under application in the Mediterranean area.

FRANCE

St. Saens Permit

Recent oil discoveries in the Paris Basin at Villeperdue, Chaunoy, Sivry and Blandy have enhanced the value of the Saint Saens Permit where the Company has a 10% working interest in 531,544 acres. In 1984 the Company participated in a geophysical program including aeromagnetic and gravity surveys and a 47 mile reconnaissance seismic survey. A 54 mile seismic program has been approved for 1985 to detail the best anomaly identified by the reconnaissance program.



COMPANY INTERESTS IN FRANCE

Altkirch Permit

In an effort to limit exploration risk, the Company reduced its working interest in the 176,852 acre Altkirch Permit from 25.5% to 10%. The first phase of exploration work will include reprocessing of 47 miles of seismic data and shooting 175 miles of reconnaissance seismic.

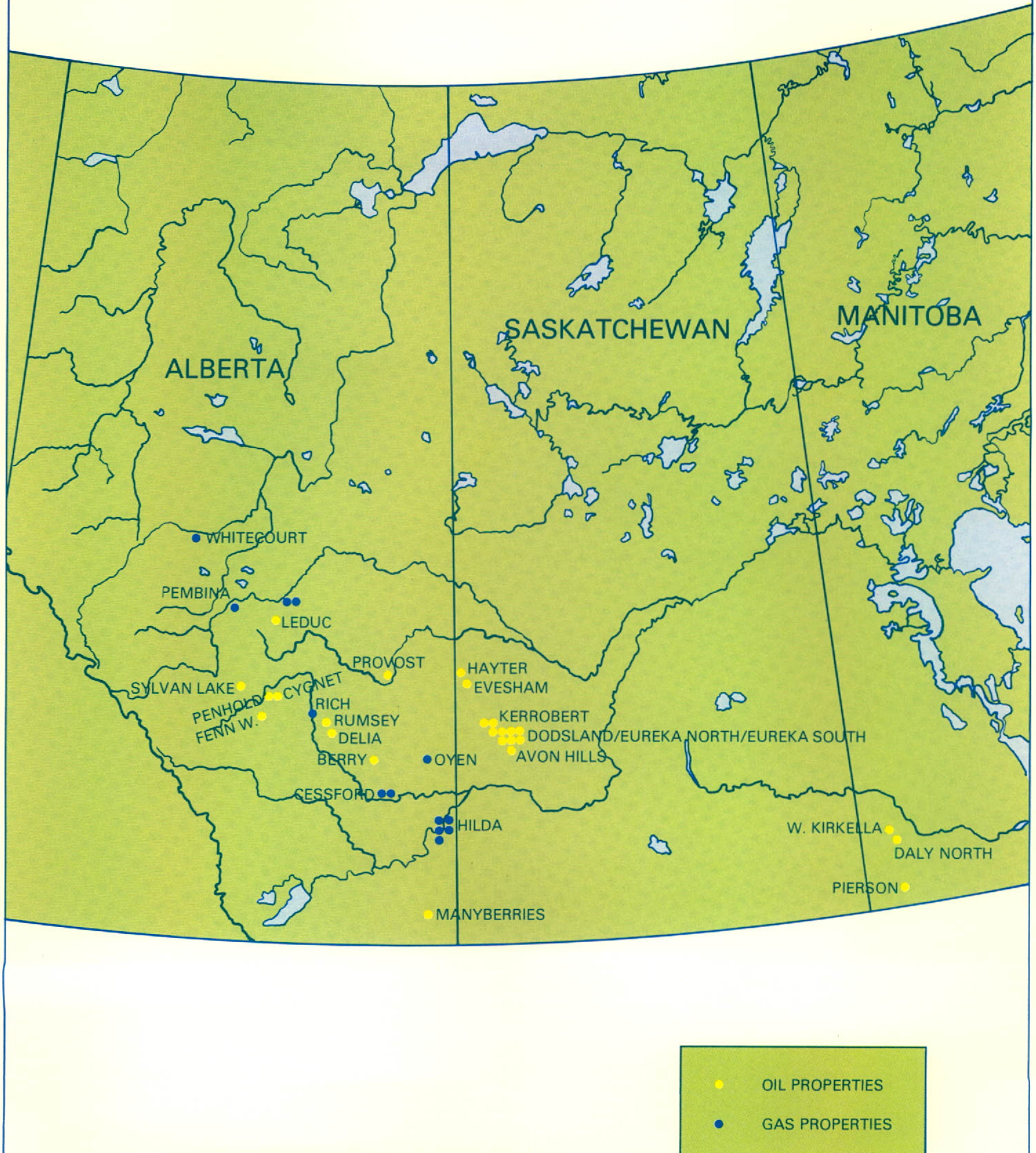
Cherbourg Application

The Cherbourg Maritime Application, offshore France, is expected to be granted in 1985. The Company is applying for a 22.5% working interest in the 491,000 acre permit.

IRELAND

Two prospects were identified after a 46 mile seismic program was completed on the Irish Sea Permits 42/7 and 42/12 in 1984. Negotiations are underway to farm out 0.825% of the Company's 1.375% working interest in the 105,000 acre Irish Sea permits in return for a third party paying the Company's share of the cost of drilling a test well.

ACTIVITIES IN WESTERN CANADA:



ACTIVITIES IN WESTERN CANADA:

Kerrobert, Saskatchewan

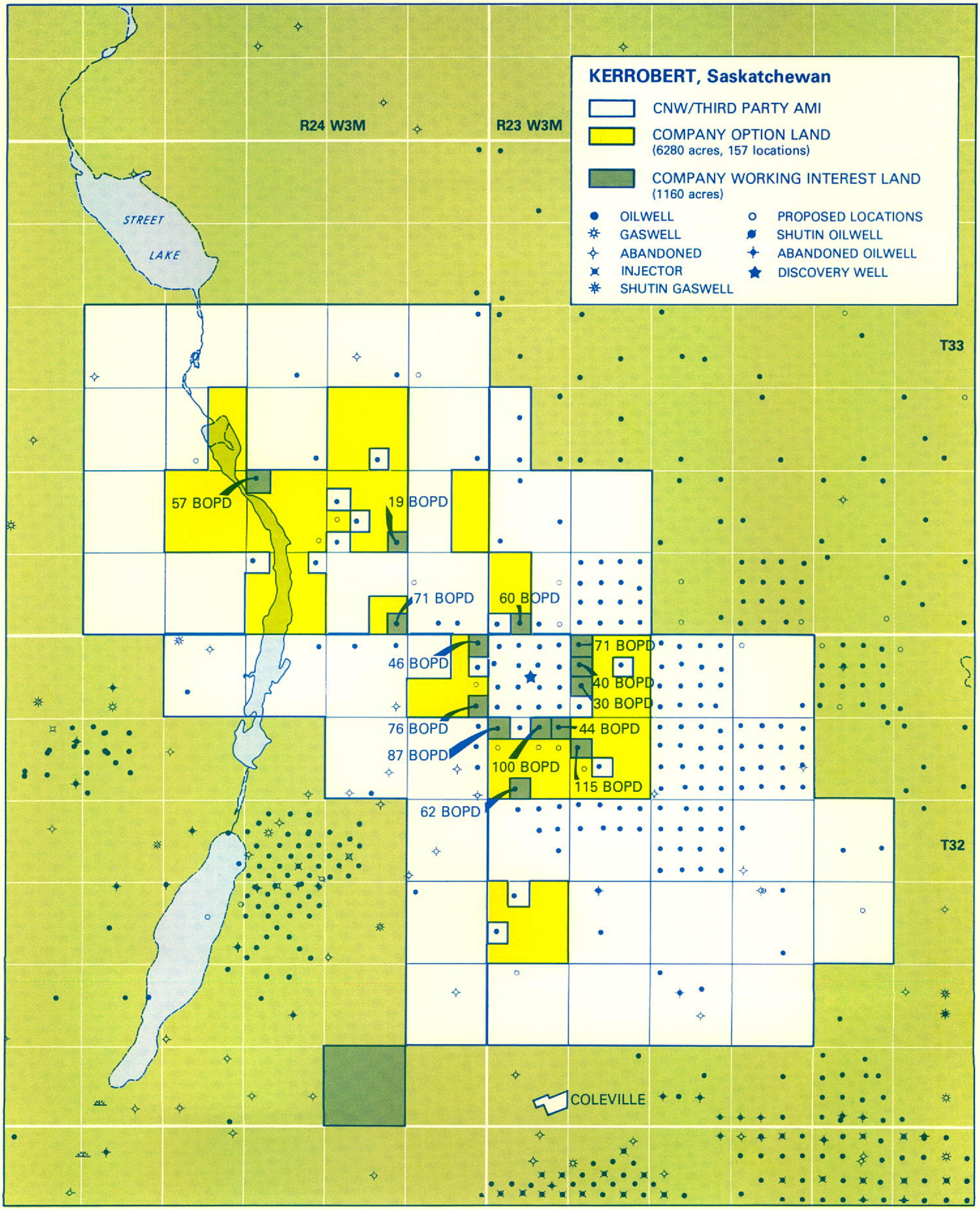
In December the Company entered into a participation agreement with Canada Northwest Energy Limited (CNW) to develop the northwest extension of the Eureka oilfield in Saskatchewan. The agreement forms part of a farmout to CNW from a third party and includes 400 acres of farmout lands and 6,400 acres of drilling option lands. The Company agreed to pay 30% of the costs to drill, complete and equip the wells to earn a 30% working interest before payout and a 15% working interest after payout on each 40 acre drilling spacing unit.

The Company drilled ten Viking oilwells on the farmout lands prior to December 31, 1984 and a further four on the option lands subsequently. Daily production for each well during the first month ranges from 19 to 115 barrels of oil with the average production being 36 barrels. The oil is a light crude of 34 degrees API and is readily marketable.

Drilling depth to the Viking pay sand is 2,450 feet. Drilling, completing and equipping costs total $105,000 per well (after petroleum incentive grants), of which the Company's share is $31,500. Based on the average well, payout periods of one to two years are expected on 80% of the wells drilled on these lands.

Competitor activity in the Kerrobert area is intense. Over the last year 283 wells were drilled within a four township area centering on a discovery on Section 31, Township 32, Range 23 W3M (See Map). This represents a drilling investment of approximately $35,000,000. Bonuses paid for land adjacent to Company acreage range from $224,000 to $1,024,000 per section (i.e. $350 to $1,600 per acre). The first fourteen wells in which the Company has participated have delineated the stratigraphically trapped Viking oilfield as underlying all the Company interest land. The success of this initial drilling phase has increased management's confidence of the low risk nature of this project. An aggressive drilling program of up to a further 116 wells is budgeted for 1985. In addition, the Company recently acquired a 15% working interest in a 640 acre crown lease being Section 2, Township 32, Range 24 W3M.

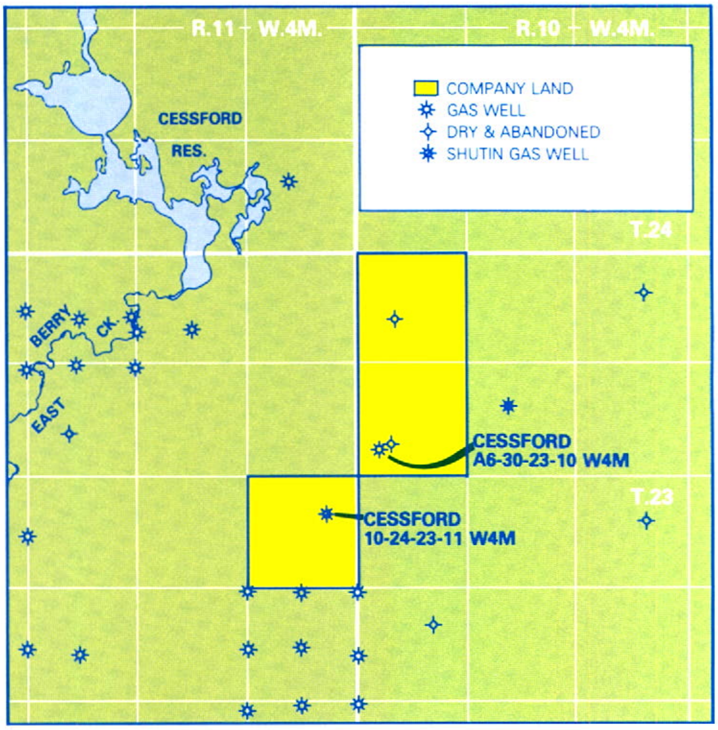
The efficiency of primary oil recovery from the Viking sand in this area of Saskatchewan averages 5% of the original oil in place. The Viking sand is sandwiched between two thick shale units and is, therefore, a prime candidate for waterflooding. Secondary recovery by waterflooding should augment the recoverable reserves by 15%.


KERROBERT, Saskatchewan
CNW/THIRD PARTY AMI
COMPANY OPTION LAND
(6280 acres, 157 locations)
COMPANY WORKING INTEREST LAND
(1160 acres)
OILWELL
GASWELL
ABANDONED
INJECTOR
SHUTIN GASWELL
PROPOSED LOCATIONS
SHUTIN OILWELL
ABANDONED OILWELL
DISCOVERY WELL
R24 W3M
R23 W3M
T33
T32
STREET
LAKE
57 BOPD
19 BOPD
71 BOPD
60 BOPD
46 BOPD
71 BOPD
40 BOPD
30 BOPD
76 BOPD
87 BOPD
44 BOPD
100 BOPD
115 BOPD
62 BOPD
COLEVILLE

ACTIVITIES IN WESTERN CANADA:

Cessford, Alberta

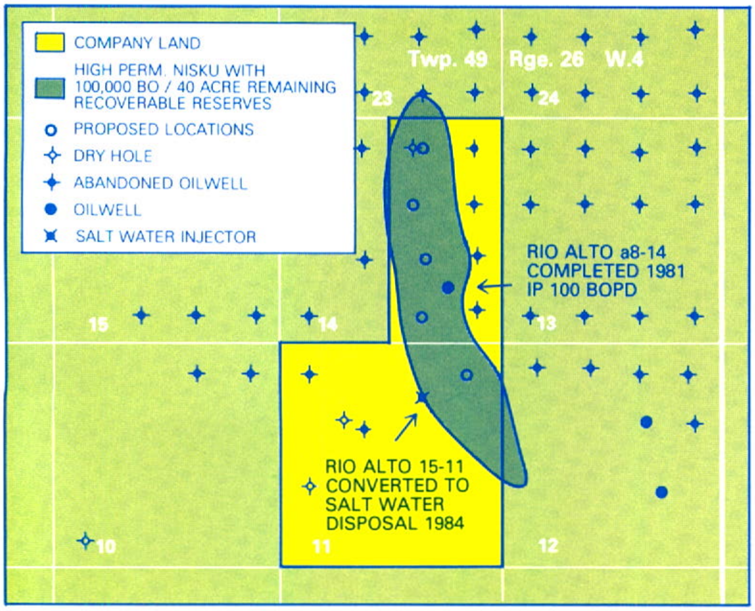
Effective October 31, 1984, the assets of an affiliated company, Radex Resources Ltd., were distributed to its shareholders, and as a result, Rio Alto now has a 16.9% interest in the Cessford a6-30-23-10W4M gas well. At year end, the a6-30 well had stable production of 2.2 million cubic feet of gas per day from a 20 foot Cretaceous Basal Quartz pay zone. Remaining gross reserves on section 30 are estimated to be 4.1 billion cubic feet of gas. The Company's share of net revenue from this property is expected to be in excess of $100,000 per annum for at least four years.



CESSFORD, ALBERTA

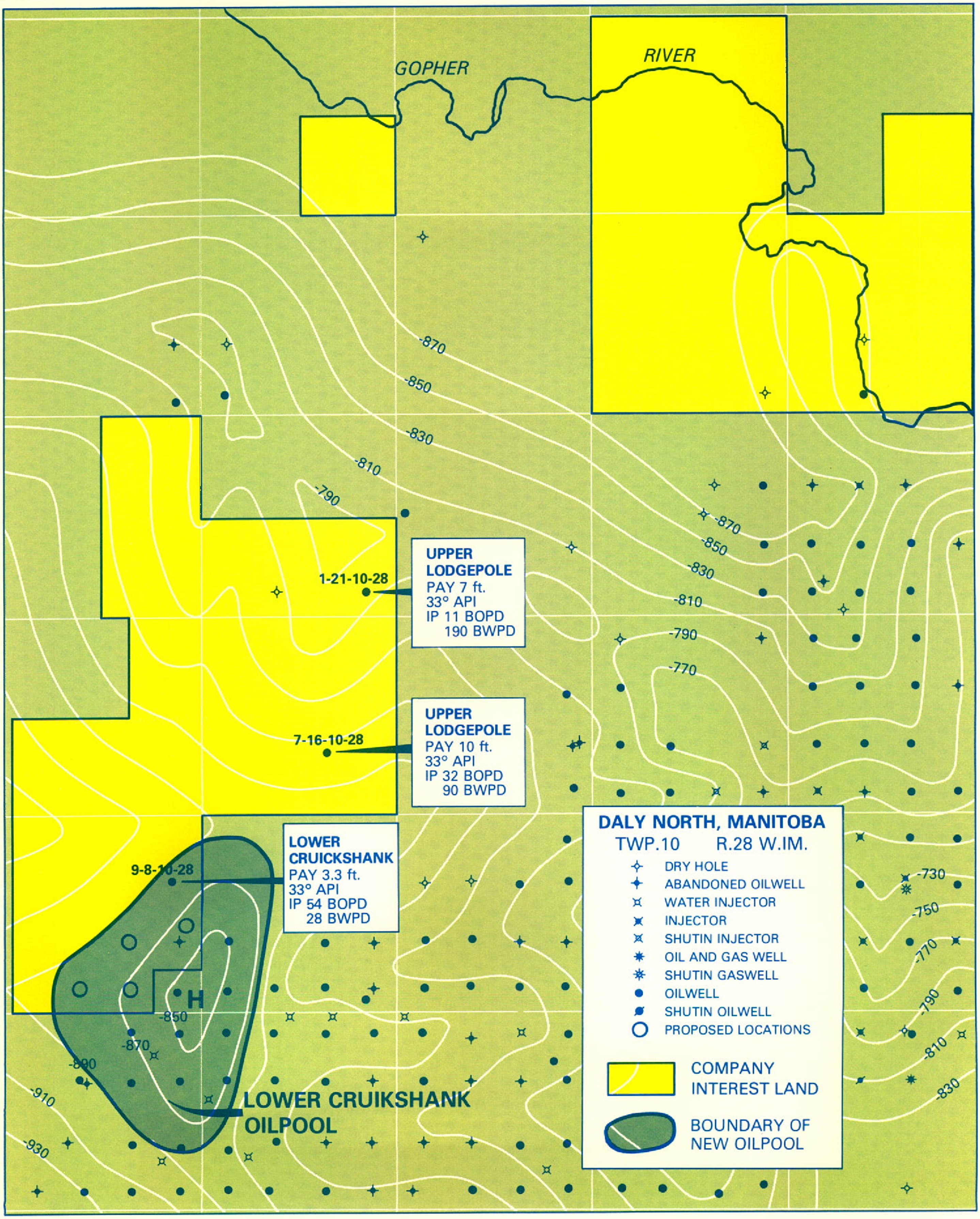
Leduc, Alberta

The Leduc a8-14-49-26W4M well has produced oil from the Devonian Nisku formation since 1981. The Company operates this property and holds a 28.8% working interest in the east half of section 14 and 16.6% working interest in section 11 (See Map). Until recently, high water disposal costs were reducing the profitability of this well. In November, the Company installed a salt water disposal pipeline from the a8-14-49-26W4M well to the nearby 15-11-49-26W4M well. This improvement reduced the a8-14 operating costs by half. At the same time, production from the a8-14 well increased from 30 to 54 barrels of oil per day with the installation of a larger pump.



LEDUC, ALBERTA, NISKU STRUCTURE

Structure and reservoir mapping indicates that the 200 acre Nisku stratigraphic trap lies on Company interest land. Probable recoverable gross reserves for five projected 40 acre development locations are 475,000 barrels of oil. During 1985, the Company will look for an industry partner to develop this oil pool.


GOPHER
RIVER
-870
-850
-830
-810
-790
UPPER LODGEPOLE
1-21-10-28
PAY 7 ft.
33° API
IP 11 BOPD
190 BWPD
UPPER LODGEPOLE
7-16-10-28
PAY 10 ft.
33° API
IP 32 BOPD
90 BWPD
LOWER CRUIKSHANK
9-8-10-28
PAY 3.3 ft.
33° API
IP 54 BOPD
28 BWPD
H
-850
-870
-890
-910
-930
LOWER CRUIKSHANK OILPOOL
-870
-850
-830
-810
-790
-770
-730
-750
-770
-790
-810
-830
DALY NORTH, MANITOBA
TWP.10 R.28 W.IM.
DRY HOLE
ABANDONED OILWELL
WATER INJECTOR
INJECTOR
SHUTIN INJECTOR
OIL AND GAS WELL
SHUTIN GASWELL
OILWELL
SHUTIN OILWELL
PROPOSED LOCATIONS
COMPANY INTEREST LAND
BOUNDARY OF NEW OILPOOL

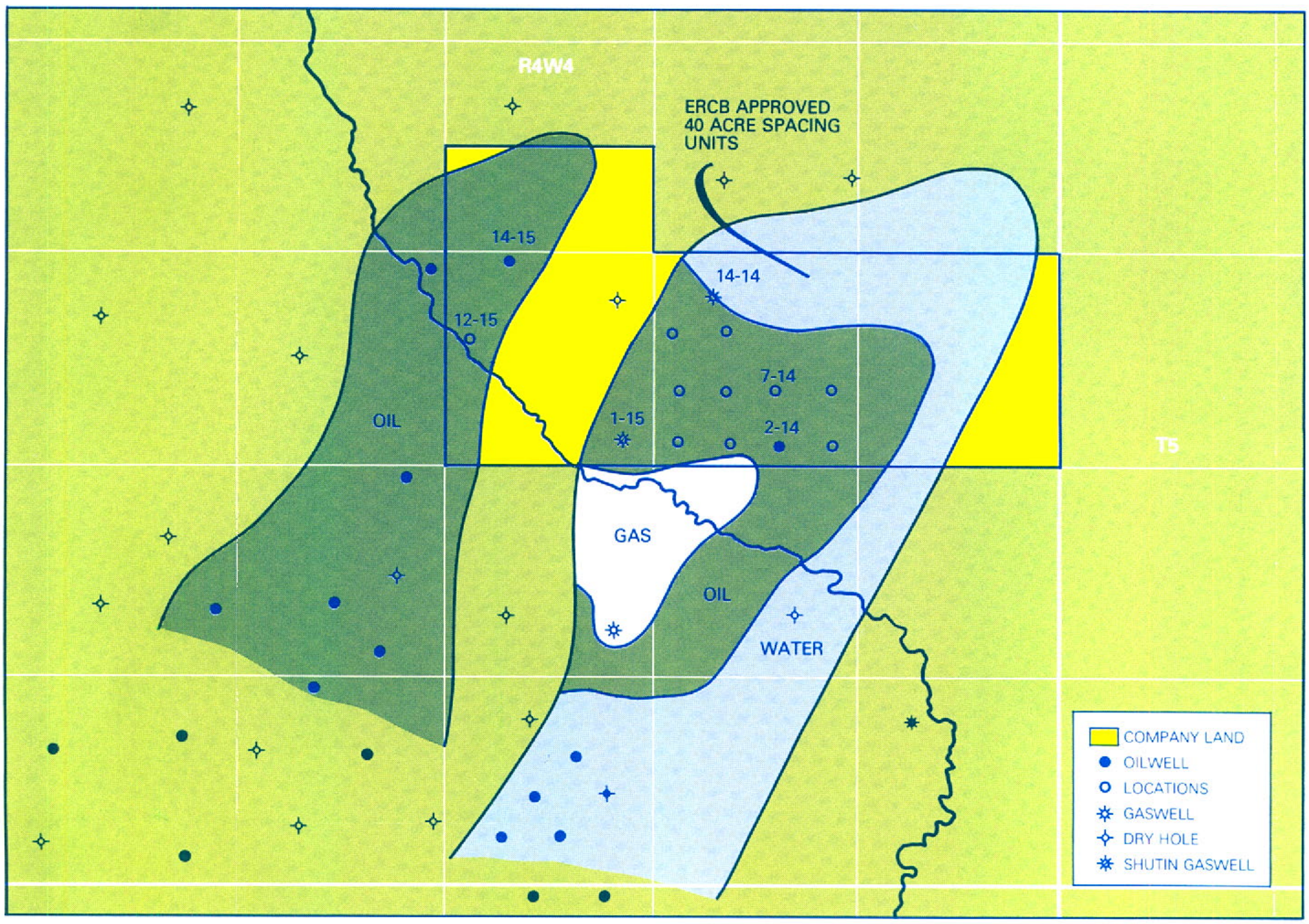
ACTIVITIES IN WESTERN CANADA:

Daly North, Manitoba

The Company participated in a three well development drilling program in the Daly North area to evaluate the hydrocarbon potential of the Mississippian Mission Canyon dolomite reservoirs on the open ended northwest flank of the Daly Oilfield. By paying 25% of the cost of these three wells, the Company earned a 12.5% working interest in 4,600 acres.

Daly 1-21-10-28W1M and 7-16-10-28W1M are Upper Lodgepole oil wells and together their initial daily production was 43 barrels of 33 degrees API oil.

Oil was discovered in a Lower Cruikshank carbonate member at a depth of 2,580 feet in the Daly 9-8-10-28W1M well. Initial production was 54 barrels of oil per day. Subsurface mapping shows a Lower Cruikshank structure, covering 800 acres with four possible drilling locations, on Company interest lands in section 8. Production will be monitored at the 9-8 well before drilling the offsetting wells. Payout for the 9-8 well is predicted to be one year, and in view of the low development cost for these shallow wells, the Company plans to participate for its 12.5% interest.



MANYBERRIES, ALBERTA, CRETACEOUS SUNBURST SAND.

Manyberries, Alberta

In May, the Company participated in a successful re-entry of the 2-14-5-4W4M well. Initial production of 45 barrels of oil per day resulted from completion of a twelve foot Cretaceous Sunburst pay zone. The 14-14-5-4W4M well established the structural level of the waterline in the Sunburst sand. Nine possible oilwell locations on section 14 were identified from subsurface mapping. The Company has a 13.5% working interest in section 14 and has approved its share of the drilling cost for the first offset development location at 7-14-5-4W4M.

A Sunburst sand re-completion was also attempted in the 1-15-5-4W4M well in December, but failed to produce at commercial rates.

The Company has a sliding scale gross overriding royalty on the northwest quarter of section 15-5-4W4M where a third party plans to drill the 12-15-5-4W4M location. If this well is successful, Rio Alto has the option to convert its royalty to a 7.5% working interest after payout.

Pierson, Manitoba

The Company participated in the drilling of three oilwells in the Pierson Field on a farmout from Canada Northwest Energy Limited. The Mississippian Mission Canyon 3A dolomite (MC3A) is the producing horizon at a shallow depth of 3,200 feet. The Company paid 35% of the drilling costs of two wells and 30% of the third well to earn a 25% working interest in 120 acres.

The 13-15-3-28W1M well has seven feet of MC3A oil pay while the 3-21-3-28W1M well encountered thirteen feet of pay. Initial production from each of these wells was 25 barrels of oil per day but has declined to 8 barrels of oil per day.

The 1-21-3-28W1M well, initially produced 21 barrels of oil per day from fourteen feet of MC3A pay and is currently producing 15 barrels of oil per day.

The Company has an open ended drilling option on the remaining 320 acres of the 440 acre farmout package and a decision on future drilling will be made after sufficient production history is obtained.

OTHER ACTIVITIES:

Drilling

The Provost 6-28-40-10W4M Basal Quartz oilwell was recently shut in due to excessive water production. The Company has a 21.25% interest in Section 28 and a 6.5 mile seismic program will be completed in search of a structurally higher location. If the seismic identifies a drilling location, the Company has the right to pay 48% of the drilling cost of a Basal Quartz test to earn a 24% interest in the adjoining Section 29.

The Company has a 7.5% working interest in the Eureka, Saskatchewan 16-18-31-22W3M Viking oilwell drilled in October. The well is producing 11 barrels of oil per day.

During the year, waterflood unitization proposals were made to the Company for the Eureka, Avon Hills and Dodsland, Saskatchewan producing properties. The valuation of the Company's minor unit interests will be dependent on final tract factor determinations.

During 1984, the Company participated in three dry holes in Western Canada. The Company paid 20% of the drilling costs of Fenn West 7-31-35-20W4, where the Devonian Nisku target was found low and wet on a false seismic anomaly. At Sylvan Lake 14-14-38-3W5 the Company paid 33.3% to drill a Mississippian test and found the Shunda Formation tight on drillstem testing. In Saskatchewan, the Company participated for 10% in the Viewhill 5-18-4-8W2M Mississippian Midale well, where drillstem tests recovered salt water with oil shows.

Land Acquisition

New Crown leases totalling 1,920 acres were acquired on two shallow Basal Quartz oil prospects in the Delia and Berry areas of Alberta and one Basal Quartz gas prospect in the Rumsey area of Alberta. The Company has 100% working interest in these five year leases.

In Saskatchewan, the Company participated in the acquisition of crown leases in the Evesham and Hayter areas. At Evesham the Company acquired 50% of a 160 acre lease and at Hayter a 28% interest in a 247 acre lease.

Mining

As part of a broad corporate plan to expand operations in oil and gas exploration and development in Canada, the Company is attempting to sell or farmout all of its mining property interests.

During fiscal 1984, the Company surrendered 100% working interest in fifteen iron claims located north of Bear Cave Mountain Area, Dawson Mining District, Yukon.

Upon surrendering 11,960 acres of coal leases in Clear Water , Alberta, the Company now holds a royalty interest in 23,000 acres.

The Company currently holds a 100% interest in 112 claims located in the Upper Sheep Creek Area, Watson Lake Mining District, Yukon. During the second quarter of 1985, the Company intends to surrender their option on four claims and surrender twelve claims with the remaining claims active until March, 1989.

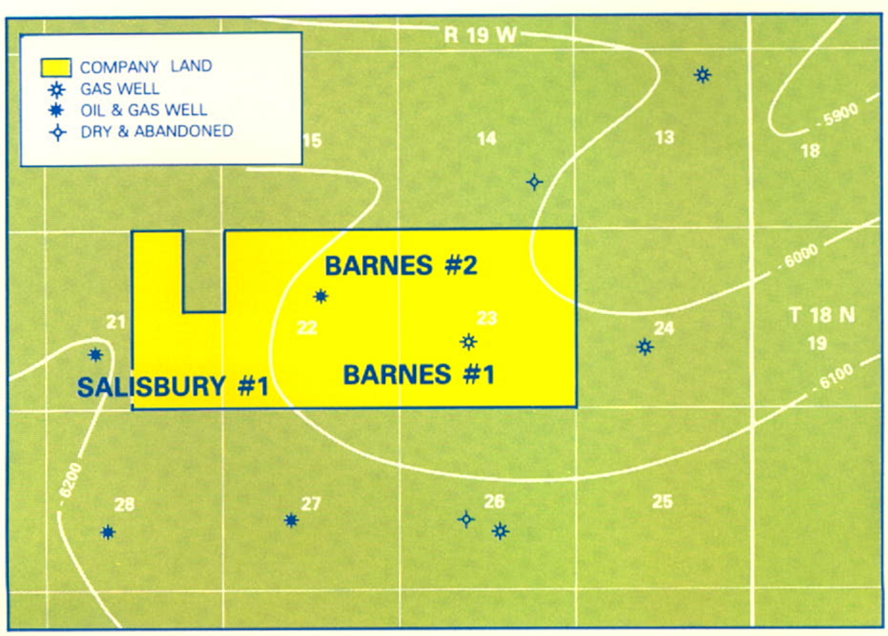
A third party has elected to continue exploration in the Rusty Springs Area, Yukon to earn an additional interest in the 381 claims. The Company currently holds a 45% interest in these mining claims.

ACTIVITY IN THE UNITED STATES:

The Company is in the process of reducing its interests in the United States by selling or farming out marketable producing and non-producing properties. In addition, certain leases will be allowed to expire, as their value is exceeded by annual lease rental payments. These steps are part of a corporate strategy to concentrate the financial and human resources of the Company on increasing Western Canadian oil production.

In Dewey County, Oklahoma the Company's gas wells continue to be profitable producers. The producing horizon is the Oswego limestone at a drilling depth of 9,200 feet. The Oswego Formation is a high deliverability gas reservoir with net pay intervals of up to forty feet. The Company, through its subsidiary, Rio Alto Exploration Inc., has a 7.344% working interest in Barnes No. 2, c e/2 22-T18N-R19W where gross production is 2 million cubic feet of gas and 15 barrels of oil per day. The Company has a 1.81% interest in Salisbury No. 1, c sw 21-T18N-R19W where the Oswego is producing 2 million cubic feet of gas and 7 barrels of oil per day. The Barnes No. 1 well, ne sw 23-T18N-R19W is producing 200 thousand cubic feet of gas per day from a thinner pay zone and the Company has an 8.33% working interest.

Oil and gas production from the Company's property in Seminole County, Oklahoma is disappointing. The Senora and Thurman sands tested high initial rates ranging up to 150 barrels of oil per day and 3.5 million cubic feet of gas per day but declined within three to six months to average 5 barrels of oil and 200 thousand cubic feet of gas per day. Exploration is risky because the sand bodies are narrow channel like deposits. In this prospect the Company holds a 15% interest in Voyager No. 1, c se sw T6N-R7E (15 barrels of oil per day gross), 15% interest in Redbud No. 1, ne sw se 32-T6N-R7E (150 thousand cubic feet of gas per day gross) and a 7.5% interest in Bowles No. 1 sw se sw 23-T6N-R7E (10 barrels of oil per day gross).



DEWEY COUNTY, OKLAHOMA

FINANCIAL SUMMARY

1. OIL AND GAS REVENUE

The accompanying financial statements show a 24% increase in Oil and Gas sales, net of royalties, from $438,014 in 1983 to $542,720 in 1984. This increase is attributed to the success of the 1984 drilling program. However, eleven of the twenty-one oil wells drilled in 1984 commenced production in early 1985 and so these revenues will be reflected in 1985 earnings. Although average daily oil production for 1984 was 20 barrels of oil per day, the Company's current daily production is 93 barrels.

2. CASH FLOW

The accompanying financial statements record 1984 after tax cash flow (before recording the extraordinary item) of 8 cents per share compared to 4 cents per share for 1983. This increase of 100% is due partly to:

a) increased oil revenues as described above.

b) interest income is higher due to rising interest rates and the receipt in the third quarter of 1983 of $4,430,481, the majority of which was on deposit during 1984.

After tax cash flow for 1984 is $1,079,345 (15 cents per share) after including the extraordinary gain.

Should the 130 well Kerrobert drilling program be completed as planned, by October, 1985, it is estimated that this project will add 28 cents per share to the Company's after tax cash flow for 1985.

3. NET EARNINGS

During 1984, the Company abandoned certain mining properties on which costs of $205,840 had been incurred. The expenditures of further funds on these leases was not warranted due to the deterioration of the market for the minerals and high transportation costs. In addition, a permit in Tunisia, on which the Company held a 0.1225% overriding royalty interest, was allowed to expire. As such, costs allocated to the purchase of this interest of $45,500 were expensed during 1984.

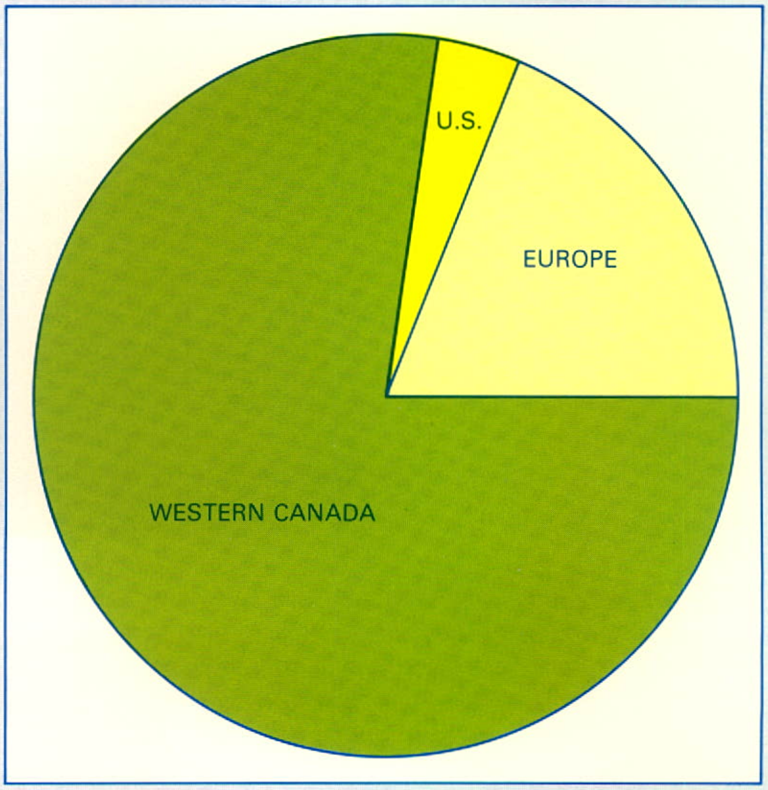
The total of these write downs was $251,340. As no further funds were expended to effect the abandonment of these interests, cash flow is unaffected by these transactions. However, net earnings prior to the property abandonments of $260,060 ($38,953 in 1983) was reduced to $8,720 ($(5,030) in 1983) after recording the adjustment to property and equipment.

The extraordinary item (see Radex Resources Ltd. section) of $510,234 is a non-recurring gain recorded on disposition of the Company's interest in a privately held affiliated company. Net earnings for the year of $518,954 (7 cents per share) compares favorably to the net loss for 1983 of $5,030 (0.01 cents per share).

4. CAPITAL BUDGET

During fiscal 1984, the Company experienced an increase in drilling activity unprecedented in its fourteen year history. Capital expenditures for the year, net of grants, totalled $1,855,521. The graphic representation of the allocation of these funds between the various countries best illustrates the efforts of management to secure a solid production base in Western Canada. With the achievement of this goal, the Company will be in a position to participate in selected European drilling activities utilizing internally generated funds.

The Company's 1985 budget envisages a continuation of the active drilling program commenced in mid 1984. Forecast capital expenditures exceed $5,000,000, of which approximately 80% will be spent in the Kerrobert, Saskatchewan development drilling program (see Page 12). Should the Company participate in the maximum 130 well program, of which fourteen wells have been drilled to date, it is likely that a revolving line of credit will be required to finance this project. It is anticipated that a $1,500,000 facility will be necessary to provide the Company with funds both sufficient to meet our drilling commitments and maintain a satisfactory level of working capital. Such a loan would be repaid within twelve to eighteen months from a portion of projected Kerrobert revenue.



CAPITAL EXPENDITURES BY REGION

5. RADEX RESOURCES LTD.

On December 31, 1983, the Company held shares in a private company, Radex Resources Ltd. (Radex) representing 17.26% of the issued voting capital. During the first quarter of 1984, the Company acquired an additional 239,100 common shares of Radex at a price of $2 per share; increasing its ownership to 39.64%. Two significant transactions occurred during 1984 with respect to the Company's investment in Radex.

1. During the second quarter the Company finalized negotiations, which had been proceeding over a long period, relating to monies due to the Company and others. The monies were due under a take or pay agreement relating to the Rio Alto et al Cessford a6-30-23-10 W4M well. The Company had a 6% working interest in the well which yielded a principal sum of $53,270 together with interest thereon of $8,422. The principal portion, which is recorded as deferred revenue, is held in trust at the Company's lawyers and will be released as the gas, to which this payment relates, is delivered. The interest portion has been received by the Company and is included in current income. Radex also held a working interest in this well. The interest of Radex was such that $649,675 of principle and $250,939 of interest relate to their account. The principle is currently held in trust, while the interest has been disbursed to Radex.

2. Effective October 31, 1984, Radex transferred ownership of all its assets, net of liabilities, to each of its shareholders in a tax free distribution commonly referred to as a "butterfly". The Company received cheques totalling $403,673, while a further $33,300 was receivable at year end. The

Company has also been assigned $257,531 of Cash in Trust, being its 39.64% share of the $649,675 previously held by the trustee on behalf of Radex. Repayments of take or pay gas commenced in November, 1984, but were not sufficient by year end to warrant a withdrawal of funds held in trust.

In addition to these assets, the Company received its 39.64% share of producing and non-producing oil and gas properties. The most significant interests received by the Company were a 10.9% working interest in the producing gas well at Cessford a6-30-23-10W4 and a 9.9% working interest in the Leduc a8-14-49-26W4 oil well. The Cessford well has been on production since 1979 and generated Gross Revenues for all working interest partners in excess of $1,000,000 in the eight months during which it produced in 1984 (see Page 14). The Leduc oil well, on production since 1981, is currently producing 50 barrels of oil per day (see Page 14).

The cost of the Company's 39.64% interest in Radex was $696,739. Whereas, current valuation of the properties together with the $436,973 cash and receivables results in total consideration of $1,206,973 for the Company's interest in Radex. As such, a gain on the disposal of the investment in Radex of $510,234 has been recorded in the accompanying financial statements. Deferred Revenue together with Cash in Trust have also increased by $257,531, as a result of this transaction.

6. GENERAL AND ADMINISTRATIVE

In fiscal 1984, the Company incurred $502,461 of General and Administrative expenses compared to $481,254 in 1983. The Company currently employs a staff of six, including the Exploration Manager, Geologist, Controller, Land Administrator, Assistant Accountant and a Secretary.

The Company generally participates by farmin and accepts a non-operating role in the majority of its ventures. As such, engineering expertise is currently supplied on a consulting basis and overheads are kept to a minimum.

Although the Company is participating in the 130 well Kerrobert program, this is not expected to significantly increase overhead costs because the Company simply pays cash calls to the operator and deposits net revenue cheques received monthly.

7. WESTERN ACCORD AGREEMENT

The recent "Western Accord" agreement affects the Company in two areas. Firstly, all the Company's oil production is currently receiving the New Oil Reference Price (NORP) of approximately $40 Canadian per barrel. The new agreement effectively deregulates oil prices on June 1, 1985. However, recently, the world oil price has risen to a level approximately 5% below the NORP price and as such the immediate impact of deregulation will be minimal. The situation is improved by the fact that all the Company's oil production, especially in the Kerrobert area, is light oil which commands the highest price and is readily marketable.

Secondly, with the termination of the Petroleum Incentive Program on April 1, 1986, the Company will no longer receive grants reimbursing up to 35% of its drilling costs. During 1985, however, the Company is budgeting to receive $577,000 of grants on the Kerrobert program alone. As such, because of the Company's aggressive drilling schedule for 1985, the maximum advantage will be made of the Program, prior to its termination.

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1984

ASSETS

	1984	1983 (restated)
CURRENT ASSETS		
Cash and term deposits	$ 2,834,193	$ 3,761,969
Accounts receivable	746,550	523,039
Current portion of note receivable	-	50,000
	3,580,743	4,335,008
FUNDS IN ESCROW (note 2)	310,801	-
INVESTMENT	-	216,178
NOTE RECEIVABLE	-	50,000
PROPERTY AND EQUIPMENT (note 3)	15,167,797	13,140,247
OTHER ASSETS	58,480	87,499
	$19,117,821	$17,828,932

LIABILITIES

	1984	1983 (restated)
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 803,343	$ 310,175
DEFERRED INCOME TAXES	182,864	162,913
DEFERRED REVENUE (note 4)	345,324	121,727
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 5)	17,428,236	17,395,017
RETAINED EARNINGS (DEFICIT)	358,054	(160,900)
	17,786,290	17,234,117
CONTINGENT LIABILITY (note 10)		
	$19,117,821	$17,828,932

Approved on behalf of the Board,

J. C. Anderson Director

Don Hilland Director

CONSOLIDATED STATEMENT OF EARNINGS
YEAR ENDED DECEMBER 31, 1984

	1984	1983 (restated)
REVENUE		
Oil and gas sales	$ 542,720	$ 438,014
Alberta royalty tax credit	26,564	14,859
Interest, management fees, other	379,616	200,189
	948,900	653,062
EXPENSES		
Production	137,236	119,845
General and administrative (note 3)	242,553	257,454
	379,789	377,299
EARNINGS BEFORE THE FOLLOWING	569,111	275,763
ITEMS NOT REQUIRING FUNDS		
Cost of mining properties abandoned	205,840	43,983
Cost of European properties abandoned	45,500	-
Depreciation	56,100	26,240
Depletion	233,000	166,000
	540,440	236,223
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	28,671	39,540
INCOME TAXES (note 7)		
Current	-	5,775
Deferred	19,951	38,795
	19,951	44,570
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	8,720	(5,030)
EXTRAORDINARY ITEM (note 6)	510,234	-
NET EARNINGS (LOSS)	$ 518,954	$ (5,030)
EARNINGS (LOSS) PER SHARE BEFORE EXTRAORDINARY ITEM	$ 0.001	$ (0.001)
NET EARNINGS (LOSS) PER SHARE	$ 0.07	$ (0.001)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1984

	1984	1983 (restated)
DEFICIT, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	$ (46,212)	$ (182)
RETROACTIVE ADOPTION OF ONE COST CENTRE IN RESPECT OF COSTS CAPITALIZED IN NORTH AMERICA UNDER THE FULL COST METHOD OF ACCOUNTING FOR OIL AND GAS PROPERTIES (note 1(i))	(114,688)	(155,688)
AS RESTATED	(160,900)	(155,870)
NET EARNINGS (LOSS)	518,954	(5,030)
RETAINED EARNINGS (DEFICIT), END OF YEAR	$ 358,054	$ (160,900)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1984

	1984	1983 (restated)
SOURCES OF WORKING CAPITAL		
Current operations	$ 569,111	$ 269,988
Proceeds on issue of share capital	33,219	4,550,335
Increase in deferred revenue (note 6)	-	85,728
Decrease in note receivable	50,000	50,000
Decrease in other assets	29,019	-
Proceeds on disposal of shares in affiliate (note 6)	-	7,930,965
	681,349	12,887,016
APPLICATIONS OF WORKING CAPITAL		
Additions to property and equipment	1,855,521	8,445,048
Net assets received on redemption of shares, net of working capital of $436,973 (note 6)	73,261	-
Investment in shares	-	48,750
Decrease of provision for share issue	-	174,250
Net assets acquired on purchase of subsidiary, net of working capital of $72,730	-	1,156,505
Increase in other assets	-	28,666
	1,928,782	9,853,219
INCREASE (DECREASE) IN WORKING CAPITAL	(1,247,433)	3,033,797
WORKING CAPITAL, BEGINNING OF YEAR	4,024,833	991,036
WORKING CAPITAL, END OF YEAR	$ 2,777,400	$ 4,024,833

RIO ALTO EXPLORATION LTD.

AUDITORS' REPORT

To the Shareholders
Rio Alto Exploration Ltd.

We have examined the consolidated balance sheet of Rio Alto Exploration Ltd. as at December 31, 1984 and the consolidated statements of earnings, retained earnings 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 consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after retroactive effect to the change in the method of accumulating exploration and development expenditures and the change in the method of foreign currency translation as described in note 1(i) to the financial statements, on a basis consistent with that of the preceding year.

Collins Barrow
CHARTERED ACCOUNTANTS

Calgary, Alberta
MARCH 15, 1985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1984

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company are stated in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada which, in the case of the Company, conform in all material respects with International Accounting Standards. The significant accounting policies are summarized below:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries all of which are wholly owned.

(b) Oil and gas operations

The Company follows the full cost method of accounting for oil and gas operations wherein all costs relating to the exploration for and development of oil and gas reserves are capitalized in cost centres. These costs are depleted on the unit-of-production method based on the estimated proven reserves of oil and gas in each cost centre as determined by independent and company engineers. Proceeds on minor property sales are credited to the net book value of property and equipment without recognizing any gain or loss on disposition. Gains or losses on major property sales are recognized in the earnings statement. Capitalized expenditures are accumulated in cost centres as follows: North America, Italy, France and Ireland.

Depletion is provided on costs accumulated in North America (Canada and the United States).

Expenditures incurred in the other cost centres are being capitalized pending the results of exploration in progress. Realization of any underlying value of these assets is dependent upon future exploration and development to determine the existence of oil and gas reserves capable of commercial production.

The Company employs a ceiling test annually whereby capital costs would be written off should they exceed the present value of future net revenues from estimated production of proven reserves, together with undeveloped land at the lower of cost and net realizable value.

(c) Joint venture accounting

A substantial portion of the Company's exploration and production activities related to oil and gas are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

(d) Mining operations

The company follows the practice of capitalizing all acquisition and exploration costs relating to mining operations on a prospect area basis. If a prospect area is subsequently abandoned or sold, all capitalized costs relating to the area are charged to earnings. Realization of the amounts represented by mining properties is dependent upon future development, since the properties are substantially unexplored or undeveloped.

(e) Depreciation

Depreciation of production equipment is provided for on the unit-of-production method. Depreciation of sundry equipment is provided for on the declining balance method at rates varying from 20% to 30% per annum.

(f) Accounting for changing prices

No procedures have been adopted by the Company to reflect the impact on the financial statements of either specific price changes or changes in the general level of prices.

(g) Foreign currency translation

The accounts of the foreign subsidiaries and other foreign operations have been translated to Canadian dollars using the temporal method on the following basis: monetary items at the rate of exchange at the year end; other assets and liabilities at the historical rate of exchange. The items in the statement of earnings are translated at the average rates of exchange prevailing during the year except for depletion and depreciation, which are translated at the same rates as used for the related assets.

(h) Earnings per share

Basic earnings per share have been calculated using the weighted average number of common shares outstanding during the year.

The exercise of the options and warrants would not be dilutive.

(i) Change in accounting policies

(i) In 1984, the Company retroactively adopted one cost centre in respect of North American costs capitalized under the full cost method of accounting for petroleum and natural gas properties. Previously, the Company utilized cost centres in the U.S. and Canada. As a result of this change, previously reported net loss for the year ended December 31, 1983 has been reduced by $41,000, before and after income taxes, and the loss per share has been reduced from $0.01 per share to $0.001 per share.

(ii) Effective January 1, 1984, the Company retroactively adopted the temporal method of accounting for translation of accounts originating in foreign currencies. This change has no material effect on the financial statements of current or prior years.

2. FUNDS IN ESCROW

An amount of $310,801 is held in trust for the Company on account of the natural gas sales agreement described in note 4. The escrow funds bear interest at the current rate for 30 day deposits, paid monthly by the trustee. Repayment of the principal will commence when the natural gas is delivered, as described in note 4. Although the transmission company has indicated natural gas deliveries will be taken over the next five years, the timing of future natural gas deliveries cannot be reasonably estimated. Therefore, the account is classified as a long-term asset.

3. PROPERTY AND EQUIPMENT

	1984			1983
	Cost	Accumulated Depreciation and Depletion	Net	Net (restated)
Oil and gas properties including exploration and development costs thereon — North America	$ 5,706,367	$ 742,075	$ 4,964,292	$ 3,213,356
Deferred oil and gas exploration and development expenditures — European cost centres	8,619,255	-	8,619,255	8,300,171
Mining properties including exploration costs thereon	996,353	-	996,353	1,199,263
Oil and gas production equipment — North America	581,555	84,874	496,681	388,442
Sundry Equipment	148,562	57,346	91,216	39,015
	$ 16,052,092	$ 884,295	$15,167,797	$13,140,247

During the year the Company capitalized general and administrative expenses in the amount of $259,908 (1983 - $223,800) of total general and administrative expenses incurred of $502,461 (1983 - $481,254).

4. DEFFERED REVENUE

Pursuant to natural gas sales agreements, the Company has received $34,523 and is entitled to receive $310,801 (1983 - $121,727) for natural gas that will not be delivered until future years. The revenue has been deferred and will not be recognized in the statement of earnings until such time as the natural gas is delivered.

5. SHARE CAPITAL

a) Authorized

1,000,000 Preferred shares of no par value
20,000,000 Common shares of no par value

b) Issued

	1984		1983	
	Number of Shares	Amount	Number of Shares	Amount
Common Shares				
Balance, beginning of year	7,106,311	$17,395,017	5,942,422	$12,844,682
Exercise of share options	12,100	33,219	154,900	324,640
Exercise of employee share options	-	-	59,000	51,000
Private placement of shares	-	-	600,000	2,992,500
Shares issued as consideration for purchase of shares in subsidiary	-	-	349,989	1,182,195
Balance, end of year	7,118,411	$17,428,236	7,106,311	$17,395,017

c) At December 31, 1984, 190,000 common shares were reserved for options issuable to directors, officers and employees as follows:

Number of Shares	Price	Date Granted	Expiry Date
25,000	$1.60	May 7, 1984	May 7, 1989
30,000	$1.60	June 29, 1984	June 29, 1989
35,000	$1.55	July 17, 1984	July 17, 1989
100,000	$1.46	December 20, 1984	December 20, 1989
190,000			

d) At December 31, 1984, 500,000 common shares were reserved for warrants issued as follows:

Number of Shares	Price	Expiry Date
200,000	$6.50	February 1, 1985
300,000	$7.00	July 22, 1985
500,000		

The 200,000 warrants exercisable at $6.50 expired on February 1, 1985.

6. EXTRAORDINARY ITEM

During the year, the Company's investment in the common shares of a private corporation were redeemed. In exchange for the shares, the Company received its pro rata share of the private corporation's net assets as follows:

Cash	$ 436,973
Funds in escrow (note 2)	257,531
Petroleum and natural gas properties	770,000
	1,464,504
Deferred revenue	257,531
Total consideration received	1,206,973
Cost of shares redeemed	696,739
Gain on redemption of shares	$ 510,234

7. INCOME TAXES

The provision made for income taxes in 1984 and 1983 is different from the amount which would have been expected if it were assumed that the reported pre-tax earnings were subject to the Canadian Federal and Provincial statutory income tax rates for the year. The principal reasons for the differences between such "expected" income tax provisions and the amounts actually provided were as follows:

	1984	1983 (restated)
Effective Canadian tax rate	**50%**	50%
Computed "expected" tax expense (recovery)	**$14,336**	$19,770
Increase (decrease) in taxes resulting from		
Non-deductible petroleum and natural gas revenue tax	**30**	-
Non-deductible crown royalties	**33,501**	17,676
Earned depletion allowance	**(24,249)**	(3,005)
Resource allowance	**(6,750)**	(11,786)
Losses of non-taxable subsidiaries	-	29,787
Tax credits	-	(7,430)
Tax rebates	-	(2,482)
Other	**3,083**	2,040
	$19,951	$44,570

8. REMUNERATION OF SENIOR OFFICERS AND DIRECTORS

The total remuneration paid to directors of the Company (including the five highest paid employees) amounted to $130,302 (1983 - $83,262).

9. SEGMENTED INFORMATION

	1984			
	Canada	United States	Europe	Total
Oil and gas sales	$ 372,329	$ 170,391	$ -	$ 542,720
Operating profit	$ 277,656	$ 154,392	$ -	$ 432,048
General and administrative expense				242,553
Other income				(379,616)
Depletion				233,000
Depreciation				56,100
Cost of mining properties abandoned				205,840
Cost of European properties abandoned				45,500
				403,377
Earnings before income taxes and and extraordinary item				$ 28,671
Total identifiable assets	$7,188,231	$ 3,310,335	$8,619,255	$19,117,821

	1983			
	Canada	United States	Europe	Total (restated)
Oil and gas sales	$ 238,431	$ 199,583	$ -	$ 438,014
Operating profit	$ 174,991	$ 158,037	$ -	$ 333,028
General and administrative expense				257,454
Other income				(200,189)
Depletion				166,000
Depreciation				26,240
Cost of mining properties abandoned				43,983
				293,488
Earnings before income taxes				$ 39,540
Total identifiable assets	$6,490,552	$3,038,209	$8,300,171	$17,828,932

10. CONTINGENT LIABILITY

The Company has a contingent liability in respect of possible withholding taxes being claimed by the Internal Revenue Service. The Internal Revenue Service claims that the Company owes withholding taxes of $93,374 in regard to imputed interest on the Company's loan to its U.S. subsidiary. The final outcome of this dispute cannot be reasonably predicted at the present time.

RIO ALTO EXPLORATION LTD.

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