OMEGA HYDROCARBONS LTD

ANNUAL REPORT 1980

OMEGA
HYDROCARBONS LTD.

Directors

T. Jack Hall, Calgary
D. S. Morgan, Calgary
D. M. Mawdsley, Calgary

Officers

President — T. Jack Hall
Secretary-Treasurer — Bonnie C. Hall

Head Office

Suite 630, 330 - 5th Avenue S.W.
Calgary, Alberta T2P 0L4

Auditors

Thorne Riddell
Chartered Accountants
1200 Bow Valley Square 2
205 - 5th Avenue S.W.
Calgary, Alberta T2P 2W4

Registrar

The Canada Trust Company
505 - 3rd Street S.W.
Calgary, Alberta T2P 3E6

Transfer Agents

The Canada Trust Company
505 - 3rd Street S.W.
Calgary, Alberta T2P 3E6

Solicitors

Howard, Mackie
3rd Floor, One Calgary Place
330 - 5th Avenue S.W.
Calgary, Alberta T2P 0L4

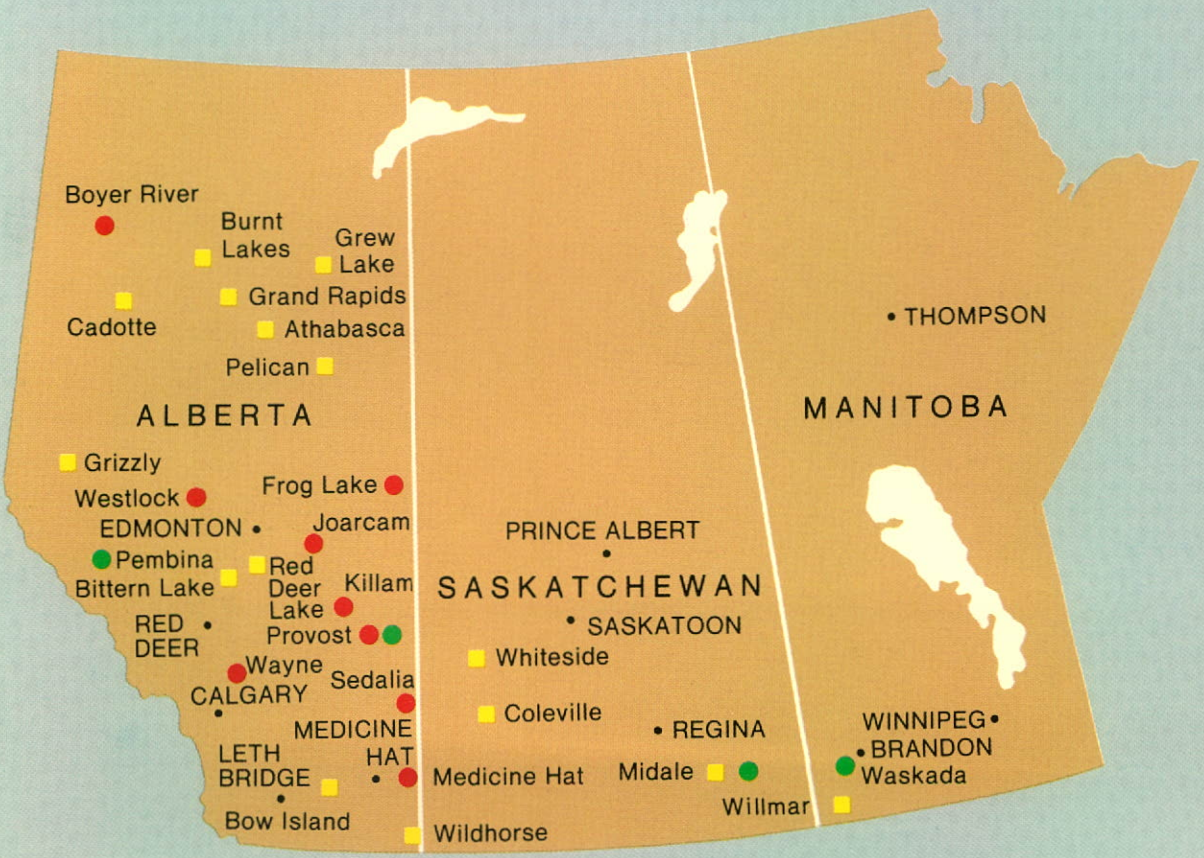
Main Bankers

Toronto Dominion Bank
2 Calgary Place
340 - 5th Avenue S.W.
Calgary, Alberta T2P 2P6

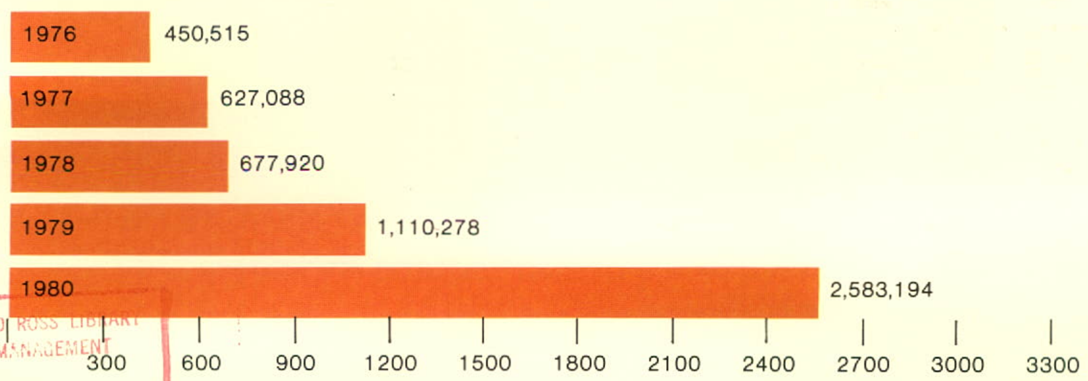
Annual General Meeting

The Annual General Meeting of the shareholders of Omega Hydrocarbons Ltd. will be held at The Calgary Inn (Britannia Room) at 4th Avenue and 3rd Street S.W., Calgary, Alberta on Wednesday, the 13th day of May, 1981 at 3:30 p.m. (local time).

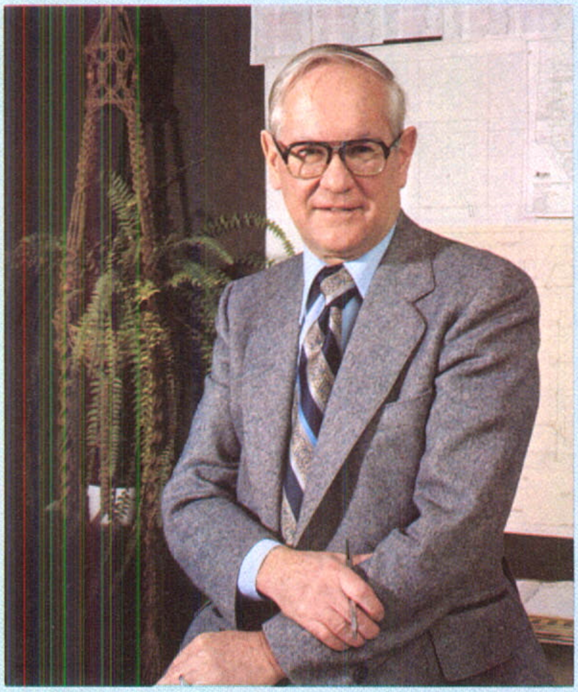
highlights



Revenue Sales



to our shareholders



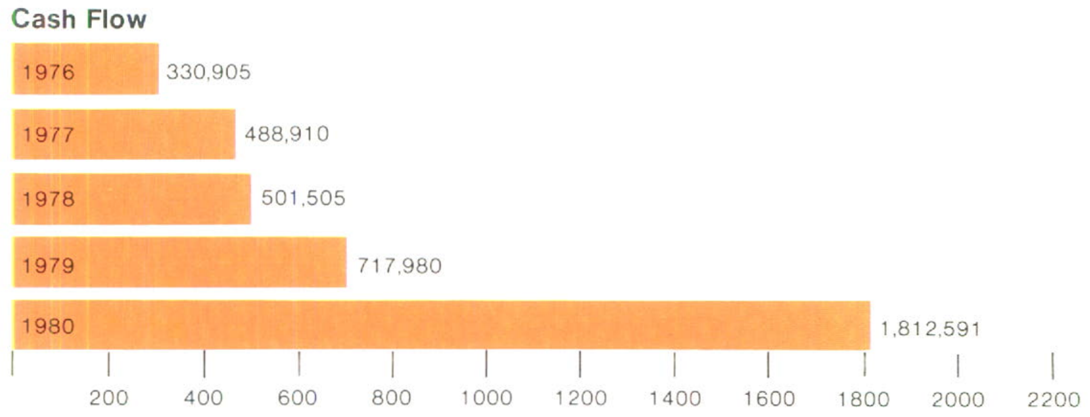
T. J. Hall, President

On behalf of Omega's Board of Directors, I am pleased to report that your company's growth continued throughout 1980. Record earnings, cash flow and return on shareholders' equity were achieved and we are confident that this trend will continue throughout 1981 and 1982. All items (Revenue, Cash Flow and Earnings before income taxes) shown in the statements exceeded the sum total of each of those items of the past three years.

- Capital expenditures $8.4 million, up from $4.0 million
- Net revenue $2.6 million, up 136% from $1.1 million
- Cash flow $1.8 million (44¢/share), up 151% from $718 thousand
- Net earnings before taxes $1.4 million (33¢/share), up from $467 thousand
- Net earnings after provisions for taxes $912 thousand (22¢/share), an increase of 178% over $328 thousand of the previous year.

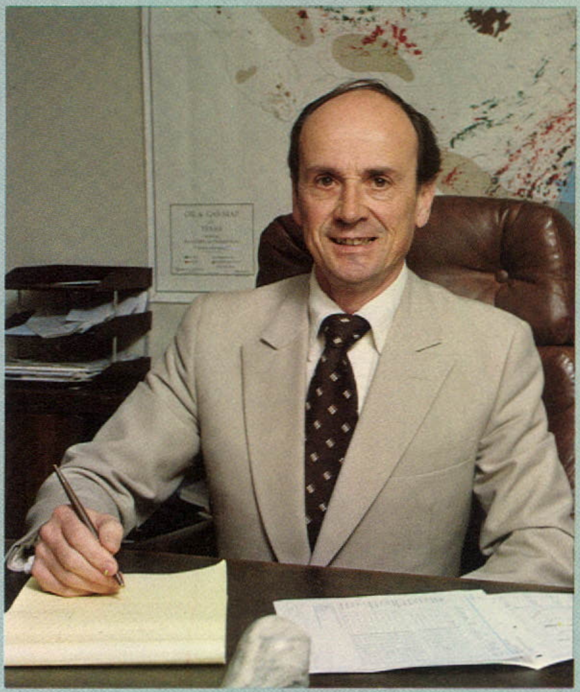
Your company's improved performance was the result of increased oil and natural gas production together with a modest price improvement in August, 1980. The largest gain was attributable to the expansion and the consequent improvement of the West Provost oil development.

As of March, 1981, the company's proven and probable oil and gas reserves, net after royalty totalled 3.4 million barrels of crude oil and liquids and 42.8 billion cubic feet of natural gas. These reserves compare to 718 thousand barrels and 38.3 billion cubic feet respectively at February, 1980. The net asset value of proven and probable reserves is estimated to be 62.3 million dollars or $14.61 per share, as compared to $9.27 per share one year earlier.



During the year, the company drilled or participated in a total of fifty-one wells (thirty-one net). The principal areas of activity were in the Boyer field of northwest Alberta and the West Provost field of central east Alberta where Omega drilled twenty-one gas wells at Boyer and sixteen wells at West Provost. The company plans to drill between twelve and twenty additional wells at West Provost during 1981. Assuming continued success of the two pilot waterflood units, an infill drilling program of forty to fifty wells would be required to expand the flood to its ultimate potential.

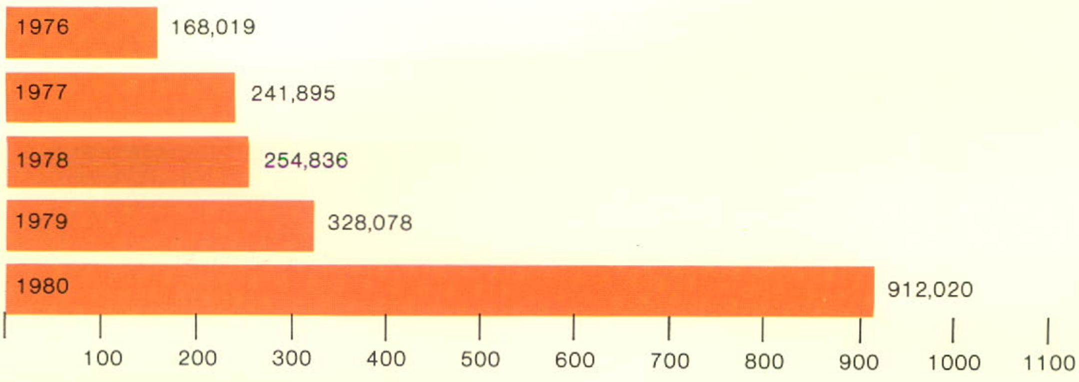
To ensure its growth potential, Omega has entered into a recent land purchase and development agreement with a large Canadian independent with the intention to explore for oil and gas in the United States. Land purchases in Canada have once again taken on the momentum of previous years which was lost during 1980 as a result of high costs and intense competition.



John Henderson, Exploration Manager

Effective January 15, 1981, Omega was successful in acquiring fifty-nine of sixty units of Omega Oil and Gas Fund No. 1 in exchange for 182,120 common shares of the company. The transaction was based on Omega's offer to acquire all of Fund No. 1 Units having an original cost base of $25,000 per unit, but currently valued at $40,000. Each such unit was exchanged for 3,140 shares valued at $12.78 per share. Omega Oil and Gas Fund No. 1, a private Limited Partnership, was organized in 1977 for the purpose of raising funds to support the company's oil and gas exploration activities. As a result of this acquisition, the Fund No. 1 will be liquidated and the reserves of oil and gas including current cash flow will be consolidated into the company's holdings.

Net Earnings



Left to right: Valerie Pollard, Receptionist; Bonnie Hall, Administrative Supervisor; Sharon Van Middlesworth, Land Administrator.

The company has budgeted a total of ten million dollars in 1981 to carry out its extensive exploration and development program in Alberta and Manitoba. This amount will be funded from the company's line of credit and from projected cash flow. Omega will review its further capital requirements as developments progress throughout the year.

In September, 1980, Omega announced the employment of John Henderson, formerly foreign exploration manager of a large Canadian independent oil company, as exploration manager of the company. Mr. Henderson came to Omega with extensive experience in the field of exploration for oil and gas in Canada and the United States. As a consequence, the company has already entered into an exploration agreement with a Canadian independent company already having an exploration staff in the United States, with the intention of exploring for oil and gas in the United States.

Your company has enjoyed a period of exceptional growth over the past few years and this should extend into the coming years in spite of the negative effects of the National Energy Program. Company forecasts indicate that 1981 revenue will be at least double that of the past year and that cash flow and net earnings will follow that trend.

Omega's progress during the past year as described in the following pages of this report is the culmination of developments of this and of the previous years. It too is the product of a highly dedicated group of people who comprise Omega Hydrocarbons Ltd. To them, we wish to express our appreciation for their many individual efforts. We too wish to extend our appreciation to our shareholders.

On behalf of the Board

T. J. Hall
President

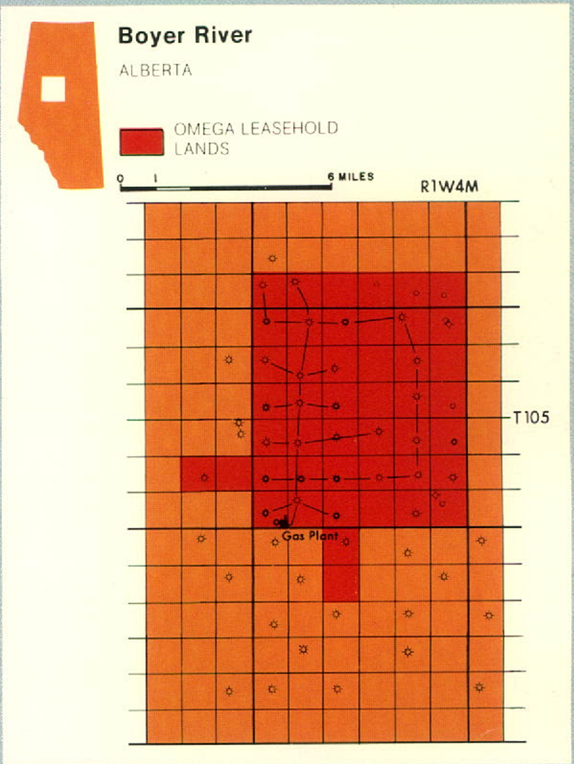
April 15, 1981

Left to right: Bernie Soubolsky, Production Accountant; Carol Durocher, Accounting Clerk; Rhonda Watkins, Accountant.

review of holdings

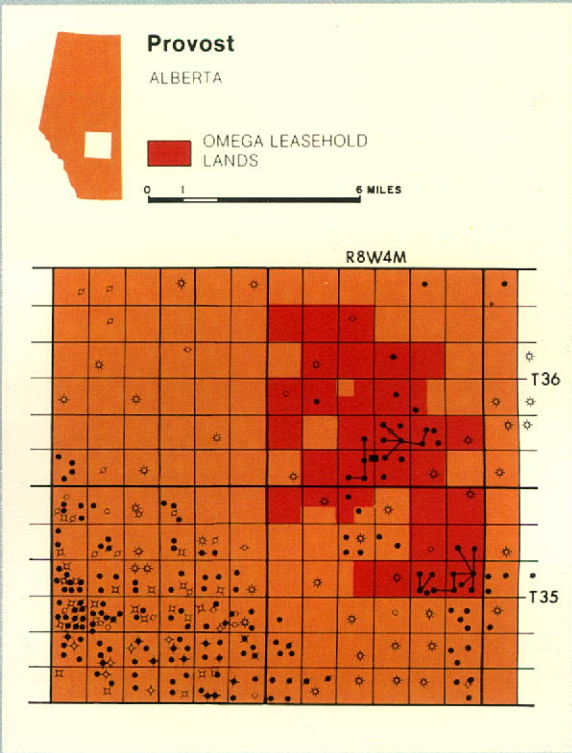
Boyer, Alberta

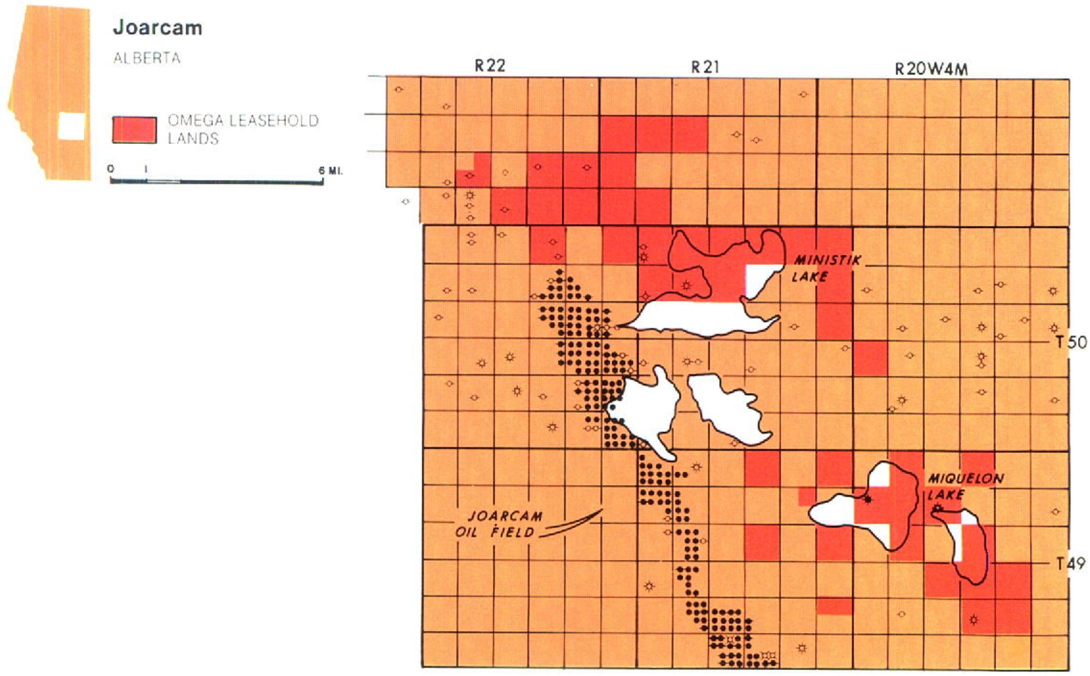
Following the October 28, 1980 Federal Budget, management was instrumental in deferring a planned drilling program of 15 to 20 wells during the last quarter of the year. The reason for this decision was the combined effect of the October 28, 1980 Federal Budget, the National Energy Program, the high cost of borrowing and lack of sufficient plant capacity. Renegotiations of gas reserves between Omega and TransCanada PipeLines in July, 1980 resulted in a recognized reserve of 60 BCF which provided a minimum and maximum daily rate of 8.2 and 9.2 million cubic feet per day respectively, considerably higher than deliverability from existing wells. Full utilization of these contract quantities will require further drilling, additional gathering lines and expanded plant capacity. A decision to proceed with further capital expenditures will depend on the performance of the presently connected twenty-seven wells. Current producing rates are curtailed by available plant capacity of 2.6 million cubic feet per day as compared to an estimated deliverability of 4.0 mmcf/d.



West Provost, Alberta

The company drilled eleven new oil wells, one new gas well, two injection wells and two water source wells during 1980, increasing the total number of wells at Provost to thirty-nine. In addition, two batteries, two satellite units, two compressor stations and 40,000 feet of gathering lines were installed. Following this, two pilot waterflood units were placed under construction. The waterflood facilities were placed in operation during the first quarter of 1981. Initial producing rates of individual wells in the 1980 program exceeded that of the 1979 program by a considerable margin. This resulted from improved drilling and completion techniques developed during the 1979 drilling season. The performance of the wells drilled along the north and northwest flank in Twp. 36, Rge. 8 have opened up a whole new set of offset locations to be drilled during 1981. Our projections for the 1981 drilling season are that a minimum of seven wells in Twp. 35, Rge. 8 and five in Twp. 36, Rge. 8 will be drilled. The





successful wells along with three others not yet tied-in will be connected to the gathering system before year-end. Four sections of land were added to current holdings now encompassing an area of 19,200 gross acres.

Joarcam, Alberta

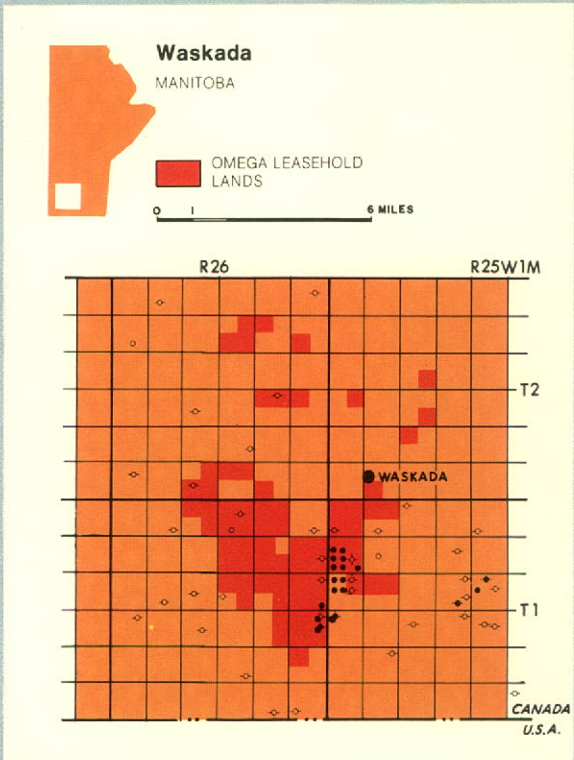
Omega's interest in this area varies between 15% and 50% in 26,880 acres of P & NG Crown lands. The Ministik block contains two single zone gas wells whereas the Miquelon Lake block contains three multiple zone wells. The latter three wells are held confidential due to potentially available offset lands. It is expected that two wells will be drilled during 1981 following which plans will be initiated for marketing this reserve of sweet gas. Reserve estimates are incomplete, however, company estimates of potentially marketable gross reserves are in the range of 40 - 50 BCF.

Waskada, Manitoba

Omega owns an interest in 14,108 acres consisting primarily of freehold lands, much of which is 100% owned, amounting to 12,228 net acres. A large portion of the acreage spread overlies existing production and a newly discovered productive horizon. Two previously suspended wells located in Lsd. 11-30 and Lsd. 5-30-1-25 are currently producing light crude oil from a newly delineated reservoir. A recently drilled well located in Lsd. 3-34-1-26 penetrated the same zone, it was cased and is presently undergoing completion in the new horizon.

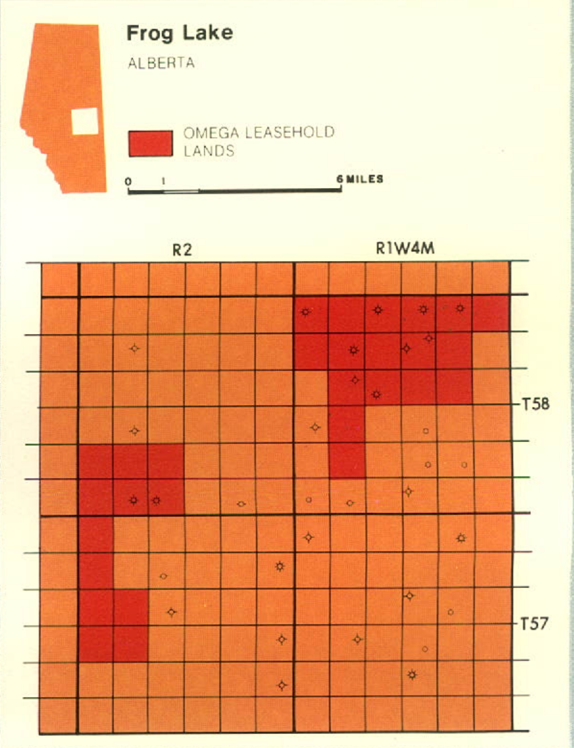
While it is too early to determine the economic viability of this discovery, your management is optimistic that a significant discovery has been made and further testing will determine the viability of its development.

The two wells drilled on the south block during 1979 were completed in the second quarter of 1980. A third well was drilled subsequent to year-end and is producing at submarginal rates. Total production from Waskada varies between 100 and 130 barrels per day.



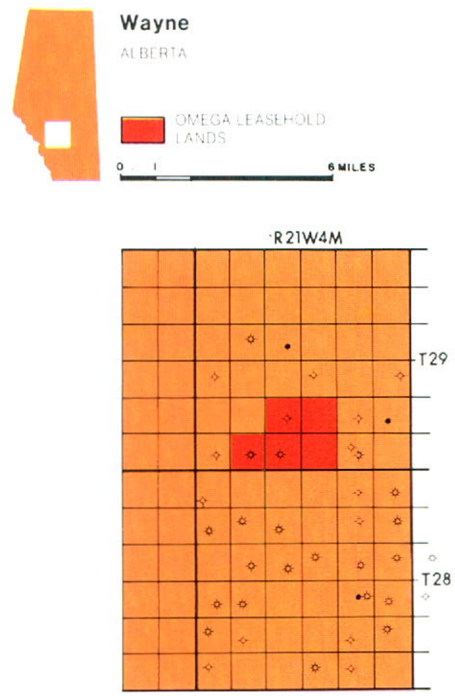
Frog Lake, Alberta

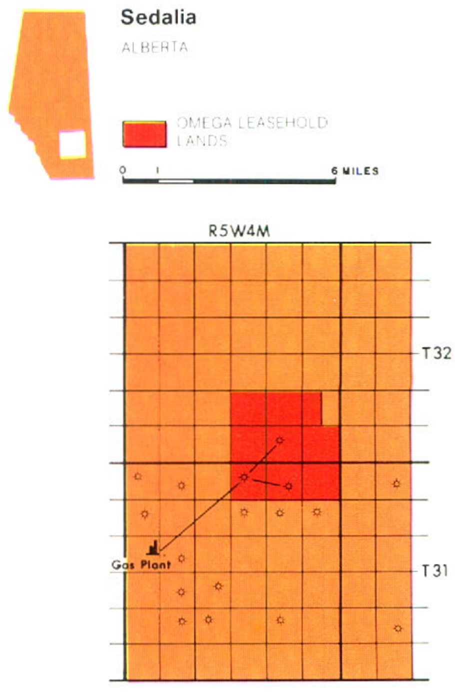
Omega's holdings at Frog Lake vary from 25% - 50% in twenty-nine sections (18,560 acres) of P & NG Crown lands of which 14,080 acres were farmed-out for a commitment to drill five wells and two option wells. Five of these farmout wells have been drilled resulting in five gas wells. The remaining two wells will be drilled during the second quarter of 1981. Omega's interest, following the completion of the drilling program, will be 25% in twenty-eight sections and 50% in one section resulting in net land holdings of 4,800 acres. Net reserves to the company are estimated by D & S Consultants to be 3.2 BCF.



Wayne — Drumheller, Alberta

Omega is the operator of two shut-in gas wells in the Wayne area and one shut-in potential gas well at Drumheller. The land holdings in both areas are contracted to Pan Alberta Gas and scheduled to go on-stream in November, 1981. Recent discussions with Pan Alberta indicate a delay of on-stream date by one full year. Projected gross production from the three wells is 2.0 - 3.0 million cubic feet per day, depending on contract requirements.





Other Areas

During the reporting period, Omega was successful in farming out a number of small single spacing unit parcels located in the Killam, Westlock and the Willingdon areas of Alberta, and at Whiteside, Saskatchewan, all of which resulted in drilling three gas wells and one suspended oil well. Subsequent to year-end, a parcel containing 1,280 acres at Clive, Alberta was farmed out, drilled and cased as a shut-in gas well, all at no cost to Omega.

review of operations

Production

A review of the company's producing properties illustrates a significant improvement over the past year. Production revenue for the year was $2,244 thousand as compared to $897 thousand for the previous year, an increase of 150%. The major producing area is West Provost where the company drilled and completed eleven new oil wells and one gas well, increasing the well count to thirty oil wells, three gas wells, four waterflood wells and two suspended oil wells. A major capital expenditure of $1,500,000 encompassing two batteries, two satellites, a gathering system and two pilot waterflood units were installed during the year. Two electrically operated compressor units and two dehydration units were added and placed in operation at year-end. Solution gas sales from the battery sites at year-end was 1.2 million cubic feet per day.

Boyer sales increased to 2.6 mmcf/d during November and December, up from 500 mcf/d during the previous year; however, a shutdown period of approximately one month was responsible for reducing cash flow from the area. Twenty-seven out of a total of twenty-nine wells were on production at year-end.

The National Energy Policy announced with the Federal Budget in October, 1980 and the added tax burden placed on the oil and gas industry will have a disturbing effect on the small independent segment of the industry. This has caused a number of companies to reduce expenditures in Canada and to move to the United States. In this regard, Omega has made an initial gesture by entering into an exploration agreement with a large independent Canadian oil company already established in the United States.

Drilling Activity

Omega established a high degree of success in its drilling program during the year under review. Fifty-one wells were drilled, of which forty-nine were successful, and of those, a number were multiple zone wells. Total dry hole cost to the company amounted to fifteen thousand dollars. Omega's share of the successful wells is approximately thirty-one net wells, approximately double that of the previous year. Development drilling at Boyer and

Left to right: Freeman Maxwell, Chief Engineer; John Henderson, Exploration Manager; Dennis Hall, Operations Supervisor.

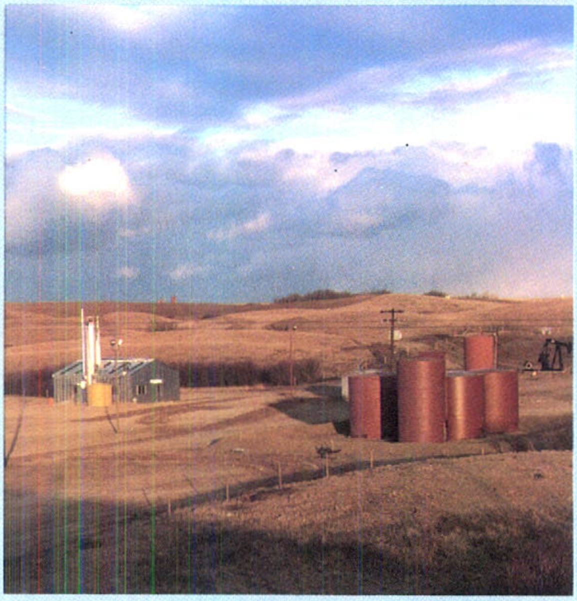
Provost contributed greatly to the success ratio for the year, accounting for a substantial improvement in proven oil and gas reserves.

Exploration Activity

1980 was a record year in exploration activity, resulting in two widely separated oil discoveries and two gas discoveries. Two newly identified oil bearing horizons were made at Waskada, Manitoba, one of which is believed to be a large light oil property covering several sections of company owned lands, whereas the second find appears to have only limited significance. Another oil strike, having the potential for a major impact on the company's future was made in Alberta during the year and at the time of writing, it remains highly confidential. The two gas discoveries are located at Joarcam, Alberta and Frog Lake, Alberta, both encountering multiple zone wells. A number of smaller interest properties were drilled at no cost to the company, contributing only marginal volumes of gas to reserves.

Omega continues to concentrate its interest in Alberta and Manitoba where Crown royalties and taxes appear to be more reasonable than that of other provinces.

The Province of Alberta will see considerable exploratory drilling activity on company



Provost Battery Site 4-23-35-8.

owned lands during 1981 and with a reasonable degree of success, this will continue on into 1982.

Land Holdings

Land acquisitions during the year were affected by high prices in all areas of activity, resulting in a net addition of 26,565 acres. Year-end land inventory stands at 226,650 gross acres and 151.185 net acres.

Additions were made in key areas of company holdings at Frog Lake, Joarcam, Provost and Waskada. Reductions in land holdings were made in areas where farmout agreements resulted in drilling commitment wells, generally at no cost to the company. Land holdings at year-end are illustrated in the accompanying table.

Land Holdings (acres)
as at February 26, 1981

	Gross	Net
Alberta	208,227	135,841
Manitoba	14,108	12,228
Saskatchewan	4,315	3,116
Total	226,650	151,185

Wells Drilled During the
Year ended December 31, 1980

	Gross Wells	Net Wells
Gas	30.0	17.6
Oil	15.0	10.7
Waterflood	4.0	2.7
Dry & Abandoned	2.0	0.6
Total	51.0	31.6

Reserves of Oil and Gas

The most significant improvement in the company's road to success during 1980 was in the area of improved reserves. Net proven and probable reserves of oil as determined by D & S Consultants increased from 718,000

Petroleum and Natural Gas Reserves
As at March 1, 1981

	Gross Reserves		Net Reserves	
	Petroleum (bbls.)	Natural Gas (MMcf)	Petroleum (bbls.)	Natural Gas (MMcf)
Proven Remaining Reserves	1,670,357	43,357	1,362,371	32,692
Probable Additional Reserves	2,533,321	14,205	2,049,244	10,120
Total Proven and Probable Additional Reserves	4,203,678	57,562	3,411,615	42,812

barrels to 3,412,000 barrels or 2,694,000 barrels over the previous year, a 3.7 times factor. Improvement in gas reserves was less significant, increasing from 38.3 BCF to 42.8 BCF or 4.5 BCF over the previous year, an 11.7% increase. Using a discount factor of 15% of future net production as estimated by D & S Consultants, less debt and a land value of $65/acre, Omega's net worth before taxes is estimated to be 62.3 million dollars or $14.61 per share. Development of newly discovered reserves of oil and natural gas will undoubtedly make a significant improvement in both reserves and net worth, as very little account of newly discovered reserves has been included in the reserve report.

Omega's consultant, D & S Consultants (1974) Ltd. has provided an update to a reserve report dated August 27, 1980. The evaluation has an effective date of March 1, 1981.

Completion at Joarcam 11-30-49-20.

Present Worth of Future Oil and Gas Net Production Revenue Discounted at:

	0%	12%	15%	20%
		($000)		
Proven Remaining Reserves	130,194	50,068	42,757	36,828
Probable Additional Reserves	113,101	19,061	13,876	710
Total Proven and Probable Additional Reserves	243,295	69,129	56,633	37,538

Capital Expenditures

	1976	1977	1978	1979	1980
Land Acquisition	$ —	$175,542	$ 202,030	$ 700,606	$ 410,330
Drilling and Exploration	$ 54,626	$217,915	$ 766,515	$2,254,865	$4,358,544
Production Equipment	$ 60,367	$148,507	$ 153,650	$1,090,811	$3,629,565
TOTAL	$114,993	$541,964	$1,122,195	$4,046,282	$8,398,439

OMEGA HYDROCARBONS LTD.

consolidated balance sheet

as at December 31, 1980

ASSETS

	1980	1979
CURRENT ASSETS		
Cash and term deposits	$ —	$2,424,677
Accounts receivable	1,175,677	486,952
Due from affiliated partnerships	985,303	331,293
Income taxes recoverable	162,266	80,432
Current portion of notes receivable (note 2)	183,166	52,833
	2,506,412	3,376,187
NOTES RECEIVABLE (note 2)	905,834	609,000
FIXED ASSETS		
Oil and gas properties together with exploration, development and equipment thereon, at cost	14,984,672	6,590,009
Accumulated depletion and depreciation	(1,218,208)	(931,137)
	13,766,464	5,658,872
OTHER ASSETS		
Drilling and other deposits	24,512	24,512
	$17,203,222	$9,668,571

LIABILITIES

	1980	1979
CURRENT LIABILITIES		
Bank indebtedness	$ 364,096	$ —
Accounts payable and accrued liabilities	1,460,688	1,405,286
	1,824,784	1,405,286
BANK PRODUCTION LOANS (note 3)	4,950,000	—
DEFERRED GAS REVENUE	263,027	103,394
DEFERRED INCOME TAXES	763,600	150,100
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (notes 4 and 9)		
Authorized		
5,000,000 Common shares of no par value		
Issued		
4,263,906 (1979 — 4,183,906) Shares	8,906,016	8,426,016
RETAINED EARNINGS (DEFICIT)	495,795	(416,225)
	9,401,811	8,009,791
	$17,203,222	$9,668,571

Approved by the Board

Director

Director

OMEGA HYDROCARBONS LTD.

consolidated statement of earnings and retained earnings (deficit)

Year Ended December 31, 1980

	1980	1979
REVENUE		
Oil and gas sales, net of royalties	$2,243,717	$ 897,088
Other oil and gas operations	222,658	121,552
Interest	116,819	91,638
	2,583,194	1,110,278
EXPENSES		
Production	453,962	231,026
General and administrative	235,018	117,766
Interest on bank production loan	246,798	123,938
Depletion	163,685	99,800
Depreciation	123,386	70,302
	1,222,849	642,832
Earnings before income taxes	1,360,345	467,446
INCOME TAXES		
Deferred	613,500	219,800
Alberta Royalty Tax Credit	(165,175)	(80,432)
	448,325	139,368
NET EARNINGS	912,020	328,078
Deficit at beginning of year	(416,225)	(744,303)
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	$ 495,795	$ (416,225)
NET EARNINGS PER COMMON SHARE, based on weighted average number of shares outstanding	$.22	$.10

OMEGA HYDROCARBONS LTD.

consolidated statement of changes in financial position

Year Ended December 31, 1980

	1980	1979
WORKING CAPITAL DERIVED FROM		
Operations		
Net earnings	$ 912,020	$ 328,078
Items not involving working capital		
Depletion	163,685	99,800
Depreciation	123,386	70,302
Deferred income taxes	613,500	219,800
	1,812,591	717,980
Bank production loans	4,950,000	—
Deferred gas revenue	159,633	52,947
Issue of common shares	480,000	6,188,355
	7,402,224	6,959,282
WORKING CAPITAL APPLIED TO		
Notes receivable	296,834	531,665
Fixed assets	8,394,663	4,050,260
Bank production loans	—	300,000
	8,691,497	4,881,925
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	(1,289,273)	2,077,357
Working capital (deficiency) at beginning of year	1,970,901	(106,456)
WORKING CAPITAL AT END OF YEAR	$ 681,628	$1,970,901

OMEGA HYDROCARBONS LTD.

notes to consolidated financial statements

Year Ended December 31, 1980

1. ACCOUNTING POLICIES

   (a) Principles of Consolidation

   The consolidated financial statements include the accounts of Omega Hydrocarbons Ltd. (the "Company") and its wholly-owned subsidiary, Omega Oil & Gas Ltd.

   (b) Oil and Gas Operations

   The Company follows the "full cost" method of accounting for its oil and gas operations whereby all costs of exploring for and developing oil and gas reserves, including production equipment costs, are capitalized and amortized using the unit-of-production method based on estimated recoverable oil and gas reserves.

   (c) Joint Ventures

   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.

2. NOTES RECEIVABLE

   The notes receivable, due from officers and employees, are non-interest bearing and receivable as follows: 1981 — $183,166; 1982 — $371,170; 1983 — $346,665; 1984 — $187,999.

3. BANK PRODUCTION LOANS

   The bank production loans are evidenced by demand promissory notes, bear interest at ½% above the bank's prime lending rate and are secured by the Company's interest in certain oil and natural gas properties and a general assignment of accounts receivable. The loans are repayable out of future production proceeds and, accordingly, are not expected to require the use of existing working capital; therefore, no portion of the loans have been reclassified to current liabilities.

   The estimated amount of bank loan repayments for the five years subsequent to December 31, 1980 is $990,000 per year.

4. CAPITAL STOCK

   (a) During 1980, the Company issued 80,000 common shares to officers and employees for promissory notes totalling $480,000.

   (b) As of December 31, 1980, 220,000 common shares were reserved under the Company's "Share Purchase Plan" for issue to officers and employees from time to time as determined by the directors of the Company.

5. RELATED PARTY TRANSACTIONS

   (a) The Company has entered into a number of farmin or other similar agreements with Alberta Gas Products System Ltd. ("AGP"), a private company controlled by the president of the Company. Under these agreements, the Company has acquired interests in oil and gas properties held by AGP, with AGP retaining an overriding royalty or other interest in the properties.

(b) New North Oil & Gas Ltd. ("New North"), a private company controlled by the president of the Company, is participating with the Company as a joint venture partner in two development prospects.

(c) As of December 31, 1980, accounts receivable include $62,952 due from AGP and New North.

(d) The president of the Company, personally and through AGP, has purchased units in two limited partnerships managed by the Company on the same terms and conditions as extended to the other participants in the funds.

6. CONTINGENT LIABILITIES

Pursuant to the terms of the Partnership Agreements, the Company is contingently liable for the payment of bank loans totalling $2,170,000 of two limited partnerships managed by the Company.

7. LEASE COMMITMENTS

Future minimum lease payments for the rental of office premises are as follows: 1981 — $64,320; 1982 — $64,320; 1983 — $64,320; 1984 — $48,240.

8. STATUTORY INFORMATION

The directors of the Company received no remuneration during 1980. Remuneration paid to senior officers (including the five highest paid employees) of the Company during the year amounted to $158,080.

9. SUBSEQUENT EVENT

Subsequent to December 31, 1980, the Company purchased substantially all the limited partners' interests in Omega Oil and Gas Fund #1, an Alberta Limited Partnership managed by the Company, for 182,120 common shares of the Company.

auditors' report

To the Shareholders of
Omega Hydrocarbons Ltd.

We have examined the consolidated balance sheet of Omega Hydrocarbons Ltd. as at December 31, 1980 and the consolidated statements of earnings and 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 consolidated financial statements present fairly the financial position of the company as at December 31, 1980 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 on a basis consistent with that of the preceding year.

Thorne Riddell & Co.

Calgary, Canada
March 25, 1981

Thorne Riddell
Chartered Accountants

OMEGA HYDROCARBONS LTD.
CONSOLIDATED STATEMENT OF EARNINGS

	Year Ended December 31,				
	1976	1977	1978	1979	1980
Revenue					
Oil and gas sales, net of royalties	$443,281	$612,860	$487,522	$ 897,088	$2,243,717
Interest income	7,234	14,228	29,012	91,638	116,819
Other oil and gas operations	–	–	161,386	121,552	222,658
	450,515	627,088	677,920	1,110,278	2,583,194
Expense					
Production	88,756	98,137	114,214	231,026	453,962
General and administrative	51,216	66,414	92,798	117,766	235,018
Interest and expense on long-term debt	23,315	9,542	7,973	123,938	246,798
Depletion	20,953	50,000	58,800	99,800	163,685
Depreciation	13,116	21,000	18,717	70,302	123,386
	197,356	245,093	292,502	642,832	1,222,849
Earnings (loss) before income taxes and extraordinary items	253,159	381,995	385,418	467,446	1,360,345
Income Taxes					
Deferred	118,400	175,000	165,600	219,800	613,500
Alberta Royalty Tax Credit	(33,260)	(34,900)	(35,018)	(80,432)	(165,175)
	85,140	140,100	130,582	139,368	448,325
Earnings (loss) before extraordinary items	168,019	241,895	254,836	328,078	912,020
Extraordinary Items					
Gain on repurchase of debentures, net of applicable income taxes	24,525	500	–	–	–
Recovery of deferred income taxes	126,000	175,000	13,600	–	–
	150,525	175,500	13,600	–	–
Net Earnings (Loss)	$318,544	$417,395	$268,436	$ 328,078	$ 912,020
Earnings (Loss) Per Share (based on weighted average number of shares outstanding)					
Earnings before extraordinary items	$.06	$.08	$.08	$.10	$.22
Extraordinary items	.06	.06	.01	–	–
Net earnings (loss)	$.12	$.14	$.09	$.10	$.22

OMEGA HYDROCARBONS LTD.
CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

	Year Ended December 31,				
	1976	1977	1978	1979	1980
Balance at Beginning of Period	$(1,748,678)	$(1,430,134)	$(1,012,739)	$(744,303)	$(416,225)
Net earnings (loss)	318,544	417,395	268,436	328,078	912,020
Balance at End of Period	$(1,430,134)	$(1,012,739)	$(744,303)	$(416,225)	$ 495,795

OMEGA HYDROCARBONS LTD.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31,				
	1976	1977	1978	1979	1980
Working Capital Derived From					
Operations					
Earnings (loss) before extraordinary items	$168,019	$241,895	$ 254,836	$ 328,078	$ 912,020
Items not involving working capital					
Depletion	20,953	50,000	58,800	99,800	163,685
Depreciation	13,116	21,000	18,717	70,302	123,386
Amortization of debenture issue expenses	10,417	1,015	3,552	–	–
Deferred income taxes	118,400	175,000	165,600	219,800	613,500
	330,905	488,910	501,505	717,980	1,812,591
Bank production loan	–	–	300,000	–	4,950,000
Issue of common shares	70,000	85,000	117,000	6,188,355	480,000
Deferred gas revenue	–	–	50,447	52,947	159,633
	400,905	573,910	968,952	6,959,282	7,402,224
Working Capital Applied to					
Bank Production Loan	–	–	–	300,000	–
Notes receivable	–	56,667	20,668	531,665	296,834
Fixed assets	117,795	545,703	1,128,281	4,050,260	8,394,663
Drilling deposits	12,075	5,000	–	–	–
Debentures – converted	–	–	43,500	–	–
– retired	72,875	1,500	49,500	–	–
	202,745	608,870	1,241,949	4,881,925	8,691,497
Increase (Decrease) in Working Capital	198,160	(34,960)	(272,997)	2,077,357	(1,289,273)
Working capital at beginning of period	3,341	201,501	166,541	(106,456)	1,970,901
Working Capital (Deficiency) at End of Period	$201,501	$166,541	$ (106,456)	$1,970,901	$ 681,628

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