

GIANT REEF PETROLEUMS LIMITED

Incorporated under the laws of The Province of British Columbia.



HOWARD ROSS LIBRARY
OF MANAGEMENT
OCT 17 1979
MCGILL UNIVERSITY

12th Annual Report
YEAR ENDING MAY 31st, 1979

GIANT REEF PETROLEUMS LIMITED

Incorporated under the laws of The Province of British Columbia.

12th Annual Report

YEAR ENDING MAY 31st, 1979

- HEAD OFFICE:** 1650 - 633 - 6th Ave. S.W.
CALGARY, Alberta T2P 2Y5
Area Code 403 261-5042
- OFFICERS:** R. T. VANDERHAM — *President*
J. G. McDONALD — *Secretary*
J. E. MORRISH — *Ass't. Secretary*
- DIRECTORS:** R. T. VANDERHAM
W. WOLODARSKY
CARMEN W. BYLER
SHOLTO HEBENTON
H. M. ARMSTRONG
- BANKERS:** BANK of MONTREAL
604 - 8th Avenue S.W.
CALGARY, Alberta T2P 1G4
- REGISTRAR AND
TRANSFER AGENT:** CANADA TRUST CO.,
239 - 8th Avenue S.W.,
CALGARY, Alberta T2P 1B9
901 West Pender St.,
VANCOUVER, B.C.
- AUDITORS:** PEAT, MARWICK, MITCHELL & CO.,
2500 - 700 - 2nd Street S.W.
CALGARY, Alberta T2P 2W2
- STOCK LISTING:** VANCOUVER STOCK EXCHANGE

DEAR SHAREHOLDER:

Quirk Creek has now resumed normal production after last year's cutbacks, thus your Company has reversed last year's loss of \$165,572 to earnings of \$567,730. This gives earnings of \$0.17 a share compared with the previous year's per share loss of \$0.05.

Cash flow increased by 126% to \$828,074 from \$365,838. The major expenditures this year went toward shooting seismic on our Drilling Reservation at Petitot River in British Columbia; in Alberta, the drilling of several wells at Pearson Lake and Majorville, and the shooting of a seismic program covering 160 miles in the Barrhead Area.

Production facilities are currently being built at Pearson Lake and production should commence prior to January 1980. At present, only one well is being completed since it has the required deliverability to meet the contract volume. As the well declines, other wells will be put "on stream" in order to maximize the entire contract volume.

A gas contract has been obtained at Majorville, however, production will not commence until the gas surplus situation has been rectified in Canada.

The Barrhead seismic has, as planned, been put on the market for sale. This program was shot over 160 miles with the purpose of providing your Company with possible leads into prospects in the area, and it is now being sold to industry in order to recoup our costs of the project.

PRODUCTION

As stated, production at Quirk Creek was cut back last year due to plant turnaround and other problems, consequently it becomes more prudent to compare 1979 production volumes with those from 1977, even so, all production volumes were down slightly except for oil which is indicative of a full year's production from the Company's oilwell at Olds. The reduction in gas and sulphur production at Quirk Creek is due to reduced nominations by the gas purchaser. You will note, however, that revenue from oil and gas has increased. This increase is due to higher prices being paid for the product.

	1979	1978	1977
Gas Sales (Mcf = 1,000 cu. ft.)	861,285	537,933	863,195
Liquids (barrels)	41,073	26,517	46,517
Sulphur (tons)	3,243	1,770	3,231
Oil (barrels)	3,393	1,782	—

EXPLORATION

In the past year ending May 31, 1979, Giant Reef participated in the drilling of a total of 13 wells, resulting in 3 dry holes and 10 gas wells.

One dry hole was drilled at Wildmint as were two of the wells drilled at Majorville. Of the gas wells, eight were drilled at Pearson Lake and two were drilled at Majorville. In addition, one gas well was drilled by others at Quirk Creek.

The following chart indicates the Company's position with regard to the aforementioned wells:

Wells Drilled	Area	% Cost to GRP	% Revenue to GRP	Status
1	Wildmint	33 ¹ / ₃	33 ¹ / ₃	Dry
2	Majorville	45	37 ¹ / ₂	Dry
2	Majorville	37 ¹ / ₂	37 ¹ / ₂	Gas
2	Pearson Lake	50	25	Gas
1	Pearson Lake	75	37 ¹ / ₂	Gas
2	Pearson Lake	37 ¹ / ₂	37 ¹ / ₂	Gas
2	Pearson Lake	25	25	Gas
1	Pearson Lake	12 ¹ / ₂	12 ¹ / ₂	Gas
1	Quirk Creek	—	2 ¹ / ₂	Gas

In Tunisia, even though the oil well drilled last year (in 350' of water) tested 2,700 barrels of oil per day, the Company felt that the economics were not sufficient to maintain our .8929% interest in the concession. Subsequently we sold our interest for approximately \$357,000 U.S. of which \$90,000 U.S. is receivable in 1980.

We have also sold 1/5 of our 25% interest in the Drilling Reservation which we acquired last year in the Petitot River Area. Since acquiring the Drilling Reservation we have shot seismic over the lands and plan on drilling the Reservation this winter drilling season.

This relatively high level of drilling activity for your Company is the result of increased earnings and cash flow.

It is the management's intention to continue to be active and expose the Company to increasingly larger prospects.

SUBMITTED ON BEHALF OF THE BOARD OF DIRECTORS

R. T. M. Vanderham, President.

GIANT REEF PETROLEUMS LIMITED

**Balance Sheet
May 31, 1979**

(with comparative figures for 1978)

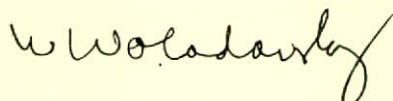
Assets

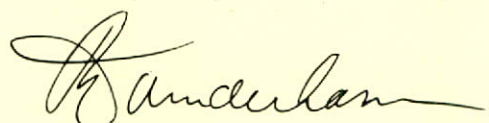
	<u>1979</u>	<u>1978</u>
Current assets:		
Cash	\$ —	4,570
Accounts receivable	338,009	202,939
Total current assets	<u>338,009</u>	<u>207,509</u>
Property, plant and equipment, at cost (Note 2)	3,380,634	2,389,430
Less accumulated depreciation and depletion	709,865	590,320
	<u>2,670,769</u>	<u>1,799,110</u>
Other assets:		
Agreement for sale due December, 1980	106,076	—
Investments, at cost (quoted market value \$29,020; 1978 — \$22,650)	3,242	3,242
Organization costs	2,872	2,872
	<u>112,190</u>	<u>6,114</u>
	<u><u>\$3,120,968</u></u>	<u><u>2,012,733</u></u>

Liabilities

Current liabilities:		
Due to bank:		
Demand bank loan (Note 3)	359,205	85,000
Accounts payable and accrued liabilities	181,943	192,793
Total current liabilities	<u>541,148</u>	<u>277,793</u>
Due to parent company Peyto Oils Ltd.	96,267	307,367
Deferred revenue	123,250	—
Deferred income taxes	576,644	211,644
Shareholders' equity:		
Share capital:		
Shares without nominal or par value		
Authorized 5,000,000 shares; issued 3,329,802 shares	1,102,647	1,102,647
Retained earnings	681,012	113,282
	<u>1,783,659</u>	<u>1,215,929</u>
	<u><u>\$3,120,968</u></u>	<u><u>2,012,733</u></u>

Approved on behalf of the Board:

 , Director

 , Director

See accompanying notes.

GIANT REEF PETROLEUMS LIMITED

Statement of Changes in Financial Position Year ended May 31, 1979

(with comparative figures for 1978)

	<u>1979</u>	<u>1978</u>
Working capital was provided from:		
Net earnings (loss) before extraordinary item	\$ 358,688	(165,572)
Add items not requiring an outlay of funds	<u>469,386</u>	<u>531,410</u>
Working capital provided from operations	828,074	365,838
Proceeds on sale of resource property	424,493	—
Proceeds on sale of investments	—	12,862
Advances on future natural gas sales	123,250	—
Increase in amount due to parent	—	307,367
	<u>1,375,817</u>	<u>686,067</u>
Working capital was used for:		
Property, plant and equipment	1,191,496	930,687
Decrease in amount due to parent company	211,100	—
Agreement for sale	<u>106,076</u>	<u>—</u>
	1,508,672	930,687
Decrease in working capital	132,855	244,620
Working capital deficiency, beginning of year	<u>70,284</u>	<u>(174,336)</u>
Working capital deficiency, end of year	<u>\$ 203,139</u>	<u>70,284</u>

See accompanying notes.

GIANT REEF PETROLEUMS LIMITED

Statement of Earnings and Retained Earnings Year ended May 31, 1979

(with comparative figures for 1978)

	1979	1978
Revenue:		
Oil and gas	\$1,264,380	750,971
Gain on sale of investments	—	10,512
	1,264,380	761,483
Expenses:		
Production	195,958	209,682
Dryholes and abandonments	169,842	532,157
Geological and geophysical	230,810	70,260
Interest	50,856	2,984
General and administrative	105,195	183,218
Depreciation	71,568	61,903
Depletion	47,976	37,862
Lease rentals	7,395	2,749
	879,600	1,100,815
Earnings (loss) before income taxes and extraordinary item	384,780	(339,332)
Income taxes:		
Deferred	180,000	(90,000)
Province of Alberta Royalty Credit	(153,908)	(83,760)
	26,092	(173,760)
Earnings (loss) before extraordinary item	358,688	(165,572)
Extraordinary item (Note 4)	209,042	—
Net earnings (loss)	567,730	(165,572)
Retained earnings, beginning of year	113,282	278,854
Retained earnings, end of year	\$ 681,012	113,282
Earnings (loss) per share before extraordinary item	\$.11	(0.05)
Net earnings (loss) per share	\$.17	(0.05)

See accompanying notes.

Auditors' Report to the Shareholders

We have examined the balance sheet of Giant Reef Petroleum Limited as at May 31, 1979 and the statements of earnings and 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 financial statements present fairly the financial position of the company as at May 31, 1979 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.

Calgary, Canada
August 31, 1979

Peat, Marwick, Mitchell & Co.
Chartered Accountants

GIANT REEF PETROLEUMS LIMITED

1650, 633 - 6th Ave. S.W.,
Calgary, Alberta T2P 2Y5

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON OCTOBER 12th, 1979

Notice is hereby given that the Annual General Meeting of the Shareholders of Giant Reef Petroleum Limited will be held on the 12th day of October, A.D. 1979 at 1650, 633 - 6th Ave. S.W., Calgary, Alberta, at the hour of 10:00 o'clock in the forenoon (Calgary Time) for the following purposes:

1. To receive and if deemed fit to approve the Report of the Directors, accompanying Financial Statements and Report of the Auditors thereof for the year ended May 31st, 1979;
2. To elect Directors for the ensuing year;
3. To appoint auditors for the ensuing year and to authorize the Board of Directors to fix their remuneration;
4. To transact such further or other business as may properly come before the meeting or any adjournment thereof.

DATED at Calgary, Alberta this 14th day of September, 1979.

By Order of the Board of Directors

JOHN G. McDONALD
Secretary

IMPORTANT

It is desirable that as many shares as possible be represented at the meeting. If you do not expect to attend, and would like your shares represented, please complete the enclosed Instrument of Proxy and return the Proxy as soon as possible to the Company's Transfer Agent, Canada Trust Company, 239 - 8th Avenue S.W., Calgary, Alberta, T2P 1B9.

GIANT REEF PETROLEUMS LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation by the Management of proxies for use at the Annual General Meeting of Shareholders of Giant Reef Petroleum Limited (herein called "the Company") at the time and place and for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation of proxies will be primarily done by mail, but proxies may also be solicited personally and by telephone by regular employees of the Company. The cost of the solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

Completed proxies must be delivered to the Company's Transfer Agent, Canada Trust Company, 239 - 8th Avenue S.W., Calgary, Alberta T2P 1B9 at least forty-eight (48) hours before the time of the Annual Meeting.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy by either executing a proxy bearing a later date or by executing a valid notice of revocation and delivering same to the Chairman of the Meeting on the day of the Meeting. In addition, a proxy may be revoked by the Shareholder personally attending at the meeting and voting his shares.

DESIGNATION OF PERSONS OTHER THAN THOSE NAMED IN THE INSTRUMENT OF PROXY

A SHAREHOLDER HAS THE RIGHT TO DESIGNATE A PERSON (WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY) OTHER THAN MESSRS. VANDERHAM AND MCDONALD THE MANAGEMENT NOMINEES, TO ATTEND AND ACT FOR HIM AT THE MEETING. SUCH RIGHT MAY BE EXERCISED BY INSERTING IN THE BLANK SPACE PROVIDED, THE NAME OF THE PERSON TO BE DESIGNATED AND DELETING THEREFROM THE NAMES OF THE MANAGEMENT NOMINEES OR BY COMPLETING ANOTHER PROPER INSTRUMENT OF PROXY AND, IN EITHER CASE, DELIVERING THE RESULTING INSTRUMENT OF PROXY TO THE SECRETARY OF THE COMPANY PRIOR TO ANY MATTER UPON WHICH A VOTE HAS NOT ALREADY BEEN CAST PURSUANT TO THE AUTHORITY CONFERRED BY THE INSTRUMENT OF PROXY.

VOTING OF PROXIES

All shares represented at the meeting by properly executed proxies will be voted and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the shares represented by the proxy will be voted in accordance with such specification. IN THE ABSENCE OF ANY SUCH SPECIFICATIONS, THE MANAGEMENT NOMINEES, IF NAMED AS PROXY, WILL VOTE IN FAVOUR OF ALL THE MATTERS SET OUT THEREON. THE ENCLOSED INSTRUMENT OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE MANAGEMENT NOMINEES, OR OTHER PERSONS NAMED AS PROXY, WITH RESPECT TO AMENDMENTS TO OR VARIATIONS OF MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. AT THE DATE OF THIS INFORMATION CIRCULAR THE COMPANY IS NOT AWARE OF ANY AMENDMENTS TO, VARIATIONS OF, OR OTHER MATTERS WHICH MAY COME BEFORE THE MEETING.

VOTING SHARES AND PRINCIPAL HOLDERS

The holders of common shares of record at the time of the meeting are entitled to vote such shares at the meeting on the basis of one vote for each share held. 3,329,802 common shares without nominal or par value of the Company's 5,000,000 authorized shares are issued and outstanding at the date hereof.

To the knowledge of the Directors and Senior Officers of the Company, the following persons beneficially own, directly or indirectly, equity shares carrying more than 10% of the voting rights of the outstanding equity shares of the Company:

Name	Number of Shares Owned	Percentage of Shares Outstanding
Peyto Oils Ltd. 1650, 633 - 6th Ave. S.W. Calgary, Alberta T2P 2Y5	2,741,851	82.34%

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Company's Directors, the only matters to be laid before the meeting are those matters set forth in the accompanying Notice of Meeting relating to the approval of the Annual Report and the financial statements, the election of Directors and the appointment of auditors. It is the intention of the management nominees, if named as proxy, to vote for the approval of all of the foregoing.

ELECTION OF DIRECTORS

The affairs of the Company are managed by a Board of not less than three nor more than six Directors, who are elected annually at each Annual General Meeting of Shareholders to hold office until the next Annual General Meeting of Shareholders and until their successors are elected. The following table sets out the name of each of the persons proposed to be nominated for election as a Director, his principal occupation at present and during the preceding five years, all positions and offices in the Company held by him, the year in which he was first elected a Director, and the approximate number of shares of the Company that he has advised are beneficially owned by him, directly or indirectly, as of the date hereof. Each of such persons is now a Director and has served continuously in that capacity since his election.

Nominees and Company Position	Principal Occupation	Director Since	Shares Beneficially Owned
H. Murray Armstrong 78 Eagle Ridge Drive S.W. Calgary, Alberta Director	President, Associated Corrosion Consultants Ltd.	October 15, 1975	67,500
Carmen W. Byler 4 Varanger Place N.W. Calgary, Alberta Director	Investment Dealer, Nesbitt, Thomson, Bongard, Inc. Investment Dealers	July 30, 1970	Nil
Sholto Hebenton 3515 West 36th Ave. Vancouver, B.C. Director	Partner, Shrum Liddle Hebenton Barristers and Solicitors 18th Floor, 805 Burrard Street Vancouver, B.C.	October 10, 1972	Nil
Robert T. M. Vanderham 2116 Hope Street S.W. Calgary, Alberta President and Director	President, Peyto Oils Ltd., President Vanderham Oil Properties Ltd.	May 28, 1970	Nil
William Wolodarsky 216 Otter Street Banff, Alberta Director	President, Mistaya Exploration Ltd.	May 28, 1970	Nil

Note: 2,741,851 shares of the Company are owned by Peyto Oils Ltd. in which Mr. Vanderham holds approximately 6% of the issued shares and Mr. Wolodarsky holds approximately 6% of the issued shares.

Three of the nominees for Directors, Messrs. Vanderham, Wolodarsky, and Byler are Directors of Peyto Oils Ltd. and shareholders of Peyto Oils Ltd.

Management does not contemplate that any of the nominees will be unable to serve as Directors. However, if for any such reason any of the proposed nominees do not stand for election or are unable to serve as such, the management nominees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion. The information relating to the nominees as Directors is based on information received by the Company from said nominees.

IT IS THE INTENTION OF THE MANAGEMENT NOMINEES, IF NAMED AS PROXY, TO VOTE FOR THE ELECTION OF THE ABOVE NAMED PERSONS TO THE BOARD OF DIRECTORS.

REMUNERATION OF DIRECTORS AND OFFICERS

No direct remuneration has been paid by the Company to any of the Directors or Senior Officers of the Company.

Reference is made to the heading "Management Contracts" on page 3 of this Information Circular for particulars of payments proposed to be made to Peyto Oils Ltd. ("Peyto") an associate of each of William Wolodarsky and Robert T. M. Vanderham, nominees as Directors.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of the Company is not aware of any material, interest, direct or indirect, of any Director or Senior Officer of the Company, any proposed nominee for election as director of the Company, or any associate or affiliate of any such person and any transaction which was commenced under the last completed fiscal year of the Company or of any proposed transaction which in either case is materially affected or will materially affect the Company or any of its subsidiaries other than as set forth in this present Information Circular.

MANAGEMENT CONTRACT

The Company's entire exploration, production and financial management is carried out by Peyto Oils Ltd., the owner of 82% of the shares of the company. The cost of this management, as reviewed by your Board of Directors, is equitably related to the level of activity of the company versus that of its parent and amounted to \$74,673 for the fiscal year.

APPOINTMENT OF AUDITORS

The management nominees, if named as proxy, intend to vote the shares represented by any such proxy for the reappointment of Peat, Marwick, Mitchell & Company, Chartered Accountants, as auditors of the Company to hold office until the next Annual General Meeting of the Shareholders. Peat, Marwick, Mitchell & Company have acted as the Company's auditors since August 1970.

DATED at the City of Calgary in the Province of Alberta this 14th day of September, 1979.

By Order of the Board of Directors,

JOHN G. McDONALD
Secretary

GIANT REEF PETROLEUMS LIMITED

INSTRUMENT OF PROXY

PROXY SOLICITED BY MANAGEMENT

for the Annual General Meeting of the
Shareholders to be held on the
12th day of October, 1979

The undersigned shareholder of Giant Reef Petroleum Limited, hereinafter referred to as "the Company", hereby nominates, constitutes and appoints ROBERT T. M. VANDERHAM, or failing him JOHN G. McDONALD, or instead of either of the foregoing, the true and lawful attorney and proxy of the undersigned to attend the Annual General Meeting of the Shareholders of the Company to be held on the 12th day of October, 1979 and any adjournment or adjournments thereof, and to act thereat for and on behalf of the undersigned in respect of all matters that may become before the meeting in the same manner as the undersigned could do if personally present thereat and to vote the shares in the capital stock of the Company registered in the name of the undersigned. The undersigned hereby revokes any proxy previously given to attend and vote at the said meeting. The undersigned hereby instructs the said proxy to vote the shares represented by this Instrument of Proxy in the following manner:

- | | |
|---|--|
| Item 1. Approval of an Annual Report of the Directors to the Shareholders.
FOR <input type="checkbox"/> AGAINST <input type="checkbox"/> | Item 6. The election as a director of Sholto Heberton.
FOR <input type="checkbox"/> AGAINST <input type="checkbox"/> |
| Item 2. Approval of the Financial Statements of the Company and the Report of the Auditors thereon for the year ended May 31st, 1979.
FOR <input type="checkbox"/> AGAINST <input type="checkbox"/> | Item 7. The election as a director of H. Murray Armstrong.
FOR <input type="checkbox"/> AGAINST <input type="checkbox"/> |
| Item 3. The election as a director of Robert T. M. Vanderham.
FOR <input type="checkbox"/> AGAINST <input type="checkbox"/> | Item 8. The appointment of Peat, Marwick, Mitchell & Company, Chartered Accountants, as auditors for the ensuing year.
FOR <input type="checkbox"/> AGAINST <input type="checkbox"/> |
| Item 4. The election as a director of William Wolodarsky.
FOR <input type="checkbox"/> AGAINST <input type="checkbox"/> | Item 9. Authorizing the board of directors to fix the remuneration of the auditors.
FOR <input type="checkbox"/> AGAINST <input type="checkbox"/> |
| Item 5. The election as a director of Carmen W. Byler.
FOR <input type="checkbox"/> AGAINST <input type="checkbox"/> | |

Dated this _____ day of _____, 1979.

Signature of Shareholder

IF NO DESIGNATION IN FAVOUR OF OR AGAINST ANY MATTER SET OUT ABOVE IS MADE, THE PERSONS DESIGNATED BY MANAGEMENT AS PROXY, IF NAMED AS PROXY, WILL VOTE IN FAVOUR OF ALL MATTERS SET OUT THEREIN.

If the Shareholder is a corporation the Instrument of Proxy must be executed under its corporate seal.

THE ABOVE PROXY ALSO CONFERS DISCRETIONARY AUTHORITY TO VOTE IN RESPECT OF ANY OTHER MATTER WHICH MAY PROPERLY COME BEFORE THE MEETING AND IN SUCH MANNER AS SUCH NOMINEE IN HIS JUDGMENT MAY DETERMINE.

IMPORTANT

It is desirable that as many shares as possible be represented at the meeting. If you do not expect to attend, and would like your shares represented, please complete the enclosed Instrument of Proxy and return the Proxy as soon as possible to the Company's Transfer Agent, Canada Trust Company, 239 - 8th Avenue S.W., Calgary, Alberta T2P 1B9.

GIANT REEF PETROLEUMS LIMITED

Notes to the Financial Statements May 31, 1979

1. Significant accounting policies:

(a) Petroleum and natural gas properties:

The company follows the successful efforts method of accounting for costs of oil and gas properties. The costs of drilling and equipping successful wells are capitalized. Lease acquisition costs are capitalized and are subsequently expensed in the year of disposal, abandonment or surrender. All other exploration costs, including lease carrying costs, geological and geophysical costs and drilling costs of unsuccessful wells are expensed.

Depreciation:

Lease and well equipment is depreciated on the composite unit-of-production basis. The gas plant is being depreciated on the straight-line basis using a rate of 5 percent.

(b) Deferred revenue:

Payments received for undelivered gas are deferred and are taken into income when deliveries are made or the make-up period expires.

(c) Income taxes:

The company follows the tax allocation basis of accounting for all timing differences between net earnings and taxable income.

(d) Comparative figures:

Certain of the 1978 comparative figures have been reclassified to conform with the financial statement presentation in 1979.

(e) Joint ventures:

Substantially all 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.

2. Property, plant and equipment:

	1979		1978	
	Assets at cost	Accumulated depreciation and depletion	Net	Net
Developed oil and gas properties and equipment thereon	\$1,652,073	277,381	1,374,692	888,660
Gas plant	1,122,262	432,484	689,778	679,228
Undeveloped oil and gas properties ..	606,299	—	606,299	231,222
	\$3,380,634	709,865	2,670,769	1,799,110

3. Demand bank loan:

The bank loan which is payable on demand bears interest at bank prime rate and is secured by an assignment of the Company's interests in certain producing properties and a general assignment of accounts receivable and a guarantee by its parent, Peyto Oils Ltd.

4. Extraordinary item:

During the year the company sold its foreign resource properties for an aggregate consideration of \$424,493 realizing a gain of \$209,042 net of deferred income taxes of \$185,000.

GIANT REEF PETROLEUMS LIMITED

12th Annual Report