

GIANT REEF PETROLEUMS LIMITED

Incorporated under the laws of The Province of British Columbia.



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13th Annual Report
10 MONTHS ENDING MARCH 31, 1980

GIANT REEF PETROLEUMS LIMITED

Incorporated under the laws of The Province of British Columbia.

13th Annual Report

10 MONTHS ENDING MARCH 31, 1980

HEAD OFFICE: 1460 - 639 5th Ave. S.W.
CALGARY, Alberta T2P 0M9
Area Code 403 233-6600

OFFICERS: P. D. WILLIAMS — *President*
J. A. REILLY — *Secretary*
J. K. TOMS — *Treasurer*

DIRECTORS: P. D. WILLIAMS
J. A. REILLY
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:

Your company has changed its year end to March 31, 1980 since Peyto Oils Ltd., your parent company, has been virtually taken over by Westburne International Industries Ltd. whose year end is March 31st.

For the 10 months period under review, revenues rose to \$1,384,189 and earnings to \$551,042 or 17¢ per share.

Following are the production statistics:

	<u>1980</u> <u>10 months</u>	<u>1979</u>
Gas sales (mcf = 1000 cu. ft.)	700,036	861,285
Liquids (barrels)	28,962	41,073
Sulphur (tons)	2,898	3,243
Oil (barrels)	3,314	3,393

The major expenditure this year was incurred for the acquisition in the Quirk Creek field of a .373125% interest in the Rundle 'A' zone, the leases, wells, gas plant and gathering system associated therewith and a 2.88462% interest in the deep plate and wells for the sum of \$1,128,532 payable one third in cash and the balance over four years at an interest rate of 1% over prime.

Two new gaswells at Pearson Lake went on production in November 1979 and are making a modest contribution towards income. The remaining 4 wells in this area will remain shut-in pending an increased market for natural gas.

Oil production at our 15.625% owned oilwell at Didsbury is holding up well.

At Quirk Creek a deep plate development was commenced on May 5, 1980. The well will be drilled to a depth of 3450 meters and is estimated to cost \$3.9 million. Your company's share in this well is 7.88462% or \$310,000.

In addition, a 500 horsepower compressor is being installed to increase deep plate gas production. Your company's share of this expense is \$50,000. Installation should be completed by November 1980.

At Dilly, B.C., following an extensive seismic survey the prospect was farmed out and the subsequent well drilled by others was dry and abandoned.

The company's exploration efforts are being paced by the availability of funds.

As of July 1, 1980 your company's new address will be:

1460, 639 Fifth Avenue S.W.,
Calgary, Alberta T2P 0M9.

SUBMITTED ON BEHALF OF THE BOARD OF DIRECTORS



P. D. WILLIAMS

GIANT REEF PETROLEUMS LIMITED

Balance Sheet March 31, 1980

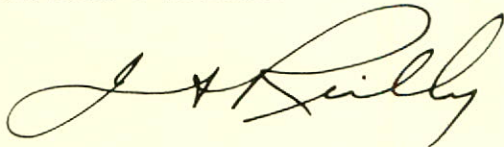
(with comparative figures as at May 31, 1979)


Assets	March 31, 1980	May 31, 1979
Current assets:		
Cash	\$ 5,994	—
Term deposits	500,000	—
Accounts receivable	622,599	338,009
Total current assets	1,128,593	338,009
Property, plant and equipment, at cost (Note 2)	4,824,419	3,380,634
Less accumulated depreciation and depletion	883,019	709,865
	3,941,400	2,670,769
Other assets:		
Agreement for sale due December, 1980	—	106,076
Investments, at cost (quoted market value \$28,000; 1979 — \$29,020)	3,242	3,242
Sundry	2,872	2,872
	6,114	112,190
	\$5,076,107	3,120,968

Liabilities and Shareholders' Equity

Current liabilities:		
Demand bank loan (Note 3)	\$ —	359,205
Accounts payable and accrued liabilities	720,747	181,943
Current portion of long-term debt	191,619	—
Total current liabilities	912,366	541,148
Due to parent company, Peyto Oils Ltd.	52,048	96,267
Long-term debt, less amount due within one year (Note 4)	574,858	—
Deferred revenue	295,973	123,250
Deferred income taxes	906,161	576,644
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	1,232,054	681,012
	2,334,701	1,783,659
	\$5,076,107	3,120,968

On behalf of the Board:


, Director


, Director

See accompanying notes.

GIANT REEF PETROLEUMS LIMITED

**Statement of Changes in Financial Position
Ten Months ended March 31, 1980**

(with comparative figures for the year ended May 31, 1979)

	Ten months ended March 31, 1980	Year ended May 31, 1979
Funds provided:		
Earnings before extraordinary item	\$ 551,042	358,688
Add: Items not requiring funds	518,850	469,386
Funds from operations	1,069,892	828,074
Increase in deferred revenue	172,723	123,250
Proceeds from long-term debt	766,477	—
Proceeds on sale of resource property	—	424,493
Decrease in other assets	106,076	—
	<u>2,115,168</u>	<u>1,375,817</u>
Funds applied:		
Purchase of property, plant and equipment	1,459,964	1,191,496
Decrease in long-term debt	191,619	—
Increase in other assets	—	106,076
Decrease in amount due to parent company	44,219	211,100
	<u>1,695,802</u>	<u>1,508,672</u>
Increase (decrease) in working capital	419,366	(132,855)
Working capital (deficiency), beginning of period	(203,139)	(70,284)
Working capital (deficiency), end of period	<u>\$ 216,227</u>	<u>(203,139)</u>

See accompanying notes.

GIANT REEF PETROLEUMS LIMITED

Statement of Earnings

Ten Months ended March 31, 1980

(with comparative figures for the year ended May 31, 1979)

	Ten months ended March 31, 1980	Year ended May 31, 1979
Revenue:		
Oil and gas	\$1,364,373	1,264,380
Interest earned	7,333	—
Gain on sale of assets	5,506	—
Other	6,977	—
	<u>1,384,189</u>	<u>1,264,380</u>
Expenses:		
Production	218,783	195,958
Lease rentals	9,994	7,395
Geological and geophysical	13,442	230,810
General and administrative	71,064	105,195
Interest — long-term	97,217	—
— short-term	72,696	50,856
Depreciation	69,767	71,568
Depletion	103,388	47,976
Dryholes and abandonments	16,179	169,842
	<u>672,530</u>	<u>879,600</u>
Earnings before income taxes and extraordinary item	711,659	384,780
Income taxes:		
Deferred	329,517	180,000
Province of Alberta Royalty Tax Credit	(168,900)	(153,908)
	<u>160,617</u>	<u>26,092</u>
Earnings before extraordinary item	551,042	358,688
Extraordinary item:		
Gain on sale of foreign properties net of related income taxes of \$185,000	—	209,042
Net earnings	<u>\$ 551,042</u>	<u>567,730</u>
Earnings per share:		
Before extraordinary item	\$ 0.17	0.11
Extraordinary item	—	0.06
Net earnings	<u>\$ 0.17</u>	<u>0.17</u>

See accompanying notes.

Statement of Retained Earnings

Ten months ended March 31, 1980

(with comparative figures for the year ended May 31, 1979)

	Ten Months ended March 31, 1980	Year ended May 31, 1979
Retained earnings at beginning of period	\$ 681,012	113,282
Add: Net earnings	551,042	567,730
Retained earnings at end of period	<u>\$1,232,054</u>	<u>681,012</u>

See accompanying notes.

GIANT REEF PETROLEUMS LIMITED

PROXY

PROXY SOLICITED BY MANAGEMENT FOR THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON AUGUST 12, 1980

The undersigned holder of common shares of GIANT REEF PETROLEUMS LIMITED ("the Company") hereby appoints P. D. Williams, or failing him, J. A. Reilly, or instead of either of them , as proxy of the undersigned for and on behalf of the undersigned to attend the Annual General Meeting of the Company to be held on August 12, 1980 and any adjournments thereof (notice of which meeting with Information Circular and Proxy Statement accompanying the same has been received by the undersigned) and thereat to receive the Directors' Report to the shareholders for the ten months ended March 31, 1980 and to vote the number of common shares the undersigned would be entitled to vote if then personally present, upon all matters that may properly come before the meeting, and particularly to vote as follows:

- (1) **FOR () AGAINST () AUTHORITY WITHHELD ()** the appointment of Touche Ross & Co., Calgary, Alberta as auditors of the Company and the authorization of the directors to fix their remuneration.
- (2) **FOR () AGAINST () AUTHORITY WITHHELD ()** the election of directors named in the Information Circular and Proxy Statement as nominees of management.
- (3) At the discretion of the said proxy upon any amendment or variation of the above matters or any matter which may be properly brought before the meeting or any adjournment thereof.

ALL SHARES REPRESENTED BY PROPERLY EXECUTED UNREVOKED PROXIES SOLICITED HEREBY WHICH ARE RECEIVED BY THE SECRETARY PRIOR TO THE CLOSE OF BUSINESS ON AUGUST 11, 1980 WILL BE VOTED AND, IF A CHOICE IS STATED WITH RESPECT TO ANY MATTER TO BE ACTED UPON, WILL BE VOTED IN ACCORDANCE WITH THAT SPECIFICATION. IF NO SUCH CHOICE IS SPECIFIED, SUCH SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS.

DATED theday of, A.D. 1980

.....
.....

Signature of Shareholder as shown on reverse

Please notify the Company of any change in your address from that shown on reverse.

NEW ADDRESS:

.....
Street and Number

.....
City, Province and Postal Code

ANY SHAREHOLDER DESIRING TO APPOINT AS HIS PROXY TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS NAMED ABOVE MAY DO SO BY MERELY INSERTING THE NAME OF THE APPOINTED REPRESENTATIVE IN THE BLANK SPACE PROVIDED, THEREBY EFFECTIVELY CANCELLING APPOINTMENT OF MESSRS. P. D. WILLIAMS AND J. A. REILLY AS HIS PROXY.

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GIANT REEF PETROLEUMS LIMITED

1460 - 639 Fifth Avenue S.W.,

Calgary, Alberta T2P 0M9

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON AUGUST 12, 1980

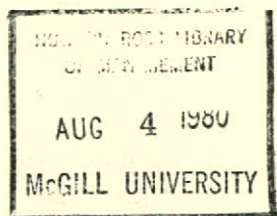
NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of GIANT REEF PETROLEUMS LIMITED (the "Company"), will be held in the Boardroom, 300 - 535 Seventh Avenue S.W., City of Calgary, Province of Alberta, on Tuesday, the 12th day of August, 1980, at the hour of 10:30 o'clock in the forenoon (Calgary time) for the purposes of:

- A. Receiving report of the directors and the financial statements and auditors' report thereon for the ten months ended March 31, 1980;
- B. Electing directors for the ensuing year.
- C. Appointing auditors and authorizing the directors to fix their remuneration.
- D. Transacting such other business as may properly be brought before the meeting.

Only Shareholders of record at the close of business on July 18, 1980 will be entitled to notice of and to vote at the meeting. If you cannot attend the meeting, please sign and date the attached proxy form and return it in the enclosed envelope to the Company's Secretary, c/o Canada Trust Company, 239 - 8th Avenue S.W., Calgary, Alberta T2P 1B9. To be valid, instruments of proxy must be received by the Secretary of the Company or his agent Canada Trust Company not later than the close of business on August 11, 1980. The Company's Head Office is situated at 1460 - 639 Fifth Avenue S.W., Calgary, Alberta T2P 0M9. Telephone (403) 233-6600.

DATED at Calgary, Alberta this 22nd day of July, 1980.

BY ORDER OF THE BOARD OF DIRECTORS
John A. Reilly
Secretary



GIANT REEF PETROLEUMS LIMITED

INFORMATION CIRCULAR AND PROXY STATEMENT

This Information Circular and Proxy Statement relates to the Annual General Meeting of the Shareholders of GIANT REEF PETROLEUMS LIMITED (the "Company"), called for Tuesday, the 12th day of August, 1980 and is FURNISHED IN CONNECTION WITH A SOLICITATION BY MANAGEMENT OF PROXIES FOR USE AT THAT MEETING. THE SOLICITATION WILL BE MADE AND THE COSTS THEREOF WILL BE BORNE BY THE COMPANY. SOLICITATION WILL ONLY BE MADE BY MAIL. It is anticipated that the Proxy Statement and form of proxy will be mailed to said shareholders on or about July 22, 1980.

The Annual Report of directors and financial statements of the Company for the ten months ended March 31, 1980 accompany this circular. Receipt at the meeting of the report of the directors, the financial statements of the Company for the ten months ended March 31, 1980 and the auditors' report thereon will not constitute approval or disapproval of any of the matters referred to in such reports and statements.

Unless otherwise indicated all amounts are expressed in Canadian dollars.

PROXY INSTRUMENTS AND VOTING SECURITIES OUTSTANDING

The Board of Directors has fixed July 18, 1980 as the record date for determining shareholders entitled to notice of the meeting. A list of such shareholders will be available for examination at the offices of Canada Trust Company, 239 - 8th Avenue S.W., Calgary, Alberta, during usual business hours after the said record date and will be available at the meeting. Each person named in the list of shareholders is entitled to vote at the meeting the number of shares shown thereon opposite his name except to the extent that he has subsequently transferred ownership thereof. If any transferee establishes his ownership of such shares not later than 10 days before the meeting and requests his name to be substituted in the shareholders' list in respect of such shares, then such transferee will be entitled to vote the transferred shares.

The quorum for the meeting is two persons personally present, being members or representatives of corporate members, and holding or representing by proxy not less than 10% of the outstanding common shares entitled to vote. Each shareholder entitled to vote is entitled to one vote for each common share held.

As of June 1, 1980 there were issued and outstanding 3,329,802 common shares of the Company. The following table sets forth information as of June 1, 1980 with respect to each person known to be the beneficial owner of more than 10% of the common shares of the Company:

<u>Name and Address</u>	<u>Type Ownership</u>	<u>Common Shares Owned</u>	<u>Percentage of Common Shares Owned</u>
Peyto Oils Ltd. 1460 - 639 Fifth Ave. S.W., Calgary, Alberta T2P 0M9	Beneficially and of Record	2,745,351	82.45%

APPOINTMENT, REVOCATION AND VOTING OF PROXIES

A form of proxy is attached to the Notice of the Annual General Meeting which accompanies this Information Circular and Proxy Statement. Instruments of proxy, to be valid, must be received by the Secretary of the Company or his Agent, Canada Trust Company, 239 - 8th Avenue S.W., Calgary, Alberta T2P 1B9, not later than the close of business on August 11, 1980. If the shareholder is a corporation, the instrument of proxy shall be executed under the common seal of such corporation or the hand of an officer or attorney duly authorized in writing by such corporation, in which case the authority or a notarial copy thereof shall be deposited with the instrument of proxy. Any person or company giving proxy will have the power to revoke such proxy by notice in writing delivered to the Secretary of the Company at any time before the meeting or to the Chairman at the meeting.

All shares represented by properly executed unrevoked proxies solicited hereby which are received by the Secretary prior to the close of business on August 11, 1980 will be voted and, if a choice is stated with respect to any matter to be acted upon, will be voted in accordance with that specification. If no such choice is specified, such shares will be voted for the election of directors and the appointment of auditors.

A PROXY IN FAVOUR OF THE PERSONS DESIGNATED BY MANAGEMENT OF THE COMPANY WILL CONFER DISCRETIONARY AUTHORITY ON THE PERSONS APPOINTED WITH RESPECT TO:

(a) amendments or variations to matters identified in the said notice of meeting,

OR

(b) other matters which may properly come before the meeting.

MANAGEMENT OF THE COMPANY IS NOT AWARE OF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS TO BE PRESENTED FOR ACTION AT THE MEETING.

THE PERSON OR COMPANY SUBMITTING THE PROXY SHALL HAVE THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM OR IT AT THE MEETING OTHER THAN THE PERSON OR PERSONS DESIGNATED IN THE FORM OF PROXY FURNISHED BY THE COMPANY. SUCH APPOINTMENT MAY BE EXERCISED BY MERELY INSERTING THE NAME OF THE APPOINTED REPRESENTATIVE IN THE BLANK SPACE PROVIDED.

ELECTION OF DIRECTORS

At the Annual General Meeting it is proposed that five directors be elected until the next annual general meeting or until their successors are elected or appointed. There are presently five directors of the Company.

If one or more of the following nominees shall be unable to serve, the shares represented by the proxies will be voted for such other nominees and for any substitute nominee or nominees as shall be designated by Management. Management of the Company presently has no knowledge that any of the following nominees will be unable to serve as a director.

The following table sets forth certain information with respect to each of the five nominees for director, all of whom are incumbent directors.

Name	Year when First Elected as a Director	Common Shares Owned	Position	Principal Occupation
Robert T. M. Vanderham	1970	100	Director	President of Vanderham Oil Properties Ltd. Calgary, Alberta
P. David Williams	1980	100	President and Director	President of Westburne Petroleum & Minerals Ltd. Calgary, Alberta
John A. Reilly	—	100	Secretary and Director	Secretary of Westburne International Industries Ltd. Calgary, Alberta
Druval W. Westcott	—	100	Director	President of United Westburne Industries Limited Vancouver, B.C.
H. Murray Armstrong	1975	63,300	Director	President of Associated Corrosion Consultants Ltd. Calgary, Alberta

NOTE 1.

Management does not contemplate that any of the nominees will be unable to serve as Directors. However, if for any 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.

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 Contract" of this Information Circular for particulars of payments made to Peyto Oils Ltd.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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 \$52,000 for the 10 months ended March 31, 1980.

Interest of Management and Others in Material Transactions

Other than as set forth in the Information Circular, the management of the Company is not aware of any material interest, direct or indirect, of any Director or Senior Officers of the Company, and proposed nominee for election as Director of the Company, or any associate or affiliate of any such person in 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.

APPOINTMENT OF AUDITORS

Management has been advised that it is the intention of Peyto Oils Ltd. to nominate Touche Ross & Co. as auditors of the Company for the ensuing year. Unless such authority is withheld, the persons named in the accompanying form of proxy will vote in favour of the appointment of Touche Ross & Co.

A representative of Peat, Marwick, Mitchell & Co., the present auditors of the Company, is expected to be present at the shareholders' meeting with the opportunity to make a statement if he desires to do so and is expected to be available to respond to appropriate questions at the meeting.

OTHER BUSINESS

Management is not aware of any matters to be brought before the meeting other than those set forth in the notice thereof. If other matters are properly brought before the meeting it is the intention of the persons named in the enclosed proxy to vote the proxy on such matters in accordance with their best judgment.

APPROVAL

The contents of this Information Circular together with the sending thereof to all Shareholders has been approved by the directors of the Company.

IT IS THE INTENTION OF THE MANAGEMENT NOMINEES, IF NAMED AS PROXY, TO VOTE FOR APPROVAL OF ALL OF THE FOREGOING.

DATED at the City of Calgary in the Province of Alberta, this 22 day of July A.D. 1980.

BY ORDER OF THE BOARD
JOHN A. REILLY
Secretary

GIANT REEF PETROLEUMS LIMITED

Auditors' Report to the Shareholders

We have examined the balance sheet of Giant Reef Petroleum Limited as at March 31, 1980 and the statements of earnings, retained earnings and changes in financial position for the ten months 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 March 31, 1980 and the results of its operations and the changes in its financial position for the ten months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
May 16, 1980

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Notes to Financial Statements March 31, 1980

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. Costs pertaining to producing properties are depleted on the unit-of-production method based on proven reserves as calculated by independent engineers.

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

Expenditures on maintenance and repairs are charged to operations as incurred, while expenditures on renewals and betterments are capitalized.

Upon the sale or retirement of properties and improvements, the cost and accumulated depletion and depreciation are removed from the respective accounts and any gain or loss is included in earnings.

(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 method of accounting for income taxes whereby deferred taxes are provided to the extent that current taxes have been reduced by claiming capital cost allowances and exploration, development and lease acquisition costs in excess of the related depreciation and depletion provided in the financial statements. Investment tax credits are deducted from income tax expense.

(d) Comparative figures:

Certain of the 1979 comparative figures have been reclassified to conform with the financial statement presentation in 1980.

(e) Joint ventures:

The majority 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.

GIANT REEF PETROLEUMS LIMITED

2. Property, plant and equipment:		March 31, 1980		May 31, 1979
		Net Book Value		Net Book Value
	<u>Cost</u>		<u>Cost</u>	
Developed oil and gas properties and equipment thereon	\$3,244,065	\$2,843,479	\$1,652,073	\$1,374,692
Gas plant	1,198,767	716,334	1,122,262	689,778
Undeveloped oil and gas properties	381,587	381,587	606,299	606,299
	<u>\$4,824,419</u>	<u>3,941,400</u>	<u>3,380,634</u>	<u>2,670,769</u>

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. Long-term debt:

	March 31,	May 31,
	1980	1979
Agreement for sale payable in four annual installments commencing September 1980 of \$192,000 with interest at bank prime rate plus 1%. The annual payments are secured by letters of credit issued by the Company's bankers. A standby charge of 1% per annum is charged on the letters of credit.	\$766,477	—
Less amount due within one year	191,619	—
	<u>\$574,858</u>	<u>—</u>

5. Related party transactions:

The Company has been charged by its parent company, Peyto Oils Ltd., for administrative services rendered in the amount of \$52,000 (1979 — \$75,000).