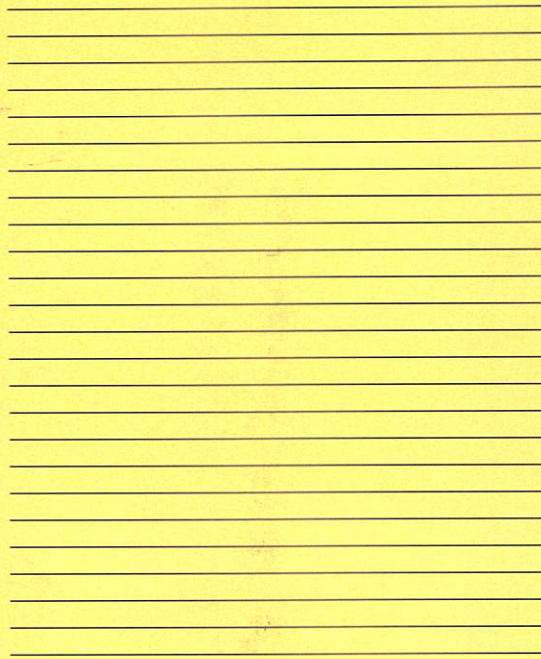


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GIANT REEF PETROLEUMS LIMITED



1987 annual report

Highlights

A. Land holdings at March 31

	1987		1986	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Alberta	88,474	12,523	59,193	6,293
British Columbia	6,774	1,090	697	233
Saskatchewan	13,628	2,837	6,038	1,508
TOTAL	108,876	16,450	65,928	8,034

B. Production and sales for the year ended March 31, 1987

	Gross before Royalties	Net after Royalties
Crude oil & liquids — bbl	83,889	65,086
Natural gas — mcf	676,000	543,348
Sulphur — tonnes	3,175	2,586

C. Net proven and probable reserves as determined by independent reservoir engineers at March 31, 1987

	Crude Oil and Natural Gas Liquids (Barrels)	Natural Gas (Millions of Cubic Feet)
	Proven	425,000
Probable	112,000	1,682
Total proven and probable	537,000	6,519

D. Future net revenues and present value of proven and probable reserves as determined by independent reservoir engineers at March 31, 1987.

Future net revenues	\$26,623,000
Present worth discounted @ 12%	12,614,000
Present worth discounted @ 18%	9,910,000

FIVE YEAR SELECTED DATA

FISCAL YEAR END	1987	1986	1985	1984	1983 (Restated)
Thousands of dollars (except per share data)					
Net operating revenue	\$2,509	\$2,911	\$3,146	\$2,175	\$1,856
Net earnings	1,011	908	1,443	1,040	1,172
Earnings per common share	0.31	0.28	0.44	0.31	0.35
Cash flow from operations	2,274	1,862	2,018	1,488	1,757
Cash flow per common share	0.70	0.57	0.62	0.45	0.53
Working capital	1,482	2,066	2,781	2,506	2,051
Dividends per common share	0.20	0.20	0.20	0.17	0.12

Report to the Shareholders

Nineteen eighty-six was a year that will long be remembered by the oil and gas industry. With the price of crude oil falling from a high of \$33 U.S. per barrel in late 1985 to \$10 U.S. per barrel eight months later, the economic fundamentals of the industry were undermined. The problems escalated with the deregulation of natural gas on November 1, 1986 and the ensuing drop in natural gas prices. Most companies experienced severe cash flow restraints and were forced to slow down or eliminate their expenditure budgets, precipitating an unprecedented fall in land prices and the costs of drilling and related services.

Now that we are at the end of the first three months of 1987, the economic climate in the petroleum industry appears to be improving, prices seem to have stabilized in the \$18 to \$19 U.S. range. The Federal Government has announced a \$350 million aid package for the industry. A cash refund of 33-1/3 percent of up to \$10 million of eligible expenditures will be available per company. Exploration companies are again planning to drill and explore with their new found optimism.

Giant Reef's revenues for the year ending March 31, 1987 were \$2.5 million compared with \$2.9 million last year. Net earnings were \$1.0 million compared to \$0.9 million last year. Earnings per common share were \$0.31

compared to \$0.28 in fiscal 1986 and cash flow was \$2.3 million, compared with \$1.9 million last year.

During fiscal 1987 Giant Reef participated in the drilling of 12 wells which resulted in nine successful oil and gas wells.

The Company emphasized exploration in Southern Alberta where it participated in the shooting and purchase of 430 miles of seismic and in the earning and acquisition of 6,100 net acres of land.

In the next 12 months, Giant Reef expects to participate in up to 10 wells. Activity will again be concentrated in Western Canada on low risk prospects with immediate cash flow potential and commitment wells required to maintain our acreage position.

On behalf of the Board



P. David Williams
Chairman and President



Exploration and Development Highlights

Giant Reef participated in the drilling of 12 wells during the year resulting in five oil wells and four natural gas wells for an overall 75 percent success rate.

The Company participated in the acquisition or earning of more than 32,000 acres (6,100 net) during the fiscal year. Giant Reef also participated in the shooting of 170 miles of new seismic data and purchased 260 miles of existing information. Seismic and land activity was primarily focused in the Glauconite channel play of Southern Alberta and Leduc pinnacle reef trend of Central Alberta.

Alberta

Pembina-Rose Creek

Two wells were drilled and completed in this area of Central Alberta for natural gas potential. One well tested natural gas and associated oil from both the Viking and Basal Belly River Sands. The second test encountered potential gas reserves in the Basal Belly River. Giant Reef has interests ranging from 7½ to 12½ percent in 12,000 acres in this area. Natural gas sales are expected from this prospect during the current year.

Taber North

Two Taber Sand oil wells were drilled in this area of Southern Alberta in which the Company has a 39.7 percent working interest. Both wells are capable of producing their allowable of 50 barrels of oil per day.

Drumheller

Giant Reef participated as to a 12.5 percent interest in a Belly River gas well which tested at rates greater than 1.5 MMcf per day. Gas sales are expected in the second quarter of the current fiscal year.

British Columbia

Peejay

Two Halfway oil wells were drilled in this area of Northeastern British Columbia. One of the wells, which initially produced at 80 barrels of oil per day, also has a prospective Gething oil producing sand. The second well flowed initially at rates of 40 barrels of oil per day and 200 Mcf of gas per day. Giant Reef has interests of 25 per cent and 12½ percent, respectively, in these two ventures.

Saskatchewan

Luseland

Giant Reef earned a 12½ percent interest in 3,840 acres with the drilling of an exploratory well which encountered Bakken heavy oil pay and tested natural gas at rates exceeding 3.0 MMcf per day from the McLaren Sand. Future drilling will be necessary to determine the significance of this heavy oil discovery.



WESTERN CANADA

- Exploration Areas
- * Major Gas Development Areas
- Major Oil Development Areas
- ⊛ Gas Wells Drilled in Past Year
- ⊙ Oil Wells Drilled in Past Year

Balance Sheet

As at March 31, 1987

	1987	1986
Assets		
Current		
Cash and short-term deposits	\$ 301,839	\$ 715,897
Marketable securities	1,395,605	1,395,605
Accounts receivable	207,670	499,789
Income taxes recoverable	324,051	26,000
Prepaid expenses	—	4,598
	<u>2,229,165</u>	<u>2,641,889</u>
Investments, at cost (market value - \$1,415; 1986 - \$1,274)	3,242	3,242
Property, plant and equipment (Note 2)	7,898,115	6,902,549
	<u>\$10,130,522</u>	<u>\$9,547,680</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 48,111	\$ 131,034
Dividends payable	163,467	163,467
Income taxes payable	35,454	34,918
Due to parent company	500,378	246,249
	<u>747,410</u>	<u>575,668</u>
Deferred revenue	1,410,694	1,570,964
Deferred income taxes	1,941,296	1,726,696
	<u>4,099,400</u>	<u>3,873,328</u>
Shareholders' Equity		
Share capital		
Authorized		
5,000,000 common shares without nominal or par value		
Issued		
3,269,352 shares	1,082,699	1,082,699
Retained earnings	4,948,423	4,591,653
	<u>6,031,122</u>	<u>5,674,352</u>
	<u>\$10,130,522</u>	<u>\$9,547,680</u>

On behalf of the Board



Director



Director

Statement of Earnings and Retained Earnings

For the Year Ended March 31, 1987

	1987	1986
Revenues		
Oil and gas production	<u>\$2,508,806</u>	<u>\$2,910,975</u>
Operating expenses		
Oil and gas production	624,515	974,516
General and administrative	186,220	190,620
Depletion and depreciation	<u>1,048,404</u>	<u>695,198</u>
	<u>1,859,139</u>	<u>1,860,334</u>
Earnings from operations	<u>649,667</u>	<u>1,050,641</u>
Other revenue (expenses)		
Interest and other income	230,492	281,932
Interest and bank charges	<u>(8,712)</u>	<u>(17,841)</u>
	<u>221,780</u>	<u>264,091</u>
Earnings before income taxes	<u>871,447</u>	<u>1,314,732</u>
Provision for (recovery of) income taxes (Note 4)		
Current	(353,798)	147,937
Deferred	<u>214,600</u>	<u>259,000</u>
	<u>(139,198)</u>	<u>406,937</u>
Net earnings for the year	<u>1,010,645</u>	<u>907,795</u>
Retained earnings at beginning of year	<u>4,591,653</u>	<u>4,337,733</u>
	<u>5,602,298</u>	<u>5,245,528</u>
Dividends	<u>(653,875)</u>	<u>(653,875)</u>
Retained earnings at end of year	<u>\$4,948,423</u>	<u>\$4,591,653</u>
Earnings per share	<u>\$ 0.31</u>	<u>\$ 0.28</u>

Auditors' Report

The Shareholders
Giant Reef Petroleum Limited

We have examined the balance sheet of Giant Reef Petroleum Limited as at March 31, 1987 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 March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
June 1, 1987

Touche Ross + Co.
Chartered Accountants

Statement of Changes in Financial Position

For the Year Ended March 31, 1987

	1987	1986
Cash provided by operating activities		
Net earnings for the year	\$1,010,645	\$ 907,795
Add charges to earnings not requiring a current cash payment		
Depletion and depreciation	1,048,404	695,198
Deferred income taxes	214,600	259,000
	<u>2,273,649</u>	1,861,993
Net change in working capital balances other than cash	<u>170,408</u>	(23,233)
	<u>2,444,057</u>	1,838,760
Cash used in financing activities		
Deferred revenue	(160,270)	(184,901)
Dividends	(653,875)	(653,875)
	<u>(814,145)</u>	(838,776)
	<u>1,629,912</u>	999,984
Cash provided by (used in) investment activities		
Property, plant and equipment	(2,196,031)	(1,971,509)
Petroleum Incentives Program grants	133,854	206,295
Investment tax credits	18,207	27,000
	<u>(2,043,970)</u>	(1,738,214)
Net decrease in cash during the year	<u>(414,058)</u>	(738,230)
Cash position at beginning of year	<u>2,111,502</u>	2,849,732
Cash position at end of year	<u>\$1,697,444</u>	<u>\$2,111,502</u>
Cash comprises		
Cash and short-term deposits	\$ 301,839	\$ 715,897
Marketable securities	1,395,605	1,395,605
	<u>\$1,697,444</u>	<u>\$2,111,502</u>
Net change in working capital balances other than cash		
Accounts receivable	\$ 292,119	\$ (27,670)
Income taxes recoverable	(298,051)	9,631
Prepaid expenses	4,598	—
Due from parent company	—	175,850
Accounts payable and accrued liabilities	(82,923)	128,731
Income taxes payable	536	(556,024)
Due to parent company	254,129	246,249
	<u>\$ 170,408</u>	<u>\$ (23,233)</u>

Notes to the Financial Statements

March 31, 1987

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Parent Company

84% of the Company's shares are owned by Westburne Petroleum & Minerals Ltd., a wholly-owned subsidiary of Westburne International Industries Ltd.

(b) Petroleum and Natural Gas Properties

The Company follows the full cost method of accounting for exploration and development expenditures, whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized. Proceeds from disposal of properties are normally deducted from costs without recognition of gain or loss.

Grants receivable under provincial and federal incentives programs and investment tax credits are recorded in the accounts at the time qualifying expenditures are applied for. The full cost pool is reduced by the amount of these grants and credits.

The Company applies a ceiling test to capitalized costs to ensure that such costs do not exceed estimated future net revenues from production of proven reserves at year end market prices less future administrative, financing and income tax costs.

Depreciation of production equipment and the gas plant and depletion of oil and gas properties have been provided on a unit of production method based on estimated proven reserves after royalties, converted to a common unit of measure using relative energy content as determined by independent engineers.

The Company conforms to the requirements of the CICA Full Cost Accounting Guideline.

(c) Deferred Revenue

Payments received for undelivered gas are deferred and taken into income when deliveries are made or the makeup period expires. Deliveries of prepaid gas were made during the year and are expected to continue over the next seven years until all prepaid gas is delivered.

(d) Income Taxes

The Company follows the tax allocation method of accounting for income taxes. Provincial Government royalty refunds are taken into account in calculating the current year's income tax provision.

(e) Joint Ventures

The majority of the Company's exploration and production activities are conducted jointly with others, and accordingly, the accounts reflect only the Company's proportionate interest in such activities.

2. PROPERTY, PLANT AND EQUIPMENT

	1987	1986
Property, plant and equipment, at cost		
Oil and gas leases and development expenditures	\$ 8,941,340	\$ 7,088,136
Gas plant	1,483,991	1,492,180
Equipment	1,806,027	1,607,072
	<u>12,231,358</u>	<u>10,187,388</u>
Accumulated depletion and depreciation	4,333,243	3,284,839
	<u>\$ 7,898,115</u>	<u>\$ 6,902,549</u>

3. RELATED PARTY TRANSACTIONS

The majority of the Company's recent activities have been conducted jointly with its parent which administers the affairs of the Company.

The Company has been charged \$120,000 (1986 - \$120,000) by its parent for administrative services. Payments of \$1,897,460 (1986 - \$1,774,514) have been made to the parent company for the Company's proportionate share of the purchase and development costs of lands in which the Company has an interest.

	<u>1987</u>	<u>1986</u>
Drilling and completion costs	\$ 1,111,739	\$ 1,321,278
Tangible equipment	174,513	267,706
Geological and seismic	312,969	—
Land acquisition	298,239	185,530
	<u>\$ 1,897,460</u>	<u>\$ 1,774,514</u>

The Company earned net revenue of \$537,473 (1986 - \$1,044,301) on properties operated jointly with its parent company.

4. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the combined Federal and Provincial income tax rates to earnings before income taxes as shown below:

	<u>1987</u>		<u>1986</u>	
	<u>Amount</u>	<u>% of pre-tax income</u>	<u>Amount</u>	<u>% of pre-tax pre-tax</u>
Expected tax expense	\$ 418,294	48.0	\$ 631,071	48.0
Effect on taxes from:				
Non-deductible crown payments	247,833	28.4	391,680	29.8
Petroleum and gas revenue tax	(62,779)	(7.2)	28,800	2.2
Resource allowance	(232,027)	(26.6)	(269,760)	(20.5)
Alberta royalty tax credit	(457,939)	(52.5)	(366,128)	(27.8)
Other	(52,580)	(6.1)	(8,726)	(.8)
Actual income tax provision	<u>\$ (139,198)</u>	<u>(16.0)</u>	<u>\$ 406,937</u>	<u>30.9</u>

5. DOMINANT INDUSTRY

The Company has substantially all of its operations in the petroleum and natural gas industry in Canada. The majority of the Company's revenue is derived from oil and gas sales.

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GIANT REEF PETROLEUMS LIMITED

200, 535 Seventh Avenue S.W.
Calgary, Alberta T2P 0Y4

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON SEPTEMBER 30, 1987

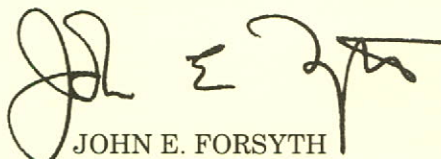
NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of GIANT REEF PETROLEUMS LIMITED (the "Company"), will be held in the Boardroom, 200, 535 - 7th Avenue S.W., City of Calgary, Province of Alberta, on the 30th day of September, 1987, at the hour of 10:00 o'clock in the forenoon (Calgary time) for the purposes of:

- A. Receiving the report of the directors and the financial statements and auditors' report thereon for the year ended March 31, 1987.
- 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 September 4, 1987 will be entitled to notice of and to vote at the meeting, unless after that date he transfers his shares and the transferee establishes his ownership of such shares not later than ten days before the meeting and requests his name to be substituted in the list of shareholders entitled to vote.

DATED at Calgary, Alberta, this 3rd day of September, 1987.

BY ORDER OF THE BOARD OF DIRECTORS



JOHN E. FORSYTH
Secretary

TO ALL MEMBERS:

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, at the head office of the Company, 200, 535 - 7th Avenue S.W., Calgary, Alberta T2P 0Y4 or at the office of the Company's Registrar and Transfer Agent c/o Canada Trust Company, 505 -3rd Street S.W., Calgary, Alberta T2P 3Y8. TO BE VALID, INSTRUMENTS OF PROXY MUST BE RECEIVED BY THE SECRETARY OF THE COMPANY OR HIS AGENT CANADA TRUST COMPANY NOT LATER THAN 4:30 P.M. (CALGARY TIME) ON SEPTEMBER 28, 1987.



GIANT REEF PETROLEUMS LIMITED

INFORMATION CIRCULAR AND PROXY STATEMENT

This Information Circular and Proxy Statement relates to the Annual General Meeting (the "Meeting") of the shareholders of GIANT REEF PETROLEUMS LIMITED (the "Company"), called for Wednesday, September 30, 1987 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 WILL BE BORNE BY THE COMPANY. THE 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 September 8, 1987.

The Annual Report of directors and financial statements of the Company for the fiscal year ended March 31, 1987 have been previously mailed to the shareholders. Receipt at the Meeting of the report of the directors, the financial statements of the Company for the year ended March 31, 1987 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, information contained in this Information Circular and Proxy Statement is given as of September 3, 1987. All amounts are expressed in Canadian dollars.

PROXY INSTRUMENTS AND VOTING SECURITIES OUTSTANDING

The record date for determining shareholders of the Company entitled to notice of the Meeting shall be at the close of business on the last business day preceeding the day on which notice of the Meeting is sent to shareholders. A list of such shareholders will be available for examination at the offices of The Canada Trust Company, 505 - 3rd Street 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 one person personally present, being a shareholder or representative of a corporate shareholder, 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 September 3, 1987 there were issued and outstanding 3,269,352 common shares of the Company entitling the holders thereof to cast one vote for each such share. The following table sets forth information as of September 3, 1987 with respect to each person known to be the beneficial owner of shares carrying more than 10% of the voting rights attached to all shares of the Company.

Name and Address	Type of Ownership	Common Shares Owned	Percentage of Common Shares Owned
Westburne Petroleum & Minerals Ltd. 200, 535 Seventh Avenue S.W. Calgary, Alberta T2P 0Y4	Beneficially and of Record	2,745,351	83.97%

APPOINTMENT, REVOCATION AND VOTING OF PROXIES

A form of proxy 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, The Canada Trust Company, 505 - 3rd Street S.W., Calgary, Alberta T2P 3Y8, not later than 4:30 P.M. (Calgary time) on September 28, 1987. 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 a proxy will have the power to revoke such proxy by notice in writing delivered to the registered office of the Company at any time before 4:30 o'clock in the afternoon of September 29, 1987 or to the Chairman at the Meeting.

All shares represented by properly executed unrevoked proxies solicited hereby which are received by the Secretary or his Agent prior to 4:30 P.M. (Calgary time) on September 28, 1987 will be voted and, if a choice is stated with respect to any matter to be acted upon, will be voted or withheld from voting in accordance with any instruction in respect of such choice. By failing to specify such instructions or choice in the proxy, a shareholder shall be instructing that the shares represented by such proxy be voted FOR the election of management's nominees as directors and FOR the appointment of auditors. If, for any other reason, the instructions of a shareholder whose proxy is solicited are uncertain or contradictory as they relate to a specific matter, then the shares represented by such proxy shall not be voted in respect of that matter.

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 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

Directors who are not employees or officers of the Company are paid \$750 quarterly, \$600 per meeting of the Board of Directors in the case of H. Murray Armstrong and \$500 per meeting in the case of H.A. McQueen, and \$500 per year for serving on the Audit Committee.

At the Meeting it is proposed that six (6) directors be elected until the next Annual General Meeting or until their successors are elected or appointed. There are presently four (4) directors of the Company, all of whom are standing for re-election.

The Company is required to have an Audit Committee consisting of not less than three (3) directors, a majority of whom are not officers or employees of the Company or an affiliate. The names of management's nominees for directors who are currently members of the Audit Committee are indicated below. The Company does not have an executive committee of its Board of Directors.

Management has no knowledge that any of the following nominees will be unable to serve as a director. 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 following table sets forth as of September 3, 1987 certain information provided by each nominee with respect to himself and shares of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by each nominee.

Name and Residence	First Elected as a Director	Number of Shares	Position with Company	Present and Principal Occupation for Past 5 Years
P. David Williams Bragg Creek, Alberta (1)	1980	1,000	Chairman, President and Director	President of Westburne Petroleum & Minerals Ltd. (2)
Cliff Raugust Calgary, Alberta	1981	1,000	Vice President and Director	Vice President — Production of Westburne Petroleum & Minerals Ltd. (2)
H. Murray Armstrong Sidney, B.C. (1)	1975	13,038 (3)	Director	President of HMA Holdings Ltd. (4)
H.A. McQueen Calgary, Alberta (1)	1984	500	Director	Partner of MacKimmie Matthews, Barristers and Solicitors
Michel Vennat Westmount, Quebec	—	—	—	Senior Partner of Stikeman, Elliott, Barristers and Solicitors
M.R. Kordyback Toronto, Ontario	—	—	—	Vice President — Finance of Unicorp Canada Corporation

NOTES:

- (1) Member of Audit Committee.
- (2) Westburne Petroleum & Minerals Ltd., whose office is located at 200, 535 - 7th Avenue S.W., Calgary, is principally engaged in oil and gas exploration.
- (3) Includes (a) 1,025 shares owned by H.M.A. Holdings Ltd., a company controlled by H. Murray Armstrong but (b) does not include 13,062 shares owned by Mr. Armstrong's wife and children, in respect of which shares Mr. Armstrong disclaims any beneficial interest or control.
- (4) HMA Holdings is a Calgary based investment company.
- (5) United Westburne Industries Ltd., whose office is located at 6333 Decarie Blvd., Montreal, Quebec, is a holding company which owns all of the issued shares of WPM.

REMUNERATION OF DIRECTORS AND OFFICERS

During the fiscal period ended March 31, 1987, director's fees of \$6500 were paid to H. Murray Armstrong and \$6000 to H.A. McQueen. All directors were reimbursed for out-of-pocket expenses incurred in attending meetings of the Board of Directors. Other than the amount paid to Messrs. Williams, Scrymgeour, Richards and Raugust as officers of the Company under the Plan arrangements referred to under the heading "Management", no other remuneration has been paid or is payable by the Company to any of its officers or directors. The Company does not have a pension or retirement plan.

Reference is made to the headings "Interest of Management and Others in Material Transactions" and "Management" of this Information Circular and Proxy Statement for particulars of payments made or owing to or by Westburne Petroleum & Minerals Ltd. ("WPM").

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Seismic, drilling and completion operations on the Company's properties were conducted on its behalf by WPM under terms determined by the Company's management to be fair and equitable and customary to the industry. Costs of such operations were borne and paid for by WPM and, pursuant to Joint Operating Agreements between the companies, were periodically rebilled to the Company. After giving effect to intercompany payments and the offset of the aforesaid operational expenditures in the amount of \$1,897,460, borne or paid by WPM on the Company's behalf, against net production revenue of \$537,473 received by

WPM on behalf of the Company, the largest aggregate amount of indebtedness of WPM to the Company outstanding at any time during the past fiscal year was at October 31, 1986 when the sum of \$12,850 was outstanding, which indebtedness was repaid by November 30, 1986. No interest was charged or paid on amounts owing between the Company and WPM in the past fiscal year.

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 in any transaction which was commenced during the last completed fiscal year of the Company or of any proposed transaction which in either case has materially affected or will materially affect the Company, other than as set forth in this Information Circular and Proxy Statement.

Management is aware that WPM's sole shareholder, United Westburne Industries Ltd., presently intends to dispose of its entire interest in WPM or to cause WPM to dispose of its assets and for that purpose is pursuing discussions with various parties. Any such sale of WPM or disposition by WPM of its interest in the Company would result in a majority of the shares of the Company, and thus control of the Company, being indirectly or directly acquired by a party or parties other than WPM. Although the Company has no knowledge of any party's intention to do so, a party so acquiring control of the Company may initiate changes in the Company, its assets, corporate structure, dividend policy, capitalization, operations, policies, personnel or management. Reference is made to the heading "Management" below.

MANAGEMENT

The Company's entire exploration, production and financial management is carried out by WPM the owner of 83.97% of the shares of the Company. Reference is made to the heading "Interest of Management and Others in Material Transactions". The Company paid WPM management fees of \$120,000 for the year ended March 31, 1987 which amount was reviewed by your Board of Directors and determined to be equitably related to the level of activity of the Company.

Pursuant to requirements of The Securities Act of Alberta, set forth below are the names and residence of certain insiders (as such term is defined in The Securities Act of Alberta) of WPM.

United Westburne Industries Ltd. Calgary, Alberta (1)	K.J. Bohlken Calgary, Alberta (2)
P.D. Williams Bragg Creek, Alberta (2)	K.I. Drader Calgary, Alberta (3)
C.A. Raugust Calgary, Alberta (2)	S.D. Irish Calgary, Alberta (3)
J.E. Forsyth Cochrane, Alberta (3)	Jack Scrymgeour Calgary, Alberta (4)
G.D. Richards Calgary, Alberta (3)	

NOTES:

- (1) sole beneficial shareholder of WPM.
- (2) Director and Senior Officer of WPM.
- (3) Senior Officer of WPM.
- (4) Director and Senior Officer of WPM until April 30, 1987.

To the Directors' knowledge, (with the exception of WPM to which reference is made elsewhere in the Information Circular and Proxy Statement) none of the above-named insiders, nor their associates or affiliates has been indebted to the Company nor has entered into any transaction or arrangement with the Company during the past fiscal year except as set forth in the paragraph following.

Effective February 8, 1986 the Company became a participant with WPM in an Employees Production Incentive Plan (the "Plan") pursuant to which Messrs. Williams, Scrymgeour, Raugust, Richards, Irish

and Bohlken who are insiders (as such term is defined in The Securities Act of Alberta) of WPM are entitled to quarterly compensation payments based upon the value of equivalent royalty interests in the Company's share of production from wells drilled on lands in which the Company has an interest. Such royalty is 2% in the case of Mr. Williams, 0.5% each in the case of Messrs. Scrymgeour and Richards, and 0.75% each in the case of Messrs. Raugust, Irish and Bohlken of the Company's share of production revenue less well operating expenses attributable to wells commenced after February 8, 1986. The Plan contemplates that payment of such amounts may continue after termination of employment with respect to wells commenced prior to termination provided that the amount of future payments in respect of wells commenced less than five years prior to termination may be reduced in certain events. During the fiscal year ending March 31, 1987 payments aggregating \$15,480 were paid under these Plan arrangements to the above-named insiders, of which \$10,680 was paid to Messrs. Williams, Scrymgeour, Richards and Raugust as executive officers of the Company. The amounts which may be payable in the future under the arrangements are not presently ascertainable as such amounts are partially dependent upon future production and its value at that time.

APPOINTMENT OF AUDITORS

Unless otherwise specified, proxies in the form accompanying the notice of Meeting will be voted in favour of the appointment of Touche Ross & Co., the auditors of the Company since September 24, 1981, as auditors of the Company for the ensuing year. There is no relationship known to the Company between the Company and that firm other than in its capacity as independent chartered accountants. A representative of Touche Ross & Co. 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.

OTHER BUSINESS

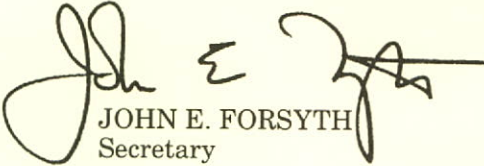
Management is not aware of any matters to be brought before the Meeting other than those set forth in the notice therefore. If other matters are properly brought before the Meeting it is the intention of the persons named in the enclosed proxy to vote on such matters in accordance with their best judgement.

APPROVAL

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

DATED at the City of Calgary in the Province of Alberta, this 3rd day of September, 1987.

BY ORDER OF THE BOARD


JOHN E. FORSYTH
Secretary


Dated: September 3, 1987

CERTIFICATE OF MANAGEMENT

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.



P.D. WILLIAMS
Chief Executive Officer



G.D. RICHARDS
Chief Financial Officer

Corporate Information

Head Office

200, 535 Seventh Avenue S.W.
Calgary, Alberta T2P 0Y4
Telephone (403) 233-6600

Officers

P. D. Williams,
Chairman and President

J. E. Forsyth,
Secretary

G. D. Richards,
Controller

K. I. Drader,
Treasurer

Directors

P. D. Williams
C. A. Raugust
H. M. Armstrong
H. A. McQueen

Bankers

Bank of Montreal
604 Eighth Avenue S.W.
Calgary, Alberta T2P 1G4

Registrar and Transfer Agent

Canada Trust Company
505 Third Street S.W.
Calgary, Alberta T2P 3Y8
1055 Dunsmuir Street
Vancouver, British Columbia
V7X 1B1

Auditors

Touche Ross & Co.
3500, 700 Second Street S.W.
Calgary, Alberta T2P 0S7

Stock Listing

Vancouver Stock Exchange

