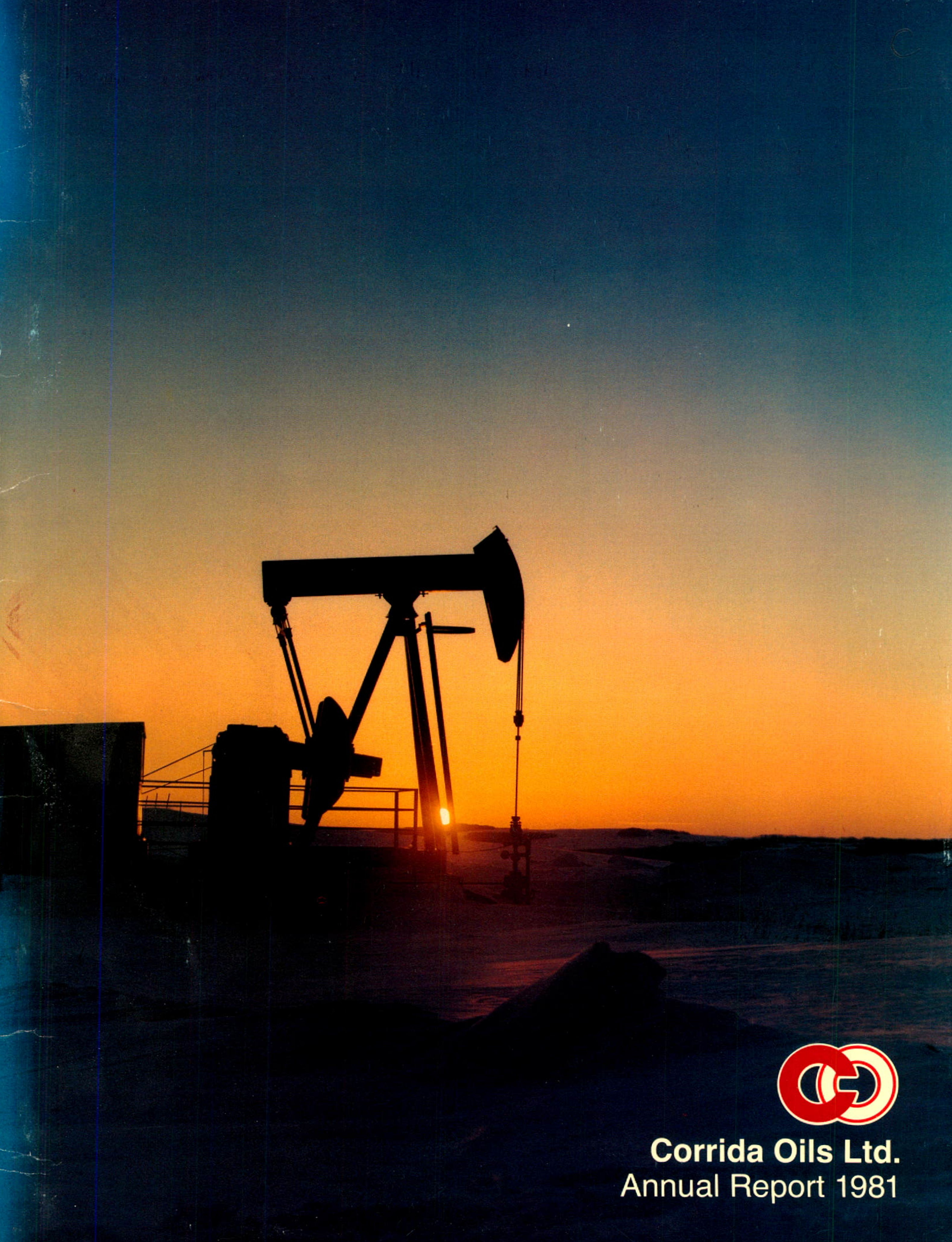


Corrida Oils Ltd.
Annual Report 1981

Company Profile

Corrida Oils Ltd. is a Canadian oil and gas company continued under the laws of Alberta and listed on The Toronto Stock Exchange. Corrida has 29 employees operating from offices in Calgary and Denver. The principal business of the company is to explore for, discover, and produce oil and gas in North America.

At the end of 1981, Corrida owned 259,000 undeveloped acres in Canada and the United States, 35 oil and gas wells producing at the rate of 576 barrels of oil per day and 3,497 Mcf of gas per day from remaining reserves of 1,572,000 barrels of proven oil reserves and 14,971 MMcf of proven gas reserves.

In 1982, Corrida expects to participate in the drilling of about 70 exploratory and development wells.

Annual General Meeting

The first Annual General Meeting of the newly reorganized Corrida Oils Ltd. will be held in the Lake Louise Room of the Westin Hotel in Calgary, Alberta, at 11:00 a.m. on May 28, 1982. If you are a shareholder of Corrida and have not received your information circular and proxy for the Annual General Meeting, please contact:

Mr. Ralph A. McKenzie
Senior Vice-President
Corrida Oils Ltd.
800, 555 Fourth Avenue S.W.
Calgary, Alberta, Canada T2P 3E7
Telephone: (403) 234-7188
Telex: 03-821655
Telecopier: (403) 263-5998

COVER

Pumping installation at the Wood River 4-4-43-23W4 well, northeast of Red Deer, Alberta. Corrida has a 75 percent working interest in this well which produces oil from the Nisku formation (Devonian) at a depth of about 5,800 feet. The well is capable of producing in excess of 200 barrels of oil per day, but the present production has been reduced to an average of 70 barrels per day as a result of the Federal Government's import policies.

Report to Shareholders

From left to right: Ralph A. McKenzie, Senior Vice-President; J. Richard Harris, President; and Fred J. Wellhauser, Executive Vice-President.

Fiscal 1981 was highlighted by a number of financings, acquisitions, and a major reorganization:

- In April 1981, Corrida offered its shareholders rights to buy 535,800 shares at $7.50 per share with warrants to buy an additional 535,800 shares at $8.25 per share until April 30, 1982. The rights offering was successful in raising over $4,000,000 for the treasury.

- In June 1981, Corrida engaged new senior management, moved its head office from Toronto to Calgary, and set in motion a plan to build Corrida into a larger oil and gas company.

- In July 1981, Corrida bought certain U.S. oil and gas properties from Masek Oil Company of Casper, Wyoming, for $27,548,358. This brought to Corrida proved reserves of 700,000 barrels of oil and 4,100 MMcf of gas together with 100,000 acres of undeveloped land.

- In July 1981, Corrida acquired all the outstanding shares of Redcliffe Petroleum Corporation Ltd. of Calgary, and the various interests of Redcliffe's Fund partners and associates, for 1,116,812 Corrida shares in a transaction valued at $10,427,451 or $9.34 per Corrida share. Redcliffe was a private corporation that conducted exploration and development programs in Canada and the United States. This acquisition increased Corrida's proved reserves by 128,000 barrels of oil and 1,800 MMcf of gas; the acquisition also included 47,000 acres of undeveloped land. In addition, the Redcliffe acquisition brought to Corrida additional qualified personnel who have been very important to the Company's growth.

- In August 1981, Corrida opened its U.S. office in Denver and commenced putting together an experienced oil and gas staff to manage Corrida's growing U.S. investments.

- In September 1981, Corrida issued 333,333 treasury shares to T.R.L. Investments Limited of Toronto for $2,700,000 or $8.10 per Corrida share and warrants to buy an additional 333,333 shares at prices ranging from $9.00 to $10.80 per share until October 1, 1984. The proceeds of the private placement were used for general corporate purposes.

- In October 1981, Corrida commenced a tender for all the outstanding shares of Liberty Petroleums Inc., a public British Columbia company with producing oil and gas properties in Canada and the United States, involving the issuance of 1,442,888 Corrida shares in a transaction valued at $17,127,083 or $11.87 per Corrida share. This acquisition increased Corrida's proved reserves by 755,000 barrels of oil and 8,100 MMcf of gas; the acquisition also included 68,000 acres of undeveloped land. As of February 15, 1982, when the tender expired, Corrida had acquired over 90 percent of the Liberty shares. Corrida expects to acquire the remaining shares on May 6, 1982.

These significant acquisitions and transactions during 1981 have altered and improved the geographic diversity of the Company's oil and gas assets, strengthened its professional staff, increased the value of the Company, and established a new, important energy base which should provide the shareholders with a solid platform for continued growth into a substantial North American oil and gas company.

In recognition of these fundamental changes, the shareholders approved a change of name from MSZ Resources Ltd. to Corrida Oils Ltd. and a consolidation of its shares on a 3-to-1 basis. "Corrida", a Spanish word meaning "to race, to run", conveys management's active approach to exploration and acquisition; "Oils" is to emphasize that Corrida's main search will be for petroleum. There are no plans for diversification into other energy sources or business.

Concurrent with the change of name, the shareholders adopted a new logo designed especially for the Company. The purpose of any logo is to visually transmit to the viewer the *name* and *style* of the company. Corrida's new logo, shown below, is composed of the two key letters in Corrida Oils and its structure is:

- symmetrical, which shows *stability,*
- similar to a figure 8, a *familiar* geometric form,
- suggestive of the links in a chain, which shows *strength,*
- the break in the C reduces this strength, which shows *flexibility,*
- the internal negative figure ( ) formed by the outside positive figures is in the nature of an arrow, which indicates *forward progress* and *firm direction.*

Gross revenues for fiscal 1981 (1980) were $3,704,479 ($249,336), cash flow from operations was $298,870 ($232,169), and the loss was $5,542,681 (a loss of $2,746,641). The increase in revenues and cash flow reflect the various acquisitions completed in 1981; the loss reflects the interest costs on funds borrowed to finance the acquisitions and higher depletion charges, including an additional charge of $3,197,998 ($2,978,660) resulting from new evaluations of Corrida's old properties prior to the Company's reorganization in July 1981.

There are three difficult hurdles for Canadian oil and gas companies to clear in 1982: high interest rates, limited oil and gas markets, and the absence of readily available equity. Management has under consideration a number of financial plans that should reduce Corrida's debt and provide the necessary capital to maintain an active program in 1982. Corrida is encouraged at continuing provincial-federal discussions that may lead to favourable changes in the onerous National Energy Plan, improved sales of oil in Canada, and additional exports of gas to U.S. markets. On April 13, 1982, the Alberta Government announced both a reduction in royalties and additional royalty rebates, which will be of significant benefit to Corrida.

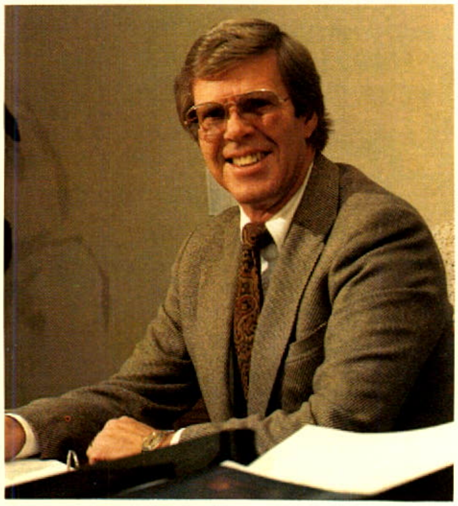
It was an interesting and important year for Corrida in 1981. The growth in assets during the year from only $2,430,726 to over $72,836,392 was only possible because of the effort and dedication of 29 very busy and loyal employees.

May 4, 1982

On behalf of the Board:

J. Richard Harris, President and Chief Executive Officer	Fred J. Wellhauser, Executive Vice-President and Chief Operating Officer	Ralph A. McKenzie, Senior Vice-President and Chief Financial Officer

Canadian Operations



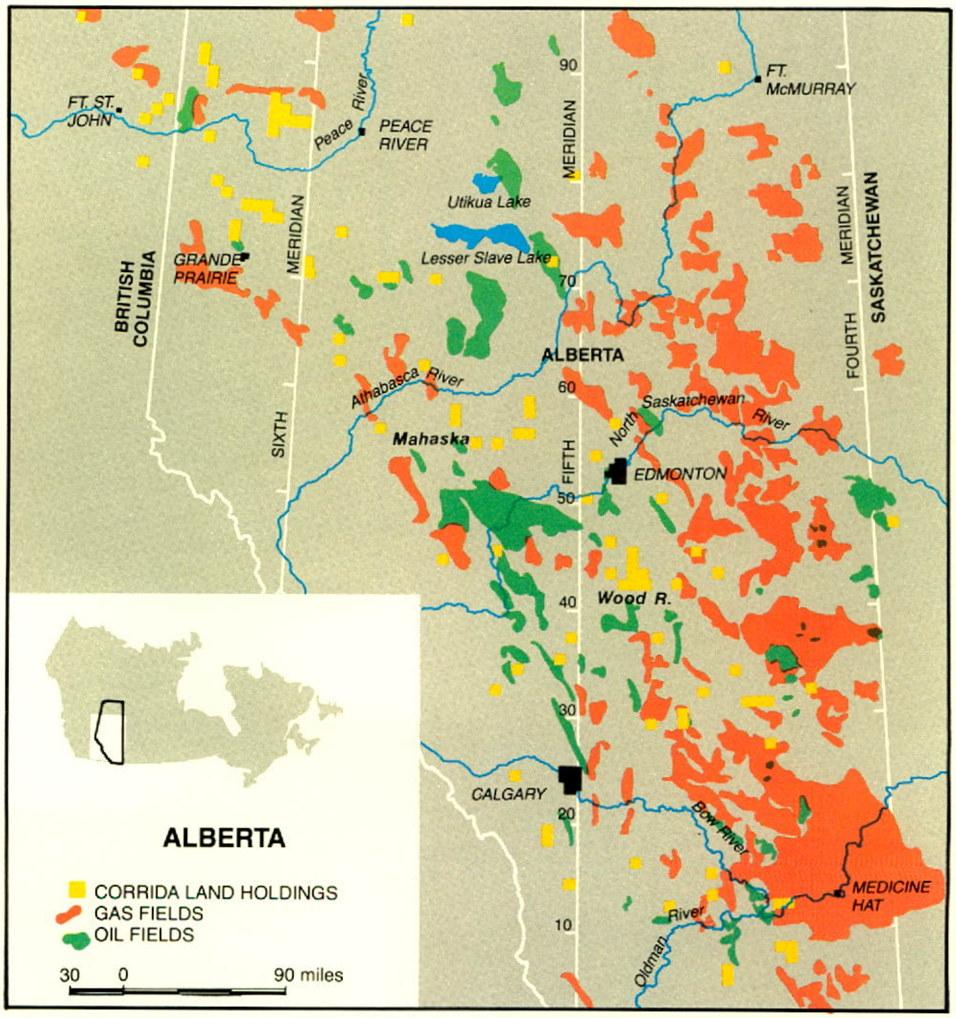
Ray G. Gould, Vice-President, Exploration - Canada.

During 1982, Corrida will concentrate its efforts in finding and developing new reserves of crude oil which will qualify for the New Oil Revenue Price (NORP) which is $44.36 per barrel as compared to $23.50 per barrel for old oil. Activities will be concentrated in Alberta and to a lesser extent in British Columbia; Corrida does not intend to participate in exploration on Canada Lands in the frontier areas at this time because of the high exploration costs, the long delay in investment return, and the uncertainty of Federal Government policies.

The Company will also be drilling several gas prospects which could be put on stream within two years. Corrida is a participant in the KannGaz joint venture application for approval to export a maximum of 125 MMcf of gas per day. Hearings before the Energy Resources Conservation Board and the National Energy Board will be held this summer with a decision expected in December 1982. Target date for the commencement of delivery is November 1, 1983.

On June 15, 1981, Corrida moved its office from Toronto to Calgary and by year-end had a full staff of experienced geologists, engineers, land personnel, and accountants well qualified to conduct exploration and development programs in Canada.

At December 31, 1981, following corporate acquisitions made during 1981, Corrida owned 49,123 acres of undeveloped land in western Canada, mostly in Alberta. During 1981, Corrida invested $2,700,000 in exploration and development and participated in the drilling of 19 wells of which 11 were successful. At the end of 1981, Corrida owned 3 oil wells and 9 gas wells. During December 1981, average oil and gas production was 272 barrels per day and 2,205 Mcf per day, respectively. Proved reserves at December 31, 1981, were 805,687 barrels of oil and 10,787 MMcf of gas.



With Corrida's high Canadian Ownership Rating, it will benefit from maximum Petroleum Incentive Payments available from exploring on provincial lands. In addition, the royalty deductions and royalty tax credit increases announced by the Alberta Government on April 13, 1982, will return about $1,000,000 of additional cash flow to the Company in 1982.

Wood River Area

Corrida intends to drill three wells this year in the Wood River area of central Alberta. Two of these wells will explore the biostromal porosity development in the Devonian Nisku formation while the third will investigate a local closure on the Devonian Leduc reef surface.

Detailed seismic programs have been conducted over the Company's extensive land holdings in this area to identify the Nisku porosity zones, which can have as much as 110 feet of oil pay. In addition, another two wells located north of Wood River will test Nisku seismic anomalies in the Ireton shale basin which lies between the Bashaw reef complex and the Leduc-Rimbey reef chain. Significant quantities of crude oil qualifying for NORP could be added to the Company's reserves if any of these drilling ventures is successful.

Mahaska Area

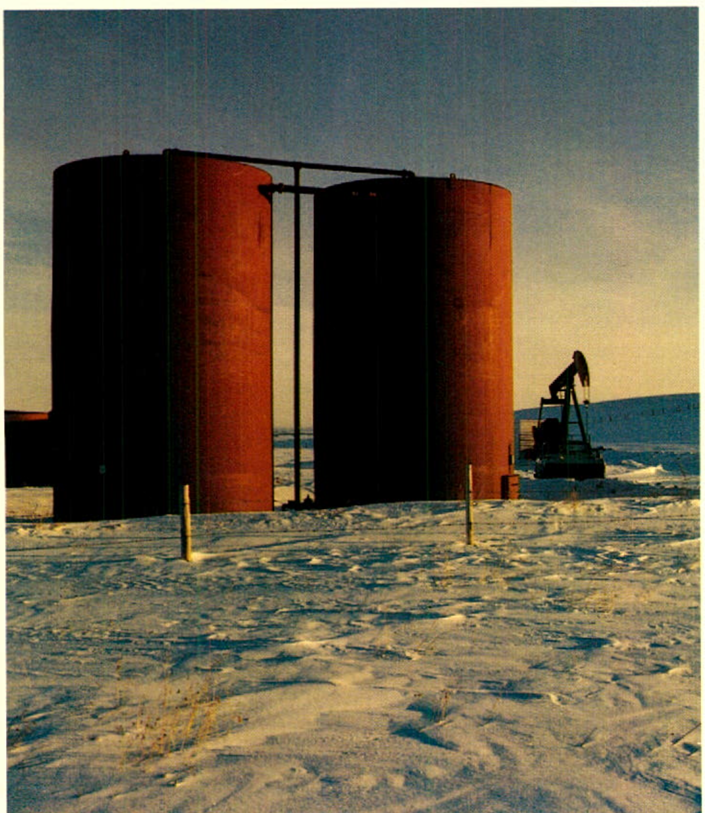
In the Mahaska area northwest of Edmonton, Corrida holds 7,840 acres of exploratory lands in a contiguous block which will be drilled this year to evaluate an untested hydrocarbon zone observed in an offsetting dry hole. A 6,400-acre permit in the Sullivan Lake area will be drilled following the interpretation of a recently-acquired seismic survey.

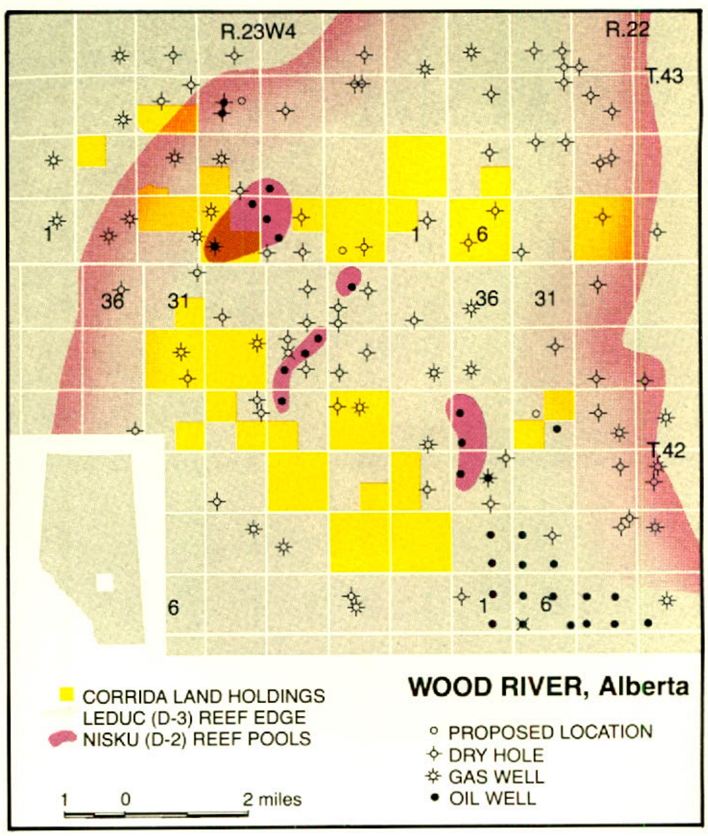
Corrida expects to participate in the drilling of about 20 exploratory and development wells during 1982.

R. G. Gould

Ray G. Gould
Vice-President, Exploration - Canada

Production facilities at Wood River, Alberta.





Canadian Statistics (1)

Undeveloped Land as of December 31, 1981 (2)

	Gross Acres	Net Acres	Appraised Value
Alberta	306,547	46,293	$3,816,963
British Columbia	11,200	861	95,088
Northwest Territories	33,128	308	107,963
Saskatchewan	31,680	1,661	162,778
	382,555	49,123	$4,182,792

Wells Drilled During 1981

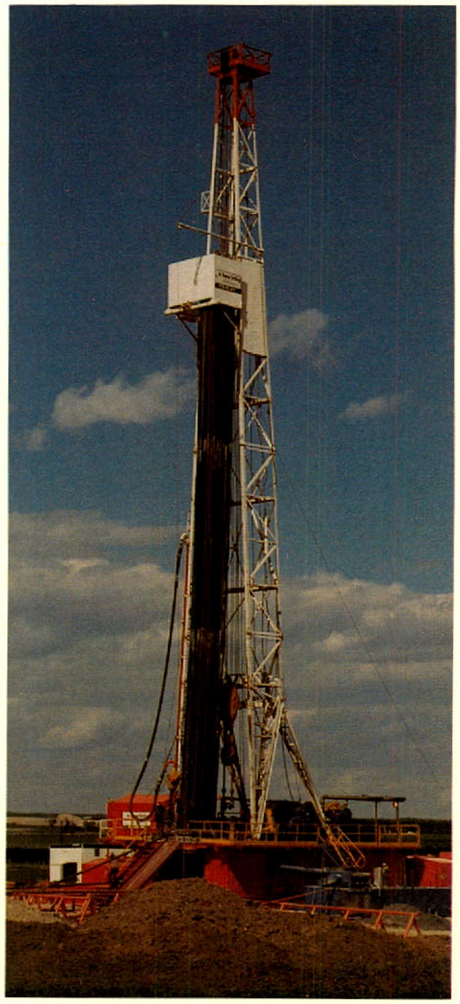
	Oil Wells		Gas Wells		Dry Holes		Total Wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory	1	0.24	9	0.88	7	2.12	17	3.24
Development	1	0.15	—	—	1	0.13	2	0.28
	2	0.39	9	0.88	8	2.25	19	3.52

Productive Wells Owned at December 31, 1981

	Oil Wells		Gas Wells	
	Gross	Net	Gross	Net
Alberta	28	2.99	69	8.84
British Columbia	2	0.15	3	0.48
	30	3.14	72	9.32

Production During 1981 (3)

	Annual		Daily	
	Gross	Net	Gross	Net
Oil, barrels	29,123	18,174	80	50
Gas, Mcf	182,451	102,173	500	280



Reserves Remaining at December 31, 1981 (4)

	Proved		Probable		Total		Discounted Present Value	
	Gross	Net	Gross	Net	Gross	Net	15%	20%
Oil, barrels	1,484,820	805,687	472,048	306,362	1,956,868	1,112,049	$ 9,268,366	$ 6,807,369
Gas, MMcf	18,147	10,787	6,235	3,669	24,382	14,456	14,613,781	10,733,436
							$23,882,147	$17,540,805

(1) Where applicable, includes Corrida's share, weighted for percent ownership and days owned, of all 1981 acquisitions.

(2) Appraised replacement costs by Seaton-Jordan & Associates Ltd., Calgary, independent mineral management consultants, except for Saskatchewan appraised by Corrida.

(3) These figures represent Corrida's Canadian production for less than six months prorated over the entire 1981 year; in December 1981, Corrida's Canadian production was 458 gross barrels per day (272 net barrels per day) and 3,937 gross Mcf per day (2,205 net Mcf per day).

(4) As appraised by McDaniel & Associates Consultants Ltd., Calgary, independent oil and gas reservoir engineers.

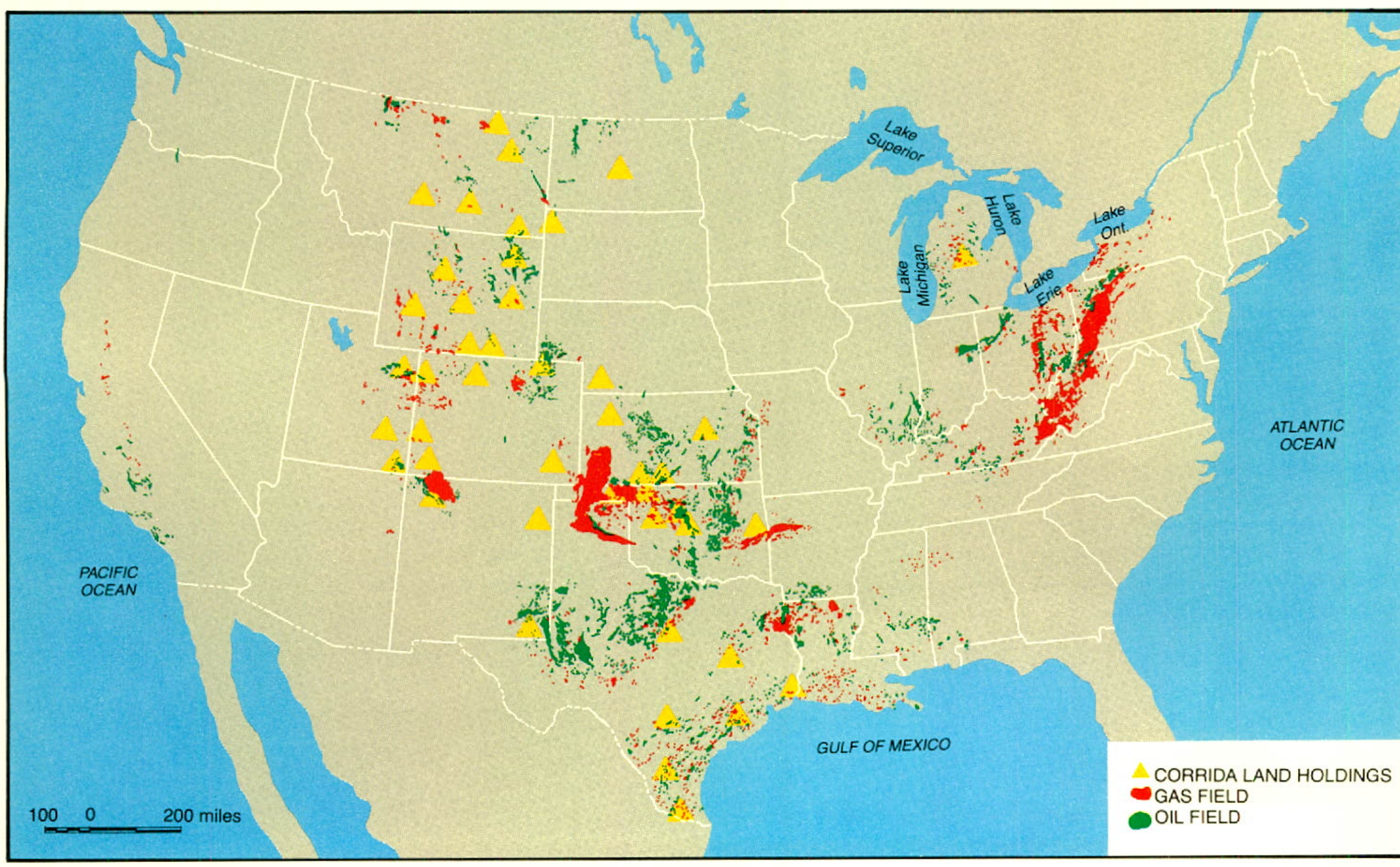
U.S. Operations

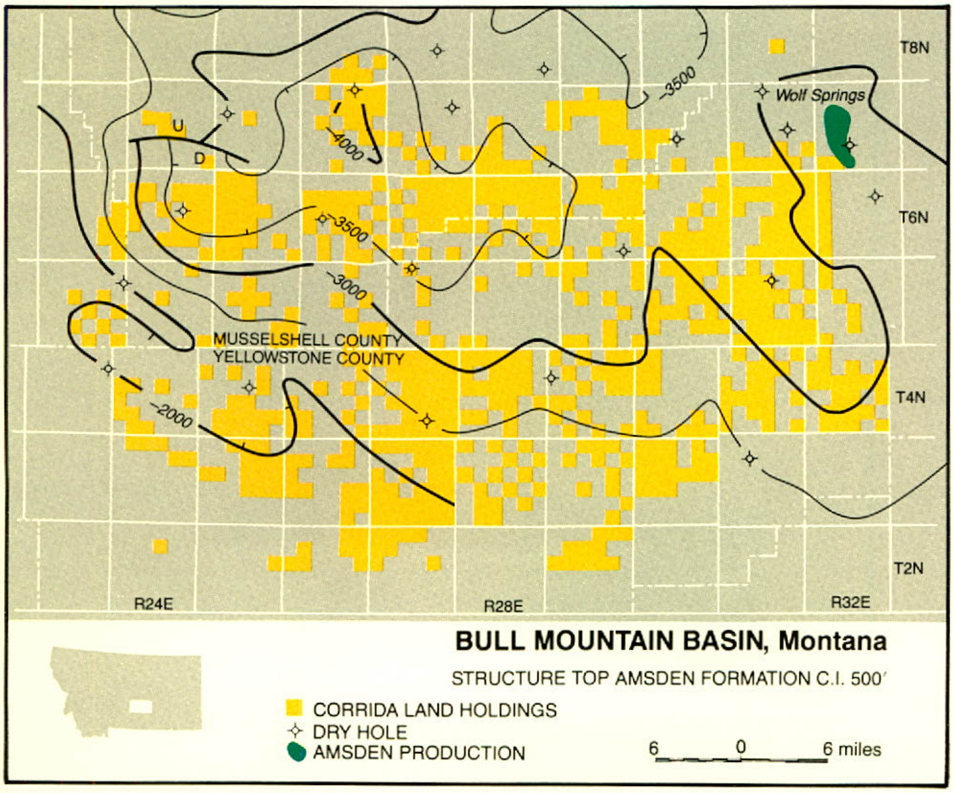
John W. Shepardson, Vice-President, Exploration - U.S.

On August 1, 1981, Corrida opened an office in Denver, Colorado, and by the end of the year the permanent facilities were housing ten experienced employees providing land, geological, engineering, and accounting services.

At December 31, 1981, Corrida owned 209,560 acres of undeveloped land in 15 states. During 1981, Corrida invested $8,600,000 in exploration and development and participated in the drilling of 74 wells of which 27 were successful. At the end of 1981, Corrida owned 19 oil wells and 4 gas wells. During December 1981, average oil and gas production was 304 barrels per day and 1,292 Mcf per day, respectively. Proved reserves owned at December 31, 1981, were 766,753 barrels of oil and 4,184 MMcf of gas.

At present, 87 percent of Corrida's production and reserves of oil are in Wyoming and 10 percent in Oklahoma; natural gas production and reserves are 60 percent in Oklahoma and 30 percent in Wyoming. During 1982, Corrida will continue to concentrate its development activities in Wyoming and Oklahoma. The main exploration effort will be in Texas where deep prospects for the Sligo Reef will be drilled, and several prospects in the Frio Trend will be tested. Other activity will also take place in the Williston and Permian basins. Corrida expects to participate in the drilling of about 50 exploratory and development wells in 1982.





Bull Mountain Basin, Montana

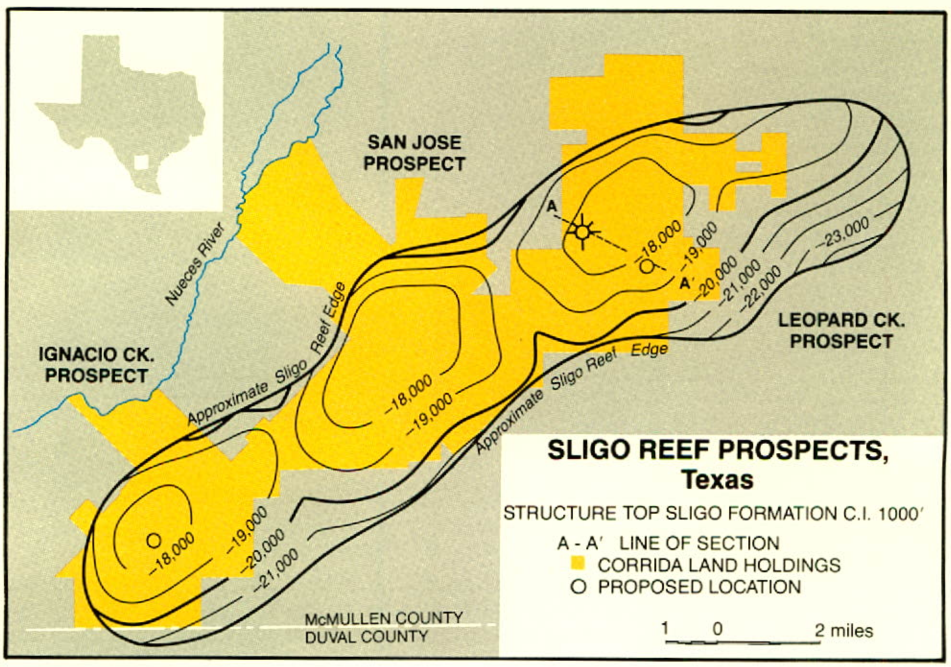
Corrida owns 60,625 acres in the relatively unexplored Bull Mountain Basin in central Montana. There is significant oil production from the Amsden formation (Pennsylvanian) on the northern and northeastern flanks of this basin, and shallow gas production from the Dakota formation (Lower Cretaceous) exists on the southern edge of the area. Productive potential from several horizons exists to depths of about 14,000 feet. Target horizons below 8,000 feet are known for their prolific production to the east, in the Williston Basin, and are considered promising in the Bull Mountain Basin.

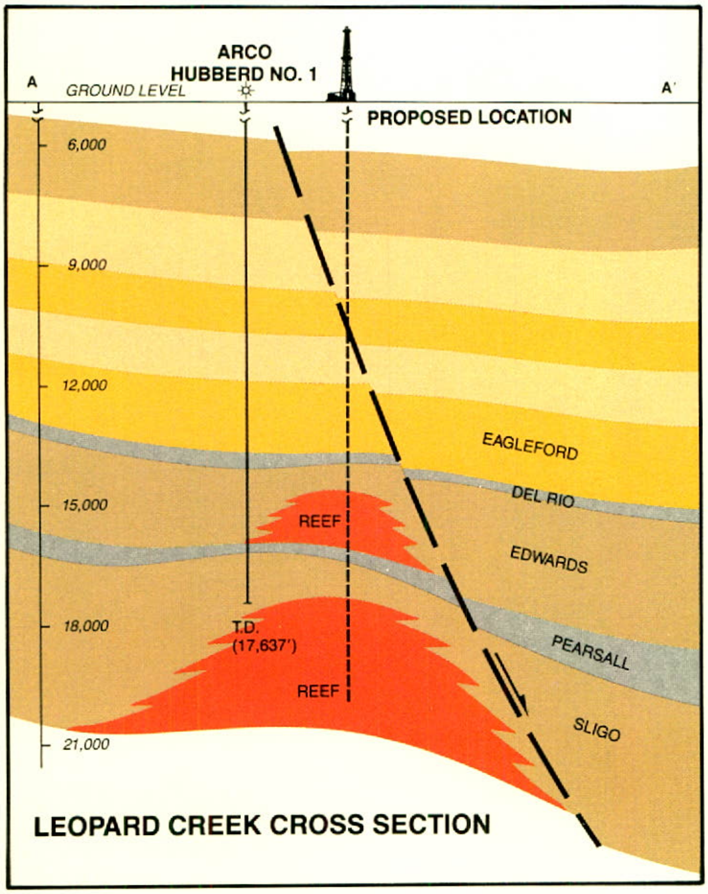
Fifteen wildcat wells were drilled in the initial phase of the exploratory project during 1980 and 1981, leading to identification of several areas of interest where further geological and geophysical studies will define new drilling locations. It is anticipated that ten exploratory wells per year will be drilled during the next three years on Corrida's Bull Mountain holdings.

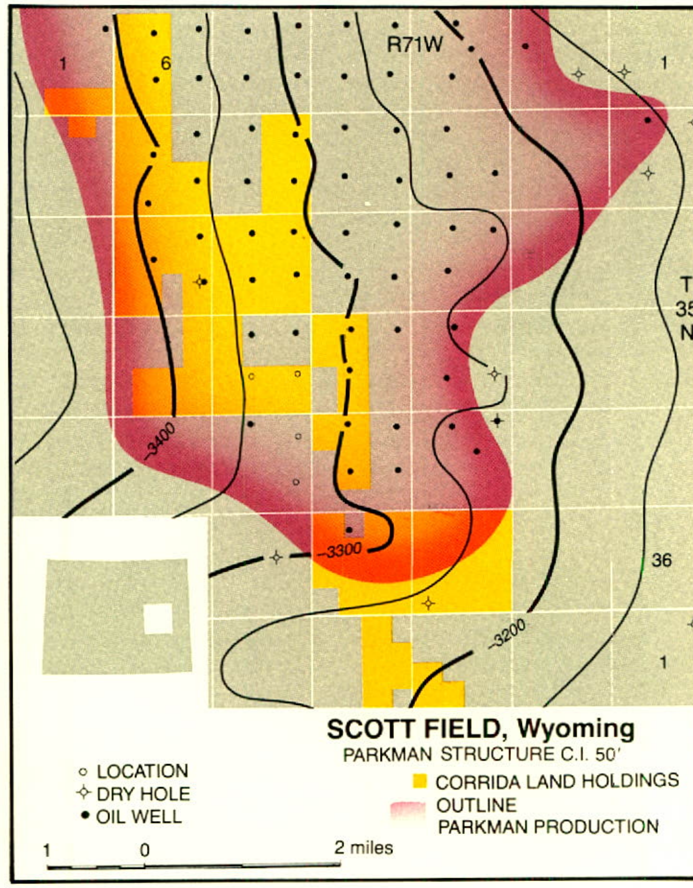
Sligo Reef Prospects, Texas

Corrida has acquired a 7.5 percent interest in three deep Sligo Reef gas prospects in south Texas, covering 30,000 acres. The Ignacio Creek and Leopard Creek prospects in McMullen County will each be drilled to 22,000 feet to test the Sligo Reef (Lower Cretaceous) development. Drilling should commence in the summer of 1982, and results are expected by the end of the year.

The 30,000-acre block of land lies along the Sligo regional reef trend where major gas reserves have been discovered in Mexico, Texas, and Louisiana. Both tests will be drilled on geologically and seismically defined locations, and both have shallower gas zones as secondary targets. Uncontrolled deep gas prices of $9.00 per Mcf, coupled with the potential for major Sligo Reef gas reserves, make these opportunities very attractive.







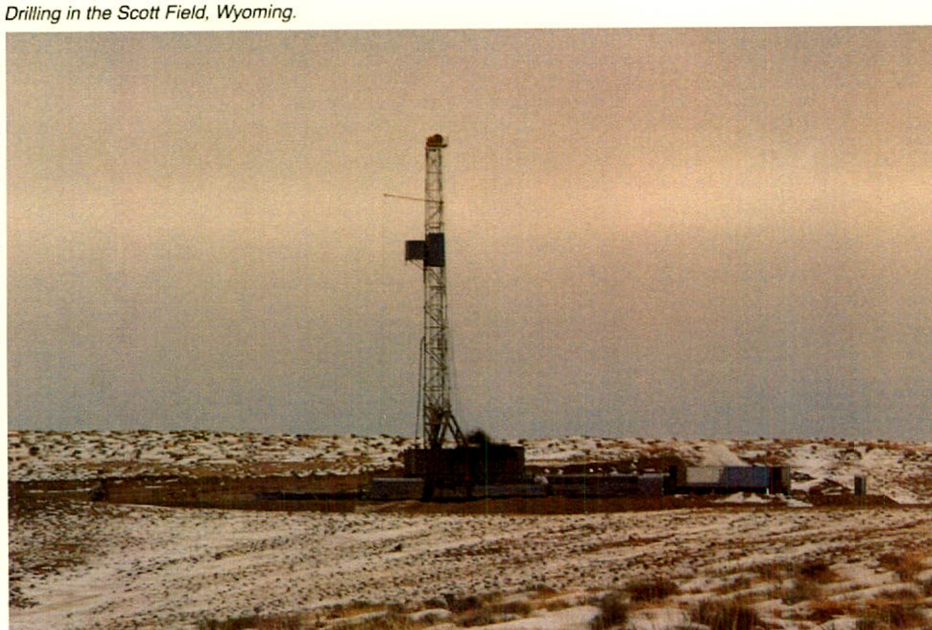
Scott Field, Wyoming

One third of Corrida's production and reserves are in the Parkman formation (Upper Cretaceous) in the Scott Field, Converse County, Wyoming.

During 1981, Corrida participated in five successful development wells which added 30,000 barrels of oil and 3 MMcf of gas to reserves.

Recent drilling by others in the southeastern and central portions of Scott Field has developed significant reserves in the shallower Teapot formation and deeper Sussex formation; elsewhere in the Scott Field, in-fill drilling success has encouraged other applications for increased density offsetting Corrida holdings.

Drilling in the Scott Field, Wyoming.



Wyoming / Montana

Corrida owns 49,442 acres of undeveloped land in Wyoming.

In the Laramie Basin, the Company owns 20,000 undeveloped acres on which a recent oil discovery from the Muddy formation (Lower Cretaceous) was announced in the James Lake area. The discovery well, owned 16.67 percent by Corrida, has been offset by a development well now being evaluated. Geological and geophysical data is under study to delineate drill sites for a five-well drilling program, which should further evaluate the block and earn additional leasehold.

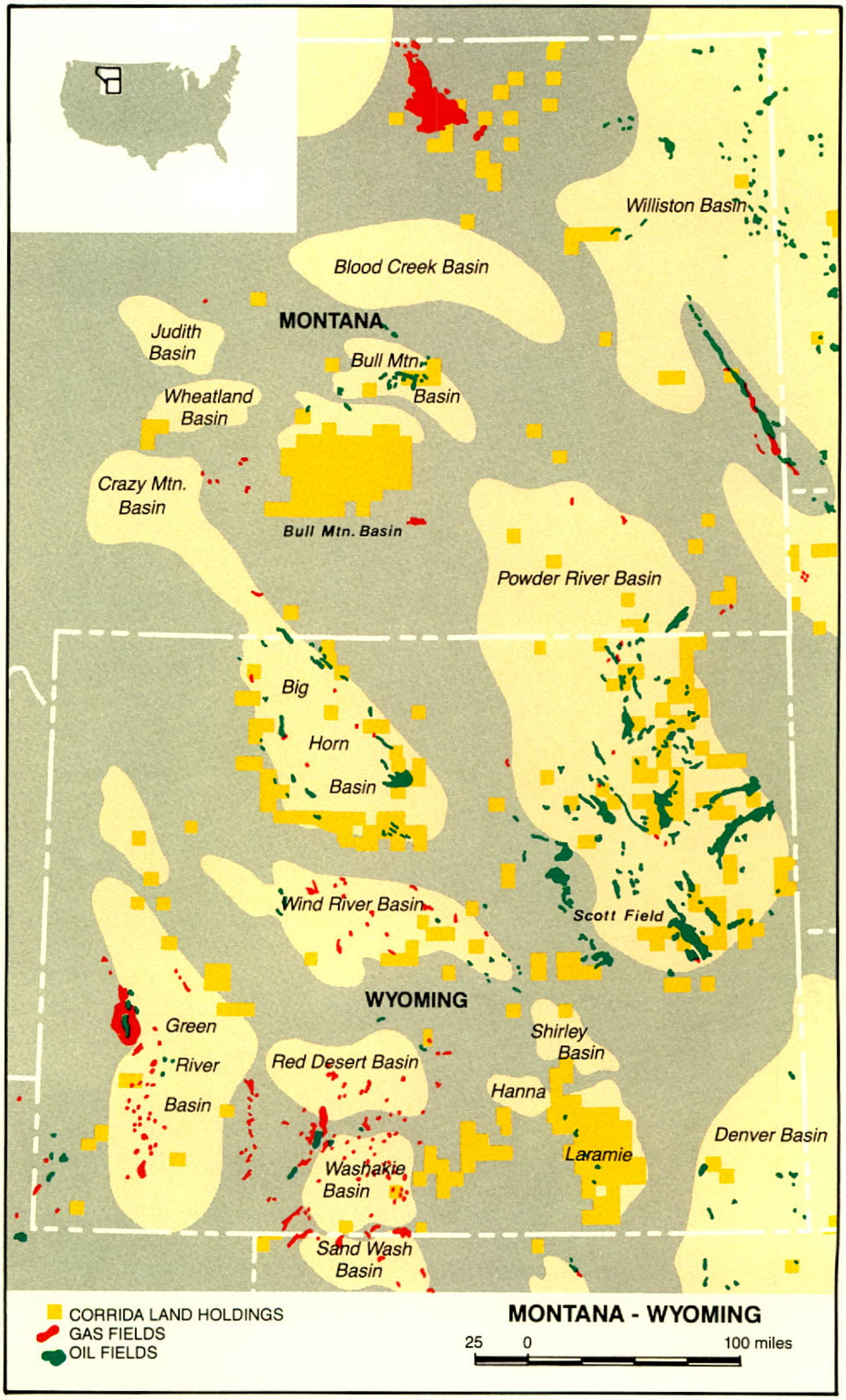
The Powder River Basin provides about 75 percent of Corrida's oil production. Here Corrida owns 8,700 undeveloped acres in 37 prospects. During 1981, 18 wells were drilled on or offsetting Corrida's Powder River acreage and similar activity is anticipated during 1982.

Corrida also has interests in two enhanced oil recovery projects in the Powder River Basin. The United States Geological Survey has approved the North Timber Creek Minnelusa Unit, Campbell County, where Corrida has a 12.4 percent equity in this polymer flood project. If the flood performs as expected, the current production of 180 barrels per day should increase to 400 barrels per day by December 1982. Corrida also has a four percent interest in the Simpson Ranch Unit, Campbell County, a successful polymer flood now recovering 215 barrels per day of secondary oil from the Minnelusa Sand.

In Montana, Corrida owns 73,517 acres of undeveloped land, the majority of which is in the Bull Mountain Basin.

John W. Shepardson

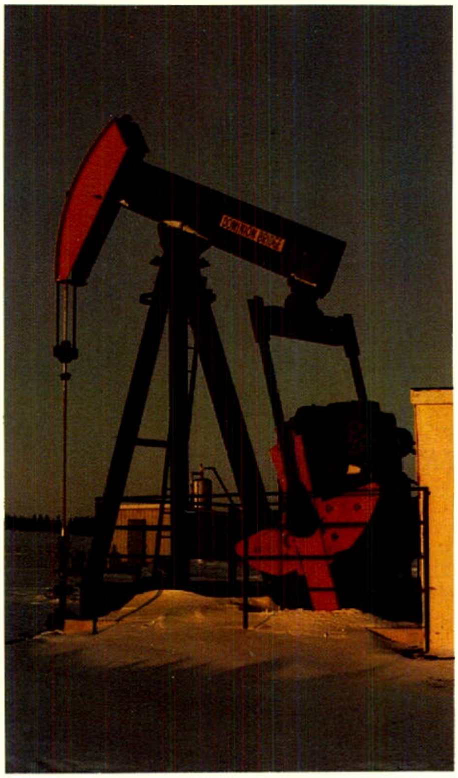
John W. Shepardson,
Vice-President, Exploration - U.S.



U.S. Statistics (1)

Undeveloped Land as of December 31, 1981 (2)

	Gross Acres	Net Acres	Appraised Value
California	800	176	$ 3,168
Colorado	45,316	9,882	770,796
Kansas	237,683	23,357	1,401,420
Louisiana	5,295	312	74,880
Michigan	166,880	3,546	531,900
Montana	765,448	73,517	6,616,530
Nebraska	73,843	9,231	609,246
Nevada	6,463	1,422	42,660
New Mexico	16,539	3,626	435,120
North Dakota	5,767	578	260,100
Oklahoma	48,710	2,496	1,497,600
South Dakota	9,505	2,129	38,322
Texas	178,355	24,800	2,976,000
Utah	22,210	5,046	302,760
Wyoming	371,203	49,442	4,153,128
	1,954,017	209,560	$19,713,630



Wells Drilled During 1981

	Oil Wells		Gas Wells		Dry Holes		Total Wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploratory	15	1.57	4	0.24	45	6.76	64	8.57
Development	6	1.30	2	0.31	2	0.36	10	1.97
	21	2.87	6	0.55	47	7.12	74	10.54

Productive Wells Owned at December 31, 1981

	Oil		Gas	
	Gross	Net	Gross	Net
Colorado	1	.05	—	—
Kansas	5	.13	—	—
Louisiana	—	—	2	.13
Montana	4	1.82	—	—
Oklahoma	33	3.20	21	1.67
Texas	9	.67	13	1.14
Wyoming	79	12.65	5	1.16
	131	18.52	41	4.10

Production During 1981 (3)

	Annual		Daily	
	Gross	Net	Gross	Net
Oil, barrels	61,128	46,994	167	129
Gas, Mcf	281,640	209,934	772	575

Reserves Remaining at December 31, 1981 (4)

	Proved Developed		Proved Undeveloped		Total		Discounted Present Value	
	Gross	Net	Gross	Net	Gross	Net	15%	20%
Oil, barrels	610,525	485,073	360,383	281,680	970,908	766,753	$14,950,235	$13,062,027
Gas, MMcf	4,608	3,295	1,177	889	5,785	4,184	6,760,910	5,906,935
							$21,711,145	$18,968,962

(1) Where applicable, includes Corrida's share, weighted for percent ownership and days owned, of all 1981 acquisitions.

(2) Appraised value by Meany & Johnson Energy Corp., Denver, independent oil and gas land services consultants, except for Kansas appraised by Corrida.

(3) These figures represent Corrida's U.S. production for less than six months prorated over the entire 1981 year; in December 1981, Corrida's U.S. production was 388 gross barrels per day (304 net barrels per day) and 1,707 gross Mcf per day (1,292 net Mcf per day).

(4) As appraised by Ralph E. Davis Associates, Inc., Houston, a member of the Keplinger group of companies, independent petroleum and natural gas consultants.

Share and Financial Data

Corrida Oils Ltd. began as Codiac Development Company, Limited in 1961, changed its named to MSZ Resources Ltd. in 1979, acquired Redcliffe Petroleum Corporation Ltd. in 1981, and will complete the acquisition of Liberty Petroleums Inc. on May 6, 1982.

The consolidation of Corrida's share capital on the basis of three to one was approved by the shareholders on January 15, 1982, and from February 8, 1982, the consolidated shares traded on The Toronto Stock Exchange.

Share Data	**1981**	**1980**
The Toronto Stock Exchange		
High	**$ 14.25**	$ 13.50
Low	**$ 4.80**	$ 6.00
Close	**$ 5.70**	$ 12.90
Volume	**2,212,000**	1,518,000
Value	**$19,954,000**	$13,876,000
Book value per share	**$ 4.57**	$ .36
Treasury issues for		
Cash		
Volume	**869,000**	1,502,000
Value	**$ 6,721,000**	$ 3,863,000
Oil and gas properties		
Volume	**2,375,000**	—
Value	**$25,368,000**	—

Warrants exercisable at $8.25 per share expired April 30, 1982, with 370 warrants having been exercised. Approval of The Toronto Stock Exchange to the listing of the Series B warrants, which are exercisable at $12.00 per share until November 20, 1982, is expected to be received in May 1982.

Shareholders with Canadian addresses own in excess of 90 percent of Corrida's issued and outstanding shares.

Financial Data	**1981**	**1980**
Revenue	**$ 3,704,000**	$ 249,000
Loss	**$ 5,543,000**	$2,747,000
Per share	**$ 1.54**	$ 1.08
Cash flow	**$ 299,000**	$ 232,000
Per share	**$ .08**	$ .09
Average shares outstanding	**3,601,000**	2,553,000
Total assets	**$72,836,000**	$2,431,000
Shareholders' equity	**$27,056,000**	$ 970,000

Consolidated Balance Sheet

	December 31 1981	December 31 1980
ASSETS		
CURRENT ASSETS		
Cash and term deposits	**$ 968,496**	$ 400,000
Accounts receivable		
From affiliated companies	**—**	312,440
Trade, including advances	**4,328,289**	1,065,210
Prepaid expenses	**246,706**	—
Current portion of notes receivable	**78,084**	—
	5,621,575	1,777,650
NOTES RECEIVABLE	**388,793**	—
PROPERTY AND EQUIPMENT, at cost (Notes 2, 3, 4 and 7)	**76,898,340**	4,262,128
Less accumulated depletion, depreciation and amortization	**10,072,316**	3,609,052
	66,826,024	653,076
	$72,836,392	$2,430,726
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Excess of cheques issued over bank balance	**$ —**	$ 654,932
Accounts payable and accrued	**8,526,143**	805,736
	8,526,143	1,460,668
DEFERRED REVENUE	**1,254,005**	—
LONG-TERM DEBT (Note 5)	**35,146,591**	—
MINORITY INTEREST IN SUBSIDIARY (Note 3)	**853,658**	—
SHAREHOLDERS' EQUITY		
Share capital (Note 6)		
Authorized		
50,000,000 common shares without nominal or par value. Issued and outstanding 5,923,906 shares (1980 - 2,678,999)	**35,903,525**	4,274,907
Deficit	**8,847,530**	3,304,849
	27,055,995	970,058
COMMITMENTS AND CONTINGENCIES (Notes 3 and 9)		
	$72,836,392	$2,430,726

APPROVED BY THE BOARD

J. Richard Harris, Director

Ralph A. McKenzie, Director

Consolidated Statement of Operations

	Year Ended December 31	
	1981	1980
REVENUE		
Oil and gas sales	**$ 3,496,639**	$ 6,303
Interest	**207,840**	243,033
	3,704,479	249,336
EXPENSES		
Royalties and production taxes (Note 7)	**1,152,292**	3,150
Operating	**538,446**	—
General and administrative	**378,766**	14,017
Interest on long-term debt (Notes 3 and 5)	**2,470,845**	—
Depletion	**1,562,500**	—
Additional depletion (Note 2)	**3,197,998**	2,978,660
Depreciation and amortization	**145,385**	150
	9,446,232	2,995,977
Loss before income taxes and minority interest	**5,741,753**	2,746,641
Provision for income taxes (Note 7)		
Alberta royalty tax credit	**(188,372)**	—
	5,553,381	2,746,641
Minority interest in subsidiary's loss	**10,700**	—
LOSS FOR THE YEAR	**$ 5,542,681**	$ 2,746,641
Loss per share	**$ 1.54**	$ 1.08

Consolidated Statement of Deficit

	Year Ended December 31	
	1981	1980
DEFICIT AT BEGINNING OF YEAR		
As previously reported	**$ 1,417,065**	$ 47,013
Adjustment for retroactive change in method of accounting (Note 2)	**1,887,784**	511,195
As restated	**3,304,849**	558,208
LOSS FOR THE YEAR	**5,542,681**	2,746,641
DEFICIT AT END OF YEAR	**$ 8,847,530**	$ 3,304,849

Consolidated Statement of Changes in Financial Position

	Year Ended December 31	
	1981	1980
SOURCE OF WORKING CAPITAL		
From operations		
Loss for the year	**$(5,542,681)**	$(2,746,641)
Add charges not requiring an outlay of working capital (Note 5)	**5,841,551**	2,978,810
	298,870	232,169
Share capital issued, net of issue expenses	**31,628,618**	3,670,907
Long-term debt issued	**28,059,292**	—
Prepayment for future gas production	**352,228**	—
	60,339,008	3,903,076
APPLICATION OF WORKING CAPITAL		
Acquisitions less working capital acquired (Note 3)	**51,331,536**	—
Additions to oil and gas properties and equipment	**11,593,031**	3,473,022
Repayment of long-term debt	**635,991**	—
	63,560,558	3,473,022
INCREASE (DECREASE) IN WORKING CAPITAL	**(3,221,550)**	430,054
Working capital (deficiency) at beginning of year	**316,982**	(113,072)
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR (Note 5)	**$(2,904,568)**	$ 316,982

Auditors' Report

To the Shareholders of Corrida Oils Ltd.

We have examined the consolidated balance sheet of Corrida Oils Ltd. (formerly MSZ Resources Ltd.) as at December 31, 1981, and the consolidated statements of operations, 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, 1981, 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, after giving retroactive effect to the change in the method of accounting for oil and gas operations as explained in Note 2 to the consolidated financial statements, on a consistent basis.

Calgary, Alberta
February 22, 1982
except as to Note 5(ii) as
to which the date is April 14, 1982

Price Waterhouse
Chartered Accountants

Notes to Consolidated Financial Statements

As at December 31, 1981

1. Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of Corrida Oils Ltd., its wholly-owned subsidiaries, Corrida Oils Inc. and Redcliffe Petroleum Corporation Ltd., as well as the accounts of Liberty Petroleums Inc. which, at December 31, 1981, was 88 percent owned by Corrida.

Translation of foreign currencies

Current assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and noncurrent assets and liabilities are translated at historical rates. Operations are translated at average rates except for depletion, depreciation, and amortization, which are translated at historical rates. Resulting gains or losses are included in operations.

Earnings per share

Earnings per share are calculated using the weighted average number of common shares outstanding during the period.

Oil and gas operations

Corrida follows the full cost method of accounting under which all costs related to the exploration for and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, rentals on undeveloped properties, costs of drilling both productive and non-productive wells, and interest on long-term debt incurred in connection with the acquisition and development of individually significant oil and gas properties and equipment as well as overhead directly related to exploration and development activities. Proceeds on property sales are generally credited to such costs.

Costs are capitalized on the basis of one North American cost centre and are depleted using the composite unit-of-production method based on estimated proved oil and gas reserves as determined by independent petroleum engineers. Additional depletion is provided if resulting net book values exceed the aggregate of (i) the estimated realizable value based upon reports from independent petroleum engineers of unescalated, undiscounted future income from proved oil and gas reserves, before deduction of income taxes and recognition of Alberta royalty tax credits, and (ii) the aggregate value of undeveloped acreage estimated by management, having regard to available independent reports as to such values. Government grants receivable under the Petroleum Incentives Program, in respect of eligible oil and gas expenditures incurred after January 1, 1981, were not included in the evaluation reports of the independent petroleum engineers.

Oil and gas equipment is depreciated using the composite unit-of-production method. Other capital assets are depreciated at rates estimated to amortize costs over the useful lives of the assets.

Joint venture accounting

Substantially all of Corrida's exploration and development activities are conducted jointly with others; the consolidated financial statements reflect Corrida's proportionate interest in such activities.

2. Change in Accounting

During July 1981, Corrida retroactively adopted the full cost method of accounting for its oil and gas operations as described in Note 1. Corrida had previously followed a form of successful efforts accounting whereby certain exploration costs were written off. Under the full cost method, these and other costs were capitalized and depleted from commencement of oil and gas operations in late 1979. Additional depletion of $3,197,998 was provided as of July 1, 1981, equal to the excess of the resulting net book values, determined under the full cost method, over the estimated realizable values of the reserves and non-producing acreage at that time. The following table summarizes the effect of the foregoing:

	1981	1980
Oil and gas properties and equipment		
As restated	$ 66,826,024	$ 653,076
Previous method	$ 64,954,603	$ 2,540,860
Deficit		
As restated	$ 8,847,530	$ 3,304,849
Previous method	$ 10,718,951	$ 1,417,065
Loss		
As restated	$ 5,542,681	$ 2,746,641
Previous method	$ 9,301,887	$ 1,370,052
Loss per share		
As restated	$ 1.54	$ 1.08
Previous method	$ 2.58	$ 0.72

3. Acquisitions

Corrida made the following acquisitions during 1981:

Date	Vendor	Total Cost	Consideration	Shares Number	Shares Ascribed Value Per Share
(i) Oil and gas properties					
July 1	Masek	$27,548,358	Cash and deferred payment	—	—
Nov. and Dec.	Joint venture partners of Redcliffe	1,216,523	Common shares	146,404	$ 8.31
		28,764,881			
(ii) Shares of subsidiaries					
July 21	Redcliffe shareholders	6,713,853	Common shares	692,490	9.70
Nov. 12	Liberty shareholders	14,940,320	Common shares and Series "B" warrants	1,258,662	11.87
(iii) Partnership interests in 1979 and 1980 Redcliffe Funds					
Dec. 31	Limited partners	2,497,075	Common shares	277,918	8.98
		24,151,248			
		$52,916,129		2,375,474	

Effective July 1, 1981, Corrida purchased certain producing oil and gas properties and undeveloped acreage in the United States from Masek Oil Company of Casper, Wyoming ("Masek"), at a total cost, including related acquisition costs, of $27,548,358. In addition to these costs, there may be additional payments totalling a maximum of U.S. $2,985,000, if secondary recovery projects on two oil producing properties are commenced and if such projects result in a specified increase in recoverable oil from such properties. Of this amount maximums of U.S. $1,279,000 and U.S. $1,706,000 may be due to Masek by July 1, 1985, and July 1, 1989, respectively, with interest at New York bank prime rates from and after the respective due dates. The acquisition was financed by loans from a Canadian chartered bank totalling U.S. $15,000,000 and a non-interest bearing deferred payment not exceeding U.S. $9,524,000 payable to Masek on March 31, 1982 (Note 5). Bank interest capitalized during the six months ended December 31, 1981, relating to the acquisition of undeveloped acreage from Masek amounted to approximately $382,000.

During late November and early December 1981, Corrida acquired, effective July 1, 1981, certain of the oil and gas properties of former joint venture partners of Redcliffe in exchange for 146,404 shares of Corrida.

On July 21, 1981, Corrida acquired all of the outstanding shares of Redcliffe, a private Alberta oil and gas exploration company, in exchange for 692,490 common shares of Corrida on the basis of 5.73 Redcliffe shares for each Corrida share.

On August 26, 1981, Liberty Petroleums Inc., a public British Columbia oil and gas exploration company on the Vancouver Stock Exchange, announced that certain major Liberty shareholders had reached agreement in principle with Corrida to tender in excess of 2,100,000 shares of Liberty, or approximately 38 percent of its issued and outstanding shares, to Corrida on the basis of one-fourth of a Corrida common share plus a Series "B" warrant to purchase one-sixth of an additional Corrida share for each Liberty share outstanding. Six such warrants entitle the holder to purchase one share of Corrida for $12.00 until November 20, 1982. Corrida made the same offer to all Liberty shareholders on October 15, 1981, and, since in excess of 51 percent of the Liberty shares were tendered by November 12, 1981, the offer was extended to February 15, 1982. Up to December 31, 1981, Corrida had taken up and paid for 88 percent of the Liberty shares issued and outstanding as of that date and for a related finder's fee by the issuance or allotment of 1,258,662 Corrida common shares and Series "B" warrants to purchase an additional 834,346 common shares. The consolidated financial statements include Liberty's results of operations for the period from November 12, 1981, to December 31, 1981, based upon Corrida's weighted average ownership of 82.1 percent during this period. By the close of the offer on February 15, 1982, approximately 91 percent of the Liberty shares were tendered to Corrida, thereby giving Corrida the right to acquire the remaining issued and outstanding Liberty shares on the same basis as in its offer, providing the court does not order otherwise. Corrida intends to exercise this right and, to issue, in payment for the Liberty shares and the balance of the related finder's fee, an additional 184,226 Corrida shares and Series "B" warrants to purchase an additional 122,024 shares. This would result in elimination of the minority interest in Liberty's net assets and in an increase of Corrida's investment in oil and gas properties and equipment of $1,333,105.

By agreement made as of July 1, 1981, with the limited partners of the Redcliffe 1979 and 1980 Funds, Corrida agreed to acquire all of their partnership interests in exchange for 277,918 Corrida common shares. Although the effective date of the transfers of the partnership interests, executed in early November 1981, was January 1, 1982, Corrida has included the acquisition, effective December 31, 1981, in the consolidated financial statements.

Having regard to the significant decline in recent months in quoted stock market values, to the decline in the quoted market value of Corrida's shares between the effective and closing dates of the agreements relating to the above acquisitions, to the size of the blocks of the shares issued by Corrida for these acquisitions, and to the fact that acquisition of shares or partnership interests does not provide the purchaser with tax-deductible costs equal to the price paid for such shares or interests, the values ascribed above to these acquisitions are based upon the aggregate value, estimated as of the effective dates of acquisition, of the net recoverable proved and probable oil and gas reserves and of the undeveloped acreage, adjusted where appropriate for net operating revenues received and capital expenditures paid during the periods from the effective dates to the closing dates of the acquisitions. The estimated values of the reserves were based upon reports of independent petroleum engineers of discounted future income therefrom, net of discounted future income taxes estimated by management, and upon the discounted future value of the related Alberta royalty tax credit, also estimated by management. The estimated values of the undeveloped acreage acquired were determined by management.

Details of the Redcliffe, Liberty, and Redcliffe 1979 and 1980 Funds acquisitions, which were accounted for by the purchase method, are as follows:

	Redcliffe	Liberty	Redcliffe Funds	Total
Net book value of oil and gas properties and equipment	$4,223,814	$12,267,338	$2,319,618	$18,810,770
Working capital	180,589	1,226,547	177,457	1,584,593
Notes receivable	—	388,793	—	388,793
Minority interest	—	(864,358)	—	(864,358)
Deferred revenue	—	(901,777)	—	(901,777)
Long-term debt assumed	(999,000)	(5,777,922)	—	(6,776,922)
Net assets acquired	3,405,403	6,338,621	2,497,075	12,241,099
Excess of ascribed acquisition value over book value of net assets acquired, allocated to oil and gas properties and equipment	3,308,450	8,601,699	—	11,910,149
Total cost of acquisition	$6,713,853	$14,940,320	$2,497,075	$24,151,248

4. Property and Equipment

	December 31			
	1981		1980	
	Cost	Net Book Value	Cost	Net Book Value
Oil and gas properties				
Canada	$22,512,144	$18,553,590	$2,274,488	$351,252
United States	54,006,424	47,926,907	1,987,640	301,824
Other capital assets	379,772	345,527	—	—
	$76,898,340	$66,826,024	$4,262,128	$653,076

5. Long-Term Debt

Bank loan U.S. $5,000,000 repayable over 8 years in quarterly installments of U.S. $156,250 commencing October 1, 1983	$ 6,012,500
Bank production loan U.S. $9,500,000 repayable over 10 years in quarterly installments of U.S. $237,500 commencing July 31, 1983	11,418,240
Bank production loan U.S. $1,963,000 repayable over 10 years in quarterly installments of U.S. $49,075 commencing July 31, 1983	2,327,922
Deferred payment due to Masek of U.S. $9,130,310, due on March 31, 1982, including imputed interest to December 31, 1981, of U.S. $787,379	10,973,929
Bank production loan revolving to a maximum of $3,700,000 until April 22, 1982, and thereafter repayable over 10 years in quarterly installments of $86,250 commencing July 31, 1983	3,450,000
Bank loan evidenced by demand notes	964,000
	$35,146,591

(i) The bank loans are secured by the general assignment of certain book debts and by oil and gas properties and bear interest, which approximated 19.9 percent on a weighted average basis during 1981 and 17.4 percent as at December 31, 1981, at spreads over prevailing bank prime or London interbank offered rates ranging from ½ to 1⅛ percent. The deferred payment due to Masek on March 31, 1982, is non-interest bearing and was secured by a letter of credit issued by Corrida's principal banker which is guaranteed by Corrida's principal shareholder, HCI Holdings Ltd. ("HCI"). Interest of $946,368 (U.S. $787,379) was imputed on this debt for the period from acquisition of the properties on July 1, 1981, to December 31, 1981, at the rate of 18⅞ percent per annum. Additional imputed interest of $473,186 (U.S. $393,690) until maturity of this debt on March 31, 1982, will be reflected in Corrida's financial statements for the quarter ending on that date. Corrida has the right to fund a portion of this debt of U.S. $9,524,000 from proceeds of a private placement of common shares with HCI. If Corrida is unable to fund the balance of this debt by other means, Corrida has the right to fund such balance from the proceeds of the issue of a convertible debenture to HCI (Note 6). In January 1982, Corrida reached agreement with its principal banker to increase the long-term lines of credit of Corrida and its subsidiaries by approximately $7,000,000. A portion of these funds will be used to retire the bank loan evidenced by demand notes. The arrangements with the bank include a one-year grace period until April 22, 1983, on quarterly repayments of the production loans and provision for extension of the grace period for another year if the bank is satisfied with the updated independent engineering evaluations of Corrida's producing properties and with its cash flow projections. The aggregate repayments required on long-term debt, exclusive of the deferred payment due March 31, 1982, in each of the next five years are: 1982 - nil, 1983 - $1,095,899, 1984 -$2,567,580, 1985 -$2,567,580 and 1986 - $2,567,580.

(ii) On April 14, 1982, arrangements were made to refinance the deferred payment to Masek of U.S. $9,524,000; U.S. $3,524,000 was paid on that date with the balance being due in six equal monthly installments of U.S. $1,000,000 together with interest at the U.S. prime rate plus ¾ percent, not to exceed 20 percent. The U.S. $3,524,000 payment was financed by Corrida's principal banker and the balance of U.S. $6,000,000 is secured by a letter of credit issued by the bank. The loan and letter of credit are guaranteed by HCI. The bank has the right to require that the loan and any advances under the letter of credit be on a demand basis. The bank has indicated it has no present intention to demand payment with respect to these obligations, and negotiations have commenced between Corrida and the bank to arrange for this debt to be converted to a term loan. Accordingly, no portion of this debt has been included in current liabilities.

6. Share Capital

By supplementary letters patent dated October 6, 1981, Corrida increased its authorized share capital from 15,000,000 to 50,000,000 common shares without nominal or par value. By supplementary letters dated January 19, 1982, Corrida changed its name from MSZ Resources Ltd. to Corrida Oils Ltd., consolidated its authorized and issued shares on the basis of three MSZ for one Corrida share, transferred or continued its jurisdiction from New Brunswick to Alberta, and increased its authorized share capital from 16,666,667 to 50,000,000 common shares of Corrida without nominal or par value. The volumes and prices of Corrida shares and warrants appearing in the consolidated financial statements are adjusted to reflect the consolidation of shares.

	Number of shares	Amount Per Share	Amount Total
Corrida issued the following shares during 1981:			
Rights issue of common shares and warrants expiring April 30, 1982, for cash	535,800	$ 7.50	$ 4,018,500
For all issued and outstanding shares of Redcliffe as at July 21, 1981 (Note 3)	692,490	9.70	6,713,853
Private placement to TRL as at September 30, 1981, for cash	333,333	8.10	2,700,000
For assets of former joint venture partners of Redcliffe (Note 3)	146,404	8.31	1,216,523
For Liberty shares tendered from October 15, 1981, to December 31, 1981 (Note 3)	1,230,076	11.87	14,601,004
For finder's fee relating to Liberty acquisition (Note 3)	28,586	11.87	339,316
On exercise of warrants maturing April 30, 1982	300	8.25	2,475
For partnership interests of the Redcliffe 1979 and 1980 Funds (Note 3)	277,918	8.98	2,497,075
	3,244,907	$ 9.89	$32,088,746

Share issue expenses during 1981 of $460,128 are not reflected above.

	Expiry Date	Number of Shares	Amount Per Share	Amount Total
As at December 31, 1981, Corrida had reserved for issuance, subject in certain instances to filing requirements of regulatory authorities and to completion of agreements, the following securities:				
For acquisition of balance of Liberty shares and related finder's fee (Note 3)	May 4, 1982	184,226	$11.87	$ 2,186,763
For warrants from rights issue	Apr. 30, 1982	535,500	8.25	4,417,875
For Series "B" warrants, assuming acquisition of 100 percent of Liberty shares	Nov. 20, 1982	956,370	12.00	11,476,440
Contingent issue of convertible debenture to HCI	Mar. 31, 1984	699,181	10.05	7,026,765
For Series "D" warrants for HCI's guarantee	June 30, 1984	116,667	10.05	1,172,500
For Series "C" warrants, to TRL assuming one-third exercised annually until expiry	Oct. 1 1984	333,333	9.00 to 10.80	3,300,000
For employees' stock options	1986	50,333	3.87 to 7.05	258,640
For executive stock purchases	1986	625,000	6.00 to 9.15	4,903,750
		3,500,610	$ 9.92	$34,742,733

Corrida made a rights issue on April 8, 1981, entitling its shareholders to purchase one share at $7.50 and to exercise until April 30, 1982, a warrant to purchase an additional share at $8.25 per share for each share held. The issue was fully subscribed by May 8, 1981, and Corrida issued 535,800 shares for an aggregate cash consideration of $4,018,500. To December 31, 1981, 300 of the warrants were exercised.

Pursuant to an agreement dated September 30, 1981, T.R.L. Investments Limited, a private Ontario company ("TRL"), acquired 333,333 common shares of Corrida for an aggregate consideration of $2,700,000 and warrants entitling TRL to purchase an additional 333,333 shares up to October 1, 1984, at prices varying from $9.00 to $10.80 per share.

In consideration for HCI guaranteeing, with effect from July 1, 1981, the letter of credit securing payment by Corrida of a deferred payment not exceeding U.S. $9,524,000 which was due to Masek on March 31, 1982, (Note 5), Corrida issued to HCI warrants to purchase 116,667 shares of Corrida exercisable at $10.05 per share until June 30, 1984. HCI has given to Corrida the right to fund a portion of the deferred payment on its due date by issuing to HCI a convertible debenture in a maximum amount of approximately $7,027,000, if Corrida is unable to provide these funds by other means. Subject to the consent of Corrida's principal banker, the debenture would be secured by a floating charge on all of Corrida's assets and would have a term of two years. The debenture would also have a coupon equal to HCI's cost of bank borrowings, a redemption feature allowing prepayment on ten days' notice without penalty, and a conversion privilege permitting HCI to convert the debenture into treasury stock of Corrida at $10.05 per share at the rate of one-twenty-fourth of the face amount for each month that Corrida declines to redeem the principal amount. To fund the balance of the deferred payment, HCI has undertaken, in the event that Corrida's warrants maturing April 30, 1982, are not fully exercised by their holders and the planned proceeds therefrom of $4,420,350 are not fully realized, to purchase, on a private placement basis subject to the approval of the regulatory authorities, sufficient shares of Corrida, at a price based upon their market value at the time, to guarantee the receipt by Corrida of the amount of funds it would have received had the warrants been fully exercised.

Corrida implemented an Employee Stock Option Plan during the year and to December 31, 1981, granted, to officers and employees of Corrida and its subsidiaries, options to purchase 35,667 common shares exercisable for five years from the dates of grants at prices determined at the date of grant ranging from $5.13 to $7.05 per share. Corrida granted additional options to purchase 14,666 shares at prices ranging from $3.87 to $4.56 per share on January 20, 1982, and 68,500 shares at prices ranging from $1.66 to $1.95 per share on April 7, 1982.

Corrida agreed with its senior officers and obtained in June 1981 and October 1981 the approval of the regulatory authorities (subject to their approval of a share purchase plan, a draft of which was filed with them), to issue pursuant to the plan 458,333 and 166,667 common shares, respectively, to the senior officers for an aggregate consideration of $4,903,750. A major benefit of the plan is the provision by Corrida of interest-free, five-year loans to enable the participants to purchase the shares. Under present tax legislation this benefit is not taxable. A proposed tax change in the budget announced by the Federal Government on November 12, 1981, which would impute interest at prevailing rates on such loans, would, if approved by Parliament, nullify this benefit. Corrida intends to implement the plan, if it is approved by the regulatory authorities, and if the proposed tax change is modified so that the benefit is not nullified. No interest-free loans have been made and no shares have been issued pursuant to the plan.

Corrida acquired the right, as a condition of the agreement with certain major Liberty shareholders (Note 3), to require the brokerage firm, which in the past underwrote issues of Liberty shares and warrants, to firmly underwrite an offer no later than December 31, 1982, of Corrida shares to the public sufficient to provide $1,752,500 in cash. Based upon the closing quoted market price of a Corrida share of $1.90 on April 14, 1982, this would result in the issuance of an additional 922,400 shares.

7. Income Taxes

Corrida has accumulated losses for accounting purposes of approximately $7,345,000 which are available for offset against future accounting income when determining provisions for income taxes. Assuming an effective income tax rate of approximately 50 percent, this represents an unrecorded potential tax benefit of approximately $3,600,000 which, when recognized, would be reflected in the consolidated financial statements as extraordinary items reducing provisions for deferred income taxes. Corrida has accumulated losses for income tax purposes of approximately $12,400,000, resulting primarily from the expensing of intangible drilling costs incurred in the United States; these accumulated losses expire as follows:

1984	$ 34,000
1985	297,000
1986	438,000
1994 (United States)	110,000
1995 (United States)	2,755,000
1996 (United States)	8,761,000
	$12,395,000

In addition, Corrida has unclaimed costs for income tax purposes of approximately $13,933,000 and $33,314,000 in respect of its Canadian and United States operations, respectively.

Included in property and equipment are costs of acquisition amounting to approximately $14,530,000 as at December 31, 1981, represented primarily by the excess of the ascribed value over the historial cost of net assets acquired on the acquisition of shares in Redcliffe and Liberty and of partnership interests in the Redcliffe Funds (Note 3). This excess and the related annual depletion charges are not deductible for income tax purposes. Accordingly, effective income tax rates in periods subsequent to the acquisition dates of these assets will reflect higher tax provisions than otherwise would be required if the net assets were acquired directly.

Canadian Petroleum and Gas Revenue Tax and United States Windfall Profit Tax are considered to be taxes on production.

8. Related Party Transactions

In addition to the issues and reservation of Corrida's securities referred to in Note 6, Corrida has had other transactions with related parties.

Over a period of approximately three months terminating in early May 1981, HCI loaned approximately $1,200,000 to Corrida with interest at the prime bank rate plus 2 percent. Corrida repaid the loans out of proceeds from its rights issue which concluded May 8, 1981.

Pursuant to arrangements made with HCI in 1980, Corrida paid $774,781 in August 1981 to HCI in respect of six oil and gas properties in various states in the United States. The amount paid represented advances made by HCI on behalf of Corrida, together with interest thereon at the prime rate of a major Canadian bank plus two percent.

Corrida participates in oil and gas projects with companies in which Andrew Sarlos, J.P.S. Mackenzie, and Barry Zukerman are directors or officers.

9. Commitments and Contingencies

Corrida has annual commitments (before reductions for anticipated sub-leases) for office space in Calgary and Denver of approximately $287,000, $914,000, $1,029,000, $957,000, and $898,000 for the five years ending December 31, 1986.

Corrida has commenced computing its Canadian Ownership Rate and the grants under the Petroleum Incentives Program which will be receivable with effect from January 1, 1981, once the applicable legislation is implemented. No recognition is given in the consolidated financial statements to the grants receivable, which are estimated by management to be approximately $400,000.

10. Segmented Information

	Revenue		Loss		Assets	
	1981	**1980**	**1981**	**1980**	**1981**	**1980**
Geographic Areas:						
Canada	$1,118,290	$249,336	$(1,168,356)	$(1,056,295)	$22,304,788	$1,066,139
United States	2,586,189	—	(4,374,325)	(1,690,346)	50,531,604	1,364,587
	$3,704,479	$249,336	$(5,542,681)	$(2,746,641)	$72,836,392	$2,430,726

The loss for 1981 is after providing for additional depletion as of July 1, 1981 (Note 2), of $353,676 for Canadian operations and $2,844,322 for operations in the United States.

Consolidated Statistics (1)

Undeveloped Land as of December 31, 1981 (2)

	Gross Acres	Net Acres	Appraised Value
Canada	382,555	49,123	$ 4,182,792
United States	1,954,017	209,560	19,713,630
	2,336,572	258,683	$23,896,422

Wells Drilled During 1981

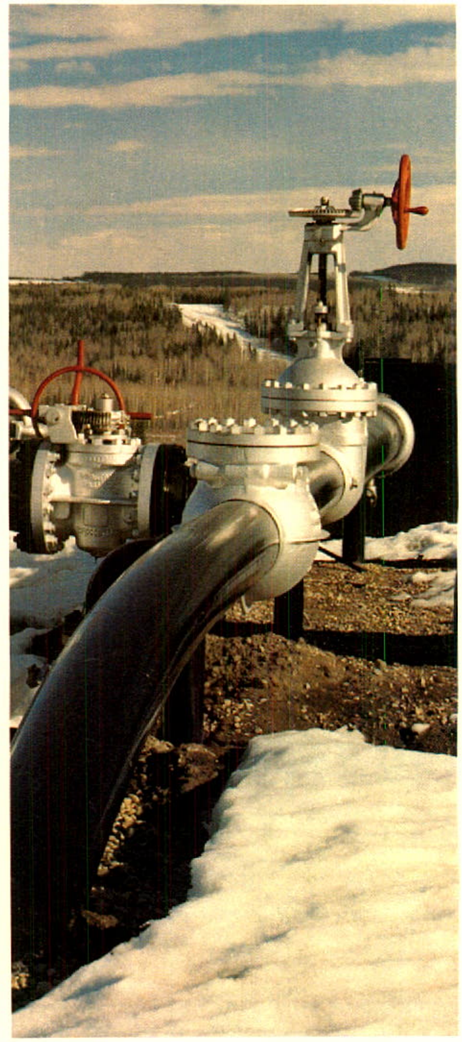
	Oil Wells		Gas Wells		Dry Holes		Total Wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Canada	2	0.39	9	0.88	8	2.25	19	3.52
United States	21	2.87	6	0.55	47	7.12	74	10.54
	23	3.26	15	1.43	55	9.37	93	14.06

Productive Wells Owned at December 31, 1981

	Oil Wells		Gas Wells	
	Gross	Net	Gross	Net
Canada	30	3.14	72	9.32
United States	131	18.52	41	4.10
	161	21.66	113	13.42

Production During 1981 (3)

		Annual		Daily	
		Gross	Net	Gross	Net
Canada	- Oil, barrels	29,123	18,174	80	50
	Gas, Mcf	182,451	102,173	500	280
United States	- Oil, barrels	61,128	46,994	167	129
	Gas, Mcf	281,640	209,934	772	575
Total	- Oil, barrels	90,251	65,168	247	179
	Gas, Mcf	464,091	312,107	1,272	855



Reserves Remaining at December 31, 1981 (4)

		Proved		Probable		Total		Discounted Present Value	
		Gross	Net	Gross	Net	Gross	Net	15%	20%
Canada	- Oil, barrels	1,484,820	805,687	472,048	306,362	1,956,868	1,112,049	$ 9,268,366	$ 6,807,369
	Gas, MMcf	18,147	10,787	6,235	3,669	24,382	14,456	14,613,781	10,733,436
United States	- Oil, barrels	970,908	766,753	—	—	970,908	766,753	14,950,235	13,062,027
	Gas, MMcf	5,785	4,184	—	—	5,785	4,184	6,760,910	5,906,935
Total	- Oil, barrels	2,455,728	1,572,440	472,048	306,362	2,927,776	1,878,802	24,218,601	19,869,396
	Gas, MMcf	23,932	14,971	6,235	3,669	30,167	18,640	21,374,691	16,640,371
								$45,593,292	$36,509,767

(1) Where applicable, includes Corrida's share, weighted for percent ownership and days owned, of all 1981 acquisitions.

(2) See footnote 2 on pages 5 and 10.

(3) These figures represent Corrida's production for less than six months prorated over the entire 1981 year; in December 1981, Corrida's production was 846 gross barrels per day (576 net barrels per day) and 5,644 gross Mcf per day (3,497 net Mcf per day).

(4) See footnote 3 on pages 5 and 10.

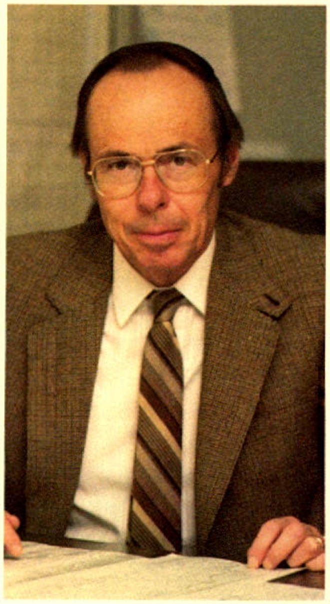




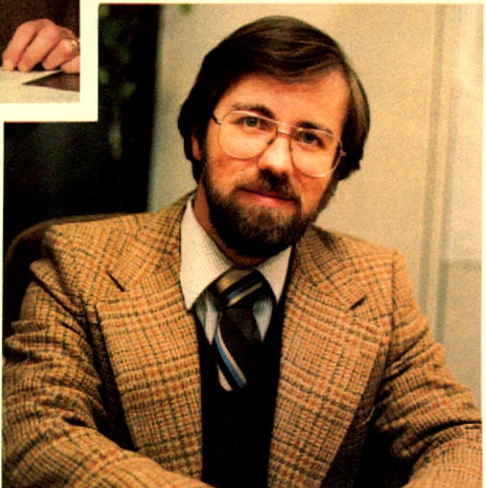













Corporate Information

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Chairman of the Board, HCI Holdings Ltd.

Ralph A. McKenzie,
Senior Vice-President, Corrida Oils Ltd.

Andrew Sarlos,
President, HCI Holdings Ltd.

Frederic J. Wellhauser,
Executive Vice-President, Corrida Oils Ltd.

Barry Zukerman,
Vice-President, HCI Holdings Ltd.

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President and Chief Executive Officer

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Executive Vice-President and
Chief Operating Officer

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The Toronto Stock Exchange

Transfer Agent and Registrar

The Canada Trust Company
Calgary, Montreal, Toronto, Vancouver

Banker

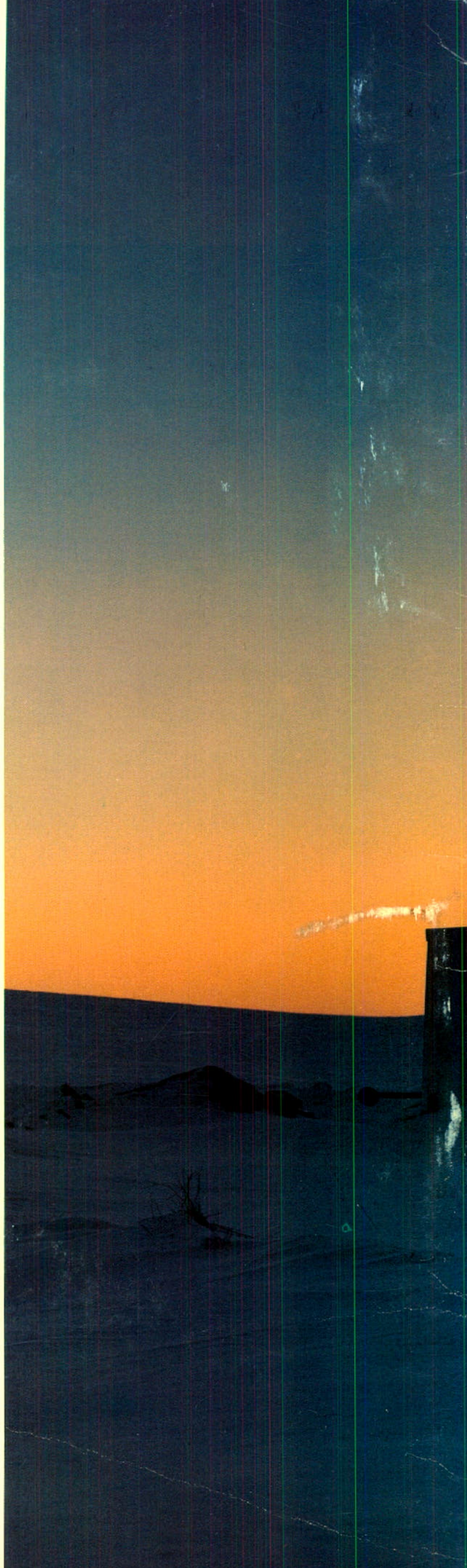
The Royal Bank of Canada

Auditors

Price Waterhouse

Legal Counsel

Bennett Jones



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