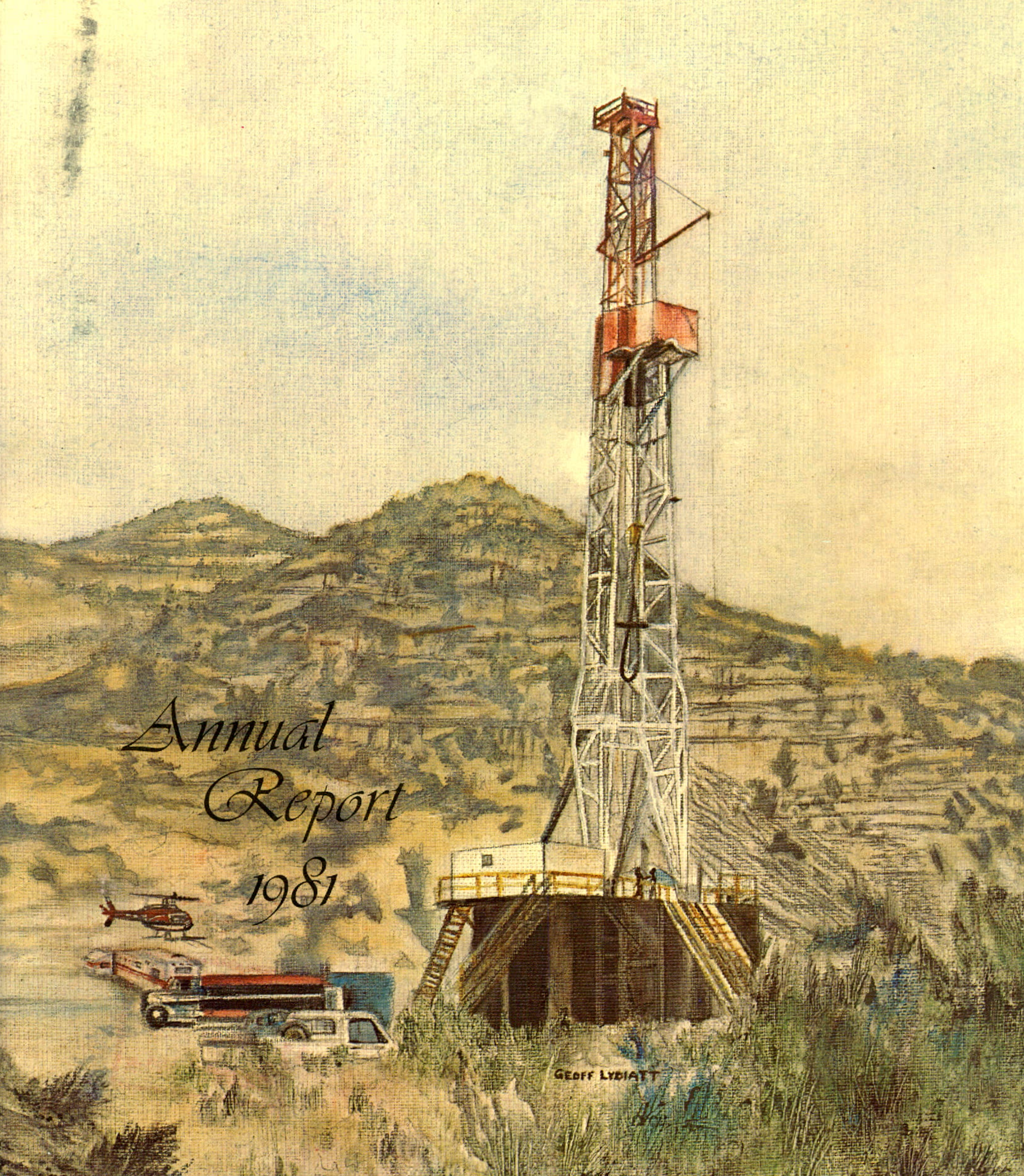
COSEKA RESOURCES LIMITED



Annual Report 1981

Company Profile

Coseka Resources Limited (incorporated in British Columbia) is a growth oriented Canadian energy company formed in 1972 from the merger of Niseka Mining Ltd., Coin Canyon Mines Limited and The Cariboo Gold Quartz Mining Company.

The Company is actively engaged in the exploration and development of petroleum resources in the Provinces of Alberta and British Columbia, and in the United States primarily the Douglas Arch area of Colorado and Utah as well as internationally.

The Company is represented in the United States by its wholly-owned subsidiary Coseka Resources (U.S.A.) Limited.

METRIC CONVERSIONS (SI)

Coseka has converted its measuring and reporting systems to SI units in accordance with the world-wide program to adopt SI, the International System of Units.

For the convenience of the reader, oil and gas measurement units stated in this report are given in traditional units. In order to facilitate conversion from these traditional units to the SI units and to aid in comparability with other annual reports, listed below are the ratios between SI units and traditional units as specified by the Canadian Petroleum Industry Metric Practice Guide.

Linear Measurement

One mile = 1.609 kilometres (km)
One kilometre (km) = 0.621 miles
One foot = 0.305 metres (m)

Volume Measurement

One thousand cubic feet (Mcf) = 28.174 cubic metres (m^3)
One thousand cubic metres (10^3m^3) = 35.494 thousand cubic feet (Mcf)
One barrel (bbl) = 0.159 cubic metres (m^3)
One cubic metre (m^3) = 6.293 barrels (bbls)

Mass Measurement

One short ton (2,000 lbs) = 907.185 kilograms (kg) or 0.907 tonnes (t)
One long ton (2,240 lbs) = 1016.047 kilograms (kg) or 1.016 tonnes (t)
One tonne (t) = 1.102 short tons (2,000 lbs)
= 0.984 long tons (2,240 lbs)

Surface Area Measurement

One acre = 0.405 hectares (ha)
One hectare (ha) = 2.471 acres

The Cover: "Silent Interest" Oil painting by Geoff Lydiatt, depicting typical Douglas Arch drilling

Contents

Financial & Operating Highlights

Financial ($000's)	1981	1980
	Year Ended July 31	
Gross Sales	**29,503**	23,686
Cash Flow from Operations	**14,285**	10,853
*Per Common Share $ (Basic)	**1.25**	1.04
Net Income	**5,877**	4,937
*Per Common Share ¢ (Basic)	**51.5**	47.1
Working Capital	**24,283**	(8,250)
Exploration, Development and Other Capital Expenditures	**89,225**	32,076
Drilling Funds Expenditures	**13,896**	3,312
Total Assets	**288,417**	158,790
Per Common Share $	**25.02**	14.00
Long-Term Debt	**143,663**	56,259
Shareholders' Equity	**88,955**	61,881
Per Common Share $	**7.72**	5.46
Shares Outstanding (000's)	**11,529**	11,341

Operations	1981	1980
Gas Production (Before Royalty)		
Canada – MMcf	**9,177**	9,383
U.S.A. – MMcf	**1,800**	1,201
Total – MMcf	**10,977**	10,584
Total – MMcf per Day	**30.0**	28.9
Oil and Condensate Production (Before Royalty)		
Canada – Thousand Bbls	**172.4**	97.6
U.S.A. – Thousand Bbls	**61.8**	80.0
Total – Thousand Bbls	**234.2**	177.6
Total – Bbls per Day	**641**	486
Sulphur Production (Before Royalty)		
Canada – Long Tons	**35,432**	22,163
Land Holdings – Net Acres	**1,260,694**	744,809

*Basic weighted average number of shares issued during fiscal year (1981) 11,414,289 common shares, (1980) 10,481,152 common shares.

To the Shareholders

In the latest fiscal period commencing August 1, 1980, your Company met the adversity created by the Federal Government's National Energy Program (NEP) and the depressed state of gas markets in Canada by seeking out new opportunities for continued growth.

During this period, your Company completed the largest package of public and private financing in its corporate history. In summary, this financing, comprising of a total of approximately $180,000,000 (Can.), is as follows:

- $20,000,000 (Can.) – 7% Cumulative Redeemable Convertible Preferred Share issue. These funds were issued for exploration and general working capital.
- $15,000,000 (U.S.) – 9% Subordinated Participating Debenture. These funds were used to pay down bank loans which were used to finance the 1980 Douglas Arch drilling program.
- $118,000,000 (U.S.) – Financing Agreement with Institutional Investors. These funds are to cover the Company's entire cost of development drilling on its Douglas Arch properties in Colorado and Utah over a three-year period commencing January 1, 1981.

In addition, acquisitions of petroleum and natural gas prospects in the United States have commenced utilizing funds from the $20,000,000 (Can.) committed to your Company under the Acquisition Sharing Agreement entered into with Expo Oil N.L.

To maintain the impetus of the Company's activities in Canada, and keep its core of Canadian professional staff active and intact, the Company's exploration programs in Canada will continue in spite of the negative aspects of the National Energy Program. The Company has concluded that to continue will require, in part, a shift in emphasis and approach. For example, your Company sees opportunities that can come available within the framework of much larger exploration budgets. Thus, in addition to pursuing those activities in which we have done well and which have contributed in a substantial way to the Company's growth, your Company shall also pursue activities which require much larger budgets by joining together with other parties.

The major portion of drilling expenditures committed by your Company to the frontier portions of the Columbia Gas Farmin Agreement, covering approximately 13 million acres in the Canadian East Coast Offshore and approximately five million acres in the Canadian Arctic, will commence in the current fiscal year (i.e., 1981-82).

To date, drilling activity has principally been confined to the conventional areas of Western Canada, where 17 wells resulted in two oil discoveries, two dual zone oil/gas discoveries, eight gas discoveries and five dry holes. Processing of the 1980 East Coast Offshore seismic was completed in July of this year, and the 1981 seismic programs are still underway. It is expected that two wells will be drilled on the East Coast acreage in the 1982 summer drilling season. An 11,480-foot well is expected to be spudded on Banks Island in the Low Arctic in November of this year.

The major accomplishment for the year was the financing package of $118,000,000 (U.S.) which enabled your Company to commence, as of January 1, 1981, a large scale development program of its Douglas Arch property. The financing will cover your Company's total working interest share of costs to drill a planned 75 wells in 1981, 100 in 1982, and 100 in 1983. The investors will earn a specified percentage of the net revenue of the wells drilled before payout, and a lesser specified interest after payout. A further favourable aspect of the deal is the fact that the interest earned by the investors is limited to 360 acres surrounding each well and the commitment is limited to the said three year program. At the conclusion of this program, there will be many hundreds of locations remaining to be drilled (without dilution of interest) at a rate of 100 wells per year, or greater, which, based on cash flow projections, can totally be financed from Douglas Arch revenues.

Company directors left to right: Bryan J. Reynolds, Peter R. Kutney, Benjamin Swirsky, William H. McLallen, Jr., James D. Tocher, Lloyd D. Driscoll, Emory L. Sampson, Kenneth E. Field.

Exploration activity in the United States in areas outside the Douglas Arch has been stepped up over the past year and will be further increased during this coming year. Your Company's 100 percent controlled subsidiary, Coseka Resources (U.S.A.) Limited, headquartered in Denver, Colorado, is now staffed with 61 highly qualified professional and support people. The management and exploration group consist of United States personnel with experience in many of the hydrocarbon-bearing basins of the U.S.A. They are concentrating their attention to a number of select areas and are attempting to achieve participations resulting in a balanced mix of "high", "low" and "medium" risk projects.

As stated previously, the recently activated Expo Acquisition Agreement has already provided the opportunity to make land purchase commitments in a number of areas. Your Company's portion of budgeted exploration expenditures has been tentatively more than tripled over the amounts expended in fiscal year 1980-81. Areas in which commitments have been made, and plan to be made, include the Anadarko Basin of Oklahoma, the Texas Gulf Coast area, the Deep Tuscaloosa Trend in Louisiana, the Palo Duro Basin of Texas, the Sand Wash Basin of Colorado, the Big Horn Basin of Wyoming, the Sooner Trend of Oklahoma, the Appalachian Basin, and the Austin Chalk Trend in Texas.

To add greater diversity to your Company's growth potential, your Company has evaluated a number of exploration opportunities outside North America. To date, the Company has committed to two projects, one in the Philippines, and one in the Mediterranean (offshore). Both prospects offer the potential for large reserves of hydrocarbons which, if found, can be marketed at world prices. A well will be spudded on the Philippines prospect in October.

We welcome to our Board of Directors Mr. Kenneth E. Field and Mr. Benjamin Swirsky, representing Bramalea Limited of Toronto, Ontario, which company now controls slightly in excess of 30 percent of Coseka shares. Mr. Field and Mr. Swirsky, both senior officers of Bramalea, are outstanding successes in the field of real estate development on a continental scale. Their business experience and enthusiasm will be a valued asset to the Company's Board. We also welcome to the Board, Mr. Emory L. Sampson, who was recently appointed President of Coseka Resources (U.S.A.) Limited. We acknowledge, with gratitude, the contribution made by retiring Directors, Dr. Norman B. Keevil, Jr., Mr. Alan R. Keevil, and Mr. Donald L. Hiebert.

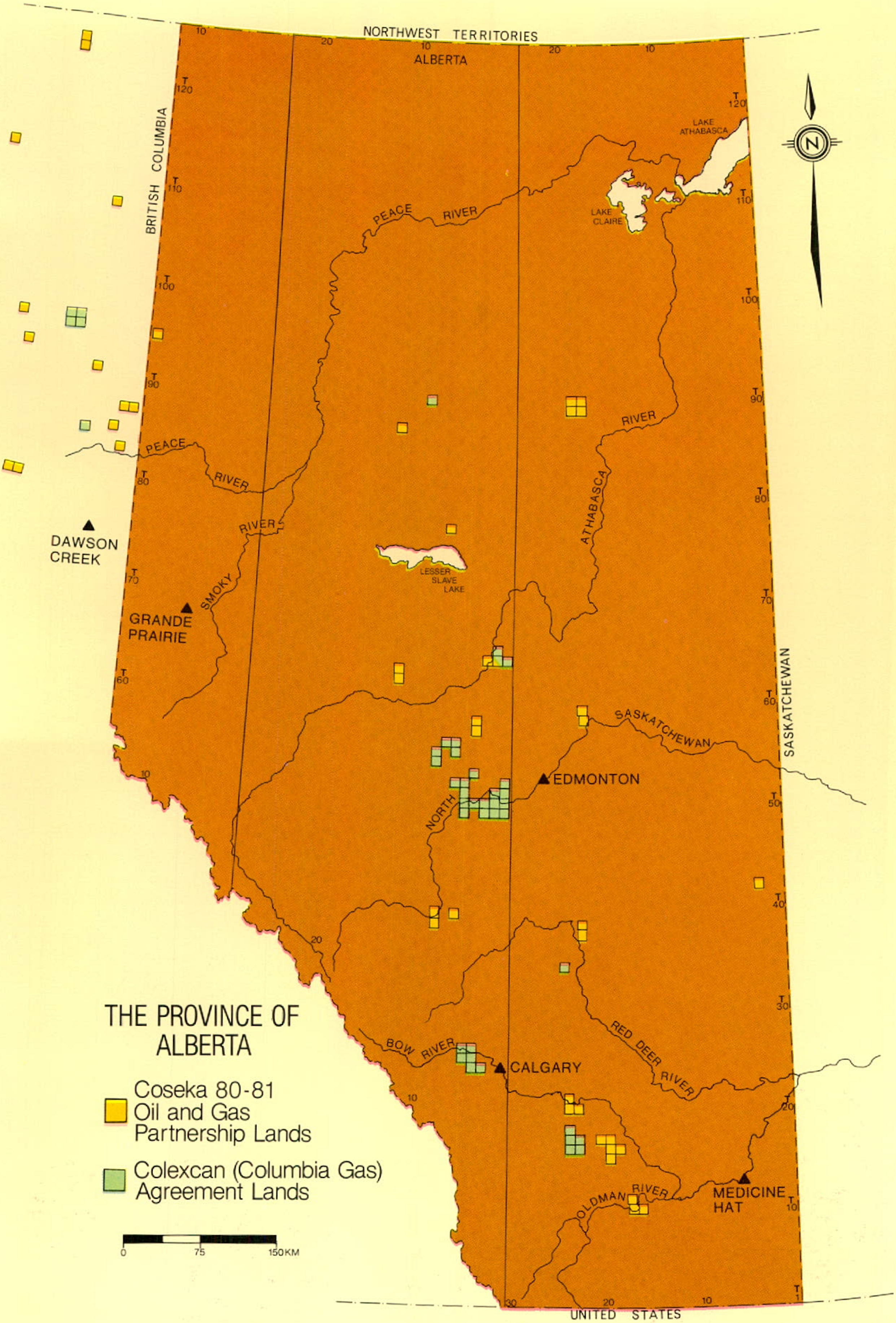
On September 1, 1981, in order to reinforce and add more depth to your Company's management team, Mr. Robert E. Adams was appointed President of Coseka Resources Limited. Prior to joining Coseka, Mr. Adams was President of Corvette Resources Ltd. During the past decade, he was a Partner in a merchant banking concern engaged in making equity investment in private companies, and more recently held the position of Managing Partner in the Calgary office of a national accounting firm. Mr. Adams is also a Director of Bramalea Limited. Mr. Adams is no stranger to the present management, since he has worked closely with management over the past six months in designing and obtaining parties to join together with your Company in a significantly increased Canadian exploration budget.

To Mr. Adams, the new Board members, and to all new employees, we say "welcome on board". The combination of existing and new talent provides your Company with a continuing strong and dynamic team to meet the challenges ahead and continue its aggressive growth pattern.

November 3, 1981
Calgary, Alberta

Peter R. Kutney
Chairman of the Board





NORTHWEST TERRITORIES
ALBERTA
BRITISH COLUMBIA
SASKATCHEWAN
UNITED STATES
LAKE ATHABASCA
LAKE CLAIRE
PEACE RIVER
ATHABASCA RIVER
SMOKY RIVER
LESSER SLAVE LAKE
DAWSON CREEK
GRANDE PRAIRIE
EDMONTON
NORTH SASKATCHEWAN
RED DEER RIVER
BOW RIVER
CALGARY
OLDMAN RIVER
MEDICINE HAT
THE PROVINCE OF ALBERTA
Coseka 80-81 Oil and Gas Partnership Lands
Colexcan (Columbia Gas) Agreement Lands
0
75
150KM

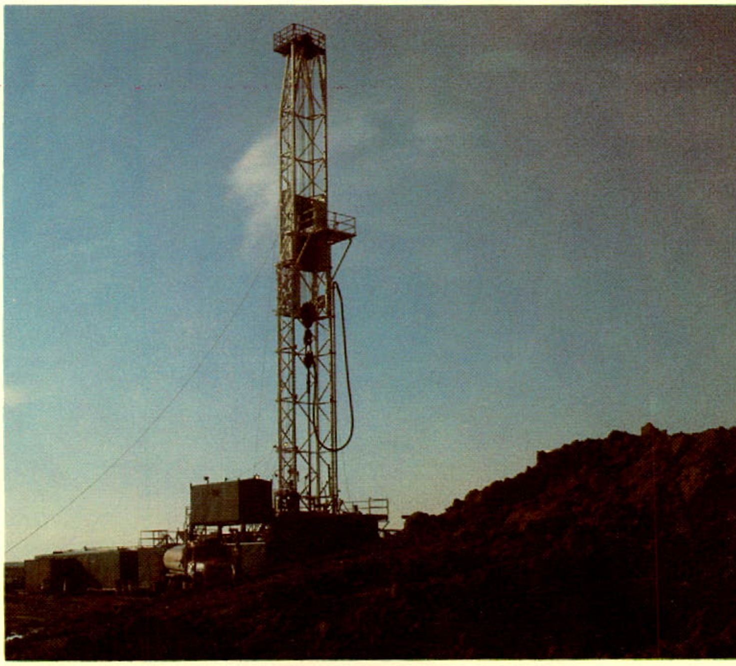
Canadian Operations

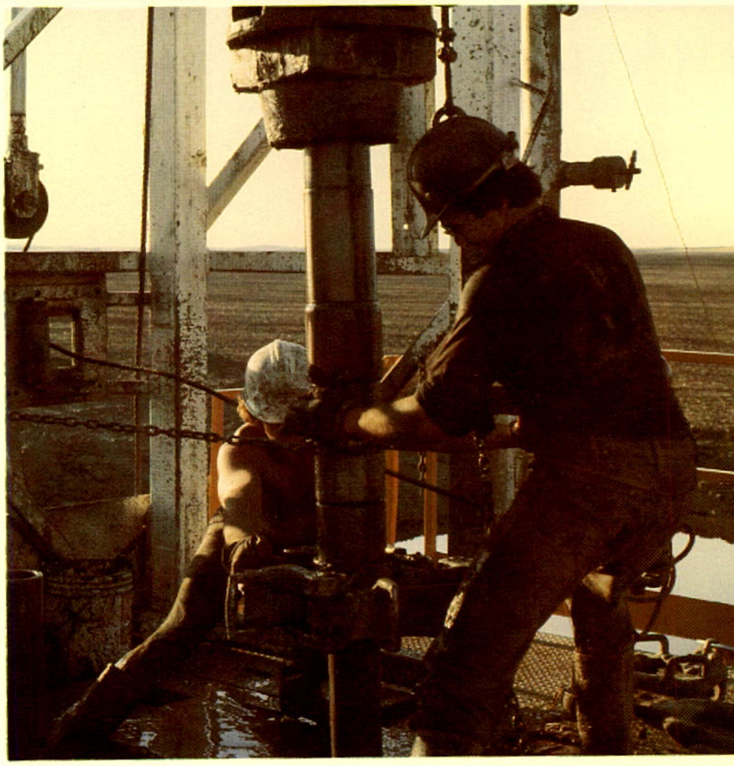
Coseka 80-81 Oil and Gas Partnership

In the latter part of 1980, the Company established the Coseka 80-81 Oil and Gas Partnership, a Canadian public Drilling Fund. This Fund was the initial venture into this specific type of financing for oil and gas exploration. Basically, the Drilling Fund during the entire 1981 fiscal year has participated as a partner in all new exploratory ventures in Alberta and Northeastern British Columbia with Coseka. At the end of 1981 approximately 90 percent of the $12,700,000 fund money was expended. Results of drilling have provided the following statistics: of the 45 wells drilled there have been 21 wells completed as oil wells, seven as gas wells, one well is suspended and 16 wells were abandoned. As of May 1981, net oil production before royalty to the Fund's Limited Partners was at a rate of 170 bopd. This rate of production is substantially below the productive capacity of the wells due to prorationing of production imposed by government regulations. To illustrate this effect on production it is significant to note that in January 1981, (prior to the Shouldice and Retlaw discoveries) net oil production before royalty to the Limited Partners was at a rate of 250 bopd.

A number of significant areas of production have been established with the Coseka 80-81 Oil and Gas Partnership. Additional earning wells are to be drilled in the Retlaw area with remaining funds in the Partnership and a continued program of development and infill wells in the various productive properties will continue on a routine basis as engineering and economic considerations dictate. In summary, a very successful and rewarding program has been completed with the 80-81 Fund, both from the viewpoint of Coseka and the Limited Partners. Another similar public drilling fund, the Coseka 81-82 Oil and Gas Partnership, is currently being launched with an objective of $16,000,000.

Drilling ahead on Coseka acreage in south-central Alberta





Crew adding another section of pipe while drilling in southern Alberta

Colexcan Project

Very favorable progress and results have been obtained thus far in this exploratory program with Columbia Gas Development of Canada Ltd. To date, 18 wells have been drilled and completed; with two oil discoveries (Alberta), two dual zone oil/gas discoveries (Alberta), eight gas discoveries (Alberta/British Columbia), five dry holes (three in Alberta/British Columbia and two offshore Prince Edward Island), one suspended well (the South Labrador M-79 well drilled offshore last year, which encountered hydrocarbon shows near total depth).

Several wildcat wells with high reserve potential will be drilled within the next year in the frontier areas of Canada. The most interesting and significant activities will be the drilling of a minimum of two offshore wells on the East Coast of Canada during the 1982 summer drilling season. During the current summer program, substantial seismic programs have been completed in preparation for this drilling activity. The high exploration potential of these East Coast lands is the major area of interest within the Columbia farmin tracts: both the Hopedale tract situated adjacent to the prolific Hopedale wet gas discovery and the large block of acreage to the south which is situated within the East Newfoundland Sedimentary Basin (where the estimated two billion barrel recoverable reserve Hibernia Field is situated).

A rig is on location in preparation for spudding in November, 1981 on Banks Island in the Arctic Islands. This wildcat will evaluate a high potential Devonian reef prospect which has been defined by seismic programs. A series of options to drill and earn interests in adjacent lands have been executed in order to capitalize on the results of a potential oil discovery at this well.

In August, 1981, Columbia Gas participated, in a 65 percent basis, in the purchase of a large petroleum and natural gas license in northern British Columbia for a price in excess of five million dollars. Through the Colexcan Agreement, the Company participated to the extent of approximately $900,000 in this purchase. A large, very high potential gas prospect has been mapped by previous seismic programs in the area and a deep wildcat well will be drilled in 1982.

Within the next year, the above noted exploration projects will fulfill Coseka's spending obligations of $11,250,000 within the Colexcan Agreement and the Company will have earned its full working interest position in all the Columbia lands (this will approximate 200,000 net working interest acres).

Canadian Operations

During the past year activity on the Coseka producing properties was restricted to infill drilling programs which were required to either provide additional deliverability for the gas contracts or for reserve delineation.

FOOTHILLS AREA, ALBERTA

North Coleman

A development well located on the south flank of the North Coleman field was drilled to validate the southern limits of the Mississippian and Devonian reservoirs and also provide backup deliverability. Both zones were encountered at favorable structural intervals and established pool average reservoir characteristics. The completion of the well was restricted to the Devonian zone which production tested deliverability capabilities in excess of 20 MMcfd. The well has been tied into the central gathering system and is now on continuous production.

SOUTHERN ALBERTA

Shallow Gas Properties

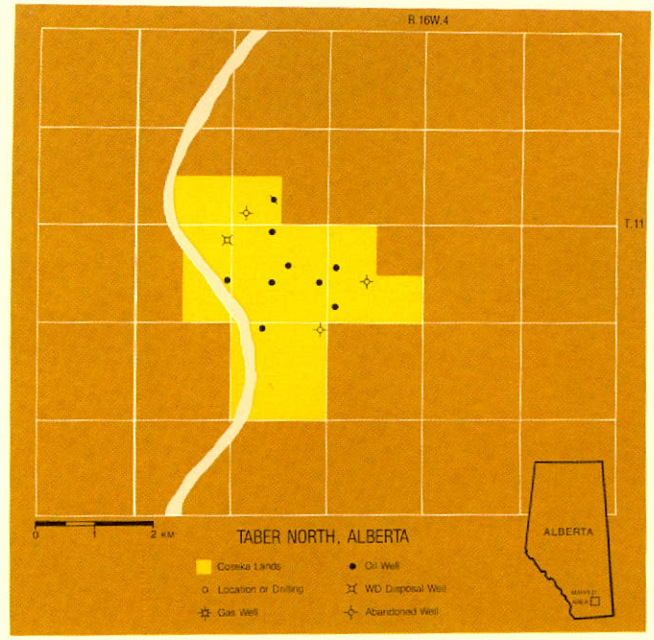
Drilling activity on the Medicine Hat properties Nos. 1, 2, 3, 4 and 5 along with the Hatton projects Nos. 1 and 2 has been curtailed due to cutbacks in the gas contracts. During the past year 14 wells were drilled, completed and tied-in for production on the seven properties. Seventeen additional wells are programmed for drilling and completion during the fall of 1981. On the Tilley-Bantry project the 1980 drilling program was reduced to 50 wells. A plant expansion was carried out to provide capacity for future increased production. The gas contract for the property has now been renegotiated and increased to 60 MMcfd. An expanded program is scheduled for the 1981 operating period and will consist of the drilling, completing and tying-in of 73 dual zone wells and 16 triple zone wells.

Little Bow

The Little Bow gas project was placed on stream during the month of December 1980. The Company wells, which are tied into central compression facilities have been producing at contract rates of two MMcfd. The Company is also participating in the construction of a gas plant, which will be required by the fall of 1981 to process part of the gas stream that is marginally sour. Drilling operations on the property consisted of two wells which were drilled to further delineate the northern limits of the multi zone gas reservoirs.

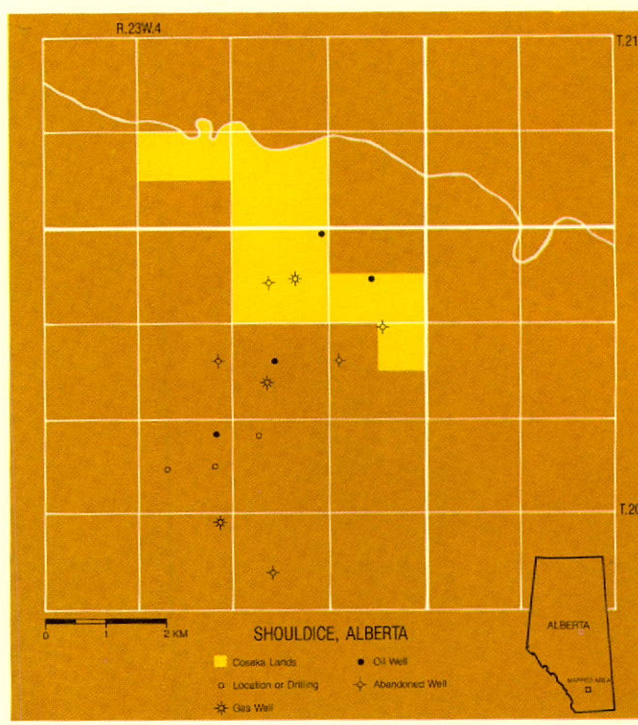
North Taber Project

Exploitation of the North Taber Glauconite pool was scheduled to include the drilling of a number of infill locations. The program, however, has been delayed due to ongoing surface lease problems. One additional well has been drilled and completed as a Glauconitic oil well. The central production facilities and gathering system were expanded to include the new well and a water disposal well. The property continues to provide a continuous oil production rate of approximately 450 bopd.



Turin Project

Steady production continues from four excellent oil wells on Coseka's Turin leases. The total original allowable of 446 bopd has been cut to 265 bopd by regulatory authorities; not withstanding the fact that individual productive capacities of the wells very substantially exceed the originally assigned well allowables. Present spacing pattern is 160 acres and infill drilling plans will be considered after the completion of offset drilling now being conducted by other operators adjacent to Coseka's property.



Shouldice Project

During the fiscal year four wells were drilled by Coseka in the Shouldice area southeast of Calgary. Of these wells, two were completed as oil wells, one as a gas well and one as a dry hole. The results of governmental pricing changes have provided substantial increases in wellhead prices for "new" oil. The economic viability of this project consequently has improved and offset drilling is now being considered.

Retlaw Project

Coseka drilled five wells during the fiscal year in the Retlaw area, southeast of Calgary. Of these wells, four were completed as producing oil wells and one as a shutin gas well. Coseka is currently evaluating option lands on trend for possible exploratory drilling next year. An extensive seismic program was conducted this summer over the option lands and interpretation of the data is in the final stage.

CENTRAL ALBERTA

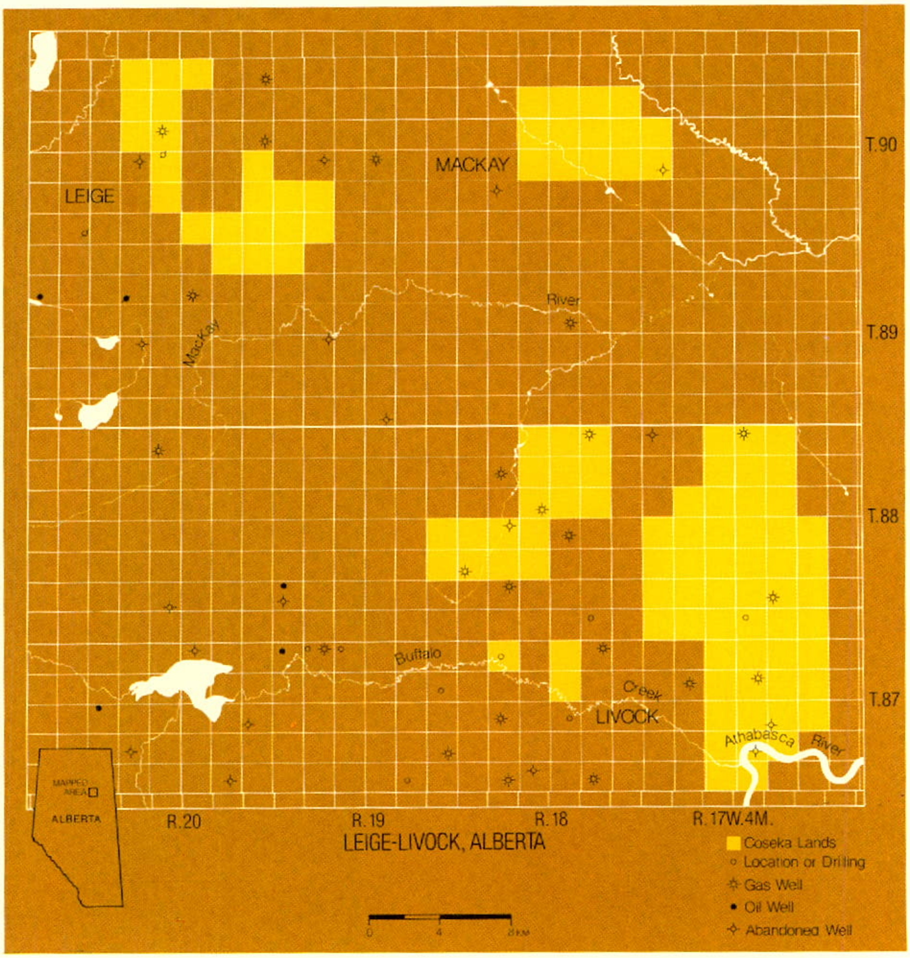
Redwater Project

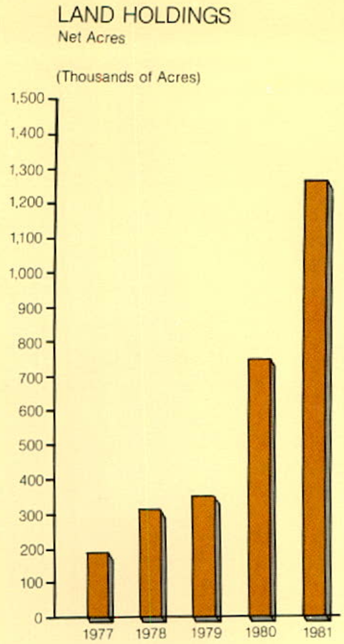
Activity on the Company's 25 percent working interest in the 3,840 acre Redwater property was restricted to the drilling of four locations. All four wells were completed as dual zone oil producers from the Viking and Basal Quartz Sands. This now brings the total number of wells capable of production up to 20, of which six wells have been completed as dual zone producers. All wells have been tied into the central battery facilities and the project is now capable of maintaining an efficient year-round operation. Coseka's net average oil production is 75 bopd. A study of the project area is also being carried out to establish the feasibility of initiating a secondary recovery waterflood project in the Viking oil pool.

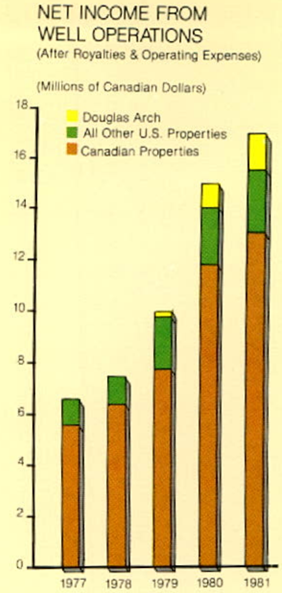
NORTHEAST ALBERTA

Livock Area

Coseka continued to increase its position in the Livock area during the past year and now has assembled an interest in 67,840 gross acres of land. Five additional wells have been drilled on the property and the Company has delineated extensive shallow gas reserves in the Devonian Grosmont reef complex and the overlying Cretaceous McMurray and Wabiskaw formations. Gas contract negotiations have been initiated to bring the Livock gas reserves on stream in the near future. In order to provide for this production, 14 wells will be drilled this winter.





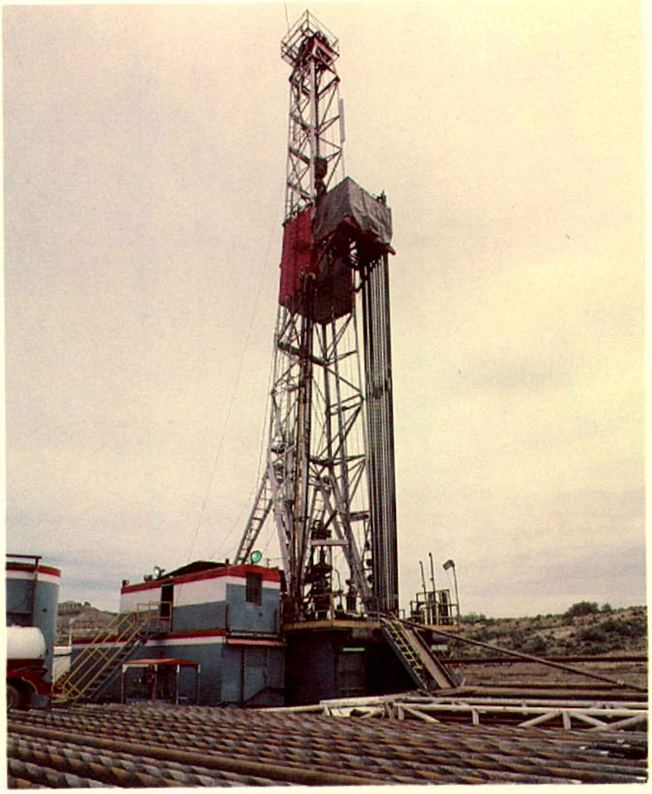


Exploration and Development Well Summary

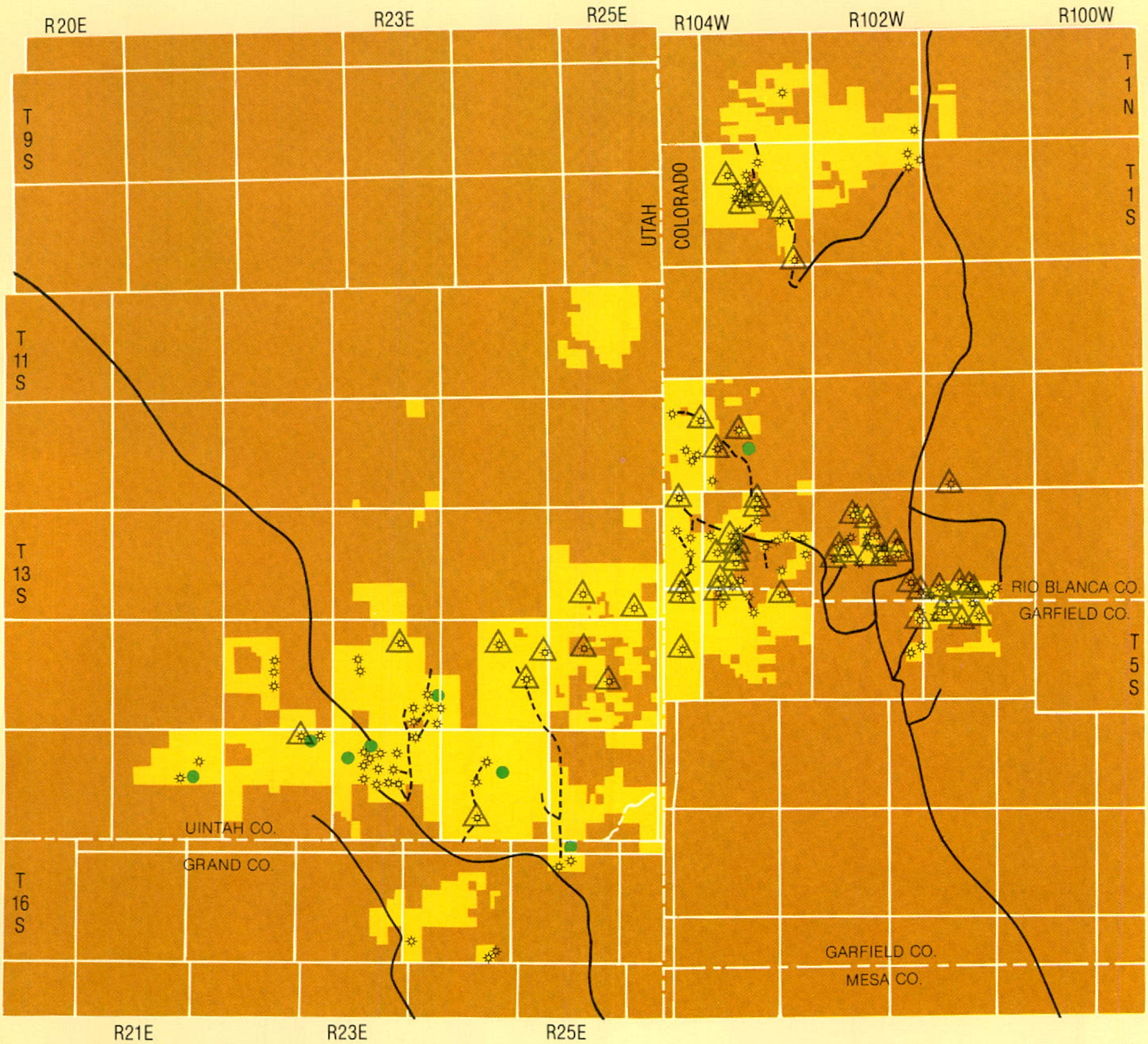
	1981		1980	
	Gross	Net	Gross	Net
CANADA				
Gas	155	27.78	101	21.86
Oil	38	8.65	23	6.68
Dry	25	3.35	70†	5.95
Suspended*	3	0.12	—	—
Sub Total	221	39.90	194	34.49
U.S.A.				
Gas	99	51.39	25	15.47
Oil	17	3.66	7	1.24
Dry	17	3.65	5	0.79
Sub Total	133	58.70	37	17.50
TOTAL	354	98.60	231	51.99

† Under terms of the Suffield Earning Agreement, the drilling of 67 deep test wells was required. Of these wells, 15 were cased and completed in the deeper horizons, the remaining 52 wells were cased for shallow gas production where Alberta Energy retained the shallow gas rights.

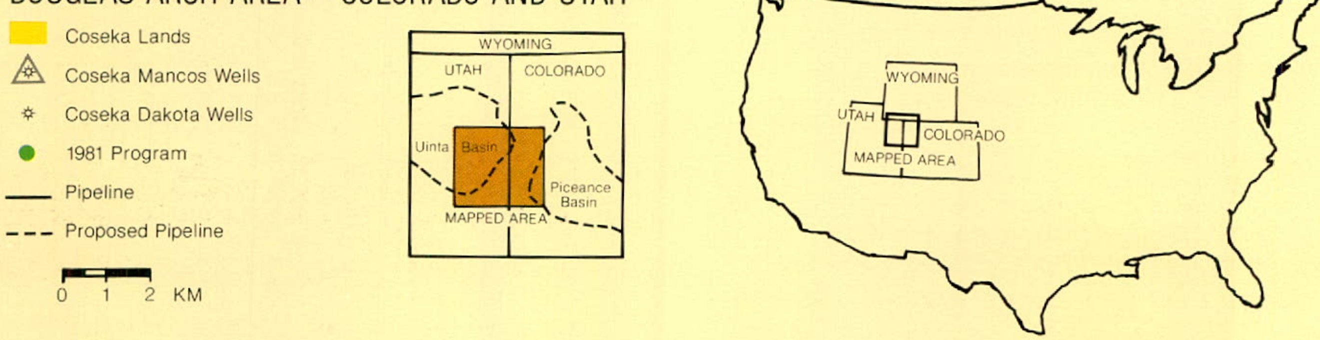
* Suspended wells were not evaluated due to Spring breakup.



Tripping to add drill-collars in the Douglas Arch area of Colorado and Utah



DOUGLAS ARCH AREA • COLORADO AND UTAH



United States Operations

Douglas Arch Summary

A major highlight of Coseka's ongoing Douglas Arch exploitation program was the closing of a private placement of Limited Partnerships totalling $118 million (U.S.). Coseka as General Partner will use the funds to finance the drilling and completion of all wells in the 1981, 1982 and 1983 calendar years. Coseka will retain a working interest in all wells funded and after payout of all funds provided by the Limited Partners, Coseka's retained working interest will increase further.

Other highlights include: the continued successful development of Coseka's 180,000 net acres (340,000 gross); additional pipeline laying activity which will accelerate future well connections and gas sales; further progress in qualifying the Mancos and Dakota formations for tight gas incentive pricing; and indications that formations in addition to the Mancos and Dakota may also be productive.

The Company is currently in the process of completing the 1981 calendar year's drilling program which should amount to approximately 65 wells. This compares to the 32 wells drilled in the 1980 program which averaged initial potential completion rates of 738 Mcfd per well. As of October 1, 1981, 50 wells have been drilled; 31 as Dakota tests, 18 as Mancos tests and one Mesa Verde test. The Dakota completions have averaged 876 Mcfd and the Mancos completions have averaged 222 Mcfd. In calendar year 1982, approximately 100 wells will be drilled at a cost of $43 million (U.S.) to the Limited Partnership.

The Company believes that future average completion rates will be further improved because the added subsurface geological information being obtained from drilling to date will allow more definitive geologic modeling and help in optimizing the selection of drill sites. In addition, ongoing and future technological improvements in completion procedures will undoubtedly improve producing rates.

As of October 1, 1981 a total of 48 wells have been tied into existing pipelines. During the last calendar quarter, Northwest Pipeline Corp., the major Douglas Arch gas transporter, will lay additional pipelines into the Columbine Springs and Taiga Mountain areas of Colorado. The completion of these lines will enable 26 wells to be put on production by early 1982. The Company's Douglas Arch sales before royalties in the 1981 fiscal year were 1,057,427 Mcf an increase of approximately 104 percent over 1980. Fiscal year 1982 again should reflect a substantial increase.

Pursuant to Federal Energy Regulatory Commission (FERC) regulations, the Company has proceeded to apply for tight formation status for both the Mancos and Dakota formations in Colorado and Utah. The Mancos applications for both Colorado and Utah have been approved by FERC. FERC has also approved the Colorado Dakota acreage which affects the Company's Rock Canyon Unit. The Company is now working on joint submissions with other operators to cover the rest of Coseka's Dakota acreage in Colorado and Utah. The Company is positive that a majority percentage of the Dakota acreage will be qualified to receive tight gas pricing, currently at $5.03 per MMBTU as compared to $2.52 per MMBTU now being received. As a result of improved pricing and Coseka's pioneering efforts many other operators now have operations in the Douglas Arch area.

In addition to the Dakota and Mancos proven gas reserves through wells drilled so far, significant developments have occurred in the past year relative to the hydrocarbon potential of other formations that are present throughout the Douglas Arch The shallow "Mesa Verde" formation appears to be productive over a five to six square mile area in the Columbine Springs Unit of Western Colorado. Four wells delineating an area of this size have tested significant amounts of gas, (up to 1,000 Mcfd), while drilling the Mesa Verde with air. A large flow of gas (2.5 MMcfd) was also experienced while drilling the Castlegate formation with air in a well in the Taiga Mountain Unit. The Castlegate sandstone has proven to be an excellent gas producing reservoir in areas adjacent to Company acreage. Also the Niobrara formation which has demonstrated oil potential is being geologically evaluated. Company geologists are currently mapping the area for further drilling opportunities.

Finally, deeper formations such as the Entrada and Weber will be evaluated seismically for structures to assess the merit of drilling a deep test. The Weber formation is of interest since it is this formation that has produced more than 600 million barrels of oil from the Rangely field just north of Coseka's lands.

Expo Program

The $20 million (Can.) exploration program funded by Expo Oil N.L., an Australian company, for the exclusive use of the Company over a three-year period commenced in 1981. Under the terms of the agreement Coseka, with matching expenditures, will earn a 50 percent net working interest in leases acquired and wells drilled.

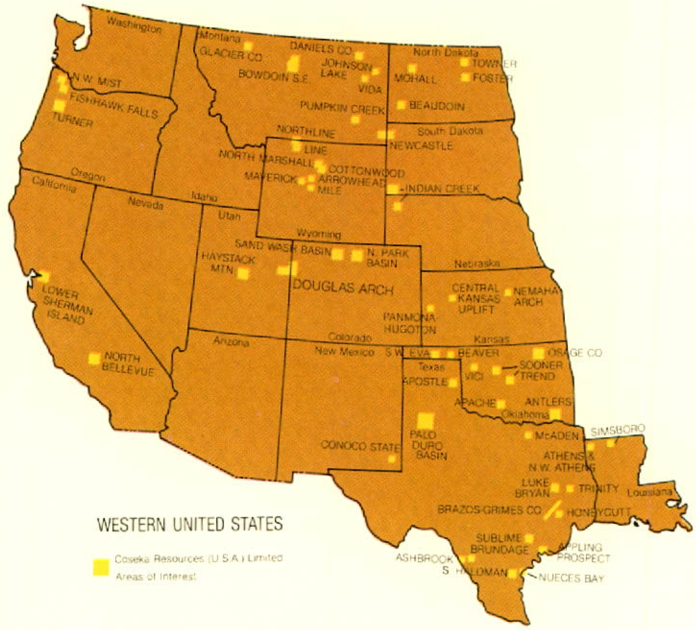
To October 1, 1981, the program has committed to the drilling of 52 wells, acquisition of an undivided 25 percent net working interest in 100,000 acres in southeastern Colorado, and three joint exploration programs with various industry partners in West Texas and the northern Rocky Mountain area. Specific aspects of this portion of Coseka's exploration program follow.

A 23-well drilling program, evaluating the multi-pay reservoirs of the Sooner Trend area along the northeast flank of the Anadarko Basin in Canadian, Major, Blaine and Logan Counties, Oklahoma, has been successful with 18 wells completed or testing for rates averaging 290 Mcfd and 72 bopd. Coseka-Expo share working interests of 9.0 percent in three wells and 6.25 percent in 20 wells.

In Osage County, Oklahoma, currently one of the more actively drilled areas in the United States, the joint program has a 35 percent working interest in a 26-well exploration venture evaluating approximately 4,480 gross acres. Ten completed wells have initial cumulative production rates of 166 bopd and 789 Mcfd, additionally three wells were tested, but not completed, for rates of 1,438 Mcfd. Five wells have been plugged and abandoned and eight wells remain to be drilled or are currently testing. As an immediate follow-up to three discoveries, four development wells are planned for late 1981.

An important addition to the joint program is the Coseka operated, 100 percent working interest, 8-2 Nowater, a 10,480 foot Phosphoria-Tensleep test located in the southeast Big Horn Basin, Wyoming. Well log calculations indicate potential pay in the Phosphoria formation similar to a one-half mile north offset that potentialed for 444 bopd. The Frontier and Muddy sandstone intervals also have indicated pay and produce oil and gas in the area. Coseka has varying interests in approximately 1,024 net acres in the Nowater-Slick Creek area. Through the drilling of this well on a 160 gross acre lease the joint program earns a 120-day continuous drilling option on an additional 420 gross acres retaining a minimum 35 percent working interest.

Included in the program is an undivided 25 percent working interest in 100,000 acres of ten-year term,



fee leases located across the southern portion of the Las Animas Arch of southeastern Colorado. Exploration objectives are the lower Pennsylvanian-age Morrow and Atoka sandstones at depths of 5,000 to 6,000 feet. Industry has been active in the area with nine discoveries completed in the past two years. Five non-working interest wells will be drilled on or adjacent to these leases within the next year.

Joint exploration programs with industry partners include the following: (1) Palo Duro Basin play in which Coseka-Expo retain a 50 percent working interest on approximately 53,785 gross acres in five prospect lease blocks encompassing Pennsylvanian-age carbonate "build-ups" in similar geologic environments that produce hydrocarbons throughout the Midland Basin south of this prospect area. Two 10,000 foot wildcats are planned in 1982 after a 100 mile seismic program is shot and evaluated; (2) Glacier County, Montana – Coseka-Expo are participating in a joint exploration program evaluating an area between the Cut Bank field and Glacier National Park with a 25 percent working interest in approximately 20,000 acres. A 200 mile seismic program has been conducted and evaluation drilling is planned for 1982; (3) Williston Basin – Coseka, on behalf of the joint program with Expo, is sharing equally with an industry partner the exclusive services of an exploration team that is assembling prospects. As of October 1, 1981, the Company is involved in seven prospects with drilling possibly commencing later in 1982.

Exploration Program

The Company's basic strategy in its United States exploration program is to enter into joint venture leasehold and exploration drilling programs with reliable industry partners through internally, as well as partner, generated projects. These exploration projects are in two basic categories of risk: (1) high reserve-high risk ventures in geologic environments of known high reserves which when successfully proven can greatly impact Coseka's growth; and (2) moderate risk ventures associated with relatively large acreage blocks that contain multiple drilling prospects and attractive field reserves.

In fiscal year 1981, excluding the Douglas Arch Limited Partnership Drilling Program, Coseka Resources (U.S.A.) Limited drilled or joined in the drilling of 51 gross wells, holding an average 15 percent working interest. Of these 35 are gas and oil wells with 16 plugged and abandoned. The fiscal 1982 exploration program, initially allocated $17 million (U.S.), is a three-fold increase above the prior year.

During 1981, Coseka was involved in two California oil discoveries. The Canaday #1, 25 percent working interest, and Canaday #2, 17.5 percent working interest, potentialed for 70 and 215 bopd, respectively, from separate Stevens sandstone intervals. The Canaday #2 is currently producing at 350 bopd on a restricted choke. Development plans incorporate enlarging the Company's lease position and drilling additional offset wells.

The opportunity to add relatively large acreage blocks through drilling obligations or purchase of long-term leases is a major attraction to management in efforts to form a broadly based exploration program with a foundation for "in-house" generated prospects. The Company has recently undertaken two such ventures, the southeast Colorado Las Animas Arch lease block and a drill-to-earn obligation in north-central Colorado. The drilling of five exploratory wells will earn a 65 percent working interest in approximately 260,000 net acres in the North Park and Sand Wash Basins of Jackson, Routt and Moffat Counties, Colorado. The five wells will test three basic hydrocarbon trap mechanisms similar to those geologic features that have demonstrated, through production, attractive reserves and economic return of investment.

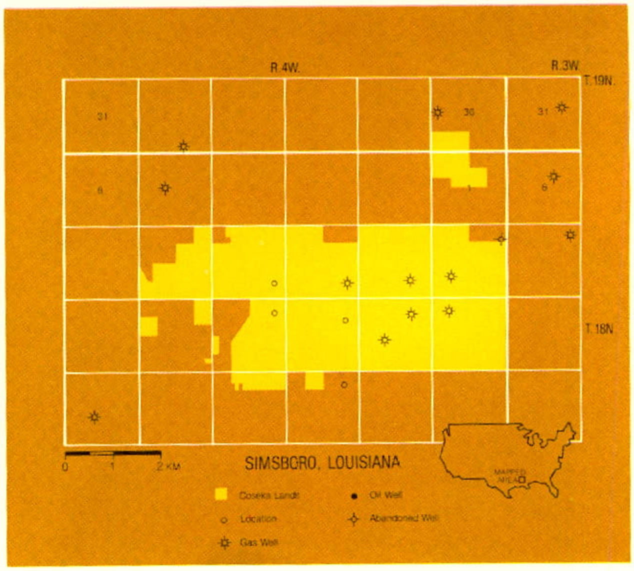
With the advent of deregulated deep gas prices, the Anadarko Basin of Oklahoma and Texas has become one of the more actively drilled areas in North America. Combined with prolific oil and gas production rates and high rates of drilling success, this basin is in the forefront of attractive investment opportunities. Coseka plans to continue participation in several individual and multi-well industry operated programs. The Company is presently a partner in three wells in the Fletcher area of Comanche County, Oklahoma, with 3.1, 3.9 and 15.6 percent working interests. Exploration objectives are the Lower Pennsylvanian-age Springer-Goddard sandstones at depths in the 18,000 to 24,000 foot range in an over-pressured reservoir, high gas reserve environment. These wells offset a 3,500 Mcfd discovery and are four miles west of a well that had a calculated absolute open flow of 150,000 Mcfd. In this five township area other oil companies have announced locations for 32 wells.

A segment of the Company's management strategy is outlining newly evolving exploration plays where geologic data may indicate the existence of significant reserves. Oregon is an example where the requirements for securing energy supplies near at hand for industrial use led to the first commercial natural gas production in the Pacific Northwest at Mist Field. As a result, a new exploration play is underway. Coseka is actively involved with varying working interests of up to 24 percent on approximately 7,435 acres in three separate lease blocks in the vicinity of Mist Field. Three wells are planned on these leases after the appropriate geologic studies are concluded.

Although the Texas and Louisiana Gulf Coast is a mature hydrocarbon production area, closer inspection reveals that significant large reserves are continuing to be discovered, mainly by drilling deeper objectives. Coseka will drill with industry partners several Tertiary and Cretaceous prospects in the next year. An example is the Appling Prospect, 15 percent working interest in 2,235 gross acres, located in Jackson County, Texas. Interpretations of seismic and subsurface data reveal an untested deep fault block in a known geologic environment of high gas and condensate reserves, and is separate from a broad overlying existing field. The economic risk is lowered with potential reserves present in shallower sandstone reservoirs.

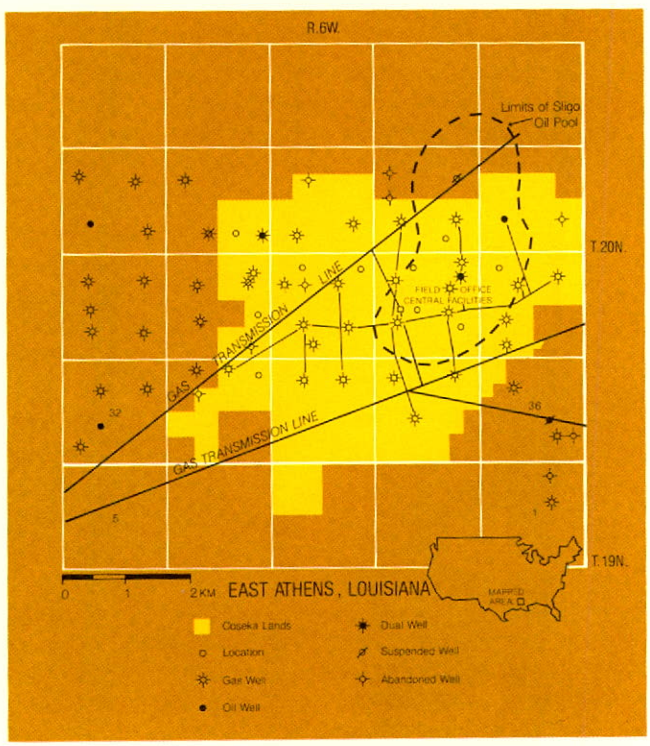
SIMSBORO PROJECT (Louisiana)

During the past year, two additional locations have been drilled and completed on the Simsboro project. This brings the total number of wells drilled on the property to five with the sixth well currently drilling. All five wells have encountered a series of productive sands in both the Cotton Valley and Hosston formations. Four of the wells have been completed in one or more of the Cotton Valley sands while one well has been completed in a lower Hosston sand. Total tied in deliverability for sales is approximately five MMcfd and 50 barrels of condensate per day. Three additional Cotton Valley locations have been selected and a number of infill Hosston locations are proposed. It is anticipated that with rig availability a continuous drilling program will be carried out to develop the full potential of the property. The project is currently receiving \$3.10/Mcf for the gas and \$36.00/STB for the liquids.



EAST ATHENS PROJECT (Louisiana)

During the past year the East Athens project has maintained a relatively stable operation producing at controlled rates of 8.5 to 9.5 MMcfd. An infill development well, the Dick #1, was drilled and completed in an upper Hosston sand. With this well tied in for sales, the project now has 25 wells capable of producing gas and oil at economic rates. The project also has a Sligo oil pool which has been delineated through the deeper drilling program. The oil reserves have been unitized and the oil pool is now scheduled for development. Full exploration of the East Athens oil and gas reserves will be initiated over the next year with the commencement of a continuous drilling and recompletion program. Tentatively a 10 well infill drilling program will be carried out with the drilling of one Cotton Valley zone test and nine Hosston zone tests. Also, seven recompletions will be carried out in the Hosston gas and/or in the Sligo oil zone. It is anticipated that the infill drilling and completion programs will increase the productivity of the project up to a level of 13 MMcfd, 100 barrels of condensate a day and 250 bopd. The project is currently receiving \$3.10/MMcf for gas sales and \$36.00/STB for liquid sales.



BRAZOS – GRIMES COUNTY TEXAS

In the Brazos-Grimes Counties of Texas the Company has maintained varying working interest positions in 14,011 gross acres of land located on five separate properties. During the past year and a half this area in general, has been exposed to numerous drilling programs that have been exploring for oil and gas reserves in the deeper formation down to and including the Edwards Reef which is located at a depth of approximately 13,000 feet.

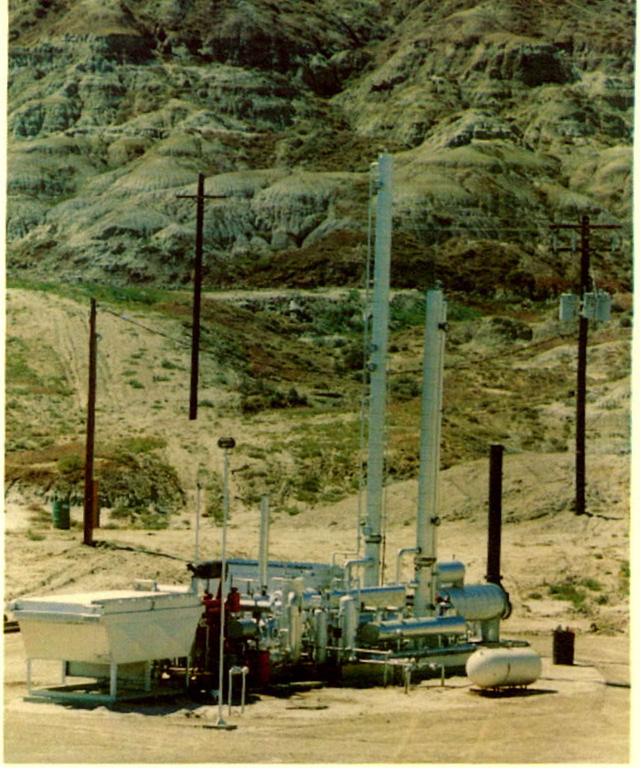
On the Ferguson Crossing project in Grimes County, the original discovery well which was completed as a marginal sub-Clarksville gas well, was restimulated and is now capable of producing at controlled rates of two MMcfd and 70 bopd. Two offset wells have been drilled and initial completion results indicate that both wells have excellent productivity capabilities in excess of two MMcfd and 60 to 70 bopd.

In Brazos County, Coseka completed a farm-out on the Enright, N.W. Millican, Lick Creek and Saddlehorn properties. To date five earning wells have been drilled on the properties. Three wells have been completed in the Austin Chalk zone with two wells in the cleanup stage and one well on production, producing at a rate of one MMcfd. One well has been completed in the Georgetown zone and has been tested with an AOF of five MMcfd and one well is waiting for completion equipment. Once the exisiting program has been evaluated with production history a number of additional locations will be selected as follow-up earning obligation wells.

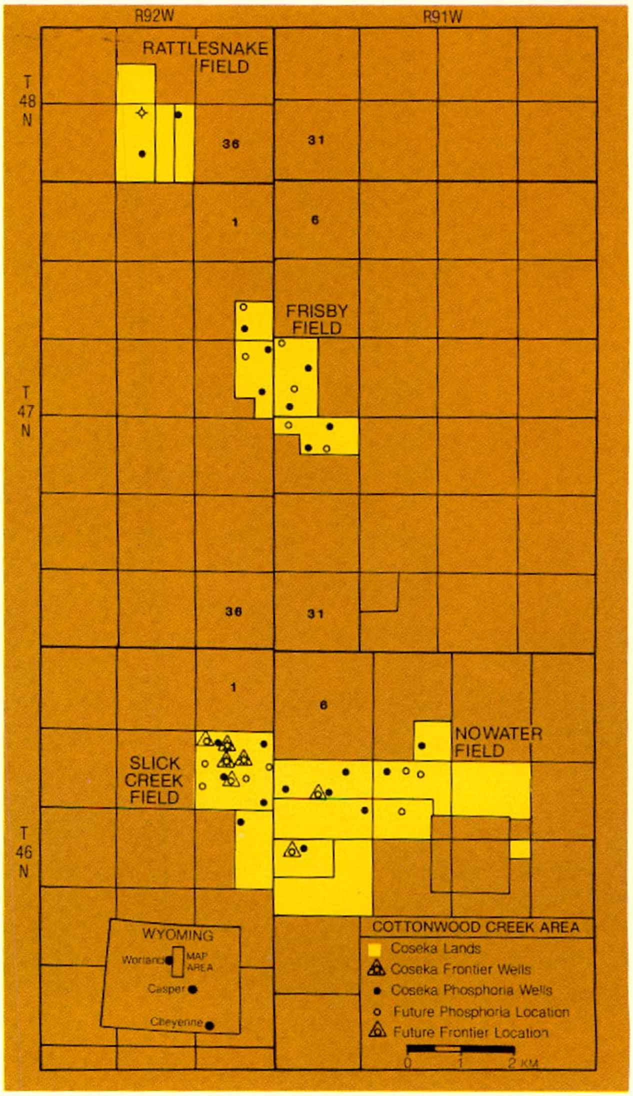
Cottonwood Creek Project

During the past year production has leveled out at 400 to 425 bopd from 20 pumping Phosphoria wells in the project. Construction of a gas plant to process Frontier zone gas was completed and started-up in May, 1981. The gas plant is processing gas from three existing wells. NGL (propane and butane-gasoline mix) is sold locally and the gas is sold to Montana-Dakota utilities system.

The Company has drilled a step-out Phosphoria well in the Nowater area and tentative locations for additional Frontier wells have been identified. Future potential of this project on the basis of infill Phosphoria drilling and additional pay horizons will be evaluated during the fourth quarter of 1981. Depending upon 80 or 40 acre development an additional 15 to 30 wells can potentially be drilled.



Slick Creek gas processing plant went on stream during 1981



International Operations

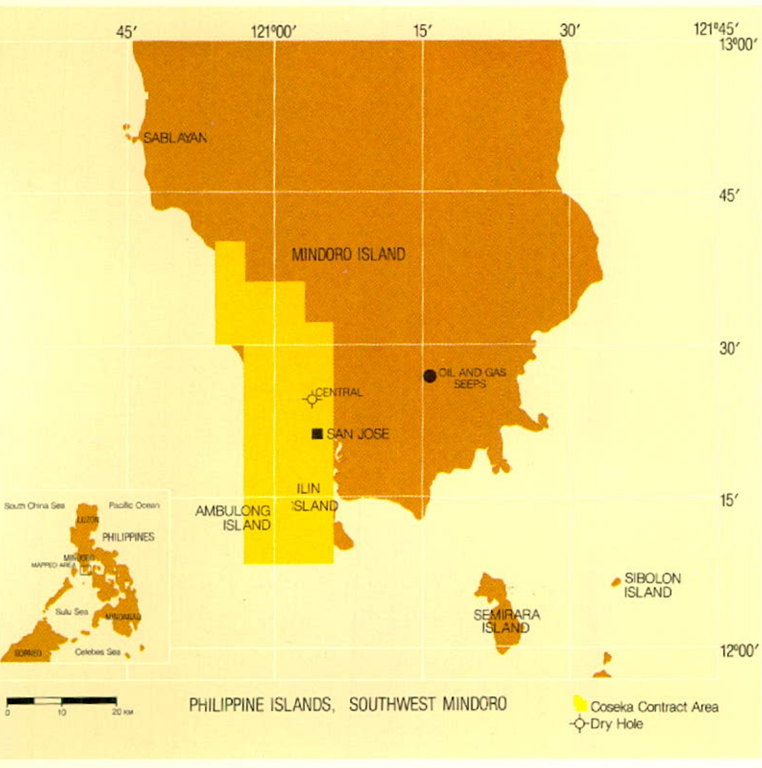
Local workers help move seismic equipment on Mindoro Island in the Philippines

To provide additional diversification in areas outside North America the Company has been evaluating numerous exploration opportunities in various countries. The Company has committed to two high potential projects, one in the Philippines, and one in the Mediterranean (offshore). Large reserve potential in conjunction with the pricing of hydrocarbon products at world levels makes these ventures highly attractive.

PHILIPPINES (Mindoro Project)

Coseka is participating in the exploration of a Geophysical Contract situated in the southwestern portion of Mindoro Island, due south of Luzon Island and the capital city of Manila. The area of the tract is 860 sq. km (212,506 acres) of which half is on land and half offshore. Early in 1981 Coseka farmed-in on the area (Sedco is the operator) and is earning a 25 percent working interest in the entire contract area for payment of one-third of costs through the geophysical program and first exploratory well. An onshore seismic program of 252 kilometres (151 miles) has been completed subsequent to the Company's commitment. Interpretation of this data has resulted in the mapping of an attractive structural feature which is programmed for drilling in October 1981. This well is being drilled within the time and conditions of an extension to the existing Geophysical Contract which enables the participants to avail themselves of the information from this well prior to the decision as to whether to enter into a pre-negotiated Service Contract with the Philippines Government. Depth and cost of the well is 6,000 feet and $1,500,000 (U.S.).

It is significant to note that an oil discovery situated 105 miles west of this tract has just been announced by another operator. Also, oil and gas seeps have been recognized for many years on Mindoro Island immediately to the east of the Coseka acreage.



Production and Reserves

Natural Gas, Crude Oil & Natural Gas Liquids Production
(Before Deducting Royalties)

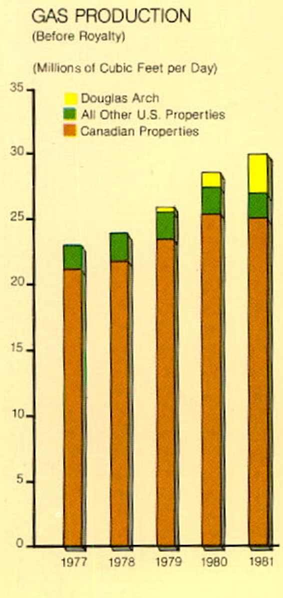
	1981	1980	% Increase
Natural Gas – Mcf per day			
CANADA			
Alberta	**18,683**	18,509	1
British Columbia	**2,206**	3,079	(28)
Saskatchewan	**4,253**	4,049	5
	25,142	25,637	(2)
U.S.A.	**4,933**	3,281	50
Total	**30,075**	28,918	4
Crude Oil & Natural Gas Liquids – Bbls per Day			
CANADA	**472**	267	77
U.S.A.	**169**	219	(23)
Total	**641**	486	32

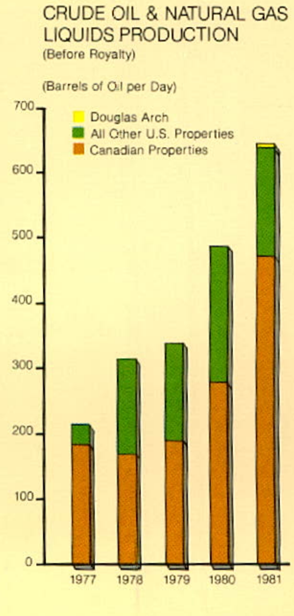
Average Prices Received

Natural Gas – $ per Mcf (Can. dollars)			
CANADA			
Alberta	**$ 2.46**	$ 2.19	12
British Columbia	**1.10**	1.18	(7)
Saskatchewan	**0.50**	0.42	19
U.S.A.	**2.96**	2.35	26
Crude Oil & Natural Gas Liquids – $ per Barrel (Can. dollars)			
CANADA	**$15.85**	$13.15	21
U.S.A.	**33.16**	22.64	46

The Company's natural gas, oil and natural gas liquid reserves before royalties and tax deductions, as of January 1, 1981, are summarized below. This summary includes in-house estimates for all new reserves which have been developed during the past year. It should be noted that the Company has assigned Independent Petroleum Consultants the project of updating the reserves assignment for the Company and establishing a value for the future net revenue from the reserves when an accord on the new oil policy has been established in Canada. It is anticipated that this work will be completed by the first quarter of 1982.

	Natural Gas Bcf	Oil & Natural Gas Liquids (000's) Bbls	Sulphur (000's) Long Tons
Canada			
Proven	300.68	1,821.9	732.69
Probable	80.04	1,436.0	336.80
TOTAL	380.72	3,257.9	1,069.49
U.S.A.			
Proven	99.71	950.4	—
Probable	62.33	544.6	—
TOTAL	162.04	1,495.0	—
GRAND TOTAL	542.76	4,752.9	1,069.49





Wharf Resources Ltd.

The Company has a 32.1 percent interest in Wharf Resources Ltd., a company whose primary activities are concentrated in precious metal exploration and production.

Wharf Resources has an interest in one producing gold-silver property and an interest in various mineral properties undergoing exploration and/or development, as follows:

- Landusky, Montana. Wharf has a 37.12 percent interest in "net proceeds" of production. This property is in its second year of production on a large scale heap leaching basis.
- Annie Creek, South Dakota. Wharf has a 100 percent interest in this property. Following two successive drill programs, approximately 7,500,000 tons of open pit gold-silver ore have been blocked out. Pilot testing for heap leaching is underway.
- Bald Mountain Partners, South Dakota. Wharf has a 50 percent interest in this property. The first phase of exploration drilling was completed in February, 1981 (80 holes for approximately 16,000 feet). Further drilling is planned.
- Wells-Barkerville, British Columbia. Wharf has a 100 percent interest in this property. The 1981 follow-up to last year's program involved the drilling of 106 holes, for a total footage of 13,100 feet. Evaluation of the drill results is currently underway.

Production operations at Landusky got off to a late start this calendar year due to the weather. This, coupled with a "winding down" of the existing mining contract, resulted in the refinery production, to the end of July, 1981, of only 5,565 ounces of gold and 10,377 ounces of silver. A total of approximately 500,000 tons of new ore was added to leaching pads during this period. The new mining contract took effect early in the third quarter of this calendar year and will result in mining costs significantly reduced from prior costs. Approximately 1,000,000 tons of new ore are scheduled to be added to the leaching pads during the second half of the year, including ore from the Gold Bug zone, which grades significantly higher than ore treated to date.

The on-site pilot project to mine and heap leach Annie Creek ore scheduled to commence in July of this year has been further delayed because of certain pre-production wildlife survey prerequisites.

Geologist chipping samples from outcrop in the Sanders zone on Wharf's Wells-Barkerville property

In order to obtain leach test results before the onslaught of winter, Wharf has decided to immediately proceed with large scale column tests. For this purpose three 40 feet high by 6 feet in diameter concrete columns will be used. The on-site heap tests will necessarily have to be postponed until next year. If these tests are successful, full scale production at approximately 500,000 tons a year will follow.

In early August of this year, Homestake Mining Company completed their analysis and reported on the Bald Mountain drill program completed in February. As a result of this first phase program, they have estimated establishing a geologic mineral inventory in one small target area of approximately 6,000,000 tons, with a grade slightly in excess of 0.05 ounces of gold (using a 0.02 cutoff). Extensive metallurgical testing conducted by them also confirms that the ore is amenable to cyanide leaching.

The main thrust of the 1981 Wells-Barkerville program was to provide development data on the Sanders zone discovered during last year's drill program. Seventy of the 106 holes drilled this year were concentrated in a systematic grid drill program. The assay results are very encouraging, and although a great deal of additional assessment work is still required, preliminary indications are that approximately 1,000,000 tons of open pit ore, with a grade of approximately 0.1 ounces of gold, have been established in this one area.

In order to diversify Wharf's activities and to provide stable cash flow during periods of low precious metal prices, Wharf has committed to a 10 percent interest for the development of 17,500 acres in the Austin Chalk trend of Texas. Wharf's initial commitment is for a program of four wells, each of which shall give Wharf an interest in a 2,000 acre block. Continuing options are available to earn in the balance of the acreage on the same basis. The acreage is located on the prolific deep gas-condensate trend of Austin Chalk at a depth of approximately 13,000 feet. Three wells have recently been drilled and are being completed, and one well is presently drilling.

Financial Review

Throughout a year given to considerable review of the Canadian National Energy Program (NEP) and its effects on the day to day future planning, the Company has continued to show a positive financial growth. During the fiscal year ended July 31, 1981 consolidated sales increased by 24 percent to $29,502,781; funds generated by operations (cash flow) increased by 31 percent or $3,432,426; and net income increased by 19 percent or $940,250 to $5,877,159.

Net income from well operations of $17,148,165 increased by $2,135,000 or 14 percent. The Canadian operation contributed approximately 61 percent, of which new oil production accounted for 56 percent of the increase, and increased sulphur sales for the balance.

The Company followed a very active and successful year of financing both in Canada and in the United States. On September 10, 1980 a Canadian issue of 2,000,000 - 7% Cumulative Redeemable Convertible Preferred Shares, Series A with a par value of $10.00 per share convertible was closed. Proceeds net of expenses of the issue amounted to $18,916,218 (Can.) giving the Company a strong working capital position. On March 20, 1981 private placement was completed in the amount of $15,000,000 (U.S.) 9% Subordinated Participating Debentures due March 15, 2001 plus a small percentage in net revenue. In the United States a very large financing package totalling $99,000,000 (U.S.) was closed with major institutional investors, on March 13, 1981. This arrangement covers three years of development programs for the Douglas Arch Area of Colorado and Utah with each year being committed to individually. Subsequently on June 1, 1981 a further $19,000,000 (U.S.) was added to the overall package bringing the total to $118,000,000 (U.S.). At the time of this report two years' development or $71,000,000 (U.S.) had been committed to by the investors.

Coseka Resources (U.S.A.) Limited purchased on October 7, 1980 certain additional interests in the Douglas Arch properties of Colorado and Utah for a consideration of $25,500,000 (U.S.) payable in cash. These funds were financed by a line of credit from a Canadian chartered bank at U.S. prime plus 3/4 percent.

On March 31, 1981 the Company sold approximately one-third of its interest in the North Coleman deep gas project for a cash payment of $7,500,000 with the funds to be used in pursuing attractive oil property acquisitions in Canada. The proceeds of this transaction have been credited against property, plant and equipment costs in compliance with the Company's accounting policies.

A first for the Company was the administration during the year of a Canadian public drilling fund called the "Coseka 80-81 Oil and Gas Partnership" totalling $12,710,000 gross. To July 31, 1981 the Fund has spent $11,298,181 and had earned $1,086,000 net income before depletion and depreciation, including interest income. The Fund has also paid dividends of $762,600 or $300 per unit to September 1, 1981. At the present time the Company has had a current prospectus cleared by the appropriate authorities and is marketing the "Coseka 81-82 Oil and Gas Partnership" through its representatives.

Expenditures, during the year, on oil and gas properties totalled $89,225,166 (Can.), an increase of $57,159,686 over the year ended July 31, 1980. The allocation of these funds was $9,399,541 to Canada, of which $3,718,282 was exploration, and $79,825,625 (Can.) to the United States, of which $5,419,308 was exploration. The U.S. expenditures also included the acquisition of an additional interest in the Douglas Arch Area of Colorado and Utah for $30,623,844 (Can.). In addition, drilling funds operated by the Company spent, throughout the year on exploration and development, a total of $16,625,694 (Can.) in Canada and $20,656,828 (Can.) in the United States.

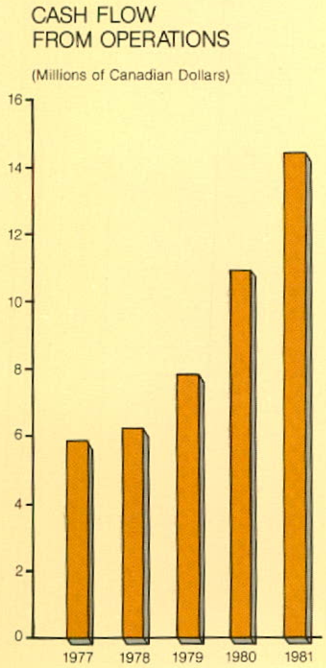
The Company looks forward in the next year to continued growth in its cash flow from its United States operations with its financing in place and committed to the next year's development drilling program in the Douglas Arch.

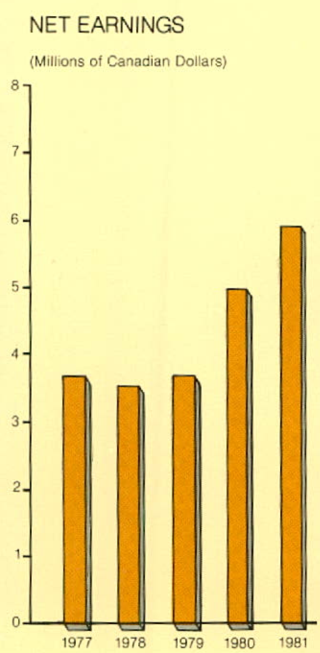
Analysis of Gross Income

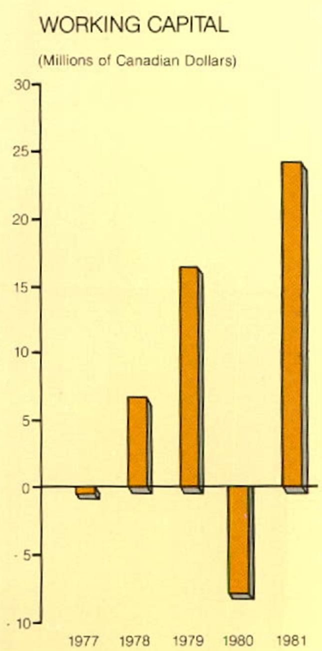
	($000's) 1981	1980	% Change
CANADA (Canadian Dollars)			
Sales:			
Oil and Natural Gas Liquids	**$ 2,732**	$ 1,289	112
Natural Gas	**18,442**	16,795	10
Sulphur	**1,138**	571	99
Gross Product Sales	**22,312**	18,655	20
Royalty Expense	**6,455**	4,757	36
Net Product Sales	**15,857**	13,898	14
Royalty Revenue	**38**	35	9
Net Oil and Gas Sales	**$15,895**	$13,933	14
U.S.A. (U.S. Dollars)			
Sales:			
Oil and Natural Gas Liquids	**$ 1,240**	$ 1,662	(25)
Natural Gas	**4,483**	2,579	74
Gross Product Sales	**5,723**	4,241	35
Royalty Expense	**1,439**	1,138	26
Net Product Sales	**4,284**	3,103	38
Royalty Revenue	**2**	8	(75)
Net Oil and Gas Sales	**$ 4,286**	$ 3,111	38

Trading Record for 1980, 1981

QUARTER	SHARE VOLUME	PRICE RANGE LOW	HIGH
First Quarter Fiscal, 1980 Period Ending October 31, 1979	3,503,300	$8.375	$12.25
Second Quarter Fiscal, 1980 Period Ending January 31, 1980	5,786,500	9.875	23.50
Third Quarter Fiscal, 1980 Period Ending April 30, 1980	3,823,200	13.50	31.50
Fourth Quarter Fiscal, 1980 Period Ending July 31, 1980	1,386,600	16.50	24.00
First Quarter Fiscal, 1981 Period Ending October 31, 1980	1,003,404	22.50	26.875
Second Quarter Fiscal, 1981 Period Ending January 31, 1981	382,110	21.675	25.00
Third Quarter Fiscal, 1981 Period Ending April 30, 1981	560,079	19.875	22.375
Fourth Quarter Fiscal, 1981 Period Ending July 31, 1981	267,106	15.00	19.75







Five Year Financial and Operating Summary

Year Ended July 31

Financial ($000's)	**1981**	1980	1979	1978	1977
Gross Sales	**29,503**	23,686	15,795	12,665	10,407
Cash Flow from Operations	**14,285**	10,853	7,822	6,144	5,937
*Per Common Share $ (Basic)	**1.25**	1.04	0.77	0.66	0.81
Net Income	**5,877**	4,937	3,620	3,489	3,562
*Per Common Share ¢ (Basic)	**51.5**	47.1	35.7	37.4	48.7
Working Capital	**24,283**	(8,250)	16,676	6,505	(125)
Exploration, Development and Other Capital Expenditures	**89,225**	32,076	18,332	14,816	11,781
Drilling Funds Expenditures	**37,283**	3,312	8,124	20,512	7,840
Total Assets	**288,417**	158,790	99,171	74,119	36,870
Per Common Share $	**25.02**	14.00	9.77	7.33	4.88
Long-Term Debt	**143,663**	52,259	42,923	26,952	12,433
Shareholders' Equity	**88,955**	61,881	36,100	32,296	14,919
Per Common Share $	**7.72**	5.46	3.56	3.19	1.97
Shares Outstanding (000's)	**11,529**	11,341	10,150	10,101	7,555

Operations					
Gas Production (Before Royalty)					
Canada – MMcf	**9,177**	9,383	8,534	8,008	7,768
U.S.A. – MMcf	**1,800**	1,201	961	698	647
Total – MMcf	**10,977**	10,584	9,495	8,706	8,415
Total – MMcf per Day	**30.0**	28.9	26.0	23.9	23.1
Oil and Condensate Production (Before Royalty)					
Canada – Thousand Bbls	**172.4**	97.6	65.6	59.5	64.8
U.S.A. – Thousand Bbls	**61.8**	80.0	57.6	54.5	16.3
Total – Thousand Bbls	**234.2**	177.6	123.2	114.0	81.1
Total – Bbls per Day	**641**	486	338	312	222
Sulphur Production (Before Royalty)					
Canada – Long Tons	**35,432**	22,163	18,669	18,934	27,818
Land Holdings – Net Acres	**1,260,694**	744,809	349,630	302,300	193,065

*Basic weighted average number of shares issued during fiscal year (1981) 11,414,289 common shares, (1980) 10,481,152 common shares.

COSEKA RESOURCES LIMITED

(Under the Company Act, British Columbia)

Consolidated Statement of Financial Position

As at July 31, 1981

(With Prior Year's Figures for Comparison)

($000)

	1981	1980
NET ASSETS		
Current Assets:		
Cash and Short-Term Deposits	**$ 17,630**	$ 799
Accounts Receivable	**36,834**	17,228
Inventories	**5,411**	—
Other	**350**	275
Total Current Assets	**60,225**	18,302
Current Liabilities:		
Bank Indebtedness	**—**	7,773
Accounts Payable and Accrued Liabilities	**27,396**	15,630
Current Portion of Long-Term Debt	**8,546**	3,149
Total Current Liabilities	**35,942**	26,552
Working Capital (Deficiency)	**24,283**	(8,250)
Investment in Affiliated Company	**1,765**	1,055
Property, Plant and Equipment (Note 2)	**223,832**	138,823
Advances to Officers and Directors (Note 11)	**1,912**	—
Other Assets	**683**	610
	252,475	132,238
Deduct:		
Long-Term Debt (Note 3)	**143,663**	56,259
Notes Payable	**—**	341
Deferred Income Taxes (Note 4)	**17,078**	12,289
Deferred Income	**2,779**	1,468
	163,520	70,357
Net Assets	**$ 88,955**	$ 61,881
SOURCE OF NET ASSETS		
Shareholders' Equity:		
Share Capital (Notes 5 & 6)	**$ 66,148**	$ 43,167
Retained Earnings	**22,807**	18,714
Total Shareholders' Equity	**$ 88,955**	$ 61,881

On Behalf of the Board:

Peter R. Kutney **Lloyd D. Driscoll**

(The accompanying notes are an integral part of the consolidated financial statements.)

COSEKA RESOURCES LIMITED

Consolidated Statement of Income

As at July 31, 1981

(With Prior Year's Figures for Comparison)

($000)

	1981	1980
Income:		
Sales	**$29,503**	$23,686
Less: Royalties	**8,254**	6,121
Income Net of Royalties	**21,249**	17,565
Less: Operating Expenses	**4,101**	2,552
Net Income from Well Operations	**17,148**	15,013
Other Expenses – Excluding Depletion, Depreciation and Amortization		
Administrative	**419**	556
Interest (Net)	**2,444**	3,604
Total Other Expenses	**2,863**	4,160
Funds Generated by Operations	**14,285**	10,853
Depletion, Depreciation and Amortization	**4,200**	3,184
Share of After Tax Income of Affiliated Company	**165**	480
	10,250	8,149
Provision for (Recovery of) Income Taxes: (Note 4)		
Deferred	**5,326**	3,903
Current	**(953)**	(829)
Net Provision for Income Taxes	**4,373**	3,074
Income Before Extraordinary Item	**5,877**	5,075
Extraordinary Item:		
Loss on Sale of Shares of Affiliated Company (Net of Deferred Income Taxes of $8)	**—**	138
Net Income for the Year	**$ 5,877**	$ 4,937
Earnings per Share: (Note 7)		
Basic:		
Before Extraordinary Items	**40.6¢**	48.4¢
After Extraordinary Items	**40.6¢**	47.1¢

Consolidated Statement of Retained Earnings

As at July 31, 1981

(With Prior Year's Figures for Comparison)

($000)

	1981	1980
Retained Earnings at Beginning of the Year	**$18,714**	$13,689
Net Income for the Year	**5,877**	4,937
Cost of Issuance of Preferred Shares (Net of Deferred Income Taxes of $542)	**(542)**	—
Transfer of Contributed Surplus	**—**	88
	24,049	18,714
Less: Dividends on Preferred Shares	**1,242**	—
Retained Earnings at the End of the Year	**$22,807**	$18,714

(The accompanying notes are an integral part of the consolidated financial statements.)

COSEKA RESOURCES LIMITED

Consolidated Statement of Changes in Financial Position

As at July 31, 1981

(With Prior Year's Figures for Comparison)

($000)

	1981	1980
FUNDS PROVIDED:		
Generated by Operations	**$ 14,285**	$10,853
Issuance of Preferred Shares	**18,916**	—
Issuance of Common Shares	**2,981**	494
Increase in Deferred Income	**1,311**	656
Proceeds on Sale of Investments	**—**	702
Provincial Royalty Tax Credit	**953**	829
Increase in Long-Term Debt	**96,896**	—
Other	**308**	101
Total Funds Provided	**135,650**	13,635
FUNDS APPLIED:		
Expenditures on Property, Plant and Equipment	**89,225**	32,076
Working Capital Deficiency Assumed on Acquisition of Subsidiaries	**—**	2,481
Principal Repayments of Bank and Production Loans	**9,833**	2,935
Dividends Paid on Preferred Shares	**1,242**	—
Increase in Other Investments	**—**	100
Investments and Advances to Related and Affiliated Companies	**545**	179
Advances to Officers and Directors	**1,912**	—
Working Capital Reduction Resulting from Equity Accounting of Wharf Resources Ltd.	**—**	666
Other	**360**	124
Total Funds Applied	**103,117**	38,561
Increase (Decrease) in Working Capital for the Year	**32,533**	(24,926)
(Deficiency) Working Capital at Beginning of the Year	**(8,250)**	16,676
Working Capital (Deficiency) at End of the Year	**$ 24,283**	$ (8,250)

(The accompanying notes are an integral part of the consolidated financial statements.)

Notes to the Consolidated Financial Statements

July 31, 1981

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries since their respective dates of acquisition or formation.

All acquisitions have been accounted for using the purchase method.

(b) Inventories

Inventories are carried at cost and represent equipment to be used in the Company's oil and gas operations.

(c) Investment in Affiliated Company

Investment in affiliated company represents the Company's 32.1 percent interest in Wharf Resources Ltd. (1980: 34.9 percent). This investment has been accounted for on the equity basis.

(d) Petroleum and Natural Gas Properties

The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs are capitalized including administrative costs associated with exploration and development activities and interest costs incurred in respect of undeveloped properties.

For the year ended July 31, 1981 administrative expenses and interest aggregating $14,446,100 (1980: $3,487,800) were capitalized.

Proceeds received from disposal of properties are credited against accumulated costs except in the case of major dispositions when a gain or loss on disposal is recognized. Depletion and depreciation of net costs are provided for by the unit-of-production method based on the Company's estimated proven and probable reserves and estimated future development costs as established by the Company's engineers for each of two cost pools, Canada and the United States. Substantially all of the activities for the Company are carried out through joint ventures.

(e) Other Property and Equipment

Other property and equipment is recorded at cost. Office fixtures and equipment and automotive equipment are depreciated using the straight-line method at rates varying from 20 to 30 percent. Leasehold improvements are amortized over the terms of the leases.

(f) Translation of Foreign Currencies

Accounts maintained in foreign currencies have been translated into Canadian funds on the following basis:

Liabilities & Current Assets	at the year-end rate
Non-Current Assets	at the average monthly rate at the time of acquisition
Income & Expenses	at the average monthly rate

As the proceeds from long-term debt have been used to acquire and develop petroleum and natural gas properties, any unrealized exchange gain or loss is allocated to property, plant and equipment. Other exchange gains or losses are allocated to administrative costs and are expensed or capitalized as petroleum and natural gas properties.

(g) Deferred Income

The Company records revenue from oil and gas operations as reserves are produced and sold. Payment received attributable to gas contracted for but not delivered is recorded as deferred income.

2. PROPERTY, PLANT AND EQUIPMENT

The balance is comprised of the following:

	July 31, 1981		July 31, 1980	
	Carrying Values (Note 1)	Accumulated Depletion, Depreciation and Amortization	Carrying Values (Note 1)	Accumulated Depletion, Depreciation and Amortization
Petroleum & Natural Gas Properties & Production Facilities	$235,407,000	$12,541,000	$146,520,000	$8,323,000
Other Property & Equipment	1,434,000	468,000	1,050,000	424,000
Total	$236,841,000	$13,009,000	$147,570,000	$8,747,000

3. LONG-TERM DEBT

	July 31, 1981	July 31, 1980
Bank Income Debenture — bearing interest at half of the sum of bank prime rate plus 2 percent, payable in quarterly instalments of principal of $536,000 commencing February 1, 1981 with a final instalment of $428,000 payable on November 1, 1987. The debenture is secured by an assignment of the Company's interest in certain Canadian gas properties	$13,928,000	$15,000,000
Bank Income Debenture in the amount of U.S. $24,000,000 — bearing interest at half of the sum of the U.S. base rate plus 2 percent, payable in quarterly instalments of principal of U.S. $857,000 commencing February 1, 1982 with a final instalment of U.S. $861,000 payable on November 1, 1988. The debenture is secured by an assignment of the Company's interest in certain Canadian and U.S. oil and gas properties	29,638,000	27,878,000
Drawn under a bank line of credit in the amount of U.S. $11,230,000 — bearing interest at the U.S. bank's prime lending rate plus 3/4 percent, payable in 48 consecutive monthly instalments	11,846,000	13,045,000
10% Secured Notes in the amount of U.S. $3,000,000 — due in equal monthly instalments of principal and interest of U.S. $31,870 from February 1, 1981 through January 2, 1983 and U.S. $63,740 from February 1, 1983 through January 2, 1986 with the balance due January 2, 1986	3,519,000	3,485,000
Unsecured Notes in the amount of U.S. $8,956,000 — bearing interest at the rate of 10 percent per annum until April 30, 1985 and thereafter at an annual rate equal to one-third of the sum of the annual interest rates, calculated on a daily basis by three major New York banks, payable monthly (Note 9). Principal is payable in 48 consecutive monthly instalments commencing May 31, 1983	11,060,000	—
Subordinated Participating Debenture in the amount of U.S. $15,000,000 — due February 27, 2001, bearing interest at an annual rate of 9 percent plus an amount determined by formula based on revenues from specified wells. The debenture is secured by an assignment of the Company's interest in certain U.S. oil and gas properties	18,523,000	—
Drawn under a bank line of credit in the amount of U.S. $25,500,000 — bearing interest at the U.S. bank's prime lending rate plus 3/4 percent due October 7, 1982. The line of credit is secured by an assignment of production from the Company's Douglas Arch properties	31,490,000	—
Drawn under a bank line of credit in the amount of U.S. $25,648,000 — bearing interest at the U.S. bank's prime lending rate plus 1/2 percent due in 36 consecutive quarterly instalments commencing September 1, 1982. The line of credit is secured by an assignment of production from the Company's interest in certain oil and gas properties	31,673,000	—
Other	532,000	—
	152,209,000	59,408,000
Less Current Portion	8,546,000	3,149,000
Net Long-Term Debt	$143,663,000	$56,259,000

Annual principal repayments of long-term debt over the next five fiscal years are:

Year	Canadian $ Debt	U.S. $ Debt
1982	$2,144,000	$ 5,185,000
1983	2,144,000	32,560,000
1984	2,144,000	13,562,000
1985	2,144,000	11,924,000
1986	2,144,000	11,054,000

Interest paid on long-term debt amounted to:

	Year Ended July 31, 1981	Year Ended July 31, 1980
Capitalized as Part of Petroleum & Natural Gas Properties	$11,555,000	$ 483,000
Expensed	5,040,000	3,769,000
	$16,595,000	$4,252,000

4. INCOME TAXES

No income taxes are currently payable.

Deferred income taxes result from timing differences in the recognition of income and expense for income tax and financial statement purposes. The sources of these differences are as follows:

	Year Ended July 31, 1981	Year Ended July 31, 1980
Exploration & Development Expenditures Deducted for Income Tax Purposes in Excess of Book Depletion	$4,992,000	$3,640,000
Capital Cost Allowance Deducted for Income Tax Purposes in Excess of Depreciation	334,000	278,000
Other	—	(14,000)
Total	$5,326,000	$3,904,000

Income tax expense varies from the amount that would be computed by applying combined Federal, Provincial and State tax rates to earnings for the following reasons:

	AMOUNT		PERCENTAGE OF PRE-TAX EARNINGS	
	Year Ended July 31, 1981	Year Ended July 31, 1980	Year Ended July 31, 1981	Year Ended July 31, 1980
Computed Income Tax Expense	$5,023,000	$3,830,000	49%	47%
Increase (Decrease) in Income Tax Resulting from:				
Non-Deductible Royalties & Other Expenses Less Federal Resource Allowance	10,000	241,000	—	3%
Petroleum and Gas Revenue Tax	388,000	—	4%	—
Provincial Royalty Tax Credit	(953,000)	(829,000)	(9%)	(10%)
Depletion	(1,396,000)	(1,304,000)	(14%)	(16%)
Non-Deductible Income Debenture Interest	1,414,000	1,408,000	14%	17%
Equity Income of Affiliated Company	(81,000)	(225,000)	(1%)	(2%)
Other	(32,000)	(47,000)	—	(1%)
Income Tax Expense	$4,373,000	$3,074,000	43%	38%

At July 31, 1981 unclaimed capital cost allowances and unclaimed exploration and development expenditures amounted to approximately $17,000,000 (1980: $22,300,000). These amounts are available to be applied against future taxable incomes. In addition, unclaimed earned depletion amounted to approximately $13,600,000 (1980: $9,400,000) which may be claimed against future taxable incomes at a rate of 25 percent of production profits.

For United States income tax purposes, at July 31, 1981, unclaimed statutory depletion amounted to approximately U.S. $940,000 (1980: $680,000) which may be claimed against future taxable incomes at rates not exceeding 65 percent of production profits. In addition, United States tax losses available to reduce future taxable incomes amounted to approximately U.S. $34,836,000 expiring as follows:

1983	$ 540,000
1984	1,152,000
1985	6,245,000
1986	8,499,000
1987	6,500,000
1988	11,900,000
	$34,836,000

5. SHARE CAPITAL

Details of share capital are as follows:

Authorized — 8,000,000 preferred shares par value of $10.00 each, authorized March 13, 1980
— 30,000,000 common shares (1980: 15,000,000) of no par value

Issued and Fully Paid — 7% Cumulative Redeemable Convertible Preferred Shares — Series A

	Year Ended July 31, 1981	
	Shares	Amount
Balance, Beginning of Year	—	—
Issued for Cash During the Year	2,000,000	$20,000,000
Converted to Common Shares During the Year	500	5,000
Balance, End of Year	1,999,500	$19,995,000

Preferred shares are convertible into common shares at a rate of one preferred share to 0.417 common shares up to June 30, 1985 and at a rate of one preferred share to 0.348 common shares thereafter up to June 30, 1990.

Issued and Fully Paid — common shares:

	Year Ended July 31, 1981		Year Ended July 31, 1980	
	Shares	Amount	Shares	Amount
Balance, Beginning of Year	11,341,355	$43,167,000	10,163,455	$22,323,000
Issued Under Employee Stock Option Plan (Note 6)	67,900	591,000	77,900	494,000
Issued Under Executive Share Purchase Plan (Note 6)	120,000	2,390,000	—	—
Issued on Purchase of Subsidiary Companies (Note 9)	—	—	1,100,000	20,350,000
Issued on Conversion of Preferred Shares	208	5,000	—	—
Balance, End of Year	11,529,463	$46,153,000	11,341,355	$43,167,000

6. STOCK OPTIONS AND EXECUTIVE SHARE PURCHASE PLAN

(a) Stock Options

At July 31, 1981, 223,200 (1980: 226,100) common shares were reserved for the exercise of options to employees and officers.

A total of 199,200 shares have been optioned with the options being exercisable 20 percent at the date of granting the option and 20 percent on each of the following four anniversary dates, with cumulative rights to acquire in subsequent years shares not acquired during the previous years. The options are subject to restrictions relating to the optionee's employment with the Company. During the year ended July 31, 1981, options in respect of 111,500 (1980: 87,500) additional shares were granted, and options in respect of 67,900 (1980: 77,900) shares were exercised. The following options were outstanding at the end of the year.

	July 31, 1981	
Date Expires	Number of Shares	Option Price
August 4, 1982	2,000	$ 5.51
August 14, 1983	16,000	5.51
February 26, 1984	12,000	6.48
April 2, 1984	8,000	8.21
October 25, 1984	16,500	7.65
May 12, 1985	8,000	14.62
August 7, 1985	30,000	17.10
February 6, 1986	48,200	18.22
April 24, 1986	10,000	17.89
April 28, 1986	10,000	17.89
May 6, 1986	15,000	18.22
June 8, 1986	13,500	17.55
July 14, 1986	10,000	15.86

(b) Executive Share Purchase Plan

On December 8, 1980, the Company established an Executive Share Purchase Plan for its officers and certain key employees reserving an aggregate of 300,000 common shares for future distribution. The issuance of shares is subject to restrictions relating to the participant's employment with the Company. The Plan is administered by a trustee who will from time to time subscribe for and purchase common shares of the Company on behalf of the Plan participants and hold such shares on their behalf in accordance with the terms of the Plan. The Company provides loans to its executives to enable them to make purchases as they become eligible for participation in the Plan. The loans are in the form of non-interest bearing promissory notes repayable in five equal annual instalments. As at July 31, 1981, 120,000 shares, all of which have been issued, were allocated under the Plan at a price of $19.9167 per share.

7. EARNINGS PER SHARE

(a) Basic Earnings per Share

Basic earnings per share have been calculated based on the daily weighted average number of shares outstanding during the year.

(b) Fully Diluted Earnings per Share

Convertible preferred shares, options and shares under the Executive Share Purchase Plan have an anti-dilutive effect on the calculation of fully diluted earnings per share.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration including deemed benefits paid or payable by the Company to directors and senior officers, as defined in the Company Act, British Columbia, was as follows:

	Year Ended July 31, 1981	**Year Ended July 31, 1980**
Payments Under Employee Profit Sharing Plan	$100,000	$ 98,000
Other Remuneration	466,000	599,000
Total	$566,000	$697,000

9. ACQUISITION OF SUBSIDIARIES

Effective May 1, 1980, the Company issued 1,100,000 common shares (ascribed value $20,350,000) to acquire 100 percent of the outstanding shares of Deneb Corporation, Pacific Century Resources Inc. and Netumar Resources Inc. The Companies purchased were involved in oil and gas exploration and development in the Douglas Arch area in Colorado and Utah and during the year ended July 31, 1981 were amalgamated with the Company's United States subsidiary.

550,000 of the shares issued by the Company were lodged in escrow under terms which gave the Company the right, at any time prior to May 1, 1981, to direct the sale of such shares. Proceeds from the sale of such shares were to be loaned to the Company by way of unsecured term loans bearing interest at 10 percent per annum until April 30, 1985 and thereafter at an annual rate equal to one-third of the sum of the annual interest rates, calculated on a daily basis, by three major New York banks, payable monthly.

On September 15, 1980 an agreement was reached to sell the 550,000 shares along with an additional 120,000 shares to a Toronto based securities dealer at a price of $19.25 per share subject to timely filing of a Statement of Material Facts permitting the offering of the shares through The Toronto Stock Exchange. Net proceeds of the sale of 550,000 shares, $10,621,750, were received on November 13, 1980 and were used to retire U.S. bank debt.

10. LEASE COMMITMENTS

The Company has leased office premises in Calgary, Alberta and Denver and Grand Junction, Colorado for periods of four and two years. The lease agreements provide for the payment of approximate annual rents of $350,000.

11. RELATED PARTY TRANSACTIONS

Details of related party transactions are as follows:

(a) In 1980 the Company entered into a joint venture agreement with Columbia Gas Development of Canada Ltd. and is committed to participate in a $60 million exploration program of which Coseka's share is $11.25 million over three years. A director of the Company, who was in part responsible for arranging the Company's participation in this joint venture was granted one half of the 1-1/2 percent overriding royalty assigned to the organizers of the project. No payments were made under this agreement during the years ended July 31, 1981 and July 31, 1980.

(b) The Company is committed to pay to a director and to the former president of a subsidiary company a total overriding royalty from 2.68 to 3.5 percent from revenues from its Douglas Arch properties. An amount of U.S. $2,900 was paid under this arrangement during the year ended July 31, 1981 (1980: $3,000).

(c) The Company is the general partner of the Coseka 80-81 Oil and Gas Partnership which participates in the Company's exploration programs. Directors, officers and associates hold approximately 2 percent of the units issued.

(d) The Company operates two separate joint ventures developing tracts of shallow gas properties in the Schuler area of Alberta for certain senior management and staff (including certain directors and officers). Under the joint venture and operating agreements, which vary but are within industry norms, the joint venture participants are required to fund all development costs with the Company having the right to elect to participate in up to 50 percent of net revenue after payout of development costs to the participants. Net revenues from these ventures, after capital cost recovery, received by senior management and staff amounted to $899,000 for the year ended July 31, 1981 (1980: $693,000).

(e) The Company has provided housing loans to key employees totalling $96,000 at July 31, 1981. These amounts are non-interest bearing and are secured by mortgages. The Company has also advanced amounts to employees to enable them to participate in the Company's Stock Option Plan and Executive Share Purchase Plan (Note 6). At July 31, 1981, these non-interest bearing advances totalled $2,390,000 (1980: $112,000) of which $478,000 is included in current accounts receivable.

12. SEGMENTED INFORMATION

The Company's business activity is the exploration for and the development of oil and gas reserves. This activity comprises a single business segment.

Operations and identifiable assets by geographic region are as follows (in thousands of Canadian dollars):

	Year Ended July 31, 1981		
	Canada	United States	Total
Income from Well Operations	$13,135	$ 4,013	$ 17,148
Operating Profit	11,185	1,344	12,529
Share of After Tax Income of Affiliated Company			165
Interest			(2,444)
Income Taxes			(4,373)
Net Income			$ 5,877
Identifiable Assets	$95,069	$191,292	$286,361
Corporate Assets			555
Investments			1,892
Total Assets			$288,808

	Year Ended July 31, 1980		
	Canada	United States	Total
Income from Well Operations	$11,837	$ 3,176	$ 15,013
Operating Profit	$ 9,800	$ 1,473	$ 11,273
Share of After Tax Income of Affiliated Company			480
Interest			(3,604)
Income Taxes			(3,074)
Extraordinary Item			(138)
Net Income			$ 4,937
Identifiable Assets	$61,673	$ 95,453	$157,126
Corporate Assets			382
Investments			1,282
Total Assets			$158,790

13. LITIGATION

Under a decision of the Public Utilities Board of Alberta relating to the cost of processing natural gas taken from the Coleman field, the Company has been instructed to pay certain additional costs in respect of gas processed from September 1, 1977 onwards. The position of the Public Utilities Board was upheld on appeal to the Alberta Court of Appeal. However, the Company believes that it has substantial grounds for obtaining a reversal of the retroactive application of the decision and intends to appeal to the Supreme Court of Canada. Consequently, no amounts have been provided in these financial statements pending resolution of the appeal.

In the event that the appeal, with respect to retroactive application, is unsuccessful, the Company's share of amounts payable with respect to prior periods are as follows:

Period — August 1 to August 12, 1980	$ 16,000
Year Ended July 31, 1980	111,000
Period — September 1, 1977 to July 31, 1979	217,000
	$344,000

The decision of the Alberta Court of Appeal also contained provision for review of processing costs incurred in the period May, 1975 to August, 1977. The potential liability attributable to the Company as a consequence of such a review would not exceed $200,000.

14. SUBSEQUENT EVENT

The Company has agreed to act as general partner of Coseka 81-82 Oil and Gas Partnership, an Alberta limited partnership formed on July 6, 1981. In addition, by an agreement dated as of July 6, 1981 between the Company and the Limited Partnership, the Company has entered into a joint venture to explore for and develop oil and gas properties. Under a Prospectus dated September 14, 1981 units in the Partnership were made available for public subscription.

Auditor's Report

To the Shareholders of Coseka Resources Limited

We have examined the consolidated statement of financial position of Coseka Resources Limited as at July 31, 1981 and the consolidated statements of income, 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 consolidated financial statements present fairly the financial position of the Company as at July 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 on a basis consistent with that of the preceding year.

Calgary, Alberta
September 30, 1981

Deloitte Haskins & Sells
Chartered Accountants

Corporate

Coseka Resources Limited

Board of Directors

.: **Peter R. Kutney**
Coseka Resources Limited
Fifth Floor
300 Fifth Avenue S.W.
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** **Benjamin Swirsky**
Bramalea Limited
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** **William H. McLallen, Jr.**
6116 Southlands Place
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** Chairman of the Board*
*** Members of the Audit Committee*

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James D. Tocher
Petrobank Resources Ltd.
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Officers

Peter R. Kutney
Chairman of the Board and Chief Executive Officer

Robert E. Adams
President

William J. Macintosh
Vice President, Treasurer and Chief Financial Officer

Lloyd D. Driscoll
Senior Vice President

William F. Turnbull
Vice President, Exploration

Frederick J. Birks
Vice President, Land and Corporate Secretary

Toni Phillips
Assistant Secretary

Doreen Miskae
Assistant Secretary

Norman E. Tymchyshyn
Controller

Rodney A. Lane
Assistant Treasurer

Coseka Resources (U.S.A.) Limited

Board of Directors

Peter R. Kutney
James D. Tocher
Jerald L. Oaks
Emory L. Sampson
Frederick J. Birks
William J. Macintosh
Kenneth E. Field

Officers

Emory L. Sampson
President

Frederick J. Birks
Vice President and
Corporate Secretary

Lloyd D. Driscoll
Vice President

William J. Macintosh
Treasurer

Sara Little
Assistant Secretary

Bill Falder
Assistant Secretary

Toni Phillips
Assistant Secretary

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Guaranty Trust Company of Canada
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Shares Listed
Oil Section
- Toronto Stock Exchange
- Vancouver Stock Exchange
- Montreal Stock Exchange

The Annual Meeting
The annual general meeting of Shareholders of Coseka Resources Limited will be held at the Four Seasons Hotel, Vancouver, British Columbia, at 11:00 A.M. on November 30, 1981.

Copies of the Company's 1981 Annual Report may be obtained by contacting the office of the Company at Coseka Resources Limited, Fifth Floor, 300 - Fifth Avenue S.W. Calgary, Alberta T2P 3C4

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