



Midcon Oil & Gas Limited

ANNUAL REPORT 1982



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MIDCON OIL & GAS LIMITED
1982





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To the Shareholders,
MIDCON OIL & GAS LIMITED

Your directors submit for your consideration, the Annual Report of your Company with attached Financial Statements, Balance Sheet and Auditors' Report for the fiscal year ended June 30th, 1982.

For the past 25 years Midcon's principal source of income was derived from the sale of Natural Gas from its producing properties in the Etzikom and Medicine Hat areas of southeastern Alberta.

This gas production was owned jointly with Pembina Resources Limited and was sold under low price long term contracts to the City of Medicine Hat and to Western Co-operative Fertilizers Ltd.

On July 1, 1982 Midcon sold its interests in these Etzikom and Medicine Hat gas wells and leases to the City of Medicine Hat for \$14,862,000.00. In addition, South Alberta Pipe Lines Ltd. (in which Midcon has a 50% interest) sold the low pressure gas gathering systems at Medicine Hat and Etzikom to the City of Medicine Hat for \$1,769,000.00. South Alberta is currently negotiating to sell its 45 mile long high pressure main gas pipeline, which runs from Etzikom to Medicine Hat, for over five million dollars.

Midcon will reinvest the cash proceeds from the sale of its gas properties in purchasing Canadian oil and gas properties. This must be done by the end of our current fiscal year on June 30, 1983 in order to avoid a major tax liability.

As the first step in this program, Midcon, on June 30, 1982 purchased a 0.91627% interest in the Nipisi Oilfield from Husky for \$7,478,999.00. After payback of all costs, Allaro Resources Ltd., is entitled to 5% of Midcon's interest in the Nipisi Oilfield. The Nipisi field has over 100 producing oilwells and is operated on a unitized basis by Amoco Petroleum and is projected to continue producing oil for over 20 years. This Nipisi purchase alone will provide Midcon with about the same annual net production revenue as the company received last year from the properties sold to the City of Medicine Hat. Because Canadian oil and gas properties are now readily available at attractive prices, Midcon management is confident the company will not experience any difficulty in carrying out this reinvestment program by June 30, 1983.

EXPLORATION

Midcon is contributing \$250,000.00 per year and holds a 4.3% interest in a 3 year old joint exploration and acquisition program managed by Allaro Resources Ltd.

Mr. Alastair H. Ross left the position of President and Chief Executive Officer of both Pembina Resources Limited and Western Decalta Petroleum Ltd. to organize and manage Allaro. He now has commitments of about five million dollars per year for this program.

The Allaro Group now has interests in about 80,000 gross acres and 16,500 net acres of oil and gas leases. Allaro also has varying interests in 20 oil wells and one gas well.

The Allaro Group has a 10% interest in a recent oil discovery well at Loon, Alberta. Production from this oil discovery will qualify for the higher N.O.R.P. (new oil) price and will be royalty free for five years. Plans are underway to drill several more wells in this area before year end.

Toronto, Ontario
September 14, 1982.

Respectfully submitted,
On behalf of the Board of Directors,

J. DOUGLAS STREIT,
President.

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AUDITORS' REPORT

To the Shareholders of Midcon Oil & Gas Limited

We have examined the consolidated balance sheet of Midcon Oil & Gas Limited as at June 30, 1982 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 June 30, 1982 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.

Toronto, Ontario
August 20, 1982

Hilborn Ellis Grant & Co

Chartered Accountants

**CONSOLIDATED BALANCE SHEET**

June 30, 1982

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ASSETS	1982	1981	LIABILITIES	1982	1981
Current Assets			Current Liabilities		
Term deposits	\$ 578,809	\$ 1,637,475	Bank indebtedness (note 5)	\$ 7,015,104	\$ 75,190
Sundry receivables	670,345	445,507	Accounts payable and accrued liabilities	77,766	137,982
Income taxes recoverable	552,059	-	Income and revenue taxes payable	-	287,068
	<u>1,801,213</u>	<u>2,082,982</u>		<u>7,092,870</u>	<u>500,240</u>
Investments			Deferred income taxes	1,103,850	1,059,800
Yellowknife Bear Resources Inc., shares at cost (market value \$1,012,500; 1981 - \$1,387,500)	507,747	507,747	Minority interest	<u>220,355</u>	<u>201,024</u>
Equity in shares of South Alberta Pipe Lines Limited	1,031,000	819,500			
Other shares, at cost less amounts written off	6,001	6,001			
	<u>1,544,748</u>	<u>1,333,248</u>			
Advances on account of exploration expenses	62,500	62,409	SHAREHOLDERS' EQUITY		
Property, plant and equipment - at cost (note 5)	10,961,214	3,212,922	Capital stock		
Accumulated depreciation, depletion and amortization	1,092,370	1,014,390	Authorized		
	<u>9,868,844</u>	<u>2,198,532</u>	5,000,000 common shares without par value		
Other Assets	3,505	3,505	Issued		
	<u>\$13,280,810</u>	<u>\$ 5,680,676</u>	4,300,000 common shares	3,353,505	3,353,505
			Retained earnings	1,510,230	566,107
				<u>4,863,735</u>	<u>3,919,612</u>
				<u>\$13,280,810</u>	<u>\$ 5,680,676</u>

Approved on behalf of the Board

J. DOUGLAS STREIT,
Director
WILLIAM E. REARDEN,
Director

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended June 30, 1982

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	1982	1981
Balance, beginning of the year	\$ 566,107	\$ 588,515
Add: Net income for the year	1,828,564	1,052,592
Adjustment of prior years' income		
taxes	150,700	-
Recovery of dividends paid in prior		
years	39,859	-
	<u>2,585,230</u>	<u>1,641,107</u>
Deduct: Dividends paid	1,075,000	1,075,000
Balance, end of the year	<u>\$1,510,230</u>	<u>\$ 566,107</u>



CONSOLIDATED STATEMENT OF INCOME
Year ended June 30, 1982

**CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL POSITION**
Year ended June 30, 1982

	1982	1981		1982	1981
Oil and gas revenue	<u>\$2,901,187</u>	<u>\$2,680,782</u>	Working capital provided by		
Royalties	699,835	588,703	Operations		
Production, processing and transportation	417,159	354,134	Net income for the year	\$ 1,828,564	\$ 1,052,592
Depreciation, depletion and amortization	83,091	77,853	Items not affecting working capital		
	<u>1,200,085</u>	<u>1,020,690</u>	Equity in income of South Alberta Pipe Lines Limited	(561,500)	(134,000)
	<u>1,701,102</u>	<u>1,660,092</u>	Gas and oil permits abandoned	-	12,477
Equity in income of South Alberta Pipe Lines Limited	561,500	134,000	Increase in minority interest	19,331	13,547
Other income			Depreciation, depletion and amortization	83,091	77,853
Dividends received	12,000	12,000	Deferred income taxes	<u>89,250</u>	<u>(8,700)</u>
Interest earned	251,314	264,754		<u>1,458,736</u>	<u>1,013,769</u>
	<u>263,314</u>	<u>276,754</u>	Proceeds from sale of fixed assets	4,914	-
General and administrative expenses	(219,079)	(168,567)	Proceeds of redemption of investments	300,000	75,000
Gas and oil exploration permits abandoned	-	(12,478)	Dividend from South Alberta Pipe Lines Limited	50,000	50,000
Petroleum and gas revenue tax	(232,653)	(82,400)	Adjustment of prior years' income taxes	150,700	-
Income before income taxes and minority interest	<u>2,074,184</u>	<u>1,807,401</u>	Recovery of unclaimed dividends	39,859	-
Income taxes - current	137,040	746,628	Deferred revenue	-	(13,927)
- deferred (reduction)	89,250	(8,700)		<u>2,004,209</u>	<u>1,124,842</u>
Minority interest in income of subsidiary	19,330	16,881	Working capital used for		
	<u>245,620</u>	<u>754,809</u>	Advances on account of exploration expenses	91	(91)
Net income for the year	<u>\$1,828,564</u>	<u>\$1,052,592</u>	Additions to property, plant and equipment	7,758,317	81,243
Earnings per share before deferred income taxes	\$.45	\$.24	Reduction of deferred income taxes	45,200	-
Net earnings per share	\$.43	\$.24	Dividends	<u>1,075,000</u>	<u>1,075,000</u>
				<u>8,878,608</u>	<u>1,156,152</u>
			Decrease in working capital	6,874,399	31,310
			Working capital, beginning of the year	<u>1,582,742</u>	<u>1,614,052</u>
			Working capital (deficiency), end of the year	<u>\$ (5,291,657)</u>	<u>\$ 1,582,742</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1982

1. Accounting Policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the company and its subsidiary, Inter-Rock Oil Co. of Canada Limited and the company's proportionate share of the assets, liabilities, revenues and expenses of the Allaro Resources Joint Venture.

b) Investment in South Alberta Pipe Lines Limited

The company owns 50% of the issued and outstanding common shares of South Alberta Pipe Lines Limited. The investment is accounted for on the equity basis.

c) Exploration and development costs

Exploration expenditures, non-productive development expenses, dry-hole costs and the carrying charges on properties are charged to expense. Property acquisition costs are capitalized.

d) Depreciation, depletion and amortization

Capitalized costs of oil and gas properties and well costs are charged against earnings on the unit-of-production method using estimated recoverable oil and gas reserves. Depreciation of other plant and equipment is based on the estimated service lives of the assets. Depreciation on production equipment is calculated on the straight line method. Depreciation of other plant and equipment is calculated on the diminishing balance method.

e) Income taxes

The company provides for income taxes on the tax allocation basis whereby the provision for income taxes each year is computed on the basis of depreciation and other charges reflected in the statement of income rather than on the related amounts claimed in the company's tax returns.

The Alberta royalty tax credit in the amount of \$333,000 has reduced the effective income tax rate applicable to income before provision for current and deferred income taxes to 11.1%.

2. Allaro Resources Joint Venture

The company's share of the Allaro Resources Joint Venture as at the year end of the joint venture, December 31, 1981, accounted for on a proportionate consolidation basis is summarized as follows:

Assets	<u>\$278,465</u>
Liabilities	\$ 17,304
Equity	<u>261,161</u>
	<u>\$278,465</u>
Interest income	\$ 5,549
Production income	<u>\$ 2,983</u>

All expenses of the joint venture have been capitalized. Advances subsequent to December 31, 1981 are shown as advances on account of exploration expenses of \$62,500.

3. General and administrative expenses include the following:

	1982	1981
Directors' fees and salaries	\$ 49,500	\$ 26,500
General and office	30,899	19,645
Legal and audit	33,682	38,315
Rent and office services	20,245	18,500
Salaries and fees – management and office	55,032	43,184
Shareholders' reports and expenses	16,617	11,135
Transfer and registrar expense	13,104	11,288
	<u>\$219,079</u>	<u>\$168,567</u>

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4. Contingent Liabilities

- a) The company has been billed for its purported proportional share of a claim against South Alberta Pipe Lines Limited. Based upon the facts now available to the counsel for the company, in his opinion the company has no liability in connection with this matter. Accordingly, no provision therefor has been made in these financial statements.
- b) At a shareholders' meeting held on June 10, 1982, approval was given to the sale of the company's petroleum and natural gas interests in the Medicine Hat and Etzikom areas of southeastern Alberta. Dissenting shareholders had the right to have their shares purchased by the company at the fair market value on June 10, 1982.
There have been no such purchases and all rights thereunder have expired.
- c) The company's transfer agent has refunded all unclaimed dividends declared prior to December 31, 1980. The company is obliged to pay unclaimed dividends providing a claim is made within six years of the date of declaration. No provision for this potential liability has been made as the amount is not material.

5. Subsequent Event

Effective July 1, 1982, the company sold its petroleum and natural gas interests in Medicine Hat and Etzikom areas of southeastern Alberta for gross proceeds of \$14,862,000.

The income tax consequences of this sale cannot be determined at this time as the investment of the net proceeds will have a bearing on the resulting income taxes applicable thereto. On June 30, 1982, with an effective date of June 1, 1982, the company purchased a 0.91627% interest in the Nipisi oil field at a cost of \$7,478,999. This has resulted in a substantial increase in the company's Canadian oil and gas property expense account, the balance of which is at present available to apply against the proceeds of the sale of the Medicine Hat and Etzikom area properties.

MIDCON OIL & GAS LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the annual meeting of shareholders of MIDCON OIL & GAS LIMITED (the "Corporation") will be held in the York Room, 3rd Floor, Westin Hotel, 145 Richmond Street West, Toronto, Ontario, on Tuesday, the 26th day of October, 1982 at the hour of 11:00 a.m., Toronto time, for the following purposes:

1. to receive and consider the Annual Report including the report of the directors and the financial statements of the Corporation for the fiscal year ended June 30, 1982 together with the report of the auditors thereon,
2. to elect directors,
3. to appoint auditors and authorize the directors to fix their remuneration, and
4. to transact all other business which may properly come before the meeting or any adjournment or adjournments thereof.

A copy of the above mentioned Annual Report and an Information Circular are enclosed. Shareholders who are unable to be present in person are requested to fill in, sign, date and return the accompanying form of proxy in the envelope provided for that purpose.

DATED at Toronto, Ontario, this 1st day of October, 1982.

T. P. FISCHER
Secretary-Treasurer

MIDCON OIL & GAS LIMITED

INFORMATION CIRCULAR

as of October 1, 1982

SOLICITATION OF PROXIES

This information circular is furnished in connection with THE SOLICITATION BY THE MANAGEMENT OF MIDCON OIL & GAS LIMITED (the "Corporation") of proxies to be used at the meeting of the shareholders of the Corporation (and any and all adjournments thereof) to be held at the time and place and for the purposes set forth in the accompanying notice of the meeting. The solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Corporation at nominal cost. The cost of such solicitation by management will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

THE PERSONS DESIGNATED IN THE ACCOMPANYING FORM OF PROXY ARE NAMED BY MANAGEMENT. A SHAREHOLDER HAS THE RIGHT TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING AND HE MAY EXERCISE THIS RIGHT BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE CORPORATION OR TO THE CHAIRMAN OF THE MEETING PRIOR TO VOTING.

A shareholder who has given a proxy may revoke it either (a) by completing a proxy bearing a later date and depositing it with the Corporation not later than the last business day preceding the day of the meeting or with the chairman of such meeting on the day of the meeting, or (b) by completing written notice of revocation, which must be executed by the shareholder or by his attorney authorized in writing and depositing the notice at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting or with the chairman of the meeting on the day of the meeting. A proxy may only be revoked with respect to matters that have not been acted on prior to revocation.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The only class of voting securities of the Corporation outstanding and entitled to vote at the meeting are common shares. The Corporation has outstanding 4,300,000 common shares, each of which is entitled to 1 vote.

No record date has been fixed for the determination of the shareholders who may vote at the meeting. Accordingly shareholders of record on the list prepared pursuant to the Canada Business Corporations Act as at the time of the meeting shall be entitled to vote thereat.

To the knowledge of the directors and officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the voting rights attached to all shares of the Corporation other than Yellowknife Bear Resources Inc., 360 Bay Street, Toronto, Ontario which owns of record and beneficially 3,173,216 (73.8%) of the outstanding common shares of the Corporation. Yellowknife Bear Resources Inc. is a public company, the common shares of which are listed on The Toronto Stock Exchange. To the knowledge of the directors and officers of the Corporation there is no person or company who beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of Yellowknife Bear Resources Inc. which carry more than 10% of the voting rights attached to all shares of that company.

No voting securities carrying more than 10% of the voting rights attached to all voting securities of the Corporation or of the subsidiary of the Corporation are beneficially owned, directly or indirectly, or controlled or directed by any proposed director and his associates or affiliates.

ELECTION OF DIRECTORS

The board of directors of the Corporation presently consists of 5 directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election, as directors, of the nominees whose names are set forth below unless such authority is withheld. Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the meeting the persons named in the accompanying form of proxy reserve that right to vote for another nominee in their discretion unless authority to vote in the election of directors is withheld. Each director elected will hold office until the next annual meeting or until his successor is otherwise duly elected in accordance with the by-laws of the Corporation.

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MIDCON OIL & GAS LIMITED
FORM OF PROXY, SOLICITED BY MANAGEMENT, FOR THE
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON OCTOBER 26, 1982
AND ANY AND ALL ADJOURNMENTS THEREOF

The undersigned shareholder hereby appoints J. Douglas Streit or failing him, R. G. Price, or failing him, T. P. Fischer, or instead of any of them as nominee of the undersigned with full power of substitution to attend, act and vote in accordance with the following specifications for and on behalf of the undersigned at the meeting of shareholders to be held on October 26, 1982 and any adjournment thereof and hereby revokes all proxies previously given in connection with the meeting. The undersigned specifies that the shares registered in the name of the undersigned shall be

VOTED WITHHELD FROM VOTING (OR IF NO SPECIFICATION IS MADE, VOTED) by the nominee in the election of directors.

VOTED WITHHELD FROM VOTING (OR IF NO SPECIFICATION IS MADE, VOTED) by the nominee in the appointment of auditors and the authorization of the directors to fix their remuneration, and

VOTED in the nominee's discretion with respect to amendments or variations to matters identified in the notice of the meeting and other matters that may properly come before the meeting and any and all adjournments thereof.

DATED this day of October, 1982.

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Signature of Shareholder

NOTES:

(1) THE PERSONS DESIGNATED IN THE ACCOMPANYING FORM OF PROXY ARE NAMED BY MANAGEMENT. A SHAREHOLDER HAS THE RIGHT TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING AND HE MAY EXERCISE THIS RIGHT BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE CORPORATION OR TO THE CHAIRMAN OF THE MEETING PRIOR TO VOTING.

(2) THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED OR WITHHELD FROM VOTING IN ACCORDANCE WITH THE INSTRUCTIONS OF THE SHAREHOLDER ON ANY BALLOT THAT MAY BE CALLED FOR AND, IF THE SHAREHOLDER SPECIFIES A CHOICE WITH RESPECT TO ANY MATTER TO BE ACTED UPON, THE SHARES SHALL BE VOTED ACCORDINGLY.

(3) THIS PROXY CONFERS DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF THE MEETING ACCOMPANYING THIS PROXY AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.

(4) IF THIS FORM OF PROXY IS NOT DATED IN THE DESIGNATED SPACE, IT IS DEEMED TO BEAR THE DATE ON WHICH IT WAS MAILED TO YOU BY MANAGEMENT.

(5) PLEASE SIGN EXACTLY AS YOUR NAME APPEARS ON THE PROXY AND DATE THE PROXY. IF THE SHAREHOLDER IS A CORPORATION, THIS PROXY MUST BE EXECUTED UNDER ITS CORPORATE SEAL OR BY AN OFFICER OR ATTORNEY THEREOF DULY AUTHORIZED.

(6) PLEASE ADVISE THE CORPORATION OF ANY CHANGE OF YOUR ADDRESS.

The following table and notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Corporation and any of its significant affiliates now held by them, their principal occupations or employments, the period or periods during which they served as directors of the Corporation and the approximate number of shares of the Corporation and of Yellowknife Bear Resources Inc. and Inter-Rock Oil Co. of Canada Limited beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them.

<u>Name and Principal Occupation</u>	<u>Positions and Offices</u>	<u>Director of the Corporation during the following period or periods</u>	<u>Shares of Yellowknife Bear Resources Inc.</u>	<u>Shares of Midcon Oil & Gas Limited</u>	<u>Shares of Inter-Rock Oil Co. of Canada Limited</u>
J. Douglas Streit, P.Eng., Geologist, President and General Manager of Yellowknife Bear Resources Inc.	Director, Director of Inter-Rock Oil Co. of Canada Limited	July, 1957	50,000	125,853	1
Robert G. Price, Petroleum Engineer Vice-President and Exploration Manager of Yellowknife Bear Resources Inc.	Vice-President, Director and Vice-President of Inter-Rock Oil Co. of Canada Limited	July, 1968	1,001	10	1
*William E. Rearden, Company Executive		July, 1967	3,500	16,000	nil
*C. William Streit Company Executive	President and a Director of Inter-Rock Oil Co. of Canada Limited	July, 1975	5,569	1,700	121
*H. C. Kerr, Q.C., Lawyer		June, 1973	nil	nil	nil

NOTE

The information as to shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.

5,000 shares of the corporation registered in the name of Mr. Kerr are owned by a corporation which is owned by his family.

All nominees have held the principal occupations indicated for more than 5 years.

*Indicates a member of the audit committee. There is no executive committee of the board of directors.

REMUNERATION OF MANAGEMENT

- The aggregate remuneration paid or payable by the Corporation and its subsidiary during the Corporation's last completed financial year to directors of the Corporation in their capacity as directors of the Corporation and its subsidiary was \$19,500. The aggregate remuneration paid or payable by the Corporation and its subsidiary during the Corporation's last completed financial year to officers of the Corporation in their capacity as officers or employees of the Corporation and its subsidiary who received an aggregate remuneration per person in excess of \$40,000 in that year was nil.

NATURE OF REMUNERATION EARNED

	Directors' fees	Salaries	Bonuses	Non-accountable expense all	Estimated Pension Benefits	Others	Total
REMUNERATION OF DIRECTORS							
(A) Number of directors: 5							
(B) <i>Body Corporate incurring the expense</i>							
Midcon Oil & Gas Limited	\$13,000	\$25,000		nil	nil	nil	\$38,000
Inter-Rock Oil Co. of Canada Limited	6,500	5,000		nil	nil	nil	11,500
REMUNERATION OF OFFICERS							
(A) Number of officers: 3							
(B) <i>Body Corporate incurring the expense</i>							
Midcon Oil & Gas Limited		nil		nil	nil	nil	nil
Inter-Rock Oil Co. of Canada Limited		12,000		nil	nil	nil	12,000
TOTALS	\$19,500	\$42,000		nil	nil	nil	\$61,500

2. The estimated aggregate cost to the Corporation and its subsidiary in or in respect of the last completed financial year of all pension benefits proposed to be paid under any pension or retirement plan upon retirement at normal retirement age to the persons mentioned in paragraph 1 was nil.
3. The aggregate of all remuneration payments (other than payments of the type reported under paragraph 1 or 2) made in or in respect of the Corporation's last completed financial year by the Corporation or its subsidiary pursuant to an existing plan to each person referred to in paragraph 1 was nil and, the amount proposed to be made in the future is nil, excluding payments to be made for, or benefits to be received from, the Canada Pension Plan or similar government plan or under a pension or retirement plan of the Corporation or its subsidiary.
4. There are no options to purchase securities of the Corporation or its subsidiary that, since the commencement of the Corporation's last completed financial year, were granted to or exercised by any of the persons mentioned in paragraph 1.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or officer of the Corporation or its subsidiary, no proposed nominee for election as a director of the Corporation, and none of their respective associates or affiliates is or has been indebted to the Corporation or its subsidiary at any time since the beginning of the last completed financial year of the Corporation.

APPOINTMENT OF AUDITORS

Unless such authority is withheld the persons named in the accompanying form of proxy intend to vote for the appointment of Hilborn Ellis Grant & Co., Chartered Accountants, Toronto, as auditors of the Corporation and the authorization of the directors to fix their remuneration. They or their predecessor firms have been auditors of the Corporation for more than the past 5 years.

MANAGEMENT CONTRACTS

During the last completed fiscal year the Corporation and its subsidiary paid \$17,042 for head office rental and secretarial fees to The J. Bradley Streit Corporation, Suite 1000, 360 Bay Street, Toronto, Ontario, a private company of which J. Douglas Streit, C. William Streit and W. E. Rearden (3 of the directors of the Corporation) were officers, directors and shareholders.

GENERAL

On any ballot that may be called for with respect to the election of directors or the appointment of auditors and the authorization of the directors to fix their remuneration, shares represented by each properly executed proxy appointing the persons named by management in the accompanying form of proxy WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND FOR THE APPOINTMENT OF AUDITORS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR UNLESS THE SPECIFICATIONS IN THE PROXY DIRECT THE SHARES TO BE WITHHELD FROM VOTING IN CONNECTION THEREWITH.

The accompanying form of proxy, when properly signed, confers discretionary authority with respect to amendments or variations to matters identified in the accompanying notice of the meeting and other matters that may properly come before the meeting. The management of the Corporation presently knows of no such amendments, variations or other matters to come before the meeting.

The contents of this circular and the sending of it to each director and shareholder of the Corporation and to the auditors of the Corporation have been approved by the directors of the Corporation.

J. DOUGLAS STREIT
President



