

1970

an initial report to the shareholders



PAGE PETROLEUM LTD.





PAGE PETROLEUM LTD.

Incorporated under the Laws of Alberta

CAPITALIZATION

Authorized 5,000,000 shares No Par Value

Issued Capital — 1,267,557 shares

REGISTERED OFFICE

Suite 402, 330 9th Avenue, S.W., Calgary 2, Alberta

DIRECTORS

Lawton L. Clark, Amarillo, Texas

C. Derek Gould, Calgary, Alberta

Harold E. Hunt, Calgary, Alberta

Brian G. McCombe, Calgary, Alberta

OFFICERS

Lawton L. Clark, President

C. Derek Gould, Vice President

Brian G. McCombe, Secretary

Florence M. Pickering, Assistant Secretary

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company

528 - 8th Avenue, S.W., Calgary 2, Alberta

AUDITORS

Collins, Love, Eddis, Valiquette & Barrow

Second Floor Pacific 66 Plaza

700 - 6th Avenue, S.W., Calgary 1, Alberta

LEGAL COUNSEL

McLaws & Company

Sixth Floor 407 - 8th Avenue, S.W., Calgary 2, Alberta

BANKING

Canadian Imperial Bank of Commerce

309 - 8th Avenue, S.W., Calgary 2, Alberta

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AN INITIAL REPORT TO THE SHAREHOLDERS

We are pleased to present this report, the first for Page Petroleum Ltd. The Company is the result of the amalgamation on August 13, 1971, of Berkley Oil and Gas Ltd. and Canadian Fortune Oil Ltd. Throughout this report the combined operations of Berkley and Canadian Fortune will be referred to as the 'Company'.

Financial

Included in this report is the consolidated balance sheet of Page Petroleum Ltd. and subsidiary company as of July 31, 1971, and the consolidated statement of income and deficit for the four months prior to July 31, 1971. Gross revenues for the four-month period were \$97,398 while net income was \$6,060.

Current net income to the Company from oil and gas production is approximately \$200,000 annually. Due in large part to projected production increases at Mitsue, it is estimated by consulting engineers that the same reserves will be producing net income at the rate of \$250,000 per year by 1980.

The Company's fiscal year will coincide with the calendar year so a further report will be issued in early 1972 for the period July 31, 1971 to December 31, 1971.

Oil and Gas Reserves

The Company's net oil and gas reserves on August 1, 1971, as determined by consulting engineers were as follows:

Oil Reserves:

Proven	1,600,741 barrels
Probable	244,263 barrels
Total:	1,845,004 barrels

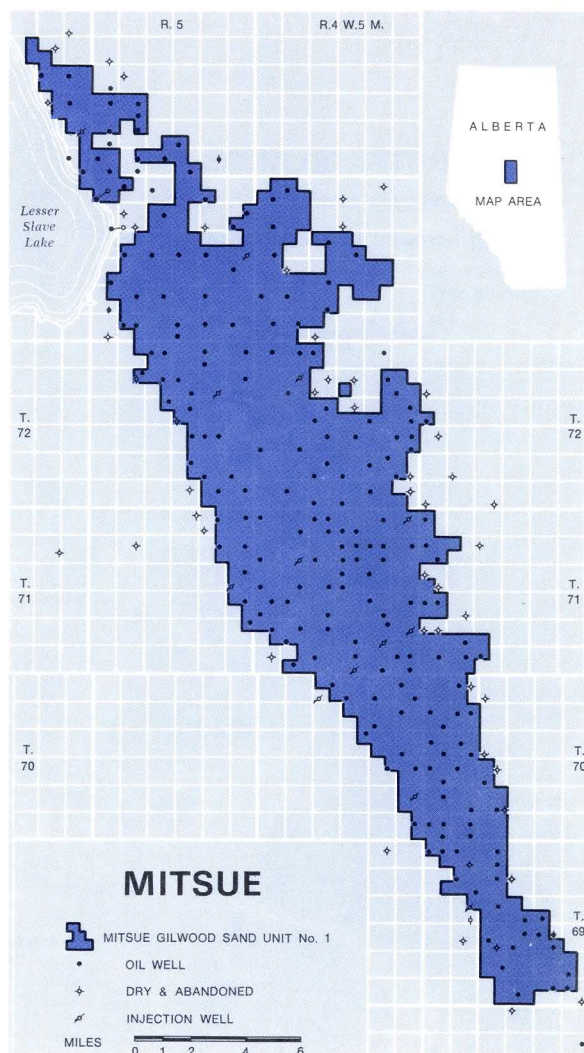
Gas Reserves:

Proven	25 MMcf
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Land

On August 1, 1971, the Company had an interest in 3,400,581.25 gross acres which are summarized as follows:

Working Interest Lands (Gross):	2,403,301.25 acres
Working Interest Lands (Net):	541,488.67 acres
Overriding Royalty Lands (Gross):	997,280.00 acres



Exploration

During the four-month period ending July 31, 1971, your Company participated in the drilling of five exploratory wells, all of which were unsuccessful. In addition, two wells were drilled by others on lands in which the Company owned royalty or lease interests. One was completed as a gas well and one was abandoned.

An active exploration program is contemplated for the latter part of the year. Projected wells include exploratory ventures in the Narrows — West Nipisi area of Alberta and at Gull Lake in southwestern Saskatchewan.

Canadian Arctic Islands

The tempo of exploration in the Canadian Arctic has increased remarkably over the past year. With the vast sums committed for exploration and development in the future, it can be expected that a very high level of activity will continue for some time.

Page owns an undivided 15% interest in 1,362,571 acres of permits in the Canadian Arctic. The bulk of the permits are located on Axel Heiberg, Devon and Russel Islands with a small overriding royalty under 903,000 acres of permits on Banks Island.



The increased exploration has resulted in some success, notably on King Christian and Melville Islands. It should be noted that Page has an interest in 105,000 acres of permits which are located as close as ten miles to the Sun Panarctic Russel H-92, a well to be commenced late this year.

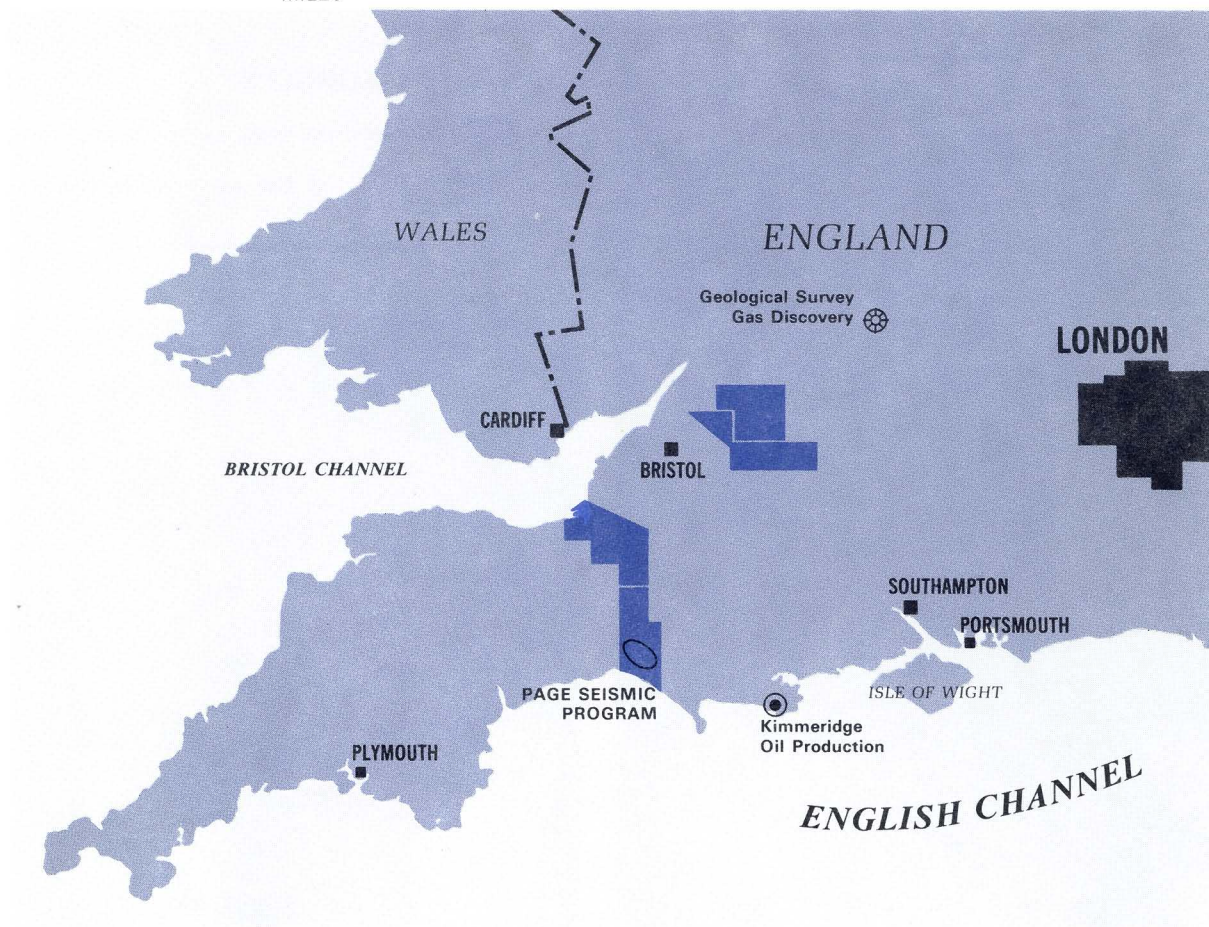
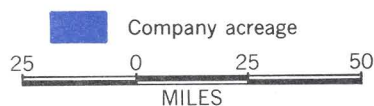
United Kingdom

By virtue of its holdings in Berkley Petroleum (U.K.) Limited, Page owns 218,806 net acres of Petroleum Production Licences in

Southern England. A seismic survey has been commenced on a portion of the above lands to pick a drilling location for a deep test. Negotiations are underway to arrange outside financing to cover the exploration and drilling costs. Several seismic programs by neighbouring licence holders are planned or are underway. Plans to drill deep test wells have been announced on nearby licences. During coal exploration drilling the Geological Survey encountered a substantial flow of natural gas just to the north of our holdings.

The Company is participating in two bidding consortiums on blocks in U.K. continental shelf waters. The awarding of production licences to the successful applicants is expected soon.

SOUTHERN ENGLAND



Alaska

The Company's main land holdings in Alaska consist of a 12½% interest in pending Federal lease applications. These leases will not be issued until the claims of the Alaskan Native Peoples have been settled. The applications are located in several interesting geological basins.

Europe

In the Italian Adriatic the Company has a 0.75% overriding royalty in two production permits. Seismic surveys have been completed on these permits. Two gas discoveries have been made in the vicinity.

Outlook

We look forward to the future. Growing energy shortages in North America cannot fail to bring about continued price increases for both oil and gas. Opportunities abound in western Canada and your Company is in a position to substantially increase its reserves over the coming years.

On behalf of the Board of Directors I would like to express our appreciation to our employees and to thank our shareholders, both old and new, for their support.

Lawton L. Clark

Lawton L. Clark
President

ALASKA

○ Areas in which Page Petroleum Ltd. has lease applications

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MILES

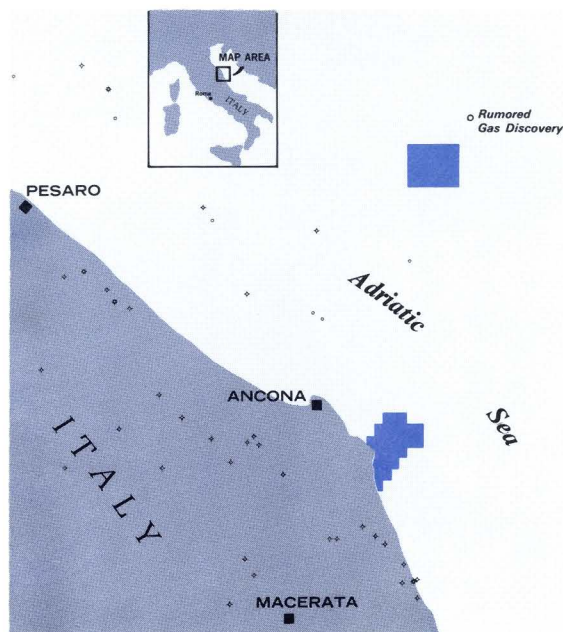


ADRIATIC

■ Company overriding royalty interests

○ Location or drilling well ✦ Gas well ✧ Dry hole

5 0 5 10 20
MILES





PAGE PETROLEUM LTD. AND SUBSIDIARY COMPANY

Consolidated Statement of Income and Deficit

Four months ended July 31, 1971

	Berkley Oil and Gas Ltd.	Canadian Fortune Oil Ltd.	Elimination	Combined
Income				
Oil and gas sales	\$ 48,378	\$ 36,934	\$	\$ 85,312
Royalties	2,046	304		2,350
Administration and management fees	19,736	—	(10,000)	9,736
	<u>70,160</u>	<u>37,238</u>		<u>97,398</u>
Expenses				
Production costs	8,134	2,083		10,217
Lease rentals	1,609	—		1,609
General and administrative	22,109	10,914	(10,000)	23,023
	<u>31,852</u>	<u>12,997</u>		<u>34,849</u>
Income before the following	<u>38,308</u>	<u>24,241</u>		<u>62,549</u>
Other				
Investment income	(407)	493		86
Unrealized loss on investments	(1,220)	—		(1,220)
Reorganization and listing costs	(30,329)	(5,618)		(35,947)
	<u>(31,956)</u>	<u>(5,125)</u>		<u>(37,081)</u>
Income before depletion and depreciation	<u>6,352</u>	<u>19,116</u>		<u>25,468</u>
Depletion	4,439	5,942		10,381
Depreciation	7,358	1,669		9,027
	<u>11,797</u>	<u>7,611</u>		<u>19,408</u>
Net income (loss)	<u>(5,445)</u>	<u>11,505</u>		<u>6,060</u>
Retained earnings (deficit), March 31, 1971				
as previously reported	241,840	(326,269)		(84,429)
Add: Adjustment to prior periods income	2,979	—		2,979
Retained earnings (deficit) March 31, 1971				
as restated	<u>244,819</u>	<u>(326,269)</u>		<u>(81,450)</u>
Retained earnings (deficit), July 31, 1971	<u>\$239,374</u>	<u>\$(314,764)</u>		<u>\$(75,390)</u>



PAGE PETROLEUM LTD. AND SUBSIDIARY COMPANY

Consolidated Balance Sheet July 31, 1971

ASSETS

Current

Cash and short term deposits	\$ 71,378
Marketable securities, at quoted market price (cost \$35,329)	24,110
Accounts receivable	152,519
Prepaid expenses	3,815
	<u>251,822</u>

Drilling and exploration deposits.....	<u>53,220</u>
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Investments, at cost

Investment in limited partnership (Note 4).....	19,506
Advances to affiliated company.....	7,965
	<u>27,471</u>

Capital assets, at cost

Property and equipment (Note 5)	1,251,109
Less: Accumulated depletion and depreciation	268,452
	<u>982,657</u>

LAWTON L. CLARK, Director

C. D. GOULD, Director

\$1,315,170

LIABILITIES

Current

Accounts payable	\$ 131,535
Current portion of long-term debt	12,000
	<u>143,535</u>

Long-term

Bank loan, secured (Note 6)	58,742
Less: Principal portion due currently	12,000
	<u>46,742</u>

SHAREHOLDERS' EQUITY

Share capital

Authorized
5,000,000 shares without par value

Issued 1,267,557 shares	949,972
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Contributed surplus	250,311
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Deficit	(75,390)
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<u>1,124,893</u>
<u>\$1,315,170</u>



Notes to Consolidated Financial Statements

July 31, 1971

1. Amalgamation

On August 13, 1971, Berkley Oil and Gas Ltd. and Canadian Fortune Oil Ltd. amalgamated under Section 156 of The Companies Act (Alberta) to form the continuing company, Page Petroleum Ltd. The terms of the amalgamation agreement provided that each of the issued and outstanding shares of Berkley Oil and Gas Ltd. (whether free or escrowed shares) would be converted into one-half of one issued and outstanding share of the amalgamated company and each of the issued and outstanding shares of Canadian Fortune Oil Ltd. would be converted into one-fourteenth of one issued and outstanding share of the amalgamated company. Each of the shares of Berkley Oil and Gas Ltd. reserved for option, when exercised, will be converted to one-half of one share of the amalgamated company.

The amalgamation has been accounted for on the pooling of interests basis. On this basis, the book values of the assets and liabilities of the predecessor companies have been carried forward in the accounts of the amalgamated company, and their stated capital, contributed surplus and retained earnings or deficit have been included in the capital stock, contributed surplus and deficit accounts of the amalgamated company. Intercompany holdings of the predecessor companies were deducted from the capital stock and contributed surplus accounts of the amalgamated company.

2. Principles of Consolidation

The consolidated balance sheet includes the accounts of the predecessor companies (as outlined in Note 1) and C.D. Gould, Geologist, Ltd., a wholly owned subsidiary. The excess of the purchase price of the shares of the subsidiary company over the underlying net book value at the date of acquisition in the amount of \$40,314 has been added to the "Property and Equipment" account. Intercompany accounts and transactions have been eliminated in consolidation.

3. Accounting Principles

The companies follow the full cost method of accounting for oil and gas properties and equipment. Under this method, all costs incurred in the exploration for and development of oil and gas properties are capitalized. These costs are then amortized on the unit of production method based on the companies estimated proven recoverable reserves.

Under current income tax laws costs incurred in the exploration and development of oil and gas are an allowable deduction when determining taxable income. The Canadian Institute of Chartered Accountants recommends accounting for deferred income taxes which arise due to timing differences in accounting for these properties written off for tax purposes. Management feels, however, that this treatment is not appropriate and, in common with accepted practice in the oil and gas industry, has not deferred income taxes on this basis.

At July 31, 1971, approximately \$767,000 of drilling, exploration and lease acquisition costs and \$118,000 of undepreciated capital costs remain to be carried forward and applied against future income.

4. Limited Partnership

The company is the sole general partner of Berkley 71 Company, a limited partnership formed pursuant to the laws of the Province of Alberta, Canada, for the purpose of exploring for oil and gas.

The Limited Partnership Agreement provides that the company, as general partner, is required to pay all of the tangible costs on initial wells and 30% of all other costs incurred.

Income from producing wells and proceeds from the sale of properties will be credited 70% to the limited partners and 30% to the company, as general partner.

Limited partnership investments totalled \$203,688 (\$200,000 U.S.) including an investment of \$20,369 (\$20,000 U.S.) by the company, as a limited partner.

5. Property and Equipment

The following is a summary of the cost of property and equipment and the related accumulated depletion and depreciation as at July 31, 1971.

	Cost of Assets	Accumulated Depletion and Depreciation	Net
Petroleum and natural gas leases and rights, including exploration and development costs thereon	\$1,014,825	\$151,323	\$863,502
Production equipment	210,214	104,940	105,274
Other equipment	26,070	12,189	13,881
	<u>\$1,251,109</u>	<u>\$268,452</u>	<u>\$982,657</u>

6. Bank Loan

The bank loan is secured by a general assignment of accounts receivable, certain specific oil and gas properties and marketable securities and is repayable from proceeds of production.

7. Commitments and Guarantees

The companies are committed for work performance on certain oil and gas exploratory permits in the amount of \$45,009. These commitments are secured by notes issued by the companies and guaranteed by their bankers.

8. Contingent liability

The company is currently appealing a court decision regarding the manner in which Berkley Oil and Gas Ltd. had calculated royalties. If the appeal is unsuccessful, the company will become liable for approximately \$15,000, which amount has not been included in the financial statements.

Auditors' Report

The Shareholders
Page Petroleum Ltd.

We have examined the consolidated balance sheet of Page Petroleum Ltd. and subsidiary company as at July 31, 1971 and the consolidated statement of income and deficit for the four months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 31, 1971 and the results of their operations for the four months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

October 8, 1971
Calgary, Alberta

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW
Chartered Accountants

