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PETROLEUM LTD.

1984 Annual Report

PAGE PETROLEUM LTD.

THE COMPANY

Page Petroleum Ltd., an Alberta Corporation, was organized in 1971 as the successor to two small Canadian oil and gas companies. Page engages directly and through Page Petroleum Inc., its wholly-owned United States subsidiary, in the exploration for and development of oil and gas in Canada and the United States. The Company's proved reserves are located primarily in the provinces of Saskatchewan and Alberta in Canada, and in the states of Texas and Utah in the United States.

As of April 15, 1985, Page's 8,040,250 issued and outstanding common shares were held by approximately 1900 registered shareholders. The common shares are held 77% in the U.S. and 23% in Canada and have traded in the past two years as follows:

		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Annual Share Volume
	Year	High	Low	High	Low	High	Low	High	Low	
The Toronto Stock Exchange (CDN. $)	1983	9.00	5.25	5.87	3.75	5.62	4.15	4.30	2.60	465,962
	1984	3.45	1.75	2.25	1.23	1.35	0.90	1.25	0.60	334,192
American Stock Exchange (U.S. $)	1983	7.25	4.00	4.87	2.62	4.87	3.37	3.75	2.00	2,467,300
	1984	2.75	1.31	1.69	0.81	1.06	0.63	1.00	0.38	1,800,700
Pacific Stock Exchange (U.S. $)	1984	—	—	—	—	—	—	0.63	0.50	20,400

THE REPORT

This Annual Report contains Page Petroleum Ltd.'s Form 10-K Annual Report to the Securities and Exchange Commission in Washington, D.C. together with additional supplemental information. By incorporation of its Form 10-K in this report the Company is able to provide comprehensive information to the reader at a nominal cost.

METRIC (SI) CONVERSION TABLE

To Convert From	To	Multiply by
Acre (ac)	hectare (ha)	0.40469
Foot (ft)	metre (m)	0.30480
Barrel (bbl)	cubic metre (m^3)	0.15891
Thousand Cubic Feet (mcf)	cubic metre (m^3)	28.17399

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FIVE YEAR FINANCIAL AND OPERATING SUMMARY

FINANCIAL

(Thousands of Canadian dollars)

	1984	1983	1982	1981	1980
REVENUE					
Net oil and gas sales	**$ 35,588**	$ 40,067	$ 42,530	$ 29,482	$ 21,926
Pipeline operating revenue	**3,238**	7,277	7,589	—	—
Other	**263**	1,485	1,361	1,666	579
	39,089	48,829	51,480	31,148	22,505
EXPENSES					
Production	**10,110**	7,957	9,416	8,164	5,797
Pipeline operating costs	**3,084**	5,939	6,099	—	—
Federal production taxes	**1,775**	2,392	1,865	2,977	1,122
General and administrative	**3,299**	3,235	3,770	4,005	2,613
Interest and bank charges	**20,884**	18,414	23,015	13,800	5,513
Depreciation, depletion and amortization	**12,137**	15,423	17,497	8,153	6,671
Write-down of capital costs in excess of ceiling limitation	**—**	19,882	34,957	—	—
Other	**3,006**	(298)	1,092	1,555	1,915
Taxes	**1,884**	2,568	(15)	(767)	173
	56,179	75,512	97,696	37,887	23,804
NET (LOSS)	**$(17,090)**	$(26,683)	$(46,216)	$ (6,739)	$ (1,299)
Funds (used in) generated from operations	**$ (2,962)**	$ 10,757	$ 7,539	$ 2,146	$ 6,905
BALANCE SHEET					
Working capital (deficiency)	**(13,347)**	(11,831)	(22,347)	(19,575)	(1,089)
Property and equipment	**90,285**	96,027	135,613	154,402	75,444
Investment, advances and other	**14,437**	1,200	2,283	7,888	9,844
Capital employed	**91,375**	85,396	115,549	142,715	84,199
Deduct: Long-term debt	**154,530**	138,061	143,666	126,915	62,282
Deferred income taxes	**7,720**	5,654	2,689	1,474	1,790
Minority interest	**—**	75	905	26	—
Shareholders' equity (deficiency)	**$(70,875)**	$(58,394)	$(31,711)	$ 14,300	$ 20,127
Common shares outstanding	**6,284,280**	3,631,750	3,631,750	3,594,250	3,492,750
CAPITAL EXPENDITURES	**$ 4,885**	$ 7,497	$ 49,796	$ 85,855	$ 38,405

OPERATING

	1984	1983	1982	1981	1980
LAND HOLDINGS (thousands of acres)					
Gross acreage held	**760**	2,320	3,909	115,200	5,233
Net acreage held	**351**	996	2,039	1,271	360
DRILLING ACTIVITY					
Gross wells drilled	**38.0**	26.0	122.0	156.0	147.0
Net wells drilled	**16.6**	17.7	82.9	103.7	126.0
Productive	**15.0**	17.0	79.4	97.5	116.4
Dry	**1.6**	0.7	3.5	6.2	9.6
PRODUCTION — net					
Crude oil and liquids, barrels	**737,000**	856,000	958,000	977,000	914,000
Average daily, barrels	**2,014**	2,348	2,627	2,677	2,504
Natural gas, mcf	**1,926,000**	2,477,000	2,941,000	1,359,000	703,000
Average daily, mcf	**5,262**	6,786	8,058	3,723	1,926
RESERVES — net proved					
Crude oil, thousands of barrels	**9,660**	9,777	10,623	18,517	17,883
Natural gas, mmcf	**24,600**	28,625	23,284	36,529	15,153

REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of the Company I am pleased to present our 1984 Annual Report. Nineteen eighty-four has to be viewed as a year in which the return to financial viability was made possible. Although the Company continues to be plagued with an unattractive short-term financial outlook, the opportunity provided by Page's properties in the Dodsland field in Saskatchewan, Canada is now clearly recognized as having the potential to return Page to positive earnings by mid-1988 and a healthy balance sheet by the mid-1990's.

Financial viability can be achieved by Page in spite of its financial position and past years results. The Company's long-term future is dependent on activity to be initiated during 1985. Nineteen eighty-four set the stage for this dramatic turnaround. Critical loan defaults were cured and a debt structure was established which allowed Page to survive without the intervention of Canadian or U.S. bankruptcy protection. The Company was able to fund, with $2 million of new bank borrowings, two improved recovery pilot projects in its Dodsland field in Saskatchewan, Canada; the results of which lend strong support for the Company's belief that financial recouperation is possible. The enlargement of the Board of Directors at the May 1984 Annual Meeting and subsequent technical staff additions in Canada provide Page the manpower skills necessary to realize its potential. The midyear reduction in the number of staff in the Company's Denver office and a concentration of Board and Management emphasis on the Canadian assets of Page, results in efforts being directed toward the situation offering the greatest opportunity; the Dodsland waterflood.

The Company did not achieve satisfactory financial results in 1984, recording a $17 million loss and an increase in its deficit in shareholders' equity to $71 million. Net oil and gas revenues dropped by 11% to $35.6 million in 1984, principally due to natural productivity declines in maturing fields. Expenses increased with interest expense up 13% to $20.9 million, production expenses up 27% to $10.1 million and an exchange loss of $1.8 million. The interest expense and exchange loss can both be attributed to the fact that over 90% of Page's debt was denominated in U.S. dollars during a year which saw the Canadian dollar decrease 6% in value compared to the U.S. dollar. Production expense increases were related to the extra effort and cost needed to achieve optimum levels of productivity in our maturing properties. There was no write-down of capital costs in excess of ceiling limitation required for 1984 although the U.S. assets value just met the ceiling test.

The Company participated as a working interest owner in seven (7) gross (1.74 net) exploratory wells and 31 gross (14.84 net) development wells in Canada and the U.S. during 1984. Included in this drilling activity were 20 gross (5 net) oil wells drilled on Page's lands in Canada at no cost to Page. The Big Lake gas and condensate discovery in Michigan during 1984 was defined by the drilling of two additional test wells, both of which were dry. Production from the initial Big Lake discovery well (Clark-Rose #1) will however, be on-stream by June of 1985. In addition to working interests in wells drilled in 1984 the Company held overriding royalty interests in five (5) oil wells, three (3) gas wells and thirteen (13) dry holes drilled on farmouts of Page's lands in Canada and the U.S.

In July of 1984 the Company completed the exchange of its 10% Convertible Subordinated Debentures needed to reduce the drain on the Company's cash resources. This exchange of debt with the Company's public debt holders was an integral part of a bank debt restructuring agreement which cleared all Page's then existing debt defaults. Although costly from the point of view of future common share dilution, the exchange and bank debt restructuring left Page with a debt load requiring cash interest and principal payments that could be expected to be serviced from the then projected cash flows until early 1987. This time horizon was considered adequate to allow the Company to evaluate its U.S. exploratory land position and the waterflooding of its Dodsland properties. Issued common shares of Page have increased from 3.6 million at the beginning of 1984 to 8.0 million at April 1, 1985. Future dilution, under the arrangements made in 1984, is principally a function of the future market price of the common stock.

Within this annual report a reasonably detailed description of the Dodsland improved recovery project is presented. The success of this project is the key to Page's future well-being. This project is expected to add 13 million barrels to Page's proved oil reserves by the end of 1986 at a cost of less than $20 million. Significantly increased profits and cash flow should be seen by 1988 assuming this project is commenced by the third quarter of 1985. Current projections see yearly cash flow from these Dodsland properties increased by $10.3 million in 1988, $18.3 million in 1989, then gradually declining thereafter (see Figure 2).

Looking forward, the Board and Management of Page will continue to concentrate their efforts on the exploitation of the Dodsland property. Attention must also be paid to making the most of Page's other assets, maintaining or realizing their full value to the Company. The magnitude of dilution associated with the 1984 bank debt restructuring and the 11% Notes exchanged for the 10% Debentures will be, to a large extent, a function of how successful the waterflood proves to be in 1985 and 1986 and how well we communicate the success. The Company expects to put an end to the continued dilution of the common shares in early 1987 by renegotiating all the outstanding debt, such that it will be consistent with revenue projections at that time.

A particular expression of thanks has to be extended to all the staff of the Company who have contributed tremendously during the past few years of extremely difficult times. In spite of the unattractive financial condition of Page, personnel in key technical, professional, clerical and secretarial positions were retained by and attracted to the Company. The ability of Page to realize its potential rests to a great extent with these individuals.

On Behalf of the Board of Directors

W. R. Harrison
President and Chief Executive Officer

April 8, 1985

OPERATIONS REPORT

This Annual Report includes Page Petroleum Ltd.'s 1984 Form 10-K as filed with the U.S. Securities and Exchange Commission. The Form 10-K contains detailed information about the Company, including its land holdings, reserves, drilling activity, production, financial position and future plans. Subsequent to the publication of the 1984 Form 10-K Page updated its data on the Dodsland improved recovery pilot projects and applied to its bank for full-scale project funding. In addition, changes to the basic economics of oil exploration, development and production in Canada have been instituted by the Canadian government and its provincial counterparts. The following discussion of the waterflood project and the impact on Page of the Energy Pricing and Taxation Understanding of March 27, 1985, as announced by the federal and provincial governments, is presented in order to supplement and update the information and discussion presented in the Form 10-K.

DODSLAND IMPROVED RECOVERY PROJECT

Page's ability to overcome its seemingly insurmountable debt rests principally with the potential offered by the salt water flooding of the Viking reservoir underlying Page's lands in the Dodsland field of west central Saskatchewan, Canada.

The need for pressure maintenance of the Dodsland properties became apparent in 1982, as well productivities declined due to decreasing reservoir pressure. As a result of engineering work conducted during 1983, it was determined waterflooding offered the best opportunity to maximize the recoverable oil reserves from these properties. Two pilot waterfloods were installed in early 1984. The data obtained from the pilots through the first quarter of 1985 show that a full-scale waterflood is technically feasible and economically very attractive. It should be noted that this conclusion is compatible with results from three existing successful waterfloods in the west end of the Dodsland Viking pool and recent engineering studies by other Dodsland area operators on lands adjacent to Page's land.

A diagram of the proposed physical facilities is presented as Figure 1. Briefly, the process involves producing salt water from the Deadwood zone in the source well. This source water is then filtered, pressurized and metered at the source water treatment facility. The pressurized water is then piped to the water injection wells where it is forced into the oil producing Viking zone. In the full-scale project, half of the existing oil producing wells will be converted to salt water injectors. Produced oil, water and gas is then collected for treating at the central processing facility. The separated oil and gas is sold and produced water is disposed of into a water disposal well.

IMPROVED RECOVERY PROJECT DODSLAND FIELD

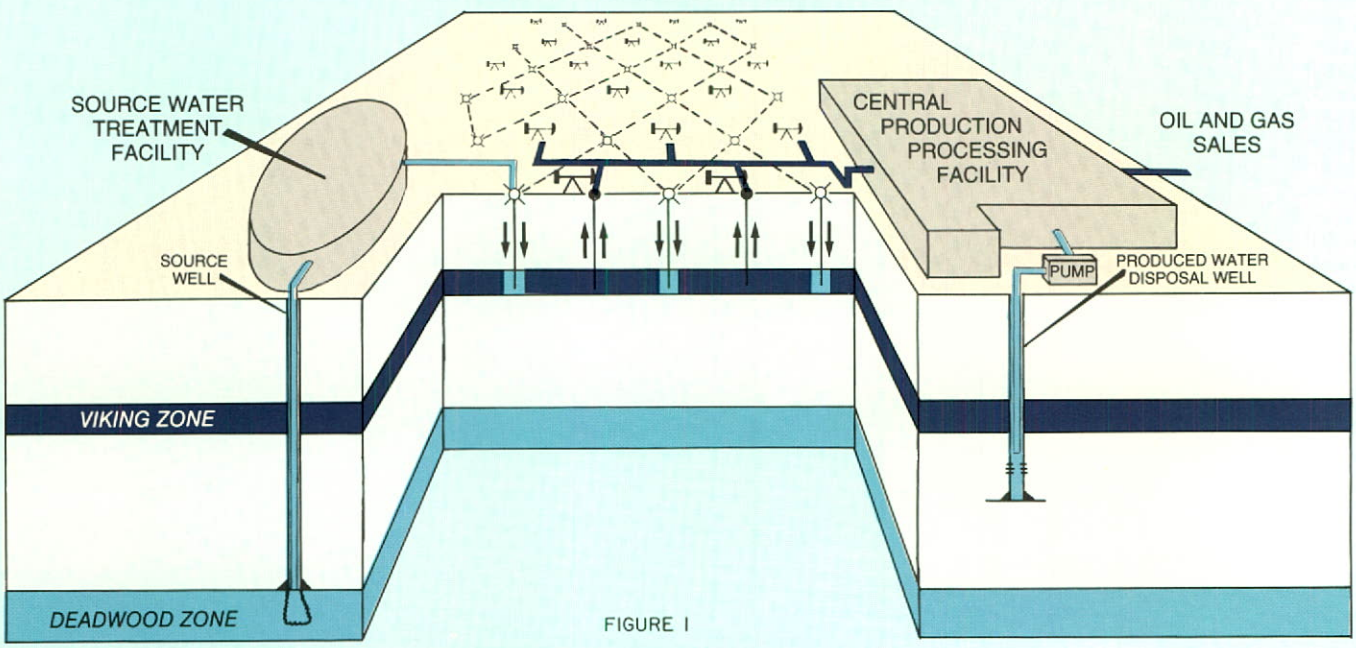

FIGURE I

In the Viking zone the injected water has two important effects; firstly, reservoir pressure in the zone is increased resulting in increased production at the producing wells and secondly, there is a sweeping effect as the injected water pushes oil towards the producing wells resulting in an increase in total volume of oil ultimately produced from the Viking zone. Based on comparisons to similar waterflood projects in the area and the results of Page's pilots to date, Page believes that implementing this full-scale improved recovery scheme on the Company's Dodsland property will more than triple the properties' recoverable oil reserves and daily producing rate.

Figure 2 illustrates the impact this waterflood can be expected to have on the cash flow from this key asset of Page through the year 2000. The projection is developed using no oil price escalation during the project life. Capital expenditures and reduced cash flows resulting from converting producing oil wells to water injectors require the Company to borrow $20 million by the end of 1986. As demonstrated in Figure 2, incremental cash flow from the project peaks in 1989 at $18.3 million, declining thereafter.

DODSLAND IMPROVED RECOVERY PROJECT

NET CASH FLOW — PRIMARY VERSUS WATERFLOOD

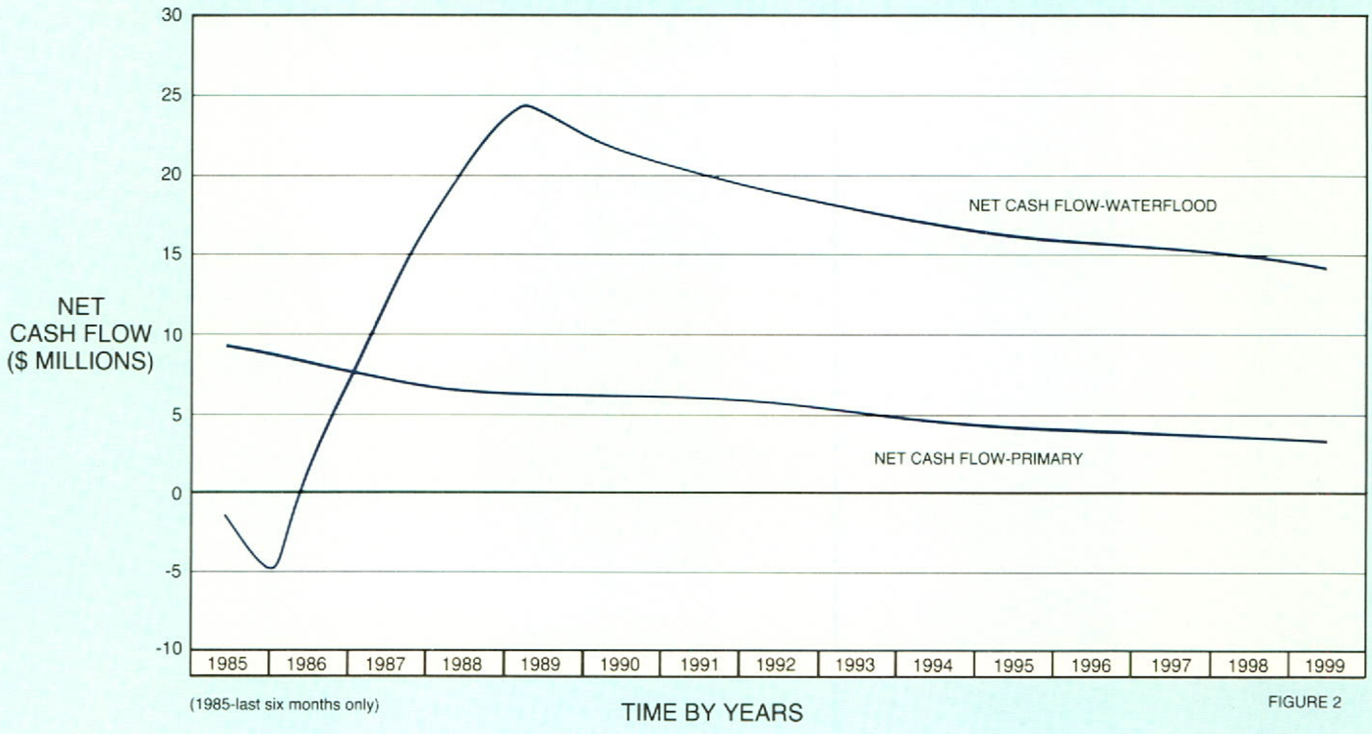

FIGURE 2

In addition to the potential of this property under the described scenario there is reason to believe that doubling the number of wells on a significant portion of these lands could result in the reserves being realized much earlier. Although completely theoretical, at this time it is felt that an expanded project which would require an additional investment of $25 million to drill 250 infill wells could add another $50 million of discounted net worth to the Company.

In summary, the Dodsland improved recovery project is considered to have the potential to return Page to profitability by 1988. The Company's Dodsland proved oil reserves are expected to increase by more than three times and cash flow from oil and gas operations could be more than sufficient to repay Page's long-term debt by the mid-1990's. In achieving these results Page could regain its former vitality and provide value to its shareholders.

CANADIAN REGULATORY ENVIRONMENT

The governments of Canada, Saskatchewan, Alberta and British Columbia announced on March 27, 1985, details of their Energy Pricing and Taxation Understanding. This Understanding satisfied a long standing need to replace or modify the various provisions of existing taxation and pricing arrangements as they apply to the oil industry in Canada. Areas of change implemented by the Understanding, which will have the most influence on Page are:

- replacement of a government imposed tiered oil price structure with a free market pricing system.
- removal of the Petroleum and Gas Revenue Tax ("PGRT") for new production, including incremental production from waterflood projects.
- a phase-out of the PGRT by 1988 on existing production.
- PGRT reductions earned by exploration and development expenditures.
- the provinces committed to flow through to the industry the net benefits that might otherwise be received as provincial revenues from decontrol and removal of federal charges (PGRT).
- the federal government agreed that tax based incentives designed to stimulate investment in Canada's oil and gas industry shall be of general application to the industry, without discrimination as to location of the activities or as to ownership and control.

The announcement is quite general in nature and leaves both levels of government some degree of flexibility as to the specific application of the changes announced. Page's production for the most part currently receives the New Oil Reference Price which is in excess of world oil prices. The change to a free market pricing system is expected to reduce Page's revenues from Canadian oil production in the short-term. The ability of Page to reduce its 1985 PGRT expense by a percentage of certain amounts spent on its waterflood project in 1985 is expected to offset a significant portion of any reduction in revenue.

In the longer term the advantages of phasing out of PGRT, not having to pay PGRT on incremental waterflood production and further reductions of PGRT through investing in the waterflood project will have a substantive positive effect on the Company in particular and the industry in general. Unlike the Petroleum Incentive Program which will be discontinued in March 1986, the Company expects to be able to take full advantage of any new incentives created by either level of government. This Understanding is a reflection of the new federal government's commitment to improve Canada's energy policies in order to stimulate investment by the energy industry and to end the unfair and discriminatory measures of the National Energy Program.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended DECEMBER 31, 1984
Commission file number 1-7888

PAGE PETROLEUM LTD.

(Exact name of registrant as specified in its charter)

Province of Alberta, Canada	NONE
(State or other jurisdiction of incorporated or organization)	(I.R.S. Employer Identification No.)
1000, 635 Eighth Avenue S.W., Calgary, Alberta, Canada	T2P 3M3
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (403) 269-8221

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares Without Nominal or Par Value	American Stock Exchange, Inc. The Toronto Stock Exchange Pacific Stock Exchange, Inc.
10% Convertible Subordinated Debentures due 2000	American Stock Exchange, Inc. Pacific Stock Exchange, Inc.
11% Senior Subordinated Convertible Notes due 1989	Pacific Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ✓ No ____

The approximate aggregate market value of the voting stock held by non-affiliates of the registrant as of March 15, 1985 was $4,959,138 (Canadian).

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 15, 1985
Common Shares Without Nominal or Par Value	6,284,280 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Proxy Statement and Information Circular relating to its Annual and Special General Meeting of the Shareholders scheduled to be held May 15, 1985 are incorporated by reference into Part III of this Report.

INDEX TO ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 1984

EXCHANGE RATES

Unless otherwise indicated, all dollar amounts in this report are expressed in Canadian dollars. The following table sets forth, for each of the years indicated, information with respect to the exchange rate of the Canadian dollar into United States currency:

Rate (1)	1984	1983	1982	1981	1980
December 31	$0.7566	$0.8035	$0.8132	$0.8430	$0.8372
Average (2)	0.7710	0.8108	0.8088	0.8338	0.8546
High	0.8054	0.8201	0.8430	0.8499	0.8754
Low	0.7492	0.7993	0.7691	0.8048	0.8258

(1) The rate of exchange in this table means the noon buying rate in New York City for cable transfers in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York. On March 15, 1985 the noon buying rate for $1.00 Canadian was $0.7207 (U.S.).

(2) The average of the exchange rates on the last business day of each month during the year.

PART I

ITEMS 1 and 2 - BUSINESS AND PROPERTIES

General

As used herein, the term "Company" refers collectively to Page Petroleum Ltd. and its subsidiaries, unless the context otherwise indicates.

Page Petroleum Ltd. engages directly and through Page Petroleum Inc., its wholly-owned United States subsidiary, in the exploration for and development of oil and gas in Canada and the United States. Its proved reserves are located primarily in the provinces of Saskatchewan and Alberta in Canada, and in the states of Texas and Utah in the United States.

Page Petroleum (U.K.) Limited, a 100% owned subsidiary with undeveloped land holdings in the North Sea, was sold on January 14, 1985. See Note 10 of the Notes to Consolidated Financial Statements appearing in Item 8 of this Report.

The Company is also engaged in natural gas transmission in Texas through its 50% partnership interest in Trans-Pan Pipeline Company ("Trans-Pan") and in drilling rig leasing through Springwest-Page Petroleums N.L. (a 74% owned subsidiary) in Australia.

Note 9 of the Notes to Consolidated Financial Statements appearing in Item 8 of this report, sets forth for the years 1984, 1983 and 1982 the revenue, operating earnings and identifiable assets attributable to the business segments and geographical regions in which the Company has operations.

Oil and Gas Exploration and Production

The Company's revenues from oil and gas production accounted for 91% of total revenues in 1984 and approximately 83% in 1983 and 1982. Exploration activities currently include operations in thirteen states of the United States and four provinces in Canada.

The Company's oil and gas activities consist of geological and geophysical evaluation of prospective oil and gas properties, the acquisition of oil and gas leases or other interests in exploratory prospects, the drilling of exploratory test wells on such properties, the development and operation of properties for the production of oil and gas and the transmission and processing of natural gas. The Company acts both as operator of wells and prospects and as a participant in wells and prospects operated by other oil and gas companies.

With some exceptions in the Dodsland and Buffalo Coulee areas of west central Saskatchewan, where the Company has generally retained the entire working interests, the Company conducts most of its operations through joint ventures with other independent and major oil and gas companies.

Principal Canadian Properties

The Company participated in the drilling of 34 gross (15.4 net) wells in Dodsland, Saskatchewan during 1984 of which 20 gross (5 net) were drilled on Company lands, requiring no investment by the Company. The 431 gross (380.4 net) wells in Dodsland contributed 75% of the Company's 1984 Canadian oil production and 63% of the Company's total oil production. This property also accounts for 56% of the Company's net proved oil reserves at December 31, 1984. The Dodsland improved recovery pilot project continues to operate satisfactorily after more than one year of water injection. Results to date indicate that waterflooding the Viking zone underlying the Company's lands is technically feasible and economically very attractive. It is expected that the production rate and ultimate recoverable reserves from the property will increase threefold or more. Unitization of the lands is currently in progress. Pending financial and regulatory approvals, the Company plans to implement the full-scale improved recovery project over a two year period commencing September 1985.

Principal United States Properties

The Company's major producing property in the United States is in Hutchinson County, of the Texas Panhandle and contained 21.5% of the Company's net proved oil reserves and 55.9% of its net proved gas reserves in the United States at December 31, 1984. The Company has identified 55 wells on its 99 well Whittenburg lease in Hutchinson County as candidates for productivity improvement through well recompletions. It is expected that the field work will be initiated during the second quarter of 1985. There are proceedings now pending before both the Texas Railroad Commission and the Federal Energy Regulatory Commission relating to circumstances where oil and gas rights have been severed and are held by different parties. In the opinion of some commentators, a decision by either agency may have a significant impact on the conduct of oil and gas operations and the pricing of production in the Texas Panhandle. Because the Company is not a party to any of these administrative proceedings, because no final action has been taken, and because it appears that the effect of any action taken will depend upon facts peculiar to particular properties, the Company is at present unable to form an opinion as to whether these proceedings will be of significance to it. Because the Company has a material investment in producing properties in the Texas Panhandle, the Company is continuing to closely monitor these proceedings.

In Michigan, the Clark-Rose #1 gas well discovery of 1984, in which the Company has a 43% working interest, is expected to be on production by June 1985, at an estimated rate of 1.5 million cubic feet of gas with 110 barrels of liquids per day. Proved reserves of 2,236,637 mcf of gas and 165,029 barrels of liquids (688,000 mcf and 51,000 barrels net to the Company) have been assigned to the well. The Company participated in drilling an offset location in 1984 and another in the first quarter of 1985, both of which were dry holes. The available geological and geophysical data is being reviewed to determine further activity on this acreage. It is likely that the Company will attempt to farm out its interest in further drilling of this prospect due to availability of funds and the risks involved.

Reserves

Information concerning the Company's oil and gas reserves is set forth in the unaudited Supplementary Financial Information to the Consolidated Financial Statements appearing in Item 8 of this Report.

The Company's net proved oil reserves were substantially maintained during 1984 and amounted to 9,660,000 barrels at December 31, 1984, compared to 9,777,000 barrels at December 31, 1983. The Company purchased development lands in Dodsland, Saskatchewan considered to add net proved oil reserves of 162,000 barrels, obtained an additional 235,000 barrels of net proved reserves through improved recovery in its Boundary Lake property in Alberta, and benefited from a 168,000 barrel upward revision of previous estimates, offset by the Company's 1984 oil production of 737,000 barrels. Additional oil reserves expected to be recoverable in the Dodsland field as a result of the improved recovery project are classified as probable at December 31, 1984 and are not included in the foregoing figures.

The Company's net proved gas reserves declined to 24,600,000 mcf at December 31, 1984 from 28,625,000 mcf at December 31, 1983. This decrease is substantially attributable to a 3,669,000 mcf downward revision of Dodsland, Saskatchewan net proved gas reserves, as a result of new gas production information becoming available in 1984. An additional 341,000 mcf downward revision in 1984 is attributable to lower than anticipated production levels on the Company's Whittenburg prospect in Texas. A 1984 gas discovery in Michigan added 688,000 mcf of gas and 51,000 barrels of liquids to net proved reserves.

No reports concerning the Company's net oil and gas reserves have been filed with any United States federal authority or agency other than the Securities and Exchange Commission since January 1, 1984 and no major discovery or other favorable or adverse event is believed to have caused a significant change in proved reserves since December 31, 1984.

Production — Average Prices and Costs

The following table sets forth, for the periods and locations indicated, the Company's average sales price per barrel of oil and liquids and per mcf of natural gas, and average production cost (lifting cost) per equivalent net unit of production:

	Year Ended December 31		
	1984	1983	1982
Average Sales Price			
Crude oil and liquids (1)			
Canada (Canadian dollars)	$38.50	$35.20	$28.54
United States (U.S. dollars)	27.32	27.86	31.94
Natural gas			
Canada (Canadian dollars)	$ 2.22	$ 1.94	$ 2.05
United States (U.S. dollars)	3.54	3.37	3.04
Average Production Cost (2)			
Canada (Canadian dollars)	$ 8.20	$ 6.42	$ 6.86
United States (U.S. dollars)	7.40	4.91	4.23

(1) The Canadian crude oil price has increased to approximate world oil prices under the provisions of the Canadian National Energy Program and Federal-Provincial energy pricing agreements. See "Regulation and Taxation — Canada". Prices and costs for any period should not be considered indicative of those for future periods.

(2) Gas production is converted to oil barrel equivalents at the rate of 6 mcf per barrel.

Drilling Activity

The following table sets forth the results of the Company's drilling activity for the periods indicated. Total wells shown in each category are the number of wells completed, both productive and dry, during the periods indicated, regardless of when drilling was initiated. Exploratory wells are wells drilled to find or produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir. Development wells are wells drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive. Dry wells are wells found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well. Productive wells are wells that are not dry wells. Gross wells are the total wells in which the Company has a working interest. Net wells equal to the sum of the fractional working interests owned by the Company in gross wells.

	Exploratory Wells			Development Wells		
Year Ended	Productive	Dry	Total	Productive	Dry	Total
December 31, 1984						
Canada — Gross	5.00	1.00	6.00	28.00	2.00	30.00
— Net	1.25	0.06	1.31	13.35	1.10	14.45
U.S.A. — Gross	1.00	—	1.00	—	1.00	1.00
— Net	0.43	—	0.43	—	0.39	0.39
December 31, 1983						
Canada — Gross	—	—	—	24.00	—	24.00
— Net	—	—	—	17.00	—	17.00
U.S.A. — Gross	—	2.00	2.00	—	—	—
— Net	—	0.67	0.67	—	—	—
December 31, 1982						
Canada — Gross	4.00	4.00	8.00	59.00	—	59.00
— Net	0.26	0.32	0.58	41.82	—	41.82
U.S.A. — Gross	3.00	7.00	10.00	44.00	1.00	45.00
— Net	0.91	2.83	3.74	36.40	0.37	36.77

As previously noted, the above table includes drilling statistics only for wells in which the Company participated as a working interest owner. In Canada during 1984, an additional seven wells were drilled in which the Company owned overriding royalty interests from .2% to 15%. The Company netted overriding royalty interests of 5% to 15% in two oil wells and 1.25% in one gas well; the other four wells were dry. In the United States during 1984, an additional fourteen wells were drilled in which the Company owned overriding royalty interests. The Company netted overriding royalty interests of 1.63% to 7.5% in three oil wells and .75% and 2.08% in two gas wells; the other nine wells were dry.

Included in the 36 gross (15.76 net) wells drilled in Canada during 1984 in which the Company owned a working interest, are 20 gross wells (5 net oil wells) drilled on Company land at no cost to the Company.

During the period January 1, 1985 to March 15, 1985, the Company had interests in three wells drilled and netted a 25% interest in one oil well; the other two wells were dry. At March 15, 1985, the Company was not participating in the drilling of any wells.

Productive Wells

A productive well is a well producing or capable of producing oil or gas in commercial quantities. The following table summarizes the gross and net interests of the Company in productive wells at December 31, 1984:

	Productive Wells			
	Oil		Gas	
	Gross	Net	Gross	Net
Canada	785	439.8	43	19.8
United States	217	127.4	27	6.1
Total	1,002	567.2	70	25.9

Acreage

The following table sets forth the Company's developed and undeveloped oil and gas acreage at December 31, 1984:

	Developed Acreage		Undeveloped Acreage	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Canada				
Alberta	17,847	9,515	49,140	28,258
British Columbia	647	81	5,367	888
Manitoba	160	26	6,990	1,107
Saskatchewan	23,193	18,274	15,980	11,082
Total	41,847	27,896	77,477	41,335
United States				
Alabama	560	187	200	67
Michigan	571	159	161,200	78,246
Mississippi	1,008	316	76,690	19,602
Montana	—	—	20,902	5,373
Nebraska	80	60	—	—
Nevada	—	—	46,659	46,659
New Mexico	—	—	21,258	3,489
North Dakota	—	—	130,987	14,460
Ohio	—	—	28,602	14,533
Oklahoma	2,080	419	—	—
Pennsylvania	—	—	38,506	37,377
Texas	21,604	3,895	26,394	5,281
Utah	10,752	4,556	52,677	47,152
Total	36,655	9,592	604,075	272,239
Total Canada and United States	78,502	37,488	681,552	313,574

In the foregoing table, developed acres are acres spaced or assignable to productive wells and undeveloped acres are those on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil or gas, regardless of whether or not such acres contain proved reserves. Gross refers to the total number of acres in which the Company had a working interest, and net refers to the aggregate of the numbers obtained by multiplying each acre in which the Company had a working interest by the percentage working interest of the Company therein.

Approximately 81% of the Company's undeveloped net acres in Michigan are pledged as security for a loan from KEP Resources. The Company is currently in default on this loan. In the event the Company should be unable to renegotiate or otherwise refinance this indebtedness, these leases may be forfeited and the Company would be liable for any deficiency (See Note 5(d) of the Notes to Consolidated Financial Statements).

Competition and Markets

The oil and gas industry is highly competitive in all of its phases, with competition for favorable oil and gas drilling rights being particularly intense. The Company believes that price is the primary determinant in the acquisition of favorable properties. The Company competes with major oil companies and independent operators, many of which have substantially greater technical and financial resources than the Company. Many of such companies not only explore for and produce oil and gas, but also carry on refining and marketing operations.

The availability of a ready market for oil and gas, and the price obtained therefor, depend on numerous factors, including the proximity of the wells to adequate transmission facilities and the effects of governmental regulation on production, transportation, marketing and pricing.

The Company sells most of its production to oil and gas refiners and processors. Imperial Oil Ltd. is the only non-affiliated purchaser which accounted for more than 10% of the Company's consolidated net revenues in 1984 and 1983 (53% and 43% respectively). Trans-Pan, an associated company, made purchases totalling 9.5% and 12.2% of consolidated net revenues in 1984 and 1983 respectively and presently delivers all of its pipeline products to Diamond Shamrock Corporation under a long-term supply contract.

Operating Hazards

Oil and gas exploration and development involves expenditure of large sums of money for the acquisition of prospects and the drilling of exploratory and development wells. Such exploration may result in failures and losses before discovery of oil or gas in accumulations capable of being economically produced.

The Company's operations are subject to all of the risks inherent in exploring for and producing oil and gas, including blowouts, cratering and fires, which could result in damage to or destruction of oil and gas wells or formations, production facilities or other property, or in injury or loss of life. Although the Company has extensive insurance coverage, it is not practical to insure against virtually every possible loss. The occurrence of an event not fully insured could result in substantial loss to the Company and thereby impair its ability to continue operations.

Title to Properties

As is customary in the oil and gas industry, the Company performs only a perfunctory title examination at the time properties believed suitable for drilling operations are acquired. Prior to the commencement of drilling, a thorough title examination is usually conducted and significant title defects are remedied.

The oil and gas properties owned by the Company are subject to royalty, overriding royalty and other interests which are customary in the industry, as well as other burdens, minor encumbrances, easements and restrictions.

Rig Leasing and Well Servicing

Springwest-Page Petroleums N.L. owns one drilling rig and related ancillary equipment which are presently under lease and active in Australia. R.D.R. Well Servicing Ltd. sold its one remaining service rig on July 6, 1984 and, as it had no other assets with which to do business, was placed in voluntary liquidation on September 1, 1984.

Pipeline Facilities

The Trans-Pan operations, located in the Texas Panhandle, involve the purchase, transmission and sales of natural gas and related products. The Company is Trans-Pan's primary supplier of natural gas.

Employees

At March 15, 1985, the Company had 52 employees, none of whom was represented by a union. The Company has not experienced any work stoppages or strikes and considers its relationship with the employees to be satisfactory.

Regulation and Taxation

Canada

Government regulations in Canada affect the prices received by producers of oil and natural gas as well as impact the netbacks realized through various forms of production taxes. The types, adequacy of supply and price of energy sources are receiving extensive attention by legislative and regulatory authorities, which may lead to additional legislation and regulation. The impact of any future federal or provincial legislation or regulation on the oil and gas industry is difficult to predict. Federal and provincial production and income tax legislation and regulations, in addition to regulations relating to the calculation of royalties on petroleum and natural gas rights leased from provincial governments, are subject to change and the timing and impact of such changes are difficult to anticipate.

The National Energy Program (the "NEP") introduced in 1980, together with the 1982 Update of NEP ("Update") and various incidental pieces of federal legislation has resulted in an energy package for Canada that includes oil and gas price regimes, fiscal measures, expenditure programs, incentive programs and direct federal action to achieve the announced goals of energy security, opportunity and fairness. One of the stated purposes of the NEP is to increase the Canadian ownership and control of the oil and natural gas industry. To this end, substantial incentives are provided to qualified Canadian owned and controlled enterprises carrying on oil and natural gas exploration and development in Canada. The principal factor influencing the level of incentive payments for oil and natural gas exploration and development made to a Canadian controlled enterprise is the Canadian Ownership Rate of such enterprise. As the Company currently has less than 50% Canadian ownership it does not qualify for any level of the direct incentive payments to encourage the oil and natural gas exploration and development in Canada which are available under the Petroleum Incentive Program Act and regulations thereunder.

The federal government, after a long series of negotiations, entered into energy pricing and revenue sharing (taxation) agreements with the provinces of Saskatchewan and Alberta in 1981 which were intended to be in force until 1986. Under these agreements, the NEP and the Update, oil and natural gas revenues were divided among the federal government (in the form of Petroleum and Gas Revenue Tax, Incremental Oil Revenue Tax ("IORT"), Petroleum Incentive Program grants and federal income taxes), the provincial governments (in the form of royalties on production from crown petroleum and natural gas leases, taxes on production from freehold leases, various incentive schemes, tax rebates and provincial income taxes) and the producer (in the form of producer netbacks or the amount left over after operating expenses, royalties and the various taxes).

During 1982, the province of Saskatchewan implemented a variety of royalty and oil production designation changes that have substantially improved the producer netbacks on production in that province. Reduced crown royalty rates and the designation of royalty exempt periods on production from certain types of wells drilled between certain dates and on certain enhanced recovery projects have all contributed to an improved operating environment in that province. The Company has 87% of its Canadian net proved reserves value in Saskatchewan.

During 1983, the federal government reclassified certain "old oil" production in Alberta and Saskatchewan to qualify for the New Oil Reference Price (calculated with reference to the average cost of oil imported into Canada at Montreal) resulting in a significant beneficial effect on the Company's Saskatchewan oil revenue. In addition, the federal government suspended the IORT on the incremental revenue earned by producers of "old oil" through May 31, 1985.

The prices of oil and gas exported from Canada or sold interprovincially are regulated by the National Energy Board pursuant to the Petroleum Administration Act. Such Board also regulates the amount of natural gas that may be exported from Canada. Although the Company does not directly export, nor has it sought to export, any of its Canadian oil and gas production, it is affected by restrictive export policies of the National Energy Board which currently adversely affects the production of gas in Alberta. The provinces of Alberta and Saskatchewan have adopted legislation which regulates the prices to be paid for oil and gas produced within those provinces and the amount of oil and gas that may be shipped out of those provinces. The pricing is currently subject to an agreement under the NEP and Update, whereby the pricing of oil and gas in Canada was to be fixed until 1986. The oil and gas price projections utilized in the agreement assumed continually increasing world oil and gas prices, which have not materialized. Subsequent changes to oil pricing regulations have allowed the average price per barrel of oil to increase by redefining certain categories of lower priced oil into a higher price category.

In September 1984, a new federal government was elected on a platform of policies which should establish a more favorable business climate in Canada. On November 8, 1984 the new Finance Minister delivered an economic statement that had no new tax measures but which will finalize income tax and sales tax legislation introduced in earlier budgets but never enacted. He indicated at that time that the government intends to consult with the oil and gas industry and the provinces to identify a scheme that would permit deregulation of oil and gas prices to allow them to fluctuate with world oil and gas prices. The federal and provincial governments are currently negotiating various aspects of their energy agreement which deal primarily with the pricing of oil and gas in Canada, the sharing of revenues between the two governments and producers and the structure of the exploration and development incentive systems. Prior to these discussions the new Canadian government had undertaken to deregulate oil pricing in Canada. In anticipation of a May 1985 budget by the government, the Company expects deregulation to reduce its realization per barrel, if prices are deregulated, by at least $3 per barrel. This reduction translates into a $1 million decrease in revenue from Canadian oil production in 1985 and a $1.6 million decrease in 1986, when compared with current pricing. The government also plans to review the Petroleum Incentive Program and may alter it after consultations with interested parties. The only specific changes announced at this time will result in an increase in the corporate credit for the Petroleum and Gas Revenue Tax from $250,000 to $500,000 which can be fully utilized by the Company.

The Foreign Investment Review Act (Canada) requires the approval of federal authorities for the establishment of new businesses or the acquisition of existing businesses in Canada by non-eligible persons, which are essentially non-residents and non-resident controlled corporations. The Company is presumed to be a non-resident controlled corporation within the meaning of such Act and, accordingly, would be required to obtain such consent prior to completing the acquisition or establishment of any Canadian business. Such consent requires a determination by the federal authorities that the establishment of a new business or the acquisition of existing businesses is, or is likely to be, "of significant benefit to Canada". The Foreign Investment Review Act could restrict or inhibit future expansion by the Company of its businesses in Canada, particularly expansion through acquisitions. However, the new federal government has expressed an interest in increasing foreign investment in Canada and has introduced proposed legislation to relax the criteria for approval under the Act.

The Company's activities are subject to various laws and regulations governing safety, environmental quality and pollution control. The Company believes that it complies with all such legislation and regulations affecting its operations. To date, compliance has not materially affected the capital expenditures, earnings or competitive position of the Company, although these measures may in some instances add to the cost of operations and in others may operate to reduce activity and production. Further legislation or regulations may be reasonably anticipated and the effect thereof on operations cannot be predicted.

The Canadian provinces in which the Company conducts its operations have various additional regulations and programs directly related to oil and gas production, including incentive credit programs and variable royalty rates and royalty holidays designed to encourage oil and gas exploration and development. The provincial governments also have special land tenure requirements governing mineral leases on government-owned lands, which generally provide that the mineral rights with respect to such lands will revert to the provincial governments unless prescribed steps have been taken by lessees within specified periods of time. Provincial regulatory boards in Canada regulate all drilling and production activity including controlling quantities of oil and gas that may be produced.

The Company's oil and gas operations are significantly affected by Canadian income tax laws applicable to the petroleum industry and changes in such laws could adversely affect the Company's operations. In Canada, payments of royalties, lease rentals and mineral taxes to provincial authorities are not currently allowed as a deduction from income for Canadian federal income tax purposes. However, the provinces in which the Company operates rebate an amount equivalent to the provincial portion of income taxes attributable to such disallowed items.

United States

Government regulations in the United States affect the prices received by producers of oil and gas and have a direct impact on the industry-wide level of drilling activity and on the Company's oil and gas operations. The types, adequacy of supply and price of energy sources continue to receive extensive attention from legislative, executive and regulatory authorities, which may lead to additional legislation and regulation. It is impossible to predict what effect any such legislation would have on the oil and gas industry. Substantially all of the Company's oil and gas production in the United States is from properties in which production is regulated or limited by state production and conservation authorities.

The Crude Oil Windfall Profit Tax Act of 1980, as amended, imposes an excise tax on the production of domestic crude oil, measured by the difference between the sale price for such oil at the wellhead and certain specified base price levels. Due to the nature of the Company's oil production and the fact that the Company qualifies as an "independent producer" (a producer who does not engage in refining significant quantities of crude oil and does not make significant retail sales), the impact of the Crude Oil Windfall Profit Tax Act on the Company is minimal. Windfall profit taxes attributable to the Company's 1984 operations amounted to $88,000 (U.S.). Assuming currently forecasted operations, windfall profit tax payable by the Company will decline in future years, due in part to future reductions in the tax rate. The tax imposed under the Crude Oil Windfall Profit Tax Act is to be phased out over a 33-month period which will begin on the date when net revenues from the tax reach $227.3 billion (U.S.), but in no event before January 1988 or after January 1991.

The sale of natural gas is subject to governmental regulation of production, transportation and pricing. Generally, the regulatory agency in the state where a producing gas well is located supervises production activities and the transportation of gas sold intrastate. Certain states in which the Company operates control production through regulations establishing the spacing of wells, limiting the number of days in a given month during which a well may produce, or otherwise limiting the rate of allowable production.

The Federal Energy Regulatory Commission regulates the interstate transportation of gas and the price of intrastate as well as interstate gas under the Natural Gas Policy Act of 1978 (the "NGPA"). Under the NGPA, there are established various categories and corresponding maximum lawful prices for every "first sale" of certain defined categories of natural gas produced in the United States. Factors considered in determining categories are the location of a well, the date when drilling began and was completed, the surface distance from existing production, the depth at which production is established, whether the well is onshore or offshore, the date of commencement or renewal of any underlying gas sales agreement, the date of commitment of the underlying gas reserves to interstate commerce, and the rate of productivity. The NGPA permits the states to set prices for intrastate sales of natural gas which are lower than those established under the NGPA, and several states have done so (but not Texas and Utah, the states in which the Company's gas reserves are principally located). In addition, none of the NGPA maximum prices may be collected unless the Company has the contractual authority to receive such prices and has made all required federal filings and obtained any necessary well category determinations.

The price of "high-cost natural gas" (primarily natural gas from a well drilled after February 19, 1977 which produces in commercial quantities at a depth of more than 15,000 feet) was deregulated in November 1979. In addition, on January 1, 1985, the federal price controls for additional substantial categories of interstate and intrastate gas were eliminated, subject to reimposition by the President or Congress for an additional 18-month period beginning between July 1, 1985 and June 30, 1987. There is no indication that such reimposition is currently being contemplated. The 1985 price deregulation, which relates mostly to certain natural gas discovered in 1977 and thereafter, affects substantially all of the Company's United States natural gas reserves. However, local marketing conditions prevailing at the time of sale will continue to influence the price obtainable by the Company for natural gas, which price may be lower than the NGPA ceiling price formerly applicable.

The Company's United States oil and gas operations, particularly its ability to finance exploration and drilling activities through direct participation programs, are subject to federal income tax laws, including provisions of the Internal Revenue Code of 1954; however, due to loss carryforwards and other available deductions, the Company is not expected to be liable for United States income tax assuming currently forecasted levels of operations.

The Company's United States oil and gas activities are subject to various federal and state laws and regulations governing safety, environmental quality and pollution control. The Company believes that it complies with all legislation and regulations affecting its operations. To date, compliance has not materially affected the capital expenditures, earnings or competitive position of the Company, although these measures may in some instances add to the cost of operations and in others may operate to reduce activity and production. Further legislation or regulations may be reasonably anticipated and the effect thereof on operations cannot be predicted.

ITEM 3 - LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Company is a party or to which any of its property is subject, other than routine litigation incidental to the Company's business.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the Company's fiscal year ended December 31, 1984, no matter was submitted to a vote of the Company's shareholders through the solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company, their ages and their business experience are as follows:

Name and Age	Position(s) with the Company	Principal Occupation for Past Five Years (unless otherwise shown)
Donald D. McCuaig, 51	Chairman of the Board of Directors and Chief Executive Officer	Chairman of the Board and Chief Executive Officer of the Company since November 1983; also, from October 1982 to October 1984, Director, President and Chief Executive Officer of American Resources Management Corporation, a public company engaged in oil and gas development and having an asset value at December 31, 1983 of approximately $50 million (U.S.); also, until April 1984, Chairman of the Board, and from May 1981 to October 1983, also President and Chief Executive Officer of Commonwealth Oil Refining Company, a public company engaged in oil refining in Puerto Rico and having an asset value at December 31, 1983 of approximately $57 million (U.S.); Vice-Chairman of Commonwealth Oil Refining Company from January 1979 to May 1981.
William R. Harrison, 36	President, Chief Financial Officer and Director	President of the Company since September 1984; prior thereto Vice-President, Finance and General Manager of Canadian Operations of the Company from March 1983 and Controller of the Company from March 1981 to March 1983; prior thereto Financial Advisor with Esso Resources Canada Ltd.
Wayne N. Boddy, 43	Vice-President, Production	Vice-President, Production of the Company since November 1984; prior thereto self-employed as a petroleum engineering consultant from April 1983; prior thereto from October 1979 Canadian Operations Manager for Coseka Resources Limited, a public company engaged in exploration for and development of oil and gas having identifiable Canadian assets at December 31, 1982 of approximately $118 million.

Except for Mr. McCuaig, all officers hold their positions at the pleasure of the Board of Directors, without employment contracts.

Under an amended agreement with The Stanwick Organization, Incorporated ("Stanwick"), which is wholly-owned by Mr. McCuaig, Stanwick agreed to provide Mr. McCuaig's services to the Company for a fee of $15,000 (U.S.) per month. The agreement shall terminate on July 31, 1985 or earlier: (a) upon the death or disability of Mr. McCuaig; (b) at the option of the Company "for cause"; (c) upon the failure of Stanwick to provide the services of Mr. McCuaig to the Company; or (d) upon 30 days written notice by either party.

On March 27, 1985 the Board of Directors, through the Company's Executive Committee, accepted Stanwick's notice of termination of Mr. McCuaig's services as Chairman of the Board and Chief Executive Officer, effective April 1, 1985. The Executive Committee of the Board of Directors has appointed, effective April 1, 1985, Mr. Harrison as Chief Executive Officer. Mr. McCuaig will continue as a Director of the Company entitled to remuneration in accordance with Company Policy.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal markets on which the Common Shares are traded are The Toronto Stock Exchange, the American Stock Exchange, Inc. ("Amex") and the Pacific Stock Exchange, Inc. The following table sets forth the high and low sales prices for a Common Share on The Toronto Stock Exchange (derived from the Exchange's monthly trading summary report to the Company) and on the composite tape for issues listed on the Amex (the "Amex Composite Tape"), for the periods indicated:

	Common Shares			
	The Toronto Stock Exchange		Amex Composite Tape	
	High	Low	High	Low
	(Canadian dollars)		(U.S. dollars)	
1983				
First Quarter	$9.00	$5.25	$7 1/4	$4
Second Quarter	5.87	3.75	4 7/8	2 5/8
Third Quarter	5.62	4.15	4 7/8	3 3/8
Fourth Quarter	4.30	2.60	3 3/4	2
1984				
First Quarter	3.45	1.75	2 3/4	1 5/16
Second Quarter	2.25	1.23	1 11/16	13/16
Third Quarter	1.35	.90	1 1/16	5/8
Fourth Quarter	1.25	.60	1	3/8

The number of shareholders of record of the Company's Common Shares at March 15, 1985 was 1,845.

The Company has never paid a dividend on its Common Shares and, by reason of its financial condition, is currently legally prohibited from paying cash dividends. In addition, the Company's recent Debt Restructure Agreement and the Indentures pursuant to which the Company's 11% Senior Subordinated Convertible Notes due 1989 and the 10% Convertible Subordinated Debentures due 2000 have been issued, contain certain restrictions on the payment of dividends.

Under the provisions of the Income Tax Act (Canada), the Company would be required to withhold income tax from dividends paid to non-residents of Canada. The tax treaty between Canada and the United States limits the withholding rate to no more than 15% of such dividends. Citizens or residents of the United States and United States corporations (and, in certain circumstances, other persons or entities engaged in trade or business in the United States) are, subject to certain limitations, entitled with respect to their United States Federal Income Tax to a credit or, alternatively, a deduction for the Canadian taxes so withheld.

ITEM 6 - SELECTED FINANCIAL DATA (1)

The following table summarizes selected consolidated financial data and is qualified in its entirety by more detailed information contained in the Consolidated Financial Statements and Notes thereto appearing in Item 8 of this Report.

	Year Ended December 31				
	1984	1983	1982	1981	1980
	(Thousands of Canadian dollars, except per share data)				
Revenue	$ 39,089	$ 48,829	$ 51,480	$ 31,148	$ 22,505
Earnings (loss) from continuing operations					
Canadian GAAP	(17,090)	(26,683)	(45,297)	(5,717)	616
United States GAAP	(22,128)	(27,545)	(49,394)	(5,227)	6
Earnings (loss) per Common Share from continuing operations					
Canadian GAAP	(3.75)	(7.35)	(12.50)	(1.60)	0.18
United States GAAP	(4.86)	(7.58)	(13.63)	(1.47)	—
(Loss) from operations of discontinued businesses	—	—	—	—	(800)
Provision for (loss) on disposal of discontinued businesses	—	—	(919)	(1,022)	(975)
Net (loss) applicable to Common Shares					
Canadian GAAP	(17,090)	(26,683)	(46,216)	(6,739)	(1,299)
United States GAAP	(22,128)	(27,545)	(50,313)	(6,249)	(1,909)
Net (loss) per Common Share					
Canadian GAAP	(3.75)	(7.35)	(12.76)	(1.89)	(0.37)
United States GAAP	(4.86)	(7.58)	(13.89)	(1.76)	(0.54)
Funds (used in) generated from operations					
Canadian GAAP	(2,962)	10,757	7,539	2,146	6,905
United States GAAP	(8,000)	10,630	3,442	2,636	6,295
Oil and gas expenditures	4,885	7,497	49,796	85,855	38,405

	December 31				
	1984	1983	1982	1981	1980
	(Thousands of Canadian dollars, except per share data)				
Working capital (deficiency)	$ (13,347)	$ (11,831)	$ (22,347)	$ (19,575)	$ (1,089)
Total assets					
Canadian GAAP	112,535	112,915	152,993	177,177	94,681
United States GAAP	104,337	114,368	152,993	177,177	94,681
Long-term debt					
Canadian GAAP	154,530	138,061	143,666	126,915	62,282
United States GAAP	154,530	143,305	147,883	127,035	62,892
Shareholders' equity					
Canadian GAAP	(70,875)	(58,394)	(31,711)	14,300	20,127
United States GAAP	(79,073)	(62,185)	(35,928)	14,180	19,517
Number of Common Shares outstanding	6,284,280	3,631,750	3,631,750	3,594,250	3,492,750
Book value per Common Share					
Canadian GAAP	$ (11.28)	$ (16.08)	$ (8.73)	$ 3.98	$ 5.76
United States GAAP	(12.58)	(17.12)	(9.89)	3.95	5.59

(1) The Company's financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada and have been reconciled to United States GAAP. See Note 1 of the Notes to Consolidated Financial Statements appearing in Item 8 of this Report.

ITEM 7 - MANAGEMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1984 FISCAL YEAR

Reference is made to Note 1 of the Notes to Consolidated Financial Statements appearing in Item 8 of this Report for a reconciliation of the financial data in the following discussion to United States generally accepted accounting principles.

Summary

The Company incurred an overall net loss of $17.1 million ($3.75 per Common Share) in 1984 compared to a loss of $26.7 million ($7.35 per Common Share) in 1983. The 1983 loss included a write-down of capitalized costs of oil and gas properties of $19.9 million. Factors contributing to the increased 1984 loss compared to 1983 (net of write-downs) include increases of $2.2 million in operating expenses, $2.5 million in interest and bank charges, $1.7 million in exchange loss and $1.2 million in direct cash costs for the 1984 debt restructuring. Funds generated from operations were a negative $3 million in 1984 compared to funds generated in 1983 of $10.8 million. Due to the significant losses recorded in 1984, 1983 and 1982, the Company has a shareholders' deficit of $70.9 million at December 31, 1984.

Liquidity

The Company and its bank entered into a Debt Restructure Agreement effective April 1, 1984. The Debt Restructure Agreement and related agreements modified the terms and maturities of bank indebtedness at that date and previous defaults were cured or waived (See Note 5(a) of the Notes to Consolidated Financial Statements). A condition of the debt restructuring was the successful exchange of 11% Senior Subordinated Convertible Notes which allow interest to be paid in cash or Common Shares at the option of the Company, for at least 80% of the $25 million (U.S.) 10% Convertible Subordinated Debentures due 2000 ("Debentures"). The 11% Notes and other securities of the Company were exchanged for 78.9% of the Debentures and the bank subsequently waived the 80% requirement and received as consideration a $250,000 promissory note payable, together with accrued interest at the rate of 12%, on July 31, 1989.

The debt restructuring undertaken in 1984 was designed to provide what was expected to be sufficient time to evaluate the potential of the United States land inventory and an improved recovery project in Dodsland, Saskatchewan.

A significant part of the United States exploration land inventory is located in Michigan and is pledged as collateral for a mortgage extended by KEP Resources, a Michigan partnership. The Company has participated in the drilling of three wells to test a prospect on the Michigan lands, of which the last two wells were dry. Due to the bank's refusal to fund further monthly loan payments of $75,000 (U.S.) to KEP Resources, the payment due March 10, 1985 was not made. In addition, cash flow from operations is not expected to be sufficient to repay the remaining principal balance of $3.1 million (U.S.) due on July 10, 1985. The bank has waived, to January 1, 1986, its cross default rights, that are available under the Debt Restructure Agreement as a result of any defaults with respect to the KEP Resources loan. The Company is currently renegotiating the terms of the loan with KEP Resources. If these negotiations are unsuccessful, approximately 81% of the Company's Michigan leases, which the Company estimates to have a current fair market value of $5.9 million (U.S.), could be forfeited. In that event, the Company would realize no return on its investment in these leases ($15.2 million (U.S.) at the date hereof, consisting of the $12 million (U.S.) purchase price, $700,000 (U.S.) interest and $2.5 million (U.S.) exploration costs) except to the extent that the net selling price of the forfeited leases exceeds the $3.1 million (U.S.) due at maturity of the obligation.

Current cash flow projections for the Company, taking into account the deteriorating Canadian dollar which is used to service approximately $45 million (U.S.) of U.S. denominated debt and declining oil prices, indicate that an additional $3 million in loans will be required for the Company to carry on operations in 1985. The bank is currently reviewing a proposal to increase the Company's line of credit. In addition, principal and interest due in 1987 and subsequent years cannot be met from cash flows anticipated from existing operations. In particular, the $25.4 million (U.S.) of the Company's indebtedness to the bank due on April 1, 1987, approximately $11 million and $3.8 million (U.S.) payable to the bank on demand on or after April 1, 1987, $24 million (U.S.) of additional indebtedness to the bank, interest notes issued in lieu of cash interest pursuant to the Debt Restructure Agreement, and the $19.7 million (U.S.) aggregate principal amount of the 11% Notes, all due in 1989, will not be able to be repaid from expected cash flow.

The Company's ability to overcome its liquidity problems is substantially dependent on a successful improved recovery project in Dodsland, Saskatchewan and to a lesser extent, the successful exploitation of its U.S. exploration land inventory. The Company remains dependent on continued bank support.

1985 Plans

The expected results of the Debt Restructure Agreement and the Debenture exchange offer were to permit the Company sufficient time to evaluate the potential of its U.S. exploration land inventory and the improved recovery potential of the Dodsland field in Saskatchewan, Canada. The planning behind the Debt Restructure Agreement and the Exchange Offer presupposed that the Company would have minimal discretionary cash flow available to 1987, in order to carry on some exploration and development in addition to the normal day to day operations. Significant deterioration of the Canadian dollar relative to the U.S. dollar, in which the bulk of the Company's debt is denominated, combined with the decrease in world oil prices has made it necessary to approach the bank for an extension of the Company's line of credit to be used to carry on operations during 1985. The proposal for an increase in the line of credit is under bank review at this time. Under the terms of the Debt Restructure Agreement, the Company may not incur further indebtedness from sources other than the bank without prior review and approval of the bank. The plans for 1985, as set out below, are subject to continued bank cooperation.

The Company has evaluated the results of its two pilot waterfloods in the Dodsland field of Saskatchewan and will be presenting a funding proposal to the bank at the end of the first quarter of 1985. This proposal recommends that a full-scale project commence on 68% of the Company's Dodsland properties in 1985. The balance of Page's floodable lands in the Dodsland field could be expected to be under full-scale flood in 1986. The Company anticipates, in its funding proposal to the bank, continued dismal financial results until the response from the full-scale projects begins to be felt in late 1986 and early 1987.

The two phases of the projects are expected to cost the Company approximately $20 million in borrowed funds. The response of the bank to the Company's funding request should be known by the end of May 1985 and construction could commence in the third quarter of 1985.

The Company's direct involvement in the exploration of its U.S. land inventory has been discontinued and plans for eliminating its Denver office by June 30, 1985 have been implemented. Funds are not available to explore any remaining inventory of unexplored land in the United States, but efforts will be expended in arranging for these lands to be drilled under industry farmout arrangements. Approximately 81% of the Company's 78,000 net acres in Michigan is pledged as security under the KEP Resources loan and may be forfeited to KEP Resources as a result of the Company defaulting on the loan March 10, 1985 (See "Liquidity" and Note 5(d) of the Notes to Consolidated Financial Statements).

Recompletion potential on 55 of the Company's 99 wells in the Whittenburg lease in the Texas Panhandle were identified as a result of a geological and engineering review of the property by Company staff in 1984. Current plans see a 6 well recompletion program implemented by mid-year if a satisfactory sharing of costs can be agreed to with the operator. Results of the 6 well program would be used to determine the additional reserve potential of recompleting all 55 recompletion candidates.

The ability of these projects to solve the Company's financial problem is a function of their success in adding sufficient reserves and value to repay all of the Company's debts over a reasonable length of time. The ultimate success of these projects will also be heavily dependent on external factors such as oil pricing, interest rates and continued bank support.

Results of Operations

Oil and gas sales, net of royalties, were $35.6 million in 1984, down 11.2% from $40.1 million in 1983. The Canadian operations contributed net sales of $24.8 million in 1984 compared to $25.1 million in 1983 while the U.S. net sales declined to $10.8 million in 1984 compared to $15.3 million in 1983. Natural production declines in the Company's Texas and Utah properties accounted for $3.6 million and $1 million of the decline, respectively. Trans-Pan revenues declined $4 million in 1984 to $3.2 million as a result of reduced production from its feedstock sources and the loss of 34% of its available feedstock source to another purchaser in October, 1983. Other income in 1984 includes a $467,000 write-down of U.S. inventories as a result of declines in inventory values during the last three years. Total revenues for 1984 was $39.1 million, a 20% decrease from 1983 revenues of $48.8 million.

Production expenses increased $2.2 million to $10.1 million in 1984, or expressed as a percentage of sales, increased to 28.4% from 19.9% in 1983. Increased production costs are a result of additional workovers and other costs incurred in attempts to maximize production levels in the face of normal reservoir productivity declines. Rig lease and well servicing costs reflect the sale of well servicing rigs and subsequent voluntary liquidation of R.D.R. Well Servicing Ltd., the Company's well servicing subsidiary. Federal production taxes, which include the Canadian Petroleum and Gas Revenue Tax and the U.S. Windfall Profit Tax, were reduced in 1984 as a result of receiving a previously unrecorded $669,000 refund for 1982 Windfall Profit Tax. General and administrative expense for 1984 of $3.3 million compares to $3.2 million in 1983. The 1984 general and administrative expense includes a $162,000 settlement for termination of a lease for U.S. office space in September, termination settlements paid U.S. employees and the resulting cost savings for the last quarter of 1984.

Interest and bank charges increased $2.5 million in 1984 as a result of increased debt of approximately $5 million, deterioration of the value of the Canadian dollar used to service U.S. dollar denominated debt and other bank charges (See Note 8(a) of the Notes to Consolidated Financial Statements appearing in Item 8 of this Report). Direct cash costs of $1.2 million out of the total $4.8 million debt restructuring costs were charged to expense in 1984.

Depreciation and depletion declined $3.9 million to $11.1 million in 1984 compared to 1983 as a result of the reduced U.S. net oil and gas revenue amounts used in the future revenue method depletion calculation. Amortization of deferred charges incurred in connection with the debt restructuring accounted for the $652,000 increase in 1984 of amortization of deferred charges.

The exchange loss of $1.8 million in 1984 compares to $80,000 in 1983. The exchange loss is a result of the declining value of the Canadian dollar versus the U.S. dollar ($1.00 Canadian was equal to $0.7566 (U.S.) at December 31, 1984 versus $0.8035 (U.S.) at December 31, 1983) and the method used to account for the exchange losses to be realized on long-term debt. At December 31, 1984, in accordance with a recent pronouncement of the Canadian Institute of Chartered Accountants, long-term debt translated into Canadian dollars was increased by $14 million and was offset by a capitalized deferred translation loss of $10.7 million and a recognized exchange loss of $3.2 million. This method of accounting for foreign currency translation requires the gain or loss to be recognized over the term of the debt (See Note 1(h) of the Notes to Consolidated Financial Statements appearing in Item 8 of this Report).

Financial Condition

Property, plant and equipment, at lower of cost or net realizable value, net of depletion and depreciation, decreased to $90.3 million at December 31, 1984 from $96 million at the end of 1983. The decrease is attributable to $11.1 million of depletion and depreciation and $.8 million of disposals, offset by capital additions of $4.9 million.

The working capital deficiency at December 31, 1984 was $13.3 million, a $1.5 million increase from $11.8 million at December 31, 1983. The Company's financial condition has been adversely affected by the magnitude of its operating losses during the past three years. The losses resulted in a deficit in shareholders' equity of $70.9 million and $58.4 million in 1984 and 1983 respectively.

During 1984, 510,000 common shares were issued as compensation under the terms of the Debt Restructure Agreement, 789,200 shares were issued in connection with the Exchange Offer and 1,400,830 shares were issued in payment of interest on the 11% notes. The Company expects to issue approximately 1.75 million common shares in payment of interest due April 1, 1985 on the 11% notes. Also issued during 1984 were 743,897 preferred shares in payment of interest on a secured debenture held by the bank under the Debt Restructure Agreement (See Note 7 of the Notes to Consolidated Financial Statements appearing in Item 8 of this Report).

The Company's long-term debt as recorded on the Consolidated Balance Sheets appearing in Item 8 of this Report increased $16.5 million to $154.5 million at December 31, 1984, from $138 million at December 31, 1983. Of this $16.5 million increase, $5.2 million was a result of the Company adopting a new method of foreign currency translation (See Note 1(h) of the Notes to Consolidated Financial Statements), $6.6 million was a result of the Company's U.S. dollar denominated debt being translated into a deteriorating Canadian dollar, and $4.7 million was the actual drawdown of long-term debt.

The Company believes that providing information on the impact of changing prices as recommended by the Handbook of the Canadian Institute of Chartered Accountants in Section 4510 would not be representative of current values. The current cost of oil and gas properties may be estimated using the net present value of estimated future cash flows from proved reserves plus the lower of cost or market value of undeveloped lands. The U.S. assets were written down in 1983 and 1982 to reflect this estimated current cost and at December 31, 1984 virtually equalled the estimated current cost as described above. A substantial portion of the Company's Canadian oil and gas assets have been acquired since 1979 and are therefore recorded at a reasonably current cost. In addition, the current cost of oil and gas properties may be estimated using the discounted future net cash flow information presented as unaudited Supplementary Financial Information appearing in Item 8 of this Report.

1983 FISCAL YEAR

Summary

The Company incurred an overall net loss of $26.7 million ($7.35 per Common Share) in 1983 compared to a loss of $46.2 million ($12.76 per Common Share) in 1982. Funds generated from operations increased to $10.8 million from $7.5 million in 1982. A $19.9 million write-down of capital costs in excess of the ceiling limitation was recorded in 1983 compared to a $35 million write-down in 1982. The lower write-down in 1983, reduced interest and bank charges, lower production costs and less depletion, depreciation and amortization were the major factors behind the reduced loss the Company incurred for 1983. The net losses, exclusive of write-downs, were $6.8 million for 1983 and $11.2 million for 1982. Expenditures on property, plant and equipment and exploration and development activities for the year ended December 31, 1983 were $7.5 million, down from $49.8 million in 1982 because of severely restricted cash availability. The long-term debt (including current maturities) was $149.2 million, reduced $11.4 million from the prior year by applying proceeds of sales of oil and gas properties to the outstanding principal. Included in current liabilities at December 31, 1983 is $4.4 million for interest due on two United States production loans. At the bank's request, interest payments were suspended on the loans May 1, 1983 and amounts thereafter paid by the Company to the bank until April 1, 1984 (the effective date of the Debt Restructure Agreement) were retained as collateral for principal and interest owing.

Results of Operations

Oil and gas sales, net of royalties, were $40.1 million in 1983, down 5.8% from $42.5 million in 1982. Included in the decline in sales is a $7.8 million increased contribution from the Dodsland field (as a result of increased prices and production) offset by a $7.9 million decreased contribution from the Altamont-Bluebell field in Utah (as a result of the sale of 55% of Utah properties in mid-1982 and decreased productivity and prices). 1982 net oil and gas revenues also include a $1.1 million contribution from the Mitsue property in Alberta which was sold effective January 1, 1983. Trans-Pan contributed $7.3 million in revenue during 1983 versus $7.6 million for seven months' operation in 1982. Total revenue for 1983 was $48.8 million, a 5.1% decrease from 1982 revenue of $51.5 million.

Expenses, with the exception of federal production taxes (petroleum and gas revenue tax from Canadian operations plus windfall profit tax from United States operations) declined in 1983 versus 1982. 1983 production costs declined $1.5 million to $8 million, Trans-Pan feedstock and operating costs were $160,000 lower at $5.9 million, and well servicing and rig lease operating costs declined $480,000 to $452,000. Petroleum and gas revenue tax payable on the increased Canadian revenues accounted for the rise in federal production taxes. Total general and administrative costs, capitalized and expensed, declined $980,000, or 15.3%, compared to 1982, as a result of reduced staff levels and other cost saving measures implemented by the Company. General and administrative expense (net after recoveries and portion capitalized) was reduced in 1983 by $529,000 to $3.3 million.

Interest and bank charges declined $4.6 million to $18.4 million from $23 million in 1982. Interest savings of $5.2 million during 1983 were attributable to an $11.4 million reduction in total current and long-term debt plus a decline in average interest rates from 14.3% in 1982 to 11.6% in 1983. Bank charges increased from $13,000 in 1982 to $626,000 in 1983 as a result of the bank implementing, for the first time, significant facility fees and administration fees for the extension of new credit and management of existing loans with the Company.

An $18 million write-down of United States properties in the third quarter of 1983 was required in addition to the $33.2 million write-down of United States properties taken in 1982. Calculation of the write-down was made by application of the ceiling limitation test (as required by the accounting rules of the Securities and Exchange Commission) to the carrying value of the Company's United States properties plus a market value comparison to unevaluated properties. The 1983 write-down was due to United States production levels not meeting the December 31, 1982 expectations of independent engineers and Company staff, plus a further decline in value of the Company's undeveloped oil and gas acreage inventory. Write-downs of $1.9 million for 1983 and $1.7 million for 1982 were also recorded for Australian properties no longer held by the Company. The decline of $2.1 million to $15 million in 1983 for depreciation, depletion and amortization reflects the carrying cost net after write-downs of the Company's oil and gas properties used in the depreciation, depletion and amortization calculation.

Provision for income taxes, both current and deferred, was incurred by the Canadian operations. Sale of the Canadian Mitsue property resulted in the decline of the Alberta royalty tax credit from $1.2 million in 1982 to $397,000 in 1983. The provision for deferred income tax of $3 million is a result of a book profit for tax purposes in Canada with no current liability related thereto. It is expected the Company will not have to pay income tax in Canada until 1987, at the earliest, and it is not expected to pay income tax in the United States assuming currently forecasted levels of operations.

Financial Condition

Property, plant and equipment, at lower of cost or net realizable value, net of depreciation, depletion and amortization, decreased to $96 million at December 31, 1983 from $135.6 million at the end of 1982. The net decrease included a $19.9 million write-down of assets to the ceiling limitation, $15 million of property, plant and equipment depreciation, depletion and amortization expense and $12.2 million realized on the sale of oil and gas properties, and is net of $7.5 million of additions.

The working capital deficiency at December 31, 1983 was $11.8 million, an improvement of $10.5 million from the $22.3 million deficit at December 31, 1982. This improvement is mainly attributable to a $5.8 million reduction of current maturities of long-term debt and decreased payables of $4.1 million.

The Company's financial condition was adversely affected during 1983 and 1982 by the magnitude of its operating losses. The losses resulted in a deficit in shareholders' equity in 1983 and 1982 in the amounts of $58.4 million and $31.7 million, respectively. No capital stock was issued in 1983.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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AUDITORS' REPORT

To the Shareholders of
Page Petroleum Ltd.:

We have examined the consolidated balance sheets of Page Petroleum Ltd. (an Alberta corporation) as of December 31, 1984 and 1983 and the related consolidated statements of earnings and deficit, changes in financial position and income taxes for the three years ended December 31, 1984. Our examinations were 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, the accompanying consolidated financial statements present fairly the financial position of Page Petroleum Ltd. as of December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for the three years ended December 31, 1984 in accordance with generally accepted accounting principles applied, except for the change, with which we concur, in the method of accounting for foreign currency translation as explained in Note 1 to the consolidated financial statements, on a consistent basis.

Calgary, Alberta,
March 11, 1985.

ARTHUR ANDERSEN & CO.
Chartered Accountants

Comment by Auditors on Differences in
Canada-United States Reporting Standards

In the United States, reporting standards for auditors require the expression of an opinion qualified as being subject to the outcome of significant uncertainties affecting the financial statements such as the significant uncertainty relating to the future operations of the Company referred to in Note 2 to the accompanying consolidated financial statements.

The opinion in our report to the shareholders, dated March 11, 1985, is expressed in accordance with Canadian standards and is not qualified with respect to, and provides no reference to, this uncertainty since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

Calgary, Alberta,
March 11, 1985.

ARTHUR ANDERSEN & CO.
Chartered Accountants

PAGE PETROLEUM LTD.

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT
Years Ended December 31, 1984, 1983 and 1982
(Thousands of Canadian dollars, except share data)

	1984	1983	1982
REVENUE			
Oil and gas sales, net of royalties	$ 35,588	$ 40,067	$ 42,530
Pipeline operating revenue	3,238	7,277	7,589
Rig lease and well servicing revenue	553	611	1,187
Other (Note 6)	(290)	874	174
	39,089	48,829	51,480
EXPENSES			
Production	10,110	7,957	9,416
Pipeline operating costs	3,084	5,939	6,099
Rig lease and well servicing costs	48	452	932
Federal production taxes (Note 6)	1,775	2,392	1,865
General and administrative	3,299	3,235	3,770
Interest and bank charges	20,884	18,414	23,015
Direct cash costs of debt restructure	1,232	—	—
Depreciation and depletion	11,110	15,048	17,124
Write-down of capital costs in excess of ceiling limitation (Note 3)	—	19,882	34,957
Amortization of deferred charges	1,027	375	373
Exchange loss	1,801	80	74
Minority interest	(75)	(830)	(833)
	54,295	72,944	96,792
(Loss) from continuing operations before income taxes	(15,206)	(24,115)	(45,312)
PROVISION FOR (RECOVERY OF) INCOME TAXES			
Current	(182)	(397)	(1,230)
Deferred	2,066	2,965	1,215
	1,884	2,568	(15)
(Loss) from continuing operations	(17,090)	(26,683)	(45,297)
PROVISION FOR (LOSS) ON DISPOSAL OF DISCONTINUED BUSINESSES	—	—	(919)
NET (LOSS)	(17,090)	(26,683)	(46,216)
DEFICIT, BEGINNING OF YEAR	(80,418)	(53,735)	(7,519)
DEFICIT, END OF YEAR	$(97,508)	$(80,418)	$(53,735)
Net (loss) per common share (basic and fully diluted)	$ (3.75)	$ (7.35)	$ (12.76)

The accompanying notes are an integral part of these consolidated financial statements.

PAGE PETROLEUM LTD.

CONSOLIDATED BALANCE SHEETS

December 31, 1984 and 1983

(Thousands of Canadian dollars)

	1984	1983
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	$ 415	$ 4,704
Accounts receivable	6,633	9,221
Inventories	689	1,660
Prepaid expenses	76	103
	7,813	15,688
PROPERTY, PLANT AND EQUIPMENT (Note 3)	90,285	96,027
OTHER ASSETS (Note 4)	14,437	1,200
	$112,535	$112,915

	1984	1983
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 9,489	$ 16,346
Current maturities of long-term debt	11,671	11,173
	21,160	27,519
LONG-TERM DEBT (Note 5)	154,530	138,061
DEFERRED INCOME TAXES	7,720	5,654
MINORITY INTEREST	—	75
CONTINGENCIES (Notes 2, 5 and 6)		
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)		
Preferred shares	7	—
Common shares	25,372	21,570
Contributed surplus	1,050	250
Capital redemption reserve fund	204	204
(Deficit)	(97,508)	(80,418)
	(70,875)	(58,394)
	$112,535	$112,915

APPROVED ON BEHALF OF THE BOARD

Director

Director

The accompanying notes are an integral part of these consolidated financial statements.

PAGE PETROLEUM LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
Years Ended December 31, 1984, 1983 and 1982
(Thousands of Canadian dollars)

	1984	1983	1982
SOURCES OF FUNDS			
Net (loss)	$(17,090)	$(26,683)	$(46,216)
Charges (credits) to earnings not involving funds			
Depreciation, depletion and amortization	12,137	15,423	17,497
Write-down of capital costs in excess of ceiling limitation	—	19,882	34,957
Deferred income taxes	2,066	2,965	1,215
Provision for loss on disposal of discontinued businesses	—	—	919
Minority interest	(75)	(830)	(833)
Funds (used in) generated from operations	(2,962)	10,757	7,539
Proceeds from issuance of shares	4,609	—	205
Increase in long-term debt	11,354	779	33,107
Proceeds from sale of property, plant and equipment	815	12,252	22,006
Proceeds on disposition of assets of subsidiaries	—	35	1,025
	13,816	23,823	63,882
USES OF FUNDS			
Additions to property, plant and equipment	4,730	7,596	49,370
Additions to property, plant and equipment on consolidation of Springwest-Page Petroleums N.L.	—	—	2,426
Repayment and current maturities of long-term debt	6,657	6,384	15,230
Additions to (reductions of) other assets	3,517	(673)	(372)
Net effect of exchange rate changes on working capital	428	—	—
	15,332	13,307	66,654
Increase (decrease) in working capital	$ (1,516)	$ 10,516	$ (2,772)
CHANGES IN COMPONENTS OF WORKING CAPITAL			
Cash and short-term investments	$ (4,289)	$ 2,055	$ 1,264
Accounts receivable	(2,588)	(1,428)	269
Inventories	(971)	(4)	(1,369)
Prepaid expenses	(27)	(32)	46
Accounts payable and accrued liabilities	6,857	4,149	13,666
Current maturities of long-term debt	(498)	5,776	(16,648)
Increase (decrease) in working capital	(1,516)	10,516	(2,772)
Working capital (deficiency), beginning of year	(11,831)	(22,347)	(19,575)
Working capital (deficiency), end of year	$(13,347)	$(11,831)	$(22,347)

The accompanying notes are an integral part of these consolidated financial statements.

PAGE PETROLEUM LTD.
CONSOLIDATED STATEMENTS OF INCOME TAXES
Years Ended December 31, 1984, 1983 and 1982
(Thousands of Canadian dollars)

The following statement reconciles the difference between the expected income tax recovery computed by applying the statutory tax rate to the (loss) from continuing operations before income taxes and the actual tax provision (recovery).

	1984	1983	1982
(Loss) from continuing operations before income taxes	$(15,206)	$(24,115)	$(45,312)
Expected tax (recovery)	$ (7,451)	$(11,470)	$(21,885)
Increase (decrease) in income taxes resulting from:			
Non-deductible royalties and other payments	1,738	1,173	2,241
Alberta Royalty Tax Credit	(294)	(397)	(1,237)
Petroleum and Gas Revenue Tax	1,108	1,075	720
Resource allowance	(2,291)	(2,487)	(1,811)
Earned depletion	(762)	(1,005)	(495)
Tax losses not booked due to a lack of virtual certainty of recovery	9,356	15,637	22,367
Incremental Oil Revenue — tax exempt income	—	—	(141)
Other	480	42	226
Actual tax provision (recovery)	$ 1,884	$ 2,568	$ (15)
Tax rate	49%	48%	48%

The Canadian and foreign components of the actual tax provision (recovery) are as follows:

	1984	1983	1982
Canadian	$ 1,738	$ 2,568	$ (15)
Foreign withholding taxes	146	—	—
	$ 1,884	$ 2,568	$ (15)

Deferred income taxes result from timing differences in the recognition of expenses for tax and accounting purposes. The source of these differences and tax effect of each are as follows:

	1984	1983	1982
Difference between income tax depreciation and amount provided for depreciation in the accounts	$ (809)	$ (450)	$ (82)
Difference between exploration and development expenditures claimed for income tax purposes and amount provided for depletion in the accounts	2,875	3,415	1,297
	$ 2,066	$ 2,965	$ 1,215

The accompanying notes are an integral part of these consolidated financial statements.

PAGE PETROLEUM LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts shown in thousands of Canadian dollars, except share data and where otherwise indicated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a going concern basis (See Note 2) in accordance with generally accepted accounting principles ("GAAP") in Canada and conform in all material respects with the standards of the International Accounting Standards Committee. These consolidated financial statements are substantially in conformity with United States GAAP, except as summarized below:

	Consolidated Balance Sheets				Consolidated Statements of Earnings	
	Property, Plant and Equipment	Deferred Exchange Loss	Long-Term Debt	Shareholders' Deficiency	Net (Loss)	Per Common Share
Year Ended December 31:						
1982						
Canadian GAAP	$135,613	$ —	$143,666	$(31,711)	$(46,216)	$(12.76)
Difference	—	—	4,217	(4,217)	(4,097)	(1.13)
U.S. GAAP	$135,613	$ —	$147,883	$(35,928)	$(50,313)	$(13.89)
1983						
Canadian GAAP	$ 96,027	$ —	$138,061	$(58,394)	$(26,683)	$ (7.35)
Difference	1,453	—	5,244	(3,791)	(862)	(.23)
U.S. GAAP	$ 97,480	$ —	$143,305	$(62,185)	$(27,545)	$ (7.58)
1984						
Canadian GAAP	$ 90,285	$10,747	$154,530	$(70,875)	$(17,090)	$ (3.75)
Difference	2,549	(10,747)	—	(8,198)	(5,038)	(1.11)
U.S. GAAP	$ 92,834	$ —	$154,530	$(79,073)	$(22,128)	$ (4.86)

The differences are due to different requirements for foreign currency translation:

U.S. GAAP — FASB Statement No. 8 (foreign currency translation) was adopted in years prior to 1983 and FASB Statement No. 52 (foreign currency translation) thereafter. In applying FASB Statement No. 52, the U.S. operations were considered by management to be self-sustaining to September 30, 1984, with the U.S. dollar as functional currency and integrated thereafter with the Canadian dollar as functional currency. This change, made prospectively, results in non-monetary assets being translated at historical rather than current rates. In addition, gains and losses on translation of the U.S. operations are recognized in the Consolidated Statements of Earnings and Deficit rather than being included in shareholders' deficiency as adjustments to the cumulative foreign currency translation account.

Canadian GAAP — The 1984 consolidated financial statements reflect the January 1, 1984 adoption of the recent recommendation of the Canadian Institute of Chartered Accountants on foreign currency translation (See (h)).

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Page Petroleum Inc. and Page Petroleum (U.K.) Limited (See Note 10), both wholly owned subsidiaries, and its controlling interests in Springwest-Page Petroleums N.L. and R.D.R. Well Servicing Ltd. During 1984, R.D.R. Well Servicing Ltd. sold its one remaining service rig and was placed in voluntary liquidation.

When the minority shareholders' interest in the subsidiaries' loss exceeds the minority shareholders' investment, the entire loss is recorded as a loss to the Company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Inventories

Inventories are recorded at the lower of cost or net realizable value and consist of equipment and supplies for the oil and gas operations.

(c) Property, Plant and Equipment

The full cost method of accounting is followed for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized and charged against earnings as set out in (d). Such costs include land acquisition costs, geological and geophysical costs, carrying charges of non-producing property, costs of drilling both productive and non-productive wells, production equipment and overhead expense related to exploration and development activities. The costs are accumulated in Canadian and U.S. cost centres.

Proceeds on disposal of properties are deducted from accumulated costs without recognition of gain or loss. Any gain or loss realized on the disposition of a major property would be recognized in the Consolidated Statements of Earnings and Deficit.

(d) Depletion and Depreciation

The costs accumulated in the Canadian and U.S. cost centres, together with estimated future capital costs associated with developing proved reserves, are depleted using the future revenue method. Under this method depletion is computed on the basis of the current year wellhead net back in relation to current year plus future net backs from total proved reserves as determined by independent engineers. Wellhead net back equals gross revenue less all royalties and is based on year-end prices except for changes provided by contractual agreements.

Depreciation of the pipeline facilities is computed on the diminishing balance method using a rate of 20% to December 31, 1983 and 40% thereafter. The rig and equipment located in Australia is depreciated on a straight line basis over the estimated useful lives of the assets. Depreciation of sundry equipment is computed using the diminishing balance method at rates varying from 20% to 30%.

(e) Ceiling Limitation

For the purposes of calculating the limitation of capitalized costs, the net book value of oil and gas properties in a cost centre, net of deferred income taxes, is compared to the sum of the present value of the future net revenue from the production of proved reserves net of applicable income taxes, discounted at 10 percent, and the lower of cost or fair market value of undeveloped acreage.

In calculating future net revenue, oil and gas prices, and the Income Tax, Petroleum and Gas Revenue Tax and Alberta Royalty Tax Credit legislation as of the year-end date are used.

(f) Joint Venture Accounting

Substantially all the exploration, production and pipeline operations are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

(g) Deferred Financing Costs

Costs incurred in connection with the issuance of capital stock and the debentures are deferred and amortized using the straight line method over seven years from the date of the respective issues. Non-cash costs incurred in connection with the Company's Debt Restructure Agreement and Exchange Offer are deferred and amortized over seven years for share issuances and over the terms of the notes payable issued.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Foreign Currency Translation

The 1984 statements reflect the prospective adoption of the recent recommendations of the Canadian Institute of Chartered Accountants on foreign currency translation. The effect is to translate long-term debt denominated in foreign currencies at the rate of exchange at the balance sheet date and to defer the unrealized loss, amortizing it over the remaining term of the debt. Prior to 1984, long-term debt was translated at the exchange rate in effect at the dates the liabilities were incurred and exchange gains and losses were recorded only as realized. At December 31, 1984 long-term debt translated into Canadian dollars was increased by $13,986 and was offset by a capitalized deferred translation loss of $10,747 and exchange loss of $3,239 as a result of this change in policy.

At December 31, 1984 all foreign operations are considered to be integrated and their financial statements are translated into Canadian dollars using the temporal method, which translates current assets, current liabilities and long-term debt of foreign subsidiaries using the exchange rate in effect at the balance sheet date. Property, plant and equipment are translated using the exchange rates in effect at the date the original transaction took place. Unrealized exchange losses on translation of long-term debt are deferred and amortized over the remaining term of the debt. Other exchange gains and losses are included in earnings. Revenue and expense items are translated using average rates of exchange prevailing throughout the year, except for items relating to balance sheet accounts that are translated at historical exchange rates.

(i) Deferred Income Taxes

The tax allocation method of accounting is followed whereby the income tax provision is based on the earnings reported in the accounts. Under this method, the Company makes full provision for deferred income taxes as a result of claiming deductions for capital cost allowance and exploration, development and lease acquisition costs as permitted by income tax legislation, in excess of the related depletion, depreciation and amortization provided in the accounts. See the Consolidated Statements of Income Taxes for the components of and additional information relating to income taxes.

(j) Net Loss per Common Share

Basic net loss per common share has been computed using the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding were 4,554,419, 3,631,750 and 3,623,120 for 1984, 1983 and 1982 respectively. The conversion of all obligations and the exercise of all share options would be anti-dilutive.

2. FUTURE OPERATIONS

Significant operating losses were incurred during the years ended December 31, 1984, 1983 and 1982 resulting in an accumulated deficit of $97,508 and a working capital deficiency of $13,347 at December 31, 1984. As a result of the losses, the Company was in default on several of its debt obligations at December 31, 1983. Effective April 1, 1984, a Debt Restructure Agreement was entered into with the bank which rescheduled principal repayments allowing time to further develop existing producing properties and to evaluate the undeveloped land inventory.

As part of the restructuring there are scheduled principal repayments of $49.45 million (U.S.) and $2,250 (plus interest thereon) of indebtedness to the bank due on or after April 1, 1987 and $11,000 and $3.8 million (U.S.) revolving working capital lines which become repayable on demand after March 31, 1987. In addition, $19.73 million (U.S.) principal amount of the 11% notes mature on October 1, 1989. The ability to meet or renegotiate the scheduled principal repayments on or after April 1, 1987 is substantially dependent on the further development of existing producing properties and the exploitation of the undeveloped land inventory. In the short-term an additional $3 million is required and the existing cash flow will be insufficient to repay the $3.1 million (U.S.) principal amount due July 10, 1985 on another loan [See Note 5(d)].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts shown in thousands of Canadian dollars, except share data and where otherwise indicated)

2. FUTURE OPERATIONS (Continued)

If as a result of default in paying principal or interest when due on any part of the debt described in Note 5, or otherwise, the support of the bank is withdrawn and the bank calls for the immediate payment of all indebtedness due to it, the Company may be unable to continue realizing its assets and discharging its liabilities in the normal course of business.

The accompanying consolidated financial statements have been prepared on a basis which contemplates the realization of assets and the discharging of liabilities in the normal course of business and do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the support of the bank be withdrawn and the debt become immediately due and payable.

3. PROPERTY, PLANT AND EQUIPMENT

	1984		1983	
	Cost	Accumulated Depreciation and Depletion	Cost	Accumulated Depreciation and Depletion
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon				
Canada	$ 59,338	$ 16,399	$ 56,647	$ 13,541
United States	127,201	84,773	120,977	75,755
United Kingdom	291	291	285	262
Australia	—	—	3,633	3,633
	186,830	101,463	181,542	93,191
Pipeline facilities	9,471	7,841	9,592	6,763
Other	7,222	3,934	8,102	3,255
	$203,523	$113,238	$199,236	$103,209
Net book value	$90,285		$96,027	

In 1983, a $17,978 write-down of U.S. assets and a $1,904 write-down of the Australian assets were recorded to reflect properties at a ceiling limitation less than their original costs. The write-downs are included in accumulated depreciation and depletion in the above table.

During 1983, all of the remaining interests in the Australian oil and gas properties were relinquished. All costs associated with the Australian cost centre were fully depleted at December 31, 1983.

4. OTHER ASSETS

	1984	1983
Deferred foreign exchange translation loss [See Note 1(h)]	$ 10,747	$ —
Unamortized deferred financing costs	3,585	1,094
Deposits	105	106
	$ 14,437	$ 1,200

The deferred financing costs were primarily incurred in connection with the recent Debt Restructure Agreement and Exchange Offer (See Note 5) and with the original sale of the Company's 10% Convertible Subordinated Debentures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts shown in thousands of Canadian dollars, except share data and where otherwise indicated)

5. LONG-TERM DEBT

	1984	1983
Bank debt		
Canadian bank loans [See (a)(i)]	$ 13,375	$ 10,380
U.S. bank loans [See (a)(ii)]	76,504	101,802
U.S. debenture (including accrued interest notes) [See (a)(iii)]	34,224	—
Bank compensation fees [See (a)(iv)]	2,250	—
11% Senior Subordinated Convertible Notes [See (b)]	26,077	—
10% Convertible Subordinated Debentures [See (c)]	6,965	29,730
KEP Resources [See (d)]	4,804	4,786
Springwest-Page Petroleums N.L. [See (e)]	2,002	2,536
	166,201	149,234
Less minimum current maturities	11,671	11,173
	$154,530	$138,061

(a) A formal Debt Restructure Agreement was entered into with the bank effective April 1, 1984 at a cost of approximately $4.8 million. The restructured bank indebtedness is secured by a general assignment of accounts receivable and substantially all oil and gas properties and consists of the following:

(i) Canadian bank loans (bank's prime lending rate plus 1%)
— $11 million revolving working capital line, repayable on demand after March 31, 1987.
— $3 million 12 year term loan, repayable in varying monthly instalments.

(ii) U.S. bank loans
— $3.8 million (U.S.) revolving working capital line, bearing interest at the U.S. bank's prime lending rate plus 1%, repayable on demand after March 31, 1987.
— $30 million (U.S.) 3 year term loan, bearing interest at LIBOR plus ½%, repayable in varying monthly instalments with the balance of $25.4 million (U.S.) due April 1, 1987.
— $27.6 million (U.S.) 12 year term loan, bearing interest at the U.S. bank's prime lending rate plus 1%, repayable in varying monthly instalments.

(iii) $24 million (U.S.) debenture, repayable on demand after March 31, 1989, bearing interest at the greater of 10% or the bank's U.S. prime lending rate plus 1%. Interest of 10% is payable in cash or interest notes (due April 1, 1989) at the option of the Company. Interest in excess of 10% is payable in convertible Preferred Shares.

(iv) Bank compensation fees evidenced by promissory notes bearing interest compounded annually at 12%, payable on demand as of April 1, 1987.

There were a number of convenants under the bank loan agreements that were in default at December 31, 1984. The bank waived its rights and remedies with respect to these defaults up to December 31, 1985.

Scheduled principal repayments for the above loans amounts to $5,242 for 1985, $4,260 for 1986 and $1,528 for January 1 to March 31, 1987. The currently projected cash flow from existing operations is expected to be insufficient to repay indebtedness due the bank on or after April 1, 1987 (See Note 2).

(b) The 11% Senior Subordinated Convertible Notes ($19.73 million U.S.) are unsecured subordinated obligations maturing October 1, 1989. The notes are convertible into common shares at $11.41 (U.S.) per share,

5. LONG-TERM DEBT (Continued)

subject to adjustment under certain conditions and to prior redemption. The notes are redeemable at anytime, at the Company's option, at a price equal to the principal amount of the notes to be redeemed, together with accrued interest to the redemption date.

The notes were issued in connection with the Exchange Offer, whereby for each one thousand (U.S.) principal amount of the 10% Convertible Subordinated Debentures [See (c)] the following was exchanged: one thousand (U.S.) principal amount of notes; 40 common shares; warrants to purchase 65 common shares for $1.75 (U.S.) to March 31, 1985 and $2.00 (U.S.) to May 1, 1989; and $7.50 (U.S.) cash.

(c) The 10% Convertible Subordinated Debentures [$5.27 million (U.S.)] are unsecured subordinated obligations maturing April 1, 2000. The debentures are convertible into common shares at $11.41 (U.S.) per share, subject to adjustment under certain conditions and to prior redemption. The debentures are redeemable at any time at the Company's option at prices declining from 107.89% to 100% of principal amount and commencing April 1, 1991, at the principal amount through operation of a sinking fund.

(d) The KEP Resources loan is secured by a mortgage on approximately 81% of the total 78,000 net acres in Michigan and is repayable in blended principal and interest monthly instalments of $75 thousand (U.S.). Due to the bank's refusal to fund further monthly loan payments to KEP Resources, the payment due March 10, 1985 was not made. In addition, cash flow from operations is not expected to be sufficient to repay the remaining principal balance of $3.1 million (U.S.) due on July 10, 1985. In the event the Company should be unable to renegotiate the term of or otherwise refinance this indebtedness, these leases may be forfeited and the Company would be liable for any deficiency. The leases subject to forfeiture have an ascribed value for ceiling limitation purposes of approximately $5.9 million (U.S.). The bank has waived, to January 1, 1986, its cross-default rights resulting from any defaults with respect to the KEP Resources loan. The Company is currently renegotiating the terms of the loan.

(e) The loans are secured by the guarantees of the shareholders of that Company [See Note 6(a)]. The principal amounts are repayable in equal semi-annual instalments during the next two years.

6. OTHER

(a) The Company has guaranteed bank indebtedness of others to a maximum amount of $1,375.

(b) The total remuneration paid to directors and officers amounted to $569, $353 and $504 in 1984, 1983 and 1982 respectively.

(c) A previously unrecorded refund for 1982 Windfall Profit Tax amounting to $669 was received in 1984 and has been included in Federal Production Taxes.

(d) A write-down of U.S. inventories of $467 recorded in 1984 has been included in other revenue.

7. SHARE CAPITAL

(a) Authorized

The authorized share capital consists of:

(i) 10,000,000 Series "A" Convertible Preferred Shares having a stated value of $0.01 per share convertible into Common Shares on a share for share basis until March 31, 1995.

(ii) 20,000,000 Common Shares without nominal or par value.

(Amounts shown in thousands of Canadian dollars,
except share data and where otherwise indicated)

7. SHARE CAPITAL (Continued)

(b) Issued

	Common Shares		Preferred Shares		Contributed
	Shares	Value	Shares	Value	Surplus
Balances, December 31, 1983 and 1982	3,631,750	$21,570	—	$—	$ 250
Returned under Employee Incentive Share Purchase Plan	(47,500)	—	—	—	—
Issued as compensation in connection with the Debt Restructure Agreement	510,000	1,266	—	—	—
Issued in connection with the Exchange Offer	789,200	1,107	—	—	—
Issued in payment of interest on 11% notes	1,400,830	1,429	—	—	—
Issued in payment of interest	—	—	743,897	7	800
Balances, December 31, 1984	6,284,280	$25,372	743,897	$ 7	$1,050

(c) Shares reserved

(i) There are 1,729,185 Common Shares reserved for issuance upon the possible conversion of the $19.73 million (U.S.) 11% Senior Subordinated Convertible Notes.

(ii) There are 3,599,170 Common Shares reserved for issuance for payment of interest on the 11% Senior Subordinated Convertible Notes.

(iii) There are 1,282,450 Common Shares reserved for issuance upon the possible exercise of warrants issued in connection with the Exchange Offer.

(iv) There are 461,876 Common Shares reserved for issuance upon the possible conversion of the $5.27 million (U.S.) 10% Convertible Subordinated Debentures.

(v) There are 1,621,600 Common Shares reserved for issuance upon the possible conversion of Series "A" Convertible Preferred Shares on a share for share basis. At December 31, 1984, 743,897 Series "A" Convertible Preferred Shares were outstanding.

(vi) There are 500,000 shares reserved for issuance under the 1980 Incentive Share Option Plan. Of this amount, 485,000 are subject to options at prices ranging from $.80 to $1.12 per share.

The share options have been granted from time to time to certain employees and directors at a price equal to, or 110% of the closing price on The Toronto Stock Exchange on the day preceding the date of grant. Options granted are exercisable on a cumulative basis as to one-third of the option shares in each of the first, second and third years after the date of grant. All options outstanding at December 31, 1984 will have become exercisable in full by November 12, 1986.

(vii) There are 300,000 Common Shares reserved for issuance under the Employee Incentive Share Purchase Plan. A total of 47,500 shares were issued under the Plan during 1981 and 1982 and were subsequently returned to authorized but unissued share capital in 1984.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts shown in thousands of Canadian dollars, except share data and where otherwise indicated)

8. RELATED PARTY TRANSACTIONS

(a) During 1984, 450,000 Common Shares were issued to The Royal Bank of Canada as partial compensation for entering into the Debt Restructure Agreement. The bank received 743,897 Series "A" Convertible Preferred Shares on account of interest, which are convertible at any time prior to April 1, 1995, into an equal number of Common Shares.

On April 1, 1989, the bank is also entitled to receive warrants to purchase, within two years, a maximum of one-third of the Common Shares outstanding April 1, 1989. The exercise price of the warrants will be the weighted average market price of the Common Shares during the three year period ending April 1, 1989. If at the time the warrants are issued, the exercise price is determined to be greater than $7.50, the bank will receive a $1 million promissory note due April 1, 1994 bearing interest at 12% per annum.

In addition to the share issuances, the following amounts were paid in cash or by promissory notes to the bank:

Interest	$14,665
Compensation fees for the Debt Restructure Agreement	2,250
5% Net Profits Interest on projects funded by additional bank financing	107
1% Letter of Credit fee	530
Administration fees and other charges	70

(b) Legal services were provided by a firm of which a director is a partner at a cost of $208, $133 and $131 for the years 1984, 1983 and 1982 respectively.

(c) Engineering consulting services were provided by a company of which a director is a principal at a cost of $130 and $137 for 1984 and 1983 respectively.

9. BUSINESS SEGMENTS

The operations are primarily oil and gas exploration and production, with additional interests in rig leasing and pipeline facilities.

The only arms-length purchaser which accounted for more than 10% of the consolidated net revenues for 1984 and 1983 was Imperial Oil Limited which purchased 53% and 43% respectively.

	Year Ended December 31		
	1984	1983	1982
BUSINESS SEGMENTS			
Revenue			
Oil and gas	$ 35,588	$ 40,067	$ 42,530
Rig lease and well servicing	553	611	1,187
Pipeline facilities	3,238	7,277	7,589
	$ 39,379	$ 47,955	$ 51,306
Depreciation and depletion			
Oil and gas	$ 9,013	$ 12,935	$ 14,122
Rig lease and well servicing	1,019	966	877
Pipeline facilities	1,078	1,147	2,125
	$ 11,110	$ 15,048	$ 17,124

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts shown in thousands of Canadian dollars, except share data and where otherwise indicated)

9. BUSINESS SEGMENTS (Continued)

	Year Ended December 31		
	1984	1983	1982
Write-down of capital costs in excess of ceiling limitation			
Oil and gas	$ —	$ 19,882	$ 27,099
Pipeline facilities	—	—	7,858
	$ —	$ 19,882	$ 34,957
Operating earnings (loss)			
Oil and gas	$ 14,689	($ (3,099)	$ (9,116)
Rig lease and well servicing	(514)	(807)	(622)
Pipeline facilities	(923)	191	(9,349)
	13,252	(3,715)	(19,087)
Corporate and other			
Other	290	(874)	(174)
General and administrative	3,299	3,315	3,844
Interest and bank charges	20,884	18,414	23,015
Amortization of deferred financing charges	1,027	375	373
Minority interest	(75)	(830)	(833)
Income taxes	1,884	2,568	(15)
Direct cash costs of debt restructure	1,232	—	—
Exchange loss	1,801	—	—
Loss on disposal of discontinued businesses	—	—	919
	30,342	22,968	27,129
Net (loss)	$ (17,090)	$ (26,683)	$ (46,216)
Identifiable assets			
Oil and gas	$ 93,616	$104,921	$139,187
Rig lease and well servicing	2,852	4,007	5,866
Pipeline facilities	1,630	2,829	5,786
	98,098	111,757	150,839
Other	14,437	1,158	2,154
	$112,535	$112,915	$152,993
GEOGRAPHIC REGIONS			
Revenue			
Canada	$ 24,822	$ 25,109	$ 17,509
United States	14,004	22,606	33,396
Other foreign	553	240	401
	$ 39,379	$ 47,955	$ 51,306
Depreciation and depletion			
Canada	$ 2,936	$ 3,386	$ 3,263
United States	7,155	10,778	13,125
Other foreign	1,019	884	736
	$ 11,110	$ 15,048	$ 17,124

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts shown in thousands of Canadian dollars, except share data and where otherwise indicated)

9. BUSINESS SEGMENTS (Continued)

	Year Ended December 31		
	1984	1983	1982
Write-down of capital costs in excess of ceiling limitation			
United States	$ —	$ 17,978	$ 33,227
Other foreign	—	1,904	1,730
	$ —	$ 19,882	$ 34,957
Operating earnings (loss)			
Canada	$ 12,857	$ 14,394	$ 7,590
United States	909	(15,526)	(24,555)
Other foreign	(514)	(2,583)	(2,122)
	13,252	(3,715)	(19,087)
Corporate and other	30,342	22,968	27,129
Net (loss)	$ (17,090)	$ (26,683)	$ (46,216)
Identifiable assets			
Canada	$ 54,871	$ 51,687	$ 60,376
United States	54,812	57,458	85,319
Other foreign	2,852	3,770	7,298
	$112,535	$112,915	$152,993

10. SUBSEQUENT EVENTS

On January 14, 1985 an agreement for the sale of Page Petroleum (U.K.) Limited for one million pounds sterling (approximately $1,500) was consummated. Net proceeds to the Company after United Kingdom capital gains tax and other expenses are expected to be approximately $1,060.

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SUPPLEMENTARY FINANCIAL INFORMATION
(Thousands of Canadian dollars)

Oil and Gas Producing Activities - Unaudited

Information as required to be disclosed in accordance with FASB Statement No. 69 "Disclosures About Oil and Gas Producing Activities" is discussed below and further detailed in Tables 1 through 6 immediately following.

The reserve quantity and valuation estimates included in the following tables have been excerpted from or based upon reports prepared by independent consulting engineers from D & S Petroleum Consulting Group Ltd. (for Canadian reserves) and Williamson Petroleum Consultants, Inc. (for United States reserves).

Estimated quantities of proved developed and total proved reserves of crude oil (including condensate and natural gas liquids) and natural gas are disclosed net after royalty. Proved reserves are estimated quantities of reserves which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are expected to be recovered from existing wells with existing equipment and operating methods. Values were determined using current prices, increased only for fixed and determinable escalation provisions in contracts.

The Company's net proved oil reserves were substantially maintained during 1984. The 1984 crude oil production of 737,000 barrels was offset by additions in net proved oil reserves of 162,000 barrels obtained by a purchase of proved undeveloped land in Dodsland, Saskatchewan, 235,000 barrels attributable to improved recovery techniques in the Company's Boundary Lake property in Alberta and an additional 168,000 barrels of net proved oil reserves through revisions of previous estimates. Additional oil reserves expected to be recovered in the Dodsland field as a result of the improved recovery project are classified as probable at December 31, 1984 and are not included in this Report.

The decline in the Company's net proved gas reserves is substantially attributable to a 3,669,000 mcf downward revision of Dodsland, Saskatchewan net proved gas reserves, as a result of new gas production information becoming available. An additional 341,000 mcf downward revision of gas reserves in 1984 is attributable to lower than anticipated production levels on the Company's Whittenburg property in Texas. A 1984 gas discovery in Michigan added 688,000 mcf of gas and 51,000 barrels of liquids to proved reserves in the U.S., estimated to have a value of $2.4 million discounted at 10%.

The Company emphasizes the estimates included in the following tables are by their nature inexact and are subject to changing economic, operating and contractual conditions. Some of the amounts may not agree with amounts reported under similar headings presented elsewhere in this report due to categorization of costs by FASB Statement No. 69. United States reserve values have been translated to Canadian dollar equivalents at rates in effect at the end of the respective reporting periods.

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Table 1

CHANGES IN QUANTITIES OF PROVEN RESERVES
YEARS ENDED DECEMBER 31, 1984, 1983 AND 1982

	Total		Canada		U.S.	
	Oil (thousands of bbls)	Gas (Mmcf)	Oil (thousands of bbls)	Gas (Mmcf)	Oil (thousands of bbls)	Gas (Mmcf)
Proved Reserves, December 31, 1981	18,517	36,529	15,026	7,225	3,491	29,304
Revisions of previous estimates	(6,081)	(9,418)	(5,528)	472	(553)	(9,890)
New field discoveries & extensions	159	1,421	115	237	44	1,184
Purchases of reserves	569	520	569	520	—	—
Production	(958)	(2,941)	(559)	(272)	(399)	(2,669)
Sales of reserves	(1,583)	(2,827)	(316)	—	(1,267)	(2,827)
Proved Reserves, December 31, 1982	10,623	23,284	9,307	8,182	1,316	15,102
Revisions of previous estimates	97	(895)	255	303	(158)	(1,198)
New field discoveries & extensions	97	8,864	27	8,813	70	51
Purchases of reserves	307	—	307	—	—	—
Production	(856)	(2,477)	(684)	(219)	(172)	(2,258)
Sales of reserves	(491)	(151)	(491)	(112)	—	(39)
Proved Reserves, December 31, 1983	9,777	28,625	8,721	16,967	1,056	11,658
Revisions of previous estimates	168	(4,077)	110	(3,375)	58	(702)
New field discoveries & extensions	55	1,294	—	43	55	1,251
Improved recovery	235	165	235	165	—	—
Purchases of reserves	162	519	162	519	—	—
Production	(737)	(1,926)	(613)	(537)	(124)	(1,389)
Proved Reserves, December 31, 1984	9,660	24,600	8,615	13,782	1,045	10,818

Proved Developed Reserves

December 31, 1981	15,518	29,302	13,126	6,952	2,392	22,350
December 31, 1982	9,885	22,260	8,950	7,872	935	14,388
December 31, 1983	8,808	27,257	8,217	16,230	591	11,027
December 31, 1984	9,108	23,632	8,554	13,469	554	10,163

Table 2

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CAPITALIZED COSTS RELATING TO OIL AND GAS PRODUCING ACTIVITIES DECEMBER 31, 1984, 1983 AND 1982

	1984			1983			1982		
	Total	Canada	U.S.	Total	Canada	U.S.	Total	Canada	U.S.
Properties being amortized —									
Productive and non-productive	$159,273	$56,952	$102,321	$150,335	$54,301	$ 96,034	$152,749	$58,031	$ 94,718
Unevaluated properties	27,266	2,386	24,880	27,289	2,346	24,943	27,179	4,348	22,831
Costs being amortized	186,539	59,338	127,201	177,624	56,647	120,977	179,928	62,379	117,549
Less: Accumulated depreciation and depletion	101,172	16,399	84,773	89,296	13,541	75,755	58,662	10,349	48,313
Net capitalized costs	$ 85,367	$42,939	$ 42,428	$ 88,328	$43,106	$ 45,222	$121,266	$52,030	$ 69,236

Table 3

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COSTS INCURRED IN PROPERTY ACQUISITION, EXPLORATION AND DEVELOPMENT ACTIVITIES YEARS ENDED DECEMBER 31, 1984, 1983 AND 1982

	1984			1983			1982		
	Total	Canada	U.S.	Total	Canada	U.S.	Total	Canada	U.S.
Costs incurred —									
Acquisition of unproved properties	$ 434	$ 42	$ 392	$ 385	$ 182	$ 203	$ 3,443	$ 260	$ 3,183
Acquisition of proved properties	572	572	—	774	774	—	2,057	2,057	—
Exploration	1,874	507	1,367	2,062	193	1,869	5,328	1,305	4,023
Development	2,369	2,063	306	3,931	2,279	1,652	24,788	4,674	20,114
Total costs incurred	$5,249	$3,184	$2,065	$7,152	$3,428	$3,724	$35,616	$8,296	$27,320

Table 4

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RESULTS OF OPERATIONS FROM OIL AND GAS PRODUCING ACTIVITIES YEARS ENDED DECEMBER 31, 1984, 1983 AND 1982

	1984			1983			1982		
	Total	Canada	U.S.	Total	Canada	U.S.	Total	Canada	U.S.
Revenues from oil and gas producing activities	$35,588	$24,823	$10,765	$ 40,067	$24,737	$ 15,330	$ 42,529	$16,723	$ 25,806
Production costs and production taxes	11,885	9,029	2,856	10,562	7,124	3,438	11,553	6,053	5,500
Write-down of capital costs	—	—	—	17,978	—	17,978	25,369	—	25,369
Depreciation and depletion	8,768	2,853	5,915	13,970	3,192	10,778	13,960	2,959	11,001
Total expenses	20,653	11,882	8,771	42,510	10,316	32,194	50,882	9,012	41,870
Pretax income (loss)	14,935	12,941	1,994	(2,443)	14,421	(16,864)	(8,353)	7,711	(16,064)
Income taxes	(4,457)	(4,457)	—	(4,528)	(4,528)	—	(3,224)	(3,224)	—
Results of oil and gas producing activities (excluding corporate overhead and interest costs)	$10,478	$ 8,484	$ 1,994	$ (6,971)	$ 9,893	$(16,864)	$(11,577)	$ 4,487	$(16,064)

Table 5

PAGE PETROLEUM LTD.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS* RELATING TO PROVED OIL AND GAS RESERVES DECEMBER 31, 1984, 1983 AND 1982

	1984			1983			1982		
	Total	Canada	U.S.	Total	Canada	U.S.	Total	Canada	U.S.
Future cash inflows	$427,051	$339,929	$87,122	$415,197	$334,354	$80,843	$406,098	$302,133	$103,965
Future costs —									
Production	(145,935)	(115,662)	(30,273)	(132,253)	(106,988)	(25,265)	(120,156)	(86,640)	(33,516)
Development and abandonment costs	(1,008)	(1,147)	139	(4,500)	(3,898)	(602)	(3,432)	(3,297)	(135)
Future net inflows before income tax	280,108	223,120	56,988	278,444	223,468	54,976	282,510	212,196	70,314
Future income taxes	(79,877)	(79,877)	—	(79,384)	(79,384)	—	(46,913)	(46,913)	—
Future net cash flows	200,231	143,243	56,988	199,060	144,084	54,976	235,597	165,283	70,314
10% discount factor	(90,536)	(69,970)	(20,566)	(89,687)	(72,319)	(17,368)	(109,816)	(87,204)	(22,612)
Standardized measure of discounted net cash flows	$109,695	$ 73,273	$36,422	$109,373	$ 71,765	$37,608	$125,781	$ 78,079	$ 47,702

* The present value, discounted at an annual rate of 10%, of estimated future net cash flows related to Proved Reserves. Estimated future net cash flows are calculated by applying current prices of oil and natural gas (and future price changes to the extent provided by existing contractual arrangements) to Proved Reserves to arrive at estimated future cash inflows, and subtracting estimated future development and production costs (based on current costs) and estimated future income taxes relating to such inflows and costs.

Table 6

PAGE PETROLEUM LTD.

CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOW FROM PROVED RESERVE QUANTITIES YEARS ENDED DECEMBER 31, 1984, 1983 AND 1982

	1984			1983			1982		
	Total	Canada	U.S.	Total	Canada	U.S.	Total	Canada	U.S.
Standardized measure — beginning of year	$109,373	$71,765	$37,608	$125,781	$78,079	$47,702	$166,378	$72,253	$94,125
Sales and transfers, net of production costs	(23,703)	(15,794)	(7,909)	(29,505)	(17,613)	(11,892)	(30,977)	(10,670)	(20,307)
Net charge in sales and transfer prices, net of production costs	3,744	(1,302)	5,046	10,024	6,336	3,688	16,676	20,534	(3,858)
Extensions, discoveries and improved recovery, net of future production and developments costs	4,321	32	4,289	4,666	4,097	569	4,913	1,358	3,555
Development costs incurred during the period which reduced future development costs	713	672	41	1,530	1,200	330	17,900	5,180	12,720
Revisions of quantity estimates	(2,820)	(819)	(2,001)	(4,194)	2,944	(7,138)	(83,301)	(40,686)	(42,615)
Accretion of discount	14,288	10,299	3,989	14,542	9,772	4,770	19,821	9,136	10,685
Net change in income taxes	(1,156)	(1,156)	—	(11,580)	(11,580)	—	12,193	(530)	12,723
Purchases of reserves in place	3,670	3,670	—	4,170	4,170	—	8,605	8,605	—
Sales of reserves in place	—	—	—	(4,725)	(4,632)	(93)	(22,896)	(3,570)	(19,326)
Changes in production rates (timing) and other	1,265	5,906	(4,641)	(1,336)	(1,008)	(328)	16,469	16,469	—
Standardized measure — end of year	$109,695	$73,273	$36,422	$109,373	$71,765	$37,608	$125,781	$78,079	$47,702

ITEM 9 - DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

— None

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11 - EXECUTIVE COMPENSATION

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by Items 10, 11, 12 and 13 of Form 10-K, to the extent not included in Part I of this Report, is incorporated herein by reference to such information appearing under the captions "Voting Shares and Principal Holders Thereof", "Proposal on Election of Directors" and "Remuneration of Management" contained in the Company's Proxy Statement and Information Circular relating to the Annual and Special General Meeting of the Shareholders scheduled to be held May 15, 1985.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

	Page
(a) 1. Financial Statements and Supplementary Data (See Index)	
2. Financial Statement Schedules	
Report of Independent Chartered Accountants on Schedules	45
Schedule V Property, Plant and Equipment	46
Schedule VI Accumulated Depreciation and Depletion on Property, Plant and Equipment	47

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

3. Exhibits

3(a) Articles of Continuance of Page Petroleum Ltd. (filed as Schedule A to the definitive Proxy Statement and Information Circular of Page Petroleum Ltd. dated May 3, 1983, File No. 1-7888).*

3(b) Articles of Amendment, dated April 10, 1984, to the Articles of Continuance of Page Petroleum Ltd. (filed as Exhibit 3(b) to Registration Statement No. 2-94729).*

3(c) General By-Law No. 1 of Page Petroleum Ltd. (filed as Schedule B to the definitive Proxy Statement and Information Circular of Page Petroleum Ltd. dated May 3, 1983, File No. 1-7888).*

3(d) By-Law No. 2 of Page Petroleum Ltd. (filed as Schedule C to the definitive Proxy Statement and Information Circular of Page Petroleum Ltd. dated May 3, 1983, File No. 1-7888).*

4(a) Indenture dated as of April 1, 1980 between Page Petroleum Ltd. and The Bank of New York, Trustee, providing for 10% Convertible Subordinated Debentures due 2000 (filed as Exhibit 4.03 to Registration Statement No. 2-66886).*

4(b) First Supplemental Indenture dated as of June 1, 1984, between Page Petroleum Ltd. and The Bank of New York, Trustee, supplementing and amending the Indenture listed as Exhibit 4(a) hereto (filed as Exhibit 4(a) to Quarterly Report on Form 10-Q for the quarter ended June 30, 1984, File No. 1-7888).*

* Incorporated herein by reference

4(c) Indenture dated as of June 1, 1984 between Page Petroleum Ltd. and J. Henry Schroder Bank & Trust Company, Trustee, providing for 11% Senior Subordinated Convertible Notes due 1989 (filed as Exhibit T3C to Post-Effective Amendment No. 1 to Form T-3 Application for Qualification of Indenture, File No. 22-13084).*

4(d) Credit Agreement dated as of April 1, 1984 between Page Petroleum Ltd. as borrower and The Royal Bank of Canada as lender (filed as Exhibit 4(a) to Quarterly Report on Form 10-Q for the quarter ended March 31, 1984, File No. 1-7888).*

4(e) Amended and Restated Credit Agreement dated as of April 1, 1984 among Page Petroleum Inc. as borrower, The Royal Bank and Trust Company as lender and The Royal Bank of Canada (filed as Exhibit 4(b) to Quarterly Report on Form 10-Q for the quarter ended March 31, 1984, File No. 1-7888).*

4(f) Credit Agreement dated as of March 10, 1982 between Page Petroleum Inc. as borrower and The Royal Bank of Canada (Overseas) N.V. as lender (filed as Exhibit 10(xv) to Annual Report on Form 10-K for the year ended December 31, 1981, File No. 0-6318).*

4(g) Amended Credit Agreement entered into as of March 31, 1984 by and between Page Petroleum Inc. and The Royal Bank of Canada (Overseas) N.V., amending Exhibit 4(f) hereto (filed as Exhibit 4(c) to Quarterly Report on Form 10-Q for the quarter ended March 31, 1984, File No. 1-7888).*

4(h) Debenture Agreement entered into as of April 1, 1984 by and among Page Petroleum Inc., Page Petroleum Ltd., The Royal Bank and Trust Company and The Royal Bank of Canada (filed as Exhibit 4(d) to Quarterly Report on Form 10-Q for the quarter ended March 31, 1984, File No. 1-7888).*

4(i) Letter Agreement dated July 31, 1984 amending Exhibit 4(h) and 10(k) hereto (filed as Exhibit 4(i) to Registration Statement No. 2-94729).*

4(j) Warrant Agreement dated as of June 1, 1984 between Page Petroleum Ltd. and J. Henry Schroder Bank & Trust Company, Warrant Agent (filed as Exhibit 4(b) to Quarterly Report on Form 10-Q for the quarter ended September 30, 1984, File No. 1-7888).*

Page Petroleum Ltd. agrees that it will furnish the Securities and Exchange Commission upon request copies of any instruments defining the rights of holders of other long-term debt of Page Petroleum Ltd. and its subsidiaries in accordance with Regulation S-K, Item 601(b)(4)(iii).

9 No Exhibit

10(a) Offer to Sublease dated June 3, 1983, between Canbell Leasing Ltd. and Page Petroleum Ltd. (filed as Exhibit 10(a) to Annual Report on Form 10-K for the year ended December 31, 1983, File No. 1-7888).*

10(b) Agreement dated as of January 1, 1983, between KEP Resources, a Michigan partnership, and Page Petroleum Inc. (filed as Exhibit 10(xii) to Annual Report on Form 10-K for the year ended December 31, 1982, File No. 1-7888).*

10(c) Agreements dated March 28, 1984 and April 13, 1984 between KEP Resources, a Michigan partnership, and Page Petroleum Inc., amending Exhibit 10(b) hereto (filed as Exhibit 10(c) to Registration Statement No. 2-94729).*

10(d) 1980 Incentive Share Option Plan of Page Petroleum Ltd. (filed as Exhibit 10(xiii) to Annual Report on Form 10-K for the year ended December 31, 1980, File No. 0-6318).*

10(e) Amendments to 1980 Incentive Share Option Plan of Page Petroleum Ltd. (filed as Schedule A to the definitive Proxy Statement and Information Circular of Page Petroleum Ltd. dated April 13, 1982, File No. 1-7888).*

* Incorporated herein by reference

10(f) Form of Share Option Agreement under the 1980 Incentive Share Option Plan of Page Petroleum Ltd. (filed as Exhibit 10(xvii) to Annual Report on Form 10-K for the year ended December 31, 1981, File No. 0-6318).*

10(g) Employee Savings Plan of Page Petroleum Ltd.

10(h) Excerpt from minutes of a meeting of the Directors of Page Petroleum Ltd. held on August 1, 1984, including resolutions establishing consultant compensation for Lawton L. Clark (filed as Exhibit 10(j) to Registration Statement No. 2-94729).*

10(i) Employment Agreement dated November 1, 1983, between The Stanwick Organization, Incorporated and Page Petroleum Ltd. (filed as Exhibit 10(i) to Annual Report on Form 10-K for the year ended December 31, 1983, File No. 1-7888).*

10(j) Letter Agreement dated April 11, 1984 between Page Petroleum Ltd. and The Stanwick Organization, Incorporated, amending Exhibit 10(k) hereto (filed as Exhibit 10(i) to Registration Statement No. 2-94729).*

10(k) Debt Restructure Agreement dated as of February 21, 1984 among Page Petroleum Ltd., Page Petroleum Inc., The Royal Bank of Canada and The Royal Bank and Trust Company (filed as Exhibit 10(m) to Registration Statement No. 2-94729).*

10(l) Letter Agreement dated April 26, 1984 amending Exhibit 10(k) hereto (filed as Exhibit 10(n) to Registration Statement No. 2-94729).*

10(m) Letter Agreement dated July 31, 1984 amending Exhibit 4(h) and 10(k) hereto (filed as Exhibit 4(i) to Registration Statement No. 2-94729).*

10(n) Letter Agreement dated September 10, 1984 amending Exhibit 10(m) hereto (filed as Exhibit 10(a) to Registration Statement No. 2-94729).*

10(o) Letter Agreement dated March 1, 1985 relating to a waiver of default under Exhibit 10(k).

10(p) Agreement dated December 21, 1984 with a completion date of January 14, 1985 between Page Petroleum Ltd. and Berkeley Exploration and Production PLC, relating to the sale of all of the issued and outstanding shares of Page Petroleum (U.K.) Limited.

10(q) Form of six Crude Oil Purchase Contracts between Page Petroleum Ltd., as Vendor, and Imperial Oil Limited, as purchaser (filed in Exhibit 10(q) to Registration Statement No. 2-94729).*

10(r) Casinghead Gas Purchase Contract and Sales Agreement dated September, 1981 between Trans-Pan Gathering, Inc. and Page Petroleum Inc. (filed as Exhibit 10(r) to Registration Statement No. 2-94729).*

10(s) Gas Processing Agreement dated August 27, 1981, and an amendment thereto dated November 10, 1983, between Diamond Shamrock Corporation and Trans-Pan Gathering, Inc. (filed as Exhibit 10(s) to Registration Statement No. 2-94729).*

10(t) Residue Gas Sale and Purchase Agreement dated August 27, 1981 between Trans-Pan Gathering, Inc. and Diamond Shamrock Corporation (filed as Exhibit 10(t) to Registration Statement No. 2-94729).*

11(a) Statement re computation of loss per common share in accordance with Canadian generally accepted accounting principles.

11(b) Statement re computation of loss per common share in accordance with United States generally accepted accounting principles.

12 No Exhibit

13 No Exhibit

* Incorporated herein by reference

SCHEDULE V

PAGE PETROLEUM LTD. AND SUBSIDIARIES

PROPERTY, PLANT AND EQUIPMENT
(Thousands of Canadian dollars)

	Balance at Beginning of Year	Additions, at cost	Retirements or Sales	Other Changes Add (Deduct)	Balance at End of Year
YEAR ENDED DECEMBER 31, 1984					
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon	$181,542	$ 5,006	$ 4,167	$4,449	$186,830
Pipeline facilities	9,592	(121)	—	—	9,471
Sundry equipment	8,102	14	894	—	7,222
	$199,236	$ 4,899	$ 5,061	$4,449	$203,523
YEAR ENDED DECEMBER 31, 1983					
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon	$184,128	$ 7,302	$ 9,888	$ —	$181,542
Pipeline facilities	15,769	195	6,372	—	9,592
Sundry equipment	8,649	237	784	—	8,102
	$208,546	$ 7,734	$17,044	$ —	$199,236
YEAR ENDED DECEMBER 31, 1982					
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon	$164,055	$42,079	$22,006	$ —	$184,128
Pipeline facilities	8,052	7,717	—	—	15,769
Sundry equipment	3,306	5,781	438	—	8,649
	$175,413	$55,577	$22,444	$ —	$208,546

See Note 1(d) of the Notes to the Consolidated Financial Statements appearing in Item 8 of this Report for disclosure of the methods and rates used in computing the annual provisions for depreciation and depletion of property, plant and equipment.

SCHEDULE VI

PAGE PETROLEUM LTD. AND SUBSIDIARIES

ACCUMULATED DEPRECIATION AND DEPLETION ON PROPERTY, PLANT AND EQUIPMENT (Thousands of Canadian dollars)

	Balance at Beginning of Year	Provisions and Write-downs Charged to Earnings	Retirements or Sales	Other Changes Add (Deduct)	Balance at End of Year
YEAR ENDED DECEMBER 31, 1984					
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon	$ 93,191	$ 8,802	$3,518	$2,988	$101,463
Pipeline facilities	6,763	1,078	—	—	7,841
Sundry equipment	3,255	1,230	551	—	3,934
	$103,209	$11,110	$4,069	$2,988	$113,238
YEAR ENDED DECEMBER 31, 1983					
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon	$ 60,640	$32,551	$ —	$ —	$ 93,191
Pipeline facilities	9,983	1,147	4,367	—	6,763
Sundry equipment	2,310	1,234	289	—	3,255
	$ 72,933	$34,932	$4,656	$ —	$103,209
YEAR ENDED DECEMBER 31, 1982					
Petroleum and natural gas leases and rights, including exploration, development and production equipment costs thereon	$ 19,745	$40,895	$ —	$ —	$ 60,640
Pipeline facilities	—	9,983	—	—	9,983
Sundry equipment	1,266	1,282	238	—	2,310
	$ 21,011	$52,160	$ 238	$ —	$ 72,933

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PAGE PETROLEUM LTD.
(Registrant)

By: /S/ WILLIAM R. HARRISON
William R. Harrison
President

March 27, 1985

Pursuant to the requirements of the Securities Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 27, 1985.

	Title
Donald D. McCuaig	Director and Chairman of the Board (Principal Executive Officer)
William R. Harrison	Director and President (Principal Financial Officer)
Lawton L. Clark	Director
John M. Gareau	Director
John W. Gregg	Director
Brian G. McCombe	Director
John S. Hecht	Controller (Principal Accounting Officer)

By his signature set forth below, William R. Harrison, pursuant to duly executed Powers of Attorney filed with the Securities and Exchange Commission as exhibits to this Report, has signed this Report on behalf of and as Attorney-in-Fact for the persons whose signatures are printed above, in the capacities set forth opposite their respective names.

/S/ WILLIAM R. HARRISON
William R. Harrison
Attorney-in-Fact

Notes

Notes

PAGE PETROLEUM LTD.

DIRECTORS

WILLIAM R. HARRISON
President and Chief Executive Officer,
Page Petroleum Ltd.
Calgary, Alberta

LAWTON L. CLARK
Independent Oil Operator
Denver, Colorado

JOHN M. GAREAU
President, Skywest Resources Corp.
Calgary, Alberta

JOHN W. GREGG
President, Gregg Petroleum Consultants Ltd.
Calgary, Alberta

FRED A. HILDENBRAND
Independent Oil and Gas Consultant
Calgary, Alberta

BRIAN G. McCOMBE
Barrister and Solicitor,
McCombe & Company
Calgary, Alberta

DONALD D. McCUAIG
President and Chief Executive Officer,
Gulf Resources & Chemical Corporation
Houston, Texas

OFFICERS

WILLIAM R. HARRISON, President and Chief Executive Officer

WAYNE N. BODDY, Vice-President, Production

NED M. STUDER, Treasurer

JOHN S. HECHT, Controller

MICHAEL J. PERKINS, Secretary

LEGAL COUNSEL

McCombe & Company
Calgary, Alberta

Dunnington, Bartholow & Miller
New York, New York

BANKING

The Royal Bank of Canada
Calgary, Alberta

AUDITORS

Arthur Andersen & Co.
Calgary, Alberta

OFFICES

Page Petroleum Ltd.
1000, 635 - 8th Avenue S.W.
Calgary, Alberta
T2P 3M3

Page Petroleum Inc.*
420 Trinity Place
1801 Broadway
Denver, Colorado
80202

*The Denver office operations will be moved to the Calgary office, effective June 1, 1985.

FIELD OFFICES

Page Petroleum Ltd.
P.O. Box 2168
Kindersley, Saskatchewan
S0L 1S0

Page Petroleum Ltd.
P.O. Box 841
Shaunavon, Saskatchewan
S0N 2M0

ACTIVE SUBSIDIARIES

Page Petroleum Inc.
Springwest-Page Petroleums N.L.

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company
505 - 3rd Street S.W.
Calgary, Alberta
T2P 3E6

The Bank of New York
21 West Street
New York, New York
10015

LISTINGS

Common Shares "PGE"
- The Toronto Stock Exchange
- American Stock Exchange, Inc.
- Pacific Stock Exchange, Inc.

11% Senior Subordinated Convertible Notes "PGEB"
- Pacific Stock Exchange, Inc.

10% Subordinated Convertible Debentures "PGEA"
- American Stock Exchange, Inc.
- Pacific Stock Exchange, Inc.

Warrants to purchase Common Shares "PGEWS"
- Pacific Stock Exchange, Inc.

PAGE

PETROLEUM LTD.

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