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VOYAGER  
PETROLEUMS  
LTD.

Annual Report  
1976

HOWARD ROSS LIBRARY  
OF MANAGEMENT  
JUN 15 1977  
MCGILL UNIVERSITY



VOYAGER PETROLEUMS LTD.

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**Annual Meeting**

The Annual Meeting of the Shareholders of the Company will be held in the Auditorium, 3rd Floor, Bow Valley Square 2, 205 - Fifth Avenue South West, Calgary, Alberta, on Thursday, the 14th day of April, 1977 at 10:00 A.M.

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# HIGHLIGHTS

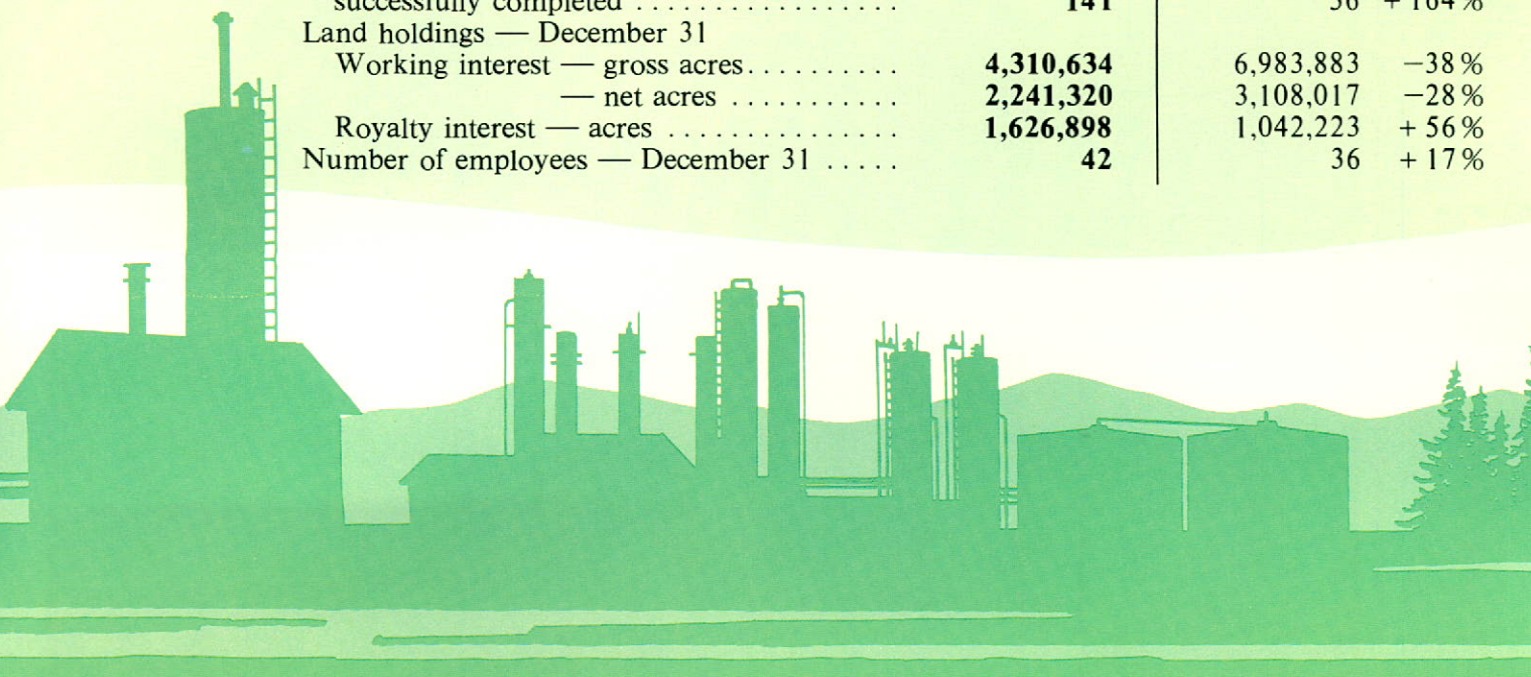
## Financial

	12 Months Ended Dec. 31 1976	12 Months Ended Dec. 31 1975	Percent Change
Gross Income .....	<b>\$11,355,134</b>	\$ 7,472,560	+ 52 %
Cash Flow from Operations .....	<b>\$ 9,675,002</b>	\$ 6,350,969	+ 52 %
per share .....	<b>\$2.48</b>	\$1.63	+ 52 %
<i>per share*</i> .....	<b>\$1.24</b>	\$0.82	+ 52 %
Net Income .....	<b>\$ 6,018,125</b>	\$ 3,813,790	+ 57 %
per share .....	<b>\$1.54</b>	\$0.98	+ 57 %
<i>per share*</i> .....	<b>\$0.77</b>	\$0.49	+ 57 %
Capital Expenditures .....	<b>\$16,194,061</b>	\$ 9,916,454	+ 63 %
Working Capital — December .....	<b>\$ 2,928,781</b>	\$ 4,414,625	-34 %
Shareholders' equity — December 31 .....	<b>\$23,180,436</b>	\$17,868,393	+ 30 %
Shares outstanding — December 31 .....	<b>3,914,600</b>	3,891,500	
Shares outstanding — weighted average .....	<b>3,902,928</b>	3,890,892	
<i>weighted average*</i> .....	<b>7,805,856</b>	7,781,784	
Number of registered shareholders — December 31 .....	<b>1,457</b>	1,695	

*\* Reflects 2 for 1 stock split  
approved on January 28, 1977*

## Operating

Natural gas sales — thousand cubic feet .....	<b>13,373,348</b>	12,530,934	+ 7 %
daily average .....	<b>36,539</b>	34,332	
Crude oil sales — barrels .....	<b>17,514</b>	13,986	+ 25 %
daily average .....	<b>48</b>	39	
Proven natural gas reserves — billion cubic feet .....	<b>385.00</b>	351.85	+ 9 %
Proven oil and condensate reserves — barrels .....	<b>347,647</b>	442,451	-21 %
Wells drilled .....	<b>224</b>	93	+ 141 %
successfully completed .....	<b>141</b>	56	+ 164 %
Land holdings — December 31			
Working interest — gross acres .....	<b>4,310,634</b>	6,983,883	-38 %
— net acres .....	<b>2,241,320</b>	3,108,017	-28 %
Royalty interest — acres .....	<b>1,626,898</b>	1,042,223	+ 56 %
Number of employees — December 31 .....	<b>42</b>	36	+ 17 %



# PRESIDENT'S REPORT

## To The Shareholders

In 1976 Voyager not only surpassed all previous records in production and financial performance but conducted by far the most active drilling program in its history. For the year we ranked fifth in total wells drilled in Alberta. This must be regarded as a significant accomplishment for a company of Voyager's size. At the same time, we continued to maintain a high degree of success, which appreciably increased Voyager's recoverable reserves of natural gas and productive capacity.

Our financial objectives for 1976 were achieved despite unexpected interruptions in deliveries due to technical problems encountered by the trunkline carriers and an unusually low demand for gas during the summer. These factors limited our average daily gas deliveries to quantities well below production capacity, but slightly higher than in the previous year. These larger volumes combined with substantial price increases resulted in significantly greater cash flow and operating income as illustrated by the accompanying graphs.

The political climate, as it related to Alberta and British Columbia, remained generally favourable during the year. A higher net return to the producer at the wellhead and improved exploration incentives have provided considerable impetus to exploration and development activity in these provinces, leading to the development of substantial additional gas reserves and production capability, particularly in Alberta.

In view of the uncertainties and frustrations which had plagued the industry in earlier years, it is gratifying to see that, when the "rules of the game" are clarified and sufficient incentive exists the private market system works effectively and that the industry does its job well.

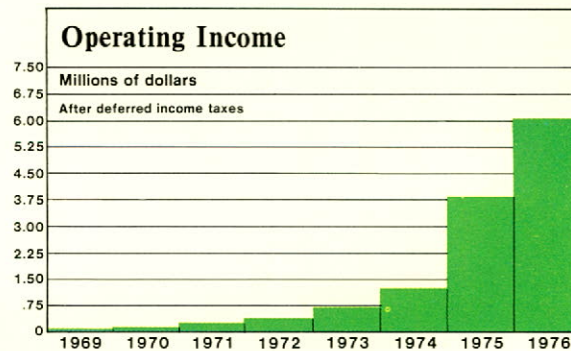
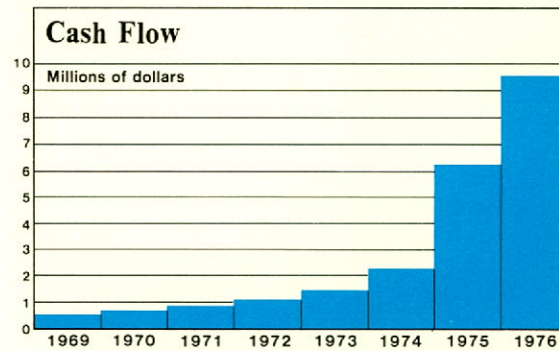
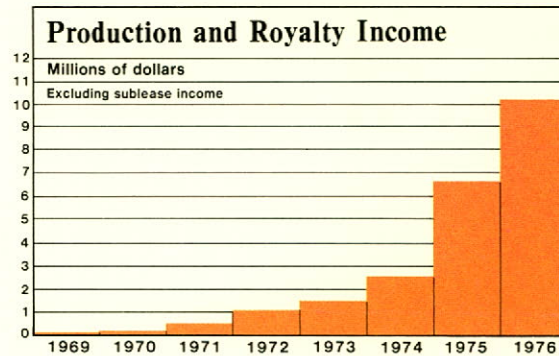
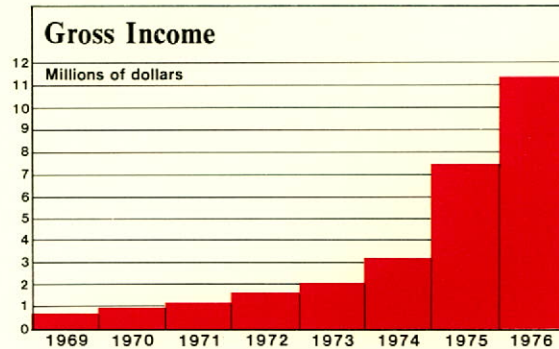
On the other hand, this substantial addition to gas supplies combined with the fact that consumer demand has fallen below expectations has created a temporary surplus situation. The current surplus, coinciding as it has with a critical fuel shortage in the United States, has been relieved to some extent by government-sanctioned emergency sales to American consumers. In addition to providing immediate benefits to the Canadian economy, this accommodation represents a gesture of goodwill which should reflect most favourably in our current and future relationships with our good neighbour and most important trading partner.

It is likely, however, that the present surplus position in Canada will prevail for at least the next two to three years. While this problem may be relatively short-term, it is obviously a serious matter for the industry. Unless conditions change, most of the gas reserves which have been developed in recent years, and are not presently under contract, will probably not find markets until at least late 1979.



In addition to the emergency deliveries of gas to the United States discussed above, serious consideration should be given to accelerating deliveries under the existing long-term export contracts. There are, we believe, far-reaching advantages to be derived from this proposal. It will benefit Canada in its balance of payments; it will provide income to Canadians; it will help to relieve the current shortage of gas in the United States and it will provide a short-term market for our present surplus. On the other hand, since the gas is already committed for export under long-term contracts, advancing the deliveries under these contracts would effect no change in this country's overall energy position. Having regard to the obvious benefits and the fact that Canada's own energy needs will not be jeopardized, we trust that both levels of government will lend their active support to such a plan.

Periods of low levels of exploration activity are usually caused by an unfavourable political environment or negative economic factors, such as limited or non-existent markets. These periods of slow-down in exploration invariably have been followed a few years later by declining reserves and productivity. Therefore, the importance of maintaining momentum, in the industry's effort to increase our supplies of oil and gas, cannot be understated. A temporary surplus must not be allowed to distract us from our paramount goal of self-reliance. If a continuing supply is to be available, until gas from new frontier sources reaches market, the industry must be encouraged to maintain at least its present level of activity in Western Canada. It is, accordingly, in the nation's best interest that governments create a favourable political climate and provide the necessary incentives, to ensure that this is accomplished.



Fortunately, our situation is such that the impact of the gas surplus on Voyager will be much less severe than on many other producers. Due to the large development area we have under contract, covering the major portion of our present reserves and most of our Alberta land holdings, our position is relatively secure. Although we foresee lower summer gas demand again this year, we expect our average daily production to increase by at least one-third in 1977.

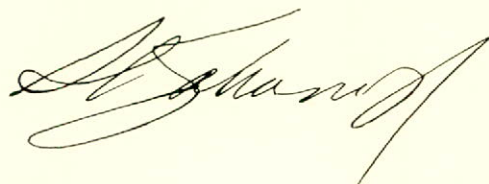
Voyager does not intend to curtail its overall exploration thrust. But, unless conditions change, we expect to defer expenditures for development drilling and installation of production facilities in gas fields where no immediate market exists.

This year we will expand our exploratory programs in Northern Alberta and Northeastern British Columbia. Our drilling program for 1977 is unlikely to equal that of last year but will probably exceed that of 1975. We plan to pursue our operations in the United States more aggressively this year and we will continue to seek opportunities in other parts of the world.

With production expected to increase by one-third, we anticipate that Voyager's cash flow and operating income for 1977 will again surpass the previous year by approximately 50%. This high rate of profitability, considering the competition and the high risk which exist in our industry, testifies to the efficiency of our operations. More importantly, the Company's profitability has enabled Voyager to make a worthwhile

contribution to increasing Canada's available energy supply, by investing, year after year, more in exploration and development than we have realized in earnings.

On behalf of Voyager's Board of Directors and management, I commend the staff members for their work and dedication during an extremely busy year and thank them for their contribution to the Company's continued success.



Calgary, Alberta  
March 15, 1977

President

# REVIEW OF OPERATIONS AND HOLDINGS

## General

During 1976, Voyager participated in the drilling of 224 wells, an increase of 132 over 1975. The 141 completions brings to 349 the number of cased wells in which the Company has a working or royalty interest. This record drilling activity amounted to an aggregate footage of 741,313 compared to 317,281 in 1975.

An active geophysical program was maintained with the acquisition of a total of 869 miles of seismic surveys. This work resulted in the delineation of a number of exploratory prospects.

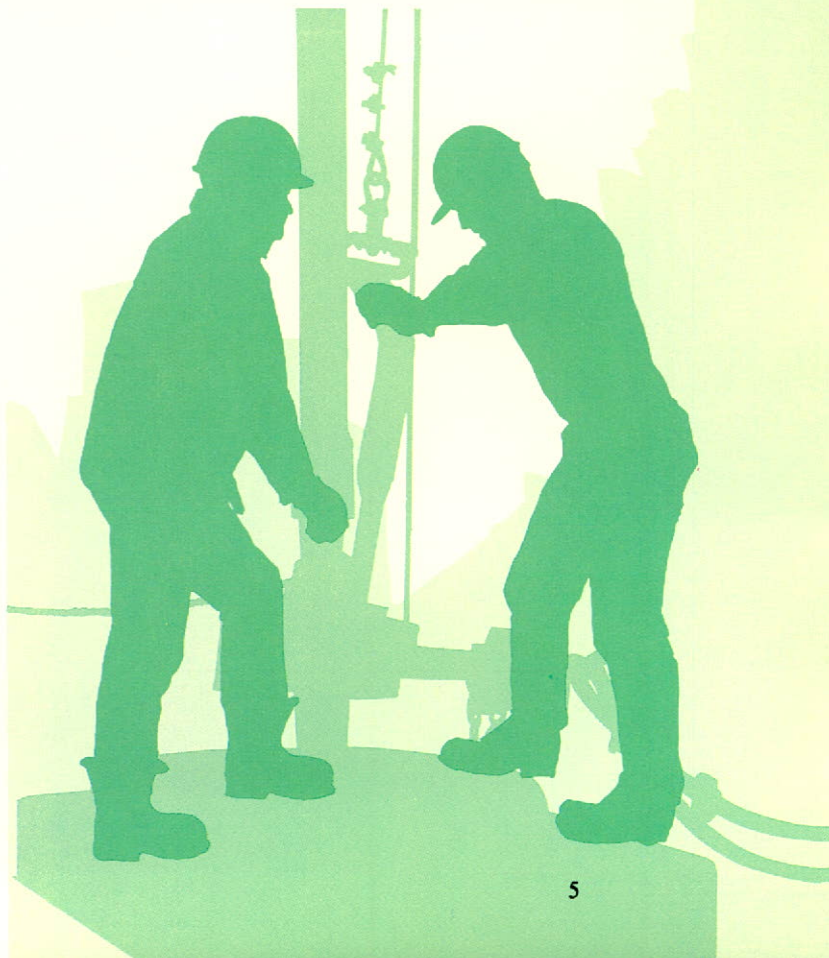
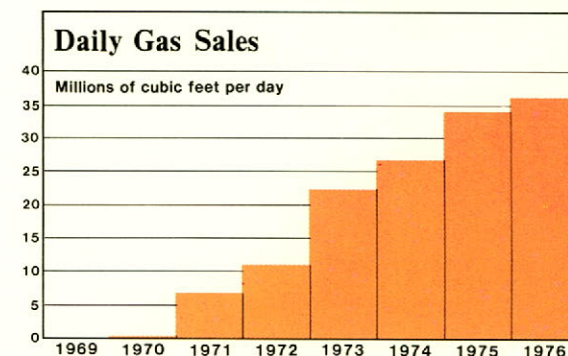
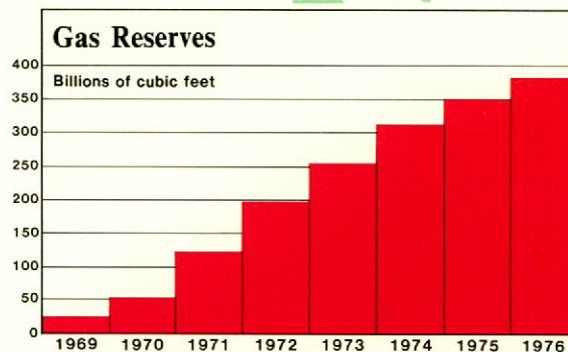
Voyager's successful 1976 drilling program resulted in a significant increase in gas reserves as well as productive capability. DeGolyer and MacNaughton estimate your Company's remaining reserves as of December 31, 1976, to be 385.0 billion cubic feet of saleable natural gas and 347,647 barrels of oil. Comparative figures for December 31, 1975 are 351.8 billion cubic feet of gas and 442,451 barrels of oil, respectively.

As explained in the President's Report, despite the lower than anticipated gas deliveries last summer, annual sales increased to 13.4 billion cubic feet of natural gas during 1976, a daily average of 36.5 million cubic feet, compared to 12.5 billion cubic feet and 34.3 million cubic feet, respectively, for the previous year. Crude oil sales amounted to 17,514 barrels as against 13,986 barrels in 1975.

## Land Holdings

With the uncertainty caused by the continuing lack of regulations and due to the absence of adequate incentives to offset the high costs and the long delay in any realization on investment from frontier areas, Voyager is shifting its emphasis on land holdings from these high risk areas to the more accessible parts of North America.

Accordingly, in 1976, we added substantially to our gross acreage holdings in Western Canada with an overall increase of over 250,000 acres, up nearly 25% over the previous year.





Beaufort Sea

Baffin Bay

YUKON

NORTHWEST TERRITORIES

Hudson Bay

BRITISH COLUMBIA

ALBERTA

MANITOBA

SASK.

C A N A D A

MONTANA

U. S. A.

WYOMING

NEBRASKA

COLORADO

KANSAS

TEXAS

Atlantic Ocean

Pacific Ocean

Gulf of Mexico

# NORTH AMERICA

★ Voyager Properties



At the same time we continued to reduce, selectively, our working interest land holdings in the Arctic and offshore Eastern Canada. In the more attractive areas, such as the Beaufort Sea, we are maintaining a significant working interest position, at virtually no cost to Voyager, by means of exploration agreements with major companies. Although there was, during the year, a reduction of 2.5 million acres in our

working interest holdings in Northern and Eastern Canada, Voyager retained a position in a large portion of this land, in the form of royalty and net profits interests.

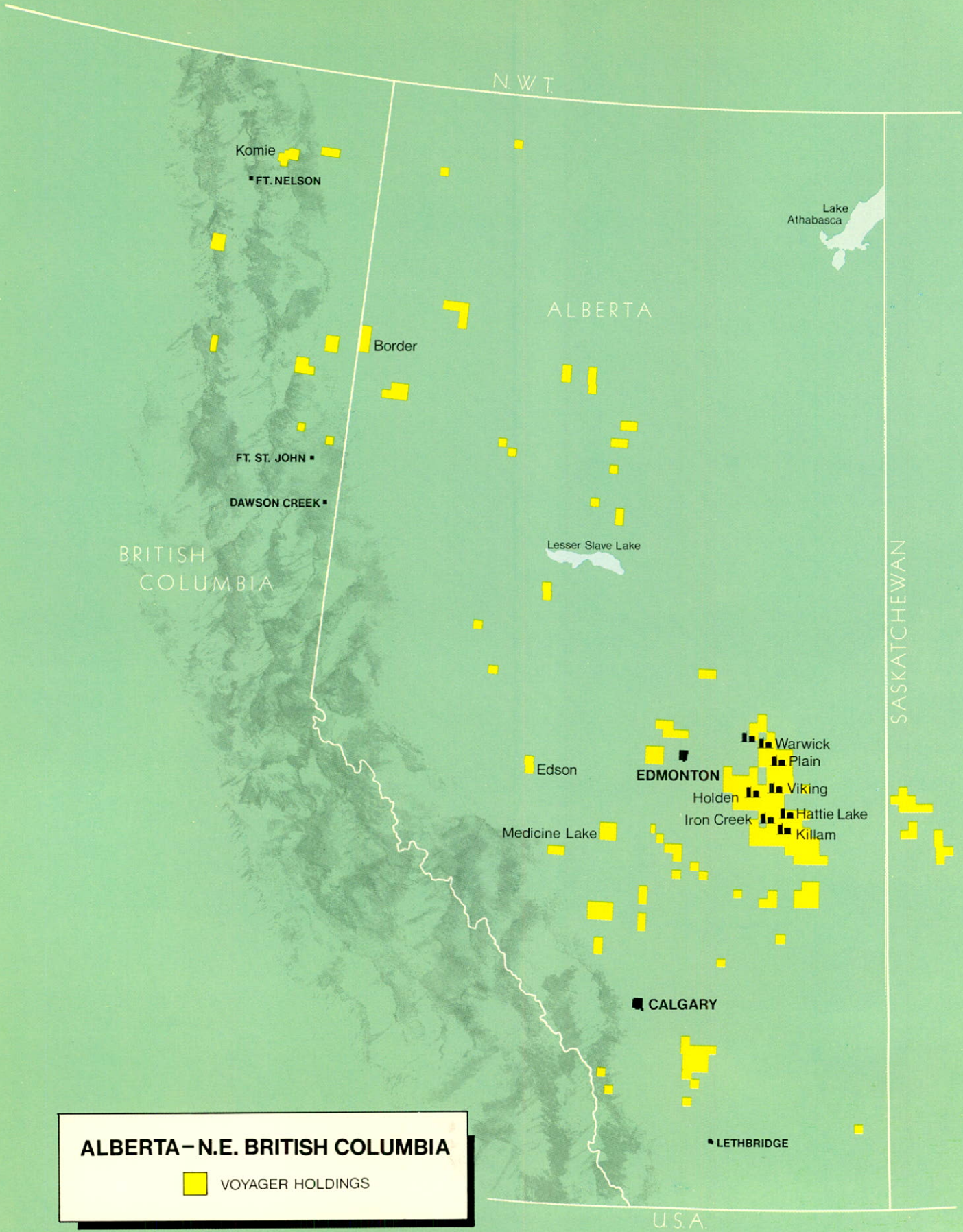
Voyager's land holdings at December 31, 1976 and 1975 are set out in the following table:

### Oil and Gas Rights Held/Acreage at December 31

	1976		1975	
	Gross	Net	Gross	Net
<b>NORTHERN CANADA</b>				
Arctic Island — Offshore . . . . .	75,240	3,762	1,770,728	132,695
Baffin Island — Offshore . . . . .	—	—	576,179	144,045
Beaufort Sea — Offshore . . . . .	865,666	392,055	865,666	392,055
Hudson Bay — Offshore . . . . .	263,698	72,517	394,596	137,966
Northwest Territories . . . . .	70,749	6,010	70,749	6,010
Yukon Territory . . . . .	147,385	11,664	173,707	14,951
<b>EASTERN CANADA</b>				
Grand Banks/Flemish Cap — Offshore . . . . .	1,064,735	750,797	1,846,416	1,531,005
<b>WESTERN CANADA</b>				
Alberta . . . . .	1,122,547	667,642	887,707	531,579
British Columbia . . . . .	148,389	77,556	141,855	73,274
Saskatchewan . . . . .	12,047	11,645	2,048	1,645
Manitoba . . . . .	5,329	2,665	3,569	1,785
<b>UNITED STATES OF AMERICA</b>				
Colorado . . . . .	72,137	70,773	72,377	69,973
Kansas . . . . .	18,085	8,792	11,097	10,777
Montana . . . . .	11,549	3,299	32,128	10,450
Nebraska . . . . .	1,360	997	—	—
North Dakota . . . . .	—	—	37,554	16,379
Texas . . . . .	23,045	13,312	26,783	21,076
Wyoming . . . . .	8,907	3,125	6,510	1,864
<b>UNITED KINGDOM — Onshore . . . . .</b>				
— Offshore . . . . .	335,552	134,221	—	—
	64,214	10,488	64,214	10,488
<b>TOTAL . . . . .</b>	<b>4,310,634</b>	<b>2,241,320</b>	<b>6,983,883</b>	<b>3,108,017</b>

The foregoing does not include royalty interests in 179,281 acres in Alberta, British Columbia, and Yukon Territory, net profits and royalty interests in 1,389,254 acres in the Arctic and royalty interests in 58,363 acres in the United States.

In cases where acreage is held under a license or permit from the Crown, the licensee or permittee is entitled to select oil and gas rights under a percentage of the original area comprised in the license or permit, pursuant to the provisions of the relevant regulations.



**ALBERTA - N.E. BRITISH COLUMBIA**  
■ VOYAGER HOLDINGS

## Exploration

### Canada

Your Company continued to expand its exploratory activities in Western Canada, outside of its present principal gas producing areas in Eastern Alberta. This resulted in the acquisition of varying interests in approximately 268,000 gross acres of exploratory lands in selected prospective areas of Alberta and British Columbia during 1976. These new interests, which were acquired by successfully bidding at Crown land sales and by the drilling of earning wells on acreage held by other companies, effectively broadened the Company's land inventory and gave it a greater representation in the deeper, potentially higher reserve portions of the Western Canadian sedimentary basin.

Voyager's initial drilling operations in these new areas have encountered notable success. Following are brief comments on areas of particular interest.

#### Medicine Lake

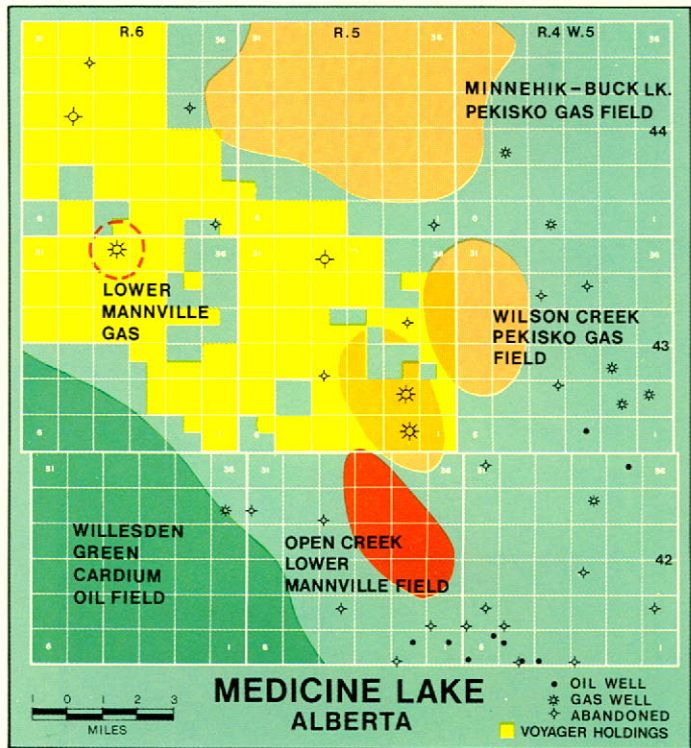
In early 1976, Voyager participated in the drilling of a Mississippian gas discovery in the Southeastern portion of this 54,240 acre block in West-Central Alberta. That discovery was followed up with a successful step-out well. These wells are each capable of producing approximately five million cubic feet per day. Your Company owns a 33 $\frac{1}{3}$ % working interest in this gas field and in most of the surrounding acreage. No additional development drilling is contemplated at this time as the existing wells will provide adequate production capacity for the presently established reserves. However, geological studies are underway with a view to finding locations for possible exploratory test wells in the central and western parts of this block.

#### Edson

Early in 1976, Voyager, as Operator, earned a 25% interest in a 4,640 acre block in the Edson region of West-Central Alberta by sharing in the cost of a 12,700 foot test. This well resulted in a Cretaceous gas discovery which was subsequently followed up by a successful three-mile step-out well. By acquisition of additional lands through drilling and purchase of Crown lands, the Company has steadily improved its land position and now has a 25% working interest in a total of 21,753 acres in this area. Further drilling is planned for 1977 to delineate the extent of this gas field.

### Border

During the year, Voyager acquired a 50% interest in a 38,211 acre Petroleum and Natural Gas Reservation in the Border area of Northwestern Alberta. Voyager and another company have taken a farmout on a lease block adjacent to this Reservation. With Voyager operating, our group will drill a 10,000 foot exploratory test in the first quarter of 1977 to earn a 50% interest in 9,600 acres of leases with the option to drill a second well to earn the same interest in an additional 9,280 acres of leases.



### Komie

Voyager owns a 25% interest in a 31,188 acre Petroleum and Natural Gas Permit in the Komie area of Northeastern British Columbia. A detail seismic program was conducted this winter to delineate a reef anomaly on the block. Should this anomaly be confirmed, an exploratory test well would be drilled during late 1977, as soon as field conditions permit. Your Company also holds a 100% interest in an adjacent permit comprising 25,669 acres on which seismic work is planned for early 1977.

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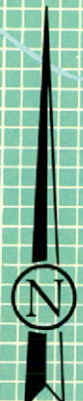
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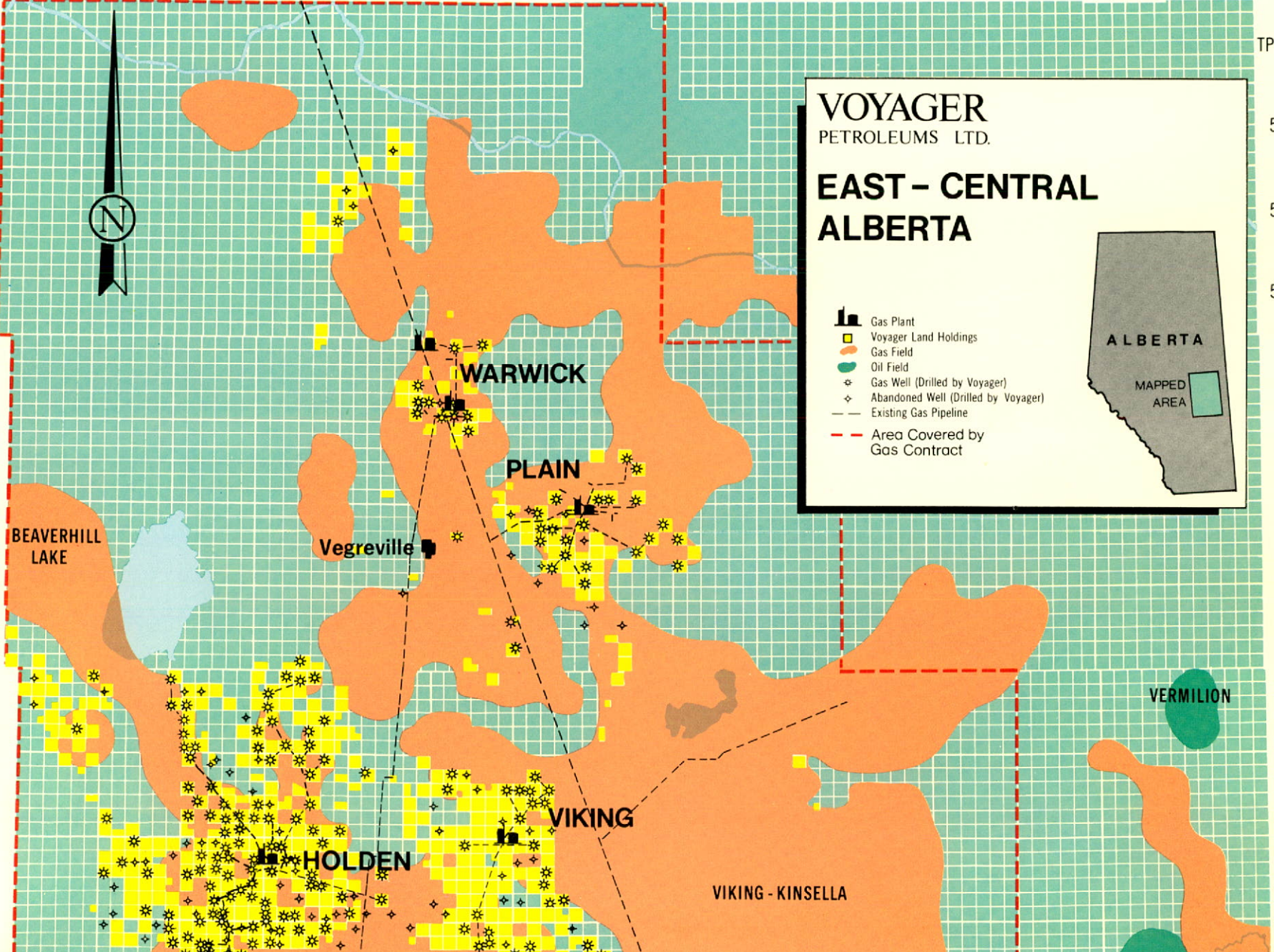
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**VOYAGER**  
PETROLEUMS LTD.

**EAST - CENTRAL ALBERTA**

-  Gas Plant
-  Voyager Land Holdings
-  Gas Field
-  Oil Field
-  Gas Well (Drilled by Voyager)
-  Abandoned Well (Drilled by Voyager)
-  Existing Gas Pipeline
-  Area Covered by Gas Contract

BEAVERHILL LAKE

Vegreville

WARWICK

PLAIN

VIKING

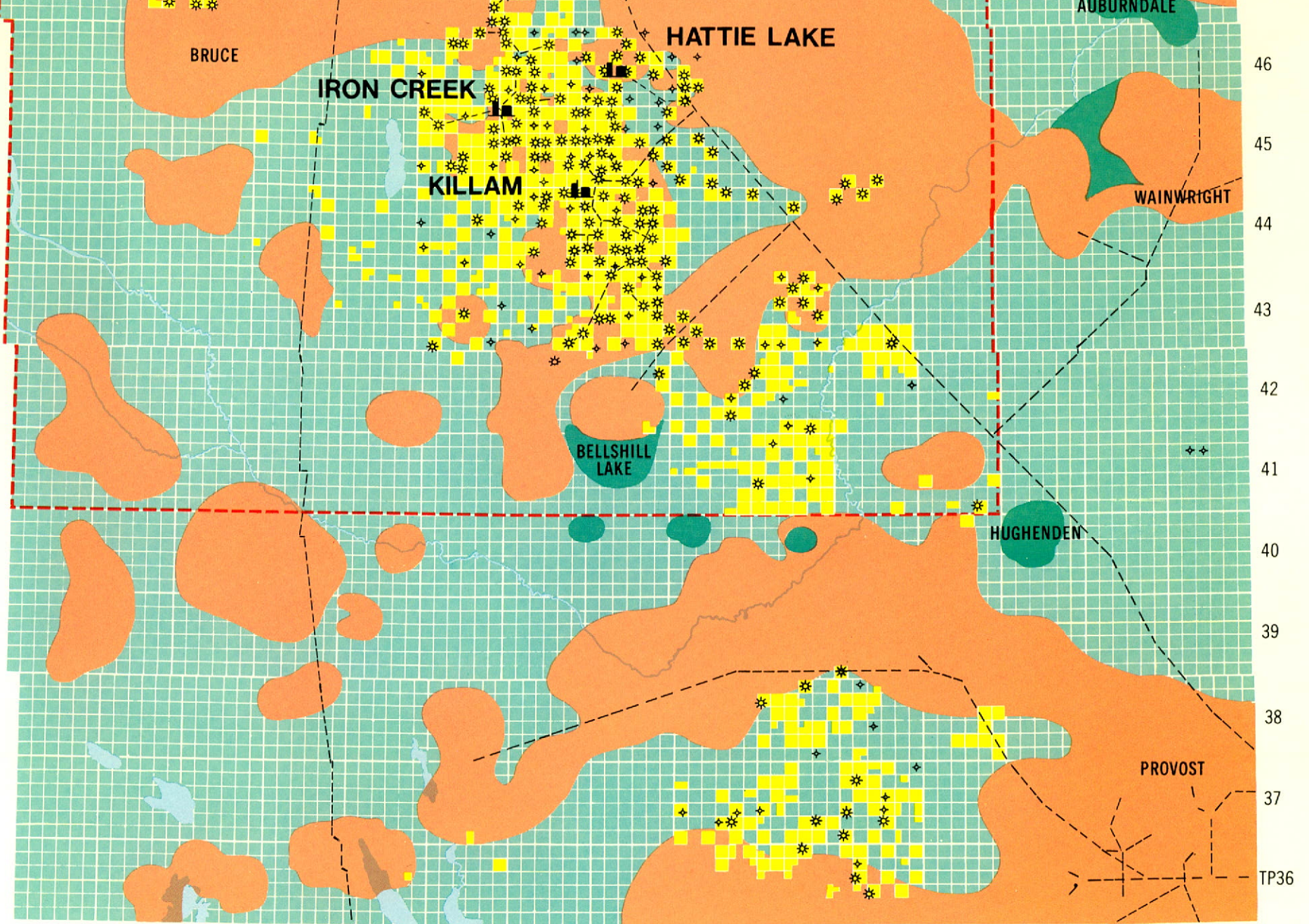
HOLDEN

VIKING - KINSELLA

VERMILION

ALBERTA

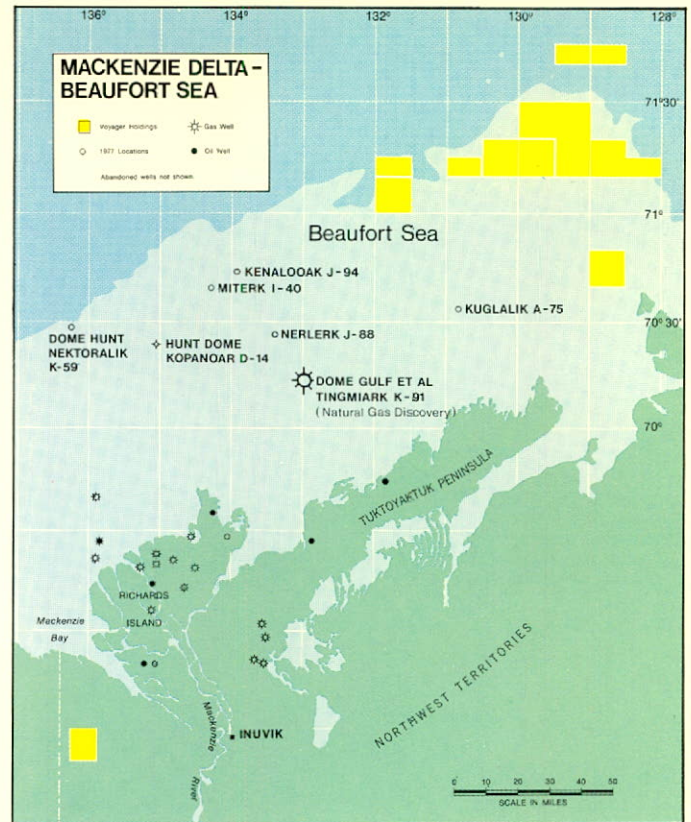
MAPPED AREA



## Beaufort Sea

An historic first occurred during 1976 with the commencement of offshore drilling in the Beaufort Sea. This marked the achievement of the degree of technology needed to carry out offshore drilling operations despite the serious impediments imposed by a severe climate, hazardous pack ice and a very short drilling season. Two wells were drilled in 1976 of which one, Tingmiark K-91, was drilled to 10,000 feet and is an indicated gas discovery. The other well, Kopanoar D-14 encountered difficulties and was abandoned. However, another well is planned for the same location next year and, to date, a total of five drilling locations have been reported for the 1977 summer drilling season.

Voyager holds interests in 865,666 acres (392,055 net acres) in the same basin in which this activity is taking place. On the largest part of this acreage our commitments have been met until 1980. The accompanying map illustrates the location of Voyager's holdings in relation to the 1976 drilling operations and the reported 1977 locations.



## United States

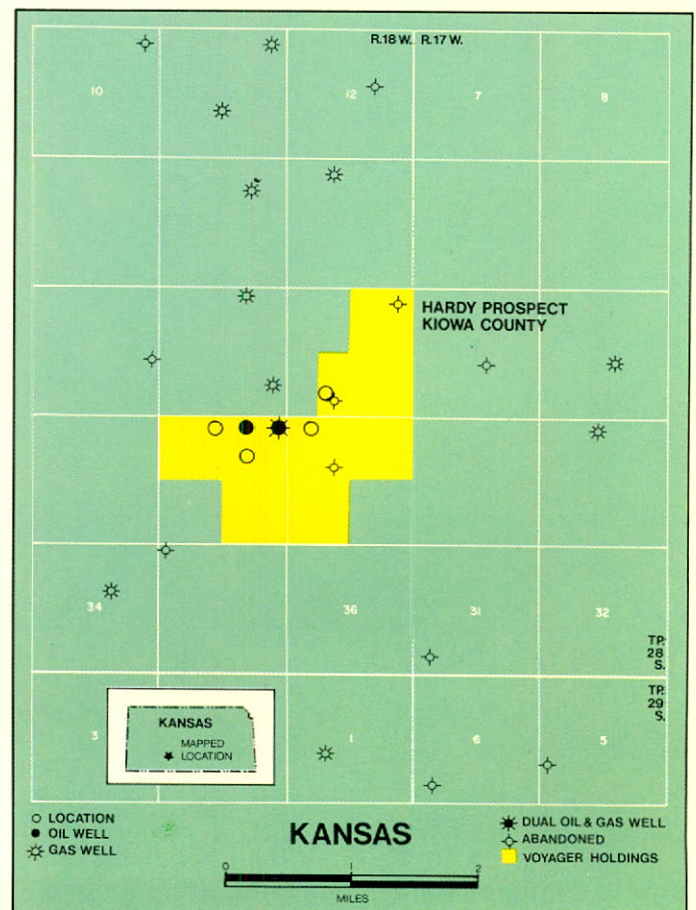
Voyager continued its active program directed towards acquiring and developing petroleum related assets in the United States. During 1976, we participated in the drilling of 25 wells in various parts of the States of Montana, Colorado, Kansas, and Texas which resulted in two oil and five gas completions. This program compares to 18 wells drilled during 1975. Your Company anticipates an even more extensive program in the coming year.

### Kansas

Much of the Company's activity was in several counties of South-Central Kansas. A 12 well program resulted in four gas wells, one oil well and one potential dual oil/gas well. The most encouraging Kansas prospect developed in Kiowa County where two wells have been successfully completed with oil and gas production from Mississippian and Pennsylvanian formations. It is planned to drill an additional four wells on this prospect early in 1977.

## United Kingdom

Voyager and two British partners have recently been awarded three exploration licences in the counties of Kent, Surrey, Sussex, Hampshire and Wiltshire. Voyager has a 40% interest in these licences which encompass an area of 335,552 acres and are situated in the prospective Jurassic sedimentary basin of Southern England. Renewed interest in the hydrocarbon potential of this basin is confirmed by the fact that three major international companies were awarded new exploration licences in adjacent areas at about the same time.



## Production

### East-Central Alberta

During 1976, Voyager conducted an extensive drilling and development program in the East-Central area of Alberta. Of 177 wells drilled, 129 were completed as gas producers.

Many of these wells were drilled on lands held by others and the interests we earned greatly enhanced the Company's land inventory in this development project. Voyager's gross and net land holdings at year-end were 614,000 and 431,000 acres, respectively, an increase of 65,800 gross and 58,800 net acres over the past year.

Most of the lands in this region are covered by an existing "take or pay" gas purchase contract having an areal extent of approximately 4.4 million acres. This contract specifies maximum daily deliveries, over a period of twenty years, based on reserve determinations agreed upon between the buyer and seller. The new reserves and productive capacity, established by our active drilling program, placed the Company in a favourable position to negotiate substantial increases in daily contract quantities, effective November, 1976.

In order to handle these additional sales volumes, a major expansion of production facilities was necessary. An additional 97 gas wells were tied in with the installation of 131 miles of gathering lines. During the year, we also added 2400 horsepower to existing compression facilities as well as associated processing equipment.

By the end of 1976, our net sales had increased to 55 million cubic feet per day as compared to 40 million cubic feet per day at the end of 1975. A further 1100 horsepower station is scheduled for completion in February, 1977 which will enable Voyager to increase its net sales volumes to approximately 60 million cubic feet per day.

Significant activities in specific areas are highlighted below.

### Holden

The 4400 horsepower plant which is wholly-owned by Voyager processed 6.2 billion cubic feet during 1976 of which 5.1 billion cubic feet was for Voyager's account. The Company's net production at the end of 1976 exceeded 18 million cubic feet per day.

Of the 62 wells drilled in Holden during the year, 39 were completed as gas wells. Over 50 miles of pipeline were installed to connect an additional 37 gas producers.

### Plain

In the Plain field four wells were drilled and completed as gas producers during 1976.

The Company's net production for the year was 4.7 billion cubic feet, with a production rate, at year-end, of 15 million cubic feet per day from 18 working interest wells.

### Warwick

Two additional gas wells were successfully drilled and completed in this area during 1976. A total of 1.2 billion cubic feet was produced by Voyager during the year.

### Killam

An active drilling program in the Killam area during 1976 resulted in 38 gas well completions and two abandoned holes. During the year, 20 miles of gathering lines were constructed from 27 gas producers. In order to meet increased sales volumes, a second 800 horsepower compressor was installed and operating in November. Total plant capacity was doubled, to 15 million cubic feet per day, increasing Voyager's net daily sales from 3.1 to 6.5 million cubic feet.

### Iron Creek

The Iron Creek plant was placed on stream in June, 1976, with a capacity of 7.5 million cubic feet per day. By November, the plant was expanded from 800 to 1600 horsepower in order to meet a contract obligation of 15 million cubic feet per day. Voyager's share of plant throughput is over 70 percent.

During the year 17 wells were drilled with 13 being completed as gas producers. A total of 28 wells were tied in to the Iron Creek plant with the installation of 41 miles of gathering lines.

### Hattie Lake

Voyager completed 13 of 17 wells drilled in the Hattie Lake Area during the year. At the end of 1976 an 1100 horsepower compressor station, capable of delivering 10 million cubic feet per day, was under construction. Located some ten miles north of the Killam plant, this facility will commence operation in late February with nominations of eight million cubic feet per day. Voyager's share of these gas sales will be five million cubic feet per day.

## FINANCIAL REVIEW

Gross revenue for the year ended December 31, 1976 was \$11,355,134 compared to \$7,472,560 for 1975. Production revenues reached \$10,238,935, an increase of \$3,566,091 over the previous year. The additional revenues were principally due to increased prices for natural gas which averaged \$1.04 per thousand cubic feet for 1976, up from 70.0 cents per thousand cubic feet for 1975.

Income from other sources rose to \$1,116,199 in 1976 compared with \$799,716 in 1975.

Operating costs were \$950,278, an increase of \$382,143 over 1975, reflecting a greater rate of production, an increase in the number of wells on production and increased plant capacity. General and administrative expenses were \$290,903 during the year versus \$197,856 a year earlier.

Cash Flow from operations was \$9,675,002 or \$2.48 per share, on a weighted average of 3,902,928 shares during the year, a gain of 52% from \$6,350,969 or \$1.63 per share, on an average of 3,890,892 shares for 1975.

Net income for 1976 reached \$6,018,125 or \$1.54 per share, up 57% from \$3,813,790 or 98.0 cents per share for the previous year.

The cash flow and net income per share numbers do not reflect the 2 for 1 stock split which was approved at a special general meeting held on January 28, 1977.

Capital expenditures for the two years ending December 31, 1976 and 1975 are compared in the following table:

	1976	1975
Land Acquisition, Retention and Other . . . . .	<b>\$ 4,466,068</b>	\$5,204,587
Geological and Geophysical . . . . .	<b>651,161</b>	371,975
Drilling . . . . .	<b>7,154,470</b>	2,811,368
Production Facilities and Equipment . . . . .	<b>3,922,362</b>	1,528,524
	<b><u>\$16,194,061</u></b>	<u>\$9,916,454</u>

An increase in the property and equipment account to \$41,137,175 from \$26,460,556 between December 31, 1975 and December 31, 1976 was caused by expenditures on an aggressive 1976 land, exploration and development program.

Working capital at December 31, 1976 was \$2,928,781 as compared with \$4,414,625 at the end of 1975. The reduction was due in part to a decrease in marketable securities and cash on hand.

With cash flow expected to continue to rise during 1977 and with our presently established bank credit of \$20,000,000, Voyager has sufficient funds to finance its expanding exploration and development activities.







# VOYAGER PETROLEUMS LTD.

## Consolidated Statement of Income and Retained Earnings

For the Year Ended December 31, 1976

	<u>1976</u>	<u>1975</u>
<b>Income</b>		
Production, net of royalties and mineral tax (1976 - \$3,789,647; 1975 - \$2,259,607).....	<b>\$10,238,935</b>	\$6,672,844
Interest and other .....	<b><u>1,116,199</u></b>	<u>799,716</u>
	<b>11,355,134</b>	7,472,560
 <b>Expenses</b>		
Operating .....	<b>950,278</b>	568,135
General and administrative .....	<b>290,903</b>	197,856
Interest on long-term debt (Note 3) .....	<b>438,951</b>	355,600
	<b><u>1,680,132</u></b>	<u>1,121,591</u>
Net cash from operations .....	<b>9,675,002</b>	6,350,969
Non-cash provisions		
Depletion .....	<b>1,143,043</b>	781,131
Depreciation .....	<b>347,495</b>	214,301
	<b><u>1,490,538</u></b>	<u>955,432</u>
Income before deferred income taxes .....	<b>8,184,464</b>	5,355,537
Deferred income taxes .....	<b>2,166,339</b>	1,541,747
<b>Net Income for the Year</b> .....	<b>6,018,125</b>	3,813,790
Retained earnings at beginning of year .....	<b>7,873,529</b>	4,402,191
Dividend (1976 - 24¢ per share; 1975 - 8.8¢ per share) .....	<b>939,504</b>	342,452
Retained earnings at end of year .....	<b><u>\$12,952,150</u></b>	<u>\$7,873,529</u>
Earnings per share — Note 5		

## Auditors' Report

The Shareholders, Voyager Petroleum Ltd.

We have examined the consolidated balance sheet of Voyager Petroleum Ltd. as at December 31, 1976 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta  
February 21, 1977

*Touche Ross & Co.*  
Chartered Accountants



# VOYAGER PETROLEUMS LTD.

## Consolidated Balance Sheet as at December 31, 1976

### ASSETS

	<u>1976</u>	<u>1975</u>
<b>Current</b>		
Cash and short term deposits .....	\$ 1,535,460	\$ 3,042,538
Marketable securities .....	755,781	1,262,494
Notes receivable from shareholders (Note 2) .....	26,049	26,442
Accounts receivable .....	5,743,976	3,459,588
Materials and supplies .....	1,128,354	979,062
Prepaid expenses .....	56,123	28,238
	<u>9,245,743</u>	<u>8,798,362</u>
 <b>Investments and Other Assets</b>		
Notes receivable from shareholders (Note 2) .....	896,199	866,291
Investments .....	97,768	97,768
	<u>993,967</u>	<u>964,059</u>
 <b>Property and Equipment</b>		
Petroleum and natural gas properties, less accumulated depletion of \$4,591,106 (1975 - \$3,436,233) .....	32,158,710	21,030,055
Equipment, less accumulated depreciation of \$935,821 (1975 - \$596,128) .....	8,978,465	5,430,501
	<u>41,137,175</u>	<u>26,460,556</u>
	<u><u>\$51,376,885</u></u>	<u><u>\$36,222,977</u></u>


## LIABILITIES

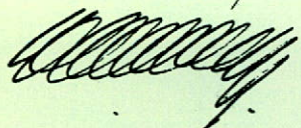
	<u>1976</u>	<u>1975</u>
<b>Current</b>		
Accounts payable and accrued liabilities .....	\$ 4,894,620	\$ 3,558,447
Dividend payable .....	939,504	342,452
Current portion of long-term debt .....	482,838	482,838
	<u>6,316,962</u>	<u>4,383,737</u>
 <b>Long-Term Debt (Note 3)</b>		
Production loan .....	14,114,381	8,464,381
Agreement payable .....	965,675	1,448,514
	<u>15,080,056</u>	<u>9,912,895</u>
 <b>Deferred Income Taxes</b> .....	<u>6,799,431</u>	<u>4,057,952</u>
	<u>28,196,449</u>	<u>18,354,584</u>

## SHAREHOLDERS' EQUITY

<b>Share Capital (Note 4)</b>		
Authorized — 7,000,000 shares without nominal or par value		
Issued — 3,914,600 shares (1975 - 3,891,500) .....	10,228,286	9,994,864
 <b>Retained Earnings</b> .....	<u>12,952,150</u>	<u>7,873,529</u>
	<u>23,180,436</u>	<u>17,868,393</u>
	<u>\$51,376,885</u>	<u>\$36,222,977</u>

Signed on behalf of the Board

 Director

 Director



# VOYAGER PETROLEUMS LTD.

## Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1976

	<u>1976</u>	<u>1975</u>
<b>Source of Funds</b>		
From operations		
Net income for the year .....	\$ 6,018,125	\$ 3,813,790
Add items not requiring an outlay of funds		
Depreciation and depletion .....	1,490,538	995,432
Deferred income taxes .....	<u>2,166,339</u>	<u>1,541,747</u>
	9,675,002	6,350,969
Increase in long-term debt .....	5,650,000	3,552,412
Royalty tax rebate .....	575,141	372,012
Reduction in loans to shareholders .....	176,042	31,805
Shares issued .....	233,422	5,794
Other .....	<u>26,902</u>	<u>(9,159)</u>
	<u>16,336,509</u>	<u>10,303,833</u>
<b>Application of Funds</b>		
Petroleum and natural gas properties .....	12,271,699	8,387,930
Equipment .....	3,922,362	1,528,524
Reduction of agreement payable .....	482,838	482,838
Dividend .....	939,504	342,452
Loans to shareholders .....	<u>205,950</u>	<u>—</u>
	<u>17,822,353</u>	<u>10,741,744</u>
Decrease in working capital .....	1,485,844	437,911
Working capital at beginning of year .....	4,414,625	4,852,536
Working capital at end of year .....	<u>\$ 2,928,781</u>	<u>\$ 4,414,625</u>
<b>Changes in Elements of Working Capital</b>		
Increase (decrease) in		
Cash .....	\$(1,507,078)	\$ (212,866)
Marketable securities .....	(506,713)	100,845
Accounts receivable .....	2,284,388	911,858
Notes receivable from shareholders .....	(393)	7,504
Materials and supplies .....	149,292	872,175
Prepaid expenses .....	27,885	17,483
Increase in		
Accounts payable .....	(1,336,173)	(1,309,620)
Dividend payable .....	(597,052)	(342,452)
Current portion of long-term debt .....	<u>—</u>	<u>(482,838)</u>
Decrease in working capital .....	<u>\$ 1,485,844</u>	<u>\$ 437,911</u>

# Notes to Financial Statements

December 31, 1976

## 1. Accounting Policies

- (a) Principles of Consolidation  
The consolidated financial statements include the accounts of the company, its wholly owned subsidiaries and its share of an exploratory joint venture.
- (b) Valuation of Assets  
Marketable securities and materials and supplies are valued at the lower of cost or net realizable value. Investments and other assets, and property and equipment are carried at cost.
- (c) Translation of Foreign Currencies  
Assets, liabilities, income and expenses of the company which are in currencies other than Canadian dollars have been translated into Canadian funds on the following basis:
  - (i) Current assets and current liabilities at the exchange rate on December 31.
  - (ii) Property and equipment and long-term debt at rates in effect on the dates of acquisition.
  - (iii) Income and expenses at the average rate for the year.
- (d) Exploration and Development Costs  
The company follows the full cost method of accounting for petroleum and natural gas properties. Under this concept, all costs relative to the exploration for and development of oil and gas reserves, whether productive or non-productive, are capitalized, including the applicable portion of administrative expenses and interest on bank loans. Proceeds from disposals of properties and equipment are normally applied as a reduction of the cost of the remaining assets.
- (e) Depletion and Depreciation  
Depletion of exploration and development costs and depreciation of plant and production equipment are provided on the unit of production method based on the estimated proven oil and gas reserves as determined by the company and periodically substantiated by independent professional engineers. Depreciation of other equipment is provided by the diminishing balance method at rates ranging from 20 % to 30 %.
- (f) Deferred Income Taxes  
The company follows the tax allocation method of recording income taxes for all significant timing differences between accounting income and taxable income. Provincial Government royalty refunds and tax credits in the amount of \$575,141 (1975 - \$554,171) have been taken into account in calculating the current years' deferred income tax provision.

## 2. Notes Receivable

Loans have been advanced to five key employees to enable these individuals to purchase shares of the company. Ten year non-interest bearing promissory notes have been signed by these individuals in favour of the company. Repayment arrangements call for increasing annual installments, with approximately 75 % becoming payable in the tenth year.

## 3. Long-Term Debt

- (a) Production Loan  
The company has a \$20,000,000 line of credit on favourable terms secured by Section 82 of the Bank Act. Since the company does not anticipate utilizing the maximum loan authorized, no repayments will be required during 1977.  
  
In accordance with its full cost accounting policy, interest expense of \$844,603 in 1976 has been capitalized.
- (b) Agreement Payable  
This balance is repayable in interest free annual installments of \$482,838.

#### 4. Share Capital

##### (a) Share Options

Details of incentive share options granted to officers and key employees of the company are as follows:

	<u>Number of Shares</u>
Outstanding — December 31, 1975 .....	27,800
Share options exercised — prices ranging from \$3.02 to \$5.13 per share.....	(8,100)
Share options issued — at \$13.73 per share.....	<u>1,500</u>
Outstanding — December 31, 1976 .....	<u>21,200</u>

The outstanding options are exercisable in installments on a cumulative basis on various dates to 1986, at an average option price of \$5.10 per share.

##### (b) Stock-split (January 28, 1977)

At a special general meeting held on January 28, 1977, the shareholders approved an increase in the authorized capital of the company from 7,000,000 shares without nominal or par value to 14,000,000 shares without nominal or par value and a split of the issued shares on a two for one basis for shareholders of record on February 11, 1977. Except for the effect on earnings per share set out in Note 5, the share split has not been reflected in the financial statements.

#### 5. Earnings Per Share

	<u>1976</u>	<u>1975</u>
Earnings per share.....	\$.77	\$.49

The earnings per share have been calculated using the weighted average number of shares outstanding after giving retroactive effect to the stock split on January 28, 1977 described in Note 4.

Had the stock split not been taken into account, the earnings per share would have been as follows:

	<u>1976</u>	<u>1975</u>
Earnings per share.....	\$1.54	\$.98

#### 6. Executive Remuneration

- (a) During the course of the year, ten persons served as directors for which no directors' fees were paid.
- (b) During the course of the year, six persons served as officers who received as officers aggregate remuneration of \$196,418.
- (c) Two persons who served as officers also served as directors.
- (d) Legal fees paid to a director of the company amounted to \$10,172.

#### 7. Dividend Restrictions

The company is subject to the Federal Anti-Inflation Legislation which restricts dividend payments to shareholders to a maximum of 24.3¢ per share for the twelve-month period ending October 13, 1977. (8.8¢ for the twelve-month period ended October 13, 1976).

#### 8. Commitments

Under the provisions of an employee profit sharing plan the company is committed to contribute annually the lesser of 300% of total employee contributions to the plan or 1 1/2% of the company's net profit for the year. Company contributions totalled \$104,752 for 1976 (\$64,610 for 1975).



# VOYAGER PETROLEUMS LTD.

*Incorporated under the laws of Alberta, September 30, 1966.*

**Head Office** — Suite 600, Bow Valley Square 2  
205 - Fifth Avenue South West  
Calgary, Alberta T2P 2W4  
Telephone (403) 265-3155  
Telex: 03-824799

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## **Directors**

Hubert A. Gray — *Calgary*  
Donald E. Grimm — *Dallas*  
Fern Kahanoff — *Calgary*  
Sydney Kahanoff — *Calgary*  
Harry Kay — *Minneapolis*  
Harold R. Logan — *Dallas*  
George E. Longphee — *Sidney, B.C.*  
Campbell M. MacInnes — *Calgary*  
Morris T. Riback — *Calgary*

## **Officers**

Sydney Kahanoff, *President*  
A. Barry Beaven, *Vice President and Secretary*  
Edward L. Molnar, *Vice President, Production*  
George H. Plewes, *Vice President, Finance and Treasurer*

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## **Share Listings**

Montreal Stock Exchange  
Toronto Stock Exchange — *ticker abbreviation VPT*

## **Registrar and Transfer Agent**

Montreal Trust Company, *Calgary, Alberta; Montreal, Quebec;*  
*Toronto, Ontario; and Vancouver, British Columbia*

## **Subsidiary Companies**

Vista Consulting Ltd.  
Voyager Petroleums (U.K.) Limited  
Voyager Petroleums, Inc., *a Colorado Corporation*  
Panwest Pty. Limited, *incorporated under the laws of*  
*New South Wales, Australia*  
Sabra Petroleum Ltd., *a Bermuda Company*

## **Canadian Bankers**

Canadian Imperial Bank of Commerce, *Calgary, Alberta*  
Bank of Montreal, *Calgary, Alberta*

## **United States Bankers**

United Bank of Denver, *Denver, Colorado*  
Texas Commerce Bank National Association, *Houston, Texas*

## **Auditors**

Touche Ross & Co., *Calgary, Alberta*

