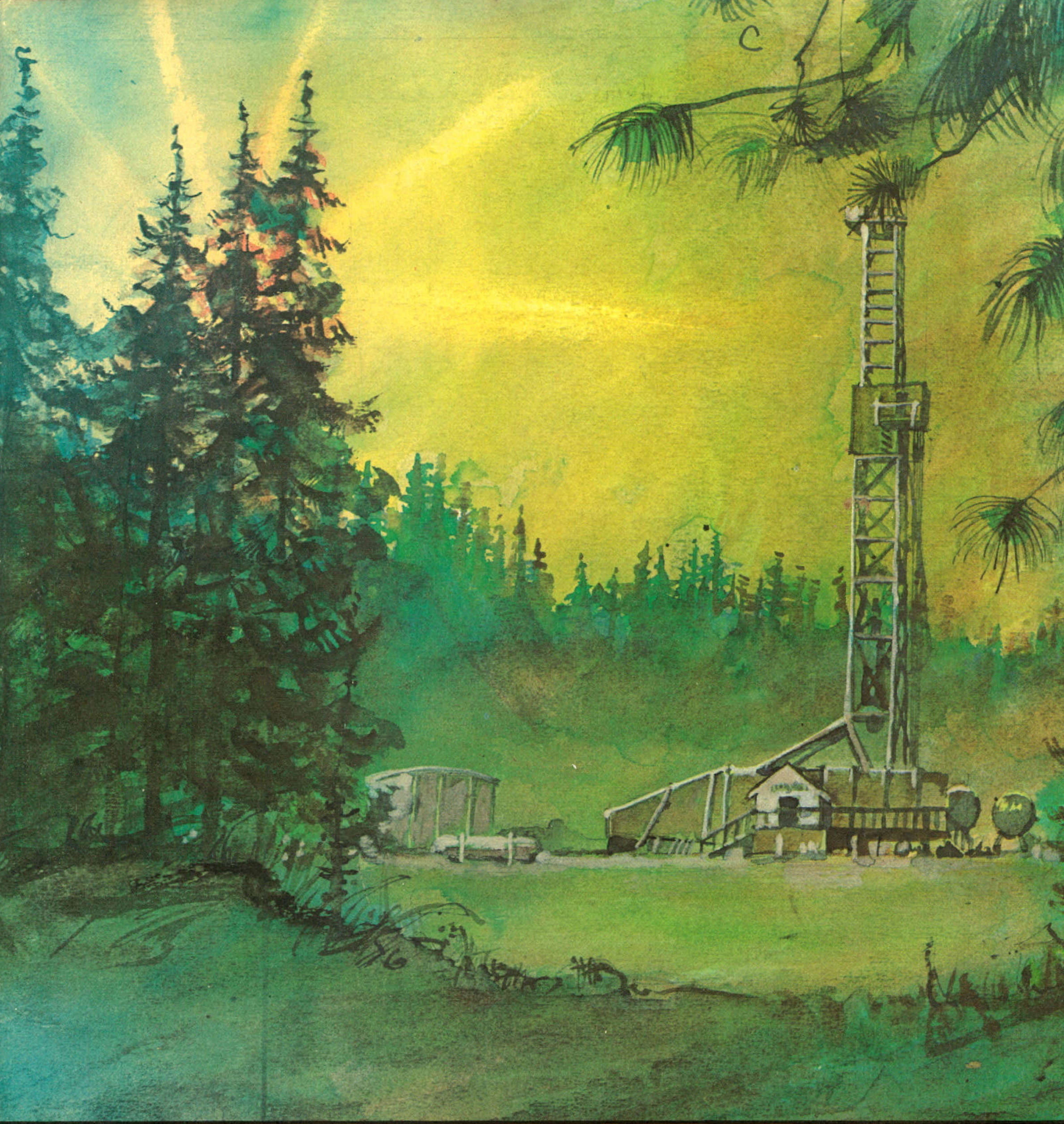
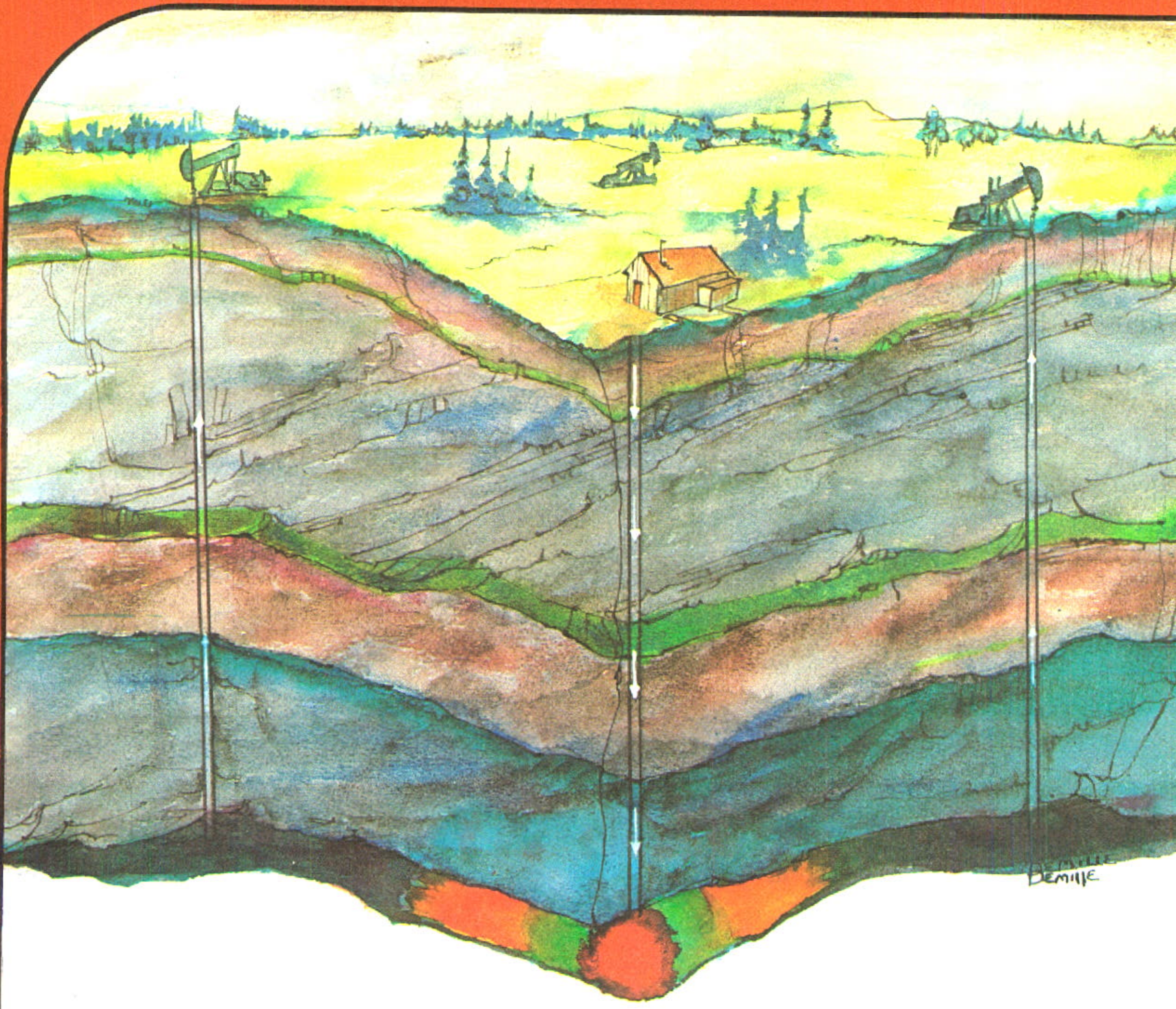


1973 ANNUAL REPORT

WECO
Development
Corporation

"RECOVERY BY FIRE"
STORY — PAGE 12.



WECO
Development
Corporation

WECO has two sources of income — primarily oil and gas properties in the United States and Western Canada, with newly acquired reserves now being further developed; and real estate development in Florida.

RECENT EVENTS INFLUENCING WECO . . .

OIL AND GAS — Purchase of PetroDynamics, Inc.
URANIUM — Exploration agreement with AMAX.
REAL ESTATE — Condominiums under construction.
REVENUES — Oil and gas prices up.

A STRONG BASE FOR FUTURE REVENUES

429 OIL AND GAS WELLS

WECO is a small independent oil and gas company which owns an interest in 429 oil and gas wells, with a net 330 oil and gas wells in Alberta, Saskatchewan, Oklahoma, Texas, Colorado and New Mexico. Primarily due to the acquisition of PetroDynamics, Inc., WECO's oil reserves at December 31 were 4.5 million barrels, an increase of 2.0 million barrels; and gas reserves (including gas committed to WECO pipelines) were 78.5 billion cubic feet, increased from 73.5 billion cubic feet.

PIPELINE SYSTEMS

The company owns and operates a 36-mile pipeline system in the Cold Lake area of Alberta and an 8-mile gas gathering system in Texas. WECO has 38.5 billion cubic feet of gas committed to its Cold Lake System.

ASSETS INCREASED TO 20 MILLION

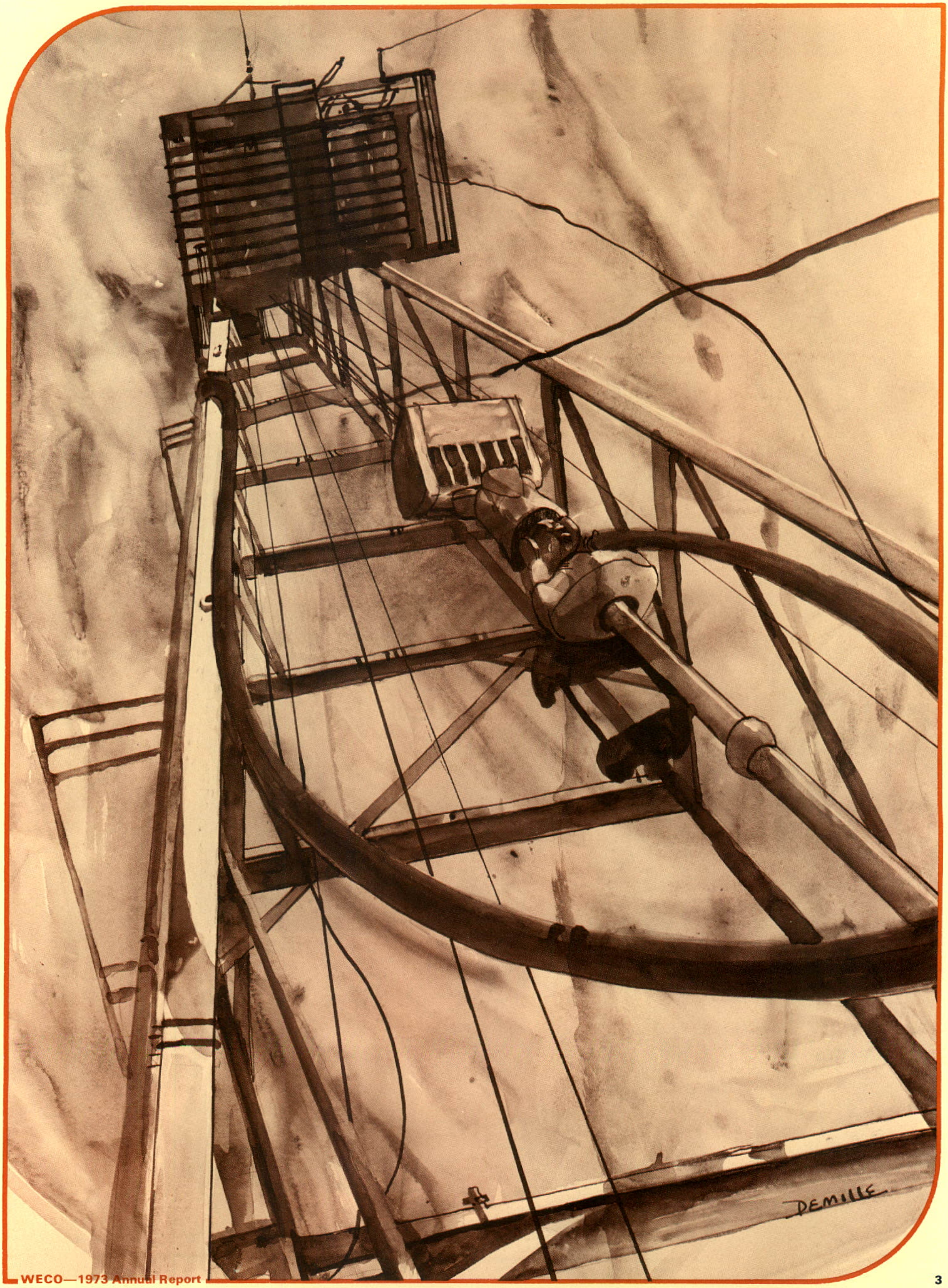
On May 3, 1973, WECO acquired PetroDynamics, Inc., a Texas-based oil and gas company. This acquisition resulted in an increase of WECO's assets from 13 million to 20 million dollars. Value of oil and gas sales increased 211%.

HEAVY OIL DEVELOPMENT IN COLD LAKE AREA

WECO has 18,000 acres of heavy oil leases for future development. Its acreage is virtually surrounded by projects recently announced by Imperial Oil, Murphy Oil and Union of Texas. WECO plans to drill 3-5 wells this year. Additional efforts will be spent on completion of our Ft. Kent well on which operations were suspended last fall due to weather.

REAL ESTATE PROPERTIES IN FLORIDA

Sixty-five miles north of Tampa, Florida, WECO has 2,140 homesites for sale and 50 acres of commercial land for development through a subsidiary, Citrus County Land Bureau, Inc. A portion of the commercial land is being used for the first 100 units of the "Royal Oaks" Condominium Project. Details are on page 10.


DEMILLE

PRESIDENT'S MESSAGE

Dear Shareholder:

Two events have influenced your company in 1973. First, WECO acquired Petro-Dynamics, Inc. This acquisition increased WECO's oil and gas production, and the company's sales and assets. At the same time, the price of oil and gas increased dramatically. Together, these events give WECO the financial strength to develop its existing properties. WECO will also be able to acquire new properties.

INCREASED DRILLING ACTIVITY

In the first part of 1974, WECO has successfully reworked more of its oil and gas wells than we did during all of 1973. And WECO has an active drilling program for the balance of 1974. We are improving and increasing oil and gas production from our properties in southern Texas and in Oklahoma.

POTENTIAL FOR CANADIAN GAS RESERVES

For the past several years, WECO has been unable to satisfactorily develop its gas reserves in Canada. This was because the existing markets were poor and because the prices of gas were low. That is changing now. Increasing prices and new markets, especially in Alberta, are permitting WECO to develop its shut-in reserves and undrilled prospects.

We are optimistic over the possibility of realizing a justifiable return on these investments.

HEAVY OIL RECOVERY POSSIBLE

WECO has heavy oil leases in the Cold Lake region of Alberta, Canada. Recent price increases for oil may, for the first time, make it economically feasible to recover the oil from these massive deposits.

In this report, we have graphically presented for your information an in-situ steam flood process which is one of the more thorough recovery methods, but also one of the more expensive. Some of our heavy oil reserves may be economically recoverable by more simple processes such as steam "huff and puff" or even conventional waterflooding.

URANIUM

WECO's exploratory agreement with Amax Uranium is moving ahead quite rapidly. Amax has completed the first phase reconnaissance drilling on WECO's 16,000 acres in the Ambrosia Lake area of New Mexico. At this time 104 holes for a total footage of 68,200 feet have been drilled. A more intensive drilling program, in the search for uranium, will soon be starting.

CAUTIOUS OPTIMISM

1973 may well prove to be the turning point in your company's history. We are looking forward to 1974 with enthusiasm. We believe that we will have the financial strength to properly capitalize on our assets.

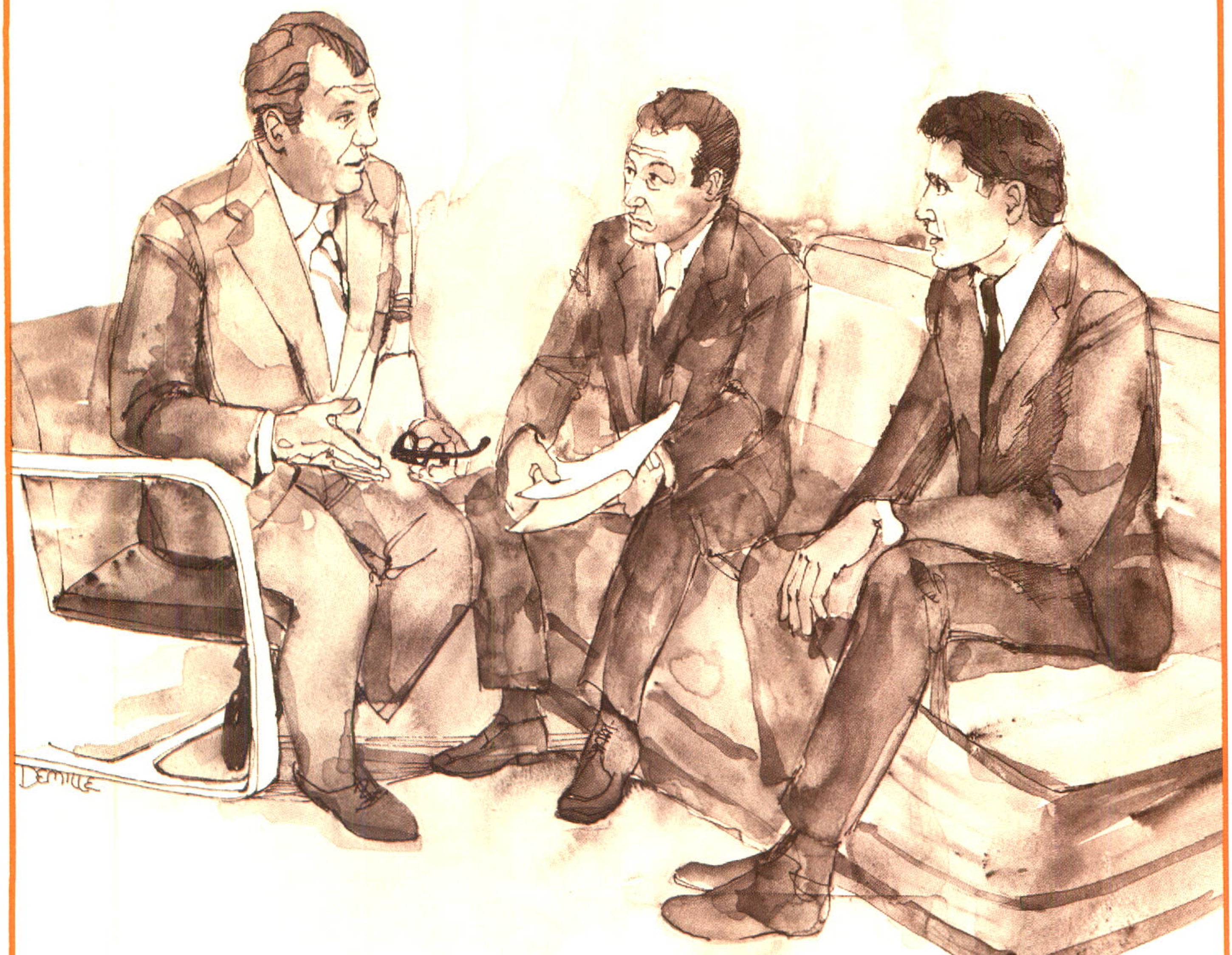
Sincerely,

Robert B. Tenison

May 15, 1974

ROBERT B. TENISON


DEMILLE

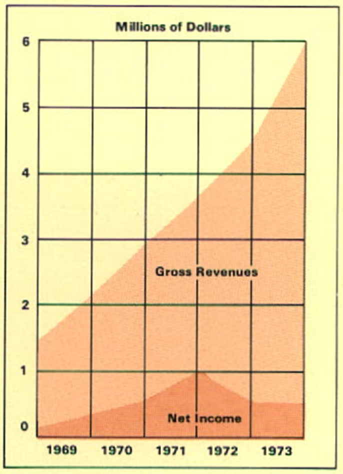

DEMILLE

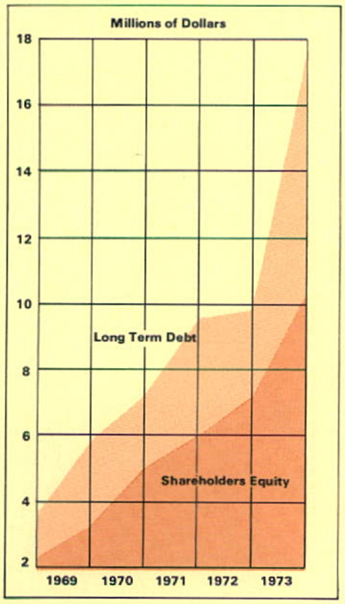
FINANCIAL HIGHLIGHTS

The substantial increase in the revenues, operating costs and assets of WECO for 1973 are due to the recent purchase of PetroDynamics, Inc. and improving oil prices.

The reduction in earnings is primarily due to write-down of $738,000 in mineral properties.

Financial Statements . . . . pages 15-27





	1973	*1972*	*% Change*
FINANCIAL			
Gross Revenue	$ 5,956,723	$ 4,555,860	+ 31
Oil and Gas Sales	$ 2,515,000	$ 808,800	+ 211
Sales of Real Estate (net)	$ 2,675,500	$ 3,322,500	— 17
Earnings Before Taxes	$ 862,900	$ 1,678,700	— 48
Per Share	19¢	47¢	— 60
Net Income	$ 567,900	$ 686,700	— 17
Per Share	13¢	19¢	— 32
Total Assets	$20,687,000	$13,026,000	+ 59
Average Shares Outstanding . .	4,484,492	3,541,682	+ 27
OPERATING			
Sales—Oil (bbls)	354,200	150,300	+ 135
—Gas (mcf)	4,304,500	1,755,800	+ 145
Production—Oil (bbls)	352,600	149,400	+ 136
—Gas (mcf)	2,690,500	1,186,700	+ 127
Reserves—Oil (bbls)	4,517,000	2,518,000	+ 79
—Gas (mcf) (Note) . .	78,483,000	73,500,000	+ 7
Homesites Sold	900	1,216	— 26

Note: Gas reserves include those committed to pipeline systems.


Prudhoe Bay
1
1
2
3
Edmonton
4
Calgary
Winnipeg
New York
Denver
Dallas
New Orleans
5
Miami
Oil Production
Gas Production

PROPERTY HIGHLIGHTS

ALASKA — CHUKCHI BASIN AND NORTH SLOPE

1 WECO owns 23.8% of 2% overriding royalty and either 23.8% of 25% net profits or 23.8% of $3.00 per acre on 960,000 acres of prior filing rights. Potential spotlighted by approval of the Alaska pipeline.

CANADIAN ARCTIC

2 Southwest of Banks Island, the company has done seismic work and has established some interesting structural features. The prospects are in over 600 feet of water and there are drilling problems not yet resolved. The company owns a 38% interest in 322,100 acres of oil and gas permits.

HUDSON BAY PERMITS

3 The company did selected seismic work across one million acres of oil and gas permits in Hudson Bay during 1971. On the basis of the survey, the company selected 93,000 acres in which it owns a 100% interest. WECO plans this summer on participating in 300 miles of additional seismograph work across its area. One or two wells are planned by major companies in the bay this summer. Previously only one well had been drilled and it had oil and gas shows while only penetrating to a depth of 3900 feet.

COLD LAKE, NORTHEASTERN ALBERTA

4 The area is coming into prominence as a potential producer of heavy oil from the Cold Lake sands. The economic feasibility of producing such heavy oil has not been established. The company owns 18,000 acres of oil leases which are well located if it should prove feasible to produce such sands. The company's gas wells in the area now furnish gas to the Canadian Forces Base at Cold Lake and the communities of Cold Lake and Ardmore through its 36-mile pipeline. See "Recovery by Fire", page 12.

INVERNESS, FLORIDA

5 Recreational and retirement subdivisions of Citrus County Land Bureau, Inc. Details on page 10.

CONDOMINIUM PROJECT IN FLORIDA

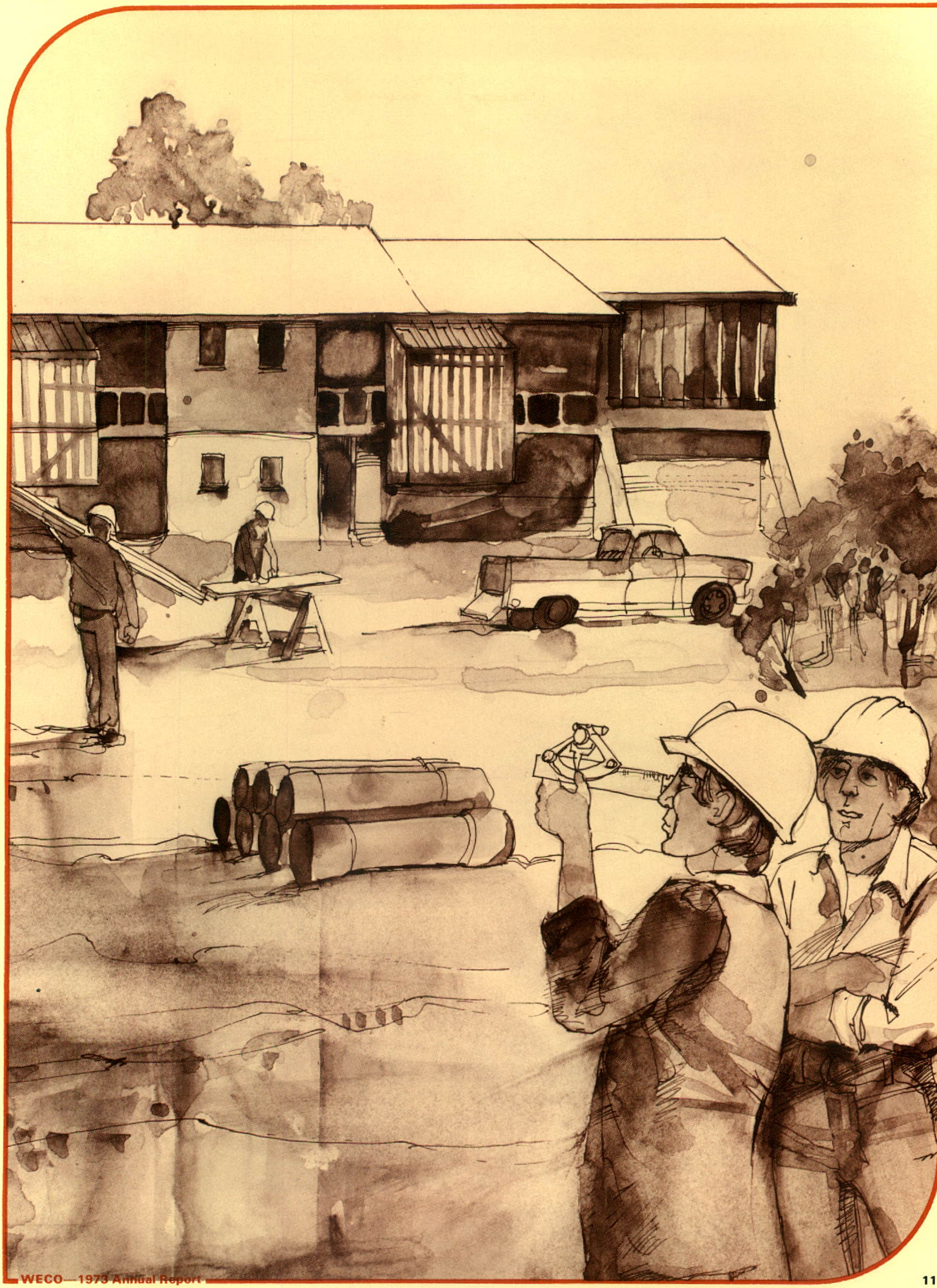
CITRUS COUNTY LAND BUREAU, INC.

Inverness is located 65 miles north of Tampa, Florida, and is twenty miles inland from the Gulf Coast — in the heart of Florida's retirement communities. WECO's subsidiary in real estate, Citrus County Land Bureau, has been selling properties in the Inverness area since 1954. In January of this year, the company entered into a $2.5 million contract to build the first stage of an exciting new condominium project — "Royal Oaks at Inverness" which will ultimately contain 404 condominiums.

WECO acquired the company in 1968 and in the last five years, Citrus County Land Bureau has sold over five thousand homesites. An additional 2,140 homesites are available for future sale.

SALES OFFICES IN NEW JERSEY, NEW YORK, AND FLORIDA

"Royal Oaks at Inverness" is forty acres of townhouses and apartments in a totally planned complex. The condominium project offers recreational facilities, paved streets, a sewage disposal system and a water treatment plant. All are currently under construction. 404 units are projected and will be constructed in 100-unit stages. Models are now under construction and sales will begin when clearance has been received from all appropriate regulatory authorities. Initially, the condominiums will be in the $25,000 to $35,000 range.



RECOVERY BY FIRE . . .

NEW INTEREST IN HEAVY OIL DEVELOPMENT

In its recognized reserves, WECO has excluded the company's 18,000 acres of heavy oil leases in the Cold Lake region of Alberta, Canada. Until recently, the process of extracting the bitumen-like heavy oil has been too expensive. Now, industry-wide interest is rising because crude oil prices are rising.

WECO, at this date, is not producing any of its heavy oil but does have plans to inject steam in one test well and attempt a conventional waterflood on another portion of its heavy oil leases this summer.

BURNING UNDER GROUND

WECO's heavy oil deposits are buried under 1,000 feet of sand, and rock. Processes, employed in California and South America, appear to be justified. Present indications are that the largest recovery of oil will be by developing in-situ steam combustion operations. In this process, underground burning is started artificially by pumping oxygen and water down an injection well. The heavy oil with the oxygen is ignited underground. In the intense heat, the water becomes steam and in turn causes the heavy oil to become more liquid and can be pumped out of adjoining wells.

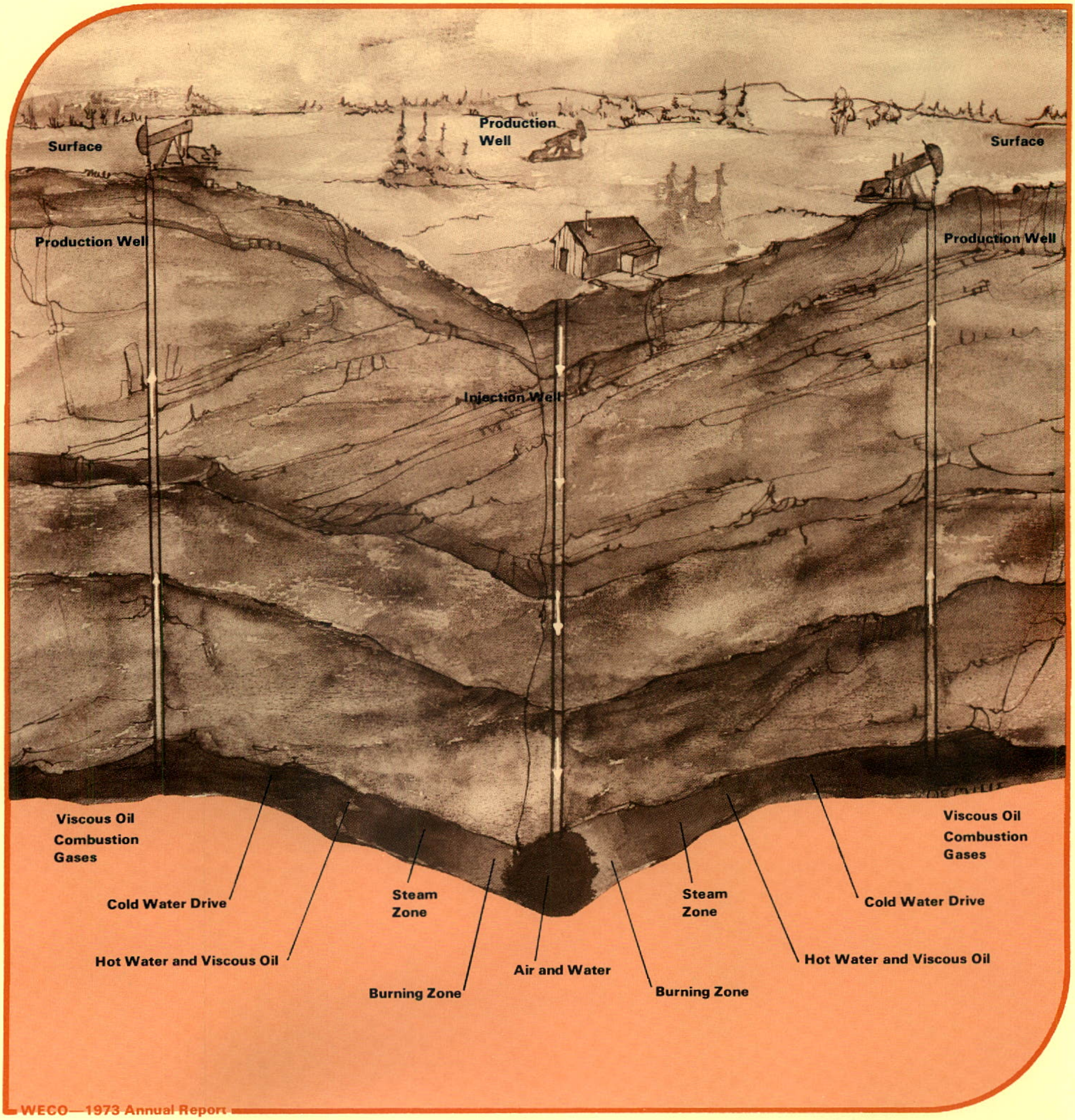
MANY COMPANIES HAVE PROJECTS

The most advanced project in the Cold Lake area is Imperial Oil Company's Huff and Puff steam flood project located about 10 miles north of our gas pipeline. For several years, they have produced approximately 1,500 barrels per day of oil and have recently announced plans to expand to 4,000 barrels per day.

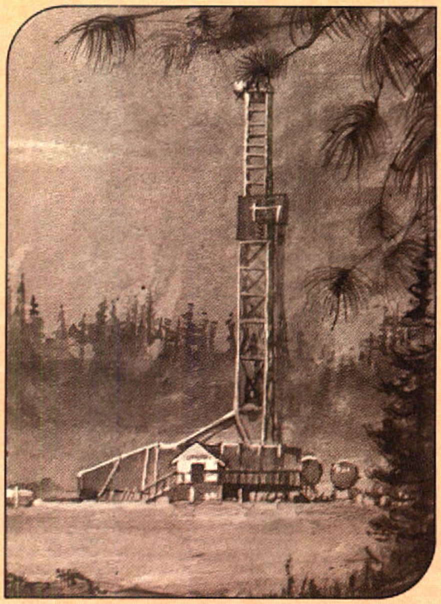
Additional projects to develop heavy oil have recently been announced by Union Texas, Murphy Oil and Canadian Industrial Gas and Oil.

IN SITU COMBUSTION

PERSPECTIVE VIEW



FINANCIAL SECTION



WECO
Development
Corporation

AND SUBSIDIARY
COMPANIES

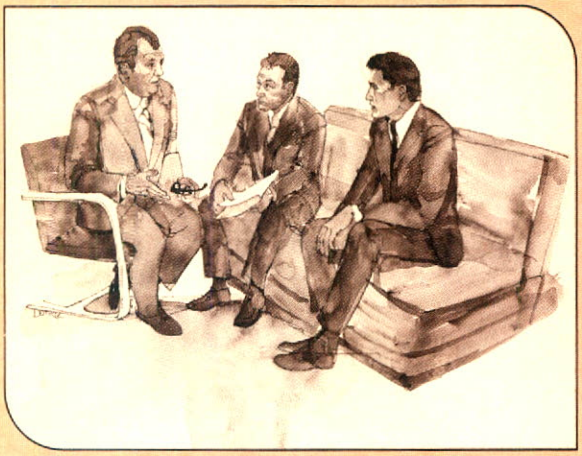
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended December 31

		1973	1972
Income	(excluding discontinued operations) (Note 10):		
	Oil and gas sales	$2,515,031	$ 808,808
	Gross land sales	3,066,375	3,667,671
	Less: Estimated uncollectible sales	(98,261)	(107,300)
	Valuation discount	(202,634)	(237,800)
	Net land sales	2,765,480	3,322,571
	Interest and other income	676,212	424,481
		5,956,723	4,555,860
Expenses	(excluding discontinued operations) (Note 10):		
	Land costs	181,262	212,642
	Selling costs	701,344	837,953
	Production expenses	1,423,218	378,715
	General and administrative	877,655	769,507
	Depreciation, depletion and amortization	621,026	207,741
	Interest	539,287	255,869
	Oil and gas exploration permits relinquished	11,397	186,255
	Write down of mineral properties (Note 11)	738,639	—
		5,093,828	2,848,682
	Income from continuing operations	862,895	1,707,178
	Income (loss) from discontinued operations (Note 10)	—	(28,395)
Income before income taxes	Income before income taxes	862,895	1,678,783
	Provision For Income Taxes (Note 8):		
	Current	106,000	73,000
	Deferred	(51,000)	919,000
	Charge equivalent to utilization of net operating loss carryover	240,000	—
		295,000	992,000
Net Income	Net Income	567,895	686,783
	Retained Earnings—Beginning of Year	3,231,210	2,544,427
	Retained Earnings—End of Year	$3,799,105	$3,231,210
	Per Share Data (Note 12)		
	Net Income	$.13	$.19
	Weighted Average Shares Outstanding	4,484,492	3,541,682

The accompanying notes are a part of this statement.

CONSOLIDATED BALANCE SHEETS



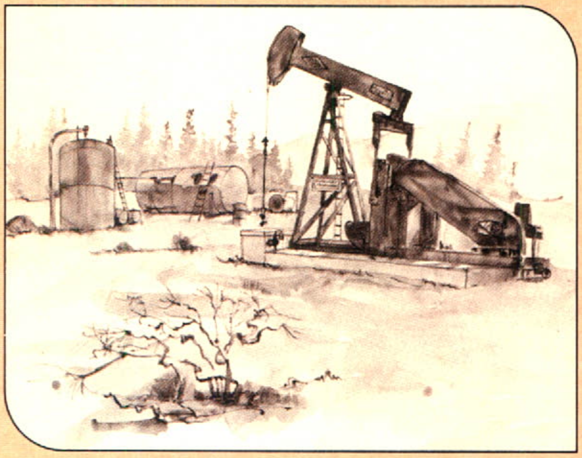
WECO
Development
Corporation

AND SUBSIDIARY COMPANIES

	December 31 1973	December 31 1972
Assets		
CURRENT ASSETS		
Cash	$ 521,799	$ 653,645
Accounts receivable	962,400	293,802
Contracts receivable—current portion (Note 3)	1,779,000	1,140,000
Less: Allowance for contract cancellations	(99,000)	(70,000)
Unamortized valuation discount	(182,000)	(190,000)
Notes receivable—current portion (Notes 4 & 7)	189,398	—
Inventory of supplies and prepaid items at cost	173,208	89,074
Investment in subsidiary held for sale	—	163,000
	3,344,805	2,079,521
CONTRACTS RECEIVABLE (Note 3)	3,064,829	3,386,137
Less: Allowance for contract cancellations	(174,063)	(216,867)
Unamortized valuation discount	(246,773)	(218,691)
NOTES RECEIVABLE (Notes 4 & 7)	1,176,959	—
REAL ESTATE INVENTORY—at cost (Note 5)	406,568	412,976
PROPERTY HELD FOR SALE (Note 7)	632,691	—
INVESTMENT IN REAL ESTATE PROJECT—at cost	300,000	300,000
	5,160,211	3,663,555
PROPERTY, PLANT AND EQUIPMENT (Notes 6 & 7)	10,517,463	6,836,699
DEFERRED CHARGES AND OTHER ASSETS	275,217	446,587
EXCESS OF COST OVER FAIR VALUE OF NET ASSETS ACQUIRED (Note 2)	1,390,000	—
	$20,687,696	$13,026,362
Liabilities		
CURRENT LIABILITIES		
Note Payable	$ —	$ 350,000
Accounts payable and accrued expenses	1,264,478	742,240
Income Tax Payable	106,000	65,679
Deferred Income Taxes	736,640	423,000
Long term debt due within one year (Note 7)	2,153,328	823,620
	4,260,446	2,404,539
LONG TERM LIABILITIES (Note 7)	4,389,134	1,715,999
DEFERRED INCOME TAXES (Note 8)	1,341,761	1,685,675
	9,991,341	5,806,213
MINORITY INTEREST	—	38,000
COMMITMENTS AND CONTINGENCIES (Note 13)		
Shareholders' Equity		
SHAREHOLDERS' EQUITY		
Common Stock (Note 9)		
Authorized 10,000,000 shares par value $.20		
1972 Outstanding 3,773,064 shares	—	754,613
1973 Outstanding 4,827,583 shares	965,517	—
Capital in excess of par value (note 9)	5,931,733	3,196,326
	6,897,250	3,950,939
Retained Earnings	3,799,105	3,231,210
	10,696,355	7,182,149
	$20,687,696	$13,026,362

The accompanying notes are a part of this statement.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION



WECO Development Corporation

AND SUBSIDIARY COMPANIES

		December 31 1973	1972
Source of Funds	From Operations		
	Net Income	$ 567,895	$ 686,783
	Add items not requiring use of working capital:		
	Depreciation, depletion and amortization	621,026	207,741
	Deferred income taxes and charge equivalent to utilization of net operating loss carryover	189,000	919,000
	Deferred portion of provisions for valuation and cancellations	(14,722)	91,800
	Property write-down	750,036	186,255
	Other items	35,379	—
		2,148,614	2,091,579
	Issue of capital stock	2,946,311	461,350
	Debt assumed from PetroDynamics Inc.	4,375,876	—
	Sales and other disposals of properties	1,475,456	318,232
	Decrease of notes and contracts receivable	587,861	—
	Bank loans	50,000	380,000
	Reduction of land inventory (net)	188,001	208,893
	Elimination of partly owned subsidiary from consolidated accounts	278,501	—
	Decrease in deferred charges and other items	234,818	78,880
		12,285,438	3,538,934
Use of Funds	Assets acquired from PetroDynamics Inc.		
	—Oil and gas properties	5,390,456	—
	—Other non-current assets	2,708,439	—
	—Excess of cost over fair value of net assets acquired	1,660,000	—
	Retirement of long-term debt	1,752,741	1,498,062
	Additions to properties	869,192	989,493
	Investment in condominium project	181,593	—
	Increase in current portion of deferred tax credit	313,640	133,000
	Increase in contracts receivable—long term	—	897,045
	Other investments	—	200,000
		12,876,061	3,717,600
Working Capital	Decrease	590,623	178,666
	—Beginning of year	(325,018)	(146,352)
	—End of year	$ (915,641)	$ (325,018)
	Changes in Components of Working Capital		
	Increase (Decrease) in Current Assets		
	Cash	$ (131,846)	$ (516,972)
	Accounts receivable	668,598	96,898
	Contracts receivable—net of allowances for cancellations and unamortized valuation discount	618,000	270,000
	Investment in subsidiary held for sale	(163,000)	108,537
	Inventory of supplies	84,134	(13,157)
	Notes receivable	189,398	—
		1,265,284	(54,694)
	Less Increase (Decrease) in Current Liabilities		
	Notes payable	(350,000)	200,000
	Accounts payable and accrued expenses	522,238	(391,657)
	Income tax payable	40,321	20,679
	Deferred tax credits	313,640	133,000
	Long term debt due within one year	1,329,708	161,950
		1,855,907	123,972
	Decrease in Working Capital	$ 590,623	$ 178,666

The accompanying notes are a part of this statement.

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the assets and liabilities of all wholly-owned subsidiary companies and their consolidated operations: Worldwide Energy Company Ltd., Cold Lake Transmission Limited, Citrus County Land Bureau, Inc., Worldwide Energy Corporation, Semco Gas Inc., and Worldwide Energy (U.K.) Limited. The accounts of WECO Mining Corporation (62% owned) have been excluded from the consolidation for 1973 as that company's primary asset (mineral properties) has been written down to estimated realizable value and the company's investment in this subsidiary is carried at a nominal value. During 1973, Gulf Homes Inc., a previously wholly-owned subsidiary, was sold at no significant gain or loss (see also Note 10).

Following a reorganization whereby WECO Development Corporation became the parent in 1972, 92% of the shares of Worldwide Energy Company Ltd. (former parent) have been turned in to the exchange agent for exchange. As sufficient shares have been issued to the trustee to effect a 100% exchange, the consolidated financial statements contemplate and reflect Worldwide Energy Company Ltd. as a wholly-owned subsidiary.

All intercompany accounts and material intercompany transactions have been eliminated in the consolidation.

Currency Conversion

The accounts of Canadian subsidiary companies have been included in the consolidation at par. Translation to U.S. dollars would not have a significant effect upon the amounts recorded. Current assets and current liabilities of another foreign subsidiary have been converted at the prevailing rates of exchange while all other items have been converted at the rate in effect at the time of transactions. Net foreign assets (Canadian) included in the consolidated balance sheet amount to approximately $2,165,000.

Oil and Gas Properties

The company and subsidiaries follow the "full cost" method of accounting under which they capitalize all costs of acquiring, exploring for and developing oil and gas reserves. Such costs include lease acquisition, geological and geophysical expenses, carrying charges of non-producing properties, exploration and development and overhead expense related to the acquisition of oil and gas reserves. These costs are amortized using the composite unit of production method of depreciation and depletion based upon production from the company's net share of oil and gas reserves. In the case of amortization rates developed for gas transmission facilities, net reserves also include those reserves owned by others but committed to the company's transmission facilities. Costs capitalized are not in excess of their estimated net realizable value. One cost pool is maintained for Canadian and U.S. properties which excludes the gas transmission facilities costs. Gains or losses resulting from dispositions of oil and gas properties are charged or credited to the cost pool. Gains or losses on the disposal of unproven leases held primarily for resale are recognized in the accounts currently.

Mineral Properties

Costs of mineral properties and related evaluation expense are deferred to be amortized when the properties are placed in production.

Depreciation of Other Equipment

Depreciation is provided at straight-line rates ranging from 8% to 33%. Gains and losses from disposals are included in income. Maintenance and repairs are charged to expense.

The company subdivides its land into "areas" for the purpose of accumulating costs which include land costs and all costs of development. Inventories of land and improvements are carried at cost which is not in excess of net realizable value. As land is sold, the unit cost (based on the relationship to selling price) is charged to cost of sales. For accounting purposes, the company does not record a transaction as a sale until aggregate cash receipts, including interest, equal or exceed 10% of the contract sales price. Until such time as a transaction is recorded as a sale, any cash received is credited to customers' deposits. Selling and administrative expenses and land carrying charges (including interest and real estate taxes) are charged to income as incurred. Sales commissions are charged to income in the full amount payable when the sale is recorded although in the event of cancellation, all or part of the commission may be recovered.

Contracts on land sales provide for monthly payments of principal and interest over a period of approximately five years. Substantially all of the contracts bear interest at 6% per annum. At the time sales are recorded, a valuation discount is provided which, when amortized in conjunction with payments received applicable to such receivables, results in an effective annual yield of 12% on unpaid receivable balances, net of anticipated cancellations. The company has experienced a decreasing cancellation rate and presently estimates allowance for contract cancellations requirements at approximately 6% of gross contract amounts. Contracts receivable have been reduced by an allowance for contract cancellations. Contracts are considered delinquent based on a delinquency period ranging from 90 to 150 days. Upon default the company may initiate action to repossess the security interest under the contracts and amounts previously received are generally retained with the related land being available for resale. Receivable balances related to cancelled contracts are charged to the allowance for contract cancellations.

2. ACQUISITION OF PETRODYNAMICS INC.

As of May 3, 1973, PetroDynamics Inc. was acquired through the issuance of 1,048,186 common shares of a par value of 20¢ each and 1,048,186 5-year common stock purchase warrants exercisable at $5.00 per share, which acquisition was treated as a purchase for accounting purposes. The assets, liabilities and operations from that date have been included in the consolidated financial statements. The purchase cost of $2,934,921 was based upon the estimated fair value of shares and warrants issued and was allocated to assets acquired and liabilities assumed as follows:

Oil and Gas Properties	$ 5,390,456
Other Non-Current Assets	2,050,038
Property Held for Sale	658,401
Current Assets	469,002
Excess of Cost Over Fair Value of Net Assets Acquired	1,660,000
	10,227,897
Long Term Liabilities	(4,434,876)
Current Liabilities	(2,858,100)
Purchase Price	$ 2,934,921

Allocation of the purchase price was based on the estimated fair value of the assets acquired and liabilities assumed, giving consideration to tax effects. The excess of cost over the fair value of net assets acquired, amounting to $1,660,000 at acquisition, is set forth separately in the balance sheet. Amortization of this excess will be provided for based upon the estimated productive life of the oil and gas properties acquired. Any benefits that may be realized in the future from utilization of net operating loss carryovers of PetroDynamics existing at the time of acquisition will be credited to this excess. Such estimated loss carryovers, if unused, expire as follows:

1974	$ 680,000
1975	440,000
1976	1,320,000
1977	780,000
	$3,220,000

3. CONTRACTS RECEIVABLE

Of the $4,843,829 of contracts receivable at December 31, 1973 (1972 — $4,526,137), the company estimates that $1,580,000 (1972 — $880,000) of principal will be collected within one year. An allowance for contract cancellations of $273,063 (1972 — $286,867) has been deducted from the total amount receivable.

Maturities of gross contracts receivable are as follows:

	1973	*1972*
Due within 12 months	$1,779,000	$1,140,000
Due from 13 to 24 months	1,422,294	1,159,938
25 to 36 months	1,019,270	973,990
37 to 48 months	544,510	804,456
49 to 60 months	78,755	447,753
	$4,843,829	$4,526,137

At December 31, 1973, accounts with delinquent payments due amounted to $167,500 and the allowance for contract cancellations is considered to be adequate.

At December 31, 1973, contracts with selling prices aggregating approximately $315,000 (1972 — $585,000) were not yet recorded in sales. Cash received on such contracts approximated $35,200 at December 31, 1973 (1972 — $43,700).

4. NOTE RECEIVABLE

This note receivable arose from the sale in 1971 by PetroDynamics of two subsidiaries holding a working interest in oil and gas properties located in Venezuela. The carrying value represents the present value of the anticipated monthly cash flow from the working interest.

The debtor's ability to continue making monthly payments is dependent on funds being available from sales of crude oil from the Venezuelan concessions. The receipt of such funds (presently $39,000 per month) is contingent upon the continuation of policies presently prevailing in Venezuela towards foreign ownership of oil and gas interests.

This note receivable has been pledged as collateral for a note payable with a principal balance of $594,000.

5. REAL ESTATE INVENTORY

At December 31, 1973, costs of $181,593, consisting primarily of architect fees and land costs relative to a condominium project, are included (see Note 13).

6. PROPERTY, PLANT AND EQUIPMENT — AT COST

	1973	*1972*
Oil and Gas Properties	$10,514,879	$ 5,769,485
Gas Transmission Facilities	948,825	954,225
Mineral Properties	196,623	825,825
Other Equipment	514,839	423,783
	$12,175,166	$7,973,318
Less:		
Accumulated Depreciation and Depletion	(1,657,703)	(1,136,619)
	$10,517,463	$ 6,836,699

At December 31, 1973, $144,885 of the carrying value of mineral properties represents the remaining 50% interest in uranium mining properties from which, during 1973, pursuant to an agreement, the company sold an undivided 50% interest. The purchaser has the right to terminate the agreement on any anniversary date of the agreement without further liability. Among other terms and conditions, the agreement calls for an exploration program scheduled over four years and grants options to the purchaser which, if completely exercised, will earn the purchaser a 75% interest in the properties and result in the purchaser expending approximately $660,000 for exploratory work and payments to the company totalling $470,000.

7. LONG TERM LIABILITIES

	Maturity	1973	1972
Payable in U.S. Funds			
Bank Loans—9%, and 2% above prime interest rates, collateralized principally by certain oil and gas properties and production proceeds	(A)	$2,754,477	$ 811,613
Notes Payable—5% and 8 ¾ % interest, collateralized by a note receivable with a carrying value of $1,366,357	1975	693,350	43,500
6 ½ % Subordinated Convertible Debentures	*1980	757,248	—
6 ¾ % Subordinated Convertible Debentures	*1976	704,720	—
8 ¾ % Subordinated Convertible Debentures	1978	376,000	486,000
5 ½ % Mortgage Payable on Land	1978	188,570	278,540
7 ¾ % Note Payable—collateralized by property held for sale	1982	370,044	—
		$5,844,409	$1,619,653
Payable in Canadian Funds			
Bank Loans—9 ½ % interest, collateralized by certain oil and gas properties and production proceeds	1978	$ 618,053	$ 839,966
8% Convertible Debentures	1976	80,000	80,000
		6,542,462	2,539,619
Included in Current Liabilities Amounts Due Within One Year		2,153,328	823,620
		$4,389,134	$1,715,999

(A.) These bank loans are payable monthly out of production proceeds or call for specific monthly payments over periods ending during 1975 through 1978. Payments of approximately $1,065,000 will be required within the next twelve months.

*Assumed upon merger of PetroDynamics Inc. and discounted to yield an effective rate of 8 ½ %. At December 31, 1973, the face amount was $828,000 for the 6 ½ % debentures and $740,000 for the 6 ¾ % debentures. Appropriate tax effects have been provided for the discount.

Maturities of long-term liabilities are as follows:

	1973	1972
Within 12 months	$2,153,328	$ 823,620
From 13 to 24 months	1,670,905	559,096
25 to 36 months	1,031,467	251,903
37 to 48 months	276,775	177,000
49 to 60 months	393,373	140,000
Subsequent	1,016,614	588,000
	$6,542,462	$2,539,619

The 6 ½ % subordinated convertible debentures are convertible into common stock of the company at $10.90 per share and may be redeemed at the company's option at a price equal to face value. The company is obligated to provide a sinking fund of $250,000 a year. Debentures converted or otherwise acquired may be used to offset such a sinking fund. Such sinking fund payments will not be required for approximately four years because of conversions to date.

The 6 ¾ % subordinated convertible debentures are payable in quarterly installments of $37,500 commencing March, 1973, through December, 1975, with final payment of $450,000 in March, 1976. These debentures are callable at premiums of 2 ¾ % through December, 1974, decreasing by 1% each year to face value at date of maturity. The debentures to the extent of $290,000 are convertible at the rate of $20.14 per share. The remaining debentures in the amount of $450,000 are convertible at the rate of $17.36 per share.

The 8¾% debentures are convertible at the holders' option into common stock of the company at $3.00 per share until December 18, 1974, and $4.00 per share until December 15, 1978. The debentures are redeemable at a premium, upon notice, at the company's option. Under the terms of the trust indenture, annual sinking fund payments equal to 7% of the company's consolidated net income, after provisions for income taxes, must be paid to the Trustee for the redemption of the 8¾% convertible subordinated debentures outstanding. The conversion of such debentures to December 31, 1973, which qualify as such payments, exceed the sinking fund requirements and no further provision is necessary.

The 8% debentures are redeemable at a premium upon notice, at the company's option and are convertible at the holders' option into common stock of the company at $5.00 per share until June 1, 1976.

Unamortized discount and expenses are being amortized over the life of the debentures.

8. INCOME TAXES

Canada. For Canadian income tax purposes, the company is entitled to claim drilling, exploration and lease acquisition costs and capital cost allowance (depreciation) in amounts which exceed the related charges to earnings. At December 31, 1973, approximately $4,000,000 of drilling, exploration and lease acquisition costs and undepreciated capital costs remained to be carried forward indefinitely and applied against future taxable income of these companies.

U.S. Deferred income taxes are provided for net timing differences between book and taxable income. These timing differences relate primarily to income from installment sales, valuation discounts, and, in 1973, to a writedown of mineral properties for book purposes. Operating loss carryovers are available as a result of the merger acquisition of PetroDynamics Inc. Benefits from the utilization of these operating loss carryovers are credited to the "Excess of Cost Over Fair Value of Net Assets Acquired" resulting from this acquisition (see Note 2).

The company files income tax returns on a consolidated basis. Deferred income taxes arise primarily from income from sales of land being recognized for financial reporting purposes on the accrual basis and for tax purposes on the installment basis as collections on land contracts are received; the provision for deferred taxes is based on reported financial income adjusted for intangible drilling and development costs related to the U.S. companies' oil and gas exploration activities, a Canadian company's losses and other timing differences.

Income tax expense for 1973 is made up of the following:

	U.S. Federal	*State*	*Total*
Current tax expense	$ 10,000	$ 96,000	$106,000
Deferred tax expense	(84,000)	33,000	(51,000)
Charge equivalent to utilization of purchased net operating loss carryover	240,000	—	240,000
	$166,000	$129,000	$295,000

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The source of these differences in 1973 and the tax effect of each were as follows:

Writedown of mineral properties for book purposes not currently deductible for tax purposes	$(234,000)
Contract cancellation and valuation discount expense not charged for tax purposes	(144,000)
Current year installment sales deferred for tax purposes	867,000
Collections on installment sales of prior years included in taxable income	(675,000)
Imputed interest income on contracts not recognized for tax purposes	88,000
Deduction for tax purposes from a partnership	14,000
Effect of deferred state income taxes	33,000
	$ (51,000)

Total federal income tax expense amounted to $166,000 (an effective rate of 23%), a total less than the amount of $352,000 computed by applying the statutory Federal income tax rate of 48% to income before taxes. The reasons for this difference are as follows:

Computed Federal income tax expense using the statutory rate	$ 352,000
Increases (reductions) resulting from:	
Loss of foreign subsidiaries	112,000
Tax loss on sale of uranium properties for which no deferred taxes were required when previously charged to book expense	(246,000)
Election to charge off for tax purposes capitalized oil and gas development and other costs	(102,000)
Taxable portion of collections on a note receivable considered as reduction of principal for book purposes	37,000
Other items	13,000
	$ 166,000

For 1973, the benefits from utilization of net operating loss carryovers available as a result of the merger acquisition of PetroDynamics Inc. (see Note 2) have been credited to the "Excess of Cost Over Fair Value of Net Assets Acquired" resulting from this acquisition.

9. CAPITAL STOCK, CAPITAL IN EXCESS OF PAR VALUE, SHARE PURCHASE WARRANTS AND STOCK OPTIONS

Capital Stock and Capital in Excess of Par Value

During the two years ended December 31, 1973, the following changes occurred:

	Shares	*Capital Stock*	*Capital in Excess of Par Value*
Balance—December 31, 1971 (Worldwide Energy Company Ltd.)	3,473,473	$ 3,489,589	$ —
Issued on exercise of stock options	11,000	25,400	—
Issued on retirement of 8¾% debentures	35,582	80,269	—
Exchange of WECO Development Corporation 20¢ par value common stock for shares of Worldwide Energy Company Ltd. (former parent) (Note 1)	—	(2,896,328)	2,781,288
Issued on conversion of 8¾% debentures subsequent to reorganization	253,009	55,683	415,038
Balance—December 31, 1972	3,773,064	754,613	3,196,326
Issued on exercise of stock options	3,000	600	5,490
Issued on conversion of 8¾% debentures	3,333	667	9,333
Issued to shareholders of PetroDynamics Inc. upon merger (Note 2)	1,048,186	209,637	2,720,584
Balance—December 31, 1973	4,827,583	$ 965,517	$5,931,733

Share Purchase Warrants and Stock Options

Of the authorized but unissued common shares, 1,496,846 shares were reserved at December 31, 1973 (1972 — 352,000 shares) for issue upon the exercise of the following:

(a) Outstanding warrants which entitle the holders to purchase 25,000 common shares of the company at $3.00 per share to March 28, 1977; and warrants issued during the year pursuant to a merger agreement for the purchase of 1,048,186 shares of common stock of the company at $5.00 per share to May 3, 1978; also warrants expiring August 20, 1977, resulting from the PetroDynamics merger agreement for the purchase of 20,000 common shares at $7.00 per share and 20,000 common shares at $5.00 per share. Warrants to purchase 62,500 common shares at $5.00 per share expired on April 15, 1973.

(b) Shares have been reserved for the conversion of $80,000 8% convertible debentures due June 1, 1976 (Note 7).

(c) Shares have been reserved for the conversion of 8¾% convertible subordinated debentures due December 15, 1978 (Note 7). In addition, 10,000 shares have been reserved for warrants sold to the underwriter. The warrants, which expire December, 1975, are exercisable at a price equal to the conversion price of the debentures.

(d) 40,470 shares have been reserved for the conversion of 6¾% convertible subordinated debentures due March, 1976 (Note 7). Warrants relating thereto, for the purchase of 40,470 shares, if issued, will be exercisable at $5.00 per share to May, 1978.

(e) 75,693 shares have been reserved for conversion of 6½% convertible subordinated debentures due May, 1980 (Note 7). Warrants relating thereto, for the purchase of 75,693 shares, if issued, will be exercisable at $5.00 per share to May, 1978.

During the year, options for the purchase of 3,000 shares at $2.03 per share were exercised. The market price at that date was $2.51 per share. Options previously granted as to 65,500 common shares of the company to officers and key employees of the companies expired or were cancelled during the year.

10. DISCONTINUED OPERATIONS

Discontinued operations for 1972 include the following:

Income:	
Home construction	$2,546,857
Expenses:	
Home construction	2,477,449
Selling costs	56,062
General and administrative	20,173
Loss on sale of operations	21,568
	2,575,252
Loss before income taxes	$ 28,395

11. WRITEDOWN OF MINERAL PROPERTIES

Based upon a decision to discontinue significant exploration and other activities relative to hard minerals and a resulting evaluation of the recoverable value of certain mineral property interests held by subsidiary companies, the company has made a charge to income recognizing a write down of the carrying value of mineral interests as follows:

Mineral Properties (foreign)	$597,626
Mineral Properties (U.S.)	141,013
	$738,639

12. EARNINGS PER SHARE

Earnings per share computations are based on the weighted average number of shares outstanding. Computations giving effect to potential dilutive factors result in an antidilutive effect on earnings per share.

13. COMMITMENTS AND CONTINGENCIES

Annual rentals, principally office space and automotive equipment, under leases with original terms extending beyond 1973, amount to approximately $117,000.

In order to retain their interest in undeveloped oil and gas properties, the companies will be required to pay delay lease rentals, which based on holdings at December 31, 1973, will amount to approximately $75,000 annually.

In 1974, a subsidiary, as part of the continuing development of an area, will be commencing a condominium project. In connection therewith, during January, 1974, this subsidiary entered into a contract aggregating $2,681,000 for the construction of condominium apartments, recreation facilities and water and sewage plant.

The company is contingently liable on a note payable in the amount of $112,500 due August, 1974, which note was assumed by the purchaser of mineral properties sold.

SUPPLEMENTAL INFORMATION (Unaudited)

The following pro forma amounts set forth information for the periods as though the company and subsidiaries had been combined with PetroDynamics Inc. at the beginning of the period.

	Year Ending December 31	
	1973	*1972*
Revenue	$6,570,000	$6,790,000
Income Before Income Taxes	$ 630,000	$1,372,000
Provision for Income Taxes	202,000	432,000
Net Income	$ 428,000	$ 940,000
Net Income Per Share	$ .09	$ .20

The pro forma operations for 1973 reflect a loss from PetroDynamics Inc. during the four-month period prior to acquisition as oil and gas sales had been declining from prior periods without a comparable reduction in cost and expenses. For 1972, a significant reduction in income taxes would have resulted from the election to deduct for income tax purposes intangible development costs capitalized for book purposes. During 1973, similar costs were not incurred.

AUDITORS' REPORT

To the Board of Directors
and Shareholders of
WECO Development Corporation:

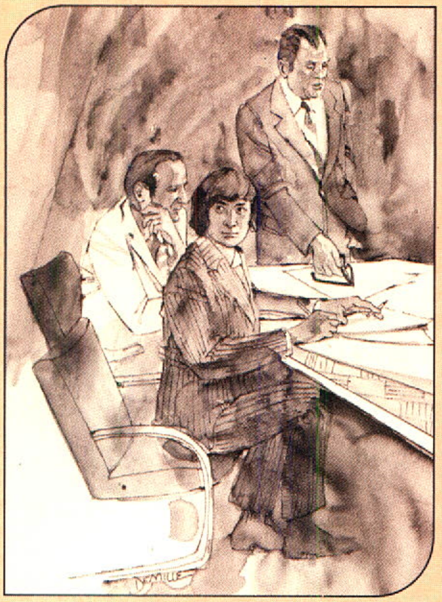
We have examined the consolidated balance sheet of WECO Development Corporation and its subsidiaries as of December 31, 1973, and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements for the year ended December 31, 1972.

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of the companies as of December 31, 1973 and 1972, and the consolidated results of their operations and the changes in their financial position for the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Denver, Colorado
March 29, 1974

COOPERS & LYBRAND

FINANCIAL REVIEW



WECO Development Corporation

AND SUBSIDIARY COMPANIES

Revenues

Gross revenues increased by $1,401,000 which represents a 31% increase over the preceding year. While real estate revenues declined by 17%, oil and gas revenues increased 211%, and interest and other income increased by 59%. $1,447,000 of the total increase in oil and gas sales was attributable to the PetroDynamics Division which has been included in the accounts since May 3, 1973. A large portion of the company's crude oil produced qualifies as "exempt" production. If current price levels are allowed to remain, 1974 gross revenues will be significantly higher than in 1973.

The decrease in 1973 earnings before income taxes is attributable principally to the $738,639 write down of mineral properties as compared to $186,225 write off of oil and gas exploration permits in 1972. This, together with a reduction of $697,000 for provision for income taxes for 1973, resulted in a decrease in the current year's net income.

Financial

There was no new financing during the year except for the addition of $4,376,000 of long term debt assumed through the merger of PetroDynamics, Inc. This total included 6½% debentures in the amount of $750,000; 6¾% debentures in the amount of $671,000; notes and mortgages payable in the amount of $1,021,000; and bank production loans in the amount of $1,934,000.

The retirement of long term debt during 1973 in the amount of $1,752,700 was applied as follows: $110,000 on 8¾% debentures, $112,500 against 6¾% debentures, $483,000 on notes and mortgages, and $1,047,200 on bank production loans.

The added and previously existing production loan debt at current levels of repayment will be paid off in approximately 30 months. A major bank loan bearing interest at 2% above prime interest rates is payable at approximately $65,000 per month and is expected to be amortized completely during 1976. The note payable bearing interest at 8¾% relating to the Venezuelan oil and gas concessions is expected to be repaid by October, 1975.

Interest rates on the company's indebtedness on notes and mortgages range from 5½% to 8¾% while most bank loans are at 2% above prime rates. A review of interest rate trends since January 1, 1973, indicates that U.S. and Canadian commercial bank prime lending rates rose from 6% to a current rate of 11½%.

Capital Expenditure

In addition to the expenditure for properties and other assets acquired through the merger of PetroDynamics, Inc., the company expended $869,000 for property additions during 1973. Of that total, $309,000 was for acreage acquisition and retention costs; $259,000 for exploration and development drilling; and $401,000 for additional oilfield equipment and other assets.

During the year the company sold part of its interest in producing wells and lease hold interests in Saskatchewan for the sum of $360,000 and its interest in undeveloped acreage in the Provost area of Alberta for $725,000. In addition $263,000 was realized from the sale of an interest in New Mexico uranium properties as a part of an exploration agreement with AMAX.

Income Taxes

As of the merger date, PetroDynamics, Inc. had net operating loss carry overs of approximately $3,700,000 which may be available for use by the company in consolidated income tax returns. Such losses, however, may not be used to offset charges for required income tax provision. Therefore, a $240,000 charge to income in 1973 for income taxes is not offset by an extraordinary credit for the use of net operating loss carry overs as this amount has been applied to reduce the stated amount of the balance sheet caption "Excess of Cost Over Fair Value of Net Assets Acquired." Cash requirements for income taxes payable are limited to the amount of taxes currently payable as indicated in the financial statements.

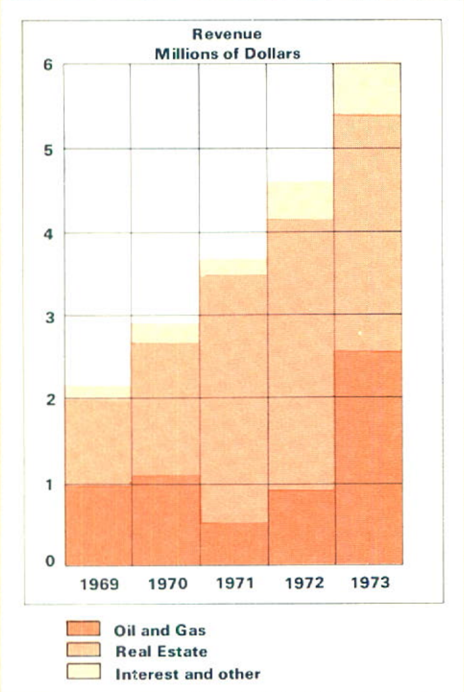
Inventories

The company's real estate inventory stated at $406,568 includes $181,593 related to the company's condominium development project at Inverness, Florida. Subsequent to December 31, 1973, the company entered into a contract aggregating $2,681,000 for the construction of condominium apartments, recreational facilities, and water and sewage plant. The company anticipates that the initial stages of construction will be financed through short term bank loans and cash generated from operations. Construction has commenced and model condominiums will be available for display shortly.

FIVE YEAR SUMMARY

WECO Development Corporation

AND SUBSIDIARY COMPANIES



HISTORICAL CORPORATE HIGHLIGHTS

1967—Name of company changed to Worldwide Energy Company, Ltd.

1968—Company listed on Toronto Stock Exchange.
—Acquired Citrus County Land Bureau.

1971—Incorporation of WECO Development Corporation.

1972—WECO Development Corporation becomes parent company.

1973—PetroDynamics, Inc. acquired by merger.

Operating

	1973	*1972*	*1971*	*1970*	*1969*
Real Estate					
Homesites sold	900	1,216	1,381	839	682
Oil and Gas					
Production—oil (bbls)	352,600	149,400	132,500	108,300	35,800
—gas (mcf)	2,690,500	1,199,800	682,200	698,700	619,600
Sales—oil (bbls)	354,200	150,300	134,000	107,700	35,600
—gas (mcf)	4,304,500	1,769,000	796,200	856,900	868,300
Net wells owned					
—oil	217	32	18	18	14
—gas	55	15	10	10	10
—service	50	6	5	3	1
—shut-in gas	5	5	5	2	2
—shut-in heavy oil	3	2	2	2	2
Net wells drilled					
—oil	3	—	2	1	9
—gas	—	—	4	—	—
—dry or suspended	2	1	13	—	5
—injection	—	—	1	—	1
Reserves—oil (bbls)	4,517,000	2,518,000	2,688,000	2,224,000	1,325,000
—gas (mcf)*	78,483,000	73,000,000	57,100,000	39,300,000	40,200,000

*Includes reserves committed to pipelines.

Financial

	1973	1972	1971	1970	1969
CHANGES IN FINANCIAL POSITION					
Funds from operations	$2,148,614	$2,091,579	$1,663,138	$1,276,325	$ 677,338
Additions to long term debt	50,000	380,000	2,878,314	970,000	450,000
Issuance of capital stock	2,946,311	461,350	125,063	603,543	1,180,870
Property sales	1,475,456	318,232	—	—	—
Other	1,289,181	287,773	30,601	82,558	(4,395)
Total	7,909,562	3,538,934	4,697,116	2,932,426	2,303,813
Capital expenditures	869,192	989,493	1,700,175	1,026,830	2,053,364
Reduction of long term debt	1,752,741	1,498,062	1,150,052	1,060,437	609,030
Net assets acquired—PetroDynamics	5,383,019	—	—	—	—
Other applications	495,233	1,230,045	976,185	708,654	531,403
Total	8,500,185	3,717,600	3,826,412	2,795,921	3,193,797
Increase (Decrease) in working capital	$ (590,623)	$ (178,666)	$ 870,704	$ 136,505	$ (889,984)
REVENUES					
Oil and gas sales	$2,515,031	$ 808,808	$ 575,114	$ 505,097	$ 359,422
Real estate sales	2,765,480	3,322,571	2,697,669	1,614,102	1,091,345
Other	676,212	424,481	335,288	732,278	681,261
Total Revenues	$5,956,723	$4,555,860	$3,608,071	$2,851,477	$2,132,028
INCOME					
Income before taxes	$ 862,895	$1,678,783	$1,410,709	$1,062,567	$ 530,825
Net income	567,895	686,783	1,000,709	689,567	415,825
BALANCE SHEET DATA					
Net contracts receivable	$ 4,141,993	$ 3,830,579	$ 2,755,334	$1,825,958	$1,230,124
Property, plant and equipment	10,517,463	6,836,699	6,559,434	5,079,879	4,253,240
Total assets	20,687,696	13,026,362	11,983,986	8,650,994	7,130,965
Long term debt	6,542,462	2,539,619	3,645,751	2,229,023	1,942,759
Accumulated provision for deferred income taxes	2,078,401	2,108,675	1,125,342	788,200	416,462
Shareholders' equity	10,696,355	7,182,149	6,034,016	4,908,244	3,615,134
PER SHARE DATA					
Net income	13¢	19¢	29¢	22¢	13¢
Book value	$2.22	$1.91	$1.74	$1.44	$1.14
OTHER DATA					
Stock outstanding—common	4,827,583	3,773,064	3,473,473	3,418,081	3,176,664
Number of shareholders	8,400	8,000	9,000	8,100	7,100
Number of employees	68	26	27	20	23

DIRECTORS	**J. Kenneth Boyles**	Vice President The National State Bank Elizabeth, New Jersey
	Arthur Cassel, Chairman	President Citrus County Land Bureau, Inc.
	Winston L. Cox	Independent Oil Operator Billings, Montana
	Bernard A. Marden	Vice President Merchant Investors Corporation New York, New York
	Joe C. Richardson, Jr.	Oil and Gas Consultant Past President - PetroDynamics, Inc. Amarillo, Texas
	Robert B. Tenison	President WECO Development Corporation
	W. G. Tierney	Oil and Gas Consultant Denver, Colorado
OFFICERS	**President**	Robert B. Tenison Denver
	Vice President	Arthur Cassel Great Neck, New York
	Vice President	Robert B. Ray Denver
	Treasurer	Walter V. Pelepchan Denver
	Secretary	Christopher D. Blair Denver
	Assistant Secretary	(Mrs.) Beatrice M. Cooper Denver
HEAD OFFICE	**1100 Western Federal Savings Building Denver, Colorado 80202**	
SUBSIDIARIES	**Worldwide Energy Company Ltd.**	Calgary, Alberta
	Cold Lake Transmission Limited	Bonnyville, Alberta
	Citrus County Land Bureau, Inc.	Great Neck, New York
	Worldwide Energy Corporation	Denver, Colorado
	Semco Gas, Inc.	Denver, Colorado
	Worldwide Energy (U.K.) Limited	Keswick, Cumberland, U.K.
	WECO Mining Corporation	Denver, Colorado
TRANSFER AGENTS AND REGISTRARS	**The National State Bank**	Elizabeth, New Jersey
	Guaranty Trust Company of Canada	Calgary and Toronto
	Franklin National Bank (8¾% Debenture)	New York, New York
	Mercantile Trust Company (6½% Debenture)	St. Louis, Missouri
STOCK TRADED	**OTC Toronto Stock Exchange**	
AUDITORS	**Coopers & Lybrand**