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ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Clarion Petroleum Ltd. will be held at 10 a.m., Wednesday May 27, 1981 in the Aquitaine Tower Theatre, Second Floor, 540 - 5th Avenue, S.W., Calgary, Alberta.

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METRIC CONVERSION FACTORS

The following chart sets forth a few of the commonly used terms in the petroleum industry and shows the approximate comparison between the Imperial terms and the System Internationale (SI) terms.

Traditional Unit	SI Unit	Conversion Factor
Mile	Kilometre	1 mile=1.609 kilometres
Foot	Metre	1 foot=0.305 metres
Cubic foot	Cubic metre	1 cubic foot=0.028 cubic metres (natural gas)
Barrel	Cubic metre	1 barrel=0.159 cubic metres (petroleum liquids)
Acre	Hectare	1 acre=0.405 hectares

HIGHLIGHTS OF THE FIRST YEAR OF OPERATION

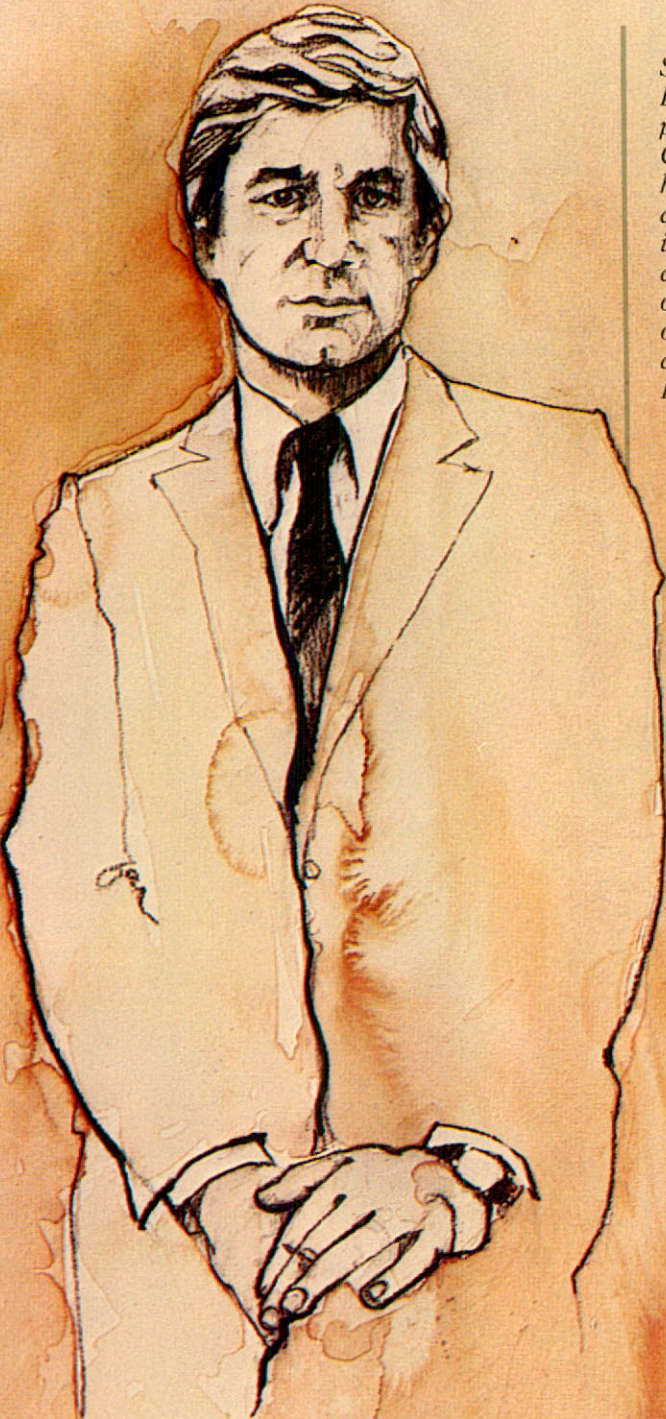
Clarion Petroleum Ltd. achieved noteworthy success in oil exploration, land assembly and financing during its first full year of operation. Not only was a high ratio of successful oil wells produced by the Company's drilling, but Clarion also assembled an enviable land position, including over 950,000 net acres, both American and Canadian, across the northern Williston Basin. The Company's U.S. subsidiary, Clarion Resources Inc., is managing oil and gas properties in Texas and Oklahoma as well as conducting aggressive exploration programs.

During 1980, Clarion Petroleum Ltd. completed three financings, raising over \$40 million and positioning the Company for further successful expansion.

STATISTICAL SUMMARY 1980

Net Operating Revenues	\$10 million
Cash Flow	\$2.2 million
Invested in Exploration	\$9.2 million
Gas Production — net	14.1 million cubic feet per day
Oil Production — net	741 barrels per day

Gary Last, who graduated from the University of Saskatchewan in 1954 with a degree in Chemical Engineering, has over 25 years experience in the petroleum industry. Prior to becoming Chairman and Chief Executive Officer of Clarion Petroleum Ltd. he had been associated with major oil companies as well as with his own engineering consultant firm. Mr. Last is a past Chairman of the Petroleum Society of CIM and a past Vice-President of the Canadian Institute of Mining and Metallurgy. He is currently a Director of the Independent Petroleum Association of Canada and past Chairman of the Board of the Petroleum Resources Communication Foundation.



MESSAGE FROM THE CHAIRMAN:

With one year now behind us, Clarion Petroleum has accomplished much. It is the future, however, that truly commands our attention.

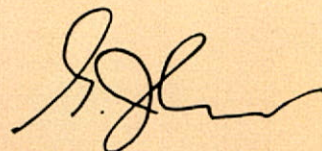
Clarion's future is in the hands of a management team of unusual skill, imagination and vitality. This team has taken the assets of Sabre Resources and Highfield Oil & Gas, formed Clarion, and in one brief year built substantial new petroleum reserves and prospects. In the years ahead Clarion's annual reports will confirm the potential for discoveries, acquisitions and future cash flow that is now built into this Company.

The National Energy Program of the Government of Canada, announced in October of 1980, was a giant step toward socialization of the oil industry in Canada. It was also a challenge to the traditional resource authority of the Provinces. The Canadian constitutional struggle continues. These federal interventions and the associated heavy taxes have not been offset by any significant increases in oil and natural gas prices at the wellhead. These policies discourage energy development and will ensure that Canada continues to import expensive foreign oil rather than finding and producing its own.

Clarion's business base is in Canada but the continuing Federal/Provincial confrontation has accelerated the Company's move to invest increasing amounts of capital in oil and gas exploration and acquisition in the United States. The Company's Denver operation at year end involved 10 employees and by March, 1981, had increased to 20 skilled individuals committed to growth. They will oversee a gross 1981 U.S. exploration budget of \$30 million. The Canadian exploration budget for 1981 is \$18 million.

In the near term Clarion will be a cash flow oriented explorer. Exploration prospects of medium risk with early prospect for revenue will be our main thrust. However, participation in higher risk prospects in North America and in foreign countries are being initiated now. In this way, as we come out of our current aggressive asset building period and are generating substantially increased cash flows, these higher risk, higher reward prospects will be available for investment.

On behalf of Clarion's Board of Directors, I invite you to read carefully the following pages of Clarion's first Annual Report and participate with our management and staff in their success.



Gary J. Last
Chairman and Chief Executive Officer



Dennis Cartwright was born and raised in Moose Jaw, Saskatchewan, where his father worked as a switchman for the Canadian Pacific Railway. After earning a petroleum engineering degree from the University of Saskatchewan, Mr. Cartwright spent 14 years working for major oil companies, including Amoco, Sun Oil and Aquitaine. His exploration and production experience includes activities across Western Canada, Europe and the Canadian frontiers.

In 1976 Dennis Cartwright became General Manager of Highfield Oil & Gas, and later President. Between its founding and the amalgamation with Clarion in 1979, Highfield's total expenditure was

\$40 million. An independent consulting firm calculated the fair market value of Highfield's final assets to be \$80 million.

As President and Chief Operating Officer of Clarion, Mr. Cartwright is responsible for managing all Clarion's operations in Canada and the United States.

PRESIDENT'S REPORT

A company consists of two ingredients – assets and expertise. You could say, money and people. The two are intimately connected. Without good people, the most established corporation will slide towards financial trouble. The newest company has a solid basis for future profit if it can attract the best talent.

As Clarion's President, I focus on the people factor. Finding and hiring the best. Keeping them with us. Helping them work together. Building a team that can take this company where its investors want it to go.

Let's be straightforward about how this is done. Financial reward is of major importance. All Clarion's people believe this Company has what it takes to succeed and every one of us has a personal stake in that success. Everyone who works here receives a regular 15 per cent bonus in the form of stock, which means an unusual degree of employee involvement in the firm.

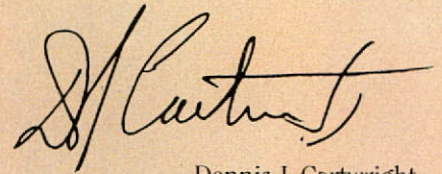
But human beings need more than money. Another overriding reason people are happy here is team commitment and honesty. In a tight-knit operation like this, politicking is minimal. Credit goes where credit is due and no one climbs upward on others' backs. Clarion people pull together and they trust each other.

We believe in delegating as much authority downward as possible. Clarion believes that each professional should be given as much room for initiative as possible at his level. We will replace someone unsuited to this system rather than bogging the Company down in double-checking and unnecessary baby-sitting by senior staff.

This executive freedom means job satisfaction for our people. I'm grateful to say there's been little replacing. We normally hire professionals with a background among the major oil companies. There they are trained thoroughly, both in their professions and in administration. When we get them they're ready to operate more freely and grateful to escape most of the red tape.

Clarion uses consultants a great deal, hiring these highly skilled freelancers on a daily or retained basis as required. The combination of consultants and its own veteran staff makes an exceptionally broad range of technologies available to the company. At the same time, the number of our own staff is kept down, reducing administration. We like to call Clarion a "mini-major", fusing high technical capacity with speed and efficiency.

It's a demanding and complex business. I deeply appreciate the support of all Clarion's staff. On the following pages the four vice-presidents tell Clarion's story from their own points of view, up to the present. Of course, we are a young company and the most exciting events still lie in the future.



Dennis J. Cartwright
President and Chief Operating Officer



Duncan Bird grew up in Grande Prairie, Alberta, now the centre of Deep Basin exploration activities and the province's fastest growing oil town. In 1954 Mr. Bird received a degree in chemical engineering from the University of Alberta. He then spent 11 years with two major producers, Shell Canada and Hudson's Bay Oil & Gas. After a further 10 years with the Banff/Aquitaine group, where he became Production Manager, Mr. Bird joined Sabre as Production Vice-President, the position he now holds with Clarion.

PRODUCTION

An oil well's story begins with "full cycle economics" — a detailed geological, engineering and economic study of the prospect developed by the production department in conjunction with the exploration department specialists. The probability of success of finding anything must be stacked against the amount of oil and gas that may be found. The higher the potential of discovering a hydrocarbon accumulation, the higher the risk that can be economically justified. A high risk exploration well would have perhaps a 5 per cent chance for success. A relatively low risk exploration play may typically have a 30 per cent chance of success. Many complex factors determine this ratio, ranging from detailed economic and technical analyses to the intuition of a highly trained specialist in the area — or put more simply, "gut feel".

Once the green light is given, my people must draw up a drilling plan, contract a rig, co-ordinate the supply function, arrange for logging and testing of the hole, and generally organize the complex day-to-day operation of drilling an oil or gas well. For on-site supervision we find it profitable to hire specialists on a consultant basis, reserving our own engineering personnel for planning and organizing the operations.

A vast array of electric logs, core analyses and drill stem tests are used to assess potential for successful production of hydrocarbons. If the indicators are promising, our engineers investigate the most efficient method of completing the well. What I mean by completing is the complicated and expensive operation of making the well produce oil or gas in commercial quantities. The completion operations in most instances will be as costly as or more costly than the actual drilling of the well.

This in my mind is the most critical operation of the entire exploration play, other than the original decision to proceed. A well thought out, logical and technically sound method of achieving oil or gas production from the well will determine the success or failure of the project.

If the completion is successful and preliminary production performance proves commercial, work will begin on how to delineate the field to determine the full extent of what has been found. Given sound technical planning, drilling offset locations will usually result in more producing wells. Competent engineering can really tell at this point, foreseeing potential problems and reacting to them to insure that the maximum return per dollar invested is realized.

Aside from the highly technical work of the drilling and engineering personnel, another key group of people in my department are our field operating staff. These employees are responsible for the day-to-day operations of producing properties. They co-operate very closely with our engineering staff to ensure optimum operation of our oil and gas properties.

Three things tell me that we have a successful department. The first is the attempt to maintain up-to-date plans and strategies to minimize the amount of energy and time spent on "firefighting" unanticipated problems. The second is I can rely increasingly on my staff to handle regular operations, giving me time to concentrate on new developments and strategies. Finally, I see self-motivated, enthusiastic men and women working with me. These strengths mean a growing, dynamic Clarion Petroleum in years to come.

RESERVES

Clarion Petroleum Ltd.'s proved and probable crude oil reserves in Canada and the U.S.A. now stand at 3,538,035 barrels. Natural gas reserves in Canada and the U.S.A. total 176,638 millions of cubic feet and natural gas liquids reserves total 339,468 barrels. Canadian and U.S.A. reserves are estimated annually by independent consultants.

ESTABLISHED RESERVES*

(as of December 31, 1980)

	Crude Oil (barrels)	Natural Gas Liquids (Barrels)	Natural Gas (Millions of cubic feet)
Canada	3,523,806	339,468	147,910
U.S.A.	14,229	—	28,728
Total	3,538,035	339,468	176,638
Cubic Metres	562,503	53,971	—
Millions of Cubic Metres	—	—	4,977

*proven plus probable reserves
as determined by independent consultants

DEVELOPMENT

During 1980 Clarion Petroleum participated in 74 Canadian oil and gas development wells, with a net 17.38 wells to the Company. Results of this drilling were 21 oil wells, 40 gas wells and 13 dry holes. Clarion Resources Inc., a wholly-owned U.S. subsidiary, has committed to a 14 development oil well program in Oklahoma of which 9 were cased as potential oil wells with 5 wells remaining to be drilled as of December 31, 1980.

Canadian production of oil during 1980 was 270,417 barrels. Natural gas amounting to 5,016,228 thousands of cubic feet was also produced. The Company also sold 113,922 thousands of cubic feet of natural gas in the U.S. from its Texas properties, together with 4,252 barrels of liquid petroleum gas.

CANADIAN DEVELOPMENT WELLS

	1980	
	Gross	Net
Oil	21	0.02
Gas	40	16.06
Dry	13	1.30
Total	74	17.38

U.S.A. DEVELOPMENT WELLS

	1980	
	Gross	Net
Oil	9	2.21
Gas	—	—
Dry	—	—
Total	9	2.21

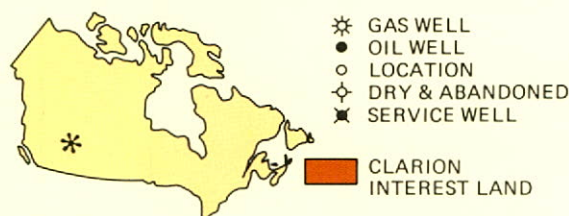
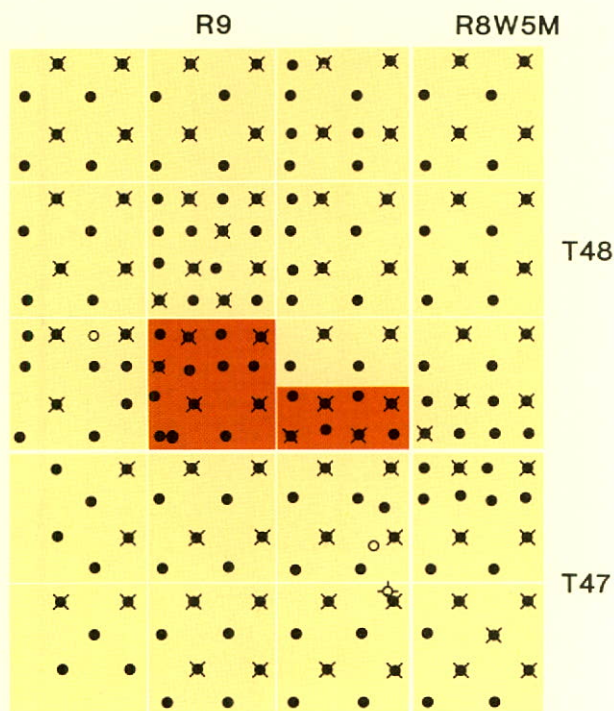
ACTIVITIES OIL

PEMBINA CARDIUM PROJECT NO. 45:

Clarion Petroleum holds a 100 per cent working interest in 960 acres of the Pembina Cardium Pool in Alberta. Clarion's proved and probable reserves in this property are estimated as of 31 December, 1980, at 2,440,700 barrels of oil and 1,220 millions of cubic feet of gas. Production during the year amounted to 246,636 barrels of oil and 99,511 thousands of cubic feet of natural gas.

BIENFAIT:

Reserves for this southeast Saskatchewan discovery are estimated at 551,000 barrels, of which 85,300 barrels are the Company's working interest. The Company holds a 27.5 per cent interest to payout in the drilling spacing unit. Two drilling partnerships, Chess-Clarion 1980-81 Exploration Program and Chess-Paterson 1980-81 Exploration Program, also hold interests. This prospect has the potential for additional wells. Surrounding Clarion acreage has the potential for substantial additional reserves exceeding 2 million gross barrels.



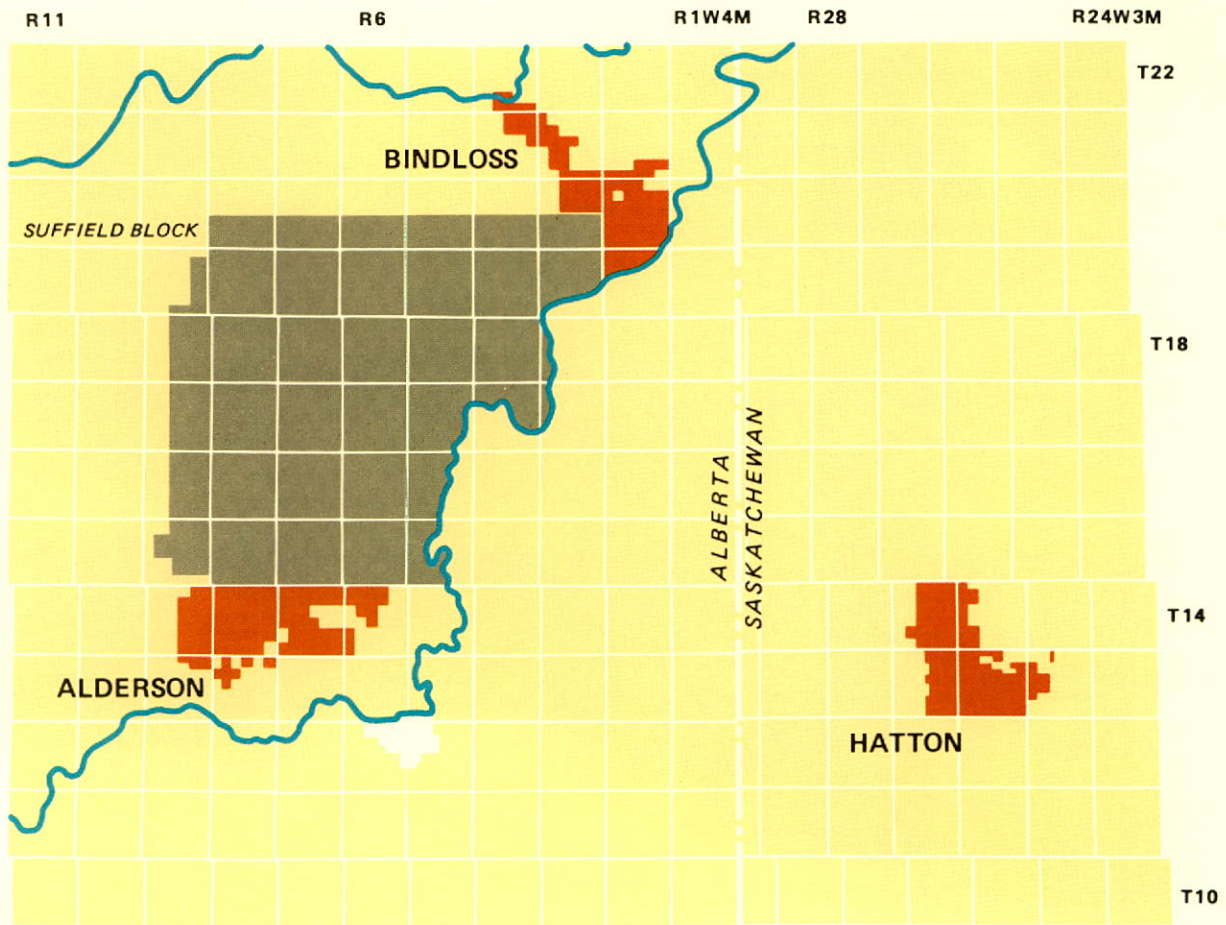
PEMBINA CARDIUM PROJECT #45 ALBERTA

TORQUAY:

The reserve estimate for the one successful exploration well is 94,000 barrels. The Company holds a 27.5 per cent interest to payout and 13.7 per cent thereafter in the drilling spacing unit. In the balance of the surrounding acreage the Company's interest is 13.7 per cent. Again, interests are held by the Company together with its exploration partnerships Chess-Clarion 1980-81 Exploration Program and Chess-Paterson 1980-81 Exploration Program.

CRUDE OIL PRODUCTION

	1980 (barrels)
Canada	
Pembina	246,686
Garrington	9,874
Other	13,857
Total Canada	270,417
Total — barrels per day	741
— cubic metres per day	117.8



 CLARION INTEREST LAND

SE ALBERTA & SW SASKATCHEWAN GAS PRODUCING PROPERTIES

GAS

FORT WORTH BASIN

Effective September 1, 1980, Clarion Resources Inc. acquired an 80 per cent interest in a package of gas reserves and undeveloped acreage 80 miles northeast of Dallas. The acquisition includes 52 gas wells, 2 oil wells, approximately 16,500 gross acres and natural gas reserves of 35,734 millions of cubic feet. Gross sales for the last 4 months of 1980 were 142,402 thousands of cubic feet of gas and 5,315 barrels of LPGs. Production rates are to be increased to 6 million cubic feet per day during 1981. Modern engineering techniques and further development drilling will enhance production during the next year.

ALDERSON:

Clarion Petroleum Ltd. holds a 21.7 per cent interest in 66,400 acres in the Alderson area of south-eastern Alberta. The 1980 development drilling program has increased the number of producing wells by 14 to a total of 396. The Company's total production for 1980 was 1,674,766 thousands of cubic feet. The Company's reserves are estimated at 34,379 millions of cubic feet as of December 31, 1980.

BINDLOSS:

Clarion Petroleum Ltd. owns varying working interests in 58,240 acres of shallow gas rights in the Bindloss-Cavendish area of southeast Alberta. A 1980 development program of 21 wells increased the number of wells on production to 196. Clarion Petroleum Ltd.'s reserves are estimated at 45,042 millions of cubic feet as of December 31, 1980. Gross production from wells under contract to TransCanada Pipelines Ltd. is currently 6,800 thousands of cubic feet per day. TransCanada's 1980/81 contract obligation is 5,800 thousands of cubic feet per day for 330 days. Production in the area under a Pan-Alberta Gas contract is an additional 2,100 thousands of cubic feet per day. Clarion Petroleum Ltd.'s average working interest in this prospect totals 63 per cent. The Company's total production for 1980 was 1,751,363 thousands of cubic feet.

WAINWRIGHT:

Clarion Petroleum Ltd. has proven gas reserves in the Wainwright area estimated at 8,300 millions of cubic feet as of December 31, 1980. The Company's production during 1980 was 658,677 thousands of cubic feet. Contracts are held with the Town of Wainwright, Alberta as well as a local military base and other local consumers. All contracts are on a demand basis.

NATURAL GAS AND ASSOCIATED PRODUCTS

	Natural Gas Sales (thousands of cubic feet)	LPG Sales (Barrels)
	1980	1980
Canada		
Alderson	1,674,766	—
Bindloss	1,751,363	—
Wainwright	658,677	—
Hatton	553,123	—
Others	378,299	—
Total	5,016,228	
U.S.A.		
Fort Worth	113,922*	4,252*
Total	5,130,150	4,252
Total —		
thousand cubic feet per day	14,055	—
— thousand cubic metres per day . . .	398.0	—
— barrels per day . .	—	12
— cubic metres per day	—	1.9

*Production for last 4 months 1980 only.

MAPLE GLEN GAS UNIT:

Clarion Petroleum Ltd. holds a 12.2 per cent interest until payout, and 10.14 per cent thereafter, in this Alberta gas property. The Company's proved and probable gas reserves are estimated at 3,006 millions of cubic feet. The Company's production during 1980 was 97,290 thousands of cubic feet.

EAST MARTEN HILLS:

Clarion Petroleum Ltd. holds various working interests in 17,600 acres in this area of Alberta, with the Company's reserves estimated at 1,989 millions of cubic feet as of December 31, 1980. Gas reserves have been contracted to Pan-Alberta Gas Ltd., with delivery commencing when facilities for additional exports are completed.

HATTON:

Clarion Petroleum Ltd. owns working interests varying from 12.5 per cent to 25 per cent in 58,880 acres of Milk River and Medicine Hat gas reserves in the Hatton area of Saskatchewan.

Clarion Petroleum Ltd.'s production during 1980 totalled 553,123 thousands of cubic feet. The Company's estimated reserves are 41,379 millions of cubic feet.

EXPLORATION PARTNERSHIPS

CLARION RESOURCE PROGRAM

Clarion Petroleum Ltd. holds a 33.3 per cent interest after payout in the Clarion Resource Program which was initiated in 1977 under the name Sabre Resource Program. The Company's interest in proved and probable reserves established by this partnership now total 248,000 barrels of oil and 1,787 millions of cubic feet of natural gas.

CHESS-CLARION 1980-81 EXPLORATION PROGRAM AND CHESS-PATERSON 1980-81 EXPLORATION PROGRAM

Chess Resources Ltd. began operations in January, 1980, acting as a general partner in oil and gas operations. Clarion Petroleum Ltd. owns 50 per cent of the issued and outstanding common shares of Chess Resources Ltd. and all of its non-voting preferred shares. As of December 31, 1980 the Chess-Clarion 1980-81 Exploration Program and Chess-Paterson 1980-81 Exploration Program had discovered proved and probable gross reserves amounting to 879,700 barrels of oil and 14,638 millions of cubic feet of natural gas. The combined programs had to December 31, 1980 drilled 17 exploration wells which resulted in 4 oil wells, 3 gas wells and 10 dryholes.



Norman Paarup, geologist and Clarion's Vice-President of Exploration, grew up on his family's ranching/farming operation in central Alberta. His 20 years in the Canadian and American petroleum industries include experience with independent, senior companies.

EXPLORATION

When Clarion was formed in late 1979, we had an obvious problem — too much natural gas. Reserves inherited from Highfield Oil & Gas, a predecessor company, were under contract but the gas discovered by further exploration had no market.

As Western Canadian gas reserves kept growing, buyers were becoming harder to find. The solution was obvious — Oil. Clarion had to find oil.

Canada is having difficulty replacing its conventional crude oil production with new discoveries. The foreign crude we must import is priced at more than double the cost of Canadian oil. Like every other industry professional, I knew we could sell all the oil we could produce...if we could find it.

We did. We judged that, of all areas of Western Canada, southeast Saskatchewan offered the best oil exploration opportunity. Circumstances and timing were right. Clarion could combine its own geological expertise and production know-how with modern seismic technology. Competition was nil. The area had been dormant since the early 70s, largely because oilmen believed that the Saskatchewan government's royalties and taxes were too high to allow worthwhile profits.

We conducted careful economic appraisals of the types of oilfields we expected to find. We then obtained a 21.4% interest in a 483,000 acre land spread through drilling 16 exploration wells with a partner. The lack of competition allowed us to exercise our technical ingenuity where the prospects looked best. As the pages that follow outline in detail, Clarion has now brought into production over 18 development oil wells, generating immediate cash flow.

Like many other Canadian Companies, much of our company's activity has shifted south of the 49th parallel. However, Clarion will continue to follow the same exploration philosophy that led to success in Canada.

For example, we prefer to work with land spreads of significant size. We normally earn a share of a large land spread through drilling commitments, providing our technological assessment of the prospect is promising. Every dollar spent on drilling has the immediate potential for discovery of hydrocarbons.

Once Clarion has "farmed into" a large spread of land with good potential, we drill a number of wells. This enables us to concentrate the exploration team's efforts and allows the staff to learn the local situation thoroughly. That advantage is often overlooked by those who chase every possibility.

Clarion's history in exploration has featured a more sophisticated use of the latest technology than is usual for American companies of our scale. We look for opportunities to play a pioneer role in applying such techniques to our U.S. prospects. The staff of Clarion's U.S. subsidiary has adopted this approach with enthusiasm.

Petroleum exploration is a blend of technology, practical experience and luck. We at Clarion hope that our mastery of the first two qualities will continue leading us to the third. Our professionals in geology, geophysics and land, add two final ingredients: imagination and courage.

I know my people and what they can do. Every member of the Clarion exploration team has my professional trust and respect.

Clarion Petroleum Ltd. participated in drilling 46 exploratory wells in 1980, resulting in 9 oil and 15 gas discoveries. The ultimate potential of some of these discoveries will not be known until further drilling and testing is completed. The most prospective of these discoveries are detailed in the accompanying text.

WILLISTON BASIN

Clarion Petroleum Ltd. has undertaken 3 separate farmouts in Saskatchewan, Manitoba and North Dakota for a gross total of some 1.5 million acres. This acreage is covered by a recent seismic survey of approximately 7,500 line miles.

SASKATCHEWAN

The Clarion Resource Program initiated exploration on the Saskatchewan portion (483,000 gross acres) and drilled 9 successful oil discoveries out of 16 attempts. Successful development wells resulting from this activity total 18 to December 31, 1980. The Chess-Clarion 1980-81 Exploration Program has continued exploration away from these development areas on a farm-in from the Clarion Resource Program and Shell Canada Resources Limited, and drilled 3 oil discoveries in 8 attempts to December 31, 1980. One of these discoveries is in the Bakken Sand, while the others are in the normal Midale-Frobisher oil producing units. Development of these discoveries will continue in 1981. Further exploration will also continue based on the successful melding of the seismic picture with our geological expertise in the area.

CANADIAN EXPLORATION WELLS

	1980	
	Gross	Net
Oil	9	1.22
Gas	15	3.15
Dry	22	3.03
<u>Total</u>	<u>46</u>	<u>7.40</u>

Bienfait

The Clarion et al Bienfait 9-5-3-6 W2 well is a Lower Midale Limestone oil discovery with 25 ft. gross pay section. The well is flowing 125 barrels of oil per day on a restricted choke, and is on the same geological trend as major producing fields in North Dakota and Saskatchewan. Development of this field is planned for spring and summer, 1981.

Bryant

The Bryant Field is producing from 15 wells in the Upper Midale Dolomite that are similar to wells in the Benson Field 5 miles to the northwest.

Macoun

The Macoun Field is producing from 3 wells in the Lower Midale Limestone, on a trend with 4 similar oil fields. Further development wells are planned for spring and summer, 1981.

Torquay

The Clarion et al Torquay 7a-29-3-11 W2 well is a Bakken Sand oil discovery. The well was drilled as a twin to a previously drilled well which had not attempted completion in this zone. The well has been completed and is being production tested.

MANITOBA

Clarion Petroleum Ltd. will begin exploration on 325,000 gross acres approximately May 1, 1981. Clarion is committed to drill 3 Pre-Cambrian tests 6,500 feet and 17 Mississippian tests 4,000 feet, and conduct 150 miles of new seismic survey to earn 50 per cent of all rights to basement.

NORTH DAKOTA

Clarion Resources Inc. has committed to drill 15 Mississippian tests 4,000-5,000 ft. to earn 50 per cent of 5760 acres of the farmor's land nearest to each test well. These wells must be drilled in 1981. If Clarion drills a total of 40 test wells by the end of 1982 it will earn 50 per cent of all 700,000 gross acres contained in the farmout block. Clarion is currently combining the geological and geophysical pictures to choose drill locations. In addition, Clarion has the right to drill as many wells as is warranted to the Bakken Sand to earn rights to this newly productive zone. It is expected that drilling will commence on May 1, 1981.

SOONER TREND, OKLAHOMA

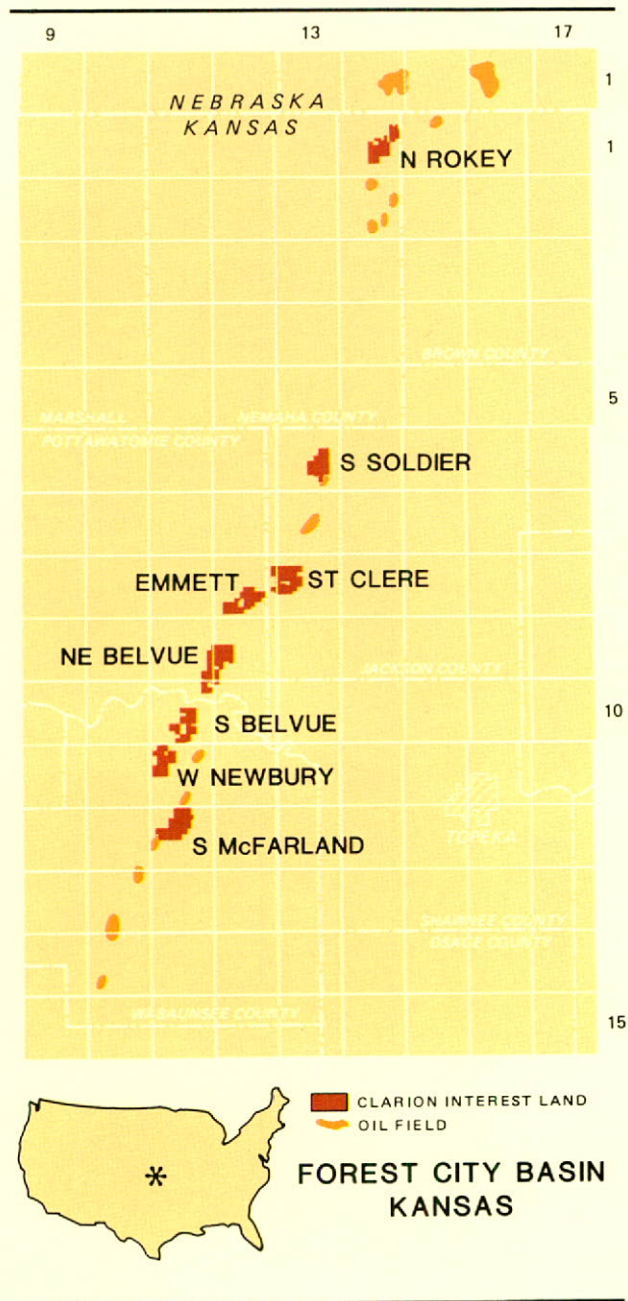
The Sooner Trend is an oil producing area some 80 miles long, where production is encountered in fractured Mississippian limestone. In addition, 6 to 8 other formations are prospective for oil and gas. In 1980 Clarion Resources Inc. committed to participate in a 14-well program of which 9 were cased as potential oil wells with 5 remaining to be drilled as of December 31, 1980. The Company's interest in this program is 24.5 per cent.

FOREST CITY BASIN, KANSAS

Clarion Resources Inc. has acquired a 100 per cent interest in 30,000 acres of leases in this area, involving 10 drilling prospects. The Forest City Basin trend of oil fields is 200 miles long, at an average producing depth of 4,200 feet. Preliminary seismic surveys are being conducted, and it is anticipated that 6 prospects will be drilled in 1981. Further leasing is also anticipated.

BOUDREAU, BRITISH COLUMBIA

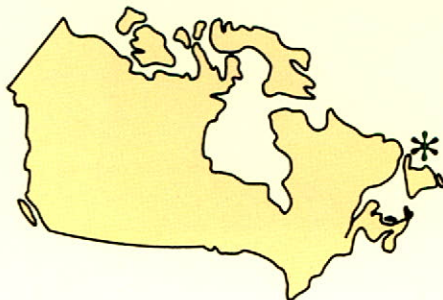
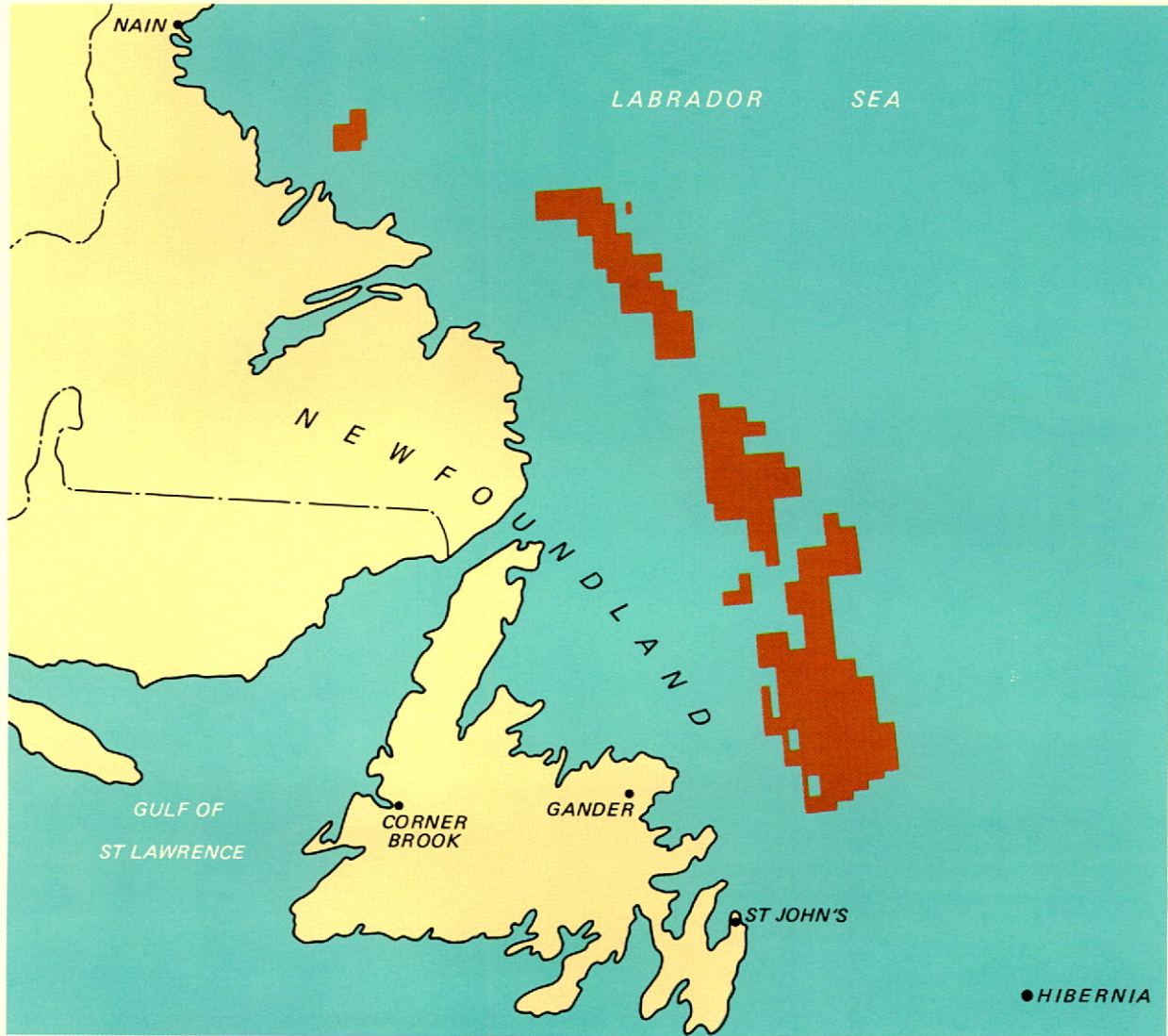
Clarion et al Boudreau 6-21-83-21 W6 was drilled as a successful Halfway Sand gas well with 30 feet of pay. This well has an absolute open flow potential of 4200 thousands of cubic feet of natural gas per day. This well is shut-in awaiting gas market.



EAST COAST JOINT VENTURE

Clarion Petroleum Ltd., and others, have joined Columbia Gas Development of Canada Ltd. in a joint venture involving all of Columbia's exploratory acreage, both on-shore and off-shore in Canada with the exception of their interests in Hibernia and Hopedale "A". Clarion has the right to earn 2.5 per cent of Columbia's interest in these lands for a \$3 million

expenditure from 1980 through 1982. Current areas of interest are: Offshore Newfoundland, where extensive geophysical surveys are being conducted. Hopedale "B", where 1 well was drilled and abandoned in 1980, and Banks Island, where on-shore geophysical surveys have been conducted. Drilling in all these areas is contemplated during the ensuing 3 years.



GROSS ACREAGE - 13,468,770 ACRES
 CLARION'S NET ACREAGE - 54,371 ACRES
 CLARION'S AVERAGE INTEREST - 0.47%

**EAST COAST
JOINT VENTURE EXPLORATION AREA**



Peter Comber, 37, holds a commerce degree from the University of Toronto, a Master's in business administration from York University. He articulated with Clarkson, Gordon & Co., where he specialized in taxation, business valuations, acquisitions and mergers. Mr. Comber subsequently joined McLeod Young Weir Ltd. as Vice-President, Corporate Finance. Here his work centred on oil and gas financing as well as the structuring of mergers within the petroleum sector. His involvement with the industry deepened when he was appointed a Vice-President of Peter Bawden Drilling, one of the world's most active drilling contractors.

Peter Comber joined Clarion as Vice-President, Corporate Development, in April 1980.

CORPORATE DEVELOPMENT

Clarion's assignment of a senior member of its management team solely to acquisition activities is unusual among petroleum companies of this size. Yet acquisition pairs ideally with exploration as the basis of dramatic growth, particularly under the circumstances now faced by the North American oil and gas industry. I am continually reviewing acquisition opportunities of a scale that could strikingly increase Clarion's asset base.

Technical skill and innovative financing are crucial to successful acquisition. Clarion's engineering and exploration capacity is excellent. Our staff can assess a prospect rapidly and accurately. The Company's good production base provides strong fiscal leverage. My particular contribution is in the field of deal evaluation and structuring of creative financing.

A textbook illustration of such teamwork is the \$15 million gas property purchase made by Clarion last fall in Texas. Our staff quickly determined that gas production could be increased six- to tenfold by modern engineering practices. On that basis, lenders were willing to put up the full purchase price. That meant the Company's financing capacity for further expansion remained undiminished. On a tempting private deal like this, speed is essential if competitive bids are to be avoided. The Texas buy was evaluated, negotiated and closed in three weeks.

Clarion was disappointed at the lack of encouragement in the Federal National Energy Program for "Canadianization" of the industry through the growth of smaller Canadian independent companies. Apparently the repatriation of foreign-held petroleum assets is to be accomplished by nationalization via Petro-Canada. Far from offering attractive tax incentives, federal policy actively discourages even Canadian companies from expanding their operations within Canada.

Clarion is stepping up the search for acquisitions and joint ventures in the United States. The American oil price, allowing a return at least four times higher than in Canada, makes riskier exploration much more feasible.

Clarion intends to acquire other companies as good opportunities appear. The Company would prefer to operate these purchases as separate units whenever possible as an alternative to integrating them into the parent operation. In this way Clarion will achieve growth without sacrificing the efficiency and personnel incentives of smaller scale operations.



Donald Paterson, 41, is a native of Regina, Saskatchewan. After earning a commerce degree at the University of Saskatchewan, he articulated with the international accounting firm, Deloitte, Haskins & Sells Ltd. From there he moved to Producers Pipelines, on to Calgary Power three years later, and then to Peter Bawden Drilling, where he was company comptroller.

Mr. Paterson later spent eight years with Tenneco's Canadian subsidiary, staying on after it was bought by CDC Oil & Gas and becoming that company's senior financial officer. In 1979, he was appointed Vice-President with Highfield and now maintains that responsibility with Clarion.

FINANCIAL

Going public, increased government intervention, high interest rates and sophisticated financing opportunities. These factors, combined with Clarion's high growth profile, project the finance/accounting function into a prominent role. The Company has attracted a qualified and enthusiastic group of professional and in-training professional people. They now control and account for a complex structure of companies and drilling partnerships.

My role is businessman, not financial purist. The goal is financial flexibility, allowing the operating staff maximum room to manoeuvre as they carry out their undertakings. My major proviso is that the integrity of the financial function must always be upheld.

When I came to Highfield Oil & Gas in 1979, my concern was that the operation might be too small. This doubt was outweighed by the quality and integrity of the senior people of what was to be Clarion Petroleum. I wanted to work with this calibre of person.

Now I see that I needn't have worried about size. Clarion's growth has been rapid, to say the least. What's more, by widening our equity base through share issues, we are now in a position for another round of expansion.

During 1980, the Company completed three financings, raising over \$40 million. In February, a private placement of shares realized \$13.4 million. The Chess-Clarion Exploration Program attracted \$8 million in partnership funding for the Canadian exploration effort. The Common Share offering of 2,100,000 shares at \$9.75 each was fully subscribed by August and Clarion shares were listed on the Toronto Stock Exchange in September.

Clarion inherited a high debt/equity ratio from its predecessor companies, Highfield and Sabre. Since then the debt has been reduced by \$35 million, using equity funds. We are no longer in a highly leveraged position. The \$35 million debt was transformed into a \$35 million line of credit, of which \$30 million remains undrawn.

Clarion's conviction is that, despite high interest rates, intelligent investment of borrowed funds in oil and gas will yield a good return. These energy assets will increase in value at a higher annual rate than the interest on the debt.

Much depends on the quality of the management who choose the investment properties and carry out the exploration and development programs. At Clarion, we are confident of this ability. Our senior executives' records speak for themselves. That ability, plus our confidence in the financial future of the industry in the U.S., are motives for rapid expansion.

Over the next two years we plan to invest heavily, increasing the company's debt to equity ratio once more to finance active programs. Servicing this increased debt will mean book losses and reduced cash flow in the years immediately ahead. However, the increasing value of the assets acquired will more than justify the near-term operating loss. In the longer term, looking to the next five years, the income from these assets will not only repay the debt but yield a healthy return on original shareholder investment besides.

FINANCIAL REVIEW

During 1980 the Company has been successful in its primary objective of substantial asset growth. The cost of additions to property and equipment was \$30 million of which \$17 million was in the United States.

For the year ended December 31, 1980, net operating revenues aggregated \$10 million. Cash flow from operations for the period was \$2.2 million. The net loss of \$2 million can be attributed mainly to the start up costs of the U.S. subsidiary and the large interest charges during the first half of the year.

Property and equipment have a tax value of approximately \$55 million available for the shelter of future taxable income.

CLARION PETROLEUMS LTD.

Auditors' Report

To the Shareholders
Clarion Petroleum Ltd.

We have examined the consolidated balance sheet of Clarion Petroleum Ltd. as at December 31, 1980 and the consolidated statements of income and deficit 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, 1980 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Calgary, Alberta
March 6, 1981

Ernst & Whinney
Chartered Accountants

**CLARION PETROLEUMS LTD.
CONSOLIDATED BALANCE SHEET**

December 31,
1980 1979

ASSETS

CURRENT ASSETS

Cash and short-term deposits	\$ 826,671	\$ 5,205,830
Accounts receivable	8,235,367	4,377,797
Income taxes recoverable	860,265	151,913
Inventory and drilling deposits	104,282	90,843
	10,026,585	9,826,383

INVESTMENTS

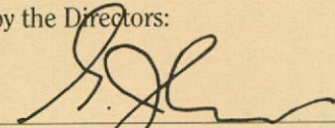
Notes receivable — Note E	2,241,232	980,000
Investment in and advances to exploration partnerships	—	4,828,030
Investment in affiliated company	128,156	—
	2,369,388	5,808,030

PROPERTY AND EQUIPMENT

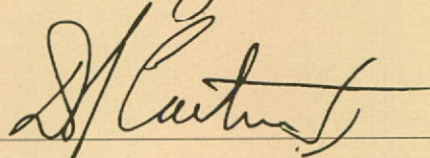
Petroleum and natural gas properties	101,418,409	74,131,714
Production and other equipment	10,453,729	5,820,551
	111,872,138	79,952,265
Less accumulated depreciation and depletion	5,099,138	973,384
	106,773,000	78,978,881

\$119,168,973 \$94,613,294

Approved by the Directors:



Director



Director

CLARION PETROLEUMS LTD.

	December 31,	
	1980	1979
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank loan - secured	\$ 200,000	\$ 25,000
Accounts payable and accrued liabilities	8,984,204	4,202,732
Due to shareholders	92,500	2,128,840
Long-term debt due within one year	3,366,000	3,878,000
	12,642,704	10,234,572
ADVANCES ON FUTURE NATURAL GAS SALES	519,738	261,605
LONG-TERM DEBT – Note D	35,708,196	51,220,577
DEFERRED INCOME TAXES	126,000	–
MINORITY INTEREST IN SUBSIDIARY	799,541	–
SHAREHOLDERS' EQUITY		
Share capital – Note E		
Common Shares of no par value - authorized 25,000,000 shares; issued - 9,316,336 (1979 – 4,500,000)	71,804,361	33,291,226
Deficit	(2,431,567)	(394,686)
	69,372,794	32,896,540
CONTINGENCIES AND COMMITMENTS – Note I		
	\$119,168,973	\$94,613,294

See notes to consolidated financial statements.

CLARION PETROLEUMS LTD.
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

	Year ended December 31, 1980	Period of one month ended December 31, 1979
REVENUE		
Oil and gas sales less royalties	\$ 7,044,549	\$ 477,721
Royalties	3,016,508	149,766
	10,061,057	627,487
EXPENSES		
Production and operating	1,658,831	134,761
Administrative and general	1,297,691	66,820
Depreciation and depletion	4,125,754	352,137
Interest on long-term debt	5,628,429	490,496
	12,710,705	1,044,214
LOSS BEFORE INCOME TAXES	2,649,648	416,727
INCOME TAXES		
Deferred	126,000	—
Current	—	(12,659)
Alberta royalty tax credit	(711,545)	(46,356)
	(585,545)	(59,015)
Equity in net income of affiliated company	(7,255)	—
Minority interest in loss of subsidiary	(19,967)	—
	(27,222)	—
LOSS FOR THE PERIOD	2,036,881	357,712
Deficit at beginning of period	394,686	36,974
DEFICIT AT END OF PERIOD	\$ 2,431,567	\$ 394,686
LOSS PER COMMON SHARE — Note G	\$.28	\$.08

See notes to consolidated financial statements.

CLARION PETROLEUMS LTD.
CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION

	Year ended December 31, 1980	Period of one month ended December 31, 1979
Working capital was provided from		
Operations		
Loss for the period	\$ (2,036,881)	\$ (357,712)
Charges not requiring an outlay of working capital	4,224,532	352,137
CASH FLOW FROM OPERATIONS	2,187,651	(5,575)
Refinancing bank loans after amalgamation	—	28,177,840
Working capital of acquired businesses	—	767,044
Decrease in notes receivable from shareholders	980,000	—
Issue of common shares	34,783,469	—
Increase in advances on future natural gas sales	258,133	—
Increase in long-term debt	19,571,574	—
TOTAL PROVIDED	57,780,827	28,939,309
Working capital was used for		
Additions to property and equipment	22,027,567	21,999,671
Decrease in long-term debt	35,083,955	3,878,000
Increase in advances to exploration partnerships	515,102	102,609
Investment in affiliated company	120,901	—
Notes receivable from officers and employees	2,241,232	—
TOTAL USED	59,988,757	25,980,280
Increase (decrease) in working capital	(2,207,930)	2,959,029
Working capital deficiency at beginning of period	408,189	3,367,218
Working capital deficiency at end of period	\$ 2,616,119	\$ 408,189

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) INVESTMENT IN OTHER ENTITIES

Subsidiaries – The consolidated financial statements include the accounts of Clarion Petroleum Ltd. and its subsidiaries, Clarion Resources Inc., Bermuda Resources Ltd., Inter-Provincial Gas Company (1964) Limited, Inland Gas & Oil Co. Ltd. and Vortac Resources Ltd. The operating results of subsidiary companies are included from the respective dates of acquisition.

Affiliate – The Company owns 50% of the voting shares of Chess Resources Ltd. and has adopted the equity method of accounting for its investment.

(ii) FOREIGN CURRENCY TRANSLATION

Foreign currency accounts are translated to Canadian dollars as follows: current accounts at exchange rates in effect at the end of the period; long-term assets and liabilities at rates in effect at the dates the assets were acquired or obligations incurred; revenue and expense items at average rates during the year with the exception of depletion and depreciation which are at the rate of the related assets. The resulting exchange gains or losses are included in the consolidated statement of income.

(iii) PETROLEUM AND NATURAL GAS PROPERTIES

Oil and gas exploration and production activities are accounted for using the full cost method of accounting. All costs relative to exploration for and development of oil and gas reserves are capitalized. Such capitalized costs include lease acquisition costs, lease rentals on undeveloped properties, geological and geophysical costs, costs of drilling productive and non-productive wells and certain overhead expenses related to exploration and development activities. Proceeds of disposals are credited to accumulated costs. Net costs are depleted by the unit-of-production method based on estimated proven reserves of oil and gas as determined by independent engineers.

The majority of the Company's activities related to exploration and production of oil and gas are conducted jointly with others. Only the Company's proportionate interest in such activities is reflected in the financial statements.

(iv) PRODUCTION AND OTHER EQUIPMENT

Production and other equipment is recorded at cost. Production equipment is depreciated by the unit-of-production method. Other equipment is depreciated at rates ranging from 4% to 20% on straight line and declining balance methods.

When the Company retires or otherwise disposes of depreciable property, the cost of the asset and the related accumulated depreciation are removed from the accounts. Gains or losses on disposals are included in income.

(v) INCOME TAXES

The Company makes full provision for income taxes which are deferred to future years as a result of deducting capital cost allowance and exploration and development expenses when computing taxable income in amounts that exceed the related charges for depreciation and depletion in the consolidated financial statements.

NOTE B – ACQUIRED BUSINESS

During the year, the Company acquired control of Vortac Resources Ltd. in exchange for common shares valued at the prevailing market price of \$9.00 per share. The purchase price was based on an appraisal of the petroleum and natural gas assets by independent petroleum engineers. The Company had previously exchanged its investment in exploration partnerships for shares of Vortac. The acquisition was accounted for as follows:

Net assets acquired	
Property and equipment.....	\$7,579,806
Consideration	
Liabilities assumed.....	\$3,030,632
Minority interest.....	819,508
Issuance of 414,390 common shares.....	3,729,666
	\$7,579,806

NOTE C – SEGMENTED INFORMATION

The Company conducts its oil and gas activities in both Canada and the United States. The carrying value of identifiable assets at December 31, 1980 and the results of operations for the period ended December 31, 1980 by country are as follows:

	Canada	United States	Eliminations	Consolidated
Total revenue.....	\$ 9,785,990	\$ 275,067	\$ —	\$ 10,061,057
Net loss.....	\$ 994,089	\$ 1,042,792	\$ —	\$ 2,036,881
Identifiable assets.....	\$104,442,577	\$17,355,724	\$(2,629,328)	\$119,168,973

NOTE D — LONG-TERM DEBT

	December 31,	
	1980	1979
(i) CLARION PETROLEUMS LTD.		
Term bank loans bearing interest at the prevailing Canadian chartered bank prime rate plus 3/4% (1979-1½%) due December 31, 1986 and 1987		
Repayable in Canadian funds	\$17,629,534	\$46,874,000
Repayable in U.S. funds - U.S. \$2,958,846 (1979 - U.S. \$3,270,718)	3,509,498	3,874,577
Loan bearing interest at the prevailing Canadian chartered bank prime rate plus 3/4%, secured by specific oil and gas properties, due in equal instalments of \$1,225,000 June 1, 1980 and 1981	1,225,000	2,450,000
Mortgage payable with interest at the prevailing Canadian chartered bank prime rate plus 1½%, due 1984	1,000,000	1,000,000
Other notes, including \$295,337 (1979 - \$500,000) note payable to a shareholder at the prevailing Canadian chartered bank prime rate plus 2%	695,337	900,000
	24,059,369	55,098,577
(ii) CLARION RESOURCES INC.		
Term bank loan bearing interest at the prevailing U.S. prime bank rate plus 1%, due January 1, 1989 with payments commencing January 1, 1982		
Repayable in U.S. funds - \$10,000,000	11,654,200	—
Promissory note bearing interest at 4%, due October 14, 1982 in the amount of \$3,468,000 U.S. which has been discounted using an imputed rate of 11% resulting in a present value at December 31, 1980 of \$2,885,449 U.S.	3,360,627	—
	15,014,827	—
	39,074,196	55,098,577
Less amounts due within one year	3,366,000	3,878,000
	\$35,708,196	\$51,220,577

(iii) Approximate annual maturities of long-term debt due in each of the four years after 1981 are: 1982 - \$7,424,000; 1983 - \$4,894,000; 1984 - \$6,001,000; 1985 - \$5,596,000.

(iv) The term bank loans are secured by an assignment of oil and gas properties and amounts due under marketing agreements.

(v) At December 31, 1980 the Company had unused Canadian and U.S. lines of committed bank credit totalling \$31,000,000.

NOTE E – SHARE CAPITAL

	Number of Shares	Consideration
Balance at December 31, 1979.....	4,500,000	\$33,291,226
Shares issued for cash during 1980 (less cost of issuance of \$1,753,477).....	4,401,946	34,783,469
Shares issued in exchange for shares of a subsidiary company.....	414,390	3,729,666
Balance at December 31, 1980.....	9,316,336	\$71,804,361

- (i) On April 18, 1980, the Company's shareholders approved a three for two stock split. The numbers of shares referred to throughout the financial statements have been adjusted for the stock split.
- (ii) On May 27, 1980 in a one time offer, the Company issued 9,576 common shares for cash to employees at a price of \$6.67 per share.
- (iii) On December 19, 1980 the Company issued 229,870 common shares to officers and employees at \$9.75 per share. The Company has made \$2,241,232 of non-interest bearing loans to officers and employees repayable at 20% annually at the employee's option, but in any event no later than July 2, 1985. The shares are held in trust as security and may be released as payments are made on loans.
- (iv) The Company has reserved 412,500 common shares for issuance to key employees under the terms of a stock option plan. The plan provides for purchase of shares over a five year term with the options exercisable annually as to 20% increments. At December 31, 1980 all of the options are outstanding and are exercisable at prices of \$6.67 and \$7.05 per share, expiring in 1985.
- (v) The Company has reserved a maximum of 750,000 common shares for possible issuance in connection with a proposed offer to be made in 1983 for all of the limited partnership units of Chess-Clarion 1980-81 Exploration Program and Chess-Paterson 1980-81 Exploration Program in exchange for common shares of the Company.

NOTE F – REMUNERATION OF DIRECTORS AND OFFICERS

The Company has nine directors and eight officers, two of whom served in both capacities. Aggregate remuneration paid or payable in 1980 to the Company's directors and officers amounted to \$3,000 and \$468,000 respectively (1979 - \$Nil and \$31,600).

NOTE G – LOSS PER COMMON SHARE

The loss per common share was computed on the monthly weighted average number of common shares outstanding of 7,291,000 (1979 - 4,500,000).

NOTE H – RELATED PARTY TRANSACTIONS

- (i) During the year the Company acquired a producing natural gas field in Texas for an aggregate consideration of \$15,500,000 U.S. Under the terms of a participation agreement dated July 4, 1980, three principal shareholders acquired at cost, a 20% interest in the field. The Company, as operator of the field, has also entered into an operating agreement with each of the three principal shareholders.
- (ii) Pursuant to the share exchange offer as explained in Note B, 135,215 shares of the Company were issued to directors and previous shareholders.
- (iii) Certain directors, officers and employees of the Company own interests in petroleum and natural gas properties in which the Company has an economic interest and is the operator. All transactions with related parties in connection with these activities are in the normal course of business and the fees charged to the parties are normal to the industry.

NOTE I – CONTINGENCIES AND COMMITMENTS

- (i) The Company has entered into five year lease agreements for office premises terminating in 1985 at annual rentals of \$266,889 Canadian and \$455,000 U.S.
- (ii) The Company is the subject of a claim which arose out of the purchase by a predecessor company (Highfield Oil & Gas Ltd.) of interests in hydrocarbon substances, wells and well equipment and gas gathering facilities. The claimant alleges a right of first refusal to purchase the gas gathering facilities and also claims general damages in the amount of \$750,000. It is the preliminary opinion of counsel for the Company that while there may be an action for damages between the claimant and the vendor, any of the causes of action against the Company are unlikely to succeed and therefore no provision for any possible loss is considered necessary.
- (iii) At December 31, 1980 the Company was guarantor of fully secured loans by a Canadian chartered bank to a shareholder of the Company in the amount of approximately \$1,000,000.

CORPORATE INFORMATION

DIRECTORS

Dennis Jack Cartwright
57 Medford Place
Calgary, Alberta
T2V 2G1

President and Chief Operating Officer, Clarion Petroleum Ltd., Calgary

Thomas Smith Dobson
Apt. 2601 Hull Estates
1200 - 6 Street S.W.
Calgary, Alberta
T2R 1H3

Executive Vice-President (retired) of a
Canadian Chartered Bank, and Chairman,
Easton United Securities Ltd. (holding company),
Calgary

Lyle Peter Edwards
603 Parkvalley Road S.E.
Calgary, Alberta
T5J 4V6

President, Highfield Corporation Ltd.
(holding company), Calgary

Robert George Elliott
604 - 629 Royal Avenue S.W.
Calgary, Alberta
T2S 0G2

Chairman, Highfield Corporation Ltd.
(holding company), Calgary

Clarence Victor Kloepfer
Box 20, Site 6, R.R. 1
Calgary, Alberta
T2P 2G4

President, Kloepfer Coles Nikiforuk Pennell
Associates Ltd.
(petroleum consulting engineers), Calgary

Gary James Last
2746 Wolfe Street S.W.
Calgary, Alberta
T2T 3R9

Chairman and Chief Executive Officer,
Clarion Petroleum Ltd., Calgary

Ross Ferguson Phillips
6925 Lefroy Court S.W.
Calgary, Alberta
T3E 6H1

Chairman and Chief Executive Officer (retired),
Home Oil Company Limited, and Corporate Consultant,
President, Banning Investments Ltd.

Gordon Albert Reid
Hertfordshire, England

President, Highfield Lucerne A.G.
(investment company), London, England

Stanley Patrick Shouldice
R.R. 2
Calgary, Alberta
T2P 2G5

President, Nowsco Well Service Ltd.,
Calgary

OFFICERS:

Gary J. Last
Chairman and Chief Executive Officer

Dennis J. Cartwright
President and Chief Operating Officer

Duncan R. Bird
Vice-President, Production

W. Peter F. Comber
Vice-President, Corporate Development

Norman Paarup
Vice-President, Exploration

Donald A. Paterson
Vice-President, Finance

Roberta A. Fraser
Corporate Secretary

Gordon T. Church
Controller

AUDIT COMMITTEE:

Ross F. Phillips - Chairman
Dennis J. Cartwright
Thomas S. Dobson

COMPENSATION COMMITTEE:

Clarence Victor Kloepfer - Chairman
Dennis J. Cartwright
Ross F. Phillips
Stanley Patrick Shouldice

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading Symbol CLP

SHARES AUTHORIZED

25,000,000

SHARES ISSUED (December 31, 1980)

9,316,336

SHAREHOLDER DISTRIBUTION (March 26, 1981)

	Shareholders	Shares
Cdn Brokers and Corporations	82	2,471,485
Residents of Canada	1,171	6,387,818
Non Residents USA	10	13,000
Non Residents UK	5	219,548
Non Residents Other	2	225,000
TOTALS	1,270	9,316,851

TRANSFER AGENT AND REGISTRAR

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

BANKERS

The Royal Bank of Canada
Main Branch
Calgary, Alberta

The Toronto-Dominion Bank
Main Branch
Calgary, Alberta

AUDITORS

Ernst & Whinney
Chartered Accountants
1400 Standard Life Building
639 - 5 Avenue S.W.
Calgary, Alberta
T2P 0M2

DRILLING PARTNERSHIPS

Clarion Resource Program
Chess-Clarion 1980-81 Exploration Program
Chess-Paterson 1980-81 Exploration Program
Chess-Clarion 1981-82 Exploration Program

SUBSIDIARY COMPANIES

Clarion Resources Inc.
1625 Broadway
Suite 1800
Denver, Colorado 80202
U.S.A.
(303) 629-8741

Chess Resources Ltd.
2000, 540 - 5 Avenue S.W.
Calgary, Alberta
T2P 0M2

Bermuda Resources Ltd.
2000, 540 - 5 Avenue S.W.
Calgary, Alberta
T2P 0M2

Vortac Resources Ltd.
2000, 540 - 5 Avenue S.W.
Calgary, Alberta
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ADDRESS OF THE COMPANY:

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