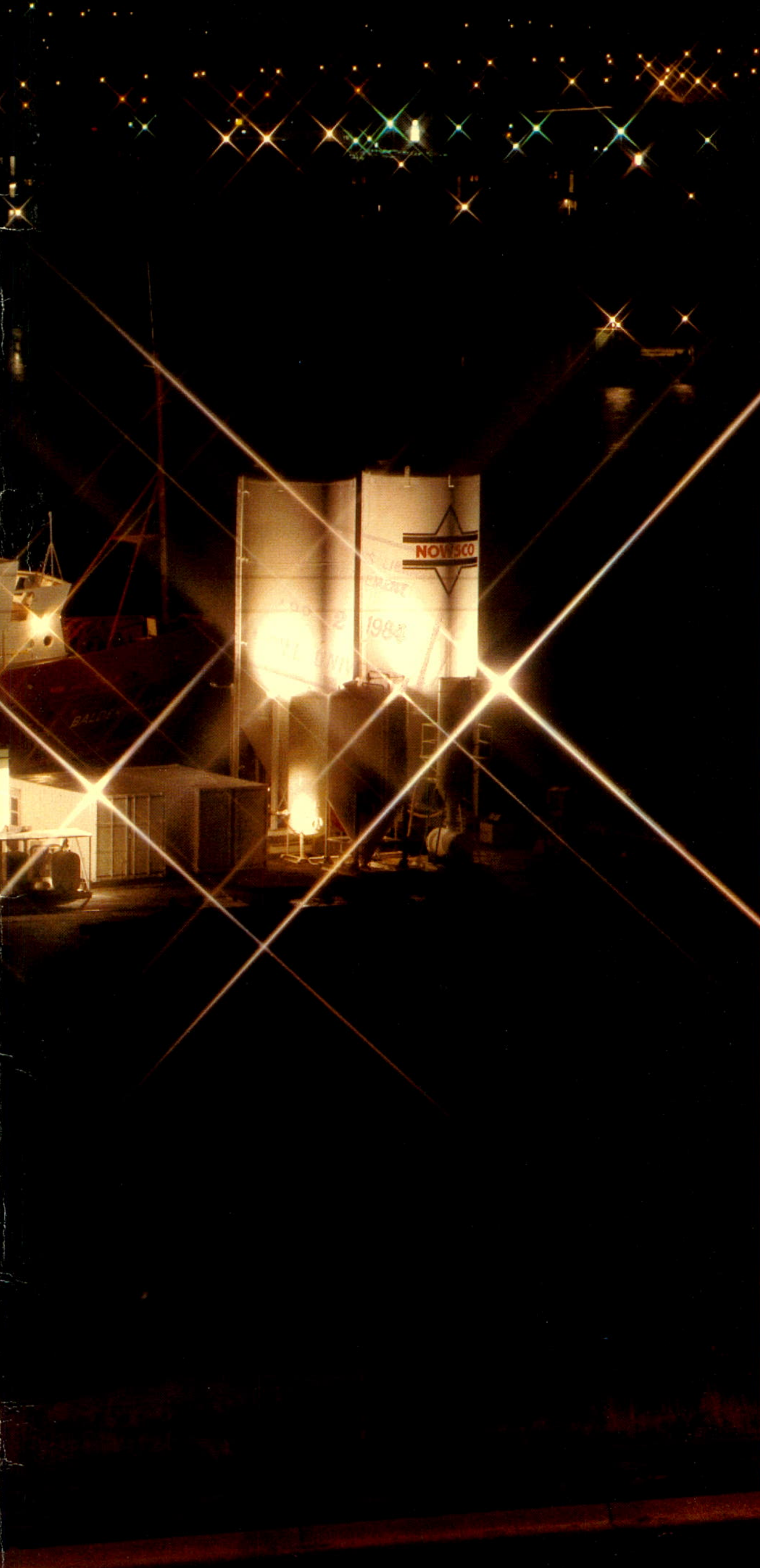


NOWSCO

Nowsco Well Service Ltd.

1983 Annual Report

Contents

The Annual General Meeting of the Shareholders of Nowsco Well Service Ltd. will be held in the 18th floor auditorium of Norcen Tower, 715 - Fifth Avenue, S.W., Calgary, Alberta on Thursday, April 19, 1984 at 11:00 o'clock in the forenoon (local time).

Cover: Cementing facilities East Coast Canada.

The Year at a Glance

	1983	1982	% Change
Sales	**$161,087,000**	$146,217,000	+10
Net income before minority interest	**$ 19,524,000**	$ 18,408,000	+ 6
Percent of sales before minority interest	**12.1%**	12.6%	
Net income	**$ 16,063,000**	$ 15,079,000	+ 7
Percent of sales	**10.0%**	10.3%	
Net Income per share	**$1.19**	$1.12	+ 6
Proceeds from issue of share capital	**$ 27,000**	$ 92,000	−71
Cash flow from operations	**$ 32,061,000**	$ 30,692,000	+ 4
Capital expenditures — net	**$ 15,056,000**	$ 35,770,000	−58
Dividends paid	**$ 3,787,000**	$ 3,649,000	+ 4
Depreciation	**$ 11,177,000**	$ 10,100,000	+11
Number of shares issued and outstanding at year end	**13,526,345**	13,522,045	
Shareholders	**1,348**	1,611	
Employees at year end	**1,208**	1,048	

4th Quarter

	1983	1982	% Change
Sales	**$ 44,945,000**	$ 44,028,000	+ 2
Net income before minority interest	**$ 5,819,000**	$ 6,961,000	−16
Net income	**$ 4,776,000**	$ 6,037,000	−21
Net income per share	**$0.36**	$0.45	−20
Cash flow from operations	**$ 8,421,000**	$ 9,783,000	−14
Capital Expenditures	**$ 5,213,000**	$ 6,948,000	−25


NOWSCO

High volume nitrogen frac in progress — W. Virginia U.S.A.

To the Shareholders:

On behalf of your Board of Directors we are pleased to report that net corporate earnings for 1983 were $16,063,000 on record sales of $161,087,000. Compared to 1982, these are increases of 6.5% and 10.2% respectively. This represents earnings of $1.19 per share for 1983 compared to $1.12 per share in 1982.

Your company has now completed 21 years of operations and 1983 marked the 21st consecutive year that our gross sales have surpassed the previous year. The continued dedicated and conscientious effort of our loyal staff, which now exceeds 1,200 people, has enabled Nowsco to continue to grow world-wide in 1983. To all of them we say "thank you . . . you are our greatest asset".

The past year was again a period of uncertainty and general depression within the oil and gas industry world-wide. In North America particularly, the concerns of unstable oil prices and continuing gas surplus problems have curtailed field activities and investor confidence. The resulting surplus of oilfield servicing equipment in this period of depressed field activity has created a keenly competitive market for our clients. Drilling and servicing were subject to heavy discounting during 1983 as all companies providing such services strived to maintain their market share. Until world-wide activities return to the level that will support the utilization of a larger percentage of the servicing equipment available, this problem is expected to continue. Only strong, efficient, aggressive and innovative servicing companies will survive in today's market. Fortunately, Nowsco is one such company.

Recent developments would indicate that world oil prices have indeed stabilized. The recent cold winter experienced by North America, plus a growing recovery of the economy in general, should encourage a reduction of the gas surplus problem. Investor confidence is starting to return now as supported by strengthened North American drilling rig activity in the last quarter of 1983.

The problems cited above were most prevalent in Canada throughout 1983 where our domestic sales fell slightly from 1982. Offshore activity, supported by large Federal Government grants, now appears to be inadequate as a short term solution to Canada's energy needs. Canada's National Energy Policy, initiated at the end of 1980, has relied heavily on these Frontier areas as a source of major oil supplies for this country. This may well be the case, but deliveries will not be as early as anticipated, thus, renewed incentives from both Federal and Provincial Governments are slowly creating restored interest in oil exploration and development from conventional on-land sources. Activity in the province of Saskatchewan increased significantly in late 1983. Alberta, with the greatest potential for new reserves, is now showing a slower recovery in this regard. New enhanced oil recovery schemes and heavy oil projects will become more prevalent in Alberta during 1984. The gas surplus problem of Western Canada remains just that — a problem — but some investors are now looking for some relief, possibly starting in late 1984. Then, and only then, will field activities start to show any significant increase. Expensive foothills drilling activities have essentially ceased over the past 24 months. Federal Government incentives attracted large investments to the Frontier areas (off-shore) and the lack of markets has destroyed investor confidence in the traditionally gas-prone foothills of Western Canada.

In the U.S.A., we continue to experience good acceptance by the industry we serve. Since our move to the Appalachian Area in mid-1981 our penetration of that market with all of our traditional services has been most satisfactory. Despite reduced rig activity in Appalachia during 1983 and a highly competitive atmosphere,


NOWSCO

our sales and net income showed very acceptable growth. We plan on further expansion within this area of the U.S.A. in 1984 where we expect the industry to grow slightly with renewed investor interest now evident.

Internationally, industry activities around the world were essentially static throughout 1983. Our competitors internationally are burdened with excess equipment, as in North America, and pricing for services is very keen. In many of our international operating areas, we invoice in the local currency and the growing weakness of some foreign currencies relative to Canadian currency during 1983 was, in most cases, detrimental to our sales/income results. Despite these situations we were able to achieve increases in our international sales and net income.

Expanded areas of international operation during 1983, including parts of the Mediterranean and S.E. Asia, were contributors to our increased international revenues. The effect of significant equipment additions in late 1982 and early 1983 in Europe should provide further positive impact on 1984 operations.

Late in the 4th quarter opportunities arose in the Middle East and has resulted in the formation of a joint venture. Several jobs have already been successfully completed in this area.

1984 should see some increased oilfield activities in select parts of our world-wide operations. Stabilized oil prices, hopes of increased gas markets, slow but general economic recovery in North America and renewed investor confidence will, in our opinion, be a reality in 1984. With the current financial stability of your company, our growing technical competence and the innovative abilities of our loyal staff to compete in these times, we at Nowsco enter 1984 with the confidence necessary to maintain our traditional record of continued and aggressive growth.

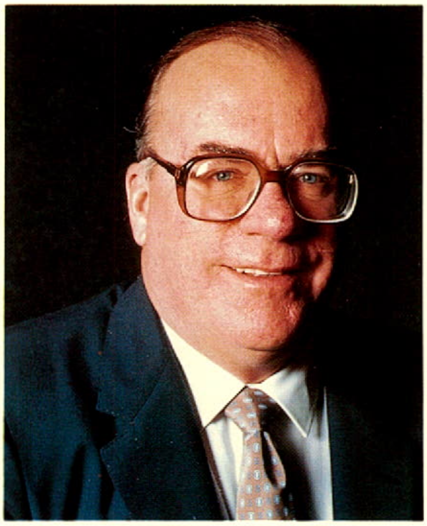
During the past year we accepted the resignation of W. M. Boren and D. J. Magus from the Board of Directors. We thank them for their past efforts and contributions to the success of Nowsco. We also welcome the appointment of W. A. Elser and R. G. Wells to our Board.

S. P. Shouldice

D. A. Richardson

New shop facilities
Vechta, W. Germany

S. P. Shouldice
President and Chief Executive Officer



D. A. Richardson
Senior Vice President and Chief Operating Officer

Preparing Endless Tubing Unit for field operations.

Operations Review

General:

Keen competition and a generally depressed oil and gas industry world-wide made 1983 a year of frustration and concern for almost every sector of the oilfield service business. In an attempt to maintain their share of a depressed market most service companies were burdened with heavy discounting of their prices which had a major impact on sales and profits. However, Nowsco is able to report 1983 increases in sales and net income of 10.2% and 6.5% respectively. Our efforts to expand our revenue base outside of Canada continued throughout 1983 and have been most beneficial to the continued growth and strength of Nowsco.

With the implementation of Canada's National Energy Policy (NEP) in late 1980, your Directors recognized the need for Nowsco to increase its efforts outside of Canada as over 80% of our revenue was then generated in Canada. Our move into the U.S.A. market (the Appalachian Area) in mid-1981 and our significant expansion in Europe, the North Sea and Southeast Asia over the past three years are now showing their true benefits. Obviously, we will continue our efforts to further penetrate the market place outside of Canada where our acceptance, reputation and technology is now well established.

In 1983 almost 50% of our gross revenue was derived outside of Canada, with income generated from areas such as offshore Greece, Tunisia and Lybia and on-shore Thailand, United Arab Emirates and North Dakota, U.S.A. In most cases, our investment in these new areas is relatively small, which is consistent with our expansion philosophy, but, we fully expect our presence to grow as our acceptance becomes established. Of interest is the fact that, during 1983, in addition to our traditional Canadian market, we generated sales from 9 states in the U.S.A. and over 20 different countries around the world. Nowsco has become an international company with a much broader base of income than three years ago.

Canada

Nowsco now has a good presence in all of Canada, with operating areas throughout the four western provinces, the High Arctic and Canada's East Coast. The depressed Canadian drilling rig activity of 1982 carried on throughout most of 1983 with activity at year-end being at about 50% of pre-NEP (1980) levels. As a result of this continued depressed market place, the competitiveness of the oilfield servicing business in Canada reached record levels during 1983.

With significantly reduced foreign equipment sales during 1983 (compared with our major equipment sales to India and Pakistan in 1981 and 1982) Nowsco was largely dependent on our traditional servicing income in Canada during the reporting period. Capital expenditures in Canada were held to a minimum during 1983. Minor facility upgrading was completed at two Northern Alberta locations where exploration for oil reserves continues at respectable levels and our commitment to provide services in the High Arctic and in the offshore areas of Eastern Canada also required expenditures to better service our customers in these exploration areas. Early in 1983, the new drilling vessel Bow Drill II commenced operations for Husky/Bow Valley off Canada's East Coast with a 2400 HHP cementing unit built and operated by Nowsco. The Bow Drill III, similarly equipped, will go into service in early 1984.

During 1983 the vast majority of the drilling activity in Western Canada was aimed at oil reserves. The lack of gas markets continues to plague the industry in general, with many of our clients experiencing "cash flow" problems as their gas sales continue at volumes and prices much lower than expected. A $100 million Alberta Government Drilling Incentive Program of some 60-day duration during the third quarter of 1983 provided relatively insignificant and temporary relief to Alberta's on-going drilling slump. However, the latter half of 1983 did see a significant increase in drilling activity develop in the Province of Saskatchewan. An expanded


NOWSCO
SPECIAL SERVICES
NOWSCO
WATER TEMP.
OIL PRESSURE
AIR PRESSURE
LIGHTS
THROTTLE

Final engineering check on new blender at Fab Shop.

definition of "new oil" which attracts world oil prices and a provincial royalty relief scheme have restored investor interest in Saskatchewan and this momentum should continue through 1984.

On the positive side, we saw considerable interest develop in Alberta during 1983 as regards heavy oil projects and enhanced oil recovery schemes. Many clients have also been strengthening their land holdings in oil-prone areas. The approval of increased oil exports by the Federal Government, coupled with the attractive net back on "new oil", is slowly creating more investor interest. The importance of Canada's on-shore oil reserves is gaining recognition as the expensive Frontier and offshore reserves appear to be delayed as a major short term source of significant supply. This growing interest in the importance of Canada's conventional type oil supply should be most noticeable during 1984 in Alberta, with the majority of Canada's proven on-shore oil reserves.

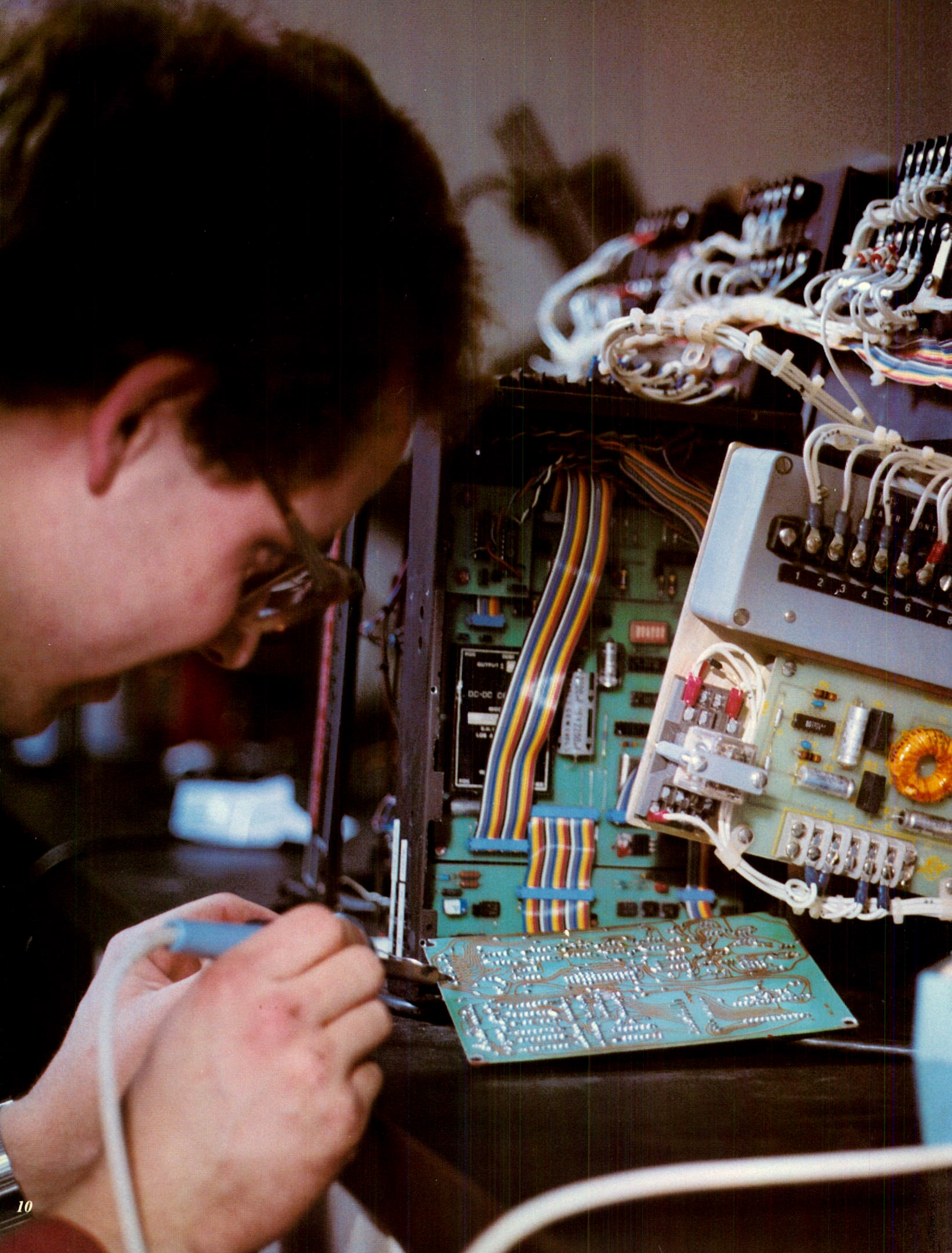
During 1983 our efforts to improve our technology and our ongoing Research and Development program continued at record levels. The FRAC SURE Group, using our computerized hydraulic fracture modelling tool, was expanded during the year to allow customers an increased exposure to computer frac design. FRAC SURE gives the customer a step by step analysis of reservoir properties and previous fracture treatments on a well. With economic and reservoir constraints, an optimum fracture treatment is designed, complete with post-frac simulated production rates. New sand-fluid blending equipment and improved understanding of fracture fluid behavior, both influenced by our FRAC SURE technology, has yielded Nowsco even more fracturing confidence and industry recognition.

Our Research and Development group was also expanded to better service the requirements of our growing list of world-wide customers and our geographic coverage. Proprietary chemicals, additives, fluid blends and testing devices were added to our servicing capabilities in 1983. As our clients strive to maximize hydrocarbon production more efficiently from deeper, higher temperature and often less prolific reservoirs, the concern for and understanding of optimum cementing and stimulation details grows in importance. Fluid characteristics (rheology) and compatibilities within the formation are now much more predictable. New developments such as Foamed cement and Poly-Co_2 fluid blends were perfected during the past year by our Calgary R & D group. This same group participated in several joint research programs with some of our major clients and industrial and university laboratories. This frequently involved the use of our Scanning Electron Microscope and high pressure/temperature cement testing equipment. Our ongoing commitment to Research and Development is an integral part and source of the improved technology that Nowsco continues to provide to the industry we serve.

United States

Since our mid-1981 move into the United States market we have established a strong presence in four states of the Appalachian area. During 1983 our U.S. staff grew by some 60% and now exceeds 200 employees. We are very proud of this group who have done a most commendable job of penetrating the Appalachian area market. Despite a drilling activity decline of some 33% during 1983 resulting in very competitive conditions, Nowsco did achieve a most satisfactory revenue growth. We continue to be optimistic that further sales growth is possible as we become better known and accepted in this area of the U.S.A.

We now offer all of our traditional services in Appalachia with permanent operating bases at five locations in Ohio, West Virginia, Tennessee and Kentucky. Nowsco is now better experienced and qualified in local operating conditions to select the appropriate technology from our world-wide operations to meet the needs of the local clients. For example, our custom designed Endless Tubing Units and Sand Intensifiers became better accepted during 1983 in Appalachia.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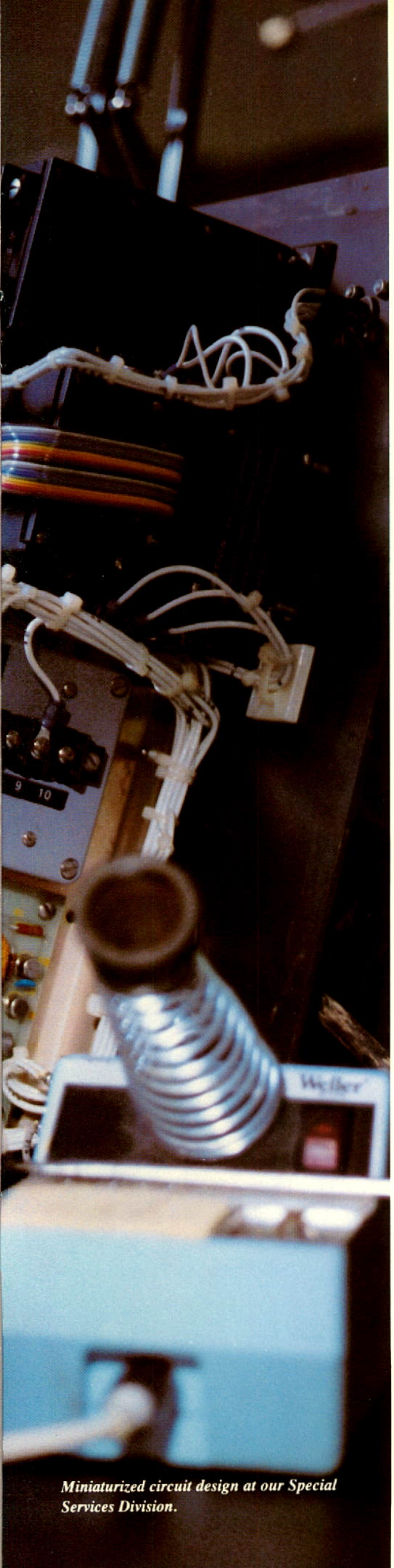


Miniaturized circuit design at our Special Services Division.

Although Appalachia is often looked upon as an area of low productivity/low quality reserves (both oil and gas), it remains an area of active investor interest. It is an area blessed with broad hydrocarbon potential where dry hole risks and investment costs are low compared to many areas of North America. Most wells are relatively shallow and generally require stimulation to yield commercial production. Nowsco continues to be optimistic about the business potential of Appalachia and we will make further investments in 1984 to provide better service and better utilize our equipment and technology.

During the latter half of 1983 Nowsco commenced a small cementing operation in Northern North Dakota. Our operating experience in South Western Manitoba, an area of good activity for the past few years and just across the Canada/U.S. border, should be helpful in gaining customer confidence in North Dakota.

U.K./Europe

Oilfield activity in Europe, particularly in the North Sea, was essentially static during 1983. The year commenced with significant industry concern about the stability of world oil prices and the reduced world oil demand. As the year progressed, these concerns appeared to wain and Nowsco's activity improved despite a highly competitive market place. The weakening of European currencies throughout the year relative to the Canadian dollar was also a factor in our operating results, however, we did achieve a revenue growth of some 18% during 1983.

Nowsco expanded its European market area during the year by performing work off Ireland, Greece and North Africa for the first time. Further improvements to our service included the introduction of 1¼ inch Tubing Units, automated String Leak Testing (SLT) equipment, foamed sand cleanouts and special equipment to enhance our off-shore operations on semi submersible rigs and drilling ships. Nowsco's innovative European staff worked closely with clients to perform several experimental "firsts" during 1983 which further broadened our operational expertise. Our major asset additions in Europe during 1982 and 1983 should become even better utilized during 1984 through increased sales efforts and geographic coverage to a more active industry.

During the past year our European staff assisted in the training of our technicians from other operating areas to expand our SLT and CLT (Commission Leak Testing) services into select areas of North America, S.E. Asia and the Middle East. This service, developed and pioneered by our European staff, has become well established throughout Europe over the past three years and is now ready for world-wide marketing.

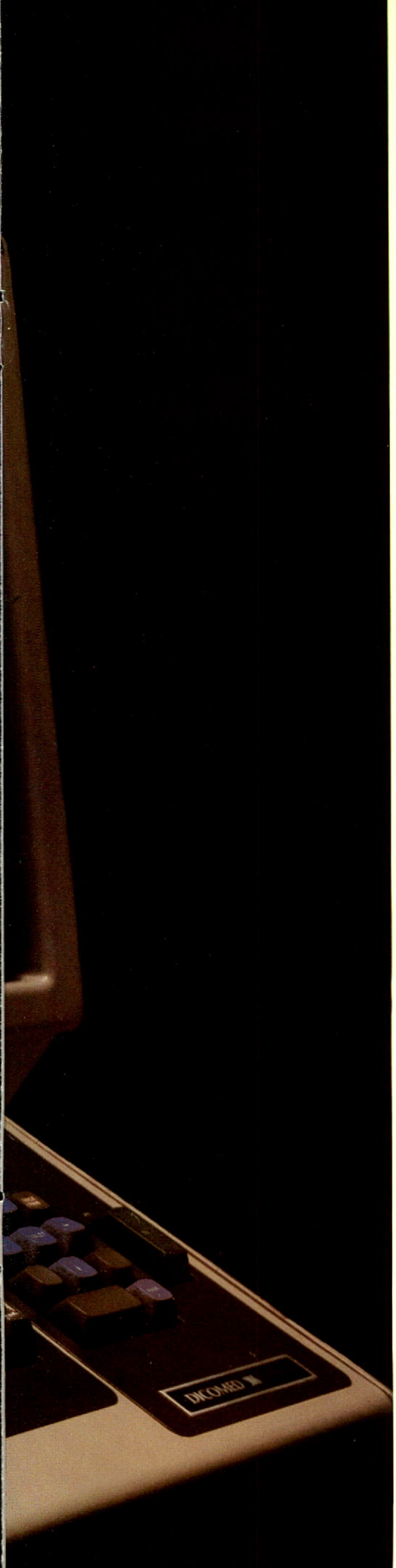
A large new facility was opened in Vechta, West Germany during late 1983 to better service our clients in Continental Europe. Additional investment is planned in 1984 to further establish and diversify Nowsco's presence in Europe where we now operate from eight locations in six different countries.

S.E. Asia

From our original base of operations in Singapore, established in 1977, we now also offer services from strategic locations in Brunei, Indonesia and Thailand. Encouraging market expansion was achieved by Nowsco in Indonesia and Thailand during the latter half of 1983. These efforts have served to supplement our traditional revenue in this part of the world — our stimulation vessel, the SS II which operates under contract off-shore Brunei. Late in 1983 we successfully completed our first CLT job in S.E. Asia. Another such job is committed for early 1984.

The additional equipment acquired by S.E. Asia during 1983 has served to expand our geographic and client coverage. From this broader base of operations Nowsco's presence in S.E. Asia should be enhanced during 1984. We are optimistic of the activity outlook and have confidence in the abilities of our fine staff to serve the needs of our clients in this area of the world.


$M
CONSOLIDATED SALES
170
160
150
140
130
120
110
100
90
80
70
60
50
1979
1980
1981
1982
1983
BEGIN SEQUENCE
READY
GROUP
3 CURRENTLY ACTIVE
RETURN
SHIFT
TAB
SHIFT



Financial Review

1983 was a successful year for Nowsco highlighted financially by a strengthening of the balance sheet. Once again, we achieved record sales during a year when the North American economy was at one of its lowest points. Our activity level was actually higher than last year and given the down-turn in the oil and gas industry caused by the National Energy Policy, the weakened demand for gas and the lower world price for oil, we are satisfied that the company has weathered a major external economic crisis. Various Government Incentive Programs to the oil and gas industry did strengthen activity later in the year but discounting became a serious market force reflecting on our profit margins. This was true for our European subsidiaries as well, where the growth in activity level was also offset by the impact of the continued decline in European currency exchange rates. S.E. Asia showed good growth in financial terms as a result of an expanding geographic sales base and the introduction of new services to the area.

Consolidated sales for the company increased by 10.2% to $161,087,000 and net earnings increased by 6.5% to $16,063,000.

Non-domestic sales growth was encouraging with an increase of 33.2% over last year to $76,136,000, and net income before income taxes and minority interest of $13,604,000, up 18.1% over last year. Foreign sales in 1983 represented 47.3% of consolidated revenues compared to 39.1% in 1982, reflecting the Company's policy of expanding its operations internationally.

Material and operating expenses of $101,683,000 were up 12.4% over last year which is in keeping with the sales increase and is also due mostly to the increased activity in both U.K./Europe and the U.S. branch.

General and administrative costs increased to $14,835,000, a 20.8% increase over last year as a result of the expansion of operations in the U.S. and the geographic expansion in S.E. Asia together with their move to a new operating base in Singapore. There has been a 15.3% increase in the number of employees world-wide, again a reflection of the increased activity during the year.

Interest expense has decreased by 12.6% to $3,408,000 as a result of reduced levels of operating loans throughout the year and falling interest rates.

The depreciation charge for the year of $11,177,000 increased only 10.7% over last year. This is in keeping with the level of the capital expenditure program which has been in effect during the last two years.

Economic factors dictated that capital expansion be closely monitored during the year resulting in capital expenditures of $15,056,000, a 58.1% decrease over 1982. This reduction in capital expenditures is reflected in an increase of $14,314,000 in working capital over last year.

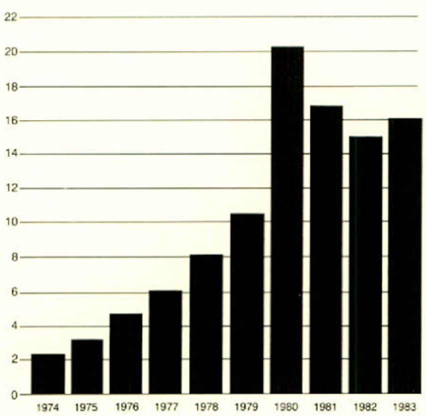
The effective tax rate decreased from 37.5% to 34.9%. This change is attributable to continued Research and Development expenditures with related increased investment tax credits, and a decrease in corporate surtax rates in Canada, together with increased earnings from lower tax jurisdictions. Dividends paid during the year were $3,787,000 compared with $3,649,000 in 1982, representing a continuation of the Company's stated dividend policy of distributing approximately 25% of prior year's earnings.

QUARTERLY FINANCIAL RESULTS

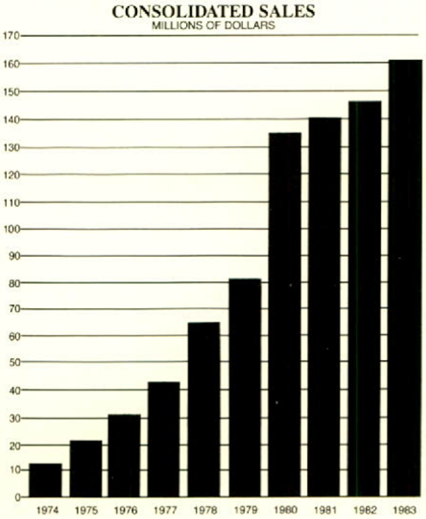
	March 31
1983	
Sales	$40,773,000
Cost of Sales/Operations	28,508,000
Depreciation	2,861,000
Income Before Income Taxes and Minority Interest	9,404,000
Income Taxes	3,516,000
Minority Interest	506,000
Net Income	$ 5,382,000
Net Income Per Share	$.40
1982	
Sales	41,331,000
Cost of Sales/Operations	29,677,000
Depreciation	2,189,000
Income Before Income Taxes and Minority Interest	9,465,000
Income Taxes	4,113,000
Minority Interest	546,000
Net Income	$ 4,806,000
Net Income Per Share	$.36

The Company maintains listings of its stock on the Toronto Stock Exchange (Symbol NWS) and the O.T.C. market of the NASDAQ system in the U.S. (Symbol NWELF).

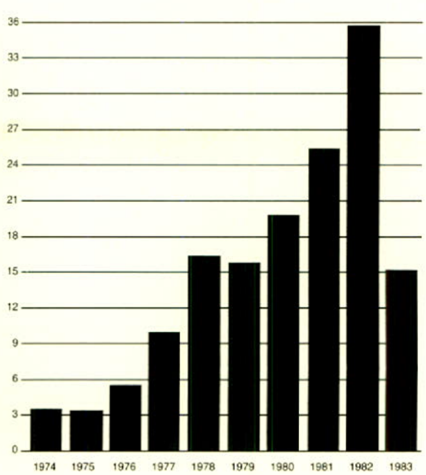
CONSOLIDATED NET INCOME
MILLIONS OF DOLLARS



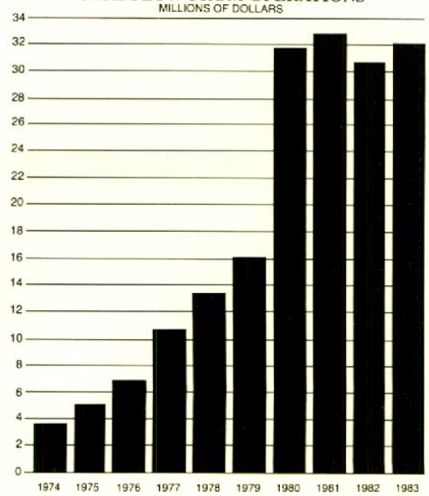
CONSOLIDATED SALES
MILLIONS OF DOLLARS



NET CAPITAL EXPENDITURES
MILLIONS OF DOLLARS

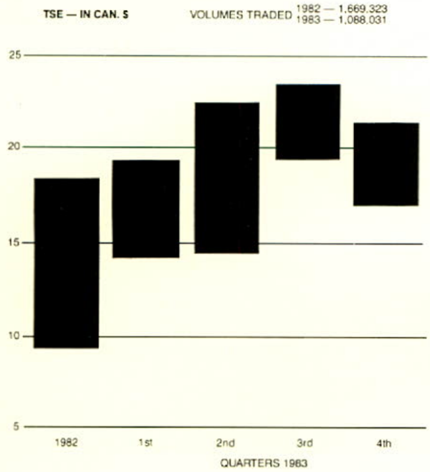


CASH FLOW FROM OPERATIONS
MILLIONS OF DOLLARS

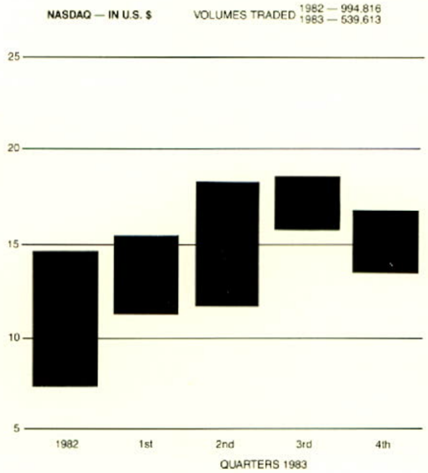


FOR THE THREE MONTHS ENDED June 30	Sept. 30	Dec. 31	Total
$30,433,000	$44,936,000	$44,945,000	$161,087,000
25,859,000	31,557,000	34,002,000	119,926,000
2,793,000	2,951,000	2,572,000	11,177,000
1,781,000	10,428,000	8,371,000	29,984,000
453,000	3,939,000	2,552,000	10,460,000
921,000	991,000	1,043,000	3,461,000
$ 407,000	$ 5,498,000	$ 4,776,000	$ 16,063,000
$.03	$.40	$.36	$1.19
27,272,000	33,586,000	44,028,000	146,217,000
22,226,000	24,608,000	30,173,000	106,684,000
2,442,000	2,518,000	2,951,000	10,100,000
2,604,000	6,460,000	10,904,000	29,433,000
619,000	2,350,000	3,943,000	11,025,000
869,000	990,000	924,000	3,329,000
$ 1,116,000	$ 3,120,000	$ 6,037,000	$ 15,079,000
$.08	$.23	$.45	$1.12

SHARE PRICES — 1983, 1982



SHARE PRICES — 1983, 1982



FINANCIAL SECTION

Contents

CONSOLIDATED BALANCE SHEETS

	December 31 1983	1982
ASSETS		
Current assets		
Cash and short-term deposits	**$ 14,721,000**	$ 5,709,000
Accounts receivable	**36,430,000**	29,343,000
Inventories	**20,649,000**	18,541,000
Prepaid expenses	**1,695,000**	1,329,000
	73,495,000	54,922,000
Property, plant and equipment		
Buildings	**18,023,000**	16,501,000
Equipment	**121,293,000**	110,971,000
	139,316,000	127,472,000
Less accumulated depreciation	**35,421,000**	25,714,000
	103,895,000	101,758,000
Land	**3,433,000**	3,184,000
	107,328,000	104,942,000

Approved by the Board

Director A P Shouldice

Director D. A. Richardson

	$180,823,000	$159,864,000

See notes to consolidated financial statements.

	December 31 1983	1982
LIABILITIES		
Current liabilities		
Bank indebtedness	**$ 22,371,000**	$ 19,655,000
Accounts payable and accrued liabilities	**18,883,000**	15,326,000
Due to affiliates	**6,000**	271,000
Income taxes payable	**2,991,000**	5,192,000
Current maturities of long-term debt	**823,000**	371,000
	45,074,000	40,815,000
Long-term debt	**16,149,000**	12,951,000
Deferred income taxes	**21,595,000**	20,889,000
Minority interest in consolidated subsidiaries	**8,494,000**	7,522,000
SHAREHOLDERS' EQUITY		
Share capital		
Common shares without nominal or par value Authorized 48,000,000 shares; **13,526,345** shares issued and outstanding (1982 — 13,522,045)	**2,935,000**	2,908,000
Retained earnings	**88,022,000**	75,746,000
Equity translation adjustment	**(1,446,000)**	(967,000)
	89,511,000	77,687,000
	$180,823,000	$159,864,000

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31 1983	1982
Sales	**$161,087,000**	$146,217,000
Costs and expenses		
Material and operating	**101,683,000**	90,501,000
General and administrative	**14,835,000**	12,284,000
Interest	**3,408,000**	3,899,000
Depreciation	**11,177,000**	10,100,000
	131,103,000	116,784,000
Net income before income taxes and minority interest	**29,984,000**	29,433,000
Income taxes		
Current	**9,100,000**	8,841,000
Deferred	**1,360,000**	2,184,000
	10,460,000	11,025,000
Net income before minority interest	**19,524,000**	18,408,000
Minority interest in net income of consolidated subsidiaries	**3,461,000**	3,329,000
Net income for the year	**$ 16,063,000**	$ 15,079,000
Net Income per common share	**$1.19**	$1.12

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Year Ended December 31 1983	1982
Retained earnings at beginning of year	**$ 75,746,000**	$ 64,316,000
Net income for the year	**16,063,000**	15,079,000
	91,809,000	79,395,000
Dividends paid	**3,787,000**	3,649,000
Retained earnings at end of year	**$ 88,022,000**	$ 75,746,000

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31 1983	1982
Source of working capital		
Net income for the year	**$ 16,063,000**	$ 15,079,000
Add charges not requiring current outlay of working capital:		
Depreciation	**11,177,000**	10,100,000
Deferred income taxes	**1,360,000**	2,184,000
Minority interest	**3,461,000**	3,329,000
Total from operations	**32,061,000**	30,692,000
Long-term debt	**4,151,000**	7,382,000
Proceeds from issue of minority shares of subsidiaries	**45,000**	—
Proceeds from issue of share capital	**27,000**	92,000
Total provided	**36,284,000**	38,166,000
Use of working capital		
Purchase of property, plant and equipment — net	**15,056,000**	35,770,000
Dividends paid	**3,787,000**	3,649,000
Minority dividends	**2,035,000**	411,000
Repayment and change in current maturities of long-term debt	**1,092,000**	709,000
Total used	**21,970,000**	40,539,000
Increase (decrease) in working capital	**14,314,000**	(2,373,000)
Working capital at beginning of year	**14,107,000**	16,480,000
Working capital at end of year	**$ 28,421,000**	$ 14,107,000
Represented by		
Current assets	**73,495,000**	54,922,000
Less current liabilities	**45,074,000**	40,815,000
	$ 28,421,000	$ 14,107,000

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983 and December 31, 1982

NOTE A — SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation: The consolidated financial statements include the accounts of Nowsco Well Service Ltd. and its subsidiaries (hereinafter referred to as the "Company").

Translation of foreign subsidiaries' financial statements: Foreign currency amounts are translated from the foreign entity currency into Canadian dollars at the following rates: assets and liabilities at the rates prevailing at balance sheet date and revenues and expenses at the weighted average rates throughout the period. Adjustments arising from the translation are accumulated as a separate component of shareholders' equity.

Inventories: Inventories are carried at cost determined under the first-in, first-out or average cost method. The aggregate of such inventories is not in excess of net realizable value.

Property, plant and equipment: Property, plant and equipment are stated at cost, normal repairs and maintenance costs are charged to income as incurred. Betterments and major renewals are capitalized. The cost of assets retired or otherwise disposed of and the related allowances for depreciation are eliminated from the accounts in the year of disposal and the resulting gain or loss is included in income at that time.

The provision for depreciation is computed principally using the straight-line method over the estimated useful lives of the assets (buildings and improvements — 10 to 40 years; equipment — 5 to 20 years).

Leases: Leases which transfer substantially all of the benefits and risks incident to ownership of property are recorded as the acquisition of an asset and the incurrence of an obligation. The asset is amortized on a straight-line basis over the term of the lease.

Capitalization of interest: Interest is capitalized on all costs incurred in construction of equipment and buildings.

Income taxes: The Company follows the tax allocation method of accounting under which the income tax provision is based on reported net income. Full provision is made for income taxes deferred to future years as a result of claiming capital cost allowances for income tax purposes in excess of related depreciation provisions recorded in the accounts.

Investment tax credits are accounted for as a reduction in income tax expense in the year realized.

Net income per common share: Net income per common share is based on the average number of shares outstanding during the year. Fully diluted earnings per share are not presented because the dilutive effect of common shares under option, if such options were exercised, would not be material.

NOTE B — EQUIPMENT UNDER CAPITAL LEASES

Property, plant and equipment includes the following equipment under capital leases:

	1983	1982
Equipment	**$ 4,204,000**	$ 1,063,000
Less: Amortization included in accumulated depreciation	**308,000**	—
	$ 3,896,000	$ 1,063,000

NOTE C — SHARE CAPITAL

Details of changes in issued share capital, for the two years ended December 31, 1983 are:

	Number of Shares	**Amount**
Balance January 1, 1982	13,478,045	$2,816,000
Issued upon exercise of employee stock options	44,000	92,000
Balance December 31, 1982	13,522,045	$2,908,000
Issued upon exercise of employee stock options	4,300	27,000
Balance December 31, 1983	**13,526,345**	**$2,935,000**

Under the terms of the Incentive Stock Option Plan, options may be granted at the discretion of the Board of Directors to full-time officers, employees and directors of the Company at an option price equal to the market price of the Company's shares on the date of grant. The options are not assignable, are earned as to 20% of the total shares covered thereby for each full year of employment over a five year period commencing on the first anniversary of the date of grant and are exercisable over a ten year period.

The purchase price of Common Shares of the Company under options granted to certain directors, officers and key employees and outstanding as at December 31, 1983 ranged from $2.375 to $22.00. The Company has reserved **26,800** shares (1982 — 14,300) for possible future allocations.

Changes in the number of common shares under option during the two years ended December 31, 1983 are summarized as follows:

	1983	1982
Outstanding, beginning of year	**120,255**	150,755
Granted	**18,500**	13,500
Cancelled	**(1,000)**	—
Exercised	**(4,300)**	(44,000)
Outstanding, end of year	**133,455**	120,255

NOTE D — LONG-TERM DEBT

	1983	1982
Term bank loan due December, 1991, repayable over five years in monthly instalments of U.S. $146,000 commencing 1987 plus interest at ½% over the U.S. bank prime rate, secured by certain buildings and equipment; repayable in U.S. funds of **$8,739,000**	**$10,884,000**	$10,793,000
Industrial Revenue Bond due December, 1992, repayable over nine years in semi-annual instalments of U.S. $50,000 plus interest at 75% of the U.S. bank minimum lending rate, secured by certain land and buildings; repayable in U.S. funds of **$900,000** (1982: $1,000,000)	**$ 1,121,000**	$ 1,235,000
Capital lease obligations, of five and ten year terms, payable in monthly instalments aggregating U.S. $62,000 expiring between 1987 and 1993; principal outstanding of U.S. **$3,987,000** (1982: U.S. $888,000)	**$ 4,967,000**	$ 1,063,000
Other	**$ —**	$ 231,000
	$16,972,000	$13,322,000
Less current maturities	**$ 823,000**	$ 371,000
	$16,149,000	$12,951,000

The aggregate principal repayments required in each of the four years after 1984 are as follows: 1985 — $852,000; 1986 — $883,000; 1987 — $3,092,000; and 1988 — $2,810,000. In addition, the company is entitled to make prepayments of any portion of the term bank loan. Interest on long-term debt was **$1,411,000** in 1983 (1982 — $940,000).

NOTE E — CONTINGENCIES AND COMMITMENTS

The Income Tax Act provides tax incentives to Canadian corporations carrying on manufacturing and processing activities in the form of an accelerated capital cost allowance and a reduced rate of income tax (introduced into the Act in 1972) and investment tax credits (introduced into the Act in 1975). The Company has claimed these tax incentives since they were introduced into the Act.

Taxation authorities have carried out a review of the Company's business activities to determine whether, in their opinion, they qualify as manufacturing and processing activities. As a result of the review, the taxation authorities have concluded that the Company's business activities do not so qualify but have indicated that they will continue to treat them as such up to March 23, 1977.

In 1981, taxation authorities issued Notices of Reassessment in respect of the Company's 1977, 1978 and 1979 taxation years disallowing accelerated capital cost allowances and investment tax credits claimed by the Company on a substantial portion of its machinery and equipment on the basis that they do not constitute manufacturing and processing assets and disallowing the reduced rate of tax on income earned by the Company subsequent to March 23, 1977 on the basis that the Company's activities do not constitute manufacturing and processing activities.

The Company has filed Notices of Objection in respect to the Notices of Reassessment claiming continued entitlement to utilize the income tax incentives available to corporations carrying on manufacturing and processing activities.

The Notices of Reassessment claim additional income taxes and interest of approximately $6,100,000 for the years reassessed. If the Company had computed its income tax provisions for the years subsequent to 1976 on the basis of the Notices of Reassessment, retained earnings at December 31, 1983 would be reduced by $17,100,000.

The Company has received an opinion from special legal counsel that the Company's business activities constitute manufacturing and processing activities and that the Company's machinery and equipment constitute manufacturing and processing machinery and equipment. Management of the Company is of the firm opinion that the Company's tax returns, as filed, are substantially correct. Accordingly, no provision has been made in the Company's accounts to reflect any position other than the Company's continued entitlement to claim the tax incentives available to Canadian corporations carrying on manufacturing and processing activities.

The Company has been named as defendant in three legal actions with claims totalling approximately $5,000,000. Although it is too early in the proceedings for legal counsel to give an opinion with respect to the merits of these actions, management of the Company believes these claims are without merit and as such, no provision has been made in the consolidated financial statements.

The Company has outstanding letters of credit totalling $8,465,000 for performance under contracts and income tax reassessments including accrued interest from the date of reassessment and referred to above.

NOTE F — RETIREMENT PLANS

The Company has retirement plans which cover substantially all employees. The contributions by employees, together with those made by the Company, are deposited with trustees according to terms of the plan. Pensions at retirement are related to remuneration and years of service.

Company contributions are recorded as pension expense and charged against income, based on rates determined by an independent actuary. As of December 31, 1983, an actuarial valuation of the plan indicated no unfunded liability.

Company current service pension contributions charged against income during 1983 were **$848,000** (1982 — $809,000).

NOTE G — RELATED PARTY TRANSACTIONS

During 1983 purchases of inventory totalling **$1,205,000** (1982 — $1,408,000) and equipment of **$91,000** (1982 — $ nil) were made from affiliated companies. The amount owing on these transactions as at December 31, 1983 was **$6,000** (1982 — $271,000). All of these transactions arose in the normal course of operations.

NOTE H — REMUNERATION OF SENIOR OFFICERS AND DIRECTORS

During 1983 aggregate direct remuneration of senior officers and directors amounted to **$968,000** (1982 — $912,000).

NOTE I — SEGMENTED INFORMATION

The Company provides specialized products and equipment to the oil and gas industry for use during the drilling, completion and production stages of oil and gas wells.

Geographic segments: The Company has identified three geographic segments; Canada, U.K./Europe and Other, which includes operations in S.E. Asia and the United States.

Under present generally accepted accounting principles operations in the United States should be disclosed as a separate geographic segment. In management's opinion, the effect of such disclosure to competitors may adversely impact future earnings and therefore be detrimental to the interests of the Company's shareholders. Accordingly, United States operations have not been disclosed as a geographic segment.

The following information relates to the geographic segments:

1983	Canada	U.K./Europe	Other	Total
Sales	$84,951,000	$29,729,000	$46,407,000	$161,087,000
Income before income taxes and minority interest	$16,380,000	$ 6,513,000	$ 7,091,000	$ 29,984,000
Net income for the year				$ 16,063,000
Identifiable assets	$93,641,000	$38,241,000	$48,941,000	$180,823,000

1982	Canada	U.K./Europe	Other	Total
Sales	$89,045,000	$25,244,000	$31,928,000	$146,217,000
Income before income taxes and minority interest	$17,911,000	$ 7,567,000	$ 3,955,000	$ 29,433,000
Net income for the year				$ 15,079,000
Identifiable assets	$85,458,000	$38,630,000	$35,776,000	$159,864,000

AUDITORS' REPORT

To the Shareholders
Nowsco Well Service Ltd.

We have examined the consolidated balance sheets of Nowsco Well Service Ltd. as at December 31, 1983 and December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the years 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.

As explained in note I, the Company has declined to present segmented information with respect to a significant geographic segment. In our opinion, the U.S. operations of the Company is a reportable foreign geographic segment and disclosure of its sales, income before income taxes and minority interest and identifiable assets is required under generally accepted accounting principles.

In our opinion, except for the omission of geographic segmented information discussed in the preceding paragraph, these financial statements present fairly the financial position of the Company as at December 31, 1983 and December 31, 1982 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Ernst + Whinney
Chartered Accountants

Calgary, Alberta
February 14, 1984

TEN YEAR REVIEW

	1983	1982	1981	1980
INCOME				
Sales	**$161,087,000**	$146,217,000	$140,850,000	$135,544,000
COSTS AND EXPENSES				
Material and operating	**101,683,000**	90,501,000	90,189,000	84,733,000
General and administrative	**14,835,000**	12,284,000	10,429,000	7,169,000
Interest	**3,408,000**	3,899,000	1,604,000	1,338,000
Depreciation	**11,177,000**	10,100,000	7,825,000	5,270,000
	131,103,000	116,784,000	110,047,000	98,510,000
Net income before income taxes and minority interest	**29,984,000**	29,433,000	30,803,000	37,034,000
Income taxes	**10,460,000**	11,025,000	11,059,000	14,270,000
Minority interest	**3,461,000**	3,329,000	2,908,000	2,423,000
NET INCOME	**$ 16,063,000**	$ 15,079,000	$ 16,836,000	$ 20,341,000
Net income per share	**$1.19**	$1.12	$1.25	$1.51
Cash flow from operations	**$ 32,061,000**	$ 30,692,000	$ 32,740,000	$ 31,941,000
Working capital	**$ 28,421,000**	$ 14,518,000	$ 16,480,000	$ 13,709,000
Capital expenditures — net	**$ 15,056,000**	$ 35,770,000	$ 25,397,000	$ 19,823,000
Dividends	**$ 3,787,000**	$ 3,649,000	$ 4,848,000	$ 2,683,000
Shares outstanding	**13,526,000**	13,522,000	13,478,000	13,429,000
Number of employees	**1,208**	1,048	1,020	983

1979	1978	1977	1976	1975	1974
$81,144,000	$65,184,000	$42,237,000	$30,310,000	$21,066,000	$13,881,000
52,608,000	42,457,000	26,226,000	18,351,000	12,615,000	8,274,000
5,339,000	4,873,000	3,047,000	2,590,000	1,429,000	989,000
1,228,000	712,000	211,000	8,000	117,000	86,000
3,812,000	3,094,000	1,844,000	1,176,000	986,000	711,000
62,987,000	51,136,000	31,328,000	22,125,000	15,147,000	10,060,000
18,157,000	14,048,000	10,909,000	8,185,000	5,919,000	3,821,000
7,538,000	5,455,000	4,416,000	3,323,000	2,546,000	1,573,000
33,000	407,000	364,000	49,000	64,000	37,000
$10,586,000	$ 8,186,000	$ 6,129,000	$ 4,813,000	$ 3,309,000	$ 2,211,000
$.79	$.62	$.47	$.37	$.26	$.17
$16,107,000	$13,483,000	$10,669,000	$ 6,896,000	$ 5,178,000	$ 3,847,000
$ 5,094,000	$ 5,349,000	$ 4,201,000	$ 4,142,000	$ 3,247,000	$ 1,762,000
$15,654,000	$16,220,000	$ 9,917,000	$ 5,590,000	$ 3,374,000	$ 3,541,000
$ 1,596,000	$ 1,215,000	$ 769,000	$ 437,000	$ 433,000	—
13,329,000	13,284,000	13,218,000	13,104,000	13,068,000	12,924,000
783	638	470	312	259	192

CORPORATE INFORMATION

Board of Directors

Standing (left to right): M. E. Jones, A. J. Day, T. E. Sands, C. F. Dow, R. A. Plummer, R. G. Wells, W. A. Elser.
Seated (left to right): S. P. Shouldice, H. K. Smith, D. A. Richardson.

Board of Directors

ALAN J. DAY Calgary, Alberta	Vice President of Finance of the Company
CLIFFORD F. DOW Wooster, Ohio	Vice President and General Manager of the U.S. Operations of the Company
WILLIAM A. ELSER Calgary, Alberta	Executive Vice President, ATCOR Resources Limited
MACLEAN E. JONES Calgary, Alberta	Senior Partner, Bennett Jones, Barristers and Solicitors
RAY A. PLUMMER Houston, Texas	President, Nowsco Services, Inc., Subsidiary of Big Three Industries, Inc.
DOUGLAS A. RICHARDSON London, England	Senior Vice President and Chief Operating Officer of the Company
THOMAS E. SANDS Houston, Texas	Financial Vice President and Treasurer, Big Three Industries, Inc.
S. PATRICK SHOULDICE Calgary, Alberta	President and Chief Executive Officer of the Company
HARRY K. SMITH Houston, Texas	Chairman of the Board, Big Three Industries, Inc.
ROBERT G. WELLS Calgary, Alberta	Vice President and Manager of Canadian Operations of the Company

Officers

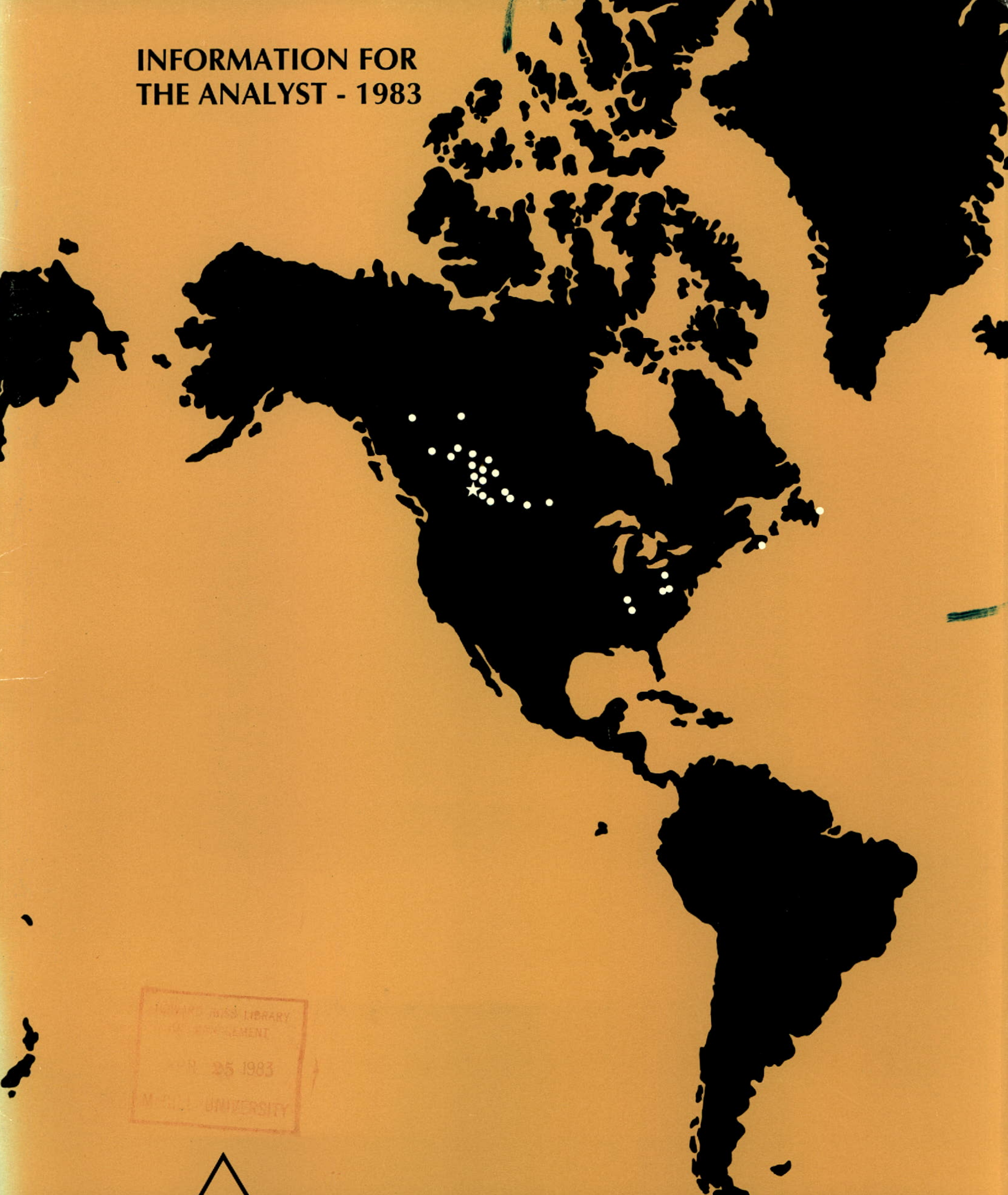
HARRY K. SMITH	Chairman of the Board
S. PATRICK SHOULDICE	President and Chief Executive Officer
DOUGLAS A. RICHARDSON	Senior Vice President
CLIFFORD F. DOW	Vice President
ALAN J. DAY	Vice President
ROBERT G. WELLS	Vice President
GRANT TREVATHAN	Assistant Secretary

SUBSIDIARY COMPANIES

	Percentage of Ownership
Nowsco of Canada Ltd.	100%
Nowsco Well Service Europe BV	100%
Nowsco International Limited	100%
BOC-NOWSCO Limited	51%
BOC-NOWSCO Oilfield Services GmbH	51%
BOC-NOWSCO (S.E. Asia) Pte. Ltd.	51%
BOC-NOWSCO International Limited	51%
BOC-NOWSCO S.r.l.	51%
BOC-NOWSCO COMPANY LIMITED	51%
BOC-NOWSCO BV	51%
BOC-NOWSCO Norge A/S	51%

REGISTRAR AND TRANSFER AGENT	The Canada Trust Company, Vancouver, Calgary, Regina, Winnipeg, Toronto and Montreal
SOLICITORS	Bennett Jones, 3200 Shell Centre, 400 - Fourth Avenue, S.W., Calgary, Alberta
BANKER	Canadian Imperial Bank of Commerce, 715 - Fifth Avenue, S.W., Calgary, Alberta
AUDITORS	Ernst & Whinney Chartered Accountants, 1400, 800 - Fifth Avenue, S.W., Calgary, Alberta
STOCK LISTED	Toronto Stock Exchange NASDAQ
HEAD OFFICE	900, 715 - Fifth Avenue, S.W., Calgary, Alberta

INFORMATION FOR THE ANALYST - 1983



NOWSCO Well Service Ltd.

An International Canadian Company

History of The Company

Nowsco Well Service Ltd. commenced operations in 1962 under the name Nowsco of Canada Ltd. The Company was formed by Big Three Industries, Inc. of Houston, Texas, and a group of Canadian residents to introduce liquid nitrogen oilfield techniques to the Canadian Oil and Gas Industry. The Company commenced with one nitrogen unit and did its first job on October 17, 1962. The original two employees of the Company, S. P. Shouldice and J. H. Bristow are still employed by the Company as President and Senior Sales Representative, respectively.

In 1963, three additional nitrogen units were added to the Fleet and S. P. Shouldice was appointed President of the Company.

In 1965, the currently named operating company was incorporated to expand into the acidizing market and subsequently in 1966 into cementing operations.

In 1967 sales revenue exceeded $1.0 Million and in 1968 NOWSCO performed its first work outside of Canada. This was a series of nitrogen work in off-shore Alaska.

A reorganization of the operating companies took place in 1970 to continue as Nowsco Well Service Ltd. 1970 also saw NOWSCO introduce Endless Tubing Units to the Canadian Oil and Gas Industry and enter into the Fracturing Stimulation market. T. E. Sands, Financial Vice President of Big Three Industries, Inc. was appointed a director of the Company.

In 1971, sales revenue increased by 70% to $3.3 Million and D. A. Richardson was appointed a director of the Company.

In 1972 NOWSCO made its first offering of shares to the public, all in Canada, raising $1,585,000 on an issue of 250,000 shares. Big Three Industries, Inc. retained 64%. H. K. Smith and M. E. Jones were appointed directors. D. A. Richardson was appointed Vice President and A. J. Day was appointed Secretary-Treasurer of the Company.

NOWSCO entered the foreign market in 1973 with the formation of BOC-NOWSCO Limited in the U.K. The Company retained a 51% interest in this operation with The British Oxygen Company Limited representing the remaining 49%. Consolidated sales revenue exceeded $10 Million and net income reached $1.6 Million. Capital expenditures exceeded $3 Million.

In 1974 the first off-shore operation in the North Sea was performed.

In 1975 the Company's foreign operations were expanded into Europe with the formation of BOC-NOWSCO Oilfield Services GmbH based in Vechta, West Germany. 1975 also saw the Company declare its first dividend — a modest 10 cents per share — and complete a 2-for-1 stock split. Significant research and development resulted in the introduction of Foam Fracturing to the Canadian market as well as the development of the Tree Saver to allow high-pressure by-pass of the wellhead. Nowsco also completed its first sale of equipment with the delivery of four pumping units to the Government of India.

In 1976 the Company refined foam fracturing applications and developed foamed acid treatments as well as completing a substantial expansion of lab facilities and equipment due to extensive exploratory drilling in the deep foothills areas. C. F. Dow was appointed a director and Vice-President of the Company.

1977 saw the commencement of operations in S.E. Asia with the formation of BOC-NOWSCO (S.E. Asia) Pte. Ltd. based in Singapore. An extraordinary dividend of five cents per share was declared and the Company's shares commenced trading on the O.T.C. market of the NASDAQ system.

The year 1978 was a financially significant year. Record capital expenditures, in excess of $17 Million, were made and for the first time the Company used a portion of its available long-term debt. During the third quarter of this year the Company completed a 2-for-1 stock split. 1978 also saw the start of construction of a second stimulation barge unit for S.E. Asia and the development of both the Sand Intensifier, which has substantially enhanced present fracturing techniques, and the first Hydrocarbon Foam Frac Fluid.

1979 was another year of record sales of $81.1 Million and net earnings of $10.6 Million. There was good sales growth both domestically and foreign for all services offered. To meet the challenge of the growth pattern a $4 Million investment was made in a new Fabrication, Research and Training Centre in Calgary. The Board of Directors was expanded with the appointment of W. M. Boren, A. J. Day and D. J. Magus.

1980 was highlighted by record growth. Sales totaled $135.5 Million and net earnings $20.3 Million. Earnings per share for this reporting period were $1.51 compared to $0.79 a year ago. Earnings per share reflect the 3-for-1 stock split completed by the Company during the second quarter. The fabrication facility produced equipment for sale to several foreign countries as well as producing $7.5 Million worth of equipment for the Company's own use. 1980 also saw capital expenditures in excess of $23 Million, the development of the Helium Leak Detection System and a geographical expansion to the East Coast of Canada, and establishment of a base in Italy.

1981 saw sales of $140.8 Million and net earnings of $16.8 Million. Equipment and technology sales of over $10 Million were made to the Governments of India and Pakistan, and a new long-term contract was negotiated for our S.E. Asia operation. Capital expenditures exceeded $27 Million and a new subsidiary, BOC-NOWSCO SRL, was formed in Italy. 1981 also saw the Company's first expansion into the United States with the establishment of operating bases in Ohio and West Virginia. There was also increased investment on the East Coast of Canada to meet the off-shore demands of the industry.

1982 marked the twentieth anniversary of Nowsco and despite the economic slow-down of our industry in Canada and the general world wide depressed economies, the Company again reached record sales with a total of $146,217,000. Net earnings decreased however, by 10% to $15,079,000. The foreign subsidiaries showed good growth and the U.S. operation was further expanded with operations now in Kentucky and Tennessee as well as Ohio and West Virginia. In Calgary, a Chemical Blending Plant was opened and on the Canadian East Coast there are operational bases to serve the off-shore oil and gas industry from both St. John's, Newfoundland and Dartmouth, Nova Scotia.

Corporate Information

One of our greatest assets is the strength and experience of Management. After each name, age and years of service are shown. Average age is 43 and average service is 11 years. Together, the Management group represents in excess of 230 years of experience in the oil and gas industry.

Directors and Officers

W. M. Boren, Houston, Texas — Director
Vice Chairman of the Board
Big Three Industries, Inc.

A. J. Day, Calgary, Alberta — Director and Vice President
Chief Financial Officer
of the Company

C. F. Dow, Wooster, Ohio — Director and Vice President
General Manager of U.S. Division

M. E. Jones, Calgary, Alberta — Director
Senior Partner, Bennett Jones
Barristers and Solicitors

D. J. Magus, Calgary, Alberta — Director and Vice President
Assistant Operations Manager
of the Company

R. A. Plummer, Houston, Texas — Director
President, Nowsco Services,
Big Three Industries, Inc.

D. A. Richardson, Calgary, Alberta — Director and Vice President
Operations Manager of the Company

T. E. Sands, Houston, Texas — Director
Financial Vice President, Treasurer
Big Three Industries, Inc.

S. P. Shouldice, Calgary, Alberta — Director and President
Chief Executive Officer of the Company

H. K. Smith, Houston, Texas — Director
Chairman of the Board,
Big Three Industries, Inc.

G. Trevathan, Calgary, Alberta — Assistant Secretary
Controller of the Company

Senior Management

K. M. Bagan (33, 5)
Manager, Training

T. F. Bratrud (36, 10)
Chief Engineer

A. J. Day (44, 17)
Vice President, Finance

J. R. Delorey (41, 7)
Manager, Research & Development

C. F. Dow (53, 17)
Vice President and General Manager of U.S. Division

F. P. Hagen (35, 8)
Sales Manager

R. J. Harrington (52, 5)
Manager, Safety

J. I. Helmer (55, 12)
Manager, Fabrication and Special Projects

D. J. Magus (39, 7)
Vice President, Engineering

D. A. Richardson (52, 19)
Senior Vice President and Operations Manager

S. P. Shouldice (47, 21)
President and General Manager

G. S. Wand (36, 6)
General Manager, S.E. Asia

R. O. Younge (32, 8)
General Manager, UK/Europe

Operating Locations

Canada

Alberta

Red Deer
Edmonton
Calgary
Medicine Hat
Brooks
Whitecourt
Peace River
High Level
Drayton Valley
Lloydminster
Lac La Biche
Grande Prairie
Slave Lake

British Columbia

Fort St. John
Ft. Nelson

Saskatchewan

Kindersley
Estevan
Swift Current

Manitoba

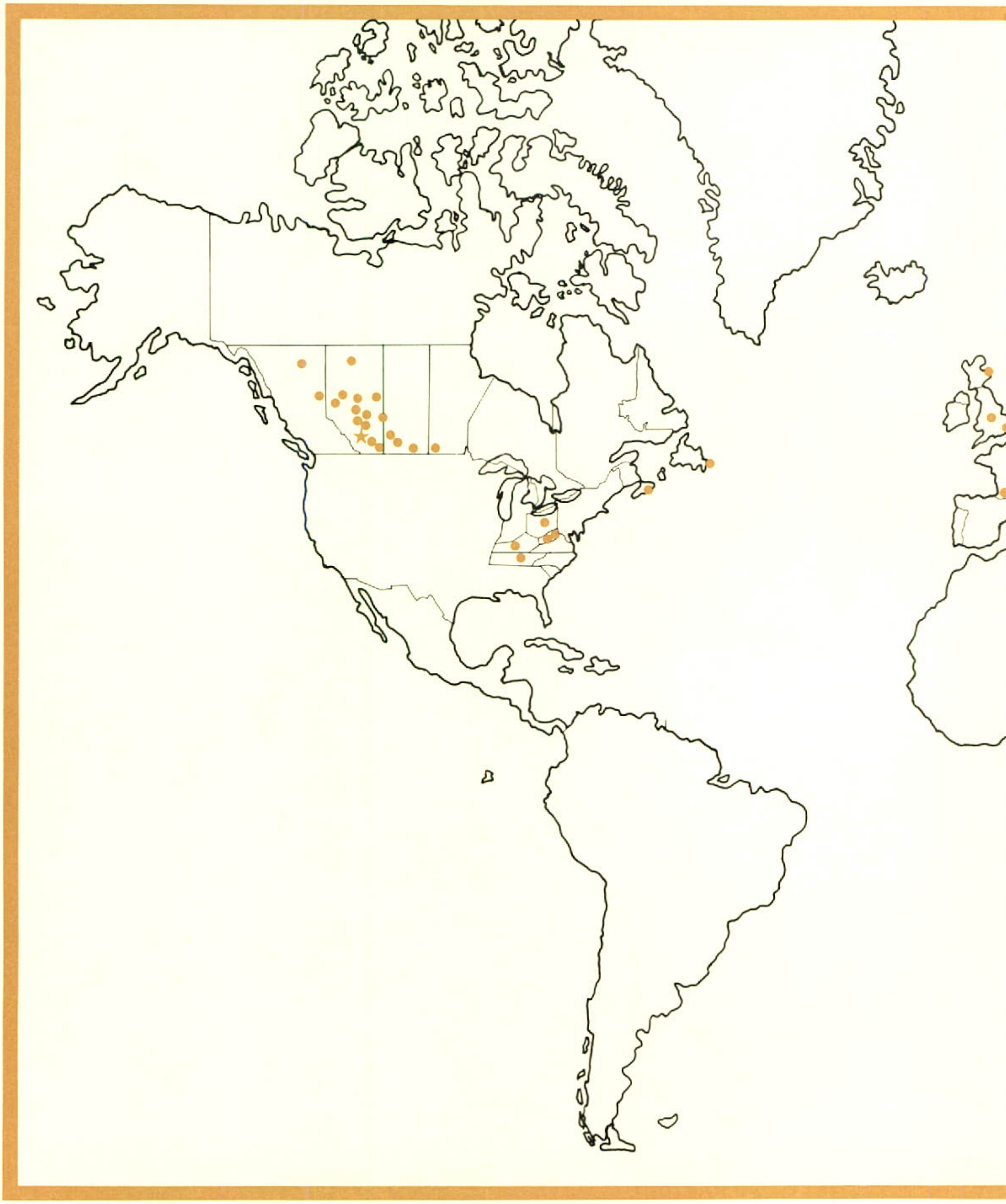
Waskada

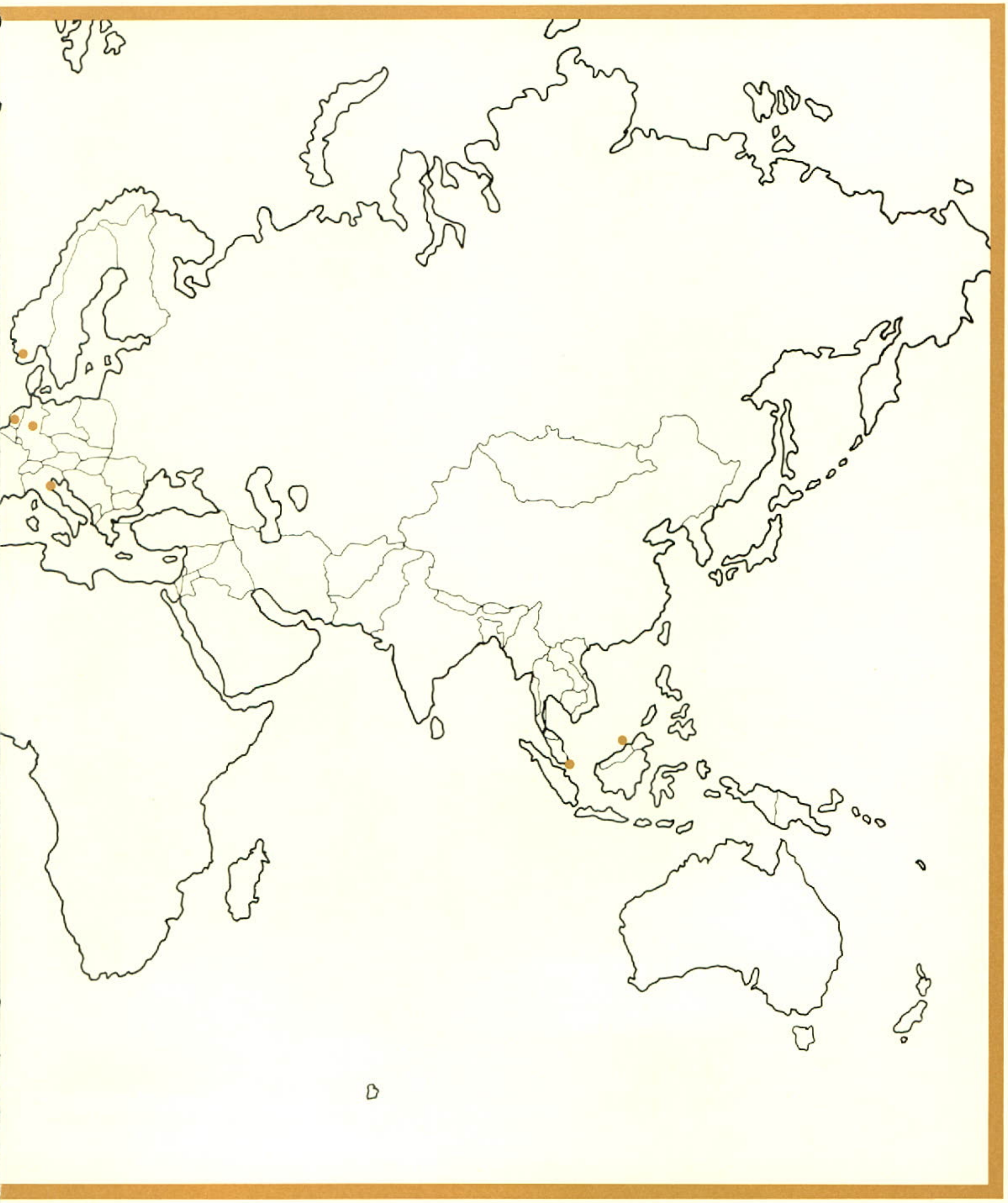
Newfoundland

St. John's

Nova Scotia

Dartmouth





International

United States

Ohio

Wooster

West Virginia

Clarksburg
Parkersburg

Kentucky

Columbia

Tennessee

Crossville

U.K. and Europe

Great Yarmouth, U.K.
Aberdeen, U.K.
Leeds, U.K.
Vechta, West Germany
Pau, France
Ravenna, Italy
Stavanger, Norway
Den Helder, Netherlands

S.E. Asia

Singapore
Kuala Belait

Financial Information

Condensed Comparative Balance Sheets

(Thousands of dollars)

ASSETS	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Current										
Cash	**$ 5,709**	$ 6,216	$ 1,682	$ 136	$ 55	$ 645	$ 2,103	$ 46	$ 15	$ 472
Receivables	**29,343**	25,780	29,889	20,619	18,600	10,764	6,903	6,566	4,925	2,609
Inventories	**18,541**	21,433	13,336	7,629	5,160	3,367	1,982	1,558	646	258
Prepaids	**1,329**	1,994	801	301	535	452	77	97	29	22
	$ 54,922	$ 55,423	$ 45,708	$28,685	$24,350	$15,228	$11,065	$ 8,267	$ 5,615	$ 3,361
Equipment and Property										
Equipment	**110,971**	83,439	63,128	48,834	37,643	25,375	16,494	11,781	9,263	6,488
Buildings and Land	**19,685**	14,690	12,333	9,162	5,933	2,881	2,277	1,701	1,177	588
Accumulated Depreciation	**(25,714)**	(17,119)	(12,023)	(9,112)	(6,534)	(4,340)	(2,906)	(2,077)	(1,411)	(867)
	104,942	81,010	63,438	48,884	37,042	23,916	15,865	11,405	9,029	6,209
	$159,864	$136,433	$109,146	$77,569	$61,392	$39,144	$26,930	$19,672	$14,644	$ 9,570
LIABILITIES										
Bank Debt	**$ 20,026**	$ 20,562	$ 8,796	$10,009	$ 8,987	$ 3,078	$ 2,387	$ 1,505	$ 1,528	$ 386
Payables	**15,597**	16,427	16,069	11,239	9,336	7,506	3,833	2,495	2,196	1,528
Income Taxes	**5,192**	1,954	7,134	2,343	678	443	702	1,020	129	—
	$ 40,815	$ 38,943	$ 31,999	$23,591	$19,001	$11,027	$ 6,922	$ 5,020	$ 3,853	$ 1,914
Long-Term Debt	**12,951**	6,044	5,498	6,368	5,269	—	—	—	—	—
Deferred Taxes	**20,889**	19,014	13,844	9,936	8,260	6,464	4,132	3,242	2,424	1,537
Minority Interest	**7,522**	5,300	2,813	590	860	725	411	342	258	221
SHAREHOLDER'S EQUITY										
Share Capital	**$ 2,908**	$ 2,816	$ 2,664	$ 2,414	$ 2,322	$ 2,219	$ 2,116	$ 2,095	$ 2,012	$ 2,012
Retained Earnings	**75,746**	64,316	52,328	34,670	25,680	18,709	13,349	8,973	6,097	3,886
Equity Translation Adjustment	**(967)**	—	—	—	—	—	—	—	—	—
	77,687	67,132	54,992	37,084	28,002	20,928	15,465	11,068	8,109	5,898
	$159,864	$136,433	$109,146	$77,569	$61,392	$39,144	$26,930	$19,672	$14,644	$ 9,570

Comparative Income Statements

(Thousands of dollars)

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
INCOME										
Sales	$146,217	$140,850	$135,544	$81,144	$65,184	$42,237	$30,310	$21,066	$13,881	$10,084
EXPENSES										
Material and operating expense	90,501	90,189	84,733	52,608	42,457	26,226	18,351	12,615	8,274	6,153
General and administrative	12,284	10,429	7,169	5,339	4,873	3,047	2,590	1,429	988	688
Interest	3,899	1,604	1,338	1,228	712	211	8	117	87	—
Depreciation	10,100	7,825	5,270	3,812	3,094	1,844	1,176	986	711	428
	116,784	110,047	98,510	62,987	51,136	31,328	22,125	15,147	10,060	7,269
Net income before income tax and minority interest	29,433	30,803	37,034	18,157	14,048	10,909	8,185	5,919	3,821	2,815
Income taxes	11,025	11,059	14,270	7,538	5,455	4,416	3,323	2,546	1,573	1,187
Minority interest	3,329	2,908	2,423	33	407	364	49	64	37	(23)
NET INCOME	$ 15,079	$ 16,836	$ 20,341	$10,586	$ 8,186	$ 6,129	$ 4,813	$ 3,309	$ 2,211	$ 1,651

Changes in Financial Position

(Thousands of dollars)

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
FUNDS PROVIDED										
Net income	$15,079	$16,836	$20,341	$10,586	$ 8,186	$ 6,129	$ 4,813	$3,309	$2,211	$1,651
Depreciation	10,100	7,825	5,270	3,812	3,094	1,844	1,176	986	711	428
Deferred taxes	2,184	5,170	3,907	1,675	1,796	2,332	890	817	887	729
Minority interest	3,329	2,908	2,423	33	407	364	49	64	38	(23)
Other	—	—	—	—	—	—	(32)	2	—	—
Total from Operations	30,692	32,739	31,941	16,106	13,483	10,669	6,896	5,178	3,847	2,785
Long-term debt	7,382	5,212	1,000	1,099	5,269	—	—	—	—	—
Other	92	164	250	93	103	136	40	114	9	255
Total provided	38,166	38,115	33,191	17,298	18,855	10,805	6,936	5,292	3,856	3,040
FUNDS USED										
Purchase of equipment and property — net	35,770	25,397	19,823	15,654	16,220	9,917	5,590	3,374	3,541	3,035
Dividends paid	3,649	4,848	2,683	1,596	1,215	769	437	433	—	—
Other	1,120	5,099	2,070	303	272	61	13	—	—	—
Total used	40,539	35,344	24,576	17,553	17,707	10,747	6,040	3,807	3,541	3,035
Change in working capital	(2,373)	2,771	8,615	(255)	1,148	58	896	1,485	315	5
Working capital, Jan. 1	16,480	13,709	5,094	5,349	4,201	4,143	3,247	1,762	1,447	1,442
Working capital, Dec. 31	$14,107	$16,480	$13,709	$ 5,094	$ 5,349	$ 4,201	$ 4,143	$3,247	$1,762	$1,447
Represented by										
Current Assets	$54,922	$55,423	$45,708	$28,685	$24,350	$15,228	$11,065	$8,267	$5,615	$3,361
Current Liabilities	40,815	38,943	31,999	23,591	19,001	11,027	6,922	5,020	3,853	1,914
	$14,107	$16,480	$13,709	$ 5,094	$ 5,349	$ 4,201	$ 4,143	$3,247	$1,762	$1,447

Employee Productivity

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Sales	**$139,520**	$138,088	$137,888	$114,207	$117,660	$108,023	$106,350	$93,626	$78,869	$62,634
Net income before Minority Interest	**$ 14,388**	$ 16,505	$ 20,693	$ 14,900	$ 14,776	$ 15,675	$ 16,887	$14,706	$12,562	$10,255
Number of employees at end of year	**1,048**	1,020	983	783	638	470	312	259	192	161

Selected Analyses and Ratios

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
*Earnings per Share	**$ 1.12**	$ 1.25	$ 1.51	$ 0.79	$ 0.62	$ 0.47	$ 0.37	$ 0.26	$ 0.17	$ 0.13
*Cash Flow from Operations per Share	**$ 2.27**	$ 2.43	$ 2.38	$ 1.21	$ 1.01	$ 0.81	$ 0.53	$ 0.40	$ 0.30	$ 0.22
*Dividends per Share	**$ .27**	$ .36	$ 0.20	$ 0.12	$ 0.09	$ 0.057	$ 0.033	$ 0.032	—	—
Pre-tax Margins (%)	**20.13**	21.86	27.3	22.4	21.6	25.8	27.0	28.1	27.5	27.9
Net Income Margins (%)	**10.31**	11.95	15.0	13.1	12.6	14.5	15.9	15.7	15.9	16.4
Effective Tax Rates (%)	**37.5**	35.9	38.5	41.5	38.8	40.5	40.6	43.0	41.2	42.2
Return on Average Equity (%)	**20.8**	27.6	44.1	32.5	33.5	33.7	36.2	34.5	31.6	32.6
Return on Average Capital Employed (%)	**13.2**	19.4	30.5	20.8	22.8	26.1	29.9	27.7	25.3	29.4
*Stock Range (T.S.E.)										
(High)	**$ 18¼**	$ 29	$ 34¾	$ 15½	$ 9⅜	$ 6⅛	$ 3¼	$ 2¼	$ 1	$ 1
(Low)	**$ 9¼**	$ 13¼	$ 14⅜	$ 6⅞	$ 4¾	$ 2¾	$ 1½	$ ½	$ ⅜	$ ⅝
P/E Ratio	**16.3**	23.2	23	19.5	15.1	13	8.9	8.6	5	2
*Number of Shares Outstanding at Year End	**13,522,045**	13,478,045	13,428,945	13,328,250	13,284,300	13,217,700	13,106,400	13,070,400	12,924,000	12,924,000
Year to Year Increases (%):										
Sales	**3.8**	3.9	67.0	24.5	54.3	39.3	43.9	51.8	37.6	64.3
Pre-tax Income	**(4.4)**	(16.82)	104.0	29.3	28.8	33.2	38.3	54.9	35.7	77.0
Net Income	**(10.4)**	(17.23)	92.2	29.3	33.6	27.3	45.4	49.7	33.9	98.4

*Adjusted for stock splits in April 1975, September 1978 and April 1980.

Foreign Operations

(Thousands of dollars)

	1982	1981	1980	1979	1978	1977	1976	1975	1974
Sales	**$57,172**	$33,072	$24,535	$11,121	$11,223	$5,353	$2,352	$1,233	$555
Net Operating Income	**$ 6,794**	$ 5,694	$ 4,367	$ 68	$ 831	$ 743	$ 101	$ 130	$ 77
% of Sales	**11.9%**	17.2%	17.8%	.6%	7.4%	13.9%	4.3%	10.5%	13.9%
Minority interest share of net operating income	**$ 3,329**	$ 2,908	$ 2,813	$ 33	$ 407	$ 364	$ 49	$ 64	$ 38

Quarterly Analysis

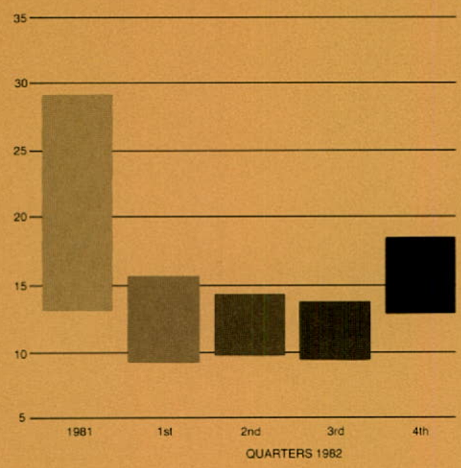
(Thousands of dollars)

	1982	1981	1980	1979	1978	1977	1976	1975	1974
1st Quarter									
Sales	**$41,331**	$45,686	$35,489	$20,035	$15,974	$11,406	$7,620	$4,514	$2,940
Cost of sales/operating	**29,677**	30,320	22,269	13,776	10,821	7,233	4,975	2,848	1,954
Depreciation	**2,189**	1,526	1,390	919	670	385	309	199	139
Net income before Tax and Minority Interest	**9,465**	13,840	11,830	5,340	4,483	3,788	2,336	1,467	847
Income Taxes	**4,113**	5,532	4,777	2,136	1,840	1,580	956	613	351
Minority Interest	**546**	702	318	208	19	99	(37)	29	(4)
Net Income	**$ 4,806**	$ 7,606	$ 6,735	$ 2,996	$ 2,624	$ 2,109	$1,417	$ 825	$ 500
* Earnings per share	**$ .36**	$ .57	$ .51	$ .20	$ .20	$ .16	$ .11	$ .06	$ .04
2nd Quarter									
Sales	**$27,272**	$27,290	$26,063	$13,142	$11,234	$ 6,822	$5,250	$3,363	$2,015
Cost of sales/operating	**22,226**	21,717	20,189	11,448	9,602	5,714	4,128	2,805	1,636
Depreciation	**2,442**	1,816	1,179	932	687	424	238	232	151
Net income before Tax and Minority Interest	**2,604**	3,757	4,695	762	945	684	884	326	228
Income Taxes	**619**	1,233	1,730	74	390	305	382	138	88
Minority Interest	**869**	931	764	221	206	75	69	15	10
Net Income	**$ 1,116**	$ 1,593	$ 2,201	$ 467	$ 349	$ 304	$ 433	$ 173	$ 130
* Earnings per share	**$ .08**	$ .11	$ .16	$ .04	$ .03	$ .03	$ .03	$ .02	$ .01
3rd Quarter									
Sales	**$33,586**	$33,135	$35,404	$23,149	$17,552	$11,031	$8,458	$6,182	$4,519
Cost of sales/operating	**24,608**	24,308	24,227	16,887	12,731	6,755	5,583	3,910	2,638
Depreciation	**2,518**	2,160	1,270	1,025	897	446	341	281	181
Net income before Tax and Minority Interest	**6,460**	6,667	9,907	5,237	3,924	3,830	2,534	1,991	1,700
Income Taxes	**2,350**	2,793	3,672	2,413	1,708	1,730	1,085	832	698
Minority Interest	**990**	638	533	(225)	136	176	8	20	5
Net Income	**$ 3,120**	$ 3,236	$ 5,702	$ 3,049	$ 2,080	$ 1,924	$1,441	$1,139	$ 997
* Earnings per share	**$ .23**	$ .24	$ .42	$ .24	$ .15	$ .15	$ .11	$ .09	$ .8
4th Quarter									
Sales	**$44,028**	$34,739	$38,588	$24,818	$20,424	$12,978	$8,981	$7,007	$4,407
Cost of sales/operating	**30,173**	25,877	26,555	17,064	14,888	9,782	6,263	4,599	3,121
Depreciation	**2,951**	2,323	1,431	936	840	589	287	274	240
Net income before Tax and Minority Interest	**10,904**	6,539	10,602	6,818	4,696	2,607	2,431	2,134	1,046
Income Taxes	**3,943**	1,501	4,091	2,915	1,517	801	900	962	435
Minority Interest	**924**	637	808	(171)	46	14	8	(1)	27
Net Income	**$ 6,037**	$ 4,401	$ 5,703	$ 4,074	$ 3,133	$ 1,792	$1,523	$1,173	$ 584
* Earnings per share	**$ .45**	$ .33	$ .42	$ .31	$ .24	$ .13	$ .12	$ .09	$ .04

* Adjusted for stock splits in April 1975, September 1978 and April 1980.

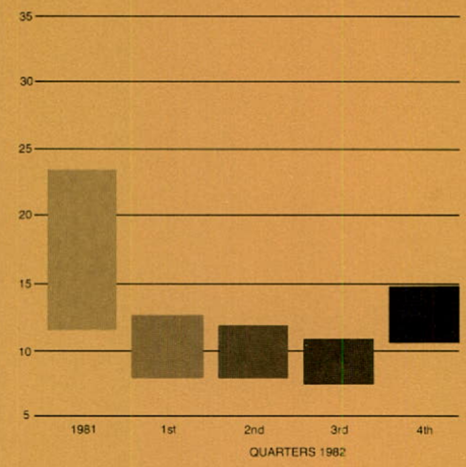
SHARE PRICES — 1982, 1981

TSE — IN CAN. $ VOLUMES TRADED 1981 — 1,439,191 1982 — 1,669,323

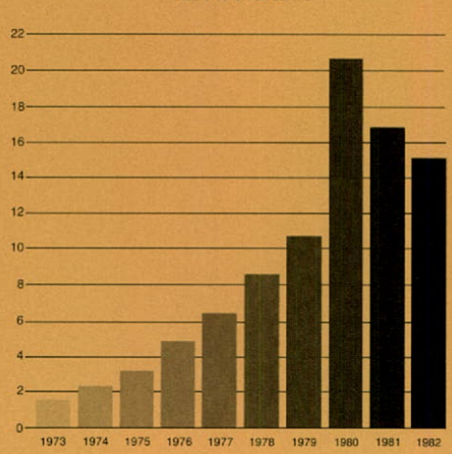


SHARE PRICES — 1982, 1981

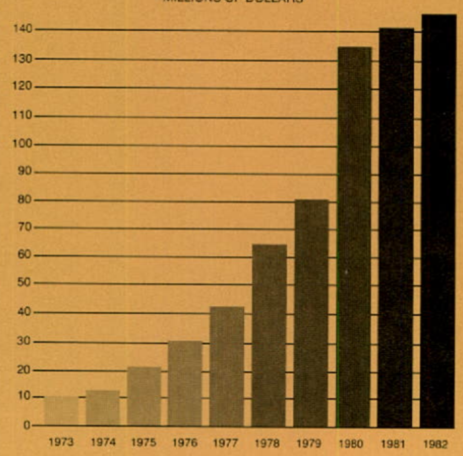
NASDAQ — IN U.S. $ VOLUMES TRADED 1981 — 1,278,659 1982 — 994,816



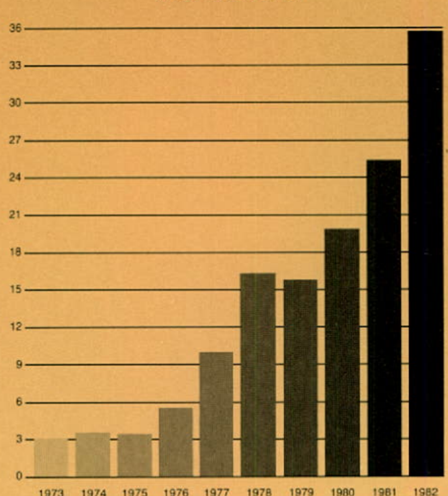
CONSOLIDATED NET INCOME
MILLIONS OF DOLLARS



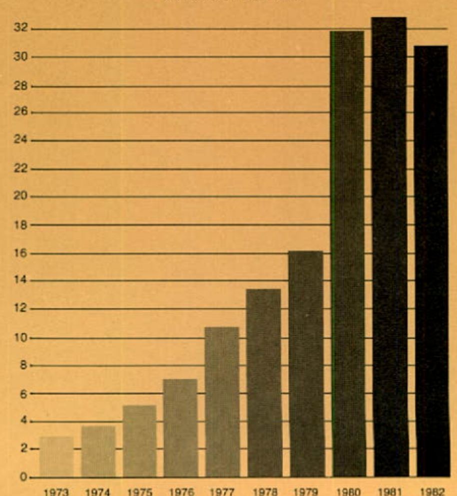
CONSOLIDATED SALES
MILLIONS OF DOLLARS

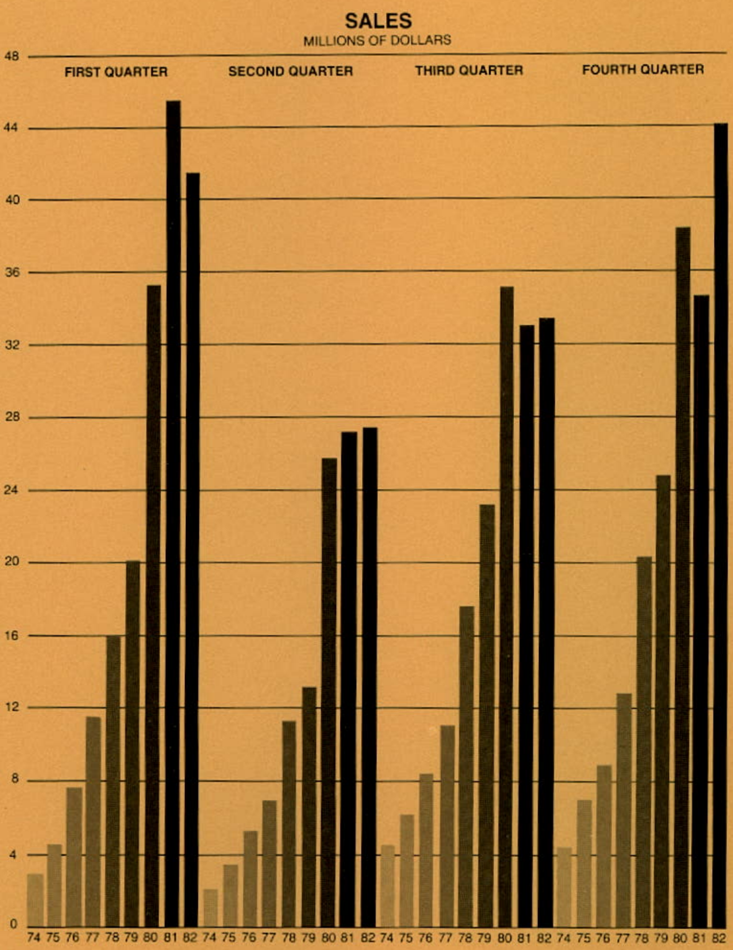


NET CAPITAL EXPENDITURES
MILLIONS OF DOLLARS



CASH FLOW FROM OPERATIONS
MILLIONS OF DOLLARS





SALES
MILLIONS OF DOLLARS
FIRST QUARTER
SECOND QUARTER
THIRD QUARTER
FOURTH QUARTER
0
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8
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16
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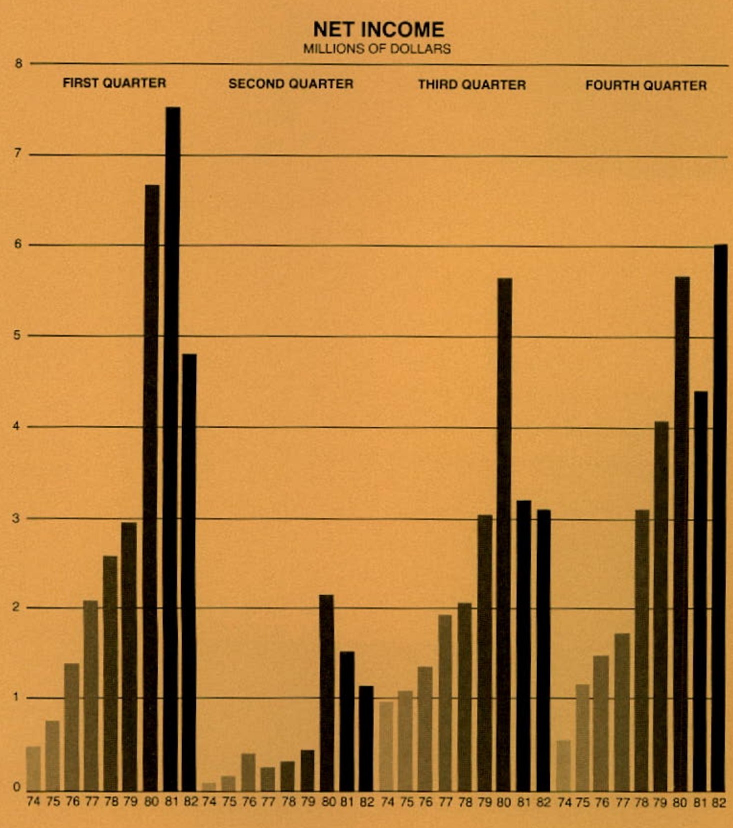
74 75 76 77 78 79 80 81 82 74 75 76 77 78 79 80 81 82 74 75 76 77 78 79 80 81 82 74 75 76 77 78 79 80 81 82



NET INCOME
MILLIONS OF DOLLARS
FIRST QUARTER
SECOND QUARTER
THIRD QUARTER
FOURTH QUARTER
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4
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8
74 75 76 77 78 79 80 81 82 74 75 76 77 78 79 80 81 82 74 75 76 77 78 79 80 81 82 74 75 76 77 78 79 80 81 82

NOWSCO Well Service Ltd.

900 NORCEN TOWER 715 - 5th AVENUE S.W., CALGARY, ALBERTA, CANADA T2P 2X6

lawson graphics western
PRINTED IN CANADA

Corporate Highlights

1962 — Nowsco (condensed from Nitrogen Oil Well Service Company) is formed and operates out of a single office in Red Deer, Alberta.

The first two employees, both of whom are still with the company, are trained to introduce liquid nitrogen applications to the oil and gas industry of Western Canada. The first wellsite treatment is completed: a nitrogen displacement for Unotex Petroleums on October 17, 1962.

1963-1964 — The industry acknowledges the many down-hole applications for nitrogen. To meet this growing demand for wellsite servicing, Nowsco expands its fleet to four liquid nitrogen pumping units and its staff to eight, of whom six are still with the Company.

1965 — Nowsco builds its first fluid pumper to offer acidizing to its customers, a business already well established by competitive companies.

1966 — The first cementing unit is built and stationed in Swift Current, Saskatchewan, further diversifying Nowsco's capabilities.

1967 — Annual sales exceed 1 million dollars.

1968 — Nowsco enters the international market for the first time with nitrogen equipment transported to Alaska to displace wells in Cook Inlet.

1970 — Nowsco introduces the first Endless Tubing Unit (E.T.U.) to the Canadian oil industry and makes a major capital investment in the equipment needed to enter the hydraulic fracturing market.

1972 — In April, Nowsco becomes a Canadian public company, with shares trading on the Toronto Stock Exchange.

1973 — Annual sales exceed 10 million dollars and capital expenditures top 3 million dollars. Staff levels pass the 150 mark, and the first international base is established in England to service the developing North Sea oil industry.

1975 — The first base in Continental Europe is opened at Vechta, West Germany. Foam fracturing technology is pioneered in Western Canada. The first sale of Nowsco-designed equipment to India is completed. Annual sales break the 50 million dollar mark for the first time.

1976 — 'In-house' laboratory facilities are opened in Calgary, a significant extension of the technological services offered to Nowsco customers.

1977 — Expansion in the international market continues with the establishment of an operational base in Singapore. Here, the first offshore stimulation barge, "Super Stimulator I", is built and based.

1979 — In November, the Fabrication, Research & Development and Training Centre is opened in Calgary, part of Nowsco's program of expansion and upgrading of in-house technological expertise. This 32,000 square foot complex rapidly becomes the 'heart' and the 'brains' of a fast-growing corporate body. Here, research programs are conducted along with fabrication of specialized equipment. Currently, as many as 500 Nowsco employees are trained annually, as well as some 200 domestic and international employees of client companies.

1980 — Annual sales reach over 135 million dollars and a 3-for-1 stock split takes place. Capital expenditures approach 20 million dollars and the Company expands its operations to the East Coast of Canada.

1981 — Equipment and technology sales of over 10 million dollars are made to the Governments of India and Pakistan. A new subsidiary is established in Italy. Nowsco's initial move into the United States is made with bases of operation in Ohio and West Virginia.

1982 — Nowsco's twentieth anniversary is marked by record sales of over 146 million dollars. Operations are further expanded in the U.S. into Kentucky and Tennessee. A Chemical Blending Plant is opened in Calgary and new operations bases are opened in Newfoundland and Nova Scotia.

1983 — Today, Nowsco employs over twelve hundred people. More than three hundred mobile oilfield units are operated from twenty-one bases in Canada, five bases in the United States, eight in Europe and four in Southeast Asia. Plans are in place to bring on stream additional bases of operation from which to extend market influence and enhance accessibility to the international oil industry.

Operating Locations

Canada

ALBERTA
Brooks
Calgary
Drayton Valley
Edmonton
Grande Prairie
High Level
Lac La Biche
Lloydminster
Medicine Hat
Peace River
Red Deer
Slave Lake
Whitecourt

BRITISH COLUMBIA
Fort St. John
Ft. Nelson

SASKATCHEWAN
Estevan
Kindersley
Swift Current

MANITOBA
Waskada

NEWFOUNDLAND
St. John's

NOVA SCOTIA
Dartmouth

United States

OHIO
Wooster

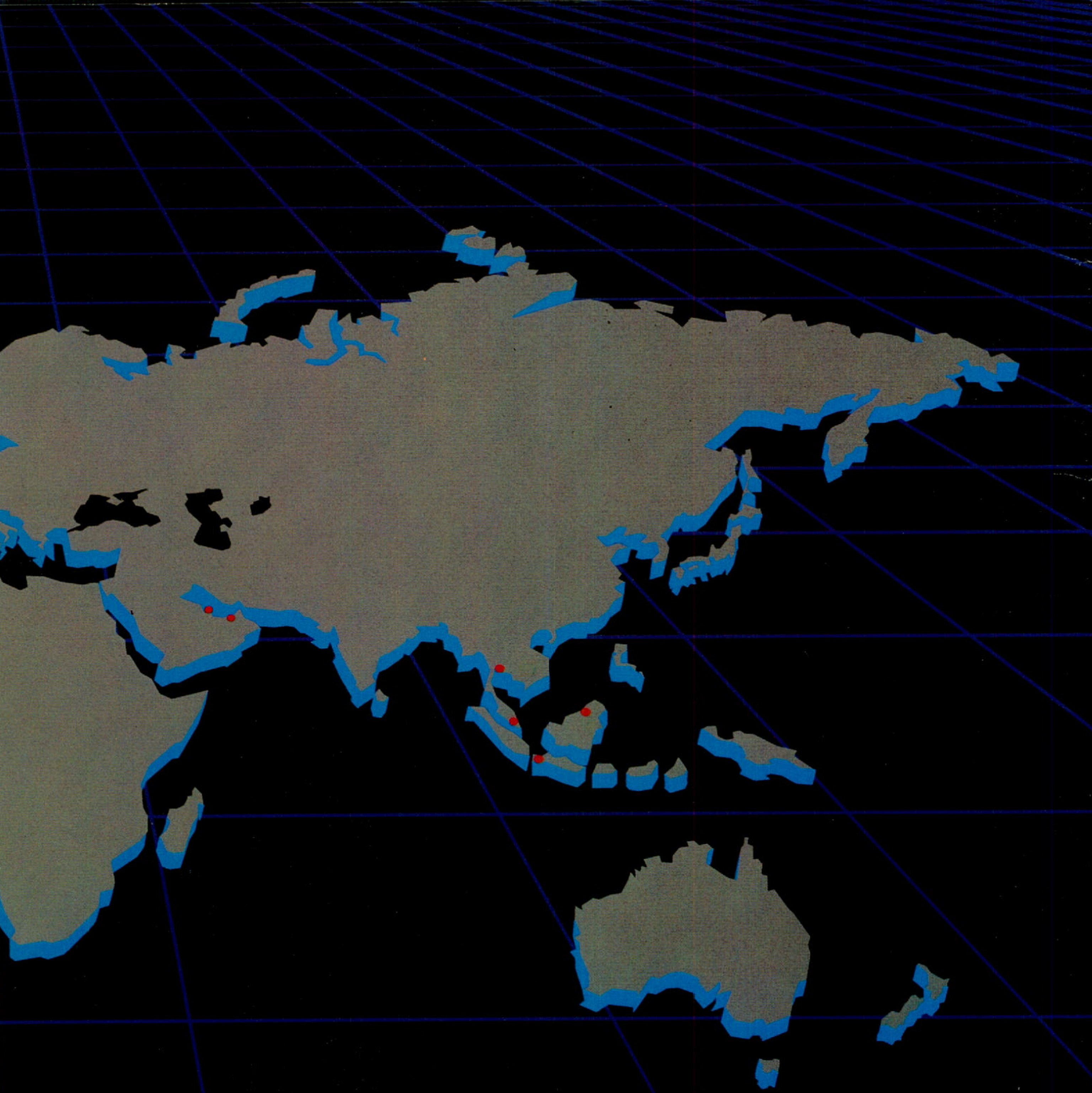
WEST VIRGINIA
Clarksburg
Parkersburg

KENTUCKY
Columbia

TENNESSEE
Crossville

U.K./Europe

Great Yarmouth, U.K.
Aberdeen, U.K.
Leeds, U.K.
Vechta, West Germany
Pau, France
Ravenna, Italy
Stavanger, Norway
Den Helder, Netherlands

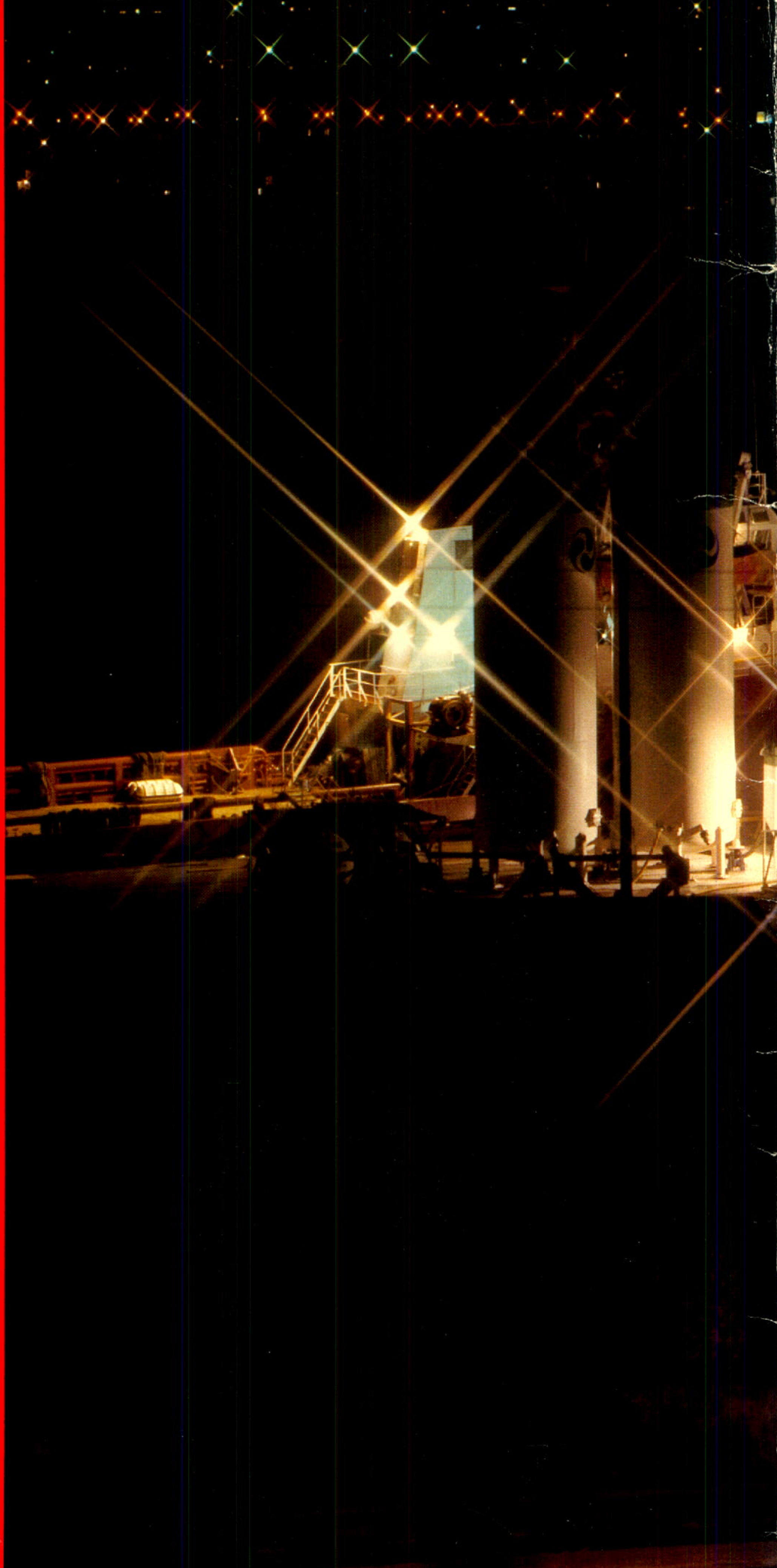


Middle East

Doha, Qatar
Dubai, U.A.E.

S.E. Asia

Singapore
Kuala Belait, Brunei
Jakarta, Indonesia
Bangkok, Thailand



NOWSCO Well Service Ltd.